Digital Gamma, Inc
123 Town Square Place, Suite 619
Jersey City, NJ 07310

Week Ending Mar 8

	3/8/2022	3/1/2022
BTC	38975	43595
ETH	2596	2929
BTC Implied Yield (Qtly)	1.41%	2.25%
BTC 1M Implied Vol	74	68
BTC 7 Day Realized	65	75
BTC 1M 0.5 std dev skew	-5.2	-4.8
Implied 1 Std Dev Move	1536	1551
Avg Daily Move	1148	1668
Avg Daily Range	2126	3042

Hi All,
Corey Hoffsten tweeted about being overwhelmed by macro:

My answer:

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So after two years of joyous Covid, the remaining three Horsemen of the Apocalypse have joined the party. War, Pestilence, Famine, and Death. Yes, I have a dark sense of humor. And to be clear, it is simply a way to deal with the tragedy of lost human life when and where bombs fall. Let's hope that the war for Ukraine resolves quickly and the specter of the last two horsemen fade to black. To mix mythic metaphors, much has been let out of the box. What things?

1. Regionalization (vs globalization)
2. Weaponization of the currency both against sovereigns (Russia, etc) and against citizens (Canada)

These things were already in motion prior to Russian's invasion and the Canada truckers. Yet these recent moves are different because now these are conventional wisdom viewpoints. As usual, I have more questions than answers. For instance, did these events cause regionalization and strong money controls? Or the other way around? Or is it a number of trends coming together for some time? I suspect the last of the three.

I wrote a couple of weeks ago or so about how we are in a new regime. A regime where there is inflation and real rates are going to fluctuate. If the Fed is going to tighten and there is inflation, we are in a new regime. The trouble is that Fed policy (both ZIRP and QE) are supply side stimulants. That is, they make it easier to fund capital projects. In contrast, fiscal policy tends to get money to the hands of more people, which is a demand side stimulant. Right now our inflation is not caused by too much demand; tightening monetary policy won't help. In fact, ironically, due to #1 above – regionalization – we actually have a need for capital expenditure to onshore manufacturing. That suggests a need for easing money policy to make it easier for businesses to order plant and equipment. On the other hand, tightening fiscal policy won't help either because it is not demand led inflation. It is a supply shock. That's ignoring the potential human catastrophe that the loss of a Ukranian wheat harvest implies.

New regimes mean new rules and new winners & losers. For 30 years we have been optimizing on the peace dividend of globalization. That meant massive financialization – that's what debt financing is: optimizing to the good, stable times. We now have geopolitical intrigue and major powers getting involved in hot wars with more threatened. This is very 1970s. Or 1930s. I'm still in the middle of thinking this all through, however, I don't think that this gets unwound. My belief is that it accelerates. And that is why for 30 years, traders could worry about global macro less and less. It was all about (as the truly old macro guys will know) the convergence trade. This is a new regime where macro really matters. In ways that even during the Cold War nations did not have as many *degrees of freedom* to act.

To relate this to cryptocurrency, for 30+ years we have been manufacturing wars to replace the cold war. Now we seem to have a real one and a new, potentially, multi-polar world. I mention this because of the relationship between money and law. If that was not already clear from sanctions on Iran and others before, the weaponry of money in both Canada against its citizens and globally against Russia is front and center. On the one hand, it appears as though BTC/crypto would benefit from sovereign censorship. On the other hand, I am less sanguine because it is not

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clear to me how one would access the BTC. Either to transact or to spend it. I am aware we can all do point to point BTC transfers on our own wallets. And that we can exchange cash (for now). Nor can this be isolated to "them's" like Russia. It is "us's" like Canada wielding the banking system against its own citizens. The idea that the US administration might weild too heavy a hand in crafting regulations is not that hard to imagine right now. For now, I'm going to put this one in my "too hard" pile. I will say that this is where it makes a difference between holding BTC in your own wallet vs GBTC. As Joe Weisenthal put it, "You can try to short the sovereign, but the sovereign may not take it well if you do."

Basis continues to be a snooze but I think therein lies a truth: people are busy elsewhere. It is all hands on deck for commodities. BTC volatility has crept higher even as realized volatility has edged lower. With all of the above commentary, I still prefer long option positions whether that means owning straddles, or just being net long contracts.

I recently joined Chris Messina on Messy Times. Check it out here.

For those of you looking for information on global macro, I've found Peter Zeihan and Dr Pippa Malmgren very helpful.

These are uncertain times. But that has brought us Zelensky, the Ukraine's Churchill. Kyiv is still standing. There is still time to work on building global food supplies as best we can even without a Ukraine harvest. And, ultimately, the best defense against an uncertain future is not to worry about it, but on the one hand prepare and on the other hand make the most of now.

Best,

Ari

Chartbook

DISCLAIMER: Do your own research. Nothing herein is investment or trading advice. All information here is given on a best efforts basis and there is no guarantee of accuracy.

Our mailing address is:
info@digital-gamma.com