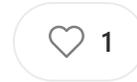


Yeeeeeeehaaawwww

Week ending Oct 25



Ari
Oct 25



	10/25/2022	10/11/2022
BTC	19766	19060
ETH	1411	1288
BTC Implied Yield (Qtly)	0.50%	0.25%
ETH Implied Yield (Qtly)	-2.2%	-3.0%
BTC 1M Implied Vol	55	64
ETH 1M Implied Vol	67	76
BTC 7 Day Realized	19	25
BTC 1M 0.5 std dev skew	-6.1	-7
Implied 1 Std Dev Move	567	639
Avg Daily Move	173	209
Avg Daily Range	408	541

[Weekly Chartbook Here](#)



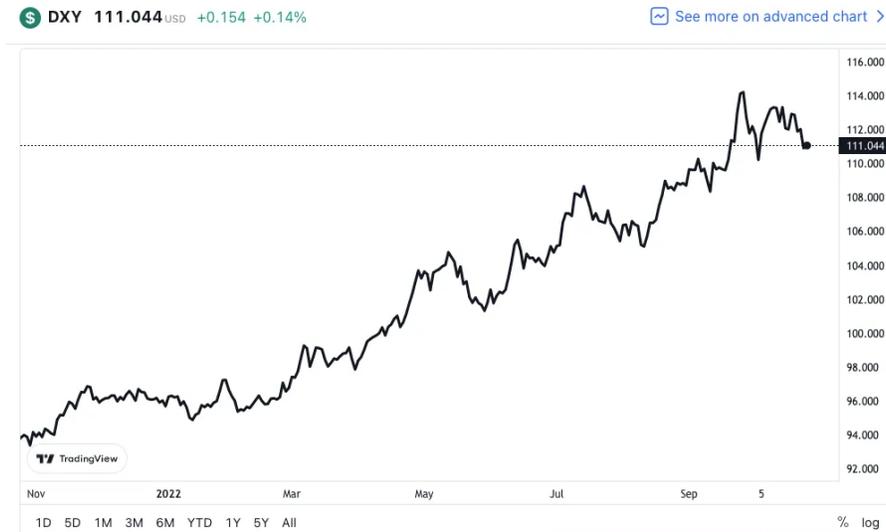
TFW you have an outline of what to discuss for the week's commentary and then Matt Levine publishes a crypto magnum opus. I have not yet read it; I'm sure it will be excellent. I'm always amazed at how much press Bloomberg dedicates to crypto. It was definitely a much needed boost.

BTC has a \$1200 range after realizing 19% volatility for the past week. After having something like a \$120 range since Sep 15, ETH powers into a \$200 range on the day (my screen has Deribit perp 1337-1527 so \$190). 14% intra-day.

Implied volatility had a pretty impressive range today for ETH, too. Something like 30 vols. To give you something of a perspective, there was a 1x2 put spread where the 2 puts were offered over. It was getting close to being interesting at around \$1390, then as ETH rallied higher, the delta to the put spread made it less interesting, and then ETH went *much* higher and because vol exploded the put spread became interesting again. I'm sure that made sense and seems funny/amazing to us option propellerheads. Everyone else is probably think "hey, you are a propellerhead".



I originally was going to write about how the Dollar Index looked to be consolidating.



No wonder that crypto was stuck with the USD drifting around. The dollar having a big move down (IIRC down about -0.9% this morning) put a floor under crypto. I have to think that Matt Levine's cover to cover Business Week issue slingshot crypto past. ETH definitely outperformed and that makes sense given ML's support/interest in DeFi as financial markets laboratory.

"I don't have strong feelings either way about the value of crypto. I like finance. I think it's interesting. And if you like finance—if you like understanding the structures that people build to organize economic reality—crypto is amazing. It's a laboratory for financial intuitions."

Matt Levine

Bloomberg Opinion columnist

Levine, author of the *Money Stuff* newsletter, went cover-to-cover in a special issue of Bloomberg Businessweek to tell the story of crypto

It is worth revisiting last week's commentary "Keep calm and sell options" where I wrote that "The idea here is to avoid a naive [short option] position that could get caught in a big move and instead construct something that both leans toward your preference (movement or not) with some positive expectation. Because you just don't know." That still holds.

I think the following:

1. Implied volatility is higher than it was last week
2. The structural/habitual volatility sellers have not gone away nor do I think they got rekt (lost money, yes, blown out, no)
3. ETH might be breaking out of its range; BTC has not

My inclination is that there was a lot of coiled energy, especially in ETH. I think that crypto has had a bit of a one-off shot in the arm for now from this Bloomberg crypto Matt Levine extravanza and that crypto is going back to being 1/USD again. The dollar has far lower volatility than a new financial markets lab.

Things I'm reading / listening / watching:

1. There is an institutional crypto vibecession (stolen shamelessly from Kyla Scanlon), from Blockworks daily on Oct 20: David Fauchier on whether institutional money has arrived — "It's happening, but no one's as excited about it as they were in 2017 when it wasn't happening."
2. Fidelity adds ETH to its offering
3. Wall Street Traders or Washington Officials? Sometimes its Hard to Tell. Not a good look for the "crypto is a bunch of scammers" crowd.
4. Central banks losing billions. Keep in mind that there have been a lot of positive remittances to Treasury over the past decade. History has yet to judge if TARP and the crew from Goldman Sachs created a bailout that blows out the US taxpayers.

Tell me (how) I'm wrong,

Ari

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. Digital Gamma or the author may or may not have positions in the assets or their derivatives mentioned herein.

Thanks for reading Don't Take My Word for It
(Digital Gamma Blog)! Subscribe for free to
receive new posts and support my work.

norman@digital-gamma.com



Comments



Write a comment...