

Business as usual (well, for crypto)

Weekly Commentary 22 March 2022

	3/22/2022	3/15/2022
BTC	42647	39200
ETH	3009	2604
BTC Implied Yield (Qtly)	4.30%	2.50%
BTC 1M Implied Vol	66	76
BTC 7 Day Realized	50	79
BTC 1M 0.5 std dev skew	-2.2	-3.3
Implied 1 Std Dev Move	1473	1559
Avg Daily Move	744	1545
Avg Daily Range	1472	2166

Click here for the full [March 22 Chartbook](#)

Greetings,

So, one of my friends and readers of this note brought to my attention that the Russian protestor with the sign that I mentioned last week was, essentially, a Russian propaganda plant to deflect attention away from Russian mis-deeds. Well, too bad for me. I guess I wanted to believe. It is a reminder that there are always at least two realities: “the” reality and our perceptions of that reality. Of course, both count. There is fact (price) and there is narrative.

I’m going to avoid talking global macro, regime changes, and other big picture topics. At least for this week. Hence, “business as usual”.

Paul and I had a conversation with another crypto derivatives trading firm that we are friendly with. They noted — sadly — that their opportunity set (also one of our opportunity sets) had disappeared due to lack of volatility. It caused eyes to open for their backers because BTC had, itself, been quite volatile. But basis was not only very low, but it was also very stable. And not just stable, but stable across exchanges, too. There has been very little urgency to do trades or get

leverage via futures. Is this a permanent state of business as usual? I don't think so. First, open interest has been subdued for futures. Check out the chartbook at the back and you will see very low levels of open interest for the Binance perpetuals (BTC and ETH). Finally, ETH is starting to pick up. This may be possibly related to ETH staking & the Merge.

This week, basis has risen. June yields are now above 4% for BTC and ETH yields have risen, too. Let's hope for us and for our colleagues mentioned above, that some flows and volatility hit the futures market. Meanwhile, BTC takes one week off of moving and implied volatility drops like a stone. One month volatility is checking in at 66% but 1 week and in are right around 60% or even like NY weather in the 50s.

We continue to see intense volatility surrounding commodities and interest rates. Commodities are first order problems as we have to eat and use energy. Interest rates are second order problems as they drive the rest of the financial markets. Stocks? Bitcoin? Those are farther down the line. It is far harder to break down the consequences of what is happening now to crypto even if no one appears to be stopping trying.

Best

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