DGAM Trading, LLC
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Week Ending Mar 1

	3/1/2022	2/22/2022
BTC	**43595**	**37734**
ETH	**2929**	**2603**
BTC Implied Yield (Qtly)	**2.25%**	**1.00%**
BTC 1M Implied Vol	**68**	**62**
BTC 7 Day Realized	**75**	**67**
BTC 1M 0.5 std dev skew	**-4.8**	**-4.7**
Implied 1 Std Dev Move	**1551**	**1224**
Avg Daily Move	**1668**	**1277**
Avg Daily Range	**3042**	**2048**

Hi All,
Be careful what you wish for. I say that far too much; unfortunately, it often is very applicable. It has become very easy to cheer for the Ukrainians: they have shown great bravery in the face of a large invading force (whether it is all in their country or available to, does not matter to me). Yet consider their adversary, Vladimir Putin. Ukraine is the clear underdog here and, certainly, the Russians feel that they should be a clear winner. So what happens if that stalls or even outright fails? I don't know. I do know the Ukrainians don't have a choice but to fight. However, their success is the Russian's failure. An outright win or even achieving a deadlock will be humiliating to the Russians and likely will impact the relationship with China. Humiliation and setbacks are the kind of thing that can badly set off proud, militaristic, and isolated types. This is my big worry right now. Humiliation of a bully with a nuclear arsenal is not a desirable outcome. Global leadership would all be wise to plan for a face saving way out in the (hopeful) event this invasion does not go well for Russia.

In far lighter news (which is basically everything else), I have heard little about how crypto (or at least BTC) has bucked its correlation to equities. The trouble with any of this is that there are all sorts of drivers of correlation. As discussed last time, the denominator matters as much as the numerator. But also, there are different uses for different assets & commodities. So "digital gold" is one aspect of cryptocurrency. Another is "non-bank payment system". Which given the situation in Europe right now, sounds like the most important aspect whether you are Ukrainian or Russian.

The most interesting market action that I see right now is in BTC options term structure. Right now, the term structure is flat to *backwardated*. Meaning that short term ATM implied volatility is higher than longer term. Maybe a better description is convex, or saucer shaped with the trough

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being the May 27 expiration although it seems flattish from April 29 to June 24. The point being is that implied volatility is both low statistically and lower than one month even if not by much. This suggests the flows have changed. With not much change in options open interest it appears from here that longer term buying has slowed. On the other hand, implied volatilities still look cheap relative to realized, so I don't think that flow has changed too much in spirit, although perhaps a bit in volume.

Basis still stinks. I could write about a few nuances, but the truth is that would give the impression that there is more to do than there actually is. There is not even a wide dispersion of basis across exchanges.

Finally, I have written a review of Michael Pettis's book and posted it on our blog page here. I recommend you take a look because I think he has created a durable framework for thinking about emerging markets specifically but markets more generally. I find that it is very applicable to our markets both as an indication that they look and feel like emerging markets and also some opportunity to think about the market structure and how centralized and decentralized entities ought to think about their capital structure.

Best,

Ari

Chartbook

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