

Digital Gamma Weekly Commentary



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Week ending March 15



Ari
Mar 16



Hi All,

	3/15/2022	3/8/2022
BTC	39200	38975
ETH	2604	2596
BTC Implied Yield (Qtly)	2.50%	1.41%
BTC 1M Implied Vol	76	74
BTC 7 Day Realized	79	65
BTC 1M 0.5 std dev skew	-3.3	-5.2
Implied 1 Std Dev Move	1559	1536
Avg Daily Move	1545	1148
Avg Daily Range	2166	2126



Not for the first time, a woman made me feel inadequate. Quoting: “bravery is not the absence of fear but action in the face of fear”. Incredibly impressed by many of late, this time:

Marina Ovsyannikova with her poster on Russian news TV imploring the rest of us to ignore the propaganda.

The future is just as inscrutable today as it was yesterday and will be tomorrow. It is only our perception of certainty about what comes next that changes.

Today is the first day of a 2-day FOMC meeting. It is expected that the Fed will hike 25bps and continue to do so. There are concerns of 50bps hikes. After all, with 7.9% CPI prints, a 0% target rate looks awfully easy-money-ish. The question is whether this changes anything. As I wrote last week, the irony of tightening right this moment is that at least part of this inflation is driven by supply shortages. Making money tighter won't help that since we will need to add capacity to supply stuff to people. Of course, raising interest rates to 1-2% won't hinder that either. Still, after all these years of no inflation and easy monetary policy incentivizing the wrong priorities, there is a certain amount of symmetry to the Fed tightening into a supply problem. The real question is: does it matter? Now that we have geopolitics, confiscation of sovereign reserves, and governments of all types (haha) cracking down on free speech is the Fed still the main focal point? FWIW, my take is that the Fed will go 25bps and markets across the board will sigh in relief.

Looking at stats for the last week, most everything looks the same. Note that the yields are now based on the June quarterly futures rather than the March. A notable difference is that the average daily move has increased significantly from 1148 to 1545. Check out the options OI graph and you will see OI building. Implied volatility is building along with it. No huge move but a steady uptick from the lows of February. Futures OI, at least at Binance, for both BTC and ETH is doing nothing. Unsurprisingly, basis is not doing anything either. If volatility continues to move up, I'm going to expect basis to follow. Meanwhile, with 1 month implieds higher than 3 months, the FOMC coming back as expected (meaning a 25bps hike with fewer tightenings than priced into rate futures) will mean implieds fall back down and likely crypto drifting higher. YMMV.

We hope that everyone likes this new format. Here is this week's [chartbook](#).

Best,

Ari



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