

## Week Ending Feb 15

	2/15/2022	2/8/2022
BTC	43955	44040
ETH	3099	3110
BTC Implied Yield (Qtly)	1.30%	2.80%
BTC 1M Implied Vol	64	64
BTC 7 Day Realized	30	70
BTC 1M 0.5 std dev skew	-5.75	-1.9
Implied 1 Std Dev Move	1472	1475
Avg Daily Move	487	1317
Avg Daily Range	1846	2063

Hi All,

Today's note is about my pet peeves. For a variety of reasons, it seems to be peeve season. So here they are:

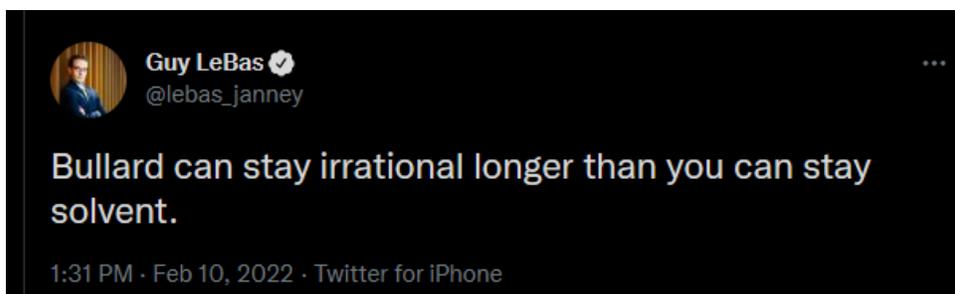
- 1) Crypto is a ponzi scheme
- 2) Bitcoin is correlated to stocks
- 3) If Bitcoin is an inflation hedge, why did it go down with a huge CPI print?

This has been brewing for quite a while. For some reason, otherwise seemingly intelligent adults are calling crypto and, to be fair, other assets Ponzi schemes. This has been building up for some time now and my ire has been growing. I don't care if you like BTC or ETH or GME or whatever. A Ponzi is a deliberate scheme to defraud utilizing new money to pay out existing "investors". Byron Gilliam of BlockWorks beat me to it [writing yesterday](#) and does a nice job highlighting the difference between a Ponzi and a "greater fool" asset (I suspect they all are, really). 'Nuff said.

CPI prints 7.5% and all the rage is talking about how BTC falls and is correlated with equities. Meh.



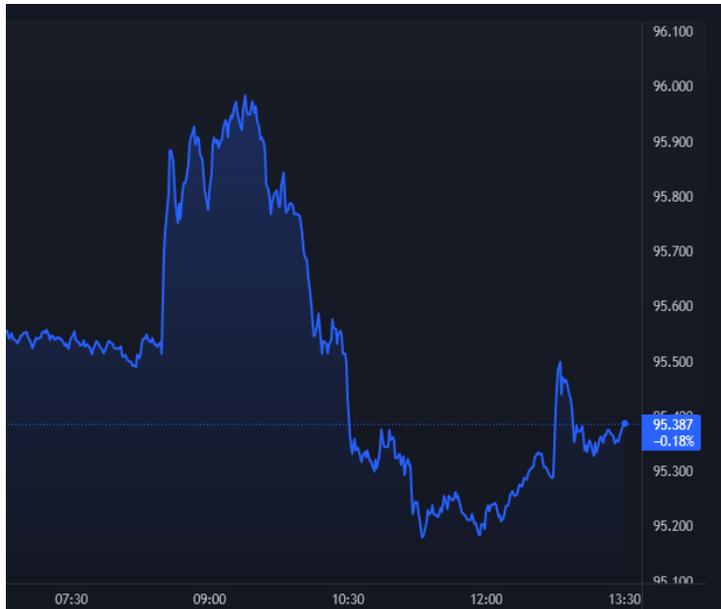
Yes, that's a recent pic of me. I know: been hitting the gym and I need invisalign. I may be a caveman, but even I know that markets are forward looking. With inflation measuring above a Fed target and the Fed making it clear that they want to act with one member advocating for 50 bp hike:



A forward looking market asks questions about what the world looks like with receding fiscal stimulus, higher real interest rates, and a 3mo-2yr curve at 120bps which implies an aggressive path of hikes. So when people ask why <insert BTC, Gold, whatever> is supposed to be an inflation hedge and on CPI day it goes down on a 7.5% print it is because everyone can easily see that monetary policy is going to change dramatically. The "real" story is how inflation is going to impact the path of real rates. Ultimately, the idea that something is an inflation hedge is not wrong but is better thought about as a short position to the USD (or whatever currency your personal balance sheet is denominated in).

Which is a perfect segue into peeve #3. Correlation. What do the SPX and BTC have in common? A denominator. Implicit in the pricing of SPX is that it is technically SPX/USD (for the Gartman fans it is long of SPX in USD terms). And explicitly BTC is BTC/USD. That slash is not silent: it means something! If the real market move is in the USD, then the numerator matters very little.

Here is the DXY on CPI day (from TradingView):



I mean, if you are looking at anything that is XXX/USD, then don't be surprised if the chart looks inverted to the one above (on CPI day). Sure BTC does. Because it is, ya know, BTC/USD. The slash aint silent! You can't diversify out of the dollar exposure – you are short the dollar when you go long BTC/USD or SPX/USD or EUR/USD. Everything listed there is XXX/USD. It does not go away!

So why are these peeves and not just “other people being wrong?” (the struggle is real). It is because these false narratives are peddled to feed an agenda. I'm okay with people having an agenda; I just prefer the agenda to be marketed with earnest information rather than disingenuous false analysis.

From Artur Sepp (a long time volatility analyst now looking at crypto): ETH-BTC ATM volatility has converged to tight levels. This highlights a hole in our coverage that we will work to fix, i.e., ETH options. Ultimately, my belief is that this convergence and the overall low implied volatility levels are tied to the Defi Option Vaults. Which, by the way, also deserves more attention from DG.

Honestly, basis is awful. Implied rates are too low to realistically raise money to bring USD into the system and they are not really negative so crypto is not earning carry. Plus with volatility low, spreads are not even that exciting. Sure, there is always something ... but overall it is a pretty uninteresting market right now.

There are two things that interest me. First, Binance open interest has not moved with the move higher in spot. And, second, I remain intrigued that despite dollar tightness and higher interest rates in USD, there is no cash-n-carry to be had. The two seem related, so to that extent, that is a clue. CME open interest continues to decline since peaking on the BITO and BTF launches. Is it just due to lack of literal interest? Looking at Defi Llama, I don't see Total Value Locked making new highs. Maybe it goes back to the slash: for now, the real story is the dollar and not digital assets.

On a final note, we have met the enemy and we have become them (not a perfect quote, but better fitting). [BlockFi slapped with \\$100M fine](#). They are part of the banking system now. No longer are they answerable to crimes; they just pay a fine. Soooo Citibank.

Best,

Ari

[Chartbook](#)

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