

Week Ending Jan 18

Hi All,

Thank you for all of the feedback. I'm adding a table. I've been meaning to do this for weeks and I'm just doing it. It is a little off the cuff because I did not plan. I just wanted to deliver. So there it is and it is a bit eyeballed rather than exact.

	1/18/2022	1/11/2022
BTC	42376	42735
ETH	3160	3240
BTC Implied Yield (Qtly)	5.5%	6.25%
BTC 1M Implied Vol	53%	68%
BTC 7 Day Realized	37%	49%
BTC 1M 0.5 std dev skew	-2%	-5%

Thank you to Dean Curnutt of the [Alpha Exchange](#) for having me on the podcast. I recommend you check out the podcast series and do appreciate it if you give my episode a listen. Unsurprisingly we talk about crypto derivatives. Surprisingly, we bring up some lessons from the 90s including a great quote from Victor Haghani of LTCM.

Basis has become rather boring with yields low and still, on average, positive. The main exception is CME. Which, on the one hand, seems odd for two big reasons. First, the BTC ETF's were supposed to "fix that" and be a large source of demand for CME futures. Second, last I checked, cash and carry does not work if you sell the future below spot. So that leaves shorts in the driver's seat. That big fear about BITO and BTF (c'mon Ms Wald, can I please put the "D" on the end?) was that they were going to get eaten alive due to heavy contango. Now it is heading toward being a source of return.

GBTC and ETHE have hit the skids at, roughly and respectively, 26% and 20% discount to spot. I have to think that institutional holders from last year are feeling the pain and unloading. New buyers are wading in and, presumably, selling CME futures against them. If I'm correct, then CME will continue to trade cheaply to both offshore markets and 0% for some time. I've thought about it and I don't see the catalyst that will change the direction. That does not mean it does not exist; it means what I said: I don't see it. On the other hand, grabbing BTC or ETH delta exposure via these products can be a cheap source of funding. Sell spot holdings, buy GBTC. So long as things don't get worse, you pay 2% funding cost (Greyscale's management fee) on the

difference. In this case 26% of the notional amount of spot. I'm not advocating this as a trade – I already noted that I don't see a catalyst – and, also, see the disclaimer that you should do your own research. I just think it is interesting and fun to turn over these sorts of trades and carry ideas in my head.

Realized and implied vol is skidding along the lows. It all makes me want to add volatility cones to our charts even more than I usually feel on Tuesdays. I just feel like 10 day BTC straddle for \$3000 is not a sale. Open interest is climbing back from post-Dec 31 expiration lows and things are trading like paper is selling to market makers. Market makers will keep backing up their bids, of course, but this is crypto, and things will re-price to a new level at some point. Maybe not 10 days. But not 10 months either.

Best,

Ari

[Chartbook](#)

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