

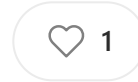


## Short Gamma Walk in the Park

Week Ending June 21



Ari  
Jun 21



Hi All,

	6/21/2022	6/14/2022
BTC	21526	22640
ETH	1178	1248
BTC Implied Yield (Qtly)	0.9%	1.8%
BTC 1M Implied Vol	93	99
BTC 7 Day Realized	130	98
BTC 1M 0.5 std dev skew	-13	-15
Implied 1 Std Dev Move	1047	1165
Avg Daily Move	950	1454
Avg Daily Range	2293	1979

[Download Chartbook Here](#)

On the Nymex floor, the options traders (at least in gold & silver) had an expression for when the market would go bananas having a crazy range, causing panic for customers, stress for market makers, and then end the day pretty much where it started. “*Short gamma walk in the park.*” All you had to do was sell the options and not look at the screen. Or as a shirt I had in college said “No brains, no headache”. That was this weekend in crypto.

Here are some of the important facts from the past 36 hours or so:

1. BlockFi gets a \$250M line of credit from FTX. Serial bail out receiver BlockFi does it again. They sure can raise capital well.
2. Babel Finance locks out withdrawals and receives debt repayment freeze
3. Miners are selling / giving up coin to pay down loans

4. Solend protocol addressing concentrated loans / liquidation levels and working with their “whale”
5. Saturday trading brought BTC down to scary levels but implied volatility “firm but not crazy”
6. Today CME Jul-Aug caught a bid; other basis stays snoozing
7. GBTC discount firms up slightly from a low of 34% to about 30%

There are plenty of other stories to add here, but the overall vibe to me is WGMI. Calling the bottom is a bit of a risk but this is trading. No guarantees, DYOR, etc. But I like that 1) the leveraged, overextended firms have figured out a roadmap to deal with an illiquidity storm, 2) there was clearly some distress or effort to push BTC down over the weekend that looked awful but recovered, and 3) the sell-off was characterized perfectly by Paul saying “vol is firm but not crazy”.

Vol surface kept its pattern with higher vols & higher put skew on the way down, followed by recovery with lower vol and stronger calls. If you agree with the thesis that we are over the worst, selling vol — especially puts — is something worth looking into and constructing an appropriate portfolio. On the other hand, at the moment implied volatility is running something like 50% of 7 day realized volatility. YMMV.

Overall basis was its usual boring self. Out of nowhere, however, August CME futures caught a bid. Jul-Aug calendar spread for BTC traded up to around 112 — or about a 7% implied forward yield (the annualized yield that earning \$112 on current price of BTC from July expiration to August expiration). It is back down to \$70 right now. Meanwhile ETH Jul-Aug was still asleep trading around \$1 — for comparison around a 2% annualized implied yield. It is roll week so a natural expectation is that this occurred from the bitcoin ETFs. What is interesting is that this has always been met by supply. I discussed this 2 weeks ago in Down Round in the GBTC section. The coincidence of GBTC ever so slightly firming and a roll week slippage has me thinking.

Tangentially, Bloomberg noted that:

**Bitcoin's tight relationship** with tech stocks is unwinding. The 20-day correlation with the Nasdaq has fallen by more than half from a record in May as crypto losses outpaced pain for equities. Some digital token watchers are now pointing to signs of a bottom, with Glassnode in particular saying we may be reaching a point of seller exhaustion after losses on Bitcoin holdings hit a record.

Beyond a 20 day correlation metric being more than a little sketchy as being more of a law of small numbers number, I'd suggest that this is telling you more about macro than it is about either Nasdaq or BTC. Related: dollar off its highs, but still near them.

Best

Ari

DISCLAIMER: Do your own research. Nothing herein is investment or trading advice. All information here is given on a best efforts basis and there is no guarantee of accuracy. Digital Gamma or the author may or may not have positions in the assets or their derivatives mentioned herein.

1 like



## Comments



Write a comment...

© 2022 Ari · [Privacy](#) · [Terms](#) · [Collection notice](#)



Publish on Substack



Get the app

[Substack](#) is the home for great writing