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Market Research
Nov 15, 2022

Ahead of the curve
Market Update

Crooks, contagion, distortion, and March 12 flashbacks
After publishing our last report, the gravity of FTX's dire situation quickly became apparent. The collapse took us by surprise, and it's been shocking to learn the extent of the damage caused by FTX's unforgivable mishandling of customer funds. To read our view on the implications of FTX's collapse, check out our post from last Wednesday. In short, the insolvency has short-term led to a distorted derivatives market and harmed liquidity. We believe this will cause prolonged headwinds related to contagion, regulation, and institutional presence.

BTC, BNB, and ETH are all down 18% in the last seven days, mainly trading in a strongly correlated environment. Meanwhile, correlations with equities have fallen amid this devastating and unique crypto-related structural collapse. Macro will likely have a less central impact on BTC's direction until the current storm settles.

State of derivatives: Multiple similarities to the March 12 aftermath
Crypto markets are very distressed, derivatives in particular. The uncertainty introduced by FTX's insolvency has had direct implications on liquidity, generating an enormous demand to hedge. The aftermath of March 12, 2020, is the only period comparable to the current state of the BTC derivatives. Even institutional activity in CME has blossomed, but activity has been heavily concentrated towards the short side.

CME's November contract has traded at an extreme discount to spot in the last week. CME has traded at a more considerable discount to spot than what we saw in the days following the March 12, 2020, collapse in crypto markets.

On November 3, ETFs accounted for 61% of the open interest on CME. Today, they account for 47%. This indicates that the surging open interest in CME is predominantly caused by organic, direct futures activity. Based on the extreme CME discounts and massive backwardation, it seems evident that the new vibrant activity on CME's BTC futures is heavily oriented towards bearish positioning.

The current unique risks associated with contagion following FTX's massive balance sheet hole are the root of loads of uncertainty, likely to have long-term implications on the market, and it may take time for market conditions to normalize.

FTX insolvency to impact liquidity
The FTX collapse has hurt many and will likely impact liquidity massively onward. Per our knowledge, the market maker Genesis Trading has suffered the largest losses, amounting to $175m stuck on FTX, while market-making firm Wintermute saw losses of $55m. The blowout of one of the key market makers in the space, Alameda, and significant losses at other market makers impacts BTC's liquidity, as demonstrated by Kaiko Research this week.

Amidst the uncertainty, we see a trend of massive exchange withdrawals, as crypto owners are moving coins of exchanges following the FTX insolvency. If any other exchanges run similar schemes to that of FTX, this may expose their skeletons in the cupboard, as liabilities cannot be met.

Digital Assets

Signals from the market

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By the numbers

BTCUSD $16,883
7d: **-18%**
30d: **-13%**

ETHUSD $1,271
7d: **-19%**
30d: **-3%**

Open Interest (BTC futures and perps)
$8.5bn
506,000 BTC (**-8%** last seven days)

Average daily BTC spot volume
$13.4bn (**+30%** last seven days)

BTC 90-d correlations (weekly change included)

ETH	Gold	S&P 500	DXY
0.89 (0.09)	0.31 (-0.03)	0.52 (-0.02)	-0.42 (0.05)

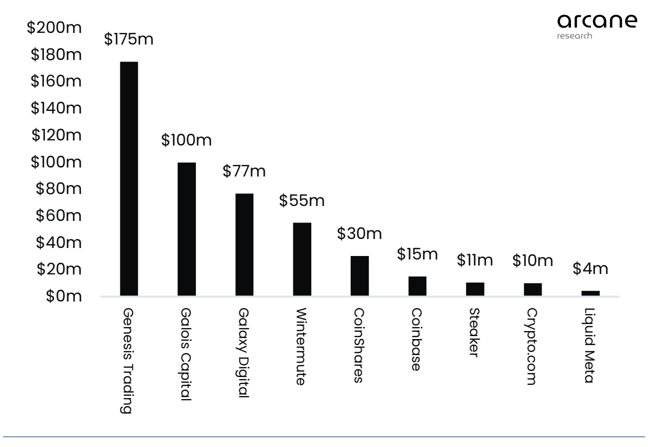
Percentage of Total Market Capitalization
Weekly change in percentage points

BTC	ETH	Stablecoins	Rest
38.2% (-0.4%)	18.3% (-0.2%)	15.8 % (2.1%)	27.8% (-1.3%)

Last week of top 50 by market cap

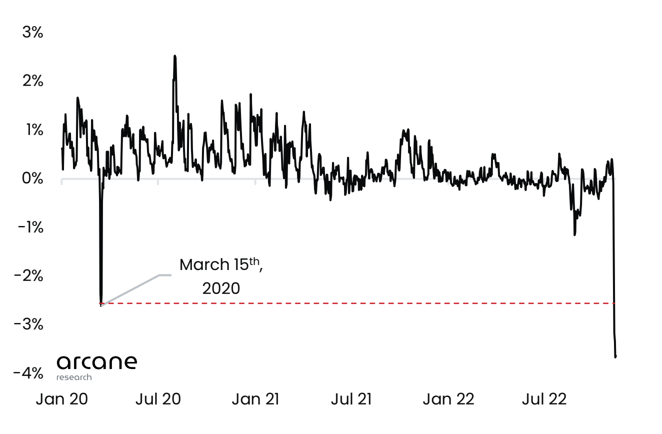
	Ticker	7d	YTD
Gainers			
1	TWT	29%	217%
2	LEO	26%	-1%
3	BCH	17%	-76%
Losers			
1	FTT	-64%	-95%
2	SOL	-50%	-92%
3	CRO	-40%	-87%

Figure 1: Funds lost by known entities following the FTX saga



Source: WuBlockchain

Figure 2: Average daily premium/discount CME BTC futures



Source: Tradingview, premium/discount not annualized

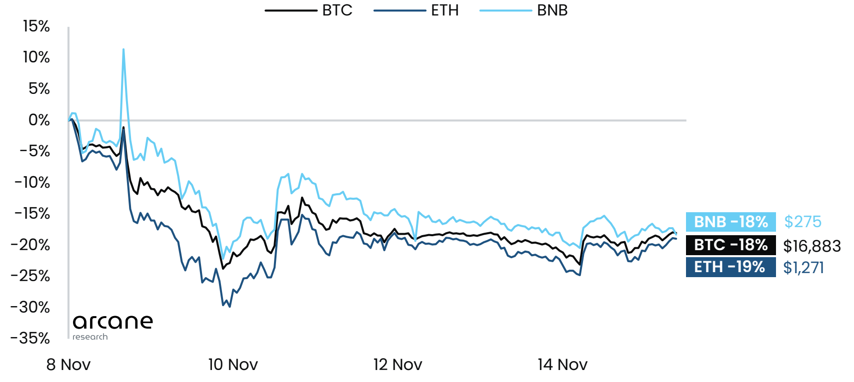
Spot Market

Crooks, contagion, distortion, and March 12 flashbacks
After publishing our last report, the gravity of FTX's dire situation quickly became clear. The collapse took us by surprise, and it's been shocking to learn the extent of the damage caused by FTX's unforgivable mishandling of customer funds. To read our view on the implications of FTX's collapse, check out our post from last Wednesday. In short, the insolvency has short-term led to a distorted derivatives market and harmed liquidity. We believe this will cause prolonged headwinds related to contagion, regulation, and institutional presence.

BTC, BNB, and ETH are all down almost 20% in the last seven days, mainly trading in a strongly correlated environment. Meanwhile, correlations with equities have fallen amid unique crypto-related structural collapse. Macro will likely have a less central impact on BTC's direction until the current storm settles.

Crypto markets are very distressed, derivatives in particular. The uncertainty introduced by FTX's insolvency has had direct implications on liquidity, generating an enormous demand to hedge. The aftermath of March 12, 2020, is the only period comparable to the current state of the BTC derivatives. Even institutional activity on CME has blossomed, but activity has been heavily concentrated towards the short side.

Figure 3: Top 3 Market Cap, Last Week



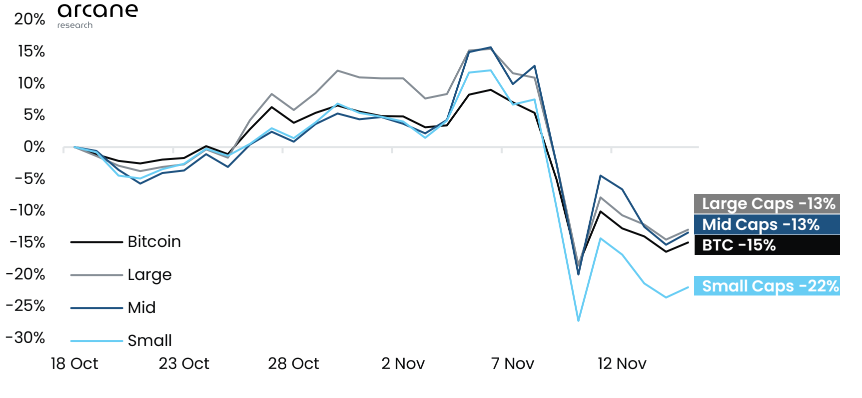
Source: Tradingview, (Coinbase, Binance U.S.)

The entire market is deep in the red
The events of last week have caused severe harm to the crypto market, leading all indexes to see double-digit negative returns over the last 30-days.

The sharpest falls have been seen in altcoins heavily affiliated with FTX, such as FTT, SRM and SOL. This has caused the crypto market dominance from coins outside of BTC, ETH, and stablecoins to plunge to 27.8%, still 3% higher than the lows seen in June.

FTX has liabilities of $1.4bn worth of BTC, $0.6bn worth of ETH, and $5.1bn worth of USD, which is likely to have implications on the market onwards due to knock-on effects as other entities struggle to repay debt. Contagion is likely going to be painful.

Figure 4: 30d Performance of Market Cap Weighted Indexes



Source: Bletchley Indexes, Tradingview (Coinbase)

Headlines last week

FTX had only $900 million in liquid assets backing $9 billion in debt

Crypto financial firm Galaxy Digital reveals $76.8M FTX exposure

Crypto investment firm DCG gives $140M equity infusion to trading firm Genesis after FTX collapse

Jump Crypto says it remains 'well capitalized' following FTX downfall

Binance will launch a new 'industry recovery fund'

BlockFi says platform pause will continue

Bankrupt crypto exchange FTX says it may have more than a million creditors

Calendar

Wednesday, November 16
- UK CPI (Exp: YoY 10.7%)

Thursday, November 17
- EU CPI (Exp: YoY 10.7%)

Spot Market

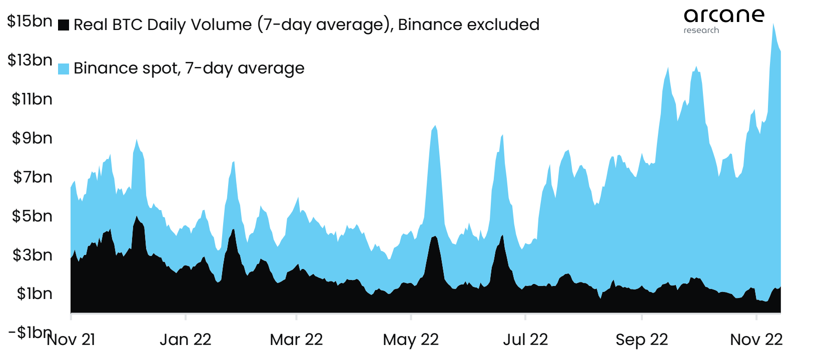
Fear and Greed

Now: 22 (Extreme Fear)
Last week: 31 (Fear)
Last month: 24 (Extreme Fear)

Trading volumes to new yearly highs
Trading volumes pushed to yearly highs last week. Binance saw trading volumes reaching $25bn on Tuesday, November 8, as the market absorbed the FTX news. Trading volumes also surged on other spot exchanges, but most of the trading activity and reaction within the spot market occurred on Binance.

Binance has accounted for 89% of the trading volume among the Bitwise 10 exchanges in the last seven days. The current Binance consolidation is concerning. The 14-year-old history of bitcoin has not been kind towards extreme concentration in one marketplace.

Figure 5: Real BTCUSD Daily Volume* (7-day average)



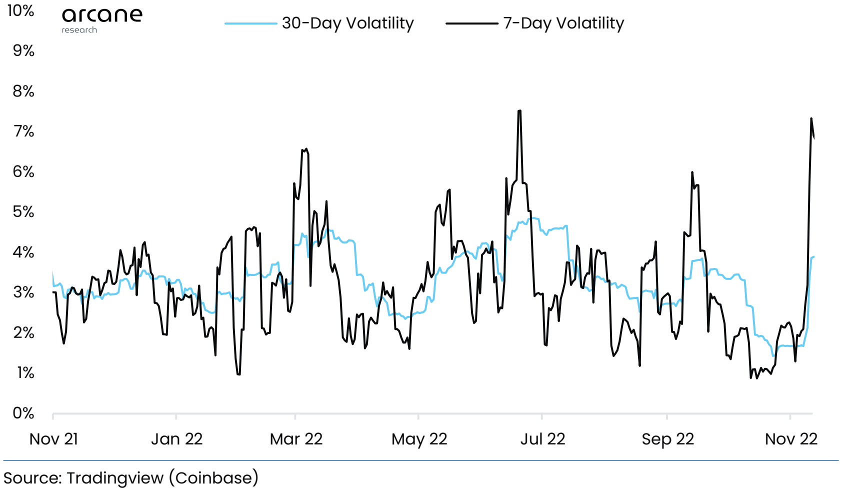
Source: Tradingview *Includes Bitwise 10 exchanges

Volatility surges towards yearly highs
Bitcoin has seen significant growth in volatility amid this very tense week.

The 7-day volatility has surged above 7% and reached its second-highest level in the last year, slightly below the peak after the 3AC collapse in June. The 30-day volatility has naturally also surged and is currently on par with levels from early October.

Bitcoin usually enters a calmer environment after such massive surges in volatility, and BTCs erratic behavior will likely settle into a low-volatility climate as the storm settles. Still, the current market structure is distressed and filled with contagion-related uncertainty and abnormal positioning in derivatives. Investors should be prepared for volatile markets in the foreseeable future.

Figure 6: BTC-USD Volatility

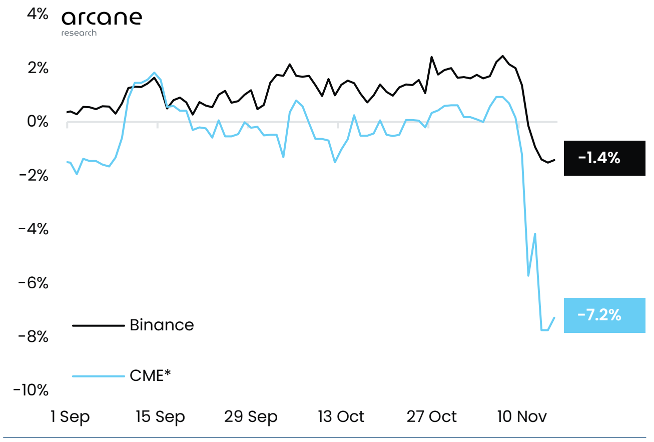


Source: Tradingview (Coinbase)

Derivatives

CME, Futures and ETFs

Figure 7: Bitcoin Futures Annualized Rolling 3-Month Basis

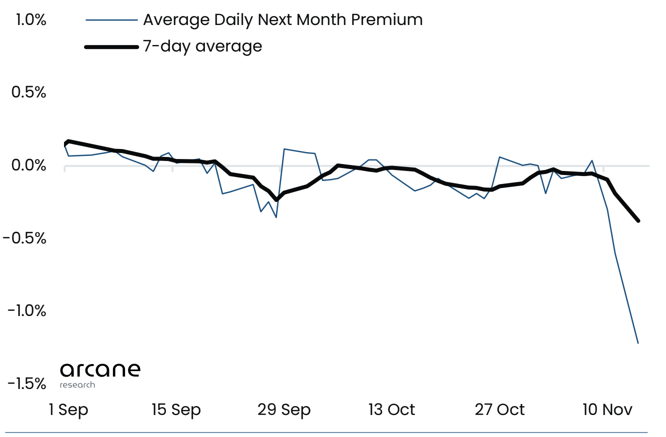


Source: Skew, Laevitas, Tradingview, CME
*Closed Saturday - Sunday

A distorted market
Institutions are back, shorting BTC heavily, evident across all our metrics. The aftermath of March 12, 2020, is the only market structure remotely comparable to the current distressed conditions. The 3mth futures basis on CME has plunged to -7.2% over the last week, as CME futures trades at a record-high discount to spot, as elaborated on page 7.

Offshore futures also trade below spot but at a far softer discount compared to CME futures.

Figure 8: CME BTC Futures: Average Daily Next Month Premium



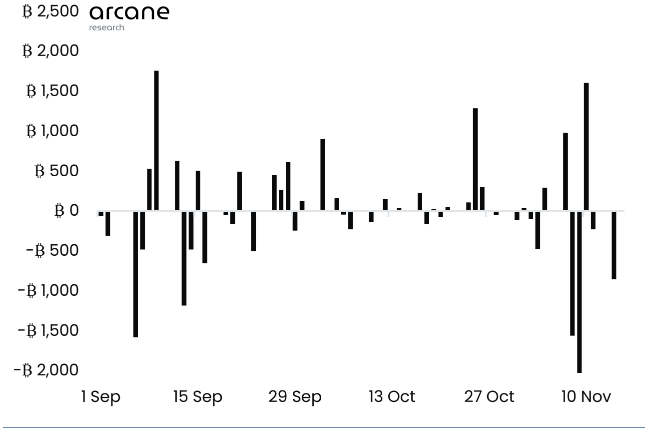
Source: Tradingview

CME in major backwardation
The annualized futures basis on CME is exceptionally negative. To add to the negative flows on CME, we note that the futures structure is in a state of extreme backwardation.

The December expiry has traded 1% lower than the front-month contract in the last few days, telling of a very bearish sentiment from institutional BTC traders.

Never before has the next-month BTC contract on CME traded at such a substantial discount to the front-month contract.

Figure 9: ProShares: Net Flow – BTC Equivalent



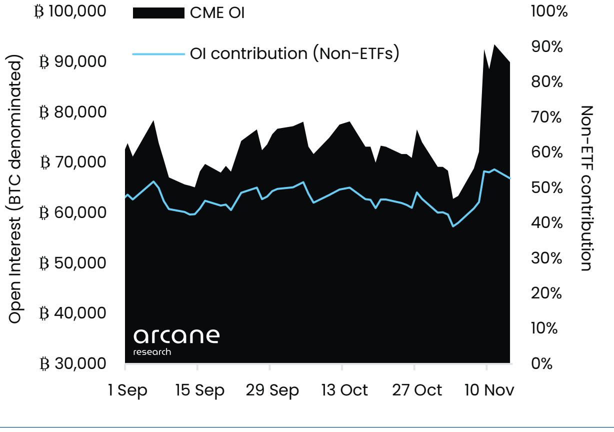
Source: ProShares

ProShares' short BTC ETF exposure at ATH
The short exposure of BITI has grown by 120% since November 7 and sits at an all-time high short exposure equivalent to 6,785 BTC, up from 3,065 BTC.

BITO has also experienced slight inflows, but far lower than the extent of the inflows to BITI.

On November 9, ProShares' daily aggregated net flow contribution reached -2,480 BTC. This is by far the most negative daily BTC flows seen in ProShares since the launch of U.S. BTC ETFs last year.

Figure 10: CME BTC Futures: Open Interest



Source: Coinglass, ProShares, Valkyrie, VanEck

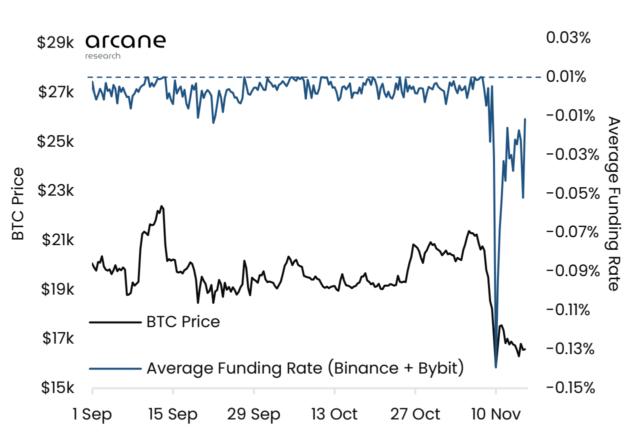
Massive growth in open interest, non-ETF contribution surges
Apart from ETFs, organic activity in CME's BTC futures surged last week. Open interest has grown past 90,000 BTC, and the surge is far from caused by ETFs alone.

On November 3, ETFs accounted for 61% of the open interest on CME. Today, they account for 47%. This indicates that the surging open interest in CME is predominantly caused by organic, direct futures activity. Based on the extreme CME discounts and massive backwardation, it seems evident that the new vibrant activity on CME's BTC futures is heavily oriented towards bearish positioning.

Derivatives

Perpetual Swaps and Options

Figure 11: Bitcoin Perpetuals: Funding Rates vs BTC Price



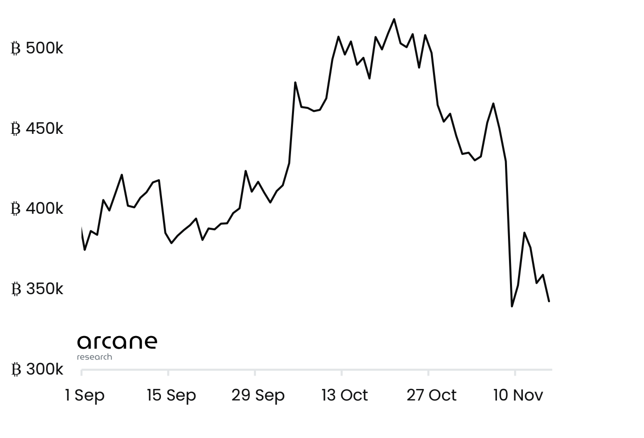
Source: Bybit, Binance, Tradingview (Coinbase)

Funding rates plunged to multi-year lows
Funding rates suggest vast bearish positioning in BTC perps, in line with what we're seeing in CME's BTC futures.

On Thursday, November 10, funding rates reached multi-year lows amid the distressed market conditions as the FTX collapse caused severe downside volatility in the market. This led to massive liquidations of longs, while the uncertainty also disincentivized traders to bid amid the chaos.

Funding rates have remained suppressed since, in deep negative terrain, as traders directionally remain overwhelmingly bearish.

Figure 12: Bitcoin Perpetuals: Open Interest



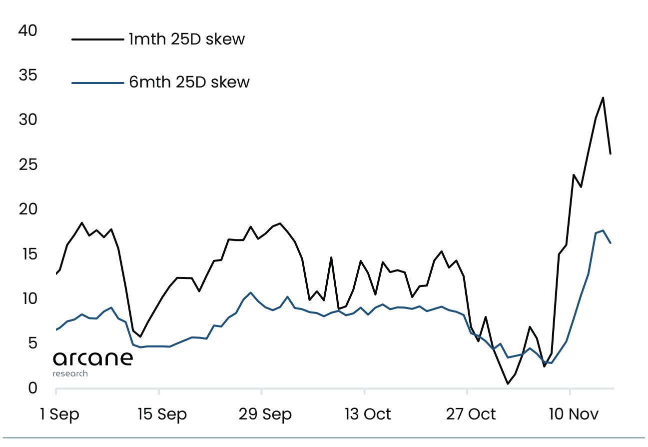
Source: Laevitas

Open interest in BTC falls to July levels
Amidst the FTX collapse, open interest in BTC has plunged to lows not seen since July, currently sitting at 345,000 BTC.

Major funds are suffering large losses with funds locked in FTX. Liquidity is deteriorating after Alameda's blow-up, and by now, the contagion impact related to lenders is highly uncertain.

Illiquid markets are dangerous. Traders should avoid leverage given the current circumstances. Squeezes may occur in both directions, given the extent of short bias in the market. Sit on your hands if you can.

Figure 13: BTC Options - 25D Skew (1mth + 6mth)

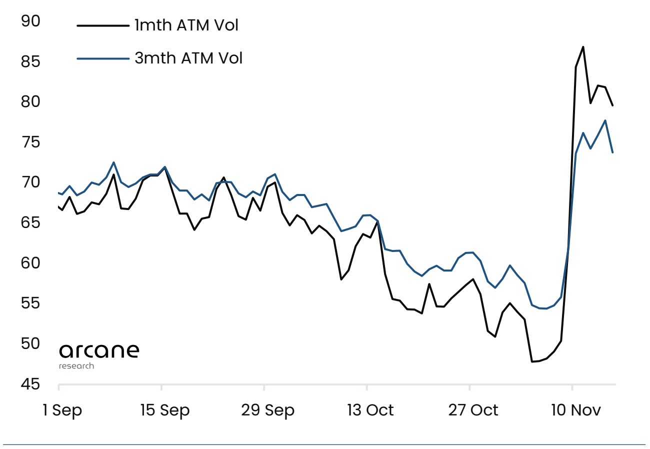


Source: Laevitas

Options traders seek protection
Naturally, demand for puts has surged amid the FTX ordeal, leading the 25D skew to skyrocket.

The FTX collapse invites uncertainty to the market, and contagion effects are far from settled. This has caused options traders to seek protection in the near term, leading the 1mth 25d skew to reach its highest level since the 3AC collapse, while the 6mth skew currently sits at an all-time high as options traders brace for long-term headwinds.

Figure 14: BTC Options – Implied Volatility



Source: Laevitas

Implied Volatility shoots higher
We have long advocated for straddles in light of the extremely low implied volatility in the market. Last week's volatility pushed IVs higher as options traders sought protection and were positioned for more volatility amid the uncertainty introduced by the FTX insolvency.

In sum, the entire derivatives market is extremely distressed. All activity in derivatives points towards bearish/hedged positioning amid these extraordinarily distressed conditions.

A deeper dive

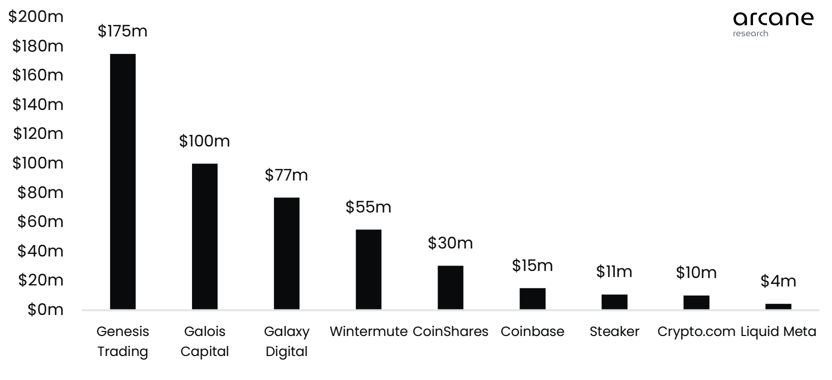
The FTX collapse: More contagion

FTX was indeed insolvent, defrauding customers by co-mingling customer deposits while attending Capital Hill meetings contributing to laying the groundwork for crypto regulation and attracting institutional capital *en masse*. We already covered the shocking chain of events last week through our Friday Focus recap and comments on the implications of this farce, where we argued that this will have long-term implications related to regulation and institutional presence and lead to distorted markets for a while.

The FTX saga is yet another sad chapter in bitcoin's soon 14-year-old history. It's worthwhile noting that bitcoin has endured storms in the past and is likely to weather storms in the future. "Proof of Reserves" by exchanges is gaining traction, which could lead to a more transparent environment, which would be a positive going onward. Erasing bad actors from the sector is a net positive, albeit a painful process for many investors.

Regardless, the FTX collapse has hurt many and will likely impact liquidity massively onward. Per our knowledge, the market maker Genesis Trading has suffered the largest losses, amounting to $175m stuck on FTX, while market-making firm Wintermute saw losses of $55m. The blowout of one of the key market makers in the space, Alameda, and significant losses at other market makers impacts BTC's liquidity, as demonstrated by Kaiko Research this week.

Figure 15: Funds lost by known entities following the FTX saga



Source: WuBlockchain

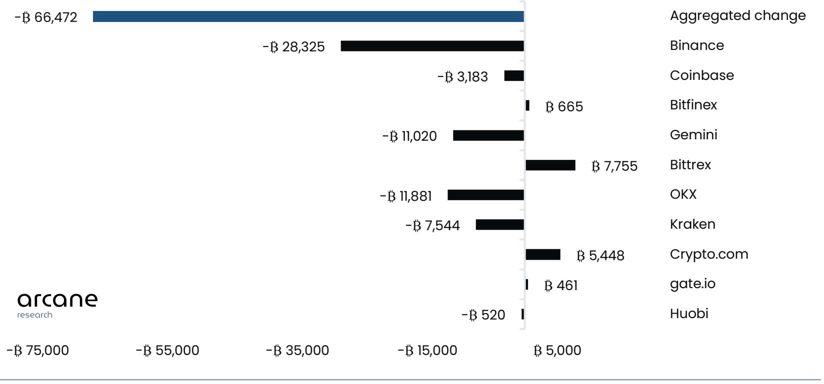
Rational response: Self-custody

This travesty has revitalized the "not your keys, not your coins" sentiment and re-injected healthy skepticism among market participants. In the current environment, prudence is essential, and you should be very cautious with whom you trust to hold your crypto if you keep your crypto on an exchange.

Crypto owners are responding by moving coins off exchanges. From November 1 to November 12, the BTC balance on exchanges fell by 66,472 BTC per Glassnode, a percentage decline of 2.8% from 2.36m to 2.3m BTC on exchanges. The decrease in ETH on exchanges has been even higher, falling 6.6% in the same period. Almost all exchanges experience growing withdrawals at the moment.

This is a slow bank run, with people moving their coins into self-custody. If any other exchanges are running similar schemes to that of FTX, this may expose their skeletons in their cupboard, as liabilities cannot be met.

Figure 16: BTC Exchange Balance Change (Nov 1-Nov 12)



Source: Glassnode. Exchanges in the chart are sorted by largest current BTC balance to smallest.

A deeper dive

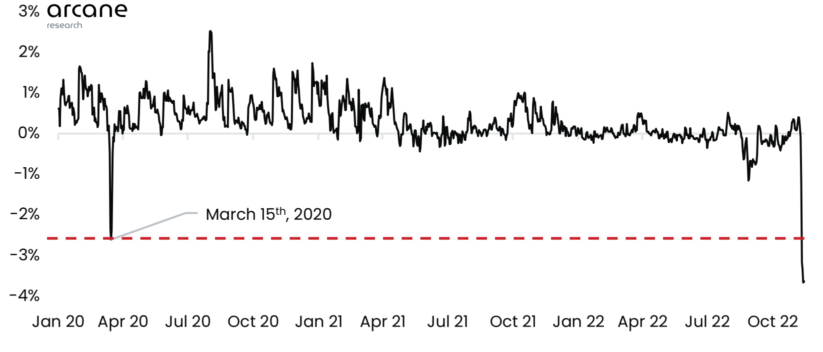
A deteriorated market structure

Bitcoin derivatives have not been similarly distressed since the aftermath of March 12, 2020. The derivatives pages elaborate on the massively bearish positioning across all BTC-related instruments. To provide context, we illustrate the actual, unannualized discount of CME's BTC futures versus the spot market below.

CME's November contract has traded at an extreme discount to spot in the last week. On average, CME traded 3% below spot in the last few days. These discounts are broader than what we saw in the days following the March 12, 2020, collapse in crypto markets, and CME's futures currently trade at an all-time high discount to spot.

This is comparable to March 2020, as we see clear signs of abnormal bearish positioning. Still, in March 2020, contagion-induced uncertainty was less present. Equity correlation amid global uncertainty related to COVID was the directional market force. The current unique risks associated with contagion following FTX's unforgivably massive balance sheet hole are the root of loads of uncertainty, likely to have long-term implications on the market, and it may take time for market conditions to normalize.

Figure 17: Average Daily Premium/Discount CME BTC Front Month Futures



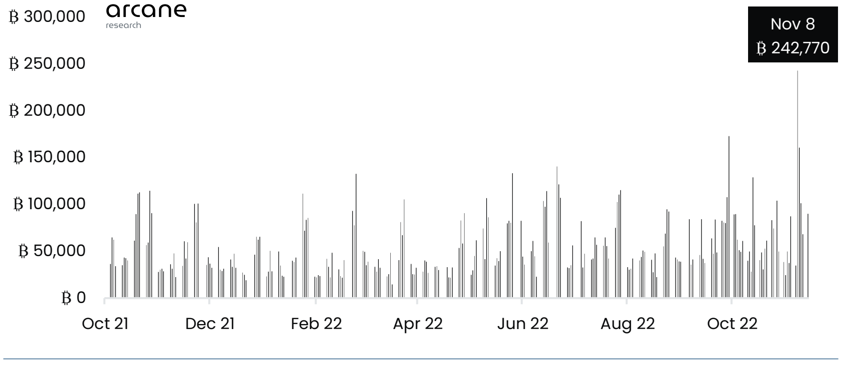
Source: Tradingview, premium/discount not annualized

Institutions are back – But they are positioned extremely bearish

CME's BTC futures saw its most active trading day in the last 13 months on November 8, as the markets tanked while absorbing the information that FTX was insolvent following the announcement of Binance's non-binding LOI to acquire FTX. 48,554 contracts, equivalent to 242,770 BTC, changed hands on CME's BTC futures on November 8, and volumes remained elevated in the days that followed. Open interest on CME surged massively from 68,000 BTC to 92,000 BTC amidst the high trading volume as institutional traders returned to the market.

Institutional activity is again surging in BTC, but institutional traders are positioned for more downside (page 4). It will be very interesting to assess the Friday Commitment of Traders reports to better understand the traders behind this surging CME activity.

Figure 18: CME BTC Futures: Daily Trading Volume

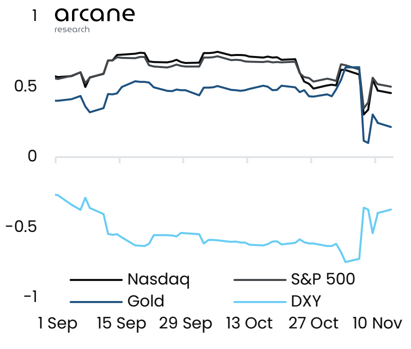


Source: Skew, CME Group

Market Related Charts

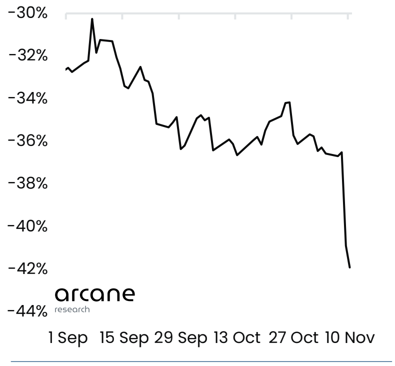
Data updated Monday Nov 14, 2022

Figure 19: BTC 30-d correlations*



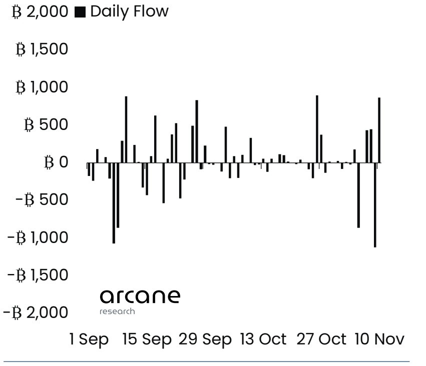
Source: Tradingview *Pearson

Figure 20: Grayscale Premium/Discount



Source: Ycharts

Figure 21: Daily Flows (BTC ETFs)



Source: Bytetree

Figure 22: BTC Dominance

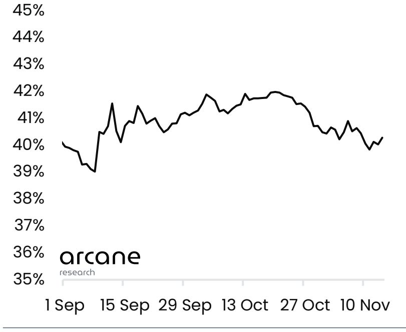


Figure 23: BTC + Stables Dominance

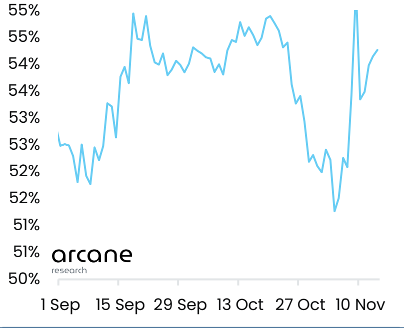
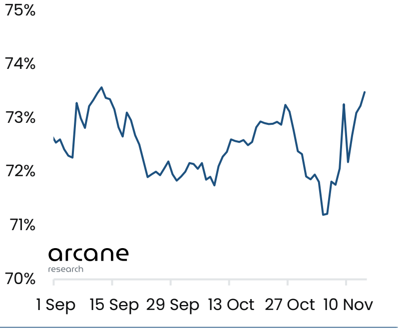
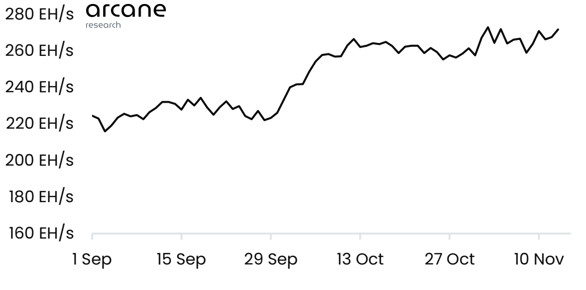


Figure 24: BTC + Stables + ETH Dominance



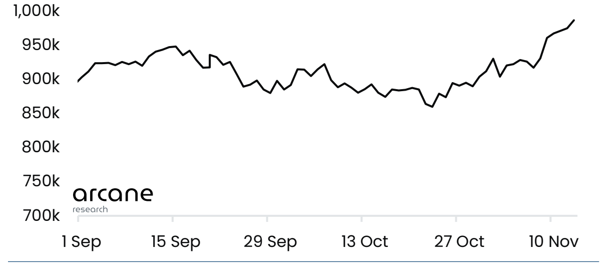
Source: Tradingview

Figure 25: Bitcoin Hashrate (7-day average)



Source: Blockchain.com

Figure 26: Active Addresses (7-day average)



Source: Coinmetrics

Figure 27: On-chain statistics

Powered by BYTETREE	13/11/2022	7d Change
Daily Miner Revenues	$16,343,703	-14.70%
Fees per day	$348,489	2.23%
Fees % Revenues	2.13%	0.35%
Daily TX Volume ($M)	$6,251	68.22%
Transactions per day	268,045	-0.03%
Avg TX value $	$23,322.19	68.28%
# Blocks per hour	6.08	0.10%
Avg. # TX per block	1838	-0.03%

Source: Bytetree

Why we choose the charts we do

Heavy Bitcoin focus
The crypto market is heavily correlated. Movements in BTC tend to be reflected by sharper moves in altcoins. In many ways, BTC is the lower beta exposure alternative to crypto and the definite market leader. However, don't worry – whenever we find a topic, a coin, or some tendencies worth drilling deeper into – we will. This report will get you the most important information from the crypto market.

Market by the numbers
We highlight the most critical market data by numbers in this table. A glance at these data should be sufficient to assess the state of the market superficially.

Open interest is an essential underlying market driver. Crypto tends to be very volatile, and leverage exacerbates volatility. We have had frequent massive liquidation cascades throughout the last years, mostly towards the downside, but we've periodically seen short squeezes emerge. During the March 12th collapse in 2020, cascading liquidations were the root cause of the absolute carnage in the market. You should always pay close attention to open interest if you aim to be an active participant in the market. Our derivatives pages will contribute to delivering you a directional assessment of the data.

The spot volume is an efficient way to gain an overview of the general activity in the market.

Correlations have been growingly important in the last year due to the complicated macro picture post-COVID. It's important to be aware of BTC's, for now, close relationship with U.S. equities and its inverse relationship with the dollar strength index (DXY). However, the current correlation regime is unlikely to be as strong as today forever. Through awareness of correlation trends, you may be able to execute trading strategies before the market catches up to correlations breaking.

The simplified market cap distribution box allows you to assess the general risk sentiment in the market quickly. In general, the "Rest" category may be used as a proxy for risk aversion in the market. Currently, BTC, ETH, and stablecoins represent nearly 75% of the crypto market, which is telling for a risk-averse crypto market.

The two charts on the first page illustrate the two most interesting topics covered in our market analysis. A more thorough examination of these charts is found in the last section of the report, where we dive deeper into two topics that currently seem to drive the market.

Spot Primer

Top 3 coins
We explore the last week's performance of the top 3 cryptocurrencies to asses deviations and opportunities within the safer bracket of digital assets. Currently, BTC, ETH, and BNB represent the three largest. Both ETH and BNB have a thriving DeFi user base and unique drivers of price and demand, which could generate temporary or long-term correlations within crypto to decline as trading opportunities arise or spread trade opportunities.

Indexes
We use the Bletchley Indexes to gauge and assess market activity across BTC and altcoins grouped by market cap size. Documentation for the index weights may be found at through this link.

Volume
The BTC spot volume is an efficient way to communicate the general activity in the market. It may help you identify frantic market bottoms or peaks. Our volume data is based on Bitwise's 10. In 2019, Bitwise explored wash-trading and market manipulation in the spot market, leading to this index. In general, our volume assessment likely underestimates the volume to some degree, as legitimate volumes in other exchanges are excluded. However, the volume estimate is a good proxy for general activity in the market.

We differentiate Binance's volume from the remainder of the exchanges due to Binance's removal of trading fees this summer. We believe a substantial amount of the recent trading volume on Binance is related to "in-organic" trades, i.e., high-volume trading strategies that were not economically feasible prior to fees being removed. Of course, removing fees has likely also contributed to moving traders from alternative exchanges over to Binance.

Volatility
Volatility is a topic well worth paying attention to. In specific periods, such as the current – where BTC trails in a shallow volatility regime, new trading opportunities emerge related to options and straddles. This chart is handy to pay close attention to, as it may help you enhance your ability to act on opportunities in the market when activity is low and options are becoming cheap.

Derivatives primer

Why should you care about derivatives flows?
The crypto market is periodically extremely volatile, and activity in derivatives enhances the market reactions. Crypto derivatives are at the cutting edge of financial innovation, the offshore market is periodically wild, and animal spirits tend to take over. Derivatives more or less always carry a clue of overheating in the market or full-on depression. It's highly actionable and worthwhile understanding if you aim to be an active crypto market participant.

The market is also clearly divided. There are two branches worth monitoring – institutional and offshore. Both components periodically lead the market, and assessing sentiment and general risk aversion in these two provides you the tools to understand dangers or opportunities on the horizon.

CME – The importance of a cash-based futures market in BTC
Institutional traders strongly impact BTCs price discovery, as identified both by Bitwise and by us. However, many institutional traders have limitations regarding access to crypto markets or even related to holding BTC. CME provides the most accessible, most efficient access to crypto markets for those traders. CME also has the added caveat of a familiar clearinghouse structure, leading to fewer barriers to entry for crypto exposure for institutional traders.

We assess institutional sentiment by monitoring the futures basis and contract spreads between the front month (upcoming expiry) and the near month (next expiry). In general, a positive and high futures basis on CME indicates a positive sentiment, whereas a negative basis indicates the opposite. We include Binance's basis to compare offshore and CME premiums to highlight different sentiments between institutional traders and retail. While Binance have institutional traders, they also enable easy access to derivatives for retail, which may provide useful information ahead of periods of distress.

We monitor aggregated ProShares flows, meaning inflows and outflows to both ProShares' long BTC ETF (BITO) and short BTC ETF (BITI) on the CME page. In the chart, inflows to BITI will be calculated as a negative flow impact, while inflows to BITO will be calculated as a positive flow impact. The opposite is true for outflows from the ETFs mentioned above. ProShares are by far the largest U.S. BTC ETF provider, holding a substantial amount of BTC contracts on CME. Retail and institutions have access to BITO and BITI. Periods of strong aggregated flows to BITO may substantially impact CME's basis. An interesting scenario that has yet to emerge would be one scenario with neutral flows but a rising CME basis. In this scenario, one can assume that certain institutional players actively add long BTC exposure.

We further monitor CME's open interest and the contribution of ETFs to the open interest to assess the degree of activity in CME futures.

Perpetual swaps
Perpetual swaps are the most frequently traded derivative in crypto markets. It's an everlasting futures-like instrument, utilizing funding rates to secure that perp prices align with spot markets. There are certain intricate nuances to funding rates, for instance, varying funding intervals and varying neutral funding rate thresholds. In normal conditions, Binance and Bybit's funding rate sits at 0.01% every eight hours – meaning longs pay shorts a fee. This structural element in crypto derivatives may lead to a natural structural contango. They may be utilized for cash and carry strategies (albeit in a non-arbitrage fashion, assuming that funding rates will average around neutral terrain).

During roaring markets, funding rates tend to be pushed towards extreme highs due to enormous demand to go long, leading perps to trade at a substantial premium over spot. By assessing funding rates, you may be able to act on market moves and liquidation cascades prior to a liquidation cascade. Similarly, funding rates may sit in extremely negative terrain during bear markets, foreshadowing potential short squeezes.

We monitor open interest in perps to better gauge the risks of soaring volatility and market instability. We monitor open interest in notional value, i.e., in BTC, to have a clear eye on the relative leverage in the market. Currently, the open interest sits at all-time highs in notional value. This is a dangerous trend, and we view it as likely that this will generate a dramatic reaction when BTC breaks out of its prolonged consolidation. Cascading liquidations may occur in both directions, so the open interest is best used as a proxy for how volatile a spike may be.

Options
We monitor two options charts. The 25-delta skew, which is a metric comparing the implied volatility of a 25-delta put option vs. a 25-delta call option, normalized by at the money implied volatility. Counter-intuitively, when the 25d skew is positive, traders are paying more for puts than calls and may be assessed as cautious/bearish behavior in the options market. The opposite is true when skews are negative. Skews trending in a certain direction may also elaborate on repositioning from options traders and is worth paying attention to. We show the 1-month skew for contracts expiring by the end of the month, and the 6-month skew, for contracts expiring half a year from now to assess differences in positioning across maturities.

The implied volatility illustrates options traders' forward-looking assessment of volatility – or the options pricing. Implied vols in BTC are rarely trailing below 60 for long, and this has previously been a good time to enter straddle strategies.

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