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GSR OTC Trading Commentary

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GSR OTC Trading Desk

MACRO + CRYPTO SUMMARY

The biggest game in town (the one between the markets and the Fed) is in full bloom. At the moment, we are looking at one more quarter point hike after which the Fed may prefer to pause rates for a period of time to let the core services ex shelter CPI fall, though the market at that point is pricing in 45 bps of cuts (down from 100 bps before the dust from the banking crisis settled). Stocks have recovered and yields have bounced from the lows that accompanied the heavier Fed rate cut expectations, while bitcoin and gold have lost their recent highs of \$31k and \$2,000, respectively, all indicative of lessened worries around the banking crisis.

Perhaps even more remarkable is the continued divergence in volatility. While rates volatility is high as illustrated above, equities and FX vol has been well behaved and are near multi-year lows.

For active traders, fading the moves has been more rewarding than sticking to medium-term views over the last few months. With peak banking worries dissipating, we are back to watching the data, which has been mixed. Core inflation remains persistent and employment data is solid, though there have been some inconsistencies in the data, with a strong Empire State Manufacturing Survey and very weak Philadelphia manufacturing as an example.

RATES, FUNDING AND BASIS

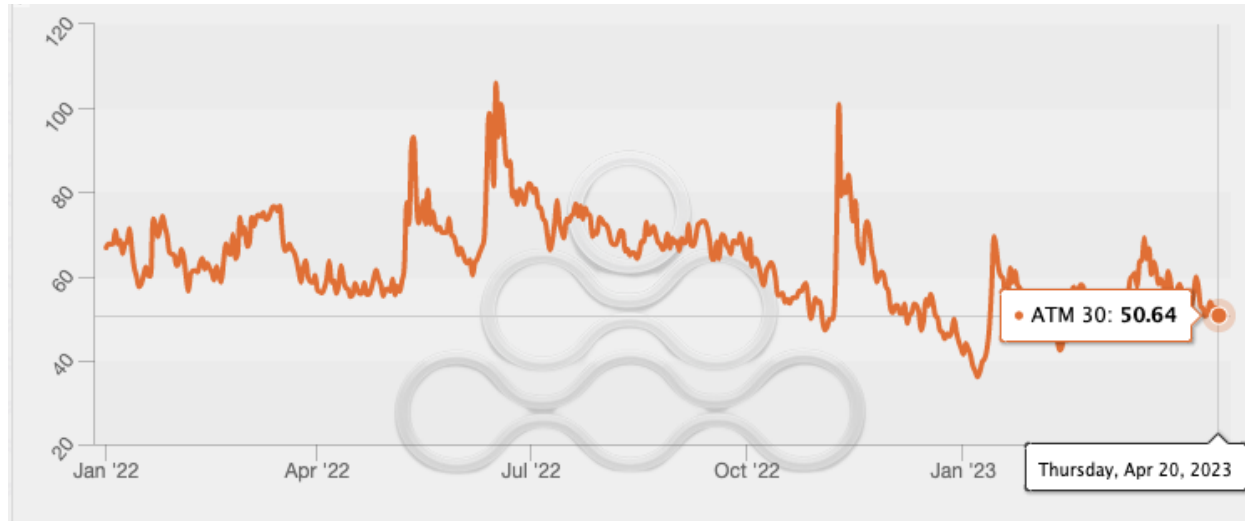
The market continues to price in Fed Funds inching higher over the next couple of months before moving lower, although this trend has dampened a bit over the last few weeks post the banking crisis. Perp funding rates continue to be biased higher across exchanges, especially in altcoins, reflecting broadly bullish sentiment. Stablecoin lending rates had shot up significantly in the banking crisis aftermath, especially as stablecoins depegged and market participants looked to borrow to create short positions, but this market has now largely normalized.

DERIVATIVES

BTC Derivatives

BTC 30 day implied volatility has drifted lower over the last month to 50.6% from a high of 69% last month. 30 day realized volatility is 48%.

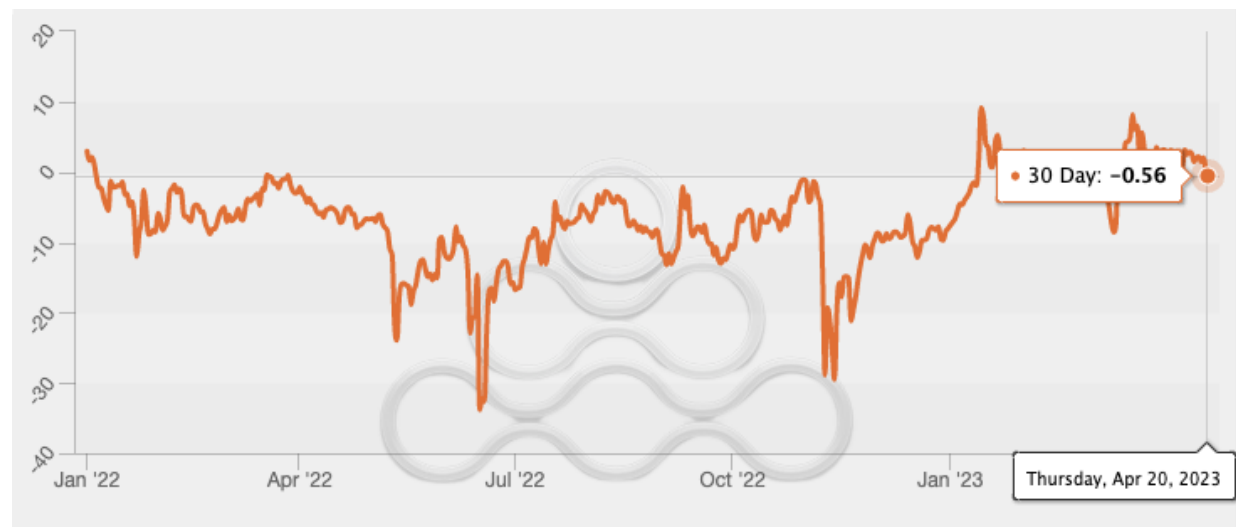
BTC ATM Implied Volatility (30 Day)



Source: Amberdata, GSR

BTC 30 day 25d risk reversals remain slightly elevated priced at par, however vol may firm if BTC breaks above the recent high of ~\$31,000.

BTC 25 Delta Call Skew (30 Day)

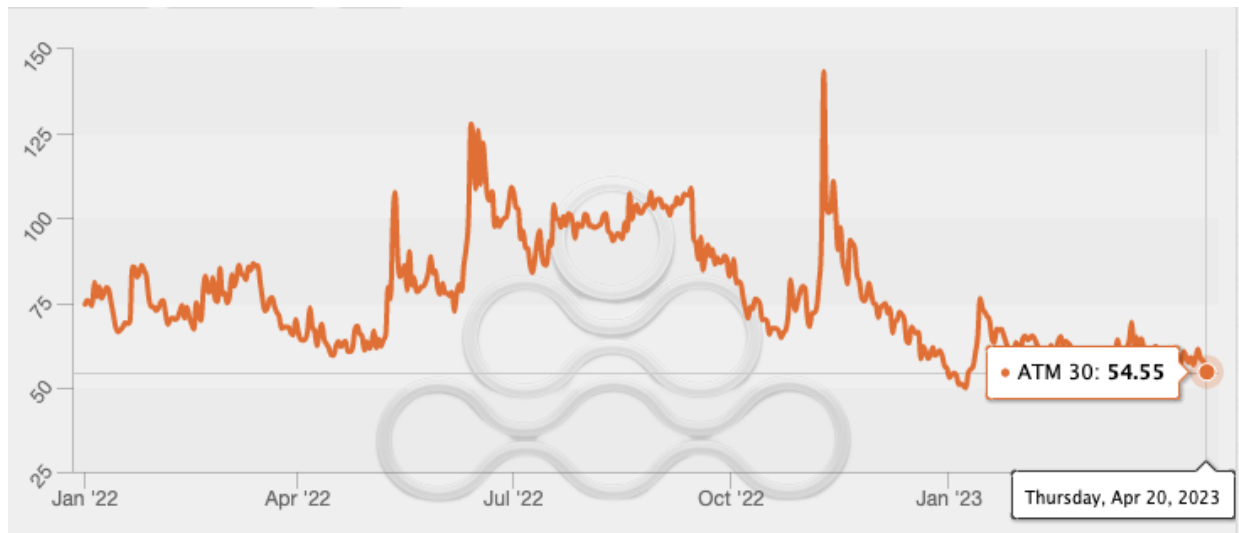


Source: Amberdata, GSR

ETH Derivatives

ETH 30 day implied volatility of 54.6% is back to a 15-month low and is sitting slightly above 30 day realized volatility of 52.5%.

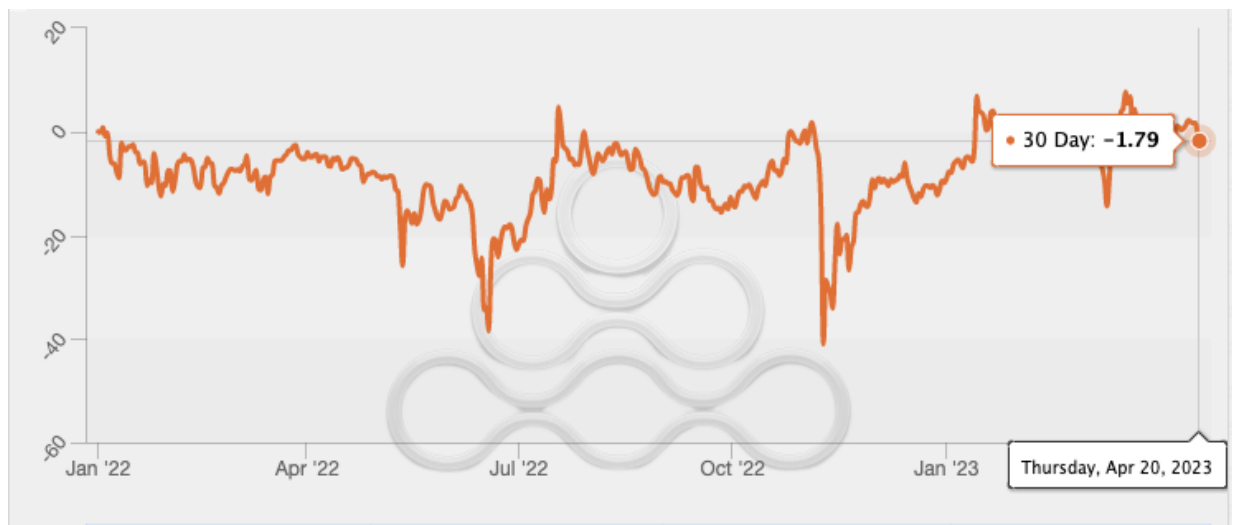
ETH ATM Implied Volatility (30 Day)



Source: Amberdata, GSR

ETH 30 day risk reversals remain relatively elevated compared to earlier in the year at -1.79.

ETH 25 Delta Call Skew (30 Day)

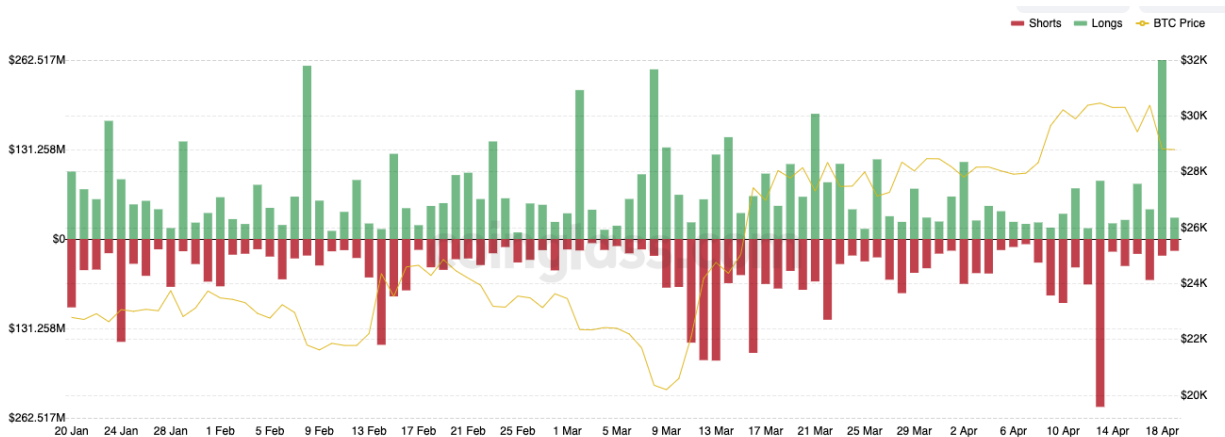


Source: Amberdata, GSR

LIQUIDATIONS

The past two weeks have led to some of the largest single day short and long liquidations of the past few months. A large number of shorts were liquidated on April 13th, despite BTC having already breached \$30,000 a few days prior. April 18th saw a large number of longs liquidated on the dip below \$29,000 during APAC hours. With price at current levels and material short and long liquidations over the past week, new pain points will likely need to be hit before another large number of liquidations come in.

Total Liquidations



Source: Coinglass, GSR

Authors

Mike Pozarzycki – Macro & Crypto Summary

Ruchir Gupta – Rates, Funding and Basis

John Cole – Derivatives

Christopher Newhouse – Liquidations



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