Twitter Thread by Corey Hoffstein ■■■■

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1/ Some things *I think* I’ve learned messing around in crypto for the last 12 months.

2/ ■ These markets are *not* efficient.

Smaller, new tokens are explicitly manipulated and the lack of shorting leads to exponential price moves.

3/ ■ CEX listing events are historically bearish.

More liquidity plus shorting pressure invites greater efficiency, which is the killer of exponential moves.

4/ ■■■■■ Understand where you are in the information food chain.

Unless you have good reason to believe you’re early, assume you’re late.

(And, therefore, the exit liquidity.)

5/ ■ (Position) Size matters.

For stuff I expect to go exponential, I find selling in line with logarithmic moves a useful framework.

6/ ■ Liquidation cascades are part of market structure.

There’s a ton of leverage in crypto and cross-CEX / DEX margin management is non-trivial.

Keep your eyes on open interest and funding rates to understand liquidation risk.

7/ ■■■❄■
The markets tend to move in seasons.

L1 season. Altcoin season. NFT season.

You succeed by either front-running the next season or ignoring them entirely.

8/ ■ When you find yourself “mid-season,” sometimes it pays to shut your brain off.

There’s no need to get cute during a sentiment frenzy.

(But don’t let yourself get caught up either.)

9/ ■■■ Sentiment matters.

Ponzis and pyramid schemes can go on far, far longer than they should.

10/ ■ Airdrops and yield farming rewards are mostly about trying to “buy liquidity.”

If the “vampire attack” fails to attract sticky liquidity, the protocol does too.

11/ ■■■■ Think of yield farming as renting your liquidity.

But it’s probably safe to assume most farming rewards are going to zero.

12/ ■■ Think of AMM/LP positions as an automatically rebalancing 50/50 portfolio.

If one of the legs has a risk of going to zero, your whole bag can go to zero.

(Uniswap v3 model complicates this)

13/ ■ Smart contract risk is very, very real.

This is usually true where APRs are the highest (“duh”). Again, position sizing is key. (Or buy insurance.)

14/ ■ Never share your keys. Ever.

And if you’re going to interact with a potentially shady contract, use a hot wallet.

15/ ■ This is a 24/7 market.

If you're trading, understand that markets can move against you violently when you're sleeping.

16/ ■ The market evolves at a very, very rapid pace.

It can be information overload.

Finding trusted curators can be key to separating signal from noise.

17/ ■■ VCs and angels are getting token allocations at pennies on the dollar.

Understand who owns the token you're buying and when their lockup period ends.

18/ ■ Tradfi quants, market makers / HFTs, and hedge funds are entering the space rapidly.

The edge will likely be in the places those firms *can't* operate due to operational, accounting, legal, or liquidity constraints.

19/ ■ That's all for now...

More later?