

Twitter Thread by Sam Trabucco

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Many close calls later, BTC finally managed to break through \$20k -- and it BLEW through it, barely slowing down til \$22k. What was different this time?

A thread about man vs. machine.

<https://t.co/mGRJ852xVb>

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FTX:BTC-PERP, 1 22178.0 O:22198.0 H:22201.0 L:22166.5 C:22166.5



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Alameda won't be participating in this, but it does present a chance to explain how we think about the value of man vs. machine in our trading. <https://t.co/62yGWAS1C3>


— Sam Trabucco (@AlamedaTrabucco) May 26, 2020

As has been pointed out, I've been adamant that the rallies in the past month or so have been heavily fueled by rampant liquidations on both BitMEX and Binance. And they have! But they were also fueled by organic buying among U.S. investors, as has been a popular narrative.

If anything, the narratives surrounding various U.S. funds and other companies buying BTC have gotten **stronger** in the past week or two than they were around Thanksgiving. More and more funds have announced their crypto holdings or plans to acquire them.

And direct signs of all this exist. Take a look at FTX's volume monitor: U.S. trading hubs like Coinbase having more volume than normal **is** a signal that U.S. customers are doing **something**, and when BTC is going up ...

(Coinbase even crashed from "heightened activity :P).



FTX Global Volume Monitor

Percent of reported crypto volume that is fake: 65.1%

See our investigation into the legitimacy of reported cryptocurrency exchange volume: [Research Report](#) and [Appendix](#).

Last updated: 12/17/2020 3:02:17 PM

Position	Exchange	Adjusted Volume	Reported Volume	Reported Volume — Spot	Reported Volume — Derivatives
	Total	\$100,639,991,787	\$104,894,742,111	\$29,433,321,916	\$75,461,420,196
1	Binance	\$33,765,557,059	\$33,765,557,059	\$9,931,880,895	\$23,833,676,164
2	Huobi Global	\$18,857,331,582	\$18,857,331,582	\$4,118,726,535	\$14,738,605,047
3	OKEx	\$17,367,298,284	\$17,367,298,284	\$2,938,827,705	\$14,428,470,579
4	BitMEX	\$5,502,109,717	\$5,502,109,717		\$5,502,109,717
5	bitFlyer	\$4,060,326,809	\$4,060,326,809	\$405,787,807	\$3,654,539,002
6	FTX	\$3,888,576,692	\$3,888,576,692	\$361,394,419	\$3,527,182,273
7	Bybit***	\$2,921,252,100	\$5,842,504,200		\$5,842,504,200
8	CME	\$1,927,072,620	\$1,927,072,620		\$1,927,072,620
9	Coinbase Pro	\$1,875,658,927	\$1,875,658,927	\$1,875,658,927	
10	Kraken	\$1,595,719,030	\$1,595,719,030	\$1,097,365,412	\$498,353,618
11	Upbit	\$1,480,451,581	\$1,480,451,581	\$1,480,451,581	
12	Deribit	\$1,470,787,184	\$1,470,787,184		\$1,470,787,184
13	Bitfinex	\$1,235,229,285	\$1,235,229,285	\$1,235,229,285	
14	HitBTC	\$923,292,992	\$1,846,585,984	\$1,846,585,984	
15	Bitstamp	\$845,136,639	\$845,136,639	\$845,136,639	
16	Bithumb	\$410,205,232	\$820,410,465	\$820,410,465	
17	Liquid	\$408,076,788	\$408,076,788	\$408,076,788	
18	BitMax	\$318,510,549	\$318,510,549	\$308,462,964	\$10,047,585
19	Bitbank	\$302,845,210	\$302,845,210	\$302,845,210	
20	Kucoin	\$225,134,882	\$225,134,882	\$225,134,882	

The DOW recently announced their new crypto indices, CME is listing ETH futures, Microstrategy putting \$650M into BTC, GBTC AUM continuing to balloon, these all point in the same direction, and that direction is a resounding "up" for the crypto markets.



So, the institutional BTC buying is both more intense and more "robust" -- it's *everywhere*, not just a few firms.

But something else was different, too. Note in the volume monitor, Coinbase's volume is higher than usual -- but it's also really low globally.

Derivatives markets (outside the U.S.) still, of course, have the *vast* majority of volume -- they have leverage, so they almost have to. This was true in the last run-ups too -- but just "futures" isn't enough to tell the whole story.

The previous run-ups were dominated by aggressive buyers in a few markets with really high leverage -- Binance and BitMEX perps, mostly. This time, those were in the mix -- heavily! -- but not quite as heavily as some other products.

Here's a report one of Alameda's traders made that runs every hour and tells us about the products with the biggest OI changes, as well as their price moves. In the hour from the biggest moves right before BTC hit \$20k, the biggest inflows were actually in ... March quarterlies?

Coin	change_oi_usd	return(bps)
BTC0326_OK/USD	15,028,727	192.6
BTC0326_HB/USD	12,132,184	186.3
BTC_PERP_OK/USD	-6,676,598	156.7
BTCMEX/USD	-4,564,331	156.9
BTC_PERP_BIN/USDT	3,642,614	165.3
BTC1225_OK/USD	-3,618,929	161.6
BTC1225_HB/USD	-3,080,912	156.2
BTC_PERP_HB/USD	-2,925,014	149.9
BTCH21/USD	-2,229,010	172.8
ETH_PERP_BIN/USDT	2,220,741	86.0
ETH_PERP_HB/USD	-2,163,194	71.4
BTCT_PERP_OK/USD	1,937,183	166.4
ETH0326_HB/USD	1,685,231	88.6
BTCT0326_OK/USD	-1,266,935	203.5
BTCZ20/USD	-920,101	162.6
ETHMEX/BTC	732,753	228.2
BTC1218_HB/USD	-713,864	139.2
LTC0326_OK/USD	-642,284	211.1
ETH0326_OK/USD	618,133	98.0
BCHU_PERP_BIN/USD	-542,633	44.0


And the returns column indicates that the premium on those quarterlies went up a TON more than other products' did -- these were AGGRESSIVE buyers, and they were buying a ton. This was the pattern for most of these inflows -- less BitMEX/Binance perps, more quarterlies/spot.

A big difference? These products (spot and the OK/HB quarterlies) tend to have way less leverage (possible or realized, as the case may be) -- the positions get held for more time, and buyers in them tend to indicate "I'm buying to hold" more than "I'm buying to scalp."

And they get liquidated less, too -- so these buys weren't apt to get undone as easily as 100x levered-long Binance perps would on the first draw-down. All this is to say: this rally was driven by more "organic" buying, in both spot and derivatives markets.

If you're just running a study on the past few weeks, you might come to the conclusion that selling near \$20k is just an incredible trade -- we ran this study and came to that conclusion a few times! Here's a post I made in our "delta-force" channel on Slack:

#← Also sent to the channel

 **trabucco** 16 days ago

yeah being longer is because:

- into US day the past like 4 days it's gotten really close to 20k
- i think on priors it had enough prob to do that to be worthwhile

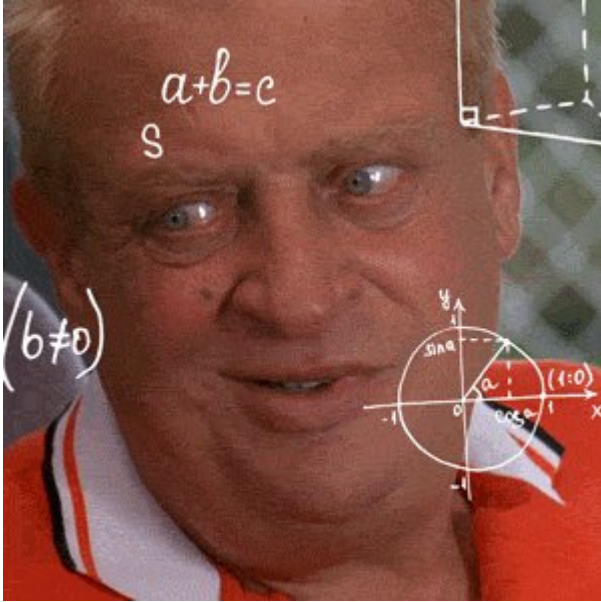
basically the plan has been get long into US day and take off around like 19800 every day -- with the idea that the 1st time this does not happen we will stop. again on priors it's seemed way too likely it will happen on any given day that it's also happened every day before which i think:

- again was just right to do
- today seems to indicate the end of, meaning we should stop doing it

You could imagine studies which nail things like "if it's these products leading do X near \$20k, if these do Y" -- but there were like, 5 data points, and that's just not enough to optimize this. It's enough to think selling \$19900 makes sense on

average -- not much else.

So all our fancy data analysis wasn't going to be enough -- to really nail predicting what happened when BTC *did* break through \$20k, you'd need human intuition -- noticing what I said about re: quarterlies being different, guessing that meant the inflows were "stickier."



Alameda did know things were different during the run-up, but I'll admit we didn't *nail* this -- we still thought that there'd be \$20k resistance even though the U.S. / sticky inflows were definitely there. And, actually, there was a TON of \$20k (and just above) selling ...

... but not enough to counter-act all the liquidations that happened as BTC crossed the \$20k threshold :P (I didn't say they *didn't* happen). Indeed, remember all the levered-up shorts that got opened on Binance and BitMEX during the fall after the last \$20k test?

Yeah: they got "rekt." TONS of liquidations during the rally above \$20k, which is what allowed BTC to push through all the legitimate selling pressure. Here's another report Alameda uses to keep track of those sorts of things in aggregate (we also have loud alerts):

recent_liqs

dollar_liq	coin	exchange	side
80,051,291.10	BTC_PERP_BIN	binance	bid
35,486,056.00	BTCMEX	bitmex	bid
12,119,100.00	BTC_PERP_HB	huobipro	bid
10,823,943.83	BTCT_PERP_OK	okex	bid
2,374,180.82	ETH_PERP_BIN	binance	bid
1,988,100.00	BTC_PERP_OK	okex	bid
1,416,906.43	BTC_PERP_BIN	binance	ask
1,172,180.13	XRP_PERP_BIN	binance	bid
534,700.00	BTC_PERP_HB	huobipro	ask
239,574.80	BTCT_PERP_OK	okex	ask
181,590.00	ETH_PERP_HB	huobipro	bid
178,357.00	LTC_PERP_BIN	binance	bid
178,120.14	SUSHI_PERP_BIN	binance	ask
89,173.04	XRPT_PERP_OK	okex	bid
70,510.00	XRP_PERP_HB	huobipro	bid
68,482.06	EGLD_PERP_BIN	binance	ask
56,772.88	ETH_PERP_BIN	binance	ask
44,739.70	LINK_PERP_BIN	binance	bid
41,540.85	SKL_PERP_BIN	binance	ask
39,150.97	XRP_PERP_BIN	binance	ask
28,720.00	ETH_PERP_OK	okex	bid
21,543.62	BCH_PERP_BIN	binance	bid
20,278.94	XLM_PERP_BIN	binance	bid
18,744.91	ADA_PERP_BIN	binance	bid
18,004.79	EOS_PERP_BIN	binance	bid

< 1 2 3 4 5 >

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An interesting thing about these: liquidations by definition are *closing* someone's positions. But OIs did *not* go down by enough when these happened, and premia did *not* go up enough. This meant there was a LOT of selling -- about half as much as got liquidated.

With around half as many shorts getting liquidated? Probably the post-pop reversion here goes down a LOT more -- back down to 19700 or something? Unclear, liquidity got low. But back down for sure, at least temporarily (we now know people

probably buy it back up :P).

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FTX:BTC-PERP, 1 23005.0 O:23021.5 H:23034.0 L:23003.5 C:23003.5



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What followed here was an exercise in favoring human intuition over a computer's studies -- what would the markets do in a new paradigm where waiting to pass the ATH wasn't a factor? Well, the new paradigm looked a lot like the old one in some ways ...

Liquidity was LOW (still sorta is, but that's changing). This meant that big orders had a LOT of impact, and as that impact (plus natural buying pressure) accrues, it compounds, as more shorts got liquidated. Sounds familiar!

<https://t.co/POuO8KLNdf>

What happened on Thanksgiving 2020?

(Market color edition -- a thread about why liquidity matters) pic.twitter.com/jAAeUi8GA7

— Sam Trabucco (@AlamedaTrabucco) [November 26, 2020](#)

A case study in how low liquidity got: BitMEX's ETH/BTC quanto perp is pretty liquid, usually -- it can absorb orders of several mil without much issue. When a \$15M or so liquidation popped up? It was on the book for minutes! Stepping up and up and up.

So, betting on momentum seemed likely still pretty good -- and it *really* has been! Our strategy sorta became "buy whenever we're near levels where we predict shorts might get liquidated" and that's gone quite well. But it is different, because there was no "top."

And, we *knew* there was real, organic selling interest somewhere. Ended up materializing a few times under \$24k so far, and the low liquidity + new longs getting opened meant it was pretty possible for a HUGE draw-down -- so the momentum bets have been of a different nature.

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FTX:BTC-PERP, 1 22978.5 O:22977.5 H:22984.0 L:22960.5 C:22969.5



Also, alts have been behaving with haphazard betas, and not having so consistent liquidations as they did in the last alt run-up -- it's because a lot of shorts already got liquidated last time, but it highlights another difference / way intuition needs to dominate strategy here.

But, something like recognizing XRP did GREAT during the last U.S.-driven BTC run-up might lead a human to think it might do that again -- even with just the one data point. And that intuition might lead you to put on some good deltas, if you timed it right!



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So, what next? Who knows! This is pretty uncharted territory -- low liquidity, new price levels, new products dominating, maybe more U.S. stuff but is it over-impacted? Will alts catch up more robustly? Which? Sadly for us, studies probably gonna keep coming up short.

Alameda's doing a lot of *thinking* about what we should be doing on all but the shortest timescales, and a lot of it is gut-based (also news-based, staring at orders-based, and similar). I'm sure you're all doing the same -- may the best humans (or very impressive machines) win!

