CFM Columbia-PER Alternative Data Initiative

Alternative Data in Crypto Markets

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I. Crypto as an asset class
A few stats – still in nascent phase…

Still in nascent phase…

• Some stats…
  1. AUM of crypto HFs: $4bn
  2. Of crypto HFs: Largest investors are HNWI, 53%

• Probably because of some challenges with trading crypto that we also recognise
  1. Regulation
  2. Accounting / Tax
  3. Custody
  4. Fragmentation
  5. Liquidity…?

• Other features?

Source: 4th Annual PWC AIMA Global Crypto Hedge Fund Report 2022
I. Crypto as an asset class

Market features

Source: Bloomberg, CFM
II. Crypto as a source of alternative data

Crypto data can be used to inform on trading in other asset classes...

- **Exchange data**
  1. Developing crypto-based indicators of sentiment
  2. Using correlations and other statistical methods to:
     - Monitor evolution with more traditional asset classes
     - Build crypto-based strategies for trading traditional asset classes

- **Order book data**
  1. Study the anatomy of market structure
  2. Bitcoin makes for a unique study, given the behavioural – fundamental dichotomy vis-à-vis ‘news’
  3. The research found what caused the crash was not the selling pressure per se, but rather the dearth of buyers that stoked the panic.
  4. A large fraction of the liquidity is not latent, but posted in the order book – possibly resulting from less strategic participants

Gain liquidity insight into the Bitcoin market to predict market crashes
II. Crypto as a source of alternative data
‘Off-chain data’

- Media
- Search activity
- Web traffic to crypto domains
- Development activity
- Consumer / trading transactions - deposit and withdrawal volumes
- Crowdsourcing and surveys
II. Crypto as a source of alternative data

Textual analysis

Co-Occurrence of Key Terms
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