

Cryptocurrency Traders Eye Alt Data



*In many ways,
social media has
replaced the ticker
tape machine
that used to be
pervasive in
trading outlets
as the immediate
source of
information.*

December 2017 could go down in history as the month cryptocurrency came of age, as Cboe Global Markets launched a bitcoin futures contract on the 10th of the month and CME Group plans to follow suit on the 18th.

The blessing of the two long-established, name-brand, and regulated Chicago exchange operators confers a certain legitimacy that did not exist when bitcoin traded only on Coinbase, Kraken, Cex.io and other obscure platforms. Some market participants and observers expect the Cboe and CME listings to increase cryptocurrency trading over a sustained period and eventually attract institutional money, dispelling the notion that it's just a passing fad.

With the exchange-trading box checked, a primary consideration for bitcoin traders is data sourcing, i.e. how to find the best real-time information to help guide trading decisions in a highly volatile, global and always-open market?

As one might expect for an alternative market, the answer is more likely to be social media and other alternative data sources, rather than Bloomberg, CNBC and The



Ed Oliver, Datamirr

Wall Street Journal. Cryptocurrency news can break at 3 am New York time just as easily as 3 pm, and ‘pajama traders’ need real-time information.

“The cryptocurrency community is more suited to alternative data because of its real-time nature and 24/7 news cycle,” said Ed Oliver, director, finance sales at Datamirr. “Crypto market developers, exchanges and traders are already trying to disrupt things. They’re not going to use traditional ways such as press releases to announce a change; they’ll tweet it instead. News therefore breaks more directly, and it breaks at all hours.”

included in upwards of a dozen tweets per minute as of midday Dec. 12. Bitcoin traders who properly harness that data can gain an edge in the quest to be on the right side of the volatility.

“Given how tech-centric cryptocurrencies and crypto investing can be, alternative data can affect prices more than in other asset classes,” said Joe DiPasquale, CEO of BitBull Capital, a cryptocurrency fund of funds. “Keeping close tabs on social media and forums, futures positioning and other indicators can make a huge difference between making a proactive move or a

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Cboe bitcoin futures (XBT) traded 4,127 contracts on its first day of trading, Cboe said in a release. Over the past five years, the market capitalization of bitcoin soared from less than \$1 billion to more than \$262 billion, with daily notional turnover on December 8, 2017 exceeding \$21 billion.

Volatility — the lifeblood for traders — has been extreme, near levels seen in equity market crashes. Just on its first day of Cboe trading, the futures contract traded between \$15,460 and \$18,850.

The #bitcoin hashtag has been active,

reactionary one. This is especially so if valuations can be influenced by outliers such as an advancement in renewable energy or graphics cards.”

“Many factors play a role in determining cryptocurrency prices, and staying on top of not only the coins themselves but also the markets and industries intertwined with them is very important,” DiPasquale said. “Most crypto traders follow a mix of traditional and crypto-focused news sources, as well as podcasts and corporate blogs.”

Bitcoin was arguably the most important



Joe DiPasquale, BitBull Capital



Nassim Nicholas Taleb

@nntaleb



Bitcoin: my answer to the repeated questions. No, there is NO way to properly short the bitcoin "bubble". Any strategy that doesn't entail options is nonergodic (subjected to blowup). Just as one couldn't rule out 5K, then 10K, one can't rule out 100K.

Gabish?

11:05 AM - Dec 9, 2017

259

1,845

4,428



cryptocurrency even before being exchange-listed, but there are a host of others. Litecoin, ethereum, zcash, and dash are among lesser-known cryptocurrencies, each with their own trading community and information flow.

To be sure, as an emerging market with lots of unknowns, cryptocurrency is high-risk as well as high-reward, and caution is warranted. DiPasquale said traders must balance data sourced from social media with the perspective of industry experts, and be wary of individuals attempting to influence the market for their own benefit. "Reputation carries a lot of weight in the nascent crypto universe," he said.

As far as bitcoin being legitimate, "we have an evolution from 'maybe it is' to 'definitely is' with it being adopted by the larger trading platforms," Dataminr's Oliver said. "The run-up of bitcoin over the last few months has been so volatile, and news impacts these currencies. Alternative data, specifically social media, can be a very valuable resource."

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MKT-367 1/18