

The logo for Sixtant, featuring the word "sixtant" in a white, lowercase, sans-serif font. To the right of the text is a teal-colored graphic element consisting of two overlapping triangles: a larger one pointing up and to the right, and a smaller one pointing down and to the right, creating a combined shape that resembles a stylized arrow or a corner.

sixtant

proprietary trading and market research

dYdX Market Color, March 26th – April 2nd 2021

Market Color Summary

Market Depth & Order Flow

Average market depth on BTC, ETH, and LINK has grown to 400k, 500k, and 100k within 50 bps since our last analysis, and order flow has largely equalized.

Both LINK and ETH saw isolated incidents where marketable sell orders incurred several percentage points of market impact.

Bid-Ask Spreads

Bid-ask spreads have been low and stable, averaging 14, 16, and 18 bps on BTC, ETH, and LINK.

The flickering quotations and fleeting spikes observed the week of March 8th are no longer present.

Price Parity

The average premium on dYdX's markets was in the 10-15 bp range versus spot.

This week has seen perpetual swaps across exchanges trading at relatively large premiums, and dYdX's markets are actually closer to parity (i.e. relatively cheaper) than swaps on other exchanges.

Liquidity for the BTC/USD order book has 5xd, bid-ask spread has halved, and order flow has evened out

BTC/USD Market Overview



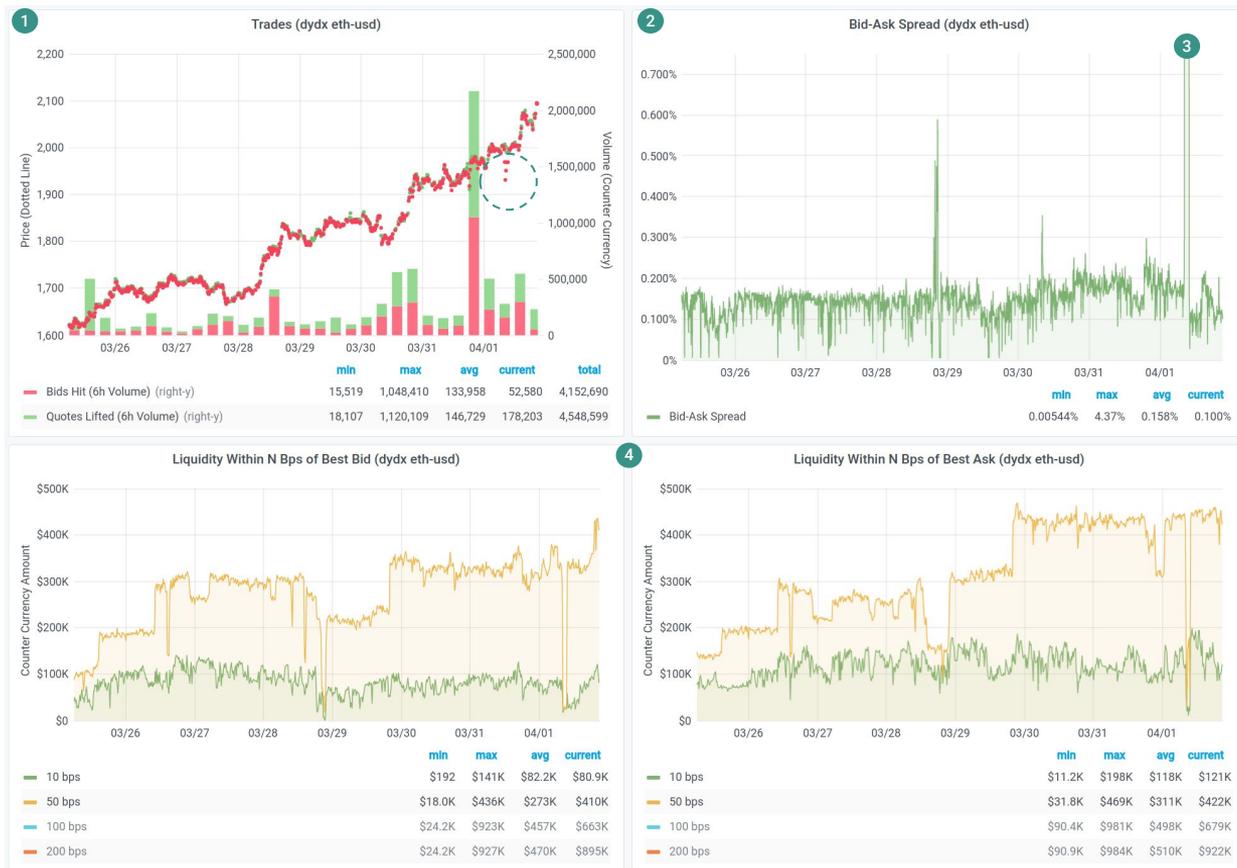
Key Takeaways

Changes in market conditions since our previous analysis for the week of March 8th.

- 1 Order flow has stabilized greatly versus the 3:1 skew that we saw previously.
- 2 The average bid-ask spread was 14 basis points (bps), tightening considerably versus the previous 32 bps average.
- 3 We see ~500k USD of liquidity within 50 bps of the top of the book, versus 100k previously observed.

The ETH/USD book improved slightly more than BTC/USD did on liquidity and bid-ask spread, and slightly less on order flow

ETH/USD Market Overview



Key Takeaways

Changes in market conditions since our previous analysis for the week of March 8th.

- Order flow was mostly balanced, with more quotes lifted than bids hit.
- The average bid-ask spread was 16 bps versus a previous 43 bps average, though there have been a couple of spikes which were not present on the BTC/USD order book.
- In particular, at about 1:10 am PDT on the morning of Friday the 2nd, the liquidity available receded and a single market sell order penetrated several percentage points into the bid side of the order book.
- We see ~410k USD of liquidity within 50 bps of the top of the book, versus 50-70k previously observed.

The LINK/USD book improved greatly on bid-ask spread and order flow, though it is still the most skewed, and liquidity 2xd

LINK/USD Market Overview



Key Takeaways

Changes in market conditions since our previous analysis for the week of March 8th.

1 Order flow was more balanced than its previous 5:1 ratio, but is still skewed with fewer quotes lifted than bids hit.

Notice that this skew is in the opposite direction of the skew on the other two order books.

2 The average bid-ask spread was 18 bps versus a previous 30 bps average.

Similar to ETH/USD, there were a couple of market orders which incurred market impact on the bid side of the order book.

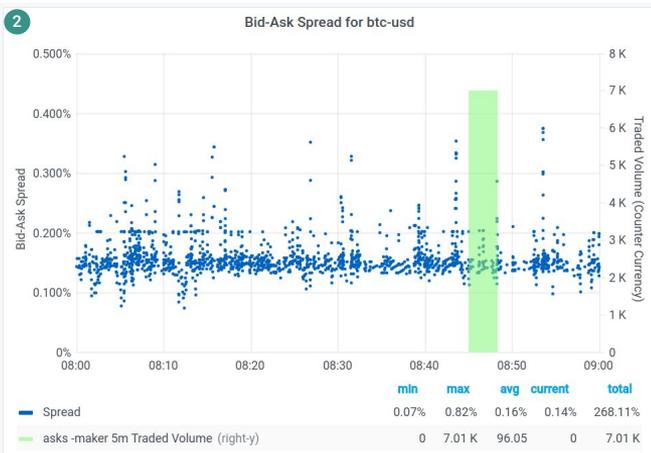
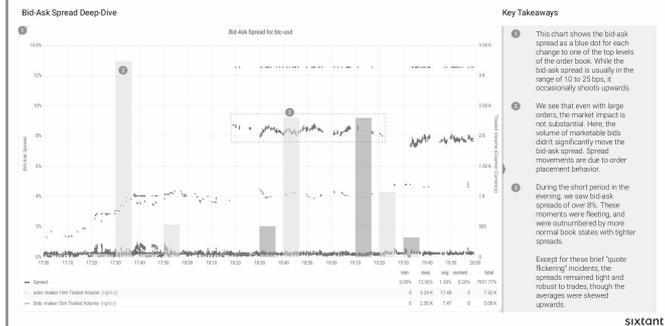
3 We see 190k (160k) USD of liquidity within 50 bps of the best ask (bid), versus 100k (60k) previously observed.

During the week of March 8th, we observed flickering quotations leading to momentary bid-ask spread increases — this is no longer the case, and the order books are healthy

Bid-Ask Spread Deep-Dive: Follow Up

1

The spikes in average bid-ask spread we saw on March 8th are due to deeper limit orders priced relatively far from shallower orders, which leads to a high average bid-ask spread when tighter limit orders leave the book for short periods



Key Takeaways

1

During the week of March 8th, we reported on a combination of flickering quotations and sparse book levels which caused large spikes in bid-ask spreads and skewed averages.

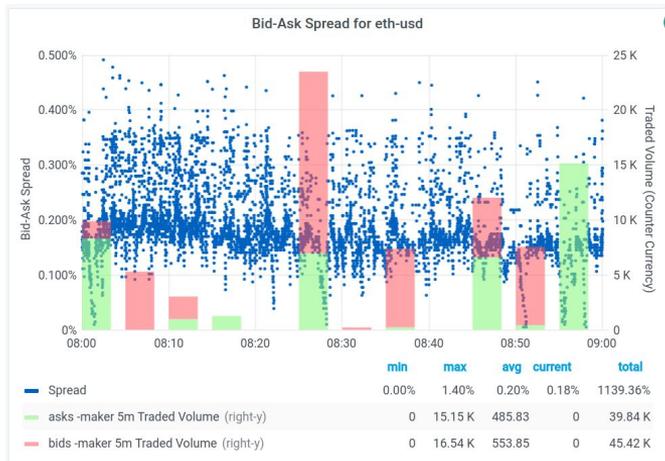
This dynamic is no longer present, and all three order books are healthy.

2

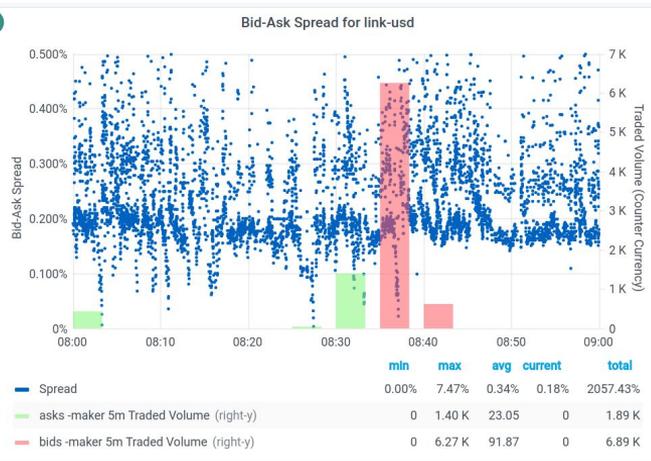
This chart shows the bid-ask spread as a blue dot for each change to one of the top levels of the order book between 8 and 9am PDT on 2021-04-02.

3

The spreads for ETH/USD and LINK/USD present higher variation than BTC/USD's spread, suggesting perhaps slightly more space between book levels, but even the 90th percentile values are within a reasonable range, though we do see that the max spread for LINK falls quite far from its average or even 90th percentile spread.



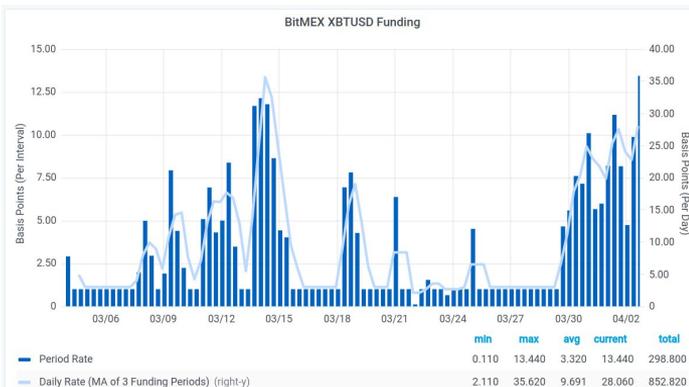
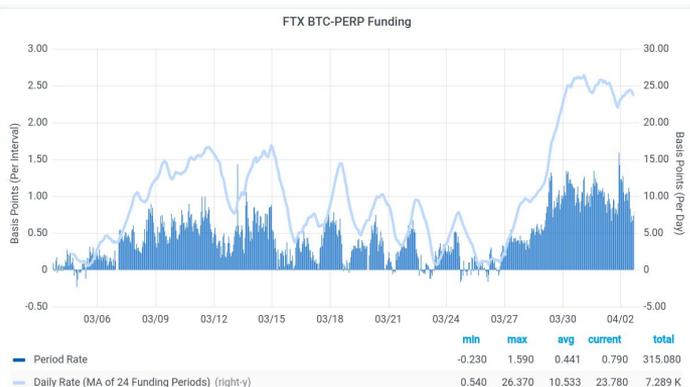
3



To contextualize price parity information: the past week has seen an increase in long interest in perpetual swaps across exchanges, with swaps trading at premiums in the 15-30 basis point range, as compared with the previous 30 days

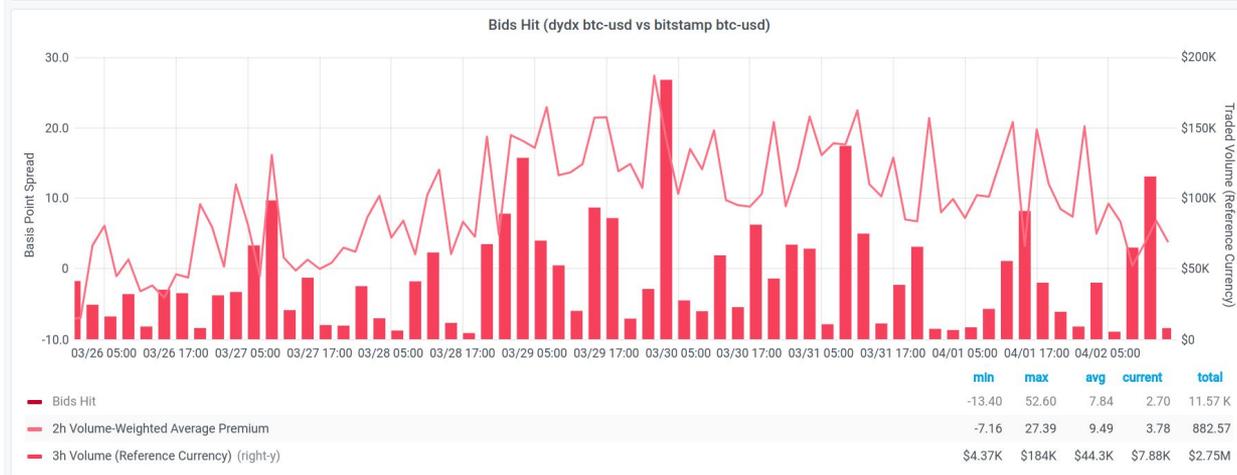
30-day funding and price parity for swaps on FTX and BitMEX

Key Takeaways



Perpetual swaps for BTC on both FTX and BitMEX have been trading at a premium, especially over the past week, as long interest intensifies.

BTC/USD on dYdX has been trading at a premium slightly below that of other perpetual swap markets

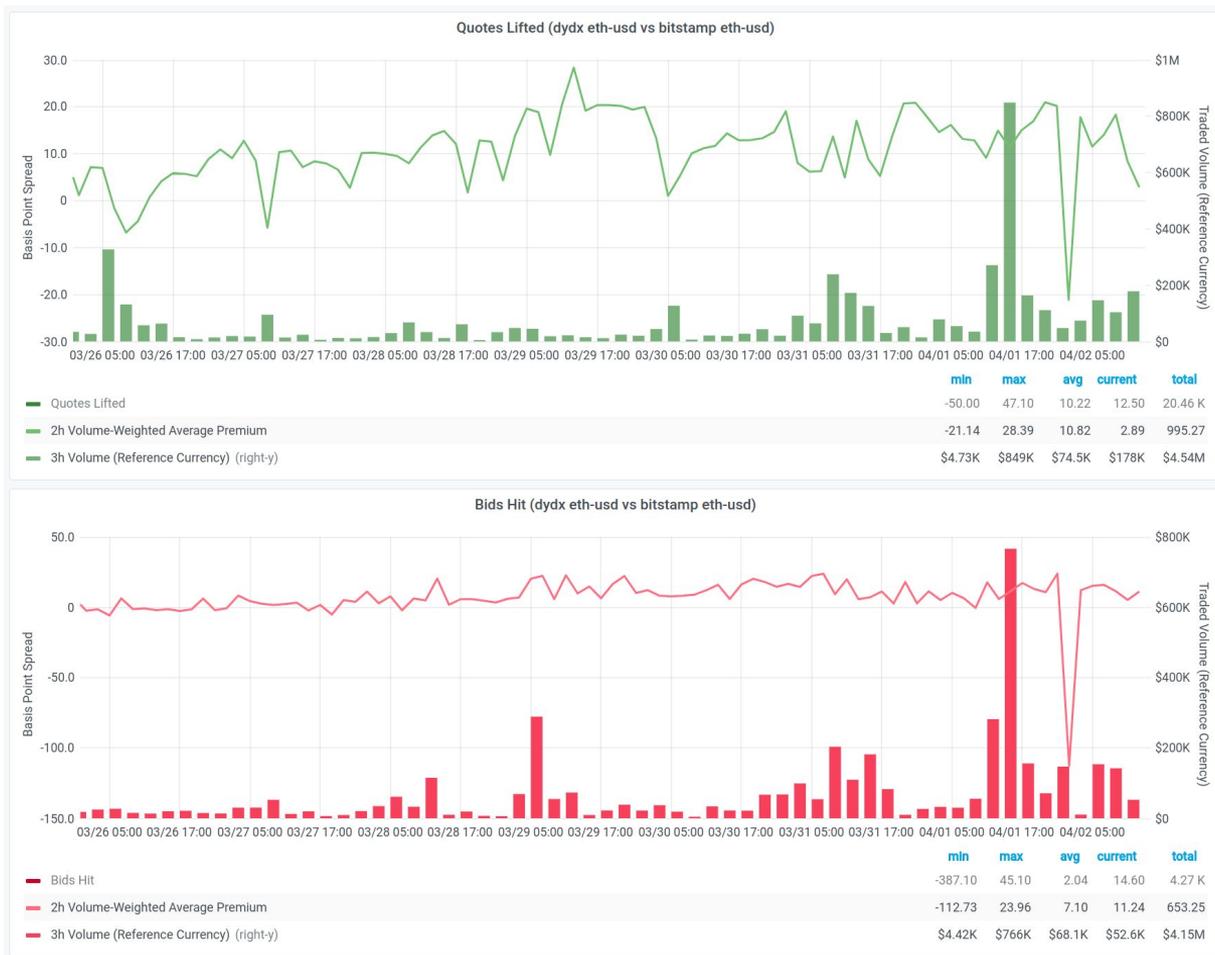


Key Takeaways

BTC/USD swaps have traded at a premium on dYdX versus Bitstamp spot, though not as large a premium as for the swaps on FTX.

Quotes were lifted at an average premium of 14 bps and bids were hit at an average premium of 9 bps, though both averages are skewed downward by relatively tame trading over the weekend.

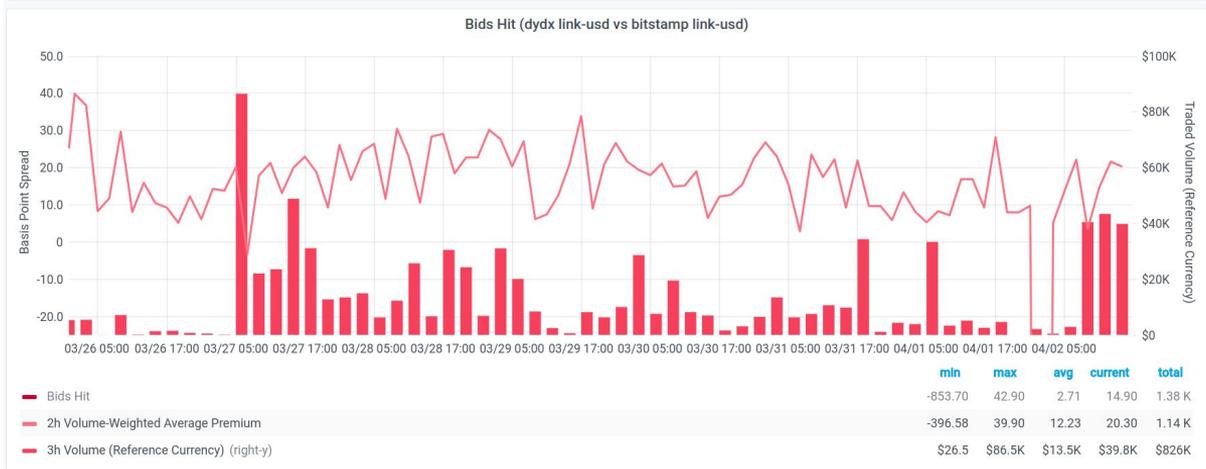
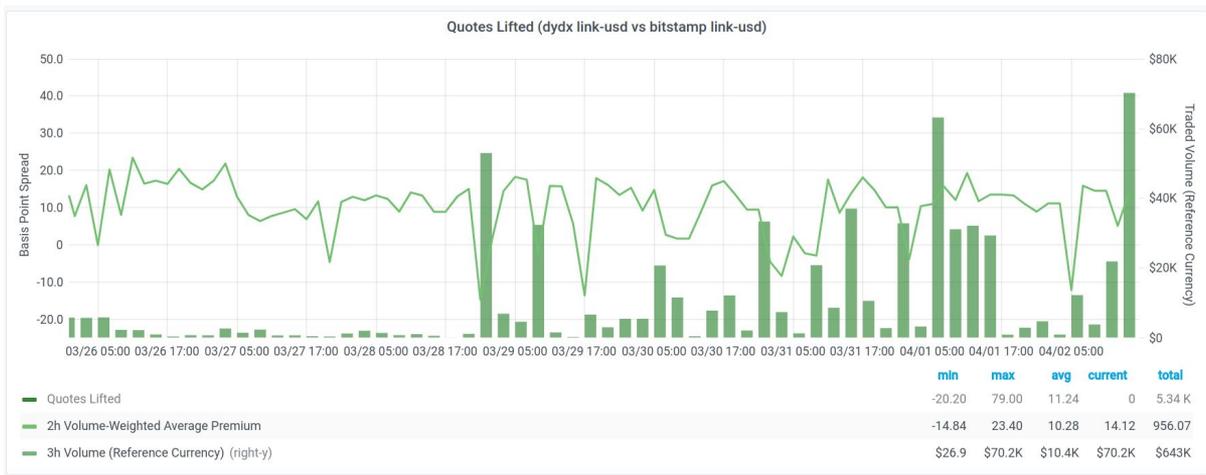
ETH/USD traded at a similar premium to BTC/USD, without quite as much upward pressure at the start of the week



Key Takeaways

Quotes were lifted at an average premium of 11 bps and bids were hit at an average premium of 7 bps, though one market order did have outsized impact early Friday morning.

LINK/USD's premium was the least directional of the three throughout the week, but also presented the most variability



Key Takeaways

Quotes were lifted at an average premium of 10 bps and bids were hit at an average premium of 12 bps, though one bid was hit as low as 8.5% below the reference price on Bitstamp's LINK/USD market.