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Hedge Funds Bet Against Bitcoin

By ALEXANDER OSIPOVICH

Hedge funds and other big traders are betting that bitcoin will fall, even as the digital currency has risen above \$11,000 on a new wave of crypto-optimism.

That is the picture that emerges from bitcoin futures listed on CME Group Inc., the biggest U.S. exchange operator. Futures are contracts that let traders bet on whether an asset—in this case, bitcoin—will rise or fall.

Hedge funds and other money managers held about 14% more bearish “short” positions in CME bitcoin futures last week than they did bullish “long” positions, according to a recent Commodity Futures Trading Commission report.

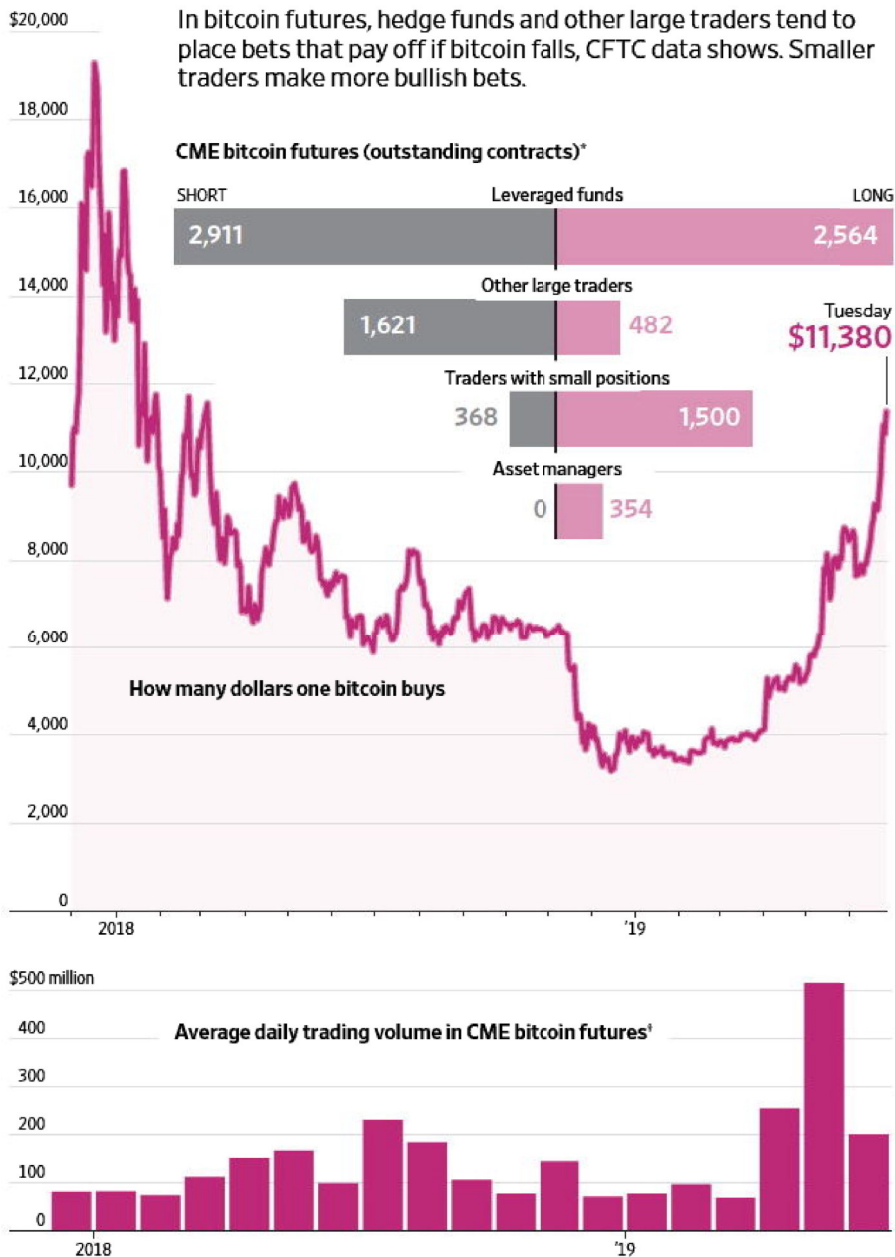
Other large traders were even more bearish. “Other reportables”—a loose category of firms that don’t necessarily manage money for outside investors—held more than three times as many short positions in bitcoin futures as long ones, the CFTC report shows.

So who is the optimist? The report shows it is mostly small investors taking the other side of the trade. Among traders with fewer than 25 bitcoin contracts, a category that likely captures many individuals placing bets in bitcoin, long wagers outnumbered short bets by 4 to 1.

“Traditional market participants may be more skeptical of [bitcoin] than millennial day traders,” said George Michalopoulos, a portfolio manager with Chicago fund manager Typhon Capital Management LLC, although he stressed that his views were speculative and that it is hard to know what is driving the CFTC’s numbers.

The CFTC report, which came out Friday, reflected the positioning of market players on June 18, when one bitcoin could buy around \$9,000. The cryptocurrency was trading at \$11,379.96 late Tuesday afternoon, up 4.6% from the day before.

Though it comes with a lag,



Sources: CoinDesk (bitcoin price); CFTC (contracts); CME Group (volume)

*As of June 18 †As of June 19

the weekly CFTC report offers a glimpse into how various types of traders are positioned in bitcoin futures. Commodity traders closely follow similar CFTC reports on futures like crude oil, wheat and corn for hints of what is driving the market.

The CFTC data show that hedge funds have been short bitcoin since February, though they recently pared their bearish bets. On June 11, short bets among hedge funds outweighed long bets by 47%, a gap that narrowed to 14% the following week.

Such data don’t necessarily mean hedge funds are placing outright bets that bitcoin will drop. The short bets could also be part of hedging strategies. For instance, a fund with a portfolio of bitcoins might go short at CME as insurance

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