The Bear Syndicate

Exploring the short side of markets.

About our club

We want to create a space for exploring and discussing the short-side of markets

Our goals:

- Exploring and discussing current developments in the short world of financial markets
- Give students the opportunity to share their own bearish ideas and theses

Crazy, Stupid, Bitcoin.

The biggest bubble in human history?

09.10.2025

What happened?

Bloomberg

● Live TV Markets Economics Industries Tech Politics Businessweek Opinion More

Markets

Bitcoin, the Biggest Bubble in History, Is Popping

BITCOIN

BlackRock CEO Larry Fink calls bitcoin an ‘index of money laundering’

FRI, OCT 13 2017•2:32 PM EDT | UPDATED FRI, OCT 13 2017•3:06 PM EDT

Bitcoin is a fraud that will blow up, says JP Morgan boss

Jamie Dimon claims cryptocurrency is only fit for use by drug dealers, murderers and people living in North Korea

s Industries Tech Politics Businessweek Opinion More

Columnist

Yep, Bitcoin Was a Bubble. And It Popped.

Millennials, like generations before them, just got a painful lesson about speculation.

December 11, 2018 at 12:30 PM GMT+1

Change in Narrative

➔ **Story/narrative** is the single source for Bitcoins „value“

- **Early years (2009–2013**): *Peer-to-peer electronic cash* (idealism, anti-bank sentiment)

- **2013–2017**: *Speculative* vehicle

- **2017–2020**: *Hedge against inflation / store of value („digital gold“).*

- **2020–today**: *Institutionalized digital asset class,* with ETFs and corporate treasuries.

Bitcoin as an asset class – the digital gold?

- Larry Fink 2017: „Bitcoin is just speculation, an index of money laundering“

→ Larry Fink 2023: „Bitcoin is digital gold“, as Blackrock launches BTC spot ETFs

→ ETF management fees, Trading spreads, income on Derivatives on BTC → Big banks and institutions got in to meet demand (*don‘t dig for gold, sell the shovels*) → fallacy of „institutional adoption“ argument

- Gold looks back on *2,000+ years* of history as money/asset, Bitcoin has *15 years* → proven track-record of resilience through multiple crises → which one is more likely to still be around in 20 years?

Fact check:

- BTC‘s price swings (50-80%+ annually) and frequent crashes (-70-80%) make it a risky store of value → Gold’s volatility is much lower (typically ~10-20%) and its drawdowns are milder
- Inconsistent „safe haven“ behaviour:

- 2020 Feb-March **Covid** Crash: S&P 500 drawdown of -34% → **BTC -40%** vs. Gold almost flat (-0,2%) that period
- H1 2022 **Ukraine Invasion**, energy crisis: S&P 500 -17% → **BTC -50%** vs. Gold -3%
- 2025 “**Liberation Day**“ shock April 02-09: S&P 500 -12% → **BTC -12%** vs. Gold -2.6%

- Correlation with equities rising since about 2020!

Tether as the shadow central bank of crypto

- **Manipulation of the Bitcoin marketplace: an agent-based study”** (Fratrič et al., 2022) → found stablecoin flows having outsized influence, especially around certain timing (price drops, volatility) that might suggest “support” operations
- **“Is Bitcoin Really Un-Tethered?”** (Griffin & Shams, 2019) → found that **Tether issuances** (especially after price drops) often correlate with increases in Bitcoin price → some of Bitcoin’s price rises are driven by newly issued Tether (USDT) flowing in, not just organic consumer-driven demand

- **Insufficient backing:** USDT wasn‘t always fully backed. In 2021, Tether settled with the New York Attorney General, admitting it was *not always fully backed* and **at times only ~27% backed by fiat-reserves** (NYAG settlement)
- Evidence from blockchain flows shows Tether being minted and deployed in market downturns *without corresponding transparency of reserves*, suggesting it was **used strategically to prop up BTC price**
- Tether also doesn‘t publish **transparent, real-time auditing** → its suspected that USDT is sometimes issued first, with real USD backing coming later (or not all)

➔ Tether acting as a **shadow central bank** backstopping BTC‘s price through „private money creation“ and providing artficial support

Just a giant ponzi scheme?

Tether

Trading desks

Tether and the ‘insider network‘

1
- Issues USDT without sufficient USD backing (printing money „out of thin air“)

2
- These are then deployed into BTC markets through affiliated trading desks, crypto exchanges (e.g. Bitfinex)

3
- **70%** of BTC volume is traded in USDT, meaning any injection by Tether has **disproportionate impact on market liquidity**
- Despite Bitcoin’s big market cap, *actual* daily net new fiat inflows are relatively small. So even a few hundred million in fresh USDT can sway prices

4
- Global exchanges use arbitrage to keep BTC price aligned, this **buying pressure lifts BTC‘s global price floor**
- Even without fresh USD entering the system, the **appearance of new liquidity** via USDT can fuel rallies and stabilize dibs

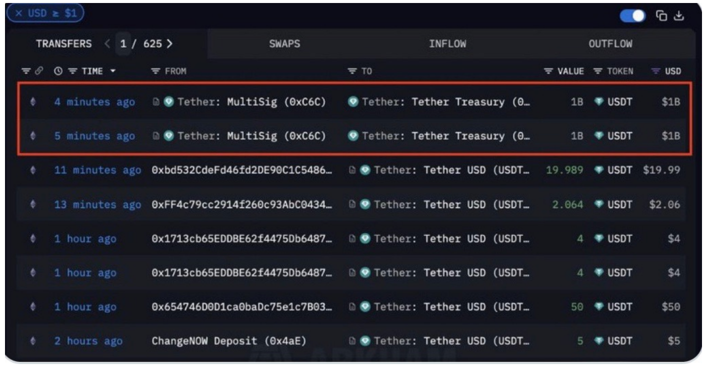
➔ This keeps price momentum going and prevents panics, **reinforcing investor confidence and engagement**

5
- New retail and institutional money flowing in (real USD) to buy USDT to buy BTC → makes issued USDT looked covered „after the fact“ (if at all)

Systemic risk and fragility (1)

- Tether and new USDT central to crypto ecosystem and to maintain BTC price momentum
- If Tether/USDT would go down, it would take the whole Bitcoin market with it
- How much of circulating USDT is really backed by USD? Tether not known for accounting transparency/trustworthiness

Assets	Amount (bn USD)	% of Assets	Liabilities & Equity	Amount (bn USD)	% of Liabilities & Equity
U.S. Treasuries	127.0	78.2%	USDT Tokens (liabilities)	157.1	96.6%
Overnight Repos	16.34	10.1%	Other Liabilities	0.01	<0.1%
Secured Loans	10.14	6.2%	Shareholder Equity	5.47	3.4%
Bitcoin	8.93	5.5%			
Gold	8.73	5.4%			
Cash & Bank Deposits & Others	1.43	0.9%			
Total Assets	**162.57**	**100%**	**Total Liabilities + Equity**	**162.57**	**100%**



× USD ≥ $1

TRANSFERS 1 / 625 | SWAPS | INFLOW | OUTFLOW

TIME	FROM	TO	VALUE	TOKEN	USD
4 minutes ago	Tether: MultiSig (0xC6C)	Tether: Tether Treasury (0…	1B	USDT	$1B
5 minutes ago	Tether: MultiSig (0xC6C)	Tether: Tether Treasury (0…	1B	USDT	$1B
11 minutes ago	0xbd532CdeFd46fd2DE90C1C5486…	Tether: Tether USD (USDT…	19.989	USDT	$19.99
13 minutes ago	0xFF4c79cc2914f260c93AbC0434…	Tether: Tether USD (USDT…	2.064	USDT	$2.06
1 hour ago	0x1713cb65EDDBE62f4475Db6487…	Tether: Tether USD (USDT…	4	USDT	$4
1 hour ago	0x1713cb65EDDBE62f4475Db6487…	Tether: Tether USD (USDT…	4	USDT	$4
1 hour ago	0x654746D0D1ca0baDc75e1c7B03…	Tether: Tether USD (USDT…	50	USDT	$50
2 hours ago	ChangeNOW Deposit (0x4aE)	Tether: Tether USD (USDT…	5	USDT	$5

Tether recently (Oct 02) bought USD 2 billion again in new BTC with USDT

Rank	Cryptocurrency	Approximate Annual Transaction Volume (USD trillions)
1	Tether (USDT)	~27
2	Bitcoin (BTC)	~3.5
3	Ethereum (ETH)	~2.2

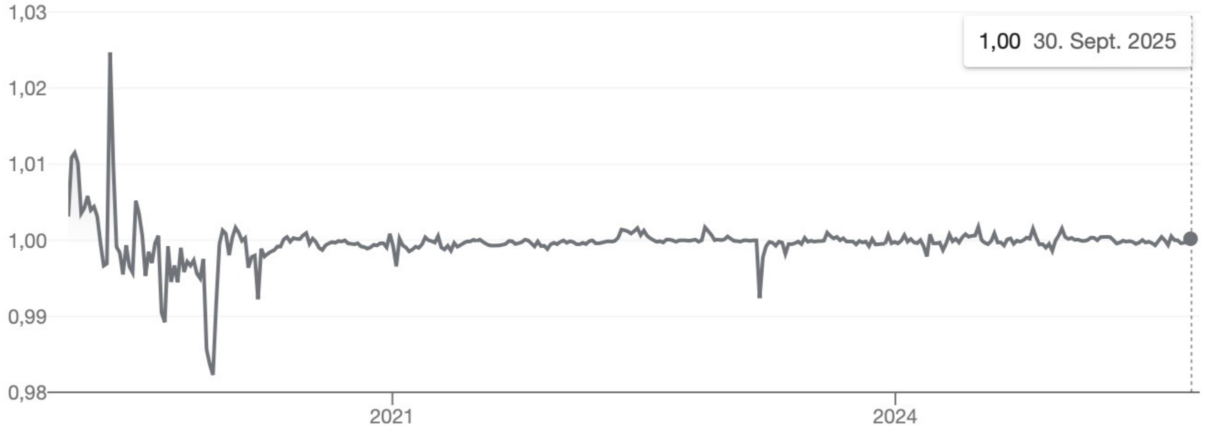
Systemic risk and fragility (2)

What could cause a collapse/insolvency of Tether?

- Massive unexpected USDT redemptions („bank run“)
- De-pegging event if faith in USDT erodes
- Losses in investment portfolio: Gold, Bitcoin crash, decline in US T-bills values (improbable)

➔ Most likely it‘s a combination of these events that would trigger a vicious cycle

USD/USDT



Outlook

Mid term:

- Tether‘s and USDT‘s centrality to BTC ecosystem creates systemic risk and fragility

➔ unsustainable, ticking time bomb

Long term:

- What is Bitcoins right to exist?
- “New currency“ narrative not reasonable: CBDC, stablecoins way more suited/likely
- “Digital gold“ story also not based on common sense or evidence
- What will be the next narrative?
- Bitcoin needs a persistent (niche) following that values it as censorship-resistant property → it‘s more *ideology* than money → *belief reflexivity* → eventual myth fatigue (digital relic)

- Should you short Bitcoin? Risk/Reward ratio doesnt seem attractive, could go up another 100%, 200% → when does the party end?

Why are you invested in Bitcoin?

- Speculative trading (only valid reason)
- FOMO
- Diversification/Hedge (sure, I also invest in second-hand pizza boxes because they are „uncorrelated“)
- “safe haven“ against fiat currency devaluing (Bitcoin was never “safe“; why not Gold?)
- “Bitcoin is the future“ → Distinction between BTC and its underlying technology

Theme	Bullish argument	Fact check
Tether Dependence & Systemic Risk	*Tether risk is overstated. USDT is now backed mostly by U.S. Treasuries; market liquidity diversified via USDC and ETFs. Tether highly profitable company*	**Liquidity ≠ price discovery.** Over 60–70 % of BTC volume still trades vs USDT. ETFs *follow* offshore prices, not lead them. Tether's "attestations" ≠ audited transparency — systemic opacity remains
Bitcoin's Right to Exist / Utility	Bitcoin gives financial sovereignty and acts as non-state money, especially in emerging markets.	Real-world adoption contradicts this: in Argentina, Nigeria, Turkey, people overwhelmingly use **stablecoins**, not BTC. Sovereignty use-case is **ideological**, not scalable. BTC lacks intrinsic or productive utility
Store of Value / 'Digital Gold' Narrative	Like gold, speculation is part of monetization. Institutional adoption (ETFs, custody) shows growing maturity	Gold's speculation was anchored by **industrial & reserve demand**. Bitcoin's demand is **reflexive**, not fundamental. Institutional products monetize retail hype, not validate intrinsic value

Theme	Bullish argument	Fact check
Institutional Adoption = Legitimacy	BlackRock, Fidelity ETFs confirm mainstream acceptance; regulatory clarity will stabilize markets	ETF issuers are **intermediaries, not believers** — they profit from fees. SPAC‘s were also institutionally adopted.
Antifragility & Historical Crashes	Bitcoin has survived every crash; each recovery proves resilience	**Survival ≠ utility.** BTC's recoveries rely on cyclical liquidity booms and new entrants — not fundamental demand. Reflexive faith, not antifragility
Hedge Against Fiat / Inflation	BTC is a hedge against money printing and fiat devaluation	BTC has **high correlation** with liquidity and risk-on assets. Financialization also increases correlation with risk assets (Nasdaq ≈ 0.7). Gold and commodities performed better as true hedges

Feedback? Suggestions? Any ideas for future events?