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STACC Weekly Yield Enhancement Program

STACC Overview

STACC is a weekly enhanced yield generation program. It is designed to grow BTC and/or ETH stack, providing more attractive annual percentage yields (APYs) than traditional call and put writing strategies, and it does not employ leverage.

STACC generates attractive APYs each week while providing upside participation on the underlying asset. STACC expresses its view by selling one-week options using puts, calls or a combination of both. Yield in the form of premiums is reinvested each week compounding over the life of the program.

STACC is guided by DORA Predictive Explorer, InvestDEFY's proprietary analytics platform, designed to centralize access to all models and predictive analytics. DORA's STACC Model produces a signal each Friday which is used to express a view by selling one-week options. These option structures are automatically loaded into the STACC trading system which then prices the option(s) and routes for execution to the best market, controlling for liquidity, price discovery and slippage.

Program Concept

BTC and ETH are benchmark Crypto currencies that underlie the digital asset narrative. STACC is a program designed to promote further diversification away from FIAT currencies and grow BTC and/or ETH stack in a yield-optimized manner while participating in price appreciation. The STACC program is a replacement to at-risk yield farming which significantly removes counterparty, stablecoin peg and smart contract risk. Informed by a dynamic multifactor model augmented by predictive analytics that adapt to current and predicted market regimes, STACC addresses a marketplace void by introducing four key differentiators:

1. Super charge yields (i.e., APYs) when volatility is perceived to be range bound by selling both calls and puts;
2. Sell options opposite to the predicted move in the underlying, reducing further in the money (ITM) risk during higher volatile moments;
3. Dynamically set option strikes optimized for maximum yield, reducing ITM risk; and
4. Improved price and liquidity discovery by blending high-touch (OTC counterparties) and low touch (centralized exchanges) liquidity.

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Super Charge Yield with Range and Volatility Predictive Analytics

The STACC model combines a multi-factor model enhanced by one-week range and anomaly predictive analytics. This model is uniquely designed to predict expected realized volatility for BTC and ETH while ensuring maximum participation in price appreciation. This dynamic model informs which options to execute and the prevailing strikes. The result is improved yields with reduced ITM risk.

Maneuvering Higher Volatility Moments

The core tenet to any successful yield enhancement program, beyond maximizing yield, is to provide a full runway to participate in underlying price appreciation. TradFi yield enhancement programs are dogged by constantly rolling option positions, which creates a significant drag on any upside performance due to the need to avoid being exercised. STACC employs European style options which cannot be exercised intra expiry. STACC leans into its predicted volatility view for the upcoming week by assessing whether to increase or decrease risk by identifying which option(s) and strike(s) to express its view. The end result is a model that dynamically optimizes for future volatility risk relative to maximum yield achieved.

Price Discovery

The best execution for derivatives is both an art and a science. STACC uses both a high-touch and low-touch approach towards seeking liquidity and ensuring best price discovery. It does this by employing InvestDEFY's proprietary D.A.T.A platform for electronic trade execution and pricing options independently of centralized displayed size and liquidity. This ensures execution can follow an informed path as opposed to being satisfied with inferior execution. The D.A.T.A. platform pulls derivative market prices from multiple sources and creates an internal consolidated order book providing greater price and liquidity discovery. STACC also leverages select sophisticated counterparties to augment price discovery in cases where the counterparty is "axed" to sell or buy. This provides alpha to the trade as an enhancement to price discovery when alignment occurs as part of the high touch approach.

Dynamic Optimized STACC Yield Model

DORA's STACC machine learning model uses predictive analytics alongside a multifactor model to predict absolute price range over the week, detect price anomalies and determine the parameters (i.e., strikes and level of protection) of the derivative structure used to express its view in a given week. *For example, if the model predicts future volatility will increase beyond a threshold amount, it increases the out of the money strike.*

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