

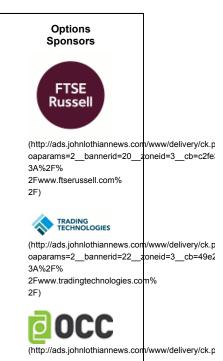
CFTC grants registration to
LedgerX to trade options on
bitcoin; Options traders bet on
U.S. steel stocks ahead of tariffs
decision; Riding the Wave —
Speed, Algos and Consolidation

By Spencer Doar (http://www.johnlothiannews.com/author/sd/) – 7.7.17

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Observations & Insight

Crypto-innovations

Jim Kharouf – JLN

One look at today's newsletter will tell you something – the traditional Wall Street system is ripe for disruption. The JLN piece on Overstock.com's subsidiary Round One: How Overstock.com and tzero aim to knock out Wall Street (https://goo.gl/xUyNiV) shows how that firm is focused on using blockchain and its new Alternative Trading System ATS (http://www.marketswiki.com/mwiki/ATS) to do everything from trading securities via a blockchain, to finding an after hours trading niche.

But tzero aims to create much more than that. While it's still early days, it is not hard to imagine using the blockchain technology for a direct-to-market IPO. And today's Wall Street Journal story, Forget an IPO, Coin Offerings Are New Road to Startup Riches (https://goo.gl/Sukrk2), illustrates the innovative ways firms are now raising capital via crypto-coin offerings. It's so new, it is hard to even describe. But the gist of it is that firms are successfully raising IPO level cash using these coin offering, sidestepping the traditional routes to going public.

Whether tzero's efforts in blockchain or coin offerings are the next big innovation, Wall Street should take notice. There are innovators looking for new, cheaper and more efficient ways to bring your company to the broader market.

Speaking of disruptors, who might be the next disrupter, innovator, leader to join our industry? Next week is our MarketsWiki Education series in New York – July 11 and 12. We have a great list of speakers who have earned those credentials and will share them with your summer interns. Please send them our way. It's well worth their time. Register for the New York or Chicago events on July 17, 19, and 21 HERE (https://goo.gl/050bAJ)

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Round One: How Overstock.com and tzero aim to knock out Wall Street; Tzero using blockchain to trade and settle securities, cutting out the need for stock exchanges and clearinghouses

By Jim Kharouf - JLN

There are fintech disruptors and pioneers and then there are those who want to knock Wall Street off its feet

T0.com,or tzero, is looking to change the way stocks are bought and sold with a vision that changes how markets operate. Joe Cammarata, president of tzero, is no stranger to disruptive technologies on Wall Street. He's made a living off them. From his involvement in building the first off-exchange equity network – Island ECN for Datek Securities – to the first smart order routing systems called Sonic Trading, Cammarata has been in the mix.

Two years ago, Cammarata got a call from the founder and CEO of the online retail giant Overstock.com, Patrick Byrne, who wanted to move into the equities space. Before long, the Staten Island native was melding securities trading with blockchain technology at tzero, a majority-owned subsidiary of Overstock.com.

Read the rest of the story here. (https://goo.gl/xUyNiV)

Lead Stories

CFTC grants registration to LedgerX to trade options on bitcoin

CryptoNinjas

The U.S. Commodity Futures Trading Commission (CFTC) announced today that it has issued a

registration order to LedgerX LLC (LedgerX), granting it status with the CFTC as a Swap Execution Facility (SEF)

jlne.ws/2tUq0U6 (http://jlne.ws/2tUq0U6)

****SD: If you're feeling less than stealthy, try CoinDesk (https://goo.gl/ZiaW6f) instead of

Options traders bet on U.S. steel stocks ahead of tariffs decision

Sagib Igbal Ahmed - Reuters

Traders in the options market are betting that shares of U.S. steel makers will get a boost when the U.S. Commerce Department unveils findings from its investigation into cheap steel imports, according to data and analysts on Friday ilne.ws/2uT1JLg (http://jlne.ws/2uT1JLg)

Riding the Wave: Speed, Algos and Consolidation

Ivy Schmerken, Flextrade - TABB Forum

A wave of consolidation has hit high-speed trading firms and brokers in the past few months, and many are blaming low volatility and weak trading volumes in the face of rising compliance and market data costs

Starting with electronic market-maker Virtu's acquisition of rival KCG in April, Two Sigma Securities buying options market-marker Timber Hill in May, and Cowen gobbling up Convergex a few weeks ago, trading firms are reassessing their business models, including the need for speed. jlne.ws/2tV3WIP (http://jlne.ws/2tV3WIP)

****SD: Surf's up.

Hedge fund bets on a smooth market may backfire after going too far

Evelyn Cheng - CNBC

Hedge funds have been betting on calm markets, and so far that trade has paid off. However, so many investors have made the same bet that several analysts worry the low market volatility can't last much longer, resulting in a large market sell-off.

jlne.ws/2tUkP6E (http://jlne.ws/2tUkP6E)

Charts Getting Ominous in S&P 500 as Selloff Shakes Foundations

Elena Popina, Oliver Renick, and Lu Wang - Bloomberg

Four weeks of violent price action has left American equity benchmarks close to some unwelcome

Take the S&P 500 Index, whose 23-point retreat Thursday sent it below its average price the for the past 50 days for the first time since May. The index suffered its worst decline in almost two months as yield-sensitive shares tumbled. The Russell 2000 Index followed suit, testing the same support

jlne.ws/2uSOTNf (http://jlne.ws/2uSOTNf)

****SD: MarketWatch has These 8 threats to the stock market's eerie calm should make you worried

Exchanges and Clearing

CBOE Holdings Reports June 2017 Trading Volume

CBOE

CBOE Holdings, Inc. today reported June monthly trading volume and average revenue per contract (RPC)/net revenue capture data at www.cboe.com/monthlyvolrpc. /goo.gl/Eijrro (https://goo.gl/Eijrro)

****SD: Reuters has the brief (https://goo.gl/QLGhRh) with notable stats.

Blue Apron options to list on CBOE exchanges on Monday: CBOE

Options contracts on Blue Apron Holdings Inc, the first U.S. meal-kit company to go public, will debut on CBOE Holdings Inc's (CBOE.O) exchanges on Monday, a CBOE spokeswoman said on Thursday

jlne.ws/2tUUPIp (http://jlne.ws/2tUUPIp)

*****SD: The industry needs more single names with options volume traction (aka not another ETF). There haven't been many IPOs to garner attention of late other than Snap (trading some 50k contracts over the last few days). At least these two are affordable for people with smaller accounts (Snap shares are under \$18 and Blue Apron shares are trading under \$8). Trading Alphabet and Amazon isn't too feasible for a retail trader when you're looking at thousands of dollars per contract (talking about near/at the money strikes).

Intercontinental Exchange Statement on Competition and Markets Authority Decision on ICE/Trayport Agreement

Intercontinental Exchange

Intercontinental Exchange (NYSE:ICE) notes the decision of the Competition and Markets Authority (CMA) with respect to ICE's agreement with Trayport, an issue which was remitted to the CMA for reconsideration following ICE's appeal to the Competition Appeal Tribunal (CAT).

We are disappointed by the CMA's decision that the agreement for additional connectivity between ICE and Trayport signed in May 2016 should be terminated, thereby delaying when customers can benefit from the additional Trayport connectivity and greater access to ICE markets delivered by the suspended agreement.

jlne.ws/2tUOzjR (http://jlne.ws/2tUOzjR)

Moves

ICE Names Warren Gardiner as Vice President of Investor Relations

Intercontinental Exchange (NYSE: ICE), a leading operator of global exchanges and clearing houses and provider of data and listings services, today announced that Warren Gardiner has been appointed Vice President of Investor Relations effective July 17. ilne.ws/2tUISCi (http://ilne.ws/2tUISCi)

Regulation & Enforcement

FIA publishes MiFID II and MiFIR compliance brief for U.S. FCMs

FIA has created a brief to help its members understand how the revised Markets in Financial Instruments Directive (MiFID II) and the associated Markets in Financial Instruments Regulation (MiFIR) may impact U.S. futures commission merchants (FCMs). ilne.ws/2tUAumi (http://ilne.ws/2tUAumi)

****SD: I think it took a while for U.S.-based firms to realize that while MiFID II is a "European" regulation, it's going to affect most anyone who touches European markets.

Finance firms need freedom to choose location after Brexit

Huw Jones - Reuters

Finance firms should not be forced by regulators to change location after Britain leaves the European Union in 2019, Andrew Bailey, chief executive of the UK's Financial Conduct Authority told a Reuters Newsmaker event on Thursday jlne.ws/2uSOhqL (http://jlne.ws/2uSOhqL)

Technology

Blockchain too slow for banks, warns top blockchain firm

Yolanda Bobeldijk - Financial News

The fintech startup helping the Bank of England to research blockchains has warned the technology may not, in fact, work for banks wanting faster and cheaper ways of moving money. jlne.ws/2tUXZfh (http://jlne.ws/2tUXZfh)

****SD: The word "blockchain" just sounds slow, like tugboat.

Strategy

Brent bulls and bears play options tug-of-war

Amanda Cooper - Reuters

The Brent crude oil options market is showing a definite split between the optimists and the pessimists this week, but it would seem the bulls are starting to gain the upper hand. The benchmark September Brent futures contract has risen by around 1.3 percent so far this week and on Thursday was up 66 cents on the day at \$48.45 a barrel, having fallen from a one-month high of \$49.90 a barrel on Tuesday jlne.ws/2tUAXF5 (http://jlne.ws/2tUAXF5)

What's Trading Now?

CBOE Blog

VanEck Vectors Semiconductor ETF (SMH) at 82.50, a Calendar Spread traded 7,500 times. The trader sold the Jul 21st 80 strike puts and bought the Aug 18th 80 strike puts paying 1.15. jlne.ws/2tUCPOg (http://jlne.ws/2tUCPOg)

Spotlight on Swan Global Investments' Defined Risk Fund

Associated Press via NY Times

Mutual funds' investment strategies can vary widely, with some focusing on aggressive growth, while others have a less risky style that would appeal to fixed-income investors

Then there are funds like Swan Global Investment's Defined Risk Fund (SDRAX), which take a hybrid approach.

jlne.ws/2uSMjXu (http://jlne.ws/2uSMjXu)

Nyidia turnaround? One trader's clever play on the volatile semiconductor stock

Annie Pei - CNBC

One of hottest stocks over the past year has come off of all-time highs, but Todd Gordon of TradingAnalysis.com says the charts make a compelling case for buying on the pullback ilne.ws/2uSK1HS (http://jlne.ws/2uSK1HS)

Sentiment Speaks - XIV Closing In On A Local Top But The Next Buying Opportunity May Not Be Far Off

Michael Golembesky - Seeking Alpha

The XIV has seen an incredible run since the February of 2016 low moving from 15.36 to a high of 87.54 on June 26th of this year. This represents a move of over 470% off of that 15.36 low into the June highs. With the VIX trading at historically low levels, the question at hand is; does the XIV have any room left to run to the upside or are we on the precipice of seeing a significant top on the

jlne.ws/2tUPSz7 (http://jlne.ws/2tUPSz7)

$\textbf{Miscellaneous}_{V \text{ } \underline{\text{what's happening}}} \text{ in the financial markets?} \quad \text{Read the } \textit{\textbf{John Lothian Newsletter!}}$

Gold Sags on Rise in Bond Yields, Silver Plunges on Volume Spal Days Free

Eddie Van Der Walt and Luzi-Ann Javier - Bloomberg

Precious metals are getting beaten up by the bond rout.

Gold futures are set for a fifth straight weekly loss and silver futures sagged to the lowest in 17 months in heavy trading. An increase in Treasury bond yields, coupled with concern further gains may be in store, pressures non-interest bearing assets. A better-than-expected U.S. payrolls report also dented precious metals.

jlne.ws/2tUBfvQ (http://jlne.ws/2tUBfvQ)

****SD: Marketwatch has Here's what's holding gold back (https://goo.gl/NYbjpL) and WSJ has Silver Futures Plunge, Rebound in Flash Crash (https://goo.gl/ctLtH9)

Debacles of Amaranth & MF Global Both Involved Breaking Core Principles

Mark Melin - ValueWalk

Hilary Till and Richard Heckinger have seen risk management succeed and fail from the inside. Both are veterans in the derivatives industry.

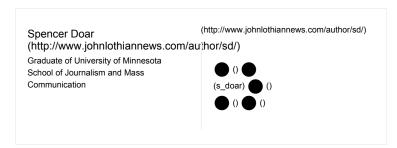
In a June 2017 research paper, the pair examines two overwhelming "debacles" in the listed derivatives industry - the implosion of Amaranth Advisors in 2006 and MF Global at 2 AM Halloween morning meeting in 2011 — and point to methods of due diligence that can help institutional investors avoid such troubles in the future. jlne.ws/2tUCf2W (http://jlne.ws/2tUCf2W)

****SD: A stroll down memory lane. What a difference 10 years can make for U.S. nat gas markets..

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