Bitcoin is Hedgeable

Recall the problem in the UK, when BlackRock's clients were borrowing off the gains from their long-duration bonds to fund their operations. This is an extremely risky practice when it comes to bonds as an underlying asset. There are numerous risks that drive the value of bonds. Interest rates alone are a difficult animal to manage. Rates vary across what is called the "term structure" or the time to maturity of a loan. The interest rates for 3-month, 1-year, 2-year, 10-year, 30-year, etc., tenors are all different and all have their own markets with their own dynamics. It is a common practice in the industry to assume that these rates all move together (i.e., in parallel), but history has shown that this assumption doesn't always hold up, and when it doesn't, it can be extremely costly. If BlackRock wanted to protect their clients from the rate spike that triggered the eventual bailout, they would have to start with the question "which rates?" Do they focus on the short end (under two years), the belly (two years to 10 years), or the long end (greater than 10 years)? Each of these sections has its own dynamics. In addition to interest rates, you also have credit risk, event risk, spread risk, and optionality risk, each of these having different dynamics across the term structure as well. As an investment manager, it is very difficult to create a portfolio that would cover the client against rates and other risks working against them that could lead to the liquidation of their collateral.