

selves as speculatively attacking the dollar (borrowing dollars to buy bitcoin - rinse, repeat). A person of this cohort might want to buy a house and would contact Battery Finance for a loan, where they post some of their bitcoin in exchange for a lower rate. Surely, there is little doubt that the degen will prioritize the home loan if there is bitcoin and associated gains at stake. Additionally, the degen would likely be considered a terrible borrower by a traditional mortgage lender. They have all of their wealth in bitcoin (that they likely don't disclose) and are heavily leveraged. Battery Finance is able to charge a high yield (typically reserved for subordinate and junk credit) to the degen with pretty good confidence that they will repay the loan. They might even start derisking at the time of the loan, and perhaps Battery requires that they do so in the underwriting process. Either way, if I'm a bond portfolio manager, I can gain a significant arbitrage by buying a package of Battery's loans over a similarly rated package without the bitcoin as collateral.

In contrast to the degen, there are savers who typically don't like to use debt and avoid it. These are good risks to traditional lenders, but have little use for credit except perhaps to use a loan to buy the same house as the degen, but avoid capital gains. To the saver, their bitcoin is everything, and they will go to the ends of the world to protect it. Almost assuredly, using some portion of their stack as collateral will have an impact on their behavior. While the data would need to play out, I would expect essentially a AAA equivalent behavior associated with these loans, leading to another

arbitrage opportunity for a portfolio manager, perhaps an even more profitable one.

It isn't hard to imagine a long/short strategy where a fund buys Battery's loans and sells equivalent loans from traditional lenders. The only question here is how much capacity Battery can create. We might have to wait a few cycles before bitcoin becomes less concentrated to see the utilization potential of such a product.