

How BTC² Perpetual Index Outperforms 2x Leverage in Risk and Returns

BTC², or Bitcoin Squared, is a DeFi protocol that introduces a unique approach to trading.

By utilising quadratic price exposure, it allows users to gain exposure to the squared price change of Wrapped Bitcoin (WBTC) through a perpetual product.

This innovative design offers several advantages over traditional leverage products.

Firstly, the BTC² Perpetual Index reflects the squared price of BTC, providing exposure to second-order market movements without directly trading the underlying asset.

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BTC² vs 2x

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Let's consider two scenarios to understand how BTC² outperforms 2x leverage:

The BTC² Perpetual Index is calculated based on the squared price of BTC.

To calculate the value of the BTC² Perpetual Index imagine BTC is trading at \$ 100, we simply square the BTC price:

$\text{BTC}^2 \text{ Index Value} = (\text{BTC Price})^2$

$\text{BTC}^2 \text{ Index Value} = (\$ 100)^2$

$\text{BTC}^2 \text{ Index Value} = \$ 10,000$

So, when BTC is trading at 100, the BTC² Perpetual Index will be valued at 10,000.

Scenario one: BTC² Perpetual Index vs. 2x Leverage Position

When BTC price increases by 10% to 110, the BTC² Index Value experiences a 21% increase (

$110^2 = 12,100$), surpassing the 20% gain from a 2x leverage position.

Similarly, when the BTC price triples to \$300, the BTC² Index Value increases ninefold, outperforming the tripled value of a 2x leverage position.

Scenario two: BTC² Perpetual Index vs. Conventional Leverage Product during Market Drop

During a market drop of 50%, a 2x leverage position loses 100% of its value, resulting in a complete loss for the trader.

In contrast, the BTC² Perpetual Index experiences a decline of 75% ($\$ 50^2 = 2,500$), providing better risk management and the potential for recovery.

By directly tracking the squared price of BTC, the BTC² Perpetual Index eliminates liquidation risks and borrowing costs associated with leveraged positions. This allows for a more stable and secure trading experience.

In summary, BTC² offers traders a unique and advanced trading approach. With its quadratic price exposure and simplified trading mechanisms, it outperforms traditional leverage products in terms of risk management and potential returns. To learn more and join the community, visit the BetterBarter website and connect on Twitter and Discord.

We believe dYdX and SquaredLab can have a highly beneficial synergy to provide users with access to leveraged payout without liquidation once we are live with our Main-net launch (expecting by Q4'23)

Website:

<http://squaredlab.io/>

Twitter:

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