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Underwriting Digital Credit Liquidity

How deep the market for Bitcoin-backed preferreds really is,
how much of it is the issuer, and who can size into it.

ABOUT THIS REPORT

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Underwriting Digital Credit Liquidity

Digital credit is, in its current form, primarily a retail product. Over the past two years the Bitcoin treasury companies, Strategy foremost among them and Strive not far behind, have issued preferred shares and notes against their coins. Each pays a cash coupon and is backed, in substance, by the Bitcoin the issuer owns. Michael Saylor has taken to calling the category digital credit (Strategy Q2 2026 earnings call, 30 July 2026), and the ambition he attaches to it sits at odds with its predominantly retail holder base. The claim is not merely that these are high yielding securities. Bitcoin is the collateral, though the ambition is for the credit issued against it to become collateral in its own right, the instrument a lender accepts against a loan and a treasurer parks cash in, much as government bonds do today. The gap between what digital credit is and what it aspires to become is, in the end, a gap in who can own it. There are two immediate barriers to bridging that gap, size and liquidity.

Picture a buyer one rung up from retail, this is the income fund or the family office running a few hundred million to a billion dollars. At that size, a position has to run to tens of millions to make a difference to the fund's returns, so that is the practical minimum ticket. Suppose such a buyer wants to place fifty million dollars in digital credit and get it back, near par, on the day they choose to leave. This requires sufficient daily volume and liquidity depth that their own selling doesn't materially impact price, and a price that stays near par while they sell. Using a proxy of roughly 20% of daily volume, exiting fifty million dollars inside a week requires roughly fifty million dollars of daily volume. Switch this to requiring exit within two days, and it pushes required volume to a hundred and twenty five million. In STRC, they can do exactly that, in about two trading days. In SATA the clock is no longer the problem, at around a week, but a ticket that size still pushes the price well away from par. In Strategy's three offered fixed rate preferreds it takes six to eight weeks, far outside any window a mandate would tolerate.

Most of the attention these instruments attract goes to either the size of the coupon or the degree of overcollateralisation. Both are reasonable places to look. A double digit yield commands attention, and the multiple of Bitcoin behind each dollar of digital credit says something about how much has to go wrong before a holder is impaired. Yet neither decides whether digital credit can do the job it aspires to. To serve as dependable collateral at low haircuts, it needs price stability and liquidity alongside the coupon and the cover. This means it holds its value near a known price, its par, while a holder can turn it back into cash, at that price, on the day they choose.

This paper measures digital credit's liquidity against the bar a collateral asset has to clear, and makes three arguments. The first is that the liquidity is real but conditional. It is deepest at par, the moment a holder has least reason to sell, and thins sharply as the price drifts away. We find that its link to distance from par is far stronger than its link to moves in Bitcoin. Second, part of this liquidity has been the issuer. Through the summer of 2026, Strategy's own buybacks were a fifth to a quarter of STRC's weekly volume. Third, for a buyer writing tens of millions, the asset class is today a decision

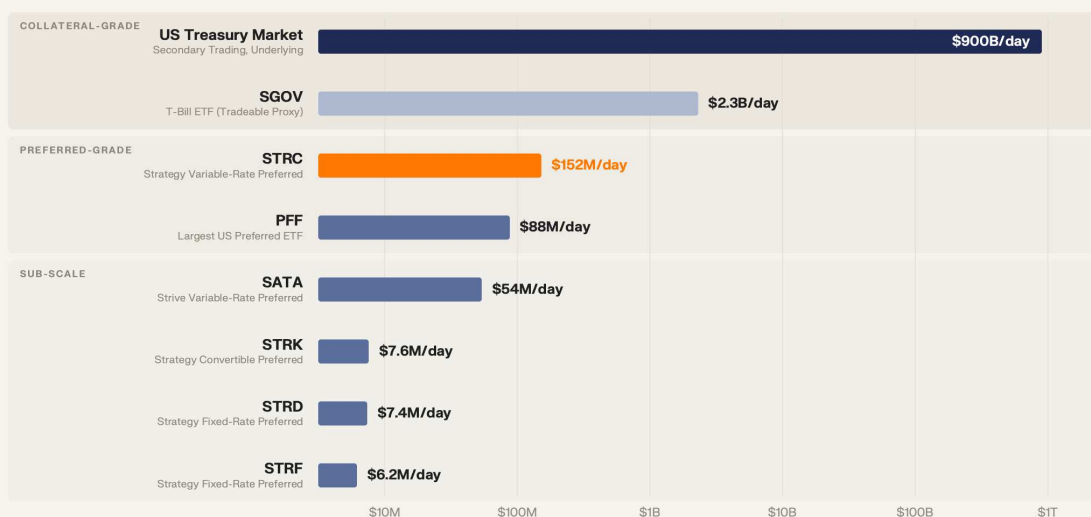
about STRC alone, with SATA close behind and the fixed rate preferreds out of reach. Digital credit is preferred grade, not yet cash or collateral grade, and this paper measures the distance between the two.

THE BAR

To ask whether digital credit is liquid enough to be collateral, we need a bar. The natural one is the asset the financial system already treats as cash. The Treasury bill market turns over hundreds of billions of dollars a day and absorbs that flow with negligible price impact. That is exactly why the financing system treats bills as cash and lends against them on the most favourable terms. Even the most liquid tradeable proxy for that market, the largest Treasury-bill ETF, changes hands at only around \$2.3b per day. By either measure digital credit falls well short of cash grade liquidity, though it is far from illiquid.

FIGURE 1

Digital Credit Trades Like a Preferred, Not Like Cash



Average daily volume, log scale. Digital credit sits preferred-grade, with roughly one fifteenth of SGOV's daily turnover.

STRC, the most active instrument in the complex, trades around \$150m per day. That places it alongside the largest listed preferred funds and comfortably ahead of its own digital credit siblings. This is respectable liquidity for a security that did not exist eighteen months ago, but it remains roughly 15x short of that tradeable proxy and orders of magnitude short of the bill market itself. That gap frames everything that follows.

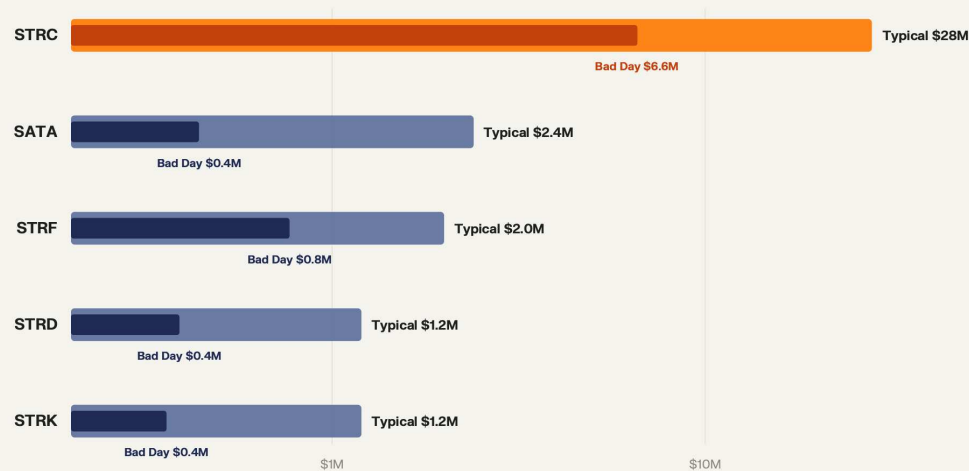
DEPTH, AND WHAT A BAD DAY DOES TO IT

Daily volume is a headline, not a measure of what a seller can actually move. The sharper question is how much can trade before the price gives way. The collateral use case demands tight price tolerances, so the threshold should be tight: we measure depth as the dollar value that shifts the price

by ten basis points, a tenth of a percent. On that basis STRC absorbs on the order of \$28m, an order of magnitude more than SATA or any of the fixed rate names. None of them clears \$3m.

FIGURE 2

On a Bad Day, the Depth You Count On Shrinks to a Fraction



Dollar value that trades before the price moves ten basis points, a typical day versus the worst tenth of days.

That is the typical day. The number that matters to a risk committee is the atypical one. On the worst tenth of days STRC's depth falls to around \$6.5m and SATA's below \$0.5m. A book that quarters exactly when you need to sell is not one a risk committee can size against. This is the first sign that liquidity here is a distribution rather than a level, and that the headline describes benign conditions far better than stressed ones. Buyers who live with this frame the test the same way. One preferred income manager who runs a mandate in exactly these instruments judges an instrument by its worst week, not its average day. He will take a wider spread on paper that still gets quoted when Bitcoin is down twenty percent. He prefers it to paper that looks tight in calm markets and goes no bid the first time it is tested. That is the distribution rather than the level, and it is the property that actually gets underwritten.

HOW LONG IT TAKES TO EXIT

Depth ultimately matters as time: the interval a holder needs to turn a position back into cash. At 20% of average daily volume, selling a \$50m position implies an execution horizon of under two trading days in STRC and around five in SATA. The same position takes six to eight weeks in the fixed rate preferreds. None of these estimates guarantees completion without price impact.

FIGURE 3

Days to Exit, by Instrument and Position Size

	\$10M	\$25M	\$50M	\$100M	\$250M
STRC	0.3d	0.8d	1.6d	3.3d	8.2d
SATA	0.9d	2.3d	4.6d	9.3d	23d
STRD	6.8d	17d	34d	68d	169d
STRF	8.1d	20d	40d	81d	202d
STRK	6.6d	16d	33d	66d	164d

Five Days or Fewer
 Six to Twenty One Days
 More Than Twenty One Days

Trading days to exit a position at 20% of daily volume, by instrument and position size. Navy indicates five trading days or fewer, grey more than five and up to twenty one, and orange more than twenty one. These are illustrative exit horizons.

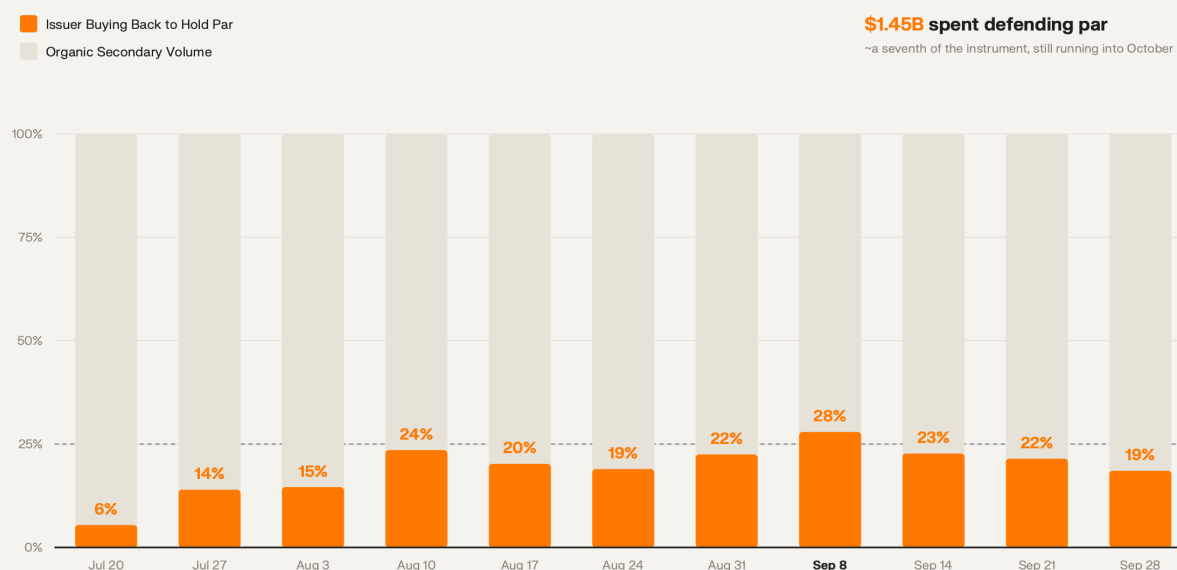
Six to eight weeks is too long for an allocation that must be liquidated within a week or a month. The horizons are illustrative, and the binding constraint depends on each investor's mandate and cash needs. STRC clears the two week window comfortably. SATA now does too, having roughly halved its exit time over the summer as it seasoned and index inclusion drew in a passive bid. What caps a SATA line is no longer the clock but the price: any real size still moves it. At any real size, then, a digital credit allocation remains in practice a decision about STRC, with SATA a fast growing second option. It is not a decision about the asset class as a whole.

HOW MUCH OF THE DEPTH IS THE ISSUER

Before that depth can be trusted, one question has to be put to it: how much of it is the market, and how much the issuer. At times a material share of STRC's trading has depended directly on issuer buying. Through the summer of 2026, as STRC traded below its \$100 par, Strategy ran a repurchase programme that at its peak accounted for more than a quarter of the security's weekly volume. It has not let up. Through September the issuer was still a fifth to a quarter of the tape in almost every week, easing to just under a fifth in the first week of October.

FIGURE 4

On the Worst Weeks, One in Four STRC Shares Traded Was the Issuer



Issuer repurchases as a share of STRC's weekly volume, July to early October 2026.

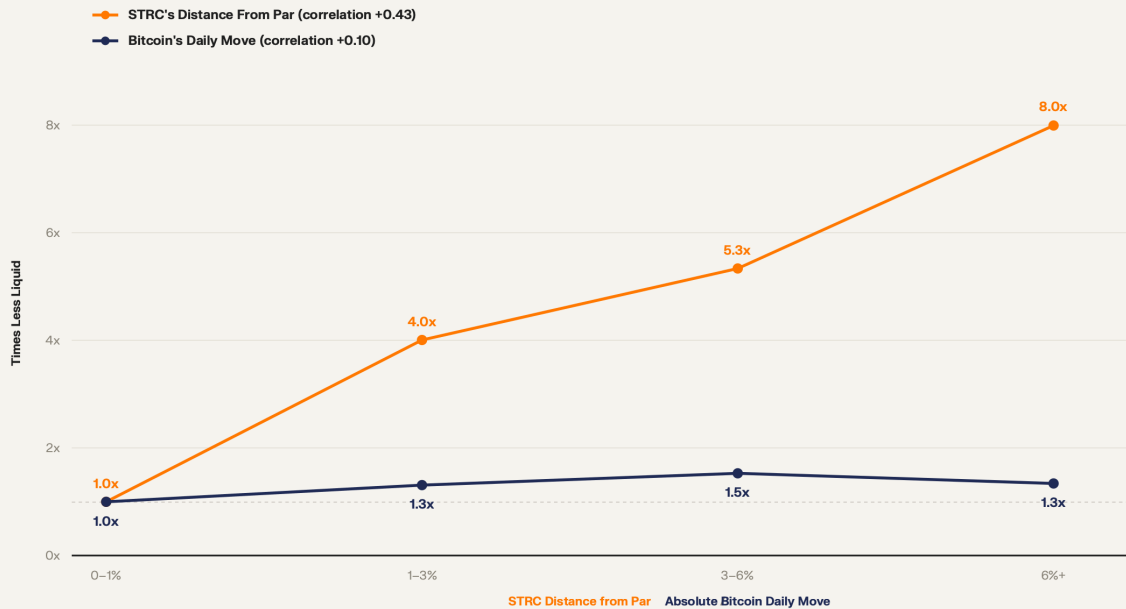
By early October the company had spent close to \$1.45b, roughly a seventh of the instrument outstanding. It doubled the programme's authorisation to \$2b in early September and kept buying through the quarter without issuing a single new STRC share. The price recovered from the mid seventies of June to around \$99.50, but had still not closed at par. Holders should underwrite this feature deliberately. An issuer willing to commit meaningful capital to defend its own paper can provide stability, but that support is discretionary. The task for a holder is to know how much of the visible depth leans on that backstop, because the day the issuer steps away is the day the organic market has to stand on its own. Adjusting for buybacks leaves estimated capacity nearer 80% of the headline, a more conservative starting point for sizing. Even that figure does not establish what would remain without issuer support, since other buyers may change their behaviour too. The same adjustment answers the issuer's own account of its liquidity. Strategy's investor materials put STRC's daily volume in the hundreds of millions and note that it trades many times the next largest listed preferred. Both statements are true. What the gross figure leaves out is that, in the weeks that matter, a fifth to a quarter of it is the issuer itself.

WHEN LIQUIDITY ACTUALLY FAILS

If liquidity here is conditional, the question is which conditions accompany its deterioration. In this sample, distance from par shows a much stronger relationship with illiquidity than Bitcoin's daily price move does. On days when STRC sits close to \$100, a holder can move size in and out without shifting the price. The further it drifts from par, the thinner the book becomes: roughly 4x less liquid once it is 1-3% out, and around 8x less liquid beyond 6%. Grouping days by the size of Bitcoin's price move instead produces a much smaller increase in measured illiquidity.

FIGURE 5

STRC's Illiquidity Rises More Sharply with Distance from Par



STRC daily price impact by distance from par and by Bitcoin's daily move, indexed to its calmest days.

The correlation between illiquidity and distance from par runs near 0.43, against 0.10 for the size of Bitcoin's daily move. The relationship with distance from par holds before the repurchase programme began, at a correlation of 0.34 in that earlier window. This marks distance from par as the more closely associated indicator in the sample, without ruling out an indirect role for the Bitcoin price.

One plausible explanation is a change in the buyer base as the instrument moves away from par. Impact is measured per dollar traded, so a cheaper price does not thin the book on its own. The collapse is real, not a trick of the denominator. The results are consistent with weaker demand. Holders own STRC as a par instrument, a way to earn a coupon on something that behaves like cash. Once it drifts from \$100 it stops being that thing, and the bid that was there to clip the coupon steps back. The data cannot say which participants withdraw, but the same preferred income manager, who trades these instruments, has a view. Much of the volume around par, he believes, is not long-term holders at all but arbitrage and high frequency traders working around the issuer's own flow, and they are the first to leave when that flow stops. Some of it is short selling. With the issuer ready to sell new shares at par, a short opened at \$100 has little room to go against it over a few weeks. The market may then lean harder on issuer support and opportunistic buyers. Some argue that an instrument never formally pegged cannot depeg, and that heavy volume in a selloff signals health rather than distress. Neither argument quite answers the point. The question is not whether STRC is a stablecoin but whether a holder can leave near a known price. Volume that clears in a selloff is worth decomposing before anyone calls it organic, because part of it is the issuer.

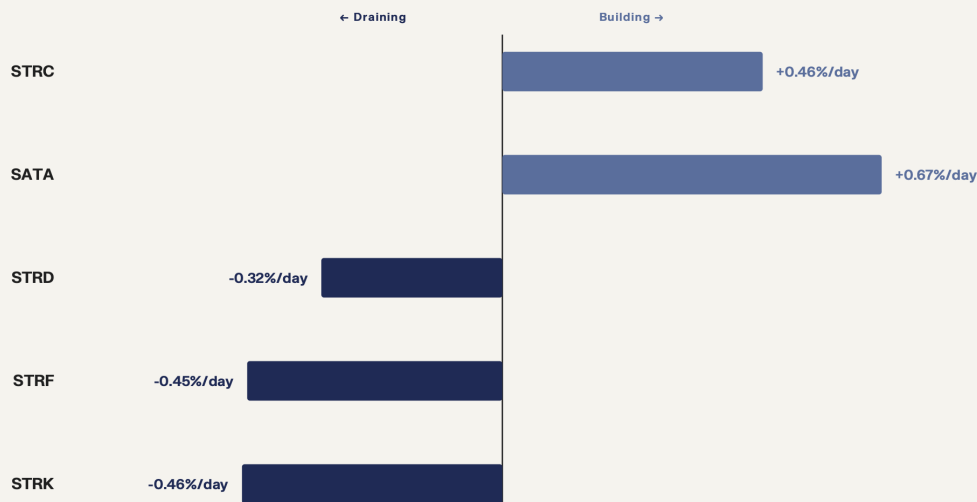
This finding sits alongside, rather than against, the well made observation that STRC's price tracks Bitcoin. The daily change in STRC's price does move with Bitcoin, at a first difference correlation near 0.40. That is a statement about valuation. What we measure here is liquidity, and therefore tradability.

A security can take its price cue from Bitcoin while its tradability is more closely associated with its distance from par. For a holder deciding whether they can exit near par, tradability is the variable that determines whether the position can be realised. The uncomfortable implication is that the book thins precisely when the price has already moved against the holder. The two risks a seller faces, a worse price and a thinner market, tend to arrive together rather than offset.

WHICH WAY IS IT TRENDING?

None of this is static, and the direction of travel says more than any single snapshot. Trading activity across the instruments studied is concentrating. It is growing in Strategy’s STRC and Strive’s SATA at roughly half a percent per day or more over the measured period, and declining in the three fixed rate preferreds.

FIGURE 6
Liquidity Is Migrating to the Par Floaters



Trend in daily volume, percent per trading day. Positive is building, negative is draining.

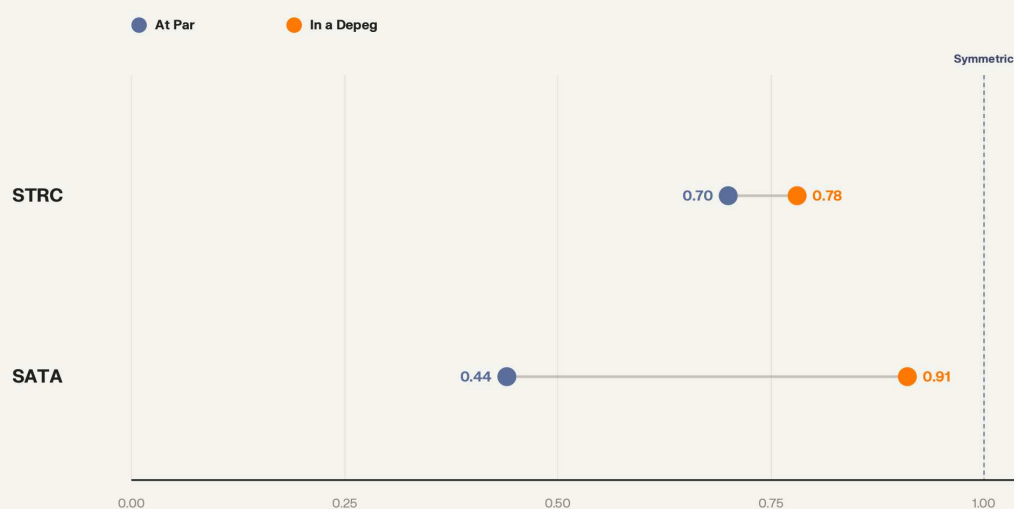
Trading activity is rising in the par managed instruments, although volume alone does not establish net capital migration or guarantee that the trend will continue. The issuers are converging on the format as fast as the market is. Strategy now defends STRC’s par with open market buybacks and has proposed moving it to a daily dividend, the same near continuous cadence Strive’s SATA already runs. The three fixed rate names are left to drift. Behaviour under stress also differs by instrument, in a way that rewards attention.

UNDER STRESS

Direction is one axis of quality; resilience is another. Under pressure, the instruments sort the same way.

FIGURE 7

STRC's Sell to Buy Impact Ratio Barely Moves, SATA's Approaches One



Sell side versus buy side price impact, at par and below par.

STRC's cost of selling relative to buying barely moves between par and below par. SATA's ratio rises towards one: selling becomes relatively more expensive and approaches the impact of buying. That difference is the stress delta, how far the sell to buy cost ratio travels as an instrument moves from a calm day into a depeg. The level itself reveals little, since selling stays the cheaper side in both names throughout. STRC's small stress delta describes stable relative impact, not unchanged exit cost. Selling and buying can both become substantially more expensive while their ratio holds, so this result must be read alongside the deterioration in absolute depth.

WHAT A DEPEG COSTS

If liquidity is thinnest exactly when the price has left par, the next step is to price what such an episode costs, so that the coupon can be weighed against the risk it pays for. A typical departure from par has cost STRC holders something like seven months of coupon, and SATA holders rather more. The worst episode observed, STRC's fall toward the mid seventies in June 2026, cost the equivalent of roughly two years of coupon. That comparison invites an obvious objection, because SATA offers additional protections on selected contractual terms. Its terms make a skipped dividend more expensive for the issuer, require holder consent before senior stock is issued above them, and hand holders board seats if payments stop for long enough. These differences do not, on their own, establish which instrument is safer overall. But protection of that kind rewards patience, not a quick exit: it may serve the holder who can wait, but it does not guarantee an exit near par. This section expresses the discount from par in coupon terms, separately from execution impact and the holder's realised total return.

FIGURE 8

A Typical Depeg Costs Months of Coupon. The Tail Costs Years



Discount from par expressed in years of coupon income, typical versus worst observed.

The episode illustrates the scale of an observed adverse outcome; it does not establish its cause or the frequency of future losses. It is, however, the case a holder should be paid and positioned for. A double digit coupon on a par instrument is compensation for a real, if occasional, capital risk.

THE FIFTY MILLION DOLLAR QUESTION

If a double digit coupon is the compensation for that risk, the question that follows is who is equipped to take it, and at what size. Mandate and liquidity settle the size question long before yield does. Begin with the buyers for whom the question never arises. The instruments are unrated, carry just over a year of trading history, and pay a dividend the issuer may defer. These characteristics can fail the mandate screens that govern institutional allocations, and some pension and insurance mandates will exclude the paper before anyone considers liquidity. The same manager, who buys exactly this paper, puts the mechanism plainly. A discretionary coupon on a perpetual is not a liability in the way a credit analyst needs it to be, so the paper fails at the mandate screen before liquidity is ever discussed.

That leaves a narrower and more interesting field. The investor who can write a large single ticket without a rating is neither the retail buyer, whose demand is real but arrives in small individual size, nor an institution whose mandate excludes the instrument. It is the tier between them: the HNWI, the family office, the private bank discretionary account, and the specialist credit or crypto native fund. Each can commit size, and each is typically less bound by the screens that shut these instruments out of the largest pools of capital. For these allocators the next question is whether a position of consequence can be built and later left near par, without the exit itself becoming the loss. That is the liquidity question this paper set out to answer.

Consider a fund allocating \$50m, 5% of a \$1b book and a ticket typical of that tier. The metrics collapse into a single problem of sizing and execution. Even under the measured worst decile conditions, a \$50m ticket moves STRC by less than one percent. In SATA the same ticket moves the price by about two percent on a typical day, and materially more under stress. That caps a credible SATA position well short of the figure, and it removes the fixed rate names from contention before the discussion begins. Adjusting for issuer buying leaves capacity at roughly 80% of the headline, though that remaining capacity can itself deteriorate under pressure. Distance from par is a relevant indicator of exit conditions, and execution choices shape the trade-off between time and price impact. STRC's daily volume has grown at close to half a percent per day over the measured period. That trend should not be read as a floor under future depth, nor as an assurance that the position becomes easier to exit with time. The fifty million is not an arbitrary figure. The same manager describes his own bar in round numbers. Below roughly \$250m outstanding, he cannot build a position that matters without becoming the market in it; around \$500m, it becomes real. On secondary trade he wants \$10m a day of genuine two way volume as a floor, and he is comfortable above \$50m. STRC clears that bar, SATA now clears it on volume if not yet on price, and the rest of the complex does not. Framed this way, the instrument stops being a yield story and becomes an account of the one variable that decides the allocation. That is what turns a reflexive refusal into a considered position.

The point extends well past a single ticket, because liquidity binds harder as the asset class matures. What this paper describes is the gate as it stands today, for buyers measured in tens of millions. If ratings, a longer record and instrument terms broaden the eligible buyer base, potential ticket sizes may grow by an order of magnitude. A pension committing \$500m to a Bitcoin-backed credit instrument will put the same question to the same data, with far less room for error. At unchanged volume and participation rates, a position 10x larger requires 10x the execution horizon. Should the shadow Bitcoin bank thesis hold, and these treasuries become standing issuers of credit, the tradability of their paper will decide whether institutional balance sheets can carry it at scale. Liquidity constrains position size for eligible buyers today. That constraint grows more demanding if larger allocations arrive.

THE VERDICT

The answer is neither the bullish nor the bearish caricature. Digital credit has not yet demonstrated the dependable liquidity required for a cash-like role in financing. The gap to that standard is real, both in trading activity, where SGOV's daily turnover is roughly 15x STRC's, and in the price stability that limits a lender's exposure to mark to market risk. Nor is it the illiquid curiosity its critics imply. Its flagship already trades with the depth of a serious preferred, and it is deepening month by month. The honest description is an asset class that is preferred-grade today, with growing trading activity in its variable rate instruments. The distance left to travel can now be measured rather than asserted. Whether digital credit closes it depends on its structure and on its ability to sustain usable liquidity under stress. The test is whether exit capacity keeps pace with the size and demands of its buyers.

The template is also beginning to travel. In late September The Smarter Web Company launched MORE, a sterling perpetual preferred for the London Main Market, a variable rate instrument paying a weekly dividend, built to the same par managed design. Its admission, expected on 14 October, is conditional on at least three market makers and a minimum public float. The listing rules thereby write in a floor under the very secondary depth this paper has spent its length measuring. Currency is not

the obstacle it is often taken to be. Strategy already runs a euro perpetual. That instrument strips out almost every variable except the denomination, and it still sits below where the same manager wants an instrument on size and liquidity. His read is that the binding constraint was never the euro. What a new venue must import is depth, not a currency. Whether London transplants the depth or only the form is the first thing worth watching.

APPENDIX: DATA AND METHOD

All figures use public daily market data: the end of day price and reported share volume for each instrument, together with a daily Bitcoin reference price. The universe is Strategy's STRC, STRD, STRF and STRK and Strive's SATA, with two benchmarks: the largest US preferred ETF, PFF, and the largest Treasury bill ETF, SGOV. Each series runs from the instrument's first full trading month through the measured period ending 6 October 2026. Dollar volume is price multiplied by share volume.

Average daily volume is the mean of daily dollar volume over the window. Depth is the dollar value that moves the price ten basis points. We estimate it from daily price impact, the absolute daily return divided by daily dollar volume, and report it for the median day, called typical, and the tenth percentile, called the worst tenth of days. Exit horizon is the position size divided by a fifth of average daily volume, the daily capacity at twenty percent participation. Issuer share is disclosed repurchase volume as a percentage of weekly volume, and organic depth is the headline net of that share. The par analysis groups trading days by distance from par and, separately, by the absolute size of Bitcoin's daily move. It reports illiquidity in each group indexed to the calmest, alongside the Pearson correlation of daily illiquidity with each variable. The stress delta is the change in the sell side to buy side price impact ratio between par and below par. The discount from par, in years of coupon, is the fall from par divided by the annual coupon rate, for the typical and the worst observed episode. The volume trend is the slope of a log linear regression of daily volume over time, excluding the initial listing ramp.

Returns are winsorised at the first and ninety ninth percentiles to limit the effect of stale prints and outliers. The depth and exit figures extrapolate a daily impact measure to larger tickets on a linear basis. They are therefore indicative rather than guarantees of execution, and true impact may be worse for size. Twenty percent of volume is an illustrative participation cap. The correlation results describe association within the sample and do not establish causation. Distance from par is the stronger in sample association, which does not rule out an indirect role for Bitcoin. The correlation with distance from par holds at 0.34 in the window before the repurchase programme began, against 0.43 across the full sample. SATA has a short trading and depeg history, so its typical and worst figures rest on few episodes and should be read as provisional. The organic depth estimate relies on disclosed repurchase data and does not capture how other participants might behave were the issuer to withdraw. Finally, we infer depth from daily price and volume; we do not observe it in the order book.

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