



Week in Review

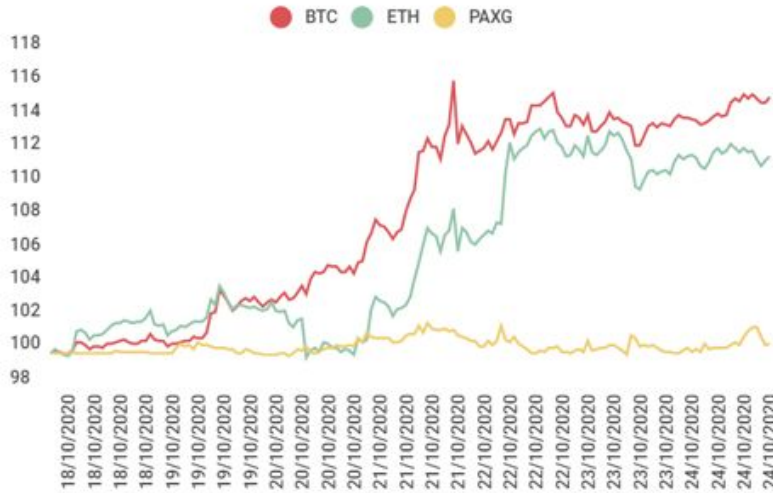
- Paypal will allow investors to [invest and trade cryptocurrencies](#) in their system, providing shopping with cryptocurrencies early next year, further facilitating broader adoption.
- Nearly [\\$900 million in Venture Capital](#) went to crypto companies in Q3, 2020.
- The Federal Reserve will take a cautious approach on [issuing a digital currency](#), Chairman Jerome Powell said in the IMF annual meeting.
- A London Stock Exchange-listed fintech, Mode Global Holdings PLC announced it would convert up to [10% of its cash reserves into Bitcoin](#) as part of their long-term business strategy.
- China's Central Bank released its first [regulatory draft on the Digital Yuan](#) as the digital currency is nearing the end of its testing stages.
- Ethereum is to become the first crypto to settle [US\\$1 trillion this year](#), currently with double the daily volume of Bitcoin.

ZEROCAP Weekly Market Wrap

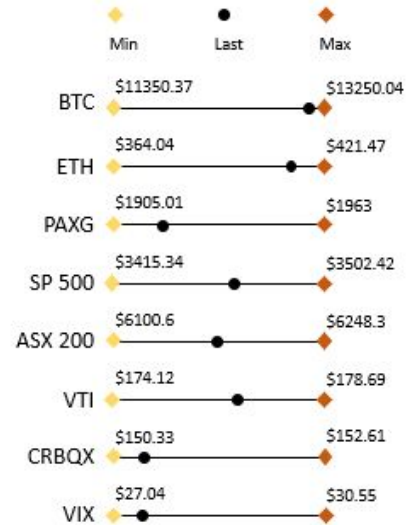
18 October 2020 – 24 October 2020

Winners & Losers

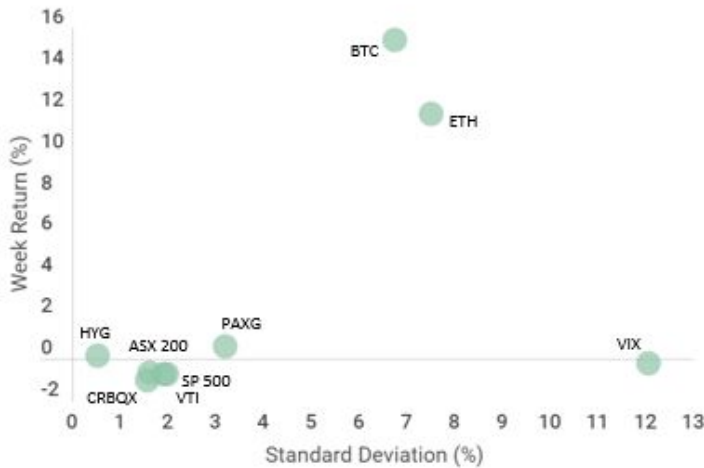
7 Days Hourly - Price Index



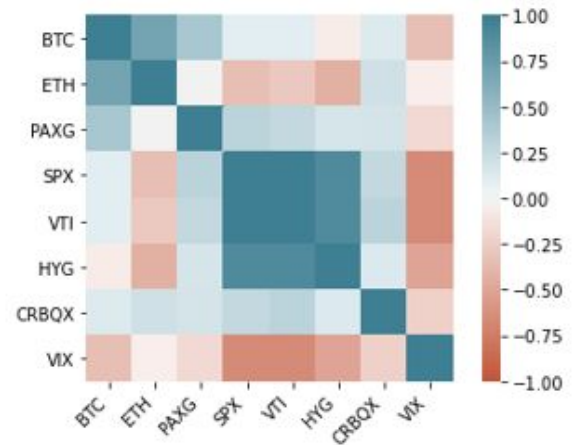
7 Days Hourly – Min Max Range



7 Days Hourly – Return & Standard Deviation



7 Days Hourly - Return Correlation



- Bitcoin and Ethereum closed at the high end of their price range with strong positive correlations last week, driven by the news that PayPal is going to integrate crypto



payments on its platform. It should be noted that ETH had a moderate negative correlation with the equity and bond market, and zero correlation with the gold market last week. We see further decoupling of its correlation with bitcoin over time.

- Traditional financial markets await the US election; a final deal on the stimulus package for the U.S. economy and the response to the second wave of COVID infections in Europe. Equity markets fluctuated in a narrow price range, ending the week with a small negative return.
- Gold maintained a stable trend last week. The volatility index VIX presented a high standard deviation but ended with a near-zero return, echoing uncertainty and impact surrounding the US election. The index held negative correlations with crypto, equity, bond and commodity markets.

18 October 2020 – 24 October 2020

Macro, Technicals & Order Flow

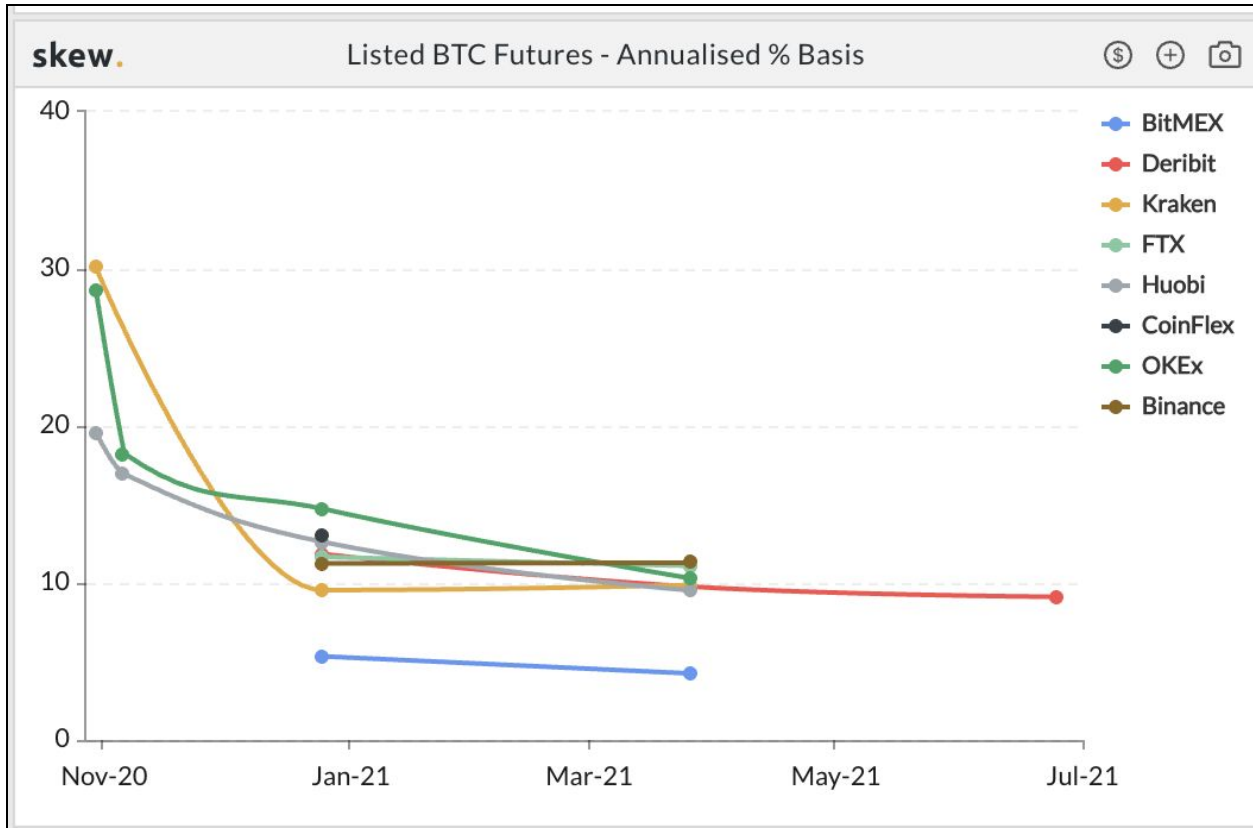
Bitcoin



- Our take last week was that if bitcoin could hold above \$11,150, a break above \$12,000 was likely. Not only did we see \$12,000 arrive, but \$13,000 followed soon after.
- Bitcoin has formed an ascending triangle, which saw a small false break of the July 2019 highs at 13,200 on Sunday 25th Oct. Technically we'd expect price to retest the \$12,500 prior resistance, however given strong fundamentals (PayPal, Fidelity releases and the balance sheet hedging occurring with Microstrategy, Square, Mode Global), we see the false break as a low liquidity Sunday move that will be followed by more upside this week.
- The futures basis skew has gone wildly positive, further encouraging positive moves.
- The only thing holding bitcoin back this week could be swings in polls leading up the US election and associated intermarket flows.

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18 October 2020 – 24 October 2020





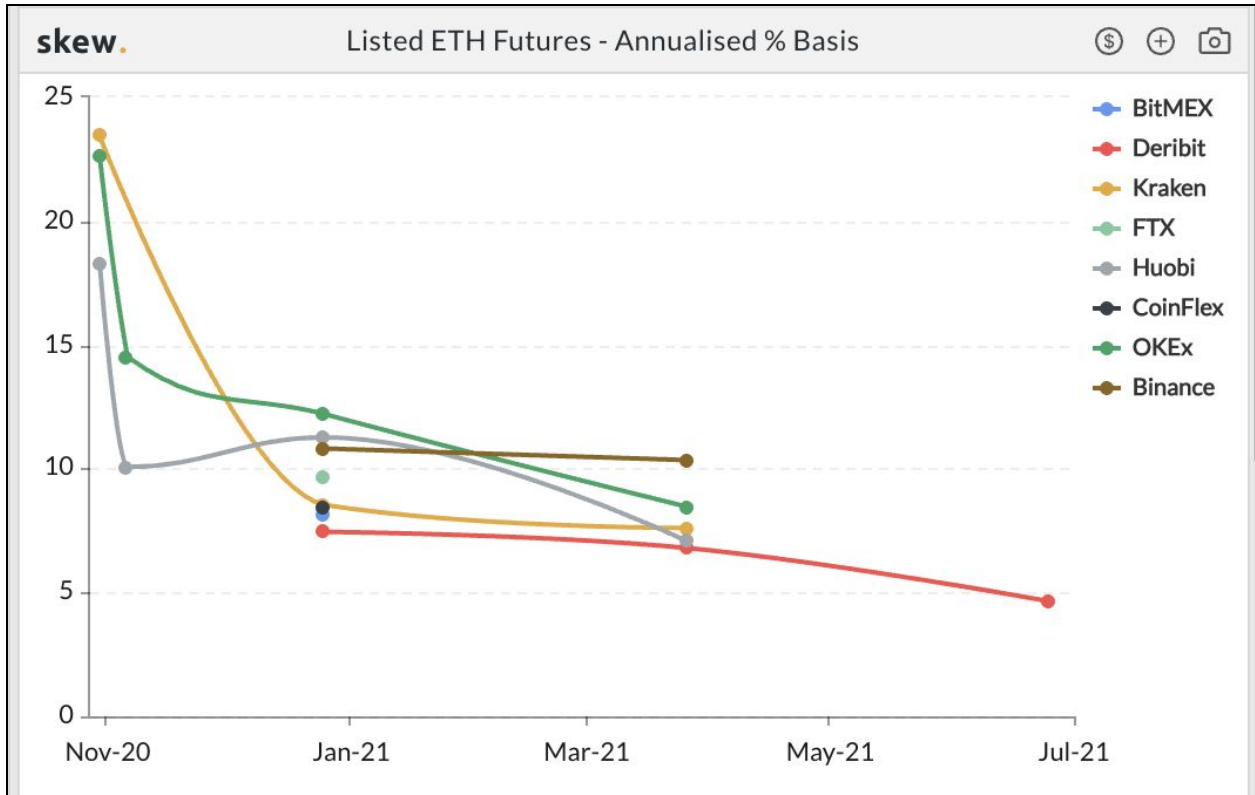
Ethereum



- Ethereum is not following the same structure as bitcoin, forming a descending triangle with a bit of chop required to break Sep 2020 highs. However, we feel that ETH will still break near-term highs (\$420) if BTC breaks out of its ascending triangle.
- The market is speculating that PayPal as the reason for the latest moves - but if this were the sole reason, we'd see ETH forming a similar if not more bullish scenario than BTC given its payment and smart-contract capabilities.
- Ethereum basis skew is bullish, although less so than the bitcoin basis.
- Our view is that fundamentals around broader bitcoin adoption as an asset class is providing the foundation for these moves, with newsflow such as PayPal providing short-term triggers to up and down swings.

ZEROCAP Weekly Market Wrap

18 October 2020 – 24 October 2020





What to Watch

- Will the move from PayPal accepting cryptocurrencies as a payment method drag cryptocurrencies out of their niche into real-world payments? Is this move setting up stage for PayPal's future when fiat currencies go digital? How many new users will be attracted to PayPal in this increasingly competitive landscape?
- Chicago Mercantile Exchange (CME) has surpassed prominent retail platforms to become the second-largest [Bitcoin futures exchange](#) by open interest last week. Is this a sign of increased institutional participation in the cryptocurrency? Will more institutions announce their involvement into cryptocurrencies this week?
- CME data revealed that institutions were going long with BTC while hedge funds were aggressively shorting BTC last week before PayPal's announcement. What are the reactions of institutions and hedge funds after the PayPal news?

About Us

- Zerocap helps private clients, high net worth individuals and institutions purchase and custody of digital assets.
- If you would like to know more, hit up the team at hello@zerocap.io

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* Index used:

Bitcoin	Ethereum	Gold	Equities	High Yield Corporate Bonds	Commodities
BTC	ETH	PAXG	S&P 500, ASX 200, VTI	HYG	CRBQX



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18 October 2020 – 24 October 2020

