



## Note from the Principals

We want to take this opportunity to thank all our investors and subscribers for an amazing year. We appreciate the support, feedback and shared passion for this asset class. It really brings us great pleasure to build products and services that enable safe, secure access, and the broader adoption of digital assets. We have some huge things in the pipeline for 2021, everything from enhanced yield opportunities and fund structures, to prime broking and institutional technologies.

We look forward to providing the same excellence in service and products offerings in 2021 that you've hopefully experienced this year with us.

In our year-end/quarterly report we'll go into further details on themes for 2021. Where 2020 was the year of the institutional investor, we think 2021 will be the year of institutional integration. Banking, Prime services, asset management, regulatory infrastructure and market data are all going to be huge. This will naturally bring our purpose as a business into closer view – to put a bitcoin in every portfolio.

We hope you'll join us for the journey. This is only just the beginning.

### Week in Review

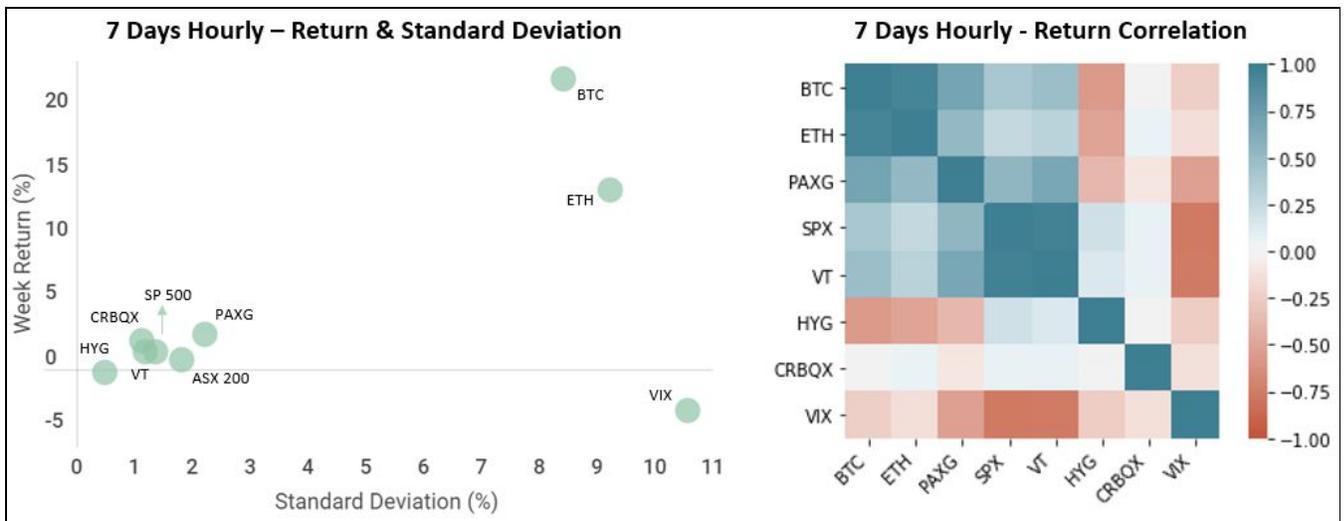
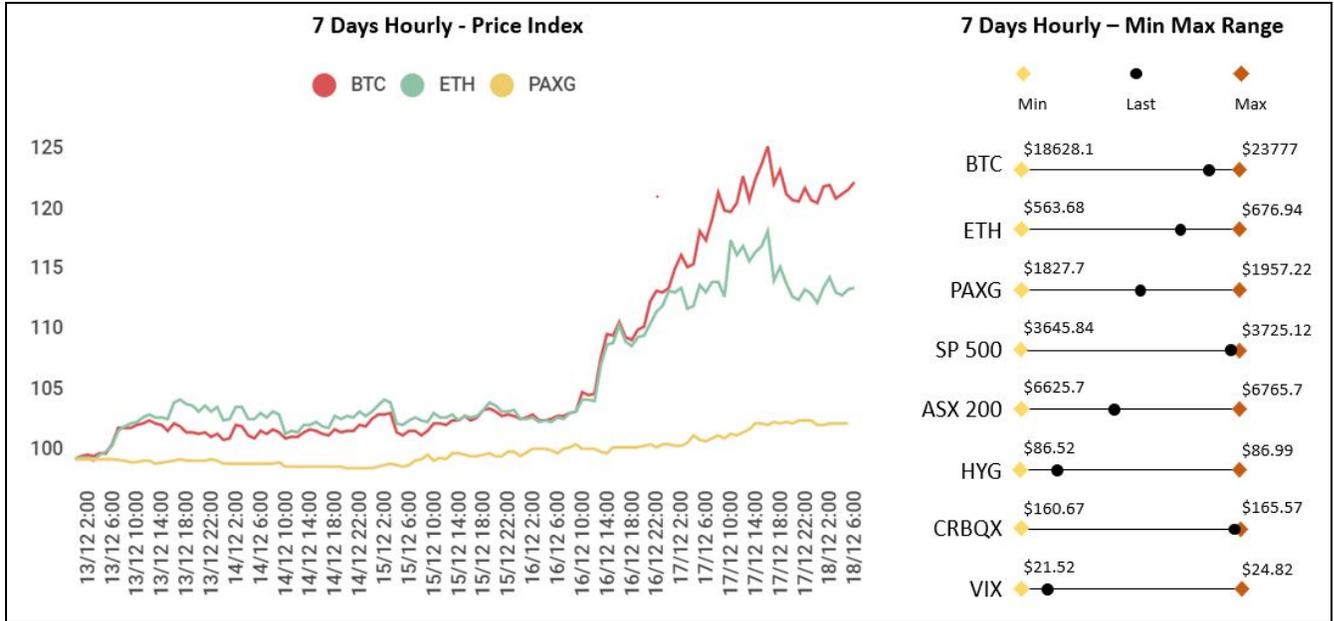
This Week in Review (Fri. 18 Dec) will be our last for 2020 as the team takes a well-deserved break! We are delivering this report earlier than usual. As such data shows a shortened U.S. week.

- [Cboe Global Markets](#) (Cboe), which operates the largest options exchange in the U.S., announced that it will launch cryptocurrency indexes in Q2 2021.
- The [Chicago Mercantile Exchange](#) (CME) is set to launch Ether futures contracts on Feb. 8 2021.
- Cryptocurrency brokerage [Coinbase](#) announced that it has filed a draft registration statement with the Security and Exchange Commission, paving the way for an IPO.
- Japanese financial group [SBI Holdings Inc.](#) became the first major financial group to run a digital asset dealing desk through the acquisition between its subsidiary SBI Financial Services and a UK-based cryptocurrency trading firm B2C2.
- [One River Digital](#), a hedge fund specializing in volatility bets, is becoming one of the largest investors in bitcoin, as it bought \$600 million and committed to hold \$1 billion by the early of 2021.

# ZEROCAP Weekly Market Wrap

13 December 2020 – 18 December 2020

## Winners & Losers



- A booming week for the cryptocurrency market! Bitcoin hit the milestone of US\$20,000, and refreshed a new record high at US\$23,777. The bitcoin price closed at a 21.69% gain in this shortened week, driven by the interest from Wall Street firms, and the continued QE reiterated by the Federal Reserve this week. In a [Bank of America survey](#), “long bitcoin” is



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considered as the third-most crowded trade, following “long tech” and “short US dollar” in December.

- Ethereum tagged new year-to-date high following bitcoin’s momentum and the news that the CME plans to launch ETH futures contracts in 2021. It retraced back to a return of 13.91%.
- Global equity markets started celebrating Christmas, supported by the growing optimism that deals will be reached over a fresh U.S. stimulus package and a post-Brexit trade deal between Britain and European Union. High yield corporate bond prices pegged at a stable level, and commodity prices ended with the weekly high.
- The gold price rose on the U.S. stimulus hopes after the Fed pledged to keep its benchmark interest rate near zero, continuing to pour capital into markets until an economic recovery is complete. Thus, the gold price is set for a third week of gains. The VIX slightly dropped to 21.93 under the festive mood in financial markets.

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### Macro, Technicals & Order Flow

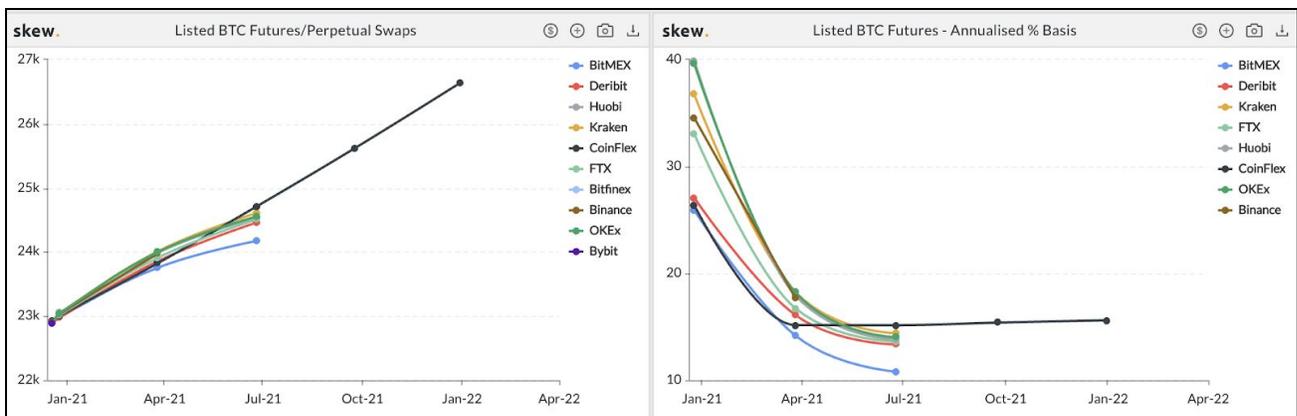
#### Bitcoin



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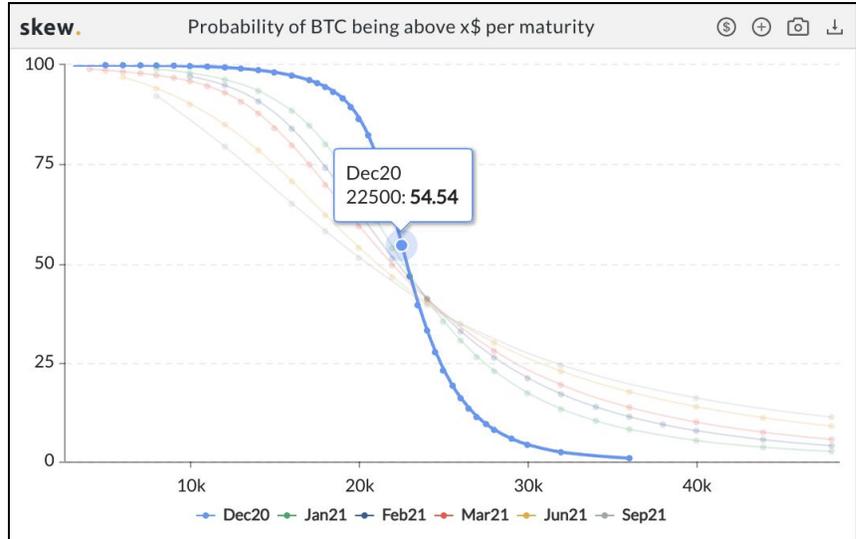
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- What a move! We definitely saw the break this week. After price cleared 20,000, there was not much to stop it above all time highs, peaking at 23,777.
- We mentioned a few months ago that we have never been so bullish on bitcoin – and our sentiment holds up to 50,000 in the short-term, much higher in the long-run. We've truly seen a shift in an asset class this year, and its market cap still pales in comparison to other global asset classes.
- Last week we called for low liquidity toward the end of December – this has definitely helped the length of the move, increasing price by over 20% this week. I owe the team a beer as I put a low probability on a 20,000 break.
- What is very telling is how well price is holding at these levels. Normally low two-sided liquidity would've led to a false break, but instead we are clearly holding at these levels.
- Where to now? I've pulled fibonacci over price, as there are no prior reference levels – we've noted 30,000 as being the 1.618 extension. Now more than ever fib levels are relevant as more and more [wall street firms](#) enter the space.
- Futures contango holding above 10% on longer-dated contracts, and the options market showing a buoying of price into the end of the year.
- Anyone firms looking for lower entries before January, we'd suggest increasing limit orders to 20,150 – although with the current buying pressure, it's tough to know whether we'll get to these levels by month-end.



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[Source](#)



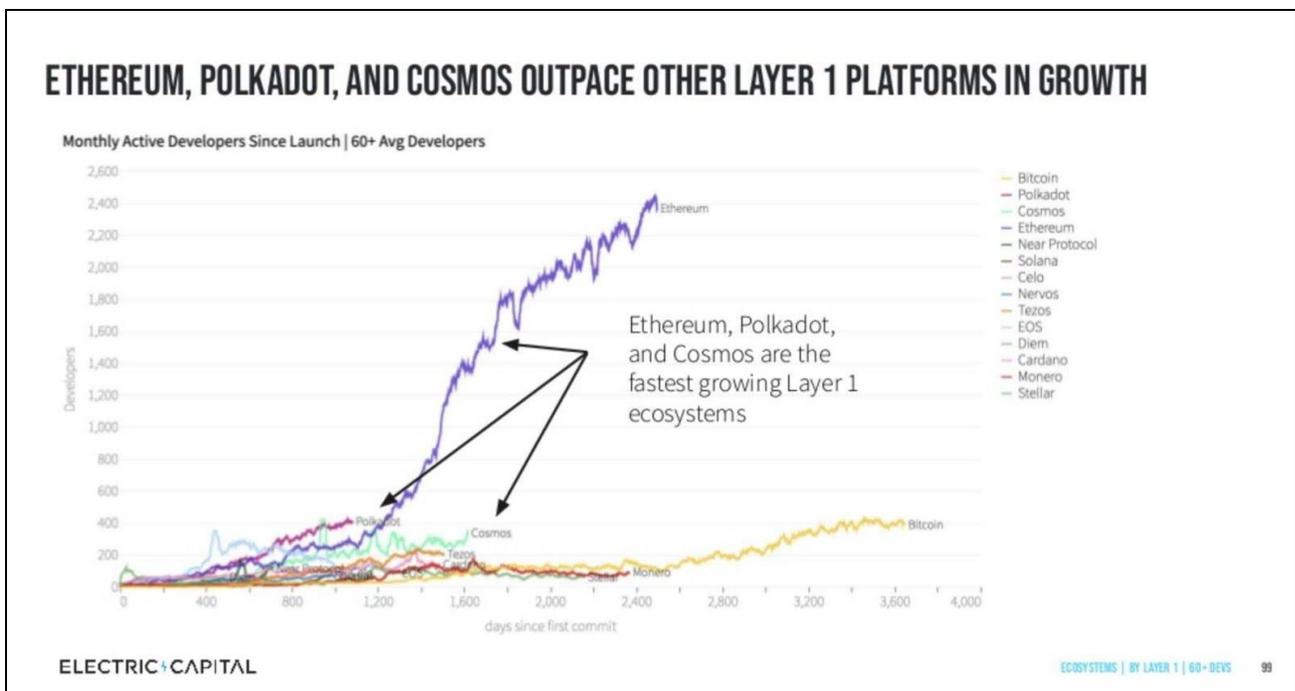
### Ethereum



- Ethereum trailed bitcoin, breaking recent highs.
- The break looks to be holding, but beware lower liquidity could be more pronounced in ETH toward the end of December, leading to volatility that may not respect price levels.
- Traditional investors are increasingly focusing on Ethereum, with the largest investment product (regulated) inflow on record – US\$160m in one week, surpassing last week’s record inflows of US\$87m.
- The [total value locked](#) in DeFi projects is up 11.34% from the prior week, with the [DeFi market cap](#) up by 14.66%.
- It has been a [record breaking year](#) for Decentralised Applications, with volumes surpassing \$270 billion, 95% of which accounted for by DeFi on Ethereum.
- Tokenised USD boomed from over \$5 billion at the start of the year to over [\\$26 billion today](#). Most tokenised USD is minted onto the Ethereum blockchain.
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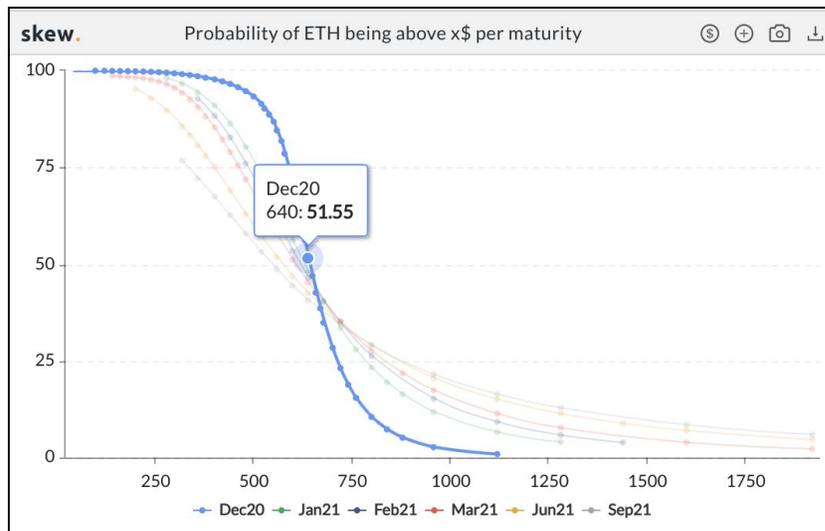
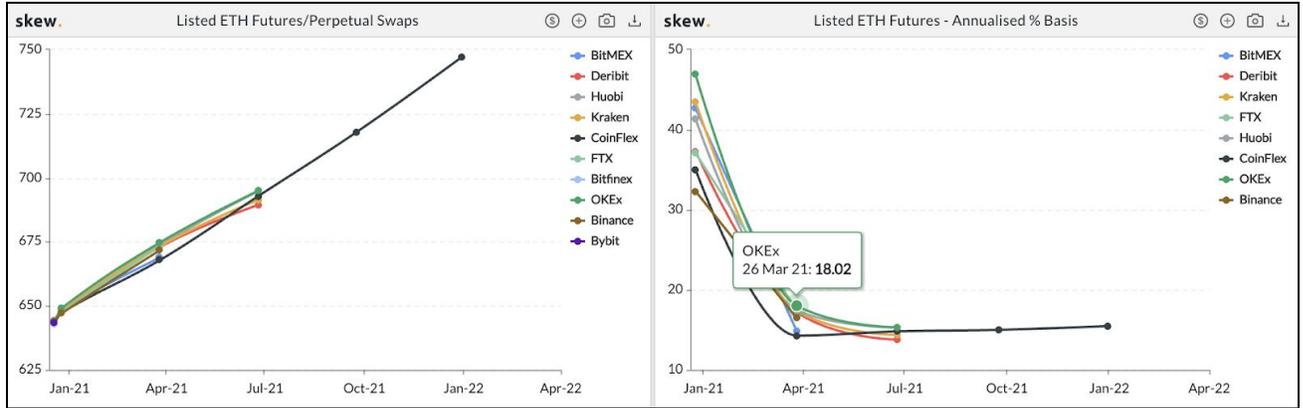
- The amount of ETH in the ETH 2.0 staking contract increased by 7.12% from the prior week to [1,542,309 ETH](#), representing 1.35% of the total supply estimated to remain locked for 1 - 2 years.
- Ethereum developer growth leads the pack with over 2000 active developers in the ecosystem.
- In short – Ethereum’s incumbency is accelerating.



- Ethereum futures contango strong at well over 10% on longer dated contracts. The CME has announced they will be launching ethereum futures, which will provide stability and additional opportunities for interest across institutional investors. This will also aid price discovery and reduce volatility.
- Options market is pricing a strong end to the year.

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### What to Watch

- In previous weeks, we mentioned that digital asset custodian Paxos applied for the national trust bank charter. Last week, [Paxos](#) raised US\$142 million from its series C round of funding. What does this mean for our product - Paxos Gold (PAXG)? What is Paxos' next step, series D round or IPO? Will Paxos expand its business services, or introduce more coins when its scale becomes larger?
- After 3iQ's Bitcoin Fund (TSE: QBTC.U) launched, another Canadian fund manager [CI Financial Corp.](#) completed a US\$72 million IPO of its bitcoin fund on the Toronto Stock Exchange (TSE). Shares are mainly subscribed by institutions, high-net-worth investors, financial advisors and individuals. Will CI Financial Corp. introduce an ethereum fund into the market as what 3iQ did? Who will be the next one to list a bitcoin fund? Is it getting saturated? Where are all the Asian funds?
- Santa Claus, New Year Fireworks & Zerocap in 2021.

### Insights

- [Central Bank Interest Rates in the 21st Century](#) - An analysis of economic growth and how Central Bank Digital Currencies (CBDCs) may impact the current inclination of monetary policies.
- [Family Offices are Turning to Digital Assets](#) - An interview with Zerocap's Principal Trent Barnes to cover family office and institutional adoption, along with tokenization of digital assets, regulation, custody and DeFi.

Zerocap helps private clients, high net worth individuals and institutions purchase and custody digital assets. If you would like to know more, hit up the team at [hello@zerocap.io](mailto: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, VT	HYG	CRBQX