



ZEROCAP

Weekly Market Wrap

3 January 2021 – 9 January 2021

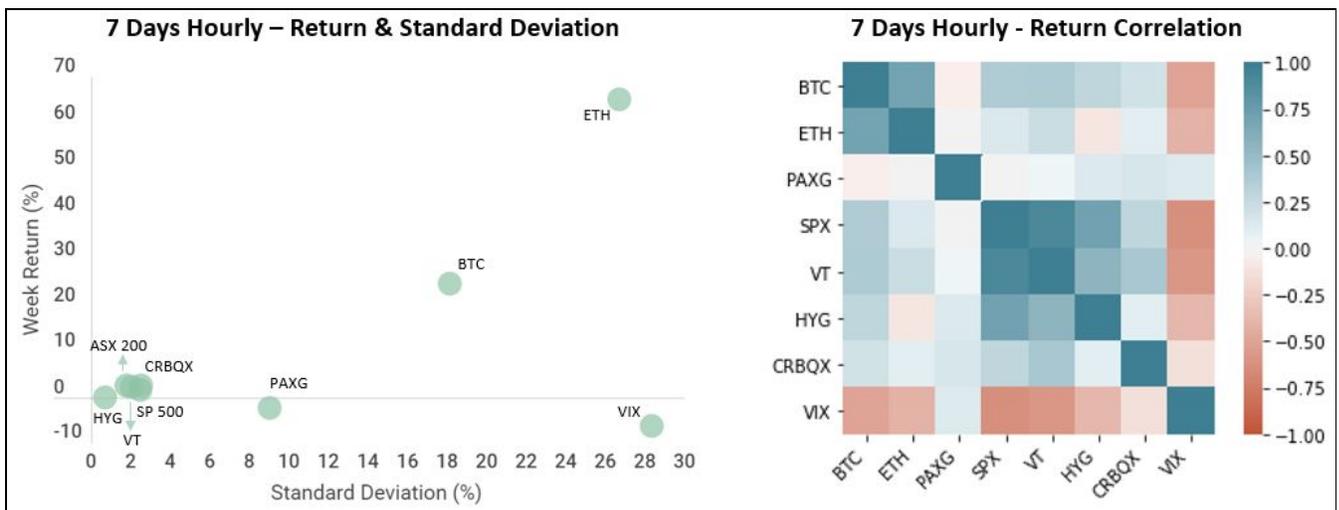
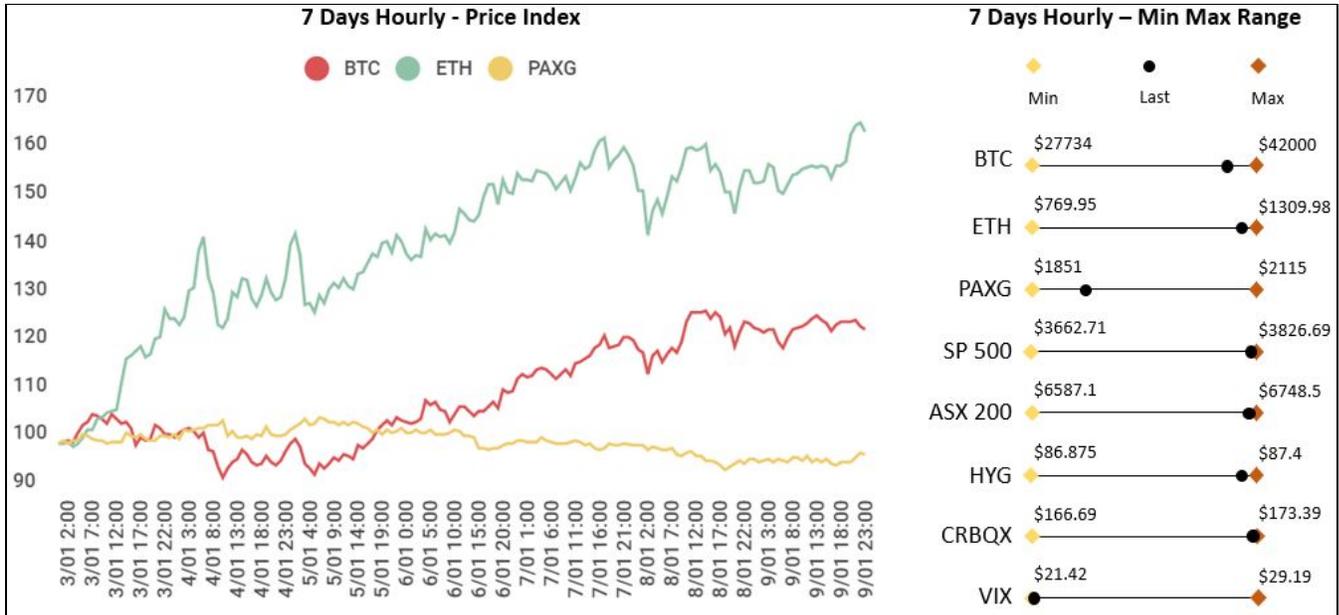
Week in Review

Welcome back! 2021 is here! We hope you had a safe and enjoyable break. The digital asset market kept us all on our toes. The comments in this weekly release cover the period back Monday 21 December.

- Bitcoin breaks all-time highs rising above \$40,000 USD per coin, and doubles in value over a few weeks. and the aggregate crypto market [exceeds \\$IT market cap](#).
- [JPMorgan](#) seeing a \$146,000+ long term price target for bitcoin.
- Grayscale Holds [3%+ of BTC](#), and is now seeing interest from pension funds and endowments.
- Three Arrows Capital [disclosed](#) a position in the Grayscale Bitcoin trust on 4th Jan, holding 36,969 BTC, currently worth \$1.4 billion.
- [The Office of the Comptroller of the Currency \(OCC\)](#) announced that national regulated banks and federal saving associations can participate in blockchain networks and use stablecoins to conduct payments and other activities in the U.S. financial system.
- [Morgan Stanley](#) reported that its stake in bitcoin-loving company MicroStrategy increased to 10.9%, following BlackRock, Vanguard Group and First Trust Advisors.
- Cryptocurrency exchange [Coinbase](#) acquired trade execution firm Roulfire to beef up institutional bitcoin offering and to deal with its connectivity issues during periods of peak trading activity.
- [Google Trends](#) revealed that the number of Google searches for “Ethereum” recorded a new high, surpassing the historic peak on Jan. 12 2018 where ether price reached the all time high of \$1432.88.



Winners & Losers



- Bitcoin extended its recent surge as the price of the cryptocurrency passed \$30,000 during the new year and eclipsed \$40,000 last week. Though it registered a fall of 10% on Monday, it closed the week at \$40,239 with a 24.9% return, fuelled by institutional inflows. [JP Morgan predicted](#) that bitcoin could surge to \$146,000 in the long term. However, on-chain data shows that large wallet addresses began selling from the beginning of Jan 2021, fuelling a



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- battle from new buyers aggressively accumulating. Bitcoin's market cap increased by 25.3% in one week to \$748.6 Billion, close to catching Facebook's \$762.1B. Investments in Ethereum intensified greatly last week, breaking the \$1,200 level for the first time in the past three years. Ethereum closed the week at \$1,280.11 with a 65.09% return, primarily driven by [the booming of open interest on ethereum derivatives](#), the [surging DeFi sector](#) and progress in [layer 2 scaling](#) solutions.
- After experiencing temporary turbulence at the start of the week, the global equity markets saw a strong start to the year, supported by the bright prospect of US stimulus, with the Democrats securing the Senate majority in Georgia. High yield corporate bonds and commodities received a positive return ending on weekly highs.
- The gold price dropped by 2.3%. The increase in U.S. Treasury yields, and the stronger dollar dampening demand for bullion, although losses may be limited by hopes for more fiscal stimulus under the Democrats..



Macro, Technicals & Order Flow

Bitcoin



- Amazing to reflect from late December’s report – we were discussing levels around 20,000. The late December/January run has been a perfect storm of latent TWAP buying and less seasonal liquidity. The supply crunch narrative is taking hold – and more institutional structures that remove supply (Trusts, lockup terms etc..) will add fuel to the topside this year.

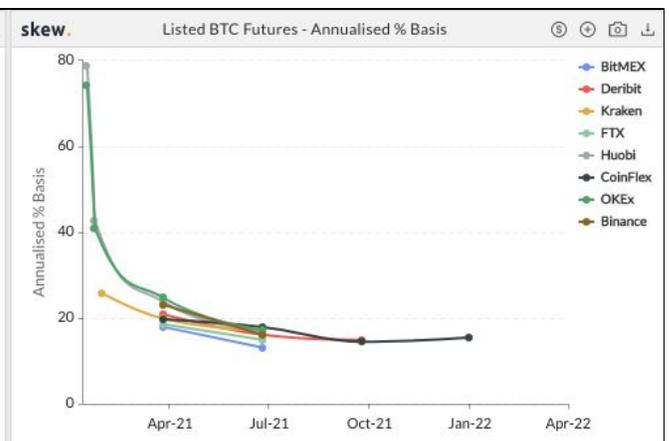
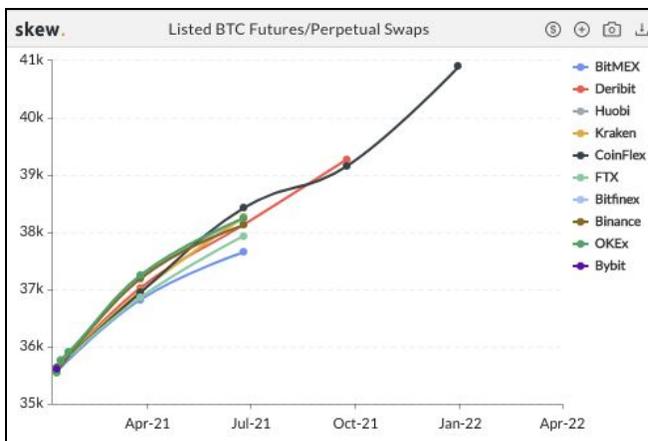
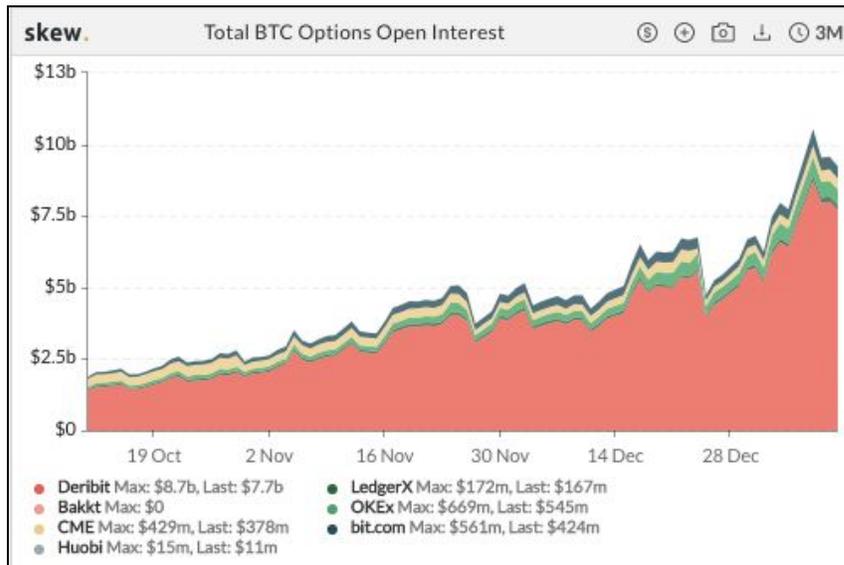


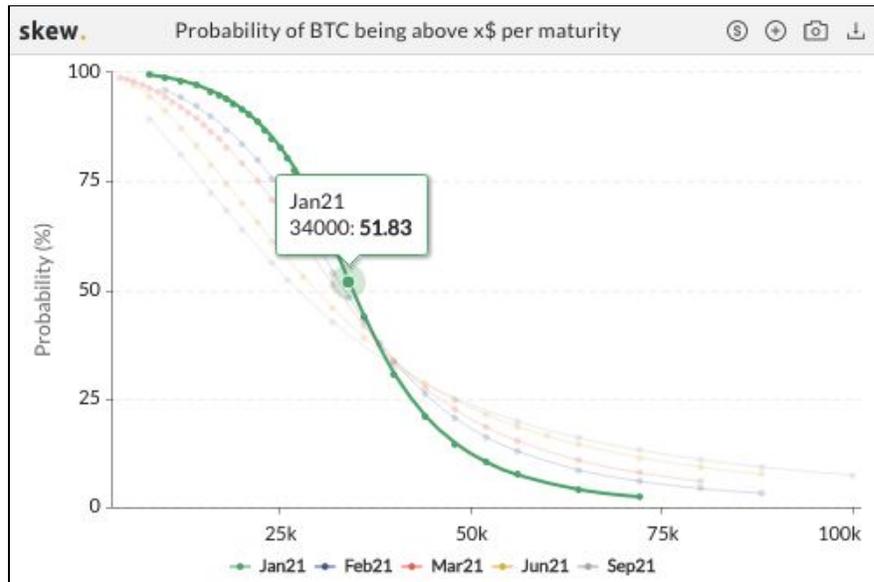
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- Into the new week we are seeing a nice downward move in BTC, cleaning out leveraged longs and taking a much-needed retracement. Sharp spikes are being bought fairly quickly – this week should provide some insight into buying levels and the appetite of larger investors to enter at current levels. There are three key issues that may come into play over the next fortnight:
 1. Grayscale (owns 3% of all BTC) put a [temporary hold on new investors](#). When they open again, we may see some accumulation from the queue.
 2. Many institutions will be coming back online this week, and will have to assess their 2021 strategy amidst a much firmer BTC market cap. We feel the treasury play (Microstrategy) could be a 2021 theme.
 3. Funds have come back, and may need to reassess their portfolio weightings as BTC could now be overweight and require rebalancing.
 4. According to [Cryptoquant](#) analytics, we saw a net outflow of 32k BTC from exchanges with an outflow of 55k BTC from [Coinbase Pro](#) alone. Speculation suggests that large investors are buying BTC OTC with Coinbase, similar to Microstrategy's [execution](#) plan.
- On balance, orderflow seems to favour the topside, however this could be over-powered by increasing open interest in the derivatives market. Futures and options open interest is at very high levels, and given how stretched the underlying spot market is, we may see some more downside. Tough call – we suggest averaging into positions where possible, and let price be the compass as January unfolds.
- On a medium to longer-term perspective, taking control of both the House and Senate, Biden is planning more stimulus for Americans. With the attention towards crypto assets reaching all-time highs, we could see more inflows from retail.





[Source](#)



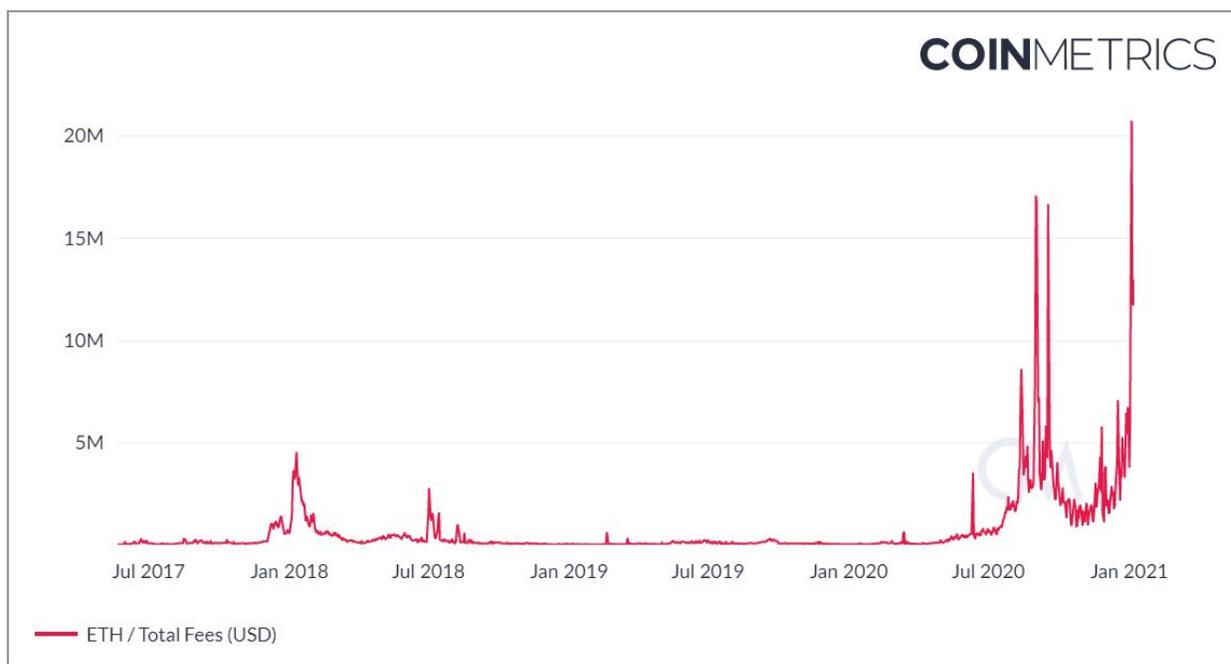
Ethereum



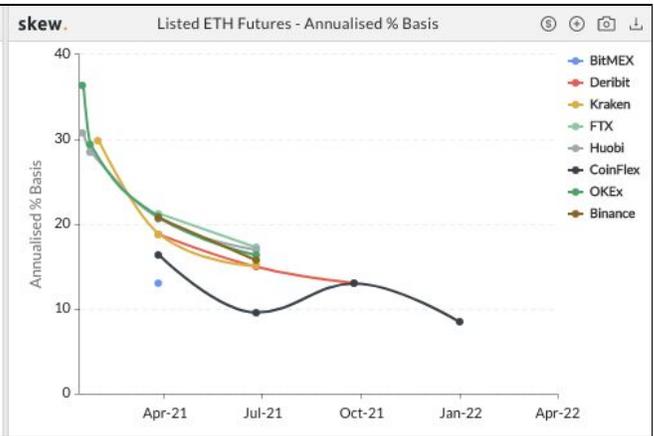
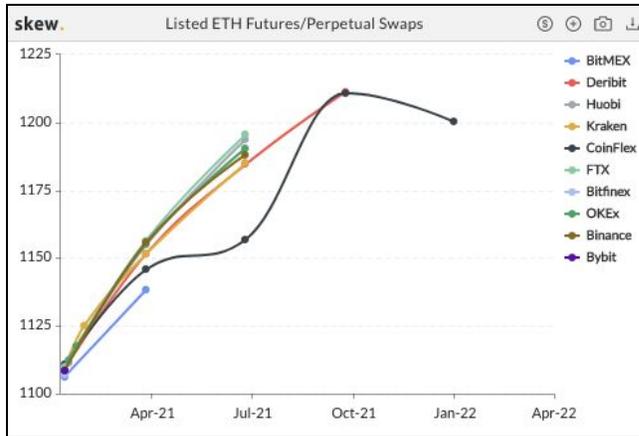
- Ethereum is over 1200, with a 66% increase YTD, [breaking](#) into the top 100 global assets by market cap. We were waiting for the follow on from BTC, and we are seeing the move play out.
- Price has blasted through resistance, missing all-time highs by a few hundred USD. Key levels are based on the recent move – 1000 USD after Monday's (today) rejection, 920 USD (centrepoint of prior move) and 820 to 750 USD (prior orderflow zone).



- Given the fast rejection as I'm typing, it's looking like another topside move as the UK wakes up. The next week will provide some deep insights as institutions get back online.
- The [total value locked](#) in DeFi projects surges to over \$21.38 billion, a 40% increase YTD (since Jan 1, 2021)..
- The amount of ETH in the ETH 2.0 staking contract currently sits at [2,306,946 ETH](#), representing 2.02% of the total supply estimated to remain locked for 1 - 2 years.



- Ethereum transaction fees reached an all time high, signalling an increase in demand for network usage. This has ignited debate about layer 1 and layer 2 scaling solutions for Ethereum.
- The derivatives markets are showing very high open interest, providing some insight into the recent moves in an increasingly leveraged long trade. The key will be determining at what levels the unleveraged buyers (funds, large investors, institutions) are prepared to enter at.
- ETH futures launch in the coming months on the CME which should lead to some price stability and additional interest in Ethereum as an asset class.

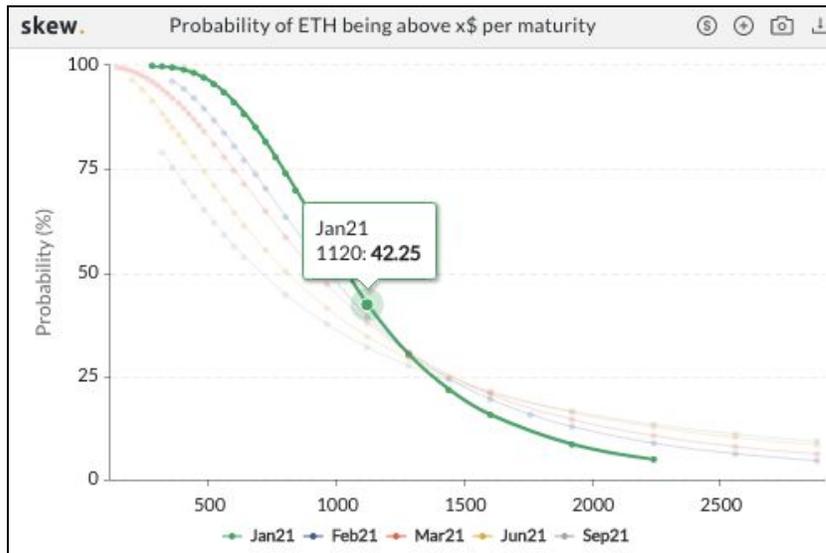




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What to Watch

- After successfully introducing an exchange-traded product (ETP) in Europe in November, VanEck submitted a proposal to the U.S. Securities and Exchange Commission (SEC) last week for a [Bitcoin exchange-traded fund \(ETF\)](#) in America. Will the new SEC executives approve the proposal this time? Will VanEck's bitcoin ETF be the first one in the U.S.?
- Though XRP's price and market cap both increased by 45% last week, Ripple Labs is still in trouble. Digital asset manager [Grayscale Investments](#) followed Bitwise's footsteps in removing XRP from its large cap crypto fund, and many exchanges have delisted XRP. What will Ripple Labs do to save itself? What's the attitude of SEC's next chairman? Will Ripple Labs reach a settlement with the SEC? Who will be SEC's next target? Will SEC's actions ultimately benefit our products - bitcoin and ether that are minted from mining?
- Vidente, a major shareholder of Bithumb Korea, denied the [rumors of acquisition between Nexon and Bithumb](#). Will the takeover happen? Nexon denied the rumor of Bitstamp acquisition in 2018, but the acquisition did happen that year. If the merger occurs, Bithumb would be the third exchange controlled by Nexon, after Korbit and Bitstamp. Since South Korea is the third largest market for cryptocurrency tradings. What opportunities will this merger bring to Nexon stakeholders and Bithumb users?

Insights

- [DeFi: The Future of Finance is Digital](#) - An analysis of how DeFi makes traditional financial markets more resilient and whether regulators could set new legal frameworks for it.
- [Bitcoin for your future: The asset as a legacy](#) - An article covering the technological and monetary frameworks that make this asset a reliable long-term investment for a financial legacy.



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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

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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