

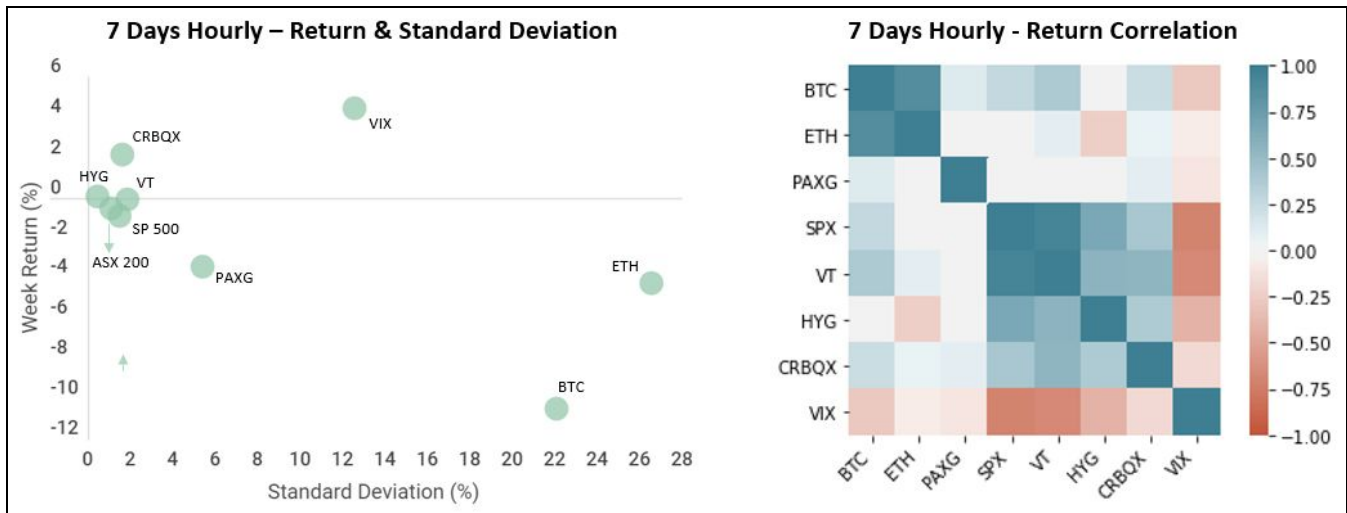
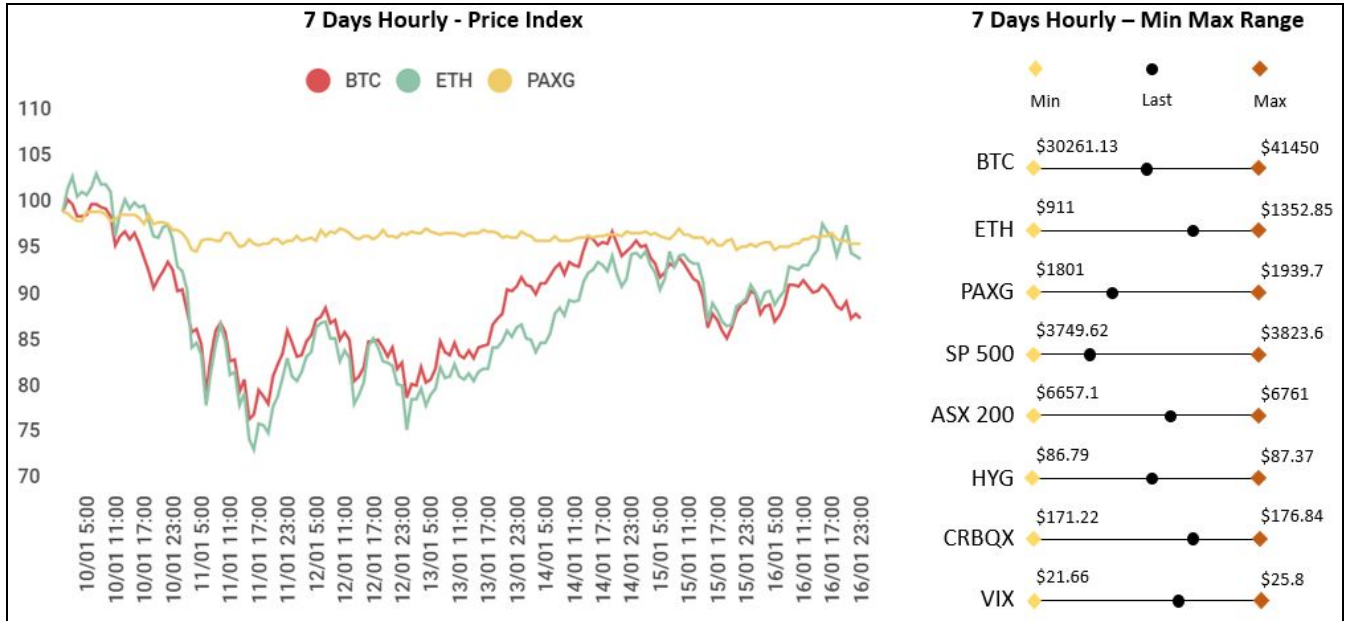


Week in Review

- Cryptocurrency exchange [Bakkt](#) will be listed in the New York Stock Exchange through a US\$2.1 billion merger with blank-check firm VPC Impact Acquisition Holdings.
- [The Office of the Comptroller of the Currency \(OCC\)](#) conditionally approved the Anchorage Digital Bank's application for a national trust charter, making Anchorage Digital Bank the first national bank for digital assets.
- Grayscale's [Q4 report](#) highlights \$3.2 billion in investment inflows, with Bitcoin inflows being 194% of the total mined Bitcoin during the period. Institutions accounted for 93% of capital inflows. Grayscale's CEO [tweeted](#) that they raised more than \$700 million into their investment products on 15/01/21, being their "largest single asset raise day ever". They also commenced the dissolution of their XRP trust; cash proceeds from the liquidation will be [distributed](#) to trust shareholders.
- Biden [announced](#) a \$1.9 trillion economic rescue package consisting of \$1,400 stimulus cheques, higher unemployment aid payments, grant programs for small businesses and more.
- Miami's [Mayor](#) would like to make it the most "crypto-forward" city, allowing businesses to do transactions in cryptocurrencies, pay taxes in bitcoin and even considering diversifying their investment portfolio to hold Bitcoin.
- [eToro](#) warns users that they [may place](#) limitations on users' buy orders due to unprecedented demand and limited one-sided liquidity.



Winners & Losers



- Crypto market experienced a rollercoaster ride last week. The bitcoin price fell by more than \$10,000 to a weekly low of \$30,261 on Monday. The 22% plunge which was driven by [bitcoin miners' selling](#), [leveraged long derivative liquidations](#), [the stronger dollar and the higher bond yield curve](#), created the biggest two-day decline since March. However, just three days after the drop, bitcoin rebounded to \$40,000 again, amid [new large buys](#) on the



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Weekly Market Wrap

10 January 2021 – 16 January 2021

exchanges. Bitcoin closed the week at \$36,000 with a -10.53% return after retracing at the end of the week.

- Ethereum joined the downside, tumbling by more than 20% last Monday. The liquidation caused a significant increase in ethereum price volatility, although similar to BTC, ETH regained crucial support levels and reclaimed almost all its lost ground due to [large investor buying](#). It closed the week at \$1,228.19 with a -4.23% return.
- After positive gains in the first week of the new year, global equity indexes slipped in a mostly quiet week of trading. With challenges around vaccine distribution and the detection of new coronavirus strains, global investors are concerned that economic lockdowns could stay for longer than previously expected. High yield corporate bonds and commodities received positive returns, driven by the rising inflation expectations and prospects of additional fiscal supports.
- The gold price fell by around 4% at the beginning of the week, as the dollar strengthened and the U.S. treasury yield remained elevated, denting the non-yielding metal's appeal. Biden's stimulus proposal later this week raised the gold price, but this was countered by a firm dollar and the higher treasury yields. A higher VIX index at the end of the week revealed concerns on further economic lockdowns.



Macro, Technicals & Order Flow

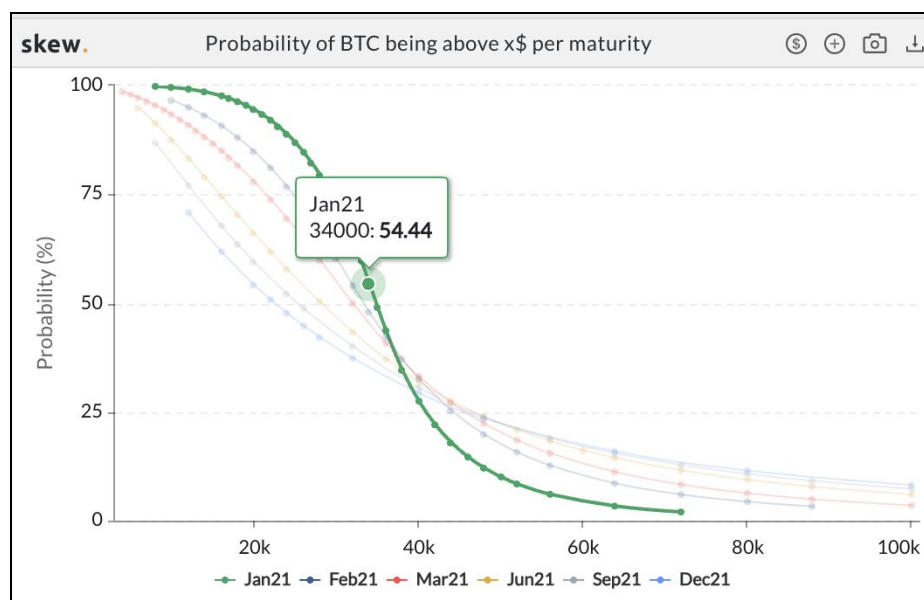
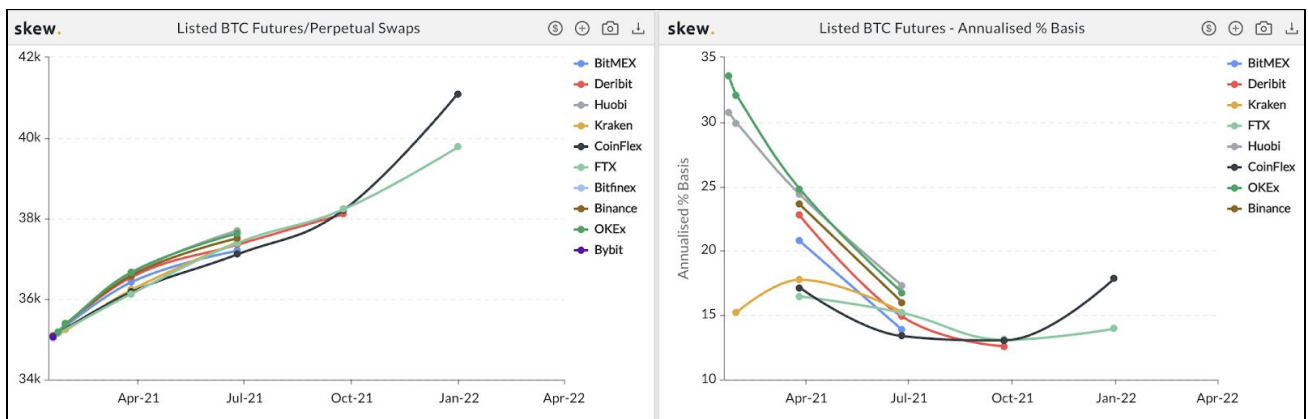
Bitcoin



- The retracement after such a one-sided move has to come at some point. The current range is defining 34,000 as the key level, rejecting price on a daily timeframe.
- We'd love to see a downside break of 34,000, which coincides with the ascending trendline from mid-December. This could open up a move to 30,000 and 28,000, opening up opportunity for long-term accumulation levels.
- There is still significant unleveraged buying and TWAP patterns of accumulation. Grayscale reopened private placements and added 9780 BTC to its Bitcoin Trust this week, totalling 616,557 BTC, a 1.6% increase from the prior week. The trust currently holds 3.314% of all circulating Bitcoin. This alone should buoy price at lower levels.
- The mainstream media has been more vocal on BTC and ETH, which may lead to increased leveraged activity and greater volatility in the short-term.



- On balance, the supply shortage narrative and reality seems to be the primary driver of bullish moves. eToro predicted that spreads on crypto assets would be much wider than usual, and have “possible limitations to crypto BUY orders”.
- Ultimately, The [extreme demand for bitcoin and ethereum](#), and the [supply shortage](#) will likely boost bitcoin and ethereum prices to new ranges. The futures basis is still healthy above 10% and not showing much sign of abating. The question is whether we will see a nice downward move first for the accumulators.





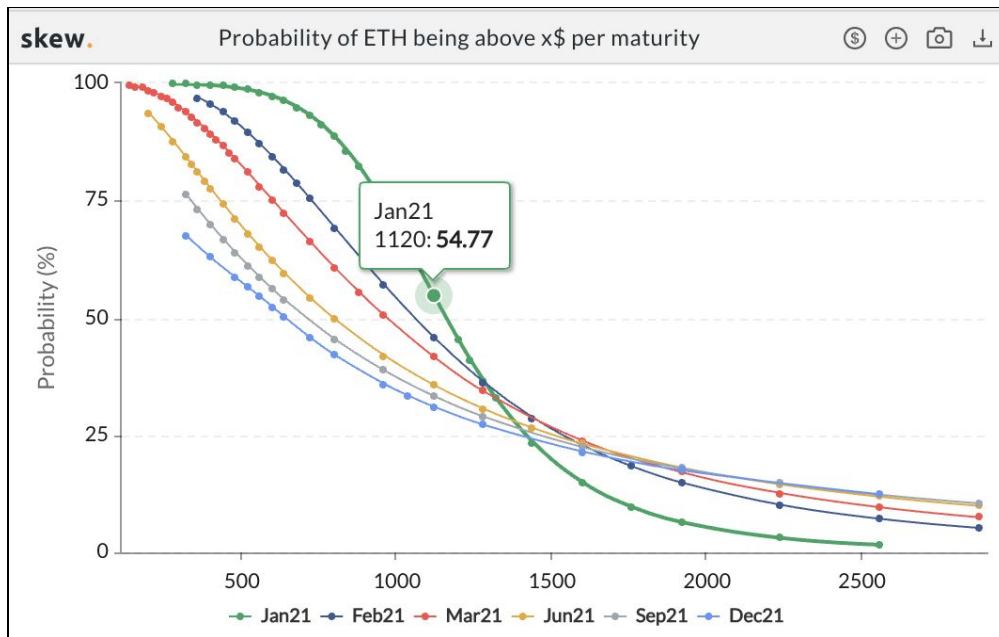
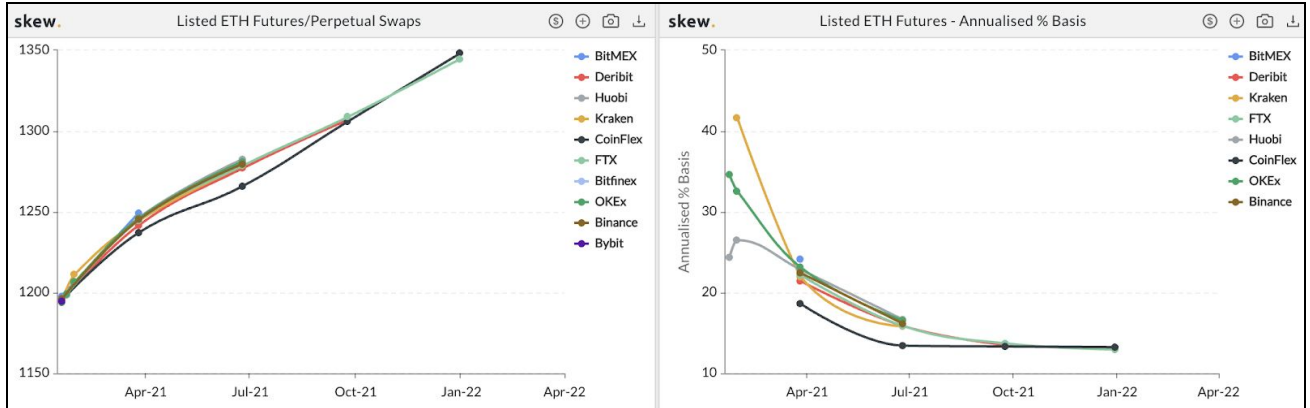
Ethereum



- The total value locked in DeFi projects goes up to \$23.23 billion, an 8.65% increase from last week. Most DeFi projects are built on ethereum. USD Tether mints a record \$2 billion USDT as demand for liquidity in the DeFi and broader crypto market grows.
- The amount of ETH in the ETH 2.0 staking contract currently sits at 2,536,034 ETH, an increase of 9.9% of last week. This represents 2.22% of the total supply estimated to remain locked for 1 - 2 years.
- The ETH price is elevated, rejecting the 1000 psychological level. We are seeing a resurgence in altcoins which is further buoying price.
- ETH futures are launching next month on the CME, which should lead to more price stability. However, initial low volumes could lead to volatility.
- Whilst some complain of high gas costs on Ethereum, Layer 2 solutions are making tangible moves to solve this. Optimism, a layer 2 scaling solution for Ethereum, “soft-launched” this week. Testing shows a 143x decrease in transaction costs and 50x decrease in confirmation times.



- On balance, layer 2 scaling is winning the debate, and we are seeing positive sentiment from a spot order flow and derivatives perspective. Futures basis is strong, which indicates that the CME will show some solid premiums on the ETH launch.





What to Watch

- This Wednesday the President-elect Joe Biden will move into the White House. What other executive orders will Biden immediately sign to reverse from Trump's policies? It is reported that Biden will name former commodities regulator [Gary Gensler](#) to head the U.S. Securities and Exchange Commission (SEC), which may end four years of rule-easing that Wall Street banks, brokers, funds and public companies have enjoyed. [Brian Brooks](#) also left the U.S. Office of the Comptroller of the Currency (OCC) last week. Who will continue Brian's work in the next few years? What are the attitudes of the new SEC chairman and the OCC Comptroller on cryptocurrency?
- The government of one of Pakistan's four provinces, [Khyber Pakhtunkhwa](#) (KP), is installing two bitcoin mining plants. Unlike America who seized bitcoins from law enforcement activities (e.g. shutting down Silk Road in 2013), KP is the first instance of a government using its funds to mine and make a profit from bitcoin. Will the participation of governments boost bitcoin appeal?
- [Paxos](#), a firm holding New York Trust charter, is leveraging Chainlink's decentralized oracle network to make its asset-backed token Paxos Standard (PAX) and Paxos Gold (PAXG) available across the decentralized finance (DeFi) market. For now, only MakerDAO offers PAX as a collateral. If Paxos's tokens are successfully added to Chainlink, it will undoubtedly make integration easier for different DeFi applications, and make our product - PAXG - more liquid.

Insights

- [Grayscale Trusts: Cryptoassets at a premium](#) - An analysis covering the fundamental properties and effects of Grayscale, the largest digital asset manager in the market.



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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