

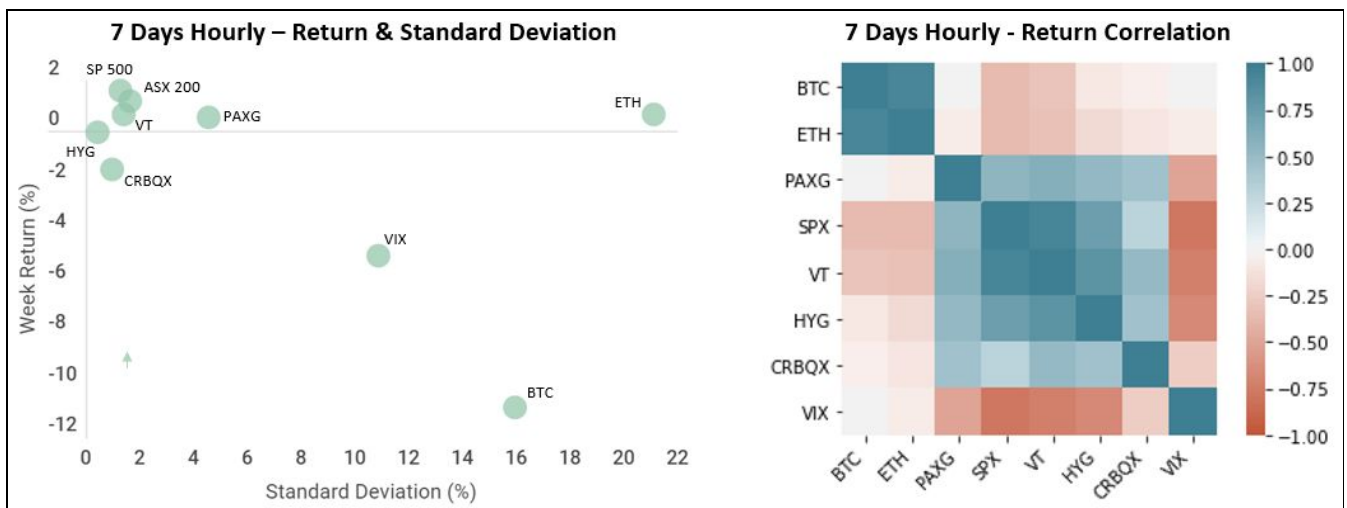
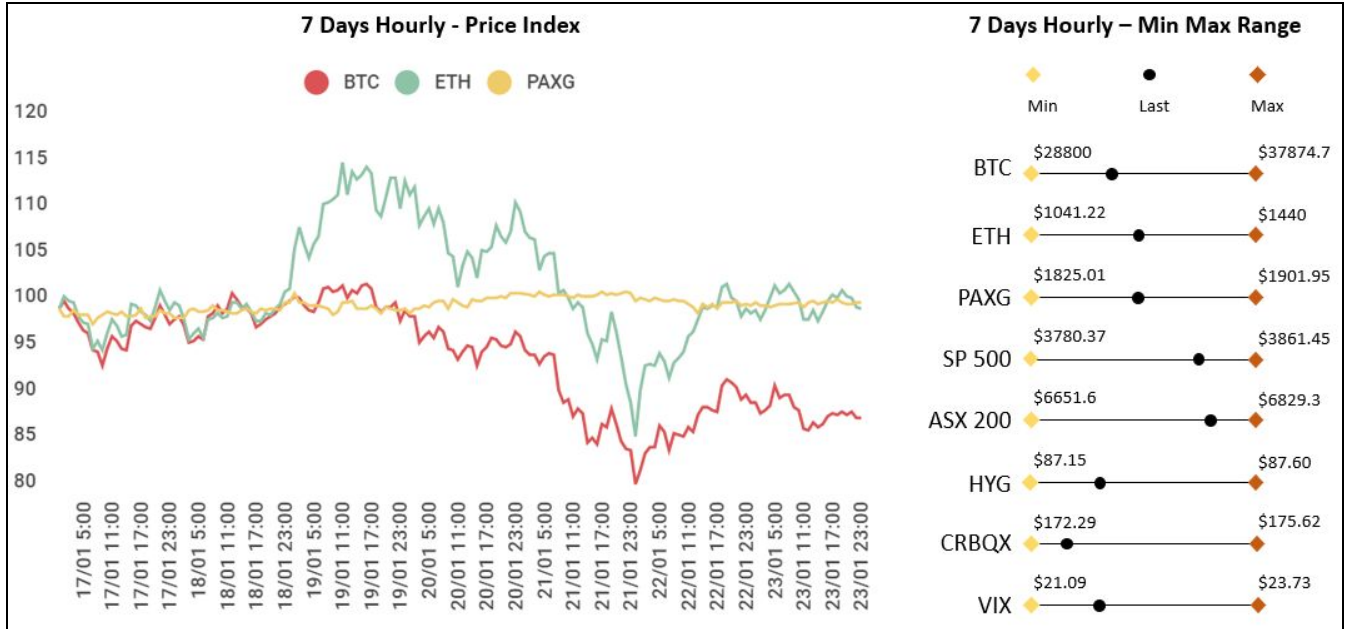


### Week in Review

- VanEck applied to launch a digital asset-related [exchange traded fund \(ETF\)](#) which would track the performance of the *Global Digital Assets Equity Index* (managed by its subsidiary).
- [BlackRock](#) is adding bitcoin futures as an eligible investment to its two funds, which will be invested in cash-settled bitcoin futures traded on commodity exchanges.
- Bill Miller addresses Microstrategy and Bitcoin in his [newsletter](#), saying “There is no other asset that combines Bitcoin’s liquidity with its upside potential”.
- President Joe Biden [froze all federal regulatory proposals](#), including the [Financial Crimes Enforcement Network \(FinCEN\)](#) affecting cryptocurrency wallets.
- Crypto exchange [Huobi Global](#) is partnering with regulated crypto payment services firm BCB Group to connect its trading desks to the banking system in the U.K. and Europe.
- American Treasury Secretary nominee Janet Yellen [stated](#) to the Senate Finance Committee that cryptocurrencies can “improve the efficiency of the financial system”, adding that she’ll work closely with the Fed Reserve Board to implement an effective regulatory framework.
- Singapore exchange and Temasek Holdings (\$306b AUM as of March 2020), enters a joint venture to focus on tokenizing financial assets such as bonds.
- Paxos Gold (PAXG) transaction activity has increased a remarkable 500% since March of 2020, and just broke 100M market cap. Zerocap invests in PAXG because it’s the only regulated token backed by real gold stored in London vaults.



### Winners & Losers



- The recent surge in price volatility for bitcoin continued. The price maintained stability around 36,000 before Tuesday, but crashed below 29,000 on Friday. It closed the week at \$32,117 with -10.82% return. The bitcoin tumble was a mixture of [profit taking by some investors](#), [exhaustion in short-term demand from the U.S. institutions and corporates](#), and



# ZEROCAP

## Weekly Market Wrap

17 January 2021 – 23 January 2021

derivative market liquidations. Despite this, MicroStrategy continued its “buying the dip” strategy with the latest purchase of 314 bitcoin on Friday.

- Ethereum surpassed its 2018 all-time high and refreshed a new record on Tuesday at 1440. However, the second-largest cryptocurrency retraced mid-week, because of the overheated Ether futures market and crowded options trades. This triggered mass liquidation and price drops in the spot market. After the derivative market cooled down, ethereum price rebound and closed the week at \$1234.52 with a 0.66% return.
- After slipping in the previous week, global equity indexes regained the positive momentum they had over the past 2-months. The inauguration of Joe Biden led U.S. stock markets to outperform, with other major developed equity markets following under the premise of US political stability. High yield corporate bonds maintained their price level, while commodities retraced and received a negative return.
- Gold prices rose on Wednesday as the U.S. dollar weakened after the U.S. Treasury Secretary nominee Janet Yellen emphasised the need for further large stimulus to help the U.S. economy recover from the pandemic. However, gold prices slipped on Friday when the U.S. Treasury yield climbed. A lower VIX index was expected as financial markets boomed on further government stimulus and pricing in economic recovery.



### Macro, Technicals & Order Flow

#### Bitcoin

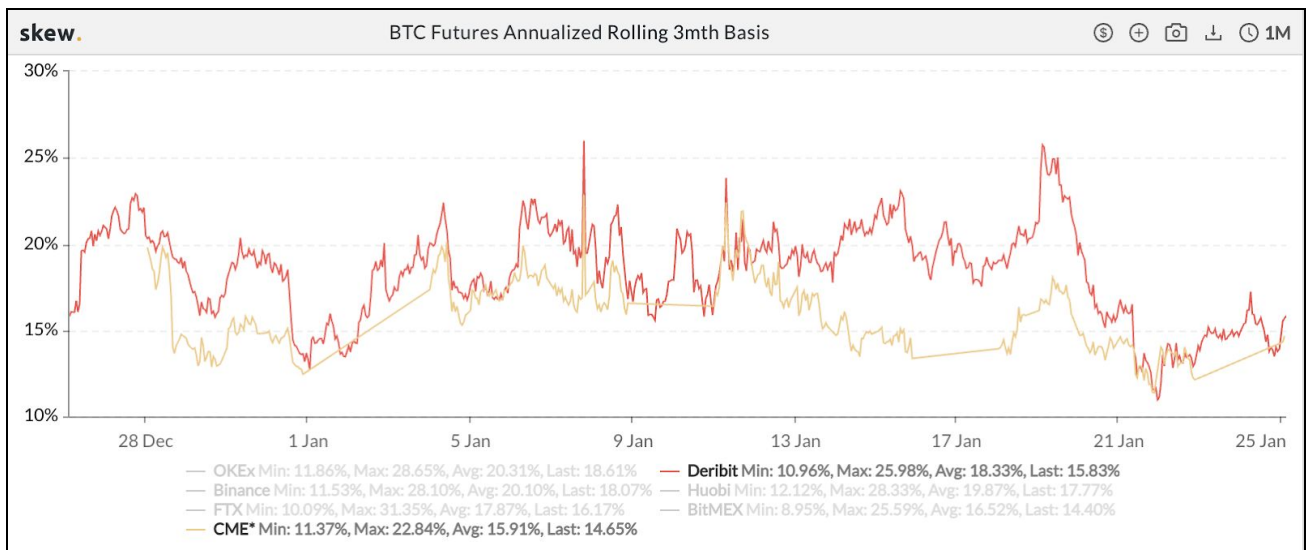
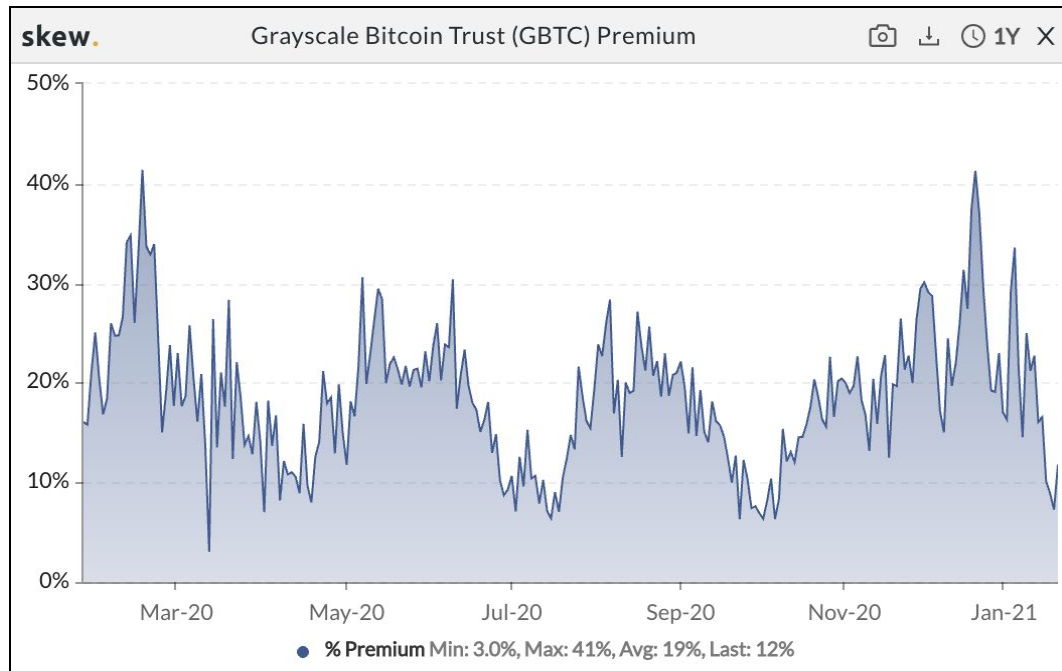


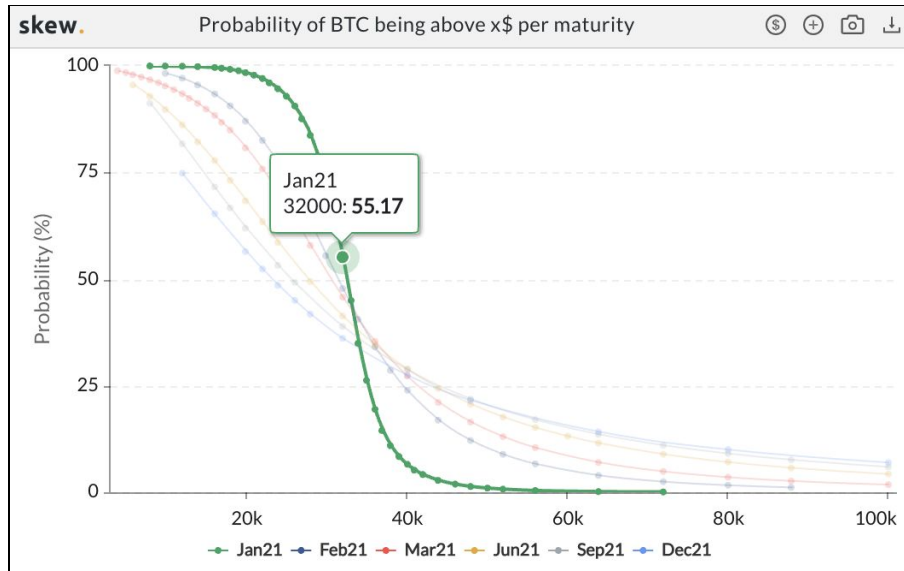
- We got the break of 34,000 over the past week – leading to a move down toward the 28,000 level that we proposed. We didn't quite get down to our limit orders, with a weekly low of 28,800. Open Interest (OI) is still declining or undetermined in the derivatives market, and thus we will maintain these orders until OI picks up again or we get a clear upside break of 34,000.
- Below 28,000 we could see a move to 24,000, the clear orderflow levels from Dec 2020. However, we expect strong buying pressure below 28,000 by institutional firms.
- Grayscale added 29,598 BTC to its Bitcoin Trust this week, totalling 646,155 BTC, a 4.8% increase from the prior week. The trust currently holds 3.472% of all circulating Bitcoin.
- The Grayscale premium to BTC price has been a popular hedge fund arb play, although this week we've seen premiums collapse to a low of 2% (from 20%) at one point. If this premium goes negative, we could see liquidations as it is often played as a leveraged trade.





- [On-chain](#) data shows that the number of addresses with over 1,000 BTC is increasing, suggesting that large “whales” and institutions are still accumulating.
- The futures basis also reduced to just above 10%, but is moving back above again as price stabilises.







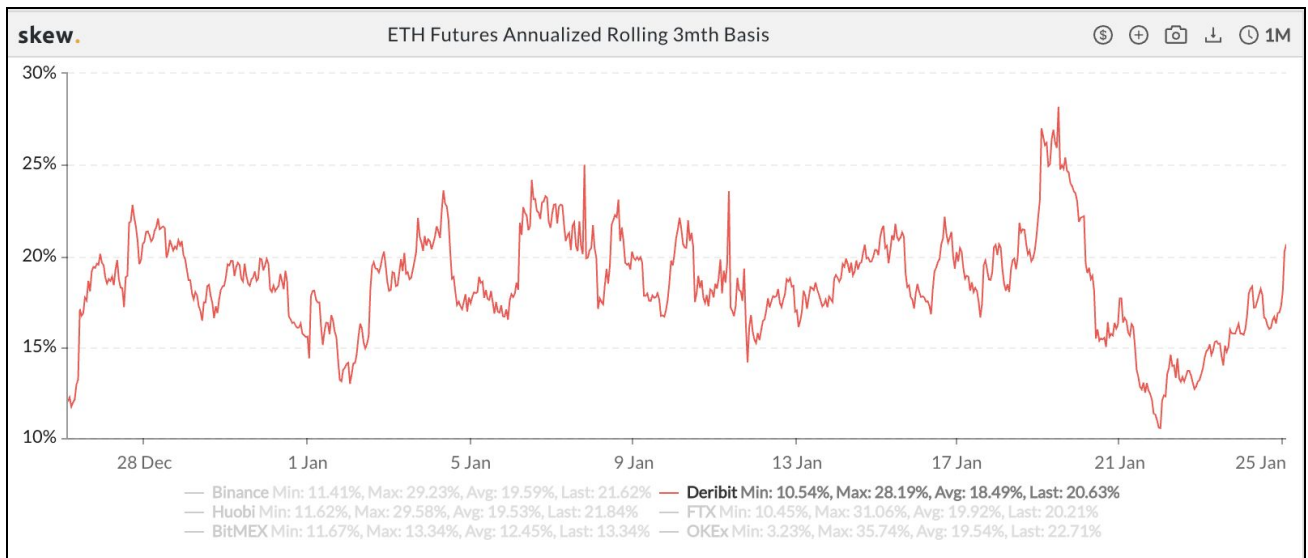
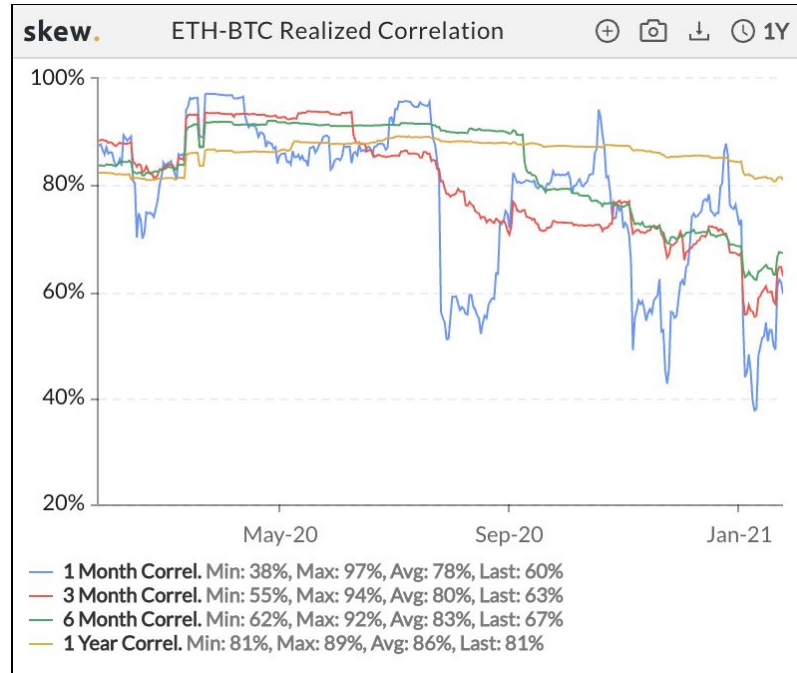
### Ethereum



- Ethereum outperformed bitcoin this week breaking all-time highs, and is beginning to look unstoppable as the go-to protocol for 2021 and beyond.
- We are forming an ascending price-wedge, aiming for 1,500 as the key level. We feel that ETH will catch up to BTC's performance from 2020, particularly with the DeFi value and volumes increasing.
- The ETH/BTC correlation has been falling over the past year, adding value to portfolios that hold both assets. This indicates trends where granular price moves based on varying fundamentals tend to break correlations over time. This is typical of maturing markets.
- The total value locked in DeFi projects rises to \$25.43 billion, an 9.47% increase from last week. Most DeFi projects are built on ethereum.
- The amount of ETH in the ETH 2.0 staking contract currently sits at 2,814,914 ETH, an increase of 11% from last week. This represents 2.46% of the total supply estimated to remain locked for 1 - 2 years.

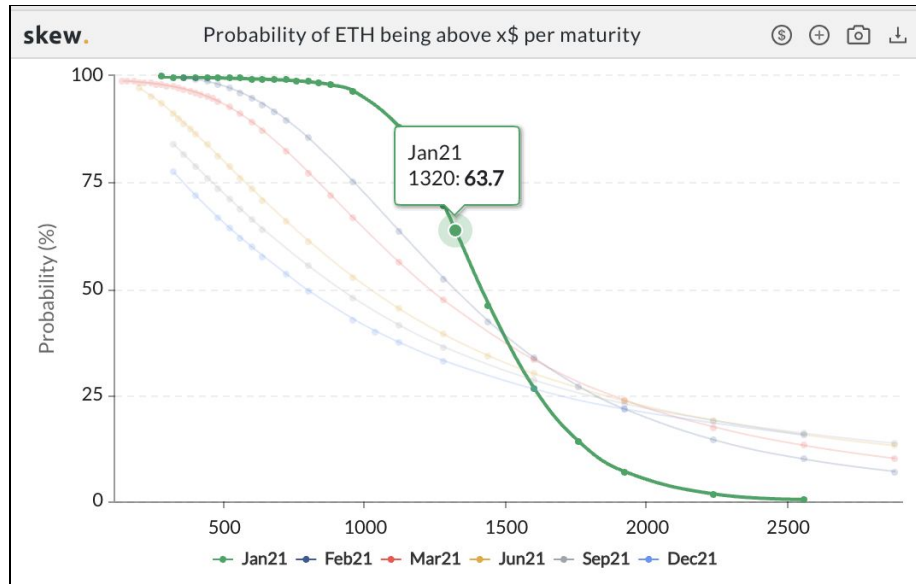


- The futures basis is rallying again, and this is reflected in price. We are expected a bullish week from ETH.



\* CME ETH Futures launching Feb 2021







### What to Watch

- President Joe Biden signed [30 executive orders](#) in his first week in the White House. Is his freeze on former Treasury Secretary Steve Mnuchin's rules that threaten crypto innovation and privacy rights of individuals and entities a good signal for crypto advocates? Or will he roll back some of the positive regulations that were approved by the former U.S. Office of the Comptroller of the Currency (OCC) chief Brian Brooks? What macro policies will Biden set in his second week in the White House?
- American Treasury Secretary nominee Janet Yellen stated that cryptocurrencies are used "mainly for illicit financing" and she wanted to "curtail their use" during her confirmation hearing with the Senate Finance Committee. However, she clarified that she only wanted to limit the use illegally, and "consider[s] the benefits of cryptocurrencies and other digital assets". Undoubtedly Secretary Yellen's first action on bitcoin will set the tone for the next four years.
- Until now, Uniswap reached an average of \$1 billion a day in trading volumes in January, which already surpassed the total monthly trade volume record of \$15.3 billion in the DeFi September 2020 boom. With the growth of decentralized finance, will \$1 billion per day in the trade volume become a new normal phenomenon for Uniswap, as declared by Uniswap strategy lead [Matteo Leibowitz](#)?

### Insights

- [Joe Biden is President – What it means for crypto](#) - A brief analysis covering what his administration means for cryptocurrencies based on central figures in government, potential regulations and key proposals from Biden's campaign.



# ZEROCAP

## Weekly Market Wrap

17 January 2021 – 23 January 2021

Zerocap provides digital asset investment and custodial services to forward-thinking investors and institutions globally. Our investment team and Wealth Platform offer frictionless access to digital assets with industry-leading security. To learn more, contact the team at [hello@zerocap.io](mailto:hello@zerocap.io)

### Disclaimer

This document has been prepared by Zerocap Pty Ltd, its directors, employees and agents for information purposes only and by no means constitutes a solicitation to investment or disinvestment. The views expressed in this update reflect the analysts' personal opinions about the cryptocurrencies. These views may change without notice and are subject to market conditions. All data used in the update are between 17 Jan. 2021 0:00 UTC to 23 Jan. 2021 23:59 UTC from TradingView. Contents presented may be subject to errors. The updates are for personal use only and should not be republished or redistributed. Zerocap Pty Ltd reserves the right of final interpretation for the content hereinabove.

### \* Index used:

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