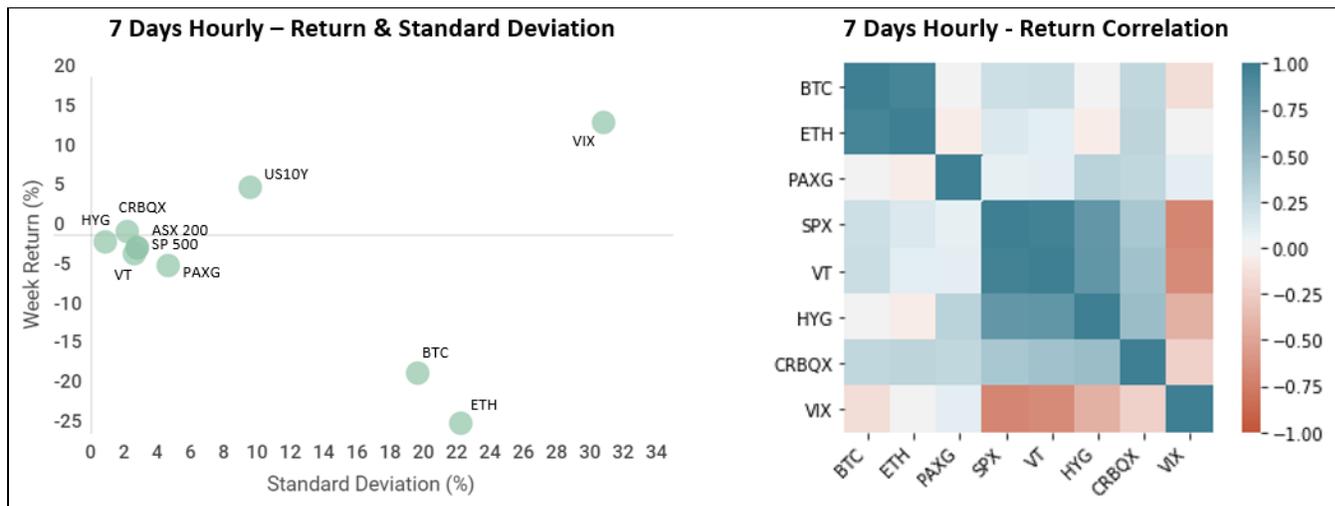
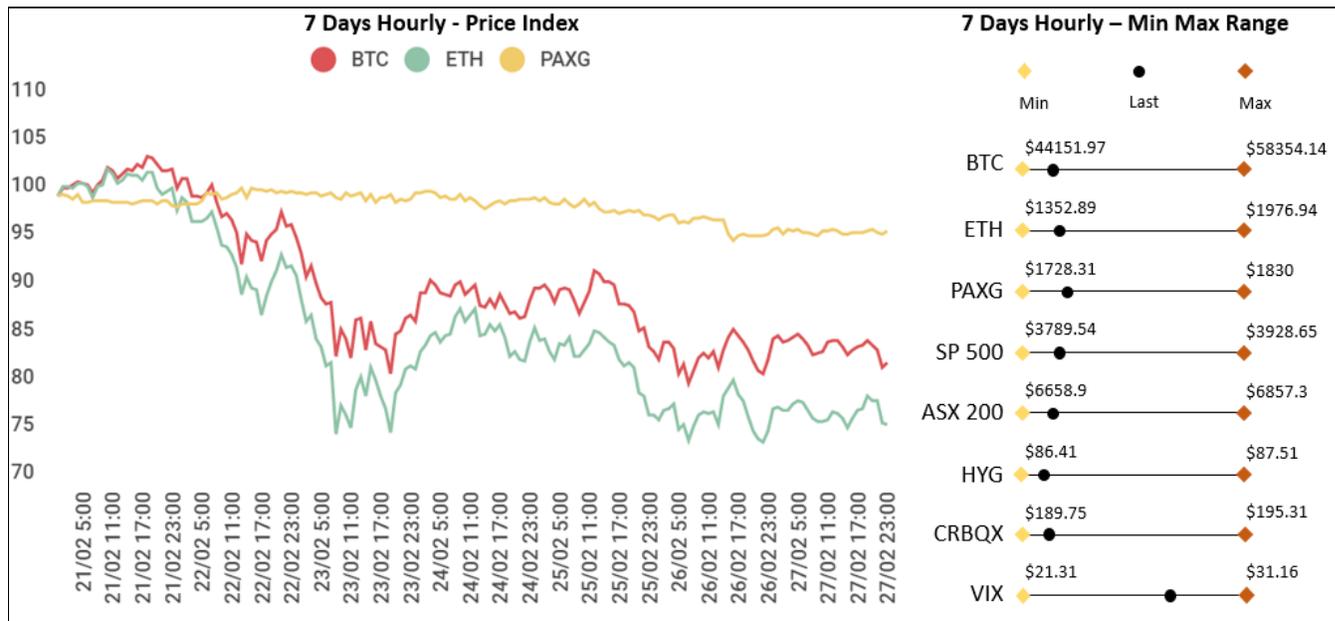




Week in Review

- Coinbase's S-1 filing has shown that the percentage of retail investors dropped from 80.5% to 30% from the period 2018 to 2020, indicating a large rise in institutional investors.
- GIC, Singapore's sovereign wealth fund, [invests](#) into the first Federally Chartered Digital Asset Bank, Anchorage.
- CI Global Asset Management filed a preliminary prospectus in Canada for the world's first [ethereum exchange-traded fund \(ETF\)](#).
- Digital artwork on Ethereum continues to flourish, as [Beeple's artwork](#) sells for an astonishing 6.6 million.
- Binance added the [Solana \(SOL\)](#) token, estimated to earn up to 43% yields.
- The Federal Reserve explained the [preconditions for the U.S. digital dollar](#), and Jerome Powell declared that developing a digital dollar is a 'high priority for us'.
- Tether has [settled](#) with the New York Attorney General's office for \$18.5 million, with no charges placed against the company. Going forward, Tether will provide quarterly reports on their reserves for the next two years.
- Cardano became the third-largest cryptocurrency by market cap in the [spot market](#) and by open interests (\$580 worth) in the [derivative market](#).

Winners & Losers



- Bitcoin reached a new all-time high price of 58,354 last Sunday, but suddenly dropped after [Elon Musk](#) suggested that the bitcoin and ether prices were too high. Nervous traders triggered the liquidation of leveraged bets that sparked a sell-off across cryptocurrencies. The Grayscale Bitcoin Trust was a leading example of the sell-off, with its first notable [discount](#) to the bitcoin since March 2017. Though the new purchase plans from



[MicroStrategy](#) and [Square](#) buffered bitcoin price drop at the mid of the week, it still closed at 46,110 with an -17.54% return.

- Ether started plummeting after Elon Musk's twitter comments. Additionally, exchange [linch](#) became the latest DeFi project to leave ethereum and expand to Binance Smart Chain, driving a much heavier price drop during the week than may have otherwise been. ETH closed the week at 1,359 with a -23.81% return.
- The U.S. Treasury yield rate increased to 1.54% because of increased inflation expectations. A lower bond price shifted the focus of equity investors to fixed income markets, which dragged global equity markets into negative territory, with Tech taking most of the hit. Although [Powell's congressional testimony](#) appeased the equity markets to a certain extent, it couldn't prevent a negative end to the week.
- The narrow depreciation in U.S. dollars failed to offset the heavy surge in the treasury yields, seeing the gold price drop by 3.95% last week. The VIX increased to 31.16 on inflation fears. This is a space to watch.. not many Central Banks are pricing in tail events when it comes to inflation.



Macro, Technicals & Order Flow

Bitcoin

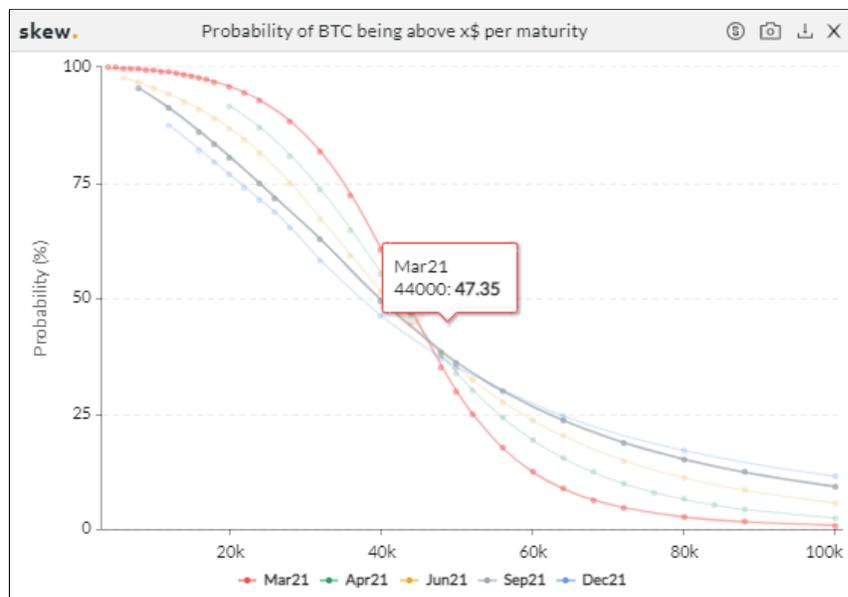
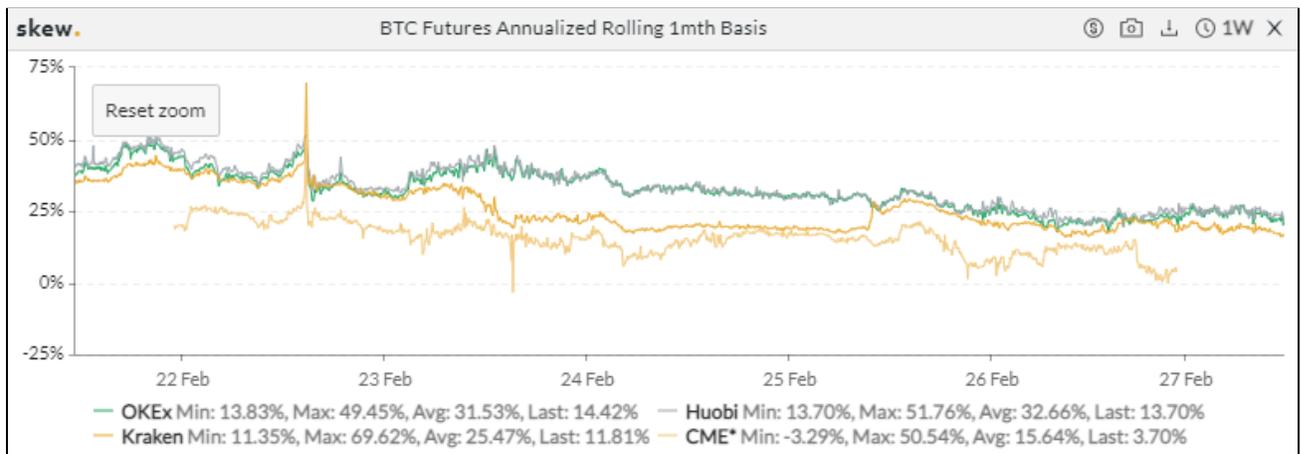


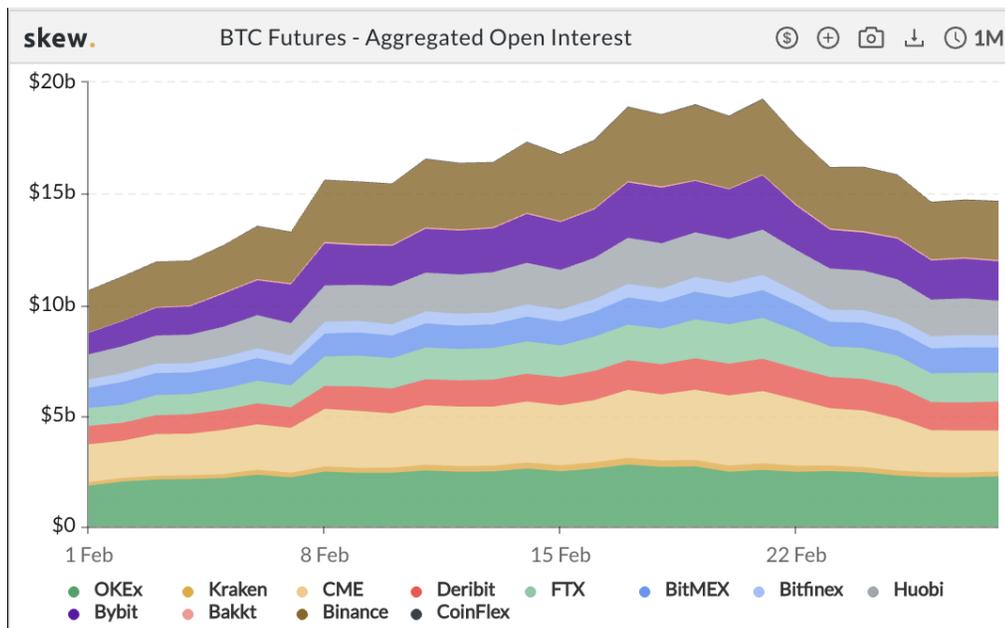
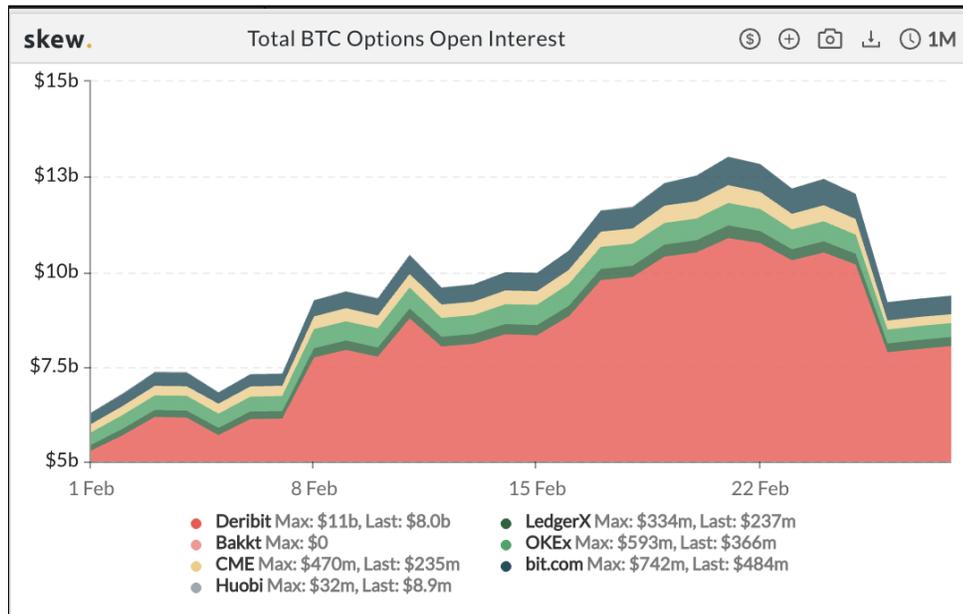
- BTC key topside level sits at its all-time-high of 58,300.
- Support has formed at 44,000. If we see a break below this level, we'd likely see a move to 41,000 – the prior range highs from early January.
- Given the velocity of the initial down move, and drops in derivative open interest, the cleanout of leveraged longs could be largely over.
- From here we are expecting ranging price action, with a bullish bias given continued institutional accumulation.
- Grayscale [added](#) 267 BTC to its [Bitcoin Trust](#) this week, totalling 655,732 BTC, a 0.04% increase from the prior week. The trust currently holds 3.52% of all circulating Bitcoin.
- The Grayscale Bitcoin Trust indicates on their website that they are temporarily closing private placements.
- We've mentioned some concerns around the Grayscale NAV trade (arbitraging entry in bitcoin, with an exit after a 6-month lockup in cash, often at a premium to NAV). Given the



sheer leverage in this trade, there are some tail risks if we see a sharp negative move. Read a few tweets from our friends at Digital Gamma for some [insight here](#).

- Futures basis is predictably down given the derivative liquidations.







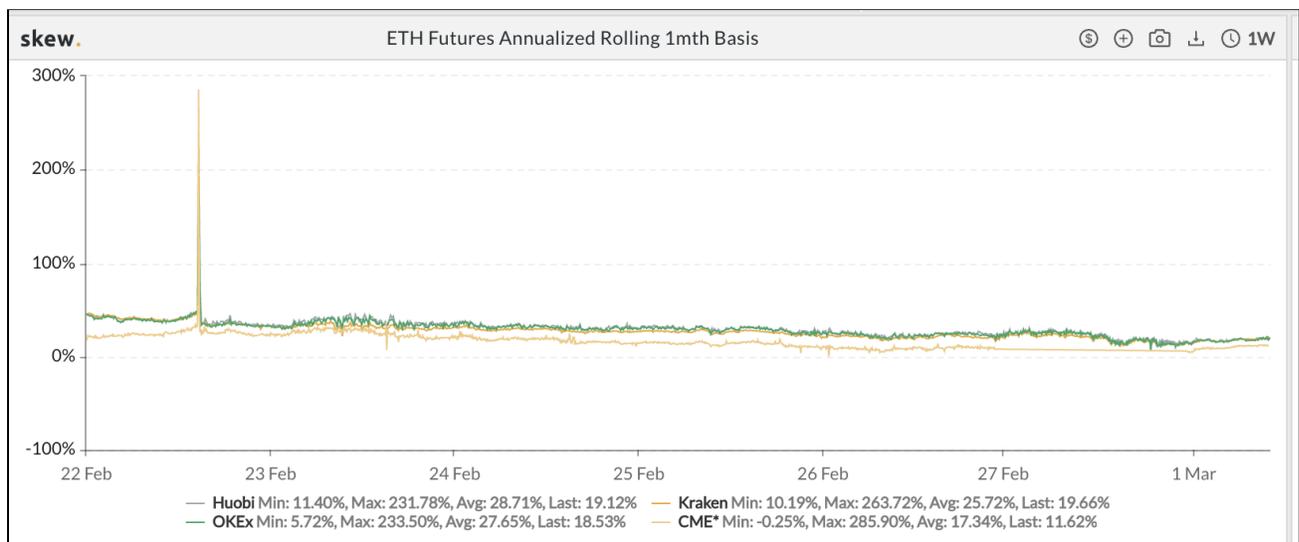
Ethereum

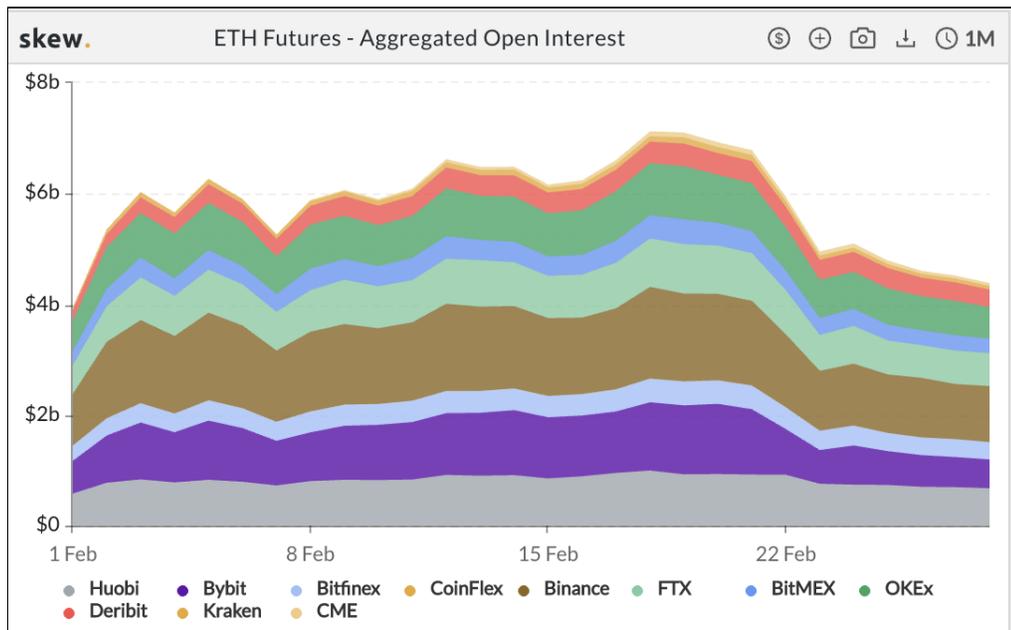
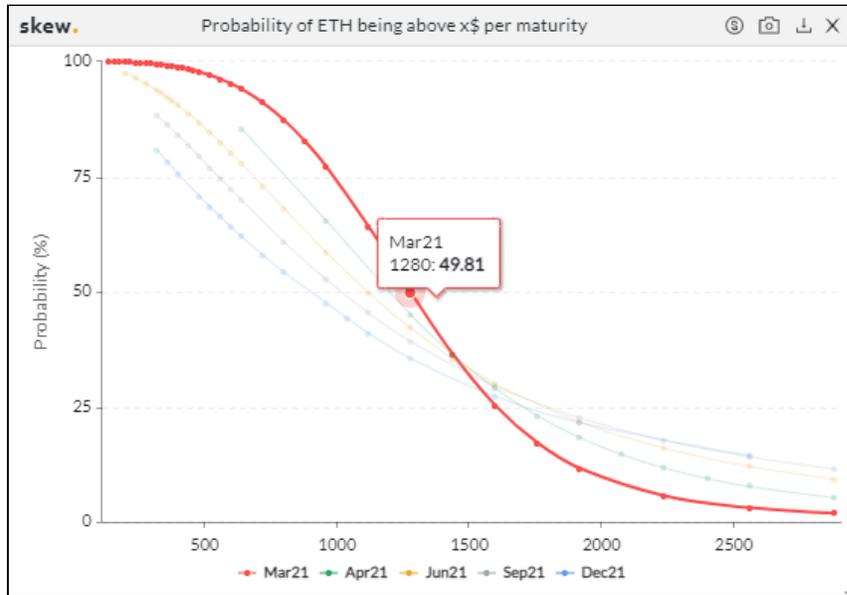


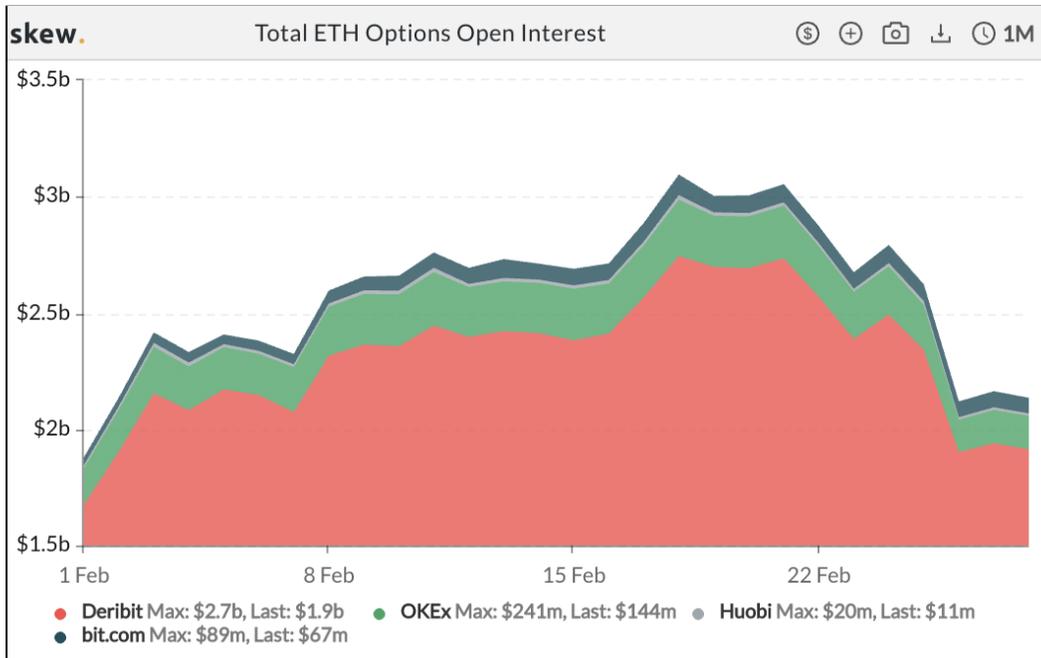
- ETH's false break led to a continued downside move alongside bitcoin. We've also seen a fairly convincing break of 1,500, although clean orderflow levels from January don't provide much insight into how far we could see ETH fall.
- The debate across scaling solutions continues to rage. We are seeing inflows into Fantom, Solana, Cardano and other alternatives as ethereum gas (transaction) prices continue to create bottlenecks and inefficiencies in the network.
- We still maintain that a complementary blockchain that enables ETH scaling will ultimately drive the next wave of ethereum value. The ethereum protocol is proven, secure and incumbent. It won't easily be unseated by a Layer-1 blockchain. Not yet.
- Optimism for example, an Ethereum layer 2 scaling solution, [announced](#) the launch of its mainnet next month. Testing has shown 143x decrease in gas costs when using Synthetix, and a 10-100x decrease when using Uniswap.
- Grayscale [added](#) 15,405 ETH to its [Ethereum Trust](#) this week, totalling 3.17m ETH, a 0.49% increase from the prior week. The trust currently holds 2.76% of all circulating Ethereum.



- The [total value locked](#) in DeFi projects dipped to \$35.91 billion, a -16.31% decrease from last week due to the market-wide dip.
- The amount of ETH in the ETH 2.0 staking contract currently sits at [3,322,882](#), an increase of 4.50% from last week. This represents 2.89% of the total supply estimated to remain locked for 1 - 2 years.
- ETH futures experienced a fairly wild spike earlier in the week with a flash crash at the Kraken exchange, bringing ethereum's price down to 700 before spiking up. This was not reflected across many spot markets, but affected derivatives on shorter timeframes.
- The futures basis was subsequently notably subdued given downside momentum over the week.









What to Watch

- The rise in Cardano price could be attributed to two reasons. The first is the positive news from [FD7 Ventures](#)' potential purchase; the second one is from the upcoming protocol update in March. The upgrade could bring native tokens and multi-asset support to the platform. How long could Cardano stand in the third-largest cryptocurrency position this time, as Binance Coin (BNB) only stood there for around ten days? From Binance Coin (BNB)'s Binance Smart Chain to Cardano (ADA)'s Mary hard fork, new protocols and updates are leading to price surges.
- In our Weekly Market Wrap #4 (1 Feb. 2021), we pointed out that Coinbase has announced its official plan to go public through direct listing in its blog channel. The [S1 form](#) submitted by Coinbase to the SEC has verified this plan. The filing declared that Coinbase had held bitcoin and other cryptos on its balance sheet for nine years. It also revealed that the exchange generated \$1.1 billion in revenues in 2020, where 96% were from transaction fees. The net income received by Coinbase reached \$327 million in 2020, while the number was -\$46 million in 2019. How will these numbers affect its IPO valuation?
- BNY Mellon is going to introduce its digital assets custody platform later this year. It is reported that BNY Mellon is partnering with Fireblocks for the custody service. Additionally, Fireblocks announced that it is providing custody services to Diem earlier this month. What will these two giant clients bring to the momentum of Fireblocks? Will custody service companies continue growth in 2021?

Insights

- [MasterCard and Visa are adopting digital currencies - Who's next?](#) - A review on Mastercard and Visa implementing digital assets into their platforms, key companies that may follow their lead and what it means for the cryptocurrency market.
- [Ether: The Triple Point Asset](#) - An analysis of ether's triple value as a commodity, yield-bearing capital asset and store of value.



ZEROCAP

Weekly Market Wrap

21 February 2021 – 27 February 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

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* Index used:

| Bitcoin | Ethereum | Gold | Equities | High Yield Corporate Bonds | Commodities | Treasury Yields |
|---------|----------|------|----------------------|----------------------------|-------------|-----------------|
| BTC | ETH | PAXG | S&P 500, ASX 200, VT | HYG | CRBQX | U.S. 10Y |