



ZEROCAP

Weekly Crypto Market Wrap

19 April 2021 – 25 April 2021

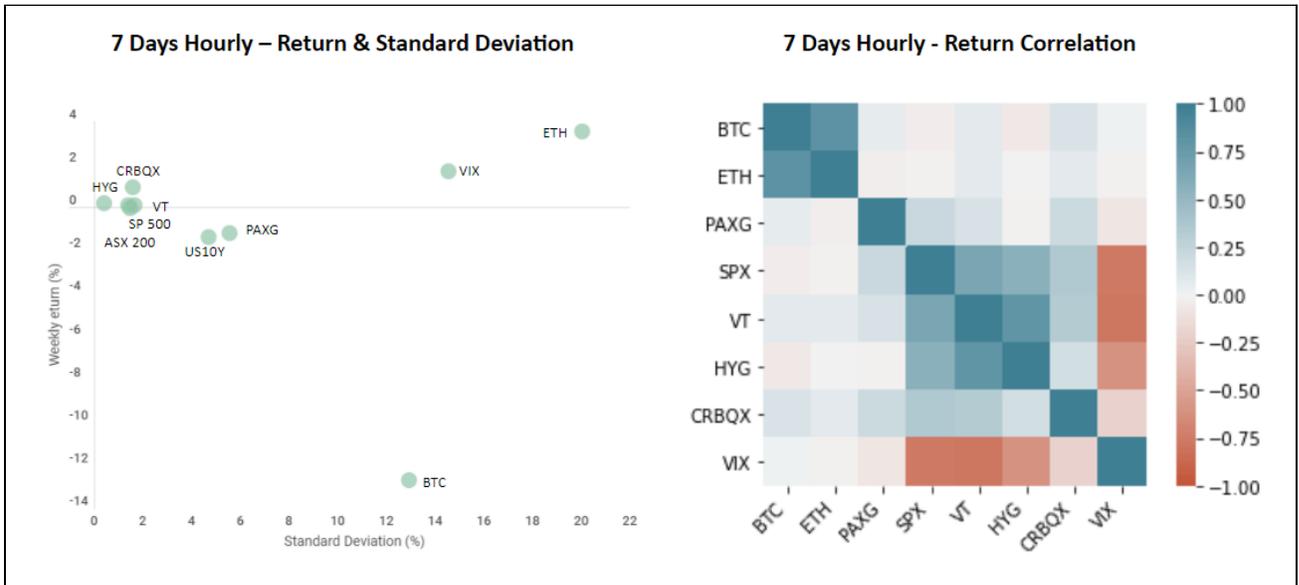
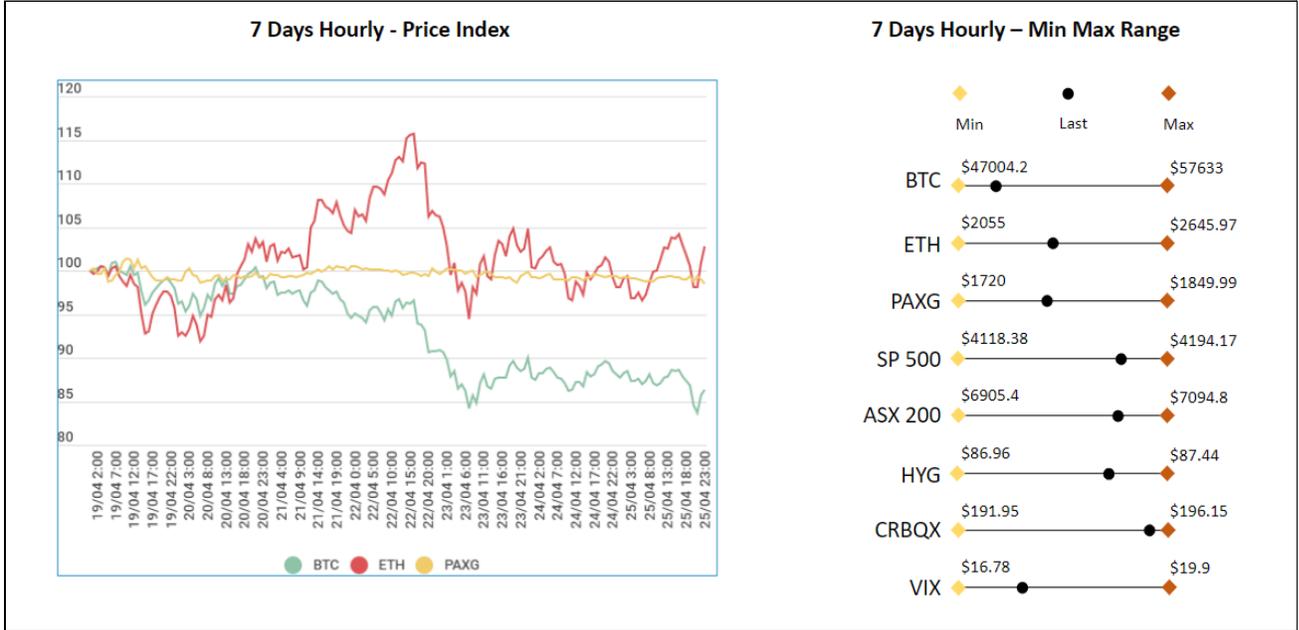
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Week in Review

- Biden [proposes](#) higher tax rates aimed at the wealthy, causing a [dip](#) in U.S. equities and affecting crypto market segments. Equities have since recovered while the broader crypto market struggles.
- The deputy governor of the People's Bank of China [calls](#) Bitcoin an investment alternative.
- New [Bitcoin](#) and [Ethereum](#) ETFs continue to appear on the Toronto Stock Exchange, while the SEC is currently reviewing three [applications](#) for a Bitcoin ETF.
- Venmo [allows](#) the purchase and selling of cryptocurrencies on their platform.
- Coinbase [announces](#) support for USDT on their exchange,
- Paxos, a stablecoin issuer and custody solution, has been [granted](#) a federal trust charter by the Office of the Comptroller of the Currency.
- BitGo, a crypto custody provider, [expands](#) its insurance coverage to \$700m.
- Binance US [acquires](#) Brian Brooks, former Acting Comptroller of the Currency.
- Blockfi's board of directors is [joined](#) by former CFTC chair Giancarlo.
- Boss of a Turkish crypto exchange goes [missing](#), along with customers' access to \$2b worth of funds, highlighting the importance of regulation, custody and DeFi.



Winners & Losers





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- After a severe drop at the beginning of the week due to proposed tax increases in the US and severe disruption to Bitcoin's hash rate alongside a chain of leveraged trader liquidations, the asset spent the first half of the week consolidating around the US\$55,000 mark. Unable to hold this level, BTC plummeted below US\$55,000, reaching as low as US\$47,000 before finishing the week consolidating below the critical psychological level of US\$50,000. The broader crypto market is facing high levels of fear as inexperienced investors hold underwater positions. Continued downside is a possibility, although this move remains a natural part of market cycles and the long-term strength of the asset.
- Ethereum had a mixed week, decoupling further from Bitcoin's correlation, as the asset hit a new ATH at US\$2,645 despite the bearish outlook for BTC. The change in correlation between the two assets is indicative of how and where funds are flowing in the ecosystem. If Bitcoin continues to cool off, we can expect this disparity to grow. Overall, BTC recorded a 12.86% loss and ETH a 3.52% gain.
- Gold held its range as surging Covid-19 cases renewed fears of a delayed economic recovery. A weakening equities market combined with shrinking bond yields led some to safe-haven buying of gold as the opportunity cost of holding the asset decreased. The week opened at US\$1,800 and closed -1.4% down at US\$1,775 despite a generally bid week.
- A relatively volatile week saw the US10Y close -1.18% down at 1.56. Fear surrounding the global economic recovery spiked this week as India faced a vicious new wave of Covid-19. The US dollar continued to weaken, contributing to dropping bond yields which were also impacted heavily by Biden's plan to increase taxes as a method of fueling fiscal stimulus.
- Equity markets experienced the same dip as the crypto markets, although they appear to have weathered the storm so far. This led to some large back and forth in the VIX, which experienced multiple 15% moves back and forth throughout the week. Overall, the VIX ended the week by up 1.7% WoW. Uncertainty surrounding the economic recovery remains the key focus in the coming weeks and will impact the direction of equity markets. As such, the VIX will remain an important indicator of market sentiment.
- As suggested last week, negative economic data significantly impacted the markets this week, prompting many to realise we are not out of the woods yet. Overall, market sentiment will have a proportionally bigger impact on prices in the coming weeks.



Macro, Technicals & Order Flow

Bitcoin



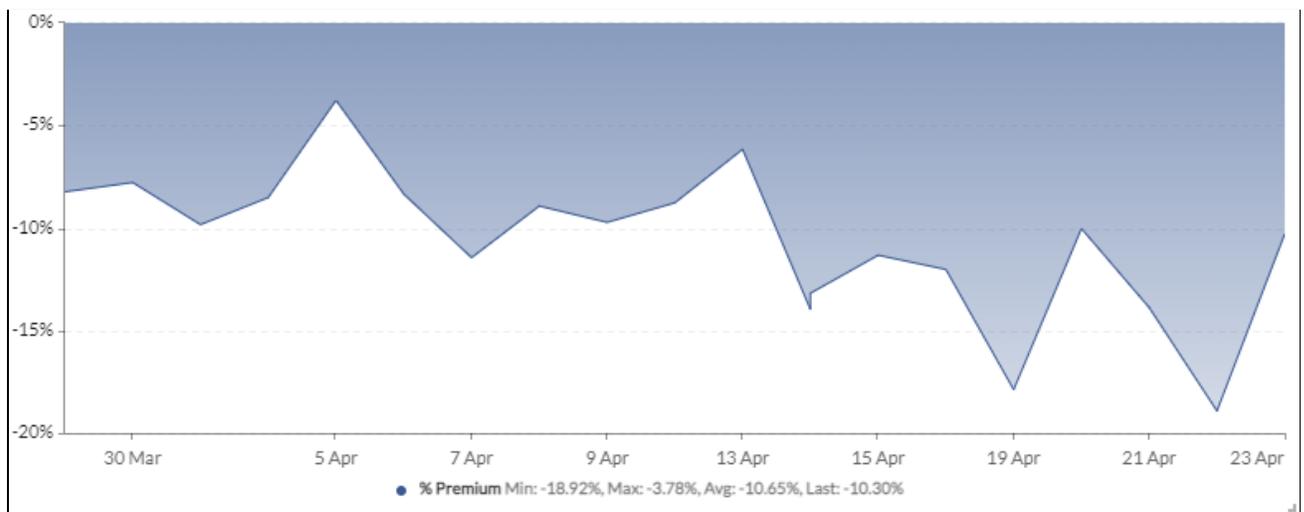
- We've seen a nice break below the ascending trendline from December 2020. As I write this, we are seeing an attempt to break back above. The daily close will be indicative of Europe and the US session's take on where bitcoin will sit in this range. A close above 53,000 is bullish for the asset, however keep in mind that newsflow around economic recovery and vaccine rollouts could lead to a volatile week.
- Korea's BTC premium, which has ramped up to 20% since March, has [declined](#) to 2%, cooling off the euphoria in its market. A peak in the Kimchi premium has a statistically



significant correlation with an impending down-move. This played out this time, but we are still dubious of this indicator.

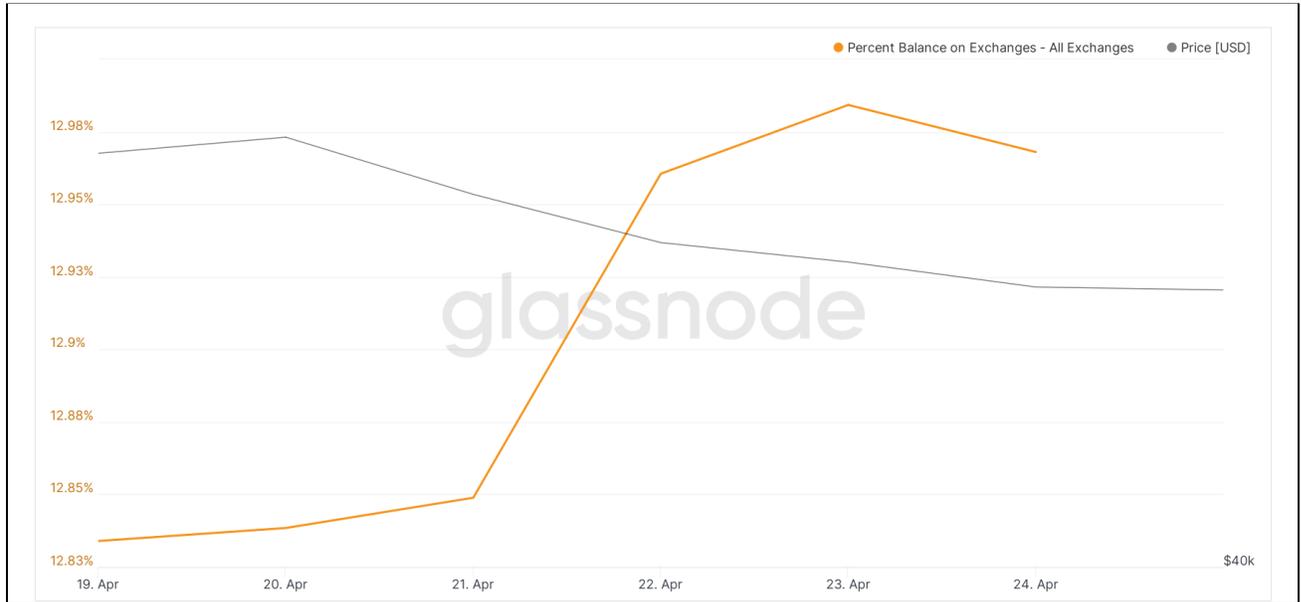
- Inflows of BTC to exchanges rose this week, in line with the sell-off.
- The recent sell-off in BTC has flushed out most of the leverage in the system, resetting its futures [funding rates](#). As open interest stays at lower levels, it is unlikely that we will see violent downside movements of BTC in the short-term.

Grayscale Bitcoin Trust (GBTC) Premium

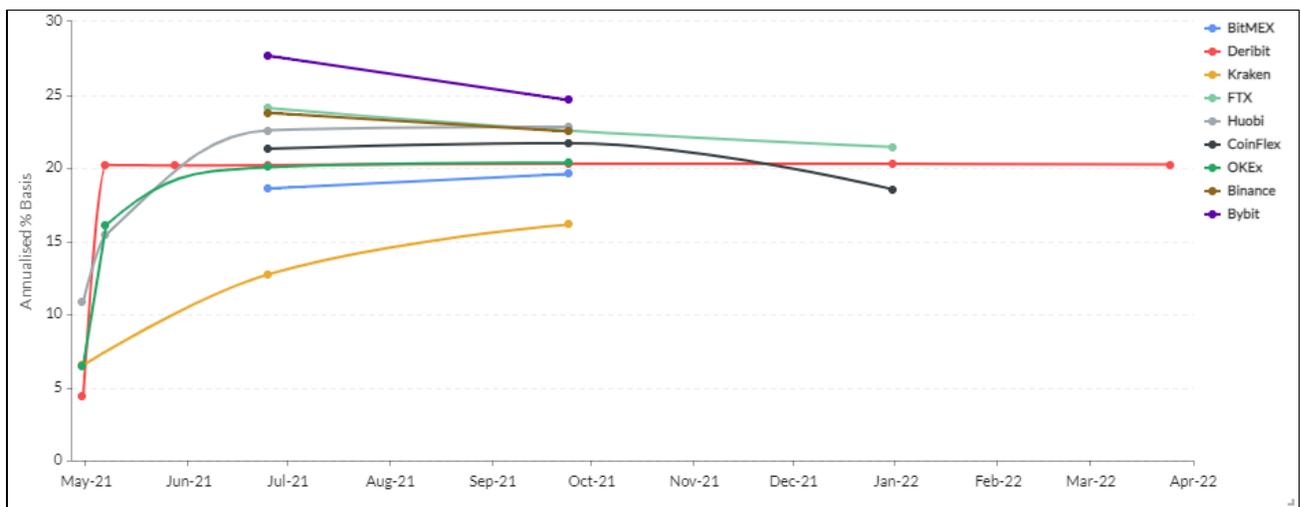




Bitcoin Percent Balance on Exchanges - All Exchanges

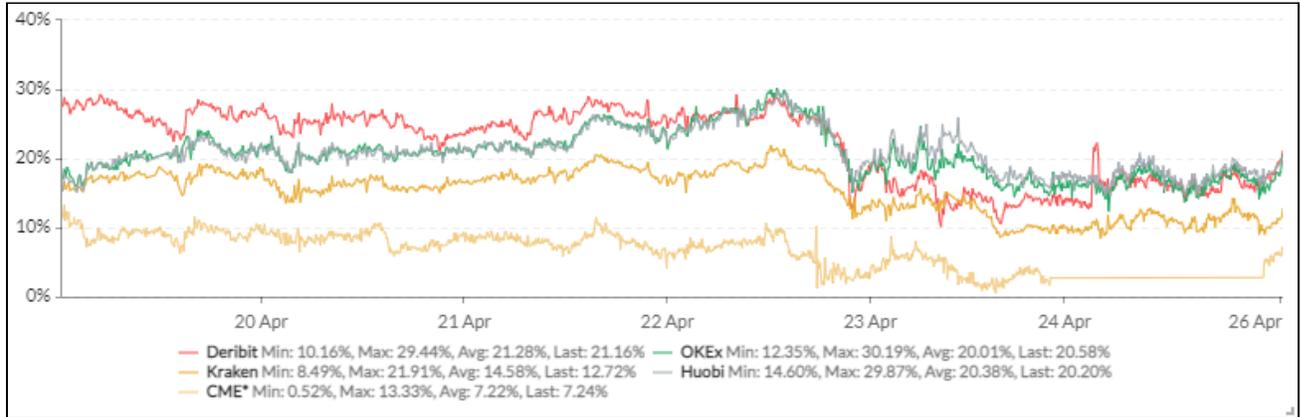


BTC Futures Annualised Basis - Current

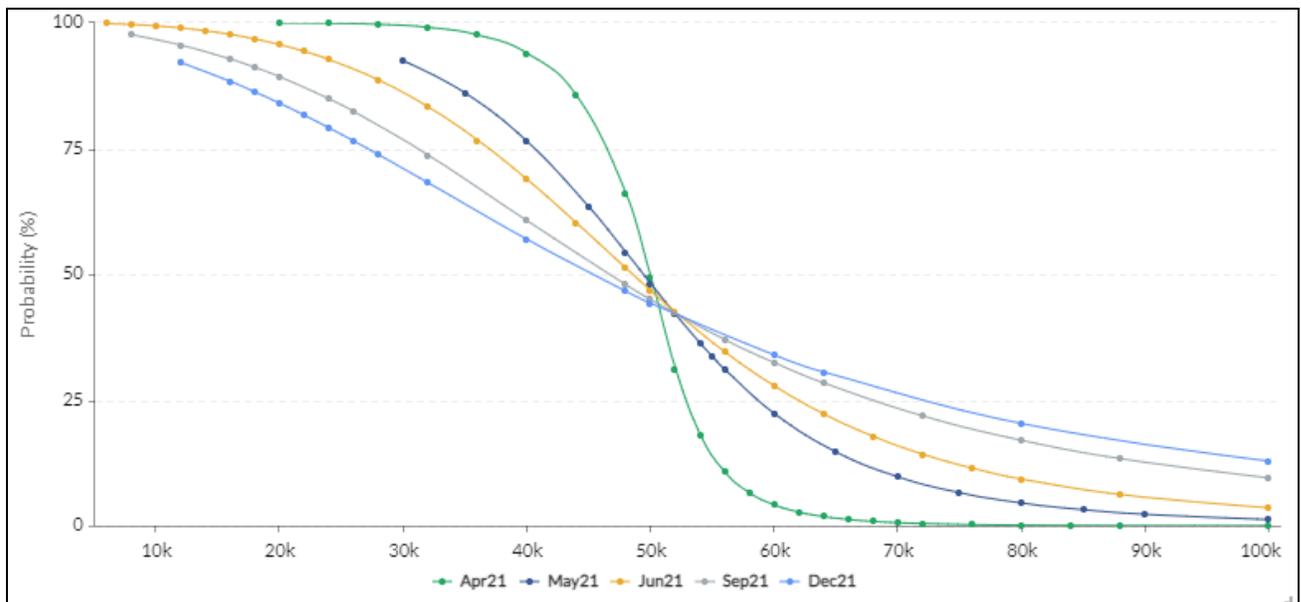




BTC Futures Annualised Rolling 1 Mth Basis

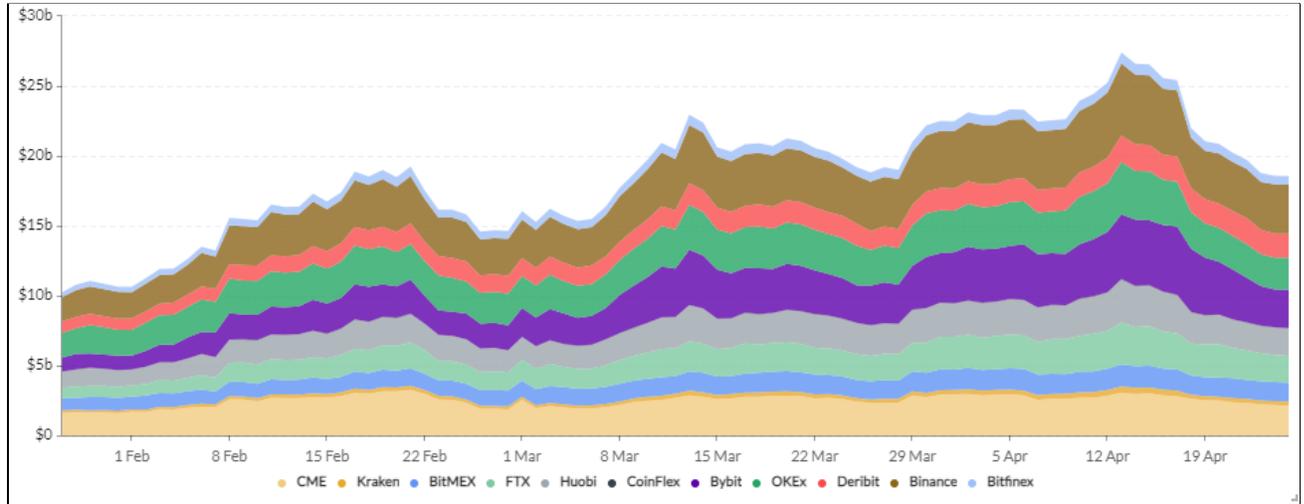


Probability of BTC being above x\$ per maturity

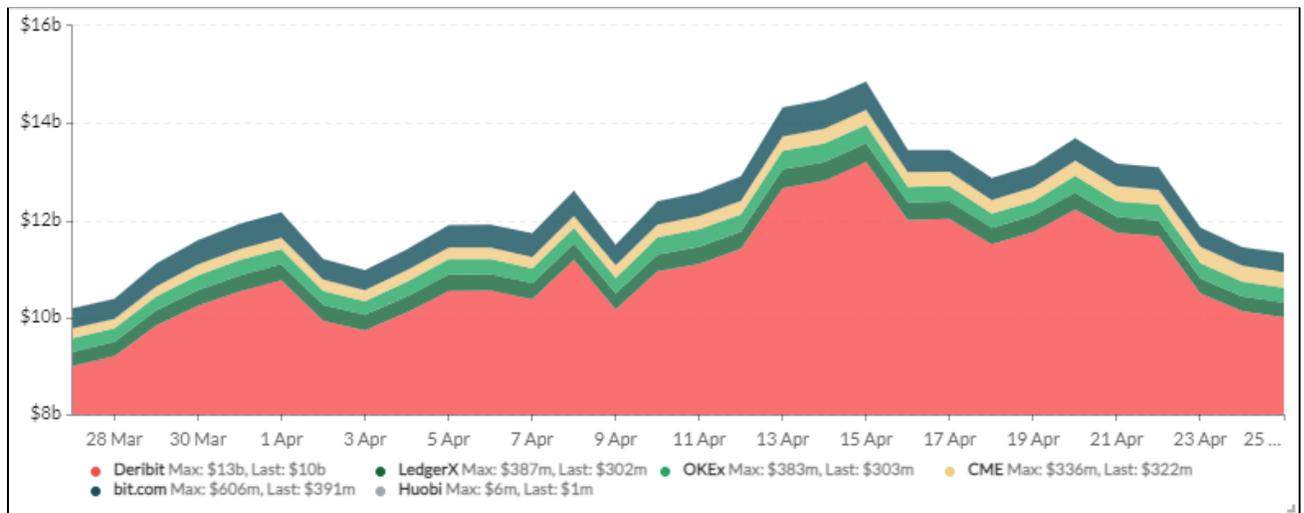




BTC Futures - Aggregated Open Interest



Total BTC Options Open Interest





Ethereum

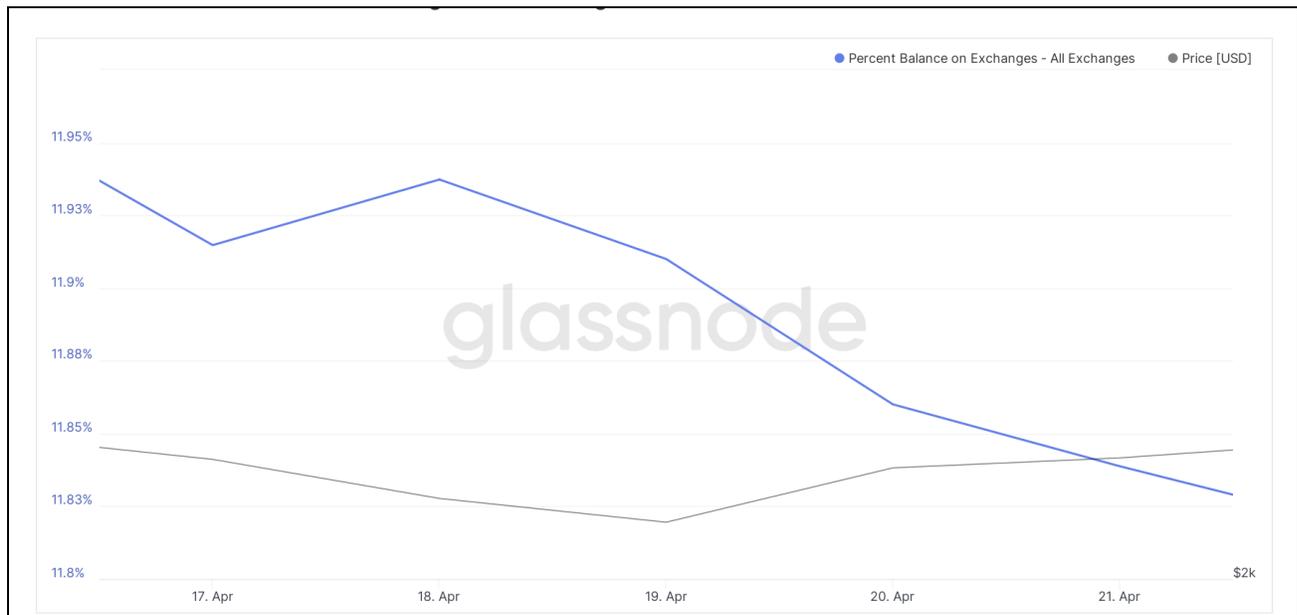


- ETH holds its ground as BTC takes a dive. This is a fairly strong indication that DeFi platforms are a contender against broader market sentiment. Interesting to note that some key contenders to ethereum also rallied while the rest of the market slumped. Protocols that can scale are driving the narrative here, and DeFi is the killer app.
- Orderflow held its ground above the ascending trendline from March. The daily chart is showing multiple rejects against this trendline. Higher lows against a compressing wedge - we feel highs are going to be broken again this week.
- The key level is at 2,550. Prior highs before the fast false break. Filling the gap on volume is a sign of latent demand, and higher prices. Keep an eye of these factors this week.
- ETH continues its trending outflow from exchanges, while it [settles](#) a record \$1.5 trillion in transactions in Q1 2021.



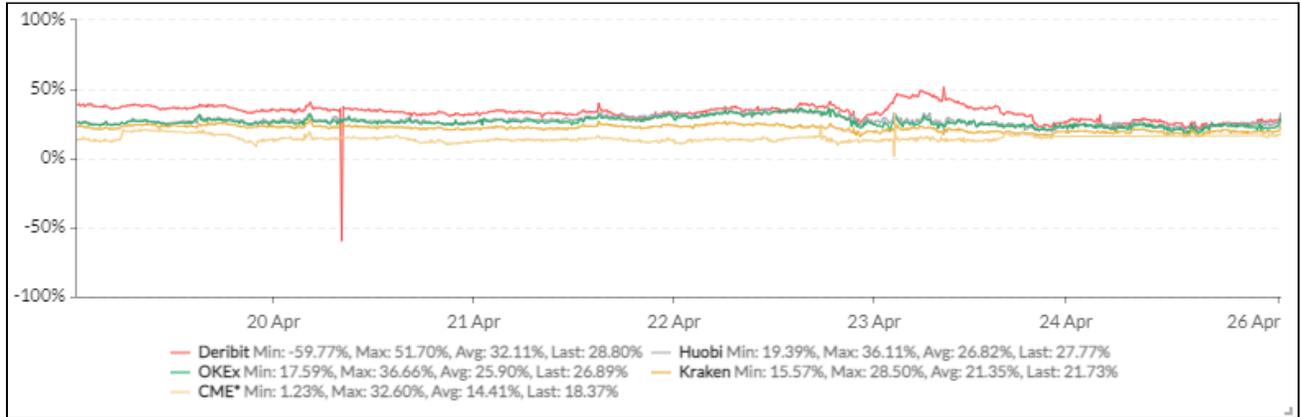
- On newsflow, we are getting closer to lower fees on the network. After Ethereum's Berlin upgrade, developers such as [Vitalik](#) and [Péter Szilágyi](#) agree that it is safe to increase gas limits of the network, allowing Ethereum to process more transactions per block. The upgrade has been [implemented](#), as we see relief from high transaction fees on the weekend. Furthermore, ethereum core developer, Tim Beiko, [proposes](#) a timeframe for the implementation of EIP1559 to be on July 14.
- We have seen how Bitcoin halvings have affected its price in the past, as sell pressure decreases due to lower issuance of BTC to miners. EIP1559 on Ethereum also reduces the amount of ETH issued to miners. Our view is that this leads the next major move.
- [Total value locked](#) in DeFi projects dipped to \$53.12 billion, a 12.4% decrease from last week, mainly caused by corrections in DeFi tokens.
- The amount of ETH in the ETH 2.0 staking contract currently sits at [3,965,346](#), an increase of 2.42% from last week. This represents 3.43% of the total supply estimated to remain locked for ~ one year.

Ether Percent Balance on Exchanges - All Exchanges

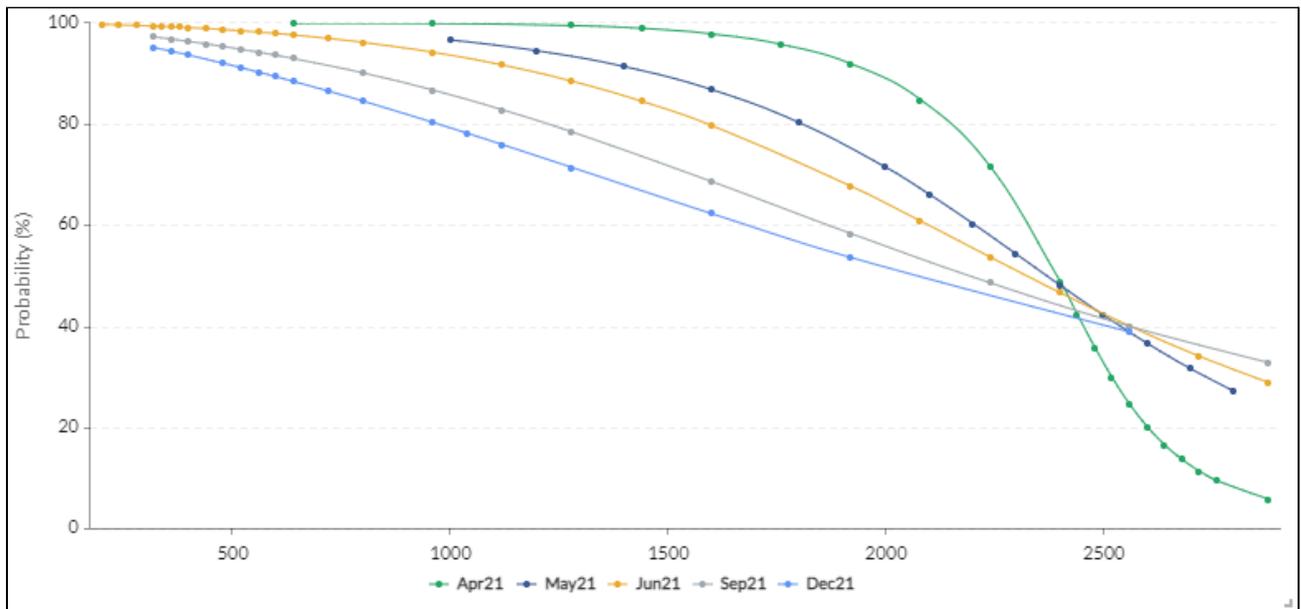




ETH Futures Annualised Rolling 1 Mth Basis



Probability of ETH being above x\$ per maturity





DeFi & Innovation

- MakerDao [allows](#) tokenised real-estate to be used as collateral in their protocol, a massive milestone for the Dapp and Ethereum as a global settlement layer.
- DyDx [performs](#) superbly well for a DeFi perpetual swap exchange with lower liquidity than its centralised counterparts.
- Sushiswap's developer [runs](#) through how their money market solution has been performing since launch, with a [\\$10 million](#) in total locked value already. The protocol has also pushed a [beautiful](#) UI update.
- Pancakeswap (Binance Smart Chain's Uniswap) sees huge user growth and [traction](#), as their token continues to appreciate despite the current market. However, BSC is starting to struggle with demand for usage on the network, as [users](#) report [issues](#).
- Decentralised perpetual swap protocols are [starting](#) to process the same volumes as popular DeFi exchanges.
- Thorchain continues to implement [fixes](#) for [bugs](#). The network has since processed \$73m in volume since its inception two weeks ago. Liquidity providers who were able to join the network before the cap was reached are [earning](#) double-digit APYs on their Bitcoin, ETH and other assets through trading fees alone.
- NBA Topshots' developer, Dapper Labs, is having [another](#) funding round with a \$7.5 billion valuation.

What to Watch

- Was BTC's meteoric rise to \$64k purely driven by speculation supported by leverage due to the attention driven from the Coinbase IPO? Or will investors bid up Bitcoin on persistent uncertainties in monetary and economic policy?
- ETH continues to hold strong in anticipation for EIP1559. Will the protocol successfully upgrade its network and make ETH a deflationary currency?



Insights

- [Decentralised peer-to-peer: Why bitcoin's base feature is still the most important one](#) - A brief coverage of what P2P is, its crucial qualities for cryptocurrencies and why peer-to-peer assets will continue to grow in adoption.

Disclaimer

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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