



# ZEROCAP

## Weekly Crypto Market Wrap

26 April 2021 – 02 May 2021

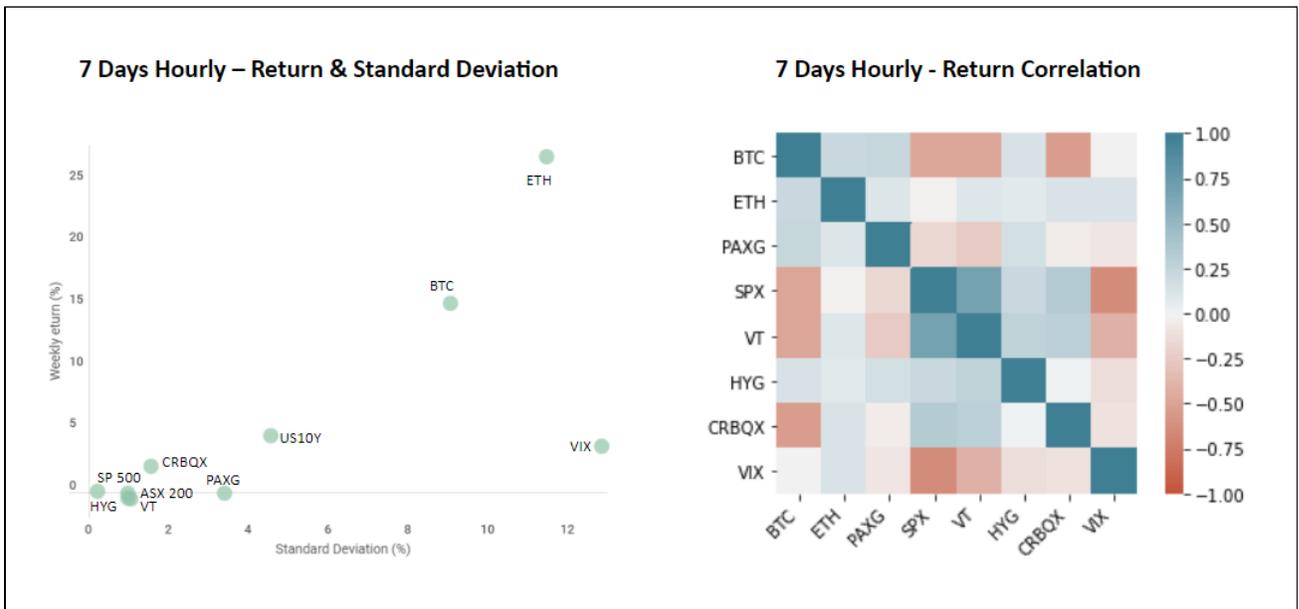
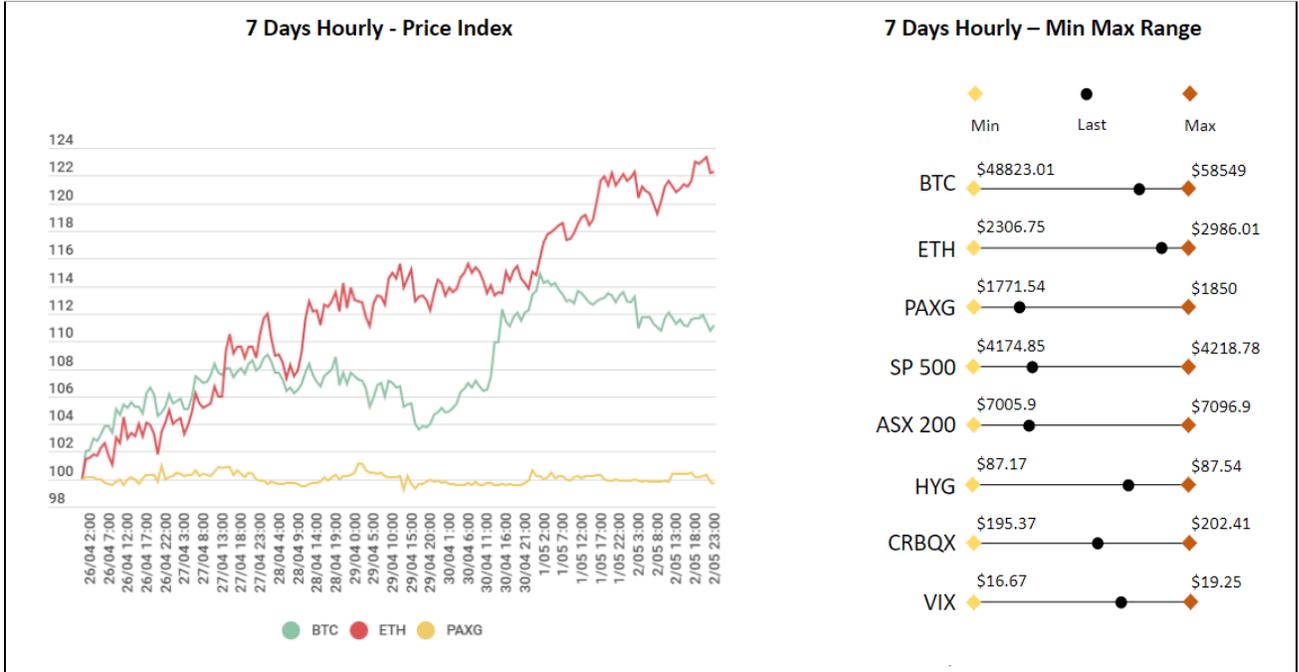
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### Week in Review

- Equities has had its [strongest](#) month since November, taking the week to cool off with sideways movements.
- Germany [passes](#) a new legislation, allowing institutional fund managers to invest up to 20% of their portfolio into crypto-assets, to be effective from 1 July.
- European Investment Bank (EIB) [issues](#) 2-year, €100 million Euro bonds on Ethereum.
- [Rumours](#) of a cryptocurrency ETF emerging on the Australian Securities Exchange are circulating.
- JPMorgan to [prepare](#) a managed bitcoin fund for clients, according to sources.
- Andressen Horowitz [plans](#) to raise up to \$1 billion USD for their cryptocurrency fund.
- Tesla [sells](#) 10% of their bitcoin holdings, citing that he wanted to demonstrate liquidity as a reason.
- Nexon [acquires](#) \$100M of bitcoin.
- Paxos, a stablecoin issuer and custody solution, raises \$300 million at a \$2.4 billion valuation.



### Winners & Losers





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- Bitcoin spent the week recovering from its drop below US\$50,000, riding the wave of consistent news surrounding institutional adoption. Strong fundamentals coming out of Europe had a positive impact on the cryptocurrency market and are beginning to suggest that the region's progressive regulation may paint the US as a laggard in the development of the space.
- Bitcoin's market dominance continues to fall, sitting at its lowest since July 2018. This combined with the market's recovery from last week's lows was due to a number of rallies across the asset class, most noticeably in ethereum which continued to make new highs across the week. Money flows appear to be leaning towards large and mid-cap coins, the majority of which have enjoyed a consistent flow of positive news as products launches and adoption continues. Overall, BTC recorded a 15.27% gain and ETH a 27.05% gain.
- Gold sustained a decline over the course of the week as positive consumer confidence increased on the back of vaccine and jobs news. This coincided with a jump in US10Y yields, weakening gold's appeal. The week opened at US\$1,784 and closed -0.05% down.
- The US10Y had a strong week recording a 4.59% gain. The release of strong Q1 2021 economic data supported the increase. Despite clear signs of economic recovery, Jerome Powell stated that he has no intention of changing the Fed's stance any time soon.
- Equity markets had a relatively flat week, likely a breather from the drastic upside that has been experienced over the last month. As such, the VIX ranged with some limited upside, finishing up 3.73% WoW.
- Market sentiment continues to lead price sensitivity. As mentioned above, this week saw positive economic data that is highly suggestive that an economic recovery is underway. Despite this, the Federal Reserve has no intention of altering its current plan, meaning asset inflation is still a key focus for many.



### Macro, Technicals & Order Flow

#### Bitcoin

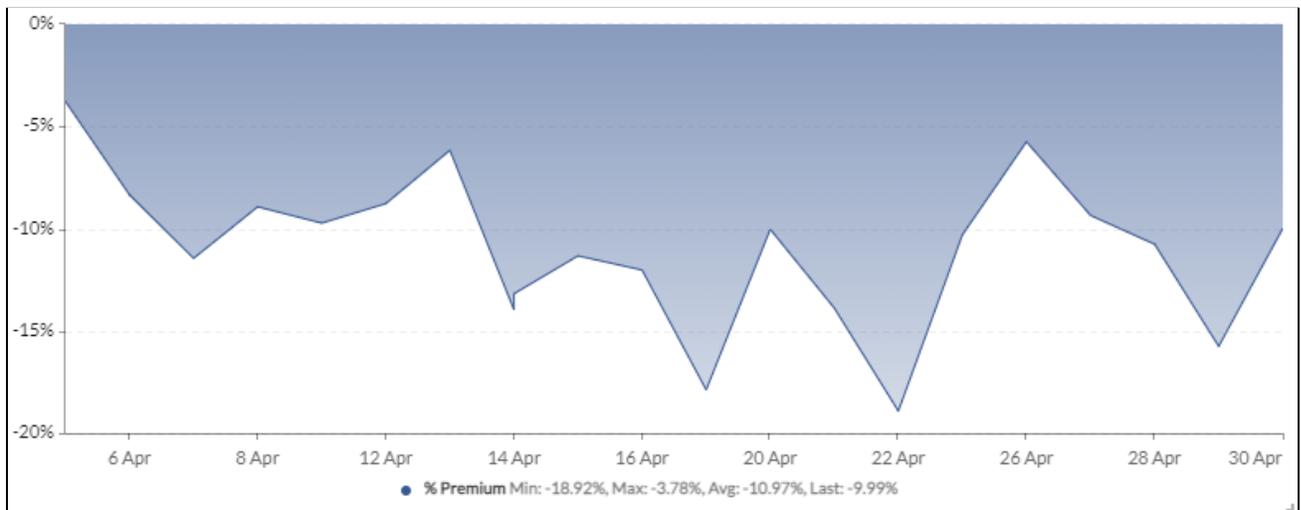


- The daily close above 53,000 held at the beginning of the week, then found support on the ascending trendline from December 2020. This false break, coinciding with ethereum’s run, is poised to continue this week. A hold above 58,000 is the key level to watch.
- Tesla revealed that it had sold 10% of its BTC holdings in their Q1 [report](#). Investors may view this as bearish. However, Tesla has proven that bitcoin is a highly liquid asset that can be liquidated any time of the week, 24/7, without large price impacts or slippage. This event should give a friendly nudge to corporations still on the fence about hedging their Treasury holdings through bitcoin.



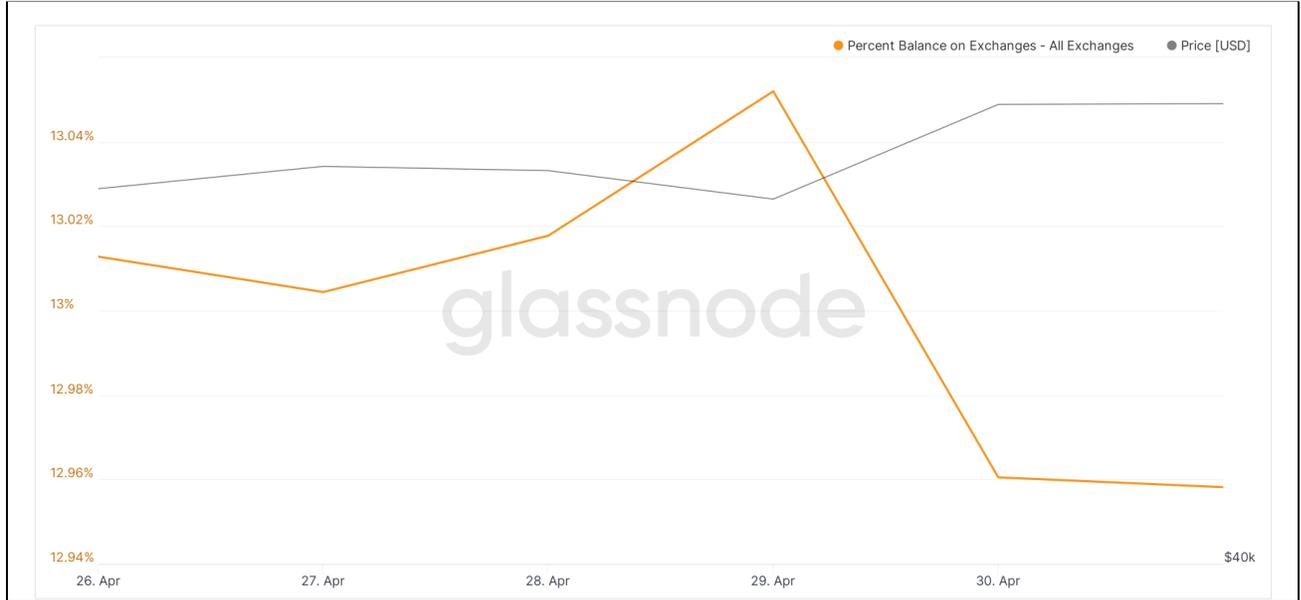
- Nexon is another addition to the list of corporations holding BTC, and we expect this to be a recurring theme as US10Y yields continue to pop, and the inflation narrative continues to gain momentum.
- Open interest and [funding rates](#) edge up slightly together with the price of bitcoin, but is no cause for concern yet - levels remain compressed compared to historical liquidation periods.
- Despite bitcoin's dominance continuing to fall against ethereum and related protocols, we still expect topside in the near-term. The ETF narratives are heating up, and access points for traditional investors continue to open up. The speculative hype that we are increasingly seeing in the market may take some of the shine away from the 'digital gold', but in 20-years, think hard about which digital assets will still be around.

### Grayscale Bitcoin Trust (GBTC) Premium

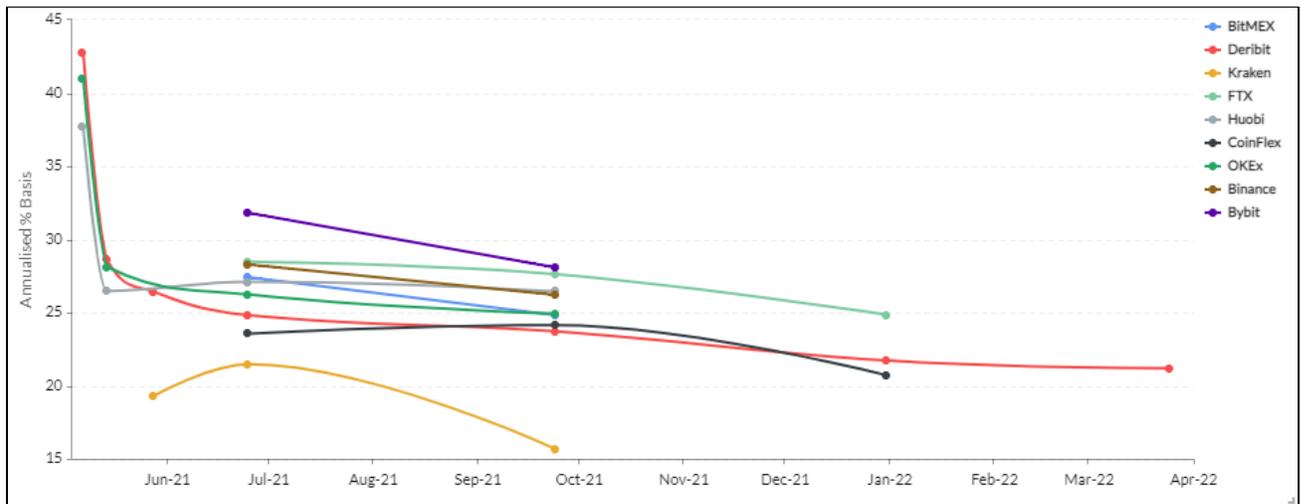




### Bitcoin Percent Balance on Exchanges - All Exchanges

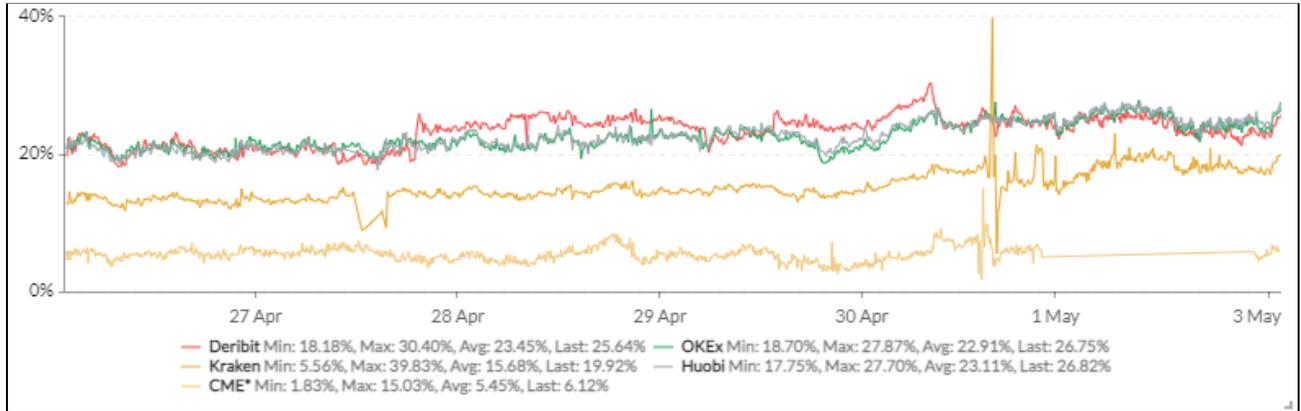


### BTC Futures Annualised Basis - Current

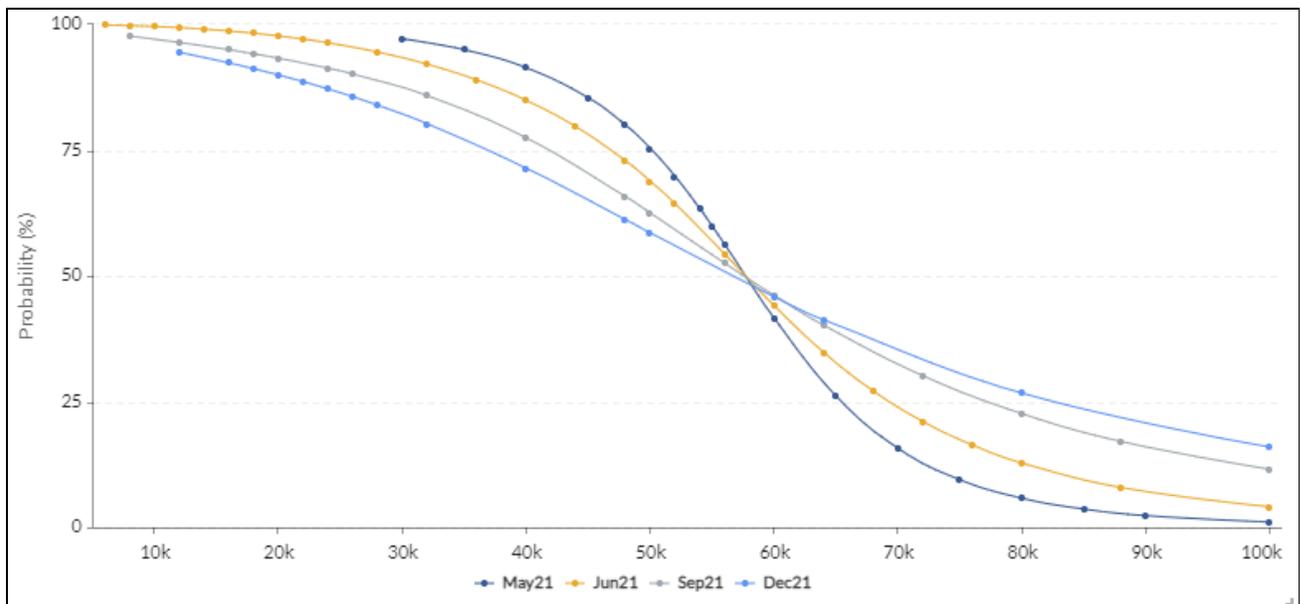




### BTC Futures Annualised Rolling 1 Mth Basis

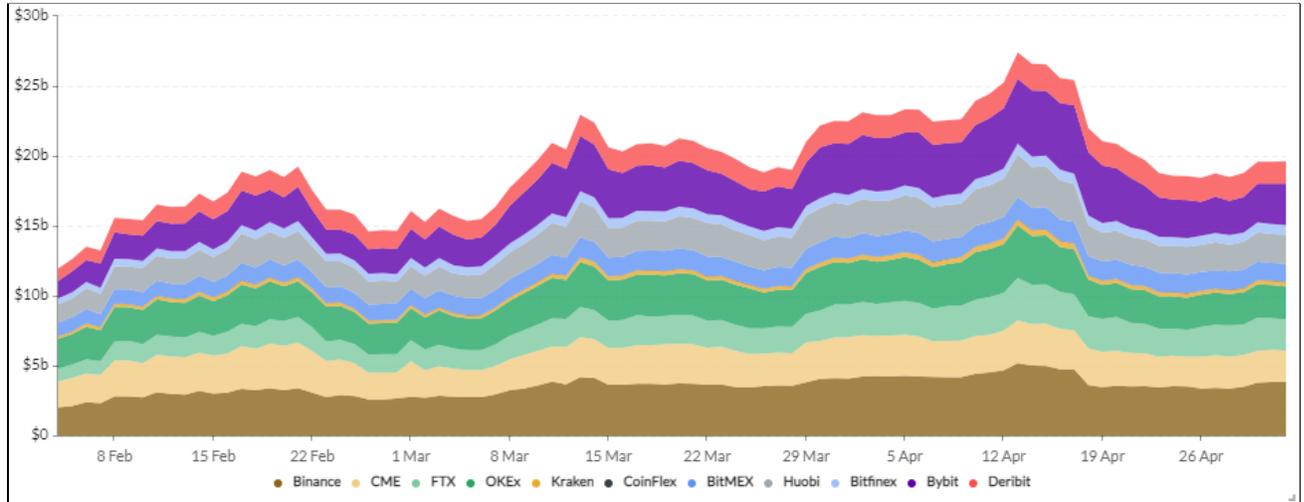


### Probability of BTC being above x\$ per maturity

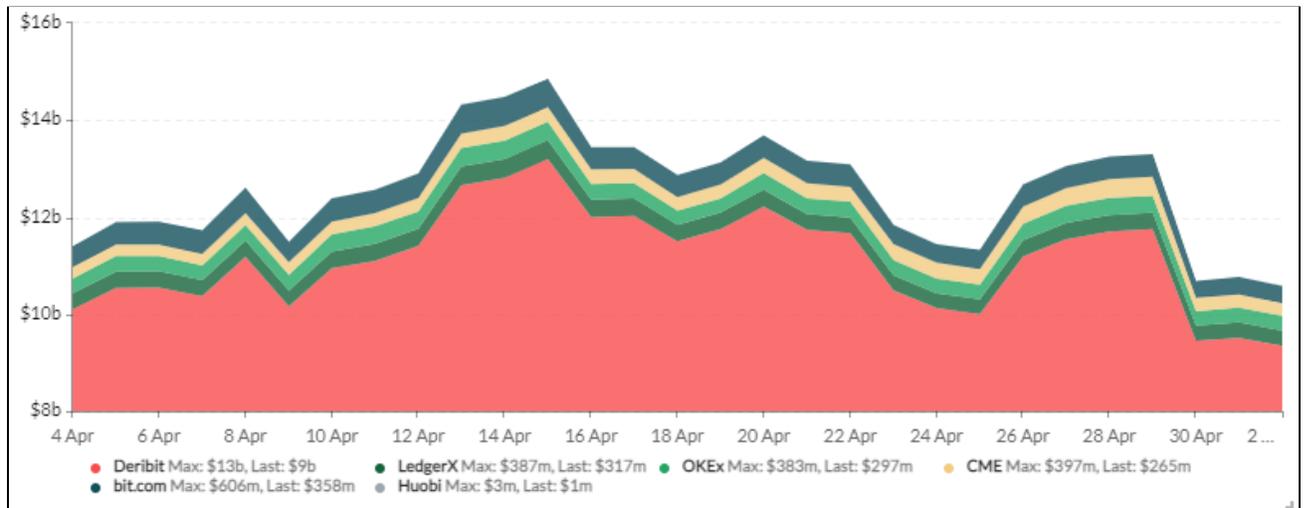




### BTC Futures - Aggregated Open Interest



### Total BTC Options Open Interest





### Ethereum



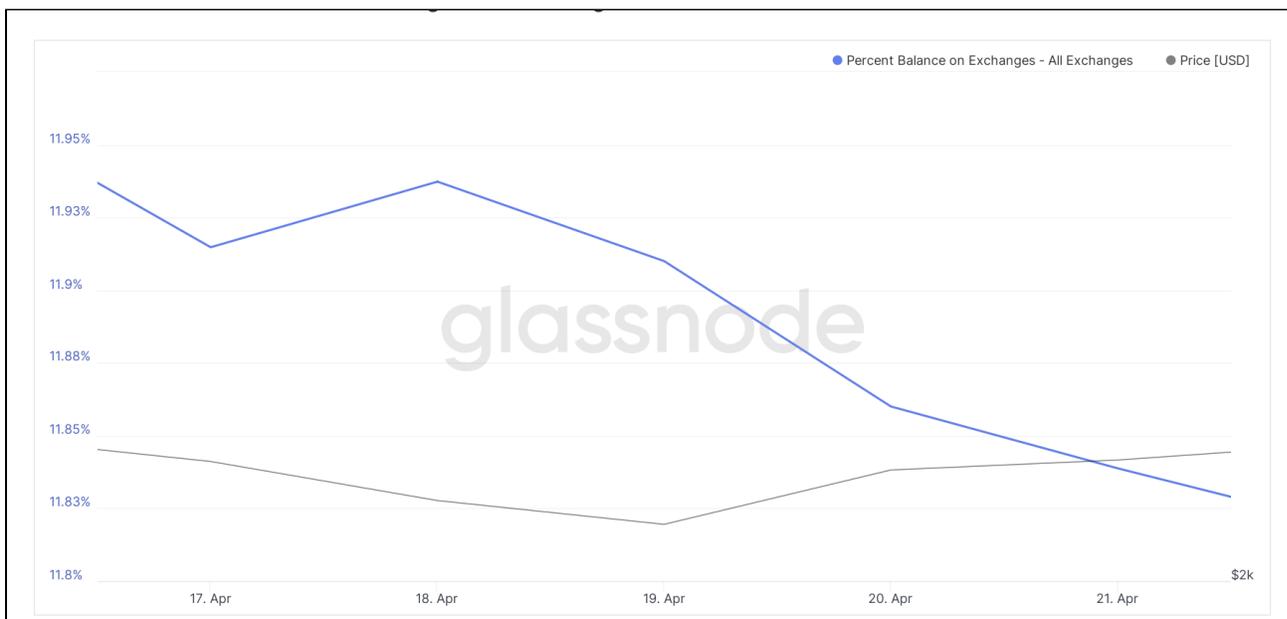
- We forecast a break of all-time-highs last week, and through the tops she went. This time with limited leverage, indicating that the current price increase may be more sustainable than usual.
- Ethereum continues to thrive off institutional interest as institutional grade bonds are issued on the network, while the [three](#) ethereum ETFs which started trading on April 20 on the Toronto Stock Exchange have amassed a total of CAD\$260M.
- MetaMask, an ethereum-based wallet used for transactions and DeFi, [surpasses](#) 5 million monthly active users.,
- Some proponents of the ecosystem are claiming that ethereum will go through the equivalent of three halvings when it upgrades to proof-of-stake and incorporates EIP1559, which would theoretically cause an illiquidity crisis and supply shock. We agree that illiquidity and a limited supply crunch is probable, but that excessive volatility will lead to



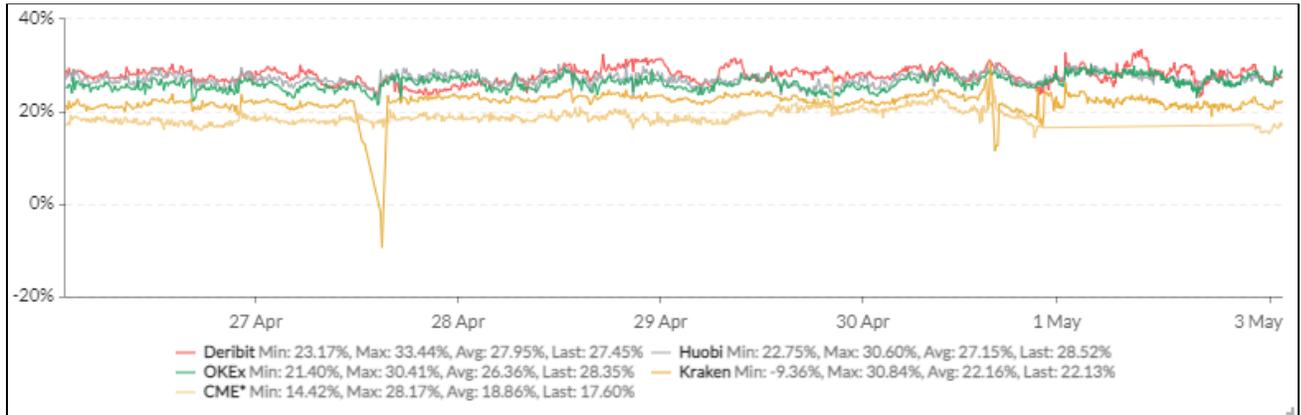
responses from developers and the broader ecosystem to dampen this. It's time for the wild west to mature, and this can only happen with more measured volatility.

- Total value locked in DeFi projects rose to \$68.26 billion, a 28.5% increase from last week, caused by increased stablecoin inflows and repricing of DeFi tokens.
- The amount of ETH in the ETH 2.0 staking contract currently sits at [4,109,826](#), an increase of 3.64% from last week. This represents 3.55% of the total supply estimated to remain locked for ~ one year.

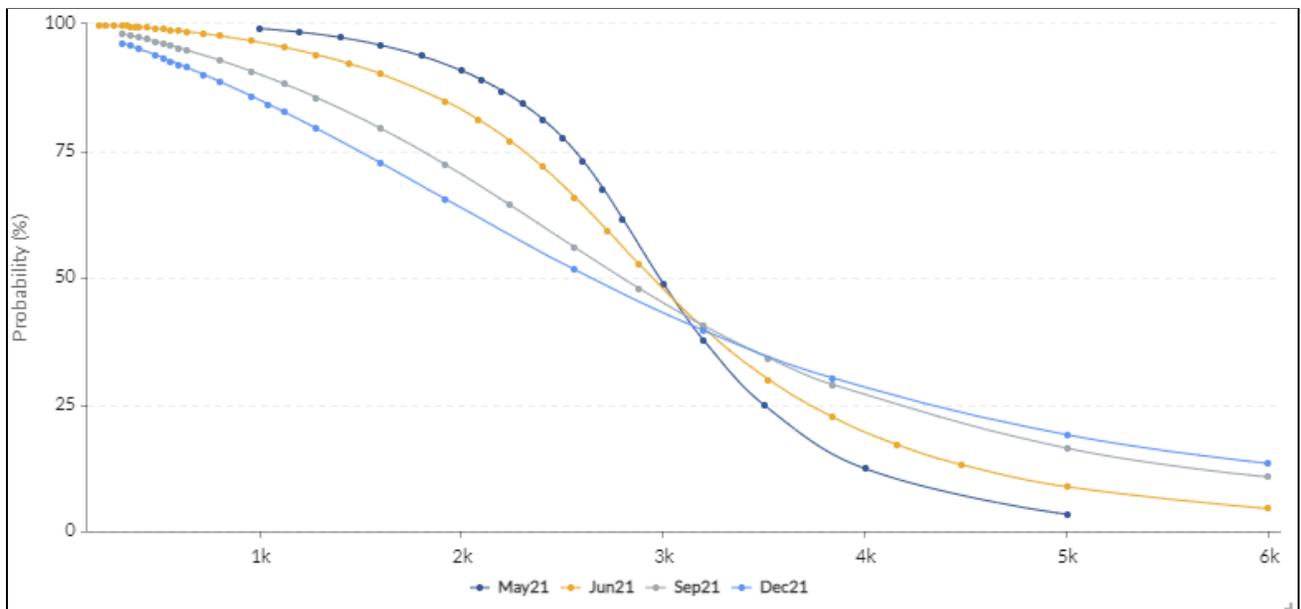
### Ether Percent Balance on Exchanges - All Exchanges



### ETH Futures Annualised Rolling 1 Mth Basis



### Probability of ETH being above x\$ per maturity





### DeFi & Innovation

- [AAVE](#) shoots past \$14 billion in total locked value as they launch their liquidity mining rewards.
- Yearn Finance [releases](#) their quarterly report, highlighting a \$4.8 million EBITDA.
- Scaling solutions Polygon network and Fantom gain attention from Ethereum users, as the former attracts [\\$4.75 billion](#) in assets locked into the blockchain.
- [Maple Finance](#), a project that aims to bring corporate and institutional grade loans onto DeFi, finished up their initial sale this week.
- Notional Finance, a fixed-rate lending protocol, [raises](#) \$10 million.
- Eminem [launches](#) his own NFT collection.

### What to Watch

- Germany has given the green light for institutional investment funds (Spezialfonds) to allocate to cryptoassets, allowing the €1.2 trillion market to gain exposure to the asset class. Will other countries follow suit? When will powerhouses such as the US and Australia launch a bitcoin ETF? What will happen when there is a crypto financial product on the market that is available to every investor?
- ETH breaks all time highs while BTC consolidates. Though, if we zoom out, BTC has run 3 times above its 2017 highs and established itself as a trillion dollar asset, while ETH has barely crossed 2 times above its 2017 levels. Is the global settlement layer still undervalued? Are market participants beginning to price in ETH's future supply shock?



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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