



ZEROCAP

Weekly Crypto Market Wrap

31 May 2021 – 6 June 2021

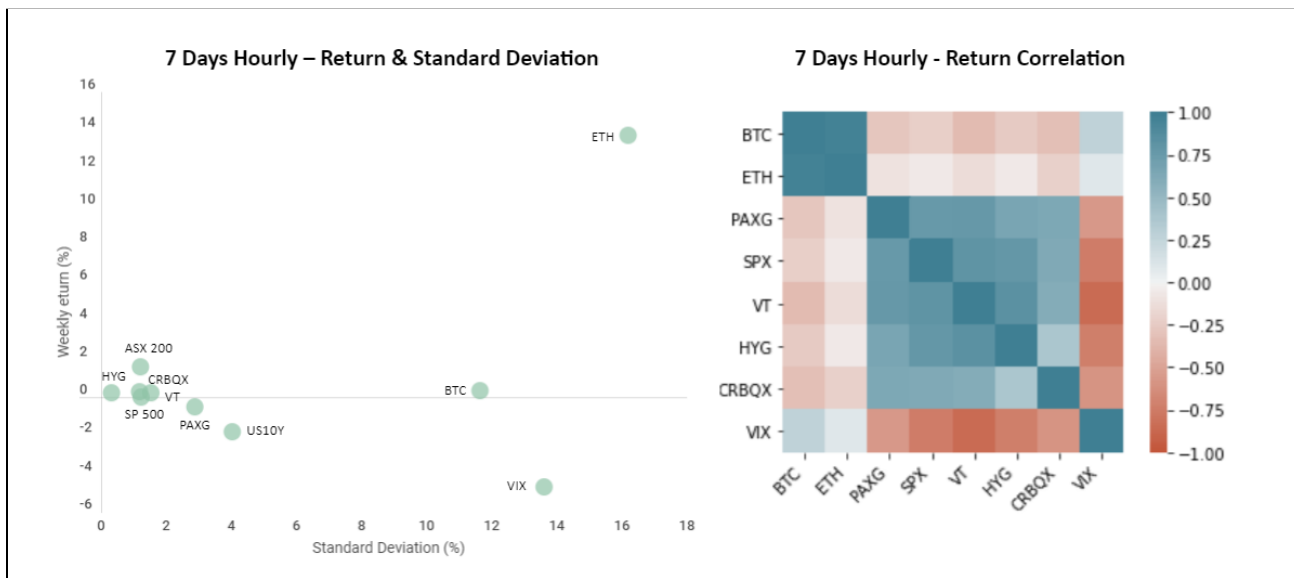
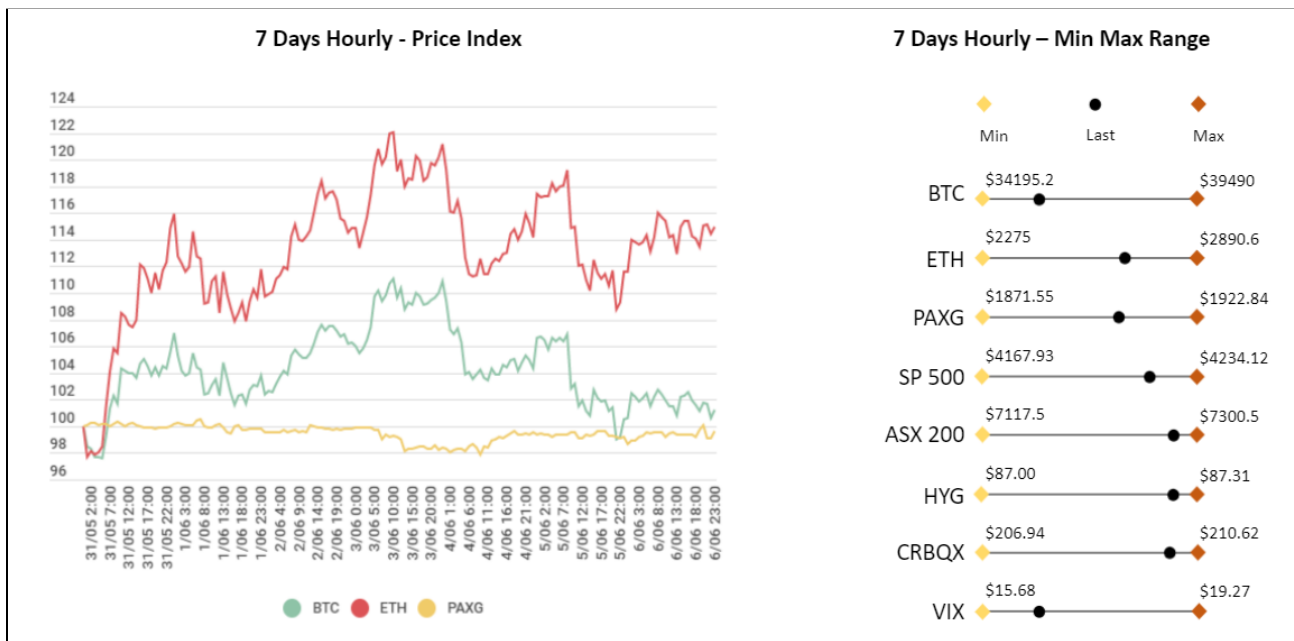
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Week in Review

- [Dow Jones](#) and [S&P 500](#) maintained a moderate ascent over the week, with a brief dip on Thursday preceding the release of the [US jobless claims](#) report, which ended up printing a new low. [Private sector employment growth](#) also exceeded expectations.
- Secretary of Treasury Janet Yellen believes [inflation](#) could reach 3% this year, yet maintains her stance along with Fed Chair Jerome Powell that these spikes are temporary.
- Wall Street Bets' pump of AMC stock results in [114% growth](#) over the week as short-sellers [lose \\$4.5 billion in 8 days](#).
- El Salvador set to become the first country to adopt [bitcoin as legal tender](#).
- Google [lifts ban](#) on crypto exchange and wallet ads after three years of restrictions.
- Hundreds of US banks may [allow bitcoin trading](#) soon, according to NYDIG executives.
- China-based crypto brokerage firms plan to [launch services offshore](#).
- Reserve Bank of India [clarifies](#) that crypto trading is not banned in the country.
- Guggenheim [registers fund](#) that *may* seek exposure to cryptocurrencies.
- Ron Paul, Jack Dorsey, Winklevoss twins, Miami's mayor and more spoke on bitcoin's future during [Bitcoin Miami 2021 conference](#).



Winners & Losers





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- Bitcoin had an uncertain start to the week, opening at US\$35,675. By Thursday morning, price had broken higher but was not able to sustain price levels and retreated to US\$34,800 over the weekend, before making a slight recovery to close the week at US\$35,800 for a 0.37% gain. A slew of positive announcements from the Miami Bitcoin Conference had limited impact on price indicating that there is still uncertainty present in the market.
- Ethereum had a similar range-bound week, following an initial price climb on Monday. Technically the asset is looking more poised for a topside breakout than BTC, and upcoming fundamentals remain strong (Layer 2s, EIP 1559 upgrade, Staking). Overall, ETH recorded a 13.74% gain, closing the week at US\$2,710.
- The US10Y saw back and forth this week before dropping on Friday due to a weaker than anticipated monthly Non-Farm Payrolls jobs report. Overall, the US10Y recorded a -1.83% loss this week.
- Gold started the week sideways before dropping on Thursday on a strong dollar and anticipation of Fed tapering. The weaker than anticipated report led to a strong recovery - measuring an overall -1.96% loss for the week.
- Equity markets had a predominantly sideways week as rumours of stimulus tapering circulated. Following the release of the monthly US jobs report, the S&P500 index price steadily increased, closing the week at US\$4,230, a 0.32% gain.
- Janet Yellen expressed her view that Biden's US\$4 trillion spending plan will be good for the economy regardless of increased inflation concerns.



Macro, Technicals & Order Flow

Bitcoin



- It's very much a directionless market at the moment - whether looked at from a technical, fundamental or on-chain lens.
- Technically BTC continues to range between levels 34,000 and 40,000. A solid break of 34,000 to the downside could lead to a potential re-test of the 30/32 levels. A break below prior lows at 29,000 could lead to greater downside as we are then into the psychological 20's levels. A topside move would need to see a firm break above 42,000 (coupled with other on-chain and fundamental indicators) to shift current market sentiment to the topside.
- Fundamentally we are still seeing significant unleveraged inflows into the Canadian ETF, and other institutional access points, although the Grayscale Trust still trades at a negative NAV to its holdings. The futures basis is compressed, but still moderately positive. Perpetual funding rates (a reasonable indicator of leveraged demand for longs vs shorts) keeps bouncing between slightly negative and positive. Open



Interest in derivatives is down MoM, which is generally a reasonable indicator of leverage in the system, and thus the propensity for volatile (read violent) short term liquidations to the downside are currently less likely.

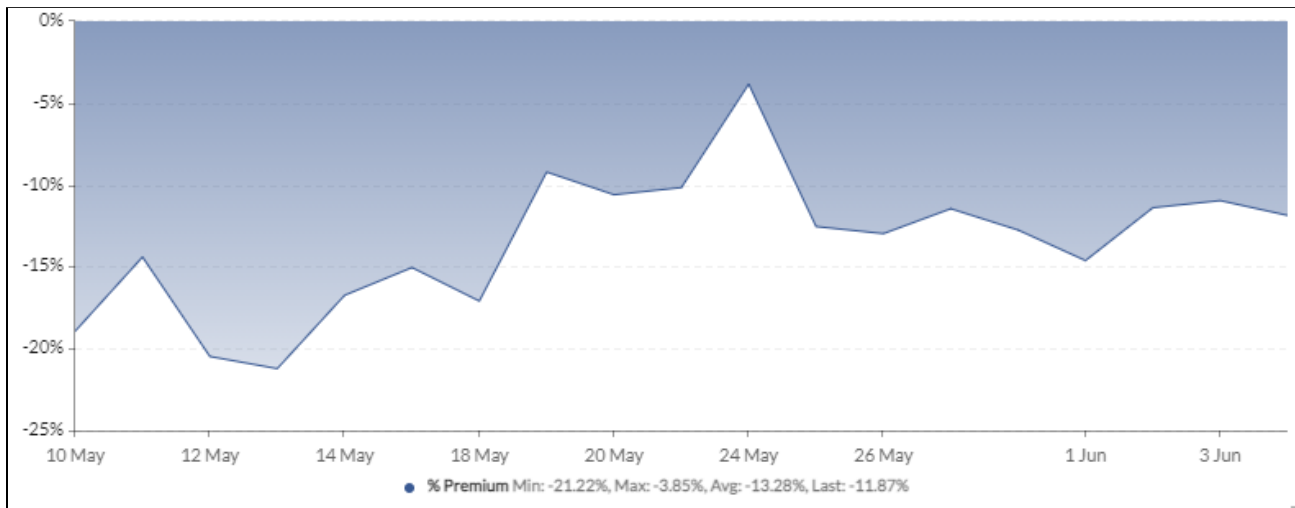
- On-chain data has been nondescript. BTC inflows/outflow volume to exchanges is down at the lows. The Stablecoin Supply Ratio is low, which indicates buying power, however this is not translating to actual buying (yet).
- In short - we could range, or bleed lower unless we get some positive news flow or on-chain indicators meaningfully showing some direction.

Bitcoin Dominance vs Whole Crypto Market

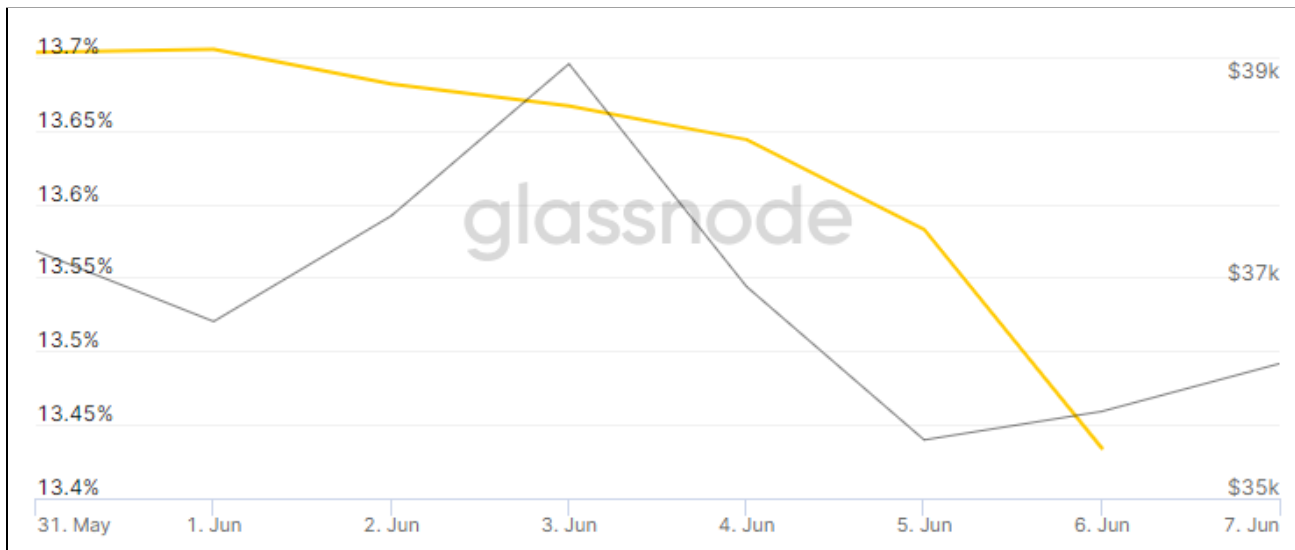




Grayscale Bitcoin Trust (GBTC) Premium

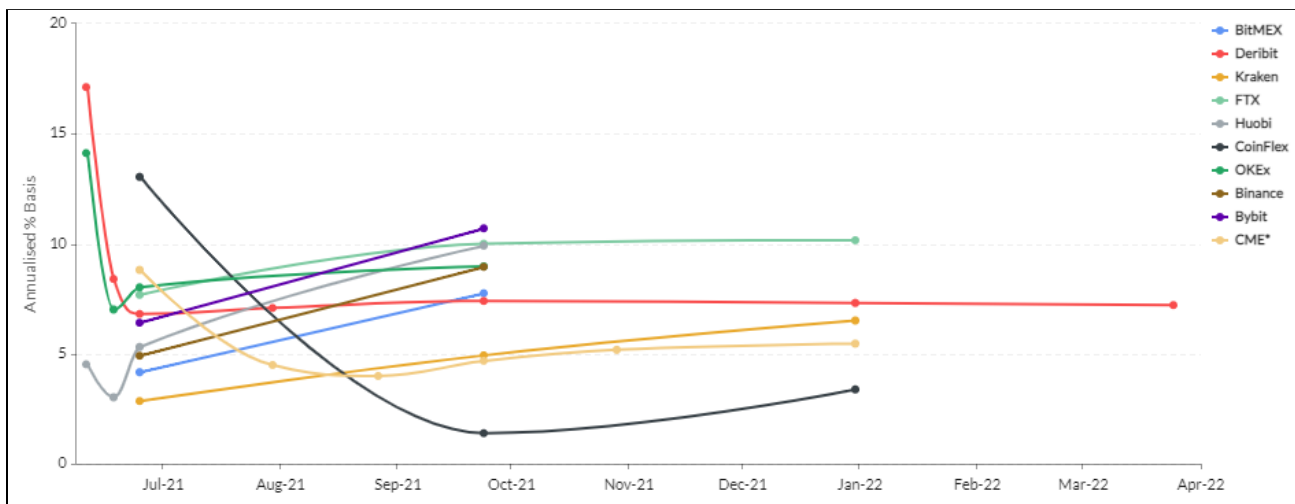


Bitcoin Percent Balance on Exchanges - All Exchanges

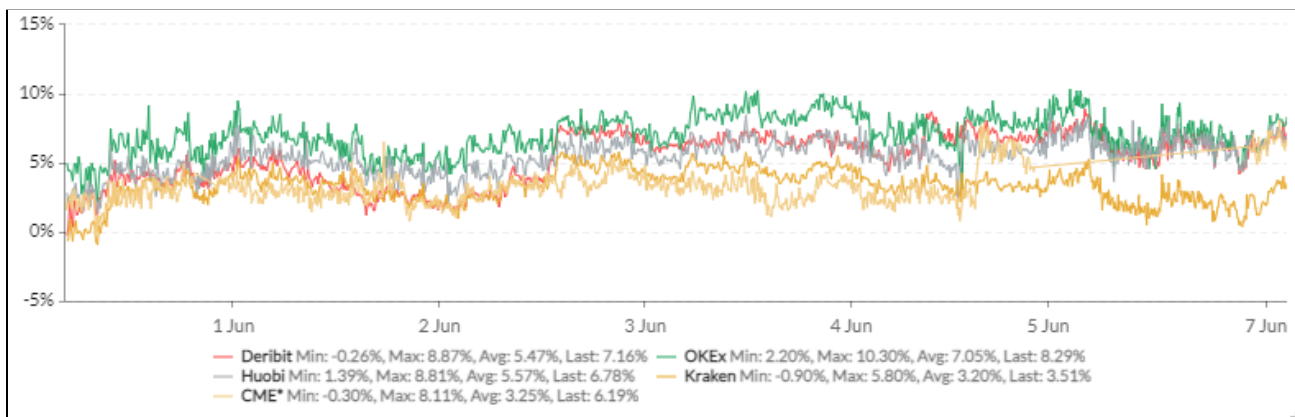




BTC Futures Annualised Basis - Current

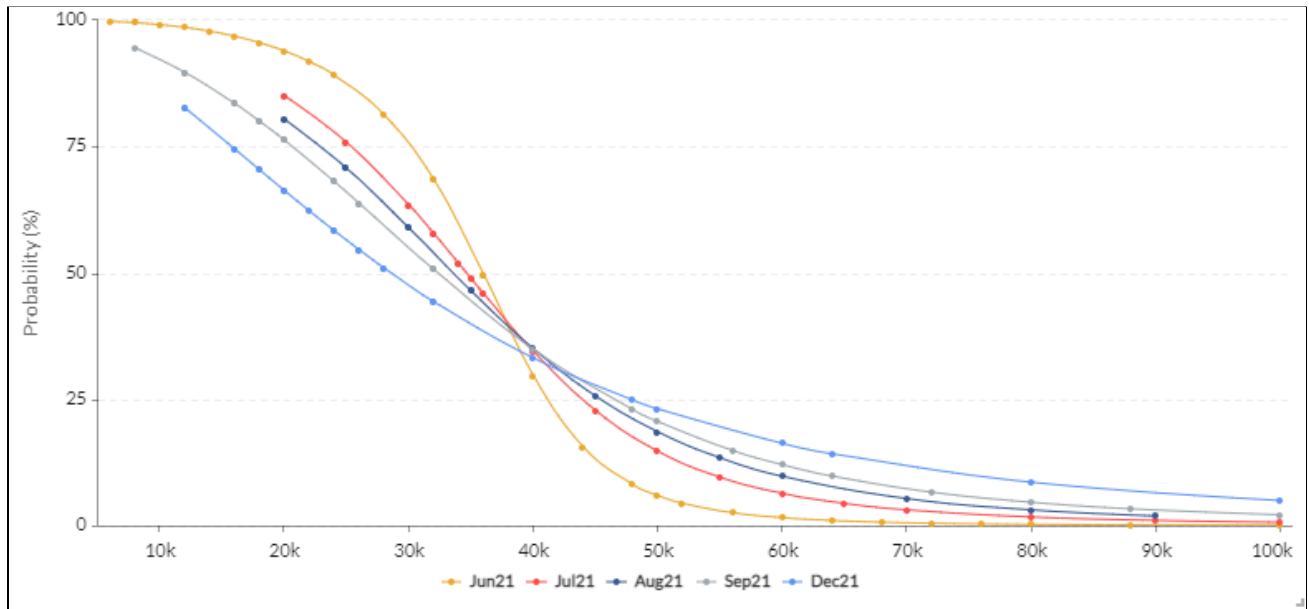


BTC Futures Annualised Rolling 1 Mth Basis

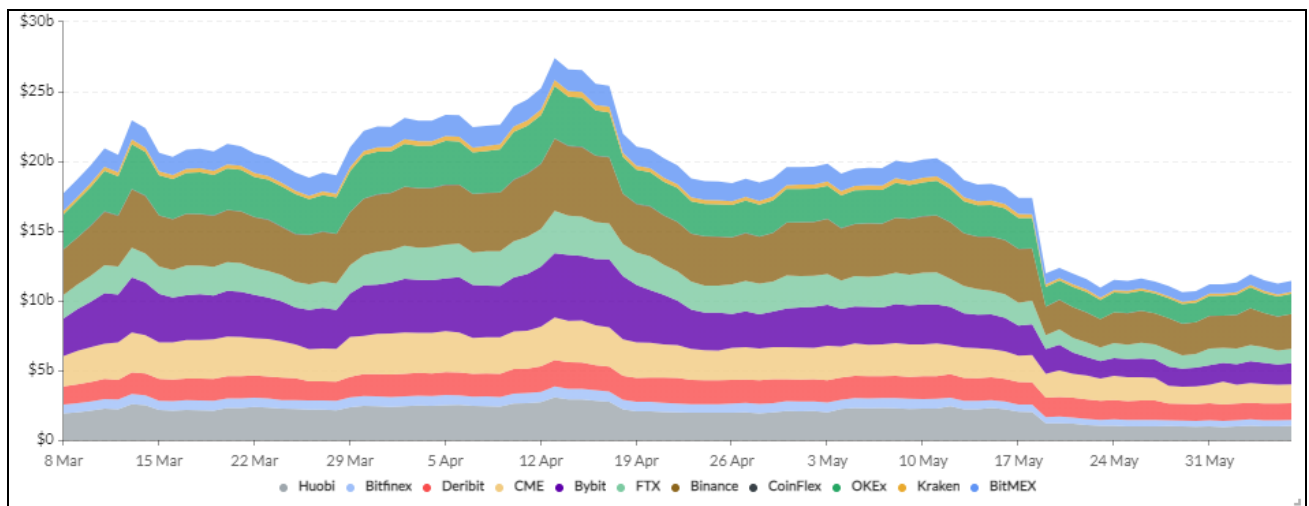




Probability of BTC being above x\$ per maturity

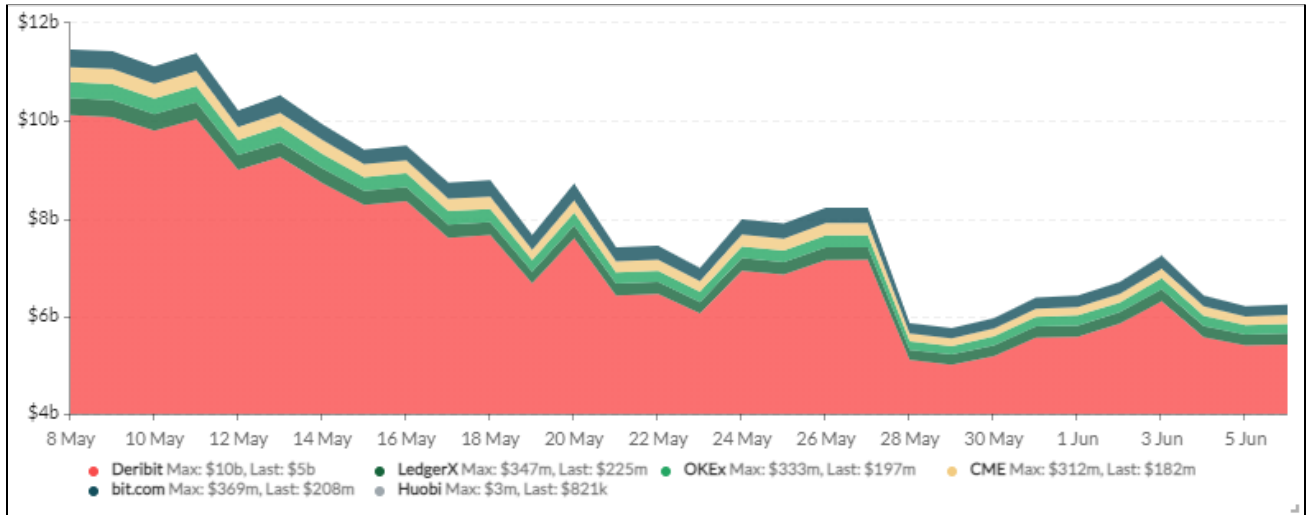


BTC Futures - Aggregated Open Interest





Total BTC Options Open Interest





Ethereum



- ETH is more bid than BTC at the moment, constructing higher lows. A clean break of 2,900 (recent highs), and then convergence zones of 3,100 and the ascending trendline resistance could bring us back into line with the orderflow zones on the last run. There is still uncertainty in all crypto-markets right now, so keep an eye on confirmation of price action - strong closes, congruent fundamentals and on-chain data supporting the moves.
- Fundamentally, ETH has a blockbuster second half of the year on the way. Layer 2 scaling solutions are launching left, right and centre. The EIP 1559 upgrade is due for launch in July, with staking and deflation poised for Q1 2021.
- The real question for a potential short to medium case market-wide downturn, is whether DeFi will play a role in hedging (yield gen. / stablecoins), and how this could drive inflows into ETH. Furthermore, with the futures basis compressing, hedge funds that may have traded traditional derivative vehicles may be driven further afield in the search of returns.



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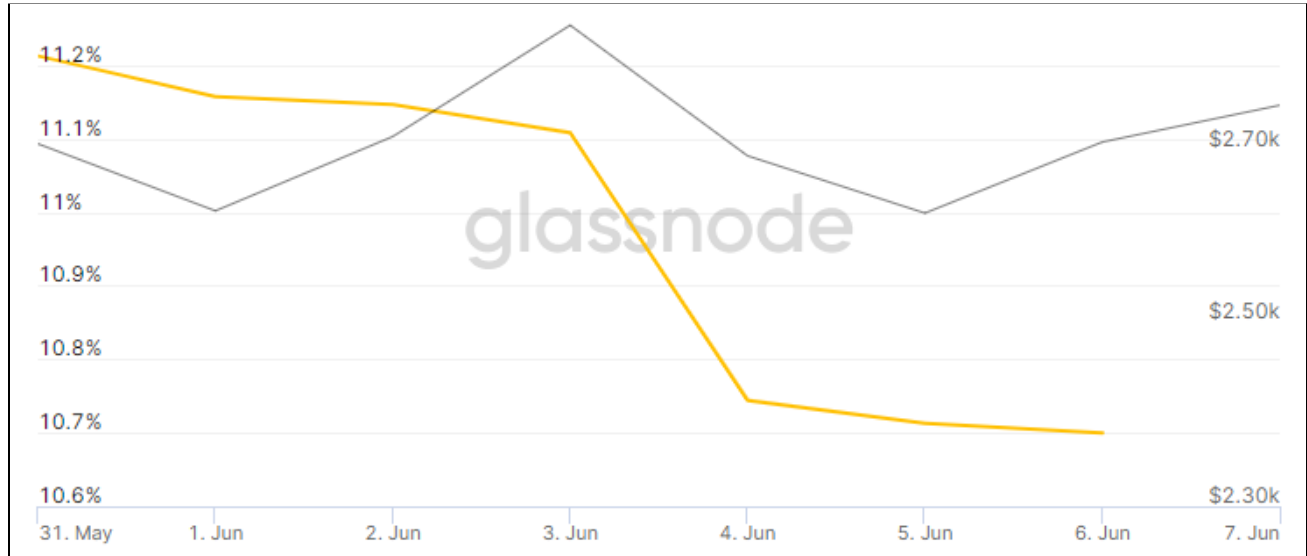
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All of this points to some interesting questions around divergent return profiles for different verticals within crypto markets if the downturn in BTC persists.

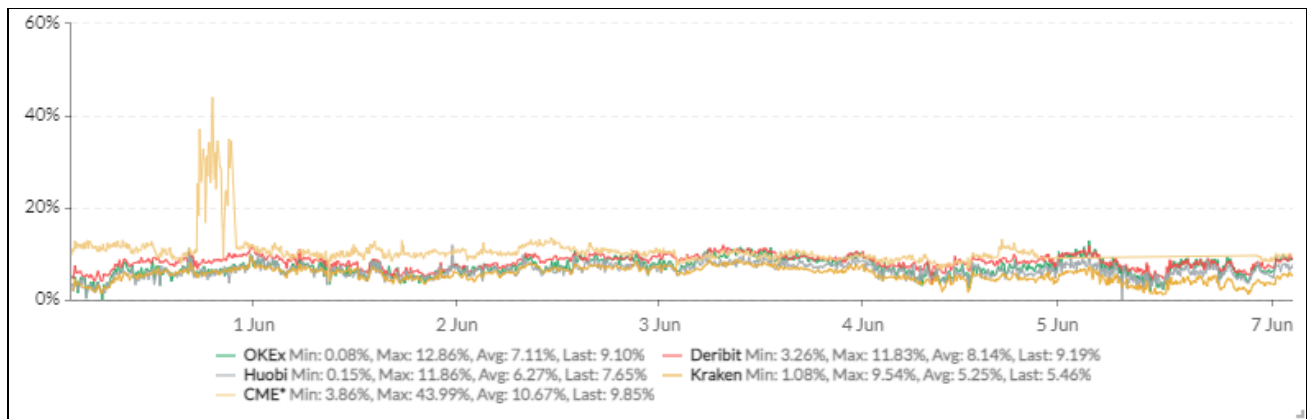
- The total value locked in DeFi projects saw a 10.1% increase this week to \$67.05 billion, further cementing the likelihood of a recovery.
- The amount of ETH in the ETH 2.0 staking contract currently sits at 5,339,298, an increase of 2.64% from last week. This represents 4.60% of the total supply estimated to remain locked for ~ one year, continuing to constrict supply.



Ether Percent Balance on Exchanges - All Exchanges

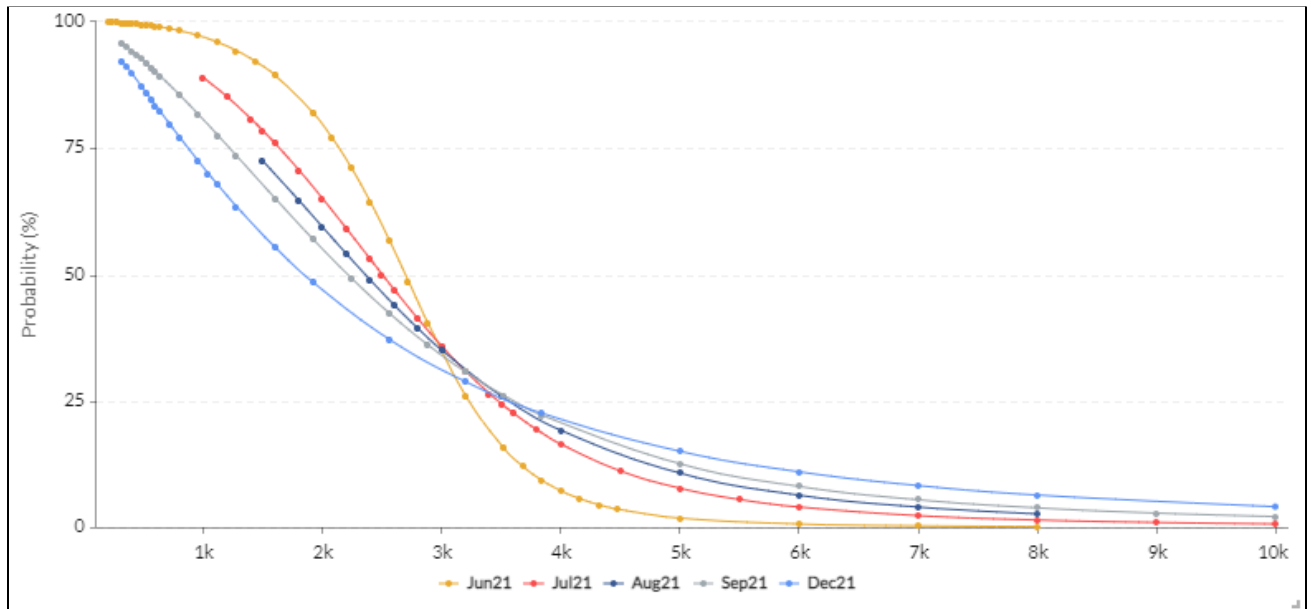


ETH Futures Annualised Rolling 1 Mth Basis





Probability of ETH being above x\$ per maturity





DeFi & Innovation

- [AAVE](#) reaches #1 DeFi spot in total value locked, soaring past \$20 billion after layer 2 implementation.
- THORchain releases [THORName](#), the first cross-chain service that converts usernames into several wallet addresses.
- First crypto exchange to become a bank in the US, [Kraken](#) launches its mobile app.
- UniSwap contributors propose a [DeFi defense fund](#) to address government action in the US.
- China is handing out [\\$6.2 million in Digital Yuan](#) to Beijing residents as part of trials.
- Crypto custody group Anchorage set to offer [ethereum-backed loans](#) through traditional Massachusetts bank.
- FTX exchange unveils the [NFT Marketplace](#).

What to Watch

- Last market wrap, we speculated that the White House underpricing recent inflation prospects could push it to new heights. Janet Yellen and Jerome Powell then expressed views that inflation could hit 3% in 2021, while holding ground that the spike is temporary and doesn't represent ongoing inflationary concerns. The next few CPI data prints will be crucial to measure economists' expectations vs actual data.
- El Salvador is a small country, but one that's breaking new ground by legalising bitcoin as tender. Commentary on this unprecedented decision will be important to observe, especially from Fed and the White House, as their view may lead the political sentiment for functional use of the digital asset.

Insights

- We released our [Q1 market report for 2021](#), providing data insights on crypto performance and broader financial markets.



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- Our CEO Ryan McCall was interviewed on [CoinDesk TV](#) regarding institutional inflow and current sentiment on bitcoin, ethereum and DeFi (34:44 mark).

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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