



# ZEROCAP

## Weekly Crypto Market Wrap

26 July 2021 – 1 August 2021

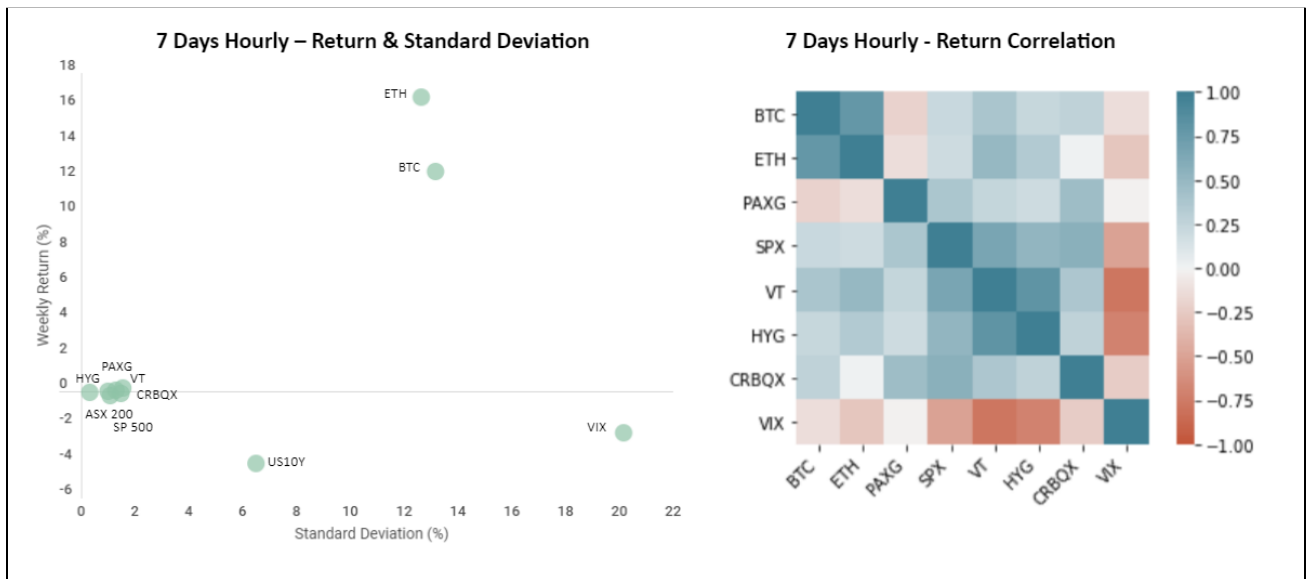
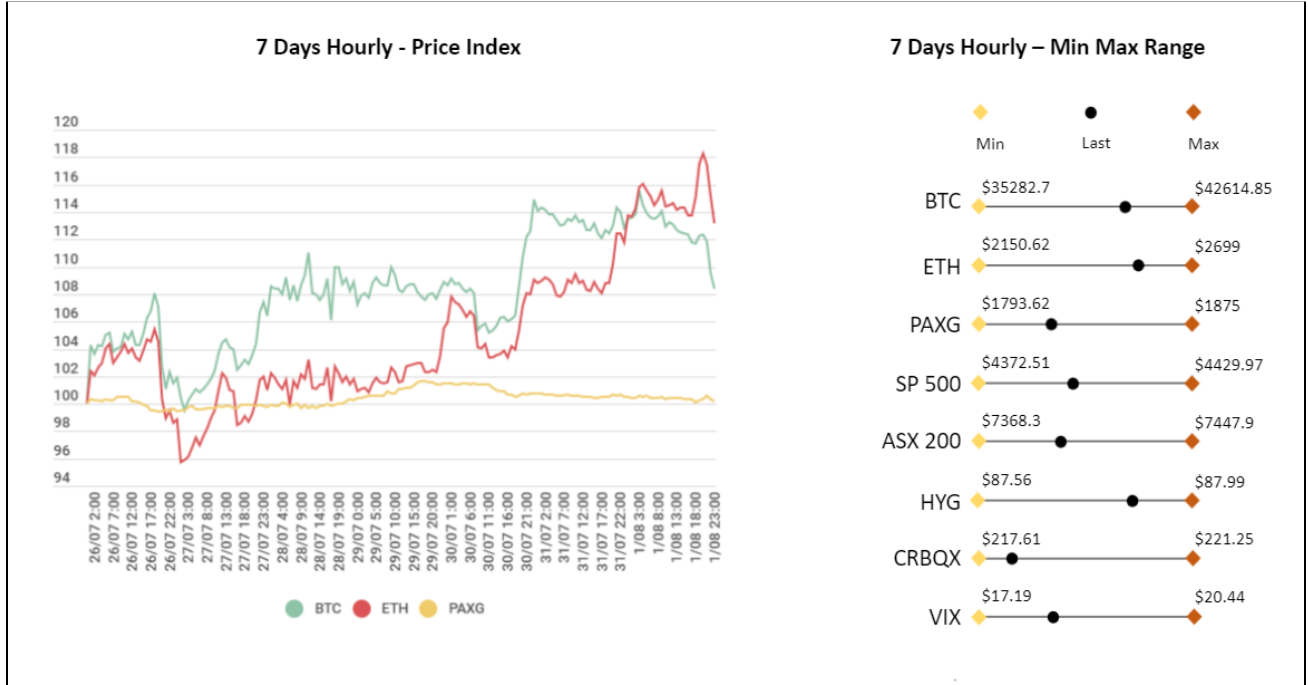
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### Week in Review

- Nasdaq, S&P 500 and Dow Jones' Index registered a volatile week with Amazon plunging and tech stocks continuing to slide, despite corporate earnings growth advancing at its fastest pace since 2009.
- New US bill proposes Fed Treasury to have complete authority over stablecoins.
- US\$550B bipartisan infrastructure bill proposal includes plan to raise \$28B through crypto taxes.
- Record 57k BTC leave exchanges in one day, dropping reserves to pre-correction levels.
- US Senator Sherrod Brown calls decentralization “phony” during a Banking Committee hearing. Senator Warren claimed crypto creates a false supremacy narrative over big banks.
- Global crypto users doubled to over 200 million since January.
- PayPal's “crypto super app” to roll out soon, CEO says.
- “We have to be in the crypto space,” Mastercard President stated, following the launch of initiative to help crypto startups scale innovations.
- FTX reduces leverage from 101x to 25x and Binance follows with a new 20x limit, seeking to encourage responsible trading.
- Texas Securities Board plans a hearing to ban BlockFi's lending services.



### Winners & Losers





- Bitcoin and Ethereum saw continued upside this week, all beginning from an epic short squeeze. Exchange outflows have continued, hinting at bullish sentiment amongst holders. This move was further supported by a notable increase in the hash rate as larger miners came back online. The FOMC's policy meeting on Wednesday dampened the gains for both assets as the Fed hinted that tapering was on the horizon. BTC ended the week at US\$39,839 for a 12.42% gain while ETH ended the week at US\$2,556 for a 16.62% gain.
- Equities took a hit this week as tech stocks dropped. Amazon recorded its biggest decline (-7.6%) since March 2020. Concerns around stagnating growth contributed to weak performance across the board as the week concluded. Delta variant concerns increasingly weigh on investor's minds, and the speed of the anticipated global recovery is likely to be impacted. Overall the S&P 500 recorded -0.26%, the Dow Jones -0.34% and the NASDAQ -0.52%.
- With the Fed maintaining its stance on asset purchases, there was little (albeit negative) movement in the US10Y. An update to the personal consumption expenditure index on Friday saw continued downside, revealing lighter than expected inflation figures. This supports the 'transitory' narrative and suggests that for the moment inflation is back under control. Overall the US10Y recorded a -4.07% loss.
- Gold had a strong start to the week, propped up by the Fed's dovish stance. A strengthening USD stemmed growth in the latter half although the asset still recorded a 0.67% gain.



### Macro, Technicals & Order Flow

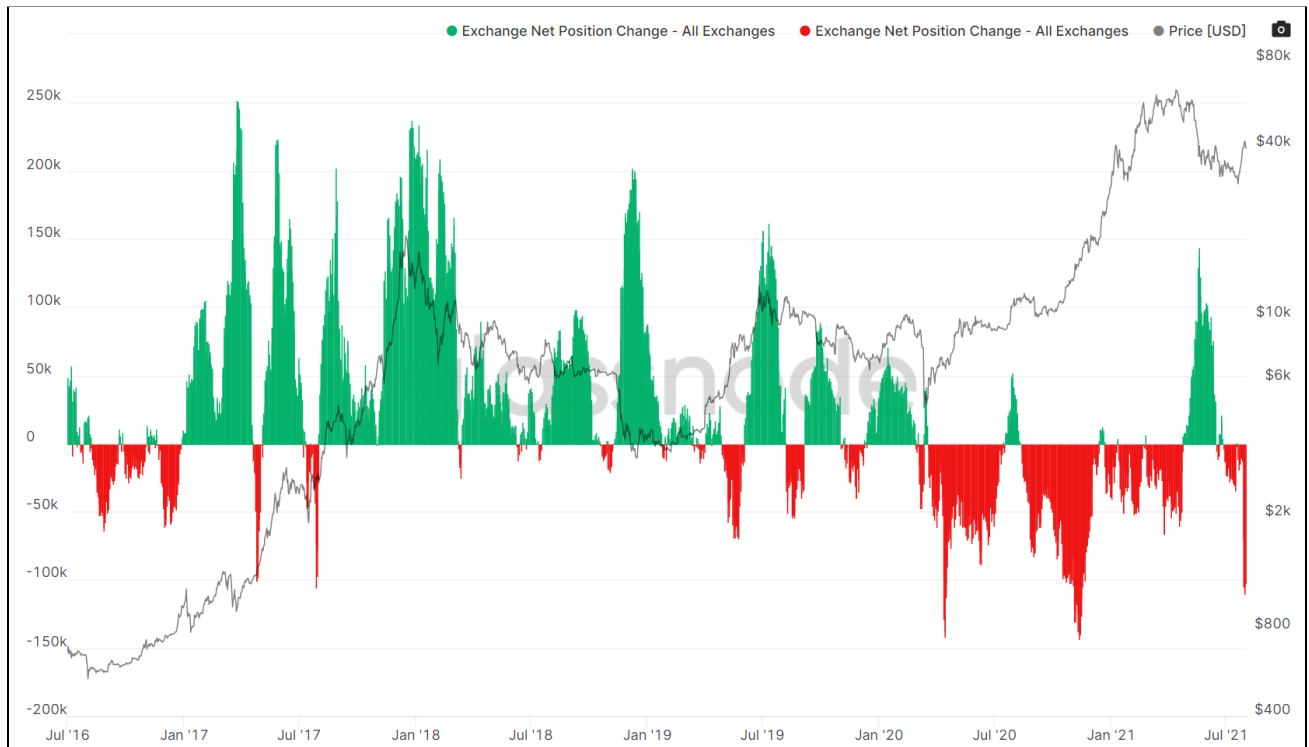
#### Bitcoin



- We covered the short squeeze in detail [last week](#) - and we are seeing some nice follow through. Key topside levels that have been rejected overnight are at 42,000 and 44,000. The fact that the squeeze held daily levels, and was well bid throughout the week is a good indication of shifting market sentiment.
- On-chain data is telling the same story. We are seeing net outflows from exchanges, and accelerating.

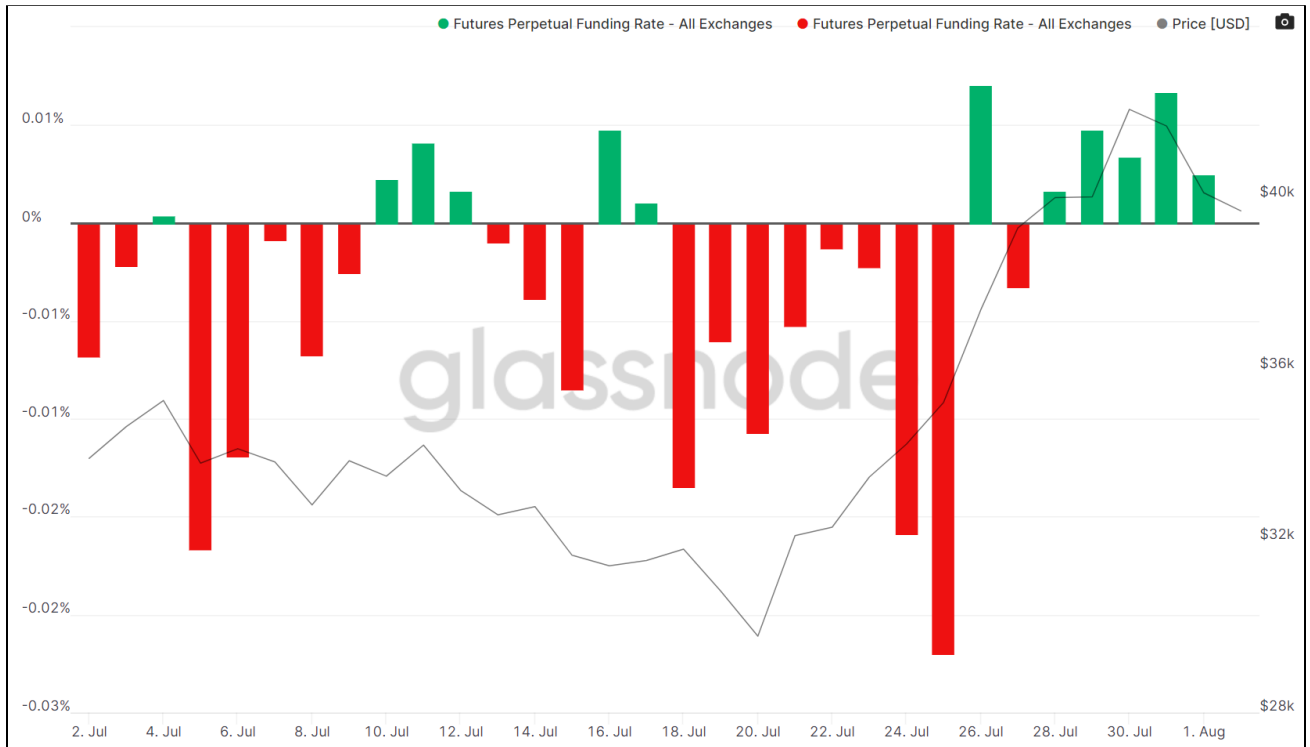


### Bitcoin Net Transfer Volume from/to Exchanges



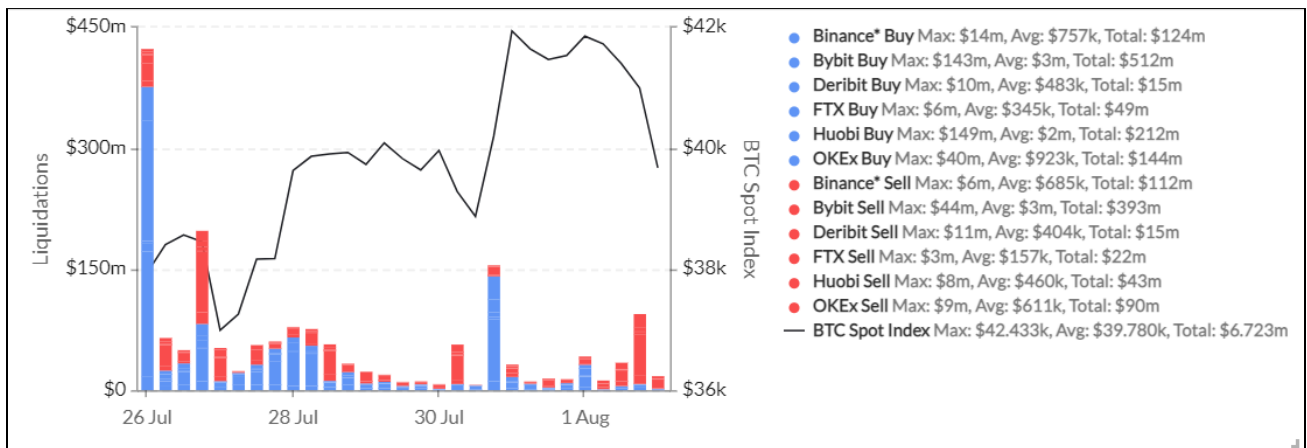
- Interestingly, perpetual funding rates stayed predominantly negative throughout the week with those stuck in shorts hanging on for dear life. Note that as rates flipped positive for shorts toward the end of the week, we began to see a reversal at key levels. Confluence is a wonderful thing in this market: on-chain acceleration, flipping of funding rates and key technical resistance.

### BTC Perpetual Swaps Funding



- Note the liquidations at the end of the week just as rates moved.

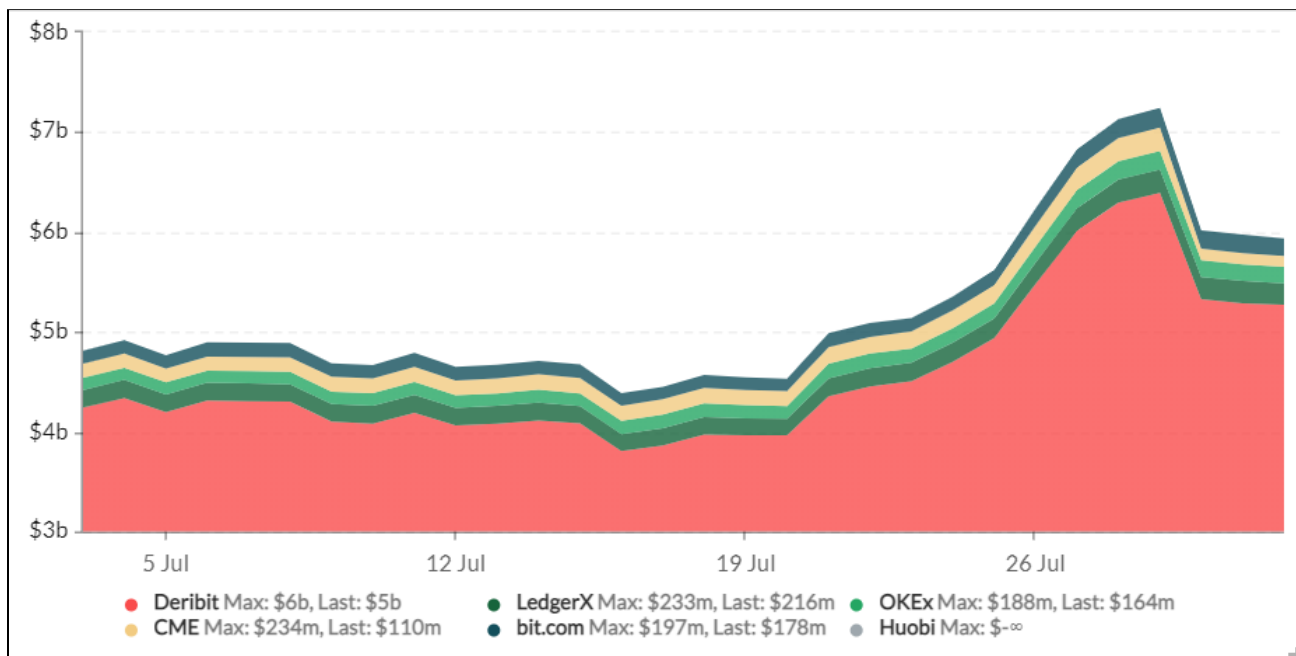
### BTC Aggregated Liquidations



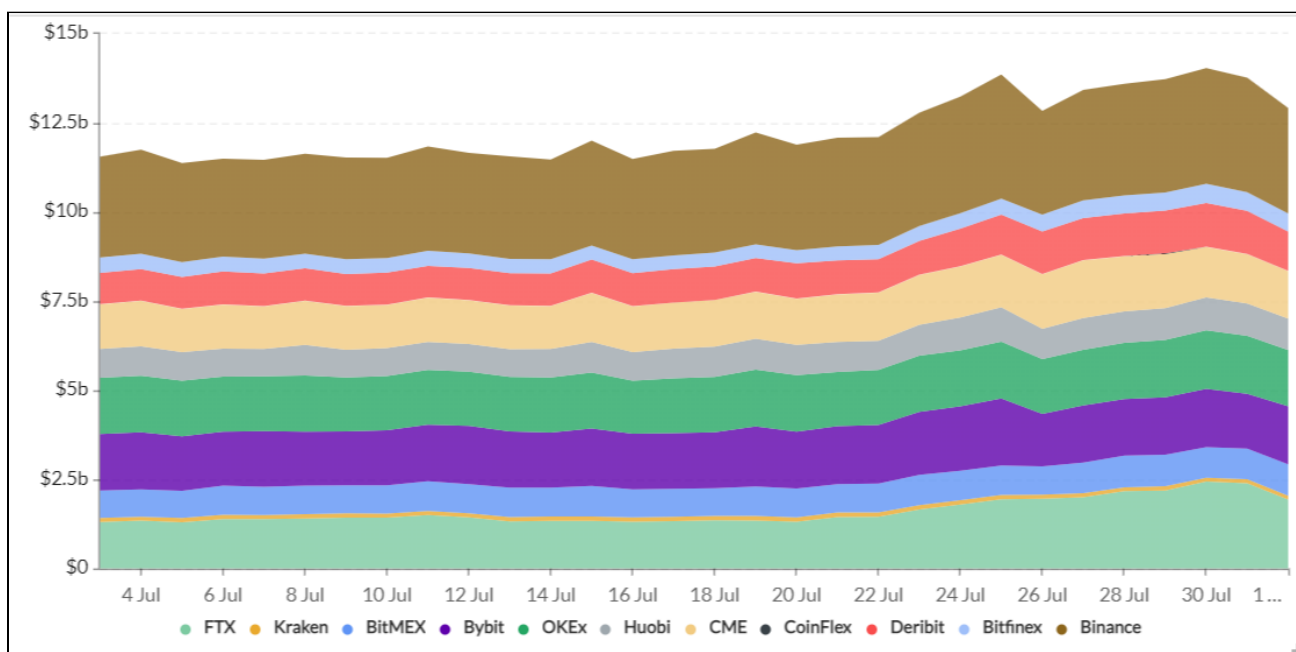
- Options and futures open interest is cooling inline with the perpetual funding rate shifts.



### Total BTC Options Open Interest



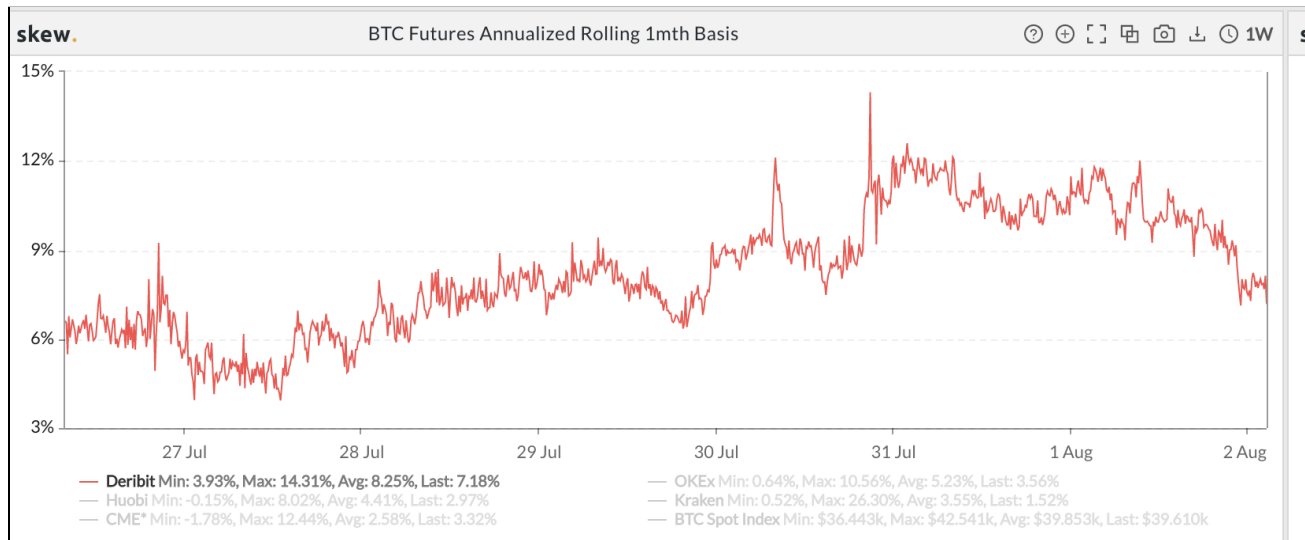
### BTC Futures - Aggregated Open Interest





- The futures basis is seeing a little love, with rates midweek spiking up to 15% annualised at some exchanges before retracing as price approached technical resistance. Are we beginning to see a resurgence in this trade?

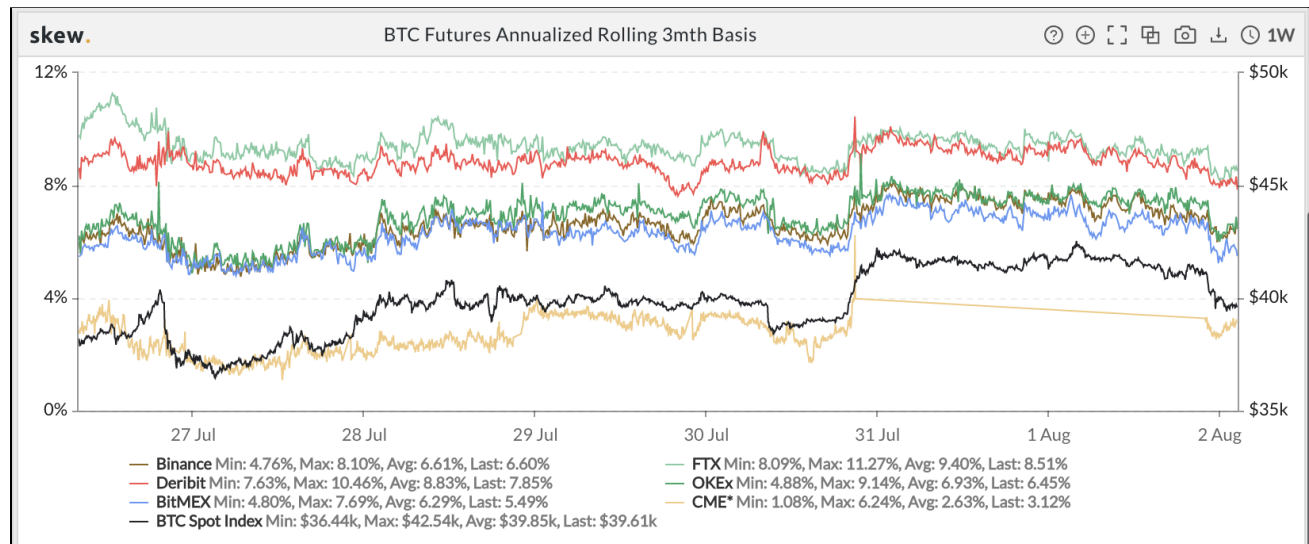
### BTC Futures Annualised Rolling 1 Mth Basis



- For the arbitrageurs, this next chart is pure magic - provided liquidity can serve the algorithms.

### BTC Futures Annualised Rolling 3 Mth Basis





- In summary, exchange outflows signalling smart-money moves whilst the leveraged players get caught in the short-squeeze. The Grayscale Trust is looking like it may even shift positively again. A clear sign that there is some strong spot buying activity in the current range. Where to from here? Equities are a little shaky, but ultimately we are getting the same messages from the Fed with some hints of future tapering. I'd expect some retracement into the range in the short-term, but posit that medium to long term moves are reliant on the market's response to broader macro moves.

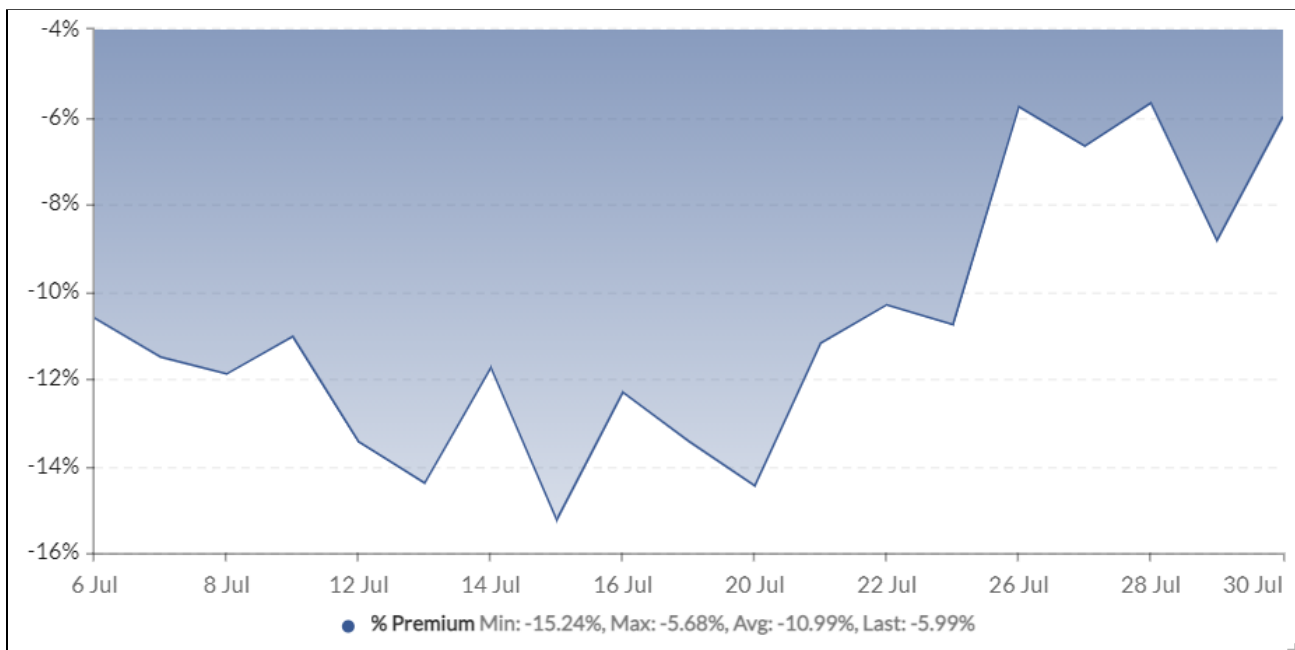
Grayscale Bitcoin Trust (GBTC) Premium



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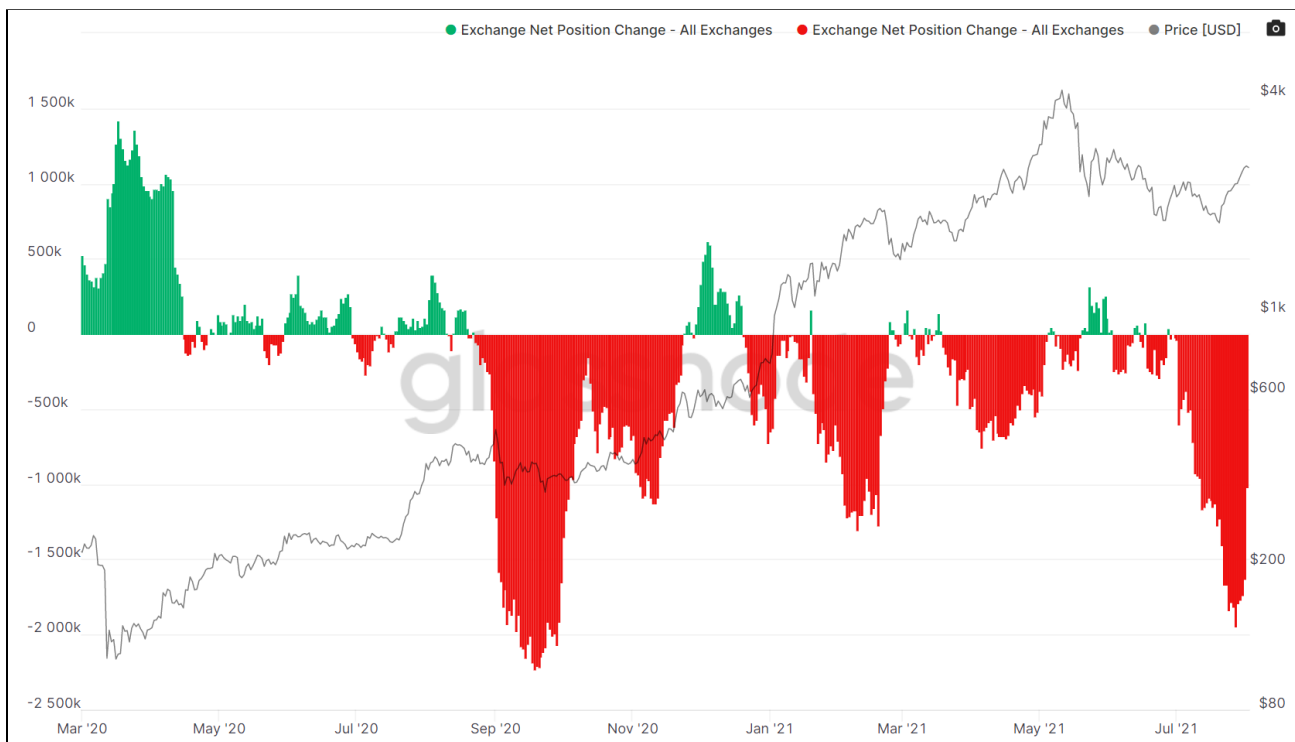


### Ethereum



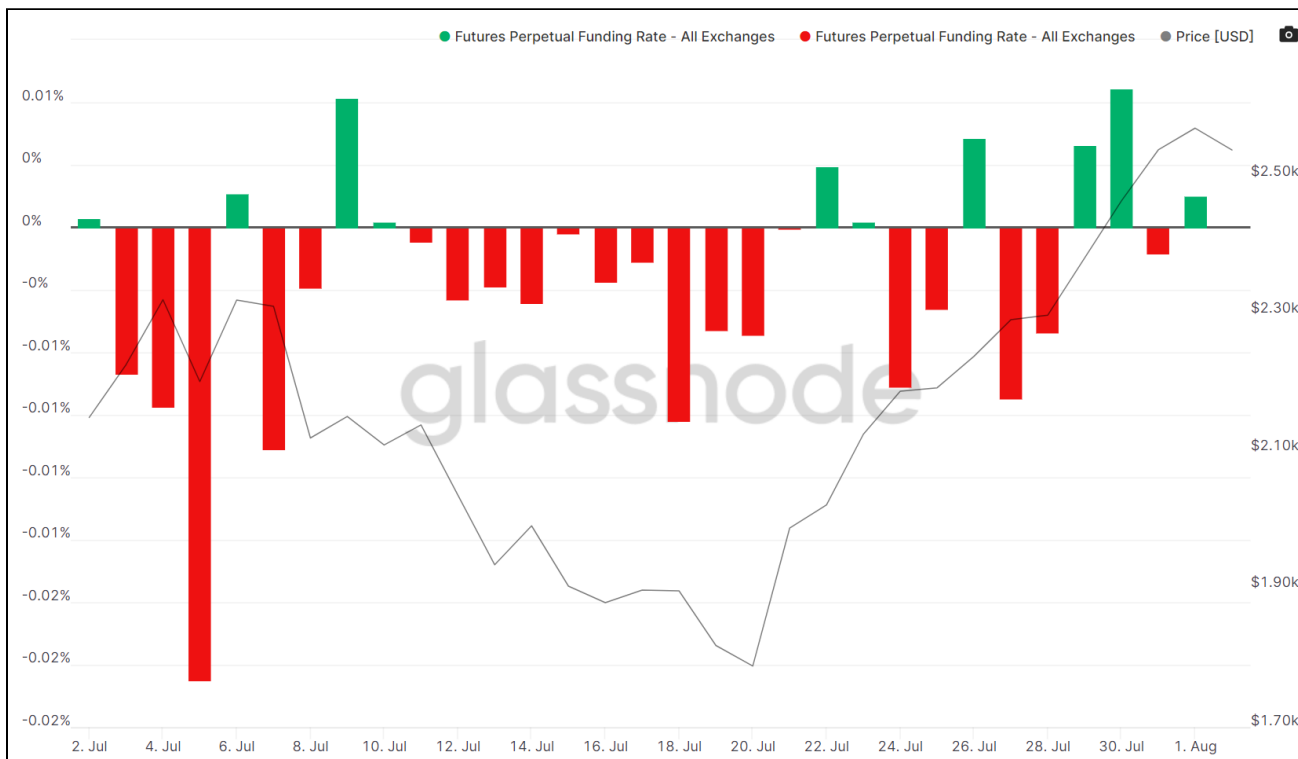
- Ethereum followed Bitcoin in lockstep and is currently holding its ground above 2,550. What is particularly telling is that as tech ate some gains midweek, Ethereum continued its topside move. This kind of buoyancy leading up to the network upgrade is a bullish signal, and couple this with substantial smart-money outflows from exchanges - we have a good foundation for more topside. This said, technically we are looking a little overextended at these levels, recent perpetual funding rates have flipped, and this may lead to some retracement in the short-term.

### Ethereum Exchange Net Position Change



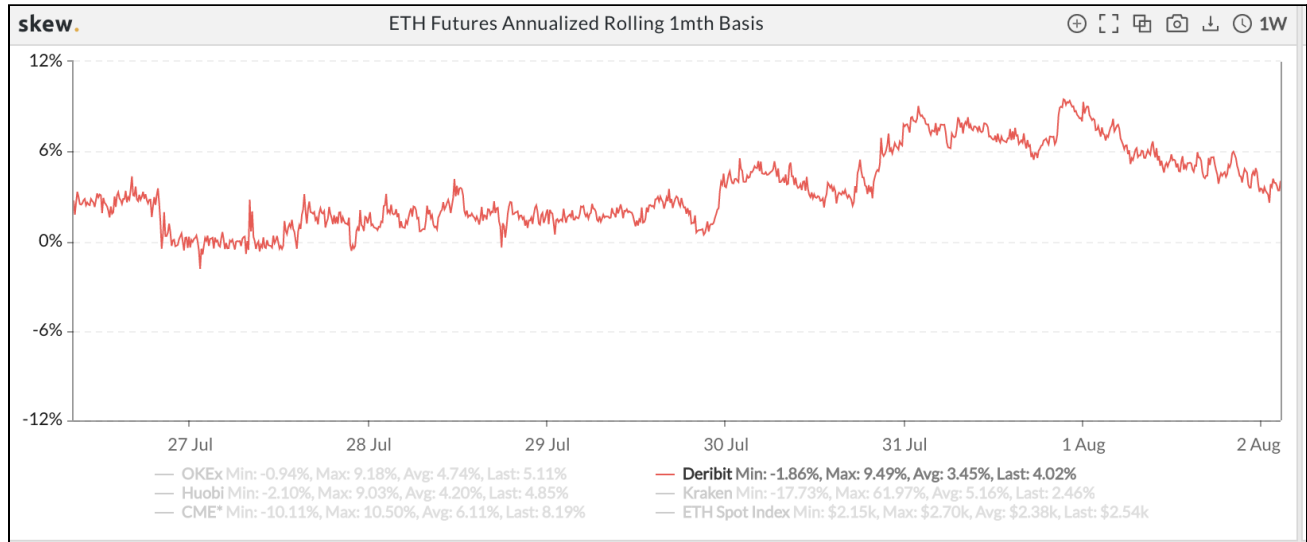
- Despite the moves this week, perpetual swaps funding stayed negative for shorts - further exacerbating the leveraged trader's short-squeeze pain.

### ETH Perpetual Swaps Funding

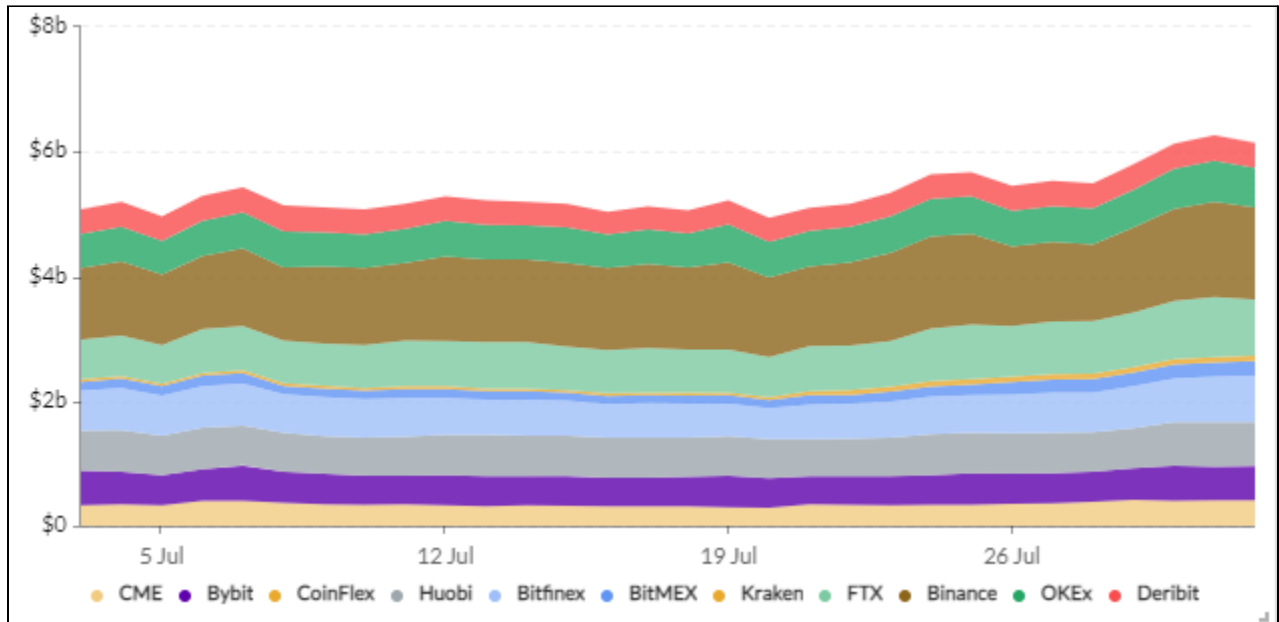


- Despite the bullish environment, the futures basis remained relatively muted compared to BTC and prior ETH carry rates. This could be a function of market repositioning, or growing futures shorts taking advantage of some life in the basis trade. The recent compression is another reason we may see some short-term price retracement. As we write this wrap, there are spikes occurring at the front end of the curve.

### ETH Futures Annualised Rolling 1 Mth Basis



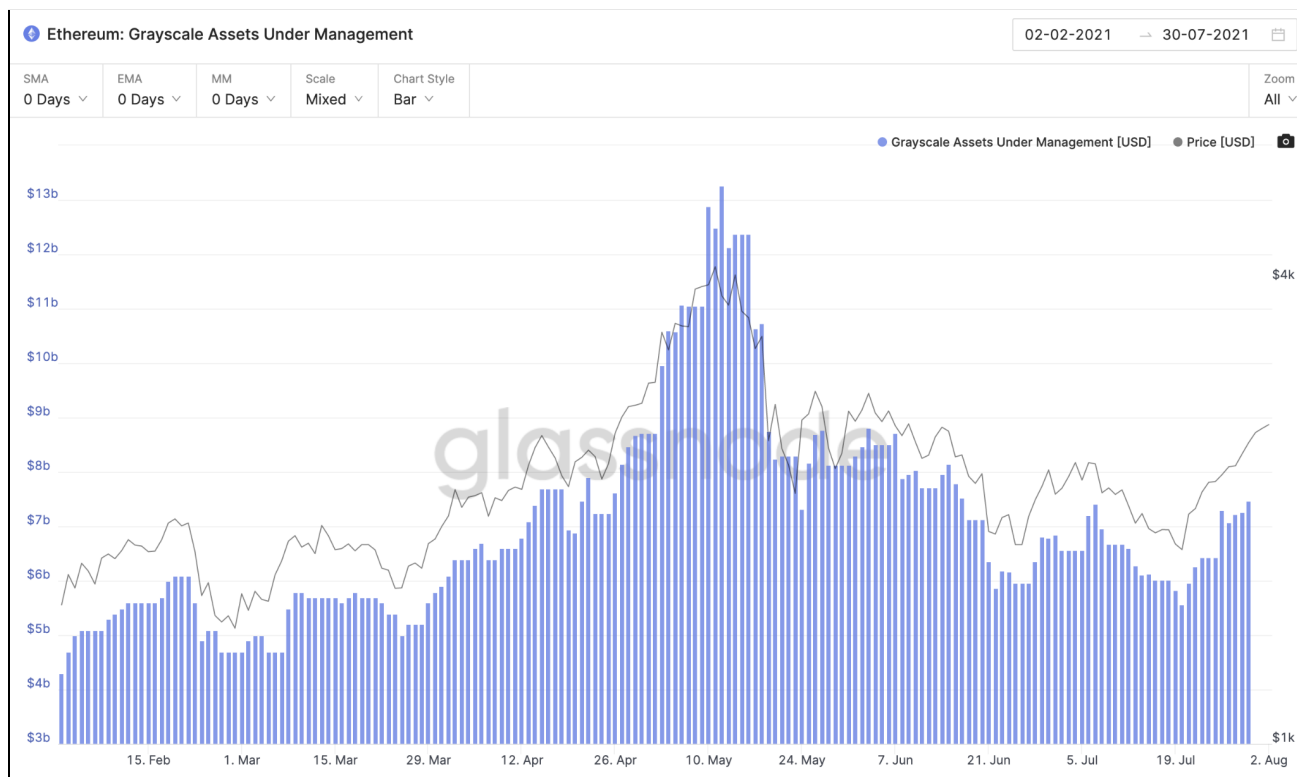
### ETH Futures Aggregate Open Interest





- The amount of ETH in the ETH 2.0 staking contract currently sits at 6,467,581. This represents 5.48% of the total supply estimated to remain locked for ~ one year, continuing to slowly constrict supply.
- In summary, ETH foundations are looking strong. Buoyancy despite downside in tech, and clear unleveraged buying occurring after the squeeze. Note that the Grayscale ETH Trust has seen asset inflows this week, indicating institutional buying. This has not seemed to affect the negative premium on the listed Grayscale ETH Trust yet. There's probably a nice mean reversion trade here for the brave. Happy trading!

### ETH Futures Aggregate Open Interest



### ETH Grayscale Premium







### DeFi & Innovation

- “DeFi, by definition, cannot be fully regulated.” Siam Commercial Bank President stated during the annual DeFi summit, calling for sustainable interaction with centralised finance.
- An anonymous investor recently offered \$90.5 million for a Cryptopunk NFT.
- Synthetix releases layer two solutions, with Olympic betting options on platform.
- Ernst Young aims for a simpler cross-border tax process with blockchain technology.
- Binance and Russian museum partner to make NFTs of Da Vinci and Van Gogh.
- Coca-Cola enters the NFT craze, auctioning its first tokens for a charity event.

### What to Watch

- What a week it's been for crypto. The market is flourishing, with institutional investors further accumulating, causing exchange balances to reach May's pre-correction levels. Institutional projects continue to surface, while active users have doubled in a short 7 months. Last week we suggested caution before making sense of the market trend - the past seven days have shown that sentiment is shifting to positive across many verticals, with some hype building again around DeFi and NFTs.
- However, the regulatory crackdown in the United States is becoming real. We expected news on stablecoins this week and got much more. A (far-fetched) bill proposes full control over stablecoins circulating in the country, while the \$550 billion infrastructure plan includes a goal to collect \$28 billion in tax from the national crypto market. US Senators showed some clear distaste for digital currencies during a hearing, while lending/leverage services face legal scrutiny through giants Binance, BlockFi and FTX. The market itself has been optimistic, but legal concerns point the other way.



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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