



ZEROCAP

Weekly Crypto Market Wrap

21 March 2022 – 27 March 2022

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.com or visit our website www.zerocap.com

Note on release date: This week's Weekly Crypto Market Wrap was released on a Tuesday as our team was offsite on Monday - celebrating the successful A\$DC stablecoin minting and transaction by ANZ, in partnership with Fireblocks and the Victor Smorgon Group. It is a major win for Australia and the crypto markets as a whole. Onward!

Week in Review

- [ANZ](#) becomes the first bank to mint an Australian dollar stablecoin, the A\$DC. It is likely that this is the first time a bank anywhere in the world has minted a stablecoin.
- [Fed Chair](#) Jerome Powell states new rules are needed for crypto against times of market stress, and compliments Biden's recent executive order towards CBDC development. Powell also referenced [US inflation](#) as being "much too high," vows to take action - Fed officials nod to [bigger rate hikes](#) throughout the year.
- [Meta](#) files eight digital asset and web 3 trademark applications in the United States; areas include virtual reality wearables, hardware/software design, social media, dating services, gaming and advertising.
- [Bank of England](#) governor Bailey sees crypto adoption as a financial risk, and calls for "high levels" of international cooperation following release of BoE's Financial Stability [report](#).
- Top Israeli bank [Leumi is set](#) to offer crypto trading services to customers.
- [India](#) passes strict crypto tax laws - conducting crypto transactions will be subject to a 30% tax rate.



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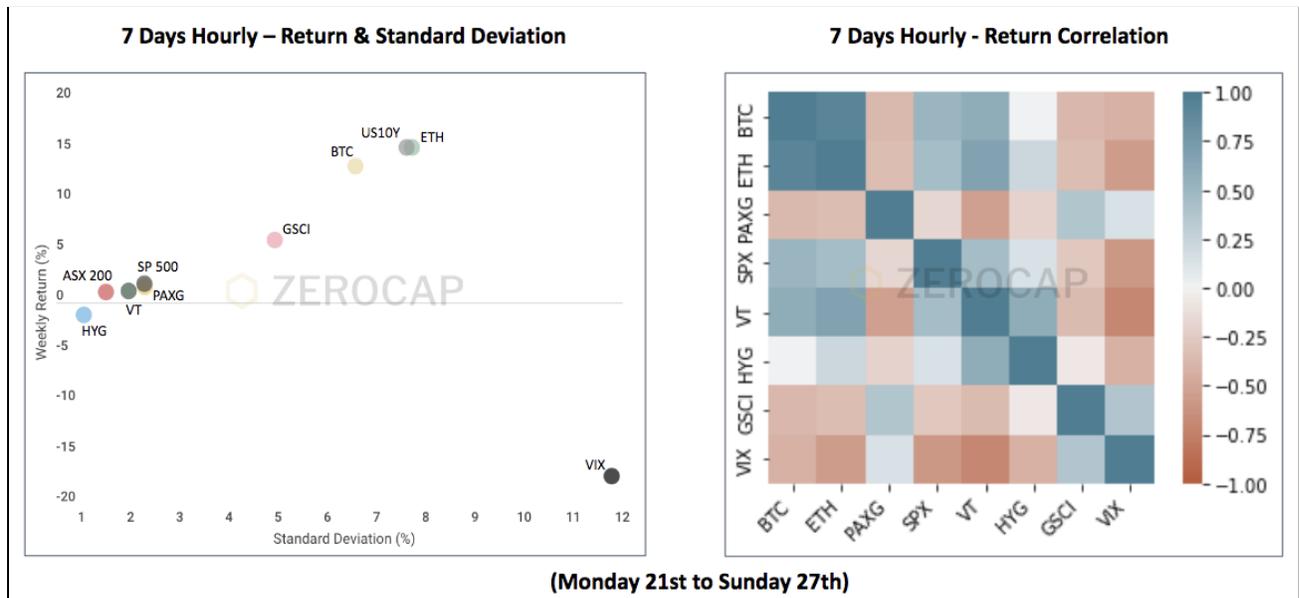
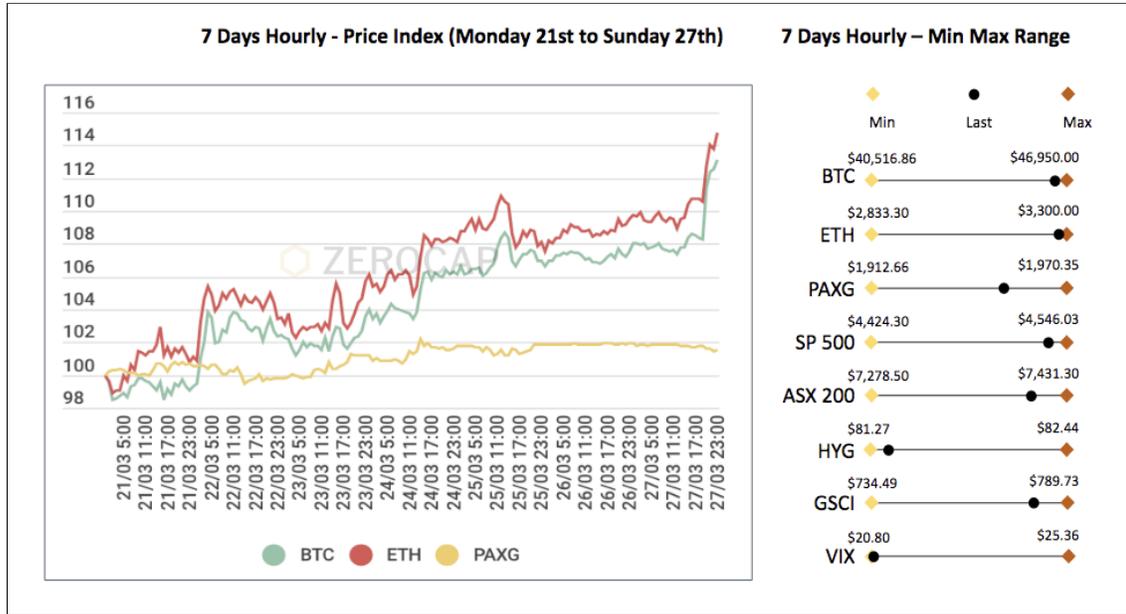
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- The [White House](#) is seeking public opinion on crypto's climate implications.
- Crypto.com became an official sponsor of the 2022 [Fifa World Cup](#) in Qatar.
- Crypto users in Africa grew by [2,500% in 2021](#), according to a KuCoin report.
- [Thailand](#) bans crypto payments, seeking clarity on exchange failures.
- “The US government does not stand for freedom,” [El Salvador President Bukele](#) states following a bill passed in the US Senate scrutinising the nation's decision to use Bitcoin as legal tender.



Winners & Losers





Macro Environment

- Despite the Australian central bank, the Reserve bank of Australia, maintaining its official cash rate at 0.1%, the market has been anticipating a much higher yield curve in the immediate future. March has been dominated by portfolio liquidations out of fixed income products, and the three-year Australian Commonwealth AUD bond is now trading at 2.37%, a level not seen since November 2018. In addition to record-high petrol prices, supply chain disruption to grocery, and building materials pricing, the upcoming federal budget is forecasted to provide vote-buying fiscal stimulus before the election in May.
- The combination of a weak Japanese YEN and the US bond market selloff creates a stream of abnormal outflows from the traditional carry trade space, potentially benefiting portfolio allocation to cryptocurrency. Firstly, there is a massive amount of YEN hedging outflows coming out of one of the biggest retail savings pools in the world. The so-called “Mrs Watanabe” pool of savings usually performs a carry trade where they hedge against the zero rate yielding YEN and go into USD fixed income while locking in the FX forward. However, with USDJPY now pushing above 1.23, fear of depreciation in the forward contract makes the savings pool nervous. In addition, the selloff in the US bond market is leading to alternative allocation towards assets that have a much smaller correlation to the USD fixed-income arena. BTC and ETH could potentially be part of this beneficiary. The Bank of Japan (BoJ) has intervened in the domestic bond market by buying YEN to sterilise yield curve control in the last few days, but its inability to strengthen the YEN and the bond market is a worrying sign for more depreciative momentum to come.



Technicals & Order Flow

Bitcoin



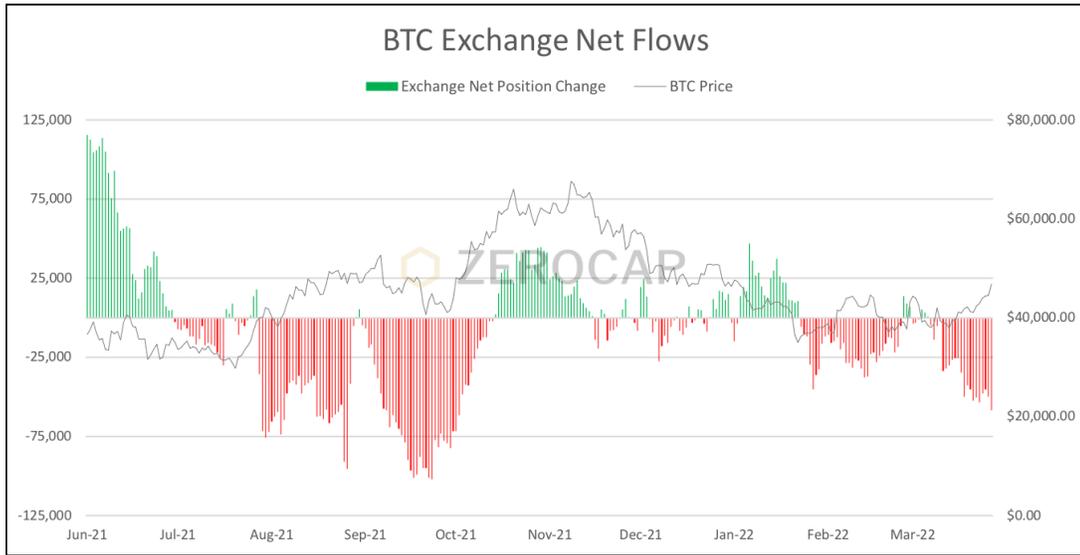
- This week, Bitcoin's action commenced around 41,000 before a significant upside shift in momentum occurred. A mid-week push to 43,000 was accompanied by a short-lived retracement to 42,000 before breaking the 2-month long range and closing out the week slightly below 47,000.
- Bullish undertones rippled through the market on Tuesday as the co-founder of Terra, Do Kwon, announced that Terra is commencing the accumulation of \$10B worth of Bitcoin as a reserve asset for its stablecoin UST.
- The institutionalisation of Bitcoin was further highlighted this week after Goldman Sachs (\$2.1T AUM) conducted its first Bitcoin OTC transaction and reports of Ray Dalio's hedge fund, Bridgewater, backing a crypto fund were released.



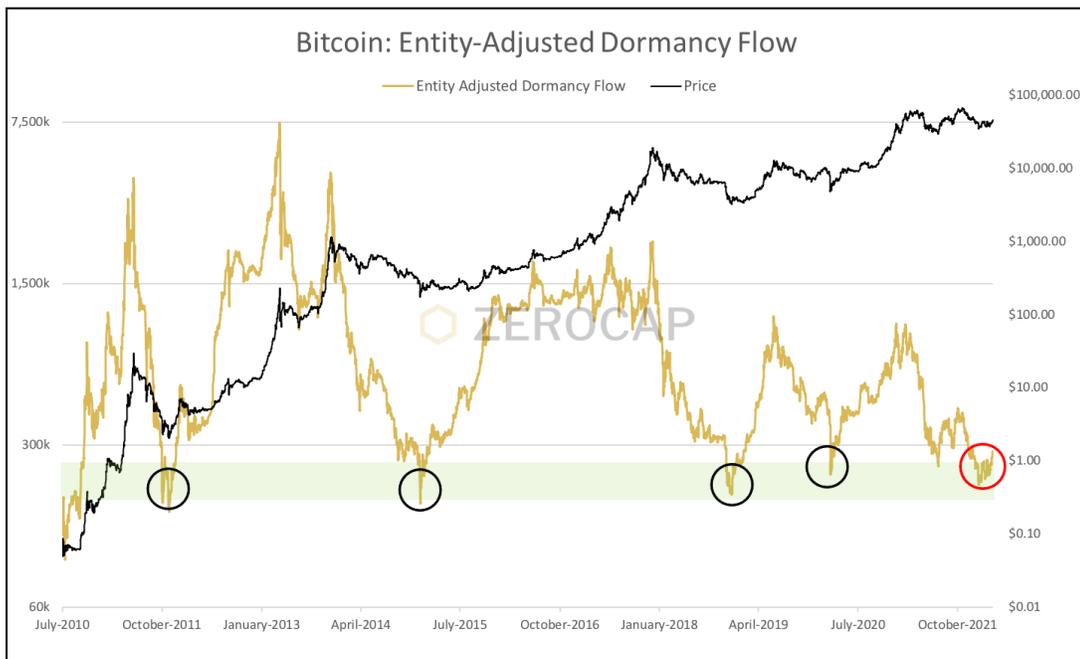
- In light of the geopolitical pressures at hand and the persistence of macro headwinds, it's promising to see Bitcoin gaining 13.49% week-on-week. Notably, Bitcoin's correlation with the S&P500 and the Nasdaq has shown persistent growth over the first few months of 2022, but we did see tremors in this correlation as the SWIFT network was going to be switched off between Russia and the rest of the world. There are some dynamics in this market that are still being "figured out" by the market as we see the new phase of this asset class mature.



- On-chain metrics such as Bitcoin's net exchange flows paint a bullish picture. The recent and notable outflows indicate that investors are choosing to accumulate and hold. Notably, the amount of Bitcoin pulled from exchanges has been increasing in volume since mid-March.

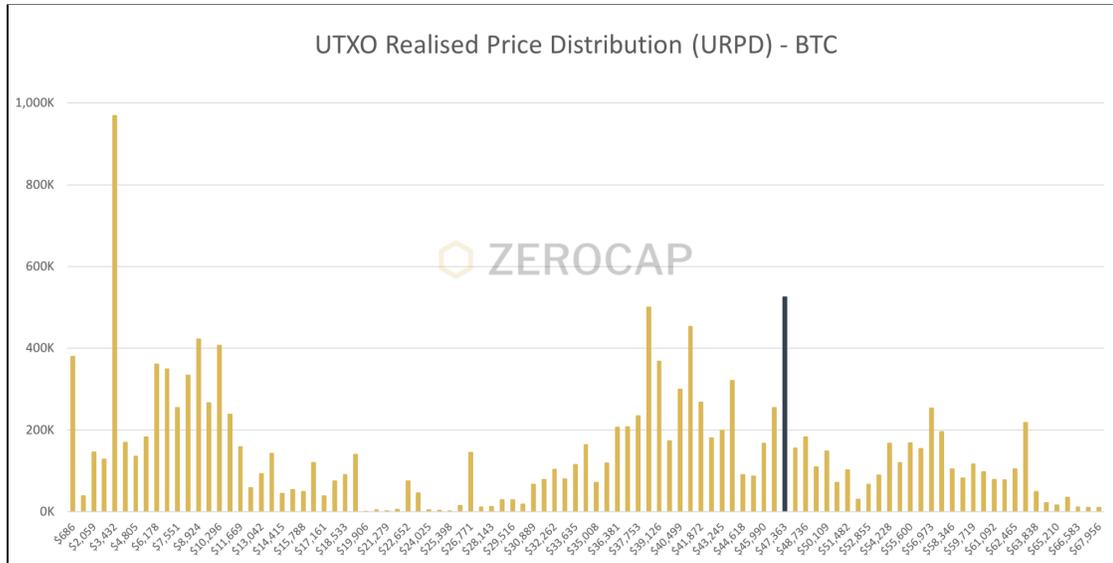


- Entity adjusted dormancy flow is a metric that can be used to indicate cyclical bottoms (measuring market value to coin dormancy). Historically, values below 250,000 have been signs of bottoms and we currently reside in this area.





- In line with significant exchange outflows and indicators pointing toward a potential bottom, URPD shows that noteworthy support has formed at 47,000.



- This week, Bitcoin and equities experienced bullish price action. On-chain metrics show that investors are accumulating, forming strong support at current levels. Notably, some historically significant indicators favour the short to medium-term outlook.
- If positive sentiment persists, we may see a test of topside resistance at 52,000. Investors should be wary of the weight of the current geopolitical risk and approaching rate hikes - Bitcoin's role in this context is still to be determined, although, looking at the forward-looking indicators - we are betting it's bid in the medium to long-term.



Ethereum



- A clear shift in momentum gave bulls the upper hand this week. Risk-on sentiment benefited Ethereum, breaking 3,000 early on. The weekly candle closed with extreme positivity, breaking through prior resistance at 3,200, closing out slightly below 3,300.
- US equities drove higher in a continued bull resurgence - with the Nasdaq up 2.1%. The correlation between ETH and the Nasdaq persists and is currently placed around 0.92.
- Given Ethereum's scheduled transition to Proof-of-Stake (PoS), despite the presence of lingering geopolitical risk and macro headwinds, participants may be witnessing the early signs of a big move.
- Action may be hindered by some resistance at 3,400, but a clear break here signals a move to close the gap to 3,600. The fact that we have broken the near-term range is encouraging.

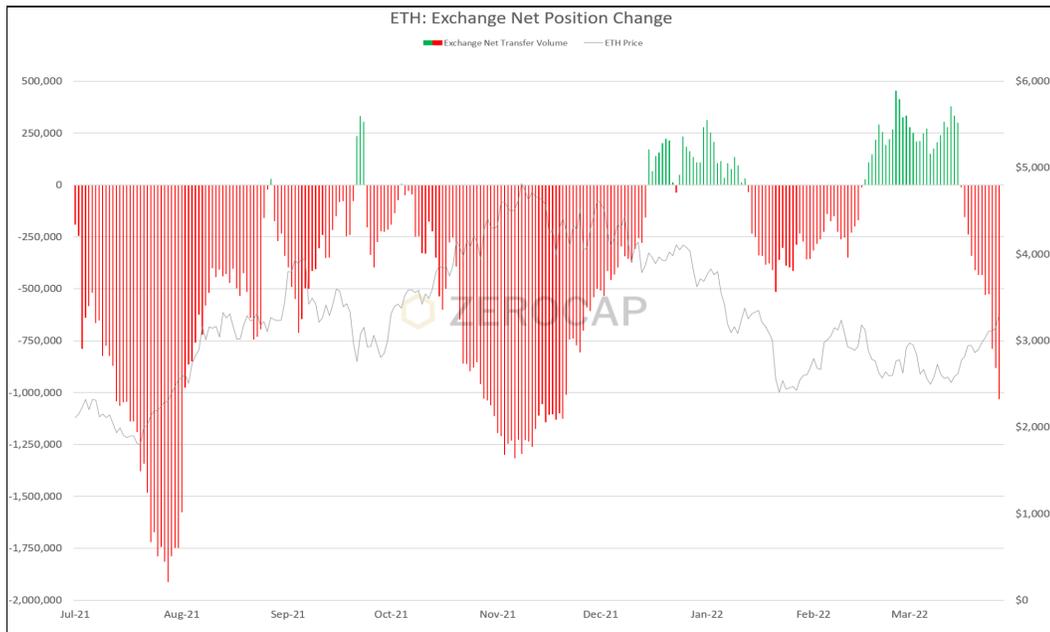


- Ethereum continues to outpace Bitcoin when markets are risk-on. Last week, we mentioned a key level of resistance placed around 0.0720. This level is looking for a break, which opens up to a move higher on technicals.

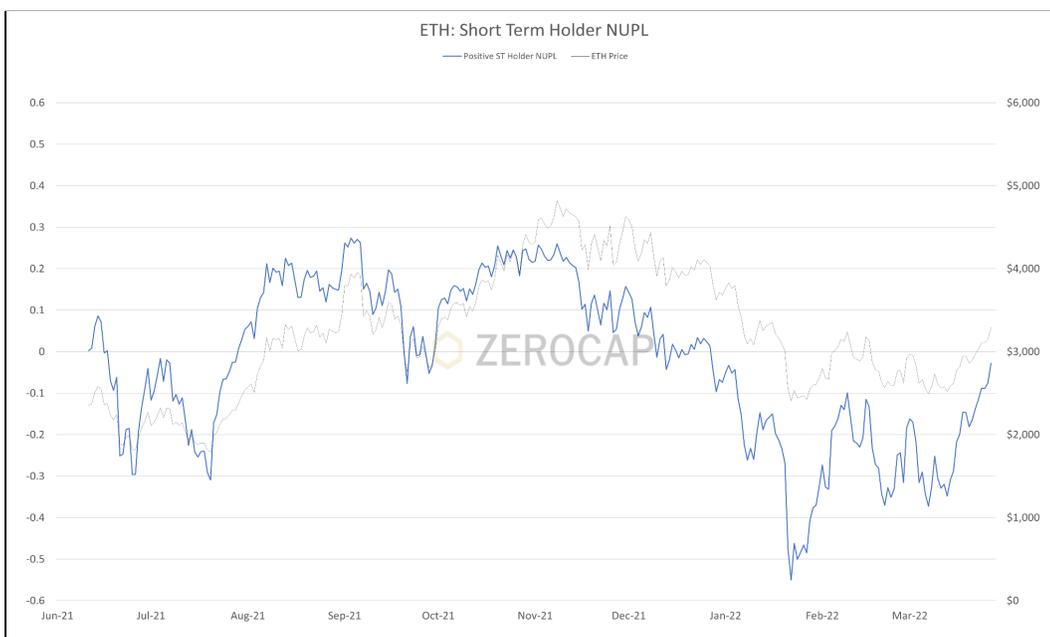
ETHBTC Daily Chart



- Looking at on-chain analytics we see exchanges experiencing some of the largest outflows they have seen since early November 2021. Notably, investors are accumulating. As we approach Ethereum’s transition to PoS and investors deposit into the Eth 2.0 PoS contract, we may see this continue.

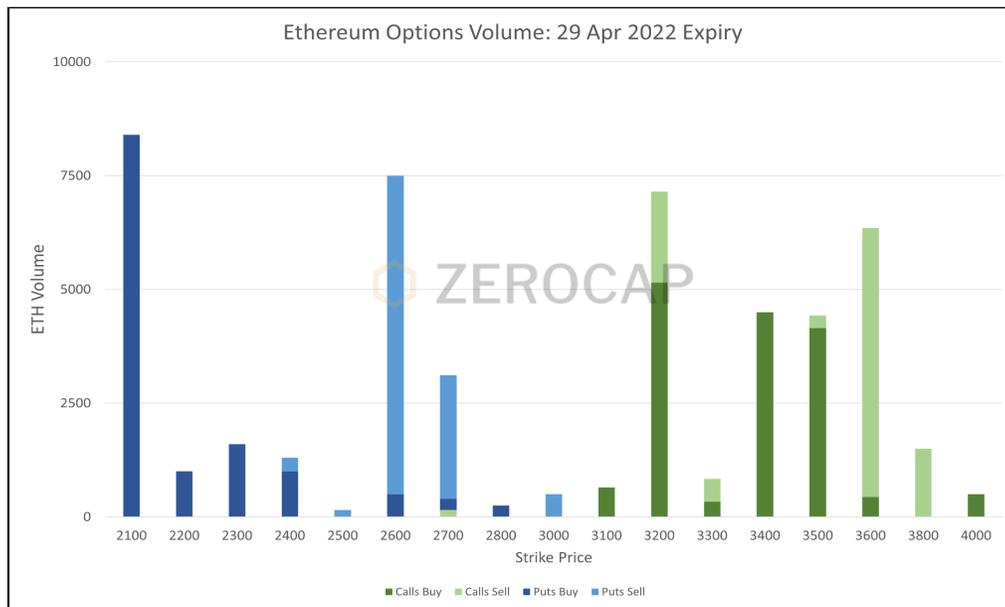


- In the past week short term holder net unrealised profit/loss, which serves as an indicator to assess the behaviour of short term investors, approached zero at an increasing rate. The last instance of this indicator moving through zero, from below, was in October 2021. This was followed by a move to new ATHs.

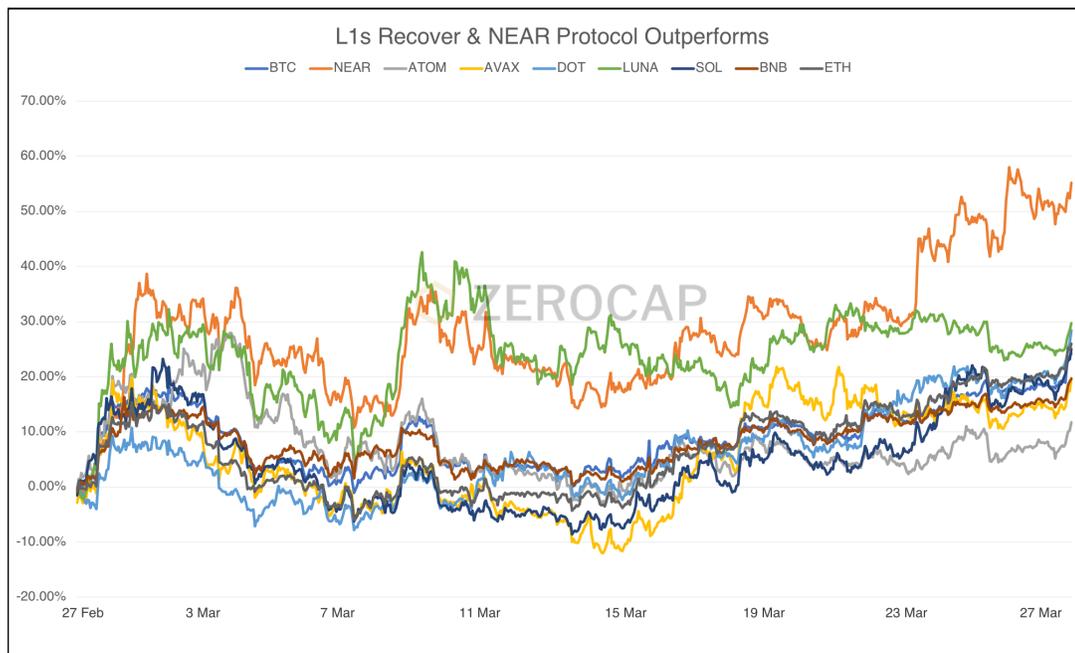




- Looking out to April 29th, we see bullish plays growing in relevance. Increases in open interest at key levels such as 3200, 3400 and 3500 is apparent. Contrastingly, some participants are choosing to capture premiums, selling puts at 2,600. Breaking either side of this range could force directional hedging which can accelerate price movement.



- Since the end of February, L1s have presented substantial returns. NEAR led the pack, growing by over 50%. DOT and LUNA also returned approximately 30% respectively. This strong growth can be attributed to DOT's continued parachain auction rollout and substantial quantities of LUNA being burnt as part of increased demand for Terra's UST.



- Less than one week after acquiring the Crypto Punks and Meebits collections, Yuga Labs successfully launched their native token Apecoin (APE). APE was recently listed across multiple large exchanges. The ERC-20 token, APE, is controlled by the 'Apecoin DAO' and designed to empower a decentralised community building Web3 infrastructure. The project boasts a market capitalization of \$3.8bn, ranking it 43rd in the digital asset space.
- ETH/BTC will likely continue to act as the proxy for gains in the coming week and 0.072 is the key level to watch. News flow relating to heightened geopolitical risk and macro headwind will be important to watch, but at this stage, all signs are pointing to moves higher. Notably, Ethereum's decreasing liquid supply plays into its current bullish thematics.



DeFi & Innovation

- South Korean tech giant [LG Electronics](#) adds crypto and blockchain as new areas of business development goals.
- [ExxonMobil](#) now using excess energy from natural gas sources to power crypto mining.
- GameStop's beta NFT marketplace is now [officially live](#) through Loopring.
- [Rio de Janeiro](#) will accept Bitcoin for tax payments starting in 2023; Binance CEO met with the mayor and announced plans to open an office in the city.

What to Watch

- US' Jolts Job Openings, PCE Price Index and Unemployment Rate.
- Russia x Ukraine conflict: Tensions rise as Joe Biden states that Putin cannot remain in power, while Zelensky demands military hardware from western countries - where do we go from here?

Insights

- [Zerocap, the first Australian Crypto Asset firm to issue Crypto Structured Products:](#)

As you may know, we were one of the first firms in Australia to issue crypto structured products - providing our clients with even more institutional-grade services to increase your returns on crypto asset investments. In this article, we detail the advantages of investing in crypto structured products and why Zerocap is in a unique position to offer them to investors.



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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	SPGSCI	U.S. 10Y