



ZEROCAP

Weekly Crypto Market Wrap

28 February 2022 – 6 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

Week in Review

- More sanctions against Russia: tracking at [1281 penalties](#) since start of Ukraine conflict - Switzerland (528), EU (461) and US (232) lead the ranking.
- [Crude oil](#) prices rise above \$130 per barrel amid Russian invasion - prices in the US rising at [fastest pace ever](#).
- [Rate hikes](#) are definitely coming this month despite global uncertainty with the Ukraine conflict; Fed Chair Jerome Powell, leaning towards a [quarter-point hike](#).
- Amid sanctions, [US Treasury Department](#) targets crypto to prevent Russia from bypassing the current American and European crackdown on the nation.
 - Fed Chair [Jerome Powell](#): “War underscores need” for crypto regulations.
 - Senator [Elizabeth Warren](#) demands swift answers from the department if cryptos undermine sanctions.
- Crypto [donations](#) to Ukraine rise to \$54 million at the time of writing - Country starts accepting [Polkadot](#) upon founder’s request, donating \$5.8 million off his personal funds.
- The Australian cyber security committee lists key factors to ease crypto adoption in a recent [report](#).
- Over 75% of investors in APAC and LATAM want to invest more in crypto: Toluna [survey](#).
- Non-zero BTC addresses [hit a record high](#) of 40 million.



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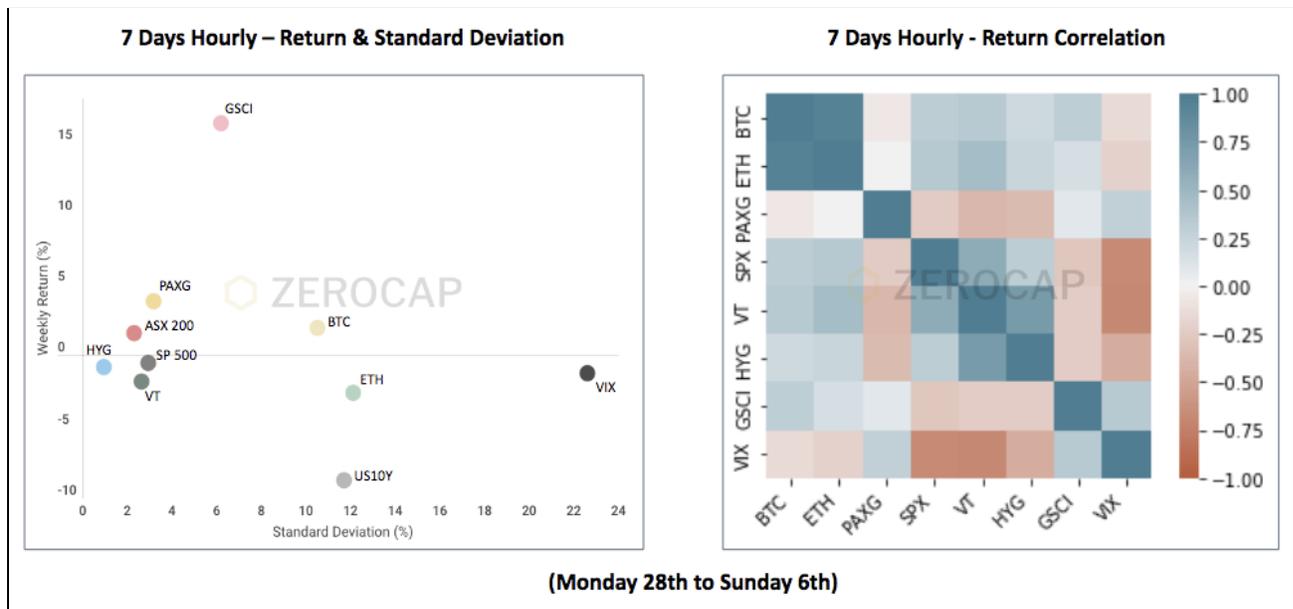
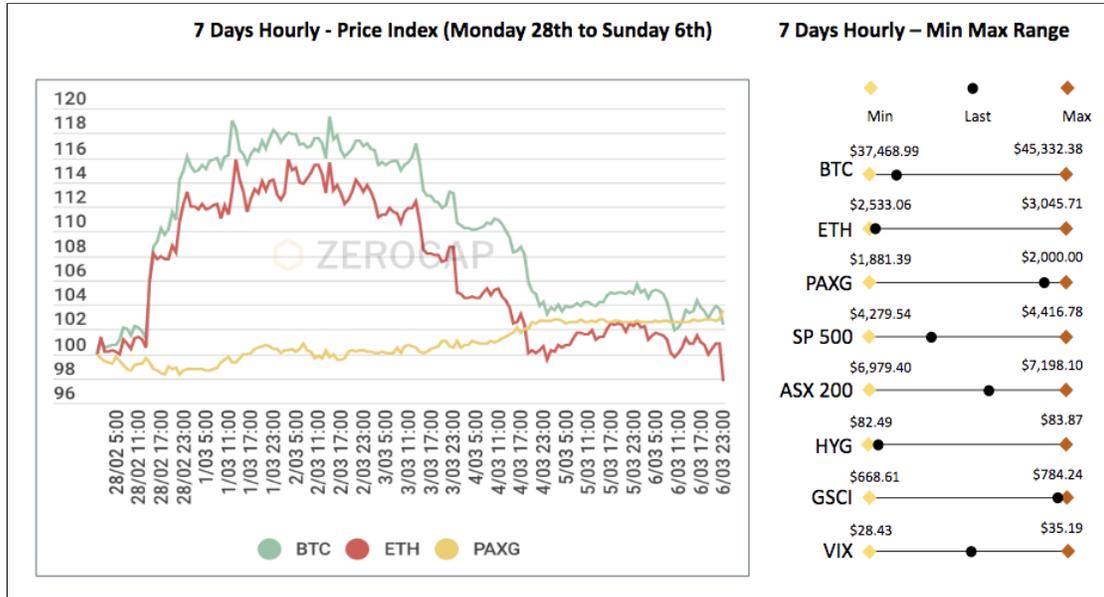
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- Crypto [investment funds](#) attract \$36 million inflows despite global turmoil.
- [eBay](#) will have Bitcoin payment options soon, CEO confirms.
- The US Senate allows [banks in Virginia](#) to offer crypto custody services.
- [UK watchdog](#) investigated 300 unauthorised crypto firms last year, currently investigating additional [50 others](#).



Winners & Losers





- Geopolitical concerns overshadow other risks. Despite strong US Non-farm payroll (678k jobs created vs 429k expectation, Unemployment rate at 3.8% vs 3.9% expected), risk aversion persisted into the weekend. Stocks traded in a choppy range as every media headline linking the Russian/Ukraine conflict tends to create either a fear selloff or a relief rally. S&P 500 started the week climbing back from the previous week's low of 4,140 to a high of 4,380 before the selling resumed. The index closed at 4,330. While the Nasdaq pretty much opened the week at the high of 13,800 and it was all downhill from there, with inflation pressure escalating via supply-side raises in addition to geopolitical concerns. The tech index closed the week at 13,314.
- US Federal Reserve Chair Jerome Powell reaffirmed to Congress that the US central bank is on track to raise interest rates this month and commence a series of hikes to curb decades-high inflation. However, Russia's invasion of Ukraine means it will move "carefully." Bank of Canada hikes rates to 0.5% during the week, while domestically, RBA is seen to be behind the curve with a dovish stance still. But with the election in May weighing on the decision, things are a bit tricky politically. China's PBoC continues to inject monetary liquidity into targeted industries and banks, with huge supply-side disruptions from the Russian/Ukraine tension.
- The credit market has seen huge disruption to normal trading, with all three international rating agencies downgrading Russian debt. International bonds of Russian sovereign entities are now rated below junk status and towards the default category in some spaces. MSCI index also said they'd remove all Russian stocks from the EM index and disable all Russian ownership stocks from trading on its index benchmarks.
- BTC and ETH vols attempted to normalise at the beginning of the week, with BTC vol dropping from 90% back below 70%, but the selling did not last, with the market pushing back to close at 80%. ETH vols followed a similar trend, coming off from above 100% down to 80% before closing just short of 90%. Actual volatility traded behind implied for most of the week as cryptocurrency was seen as a



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source of portfolio reallocation from tech stocks and credit market outflows. VIX stayed above 30 for most of the week, closing only at 32 after touching a high of 35.

- Supply-side pressure on commodity prices is reaching historical levels this week. WTI futures took out USD 130 a barrel, while Nickel prices topped USD 30,000 for the first time since 2008. As inflation vs geopolitical pressure pulls risk into different directions, we saw Libor pricing via the EuroDollar futures leading to higher rates while OIS and UST rates were dropping on haven flows. A case of money market liquidity tightening in a similar way that took down Lehman Bros Ltd during the GFC.



Macro, Technicals & Order Flow

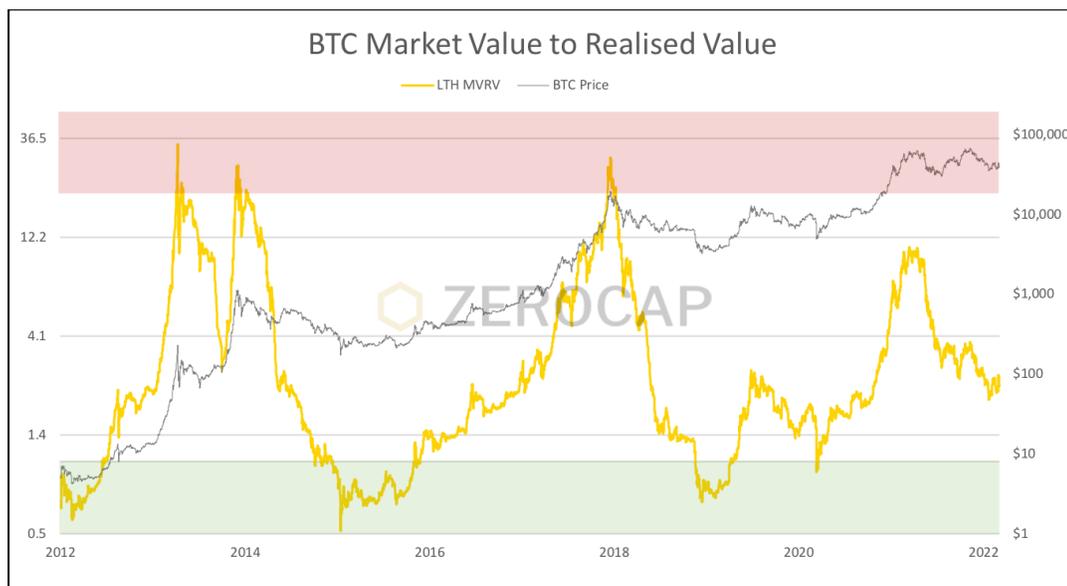
Bitcoin



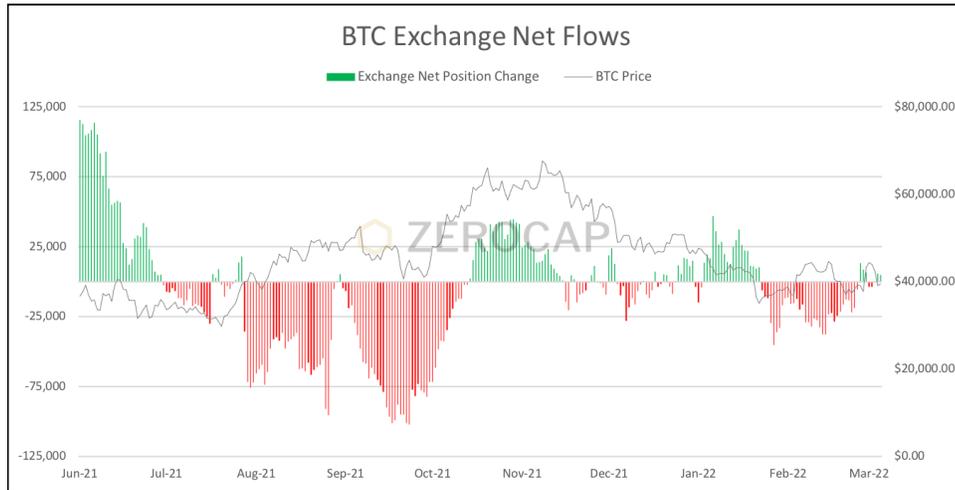
- Bitcoin opened the week slightly under 38,000. Early in the week, the 10-year US Treasury yields dropped to lows of 1.68% and stocks were suffering on the back of macro conditions and geopolitical risk. Interestingly, we saw investors diversify toward Cryptocurrency markets.
- Tuesday saw BTC surging as stocks went into drawdown, on the back of strong trading volumes that prompted a climb toward weekly highs of 45k. The cause was heavy speculation on how crypto assets could act as a hedge against closing opportunities for value transfer in the face of war.
- However, a strong reminder from the Fed on Wednesday, suggesting that hikes should be expected with certainty in March and the release of strong ADP payroll data saw flows out of Crypto, causing some mid-week retracement for BTC to 41,500.
- Late in the week - skirmishes near Ukrainian nuclear facilities and the threat of potential nuclear disaster caused investors to dump liquidity,, pushing BTC to 39k where it closed out the week.



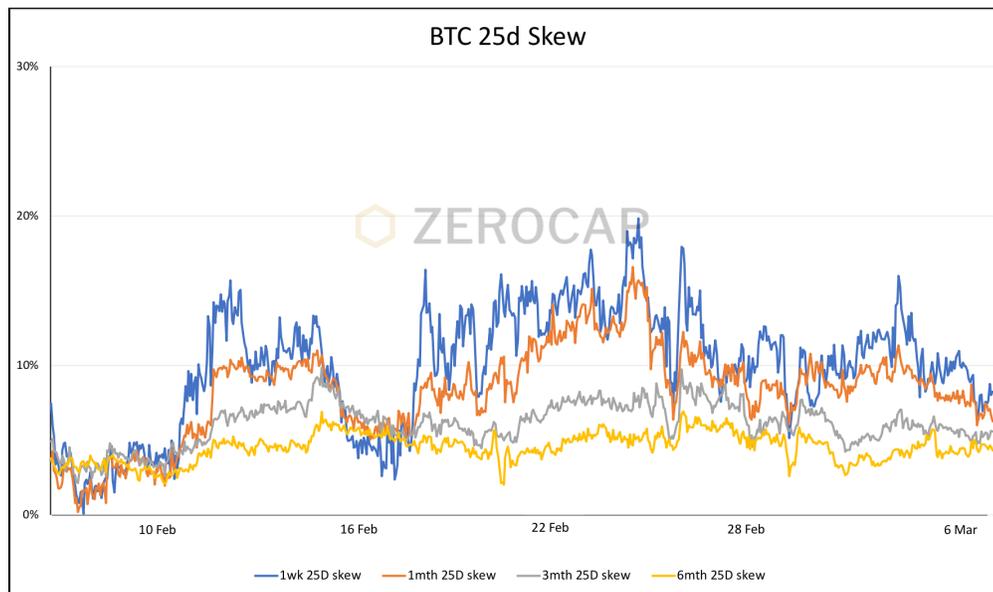
- Looking to on-chain can provide insights surrounding market cycles. Market Value to Realised Value (MVRV) is the ratio between market capitalisation and realised market capitalisation. MVRV can give an indication of when the traded price is below a "fair value".
- Likewise, Long Term Holder MVRV serves to assess the behaviour of long term investors. The indicator serves as a macro cycle indicator that helps identify tops and bottoms. Currently, levels are on a downward trend - keep an eye on this indicator if we see more downside on the back of risk - anything in the green is very oversold.



- Looking at exchange net flows can provide insights into the supply of Bitcoin on exchanges and hence the readiness of market participants to buy and sell. Whilst most investors have been accumulating throughout February, removing Bitcoin supply away from exchanges, there have been recent inflows, although nothing that indicates a clear direction at this point. If anything, the lack of bearish momentum is buoyant against the risk setting.



- Bitcoin's 25-day skew depicts the difference between a 25-delta put and a 25-delta call in terms of implied volatility. Recently, there has been a move up and away from 0%, but it's still ranging at moderate levels - indicating indecision.



- The lurking theme of investors de-risking persists, but on-chain and macro indicators are divergent on the back of an uncertain market.



Ethereum



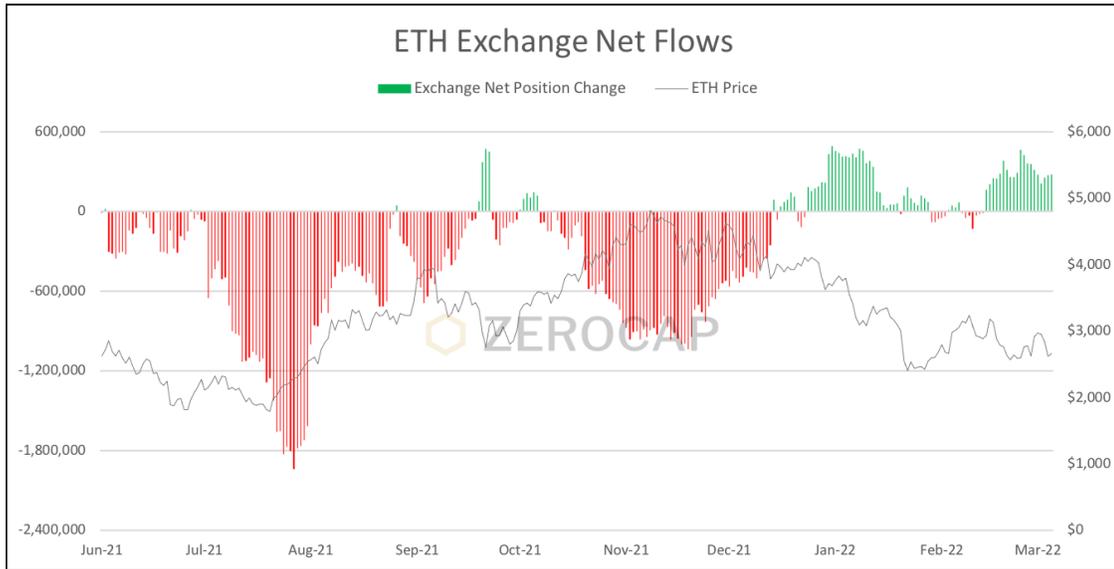
- This week, ETH started strong out of the gates, recording double digit gains on Monday. Despite US sanctions on Russia, followed by reaffirmations of harsher sanctions by the UK and EU, bullish momentum continued throughout risk-on markets. ETH's weekly highs were set around 3,050.
- Like BTC, ETH's early momentum simmered off on risk moves and upcoming rate hikes in March despite the release of 7-month high non-farm payroll (NFP) figures. Geopolitical uncertainty and the threat of nuclear consequences lead to ETH's weekly lows under 2,600.
- ETHBTC experienced a sell-off during the week, as BTC continues to outperform ETH during risk-off moves. We are technically at a pivotal point in ETHBTC, sitting on a longer-term ascending trendline as support.



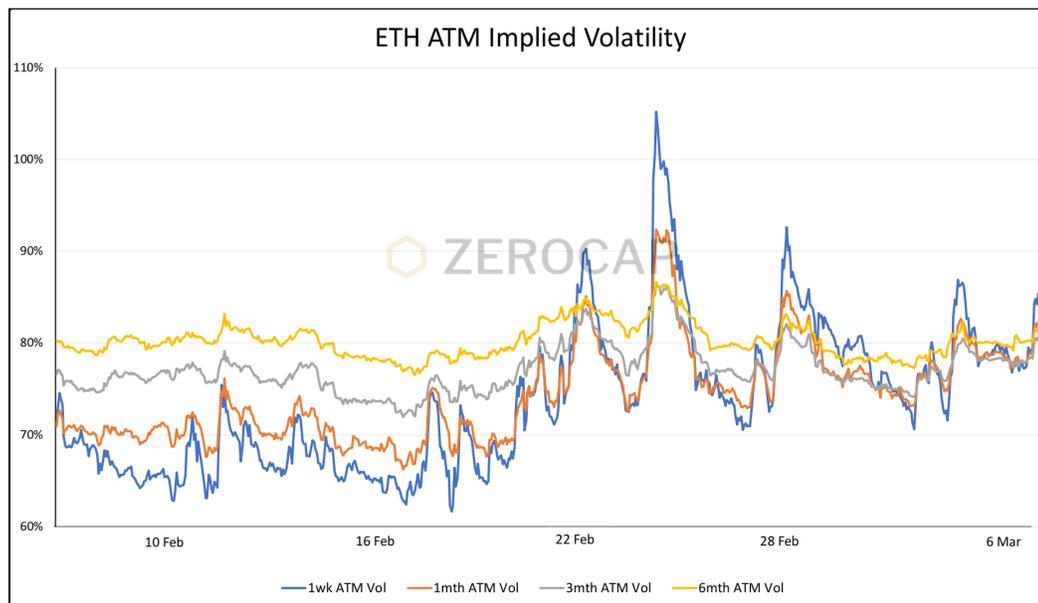
ETHBTC Daily Chart



- Analysing on-chain metrics such as ETH Exchange Net Flows can explain why BTC outperforms ETH in risk-off moves. A greater preparedness, shown by a greater supply of ETH available on exchanges, resulting in more aggressive selling as investors de-risk.

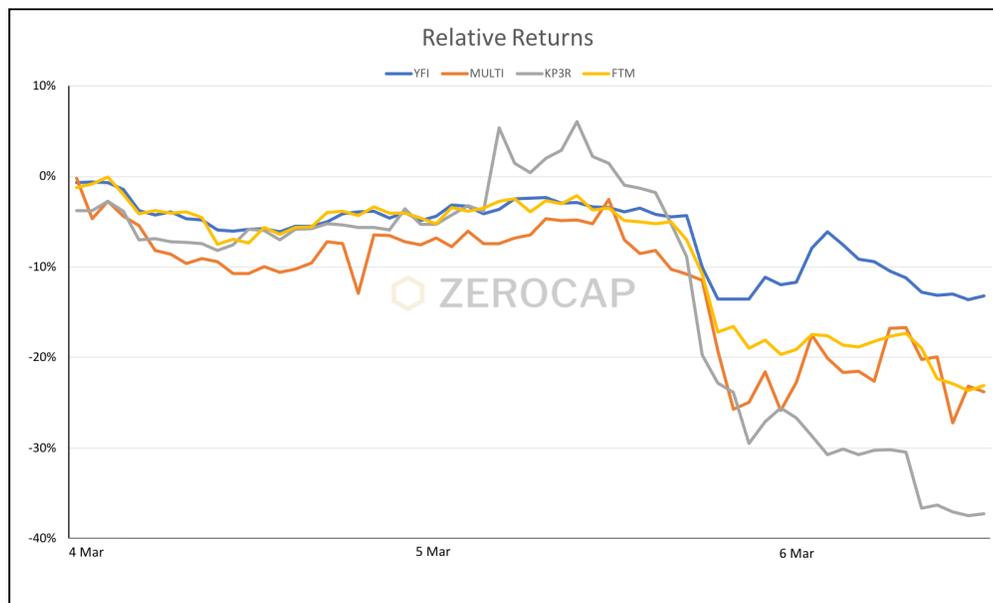


- Historically, ETH has possessed relatively high implied volatility, but was muted earlier in the year. Recently, its implied volatility has trended further upward on the back of protection buying and speculation.





- Andre Cronje ‘the Godfather of DeFi’ will be leaving the DeFi space and not be affiliated with several of the projects he’s previously worked on. Following this announcement, several notable projects including Yearn Finance, Fantom, Keep3r Network, Multichain and Solidly experienced aggressive sell-offs, with double-digit drawdowns across most affiliated projects, as Solidly depreciated -67% within 24 hours.



- Ethereum staking contracts continue to limit floating supply - the amount of ETH in the ETH 2.0 staking contract currently sits at 9,784,206. This represents 8.16% of the total supply estimated to remain locked for ~ one year, continuing to slowly constrict supply.
- While attention shifts back and forth between the Fed and the current geopolitical climate, investors are on alert. Supply on exchanges has increased and investors are hedging risk via the options markets. It is worthwhile noting that while BTC typically outperforms ETH during risk-off moves, the opposite is also true. Moreover, if markets do turn around, Ethereum could be poised and ready.



DeFi & Innovation

- [LUNA flips ETH](#) as second-largest network for staked value - LUNA is part of Zerocap's DeFi index product.
- THORChain's [RUNE rallies](#) 74% in a week after Terra's LUNA network integration - RUNE is also part of our DeFi index.
- City of Lugano, Switzerland to officialize Bitcoin and Tether as [legal tender](#).
- [Sandbox](#) metaverse hits 2 million users.
- Social media tech giant [Tencent](#) files for patent related to "virtual concerts."
- [Cambridge University](#) launches crypto research project with IMF and BIS.
- South Korea to invest \$187 million to develop their [national metaverse](#).

What to Watch

- Russia x Ukraine conflict updates - Are there actual negotiations in place to cease the conflict? Will there be official crypto sanctions?
- ECB Press Conference on Thursday - details on further Russia sanctions expected.
- US CPI and Jolts, on Wednesday and Thursday.

Insights

[How to buy and sell any cryptocurrency ever created](#): In this article, CIO Jonathan de Wet explains the frameworks behind Zerocap's service of how to buy and sell any cryptocurrency ever created; the key advantages, how it works, the current structural challenges that crypto markets face and why our model provides a better way to access them.



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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