



# ZEROCAP

## Weekly Crypto Market Wrap

4 April 2022 – 10 April 2022

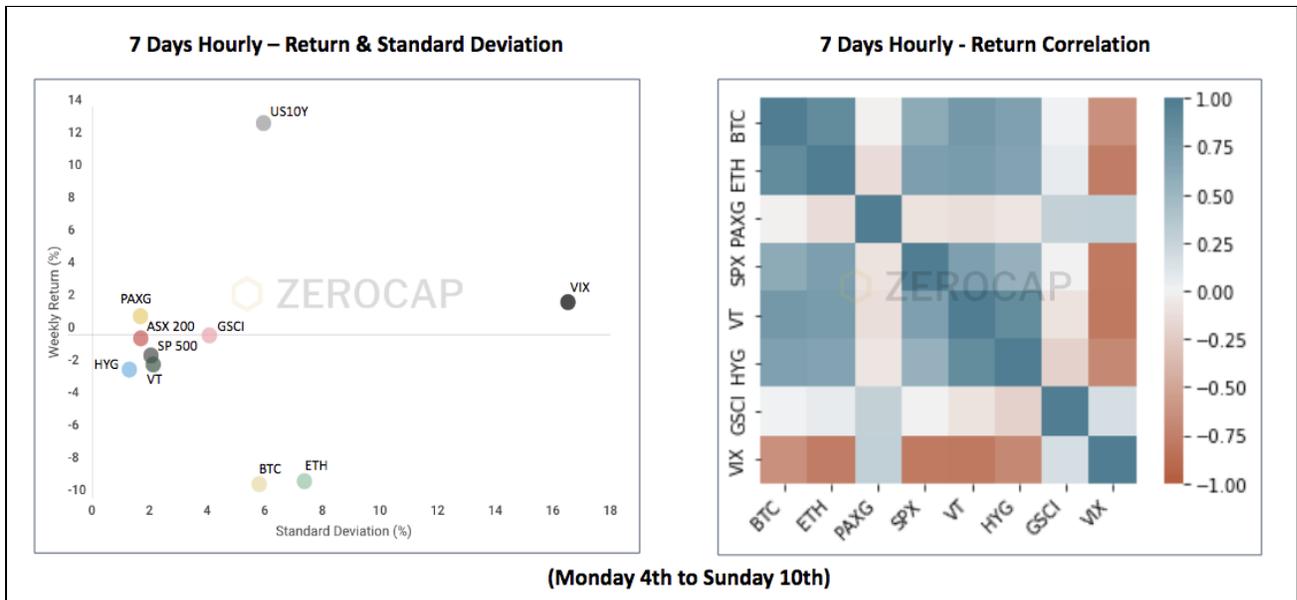
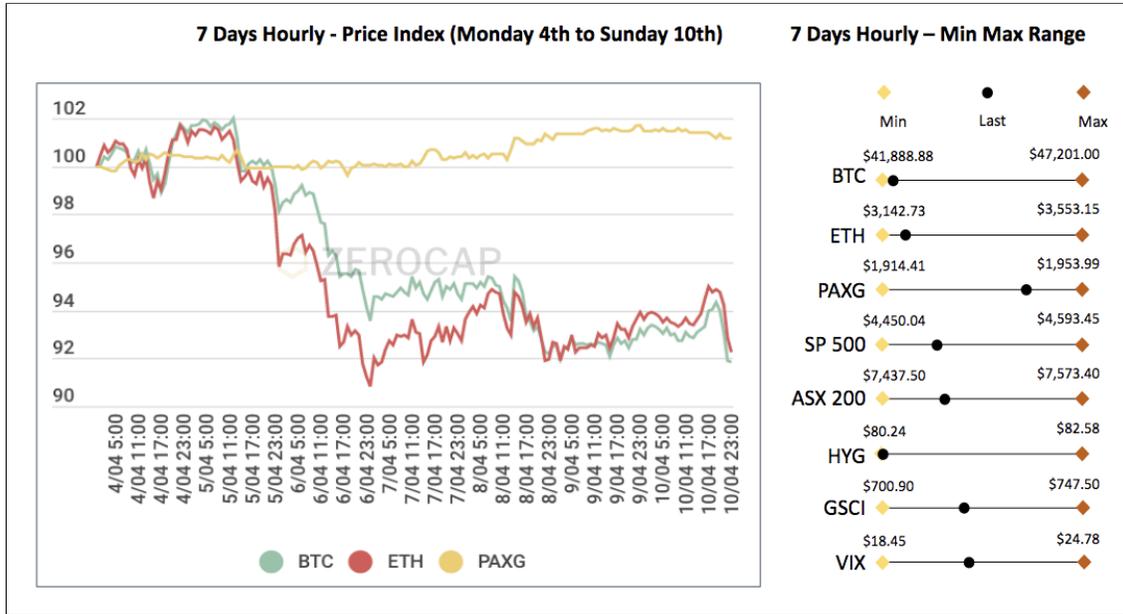
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### Week in Review

- FOMC Minutes: US Federal Reserve will [shrink balance sheet](#) by up to \$95 billion a month, measure to be approved at the next gathering on May 3 - 4th - Several FED officials favoured a 50 basis point hike over the current 25 bp structure.
- US' Federal Deposit Insurance Corporation [releases letter](#) demanding banks to notify the agency of any current and future intentions of providing crypto services to clients.
- Facebook's [Meta](#) plans to introduce tokens and crypto lending services to its apps.
- More than three-quarters of central banks are considering a CBDC; [PwC report](#).
- European Commission opens new [consultation round](#) to develop its digital euro - ECB board member [states](#) that issuing a Euro CBDC is "likely to become a necessity."
- UK's Economic and Finance Ministry to include stablecoins as "widespread means for payment" in regulatory crypto frameworks, following a recent [report](#).
- Crypto billionaires increased by 60% in 2021; [Forbes listing](#).
- Australia's securities regulator (ASIC) [new policy](#) cracks down against social media crypto influencers who may be unlawfully providing financial advice.
- Crypto owners in Brazil, Hong Kong and India doubled over the past year according to a Gemini [report](#).
- NY State Supreme Court [dismisses petition](#) against crypto mining company as it could not find enough evidence to validate environmental concerns regarding the practice.



### Winners & Losers





### Macro Environment

- The pain trade this week came from the fixed income market. Despite a steady recovery in stocks and cryptocurrency throughout the week, bonds have been hit hard. More and more FOMC members and politicians voiced their concerns over how inflationary worries are a significant risk to the US economy. St. Louis Fed Governor Bullard this week called for the Fed to begin raising rates inter-meeting in order to reach a target of 3.25% by the end of 2022. Goldman Sachs Chief Economist Jan Hatzius ups the Ante by saying the Fed may need to hike rates past 4% to cool an overheated economy. On Friday, the ten-year UST yield hit 2.72%; together with worries over excessive valuations in growth stocks due to higher discount rates, Risk Parity portfolio holdings have become a significant burden for the NAV. Higher USD yields also lift the USD to levels not seen since 2015, thus generating debt repayment burdens for emerging market economies with outstanding USD debt. USDJPY began the week at 122.50, but it was one way up towards the 125 barrier level by the week's end.
- This week's news headline announced that two cryptocurrencies mortgage providers are expanding their US property lending market operations. There has been an increase in property developers accepting BTC and ETH payments for sales since 2021, with the majority being off-plan sales of apartment blocks. However, bank-like lenders generating a loan book for mortgage borrowers is a new innovation. The standardised 30-year mortgage loans are charged at 4-6% p.a. Interest, compared to 4-5% in traditional dollar loans. Borrowers usually pledge 10% of their cryptocurrency holding of the notional as collateral for the loan in addition to the mortgage title of the property. The actual world usage of cryptocurrency in tradfi is slowly and surely making the distinction between the two worlds inseparable.



### Technicals & Order Flow

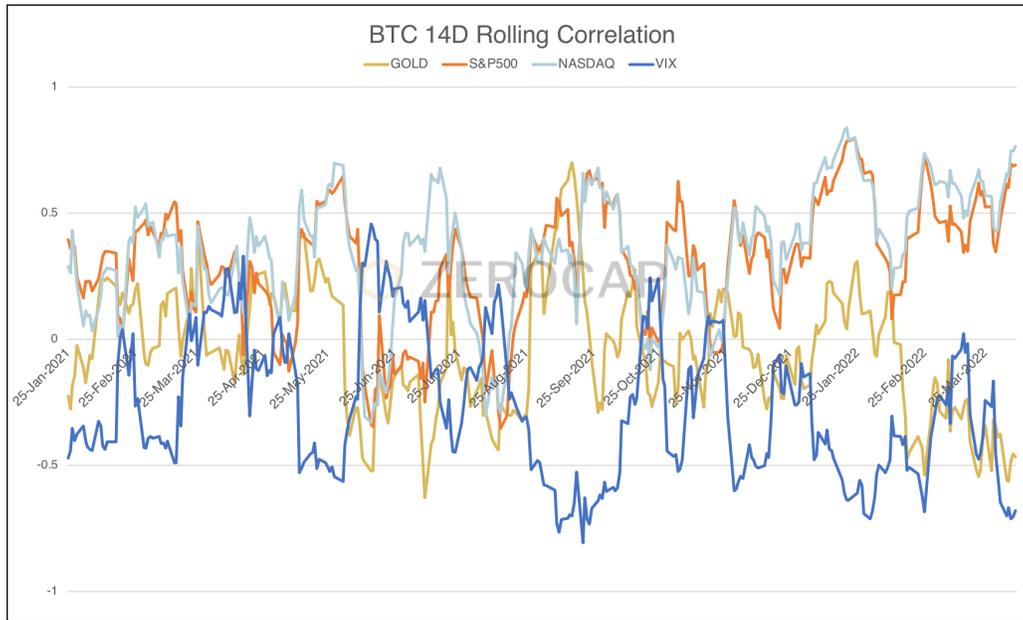
#### Bitcoin



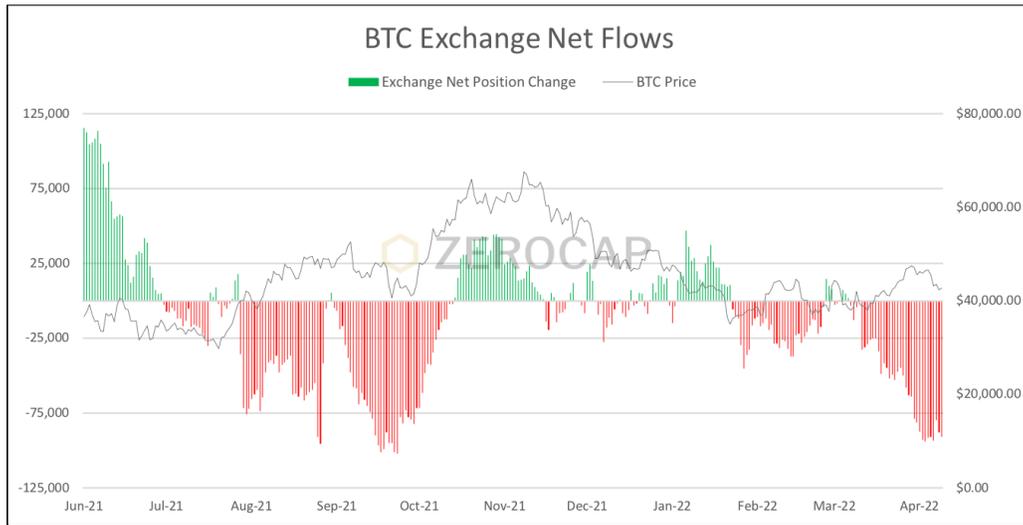
- Bitcoin opened the week above key support at the 46,000 level. Before a quick push to break 47,000, we saw sentiment fade, leading to the false break. Price trading back into the key range finding support at 42,000 - the key level from the July 2021 retest. We are just holding above this level, but the price looks technically heavy leading into the new week.
- BTC holdings in Canadian Bitcoin ETFs have increased to new all-time highs, outlining the growing appetite for institutional crypto products. Despite this, interest rate concerns continue to offset bullish action.
- On Tuesday, word of rapid balance sheet reduction from Fed Governor Lael Brainard spurred risk-off sentiment to flow into the digital asset space. The FOMC Minutes revealed that some members possessed the intention to lift rates by 50bp during March's meeting in order to curb rampant inflation, adding to the bearish sentiment.



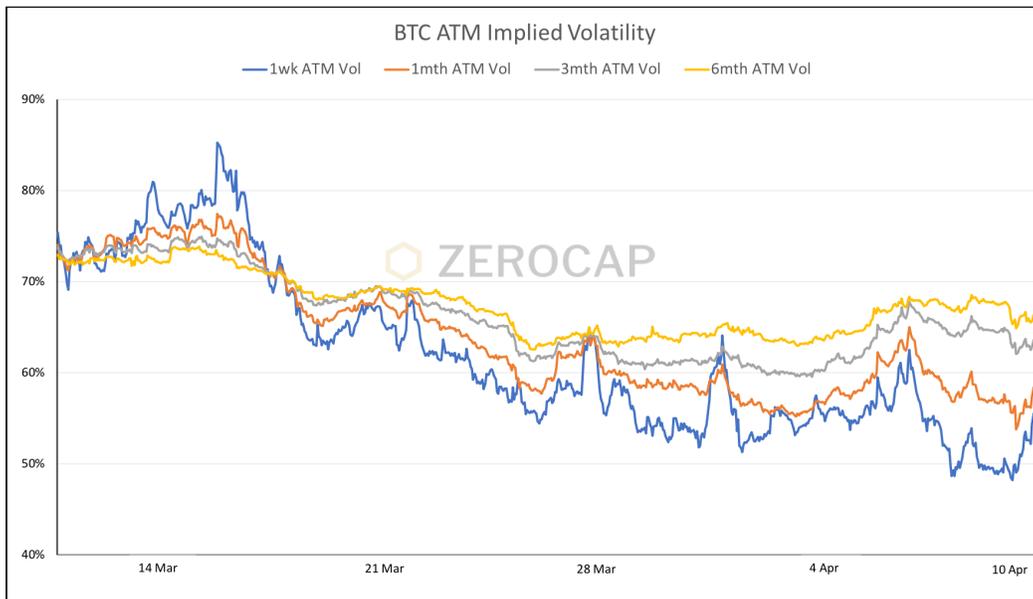
- Last week, we mentioned looking out for mirrored price action between Bitcoin and equities in anticipation of the FOMC minutes. On par, the Nasdaq and S&P 500 felt the negative effects of the hawkish outlook. Similar behaviour between the pairs, in the context of news flow related to the Fed, is becoming increasingly consistent.



- Looking on-chain we can see investors accumulating BTC despite the macro influences at play. We haven't seen the levels of net outflows, currently at play, since October last year. This is a strong indication that value plays are bidding on dips.

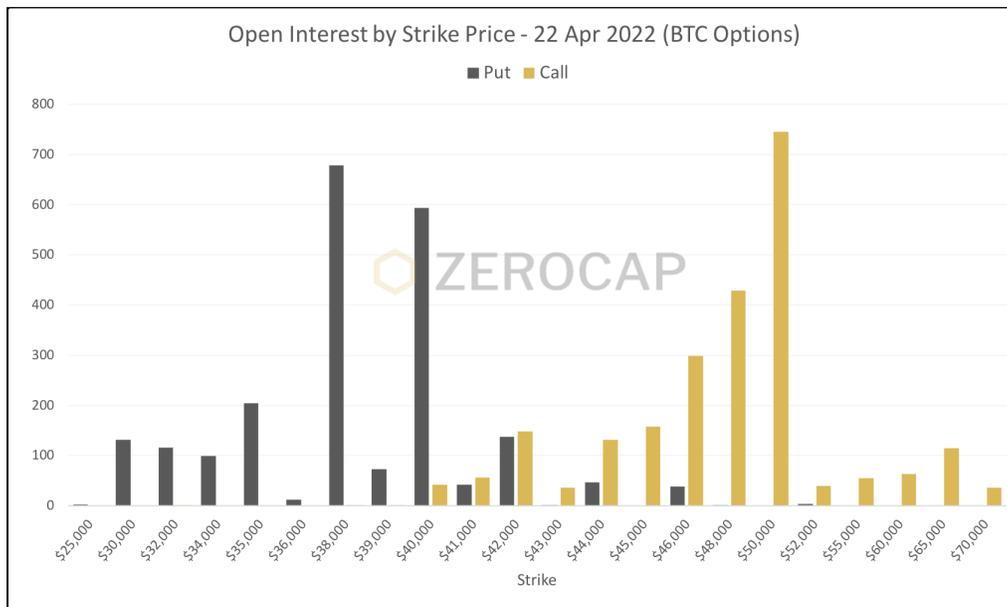


- Looking at derivatives data, implied volatility (IV) has decreased since early March. The cheapening of volatility makes bullish plays relatively cheaper for derivative traders. Bull Call spreads and Principal Protected Notes are a great way to harness current IVs.





- Open Interest out to April 22 shows growing emphasis at 48,000 and 50,000 for calls and 38,000 and 40,000 for puts. Any moves below 40,000 will put the bears in control, with the next key resistance at 38,000 both technically and from Open Interest.



- The Fed and its ongoing battle against inflation drove action this week. Correlation between BTC and equities is currently heightened with regards to short-term flows. Investors are increasingly accumulating and the supply of Bitcoin on exchanges is drying up, opening up the potential for a short-squeeze.
- A void of volume between 40,000 and 50,000 in the options market and the fact that volatility tends to mean-revert suggest that prices may play outside of current levels into the short term.
- US YoY inflation data is expected to be released this coming week. Sentiment and directionality will likely be impacted by its results.

## Ethereum



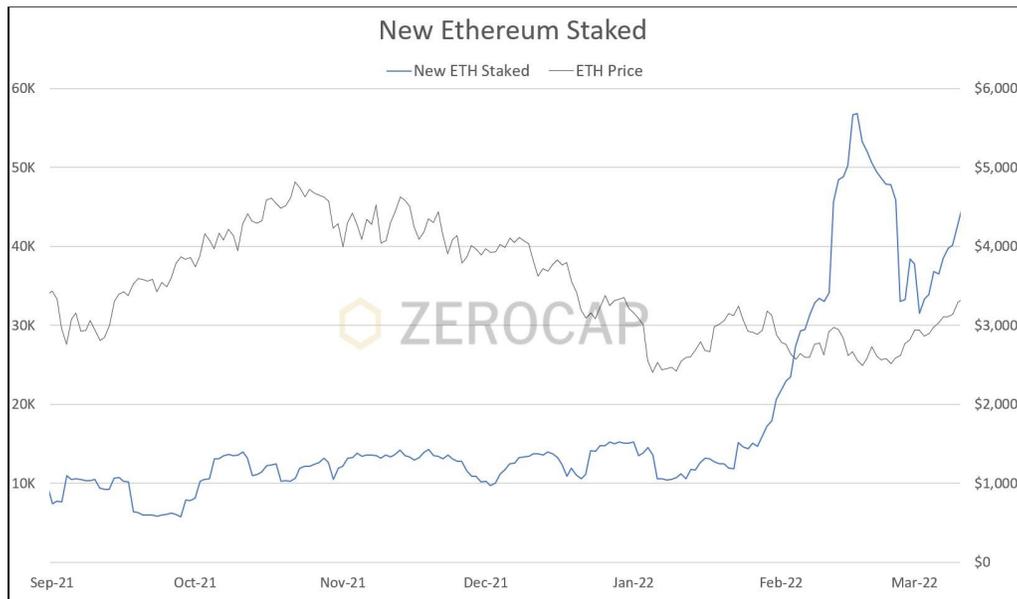
- This week's price action was dictated by early risk-off sentiment. Early selling pressure pushed ETH to lows of 3,140. Bulls reclaimed short-term support above 3,200 to close out the week. After three consecutive weeks of gains, Ethereum dropped 9.01% lower WoW. Re-claiming support levels above 3,200 puts us back within a tight range between 3,200 and 3,500.
- In prior weeks, we saw a breakdown in price behaviour between Ethereum and equities. This was largely due to growing interest and anticipation related to ETH's transition to Proof-of-Stake (PoS). However, the reminder of quantitative tightening and the threat of rate hikes has caused jitters. Market-wide risk-off sentiment saw the correlation between ETH and the Nasdaq reach 0.9.
- Historically, Bitcoin outperforms Ethereum in risk-off environments. Interestingly, Ethereum outperformed Bitcoin this week despite the wider market mood. ETH/BTC, drove higher to close at 0.759. Trending and range-bound price action will benefit Ethereum over Bitcoin in the short term and we expect a test of resistance at 0.778 in the near term.



ETHBTC Daily Chart



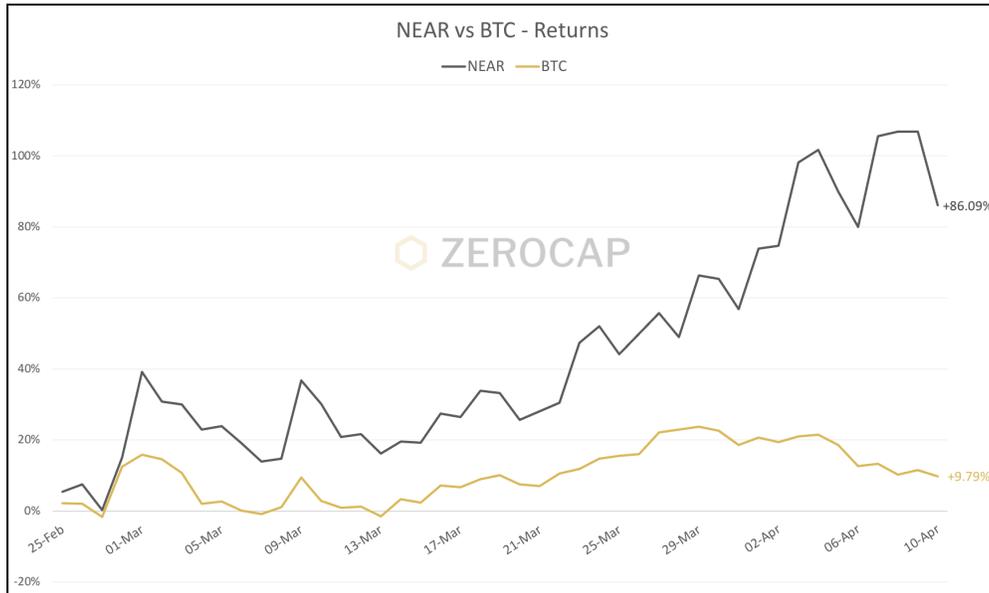
- Bullish sentiment continues to be reaffirmed in the options market. Substantial sold puts traded at both 2,900 and 3,000 strikes over the past week. Put sellers will collect premiums if the price remains above this price level at expiry. There is a clear disparity in volume between sold puts versus sold calls, which indicates participants are skewed bullish in the near term.
- In February, deposits of Ethereum into the ETH 2.0 beacon chain contract rose significantly. As the merge to PoS edges closer, it is expected that this behaviour will persist. Ethereum's supply issuance is expected to decrease by 90% post-merge. As a result, holders may be looking to capitalise on their Ethereum in anticipation of a liquidity squeeze.



- USDN, or Neutrino dollar, the algorithmic stablecoin of the Waves ecosystem, de-pegged on Monday. Accusations regarding the suspected manipulation of the WAVES' token price caused the price of USDN to drop 35% on Kucoin, de-pegging from 1 USD. Additionally, WAVES has been sold off aggressively and is down 63% from the March highs.



- Stablecoins and the likelihood of a de-pegging event have been making numerous headlines recently. One example from the Wall Street Journal spoke on firms such as Fir Tree Partners short-selling Tether, holding the view that Tether will de-peg from the USD. All the while, NEAR Protocol is rumoured to be launching its own algorithmic stablecoin called USDN. Supposedly, USN will be offering a 20% APY via a new DeFi Protocol. Since the end of February, NEAR has outperformed the market by a notable figure.



- While Ethereum has been subject to some downside this week, hype surrounding the impending merger to PoS is sustaining. However, hawkish comments from the Fed and the ever-changing macro dynamic continue to restrict risk-asset growth. Markets are now pricing in nine further rate hikes this year, and the re-pricing of this risk positions crypto in familiar but increasingly uncertain territory.



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### DeFi & Innovation

- [United Nations](#) accepts stablecoin donations for the first time, in aid of Ukrainian refugees.
- Australian convenience store giant [On The Run](#) to accept crypto at 170 nationwide outlets.
- [HSBC](#) launches a metaverse fund for high net worth clients in Singapore and Hong Kong.
- Cash App users can now invest their paychecks [directly](#) into Bitcoin.
- [Elon Musk](#) becomes the largest Twitter stakeholder, acquiring a 9.2% stake in the company.

### What to Watch

- US' Core Price Index and Core Retail Sales.
- EU's Monetary Policy Statement and Central Bank press conference.
- French presidential election.



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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