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

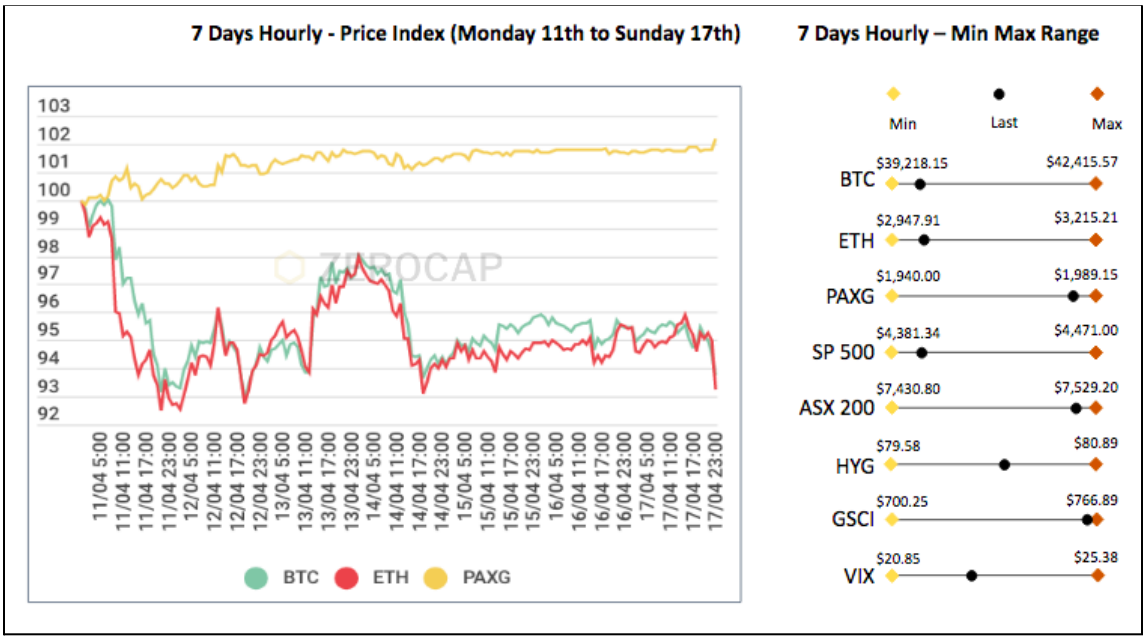
Note on release date: This week's Weekly Crypto Market Wrap was released on a Tuesday due to Easter holiday dates in Australia, on the 15 and 18th of April.

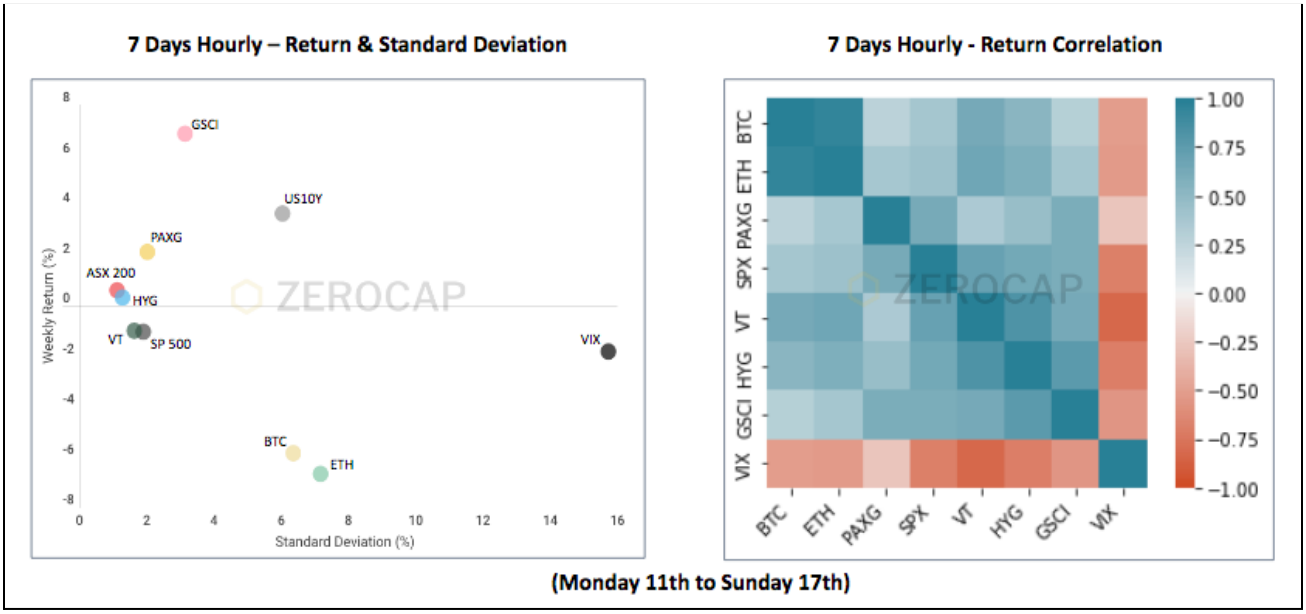
Week in Review

- US' Consumer Price Index puts inflation at 8.5%, highest rate since 1981.
- UK inflation index hits 30-year high of 7% as fuel prices surge.
- US' clearing house giant DTCC announces a pilot program to support digital dollar settlements.
- President Biden announces former Ripple (XRP) adviser as Fed Reserve's vice chair pick.
- Ethereum's Proof-of-Stake Merge update was delayed again, coming "a few months after June" according to the developer.
- Grayscale survey shows "vast majority of advisors" in the US want spot crypto ETFs.
- MasterCard files for 15 NFT and Metaverse-related trademarks.
- Elon Musk files SEC proposal to buy Twitter, threatens to reconsider position as 9.2% stakeholder if offer is not accepted.
- USDC's Circle announces $400 million funding round, partners with BlackRock to explore capital market applications.
- Brazil's Central Bank President confirms the nation will begin its CBDC pilot in 2022.

- Coinbase suspends India services days after launch due to local regulatory pressure.
- Former Ethereum core developer sentenced to five years in prison for speaking at a conference in the country on how to avoid international sanctions.

Winners & Losers





Macro Environment

- The bond market continues to bleed this week. Following a headline 8.5% YoY US CPI announcement, yields did retrace slightly below 2.7% (low 2.68%) on the ten-year US treasury bond for a brief period. Unfortunately, the 11.2% YoY US PPI once again elevated the concern over supply-side price pressures, given that the situation in war-torn Ukraine doesn't appear to be normalising anytime soon. In addition to hawkish comments from the ECB, which is now finally looking to exit the negative cash rate by Q3/22, several major central bankers and politicians are calling the fight against inflation to be on their main policy agenda this year. The ten year UST bond yield closed the week at 2.86% (USD Fed Fund rate currently stands at 0.25 bp).

- In contrast to the normalisation of higher rates, the second-largest economy in the world, China, is easing monetary and fiscal liquidity. Despite surprising the market by keeping the one-year loans rate at 2.85%, the central bank slashed the large commercial bank Reserve Requirement Ratio by 25 bp on Friday. In other central bank news, South Korean shares continued to play defensively when the Bank of Korea surprised the market by hiking rates by 25bp. The Bank of Canada and RBNZ raised their rates by 50bp respectively.

- The Bank of Japan maintained a dovish statement on monetary policy following their regular meetup. Japan could become the only major economy to still deliver a negative cash rate by the end of 2022. USDJPY shot through the 125 mark as the result of BoJ's dovish comments, and quickly went to a high of 127.50. Typically, a weaker Yen is positive on risky assets and Japanese stocks. However, once it loses value too quickly, outflows from panicking savers begin to reverse risk appetite. In the current environment, where USDJPY is above 125, hedging flows take a bite out of Japanese stocks and bonds.

Technicals & Order Flow

Bitcoin

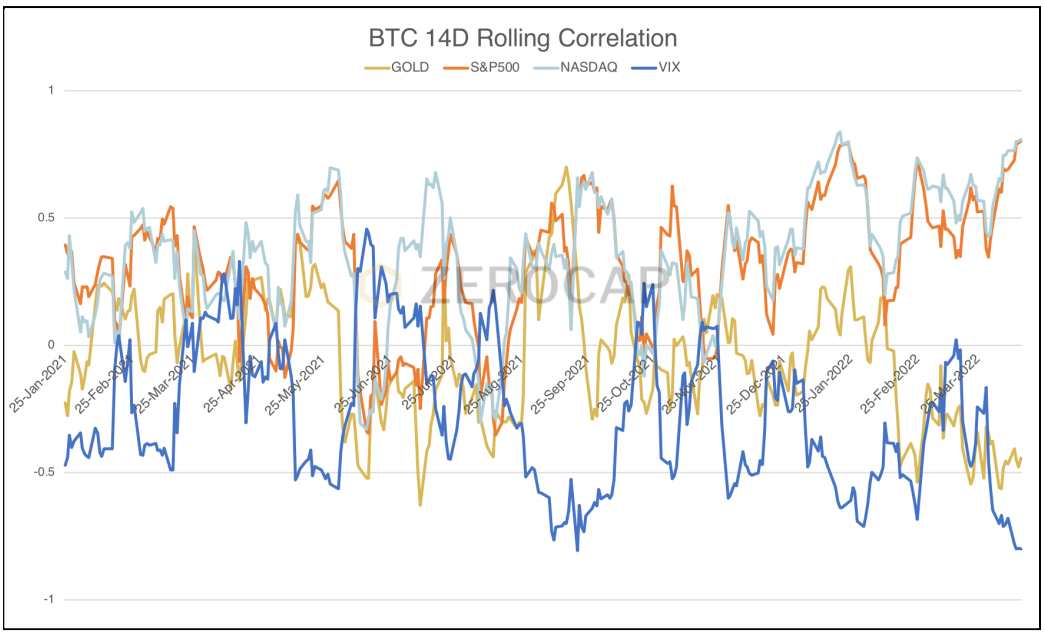
- This week, Bitcoin opened above key support at 42,000. However, bearish momentum prompted an early retest of the 39,500 zone. This level coincides with the lower level of a bear flag channel drawn from the Jan 22 lows. Price initially rebounded after being aggressively protected by the bulls at this support level.

- Action cooled off as market participants faced thin liquidity amidst the long Easter Weekend. Bitcoin closed out the week below 40,000, a level that will need to be reclaimed to reaffirm further bullish sentiment. We are currently seeing a false break of the bear flag, looking buoyant into the range.

- Investors showed a strong preference for risk-off in anticipation of the release of US CPI data on Tuesday, selling off as investors took precautions on Monday.

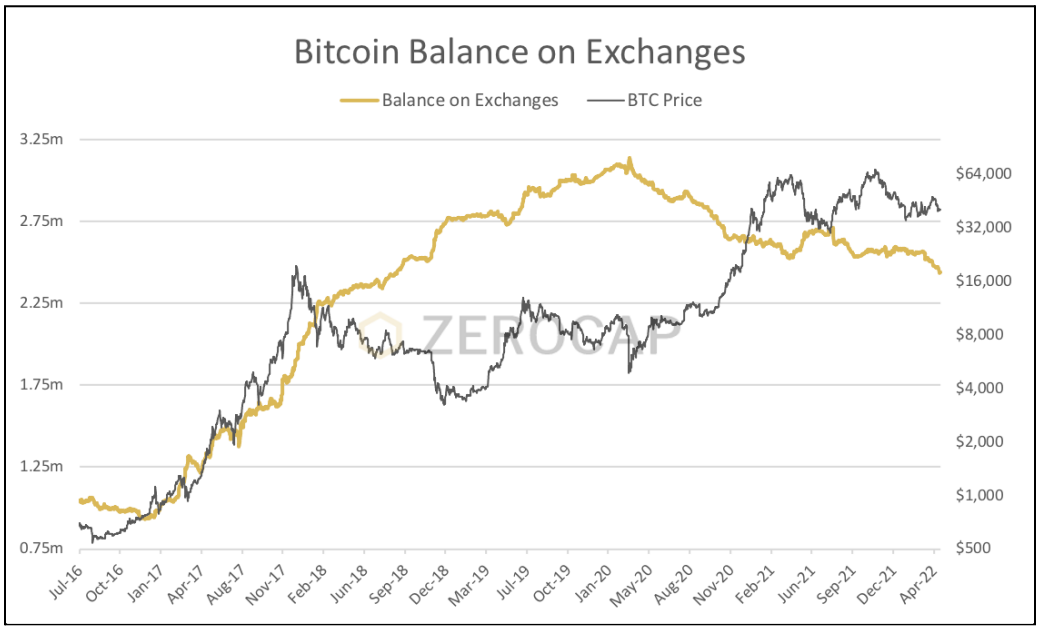
- Investors welcomed the release of US PPI data that beat expectations on Wednesday, indicating growing supply-side price pressures. Bitcoin's action shifted in favour of the bulls shortly after.

- Since the start of April, Bitcoin's action has mirrored that of equities. Bitcoin's 14-day correlation with the Nasdaq now hovers around 0.81. For the time being, it is likely that the mood in equity markets will continue to roll over into the digital asset space.



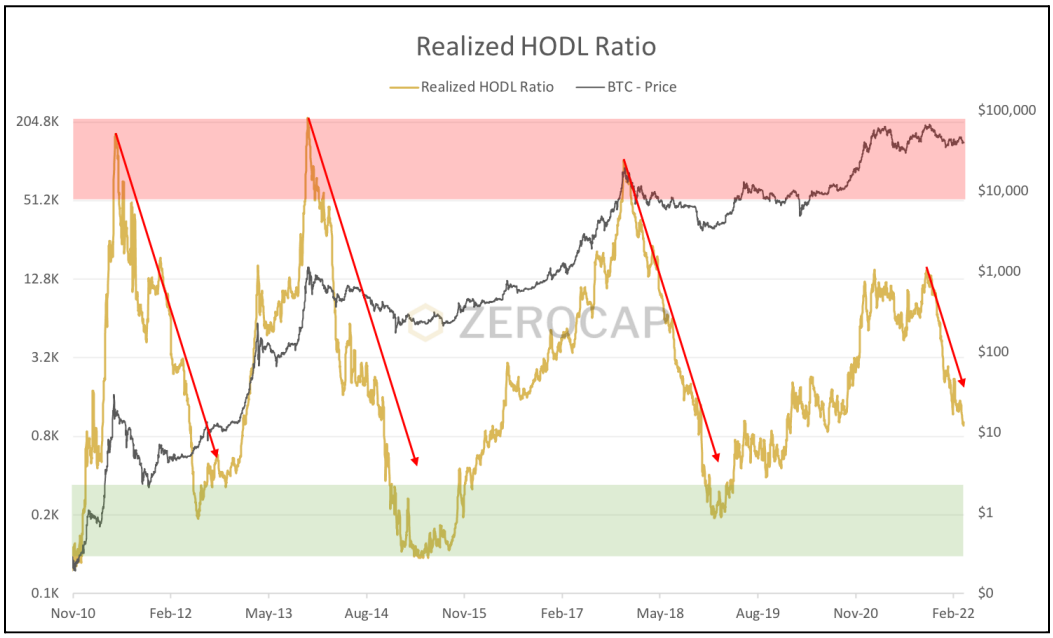
Data source: Tradingview

- Last week, we spoke about the notable net outflows of Bitcoin from exchanges. Looking at a similar metric, balance on exchanges, it can be deduced that the total amount of BTC held on exchanges is the lowest they have been since September 2018. Investors are accumulating and there is a developing vacuum of readily available supply.



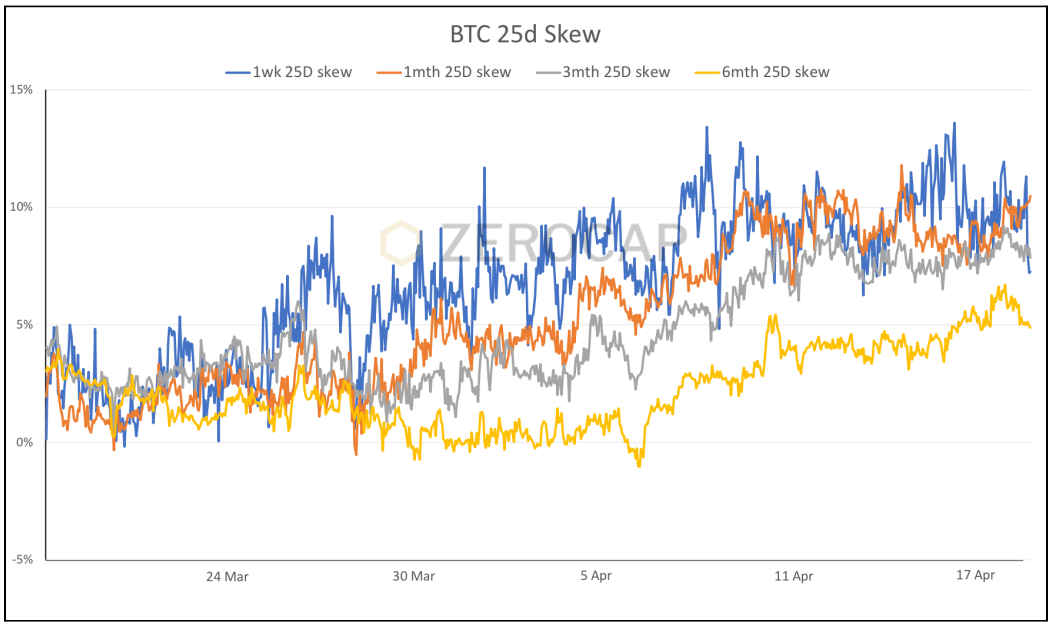
Data source: Glassnode

- Realized HODL ratio is an indicator used to time cyclical tops and bottoms. Whilst we're seeing investors accumulate Bitcoin, this indicator is trending in a fashion that has historically resulted in price depreciation. Although, we are approaching the oversold zone fairly quickly - and combined with the supply squeezes on exchanges, leads to a confluence of buoyant factors into the 30,000 to 40,000 levels.



Data source: Glassnode

- Looking at derivatives data, Bitcoin's 25d Skew has increased significantly since mid-March. This is indicative of heightened demand for bearish option plays. This corresponds with the theme of short-term downside.



Data source: Skew

- Bitcoin continues to be affected by risk-off sentiment promoted by hawkish undertones and geopolitical risk. On-chain indicators and derivatives data imply short-term weight on price action, however, supply-side factors could be leading the market to a short-squeeze.

Ethereum

- Ethereum began the week with another heavy sell-off, dropping 7.71% on Monday to 2,950. After finding support at this level, we continued to see choppy and see-sawing price action with all rallies short-lived. Stops were taken out off prior lows, with the move below 2,900 on thin Sunday liquidity with the week-ending price of 2,980 representing a WoW decline of 6.98%.

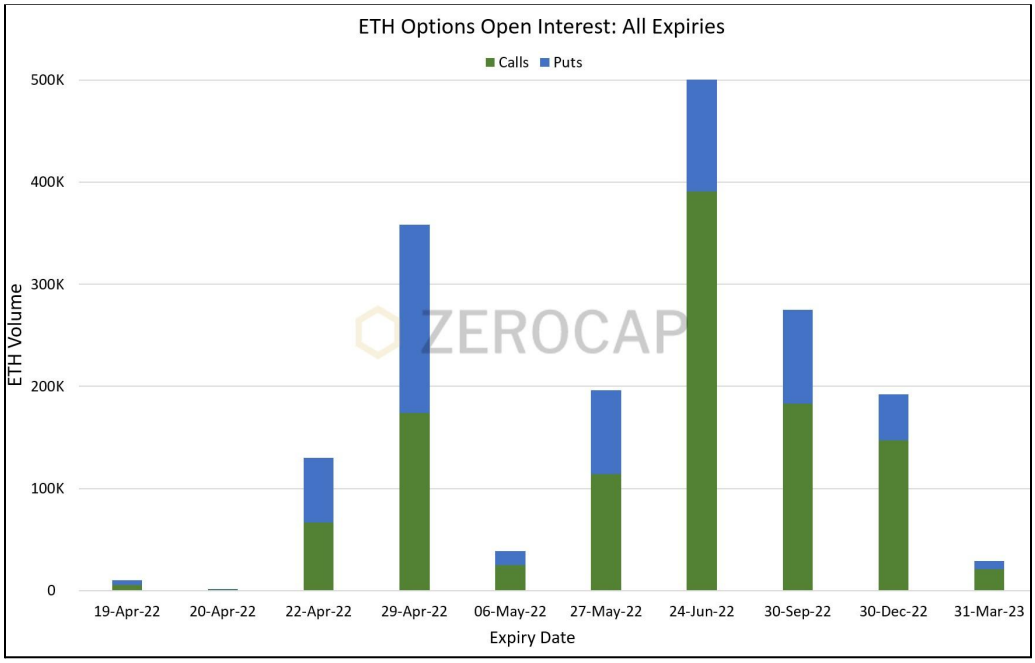
- Compressed price action is largely a result of the fallout from the mid-week US CPI print, which arrived within market expectations. YoY inflation in the US now sits at 8.5%, the highest since 1981, and only validates the likelihood of several Fed rate hikes in the coming year.

- This narrative is continuing to create price synergy between risk assets and cryptocurrencies. With Ethereum's 30d correlation to the Nasdaq sitting at 0.82, we are continuing to see the wider crypto market behave similarly to high beta risk assets.

ETHBTC Daily Chart

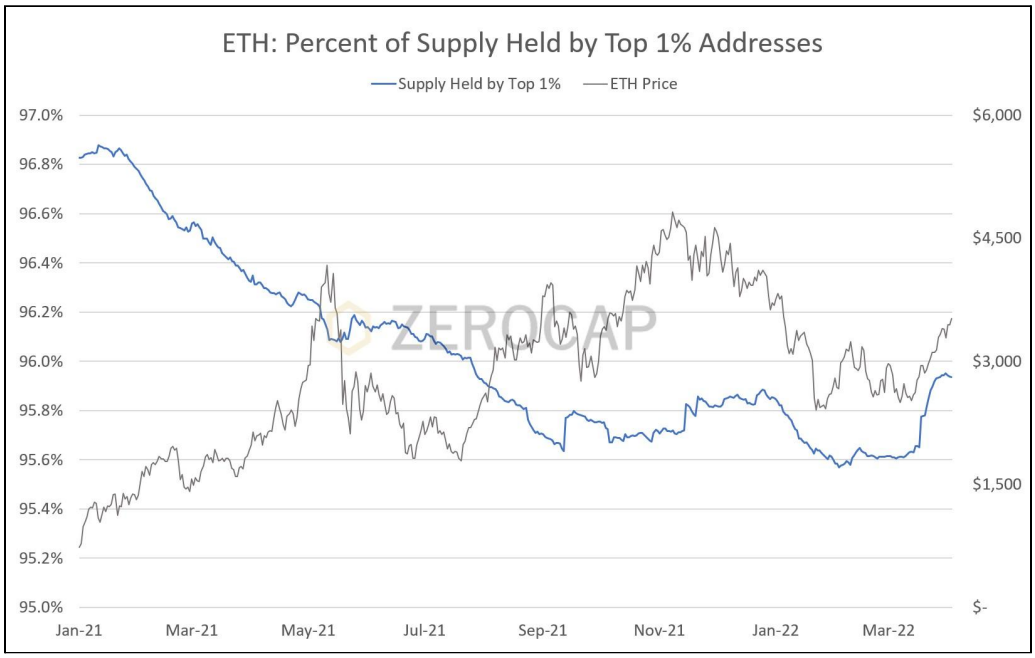
- ETH/BTC experienced range-bound price action, closing the week down 0.88% at 0.753. Crucially, the now turned support level at 0.0730 offered a strong foundation over the course of the week, bouncing off this key level twice before maintaining its current range between 0.073 and 0.076. We expect to see the top of the range broken as momentum builds leading into the Proof-of-Stake merge over the coming months.

- Over the past fortnight, open interest for June 24 option expiry has increased significantly. This may be a result of traders positioning themselves for the upcoming ETH 2.0 merge. The expected post-merger supply constraints play into the bullish thematic of Ethereum. As the merge approaches, traders are buying calls with the view of upside appreciation.



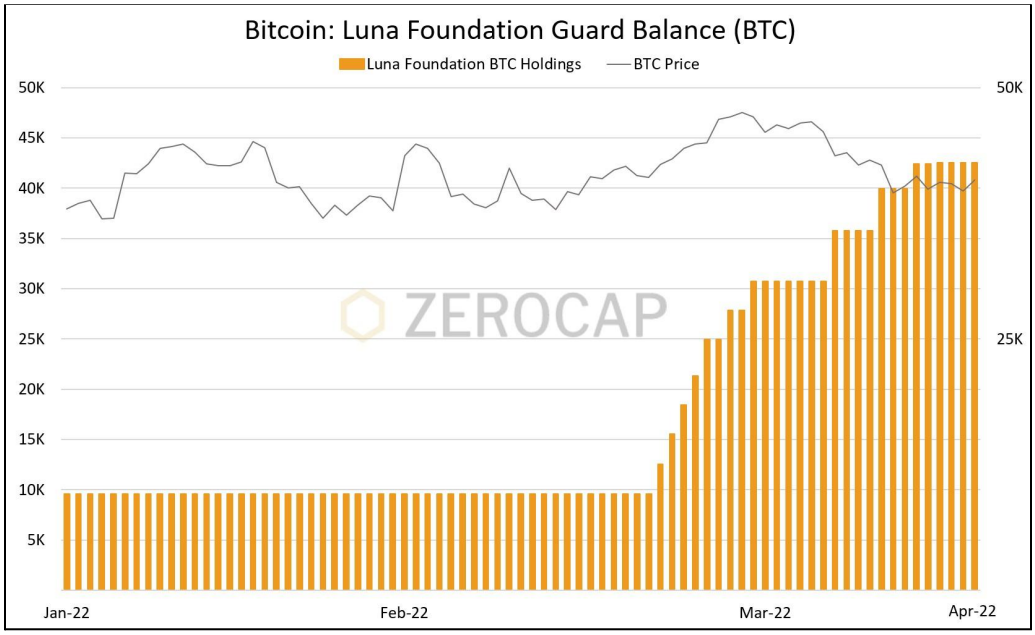
Source: Laetivas

- Supply held by the top 1% of Ethereum wallets has increased over the past month. This suggests whales are accumulating at current levels and driving the MoM price increase. This supply increase coincides with ETH 2.0 contract deposits. Investors are looking to stake and lock up their ETH before the merger.



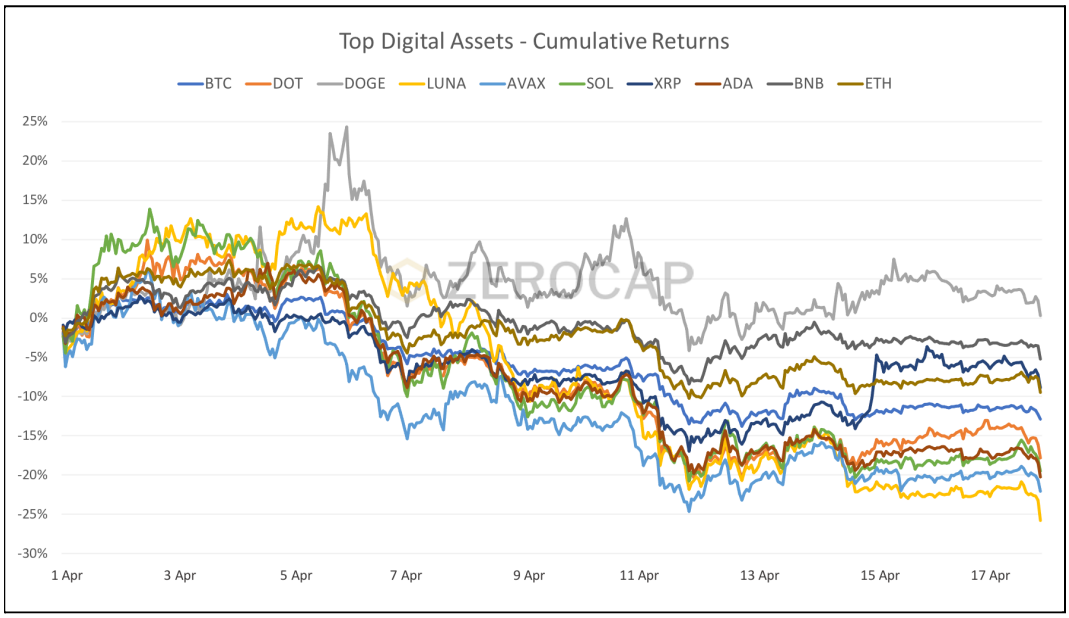
Data source: Glassnode

- The Luna Foundation Guard (LFG), as part of its accumulation of BTC as a reserve asset, now possesses over 42,500 BTC. In light of Luna's burning mechanism, designed to retain UST's peg to 1 USD, additional BTC holdings act to provide further cushioning in the context of extreme UST volatility. Do Kwon, founder of Terra, has signalled that the foundation aims to accumulate $10bn in BTC and eventually become the largest holder of Bitcoin.



Data source: Glassnode

- Since the beginning of April, the top 10 cryptocurrencies by market capitalisation have experienced significant drawdowns. Largely due to the Hawkish undertones and geopolitical context dampening sentiment, many alt-coins have underperformed relative to Bitcoin. Notably, Dogecoin has been an exception and is the only digital asset in the top 10 that has sustained positive returns, unsurprisingly on the back of its biggest fan, Elon Musk, being prominent in the media spotlight over the past week.



Data source: Tradingview

- After consecutive weeks of price slumps, all eyes are on Ethereum to regain momentum and drive further appreciation across the crypto market. Persistent bullish on-chain signals and positive options flow indicate there may be some price relief in the medium-term, as the hype around the impending merger remains. Whales have been accumulating ETH in the prior month, and supply deposited into the ETH 2.0 contract continues. Moreover, as more investors look to lock up their assets the circulation of available ETH will reduce.

DeFi & Innovation

- UniSwap launches a VC wing for Web3 investments, with positions in 11 projects so far; UniSwap is part of Zerocap's Innovation Index.
- Swiss public exchange lists two carbon-neutral crypto ETPs.
- Fortnite creators' Epic Games raise $2B from Sony and LEGO to fund metaverse plans.
- Opera's Crypto Browser officially launched for iOS and Android, embedded with a native crypto wallet.
- Japan's most popular messaging app Line adds NFT marketplace to the platform.

What to Watch

- Fed Chair Jerome Powell speaks at an IMF panel, on Thursday.
- European Central Bank President Lagarde speaks at the same IMF event as Powell, on Thursday.
- Bank of England's governor Bailey speaks on Friday.

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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