



ZEROCAP

Weekly Crypto Market Wrap

28 March 2022 – 3 April 2022

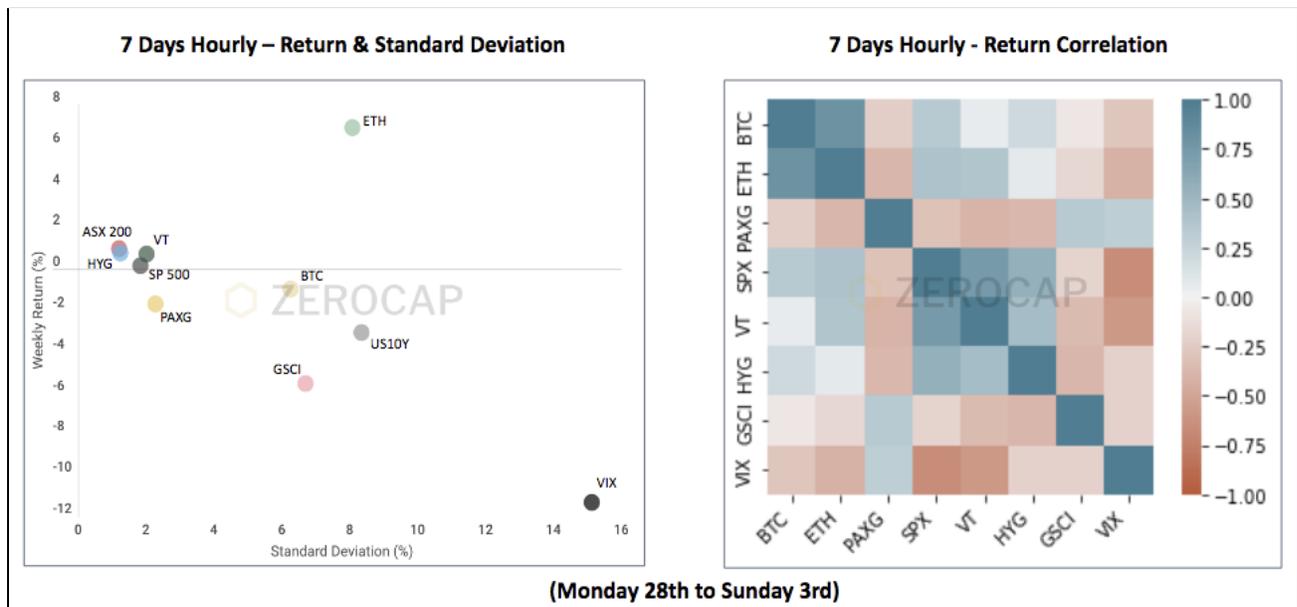
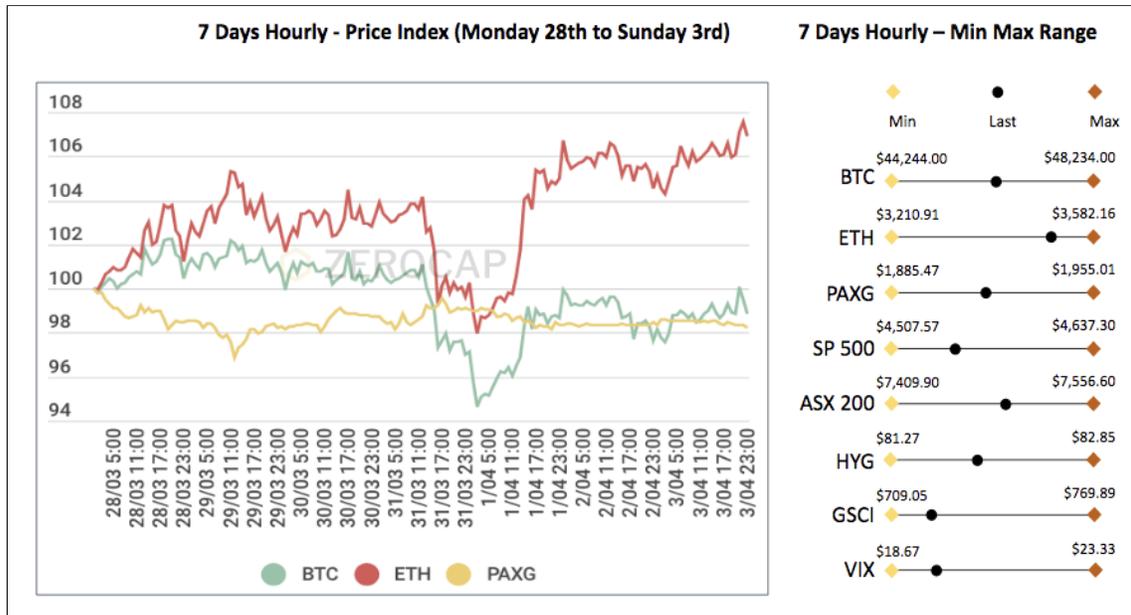
Zerocap provides digital asset investment and custodial services to forward-thinking investors and institutions globally. Our investment team and Wealth Platform offer frictionless access to digital assets with industry-leading security. To learn more, contact the team at hello@zerocap.com or visit our website www.zerocap.com

Week in Review

- The US Government Accountability Office (GAO) [lays out](#) four policy recommendations for use of blockchain technology in the government - from operational efficiency to pharmaceutical supply chains and digital IDs.
- Bitcoin network hits [19 million BTC mined](#) - only 2 million left.
- Bank of Japan calls for [G7 nations](#) to adopt common crypto regulations quickly to close digital loopholes against sanctioned territories.
- [European Union](#) votes to track all crypto transfers under new legislation - Coinbase CEO argues it “eviscerates all of the EU’s work to be a global leader in privacy law and policy.”
- Washington state [passes a bill](#) to support local adoption of blockchain technology.
- [US JOLTS](#) Job openings rose to steady 11.3 million in February from 11.0 million in January.
- [Euro zone inflation](#) hits another record-high of 7.5% as the Ukraine conflict pushes prices.
- The US population is mostly unaware of crypto terms such as blockchain and DeFi, despite a major adoption spike in the nation over the past few years; [polling agency report](#).
- Institutional crypto funds see largest capital inflows in three months; [CoinShares](#).
- [China’s](#) crypto crackdown continues, as WeChat bans accounts associated with NFTs.

- Coinbase set to [complete acquisition](#) of Brazil's largest crypto exchange, Mercado Bitcoin, this month for \$2.2B.

Winners & Losers





Macro Environment

- US Non-farm payroll for March maintained strong momentum with over 400,000 jobs created and a revision for the previous month of almost 100,000 additional jobs. The unemployment rate dropped to 3.6%, and average hourly earnings beat expectations at 3.6% YoY. The strong employment picture helps invert the entire USD curve, with 5 vs. 30 yr at minus 10bp and 2 vs 10 yr at minus 5bp. In layman's terms, the market believes that the FED is behind the hiking cycle needed to normalise economic growth against inflationary pressures. An aggressive hiking cycle is warranted, but it could also crowd out private investment and push the economy into a recession down the road, forcing rates lower.
- There was slight optimism surrounding the Russian/Ukraine issue as Russian troops retreated from the surrounding Ukrainian capital, Kyiv. The S&P 500 opened the week at 4,521 and quickly shot up to a high of 4,638 before closing the week at 4,535. During the month, the change in the geopolitical landscape has also impacted the geographical breakdown of the investment climate in cryptocurrencies. According to on-chain statistics, BTC performance against the USD during European trading hours has outpaced that of Asian and US time zones significantly during the last month, with speculation that the higher volumes was due to the disruption in traditional banking systems in the region. Demand for BTC as a source for donation to the Ukraine effort has also elevated the status of the cryptocurrency as the preferred transactional asset, transcending borders.



Technicals & Order Flow

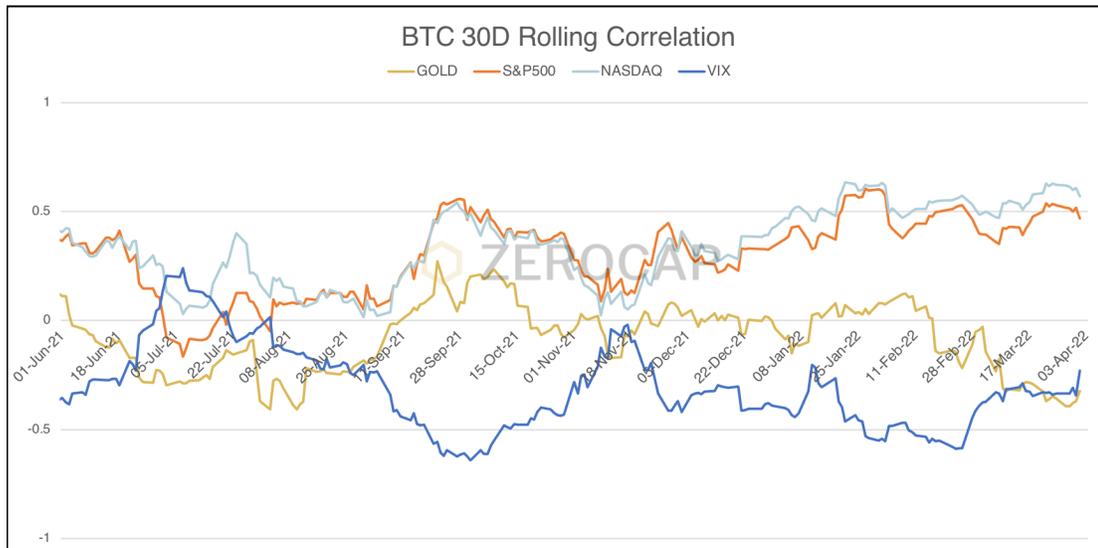
Bitcoin



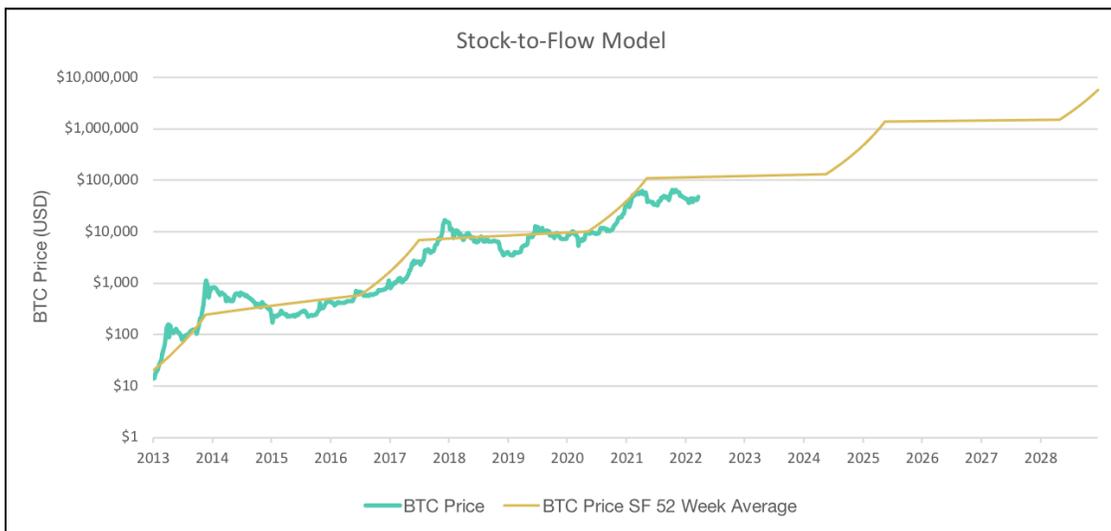
- Bitcoin opened this week's action slightly below 47,000. Bulls initiated an early push toward weekly highs of 48,200 before consolidation centred around the 47,000 level. A short-lived but significant drop to weekly lows of 44,200 was met with bullish pressure that lifted price back up above 46,000. The technical move chopped up traders playing breaks and mean reversion of the 46,000 level.
- Investors welcomed the prospects of de-escalation in Ukraine on Tuesday. Headlines regarding peace talks between Russia and Ukraine boosted sentiment, laying the path to Bitcoin's push toward weekly highs.
- However, just as markets were about to enter Q2, news broke that the European Parliament voted in favour of outlawing 'un-hosted wallets' within the European Union. Bitcoin dropped \$2000 in 4 hours, outlining the significance of regulation in this developing space.



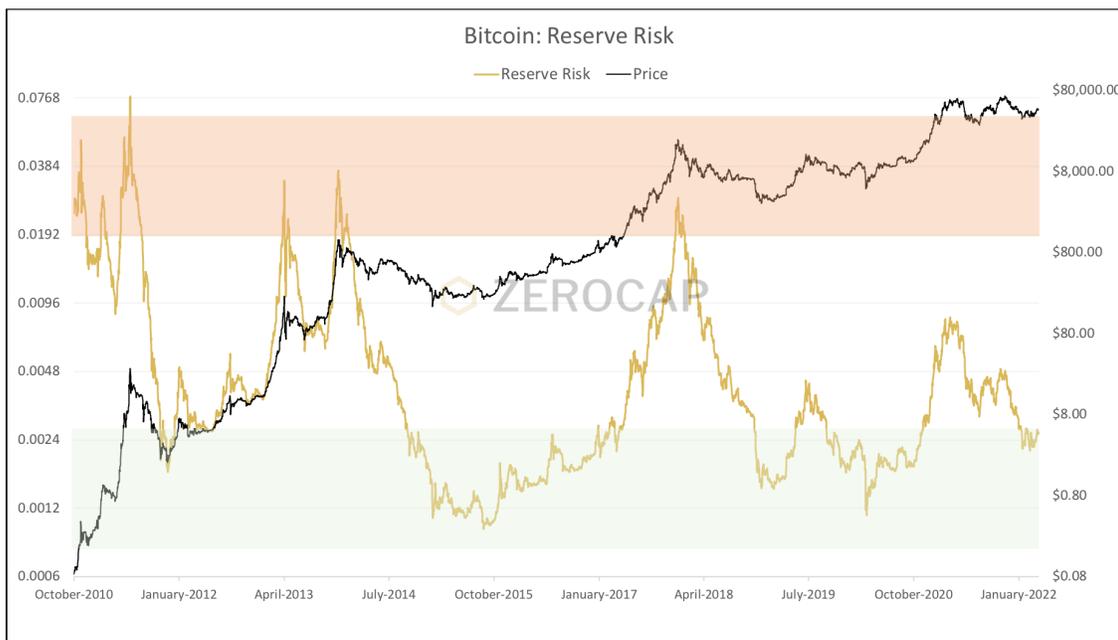
- This coming week, market participants can expect mirrored price action between Bitcoin and equities in the lead up to macroeconomic event risk on Wednesday with the FOMC minutes being released.



- Notably, there are some important and untested dynamics at play that may result in a breakdown of Bitcoin's correlation to equities in the medium term. One of Bitcoin's most significant characteristics is its deflationary properties. As the Fed looks to hike rates numerous times this year, Bitcoin may soon become an integral mechanism for hedging inflation. We only have 2 million Bitcoin left to mine, and it's the only mathematically verifiable supply commodity available to institutional investors.
- The stock-to-flow model is defined as the amount of a commodity in circulation divided by the amount produced annually. Higher stock-to-flow ratios indicate increased scarcity of an asset. Bitcoin is currently undervalued according to the stock-to-flow model, with a real potential for reversion to the mean.

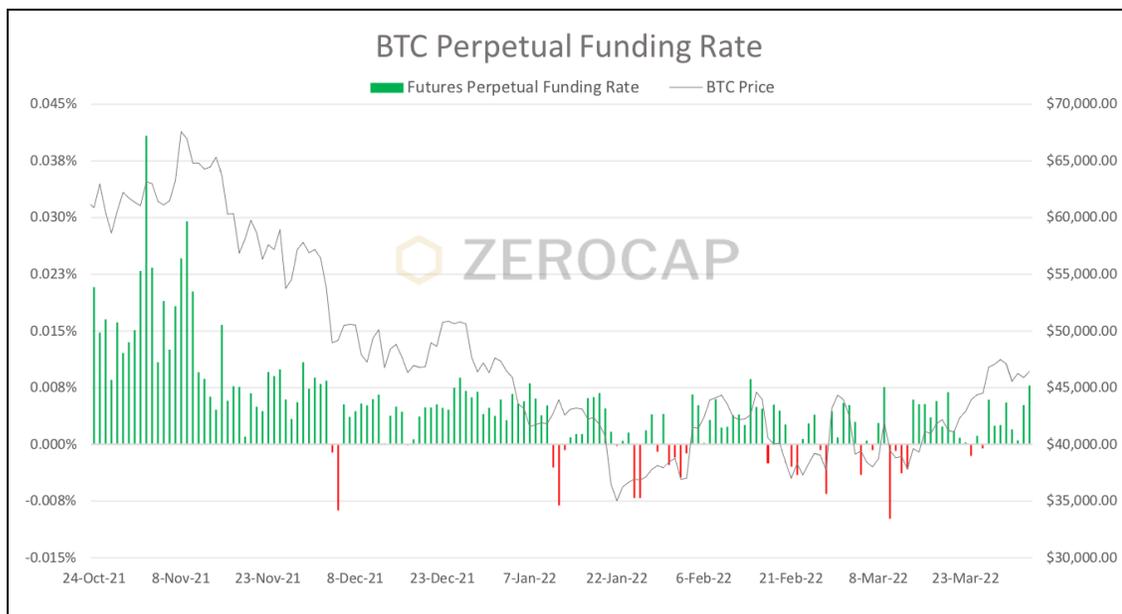


- Reserve risk is an indicator used to assess risk relative to perceived upside. Despite the current geopolitical environment, this indicator is sitting in an oversold zone. Notably, reserve risk's current implications play into the implied added value of Bitcoin's scarcity and the inflation narrative at hand.





- Looking at funding rates, it is clear that ambiguity and indecisiveness have been apparent since January 2022. More recently, however, funding rates have become weighted toward longs and the underlying sentiment is somewhat more transparent.



- Rolling over into the start of this week, positive sentiment has been reaffirmed by positive news out of Ukraine, and rejection off 45,500 and a weekly close above 46,000 is positive in the short-term. On-chain indicators such as reserve risk also suggest that there is notable potential upside at current levels. This being said, it is clear that regulation and the macro and geopolitical pressures could have a substantial impact on price if unexpected data or newsflow hits the wires. Investors should take note and weigh this into investment decisions.



Ethereum



- Ethereum is technically trading very well. We saw an initial rejection of the key 3,400 level, on the back of regulatory news out of the EU down to 3,200. However, Ethereum's price edged higher toward the latter part of the week closing 6.8% up WoW. Price is respecting the 3,400 level and it looks like we are gearing up for another move.
- Significantly, Ethereum's correlation to the Nasdaq over a one week period shifted below 0. The correlation between the two assets has not crossed below 0.6 since early March of this year. This decoupling signals growing confidence in other Ethereum thematic independent of risk moves, with a key theme right now being the expected supply shifts and revenue model with the transition to ETH 2.0.
- With prior resistance now forming support at 3,400, investors can see clear skies above and are primed to test 3,600.

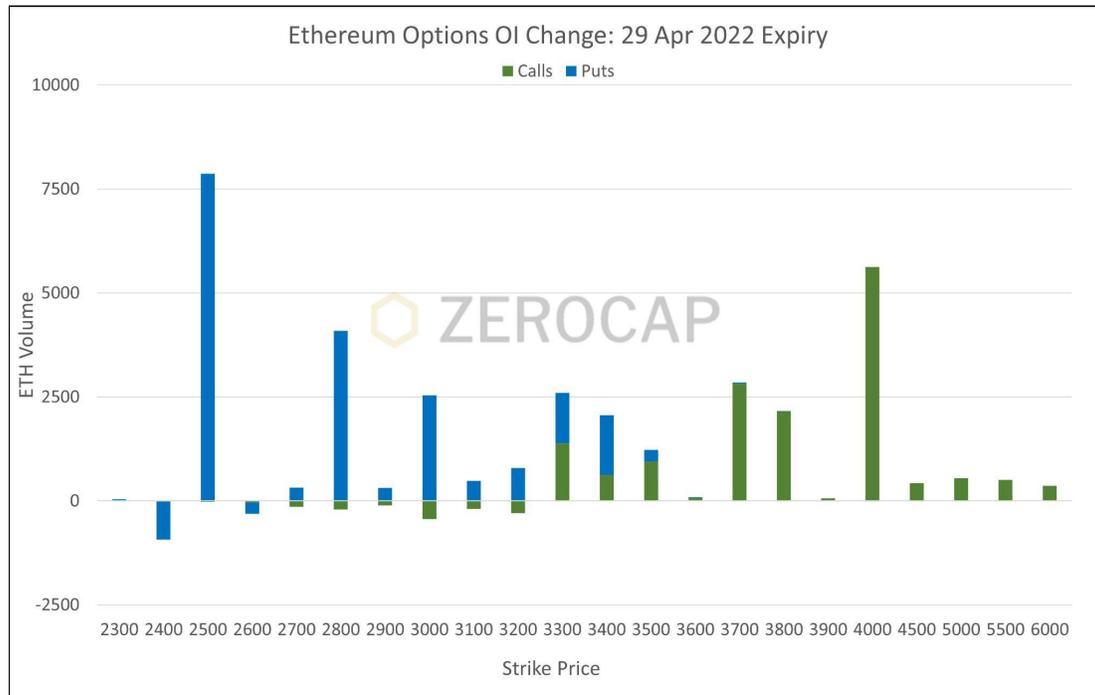


- Historically, Ethereum outperforms BTC during risk-on environments and has often been indicative of market-wide growth. Ethereum surged above resistance at 0.0720 level with no signs of slowing. Next resistance is 0.0778, and we expect a fairly clear run to this level over the next week.

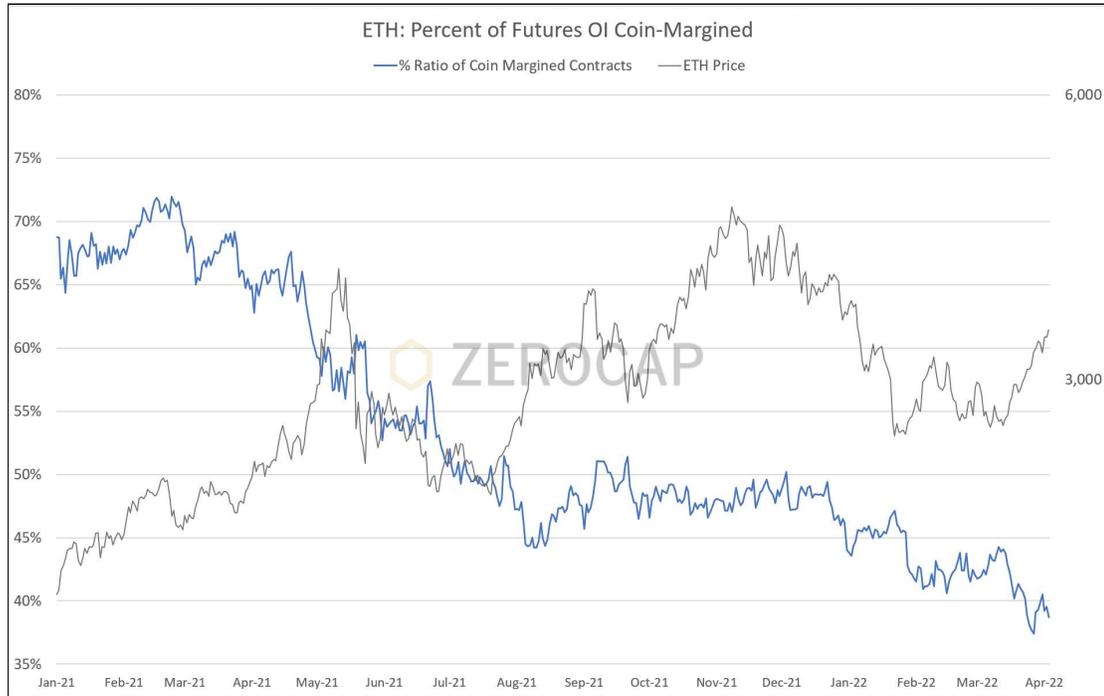
ETHBTC Daily Chart



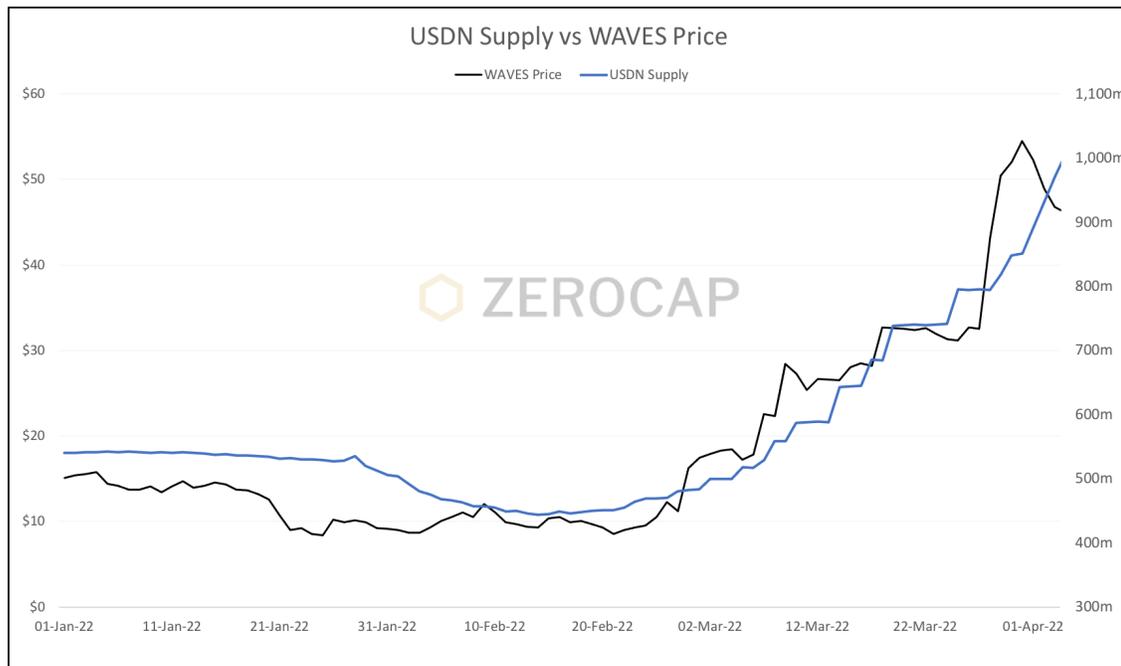
- Options traders are wagering bullish bets on Ethereum being above \$4,000 by the end of the month. Calls expiring on April 29th, have seen growing emphasis around \$4,000 strikes. This reflects a growing bullish sentiment.



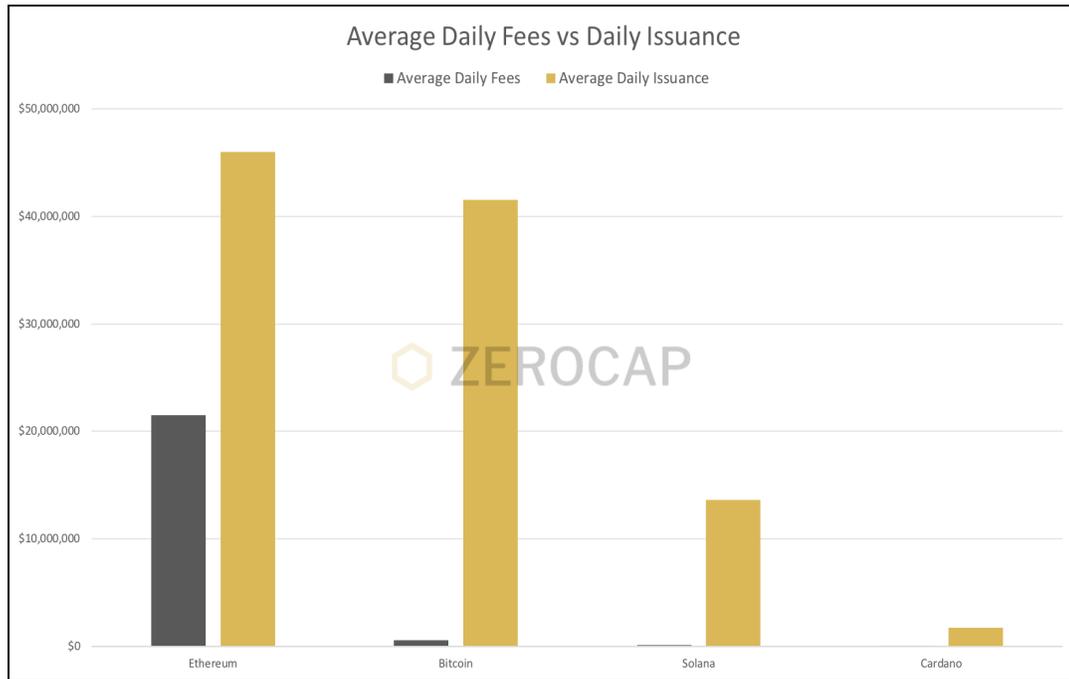
- In the perpetual derivatives markets, there has been a shift toward USD margined contracts compared to coin-margined contracts. This transition reflects the improved accessibility of fiat denominated financial tools on crypto currency exchanges. Additionally, derivatives margined in fiat, such as USD, reduce the probability of the liquidation events that investors often face when positions are margined in crypto currencies.



- On the altcoin front, Waves is a project that offers decentralised open-source technology to build scalable applications. Since the start of 2022, the price of the project's token, WAVES, has grown by 205%.
- As a result of the geopolitical conflict in Ukraine, Russia's monetary systems have begun to collapse. Additionally, US sanctions imposed on Russian citizens that can potentially restrict access to USDT and USDC have been the cause of increased flows into USDN, an algorithmic stablecoin. Increased demand for USDN is accompanied by diminished availability of WAVES. Importantly, since the war began, USDN's supply has expanded from approximately 450m to now over 1B.
- However, there's an interesting breakdown [here](#) on why this growth may be unsustainable.



- It is expected that Ethereum’s average daily issuance will decrease by approximately 90% as a result of its transition to its PoS model. This reduction in supply is equivalent to three Bitcoin halving cycles. We believe that this may cause significant price appreciation over the coming year, albeit volatile.



- Ethereum's growing momentum compared to BTC has it positioned for another leg higher, with ETH/BTC acting as the leading indicator for market-wide appreciation. Geopolitical headlines and their effect on Ethereum's price action have recently diminished. Considering the influence of the Ethereum merger in the coming months, ETH is looking prepped for further gains.



DeFi & Innovation

- [AAVE](#) launches V3 platform with support for six new blockchains, triggering a 50% rally over the past month; AAVE is part of Zerocap's "Innovation Index" DeFi product.
- Visa launches Visa [Creator Program](#) to help companies grow their businesses with NFTs.
- [Dubai school](#) to welcome tuition payments in Bitcoin and Ethereum.
- Crypto wallet [MetaMask](#) rolls out Apple Pay integration.
- [Bored Ape Yacht Club](#) confirms its Discord channel hack, warns against minting NFTs.

What to Watch

- FOMC meetings minutes, on Wednesday.

Insights

- [Stablecoins, a Zerocap Summary:](#)

Have a look at our brief guide on the fundamentals of stablecoins to understand the frameworks behind this essential piece of the crypto markets; what stablecoins are, their origins, the different categories and use cases.



ZEROCAP

Weekly Crypto Market Wrap

28 March 2022 – 3 April 2022

Disclaimer

This document has been prepared by Zerocap Pty Ltd, its directors, employees and agents for information purposes only and by no means constitutes a solicitation to investment or disinvestment. The views expressed in this update reflect the analysts' personal opinions about the cryptocurrencies. These views may change without notice and are subject to market conditions. All data used in the update are between 28 Mar. 2022 0:00 UTC to 3 Apr. 2022 23:59 UTC from TradingView. Contents presented may be subject to errors. The updates are for personal use only and should not be republished or redistributed. Zerocap Pty Ltd reserves the right of final interpretation for the content herein above.

* 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