



# ZEROCAP

## Weekly Crypto Market Wrap

16 May 2022 – 22 May 2022

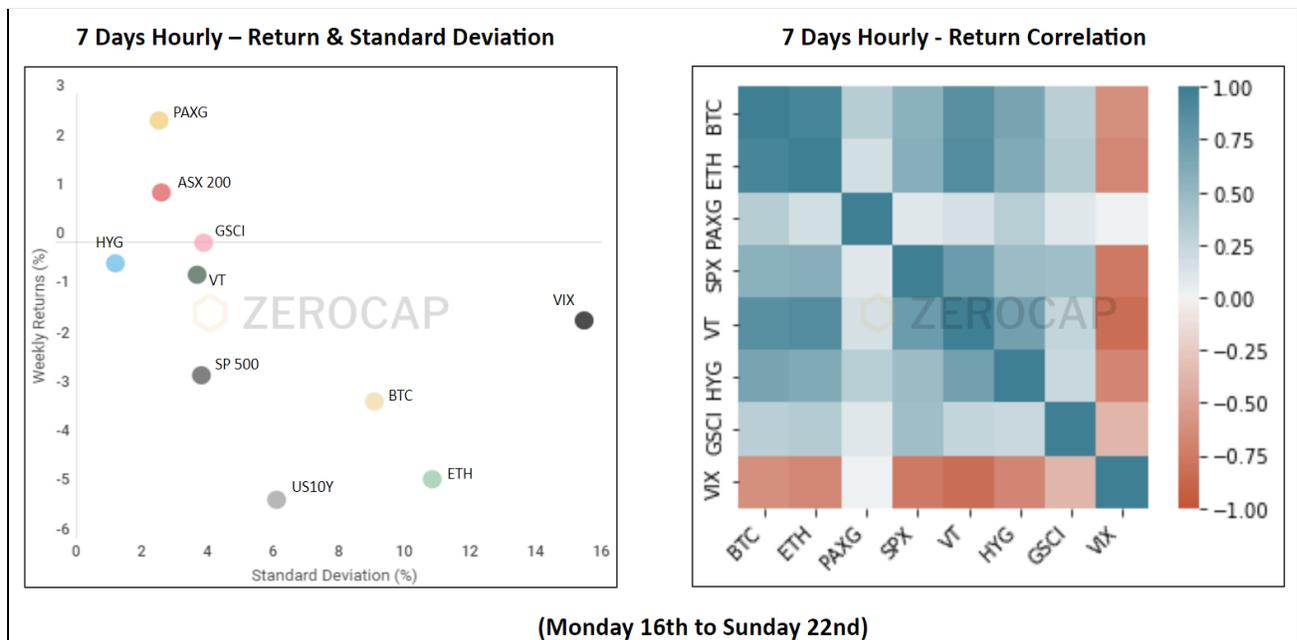
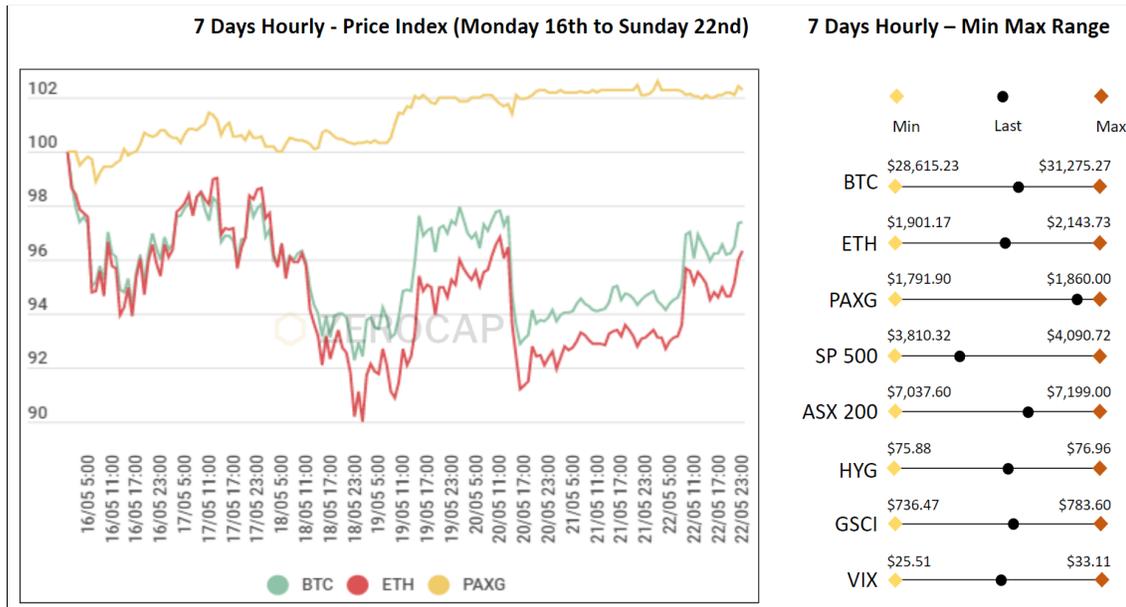
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### Week in Review

- Fed Chair Jerome Powell [states](#) Fed will not hesitate to keep raising rates until inflation comes down and “there could be some pain involved in restoring price stability.” - US [retail sales](#) rise 0.9% in April, improving the economic outlook.
- [S&P 500](#) slips into bear market territory, down 20% from its all-time high - [Nasdaq](#) reaching its longest weekly losing streak since the dotcom crash.
- [UK](#) inflation hits 40-year high at 9% year on year.
- UK's [Financial Conduct Authority](#) (FCA) to consider recent Terra fallout when drafting upcoming crypto rules for 2022.
- Australian Labor Party wins [Federal Election](#) after a streak of conservative leadership.
- Australian Commonwealth Bank [pauses](#) crypto trading trial citing market turmoil.
- Meta files US [trademark](#) for “META PAY” as “a financial exchange for the trading of digital currency.”
- [Terra founder](#) Do Kwon summoned to South Korean parliamentary hearing following LUNA/UST crash - legal team [quits](#) amid fallout.
- [China](#) regains 2nd position of world's largest crypto mining hubs despite ban.
- [ECB official](#) states digital euro testing will begin in 2023 and “could take three years.”
- [Goldman Sachs and Barclays](#) invest in UK crypto trading platform.



### Winners & Losers





### Macro Environment

- This week saw Australia change its government for the first time in almost a decade. There was a clear skew away from the conservative approach of the departing liberal coalition government for something much more central-left. The refusal to recognise environmental concerns and gender equality led to the Morrison government's landslide defeat. From here Australian asset markets, including the crypto space, will see a stream of changes that will increasingly focus on ESG. Taxation implementation will also no doubt be a hot topic as the government gets underway, as well as wage growth, union power and the potential for higher inflationary expectations and a more hawkish RBA.
- US markets saw the liquidation of consumer staple stocks during the week. Amazon, Target, and other retail giants revised down future earnings expectations, while Walmart saw its share prices dropping by the most in 35 years. With the S&P 500 entering into a bear market territory (It will be just its fourth streak of seven or more weekly losses in the post-World War II period) and semi techs/consumer staples such as Apple facing questions over its ability to generate growth in high inflation, high-interest rates and a slowing demand environment, asset allocation went towards government bonds instead. The ten year UST yield flipped from a recent high of 3.12% to close the week at 2.78%.
- China lowered the one-year mortgage lending rate to help minimise the impact of the country's hard lockdown in the pursuit of zero covid cases. Millions of workers are now forced to work from home in its capital Beijing. The restrictions have also induced credit issues with property and shopping mall profitability. The country's third-largest property developer, SUNAC, defaulted on its USD bond coupon payments (USD 742 million). On a different topic, given the freezing of Russia's FX reserve following its invasion of Ukraine, Russia is now selling its Oil and Gas directly to China with contracts denominated in RMB instead of USD. Discussion about doing something similar for INR with India and BRL with Brassil is also on the cards. Thus, further migrating away from the USD system.

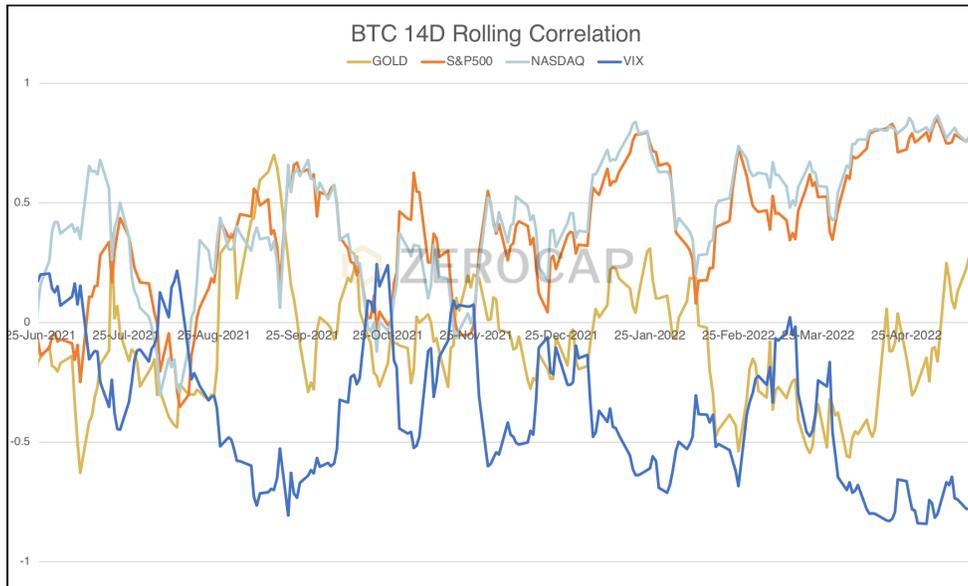


### Technicals & Order Flow

#### Bitcoin

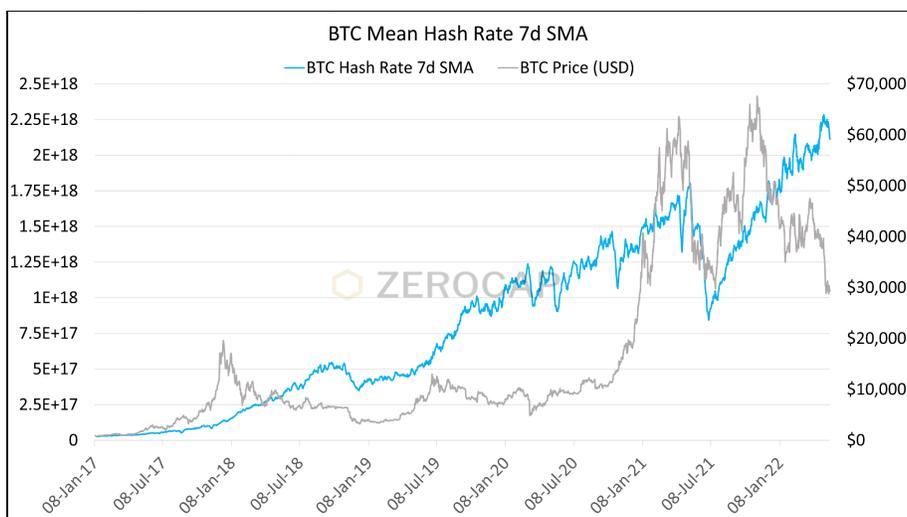


- After recouping some of last week's losses, Bitcoin opened this week above 31,000. However, lingering bearish sentiment pushed price toward weekly lows of 28,615. A subsequential move above 30,000 was quickly followed by rejection with investors reassessing the growth outlook in the presence of tightening monetary policy paired with inflation's continued impact on earnings. Both the Nasdaq and S&P 500 fell on Wednesday with Bitcoin following toward its weekly lows. Price closed the week above 30,000 following some late newsflow that bolstered sentiment, and has formed a nice short-term support level at around 28,500.
- Markets saw some key institutional developments. We had positive news from Grayscale who is launching its European 'Future of Finance' ETF that tracks crypto firms. Contrastingly, Commonwealth Bank of Australia is pulling out of crypto initiatives amid market volatility, with potential regulatory concerns, echoing DBS Bank's shift in strategy.



Data source: Tradingview

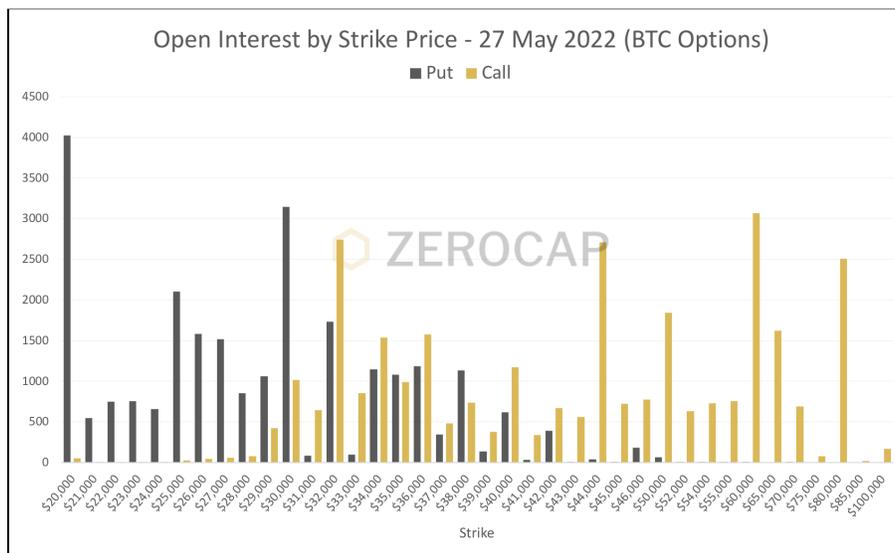
- Bitcoin's mean hashrate has largely recovered from China's blanket ban on BTC mining in May 2021. Interestingly, despite the ban, China is now the second-largest global BTC mining country after a surge in covert mining operations, and is responsible for approximately 22% of BTC mining globally. We are currently seeing an inverse relationship between BTC price and Hash rate with macroeconomics overtaking network health as the driver of moves.





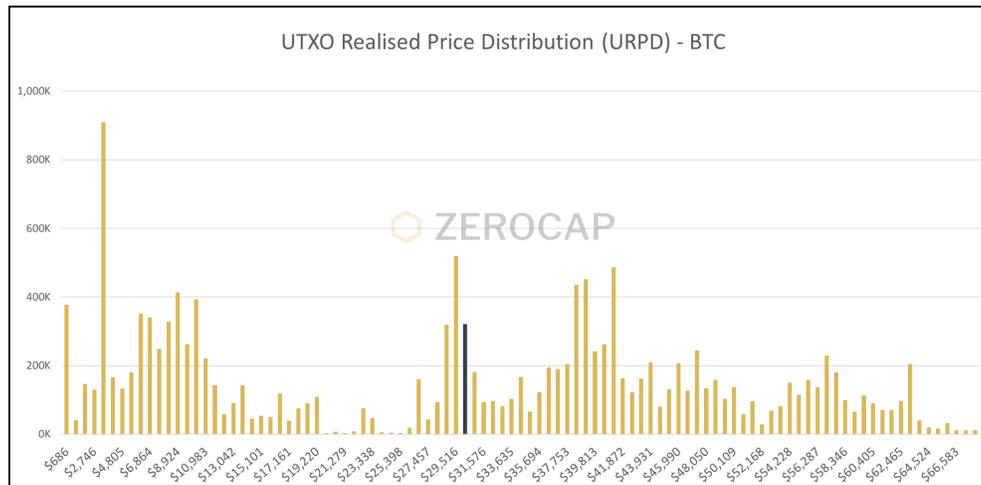
Data source: Glassnode

- The 27th of May marks a notable expiry for derivatives traders. There has been strong accumulation of open interest for calls around 32,000. Alternatively, there is an emphasis on 30,000 for puts. It is likely that price will play between these levels in the near term and we may see heightened price volatility subsequent to this expiry.



Data source: Glassnode

- Last week, we noted that long term holders are accumulating at current levels. Looking at the on-chain metric URPD, the narrative of accumulation is further supported. Notably, there is growing support within the 28,500 and 31,500 range. All in all, looking to be a ranging week unless we get any wild surprises.



Data source: Glassnode

- Historically, aggressive moves with significant drawdowns have proven to be a significant opportunity to accumulate. Zerocap offers investors alternatives to take advantage of heightened implied volatility. An example is Zerocap’s YEEN Entry Note. A bespoke product that provides investors with attractive upside capture on the back of volatility.



### Ethereum



Data source: Tradingview

- Ethereum started the week drifting lower, maintaining its high correlation to risk assets. Price edged downward until the 1,900 region where support came under pressure. Choppy action ensued as bulls held at these levels. We are now seeing some consolidation around the 2,000 level with short term support formed at 1,900. Despite price edging higher toward the week close, Ethereum closed down 4.75% WoW.
- While it can be expected that consolidation continues into month-end, ETH will likely continue to trade as a high-beta asset. This week, the FOMC minutes and GDP growth data out of the US is set to be released. Moreover, we can expect Ethereum to remain at the mercy of broader market moves in the short term.

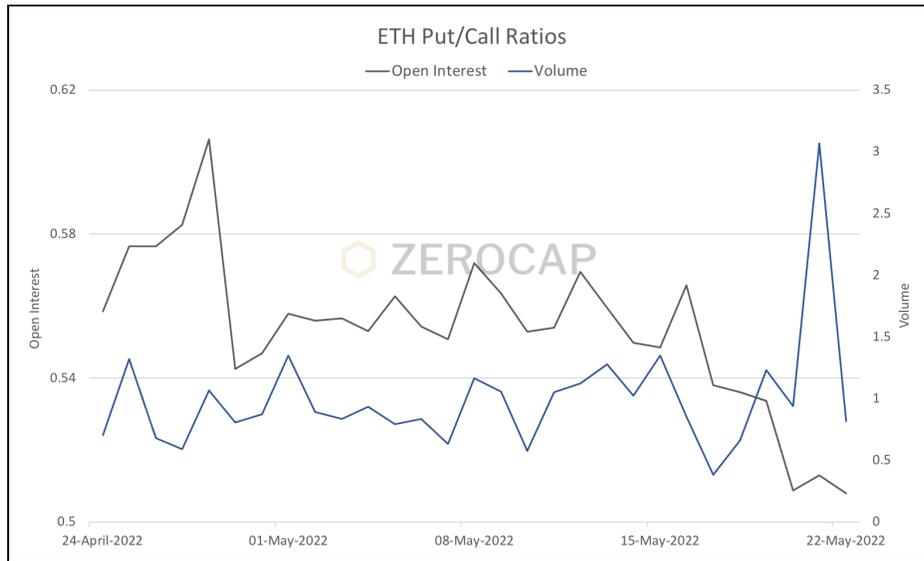


### ETHBTC Daily Chart



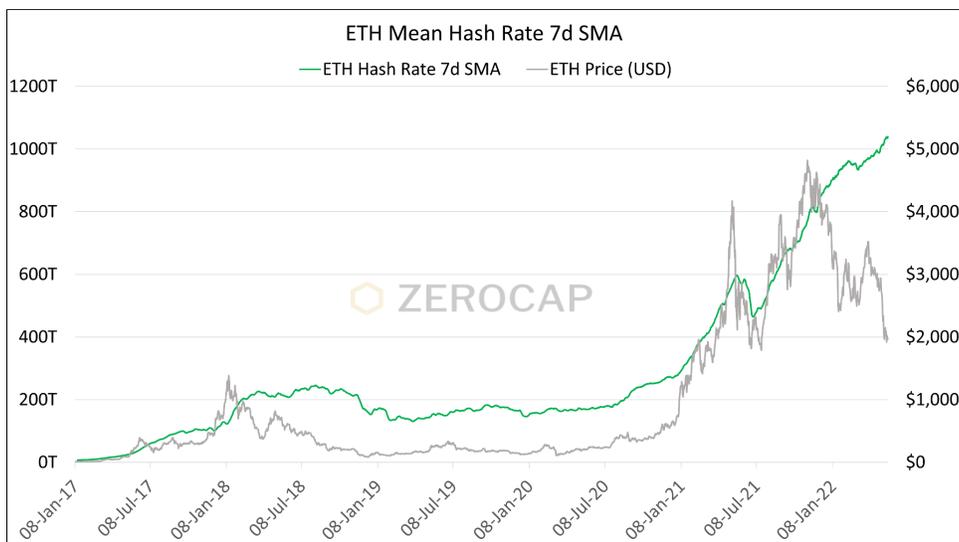
Data source: Tradingview

- Aligning with expected behaviour in the presence of wider risk-off market sentiment, ETH/BTC edged lower. As the pair edged lower, a retest of 0.066 occurred. This level was strongly protected on the back of a strong ascending trendline from mid-2021, affirming 0.066 as key support.
- Looking at derivatives data, we saw an uptick in the put to call ratio for Ethereum options. This paired with current risk-off sentiment is suggestive of a bias toward near term put protection.



Data source: Skew

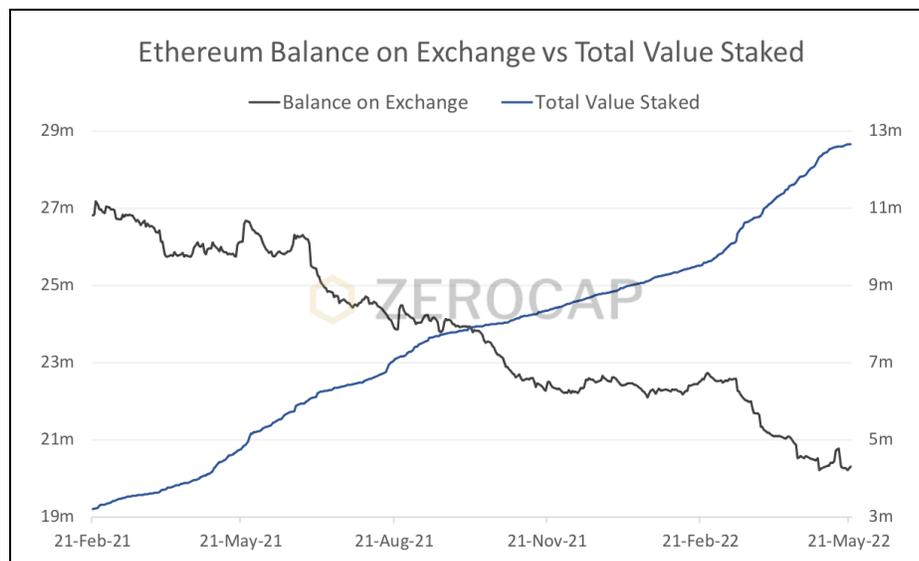
- Looking on-chain, Ethereum's 7-day mean hashrate is following a similar growth trend to Bitcoin's. Furthermore, Ethereum miners are seemingly increasing efforts as the chain migrates to a PoS consensus. It is likely miners are competing, in order to secure maximised future staking rewards when the merge is complete.



Data source: Glassnode



- As the Ethereum merge edges closer, a persistent trend is at play. The amount of Ethereum supply on exchanges is decreasing and there is a corresponding increase in ETH being staked. We can expect this trend to continue until the merge is complete. Dried up liquidity on exchanges may be cause for increased volatility in the short term.



Data source: Glassnode

- Ethereum currently resides at prices last traded in July 2021. Despite fundamental drivers such as the suggested Ropsten testnet testing in June, Ethereum's high correlation to risk assets paired with tough market conditions created a tough week. That said, if liquidity on exchange continues to dry up, in line with current trends, topside moves may prove significant.



### Innovation

- Coinbase and Robinhood are seeking to expand their product offering through the creation of Web3 wallets. Coinbase's Web3 wallet will utilise a co-custodial design where users' private keys can be stored by either the company or the users themselves. Alternatively, Robinhood's wallet will enable users to hold their own keys, tokens, earn yield, swap tokens and store NFTs without paying gas fees.
- This week, the popular DeFi protocol Aave launched its decentralised social media platform Lens Protocol on the Polygon blockchain. Lens Protocol is driven by ownership whereby each creator receives an NFT that links them to their followers and communities. Lens Protocol differentiates itself from traditional Web2 social media platforms by allowing users to own their own data, content and social graph.

### NFTs & Metaverse

- In a landmark case, the Singapore High Court handed down an injunction to prevent the ownership transfer of a rare Bored Ape Yacht Club (BAYC) NFT. A Singaporean citizen had collateralised their Bored Ape NFT to borrow ETH. Notably, the lending party, who lent Ethereum in exchange for the NFT, actually attempted to prevent the borrower's repayments by sending ETH repayments back. Failed payments would have resulted in default and the acquisition of said NFT. However, the High Court stepped in before the liquidation could occur. This case sets a precedent that recognises NFTs as assets under the jurisdiction of Singapore's courts.
- In the US, Spotify has integrated NFTs into its platform, enabling a small number of artists to display their NFT collection(s) on their Spotify page. The music streaming giant has claimed that this is a trial entry into the NFT space. Users can expect future NFT related endeavours if the trial is successful.



- Andreessen Horowitz announced that it is launching a \$600 million USD fund. The fund, entitled, GAMES FUND ON, aims to invest in the NFT gaming industry. According to a16z, the fund has been created due to their belief that “games will play a pivotal role in defining how [humans] socialise, play and work”.

### What to Watch

- Further developments from Terra’s LUNA/UST debacle - will Do Kwon testify?
- Fed’s FOMC Meeting Minutes, on Wednesday.
- US Preliminary GDP, on Thursday.
- US Core Price Index, on Friday.

### Insights

#### [The New Era of Payments:](#)

Settlements Officer Caleb Wong shares personal experiences gained in crypto while discussing the advantages of decentralised finance over traditional financial rails, the difficulties faced in this space, and how Zerocap has managed to overcome such obstacles.



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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



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