



ZEROCAP

Weekly Crypto Market Wrap

20 June 2022 – 26 June 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

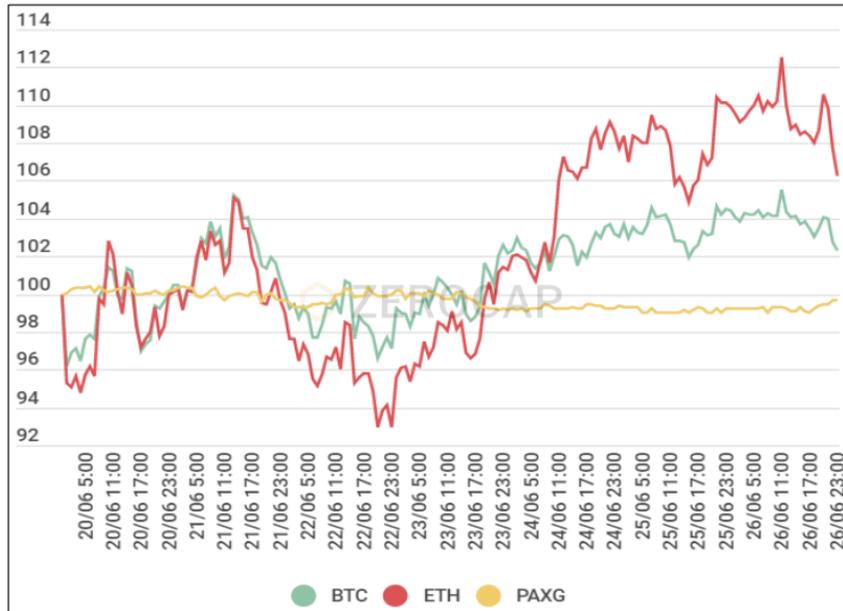
Week in Review

- Another world first for the Australian stablecoin: Victor Smorgon Group uses ANZ's A\$DC stablecoin to purchase [tokenised carbon credit units](#), with Zerocap as market maker and custodian for the deal.
- [FED Chair](#) Jerome Powell testifies on the economy and inflation, states that “a recession is certainly a possibility.”
- Stocks heading to worst Q3 start [since 1970](#) despite Nasdaq, Dow Jones and S&P 500's snap rally over the past week.
- [UK inflation](#) hits 40-year high of 9.1%, following May CPI results.
- [BIS](#) calls for central bank action against “high-inflation traps” plaguing leading countries - proportion of advanced economies with high inflation “has exploded.”
- Startup partners with software firm for a \$100 million [metaverse hub](#) in Melbourne.
- World Economic Forum [publishes paper](#) on the perks and challenges of DAOs.
- [Bank of Israel](#) tests CBDC, states use of smart contracts may need oversight.
- Percentage of [stablecoins](#) in global crypto market capitalisation reaches record highs.
- [Cristiano Ronaldo](#) signs contract with Binance for “multi-year NFT partnership.”
- China's [WeChat](#) app bans all crypto and NFT-related accounts.
- South Korean prosecutors ban [Terra \(LUNA\)](#) employees from leaving the country.

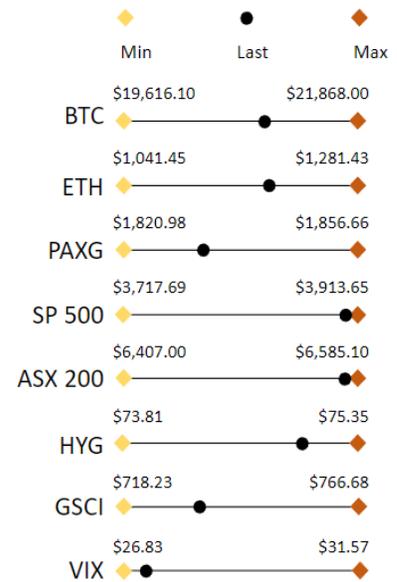


Winners & Losers

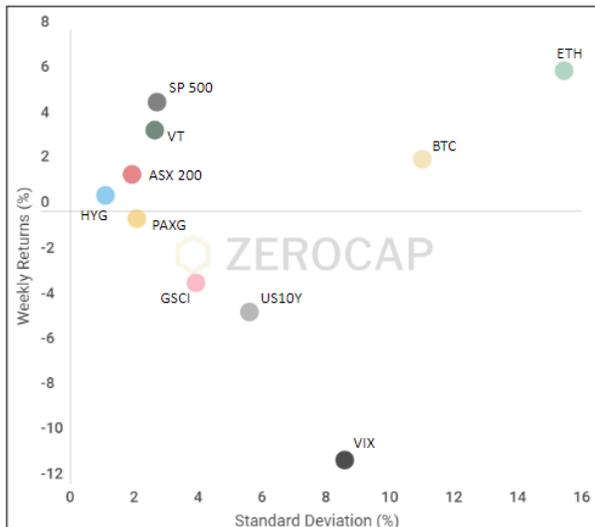
7 Days Hourly - Price Index (Monday 20th to Sunday 26th)



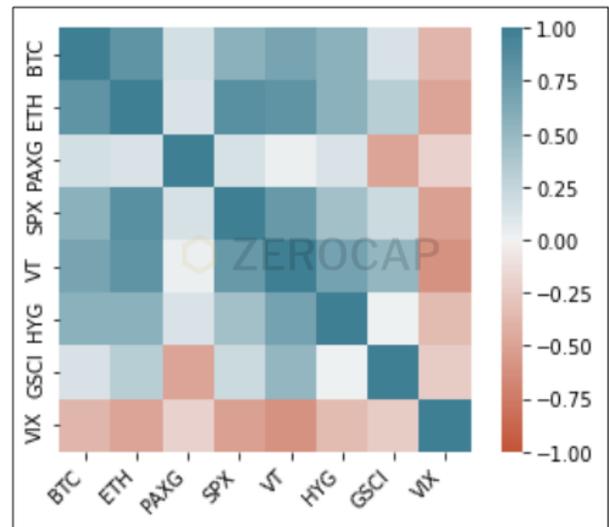
7 Days Hourly – Min Max Range



7 Days Hourly – Return & Standard Deviation



7 Days Hourly - Return Correlation



(Monday 20th to Sunday 26th)



Macro Environment

- June 19th marked the United States' first 'Juneteenth' public holiday. In conjunction with suppressed market liquidity, little macroeconomic data or significant headline risk was released due to closed markets.
- Risk of recession, highlighted by Fed Chair Powell last week seemingly weighed in on crypto market participants. A weekend risk selloff, apparent in Monday's session, was met with little movement in stocks and futures upon Tuesday's open.
- The weekend sell-off in crypto markets appears to have been partially fuelled by miner capitulation, due to decreased mining profitability. Many miners subsequently paused mining efforts whilst selling off treasury stores.
- US 10-Year Treasury bonds fluctuated between 3 - 3.3% over the duration of the week, with further yield inversions heightening recessionary fears.
- The USD/JPY and EUR/USD pairs remained above 135 and 1.05 levels respectively, with USD/AUD sitting at 69.5 cents. Commodities were down throughout the week, GOLD hovered around the 1,838 level, and oil was down further with WTI slumping to a low of \$101.09. Copper extended its weekly loss to 6.5% on the London Metal Exchange (LME), the most since mid-Jun last year. All major LME base metals shifted downwards on Friday, with tin posting its largest weekly drop ever.
- US May Median Existing home price claimed a record \$407,600, gaining 14.8% year on year.
- The Korean won weakened to a near 13-year low, corresponding with a fall in the benchmark bond yield. This comes with fragile investor sentiment and the prevalence of recessionary fears.
- Germany warned of price contagion and potential 'market collapse' following the elevation of its 'National Gas Emergency Plan's risk level, seeing a movement into its secondary phase, following large supply cuts from Russia. This escalation will see previously inactive coal power plants reactivated.
- Volatility remained steady throughout the week seeing equities hold on to weekly gains on Friday. The S&P posted gains greater than 2%, putting the S&P back on track, cementing the best week-on-week returns since mid-May.
- Sentiment improved after the University of Michigan's gauge of LT consumer inflation expectations were revised from an initial estimated 14-year high.



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- BTC and ETH regained some momentum throughout the week seeing a high of \$21,868 for BTC, and \$1,281.43 for ETH. However, a shaky market indicates that these levels will need to be sustained to see any improvement in investor sentiment, generating the necessary momentum to test higher price levels. This said, we are seeing strong signs of accumulation at these levels.
- Proshares announced on Tuesday that it was launching its Short-Bitcoin futures exchange-traded fund (ETF) dubbed “Short Bitcoin Strategy.” The ETF, ticker ‘BITI,’ tracks the inverse performance of the S&P CME Bitcoin Futures index, with an expense ratio of 0.95%. This comes roughly eight months after ProShares launched its initial Bitcoin Strategy ETF ‘BITO,’ which was the first long Bitcoin-Futures ETF, amassing \$1 billion worth of assets in 48 hours.



Technicals & Order Flow

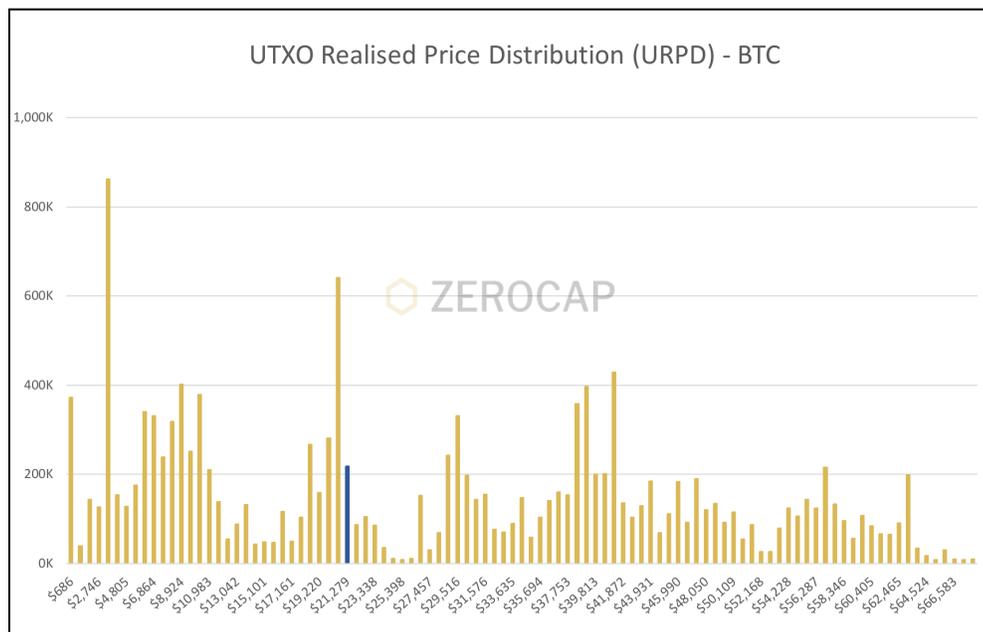
Bitcoin



- This week, Bitcoin chopped within the 19,750 and 21,000 range. A push higher on Wednesday broke through resistance at 21,300 before a swing in momentum caught bulls on the back foot. Price subsequently moved below 20,000 before being quickly bid up, affirming the level as significant short-term support. Volatility and liquidity dampened toward the weekend. However, a late push set weekly highs above 21,800 before price closed the week slightly under 21,000.
- Bitcoin's elevated correlation with equities continues to persist. The S&P and Nasdaq both posted +2% additions during a move higher on Tuesday, forming precedence for Bitcoin's mid-week move higher. However, comments from Fed Chair Jerome Powell on Wednesday discussing the possibility of continued rate hikes eventuating into a recession caused investors to de-risk. Correspondingly, Bitcoin dropped below 20,000.



- ProShares caught the spotlight on Tuesday with the launch of a short-Bitcoin futures ETF. The fund arrives approximately eight months after ProShare’s launch of the first long Bitcoin-futures ETF which accumulated \$1b in assets within two days. Offering additional means to enter and play the space is positive and is indicative of its continuous progress.
- This week’s close marks a second consecutive week of positive WoW returns for Bitcoin. The aforementioned growing support at the 20,000 level is also depicted in the URPD metric and positions bulls to further challenge topside support placed at 22,000. Notably, price found limited support between 22,000 and 28,000 during the recent sell-off. URPD also depicts a lack of volume between these levels and hence limited topside resistance until 28,000.

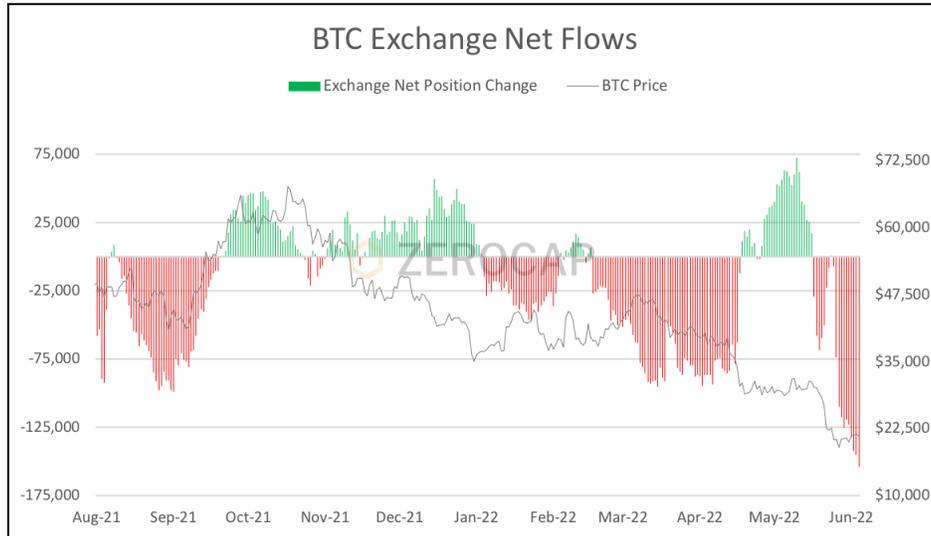


Data source: Glassnode

- On-chain metrics, such as Bitcoin’s net exchange flows, depict an interesting dynamic at play. Not only are Bitcoin’s current net outflows from exchanges at all-time highs, the supply held by addresses with a balance greater than 100,000 Bitcoin is persisting

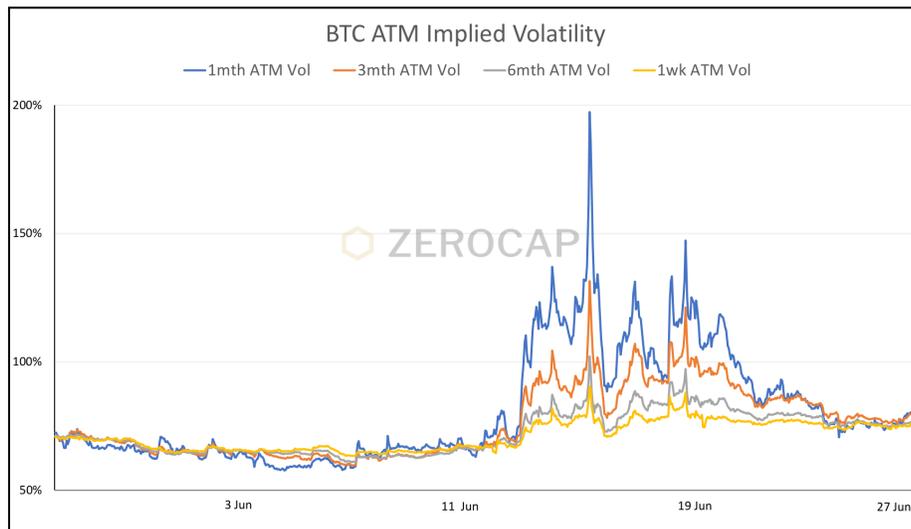


higher. Whales are taking advantage of current market conditions and are accumulating.



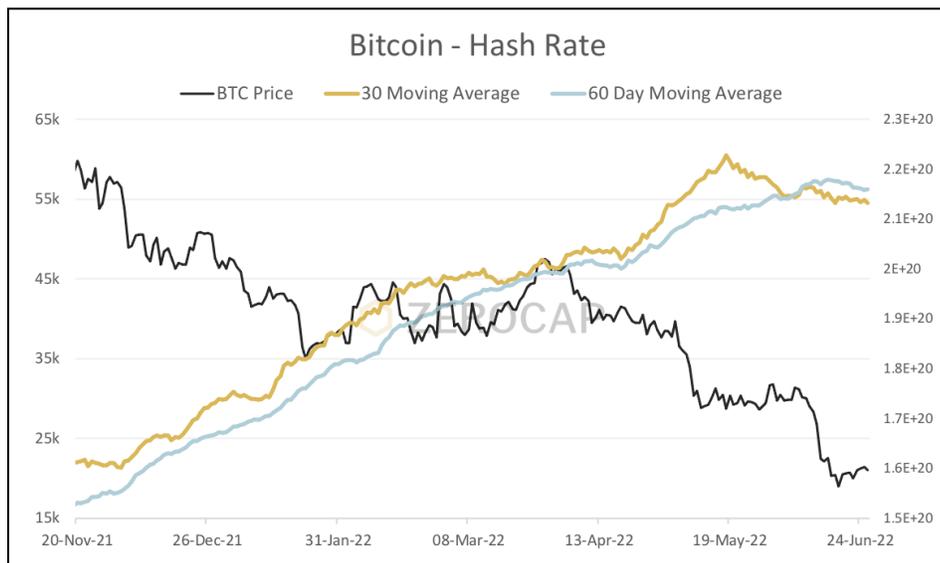
Data source: Glassnode

- Following Celsius' and 3AC's liquidation events, Bitcoin's implied volatility experienced a significant uptick as traders moved to protection strategies. Since then these levels have somewhat normalised.



Data source: Skew

- Many miners are pro-cyclical. As a result of costs, miners often sell-off in market capitulations and also halt operations. Bitcoin's mean hash-rate growth has stalled and is now decreasing. Miner capitulations have historically marked cyclical bottoms and Bitcoin's hash rate suggests a similar narrative is at play.



Data source: Glassnode

- Terra's capitulation and the lagged effect of its contagion recently came in the form of substantial liquidations and price depreciation. However, for the time being, the panic has seemingly fizzled out and some investors are strategically accumulating at current levels. During the chaos, downside protection was bid up. However, since then implied volatilities have reverted to normalised levels. While two consecutive weeks of positive returns paint a positive picture, Bitcoin's classification as a high beta asset persists, subjecting its value to dependence on macro newsflow in the short term.



Ethereum



Data source: Tradingview

- After eleven weeks of consecutive declines, participants finally experienced some bullish respite in Ethereum's price action. As the week persisted, positive newsflow somewhat alleviated short term contagion concerns. Key support levels were bid up during range bound trading on low volumes. The weekly close at 1,200 marked a return of 10.62%, a sizable 41.6% rebound from last week's low at 880.
- The recovery in digital assets mirrored this week's rally in US equities. Interestingly, crypto markets remained flat relative to the Nasdaq as it ripped 3.57% higher during Friday's session. Although we continue to see the correlation between the two asset classes remain high, we are seeing some crypto participants de-risking their portfolios. While they have somewhat subsided, contagion risks persist and are compounded by a growing fear of a multi-year bear market across most asset classes. This has resulted in more aggressive selloffs and weaker rallies when compared to prior bear markets -



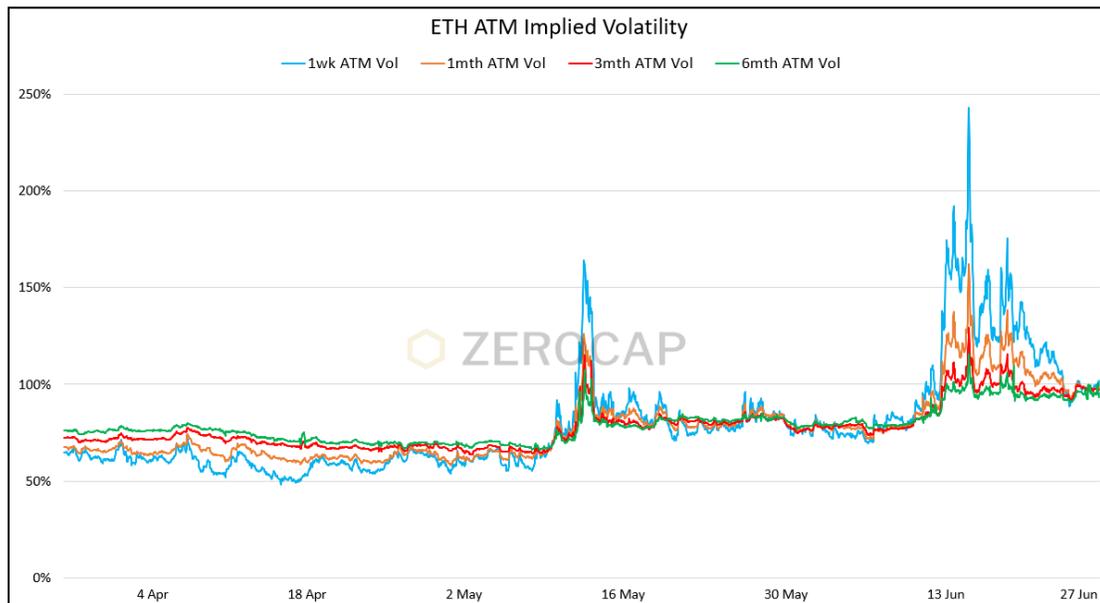
Ethereum has recently surpassed its eleventh consecutive week decline – the most on record.

ETHBTC Daily Chart



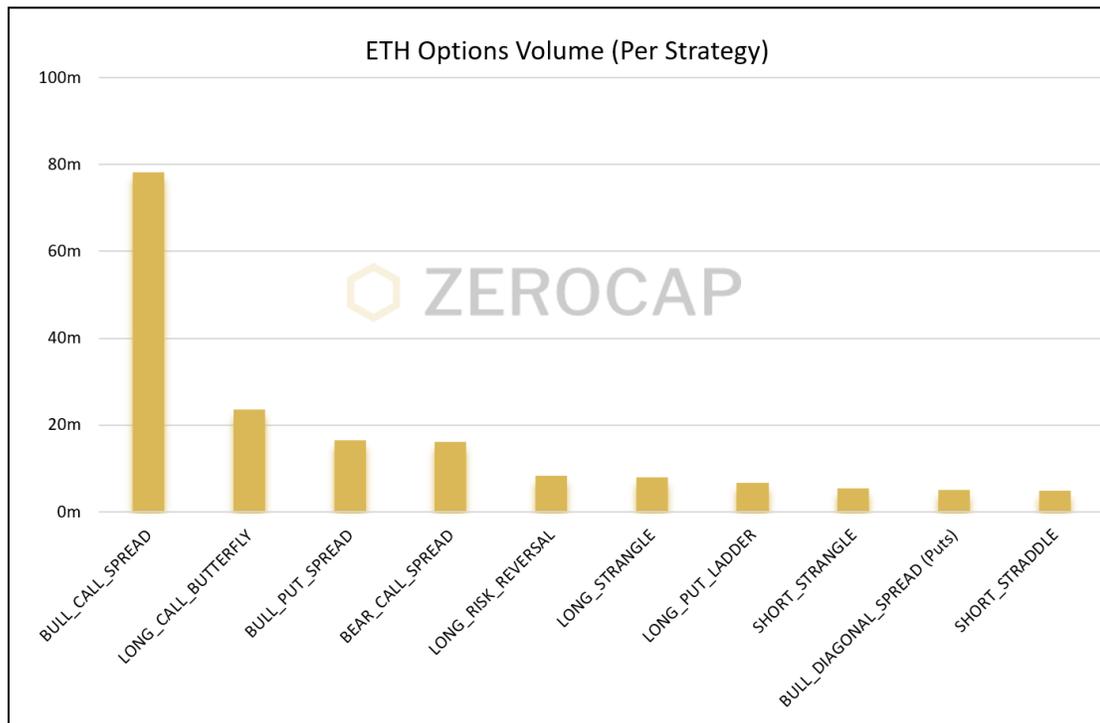
Data source: Tradingview

- Again, ETH/BTC edged higher WoW. This is reflective of the rally experienced in risk assets during the week. Subsequent to breaking down through a multi-month ascending channel, relative to Bitcoin, Ethereum continues to regain lost ground. In the near term, ETH has to battle strong overhead resistance at 0.06. Importantly, this level coincides with a 0.382 Fibonacci retracement drawn from the recent high at 0.077.
- Implied volatility (IV) in Ethereum options continues to normalise after a period of extraordinarily high volatility. As fears of further liquidations ease, there has been a reduction in the demand for downside protection. ATM volatility has fallen as a result. The front-week expiries remain elevated. This is due to the market pricing in event risk in the near term with the fallout from the collapse of major institutions still uncertain.



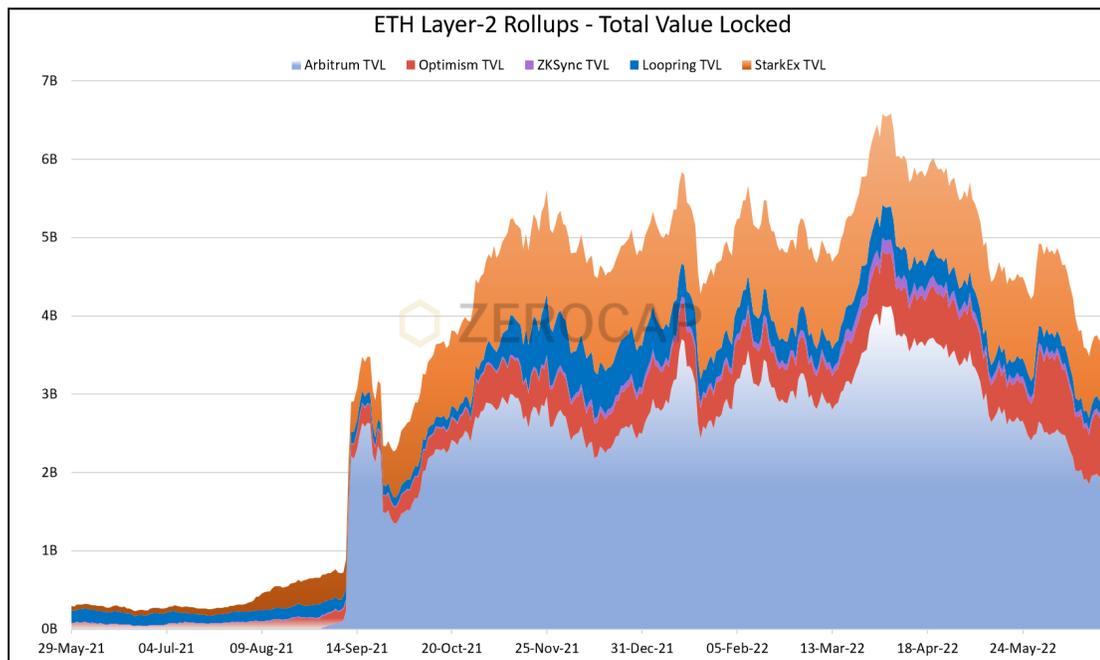
Data source: Skew

- In the early months of 2022, Ethereum’s 2.0 merge formed the basis for a longer-term bullish narrative. Importantly, this narrative underpinned Ethereum’s early-year momentum. Market participants’ views on Ethereum’s migration to PoS can be further depicted in the options market by analysing various strategies with differing payoffs. Ethereum is placed at attractive levels and is currently below its 2018 all-time high. Moreover, the most traded options strategy over the prior week was the bull-call spread. In a bull call spread, participants pay a premium on a bought OTM call, which is cheapened by selling a further OTM call option.



Data source: Laevidas

- Layer-2 rollup networks are largely considered the solution to one of Ethereum's greatest perceived weaknesses, scalability. Arbitrum, a layer-two rollup built on Ethereum, recently launched 'Arbitrum Odyssey', a two-month-long initiative giving users the ability to experience different on-chain Arbitrum ecosystem projects. At the end of each week, eligible users will receive NFTs in return for having participated in that week's event. The amount of NFTs earned is rumoured to be potential criteria used in an airdrop of a future Arbitrum token launch.



- Ethereum has one of its final merge simulations on the Sepolia testnet expected on July 6th. A failed simulation would be detrimental for Ethereum and create doubt regarding its ability to successfully merge to Ethereum 2.0 which is scheduled for August. Following FTX's and Alameda's extension of credit lines to implicated participants of the 3AC defaults, tail risk fears have subsided. Details surrounding 3AC's and Celsius' collapses remain predominantly unknown. Further newsflow relating to the two entities could be a driving factor for short-term price moves.



Altcoins

- This week, Tether announced it will be launching a stablecoin pegged to the British Pound. This token, GBPT, like Circle's Euro-backed stablecoin, will exist on the Ethereum blockchain. Interestingly, the announcement coincides with diminished trading volumes for Tether's USDT, which has fallen behind the second-largest stablecoin, USDC. Recently, confidence in USDT has diminished. This is reflected in an increase in short positions against USDT.
- After 4 years of development, Thorchain's native blockchain went live this week on 7 independent networks. Thorchain's expansive network intends to increase users' access to swapping mechanisms, on a variety of cryptocurrencies and across differing blockchains without the use of a bridge. Thorchain's mainnet launch offers an alternative solution to bridges that have historically been vulnerable to exploits. Zerocap's Innovation Index includes Thorchain's native RUNE token which rose approximately 40% upon launch.

DeFi

- dYdX, a popular decentralised derivatives exchange, has stated that in the 4th version of its protocol it will be building its own layer 1 blockchain. Currently existing on StarkWare's layer 2 Ethereum scaling technology, dYdX intends to migrate to a native blockchain built on the Cosmos network. The dYdX argues that Cosmos' layer 0 blockchain allows for increased interoperability, more flexibility with Cosmos' SDK, and a decentralised order book model.
- Harmony's Horizon Bridge endured a USD\$97 million exploit. The blockchain's connection to the Ethereum network was hacked when a bad actor obtained control of 2 out of the 5 multisig addresses. Moreover, the exploiter prompted the protocol to transfer funds to their wallet and not face limitations. In a blog post, Harmony stated



that various cybersecurity, exchange partners and the FBI were requested to assist with the investigation.

Innovation

- Shifting their focus to mobile, Solana has developed a Web3 phone named Saga. According to the subdivision of Solana Labs, the Saga phone will be intertwined with the Solana blockchain. As such, the phone will enable the native management of tokens and NFTs on the Solana blockchain. The estimated price of Solana's Saga is \$1k USD. This is not the first blockchain-related phone. As such, Solana's Saga will see competition from a range of products including HTC's Exodus, KlaytnPhone, Blok on Blok and more.

NFTs & Metaverse

- With the goal of facilitating interoperability between different metaverses, The Metaverse Standards Forum, an organisation between 33 technology giants including Meta, Epic Games, Microsoft, Nvidia and more has been formed. This organisation aims to establish open standards on metaverse technology. Additionally, the forum has expressed that it will not concern itself with philosophical debates about metaverse usage. Instead, its key focus will be on creating an interoperable and connected web between different metaverses.
- A research and development metaverse hub is being designed and built in Melbourne. Named the Metaverse Research and Development Centre (MRDC), the partnership between metaverse startup company Translucia Global Innovation and Australian software development firm Two Bulls, will initially set aside \$100 million USD for the hub. The MRDC will explore a variety of growing areas in the metaverse space, including hardware and software as well as economics (MetaFi) and gamification (GameFi). Moreover, the metaverse hub will look at mitigating energy consumption levels relating to the metaverse.



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- Uniswap recently acquired Genie.xyz, a popular NFT marketplace aggregator. Uniswap expressed plans to integrate aspects of the protocol into their own DeFi platform. This acquisition will eventually enable users of Uniswap to purchase NFTs. Similar to Uniswap's first airdrop, Genie users will be benefiting from the purchase via a USDC airdrop based on a user activity snapshot.
- Bored Ape Yacht Club (BAYC) founders have faced a number of accusations relating to Nazi ties. These claims are based on the team's logo, online names of founders, subtle phrases in social media posts and more. Responding in a Medium article, the founders explicitly denied the accusations. The BAYC team explained why they chose their specific online pseudonyms and the design process for the logo.

What to Watch

- US Consumer Confidence report, on Tuesday.
- Discussions by ECB President Lagarde, BOE Governor Bailey and FED Chair Jerome Powell for ECB Forum's "Policy Panel," on Wednesday.
- US Core PCE, on Thursday.

Don't miss our live crypto market update

Tomorrow 9:30am AEST

Join Toby Chapple, Head of Trading and Ornella da Costa, Wealth and Investment Manager, to find out what's happening in the crypto markets.

9:30 am AEST, Tuesday 28 June 2022

[Register now](#)



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Insights

[ANZ stablecoin A\\$DC used to buy 'tokenised' carbon credit units:](#)

Have a look at this excellent piece by AFR's James Evers on Victor Smorgon Group's purchase of tokenised carbon credit units through ANZ's stablecoin - with Zerocap as the transaction's market maker. Evers also goes through the utility of asset tokenisation, and the current regulatory and technological frameworks of the bank's novel A\$DC stablecoin.



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You should be aware that dealing in products that are leveraged carries significantly greater risk than non-leveraged products. As such, you could both gain and lose larger amounts. You may even sustain losses well in excess of your initial deposit and also in excess of the margin required to establish and maintain any positions in the leveraged products. Accordingly, you should carefully consider whether leveraged products are appropriate for you in light of your financial circumstances and risk profile.

* 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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