



ZEROCAP

Weekly Crypto Market Wrap

30 May 2022 – 5 June 2022

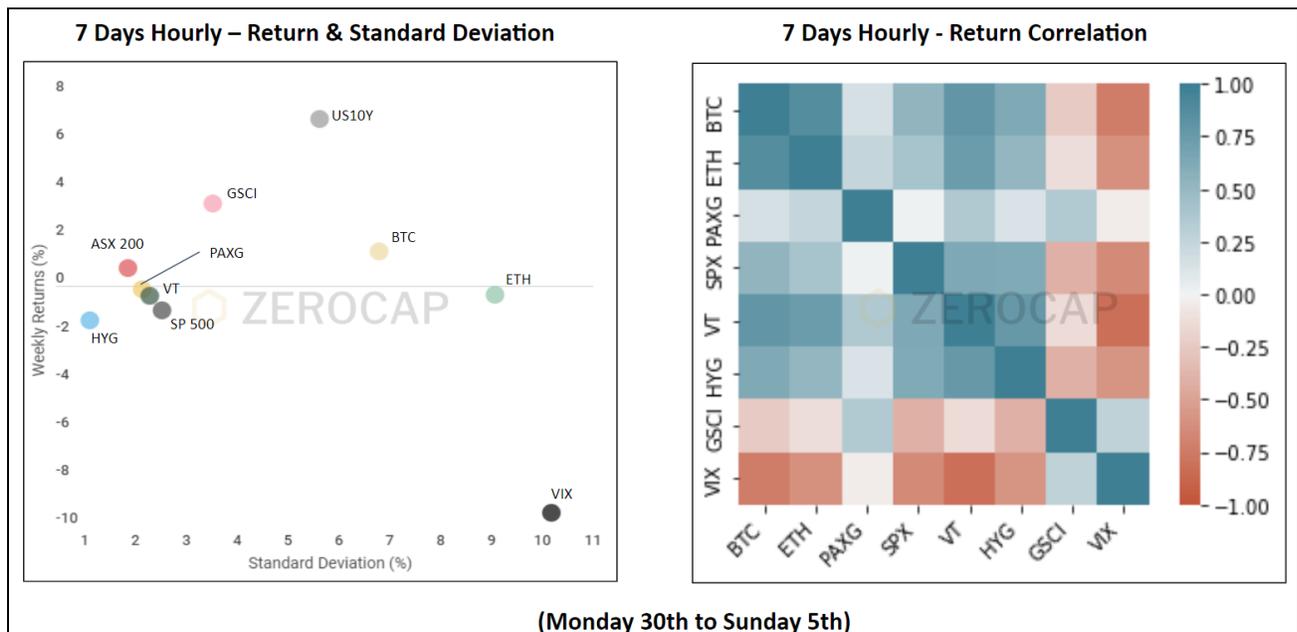
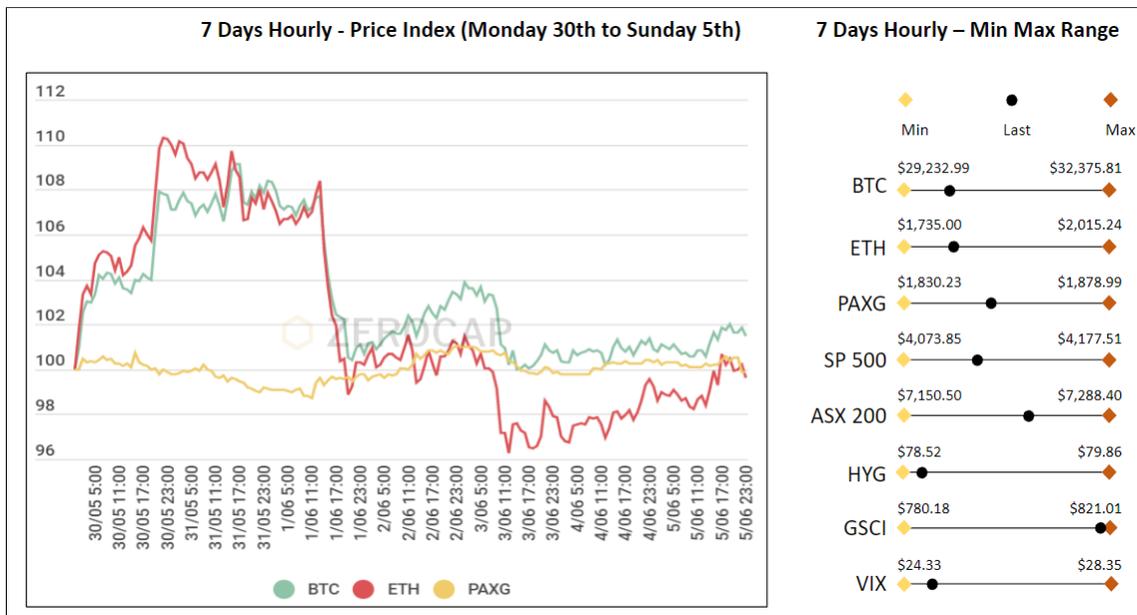
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Week in Review

- FED Vice Chair Lael Brainard says another [big rate increase](#) could come in September - FED St. Louis President states the Federal Reserve [must deliver hikes](#) as expected by markets.
- FED governor Waller's [speech](#) defends crypto regulation for protecting mostly non-professional investors, so they can "have confidence in the ecosystem's safety."
- The Australian Federal treasurer states [Australian inflation](#) has accelerated further from previous 5.1% and "people should anticipate that it will be higher than it is now, significantly higher."
- Australian bank [ANZ](#) plans to widen distribution of its A\$DC stablecoin for more corporate customers - both ANZ and NAB [won't endorse](#) "retail speculation" in crypto.
- Japan passes [stablecoin bill](#) to protect crypto investors, favouring licensed banks.
- China signals tight [regulatory crackdown](#) against stablecoins following UST collapse - UK proposes [additional safeguards](#) against crypto and stablecoin risks.
- Russian government states crypto miners consume [2% of total electricity](#) in the country.
- Bitcoin [Lightning Network](#) capacity reaches new all-time high.
- New York State Senate [passes moratorium](#) to ban Proof-of-Work (PoW) crypto mining.
- US fast food chain [Chipotle](#) now accepts 98 cryptocurrencies in over 3,000 locations.

- WEF 2022: [United Nations director](#) sees “massive opportunities” in the crypto space towards transparency and global financial systems.

Winners & Losers





Macro Environment

- Global regulators are rushing to learn more about cryptocurrency stablecoins since the collapse of Terra USD pegged in May. Japan became the first to pass its version of a Stablecoin Bill in an effort to protect domestic investors. A statement made by the Japanese parliament stressed that “Stablecoins must be linked to the yen or another legal tender and guarantee holders the right to redeem them at face value”. According to the new law, from 2023 (when the law comes into effect), stablecoins can only be issued by a licensed bank, registered money transfer agent or a trust company. The new law does not mention internationally-issued stablecoins such as Tether (USDT) and Circle Dollar (USDC), but it would not allow them to be “minted” in Japan. Major Japanese banks such as MUFJ have announced their intention to issue their own stablecoin, namely Progmatic Coin, shortly. The bank said the new coin would be fully backed by the Japanese Yen and placed into a trust account, guaranteeing redemption at face value.
- This coming week, the Reserve Bank of Australia is looking to normalise the cash rate further to the upside. The market calls for a 40bp move to take the official cash rate to 0.75%. The newly appointed Federal Treasurer Jim Chalmers has suggested that since the last headline inflation report of 5.1% (YoY), the speed at which prices have shifted has accelerated. This means the central bank has quite a bit of catching up before it can slow down rising prices and limit its projective path to RBAs own target range. We would not be surprised if RBA lifts the OCR by 65bp to 1% in the coming meeting.
- The Philippines this week achieved what others were hoping to by issuing the world's first CBDC blockchain-based digital currency bond. In its final settlement, the Peso denominated issuance raised PHP 11 billion or roughly USD 209 million. The underlying credit was UnionBank of the Philippines. Through the digital registry and digital depository of the Philippine Depository & Trust Corp., Singapore-based fintech company STACS provided the blockchain-based digital securities trading infrastructure. At the same time, HSBC and Standard Chartered Bank were the joint lead book runners of the deal. The issue was 11 times oversubscribed. The issuer, UBP, had earlier had its outlook



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downgraded to negative by Moody's credit agency following its acquisition of Citigroup's consumer banking business in the Philippines. Its rating sits at Baa2 for long-term local and foreign currency bank deposits as well as senior unsecured debt.

Technicals & Order Flow

Bitcoin

- Bitcoin initiated this week's action with a timely climb higher. A spark of momentum in the absence of trading activity, due to the Memorial Day public holiday, prompted a break of topside resistance placed at 30,500. Bulls rode action toward weekly highs above 32,000 before sentiment soured. Price cascaded 7% in less than 10 hours. As the weekend approached, risk aversion took hold and prices continued lower. Nonetheless, bulls gained dominance during the weekend session, closing the week +1.47%, Bitcoin's first positive week on week return in 9-weeks.
- Early in the week, speculation around peaking American inflation entered the spotlight. This, paired with news relating to the easing of COVID restrictions in China bolstered market sentiment. In the absence of trading activity, Bitcoin rallied. Equities caught up on the Tuesday open.
- Later in the week, hawkish news flow hammered down on the topside moves. Weak economic data out of China, a meeting between Biden and Fed Chair Powell regarding



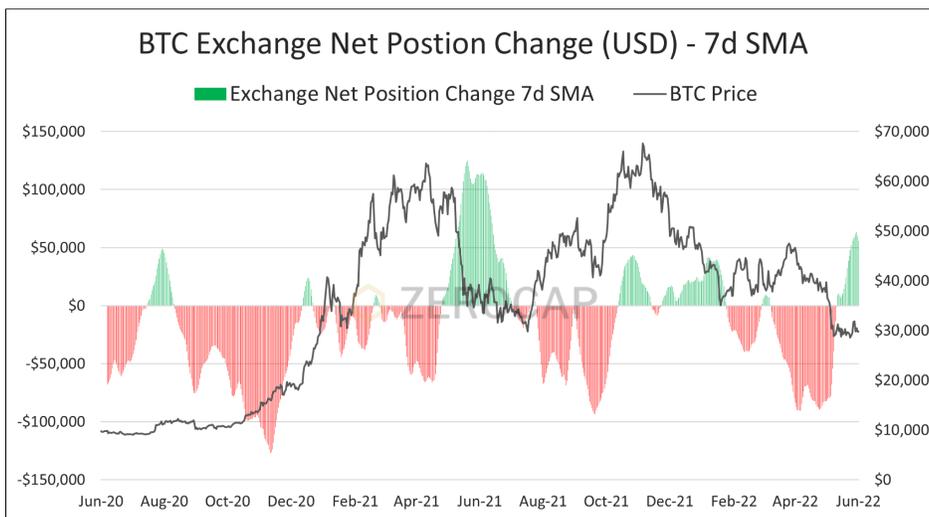
battling inflation and a hawkish tone from central bankers in Canada who raised rates to 1.5%, took back the gains markets faced earlier in the week.

- This week, Bitcoin's correlation with equities continued to diminish. Memorial Day and the corresponding absence of trading activity in equities contributed. Later on, markets witnessed a more familiar tone between the pair and mirrored action caused an uptick in correlation when hawkish undertones took back the forefront of newsflow.



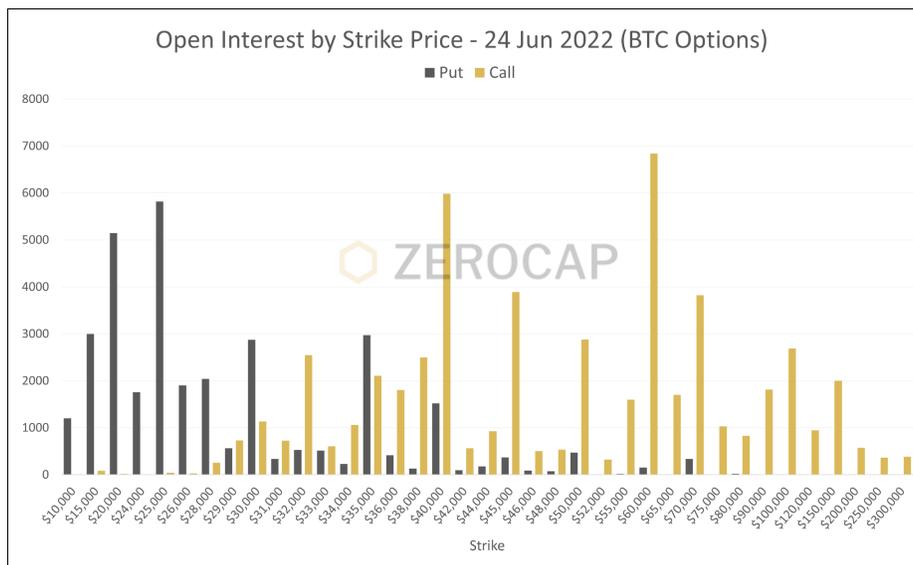
Data source: Tradingview

- The net amount of Bitcoin being deposited into exchanges has recently increased. This may suggest a decrease in short-term holder's confidence. Greater amounts of BTC on an exchange can be associated with a preparedness to liquidate holdings on the back of risk or thematics. Although this metric decoupled recently on the moves in 2022, with markets getting used to the 'new norm' inflation - it could become a (short-term) directional indicator once again.



Data source: Glassnode

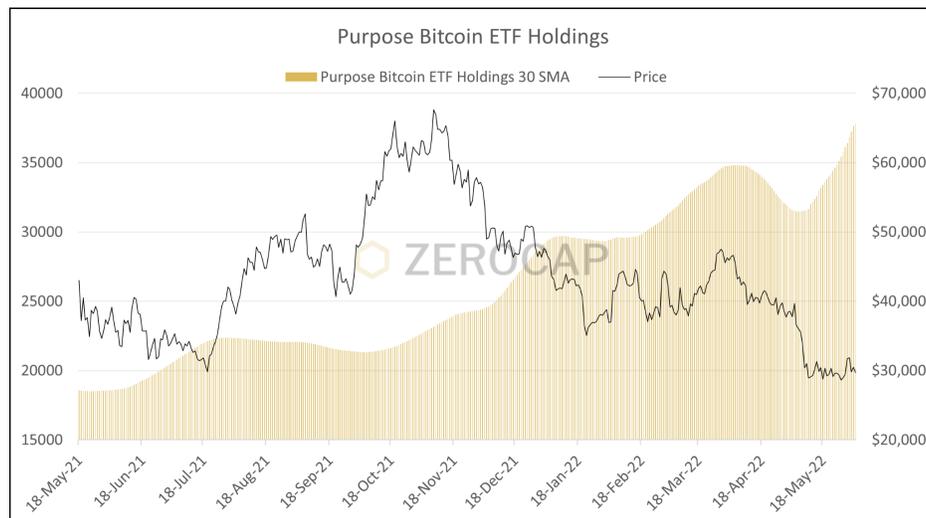
- Looking at derivatives data and out to the June 24, 2022 expiry, options traders are placing emphasis on downside protection. More specifically, there is growing open interest at 20,000, 25,000, 30,000 and 35,000 for puts. Notably, there has been recent growth in open interest at the 40,000 level for calls.



Data source: Glassnode



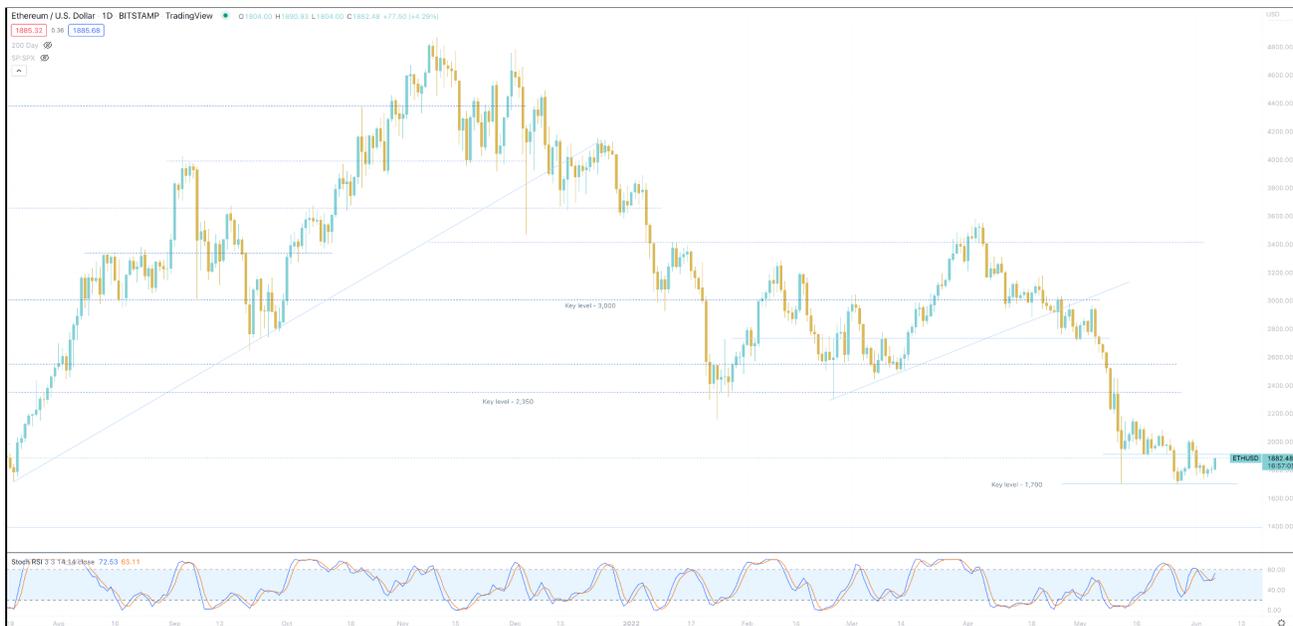
- Despite recent uncertainty as well as the forthcoming rate hikes, the Canadian Purpose Bitcoin spot ETF has experienced considerable inflows since the beginning of 2022. More specifically, the ETF has had an additional 9,138 Bitcoin designated to the fund in the last month, presenting a bullish sign for longer-term and institutional investor flows.



Data source: Glassnode

- The weight of the macro environment continues to weigh in on sentiment with investors increasing inflows to exchanges, reflecting an increase of readily available Bitcoin on exchanges. Likewise, derivatives traders are continuing to value downside protection in the short term. Despite a sense of uncertainty, Bitcoin broke a 9-week long downtrend, offering positive returns week on week. Eyes are now fixed on topside resistance at 32,215. If we get a break above here, and then 33,000 - this could see a nice move back into the range. Given how newsflow driven markets are right now, the news only has to get 'less bad' to see a meaningful rally.

Ethereum



Data source: Tradingview

- This week, bulls were quick out of the gates pushing Ethereum 10% higher in the opening 24 hours. Monday's market-wide rally fuelled action and with the assistance of reduced liquidity, bulls attempted a range breakout. However, aggressive profit-taking and a steady increase in short positioning halted momentum, pushing price lower. Subsequent choppy action was followed by de-risking into the weekend. Ethereum closed the action -0.36% WoW.
- This week marked a meaningful decoupling from traditional markets. While this was initiated by negative price action this week, long-term it may bode well for an isolated recovery that is not so heavily influenced by traditional markets.
- The Ethereum Ropsten testnet is planned for Wednesday, June 8. As a precursor for the highly anticipated merger to PoS from PoW, this event will be a relevant factor in determining investor confidence in Ethereum's near-term ability to implement a PoS model.

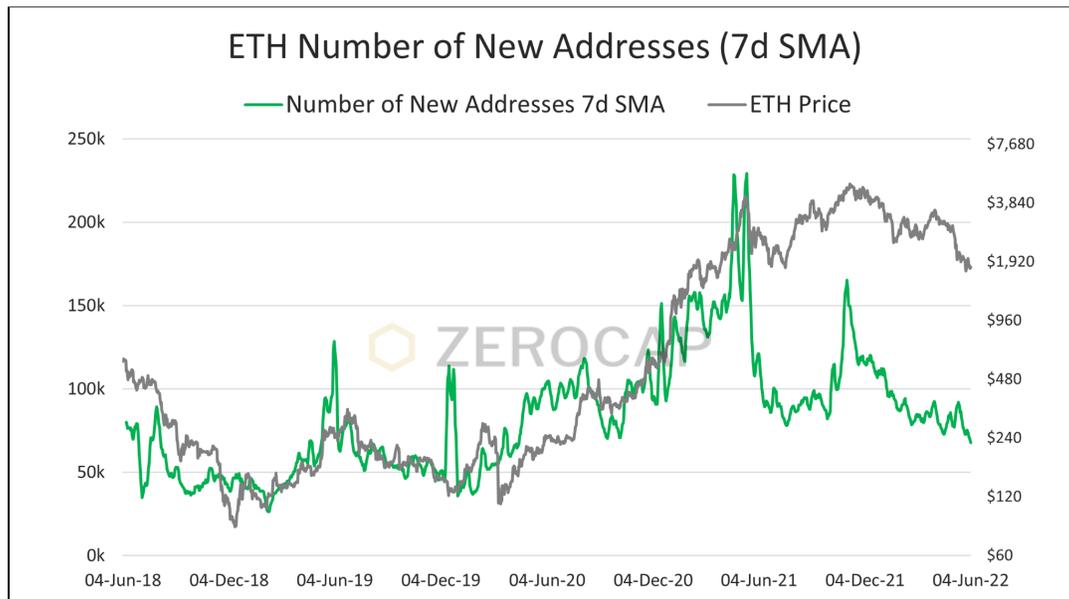


ETHBTC Daily Chart



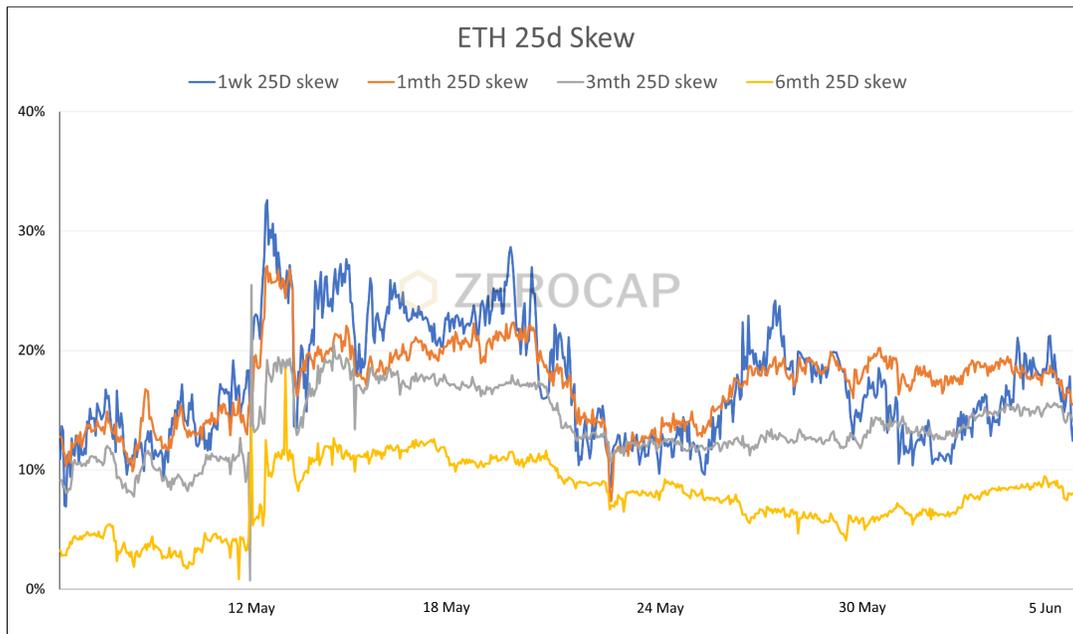
Data source: Tradingview

- Bitcoin continues to outperform relative to Ethereum. Hawkish undertones continue to dampen market-wide sentiment, preventing exaggerated topside moves across asset classes. Moreover, Ethereum continues to behave in line with its historical behaviour and remains dampened relative to Bitcoin in the presence of risk-off sentiment. Notably, the ETH/BTC pair broke below key support placed at the 0.060 level and moved to weekly lows around 0.059. Levels that have not been seen since October 2021. However, given the significance of the upcoming Ropsten testnet, we may see a breakdown in the pair's historical relationship if successful.
- The number of new addresses created on Ethereum continues to decline. This metric provides oversight of network user growth and is often indicative of the Ethereum Network's future underlying value.



Data source: Glassnode

- Looking at derivatives data and more specifically, Ethereum’s 25-day skew, it can be seen that options traders are still currently favouring puts over calls. Despite the approaching Rosten Testnet, 1wk 25D skews are decreasing. This may be indicative of derivative traders making short term bullish plays.



Data source: Skew

- On the 31st of May, Optimism, an Ethereum scaling solution that utilises optimistic rollups, launched its token (OP). Listing at \$4.50, the token has fallen approximately 70% and is currently changing hands under \$1.30. The Optimism token was airdropped to network participants. As a result of approximately 17,000 recipients attempting to claim their OP token, the network faced severe congestion and delays.
- Optimism's token launch marks the first token of the big four Ethereum smart contract rollup chains - Arbitrum, zkSync and StarkNet and Optimism. Rollups have recently been gaining traction and popularity as a scaling solution for the Ethereum network. Given the importance and implications of Ethereum's merge, their relevance will be tested in the near term.
- Given the criticism of Ethereum following a recent bug in block re-organisation, the upcoming Rosten testnet marks an important event for Ethereum and its community. After another consecutive week of negative WoW returns, participants look for reassurance in the network. Given Ethereum's tendency to outperform Bitcoin during



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risk-on sessions, we may see moves toward topside resistance 2,000 if newsflow is 'less bad' on the macro front, and the Ropsten testnet launches successfully.



Altcoins

- Solana Mainnet halts for over 4 hours. This marks Solana's 5th outage this year. The pause in block production arose due to excessive nonce transactions received by validators, resulting in blockchain failing to reach consensus with transactions. Solana's team specified that the blockchain's validators must restart their software to mitigate the risk of bad actors lying about transactions.

Innovation

- Binance Labs raises \$500 million USD for a Web3 and blockchain fund. The resources raised will focus on companies that are in their incubation, early-stage growth or late-stage growth stage. Binance founder, Changpeng Zhao, has stated that the fund will support projects and founders building in the Web3, DeFi, NFT and metaverse space. It is likely, that these resources additionally go to growing the Binance ecosystem.

NFTs & Metaverse

- OpenSea's former product manager, Nathaniel Chastain, was found guilty of wire fraud and money laundering. Chastain was charged 9 months ago for deploying an insider trading scheme with NFTs. Through a variety of wallets, Chastain was purchasing NFTs before they were featured on OpenSea's homepage, then sold them for a profit. Thus far, no sentence has been handed down, yet both charges carry a maximum sentence of 20 years in prison.
- After discussions and debate within the ApeCoin decentralised autonomous organisation (DAO), the Otherside smart contracts will remain on Ethereum. Last week, multiple suggestions for new blockchains for Yuga Labs' Otherside NFTs and metaverse were proposed. This follows the exorbitant gas fees and congestion created by the Otherdeed land sale. Though incomplete, more than 99% of voters have currently voted for Otherside to remain on the Ethereum network.



- DC Comics launched the beta version of its marketplace. This is DC comics' first venture into the crypto space, however, the company has announced that further integrations of blockchain technology are in the works. Currently, the marketplace is live on the Palm Network with a small number of projects currently available.

What to Watch

- EU's Central Bank Conference and Monetary Policy report, on Thursday.
- US CPI, on Friday - a strong catalyst for the current scenario.
- Further information on Australia's inflation projections.

Insights

- [Crypto Trends in South Korea - Metaverse, NFTs and the Digital New Deal:](#)

Innovation Analyst Nathan Lenga provides a breakdown of the current crypto trends surrounding one of the most tech-savvy countries in the world - from metaverse adoption to its regulations.

- [Monthly Investment View - June 2022:](#)

A brief breakdown of the main events in May, how we structure bespoke products in different market scenarios and what we expect moving forward in the next few weeks.



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* Index used:

Bitcoin	Ethereum	Gold	Equities	High Yield Corporate Bonds	Commodities	Treasury Yields
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BTC	ETH	PAXG	S&P 500, ASX 200, VT	HYG	SPGSCI	U.S. 10Y
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