



ZEROCAP

Weekly Crypto Market Wrap

27 June 2022 – 3 July 2022

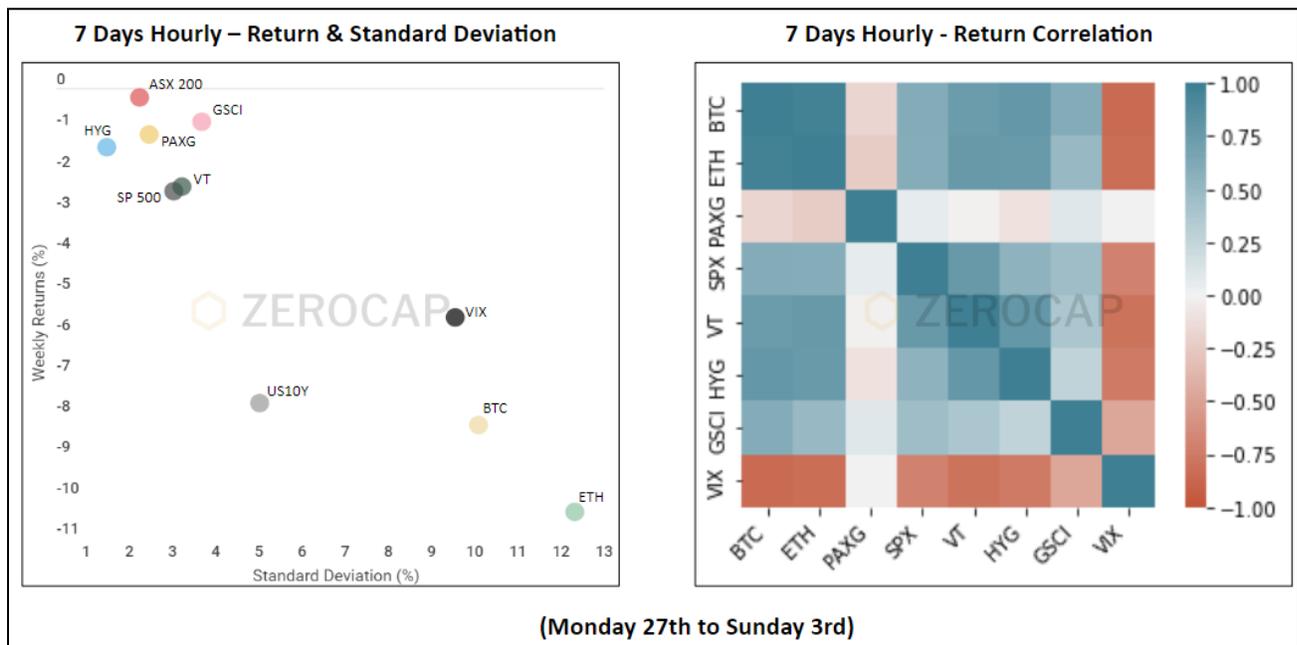
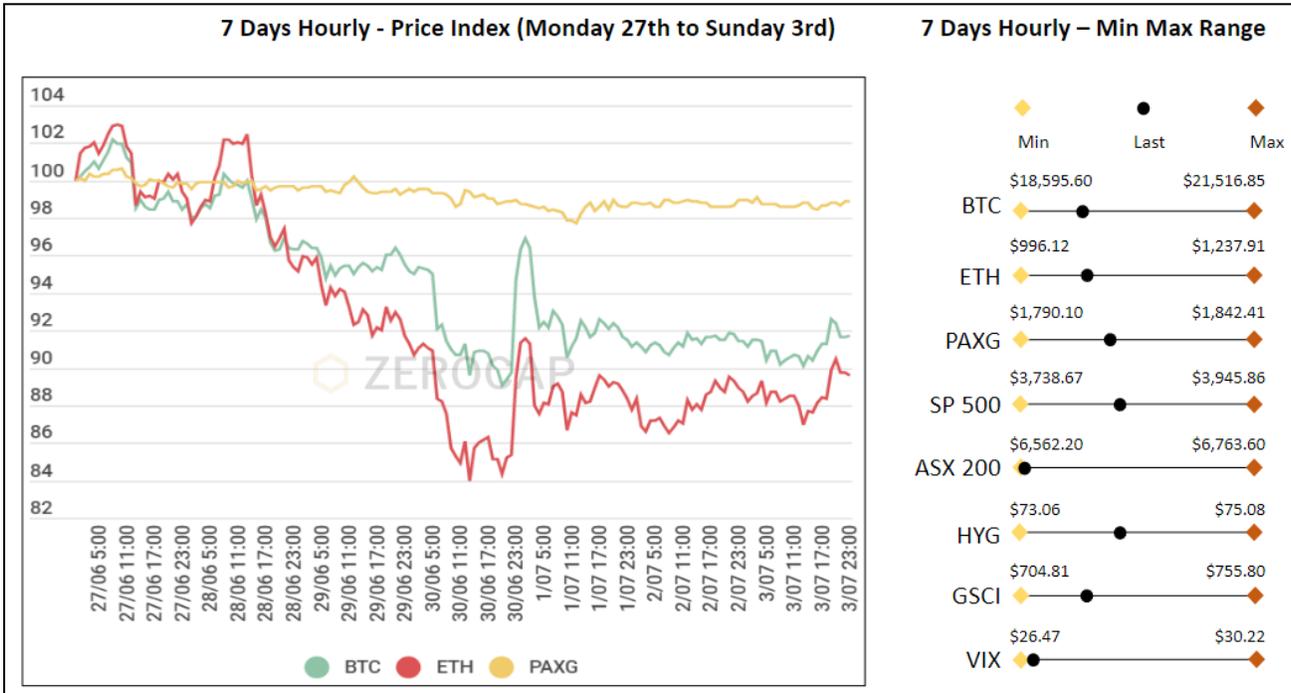
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Week in Review

- European Central Bank (ECB) Forum on Central Banking 2022
 - Fed Chair [Powell](#) states “no guarantee” that central banks can tame inflation without hurting job market.
 - ECB President [Lagarde](#) downplays inflation risks - ready to hike rates faster.
 - BOE Governor [Bailey](#) says UK to face worse inflation than other major economies.
- EU establishes novel regulation [MiCA](#) to “put order in the Wild West of crypto assets.”
- SEC Chair [Gary Gensler](#) reaffirms Bitcoin alone is not a security, but a commodity.
- Grayscale [sues SEC](#) after rejection of Bitcoin ETF application.
- [NYDIG](#) finds clear correlation between regulatory events in crypto and bullish trends.
- Citi calls out risks and benefits of crypto-backed mortgages, metaverse properties in latest [housing report](#).
- Voyager Digital issues [notice of default](#) to Three Arrows Capital for \$675 million loan.
- Crypto exchange FTX looking to [buy Robinhood](#) - nears deal to [acquire BlockFi](#).
- Crypto is more popular to millennials than mutual funds; [Alto](#) report.
- [Cristiano Ronaldo](#) partners with Binance for NFT, Metaverse-related products.



Winners & Losers





Macro Environment

- Due to restrictive sanctions and frozen foreign currency reserves, a Russian default on foreign debt is becoming increasingly likely. A default would mark Russia's first default since 1998 which related to the demise of the US hedge fund 'Long Term Capital Management (LTCM).' The G-7 has further pledged support for Ukraine's defence against Russia "as long as it takes."
- US President Joe Biden to revive the 'Build Back Better World' initiative, following a lack of previous funding from G-7 nations. The project has been rebranded as the "Partnership for Global Infrastructure and Investment," and will see \$600 billion in inflows of private and public investment into middle and low-income countries.
- Whilst in Hong Kong, earlier on Saturday, Xi Jinping said in a speech that Hong Kong's "one country - two systems" model is here to stay for the long term. This comes after China's recent 'rubber stamp' election, seeing John Lee replace Carrie Lam as the 5th Chief Executive of Hong Kong.
- Cryptocurrency exchange FTX is exploring the acquisition of historically volatile company 'Robinhood Markets Inc.' This saw shares surge 21% on Monday, closing the day 14% higher than the day opening.
- Monday also saw GoldmanSachs revise its yearly price target for Coinbase from \$70 to \$45, following predicted receding revenue streams in the second half of the year.
- The US Securities and Exchange Commission knocked back Grayscale's Spot BTC ETF application. The SEC claimed a lack of investor protection, and a failure to provide answers to questions concerning the possibility of future market manipulation. Grayscale has announced its plans to appeal the SEC's decision due to 'inconsistent regulation.'
- BTC fell below its \$20K support level, with the news of Grayscale's Spot BTC ETF being knocked back, despite this ETH maintained above the \$1,000 price support.



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- US Bonds were sold off throughout the week. US 2-Year finished the week at 2.84%, US 5 Year at 2.88% and US 10 Year at 2.89%.
- The DXY experienced some upward momentum following the FED's ongoing commitment to fighting inflation. Fed Chair Powell had alluded to a potential FED rate hike of similar magnitude this July. The DXY hit a weekly high of 105.635, seeing the EUR/USD down -1.47% at the \$1.043 level, and the USD/JPY pair test levels as high as ¥137.
- Gold fell as low as \$1,783.50 over the week, with a steep upward price retracement at week-end to \$18,11. Oil was up over the week, BRENT up 3.71%, along with WTI at 2.12% at week-end.
- Su Zhu to sell his \$35 million Singapore mansion, with his company 'Three Arrows Capital Ltd' facing liquidation after the default on its 15,250 BTC & \$350M USDC loan from Voyager Digital.
- Inflation in the Euro-zone has surpassed expectations, up 8.6% year-on-year from 8.1% in May, driven by soaring food, utilities and transportation costs.
- Approximately \$4B in BTC miner loans are coming under stress, following decreased mining profitability. Moreover, recent chatter in crypto spheres signal that many crypto miners were collateralising their loans using the value of their ASIC mining rigs, has added further concern.



Technicals & Order Flow

Bitcoin

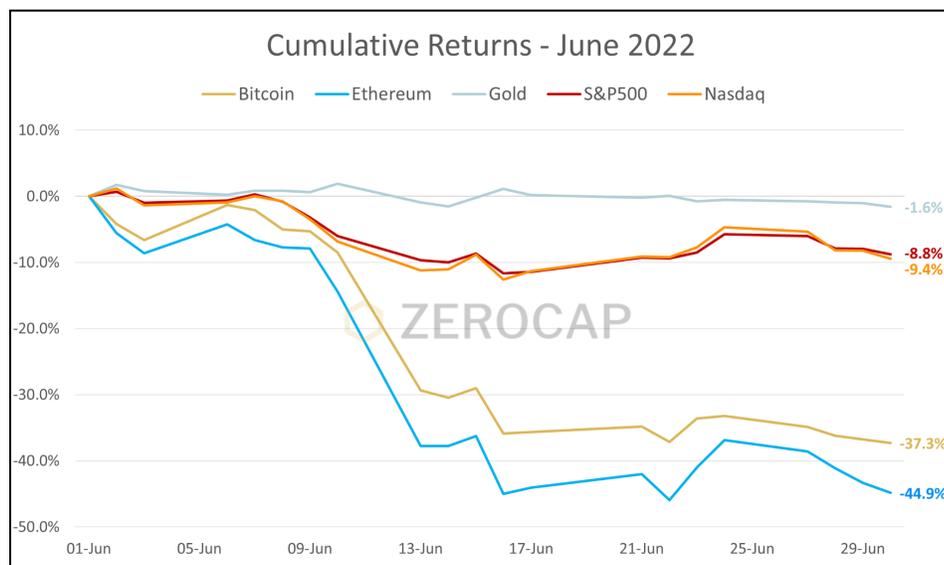


- Bitcoin entered the week alongside some positive momentum, pushing to highs above 21,500. Bolstered sentiment quickly fizzled out and price edged downward with participants bidding up moves below 20,000. A mid-week sell-off broke through support at 20,000, driving Bitcoin to weekly lows of 18,595. An influx of bids and heightened volumes resulted in a false break back above 20,000. Subsequent action reverted back within the 19,000 and 19,600 zones, closing the week -8.25% WoW.
- Grayscale’s application for a spot ETF was rejected by the SEC on Wednesday. Bitcoin was sold off soon after, dropping approximately 5% in a matter of hours. This comes alongside the announcement that the Jacobi Spot Bitcoin ETF will be launching on the Euronext Amsterdam Exchange in July.
- Concerns regarding miner capitulation continue to spread throughout the market. Notable Bitcoin miner, Bitfarms, recently selling off nearly half of its BTC to reduce its



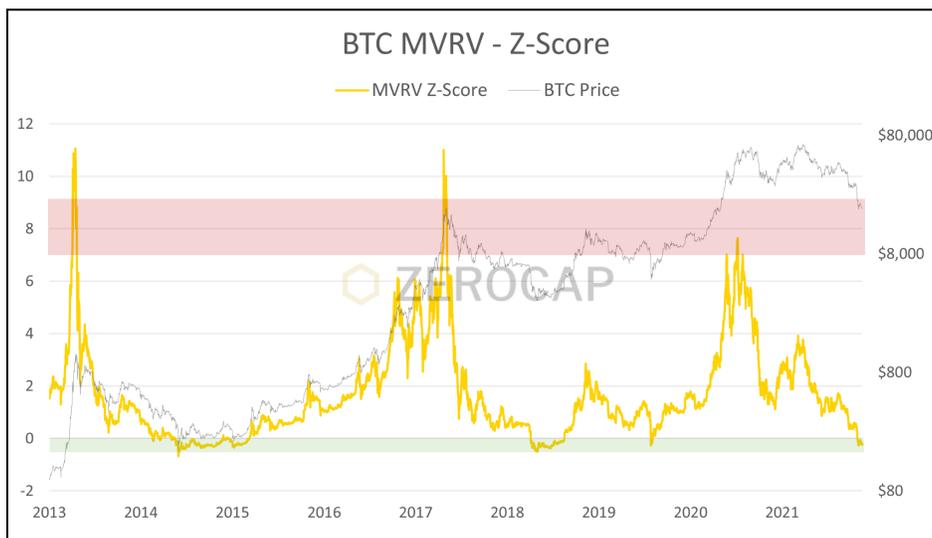
debt suggests that diminished price into the medium term does not fare well for miners, especially those with overbearing debt burdens. This may contribute to further selling pressures in the short term.

- European Union officials agreed on a landmark law known as the Markets in Crypto-Assets (MiCA) framework. Providing guidance for crypto asset service providers that operate within the European region. Laws are designed to guard against abuse and manipulation.
- Throughout June, markets suffered across the board. Bitcoin incurred a drawdown of 37.3%, the heaviest monthly loss since September 2011. Notably, since mid-June, sideways action has persisted as participants bid up moves below 19,000.



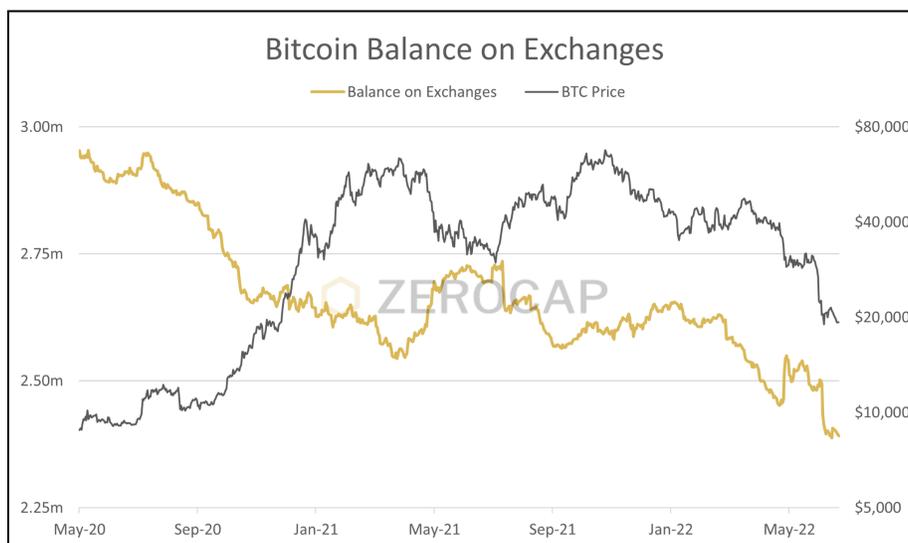
Data source: Tradingview

- Bitcoin's MVRV Z-Score compares the current market value to realised market capitalisation to identify whether Bitcoin is 'fairly' priced. Currently, this metric resides in a zone that is suggestive of cyclical bottoms.



Data source: Glassnode

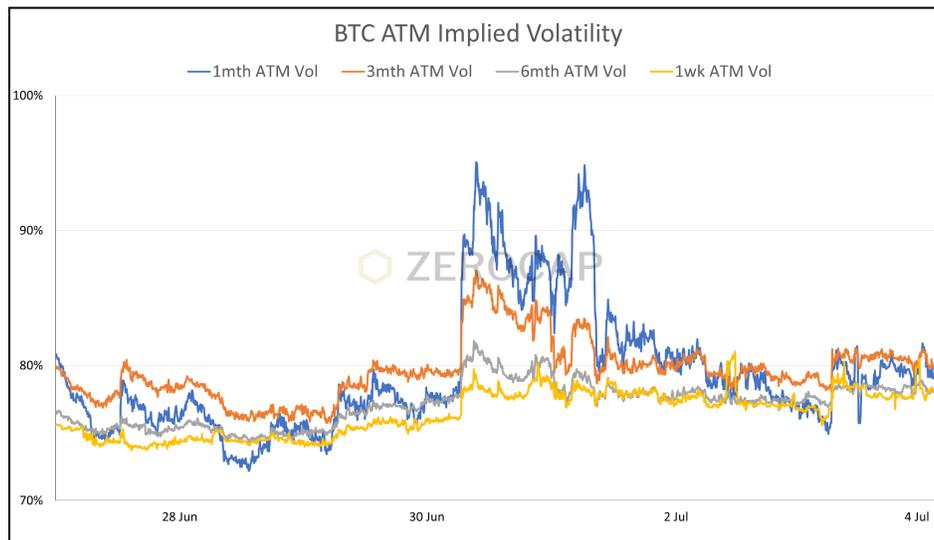
- Since the start of 2022, the availability of Bitcoin on exchanges has decreased by nearly 10%. While this trend may indicate accumulation amongst participants, it also coincides with numerous centralised exchanges pausing withdrawals. Restricting individuals' access to funds is likely increasing the demand for reliable custodian solutions.





Data source: Skew

- During Wednesday's and Thursday's sessions, markets witnessed volatility trade higher. While implied volatilities subsequently dampened, more recently, options are being traded at higher levels. This increase is reflective of the uncertainty surrounding credit fallouts and miner capitulation.



Data source: Skew

- Bitcoin entered Q3 with immediate selling pressure off the back of the SEC's disapproval of Grayscale's Bitcoin Spot ETF proposal. Correspondingly, the availability of Bitcoin on exchanges is edging downward and the need for trusted custodial solutions is becoming increasingly apparent. Short-term action will likely be affected by the release of this coming week's release of the FOMC minutes.



Ethereum



Data source: Tradingview

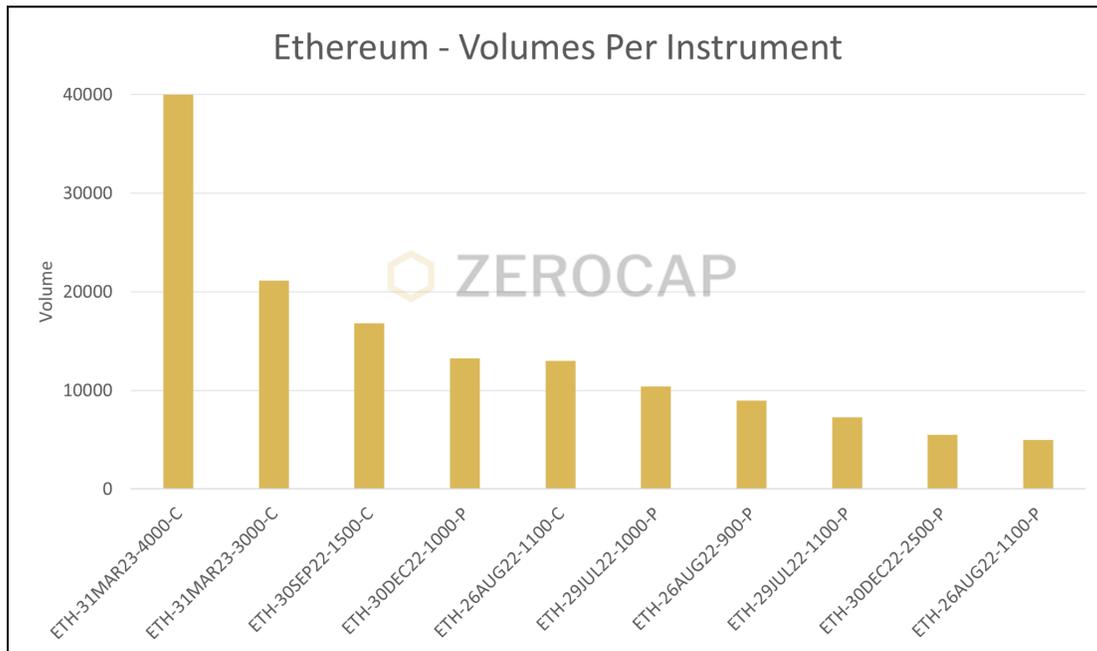
- Ethereum began the week marginally below strong overhead resistance placed at 1,250. After failing to break topside resistance last week, Ethereum struggled to find bids and alongside lower trading volumes, the price edged downward. On July 1st, low liquidity provided the sustenance for the proceeding erratic price action. Within a 5h period, opportunistic traders took advantage of 12% price swings. Ethereum closed the action at 1,072 returning -10.42% WoW.
- Aligning with expectations, Ethereum moved in tandem with risk assets during the week. More recently, correlations between Ether and the Nasdaq have increased as US equities have fallen. However, strong rallies in the Nasdaq haven't initiated a similar appreciation in crypto assets. This behaviour is consistent with current crypto market sentiment as participants continue to navigate the collapse of major institutional firms.

ETHBTC Daily Chart



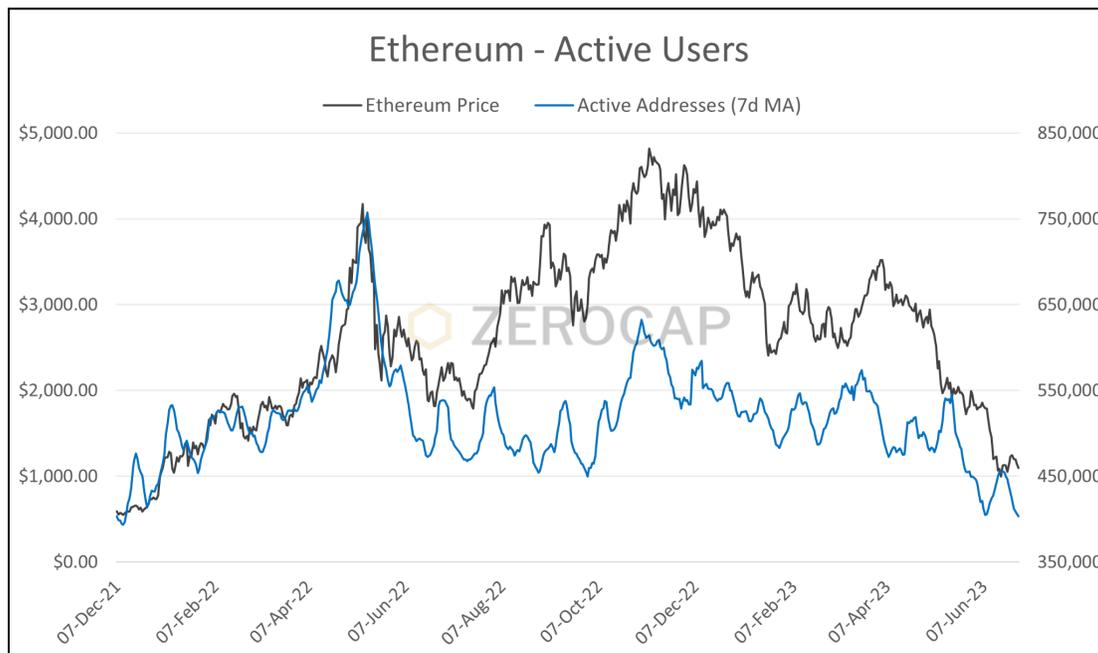
Data source: Tradingview

- Technically, ETH/BTC continues to trade well within the 0.050 and 0.060 range. Following a break higher last week, the price now resides below the midpoint of the aforementioned range. The ETH/BTC pair continues to provide an accurate depiction of the market's current risk-off sentiment. News catalysts like the ETH2.0 merge could break this pattern and is shaping up to be the most significant near-term event that Ethereum participants will focus toward.
- In regard to options, most Ethereum options volume is concentrated toward longer duration expiries. This week, Mar-2023 call options formed a significant portion of Ethereum's options volume. Recession risks are being priced in by the market which may dampen the price impact of Ethereum's merge. Participants are taking advantage of the options market to speculate on a positive longer-term outlook for Ethereum come March 2023.



Data source: Laevidas

- Daily active users on Ethereum’s network continue to fall in conjunction with the price. Daily active addresses provide an indication of network utilisation and growth. As a result of diminished network activity, ETH gas fees are placed at 19-month lows. While diminished network activity isn’t positive, individuals are currently more incentivised to interact with DeFi protocols, as some would have been priced out of in the past due to higher gas fees. While it is expected for Ethereum’s network activity to return when markets shift, the continued growth of Layer-2 rollup networks may in fact dampen active user growth on the Ethereum mainnet in the longer term.



Data source: Glassnode

- Ethereum participants' sentiment continues to be dampened by external factors. The macroeconomic backdrop plays a vital role in current market sentiment. However, it can be said that this has been exacerbated by the collapse of multiple crypto-focused institutions. It is anticipated that further news on the fallout can impact price in the short term. This week, a successful ETH Sepolia testnet merge simulation may provide some confidence to bullish Ethereum participants, whilst the FOMC (Wednesday) and non-farm payrolls (Thursday) could contribute to increased volatility.



DeFi

- The popular layer 2 scaling solution, Arbitrum, paused its “Odyssey” event. This decision arose from the layer 2’s transaction fees eclipsing Ethereum gas fees. In turn, users who attempted to experience the event faced exorbitant fees. This foregrounds some of the challenges that layer 2 networks face. Thus far, some scaling solutions have not reliably proved that they can handle the transactional demand maintained by layer 1 chains like Ethereum.

Innovation

- OpenSea endured a data breach when customer emails were leaked to a third party. OpenSea’s email delivery partner, Customer.io released user information relating to those subscribed to OpenSea’s newsletter to unauthorised parties. As such, OpenSea’s community has been warned of a heightened likelihood of phishing emails.
- ConsenSys has partnered with StarkWare to create a layer 2 rollup through MetaMask and Infura. As a result of integrating with StarkNet, developers will be able to build on a variety of networks using the novel technology. Moreover, those using the Infura-StarkNet integration can monopolise the increased speed for finality as well as security.

NFTs & Metaverse

- Tencent has launched its Extended Reality Unit to act as a metaverse-driven division. This team’s role includes all metaverse-related tasks, such as hardware and software developments. The Chinese company has plans to employ more than 300 individuals in its unit. Accordingly, Tencent is poised to become a strong competitor to technology companies like Meta and Microsoft. Evidently, Tencent perceives the metaverse to hold significant value given this division is being created concurrently with the company holistically minimising hiring.



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What to Watch

- FED's FOMC Meeting Minutes and US Jolts Job Openings, on Wednesday.
- Market and policymakers' feedback following the European Union's new MiCA law.
- Upcoming developments regarding 3AC's default.
- FTX's potential acquisitions of Robinhood and BlockFi - factual or rumours?



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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