



ZEROCAP

Weekly Crypto Market Wrap

25 July 2022 – 31 July 2022

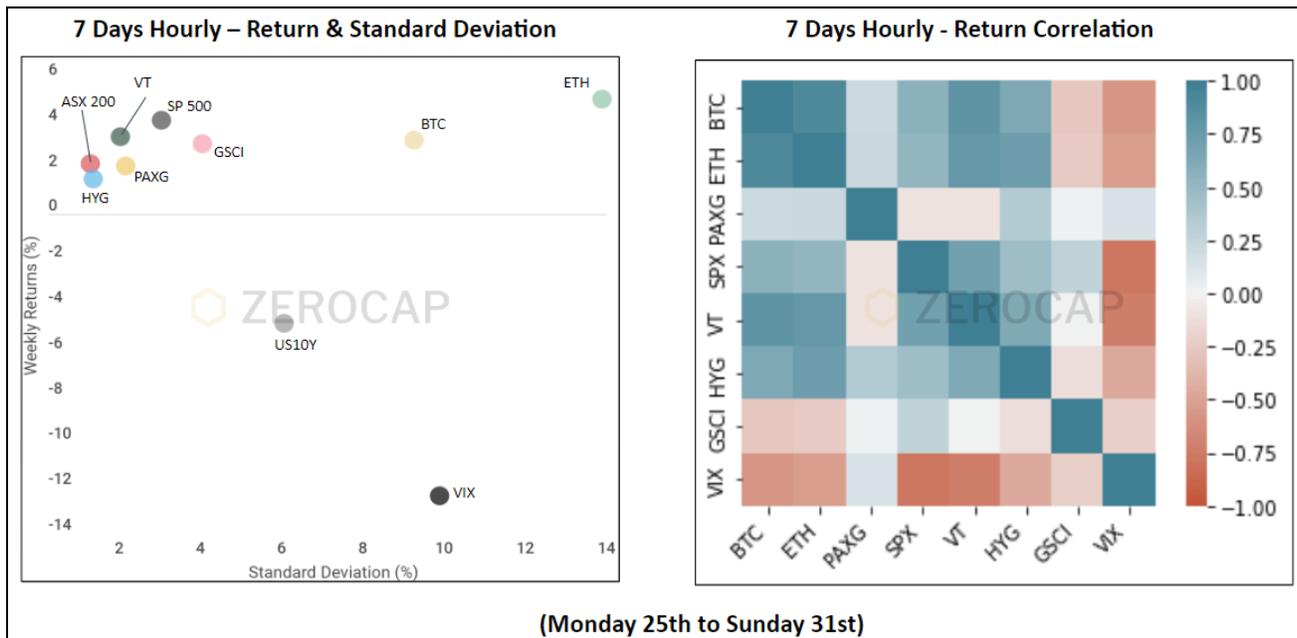
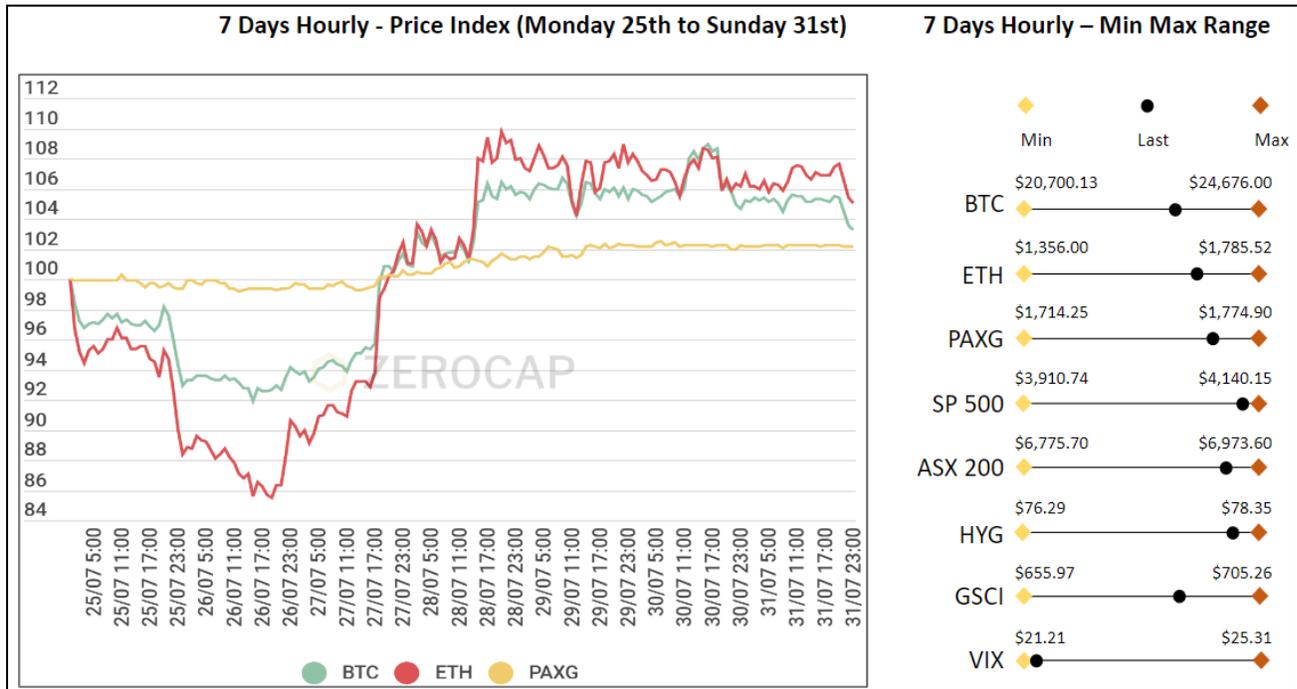
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Week in Review

- Ethereum's final [Merge](#) test to start this week, active between 4th and 12th of August.
- Chair of US Senate Banking Committee calls for [Apple and Google](#) to provide information on alleged fake crypto apps for iOS and Android phones.
- 74% of global public agencies feel underequipped for crypto investigations; [Chainalysis](#).
- Cathie Wood's [ARK](#), third-largest holder of Coinbase stocks, dumps shares amid insider trading allegations.
- US' [FDIC](#) informs it does not insure crypto assets, advises banks to assess risks with crypto companies.
- [Glassnode](#) reports "extreme demand" for Bitcoin at \$20k support levels.
- Following bankruptcy, [Celsius](#) admits client emails have been leaked in data breach.
- [Tesla](#) reports \$64 million profit from recent Bitcoin sale.
- US' FTC [files lawsuit](#) against Meta for "attempting to monopolize" metaverse development - Company reports \$2.8 billion [loss](#) for metaverse division in Q2 2022.
- US enters technical recession: [GDP](#) fell 0.9% in Q2 2022, a second straight decline.
- [FED](#) raises rates again at 75 bps - "There isn't an option to fail," says Chair Jerome Powell on fighting inflation.
- [IMF](#) forecasts 2022 economic growth at 3.2%, almost half of last year's 6.1%.



Winners & Losers





Macro Environment

- The United States (US) Federal Reserve arrived at a consensus to hike interest rates by 0.75% on Wednesday, the second consecutive 0.75% hike this year. Bringing the benchmark overnight borrowing rate to between 2.25% and 2.5%.
- The US has since entered a period of technical recession, following two consecutive quarters of negative GDP growth. Thursday's -0.9% GDP reading hot, on the heels of Q1's -1.6%. Fed Chair Jerome Powell has urged consumers to take Q2's GDP reading "With a Grain of Salt," claiming that too many sectors were performing well. Powell cited an outperforming labour market. Despite this, the contraction in combination with a headline price index at 8.7% has ushered in concerns over stagflation seeping into the economy. Another interesting development came when Powell also announced the FED's intention to eliminate forward guidance, a powerful instrument used by regulators to signal markets prior to a rate decision. This tactical decision allows the FED to keep the door open for future rate hikes, whilst also protecting the FED from locking in a poorly timed rate increase/decrease pre-FOMC.
- Largely positive Blue chip Q2 revenue figures were released over the week; Amazon reported a 7% increase in net sales to \$121.2 billion, Apple up 9% YoY at \$97.3 billion, and Microsoft boasted a \$51.7 billion revenue figure.
- The Evergrande Group's CEO Xia Haijun and CFO Pan Darong were forced to resign following an investigation into ¥13.4 billion worth of deposits belonging to "Evergrande Property Services" that were used as collateral for pledge guarantees and later seized by banks. This newsflow came contrite to the Evergrande Groups' previous announcement claiming it was on track to deliver its preliminary restructuring plan by July end.
- The United Kingdom Parliament voted in favour of increased stablecoin regulation following Tuesday's presentation of the 'Financial Services and Market Bill'. The effort supports a safe, transitory framework for investors engaging with stablecoins and other digital assets.



- A restructuring of the US Commodity Futures Trading Commission (CFTC) will take place, following an announcement by CFTC Chair Rostin Behnam. The restructuring is tasked with making fintech & crypto regulation more proactive and far-reaching.
- A hotpot of Geopolitical tensions was bubbling across the globe, tensions between China and the US were on the rise after US house speaker Nancy Pelosi began her Asia tour, with individuals speculating on a potential visit to Taiwan. On a similar note, China and Pakistan came under fire by New Delhi following their move for third-party participation in the China-Pakistan Economic Corridor (CPEC) projects. The corridor coincidentally crosses over Pakistan-occupied Kashmir. New Delhi exclaimed the activities as “illegal, illegitimate, and unacceptable.” These events come alongside the ongoing war in Ukraine, entering into its 159th day of wartime turmoil.
- In the crypto sector, well-known exchange Kraken is now under investigation by the US Treasury Department's Office of Foreign Assets Control (OFAC), following the alleged sales of crypto assets to users in Iran.
- Post US FOMC meeting markets rallied, seeing the S&P 500, and the ASX 200 close up 4.15% & 2.26% on the weekly open. The NASDAQ had its best daily rally since March this year. A surge in treasuries saw US 10Y's slump to a weekly low of 2.62%, down over -4.7% week on week (Wow), the lowest level since April. 2Y & 10Y US treasuries at the time of writing are sitting at an inversion of - 24bps.
- It was a good week for commodities: WTI, BRENT and GOLD closed the week up 3.24%, 4.43% and 2.19% respectively, partially attributed to the FOMC meeting's hit on the DXY. The DXY fluctuated for much of the week; the USD/JPY pair weakened to ¥133.20, and EUR/USD now sitting at \$1.022.



Technicals & Order Flow

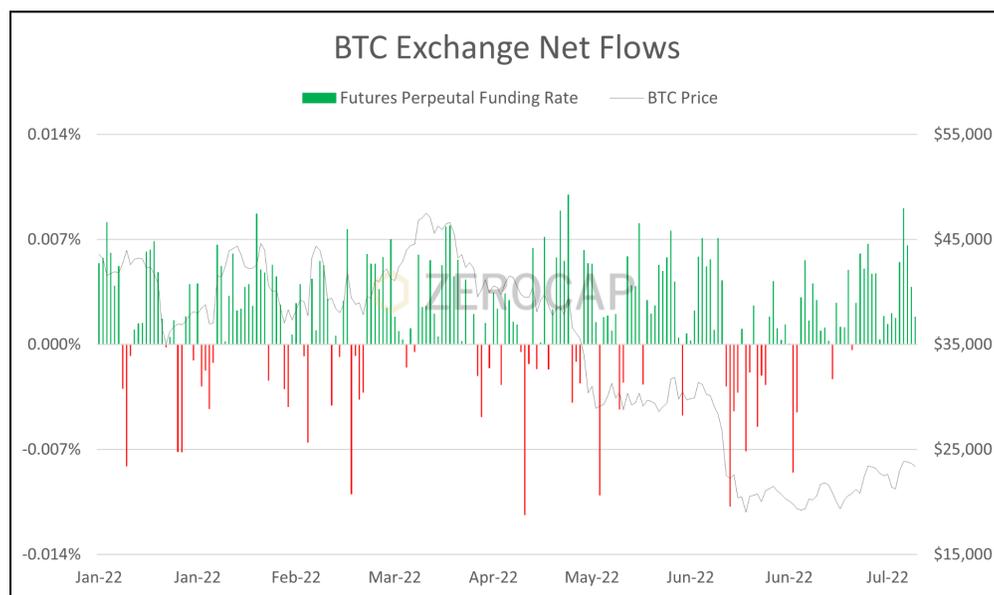
Bitcoin



- In the week’s opening stages, Bitcoin edged lower. An inclination toward risk-off formed downside momentum, pushing the price downward. Price touched support at 20,700 before sentiment took a sharp turn in favour of the bulls. Price firmly broke the 200-week MA before being held at 24400. During the weekend’s session, the price consolidated within the 24,100 and 23,500 range and closed +3.25% WoW. Key support at 18,000 with 25,400 the level to break for a topside technical move.
- This week’s action centred around the Fed’s interest rate decision on the 27th. As the event edged near, participants de-risked. The expected 75bps hike was accompanied by dovish undertones from Fed Chair Powell, bolstering market confidence in the Fed’s fight against inflation. Soon afterwards, the US GDP print considerably undershot expectations, contracting -by 0.9% in Q2, leading to softer hiking expectations from the market. The impact of which was further cushioned by stronger than expected Q2 earnings out of the US which saw Bitcoin continuing to rally into the weekend.

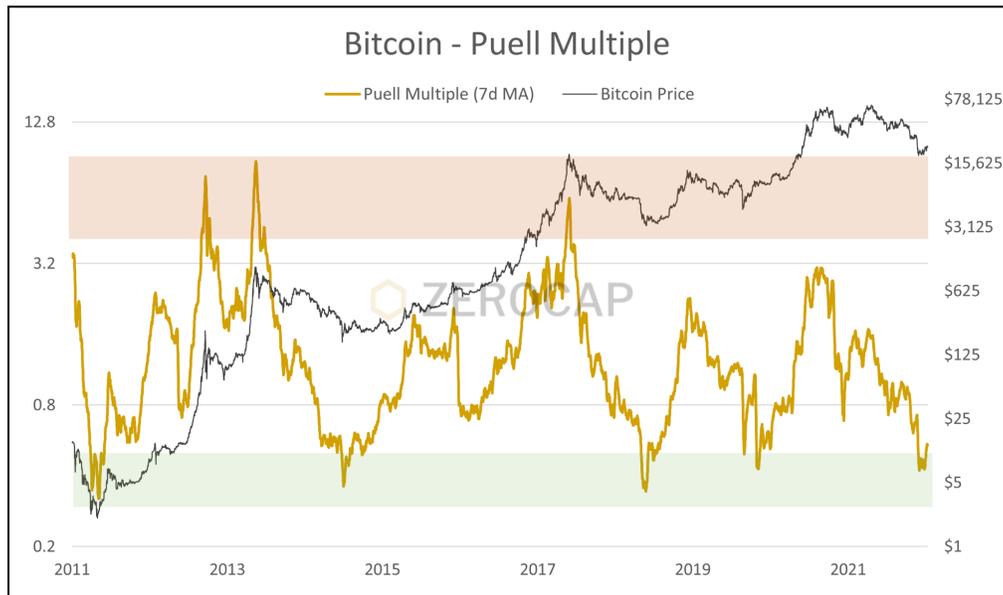


- On the one hand, we have tighter monetary conditions and continued GDP contraction. On the other, Bitcoin broke its 200-week MA, a level regarded as significant topside resistance. Bitcoin returned 16.84% in July, its best monthly return since October 2021. This juxtaposition can be explained by markets having previously priced in the worst-case scenario, and these prints coming in as “less bad” justifies positive risk moves. However, recessionary risks still linger and inflation is holding strong.
- For the closing half of July, funding rates have persisted above zero. Positive funding rates indicate there is weight toward long perpetual futures relative to short positions. In a balanced market, this is suggestive of short-term bullish sentiment.



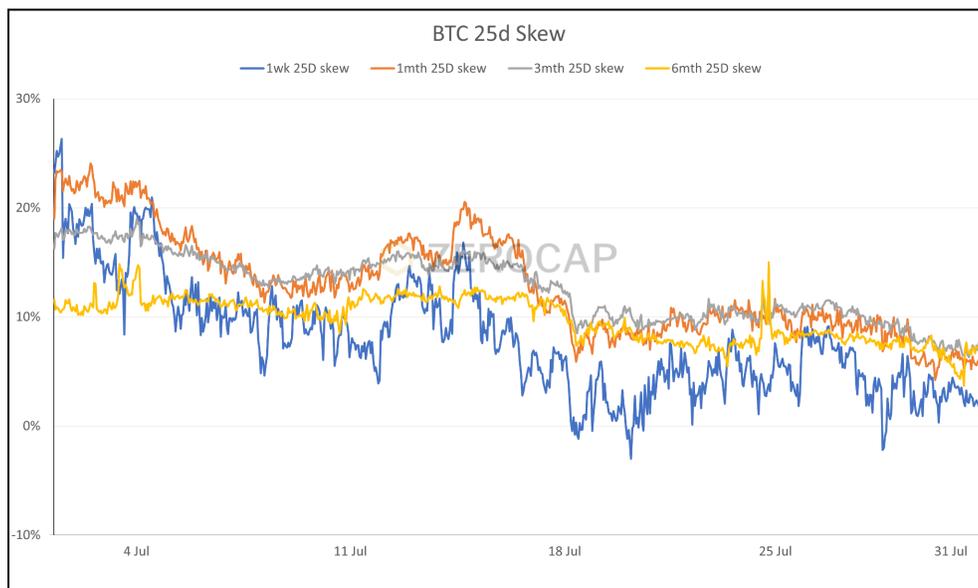
Data source: Glassnode

- For some time, numerous cyclical on-chain metrics have indicated that the market had or was bottoming out. The Puell Multiple analyses mining profitability and its relationship with cyclical trends. Recently, this metric has been suggestive of a cyclical bottom and now it is moving higher, behaviour that is consistent with cycle uptrends.



Data source: Glassnode

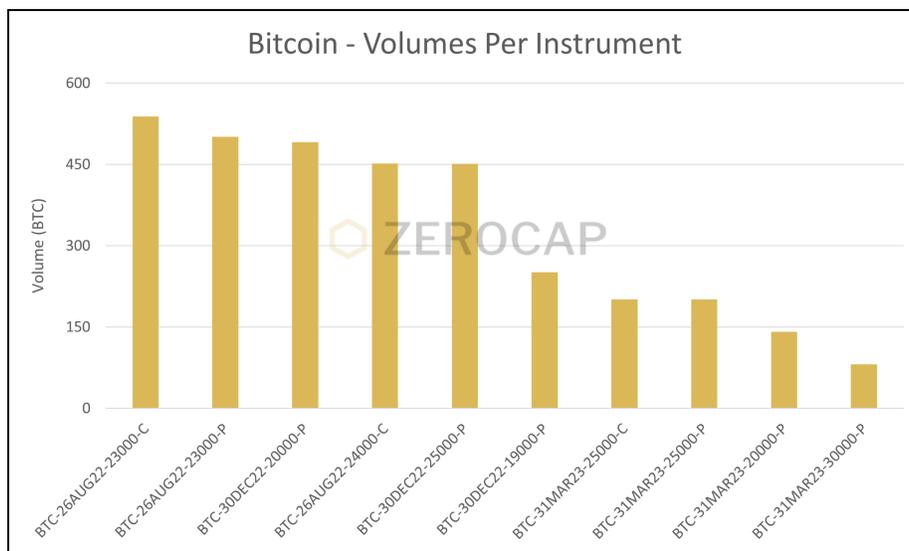
- Additionally, Bitcoin's 25d skew has been on a downward trajectory since the beginning of July. The relative shift toward calls instead of puts outlines the changing sentiment toward bullish plays.



Data source: Skew



- Looking at option strategies that were particularly popular last week, strategies within the 20,000 and 25,000 range were favoured. Hence, price action and order flow will favour consolidation within these levels in the short term.



Data source: Laevidas

- In light of this week's hawkish hike and shallow GDP print, Bitcoin continued its push higher into July's close. Funding rates suggest that participants favour a bullish outlook in the short term. Correspondingly, some on-chain metrics are suggesting markets have entered the early stages of the next cycle. The consolidation of long positions reaffirms this picture. However, it seems that some players are considering the possibility of suppressed action until 26th August 2022. This coming week, Non-Farm Payroll data and Unemployment Rates out of the US are to be printed and will provide a clearer picture of current economic conditions.



Ethereum

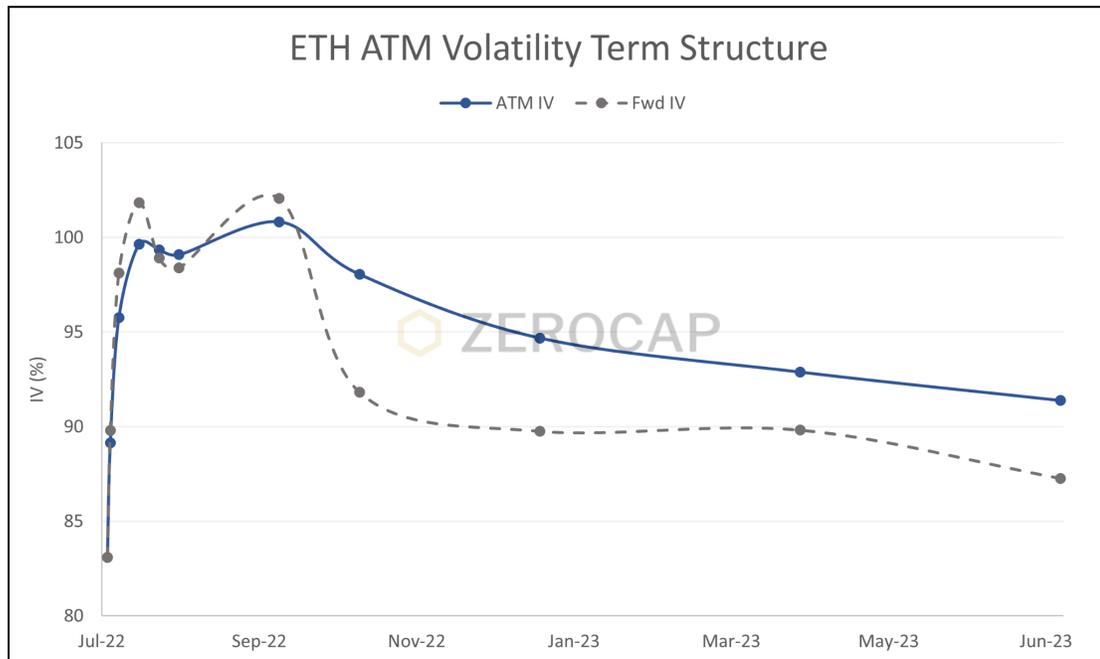


Data source: Tradingview

- Ethereum’s momentum continues to build, closing higher for its fourth consecutive week. Markets were clearly focused on Wednesday’s FOMC. Participants de-risked leading into the announcement, causing Ethereum to fall 16% by the time of the event. Dovish undertones in Powell’s speech formed the basis for a move higher in risk assets. Ethereum benefited, rising 24% into the weekend. Price found resistance at the previously well-tested level, 1,700, before closing the week at the 1,681 level. Ethereum had a 5.18% gain WoW.
- Ethereum’s tenth shadow fork went live on July 26th. This represents a step closer to its highly anticipated transition to proof-of-stake. The shadow fork tests similar development releases that will be implemented for the forthcoming Goerli testnet, which is scheduled between Aug 6th and August 12th. The Goerli simulation will be reflective of Ethereum’s actual merge.
- In anticipation of the testnet and merge, markets are anticipating elevated volatility. Historically, we have seen successful testnets result in minimal price reaction. However,



given the significance of the Goerli testnet's success and its inherent relation to Ethereum's preparedness for the actual merge, some movement is expected.



Data Source: Skew

- As the merge nears, the use of proof-of-work ASIC graphics card mining machines has come under particular concern. Possessing nearly US\$5bn dollars of graphics cards, a segregated group of miners are planning on forking Ethereum's current proof-of-work chain at the merge. While details have not been confirmed, if a PoW fork is developed, an interesting development in the ETH calendar futures market may play out. More specifically, in 2017, markets re-priced the expected value of the Bitcoin Cash fork via the BTC futures market, where participants bought Bitcoin and sold the month-following futures contract.

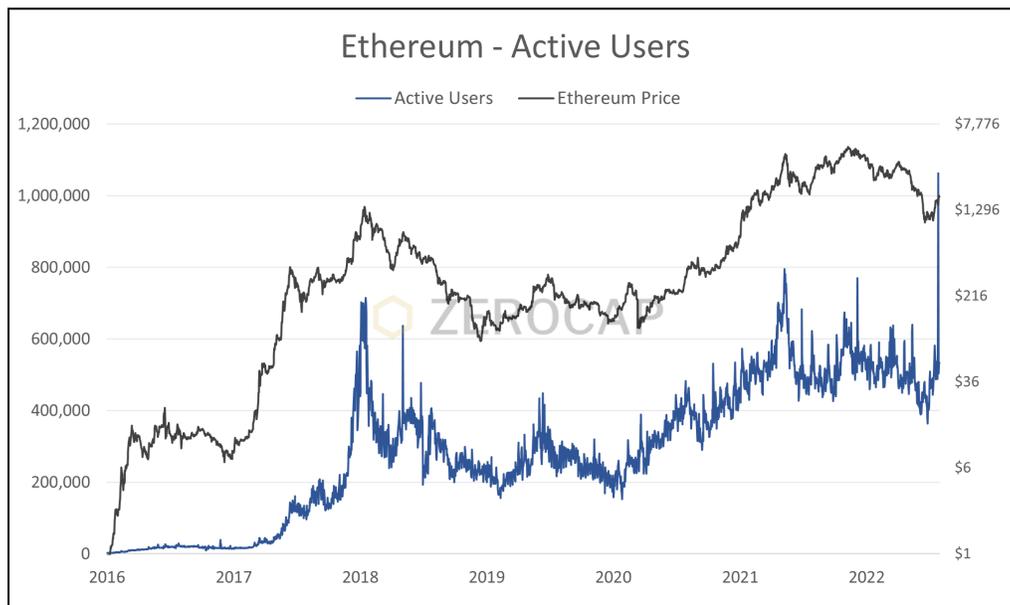


ETHBTC Daily Chart



Data source: Tradingview

- Week-on-week, ETHBTC rose marginally higher and closed +1.69%. Futures trading volume has seen ETH surpass BTC. From the June lows, Ethereum has traded 47% higher relative to Bitcoin. However, overhead resistance at 0.0735 may slow down upward momentum in the near term. This level coincides with a 0.618 retracement drawn from the high in Dec-21.
- This week, ETH active addresses hit an all-time high. On Tuesday, 1.06M ETH addresses made transactions. This represents a 48% gain over the previous high. However, looking more closely, the significant increase can be attributed to a large increase in send/receive activity, as opposed to a material increase in activity on the network and its protocols. The spike is a total outlier though, so keep an eye out for newsflow relating to this.



Data source: Glassnode

- In the coming fortnight, key events such as further economic data out of the US as well as the Goerli testnet will likely form the basis for Ethereum's short-term price action. Ethereum's 12.8% move higher, following the Fed Interest Rate decision on Wednesday, suggests that volatility can be expected. Notably, the Goerli Testnet marks an important event and its success will reaffirm or tarnish the continuation of bolstered sentiment.

Altcoins

- Coined as a 'small reorganisation', Immutable has laid off developers working on the popular NFT game, Gods Unchained. These layoffs arrive alongside the significant decrease in NFTs games' usage. A game's reward cycle refers to the relationship between a Web3 game's token value and the number of new players in the game. Players are rewarded in the game's token and hence incentive is defined by a token's value. As a consequence of token depreciation, players are less incentivised to play and join the game. In turn, further downward pressure is applied to the token. Since



December 2021, a period which is considered the peak of the NFT market, Gods Unchained's token, GODS, has diminished by over 90% in value.

- As part of their Series A funding round, Aptos Labs, a team building a new layer 1 blockchain, raised \$150 million USD. The round was led by FTX Ventures and Jump Crypto. Entering into a highly competitive sector of blockchain infrastructure, Aptos looks to differentiate itself through a focus on solving issues faced by other blockchains. Issues include scalability, safety, outages and a lack of developer-ready tools. Moreover, Aptos will be coded with a novel programming language, Move.

DeFi

- Nirvana Finance, a DeFi yield protocol on Solana, recently suffered a flash loan exploit. The attack on Nirvana's treasury accounted for \$3.49 million. Notably, the protocol's stablecoin, NIRV, has also lost 90% of its value. The attacker initially obtained a \$10 million USD flash loan through the Solend protocol and minted ANA, Nirvana's native token. Subsequently, the exploiter manipulated Nirvana's oracle feed by inflating the price of ANA before selling them for \$13.49 million USDT. After paying back the \$10 million USD flash loan, the hacker moved their profits into DAI on Wormhole.

Innovation

- Bitfinex and Tether recently launched a peer-to-peer video calling application named Keet. Working with P2P infrastructure company, Hypercore, the firms initially released a protocol called Holepunch with Keet being its first application. Holepunch is powered by Distributed Holepunching Technology (DHT). In order to enable the scheduling of video and audio calls, the sharing of files and sending messages through cryptographic keys, Keet utilises DHT.



NFTs & Metaverse

- The UK Law Commission has called for legislation reform relating to Metaverse land and NFTs. The commission's initial recommendation is to create a category of laws that explicitly define NFTs and cryptocurrencies as “data objects”. The Commission's concern that existing laws are insufficient to govern the new sector of finance forms the basis for their push for regulation. Furthermore, novel laws in relation to assets built on the blockchain will establish a global precedent for other regulatory bodies to follow.
- NFT Worlds is a play-to-earn metaverse platform that aims to leverage Minecraft's open-sourced ecosystem to build out its own virtual reality world. However, Minecraft abandoned NFT integrations. As such, within 24 hours of the announcement, floor prices of NFT World's metaverse land dropped by 80%. Correspondingly, in less than 3 hours, NFT World's token, WRLD, fell by 66%. In response to Minecraft's announcement, the team stipulated their intention to become crypto-native by establishing a new game and platform design.
- Miami's mayor, Francis Suarez, announced that Miami intends to launch a 5000-piece Ethereum-based NFT collection. The city has partnered with Time USA, Mastercard and Salesforce as part of the NFTs creation. Time USA possesses the responsibilities of defining the NFT strategy and execution of the project. Mastercard will offer Miami NFT holders exclusive benefits including special access to restaurants and private cultural tours in the city. Finally, Salesforce will manage the NFTs minting and primary sales through its new, unreleased NFT Cloud platform.
- Recently the role of Katie Huan, a16z's Chris Dixon is taking over the responsibility for the seat on OpenSea's board. Notably, Huan has decided to leave a16z and OpenSea with the intention of starting her own investment firm, Huan Ventures. Reportedly, the firm has raised \$1.5 billion USD in funding.
- What marks its 7th straight quarter of losses, Meta's metaverse division reported a \$2.8 billion USD loss in Q2 following its reported \$2.9 billion USD loss in Q1 of 2022. Nonetheless, Zuckerberg remains steadfast in investing company resources in the



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metaverse. Zuckerberg acknowledged that losses are likely to continue into the foreseeable future. That is, until virtual reality applications and metaverse platforms have matured. Despite Zuckerberg's confidence in Meta's position within the metaverse space, the United States Federal Trade Commission (FTC) recently filed a lawsuit against Meta. The lawsuit alleges that Meta is attempting to monopolise the metaverse market.

What to Watch

- News on Ethereum's final Merge test, active from 4th to 12th of August.
- US Jolts Job Openings, on Wednesday.
- Bank of England's monetary policy report and statements from governor Bailey, on Thursday.



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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