



# ZEROCAP

## Weekly Crypto Market Wrap

1 August 2022 – 7 August 2022

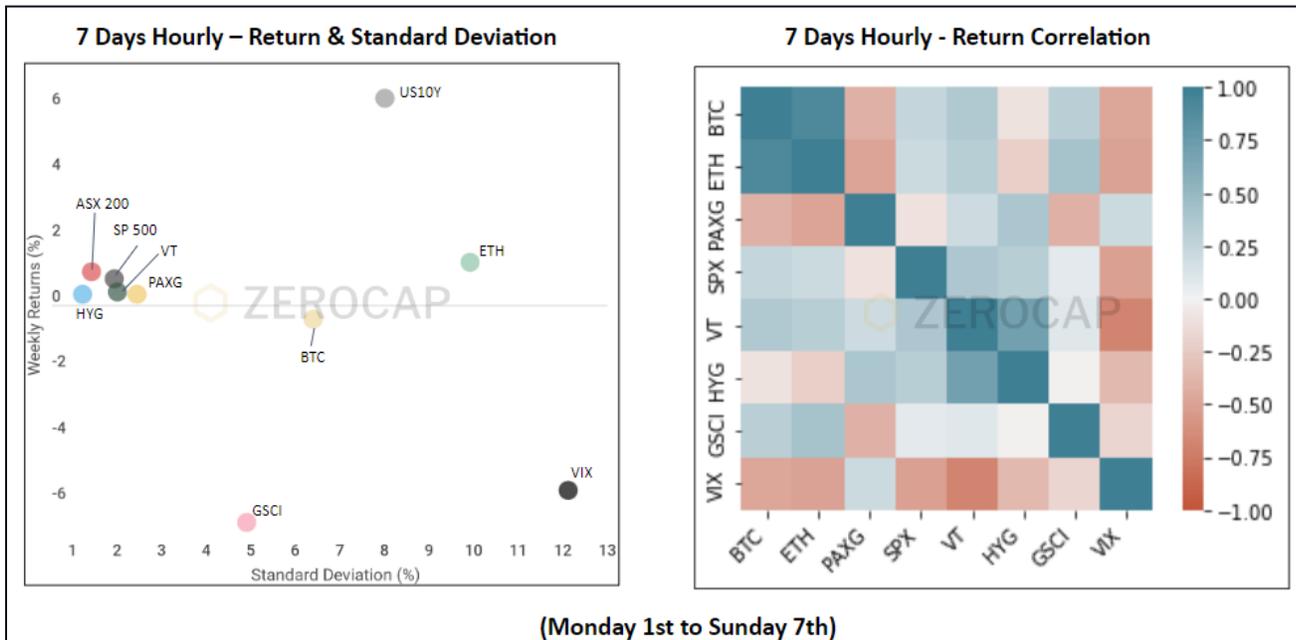
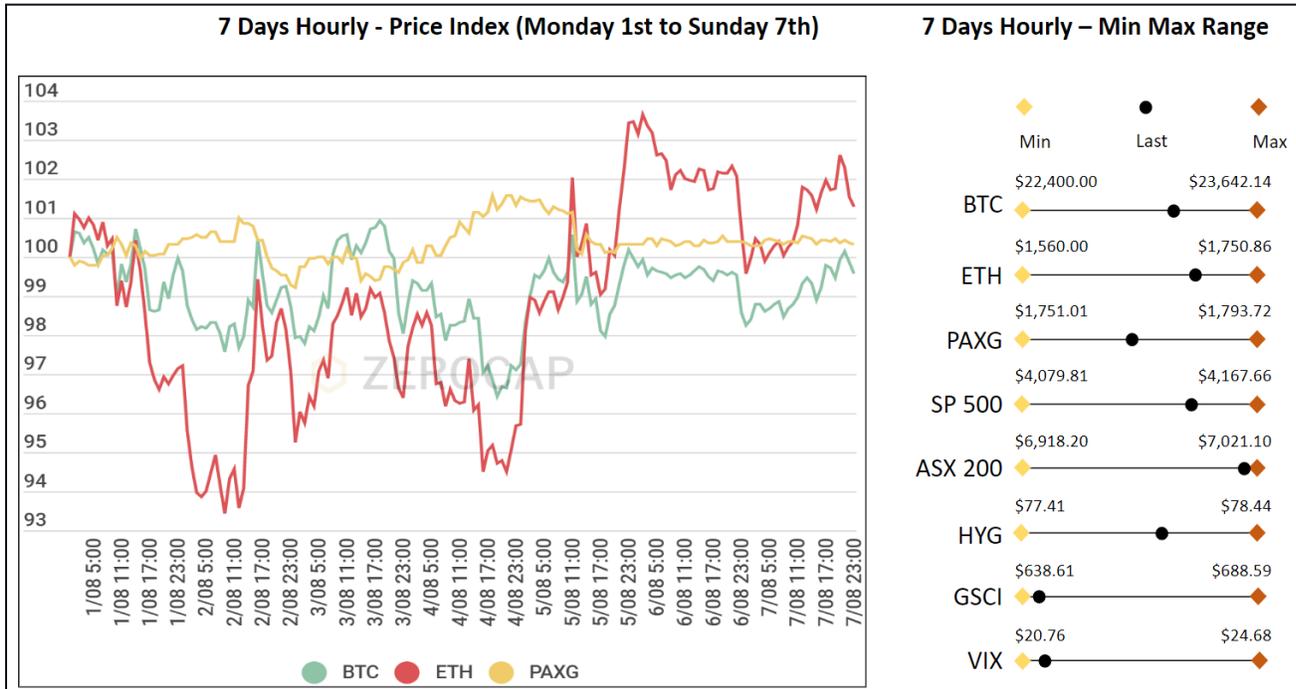
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### Week in Review

- [BlackRock](#) partners with US crypto exchange Coinbase amid [insider trading](#) scandal - company is hit with two more [lawsuits](#).
- [USDT](#) supply increases for the first time in three months following decline.
- Bitcoin [miners](#) now hold a two-year high of 1.856M BTC; CryptoQuant data.
- EU issues [document](#) requesting off-chain data of crypto transactions by 17th of August.
- Meta's metaverse efforts will fail, claims Ethereum co-founder [Vitalik Buterin](#) - company recorded over \$15.9 billion [in losses](#) since the creation of its metaverse branch.
- Victoria state's police in [Australia](#) will soon have new powers to seize crypto assets from criminals, and will compel exchanges to hand over information about suspects.
- [Michael Saylor](#) steps down as MicroStrategy's CEO - wants to [focus more](#) on Bitcoin.
- Meta set to expand [Instagram](#) support for NFTs to 100 countries.
- [Tiffany & Co.](#) turning CryptoPunk NFTs into pendants.
- [Nomad](#) token bridge drained of \$190M in recent security exploit.
- US Congresswoman [Nancy Pelosi](#) visits Taiwan, further raising tensions with China which followed by executing [missile drills](#) around Taiwan and Japan territories.
- [Bank of England](#) has biggest interest rate hike in 27 years, predicts long recession.
- Number of [available Jobs in the US](#) shrinks in June, lowest since September 2021.



### Winners & Losers





### Macro Environment

- Last week saw United States (US) - China relations reach terminal velocity, with US House of Representatives speaker: Nancy Pelosi making a controversial visit to Taiwan. Pelosi, being second-in-line for the US presidency, became the highest-ranking US official to visit Taiwan in the last 25 years. Shortly after arrival in Taiwan, China spontaneously announced a series of missile tests to be carried out from August 4th to 7th. The tests were ominously close to Taiwan, resulting in extended shipping and air traffic delays. Interestingly, 5 of the missiles also landed within Japan's offshore economic zone. A spike in front-end US Treasuries was attributed to the growing political tensions in Taiwan, and by a Stronger US services ISM reading unveiling easing supply bottlenecks. China has since released sanctions on Taiwan, freezing natural sand exports & imports of various fruits and seafood from the island nation.
- Market participants are wary of China's extensive holdings of US Treasury bonds, as China has amassed the world's second-largest holdings worth approximately \$1.065 trillion. Any further escalation in US-China geopolitical tensions could lead to a potential sell-off of US national debt. US 3Y Treasury yields were up 20 basis points on Pelosi's visit, 10Y rates also at 2.74%, the US yield curve inverting to the highest point in 22 years at -38 basis points.
- Monday saw the release of the United Kingdom's (UK) manufacturing PMI readings, the 52.1 results edging closer towards a neutral level of 50, indicating a reduction in factory activity not seen since June 2020.
- Also in the UK; the Bank of England (BOE) came out with its largest rate hike in 27 years on Thursday at 50 basis points. The BOE, asserting its already hawkish interest rate stance, expects inflation to reach a peak of 13.3% in October, accompanied by a recession in Q4 this year. The historic rate hike will attempt to combat the significant reduction in real household income attributed to supply-side inflationary pressure and soaring retail energy prices.



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- The Reserve Bank of Australia, came out with an identical rate hike to the BOE at 50bps, resulting in a target cash rate of 1.85%.
- Turkey's current account deficit is estimated to reach a record -\$40.15 billion by the end of 2022. These estimates come on the tail end of President Tayyip Erdogan's economic plan, responsible for slashing central bank policy rates by 500 basis points since September last year, the Turkish Lira at the time of writing sitting at \$0.056 USD.
- Huobi, a Seychelles-based crypto exchange, is now offering its services in Australia, following its registration as a digital currency exchange provider with the Australian Transaction Reports and Analysis Centre (AUSTRAC).
- According to a press statement from the U.S. Securities and Exchange Commission on Monday, 11 people have been charged with the formation and marketing of Forsage - a purportedly fraudulent cryptocurrency pyramid and Ponzi scheme that raised over \$300M from retail investors globally.
- The Singaporean High Court granted troubled crypto lender Vault a three-month moratorium on Monday, temporarily alleviating pressures from creditors.
- The DXY climbed on the back of stronger US data, with the USD/JPY pair back above ¥135, EUR/USD hovering under 1.02 and GOLD closing in on \$1774.85, the VIX easing off -5.62% WoW.



### Technicals & Order Flow

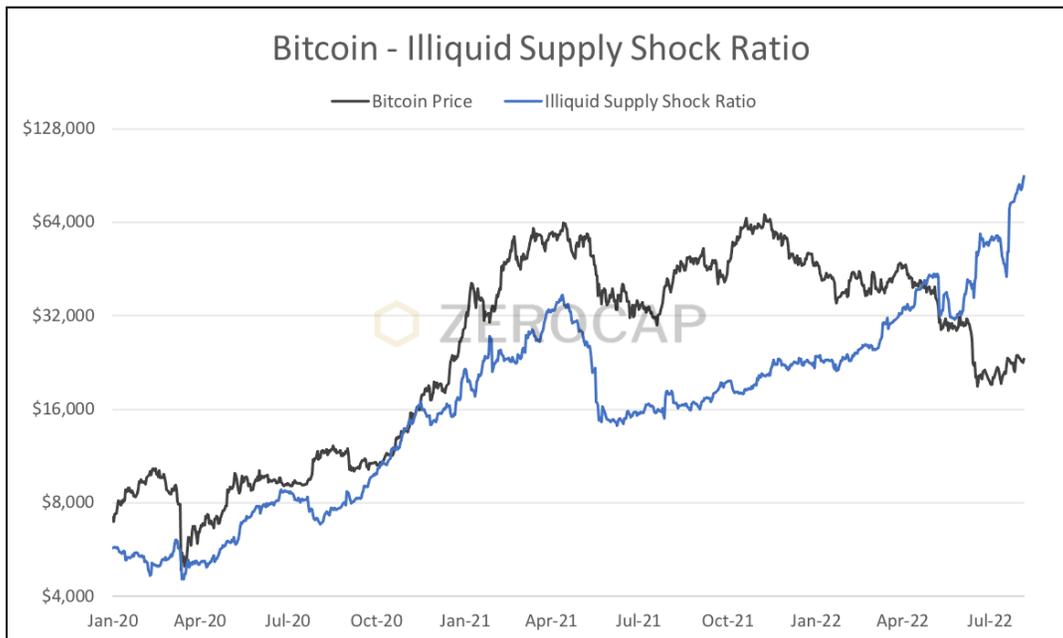
#### Bitcoin



- This week, Bitcoin’s action centred around the 23,000 level. Momentum remained relatively balanced with moves to the downside being bid at the 22,600 support. Breaks above 23,300 were temporary, suggesting relevance for this level as short-term resistance. Price edged upward during the weekend’s thinner liquidity session closing -0.43% WoW, putting a pause to Bitcoin’s 2-consecutive weeks of positive returns.
- Bitcoin struggled for direction as participants entered the new month. Coming off a favourable reporting season with approximately 75% of S&P 500 firms beating estimates, participants were left cautious when San Francisco Fed President, Mary Daly, suggested that inflation is nowhere near done. Newsflow of institutional adoption, such as Coinbase’s partnership with Blackrock (10T AUM) providing clients with access to Bitcoin proved relatively unimpactful as a result of macro topside pressure.

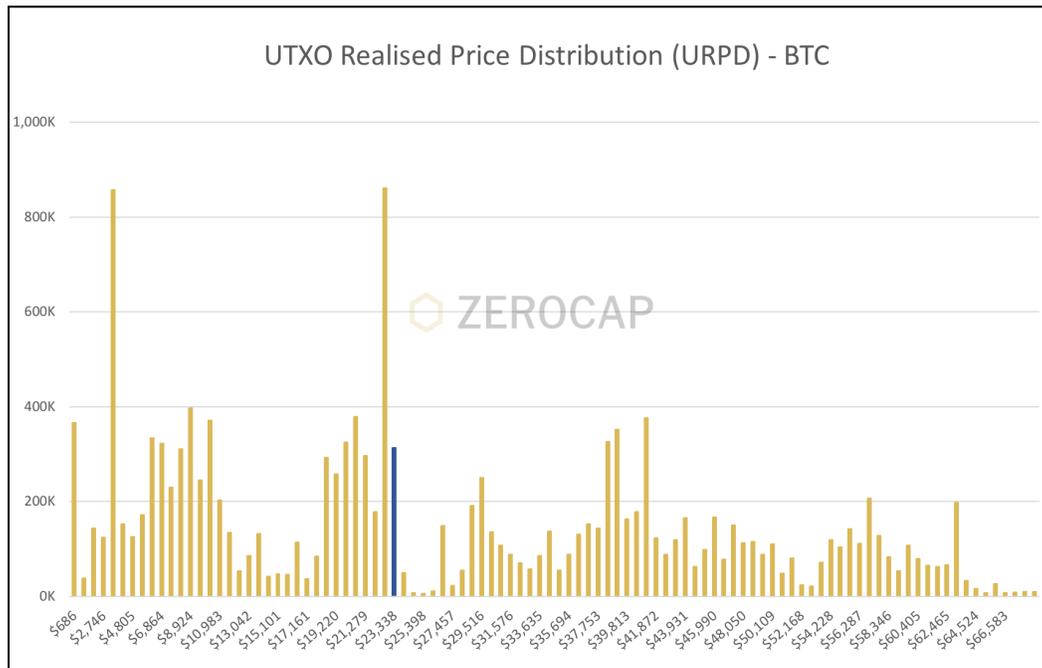


- To add to the market's indecisiveness, Unemployment and Non-Farm Payroll data out of the US on Friday, both of which beat expectations, caused deliberation amongst participants. Numbers that initially pointed toward improved economic health came alongside a corresponding fall in labour force participation rate, meaning existing workers have taken up second jobs. The inflationary implications of the prints caused Bitcoin to slightly retrace into the weekend's session.
- The illiquid supply shock ratio depicts the proportion of Bitcoin's supply that is held by firm hands, colloquially known as HODLers. Notably, during July, this metric increased substantially. Increases in this metric are indicative of BTC supply being taken out of circulation, inherently increasing the likelihood of a price surge due to demand outweighing supply.



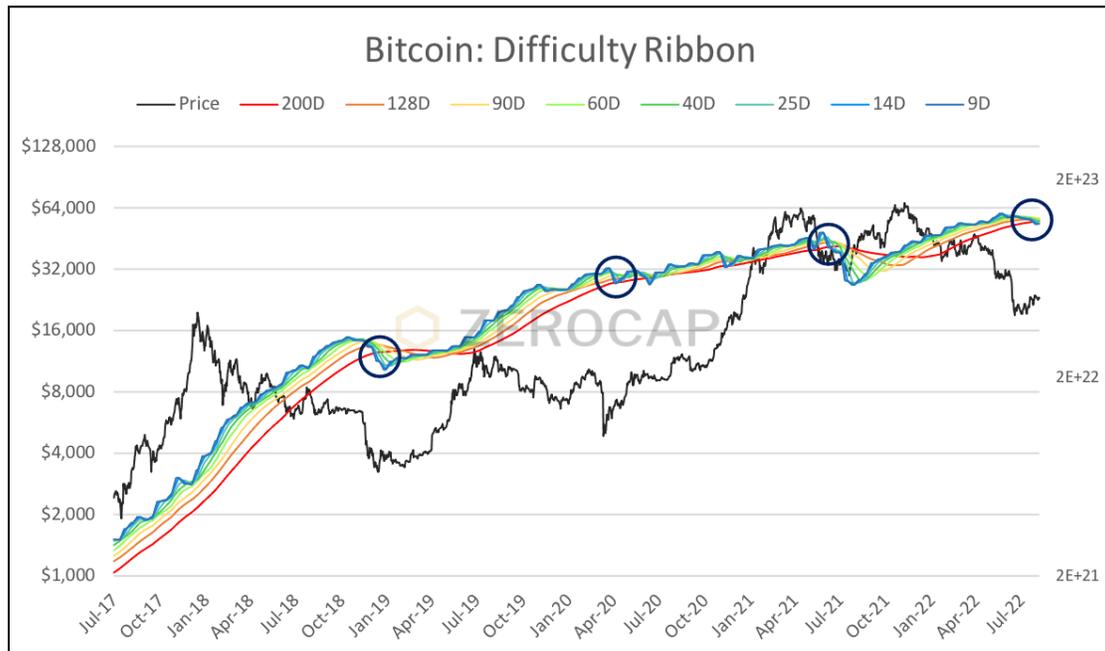
Data source: Glassnode

- The URPD metric provides further detail to the aforementioned narrative. More specifically, copious volumes have changed hands at the 22,000 level. Both metrics suggest that rigorous support has formed around this level.



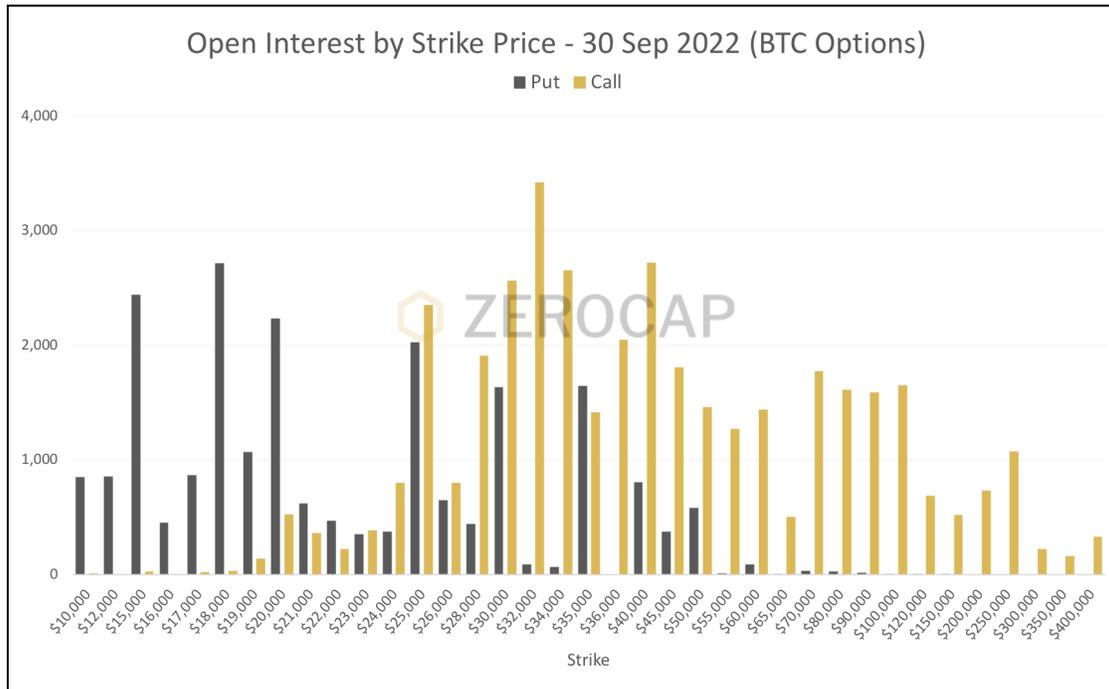
Data source: Glassnode

- Bitcoin's mining difficulty ribbon compares difficulty across a number of moving averages. Convergence of these moving averages has historically marked cyclical bottoms and good buying opportunities. Moreover, the convergence of moving averages is currently occurring.



Data source: Glassnode

- Looking at open interest of options out to 30 September 2022, the 25,000 and 40,000 strikes are favoured for call options. Puts are concentrated at the 15,000, 18,000 and 20,000 strikes, indicating traders continue to hedge tail risk. Notably, this expiry coincides with Ethereum's expected merge date.



Data source: Glassnode

- This week, Bitcoin’s sideways action acted to reflect the market’s current indecisiveness. Despite a simmering inclination toward upside directionality, the hawkish macro narrative continues to suppress conviction. Nonetheless, current prices are attractive and there is clearly substantial accumulation at these levels. Moreover, some derivative traders are forming bullish positions around Ethereum’s merge date. Traders now look to CPI data out of the US on Wednesday to affirm sentiment and direction into the short term.



### Ethereum



Data source: Tradingview

- For the fifth consecutive week, Ethereum prices rose, closing 1.18% higher WoW. Following an early 7% fall, a strong continuation above the 100-day moving average validated the break of a week-long wedge pattern. The release of US wage data produced hotter than expected figures, causing a swift 3.55% price reversion within minutes. Volatility waned into the weekend. Subsequently, the price traded within a tight range before closing at 1,700.
- Last week, we outlined the discussion surrounding the Ethereum proof-of-work fork. Further sustenance regarding the fork continues to contribute to the anticipation surrounding the PoS merge. A large contingent of miners are pushing for Ethereum to fork to another chain at, or shortly after, the merge is completed. There appears to be no division in the community when compared to previous Ethereum and Bitcoin forks.



With many existing uncertainties surrounding the merge, the potential for a forked Ethereum adds an additional and interesting layer to the already dense narrative.

### ETHBTC Daily Chart

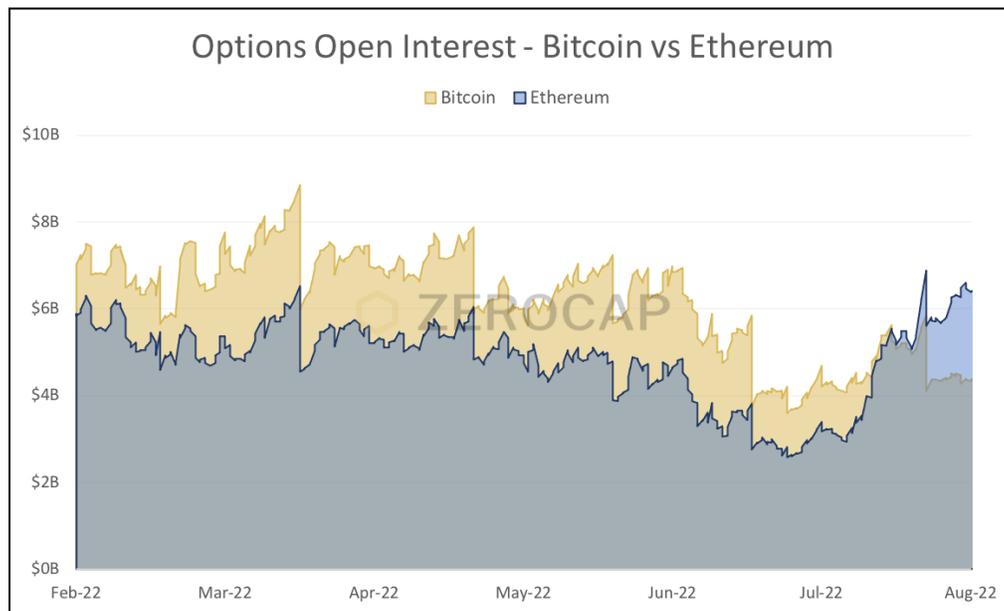


Data source: Tradingview

- ETHBTC continues to exhibit strength, edging 1.84% higher WoW. Notably, Ether futures open interest exceeded Bitcoin for the first time. There is a focus on the themes impacting Ethereum's price relative to their impact on Bitcoin's. The losses experienced as a consequence of the Luna collapse have almost entirely been erased and the pair currently finds support at the 0.618 retracement level. If the market is to break higher, Ethereum will likely continue to outperform Bitcoin in the short term.
- Furthermore, traders are currently favouring optionality on Ethereum relative to Bitcoin. Undoubtedly, this behaviour coincides with speculation surrounding Ethereum's highly

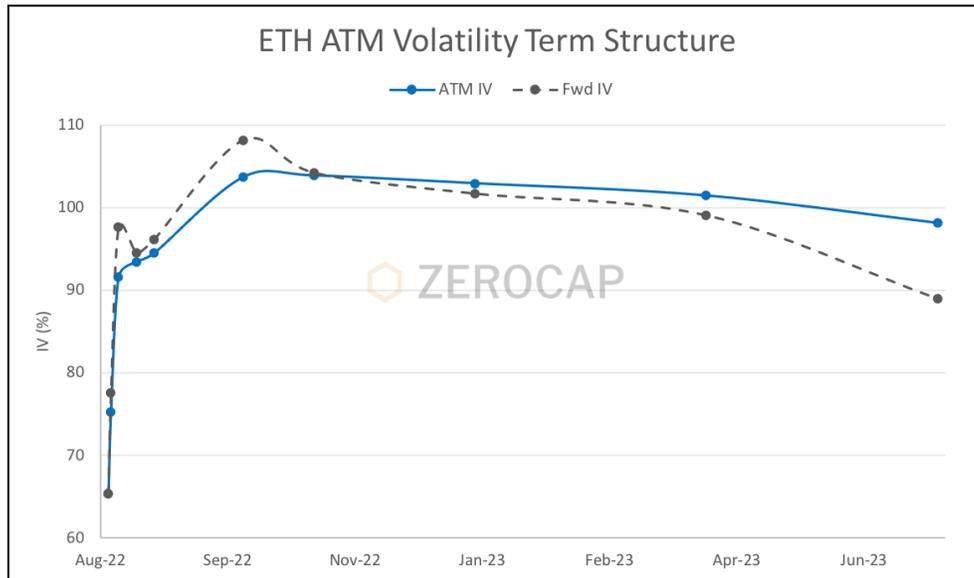


anticipated transition to PoS. There has been a clear shift in OI in the December expiries, which coincides with volumes being traded on the Dec-30 Ethereum futures contract. Speculators are wagering bets on the Ethereum POW fork and the expected value by selling the December future whilst holding a spot position.



Data source: Laevitas

- Ethereum's at-the-money volatility term structure depicts the heightened interest surrounding Ethereum's merge. Moreover, traders are clearly forming positions based on the Merge's expected outcome. Additionally, the forward vol curve is highlighting a clear move in the near term for the CPI print on Wednesday night (AEST).



- Ethereum’s merge continues to drive the wider crypto market’s momentum. Tokens with a high correlation to Ethereum outperform. This appreciation may be individuals forming positions that wager on a successful outcome of the Ethereum ecosystem post-merge. The Goerli testnet is still yet to be completed, and may contribute to price action over the week. In the near term, Wednesday’s CPI print is expected to bring significant volatility to the wider market.

## Altcoins

- Numerous non-native Solana wallets including Phantom, Trustwallet and Slope, were drained of their crypto after an attacker obtained control of users’ private keys. An estimated \$5 million USD in USDC, SOL and SPL was taken from over 8 thousand individual wallets. The victims were primarily Apple iPhone users who had interacted with their wallets in the 6 months prior to the attack. Despite Solana publicly distancing themselves from the external wallet failure, SOL immediately fell by approximately 8%. Notably, throughout the week the price has recovered. This exploit outlines the importance of custodying crypto with trusted and, ideally, regulated solutions.



- Luxury fashion brand, Gucci, announced that selected stores in the U.S. will begin to accept payments in Yuga Labs' ApeCoin. BitPay will act as a payment service provider, facilitating the ApeCoin transactions on behalf of Gucci. BitPay has similar partnerships with AMC Theatres, Wix and Shopify. In addition to ApeCoin, Gucci welcomes over a dozen cryptocurrencies as payment. Following the announcement, APE edged higher, rising over 15%.
- Ethereum Name Services (ENS) publicly released key statistics for July of 2022. ENS printed a monthly revenue of 5.4k ETH or \$6.8 million USD. Notably, this is the largest MoM revenue figure ENS has shown to date. At the end of July, the total registered domains totalled 1.86 million. In addition, 378k new .eth registrations occurred in the same month. ENS dominates Ethereum's domain market. Moreover, ENS purchases contribute to over 99% of domain sales on OpenSea.

### DeFi

- This week, the Nomad Bridge experienced a 190.7 million (USD) exploit. A bug in the bridge's code enabled users to input arbitrary data without validation. The attack was elongated and exacerbated by other unique accounts using the original exploiter's transaction call data in order to drain more funds from the bridge. In this sense, Nomad's cross-chain bridge was the first decentralised crowd-looting of a DeFi protocol.

### Innovation

- Binance has recently launched its version of Soulbound Tokens (SBTs), Binance Account Bound (BAB) as a decentralised solution to KYC requirements. Independent to Binance, SBTs are non-transferable NFTs that represent an individual's unique on-chain identity, including their education, work experience, conferences they have attended and more. Binance's BAB will be used to cryptographically encrypt KYC information while also providing an indication as to whether a customer satisfies the platform's onboarding requirements. Notably, BAB tokens seemingly lack some important features of SBTs.



This includes interoperability with other blockchains, use cases and a lack of a multi-layered structure.

- Starbucks will be unveiling its Web3 rewards program next month at its upcoming Investor Day event. Having only provided some detail regarding the coffee retailer's program, Starbucks has confirmed customers will receive NFT-related rewards. These NFTs will have unique utility and will provide holders with experiences and discounts. Starbucks has clarified that the Web3 initiative is aimed at attracting Gen Zers to become Starbucks customers.

### NFTs & Metaverse

- KuCoin, a global cryptocurrency exchange, has launched 5 different NFT ETFs. With this, KuCoin has become the first centralised exchange to offer retail investors fractionalised ownership of blue-chip NFTs by lowering the investment threshold. Currently, 2 NFT ETFs are listed on the exchange covering CryptoPunks (hiPUNKS) and Bored Ape Yacht Club (hiBAYC). The other 3 ETFs, including Koda NFTs (hiKODA), Sandbox Land (hiSAND33) and ENS domains with a length of 4 letters (hiENS4), will be listed at a later date. Each token is pegged to the floor price of the relevant collection and represents a 1/100,000,000 ownership of the collection. By offering these NFT ETFs to their 20+ million users, KuCoin will significantly increase the trading volume for these inherently illiquid NFT assets.
- Tiffany & Co released the 250 NFTiff passes. These NFTs can be redeemed by CryptoPunks holders for a custom pendant of their Punk. Passes sold at a price of 30 ETH, \$51k USD. Each wallet was able to purchase a maximum of 3 NFTiffs. The 250 NFTs and CryptoPunk pendants sold out in less than 30 minutes. The sale netted Tiffany & Co with 7.5k ETH or 12.75 million (USD). In secondary markets, the NFTiffs floor price has remained relatively stable and is currently approximately 29.5 ETH.
- Solana's unicorn protocol, Magic Eden, is expanding its NFT marketplace offerings to Ethereum-based NFTs. This is Magic Eden's first step toward becoming a multi-chain



marketplace. However, unlike the services it offers for Solana NFTs, the NFT marketplace will only act as an aggregator platform for Ethereum NFTs. Additionally, Magic Eden has faced backlash from the community for its escrow trading model. Unlike OpenSea where investors digitally own their NFTs, Magic Eden takes custody of sellers' NFTs when they are listed on the platform.

- This week, Meta announced that it will be expanding its Instagram digital asset integration to over 100 more countries. These countries include those in the Americas, Asia-Pacific, the Middle East and Africa. Further, Instagram now supports connections with a variety of third-party wallets, including MetaMask, Rainbow, Trust Wallet and Coinbase Wallet. Moreover, Meta will be leveraging Dapper Labs' Flow blockchain to enable users to post their Flow-based NFTs on Instagram. With this integration, Instagram now supports Ethereum, Polygon and Flow.

### What to Watch

- US CPI, on Wednesday.
- UK's preliminary GDP, on Friday.
- US Consumer Sentiment, on Friday.

### Insights

- [Tokenised carbon credits to rejuvenate the global emissions market - Ryan McCall](#)

In this piece for ANZ bluenotes, CEO Ryan McCall provides a thorough breakdown of tokenised carbon credits and how they can greatly benefit the global emissions market.

- [Investors on alert following crypto hack - Jon de Wet](#)

Zerocap CIO Jonathan de Wet discusses geopolitical tensions affecting the crypto market, rising rates, the recent Nomad hack and more in this Ausbiz interview.

- [Zerocap's William Fong highlights for Wholesale Investor's "The Hunt for Yield" panel](#)



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Highlights of Treasurer William Fong at Wholesale Investor's Venture & Capital event in Sydney, where William joined other investment experts for "The Hunt for Yield" panel.

- [Monthly Investment View - August 2022](#)

Written by Kurt Grumelart, where we provide a brief breakdown of the main events in June and what Zerocap expects moving forward in the next few weeks.



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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