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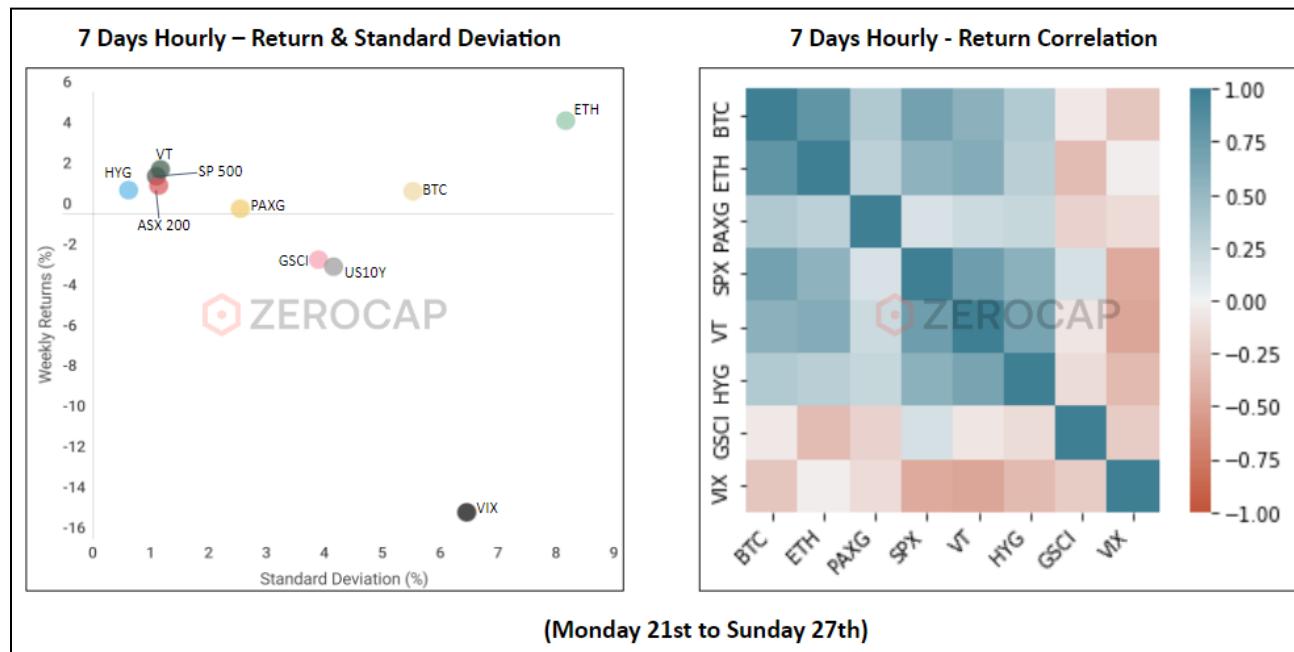
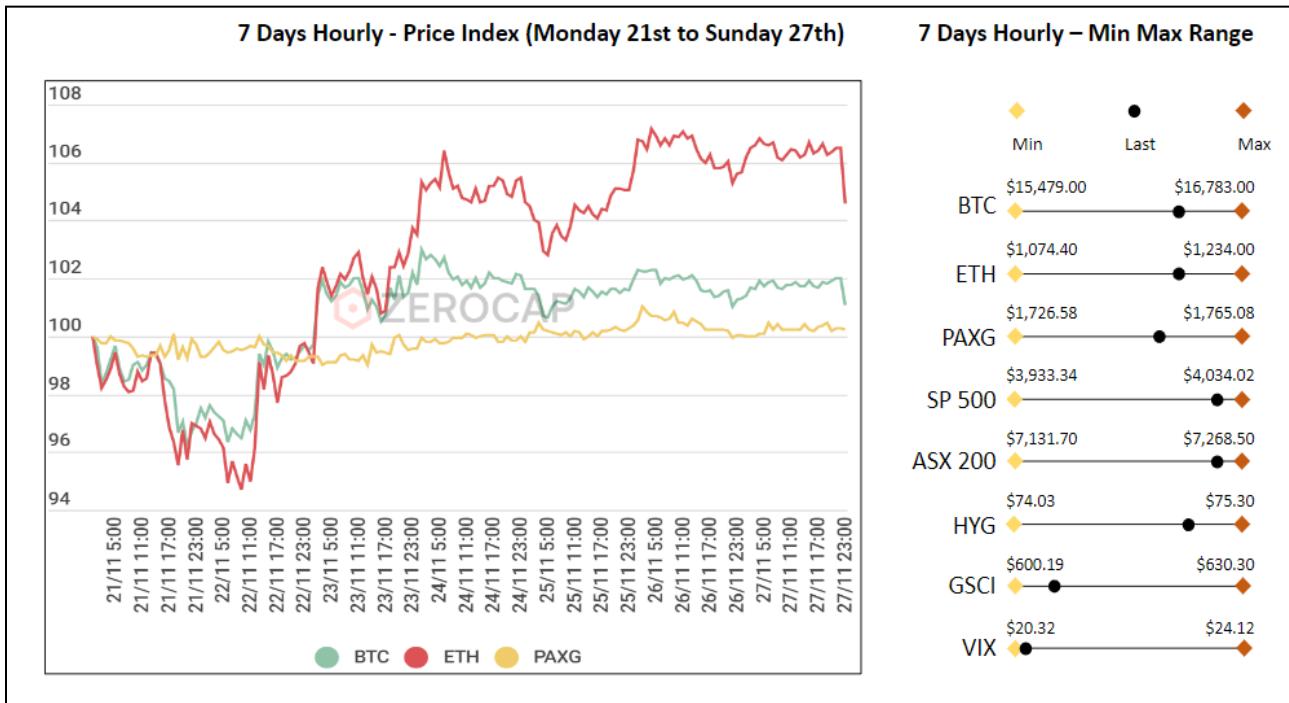
Week in Review

- [Zerocap DeFi Discount Notes](#) launched - a Structured Products series that takes advantage of DeFi inflows on the back of the FTX collapse for [wholesale investors only](#).
- Bankruptcy filing: [FTX](#) owes over \$3 billion to its top 50 creditors, [US Senate hearing](#) scheduled for 1st - ordered to pay [reimbursement fees](#) to Bahamian regulators.
- [Binance](#) to allocate \$2 billion to crypto recovery fund to prop up struggling players.
- “I never intended for this to happen.” FTX Founder [Sam Bankman-Fried](#) sends letter to FTX team, says he should have been “more sceptical of large margin positions.” - [still speaking](#) at crypto events.
- Institutional investors have increased their crypto allocations over the past 12 months; [Coinbase survey](#).
- Bitcoin addresses holding [1 BTC or more](#) hits new all-time high; Glassnode.
- Market tracker [Coinmarketcap](#) launches Proof of Reserve category for exchanges.
- Traditional crypto lender [Genesis](#) denies plans to file for bankruptcy.
- Cardano (ADA) to launch [new algorithmic stablecoin](#) “Djed” in 2023, after audit and alleged rigorous testing - meanwhile, a different leading stablecoin project [shuts down](#).
- Victims of [Celsius bankruptcy](#) can file proof of claims to US court by 23rd January 2023.
- [Protests erupt](#) around China with participants asking for democracy, freedom and even Xi Jinping’s resignation as country’s zero-Covid policy is rocked.
- Slower rate hikes likely coming soon, market sentiment boosts; [FED's meeting minutes](#).

Weekly Crypto Market Wrap

21 November - 27 November 2022

Winners & Losers



Data source: Tradingview

Macro Environment

- The United States (US) celebrated its annual Thanksgiving holiday on Thursday. And despite many traders taking the day off, online shoppers were out in force: a recent report published on Saturday by Adobe Analytics claimed online sales hit a record \$9.12 billion on the day (up +2.3%). A weary US dollar (USD) trended down over the week, evident in the DXY's -0.80% weekly fall that saw all major foreign exchange pairs gain in response. The Euro was up +0.52%, along with the Pound-Sterling (GBP), and Australian Dollar (AUD) - up +1.70%, and +1.01% respectively. The New Zealand Dollar (NZD) showed distinct strength, having printed a weekly high of 0.62891 and closing the week stronger by +1.31%. The recent move in the NZD was catalysed by the Reserve Bank of New Zealand (RBNZ) November meeting that took place on Wednesday. The RBNZ unleashed a record cash rate hike of 0.75 basis points - the largest in its history. The Official Cash Rate (OCR) now sits at its highest since early 2009 at 4.25%. Despite Wednesday's hefty hike, the RBNZ board signalled there is a long way to go - having estimated the OCR to peak at 5.5% in September next year.
- The United Kingdom (UK) unveiled its ambitious ECO+ scheme in the latter half of the week. The program is set to provide £15,000 grants to lower and middle-income households, targeting a reduction in household energy consumption of 15% by 2030. The £1 billion scheme will start in April next year, and run until March 2026 - the grant is expected to cover up to 75% of the costs for households looking to install better insulation & more efficient heating systems. The ECO+ project has come at a time when UK dependence on imported energy has seen plummeting household discretionary spending, as a result of skyrocketing electricity and oil prices.
- Covid-19 cases are rising in China, having reported 40,000 new cases on Saturday. Newly introduced Covid-19 restrictions, attempting to quell fresh outbreaks have seen protests erupt in Wuhan, Shanghai and Chengdu. Market uncertainty surrounding the impact of new and extended restrictions has been reflected in commodities. Oil extended last week's losses: WTI down over -4.75% on week open, BRENT down a similar -4.24%, GOLD showed relative strength up +0.071% with a weekly high of 1,761.18.

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- A meeting scheduled on Friday between various Group of Seven (G7) representatives and European Union diplomats, was reportedly cancelled. The meeting was initially tasked with discussing a potential price cap on Russian oil. However, it was cancelled on Thursday due to its participants being unable to reach a consensus on a suitable price cap. Poland, Lithuania and Estonia had allegedly pushed for a stringent cap of \$65-70 per barrel.

Technicals & Order Flow

Bitcoin



Data source: Tradingview

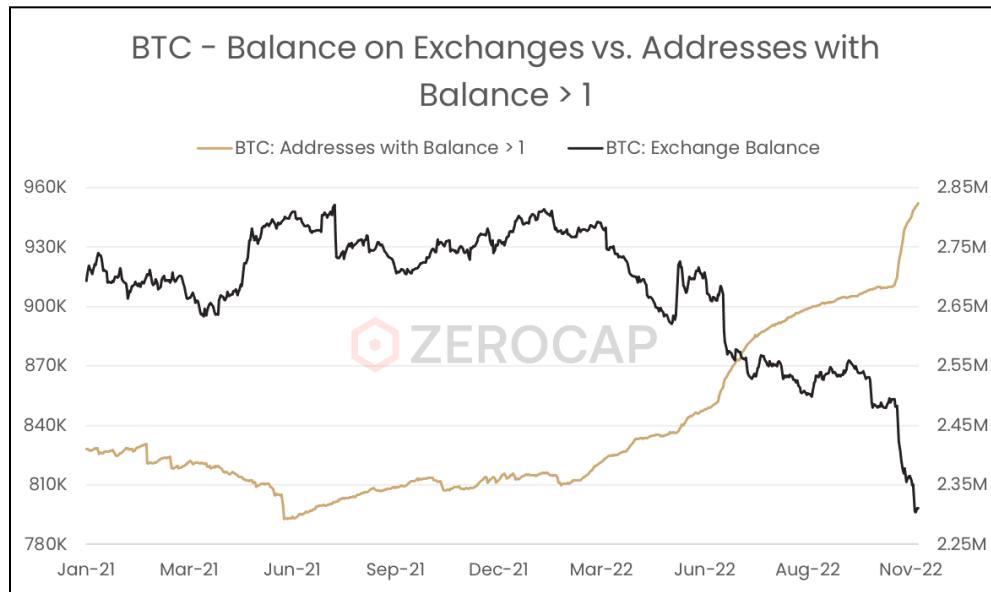
- Bitcoin entered the week alongside immediate selling pressure. The 15,600 level was bid, halting BTC's dissent, and creating short-term support. Shortly after, momentum swung in favour of the bulls and the price pushed higher until the 16,750-resistance level. Later in the week, alongside diminished spot volumes, BTC consolidated around 16,500 and closed +1.07% WoW.
- Commentary related to DCG and Genesis' attempts to raise \$1b to alleviate liquidity concerns rolled over into last week and were the early focus. Fears were exaggerated by speculation related to Grayscale liquidating its BTC holdings. Bitcoin's action suffered and moved to weekly lows.
- Following this, participants warmed to ex-Grayscale CEO Barry Silbert's letter to DCG shareholders. With confidence somewhat restored, the price reverted higher as

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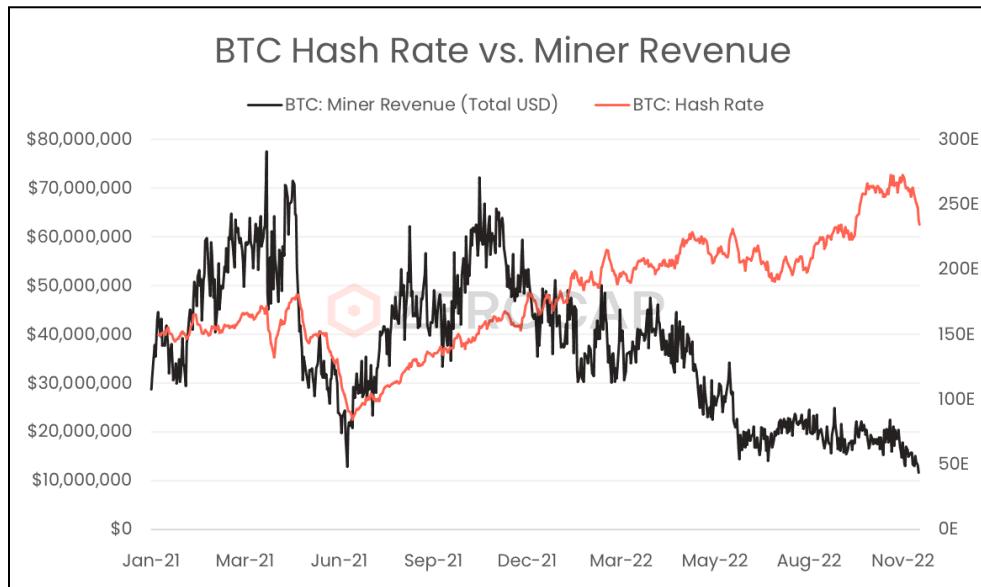
participants re-priced risk. Bitcoin ascended to weekly highs and then consolidated ahead of the US Thanksgiving Holiday.

- Following FTX's capitulation, we witnessed notable volumes of BTC swiftly withdrawn from exchanges and moved into alternative custody methods. As a result of continued fears related to counterparty risk, this trend has persisted. Correspondingly, the number of addresses with balances of BTC greater or equal to one grew exponentially. Notably, this behaviour is also suggestive of accumulation. In light of Bitcoin's recent retracement to levels not seen for years, there is a cautious building of conviction among participants.



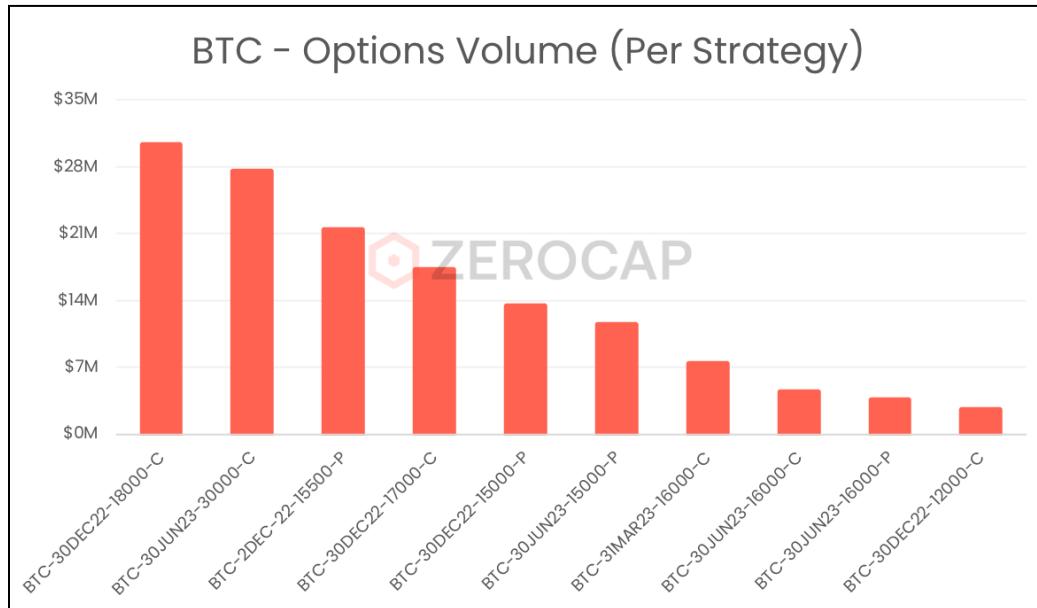
Data source: Glassnode

- Recently we discussed the possibility of further miner capitulation due to higher operating costs relative to block rewards and transaction fees earned from operations. Last week, we saw the effects of this continued relationship with Bitcoin's hash rate coming off significantly. Notably, this came shortly after Core Scientific, a major Bitcoin miner, raised concerns of its survivability without further funding.



Data source: Glassnode

- Looking forward and at Bitcoin's most traded option instruments, we can see bullish traders are targeting the 18,000 strike for the 30 Dec 2022 expiry and for shorter-dated expiries such as the 2 Dec 2022, traders are valuing downside protection at the 15,500 strike. Notably, there is accumulating open interest for the 30,000 strike for calls for the 30 June 2023 expiry.



Weekly Crypto Market Wrap

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Data source: Laevitas

- Last week, Bitcoin felt the effects of continued speculation regarding GBTC's liquidation. Fear resulted in some early downward action but was alleviated shortly after by comments from ex-Grayscale CEO Barry Silbert. Continued concerns regarding counterparty risk have led to substantial withdrawals from exchanges. However, in light of Bitcoin's persistence at suppressed price levels, signs of accumulation suggest continued conviction among participants. Directionality remains ambiguous and this is further depicted in varying trading strategies employed by traders in the options market. Until we face any further credit risk relief from Genesis and the big players, we'll likely see markets persist sideways with the 15,600 level forming the bottom of the range.

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Ethereum



Data source: Tradingview

- The week began with continued downside on Monday although sellers failed to maintain momentum and the 1,100 level was established as support. The remainder of the week saw a strong risk reversal with the price jumping 8.7% between Tuesday's open and Thursday's close. Despite stalling over the weekend, ETH now finds itself sandwiched between 1,050 and 1,250 whilst the market awaits any further fallout from the FTX and DCG/Genesis events. With a big week of macroeconomic data ahead, if correlation to traditional markets is to pick back up we could see further volatility with a break on either side of the aforementioned levels. There also remains potential for further DCG/Genesis news to deeply impact price as market sensitivity remains. WoW ETH returned 4.52%.

ETHBTC Daily Chart



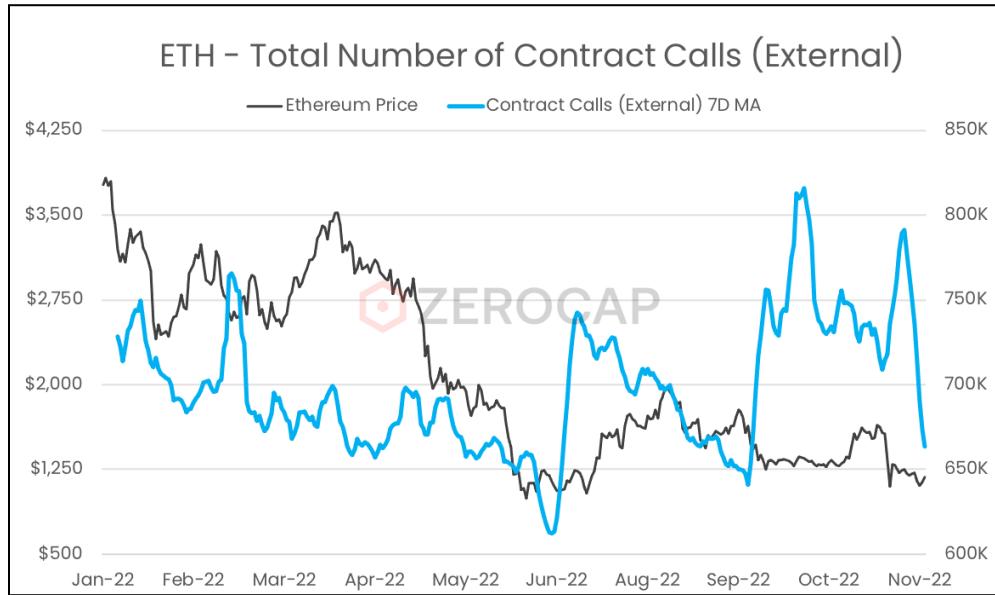
Data source: Tradingview

- ETH outperformed BTC for 6 days last week as the asset continues to experience relative demand against most of the industry right now. ETH's ability to maintain its support base around 0.07 is impressive given its risk label in the space. This is a further testament to the underlying demand for ETH and the characteristics that drive this demand. By week end, the pair successfully reclaimed the 0.0725 level. Failure to hold this could see a retest of 0.067, the previous support region established in October. WoW ETH/BTC returned 3.56%.
- Ethereum contract call volume fell aggressively last week, reaching levels not seen since pre-Merge. While we saw a spike in early November as a result of network participants pulling liquidity to self-custody, the subsequent drop in volume paints a bleak picture for the network which feeds off of traffic. Contract calls underpin the entire Ethereum ecosystem beyond basic value transfer. Given the severity of the damage caused by recent events, it is likely that market participants are pulling all at-risk collateral with the

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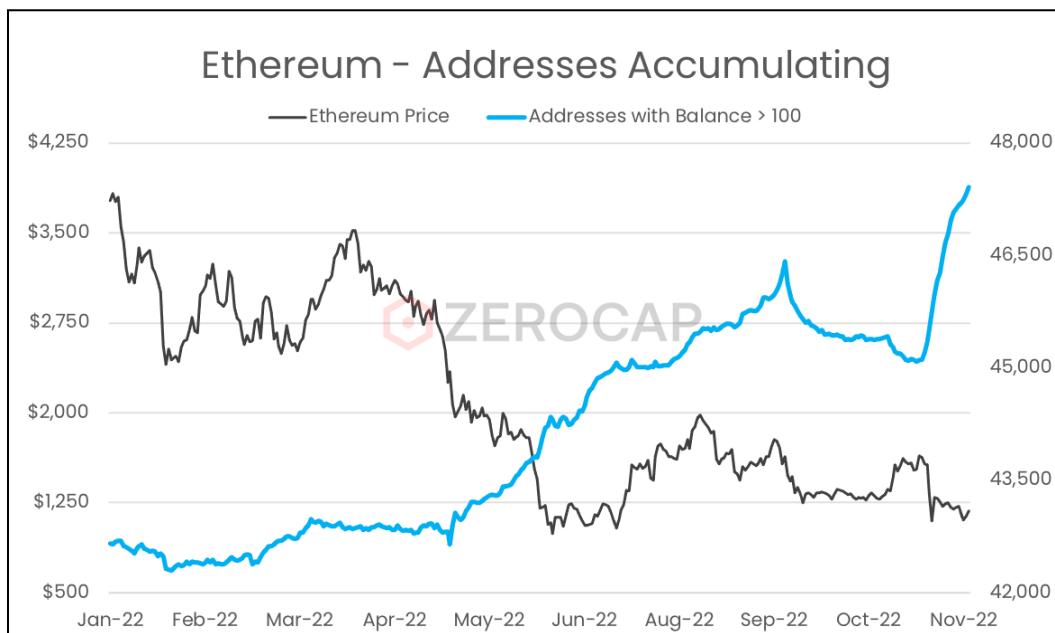
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intent of weathering the storm and waiting for second and third-order impacts to be realised before redeploying capital.



Data source: Glassnode

- Despite this, it is important to note that whilst contract interaction is subsiding, ETH accumulation has increased drastically amongst the network's largest holders. With daily ETH accumulation higher than the lead-up to the Merge and at levels not seen since March 2021, it is apparent that the current price range is widely regarded as high value for long-term holders.



Data source: Glassnode

- Since The Merge, the most exciting forthcoming Ethereum Improvement Proposal (EIP) has been EIP-4844, also known as Danksharding. The implementation of this event has the potential to scale layer 2 networks by over 100 times. EIP-4844 heralded numerous difficulties for Ethereum's developers, however, as of the latest team call, the Danksharding proposal was moved to "considered for inclusion" (CFI) for the Shanghai hard fork. This decision highlights the fact that this proposal is gradually becoming a high priority for Ethereum's core developers.

DeFi

- Despite the significant drawdown in the wider market, Arbitrum has remained strong as its daily transaction count continues to increase as a result of its growing DeFi ecosystem. With the burgeoning hype around DeFi projects such as GMX, Dopex and Vesta, Arbitrum has overtaken numerous dominant layer 1 blockchains, including Solana and Avalanche, in total value locked (TVL). Notably, irrespective of the substantial decrease in TVL faced by most blockchains, the value locked in Arbitrum's smart contracts decreased by about 10% and is now sitting at \$921.6 million USD.

Innovation

- ConsenSys, the team behind MetaMask, faced substantial backlash following an update to its privacy policy. The alteration stipulated ConsenSys would be tracking MetaMask users' IP addresses and Ethereum addresses when initiating a transaction through the web3 wallet. Following this controversy, ConsenSys responded by emphasising that MetaMask does not collect users' IP addresses, but that users are subject to data collection by the nature of the product. Notably, according to the company, the information is not exploited or monetised.
- Binance has allocated \$1 billion USD for its Industry Recovery Initiative (IRI) which will focus on protecting consumers and rebuilding the cryptocurrency industry. Following the latest influx, the size of the IRI fund is over \$2 billion USD. Beyond Binance, other prominent crypto giants such as Aptos Labs, Jump Crypto and Polygon Ventures have announced they will be contributing funds to the initiative. The recovery fund will concentrate on acquiring distressed crypto debt and safeguarding numerous smaller startups over a 6 month period.

Altcoins

- Avraham Eisenberg, the individual who exploited Mango Markets in October, attempted to profit off a bad debt vulnerability in Aave's smart contracts to drive the price of Curve Finance's CRV down. Eisenberg borrowed 83 million CRV tokens on Aave with the intention of selling the tokens in order to liquidate a CRV whale that was supplying the token on Aave, ergo creating bad debt for the DeFi platform. This bad debt occurred because Aave could not cover Eisenberg's CRV position due to the token's illiquidity after the short-seller dumped them on various protocols. It is likely that Eisenberg had a short position against AAVE on the assumption that the bad debt would lead to a decrease in the price of the Aave's token value. However, as the price began to fall, Curve Finance released the whitepaper for its new stablecoin, resulting in buy pressure on the CRV token. Accordingly, Eisenberg's strategy appears to have failed.

What to Watch

- Bank of England governor Bailey speaks and US' Consumer Confidence report is released, on Tuesday.
- Preliminary GDP and FED Chair Jerome Powell speaks, on Wednesday.
- FTX's US Senate hearing begins and US Core Price Index report, on Thursday.

Insights

- [Has Ethereum Become More Centralised After the Merge?](#)

The long-awaited Merge update led the way for groundbreaking changes to Ethereum, such as reducing the network's energy consumption by 99.9%. It also brought concerns about further centralisation due to its new Proof of Stake (PoS) structure.

After all, has Ethereum become more centralised after the Merge? Innovation Lead Nathan Lenga provides thought-inducing insights into the question.

- [Zerocap CIO Jonathan de Wet interview with Ausbiz:](#)

"What we're seeing here is the story of a bunch of very smart young guys and girls that grew too fast [...] The kind of bets they were taking were too large in many ways so the unwinding of this is really just in the very early stages."

Chatting once again with Ausbiz, Zerocap CIO Jonathan de Wet discusses the FTX collapse and Sam Bankman-Fried's storyline - the issue of liquidity, chaotic balance sheets, the bankruptcy hearings and more.

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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