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Holiday Break

This Weekly Crypto Market Wrap is our last of 2022, as the team takes a well-deserved break.

On the business side, our OTC and Structured Products teams will be operating with limited staff between 23rd December and 2nd January - with services during Christmas Day, Boxing Day and New Years' Eve completely shut down.

We are grateful for your support and are looking forward to an amazing 2023. The next Market Wrap will be out on 9th January.

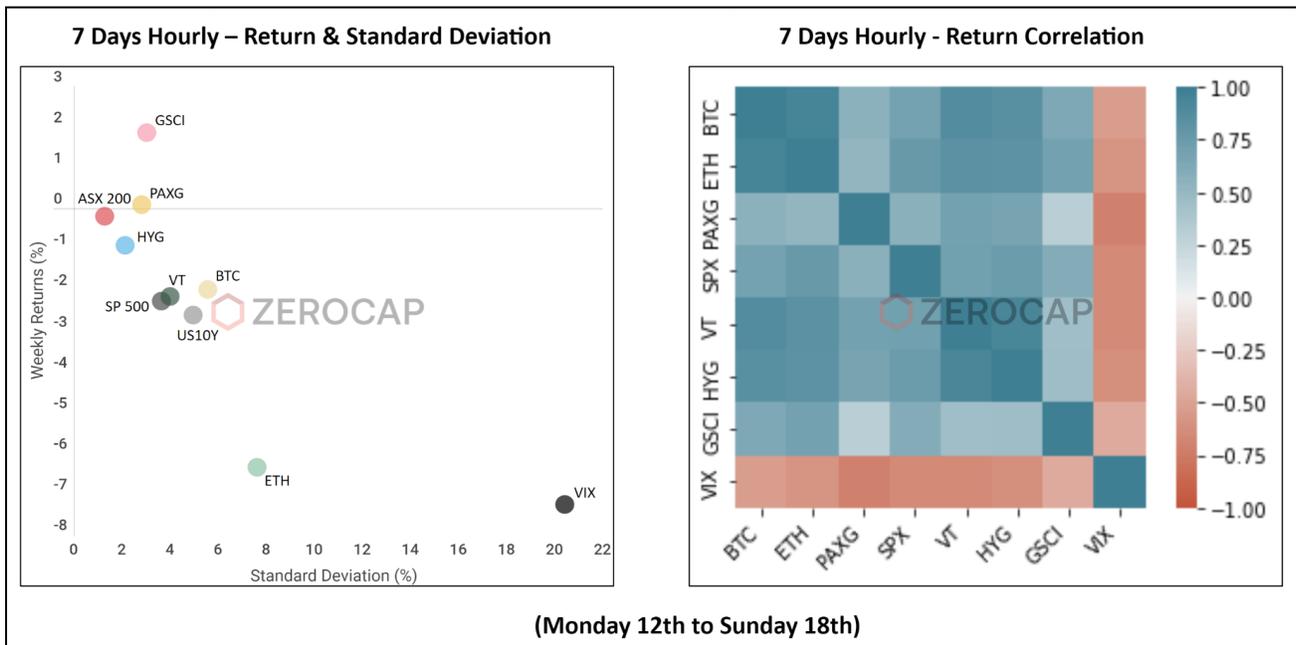
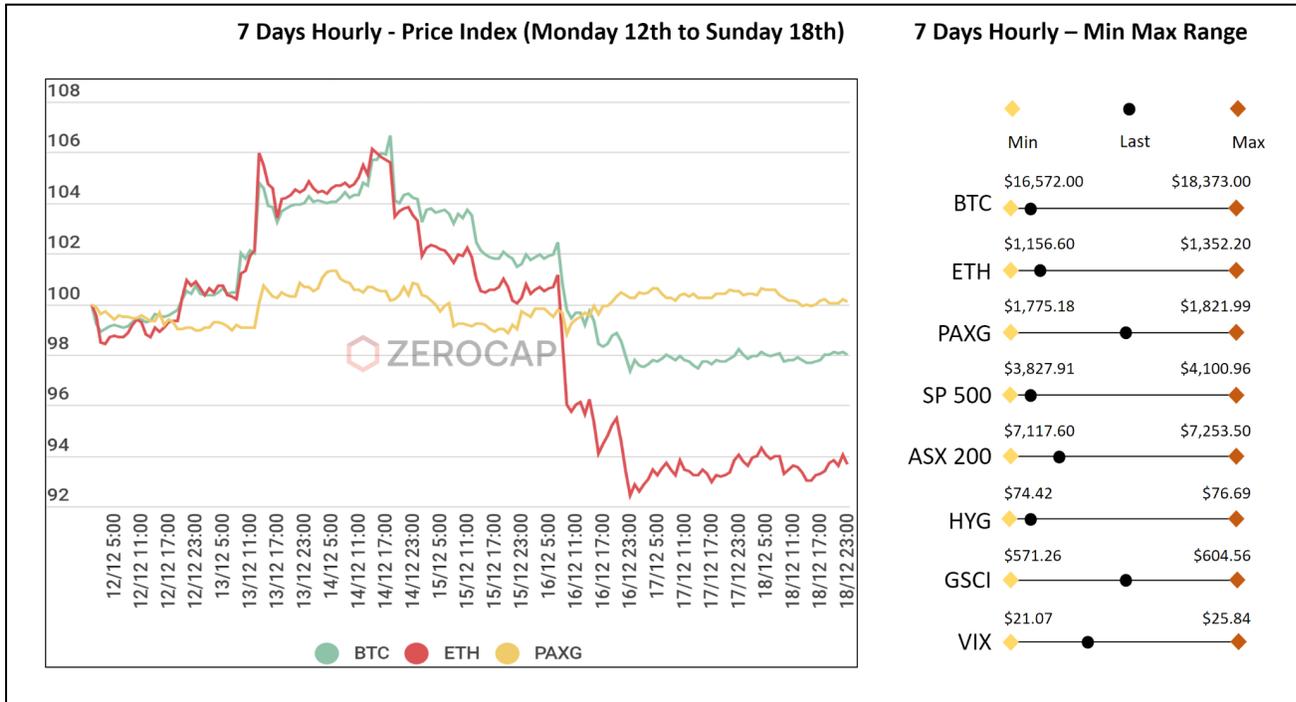
Happy Holidays and a Happy New Year!

Week in Review

- FTX founder [Sam Bankman-Fried](#) was arrested in the Bahamas on several accounts of fraud and money laundering, currently awaits extradition to United States territory - several lawsuits filed by US SEC and CFTC against Sam, FTX and Alameda Research.
- Binance pauses [USDC withdrawals](#) after \$3 billion outflows in 24 hours as Proof of Reserve concerns grow with [auditor withdrawing](#) from working with company - [CEO warns](#) employees of “bumpy” next several months.
- [MetaMask](#) launches PayPal integration for Ethereum purchases.
- Over 13% of Americans have held crypto; [JPMorgan research](#).
- Australia to release [“token mapping”](#) consultation paper in early 2023, seeks to provide insights on how crypto assets should be regulated.

- [Canada](#) bans crypto leverage and margin trading following FTX collapse.
- [Microsoft](#) bans crypto mining on cloud services, users must now get written approval.
- Global accounting firm [Mazars Group](#) suspends work with all crypto clients including Binance, Crypto.com and KuCoin - cites Proof of Reserve concerns.
- Following complaints of a 30% cut in developers' revenue, Apple set to allow [third-party apps](#) to be downloaded to its products.
- US [Federal Reserve](#) raises interest rates by 50 bps, inflation fears ease - [European Central Bank](#) also raise rates by half a point, but warns of "significantly" more hikes to come.
- [UK's](#) inflation growth eases, falling from 41-year highs.

Winners & Losers



Data source: Tradingview

Macro Environment

- The week was dominated by inflationary data out of the US, global central bank activities, and the world's second-largest economy reopening.
- US inflation data emerged slightly lower than the market had anticipated at 7.1% (7.3% exp) headline and 6.0% ex. Food and Energy (6.1% exp) for the month of November. The risk market initially rallied hard on speculation that inflation has peaked, and now central banks can return to saving the economy with easier monetary policies. However, looking through the data, two main offsetting contents had been the main contribution to the lower data print. First was an MoM drop in used car prices of 2.95%, which had generated temporarily elevated consumer-led pressures due to supply chain and logistic disruptions during the pandemic. Secondly, there was a 3% MoM reduction in airfare prices, which again benefited from the opening of the COVID-19 locked down across the globe. Without those one-off retracements, the path of price pressure remained elevated. At least it's still much higher than the 2% inflation target set out by the FED.
- The US Federal Reserve lifted the Fed Funds Rate by 50bps to the target range of 4.25-4.50%. There was mixed reaction to Chairman Powell's press conference, which reiterated their aim to push inflation expectations back towards the 2% target. However, he also stated that the course is now "in the restrictive territory, but isn't at a sufficiently restrictive policy stance yet", which generated speculation on where the terminal rates will sit. The European Central Bank lifted rates by 50 bp to 2.50%, and set the path for March 2023 offloading of central bank balance sheet assets purchased as part of the QE. The market is now pricing an additional 130 bp from the ECB in 2023. Bank of England had also increased their official interest rate by 50 bp to 3.50%. However, a dovish three-way split on votes, in addition to neutral commentary towards further hikes, impacted the market differently.
- The sudden reversal of official Chinese policy from targeting zero COVID-19 cases for the entire nation to no more prolonged reporting cases was seen as a politically driven motive. The so-called "white paper revolution" had previously demanded not just the end of the zero-covid policy but also the president's downfall and a change in how the

nation's policies are determined. Beijing was fast to respond to such a political alert and went from total city lockdown to a semi-opening up for the entire population. It resulted in many more positive cases and hospitalisation across the country, in return for a more robust economic recovery and potentially herd immunity much sooner.

Technicals & Order Flow

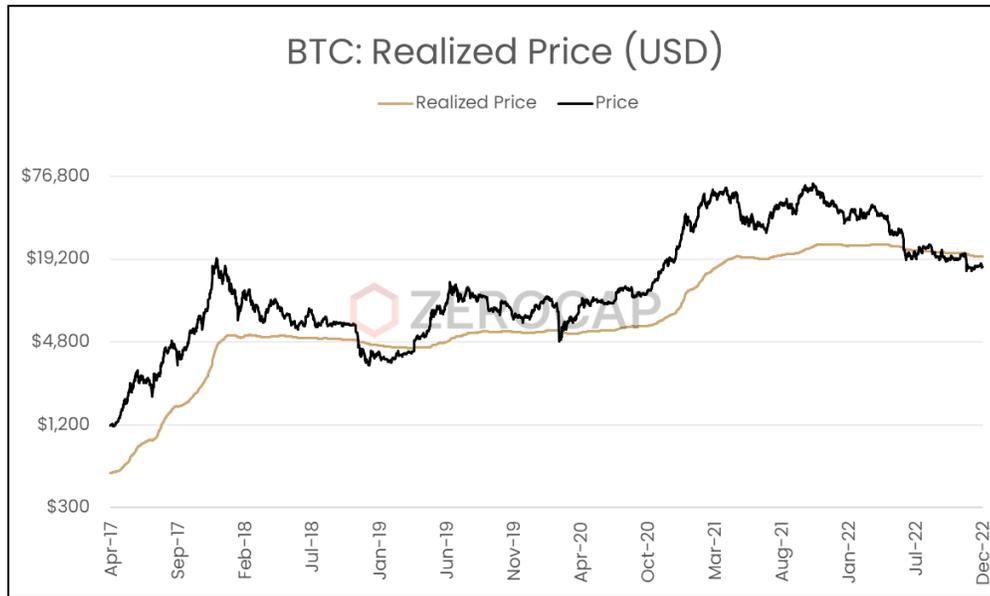
Bitcoin



Data source: Tradingview

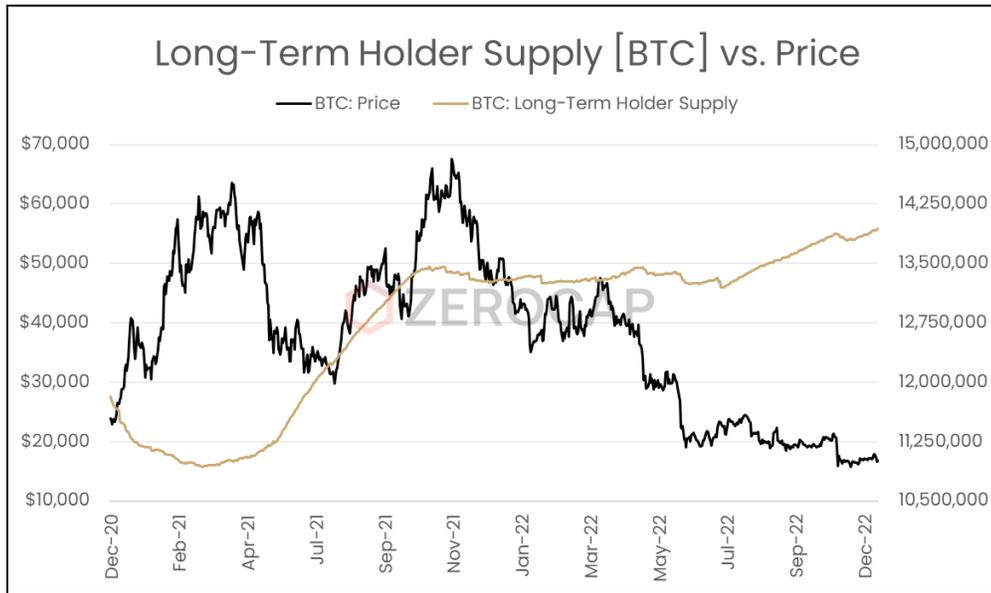
- Entering the new week, BTC fluctuated within a tight range as participants awaited the final CPI and Fed interest rate decision out of the U.S. for 2022. Notably, following the lighter-than-expected CPI print, BTC rallied to 18,000 post-event and continued to weekly highs above 18,300. The Fed’s 50bp hike met expectations. However, following hawkish commentary from Powell, BTC and other risk assets moved lower. BTC fell 7.5% in two days, giving up all prior week gains and closing -1.81% WoW.
- Historically, during holiday seasons, liquidity diminishes. This, alongside continued market fear from FTX’s collapse, may be cause for breaking down BTC’s dampened volatility profile as markets move into the new year. Coinciding with Bitcoin’s realised price, which can be viewed as the average cost basis of BTC in circulation, is strong

upside resistance placed at the 20,000 level. A successful breakout above this level could indicate a potential change in the short-term price structure for Bitcoin.



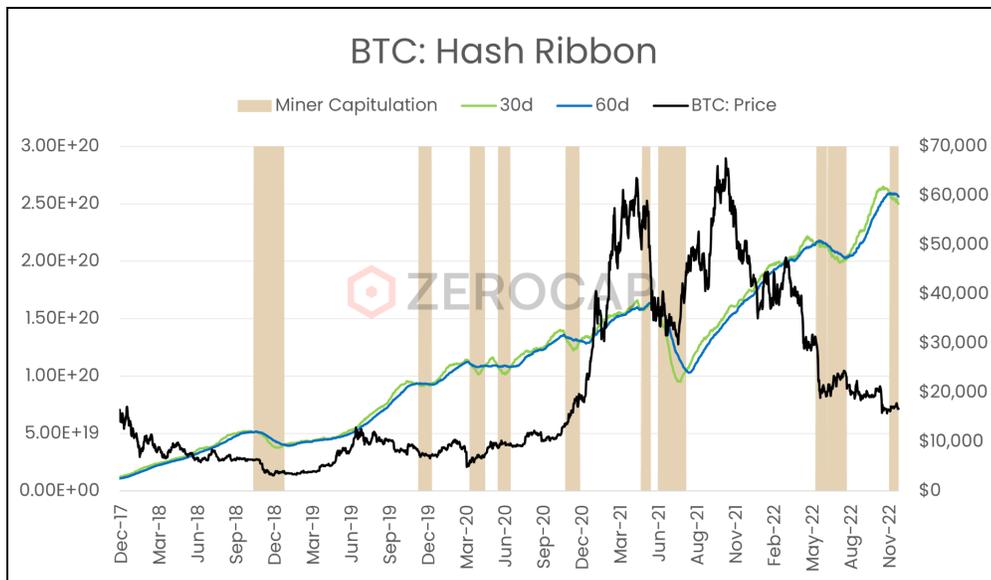
Data source: Glassnode

- Despite a brief drop last month, the BTC supply held by long-term holders continues to reach new all-time highs. Long-term holders are considered firmer hands and a positive continuation of this trend tends to suggest that some participants remain confident despite a sense of simmering uncertainty.



Data source: Glassnode

- Bitcoin’s Hash Ribbon depicts the 30d and 60d MA of BTC’s hash rate. Cross-overs in these moving averages are often used to assess market cycles. Since FTX, BTC’s 30d MA hash rate has continued lower and below the 60d MA. A crossover of the 30d MA from above the 60d MA is suggestive of miner capitulation which is behaviour typical of late bear markets.



Data source: Glassnode

- Bitcoin faced mixed attitudes this week in response to changes in macro expectations. Bitcoin's correlation to high beta risk continues, placing it at the mercy of the continued hawkish narrative out of the Fed. Moving into the new year, we may see diminished liquidity conditions acting as a cause of heightened volatility in the face of unexpected macroeconomic newsflow. While macro and crypto-specific uncertainty persist, firmer hands continue to accumulate.

Ethereum



Data source: Tradingview

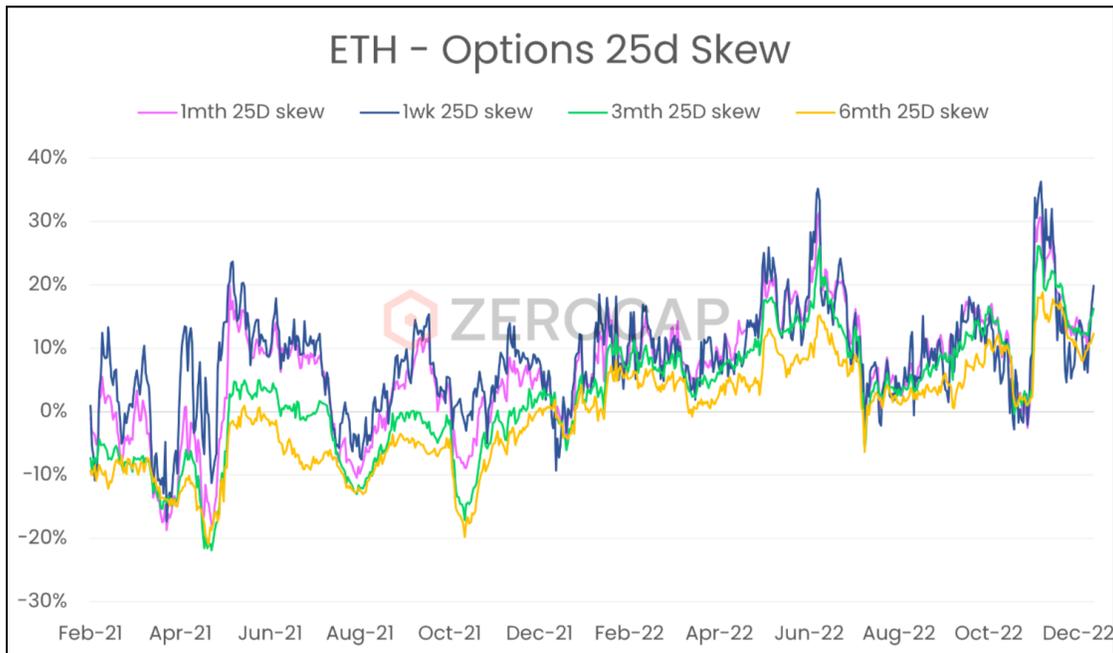
- Ethereum began the week under firm resistance at 1,275 ahead of a large few days of economic data out of the U.S. ETH tracked risk assets following a positive CPI print on Tuesday, rallying more than 7% in the day from the weekly open at its peak. However, more hawkish commentary quickly drove prices downward as investors contemplated the impact of further tightening into next year. Following the weekly close, ETH now finds itself in a compromising position having failed to break out of its existing range. If macro sentiment persists into year-end, a breakdown below 1,150 becomes increasingly likely. WoW ETH returned -6.33%.

ETHBTC Daily Chart



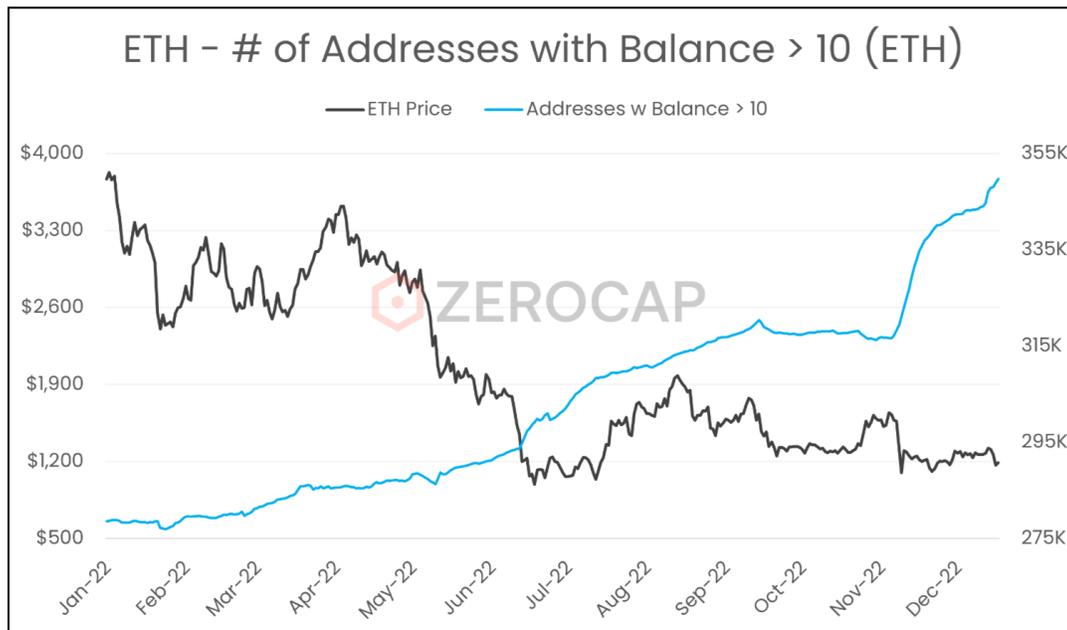
Data source: Tradingview

- ETH/BTC faced a similarly challenging week as it struggled to maintain positive momentum. ETH’s relative drawdown against BTC began to intensify on Wednesday all by Friday, the pair failed to hold its previous support level at 0.073 resulting in an aggressive move to the downside. Across the space, similar drawdowns against BTC occurred, indicating a potential flight to safety from altcoins. Ultimately, this culminated in a -4.39% drop WoW.
- As a result of heightened defensive flows following a turbulent week, 25 delta put skews across various term lengths have seen upticks. This indicates that the market is pricing implied volatility higher on the downside than the upside - a result of higher demand to buy puts versus calls. As liquidity dries up going into year-end, it is likely this will continue as participants look to hedge exposure over the holiday period.



Data source: Glassnode

- Despite the defensive flows, accumulation continues for ETH holders. Over the course of the week, we saw the number of wallets with more than 10 ETH increase by 30,000. Whilst ETH has been a victim of risk on/off sentiment in recent times, it is worth noting the unwavering conviction of current holders. Whilst the bottom of this downtrend is unknown, ether’s current buy pressure goes a long way towards developing a foundation for future uptrends as does the transfer of value from weak to strong hands.



Data source: Glassnode

DeFi

- Curve Finance, a decentralised exchange that runs on the Ethereum blockchain, announced that it will integrate with the zkSync 2.0 mainnet, a scaling and privacy layer-2 network for Ethereum. The integration will allow users to benefit from the speed, scalability, and security of the zkSync 2.0 platform and make it available to a wider audience of users in the DeFi sector. Curve Finance’s decision could potentially lead to an expansion of its ecosystem and an increase in the protocol’s total value which is sitting at \$3.73 billion, down from nearly \$18 billion earlier in the year.
- MakerDAO and GnosisDAO have formed a strategic alliance in an effort to strengthen both of their ecosystems. In August, MakerDAO received an application from GnosisDAO to add GNO as collateral in the Maker Protocol, along with terms for the strategic alliance. With the onboarding of GNO now complete, GnosisDAO has agreed to fully utilise the available debt ceiling for borrowing DAI against GNO from their treasury; the DAO is willing to mint up to 30 million DAI in the first year. With this liquidity, GnosisDAO plans to boost the GnosisChain ecosystem by positioning DAI as the stablecoin of choice

within the network. GnosisDAO has also committed to remaining an active Maker Vault user with highly liquid and decentralised collateral.

Innovation

- MetaMask has launched a PayPal integration for certain US-based users that enables them to buy Ethereum directly from the MetaMask mobile app. The integration will initially be available on the mobile app, with plans to roll out the feature to the desktop browser extension in the next quarter. Nonetheless, MetaMask users in the US can already purchase cryptocurrency directly from their wallet through CoinbasePay, Transak, MoonPay, or Wyre. The service will apply a 1% fee, as well as any applicable PayPal fees, to purchases; it is thus far unclear if Apple's 30% in-app purchase fee will also apply to ETH purchases made on the MetaMask mobile app.
- Binance CEO Changpeng Zhao (CZ) sparked outrage from the crypto community last week when suggesting that storing cryptocurrency in a self-custodial wallet is riskier than holding it on a centralised exchange. During a Twitter Space discussion, CZ said that "for 99% of people today, asking them to hold crypto on their own, they will end up losing it." He cited the inability of many people to properly back up security keys, a lack of proper encryption for backups, and the lack of a standard operating procedure for transferring crypto to next of kin in the event of a user's death as reasons for this. However, CZ added that those who are technically capable of holding crypto safely should do so.
- Coinbase has launched an ERC-20 self-service asset recovery tool that is expected to enable users to recover almost 4,000 trapped Ethereum-based tokens. When sent to Coinbase, unsupported tokens are trapped as on-chain transactions are irreversible. The tool allows users to send the tokens from the address on which they are trapped to a self-custody crypto wallet without exposing private keys or processing the funds through Coinbase's centralised exchange infrastructure. According to the exchange, the service is free for token recoveries valued at lower than US\$ 100, with a 5% fee levied on

recoveries worth more. Importantly, however, not all ERC-20 tokens are eligible for recovery due to technical complexities.

Altcoins

- Binance, the world's largest cryptocurrency exchange by volume, has faced scrutiny following customer withdrawals worth billions of assets, including almost \$2bn in a single day, and a temporary halt on withdrawals of the USDC stablecoin. The withdrawals were reportedly sparked by reports that factions within the US Justice Department are pushing for criminal charges related to sanctions violations and money laundering against Binance and its CEO, CZ. While some within the industry have drawn comparisons between Binance and FTX, others believe Binance is not at risk of insolvency. CZ has described the industry as undergoing a "historic moment" and said the next few months would be "bumpy," but assured staff that Binance "will survive any crypto winter". Despite this, the BNB token is down by nearly 15% WoW.
- Private layer-2 chain, Aztec Network, has raised US\$ 100 million in a Series B funding round led by venture capital firm a16z crypto, with participation from reputable investors like A Capital, Variant, SV Angel, Hash Key, Fenbushu and more. Aztec stated it will use the funds to hire more engineers and develop a next-generation encrypted blockchain architecture, which will allow users to verify that blockchain rules have been followed without revealing underlying information. The company is also working on a public-private execution layer for its blockchain that will integrate encrypted and unencrypted applications seamlessly.
- Crypto exchange OKX experienced service disruptions due to a hardware failure in Alibaba Cloud's Hong Kong data centre, which caused the Alibaba Cloud Hong Kong IDC Zone C server to go offline for over seven hours. Alibaba Cloud confirmed the outage and OKX stated that it is working with the cloud provider to resolve the issues. During the outage, OKX users were unable to withdraw and deposit funds and some reported glitches in their account balances showing \$0. The exchange's native token,

OKB, fell by just under 11% , however, the token's price has since recovered and is trading hands at about US\$ 22.3.

NFTs & Metaverse

- Apple is reportedly planning to allow the installation of apps from external sources outside of the App Store on iPhones and iPads. The rollout of support for external apps from third-party sources and marketplaces will initially begin only in Europe, but could be expanded to other territories if they adopt similar regulations to the European Union's Digital Markets App. According to sources, the company is aiming to launch the feature in its iOS 17 software update, which is expected to launch next fall. If implemented, the move could make it easier to spend cryptocurrency through iPhone and iPad apps, and may benefit apps built around NFTs.
- Former US president Donald Trump has launched an NFT collection titled the "Donald Trump Digital Trading Card collection". The NFTs, which are being sold for \$99 each, will be minted on the Polygon blockchain, with a total of 45,000 being created in the "initial" run of the collection. The collection heralds the utility of prizes such as a one-on-one Zoom call or an hour of golf with Trump. The move follows the announcement of Trump's 2024 presidential election campaign, yet highlights a reneging of Trump's view on blockchain with the use of NFTs directly opposing his 2021 statement that cryptocurrencies like Bitcoin are "a scam against the dollar".
- Solana's largest NFT marketplace, Magic Eden, has added support for the Polygon network in order to expand its multi-chain functionality and open up opportunities for blockchain gaming. Polygon is an Ethereum layer-2/sidechain protocol that powers many popular blockchain-based games, such as The Sandbox. In this way, the integration of Polygon will enable Magic Eden to host more blockchain-based games on its platform, including Shatterpoint and Infinite Drive. Furthermore, in 2023, Taunt Battle World, Planet Mojo and Kakao Games will also join the platform.

What to Watch

- Sam Bankman-Fried arrest; FTX founder has an extradition hearing scheduled for 8th February but seemingly plans to drop extradition contesting.
- Binance's Proof of Reserve concerns and CEO's cryptic message of "bumpy" times ahead - what does he expect for the exchange in the next few months?
- Japan's Monetary Policy and BoJ press conference, on Monday and Tuesday.
- US' Core PCE Price Index, on Friday.

Zerocap Media & Insights



Zerocap wins Blockchain Organisation of the Year and Corporate Project of the Year at the Australian Blockchain Industry Awards.

- [Zerocap's Ryan McCall and Bharti Sharma at Linqto's Global Investor Conference:](#)

Hosted by Linqto's Karim Nurani, the following panel from the Global Investor Conference introduced an essential discussion on institutional adoption across regulatory frameworks and tendencies for Distributed Ledger Technologies (DLT).

Watch the insightful conversation in full with Zerocap's Ryan McCall and Bharti Sharma, ASX's Nick Wiley and ANZ's Nigel Dobson at the link above.

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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