

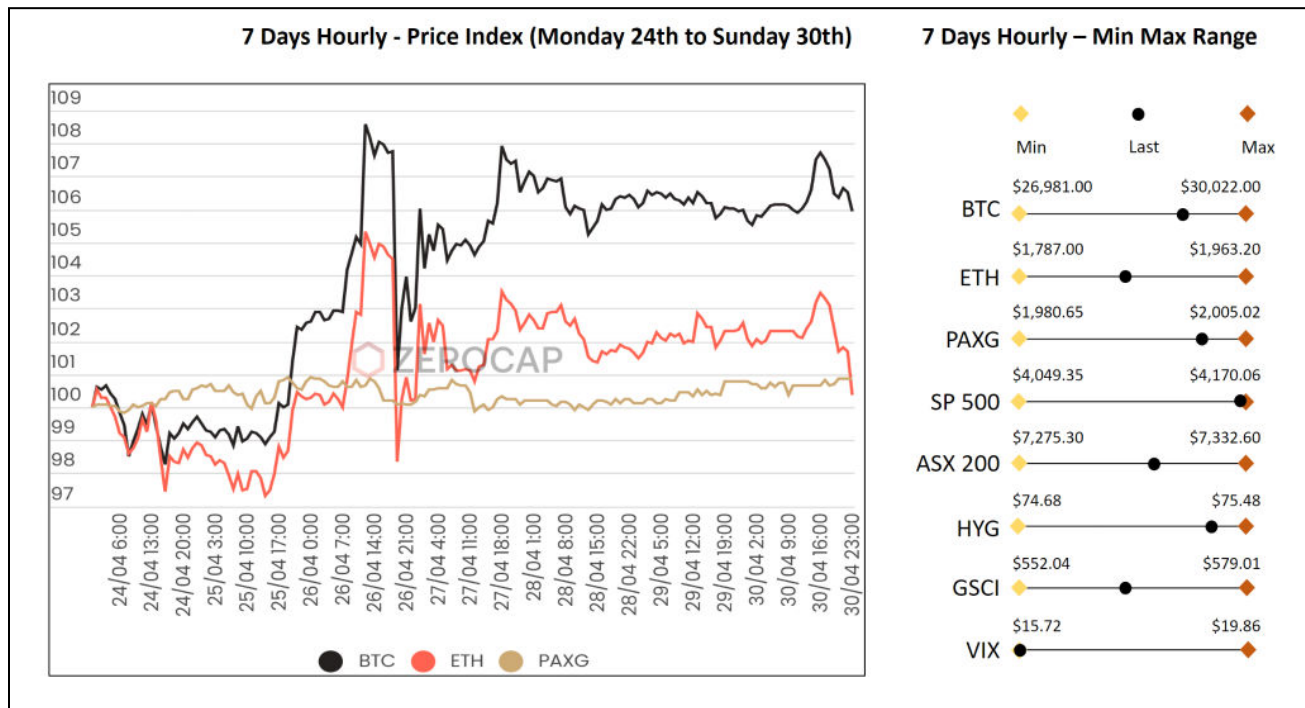
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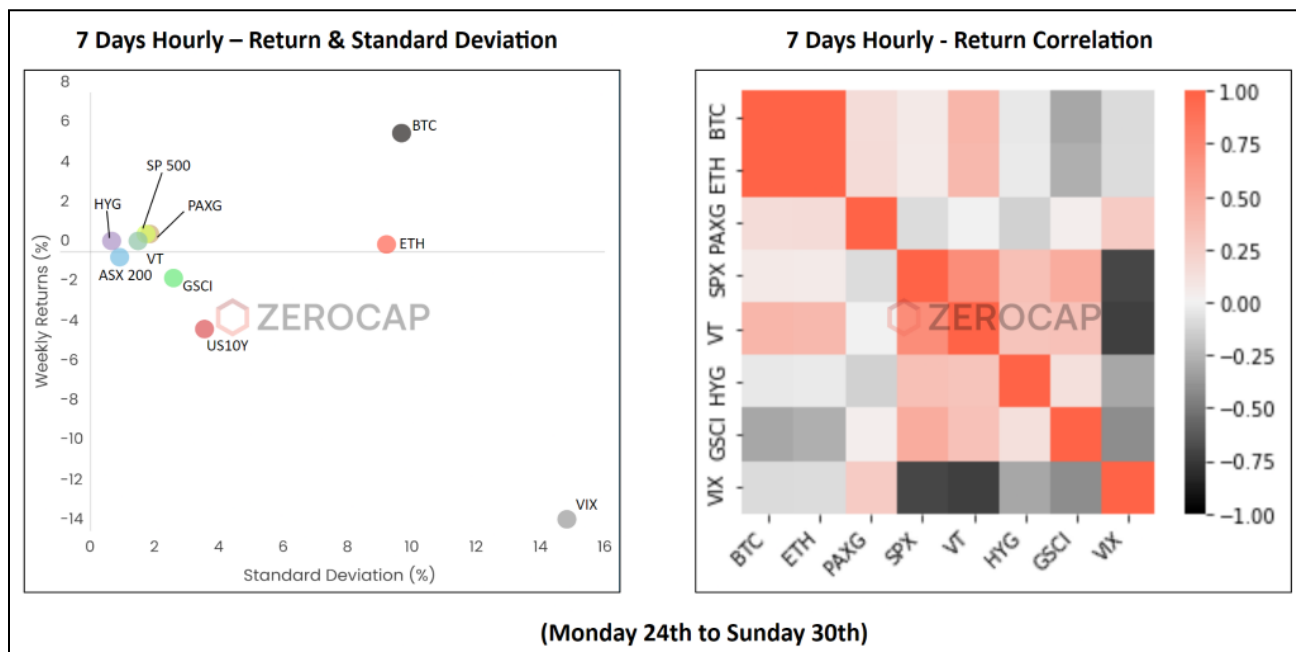
Week in Review

- [First Republic Bank](#) reportedly on the brink of collapse - Banking crisis leads to Bitcoin price spikes following FRC [stock crash](#), generating a safe haven effect for the largest cryptocurrency.
- More than 46% of millennials across global major economies own crypto; [Bitget survey](#).
- UK Treasury [seeks public input](#) on the taxation of DeFi lending and staking services.
- [Venmo](#) to launch fiat-to-crypto payments in May.
- Visa announces opening of a [crypto division](#), creating “the next generation of products.” - Mastercard launches [Web3 user-verification](#) solutions towards reducing “bad actors.”
- Terraform Labs co-founder and nine others [indicted](#) in South Korea for Terra collapse - founder Do Kwon seeks [SEC charges dismissal](#) as SK rules LUNA as a non-security.
- South Korea’s harsh [crypto bill proposal](#) passes first phase reviews.
- Hong Kong regulators set to reveal [crypto exchange guidelines](#) this month, tells banks to be friendly to licensed digital asset operators.
- Germany launches inquiry on [ChatGPT](#) over data protection and GDPR regulation - OpenAI’s service [returns to Italy](#) after obliging to watchdog’s privacy demands.
- Coinbase and Gemini [join auction](#) as bidders for failed crypto lender Celsius.
- Meta publishes [positive Q1 2023 results](#) - Metaverse branch Reality Labs reports \$4 billion in losses as Zuckerberg states its downward trend will continue for all of 2023.

- [US Advance GDP](#): American economy grows 1.1% in first quarter, slower than expected, price deflator remained strong inflationary bias.
- [Bank of Japan](#) sticks with negative rates, pushes back policy adjustment, the YEN depreciates to above 136.

Winners & Losers





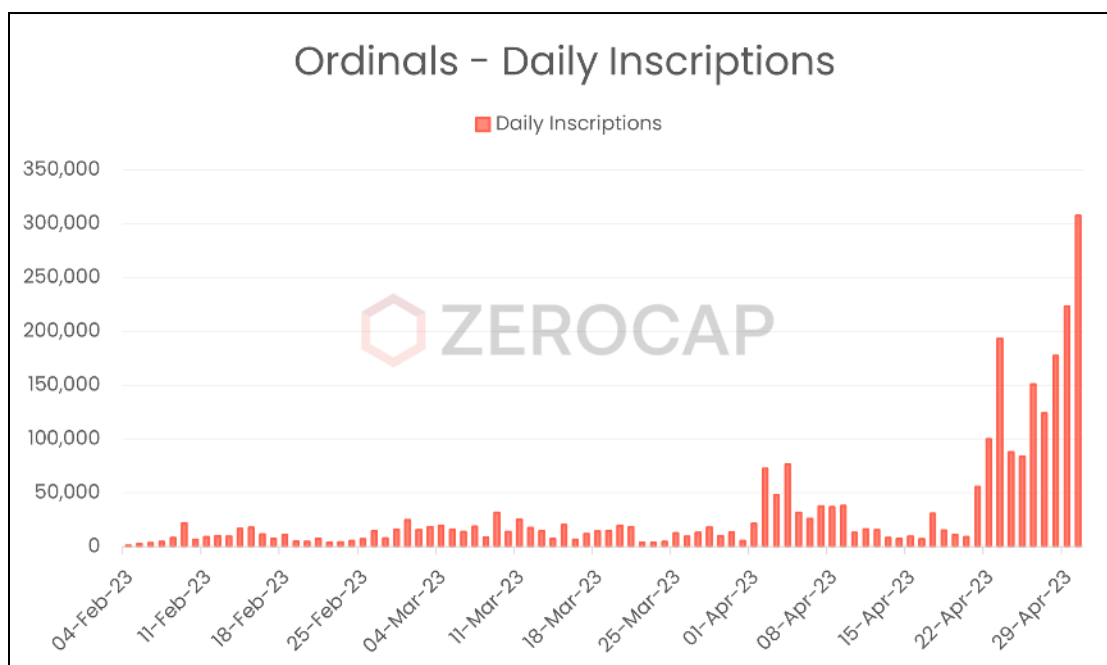
Data source: TradingView

Market Highlights

- At the beginning of the week, First Republic Bank reported a decrease in its deposit base in the first quarter of 2023, despite relief from the Federal Reserve's quantitative tightening (QT) and a \$30 billion capital injection from major banks in late March. Deposits declined by 41% or over USD 100 billion. On the other hand, big tech companies like GOOGL, MSFT, META, and AMZN exceeded earnings expectations. BTC showed continued resilience amid ongoing concerns in the US banking sector and demonstrated a negative correlation with the small-cap index, achieving gains week over week.
- Looking ahead, the Fed is scheduled to make its next policy decision on Wednesday, and it is expected to announce a 25-basis point hike, there is one more tightening bias priced into the Fed Funds curve before the market marks the end of the current cycle. Although BTC has shown stronger performance than most risk assets in response to US banking concerns, its performance remains closely tied to high-beta assets such as tech

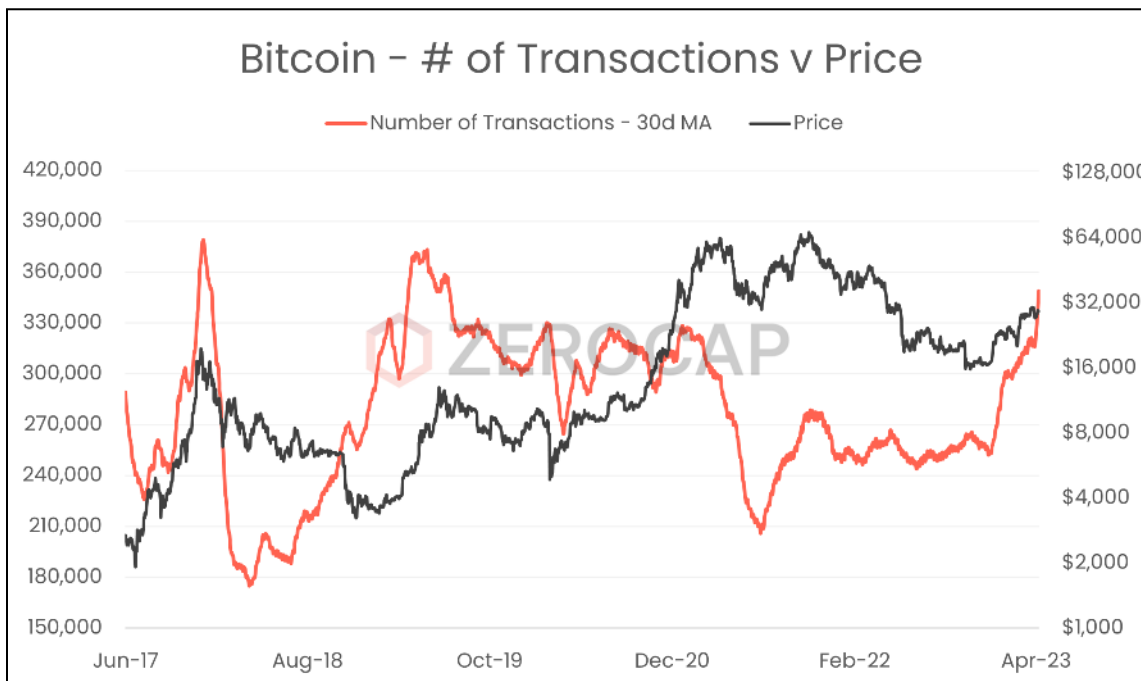
stocks. Hence, further appreciative momentum will depend on the trajectory of the FOMC outcome.

- BTC's shifting narrative has been a centrepiece of 2023 so far and continues to evolve. Ordinals, a protocol for inscribing digital assets on Bitcoin similar to Ethereum-based NFTs, has garnered much attention since its launch. Last Saturday saw the protocol set a record for the number of inscriptions made in a single day.



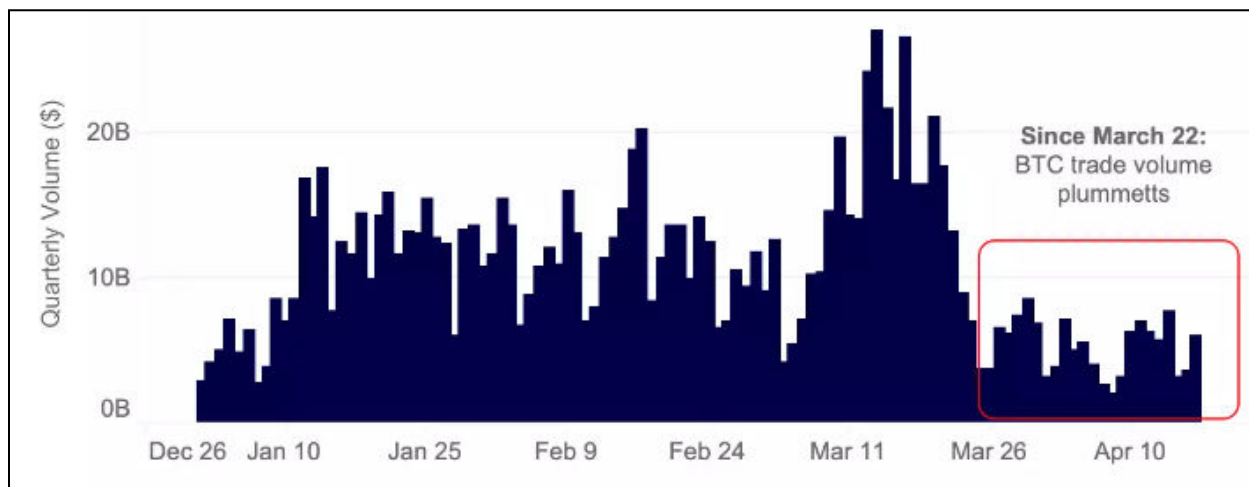
Data source: Dune Analytics

- Although Ordinals has received less attention than Bitcoin's resistance to US banking concerns, it is directly affecting Bitcoin's fundamental value by expanding its use cases and network activity. In addition, the number of Bitcoin transactions has recently reached levels not seen since 2018. This suggests that Ordinals is becoming an increasingly vital component of Bitcoin's ecosystem and is contributing to its overall growth and adoption.



Data source: Glassnode

- Last week, we mentioned ETH's relative performance to BTC following its highly anticipated Shapella upgrade, which marks continued development within the Ethereum ecosystem. However, BTC's Ordinals protocol is better positioning BTC at the forefront of continued innovation and adoption, alongside an expanding use set commonly seen within Ethereum's ecosystem.



Data source: Kaiko Trade Data, All Exchanges

- Trading volumes on major exchanges have significantly decreased, reflecting the combined effects of disrupted banking rails, US regulatory crackdowns, and Binance's fee reduction to major pairs. Notably, in April, Coinbase reported its lowest trading volumes in 16 months, with the SEC lawsuit and banking setbacks being key reasons affecting the exchange's liquidity. In the absence of specific news catalysts driving idiosyncratic trading flows into major cryptocurrencies, it is unsurprising to see a renewed increase in correlations with the Nasdaq and a heightened influence of macro themes on price action.



Data source: Deribit

- The story in the options market over the past week has been the historical lows in implied volatility in Ether. Significant flows in vol selling have contributed to the decline, and Ethereum IV now seems attractive at these levels, particularly in the later-dated expiries. With IV trading below 50 in the 60-day expiries, these options appear cheap. Although the current lack of news is compressing prices, the combination of low liquidity and upcoming macro events, especially as the market starts to factor in rate cuts in the 2023 calendar year, makes these later-dated expiries attractive.

What to Watch

- US' ISM Manufacturing PMI, on Monday.
- US' Jolts Job Openings, on Tuesday.
- FED's FOMC press conference and federal funds rate decision, on Wednesday.
- European Central Bank's main refinancing rate, monetary policy statement and US unemployment change, on Thursday.
- US average hourly earnings and non-farm payrolls employment data, on Friday.

Research Lab

- [The Role of Rollups in Scaling Blockchains:](#)

Understand the importance of blockchain rollups as a scaling solution in this insightful article by Zerocap Innovation Analyst Beau Chaseling. Learn about optimistic and zero-knowledge rollups, and how they're shaping the future of blockchain networks.

- [The Supremacy of Horizontal Scaling over Vertical Scaling:](#)

Explore the supremacy of horizontal scaling over vertical scaling in blockchain networks with Zerocap Innovation Lead Nathan Lenga and our research partners at Zokyo. Understand the technical underpinnings, examples, and benefits of horizontal scaling, including Sui's parallel execution engine, and the potential of this dynamic technology.

- [Hybrid Payments System in a Token-Based Business Model:](#)

Our research partners at QuantBlock explore how implementing a hybrid system can balance transaction volume and long-term investment, delving into various token-based models, bonuses for native payments and the innovative Everstake feature.

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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