

# Weekly Crypto Market Wrap

29th May 2023



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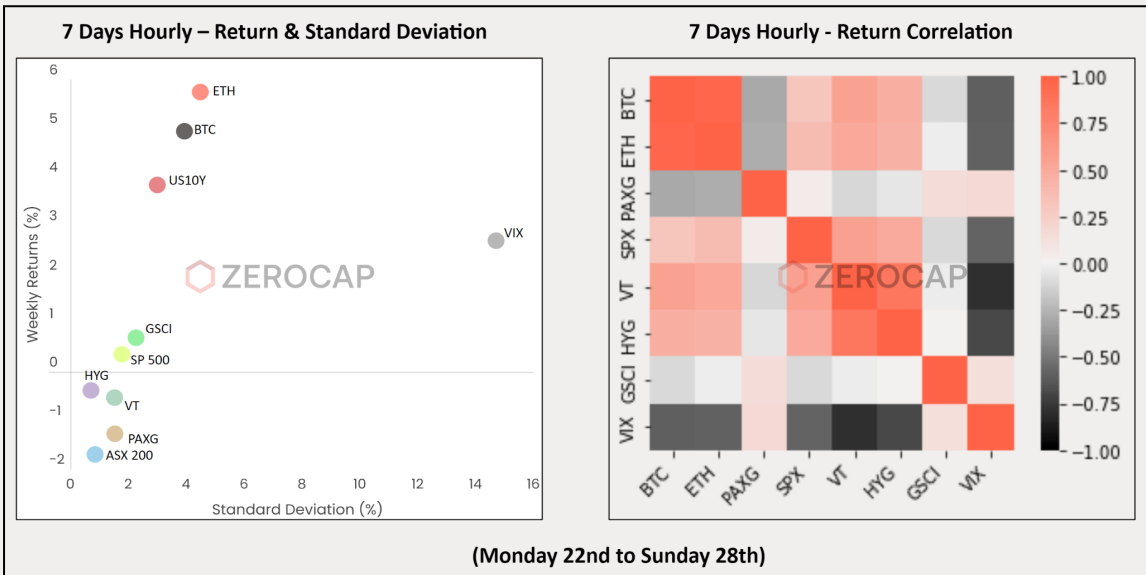
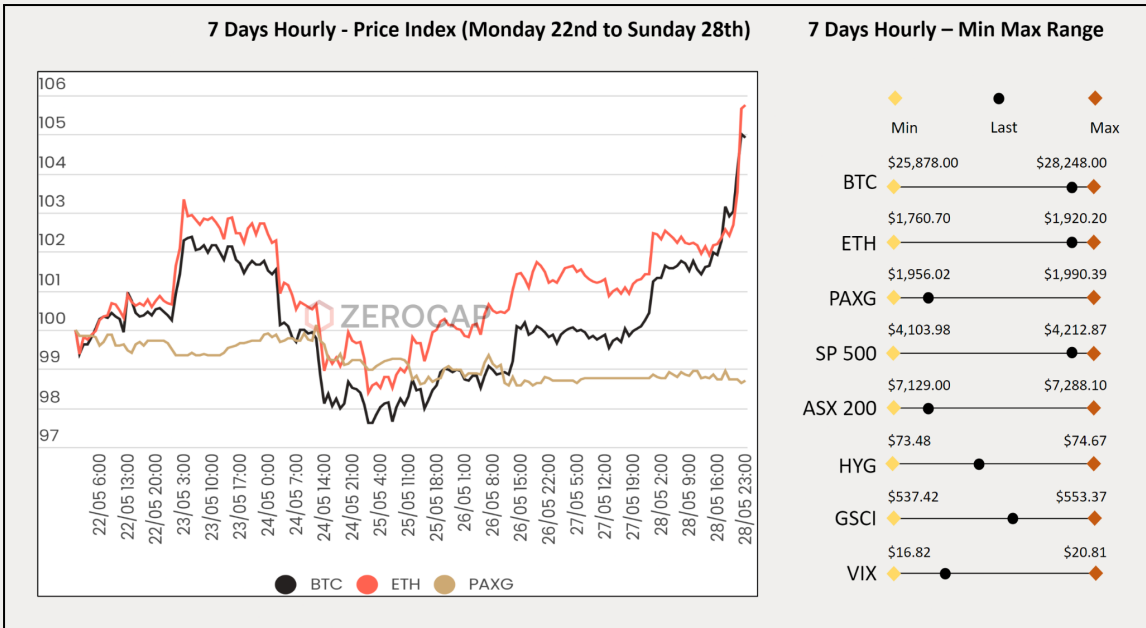
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## Week in Review

- Exchange [Huobi Global](#) ordered to immediately halt operations in Malaysia.
- Hong Kong regulator to issue crypto exchange license [access to retail users](#).
- Bitcoin [surpasses Solana](#) as the second most used network for NFTs.
- US Republican candidate [Ron DeSantis](#) vows to “protect Bitcoin” during presidential campaign launch.
- Gemini and Genesis file to dismiss [SEC lawsuit](#) against “Earn” products.
- Visa, Microsoft and 12 other companies join [Brazil's CBDC](#) pilot project.
- Ethereum co-founder Vitalik Buterin [advocates](#) for not overloading consensus layer to preserve minimalism.
- OpenAI CEO Sam Altman raises \$115 million for his crypto project [Worldcoin](#) - where users receive proof-of-identity tokens by getting their eyes scanned.
- Polygon founder states [gaming](#) is the “largest scale opportunity” for crypto.
- [Bitcoin Pizza Day](#): 13 years ago, two pizzas were bought for 10,000 BTC in the first known real-world transaction using a cryptocurrency.
- JPMorgan currently developing [ChatGPT-like](#) AI investment advisor.
- Hong Kong police launches [metaverse security platform](#) “CyberDefender”.
- [German economy](#) officially registers recession, as inflation hurts consumers.
- UK inflation [sinks below 10%](#) for the first time since August.
- FED's [FOMC minutes](#): officials less confident on the need for more rate hikes - US [Durable Goods](#) Orders rise 1.1% despite expected -1%, while [Core PCE](#) data rises 4.7% against expected 4.6%.

# Winners & Losers



Data source: TradingView

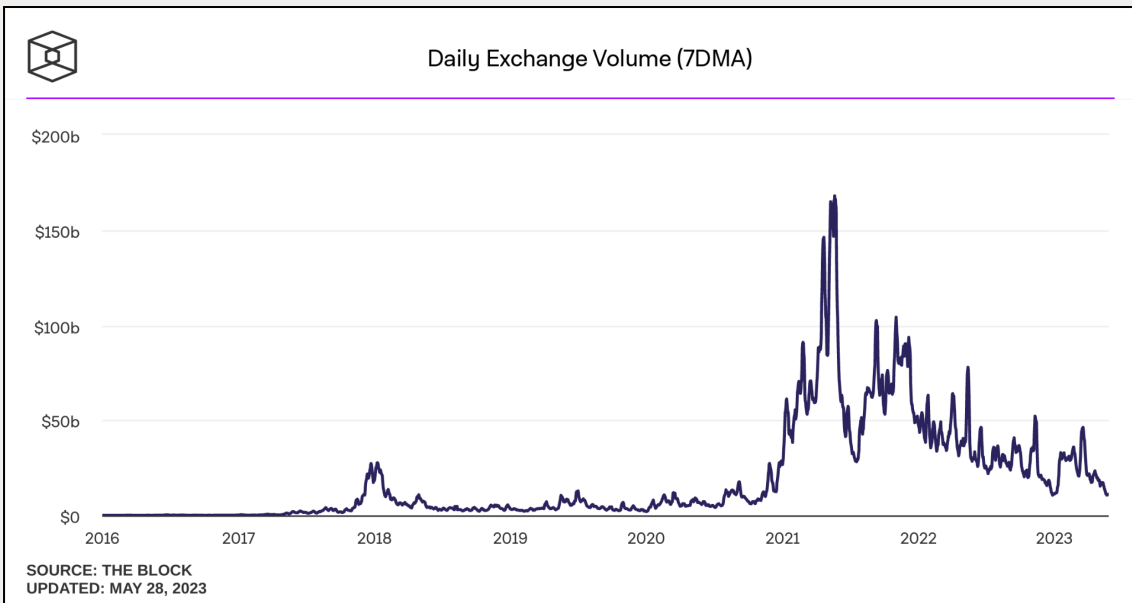
# Market Highlights

- This week, despite some early gains, simmering ambiguity surrounding the US Debt Ceiling talks and the FOMC on Wednesday weighed heavily on price action with BTC moving lower mid-week. We saw rate hike expectations shift this week which was reaffirmed by robust Personal Consumption Expenditures data released on Friday, with the likelihood of a 25-basis point rate hike for June moving from 17% a week ago to 64% on May 28. Despite these concerns and the premise of further hikes, BTC's action benefited into the weekend.



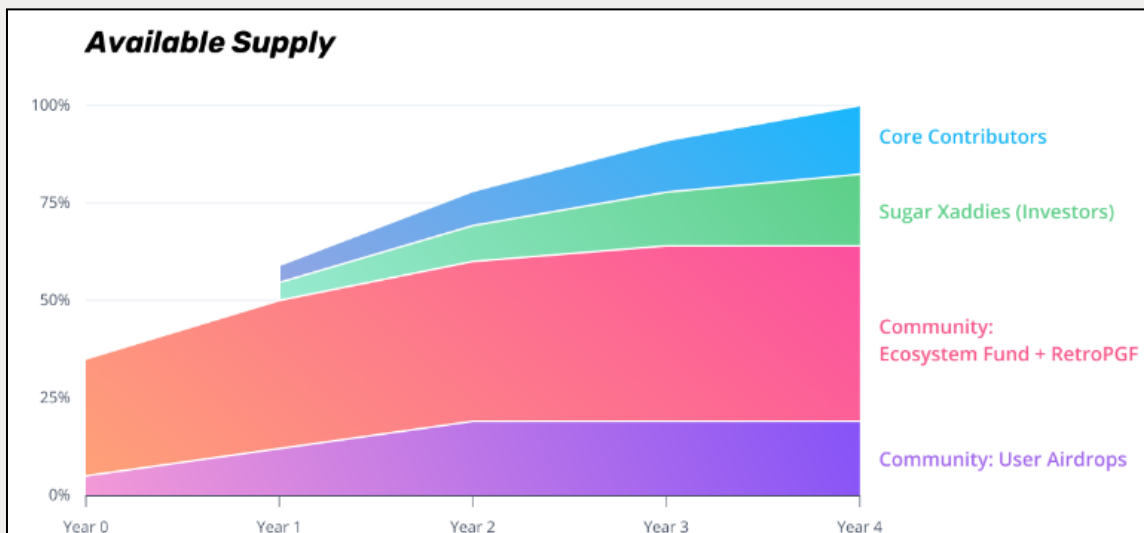
*Data source: Tradingview*

- Late Saturday brought positive news as negotiators from the White House and Republican Party reached a tentative deal to raise the US debt ceiling, averting a potential default that could have had significant repercussions on the global economy. BTC experienced further gains into the weekend. We've recently touched on BTC's recent attempts to dislocate from traditional risk assets in the context of US banking distress, as well as the potential to reclaim its historically positive correlation risk assets in the context of bolstered macro-economic conditions - the next few weeks should shine some light on which way the asset will head against upcoming event risk.



Data source: The Block

- Crypto exchange volumes have plummeted to their lowest levels since 2020, as the market continues to feel the pressure of the regulatory and banking crackdown in the US. Prominent market makers, Jump and Jane Street, were compelled to withdraw from US-based exchanges, which has significantly contributed to decreased volumes on local US platforms. The reduced volume has resulted in wider spreads seen across the popular exchanges and increased OTC (off-exchange) trading activity.



Data source: Optimism Foundation - OP Token Supply Schedule

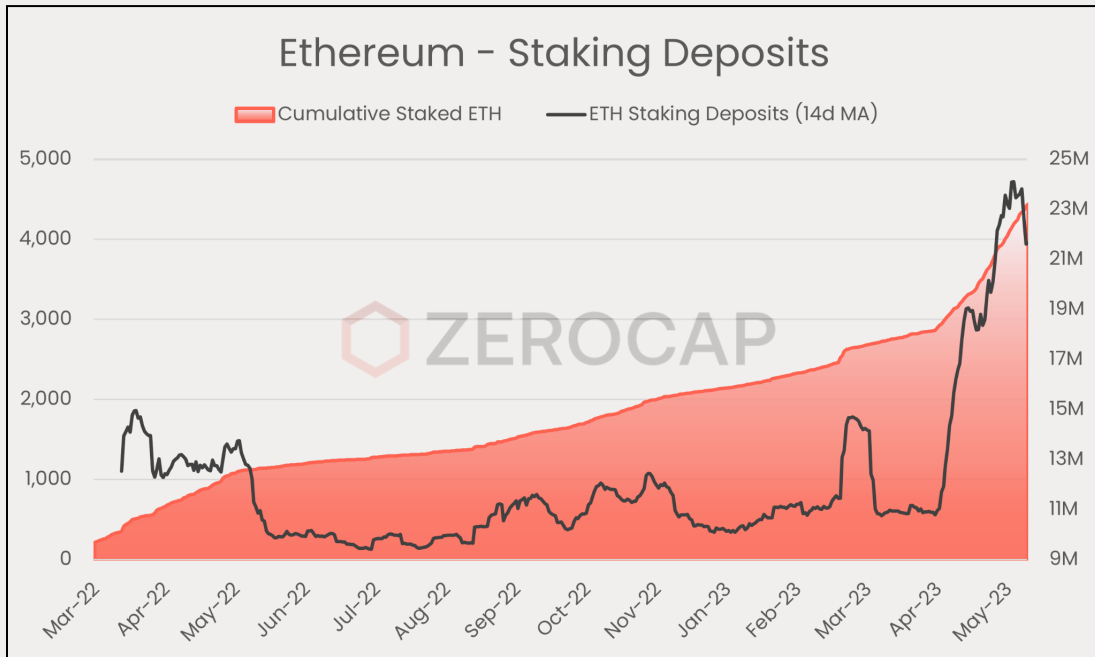
- A series of major projects are set to have a substantial quantity of vested tokens introduced into circulation this week. Optimism (OP) and Avalanche (AVAX) are on track to release an additional 3.6% and 1.2% of supply, respectively, paid out to their foundations, investors, and core contributors. For Optimism, the release of OP tokens will be largely paid out to investors and core contributors. Major token unlocks are focal events that have usually led to a "sell the rumour, buy the news" scenario. Speculators anticipating drastic selling on the vesting date often find themselves outpaced by faster investors who close their short positions, momentarily driving prices higher. One strategy that has had some relative success exploiting this behaviour is to short the vesting token a month before the event while hedging 'market' exposure by purchasing ETH. In May alone, both AVAX and OP have depreciated over 15% in value compared to ETH.



Data source: Tradingview

- In addition to BTC's more recent role as a safe-haven asset and a hedge against traditional assets, the first half of the year witnessed a prevalence of hawkish sentiment, which manifested in ETH/BTC price action. It is not unexpected for BTC to outperform during periods of risk-off sentiment, but

this dynamic shifted after ETH's Shapella upgrade, even amid ongoing macro uncertainties.



Data source: Glassnode

- In addition to exhibiting price outperformance compared to BTC, the Ethereum network has been experiencing enhanced network strength. Since the Shapella upgrade, there has been a notable surge in the number of staking deposits and cumulative staked ETH. The staking participation rate, measured as a proportion of circulating supply, has risen from 15% to nearly 20% since April 13th. This increase in staking activity has resulted in a longer activation queue length, which is the time required to deploy a validator node, reaching approximately 38 days and 11 hours. On the other hand, the withdrawal queue length, which reflects the demand for staking withdrawals, is significantly shorter, at approximately 5 days and 19 hours.
- While the positive short-term price reaction following the success of the Shapella upgrade could have been anticipated, the continued strength in both price performance and network fundamentals is a promising sign for the long-term sustainability and value proposition of the Ethereum network. This resilience is particularly noteworthy given the prevailing macro uncertainties.

## What to Watch

- Australian CPI, on Tuesday.
- German preliminary CPI and US Jolts Job Openings, on Wednesday.
- US unemployment claims, on Thursday.

## Insights

- [Zerocap Q1 2023 Digital Assets Market Report:](#)

Here is Zerocap's Quarterly Report for Q1 2023, where we bring you insights on crypto performance tied with the global macro overview and digital asset markets along with important developments in DeFi, NFTs, and Technology - followed by the Zerocap standout product of the quarter.

The product highlight of this quarter goes to the Smart Beta Bitcoin Fund, which has and continues to perform exceptionally well - beating BTCAUD, the S&P 500 and the Nasdaq 100.

## Research Lab

- [Governance Tokens, Bribery, and the Effects of Political Commodification:](#)

Join Zerocap's Innovation Analyst Finn Judell in examining the intricate dynamics of governance tokens in blockchain protocols. Unpack the paradox of decentralization and political commodification, understand the concerns raised by Ethereum's co-founder, and learn about the implications of regulatory uncertainty on these tokens.

- [What is Blockspace and its Impacts on Blockchain Dynamics:](#)

Zerocap Innovation Lead Nathan Lenga provides a comprehensive piece on blockspace, a key factor influencing transaction costs and validator interplay. It discusses the role of Ethereum and Bitcoin in limiting blockspace, the application of game theory, and the emergence of Layer 2 solutions. Dive into the complexities of increasing blockspace and the implications of rollups.



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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

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