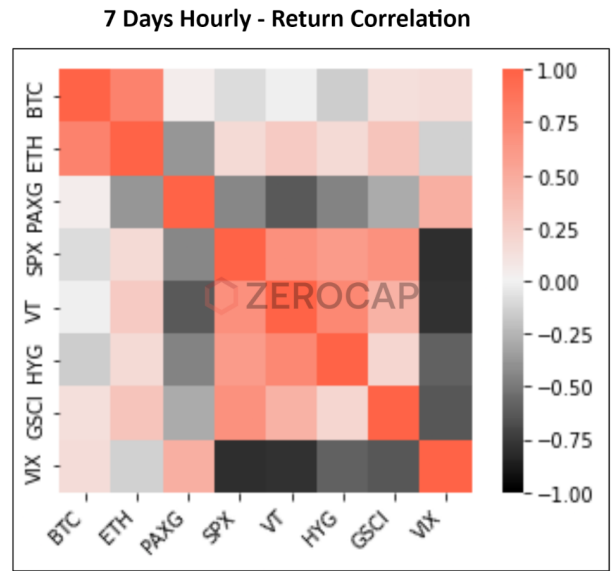
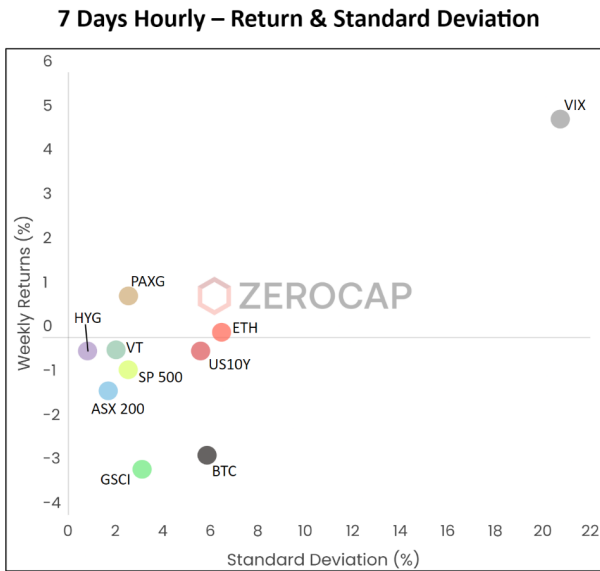
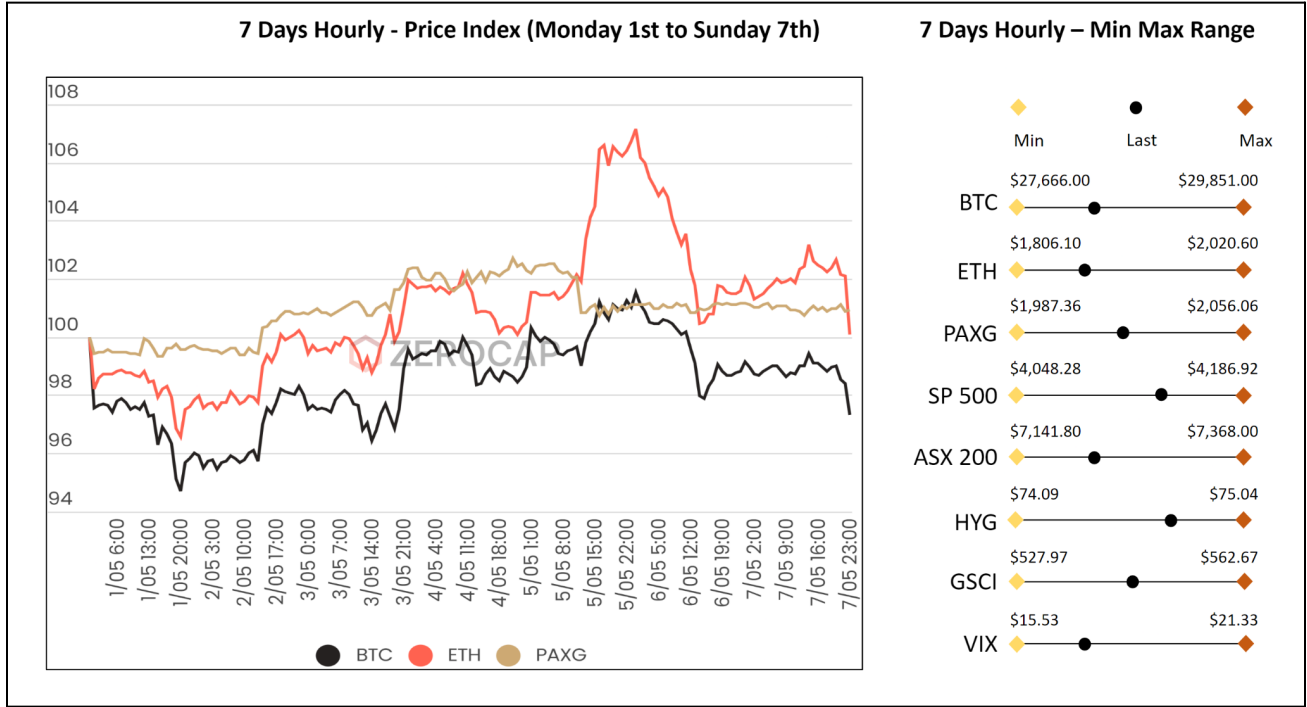


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Week in Review

- First Republic Bank is [acquired by JP Morgan](#) following FDIC seizure - banking collapse is reportedly the [second biggest](#) in US history.
- White House renews controversial push for 30% crypto mining tax in [recent document](#) - seeks to build [international standards](#) for Distributed Ledger Technologies (DLT).
- Binance [closes BTC withdrawals](#) amid congestion on the Bitcoin network.
- Coinbase launches [International Exchange](#) venture despite recent SEC crackdown - remains ["100% committed"](#) to US market, CEO Brian Armstrong states.
- Liquid staking solutions now have [more total value locked](#) than decentralised exchanges, DeFiLlama reports.
- Sports Illustrated launches [NFT ticketing platform](#) through Polygon blockchain.
- "Godfather of AI" [resigns from Google](#), warns of AI dangers - [IBM CEO](#) fears more than 7,800 jobs in the company could be replaced by AI in the next few years.
- [FED](#) raises rates by expected 25 bps, signs potential pause in hikes - [ECB](#) raises rates again, states EU inflation is still way too high.
- SEC issues record [whistleblower award](#) of \$279 million - more than all of 2022 awards combined.
- US job openings [reach lowest point](#) in nearly two years, [manufacturing PMI](#) improves.
- Regional US banking volatility: [PacWest stock](#) plummets 50% over the week before [surging 80%](#) from lowest point on Friday.

Winners & Losers

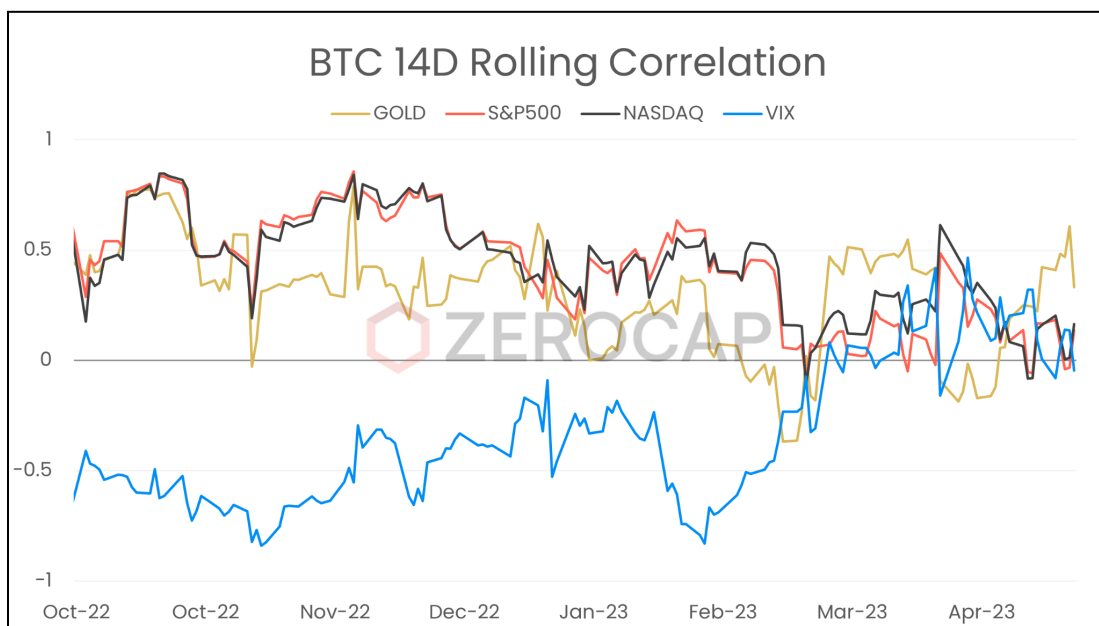


(Monday 1st to Sunday 7th)

Data source: TradingView

Market Highlights

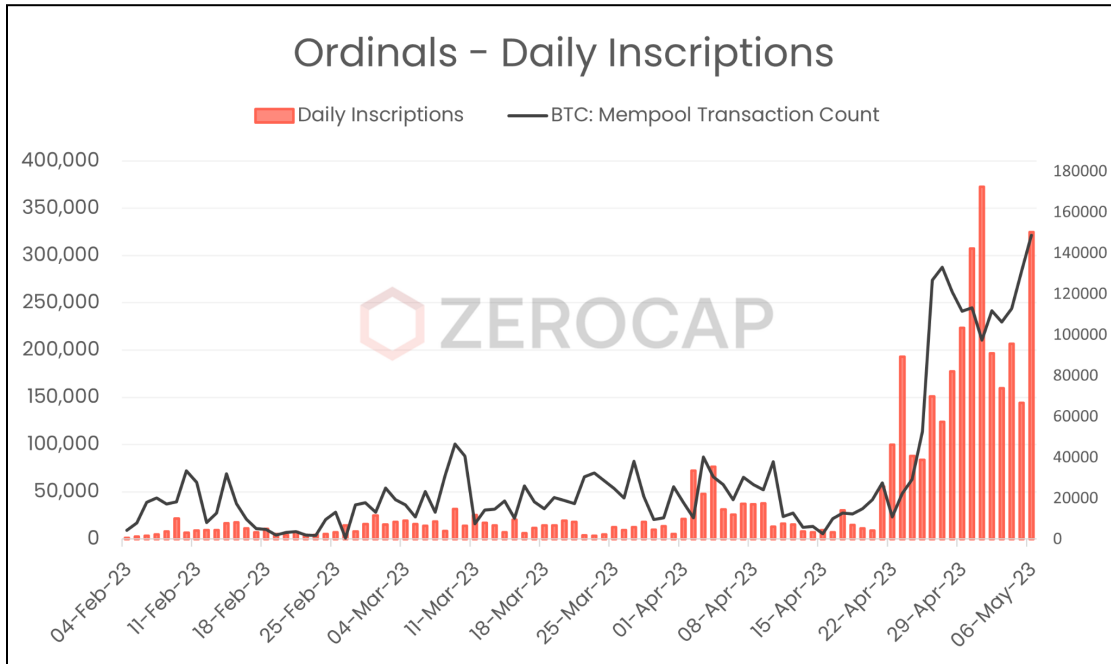
- In our recent discourse, we have explored BTC's steadfastness in the face of banking uncertainties within the United States. In the current week, we observed a continuation of this narrative. Participants witnessed strength from Gold and BTC following the Fed's 25 basis point hike on Wednesday. In contrast, equities exhibited vulnerability, thereby reinforcing BTC's recent dislocation from conventional risk assets.



Data source: Trading View

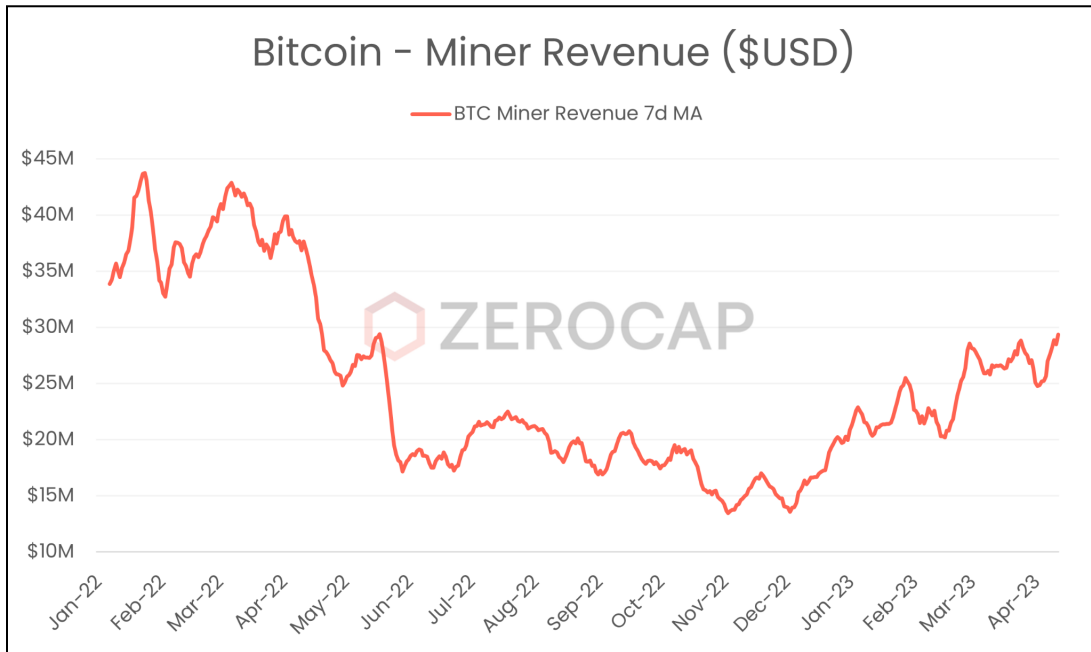
- Later, regional US banking issues worsened with Western Alliance, PacWest and First Horizon equities getting crushed. While somewhat delayed, BTC rallied during the Asian session on Friday, leaning into a method of hedging against banking woes for some market participants.
- However, on Sunday, participants witnessed a shift in strength off the back of congested network activity. In prior weeks, we have discussed Ordinals, a protocol that inscribes digital assets on Bitcoin, akin to Ethereum-based NFTs. We have also highlighted its potential to drive innovation within Bitcoin's ecosystem. However, on Sunday a potential

drawback of its growing popularity became apparent as Bitcoin's network became so congested that Binance temporarily suspended BTC withdrawals.



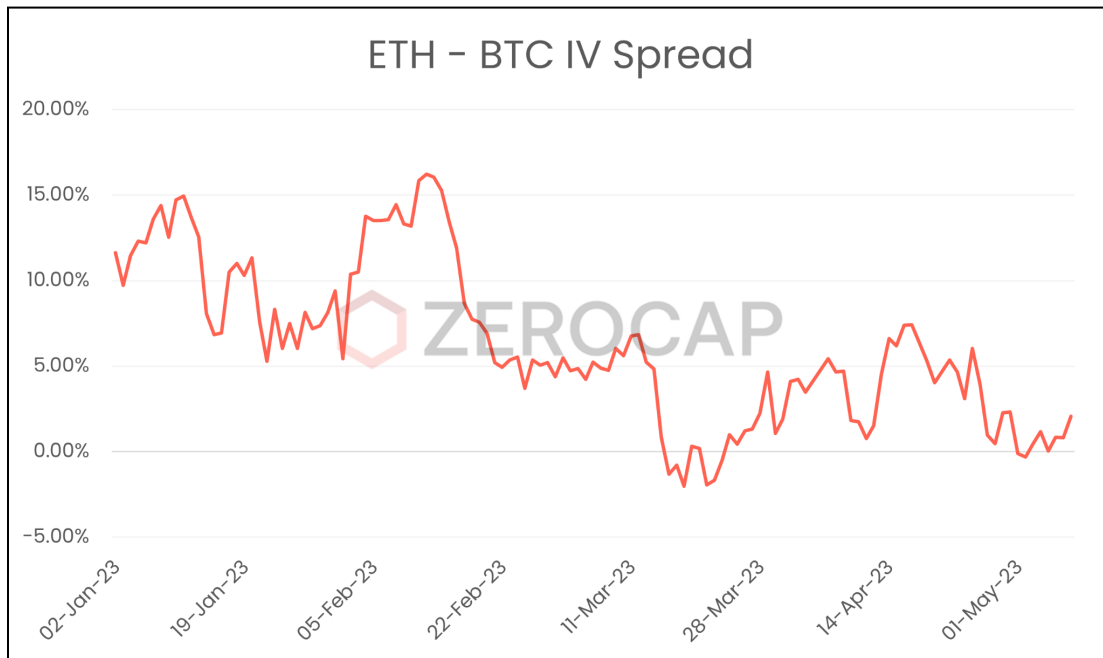
Data source: Glassnode & DuneAnalytics

- Following, BTC traded heavily into Asia's open and USDT traded over. Behaviour that points toward the participant's moving into USDT and out of BTC, and shifting capital off exchanges. Historically, BTC has primarily been viewed as a store of value and a means of exchange. While the introduction of Ordinals presents new possibilities for the BTC ecosystem, it may be necessary to consider a solution to relieve the strain on its network.
- While BTC's mempool has recently become overwhelmed and miners struggle to fulfil transaction demand from the BRC20 ordinals, miner revenue has soared to levels not seen since May 2022. With the potential for concerns to arise regarding the strength of BTC's network and the growing likelihood of miners taking profits, we may witness heavy price action leading up to this week's US inflation report, regardless of any shifts in expectations.



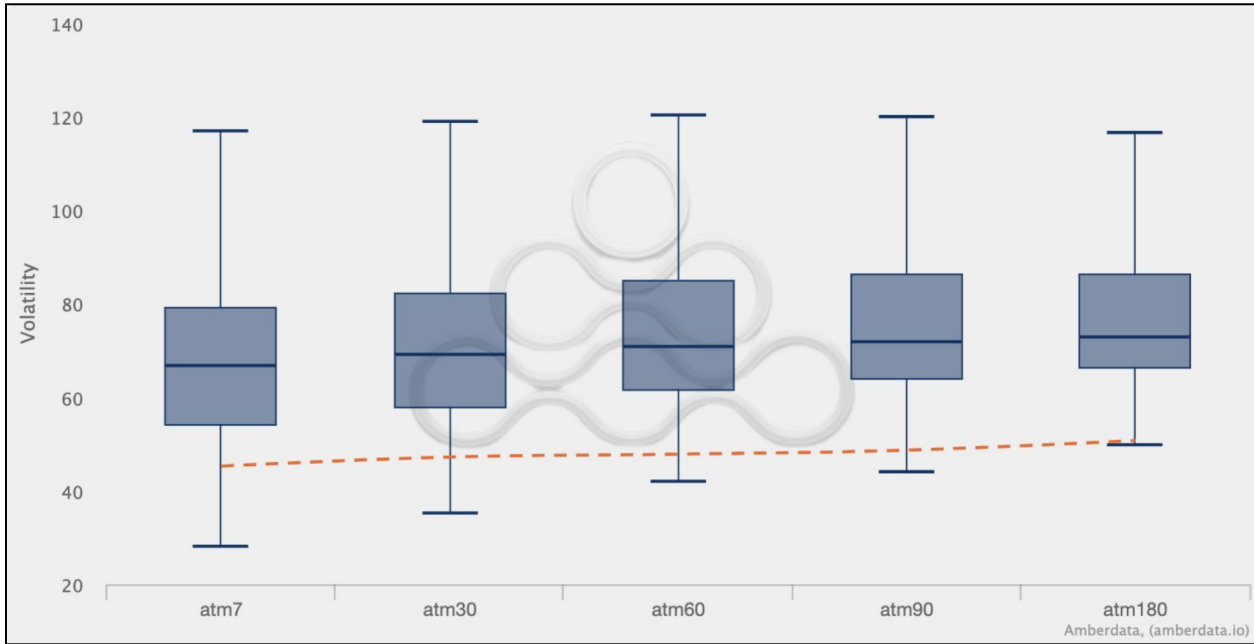
Data source: Glassnode

- The persisting lack of volatility in the cryptocurrency market is clearly reflected in the Bitcoin (BTC) Implied Volatility (IV) term structure. Exhibiting full contango, the curve has significantly flattened after the FOMC failed to generate volatility when the Fed meeting met market expectations. Of note, we've seen Bitcoin volatility priced in line with Ethereum at times in the shorter-dated expiries, whilst the longer-dated expiries marginally favour Ethereum vol. This ETH/BTC IV spread has been bid of late, with longer-dated ETH vol over BTC of particular value. The behaviour in recent bull runs and market downturns have positioned Ethereum to rise & fall in greater magnitudes than Bitcoin, and we see this structure continuing in the latter parts of 2023.



Data source: Deribit

- The compressed price action and its impact on IV can be observed by comparing the range of different At-The-Money (ATM) expiries to their historical averages. Current IV levels sit at the lower percentile of the 180-day ATM volatility distribution. As emphasised in previous Weekly Market Wraps, we are increasingly favouring longer-dated BTC (and ETH) volatility, with historical behaviour suggesting that IV does not remain at these levels for extended periods. The absence of catalysts has not helped the broader markets' low volatility, and we do foresee, as the market builds more liquidity, a gradual maturing of IV to more traditional levels and thus inheriting a more balanced structure over time. However, with the Bitcoin halving a year away, and ongoing disruptions in the banking sector, longer-dated volatility continues to appear undervalued.



Data source: Amberdata

What to Watch

- US' CPI, on Wednesday.
- UK's GDP, Core PPI and monetary policy statement, on Thursday.
- Preliminary US consumer sentiment, on Friday.

Research Lab

- [Zero-Knowledge Technology: Functions and the Future:](#)

Zero-Knowledge (ZK) technology is a cryptographic method that allows one party to prove to another that they possess specific knowledge or information without revealing any details about that information. Understand the intricacies of ZK tech in this comprehensive article by Zerocap Innovation Lead Nathan Lenga. The piece addresses Zero-Knowledge Proofs, their practical applications, prevailing types, tokens, and the potential future developments within the ecosystem.

- [What is Eclipse?](#)

Learn Eclipse's concept and role in the blockchain landscape with this latest piece by Zerocap Innovation Analyst Beau Chaseling, where he covers how this modular rollup platform offers unparalleled efficiency, flexibility, and scalability while aiming to become a universal layer 2.

- [Multichain Token Setup - Good Practice Guide:](#)

Learn the thorough ins and outs of Multichain Token Setup in this expertly written good practice guide developed by our Research Lab partners at QuantBlock.

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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