

Weekly Crypto Market Wrap

23rd October 2023



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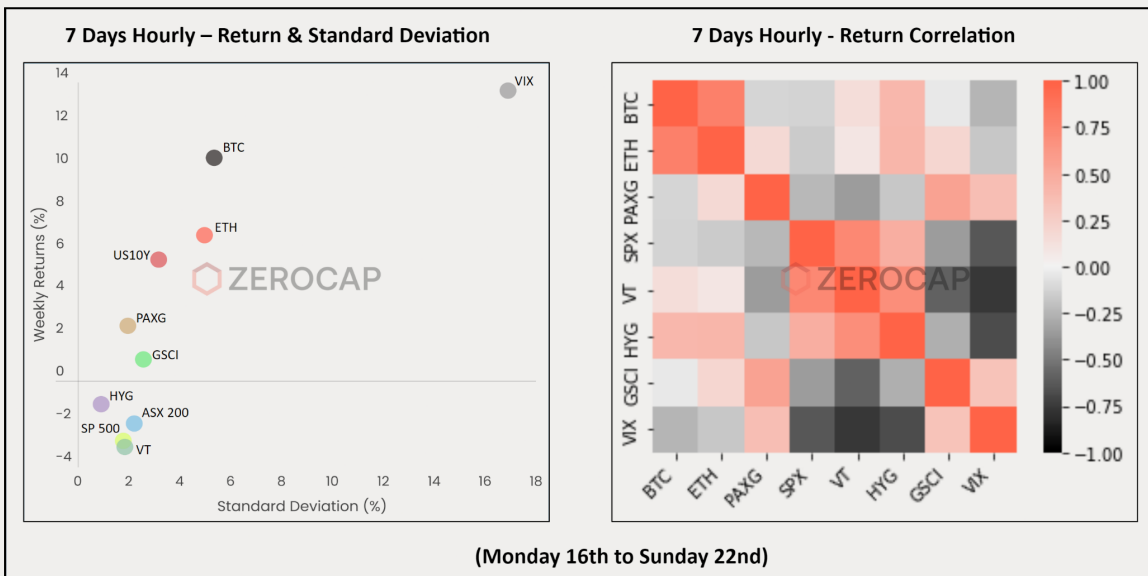
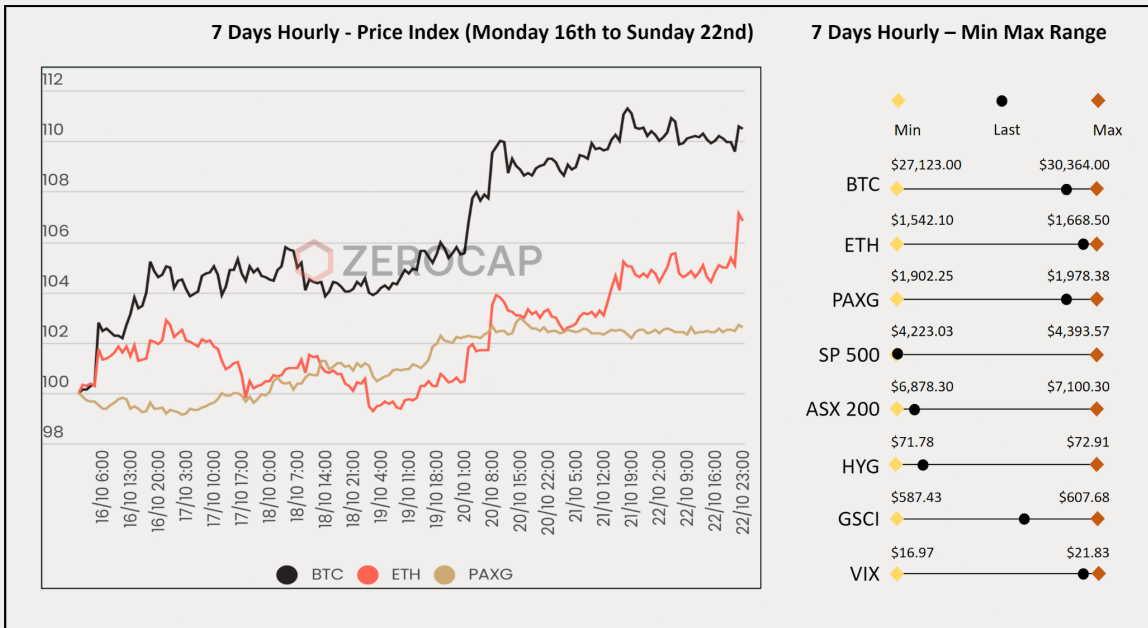
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We are trialling a new format for our weekly, to bring punchier and more insight-driven content to your precious inbox. Any feedback is much appreciated (hello@zerocap.com)!

Week in Review

- US government among [largest Bitcoin holders](#), worth over \$5 billion in BTC.
- New York Attorney General sues [Gemini, Genesis and DCG](#) for allegedly defrauding investors.
- Coinbase's Layer 2 network [Base](#) becomes open source.
- Hong Kong securities regulator [announces](#) crypto policies updates - certain assets will only be available to wholesale investors.
- California governor Newsom [signs crypto regulation bill](#), effective 1st July 2025.
- SEC [drops lawsuits](#) against two Ripple Labs (XRP) executives.
- FTX estate stakes [\\$122 million worth of Solana](#), seen in detected transaction - customers could get up to [\\$9 billion payout](#) by mid-2024.
- Chamber of Digital Commerce opposes "[SEC's overreach](#)" in Binance lawsuit.
- Binance [restores Euro services](#) after new fiat partners arrive.
- UK inflation [holds steady](#) following BoE's pause on further hikes.
- Australia's central bank sees [challenging economy and inflation](#) risks ahead, meeting minutes show.
- US retail sales bring [stronger-than-expected](#) results FED Chair Powell states strong economy [may need more restraint](#), but bond markets are helping.

Winners & Losers



Data source: TradingView

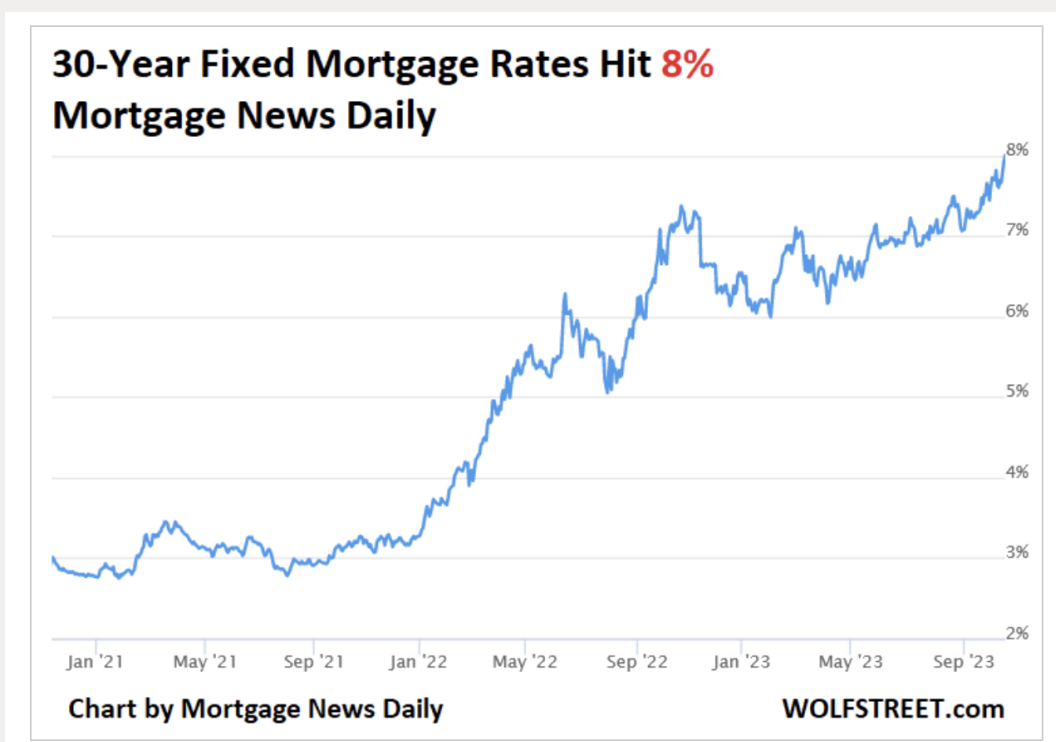
Market Highlights

Geopolitics

Our hearts go out to everyone affected by the unrest in the Middle East. There is systemic risk in neighbouring countries, and unfortunately, tensions and aggression are heading toward a boiling point in local communities far from the war zones. This has far-reaching implications for stability across the world. Some of the key issues we are following are relations between the US, Israel and the UAE/Saudi Arabia, and China's evolving response to the conflict.

Inflation

30-year fixed mortgage rates hit 8% for the first time since 2000. We are entering territory where the Fed could drag other CBs into more hikes, and higher for longer. The oil price looks like an extended topside move with geopolitical risks in the Middle East intensifying, and OPEC still constraining supply. Any Central Bank behind the curve may need to catch up in a short few meetings, which could bring volatility.



BTC

While last week's ETF news last week proved to be fake, there has been a clear shift in underlying sentiment with participants asking when, rather than if, the SEC will approve applications in the coming months. BTC is up 11% WoW, outperforming most major cryptocurrencies. Altcoins with high betas to BTC, like STX, BCH, and BSV, also thrived.

Technically, the move is looking strong, gunning for the prior highs below 32,000. There is critical resistance sitting at 33,000 (dating back to Jan 2022) that looks to be the topside barrier. I wouldn't be surprised to see a false break of the 32,000 level to wash out some of the leverage in this move before making a run at 33,000.



Alts

LINK stood out with a remarkable 36% surge, while SOL rose by 32% with SOL's ascension being exaggerated by short squeezes in the futures market. SOL is now up over 200% for the year.

MATIC gained from hints about its Polygon 2.0 migration, and XRP benefited from the SEC dropping charges against Ripple executives. However, Uniswap's frontend fee announcement cast a bearish shadow on its token, limiting its gains WoW.

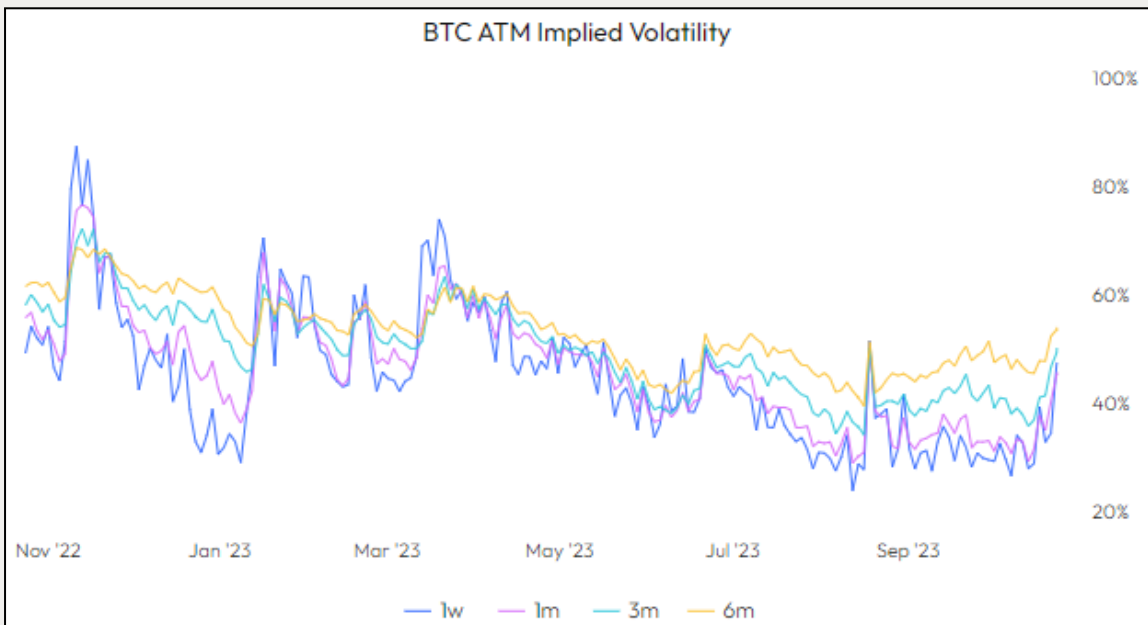
Ultimately, the macro environment is on a precipice - whether we are heading toward higher inflation for longer, a recession, or both; it does not bode well for risk assets. And altcoins are a supercharged version thereof.



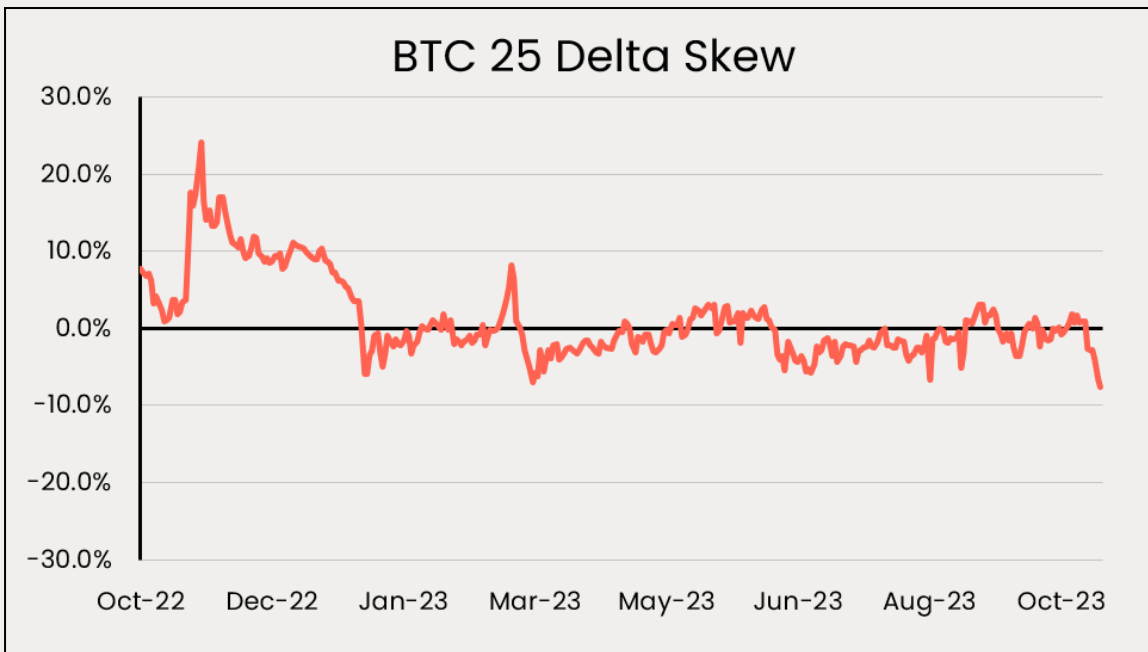


Derivatives

With broader market volatility increasing, BTC 3m IV has reached its highest level since July earlier this year.

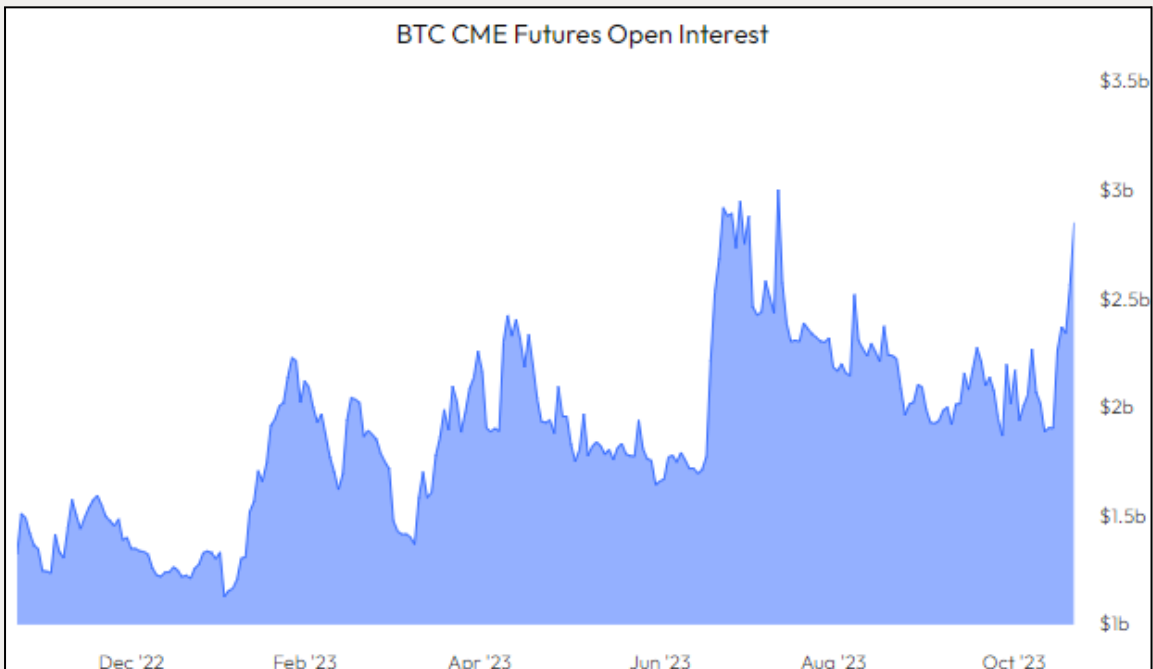


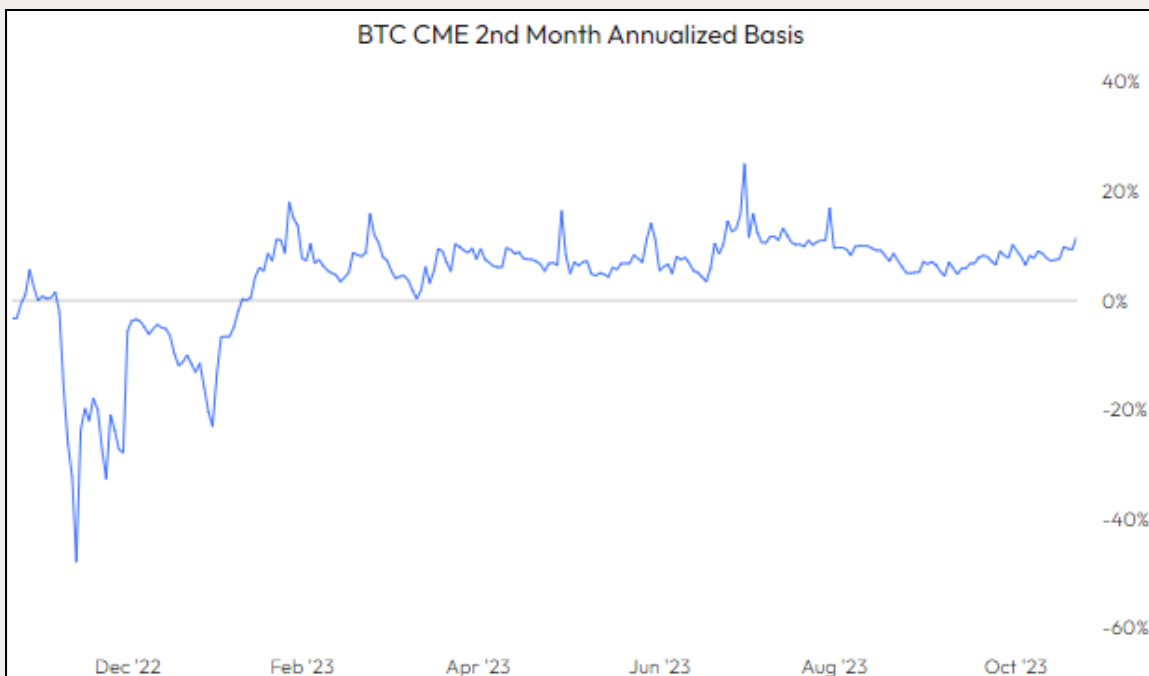
The shift in sentiment from "if" to "when" from the SEC was evident in last week's spot moves — the 25 Delta skew has tilted bullish, reaching levels last seen during January's rally. If the front-end IV persists in its ascent, long calendar spreads start to look appealing.



Data Source: Deribit

Furthermore, TradFi speculators on the CME are repositioning against the ETF expectations, with Futures and Options OI skyrocketing over the past week. The futures basis between Spot and the 2-month CME futures contract is trading at 11%.





Industry

Secondary market claims on FTX have been trading above 50¢ in the dollar, indicating market anticipation of a substantial recovery for FTX creditors. A claim exceeding \$20 million was auctioned off at approximately 52¢ on the dollar last Friday.

All in all, the next few weeks will be mired with speculation around the BTC ETF, stagflation, geopolitical unrest, and hopefully, some anticipation of peace into the end of 2023.

What to Watch

- French, German, UK and US flash manufacturing reports, on Tuesday.
- Bank of Canada's monetary policy and rate statement, on Wednesday.
- ECB monetary policy statement and US' advanced quarter GDP, on Thursday.
- US treasury currency report, on Friday.

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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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