

Weekly Crypto Market Wrap

30th October 2023



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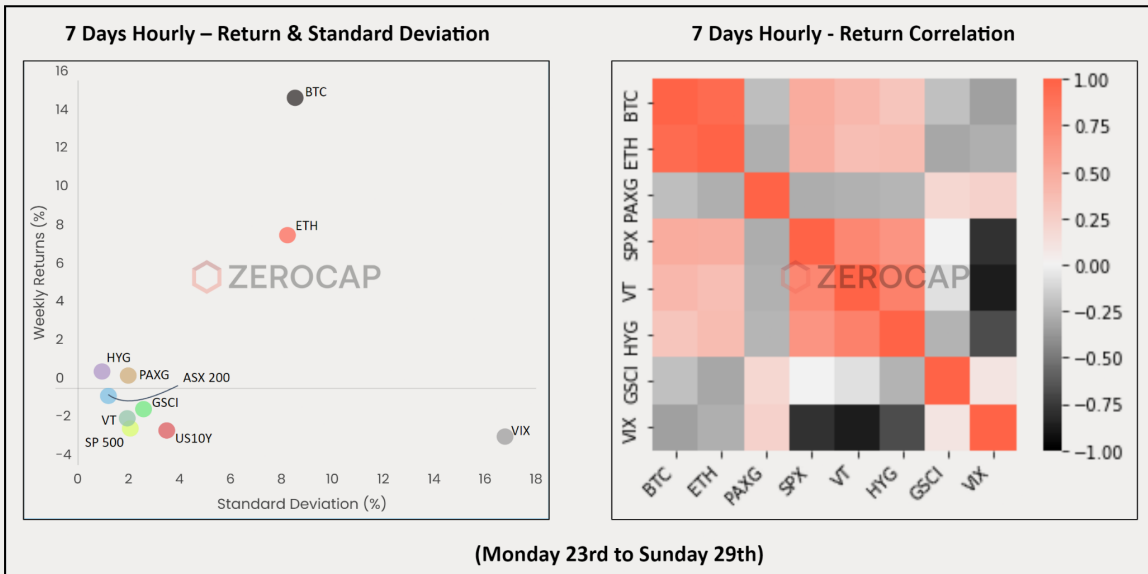
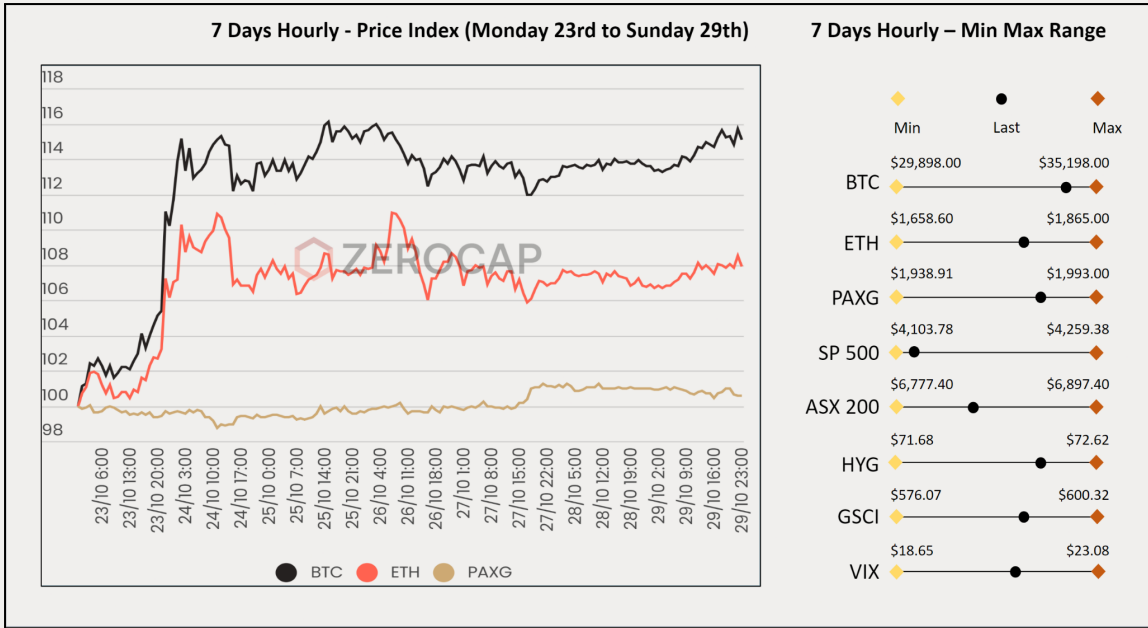
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Week in Review

- Crypto [market sentiment](#) at highest point since Bitcoin's \$69k all-time high.
- Bitcoin [market dominance](#) hits 54%, highest in 2.5 years as the next halving event approaches.
- UK bill for [seizing illicit crypto](#) used in criminal activities finally becomes law.
- FTX trial: [Sam Bankman-Fried testifies](#) without jury present, claims FTX decisions were acted on legal advice, [thought](#) "taking FTX deposits through Alameda was legal."
- Taiwan introduces its [crypto bill](#) to Parliament.
- MicroStrategy's massive [158,245 BTC](#) stash now officially back in profit as price climbs above \$30k.
- Binance seeks [CFTC lawsuit dismissal](#), blasts commission for "trying to be world derivatives police."
- [SEC charges BlackRock](#) with \$2.5 million for incorrect investment disclosure.
- Mastercard [partners with MoonPay](#) to provide Web 3 payment services.
- "Magnificent seven" stocks [plummet](#) a whopping \$280 billion as crypto surges - worst performance since start of COVID-19 pandemic.
- US economy [grows by 4.9%](#) in third quarter, defying recession expectations.
- European Central Bank decides to [keep current interest rates](#) unchanged.
- Bank of Canada [remains hawkish](#), sees persistently high inflation.

Winners & Losers



Data source: TradingView

Market Highlights

Geopolitics

Israeli forces are advancing in Northern Gaza, with some aid trickling into the South of the region. Communications have been blacked out for most of the week, but some services regained service on Sunday. The region is still on a knife edge, and the VIX index seems to be underpricing the risk of broader regional conflict across Turkey, Egypt and Iran.



BTC

Following a mighty 28% ascension in the past two weeks, BTC's action has calmed, with 34,000 acting as newly formed short-term support. It brings BTC back into the long-term ascending channel, forming key longer-term support at 33,000. From a technical perspective, there is an 'angry head' on the back of the move - a saying from the old FX prop desks, which basically suggests

that now is a terrible time to be short. Any positive catalyst here could lead to further gamma hedging, which we think extends the move higher.



Data Source: TradingView

Inflation

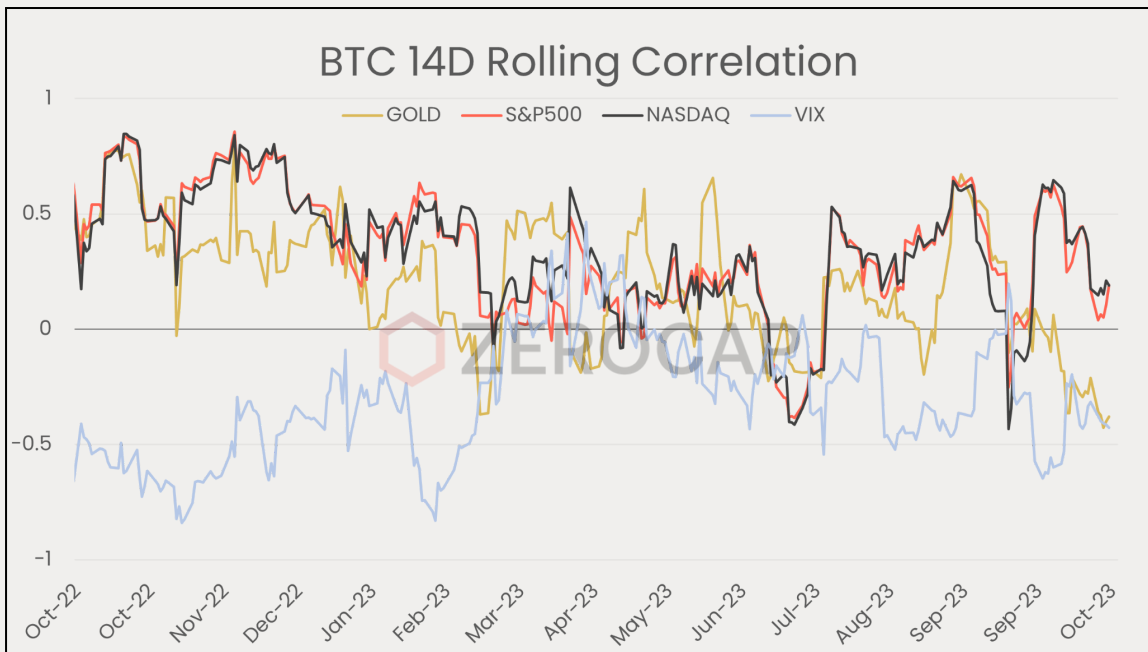
Historically, when Bitcoin has outperformed the Nasdaq, it has been after expansion in the global M2 money supply. M2 represents all circulating money in the economy - cash, savings, and bank accounts. When there is an increase in money circulating (liquidity), part of this has traditionally flowed into assets such as property, stocks and crypto. Given the risk premium associated with Bitcoin, historically this correlation has led to outperformance against property and stocks. We believe that this time, the outperformance could be even greater as we are seeing BTC decouple from the high Nasdaq correlation - primarily due to event risk (BTC ETF / upcoming halving), but also due to some safe-haven flows on the back of the unrest in Israel.



Source: Global Macro Investor

On correlations..

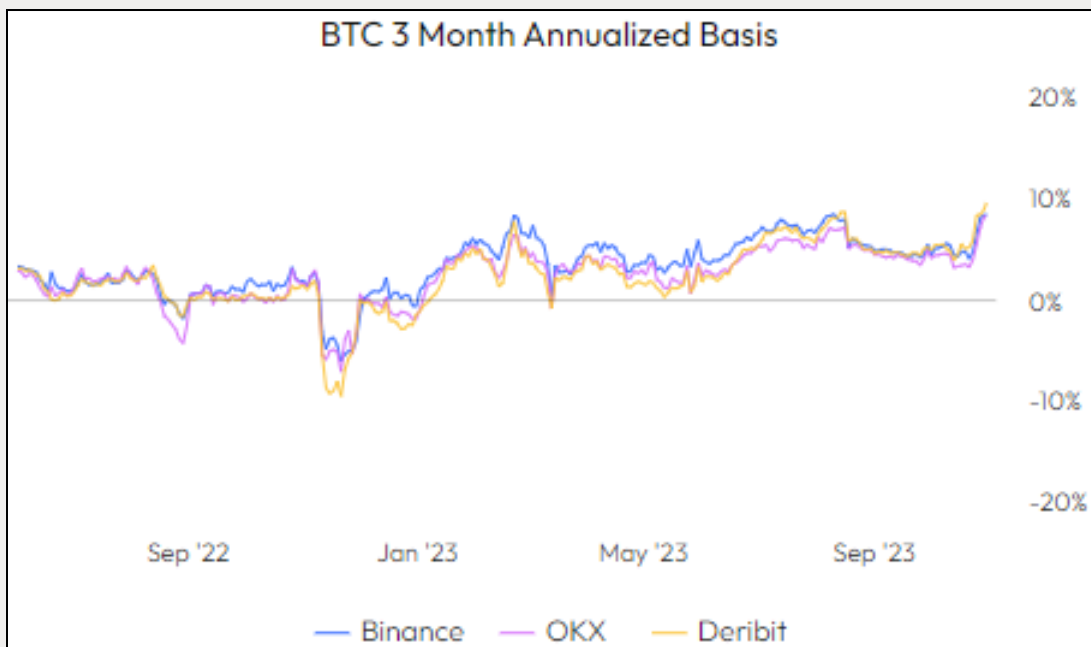
Persisting geopolitical and macroeconomic uncertainty places BTC in an interesting position. The recent buoyancy is largely the 'smart money' front-running event risk in the ETF and upcoming halving, however, often these shifts in correlation can lead to ongoing dislocation if there is a context that remains - in this case, geopolitical unrest. If we see further buoyancy into next year, we believe the equity correlation stays negative, or at least, indeterminate for the first few quarters of 2024.



Data Source: TradingView

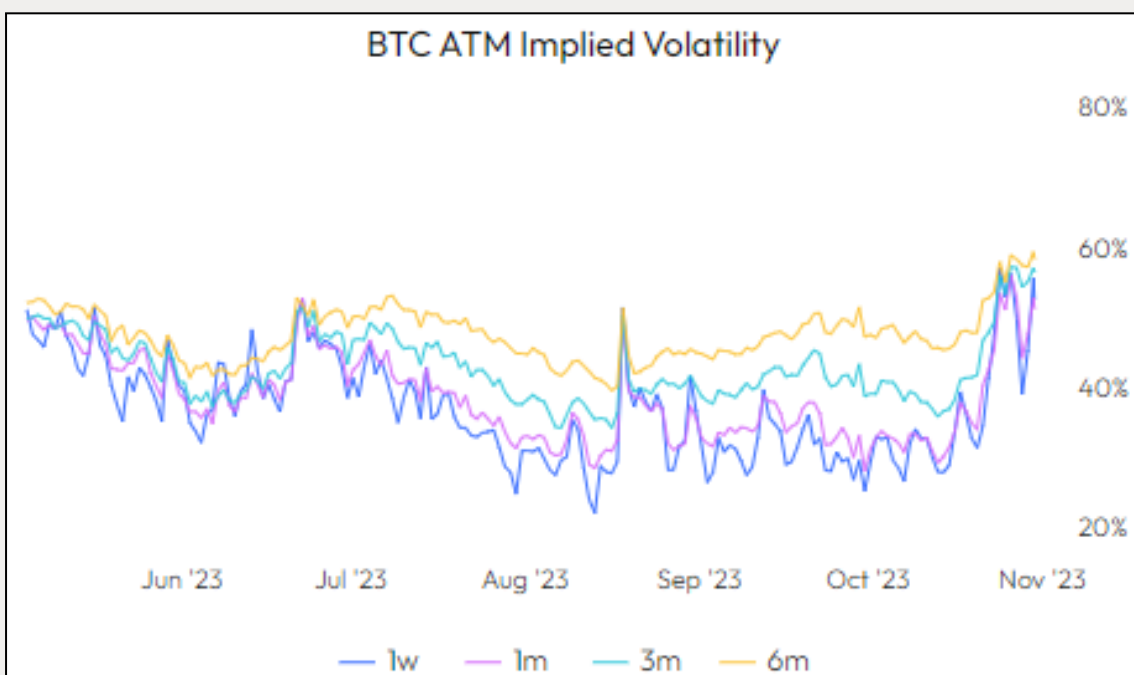
Derivatives

The futures basis continues to edge higher - 10% annualised on Deribit in the 3m expiries. This is the highest the quarterlies have traded in over 12 months. Traders looking for leverage, plus using synthetic hedges for USD borrowing have led to expansion of the basis curve. The CME is even higher. Nice to see this trade back in the game, it should bring some more liquidity into the spot and derivatives market - much needed for the next leg higher/lower, and to ensure we don't see too much liquidity gapping into the December period.



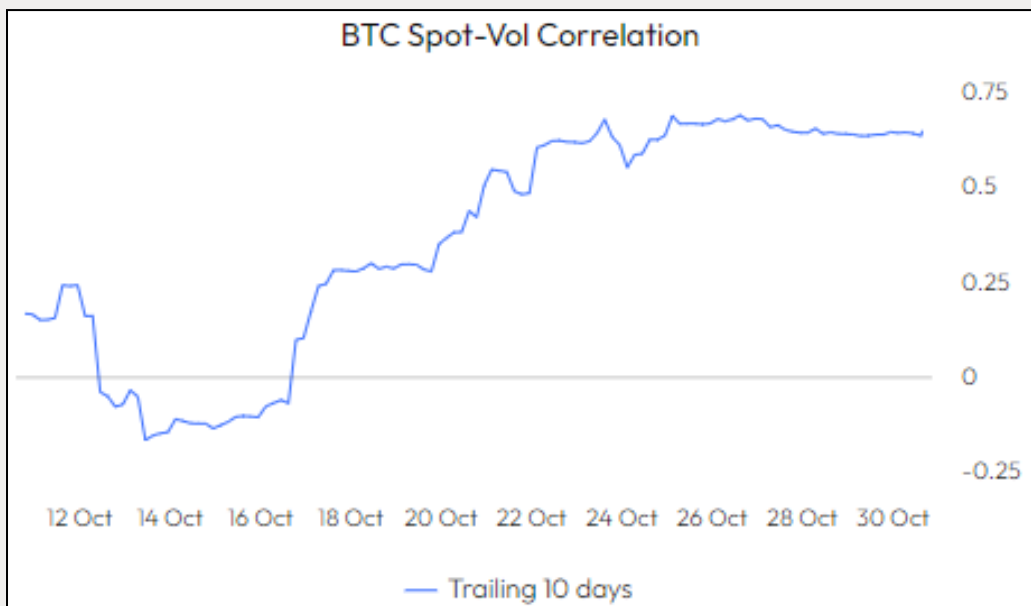
Data Source: Velo Data

BTC Implied Volatility continues to bid up, with short-term IV elevated as BTC spot moves higher. 6-month IV is the highest it has traded since early in 2023, but still well below its long-run average.



Data Source: Velo Data

BTC's IV bid relies heavily on its continued spot outperformance. Spot-Vol correlation continues to remain a factor - any downside here in BTC will lead to a steep fall in IV.



Data Source: Velo Data

Ultimately, we think IV value plays are really interesting right now - BTC Put IV is low at the moment relative to calls, so delta hedging (long spot) vs a risk reversal (short call / long put) appears attractive when looking at certain expiries. That said... technicals and general sentiment make us think we've got another leg higher. As they used to say on the FX desks, 'beware the angry head'!

Best of luck trading, be safe out there!

What to Watch

- BoJ outlook report and monetary policy statement, on Tuesday.
- US Jolts Job Openings and FOMC conference, on Wednesday.
- UK's monetary policy report, bank rates and gov. Bailey statements, on Thursday.

Insights

- [Crypto Treasury Management for Enterprises:](#)

Explore how proper Crypto Treasury Management fosters sustainable enterprise growth through our latest piece by Zerocap Deputy Treasurer Caleb Wong. Here Caleb covers how embracing a crypto treasury can offer a hedge against inflation, enhanced liquidity and capital growth amidst the economic challenges faced by traditional financial systems, as well as what makes Zerocap stand out in our Crypto Treasury Management services.

- [Zerocap CIO Jonathan de Wet chats with Ausbiz:](#)

Jon discusses the potential impact of prospective Bitcoin ETFs, ongoing inflation, Bitcoin x Ethereum as protective investments, the FTX case and more in this recent interview for ausbiz.

- [Derivatives analyst Berkeley Cox with Blockworks:](#)

Berkeley sheds light on the bullish sentiment sweeping through the crypto market as Bitcoin soars past \$30k, the shift from 'if' to 'when' regarding SEC's ETF approval, a notable change in the options market and more in this recent Blockworks piece by Sebastian Sinclair.

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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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