

# Weekly Crypto Market Wrap

22nd January 2024



---

**ZEROCAP.COM**

AUSTRAC REGISTERED DIGITAL CURRENCY EXCHANGE SERVICE PROVIDER DCEI00635539-001  
Zerocap Pty Ltd ABN: 99 164 874 597

**Zerocap** provides digital asset liquidity and custodial services to forward-thinking investors and institutions globally. For frictionless access to digital assets with industry-leading security, contact our team at [hello@zerocap.com](mailto:hello@zerocap.com) or [www.zerocap.com](http://www.zerocap.com)

We are trialling a new, punchier weekly on the back of customer feedback. Keep the feedback coming! It's always great to hear what you love and what you don't. This format is going to be insights-driven, faster, and give you more views on how participants are trading the current market.

**This is not financial advice. As always, do your own research.**

## Week in review

- Spot Bitcoin ETFs approved by the SEC; [Commission's official statement](#) - Bitcoin ETFs see [\\$4.6 billion](#) in trading volume on their first day, topping 3x the daily volume of all ETFs launched in 2023 combined.
- Bitcoin mining [sustainable energy](#) reaches all-time highs of 54.5%.
- USDC issuer Circle confidentially [files for IPO](#) in the US.
- US Senate bills challenge [CBDCs classification](#) as "money" - Trump vows to ["never allow"](#) the creation of a US CBDC if re-elected.
- Bitcoin greed index drops to ["neutral"](#) as ETF approvals fail to buoy prices - daily relative strength index ([RSI](#)) hits four-month lows.
- US inflation [outstrips forecasts](#), with rise to 3.4% for December - weekly [jobless claims](#) at 16-month lows.

# Technicals

## BTCUSD

The run from October 2023 has been a spectacle. Not much held BTCUSD back all the way from 27,000 to 44,000 as we ran into December, before seeing the price consolidate awaiting further news on the Bitcoin ETF approval. The SEC got its 'welcome to crypto moment' when its Twitter (now "X") account was hacked, releasing the news early and flushing out some leverage, leading to a false break above 46,000. We are now sitting around 41,000 looking like we'll break lower. The next level down would fill the gap to 38,000, finding support on the topside triangle break from Dec 02, 2023.

## Key levels

38,000 / 41,000 / 44,000 / 49,000



Tough not to see the fundamental case for BTC higher despite the technicals looking for a break lower. We expect strong buying activity at 38,000 in the absence of any outlier negative growth figures out of the US. We (along with Ilan from Marex) feel that current price moves back into the range are a function of futures basis trades lightening up. The ETF market makers (APs) would build spot BTC positions prior to the ETF announcement, and be delta-neutral by shorting the futures. They earn a funding rate while they wait for their ETF orders. When these orders arrive, we think they have been

lightening their futures shorts buying rather than buying spot - which could be an interesting structural arb as CME futures OI dips.

## Spot desk

### **Opportunistic Moves in BTC and ETH**

Directional traders seizing opportunities amid recent BTC and ETH price dips, with fairly consistent buying into the range as the price moves lower.

### **Stablecoins dominate flows**

The desk has seen a skew towards off-ramping stablecoins into G10 fiat currencies, primarily dominated by AUD, USD and CHF. USDC consistently traded at a premium to USDT over the past week. It's not only the centralised coins we are seeing action from - decentralised stablecoin alternative FRAX Shares' (FXS) governance token surged above \$9, gaining +7.4% WoW.

### **Growing Interest in AUDD:**

Steady growth observed in AUDD transactions, Novatti's AUD stablecoin, as the ecosystem continues to expand.

### **Trade Idea: ETH Layer-2 upgrade**

Ethereum Improvement Protocol 4844 (EIP4844) presents a compelling opportunity. Protodank sharding update is anticipated to significantly decrease ETH's layer 2 blockchain fees, and increase transaction speeds. This brings transaction speeds that are comparable with centralised computer systems. Alongside this, we have a high beta Layer 2 narrative-driven play.

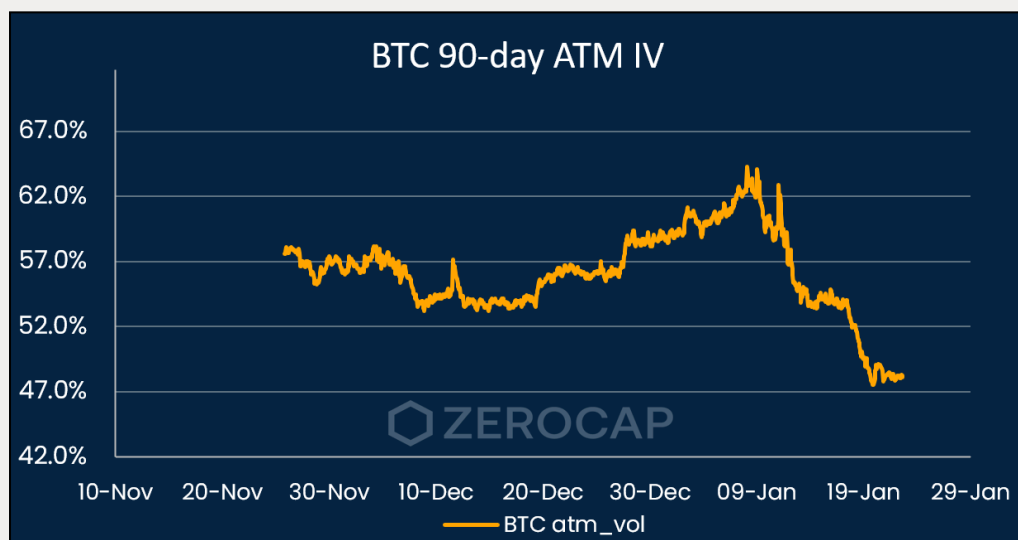
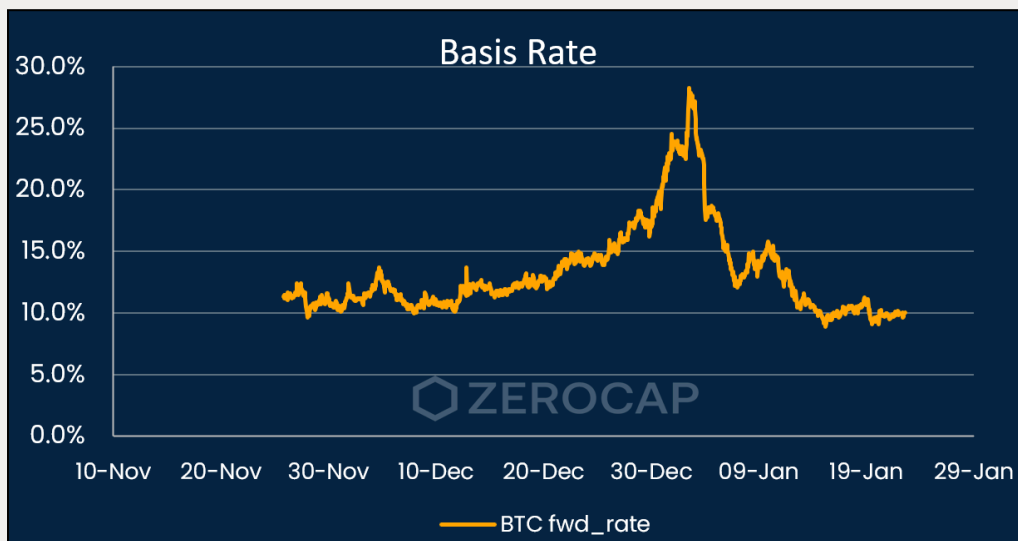
**Potential impact:** Bullish for the price of ETH, particularly combined with ETH ETF expectations in 2024, and bullish for its more volatile Layer 2 tokens (Optimism, Arbitrum etc..). Potentially bearish for other Layer 1 competitors - SUI, SEI, NEAR, APT, who are already falling from grace. Relative value plays are worth looking at.

# Derivatives desk

WHOLESALE INVESTORS ONLY

## IV and funding rates go downtown

We have seen a constant sell-off in Implied volatility and funding rates since the ETF announcements, and although we think ETF market makers (APs) have been lightening shorts, those shorts seem to be being absorbed by the rest of the derivatives market fairly well.



**Trade idea:** BTC calls have cheapened considerably given the crash in funding

rates and IV, and with the BTC halving coming up in April it could be a good time to start building some cheap long positions via call options. We love simplicity when volatility is low, and the following trade is one of those.

You can buy a 90-day 110% BTC Call for 6.8%.

It's a great way to manage the downside and keep capital efficient up to the halving.



Good luck trading out there!

Jon de Wet, CIO.

# What to watch

- Bank of Japan's monetary policy statement and outlook report, on Tuesday.
- Bank of Canada's monetary policy report and rate statement, on Wednesday.
- EU's monetary policy statement and US' advanced quarter GDP, on Thursday.
- US' monthly core PCE price index, on Friday.

## Disclaimer

This material is issued by Zerocap Pty Ltd (Zerocap), a Corporate Authorised Representative (CAR: 001289130) of Gannet Capital Pty Ltd (GC) AFSL 340799.

**Material covering regulated financial products is issued to you on the basis that you qualify as a “Wholesale Investor” for the purposes of Sections 761GA and 708(10) of the Corporations Act 2001 (Cth) (Sophisticated/Wholesale Client), or your local equivalent.**

This material is intended solely for the information of the particular person to whom it was provided by Zerocap and should not be relied upon by any other person. The information contained in this material is general in nature and does not constitute advice, take into account financial objectives or situation of an investor; nor a recommendation to deal. Any recipients of this material acknowledge and agree that they must conduct and have conducted their own due diligence investigation and have not relied upon any representations of Zerocap, its officers, employees, representatives or associates. Zerocap has not independently verified the information contained in this material. Zerocap assumes no responsibility for updating any information, views or opinions contained in this material or for correcting any error or omission which may become apparent after the material has been issued. Zerocap does not give any warranty as to the accuracy, reliability or completeness of advice or information which is contained in this material. Except insofar as liability under any statute cannot be excluded, Zerocap and its officers, employees, representatives or associates do not accept any liability (whether arising in contract, in tort or negligence or otherwise) for any error or omission in this material or for any resulting loss or damage (whether direct, indirect, consequential or otherwise) suffered by the recipient of this material or any other person. This is a private communication and was not intended for public circulation or publication or for the use of any third party. This material must not be distributed or released in the United States. It may only be provided to persons who are outside the United States and are not acting for the account or benefit of, “US Persons” in connection with transactions that would be “offshore transactions” (as such terms are defined in Regulation S under the U.S. Securities Act of 1933, as amended (the “Securities Act”). This material does not, and is not intended to, constitute an offer or invitation in the United States, or in any other place or jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or invitation. If you are not the intended recipient of this material, please notify Zerocap immediately and destroy all copies of this material, whether held in electronic or printed form or otherwise.

**Disclosure of Interest:** Zerocap, its officers, employees, representatives and associates within the meaning of Chapter 7 of the Corporations Act may receive commissions and management fees from transactions involving securities referred to in this material (which its representatives may directly share) and may from time to time hold interests in the assets referred to in this material. Investors should consider this material as only a single factor in making their investment decision.

## \* 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

# Contact Us

ZeroCap provides digital asset investment and custodial services to forward-thinking investors and institutions globally. Our investment team and Wealth Platform offer frictionless access to digital assets with industry-leading security. To learn more, contact the team at [hello@zerocap.com](mailto:hello@zerocap.com)

