

Weekly Crypto Market Wrap

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Week in review

- Hong Kong Securities and Futures Commission [accepts](#) first spot Bitcoin ETF application.
- BlackRock Bitcoin ETF surpasses [\\$2 billion in holdings](#).
- Ethereum nears [“Dencun” network upgrade](#), introducing proto-danksharding to reduce Layer 2 transaction costs and improve scalability.
- Visa enables [crypto withdrawals](#) on debit cards across 145 countries, following Transak partnership.
- Tether (USDT) registers [record \\$2.85 billion](#) profits in Q4 2023.
- China set to introduce [revised crypto regulations](#) by 2025.
- [FOMC](#): rate cut in March is “unlikely”, needs more signs of easing inflation.

Technicals

BTCUSD

Technically we are at an interesting juncture. The false break of the inner trendline is holding, and the price is compressing between the 42,000 and 44,000 level. Combine this with crypto options volatility continuing to drop and risk-on across equities and bond yields, it begins to feel like we are on the verge of a breakout one way or the other. Fundamentally we are strong, BTC halving in a few months, some major upgrades for Ethereum, with Venture Capital liquidity breathing some fresh air back into the crypto space. It has the trimmings of a short-term rally. Powell is not so sure though - in his 60 Minutes interview last night he made it clear that “the job’s not quite done”.

Either way, the market is taking recent economic data and bidding risk, which plays well into a potential topside break here as the price moves further into the ascending triangle. A topside break would likely make a run at 46,000, the breaking point lower after the SEC’s ETF announcement. From there, a run at 50,000 does not look that far-fetched. A downside break would see the price want to test 40,000 or down to 38,000, the breaking point from the ascending triangle in Nov 2023.



Key levels

38,000 / 40,000 / 44,000 / 46,000 / 50,000

Spot desk

Stablecoin off-ramping continues to dominate flows.

The desk saw a significant skew towards stablecoin and fiat offramping this week.

The Australian Dollar (AUD) dipped to a low of 0.65023 (AUD/USD), bringing a significant increase in off-ramping activities into the weekend. Savvy traders capitalised on the broader sell-offs witnessed on Thursday and Friday.

The desk remains strategically positioned to offer competitively priced stablecoin/AUD and USD pairs, Corporates, exchanges and other desks are encouraged to reach out with any interest.

Net Positive Bitcoin (BTC) ETF Inflows

Opportunistic investors steadily bid up BTC - climbing 1.3% WoW as net positive BTC ETF inflows continued for 4 consecutive days on Wednesday. Sell-side pressure from Grayscale's Bitcoin Trust (GBTC) appears to be subsiding, despite the trust recording 14 days of consecutive net outflows.

Blockchain Oracles emerge amidst the tea leaves on the desk

Oracle governance tokens Chainlink (LINK) and Pyth Network (PYTH) rode the winds of fortune this week, returning +25.53%, and +27.42% respectively. These gains come after a recent upgrade leading to a 20% improvement in latency across Pythnet price feeds, and announcements from PYTH partners, ZeroLend and DogeLon.

Portfolio Diversification Idea: Encompass the Fundamental Pillars of Web3

Blockchains require oracles to bridge the gap between the digital world of smart contracts and the real world of external data, enabling decentralised applications to access and interact with information beyond the blockchain.

As smart contract adoption and its real-world applications continue to expand, the need for fast and accurate information flow is paramount.

Blockchain oracle governance tokens are vital for ensuring the maintenance, integrity, and security of oracle networks by incentivizing stakeholders to actively participate in governance, thus enhancing the accuracy and reliability of external data utilised in blockchain applications.

Consider researching the long-term bull case for Oracle networks - hit up our spot desk for flows, and any views.

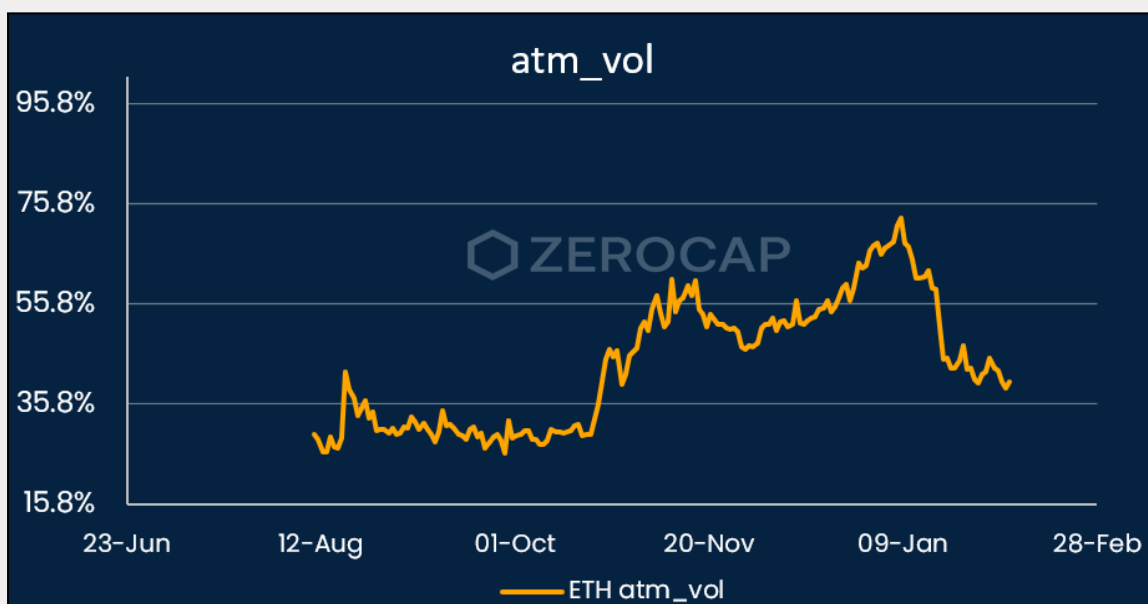
Expected Impact: Long-term Bullish

Derivatives desk

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Volatility Trending Lower

With a relatively flat week across the whole space, implied volatility is still coming off in the options market. In particular, ETH at-the-money implied volatility continues to dribble down to levels seen before the rally in October.



We see two likely possibilities over the next few months

1. Implied volatility drifting lower until we get to a level comparable to the 2023 lows.
2. Another ETF-based rally in ETH and high-beta alts, leading to a pickup in vol across the board

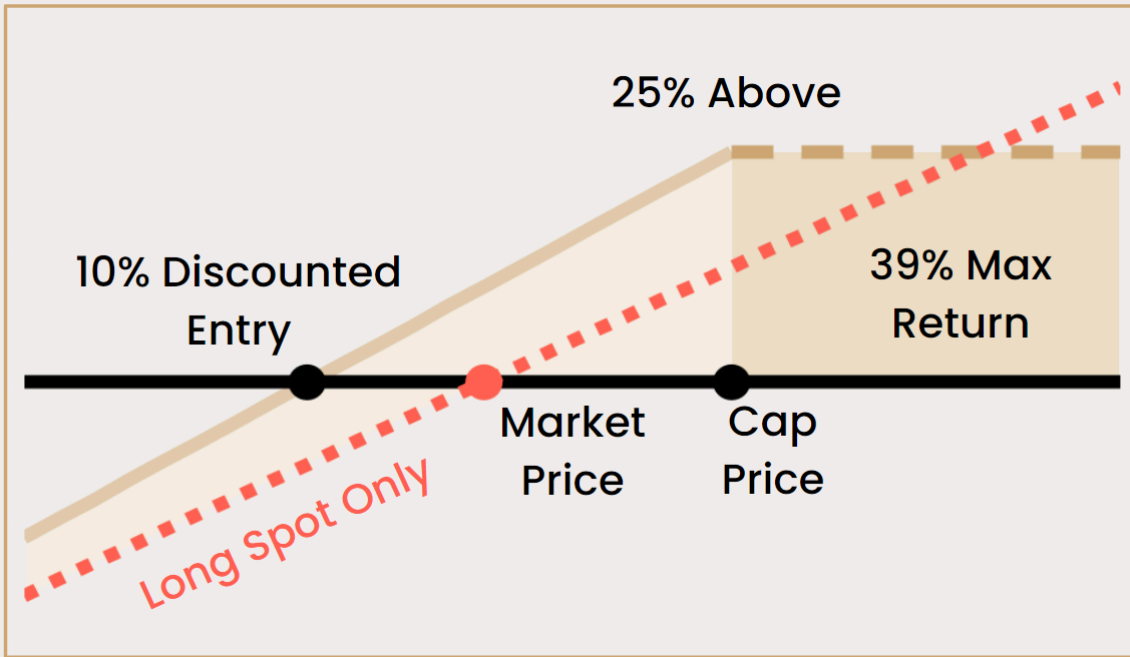
In both scenarios here we see Altcoin Discount Notes as an interesting opportunity.

Trade idea

Investors in Discount Notes can take advantage of the yield at current levels to either:

- (i) enter a long position in the underlying token for less than its current price or,
- (ii) Earn a high fixed return for the investment (currently 39%) if the underlying expires above a predetermined price (Cap Price).

The below payoff graph shows the payoff for a sample Discount Note priced on Solana (SOL).



Solana currently has the crypto-native yield degens chasing airdrops, and a bunch of real-world use-cases launching right on its protocol. Everything from decentralised Uber to tokenised real estate. The future right now looks promising, and the short-term sentiment is positive. There is a risk that SOL is overshadowed by the ETH ETF, and a moderation in the risk-on environment, which makes Structured Products a natural choice to control the risk.

Get in touch with the derivatives team at derivatives@zerocap.com for more information.

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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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