

Weekly Crypto Market Wrap

12th March 2024



ZEROCAP.COM

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

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This Market Wrap edition was released on a Tuesday due to the Labour Day public holiday in Australia, on Monday 11th March.

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

Week in review

- Bitcoin reaches [new all-time high](#) of \$72k US dollars - Bitcoin and gold both broke new price records [on the same day](#).
- With a market cap of [\\$1.4 trillion](#), Bitcoin has surpassed silver's global cap.
- Tether (USDT) stablecoin reaches historic \$100 billion market cap.
- US SEC [pushes back](#) on spot Ethereum ETF applications for BlackRock and Fidelity.
- FED Chair Jerome Powell states US is ["nowhere near"](#) the creation of a dollar Central Bank Digital Currency (CBDC).
- El Salvador's Bitcoin investments now at [50% profit](#) - Central American country declared Bitcoin as legal tender back in 2021.
- European Central Bank prepares for [June rate cuts](#) as inflation falls.
- US nonfarm payrolls grow by 275k, [yet unemployment rate](#) rises to 3.9%.

Technicals

BTCUSD

And I thought last week was a week.

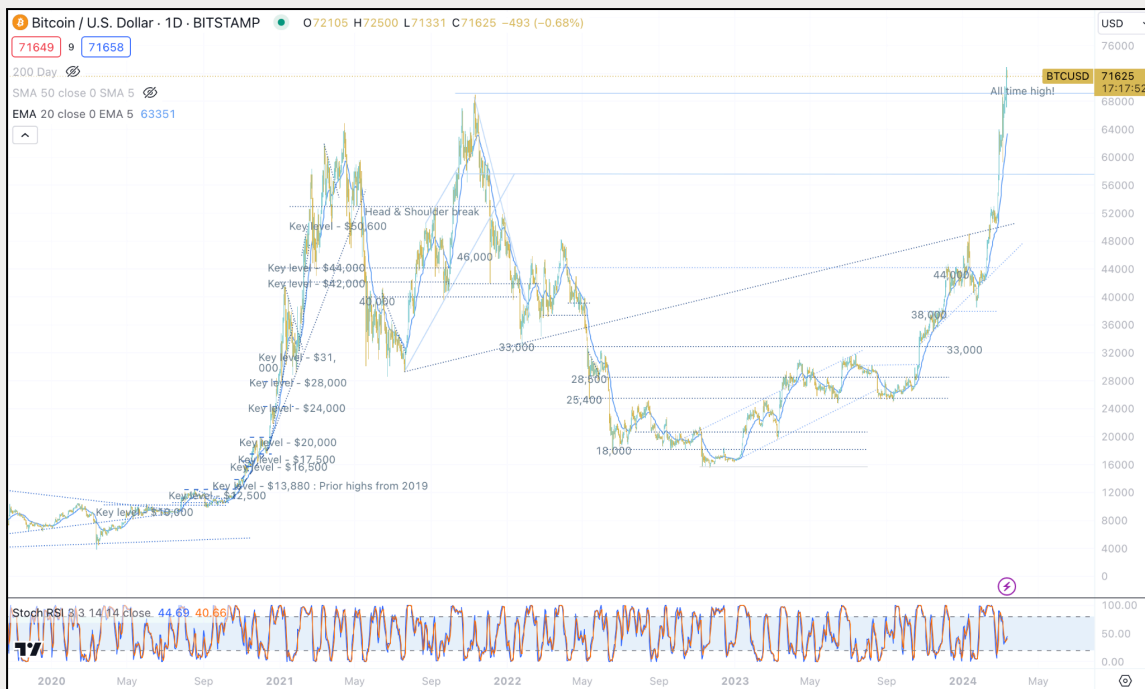
We were wrong on the 69,000 retest a few weeks ago but nailed it on the gamma squeeze (optionality at 65,000 and 70,000). The 25-delta skew was looking more and more weighted to OTM calls and the option market makers needed to delta-hedge their positions into these levels. Further to this, there is still an insatiable bias from the ETF issuers. The market makers are in an interesting position - and it's playing out in the variance between crypto native futures markets (going ballistic), and the CME, which has remained fairly... well, orderly.

All-time highs were broken, after two weeks of media debate about what level was actually the high. Above 70K, all bets are out the door - we are in new territory.



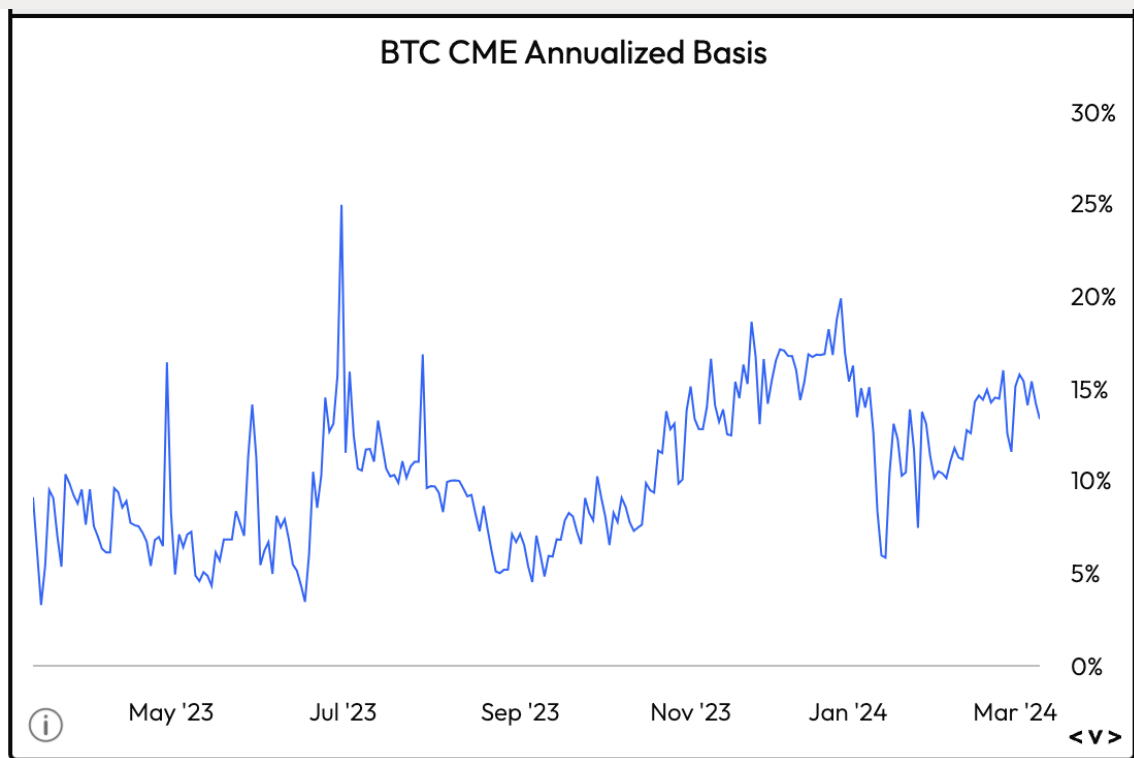
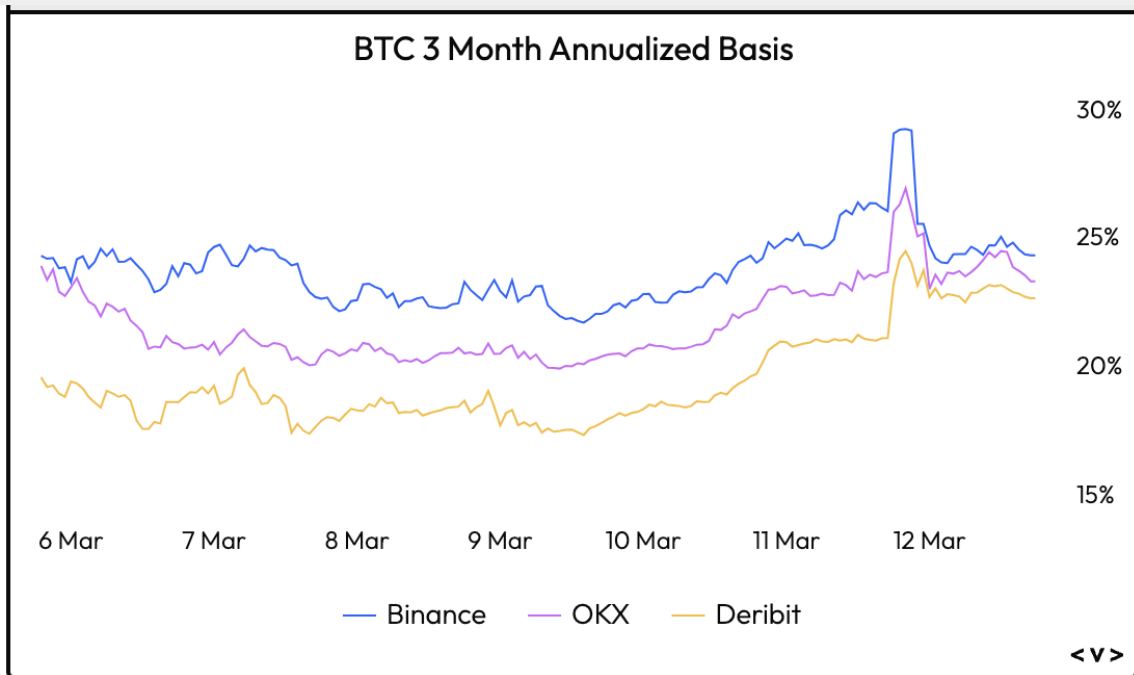
Zooming back out on the charts, it's fascinating to see the levels we've

marked throughout the last few years. We are now out of the woods, and heading higher.



The difference between crypto native futures and the CME (institutional) futures is notable. The ETF issuers would prefer not to hedge orders in one giant market-moving block. So instead, they quietly buy spot BTC while selling CME futures. This gives them the underlying spot position ready for ETF buyers whilst not taking on directional risk. This means that they only have to unwind the futures shorts to sate the ETF bidding. The fact that the CME basis has remained relatively stable is telling - there are as many leveraged buyers as hedgers in the insto game, and this could be a coiled spring winding up. Our take is that the difference between crypto native and institutional markets is growing so wide, the arb opportunity will likely lead to reversion one way or another. But this could mean increased spot pressure to the upside as the basis collapses. In the end, the spot ETFs are backed by true underlying Bitcoin, not derivatives - and we don't see the ETF buying pressure ending this month.. or next. In fact, it'll probably take an ETH or SOL ETF announcement to ease some of the pressure. On top of this, we have a self-fulfilling prophecy building, that "crypto is uncorrelated from traditional

markets!" If this narrative continues to grow, and more market participants hedge... we could have more gamma to come.



Key levels

50,000 / 69,000 / 70,000 / 80,000

Spot desk

Volatility

Increased volatility across the board on the spot desk. Notably, Tether briefly traded 20bps above parity at one point during the week, something we don't see every day. Because of this, the desk had an increase in offramp activity from clients who were opportunistically looking to offload them at a favourable premium.

We are seeing increasing altcoin and majors' flows, with BTC and ETH bids and certain alts getting some love. We are very interested in Fantom's move, catching up to some of the other layer-1s. Full disclaimer, we bought Fantom during their private pre-seed sale many years ago - many of us still hold, I was the chump who sold mine to buy a house a few weeks back. Nonetheless - we think the DAG-based blockchain has some amazing benefits in the overall crypto ecosystem, and we wouldn't be surprised to see more buying on the desk as this narrative builds some steam.

* Zerocap and staff hold proprietary positions in this token.

Inflation Narrative

With US CPI coming out this Tuesday, we will be watching intermarket volatility into the release. Keep an eye out for the all-time high level of 69,000 as the inflation figure could be a contentious one at these levels if we see any risk-off outliers. This said, sentiment is almost unstoppable (it seems). Every dump, we get a very fast reversion back to highs. This will not last forever, but

in the meantime - be very wary of fading moves higher... or fading anything that starts with a "c" (crypto).

Trade idea: \$ACE (Fusionist)

The Fusionist (ACE) token is a digital asset that operates on the Fusion blockchain network. It serves as the native currency within the Fusion ecosystem, enabling users to access and utilise various decentralised finance (DeFi) services and features. The purpose of the Fusionist (ACE) token is to facilitate seamless and secure value transfer, smart contract execution, and decentralised governance within the Fusion network. Additionally, it incentivizes network participants to contribute to the growth and development of the ecosystem through staking and participating in community-driven decision-making processes.

Fundamentals are strong, alongside some upcoming event risk - Fusionist's Endurance upgrade was scheduled to take place on March 5th. Staking and validator functionalities will be activated following Endurance's upgrade completion. The team also teased a major update coming in March.

This would be a momentum play on overall market sentiment, in a project with real fundamentals. Keep in mind, with any altcoin - you risk it going to zero.

Given spikes down to \$10, we'd look at a cheeky \$10.50 entry if you had a view.

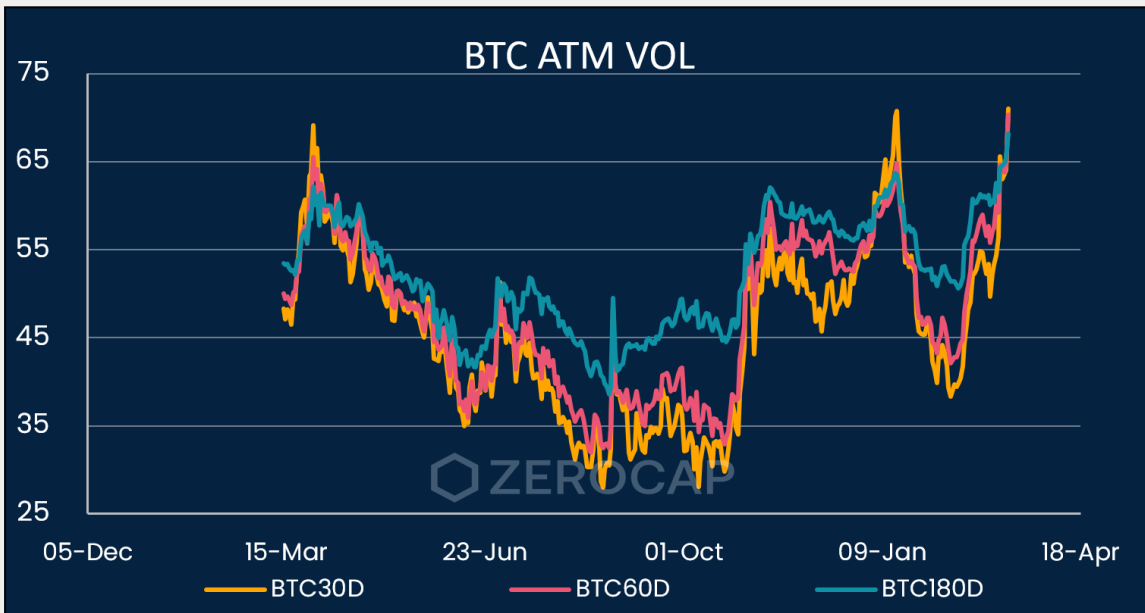


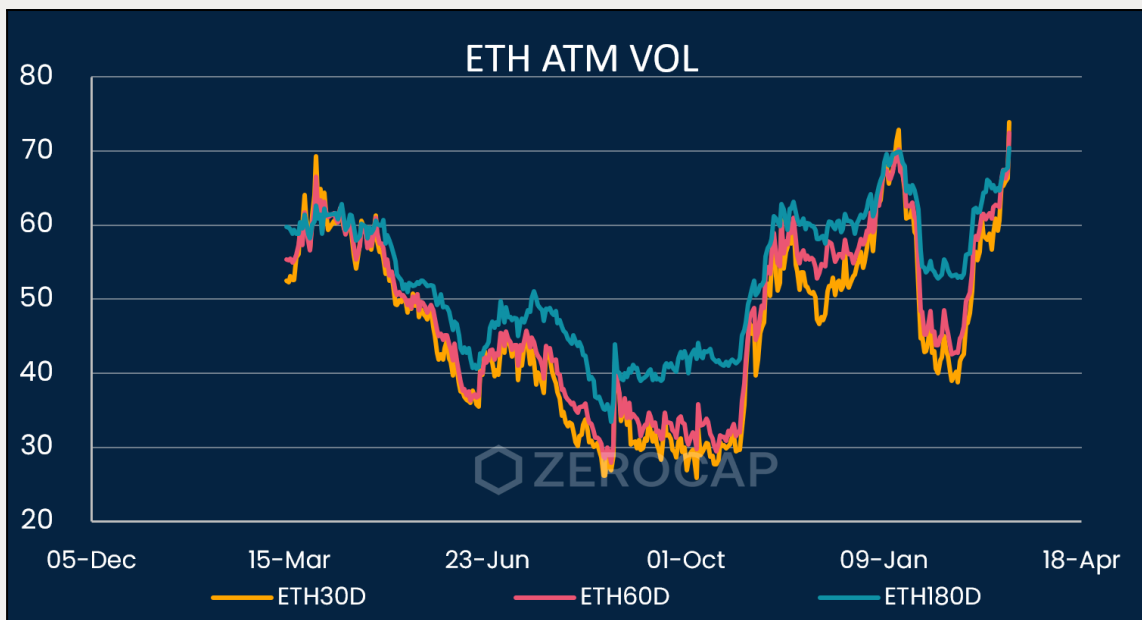
Derivatives desk

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Protection is becoming expensive

At-the-money implied volatility has broken the January highs on both BTC and ETH. As shown below, it has more than doubled since October last year: 30-day ATM IV reached 70.33 (BTC) and 72.43 (ETH). We are back, baby!





Cheaper up protection with Collars

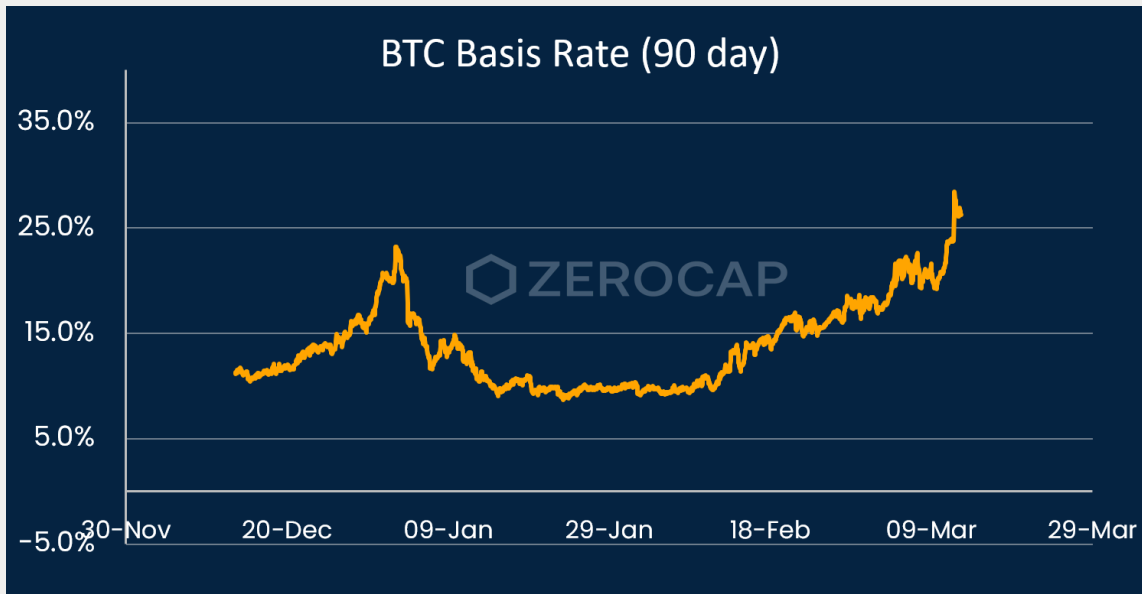
Investors looking for cheaper downside protection can take advantage of the current skew towards calls - sell some of their upside for cheaper protection on the downside. Symmetrical collars are paying decent premiums at the moment for both BTC and ETH. Reach out to our team for pricing on collar products.

Collars (puts over)

Underlying	Spot Ref	Strike	Tenor	Premium	Delta
BTC/USD	72,334	95%/105%	1m	-1.75%	83%
BTC/USD	72,334	90%/110%	3m	-3.97%	90%
BTC/USD	72,334	85%/115%	6m	-7.02%	93%
BTC/USD	72,334	80%/120%	12m	-10.87%	95%
ETH/USD	4,089	95%/105%	1m	-1.29%	84%
ETH/USD	4,089	90%/110%	3m	-3.49%	91%
ETH/USD	4,089	85%/115%	6m	-5.92%	94%
ETH/USD	4,089	80%/120%	12m	-10.51%	96%

Basis Rate continues higher

The BTC Basis rate is now sitting above 25% annualised on longer-dated Futures contracts. We are seeing demand to capture the yield premium from this flow via the basis trade.



We honestly think this is one of the greatest USD funding trades around - get in touch, we'd love to package it up for you.

Contact the derivatives team at derivatives@zerocap.com for more information.

What to Watch

- US monthly and yearly CPI reports and 10-year bond auctions, on Tuesday.
- UK's monthly GDP and US 30-year bond auctions, on Wednesday.
- Ethereum network's long-awaited Dencun upgrade, on Wednesday.

- US monthly retail sales and unemployment claims, on Thursday.
- Empire State manufacturing index, on Friday.

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* Index used:

Bitcoin	Ethereum	Digital Assets	Equities	High Yield Corporate Bonds	Commodities	Real Estate
BTCC	ETH	XG	S&P 500, ASX 200, VT	HYG	PGSCI	.10Y

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