

Weekly Crypto Market Wrap

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ZEROCAP.COM

AUSTRAC REGISTERED DIGITAL CURRENCY EXCHANGE SERVICE PROVIDER DCEI00635539-001
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Week in Review

- US SEC [approves spot Ethereum ETF](#) exchange applications from Nasdaq, CBOE and NYSE - eight [ETF issuers](#) approved at the moment, including BlackRock and Fidelity, with S-1 forms approval pending.
- [BlackRock's](#) spot Bitcoin ETF hits 6-week inflow high.
- [FIT21 crypto bill](#) passes US House in 279-136 vote, set to install the CFTC as leading regulator and watchdog of digital assets.
- Grayscale CEO Michael Sonnenshein [resigns](#), Goldman exec to take his place.
- Bitcoin Runes [transactions plummet](#) 84%, a month after launch.
- Trump states US [must not settle](#) for "second place" in the crypto industry.
- After long legal battle, official Bitcoin wallpaper returns to bitcoin.org.
- Fed's FOMC minutes [indicate worries](#) over lack of progress on inflation - some Reserve officials disagree with [balance sheet plans](#).
- Bank of England governor Bailey predicts [substantial drop](#) in UK inflation.

Technicals

Macro & BTCUSD

A big week, with varied moves. We got the break above 69,000 after our last weekly report, shooting to 72,000 before retracing. We've formed a new range between 67,000 and 72,000, which has held on the back of the Ethereum spot ETF applications being approved. This is a big deal - we still need the S-1 forms in and approved prior to trading, which could take months, but if the moves on BTCUSD were anything to go by before and after the ETF announcement, we are in for some real action for ETH. This said, how this Ethereum ETF took a 180-degree turn to approval last week has sparked chatter in the community that there may have been political influence involved given that it is an election year. Nonetheless, these watershed moments have been everywhere in 2024 - sometimes it is worth taking a step back from the charts here and there, and admiring how far the asset class has come.

BTCUSD



Key levels

53,000 / 57,000 / 60,000 / 65,000 / 70,000 / 73,130 (ATH!)

ETHUSD



The outlier Ethereum ETF approval led to a quick run to almost 4,000 which we forecasted in the last weekly report. We are almost there now - with a good chance that we break the level this week. The flows we'd expect to see in the coming months should mimic BTCUSD and the BTC futures curve over its spot approval. Market makers will likely begin acquiring spot soon, leading to higher underlying prices, and concurrently selling calendar futures on the CME leading to a compressing of the curve. When the ETF launches - allowing market makers to unwind their futures position instead of having to flood the spot market with spot bids. There are a few clever ways to play this; obviously long ETH spot is one, but calendar spread trades that are long-biased on the 3M and short-biased on longer-term expiries could be worth a look after the ETFs get trading.

Downside risks this week are centred around US Prelim GDP numbers on Thursday. Although this is the second (of three) releases, and tends to have less impact than the 'advance' number - the market is still hanging onto and reacting to every data point deviation that involves inflation or growth. Keep an eye on this one, albeit on balance, we don't see it causing any surprises.

Spot Desk

The desk saw decent profit taking from the beginning of last week and throughout the week after ETH pumped on the rumours, and then the reality that the Ethereum ETF applications were being approved.

Savvy investors were clearly taking advantage of this to lock in BTC profits, especially since the upcycle has been dominated by Bitcoin, as evidenced by the ETH/BTC ratio, which had been on the decline since the market started rallying in October 2023

Ethereum ETF Implications

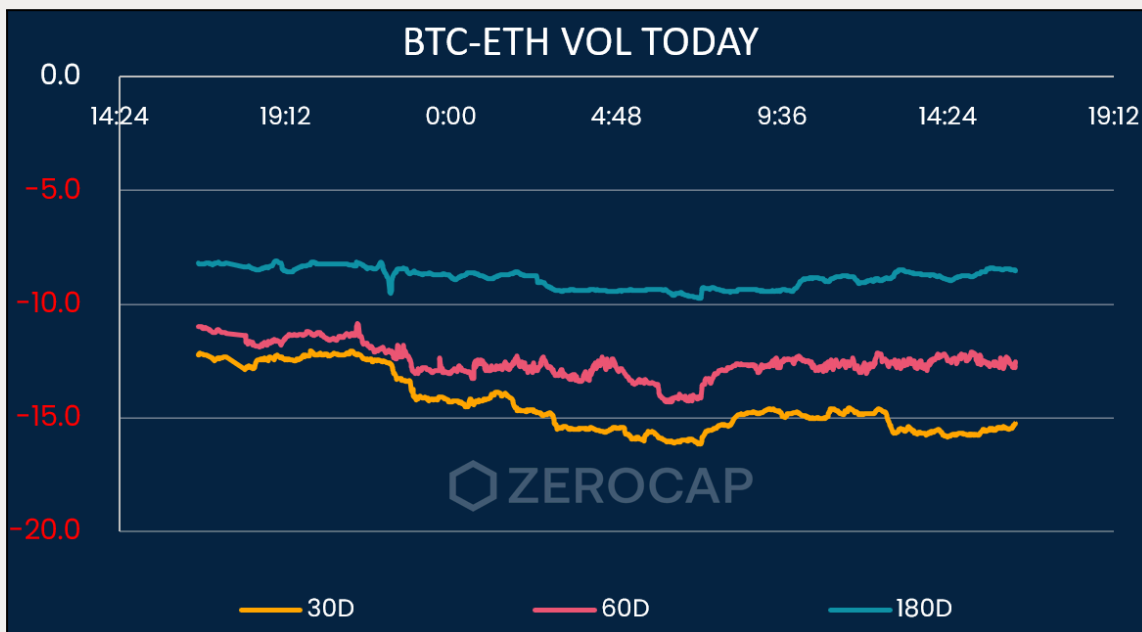
This could set the stage for more positive developments within the crypto industry. The market drove some key beneficiaries within the Ethereum ecosystem during last week's rally, namely PENDLE, ENS, LDO, ENA, UNI, ETHFI. While it may be prudent to stay on the sidelines for now given the speed at which prices rallied into these levels for the tokens, definitely keep a close watch on this space should the thematic stage a continuation.

The desk is well-positioned to facilitate the execution of most tokens. Do hit up the desk if you require any of our services.

Derivatives Desk

WHOLESALE INVESTORS ONLY

Despite dropping off over the weekend, BTC and ETH Basis Rates are back at heightened levels - the 30-day basis for BTC is at 15.5% and ETH touched 18.0% (annualised). ETH vol is still trading significantly higher than BTC Vol across the curve (see chart) - 30-day +16vp, 60-day +12vp and 180-day +16vp. Skew on BTC and ETH is showing bias towards calls.



The heightened volatility baked into ETH options at the moment is creating attractive yield premiums on ETH calls. This means that ETH discount notes could be an attractive prospect. For investors wanting to get exposure to ETH at a discounted level to the current price, they could look at the following discount notes:

	27-Dec-2024 Expiry		
Discount %	-10.0%	-12.5%	-15.0%
Cap Price	130.0%	17.5%	12.0%
Max Return	44.0%	34.0%	32.0%

For this product (using the 10% Discount, 130% Cap Price as an example), there are two potential payout outcomes on the 27th of December:

1. If the price of ETH is above the Strike Premium, then investors would receive a fixed return of 44% (87% p.a.).
2. If the price of ETH is below the Strike Premium then the investor would have bought ETH at a 10% discount to today's price.

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

What to Watch

- US CB consumer confidence report, on Tuesday.
- US preliminary quarter GDP and unemployment claims, on Thursday.

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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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