MAY 8 - 2023

DAILY MARKET REPORT

SECURE
DIGITAL MARKETS

Institutional research.

OVERVIEW

Markets Insights

	S2	S1	R1	R2	24HR %	7D %	30D %	YTD %
Bitcoin	24,800	27,000	30,600	31,800	1.30%	6.11%	8.77%	77.86%
Ethereum	1,690	1,790	1,980	2,150	0.01%	0.82%	9.05%	56.51%
Nasdaq	12,350	12,700	13,700	14,300	2.43%	0.58%	-0.65%	16.01%
US Dollar Index	97.75	100.35	102.30	103.20	0.20%	-0.11%	-0.78%	-1.76%

Next FOMC meeting: June 14 2023.

- Probability of a 0bps hike → 88%
- Probability of a 25bps hike → 12%
- Probability of a 50bps hike → 0%

BITCOIN

A snapshot of Bitcoin's spot price as of this writing is $27,871 representing a 3.75% decrease the last 24 hours and 2.93% increase in trading volume. The funding rate of BTC is 0.0077%.

ETHEREUM

ETH is trading at $1,860 as of this writing, representing a 24-Hour decrease of 2.86% and a funding rate of 0.0048%. Over the last 24 Hours, the trading volume increased by 4.22%. As of today, ETH holds 18.3% of the cryptocurrency market, making it the second-largest coin traded.

Latest Digital Asset News

1- Bitcoin-based BRC-20 tokens combined market value eclipses $900 million

Tokens created on Bitcoin through the Ordinals protocol have exceeded a total market value of $900 million, highlighting the rapid rise of an emerging asset niche on the most valuable blockchain. Ordi memecoin lead the BRC-20 category with a fully diluted value exceeding half a billion dollars, based on data from websites brc-20.io and Ordspace. That's after a 22,500% jump to $25 today from $0.11 at the beginning of April amid the ongoing memecoin mania. Memecoins make up the majority of tokens created using BRC-20, a recently-developed token standard for Bitcoin using the Ordinals protocol. These Bitcoin-based tokens are comparable to ERC-20, the token standard on the Ethereum blockchain. Introduced by developed Casey Rodarmor in January, the protocol allows for indexing and monitoring of every satoshi, the smallest unit of Bitcoin, across the network.

2 - Liechtenstein’s Government Plans to Accept Bitcoin for Payments

Liechtenstein’s government is planning to accept Bitcoin as payment for state services, Prime Minister Daniel Risch told German newspaper Handelsblatt. The proposal envisages immediately swapping any cryptocurrency received for Swiss francs, in order to avoid exchange-rate risks, according to Risch. The franc is the principality’s official currency and Bitcoin wouldn’t be granted equal status, he said.

3 - New York could force crypto firms to refund fraud victims with new legislation

State of New York Attorney General Letitia James escalated her office's crackdown on the crypto industry on Friday with proposed legislation that would force companies to refund customers who are victims of fraud. "My office is introducing nation-leading legislation to tighten regulations on the cryptocurrency industry,” James said on Twitter. “For too long, fraud in the cryptocurrency industry has caused investors to lose hundreds of billions, with low-income investors and people of color suffering the most.” The new bill would be the latest effort by James’ office to increase its oversight of crypto firms. She sued crypto exchanges CoinEx and KuCoin earlier this year, along with former Celsius CEO Alex Mashinsky, and the attorney general also put out a call for crypto whistleblowers last summer.

(1) https://www.theblock.co/post/229757/bitcoin-based-brc-20-tokens-combined-market-value-eclipses-900-million?utm_source=cryptopanic&utm_medium=rss
(2) https://www.bloomberg.com/news/articles/2023-05-08/liechtenstein-s-government-plans-to-accept-bitcoin-for-payments?leadSource=uverify%20wall
(3) https://www.theblock.co/post/229690/new-york-crypto-bill

OVERVIEW

TradFi

On Monday morning, the equity futures showed a relatively stable trend. Notably, bank stocks, including the Regional Banking ETF (KRE), exhibited positive growth, recovering by 2.6% in premarket trading. This was a welcome development following a rise of over 6% on Friday.

However, the recent rapid increase in interest rates has been a challenge for banks holding long-term bond assets. This development has triggered concerns over deposit flight. Institutions with a high proportion of uninsured deposits have been particularly vulnerable, as their customers have expressed apprehension about losing their savings in a potential bank run.

The market is anticipating the release of inflation figures this week, which will commence with the Consumer Price Index (CPI) on Wednesday, followed by the Producer Price Index (PPI) on Thursday.

On Sunday, Treasury Secretary Janet Yellen emphasized the importance of raising the debt ceiling and warned that failure to do so could have significant economic consequences in the United States. Yellen reiterated her previous warnings that the Treasury Department may exhaust its available measures to meet its debt obligations as early as June. Despite having employed "extraordinary measures" to avoid default, Yellen underscored that such measures cannot be sustained indefinitely by the Treasury Department.

The Goldman 2023 Family Office Investment Insight Report reveals that half of the family offices surveyed intend to invest in stocks in the current year. The report indicates that the family offices hold approximately 12% of their assets in cash, slightly more than the levels observed in 2021. Notably, the majority of family offices have not divested their equity holdings. Rather, they are patiently waiting for favorable market conditions to utilize their cash reserves to increase their equity exposure.

Following the interest rate hike last week, traders appear to be factoring in a relatively low probability of 12% for a 25 basis point rate increase at the upcoming policy meeting of the central bank on June 14th.

Upcoming:

- WEDNESDAY
  - US CPI
  - China new loans + M2 money supply
- THURSDAY
  - BOE Rate Decision
  - US PPI + unemployment claims
- FRIDAY
  - US prelim consumer sentiment

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Bitcoin

Over the last 24 hours, Bitcoin and Ethereum's market cap fell 3.1% and 2.35% to $541 billion and $224 billion respectively.

During the weekend, the Bitcoin network experienced a surge in unprocessed transactions due to network congestion, leading to certain exchanges temporarily halting withdrawals citing high gas fees. According to Glassnode, the demand for blockspace was notably high, primarily driven by BRC-20 tokens. As a result, 14,079 BRC-20 tokens were minted on the Bitcoin blockchain, leading to a significant increase in their market capitalization to $1 billion, coupled with a surge in miner fees.

Looking at the daily chart, we're noticing some pressure ahead for BTC. Prices have broken below its 50-day moving average for the first time since the banking crisis started. Zooming out a bit, we can see the formation of a potential Head-and-Shoulders pattern which is considered a bearish reversal pattern. The pattern is not confirmed until prices break below $27k. Once it does, the profit target of this pattern would be around $24k - $25k.

Zooming in an intraday chart, we can see that prices broke below a symmetrical triangle pattern that has been in play since April 23rd. As long as prices remain below 28,600, we should expect further downside towards 27,200 and 26,600 in extension.

- BTC > 27,000 → Bullish
- BTC < 27,000 → Neutral with a bearish bias
- BTC < 24,800 → Bearish

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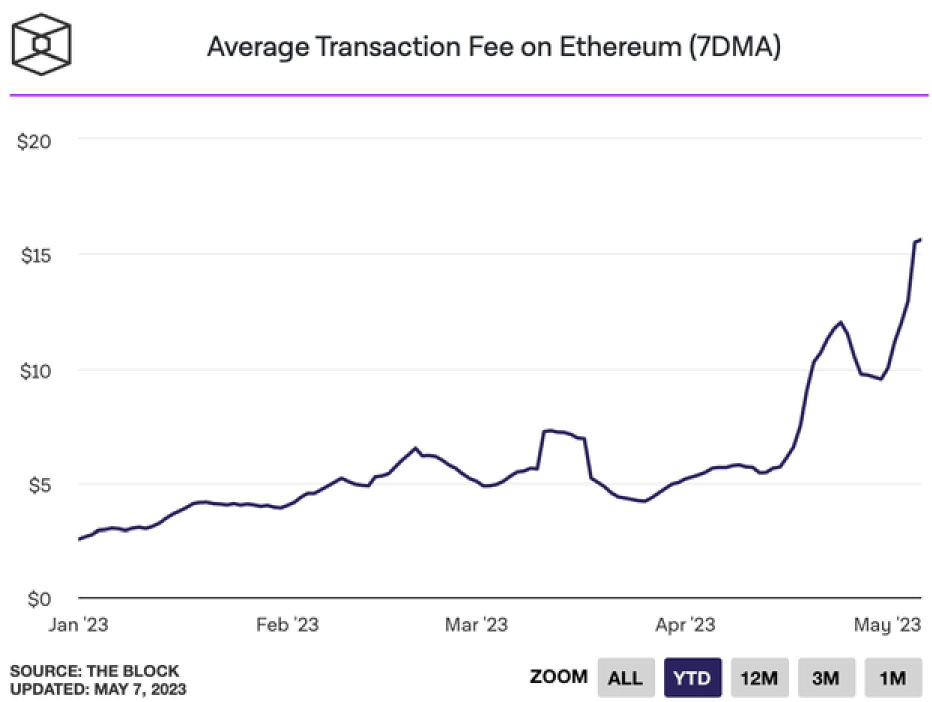
Ethereum

During the weekend, deposits of ETH on exchanges experienced a substantial increase, reaching an 18-month high, as investors in PEPE converted their profits into the digital asset. However, similar to BTC, the blockchain network of ETH has also observed a surge in its gas fees, owing to the recent memecoin craze.

The 7-day moving average of the average transaction fee on Ethereum have surged by over 250% YTD to $15 per transaction from about $2.50 in December.



ETHUSDT just broke below its 50-day moving average again after having pulled back from the top-end of the broadening wedge pattern. A breakdown of 1810 would drag prices lower towards 1710.

ETHBTC rebounded as expected towards the resistance of 0.068. It is very difficult to predict where this ratio is going from here. Safe to say that the trend of BTC outperforming ETH is expected to continue until the ratio breaks above this declining trend line near 0.07.

- ETH > 1810 → Bullish
- ETH < 1810 → Neutral with a bearish bias
- ETH < 1710 → Bearish

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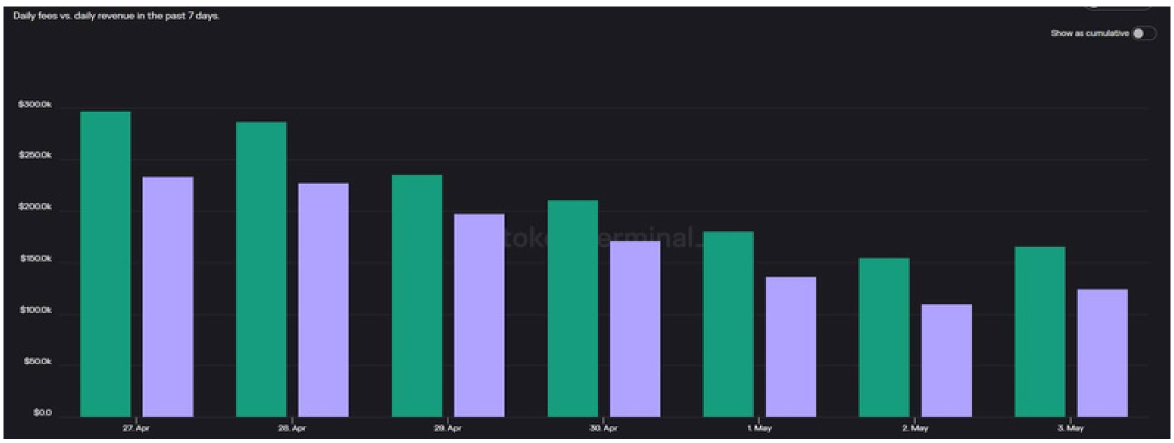
Altcoin Analysis

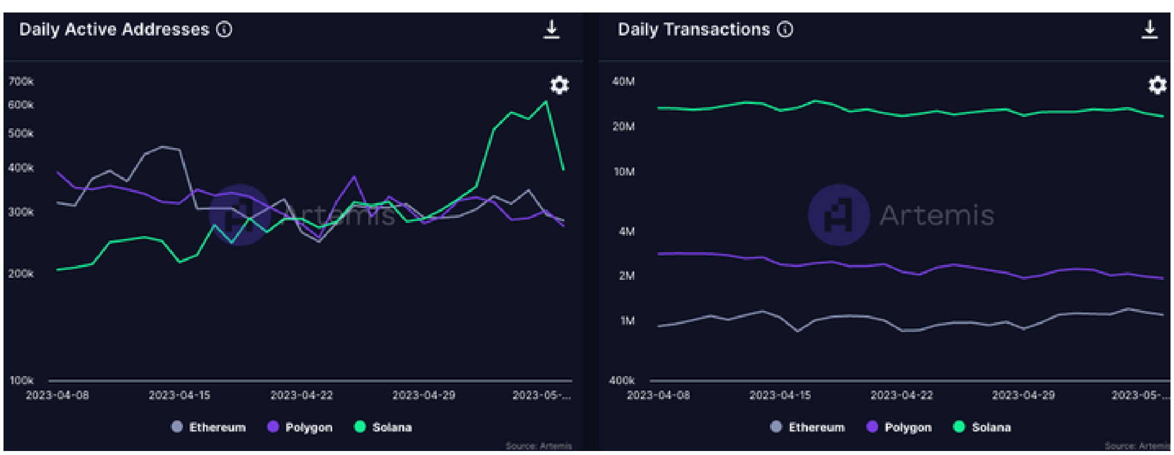
The meme coin frenzy is taking a breather.

PEPE’s market cap dove below $1B as investors took profit after many exchanges listed the coin on their platform. Blockchain analytics firm Santiment reported that PEPE traders were converting their profits into Ethereum.

Meme coins aren’t the only coins feeling the pressure.

Polygon has witnessed a consistent reduction in daily fees and daily revenue in the past 7 days. Also, the number of daily active addresses and transactions went down in the last month.





MATICUSDT broke below its 200-day moving average as well as the rising trend channel that was formed in June, dragging prices lower. For now, the RSI is supported by a flat trend line, but a breakdown of this figure would send prices lower towards 0.82 and possibly 0.75.

OVERVIEW

Daily Insights

1. Block Demand Leads to Fee Spike as Bitcoin-Based Memecoins Flourish

https://www.coindesk.com/tech/2023/05/08/block-demand-leads-to-fee-spike-as-bitcoin-based-memecoins-flourish/

“Fees on the Bitcoin blockchain have surged to two-year highs as the ‘Bitcoin Request for Comment’ (BRC-20) tokens and the rising popularity of the Ordinals protocol drives demand for block space.

Average transaction fees on the Bitcoin network were hovering at just under $20 during European hours on Monday, a bump from last week’s average $1.20 level. Such levels were previously seen in May 2021, when bitcoin prices set a then-record peak of $60,000.”

2. Amid Pending State Mining Bills, One Has Become Law

https://twitter.com/digitalmustafa/status/1654198469429714944

“The Montana bill, officially signed Tuesday, allows industrial and at-home miners to conduct their business free from government interference. It notes that such activities offer “positive economic value” for US individuals and companies.

The law prohibits requirements for crypto miners that differ from those applicable to data centers and prevents “discriminatory” digital asset mining utility rates. It also prohibits taxing crypto as a payment method.”

3. Sam Altman’s Worldcoin Rolls Out App as Token Launch Looms

https://www.theblock.co/post/229742/sam-altman-worldcoin-app-token

“Worldcoin, the eyeball-scanning crypto project co-created by OpenAI’s Sam Altman, today announced the launch of a self-custodial mobile app.

The so-called World App gives users a way to manage their World ID, a tool for proving personhood online, alongside a range of cryptocurrencies — including BTC, ETH, DAI, USDC abd Worldcoin’s hotly anticipated token — once it launches.”

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