MARCH 23 - 2023

DAILY MARKET REPORT

SECURE
DIGITAL MARKETS

Institutional research.

OVERVIEW

Markets Insights

	S2	S1	R1	R2	24HR %	7D %	30D %	YTD %
Bitcoin	24,800	26,600	28,600	29,750	-1.90%	11.18%	13.96%	65.92%
Ethereum	1,475	1,610	1,910	2,030	-2.18%	4.79%	5.56%	50.06%
Nasdaq	11,950	12,350	12,900	13,250	-1.60%	2.06%	1.42%	11.50%
US Dollar Index	99.25	100.85	103.65	105.90	-0.21%	-2.19%	-2.36%	-1.35

Next FOMC meeting: May 3rd 2023.

- Probability of a 0bps hike → 55%
- Probability of a 25bps hike → 45%
- Probability of a 50bps hike → 0%

BITCOIN

A snapshot of Bitcoin's spot price as of this writing is $27,454 representing a 3.42% decrease the last 24 hours and 14.79% increase in trading volume. The funding rate of BTC is 0.0088%.

ETHEREUM

ETH is trading at $1,752 as of this writing, representing a 24-Hour decrease of 2.84% and a funding rate of 0.0087%. Over the last 24 Hours, the trading volume increased by 32.13%. As of today, ETH holds 18.3% of the cryptocurrency market, making it the second-largest coin traded.

OVERVIEW

Latest Digital Asset News

1- Tron Founder Justin Sun Sued by U.S. SEC on Securities, Market Manipulation Charges

The U.S. Securities and Exchange Commission sued Justin Sun Wednesday on allegations of selling and airdropping unregistered securities, fraud and market manipulation. The SEC said in a press release it was suing Sun, the Tron Foundation, the BitTorrent Foundation and BitTorrent (now known as Rainberry) over the sale of tronix (TRX) and bitTorrent tokens, which the regulator described as unregistered crypto asset securities. The regulator further alleged the defendants "fraudulently manipulated" TRX's secondary market through an "extensive wash trading" scheme. Sun, who was named Grenada's ambassador to the World Trade Organization last year, tried to artificially inflate TRX's trading volume through the wash trading scheme, the SEC alleged, by having his own employees "engage in more than 600,000 wash trades of TRX between two crypto asset trading platform accounts he controlled."

2 - Payment restriction in EU anti-money laundering bill irks crypto industry

A single article introduced by the European Parliament to the anti-money laundering rule for commercial crypto payments has stirred Europe's digital asset industry. Policymakers hope that they can close a loophole for untraceable transactions by prohibiting payments over a €1,000 ($1,070) threshold from unregulated crypto payment services providers operating in the European Union. The industry, however, worries this addition may stray from the regulatory path already outlined in finalized bills — like the soon-to-be-enforced Markets in Crypto-Assets and the Transfer of Funds Regulation — or hinder innovation in the decentralized finance sector.

3 - Over $1 billion of ether has been lost forever due to bugs and human error

More than $1 billion of ether has been lost forever due to bugs and human error, according to research by Conor Grogan, director of product strategy and business operations at Coinbase. "I've categorized thousands of instances of Ethereum typos, user errors and buggy contracts," Grogan said on Twitter on Monday. He noted that he'd cataloged 636,000 ETH ($1.15 billion) that is lost, representing 0.5% of the coin's circulating supply. The majority — some 514,000 ETH — is due to a 2017 bug in the Parity crypto wallet. Defunct crypto exchange Quadriga lost 60,000 ETH to a contract fault and the Akutars NFT collection lost 11,500 ETH in a failed Mint. On top of those, Ethereum users have cumulatively sent 24,000 ETH to a burn address, where the coins can no longer be accessed. In most of these cases, the ether wasn't worth anywhere as near as much in dollars at the time of the loss.

(1) https://www.coindesk.com/policy/2023/03/22/tron-founder-justin-sun-sued-by-us-sec-on-securities-market-manipulation-charges/
(2) https://www.theblock.co/post/221328/payment-restriction-in-eu-anti-money-laundering-bill-irks-crypto-industry
(3) https://www.theblock.co/post/221453/over-1-billion-of-ether-lost-forever-bugs-human-error

TradFi

Ladies and gentlemen, the Fed has spoken.

The Federal Reserve voted unanimously to raise the benchmark rate by 25 basis points, as expected, to the target range of 4.75%-5%. The Fed continues to fight against inflation despite a recent bank turmoil and is expected to raise one more time this year.

The Fed reiterated that the US banking system is "sound and resilient" but the recent bank collapses are "likely to result in tighter credit conditions for households and businesses and to weigh on economic activity, hiring and inflation" to an uncertain extent;

The Fed Chair Jerome Powell removed the reference to inflation having eased, instead saying that it "remains elevated".

Clearly, inflation is still the main issue in policy makers' minds.

<u>Economic projections:</u>
- PCE inflation for 2023 increases to 3.3% vs. 3.1% in December
- Core PCE for 2023 moves up to 3.6% vs. 3.5% in December
- Unemployment decreases to 4.5% vs. 4.6% in December
- GDP ticked lower to 0.4% vs. 0.5% in December

Nasdaq fell by 3% from its daily high yesterday before rebounding by 1% since the market close. We briefly traded upwards to 13,100 but weren't capable of closing higher than our resistance level of 12,900 so that resistance level remains intact for now.

Bitcoin & Ethereum

For the first time in over a year, Bitcoin's volatility actually surpassed Ethereum's as the market is rushing to the #1 crypto giant for fear of more bank collapses.

Over the past few years, Bitcoin has traded in correlation with stocks, especially Nasdaq ($NQ). We are now facing a period of decoupling with Bitcoin massively outperforming the Nasdaq as well as many other risk-assets this year, including Gold. Bitcoin recently got a boost on hopes the banking crisis may reduce the Fed's ability to be aggressive on interest rate hikes, which is definitely supportive for risk assets like cryptocurrencies.

Source: Kaiko volatility data.

Looking at a daily chart of BTCUSDT, we can see that after the Fed news, we briefly traded above our resistance target of 28,600 and then dropped straight to our support level of 26,600 before witnessing a short-term rebound.

Zooming in on an intraday chart of 1h, we can see that we dropped almost 8% from 28,850 to 26,600. Prices rebounded towards the 50% Fibonacci level and has since started to pull back. As long as prices remain below the 61.8% Fib level at 28,000 (an important psychological level), we would be bearish on an intraday basis.

In other news, the SEC was busy with back-to-back allegations.

They have identified potential violations of securities law with the Coinbase exchange regarding some of its services such as staking, Coinbase Earn and Coinbase Wallet. Coinbase shares are down 14% in premarket trading this morning.

Finally, the crypto wonderkid and Tron founder, Justin Sun, was recently sued by the SEC on selling and airdropping unregistered securities, fraud and market manipulation. The regulator believes that Tronix (TRX) and bitTorrent (BTT) tokens are unregistered crypto asset securities. The SEC also unveiled allegations that TRX was fraudulently manipulated through an “extensive wash trading” scheme.

OVERVIEW

Altcoin Analysis

Litecoin is gaining traction.

While most altcoins are struggling to outperform the overall market these days, Litecoin outpaces Bitcoin by almost 20% in the last two days. Traders are getting ready for the LTC Halving this coming August 2023.

The halving process for PoW protocols is a deflationary event that is generally linked to an eventual price upsurge.

Looking at a daily chart, we see that prices fell after breaking below a classic Head-and-Shoulders pattern which we warned about a couple of weeks ago. Prices then rebounded from $65 on significant volume, higher than the recent average. Prices are now trading on the 50-day moving average which may serve as a resistance level but we will see if this holds. The technical indicators (RSI + MACD) are both bullish as well.

On an intraday basis, we see that the coin broke above a declining trend line as well as a short-term symmetrical triangle, once again on very high volume, reinforcing the importance of the breakout.

As long as prices remain above $85.25, we are expecting prices to reach higher levels towards $98.50.

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OVERVIEW

Daily Insights

1. UAE Unveils CBDC Strategy

https://www.centralbank.ae/media/mdupathy/cbuae-launches-a-financial-infrastructure-transformation-programme-to-accelerate-the-digital-transformation-of-the-financial-services-sector-en.pdf

“CBDC for both cross-border payments and domestic usage in order to address the problems and inefficiency of cross-border payments and help drive innovation for domestic payments respectively.”

2. SEC Sues Tron Founder for Fraud and Market Manipulation

https://www.docdroid.net/owTRUU3/justin-pdf

“This action arises from Defendant Justin Sun’s (“Sun”) orchestration of the unregistered offer and sale, manipulative trading, and unlawful touting of crypto asset securities.”

3. SEC Sends Wells Notices to Coinbase Warning Potential Federal Securities Law Violations

https://watcher.guru/news/sec-sends-coinbase-wells-notice-warns-of-potential-securities-charges

“The Securities and Exchange Commission recently issued a Wells Notice to crypto exchange Coinbase. The agency has warned the company of potential federal security law violations. Typically, a Wells notice precedes an enforcement action.”

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