MARCH 13 - 2023

DAILY MARKET REPORT

SECURE
DIGITAL MARKETS

Institutional research.

OVERVIEW

Markets Insights

	S2	S1	R1	R2	24HR %	7D %	30D %	YTD %
Bitcoin	19,000	20,100	22,700	24,000	8.93%	-0.93%	2.72%%	34.29%
Ethereum	1,230	1,365	1,500	1,585	8.19%	1.76%	6.78%	33.35%
Nasdaq	11,350	11,650	12,350	12,900	-1.76%	-4.71%	-4.94%	6.42%
US Dollar Index	102.65	103.60	105.90	108.00	-0.68%	-0.47%	0.50%	4.93%

BITCOIN

A snapshot of Bitcoin's spot price as of this writing is $22,536 representing a 11.87% increase the last 24 hours and 112.18% increase in trading volume. The funding rate of BTC is 0.0099%.

ETHEREUM

ETH is trading at $1,630 as of this writing, representing a 24-Hour increase of 10.61% and a funding rate of 0.0100%. Over the last 24 Hours, the trading volume increased by 80.19%. As of today, ETH holds 18.3% of the cryptocurrency market, making it the second-largest coin traded.

Next FOMC meeting: March 22nd 2023.

- Probability of a 0bps hike → 15%
- Probability of a 25bps hike → 85%
- Probability of a 50bps hike → 0%

OVERVIEW

Latest Digital Asset News

1- US Fed announces $25B in funding to backstop banks

Hot on the heels of several United States bank collapses, the Federal Reserve Board has announced $25 billion worth of funding aimed at backstopping banks and other depository firms. The funds would ensure that eligible banks would have enough liquidity to cover the needs of their customers during times of turmoil. Eligible firms must pledge U.S. Treasurys, agency debt and mortgage-backed securities or other “qualifying assets” as collateral, which will be valued “at par” — the price at which the assets were issued. The Fed added it would be an “additional source of liquidity against high-quality securities, eliminating an institution’s need to quickly sell those securities in times of stress.”

2 - US authorities preparing ‘material action’ to curb SVB contagion

United States authorities are working on “material action” over the weekend in an attempt to limit the ripple effect across the country’s banking system after the Silicon Valley Bank abruptly collapsed on March 10. According to a Reuters report citing unnamed sources, officials in the Joe Biden administration assessed the impact of the bank failure over the weekend with a keen attention to venture capital firms and regional banks. Bloomberg reported that the FDIC began an auction for the bank on March 11. According to reports, bids would only be open for a few hours before the process closes on March 12.

3 - Ripple CEO assures ‘strong financial position’ despite SVB collapse

Ripple CEO Brad Garlinghouse took to Twitter on March 12 to discuss the company’s exposure to Silicon Valley Bank and reassure his followers of Ripple’s stability. Ripple had exposure to SVB, Garlinghouse said, but “we expect NO disruption to our day-to-day business, and already held a majority of our USD w/ a broader network of bank partners. His short tweet thread was intended to reassure users. “Rest assured, Ripple remains in a strong financial position,” he tweeted. Ripple chief technology officer David Schwartz had promised on March 11 that the company would release a statement on its Ripple exposure “shortly,” although it is not clear that the Garlinghouse tweet was what he had in mind.

4 - Aave freezes stablecoin trading on v3 Avalanche as activity surges on CEXs

Lending protocol Aave has frozen stablecoin trading and set the loan-to-value (LTV) ratio to zero in response to recent price volatility on stablecoins after USD Coin USDC depegged on March 11. According to Aave’s governance forum, the trading freeze follows an analysis from decentralized finance risk management company Gauntlet Network, recommending that all v2 and v3 markets should be temporarily paused. “Setting LTV to 0 definitely helps everywhere, but on the Avalanche v3 Pool, given that cross-chain infrastructure doesn’t cover Avalanche, the Aave Guardian can act immediately. Setting LTV to 0 in practise discounts the “borrowing power” of the asset, without affecting the HF of any user position" was noted on the forum page.

(1) https://cointelegraph.com/news/us-fed-announces-25b-in-funding-to-backstop-banks
(2) https://cointelegraph.com/news/u-s-authorities-preparing-material-action-to-curb-svb-contagion
(3) https://cointelegraph.com/news/ripple-ceo-assures-strong-financial-position-despite-svb-collapse
(4) https://cointelegraph.com/news/aave-freezes-stablecoin-trading-on-avalanche-v3-as-activity-surges-on-cexs

OVERVIEW

TradFi

What a wild weekend.

As the SVB implosion started unfolding on Friday, market participants within the crypto industry grew increasingly worried regarding the financial stability of their banking partners. Signature Bank became another casualty as it also faced a bank run where firms tried to withdraw their assets at the same time. Moreover, the firm's customer pool wasn't diversified enough which made it impossible to operate normally. Following the Silvergate news, the recent closure of Signature Bank will also raise the barriers for crypto firms as the bank operated a 24/7 payments system called Signet which was used by many crypto firms for on-ramp and off-ramp services.

All depositors of SVB and Signature Bank were made whole after an announcement on Sunday that the FDIC established a bridge bank that will open its doors on Monday. The Fed intends to backstop other liquidity crunches with their new facility called Bank Funding Term Program. This will provide banks with an alternative to liquidate their bond holdings when in need of raising liquidity to meet deposit outflows.

Contrary to popular belief, this wasn't exactly a bailout. Depositors were made whole while investors got wiped out and management was shown the door with no losses borne by the taxpayer.

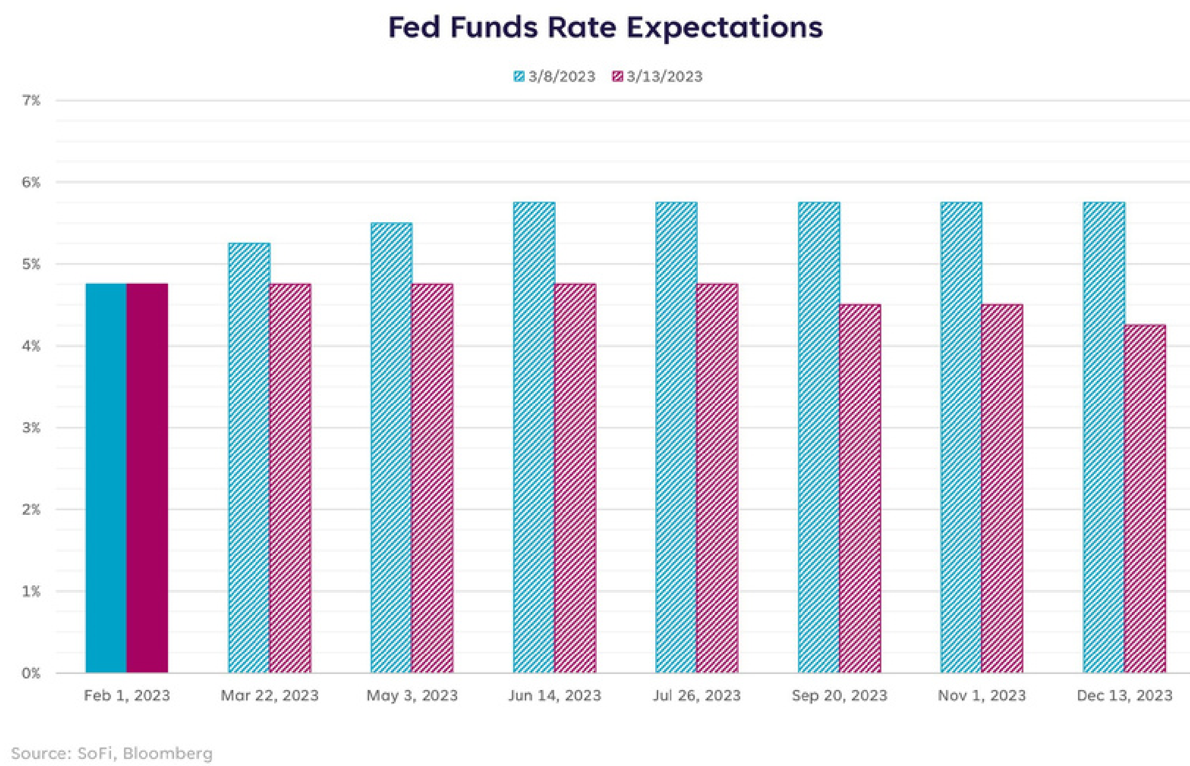
Looking at Nasdaq, the index is trading below its 50-day moving average for now, but a daily close above this level would be crucial for bulls to stay in power. Next support to the downside is $11,650 while the next resistance on the upside is $12,350.

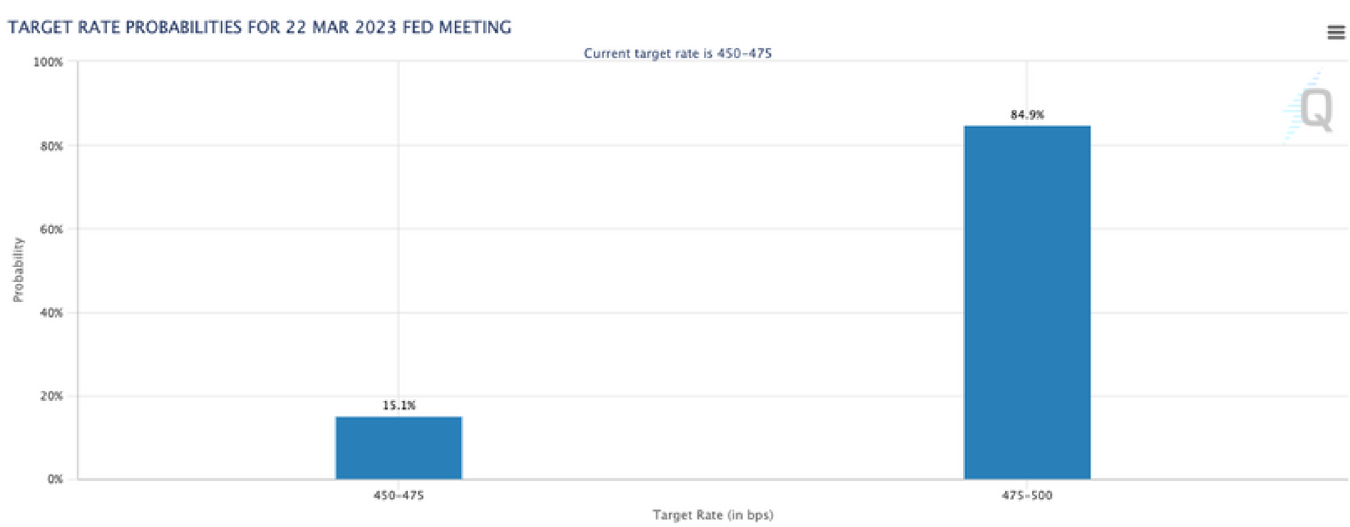
Volatility has woken up: The VIX has squeezed by over 50% since Thursday's open as investors are rushing for further put options in the S&P500.

Investors have been jumping to Gold since Friday morning as a potential flight-to-safety as it increases by 4% in the last two trading sessions.

Finally for the federal funds rate, lots have changed here. Given recent events, the expectations of rate hikes have shifted. The futures market is actually pricing in a rate cut in September with another one in December.

- Probability of a 0bps hike → 15%
- Probability of a 25bps hike → 85%
- Probability of a 50bps hike → 0%





Upcoming

- March 14th → CPI
- March 15th → Retail sales & PPI
- March 22nd → FOMC meeting

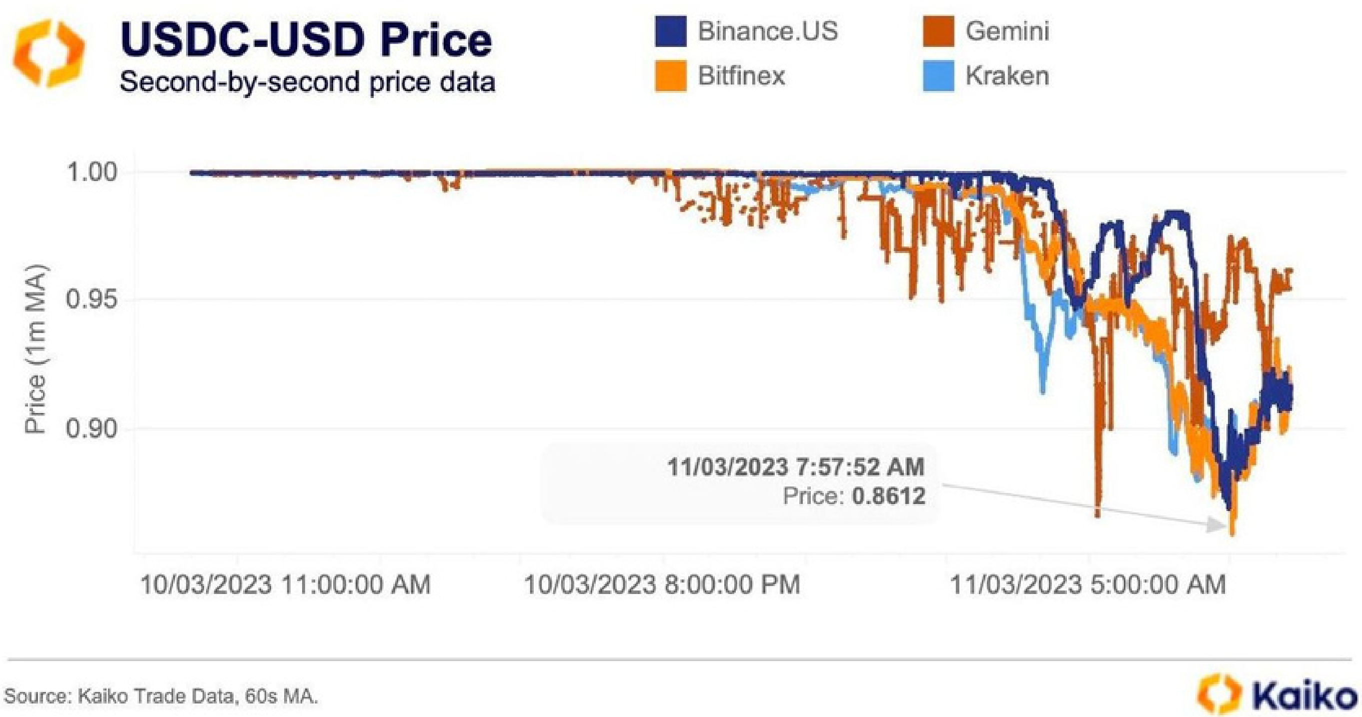
Bitcoin

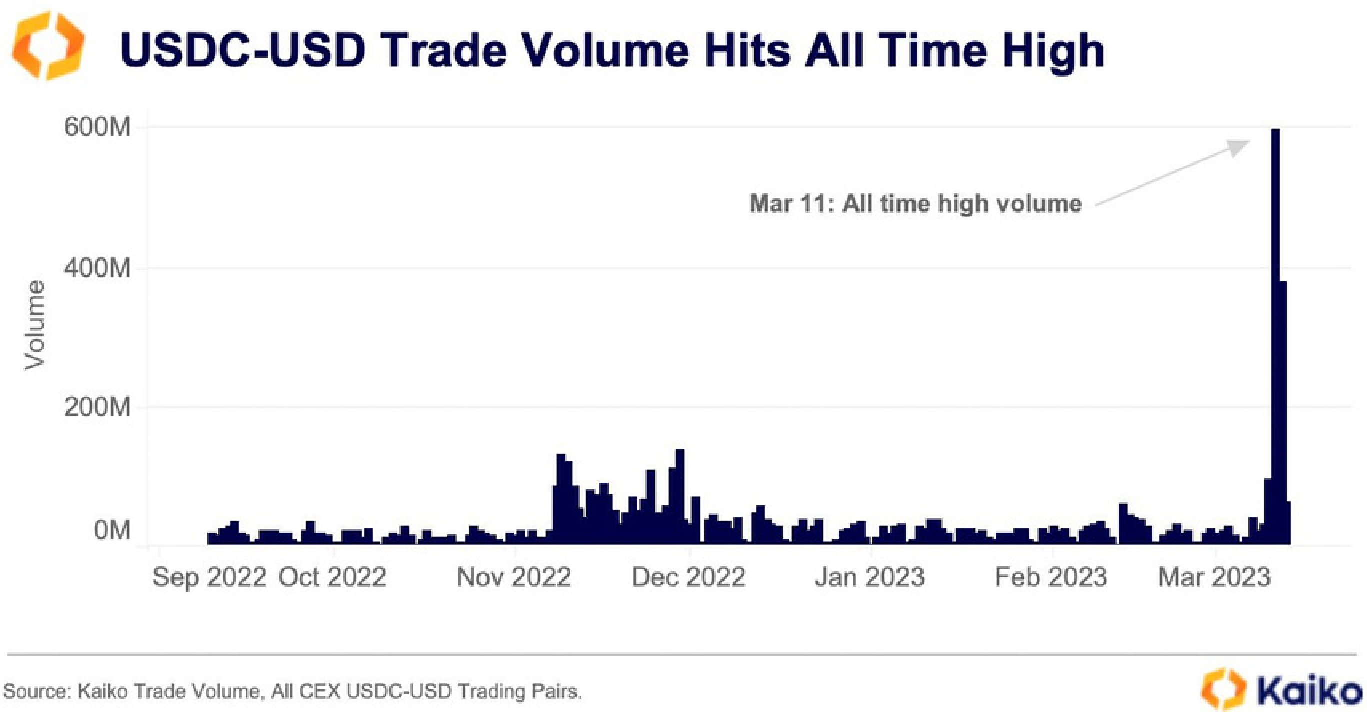
As Silicon Valley Bank goes down, Circle revealed a $3.3 billion exposure to the Californian bank. According to the USDC issuer, "Silicon Valley Bank is one of six banking partners Circle uses for managing the ~25% portion of USDC reserves held in cash".

USDC is currently collateralized:
- 77% ($32.4B) with US Treasury Bills (3 month or less maturation period),
- 23% ($9.7B) with cash held at a variety of institutions, of which SVB is only one.

“While USDC can be used 24/7/365 on chain, issuance and redemption is constrained by the working hours of the U.S. banking system. USDC liquidity operations will resume as normal when banks open on Monday morning in the United States.”

The not-so-stable stablecoin USDC lost its peg to the U.S. dollar, dropping as low as $0.86 which led to a buying frenzy of USDT, DAI, BTC and ETH in order to swap to more reliable assets in the short term. The volume for USDC/USD reached an all-time high on Saturday March 11th. This morning, the pair USDC/USD almost came back to par.

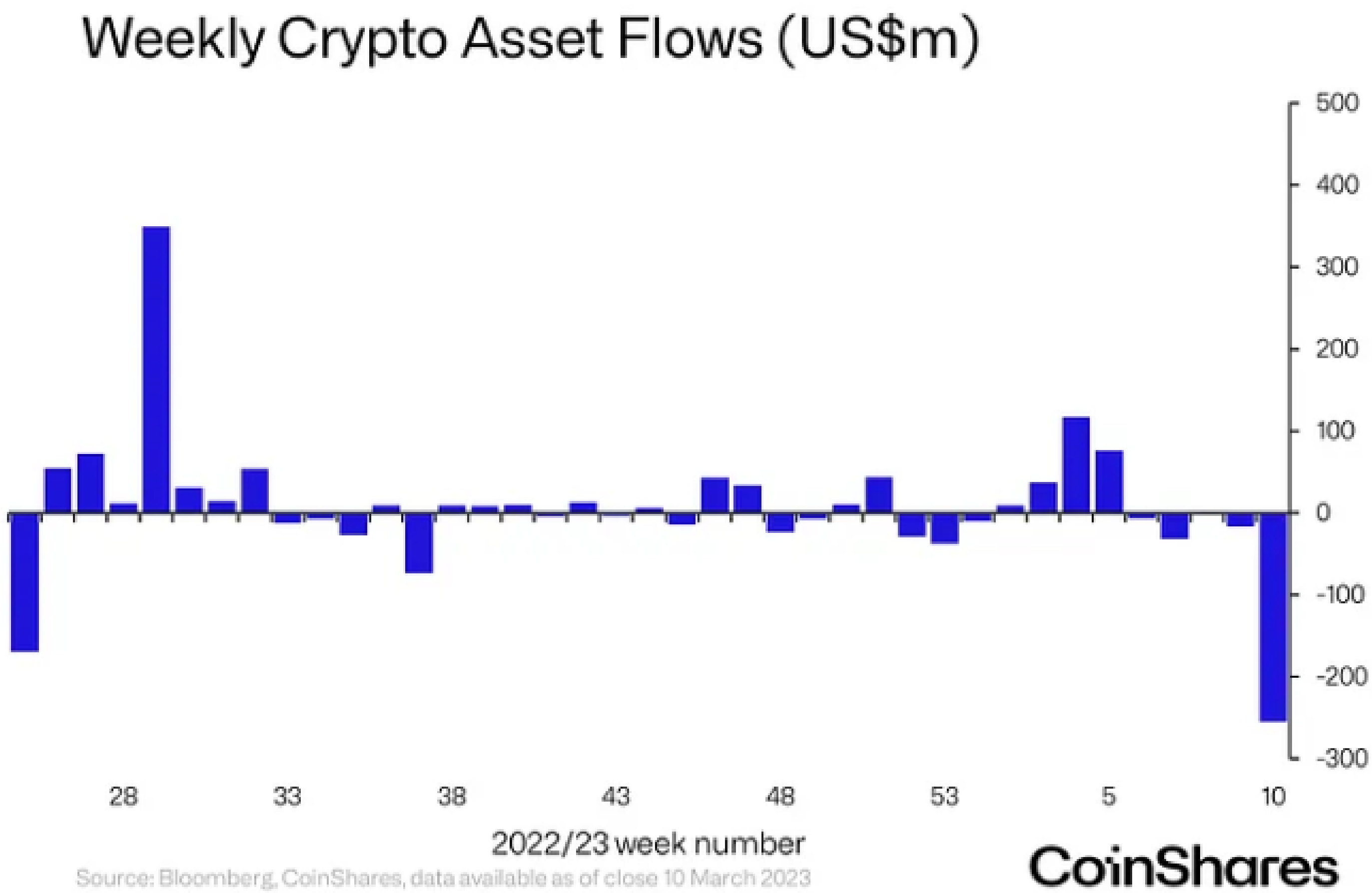




This whole situation brings up the importance of the Payment Stablecoin Act which would push Congress towards a path for sensible regulation of cryptocurrencies where stablecoin funds would be held with cash at the Fed and short-term T-Bills.

Moving on with Bitcoin, BTCUSDT squeezed by 15% as market participants rushed to swap their USDC and even their USD to BTC as the flight-to-safety. Prices are currently trading right on the 20-day moving average and slightly below their 50-day moving averages, serving as temporary resistance. For now, the crypto markets are clearly outperforming the equity market which is in a freefall this morning.

Finally, digital asset investment products saw outflows of US$255m, representing the 5th consecutive week of outflows as well as the largest weekly outflows on record as AuM has fallen by 10% over the week, retracing back to levels seen at the beginning of 2023. The recent outflows have wiped out all the inflows seen this year.



OVERVIEW

Altcoin Analysis

Uniswap is trying to become a one-stop shop for crypto.

The leading DEX releases its self-custody crypto wallet but is working on getting it approved by Apple so it can be released on the App Store. Only 10,000 people will be able to download the wallet as the team wants to limit the number of users to test applications in their beta phase.

Uniswap recorded lifetime high trading volumes over the weekend as traders rushed to exchange USDC for wrapped ETH and other tokens. The DEX processed over $12 billion in trading volume from Saturday to Sunday. This generated over $8 million in fees for the Uniswap protocol.

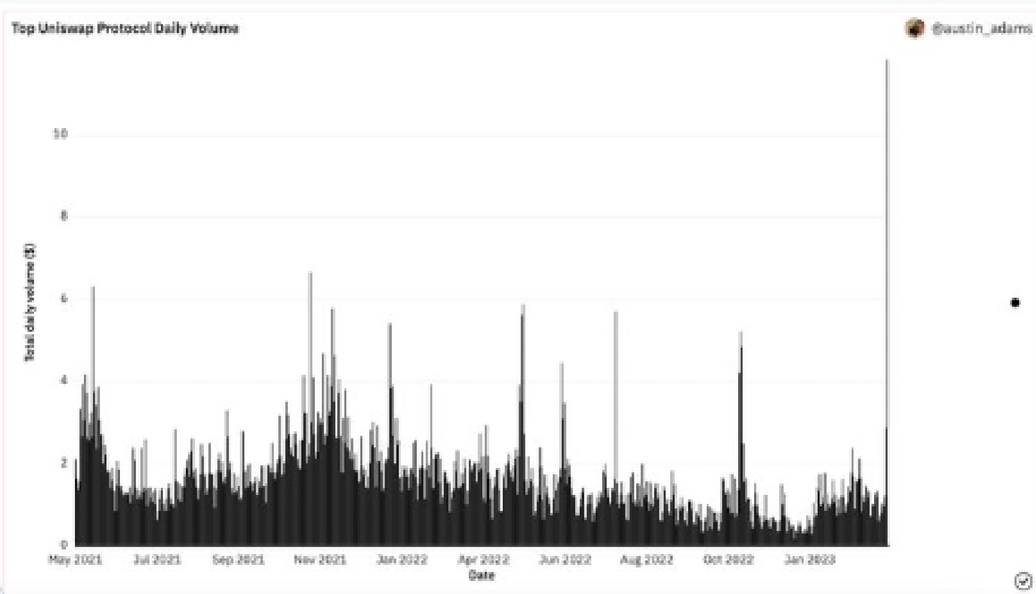
From a chartist point of view, UNIUSDT has been trading lower by over 40% since mid-February. Recently, the coin has rebounded off a support level near $5.40. The RSI is capped by a declining trend line but is about to break above the neutral level of 50 any moment now. As long as $5.40 holds, we may see prices reaching higher levels towards $6.50 and $7.40 in extension.

hayden.eth 🦄
@haydenzadams · Follow

🦄 @Uniswap at almost $12b in daily volume, hitting 11 digits for the first time ever!!!

👀 I don't often tweet volume milestones anymore but that's over 5% of Nasdaq

> **Austin Adams** @AustinAdams10
>
> Yesterday had the highest daily USD volume ever on the @Uniswap Protocol!
>
> $11.84b, almost double the second place day.
>
> @DuneAnalytics: dune.com/queries/2191594



10:20 PM · Mar 11, 2023

OVERVIEW

DAILY INSIGHTS

1. Press Release on the Banking Situation

https://www.federalreserve.gov/newsevents/pressreleases/monetary20230312a.htm

“Treasury Secretary Yellen, after consultation with the President, approved actions to enable the FDIC to complete its resolutions of Silicon Valley Bank and Signature Bank in a manner that fully protects all depositors, both insured and uninsured.”

2. Circle’s New Partnership with Cross River Bank

https://twitter.com/jerallaire/status/1635114973830725633

“Trust, safety and 1:1 redeemability of all USDC in circulation is of paramount importance to Circle, even in the face of bank contagion affecting crypto markets.”

3. Peter Schiff on Swapping Treasuries and MBS to the Fed for Cash At Par

https://twitter.com/PeterSchiff/status/1635234614209048576

“The Fed's balance sheet will explode with low-yielding, long-term paper. Inflation will soon soar.”

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