



CRYPTO MARKET PULSE

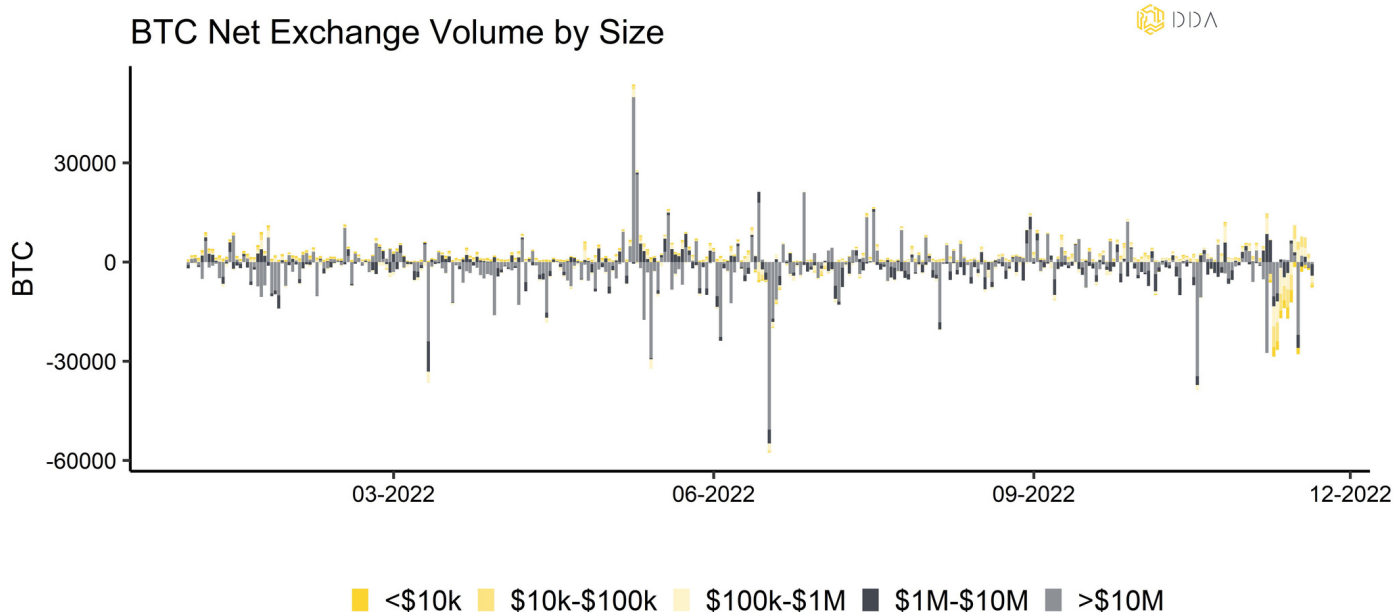
NOVEMBER 21, 2022

Key Takeaways

by André Dragosch , Head of Research

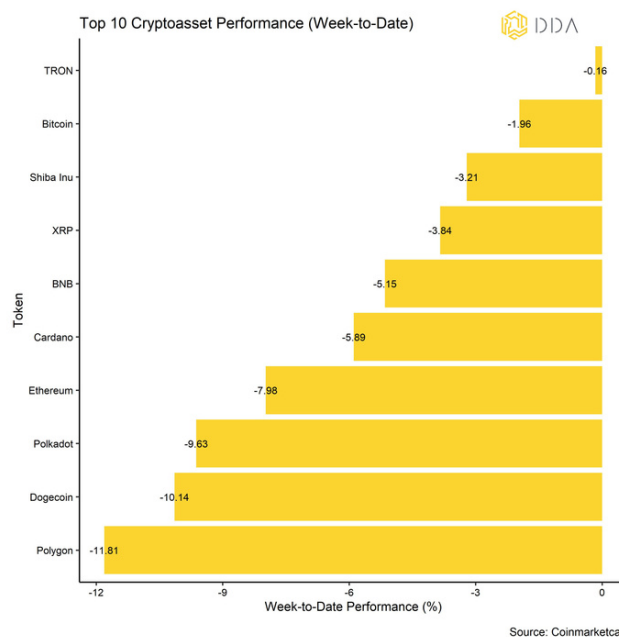
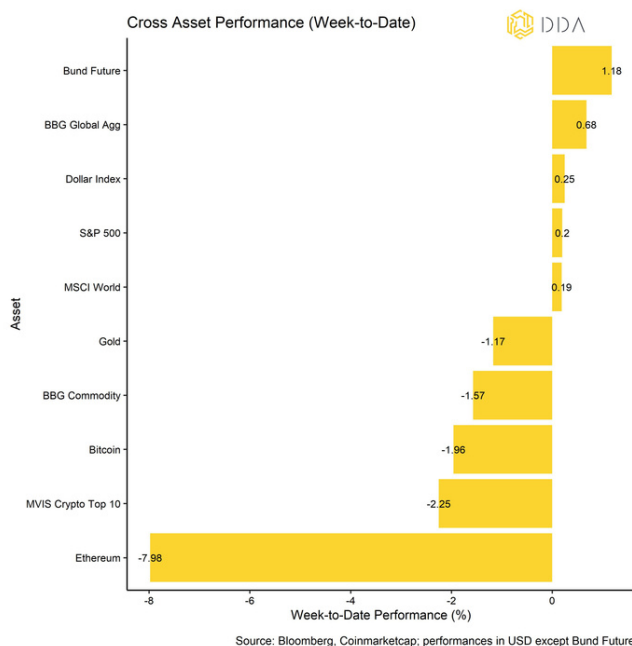
- Market is still dominated by ongoing contagion fears after the FTX insolvency
- Our proprietary Crypto Sentiment Index has improved marginally last week coming from very bearish levels the week prior
- Underlying crypto ETP flows and on-chain indicators suggest ongoing accumulation among institutional investors at these lower prices

Chart of the Week



Source: Glassnode, Deutsche Digital Assets

Performance



Last week was still dominated by an ongoing fear of financial contagion within crypto markets due to a possible collapse of Genesis – a major cryptoasset lending desk which is highly-interconnected within the institutional crypto borrowing & lending business. Accordingly, cryptoasset prices were still largely under pressure last week from the reverberation of the FTX fallout. Among the major cryptoassets, TRON, Bitcoin, Shiba Inu and XRP were the relative outperformers. Cryptoassets also underperformed global equities and bonds last week.

Sentiment

Our proprietary Crypto Sentiment Index has improved marginally last week coming from very bearish levels the week prior. Obviously, cross asset sentiment held up quite well and was rather unaffected by the recent developments in crypto markets. On a positive note, Altcoin outperformance has picked up recently – a sign of returning risk appetite within crypto markets. However, judging by the Crypto Fear & Greed Index, the market remains overall in an “extreme fear” mode.

Flows

Interestingly enough, crypto ETP fund flows continued to be positive (+4.7 mn USD net), although fund flows were smaller than during the week when FTX collapsed. Based on the crypto ETPs that we track on a daily basis, the bulk of money flew into BTC-based products

(+14.3 mn USD) and Basket & Thematic Crypto products (+8.2 mn USD) while ETH-based products and other Altcoin-based products experienced net outflows last week (-7.8 mn USD and -10.0 mn USD, respectively).

On a similar note, global macro hedge funds might have increased their exposure to cryptoassets lately judging by the increase in their 1-month rolling Beta to Bitcoin.

The reversal in the deep NAV discount of the biggest Bitcoin fund in the world, Grayscale Bitcoin Trust, is emblematic for a return in buying interest in the last week, although there has been slight decrease in the discount in the last days.

On-Chain

A major highlight among on-chain indicators was the fact that Bitcoins continued to flow out of exchanges on a net basis – usually a positive signal as it implies increased investments and subsequent transfers into cold-storage. What is more, is the fact that these net outflows occurred majorly into wallets of larger investors with wallet sizes of 10 mn USD or more. This is consistent with the abovementioned fact that crypto ETP fund flows also held up quite well during the last week. The smallest and biggest investor cohorts (below \$10k USD and above \$10mn USD) were among the biggest buyers based on these net exchange outflows. We have generally noticed a significant pick-up in small investor cohort buying interest after the FTX collapse which appears to have continued last week.

In this context, we have seen the lowest Bitcoin exchange balances since mid-2018 – a sign of continuing accumulation. The same can be said for Ethereum, where exchange balances also reached a fresh 4-year low.

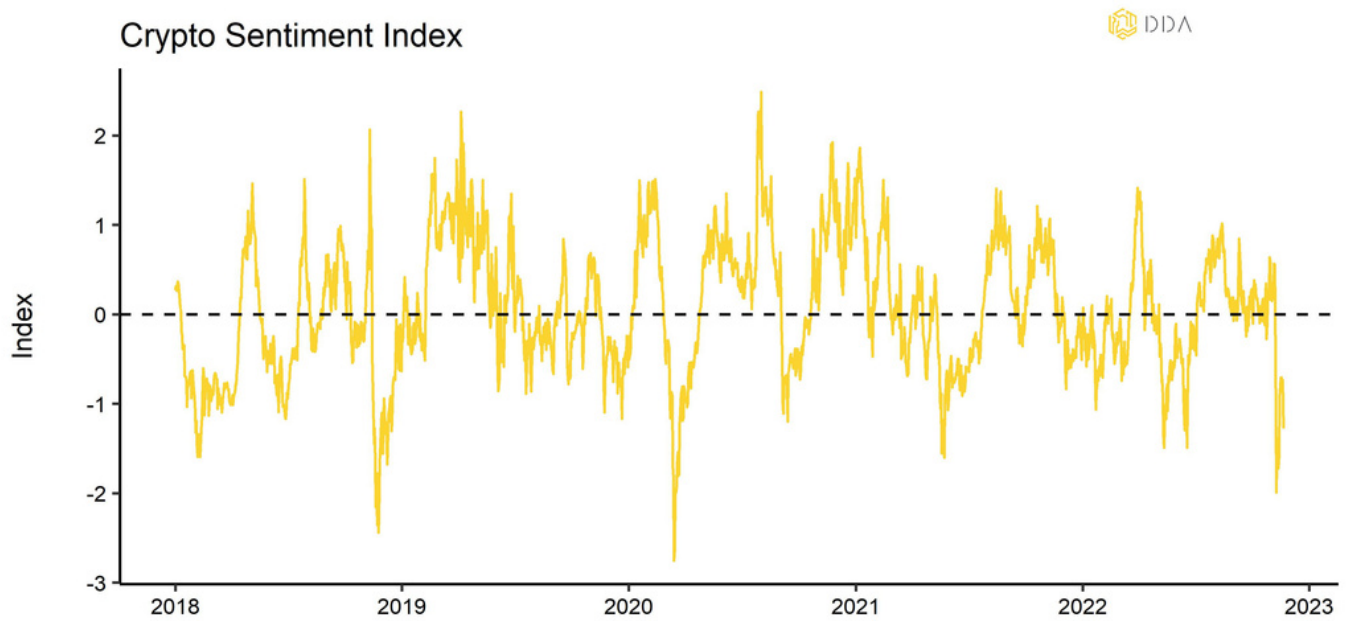
Derivatives

The stabilization in cryptoasset prices has led to an overall decline in uncertainty within the derivatives space: Bitcoin implied volatilities have declined, and the option skew is less biased towards puts than during the week prior. Nonetheless, the level of uncertainty remains relatively high based on the absolute levels of implied volatility. However, perpetual funding rates and the futures basis rate have returned to positive levels – a sign that derivatives traders are slightly more optimistic about the price outlook. Nonetheless, the level of anxiety among derivatives traders remains high which can also be seen in the increased relative trading volume of Bitcoin put options vs call options which has recently picked up significantly. Investors are apparently still hedging against potential downside risks.

Bottom Line

Overall cryptoasset market sentiment has improved marginally last week coming from very bearish levels the week prior. Nonetheless, the level of uncertainty remains relatively high based on the signals from Bitcoin derivatives markets. On a positive note, money continued to flow into crypto ETP funds and out of exchanges into small and larger investor wallets on a net basis.

Appendix

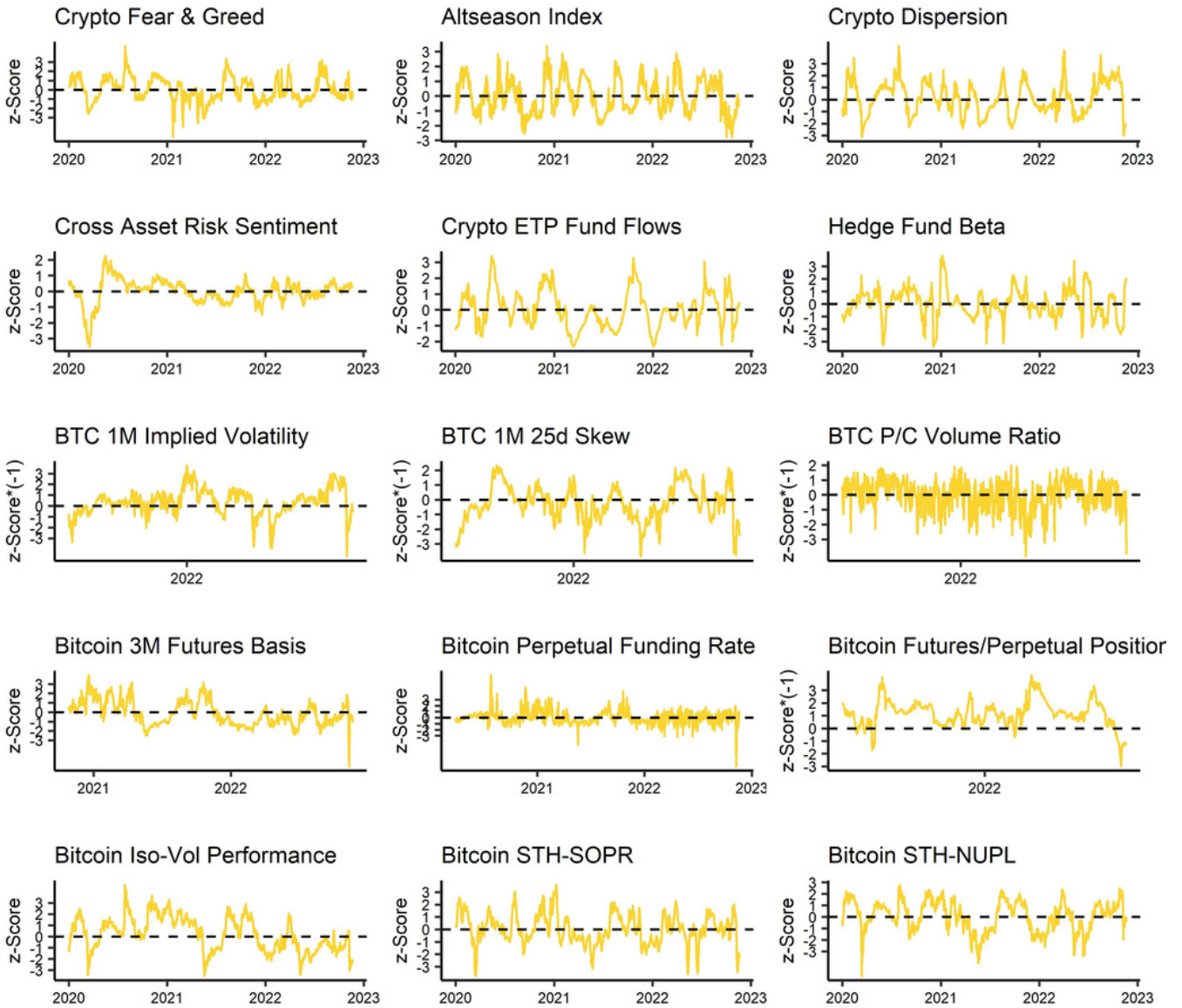


Source: Bloomberg, Coinmarketcap, Glassnode, Deutsche Digital Assets

Appendix

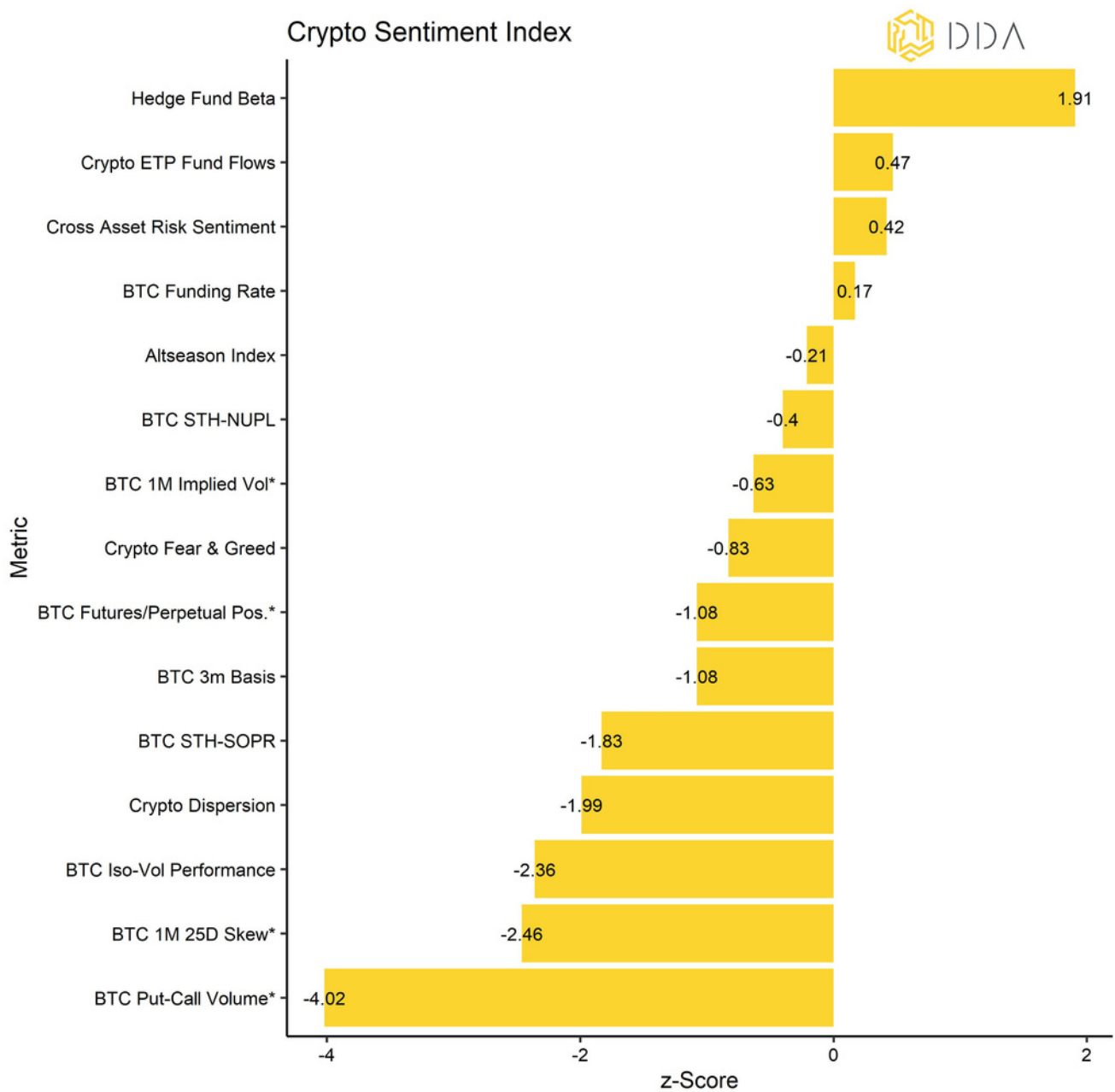
Crypto Sentiment Index

Subcomponents, 90-day rolling z-Scores



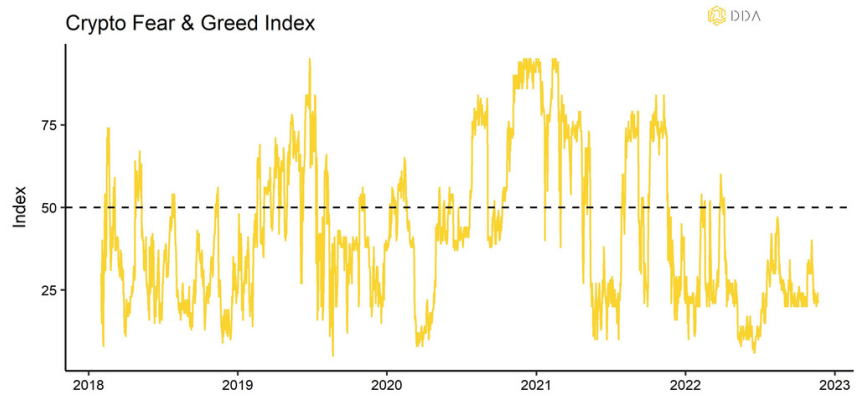
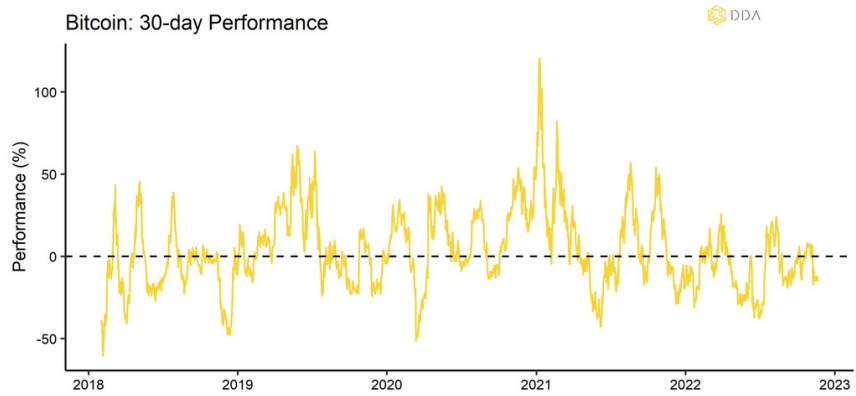
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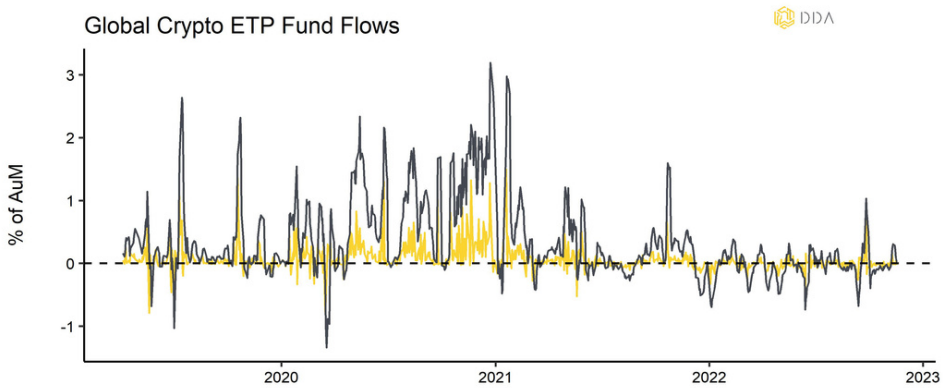
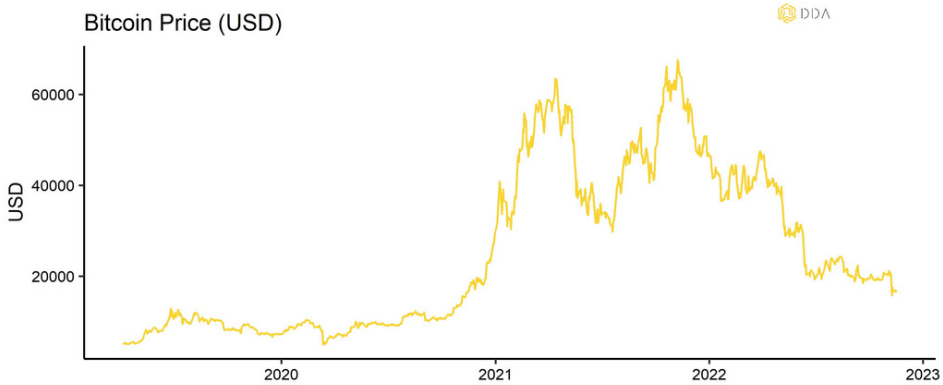
Source: Bloomberg, Coinmarketcap, Glassnode, Deutsche Digital Assets; *multiplied by (-1)

Appendix



Source: alternative.me, Coinmarketcap, Deutsche Digital Assets

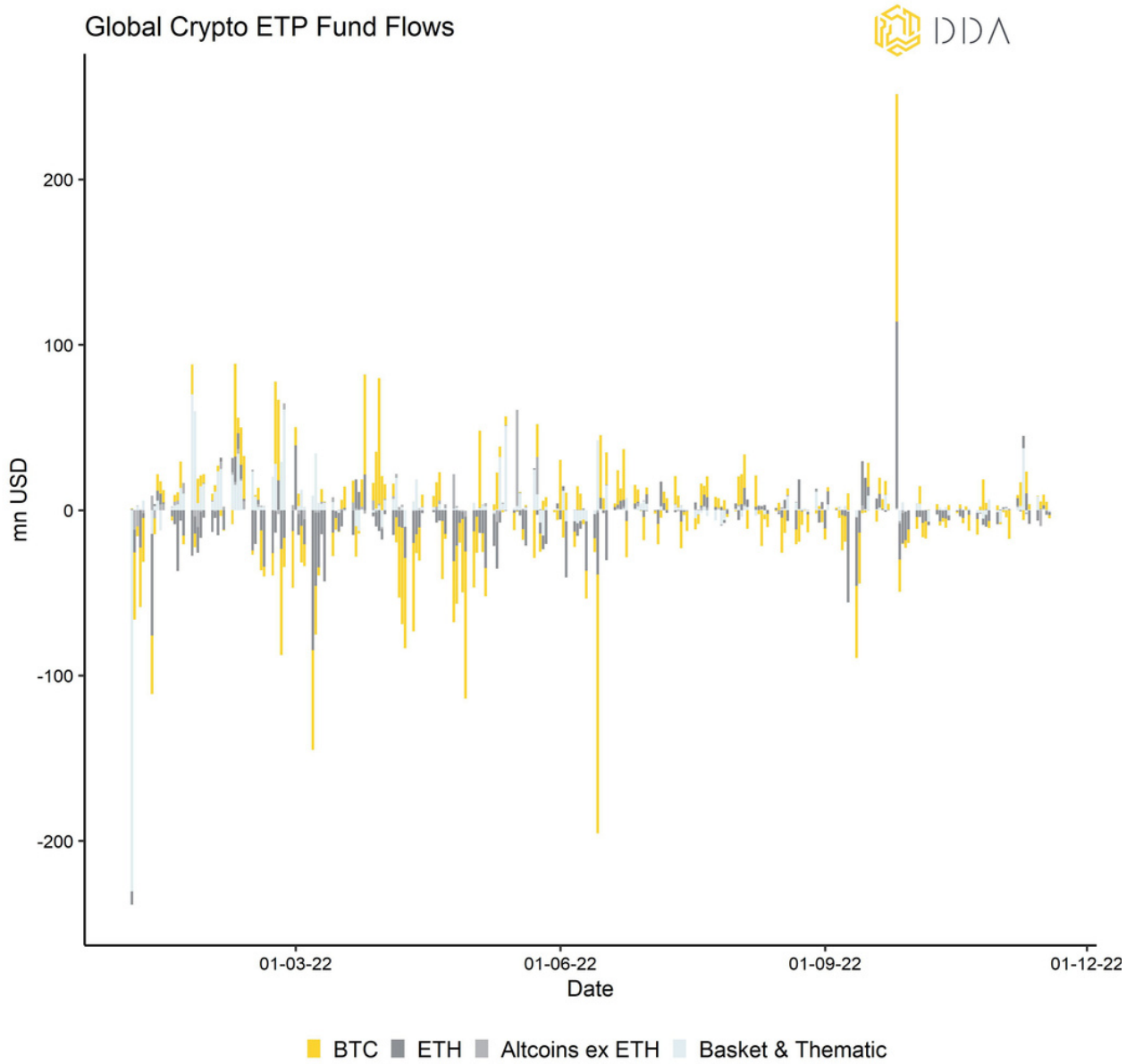
Bitcoin vs Global Crypto ETP Fund Flows



— Fund Flows — 5d rolling sum

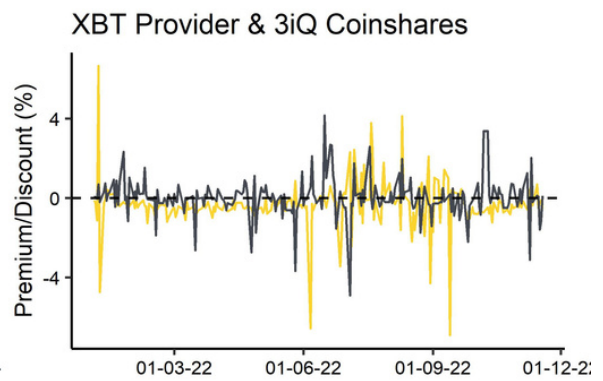
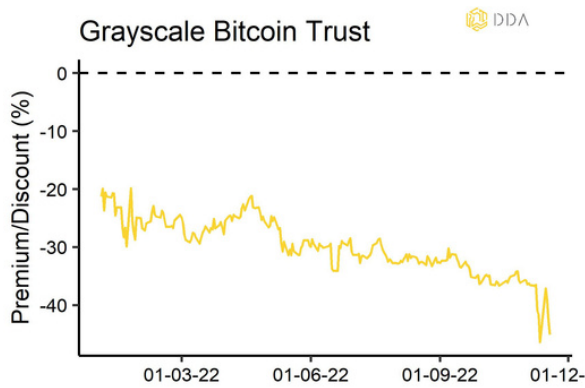
Source: Bloomberg, Deutsche Digital Assets; Only ETPs & Grayscale Trusts

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Source: Bloomberg, Deutsche Digital Assets; Only ETPs & Grayscale Trusts

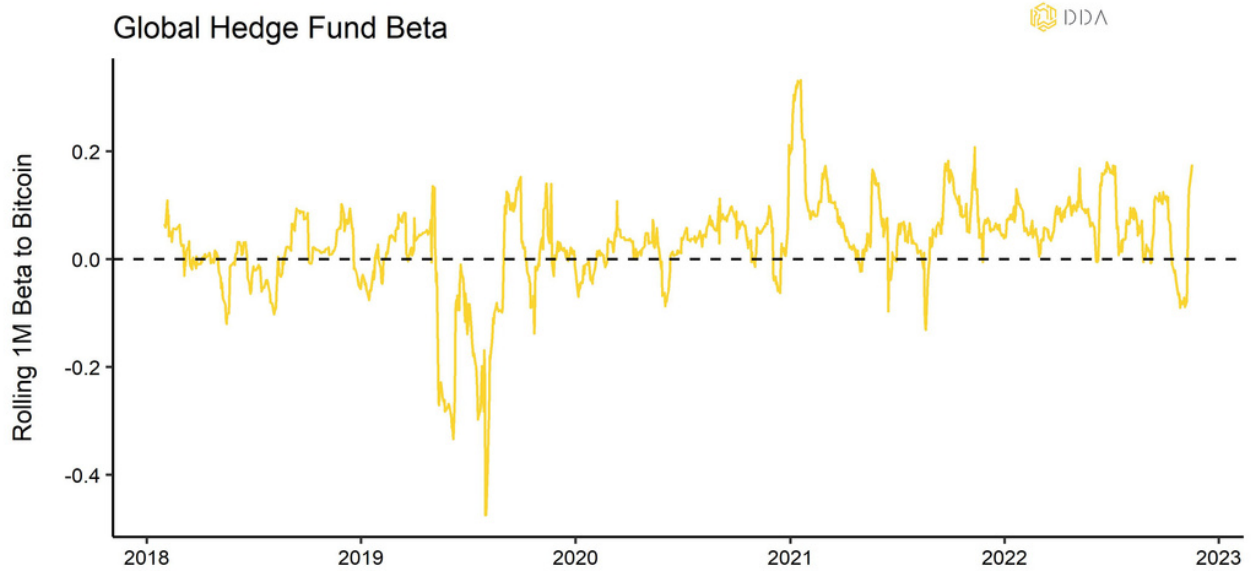
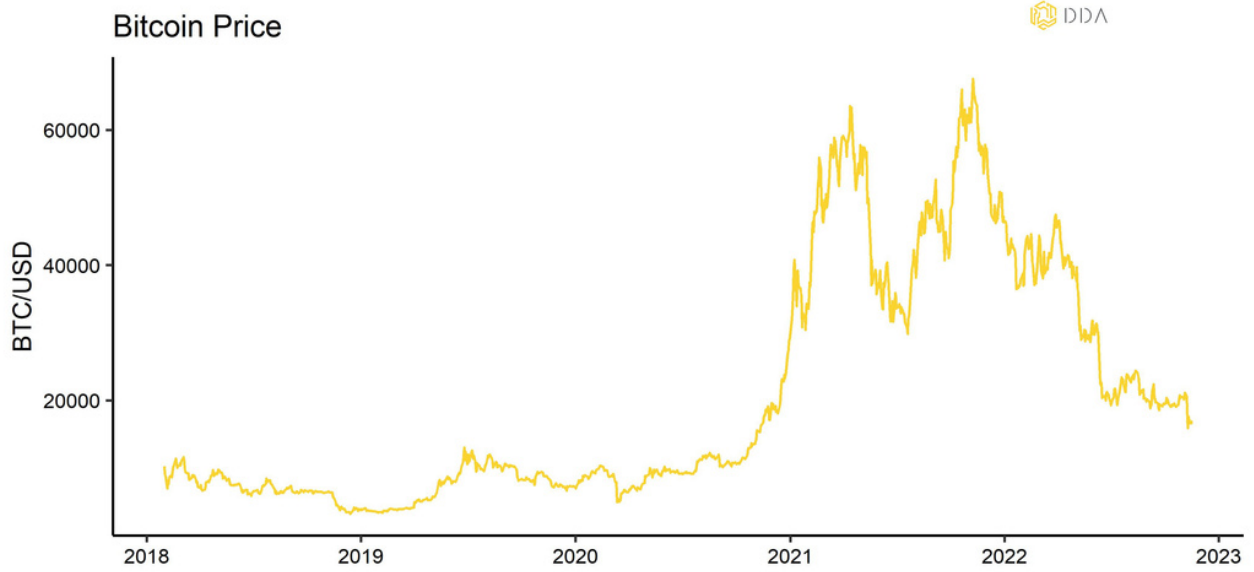
BTC Funds NAV Premia/Discounts



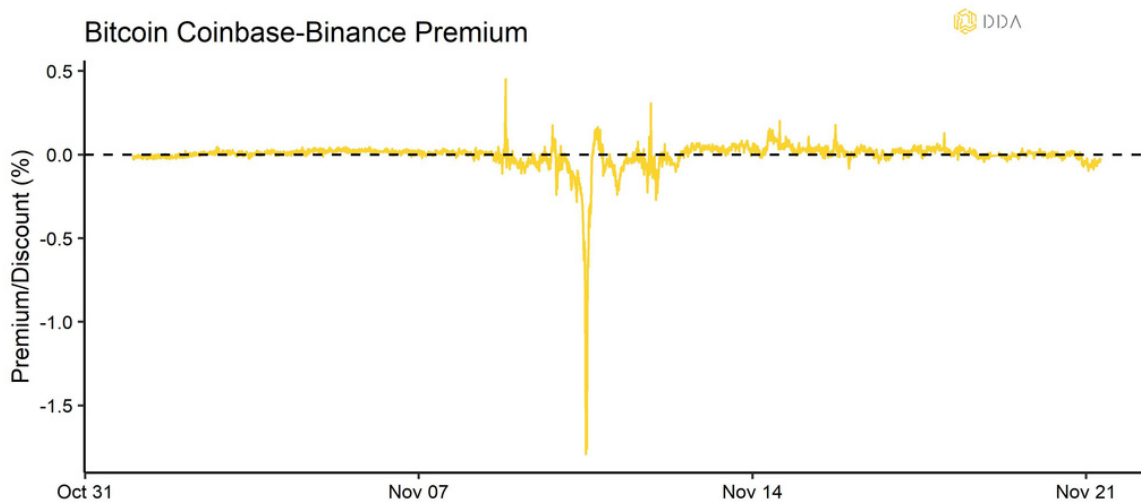
— XBT Provider — 3iQ Coinshares (Canada)

Source: Bloomberg, Deutsche Digital Assets

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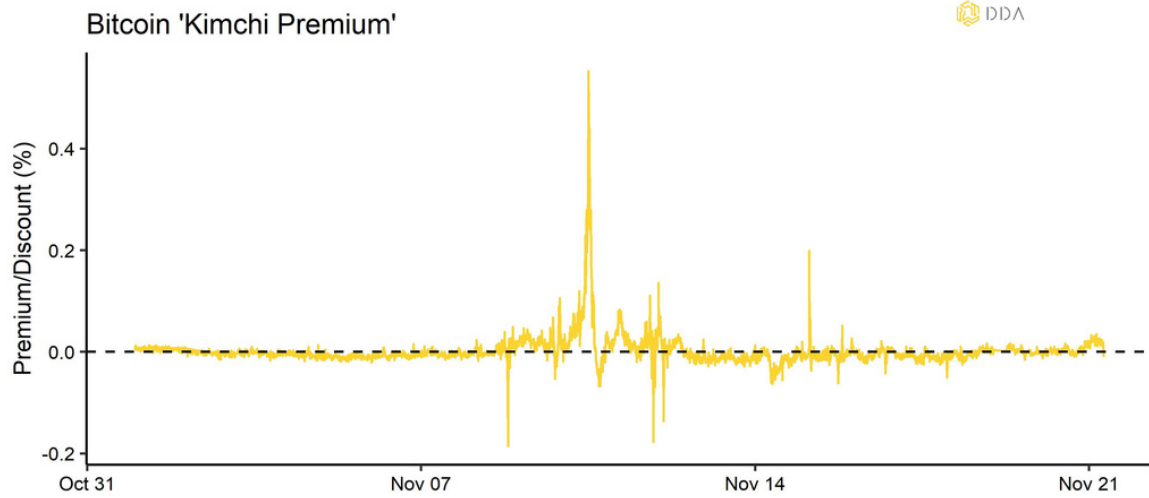


Source: Coinmarketcap, Bloomberg, Deutsche Digital Assets



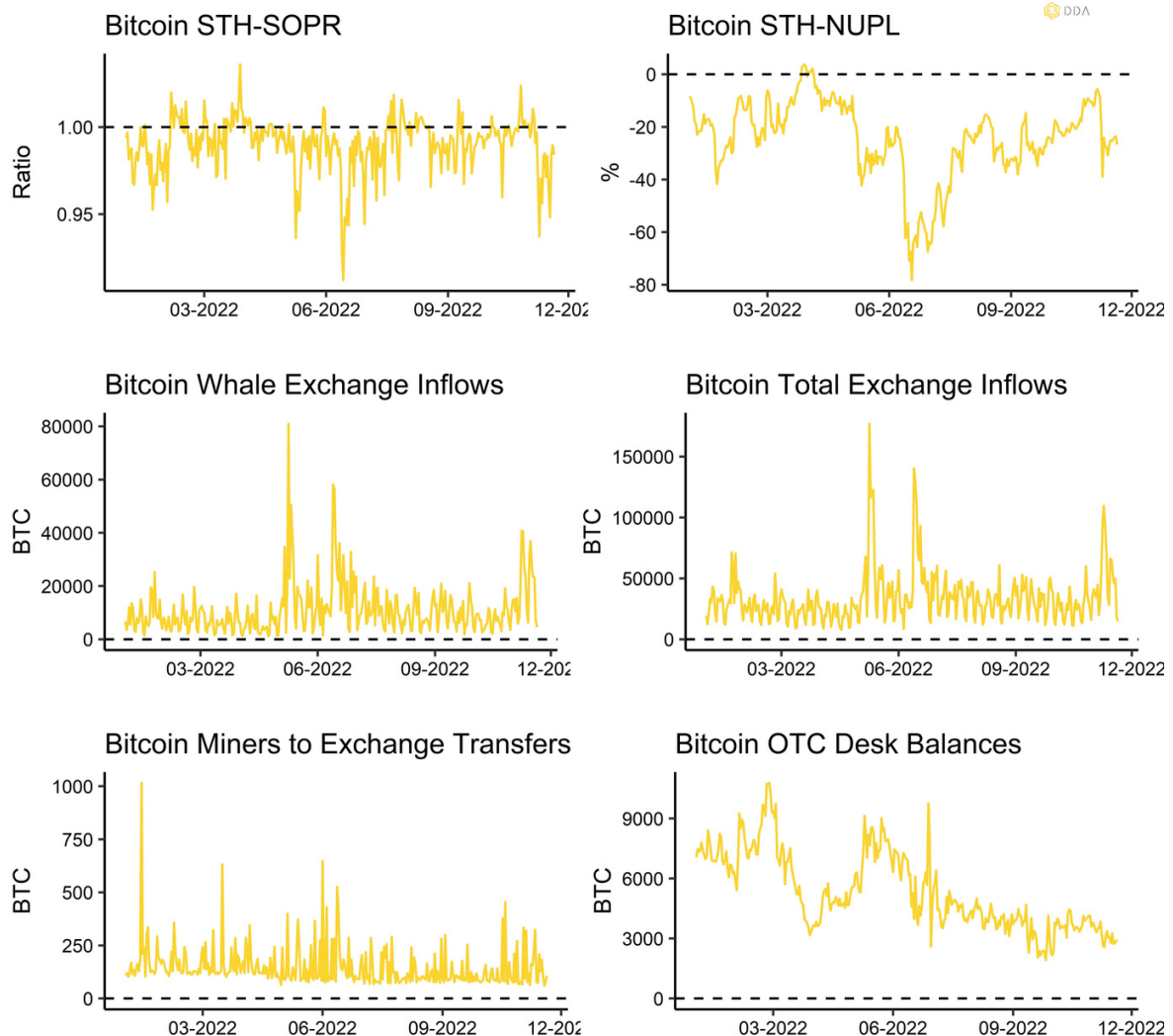
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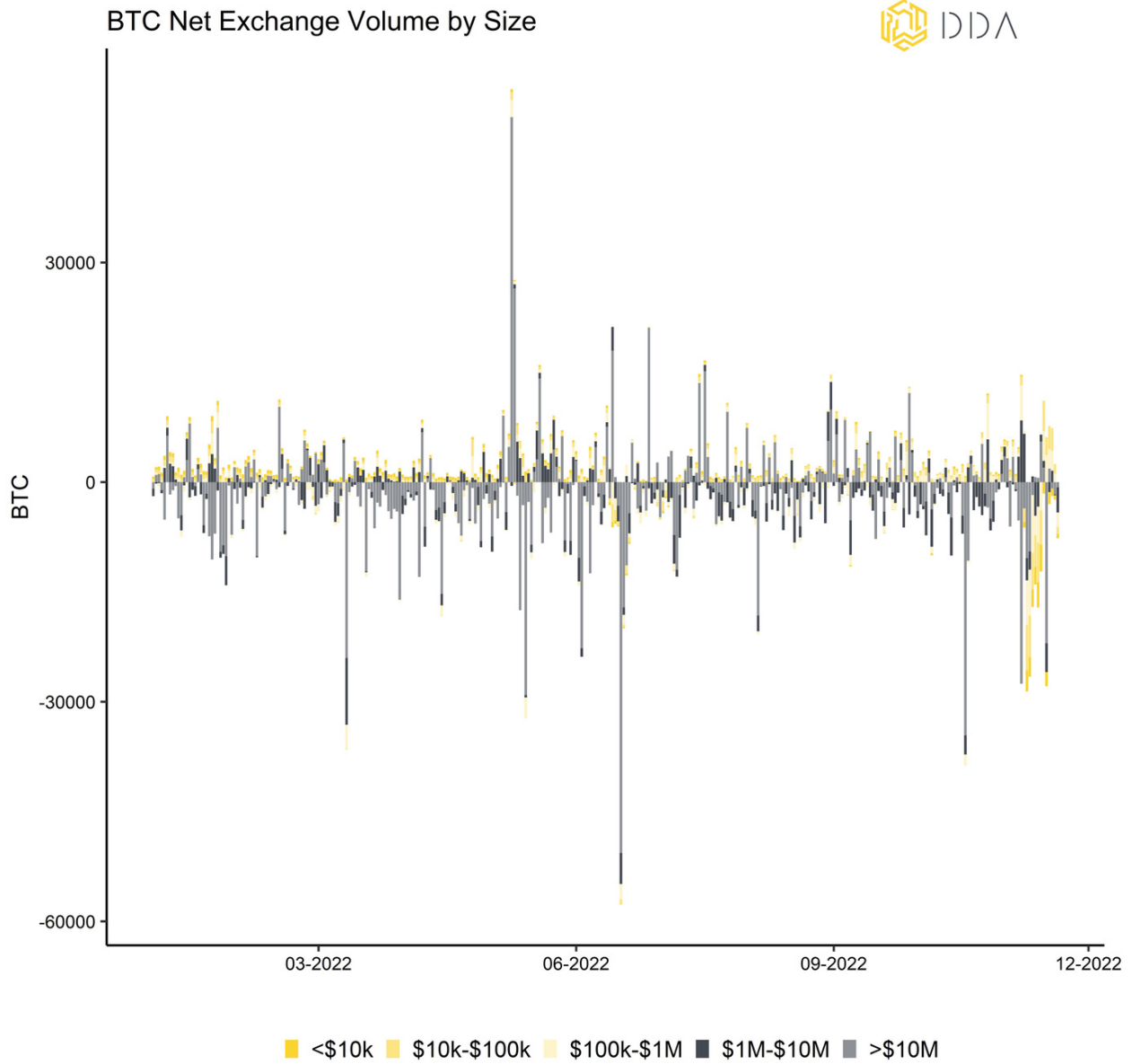
Source: Coinmarketcap, Deutsche Digital Assets; 'Kimchi Premium' = price on major Korean exchanges vs other exchanges

Bitcoin On-Chain Indicators



Source: Glassnode, Deutsche Digital Assets

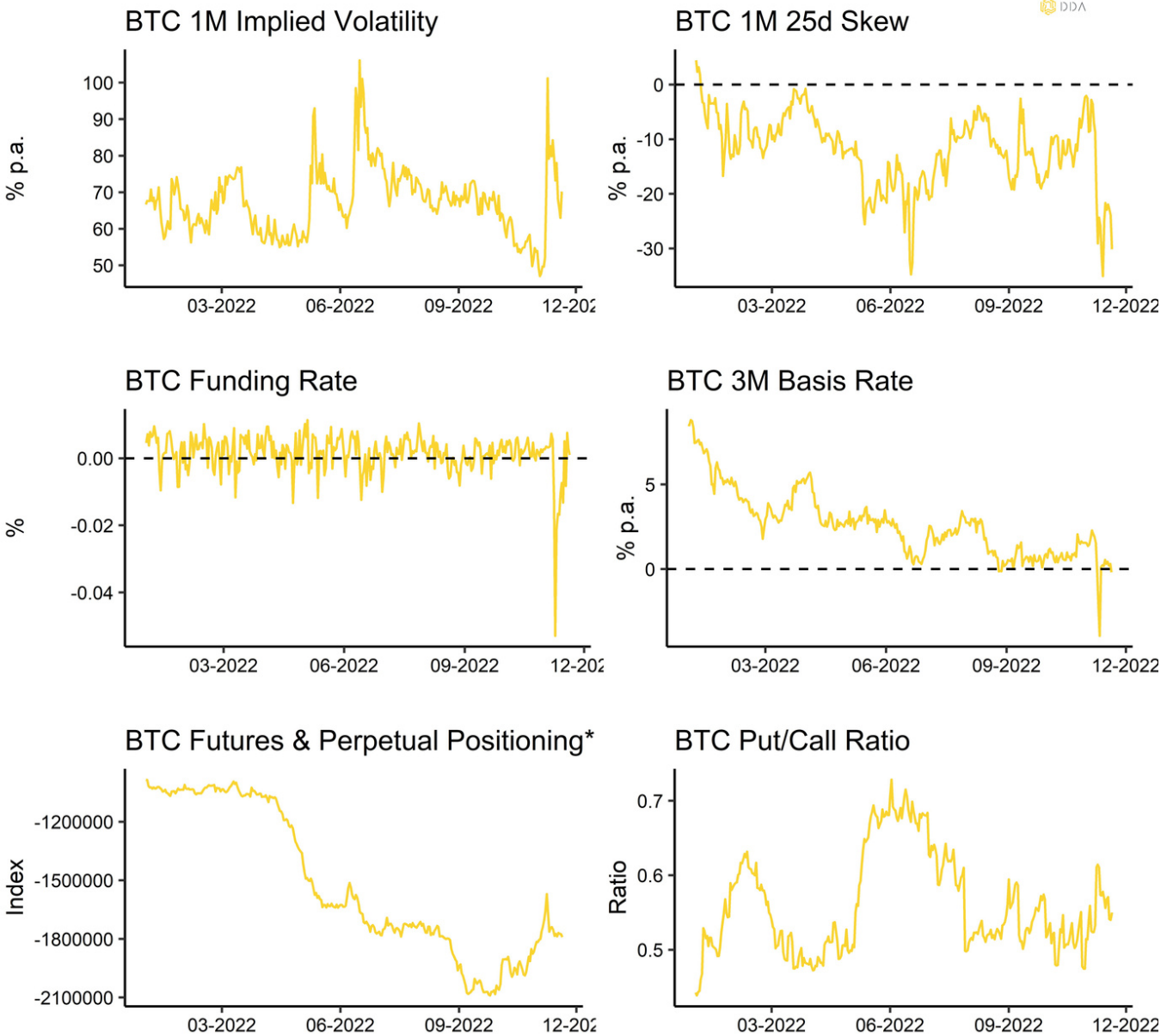
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Source: Glassnode, Deutsche Digital Assets

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Bitcoin Derivatives Indicators



Source: Glassnode; *Cumulative daily absolute change in OI multiplied by sign of BTC price change

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