



CRYPTO MARKET PULSE

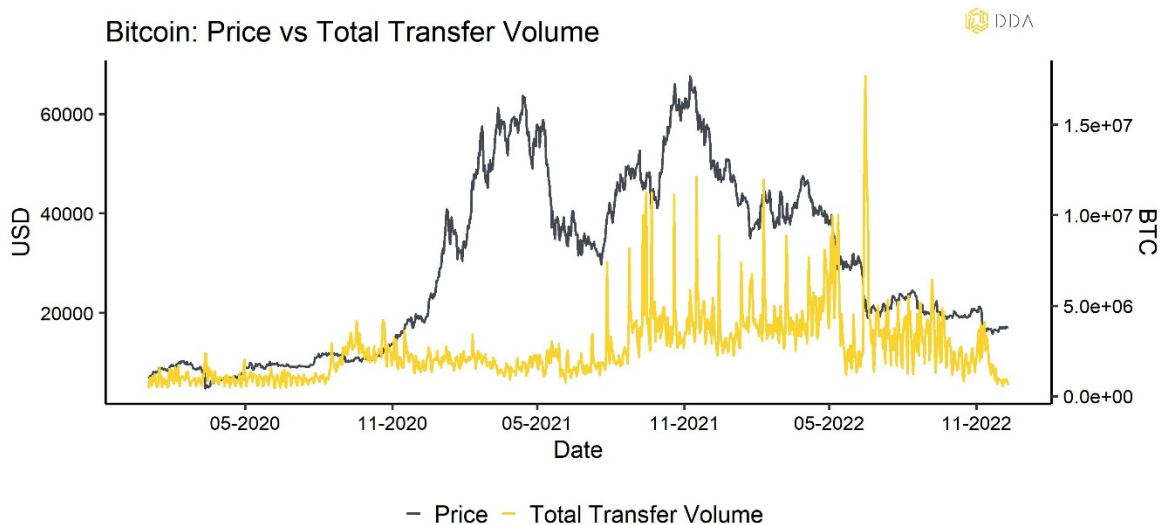
DECEMBER 12, 2022

Key Takeaways

by André Dragosch, Head of Research

- ◆ Cryptoassets were the second-best asset class last week despite the negative news flow, outperforming global equities and bonds, but underperforming commodities
- ◆ Our in-house Crypto Sentiment Index has improved only slightly compared to last week and is currently neutral
- ◆ In general, trading activity remains fairly muted on chain and within derivatives markets.

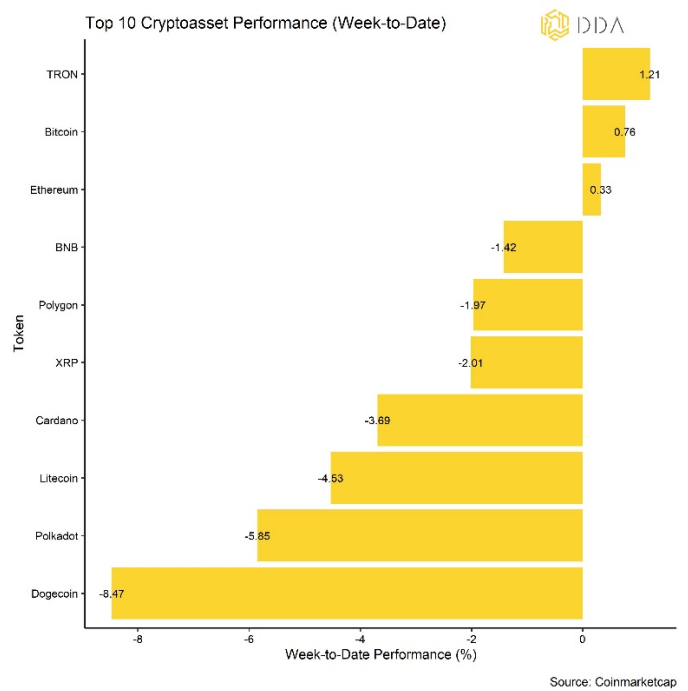
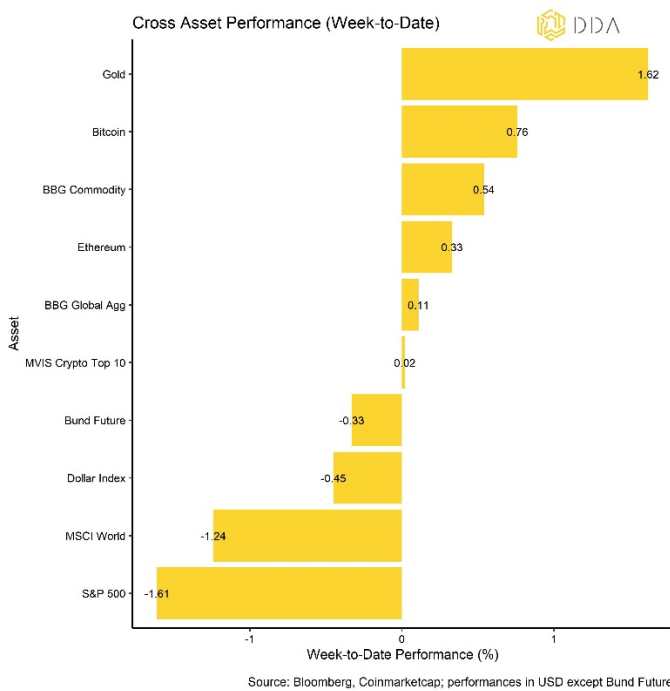
Chart of the Week



Source: Glassnode

Performance

Last week, cryptoasset prices managed to outperform most of the risky assets again, despite a rather bearish news flow. Among other things, the SEC asked US-listed companies to disclose their exposure and damage to the recent mayhem in crypto markets. There were also rumors of a potential insolvency of exchange behemoth Binance over the weekend. Although a recent financial report by Mazar has found that Binance's Bitcoin reserves are overcollateralized.



Nonetheless, cryptoasset prices have been stable for most of the week. Among the major cryptoassets, TRON, Bitcoin and Ethereum were the relative outperformers. Cryptoassets were the second-best asset class last week, outperforming global equities and bonds. Commodities and Gold outperformed. The Dollar weakened last week again.

This week, the market will probably focus on the CPI inflation numbers for the US and Eurozone countries that are due on Tuesday and Wednesday, respectively. We will also have another FOMC rate decision coming up on Wednesday as well. Fed Funds Futures currently expect the Fed to hike by 50 basis points.

Sentiment

Our in-house Crypto Sentiment Index has improved only slightly compared to last week and is currently neutral. That means there is no clear short-term trend within our indicators in either direction.

On a positive note, dispersion among cryptoassets on a rolling basis increased significantly, implying that the cryptomarket was rather trading on coin-specific factors which signals that the market has started to move on from the systematic trading around the FTX collapse and focuses on fundamentals again. At the same time, altcoins mostly underperformed Bitcoin which implies a decrease in overall risk appetite over the last week.

The Crypto Fear & Greed Index has not changed compared to last week and is still in “Fear” territory.

Flows

Fund flows continued to be weak during the last week and we saw net outflows out of global crypto ETPs in the amount of -6.7 mn USD. However, Bitcoin-based products fared rather well again and experienced net inflows of +14.8 mn USD over the week while all other crypto ETP products experienced net outflows. Most of the outflows happened at the beginning of last week while we saw positive net inflows especially last Friday.

The Beta of global Hedge Funds to Bitcoin over the last 20 trading days decreased compared to the very high levels seen last week, implying that global hedge funds have decreased their exposure a bit again.

Another highlight is that the Coinbase-Binance premium continued to be positive throughout the week which is indicative of relative buying interest from institutional investors vis-à-vis retail investors.

Meanwhile, the NAV discount of the largest Bitcoin fund in the world (Grayscale Bitcoin Trust - GBTC) hit a new all-time record low on account of the news that Hedge Fund Fir Tree has sued Grayscale to resume redemptions of its fund shares and reduce fees. Grayscale's Bitcoin Trust shares currently trade at around -48.6% discount to its NAV.

On Chain

In general, Bitcoin (BTC) exchange inflows have decreased even further. Exchange inflow volume (7-day moving average) just reached a 2-year low, implying overall receding selling pressure and calm markets.

On a similar note, the BTC amount of supply last active in the past 24 hours just reached a 15-month low. So, there is generally little transaction volume happening on chain.

Nonetheless, BTC miner's balances just reached a 14-month low, highlighting that miners are still under pressure.

We have highlighted the increased risk of “miner capitulation” in our latest issue of the [“Crypto Market Intelligence”](#) report as well.

Another interesting development is the fact that Tether (USDT) number of sending addresses (7d MA) just reached a 23-month high. This usually happens during times of stress as investors are increasingly transacting in stablecoins to safe-guard against volatility. This may be a symptom of the recent rumours that Binance might be going under. However, BTC, ETH, USDT and BUSD exchange balances on Binance appear to be relatively stable so far with only outflows in BTC as of this morning.

In the Altcoin space, Ether turned inflationary as network activity slowed. That means the volume of ether being minted outpaces the amount “burned” (removed from circulation), which could be negative for ETH's token price.

Derivatives

In general, similar to what is happening on chain, BTC Perpetual Futures Contracts Volume just reached a 2-year low which also highlights the fact that market activity is fairly muted at the moment.

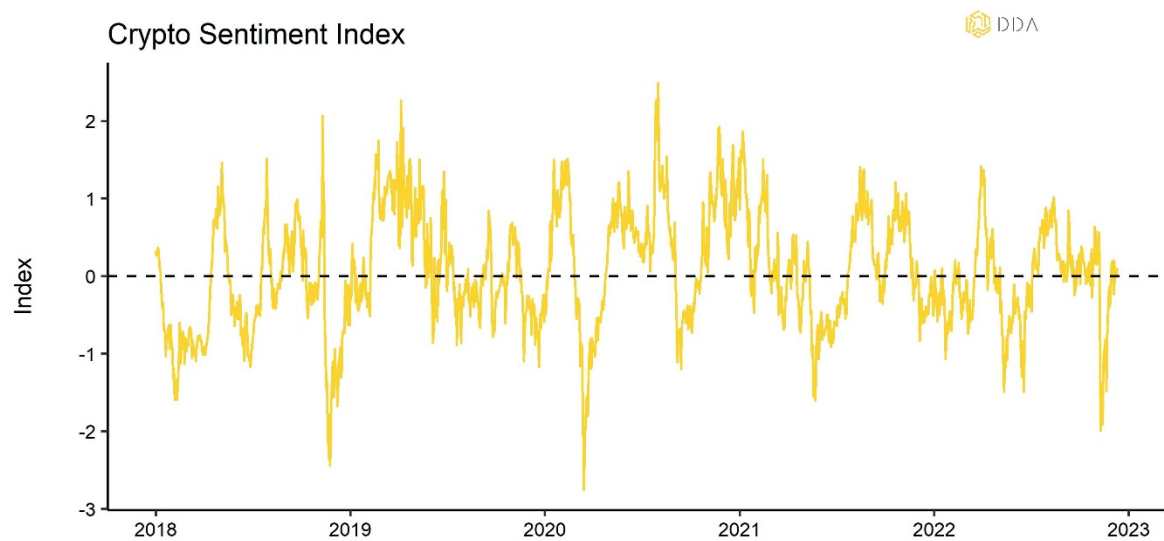
However, there were some negative developments such as the renewed decrease in perpetual funding rates which indicates that traders have slightly increased their BTC short positions again. In BTC options, we also saw an uptick in Put-Call Open Interest which also implies an increase in downside hedges.

Nonetheless, the overall level of risk aversion remains fairly low judging by the low levels of implied volatility.

Bottom Line

Cryptoassets were the second-best asset class last week despite the negative news flow, outperforming global equities and bonds, but underperforming commodities. Our in-house Crypto Sentiment Index has improved only slightly compared to last week and is currently neutral. In general, trading activity remains fairly-muted on chain and within derivatives markets.

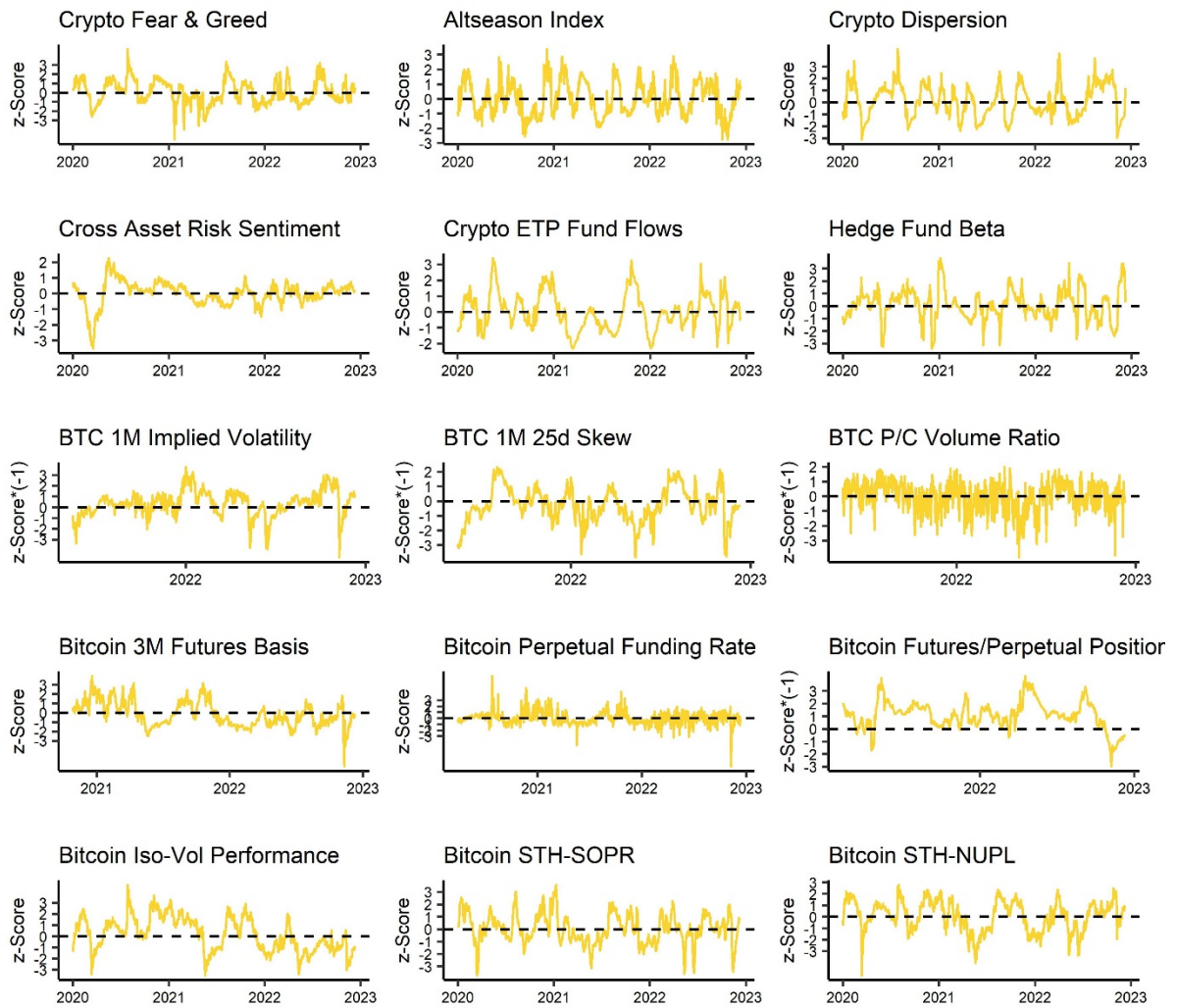
Appendix



Source: Bloomberg, Coinmarketcap, Glassnode, Deutsche Digital Assets

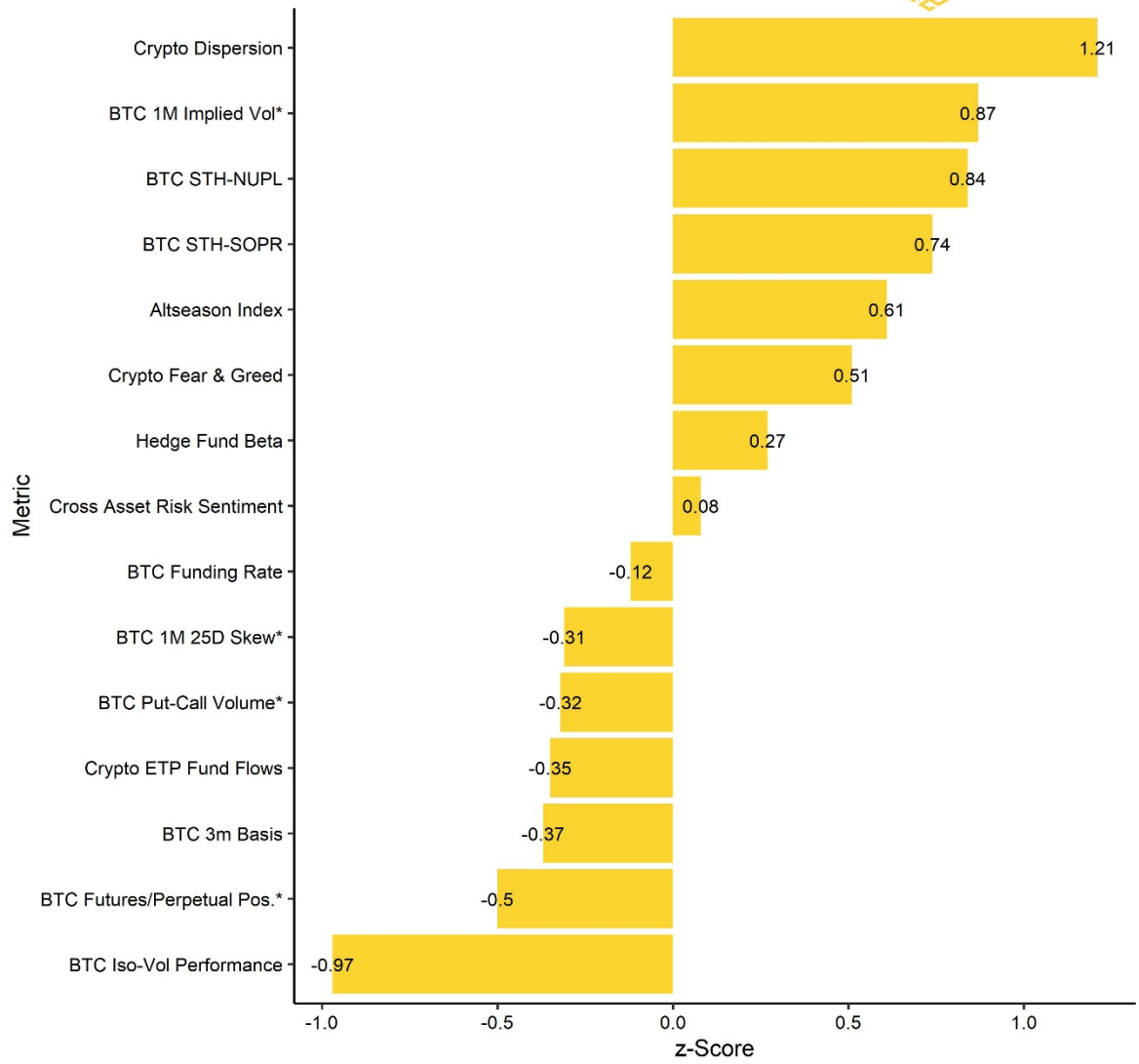
Crypto Sentiment Index

Subcomponents, 90-day rolling z-Scores

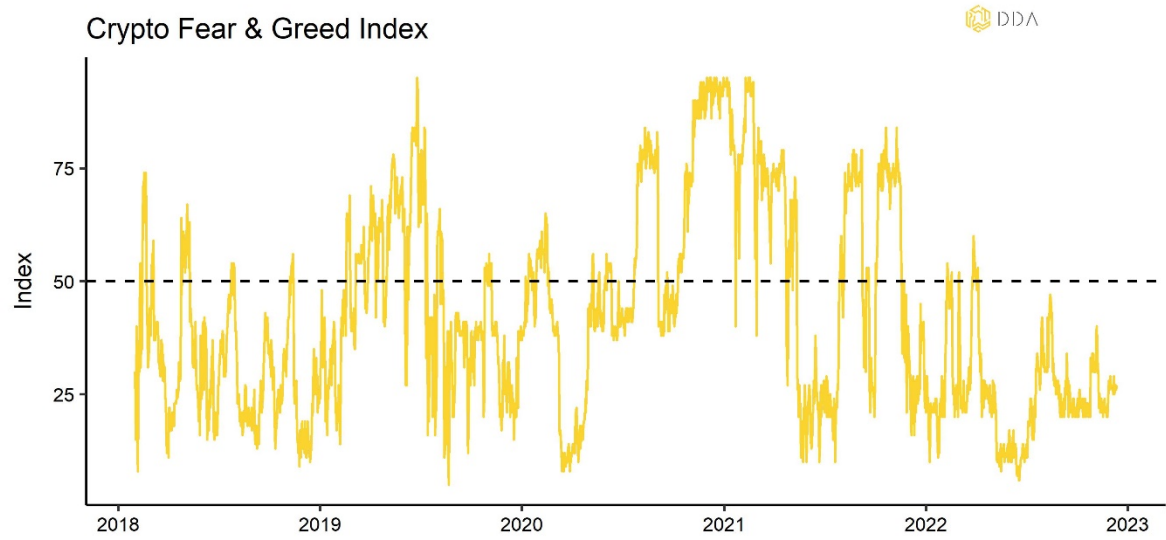
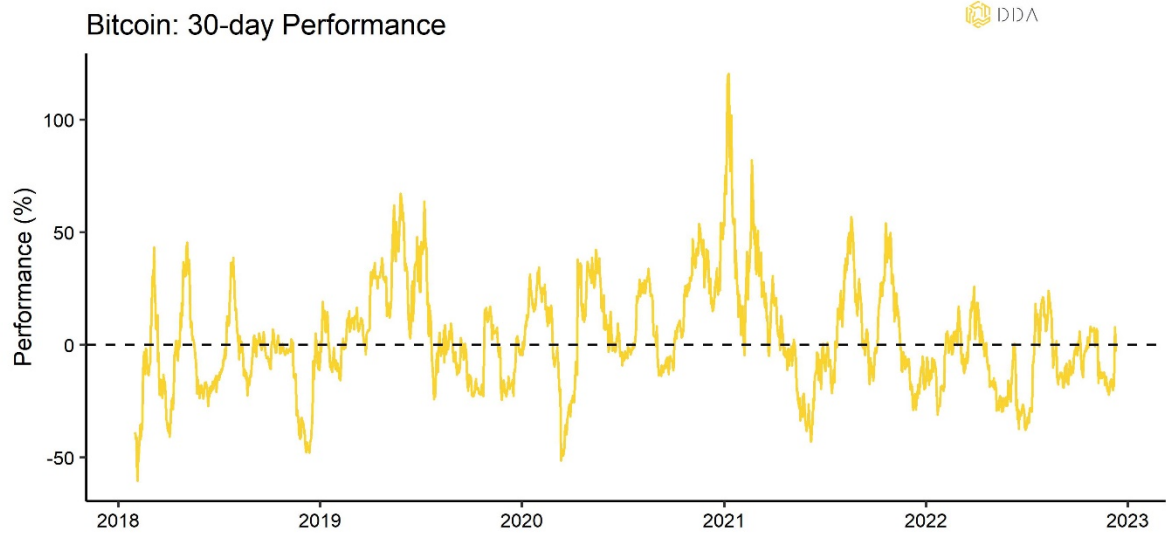


Source: Bloomberg, Coinmarketcap, Glassnode, Deutsche Digital Assets

Crypto Sentiment Index

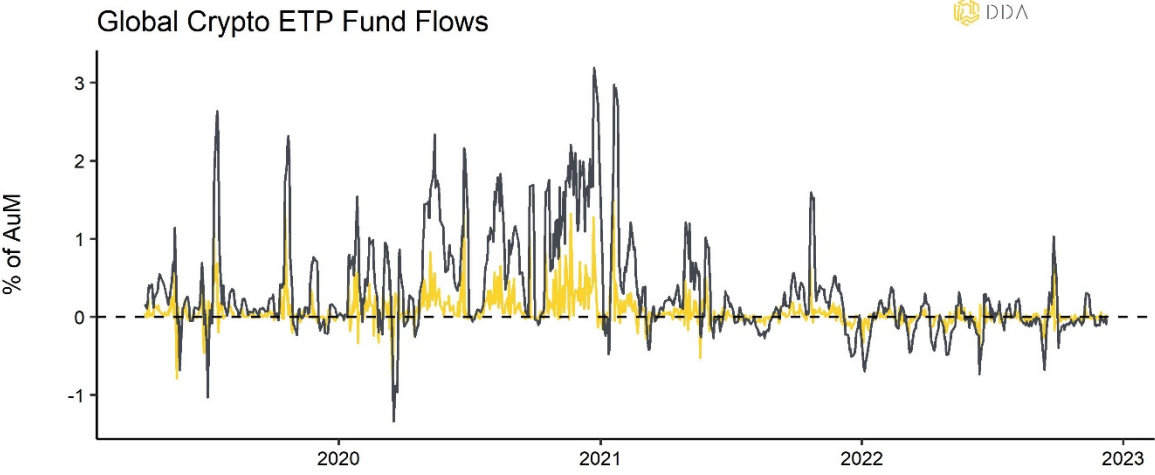
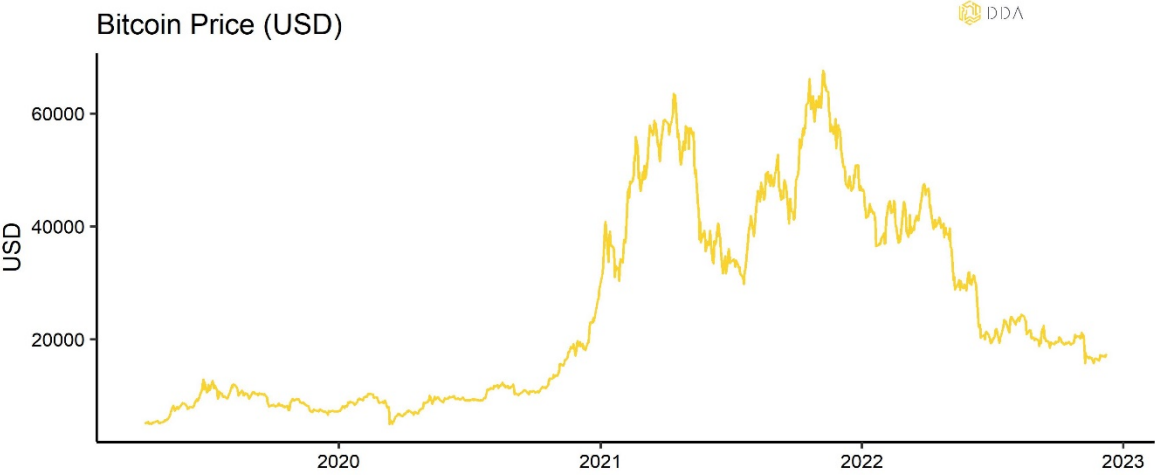


Source: Bloomberg, Coinmarketcap, Glassnode, Deutsche Digital Assets; *multiplied by (-1)



Source: alternative.me, Coinmarketcap, Deutsche Digital Assets

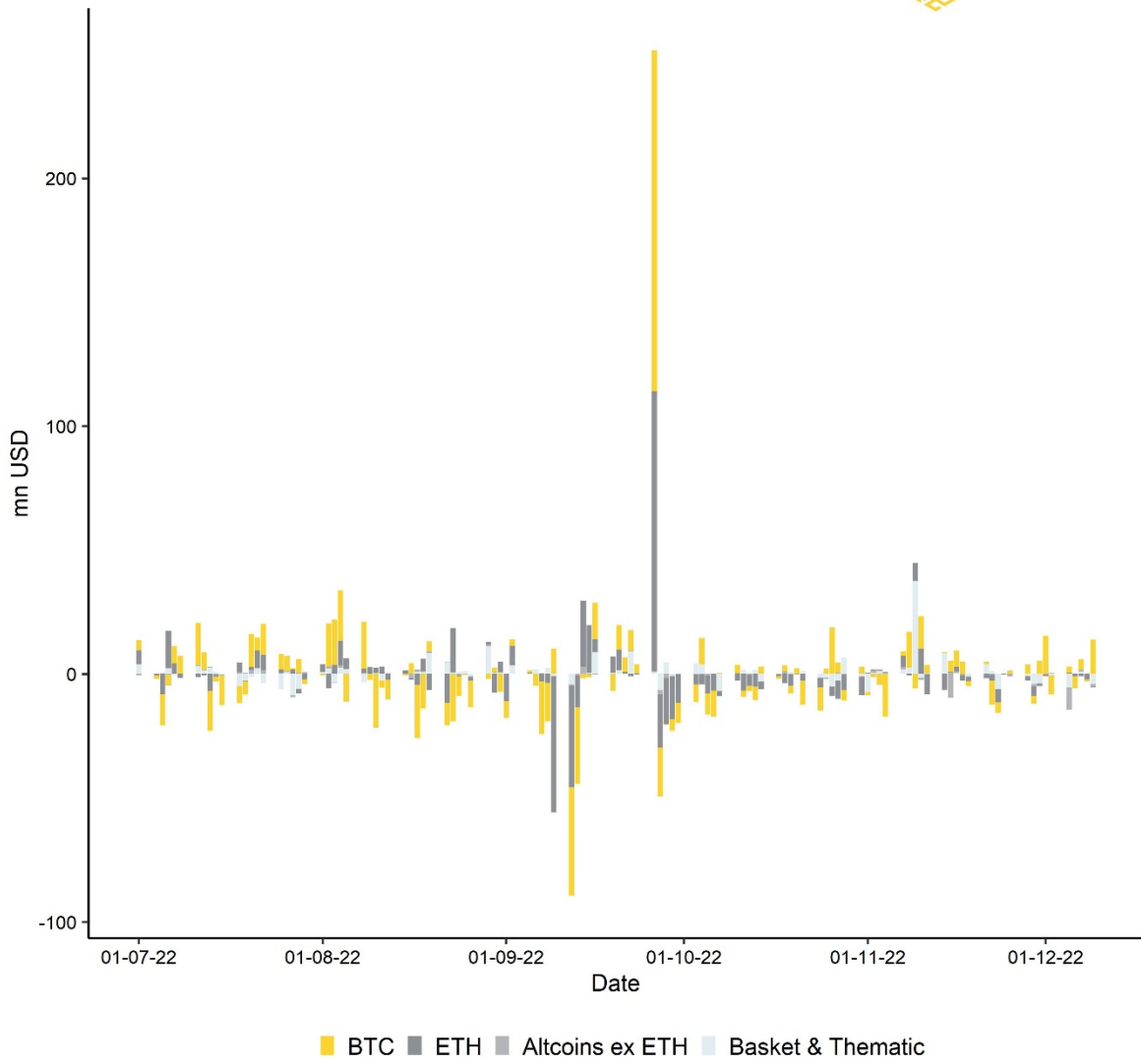
Bitcoin vs Global Crypto ETP Fund Flows



— Fund Flows — 5d rolling sum

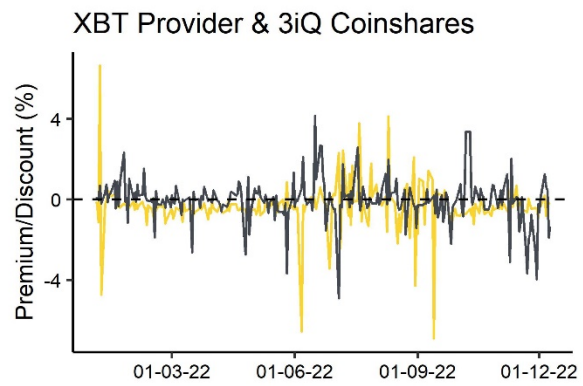
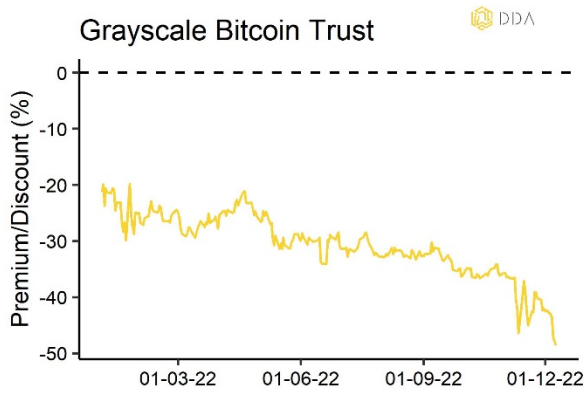
Source: Bloomberg, Deutsche Digital Assets; Only ETPs & Grayscale Trusts

Global Crypto ETP Fund Flows



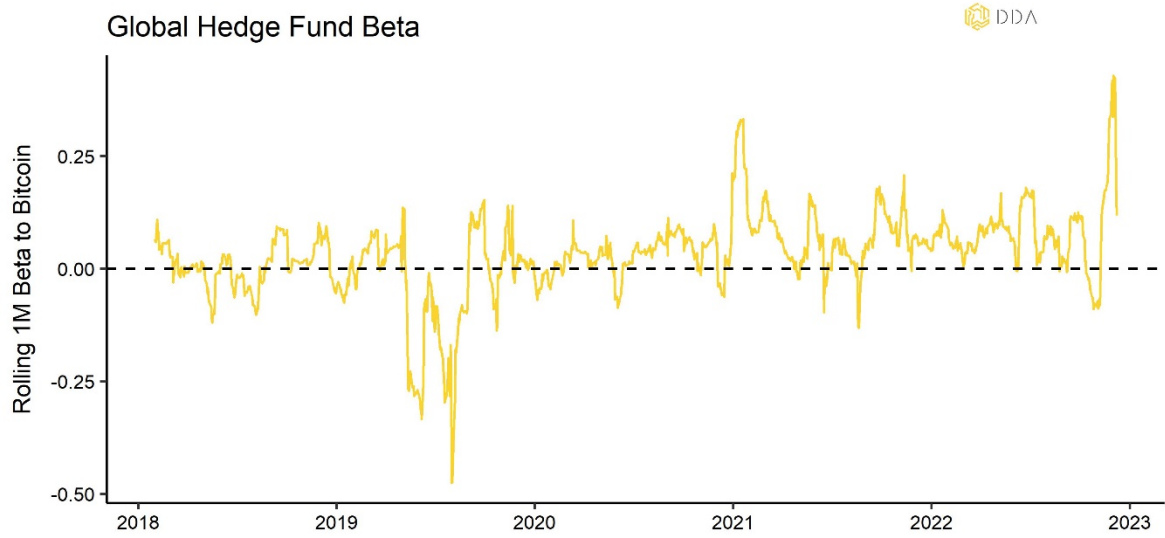
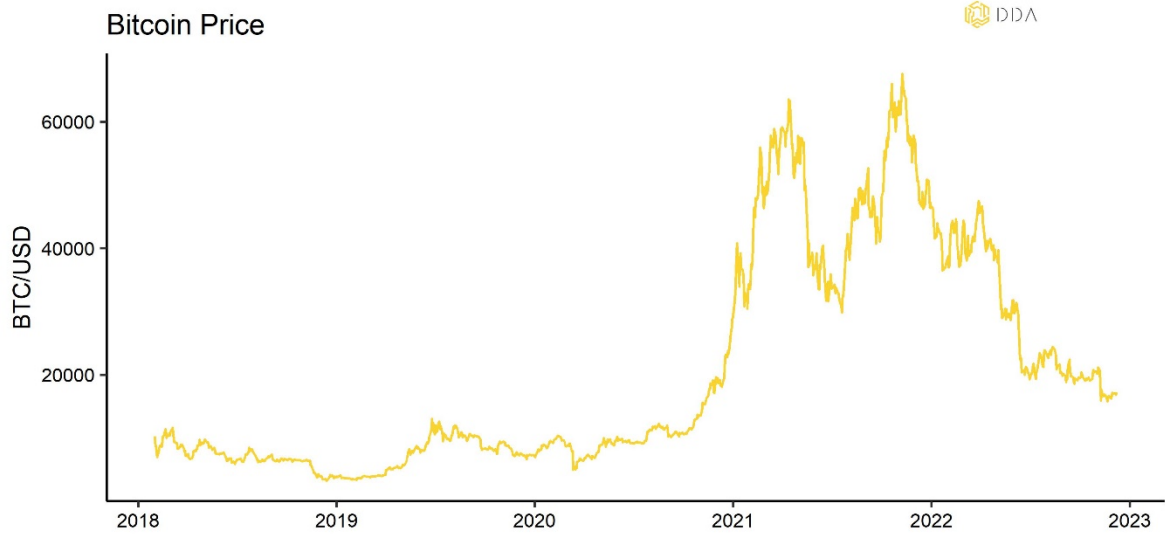
Source: Bloomberg, Deutsche Digital Assets; Only ETPs & Grayscale Trusts

BTC Funds NAV Premia/Discounts

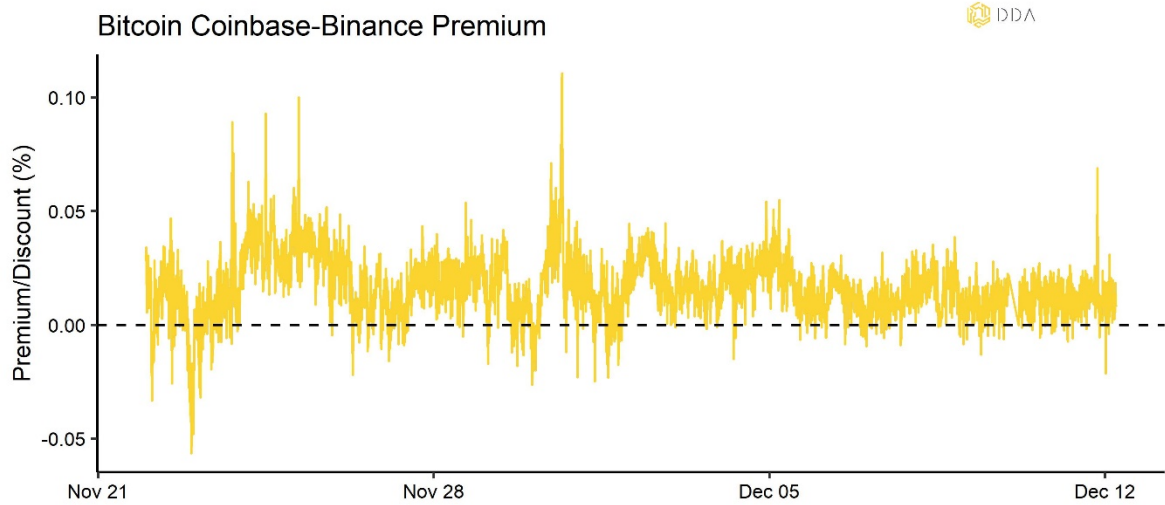


— XBT Provider — 3iQ Coinshares (Canada)

Source: Bloomberg, Deutsche Digital Assets

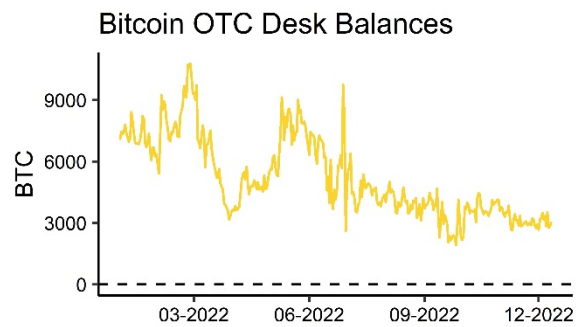
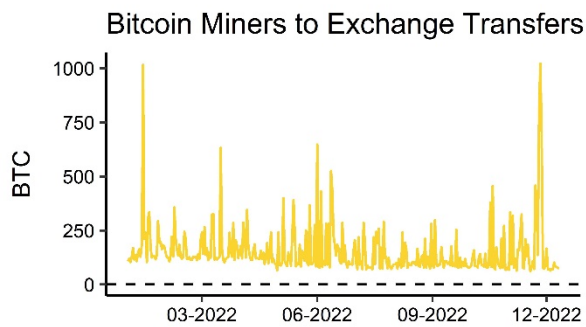
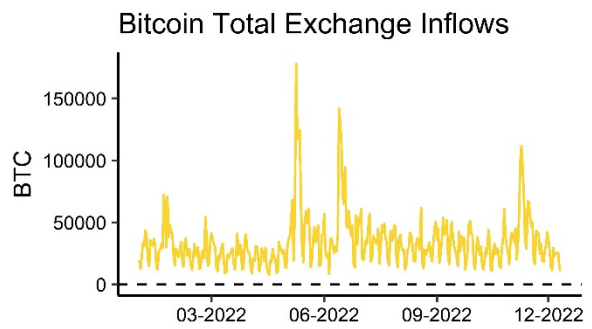
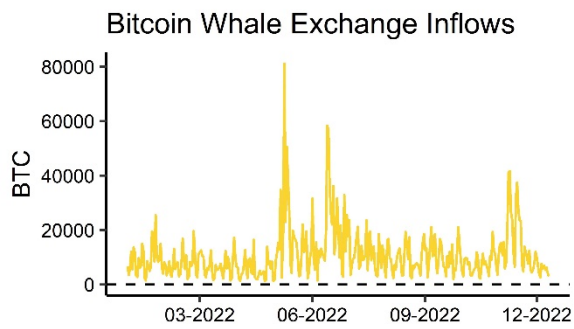
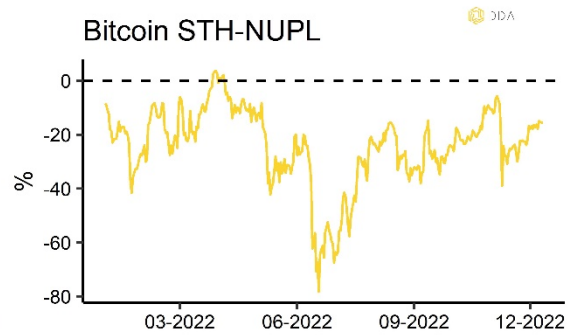
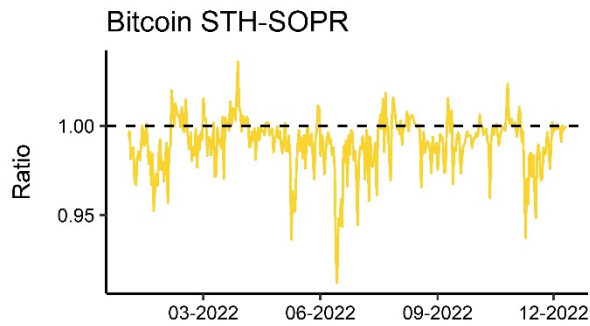


Source: Coinmarketcap, Bloomberg, Deutsche Digital Assets



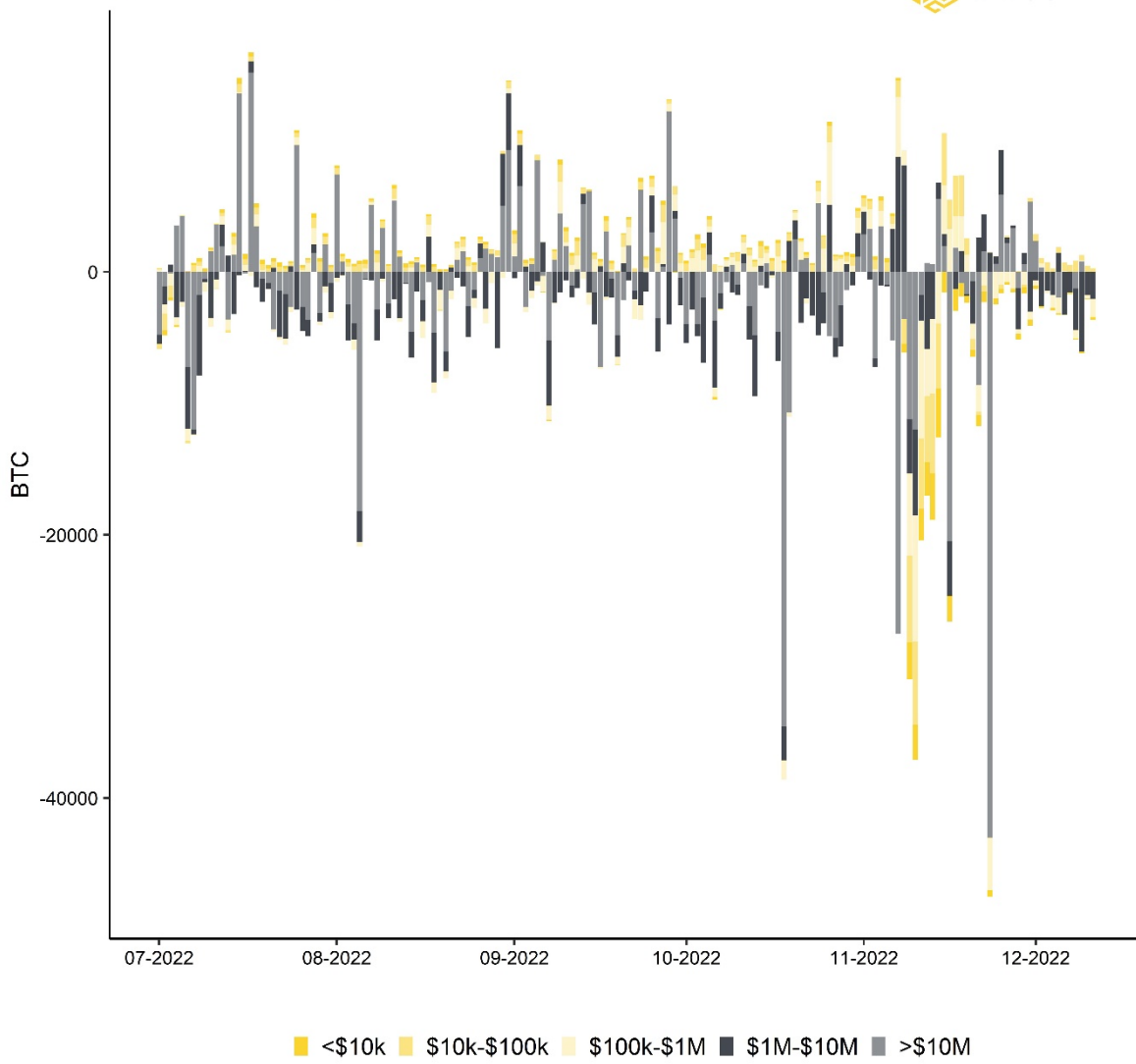
Source: Coinmarketcap, Deutsche Digital Assets

Bitcoin On-Chain Indicators



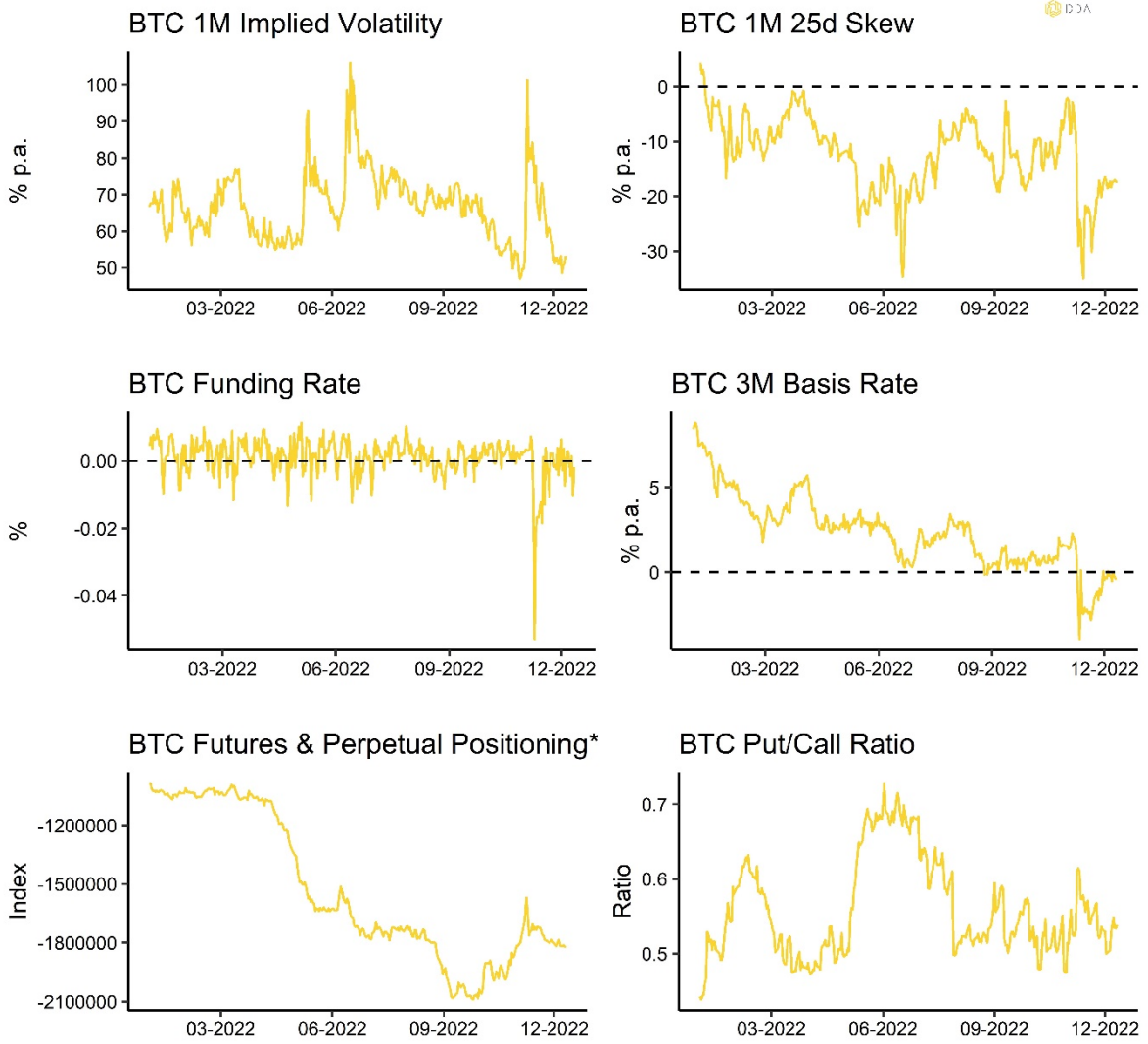
Source: Glassnode, Deutsche Digital Assets

BTC Net Exchange Volume by Size



Source: Glassnode, Deutsche Digital Assets

Bitcoin Derivatives Indicators



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

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