



# CRYPTO MARKET PULSE

MARCH 6, 2023

## Key Takeaways

by André Dragosch, Head of Research

- ◆ Cryptoasset performances were weighed down by a potential insolvency of highly-interconnected crypto merchant bank Silvergate last week
- ◆ Our in-house Crypto Sentiment Index has further declined compared to last week but is still in positive territory
- ◆ While risk aversion has increased in the short-term, on-chain activity on the Bitcoin blockchain still remains strong

## Chart of the Week

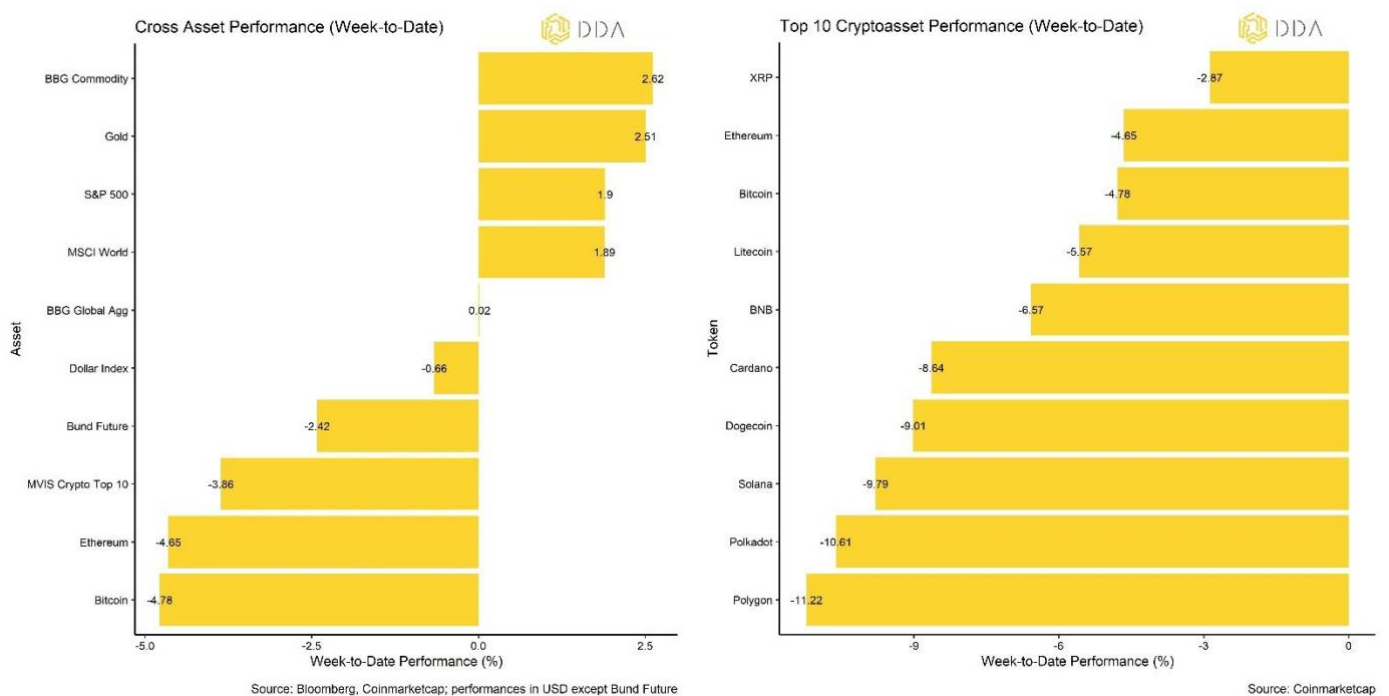


Source: Glassnode

# Performance

Last week, cryptoasset performances were weighed down by a feared insolvency of highly-interconnected crypto merchant bank Silvergate (SI US Equity).

Other traditional financial assets held up relatively well, especially commodities and equities. Bonds and the Dollar retreated.



Among the major cryptoassets, XRP, Ethereum, and Bitcoin were the relative outperformers. XRP's tokens held up relatively well as the company said that recent Supreme Court ruling that limits the US governments' ability to levy penalties on U.S. taxpayers who fail to report foreign bank accounts, may support its court case against the SEC. The SEC accuses the company and its current and former executives of offering unregistered securities by selling XRP, which Ripple's founders created in 2012.

# Sentiment

Our in-house Crypto Sentiment Index continued to retreat compared to last week and is only slightly in

positive territory. 9 out of 15 indicators are still above their short-term trend.

Compared to last week, we saw major reversals in BTC futures basis rate and the perpetual funding rate.

The Crypto Fear & Greed Index decreased below the 50%-line further into "Neutral" territory. Sentiment measured on Bitcoin Twitter remained bearish throughout last week.

Dispersion among cryptoassets continued to decrease as most cryptoassets were increasingly trading on systematic factors. At the same time, altcoins mostly underperformed Bitcoin on a 1-month and 3-months basis, although outperformance of some cryptoassets has recently started to pick up again. On a 1-month basis, only 30% of tracked altcoins have outperformed Bitcoin. Altcoin outperformance is usually a sign of increased risk appetite and low altcoin outperformance is still indicative of a rather cautious market sentiment.

## Flows

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Last week, cryptoassets saw further fund outflows, with most of the outflows happening on Friday.

In aggregate, we saw net fund outflows in the amount of -27.1 mn USD. All types of products experienced net outflows with the exception of Altcoin funds whose AuMs were flat over the week. Fund outflows were mostly concentrated in Bitcoin funds (-24.7 mn USD) and Ethereum funds (-2.2 mn USD). Basket & Thematic funds saw only minor net outflows of -0.25 mn USD.

In this context, the NAV discount of the biggest Bitcoin fund in the world - Grayscale Bitcoin Trust (GBTC) - is still trading near its lows but doesn't show signs of significant buying or selling interest.

Compared to last week, the beta of global Hedge Funds to Bitcoin over the last 20 trading days continued to decrease and is now at around 0, implying that global hedge funds have neutralized their market exposure to cryptoassets.

Bitcoin prices traded on Coinbase vis-à-vis those traded on Binance (Coinbase-Binance premium) were mostly flat throughout the week, which is indicative of neutral buying interest from institutional investors vis-à-vis retail investors.

## On Chain

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Despite relatively weak price action, activity on chain remains very high. It is interesting to note that while

Bitcoin prices are still fairly low, many Bitcoin on-chain indicators are at or near their all-time highs. Consider the following metrics:

- Hash rate and difficulty have recently increased to new all-time highs, implying that the network has never been more secure.
- The capacity in the Lightning Network has increased to new all-time highs.
- The Number of Addresses with non-zero balances has increased to a new all-time high, implying that the number of Bitcoin holders has never been higher
- The illiquid supply of Bitcoin is at all-time highs, implying that the degree of scarcity in terms of investor behaviour has never been higher
- The percent supply of coins last active over 1 year ago is at an all-time high, implying that investors are still holding on to their coins strongly.

At the same time, overall network activity has come back due to the rise of Bitcoin inscriptions that we outlined in the last Crypto Market Pulse and also the latest Crypto Market Intelligence Report ([here](#)) and there are still no signs of abating network interest as shown by our **Chart-of-the-Week**. Established players such as Yuga Labs have recently announced and auctioned collections on the Bitcoin blockchain as well such as TwelveFold.

At the time of writing, approximately 312000 inscriptions on the Bitcoin blockchain have already taken place, most of which are Image and Text data types.

On a negative note, the increased hash rate has probably put pressure on some Bitcoin miners as we have seen the highest miners to exchange transfers this year last week. Transfers from miner wallets to exchanges usually implies increasing selling interest from miners. However, apart from that, there were no significant exchange in- or outflows during last week.

## Derivatives

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In general, the overall decline in cryptoasset sentiment has also led to an increase in risk aversion in derivatives markets. However, this has been more evident in futures than in options markets. Implied volatilities on 1-month Bitcoin options have barely moved and the 1-month skew trades only marginally in favour of put options.

On the other hand, both Bitcoin perpetual funding rates and futures basis rate have recently reversed somewhat which implies that demand for short contracts relative to long contracts has recently picked up

again. In that context, we saw the highest amount of long futures liquidations (~66 mn USD) since the collapse of FTX last Friday due to the market decline caused by a potential insolvency of Silvergate bank. On a positive note, more significant futures liquidations usually entail that the market stabilizes in the short term.

## Bottom Line

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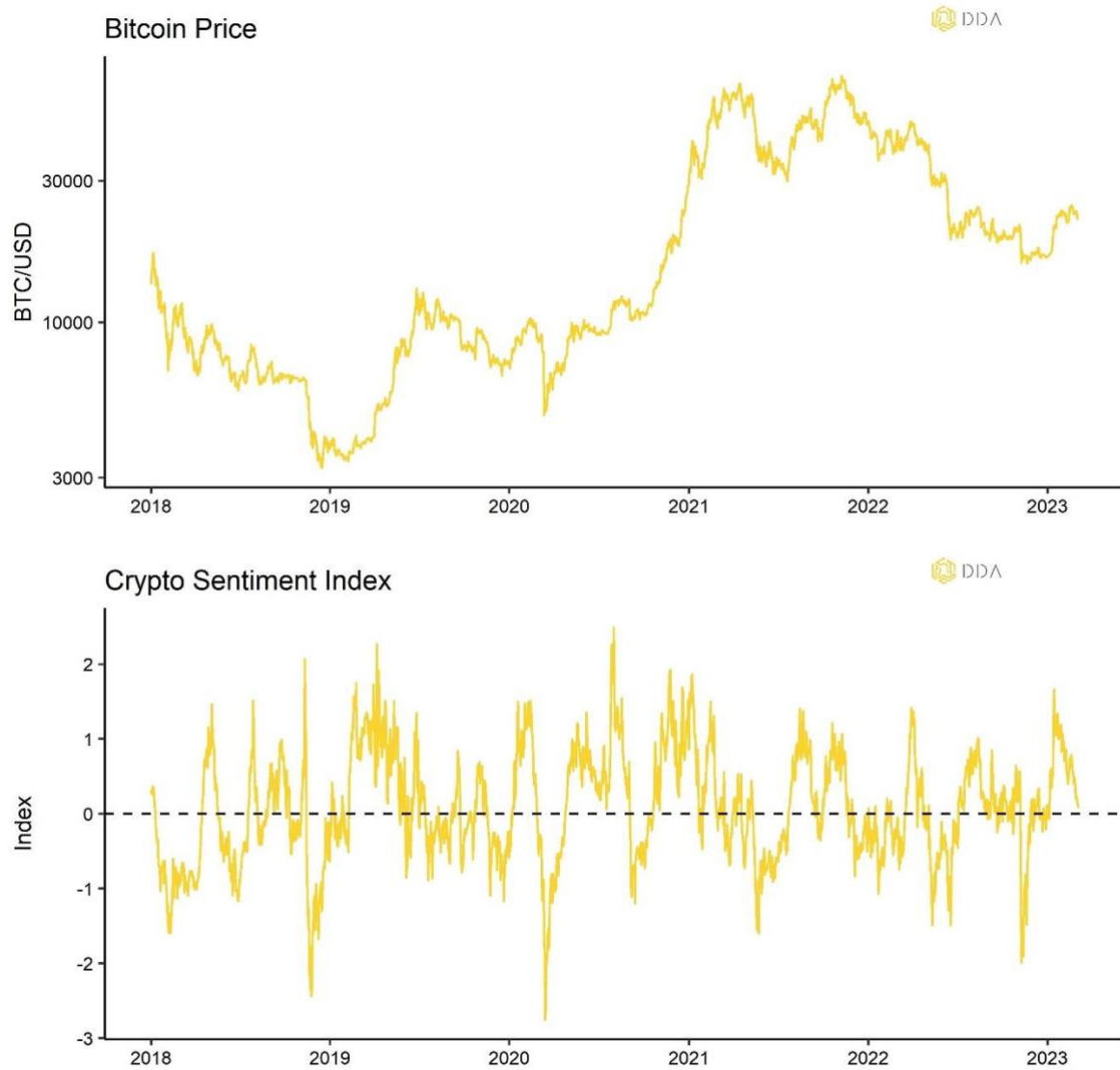
**Cryptoasset performances were weighed down by a potential insolvency of highly-interconnected crypto merchant bank Silvergate last week.**

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# Appendix

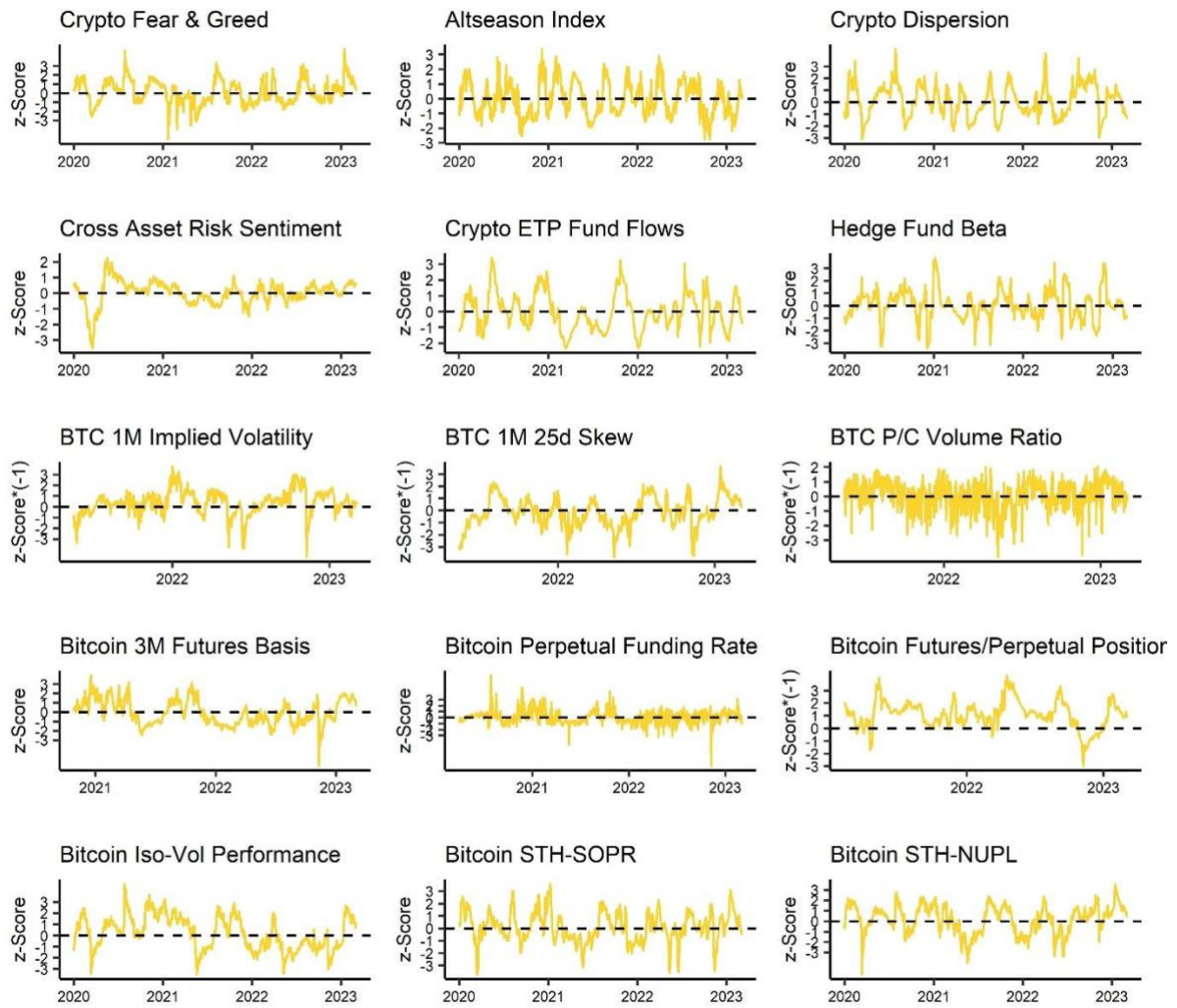
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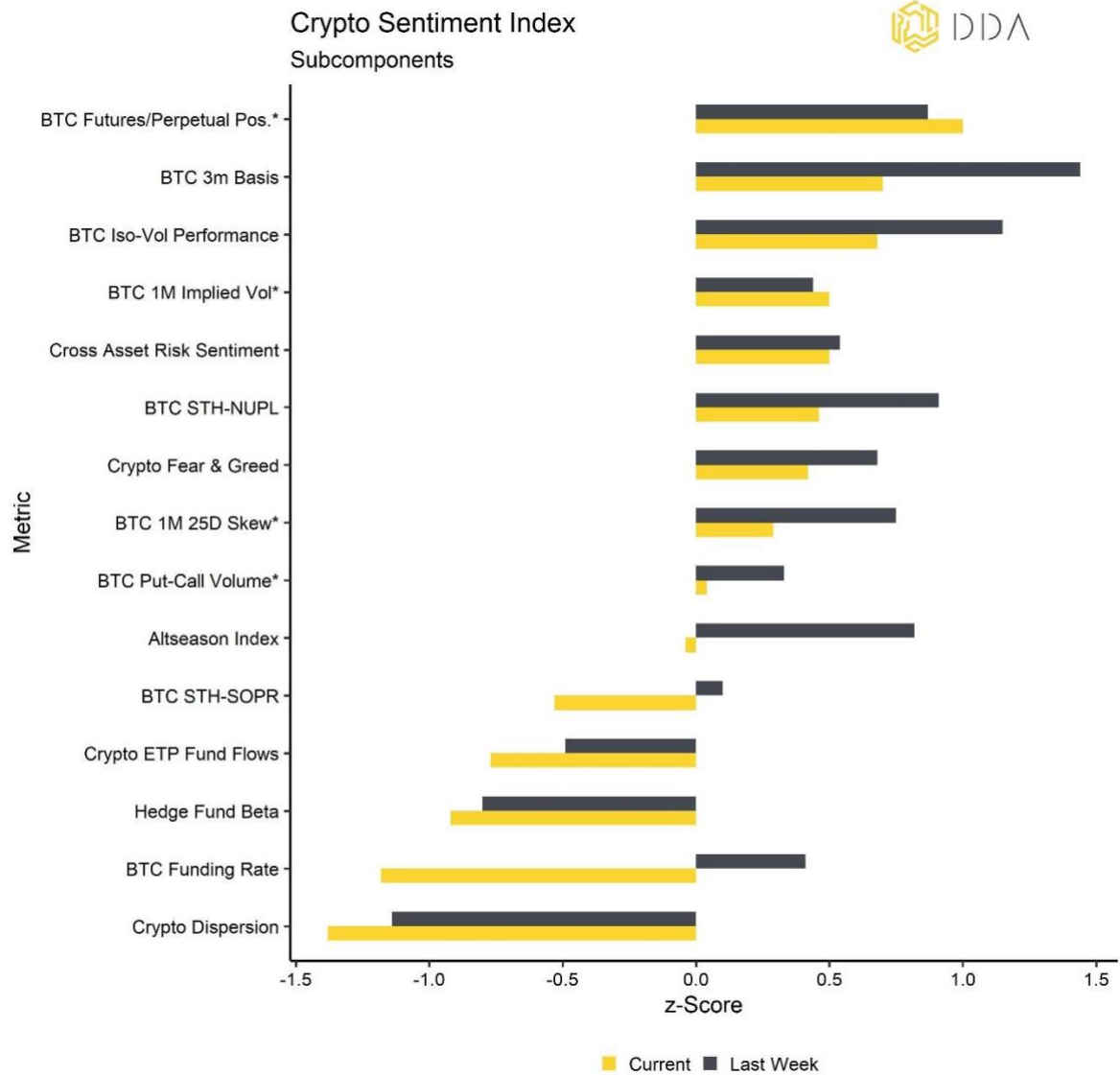
Source: Bloomberg, Coinmarketcap, Glassnode, Deutsche Digital Assets

## Crypto Sentiment Index

Subcomponents, 90-day rolling z-Scores

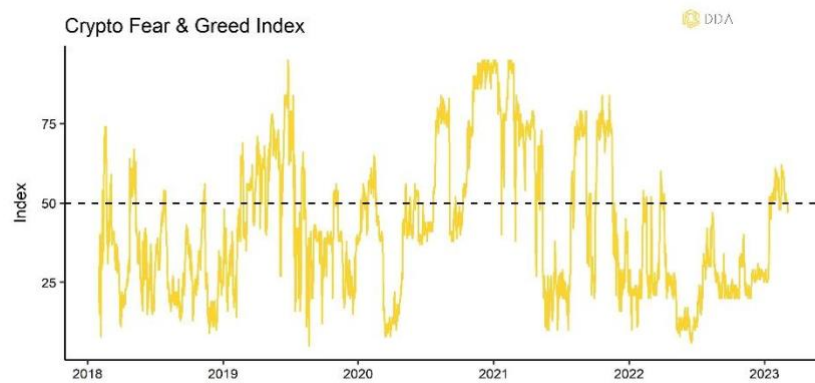
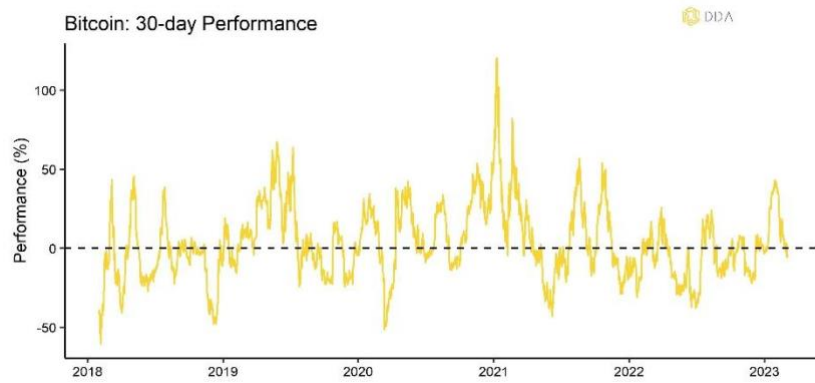


Source: Bloomberg, Coinmarketcap, Glassnode, Deutsche Digital Assets

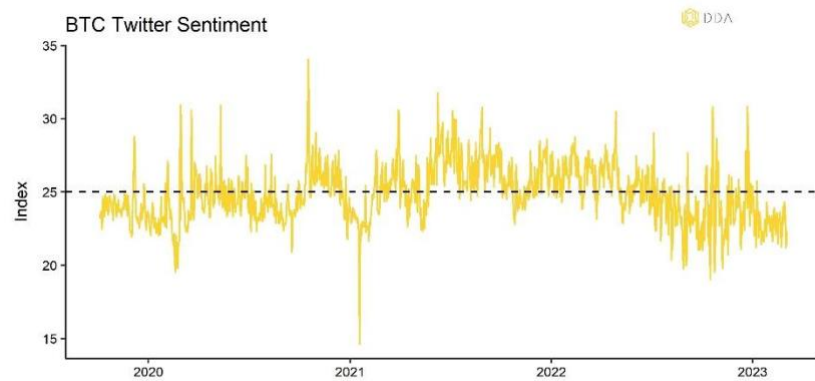
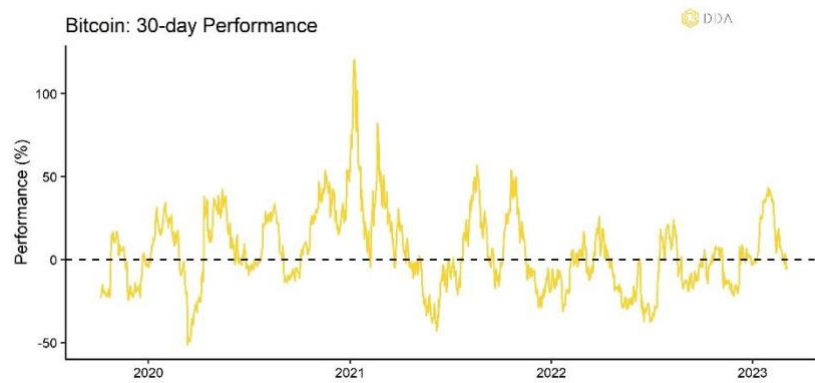


Source: Bloomberg, Coinmarketcap, Glassnode, Deutsche Digital Assets; \*multiplied by (-1)



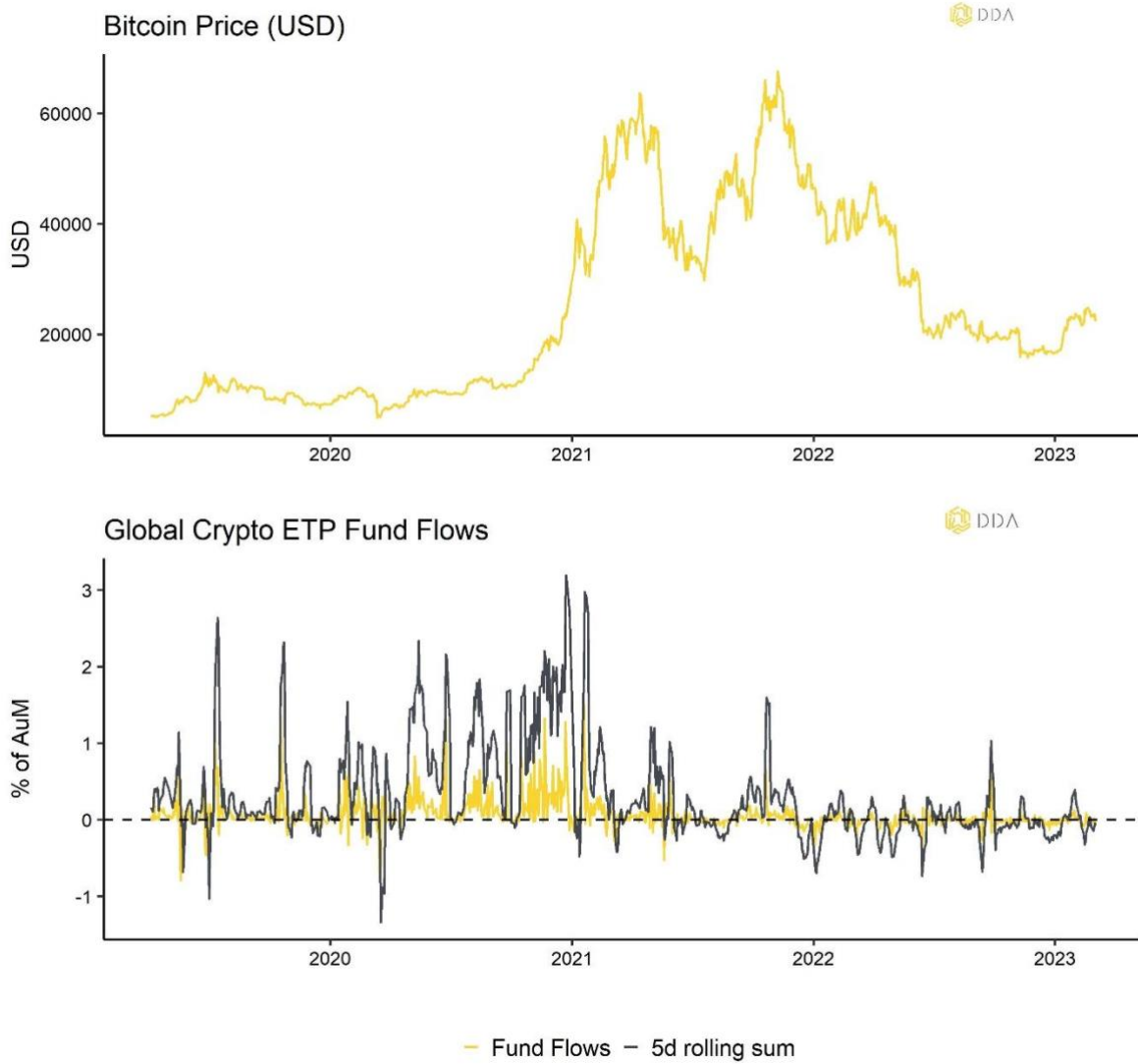


Source: alternative.me, Coinmarketcap, Deutsche Digital Assets

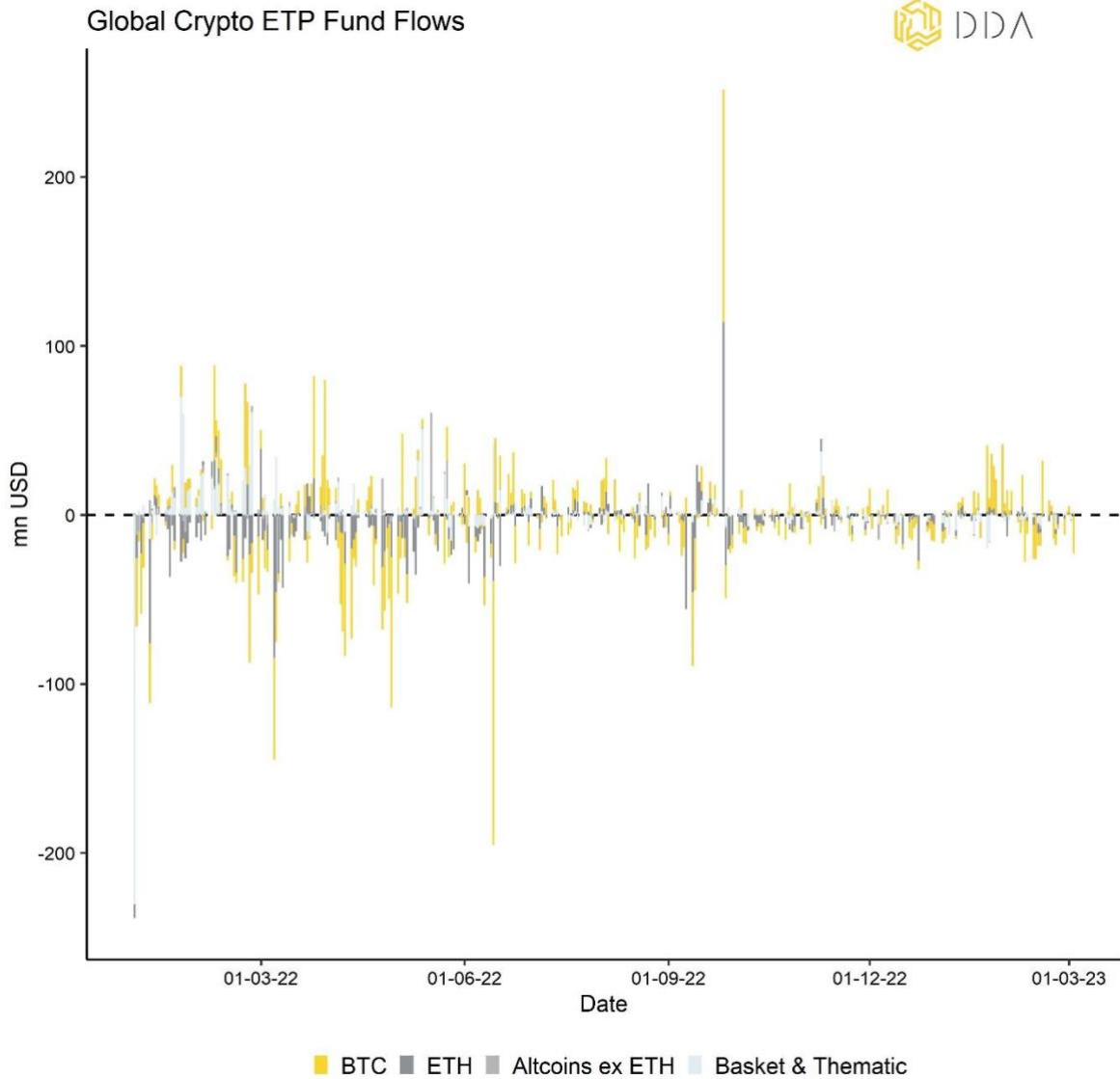


Source: btc sentiment.com, Coinmarketcap, Deutsche Digital Assets

## Bitcoin vs Global Crypto ETP Fund Flows

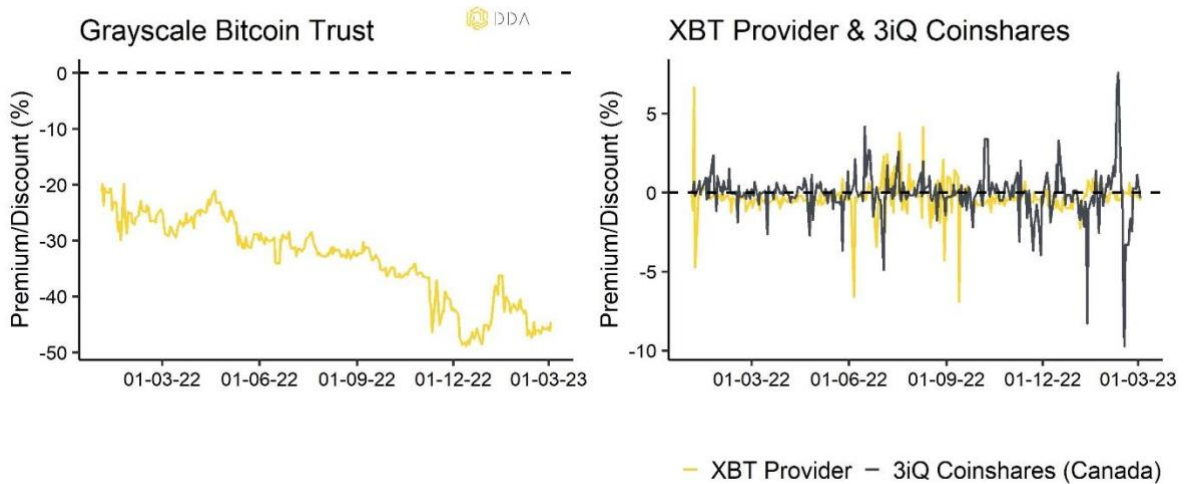


Source: Bloomberg, Deutsche Digital Assets; Only ETPs & Grayscale Trusts

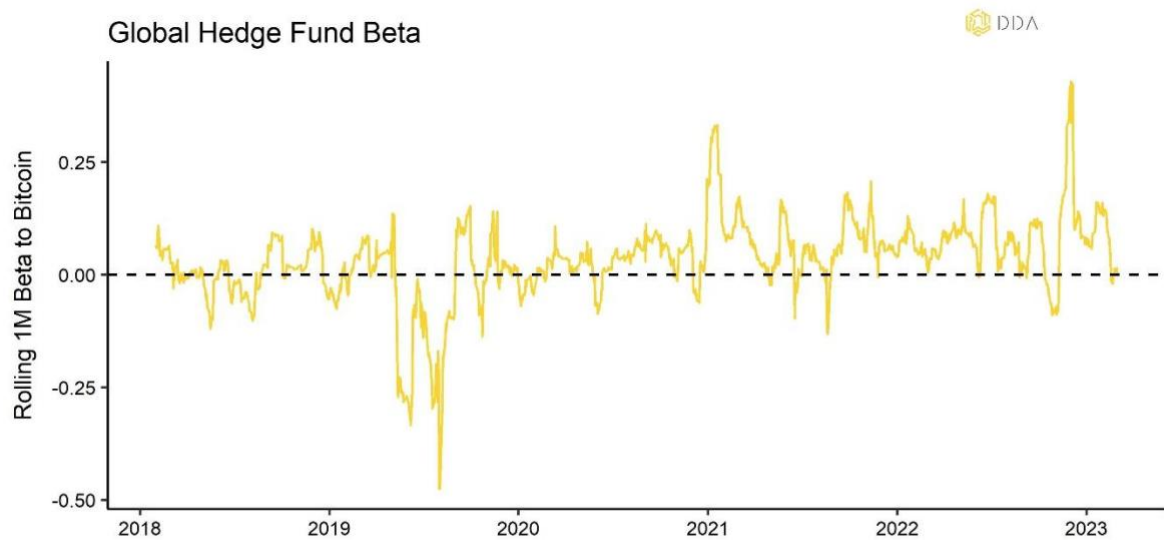
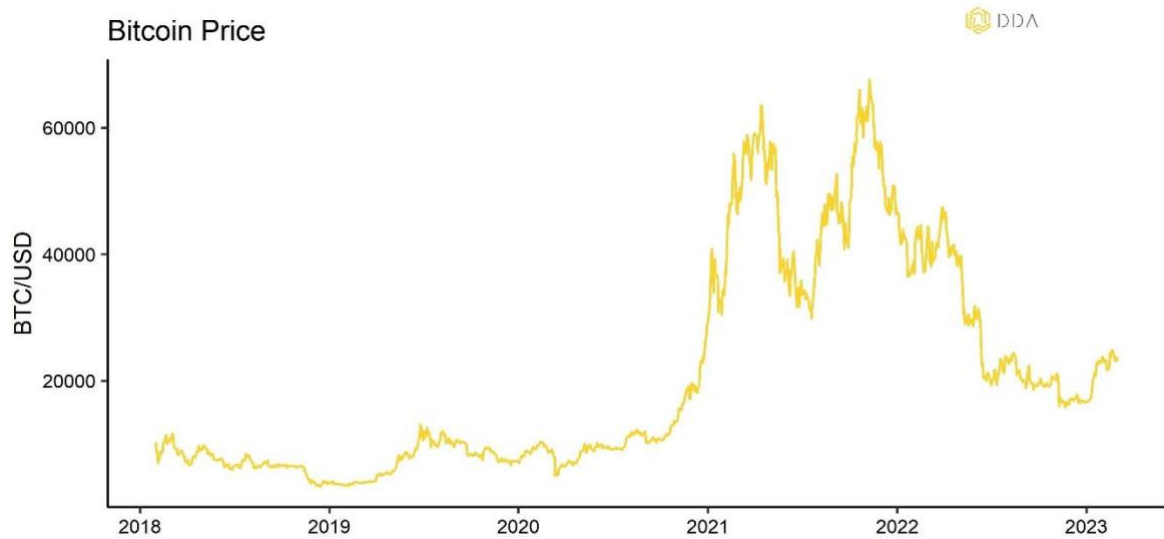


Source: Bloomberg, Deutsche Digital Assets; Only ETPs & Grayscale Trusts

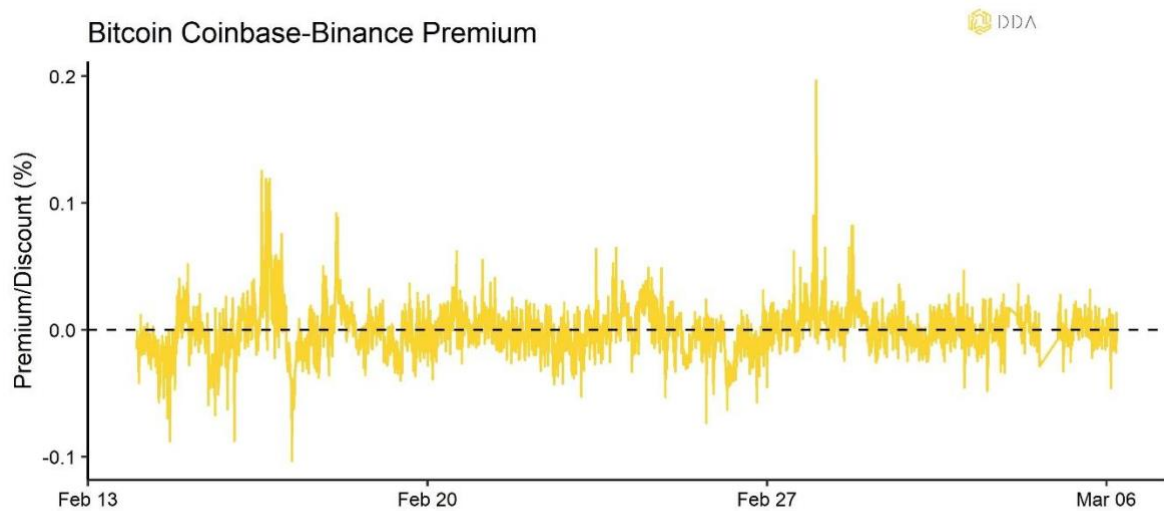
### BTC Funds NAV Premia/Discounts



Source: Bloomberg, Deutsche Digital Assets

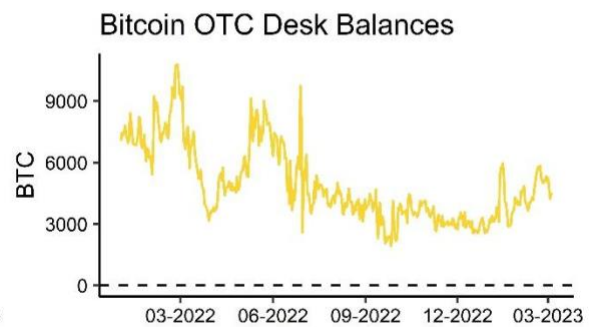
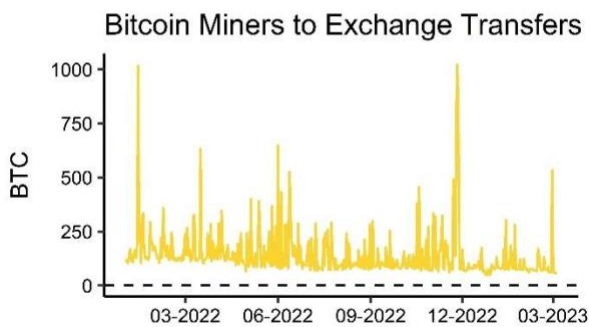
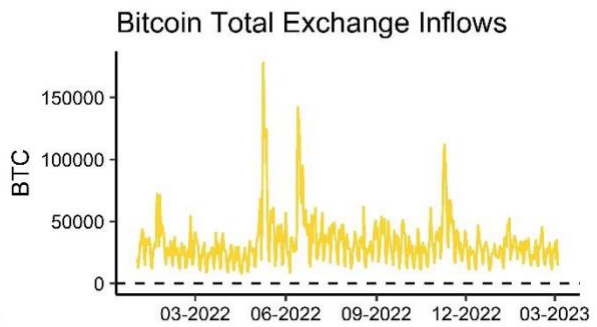
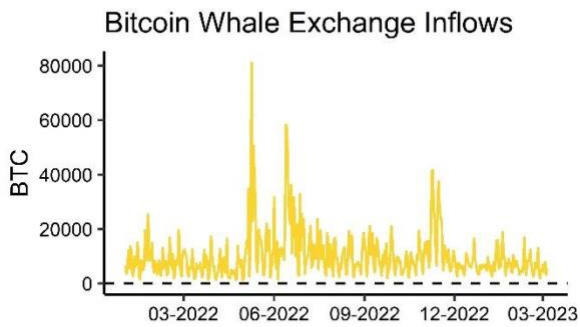
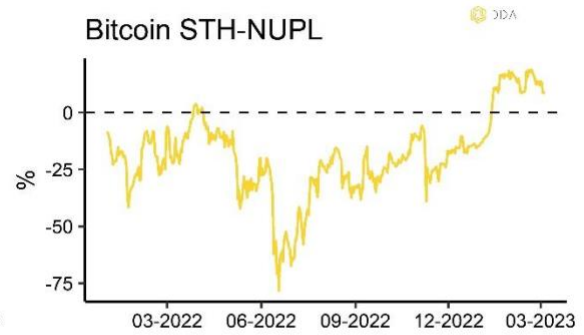
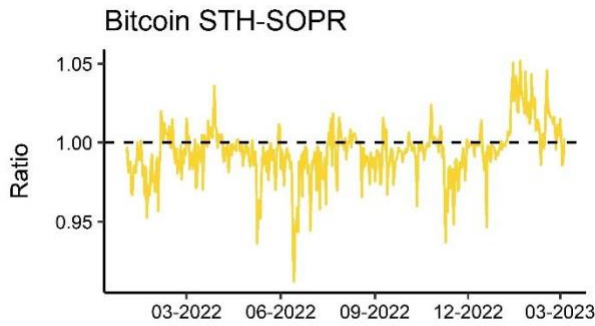


Source: Coinmarketcap, Bloomberg, Deutsche Digital Assets



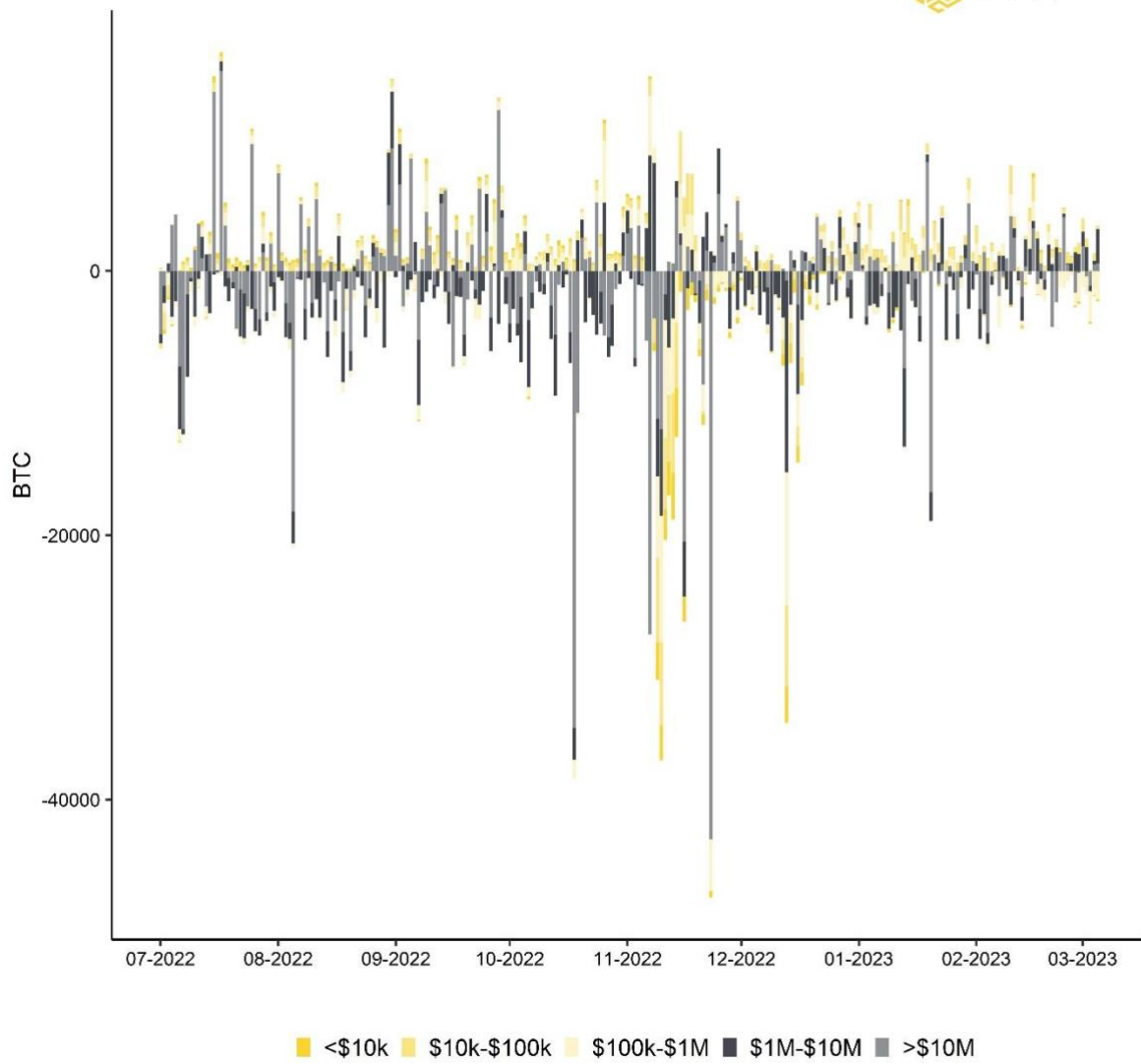
Source: Coinmarketcap, Deutsche Digital Assets

## Bitcoin On-Chain Indicators



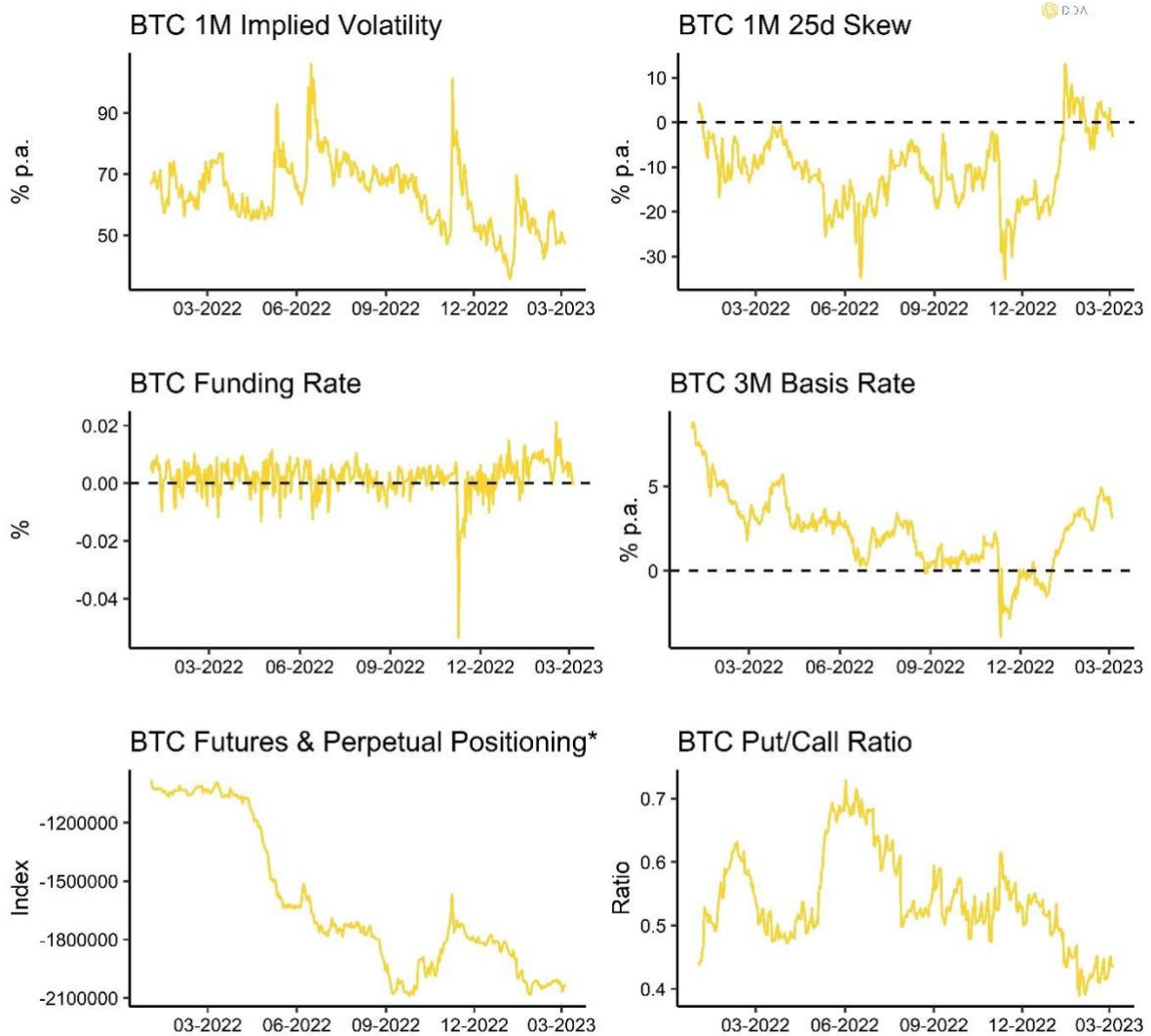
Source: Glassnode, Deutsche Digital Assets

## 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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