



# CRYPTO MARKET PULSE

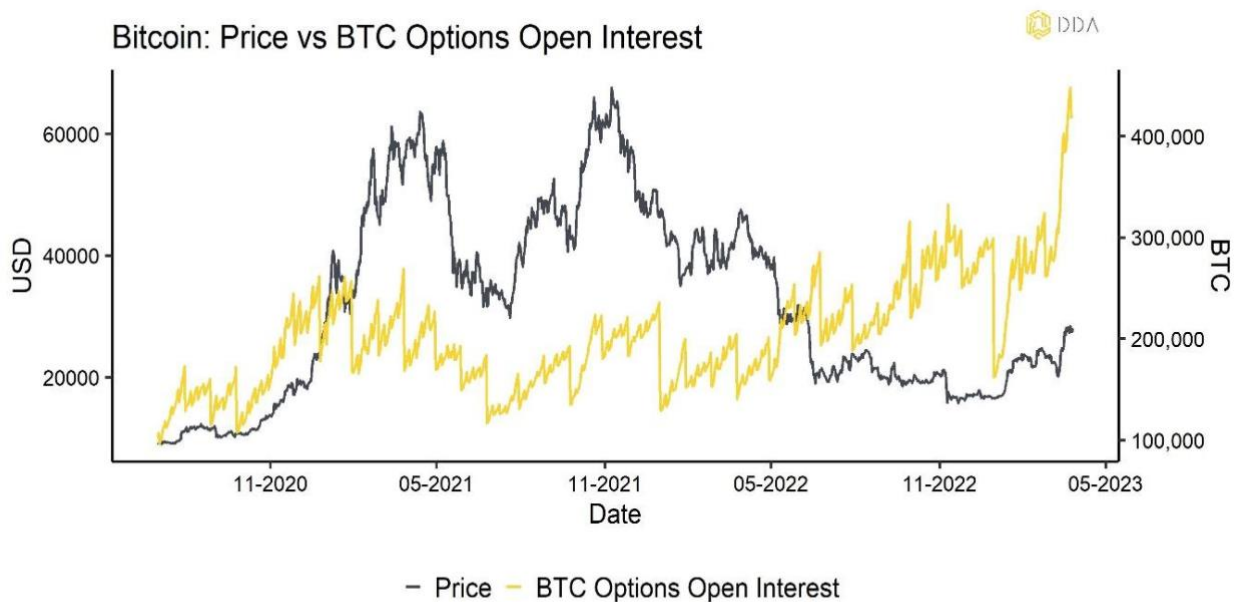
MARCH 27, 2023

## Key Takeaways

by André Dragosch, Head of Research

- ◆ Cryptoasset performances have stabilized last week after strong gains the week prior
- ◆ Our in-house Crypto Sentiment Index has remained neutral throughout the week
- ◆ There has been a very significant increase in cryptoasset exposure via Bitcoin options lately

## Chart of the Week



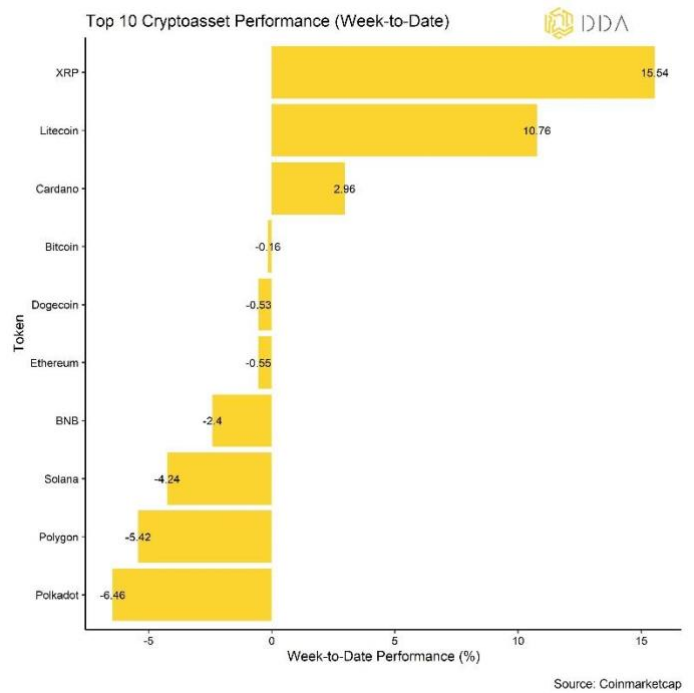
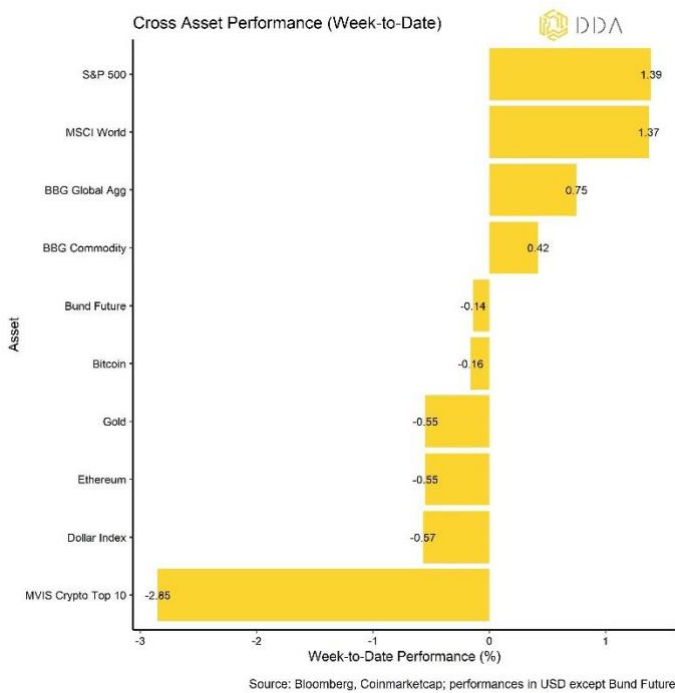
Source: Glassnode, Deutsche Digital Assets

# Performance

Last week's cryptoasset performances were rather muted compared to the week prior, where we saw one of the strongest performances since early-2021. It appears that cryptoasset markets have stabilized and do not seem to react to the ongoing stress in the traditional banking sector anymore.

Nonetheless, cryptoasset investors appear to have increased their exposure to cryptoassets aggressively via Bitcoin options lately as shown by the increase in Bitcoin options open interest in our **Chart-of-the-Week**.

However, in comparison to traditional financial assets, cryptoassets were the worst asset class last week, underperforming global equities by -422 Bps. Global bond markets and commodities were able to deliver a positive performance while gold and the US Dollar also retreated last week.



However, this hides an increasing dispersion among the top 10 cryptoassets with a performance spread of 22%-points between the top and bottom cryptoasset.

Among the major cryptoassets, XRP, Litecoin and Cardano were the relative outperformers. XRP was able to outperform significantly on the back of rumours that the Ripple may win the ongoing court case against the SEC.

## Sentiment

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Our in-house Crypto Sentiment Index has remained neutral throughout the week with no major moves in either direction. 7 out of 15 indicators are above their short-term trend.

Compared to last week, we saw major reversals in the BTC Put-Call Volume Ratio and Crypto Fund Flows.

The Crypto Fear & Greed Index has remained in "Greed" territory throughout the week.

At the same time, our in-house measure of Cross Asset Risk Sentiment, which measures the level of risk appetite across traditional asset classes such as equities, bonds, commodities and FX, continued to decrease sharply last week.

Dispersion among cryptoassets has recently increased albeit from low levels which means that cryptoassets are still mostly trading on systematic factors. At the same time, altcoins also underperformed Bitcoin on a 1-month and 3-months basis. There was only an increase in Altcoin outperformance in the last week but there were still less than 50% of tracked altcoins who managed to outperform 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 saw a significant reversal in cryptoasset fund flows.

In aggregate, we saw net fund inflows in the amount of +86.7 mn USD with the lion's share of inflows flowing into Bitcoin funds (+121.6 mn USD). Altcoin funds ex Ethereum also managed to attract flows (+8.4 mn USD) while both Ethereum funds as well as Basket & Thematic Cryptoasset funds experienced net outflows (-27.5 mn USD and -15.8 mn USD, respectively).

In contrast, the NAV discount of the biggest Bitcoin fund in the world - Grayscale Bitcoin Trust (GBTC) - has managed to narrow even further which implies net inflows into this fund vehicle.

Compared to last week, the beta of global Hedge Funds to Bitcoin over the last 20 trading days continued to be negative, implying that global hedge funds still have a net short position in cryptoassets.

Bitcoin prices traded on Coinbase vis-à-vis those traded on Binance (Coinbase-Binance premium) were

mostly positive throughout the week, which is indicative of increased buying interest from institutional investors vis-à-vis retail investors in face of the market ructions. However, the premium appears to have moderated lately.

## On-Chain

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On-Chain activity was still dominated by an increase in network participation as the number of new entities entering the network reached the highest level year-to-date, based on data provided by Glassnode. We also saw the fastest growth in Bitcoin addresses with more than 0 BTC since early 2021 (non-zero addresses). So, the current price level appears to be well-supported by underlying network activity.

That being said, we currently do not see a high congestion of the Bitcoin mempool relative to the degree of congestion we saw the week prior which implies that the rush to enter into Bitcoin has recently levelled off somewhat. The Bitcoin mempool represents a "waiting area" for valid transactions before they are included in a block.

At the same time, the hash rate of the Bitcoin network has continued to increase with another major upwards adjustment of the network difficulty of around +7% being anticipated. The network difficulty represents the estimated amount of computations needed to find the hash of the next block which is considered a proxy for the level of security of the network.

Apart from that, exchange volumes have been fairly muted with no major exchange inflows that could signal selling pressure at these higher price levels. To the contrary, Bitcoins continued to flow out of exchanges again, especially into larger wallet sizes which implies some degree of whale buying.

We also saw continued declines in Ethereum exchange balances last week which are also positive. Transactions on the Ethereum blockchain currently appear to be dominated by transactions different from NFTs, DeFi, ERC-20 or Stablecoins based on the relative Gas usage (i.e. transactions fees) which implies that pure investment demand has been a dominant force in the latest price increases as well.

## Derivatives

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In general, we have seen an overall decrease in implied volatilities due to the stabilization in prices last week. The 25-delta Bitcoin option skew which measures the difference in implied volatilities between calls and puts also reversed slightly.

However, there was a very significant increase in Bitcoin options open interest to new all-time highs in BTC-terms as shown by our **Chart-of-the-Week**. The notional USD-value of these contracts is at par with the highs of the last bull market. Most institutional investors increasingly also use derivatives such as options to manage their exposure to cryptoassets.

Most of these option contracts represent out-of-the-money (OTM) calls, i.e. buy options. So, in aggregate, option traders are speculating on higher prices. The Put-Call Open Interest currently stands at 0.52, meaning that there are approximately 2 call options for every single put option.

In contrast, there has not been such a significant increase in either futures or perpetual futures open interest last week. As it currently stands, Bitcoin option open interest has surpassed both futures and perpetual open interest in terms of USD notional value.

The BTC 3-months futures basis rate is still positive and trending upwards while the perpetual funding is slightly positive implying that traders are generally positioned towards higher prices.

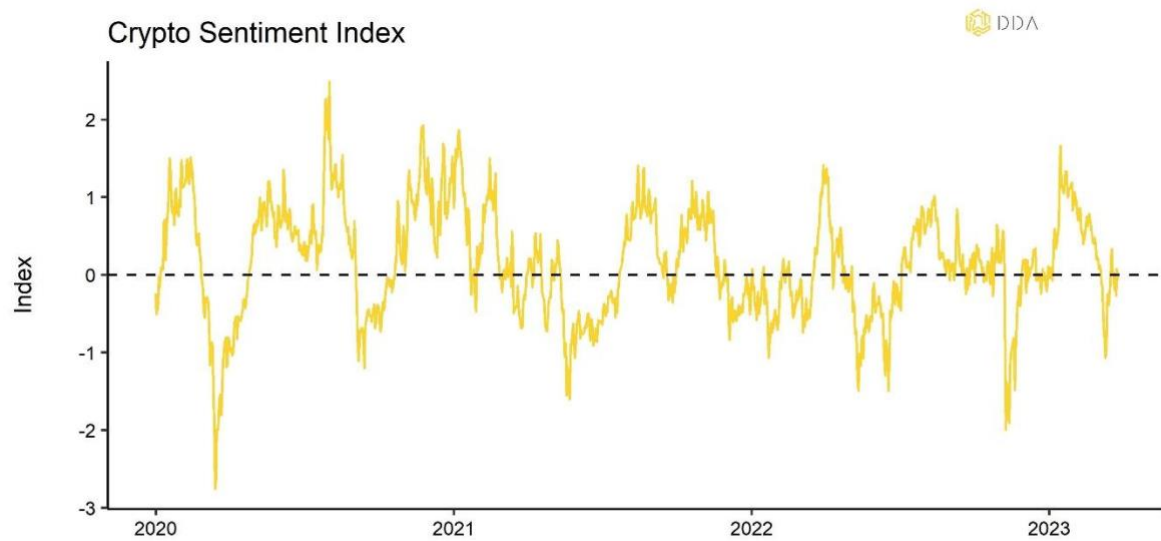
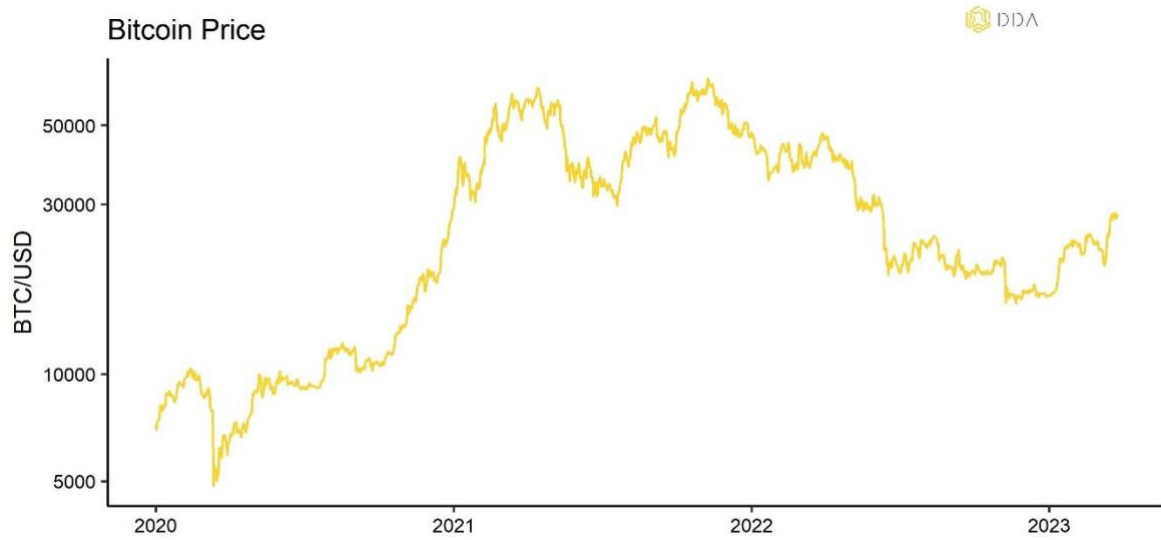
## Bottom Line

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**Cryptoasset performances have stabilized last week after strong gains the week prior. Our in-house Crypto Sentiment Index has remained neutral throughout the week. There has been a very significant increase in cryptoasset exposure via Bitcoin options lately**

# Appendix

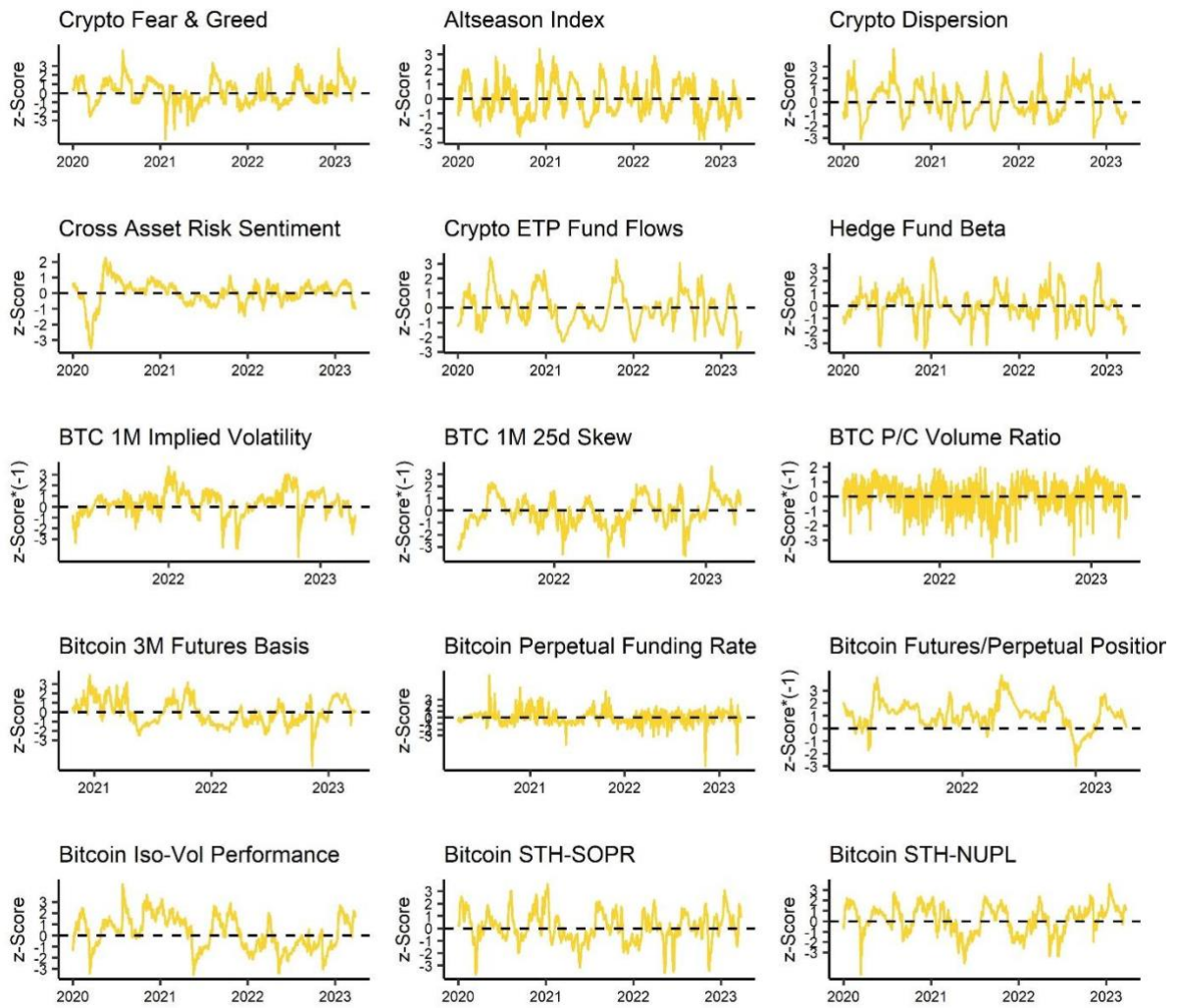
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Source: Bloomberg, Coinmarketcap, Glassnode, Deutsche Digital Assets

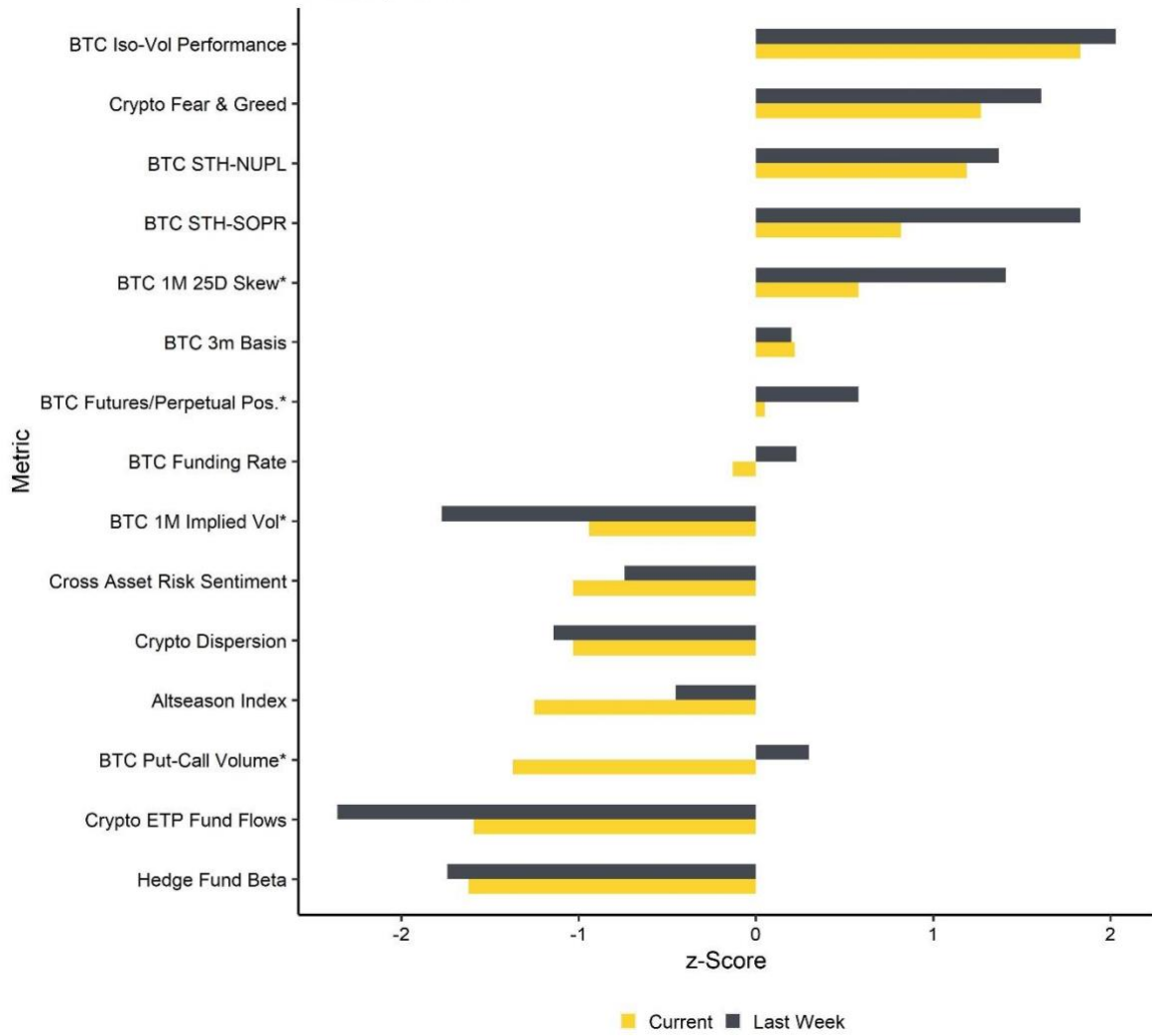
# Crypto Sentiment Index

## Subcomponents, 90-day rolling z-Scores



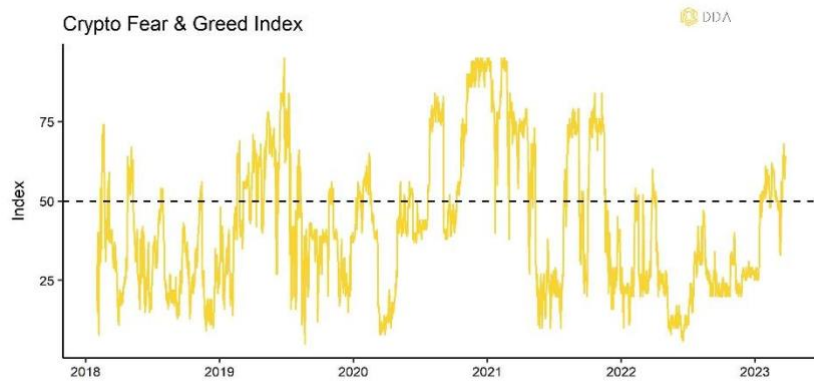
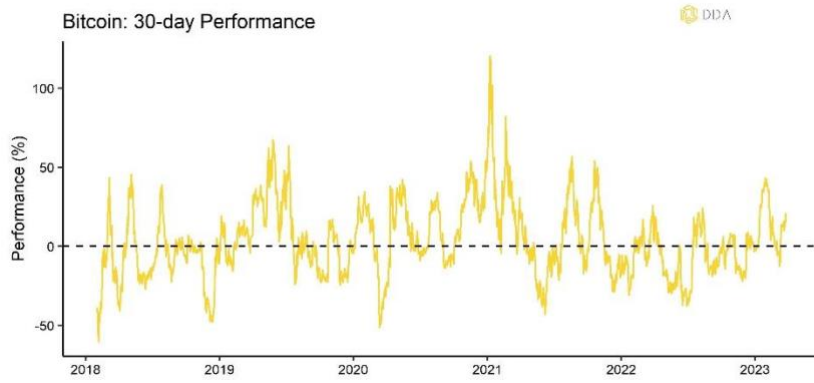
Source: Bloomberg, Coinmarketcap, Glassnode, Deutsche Digital Assets

## Crypto Sentiment Index Subcomponents



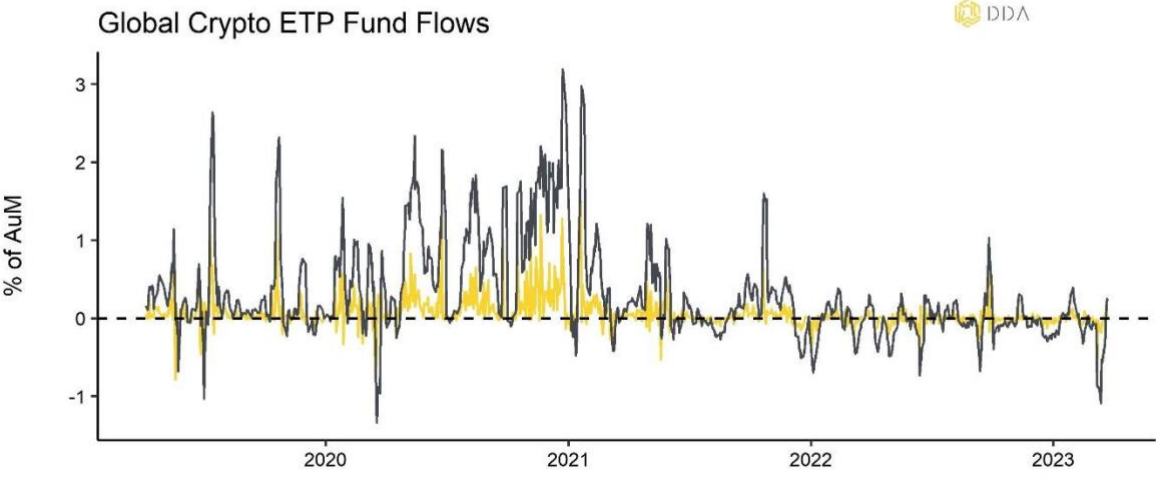
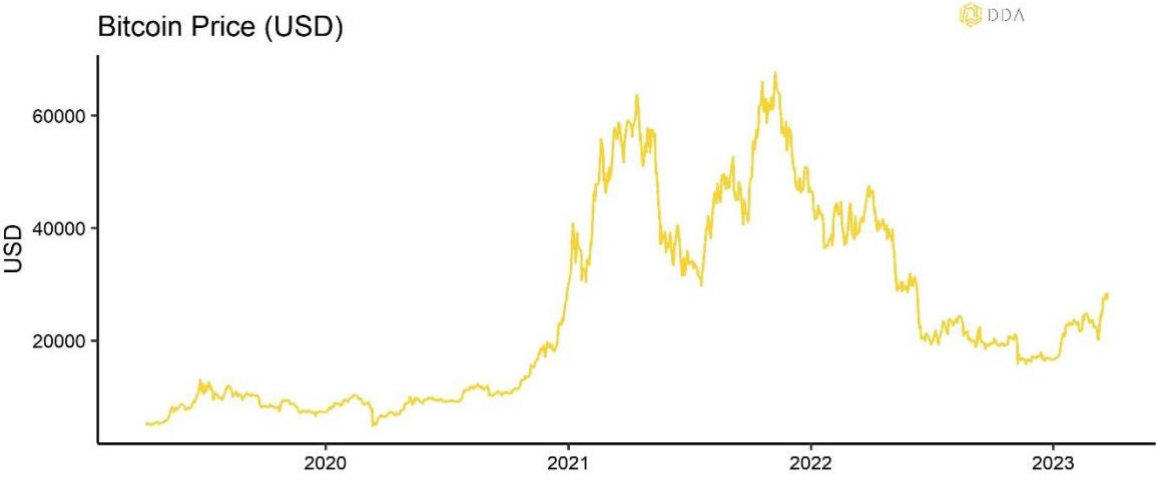
Source: Bloomberg, Coinmarketcap, Glassnode, Deutsche Digital Assets; \*multiplied by (-1)





Source: alternative.me, Coinmarketcap, Deutsche Digital Assets

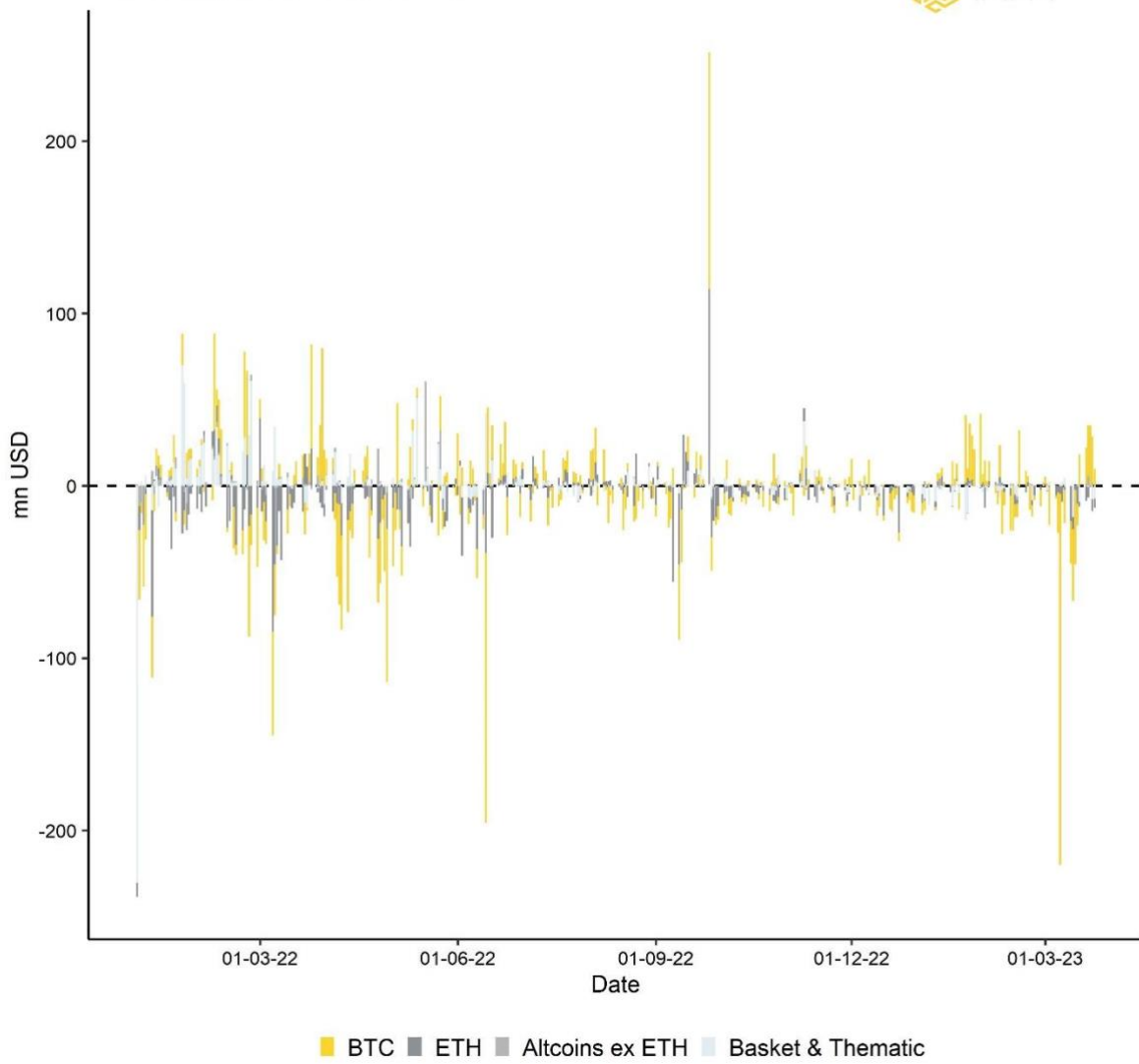
# Bitcoin vs Global Crypto ETP Fund Flows



— Fund Flows — 5d rolling sum

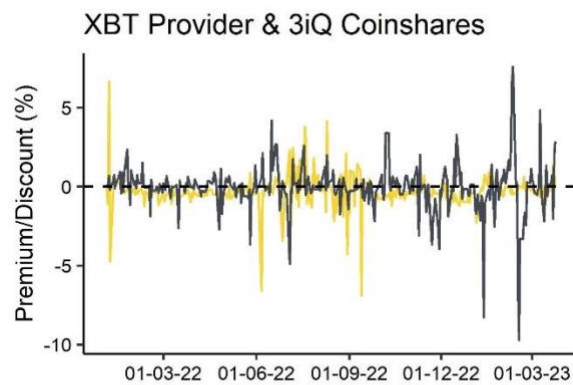
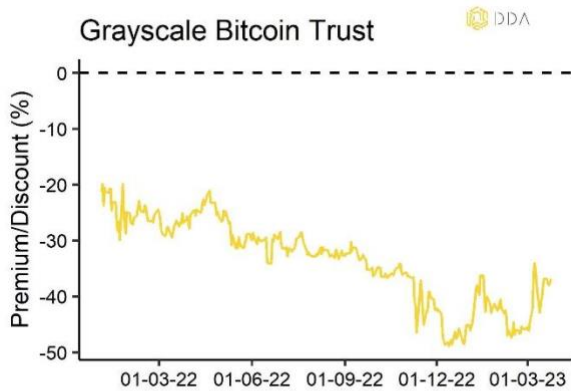
Source: Bloomberg, Deutsche Digital Assets; Only ETPs & Grayscale Trusts

## Global Crypto ETP Fund Flows



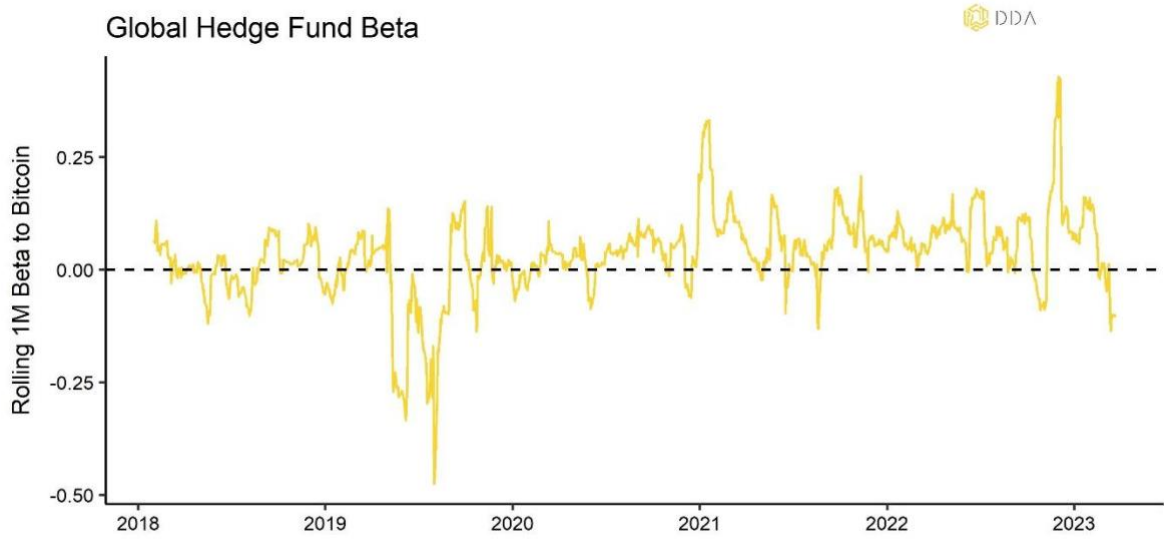
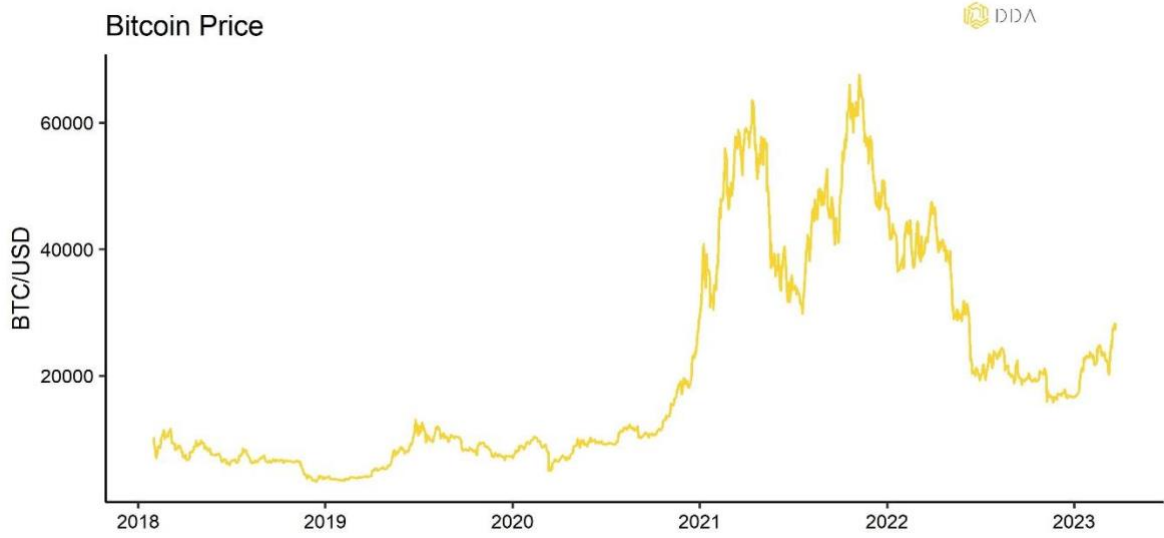
Source: Bloomberg, Deutsche Digital Assets; Only ETPs & Grayscale Trusts

## BTC Funds NAV Premia/Discounts

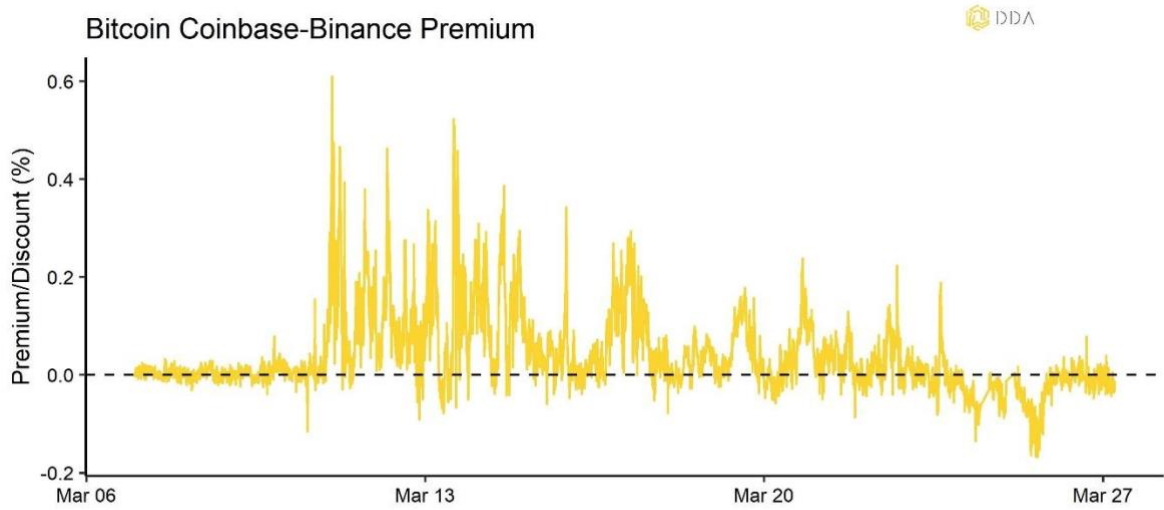


— XBT Provider — 3iQ Coinshares (Canada)

Source: Bloomberg, Deutsche Digital Assets

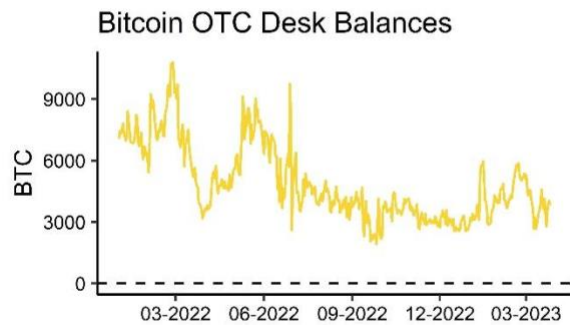
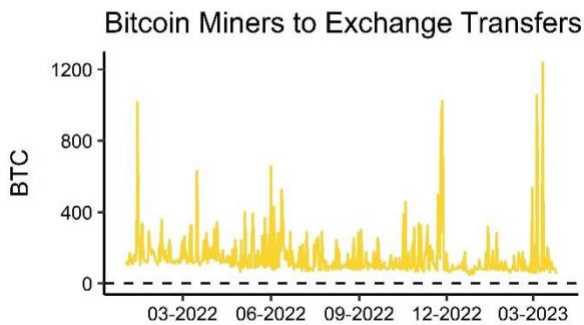
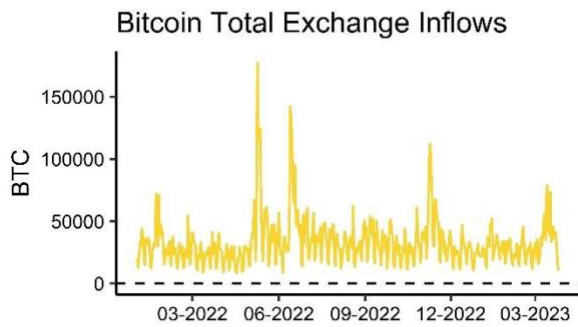
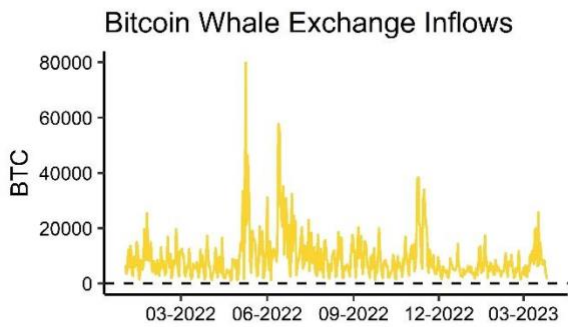
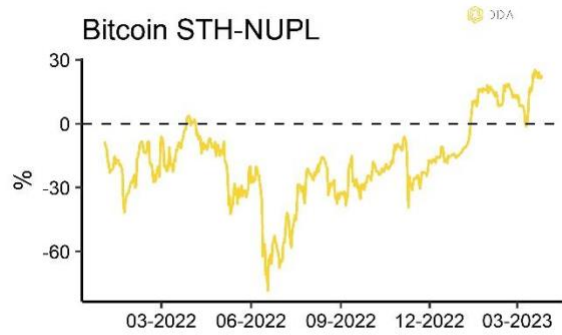
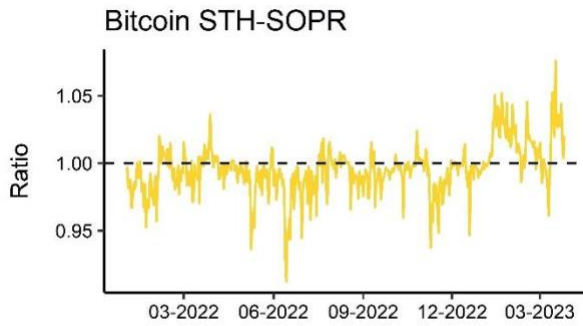


Source: Coinmarketcap, Bloomberg, Deutsche Digital Assets



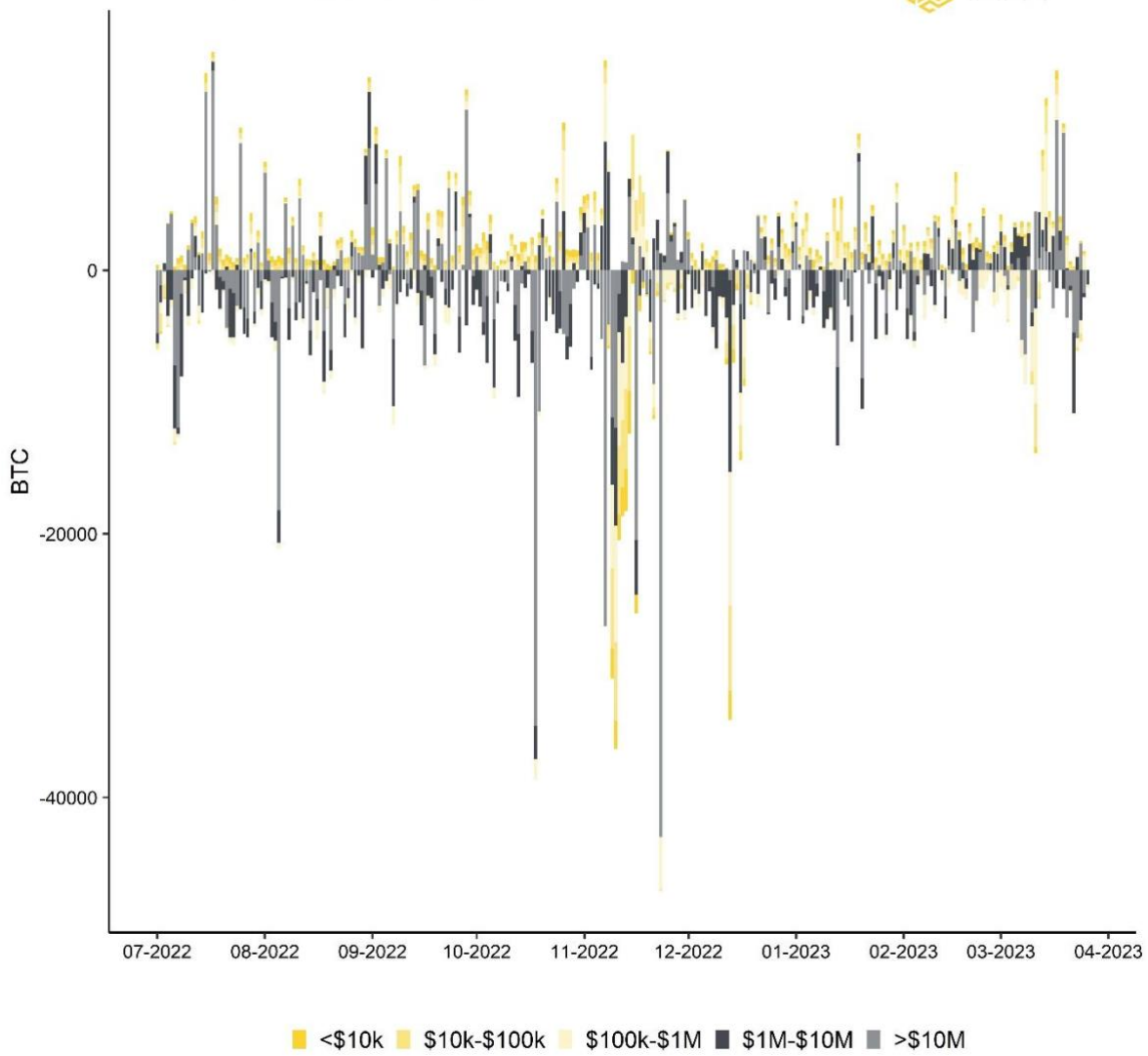
Source: Coinmarketcap, Deutsche Digital Assets

## Bitcoin On-Chain Indicators



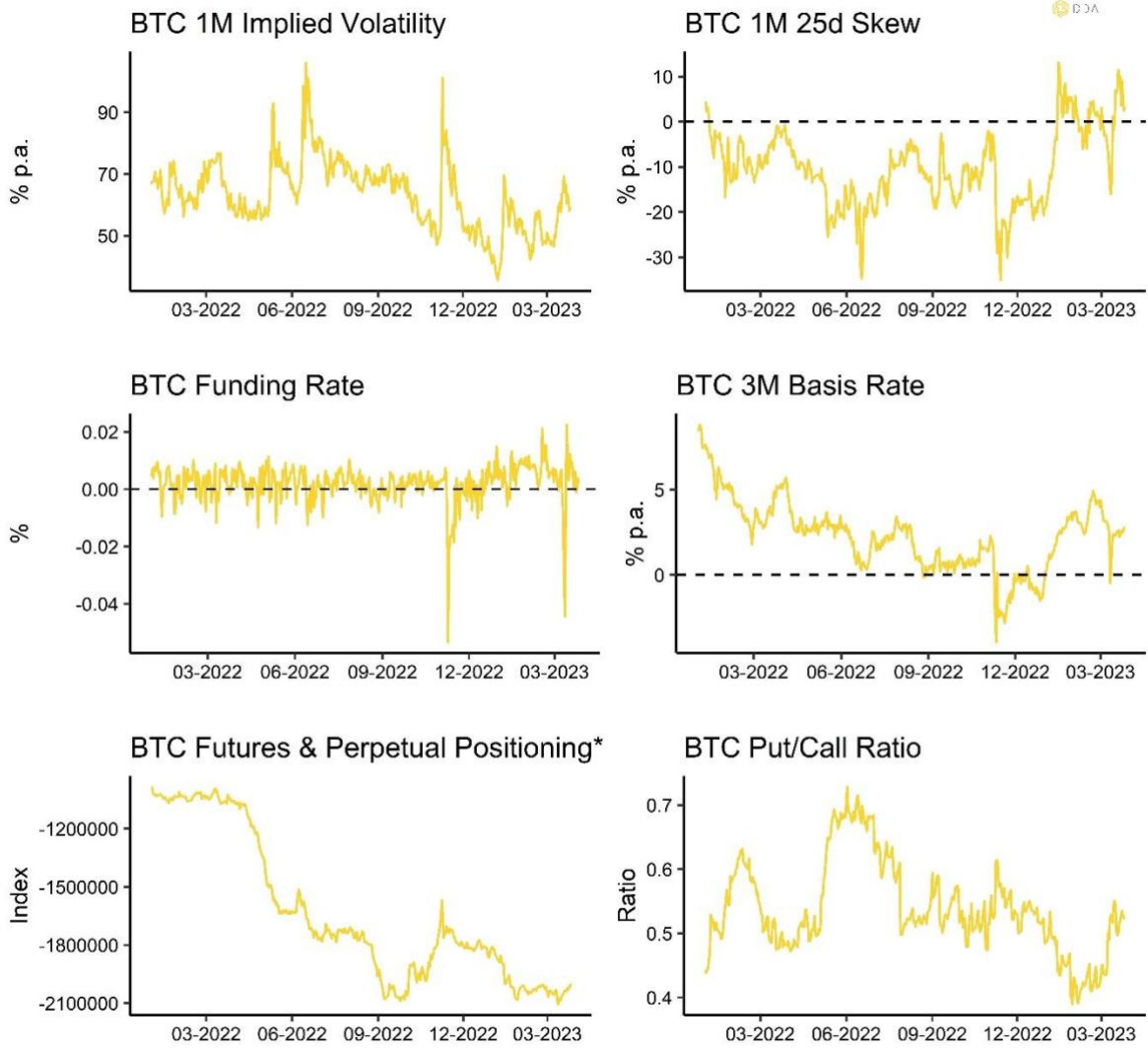
Source: Glassnode, Deutsche Digital Assets

# 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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**Deutsche Digital Assets GmbH**  
research@deutschedigitalassets.com  
www.deutschedigitalassets.com