



CRYPTO MARKET PULSE

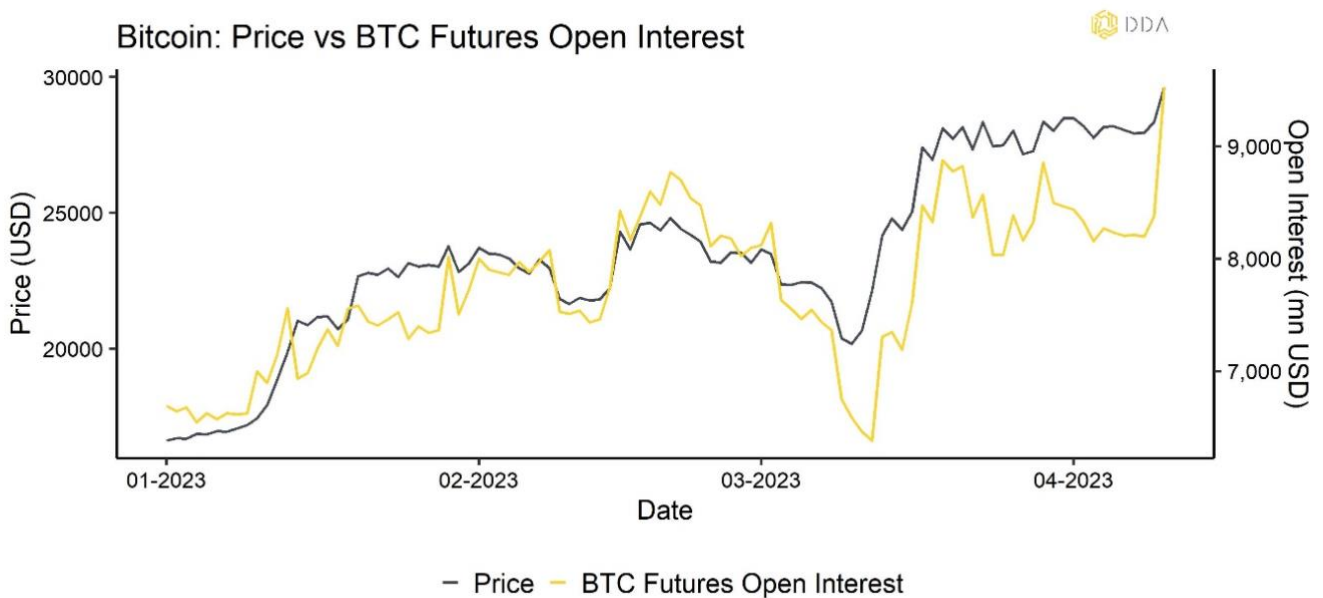
APRIL 11, 2023

Key Takeaways

by André Dragosch, Head of Research

- ◆ Bitcoin has just broken out of its sideways price range of the past weeks
- ◆ Our in-house Crypto Sentiment Index has still remained neutral throughout the week
- ◆ There has been a very significant increase in cryptoasset exposure via Bitcoin futures lately

Chart of the Week



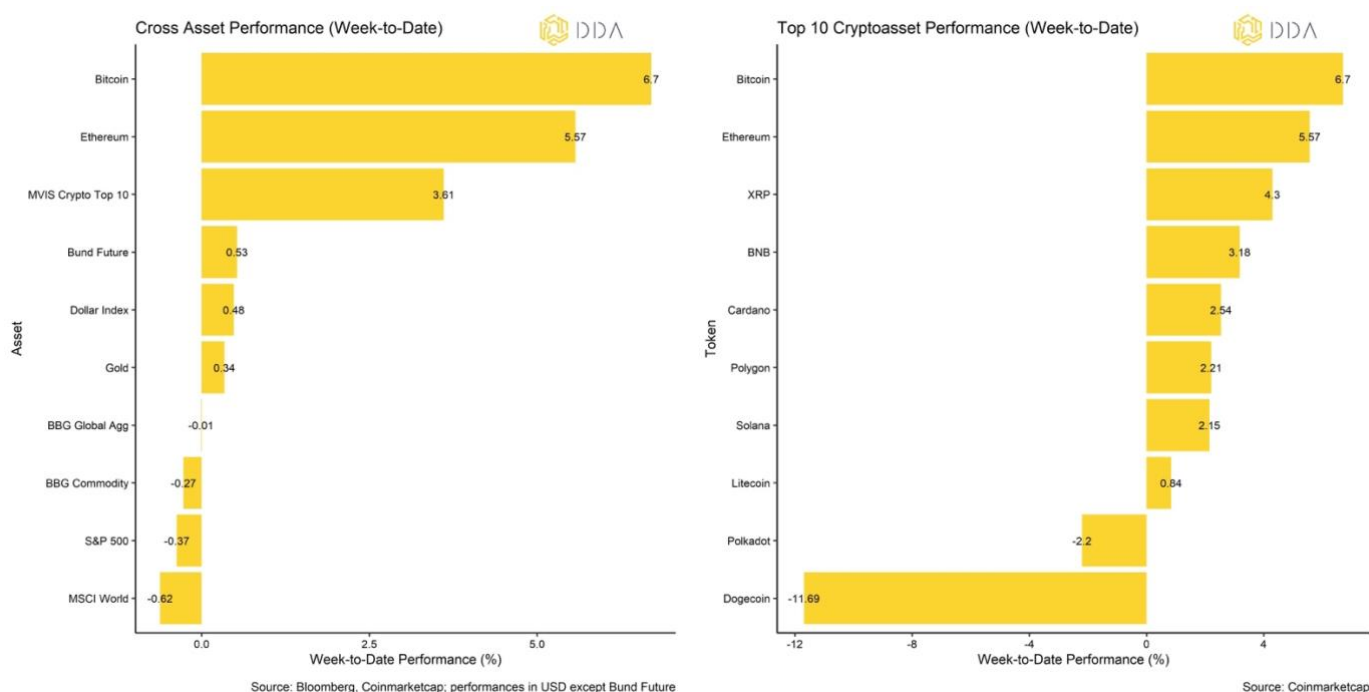
Source: Glassnode, Deutsche Digital Assets

Performance

Last week's cryptoasset performances were rather muted and only recently cryptoassets appear to have exited their spring lull of the past weeks.

This appears to be associated with an increase in Bitcoin futures (and perpetual) open interest to the highest level year-to-date (see **Chart-of-the-Week**).

In comparison to traditional financial assets, cryptoassets have outperformed by a very wide margin. Global bonds and gold have outperformed global equities last week.



Among the major cryptoassets, Bitcoin, Ethereum and XRP were the relative outperformers. Dogecoin underperformed significantly last week as the meme coin's logo was taken off Twitter again. Twitter had recently put a logo of the infamous Shiba Inu of Dogecoin on its website which sparked further price increases in the token.

Sentiment

Our in-house Crypto Sentiment Index has remained neutral throughout the week with no major moves in either direction. 8 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.

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. Altcoin outperformance is usually a sign of increased risk appetite and low altcoin outperformance is still indicative of a rather cautious market sentiment.

Flows

Last week saw a significant reversal in cryptoasset fund flows again.

In aggregate, we saw net fund inflows in the amount of +65.0 mn USD (week ending Friday) with the lion's share of inflows yet again flowing into Bitcoin funds (+66.1 mn USD). Altcoin funds ex Ethereum also managed to attract minor flows (+1.2 mn USD) while both Ethereum funds as well as Basket & Thematic Cryptoasset funds experienced minor net outflows (-0.7 mn USD and -1.6 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) have most-recently increased, 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

On-Chain data has posted yet another week of strong network fundamentals.

For instance, the number of new addresses on the Bitcoin blockchain has reached the highest level since May 2021 and the number of transactions has even reached the highest level since January 2021.

So, the current price level still appears to be well-supported by underlying network activity.

Under the surface, realized cap transactions on the Bitcoin blockchain suggest that an increasing supply of coins has become younger which is a typical sign of a bull market as new investors are entering the market. For instance, the realized cap of coins with a holding period of 1-2 years has decreased from 46.3% in November 2022 to 33.1% in April 2023. At the same time, coins with a holding period of less than 6 months have increased from 22% in November 2022 to 26.8% now. In other words, 1/4 of the current Bitcoin supply has been acquired/changed hands over the last 6 months. In bull markets, this percentage tends to increase. Apart from that, exchange volumes have been fairly muted with no major exchange inflows that could signal selling pressure at these higher price levels. Both for Ethereum and Bitcoin exchange balances have essentially been moving sideways the last 2 weeks.

In general, short-term holders of Bitcoin remain well into the profit zone, both in terms of realized and unrealized profits on chain. This should have a positive effect on the market as there is no significant selling pressure to be expected from "weak hands" that usually sell into losses.

Derivatives

Crypto derivatives metrics also remain quite bullish at the moment. Implied volatilities on Bitcoin options have mostly been trending downwards due to the sideways market and have only recently started to increase again on account of the recent break-out to the upside. Bitcoin option traders remain optimistic as shown by the positive 25-delta skew of calls vs puts.

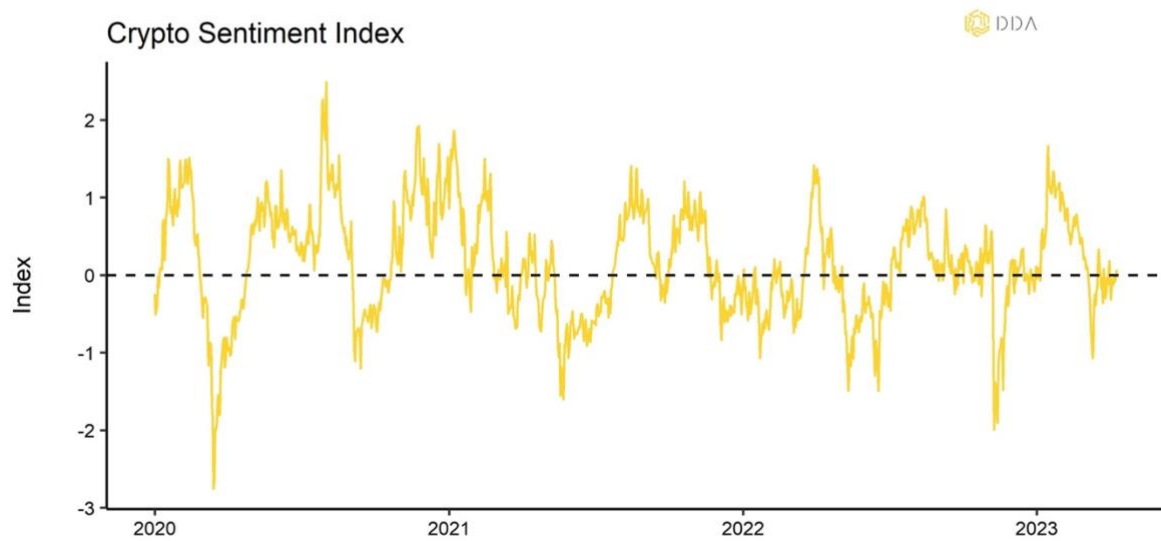
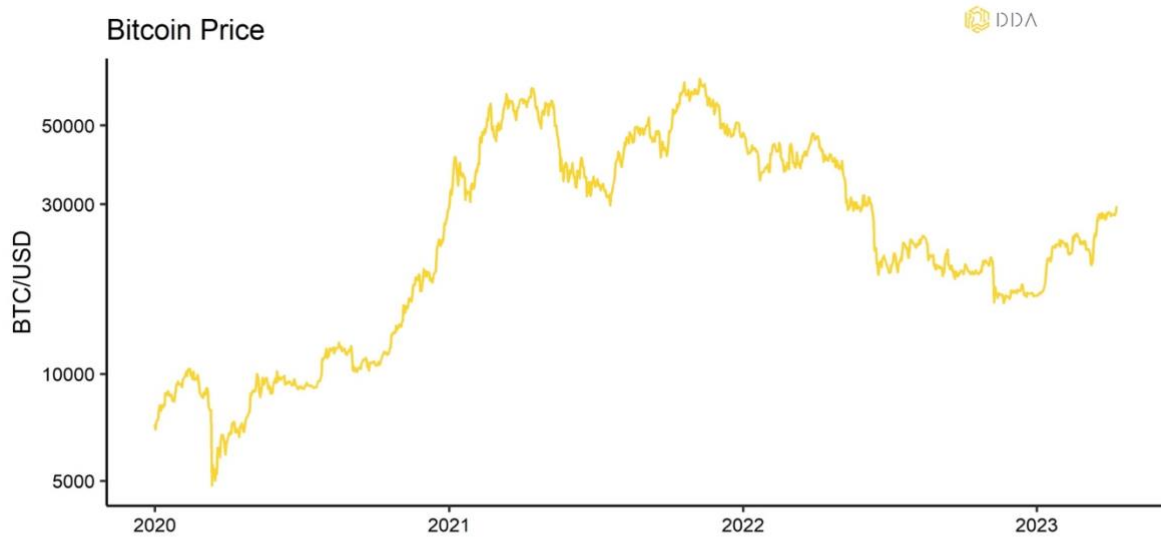
On a similar note, the 3-months Bitcoin futures basis rate also remains positive. Thus, Bitcoin futures traders agree on a positive price outlook in the next 3 months as the futures curve remains in contango, i.e. upward sloping. In that context, there has been a significant increase both in futures and perpetual open interest to the highest levels year-to-date in notional USD-terms as shown by our **Chart-of-the-Week**, which appears to be the main driver behind the latest break-out of Bitcoin towards 30k USD.

On that note, it is striking that our in-house measure of futures and perpetual positioning proxy still implies that Bitcoin futures and perpetual traders still remain underinvested which implies further potential to increase exposure.

Bottom Line

Bitcoin has just broken out of its sideways price range of the past weeks. Our in-house Crypto Sentiment Index has still remained neutral throughout the week. There has been a very significant increase in cryptoasset exposure via Bitcoin futures lately.

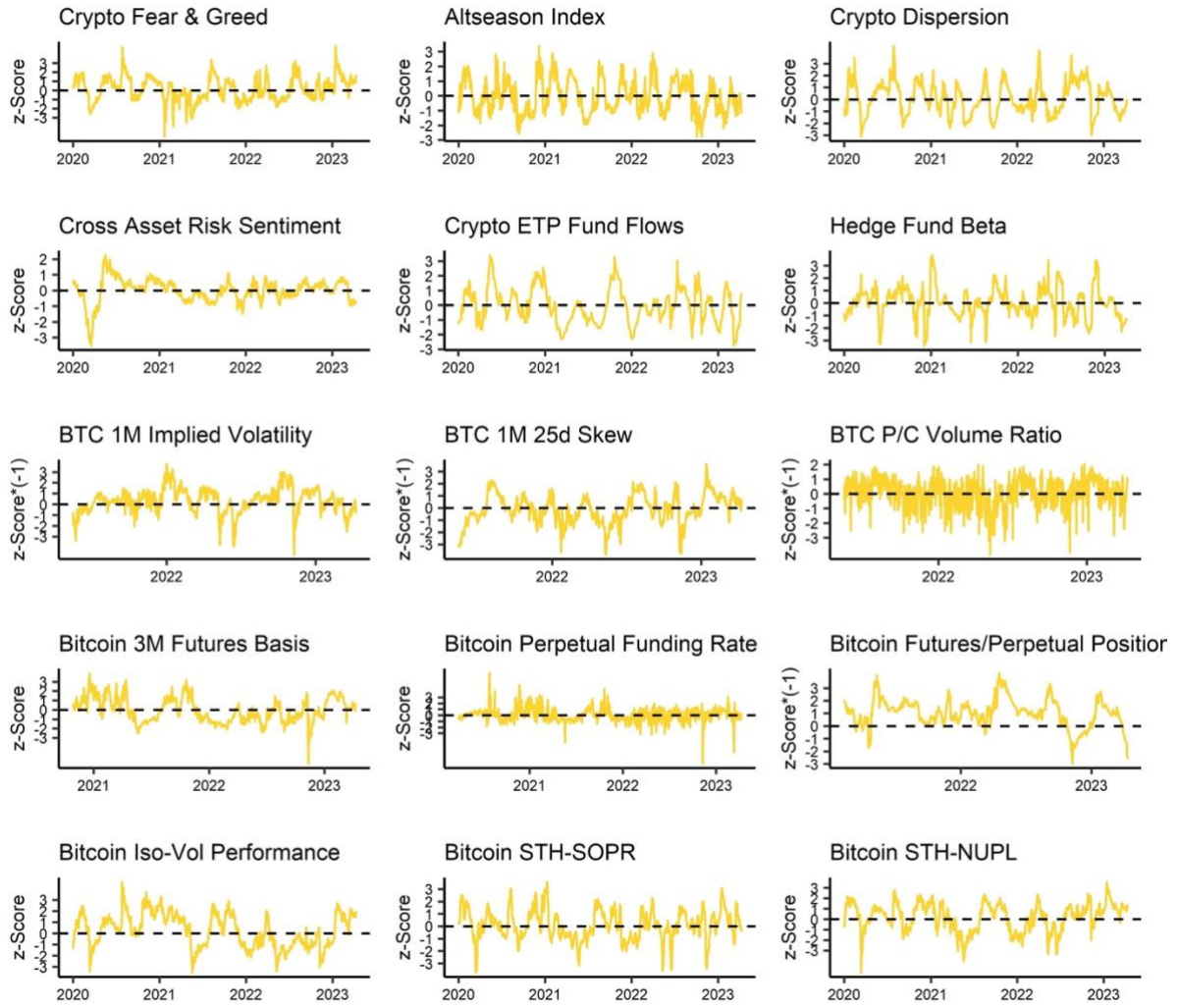
Appendix



Source: Bloomberg, Coinmarketcap, Glassnode, Deutsche Digital Assets

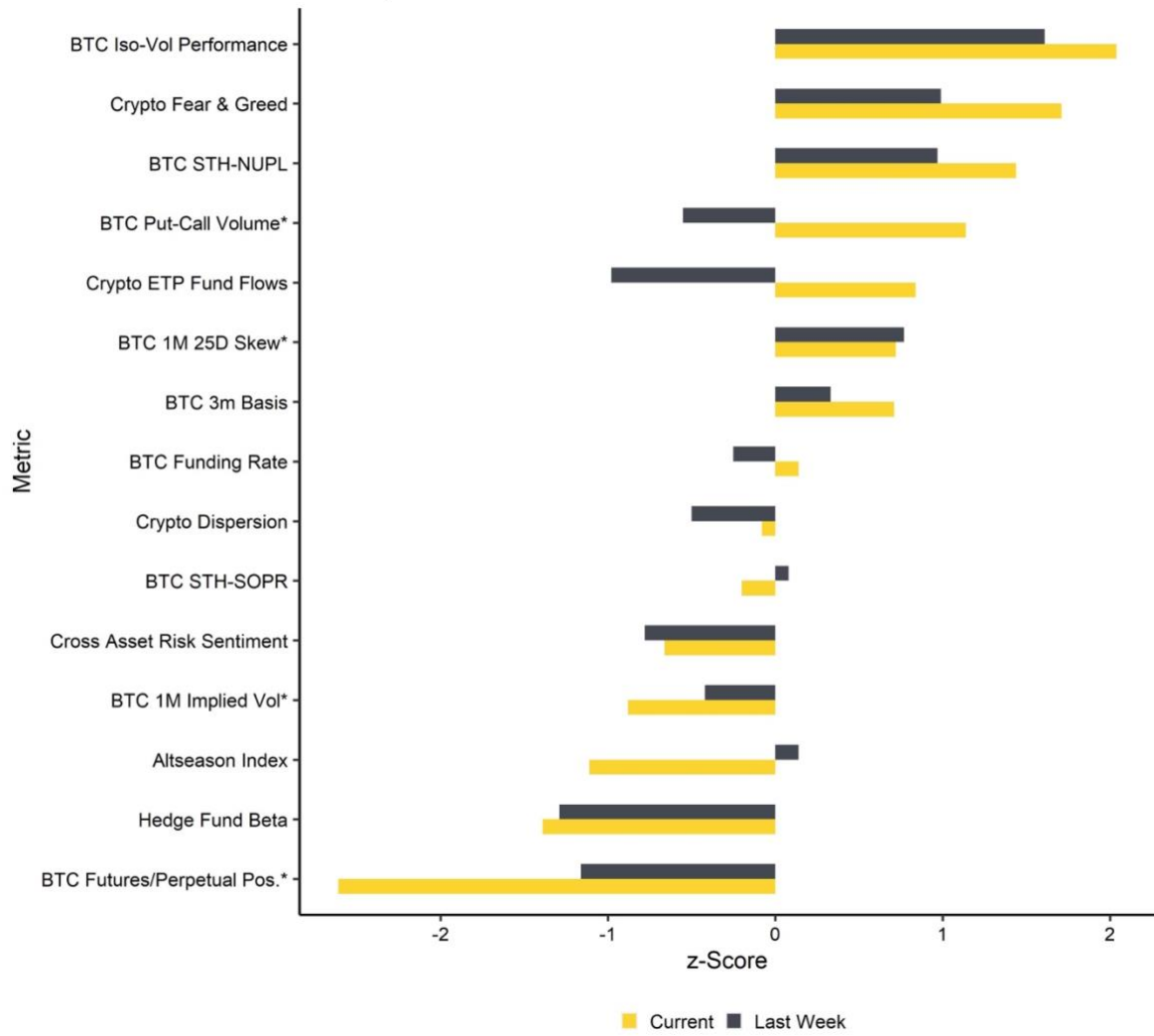
Crypto Sentiment Index

Subcomponents, 90-day rolling z-Scores

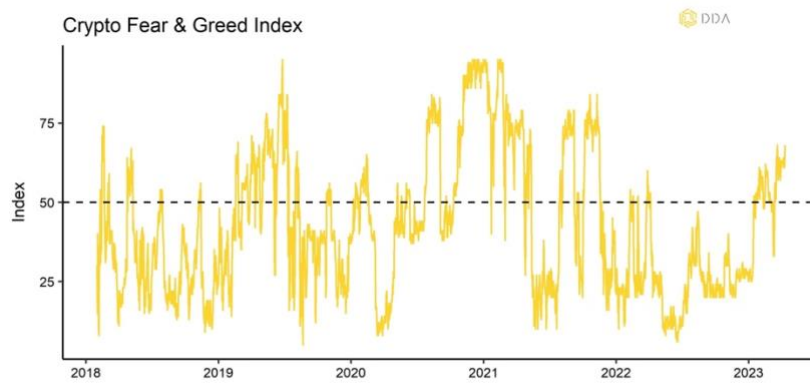
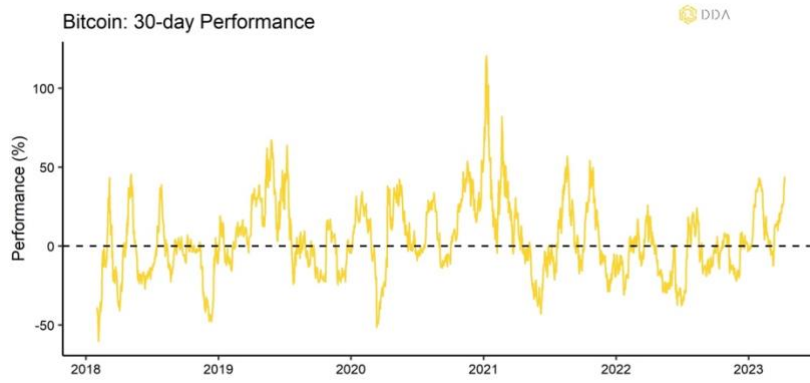


Source: Bloomberg, Coinmarketcap, Glassnode, Deutsche Digital Assets

Crypto Sentiment Index Subcomponents

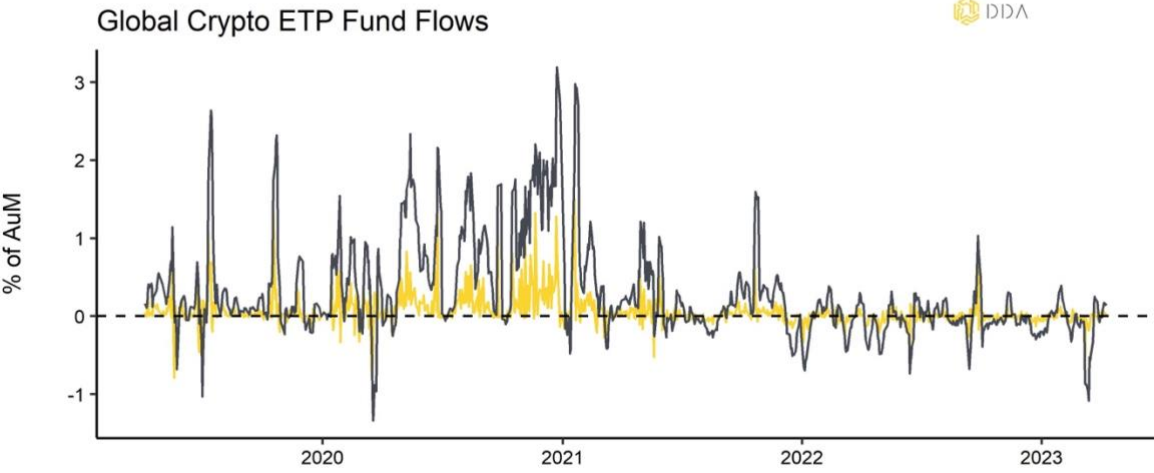
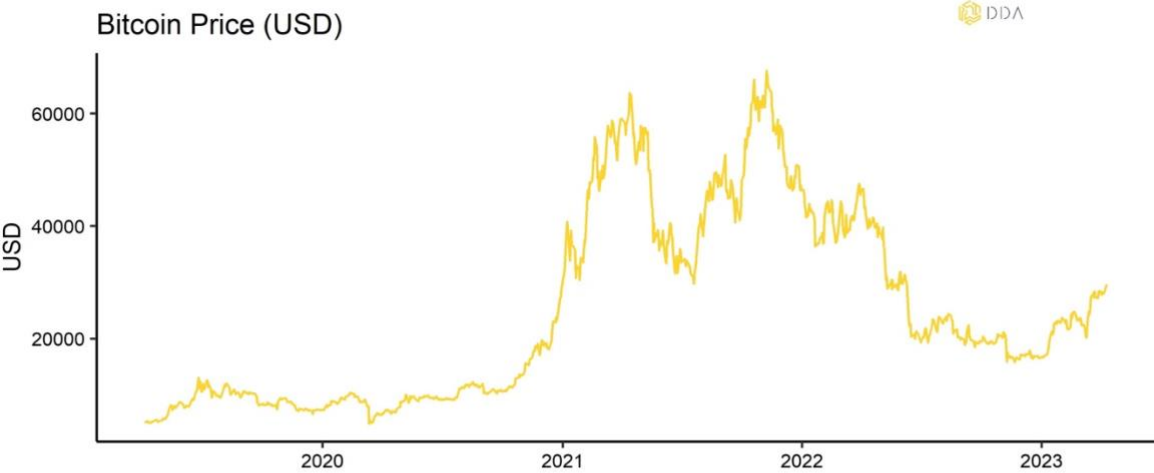


Source: Bloomberg, Coinmarketcap, Glassnode, Deutsche Digital Assets; *multiplied by (-1)



Source: alternative.me, Coinmarketcap, Deutsche Digital Assets

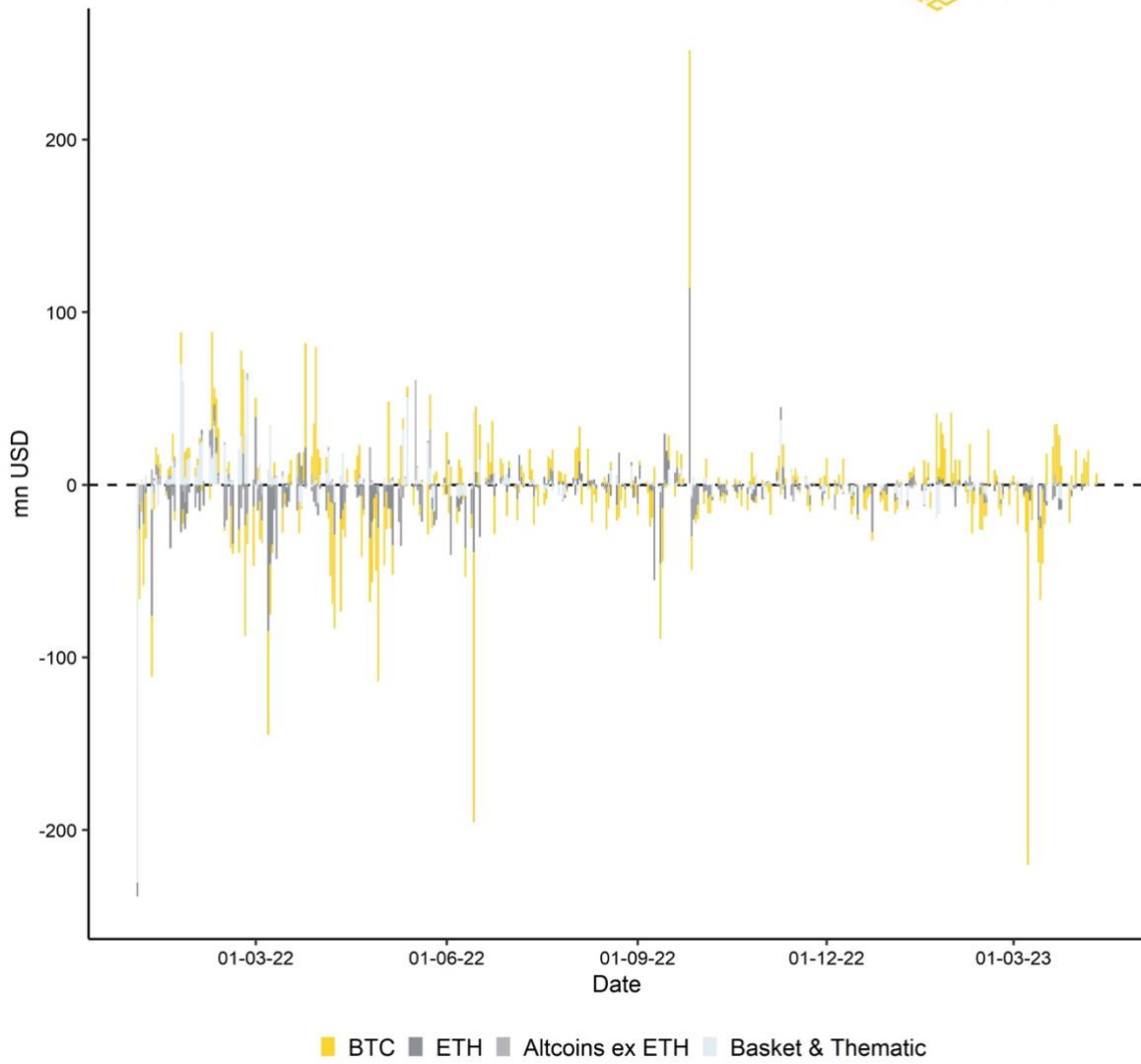
Bitcoin vs Global Crypto ETP Fund Flows



— Fund Flows — 5d rolling sum

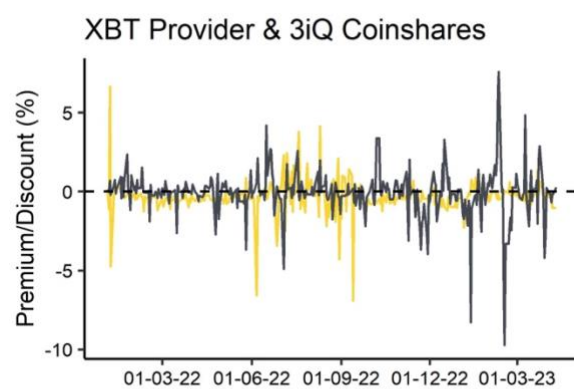
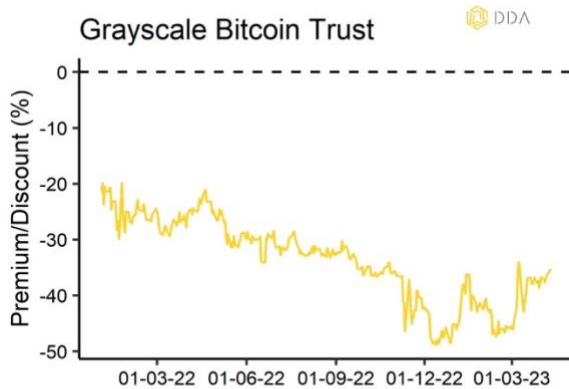
Source: Bloomberg, Deutsche Digital Assets; Only ETPs & Grayscale Trusts

Global Crypto ETP Fund Flows



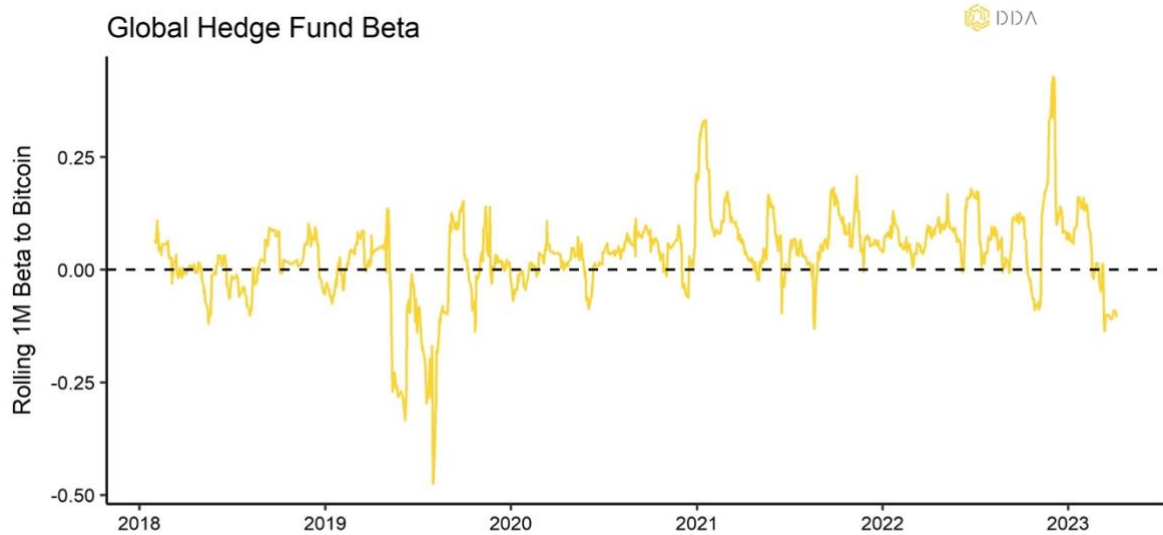
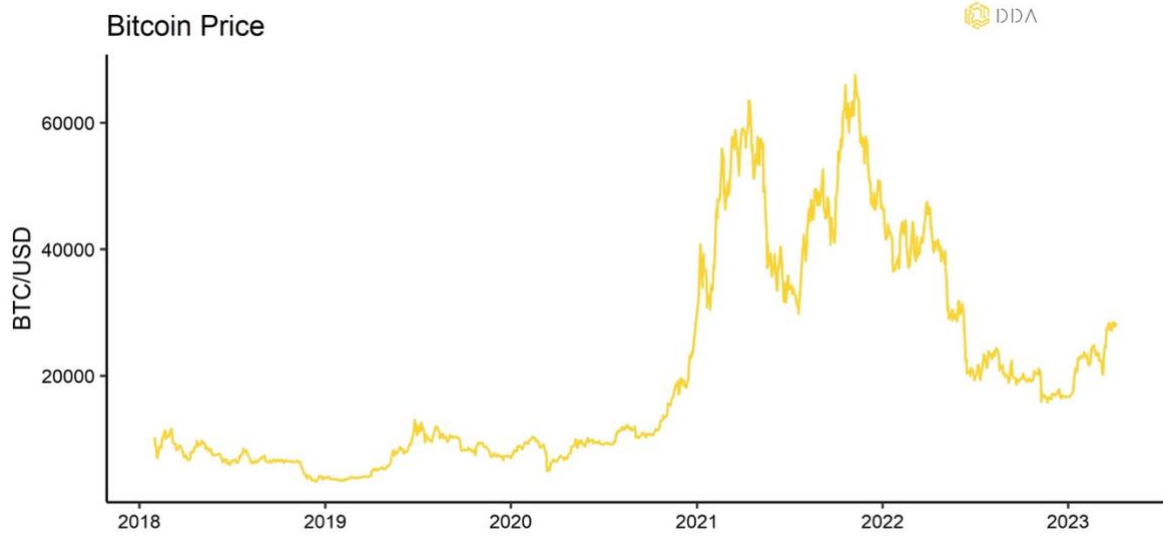
Source: Bloomberg, Deutsche Digital Assets; Only ETPs & Grayscale Trusts

BTC Funds NAV Premia/Discounts

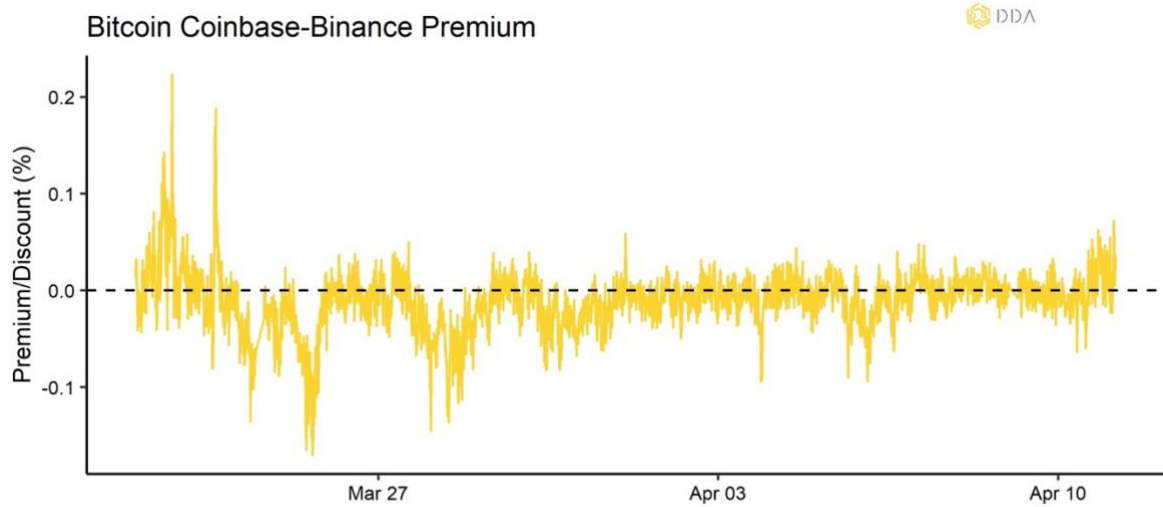


— XBT Provider — 3iQ Coinshares (Canada)

Source: Bloomberg, Deutsche Digital Assets

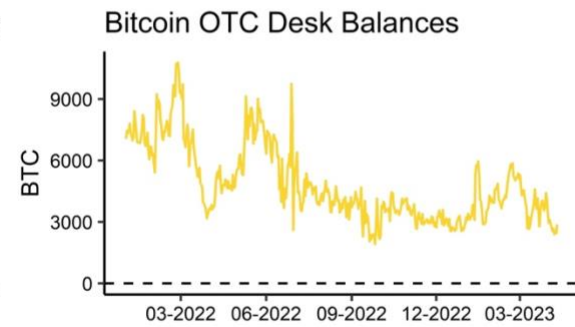
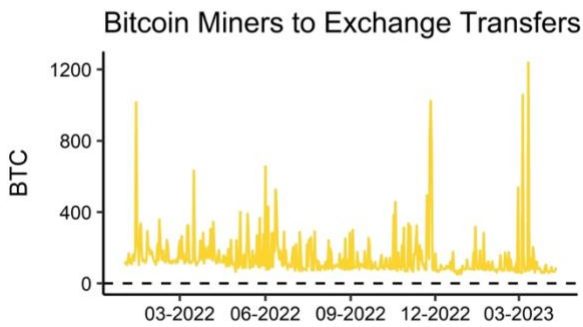
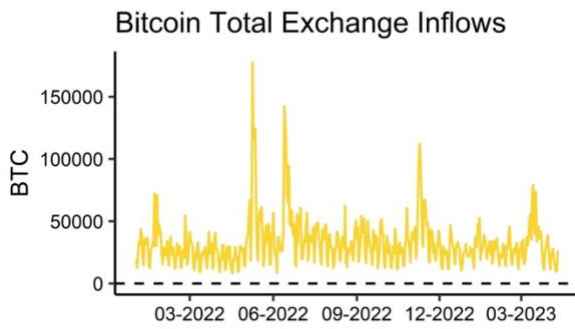
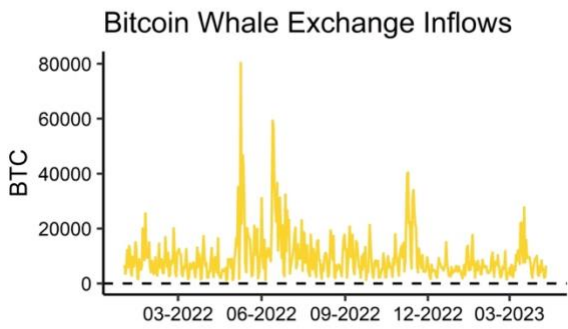
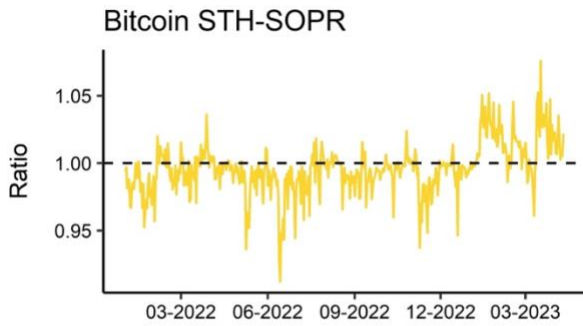


Source: Coinmarketcap, Bloomberg, Deutsche Digital Assets



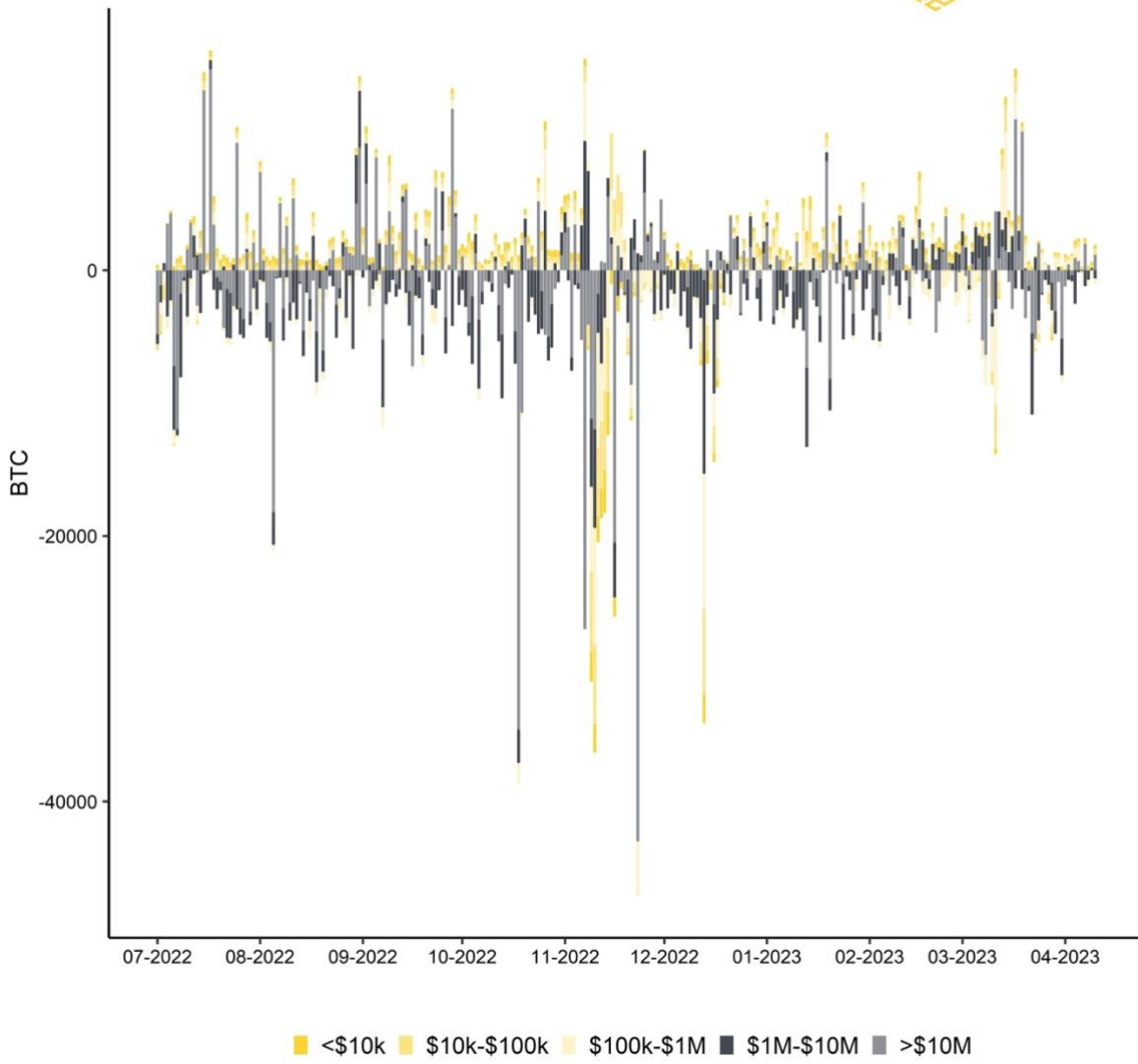
Source: Coinmarketcap, Deutsche Digital Assets

Bitcoin On-Chain Indicators



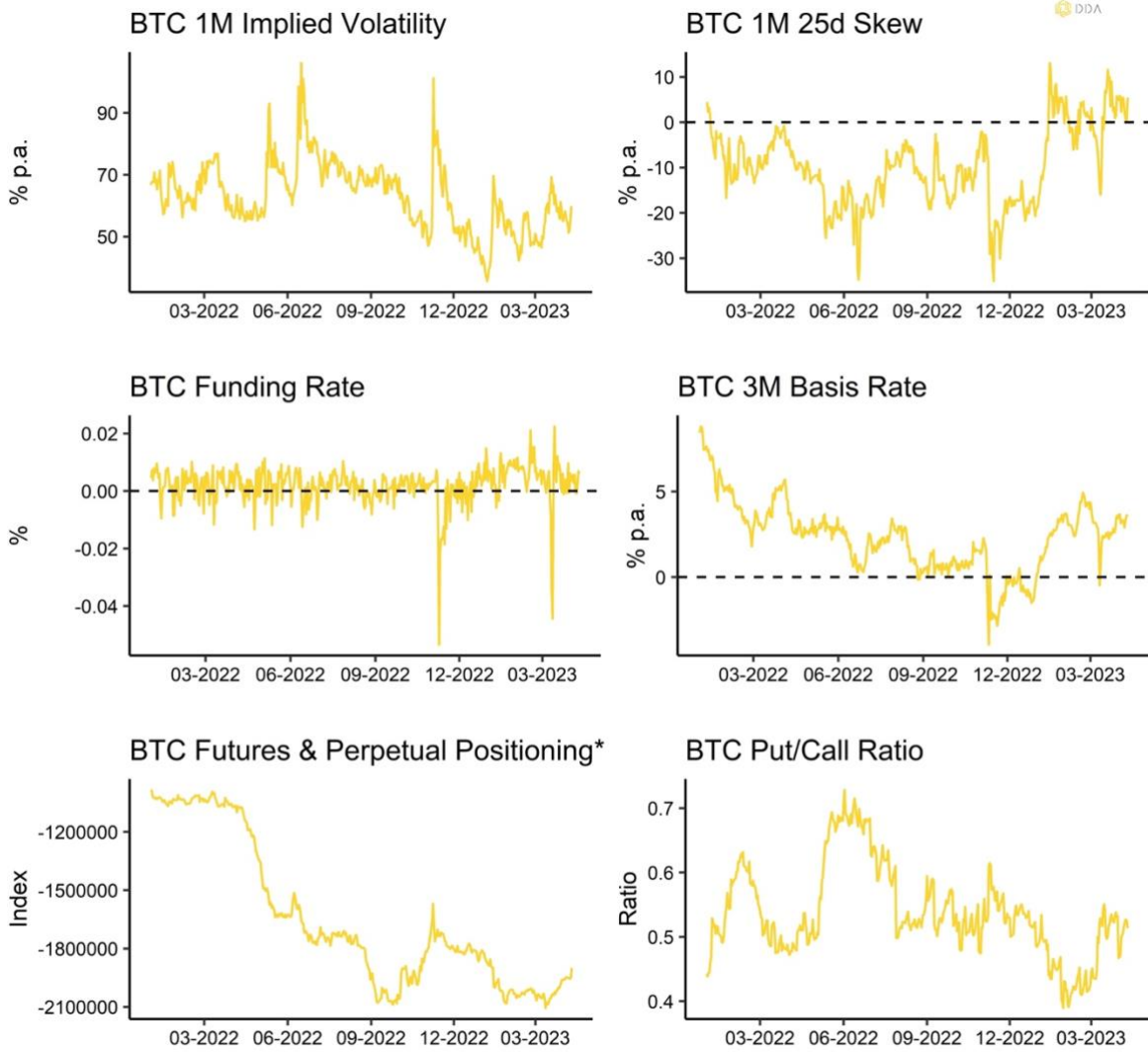
Source: Glassnode, Deutsche Digital Assets

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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