



# CRYPTO MARKET PULSE

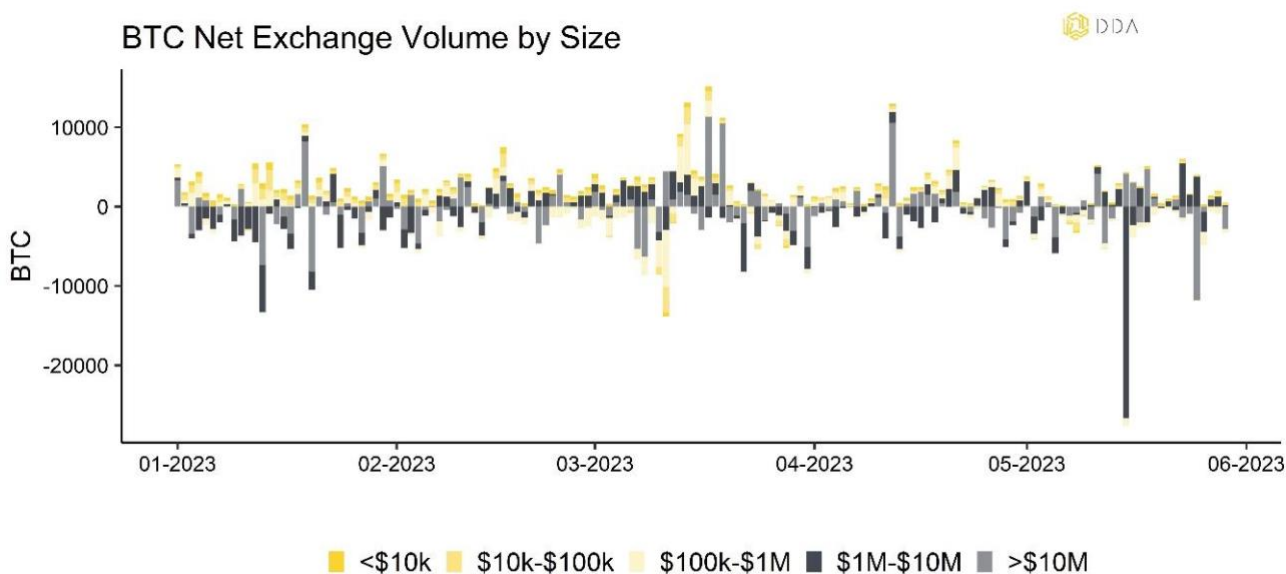
MAY 30, 2023

## Key Takeaways

by André Dragosch, Head of Research

- ◆ Cryptoasset prices were mostly trading sideways before the debt ceiling relief that seems to have served as a positive catalyst for now
- ◆ Our in-house Crypto Sentiment Index has increased throughout last week again
- ◆ Some institutional buyers in Bitcoin seem to have put a floor under prices as implied by significant exchange outflows recently

## Chart of the Week



Source: Glassnode, Deutsche Digital Assets

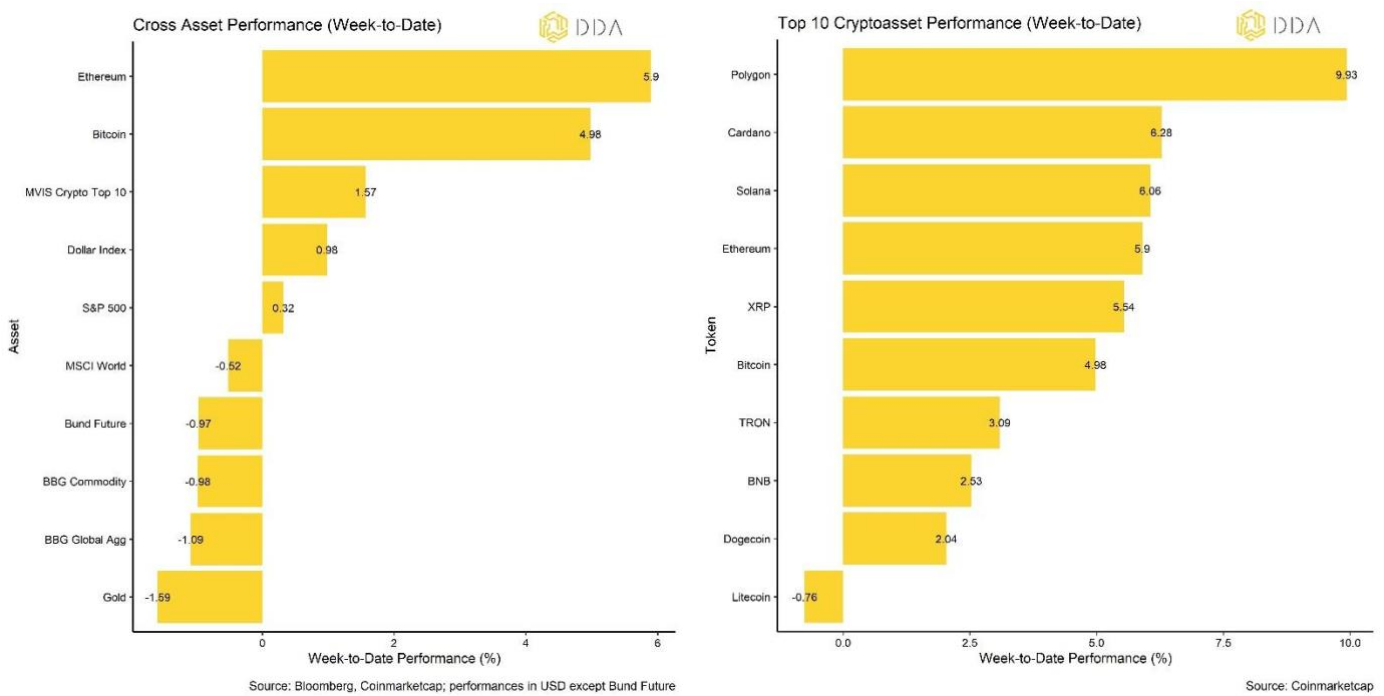
# Performance

Last week, cryptoasset prices were mostly trading sideways before the debt ceiling relief that seems to have served as a positive catalyst for now. US lawmakers agreed on extending the debt limit by approximately 4 trn USD to ~35.4 trn USD until January 2025 und submitted to (only) about 50 bn USD in spending cuts.

Although many economists have been warning about the potential negative effects on overall liquidity via a refill of the Treasury General Account (TGA) at the Fed, markets have so far reacted positively to the news.

At the same time, some institutional buyers in Bitcoin seem to have put a floor under prices as implied by significant exchange outflows recently (**Chart-of-the-Week**). In general, the degree of accumulation activity is very high among various wallet cohorts.

All in all, cryptoassets were the best-performing asset class last week. While cryptoassets advanced, global equities, global bonds and even commodities retreated. Gold was the worst-performing asset while the Dollar appreciated last week.



Among the major cryptoassets, Polygon, Cardano and Solana were the relative outperformers. However, overall altcoin outperformance faded again last week with only 35% of tracked altcoins outperforming BTC on a weekly basis.

## Sentiment

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Our in-house Crypto Sentiment Index has further increased. 10 out of 15 indicators are above their short-term trend.

Compared to last week, we saw major reversals in the Hedge Fund's Bitcoin Beta and the BTC futures 3-months basis rate.

The Crypto Fear & Greed Index has mostly remained unchanged compared to last week and still remains in "Neutral" territory as of this morning.

Performance dispersion among cryptoassets has recently decreased albeit from high levels as correlations among cryptoassets have increased which means that cryptoassets are trading more on systematic factors. At the same time, altcoin outperformance has faded somewhat last week and is now at 35% of Altcoins outperforming Bitcoin on a weekly basis.

In general, altcoin outperformance goes hand in hand with an increase in crypto dispersion, i.e. Bitcoin and altcoins are generally trading up during "altseason" with altcoins outperforming Bitcoin. Broader altcoin outperformance is usually a sign of increasing risk appetite.

## Flows

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Last week saw major net fund outflows of cryptoassets again.

In aggregate, we saw net fund outflows in the amount of -56.1 mn USD (week ending Friday). However, last week outflows were more evenly split among the various cryptoassets and not focused on BTC only. Bitcoin funds experienced net outflows of -18.9 mn USD, most of which happened last Friday. Ethereum funds also experienced significant net outflows of -15.3 mn USD. Both Altcoin funds ex Ethereum and basket & thematic cryptoasset funds also experienced net outflows (-7.7 mn USD and -14.2 mn USD, respectively).

Besides, the NAV discount of the biggest Bitcoin fund in the world - Grayscale Bitcoin Trust (GBTC) - has widened again which also implies some net outflows out of this fund vehicle.

Meanwhile, the beta of global Hedge Funds to Bitcoin over the last 20 trading days increased again albeit from low levels, implying that global hedge funds have increased their exposure to cryptoassets. However,

the beta is still too small to consider it statistically significant. Global hedge funds generally appear to be neutrally positioned with respect to cryptoassets at the moment.

## On-Chain

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Last week, core on-chain metrics for Bitcoin such as new or active addresses were mostly recovering from the low levels we had seen because of the congestion in the Bitcoin network that had stalled network participation.

While some on-chain analysts point to the very low levels of market liquidity based on transfers to and from exchanges as a significant downside risk, larger institutional buyers in Bitcoin seem to have put a floor under prices as implied by significant net exchange outflows of large-sized wallets recently (**Chart-of-the-Week**).

Exchange outflows are interpreted as increasing buying pressure as especially larger investors usually take their coins off exchange to store them in "cold storage".

Last Tuesday (25/5/23) saw the largest exchange outflow by wallet size of more than 10 mn USD.

In general, the degree of accumulation activity is very high among various wallet cohorts, especially very small cohorts (up to 1 BTC) and very large cohorts (100 to 100k BTC). In fact, our average accumulation score over all wallet cohorts is still hovering at the highest levels last seen in 2017.

We expect this to put at least a floor under current prices and think that downside risks are limited for now due to recovering network activity.

On a similar note, exchange balances for Ethereum have continued to see negative net exchange flows which is also a bullish sign. The net issuance rate for Ethereum is still negative/deflationary at -1.77% p.a. It had reached a multi-year low of -8.36% p.a. on 5/5/2023 due to very high network activity and has been increasing since then.

While transaction count and active addresses remain relatively low on the Ethereum blockchain, internal smart contract calls are rising significantly. This highlights the rising level of network activity on layer-2 tokens built on Ethereum.

## Derivatives

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Over the last week, implied volatilities continued to trade lower despite amid the sideways price action.

Deribit's DVOL index, which tracks the implied volatilities of Bitcoin 1-month option contracts, is still trading near the lows marked in January 2023. The 1-month 25-delta option skew is currently neutral in terms of implied volatilities.

Put-Call Open Interest has increased slightly following the most recent uptick in prices while Put-Call Volume ratios remain fairly muted.

On the other hand, futures and perpetual open interest have increased as the 3-months annualized BTC futures basis rate also increased slightly.

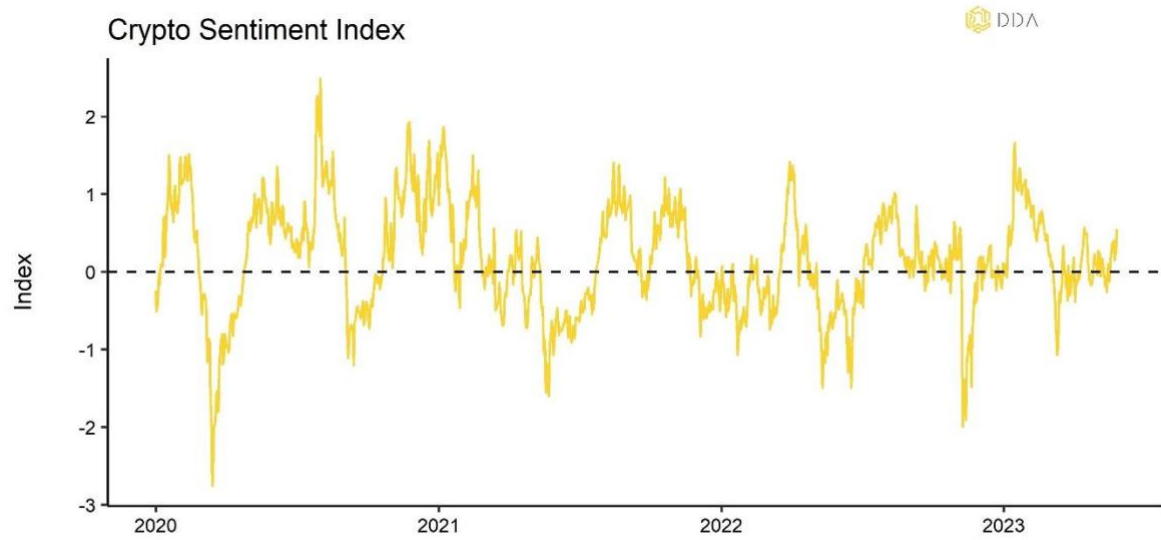
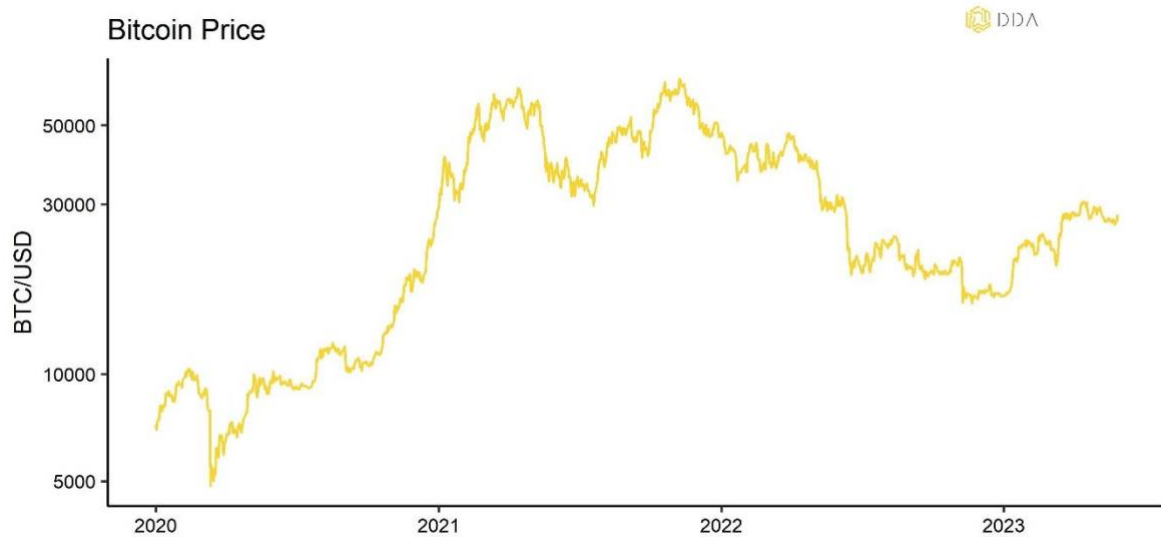
## **Bottom Line**

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**Cryptoasset prices were mostly trading sideways before the debt ceiling relief that seems to have served as a positive catalyst for now. Our in-house Crypto Sentiment Index has increased throughout last week again. Some institutional buyers in Bitcoin seem to have put a floor under prices as implied by significant exchange outflows recently.**

# Appendix

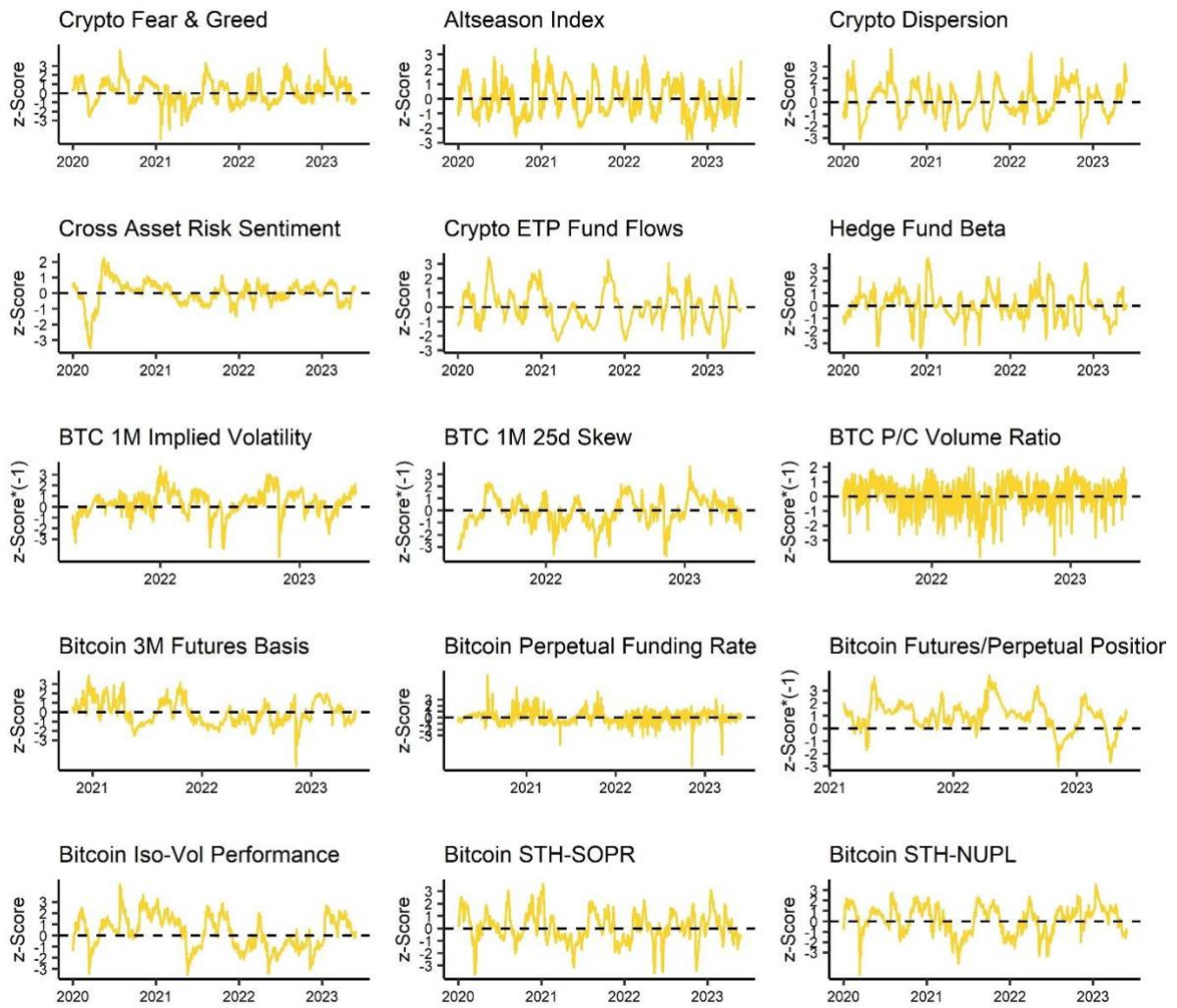
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Source: Bloomberg, Coinmarketcap, Glassnode, Deutsche Digital Assets

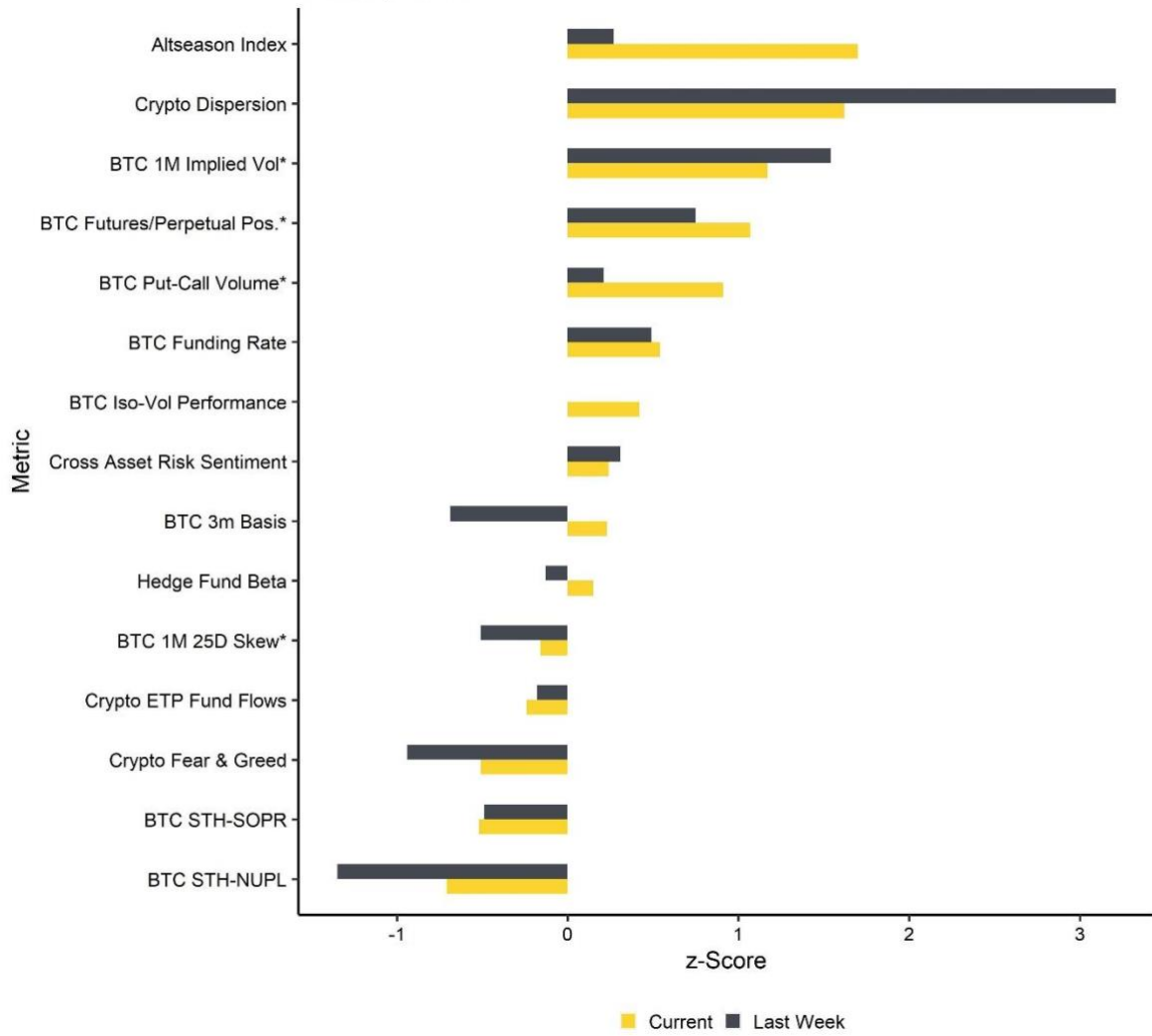
# Crypto Sentiment Index

## Subcomponents, 90-day rolling z-Scores



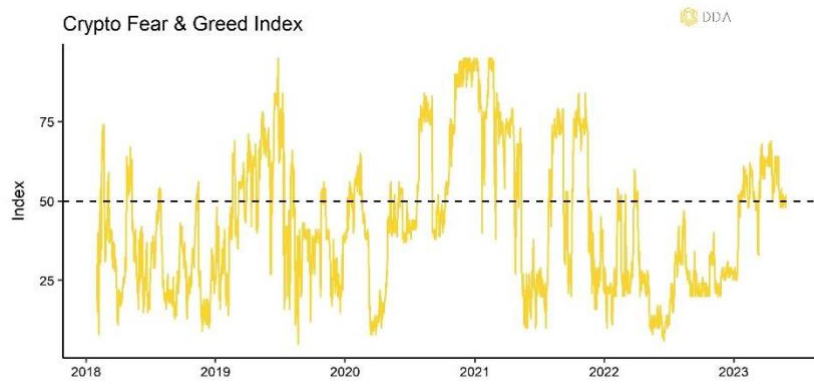
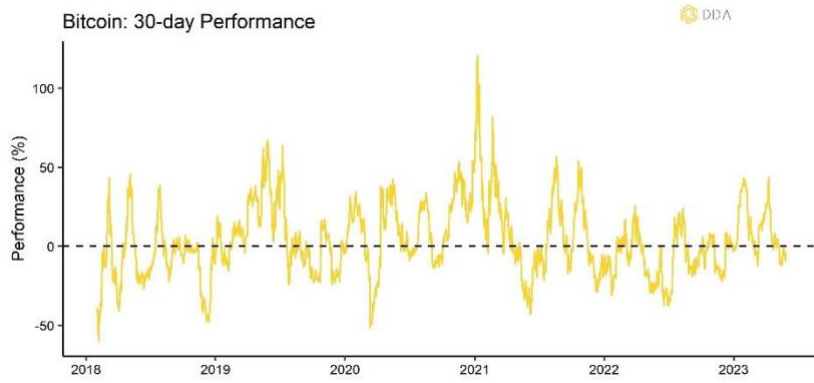
Source: Bloomberg, Coinmarketcap, Glassnode, Deutsche Digital Assets

## Crypto Sentiment Index Subcomponents



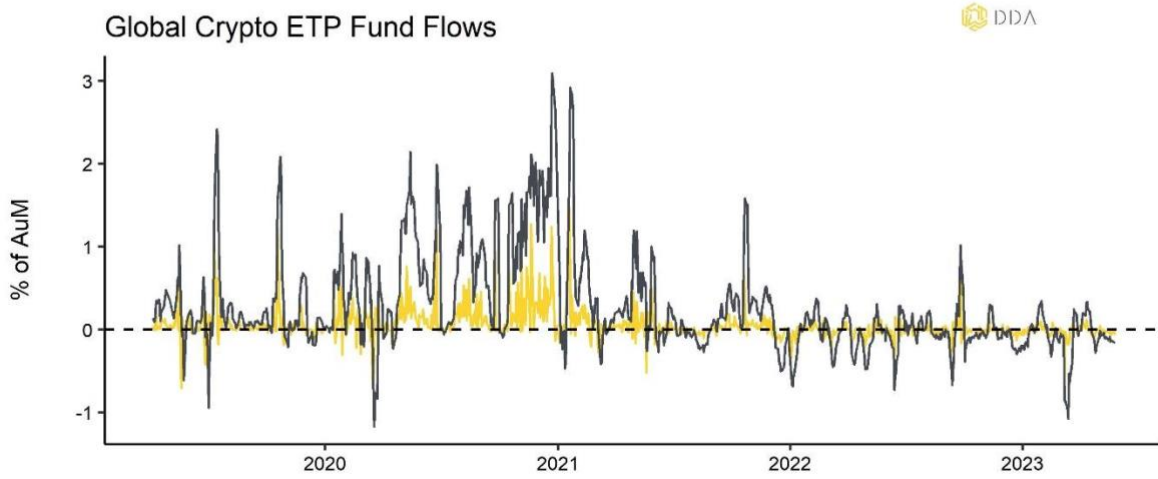
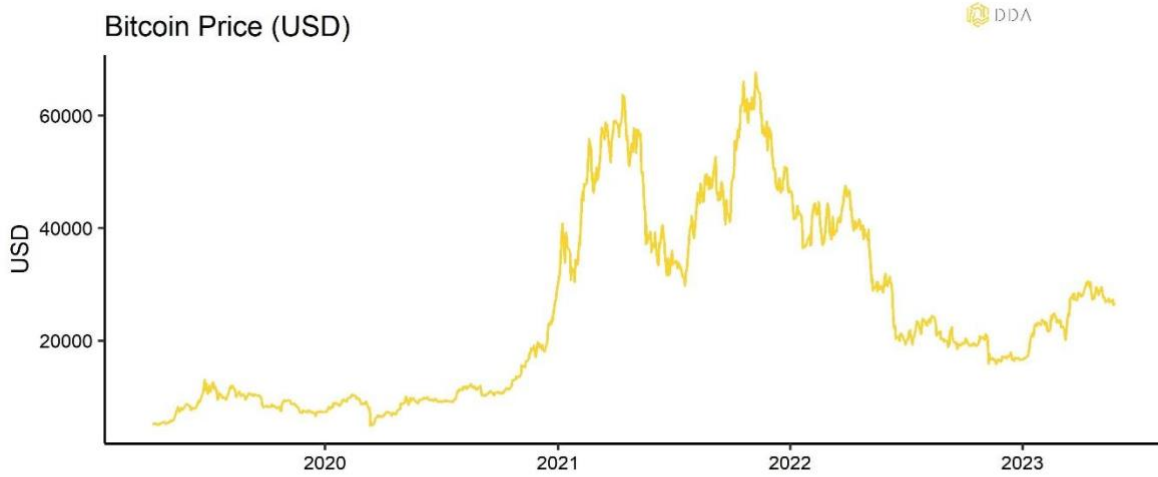
Source: Bloomberg, Coinmarketcap, Glassnode, Deutsche Digital Assets; \*multiplied by (-1)





Source: alternative.me, Coinmarketcap, Deutsche Digital Assets

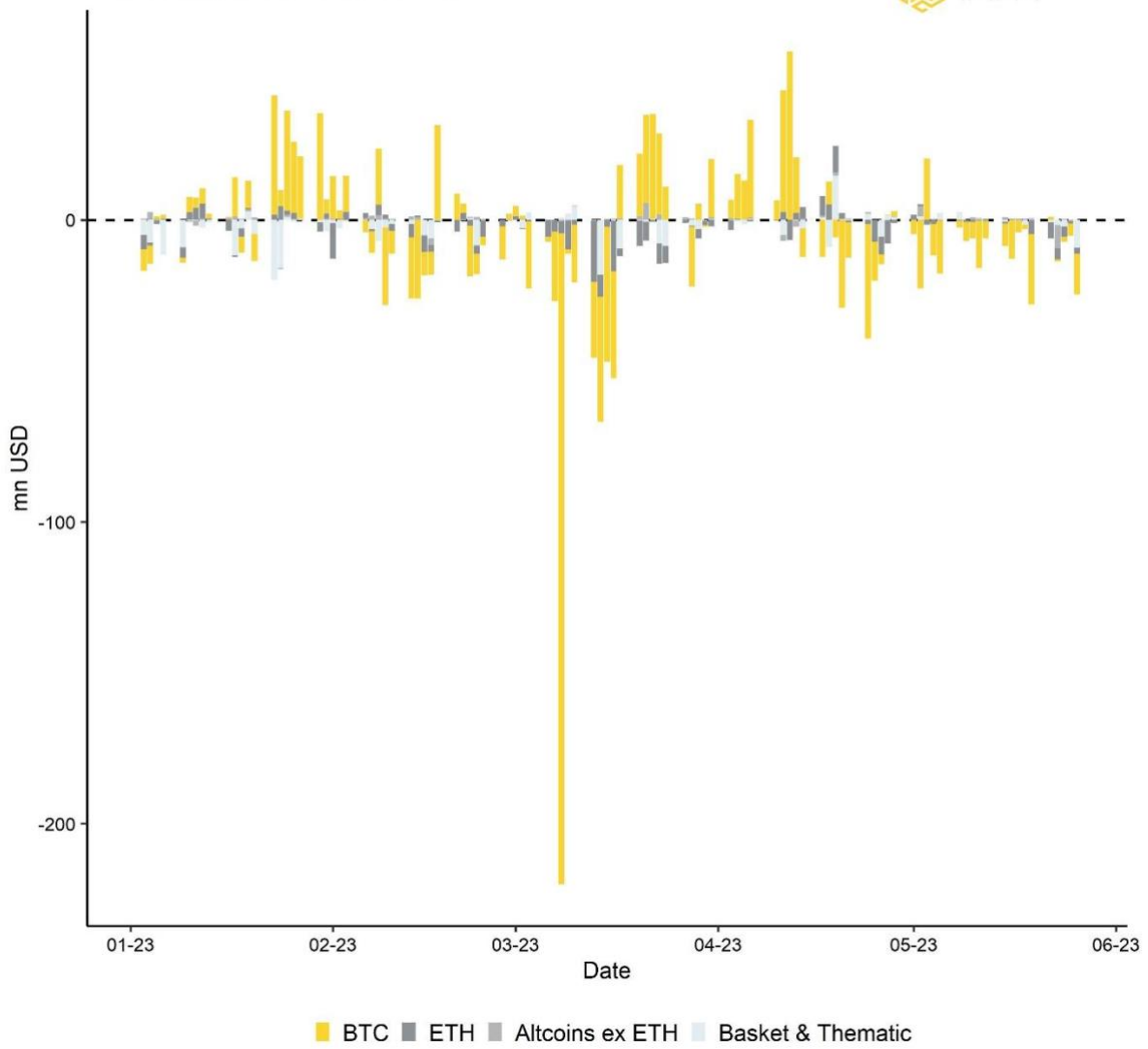
## Bitcoin vs Global Crypto ETP Fund Flows



— Fund Flows — 5d rolling sum

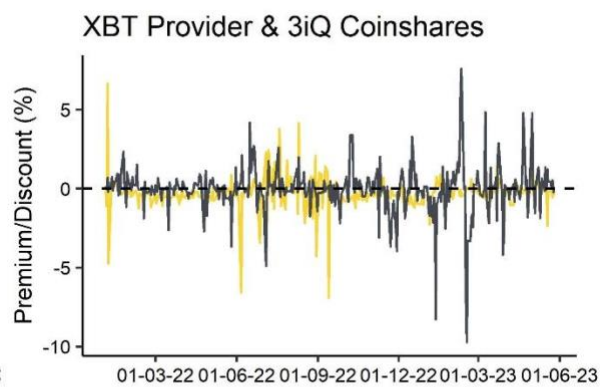
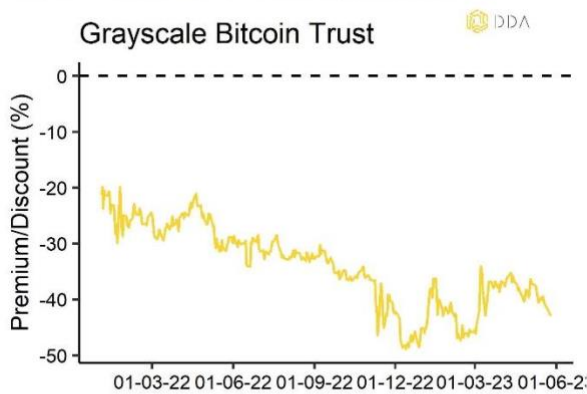
Source: Bloomberg, Deutsche Digital Assets; Only ETPs & Grayscale Trusts

### Global Crypto ETP Fund Flows



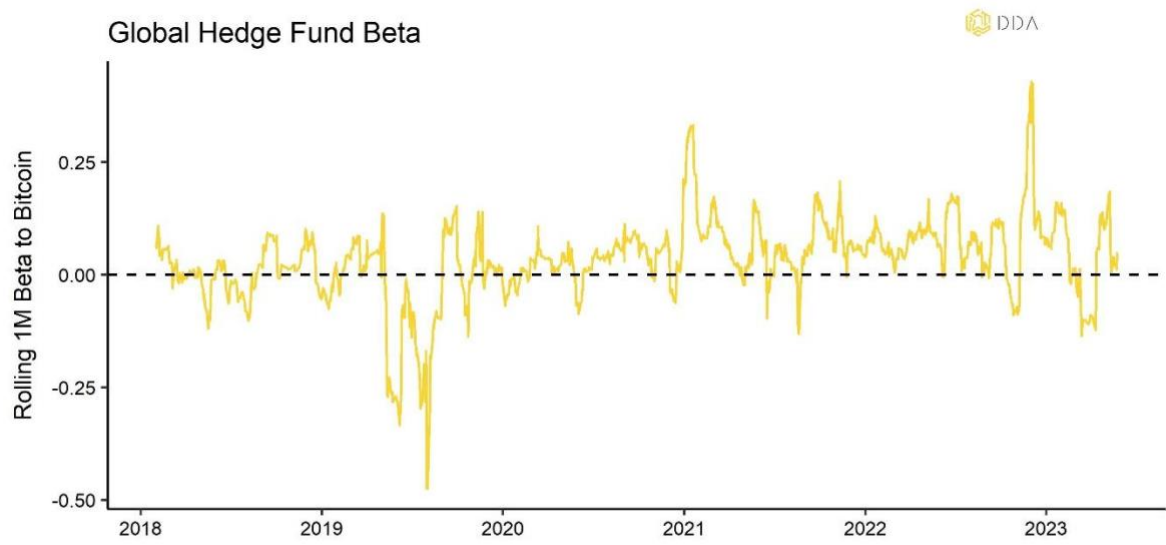
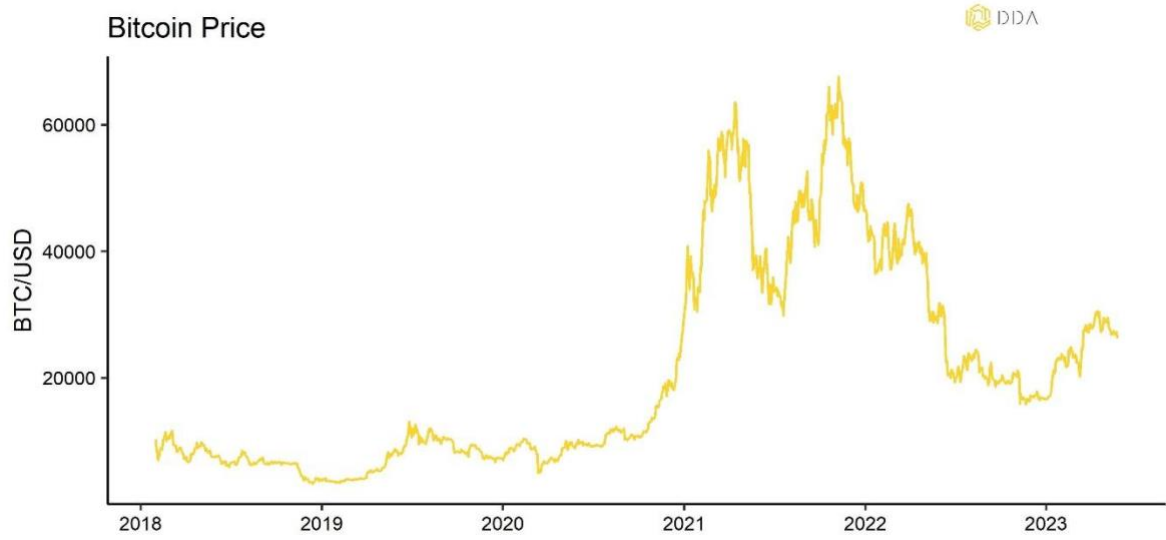
Source: Bloomberg, Deutsche Digital Assets; Only ETPs & Grayscale Trusts

### BTC Funds NAV Premia/Discounts



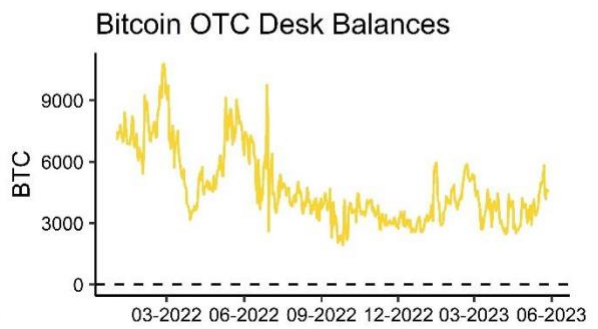
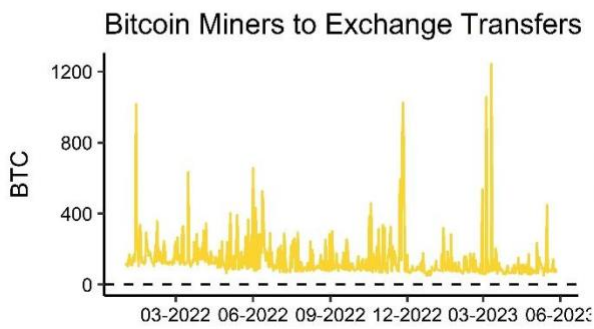
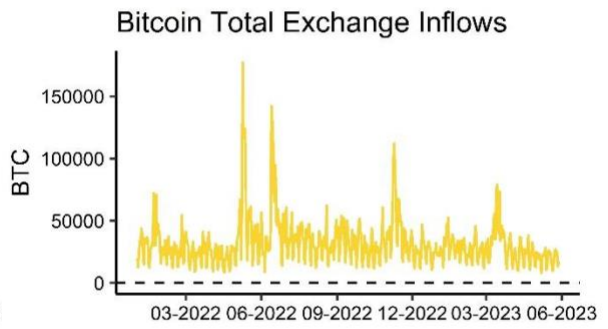
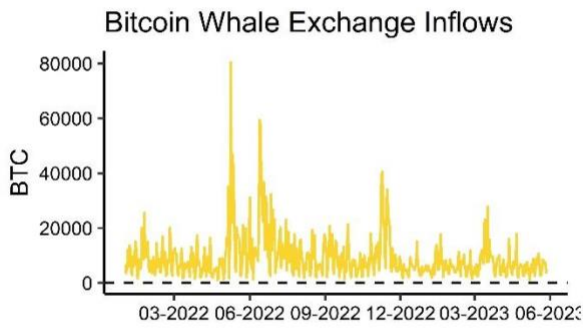
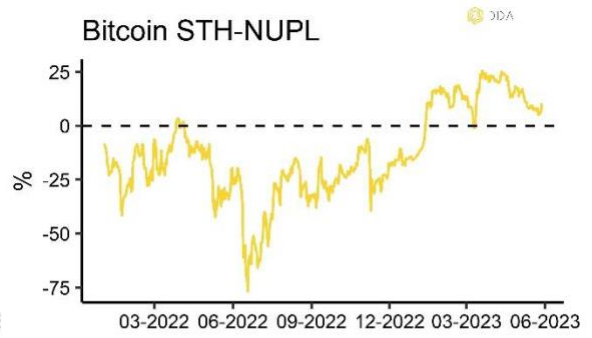
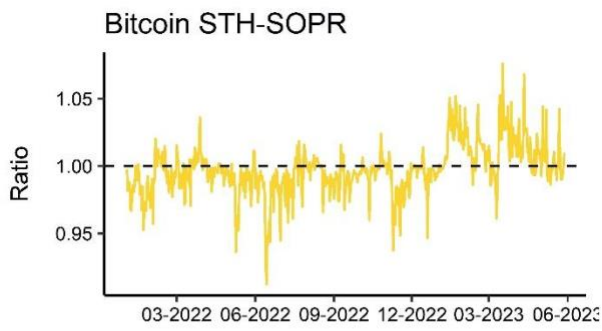
— XBT Provider — 3iQ Coinshares (Canada)

Source: Bloomberg, Deutsche Digital Assets



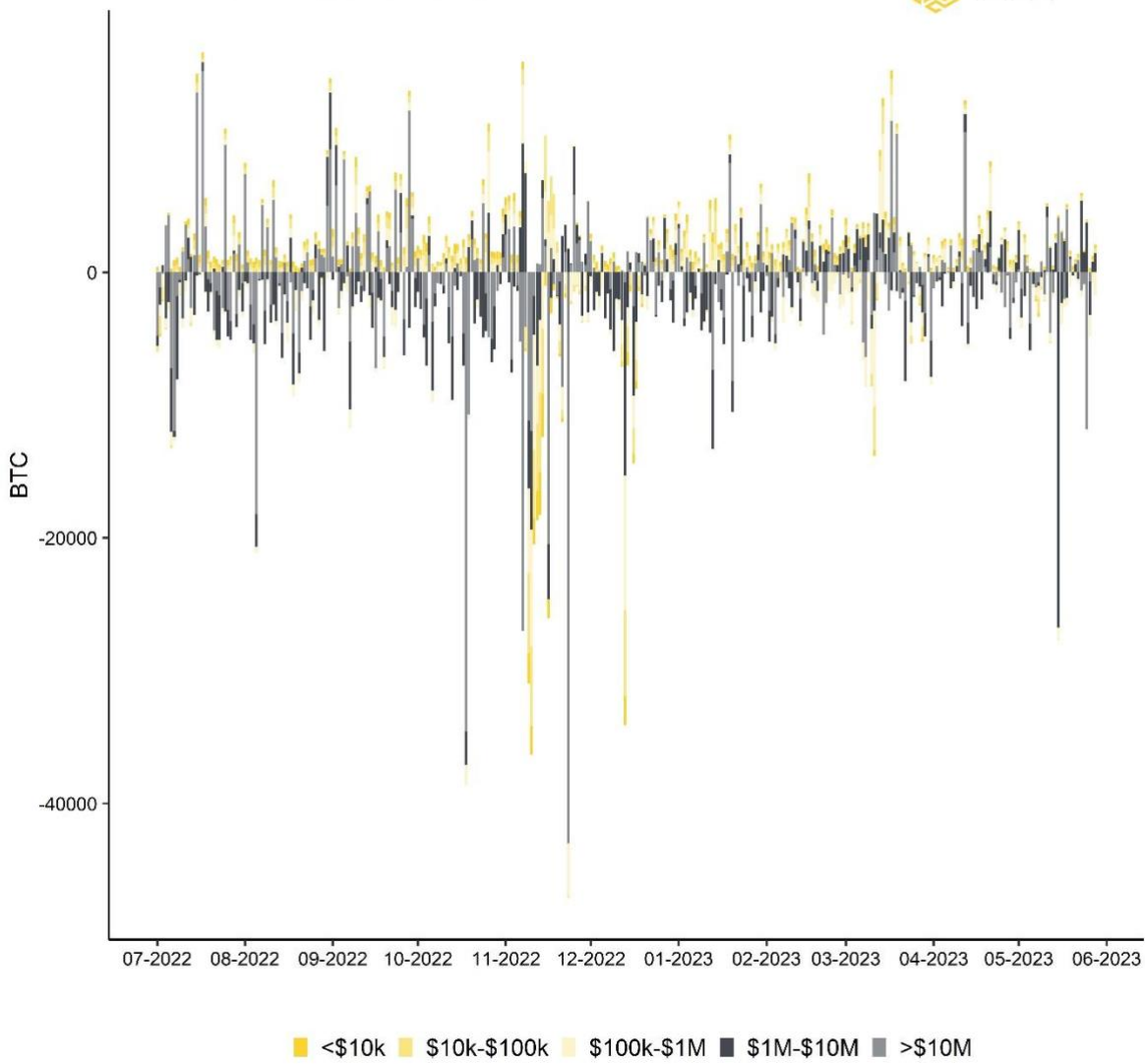
Source: Coinmarketcap, Bloomberg, Deutsche Digital Assets

## Bitcoin On-Chain Indicators



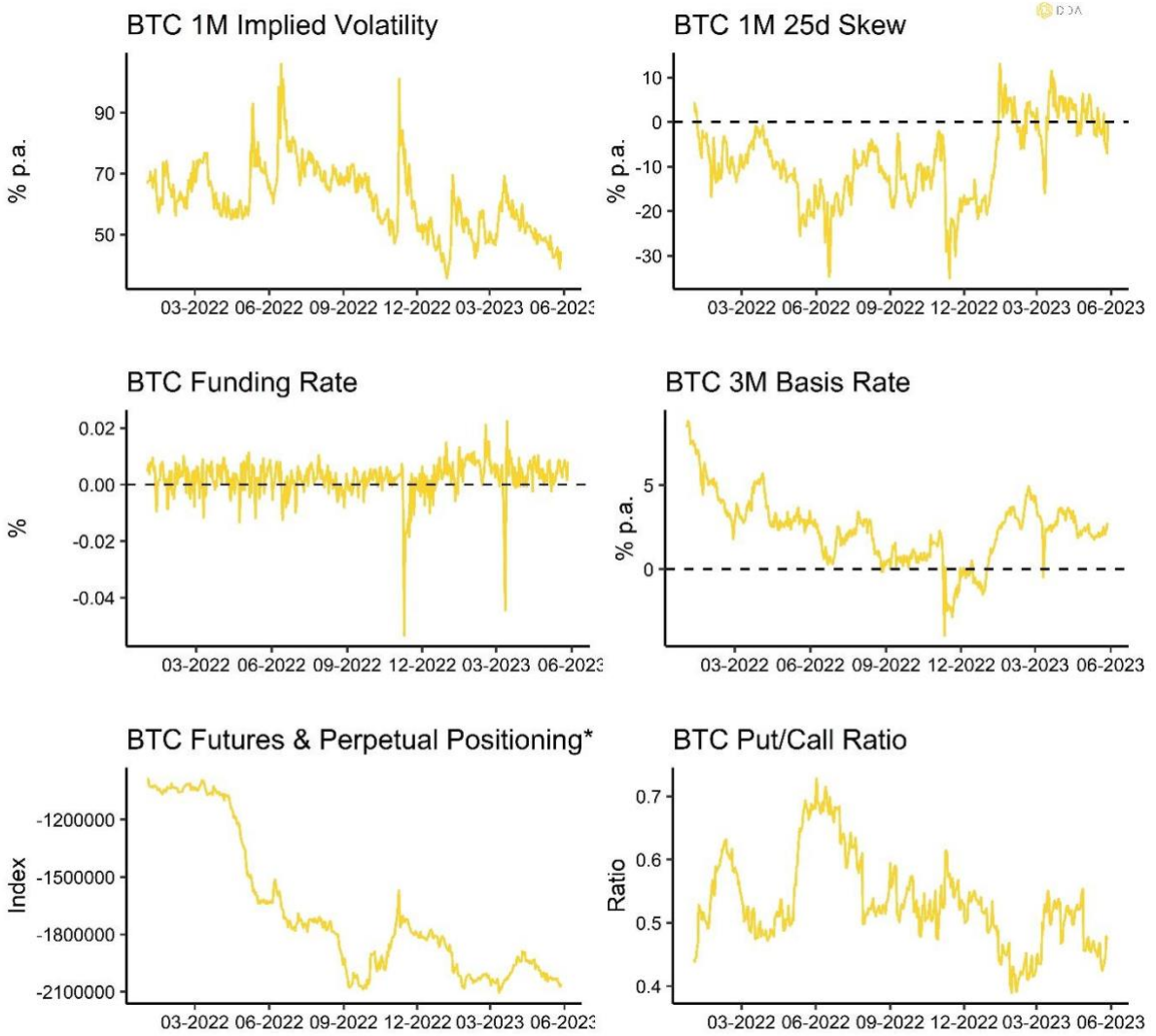
Source: Glassnode, Deutsche Digital Assets

# 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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