



CRYPTO MARKET PULSE

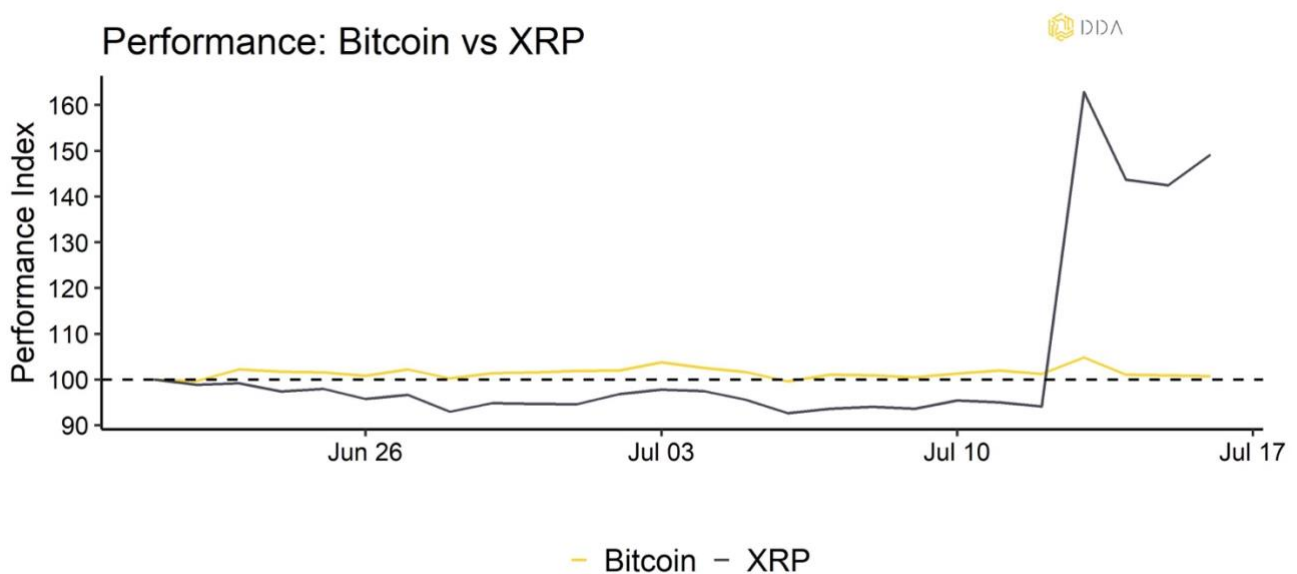
JULY 17, 2023

Key Takeaways

by André Dragosch, Head of Research

- ◆ Cryptoassets outperform by a very wide margin as US judge rules that XRP is not a security
- ◆ Our in-house Crypto Sentiment Index remains elevated which could limit further upside in the short term
- ◆ Decline in regulatory risk premia across altcoins could be the starting signal for a potential "altseason"

Chart of the Week



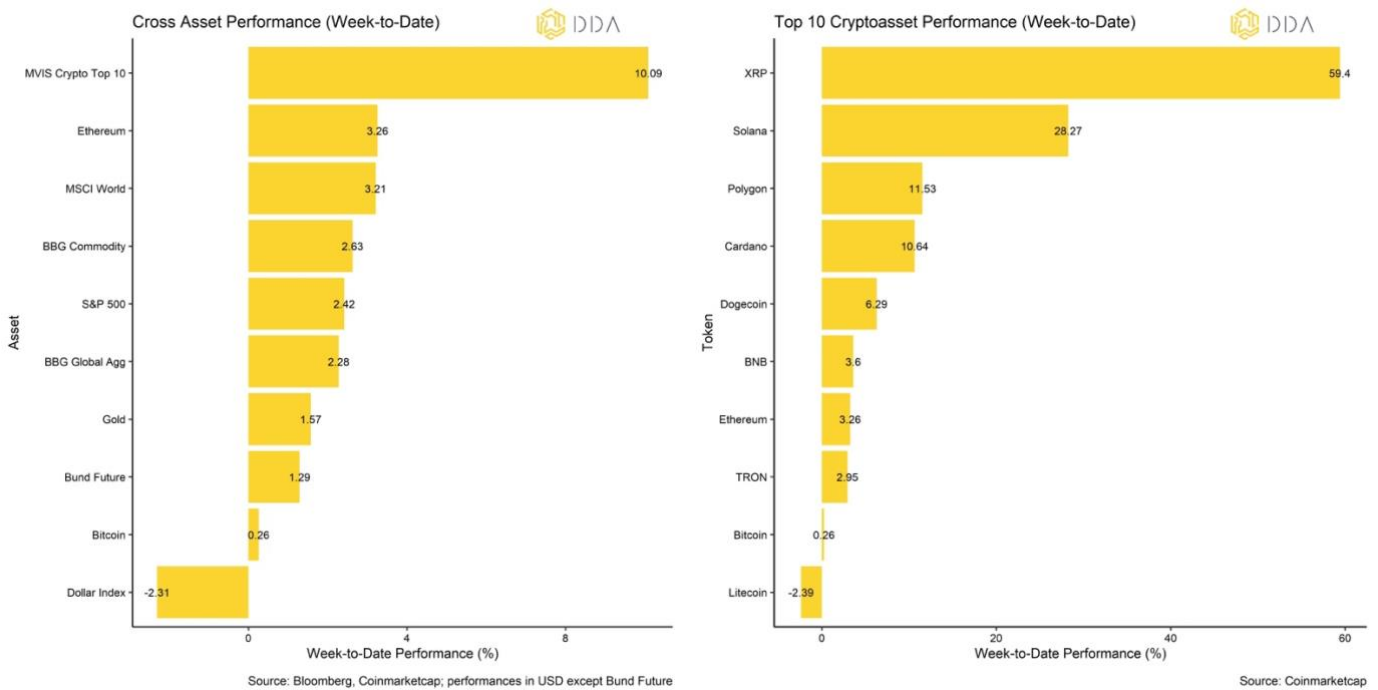
Source: Coinmarketcap, Deutsche Digital Assets

Performance

Last week, cryptoassets outperformed by a very wide margin as a US judge ruled that the token XRP is not a security. This led to a significant increase in risk appetite across the whole cryptoasset market.

More specifically, judge Torres ruled that "XRP, as a digital token, is not in and of itself a 'contract, transaction [,] or scheme' that embodies the Howey requirements of an investment contract."

As a result, most altcoins outperformed Bitcoin as regulatory risk premia were priced out. In this regard, XRP was the best performer among the top 10 cryptoassets by market cap (**Chart-of-the-Week**).



Cryptoassets were also the best performing asset class last week. Meanwhile, global equities, bonds, and commodities also advanced due to a significant devaluation in the Dollar.

Among the top 10 cryptoassets, XRP, Solana, and Polygon were the relative outperformers.

In this context, altcoin outperformance vis-à-vis Bitcoin increased again. Based on our set of tracked altcoins, at some point, 65% of altcoins were able to outperform Bitcoin last week. Altcoin outperformance is now at par with Bitcoin on a weekly basis (50% altcoin outperformance over the last week).

Sentiment

Our in-house Crypto Sentiment Index remains elevated which could limit further upside in the short term. 11 out of 15 indicators are still above their short-term trend.

Compared to last week, we saw major reversals to the upside in the altseason index and global crypto fund flows.

The Crypto Fear & Greed Index remains in "Neutral" territory as of this morning.

Performance dispersion among cryptoassets has stayed at high levels.

In general, high performance dispersion among cryptoassets implies that correlations among cryptoassets have decreased which means that cryptoassets are trading more on coin-specific factors.

At the same time, altcoin outperformance has increased last week and is now at 50% 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 and broader altcoin underperformance a sign of increasing risk aversion.

Flows

Last week saw the persistent net inflows into global crypto ETPs again.

In aggregate, we saw net fund inflows in the amount of +134.8 mn USD (week ending Friday) with the bulk of this ending up in Bitcoin funds (+139.3 mn USD on a net basis).

In contrast, Ethereum funds experienced net outflows again (-4.3 mn USD) while other altcoin-based funds received minor net inflows (+1.0 mn USD).

Thematic & basket crypto funds struggled last week again with -1.2 mn USD in net outflows.

Besides, the NAV discount of the biggest Bitcoin fund in the world - Grayscale Bitcoin Trust (GBTC) - has continued to narrow to the highest level since April 2022 which also implies significant net inflows via this

fund vehicle.

In contrast, the beta of global Hedge Funds to Bitcoin over the last 20 trading days was slightly negative, implying that global hedge funds have a negative net exposure to cryptoassets. However, the beta is still too small to consider it statistically significant. Global hedge funds still appear to be neutrally positioned with respect to cryptoassets at the moment and therefore rather underexposed.

On-Chain

Overall, on-chain activity continued to be supportive of the generally positive trend last week. There was neither a significant increase in realized losses nor profits amid the positive sentiment.

At the time of writing, approximately 74.5% of BTC supply is in profit while the rest is in loss. As a rough rule-of-thumb, 75% is the threshold for a bull run with little selling pressure.

Exchange inflow volumes continued to trend down for Bitcoin. However, there was a slight pick-up in Ethereum exchange inflows last week.

On a positive note, exchange volume momentum which measures the rate of change in exchange inflows and outflows increased to the highest level since June 2022. Total transaction count on the Bitcoin blockchain also increased again. So, there was a general pick-up in both on-exchange and off-exchange transaction volumes.

In this regard, last week saw also an increase in the new entities for the Bitcoin blockchain again. The new address count is gradually approaching the year-to-date highs marked in April while active addresses remain relatively muted.

Derivatives

Last week, derivatives metrics also continued to be supportive of the wider positive market trend.

For instance, BTC implied volatilities continued to trend lower while the Put-Call-Ratio also continued to go down. The BTC 1-month 25-delta option skew continued to be skewed towards calls implying that BTC option traders have net positive expectations of future market developments.

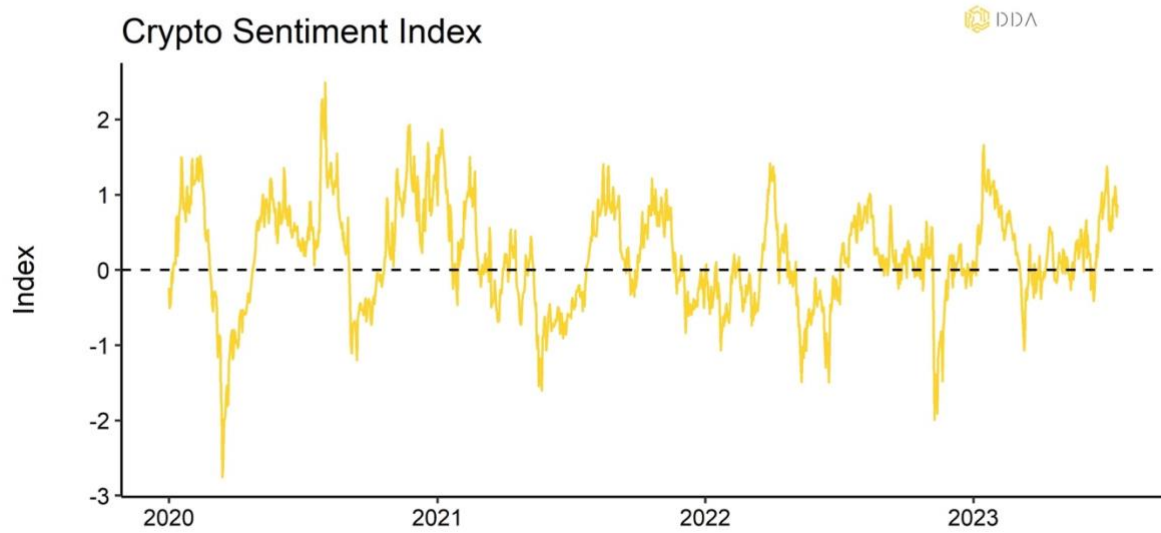
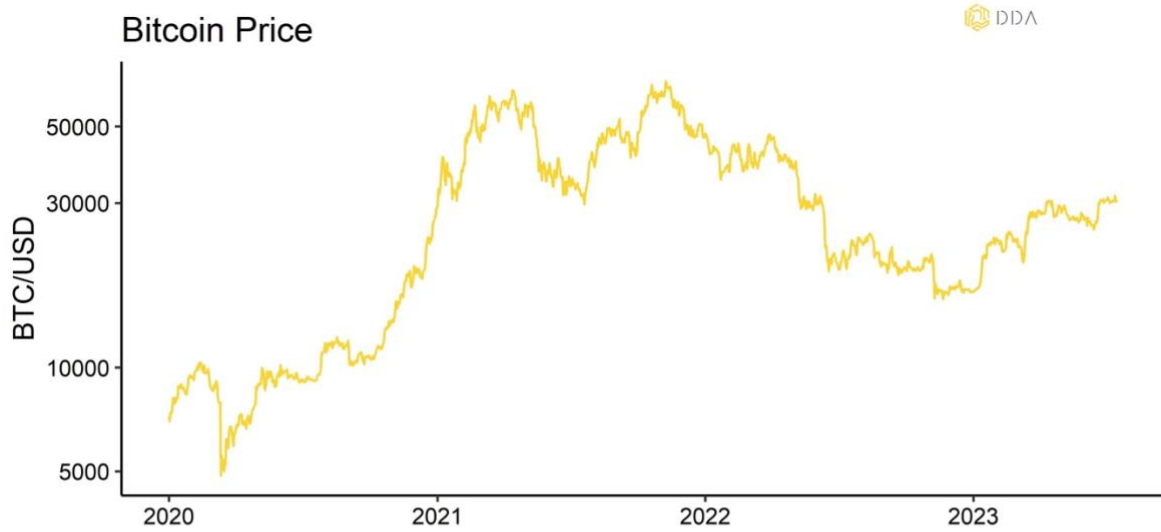
The BTC 3-months basis rate also continued to increase past 5% p.a. implying a positive price outlook priced

by Bitcoin futures traders into the futures curve.

Bottom Line

Cryptoassets outperform by a very wide margin as US judge rules that XRP is not a security. Our in-house Crypto Sentiment Index remains elevated which could limit further upside in the short term. Decline in regulatory risk premia across altcoins could be the starting signal for a potential "altseason".

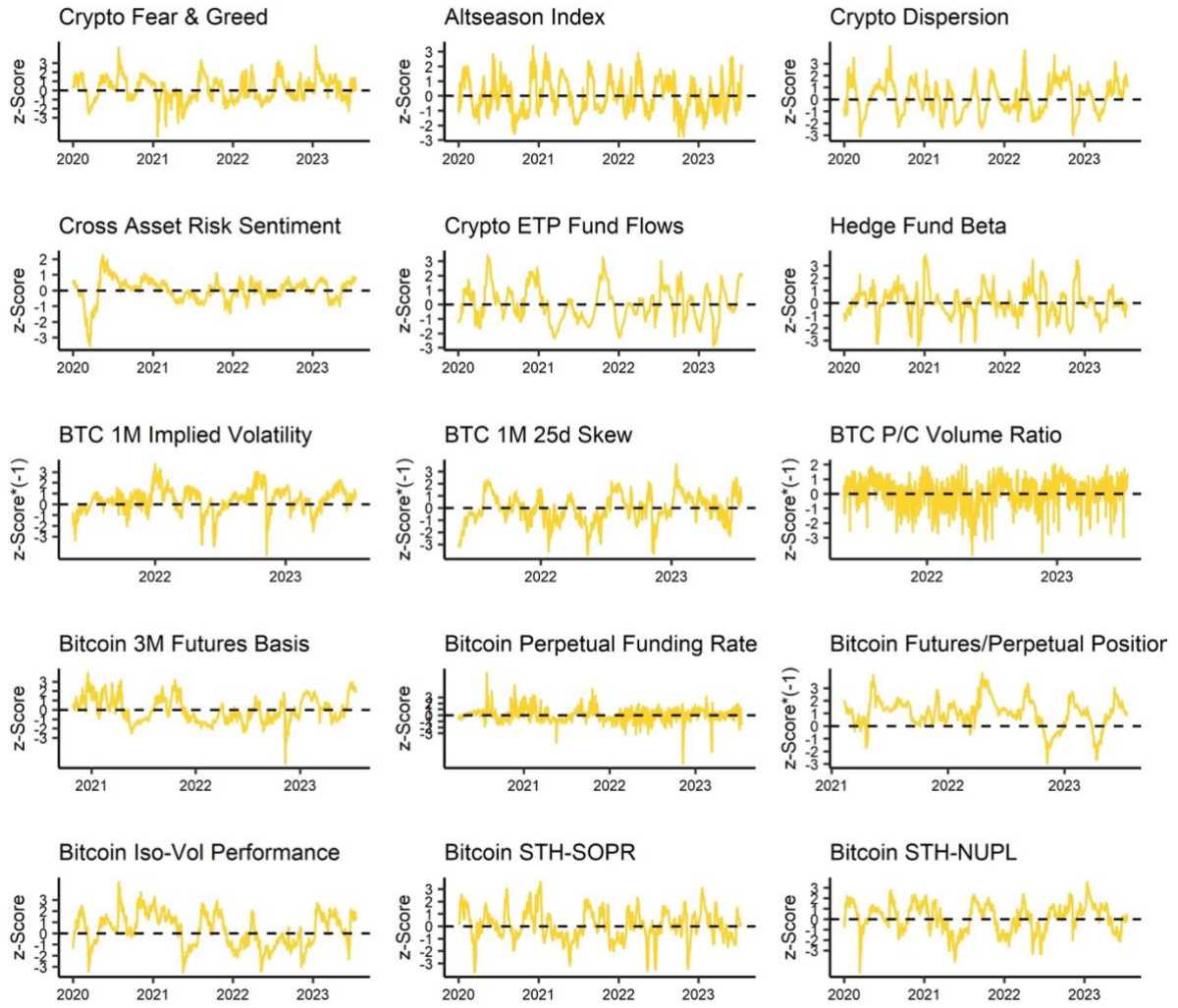
Appendix



Source: Bloomberg, Coinmarketcap, Glassnode, Deutsche Digital Assets

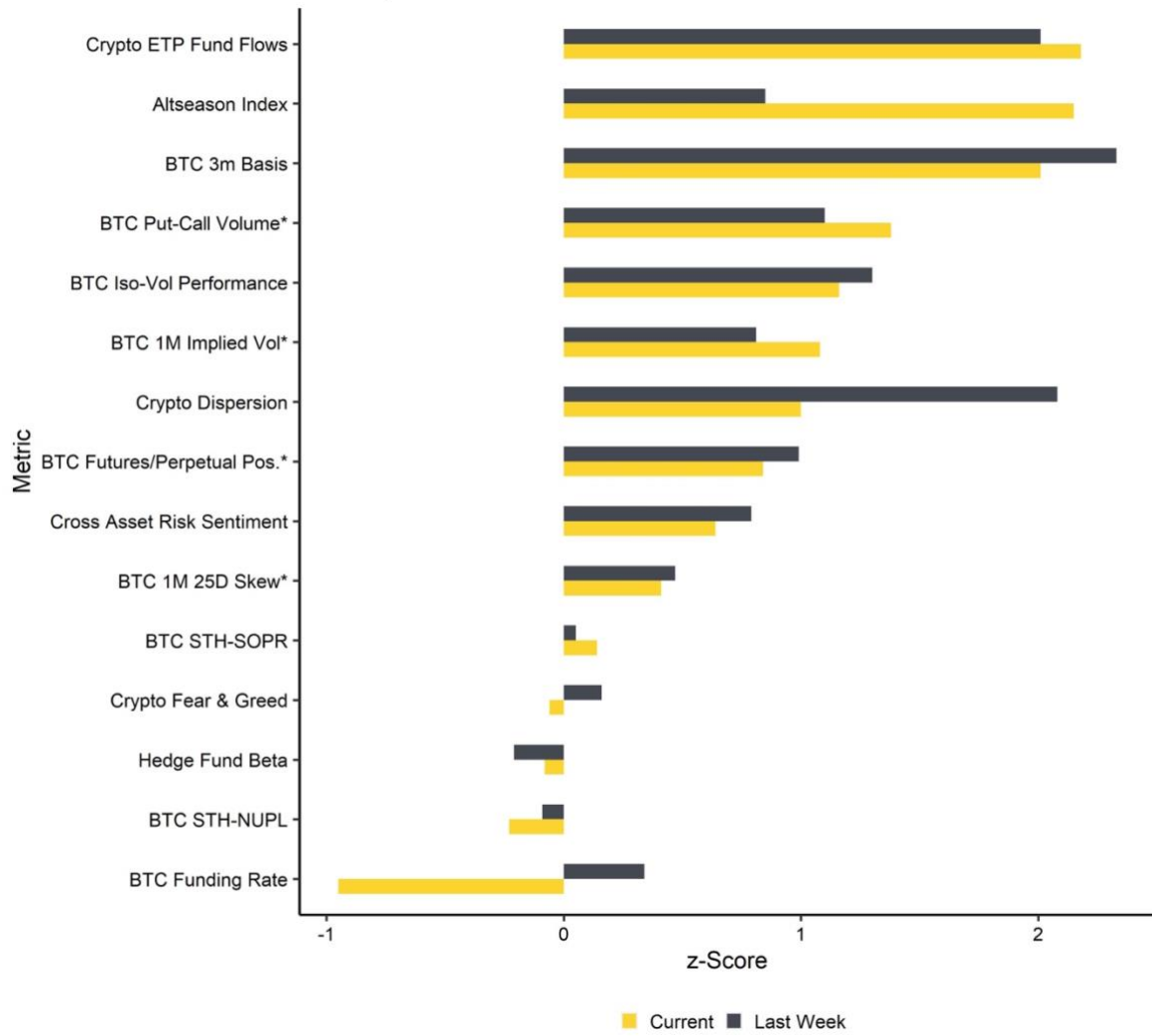
Crypto Sentiment Index

Subcomponents, 90-day rolling z-Scores

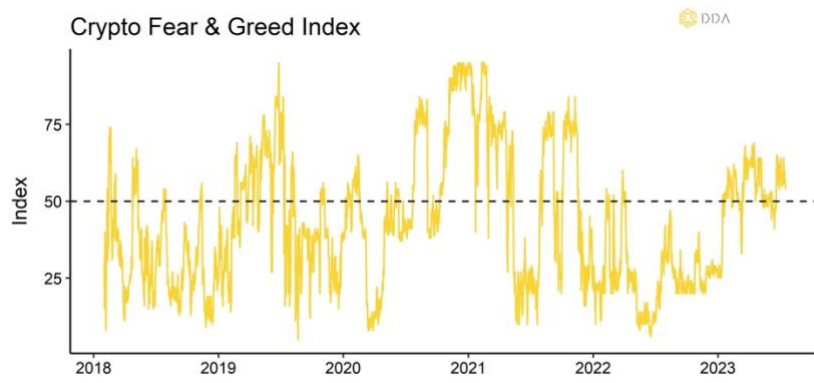
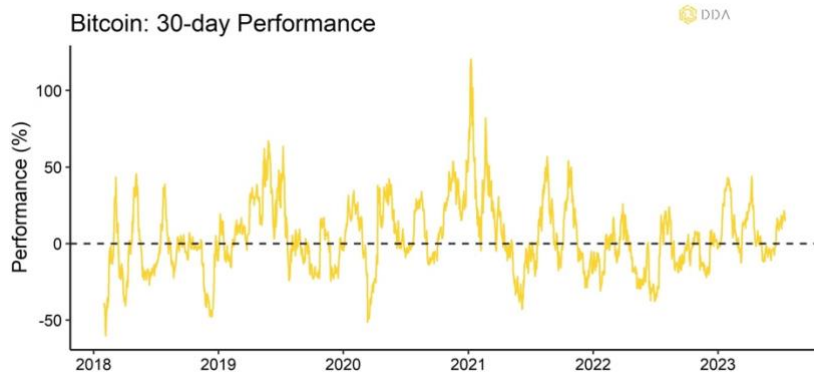


Source: Bloomberg, Coinmarketcap, Glassnode, Deutsche Digital Assets

Crypto Sentiment Index Subcomponents

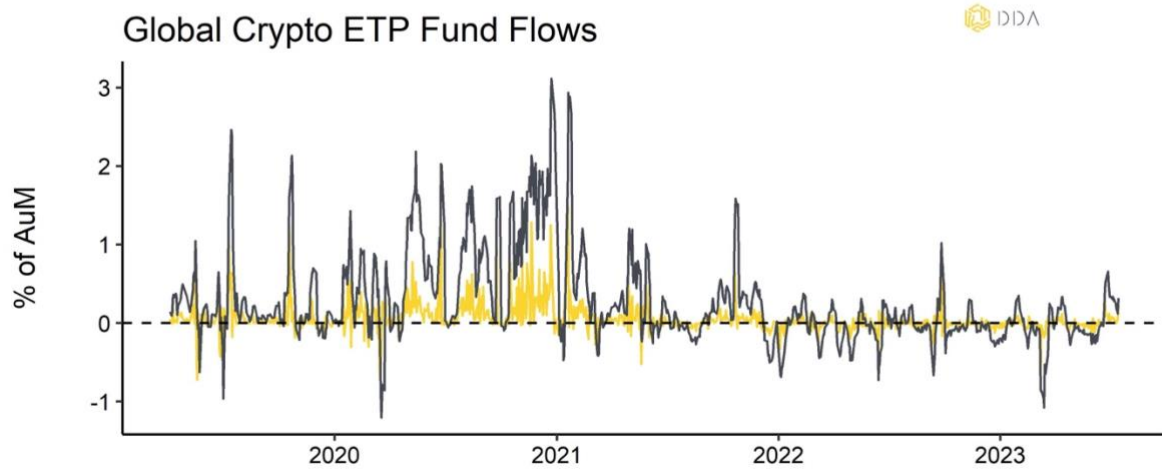
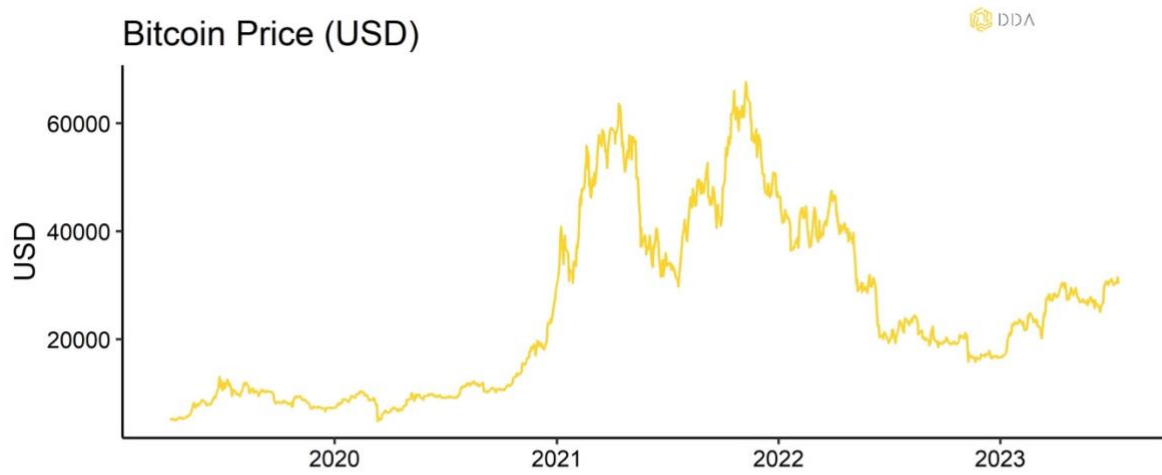


Source: Bloomberg, Coinmarketcap, Glassnode, Deutsche Digital Assets; *multiplied by (-1)



Source: alternative.me, Coinmarketcap, Deutsche Digital Assets

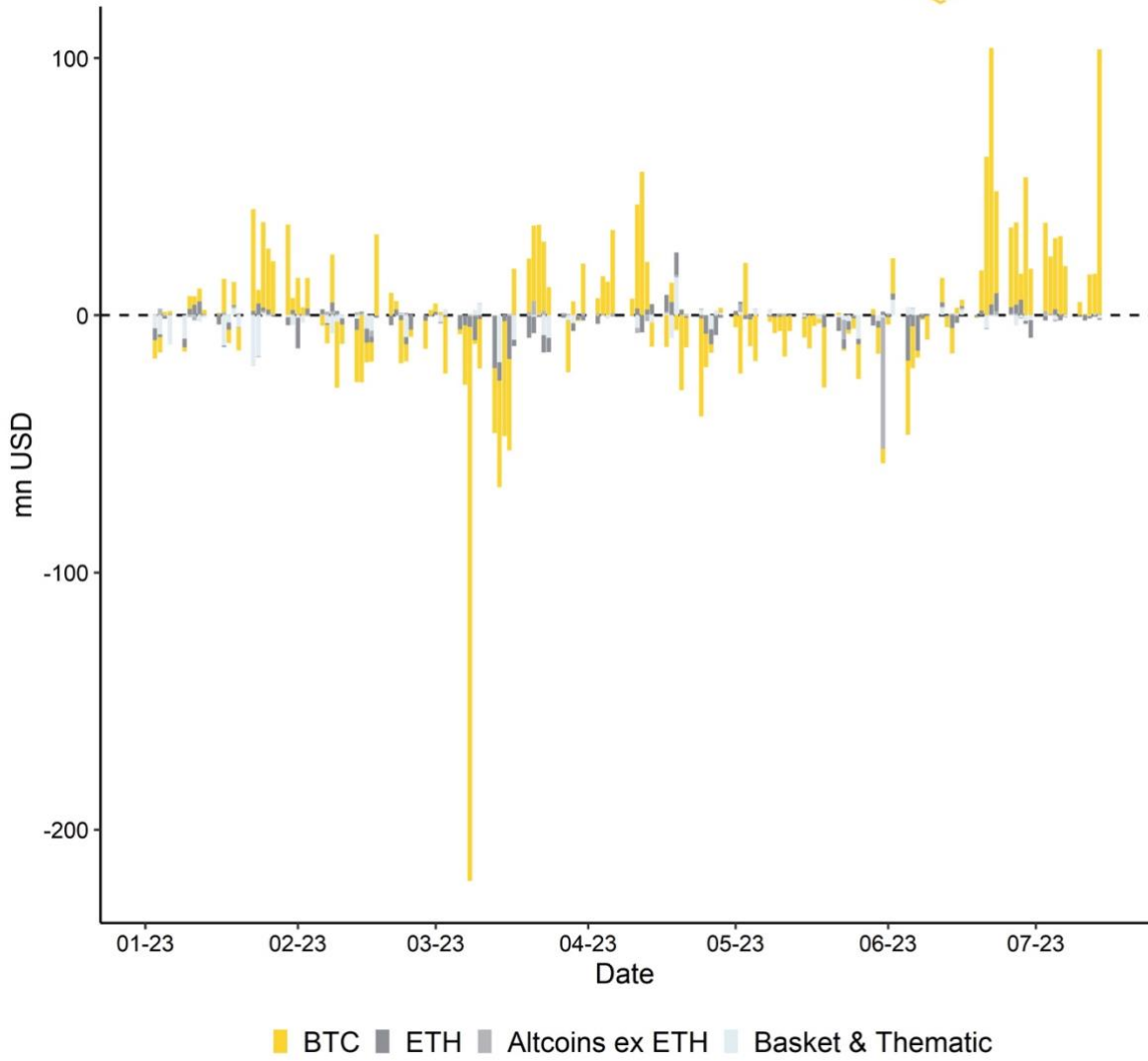
Bitcoin vs Global Crypto ETP Fund Flows



— Fund Flows — 5d rolling sum

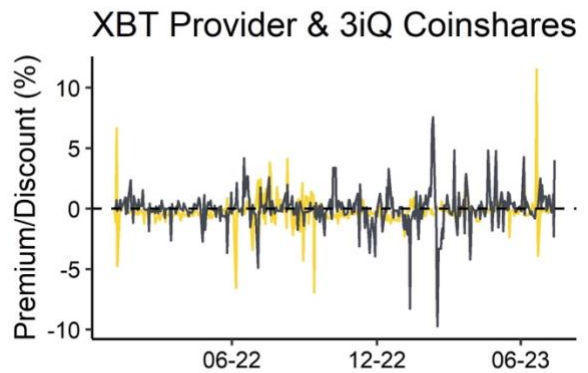
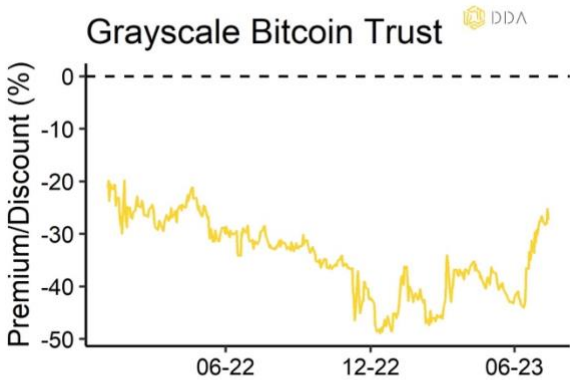
Source: Bloomberg, Deutsche Digital Assets; Only ETPs & Grayscale Trusts

Global Crypto ETP Fund Flows



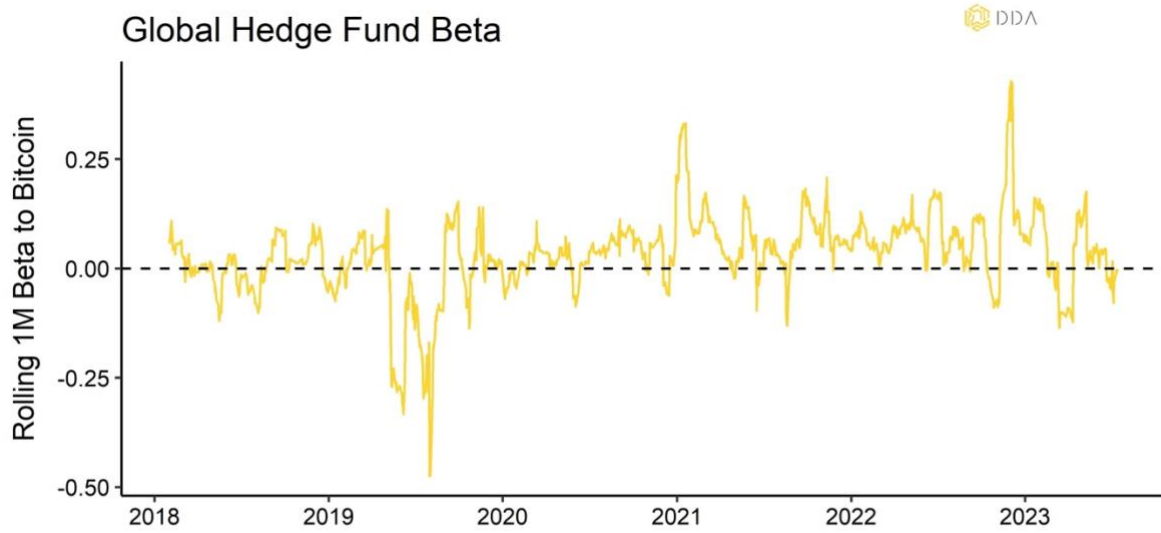
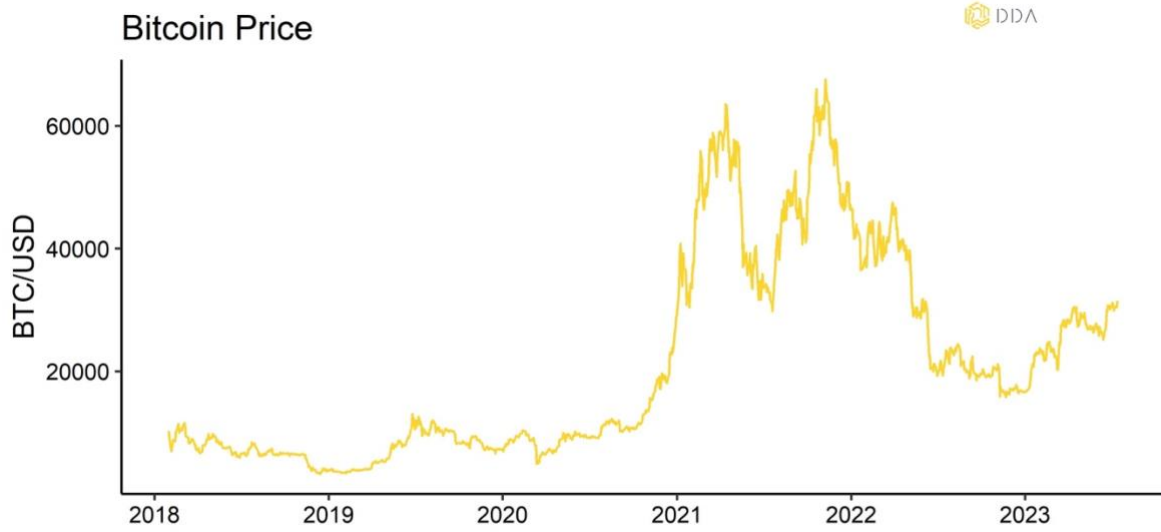
Source: Bloomberg, Deutsche Digital Assets; Only ETPs & Grayscale Trusts

BTC Funds NAV Premia/Discounts



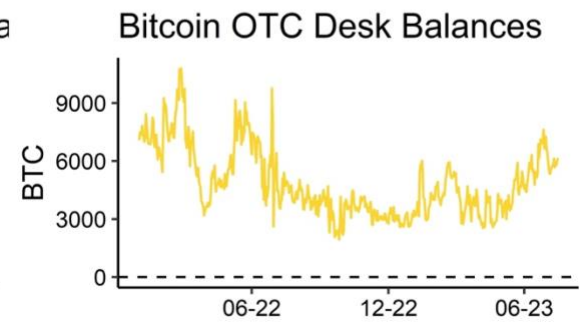
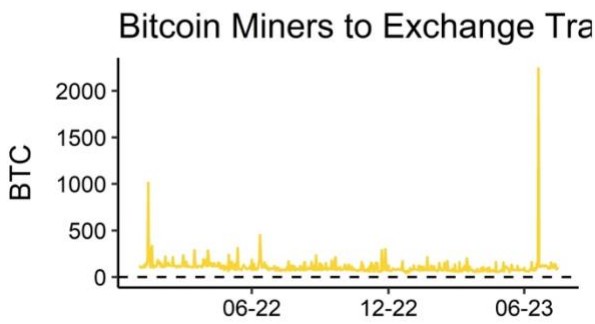
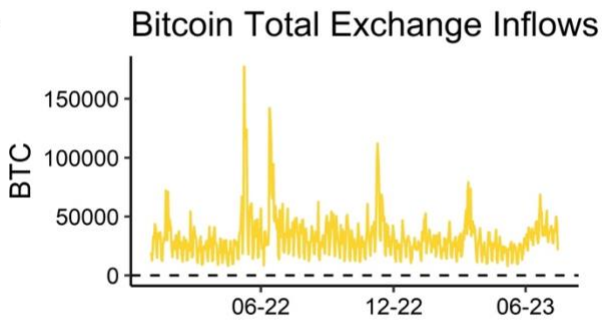
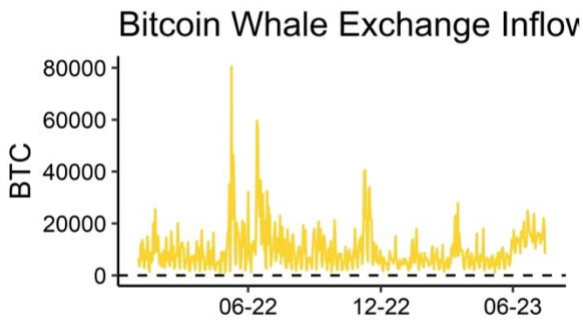
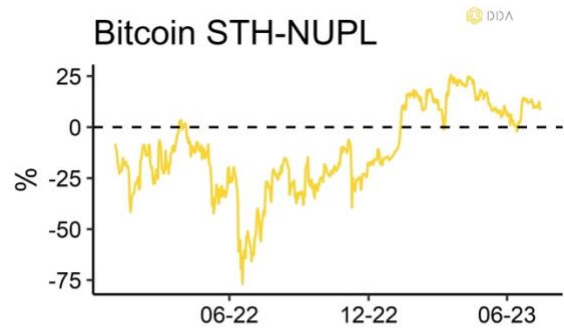
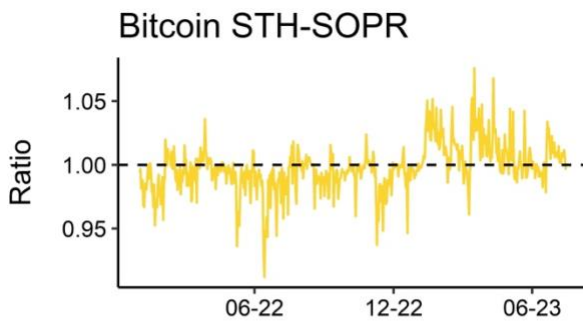
— XBT Provider — 3iQ Coinshares (Canada)

Source: Bloomberg, Deutsche Digital Assets



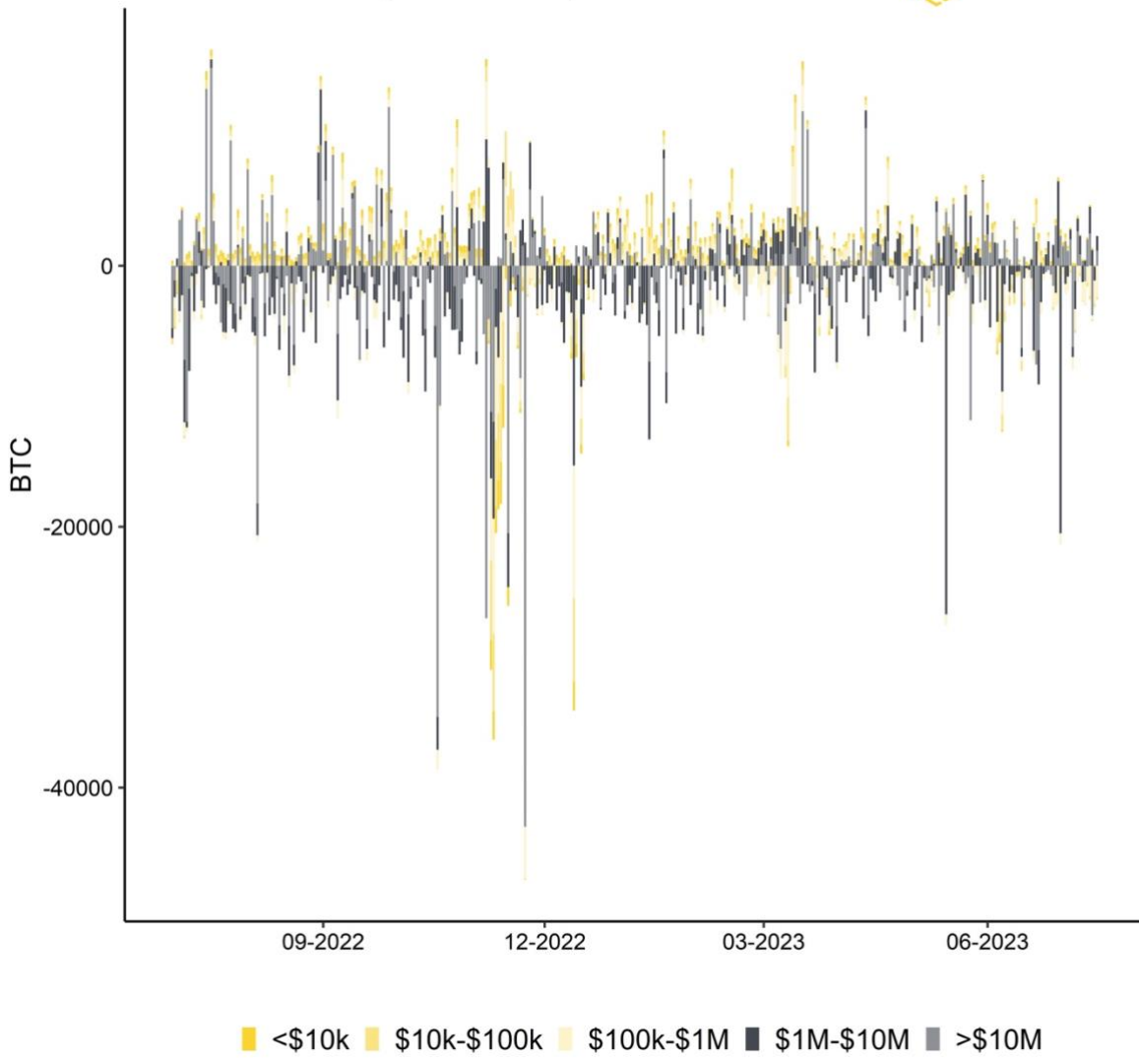
Source: Coinmarketcap, Bloomberg, Deutsche Digital Assets

Bitcoin On-Chain Indicators



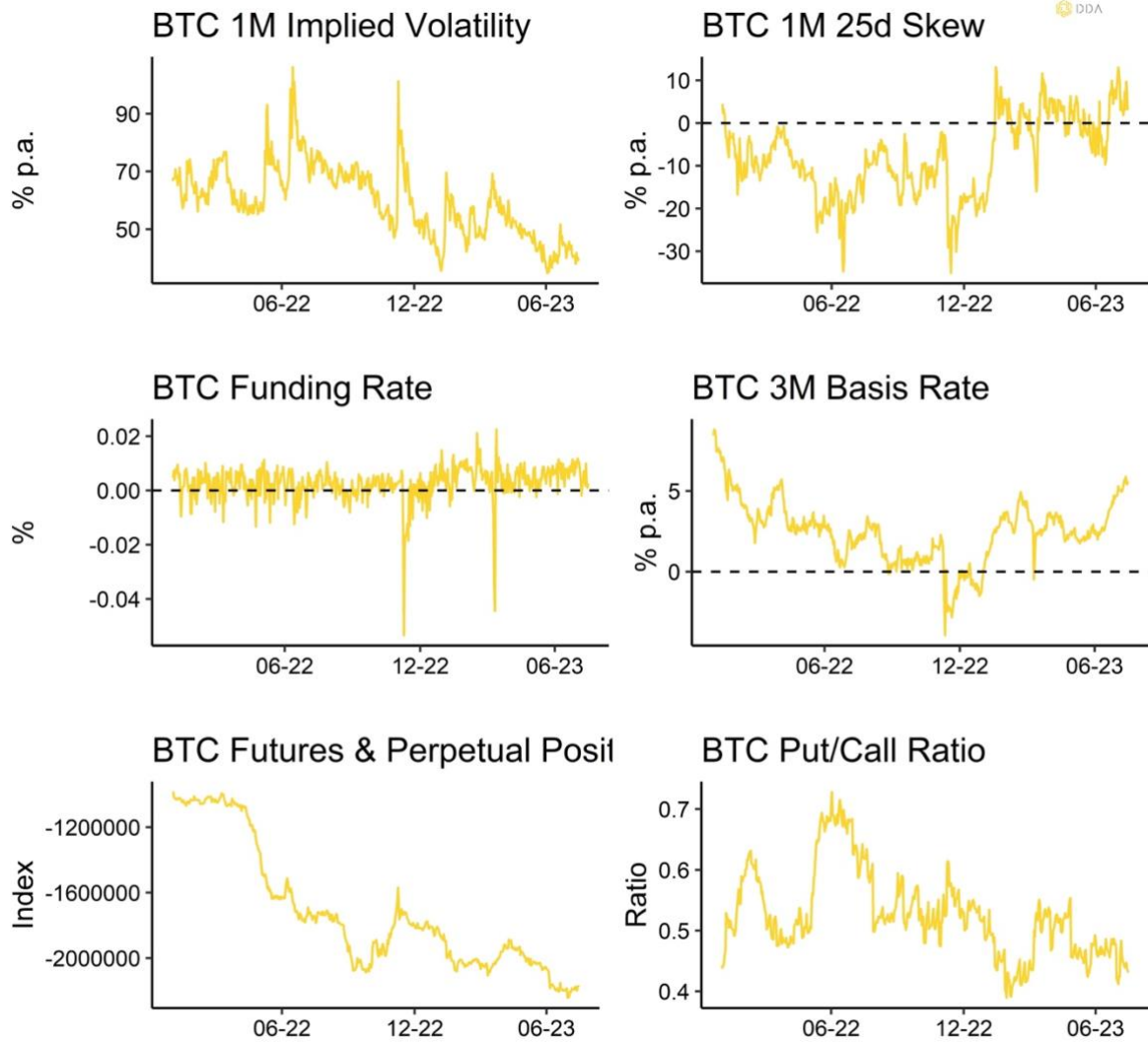
Source: Glassnode, Deutsche Digital Assets

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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