



CRYPTO MARKET PULSE

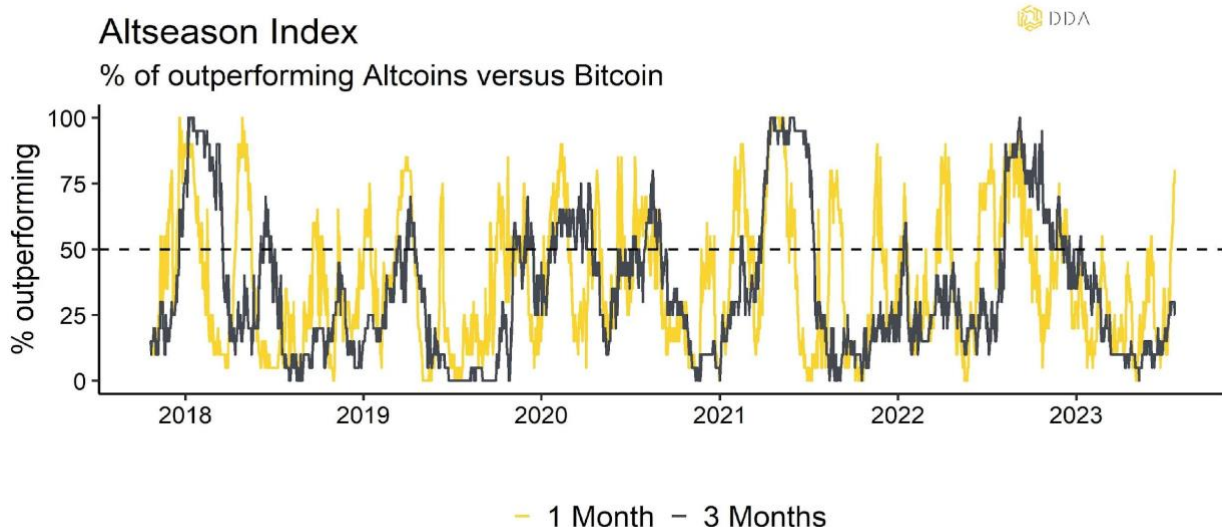
JULY 24, 2023

Key Takeaways

by André Dragosch, Head of Research

- ◆ Cryptoassets underperformed traditional assets as the market appears to enter 'holiday season' with low transfer volumes
- ◆ Our in-house Crypto Sentiment Index remains elevated which still somewhat limits further upside in the short term
- ◆ There was more action beneath the surface as altcoins have started to outperform Bitcoin significantly over the past month

Chart of the Week

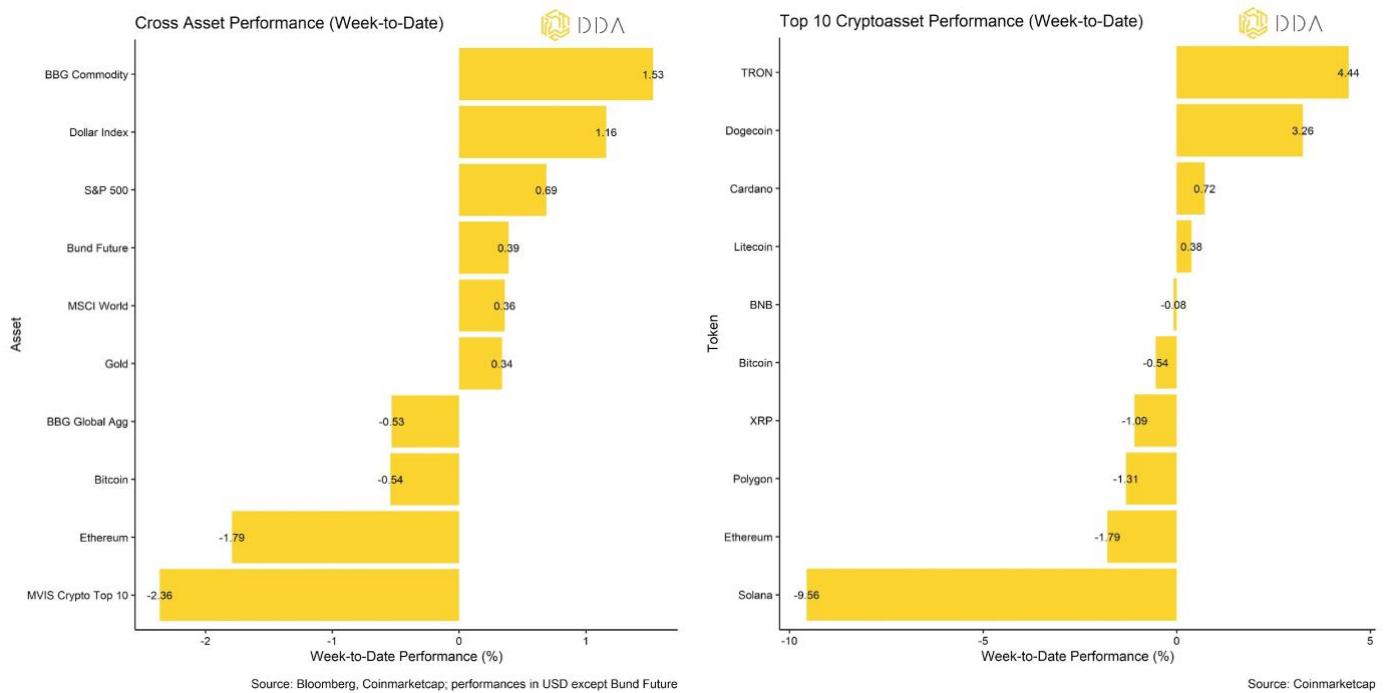


Source: Coinmarketcap, Deutsche Digital Assets

Performance

Last week, cryptoassets underperformed traditional assets as the market looked for new catalysts after the XRP-induced rallye the week prior. The crypto market already appears to be in 'holiday season' as transfer volumes are hovering near multi-year lows. In fact, especially July, August and September are traditionally those months with the weakest performance seasonality for Bitcoin as we have outlined [here](#).

That being said, most of the price action appears to be happening 'beneath the surface': altcoins managed to outperform Bitcoin more broadly over the last month (**Chart-of-the-Week**).



Among the top 10 cryptoassets, TRON, Dogecoin, and Cardano were the relative outperformers.

As mentioned before, altcoin outperformance vis-à-vis Bitcoin increased again. Based on our set of tracked altcoins 55% and 80% of altcoins were able to outperform Bitcoin on a weekly and monthly basis, respectively.

Sentiment

Our in-house Crypto Sentiment Index remains elevated which still somewhat limits 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 BTC implied volatilities.

The Crypto Fear & Greed Index remains in "Greed" 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, as mentioned above, altcoin outperformance has increased last week and is now at 55% 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 still saw minor net inflows into global crypto ETPs again.

In aggregate, we saw net fund inflows in the amount of +4.8 mn USD (week ending Friday).

However, Bitcoin funds experienced net outflows for the first time after 4 consecutive weeks of significant net inflows (-5.6 mn USD on a net basis).

In contrast, other cryptoasset fund vehicles experienced net inflows.

Ethereum funds experienced net inflows of +2.7 mn USD while other altcoin-based funds also received +4.2 mn USD in net inflows.

Thematic & basket crypto funds attracted +3.8 mn USD in net outflows last week.

Besides, the NAV discount of the biggest Bitcoin fund in the world - Grayscale Bitcoin Trust (GBTC) - has mostly moved sideways last week which implies neither significant net inflows nor outflows via this fund vehicle.

In contrast, the beta of global Hedge Funds to Bitcoin over the last 20 trading days was slightly positive, implying that global hedge funds have a positive 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 was rather muted last week. For instance, transfer volumes on the Bitcoin blockchain are hovering near multi-year lows. Besides, both exchange inflows and outflows have also decreased significantly last week. On a net basis, coins have continued to flow out of exchanges as Bitcoin exchanges balances have reached the lowest level since February 2018. However, the rate of change of these net outflows has clearly slowed down.

There seems to be some downside pressure at the moment as short-term holders of Bitcoin exhibit a bias towards sending coins in loss to exchanges relative to coins in profit. Short-term holders are currently sending more than 1% of their balances to exchanges on a single day which is relatively significant. Liquidations of this type could be related to a variety of factors including overall macroeconomic conditions or simply seasonal liquidity needs because of the holiday season.

In contrast, long-term holders of Bitcoin do not appear to be liquidating a larger amount of their holdings. More specifically, long-term holders are currently only sending 0.0002% of their holdings to exchanges. The majority of coins that are being sent in the first place are coins in profit.

Derivatives

Last week, derivatives metrics also suggested a rather muted price action.

For instance, BTC implied volatilities continued to trend lower to multi-year lows.

BTC 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 ticked slightly lower but still hovers above 5% p.a. implying a positive price outlook priced by Bitcoin futures traders into the futures curve.

Open interest was fairly stable throughout the week both for futures (calendar & perpetual) as well as options.

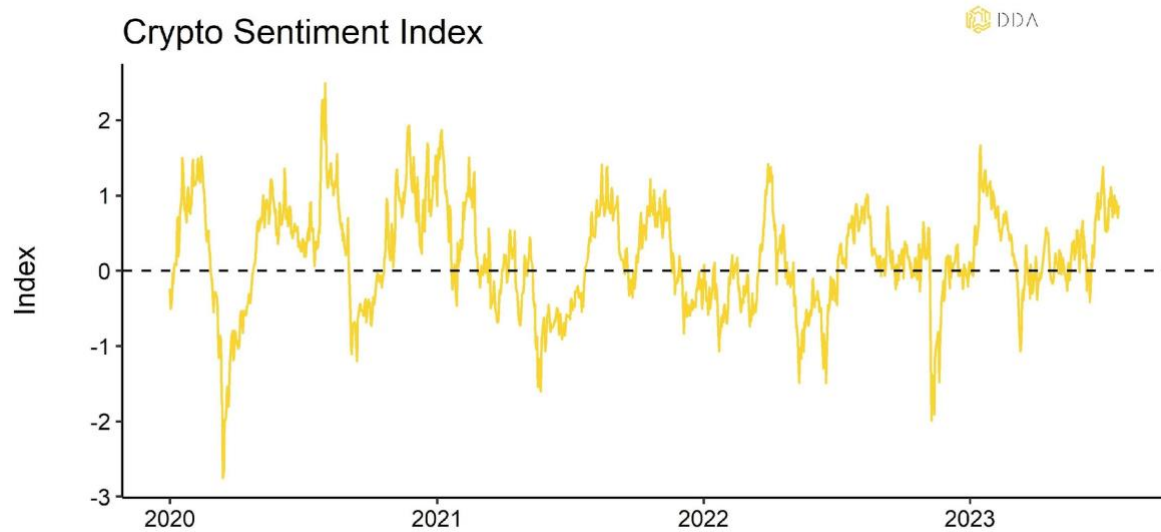
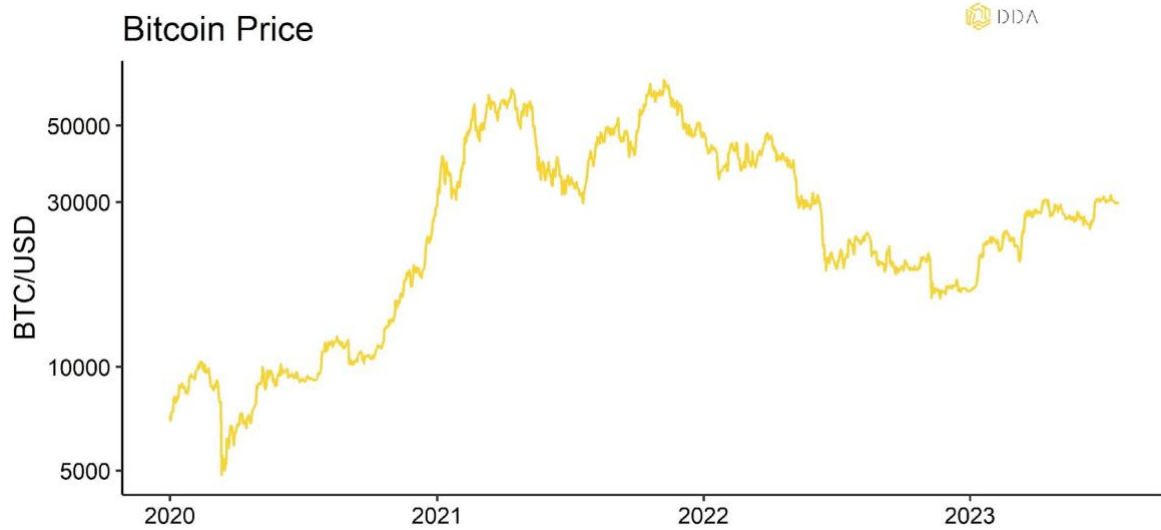
Bottom Line

Cryptoassets underperformed traditional assets as the market appears to enter 'holiday season' with low transfer volumes.

Our in-house Crypto Sentiment Index remains elevated which still somewhat limits further upside in the short term.

There was more action beneath the surface as altcoins have started to outperform Bitcoin significantly over the past month.

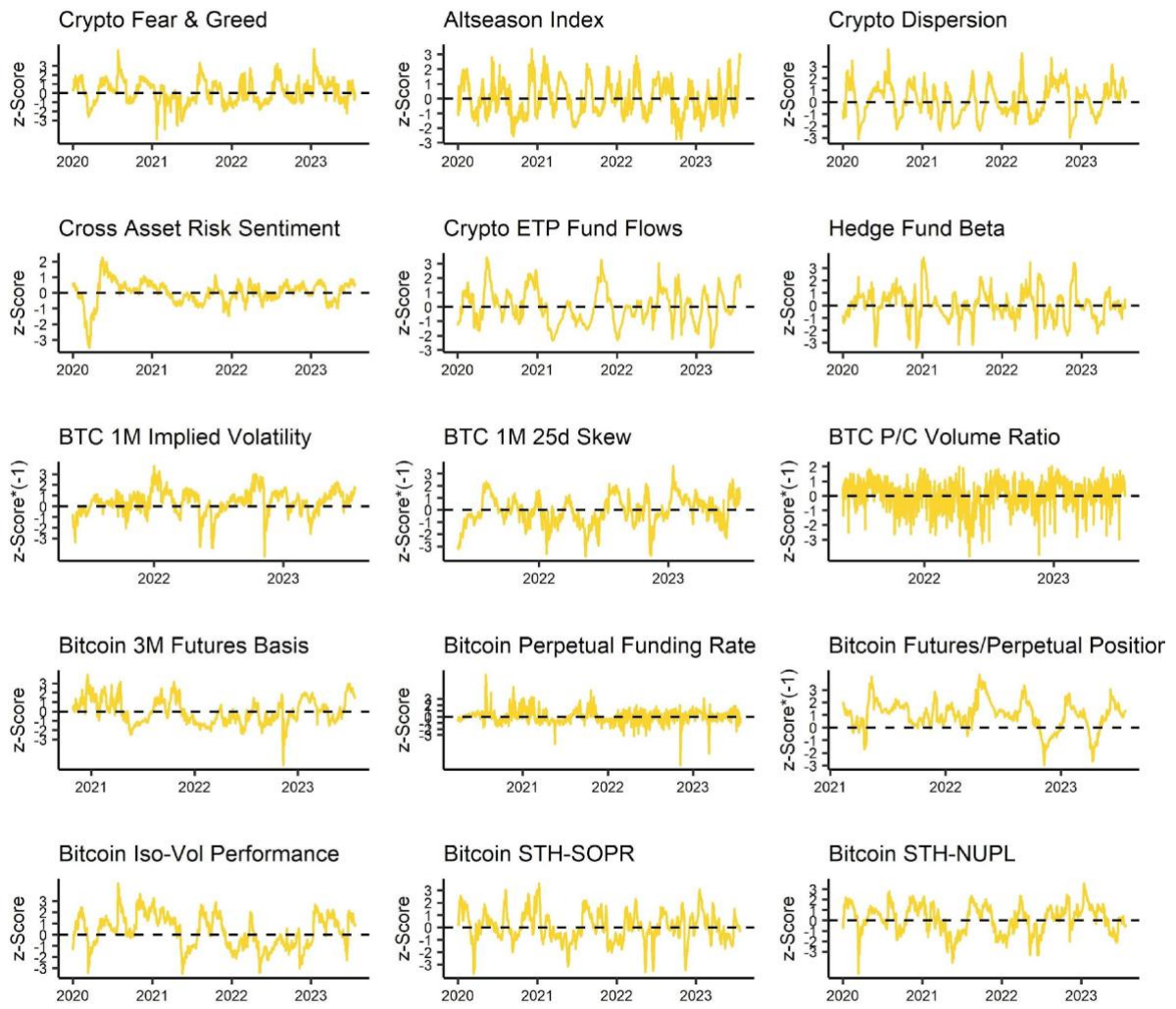
Appendix



Source: Bloomberg, Coinmarketcap, Glassnode, Deutsche Digital Assets

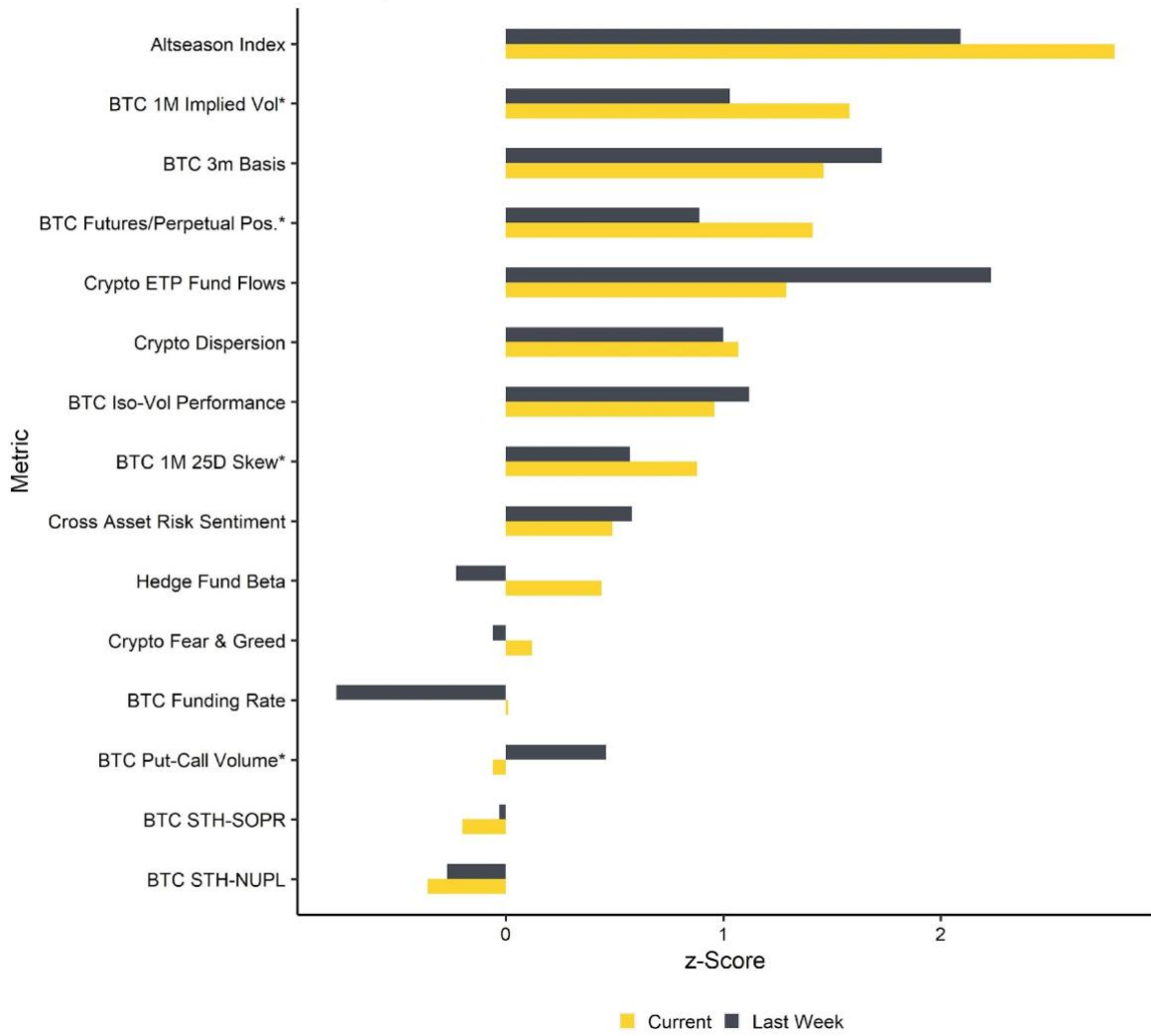
Crypto Sentiment Index

Subcomponents, 90-day rolling z-Scores

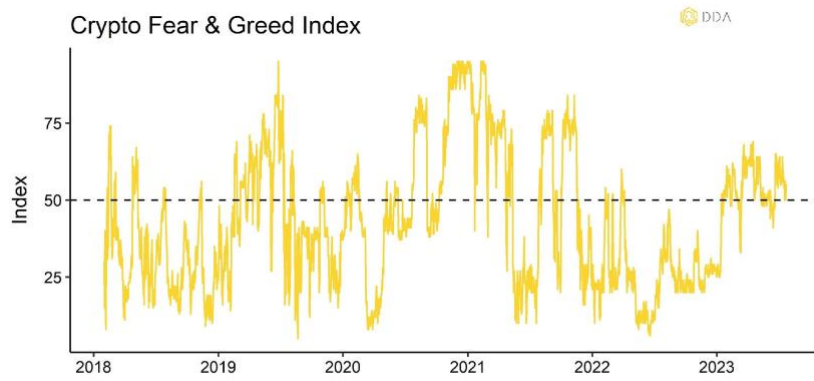
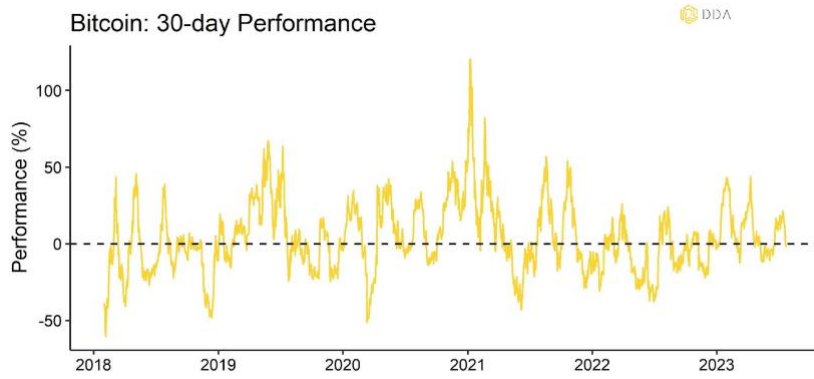


Source: Bloomberg, Coinmarketcap, Glassnode, Deutsche Digital Assets

Crypto Sentiment Index Subcomponents

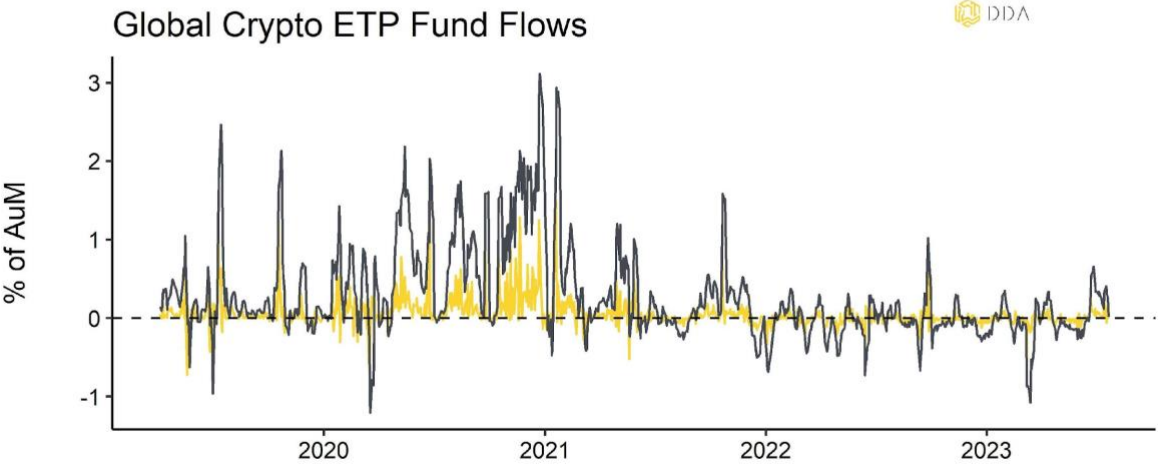
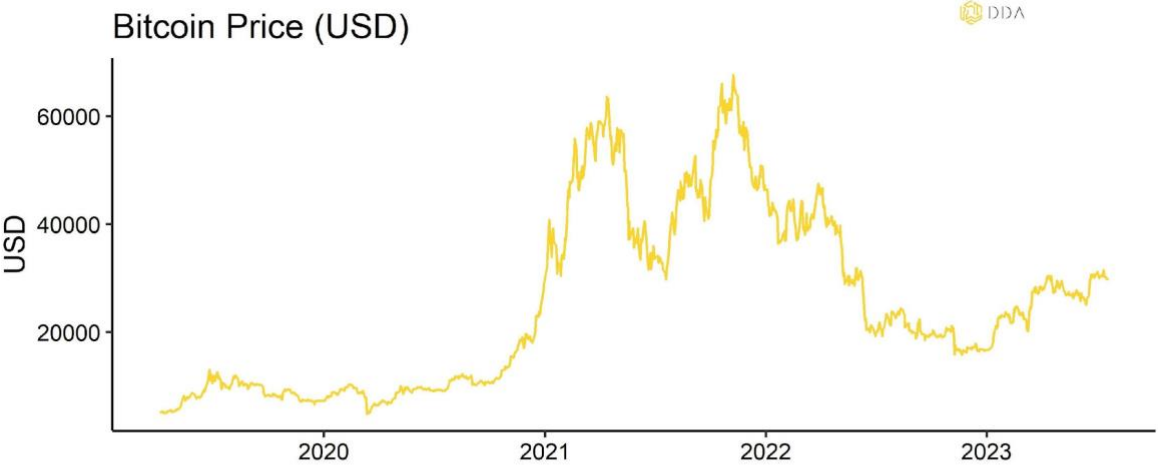


Source: Bloomberg, Coinmarketcap, Glassnode, Deutsche Digital Assets; *multiplied by (-1)



Source: alternative.me, Coinmarketcap, Deutsche Digital Assets

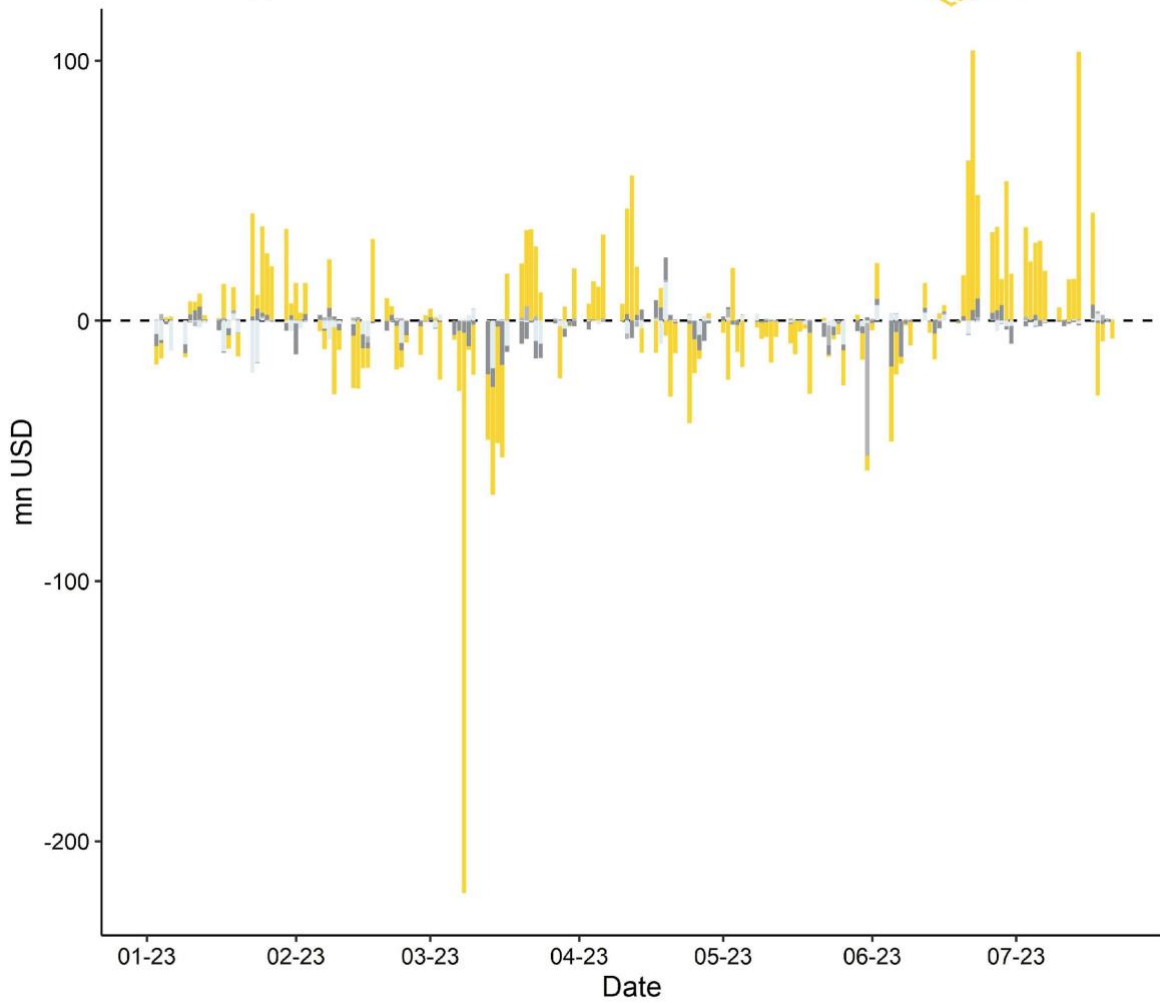
Bitcoin vs Global Crypto ETP Fund Flows



— Fund Flows – 5d rolling sum

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

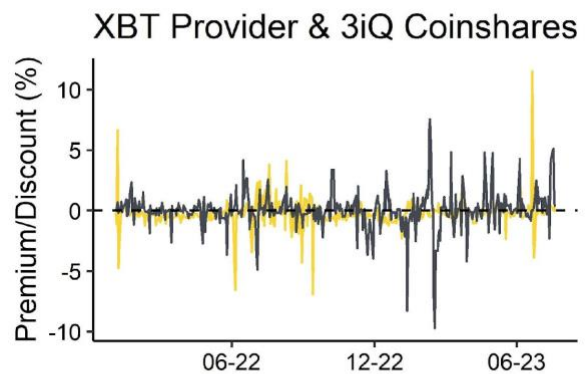
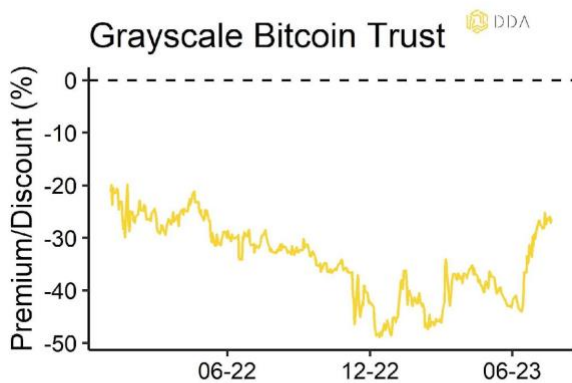
Global Crypto ETP Fund Flows



■ BTC ■ ETH ■ Altcoins ex ETH ■ Basket & Thematic

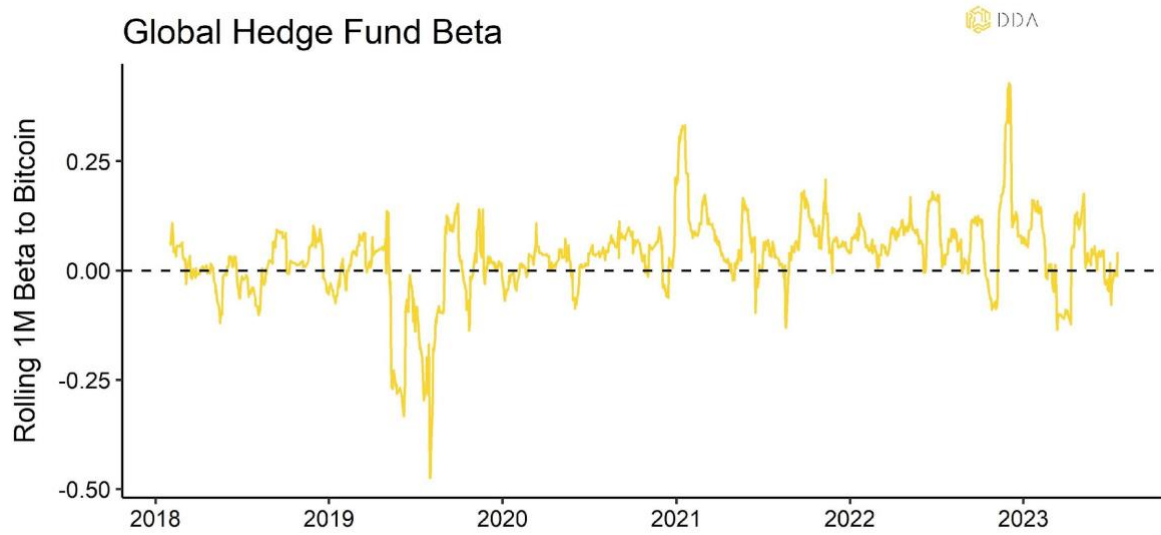
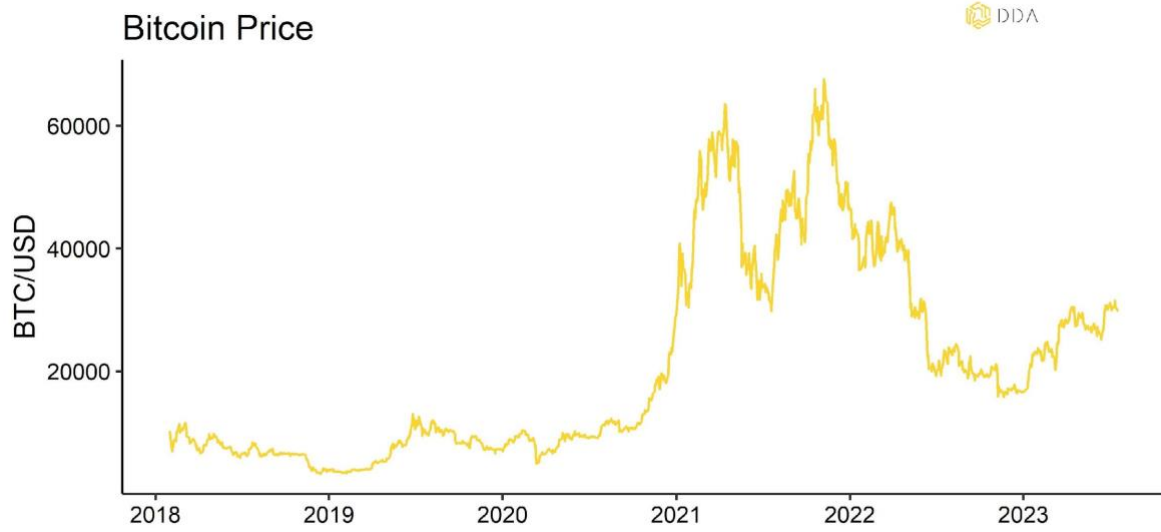
Source: Bloomberg, Deutsche Digital Assets; Only ETPs & Grayscale Trusts

BTC Funds NAV Premia/Discounts



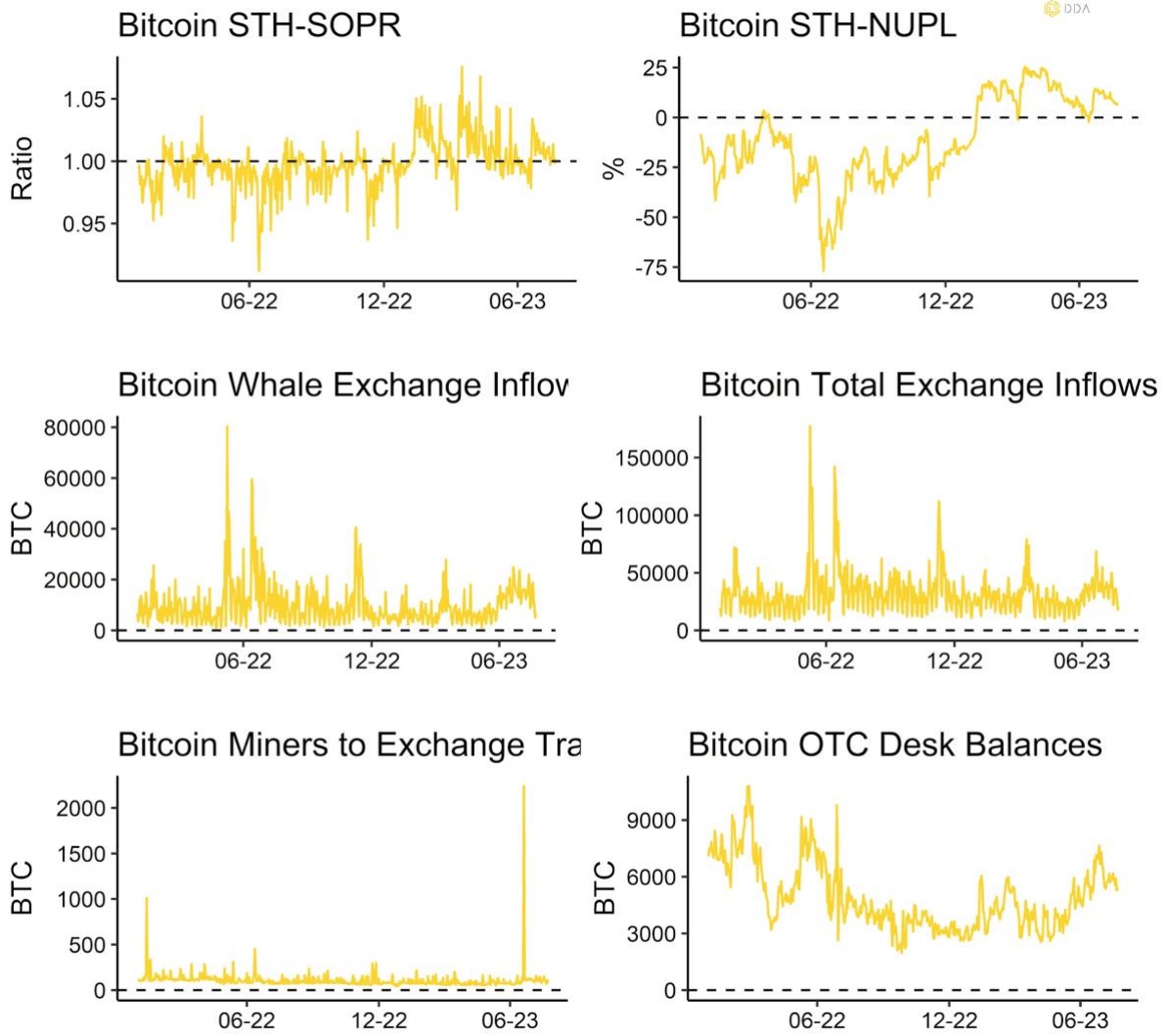
— XBT Provider — 3iQ Coinshares (Canada)

Source: Bloomberg, Deutsche Digital Assets



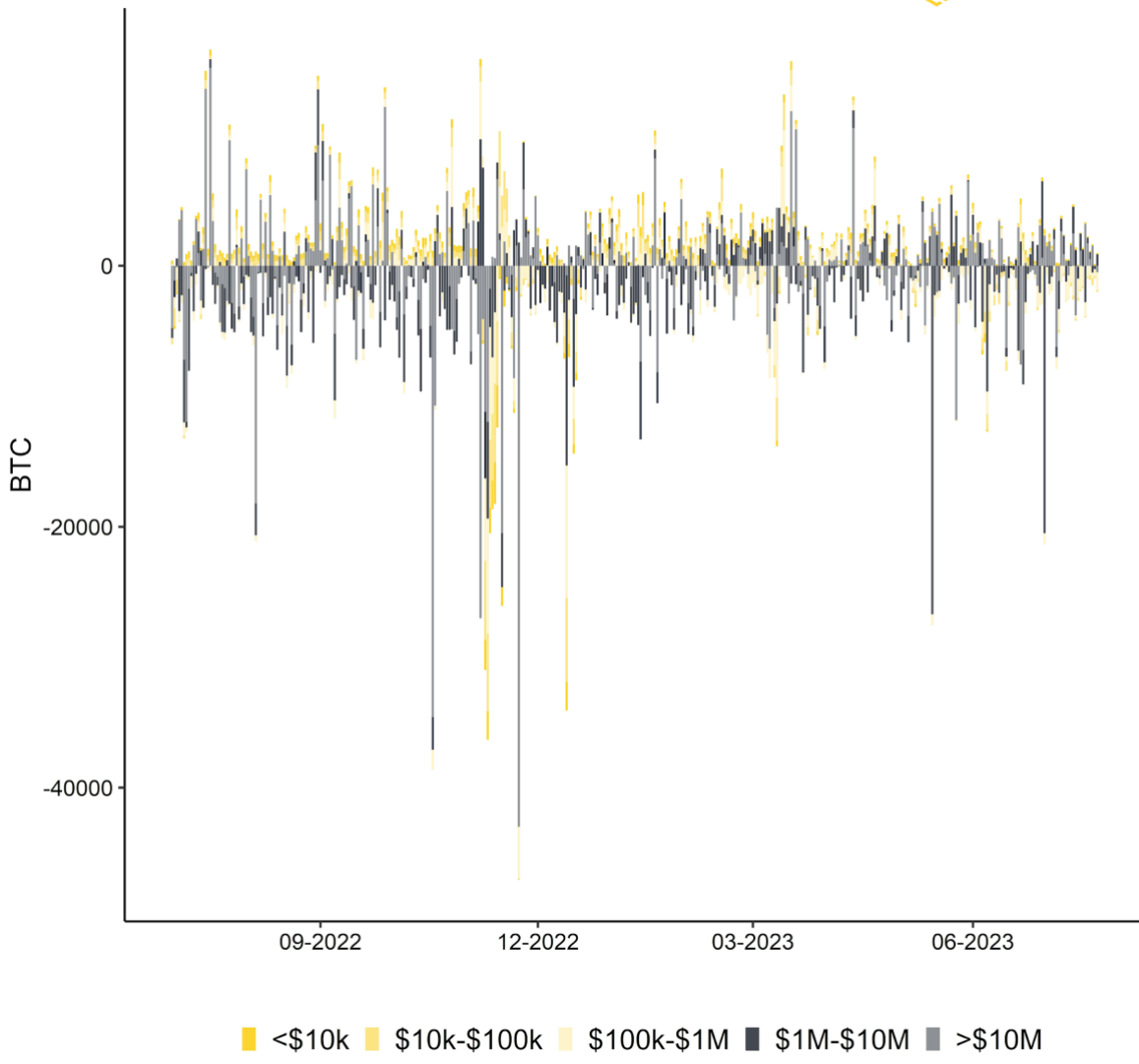
Source: Coinmarketcap, Bloomberg, Deutsche Digital Assets

Bitcoin On-Chain Indicators



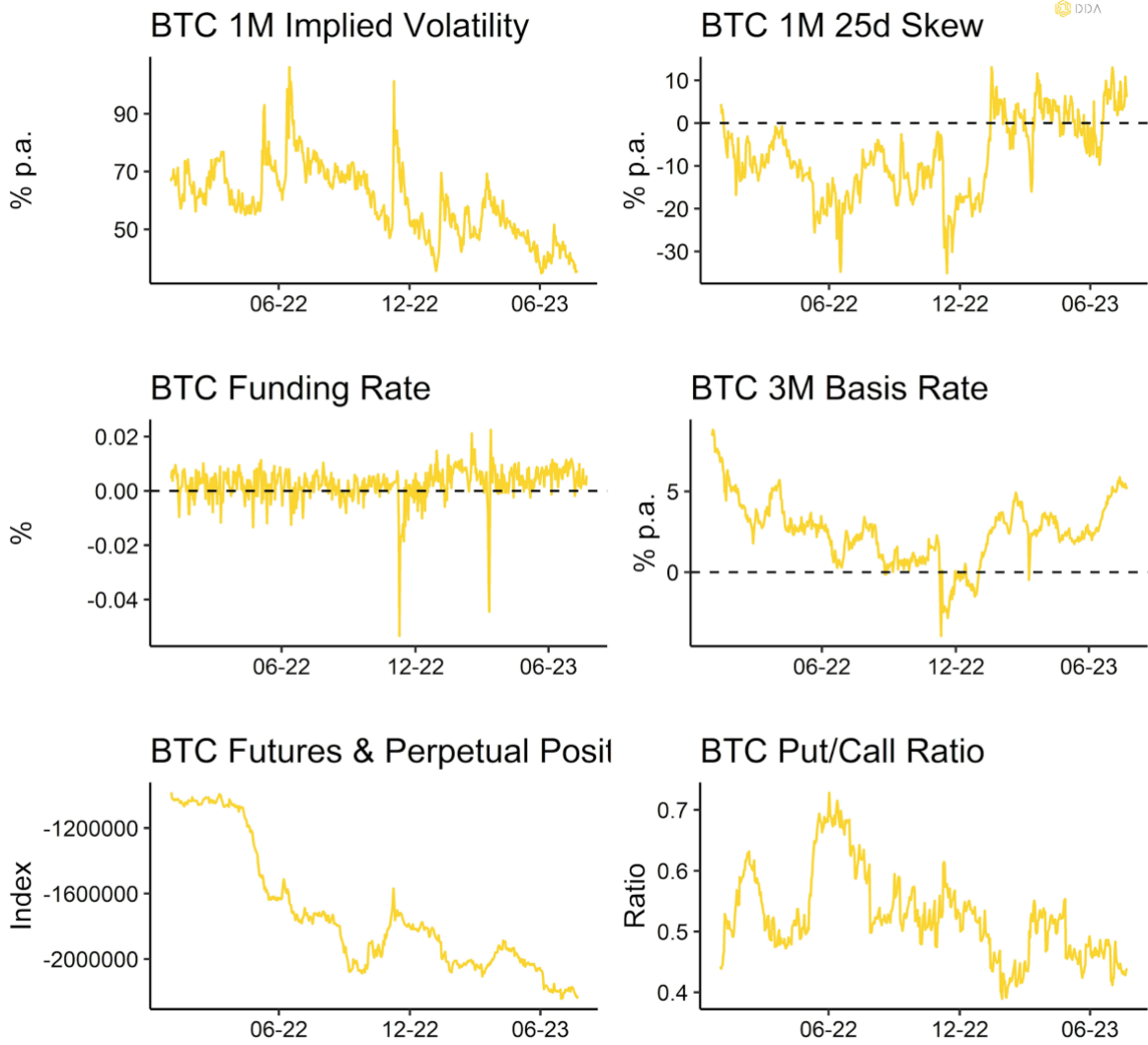
Source: Glassnode, Deutsche Digital Assets

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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