



# CRYPTO MARKET PULSE

JULY 31, 2023

## Key Takeaways

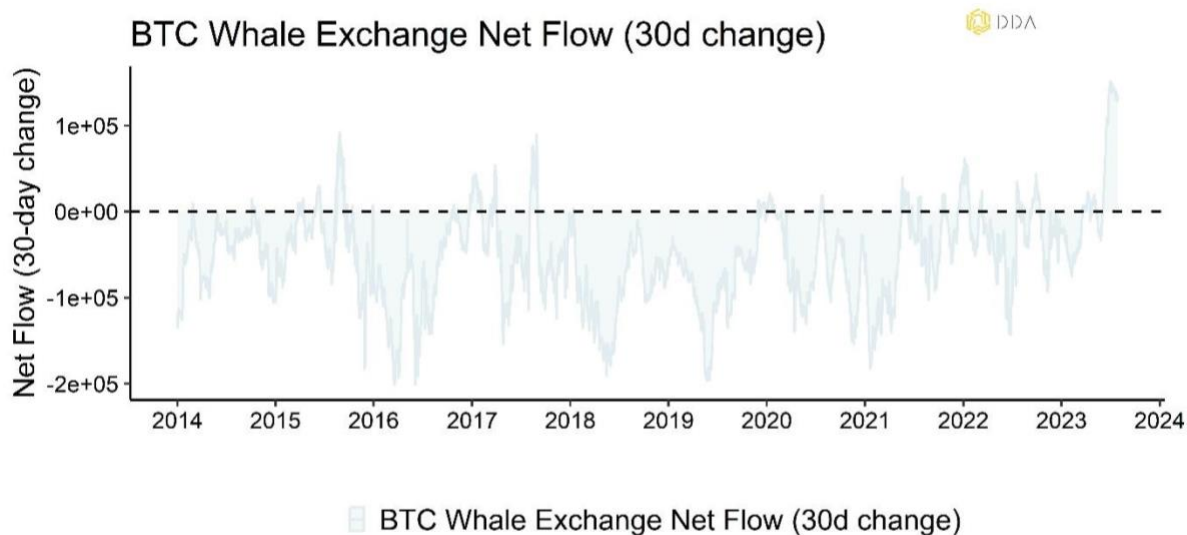
by André Dragosch, Head of Research

- ◆ Cryptoassets underperformed traditional assets due to some coin-specific factors while global equities continued to rally despite additional rate hikes from the Fed and ECB
- ◆ Our in-house Crypto Sentiment Index has retraced some of the euphoria we have seen in previous weeks
- ◆ At the same time, there appears to be significant trading activity by Bitcoin whales (wallets > 1k BTC) at the moment with a large spike in net inflows to exchanges

## Chart of the Week

Bitcoin: Price vs BTC Whale Net Flow Volume



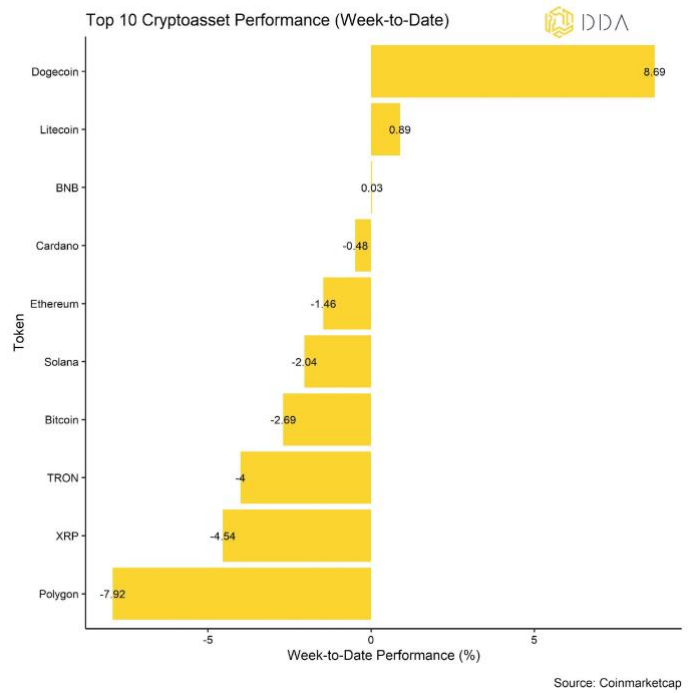
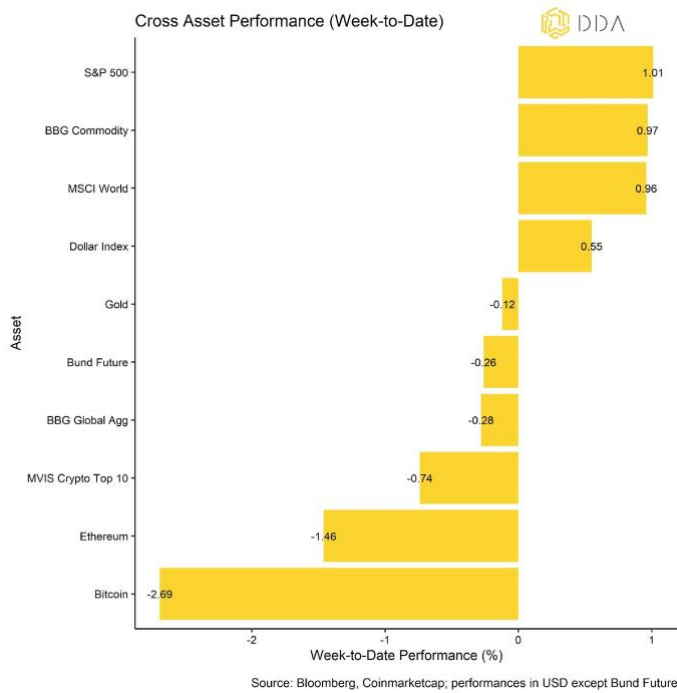


Source: Glassnode, Deutsche Digital Assets

## Performance

Last week, cryptoassets underperformed due to some coin-specific factors including the latest exploit of the DeFi exchange Curve that led to an increase in market uncertainty. Meanwhile, global equities continued to rally despite another 25 bps rate hike by both the Fed and the ECB last week.

At the same time, there appears to be significant trading activity by Bitcoin whales (wallets > 1k BTC) at the moment with a large spike in net inflows to exchanges over the last 30 days (**Chart-of-the-Week**).



Among the top 10 cryptoassets, Dogecoin, Litecoin, and BNB were the relative outperformers.

In general, altcoin outperformance vis-à-vis Bitcoin decreased slightly last week. Based on our set of tracked altcoins 45% of altcoins were able to outperform Bitcoin on a weekly basis.

## Sentiment

Our in-house Crypto Sentiment Index has retraced some of the euphoria we have seen in previous weeks. 10 out of 15 indicators are still above their short-term trend.

Compared to last week, we saw major reversals to the downside in the crypto dispersion index and BTC perpetual funding rates.

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

Performance dispersion among cryptoassets has reversed somewhat albeit from high levels.

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

At the same time, as mentioned above, altcoin outperformance has declined slightly last week and is now

at 45% 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

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Last week still saw minor net outflows from global crypto ETPs again.

In aggregate, we saw net fund outflows in the amount of -8.3 mn USD (week ending Friday).

Likewise, Bitcoin funds and Ethereum funds also experienced net outflows (-6.8 mn USD and -9.7 mn USD on a net basis, respectively).

In contrast, other cryptoasset fund vehicles experienced net inflows.

Altcoin-based funds received +1.9 mn USD in net inflows while thematic & basket crypto funds attracted +6.4 mn USD in net outflows last week.

Besides, the NAV discount of the biggest Bitcoin fund in the world - Grayscale Bitcoin Trust (GBTC) - has widened again last week which implies some selling of this fund vehicle.

Furthermore, 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

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Recently, the net exchange transfers of bitcoin whales in particular have been very noticeable. Recent months have seen an all-time high in the 1-month change in whale net exchange deposits. The quantity of coins that have flown onto exchanges still signals possible selling pressure and, therefore, a potential risk, even though some on-chain analysts attribute this to short-term "wallet reshuffling."

On a positive note, it appears that long-term Bitcoin investors are not selling off any more of their holdings. More specifically, only 0.0002% of the holdings of long-term investors are now being remitted to exchanges. The vast majority of the coins that were initially sent have been profitable.

The average accumulation score across all wallet cohorts has also drastically decreased and is still at the lowest levels year to date, based on an analysis of transfer volumes by different wallet cohorts.

Meanwhile, core on-chain metrics such as new addresses continue to grow which is a positive sign for overall growth of the Bitcoin network. Both UTXOs and the overall number of transactions have recently gained more momentum.

## **Derivatives**

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Last week, derivatives metrics continued to suggest a rather muted price action.

For instance, BTC 1-month implied volatilities reached an all-time low of 31% p.a. as option traders seem to expect a rather calm market environment for Bitcoin.

BTC Put-Call-Ratio also continued to go down. The BTC 1-month 25-delta option skew increased slightly but is still biased towards calls implying that BTC option traders have net positive expectations of future market developments.

The BTC 3-months basis rate continued to trend lower below 5% p.a. which means that the BTC futures curve flattened slightly.

BTC derivatives open interest was fairly stable throughout the week for futures (calendar & perpetual) but declined for options as we approach the monthly expiry of contracts for July on the 31st.

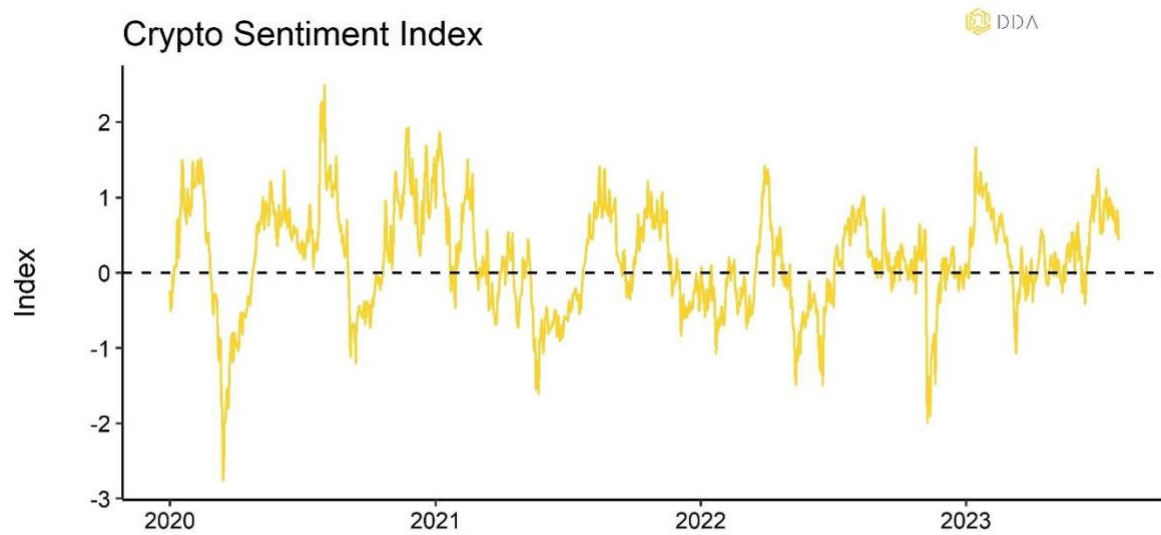
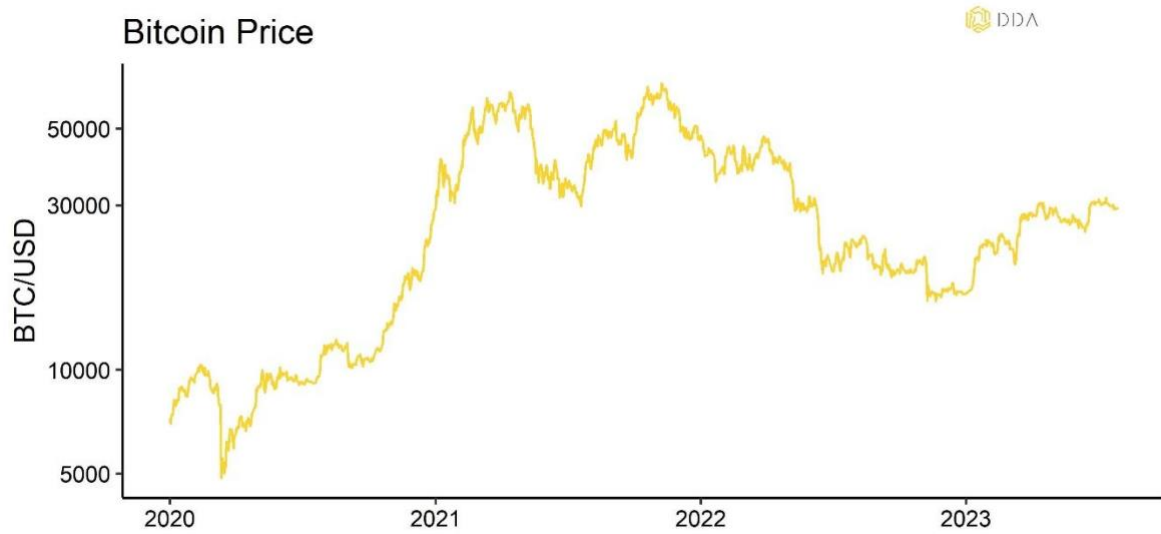
## Bottom Line

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Cryptoassets underperformed traditional assets due to some coin-specific factors while global equities continued to rally despite additional rate hikes from the Fed and ECB. Our in-house Crypto Sentiment Index has retraced some of the euphoria we have seen in previous weeks. At the same time, there appears to be significant trading activity by Bitcoin whales (wallets > 1k BTC) at the moment with a large spike in net inflows to exchanges.

# Appendix

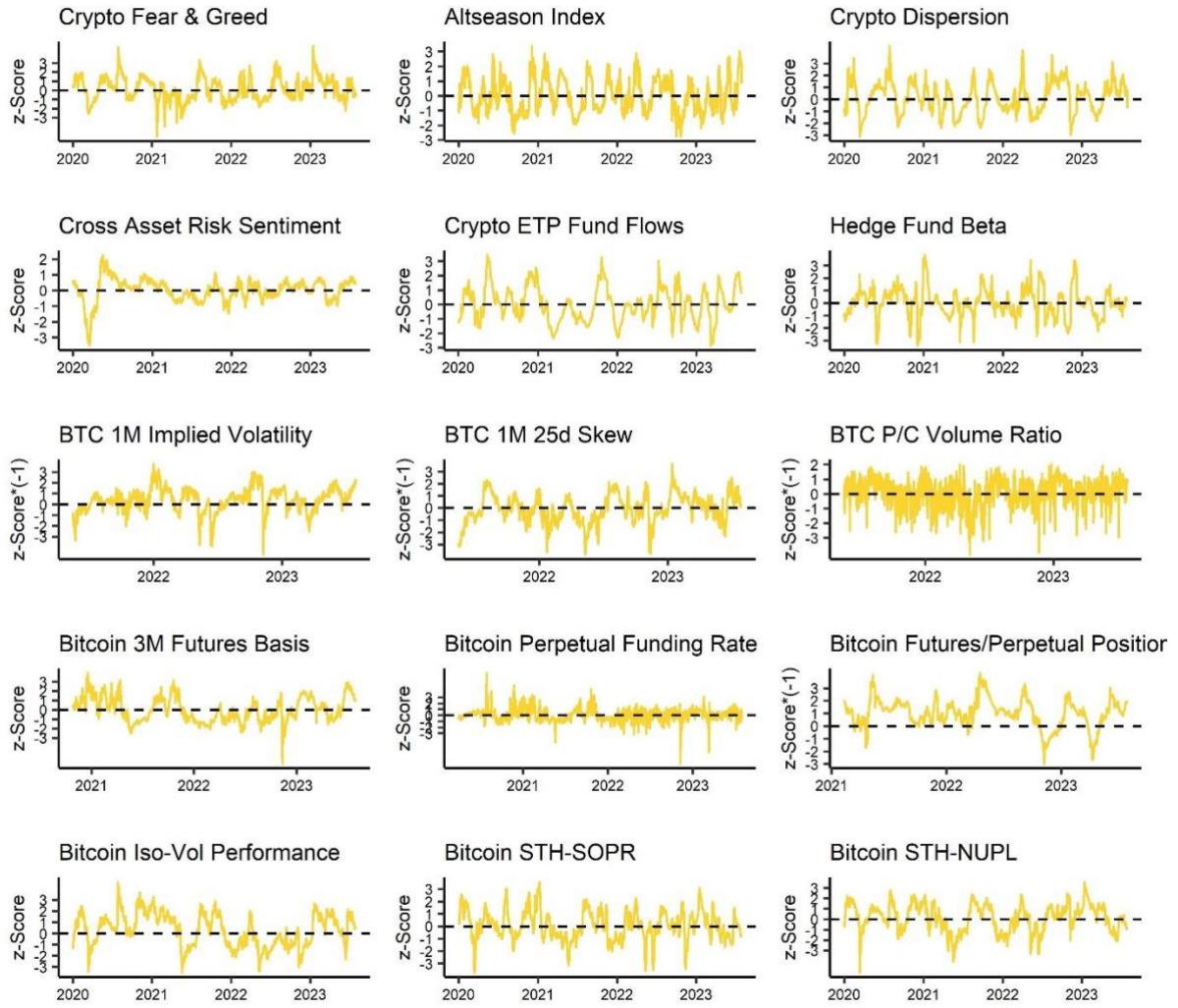
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Source: Bloomberg, Coinmarketcap, Glassnode, Deutsche Digital Assets

# Crypto Sentiment Index

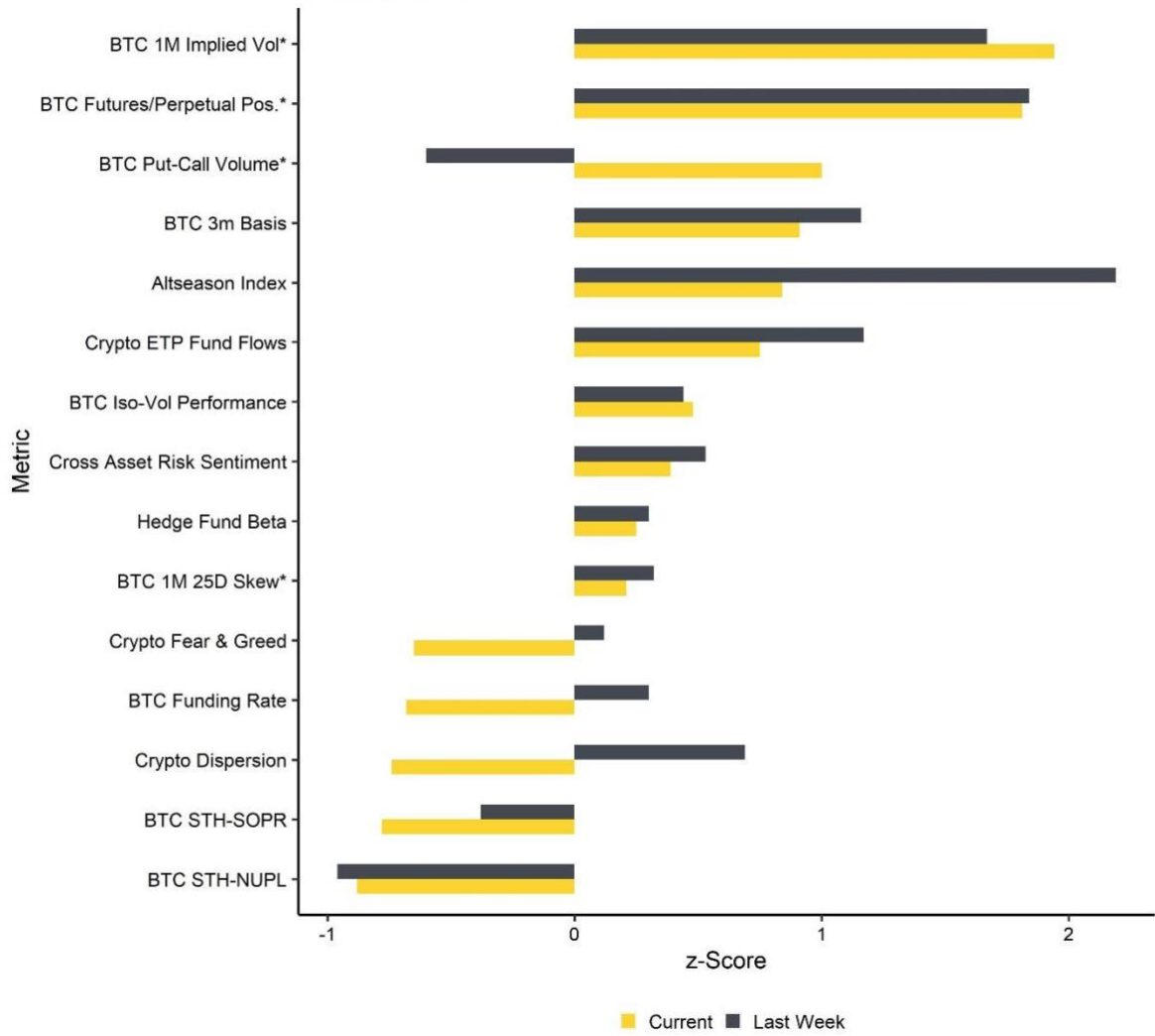
## Subcomponents, 90-day rolling z-Scores



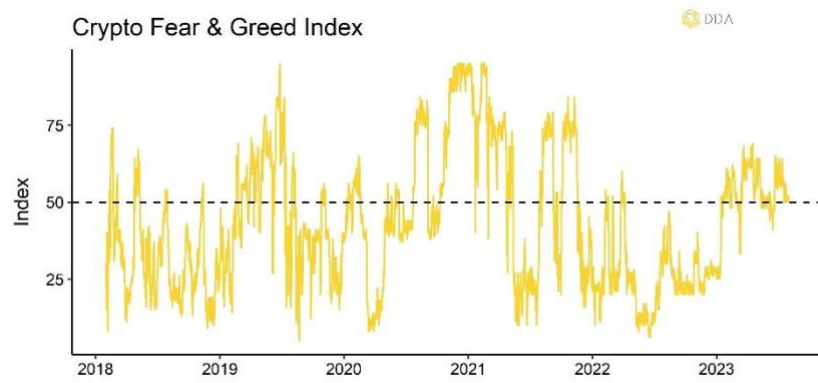
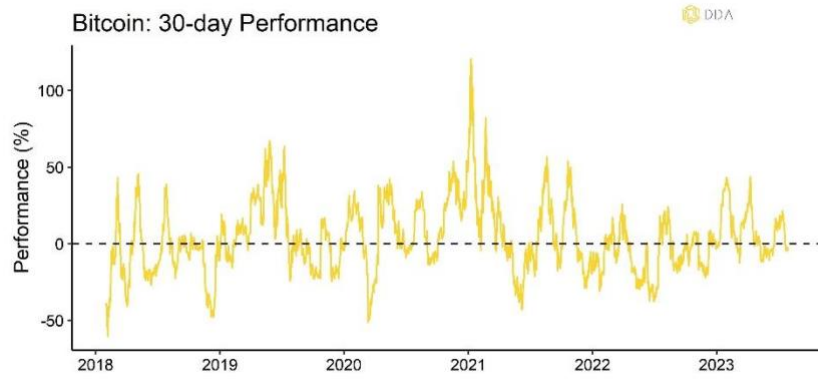
Source: Bloomberg, Coinmarketcap, Glassnode, Deutsche Digital Assets



# Crypto Sentiment Index Subcomponents

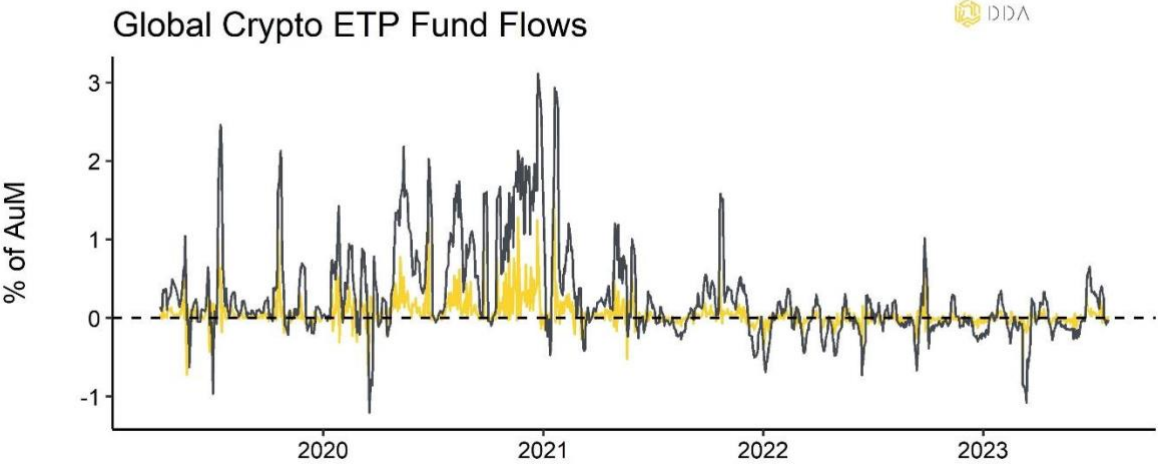
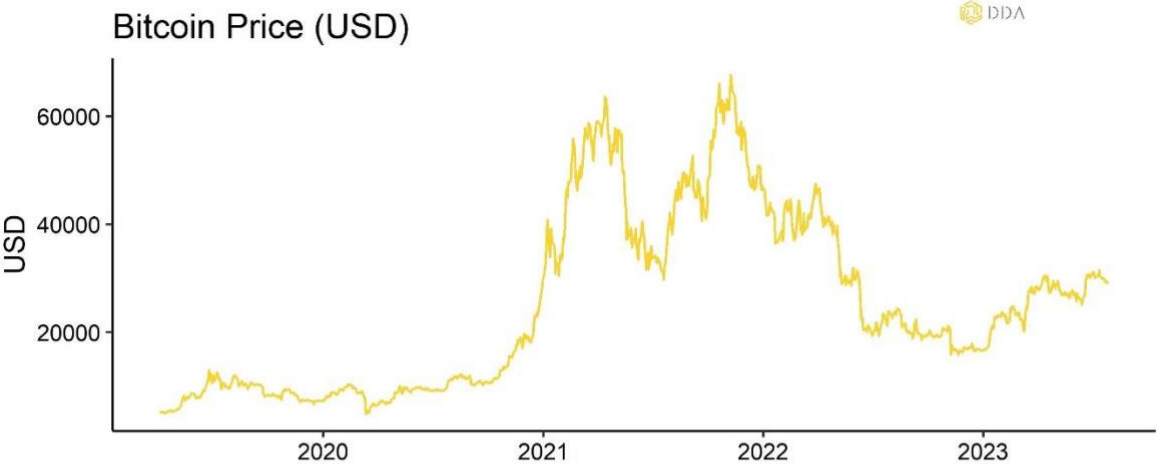


Source: Bloomberg, Coinmarketcap, Glassnode, Deutsche Digital Assets; \*multiplied by (-1)



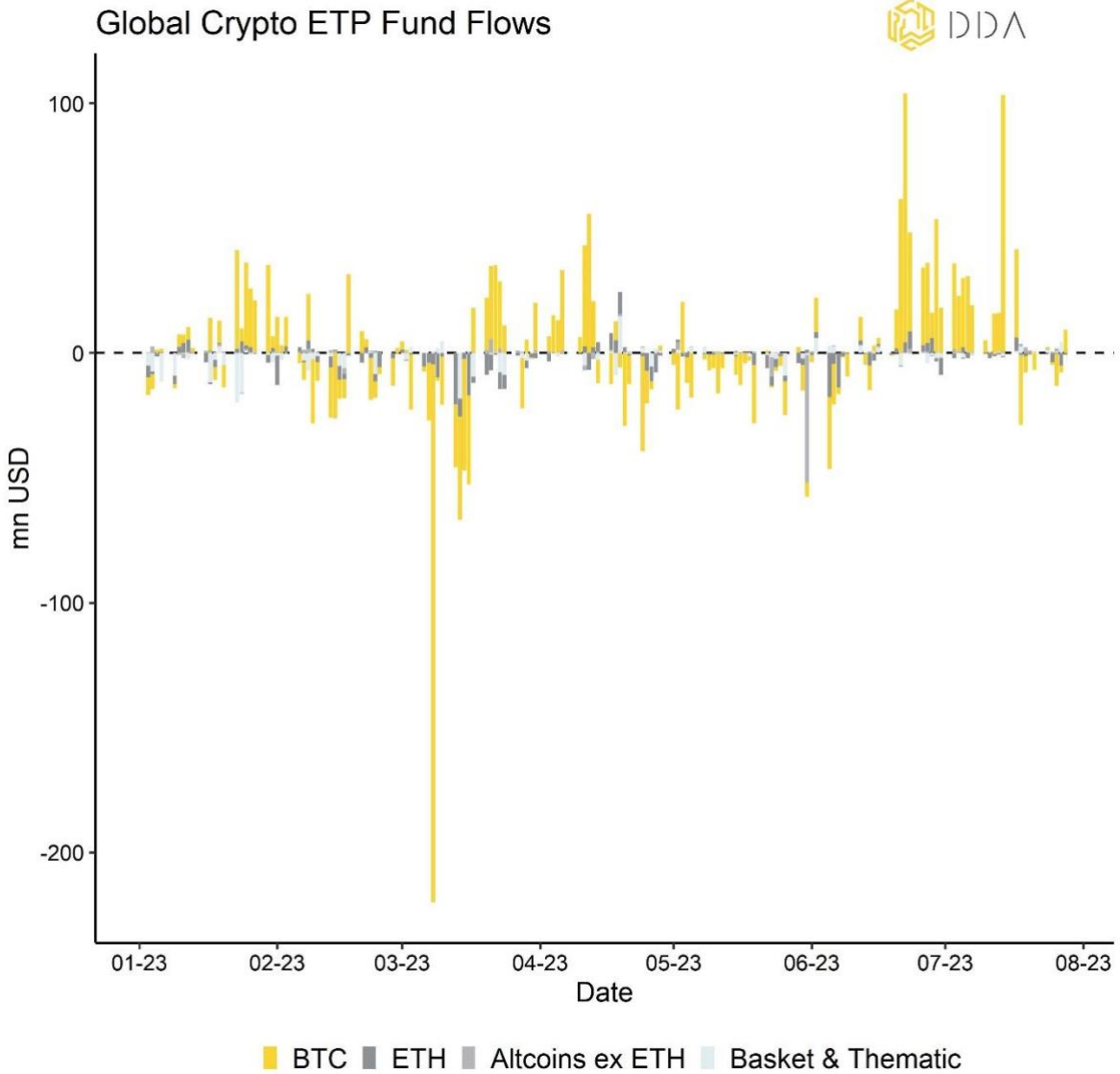
Source: alternative.me, Coinmarketcap, Deutsche Digital Assets

### Bitcoin vs Global Crypto ETP Fund Flows



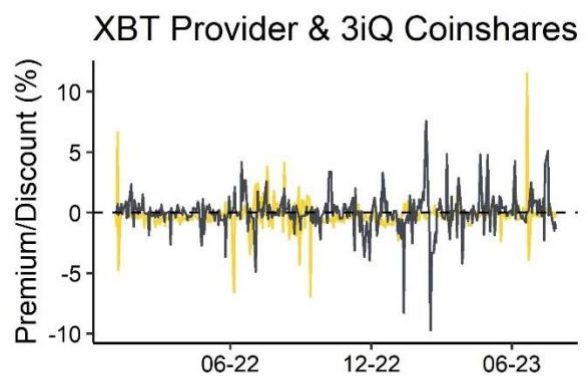
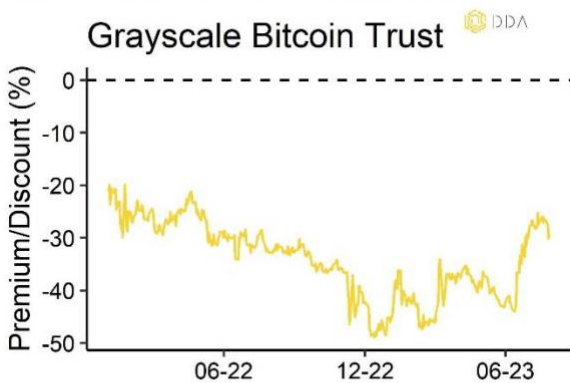
— Fund Flows – 5d rolling sum

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



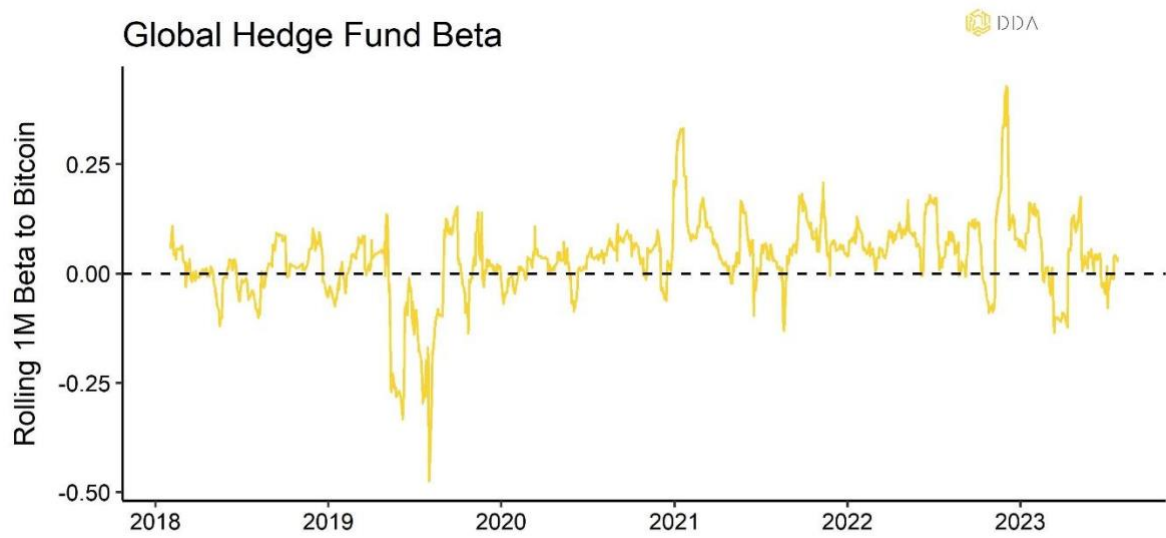
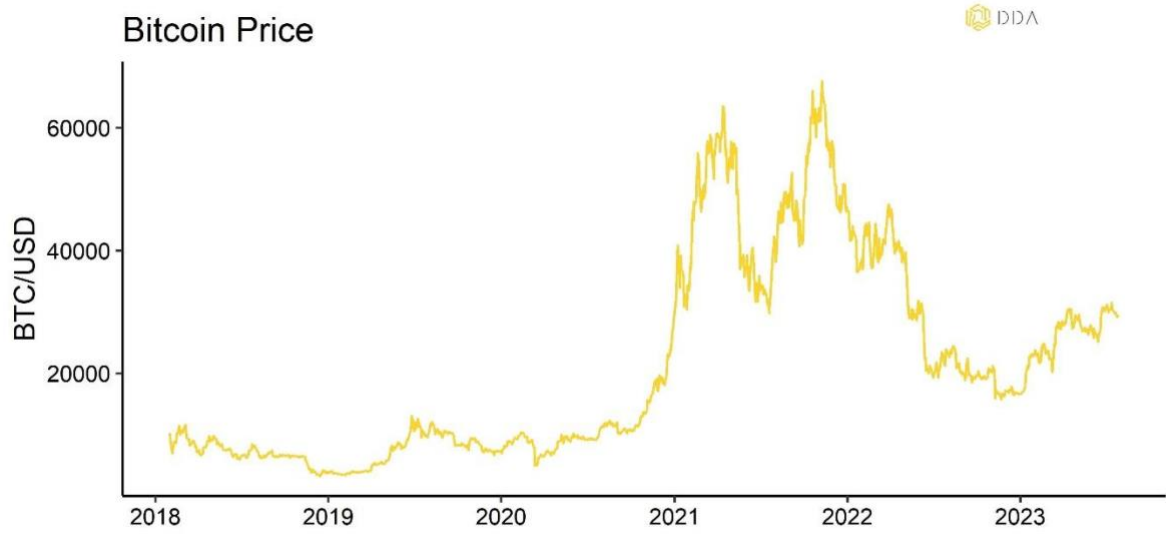
Source: Bloomberg, Deutsche Digital Assets; Only ETPs & Grayscale Trusts

### BTC Funds NAV Premia/Discounts



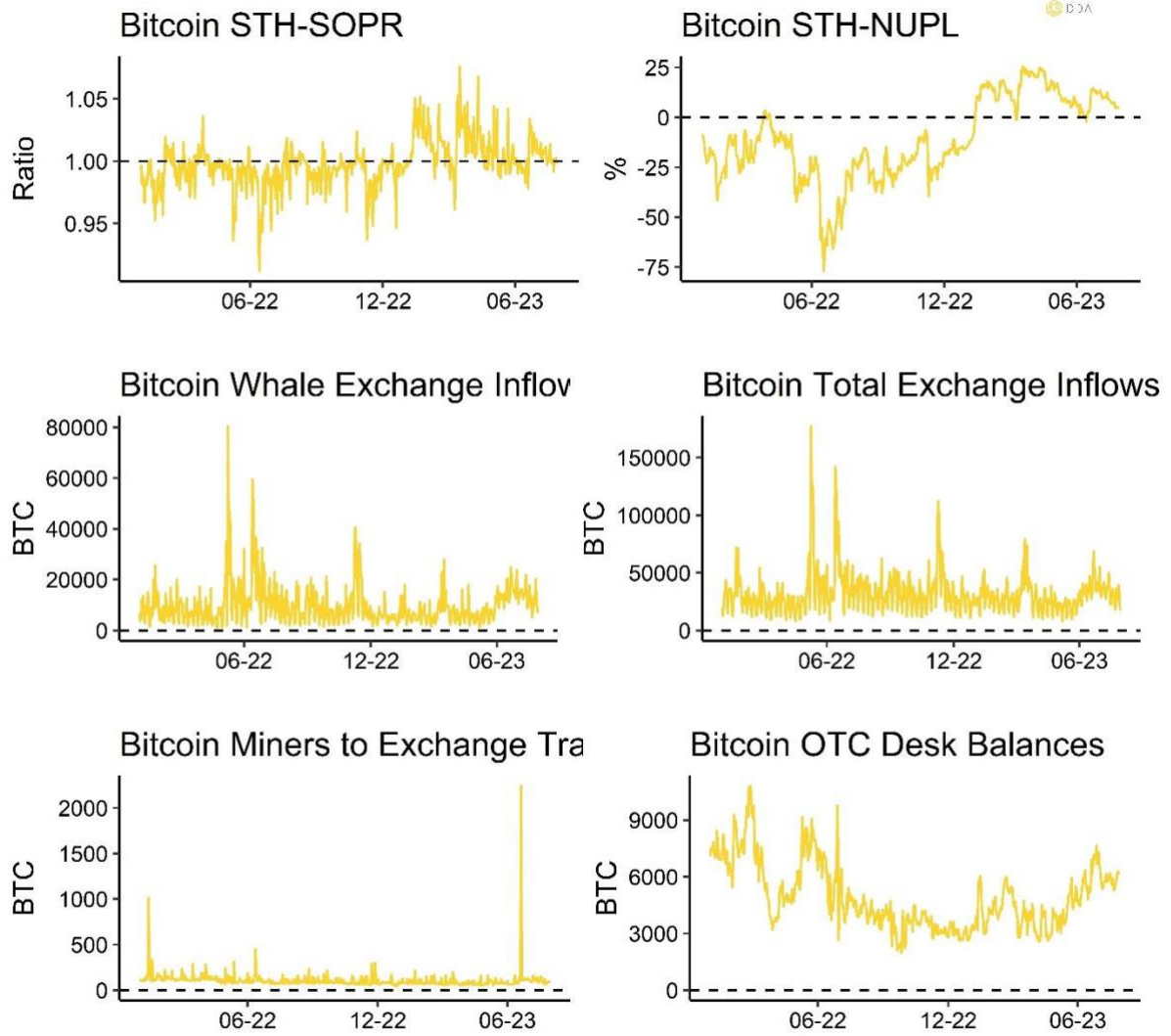
— XBT Provider — 3iQ Coinshares (Canada)

Source: Bloomberg, Deutsche Digital Assets



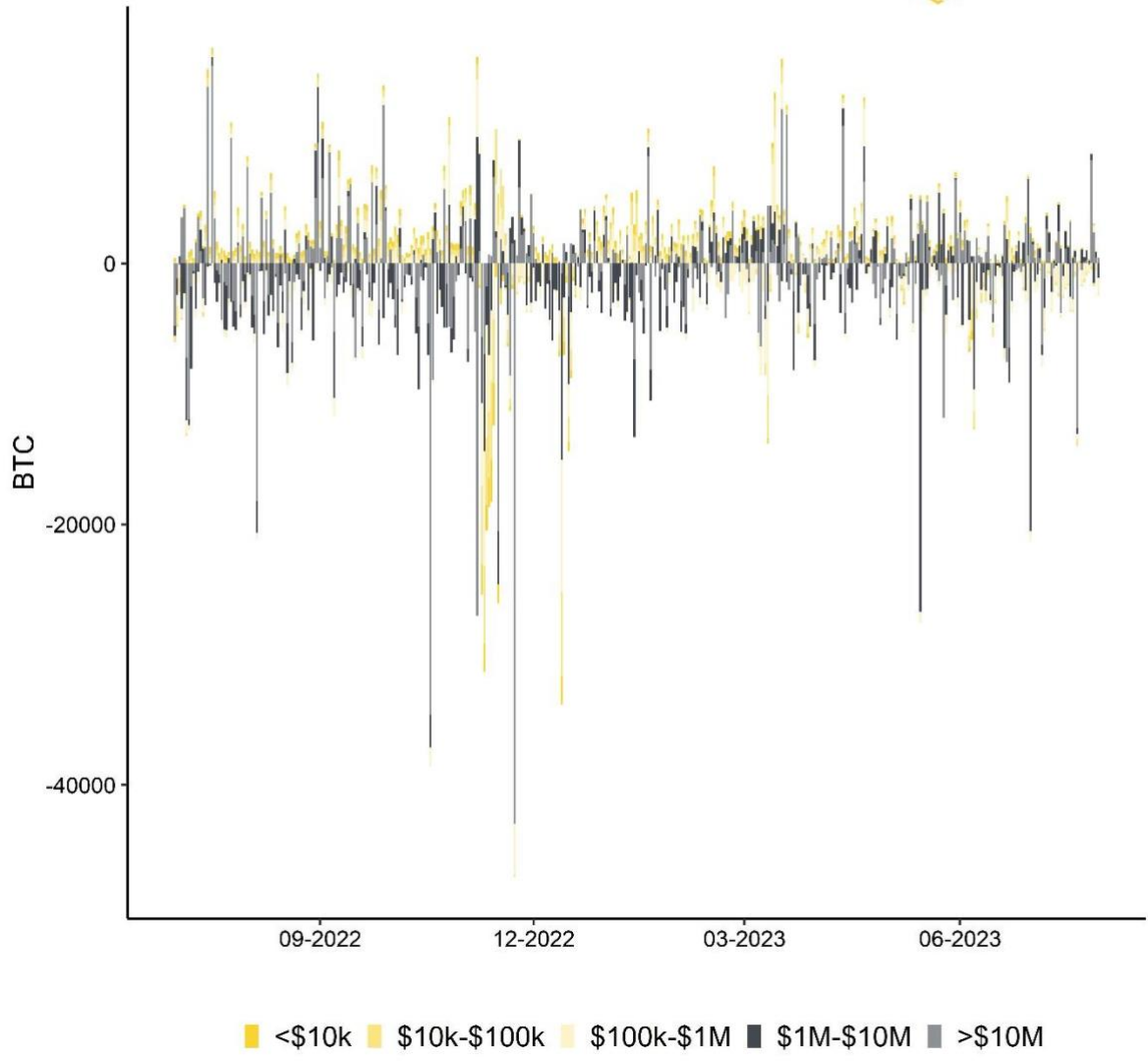
Source: Coinmarketcap, Bloomberg, Deutsche Digital Assets

## Bitcoin On-Chain Indicators



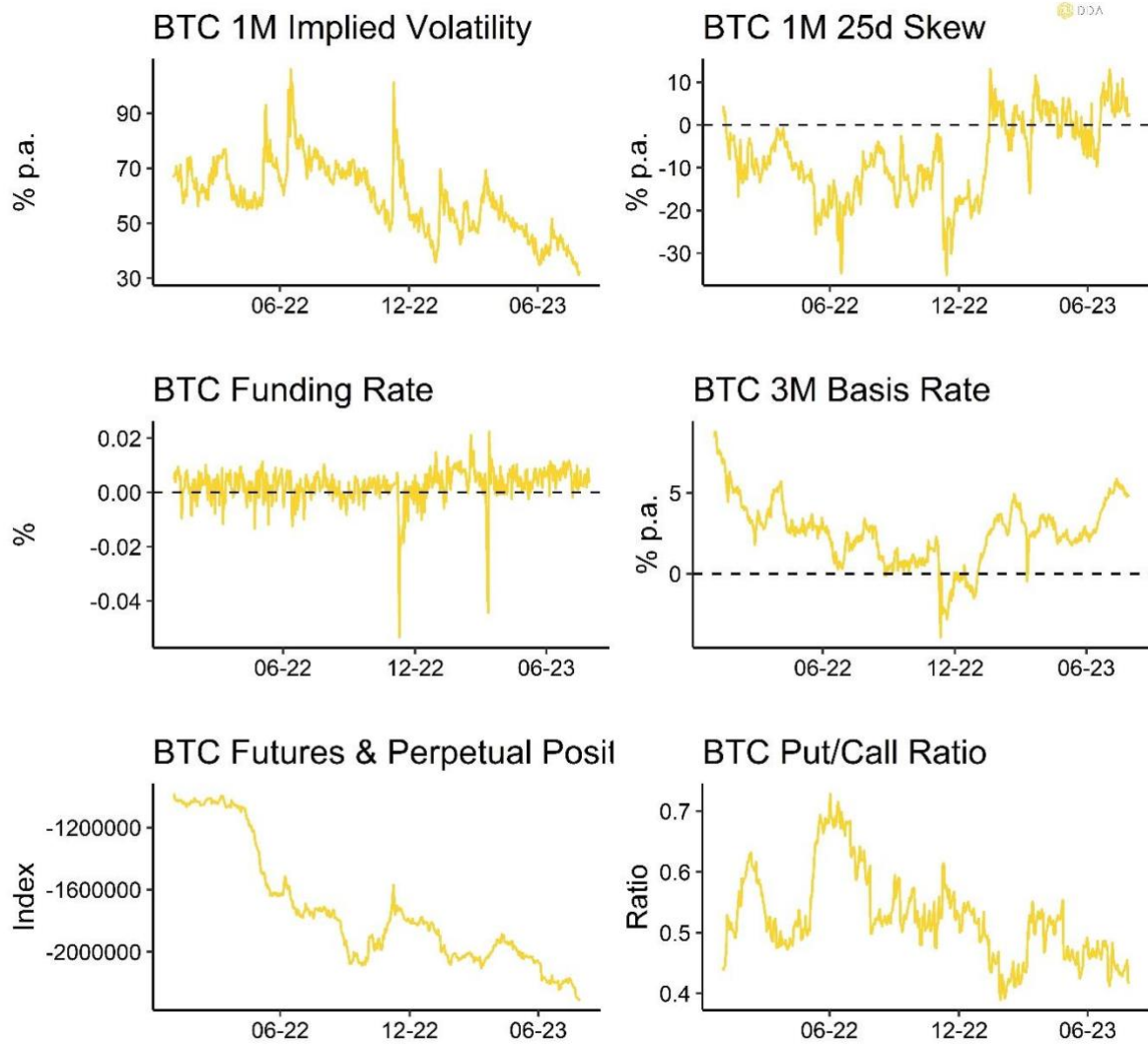
Source: Glassnode, Deutsche Digital Assets

# 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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