



CRYPTO MARKET PULSE

AUGUST 7, 2023

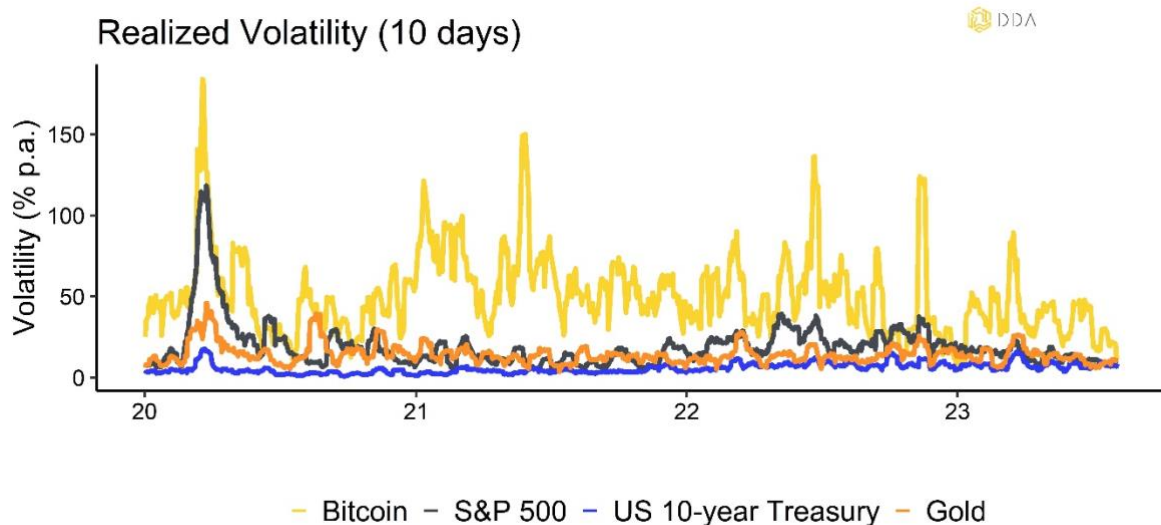
Administrative Update: We won't publish CMP reports over the coming 3 weeks due to summer holidays. The next CMP report will be published on the 4th of September 2023.

Key Takeaways

by André Dragosch, Head of Research

- ◆ Last week, cryptoassets posted a weak performance consistent with a general risk-off sentiment in the wider capital markets
- ◆ Our in-house Crypto Sentiment Index has increased slightly compared to last week
- ◆ At the same time, Bitcoin's realized volatility over the past 10 days has collapsed to the lowest level year-to-date amid low transfer volumes

Chart of the Week

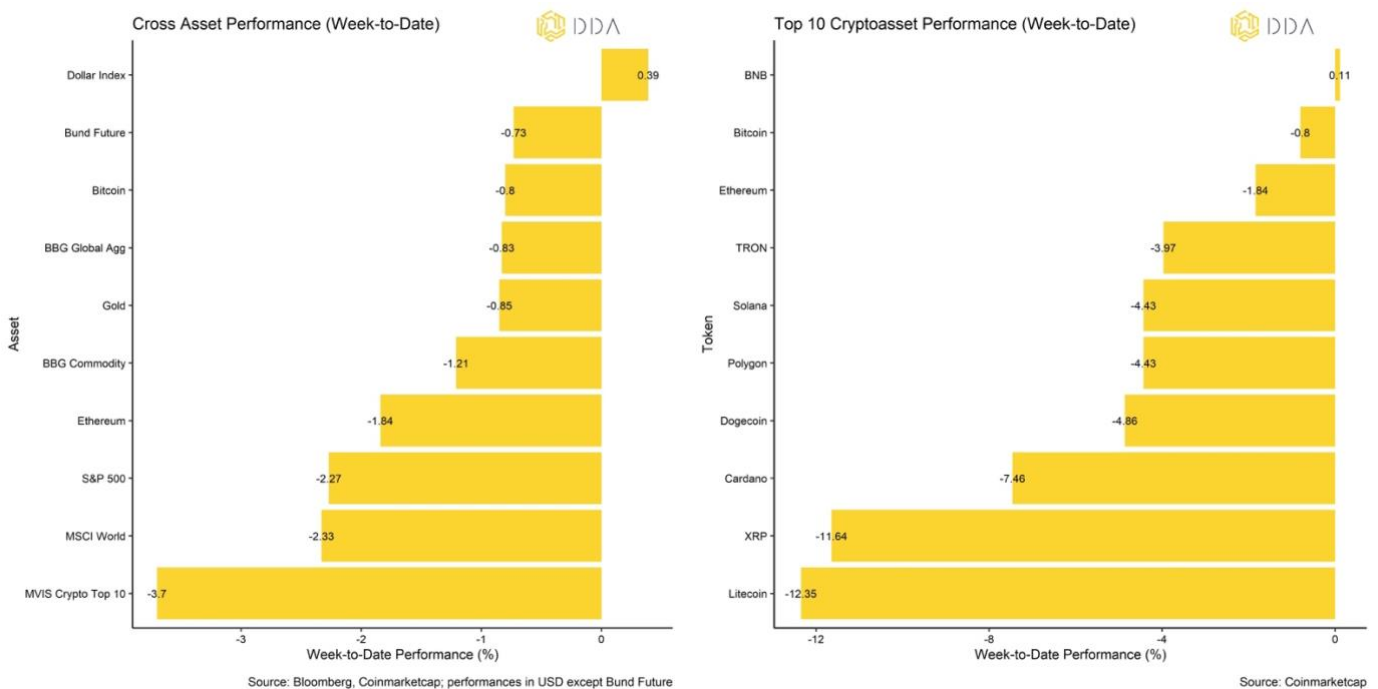


Source: Bloomberg, Deutsche Digital Assets

Performance

Last week, cryptoassets posted a weak performance consistent with a general risk-off sentiment in the wider capital market due to robust US employment data that suggested "higher for longer" in interest rates. Global equities, bonds and commodities all retreated last week, while the Dollar appreciated.

At the same time, Bitcoin's realized volatility over the past 10 days has collapsed to the lowest level year-to-date amid low transfer volumes and is now in line with other traditional assets (**Chart-of-the-Week**).



Among the top 10 cryptoassets, BNB, Bitcoin, and Ethereum were the relative outperformers.

In general, altcoin outperformance vis-à-vis Bitcoin decreased significantly last week. Based on our set of tracked altcoins only 20% of altcoins were able to outperform Bitcoin on a weekly basis.

Sentiment

Our in-house Crypto Sentiment Index has increased slightly compared to last week. 8 out of 15 indicators

are still above their short-term trend.

Compared to last week, we saw major reversals to the upside in the BTC 1-month option skew and BTC perpetual funding rates.

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

Performance dispersion among cryptoassets has slightly but remains at 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 significantly last week and is now at 20% 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 larger net outflows from global crypto ETPs.

In aggregate, we saw net fund outflows in the amount of -70.2 mn USD (week ending Friday).

Accordingly, Bitcoin funds and Ethereum funds experienced significant net outflows (-72.7 mn USD and -4.5 mn USD on a net basis, respectively).

In contrast, Altcoin-based funds experienced net inflows (+9.3 mn USD).

However, thematic & basket crypto funds also experienced net outflows -2.3 mn USD last week.

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

Furthermore, the beta of global crypto hedge funds to Bitcoin over the last 20 trading days decreased to 0.5, implying that global crypto hedge funds have somewhat decreased their net exposure to cryptoassets. The crypto hedge funds' beta to Bitcoin is currently at a 3-year low, implying that crypto hedge funds are generally underexposed to market risk of cryptoassets.

On-Chain

As mentioned in the introduction, Bitcoin's 10-days realized volatility has declined to the lowest level year-to-date. In fact, Bitcoin has run 11 consecutive days without a 1% move in either direction.

One of the major reasons is that on-chain transfer volumes in BTC-terms have declined to a 3-year low. So, there is generally not much activity in terms of network usage. Exchange volumes (in- and outflows) have also declined. Active addresses have increased but are still below year-to-date highs. On a positive note, new address momentum has continued to pick up recently, so more new users are entering. Transaction count has also increased but remains below the high levels seen during the 'inscription frenzy' in May. Transaction fees are also relatively low which also implies low demand for block space.

Investors should keep in mind though, that periods of low volatility beget periods of high volatility and *vice versa* - a phenomenon which is called 'volatility clustering'.

Bitcoin whales (wallets > 1k BTC) appear to be on the move as we have outlined in our latest [Crypto Market Intelligence](#) report with a the amount of net transfer volumes to exchanges by whales reaching an all-time high. Although many on-chain analysts have attributed this to 'wallet reshuffling' this still poses a potential downside risk.

Nonetheless, long-term holders continue to accumulate coins with the %-age of supply by these types of investors reaching a new all-time high and there are not many transfers to exchanges by these types of investors at the moment.

Derivatives

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

For instance, BTC 1-month implied volatilities reached a new all-time low of 30% p.a. as option traders seem to expect a rather calm market environment for Bitcoin. This was also consistent with the decline in realized volatility.

BTC Put-Call-Ratios both in terms of open interest and trading volume were also relatively low. The BTC 1-month 25-delta option skew decreased slightly and is still biased towards calls implying that BTC option traders have net positive expectations of future market developments.

The BTC 3-months basis rate increased again above 5% p.a. which means that the BTC futures curve steepened slightly.

However, BTC derivatives open interest increased significantly throughout the week for futures (calendar & perpetual) and reached the highest level year-to-date. Option open interest also increased but remains well below the high levels seen in March this year.

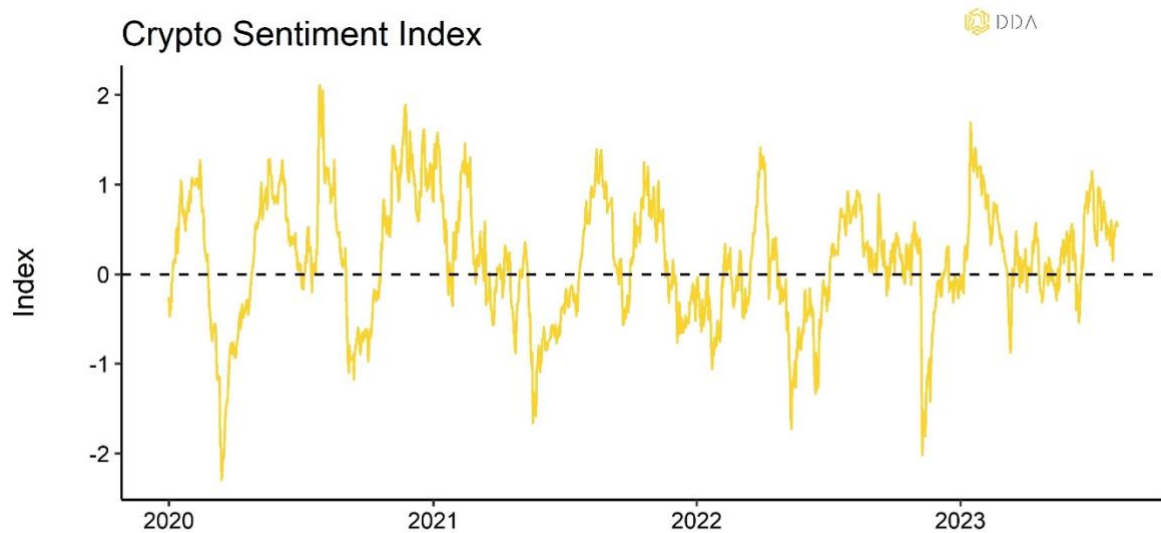
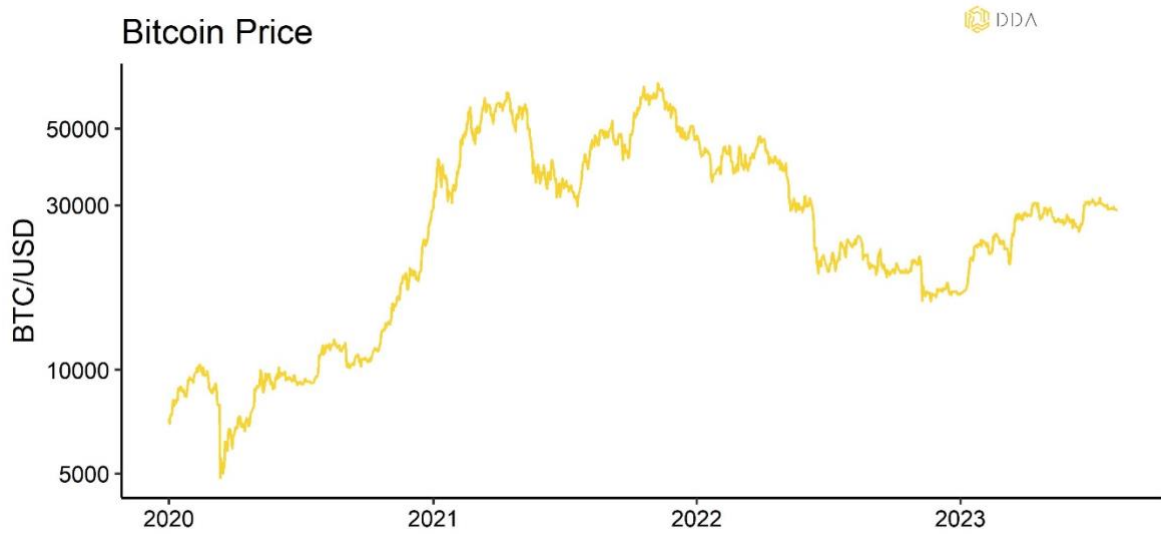
Bottom Line

Last week, cryptoassets posted a weak performance consistent with a general risk-off sentiment in the wider capital markets.

Our in-house Crypto Sentiment Index has increased slightly compared to last week.

At the same time, Bitcoin's realized volatility over the past 10 days has collapsed to the lowest level year-to-date amid low transfer volumes.

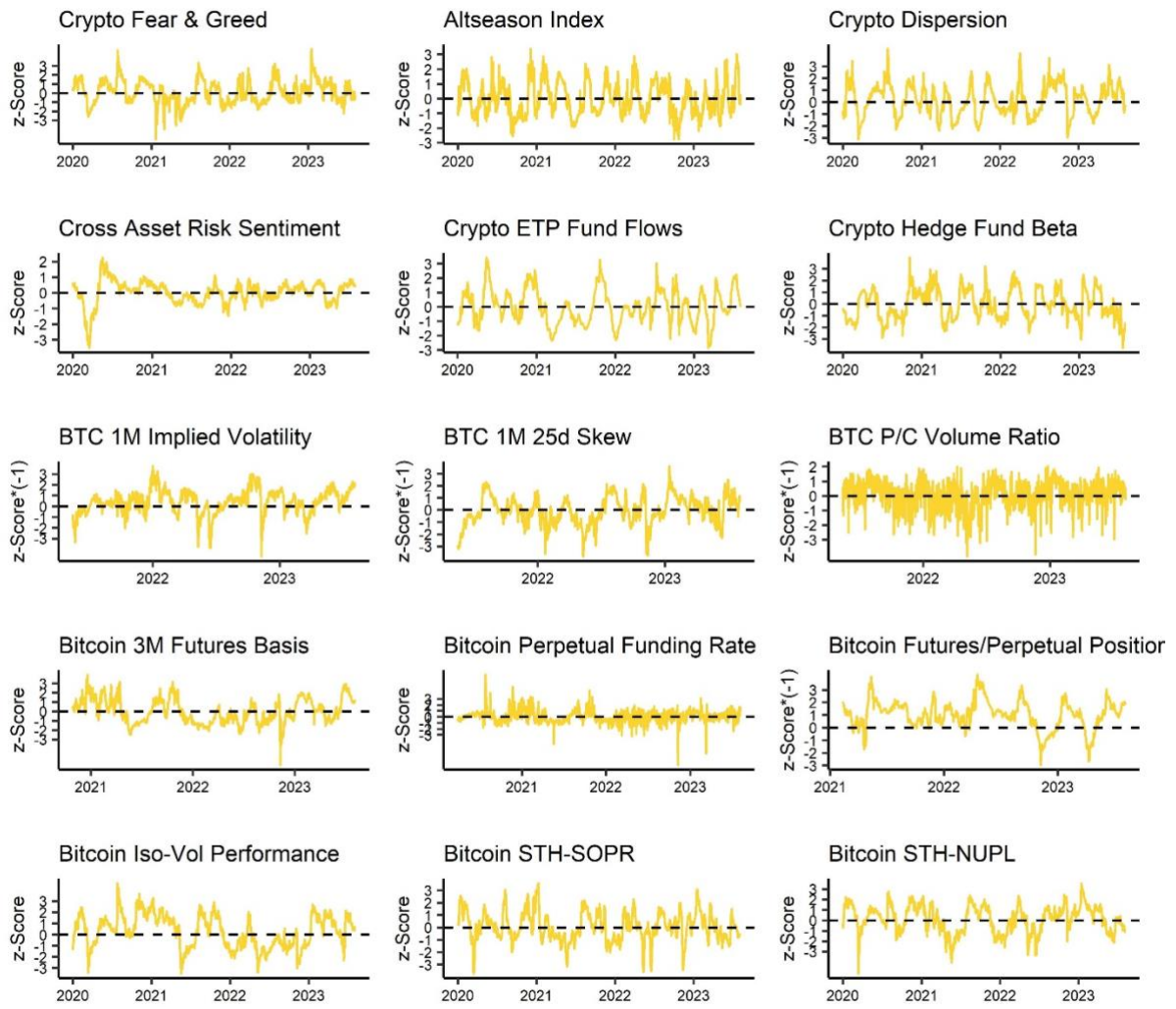
Appendix



Source: Bloomberg, Coinmarketcap, Glassnode, Deutsche Digital Assets

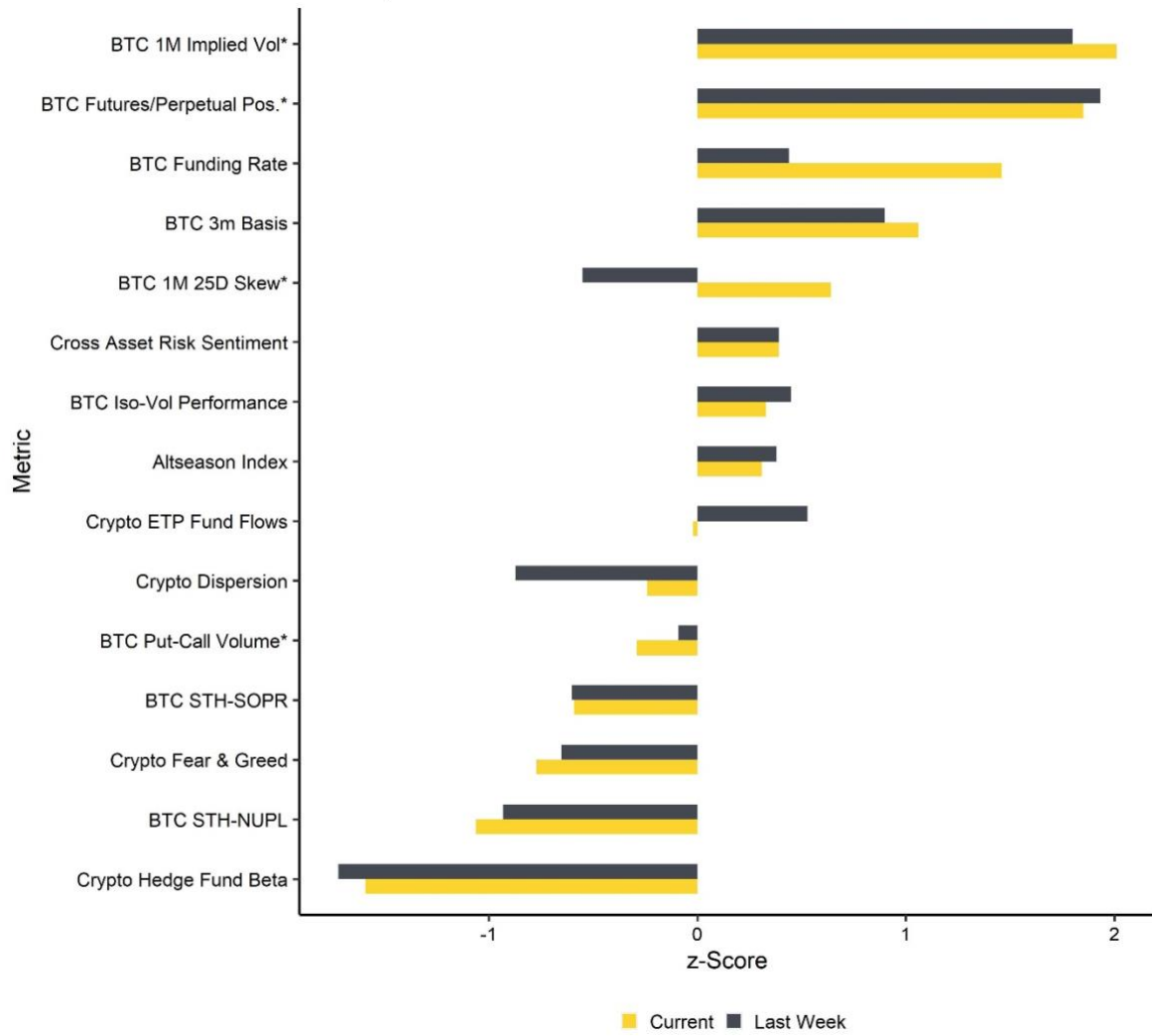
Crypto Sentiment Index

Subcomponents, 90-day rolling z-Scores

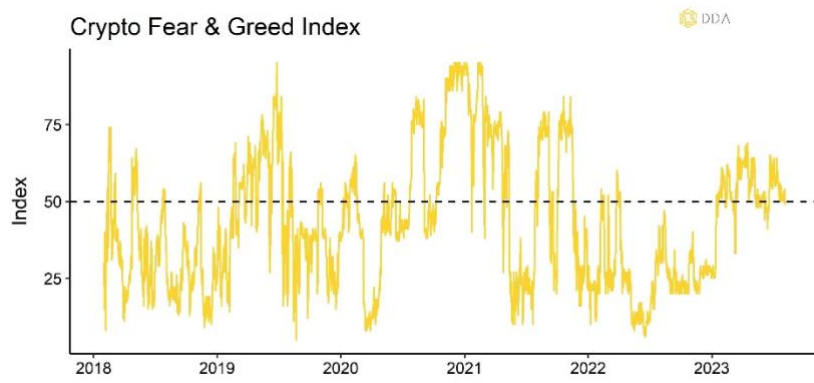
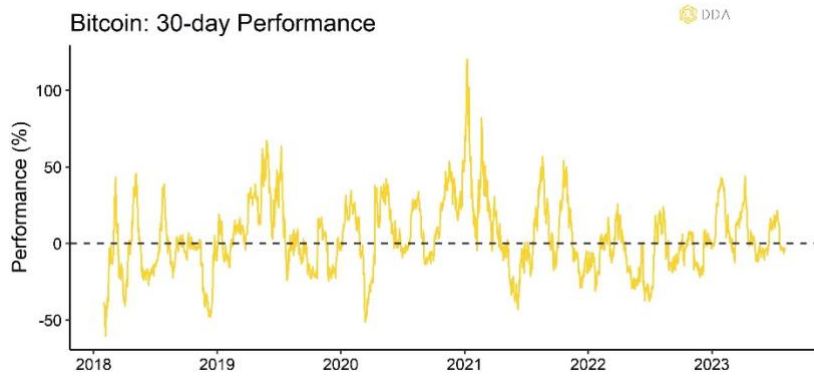


Source: Bloomberg, Coinmarketcap, Glassnode, Deutsche Digital Assets

Crypto Sentiment Index Subcomponents

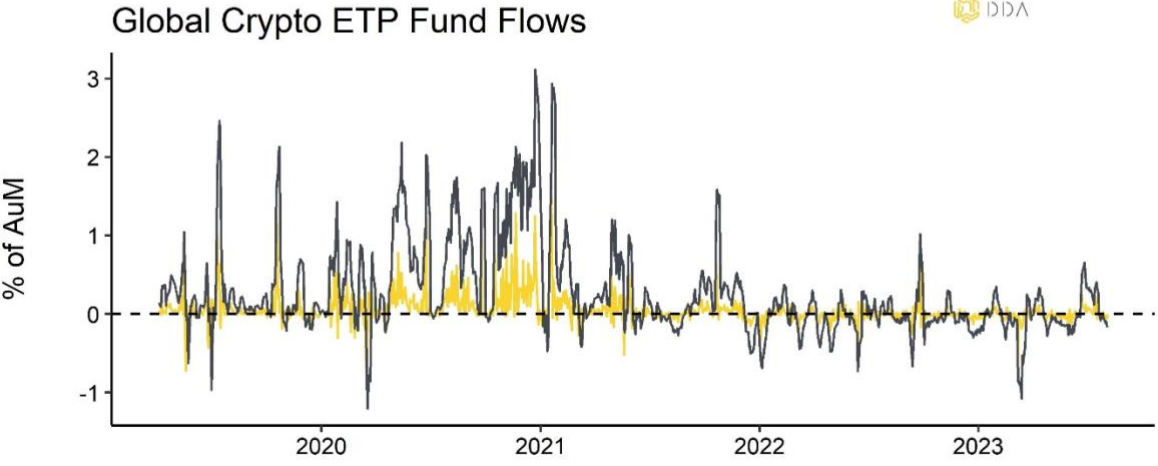
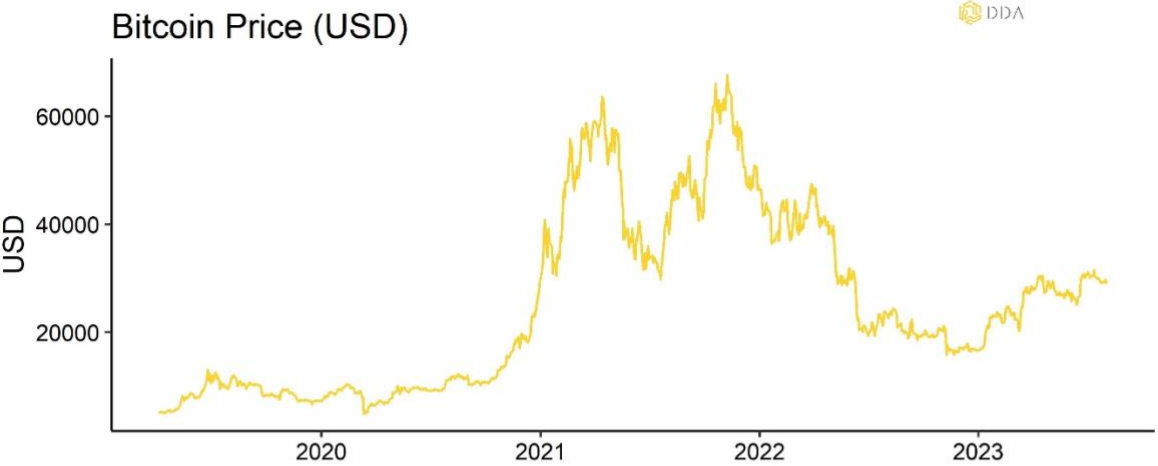


Source: Bloomberg, Coinmarketcap, Glassnode, Deutsche Digital Assets; *multiplied by (-1)



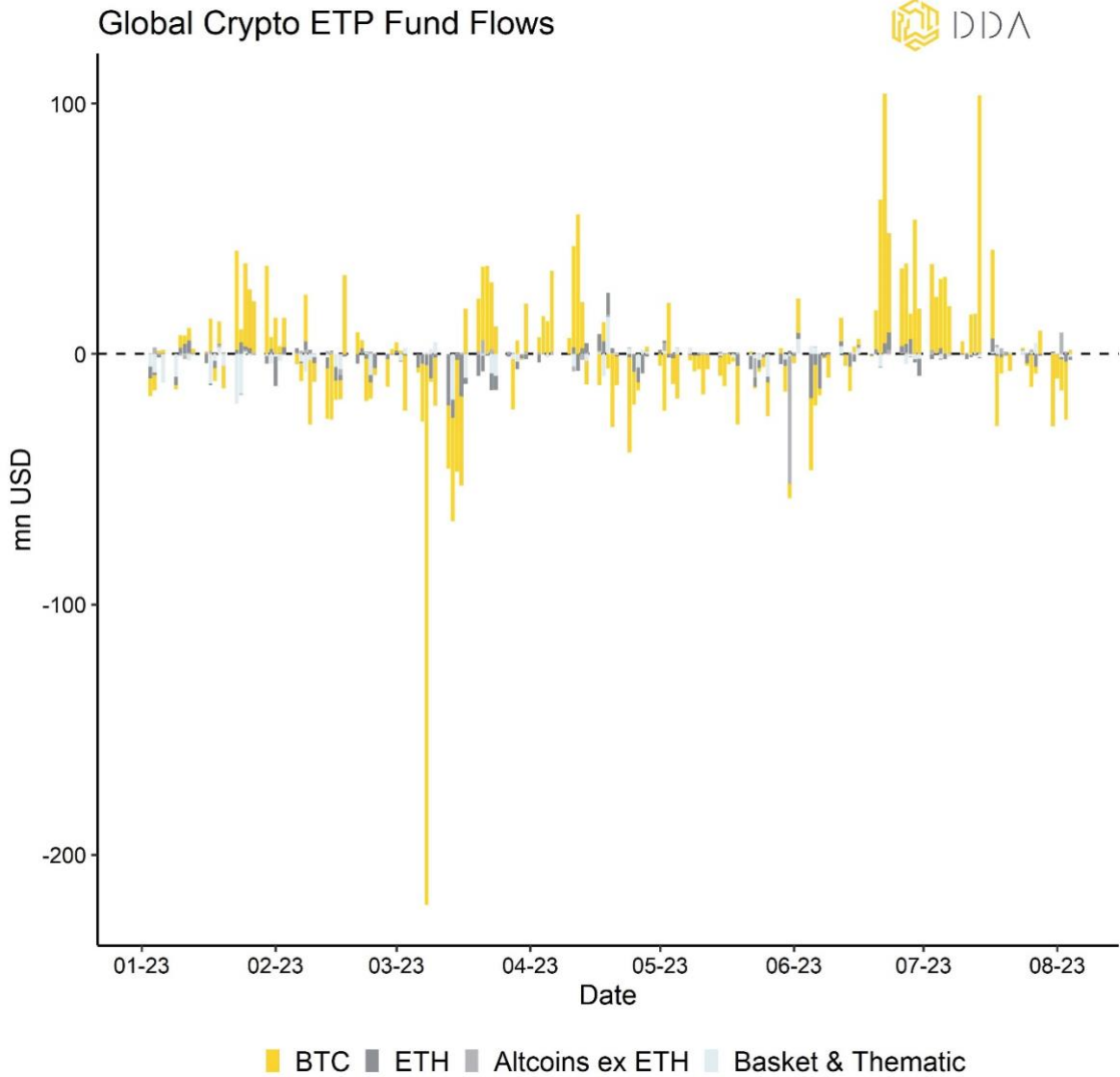
Source: alternative.me, Coinmarketcap, Deutsche Digital Assets

Bitcoin vs Global Crypto ETP Fund Flows



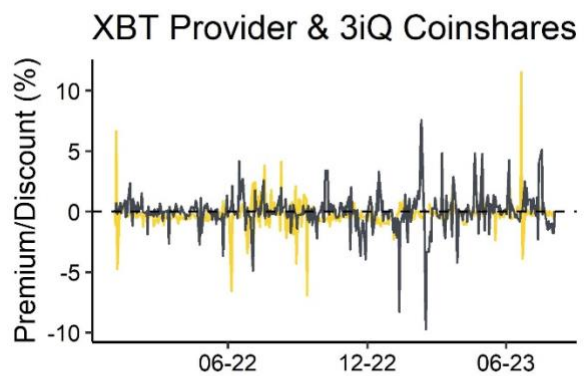
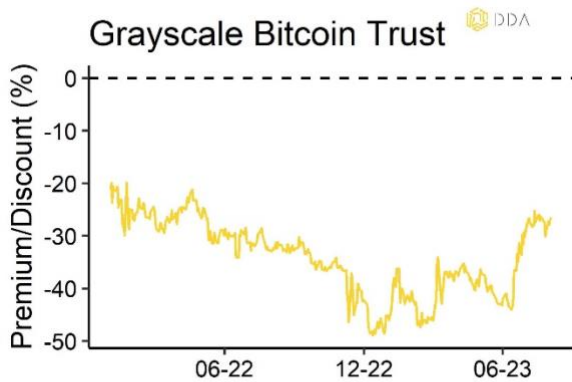
— Fund Flows — 5d rolling sum

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



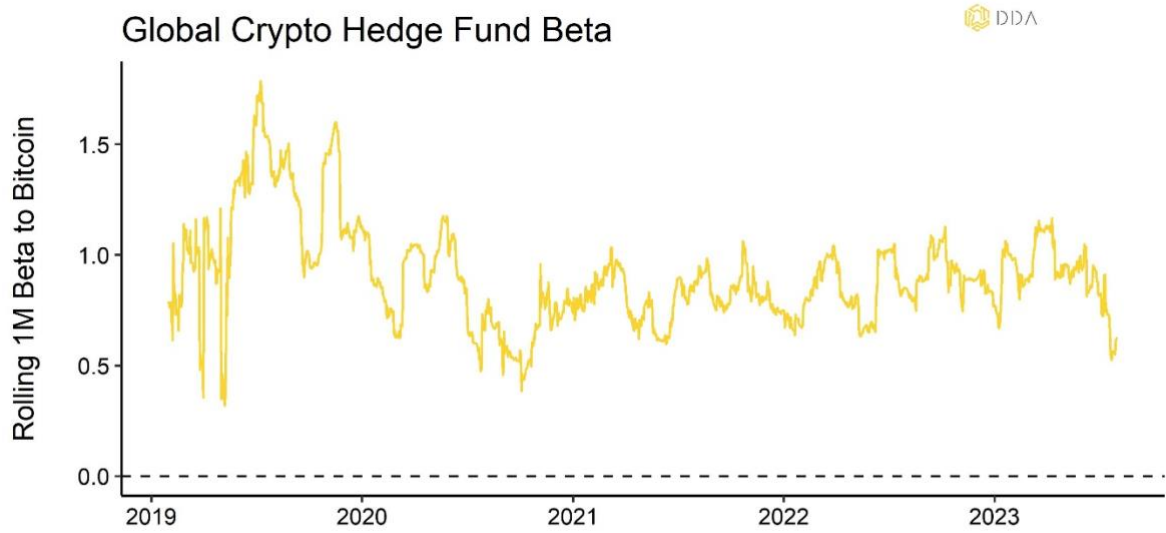
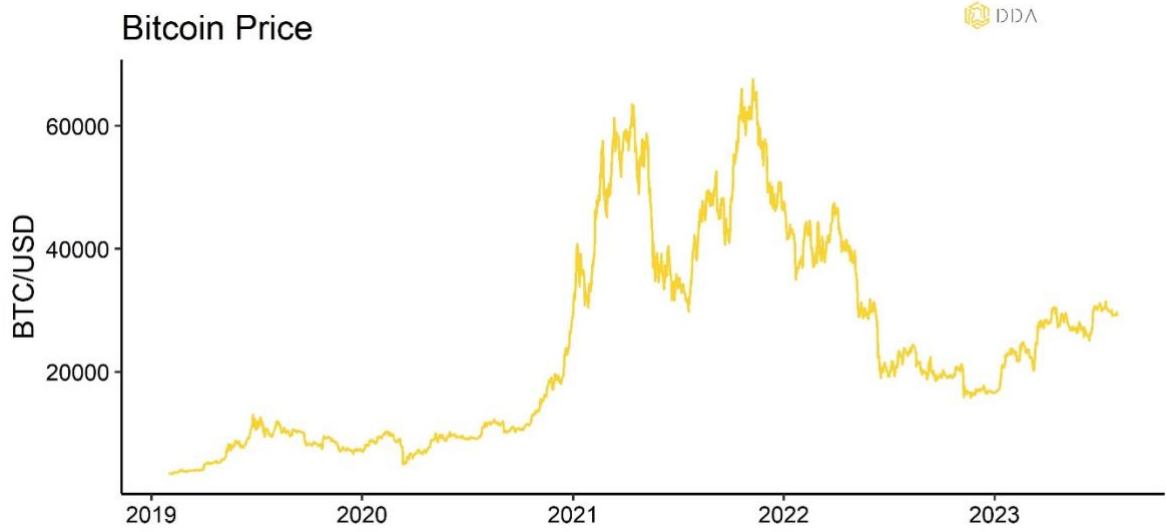
Source: Bloomberg, Deutsche Digital Assets; Only ETPs & Grayscale Trusts

BTC Funds NAV Premia/Discounts



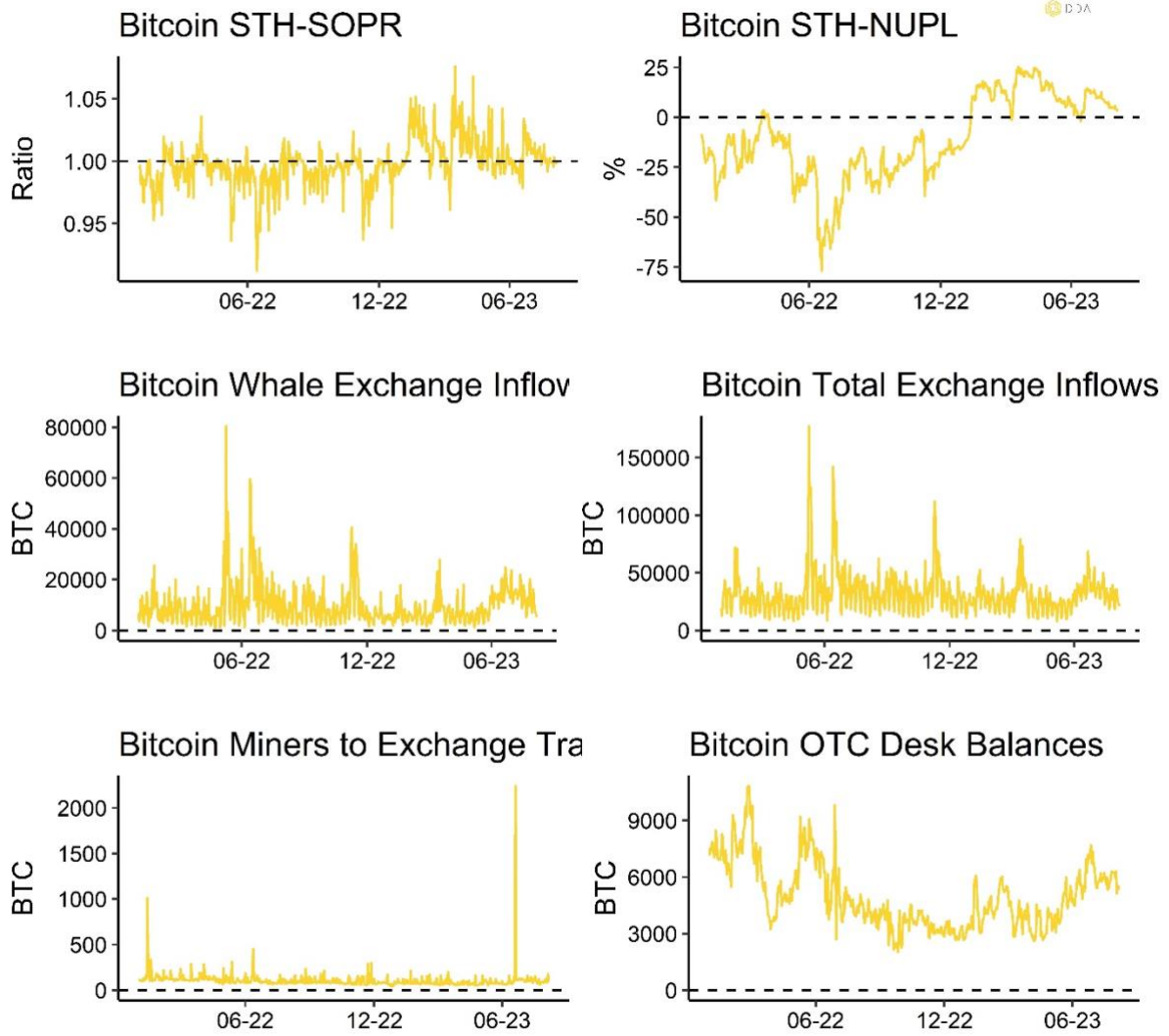
— XBT Provider — 3iQ Coinshares (Canada)

Source: Bloomberg, Deutsche Digital Assets



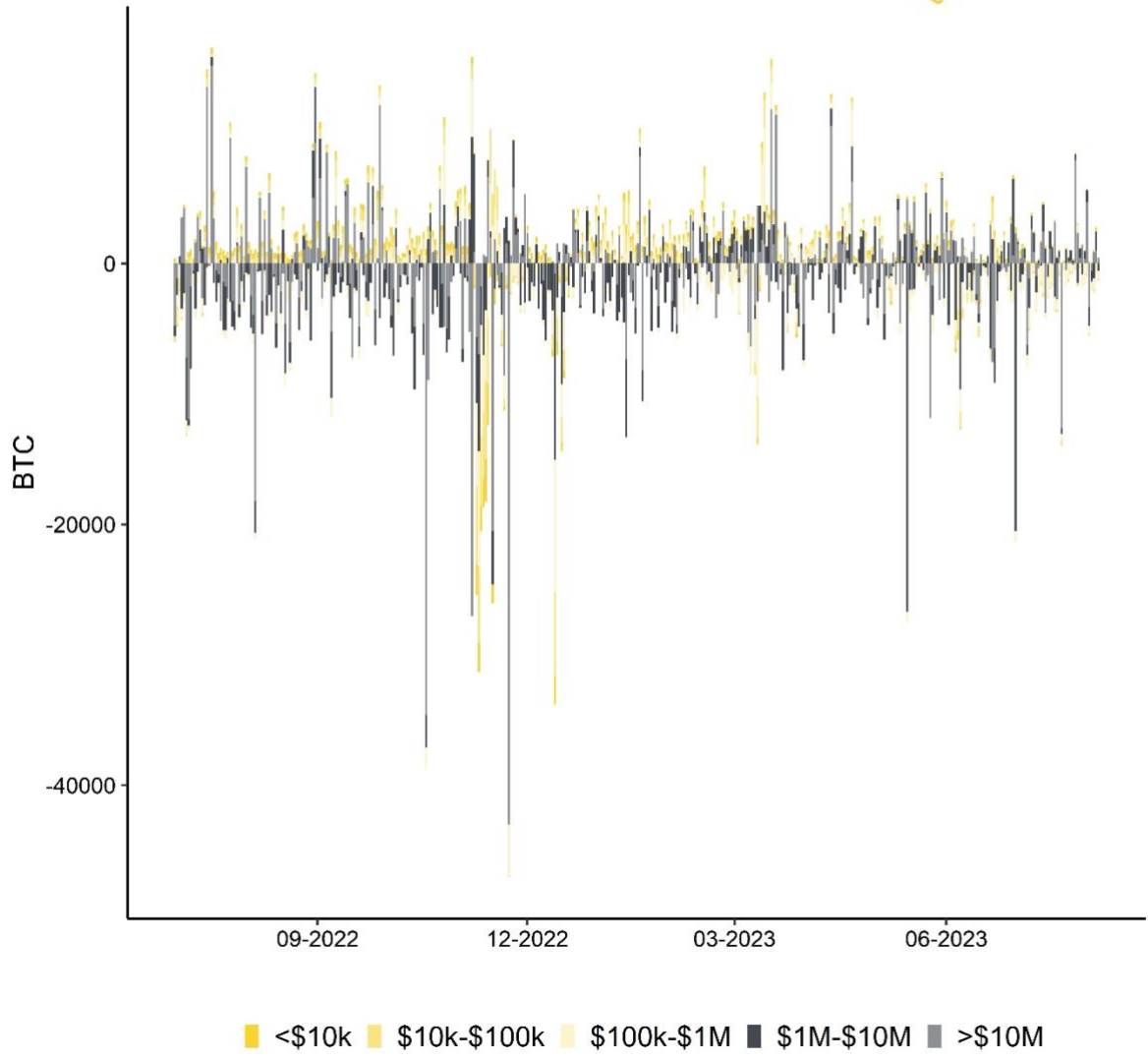
Source: Coinmarketcap, Bloomberg, Deutsche Digital Assets

Bitcoin On-Chain Indicators



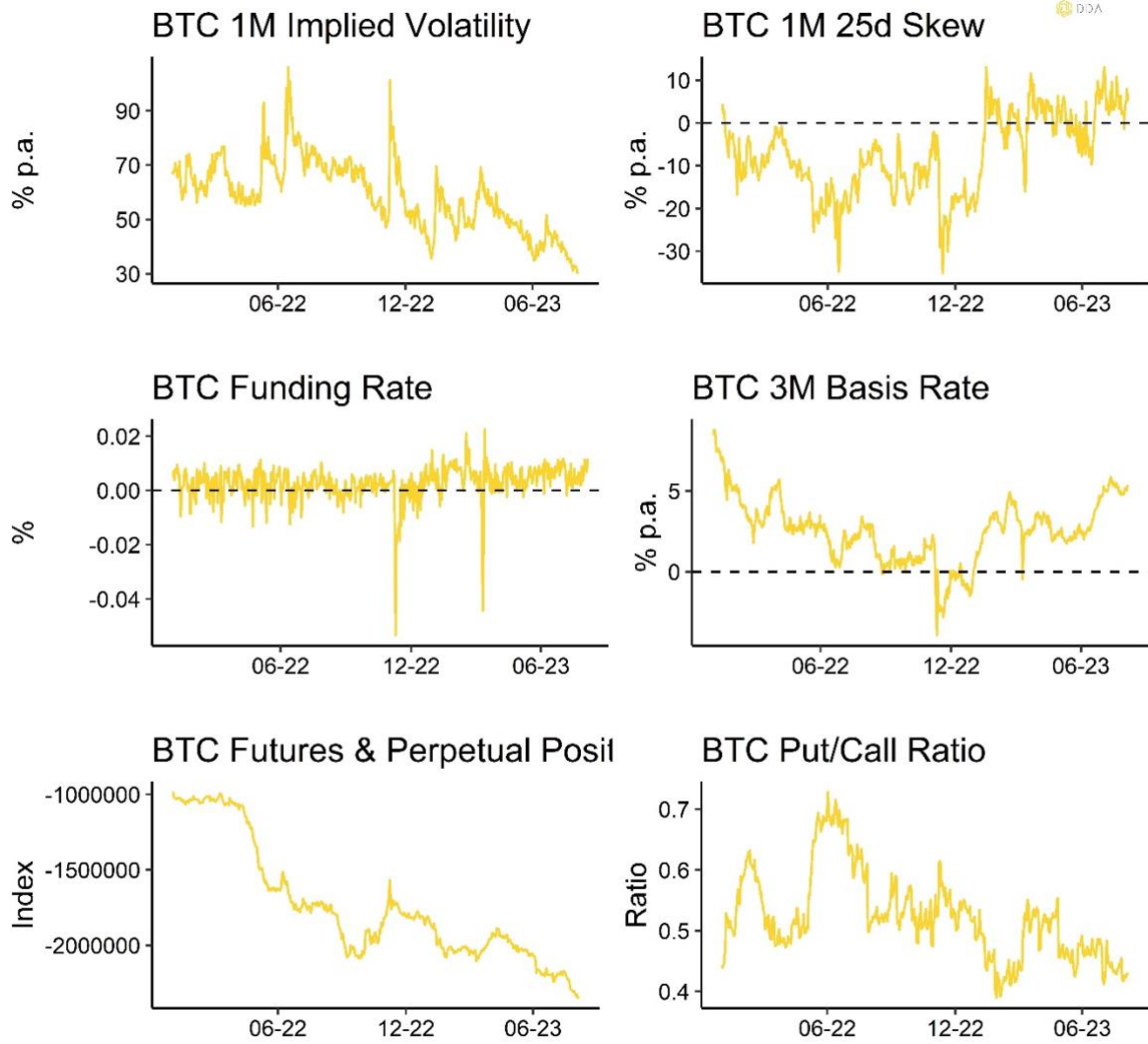
Source: Glassnode, Deutsche Digital Assets

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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