



CRYPTO MARKET PULSE

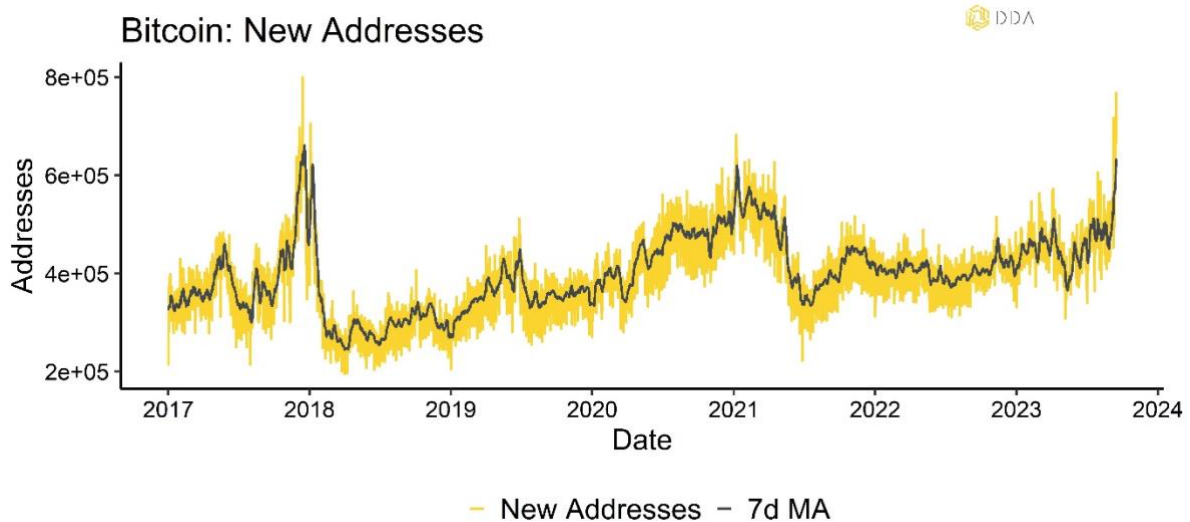
SEPTEMBER 18, 2023

Key Takeaways

by André Dragosch, Head of Research

- ◆ Last week, crypto assets rebounded from oversold levels, outperforming traditional assets
- ◆ Our in-house Crypto Sentiment Index also reversed sharply from very bearish levels
- ◆ Overall BTC on-chain activity across different metrics has picked up significantly into the latest sell-off which is quite encouraging

Chart of the Week

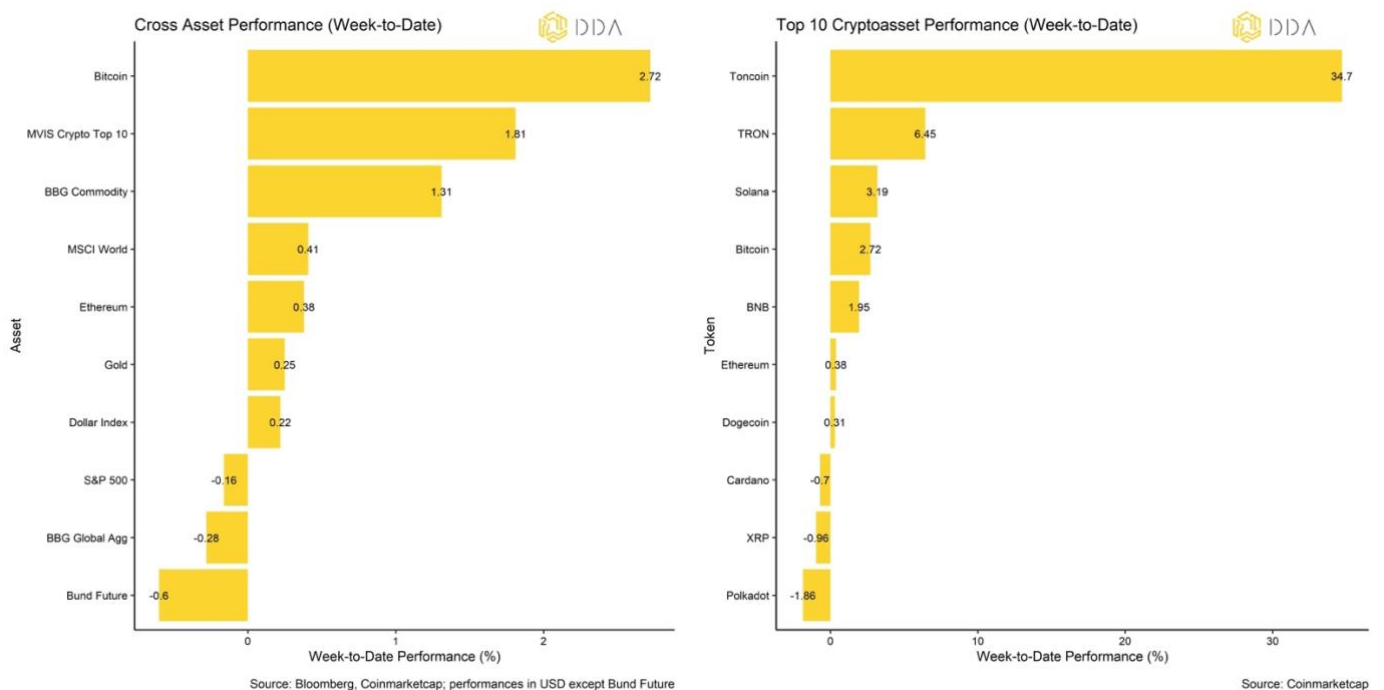


Source: Glassnode, Deutsche Digital Assets

Performance

Last week, crypto assets rebounded from oversold levels, outperforming traditional assets in the process. The top 10 crypto assets also outperformed commodities as global bonds and US equities retreated last week. The outperformance has come during a week that was mostly filled with bearish news flow in crypto asset markets such as multiple secondary exchange hacks and wallet exploits.

Nonetheless, overall BTC on-chain activity across different metrics has picked up significantly into the latest sell-off which is quite encouraging (**Chart-of-the-Week**).



Among the top 10 crypto assets, Toncoin, TRON, and Solana were the relative outperformers.

In general, altcoin outperformance vis-à-vis Bitcoin was still low with only 10% of our tracked altcoins outperforming Bitcoin on a weekly basis.

Sentiment

Our in-house Crypto Sentiment Index also reversed sharply from very bearish levels. However, Only 5 out of 15 indicators are above their short-term trend, so the majority of indicators is still bearish.

Compared to last week, we saw major reversals to the upside in the BTC Put-Call Volume Ratio and the Crypto Dispersion Index.

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

Performance dispersion among cryptoassets has increased significantly compared to last week.

In general, higher 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 is still low with only 10% 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 yet again significant net outflows from global crypto ETPs.

In aggregate, we saw net fund outflows in the amount of -59.7 mn USD (week ending Friday).

All fund categories exhibited significant net outflows with the exception of altcoin-based funds that showed minor net inflows (+1.2 mn USD).

The bulk of the net outflows occurred within Bitcoin and Ethereum funds (-45.0 mn USD and -15.0 mn USD, respectively).

Thematic & basket crypto funds also experienced slight net outflows of -0.8 mn USD last week.

Nonetheless, the NAV discount of the biggest Bitcoin fund in the world - Grayscale Bitcoin Trust (GBTC) - has continued to hover above -20% last week. In other words, investors are assigning a probability of around

80% that the Trust will be converted into a Spot Bitcoin ETF.

Furthermore, the beta of global crypto hedge funds to Bitcoin over the last 20 trading has moved sideways, implying that global crypto hedge funds have not significantly changed their market exposure to crypto assets.

On-Chain

Overall on-chain activity has continued to improve over the last week.

For instance, active addresses on the Bitcoin blockchain have increased to fresh year-to-date highs. Moreover, new addresses on the Bitcoin blockchain have also continued to increase sharply to new multi-year highs (**Chart-of-the-Week**).

Besides, the Bitcoin hash rate is also increased to fresh all-time highs. The number of addresses with non-zero balances has also continued to move higher.

Our own in-house Bitcoin Network Activity Index has also increased to new all-time highs (now shown). The index is comprised of a variety of metrics such as transactions volumes, block size, or active addresses. Interestingly, overall accumulation activity across all wallet cohorts has recently picked up again going into the most recent market correction which is an encouraging signal. More specifically, we saw a significant pick-up in accumulation activity in the smaller wallet cohorts (equal to 1 BTC or smaller).

Meanwhile, exchange balances for both Bitcoin and Ethereum continued to drift lower.

This year, we have generally seen a contrarian buying behaviour of Bitcoin investors which has certainly provided a floor to prices.

Derivatives

Last week, derivatives metrics showed some de-risking activity as some downside hedges appeared to be neutralized.

For instance, BTC Put-Call Open Interest drifted lower as relative trading volumes of puts relative to calls

collapsed. This was also evident in the BTC 1-month 25-delta option skew which declined sharply last week. BTC 1-month implied volatilities also declined somewhat.

In contrast, there was not much action in BTC futures or perpetual contracts last week. BTC futures and perpetual open interest mostly went sideways. Despite the bullish price action, the 3-months annualized futures basis continued to drift lower as perpetual funding rates rebounded from negative levels last week.

The most recent rebound in prices does not seem to be fuelled by a significant pick-up in futures short liquidations either.

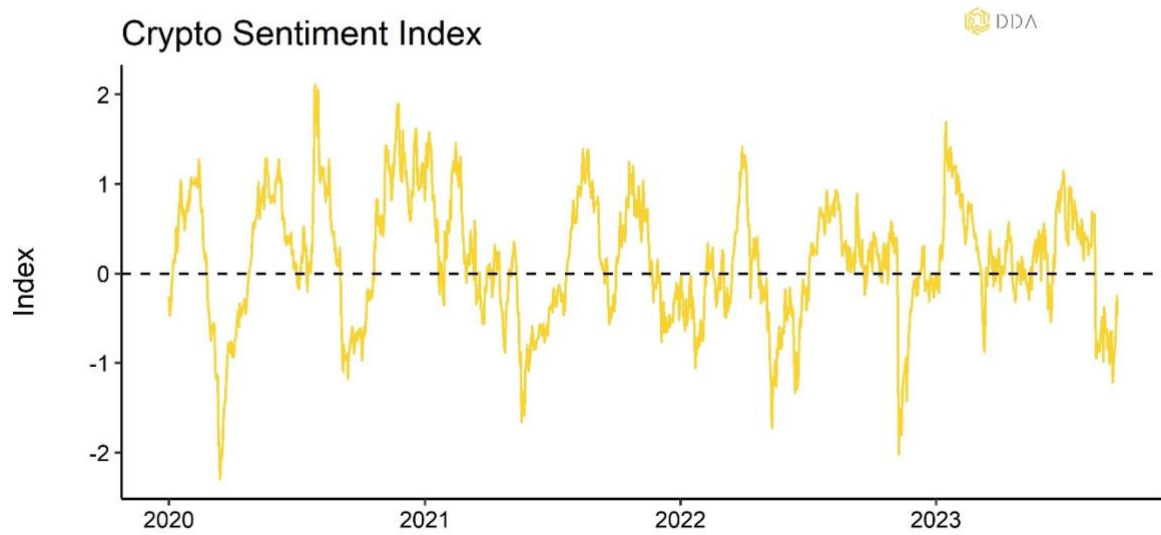
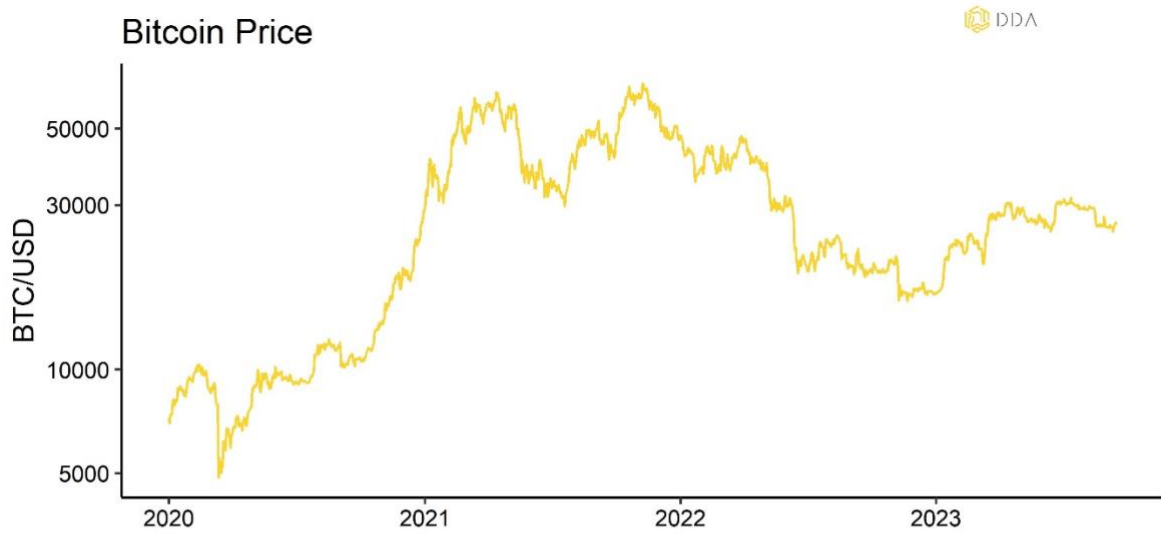
Bottom Line

Last week, crypto assets rebounded from oversold levels, outperforming traditional assets.

Our in-house Crypto Sentiment Index also reversed sharply from very bearish levels.

Overall BTC on-chain activity across different metrics has picked up significantly into the latest sell-off which is quite encouraging.

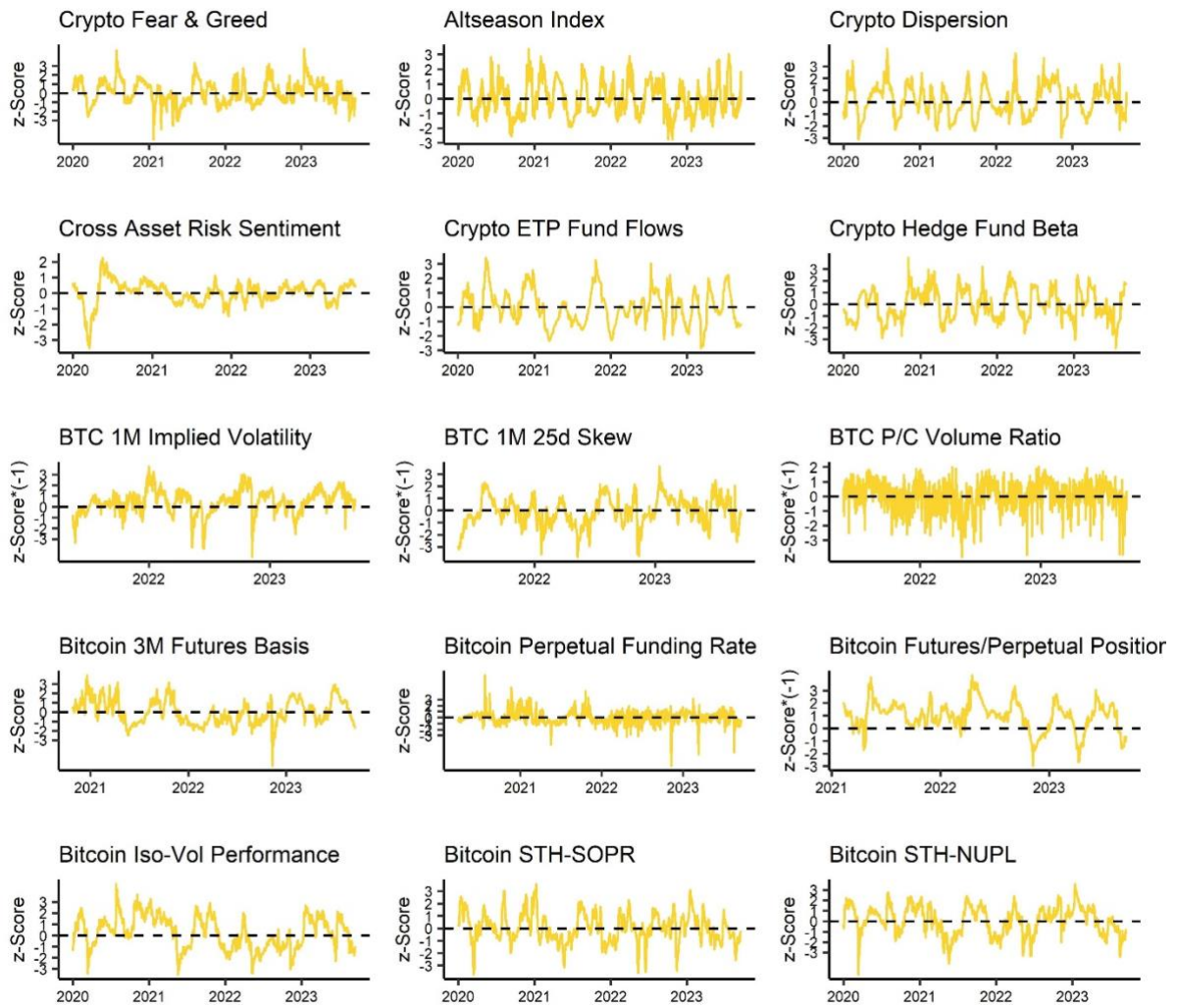
Appendix



Source: Bloomberg, Coinmarketcap, Glassnode, Deutsche Digital Assets

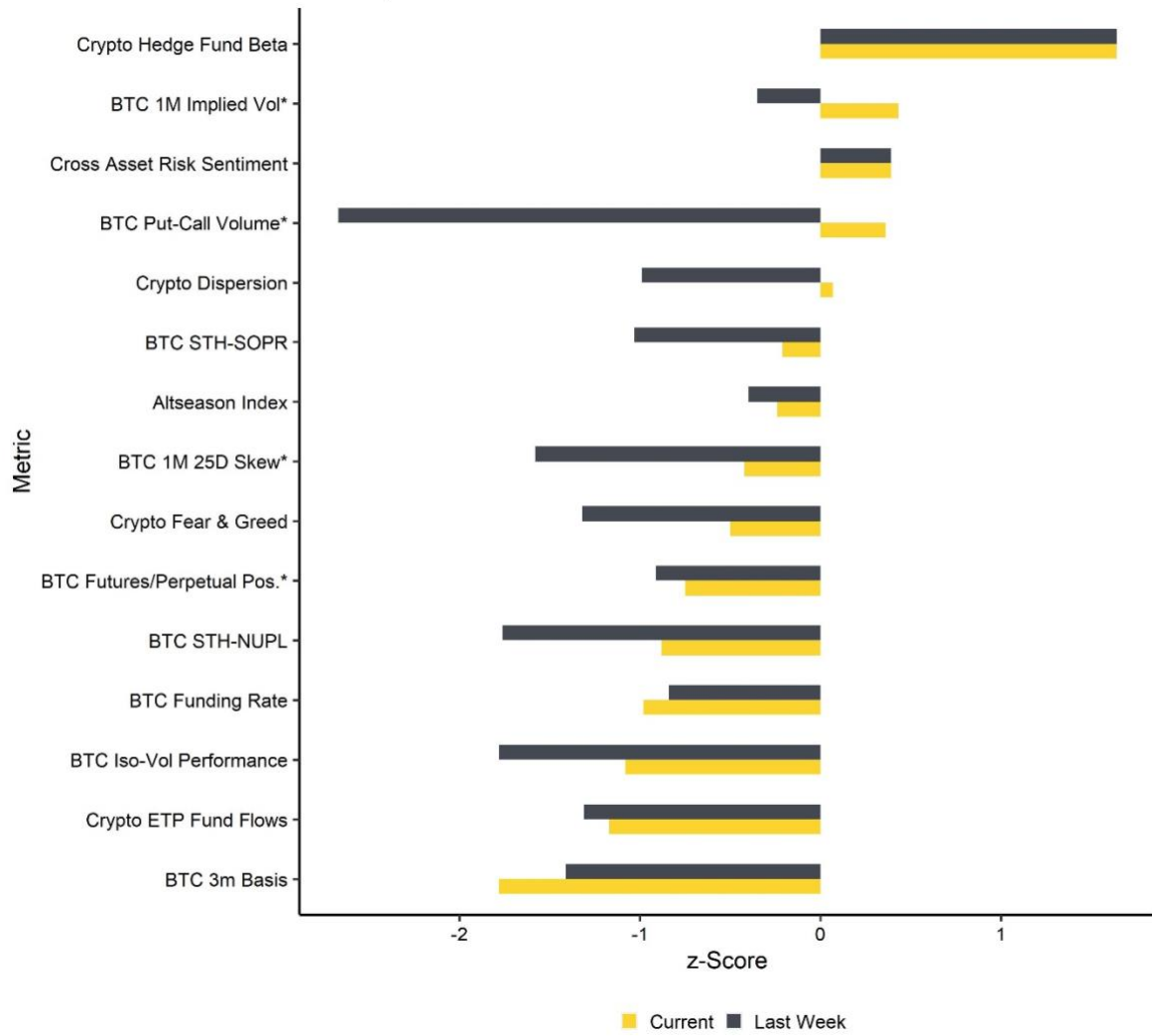
Crypto Sentiment Index

Subcomponents, 90-day rolling z-Scores

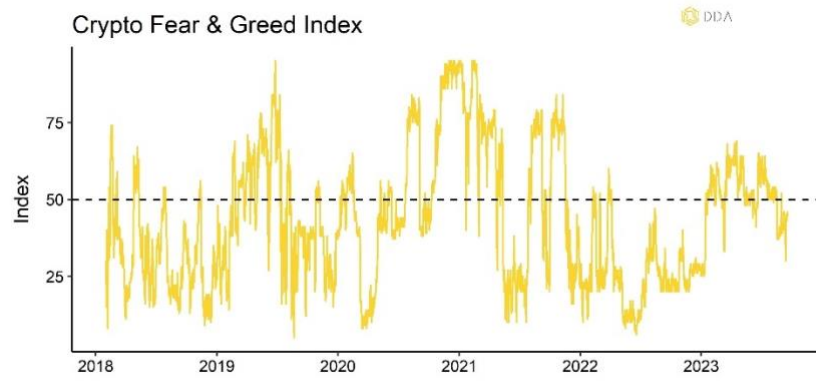
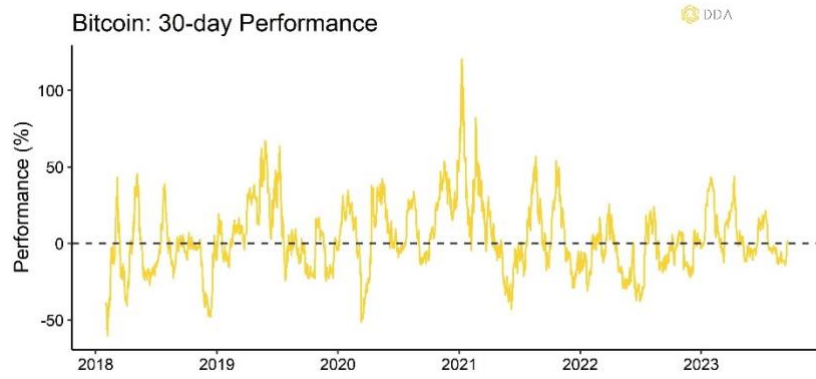


Source: Bloomberg, Coinmarketcap, Glassnode, Deutsche Digital Assets

Crypto Sentiment Index Subcomponents

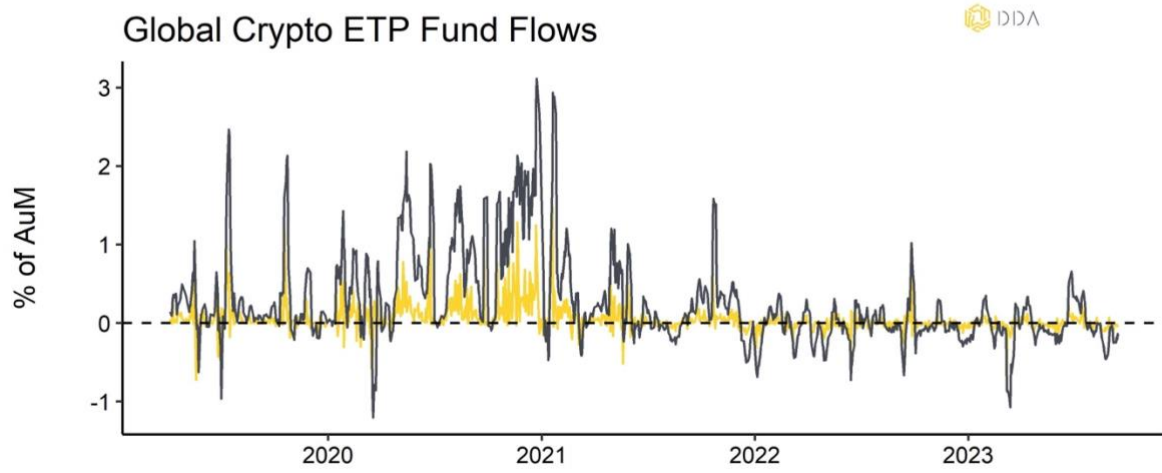
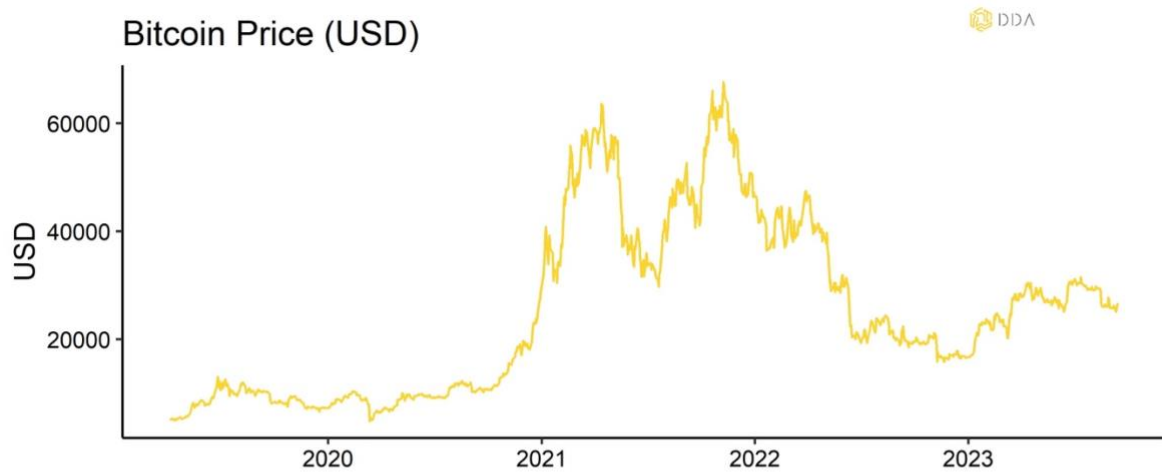


Source: Bloomberg, Coinmarketcap, Glassnode, Deutsche Digital Assets; *multiplied by (-1)



Source: alternative.me, Coinmarketcap, Deutsche Digital Assets

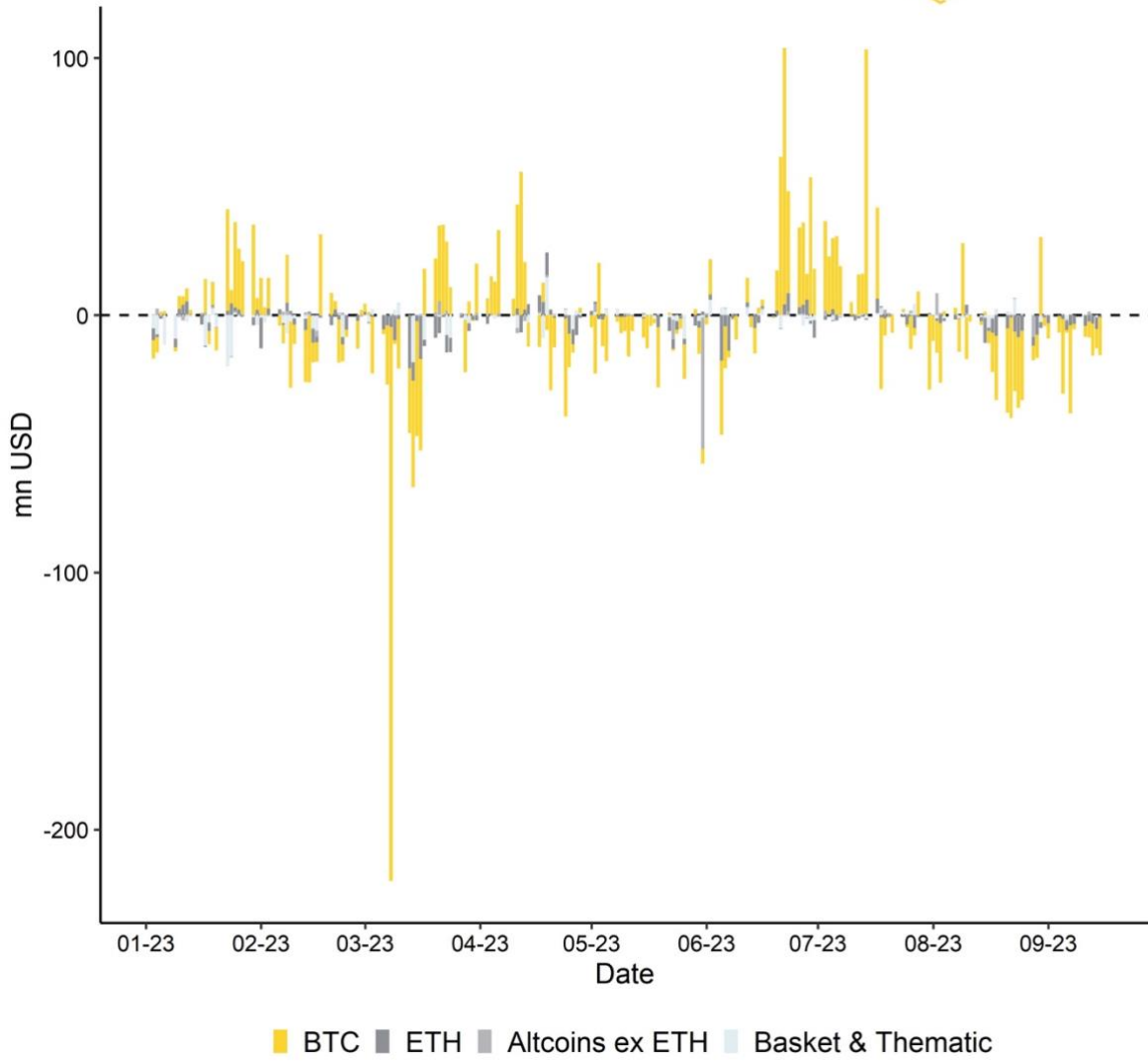
Bitcoin vs Global Crypto ETP Fund Flows



— Fund Flows — 5d rolling sum

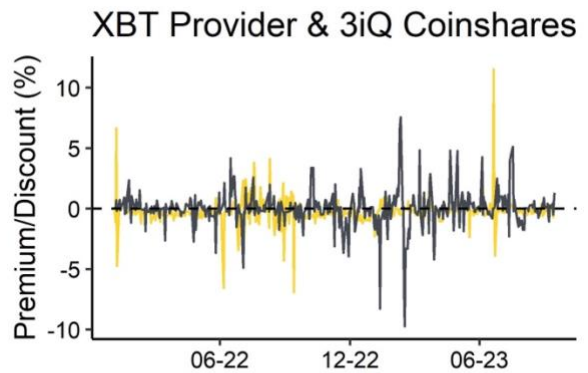
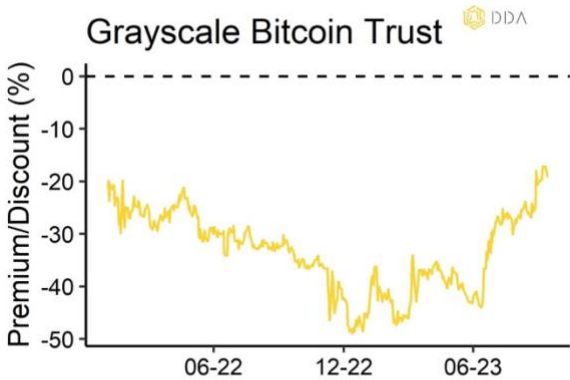
Source: Bloomberg, Deutsche Digital Assets; Only ETPs & Grayscale Trusts

Global Crypto ETP Fund Flows



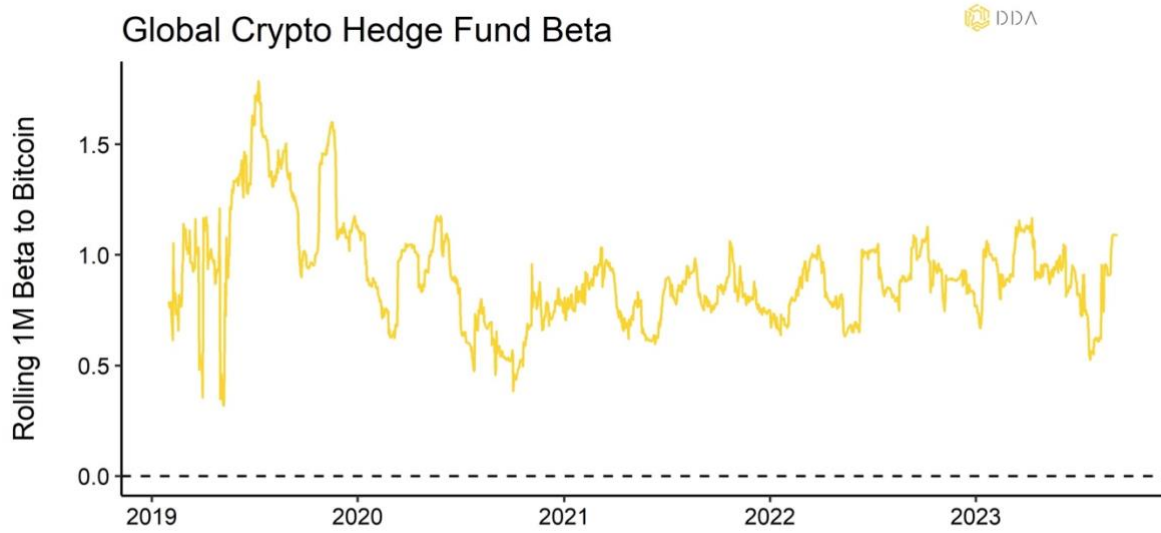
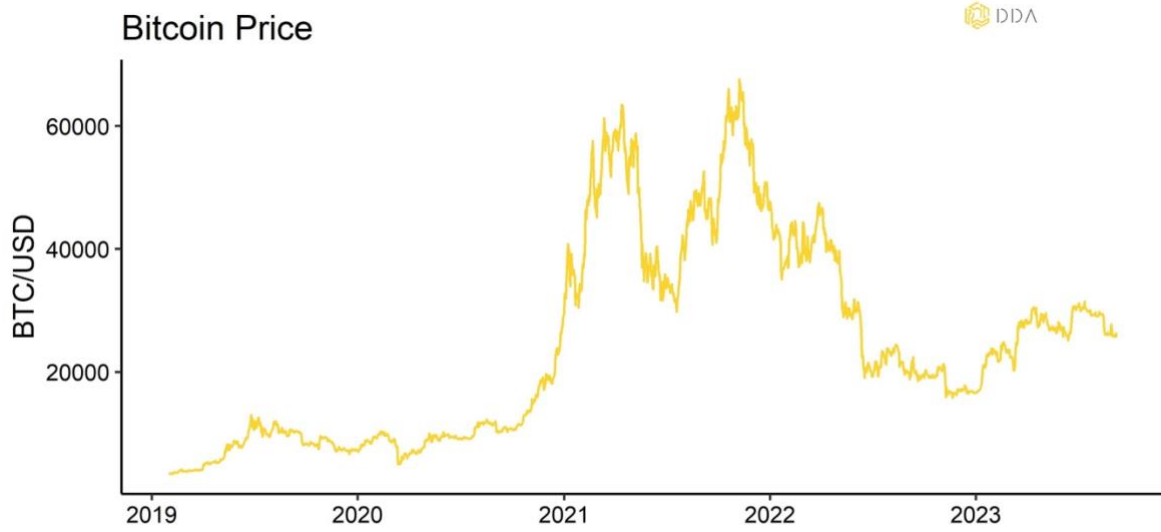
Source: Bloomberg, Deutsche Digital Assets; Only ETPs & Grayscale Trusts

BTC Funds NAV Premia/Discounts



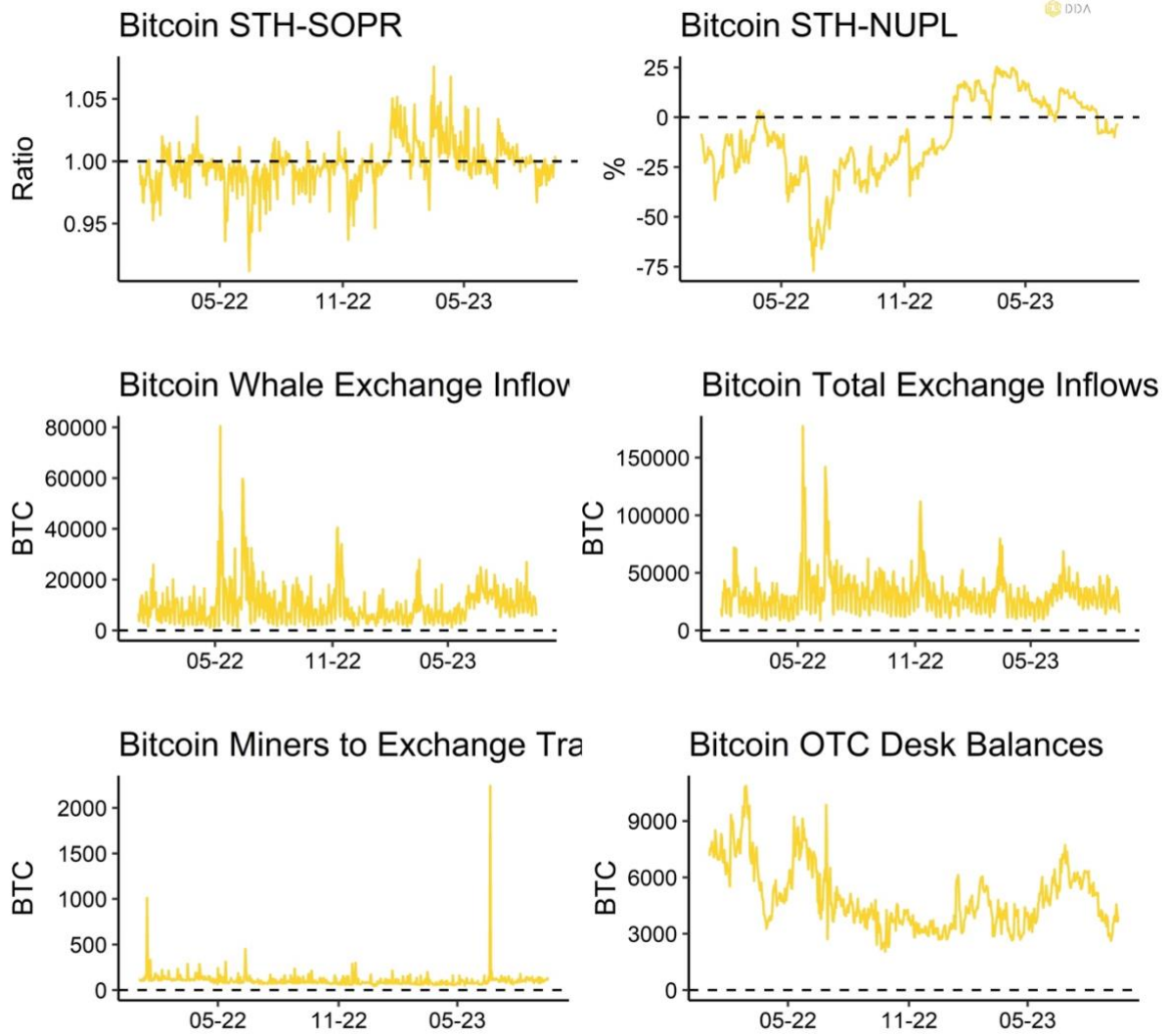
— XBT Provider — 3iQ Coinshares (Canada)

Source: Bloomberg, Deutsche Digital Assets



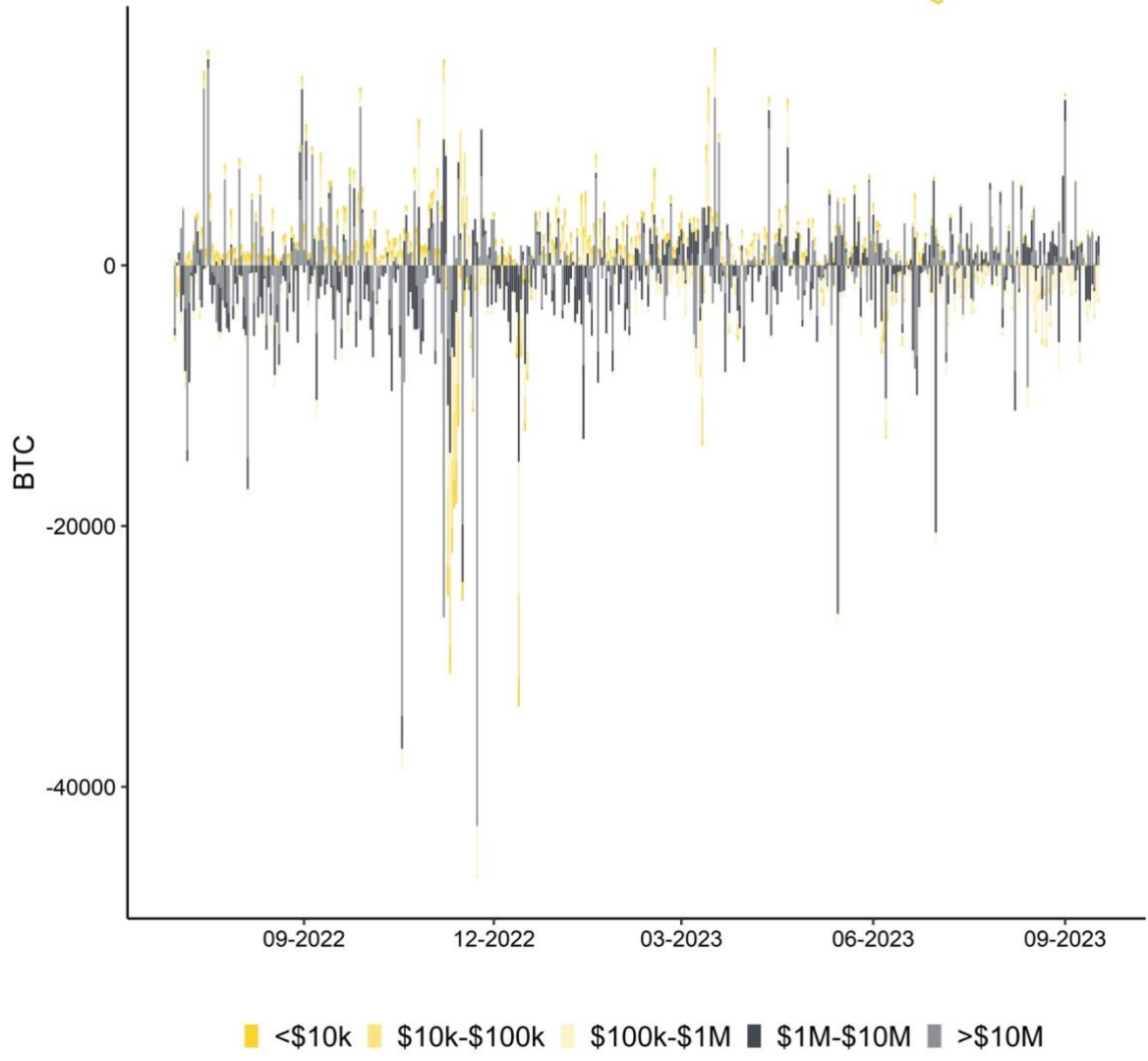
Source: Coinmarketcap, Bloomberg, Deutsche Digital Assets

Bitcoin On-Chain Indicators



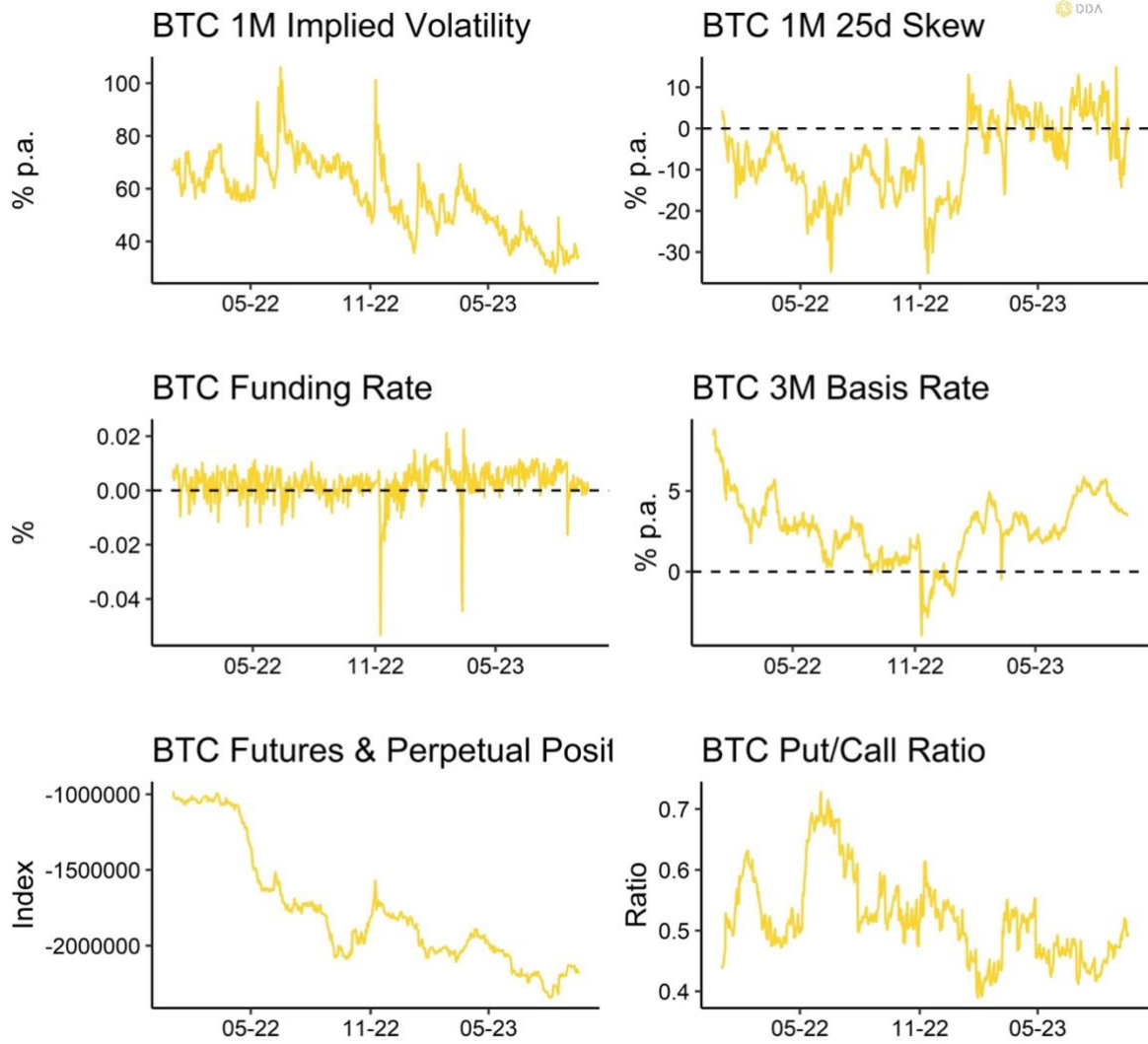
Source: Glassnode, Deutsche Digital Assets

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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