

ALT 5 - DIGITAL ASSETS MORNING CALL

Macro backdrop pressures crypto prices

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/EINPresswire.com/ -- ALT 5 Sigma Inc.
a global fintech that provides next
generation blockchain powered
technologies for tokenization, trading,
clearing, settlement, payment, and
insured custodianship of digital
instruments releases its digital assets
morning call.

- More Fed officials turn hawkish
ahead of FOMC minutes
- China's economy takes a hit from
lockdowns
- Bitcoin and Ethereum start to retrace
sizeable rally from mid-March



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DIGITAL ASSETS
MORNING CALL

Crypto prices broadly have come under pressure at mid-week, driven in part by the latest macro developments.

In the US, two Federal Reserve officials with typically more dovish leanings made some pretty hawkish comments Tuesday. Mary Daly of the San Francisco Fed joined the string of Fed officials hinting at a larger 50 bp rate hike at the May meeting (in truth this is mostly priced in). But more interesting, Fed Gov. Brainard said the Fed could start to reduce its balance sheet as soon as May, and could do so at a “rapid” pace.

Focus on pace of Fed balance sheet reduction

In the coming months, the combination of higher policy interest rates and a reduction in the Fed's balance sheet—essentially starting unwind the massive liquidity injections the Fed undertook in the wake of the covid pandemic—will tighten monetary policy considerably. That will present challenges to risk assets—including crypto—which benefitted from that extra

liquidity over the past two years. Minutes from the March FOMC meeting are due later today and are expected to provide more detail on the pace of balance sheet reduction.

US yields lead US dollar higher, pressuring crypto in the process

Importantly, the latest Fed comments have caused a further rise in US yields and renewed USD strength. The 10-year US Treasury yield has risen to a new post-covid high of 2.64% and the highest in nearly three years. That has helped the USD strengthen, with the Dollar Index (DXY) nearing the highs reached in the initial weeks of the covid outbreak in March-April of 2020. Given that crypto assets such as bitcoin and Ethereum are sometimes seen as a hedge against USD declines, and therefore moves inversely to the USD, the Fed-induced strength in the US currency is putting some pressure on crypto.

China data highlights economic damage from covid lockdowns

Separately, an important economic indicator in China came in much weaker than expected. The Caixin Services Purchasing Managers Index (PMI) tumbled to 42 in March, down from 50.2 in February and well below the 50% expansion/contraction threshold. The decline stems from the widescale lockdowns China has imposed to address the latest covid breakout, and the associated economic drag they impose. Although China is expected to counter this weakness with fiscal and monetary stimulus, that has been limited thus far. To the extent that markets become more concerned about China's growth outlook—including the negative ripple effects that will have globally—it can be bearish for risk assets, potentially including crypto.

Crypto charts looking more corrective in the short-term

On the charts, bitcoin is starting to correct more of the \$37,625-\$48,190 rally from the second half of March as the short-term upward momentum has stalled. Similarly, Ethereum's rally over that same time measures from \$2,492 to \$3,581. Some retracement of that outsized rally would not be surprising in the near-term, particularly given the headwinds coming from the macro backdrop.

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ABOUT ALT 5 Sigma

ALT 5 Sigma is a global fintech that provides next generation blockchain powered technologies for the trading, clearing, settlement, payment, and insured custodianship of digital instruments. ALT 5 was founded by financial industry specialists out of the necessity to provide the digital asset economy with security, accessibility, transparency, and compliance. ALT 5 provides its

clients the ability to buy, sell and hold digital assets in a safe and secure environment deployed with the best practices of the financial industry. ALT 5 Sigma's products and services are available to Banks, Broker Dealers, Funds, Family Offices, Professional Traders, Retail Traders, Digital Asset Exchanges, Digital Asset Brokers, Blockchain Developers, and Financial Information Providers. ALT 5's digital asset custodian services are secured by Fireblocks.

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