

ALT 5 - DIGITAL ASSETS WEEKLY

Major crypto assets consolidate as markets adjust to macro realities

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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 weekly.

- There's no getting around the Fed/yield/dollar dynamic for crypto

- Key upcoming events in the US, Canada and Europe

- China stresses keep crypto traders on alert for policy response

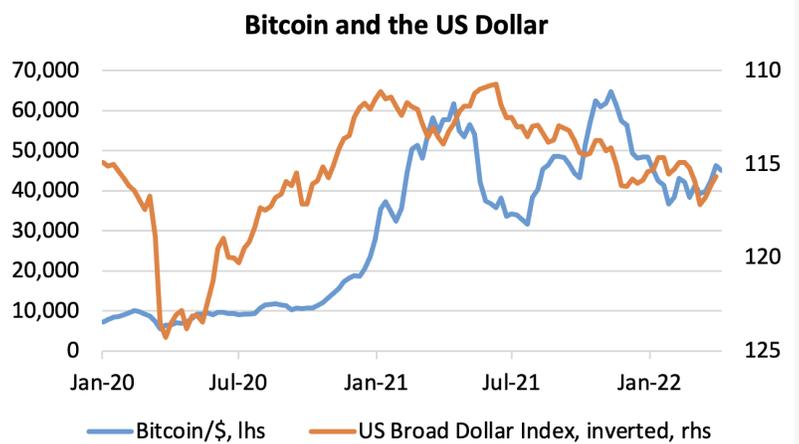
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Macro dynamics remain a primary focus and driver for major crypto assets. Markets continue to adjust to the combined effects of surging inflation, tightening monetary policy, war in Ukraine and China's covid-related lockdowns. Bitcoin, Ethereum and Solana have pulled back from the recent highs reached in the past week, and appear prone to

ALT5 DIGITAL ASSETS MORNING CALL



Bitcoin and the US Dollar

further corrective pressures in the near-term.

Accelerated Fed tightening expectations...

Higher inflation is a central theme for markets and policy makers. It has caused the Federal Reserve and other central banks to tighten monetary policy much more quickly than market participants expected just a few months ago. This past week the Fed signaled that a faster pace of interest rate hikes is possible in the coming months. And just as importantly, it is likely to begin to reduce its balance sheet beginning next month, and do so much more rapidly than in the 2017-2019 cycle (roughly double the pace).

...brings higher yields and a stronger dollar, pressuring crypto prices

The upshot has been a dramatic rise in US yields which has helped the US dollar appreciate from already strong levels. Given that crypto assets such as bitcoin are sometimes seen as a hedge against US dollar declines—and often moves inversely to the greenback—the Fed-induced rise in yields/dollar is putting some pressure on major crypto assets (see accompanying chart of bitcoin overlaid with an inverted display of the US dollar).

(See Chart)

Updated US inflation data coming

The coming week brings the latest update on US inflation, with markets expecting the March CPI reading to rise to 8.4% year-on-year from 7.9% in February. That would represent another new 40-year high for the series and reinforce market expectations for more aggressive Fed tightening going forward.

US tax deadline

The approaching tax day in the US (April 18) is also getting attention. The event raises the potential for market participants to sell some of their financial assets in order to raise money to pay their annual tax bill. Despite the late-2021 selloff in bitcoin (and other crypto assets), it was still up by some 77% on 2021 as a whole. That leaves a potentially hefty tax bill for investors who realized some of those gains during the period. It is not at all clear how much—if any—crypto selling this may cause at present. But investors should be aware of this narrative and potential risk it poses to crypto prices in the approach to tax day.

Canada, UK, Eurozone upcoming events

Inflation and central bank policies will also be highlighted in other economies in the coming week. The Bank of Canada is expected to raise its policy rate 50 basis points to 1.0% after its latest inflation reading jumped to 5.7%, well above the central bank's target range of 1%-3%.

In Europe, CPI in the UK is expected to rise to 6.0% year-on-year in March from 5.5% in February (another new cycle high). On the continent, the European Central Bank meets April 14; the economic drag stemming from the war in Ukraine is expected to keep the ECB from starting its own tightening cycle just yet, but higher inflation suggests they too will eventually have to start raising rates. Look to next week's meeting for signal on when that process may start.

China stresses persist...

China's covid-related lockdowns continue to pressure growth and need to be monitored as well. A key services sector indicator (Caixin Services PMI) fell significant into contractionary territory this past week. And in the coming week data on inflation, international trade and new loans are due.

...crypto investors should be on the lookout for Chinese policy easing measures

Unlike much of the rest of the world, China's central bank is more likely to ease monetary policy going forward, as weaker growth is a greater risk than higher inflation at present. Accordingly, markets should be on the lookout for such measures (or perhaps some fiscal stimulus) to address current stresses. In the past, China easing measures have sometimes supported risk assets. As such, major crypto assets could find at least some temporary benefit if and when Chinese policy makers respond with policy stimulus.

On the charts

Bitcoin has retraced roughly half of the of the \$37,625-\$48,190 rally from the second half of March. That recent peak combined with the 200-day moving average at \$48,250 make for potentially formidable resistance. That resistance, combined with the macro backdrop described above, suggests further consolidation and potential correction in the near-term. This past week, Ethereum temporarily breached but did not hold above its 200-day moving average, currently at \$3,490. It has thus far retraced roughly one-third its \$2,492-\$3,581 rally from mid-March and looks to face the same near-term consolidative/corrective pressures as bitcoin.

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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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