

# ALT5 Sigma Digital Assets Morning Call

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*Near-expected US inflation data allows relief gains in crypto prices*

NEW YORK, NEW YORK, US, April 12, 2022 /EINPresswire.com/ -- Near-expected US inflation data allows relief gains in crypto prices

- CPI rises again, but not worse than expected
- Crypto assets stabilize from Monday's extended slide
- Macro backdrop continues to pose challenges

After extending their recent declines on Monday, major crypto assets have seen at least a temporary reprieve. The much-anticipated US inflation readings showed a further rise in prices, but was not any worse than expected, which may allow for some pullback in US yields and the dollar, and in turn provide some relief to risk assets more broadly, including crypto assets.

US inflation records another multi-decade high

US March CPI rose 1.2% month-on-month and 8.5% year-on-year, near expected and following readings of 0.8% and 7.9% respectively in February. The upside is that it was not any worse than expected and indeed, after the latest rout in bond prices, risk assets and crypto prices, this outcome looks to provide some material relief to those markets.

The Fed has a serious inflation problem to address

A more sobering assessment is that inflation is still at a 41-year high, a problem that the Fed is expected to address with a more aggressive pace of interest rate hikes and balance sheet reduction in the coming months. Those actions will start to reverse the massive liquidity injection of the past two years that has supported financial assets broadly, including crypto prices, and will therefore create a more challenging environment for them.

Inflation adjusted wages highlight downside risks to growth

The data also revealed that real earnings in the US (i.e., adjusted for inflation) remain deeply negative. Hourly earnings fell at 2.7% year-on-year and weekly earnings fell 3.6% year-on-year. This is a potentially important condition. If it persists, it means that consumers earnings will not

keep pace with inflation, which could lower consumption/spending. And given that consumption still accounts for about two-thirds of GDP, this suggests downside risk to overall growth going forward.

On the charts

The relief rally in bond prices and risk assets following the CPI data is carrying over into crypto prices. Bitcoin fell below the \$40,000 threshold Monday but has managed to move marginally above it early Tuesday. Previous support at the \$42,00 area now looks to represent short-term resistance and is a reasonable target given the improved market sentiment. Similarly, Ethereum has also recovered from Monday's drop below \$3,000 and it looks to have scope for gains to previous support in the \$3,150-\$3,200 area.

Despite this latest improvement in sentiment, we are cautious about expecting the current bounce in crypto prices to extend far in terms of price or duration. The macro backdrop remains challenging on a number of fronts, including Fed tightening, war in Ukraine and lockdowns in China, the combination of which imply slower global growth going forward.

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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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