

# ALT 5 Sigma Digital Assets Morning Call

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*Major crypto assets retain defensive bias following recent pullback*

NEW YORK, NEW YORK, US, April 13, 2022 /EINPresswire.com/ -- Major crypto assets retain defensive bias following recent pullback

- Bitcoin, Ethereum and Solana at important psychological levels
- Central bank actions and outlook
- FOMC bitcoin purchases

Major crypto asset prices are moving sideways at midweek, nursing the declines registered Monday but still trading at markedly lower levels from their late-March/early-April peak.

On the charts

Bitcoin is trading on either side of the \$40,000 threshold. Next support looks to be at the cluster of March lows between \$37,100 and \$37,600. Similarly, Ethereum is trading near \$3,000 with close-by support at the \$2,950 area defined by both the 50-day and 100-day moving averages. Solana currently trades near \$100, just above support at the \$98.00-\$99.00 area, defined by this week's lows and the 50-day moving average.

Macro matters

Macro drivers remain familiar, including high inflation, stepped up monetary policy tightening from global central banks, slowing growth, and geopolitical risks. Those factors have imposed a defensive bias in both crypto assets and traditional financial markets.

Central banks remain very much in focus. Overnight New Zealand's central bank raised rates 50 bp, larger than the 25 bp hike expected and putting its base policy rate at 1.5%. The Bank of Canada is expected to raise rates 50 bp later today, which would put its base rate at 1.0%. The European Central bank is due to meet tomorrow/Thursday and while no policy change is expected, markets will look for updated guidance on its outlook for inflation and the potential for future policy tightening.

Inflation and the Fed

In the US, regional Federal Reserve president Bullard said policy rates need to rise more quickly in order to bring inflation down. His hawkish views are pretty well known and the comments are not causing much market reaction at present.

The US March CPI print of 8.5% y/y released yesterday and March PPI of 11.2% y/y released today, serve as a reminder of the increasingly problematic inflation backdrop in the US. In line with Bullard's comments, that is widely expected to lead to more aggressive Fed tightening going forward. As we have highlighted, the reversal of the past two years of central bank liquidity injections has and will likely continue to create headwinds for both traditional financial assets and crypto assets.

LFG continues to buy bitcoin

In crypto flow news, CoinDesk reports that the Luna Foundation Guard added another \$100 mln in bitcoin to its wallet. It's wallet now holds 42,410 bitcoin with a market value of approximately \$1.7 bln. LFG's stated goal is to bring its bitcoin holdings to \$10 bln.

Watching the war

Activity in traditional financial markets will be more subdued into the Easter/Passover holiday weekend, but crypto assets trade 24/7. To be sure, weekend price swings in crypto can be significant. There are press reports which suggest the war in Ukraine could intensify in the coming days, perhaps as Russia attempts to capitalize on reduced global attention to the daily news flow during the holiday weekend. We mention this primarily to highlight that crypto investors will want to remain vigilant into and over the weekend as developments in the war could impact prices, even as trading in traditional financial assets shuts down.

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ABOUT ALT 5 Sigma

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