

# ALT5 Sigma Digital Assets Morning Call

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*Major crypto assets start the week on a down note*

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- Higher US yields and dollar put renewed pressure on crypto prices
- Bitcoin and Ethereum move below Important psychological levels
- China GDP beat expectations, but downside risks persist
- Ethereum Foundation details ETH treasury holdings

Major crypto assets are lower Monday morning, with bitcoin, Ethereum and Solana currently trading below key psychological levels. After stabilizing late last week and into the weekend, prices have come under renewed downward pressure, partly in line with gains in US yields and the US dollar, conditions that have recently concurred with lower crypto prices.

Crypto moving inversely to the US dollar

The yield on the US 10-year Treasury note rose to 2.87% earlier today, the highest since late-2018 and approaching the 3% threshold. The move higher in yields is taking the US dollar along with it, with the Dollar Index (DXY) moving above 100 and trading near two-year highs. 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 rise in yields/dollar is putting some pressure on major crypto assets.

On the charts

Bitcoin's move below \$40,000 opens scope to test support at the cluster of March lows between \$37,100 and \$37,600. Ethereum has marginally broken support at the \$2,950 area defined by both the 50-day and 100-day moving averages, and a sustained break of those levels would be bearish for near-term sentiment.

China GDP beats expectations, but future risks remain

As markets continue to focus on the macro backdrop, China developments remain an important component of the broader picture. Crypto investors need to monitor these developments, as

China's economic performance has material ripple effects on global growth, and its policy initiatives can have a more immediate impact on risk appetite in financial markets.

China's economic growth rate in the first quarter beat expectations, with GDP rising 4.8% y/y, notably above the median forecast of 4.2%. The outcome avoided concerns that the covid related lockdowns would impose a larger drag on growth. That said, the lockdowns have continued into Q2 and the risk to this quarter's growth remains.

A modest policy easing measure should be followed by more aggressive moves

Responding to the growth risks, China's central bank announced a reduction in banks required reserve ratios (RRR), essentially freeing up more bank capital for lending. The policy easing was generally expected but the relatively modest size (a 25bp reduction for the largest financial institutions) has not generated much reaction—let alone enthusiasm—in China's financial markets. So while the RRR cut is welcome, many China watchers expect further easing measures going forward, including additional cuts to the RRR as well as policy interest rate cuts.

Ethereum foundation details ETH holdings

The Ethereum Foundation reported that ETH accounts for 80.5% of the non-profit's \$1.6 bln treasury holdings, according to Crypto Briefing. The Ethereum Foundation is the largest non-profit supporting the Ethereum ecosystem. Its actions are closely monitored in the crypto community in part because in the past it has sold ETH (as part of its periodic portfolio rebalancing) at what turned out to be very advantageous levels, near cyclical market peaks.

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ABOUT ALT 5 Sigma

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