

## ALT 5 – DIGITAL ASSETS MORNING CALL

*Crypto assets bounce after Fed rate hike, but questions remain*

NEW YORK, NEW YORK, US, May 5, 2022 /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.

- Fed signals a somewhat less aggressive path of rate hikes than markets expected...

- allowing initial relief gains for major crypto assets and risk assets more broadly

- but medium-term questions on inflation and economic growth remain unanswered

Major crypto prices recorded sizeable relief gains after Wednesday's FOMC meeting downplayed the potential for a more aggressive path of policy interest rate increases. The Fed raised the Fed funds rate target by 50bp to 0.75%-1.0%, and Chair Powell said that 50bp rate increases are "on the table" (meaning up for discussion) at the next "couple" of meetings. Importantly, Powell also said the Fed was not considering an even larger 75bp rate hike, something markets had started to price in more recently.

The initial upshot is that crypto assets and risk assets more broadly took the news very positively given that:

1. Markets had been braced for a faster pace of tightening and,
2. Market prices had fallen considerably from their recent highs, creating scope for corrective gains.

The logo for ALT 5 Digital Assets Morning Call. It features the text "ALT 5" in a large, bold, black font, with the "5" being a bright blue color. Below this, the words "DIGITAL ASSETS" and "MORNING CALL" are stacked in a smaller, bold, black font.

Without getting too far into the weeds of Fed policy expectations and market pricing, crypto investors should be cognizant of some important implications of these developments, given that the previous injection of central bank liquidity, and now it's withdrawal, have been an important driver of crypto asset prices and risk assets more broadly over the past two years.

What does it really mean?

In essence, markets still expect a considerable amount of Fed policy tightening in the coming months, both in terms of rate hikes (another 200 bp of rate hikes are priced in by the end of this year) as well as balance sheet reduction.

On the latter, the Fed stated that it will begin to reduce assets on its balance sheet starting in June at a pace of \$42.5 bln per month, and increase that pace to \$95 bln per month starting in September. That is in line with what the market had expected. But it is still roughly double the pace of balance sheet reduction undertaken during the last cycle (2017-18) and, when running alongside further interest rate hikes, will represent a considerable withdrawal of monetary stimulus. As a reference point, the Fed more than doubled the size of its balance sheet in response to the covid pandemic, from \$4.1 trln in February 2020 to \$8.9 trln at present.

The path of inflation will be critical...

Against that backdrop, it may be premature to assume that the outcome of yesterday's Fed meeting has now green-lighted the path for renewed crypto/risk asset gains. And just as outsized inflation gains forced the Fed into this more aggressive turn in policy, the future path of inflation and the inputs to it will still have the potential to impact Fed policy expectations. The swings in those expectations, in turn, can impact financial markets and crypto prices—in both directions—going forward.

...as will the path of economic growth

Complicating matters is that economic growth has slowed in the US and even more so globally, increasing the risk of recession. And now, a key question for investors is whether the Fed and other central banks can tighten policy enough to slow demand/growth and reduce inflation without hurting economic growth so much that it causes a recession.

That question was not definitely answered by Wednesday's FOMC outcome, and financial markets will continue to debate the issue, taking inputs from upcoming economic data, geopolitical developments including the war in Ukraine, and the path of the covid pandemic in large economies such as China, where it is causing a material disruption to growth.

On the charts

Bitcoin's post-Fed bounce saw it briefly move back to \$40,000 but it has thus far been unable to

sustain levels above that psychological threshold. It has moved marginally above the downtrend drawn off the April 4 high and which comes in today at \$38,735; holding above that level would potentially improve short-term sentiment. Modest support should be found at the series of lows over the past month clustered between \$37,175 and \$37,720.

Ether has moved above the top of the down channel drawn off its April 4 high, which comes in today at \$2,850. Holding above that would be constructive, at least for short-term sentiment, improving scope for a move back above \$3,000. Initial support is at the May 1 low of \$2,717 but beyond that there is little obvious support ahead of the March 7 low of \$2,446.

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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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