

ALT 5 – DIGITAL ASSETS MORNING CALL

Technical breaks and uncertain macro keep pressure on major crypto assets

NEW YORK, NEW YORK, US, May 9, 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.

- Weekend selling in bitcoin and ether saw each break important support levels
- Bitcoin's increased correlation with Nasdaq could suggest "forced selling"
- Macro focus this week remains on war in Ukraine, China's covid issues, US inflation

The abrupt selloff in major crypto assets that accelerated late last week continued through the weekend and into the new week. The price action has seen bitcoin and ether break important support on technical charts, which can feed into the near-term bearish bias.

Bitcoin has moved marginally below the \$32,970 cycle low reached this past January. It also broke below the "neckline" of the head-and-shoulders pattern established over the past year, which came in just below \$35,000. Both developments leave the technical bias

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Bitcoin breaks head and shoulders neckline

more bearish.

Ether's selloff has now seen it retrace all of the sizeable March-April rally, as well as 2022 uptrend, which came in at \$2,635. That leaves the next downside targets at the February low of \$2,301 followed by the January cycle low of \$2,160 (Source for both charts is Bloomberg).

Crypto correlation with financial assets remains high...

The fact that major crypto prices have become more highly correlated with financial assets, and the tech-heavy Nasdaq index in particular, has been well documented. Indeed, the correlation between bitcoin and the Nasdaq Composite Index has moved above 80%, based on a 30-day rolling observations of daily data.

...which we continue to see largely as a function of diminishing global liquidity...

We have primarily discussed this as a function of the wider scale withdrawal in central bank and government provided liquidity, as global monetary authorities begin to reverse the financial aid they provided to economies and financial markets to address the covid epidemic. We expect that will continue to be an important driver of the price action, and create headwinds for crypto prices while it does.

...but in the short term can also be forced position adjustment by professional investors

Within that process, there are also periods where excessive losses in more widely held positions—such as long technology stocks—can create what is sometimes called “forced selling,” whereby institutional investors will sell other, more volatile investments to compensate for the losses registered on their “core” holdings.

Although such flows are difficult to measure and estimate, especially in real time, this could also be a contributing factor to recent crypto selling pressure. Even though crypto volatility has declined, it is still well above traditional financial assets. Moreover, the influx of institutional investors into the crypto space leaves major crypto assets more vulnerable to this type of selling/rebalancing (perhaps a short-term downside of institutional adoption).

The coming week

The macro backdrop will remain very much in focus this week. On the geopolitical front, today



Russian president Putin continued to justify the invasion of Ukraine as a defensive measure, and gave every indication that the war will continue.

G7 steps up pressure on Russia

Related to that, G7 leaders over the weekend vowed to ban imports of Russian oil, a process already underway in many countries. The war is only serving to increase global economic risks due to the impact on inflation (via higher commodity prices) and risks to European growth (via potential disruption to Russian natural gas), keeping in mind that collectively Europe is the world's third largest economic bloc.

China's covid situation does not appear to be improving

Separately in China, Shanghai is seeing a rise in covid cases, countering the notion (hope?) that the latest wave the virus may have peaked. China's economy has weakened on the back of covid-related lockdowns, a development that will weigh on global growth and feed into concerns that major economies could face recession.

US attention on Fed and inflation

In the US this week, there are a series of speakers from the Federal Reserve which may further shape the policy outlook. It has been the interpretation of risks around last week's FOMC outcome—more tightening, questions on the inflation path, increased recession risk—that has continued to unsettle financial markets in its wake. Attention will also be squarely on Wednesday's CPI release for April, where some moderation is expected following the 40-year high of 8.5% y/y printed in the March report.

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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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