

ALT 5 – DIGITAL ASSETS MORNING CALL

Crypto assets resume decline, pressured by still-high US inflation

NEW YORK, NEW YORK, US, May 11, 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.

- US CPI remained high in April, reinforcing Fed tightening expectations

- TerraUSD and LUNA continue to fall as LFG float rescue plan

- Coinbase disclosure raises concerns about retail protections in a black swan event

Major crypto assets are trading defensively, pressured by the latest round of US inflation data.

Bitcoin is trading within the potentially critical support zone of \$29,000-\$30,000, defined by the series of lows reached in early and the middle of 2021. A sustained break of that would potentially intensify the current bearish sentiment and open scope for an extension of the recent decline.

Ether is testing support at the January 2022 low of \$2,160 while more formidable support looks to be well below at the \$1,700 area defined by the series of lows established in May-July of 2021.

US CPI still high

US April CPI rose 8.3% y/y, higher than the 8.1% rise expected but down from 8.5% in March. The

A graphic with the text "ALT 5 DIGITAL ASSETS MORNING CALL". "ALT 5" is in large, bold, black letters, with the "5" being a bright blue color. Below it, "DIGITAL ASSETS MORNING CALL" is written in smaller, bold, black letters.

outcome will keep inflation concerns prominent in the market, and is one data point suggesting the Federal Reserve may have to raise rates more aggressively than the path suggested by Fed Chair Powell at last week's FOMC meeting. And it is the prospect of diminishing central bank liquidity that continues to pressure financial assets broadly, including crypto assets.

TerraUSD and LUNA extend declines

TerraUSD (UST) continued to weaken, as has LUNA, the token that is part of the peg mechanism for UST. As of this writing, UST is trading at 0.33-cents according to data from Coincap, and that is down from 0.99-cents late last week. The drop in LUNA has been even more dramatic, currently trading near \$1 from levels near and above \$90 just a week ago.

The LFG proposal to shore up UST involves minting a lot more LUNA

The collapse of UST, an algorithmic stable coin (as opposed to one backed with reserves of fiat currency or cash equivalent) has prompted plans to "rescue" the project. A Bloomberg news report says backers of UST are trying to raise \$1.5 bln to shore up the token. The Luna Foundation Guard has floated a proposal that advocates minting substantially more LUNA tokens in order to absorb the market's pent up selling interest in UST.

Given that UST holders can exchange one UST token for one LUNA token, the notion of dramatically expanding the supply of LUNA appears to be adding to the extra downward pressure on the token price today. It remains unclear how this complex and fast moving situation will develop but it remains a central point of focus in the crypto space and is getting attention in the broader financial and main stream press.

Coinbase earnings miss, but bigger focus is on a SEC-mandated risk disclosure

Coinbase Q1 earnings missed expectations but a disclosure in the earnings report is getting just as much attention. According to an article on Cryptoslate.com, the earnings report states, "the crypto assets we hold in custody on behalf of our customers could be subject to bankruptcy proceedings and as such customers could be treated as our general unsecured creditors." That essentially means that a customer's crypto holdings could be tied up in bankruptcy negotiations in a black swan type event.

Coinbase CEO took to Twitter to explain the situation, saying there is no risk of bankruptcy and that the disclosure was SEC mandated. He added that the company will update its user terms for retail clients to offer improved bankruptcy protections, and apologized for not having done it sooner.

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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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