

ALT 5 - DIGITAL ASSETS MORNING CALL

Stablecoin scrutiny after TerraUSD's collapse

NEW YORK, NEW YORK, US, May 18, 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.

- Tether (USDT) market capitalization has dropped 10% in the past week
- •The market cap decline follows last week's TerraUSD collapse
- •Market participants look for more clarity on stablecoin backing and collateralization



Today's Financial Times highlights the impact that last week's TerraUSD's (UST) de-peg from the US dollar is having on other stablecoins. Data from CoinMarketCap shows the market capitalization of Tether (USDT), the world's largest stablecoin, has fallen to \$74.1 bln today from \$83.1 bln prior to last week's UST/LUNA collapse, a drop of 10.8% and the lowest market cap since last December.

Tether only briefly fell below \$1, but market capitalization has declined since then

Last week Tether (USDT) briefly lost its 1:1 peg to the US dollar, falling below 0.96-cents before quickly recovering and prompting the organization's CFO to state that it will honor all redemptions at \$1. Unlike TerraUSD, which used an algorithm linked to the LUNA token to maintain its 1:1 peg to the US dollar, Tether (USDT) is a fully collateralized stablecoin and maintains reserves that are at least as large as the outstanding market capitalization of the

token, according to records from Tether.

Less clear is the actual composition of Tether's reserves of collateral. Cointelegraph cites Tether's latest reserves report (released in December) showing just \$4.1 bln in cash, with the remainder presumably held in liquid, short-term, interest-bearing securities. As it happens, yesterday the New York State Supreme Court rejected Tether's petition to block the pubic from viewing documents that detail its reserve composition, according to news service Finbold.

Distinguishing what makes stablecoins stable

That lack of clarity on Tether's full reserve composition, including the possibility that its relatively small "cash" holdings could limit its ability to address a larger capital flight from Tether (USDT), may be reducing some investor confidence in the token. That is particularly in focus after TerraUSD's collapse last week, even though the tokens operate on two entirely different structures (Tether (USDT) fully collateralized, TerraUSD algorithmic).

Regulators and investors increase scrutiny

Just as regulatory scrutiny will increase following the Terra/LUNA collapse, investors themselves are apt to increase their own due diligence in an environment where there is more two-way price risk in free floating tokens (i.e., the pronounced uptrend has been broken for now) and where token projects and protocols that have not necessarily been compelled to be as transparent in the past may be forced to do so in this new environment. Ultimately that should be a positive development for the crypto space.

In major crypto assets:

Major crypt assets have continued to consolidate after last week's selloff, in line with the consolidation seen in risk assets such as the Nasdaq Composite Index, with bitcoin and ether trading on either side of \$30,000 and \$2,000 respectively. That hardly marks an "all clear" after last week's sizeable declines. But the more constructive price action can help to counter some of the near-term bearish sentiment and also demonstrates that there is some degree of buying interest in bitcoin and ether at these cheaper levels.

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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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