

ALT 5 – DIGITAL ASSETS WEEKLY

Cautious consolidation in major crypto assets; Regulators increase crypto focus

NEW YORK, NEW YORK, US, May 20, 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 Weekly.

- Traditional risk assets underperform crypto in the short term
- MicroStrategy is keeping its bitcoin holdings
- Regulators have stepped up scrutiny and public engagement since Terra/LUNA collapse

The logo for ALT 5 Digital Assets Weekly. "ALT" is in large, bold, black letters, and "5" is in a large, bold, blue letter. Below this, "DIGITAL ASSETS WEEKLY" is written in a smaller, bold, black, sans-serif font.

As the market focus has evolved from high inflation, to central bank tightening and most recently to recession risks, the backdrop for financial markets, including crypto tokens, remains challenging. That is evident in the continued decline in risk assets such as the Nasdaq Composite Index, and new lower trading range in bitcoin and ether, which remain highly correlated to the Nasdaq.

Nasdaq underperformed crypto this week...

It is noteworthy the latest declines in the Nasdaq Composite—which was making new cycle lows late this week—have not yet corresponded with bitcoin and ether reaching or breaking below their May 12 lows, especially given the significantly higher level of volatility in these crypto tokens versus US equities.

...but the near-term backdrop for major crypto assets remains guarded

But as we have recently discussed, that also needs to be viewed in the context of the much steeper declines in bitcoin and ether prices over the past two weeks (roughly 25% and 35% respectively to current levels, and much larger if measured to their recent lows) versus the 14% pullback in the Nasdaq over that same period.

Given the damage to sentiment—and the technical bias—stemming from the Terra/LUNA collapse, as well as ongoing concerns about the economic backdrop, we remain cautious about the near-term outlook for bitcoin and ether.

MicroStrategy stays the course

MicroStrategy's new CFO said this week that the company has no intention of selling its bitcoin holdings. Andrew Kang said the recent selloff in bitcoin has no impact on the company's strategy. He said some of the recent volatility was "around activity outside of bitcoin," presumably referring to the collapse of TerraUSD/LUNA.

As of May 2, MicroStrategy held 129,218 bitcoin on its balance sheet at an average price of \$30,700 per coin, according to an article in the Wall Street Journal. In essence, that leaves them close to flat on a P&L basis. Still, managing the balance sheet volatility is challenging. That volatility—highlighted in the recent decline—as well as compliance guidelines, accounting standards and regulatory issues, are some of the main factors slowing non-crypto corporations from holding digital assets on their balance sheets.

Regulators are encouraging industry and public engagement

A series of US federal and state regulators used a Chainalysis conference Thursday to encourage public comments from the crypto industry and interested parties on ways forward with digital asset regulations. The agencies included the Treasury and Commerce Departments, the White House and the New York State Department of Financial services, and it follows President Biden's executive order in March directing a series of federal agencies to research and recommend regulatory guidelines for the crypto space.

New regulation is a question of when, not if

The question is not whether regulation is coming, but rather the shape, scope and timing of the new rules. The crypto markets initially viewed Biden's executive order positively, as it suggested an even-handed and constructive approach to regulation. The order also appeared to recognize the substantial benefits digital assets and crypto technology could bring to the US economy. However, the initial market enthusiasm has diminished and the reality of the more sclerotic pace of government work, including the difficulty around inter-agency cooperation, has become evident.

To be sure, the collapse of Terra/LUNA last week will motivate some agencies to action, a point highlighted this week by comments SEC Chairman Gary Gensler, who again cited the need for greater protections for individual investors in the crypto space.

Less clear is when the whole-of-government approach to laws and regulation, as suggested in the White House executive order two months ago, will become a tangible reality. The industry itself is anxiously awaiting (and attempting to shape) that regulation, as the current lack of clarity is an impediment to growth and innovation in the digital asset space.

Global authorities have understandably taken notice as well

Finally, G7 finance ministers and central bank governors this week called for the “swift development and implementation” of crypto regulation, adding that no stablecoin project should begin operating until it addressed “relevant legal, regulatory and oversight requirements.” The latter comment also comes on the heels of the Terra/LUNA collapse and it stands to reason that the event would generate an official response.

That said, history suggests that the type of coordinated, multinational regulation as suggested by the G7 statement is a very tall order. The more likely progression is that individual governments will continue to move forward with regulation at their own pace and with their specific agendas.

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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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