

ALT 5 – DIGITAL ASSETS MORNING CALL

Fund raising in crypto continues; signals from US yield decline

NEW YORK, NEW YORK, US, May 25, 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.

- A major crypto investor \$4.5 bln for a new fund
- Lower long-term US yields could have implications for crypto

Andreessen Horowitz announced Wednesday that it has raised \$4.5 bln for its fourth crypto currency fund. The firm has now raised \$7.6 bln for digital asset investment. Importantly in the current dynamic, the announcement suggests that the recent pullback in major crypto asset prices has not discouraged the demand for longer term investors to get involved in the space.

While crypto consolidates, US yields have started to decline

With the lull in major crypto price movements persisting, it affords us the opportunity to consider developments in other markets that may have implications for crypto going forward. Against that backdrop, we have taken notice of the recent decline in US Treasury yields, which have dropped a sizeable 40bp in the past three weeks to stand at 2.73% today.

Since the Fed pivot in November, US Treasury yields rose sharply—and bond prices fell—alongside price declines in major crypto assets and equities. From November to the recent peak on May 6, the 10-year yield surged from 1.45% to 3.13%.

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.

A recent return to more traditional market dynamics

Traditionally, risk asset selloffs often generate “safe haven” type of capital flows into the higher liquidity and perceived safety of US Treasuries, boosting bond prices and lowering yields. However, during much of the previous six months, the concurrent decline in bonds, stocks and crypto prices left investors with “no place to hide.” More recently, that dynamic has reverted back towards the more traditional trend, with bond prices rising/yields falling alongside the continued stresses in US/global equities.

But taken a step further, it is worth asking whether the pullback in yields provides an early signal of future economic developments that could have implications for crypto prices.

Lower yields as a signal for economic expectations...

In that regard, we would consider the following: the dramatic repricing in financial markets in the past six months has factored in a considerable portion of the anticipated Fed tightening and accompanying slowdown in economic growth.

For bonds specifically, high inflation has absolutely contributed to the rise in yields. So it may be that the latest pullback in yields indicates that the market’s inflation concerns may have peaked. Put differently, the combination of slowing economic growth and the Federal Reserve’s repeated promise to tighten monetary policy aggressively should help to reduce inflation going forward.

That all remains to be seen and inflation data will remain a key market focus in the coming months (note that US Personal Consumption Expenditure data, the Fed’s favored inflation indicator, is due this Friday).

...and could have implications for crypto assets

A sustained decline in yields could have indeed have implications for crypto prices. First, if it signals an expected decline of inflation, that would translate into higher “real” (i.e., inflation adjusted) economic growth, which should be positive for investment returns broadly, including crypto. Separately, lower yields reduce the cost of capital in a manner that can also support crypto prices and other financial assets.

The actual implications will only become apparent over time. But Treasury yields remain a fundamental part of and indicator for financial markets. If the recent downdraft in yields develops into a sustained trend, it will be a more important consideration for crypto asset performance.

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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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