

## ALT 5 – DIGITAL ASSETS MORNING CALL

*Venture funds demonstrate continued interest in crypto; central bank tightening picks up*

NEW YORK, NEW YORK, US, June 8, 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.

- Crypto focused venture funds continue to launch
- Central bank policy tightening picks up pace

A graphic with a light gray background. The text "ALT 5" is prominently displayed at the top, with "ALT" in black and "5" in blue. Below it, the words "DIGITAL ASSETS" and "MORNING CALL" are stacked in a bold, black, sans-serif font.

As major crypto assets continue to tread water, trading within the ranges established since mid-May, the backdrop for digital assets specifically and macro broadly continues to evolve.

Venture funds continue to focus on the crypto space

Venture capital firm Cathay Innovation is partnering with Ledger, a startup focused on digital asset security, to launch a new \$110 mln venture fund, as reported by Techcrunch. The fund plans to invest in seed to Series A companies in different areas across the crypto industry, according to Cathay co-founder Dennis Barrier.

The Ledger/Cathay fund follows on the heels of other funds recently launched. Just last week we noted new venture projects from Canonical Crypto (\$20 mln) and Binance (\$500 mln). And a bigger splash came two weeks ago from a16z crypto which announced a \$4.5 bln venture fund. Importantly, these developments demonstrate that the demand for crypto-related investments persists, despite the significant decline in crypto token prices since late last year.

That said, it is reasonable that investors are likely to be more discerning now than may have been the case a year ago. But at the same time, the decline in crypto token prices has taken some of the froth out of the market and potentially makes valuations more attractive for investors.

A series of central bank rate hikes this week

On the macro front, monetary policy tightening is very much in focus this week, an ongoing process that has important implications for crypto assets. So far this week, central banks in Australia, India and Chile have raised policy interest rates this week. They have generally hiked by more than the market expected and/or given guidance that policy will need to be tightened more aggressively going forward.

And more to come

Tomorrow, the European Central Bank is expected to announce the end of its asset purchase program and signal that policy interest rates are likely to rise in July. Next week the Federal Reserve is expected to raise its policy rate again (by 0.5%). Moreover, this month the Fed has started to reduce its balance sheet, shifting from what had been quantitative easing (QE) to quantitative tightening (QT). That process will reduce liquidity in the financial system over time, resulting in a further tightening in monetary policy beyond what interest rate hikes will otherwise impose.

The period of cheap funding is ending

The upshot of this is that the period cheap funding for investable assets that had been so prevalent since the start of the pandemic in 2020 is reversing. That is not news. On the contrary, that reality is the primary force responsible for the sizeable correction in crypto token prices and financial assets generally since late last year. Less clear is how much additional pressure this process will put on crypto token prices.

Central bank balance sheet reduction could be a bigger wildcard

Our sense is that while some good portion of the expected rise in policy interest rates are already factored into markets—as reflected by the rise in short-term market interest rates in many countries—the QT portion of monetary policy is just getting underway way and has the potential to create more headwinds and challenges for financial markets, including crypto assets, in the coming months.

Robert Lynch  
Head of Research and Strategy  
ALT 5 Sigma Inc.  
bob@alt5sigma.com

alt5sigma.com

## 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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ALT 5 Sigma Inc.

ALT 5

+1 888-778-7091

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