

## ALT 5 – DIGITAL ASSETS MORNING CALL

*Watershed weekend for crypto tokens*

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[/EINPresswire.com/](https://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.

- The fallout from higher US inflation continues

- The combination of high inflation and more Fed tightening heightens risks to economic growth

- Celsius suspends withdrawals, raising liquidity concerns and dampening crypto sentiment broadly

The logo for ALT 5 Digital Assets Weekly. "ALT 5" is written in a large, bold, sans-serif font, with "ALT" in black and "5" in blue. Below it, "DIGITAL ASSETS WEEKLY" is written in a smaller, bold, black, sans-serif font, stacked in three lines.

Major and alt crypto tokens are down sharply after a one-two punch of worsening US inflation and the suspension of withdrawals by a crypto lending platform. With key support levels broken, losses have extended and the defensive/bearish price action looks to persist for now.

Peak inflation theories lose traction

By now most market participants saw that the US May CPI print was higher than expected, hitting 8.6% y/y and marking another new 40-year high in the series. Importantly, details in the data such as higher shelter and food prices, suggest that inflation may well accelerate further going forward. That counters what had been growing speculation that inflation had peaked (or was close to peaking), which has several important implications for financial markets, including crypto token prices.

The Fed may have to tighten more aggressively

First, it suggests that the Federal Reserve will have raise policy rates more aggressively than previously expected. Markets now see some chance for a hike of 75bp at this Wednesday's FOMC announcement (although at this point 50bp is still the higher probability, in terms of market pricing). And markets now see 50bp at each of the five remaining FOMC meetings this year, putting the Federal Funds rate near 3.4% versus the current target range of 0.75%-1.0%. That shift in expectations is also reflected in the US 2yr Treasury note yield which has risen 40bp since Friday morning.

In basic terms, the rise in policy and market interest rates also raises the cost of funding in financial markets, a development that almost mechanically reduces market valuations and is a clear factor pressuring crypto tokens and financial assets broadly today.

High inflation is a tax on growth...

Second, higher inflation in itself is also a tax on growth. Additional money spent on basic items like food, shelter and transportation results in less money available to spend on other items, a development that ultimately weighs on economic growth. Essentially, the economic fallout from a longer period of high inflation combined with aggressive Fed tightening raises the perceived risk of a recession. Indeed, the University of Michigan Consumer Sentiment index for May, also released last Friday, fell to its lowest level in its 40 years of publishing. The primary catalyst for the decline in sentiment was higher inflation.

...evident in the falloff in consumer sentiment

Those concerns are evident in the measurable flattening of the yield curve (US 10yr yield minus 2yr yield), which has moved to just 4bp today from 30bp a week ago. A yield curve inversion (2yr yield above 10yr yield) is traditionally viewed as an indicator of heightened recession risk in the future.

Recession concerns hurt investment performance, including that in crypto assets

The recession debate will continue, as it has for months. But for now, these developments will increase the perceived risk of recession. Measurably slower—or negative—GDP is an environment that dampens investment returns for the broad economy. And in that event, crypto token prices will not be immune to such pressures.

Celsius pauses withdrawals

Crypto lending platform Celsius announced today that it is suspending all withdrawals and trading activity. The announcement comes alongside the dramatic decline in crypto token prices in recent days and has raised speculation that the firm may have liquidity issues (i.e., be unable

to meet customer demand for withdrawals).

The event has dampened sentiment throughout the crypto sphere in a manner similar to the collapse of Terra/LUNA back in May. And as a result, it is also a factor in in outsized declines in crypto prices today (BTC -12%, ETH -15%) relative to the decline in other risk assets, with S&P and Nasdaq futures down 2.25% and 2.75% respectively ahead of their cash market open.

### Technical damage

Bitcoin has forcefully broken below the spike low of \$25,338 established on May 12 and is trading near \$24,000 at present. Ether has fared even worse, breaking below the \$1,700 support area established by the lows from last month as well as those from May-July of 2021 and has thus far traded to a low of \$1,175 (all data from TradingView). The damage on the technical charts alongside the other developments noted above looks to keep these markets trading with a defensive and negative bias in the near-term.

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 Canada Inc

ALT 5

+1 888-778-7091

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