

ALT 5 – DIGITAL ASSETS MORNING CALL

Latest string of central bank tightening keeps crypto token prices under pressure

NEW YORK, NEW YORK, US, June 16, 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.

- Fed and several other central banks tighten policy
- Global central bank liquidity drain remains a drag on crypto token prices

Major crypto tokens, while currently lower on the session, are showing some tentative signs of stability following the recent, outsized declines, and for the third day are (thus far) holding above psychological support at \$20,000 for bitcoin and \$1,000 for ether.

That said, neither bitcoin nor ether have retraced much of latest selloff which, in just the past week, amounts to 34% in bitcoin and 44% for ether. And that element of the price action will not be help near-term sentiment.

The lack of a correction is also roughly in line with the price action in other risk assets—and the Nasdaq in particular—which are back under pressure following a brief, unsustained bounce after the policy tightening from the Federal Reserve Wednesday afternoon.

Fed outcome was near expected

On the Fed, it raised its main policy interest rate by 75bp to a new target range of 1.5%-1.75%, in line with the latest revision to market expectations earlier this week. In addition, it changed its

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guidance on the future path of policy rates, raising its year-end outlook to 3.375%, a full 150bp above the previous estimate. It also raised its inflation forecast and lowered its growth forecast for this year and next, acknowledging that inflation is likely to remain higher than previously expected while also recognizing that tighter monetary policy is likely to slow growth.

The harsh realities of the central bank liquidity drain

For crypto assets, the evolution and outlook for macro conditions remains a key driving force. The FOMC outcome was not so much a revelation for the crypto market by the time all was announced on Wednesday. It did, however, underscore some of the harsh realities that have already been impacting crypto token prices in recent months.

Diminishing financial system liquidity

First, the Federal Reserve and other central banks are draining some of the pandemic-inspired financial system liquidity that had boosted financial asset prices from Q2-2020 to Q4-2021. The liquidity drain has and can continue to pressure financial assets, including crypto token prices. Moreover, it is happening on a global scale, with Brazil, Switzerland, Taiwan, Hungary and the UK all raising policy rates just since the Fed announcement Wednesday.

Downside risks to growth

Second, the combination of higher inflation and tighter monetary policy is creating more downside risks to growth. The pace of economic growth is a fundamental input to and correlates positively with investment returns. Hence, slower growth implies lower investment returns, and crypto assets will not be immune to those dynamics.

The difficult backdrop is something crypto prices have been adjusting to for months

Those market realities, while unhelpful to crypto token prices, have been impacting the market for months and, in our view, account for the bulk of the decline since the peak in bitcoin and ether in late-2021.

It is true that the latest string of central bank actions gives new insight into the expected degree and duration of policy tightening and its potential economic fallout. That outlook is critical to take on board and we will continue to monitor and assess it regularly, as it will almost surely shift and evolve further. But it is also the case that the sizeable adjustment in crypto market prices since late last year already accounts for some good portion of the actual and anticipated effects of the central bank liquidity drain.

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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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