

ALT 5 – DIGITAL ASSETS MORNING CALL

Near-term crypto focus remains on macro forces and crypto lending

NEW YORK, NEW YORK, US, June 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 Morning Call.

- •Inflation, central banks and growth risks remain key themes for crypto market
- •New macro adjustments better factored in; this week's events to watch



• Trypto lending squeeze remains a weight on crypto token prices

The dust is still settling in the crypto space after several tumultuous weeks and events have left major token prices considerably lower. It is not at all clear that a bottom in the price of bitcoin and ether has been found and, on the contrary, the weekend drop to new cycle lows in both tokens suggests that selling pressures persist.

The near-term focus remains on macro factors

In attempting to map out the near-term direction for crypto assets, we consider the factors that have been most impactful for markets, including inflation, central bank tightening, recession concerns, and crypto-specific liquidity issues.

It is hard to overstate the importance of last week's concurrent central bank tightening actions, at least in terms of finding a parallel in recent economic history. One needs to go back at least 40

years to the Volker-run Federal Reserve, and even then, the policy tightening was on less of a global scale. The accelerated pace of tightening will take more time to fully digest, and certainly more time for it to flow fully through the global economy.

Rates, equities—and crypto tokens—have taken on board the latest central bank actions

But the impact on financial markets on financial assets, including crypto assets, has been more immediate. In the US, 2yr Treasury yields surged a full 100bp from May 26 to June 14, reaching a peak of 3.45% (for further perspective, a year ago the 2yr yield was just 0.13%). In equities, the Nasdaq Composite Index fell 13% from its early-June levels. In short, those markets have better—if not fully—adjusted to the latest shift in Fed tightening expectations.

Similarly for crypto token prices, the downward price adjustments have been jarring. We do not pretend to know where the actual bottom will be. But we cannot help but recognize the scale of the declines to date and assess that a lot of this news is now better priced in.

What to look for this week

In considering the near-term risks and the outlook for prices, we look to upcoming scheduled events to assess whether any could provide information in the path of inflation, central bank policy or economic growth, and in so doing represent potential market catalysts.

Most of the major central bank meetings/decisions are now past until the schedule picks up again next month. This week brings inflation data in the UK (Wednesday), Canada (Wednesday) and Japan (Friday). Potentially more important will be the "flash" Purchasing Managers Index readings for June from the Eurozone, UK and the US. They tend to be good indicators of future GDP trends and therefore could further shape the current recession narrative in the market.

No clarity yet on Celsius, and another lending platform suspends withdrawals

Separately, there still have been little additional clarity on the Celsius situation after the crypto lending platform suspended withdrawals a week ago. And as noted last week, that development remains a drag on sentiment while also physically locking collateral in a manner that may be contributing to forced sales and margin calls. Note too that on Friday, another crypto lending platform—Bable Finance—also paused withdrawals.

Liquidations from decentralized finance (defi) platforms and the associated decline of lending in the crypto space amid falling token prices are compounding the headwinds on major crypto token prices. Clarity on these specific issues would help sentiment, and likely support flows and more constructive price action in token prices. But until that happens, it will remain a dampener on sentiment.

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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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