

ALT 5 – DIGITAL ASSETS MORNING CALL

Stepping up to address crypto lending stresses

NEW YORK, NEW YORK, US, June 22, 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.

- Macro conditions remain difficult but are now better reflected in lower crypto token prices

- BTX credit facility to BlockFi could be step towards rebuilding confidence in the crypto market

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.

The tentative recovery in major crypto token prices early this week has stalled, as has the bounce in risk assets, with the Nasdaq Composite Index down ~0.8% in early trading.

Sentiment remains subdued

To be sure, sentiment in crypto tokens (not to mention in decentralized finance) has been damaged by recent events and in that regard, it should not be surprising that major token prices continue to struggle.

We continue to see the backdrop in macro and in the crypto space specifically as conditions that are likely to keep markets more defensive in the near-term. Financial markets broadly have already endured a significant adjustment to recent macro developments, including:

1. Aggressive tightening by the Federal Reserve and other central banks
2. Persistently high inflation

3. Downgraded outlook to economic growth via the withdrawal of central bank liquidity

4. Potential shocks from war in Ukraine and future covid-related disruptions

The fact that global equities and crypto prices have already fallen substantially, and that global interest rates have surged, suggests to us that these factors are better reflected in current prices. However, that does not entitle market prices to a recovery from here.

On the contrary, these macro conditions are expected to persist for the foreseeable future. As such, for now they appear to be more consistent with a subdued tone and trading bias in crypto token prices, rather than a recovery or quick reversal of recent declines.

FTX credit facility to BlockFi is an encouraging development

Some better news comes from the crypto space specifically. FTX announced it will provide a \$250 mln credit facility to crypto lending platform BlockFi. The move helps to address concerns that diminished liquidity and increased counter party risk in the crypto lending space poses a systemic risk to the crypto space more broadly.

Those concerns have been building since the TerraUSD/LUNA collapse last month, and intensified last week with the decision by Celsius to halt withdrawals from its lending platform, a move duplicated by last Friday by a smaller lending platform called Babel Finance. Those events locked up collateral and reduced market liquidity in a manner that compounded selling pressure in crypto token prices.

Comparisons to the GFC and Warren Buffet

Market participants began comparing current crypto stresses to the Great Financial Crisis (GFC) of 2007-08, and the accompanying actions by governments and central banks to organize rescues of systemically important financial institutions.

Of course, crypto has no central governing body to step in and support key market participants. Hence, the action of FTX and Sam Bankman-Fried is understandably being compared those of Warren Buffett when he took large stakes in several financial firms during the GFC that helped establish and rebuild confidence and stability in financial markets broadly (in addition to being very profitable investments for Mr. Buffet).

Although comparisons to the GFC and the current crypto stresses may well prove to be exaggerated, the reality is that there was (and still is) too little public knowledge of the extent of the liquidity contractions, the interconnectedness of lending among crypto firms/investors, and the potential losses associated with those positions to assume a benign outcome. That makes the FTX-BlockFi credit facility a welcome development for the crypto space, and a positive step towards helping to counter the current stresses in the system.

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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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