

ALT 5 – DIGITAL ASSETS MORNING CALL

Tentative stability in bitcoin and ether; a weaker outlook for global economic growth

NEW YORK, NEW YORK, US, June 23, 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.

- Price action in bitcoin and ether stabilizes, but does not induce confidence

- Slower US and Eurozone growth outlook and the crypto fallout

- Bund raising in crypto space continues despite recent selloff in token prices

The price action in bitcoin and ether has stabilized relative to the outsized moves (losses) experienced last week. The \$20,00 level in bitcoin and \$1,00 level in ether have become an obvious focus, and to some degree areas of support.

But we would not have a great deal of confidence in those support levels at present partly because of the hangover of negative sentiment from the recent selloff, but also because both tokens traded measurably below those levels just this past weekend, with bitcoin to \$17,600 and ether to \$880 (using TradingView charts based on Coinbase data). Those levels should represent more important support areas for both tokens.

Regulation comments

There is no surprise in Fed Chairman Powell's latest call for more crypto regulation, as that has

A graphic with the text "ALT 5 DIGITAL ASSETS MORNING CALL". "ALT 5" is in large, bold, black letters, with the "5" being a bright blue color. Below it, "DIGITAL ASSETS MORNING CALL" is written in smaller, bold, black letters.

been the push from regulators, lawmakers and policy makers for some time. That said, the collapse of the terraUSD stable coin and, more recently, the effective account-freezing by crypto lending platform Circle will almost certainly draw regulatory scrutiny. That is especially the case given the potential impact/losses imposed on individual investors, an outcome which tends to generate heightened attention from US lawmakers.

Forecasts for US economic growth downgraded

Powell's comments come in congressional testimony this week, which continues today. Most of what he has said thus far concurs with the messages delivered at last week's FOMC meeting, i.e., inflation is too high, therefore upcoming policy interest rate hikes are likely to be aggressive, and that will increase the risk of a recession.

On the latter, Wall Street economists are also raising their risks of a US recession. Few have it as a "central scenario" but instead have raised the probability of a 2023 recession to 30%, 40%, with one house putting it at 48%.

The updated, gloomier, forecasts of economists clearly get more attention in the press and does not help already bearish sentiment in financial markets, including for crypto assets. That said, given the extent of the declines in equities, some amount of the weaker growth outlook should already be reflected in financial asset prices.

European growth is slowing as well

Eurozone economic growth is decelerating sharply, according to the latest Purchasing Managers Index readings, which came in much weaker than expected; the June Composite reading fell to 51.9 from 54.8 in May and versus an expected outcome of 54.0. That leaves it much closer to the 50% boom/bust level which differentiates a growing economy from a contracting one.

The impact of the war in Ukraine and the associated reduction in Russian gas imports is now widely expected curtail economic activity further in the coming months. This also comes on top of anticipated policy interest rate increases by the European Central Bank starting next month, which are also expected to weaken demand over time.

Crypto token prices and global growth

For crypto investors, trends in European—and global—economic growth have important implications for investment returns. In short, investment returns are correlated to the pace of underlying economic growth. Hence, slower growth will reduce returns relative to what they would otherwise be in a stronger economy. While those dynamics pertain largely to traditional investments, the high correlation of crypto tokens to risk assets suggests that slower economic growth will also create headwinds to their prices.

Crypto fundraising continues

Several new funding rounds in the crypto space were in the news this week. Digital asset trading platform FalconX raised \$150 mln in a Series D round that puts the firm's valuation at \$8 bln. In addition, custody and infrastructure firm Prime Trust announced it raised over \$100 mln in a Series B round. Representatives from both firms noted that while the recent selloff in crypto token prices has clearly impacted the fundraising landscape broadly, it has also raised the profile of firms with compelling business plans, while also noting that there is still significant venture capital waiting to be deployed.

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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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