

ALT 5 – DIGITAL ASSETS MORNING CALL

US recession forecasts may need to be brought forward

NEW YORK, NEW YORK, US, June 29, 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.

- Modest slippage leaves major crypto tokens in recent range
- Eurozone inflation mixed but keeps ECB tightening expectations intact
- $\$$ the US already in a recession?
Markets have already discounted a lot of bad news



The week-long consolidation pattern in bitcoin and ether continues, although the very short term focus on the latest weakening in risk assets—evident in Tuesday's 3% drop in the NASDAQ index—has concurred with a pullback in crypto tokens from their recent highs. That has seen bitcoin fall back to, and marginally below, the \$20,000 threshold.

Short-term bitcoin and ether ranges defined

That said, bitcoin appears to be developing a somewhat broader range, defined by the June 18/19 low of \$17,590 and the high print since then of \$22,000. Ether has been more volatile than bitcoin; after rising some 45% off the June 18/19 low of \$880, it has since retraced half of that bounce to trade near \$1,100. Of course, the outsized percentage bounce in ether needs to be viewed in the context of its dramatic drop endured this spring: 70% since early-May and 50% just since June 10.

Macro matters

The macro backdrop and outlook remain a key driver for financial markets broadly, including crypto. As such, there are several developments to note.

Eurozone inflation mixed, but ECB still on track to tighten policy in July

In the Eurozone, Spain reported an unexpectedly sharp acceleration in inflation, with June CPI rising to 10.0% y/y from 8.5% in May. By contrast, German CPI fell to 7.6% y/y in June from 7.9% in May, below expected and representing a welcome deceleration in price gains. Germany's economy is roughly three times the size of Spain's, making it the more important print. But importantly, neither data point does anything to alter expectations for the European Central Bank to raise its policy interest rates by 25bp in July.

US Q1 GDP revised down

In the US, Q1 GDP was revised down to -1.6% annualized from -1.5% previously. Typically, this second and final revision to the quarterly GDP data does not register on the market's radar, particularly when the revision is this small.

Economists point to the risk of recession next year...

We highlight the US GDP data for a different reason. The market has understandably become very focused on the downside risks to US growth, given the economic drag stemming from tighter Fed policy, high inflation and slower growth abroad. Much of that discussion focuses on the risk for a recession—defined as at least two consecutive quarters of negative GDP—sometime in 2023.

...but is the recession already happening?

However, given Q1 growth was already negative, could it be that the recession has already arrived and we are living in it now? The Atlanta Federal Reserve Bank publishes a "GDP now" estimate of growth in the current quarter, based on inputs from the various data released to date that are used to calculate GDP. It currently estimates Q2 growth at just 0.3% annualized. In other words, it is already close to negative, which would define a recession. There will be more inputs to the Q2 GDP calculation via upcoming data, and the first official release of the full report is due at the end of July.

Financial markets, including crypto, have discounted a lot of bad news

This all ties back to the performance of financial markets, and in particular the tendency of markets to discount future economic developments. We are not forecasting economic growth, but we would at least consider the possibility that the steep decline in markets such as US

equities may already be discounting some good amount of recession risk.

While the actual outcome remains to be seen, we continue to highlight that there is a lot of bad news priced into financial markets. And we also believe that the economy will recover from the multiple hits stemming from covid, Ukraine war and inflation. That does not mean market prices will not fall further from here. But it suggests to us that in two or three years time (perhaps sooner), we will look back on these market levels and see that they were good entry points.

Crypto's long term prospects remain positive

If so, that same argument bodes well for crypto asset prices, given the clear and ongoing shift to the digitization of financial assets and economies, crypto's history of innovation and growth, and the "cleaner" slate in the digital asset space that will evolve from the current drawdown.

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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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