

ALT 5 – DIGITAL ASSETS MORNING CALL

Bitcoin and traditional financial assets have factored in some amount of risk

NEW YORK, NEW YORK, US, July 11, 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.

- Bitcoin's drawdown from the November high is near those of other major pullbacks of recent years

- Economic and geopolitical risks remain, but markets have factored in some degree of them

- This week's data/events may keep near-term market enthusiasm at bay

The consolidation in major crypto tokens is now in its fourth week. The relative stability in bitcoin and ether could even suggest the tokens are attempting to carve out a bottom following the steep losses incurred in Q2.

Bitcoin drawdown in comparison

Some metrics in traditional technical analysis are aiding that "bottoming" view. For example, bitcoin's current decline from its November 2021 peak of 74% is nearing the 84% drawdown seen from the December 2017 peak to the December 2018 low, and is on par with the 72% decline seen from June 2019 to March 2020. The idea is that selloffs like the current one can be on par with those in the past. That remains to be seen but market participants and observers will be hearing more about these and other "encouraging" metrics the longer this current consolidation phase continues.



More fundamentally, we would also consider this year's decline in crypto token prices alongside the decline in traditional financial assets and, importantly, the macro narrative and actions that have driven those price moves.

The market narrative isn't great, but also is no longer new

Specifically, the market's justifiable focus on inflation, central bank liquidity drain, covid, recession speculation and geopolitical risks have been prominent topics for months. Recently the market focus has been more on recession risks but all of those factors continue to circulate through the market's thought process.

In our view, the considerable market adjustment (i.e., price declines) seen in equity (Nasdaq Composite -34% from highs) and fixed income markets (2yr Treasury yield over 3.0% and up 200bp in less than a year) suggest that some good amount of the "risks" associated with these dynamics has been better factored into prices.

Valuations have improved

For those with a modestly longer term horizon and with some degree of optimism in the economy's longer term growth potential, the decline in financial asset prices has markedly improved valuations as well as captured some good amount of economic risks. We think those same considerations and views apply to major crypto tokens such as bitcoin and ether.

This week kicks off US corporate earnings

That medium-term view does not discount the potential for further volatility in the near-term. In that regard, this week's events and developments will give market participants more to consider on all of those fronts.

The start of US corporate earnings season will be monitored not just for the outcome of Q2 numbers, but for the projections and guidance companies give about the upcoming quarters. We already know that the combination of high inflation and slowing growth have made their way into the narrative of CFO and investor relations talking points. Putting more specific numbers behind that will be a useful part of the upcoming earnings season.

Key economic data and events

On the data front, US CPI on Wednesday will be a highlight, but also of interest will be the German ZEW Index on Tuesday (business sentiment), US retail sales and the U. Michigan sentiment data on Friday, and a string of China data also on Friday that will include Q2 GDP.

Note too that China's covid situation is deteriorating again, with weekend lockdown imposed in

Macau and higher case numbers in Shanghai, while the government also imposed regulatory fines on Tencent and Alibaba, suggesting that the previous crackdown on China's tech sector may not be in the subsiding after all. We continue to emphasize the economic (and potentially geopolitical) risks emanating from China as that could prove more complicating and problematic for the global economy.

Against that immediate backdrop, we recognize that the near-term optimism on the market's anticipated performance may well be lacking. That is understandable, but it is also why in our earlier comments today we tried to step back and take a broader look at markets and what's already been factored into prices.

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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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