

ALT 5 – DIGITAL ASSETS MORNING CALL

Bitcoin correlation with Nasdaq back on the rise

NEW YORK, NEW YORK, US, July 12, 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.

- Weaker tone in global equities concurs with modest slippage in major crypto tokens

- Bitcoin/risk asset correlation back on the rise after dropping in June

- More institutional trading in crypto could support that correlation in the longer term

Movements in traditional financial markets and the shorter term drivers are important for crypto market participants to monitor.

Global equities slip after early-July gains

US and global equities are back on the defensive after what had generally been a better performance in early-July. The 2.26% drop in the Nasdaq Composite Index Monday has been followed by weakness in Asian and European bourses today.

Bitcoin/Nasdaq correlation back on the rise

Recall that the correlation between the Nasdaq and bitcoin dropped in the first half of June, as bitcoin endured a sizeable selloff while the Nasdaq generally moved sideways. The 30-day rolling correlation fell to as low as 0.38 in mid-June from 0.85 a month earlier, leading some to observe



that a “decoupling” of crypto from risk assets was occurring.

Pandemic liquidity injection, and now drain, result in high cross market correlations

It turns out that decoupling has proved transitory, as the correlation has rebounded to near 0.70, highlighting that major crypto tokens like bitcoin continue to trade similarly to risk assets. One important reason for the high correlation is that bitcoin, and crypto broadly, continue to be impacted by the same macro dynamics impacting traditional financial markets, particularly the global central bank liquidity drain and the different narratives—inflation, recession—that accompany it.

Increased institutional participation in crypto also impacts correlations...

In addition, the increased institutional involvement in crypto means that those market participants will employ similar trading strategies/behaviors to their crypto holdings as they do with their traditional financial products. That includes strategies to capitalize on changing volatility and trends, using leverage and sizing of positions.

...and over time may reduce bitcoin tendency to trade as an uncorrelated asset

The increasing participation of institutional investors has important implications for crypto markets trading behavior going forward. For example, it may lessen the tendency of bitcoin and ether to trade as uncorrelated assets relative to traditional risk assets.

That dynamic—the low correlation—was more prevalent prior to the pandemic and the subsequent massive stimulus injections by global monetary authorities. But even after financial market liquidity conditions “normalize” (sometime in/after 2023?), the continued and likely increasing participation of institutional investors in the crypto space could well translate into some higher level of crypto/risk asset correlation than has traditionally been the case.

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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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