

ALT 5 – DIGITAL ASSETS MORNING CALL

Another blowout US inflation report puts renewed pressure on crypto token prices

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/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.

- US inflation continues to rise, reaching a new 40-year high in June
- The data reasserts speculation that inflation/Fed tightening will weaken economic growth



- Financial asset prices, including crypto, are back under pressure following the data

- The inflation/recession narrative is not new, but short-term effects of today's data will leave a mark

US June CPI rose 9.1% y/y, up from 8.6 % in May, higher than the expected outcome of 8.8 %, and marking another new 40-year high in the series. The growing expectation (hope?) that inflation would peak, level off and eventually recede have certainly not been seen in this data. And that has important implications for the economy, central bank policy, and financial markets, including crypto token prices.

Inflation continues to worsen

Persistent, high inflation has been the most important—and problematic—feature in the US economy for the past year. That has also been the case for many other economies globally. High inflation erodes purchasing power of consumers and businesses, and in doing so lowers real

(inflation adjusted) economic growth.

The economic fallout of high inflation and the central bank reaction function

That has already caused central banks to reverse the easy-money policies instituted at the start of the pandemic in 2020. And now, still-high inflation may cause central banks to tighten policy even more aggressively. If so, the combination of aggressive Fed tightening and high inflation could put so much downward pressure on economic growth that it puts the economy into a recession.

The shifting narrative from inflation to growth has been a feature in financial markets over the past month. Today's CPI data will give inflation more airtime again, but it will also maintain and perhaps even intensify the concerns about economic growth, given the dynamics described above.

Financial markets take it on the chin

Financial markets are responding negatively in the immediate aftermath of the release, with 2yr US Treasury yield up a whopping 13bp to 3.18%, its highest in three weeks. US equity futures are also off sharply ahead of the cash market open, with the Nasdaq Composite futures down over 2%.

And crypto tokens follow suit

Not surprisingly, major crypto token prices are also lower following the data, with bitcoin and ether down roughly 5% and 7% respectively from levels prior to the release. Yesterday we highlighted that the correlation between bitcoin and risk assets had turned higher again after dipping in June. We would expect that correlation to remain high as the combination of increased investment funding costs via higher Fed policy rates and a greater perceived risk of recession are once again pressuring financial assets, including crypto assets.

Inflation/recession is not a new narrative, but data disrupts recent market stability

All that said, we continue to emphasize that the high inflation/lower growth narrative is not new and that markets have already factored some good amount of those risks via the measurable decline in prices seen since the peak in November 2021. The "shock" of this report—that inflation continues to surprise to the upside—clearly disrupts the recent stability and consolidation seen in financial markets. But it is less clear it will catalyze a move to new lows in asset prices.

Key support levels in crypto

In that regard, we will monitor potentially important chart levels for major crypto tokens. For bitcoin, key support should be at the cycle low of \$17,580 reached on the weekend of June 18/19,

while support in ether is seen at its cycle low of just below \$900, also reached June 18/19 (using TradingView data).

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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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