

ALT 5 – DIGITAL ASSETS MORNING CALL

Recent crypto rally continues; Eurozone developments bear monitoring

NEW YORK, NEW YORK, US, July 20, 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 and ether extend gains
- Complications and difficulties build for Europe
- Eurozone economic and currency developments have implications for digital assets

On the charts:

The price action in major crypto tokens continues to be among the most important and noteworthy developments in the crypto space this week. Bitcoin has pushed above \$23,000 and is further retracing or filling the steep price decline, or “gap,” from mid-June that extends from approximately \$28,000 to \$21,000. That \$28,000 level markets the next upside target or resistance. Ether has gone further in filling its mid-June gap, which we see from approximately \$1,700 to \$1,000. And the \$1,700 level is the next target/resistance for that token price.

ETH/BTC pulls back from potentially important resistance

Yesterday we discussed the ether/bitcoin (ETH/BTC) cross, which had surged some 35% in a week from 0.050 to 0.070. In so doing it has also crossed above the 50-day, 100-day and 200-day moving averages (the latter only temporarily thus far). We noted that it was quickly approaching



resistance nearby at 0.0715, defined by the downtrend drawn off of the 0.0886 high from December 2021. After trading to 0.071 yesterday, ETH/BTC has in fact pulled back below 0.068 today, suggesting some other market participants have also attached significance (and in this case some selling interest) to that chart point.

Crypto gains come alongside those in risk assets

It's useful to recognize that the latest gains in crypto have come alongside renewed gains in risk assets, with the Nasdaq Composite Index rising 3.1% yesterday. Today, the futures are closer to flat ahead of the cash market open. But the price action highlights that there continues to be a reasonable correlation between risk assets and major crypto token prices over time, even if that correlation tends to be less robust on occasion.

Eurozone developments to monitor

European developments in the coming days could have important implications for the global macro backdrop. The Eurozone group of countries make up the world's second largest economy and its output has significant implications for global economic growth. Global growth trends are an important input for investment returns generally, which will also have implications for digital asset performance.

Russian gas and European energy shortages

Financial market participants are focused on Russian gas supplies to Europe, with specific attention on the planned reopening of the Nord Stream natural gas pipeline tomorrow (Thursday) which had been shut down for maintenance. A severe European heatwave is already increasing the demand for energy, and if the pipeline reopening is delayed, it could cause [further] energy rationing in a manner that will negatively impact economic growth in the region.

Italian political and economic stresses

Second, Italy is in the midst of [another] political crisis, with Prime Minister Draghi potentially stepping down amid diminished support among the previous coalition government. While political drama in Italy is not new, the current timing is more problematic given the stresses imposed by high inflation, the war in Ukraine, energy shortages and, as explained below, the pending tightening in Eurozone monetary policy.

ECB to tighten policy, but how much

Third, the European Central Bank (ECB) meets Thursday and is expected to raise its policy rates by at least 25 bp and may consider a more aggressive 50 basis point move (according to a

Reuters report Tuesday). Note that the current key policy rate is -0.5%, so a 50bp rate hike would lift it out of negative territory for the first time since 2014.

The ECB is attempting to balance the very serious need to get inflation under control but to do so without damaging weakened economies, like Italy. It is no easy task and the notion that the Italy may limit the extent of ECB tightening is a factor weighing on the euro.

Euro weakness translates into US dollar strength...an important consideration for crypto token prices

The euro's decline has, by definition, resulted in a stronger US dollar. While just off its recent highs, the dollar continues to trade at exceptionally strong levels and its movements remain an important factor for crypto markets to monitor.

The idea that bitcoin can be a hedge against US dollar weakness works in reverse when the dollar is strengthening, as has been the case this year. Hence, we will continue to monitor and anticipate dollar movements as a potential support (if it falls) or headwind (if it strengthens further) for bitcoin in the coming weeks and months.

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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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