

ALT 5 – DIGITAL ASSETS MORNING CALL

Game on as bitcoin and ether rally on the back of lower CPI print

NEW YORK, US, August 10, 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.

- US inflation comes in lower than expected, boosting bitcoin and ether prices
- The initial reaction supports the notion of less Fed tightening, which is supportive for risk assets, including crypto token prices
- But inflation remains elevated and the labor market is still tight, suggesting the Fed policy debate will continue, with associated risks to economic growth and risk asset prices

Bitcoin and ether are back on the rise following US inflation data which came in lower than expected. July CPI rose 8.5% y/y, lower than the 8.7% gain expected and down from the 9.1% reading in June. Also of note is that “core” CPI, which strips out the effects of food and energy prices and gives a better sense of future headline inflation trends, was unchanged at 5.9% y/y, also lower than the 6.1% reading expected and matching the level in June.

Lower inflation implies less Fed tightening...

The initial takeaway for crypto token prices—and risk appetite broadly—has been positive, with bitcoin rising nearly \$1,000 to above \$24,000 (essentially reversing Tuesday’s declines) while ether has rallied roughly \$100 and printed a marginal new cycle high of \$1,840 early in the North



American trading session (data from TradingView.com).

On the surface, the lower inflation print supports the notion that the Federal Reserve will not have to raise rates as aggressively going forward as they have thus far in their tightening cycle. Those sentiments benefit crypto and risk assets in at least two ways.

...which supports risk assets and future economic growth

First, it suggests lower funding costs for investors which essentially increases investor appetite and buying, supporting asset prices in the process. Second and more fundamentally, less Fed tightening improves the chances that the Fed can engineer a slowdown in growth without driving the economy into a recession. The better economic outcome creates a better backdrop for investments generally, including crypto assets.

Balancing the initial positive reaction with the broader economic realities

All that said, there are several factors that are likely to temper some of the market enthusiasm going forward. First, inflation remains high...much, much higher than the Fed's 2% target. And the CPI data is just one report. It does not necessarily represent a sustained and, just as importantly, substantial decline in the rate of price increases.

Moreover, it is just one measure of inflation and there are several other important metrics that the Fed takes into account. The Fed actually targets a measure called personal consumption expenditures or PCE, and also looks at indicators such as inflation expectations as well as various labor market indicators. So, while the market has understandably welcomed the deceleration in CPI, it remains to be seen whether it will translate into less Fed tightening. In that regard, upcoming Fed commentary around the topic will be important to monitor.

Short-term yields have mostly reversed the gains since the strong US jobs data

Beyond that, the CPI data has essentially reversed the market impact of the strong US labor market report last Friday, an event which saw short-term yields spike higher in anticipation of additional Fed tightening. Specifically, 2yr US Treasury yields jumped 26 basis points to 3.32% on Friday. In the wake of today's CPI data, that yield is back down to 3.12%, just 6 basis points above its pre-employment data level. So the CPI data has taken out much of the anticipated Fed tightening that the jobs data priced in.

The inflation/recession debate is likely to persist

Importantly, the combination of still-tight labor markets and some deceleration of inflation could well mean that the inflation/recession debate will persist. That has been and looks to remain a key feature for financial markets. If so, it also means that the market sensitivity and volatility around upcoming economic data will persist, as those reports fuel either side of that debate.

A short-term positive does not displace medium-term risks

In short, the crypto gains on the back of lower CPI data are welcome, if not surprising, and those sentiments can persist for a while longer. But the reality is that there are still risks of higher inflation and lower economic growth. Those risks may only become more evident over time, but if they materialize would ultimately reintroduce headwinds to crypto token prices and risk assets more broadly.

Robert Lynch
Head of Research and Strategy
ALT 5 Sigma Inc.
bob@alt5sigma.com
alt5sigma.com

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.

DISCLAIMER:

Digital Asset Morning Call is for informational purposes only and does not constitute, either explicitly or implicitly, any provision of services or products by ALT 5 Sigma ("ALT 5"). Investors should determine for themselves whether a particular service or product is suitable for their investment needs or should seek such professional advice for their particular situation. ALT 5 Sigma. makes no representation or warranty to any investor regarding the legality of any investment, the income or tax consequences, or the suitability of an investment for such investor. ALT 5 Sigma does not solicit or provide any financial advice. This is at the sole discretion of the individual.

ALT 5 Sigma Inc.
ALT 5
+1 888-778-7091

[email us here](#)

Visit us on social media:

[Facebook](#)

[Twitter](#)
[LinkedIn](#)

This press release can be viewed online at: <https://www.einpresswire.com/article/585388912>

EIN Presswire's priority is source transparency. We do not allow opaque clients, and our editors try to be careful about weeding out false and misleading content. As a user, if you see something we have missed, please do bring it to our attention. Your help is welcome. EIN Presswire, Everyone's Internet News Presswire™, tries to define some of the boundaries that are reasonable in today's world. Please see our Editorial Guidelines for more information.

© 1995-2022 Newsmatics Inc. All Right Reserved.