

ALT 5 – DIGITAL ASSETS MORNING CALL

Steadier bias in crypto token prices with focus on China and the US dollar

NEW YORK, NEW YORK, US, August 16, 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.

- Crypto token prices have steadied in more subdued trading, but retain the bulk of recent gains
- More news on potential China policy initiatives to support the economy could reduce some downside risk to global growth
- The US dollar has started to recover from the past month's pullback a move that, if extended, could pose some headwinds to bitcoin

Quiet crypto news flow keeps focus on performance of risk assets

Bitcoin and ether are little changed on the session as trading activity has turned more subdued amid a lack of market-moving news or data. That said, both tokens continue to hold the bulk of their recent gains, consistent with the generally positive performance in risk assets, with the Nasdaq Composite Index rose to its highest level since April on Monday.

We continue to expect the prevalence and swings in risk appetite to provide shorter term direction for crypto token prices, and particularly so when other crypto-specific market drivers are lacking.



Reports indicate China ready to take more measures to support economy

Yesterday we noted the softening in some Chinese economic indicators and the surprise policy easing measures by the China's central bank in response. Overnight there were additional indications that authorities may take further action to support the economy.

A report in the Financial Times said government authorities may order state run banks to guarantee the bonds of some property developers, a move that could address a key weakness (property sector bad debts) that has evolved in recent months. Separately, Reuters reports that officials from the state planning office said authorities will boost demand and accelerate infrastructure construction.

These reports, following on the policy rate cuts on Monday, highlight China's ability and willingness to take forceful measures to support economic growth, when conditions warrant. That is an important distinction for global financial markets, including crypto markets, to recognize. By contrast, the flexibility and agility of western style democracies to respond to economic stresses tends to be more limited (except in extreme situations, as seen at the start of the covid pandemic).

China's impact on global growth should not be underestimated

It remains to be seen how effective these and other measures will be in supporting China's economy. To the extent that authorities there can engineer a better economic outcome in the months and quarters ahead, it would reduce a considerable downside risk to global economic growth. And that would be a positive development—or at least would remove some downside risk—for financial and crypto assets.

As the Chinese yuan weakens, the US dollar gains

Another crypto-relevant development related to China's policy easing was the downward pressure that the policy rate cut put on the yuan. The consequence of that is the US dollar has rallied, hitting a three-month high versus the yuan, with USD-CNH rising from 6.73 to 6.81 on Monday.

For crypto markets, the US dollar's performance needs to be monitored, as it often moves inversely to crypto tokens, particularly to bitcoin. That is due in part to the notion that crypto currencies such as bitcoin offer a hedge to fiat currency debasement, given its finite issuance and independence from government control. That theory can be debated, but it nonetheless carries some credence with a number of crypto market investors and participants. and therefore needs to be considered.

Bitcoin and other tokens need to monitor US dollar movements

Against that backdrop, it is worth noting that the dollar had been trending lower for the past month, with the Dollar Index falling 4.6% from its July 14 peak through August 11. That period also concurred with gains in crypto tokens generally, particularly ether (which has been boosted more by progress on the merge) but also including bitcoin.

In just three sessions the dollar index has now recouped about half of those losses. If it continues to gain, it would be something for crypto markets to take note of, as it could present headwinds to token prices, particularly as the extended rallies in bitcoin and (especially) ether, could leave them more exposed to negative news.

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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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