

ALT 5 – DIGITAL ASSETS MORNING CALL

UK inflation and central bank policy expectations have implications for crypto

NEW YORK, NEW YORK, US, August 17, 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.

- Some slippage in bitcoin and ether follows what had been a bullish trend in August
- Upside surprise in UK inflation pushes short-term rates higher globally
- Crypto markets need to account for and monitor swings in central bank policy expectations

The slippage in bitcoin and ether prices this week is attracting more attention as its runs contrary to the bullish price action that had characterized most of August. At this stage the moves still appear more consolidative rather than corrective, recognizing that markets will not move in a straight line.

Chart patterns could take on more focus as news flow diminishes

That said, the pullbacks are starting to add up, with bitcoin down 5.8% from Monday's intraday peak of \$25,214 while ether is down 7.6% from its recent intraday peak (reached Sunday) of \$2,031 (price data sourced from TradingView.com). With limited news flow to drive prices, market participants may be increasingly inclined to focus on technical and chart patterns for near-term direction.



Risk appetite to be monitored as well

In addition, swings in risk appetite have and will likely continue to correlate with crypto token prices. And in that regard note that the Nasdaq Composite Index futures are down ~1% ahead of the cash market open, which for now is consistent with some softness in bitcoin and ether.

UK inflation surprises to the upside, pushing UK yields markedly higher

On the macro front, UK inflation data provided a reminder that global price pressures remain problematic, at best, and a potentially significant threat to future economic stability. UK CPI rose 10.1% y/y, well above the 9.8% gain expected and up from 9.4% in June. The data suggest that the Bank of England will have to raise rates more aggressively, with the 2yr UK benchmark yield surging 28 basis points to 2.43% after the data, a new cycle high.

And bringing global yields along for the ride

Moreover, data and market response in the UK has prompted short term yields elsewhere to follow suit, including an 18 basis point rise in 2yr German yields and a 9 basis point rise in 2y US yields. The initial reaction being that inflation pressures could stay more problematic elsewhere as well.

Similarly, Canadian 2yr yields are up 23 basis points to 3.44% since Tuesday. That follows comments from Bank of Canada Governor Macklem who said inflation will “remain too high for some time,” and that was despite the reported slowing in CPI to 7.6% in July from 8.1% in June. That reinforces expectations for additional tightening and following the BoC’s 100 basis point rate hike last month. That rate hike was the largest single step rate move among advanced economies thus far in the global central bank tightening cycle.

Short-term yield gains could pose headwinds to crypto token prices

These are important developments for crypto markets to monitor. Short-term yields largely reflect central bank policy expectations, and the latest moves higher indicate that markets are expecting more rate hikes going forward.

In simple terms, that tightening will create headwinds for risk assets and creates more downside risk to economic growth (after all, rate hikes are designed to slow demand and reduce inflation pressures), both of which imply some negative spillover onto crypto prices.

Crypto markets need to monitor what will be ongoing shifts in policy expectations

This is hardly the last word on central bank policy expectations. On the contrary, the market view—and central bank guidance—will continue to swing based on upcoming data and other inputs (such as geopolitical events). Indeed, the minutes to the July FOMC meeting due later

today (14:00 ET) will provide some additional insight into the Federal Reserve's thinking. We highlight these developments primarily to emphasize that interest rate moves have been and will continue to be important inputs for short-term and medium-term crypto price direction.

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.

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Jason Lake
ALT 5 Sigma
+1 289-980-4470

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