

ALT 5 – DIGITAL ASSETS MORNING CALL

Macro forces remain a key factor for crypto

NEW YORK, NEW YORK, US, August 18, 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 tick higher after slippage in first half of the week
- Global yields stabilize after latest inflation scare
- Macro forces remain a key input for crypto markets, but recent events have not been enough to alter underlying trend

On the charts

Bitcoin and ether prices are marginally higher early in the North American trading session following the pullback over the previous four days. Bitcoin remains in the uptrend of higher highs and higher lows established since mid-June. Early this week it tested, but did not make a sustained break above, the 100-day moving average, currently at \$24,465. That represents resistance and a break above—or lack thereof—may well help to determine whether its summer uptrend can remain intact.

Ether is testing the steep uptrend drawn off the July 13 low which currently comes in at \$1,835 and represents support. A break below would open scope to the \$1,700 area, a level that had offered support in the May-June period, prior to the mid-June breakdown in prices, and therefore may find some additional buying interest. (Source for all price and chart data is TradingView.com).



Inflation remains a problem...

Macro developments and specifically movements in interest rates and changes in central bank policy expectations remain a key focus for crypto markets. Yesterday we highlighted the rise in global short-term interest rates, as an unexpectedly sharp rise in UK inflation raised market speculation that global inflation pressures were likely to become more problematic, and prompt more central bank rate hikes than previously expected.

...but markets already have some good amount of that risk priced in

In truth, that may have been reading a bit too much into the UK data but those types of market swings are to be expected in an environment where, 1.) there remains justifiable concerns about the exceptionally high levels of inflation, and 2.) quiet summer markets and a limited supply of new fundamental drivers can sometimes allow for brief but outsized reaction to some events/data.

Central banks continue to tighten policy

Nonetheless, inflation and the central bank reaction function remains a top market focus. And to emphasize the global nature of those dynamics, overnight, central banks in the Philippines and Norway raised policy rates, as did those in New Zealand and Uruguay earlier this week.

Little new information from the Fed...

In the US, the minutes from the Federal Reserve's July policy meeting were a big focus in the run-up to their release yesterday. As it happened, the minutes discussed the possibility of the Fed not tightening enough and potentially damaging their inflation fighting credibility with the public, as well as tightening too much and damaging future economic growth prospects. That's not really telling markets something they didn't already recognize.

...and market expectations will continue to change

The upshot is that Fed policy expectations will continue to change and be guided by upcoming data and events. For simplicity, we continue to monitor US 2yr yields as a rough guide to those expectations. At 3.23%, that yield is off yesterday's high (3.37%) but remains at the upper half of the summer range (2.75% to 3.45%), consistent with additional Fed tightening of perhaps 100 basis points by early next year.

Crypto sensitivity to central bank policy changes

For crypto markets, the basic premise is that more Fed tightening and higher yields will be a drag on token prices. That stems from the higher discount rate that applies to traditional investments,

which reduces risk appetite and pressures risk assets such as equities. And crypto tokens continue to exhibit a high correlation with risk assets such as the Nasdaq Composite Index.

It also stems from the downside risks to economic growth associated with high Fed policy and market interest rates, as slower growth reduces the potential return on most investments, and crypto would likely be included in that grouping.

The flip side of that premise is that less Fed tightening and lower yields have the opposite impact and can be supportive for crypto token prices.

No breakout yet, but little room for complacency either

The takeaway from these events is that they have generated some noise and volatility in traditional financial markets as well as crypto assets. But they have not yet been sufficient to measurably sway the underlying narrative in a manner significant enough to generate a breakout in the underlying trend of crypto token prices.

That narrative continues to center inflation, central banks action, and future growth prospects, and we will continue to monitor those developments as key inputs for the direction and performance of crypto tokens 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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