

# The **Crypto-Currency** Market Analysis Report



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**BINVEST**

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# Introduction

After the industry-wide sell-off alongside the collapse of LUNA and UST last weeks, markets have entered a period of consolidation. Bitcoin prices traded within a relatively tight range between a high of \$31,300 and a low of \$28,000.

The Bitcoin market has now traded lower for nine consecutive weeks, which is now the longest continuous string of red weekly candles in history.

Since the winter 2021 some were sceptic concerning bullish scenario for Bitcoin because of rising hawkish rhetoric from the Fed and increasing correlation with the stock market. It is not needed to be a prophet to predict how interest rates hike impacts on the stocks. When Fed policy turns from gentle to aggressive – effect now is obvious. The question is only where this nightmare could stop.

Result of recent 5-6 months tells that all inspiring forecasts from respectable analysts about six-digit price for Bitcoin could be hindered a bit until the global market gets milder in terms of inflation, and central banks hawkish actions.

BTC correlation to NASDAQ stands around 95%, which shows we should study the stock market situation more. Of course, the crypto market could deviate from the stock market due to some technical and fundamental reasons someday, but until then we should study stock market as well. The most driving factor for the stock market is Macro-economic and central banks actions.

In the next sections, we analyze the market from three different aspects:

- **Macroeconomics**
- **On-Chain Metrics**
- **Market Technical**

# Macroeconomics



## The fall of Terra:

One of the biggest failures in crypto



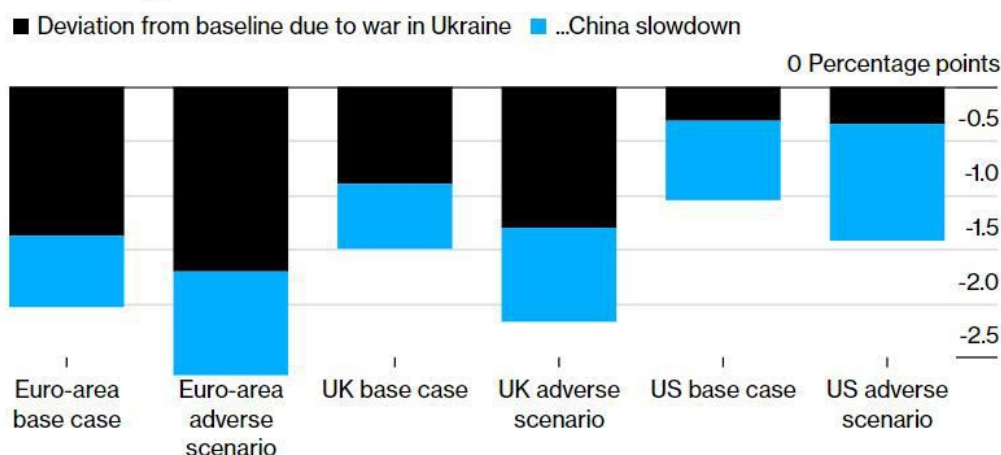
The Terra network and its leader, Do Kwon, rose to the highest tier of the crypto world thanks to big-shot investors, only to fall apart within a few days in May 2022.

On May 7, the price of the then-\$18-billion algorithmic stablecoin terraUSD (UST), which is supposed to maintain a \$1 peg, started to wobble and fell to 35 cents on May 9. Its companion token, LUNA, which was meant to stabilize UST's price, fell from \$80 to a few cents by May 12.

Many believe that this incident had a highly negative impact on the market situation and consider it as one of the main reasons for the fall of bitcoin in recent weeks.

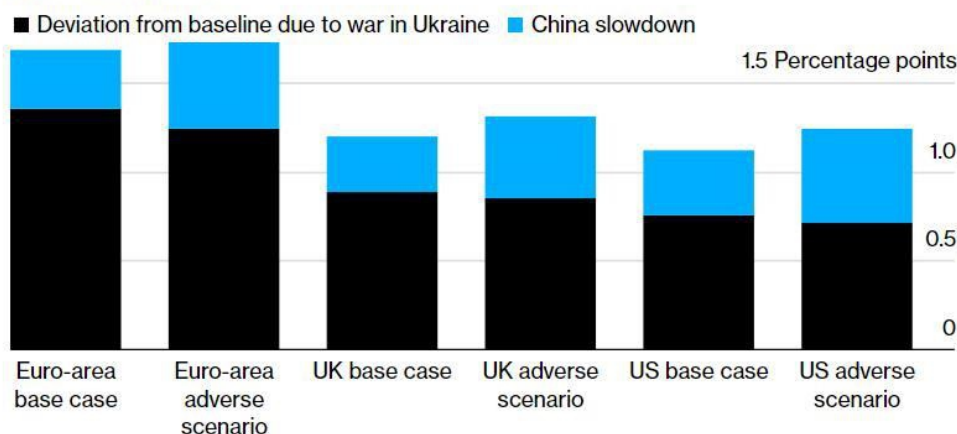
# The effects of the Russia-Ukraine war and China quarantine on the economy

## GDP Drag



Source: Bloomberg Economics

## Inflation Push

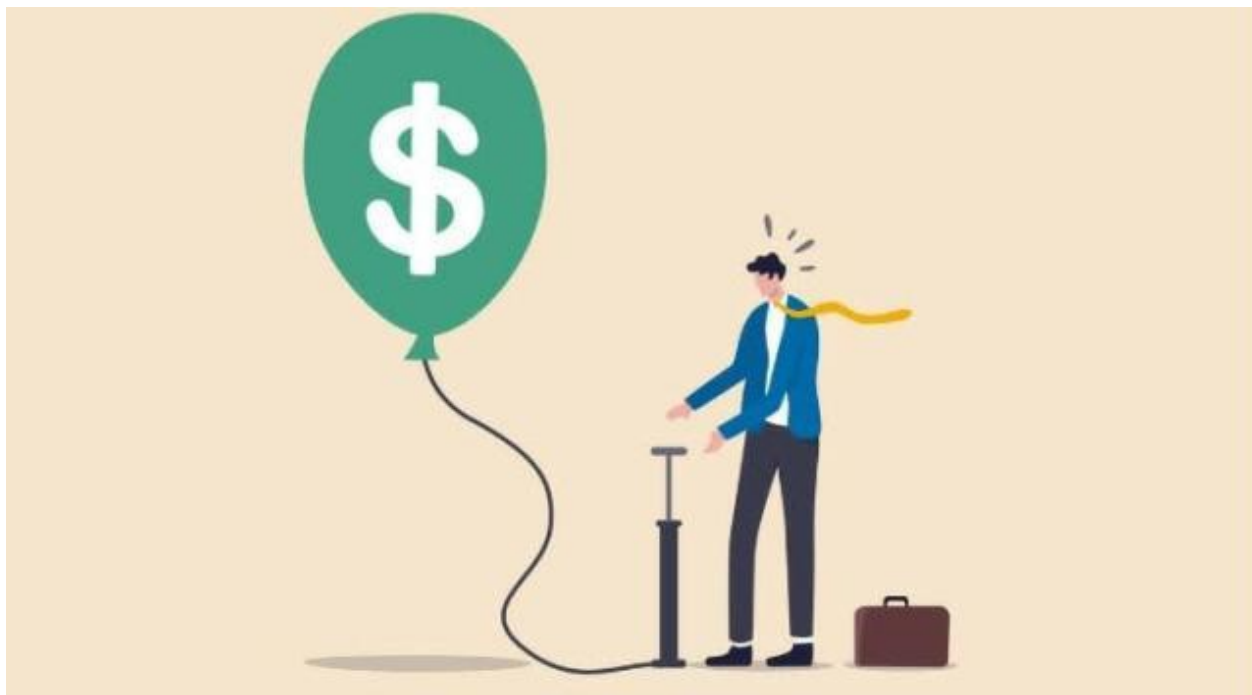


Source: Bloomberg Economics

All-out pressure from the Russia-Ukraine war and China quarantine has hampered global recovery, exacerbated inflation, and hurt global growth. Many economic reports predict that global GDP will decline. In the Euro area, GDP is projected to be two percent lower than in the absence of war and quarantine. In the United States, it is 1.1 percent lower than without war and quarantine. China is also projected to grow 2% in the base GDP scenario, while Russia and Ukraine will shrink by 10% and 35%, respectively and the shock from commodities will cause a 12.5% drop in shares in the world.

The consequences of this war will also bring inflation to a higher level globally. This could lead Central banks use Contraction policies to reduce inflation which causes negative impact on Stock and crypto market.

## The Federal Reserve hints that interest rates are likely to rise further beyond forecasts



The Proceedings released on Wednesday showed that Fed officials are ready to raise interest rates by 0.5% several times. It was also stressed that the Federal Reserve may raise interest rates above the neutral rate. What is clear is that members are confident about the ability to reduce inflation but have concerns about economic stability.

What the market is pricing seems to be an interest rate of 2.5 to 2.75 percent by the end of the year. This is consistent with the neutral rate accepted by most central banks. However, the Proceedings indicate that the Fed is ready to go beyond the neutral rate if needed.

All members stressed the need to reduce prices. To do this, the need to increase interest rates and reduce the balance sheet is clear.

Fed's Contraction policies can damage the financial markets. The negative impact on Cryptocurrency market would be more than stock market due to its lower MarketCap.

# On-chain Metrics

The On-Chain data scan the behavior of the macro and micro investors and is utilized to trace the investors general sentiment, major transactions, wallets and exchange balance, miners condition, and etc. In this report, some on-chain parameters are studied to clear the investors behavior:

## 1. Money Flow Tracker:

Money flow tracker is a tracer which is part of the BINVEST MACHINE and developed by the BINVEST team. This program shows the condition of major and minor holders, calculated based on the realized cap, MVRV and bitcoin price parameters. According to this indicator:

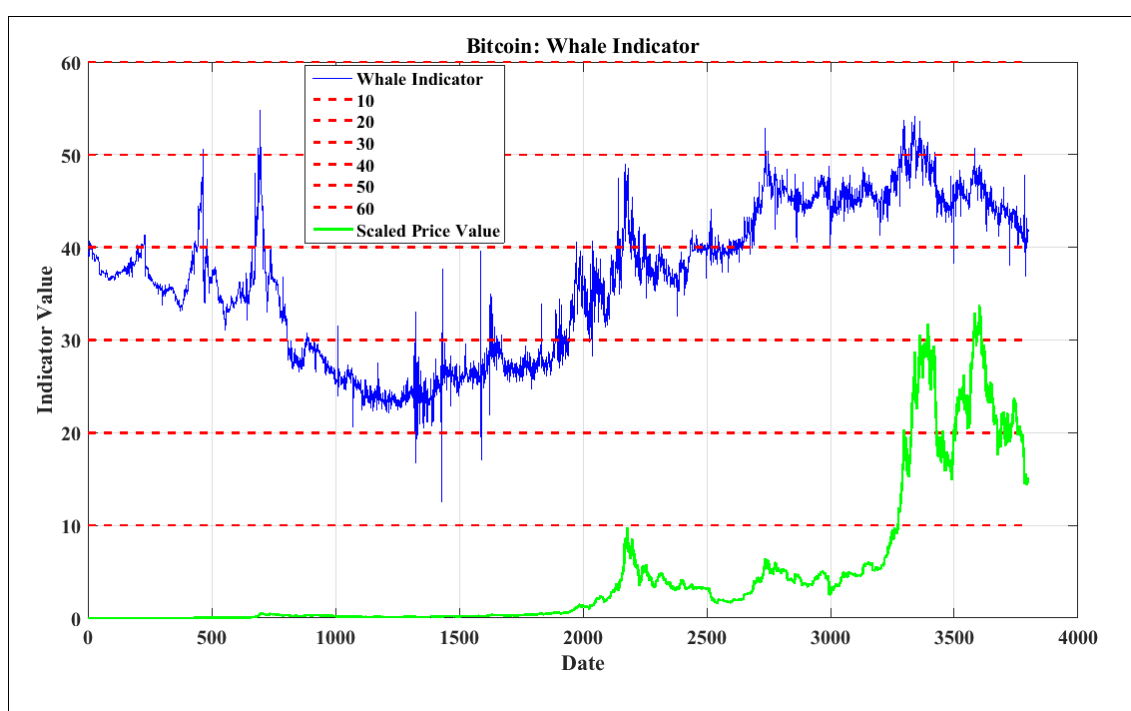
Date Range	Holders Condition
3days ago	Old holders desire to buy many more bitcoins and they are grabbing the bitcoins from the weak hand investors.
7 days ago	Old holders desire to buy many more bitcoins and they are grabbing the bitcoins from the weak hand investors.
14 days ago	Old holders desire to buy many more bitcoins and they are grabbing the bitcoins from the weak hand investors.
30 days ago	Old holders desire to buy many more bitcoins and they are grabbing the bitcoins from the weak hand investors.
60 days ago	Old holders desire to buy many more bitcoins and they are grabbing the bitcoins from the weak hand investors.
90 days ago	Old holders desire to buy many more bitcoins and they are grabbing the bitcoins from the weak hand investors.

The above results show that older and big holders have been increasing their Bitcoins since 90 days ago, and it could be considered a positive sign.



## 2. Whale Indicator:

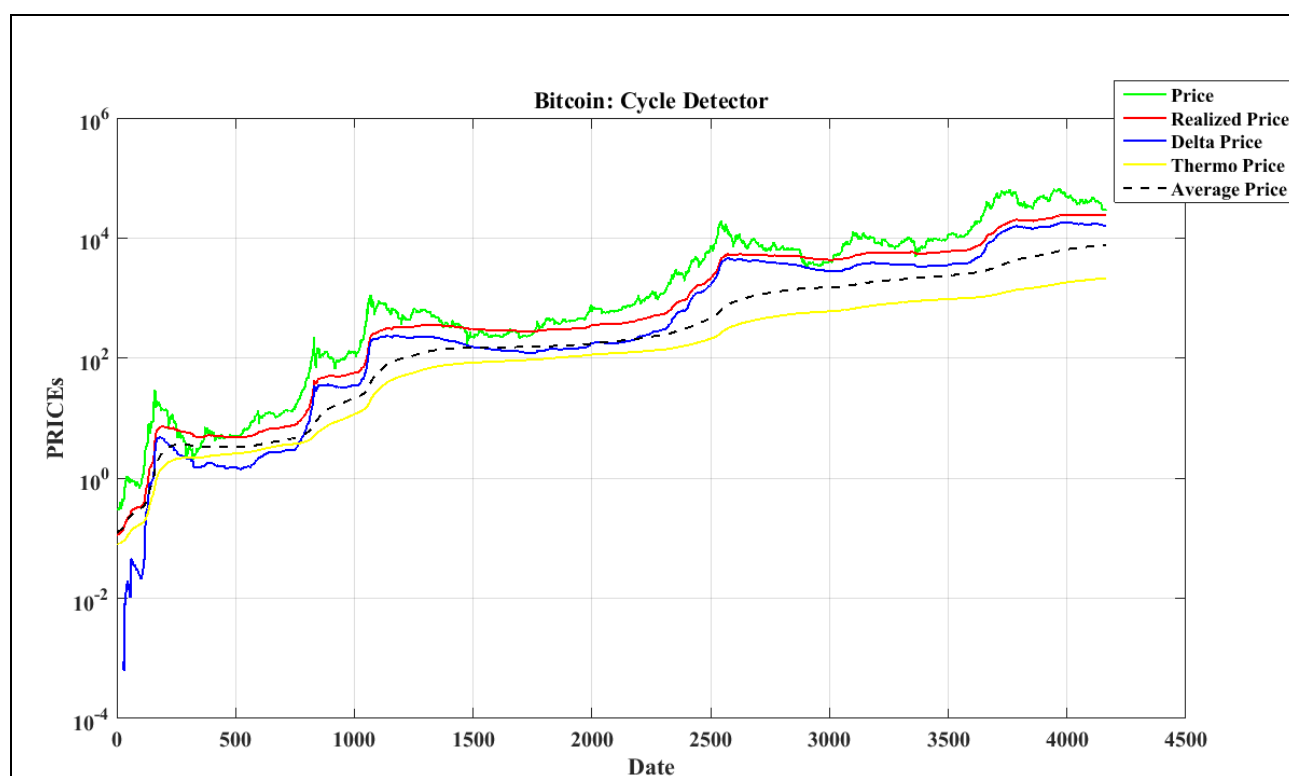
Whale indicator is another part of the BINVEST MACHINE observing the behaviors of bitcoin whales. This indicator works based on the big wallets balance, exchanges inflow and outflow, exchanges reserve, MVRV and bitcoin price parameters. The whale indicator output is a number showing the general condition of the market. If the number is bigger than 50, it means that big whales are selling their coins and if the number is less than 45, it means that the market is in the accumulation phase and the whales are adding into their coins. As it has been shown in the below figure, the current number of the whale indicator is about 42.6 meaning the market is in the accumulation phase and the whales have purchased a lot of coins in the last couple of weeks. It could be seen as a positive sign.





### 3. Cycle Detector:

Cycle detector is the newest part of the BINVEST MACHINE developed by the BINVEST team. This program calculates the cycle start time and shows the position of the current price in a cycle period.



According to the above figure, every time the price has crossed realized or delta price, a bull run cycle starts. The current position of the Bitcoin price is close to the realized and delta price (the price range between 16000 – 24000 \$). Therefore, according to the Cycle Detector, before the new bull run begins the price could reach the 16000 – 24000 \$ and then start a new ascending cycle.

# Technical Analysis



The above plot shows the BTC/USDT chart. As could be seen, it seems the correction is not ended yet (if we consider the past months actions as a correction). According to the Fibonacci support levels, the 28K\$ and 18K\$ are the most important support zones which are on the bitcoin way. The first one seems that worked fine and kept the price from further drop. There are two main scenarios on the chart. In the first scenario, after a small pullback to 36K\$ area the price could drop more down to the 18K\$ level and start to rise to the ATH afterwards. In the second scenario, the price could rise directly from here to the ATH. However, the first scenario seems more probable.



As it has been shown in the above chart, the United States Dollar index (DXY) could not break the long term dynamic resistance line and has been rejected. If the DXY could not break out the dynamic resistance line again, and stabilize above it, it could drop more even to the 91 level in a longer term perspective. Further drop means a breath chance for the risky assets (such as the crypto and the stock market).

# Overview and Conclusion



Bear markets can take their toll, and this particular bear has done just that. Until the market approaches some form of sustained bottom, bears usually get worse before they get better. What we have observed in the past month is a relatively cohesive story of poor price performance, diminishing long-term returns, fear being priced into near-term derivative markets, and a side of lacklustre on-chain activity.

This effect is relatively universal across the digital asset market, with both Bitcoin and Ethereum seeing dramatically lower utilisation and demand relative to the bull market. For DeFi tokens, even more so. There are signals that internal capital rotation is towards BTC at this time, perhaps punctuated by the LUNA and UST collapse. Such a rotation is a historical characteristic of bear markets, as investors move towards perceived safer assets.

On the macro-economic side, after temporal pullback on the stock market that we see now – it might keep dropping as because of drying off the liquidity as because of competition from nominal interest rates to dividend yields. One strong signal for ending this nightmare is when the Fed starts to stop the hawkish actions. As Fed authorities said before, they stop when they see danger signs for recession. Until then there can not be many hopes in the market (unless huge positive news comes up like regulatory approval for spot Bitcoin ETF in the US).

Nevertheless, bear markets do have a way of ending, perhaps just not right now. As the saying goes however, 'bear markets author the bull that follows'.



## About

# BINVEST

Every once in a while, a new technology comes along that changes everything. The internet defined the past few decades of innovation. We believe crypto will define the next few decades.

BINVEST was founded in 2019 and provides services for the blockchain hedge and venture funds. BINVEST has in-depth financial and crypto knowledge that enables the company to actively manage its crypto-funds 7/24. The discretionary investment strategy currently implemented at BINVEST has proven to be successful over the last years during different market crisis.