

The **Crypto-Currency** Market Analysis Report



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Introduction

The Bitcoin market has corrected hard, and fast in 2022, driven by the macro economic situation, unwind of excess leverage, and a plethora of forced sellers and liquidations. In a relatively short 7-month period, BTC has traded from an ATH, all the way into what resembles a bear market bottom.

After a month of consolidation around the \$20k zone, Bitcoin price has experienced a much awaited relief rally crossed the last cycle \$20k ATH level, and the July monthly candle closed above \$23k. Momentum in the short term is favorable, however remains weighed down by longer-term macro indicators that time may be required to form a firm foundation. Bitcoin price experienced a long awaited relief rally, closing 17% above the monthly open. Price action opened at \$19,942, rallied into a peak of \$24,700, before pulling back lower and closed around \$23,300 giving investors a short relief after a hard period in May and June.

With the market now down over 70% from the all-time-high, even the strongest and longest term Bitcoin holders are feeling the pressure. Besides, with many signals suggesting a widespread capitulation has taken place, attention turns to whether a Bitcoin bottom is forming. Overall, the fingerprint of a widespread capitulation, and extreme financial stress is certainly in place. However, there may still be a combination of both time pain (duration), and perhaps further downside risk to fully test investor resolve, and enable the market to establish a resilient bottom.

In terms of fundamental aspects, under negative US GDP numbers and Fed talks, there are few who signed a shift in fundamental background. US government and Fed are defeated somehow by inflation and turn back to semi-QE (Quantitative Easing). Fed fails to keep QT (Quantitative Tightening) pace, buying less bonds that it has promised. In fact, with spending money from US Treasury deposit - there was no tightening but easing for \$250 Bln since the start of the year. Now, new J. Biden programmes on semiconductors and climate could pump additional \$1Trln to the market. All of them sooner rather than later go to the markets. As a result, in nearest 6-8 months we can see the visuality of prosperity when stocks and BTC will stop falling and US yields will stop rising.

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

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

Macroeconomics

GDP Falls Further in Q2, Fueling Talk of a Recession

A widely used technical definition says that two consecutive quarters of negative GDP means the economy is in a recession.

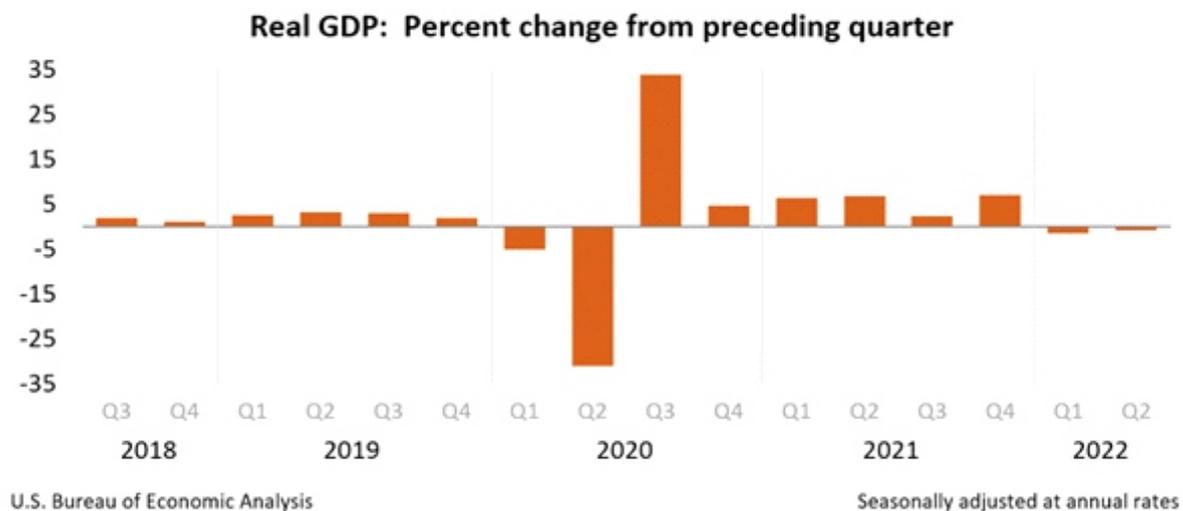


Figure 1: US GDP.

Gross domestic product declined at an annualized pace of 0.9% in the second quarter, marking two consecutive quarters of economic contraction.

The GDP report cited "decreases in private inventory investment, residential fixed investment, federal government spending, state and local government spending and nonresidential fixed investment that were partly offset by increases in exports and personal consumption expenditures" as the main drivers for the decline.

However, many economists – and even Federal Reserve Chairman Jerome Powell at a press conference – have refrained from calling a recession because other factors like the labor market show signs of a strong economy. Both the government and the Fed defer to the National Bureau of Economic Research (NBER) to declare a recession, which takes into account employment, personal income and industrial production, in addition to GDP.

Central bankers [raised the federal-funds rate by 0.75 percentage point](#), or 75 basis points, in an effort to slow the economy and curb four-decade high inflation.

Even if the economy isn't in a recession, raising interest rates for the fourth consecutive month could certainly lead to one.



Federal Reserve Hikes US Interest Rate by 0.75 Percentage Point

The latest monetary policy decision from Federal Open Market Committee brings the federal funds rate to a range of 2.25%-2.5%. Bitcoin's price was little changed after the announcement.



Figure 2: FED press conference.

For the second consecutive month, the Federal Reserve raised U.S. interest rates by three-quarters of a percentage point in an effort to curb inflation [running at a four-decade high](#).

This is the fourth time the U.S. central bank has raised interest rates this year, bringing the federal funds rate to a range between 2.25%-2.5%. The Fed's decision to raise the fed funds rate by 75 basis points, was no surprise to traders, who bet on a 74% chance that central bankers would decide for a move of that size.

Bitcoin's price rose 3.6% in the hour after the decision as Fed Chair Powell said that another unusually large interest-rate increase will depend on incoming data – an indication that another 75 basis point increase is far from assured.

Central bankers started reducing the size of the Fed's \$8.5 trillion balance sheet in June in an effort to bring it back down toward the pre-pandemic level, closer to \$4 trillion. In September the pace of reduction will get more aggressive, with a potential roll-off of \$95 billion a month.

Tesla Sold \$936M Worth of Bitcoin in Second Quarter

The price of bitcoin fell about 1.7% following the news but regained its losses after CEO Elon Musk said Tesla was open to boosting its bitcoin exposure in the future.



Figure 3: Elon Musk (TESLA CEO).

Electric car maker Tesla (TSLA) sold \$936 million worth of bitcoin (BTC), or 75% of its holdings, in the second quarter, the company reported in its [earnings report](#).

CEO Elon Musk said during Tesla's earnings call that the company sold the majority of its bitcoin to maximize its cash position, "given the uncertainty of the COVID lockdowns in China." He added, however, that Tesla is open to boosting its bitcoin exposure in the future, and "this should not be taken as some verdict on Bitcoin." Musk also said Tesla had not sold any of its Dogecoin.

The price of bitcoin fell about 1.7% to \$23,300 immediately following the release of the earnings report, but rebounded to its previous levels after Musk made his comments on the earnings call.

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, etc. Money Flow Tracker, Whale Indicator and Cycle Detector are main subparts of the BINVEST Machine studying the On-Chain metrics 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. The following results show the outcome of this indicator:

Date Range	Holders Condition
3days ago	With respect to the short term benefit caused by the Bitcoin price rising in the few days ago, the old holders have saved their profit and sold their Bitcoins.
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 could show the fact that despite a profit save in 3 days range, the current price of the Bitcoin is attractive for old and big holders, and they are still accumulating many more Bitcoins. Besides the above table, the BINVEST team has quantified the Money Flow Tracker output using complicated mathematical formulations. The obtained value varies in a range of 0 to 100 where 100 shows a situation when old and big holders are intensely buying more Bitcoins, and on the contrary, 0 shows they are strongly selling their Bitcoins. The output of this indicator is shown for the past 2.5 years.

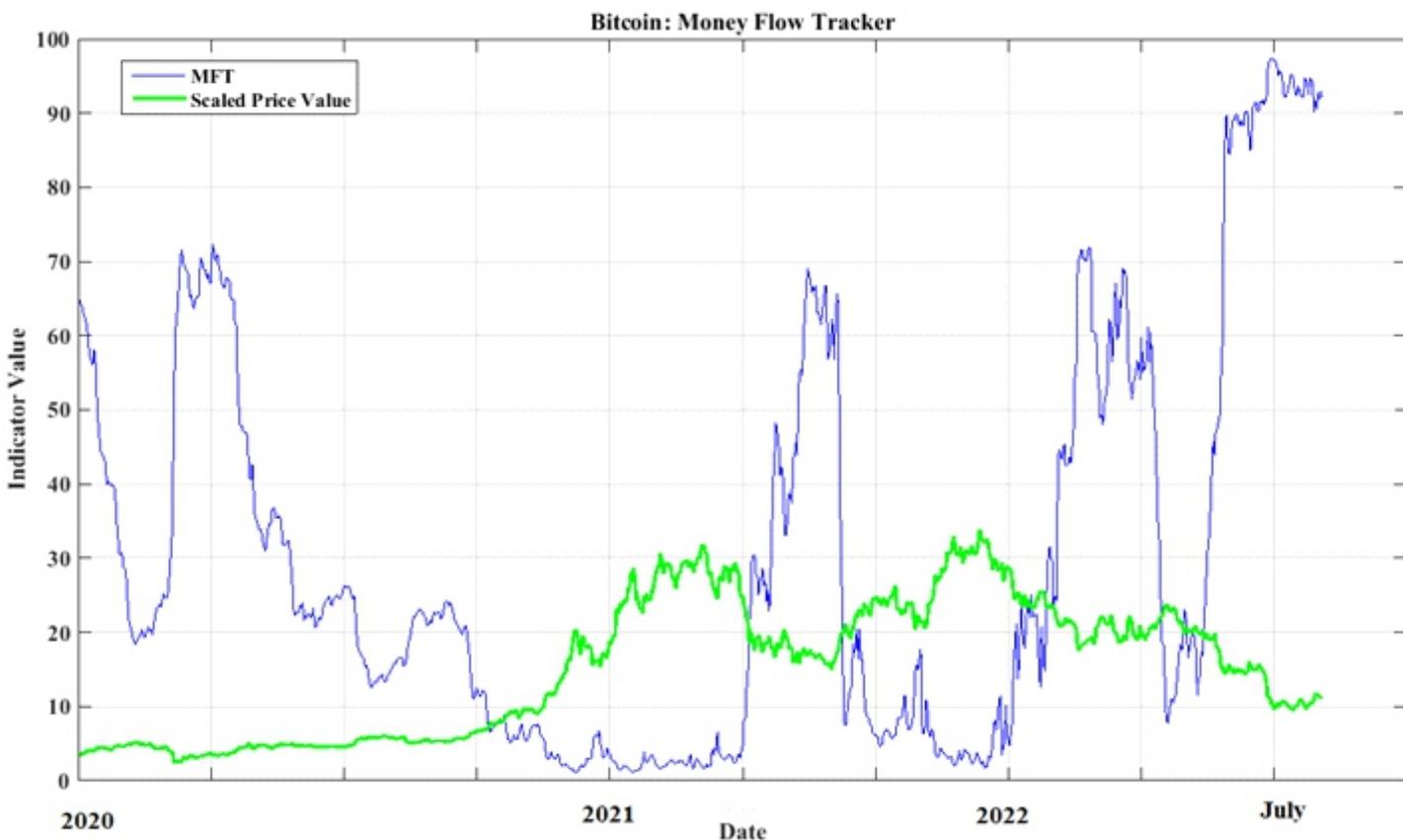


Figure 4: Money Flow Tracker output in the past 2.5 years.

As it could be seen in Figure 4, the indicator value is about 92 (the highest value in the past 2.5 years), and it means that old and big holders are intensely buying more Bitcoins.



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 reserve, MVRV and bitcoin price. The whale indicator output is a number showing the condition of the market. In the newest update of this indicator, if the number is higher than 60, it means that the big whales are selling their coins and if the number is lower than 30, it means the market is in the accumulation phase and the whales are buying more Bitcoins.

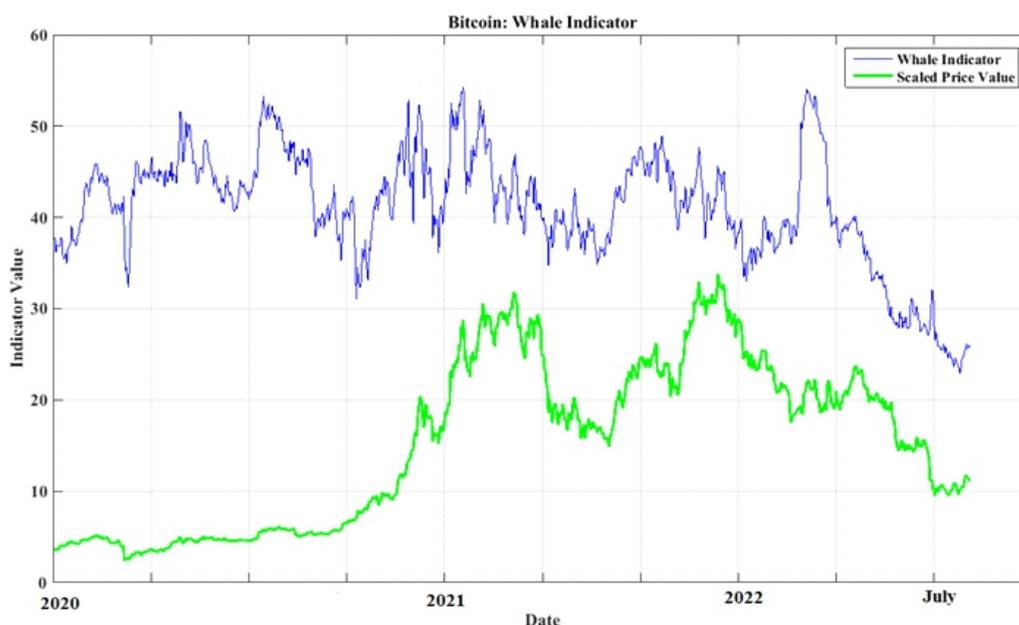


Figure 5: Whale indicator output in the past 2.5 years

As it has been shown in the Figure 5, the current value of the whale indicator is about 25.9 which is very close to the lowest value since 2020. It confirms our hypothesis that the market is still in the accumulation phase and the whales are adding into their Bitcoins.

3. Cycle Detector:

The cycle detector is a machine simulating the start and end of any bull run cycle in the cryptocurrency market, according to the various prices of the bitcoin. This program specifically calculates the cycle start time and shows the position of the current price in a cycle period. Cycle detector is the newest part of the BINVEST MACHINE. This program tries to estimate the cycle start and end time in the cryptocurrency market according to the various prices of the bitcoin (showed in the below figure). This program shows the position of the current price in a cycle.

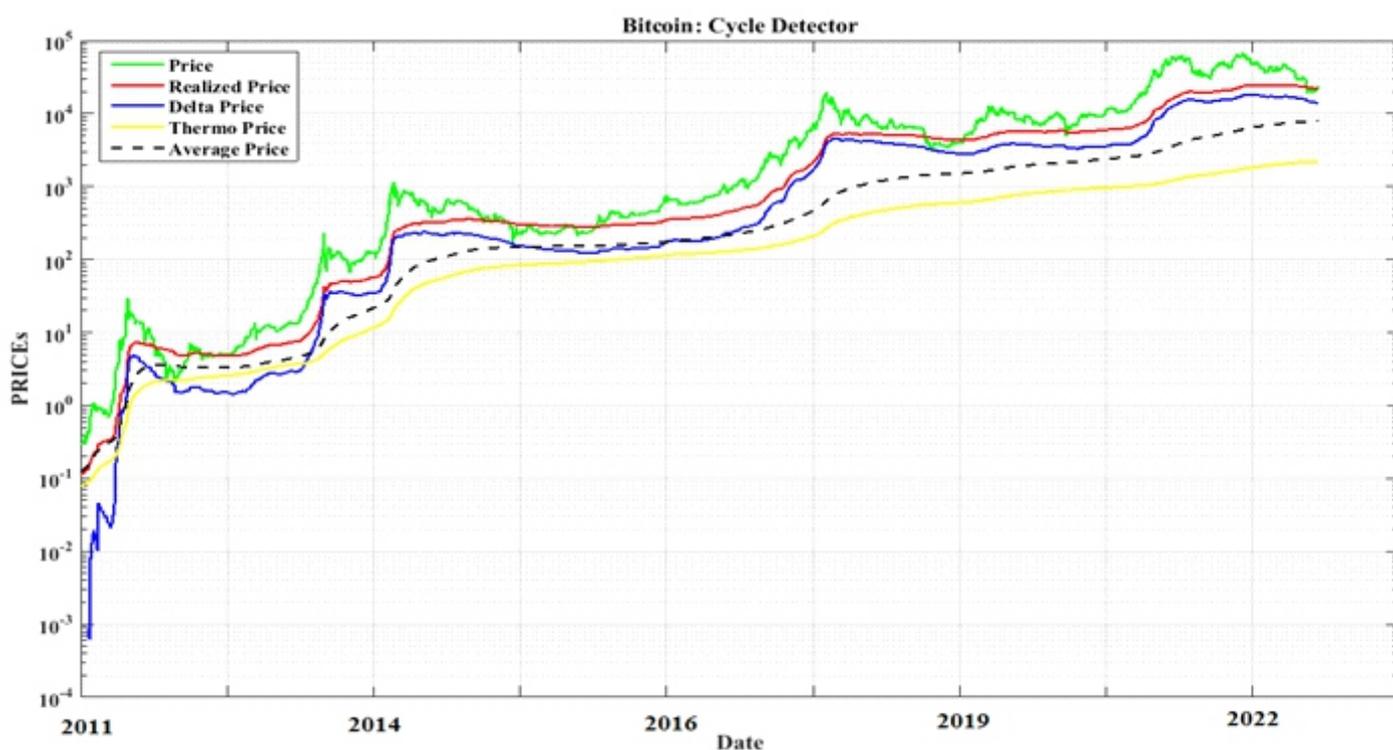


Figure 6: Cycle detector output in the past 2.5 years

According to Figure 6, the bitcoin price has spent a few weeks below the red line (Realized Price) and has crossed it several times. This occurrence could be considered as the new cycle beginning. In the past 10 years, every time the price has crossed realized or delta price, a bull run cycle starts. Therefore, the current situation (the price has crossed the Realized price) is a good sign for the new cycle beginning. But it should be born in mind that the price could drop further down to the Delta price (about 14000 – 15000 \$) and even more.

Technical Analysis

BTCUSDT



Figure 7: (Left) Scenarios described for BTC price chart in June2022 report. (Right) BTC price chart following first scenario.

In the last report (June 2022), two scenarios were described (left part of Figure 7). As could be seen in Figure 7, scenario (1) occurred, and Bitcoin price rose to 20K level and monthly candle closed higher than 23K. With respect to the last analysis, this raising could continue to the 28K level, and a short-term rally could happen in the next few weeks.

DXY



Figure 8: (Left) Scenario described for DXY chart in June2022 report. (Right) Zoom in for DXY chart following scenario from report June 2022.

In the last report (June 2022), a drop in DXY index was predicted due to the divergence in its chart (left part of Figure 8). Since the last report, the DXY has dropped about 3.17% (right part of figure 8) and the dropping could still continue until the lower level.

Overview and Conclusion

With so little price relief year to date, profitability has been poor for all investor classes. The Long Term Holder cohort is no exception, and their spending patterns suggest a non-trivial flush out has occurred between May-June 2022.

However, long-term supply dynamics continue to improve, as redistribution takes place, gradually moving coins towards the HODLers. Notable supply concentrations are observable at \$20K, \$30K and \$40K, which tend to align with both technical, and on-chain price models, making these regions significant zones of interest.

Momentum in the short-term suggests continuation of the upswing, provided the Realized Price and Long Term Holder Realized Price can hold as a support level. On the long-term, momentum suggests the worst of the capitulation could be over, however a longer recovery time may be required as foundational repair continues.

Against a backdrop of extremely challenging macroeconomic, and geopolitical turmoil, Bitcoin is reaching peak investor saturation by high conviction HODLers, and it is becoming quite plausible that a genuine bottom formation could be underway, but no one can show it for sure!

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.