The Crypto-Currency Market Analysis Report

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Introduction

With the devastating collapse of the FTX exchange, the digital asset industry has experienced the most shocking insolvency of a custodian since Mt Gox in 2013. In this report, we analyze the FTX bank run, seeking of safety in self-custody, and the response of Bitcoin's strongest hands.

The events which transpired in the digital asset industry, between 6-14 November 2022 are remarkable, shocking, and disappointing for whole the crypto currency market. Within the span of just one week, one of the most popular and high trade volume exchanges, FTX totally collapsed.

Such an event is a tremendous blow to the industry, leaving millions of customers with trapped funds, damaging many years of constructive industry reputation, and creating new credit contagion risks, many of which likely still remain undetected. The event brings back unfortunate memories of the failure of Mt Gox in 2013, whereby a significant custodian is found to be fractionally reserved.

In this report, we analyze the market from three different aspects and draw our conclusion at the end:

- Macroeconomics
- On-Chain Metrics
- Market Technical

Macroeconomics

FTX Fallout: What happened in the

Figure 1: FTX empire collapse shown in a symbolic art piece.

FTX was one of the world's largest cryptocurrency exchanges. It enabled customers to trade digital currencies for other digital currencies or traditional money, and vice versa. It was based in the Bahamas and was run by Mr. Bankman-Fried. It has spent millions of dollars lobbying U.S. legislators to institute crypto-friendly regulation. The company had built its business on risky trading options that are not legal in the United States. In the first week of November the whole FTX empire collapsed during a series of events which made a negative impact on all crypto market.

We intend to review the events of November 9th Step by Step:

1) Suspension reports of withdrawals at FTX exchange. In fact, this incident invalidated SBF's claims of making the conditions appear normal for FTX. With the announcement of this news, the FTT token fell to 14 dollars.

2) FTX and Binance agreement announced. FTX exchange and CZ announced the agreement of buying FTX. According to this agreement, Binance undertakes to pay all the assets of FTX users, and in return FTX is sold to Binance. After the announcement, the cryptocurrency world was in a big shock because SBF and CZ were fiercely fighting each other, and CZ had dealt a big blow to FTX by announcing the sale of Binance's FTT tokens.

3) The 15-minute celebration: While everything seemed settled, But with the negative reaction of the activists to this action of Binance, as well as comments from the legislators that this agreement is illegal based on the antitrust principle that prohibits big competitors from supporting each other, the market fell more strongly and Bitcoin fell under $17,000.

4) Market situation in the future: It seems that FTX can't find a way to pay its obligations and due to the important role of FTX in the crypto market, we have to wait for another domino of bankruptcy in the world of cryptocurrencies!

BlockFi Files for Bankruptcy as FTX

BlockFi received a $400 million line of credit from FTX earlier this year.

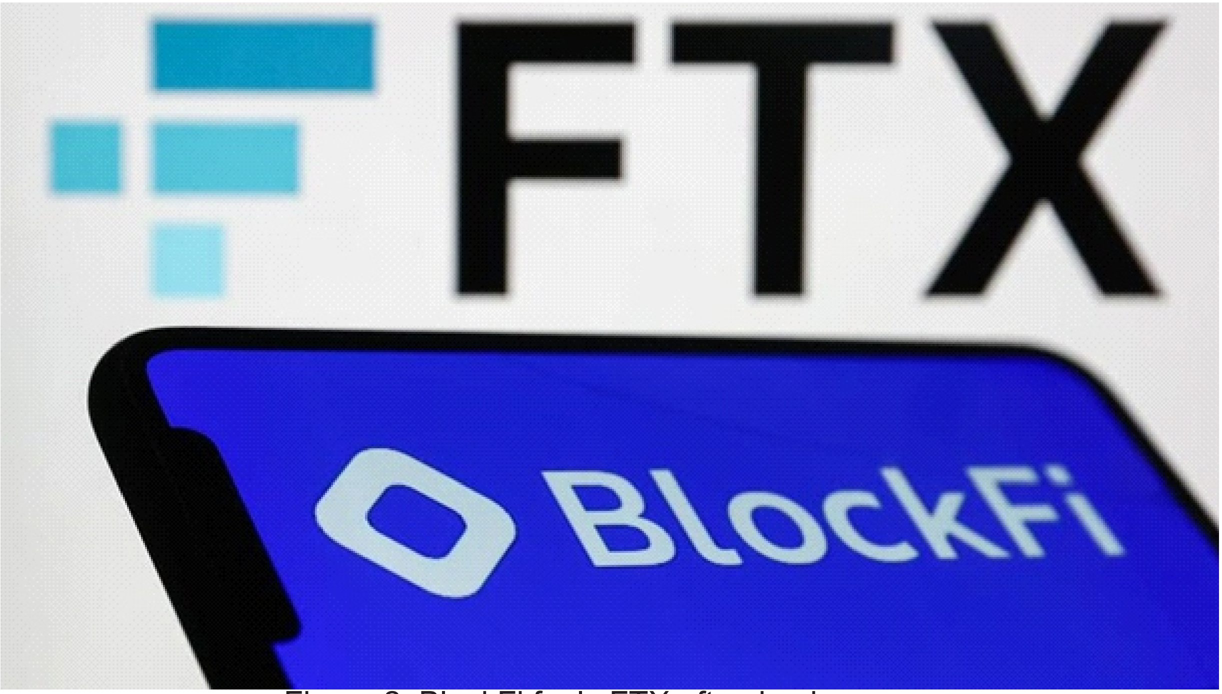

Figure 2: BlockFi feels FTX aftershock waves.

Crypto lender BlockFi filed for bankruptcy protection, days after suspending withdrawals amid the ongoing fallout from exchange FTX's bankruptcy filing.

BlockFi's CEO blamed the firm's “substantial” exposure to FTX, alongside a tumultuous crypto market, for its liquidity crisis. Thanks to its $275 million credit line entanglement, when FTX toppled amid accusations of gross corporate and financial mismanagement, BlockFi began to struggle, too.

In the days after the FTX collapse, BlockFi shuttered deposit withdrawals and trading activity amid ongoing stability concerns. The firm has also asked customers to refrain from making more deposits for the time being.

According to BlockFi's bankruptcy filing, the crypto lender owes money to upwards of 100,000 creditors. Unfortunately, some of these debts are substantial.

The enmeshed downfalls of FTX and BlockFi reveal a growing concern in the crypto industry: a shaky foundation resting on volatile digital currencies. Beyond that, though, is the revelation that crypto companies may be growing so intertwined that a single stumble can set off a domino reaction of balance sheet woes and currencies declines.

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 quantified output for this machine is calculated based on several complicated mathematical formulation. 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.

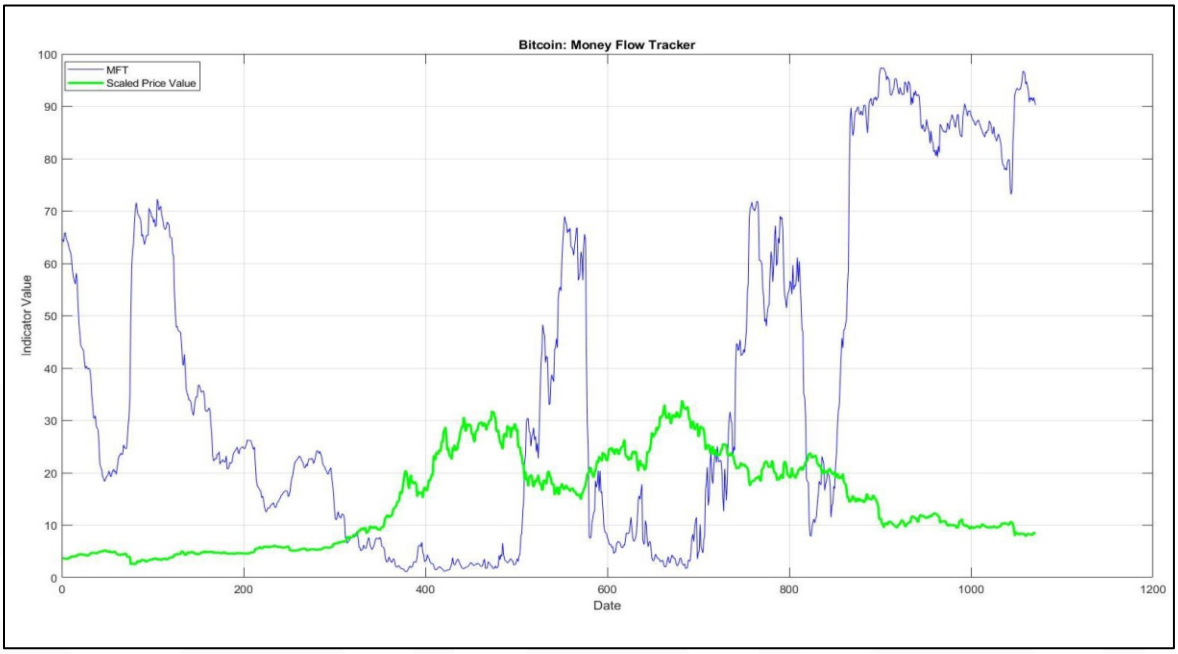

Figure 3: Money Flow Tracker output since 2020.

The indicator value is around 90.24, meaning old and big holders are intensely buying Bitcoin. According to the history of the Money Flow Tracker chart, the bear market of the cryptocurrency market is probably spending its last days and the new bull run could start soon.

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 (Alpha = 0), it means that the big whales are selling their coins and if the number is lower than 30 (Alpha = 100), it means the market is in the accumulation phase and the whales are buying more Bitcoins.

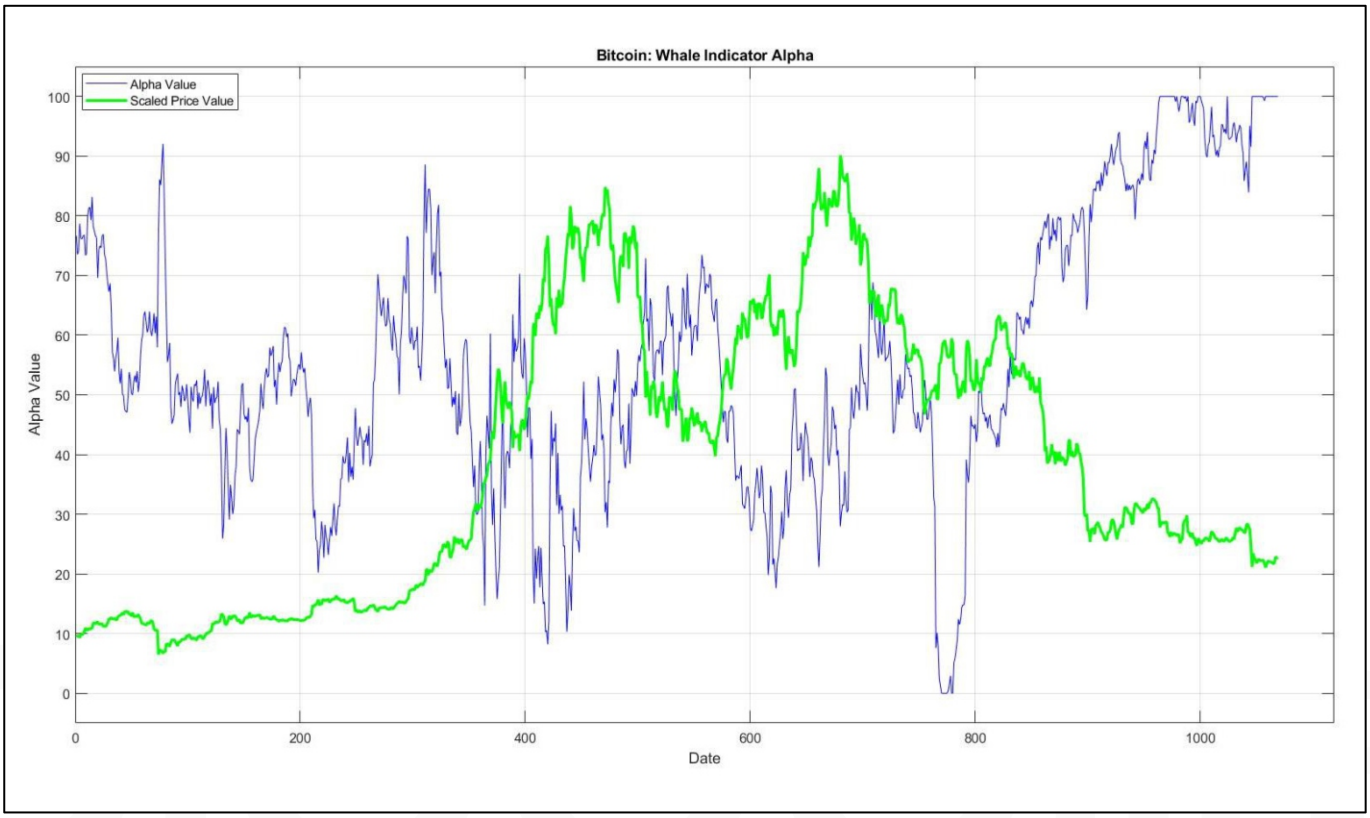

Figure 4: Whale indicator output since 2020

.As it has been shown in the above figure, the current value of the whale indicator alpha is 100. It means the big wallets are accumulating bitcoin and a high amount of bitcoin has been exited from the exchanges which is considered a bullish sign.

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.

This algorithm tries to estimate the cycle start and the 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.

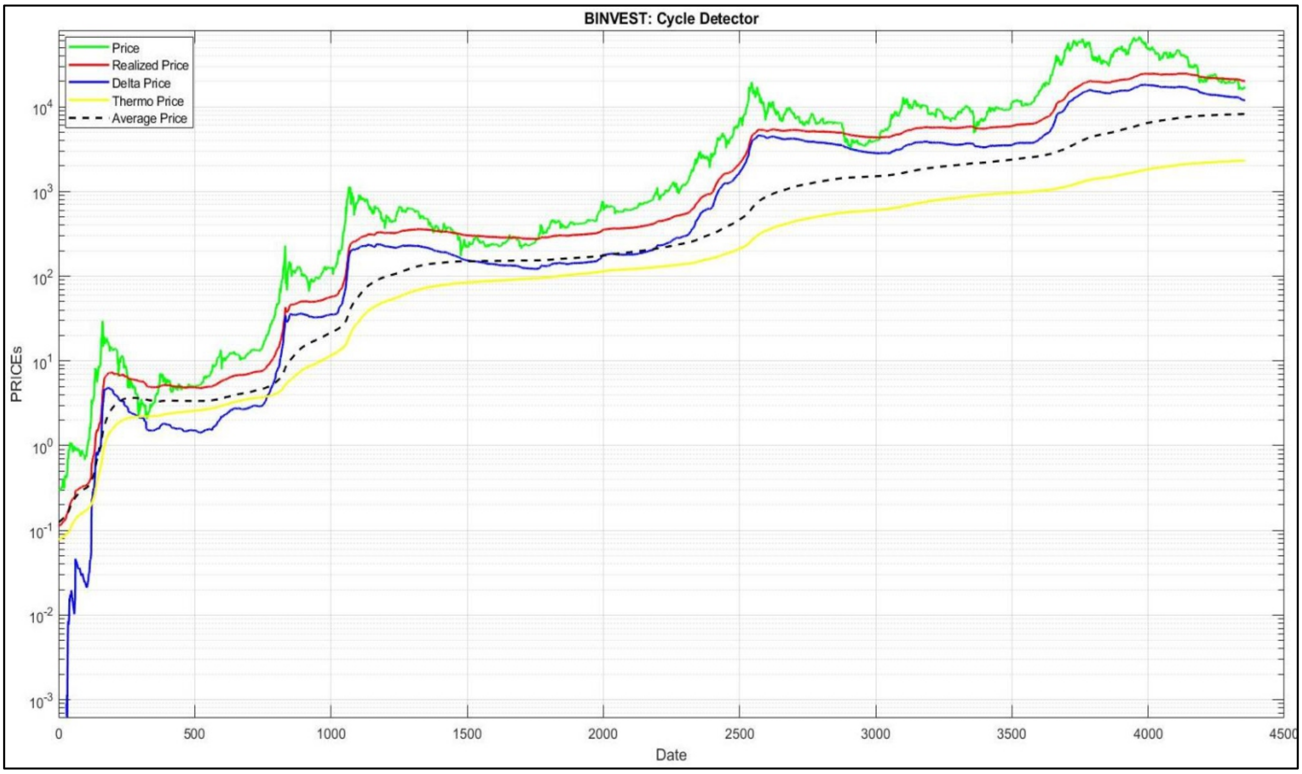

Figure 5: Cycle detector output since 2011.

As could be seen in fig.3, the price is trying to break the red line (Realized Price) upward. If the price breaks it upward and holds above it, it could be a strong sign for the new bull run. The quantified output for this part is 89 out of 100 which marks now as a valuable point in the crypto market.

Technical Analysis

BTCUSDT

Figure 6: The BTC price chart in the weekly timeframe.

According to fig.6 which is the BTC price chart on the weekly timeframe, Bitcoin is on a very important and strong demand zone, and this zone has prevented Bitcoin from falling sharply twice in the past few months. Now that the price has reached the bottom of this zone, it is expected to be a new bottom for Bitcoin. If the price does not drop further, we can expect the price will reach $30,000 after breaking the $24,000 resistance. But if this demand zone is lost, we can expect the price to drop further to $12,000.

DXY

Figure 7: DXY chart in the weekly timeframe.

Figure 7 shows the DXY chart in the weekly timeframe. As it can be seen, the DXY has moved down from a supply area with a large slope and its first important demand area is around 103. If in the next couple of months, the Federal Reserve decides to show less hawkish actions and comments, further drop in DXY could be expected which means less sell pressure on BTC and signals a recovery in the BTC price chart.

Overview and Conclusion

Amidst the FTX chaos, it is important to remember that the digital asset space is a free market, and this event represents a failure of a trusted centralized entity, not of the underlying cryptographic technology. There are no bail outs for Bitcoin, and the forest fire of an industry wide deleveraging will purge all excess and malfeasance, albeit with significant pain along the way. With a renewed focus on exchange Proof-of-Reserves underway, and a push towards self-custody, the market will heal, recover, and return stronger in the months and years ahead.

The collapse of FTX is significant, and a real black eye to the industry. It is a truly horrendous event where users of a platform find themselves trapped, and have funds entrusted to a custodian lost. This is sadly a forest fire, and a deleveraging event that was due to happen eventually, and as is tradition, Bitcoin, and the industry will bounce back stronger.

Despite unprecedented conditions across markets, the structural price action of Bitcoin remains similar to prior cycles as price marches towards the realized price and further down to the delta price. Reaction to these key levels will be imperative to monitor in the coming weeks, as a confirmed flip of these levels suggests the first glimmers of recovery across the long, arduous road ahead.

About

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Every once in a while, a new technology comes along and 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 crypto currency asset management for private and institutional investors. BINVEST has in-depth financial and crypto knowledge that enables the company to actively manage its crypto-funds 24/7. The discretionary investment strategy currently implemented at BINVEST has proven to be successful over the last years during different market crises.

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