

The **Crypto-Currency** Market Analysis Report



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Introduction



In March, Bitcoin's price showed a strong price action started with around \$23K and rose up to almost \$30K level which was the highest level from June 2022. The closing price for March was around \$28.5K which showed a 23% rise in one month.

Bitcoin has experienced one of the best performing weeks of price action in history in the third week of March, closing up 35.8% on one week. Only 124-trading days in history have seen a larger 7-day upside rally, with just 16-days occurring from 2015 onwards. Almost all instances have occurred within bull market trends, albeit typically near the later stages of the run.

The strong out-performance from BTC comes alongside challenging conditions for the traditional financial and banking system. The Banking crisis in US and Europe has been the most important factor in the Economic outlook in March.

Concerns remain elevated regarding the vulnerability of smaller banks in an era of digital bank runs, and new liquidity funding facilities are being established between the US Federal Reserve, US banks, and swap lines with other Central Banks.

The strong crypto currencies performance in March was so promising showing a reduction in correlation between traditional finance and the cryptocurrency market. It underscores the notion that bitcoin is fulfilling its intended purpose, as established from its inception.

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

Bitcoin rose again as U.S. Inflation Slowed to 6% in February

BTC rose to a nine-month high in the minutes following the inflation report and then extended those gains.

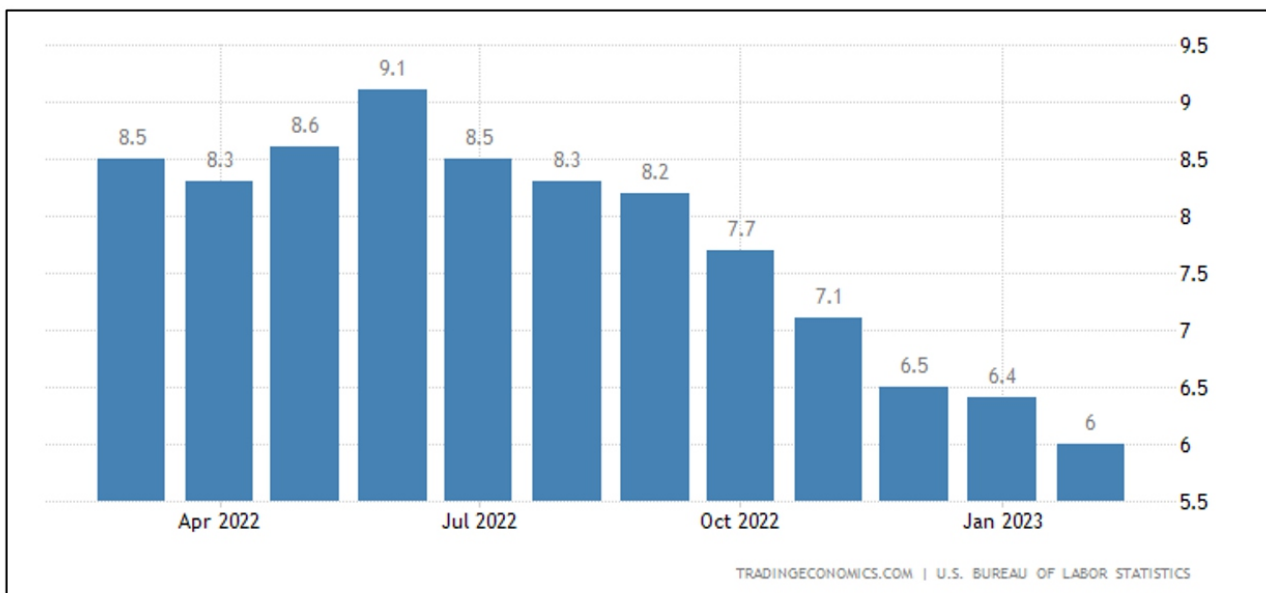


Figure 1: US annual inflation (CPI YoY) in the past 12 months.

February inflation in the U.S. dropped to 0.4% from 0.5% in January, in line with economists' estimates, the Bureau of Labor Statistics (BLS) said Tuesday. On a year-over-year basis, inflation slowed to 6.0% from 6.4% the month before, also in line with estimates. The bitcoin price rose to a nine-month high of \$25,484 in the minutes following the report. The world's largest cryptocurrency by market cap then extended the advance, surpassing the \$26,000 mark for some time before recently settling back to the \$25,500 range. Inflation concerns have become secondary over the past few days as investors, the government and the Federal Reserve have had to deal with the possible systemic implications of multiple bank failures. Less than one week before the Feb CPI data release in March, traders had been betting the Fed would hike the benchmark fed funds rate by 50 basis points at its March meeting. Following the collapse of Silicon Valley Bank and the shutdown of Signature Bank over the weekend, traders quickly pivoted and are now pricing in only the slimmest chance of any rate hike in March and rate cuts by mid-summer.

Federal Reserve Hikes Rates by 25 Basis Points

Recent bank failures had market participants questioning if the U.S. central bank would follow through with its previous intention to further tighten monetary policy.



Figure 2: Federal reserve chair press conference after the FOMC meeting.

The U.S. Federal Reserve raised its benchmark fed funds rate by 25 basis points to a target range of 4.75%-5%, in line with most market participants' expectations. The price of bitcoin (BTC) rose about \$250 to \$28,700 in the immediate aftermath of the decision.

In its statement accompanying the rate hike session, the Fed's Federal Open Market Committee (FOMC) acknowledged this month's bank system troubles, saying that "recent developments are likely to result in tighter credit conditions for households and businesses and to weigh on economic activity, hiring and inflation."

The statement also removed the "ongoing increases" language that had been notable over the past months, suggesting any possible future rate hikes will be data dependent.

A Tale of 2 Banks: Why Silvergate and Silicon Valley Bank Collapsed

Every U.S. bank is facing similar structural pressures to what drove crypto's one-time favorite bank to the moon and then into the ground.



Figure 3: A branch of the SVB collapsed bank.

Silvergate Capital, a holding company for a bank that since 2016 had bet big on servicing the emerging crypto economy, announced that it will wind down bank operations. Silicon Valley Bank (SVB), which has long played a similar role managing money for venture capital-funded startups, was shut down by state regulators. Fed rate hikes are the most immediate pressure that crushed Silvergate and SVB.

But rising interest rates present another, seemingly widely overlooked threat to banks' stability. As the Wall Street Journal explains in bracingly simple terms, the issuance of new Treasury bonds with higher yields has lowered the market value of pre-hike bonds with lower yields. Most banks hold large amounts of treasuries as legally required collateral, meaning the same risk that hit Silvergate and Silicon Valley Bank applies to some degree to a whole lot of banks. That's one reason bank stocks, particularly regional or mid-sized banks, are tanking across the board during past weeks. after Musk made his comments on the earnings call.

Bitcoin Seesaws Around \$27K as Investors Digest Binance-CFTC Lawsuit

The largest cryptocurrency by market capitalization has changed hands within a narrow range over the 24 hours following the CFTC's action against Binance and CEO Changpeng Zhao.



Figure 4: Binance CEO, Changpeng Zhao (CZ).

The largest cryptocurrency by market capitalization had dipped as low as \$26,669 after the U.S. Commodity Futures Trading Commission (CFTC) filed a lawsuit against Binance and founder Changpeng Zhao over alleged regulatory violations. Investors are fretting about the potential impact of the lawsuit against the world's largest crypto exchange by trading volume and increasing regulatory scrutiny.

However, Bitcoin is displaying strong resilience to these issues. In a blog post, Binance CEO Changpeng Zhao said that a lawsuit filed earlier in the day contained “an incomplete recitation of facts”. “We do not agree with the characterization of many of the issues alleged in the complaint,” Zhao said, also calling the complaint “unexpected and disappointing.”

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. Each of these sub parts analyzed some parts of the on-chain data and returns a value between 0 and 100. The total on-chain value is the average of these three subpart values. The obtained value varies in a range of 0 to 100 where 100 shows a situation which is the most valuable one and 0 shows the most dangerous zone in the market. Of course, these values are relative and are obtained by comparing the current state to the history of Bitcoin price. The current value is around 61 which is down from 93 from mid-January.

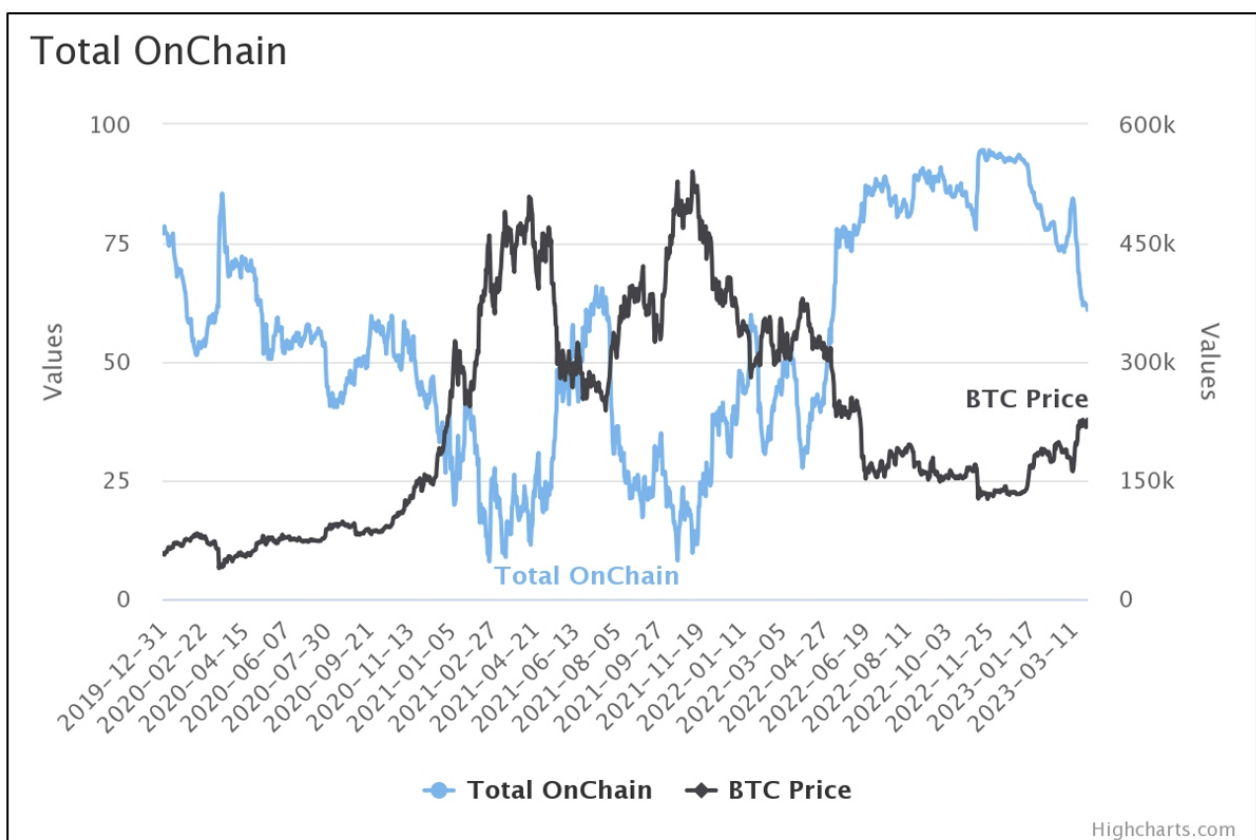


Figure 5: Binvest-Machine Total On-chain Value Since 2020.

Technical Analysis

BTCUSDT

The chart below presents the weekly Bitcoin price analysis. Notably, during recent months, Bitcoin has been trading within a crucial weekly demand area. Additionally, there was a positive weekly divergence between the price of Bitcoin and the RSI indicator. In an impressive move, BTC managed to break the 200 Week EMA and soared to new highs, surpassing the \$28,000 mark, backed by a robust weekly candle. It's worth noting that BTC has previously attempted to go beyond this significant resistance point on three occasions and failed. However, it managed to break through this time around, signifying a bullish trend.

Bitcoin now has reached a crucial point as it nears a weekly supply area around \$30,000. While this marks a significant milestone, reaching the \$30,000 barrier can be challenging as it creates a psychological resistance that requires strong buying support to overcome. Breaking through this barrier could push the price towards the \$46,000 mark during several months. However, it's also essential to keep in mind that failing to break through the current strong resistance may result in a correction to around \$23,000 levels.



Figure 6: Bitcoin price in weekly timeframe.

DXY

Figure 7 displays the DXY's monthly timeframe trend, which experienced a significant uptrend that initiated in mid-2021. Despite a robust and lengthy upward rally, we've recently observed a downtrend in the DXY chart, causing it to break the monthly upward trend line three months ago. Moreover, last month, we saw a pullback as the trend line broke. Presently, we still see the DXY in the formation of a red candle, indicating the possible continuation of the downtrend. Now, the DXY is situated in a crucial monthly demand area, which aligns with significant Fibonacci correction levels. If the DXY rebounds from this demand range, we may witness heightened pressure on the crypto market. But the break of the monthly demand range, we may observe a more decrease in the strength of the dollar, which could potentially alleviate the pressure on the crypto market.



Figure 7: US dollar index (DXY) chart in monthly timeframe.

Overview and Conclusion

Amidst a turbulent environment of stress, consolidation, and liquidity injections in the global banking system, Bitcoin investors have experienced a remarkable one-week gain, one of the strongest ever recorded.

Despite the collapse of SVB and Silvergate Capital, the cryptocurrency market exhibited resilience and remained unaffected. This suggests that there is a decreasing correlation between traditional finance and the cryptocurrency market, highlighting Bitcoin's ability to fulfill its original purpose since its inception.

In contrast, while traditional banking customers face uncertainty and risk, Bitcoin operates seamlessly and effortlessly, without any signs of distress. It's a moment to applaud Bitcoin's reliability and question the traditional banking system's supposed strength.

About

BINVEST

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.