

DELPHI DIGITAL

Weekly Market Commentary - February 15th, 2020

Bitcoin Hits \$10,000 as Crypto Market Surges in 2020

- Bitcoin finally broke back above \$10,000 this week for the first time since September (excluding its brief spike in late October), pushing its 2020 gains over 40%. The \$10K mark is more significant from psychological perspective than a technical one, but it certainly generated headlines and enthusiasm among the crypto community.
- Bitcoin is not the only crypto asset about to experience a golden cross; ETH's 50-day moving average is on the cusp of crossing above its 200-day equivalent for the first time since April 2019. ETH's price has more than doubled this year, hitting its most overbought level since January 2018 this week as measured by its 14-day RSI.
- Real yields on 10-year U.S. Treasury notes are hovering near their lowest level in over seven years after falling back into negative territory at the end of January.
- Weekly changes in the S&P 500 and Fed assets have moved in the same direction 85% of the time since the second week of October.



Lead Analyst

Kevin Kelly, CFA

kevin@delphidigital.io



Chart of the Week

Bitcoin is eyeing another golden cross – a bullish technical pattern characterized by its 50-day moving average crossing above its 200-day equivalent – for the first time since April 2019. BTC initially sold off following the April occurrence, falling nearly 10% over the following week, before ripping 150% through the final week of June. If BTC's price stays flat, its 50-day moving average will cross above its 200-day equivalent early this week.

Bitcoin Eyes Golden Cross - BTCUSD vs. 50, 100, 200-Day MA



Sources: TradingView, BitMEX

Bitcoin Breaks \$10K...Again

Bitcoin finally broke back **above \$10,000** this week for the first time since September (excluding its brief spike in late October), pushing its **2020 gains over 40%**. The \$10K mark is more significant from psychological perspective than a technical one, but it's certainly generated headlines and enthusiasm among the crypto community. **Bitcoin's 14-day RSI hit its highest level since June**, adding further support for BTC's latest uptrend. However, its failure to break above its intra-day high from late October may have pushed some traders to take a bit of profit. The recent uptrend in BTC is still intact despite today's pullback, though a sizable sell-off below \$9,600 or so may be cause for concern in the near term.

BTC vs. 14-Day RSI



Data as of February 15th, 2020

Source: TradingView, BitMEX

Bitcoin's Inevitable Golden Cross

On a brighter note, bitcoin is eyeing another golden cross – a bullish technical pattern characterized by its 50-day moving average crossing above its 200-day equivalent – for the first time since April 2019. We discussed the inevitable golden cross back then given its bullish implications; **BTC initially sold off, falling nearly 10% over the following week, before ripping 150% through the final week of June.** On the flip side, we saw similar price action in summer 2015 where BTC dropped 35% in the five weeks after experiencing a golden cross. Given its limited history, BTC has only exhibited this pattern a handful of times, but in general this indicator is regarded as bullish for the trajectory of an asset's price even if it experiences a short-term pullback. **If BTC's price stays flat, its 50-day MA will cross above its 200-day equivalent early this week.**

BTC vs. 50, 100, 200-Day Moving Averages



Data as of February 15th, 2020

Source: TradingView, BitMEX

ETH Eyes Golden Cross

Bitcoin is not the only crypto asset about to experience this bullish technical pattern; **ETH's 50-day moving average is on the cusp of crossing above its 200-day equivalent** as well. Like bitcoin, ETH experienced a golden cross back in April following its 25% price jump to start Q2 2019. ETH also sold off roughly 15% over the following week before continuing its rise through late June; ETH surged more than 120% over the period. ETH's price has more than doubled this year, hitting its most overbought level since January 2018 this week as measured by its 14-day RSI.

ETHUSD vs. 50, 100, 200-Day Moving Averages (Top) & 14-Day RSI (Bottom).



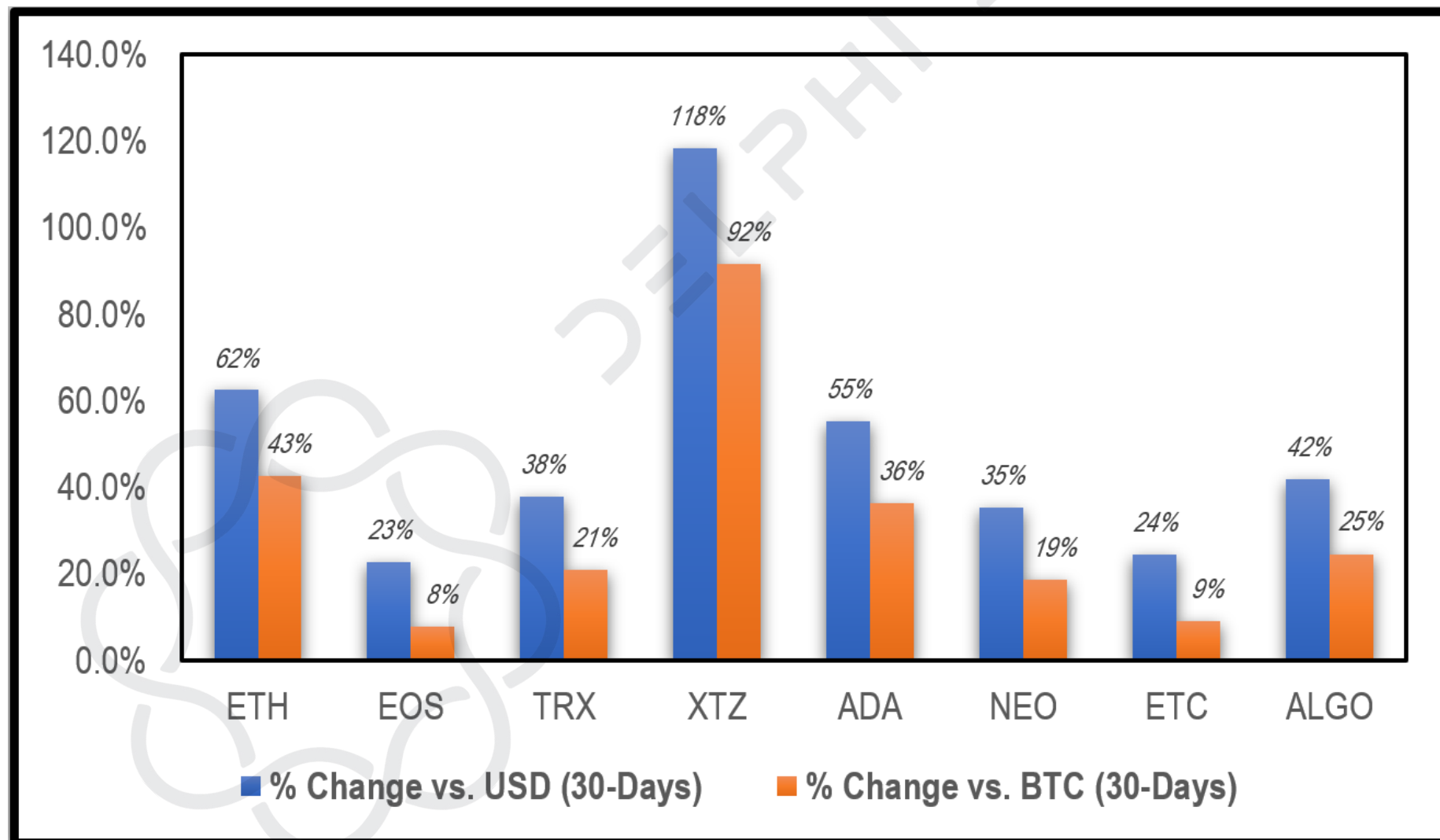
Data as of February 15th, 2020

Source: TradingView, Coinbase

Return on "Alts" Surge

The crypto market is on fire through the first six weeks of 2020. Dozens of assets are boasting +100% gains year-to-date and the crypto market at-large has added more than \$100 billion in market value this year alone. The latest run up has featured new leadership, however, with bitcoin lagging some of the biggest gainers so far. Mid-cap and small-cap names are outpacing larger peers after spending much of the last year in the shadows. A handful of Bitcoin forks (or forks of forks) turned parabolic in recent weeks while several large smart contract platform (SCP) assets have seen prices take off. ETH, the most prominent of all, has returned 105% since the start of the year. Numerous competing crypto assets are boasting more impressive numbers, but fundamentally it's difficult to argue against Ethereum's supremacy in the SCP race so far.

Notable Smart Contract Platform Asset Performance



Data as of February 15th, 2020

Source: OnChainFX

Global Interest Rising

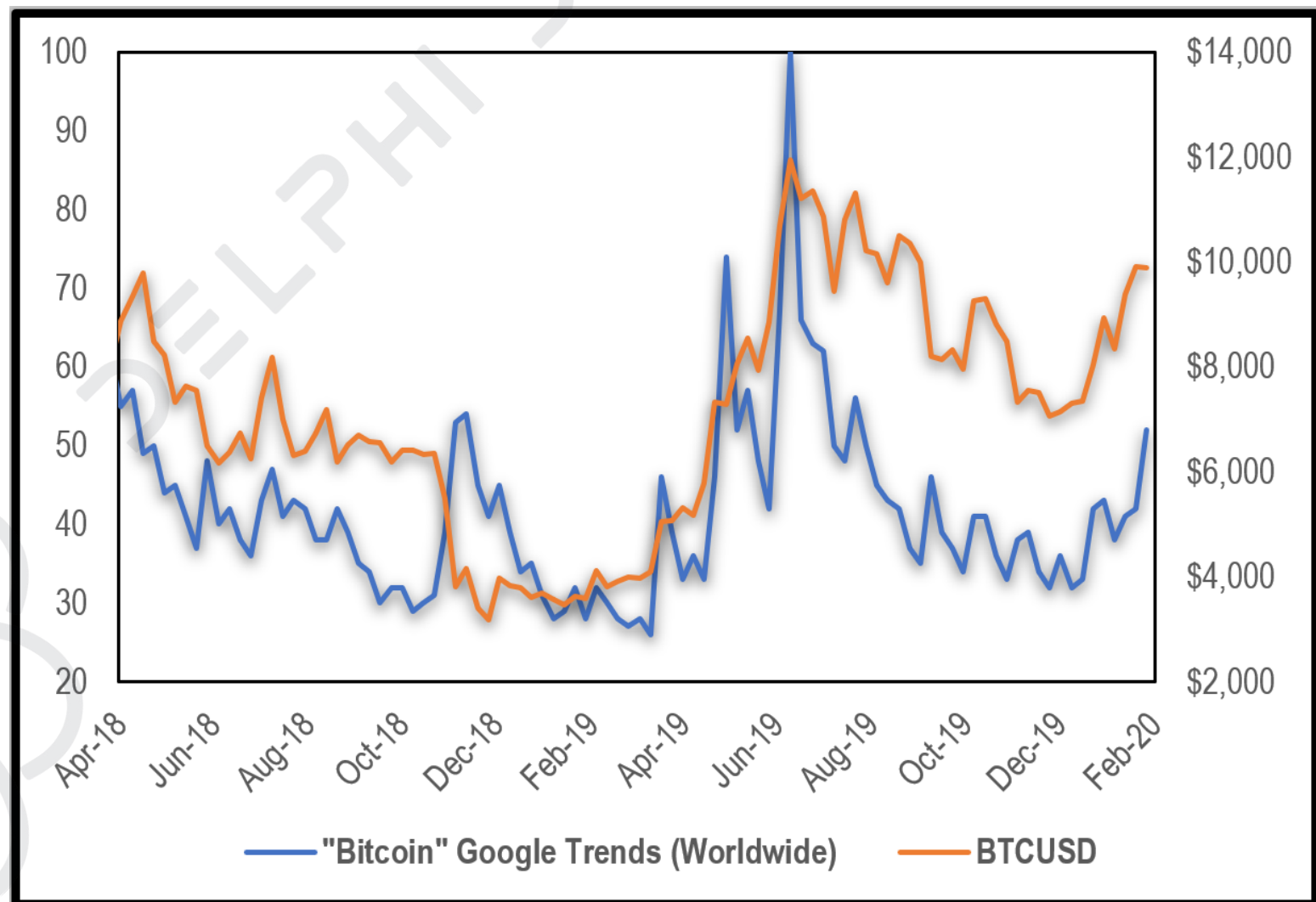
The crypto market's latest surge is **piquing interest among a wide array of investor types**; wealth managers, financial advisors, global macro hedge funds – the list goes on and on. Global interest in crypto is on the rise, at least according to Google Trends, which currently show searches for "Bitcoin" at their highest level since August. One might think gains of this magnitude make crypto assets more attractive to traditional money managers, especially over such a short time period. I mean, investors will be thrilled if the S&P 500 produces half the returns it did last year in 2020, so how could someone possibly shy away from a market that's gained more than 50% in the first six weeks alone?

Well, for starters, many of this year's best performing names have run up with little to no fundamental catalyst, exacerbating their already exorbitant valuations.

Every asset class experiences the ebbs and flows between fundamentally or sentiment-driven cycles, but **this market in particular always seem to have a target on its back**; some people would love nothing more than to see crypto crash and burn, so broad-based rallies where certain assets double or triple in value in a matter of weeks only adds fuel to their fire.

"See, this market is nothing more than a speculative bubble." At least Dentacoin hasn't caught a bid yet...

Bitcoin's Price vs. Worldwide Google Search Trends



Bitcoin Trading More Like Safe Haven

People often refer to this market broadly as “cryptocurrencies”, lumping everything from BTC to Tron in the same general category. But as we know, not all crypto assets are created equal nor are they all competing with one another over one single use case. Bitcoin, for example, has dominated the “digital gold” narrative while Ethereum’s robust network of developers and advocates have positioned ETH as a play on the Web3 movement, including its potential to fuel a parallel decentralized financial system (or DeFi). As one may expect, the correlation between BTC and hedging assets like gold has been much tighter in recent months than the crypto market at large.

Rolling 12M Correlation w. Gold & 10yr U.S. Treasuries - Total Crypto Market ex-BTC (Left) vs. BTC (Right).



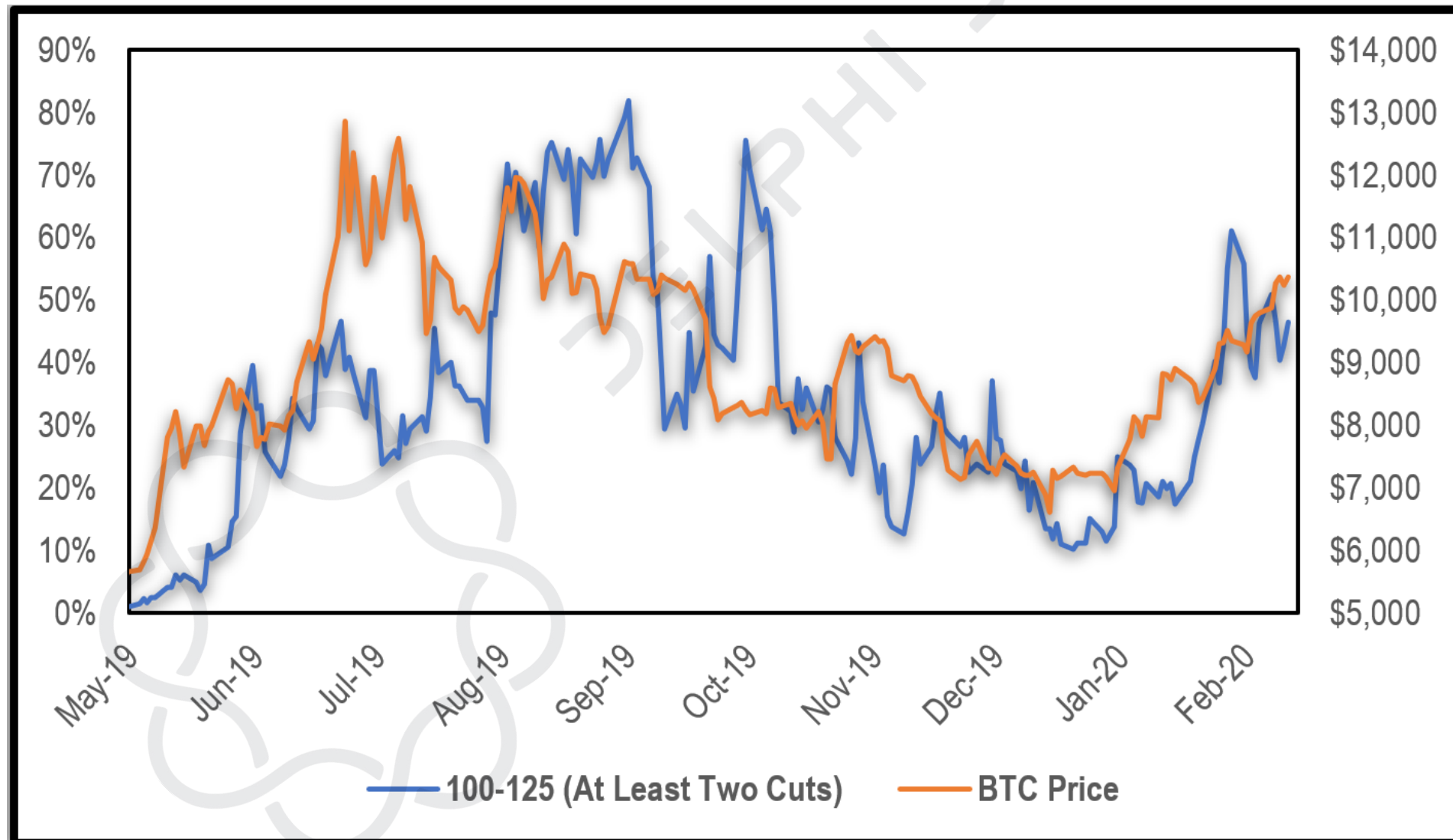
Data as of February 14th, 2020

Source: TradingView, Coinbase, CryptoCap

Market Sees Further Fed Easing

The current stance of U.S. monetary policy is appropriate to support the Fed's employment and inflation objectives, or at least that's the message Powell & Co. tried to convey in the central bank's latest semi-annual update on the outlook for monetary policy. But markets are less confident the Fed will remain neutral as the year goes on; **the probability of at least one Fed rate cut in 2020 has increased substantially since the start of the year.** The odds of **two or more rate cuts is nearly 50% compared with less than 15% just six weeks ago.** Real yields on 10-year U.S. Treasury notes also sank back into negative territory at the end of January, hitting their lowest level in almost seven years (-0.14%). Currently, real yields are still hovering around -0.06%.

BTC vs. Fed Funds Rate Probability (Dec. 2020)



Fed Aims to Scale Back

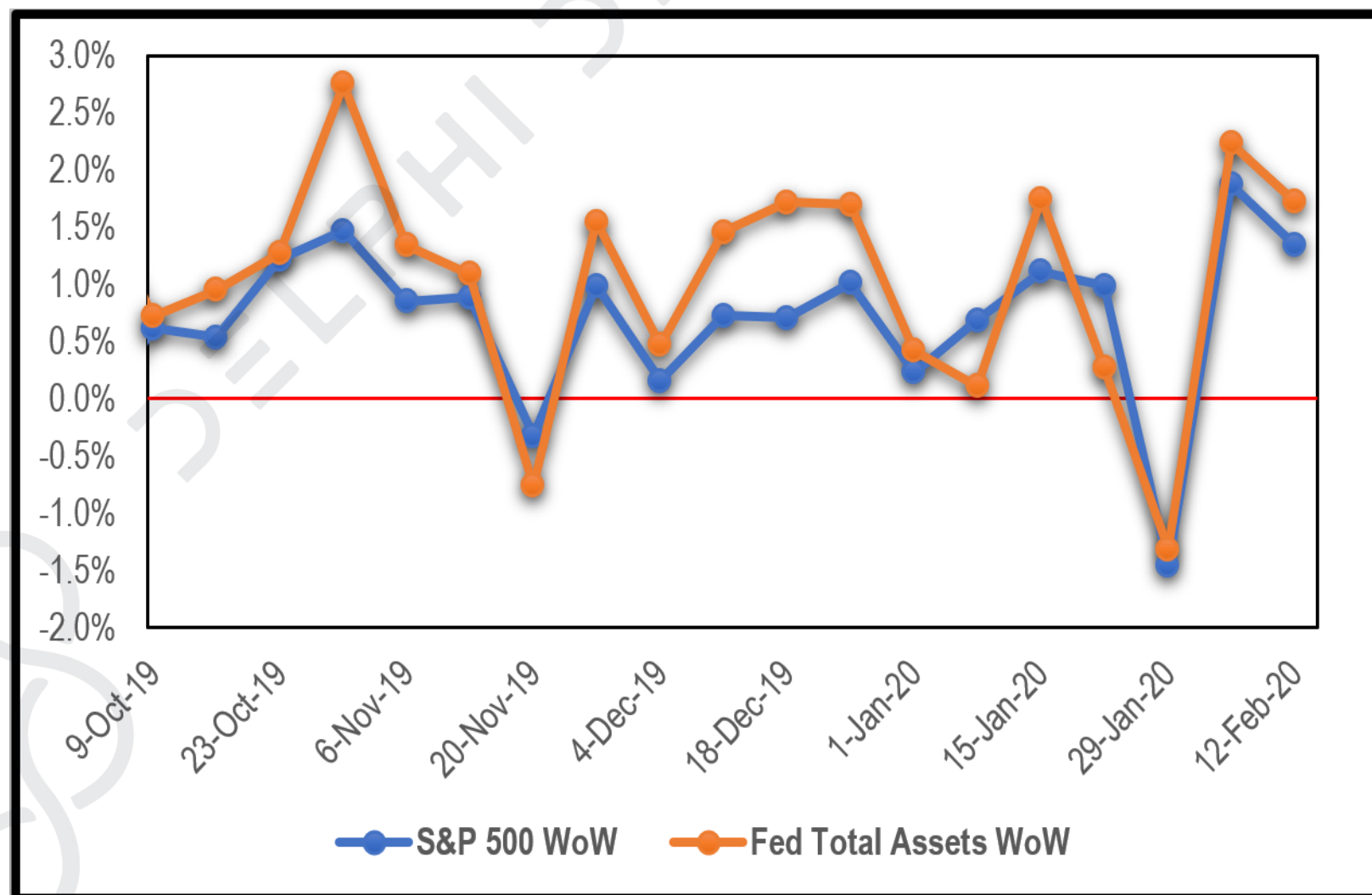
Contrary to recent commentary from Fed officials, it's difficult to deny the downstream effects the central bank's latest round of bill purchases has had on risk assets. The Fed's \$400 billion balance sheet expansion over the last five months coincided with a 15% rise in the S&P 500, pushing the index to fresh record highs. In fact, since the second week of October, the S&P 500 and the level of Fed assets have moved in the same direction 85% of the time. In other words, if the Fed's balance sheet rises week-over-week, odds are the S&P 500 is moving higher with it.

The Fed announced another reduction in the size of its repo agreement operations starting next week in a continued attempt to slowly pair back its latest intervention. Money markets appear to have stabilized, giving policymakers the confidence to decrease the size of repo operations going forward.

Historically, **risk assets have not responded favorably when such liquidity provisions wind down**, causing some concern the party in stocks may be nearing its final hour.

Discussions around a standing repo facility, however, are ongoing, which would help alleviate investors' fear of a market sell-off or correction.

S&P 500 vs. Fed Total Assets Week-Over-Week



Crypto Asset Movers & Shakers



DELPHI DIGITAL

Notable Large-Cap Crypto Asset Returns

	7D	30D	90D	YTD
NEO	30.46%	46.46%	34.44%	109.61%
ETH	27.95%	71.87%	56.63%	106.91%
XEM	22.79%	96.38%	65.63%	6.91%
XLM	20.75%	58.50%	21.56%	-24.84%
XRP	20.40%	44.14%	28.20%	-7.80%
TRX	19.91%	52.87%	41.41%	34.75%
BNB	19.63%	49.49%	30.70%	347.51%
XMR	19.53%	39.06%	54.53%	99.83%
ADA	18.31%	65.86%	61.22%	66.24%
EOS	17.26%	42.96%	59.32%	104.18%
DASH	12.50%	-0.06%	96.27%	66.43%
BCH	12.35%	45.60%	86.30%	207.11%
LTC	12.06%	43.27%	42.75%	164.39%
ZEC	6.73%	32.94%	103.27%	24.20%
BTC	5.80%	17.70%	22.22%	172.32%
ETC	2.80%	50.62%	159.58%	130.93%
MKR	2.24%	18.80%	-7.46%	34.30%
MIOTA	0.93%	38.85%	25.98%	-7.47%

***Data as of 02/14/20**

****The above table is powered by Digital Assets Data, a fintech company building a knowledge platform to manage data and deploy investment models.**



Digital Assets Data

Disclosures

The Research Team may own the tokens represented in this report, and as such this should be seen as a disclosure of any potential conflict of interest. Anyone can contact Delphi Digital for full token disclosures by team member at Team@DelphiDigital.io. This report belongs to Delphi Digital, and represents the opinions of the Research Team.

Delphi Digital is not a FINRA registered broker-dealer or investment adviser and does not provide investment banking services. This report is not investment advice, it is strictly informational. Do not trade or invest in any tokens, companies or entities based solely upon this information. Any investment involves substantial risks, including, but not limited to, pricing volatility, inadequate liquidity, and the potential complete loss of principal. Investors should conduct independent due diligence, with assistance from professional financial, legal and tax experts, on topics discussed in this document and develop a stand-alone judgment of the relevant markets prior to making any investment decision.

Delphi Digital does not receive compensation from the companies, entities, or protocols they write about. The only fees Delphi Digital earns is through paying subscribers. Compensation is not received on any basis contingent upon communicating a positive opinion in this report. The authors were not hired by the covered entity to prepare this report. Delphi Digital did not receive compensation from the entities covered in this report for non-report services, such as presenting at author sponsored investor conferences, distributing press releases or other ancillary services. The entities covered in this report have not previously paid the author in cash or in stock for any research reports or other services. The covered entities in this report are not required to engage with Delphi Digital.

The Research Team has obtained all information herein from sources they believe to be accurate and reliable. However, such information is presented “as is,” without warranty of any kind – whether expressed or implied. All market prices, data and other information are not warranted as to completeness or accuracy, are based upon selected public market data, reflect prevailing conditions, and the Research Team’s views as of this date, all of which are accordingly subject to change without notice. Delphi Digital has no obligation to continue offering reports regarding this topic. Reports are prepared as of the date(s) indicated and may become unreliable because of subsequent market or economic circumstances. The graphs, charts and other visual aids are provided for informational purposes only. None of these graphs, charts or visual aids can and of themselves be used to make investment decisions. No representation is made that these will assist any person in making investment decisions and no graph, chart or other visual aid can capture all factors and variables required in making such decisions.

The information contained in this document may include, or incorporate by reference, forward-looking statements, which would include any statements that are not statements of historical fact. No representations or warranties are made as to the accuracy of such forward-looking statements. Any projections, forecasts and estimates contained in this document are necessarily speculative in nature and are based upon certain assumptions. These forward-looking statements may turn out to be wrong and can be affected by inaccurate assumptions or by known or unknown risks, uncertainties and other factors, most of which are beyond control. It can be expected that some or all of such forward-looking assumptions will not materialize or will vary significantly from actual results. Nothing in this report can be re-purposed or shared without the expressed consent of Delphi Digital. View our Terms of use [here](#).



DELPHI DIGITAL

85 Broad Street
New York, NY, 10004
www.delphidigital.io



team@delphidigital.io