

DELPHI DIGITAL

Weekly Market Commentary - Apr. 27, 2019



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Total Public Market Value (ex-BTC)

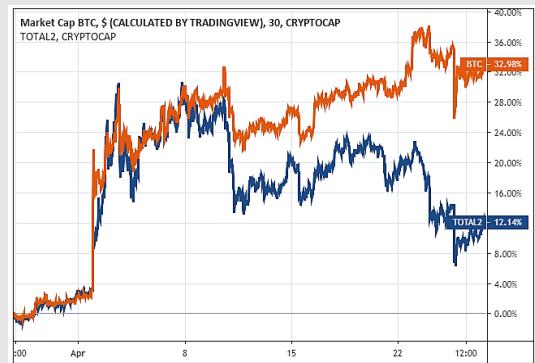
12-Month Performance (Normalized)



6-Month Performance (Normalized)



30-Day Performance (Normalized)



Lead Analyst



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New York AG Throws Cold Water on Crypto Rally

- The New York Attorney General's Office rattled the crypto market this week as it pursues legal action against iFinex Inc., the operator of Bitfinex, and Tether Limited, the issuer of the Tether stablecoin (USDT) for the apparent cover-up of \$850 million of missing co-mingled client and corporate funds.
- Bitcoin was one of the best performers this week, holding above \$5,000 despite the knee-jerk reaction to the NYAG news that sent BTC tumbling nearly 10%, dipping below \$5,100 intra-day on Thursday. Momentum has shifted in favor of larger crypto assets recently as the market fades smaller valued peers amid the recent uncertainty.
- Risk assets continue to shine as the S&P 500 closed at a new all-time record high this week. Technology stocks have been a key driver for the index's recent run up as investors seek out assets with above-average growth potential.

Chart of the Week

BTC Price (Orange) vs. Bitfinex Margin Long/Short Ratio (Green)





Suspecting the Unexpected

In this week's edition of "What Caused Crypto Market Volatility", the big news was the court order filing by the New York Attorney General's Office involving iFinex Inc., the operator of Bitfinex, and Tether Limited, the issuer of the Tether stablecoin (USDT). The legal action is a product of the OAG's investigation into potential violations of New York State law relating to New York investors trading on Bitfinex's platform and the apparent cover-up of \$850 million of missing co-mingled client and corporate funds. Unsurprisingly, the market had a sharp negative reaction to the news as the Tether suspicions many feared finally came to light. Bitcoin's price fell almost 10% within the hour after the story broke just past 5pm ET on Thursday.

"Our investigation has determined that the operators of the 'Bitfinex' trading platform, who also control the 'tether' virtual currency, have engaged in a cover-up to hide the apparent loss of \$850 million dollars of co-mingled client and corporate funds. New York state has led the way in requiring virtual currency businesses to operate according to the law. And we will continue to stand-up for investors and seek justice on their behalf when misled or cheated by any of these companies."

- Attorney General Letitia James

BTC Decline & Recovery Since Sell-Off



We don't want to speculate on the impact this will have on the crypto market given there are still many questions surrounding the situation. Our high-level thoughts at this current moment are that this could be bearish for BTC (and the broad market) in the short-term, especially if it chokes off the recent retail enthusiasm and the FOMO trade that has helped lift BTC the last few weeks. We've already seen a sizable amount of clients transfer funds from Bitfinex because of this uncertainty, but it is unclear as of yet how many more will choose to sell their holdings entirely versus transferring funds to another exchange or wallet. However, the sharp rebound in BTC following the event is further evidence that there is still strong demand for bitcoin near the \$5,000 level.

Longer-term, this will likely cause a healthy wash out of suspicious actors most people were skeptical of to begin with. We are not making any conclusions about this case as this is not our area of expertise nor are we assuming that Bitfinex and Tether fall into the "bad actor" category. We simply believe the seriousness of this legal action will accelerate the level of scrutiny regulators impose as they attempt to expel malicious actors from this nascent market.

For those interested in digging into the details, you can find the official 23-page court filing [here](#). The Block was the first to break the news with a succinct summary of the key points, which can also be found [here](#).

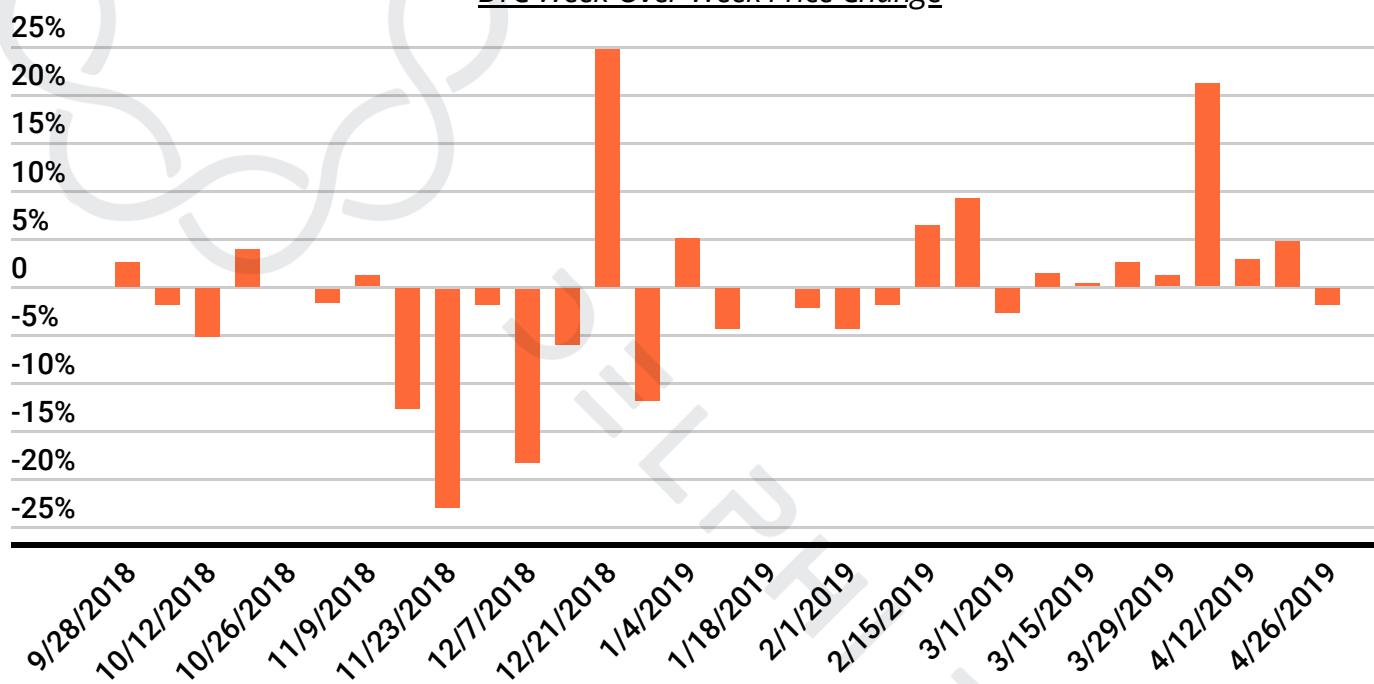


Bitcoin Ends Weekly Winning Streak

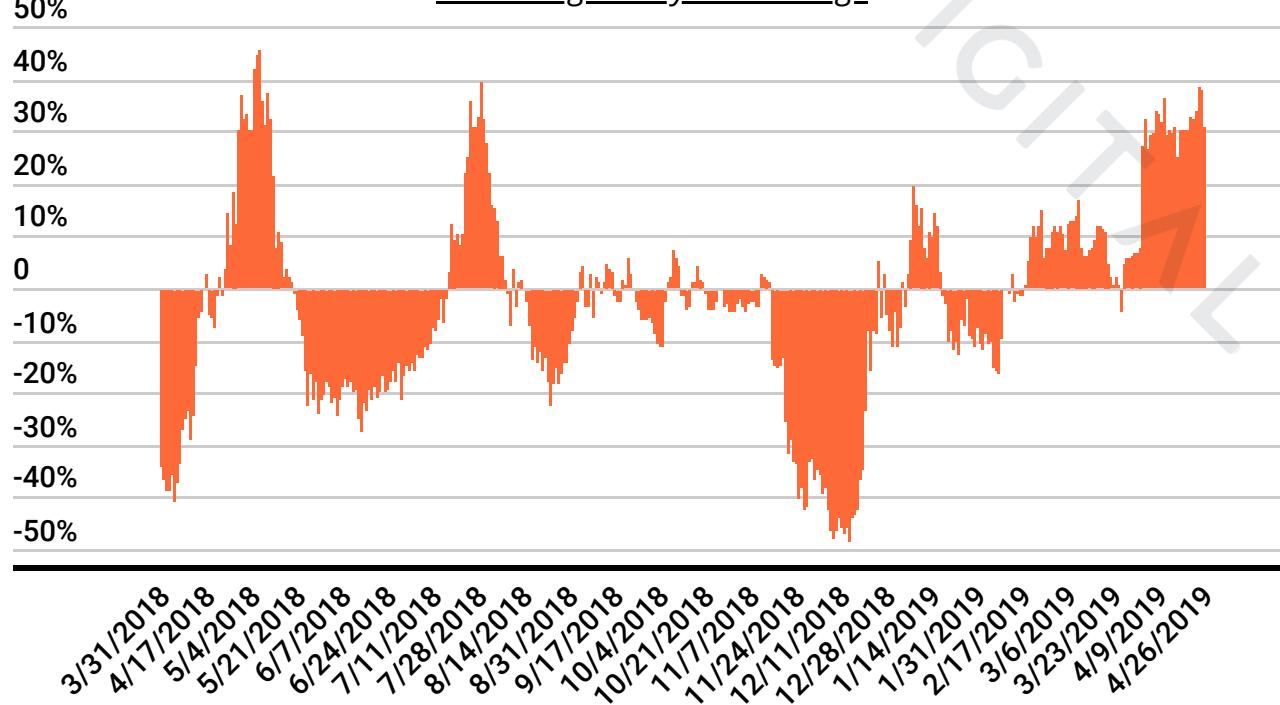
Despite the legal drama towards the end of this week, bitcoin's price recovered rather swiftly from Thursday's intra-day low below \$5,100 to its current level of \$5,350. We view the market's resilience as further support for BTC's outperformance the last couple months. There are still many people on the sidelines waiting for the opportune moment to scoop up some bitcoin after it's most recent surge to start the second quarter took most by surprise.

Bitcoin is on pace to end its seven week streak of week-over-week gains dating back to the beginning of March. However, BTC's 30-day gain is still one of the strongest since the start of 2018.

BTC Week-Over-Week Price Change



BTC Rolling 30-Day Price Change





Risk Appetite Not Yet Satisfied

Risk assets are still very much in favor, providing a supportive backdrop for bitcoin and crypto in the near-term barring any further legal surprises or negative news. The S&P 500 broke to a new all-time high this week, closing Friday at its highest level on record. The tech sector has been one of its primary drivers as investors pile back into higher-growth sectors. Information technology makes up 21% of the S&P 500 currently.

Almost all of the equity market's gains this year have been driven by valuation multiple expansion rather than improving fundamentals,

making us a bit more cautious about the rate of price appreciation in stocks going forward. Technical indicators across multiple markets are showing little warning signs that stocks are due for a steep correction like we saw in the fourth quarter.



Equity markets tend to do well during periods of lower volatility. Rapid fluctuations in stock prices tend to occur during periods of heightened uncertainty, usually triggered by a key event. For example, the concerns over optimistic earnings expectations and the subsequent drop in analyst estimates drove major stock market declines in Q4 2018 as equity market volatility spiked.

Given our views on bitcoin as more of a risk-on asset in the near-term, it comes as little surprise BTC has performed so well this year given the drastic fall in equity market volatility. Over the few years, the relationship between BTC performance and equity market volatility appear to be inversely related during times of extreme stress. A low volatility environment for stocks may also serve as a boon for bitcoin.



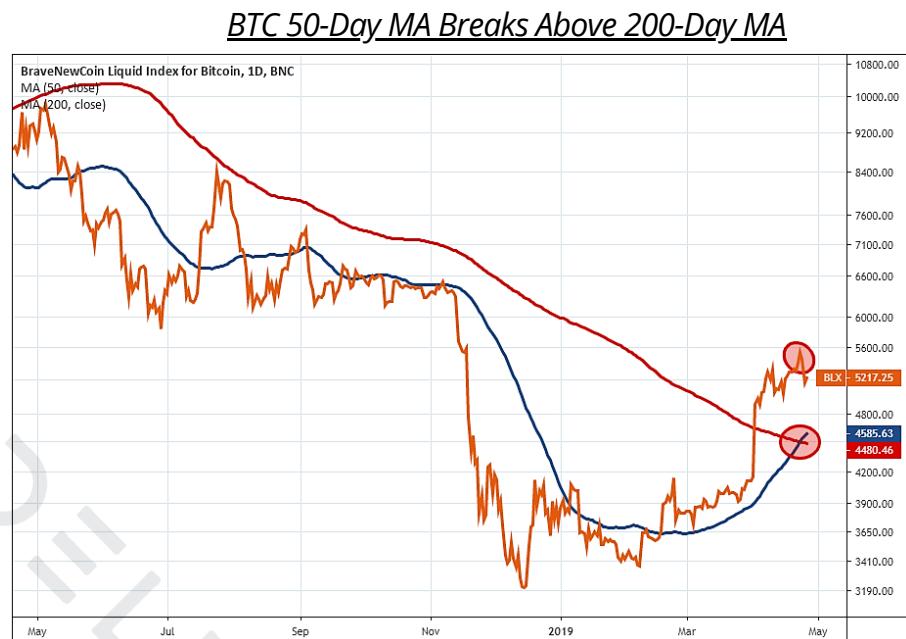
*The VIX Index is a calculation designed to produce a measure of constant, 30-day expected volatility of the U.S. stock market.



Bitcoin's Golden Cross Right on Schedule

Last week we alluded to the inevitable golden cross for bitcoin, a bullish technical pattern where BTC's 50-day moving average crosses above its 200-day equivalent. However, we also noted that prior instances resulted in mixed performance for bitcoin in the 30-90 days following such an event. Coincidentally, bitcoin's 50-day MA broke above its 200-day MA just a couple days before Thursday's quick drop. If BTC falls further, this may be another instance where a golden cross marked a short-term peak.

A golden cross is renowned as a bullish technical pattern for any asset, but it's important to remember just how quick downside volatility can strike. As we've noted, there's only been four instances of a golden cross for BTC since 2012 so our sample size is obviously very limited. Three of these instances resulted in sizable declines in BTC over the following 30, 60, and 90-day periods. Examples from prior cycles can provide additional context behind bitcoin's most recent move higher.



However, these results best serve as a reminder of the swift, volatile nature of the crypto markets, especially when prices appear to be trending in the right direction.

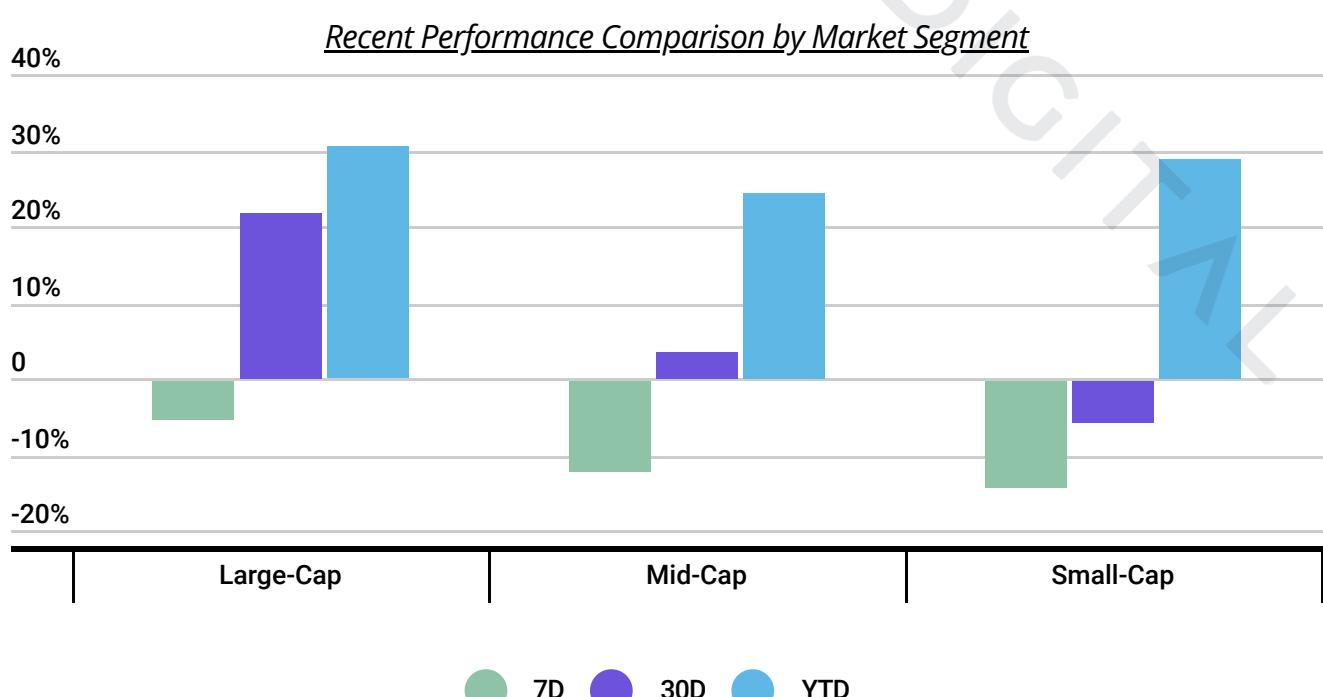
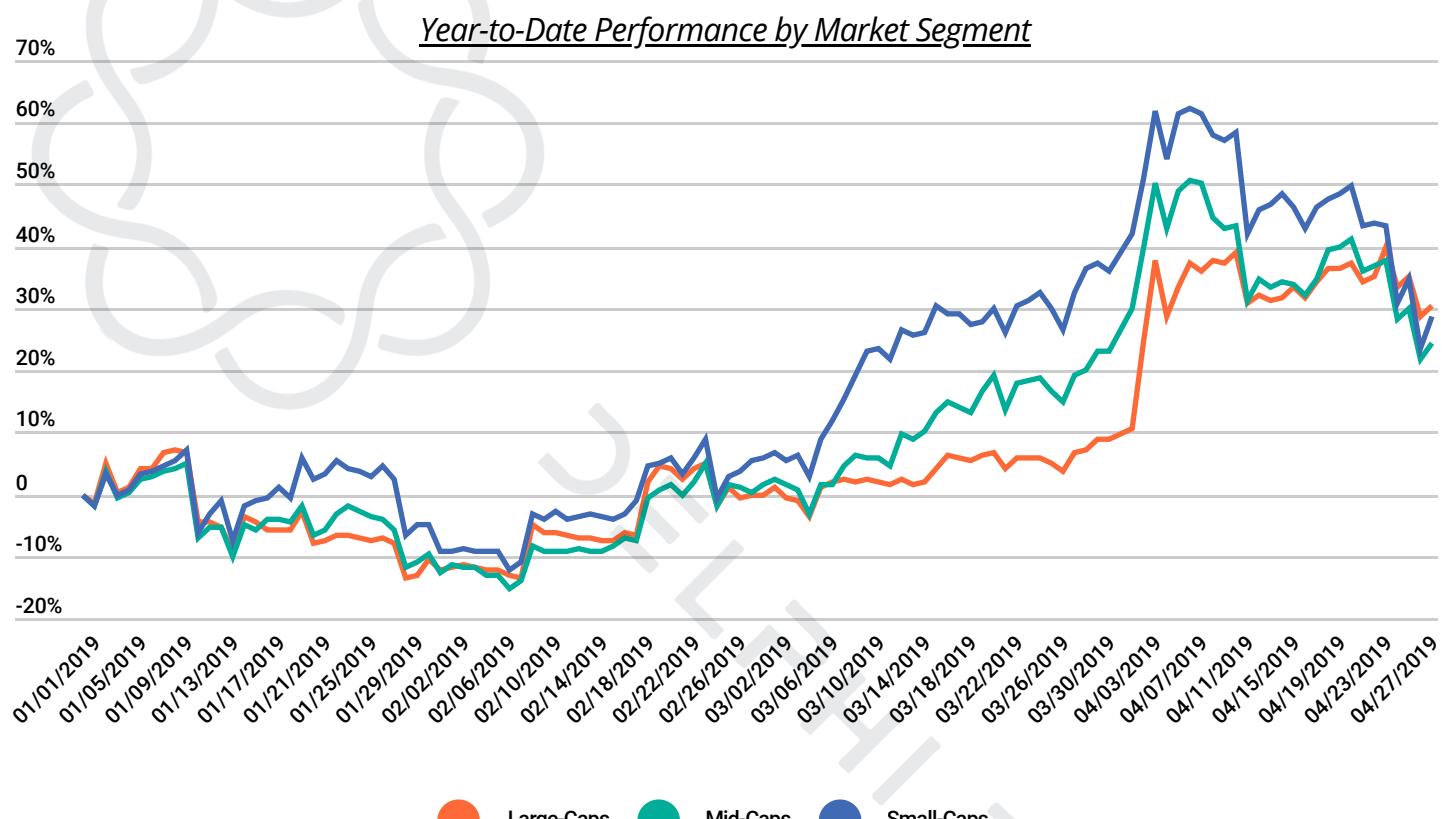
Short-term momentum indicators have faded a bit these last few days for bitcoin. BTC's 14-day RSI is still trending higher, but remains vulnerable at this stage if trader sentiment sours in coming weeks. Another leg down would likely put BTC under additional pressure as a reversal in momentum would imply further price weakness. We will be monitoring this trend closely this week.





Large-Caps Steal The Spotlight

Large-cap crypto assets have surpassed small-caps as the best performing market segment this year, according to the MVIS CryptoCompare Digital Asset 100 Index. This week's pullback hit smaller valued names much harder as investors and traders favored larger peers amid growing market uncertainty. However, all size segments of the crypto market are still boasting sizable gains through the first four months of the year. Intra-market correlations showed further signs of divergence, though another leg down for this market would very likely take a vast majority of crypto assets with it.



*See Source link below for detail on large, mid, and small-cap index constituents.



Crypto Asset Movers & Shakers

Bitcoin (BTC) was the best performer this week, building on the rotation in leadership this month to larger crypto assets. Binance Coin (BNB) was among the top relative performers this week despite its +6% decline. BNB is still up over 250% year-to-date to put this week's decline in perspective. Litecoin (LTC) is among the few names with a +100% gain this year as well.

A majority of the largest crypto assets saw double digit losses this week, led by Maker (MKR) and NEO. XLM, BCH, and EOS also struggled. XRP and BSV fell roughly 10% each week-over-week, but year-to-date find themselves among the bottom of the barrel with double digit declines.

April has proven to be a mixed bag as return dispersion continues to emerge among crypto

Top Crypto Asset Returns				
Ticker	7D	30D	90D	YTD
BTC	-0.5%	29.2%	46.5%	41.1%
BNB	-6.6%	36.3%	226.2%	271.3%
NEM	-7.9%	14.4%	7.2%	-8.6%
BSV	-9.4%	-18.5%	-27.2%	-36.6%
XMR	-9.5%	13.4%	35.8%	34.3%
ETH	-10.0%	10.9%	34.2%	17.2%
TRON	-10.0%	1.1%	-16.6%	26.9%
XRP	-10.1%	-4.5%	-5.0%	-15.4%
DASH	-11.0%	14.6%	47.6%	38.5%
LTC	-11.4%	17.5%	120.6%	140.0%
ZEC	-12.2%	6.5%	17.3%	8.6%
ADA	-12.9%	2.4%	62.3%	68.6%
IOTA	-13.3%	-12.6%	-6.0%	-24.4%
ETC	-13.5%	11.9%	26.2%	7.7%
EOS	-13.7%	9.7%	94.3%	84.4%
BCH	-14.0%	52.4%	107.6%	74.7%
XLM	-14.3%	-8.3%	-0.9%	-12.1%
NEO	-15.2%	0.1%	25.0%	25.0%
MKR	-19.6%	-32.6%	11.2%	10.2%

*Returns in USD

Data as of 04/27/19

Total Crypto Market Cap (ex-BTC) 14-Day RSI



The strengthening trend in momentum for alternative crypto assets may be under threat after this week's losses.

The 14-day RSI for total crypto market value (ex-BTC) has taken a sharp dip, putting this year's steady grind higher in question. It's too early to sound the alarm bells, but the market appears vulnerable at this level.



Golden Crosses For All

Bitcoin's golden cross made headlines this week, but a number of other large alternative crypto assets have also exhibited similar technical patterns. We've listed a few examples that help explain some of the recent strength among larger valued names heading into this week.

ETHUSD shows a recent golden cross pattern, though similar to BTC this has not prompted further gains given this week's events. ETH price is also now flirting with its 50-day moving average after this week's pullback, which could lead to further price weakness if it takes another leg down from here. It currently sits about 12% above its 200-day moving average.



Litecoin (LTC), on the other hand, has seen significant gains since its golden cross in mid-March, rising over 25% in the last six weeks. BTC, however, has surged 36% over the same period. LTC is also bouncing off its 50-day MA, though its upward trend still appears intact as of now on a USD basis.

LTC 50-Day & 100-Day Cross Above 200-Day MA





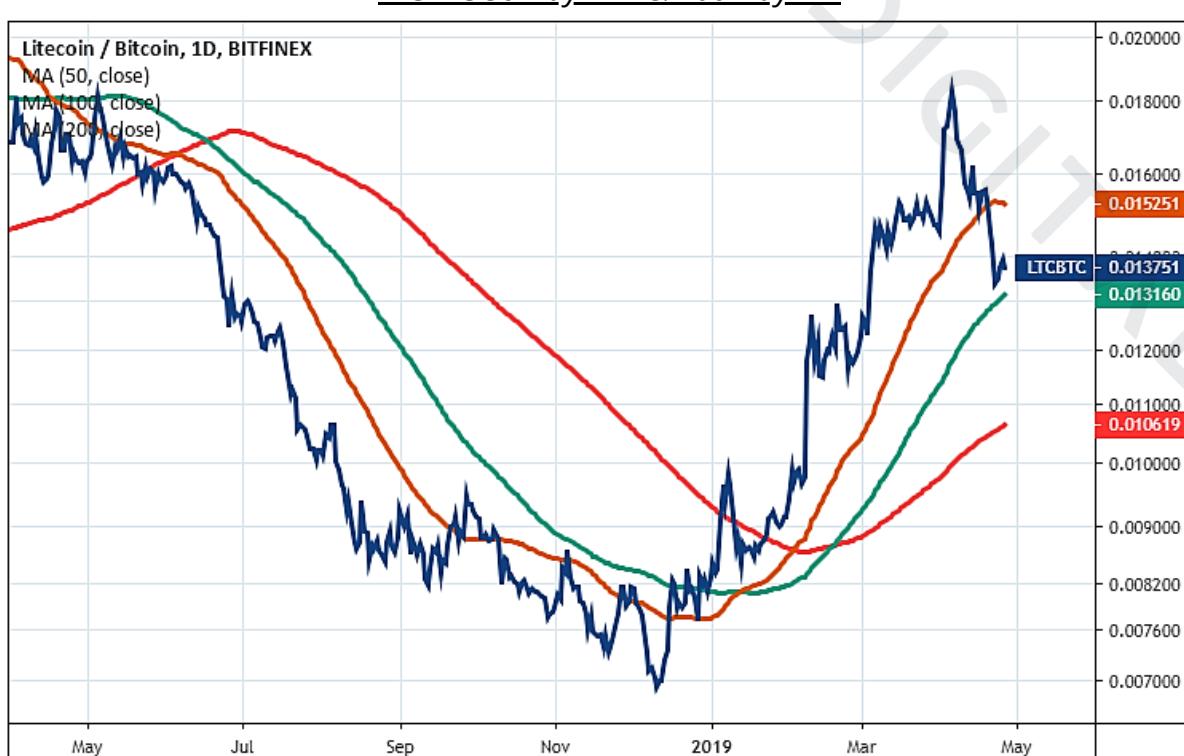
Trend Weaker Against BTC

Despite the recent bullish technical patterns for ETH and LTC in USD terms, compared to BTC the picture is not so rosy. ETHBTC looks likely to experience another 'death cross' (50-day MA crossing below 200-day), which could lead to drastic underperformance in the short run. ETHBTC fell roughly 40% and 25% in the four weeks following the last two times a death cross occurred. Notably, LTCBTC has broken below its 50-day MA as well.

ETHBTC 50-Day MA vs. 200-Day MA



LTCBTC 50-Day MA vs. 200-Day MA





What Else We're Watching

XRP has been a laggard for much of 2019, underperforming BTC by over 55 percentage points year-to-date. The trend isn't showing any signs of reversing either. XRPBTC has plummeted since its infamous death cross in mid-March. The XRPUSD chart also looks unappealing as all trends point downward.

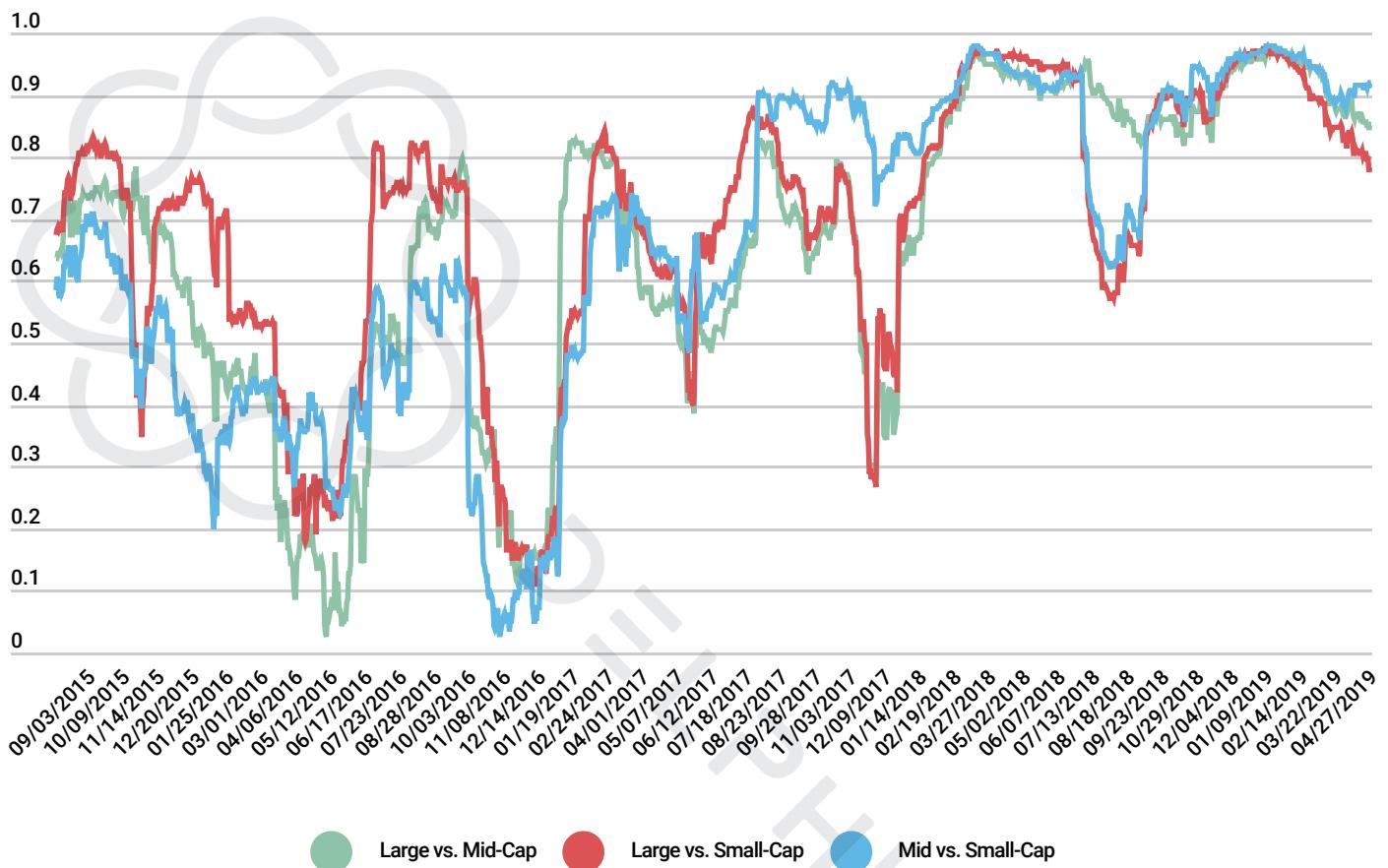
XRPBTC Death Cross (Top) & XRPUSD vs. 50, 100, 200-Day MA (Bottom)



Appendix



60-Day Correlations Between Large, Mid, & Small Caps



60-Day Correlations																			
	BTC	XRP	ETH	EOS	XLM	LTC	BCH	TRON	ADA	XMR	IOTA	BNB	DASH	NEM	ETC	NEO	ZEC	BSV	MKR
BTC	1.00	0.83	0.90	0.80	0.64	0.82	0.80	0.67	0.67	0.82	0.68	0.33	0.63	0.81	0.58	0.74	0.71	0.62	
XRP	0.83	1.00	0.86	0.77	0.74	0.70	0.58	0.74	0.65	0.84	0.75	0.38	0.72	0.78	0.60	0.73	0.75	0.63	0.71
ETH	0.90	0.86	1.00	0.84	0.67	0.80	0.66	0.79	0.68	0.85	0.75	0.48	0.74	0.81	0.66	0.76	0.76	0.73	0.72
EOS	0.80	0.77	0.84	1.00	0.62	0.84	0.70	0.67	0.66	0.71	0.64	0.44	0.66	0.71	0.53	0.74	0.67	0.62	0.63
XLM	0.64	0.74	0.67	0.62	1.00	0.51	0.50	0.64	0.51	0.67	0.62	0.19	0.62	0.64	0.54	0.57	0.55	0.52	0.52
LTC	0.82	0.70	0.80	0.84	0.51	1.00	0.83	0.58	0.69	0.64	0.57	0.51	0.64	0.71	0.50	0.80	0.64	0.76	0.61
BCH	0.80	0.58	0.66	0.70	0.50	0.83	1.00	0.48	0.69	0.49	0.44	0.21	0.45	0.64	0.47	0.68	0.53	0.58	0.47
TRON	0.67	0.74	0.79	0.67	0.64	0.58	0.48	1.00	0.58	0.70	0.68	0.25	0.66	0.72	0.65	0.64	0.66	0.59	0.52
ADA	0.67	0.65	0.68	0.66	0.51	0.69	0.69	0.58	1.00	0.58	0.61	0.21	0.53	0.70	0.45	0.76	0.66	0.60	0.59
XMR	0.82	0.84	0.85	0.71	0.67	0.64	0.49	0.70	0.58	1.00	0.78	0.42	0.77	0.75	0.55	0.66	0.83	0.59	0.64
IOTA	0.68	0.75	0.75	0.64	0.62	0.57	0.44	0.68	0.61	0.78	1.00	0.39	0.70	0.71	0.67	0.67	0.76	0.59	0.63
BNB	0.33	0.38	0.48	0.44	0.19	0.51	0.21	0.25	0.21	0.42	0.39	1.00	0.47	0.28	0.22	0.40	0.41	0.35	0.44
DASH	0.63	0.72	0.74	0.66	0.62	0.64	0.45	0.66	0.53	0.77	0.70	0.47	1.00	0.71	0.51	0.67	0.81	0.59	0.60
NEM	0.81	0.78	0.81	0.71	0.64	0.71	0.64	0.72	0.70	0.75	0.71	0.28	0.71	1.00	0.55	0.73	0.74	0.68	0.57
ETC	0.58	0.60	0.66	0.53	0.54	0.50	0.47	0.65	0.45	0.55	0.67	0.22	0.51	0.55	1.00	0.48	0.61	0.53	0.52
NEO	0.74	0.73	0.76	0.74	0.57	0.80	0.68	0.64	0.76	0.66	0.67	0.40	0.67	0.73	0.48	1.00	0.68	0.71	0.64
ZEC	0.71	0.75	0.76	0.67	0.55	0.64	0.53	0.66	0.66	0.83	0.76	0.41	0.81	0.74	0.61	0.68	1.00	0.59	0.61
BSV	0.71	0.63	0.73	0.62	0.52	0.76	0.58	0.59	0.60	0.59	0.59	0.35	0.59	0.68	0.53	0.71	0.59	1.00	0.60
MKR	0.62	0.71	0.72	0.63	0.52	0.61	0.47	0.52	0.59	0.64	0.63	0.44	0.60	0.57	0.52	0.64	0.61	0.60	1.00

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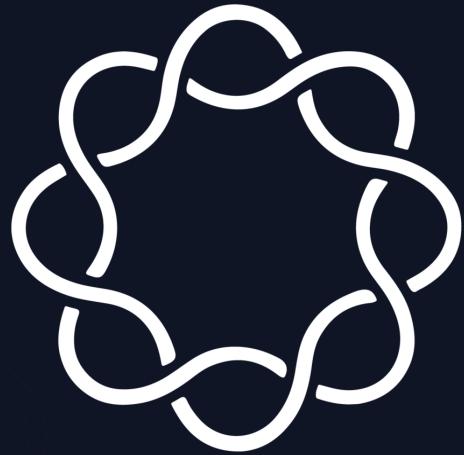
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