

Top Market Events

Executive Summary

- Bitcoin had yet another historic day as it became legal tender in El Salvador. Price, however, flash crashed, marring yet another positive event
- The first round of the second batch of Kusama Parachain auctions are complete, and as per our anticipation, Kilt Spiritnet secured the parachain slot. The second round of auctions has begun with Calamari leading the round

Sell the News

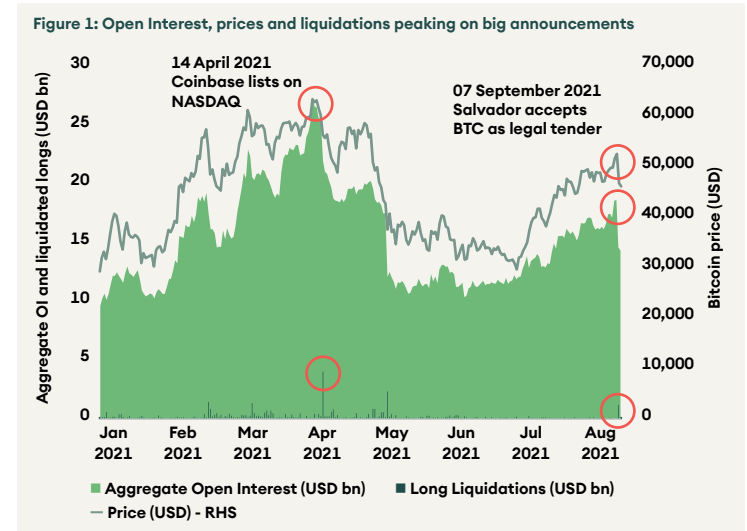
On 07 September 2021, El Salvador became the first country to officially adopted Bitcoin as legal tender. All vendors must now accept bitcoin as a payment option in the country. The day was christened “Bitcoin Day”, and there was an online movement to buy bitcoin for USD 30 to support Salvadorians that had gotten support from investors like Michael Saylor. However, the markets saw yet another flash crash on that day as bitcoin fell 11%. This crash was not atypical of the crypto markets and was only the third-largest daily fall in 2021.

Table 1: Largest daily falls since 2020 in the current run

Date	Daily Returns
12 March 2020	-38%
21 January 2021	-13%
19 May 2021	-12%
07 September 2021	-11%

Source: SEBA Bank, Coinmetrics

Using data, we attempt to describe the market forces at play during such flash crashes. During the lead up to positive news, traders anticipate an increase in prices and try to maximise their gains by taking on levered positions. This is evident from the sharp rise in open interest. Open interest for Bitcoin was at its highest levels since the correction in May.



Source: SEBA Bank, SkewAnalytics, Coinmetrics

As the reality of the event usually does not meet the hype of the perfect imagined world, prices start to correct. With levered positions, the market is fragile, and traders must put up more collateral with every correction. As traders run out of margins, they start closing positions, sending the prices spiralling down. This causes a series of cascading liquidations causing the familiar flash crash in crypto prices.

A similar thing happened during what should have been another very positive event, Coinbase listing on 14 April 2021. Just the day before, on 13 April 2021, bitcoin prices peaked, coinciding with the peak in open interest and liquidations the next day.

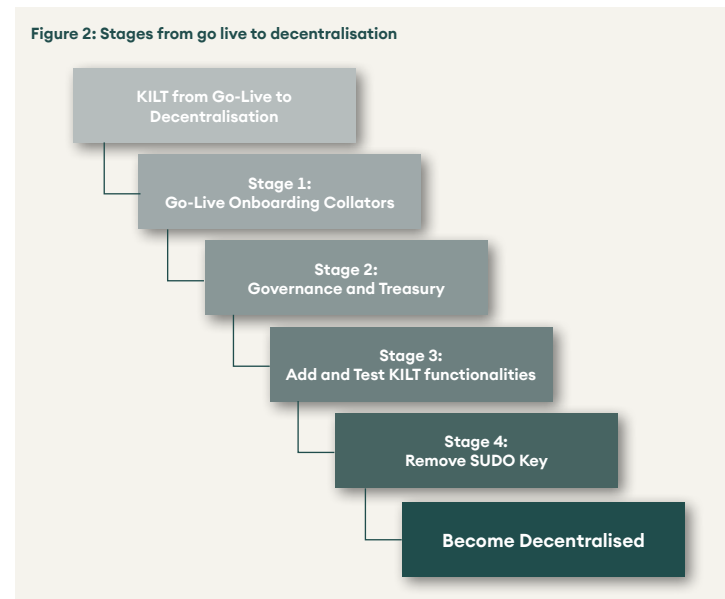
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Kusama Parachain Update

Kilt Spiritnet, a blockchain identity protocol for issuing self-sovereign, anonymous and verifiable credentials, has been declared the winner of the sixth parachain auction. With 220,000 KSM worth USD 78 million staked and around 8,000 backers, Kilt Spiritnet introduces the first runtime upgrade by launching its governance and the treasury. Post this, they will introduce functionalities such as Decentralised Identifiers (DDI's) and Verifiable Credentials. The project won the lease for 48 weeks. The stages to decentralisation are in figure 2 below. For every KSM locked, all participants are eligible for an approximate 25 KILT coins. These rewards will be available to the crowdloan providers once the network becomes decentralised.

With this, we have approximately 1.2 million KSM held in crowdloans. The Kusama network allows for 100 parachains, and the first six parachains themselves cost 12.4% of the total KSM supply. In the future, the price will have to drop dramatically for the remaining ones. With an ideal staking ratio of 50% and 20% in liquid supply, a maximum of only 30% of KSM can be used for auctions. As 12.4% is locked already, we presume the remaining parachains will share 17.6% of the total supply balance.

The seventh round of parachain auction is underway, and Calamari, an on-chain privacy technology, is leading the round with 202,000 KSM raised. The hard cap for Calamari is set to 300,000 KSM by the project.



Source: SEBA Bank, KILT Network

Top Market Events

Technical Outlook

by Mayur Pujara of the Trading Desk

BTCUSD



Source: TradingView

BTCUSD lost almost all gains from the past three weeks in the recent crash. Panic lows of USD 42,900 should work as strong support going forward. Last week was highly volatile for BTCUSD, the pair made a high of USD 52,956 before moving to lows of USD 42,900, and the pair is currently trading at USD 46,200 at the time of writing. Current price action favours buyers as we are trading above panic lows of USD 42,900.

Support: USD 44,000 and USD 42,900

Resistance: USD 48,000

ETHUSD



Source: TradingView

ETHUSD was not able to keep on going bullish momentum as liquidation took place across the market. ETHUSD gave back more than 50% of gains from last week. The pair traded from highs of USD 3,970 to lows of USD 3,015. ETHUSD is currently trading at USD 3,490 at the time of writing. Current price action favours buyers as the market structure is still intact.

Support: USD 3,300

Resistance: USD 3,730 and USD 3,800

Market Monitor

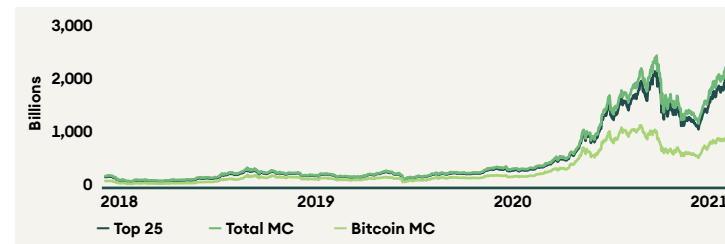
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After six weeks of positive returns, markets gave back some gains. All markets were down a similar amount, as correlation typically increases during a crash.

Figure 1: Market Capitalisation

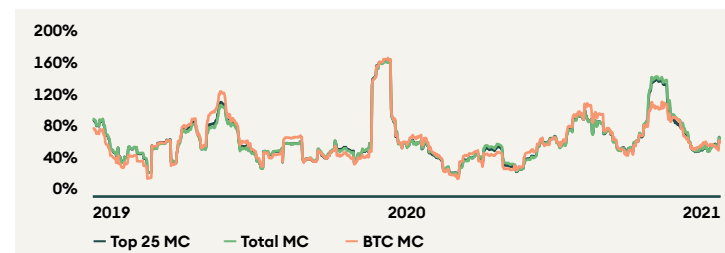
	Market Cap (USDbn)	Weekly Change
Total Market	2,083.4	-5.6%
Top 25	1,877.9	-5.5%
Bitcoin	867.0	-5.6%



Volatilities spiked up with the flash crash but are still below the yearly average of 74-76%.

Figure 2: Risk Measures

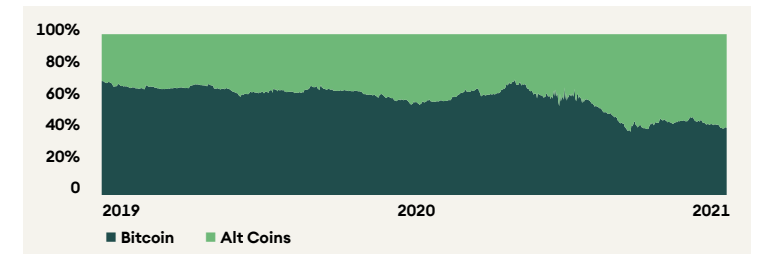
	Current Value	Weekly Change
Total Market	72.0%	7.1%
Top 25	72.4%	6.6%
Bitcoin	67.4%	5.2%



Bitcoin dominance closed flat for the week. It was trending upwards during the week as bitcoin started rising on the back of positive developments, but fell down again with the flash crash.

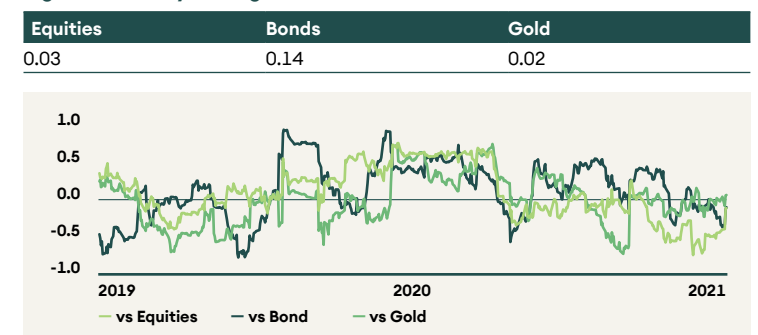
Figure 3: Bitcoin Dominance within Total Market

	Dominance	Weekly Change
Bitcoin	41.62%	-0.01%
Alt coins	58.38%	0.01%

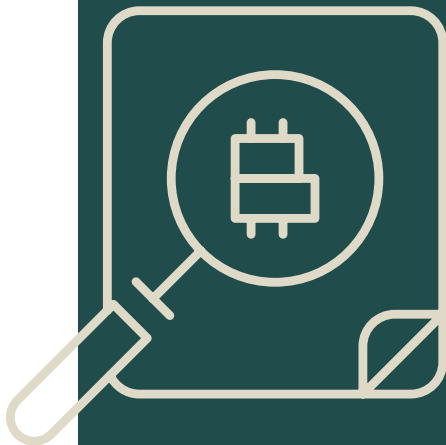


Bitcoin's returns over the past 30-days were uncorrelated with equities and gold and slightly positively correlated with the bond market.

Figure 4: 30-day Rolling Correlations of BTC

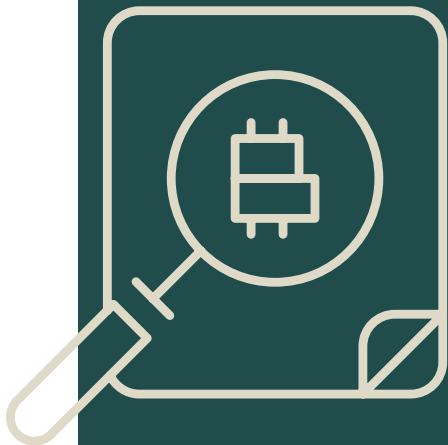


Source: Coinmarketcap.com



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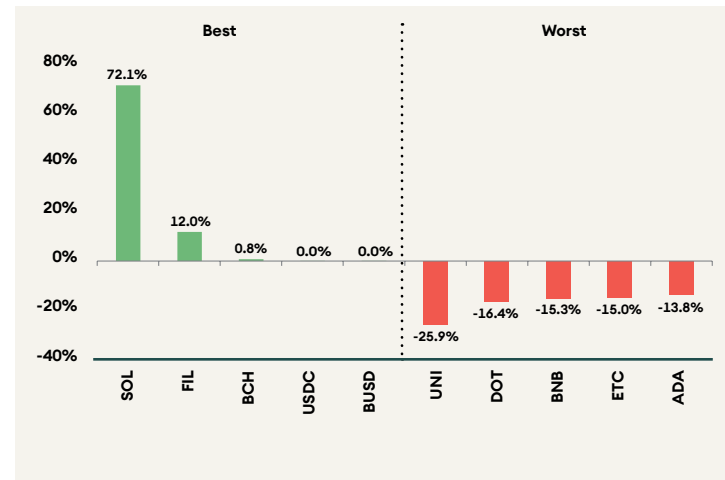


Crypto Market Monitor

Market Monitor

Solana had another impressive week as it challenges Cardano as the primary ETH-killer. Uniswap was the worst performer as the development team is reportedly being investigated by the SEC.

Figure 5: Weekly Best & Worst Five Performers within the Top 25 Coins



Source: Coinmarketcap.com, Thomson Reuters.

Solana is the stand out performer for the year with a whopping 120x YTD. Bitcoin and Litecoin are the worst performers for the year.

Figure 6: Top 25 Crypto Assets by Market Cap

Coin	Marketcap (USD bn)	Price	Weekly Change	YTD
Bitcoin	867.00	46,091.4	-5.6%	57%
Ethereum	410.74	3,497.3	-8.8%	379%
Cardano	79.26	2.5	-13.8%	1,312%
Binance Coin	69.80	415.1	-15.3%	995%
Tether	68.64	1.0	0.0%	0%
Solana	55.94	191.0	72.1%	12,552%
XRP	51.28	1.1	-10.9%	364%
Dogecoin	33.73	0.3	-12.7%	4,423%
USD Coin	28.60	1.0	0.0%	0%
Polkadot	27.36	27.7	-16.4%	233%
Uniswap	14.18	23.2	-25.9%	389%
Binance USD	12.75	1.0	0.0%	0%
Bitcoin Cash	12.48	662.2	0.8%	94%
Chainlink	12.23	27.2	-8.7%	129%
Litecoin	12.00	179.7	-0.7%	42%
Luna	11.77	29.4	-7.1%	4,427%
Internet Computer	9.67	60.9	-8.1%	-86%
Wrapped Bitcoin	9.42	46,230.4	-5.6%	57%
Filecoin	9.11	88.2	12.0%	296%
Polygon	8.87	1.3	-9.4%	6,567%
Avalanche	8.16	37.1	-11.6%	1,080%
Stellar	7.80	0.3	-6.9%	149%
Vechain	7.64	0.1	-13.7%	522%
Ethereum Classic	7.62	58.6	-15.0%	928%
Theta	6.77	6.8	-4.7%	244%

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