

# Top Market Events

## Executive Summary

Dogecoin and Shiba Inu have given 41x and 1,040,000x returns in 2021, and try as we must, meme coins can no longer be ignored

## Beware of Dog

While attracting the disdain of the serious investor community, dog coins or meme coins have become extremely popular in 2021. Shiba Inu (\$SHIB) and Dogecoin (\$DOGE) are now ranked 11 and 12 on Coinmarketcap with market caps of USD 30+ billion.

Before we delve into meme coins, first, we must understand memes. A meme can be thought an independent living structure similar to a gene that wants to grow and propagate but does that through communication between individuals instead of reproduction. As with natural selection or survival of the fittest, the stronger a meme's memetic power, the further it may spread and the longer it may live. A superstition like black cats being unlucky is an example of a widely successful meme. The internet has removed restrictions on communication and transfer of information, and memes have become a significant part of on-line culture.

Investing in meme coins may be akin to investing in the virality of an idea. \$DOGE was launched as a joke in 2013, making fun of the speculative nature of crypto assets, but it has proven to have staying power because of its memetic power. Other dog coins, like \$SHIB, have built on its success. We consider ourselves serious investors and do not see the allure of these dog coins, so we look to other experts' views to justify their rise. Marques Brownlee, or MKBHD, a highly successful Youtuber with 15 million subscribers, postulated that investors are attracted to \$DOGE because it comes across as a fun and light-hearted investment, whereas assets like bitcoin (\$BTC) seem much more serious and intimidating. In a time where crypto or traditional assets can be traded online with minimal entry fees and transaction costs, having a less serious positioning may help attract new investors. This can be seen

from the fact that Robinhood, a popular trading venue for retail investors, saw 62% of its crypto asset trading volumes in Q2 2021 come from \$DOGE.

Additionally, investors may also suffer from unit bias where a low unit price attracts them, and they may mistake the coin to be cheap or undervalued with significant room to grow. This unit bias masks a high market capitalisation, and an uninformed investor may compare prices instead of market caps. When \$DOGE trades at USD 0.30 or \$SHIB at USD 0.00007, an uninformed investor may argue that if \$BTC can be USD 60,000, why can \$DOGE or \$SHIB not trade at USD 1. Of course, the answer is that \$DOGE and \$SHIB have a much higher supply. With 500 trillion circulating supply, if \$SHIB ever trades at USD 1, holders of \$SHIB would be able to buy the entire circulating supply of gold, bitcoin, ether, silver, all of Apple and Google stock, many times over.

Short term price increases in meme coins can be explained by a squeeze on "smart" investors shorting the increase in prices. During this week's increase in prices, short positions on \$SHIB were paying funding rates of 400%+, making their positions extremely fragile. As has been seen for \$BTC on the long side, when markets become fragile, a small change in price can lead to cascading liquidations and a sharp decrease in prices. The opposite happened for \$SHIB and the shorts being liquidated led to an increase in prices.

As meme coins gain more traction, they attract more participants to the ecosystem and may help more people learn about crypto assets. In that sense, they are good for bitcoin and the crypto ecosystem even as they draw attention away from serious projects in the short run.

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## Technical Outlook

by Mayur Pujara of the Trading Desk

### BTCUSD



Source: TradingView

A countertrend move was observed last week for BTCUSD. Sellers emerged after the pair broke all-time highs. The pair traded from highs of USD 67,016 on 21 October to lows of USD 58,100 on 28 October. BTCUSD is trading close to the 20-day moving average. Near-term bias remains bullish for the pair as BTCUSD is trading at USD 61,000 at the time of writing which is fairly placed above its 20-day moving average placed at USD 60,108.

Support: USD 57,500

Resistance: USD 66,000

### ETHUSD



Source: TradingView

ETHUSD traded in a range last week as relative strength was higher than BTCUSD. The pair made highs of USD 4,375 on 21 October and lows of USD 3,900 on 28 October. The pair was trading at USD 4,159 at the time of writing. Near-term bias remains bullish for ETHUSD.

Support: USD 3,750

Resistance: USD 4,400

# Market Monitor

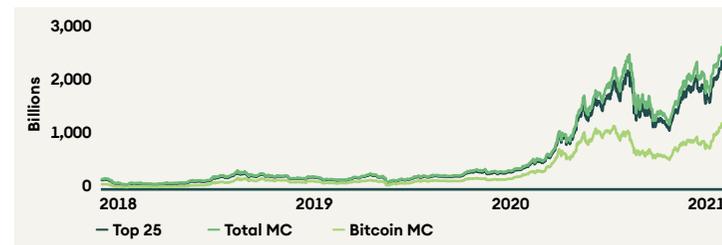
**Contact**

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The markets hovered around their all-time highs set last week but did not manage to surpass it. They closed the week in the red, with bitcoin falling more than the broader market.

**Figure 1: Market Capitalisation**

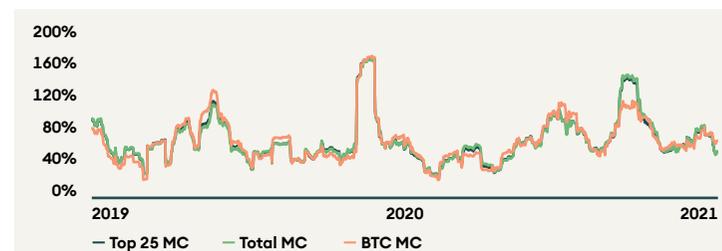
	Market Cap (USDbn)	Weekly Change
<b>Total Market</b>	2,449.1	-7.3%
<b>Top 25</b>	2,159.7	-7.9%
<b>Bitcoin</b>	1,102.8	-11.3%



30-day volatilities for the broad market reduced significantly as the tumultuous events of September fell out of period under consideration.

**Figure 2: Risk Measures**

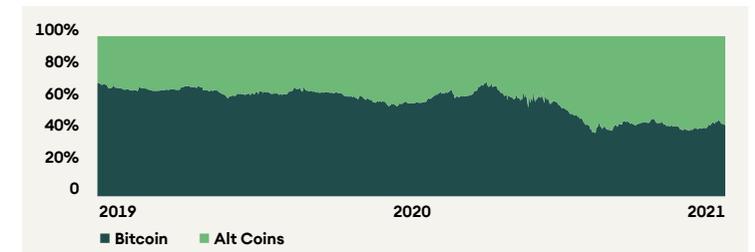
	Current Value	Weekly Change
<b>Total Market</b>	56.2%	-10.1%
<b>Top 25</b>	56.6%	-7.7%
<b>Bitcoin</b>	69.9%	-0.2%



Alt coin dominance increased as bitcoin fell more sharply than the alt market.

**Figure 3: Bitcoin Dominance within Total Market**

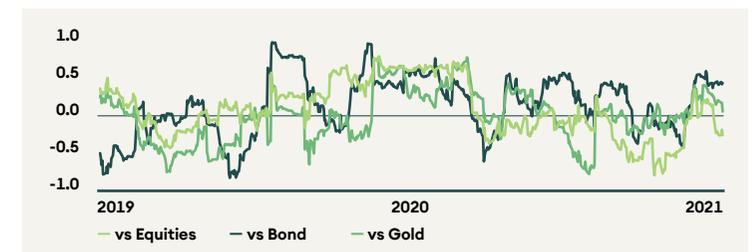
	Dominance	Weekly Change
<b>Bitcoin</b>	45.03%	-2.04%
<b>Alt coins</b>	54.97%	2.04%



Bitcoin returns over the past 30 days were positively correlated with equities as both asset markets made all-time highs. Bitcoin remained uncorrelated with gold.

**Figure 4: 30-day Rolling Correlations of BTC**

Equities	Bonds	Gold
0.39	0.14	-0.07



Source: Coinmarketcap.com



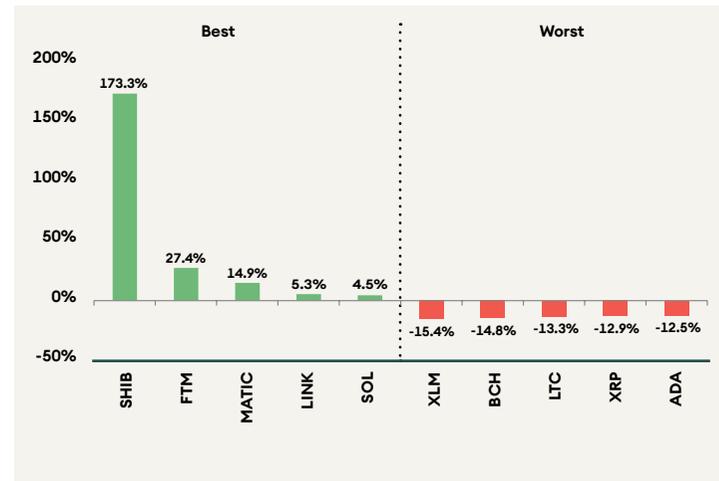
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Meme coin, Shiba Inu, was the outperformer for the week. Payment coins, Stellar Lumens and Bitcoin Cash, underperformed.

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



Source: Coinmarketcap.com, Thomson Reuters.

Platform chains and meme coins are the outperformers for the year while payment coins have underperformed.

Figure 6: Top 25 Crypto Assets by Market Cap

Coin	Marketcap (USD bn)	Price	Weekly Change	YTD
Bitcoin	1,102.76	58,482.4	-11.4%	99%
Ethereum	464.18	3,930.3	-5.4%	438%
Binance Coin	74.90	449.0	-10.4%	1,084%
Tether	69.81	1.0	0.1%	0%
Cardano	63.63	1.9	-12.5%	991%
Solana	55.28	183.5	4.5%	12,055%
XRP	46.80	1.0	-12.9%	319%
Polkadot	39.91	40.4	-8.9%	386%
USD Coin	32.60	1.0	0.1%	0%
Shiba Inu	31.58	0.0	173.3%	103,899,877%
Dogecoin	31.35	0.2	-6.5%	4,081%
Luna	16.01	39.9	-6.3%	6,034%
Uniswap	14.77	24.2	-10.7%	410%
Avalanche	13.55	61.5	3.3%	1,859%
Chainlink	13.32	28.9	5.3%	143%
Wrapped Bitcoin	13.06	58,572.1	-11.4%	99%
Binance USD	12.79	1.0	0.1%	0%
Litecoin	12.35	179.3	-13.3%	42%
Polygon	11.92	1.8	14.9%	8,700%
Algorand	11.05	1.8	0.0%	436%
Bitcoin Cash	10.37	549.1	-14.8%	61%
Cosmos	8.22	36.8	2.5%	526%
Stellar	7.99	0.3	-15.4%	150%
Vechain	7.98	0.1	1.6%	550%
Fantom	7.88	3.1	27.4%	18,233%



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