

ALT 5 – DIGITAL ASSETS WEEKLY

Crypto token prices absorb latest developments on the macro and geopolitical fronts

NEW YORK, NEW YORK, US, August 5, 2022 /EINPresswire.com/ -- ALT 5 Sigma Inc. a global fintech that provides next generation blockchain powered technologies for tokenization, trading, clearing, settlement, payment, and insured custodianship of digital instruments releases its Digital Assets Weekly.

- Bitcoin and ether continue to trade constructively, building on gains from the June lows
- Better news on the macro outlook could also translate into more Fed tightening
- Geopolitical tension flared this week and could have implications for risk appetite and crypto prices
- News highlights include new US legislation on crypto and a public pension fund move into crypto yield farming

Summary:

Sentiment around the macro backdrop has improved somewhat, at least on the US outlook given the less hawkish Fed messaging and better readings from the latest US data. However, the outlook in Europe remains more somber, while geopolitical risks in Asia flared in a manner that could be more problematic to risk appetite—and crypto token prices—if they persist or worsen.

There have also been noteworthy developments in the digital asset space, including a further



broadening of crypto adoption among institutional investors, as well as a new attempt in the US congress to define some regulatory boundaries for bitcoin and ether. For their part, bitcoin and ether have absorbed these developments fairly well and continue to trade in the constructive pattern established over the past month-plus.

Better data on US growth...

Broader financial market attention continues to be on the balance between still-very-high inflation and the risk of recession, a balance further complicated by the fact that the two conditions are not mutually exclusive.

This past week, the US ISM Manufacturing and Services indices both came in better than expected and remain above the 50% boom/bust level separating a growing economy from a contracting one. These surveys are often used as leading indicators of future economic growth and as such, they hold some influence among market participants and are important to monitor.

...and surprising strength in the labor market

The US July employment data also revealed continued strength in the labor market, with payrolls rising 528K, double the expected gain, a drop in the unemployment rate to 3.5% from 3.6%, and a hefty 0.5% m/m rise in hourly earnings, keeping the y/y rate at 5.2%. In short, the labor market remains tight and that has several implications for risk appetite and, by extension, crypto assets.

Good news on the economy is welcome...for the most part

On the positive side, a tight labor market demonstrates a degree of underlying strength in the economy. High employment supports consumption which accounts for roughly two-thirds of overall economic growth. It also counters the growing concerns about a pending (or current) economic recession. And while the recession debate will be ongoing, the latest data point towards a better performing economy. Other things being equal, that translates into better investment returns, a condition that should also be positive for crypto assets.

But if it brings more Fed tightening it could challenge risk assets, including crypto

On the less positive side, a stronger labor market, including higher wages, suggests that inflation could remain higher for longer. And that may argue for more Fed tightening than the market currently expects, especially after those expectations were scaled back after the previous week's dovish messaging at the FOMC meeting.

That in fact has been the initial reaction to the jobs data, with 2yr US Treasury yields jumping 20 basis points, factoring in some of those risks. If Fed tightening expectations increase on a

sustained basis, it will likely weigh on the prices of risk assets (i.e., Nasdaq), creating headwinds for crypto token prices in the process.

US inflation data next week a key focus

In the coming week, the US July CPI report on August 10, and will be a key focus. The consensus forecast is for CPI to slip to 8.8% y/y from 9.1% in June, due in part to lower energy/gasoline prices. That outcome would be in the right direction. However, it is still at an exceptionally high level and is consistent with “some” additional Fed tightening. And the outcome of the CPI data will be the next guidepost for both the market and the Fed assess future scale and pace of rate hike expectations.

Geopolitical risks in Asia could have knock-on effects for financial markets

Geopolitical risks ratcheted higher this week after US House of Representatives Speaker Pelosi visited Taiwan amid formal and strident protests from the People’s Republic of China (PRC). As a consequence, the PRC launched large-scale military exercises adjacent to Taiwan, an event that not only raises military tensions in the region, but also highlights the risk for a more problematic turn in US-China relations going forward.

A further escalation in US-China tensions could indeed have negative spillover effects on financial markets. At the very least, such incidents can see a reduction in risk appetite and a “flight to quality” in financial markets that would likely have negative spillover effects on crypto assets. Moreover, it could also [further] complicate existing global supply chain disruptions and impede economic growth. And that too would be negative for the investment climate generally with potential spillover drags on crypto assets.

Price action in bitcoin and ether

Amid all of these factors, crypto token prices have in fact been trading in a relatively more stable fashion recently, and remain in the constructive pattern that has developed in the past month-plus. Bitcoin continues a slow grind upward, establishing a series of higher highs and higher lows since its June cycle low. Ether briefly traded above the \$1,700 resistance level we have flagged in recent weeks, defined by the top of the June gap lower (\$1,700-\$1,250). It is testing resistance at the 100-day moving average at \$1,685, and a sustained break above that would reinforce the near-term bullish bias in the token price.

Latest US legislation would address SEC-CFTC turf war over bitcoin and ether

In Washington, a new piece of legislation in the Senate would designate bitcoin and ether as commodities and therefore have them fall under the oversight of the Commodity Futures Trading Commission (CFTC). The chances of this actually being signed into law are not yet clear. But if that happens, it would end the current turf fight between the CFTC and the Securities

Exchange Commission (SEC) over regulatory oversight of these key crypto tokens.

A public pension fund moves into crypto yield farming

Separately, there was another important step along the road to greater institutional investor adoption of crypto assets. In Virginia, the county of Fairfax pension fund has started investing in crypto lending platforms in an effort to boost returns. The fact that the pension fund is for public sector employees makes it all the more important in terms of legitimizing crypto investing and crypto as an asset class.

Robert Lynch
Head of Research and Strategy
ALT 5 Sigma Inc.
bob@alt5sigma.com
alt5sigma.com

ABOUT ALT 5 Sigma

ALT 5 Sigma is a global fintech that provides next generation blockchain powered technologies for the trading, clearing, settlement, payment, and insured custodianship of digital instruments. ALT 5 was founded by financial industry specialists out of the necessity to provide the digital asset economy with security, accessibility, transparency, and compliance. ALT 5 provides its clients the ability to buy, sell and hold digital assets in a safe and secure environment deployed with the best practices of the financial industry. ALT 5 Sigma's products and services are available to Banks, Broker Dealers, Funds, Family Offices, Professional Traders, Retail Traders, Digital Asset Exchanges, Digital Asset Brokers, Blockchain Developers, and Financial Information Providers. ALT 5's digital asset custodian services are secured by Fireblocks.

DISCLAIMER:

Digital Assets Weekly is for informational purposes only and does not constitute, either explicitly or implicitly, any provision of services or products by ALT 5 Sigma ("ALT 5"). Investors should determine for themselves whether a particular service or product is suitable for their investment needs or should seek such professional advice for their particular situation. ALT 5 Sigma. makes no representation or warranty to any investor regarding the legality of any investment, the income or tax consequences, or the suitability of an investment for such investor. ALT 5 Sigma does not solicit or provide any financial advice. This is at the sole discretion of the individual.

ALT 5 Sigma Inc.
ALT 5
+1 888-778-7091
[email us here](#)

Visit us on social media:

[Facebook](#)

[Twitter](#)

[LinkedIn](#)

This press release can be viewed online at: <https://www.einpresswire.com/article/584671390>

EIN Presswire's priority is source transparency. We do not allow opaque clients, and our editors try to be careful about weeding out false and misleading content. As a user, if you see something we have missed, please do bring it to our attention. Your help is welcome. EIN Presswire, Everyone's Internet News Presswire™, tries to define some of the boundaries that are reasonable in today's world. Please see our Editorial Guidelines for more information.

© 1995-2022 Newsmatics Inc. All Right Reserved.