Hi there, your weekly market recap for this week:

We also have a podcast version of our Weekly Commentary. You can access this by clicking on the Spotify icon below.

BTC Price: $16,800 7d return: 1% 30d return: -1%	**Open Interest:** $7.8bn, 463k BTC (-7.5%) **Average Daily BTC spot volume:** $4.4bn (-3%)
ETH Price: $1,250 7d return: 4% 30d return: -1%	**30-day correlation, NDQ:** 0.55 (0.03)

Sources: Coinbase, Coinglass, Bitwise 10, Tradingview, Coingecko

Seven day performance
Top 50 by Market Capitalization

	Top 3		Worst 3
1	LDO (41%)	1	HT (-9%)
2	SOL (35%)	2	HBAR (-6%)
3	ETC (26%)	3	XRP (-3%)

Headlines

- Genesis-DCG Loan Leads to Class Action Arbitration Case From Gemini Clients Coindesk
- Mango Markets Attacker Arrested, Charged With 'Market-Manipulation Offenses' Decrypt
- MicroStrategy Added 2,500 Bitcoins for $45M in Last 2 Months Coindesk
- Celsius 'Earn' Assets Belong to Bankrupt Crypto Lender, Judge Rules Coindesk

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Crypto markets have been rangebound in the last few weeks, with no material price action in either BTC or ETH. We note a huge decline in overall market activity, evident by trading volumes falling to levels not seen since July 2022, before Binance removed its BTC trading fees. Trading volumes in derivatives have also fallen substantially, sitting 70% below the H1 2022 lows.

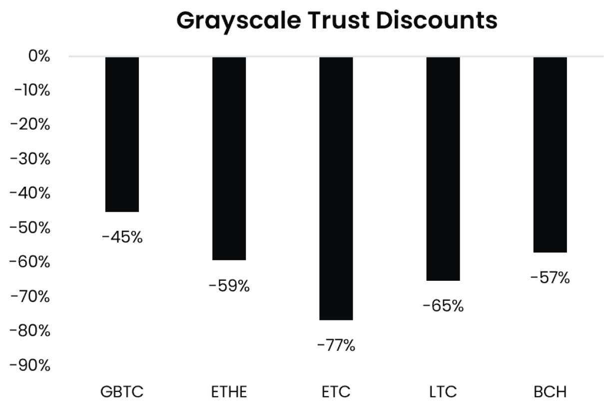
Alongside the declining trading volume, volatility has fallen considerably. The 7-day volatility sat at 6-year lows on Wednesday, while the 30-day volatility has fallen to June 2020 lows. As detailed in the previous report, low volatility and declining speculative activity following sharp drawdowns are typical in crypto bear markets, making the current market state far from unique. However, the market is currently remarkably flat, and the Christmas period effects may have exaggerated the situation. Next week's U.S. CPI print may be a natural volatility catalyst, in addition to the developing Gemini vs. DCG feud, which we will expand on later.

While large caps are mostly rangebound, we see signals of awakening markets in smaller altcoins. Heavily shorted coins such as Solana and ETC experienced substantial short squeezes in the last week. At the same time, a narrative surrounding liquid staking protocols has been established, as we further elaborate on the next page.

DCG remains in a distressed unresolved situation. This week Cameron Winklevoss of Gemini published an open letter criticizing DCG CEO Barry Silbert for using stalling tactics related to Gemini's $900m claim. The open letter gave Barry a deadline of January 8 to cooperate. While the open letter did not expand on Gemini's path if DCG fails to respond by January 8, several options are plausible, for instance, enforcing an involuntary Chapter 11, which may force DCG to liquidate its assets.

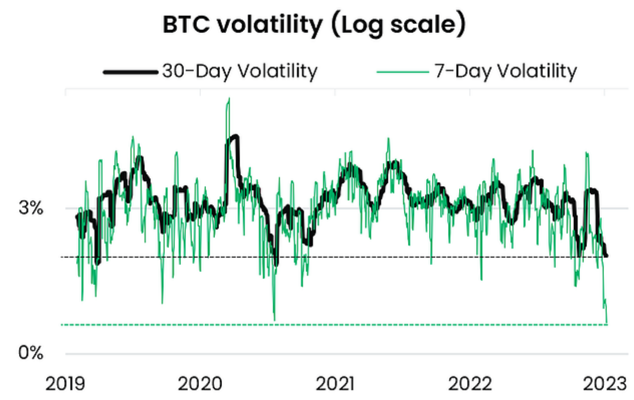
In a potential Chapter 11, Grayscale trusts may be volatile, and DCG could be forced to sell its sizable positions in the relatively illiquid markets of the various Grayscale trusts. This could incentivize DCG to push towards a Reg-M, allowing shares to be redeemed at NAV. This would, in turn, impact crypto markets due to arbitrage dynamics, where traders would buy shares in Grayscale trusts and sell or short the assets backing the trusts as the discounts narrow.

Grayscale's BTC trust is far from alone in trading at a sharp discount to its NAV, as most trusts experienced similar credit-driven inflow surges in 2020. The ETHE discount sits at 59%, with the trust holding 2.25% of all ETH in circulation. As explained previously, the DCG drama might impact markets and Grayscale discounts due to a Reg-M.



Source: Grayscale, Coinglass

Bitcoin has stabilized in a tight range over the holiday season with no material price action. This has caused the 7-day volatility to reach a 6-year low. The 30-day volatility sits at lows not seen since the stale markets of the summer of 2020.



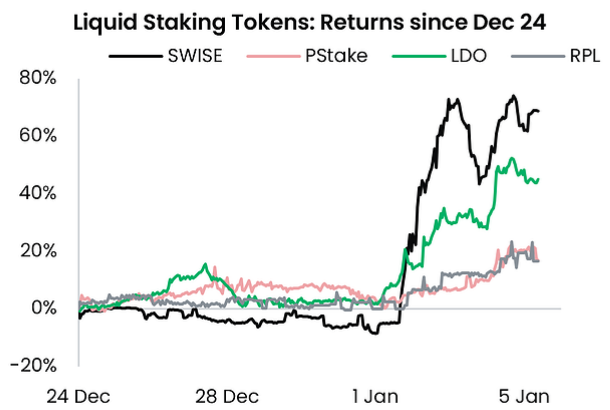
Source: TradingView

Liquid staking tokens are rallying as Ethereum prepares for the Shanghai fork, scheduled for March, enabling stakers to unstake ETH.

The inability to unstake tokens might have disincentivized ETH holders to stake ETH. This might explain why “only” 14% of all ETH is currently staked. Substantially less than other PoS chains, such as BNB’s 90% and ADA’s 72%.

Initially, liquid staking tokens benefitted from the ability to represent a yield-bearing liquid usable derivative to use ETH otherwise locked in staking. This has caused LIDO to become the largest staker on Ethereum.

The ability to unstake ETH will enable stakers to realize yields, representing another promising narrative for liquid staking protocols. This narrative is the root cause for LIDO’s surging prices, rallying 41% over the last week. Other liquid staking tokens have also rallied this week, but investors should be aware of these tokens trading at vastly higher market caps compared to the amount of staked ETH.



Source: Tradingview

Week ahead

Date	Event
Sun, Jan 8	Gemini’s deadline to DCG
Thu, Jan 12	US CPI (Exp 6.7% YoY, 0.1% MoM)