



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 at the end of this report.

All data as of Thursday January 12th

BTC Price: \$18,100	Open Interest: \$8.4bn, 464k BTC (0%)
7d return: 8%	
30d return: 6%	
ETH Price: \$1,400	Average Daily BTC spot volume: \$5bn (15%)
7d return: 12%	
30d return: 10%	30-day correlation, NDQ: 0.51 (-0.04)

Seven day performance
Top 50 by Market Capitalization

Top 3		Worst 3	
1	LDO (31%)	1	HT (-3%)
2	AVAX (28%)	2	TON (-2%)
3	HBAR (21%)	3	LEO (-1%)

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

Headlines

- [AWS & Avalanche partner for enterprise & government blockchain solutions](#) Techcrunch
- [Crypto Brokerage Blockchain.com Lays Off 28% of Workforce](#) Coindesk
- [House of Lords members call for crypto regulation](#) The Block
- [Coinbase Cuts Around 20% of Workforce](#) Coindesk

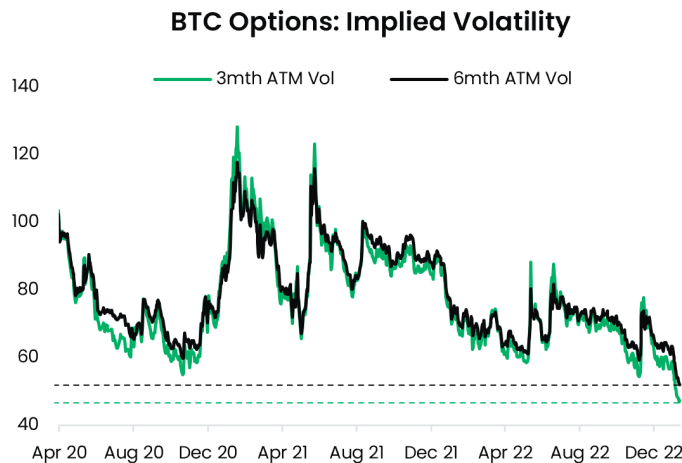
It has been a positive start to 2023 in the crypto market so far. BTC has experienced consistent day-to-day positive returns. BTCs' first 9 out of 11 trading days closed in the green. BTC is currently hovering around \$18,900 - down over 70% from its all-time-high \$60,045 hit on November 10th 2021. Meanwhile, altcoins showcase relative strength over BTC, with ADA, SOL, & AVAX gaining around 20%, 25%, & 35%, respectively. Ethereum developers progress towards the Ethereum Shanghai upgrade, leading the ETHBTC ratio to recover to early November levels, pre-FTX's collapse.

Smaller altcoins also benefit from the Ethereum progress, with LDO once again being the top performer over the last week as the Liquid Staking Protocol narrative saw more momentum over the previous seven days. Nevertheless, LDO saw a massive spike on Sunday, climbing to \$2.6, before declining by 30% from its peak to \$1.8. LDO's spike was exaggerated by poor liquidity and a short squeeze. The short squeeze also impacted heavily shorted tokens such as SOL and GALA, which also experienced sharp upside over the weekend. The current retracement may suggest that the Liquid Staking Protocol narrative is settling, while poor liquidity and market depth in these tokens create a volatile environment.

Avalanche saw a strong trading day on Wednesday, seeing a 20% upside as Amazon Web Services announced a partnership with Ava Labs to help scale blockchain adoption across enterprises, institutions and governments. Amidst the Ava & AWS partnership and LDO price action, there has been some respite for the crypto markets in light of recent events.

In terms of catalysts, the CPI print caused an immediate market reaction, as we elaborate on later in the report. Also, the Genesis/Gemini feud has progressed over the last week, with Cameron Winklevoss publishing a [new open letter](#) to DCG, followed by a [prompt DCG response](#). Last week, Gemini's path forward was unclear, but interestingly, Gemini still seems willing to solve the issue out of court while urging the DCG board to install a new CEO. Last week, we discussed how a Reg-M in Grayscale could negatively impact crypto markets due to arbitrage dynamics. A resolution outside of court may limit the probability of a Grayscale Reg-M, limiting the likelihood of arbitrage-fueled crypto activity.

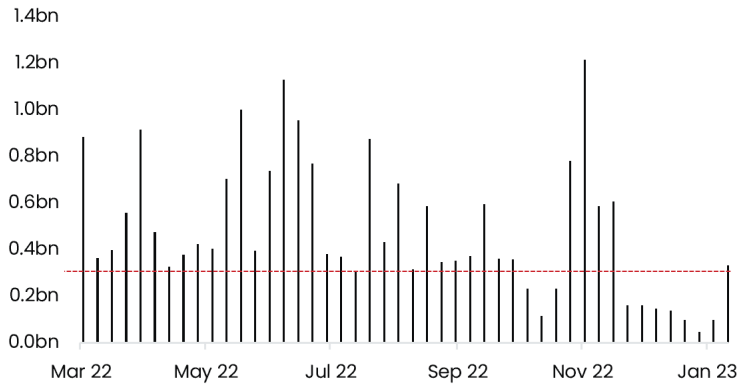
In early January, [BTC's weekly volatility](#) fell below that of gold and the DXY, which is highly unusual. Alongside the falling volatility, implied volatility (IV) in options has fallen to all-time lows. Currently, the 6-month IV sits below the all-time low 3-month IV as options premiums become cheaper. The low IVs could attract traders to commit to bets on a volatility regime change onwards.



Source: Laevitas

The last week has seen a sharp uptick in short liquidations as the short liquidation volumes pushed toward \$400m. This is the largest weekly short liquidation volume since the volatile FTX collapse period. The squeeze was mostly concentrated in metaverse tokens, SOL, and ETC, which all have seen a clear tendency of heavy short interest throughout December.

Weekly short liquidations: Crypto Perps



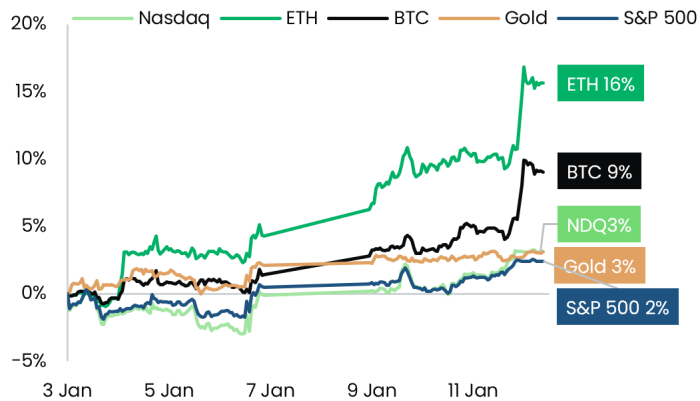
Source: Laevitas

Bitcoin and Ethereum have experienced strength compared to other asset classes in early 2023 and seem slightly less constrained by strong correlations with U.S. equities exhibited in 2022.

Nevertheless, Thursday's U.S. CPI release saw a strongly correlated market response in a typical fashion. The CPI came in at an MoM change of -0.1%, in line with expectations. Before the CPI release, the market priced in a 76% chance for a 25bps hike for the February 1st FOMC press conference, while the market immediately reprised expectations to 88% for a 25bps hike for the next FOMC meeting following the CPI release.

In contrast to the December CPI release, the market will have plenty of time to absorb and react to the current CPI release with a less hectic macro calendar schedule coming up. The next FOMC meeting is three weeks away.

Year to date returns: Crypto and various equities



Source: Tradingview

Week ahead

Date	Event
Tue, Jan 17	UK CPI (Exp: 10.9% YoY) German CPI (Exp: 10% YoY)
Wed, Jan 18	EU CPI (Exp: 10% YoY) US PPI (Exp: 0.2% MoM)



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