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Volatility drops post-halving as Bitcoin slowly regains strength

Thursday 14 May 2020

Key highlights

- » Implied Volatility and volume drops post-halving
- » Selling primary driven by derivatives over spot
- » Anticipate some weakening of the upward trend

Halving blues an opportunity for buying

Huge swings in Bitcoin prices escalated a few days before the Bitcoin halving event, climbing 10% to reach $10,000, which immediately retraced 19% to touch a low of $8,200. A classic case of markets moving up too fast too quick, with a steep pullback always in the coming. Furthermore, this was intensified by traders "Buying the rumour, sell the news", which was primarily driven by derivatives rather than spot.

As this halving enters into Bitcoin history books, traders are now preparing themselves for the next exponential move that is highly anticipated towards end 2020, early 2021. This has created some buying pressure which explains why Bitcoin is holding a level around $9k. In addition, the news of Paul Tudor, who manages a $22b fund, is investing in bitcoin as a hedge to monetary inflation, has added to the upward price pressure.

7 Day Performance

Name	Price	Change
Bitcoin	$9311	▲ 1.9%
Ethereum	$198	▼ -1.0%
XRP	$0.20	▼ -5.5%
Bitcoin Cash	$237	▼ -1.7%
Litecoin	$42.91	▼ -5.7%
Bitcoin SV	$189	▼ -6.2%
EOS	$2.51	▼ -6.8%
Binance Coin	$16.13	▼ -2.3%
Tezos	$2.54	▼ -3.5%

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Negative interest rates a pivot for Bitcoin

An era of negative rates is Bitcoins time to shine

Touching base with the traditional markets, the possibility that the US might be joining their Japan and Europe counterparts with negative interest rates is on the rise, as June fed funds futures are pricing in these expectations. Despite the Fed’s continuous banishment that this would not happen, the market believes otherwise, and that the fed rate is bound towards zero.

Theoretically, negative interest rate occurs when a central bank needs to boost a weakening economy. During large deflationary periods, people and businesses are keeping their cash instead of spending, and negative interest rates encourage this action as opposed to them keeping it in a bank.

Fueling the financial bubble further is an estimated amount of $3.5T that is being printed by the US fed and injected into the monetary system. These actions are detrimental to the economic environment, where it could lead to a deflationary spiral.

The uncertainties prevalent in the traditional markets have prompt investors to turn their attention towards alternatives, with a significant one being Bitcoin. This interest comes as no surprise given the uncorrelated attributes couple with the store of value properties that Bitcoin possesses, hence, it is difficult to argue why a fund manager would not consider the digital asset as a hedge to their portfolio. As I like to put it, “Bitcoin is an asset born from a recession, and will further prove its robustness through a recession.”

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