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communication has been prepared as market commentary

Commentary.

Digital Assets ended the week -7.2% erasing 2.5 weeks of gains. Declines were broad based with 82% of the top 200 coins / tokens ending the week lower. Trading was active with the top 5 most actively traded coins / tokens +17% from the previous week.

While media coverage attributed this week's pullback to reports that Goldman Sachs was walking back previously reported interest in the digital asset space – a combination of aggressive short positioning by big hands and poor order execution in both ETH and BTC looked to be a more likely culprit.

Flow highlights from this week included ICO project Digix Global selling off a ~ \$20M chunk of ETH and a long dormant Silk Road linked wallet bringing ~\$110M BTC to market. Given relatively low volumes and the aggressive way in which these orders look to have been executed, these orders alone likely had a significant impact on this week's price action.

Non-flow related headlines were a mixed bag this week, though positives looked to slightly outweigh negatives. Positive stories included: 'conversations' between BlackRock and Coinbase, NASDAQ moving towards crypto access by 1H19, Yahoo supporting crypto trading on its iOS app, Iran getting crypto friendly and Coinbase continuing to build out its product offering. Negative stories were led by disappointment around Goldman's crypto desk, Venezuela's Petro looking like a complete mess, and Shapeshift bending the knee to regulators.

Given that the bulk of this week's correction was flow driven, would expect both BTC and ETH to regain their legs somewhat next week. BTC shorts are now back up to the highs set previously in April and August and are beginning to look slightly overheated with a 50 day Z core of +1.7 standard deviations. Risk / Reward for ETH also looks favorable with a < 30 RSI after posting one of the largest weekly corrections of the year.

Expect to see BTC price strengthen somewhat into the 2H of Sep as seasonal strength begins to support price. Over the past 5 years, November and December have tended to be 2 of the strongest months of the year (chart 5).

Thoughts.

* Price action continues to show that actual market volume is a lot thinner than most think

- I suspect that the bulk of what we see posted on the bid/offer is market makers and HFT traders
- As soon as the bid get hits everything lower down the que gets pulled
- In this kind of market, aggressive sell orders like we saw from Digix Global in ETH and from the Silk Road / Mt Gox linked wallet in BTC can have significant price impact
- The fact that orders like these are being executed in the market rather than OTC is probably a combination of OTC volume actually being a lot skinnier than suggested (by OTC desks) and very poor order execution strategies

* It's hard to stay dominant in crypto

- Interesting write up here on [Bitstamp](#) the longest running exchange in the market
- Bitstamp was formerly the largest exchange in the space and is now at the bottom end of the top 20
- The reason, arguably, is that they accepted (restrictive) regulation too early which impacted their ability to provide a product offering as diverse as competitors like Bitfinex
- We have a tendency to view players like Binance as world beaters, but it's more than likely that the exchange space will see a complete shake up over the next 5 years as mainstream institutional money enters the space

* Expect volatility to continue over the next couple of weeks

- On Sep 30 we have a ruling on the [VanEck SolidX Bitcoin ETF](#)
- In early Nov (5?) we should see an announcement around ICE / Bakkt efforts to launch BTC settled futures
- I continue to think that this ties in nicely with historic seasonality
 - Oct has been an up month for BTC 4 of the previous 5 years, Nov has been up 5 of the previous 5 years

News.

* [Coinbase reaches out to BlackRock for ETF expertise](#)

- Coinbase is reportedly considering launching a BTC ETF and has held conversations with BlackRock
- Reads like a strongly positive headline, but doesn't seem to be much interaction actually going on

* [\\$800M wallet - inactive for ~5 years - moves \\$110m to exchanges](#)

- Wallet thought to be that of a very early adopter as about 1/3 of the balance originates from a June 2011 deposit
- Analysis in the article links the wallet to DPR (Dread Pirate Roberts) the operator and founder of Silk Road, but is not one of the wallets seized by the FBI. Ross Ulbricht (aka DPR) is currently serving a life sentence.
- The article also comments that it could also be a Mt Gox wallet (possibly linked to Mt Gox founder Mark Karpeles)
- Of the wallet's original 111,114 BTC, 15,593 were transferred to Bitfinex, Binance and Bitmex this week

* [Digix Global slams ETH price with \\$20M sell order](#)

- ICO project Digix Global voted to sell off 69,702 ETH. Order looks like it was aggressively executed.
- There really is a stunning amount of ineptness on the trade execution side of the crypto space

* [Goldman said to nix digital asset trading plans](#)

- This should be in no way surprising and is reminiscent of a similar situation which played out at Barclays recently
- Executive Committee level management is extremely hesitant to enter the space following post GFC fines
- Supportive of our view that banks and major brokerages will likely be left behind on crypto with clients eventually moving towards established, regulated players in the space with a solid institutional level product offering

* [NASDAQ said to offer access to crypto by as early as next year](#)

- Story links to an article that expects some degree of regulatory clarity by 1Q19 and access by 2Q19

* [Yahoo adds BTC, ETH, LTC and DOGE trading to iOS app](#)

- Users can link Coinbase and Robinhood accounts directly to the platform to manage, track and trade crypto

* [CBOE said to be working on ETH futures. Tom Lee: -ve ETH, +ve BTC](#)

- Product said to be 'months' away from launch
- Fundstrat's Tom Lee (formerly a JPM equity strategist) highlighted that the launch of COBE futures correlated with a sharp correction in BTC and suggested that a similar (but more muted) effect could pressure ETH
- Tom Lee mentioned that providing a new target to bears could help alleviate short sell pressure for BTC

* [Do 45 new cryptos added to the Coinbase app foreshadow new listings?](#)

- "Starting today [Aug 24], we're testing new ways for customers to explore and view the top 50 cryptocurrencies by market cap – most of which are not available to trade on Coinbase."
- Coinbase had previously guided that they have 40 new coins in their potential listing pipeline

* [Coinbase Pro Launching New GBP Trading Pairs for ETH, ETC, LTC, and BCH](#)

- * [Petro - the first sovereign ICO project looks like it may have been a scam](#)
 - Article reports a story familiar to many ICO investors:
 - Project still under development, 0 actual usage, scepticism around the project's reported real world assets
- * [BitTorrent Launches its First Torrent Clients Post Acquisition by Tron](#)
 - Allows users to quickly download and play torrent files inside the µTorrent Web browser
 - Reports also out this week that NEO [made an unsuccessful US\\$170M bid for Bittorrent](#)
- * [Hardware wallet maker, Ledger, adds support for EOS](#)
 - New coin support announcements will be revealed on the first Tuesday of every month going forward
- * [EU Lawmakers Weigh 'Standard' for ICOs Under Crowdfunding Rules](#)
 - If passed, would create a standard for token sales, allowing projects to raise funds and conduct business
 - The regulator estimates that anywhere from 25 to 81 percent of ICOs may result in fraud (...seems low...)
- * [BCH community positive in results of 'stress test'](#)
 - Consisted of 2.1m transactions over 24 hours which looks to have accounted for >60% of crypto transactions that day
 - BCH community was upbeat on the results given lack of impact on transaction costs
- * [Messaging Giant LINE Is Launching Its Own Cryptocurrency](#)
 - Tokens will incentivize users to join dapps built on top of the LINK Chain network
 - The LINK token will be added to LINE's BITBOX cryptocurrency exchange for trading some time this month
 - Expects to have 2 dapps out by month end and 10 in total by the end of 1Q19
- * [Instant crypto exchange, Shapeshift, ends anonymity - now requires basic KYC](#)
 - The platform had previously allowed users to swap crypto without an account opening process
 - Shapeshift also announced this week Veronica McGregor as their new chief legal officer
- * [Bittrex to delist BTG after a string of setbacks](#)
 - DDOS attack, fake BTG wallets, 51% attack...Delisting effective Sep 14 2018
- * [Iran approves crypto currency mining](#)
 - Details of regulation around the industry expected to be revealed by the end of the month
 - Article suggests that this could be a **possible** first step towards a state level cryptocurrency

Charts.

Chart 1. Weekly Price, Volume Change – Top 25 Coins and Tokens

- Dogecoin leads both price and volume gains (helped by latest announcement of a Ethereum-Dogecoin network bridge)
- XMR also strong (helped by [Satis Group Report](#) which highlighted XMR as a likely long term winner in the space)

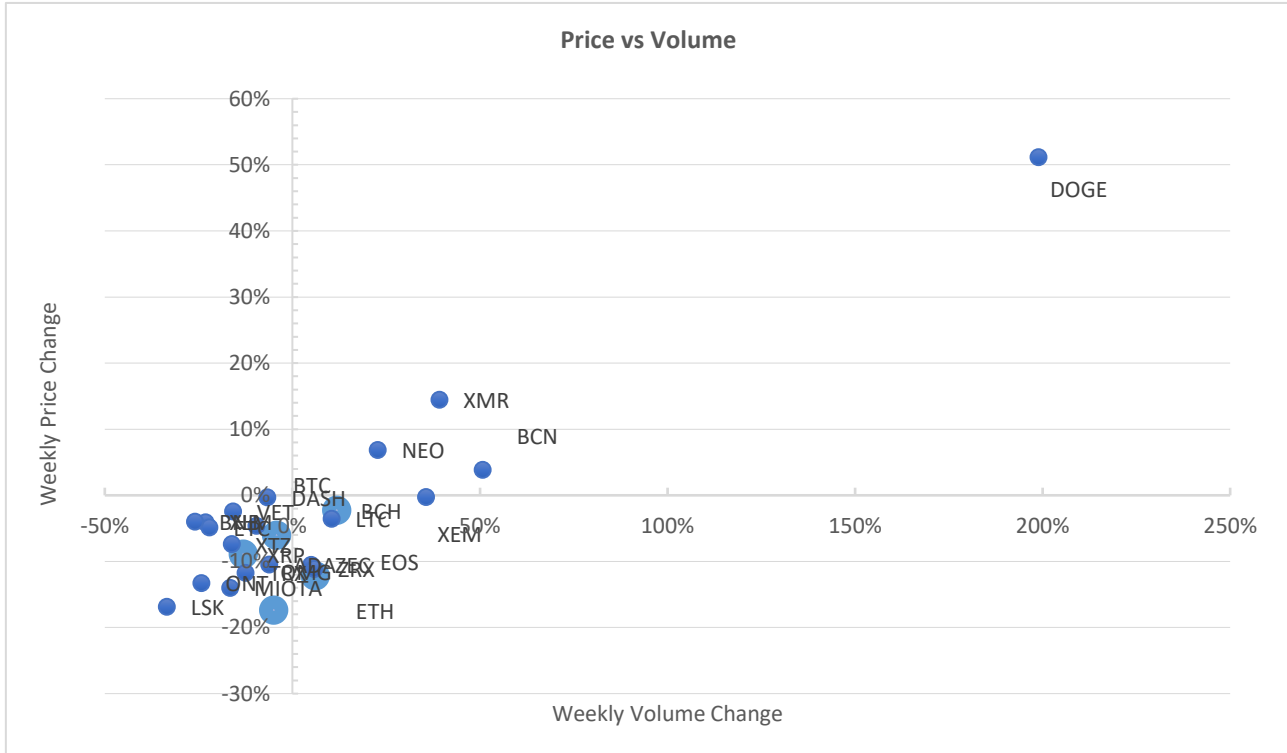


Chart 2. Weekly Price Move

- XMR and NEO the price leaders amongst top market cap coins / tokens
- 2nd tier coins were the hardest hit (ETH skewing the average strongly lower)

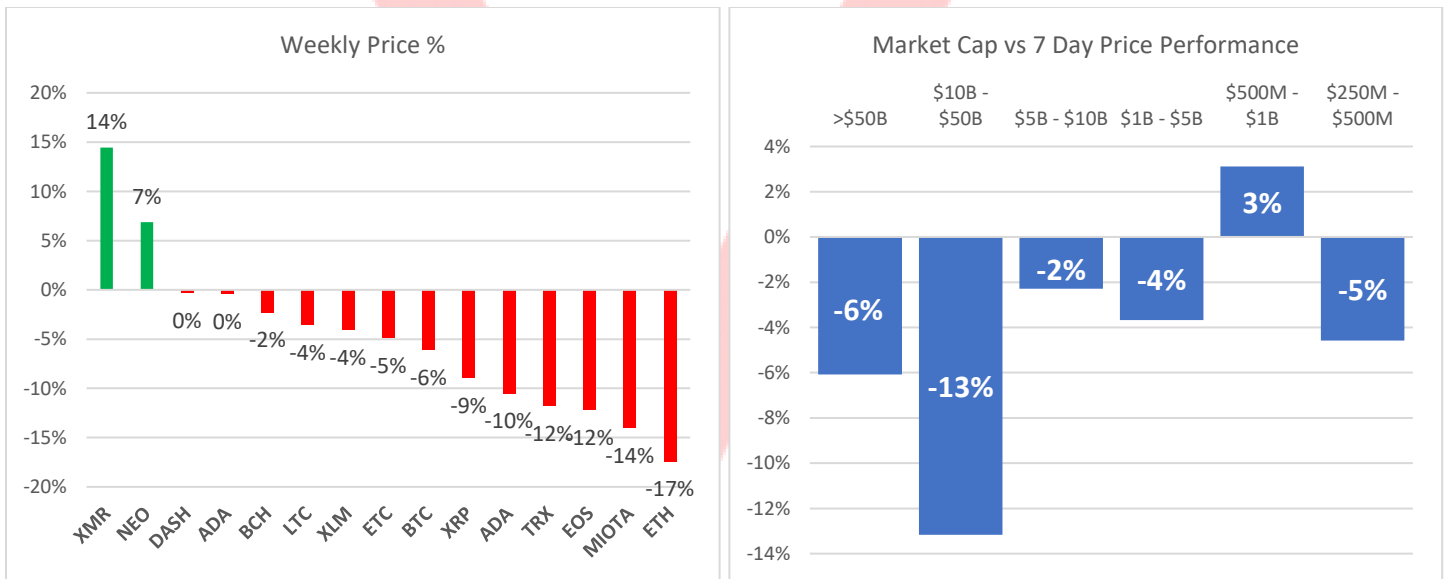


Chart 3. Monthly Volume. Current vs best month ever

- Volume in ETC continuing to trend higher
- XRP looks to have found a base and is slowly trending up again
- BCH volumes back into free fall

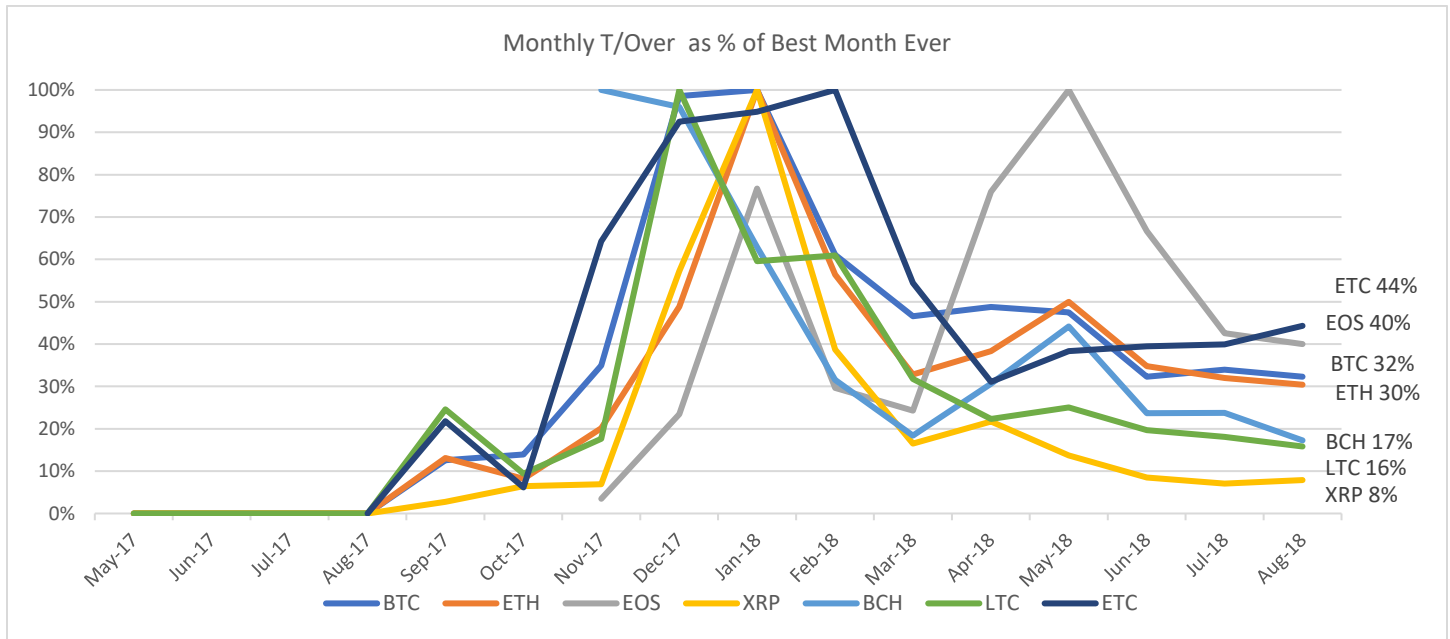


Chart 4. Volume Averages

- Volumes this week mostly higher versus 1M Averages. XRP and ETC the major exceptions.

	Average US\$ Trading Volume					
	12M	6M	3M	1M	7 Days	7D vs 1M
BTC	\$6,344	\$5,272	\$4,378	\$4,341	\$4,661	7%
ETH	\$2,066	\$1,915	\$1,687	\$1,589	\$1,752	10%
EOS	\$683	\$995	\$759	\$693	\$841	21%
BCH	\$871	\$572	\$442	\$375	\$445	19%
LTC	\$546	\$340	\$286	\$252	\$306	21%
XRP	\$820	\$407	\$261	\$277	\$262	-5%
DASH	\$133	\$131	\$163	\$190	\$217	14%
ETC	\$304	\$224	\$253	\$239	\$217	-9%

Chart 5. Bitcoin Seasonality

- Strong historic seasonality on October and November provide reason for as we near the last quarter of the year

	2013	2014	2015	2016	2017	Median	Average	Times Higher
Jan	51.07%	11.99%	-32.15%	-14.63%	-0.06%	-0.06%	3.24%	40%
Feb	63.55%	-35.88%	16.88%	18.93%	23.07%	18.93%	17.31%	80%
Mar	178.70%	-15.71%	-4.00%	-4.91%	-9.33%	-4.91%	28.95%	20%
Apr	49.66%	-2.75%	-2.80%	8.23%	24.84%	8.23%	15.44%	60%
May	-7.48%	39.79%	-2.78%	18.35%	72.87%	18.35%	24.15%	60%
Jun	-24.31%	2.58%	14.12%	26.45%	7.28%	7.28%	5.23%	80%
Jul	0.41%	-9.07%	8.18%	-6.93%	14.95%	0.41%	1.51%	60%
Aug	32.22%	-17.77%	-18.99%	-8.56%	65.80%	-8.56%	10.54%	40%
Sep	-4.91%	-19.20%	2.71%	6.31%	-8.64%	-4.91%	-4.75%	40%
Oct	61.03%	-12.81%	32.25%	14.62%	48.12%	32.25%	28.64%	80%
Nov	467.40%	11.96%	20.64%	6.40%	53.80%	20.64%	112.04%	100%
Dec	-32.65%	-15.22%	14.10%	30.49%	39.77%	14.10%	7.30%	60%

Chart 7. Shorts

- Bitfinex shorts back up to the April / August highs. Back up to ~ 2SD mark (vs 50 day average)

