



# THE WEEKLY UPDATE



WEEK 31

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## Market Update

- The strong momentum in the market continues this week, even after \$1.3 billion got liquidated during the massive sell-off this weekend.
- The volatility has pushed higher over the past week, leading to a massive spike in bitcoin's trading volume.
- Professional traders are back in the market after bitcoin crossed \$10,000, as both Bakkt and CME see record high inflows and surge in trading activity.

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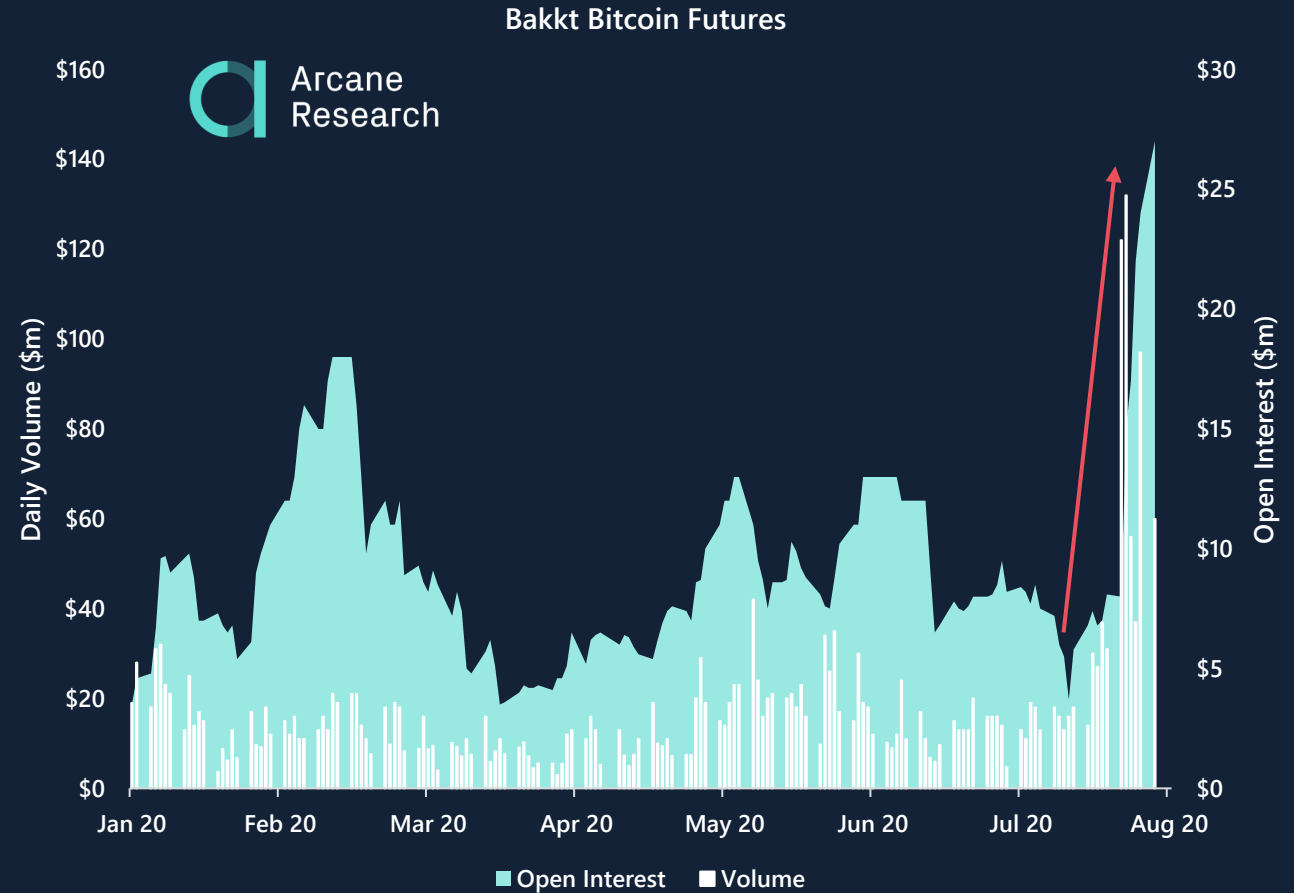
## Valuation

- The bitcoin prices closed last week above the important \$10,500 level, which could now be an important support level. Last week's close was the highest in one year, and BTC is looking strong technically.
- The funding rates of the perpetual swaps have spiked recently, as more traders seek leveraged exposure to the upside.

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## Blockchain Activity

- Ethereum fees climb further and are currently at its highest levels since January 2018. DeFi is said to have contributed the most to the fees, but recently a Ponzi scheme has been linked to the influx in transactions on the Ethereum Network.
- The activity on the Bitcoin blockchain is high but the fees are nowhere near the fees seen in late December 2017 as SegWit transactions and batching have grown in usage.



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# THE NEWSROOM



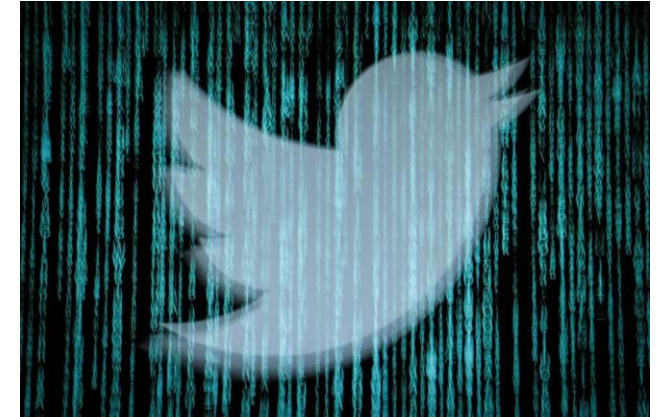
## Crypto Venture Fund Raises \$110 Million From Universities

Electric Capital, a San Francisco-based venture fund, said it will use \$110 million raised from university endowments and other nonprofits to invest in cryptocurrencies and related businesses.



## The 2020 Rainy Season Is Tougher Than Ever for China's Bitcoin Miners

The rain has come. The machines are humming. This should be the best time of the year for China's bitcoin miners. The monsoon season, generally from June to October, brings excessive rain and thus cheap hydro electricity.



## IRS-CI Announces Charges Against Three Individuals, Including Florida Teen, In Twitter Hack

Internal Revenue Service - Criminal Investigations (IRS-CI) has announced charges against three individuals for their alleged roles in the Twitter hack that occurred on July 15, 2020.

# Another green week – altcoins flying

- The positive sentiment has continued over the past week, and many altcoins are enjoying strong gains.
- XRP has quietly been flying and has returned over 40% over the past week.
- Ethereum maintains its strong momentum, growing another 27% this week.
- Although the market took a hit over the weekend with over \$1 billion in liquidations on Sunday, the upwards trend has continued this week.

Best Performing				
	Price	Last week	Last month	YTD
XRP	0.312	42.78%	77.17%	59%
Synthetix Network Token	4.341	28.60%	76.76%	263%
Chainlink	9.345	27.69%	99.28%	414%

Worst Performing				
	Price	Last week	Last month	YTD
Ampleforth	0.888	-52.42%	-52.53%	-10%
Elrond	0.021	-17.60%	244.10%	1041%
Crypto.com Coin	0.162	-8.89%	-8.89%	369%

Last week of top 50 by market capitalization

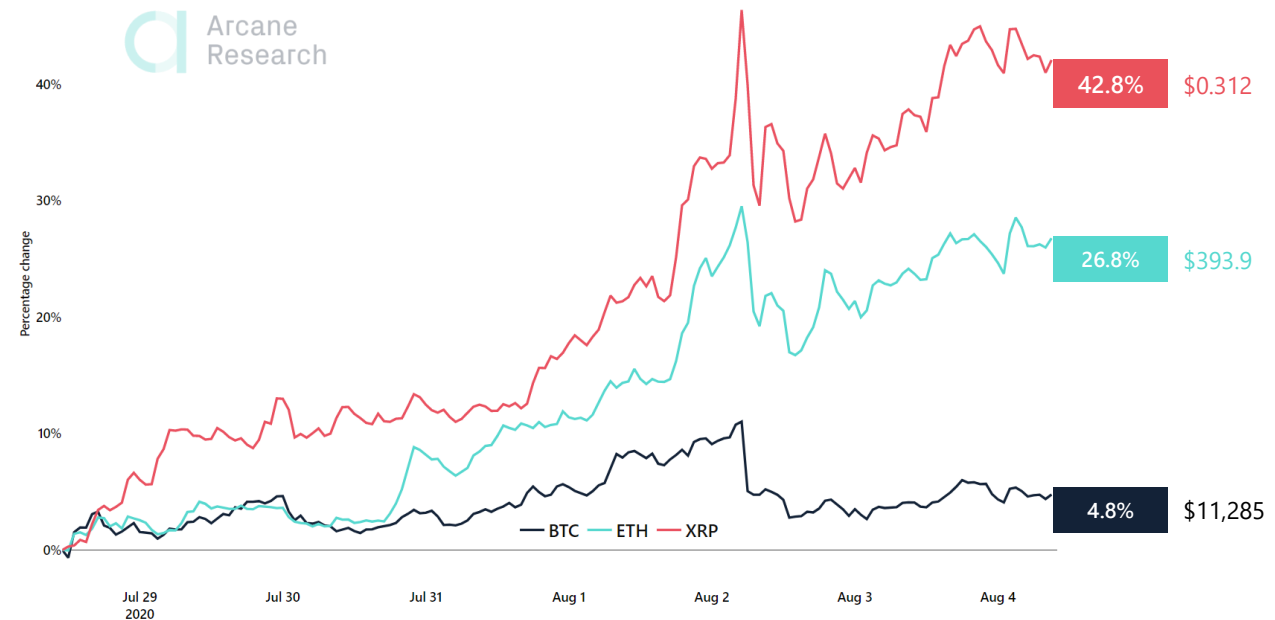
Source: cryptowat.ch

## Bitcoin Correlation:

90-day correlation (weekly change included)	ETH		XRP		GOLD		S&P500	
<b>BTC</b>	0.781	-0.0224	0.685	-0.049	0.052	0.372	0.186	-0.053

Source: coinmetrics.io

## Top 3: Percentage Change in Price Over the Last Week



Source: Digital Assets Data

# Mid Caps returned 35% in July – Small Caps struggle

July has come to an end. The Small Caps Index had some strong months in the second quarter but has struggled since the giants started moving in July.

- Mid Caps is the winner of July with a monthly return of 35%.
- With BTC and ETH making big moves over the past weeks, the Large Caps Index has shown strength. The Index ended June down 4% after a relatively flat month but shifted direction in July and ended the month up 27%.
- Large Caps was lagging other indexes both in the rally before the March crash, and in the rally in April/May, so this kind of performance from Large Caps is not observed too often.
- Small Caps ends July with a 12% return and takes a breather after crushing the other indexes in the first half of 2020.

On a side note, bitcoin’s dominance **drops below 60%** for the first time in over a year as altcoins are performing strongly this summers.

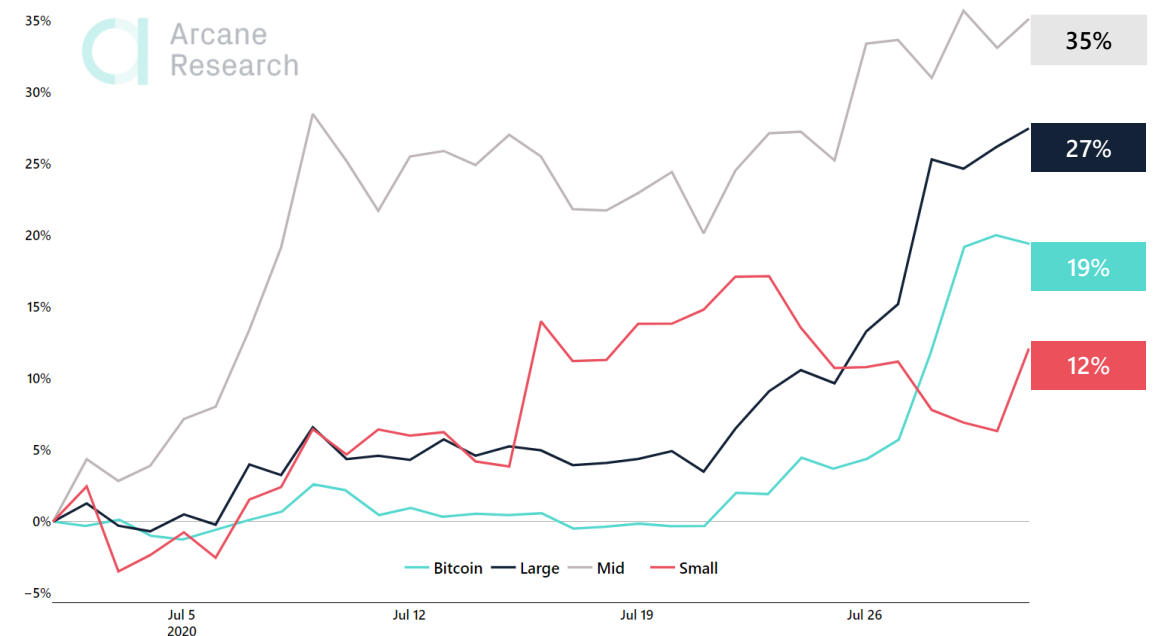
Percentage of Total Market Capitalization

	BTC	ETH	BCH	LTC	XRP	DASH	NEM	XMR	IOTA	NEO
Market Share	59.34%	12.62%	1.56%	1.09%	3.99%	0.24%	0.14%	0.45%	0.24%	0.25%
Weekly Change*	-2.64%	1.70%	0.02%	0.01%	0.93%	0.01%	0.00%	0.00%	0.01%	0.00%

\* Weekly change in percentage points

Source: Coinpaprika.com

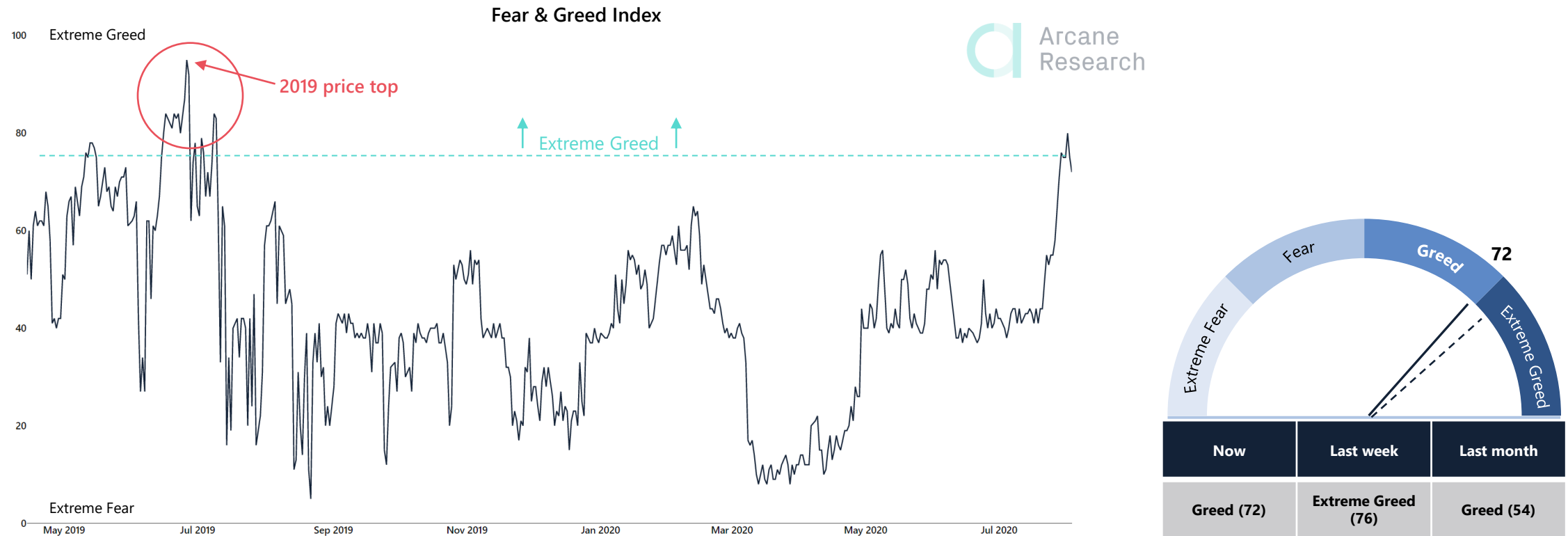
Monthly Performance of Market Capitalization Weighted Indexes



Source: Digital Assets data, Bletchleyindexes.com

# Sentiment drops down to "Greedy"

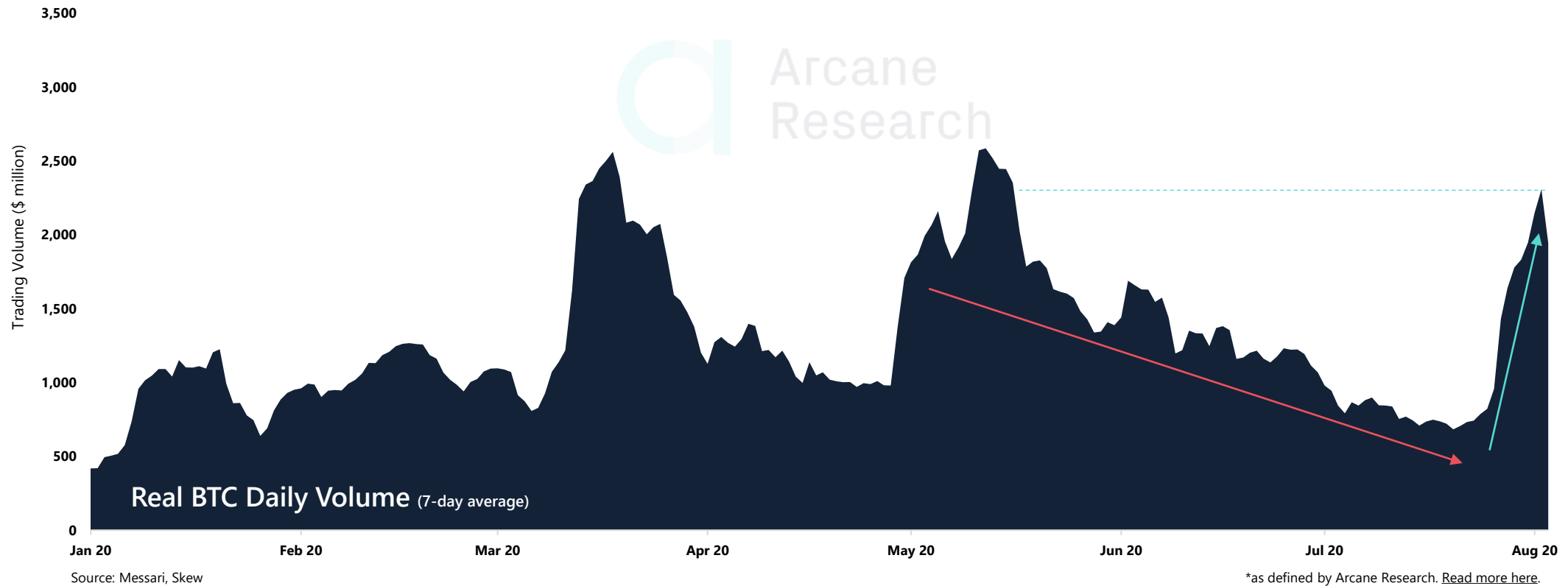
The Fear & Greed index has stayed in the "Extreme Greed" area this past week but dropped down to "Greed" last night. It even touched 80 before the dump this weekend. Investors should be aware; we usually don't stay in this area too long and it has historically been an indication of a market top getting close. However, last time we pushed above 80 (June 15<sup>th</sup> '19), the bitcoin price gained almost 50% in the next 10 days before topping out. Moreover, this indicator was not live during the massive bull run of late 2017.



Source: Alternative.me, Digital Assets Data

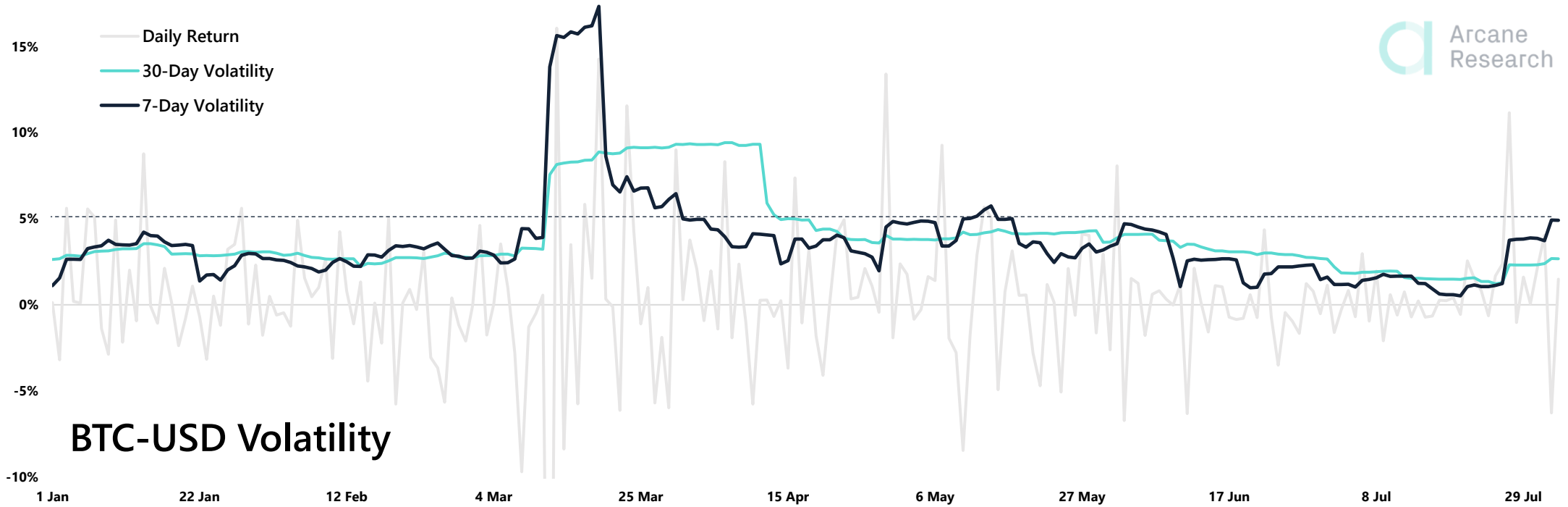
# Volume approaching yearly highs

The real BTC daily trading volume\* has been growing strongly over the past week and is now approaching the yearly highs. As bitcoin started moving, we've seen several days with volume above \$2 billion. We can certainly conclude that the almost 3-month long downwards trend has shifted upwards.



# Volatility continues up after weekend dump

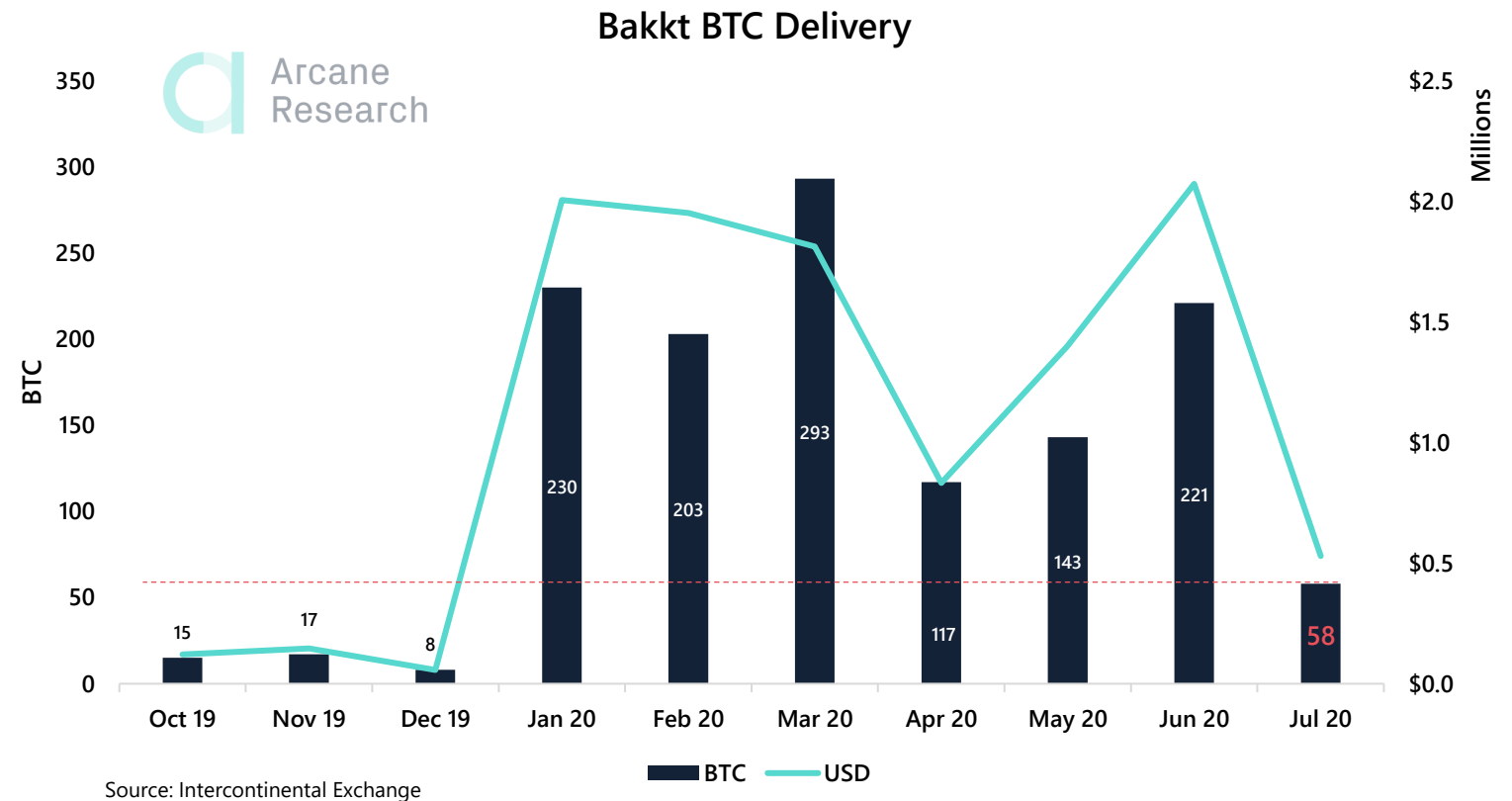
The volatility has pushed further up over the last week, coming as no surprise with the massive sell-off this weekend, seeing bitcoin drop \$1,500 in a few minutes. The 7-day volatility is now approaching 5%. This is the highest levels since the bitcoin halving in the beginning of May.



Source: cryptowat.ch

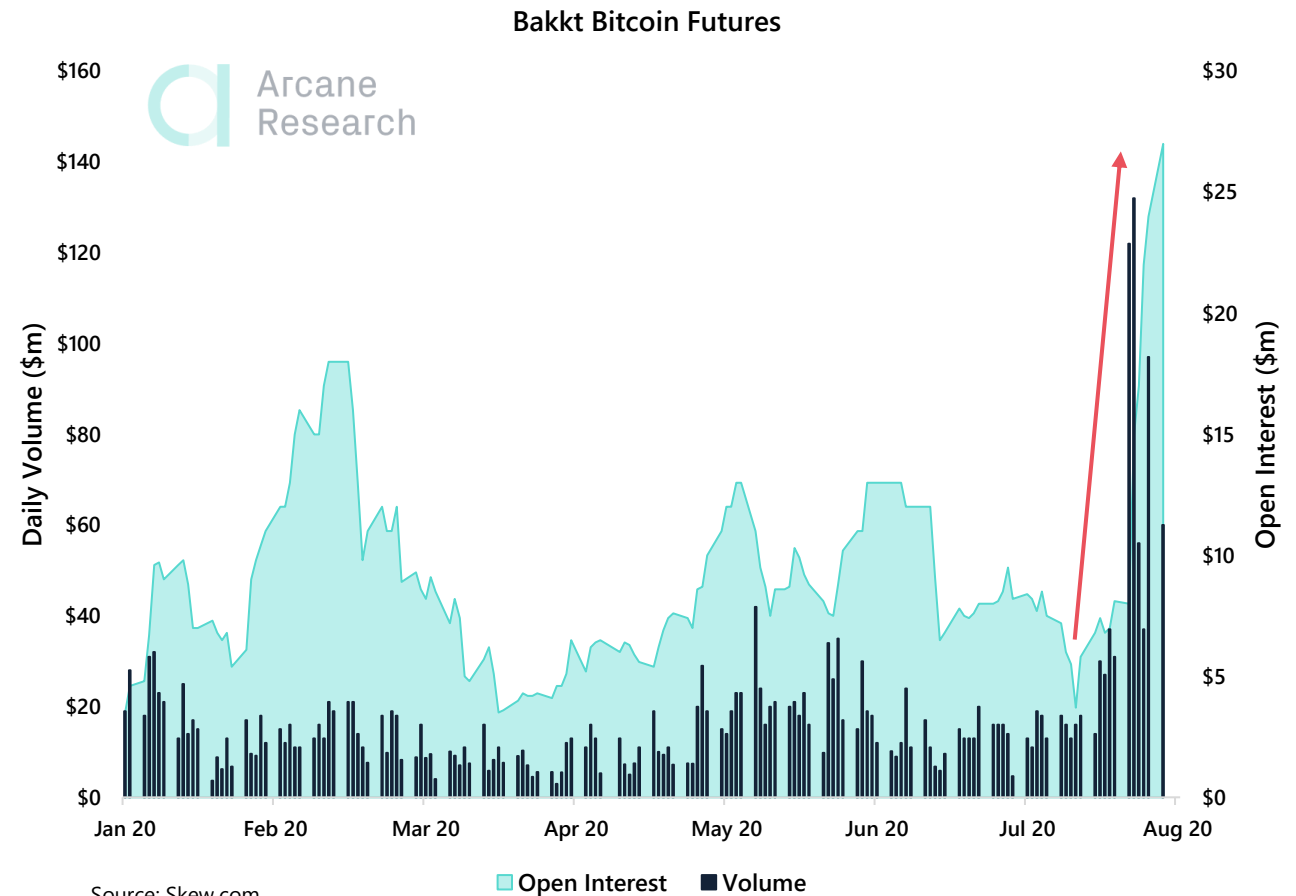
## Lowest physical delivery in 2020 on Bakkt

- BTC Futures Delivery on Bakkt for July couldn't be a bigger contrast to what we saw in June.
- **The amount of BTC contracts held to expiry crashed down 74% in July, to 58 BTC. This is the lowest amount held to expiry so far in 2020**
- While delivery in USD terms went to a new all-time high above \$2 million in June, the July delivery was only slightly above \$0.5 million.
- This was indeed a disappointing month for Bakkt BTC delivery, as the trend had been moving upwards since April.
- **However, the trading activity on Bakkt tells a completely different story, highlighted on the next page.**



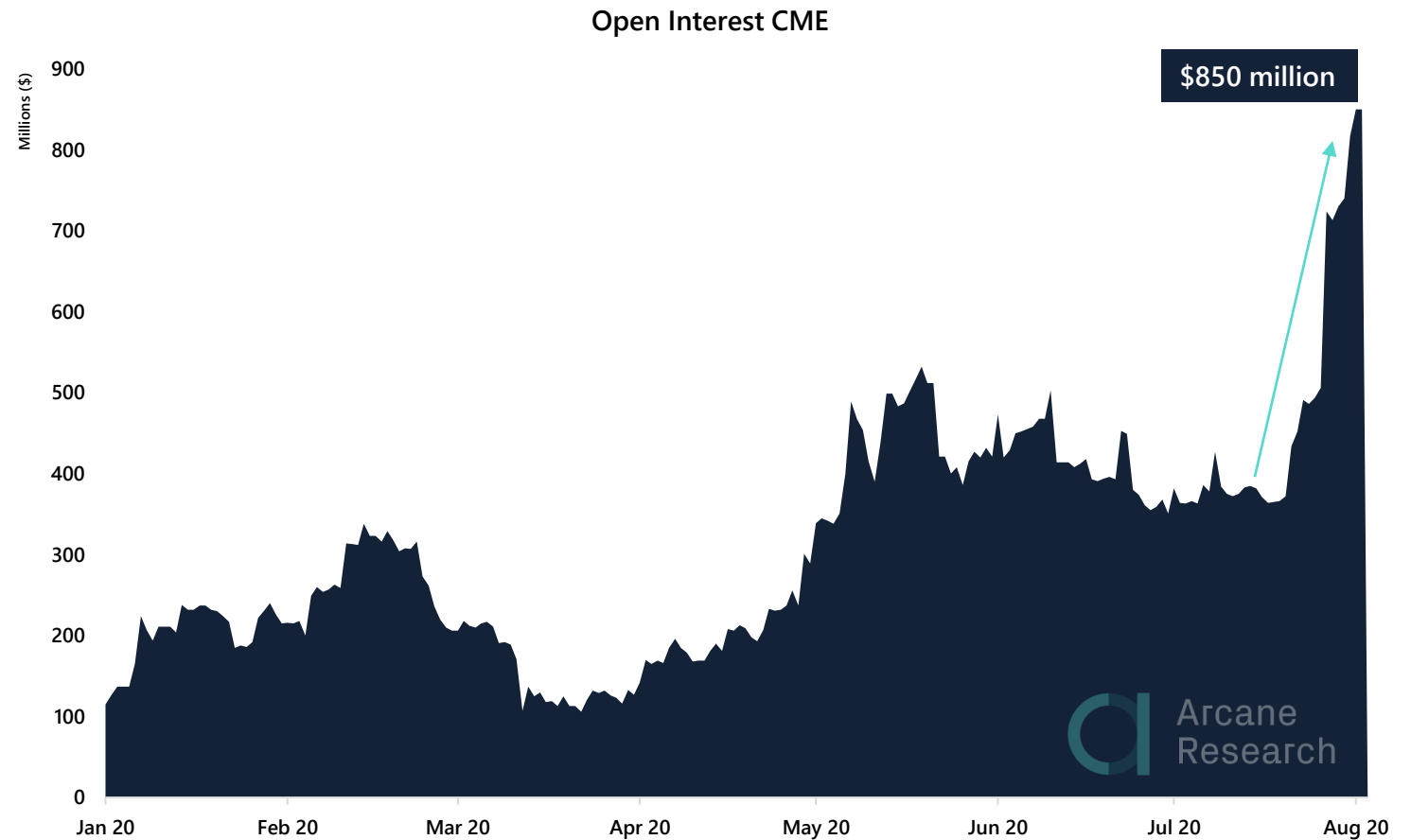
## Activity on Bakkt to new highs – Massive spike in volume

- While the physical delivery slowed down on Bakkt last month, the trading activity has blown through the roof lately.
- The total open interest (OI) jumped to \$24 million last week, an increase of almost 550% from the lows on July 16<sup>th</sup>, when the July contracts expired.
- This increase came with a massive spike in daily trading volume, as Monday and Tuesday last week both had a volume above \$120 million.
- The new all-time high of \$132 million was more than 200% higher than the old record of \$42 million from May 11<sup>th</sup>.
- No one can deny that the institutional demand for bitcoin exposure has seen a sentiment shift after bitcoin broke \$10,000 again



# CME: Record breaking Open Interest on futures contracts

- The open interest on CME has soared through its former highs and is currently at \$850 million.
- Traders on CME tend to invest in the front month contracts, meaning most of the exposure is in the futures contract closest to expiry.
- After the July-August rollover, most of the open interest is now found in August contracts. The August contracts currently holds an open interest of 50,375 BTC (\$564 million).
- **CME currently holds 16.8% of the total open interest in the BTC futures market, this is a record high dominance for CME.**
- The sharp rise in open interest at CME is a clear indication of increased institutional demand for bitcoin.

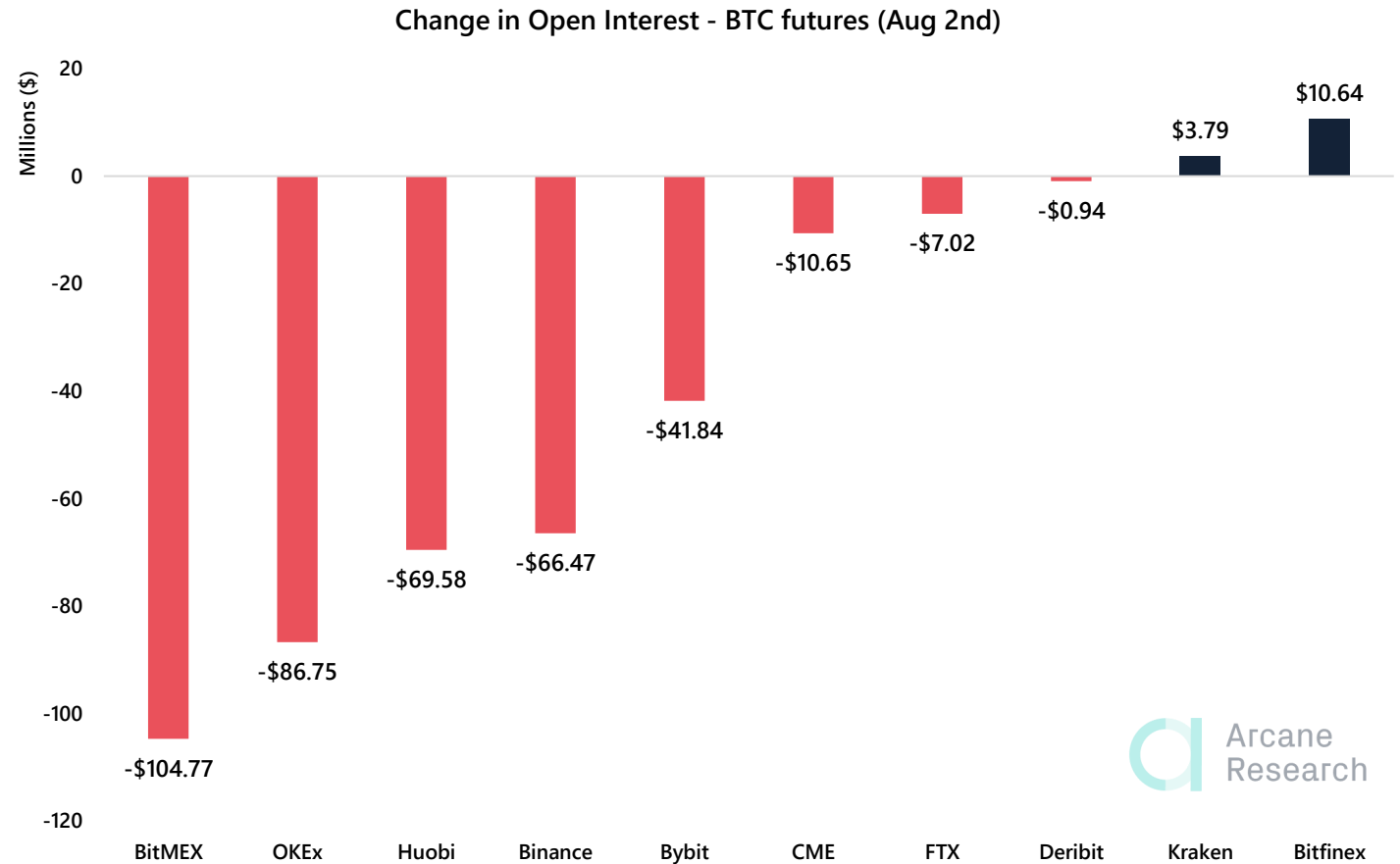


Source: [Skew](#) (Aug 3)

# \$1.3 billion worth of open interest evaporated

## 30 minutes of turbulence in the crypto markets

- **As the BTC price fell from \$12,100 to ~\$10,500 in 30 minutes during the weekend, many traders saw their positions getting liquidated.**
- Unsurprisingly, BitMEX and OKEx saw the largest drop in total open interest in BTC futures, as one would expect given their dominance in the futures market.
- Binance was hit the hardest in terms of relative loss in open interest, as its open interest fell 16% during the crash.
- In total \$1.3 billion worth of open interest was liquidated across all crypto pairs during the correction, with BTC futures accounting for \$735 million of the fall.
- A total amount of \$460 million was liquidated on OKEx and \$456 million on Huobi across all crypto pairs.
- Kraken and Bitfinex differed from the other exchanges as the open interest actually increased during the turbulent 24 hours of Sunday.
- These events highlights the dangers of adding leverage to the mix to an already heated market.



Source: bybt.com





# VALUATION

## Highest weekly close in one year – What's next?

- The bitcoin price managed to close last week above the important \$10,500 level.
- This could potentially be a new support level, and Sunday's price dump saw the price drop down to exactly this level before it got bought up.
- Coincidental or not, flipping \$10,500 from resistance to support is a clear bullish technical signal.
- We're now trading just above \$11,000 and the bulls are looking for a weekly close above \$11,500.
- Another retest of the \$10,500 level is not unlikely in the coming weeks, and bears are hoping for a weekly close below for more downside.



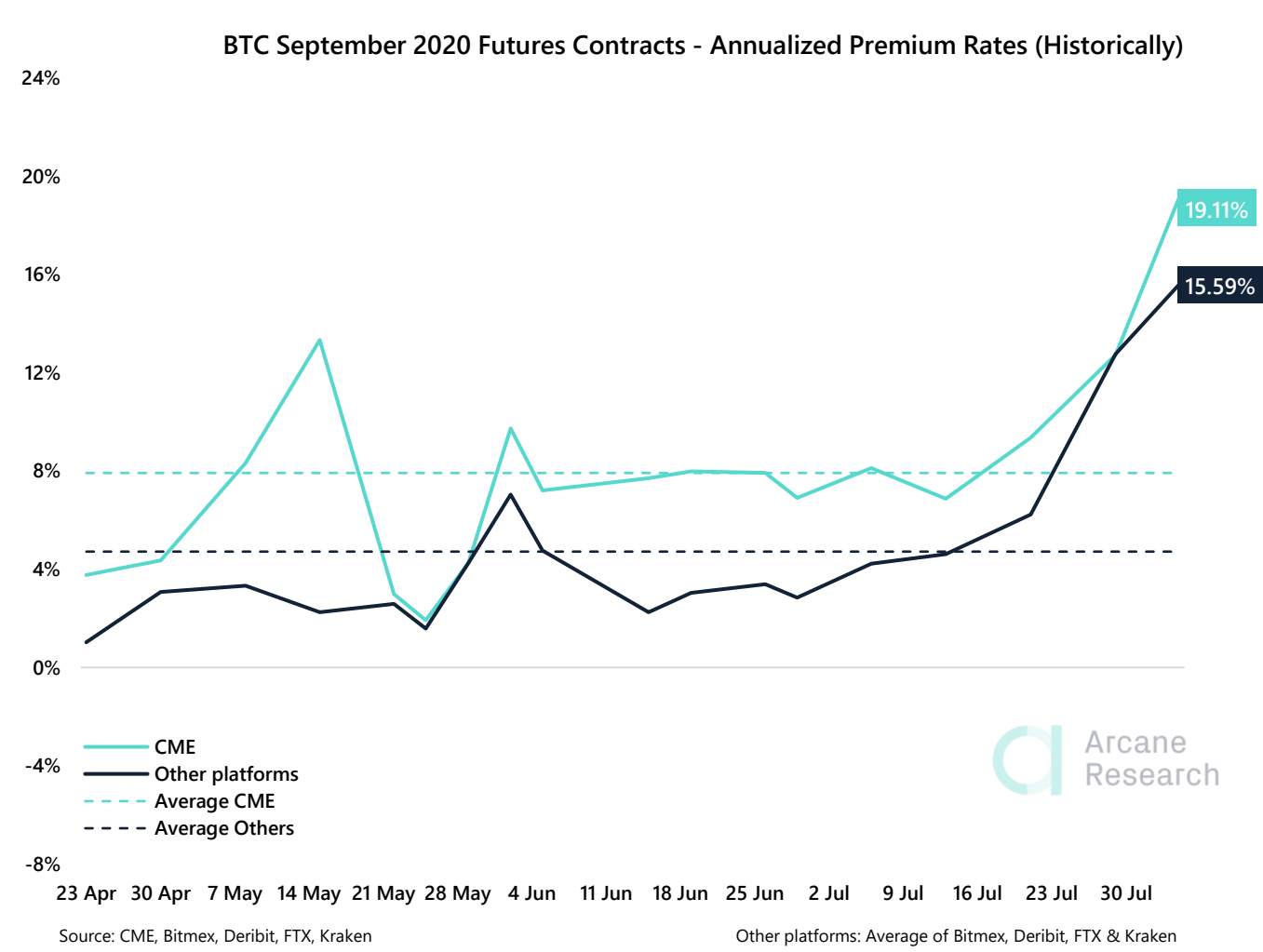
# Premiums on september futures push higher

**Last week, the futures premiums soared amidst the BTC rally. The trend has continued this week, as BTC has risen further.**

- CME contracts are currently trading at a larger premium than the retail exchanges, as the September premium has increased from 2.05% to 2.76% over the last week.
- The premium rates at the retail exchanges have also risen over the last week, indicating that the bullish sentiment remains strong, despite the volatile price action over the weekend.

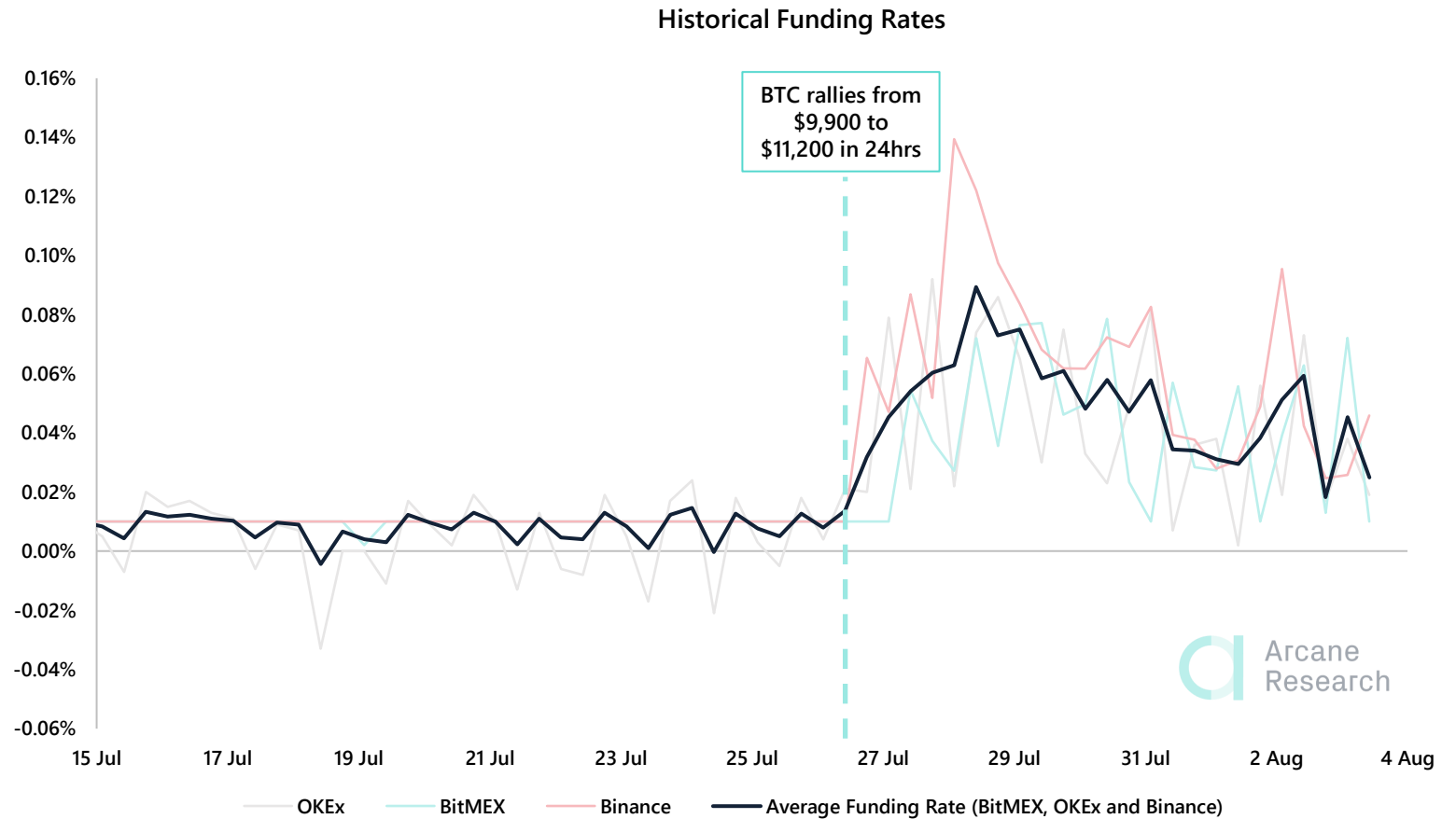
Premium Rates for BTC Futures Contracts

	September 2020
CME	2.76%
Other platforms	2.25%



# Spike in funding rates as BTC rallies

- As bitcoin rallied last Monday, the futures market saw a sudden increase in its funding rates.
- The funding rate is the tool that reassures that the price of the perpetual swap is kept close to its underlying asset.
- When the perpetual contract is trading above the BTC spot price, the funding turns positive and long trades pay a fee while short trades receive a rebate.
- This week the funding rates have soared. On Binance they reached 0.14% at its peak, as investors sought to get leveraged exposure to the upside.
- Following the weekend correction in BTC, the funding rate has fell towards its normal state at around 0.01%.
- This is a healthy sign in the market, as it indicates that the market is stabilizing, and the leveraged longs are on a decline.



Source: BitMEX, OKEx, and Binance



# BLOCKCHAIN ACTIVITY



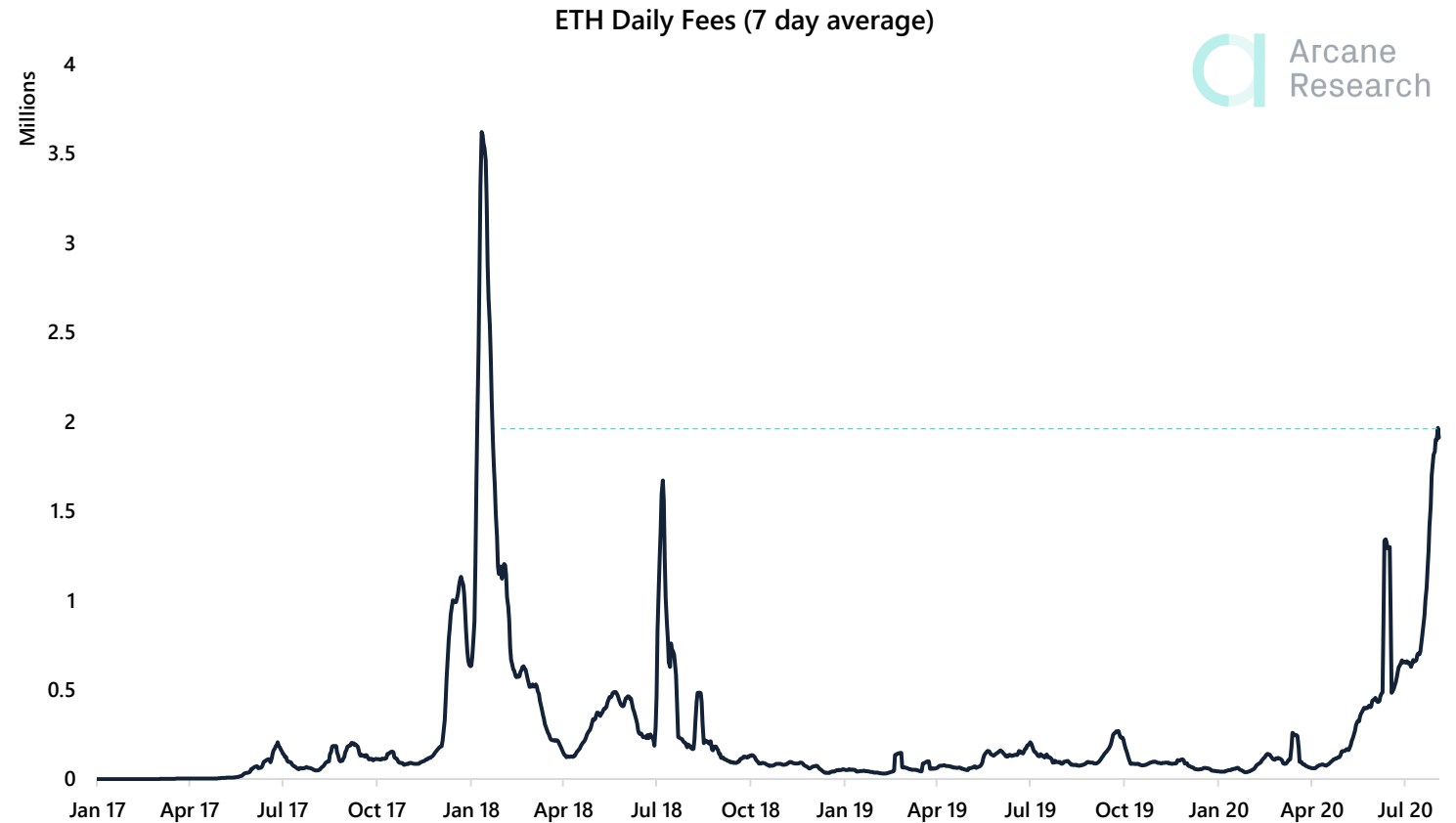
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# Ethereum fees climbs further

But is it really driven by DeFi?

- The Ethereum transaction fees keep on ramping up and have now surpassed the highs of July 2018.
- **The 7-day average ETH fees have only been higher once, during its January 2018 peak.**
- The daily transaction fees surpassed \$2 million on Monday August 3<sup>rd</sup> with a median transaction fee of \$0.82.
- In the last report, we assigned the growth in the trading fees to the increased activity in DeFi. The last week has seen further developments in DeFi as the total value locked currently sits at \$4.3 billion, **up 19.5% since last week.**
- However, the Twitter user [Mitchell Moos](#) recently shed light on an ongoing Ponzi scheme on Ethereum, which might also explain the sharp rise in the ETH fees.
  - Mitchell found that the transaction volumes of the Ponzi scheme are much larger than those seen in DeFi, and highlighted the correlation between rising gas prices and transaction count of the Ponzi scheme.



Source: Coinmetrics

# Bitcoin on-chain scalability vastly improved since 2017

High Activity, Yet Relatively Low Fees

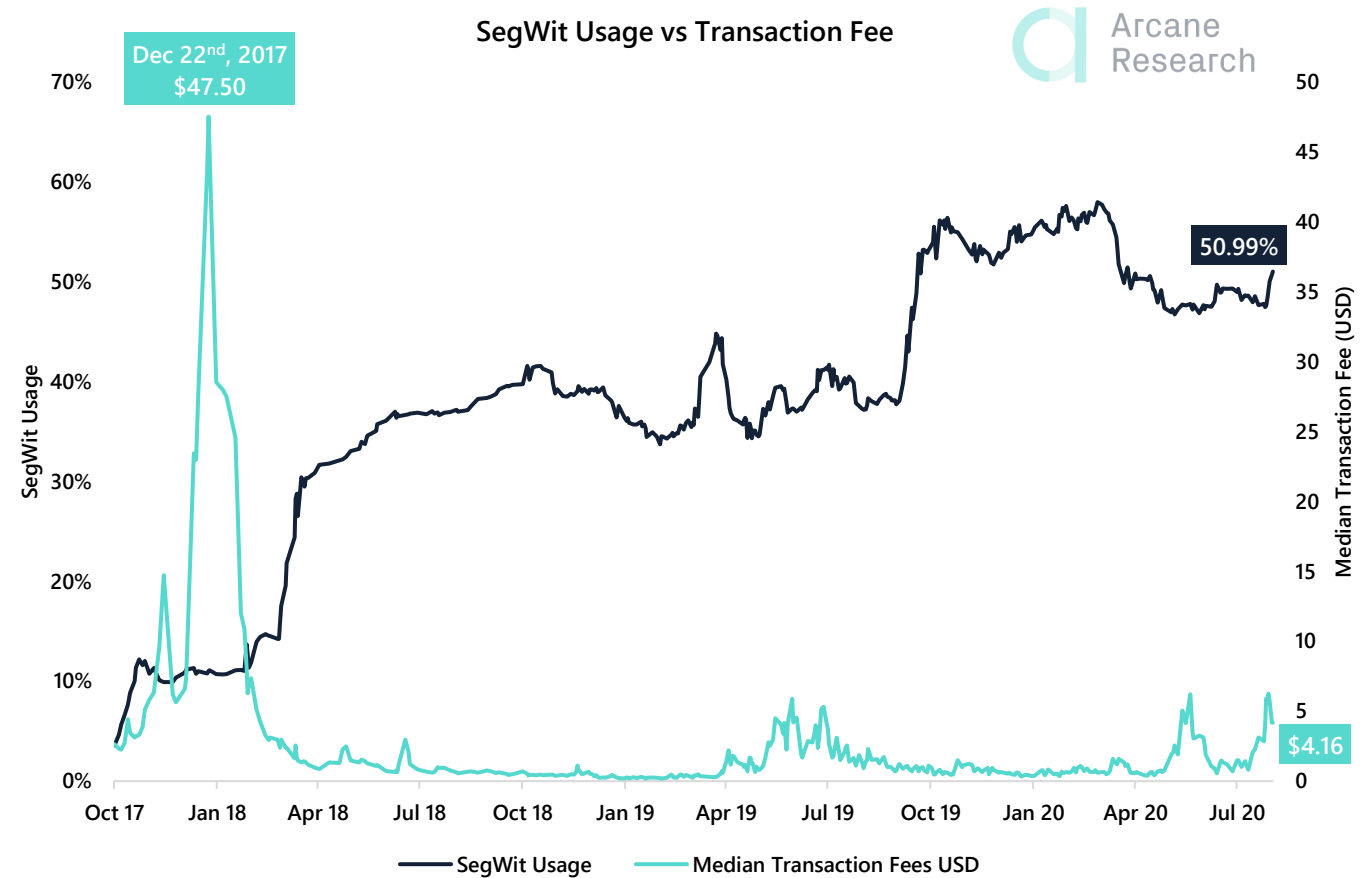
- The blockchain activity on Bitcoin is approaching the high levels of December 2017. Active addresses are at its highest since January 2018, while the daily transaction count is also ramping up, yet the trading fees are significantly lower than in 2017.
- So what's happening? The answer is complicated. But in general, two main factors have increased the scalability:

### The implementation and adoption of SegWit

Digital Signature data typically accounts for 65 percent of the space in a transaction. SegWit removes this data from the transaction, enabling more transactions per block. Since the SegWit activation of August 2017, the SegWit adoption has risen to around 50% of all transactions.

### Batching of transactions

Following the frenzy of 2017, many exchanges began batching transactions. A report published in May 2018 found that approximately 12 percent of all transactions on the blockchain involved batching, while 40 percent of all outputs and 30-60 percent of all raw BTC output value involved batching.



Source: Blockchair, Glassnode and Tradingview



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