

Digital Asset Market – Q3 2023 Review

Overview:

The digital asset market experienced a bearish Q3 2023, Bitcoin experienced -11.54% return, whilst Ethereum experienced -13.64% return. Overall sentiments remain bullish, despite the mild sell-off, with YTD performance remaining strong, positive news regarding digital asset product offering by large financial institutions & a pause in interest rate increases in the US.

Bitcoin regained trading volume dominance in Q3, with its share of total volume increasing to 40%, which is a bearish signal considering there is less interest & volume in 'altcoins' (non-Bitcoin digital assets).

Layer 1 blockchains generally saw lower activity in Q3, with the exception of Solana and Avalanche, which both experienced growth in terms of active addresses and transactions.

Several major financial institutions, such as BlackRock and Fidelity, announced new initiatives to offer exposure to digital assets via the form of spot ETFs in North America, which could prove to be bullish for digital assets.

Overall, the digital asset market in Q3 2023 was characterized by a mild downward movement & consolidation, following a mildly bullish Q2 2023.

Carter Capital Strategy:

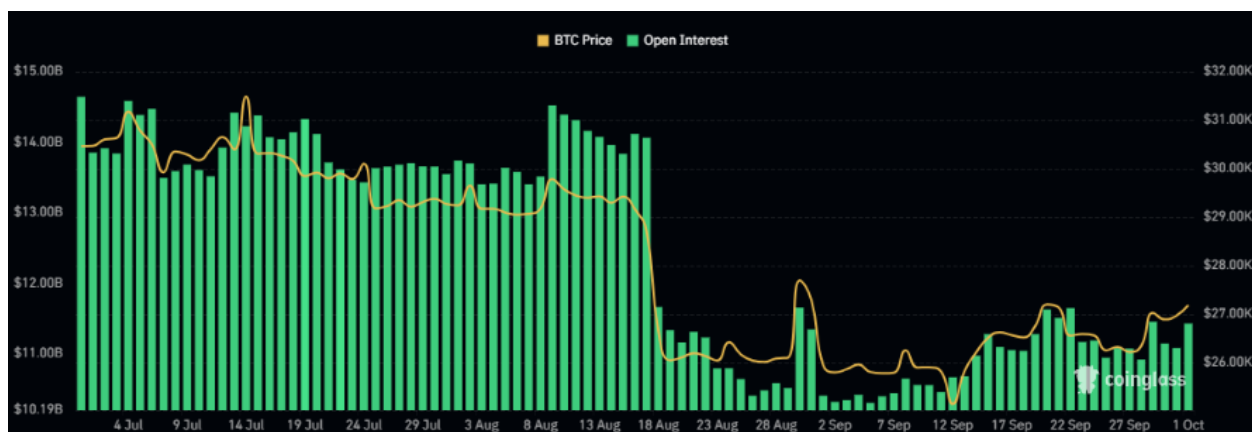
In respect of the strong start to the year, wherein digital asset markets experienced a bullish Q1 2023, Carter Capital deployed client assets across a number of blue-chip digital assets, notably Solana & Avalanche. Solana & Avalanche are among the top 20 largest digital assets and exhibit some of the largest trading volumes & on-chain activity across the largest layer 1 blockchains. Solana is presently valued 91% below its previous high & Avalanche 93% respectively. Carter Capital views these two assets as considerably undervalued, with respect to the level of activity & innovation occurring on each respective blockchain and believes that these assets will likely trade at multiples above current valuation during the next 12 months. Hence, despite a bearish Q3 2023,

Carter Capital is confident that the positions built in these assets will lead to profitability during the next 12 months.

Technical Analysis:

Technical Analysis is conducted on Bitcoin, considering it is the largest digital asset & altcoins follow Bitcoin's price direction, usually with greater volatility.

Bitcoin open interest refers to the total number of outstanding Bitcoin futures or options contracts in the market. It is a measure of the amount of money invested in Bitcoin derivatives at any given time, an increase in open interest indicates that there is increased activity in Bitcoin markets & there is an expectation of directional price movement.



Bitcoin open interest has begun to increase following a dramatic decline, which began in mid-August. There is a close correlation between movement in Bitcoin open interest & Bitcoin price, as showcased during mid-July, mid-August & late-August/early-September. Bitcoin open interest is beginning to smoothly increase, which indicates that Bitcoin price (vis-à-vis the entire digital asset market) could soon follow suit.

Moving Averages:

50-day SMA: The 50-day SMA is currently at \$27,416. Bitcoin has been trading above this level for the past few weeks, suggesting that the overall trend is bullish.

100-day SMA: The 100-day SMA is currently at \$27,906. Bitcoin has been trading below this level for most of the year, but it made short-lived breaks higher. A break above the 100-day SMA would be a bullish signal.

200-day SMA: The 200-day SMA is currently at \$26,100. Which Bitcoin has been trading above of for much of Q3 2023, which is a bullish signal.

Price Consolidation:

Since the start of 2023, Bitcoin price has been grinding higher, establishing a series of higher highs & lower lows, with multiple extended periods of consolidation. Presently, considering that this trend has not been strongly broken/rejected, Carter Capital expects Bitcoin to continue this price action & is targeting expansion into the green box shown below. Should this be the case, altcoins are expected to showcase an even stronger bullish move, which Carter Capital is well placed to benefit from.

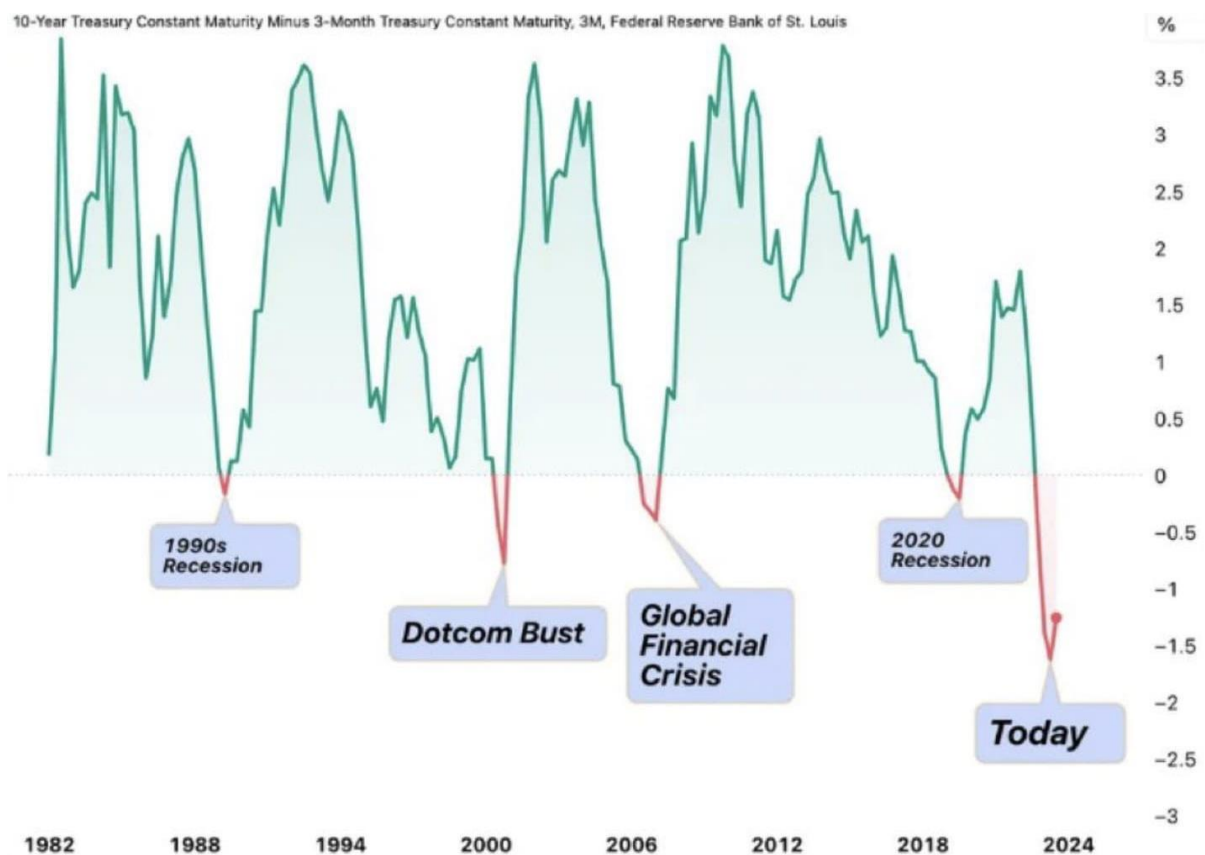


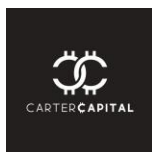
Global Liquidity Analysis:

On 19th September 2023, the US Federal Reserve announced that it would be pausing interest rate increases, with Fed Funds rate to be held within a range of 5.25% - 5.50%. Hence, a signal was given to the market that the US Federal Reserve was cognisant of the risks that elevated interest rates are causing the US (and global) economy, credit markets & asset markets. It is likely that the US Federal Reserve will not raise interest rates more than 1-2 times, before beginning a more dovish policy of reducing interest rates. This latter scenario is bullish for high-beta assets such as digital assets.

As is well documented, due to the unprecedented speed & scale of interest rate increases by the US Federal Reserve, the 3 month & 10 year yield curve has been inverted for some time (meaning the 3 month treasury bill yield is higher than the 10 year treasury bill yield, which is unusual). Such conditions have historically been present during recessions & periods of uncertainty/shocks. Following this, asset markets have rebounded strongly & gone on to reach new all-time highs.

As indicated in the chart below, the inverted yield curve is beginning to show signs of returning to 'normal' status, as such bringing us closer to periods of strong asset price performance.



**Market Benchmarks:**

Q3 2023 performance of key market benchmarks below

S&P 500	-3.91%
NASDAQ	-4.38%
STOXX Europe 600	-3.44%
Bitcoin	-11.54%
Ethereum	-13.64%

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To request information on how to safely invest in Digital Assets with Carter Capital