



ENIGMA
SECURITIES



MAKOR

De-Coding Crypto



Enigma Weekly

24th June 2020

Written by Joseph Edwards, Head of Research at Enigma Securities.

Our Market View

May you live in interesting times. A relatively quiet week yet again for the most part, but we are finally beginning to see stress on resistance/support levels – last week’s breakout below \$9100 has not repeated, but after grinding down from \$9600 for most of the week, we did see a sudden surge upwards on Monday that took us above \$9600 for a time. However, we lost that in fairly decisive fashion this morning, and hence outlook has bumped down again from briefly being relatively neutral to bearish once again. This week’s research discusses this question in more detail.

Some movement in alts, notably with LINK shooting up suddenly and challenging its all-time highs from the height of February’s run. Expect to see this pattern quite frequently over the next few months – gains for the handful of alts with some life behind them in terms of development (including ETH), but losses for the stagnant mid-caps and large-caps that aren’t.

Please direct all enquiries about this week’s research to jedwards@enigma-securities.io.

Major

Ticker	Price	7D	1M	6M	12M	Cap
BTC	9367	-0.94%	6.89%	28.56%	-15.99%	172.5B
ETH	238.33	1.97%	17.53%	86.21%	-18.95%	26.57B
XRP	0.18362	-5.77%	-4.90%	-4.65%	-54.57%	8.13B
BCH	236.12	-1.59%	3.19%	14.87%	-42.59%	4.36B
LTC	42.84	-3.63%	0.62%	0.48%	-62.39%	2.79B
EOS	2.4880	-3.42%	-0.68%	-5.31%	-57.66%	2.32B

Selected

Ticker	Price	7D	1M	6M	12M	Cap
ADA	0.08309	4.87%	57.57%	146.90%	-2.10%	2.15B
XTZ	2.6680	1.43%	-1.04%	102.30%	178.40%	1.96B
LINK	4.7019	15.78%	22.37%	151.50%	103.00%	1.65B

BTC: Q2 in review

While, technically, we still have a good few working days left to run in Q2, this seems like an appropriate juncture to look at BTC's performance over the course of the quarter (particularly with expiry coming up – more on that later). In terms of simple raw change, Q2 of 2020 has so far been one of the more profitable quarters in the modern history of BTC:

	Q1			Q2			Q3			Q4		
	O	C	%	O	C	%	O	C	%	O	C	%
2017	970	1089	12.2%	1089	2455	125.5%	2455	4339	76.7%	4339	13863	219.5%
2018	13863	6929	-50.0%	6929	6383	-7.9%	6383	6605	3.5%	6605	3692	-44.1%
2019	3692	4095	10.9%	4095	10761	162.8%	10761	8305	-22.8%	8305	7166	-13.7%
2020	7166	6424	-10.3%	6424	9623	50.0%						

Reference price: BTCUSD, Coinbase. Q2 2020 figure as of close on 23rd June.

Unless there is a truly dramatic swing in the next few days, we will close at in the region of a 50% increase on quarter's start – not an all-time great gain, but certainly more than creditable, and in fact the second largest since the Q4 2017 bubble.

So, why have our forecasts so often over the last few weeks tilted somewhere between neutral and bearish? The crucial thing to understand here is that of how BTC ranges in general, and has been ranging over said few weeks.



Credit: Tradingview. BTCUSD, Coinbase.

Most of the movement upwards on BTC over the course of Q2 was concentrated in a fairly steady incline throughout April, as we came into the month in the low to mid-\$6000s, and shot up to open May at around \$8600. Since then...yes, we have seen some volatility, with movements in dollar terms as high or higher than the biggest in April, but this action has overwhelmingly taken place based around a few levels - particularly \$8600, \$9600, and \$10,300 - that have been significant over the last year or so:



Credit: Tradingview.

These have been areas that have provided significant support (for falling prices) and resistance (for rising prices), and have very frequently served as very good indications of trends looking forward, particularly in the case of failures. Failure at \$10,300 (resistance) and then \$9600 (support) preceded September's crash; failure at \$9600 (resistance) after the Xi pump in November saw the resumption of the down trend; further failures at all three levels were an early warning going into March.

With that in mind, price action since May has been concerning. As can be seen from the broader graph, we have essentially not moved out of those three levels in coming up on two months now (breaking through \$8600 on 29th April, and only closing once outside it since, and even then on an essential technicality). While the end of the story here remains unwritten, if this were to hold until the close, this would be one of the smallest 2-month ranges percentage-wise since 2017, and certainly one of the tightest in terms of technical ranges:

Month 1	Month 2	High	Low	H/L	H-L	Range
Jun-18	Jul-18	8488	5777	7133	2711	38.0%
Jul-18	Aug-18	8488	5900	7194	2588	36.0%
Aug-18	Sep-18	7750	5900	6825	1850	27.1%
Sep-18	Oct-18	7403	6033	6718	1369	20.4%
Dec-18	Jan-19	4275	3130	3703	1145	30.9%
Jan-19	Feb-19	4189	3338	3763	851	22.6%
Feb-19	Mar-19	4189	3341	3765	848	22.5%
Jul-19	Aug-19	13203	9071	11137	4132	37.1%
Dec-19	Jan-20	9575	6431	8003	3144	39.3%
May-20	Jun-20	10350	8121	9236	2229	24.1%

Reference price: BTCUSD, Coinbase. Intraday figures. Range established as a percentage of median price. May/June 2020 figures correct as of 23rd June.

Additionally, as discussed in research on 10th June on volatility compression, we have been reaching historic lows on volatility at times over the last few weeks in general. The nature of BTC throughout its lifespan to date has been that such periods are ultimately not sustainable with how the asset is treated and used in its current form; to put it in simple terms, something has got to give soon.

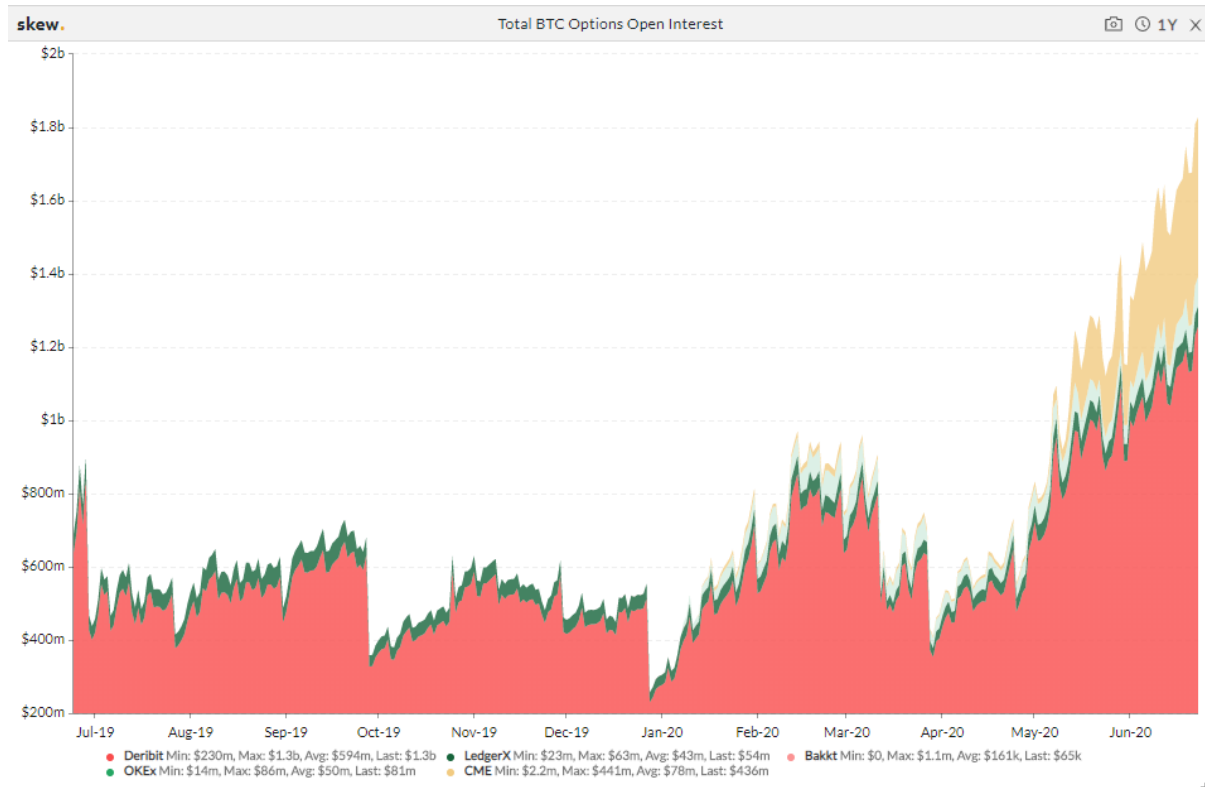
So: when, and in what direction? The likelihood is that we see significant movement within the next few days. The volatility situation asides, with the end of the quarter, we are coming to a double-expiry; asides from the usual expiry of monthly contracts (as of today, around 75% of all volume on CME BTC at any given time is for the current month's contract), quarterly contracts are also up. As we discussed in our research on 16th April, where set-date contracts are traded in public venues (as opposed to perpetual contracts), it's overwhelmingly in this quarterly format:

Exchange	Perp%	Quar%	Oth%	Other?
Binance	100.0%	0.0%	0.0%	Binance futures have high volume but are a recent addition, no non-perps
Huobi	18.5%	69.9%	11.6%	Other = weekly and bi-weekly contracts
OKEx	30.8%	53.0%	16.2%	Other = weekly, bi-weekly, September contracts
BitMEX	96.3%	1.7%	1.9%	Other = September contract
Deribit	85.5%	10.6%	3.9%	Other = September contract

Snapshot as of 16th April.

The additional wrinkle this time around is with regards to options expiry; a relatively small part of the market historically (although always existent), open interest on

options is significantly higher in aggregate than it's ever been thanks to a massive influx of interest over the course of the quarter:



Credit: Skew.

Historically, expiry has often correlated with shifts in overall trends, marking out local peaks and nadirs several times:

	-28d	-14d	-7d	0d	7d	14d	28d
Jun-20	9424	9464	9302				
Mar-20	8709	5638	6206	6372	6742	6872	7515
Dec-19	7760	7250	7190	7246	7334	8198	8427
Sep-19	9582	10366	10169	8194	8157	8267	8668
Jun-19	8554	8697	10236	12360	11005	11802	9843
Mar-19	3806	3903	3984	4091	5041	5078	5160
Dec-18	3975	3196	3839	3888	3820	3636	3562
Sep-18	7015	6478	6750	6620	6594	6188	6405
Jun-18	7514	6391	6060	6202	6600	6216	8184
Mar-18	11000	8275	8927	6848	6619	7893	8923
Dec-17	10870	17739	14211	14565	16960	13820	11087
Sep-17	7191	6519	6707	6582	6552	6196	6409
Jun-17	2479	2480	2691	2455	2501	2217	2786
Mar-17	1293	1070	935	1089	1194	1174	1353

Reference price: BTCUSD, Coinbase.

What to expect in terms of directionality? As the more general technical view alluded to, we tend to lean bearish with the current state of things. The failure to even come close to challenging resistance at \$10,300 in the last few weeks, and the failure largely to even keep at or above \$9600 for any length of time (at the time of writing, we had just moved below it again after a brief move slightly above on Monday), would tend to still suggest that we see lower before we see higher.

If we do start dropping, the key point to watch will be reaction at \$8600; failure there would quickly suggest a descent lower, and while we would expect to stabilise and find support at a far higher level than we did in December or March, this would still represent a significant short-term drop-off. A strong bounce at \$8600 would be cause for consideration with regards to a break upwards in coming weeks.

Until next week – thank you for reading.



ABOUT US

Enigma Securities is a leading, regulated liquidity provider, offering its clients bespoke liquidity solutions through the use of a proprietary electronic trading platform and API access.

The firm was founded in 2017 as a subsidiary of Makor Partners Limited (UK), amid growing institutional demand for digital asset trading. Looking to seize the new, exciting opportunities presented by cryptocurrencies and blockchain technology, Enigma became one of the first regulated brokerage firms to set up banking relationships and custody solutions to meet institutional standards.

Since its launch, the firm has expanded its capabilities to the broader Fintech arena, leading innovation while working to bridge the gap between the traditional financial services industry and cryptocurrency markets.

DISCLAIMER:

The information contained in this report issued by Enigma Securities Limited is not intended to be advice nor a recommendation concerning cryptocurrency investment nor an offer or solicitation to buy or sell any cryptocurrency or related financial instrument. While we provide this information in good faith it is not intended to be relied upon by you and we accept no liability nor assume any responsibility for the consequences of any reliance that may be placed upon this report. Enigma Securities Limited is an Appointment Representative of Makor Securities London Ltd which is authorized and regulated by the Financial Conduct Authority (625054)