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De-Coding Crypto



Enigma Weekly

7th April 2021

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

Our Market View

May you live in interesting times. A mediocre week for BTC, a very good week indeed for alts, with most ripping upwards coming both into and out of the long weekend (Good Friday and Easter Monday). As we've said in daily updates, and as we discuss in this week's research: it does absolutely seem like there has been a massive rush in of retail money over the last few days, particularly looking at some of the names that have seen the biggest gains (XRP +71%, TRX +31%, EOS +30% being some of the standouts in that regard).

We have seen a quite a significant pullback today, and we tend not to have an enormously optimistic view over the alts market as a whole in the next few days; these sorts of bounces on assets that are largely in terminal decline generally do not lead to further gains on said assets going forward fundamentally.

That being said, as usual, the prism here is overperformance/underperformance against BTC; and, on the BTC front, we do currently lean very bullish indeed – we have held in a good area technically through the end of March and into early April, and as we have laid out in previous weeks, we do tend to think that demand is likely to pick up significantly again over the next six weeks to two months. As usual, eyeing potential ATH breaks (at \$62,000) with extreme interest; tendency is to think that any movement into and above that area opens the door for a December/January-type BTC surge (which we should note is also a contributor to our alts scepticism – most lost significant value in that run, and many never gained it back in BTC terms).

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

Major

Ticker	Price	7D	1M	6M	12M	Cap
BTC	56750	-4.7%	7.8%	399.9%	721.8%	1.060T
ETH	1999.04	6.8%	7.9%	433.9%	1152.0%	230.6B
LTC	222.12	13.2%	13.7%	345.9%	415.1%	14.83B
BCH	634.64	18.8%	18.3%	163.6%	168.3%	11.87B
EOS	6.097	30.1%	54.2%	127.4%	140.5%	5.82B
Selected						
Ticker	Price	7D	1M	6M	12M	Cap
ADA	1.199	0.2%	5.9%	1028.0%	3463.0%	38.35B
DOT	39.84	5.0%	11.9%	823.3%	1245.0%	36.90B
LINK	31.71	13.9%	-1.8%	196.4%	867.3%	11.29B

'Crypto weekends' in 2021

Back in January 2020, we had a long piece talking about 'crypto weekends'. As we opened with in that piece:

Truism in markets exist for a reason - that being at some point, they were useful and at least in some sense correct - and 'crypto weekends' are very much an acknowledged truism, referring to the notion that Saturday and Sunday trading are unusually voluminous and volatile for BTC and cryptocurrencies in general. There is a baseline at which this is undoubtedly true compared to some traditional markets for the simple reason that, to use another truism, 'crypto never sleeps' - with no market open or close, BTC does not possess the set trading windows that any other market possesses.

To cut a long story short, we went through the data for 2018 and 2019 in that piece, and had the following main takeaways:

- 1) In terms of pure volumes, it wasn't the case that BTC markets at least were more active on the weekend; the opposite was instead broadly true, with trading volumes 30-45% lower than the weekly average throughout both 2018 and 2019.
- 2) Raw volatility was also slightly lower (and was actually largely decreasing over time).
- 3) However, what was true was that there were extensive periods in both 2018 and 2019 where, in terms of pure price action, the weekends stood as directional outliers - BTC would typically lose ground during the week, but regain it over the course of the weekend.

2018	Qtr1	Qtr2	Qtr3	Qtr4	Tot
Mon	-1.91%	-0.54%	0.11%	-1.72%	-1.03%
Tue	-0.16%	0.34%	0.54%	-0.95%	-0.06%
Wed	-1.20%	-1.50%	-0.67%	0.26%	-0.78%
Thu	-1.88%	1.38%	-0.36%	-0.96%	-0.46%
Fri	0.71%	-1.64%	0.47%	-1.15%	-0.40%
Sat	1.88%	2.16%	-0.36%	-0.31%	0.84%
Sun	-1.64%	-0.45%	0.79%	1.12%	0.00%
2019	Qtr1	Qtr2	Qtr3	Qtr4	Tot
Mon	0.19%	1.72%	1.13%	-0.70%	0.60%
Tue	0.37%	0.89%	-2.10%	-1.02%	-0.47%
Wed	0.48%	2.04%	-0.60%	0.10%	0.50%
Thu	-0.74%	-1.35%	0.29%	-0.41%	-0.55%
Fri	1.03%	2.16%	0.30%	0.63%	1.03%
Sat	0.73%	1.74%	-0.94%	0.24%	0.44%
Sun	-1.03%	1.38%	-0.12%	0.44%	0.17%

Data: Coinbase via Cryptodatadownload. Adjusted 1d data.

This was contrary to some expectations, but it did seem to make some sense; ultimately, a large proportion of trading volumes are driven by a relatively small proportion of users and companies, and while the majority of those were trading 24/7 or close to it, a) there were still those who weren't willing to, b) in the case of e.g. OTC/brokerage firms, you still need somebody to be buying or selling for in those periods.

That said, the third point was the most interesting one. There was an intuitive element to it - the theoretical perfect consumer re: 'crypto weekends' was, after all, a purely retail one, and likely to essentially be a buy-and-hold type rather than anything else. However, with 'crypto weekends' having as many negative connotations as positive, it was surprising to see that there did seem to be a price-positive pattern in that regard.

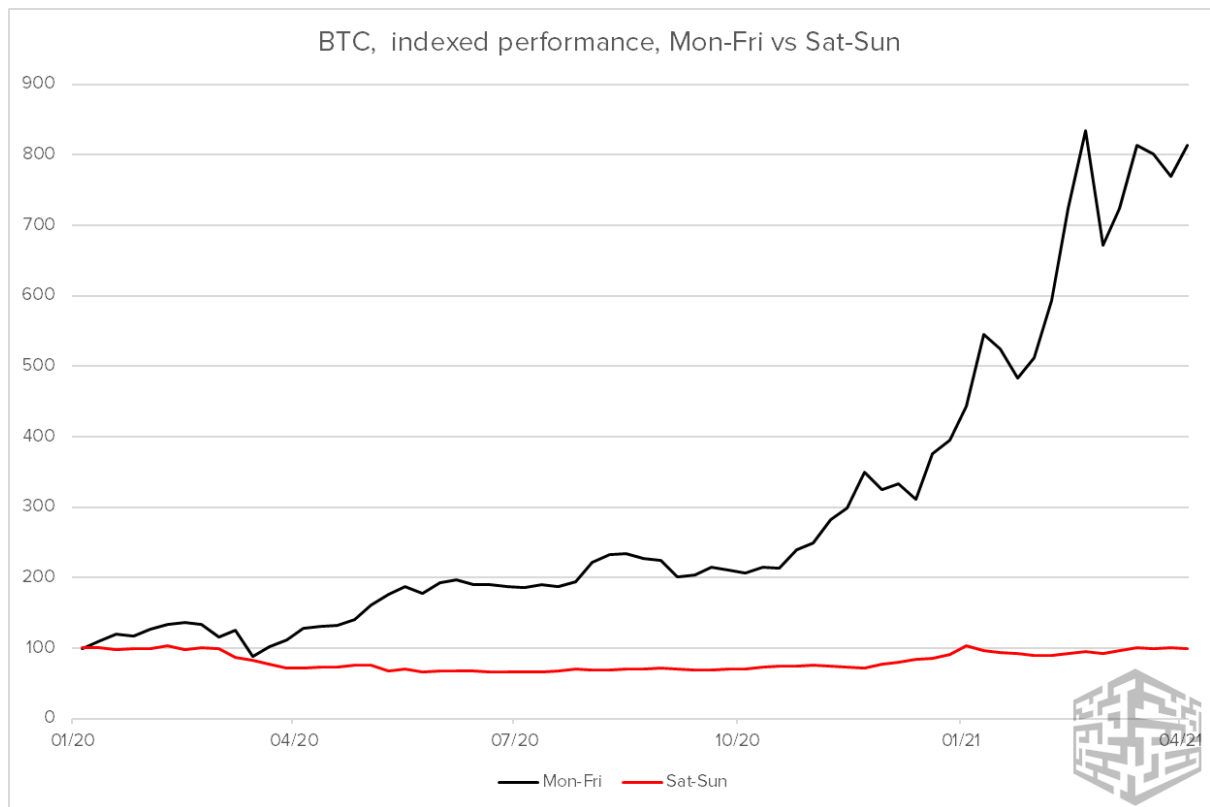
With all that said, it seems like an opportune time to revisit. To start with, let's look at a similar data set for 2020 and 2021; note that we will be looking here in terms of total BTC market cap for reasons that will become clear.

	Change (Mon-Fri)	Change (Sat-Sun)
2015	1.04%	-0.30%
2016	1.01%	0.79%
2017	4.90%	1.35%
2018	-1.86%	0.18%
2019	1.27%	0.40%
2020	3.04%	-0.10%
2021	5.96%	0.65%

Data via Tradingview.

Immediately, we get a very different outlook. Throughout the entirety of 2020 and 2021 to date, the average weekend has seen BTC make a gain essentially within margin of error - just 0.06% compared to 3.66% across the course of the week, and actively negative for 2020.

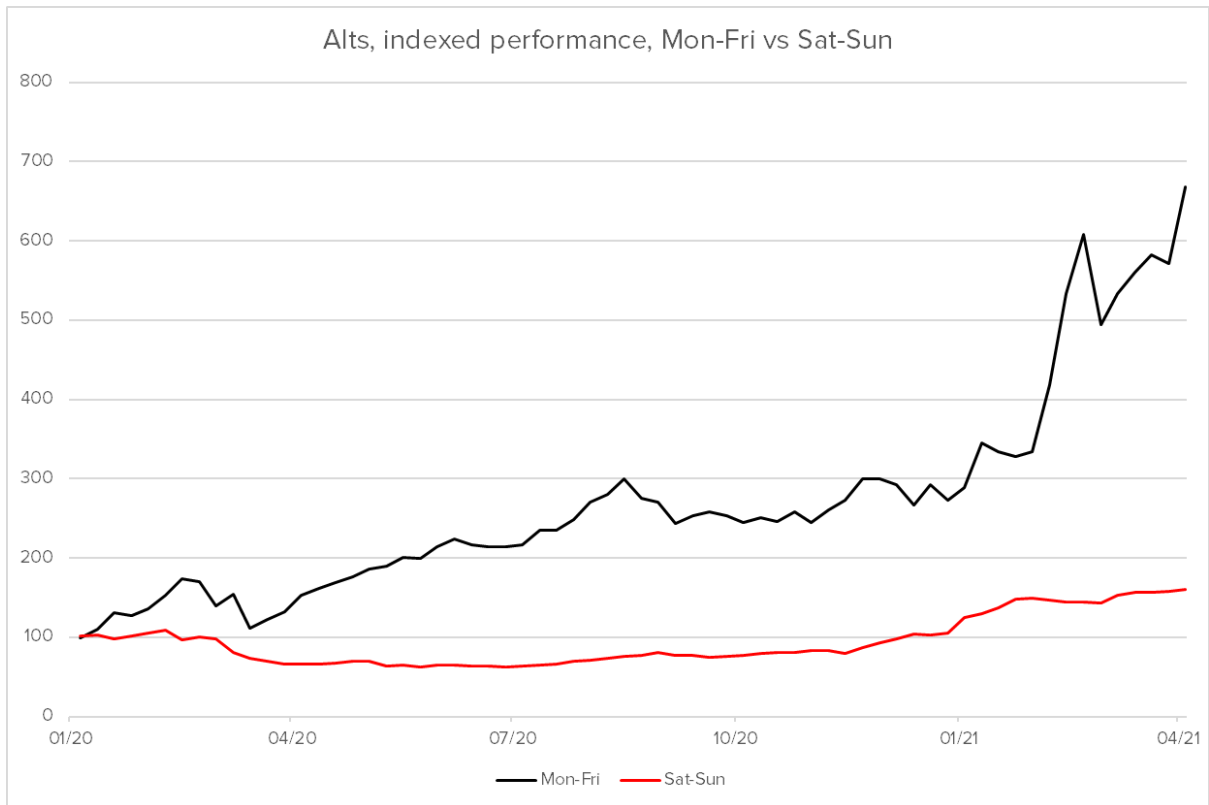
Bear in mind here that we are comparing 5 days here to 2 (hence the 2019 figures initially scanning as worse than they seem - the periods of weekend outperformance were shorter in 2019 anyway, but it levels out to around even at worst over the course of the year), and that outliers such as March's crash (the very worst of that, i.e. the final leg downwards to \$3900, taking place on a Saturday) but even so - significant. The picture from indexed performance is even more stark:



Data via Tradingview. Weekly index.

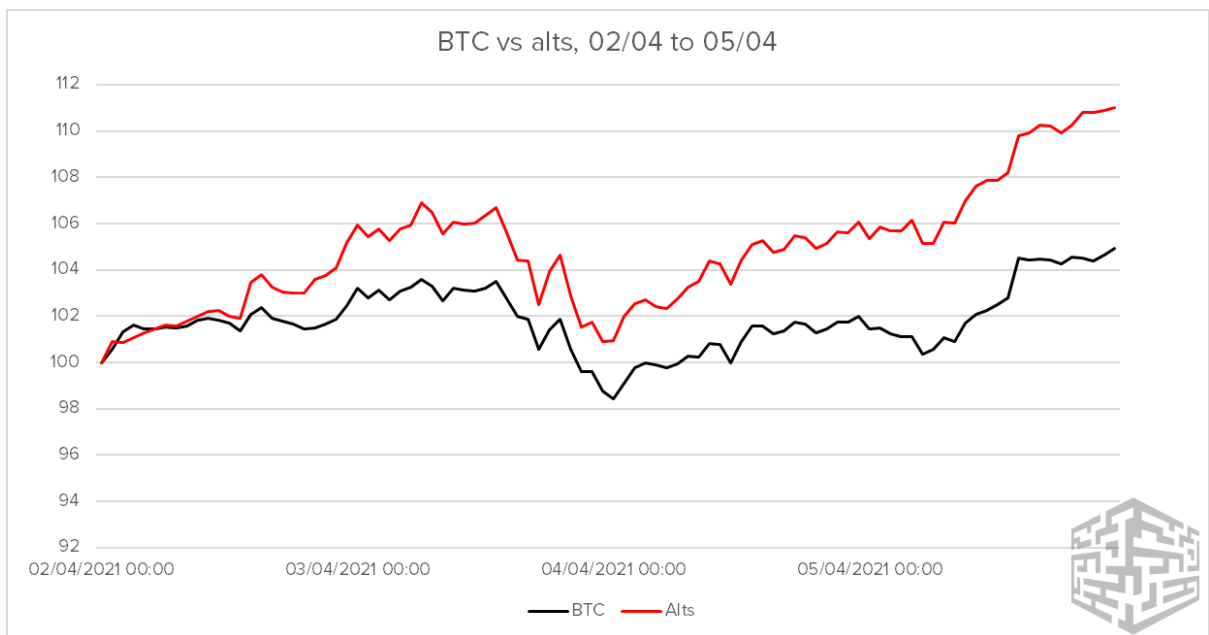
BTC (in market cap terms) is up 700% since the start of 2020 on weekdays; it is, as of last week, net negative on weekends.

How? Why? Well, the reason that we're using market cap measurements rather than pure price here is in order to find a decent point of comparison to alts as a whole. Let's look at the same graph for them:



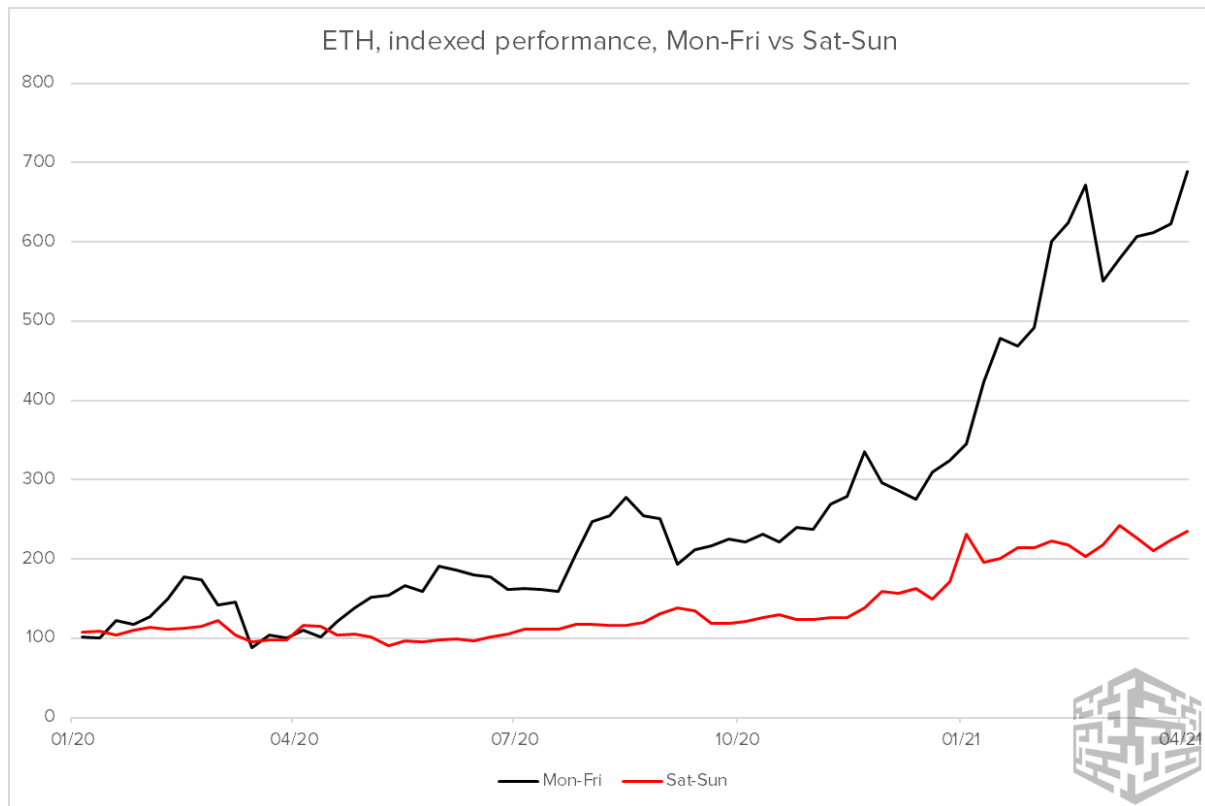
Data via Tradingview. Weekly index.

Weekdays do, ultimately, still win out (though we will note that the implosion of alts markets in two fell swoops in February and March did some work in that regard) - but weekends are at least positive, and on a micro scale, we have seen multiple significant surges recently. In addition to a succession of such weekends in January, we just saw a significant move during what was a 4-day weekend in most jurisdictions (Good Friday and Easter Monday), which doesn't technically show up as a weekend surge, but seems very much in the same spirit:



Data via Tradingview. 02/04/2021 00:00 = 100.

Given the results for BTC and for alts as a whole, and given the current perception of ETH, one might expect ETH to fit somewhere between the two. One would, in that regard, be broadly wrong:



Data via Tradingview. Weekly index.

While (again) ETH's gains on the weekend don't outpace its gains on weekdays (for reference, if we normalise for day count, we would get to an indexed figure of 391 compared to the current 689 on weekdays), it has done far better in that regard than either alts as a whole or BTC. Granted, some of this outperformance simply comes from the fact that the aforementioned alts market cap contains a huge number of projects in long-term decline; still, at the very least, ETH has seen stronger returns on weekends than either BTC or generic large-cap alts.

A lot of this serves to reinforce known knowns: retail money hasn't guided BTC price action for a long time (the switch being flipped roughly at the start of 2020), alts are being bought and traded by a starkly different client base to BTC at this point, and so on. The one really interesting - and important - point that we would note is with regards to ETH. It can be easy to get the idea, with the hype that is building up around DeFi and Ethereum in the enterprise and institutional sphere, that ETH is becoming essentially institutionalised as an asset.

While that's not entirely false in broad terms - the Ethereum network at this point has hit escape velocity with regards to carving out a lasting role for itself in all that is to come next - it isn't a useful way of thinking about it with regards to trading on it, investing in it, or approaching it speculatively in general.

ETH is still a retail asset - slightly more stable than most, and not in long-term decline like a significant portion of large-caps still, but still susceptible to significant swings. On the whole, that is a good thing; but, as we do start to get to a point where the end of the current supercycle is at least on the horizon, it should prompt some degree of caution re: risk management and downside risk moving forward.

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.

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