

De-Coding Crypto

Weekly Analysis

Examining the crypto weekend effect

January 22, 2020

In this week's issue, we look at the much-touted 'crypto weekend' – the oft-repeated mantra that cryptocurrency markets are defined by weekends more than weekdays – and examine how accurate this truly is.

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Our Market View

May you live in interesting times. Perhaps a 'welcome respite' is too much, but at the very least, this week largely did mark a respite from the volatility of the first fortnight of the year. A handful of microcaps made runs towards the start of the week, but overwhelmingly we saw some of the most overbought assets start their descent back to Earth.

The trend overall still leans bullish (a retrace lower is possible but we still see it as more unlikely than likely) but the harder question is: how long does volatility remain this low for? The obvious comparison would be to the lull that lasted for almost all of Q1 2019 and an extended period of accumulation fairly close to local lows; we tend not to go that far, but unless coronavirus concerns start exerting more of a pressure than they have so far, we could be quiet for a little while still yet.

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Major

Ticker	Price	7D	1M	6M	12M	Cap
BTC	8627.49	-1.22%	13.91%	-8.83%	142.60%	156.8B
ETH	167.384	1.47%	25.72%	-19.03%	4.58%	18.31B
XRP	0.234188	-0.67%	19.54%	-24.10%	-25.18%	10.23B
BCH	344.643	2.33%	75.96%	13.40%	173.40%	6.29B
LTC	58.013	-0.19%	37.24%	-34.61%	77.51%	3.70B
EOS	3.6383	-3.66%	41.20%	-14.65%	49.96%	3.46B
Selected						
Ticker	Price	7D	1M	6M	12M	Cap
BSV	316.446	-15.84%	252.10%	107.90%	322.40%	5.77B
DASH	109.067	-9.74%	145.80%	-1.79%	49.74%	1.01B

Examining the crypto weekend effect

Sunday morning saw BTC's largest drop of 2020. Two drums and a cymbal fall off a cliff and so on, but the drop was genuinely one of the steepest seen in a while - at 5.4% (\$9118 -> \$8625, and as low as \$8400 in derivatives markets momentarily), it was the single-biggest 8-hour negative move for BTC since the 25th of November.

That this happened on a Sunday will not have escaped noticed for some. Truisms 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.

The 'crypto weekend' notion got particular traction during the run-up last summer, punctuated by [a Bloomberg article at the end of June](#) reporting that 'surges in weekend activity since the beginning of May account for about 40% of Bitcoin's price gains this year'. This was the profile for Q1 and Q2 in 2019, using UTC-denominated days:

Day	Jan	Feb	Mar	Apr	May	Jun	Tot
Mon	-20	294	-214	182	1050	371	1663
Tue	-12	11	183	1078	-285	-736	239
Wed	201	-76	115	386	37	1665	2328
Thu	-428	28	7	-513	-109	-1275	-2289
Fri	32	307	143	-178	301	2472	3077
Sat	71	204	89	101	912	530	1906
Sun	-98	-383	-34	112	1364	-276	685

Data: Coinbase via Cryptodatadownload. 1d data.

True to form, immediately after the publication of that article, BTC lost \$1500 on the Saturday and Sunday trading sessions to bring its quarterly and year-to-date gains roughly in line with an expected allocation if all gains/losses were distributed evenly. Nonetheless, it is easy to see where the truism came from in the context of that run. 9 days saw gains of 5% or more in May or June:

Date	Day	Close	Change
28/06/2019	Fri	12360.45	10.76%
26/06/2019	Wed	12927.44	9.97%
25/06/2019	Tue	11755.53	6.56%
21/06/2019	Fri	10236.20	7.40%
14/06/2019	Fri	8697.46	5.56%
26/05/2019	Sun	8731.72	8.28%
19/05/2019	Sun	8200.00	12.91%
13/05/2019	Mon	7824.93	12.11%
11/05/2019	Sat	7219.95	13.82%

Data: Coinbase via Cryptodatadownload. 1d data.

3 were on Saturday or Sunday if we define the weekends by midnight-to-midnight UTC. However, if we take into account the Asian trading session, and the fact that a lot of moves considered to be on a Friday by that measurement were in reality after the end of the working week for all but a handful of people on the US west coast, the picture becomes more stark still:

Date	Day	Close	Change
28/06/2019 13:00	Fri	11869.23	6.82%
26/06/2019 05:00	Wed	12472.91	8.07%
22/06/2019 05:00	Sat	10730.02	8.17%
16/06/2019 05:00	Sun	9332.13	5.75%
26/05/2019 21:00	Sun	8640.60	8.08%
19/05/2019 05:00	Sun	7941.92	8.30%
13/05/2019 21:00	Mon	8105.85	9.76%
11/05/2019 05:00	Sat	6715.00	6.08%

Data: Coinbase via Cryptodatadownload. 8h data.

5 out of the 8 moves (using an 8h scale instead of 1d, which slightly adjusts eligibility) took place on weekends; a sixth happened on a Friday. Is this a small sample as these things go? Yes. Is the criteria somewhat arbitrary? Yes, and we will note that during the same period, there were six moves downwards of 5% or more and all six took place on a weekday. But we are concerned principally with where the truism came from here, and its origin seems fairly clear.

Hence, let us take a closer look, and examine the 'crypto weekend' effect on the markets both in the context of 2018 and 2019 and in terms of the situation going forward. Note that, from here on, we will be using an 'adjusted' day, starting and ending at 22:00 UTC, in order to better incorporate the start of the Asian trading day in crypto. Our first question is this: how true was the 'weekend effect' in 2018 and 2019? We first looked at average daily gains or losses in both 2018 and 2019:

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.

There are spots here that hint to how the mythos was built; Saturdays far outperformed any other day during the 2018 drawdown (especially during the first half), and Sundays during the second half. 2019 was a far more mixed bag, especially towards the end of the year, and the data does not support that there was an exceptional quality to them by this point.

Of course, this is in sum; what about volatility? The answer once again is 'not really':

2018	Qtr1	Qtr2	Qtr3	Qtr4	Tot
Mon	6.37%	2.20%	2.84%	5.66%	4.59%
Tue	9.10%	3.48%	4.53%	3.36%	5.49%
Wed	6.23%	3.19%	3.06%	5.25%	4.54%
Thu	5.16%	4.51%	3.46%	3.75%	4.31%
Fri	4.43%	3.61%	3.19%	3.69%	3.79%
Sat	5.50%	2.25%	2.71%	3.69%	3.83%
Sun	5.82%	3.81%	1.25%	2.83%	3.77%
2019	Qtr1	Qtr2	Qtr3	Qtr4	Tot
Mon	2.99%	3.96%	4.06%	2.53%	3.49%
Tue	1.43%	6.44%	4.33%	1.15%	4.01%
Wed	1.58%	3.64%	4.38%	4.15%	3.64%
Thu	2.73%	4.99%	3.72%	2.00%	3.49%
Fri	1.91%	5.34%	2.17%	4.85%	3.84%
Sat	1.45%	3.72%	3.22%	2.39%	2.91%
Sun	2.92%	4.10%	2.09%	2.52%	3.04%

Data: Coinbase via Cryptodatadownload. Adjusted 1d data.

Even during the aforementioned spots, absolute volatility did not stand out, and in fact it seems more likely that the opposite to the received wisdom is true. Market volatility is actually lower than normal on weekends; it was the case even during the bull run, and it has become less for the most part less true as time goes on.

What about volumes? The picture here is actually far starker:

2018	Qtr1	Qtr2	Qtr3	Qtr4
Mon	1.92E+08	7.32E+07	5.13E+07	6.49E+07
Tue	2.54E+08	7.67E+07	7.25E+07	6.05E+07
Wed	2.60E+08	8.70E+07	7.87E+07	6.68E+07
Thu	2.45E+08	8.43E+07	6.47E+07	6.36E+07
Fri	2.18E+08	8.68E+07	6.01E+07	5.38E+07
Sat	1.61E+08	6.05E+07	3.88E+07	2.93E+07
Sun	1.61E+08	5.97E+07	3.12E+07	3.59E+07

2019	Qtr1	Qtr2	Qtr3	Qtr4
Mon	3.24E+07	1.17E+08	1.68E+08	8.29E+07
Tue	3.12E+07	1.31E+08	1.91E+08	6.70E+07
Wed	2.90E+07	1.57E+08	2.08E+08	7.98E+07
Thu	3.13E+07	1.60E+08	1.86E+08	6.51E+07
Fri	3.06E+07	1.53E+08	1.44E+08	9.12E+07
Sat	2.09E+07	1.13E+08	9.98E+07	6.92E+07
Sun	1.97E+07	1.13E+08	8.70E+07	5.61E+07

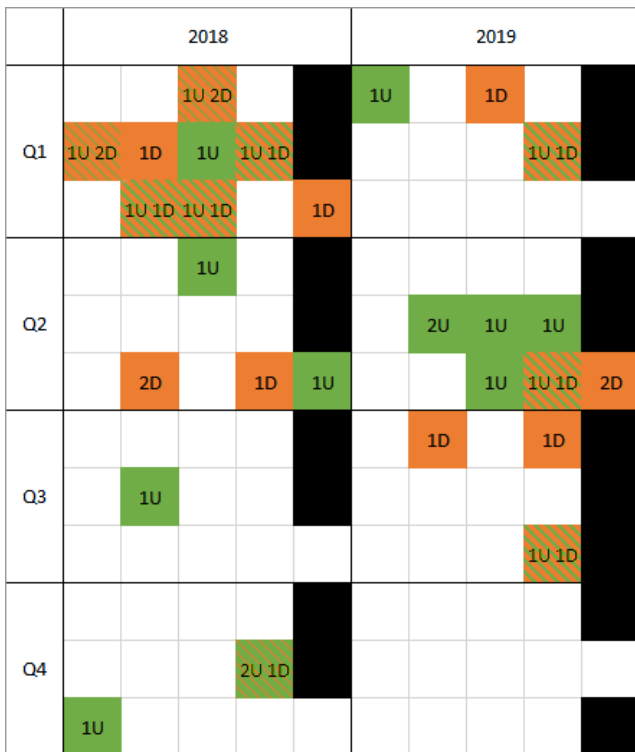
Data: Coinbase via Cryptodatadownload. Adjusted 1d data.

Looking at Coinbase spot volumes (which, while imperfect, are likely as good a reflection of the global picture as can be obtained from spot data), there was only one case in the last two years of either weekend day having higher volume than any weekday over the course of a quarter (Saturdays over two other days in Q4 2019).

In a broad context, the 'crypto weekend' is a myth; markets are less active over weekends (yes, they are still far more active than in traditional asset classes, but there are plenty of instruments that trade while markets are closed in said classes), and not notably more volatile. Of course, crypto is not traded in broad contexts, so the next question is: is there anything to be learned from Sunday's struggles with regards to potential near-future patterns in the market?

As it happens, the actual daily close on Sunday's drop was barely over a 2% drop on both our definition and the traditional definition; using our trading day definition, the day started at 10PM UTC Saturday with BTC at \$8900 and about to climb to nearly \$9200, and ended with BTC at \$8700, having registered a \$100 upwards move over the hour which would immediately be erased as markets reached lows below \$8500.

We will hence use the 8-hour data here, which registered -5.41%. Based off of that, there have been 22 downwards 'shocks' of -4% of more over weekends since January 1st 2018, as well as 21 upwards moves of +4% of more, distributed as such:



Data: Coinbase via Cryptodatadownload.

We should note that many of these were in the same day or weekend, hence the notation.

The worry about Sunday's action has concentrated, understandably enough, on downside shock, and potential slippage downwards; this has mostly been in the context of retracement to \$7700-\$8200, but there are those suggesting lower still. However, looking at the experience of summer 2019 in particular:



Credit: Tradingview.

While hardly unambiguously bullish (three of the four took place after the yearly high), note that only one of the four such shocks saw a substantially lower close beyond levels already reached in the proceeding week (14th July closed at 10,185 and saw a Tuesday close of 9422 before starting to recover); the start of the channel downwards from early August's 12,000 all but skipped weekends, as did November's losses.

We hence do not see Sunday's action as particularly bearish; if anything, the relationship in the modern era of the market (both summer 2019 and elsewhere) hints more to weekend breakdowns transpiring to marking a near-term low in itself rather than the passing of a medium-term high.

What we're reading

[Grayscale's Bitcoin Trust Is Now Open to More Investors as SEC Reporting Company](#) (Coindesk): For a quick update on GBTC and the GBTC premium (something we discussed at lengths a few months ago): the premium currently sits at around 15%, having briefly spiked back up in November and December to solidly around 25-30%. Low GBTC premiums are generally seen as a bearish sign (because it indicates low retail interest), but premiums hit historic lows before the China rally in October, so this is likely not particularly accurate. SEC reporting is quietly a very bold (and bullish) move; the trend over 2018 and 2019 has been for crypto companies to attempt to obfuscate their books, not to open them.

[Argo Blockchain Sees Mining Revenue Rise Tenfold in 2019](#) (Cointelegraph): A nice bit of news. Metrics such as hash rate and difficulty continue to flash extremely bullish with regards to miner confidence, but there have been some worrying signs over the health of the industry (in particular with reference to Bitmain and Canaan, the two leading hardware producers). Hopefully more good augurs to come.

[SEC: Cash-Strapped Telegram Launched 2018 Token Sale to Pay for Servers](#) (Coindesk): Every news cycle brings more unpleasantness for Telegram. This is hardly surprising – plenty of other crypto businesses have done quietly-vital raises like that – but that makes it no less unpleasant to have aired in public.

[Bitcoin is 'not effective' to serve purposes of money, says billionaire investor Ray Dalio](#) (The Block): This would perhaps carry more weight if it hadn't been coupled with the implication that the real sin is to not FOMO into one of the most overbought equities markets in history.

Until next week – thank you for reading.



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