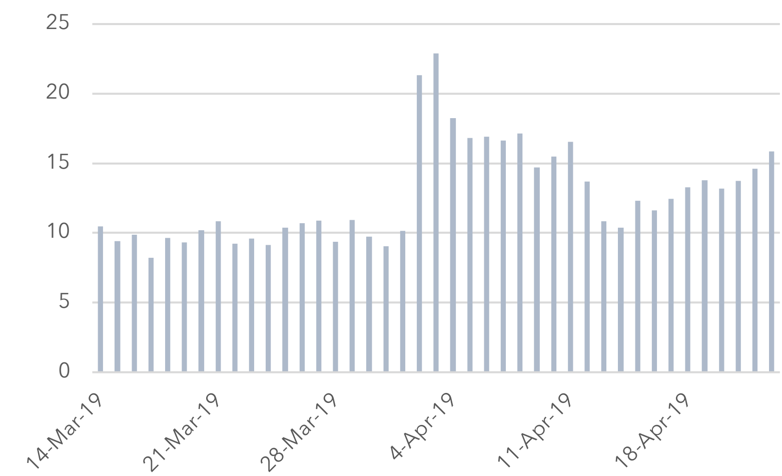
- The digital assets market has seen a **notable change of sentiment over the past month**. This has been driven by many factors, not limited to strong macro tailwinds, increasing correlation with risk-assets, a more stable volatility regime, a greater distribution of traded-volume onto US exchanges, and the unraveling of leveraged short positions.

- **The reinstatement of dovish rhetoric from the Federal Reserve has provided a tailwind for broader markets**. US stock markets are up circa 10%. Trade-war antics have become more conciliatory, and China slowdown fears have abated, resulting in the Shanghai Composite posting another month of strong gains. This has been relevant for digital assets because they are becoming increasingly been referenced to as an investable asset class at the riskier end of the spectrum, an attribution that was more elusive a few months prior. As a result, correlation to mainstream risk-assets have climbed, and the likes of BTC have started to participate in broader market rallies.

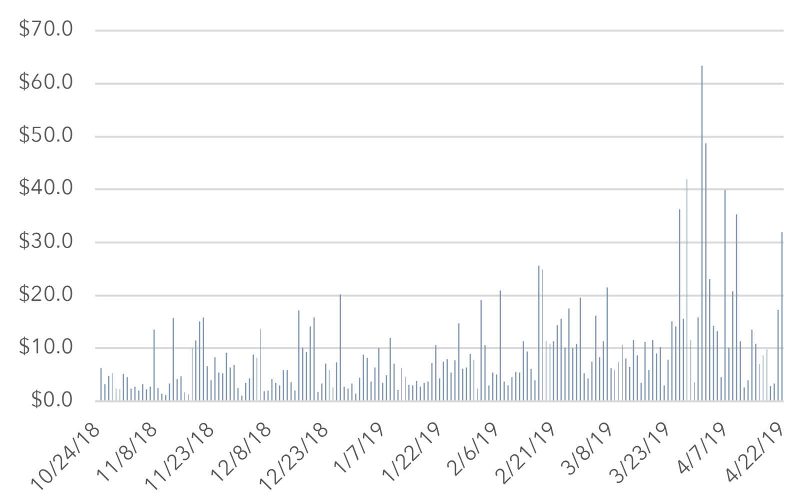
- At the same time, **characteristics particular to this asset class are also showing signs of maturation.** Volatility is becoming stickier around the 50-60 range (1m-3m ATM vol). Historically, large moves in spot have corresponded to unanchored moves in volatility (50->120->50), but there has been a great deal of stability in the recent moves, implying the growth of the options market and the **increased participation of sophisticated players.**

- **Volume metrics are also increasing.** CME futures interest is climbing non-linearly, while less optimal alternatives (CBOE) are being phased out. A growing number of

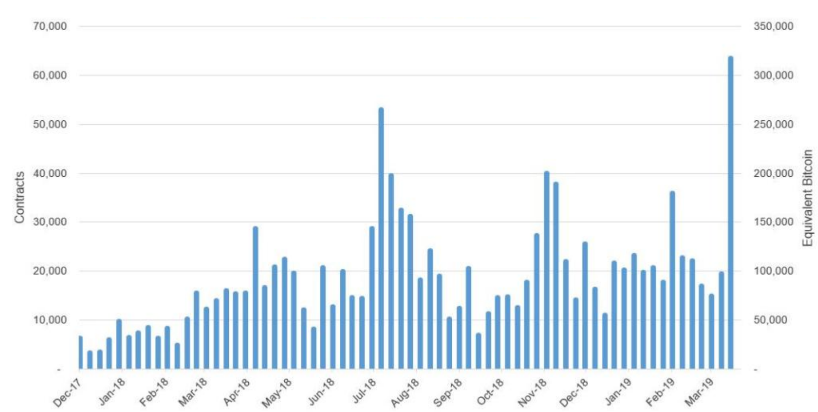
BTC Daily Trading Volumes ($B)



Deribit BTC Options Trading Volumes ($m)



CME Bitcoin Futures Weekly Volumes



Futures Volumes have been marching higher. Today (23 Apr 2019) Volume Surpasses $320MM which is greater than Binance and Bitfinex combined.

cipher technologies

established intermediaries (US brokerage houses) are beginning to offer access to CME futures, and the attractiveness of onshore US clearing and USD settlement is gaining preference amongst cautious deployers of capital.

- Adding to the mix has been the **unravelling of a large negative narrative**. Stop-losses suspected in the 4250 region allegedly led to over $500m+ of liquidations, and a similar figure contributed to the continued domino effect above $5,000. The fear factor of lower prices is being dismantled as we approach more critical levels ($6,000) and is likely to come at odds with legacy short-positions established during the summer of 2018.

- **As the market begins to find its footing, BTC dominance is sustaining above 50%,** and likely to climb – so-called altcoins have pumped and dumped during this rally, and a select few are sustaining gains alongside BTC. This would be a positive development to sieve out failures.

- The Market Value to Realized Value ratio is back over 1.0; the only other time MVRV fell below 1.0 prior to Dec 2018 was in the 2015 bear market