

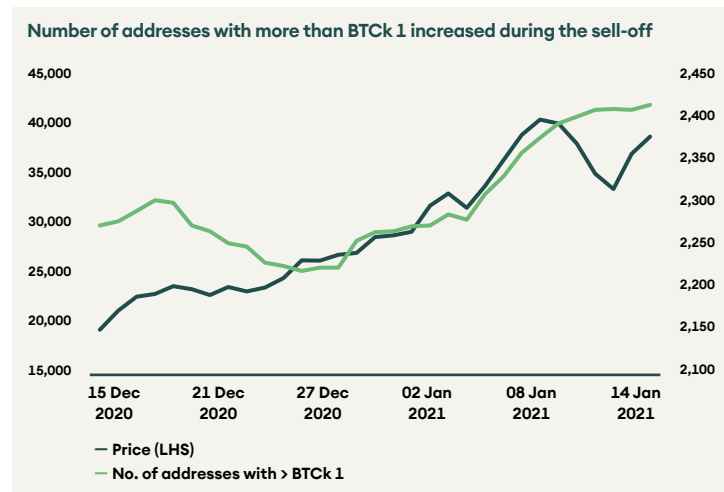
Whales bought the dip, did you?

Top Market Events

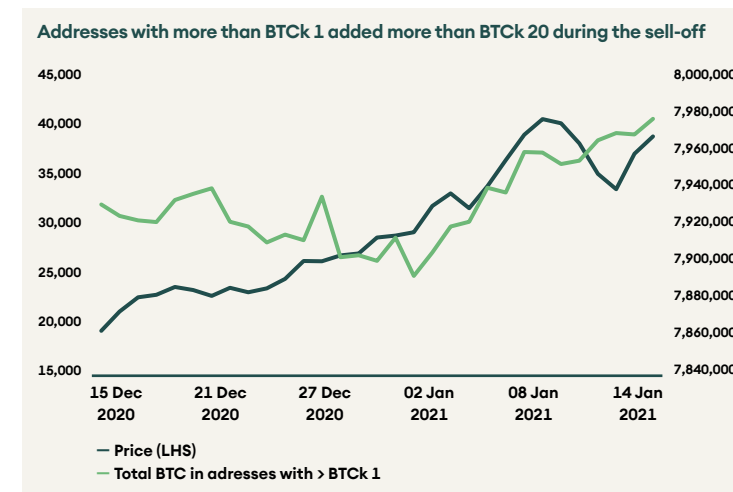
Market update

After tapping the high of USDk 42 on 08 January, bitcoin began to sell-off. In the next three days, bitcoin corrected by almost 28% to USDk 30. For the first time after October, bitcoin had four consecutive daily red candles. Along with bitcoin, Ether and other digital assets corrected as well.

What do we make of this sell-off? Well, as usual, we look at the on-chain data to form an opinion. Firstly, it is crucial to understand who was selling. We look at the number of addresses with more than 1,000 BTC and the number of BTC controlled by these addresses.



During the pullback, the number of addresses controlling more than BTCk 1 increased from 2,333 to 2,418, and they accumulated over BTCk 20.



Source: Coinmetrics

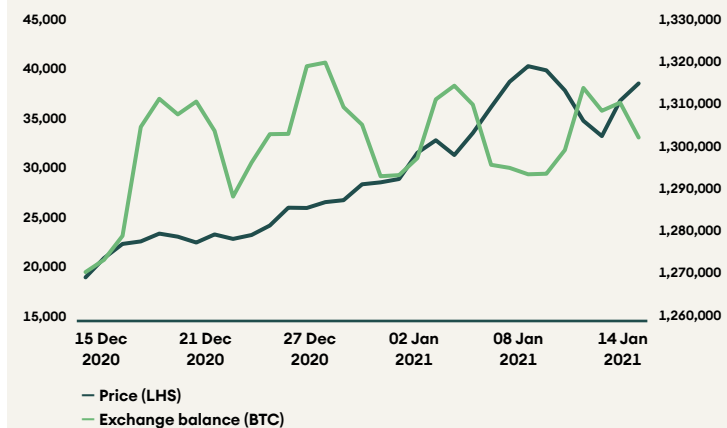
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Another critical parameter is the exchange balance. Usually, long term investors prefer to store their bitcoin with custodians or in hardware wallets. Reducing exchange deposits is, therefore bullish as it indicates a preference to long term holding.

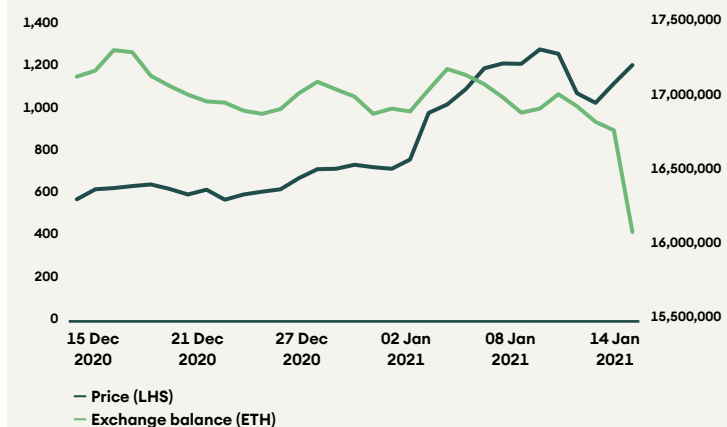
We see two different reactions based on exchange balances for BTC and ETH. For BTC, initially, as the price dropped, exchange balance increased and then started falling again. But for Ether, the exchange balance dropped consistently throughout the move. In fact, in the last ten days, more than 1 million ETH was taken off the exchanges.

Based on this data, it is clear that whales are accumulating BTC. The sell-off may have occurred due to high leverage and somewhat retail-driven.

Exchange balance increased during the sell-off and started dropping again



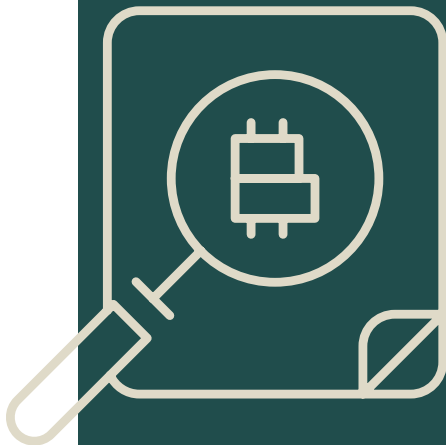
Exchange balance of ETH dropped by over a million ETH in last 10 days



Source: Coinmetrics

Contact

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Crypto Market Monitor

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Tokenised hashrate brings bitcoin mining to DeFi

We saw some traction in NFTs during the DeFi summer. It was probably then the digital assets space saw proof of concept that tokenisation works. In this week two bitcoin hashrate tokens were launched - BTCST (Bitcoin Standard Hashrate Token) which represents 0.1 TH/s hashrate, and pBTC35A (a token by one of the leading bitcoin mining pools, Poolin) backed by 1TH/s hashrate. 35A depicts the power rating of 35 W/TH. Staking both these tokens entitles users to rewards similar to holding the equivalent mining power. For example, staking one pBTC35A is equal to contributing 1 TH/s power to Poolin.

At the time of writing, BTCST is trading at USD 83, and pBTC35A is trading at USD 155. As BTCST represents only 10% of the hashrate compared to pBTC35A, it is relatively overvalued.

As per Hashrate index, the cost of the same rig setup is USD 60 per TH/s for the same power rating. The difference could probably be due to economies of scale along with the premium for convenience. If a user stakes one pBTC35A, they are entitled to 0.00000560 BTC/day rewards. For USD 155 per token, and BTC price at USD 38,000 user would take approximately 728 days ($155 / (0.0000056 * 38000)$) to breakeven (of course user still holds the token). Comparing this to an S19 pro with similar power rating, USD 0.06 electricity cost, the payback period (same as breakeven) is 131 days.

These calculations suggest that pBTC35A is overvalued at the moment. A fair price for the token would be USD 60 plus the convenience premium users are willing to pay. BTCST is even more overvalued.

In the coming days, it will be interesting to see how the convenience premium changes as more users are exposed to these two projects.

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