A Rising (or Falling) Crypto Tide can Lift (or Lower) All Coins



Below is a short note on recent tides in BTC and crypto-assets from Justin Chuh, Senior Trader at the regulated digital asset investment manager Wave Financial. Q1 2021 hedge fund letters, conferences and more Short-Lived Highs Bitcoin, ether, and almost every other of the 8,000+ cryptocurrencies in the $2 trillion class enjoyed relatively short-lived highs […]

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Q1 2021 hedge fund letters, conferences and more

Short-Lived Highs

Bitcoin, ether, and almost every other of the 8,000+ cryptocurrencies in the $2 trillion class enjoyed relatively short-lived highs last week. The main pair and virtually everything else fell over 10% during the weekend, with bitcoin back under the familiar $60k barrier, and ether fortunate enough to have maintained the new $2,000 floor.

Nearly everything's been "mooning", moving so fast upwards in unison that we forgot to look at the big picture, and ask ourselves what is actually going on in the crypto space now?

Bitcoin and cryptocurrencies have established themselves as a valid asset class, but every asset continues to be highly correlated to bitcoin, and sentiment can still be quite fragile. A meme now sits and ranks among the top cryptos by market cap. News of government action, whether unsubstantiated rumors of US Treasury dishing out AML charges or Turkish/Indian governments banning cryptos; or power outages in China, can make the market crash precipitously as everyone runs for the exits. But when the crypto market sells off, where does the money exit to? Back to the past and into overvalued public equities or negative-real-yielding government Treasuries? Or does it stay in the future, but into better memes that solve the scalability problem and environmental narratives?

The Impact Of The BTC Tide On Other Cryptos

It really must be alt coin season. Many "investors" don't seem heavy on accumulating bitcoin and ether, but building portfolios around them. We're seeing the emergence of the "what about this token that my friend who's been in crypto since 2017 told me about" cohort, which adds to the gut-

wrenching volatility. The institutional money is still flowing into bitcoin and ethereum, and most retail investors will likely do better just buying and holding a portfolio of those two assets than aping into the latest-and-greatest tip from their crypto friend.

BTC can likely break through $60k again, but we may see some sideways action before that. Some market participants have undoubtedly bought the dip already, but others may wait to learn more about the recent crash and avoid another one, before they get comfortable buying in at these levels again. Whether the BTC tide rises organically or falls more due to news of crypto-related penalties, we can assume others will follow.

About Justin Chuh, Senior Trader at Wave Financial

Prior to joining Wave Financial Justin Chuh was at proprietary trading technology business HC Tech where he was a FX trader for 7 years. Justin is a CFA Charterholder, member of CFA Society Los Angeles and graduated from Arizona with a BS in Business Economics and Management. Justin is responsible for trading Bitcoin and other digital assets that make up Wave's assets under management, ensuring that their trading strategies cover fund inflows and redemptions.

About Wave Financial LLC

Wave Financial LLC (Wave) is a Los Angeles and London based investment management company that provides institutional and private wealth digital asset solutions. Led by a team of highly experienced financial services professionals, Wave provides investable funds via their diverse investment strategies applied to digital assets and tokenized real assets. Wave also offers managed accounts for HNWIs and family offices seeking tailored digital asset exposure, bespoke treasury management services, and early-stage venture capital

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