

News Flash: Krypto Sell Off

Attack on DeFi (Decentralized Finance)

May 13, 2022

It has now been a good half year since Bitcoin reached its all-time high of around USD 69,000. Since then, not only Bitcoin but the entire crypto market has been in a so-called crypto winter, a bear market as in 2018/2019. Since Monday, the crypto market has been in a free fall. Why?

Attack on DeFi platform Terra (Luna), stablecoins and sell-off in crypto market

As you may have already heard from the media, there has been significant disruption across the board in the crypto market over the past few days. The current market weakness and sell-off has been exacerbated by the targeted, hostile attack by "Wall Street" hedge funds on the DeFi platform and its own Blockchain Terra (Luna). This hostile attack could only take place in the current tense situation in all markets and the very thin liquidity. Through a trick, massive short sales of Bitcoin and the shorting of large positions of the stablecoin of this blockchain, the price peg to the USD of 1, programmed by an algorithm, was dissolved. This massive shorting has led to a cascading effect that has triggered a 98% price loss in Luna coin itself and a price loss of almost 80% in the stablecoin UST linked to it in the meantime. As a result, there was a sell-off of almost all coins in the crypto market. In the last 24 hours, the 10 largest so-called altcoins, including Ethereum and Bitcoin, lost between 8% and 30% in value. Over the last 7 days, the losses are meanwhile 30% (Bitcoin) and 53% (Solana).

#	Kryptowährung	Kurs	1 h	24 h	7 d	24-Stunden-Volumen	Marktkapitalisierung	Letzte 7 Tage
☆ 1	Bitcoin (BTC) Buy	27.820,01 \$	1.9%	-8.3%	-30.0%	77.192.808.423 \$	529.629.543.213 \$	
☆ 2	Ethereum (ETH) Buy	1.879,64 \$	0.2%	-17.6%	-36.1%	54.255.580.478 \$	226.957.706.340 \$	
☆ 3	Tether (USDT)	0,993344 \$	-1.4%	-1.8%	-1.9%	129.940.032.387 \$	82.245.738.735 \$	
☆ 4	USD Coin (USDC) Buy	1,05 \$	3.8%	5.6%	4.9%	25.805.853.046 \$	52.275.047.927 \$	
☆ 5	BNB (BNB) Buy	236,47 \$	1.2%	-21.0%	-41.2%	5.244.196.091 \$	39.743.401.771 \$	
☆ 6	XRP (XRP) Buy	0,380862 \$	-0.4%	-23.1%	-41.2%	6.831.983.391 \$	18.412.069.278 \$	
☆ 7	Binance USD (BUSD)	1,05 \$	3.4%	6.1%	5.3%	23.025.856.850 \$	17.863.072.666 \$	
☆ 9	Solana (SOL) Buy	43,42 \$	1.2%	-29.0%	-53.2%	4.940.563.196 \$	14.669.681.137 \$	
☆ 8	Cardano (ADA)	0,436861 \$	2.4%	-27.0%	-51.2%	2.986.494.884 \$	14.840.794.717 \$	
☆ 10	Dogecoin (DOGE) Buy	0,075419 \$	0.0%	-26.2%	-44.5%	2.743.665.534 \$	9.916.413.083 \$	

Source: Coingecko, figures and data May 12, 2022 10:00 a.m.

All out the door at the same time!

As a result of the sales in the Altcoins, a run on the Stablecoins (Tether, USD Coin and Binance USD) has been attempted. Due to the massive trading volumes, these stablecoins, which act as a store of value without fluctuation and exchange currency between the coins, also lost their link to the USD in the meantime. Especially Tether (after all the third largest coin at all) lost up to 10% intraday on 11.05., but could stabilize again in the course of the day. The other stablecoins, on the other hand, were able to increase in value (see above in blue circles). These distortions clearly show a crash scenario. The end of the crash seems not yet reached, but in sight, since we have - as mentioned above - already seen losses in value of all coins between 60% and 80% over the last 6 months.

Is blockchain and crypto now history?

We see the technology of blockchain combined with AI and DeFi protocols as currently the biggest innovation with enormous potential for the entire economy. As we know that innovation cannot be stopped, we do not see the current market crash as the end of the blockchain and crypto world. However, the successful attack has shown us that the entire crypto market and especially the DeFi world is still in its infancy and steadfastness must mature over time. Similar to the introduction of financial futures in 1987, trading triggered a massive crash at that time, as certain forces here were not familiar with it and the security mechanisms did not (yet) work enough. We see the current situation in the crypto market in a similar way.

We are currently seeing a certain capitulation phase in the crypto market, which was already seen in 2018/2019. This phase will pass and the blockchain and cryptocurrencies will certainly come back. The fact that most of the current 80,000 or so coins will go under is in the nature of things, just like back in the dotcom bubble. The technology and the well-built protocols with sound companies behind them will survive and lead us into Web 3.0 and even Web 4.0.

If you have any questions, or need more in-depth analysis, please do not hesitate to contact us.

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