

# News: Crypto Flash Crash

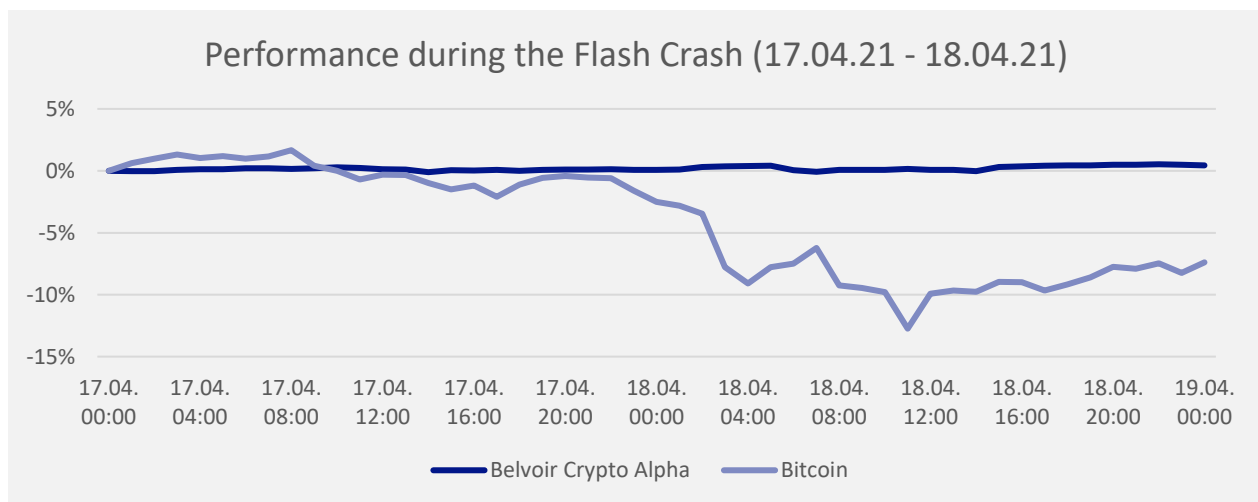
April 19, 2021

- Crypto market flash crash – Bitcoin drops over 15%, Ethereum drops over 20%
- Belvoir Crypto Alpha Strategy protects assets and generates positive returns +0.44%

After a run-up in prices last week, cryptocurrencies experienced a sharp correction over the weekend. Bitcoin dropped 15% and Ethereum dropped over 20% from their recent highs. The move was enlarged by an overnight crash that started Saturday night (CET) and in less than 24 hours about \$310 billion was wiped from the total market capitalization of the cryptocurrencies.

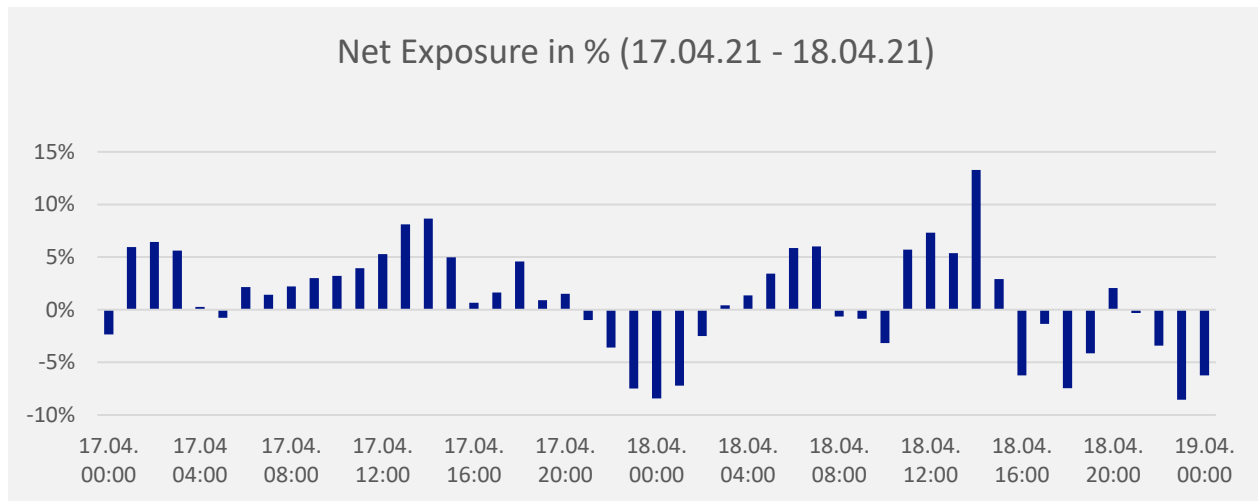
One possible reason for this correction lies in the fundamental issues within the Bitcoin network (Bitcoin miners went offline in China which resulted in the biggest 1-day drop in the mining hash rate since 2017). Other possible reasons stem from the high leverage in the system as well as rumours around a US charge against institutions and money laundering using cryptos. The selling pressure was sufficient to trigger a wave of liquidations in short-term speculative positions. Cryptocurrency liquidations during the flash crash totalled more than \$10 billion which triggered a cascade of automatic sell-offs in a chain reaction which then forced prices violently down.

During this time of heavy market stress, the Belvoir Crypto Alpha Strategy performed very well. In 48 hours, a positive return of 0.44% was generated with a very low volatility.



Source: Binance

The trading using Artificial Intelligence, which is constructed and managed by our software provider SpeedLab AG and consists of over 50 independent trading agents, demonstrated its very dynamic nature. The overall net exposure fluctuated between +15% LONG to -9% SHORT throughout the two days. This was the major reason for the outperformance. The portfolio composition completely changed several times.



Source: Binance

A noteworthy observation is that the strategy generated positive returns both when Bitcoin prices were rising as well as when they were falling. The system managed the positions particularly well ahead of the drastic downturn, from Saturday night until Sunday morning. This convexity is a unique and valuable characteristic and makes the strategy an extremely alluring & interesting investment – both on a standalone basis as well as in a portfolio context.

In addition to the positive performance results, we can also state that our infrastructure mastered this critical event flawlessly. All system components executed perfectly within their parameters.

Two weeks after the launch, the Belvoir Crypto Alpha Strategy passed its first stress scenario and tail risk event. Although we had already been confident in its capabilities, we are extremely satisfied with these real world results. This event proved that there is no correlation to Bitcoin or other cryptocurrencies and that there are possibilities in generating returns whether the market is rising or falling. We are excited for the future of this strategy and all of the resulting opportunities.

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