

# WEEKLY MARKET OUTLOOK

23 - 29 July 2018

## WEEKLY MARKET OUTLOOK - An Overview

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Crypto-Assets

Bitcoin Rally Boosts Crypto-Related Stocks

Cryptocurrencies enjoyed a nice recovery rally last week. Bitcoin crossed the \$7,000 threshold for the first time in the last four weeks. On Wednesday, the largest cryptocurrency by market capitalisation hit \$7,581 as it added \$870 (+12%) in less than 24 hours. Ethereum followed the lead and climbed to \$514, up more than \$45 on the day. Looking at the big picture, the total market capitalisation increased by almost \$30 billion to reach \$300 billion, its highest level since mid-June.

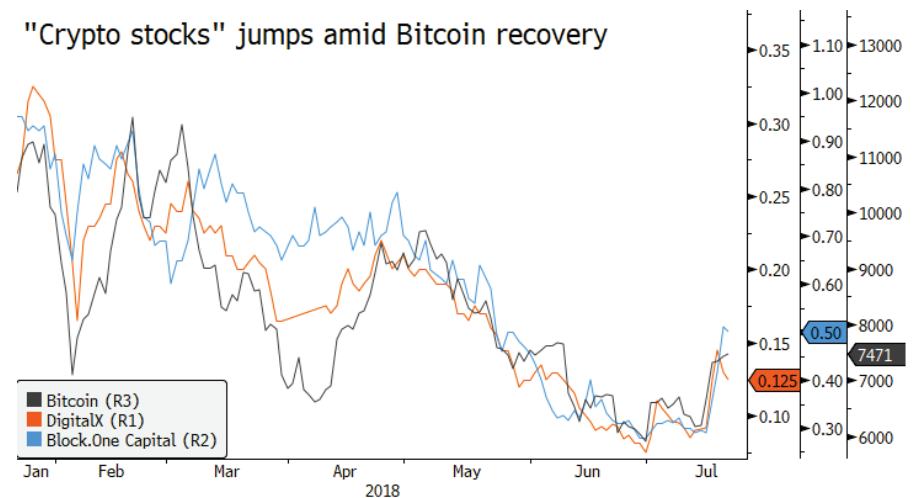
Given the lack of fresh news in crypto industry, the reason behind the rally remains unclear. However, there are a lot of moving pieces as investors await regulators to provide rulings on key topics. More specifically, the SEC will have to decide whether it approves the creation of a Bitcoin ETF. The Chicago Board Options Exchange (CBOE) has filed for a rule change, which would enable the listing of such type of products. The SEC is expected to come with a decision on August 10; however, a 45-day extension cannot be ruled out. Finally, on the technical side, the price of Bitcoin seems to have reach a bottom. The \$5,922 support (low from February 2) was broken on June 29 but bulls quickly outnumbered bears as the price climbed its way back. For now, Bitcoin has been able to break the resistance implied by the top of March downtrend channel, which currently stands around \$7,500. A break of that level would open the door towards \$9,180 (200dma); the next resistance area lies at between \$9,795 and \$10,000 (high from May 4th and key psychological level).

Nevertheless, it wasn't only a good week for cryptocurrency investors as shareholders of listed companies gravitating around the "blockchain economy" also benefited from the surge in the price of crypto-assets. The price of DigitalX – an Australian software company that provides ICO advisory services, blockchain consulting services and blockchain-related software development - surged almost 60% over the first two days of the week.

Similarly, the share price of Block.One Capital, the developer of the EOS platform, climbed 43% after the Canadian company secured a substantial investment from Peter Thiel, PayPal's co-founder, and Jihan Wu, Bitmain's co-founder. The share price of Global Blockchain Technology, Hive Blockchain Technology and Creative Technology were also better bid as they rose 30%, 18% and 12% respectively.

With the entire crypto market still in limbo, valuations of companies having clear blockchain-related business models are very interesting right now. However, investors should keep in mind that this is a nascent industry and not all of those companies will make it. The road ahead is still long and bumpy but the potential reward will worth the risk.

"Crypto stocks" jumps amid Bitcoin recovery



Economics

CAD Economy Solid - But Geopolitics Could Be Disruptive

Giving a short sight relief for the loonie, Bank of Canada (BoC) rate hike for the second time of the year confirmed the strong economic growth outlook of the Canadian economy. While BoC GDP growth forecast is maintained at +2% for 2018, expectations are improving for 2019 and 2020 horizons, with estimates given at 2.20% and 2.10% respectively, confirming continued strength in domestic figures.

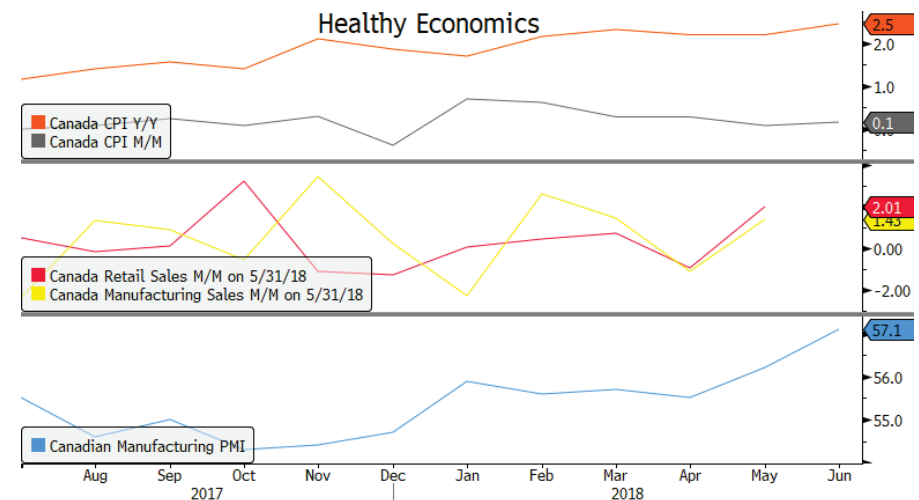
Indeed, May retail sales m/m data surge from prior month, estimated at 2% (prior: -1.20%) and continued improvement in June Manufacturing PMI, which lies at historical high, confirm the positive economic trend and the rise of inflationary pressures on the Canadian economy. Inflation y/y continues to progress, given at 2.50% (expectations: 2.30%) due to increased gasoline and food prices, reinforcing the scenario of a third rate hike by the end of the year.

Truly, the scenario of further rate hike is not negligible, as current USD/CAD rally since the beginning of the year (year-to-date: + 4.80%) could further toughen amid global trade tensions, North American Free Trade Agreement (NAFTA) negotiations and further Fed monetary policy tightening (probably along 26. September 2018).

On the front of NAFTA talks, it appears that Trump's plan would rely on realizing two distinct trade deals with both Mexican and Canadian administration separately, which would be added to current NAFTA agreement, a plan that Canadian negotiators would most likely reject, though the tone on Mexican side could be much different. New elected Mexican President Andrés Manuel López Obrador appears opened to the discussion with his US counterpart for now.

Accordingly, regardless of healthy economic fundamentals of the Canadian economy, we expect the CAD general direction to remain strongly dependent on geopolitical events mentioned above, as economic data itself appear insufficient to support the currency (this has also proven to be true in prior periods).

Despite recent recovery from the loonie following recent economic publications, the USD/CAD is expected to continue its rise, approaching the 1.3200 range.



## Themes Trading

## Blockchain

Why ? Blockchain, the technology behind bitcoin, is drawing significant focus and investment from all corners of the globe. The distributed ledger technology arrived on the scene with a bang in 2018 as the world finally discovered its huge disruptive potential. Although the technology was initially largely misunderstood, the crypto craze left no one indifferent as the surge in crypto prices compelled investors to take a look. More than 20 years after the internet revolution, blockchain is set to become a worldwide, cross-industry, disruptive technology that will shake up a broad range of industries such as supply chain management, banking, real estate and even healthcare.

What ? At the moment, investing in cryptocurrencies is like investing in early stage start-ups. However, since these particular start-ups raise capital not through traditional channels but through ICOs (Initial Coin Offerings), they are not listed on traditional stock exchanges. This Theme therefore focuses on companies that gravitate around the blockchain economy and generate the majority of their revenues from this industry. The Theme encompasses companies operating in a broad range of areas such as venture capital and investment services, cryptocurrency mining, crypto exchange, consulting, software development and even hardware manufacturing.

Takeaways: We are still in the early stages of a major revolution that will change the face of many industries. It is only a matter of time before distributed ledger technology is widely adopted and gains the recognition it deserves.

The Blockchain Certificate is available for trading at :

<https://www.swissquote.ch/url/investment-ideas/themes-trading>



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### Blockchain

Technology • Economy • Industry

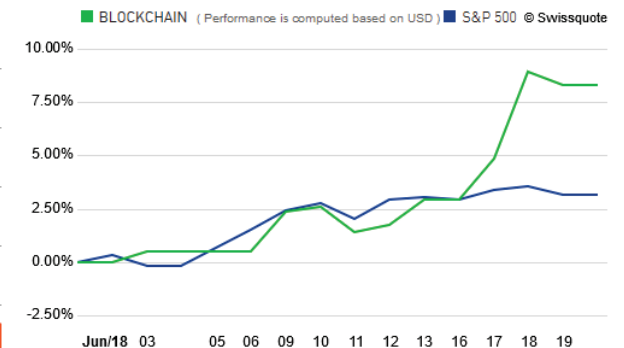
LONG TERM HIGH RISK

▲ 8.29% 1-month return

Since inception	▲ 8.29%
1-month return	8.29%
Return day	0.00%
Est. dividend yield	0.00%
Inception date	29/06/18

[See portfolio details](#)

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