

## Goldman Sachs says crypto undergoing a healthy retracement

An analysis from Goldman Sachs highlighted a volatile week in the cryptocurrency market, particularly focusing on Bitcoin (BTC) and Ethereum (ETH). The report notes a 10.4% drop in total market capitalization, amounting to a \$280 billion loss.

The downturn began on a Sunday, with BTC and ETH experiencing three days of declines before recovering during the US trading session, and further strengthening in Asia.

A key observation from Goldman Sachs is the healthy retracement in the cryptocurrency market. This was partly expected due to the rapid ascent to mid-March all-time highs and elevated perpetual futures funding rates, which have since normalized.

Bitcoin and Ethereum open interest (OI)-weighted funding rates decreased from early March peaks to more sustainable levels, signaling a cooling off from previously overheated market conditions.

“Zooming out, the sudden retracement and follow-up recovery did not come as a surprise, especially if one considers the speed at which we reached the mid March ATH and the elevated perpetual futures funding rates that accompanied it, as investors looked to put on leveraged longs on crypto retail exchanges,” the report reads.

“Since then, the funding rates have settled into healthier levels. BTC OI-weighted funding rate peaked on 5 March at ~107% annualized and has since retreated to ~15% annualized. ETH OI-weighted funding rate peaked on 5 March at ~104% annualized and has similarly pulled back to current ~19% annualized,” it further details.

Investment activities also reflected market sentiment, with Bitcoin ETFs experiencing net outflows over three consecutive days, notably from continued outflows in Grayscale Bitcoin Trust (BTC) (NYSE:GBTC). However, aside from GBTC, other BTC ETF holdings remained relatively stable, with modest inflows despite the market downturn.

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