

Crypto market resilient after collapse of SVB bank

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Bitcoin soared to a nine-month high above \$26,300 Tuesday despite the crypto market's links to SVB's collapse.

As the Federal Reserve seeks to calm financial markets following the collapse of Silicon Valley Bank, the cryptocurrency market is showing

signs of resilience despite links to the crisis.

The "stablecoin" USDC, which is pegged to the dollar, initially tumbled after its creator Circle said it held a sizeable investment in SVB.

Last week saw also the collapse of US-based Signature Bank and peer Silvergate—and the combined turmoil marked the biggest banking failures since the 2008 global financial crisis.

Despite the huge fallout, USDC has recovered and [crypto](#) king bitcoin soared to a nine-month high above \$26,300 on Tuesday.

This contrasts with the collapse in cryptocurrency values following the bankruptcy of crypto exchange FTX in late 2022.

"The longterm concern is on the future of fiat banking partners for crypto companies," said Clara Medalie at Kaiko, a digital asset data and information services provider.

"Silvergate and Signature were hugely important for crypto companies in the industry, and right now there remain no strong alternatives," she told AFP.

While equity and commodity markets have tumbled in recent days, bitcoin has rallied by about one third since Friday.

The decentralized cryptocurrency, launched in 2008 by opponents of bank bailouts from the likes of the Fed and US Treasury, has ironically benefitted from their actions in recent days.

America's top finance bodies unveiled a series of measures over the weekend aimed at restoring confidence in the banking sector and settling turbulent markets.

Fed support

These included plans to ensure SVB's customers would be able to access all their deposits in the bank.

But while the US has moved to protect customers' deposits, it won't be bailing out the bank's investors, President Joe Biden insisted on Monday.

Analysts said bitcoin's surge was fuelled also by the world's biggest crypto exchange Binance investing \$1 billion in digital assets thanks to money accessed from a relief fund it set up following the collapse of FTX.

"This move was enough to cause an initial burst in markets," noted Medalie.

Bitcoin is benefitting also from expectations that the Federal Reserve may decide to ease the size and pace of its next interest-rate hikes that are aimed at cooling elevated inflation.

SVB's problems were sparked by customer withdrawals that led the company to liquidate securities positions whose values had plummeted owing to the Federal Reserve's interest rate hikes.

The quick jump in interest rates meant that securities they had bought were selling for significantly less.

Crypto, like other risky assets, has previously benefitted from lower rates inciting investors to be less careful.

"As it has become evident that aggressive monetary policy has begun to break things in the banking sector... expectations for further rate hikes

are plummeting, which is benefitting bitcoin," said James Butterfill, head of research at Coinshares.

But he cautioned that "institutional buyers of bitcoin... remain in the minority".

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