



In this report, we refer to the total market capitalisation of the digital asset market, as well as to the Bitcoin price development as a proxy for the development of the dollar values in the digital asset market, in order to create a suitable picture of the past quarter.

Dear Teroxx Community,

The fourth quarter and thus the year 2022, which was one of the most challenging years in history for the global financial markets and the most challenging year in history for digital assets, is now behind us. The general difficult market situation from the previous quarters of the year continued into this quarter in almost all areas of the financial world. As inflation remained very high (~10% in the euro area, ~7% in the U.S.), central banks were forced to seek and implement a significant turnaround in monetary policy. The result was significant increases in key interest rates, inflation figures not falling rapidly as desired, an "increase" in the cost of money, as a result of which investment markets of all kinds did not see any positive turnarounds and the overriding trend in the markets continued. The war in Europe, swelling conflicts in Kosovo, China's change of "zero covid policy", significant and existence-threatening price increases and the uncertain outlook for 2023, all these trouble spots create a recession fear not only in everyday life, but also affects the long-term planning and positioning of many companies, making it difficult to focus on the long-term.

The current ongoing situation we find is a slightly negative trend in almost all asset classes. Risk optimization and capital preservation was the most sensible approach for most of the quarter and thus fits seamlessly into the previous quarter, as there were no long-term trend movements in the market. This shows that a rational, not driven by desire or impatience and risk-optimized trading of smaller volatile trends was the "only" way, which led to sustainable success compared to highly speculative entries, which often cause large losses in negative market structures.

We at Teroxx show once again that due to our diversified approach and the various strategies we use, profitable trading can take place in almost any market situation. This is a remarkable success!

Based on many bankruptcies of investment companies and downtrends of most global index markets in 2022, it shows how sustainable and professional the path taken by Teroxx is!

A serious approach means protecting capital in negative market phases and years. This implies that a certain vision and expertise must be in place. Without risk hedging or through direct investments, such a hedge cannot be guaranteed - all the more important to understand that the approach chosen by Teroxx has now been successful for five years!

Bitcoin was able to confirm the strong support levels of ~\$20,000 at the start of the quarter and hovered around this level for quite some time. As a result, a consolidation with a slightly positive trend followed until mid-November. During this time, Bitcoin oscillated between ~\$19,000- \$21,300. Volatility was not particularly pronounced, trading volume did not increase significantly, but there was a slightly positive underlying sentiment and development in the market due to the "fall rally" in the stock markets. Due to the strong interventions of the central banks, however, no trend could influence the markets in the long term, so that again and again smaller sell-offs slowed down the positivity. Due to the fatal mismanagement, criminal machinations and the consequent collapse of the FTX trading platform, most digital assets saw major negative moves that led to a new low for the year being formed at ~\$15,800. Since then, markets have been moving sideways in low volatility.

Overall, this quarter must be portrayed as a negative one in terms of price. In addition to digital assets, which saw negative quarterly movement and little price movement since mid-November, global financial markets also experienced renewed disillusionment. Driven by the "strict" change in monetary policy, markets felt increased volatility in the weeks of announcements and thus renewed sell-offs.

Due to the lack of a positive outlook and the uncertainty in the market caused by the FTX issue, large investors hold back capital in order to invest it at a "safer" and thus later point in time - lack of new investments in markets often lead to temporary negative developments. Investments also faltered, at least in the European region, due to the widening of the energy crisis, which in some cases threatened the existence of companies and private individuals. Capital expenditures are of elementary importance for every market and will again determine the

markets in the near future, but in the past quarter and in 2022 as a whole, they were often reduced to a minimum.

### **Market review 4th quarter 2022**

We at Teroxx also used this quarter to align the company innovatively and future-oriented on various levels and to position ourselves for the future at an early stage. Considering the price developments of most digital assets measured in US dollars, we can look back on a quarter that showed "low" volatility on the one hand and led to sell-offs due to temporarily strongly negative markets on the other hand.

At the start of the quarter, formed support zones around \$20,000 could hold and the market oscillated around this value. Overall, the mood changed slightly and the first positive signs became visible. Fundamental or regulatory changes were not a dominant theme this quarter, which meant that the focus was solely on the effects of the changes in the monetary policy of the central banks. This ensured that there were temporarily some hurdles for a positive market development. Investments and demand for products are cyclical. In the fourth quarter of 2022, these continued to be at a minimum.

Subsequently, we saw a digital asset market which experienced slight positivity in line with correlated financial markets and thus a market stabilizing October.

Ethereum, after successfully merging in Q3 2022, now also announced the achievement of its targeted goals to be able to ensure a more sustainable blockchain. 99.99% of what was once required is now no longer needed, showing how advanced this industry already is.

The U.S. Federal Reserve continues to feel compelled to use all available means to lower inflation to a level of 2-3%. FED Chairman Powell said that this target is expected to be reached in 2024, and through this and other statements always caused slightly negative markets, because the consistently positive outlook for 2023 was clouded. Through these statements, he made it clear that a quick change in policy cannot be expected and that the financial markets, which include digital assets, would not be spared. High key interest rates make loans more

expensive and thus ensure less capital in the markets, which deprives them of liquidity. On the other hand, this reduces the "balance sheet" - the amount of money in circulation and inflation goes down in the long run. However, investment markets, as almost all known ones are, "live" on new capital that is invested in the markets. Last year it was lucrative, even profitable to hold a large amount of available capital in dollars. The collapse of one of the largest trading platforms in the digital asset market, namely FTX, caused temporary panic. Sell-offs, uncertainties, and paused investments led to a sharp price decline, which catapulted Bitcoin to a one-year low of ~\$15,800. During this period, the emotionality of market participants was evident, amplifying the effects. Thus, an autumn rally in the digital assets market failed to materialize, and even in the period thereafter, when it became clear that there would be no "domino effect" in the market, digital assets saw no significant buybacks or bullish trends. The market entered a consolidation phase where low volatility and cautious market participants were the order of the day. A look at the development of the total market capitalization of digital assets illustrates that negative movements dominated last quarter, due to the given circumstances. Looking at the last quarter, the market capitalization fell by ~14.5%. Appropriate asset selection was elementary again this quarter across all market phases, as it decides profit and loss. The FTX Token (FTT) lost over 99% of its value, highlighting that risk hedging and clearly defined exits are an important cornerstone for success and capital preservation, and direct investments often carry a lot of risk. This applies not only to digital assets, but almost every market that benefits from and relies on investment and global sentiment. Rising production and energy costs continue to pose existential challenges, while at the same time consumption and household savings rates are falling as capital needs to be used differently. This leads to a market that will be dominated by institutional investors. As soon as larger volumes flow into the market, this becomes immediately visible through price changes. These developments illustrate the dynamics that occur in structurally growing markets and how, despite all odds, the markets did not experience a "crash," but merely setbacks. Bitcoin and a host of other digital assets point to, through market participant data, user data, and on-chain data, that global interest in this market remains high. Digital assets did see a negative quarter 4 2022, but as a result offer a good risk/reward ratio going forward.

## **Handling of the trading strategies**

Long positions made sense, if at all, only in the first 40 days of the quarter. In the quite negative market situation from mid-November onwards, capital protection and short-term short positions were the most sensible trading strategy. Thus, smaller positive movements had to be traded first and then daily events had to be evaluated and analyzed more intensively. The view on the U.S. Federal Reserve was the most important component this quarter, as its actions were market-determining.

Due to these again not positive market circumstances, the worldwide uncertainties, insolvencies of companies in the industry and faltering investments in almost all markets, triggered by the mentioned reasons, capital protection and short trading with narrowly defined exit points was also in this quarter the most sensible and only handling of the trading strategies.

## **Teroux Quarterly Update Q4/2022**

Finally, the following assessment and classification can be made:

Digital assets are still, regardless of the temporary price development, an instrument of the classical financial world, which is not only shown by the strong correlation to the American financial markets (SP500, Nasdaq and other tech stocks). Not only adaptations, triggered by regulatory innovations and accumulations of private and professional investors, which strengthen the market in the long term, provide for progressive fundamental recognition and growth of the market.

Major price corrections, the exit of non-profitable market participants and a recalibration of the market are by no means the end of this asset class, but strengthen the solid companies in the market and thus ensure orderly market growth in the next cycle. Such "crisis periods" are fundamentally important and currently even show relative strength in digital assets. The major corrections in the financial markets seem to have come to an end for the time being, although experts disagree about the course in the coming year. The "overheated" markets have definitely cooled down and "realistic" prices and values are prevailing. Markets cannot stringently trend upwards

and market participants must have a heightened awareness that positive and negative market phases alternate. Triggers that cause trend reversals in both directions are plentiful, which is why an overview of the entire global economic situation is always of elementary importance to us at Teroux - only those who can accept both phases and adapt their actions to these changing principles will be successful in the long term!

Every bear market (negative price developments over a longer period of time) is sooner or later followed by a bull market (positive price developments over a longer period of time). In negative market phases, early positioning must take place, future investments must be planned and suitable adjustments to trading strategies must be made in order to profit subsequently.

A classic "hype", when individual sub-categories rise above average (compared to the overall market), could not take place this quarter. However, many market participants interpret Web3.0 and AI, as well as settlement of identity determinations as possible trends for the coming year.

Every market situation offers opportunities with investment and sensible risk management strategy. Risk-optimized management is the key to success at every stage and the most important component of investing, especially in difficult years.

Despite all the challenges that arose this quarter, it was once again evident that our asset management is the right approach to these market movements.

Furthermore, in the last quarter of 2022, we also managed to achieve our famously ambitious goals. The planned in-house marketing department has been successfully installed and the first additional team members have been built up. Already in the first quarter of 2023, the first visible results in the external presentation and public appearance of Teroux will be noticeable.

We were also able to expand our IT development team of the Teroux Wallet App with additional team members and thus work with increased capacities on numerous extensions and updates of the Teroux Wallet App.

In addition to a first successful security update, on 17.12.2022, new features such as the Teroux In-App Helpcenter, the Teroux Trade only function, a simple and direct Abloxx token purchase function and enhancements in the Teroux Notification Center are waiting for all verified Wallet App users in the course of Q1/23.

This quarter was one which, in view of the events, seamlessly follows on from the previous ones and thus closes the year 2022 as it began. The fear of recession, rapidly rising key interest rates, falling but still high inflation, and resulting rising prices will accompany us in the coming year. All the more it shows that the way of Teroxx - active portfolio management - is the long-term success factor!

The markets will also face challenges in the coming year before a new positive cycle could emerge.

The forecasts show that the interest rate steps will be smaller (25-50 basis points), but slightly higher key interest rates than initially planned will be necessary, but inflation will slowly fall. Once this crisis is considered mastered, a new bullish market environment could take place.

For the start of the new year and quarter, we do not expect any drastic market changes for the time being. However, markets are very sensitive to global events, which means that increased volatility must always be expected!

We hope that the new year will be a positive one from a business and private point of view and that some of the crises that have accompanied us through 2022 can now be finally put to bed.

We wish you a good start into the new year - stay healthy!

The Teroxx Team

