



HYPERION DECIMUS

CRYPTO NEWSLETTER

POWERED BY WEEKLY CRYPTO BRIEF

23rd June 2024

BITCOIN-RELATED



NYDIG: Bitcoin slid 2.3% this week as the rangebound trading we outlined last week continues. The prevailing sentiment in the industry seems rather bleak, however. While Bitcoin is only 14% below its all-time high set in March, other major coins have seen more significant drops. Historically, Bitcoin has shown lackluster price performance during the summer season. The average monthly returns peak in March and gradually decrease each month until they start to pick up again in October. The impact of seasonality may also be a significant factor affecting price.

A new Kaiko report says that the “dwindling volatility” in Bitcoin is a maturity signal.

According to Bitfinex analysts, “long-term Bitcoin holders and whales seem to be behind most of the recent Bitcoin selling, both on exchange and also through OTC transactions. Historically, long-term holders tend to sell their holdings gradually during bull markets, and particularly when the market enters a consolidation phase – such as that which we are seeing currently.” (CryptoQuant reported Bitcoin whales sold over \$1 billion Bitcoin in the past two weeks.)

A German government agency transferred \$425 million in Bitcoin to another wallet, returning some to the original wallet and sending a portion to crypto exchange deposit wallets. Transactional data shows deposits worth \$32 million each to Kraken and Bitstamp, which may indicate intentions to sell. It started selling over \$195 million worth of the Bitcoin it seized from the operators of movie2k.co in January.

MicroStrategy acquired an additional 11,931 BTC for around \$786 million at an average price of \$65,883 per Bitcoin. The company's Bitcoin holdings have now reached a total of 226,331 BTC, worth nearly \$15 billion, acquired at an overall average price of \$36,798 per Bitcoin, at a cost of around \$8.33 billion.

Michael Dell, CEO of \$100-billion-plus market cap Dell Technologies, showed some vague interest in Bitcoin, recirculating a BTC-friendly post on X from Bitcoin evangelist Michael Saylor.

El Salvador's President Nayib Bukele proposed the establishment of a private investment bank that if approved, would offer Bitcoin investors broader financial services than conventional banks. Salvadoran Ambassador to the US Milena Mayorga wrote in post on X: “As part of our economic plan for El Salvador,

we propose a BPI, Bank for Private Investment, where we can diversify the financing options offered to potential investors in dollars and Bitcoin.”

London-based bank Standard Chartered is reportedly setting up a trading desk for Bitcoin (and Ethereum). The move would make Standard Chartered one of the first global banks to enter spot cryptocurrency trading.

Eight merchants at South London’s Tooting Market (an almost 100-year-old indoor market and the UK’s first food market) now let customers pay with Bitcoin.

Binance CEO Richard Teng predicts that Bitcoin will soar past \$80,000 before the year’s end. His prediction for 2025 is for Bitcoin and other digital assets to have an even better year than 2024 due to improving macroeconomic conditions.

Samson Mow, renowned Bitcoin maximalist and Jan3 CEO, tweeted that he knows for sure that Bitcoin is going to \$1 million. However, there are two nuances; he cannot predict for certain when it will happen and how quickly BTC will skyrocket to that all-time high.

After a year of stealth development, Lava is introducing the first two of its suite of financial products: Lava Free Pay and Lava Exchange, poised to transform handling digital dollars and access to Bitcoin. (Read more about both, [here](#).)

INDUSTRY ADVANCES



Garanti BBVA Digital Assets, a subsidiary of Garanti BBVA Financial Technologies, now provides a crypto wallet service on its mobile platform, Garanti BBVA Crypto. The team says its customers can now transfer and store Bitcoin, Ethereum, and USD Coin on the platform. This development marks a first in Turkey, with a bank subsidiary independently creating and launching a cryptocurrency wallet.

The value of tokenized US Treasury products has skyrocketed 1,000% since the start of this year, per Coinbase. These tokenized products have reached a market cap of \$1.29 billion. Per data from rwa.xyz, BlackRock’s BUIDL has the lead at \$462 million, while Franklin Templeton’s FOBXX holds \$344 million.

Coinbase announced a new feature for Coinbase Advanced users, offering pre-launch perpetual futures trading for tokens still in their pre-token generation event stage. The first token supported will be EIGEN and trading will be open to Coinbase International Exchange and Coinbase Advanced users.

Time.fun allows you to tokenize and sell your time in minutes by creating a tradable asset on Base where fans can buy, sell, and redeem your time for ETH.

Helium Mobile is starting a licensing program for its hotspot devices. Helium Mobile’s hotspots let individuals or businesses set up “mini cell towers” that emit cell coverage and pay out tokens in exchange. There are already several third-party manufacturers and vendors for the Helium Internet of Things (IoT) network. With the licensing program, Helium Mobile hopes to earn licensing fees from hotspots being manufactured elsewhere while simultaneously growing its burgeoning cellular network.

Fyde rolled out their Telegram App. Users can farm FYDE points directly on Telegram, complete tasks for bonus points, and be rewarded for referring more friends. All users qualify for the FYDE airdrop, which is coming soon.

Circle is pleased to announce the expansion of their Web3 Services to support the Solana blockchain. Starting with Programmable Wallets and Gas Station on Solana, this expansion can empower the Solana developer community “to embed secure, intuitive and enterprise-grade wallets seamlessly.”

Fox Corporation onboarded TIME as its first external publishing partner on its Polygon-based Verify protocol, which enables media content to be cryptographically signed on the blockchain and then used to independently verify content is coming from a trusted source.

The LayerZero Foundation, the organization that supports the cross-chain interoperability platform LayerZero, opened airdrop claims for its native ZRO token following the release of an eligibility checker.

Ledgible, a crypto tax and accounting platform, announced the launch of its tax reporting solution for tokenized real-world assets.

infineo, a company dedicated to digitizing the \$3 trillion life insurance industry by utilizing blockchain and AI technologies, announced that it transacted the first-ever tokenized life insurance policy through distributed ledger blockchain technology on the Provenance Blockchain.

The Maritime Industry Authority (MARINA) is set to roll out a new online system to improve services for Filipino seafarers and other maritime clients. Transportation Undersecretary for maritime Elmer Sarmiento said Friday MARINA’s blockchain-enabled automatic certification system (BEST) allows real-time processing and updating of all applications online. It will allow MARINA clients to pay online, track and update their transactions, and offer notifications for certificate expiration. And it will also enable the Philippine Coast Guard to check upon the authenticity of documents being presented to them.

MINING



US-listed Bitcoin miners reached a record market capitalization of \$22.8 billion, driven by a rising network hashrate share and AI diversification opportunities, according to JPMorgan analysts.

The largest telecommunication provider in Europe, Deutsche Telekom, announced plans to mine Bitcoin, expanding its existing node operations.

Marathon Digital is expanding its geographic reach by venturing into Europe, marking a significant step in its global diversification strategy. (For example: It launched an innovative pilot project to recycle heat generated from Bitcoin mining to warm a community in Finland.)

CleanSpark announced the acquisition of five new Bitcoin mining facilities in Georgia, adding 60 MW of infrastructure.

Anduro, a multi-chain Layer-2 network incubated by Bitcoin miner Marathon Digital Holdings, incorporated the decentralized exchange network Portal to Bitcoin – formerly known simply as Portal – with the goal of enhancing utility on the world's oldest blockchain network.

The Supreme Court is reviewing a case involving Nvidia's revenue related to GPUs used to mine crypto.

ETPS (EXCHANGE-TRADED PRODUCTS), FUNDS & INDEXES

Bernstein analysts said spot Bitcoin ETFs are "on the cusp of approval" at major wirehouses and large private bank platforms. Analysts also reiterated their \$200,000 Bitcoin price target by the end of 2025.

Australia's largest stock exchange, ASX, approved its first spot Bitcoin ETF issued by VanEck. It's set to launch on June 20.

Bloomberg ETF analyst Eric Balchunas moved up his over/under date for the ETH ETF launch to July 2. He cites the SEC's minimal comments on S-1 applications and its presumed desire to finish work before July 4.

Ethereum ETF issuers reportedly addressed recent feedback from the SEC, aiming to finalize their S-1 forms by June 21 to proceed with approvals for trading.

Bitwise updated its registration form for its spot Ethereum ETF. Bitwise included some new details in its updated S-1 form for the Bitwise Ethereum ETF, including language about a \$2.5 million seed investment. (Bitwise also said Pantera Capital is interested in buying up to \$100 million of shares.)

Fidelity disclosed a \$4.75 million seed investment in its spot Ethereum ETF, with shares purchased by affiliate, FMR Capital, as detailed in its latest amended S-1 SEC filing.

Grayscale's Ethereum Trust is facing challenges due to its inability to stake Ethereum, which the firm warns may devalue the trust compared to direct Ethereum investments.

Brazilian asset manager Hashdex looks to launch a fund that would hold both Bitcoin and Ethereum. While the proposed Hashdex Nasdaq Crypto Index US ETF would invest in BTC and ETH, a filing indicates it makes clear it would not invest in "crypto securities, tokenized assets, or stablecoins." The market-cap-weighted index that the planned fund would track had a roughly 70% weighting for BTC and 30% weighting for ETH as of May 27.

Digital asset manager 3iQ filed for the Solana Fund (QSOL) on Canada's Toronto Stock Exchange (TSE) – a North American first if approved, the firm claims.

Index Coop added a Real World Asset Index Token to its growing suite of DeFi-native products. The product is developed in partnership with Fortunafi, a leading methodologist in the DeFi space.

FUNDRAISING & OTHER FUNDING (\$5 MILLION OR MORE)

Liquid restaking protocol Renzo raised \$17 million in funding. The fresh capital, which took place over two rounds, was led by Galaxy Ventures in the first round and by Brevan Howard Digital Nova Fund in the second.

Fhenix, which develops confidentiality-enabling Layer-2 blockchain powered by fully homomorphic encryption, announced the close of a \$15 million series A fundraising round – led by Hack VC. This brings the project’s total funding to date to \$22 million.

Particle Network secured \$15 million in Series A funding, led by The Spartan Group and Gumi Cryptos Capital, ahead of launching its mainnet.

Sonic, a gaming-focused Layer-2 blockchain atop Solana, raised \$12 million in fundraising. The Series A round was led by Bitkraft.

Bondex, a Web3 LinkedIn alternative, raised over \$10 million from investors including Animoca Brands and Morningstar.

Ava Protocol announced it raised \$10 million in seed funding across two rounds of \$5.5 and \$4.5 million, respectively.

IPOS, M&A, PARTNERSHIPS & DEALS



Crypto VC firm Pantera is doubling down on its TON blockchain bet, raising a new fund to invest more in the network's native cryptocurrency, Toncoin. The new fund, named the “Pantera TON Investment Opportunity,” invites potential investors to indicate their interest by June 21 to secure an allocation in the fund, with a minimum contribution of \$250,000.

Lens Protocol received a major token offer from ZKsync, amounting to ~\$22.4 million, to build on their Layer 2.

The venture arm of National Australia Bank, NAB Ventures, invested in Zodia Custody, an institutional-grade cryptocurrency and digital assets safekeeping platform which is also backed by Standard Chartered, Northern Trust, and SBI Holdings. The size of NAB's investment was not disclosed.

DEFI



Tokenization platform Midas has launched mBASIS, a yield-bearing token designed to generate returns through a delta-neutral basis trading strategy, aiming to compete with Ethena's sUSDe.

Marinade is building a so-called stake auction marketplace meant to raise yields for Marinade stakers. The marketplace, which is not yet live, will have validators bid for delegation from some staked Solana. It's part of Marinade's v2, where the project is focusing on elevating yields and reducing risks.

CBDCS & STABLECOINS



CBDCs may not be essential to achieve policy goals, according to a survey of 19 central banks in the Middle East and Central Asia region by the IMF. The survey said that CBDCs can advance financial inclusion and lower the cost of financial services, but adopting a CBDC requires careful consideration. The survey added that easing underlying constraints, such as by improving other digital payment systems, may be a more practical alternative to CBDCs.

The Swiss National Bank (SNB) and Swiss Digital Exchange (SDX) exploration of settling tokenized securities through a wholesale CBDC is entering a new phase that will see other financial institutions and types of transactions added over the coming two years. The now-completed Project Helvetia III involved the issuance of seven digital bonds, totaling more than 750 million francs (\$843 million).

The Central Bank of Iran (CBI) is launching a national digital currency in a public pilot targeting domestic micropayments. As part of the pilot, Iran's CBDC, the digital rial, will be available to banking customers and tourists on the island of Kish. The pilot starts on June 21.

The National Bank of Ethiopia prepared two proclamations as part of an economic reform plan – including the establishment of a legal framework for introducing a CBDC.

According to data tracked by Tagus Capital, stablecoin issuers now cumulatively hold more than \$120 billion in US Treasury notes. That makes them the world's 18th largest holders of US debt, ahead of major current account surplus nations like Germany and South Korea.

Tether, the world's biggest supplier of dollar-pegged stablecoins, announced it is unveiling a new category of crypto called “tethered assets.” It's kicking off the launch of the line of digital assets by introducing of a new token “supported by real physical gold stored in Switzerland.” The first token Tether is launching, dubbed “Alloy by Tether,” is being called aUSDT.

NFTS, BLOCKCHAIN GAMING & METaverse



Adidas joined Base's Onchain Summer initiative by creating three open-mint NFTs.

NFT collection Doodles is moving its activity hub, the Stoodio, to Base in July.

Popular gaming platform The Sandbox revealed holding Shiba Inu (SHIB), Dogecoin (DOGE), Pepe (PEPE), Bonk Inu (BONK), and more in its portfolio.

Popular Web3 game Pixels announced its chapter two.

Ronin, the gaming-focused Layer-1 blockchain, outlined plans to introduce a zkEVM to enable the permissionless creation of Layer-2 networks in its ecosystem.

Skale Labs, a simple and low cost and Ethereum-compatible blockchain, announced it teamed up with Unity to support blockchain games.

BBC Ventures, an investment arm set up by the UK's public service broadcaster in 2022, announced its first investment in the metaverse – Bristol, UK-based 3D video streaming platform Condense.

JOB MOVEMENT



Stablecoin issuer Circle has increased its staff by more than 15% (adding 137 staffers) this year. It plans to fill a similar number of positions as the issuer prepares to go public.

David Hirsch, the head of the SEC's Crypto Asset and Cyber Unit in the Division of Enforcement, left the agency after nearly nine years of service.

BitMEX co-founder Arthur Hayes, who is also the chief investment officer at Maelstrom, joined blockchain data infrastructure company Covalent as a strategic adviser.

Shodipo Ayomide, an ex-global head of developer advocacy at Polygon, now leads developer relations at Layer-1 data ecosystem Nuklai.

Elliott Suthers, the former head of communications at Coinbase, now leads EMEA comms for Tools for Humanity – a contributor to Worldcoin.

Top-tier NFT brand Azuki hired veteran entertainment executive Steve Chung as Chief Operating Officer as the company seeks to expand beyond digital collectibles.

REGULATIONS, RULINGS & COMMENTARY



California Congressman Ro Khanna is hosting a blockchain roundtable for policymakers and innovators in early July. It will include members of the Biden Administration, Congress, and businessman Mark Cuban. This comes after the Biden Administration was reportedly discussing accepting crypto donations through Coinbase Commerce.

The SEC ended its investigation into Ethereum 2.0, which means that the SEC will not bring charges alleging that sales of ETH are securities transactions.

Blockchain development firm Consensys requested the IRS to delay its proposed new crypto reporting rules citing a lack of clarity and excessive burden on the entities impacted.

Brazil's tax authority will soon call foreign crypto exchanges not based in the country to explain their operations and how they cooperate with local service providers.

Kenyan authorities dropped the probe against Worldcoin, clearing the way for its potential return.

Jump Crypto put another \$10 million into the US political action committee (PAC) that's seeking to rush as many pro-crypto members into Congress as possible to achieve legislation the industry is after. Almost \$169 million, so far, has been amassed by Fairshake and its affiliated PACs as of June 19.

Crypto trading firm Cumberland received a BitLicense from the New York State Department of Financial services.

The Winklevoss twins, Cameron and Tyler, both said on X that they're donating \$1 million each to former president Donald Trump's campaign.

Michelle Bond, who has been a central player in crypto advocacy in Washington, is launching a new think tank called Digital Future to help shape new rules for crypto and AI.

BUGS, OUTAGES, HACKS, SCAMS, ALLEGATIONS, INVESTIGATIONS, ENFORCEMENTS & WRONGDOINGS

After Ripple argued for lower fines than the SEC's proposed \$2 billion, the SEC opposed Ripple's attempt to reduce its proposed \$2 billion fine, arguing that the circumstances differ significantly from the recent Terraform settlement. (A California judge allowed a securities lawsuit against Ripple CEO Brad Garlinghouse to go to trial, while dismissing several other claims in the case.)

Turkish crypto exchange BtcTurk announced that a cyberattack affected the cryptocurrency stored in ten of its hot wallets following reports of suspicious transfers of Avalanche tokens. Binance is assisting BtcTurk with the investigation and has frozen "over \$5.3 million in stolen funds so far."

Crypto exchange Kraken disclosed nearly \$3 million was taken from its wallets following a bug-related exploit that's since been fixed. After Certik came forward as the cybersecurity firm that found the critical bug, and proceeded to drain and keep \$3 million hostage, the security firm has now returned the funds.

Binance was fined ~\$2.2 million for providing services to Indian clients without adhering to the nation's anti-money laundering rules, according to India's anti-money laundering unit.

The US CFTC is investigating Jump Trading. Specifically, the derivatives regulator is looking into the firm's crypto activities, such as trading and investing.

The Federal Reserve Board issues an enforcement action against Evolve Bancorp and Evolve Bank & Trust for deficiencies in the bank's anti-money laundering, risk management, and consumer compliance programs.

A crypto investor based in London has lost almost all his digital asset investments to armed robbers following a physical attack in his home. The pseudonymously named Ram revealed that the three thieves were armed with machetes and forced him to transfer all his crypto to certain accounts.

A crypto influencer who called Logan Paul the "biggest moron I've ever had the pleasure of doing business with" says he avoided a lawsuit from the YouTube star after his lawyers advised him it could turn into an ongoing issue that could cost him millions.

Bitcoin's Lightning Network had another bug, named the LND Onion Bomb, that put users' funds at risk.

Bitcoin Layer-2 Stacks started producing blocks again after a 9-hour outage.

MISCELLANEOUS



DJT, a crypto token minted two months ago on the Solana blockchain, surged in price on reports that former US president Donald Trump is behind it. If reports are true, this would be the first time a presidential candidate from a major political party created a cryptocurrency. But that appears to be a big “if.” Controversial entrepreneur Martin Shkreli, previously convicted of securities fraud, claimed he co-created (along with Barron Trump) the Solana-based DJT token themed on Donald Trump and has over “1,000 pieces of evidence.” Arkham awarded a \$150,000 bounty to ZachXBT for exposing Shkreli as the creator of the DJT meme token.

Cardano is preparing for the Chang hard fork in June to enter the Voltaire era after a multiyear effort towards decentralization. It will introduce decentralized governance and give token holders control of the \$681.9 million treasury. The upgrade will commence once 70% of validators install the new node.

American rapper Juaquin James Malphurs, aka Waka Flocka Flame, became the latest celebrity to launch a Solana-based memecoin, FLOCKA, which quickly faced criticism over suspicious wallet activity.

CHARTS, TABLES, QUOTES, COMMENTARY & OTHER IMAGES

Bitcoin's market dominance, the market share of Bitcoin's market capitalization relative to the total market capitalization across crypto tokens, recently shot up to 52.92% – climbing up from below 50% at the end of May. That reading surpassed April 2024 and April 2021 highs.



Bitcoin Dominance



SOURCE: [COINGECKO](#)
UPDATED: JUN 17, 2024

ZOOM

ALL

YTD

12M

3M

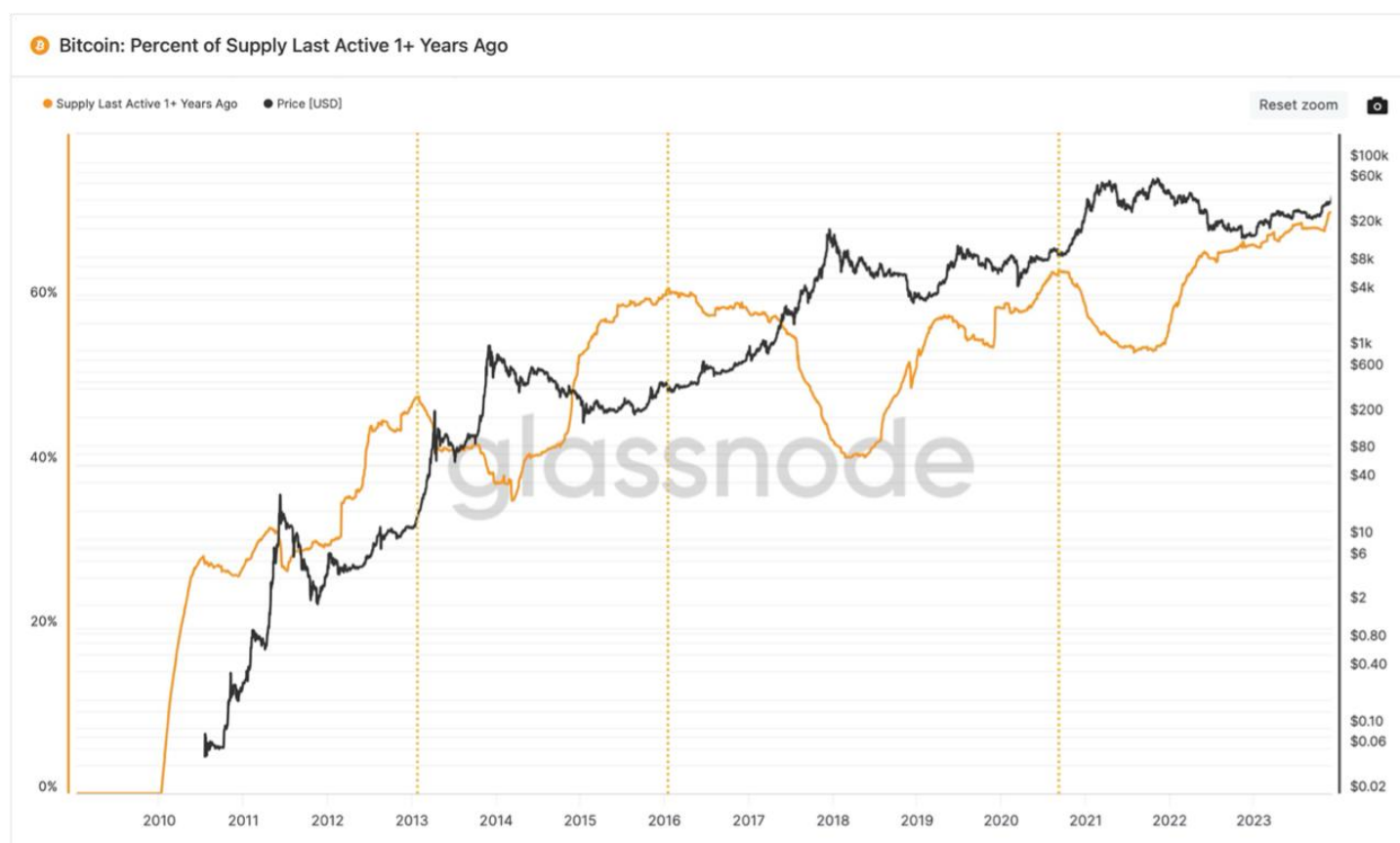
1M

Highlights on “Bitcoin HODL Wave Analysis” from Pantera Capital’s Blockchain Letter...

In our December 2023 Blockchain Letter, we did an analysis of the 1-Year HODL Wave indicator, a metric that tracks the percentage of all Bitcoins that have not been moved from one wallet to another for at least one year.

We believe it’s a useful metric that can help contextualize the maturity of a bull market cycle. In our original analysis, we wrote:

“As Bitcoin’s price approaches a new cycle peak, there’s a noticeable reduction in the percentage of coins held for over a year. This trend is partly attributed to holders of these coins opting to realize profits by selling, leading to these coins no longer being categorized as 1yr+ in this analysis. As a result, the 1-Year HODL Wave, represented by the orange line, declines while the price, shown by the black line, rises.



“Historically, the price of Bitcoin has increased slowly and steadily into the indicator’s peaks.

“After peaking and rolling over, the price has ramped up quickly and steeply, with those rallies lasting 1.3 years on average from the indicator peak to the peak in price.

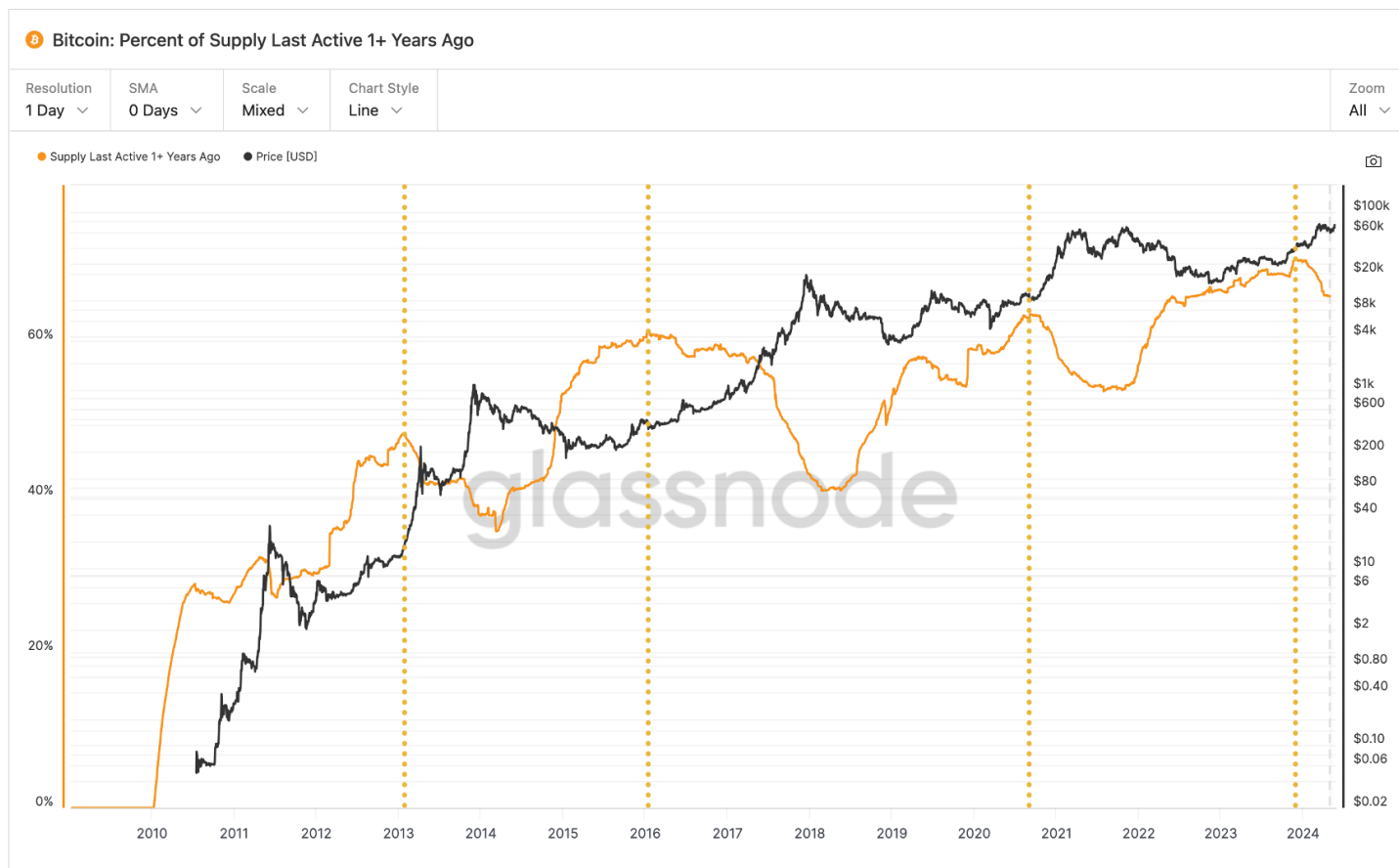
“For this cycle, we haven’t seen any clear indication that the indicator has topped out.

“The punchline is: if historical price action around peaks in the 1-Year HODL Wave is any indication of future performance, the majority of gains this cycle have yet to come.[6]

“A natural follow-up question would then be, ‘when does the indicator peak this cycle and we see a sharp run-up in price?’

“What’s interesting is that the peaks in the indicator have occurred no more than two quarters from Bitcoin Halvings – 0.2, 0.5, and 0.3 years before or after halvings. The next halving is expected to occur at the end of April 2024.”

Let’s look at the chart today.



The indicator appears to have topped out on November 29, 2023. If so, that would align with the trend of peaks occurring within two quarters of the halving.

As we’ve pointed out, the majority of gains have occurred after the indicator begins to roll over. Below is a table showing the rallies heading into the peaks and after.

Bitcoin Rallies Around 1-Year HODL Wave Peaks



1-Year HODL Wave Peaks	Rally Into Peak	Rally After Peak
January 26, 2013	+697%	+6,419%
January 12, 2016	+129%	+4,520%
August 31, 2020	+261%	+489%
November 29, 2023	+143%	+78%*

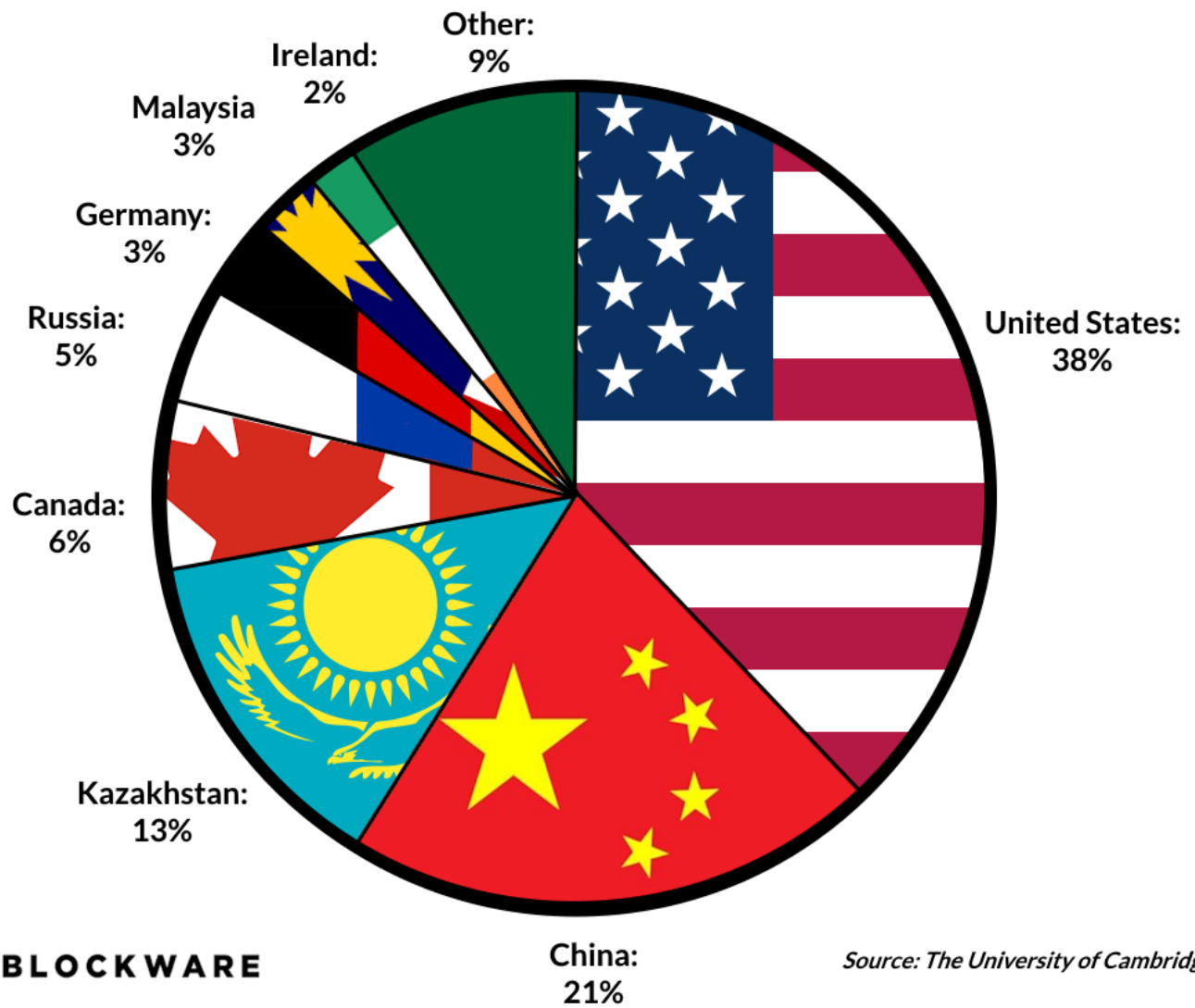
Source: Glassnode

*The current rally after the November 29, 2023 HODL Wave peak is as of May 31, 2024

As of May 31, Bitcoin is up 78% since the 1-Year HODL Wave topped out in November. Post-peak rallies have lasted 484 days on average.

Blockware Intelligence: According to data from the University of Cambridge, ~38% of all Bitcoin mining takes place in the US.

Bitcoin Mining Distribution by Country



Anthony Pompliano: Are Retail Investors Beating Institutions to the Bitcoin Spot ETFs?

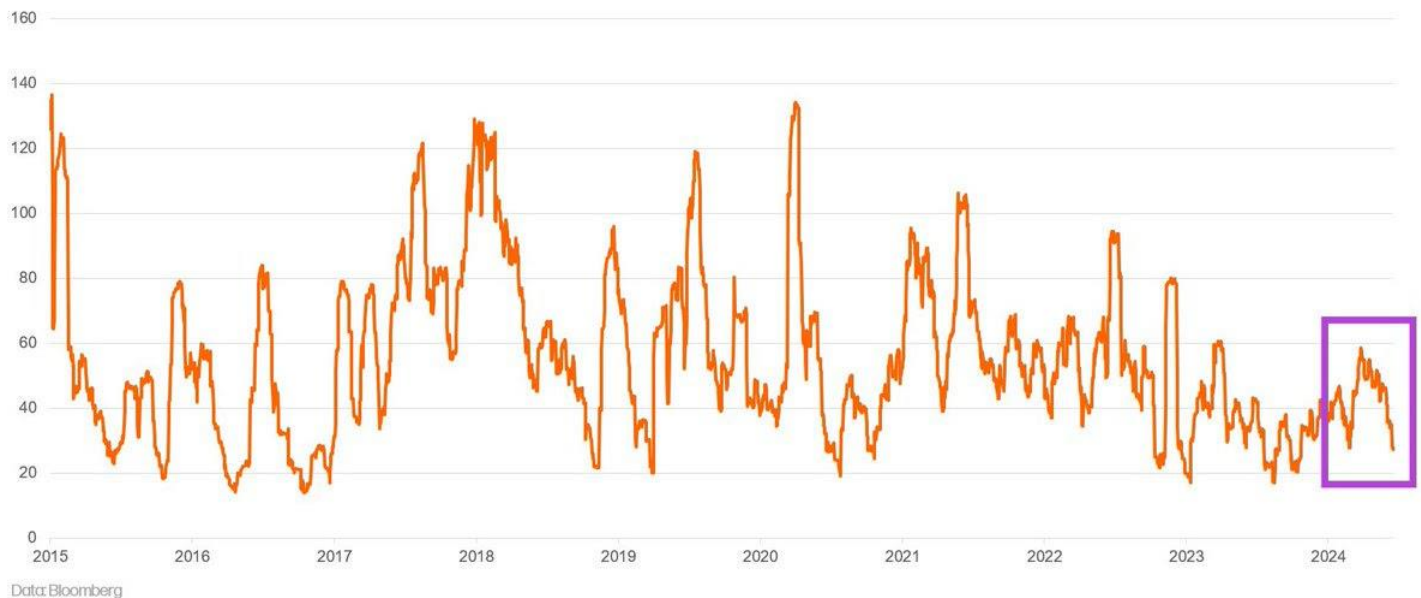
We must first understand that financial markets are highly complex. There is almost never a single answer for why the price of an asset is moving up, down, or sideways.

Bitcoin is the perfect example.

The second thing we must understand is that Bitcoin's volatility has been dropping significantly. Galaxy's Head of Research Alex Thorn shared this chart, which shows a historically low reading on the 30-day realized volatility metric.

Bitcoin 30-day Realized Volatility

Source: Galaxy Research



The next important data point is that ETF inflows have largely been from individual retail investors, not institutional allocators. CNBC's Tanaya Macheel wrote over the weekend the following about comments made by Blackrock's chief investment officer of ETF and index investments:

"The long-awaited Bitcoin exchange traded funds launched in January, and financial advisors are on their way – though gradually – toward adopting them, according to BlackRock's Samara Cohen.

For now, about 80% of Bitcoin ETF purchases have likely been coming from "self-directed investors who have made their own allocation, often through an online brokerage account," she said, speaking at the Coinbase State of Crypto Summit in New York City on Thursday."

This is a narrative violation because people have been bragging about institutional adoption of the ETFs. I have also personally thought that much of the inflows must be coming from institutions given the billions of dollars that are now sitting in those funds.

It looks like I was wrong.

Bianco Research's Jim Bianco points out a recent data point from JP Morgan suggesting that the spot ETFs are not only getting retail capital, but they are actually not receiving net new capital:

“tl:dr —\$16 billion has flowed into Bitcoin ETFs YTD. But \$13 billion has left existing digital wallets, suggesting only \$3 billion of net new money this year. As the chart from JPM below shows, estimates of flows into all digital assets are down from last year.

Add to this that BlackRock says (above) 80% of Bitcoin ETF purchases have likely been coming from “self-directed investors who have made their own allocation via online brokerage accounts.

The narrative about these flows and their meaning does not match the reality of their actual nature. This means there has been hardly any adoption outside of degenerate money and swapping from on-chain to regulated brokerage accounts.

The movement from on-chain to regulated brokerage accounts is a big problem in the long run. What BTC needs is on-chain adoption. It needs to be part of a new financial system. The existence of the ETF is moving money off-chain, further away from this ultimate goal.”

Jim's point here is interesting — not only is he arguing that retail has been moving capital from outside the system to inside the system, but he claims the ETFs are doing the opposite of what Bitcoin originally set out to do.

This brings me to the Ether ETFs which will supposedly be approved before the end of the summer.

If these funds follow a similar path, there will be little to no institutional participation. Retail investors will move some of their capital from the spot asset to the spot ETF. And price will likely appreciate to a degree, but I doubt it will be the ~ 50% gain we saw in Bitcoin's price.

Lastly, it is important to be aware of the basis trade. Many of the sophisticated investors who are participating in the ETF market have been going long spot Bitcoin and short futures. This allows them to clip basis points while remaining market neutral.

You can easily see the ETF inflows, but what most people have been missing in the analysis is the increase in short futures interest.

As I started this letter, financial markets are highly complex. There is never a single culprit for why an asset price goes up, down, or sideways. Bitcoin has been lulling everyone to sleep. Don't view that as a bad thing. Spend your time trying to understand why it is happening.

Highlights on “Crypto ETFs” from Pantera Capital’s Blockchain Letter...

Ethereum ETF Approved

There is a good deal of speculation that the quick shift toward being pro-crypto across both sides of the aisle drove the SEC to approve the Ethereum ETFs, marking another landmark development. All eight issuers, including Grayscale, Bitwise, BlackRock, VanEck, Ark 21Shares, Invesco, Fidelity, and Franklin, received approval to launch commodity-based trust shares.

The approval came as a surprise. Polymarket, a decentralized prediction market platform, had the odds of an Ethereum ETF approval by May 31st at 6% as of May 5th.



The issuers themselves believed the SEC’s lack of engagement was indicative of an expected denial of Ethereum ETFs on the May 23rd deadline. Instead, in a sudden about-face, the SEC contacted ETF issuers three days before the deadline asking for next-day turnaround on revisions to their 19b-4 filings. The first step of the process is the approval of the 19b-4s, which were granted on May 23rd. The timeline for these ETFs to launch is expected to be in the next 1-3 months, as issuers prepare the more complex S-1 filings with guidance from the SEC.

Bitcoin ETFs Were a “Buy the Rumor, Buy the News” Event, Will Ethereum ETFs Be?

In our November 2023 Blockchain Letter, we discussed our view that the launch of spot Bitcoin ETFs would be a “buy the rumor, buy the news” event.

We wrote that the ETF would fundamentally change access to Bitcoin, and contrary to prior major launches that did mark the peaks of previous cycles (CME futures going live and Coinbase going public), this time was different.

The launch of the Bitcoin ETF was a “buy the rumor, buy the news” event. Below are the results:

Price Relative to Bitcoin ETF Launch



Months Before/After ETF Launch	Bitcoin Price	Price Relative to Bitcoin ETF Launch
5 Months Before	\$29,430	-37%
3 Months Before	\$27,391	-41%
1 Month Before	\$43,780	-6%
Bitcoin ETF Launch (Jan 11, 2024)	\$46,628	--
1 Month After	\$47,771	2%
3 Months After	\$70,588	51%
5 Months After	\$69,512	49%

Upon initial news of a likely Ethereum ETF approval, the market responded positively. Ethereum shot up 25% initially upon early indications that the ETFs could be approved. The discount on ETHE, Grayscale's closed-end Ethereum Trust, narrowed dramatically from 21% to just 1% in a few days.

Similar to the Bitcoin ETFs earlier this year, the Ethereum ETFs could drive a substantial influx of new investors, unlocking access for those who were previously sidelined due to compliance reasons or the limitations of their brokerage accounts. In addition, we believe that for a certain cohort of investors, the Ethereum pitch as a "tech platform" may be easier to understand and accept than Bitcoin's pitch as "digital gold".

Some may argue that Ethereum's underperformance over the past 1.5 years could make it a strong catchup trade candidate. In addition, low expectations for inflows could present a prime opportunity for a surprising upside.

However, potential outflows from ETHE, similar to what was witnessed with outflows from Grayscale's converted Bitcoin ETF (GBTC), could present some initial headwinds. Although, compared to GBTC, there are fewer forced sellers like 3AC and Genesis; therefore, outflows may be less material.

Also, in contrast to the one-day lag between the SEC's approval of the spot Bitcoin ETFs and their subsequent trading, the Ethereum ETFs will begin trading much later after their approval date. Therefore, investors will have had ample time to act on this information.

Possible Knock-On Effects of the Ethereum ETF and Recent Regulatory Developments

We believe the combination of the Ethereum ETF approval coupled with the passing of FIT21 and the shifting sentiment in the political and regulatory landscape for crypto will have knock-on effects for the industry. In particular, we believe that the long tail of digital assets may benefit greatly.

Market Growth and Diversification – While the introduction of a Bitcoin ETF was meaningful, especially as it relates to crypto's use case as a store of value, the existence of an Ethereum ETF may have strong implications for the broader spectrum of tokens. Increased attention on Ethereum may spill over to the broader universe of protocols as investors explore Ethereum as a technology platform.

Technological Advancements and Innovation – Should FIT21 pass in the Senate and/or clear frameworks be put in place for token projects to adhere to, this may accelerate the pace of innovation as entrepreneurs have a defined path to launch their projects with less regulatory drag.

Integration with Mainstream Financial Products – The Bitcoin ETFs and now Ethereum ETFs will be available alongside 2,844 other securities at the typical RIA. We believe that, over time, blockchain will come to be seen as just another asset class.

More Cryptocurrency ETFs – Earlier this year, many speculated that the approval of Bitcoin ETFs may pave the way for other cryptocurrency ETFs. It happened. Now the question is, with the Ethereum ETFs approved, what's next? BlackRock's ETF approval record now stands at 577/1. Monitoring their next move may be telling.

Tokens as a Form of Capital Formation – One of our core theses is that many blockchain-based businesses will choose to organize using tokens rather than equity. Creating a regulatory framework whereby these tokens can start reflecting the fundamental value creation of the underlying protocol, with novel ways of sharing those cash flows with tokenholders that contribute to the protocol, is a critical step in realizing that future.

In conclusion, the passing of the FIT21 bill and the approval of Ethereum ETFs represent a significant shift in the regulatory and political landscape for cryptocurrencies in the United States. For a while, it seemed that the industry was at a standoff with no visibility as to when things would get moving. We are now moving.

While this regulatory framework will undoubtedly go through many revisions, it offers a promising start. These developments could bring a new era of crypto innovation, attract a broader base of investors and users, and ensure that the US crypto industry does not fall behind the rest of the world.

Summary and conclusion from Glassnode’s “The Week On-Chain” from 6/18/24. (Read the full report, [here](#).)

Despite the choppy and sideways market conditions the average Bitcoin investor has remained largely profitable. However, investor decisiveness has declined as signified by contracting volumes across spot, and derivatives market, and also in on-chain settlement.

An equilibrium in both the demand and sell-side appears to be established, resulting in relatively stable prices, and a notable lack in volatility. This stagnation in market movement translates into a degree of boredom, apathy, and indecision by investors. Historically, this suggests that a decisive price movement in either direction is necessary to stimulate the next round of market activity.

Conclusion from Coin Metrics’ “State of The Network” weekly report from 6/18/24. (Read the full report, [here](#).)

In many ways, crypto exposes every market actor’s motives in plain sight. Tokenomics can be seen as the art of harnessing those motives into cultivating success and sustainability of protocols. Distributing token supply, incentivizing behavior, and ensuring long-term value is a delicate balance that every project tackles differently. As market forces evolve and new metas emerge, it will be interesting to see how users and teams continue to adapt.

Blockworks updated key metrics...

Total Crypto Market Cap	\$2.65 T
Bitcoin Market Cap	\$1.32 T
Ethereum Market Cap	\$421.48 B
ETH/BTC Ratio	0.05
Ethereum Gas Price	2 gwei
DeFi TVL	\$183.99 B
Fear and Greed Index	55 (Greed)

Matt Hougan's (CIO – Bitwise) Weekly CIO Memo: "Three Reasons to Add ETH to Your Portfolio. Spot Ethereum ETPs could be launching soon. Here are three reasons to add ETH exposure – and one to keep it Bitcoin-only."

Spot Ethereum ETPs could launch as soon as July 2, according to Bloomberg's ETF analysts. That means many investors will soon need to decide whether to add ETH exposure alongside their favorite Bitcoin ETP.

I'd argue that the answer for most people is simple: "Yes."

Here are three reasons why, along with one reason you might stick to being Bitcoin-only. As always, the usual disclosures apply: None of the following is intended as investment advice, and you should consult your financial and tax professionals before making investment decisions.

Reason #1: Diversification

One of the first things you're taught as an investor is to diversify. Don't own one stock; own a basket. Don't own one bond; own a portfolio.

The most powerful reason for this is humility. As the quote popularized by John Maynard Keynes goes, "It is better to be roughly right than exactly wrong."

It is very hard to predict the future with precision. Ask any investor from the dot-com boom who bought AOL or Pets.com. They got the overall bet right—the internet is going to be big!—but the specifics wrong. Sad!

Crypto is a new and disruptive technology. It can do amazing things, like move money at the speed of the internet. But even today, and even for experts, it is very hard to know exactly how crypto will change the world.

As a result, unless you have a very specific view (more on this later), the default should be to simply "own the market."

Today, the market cap for ETH, the crypto asset that powers the Ethereum blockchain, is about \$420 billion. That's about one-third the size of Bitcoin's \$1.3 trillion. The starting place should therefore be about 75% Bitcoin and 25% ETH.

Reason #2: Bitcoin and Ethereum Target Different Use Cases

The second reason is equally important: Bitcoin and Ethereum are two very different things.

Bitcoin is a new form of money. Every design choice the Bitcoin ecosystem makes is designed to make Bitcoin the best form of money that has ever existed.

For instance, Bitcoin's supply is strictly capped at 21 million. That helps create a reliable monetary good. By comparison, other crypto assets (including ETH) have continual issuance, which can support other forms of network participation.

Another example: The Bitcoin blockchain rarely goes through large software upgrades. This reduces the likelihood that developers will introduce a bug. If you're building a new form of money, security is paramount.

By comparison, Ethereum regularly goes through major upgrades. That's because Ethereum's primary function is making money programmable. It's a technological platform for new applications that rely on public blockchains. In other words, its strength lies in its versatility.

You can, for instance, digitize dollars on Ethereum and allow them to move at the speed of light (we call these "stablecoins"). Or you can digitize securities and allow them to settle almost instantly (we call this "tokenization"). Or you can digitize the role of financial intermediaries and try to disrupt huge chunks of the legacy financial ecosystem (we call this "decentralized finance" or "smart contracts").

Again, it is early in the crypto revolution. That makes it difficult to know exactly which applications will matter over the long term. Adding ETH to your Bitcoin simply gives you broader exposure to what public blockchains can do.

Reason #3: Historical Analysis Says You Should

The third and final reason to add Ethereum to your crypto sleeve is "math."

Adding ETH to a portfolio over a full crypto market cycle has historically boosted both your absolute and risk-adjusted returns compared to adding BTC only.

The table below looks at the impact a 5% allocation to crypto has had on a traditional portfolio of 60% stocks and 40% bonds over the past four years, using both a Bitcoin-only and a split 75% BTC/25% ETH strategy.¹

Past performance is no guarantee of future returns, but the table makes two clear points:

Allocating to crypto in general significantly increased the portfolio's absolute and risk-adjusted returns; and

Adding ETH to the BTC dialed things up, with higher absolute returns and higher risk-adjusted returns.

You even get a smaller maximum drawdown despite the higher overall returns, thanks to the benefits of diversification.

Portfolio Metrics

PORTFOLIO	CUMULATIVE RETURN	ANNUALIZED RETURN	VOLATILITY	SHARPE RATIO	MAXIMUM DRAWDOWN
Traditional 60/40 Portfolio	31.47%	7.06%	9.22%	0.444	22.07%
Traditional Portfolio with a 5% Crypto Allocation (100% BTC)	54.49%	11.46%	10.38%	0.806	25.35%
Traditional Portfolio with a 5% Crypto Allocation (75% BTC, 25% ETH)	56.32%	11.79%	10.51%	0.827	25.19%

Source: Bitwise Asset Management with data from Bloomberg (period between May 31, 2020 - May 31, 2024, assuming quarterly rebalancing)

Of course, you can find shorter time periods when adding ETH to the crypto sleeve lowered overall returns. Since January 1, 2023, for instance, BTC has outperformed ETH 300% to 198%. But BTC often outperforms ETH in the early stage of crypto cycles. It is best to evaluate things over a fuller time period.

Counterpoint: Why Some Folks Should Stay Bitcoin-Only

As mentioned, I think being Bitcoin-only can make sense for certain investors.

If you are investing in crypto primarily because you are concerned with the degradation of fiat currencies (including the U.S. dollar), or because you are worried about debt, deficits, and inflation, then you should stick with Bitcoin.

While some observers disagree, I think it's very likely that Bitcoin will become the dominant new form of "money" that emerges in crypto. It has a large lead, and money is a market where size matters. Also, as discussed, its design, community, and ethos is oriented towards succeeding at this goal, while other crypto assets are optimizing for different things.

This does not mean I'm bearish on other crypto assets like ETH. Rather, I think Ethereum and other networks are oriented toward other design goals, like being platforms for stablecoins, decentralized finance, and other applications.

My view, in a word: If you want to make a broad bet on crypto and public blockchains, you should own multiple crypto assets. If you want to make a specific bet on a new form of digital money, buy Bitcoin.

Conclusion: For Many Investors, It Makes Sense To Hit the "Easy" Button

There are good arguments for focusing your crypto investment in Bitcoin. It is the most established crypto asset with the strongest regulatory footing, and it's going after the largest addressable market. It is also the most decentralized and least subject to government interference. As I discussed above, for people who want to make a specific monetary bet using crypto, it makes sense to be Bitcoin-only.

But many investors just want to allocate to "crypto" and "public blockchains," and do not have a specific view on the future. For those investors, the potential launch of a spot Ethereum ETF will offer an opportunity to broaden their bet on crypto—and I'd argue that makes a lot of sense.

Continued fallout from the various crypto liquidity issues, regulatory problems, and 2022 ‘crypto winter’ in the space...

- FTX bankruptcy victims filed to recover \$8 billion in forfeited assets, claiming the bankruptcy process feels like a “second act of theft.”
- In a filing in the US District Court for the Southern District of New York, lawyers representing the FTX debtors and the firm’s Bahamian entity, FTX Digital Markets, argued that they had a “superior right” to assets that may be used to satisfy the court’s \$11-billion judgment against SBF. The legal team claimed that FTX’s aircraft, funds held at Signature Bank, Farmington State Bank, and Silvergate Bank, the sale of shares of Robinhood stock, and political contributions associated with former FTX executives should not be used for SBF’s judgment but to benefit victims of the defunct exchange.
- FTX demanded the return of \$5 million used to purchase a venue hosting right-wing events.
- According to a recent report, Montenegrin Prime Minister Milojko Spajić was identified as one of the early investors in Terraform Labs. Court documents indicate that Spajić was the 16th investor during Terraform Labs’ initial fundraising phase
- A Nigerian court dismissed Binance executive Nadeem Anjarwalla’s human rights lawsuit; Anjarwalla remains sought by Interpol after escaping detention in Nigeria.