



HYPERION DECIMUS

CRYPTO NEWSLETTER

POWERED BY WEEKLY CRYPTO BRIEF

30th June 2024

BITCOIN-RELATED



Fears over Mt. Gox disbursements, significant outflows from spot ETFs, and miner selling sent the price of Bitcoin lower this past week. Selling pressure intensified late on June 24, as Bitcoin's price dropped to a low of \$58,601. Trading volume across major exchanges surged 150% over a 24-hour window to over \$42 billion, with over \$300 million liquidated across the crypto market per CoinGlass.

Defunct Bitcoin exchange Mt. Gox said on June 24 that it will start to distribute assets stolen from clients in a 2014 hack (~\$9 billion) in the first week of July, years after continually moving deadlines. Trustee Nobuaki Kobayashi said in a statement: "The Rehabilitation Trustee has been preparing to make repayments in Bitcoin and Bitcoin Cash under the Rehabilitation Plan. The repayments will be made from the beginning of July 2024."

The US government sent 3,940 BTC, worth over \$240 million, to Coinbase Prime on June 26.

The German Federal Criminal Police Office (BKA) transferred \$24 million in Bitcoin on June 25 across two transactions to crypto exchanges Kraken and Coinbase. Another \$30 million worth of BTC was moved to a new wallet, with previous transfers totaling \$195 million in BTC sent to exchanges on June 19 and 20.

A Satoshi-era Bitcoin wallet dating back to 2010 woke up from dormancy after 14 years and sent 50 BTC to Binance's crypto exchange. According to data from on-chain analytics firm Lookonchain, the Bitcoin wallet is linked to a BTC miner who seems to have turned \$25 BTC into \$3 million.

Japan-based investment advisor Metaplanet plans to increase its Bitcoin holdings by purchasing an additional \$6.3 million worth of BTC, adding to its existing \$9 million investment. The funds for the purchase will come from an upcoming bond issuance on June 26.

Former President Trump is in talks to speak at the Bitcoin 2024 convention in Nashville at the end of July, according to two sources familiar with the matter.

Strike, the payments application that uses the Bitcoin blockchain, started a UK service – expanding its global reach just months after rolling out in Europe and Africa. Customers in the UK can now buy, sell, and withdraw funds using the Strike app. Users can send and receive Bitcoin or sterling.

Nubank, Latin America's largest fintech bank, teamed up with Lightspark to integrate the Bitcoin Lightning Network and UMA (Universal Money Addresses) into its platform.

A new collaborative effort spearheaded by Lightning infrastructure company LNFi intends to accelerate the adoption of the Lightning Network. Leveraging the progress of novel protocols such as Taproot Assets and Nostr, the LN Alliance hopes to mobilize industry partners and contribute to standards around the growing Bitcoin ecosystem.

INDUSTRY ADVANCES



Citi unveiled its new Citi Integrated Digital Assets Platform (CIDAP), aiming to “enable fast adoption of innovation and innovation which is in compliance with all these regulatory regimes around the world.” While the CIDAP platform is underpinned by internal blockchain network(s), it is designed to integrate with external DLTs and other solutions.

BitoGroup, the leading cryptocurrency market leader in Taiwan, announced its teaming up with Far Eastern International Bank Bankee to launch the world's first dedicated crypto-friendly bank account.

A survey revealed that 54% of Japanese institutional investors plan to invest in cryptocurrencies within the next three years, viewing them as a diversification opportunity.

Venture firm Paradigm introduced Reth 1.0, its first production-ready Ethereum execution client developed in Rust, which can sync to the Ethereum mainnet in about 50 hours and manage extensive storage.

The Solana Foundation is introducing tools to transform traditional websites and applications into gateways for crypto transactions on the Solana blockchain. The tools are similar to Frames on Farcaster but are designed to work on any website, including X. One tool, “Actions,” enables users to complete on-chain transactions via websites, social media and QR codes. Another tool, “Blinks,” a portmanteau of blockchain and links, turns any “Action” into a shareable link, making crypto transactions possible from any URL.

AI-blockchain firm DigiLion launched the world’s fastest blockchain at 3 million transactions per second.

Well over \$1.5 trillion worth of repurchase agreements and other forms of securities financing are executed monthly using private blockchains. While this is a sliver of a highly fragmented, multitrillion-dollar market, these private blockchain loops are being employed at a decent scale by many of the world’s biggest banks and institutions.

S&P Global Ratings announced it is joining Singapore’s Project Guardian which explores tokenization, mainly on public blockchain. The initiative includes 18 financial institutions and regulators, including the Monetary Authority of Singapore (MAS), the UK’s FCA, Switzerland’s FINMA, and Japan’s FSA. The stated goal of MAS is to free up liquidity, create investment opportunities and improve the efficiency of financial markets.

In an effort to provide clear guidance on complex tax issues involving digital assets, Deloitte and Bloomberg Tax & Accounting announced the publication of Tax Management Portfolio Taxation of Cryptocurrency and Other Digital Assets, No. 190-2nd, now available on the Bloomberg Tax Research platform.

MINING



Bitcoin miners sold over 30,000 BTC (~\$2 billion) in June, the highest amount this year, dropping reserves to a 14-year low.

According to a JPMorgan research report, the Bitcoin mining sector is attracting a wave of investor interest following Core Scientific's deal with AI company CoreWeave. The bank notes that the total market cap of the 14 miners it tracks grew by 22%, or \$4 billion, since the announcement, versus a 7% drop for Bitcoin and a 3% increase for the S&P 500. News of the deal triggered a re-rating of the Bitcoin mining sector, as investors reacted positively.

CleanSpark agreed to acquire rival Bitcoin mining firm GRIID Infrastructure, purchasing all of its outstanding stock in a \$155 million deal. CleanSpark aims to reach 100 MW of operational power by the end of the year and targets 400 MW by 2026, bolstered by the acquisition.

Following the deal's close, GRIID stockholders will get CleanSpark common stock.

Core Scientific announced a new contract with CoreWeave for delivery of ~70 MW of additional infrastructure to host high-performance computing operations.

Bitcoin miner Riot Platforms called for a special meeting to restructure Bitfarms' Board, aiming to remove Interim CEO Nicolas Bonta and director Andrés Finkielstein, plus fill the vacancy left by co-founder Emiliano Grodzki. Riot proposed three independent candidates for the Bitfarms board, who bring expertise in public affairs, corporate governance, and financial management. The company said it is ready to engage with a reconstituted board over the potential acquisition of Bitfarms. However, it withdrew its previous offer to acquire the company for \$2.30 per share. Bitfarms has 21 days to schedule the meeting.

ETPS (EXCHANGE-TRADED PRODUCTS), FUNDS & INDEXES



ETFGI, a leading independent research and consultancy firm covering trends in the global ETFs ecosystem, reports crypto ETFs and ETPs listed globally have gathered net inflows of US\$44.50 billion YTD (the highest on record).

US spot Bitcoin ETFs endured net outflows for a seventh straight trading day on June 24 – tying a record run earlier this year. The 10 funds, tracked by Farside Investors, have collectively bled assets each trading day from June 13 to June 24 (excluding the Juneteenth federal holiday). Outflows have totaled roughly \$1.1 billion over those seven days – an average of \$162 million per day. (On June 25, they returned to \$31 million in daily net inflows after their record-equaling seven days of outflows.)

While the 11 US-listed spot Bitcoin ETFs on the market have collectively generated around \$15 billion of inflows since Jan. 11, there's been a simultaneous \$7.5 billion increase in Bitcoin futures open interest over the same period, according to Mike Cagney, co-founder and CEO of Figure Markets. According to Cagney, that suggests that a lot of the spot Bitcoin ETF inflows are the result of the basis trade, where investors buy spot Bitcoin while selling Bitcoin futures to profit from the spread between the two prices.

The SEC in the latest comments asked the spot Ethereum ETF issuers to submit the S-1 forms by July 8, according to people familiar with the matter. This basically means the spot Ethereum ETFs launch is delayed to mid-July or July-end.

Bitwise CIO Matt Hougan predicted that spot Ethereum ETFs will attract \$15 billion of net inflows in their first 18 months, once launched in the US.

Galaxy Digital said spot Ether ETFs could see \$5 billion of net inflows in the first five months, with demand potentially limited by their lack of offering staking rewards.

VanEck plans to waive the fee on its proposed spot Ethereum ETF until 2025, or until the fund reaches \$1.5 billion in AUM, according to an amended S-1 filing.

VanEck filed an S-1 registration with the SEC for a Solana ETF, the first such registration in the US, just six days after 3iQ filed for a similar product in Canada.

21Shares filed an S-1 form with the SEC to launch a spot Solana ETF, following a similar filing by rival investment firm VanEck.

GSR said Solana “continues to distance itself from the pack” and the market maker is now going long on SOL. In a June 27 note, GSR trumpeted Solana’s “superior technology” and the changing US political landscape for why a spot Solana ETF could be next in line following the launch of spot Bitcoin ETFs in January and the anticipated launch of spot Ethereum ETFs later this summer. The note was published on the same day that VanEck filed for a Solana ETF.

State Street Global Advisors and Galaxy Digital are collaborating to develop crypto investment products, including spot and futures-based ETFs, to provide investors access to the digital asset ecosystem.

Following the quarterly rebalance of the Ball Metaverse Index, the Roundhill Ball Metaverse ETF (METV) initiated positions in Bitcoin and Ether. METV’s investment of ~\$27 million in Ether is the largest on record for a US-listed ETF. (Note: The Fund does not invest directly in Bitcoin or Ether – it gains exposure via publicly-listed ETPs.

ML Tech, a non-custodial SMA investment platform, announced a collaboration with CoinDesk Indices to offer exposure to the CoinDesk 20 Index (CD20) on ML Tech’s SMA platform available to both US and global investors. ML Tech’s strategy can now be accessed via multiple top exchanges and custodians, including Kraken and Anchorage – with additional partnerships expected soon.

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

Bitcoin miner Hut 8 received a \$150 million investment from Coatue Management to build AI infrastructure. The funding will be through convertible notes with an 8% annual interest rate and a conversion rate of \$16.395 per share, according to a statement.

Colosseum, the recently launched startup accelerator that organizes hackathons for the Solana ecosystem, raised \$60 million for a fund that will invest in early-stage projects from the winners of Solana Hackathons.

Conduit closed \$37 million in a funding round co-led by Paradigm and Haun Ventures, aiming to develop customizable and reliable Layer-2 solutions for blockchain technology.

MegaLabs, the developer of new blockchain MegaETH, raised \$20 million in a seed funding round led by Dragonfly. Other notable investors included Vitalik Buterin and Joseph Lubin.

Ora secured \$20 million to integrate AI into decentralized applications, enhancing Ethereum’s ecosystem with on-chain AI models through its “AI oracle.”

Crossover Markets, an ultra-low-latency crypto trading platform, secured \$12 million in a Series A round – led by Illuminate Financial and DRW Venture Capital.

Stockholm carbon removal company Net Zero, which leverages blockchain technology, announced the completion of a \$5.5 million seed round.

Saltwater Games, a UK-based gaming studio and publisher made up of three games studios, raised \$5.5 million in a seed SAFT round, led by Animoca.

Covalent closed \$5 million in strategic funding to expand its blockchain data services in Asia, aiming to enhance long-term data accessibility in countries such as China and Singapore.

Verida raised \$5 million to enhance user data protection in response to growing privacy concerns associated with generative AI and big tech.

IPOS, M&A, PARTNERSHIPS & DEALS



Animoca Brands, a prominent Web3 investor, is reportedly looking to go public in 2025. The Web3 giant is considering Hong Kong or the Middle East for a potential listing, citing Animoca co-founder Yat Siu. Siu added that the firm has held talks with investment banks but has not hired an adviser yet.

Coinbase partnered with payments firm Stripe that will see the latter add support for Layer-2 network Base across its existing product suite.

Alternative asset manager Investcorp and Securitize inked a partnership to develop fund tokenization opportunities. The two firms will initially develop tokenized funds within Investcorp's Strategic Capital Group, which has \$1.5 billion in AUM.

Kraken MTF, the crypto exchange's institution-only derivatives trading arm, joined crypto custody specialist Copper's collateral management and settlement network, ClearLoop.

Immutable, the Web3 gaming platform and ecosystem, announced a partnership with MarbleX, Netmarble's dedicated blockchain gaming platform. This collaboration will see the migration of MarbleX along with several other mega IP titles, to the Immutable zkEVM chain, powered by Polygon, and the first chain built specifically for gamers.

Infrared, a Berachain liquid staking protocol, raised an undisclosed sum from Binance Labs, the VC and incubation arm of Binance. Binance Labs invested in Infrared earlier this month in a strategic funding round as the sole investor.

DEFI



Aave DAO members voted unanimously to support deploying the lending protocol on the Ethereum Layer-2 network ZKsync.

CBDOS & STABLECOINS



The supply of Tether's USDT stablecoin on the TON blockchain surpassed 500 million just two months after its rollout. TON announced via its official Telegram channel: "The demand for USDT-TON is soaring, and it's not surprising. The ability to send digital dollars to anyone, anywhere, as easily as sending a text message, is a practical and real-world use case that sets USDT-TON apart."

Tether will stop minting its USDT stablecoin on the Algorand and EOS blockchains due to low usage and community interest, though redemptions will continue for the next year.

NFTS, BLOCKCHAIN GAMING & METaverse



Pudgy Penguins found real-world success with its Walmart toy line, racking over 20 billion GIF views and millions of social media followers. Igloo, its new parent company, will create an end-to-end ecosystem for organic crypto adoption through the Penguins. OverpassIP, its other product, simplifies licensing NFT IP to support more NFT-based merchandise.

According to one of his OpenSea wallets, billionaire Mark Cuban sold about a dozen NFTs including a Pudgy Penguin for more than \$30,000. The Cuban-associated wallet still holds ~1,600 NFTs.

Crypto-friendly asset manager VanEck changed its X profile picture to a Pudgy Penguin.

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

Truth Arts, the company behind the NFT collections GoblinTown and Secret Society, is launching a feature that it believes will help shape a multi-chain future for tokenized assets. The team has unveiled "Portals," a platform that allows users to bridge their GoblinTown or Illuminati NFTs from Ethereum to one of several supported blockchains. Effective immediately, holders of those NFTs can bridge their assets to Arbitrum, Base, Blast, Optimism, and Polygon – and back to Ethereum as well.

Singapore-based Web3 developer OtherWorld has launched a beta version of an NFT Platform based on the hit South Korean webtoon "Solo-Leveling" on Avalanche.

LotteFi unveiled its new platform for the gaming industry, which revolutionizes the traditional framework by providing a secure, transparent, and equitable gaming experience. The integration of Blockchain technology ensures that all transactions and draws are immutable and verifiable, fostering a trustworthy environment for all participants.

JOB MOVEMENT



The UK's FCA said it's clearing an 'operational backlog' by approving an increasing number of registering crypto firms and growing its crypto capability to 100 employees.

Kanav Kariya, president of Jump Crypto, announced his departure from the firm, which comes only days after reports of the CFTC investigating the firm.

Nostra founder David Garai stepped down as CEO of the Starknet-based DeFi project, just 11 days after the NSTR token generation event and airdrop that had no vesting periods.

Federico Brokate, formerly the Americas business strategy director for BlackRock's iShares, now leads 21Shares' US business. Brokate was responsible for BlackRock's go-to-market strategy for the iShares Bitcoin Trust (IBIT).

Investment firm BlockTower Capital appointed David Burke as head of client and partner strategy. Burke was previously a partner at MKP Capital and an executive at Orchard Global.

REGULATIONS, RULINGS & COMMENTARY



Crypto did not come up during the first general debate in the 2024 US presidential election, despite industry participants' hopes.

SEC chair Gary Gensler said the process to bring a spot Ethereum ETF to Wall Street is “going smoothly,” without committing to a timeline.

The Supreme Court, by a 6-3 vote, overruled the longstanding Chevron doctrine, reshaping the landscape of administrative law and judicial review. The case, *Loper Bright Enterprises v. Raimondo*, signals a significant shift in the balance of power between the judiciary and administrative agencies. The implications of this ruling extend far beyond administrative law, reaching into the heart of the Bitcoin mining industry. Much like the Supreme Court’s decision in *West Virginia v. EPA*, which curbed the EPA’s overreach, this ruling reinforces the need for clear congressional authorization before agencies can impose significant regulatory burdens. The Court has created a more favorable environment for Bitcoin mining operations.

Sen. J.D. Vance, a top contender to be former President Donald Trump’s running mate, is gearing up to enter Capitol Hill’s cryptocurrency scramble. The Ohio Republican started circulating draft legislation that would revamp how the US regulates digital assets.

Rep. Matt Gaetz (R-FL) is introducing a bill that would allow federal income tax to be paid with Bitcoin. The legislation, if enacted, would amend the Internal Revenue Code of 1986 with language ordering the Treasury secretary to develop a plan for accepting Bitcoin. Gaetz said: “By enabling taxpayers to use Bitcoin for federal tax payments, we can promote innovation, increase efficiency, and offer more flexibility to American citizens. This is a bold step toward a future where digital currencies play a vital role in our financial system, ensuring that the US remains at the forefront of technological advancement.”

Louisiana Governor Jeff Landry signed a bill to prohibit CBDCs and protect crypto mining on June 19. The bill, HB 488, prevents governing authorities from accepting or requiring payments in CBDCs. It also bars authorities from participating in CBDC tests by the Federal Reserve Board of Governors and other federal government bodies. It guarantees individuals and businesses the ability to accept crypto for legal goods and services and to self-custody crypto in non-custodial and hardware wallets.

Several crypto asset service providers (CASPs) in the EU may not know the correct deadline to make sustainability disclosures reflecting their environmental footprint despite a clarification made by the bloc's securities regulator, the European Securities and Markets Authority (ESMA). Tim Zölitz, chief risk officer at Crypto Risk Metrics, said: “We have the feeling that more than 80% of crypto asset service providers are not yet aware they need to report ESG-data from January 1st, 2025.”

Recent guidance from the Danish Financial Supervisory Authority (DFSA) suggests a move towards heavy regulation of all crypto interfaces, including Bitcoin wallets, by classifying them as interface providers that must be regulated. This regulatory guidance may lead to a ban on unregulated P2P and unhosted wallets, aligning with past regulatory suggestions seen in other parts of the EU. Given MICA regulation recently coming into play, some see this as an overreach that could harm crypto use in Denmark.

Hong Kong’s Legislative Council established a subcommittee on Web3 and crypto to gather global policy feedback and propose regulations, chaired by lawmaker Johnny Ng.

The SEC sued blockchain software company Consensys over its MetaMask swaps and staking services.

Ripple CEO Brad Garlinghouse criticized SEC chair Gary Gensler, suggesting his crypto crackdown could negatively impact President Biden's re-election campaign.

Kraken co-founder Jesse Powell donated \$1 million, mostly in Ether, to Donald Trump's presidential campaign.

Binance has obtained a Virtual Asset Service Provider license (VASP) from Dubai's Virtual Assets Regulatory Authority (VARA) for its local exchange, Binance FZE.

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

Abra agreed to return up to \$82 million to US customers and cease certain operations, after settling with 25 states for operating without proper licenses.

Four Vietnamese members of the FIN9 cybercrime group were charged with hacking US companies and causing \$71 million in losses.

The State Department announced that it was offering a \$5 million reward for Ruja Ignatova, the so-called crypto queen who ran OneCoin. Ignatova is accused of defrauding investors by promoting OneCoin as an investment – which would outshine Bitcoin – when it was nothing more than a scam. She, and others running OneCoin, allegedly stole over \$4 billion from victims. Ignatova was indicted back in 2017 but became a fugitive shortly after. She's reportedly been on the run ever since, with reports suggesting she may have been murdered.

Coinbase sued the SEC and FDIC for not complying with FOIA requests looking for information into an alleged attempt to cut off the crypto industry from banking. The lawsuits, filed in the US District Court for the District of Columbia, aim to force the agencies to release information regarding their regulatory actions. Coinbase alleged that federal regulators, including the SEC, FDIC and Federal Reserve Board, have used various regulatory tools to undermine the digital asset industry.

The Cardano blockchain was hit by a distributed denial of service (DDoS) attack late on June 25. However, the attack was unsuccessful and mitigated before any damage was caused, and the network continued to operate as usual. (DDoS is a common attack vector in which the attacker floods a server – or a blockchain – with spam traffic to prevent users from accessing connected online services and sites.)

Crypto portfolio manager CoinStats confirmed that a security incident impacted 1,500+ wallets, despite claiming to have “military-grade encryption.” It temporarily shut down as a result.

The Twitter account of heavy metal band Metallica was hacked on June 25 and used to promote a Solana meme coin, continuing a recent trend of celebrities being targeted to share pump-and-dump scams purporting to be the real deal.

Internet personality Logan Paul sued the YouTuber Coffeezilla over a video exposé pertaining to the CryptoZoo NFT gaming project.

Michael Kane, former CEO of Hydrogen Technology, was sentenced to over three years in prison for securities fraud involving market manipulation of Hydro tokens.

MISCELLANEOUS

Bernstein analysts: Crypto may emerge as the primary “Trump trade” this year due to the Republican party embracing the technology and looking increasingly strong in the polls. “The Republican side sees crypto not just as a vote bank but also a meaningful source of funding. If the election sentiment shifts more Republican, crypto would end up as the primary ‘Trump trade’ and hopes of a favorable regulatory regime would change the ‘use-case’ narrative around blockchains.”

Crypto advocacy group Stand With Crypto set up an online letter-writing campaign to convince presidential debate host CNN to raise crypto as a talking point. A spokeswoman for the group said that almost 2,300 people had signed and sent the notes “calling for a crypto question.”

Steve Cohen’s Point72 Ventures is pivoting away from crypto and fintech. The VC division of Cohen’s Point72 Ventures will instead shift more focus to investing in artificial intelligence and defense technology startups, according to two people with knowledge of the situation.

Ethereum Layer-2 network Blast launched a foundation to govern its protocol, with more details to be revealed alongside its upcoming token airdrop on June 26.

ZKsync announced an “elastic chain” architecture as part of its “3.0 roadmap,” transitioning from a single ZK rollup chain to a network of interoperable chains.

Decentralized orderbook exchange Bluefin will launch its governance token in July. The exchange lets users trade crypto perpetual swaps on the Sui network. Bluefin plans to expand beyond perpetual trading and develop a DeFi ecosystem.

Zeta Markets, a Solana-based DEX, launched its native ZEX token and started an airdrop distribution of 100 million tokens.

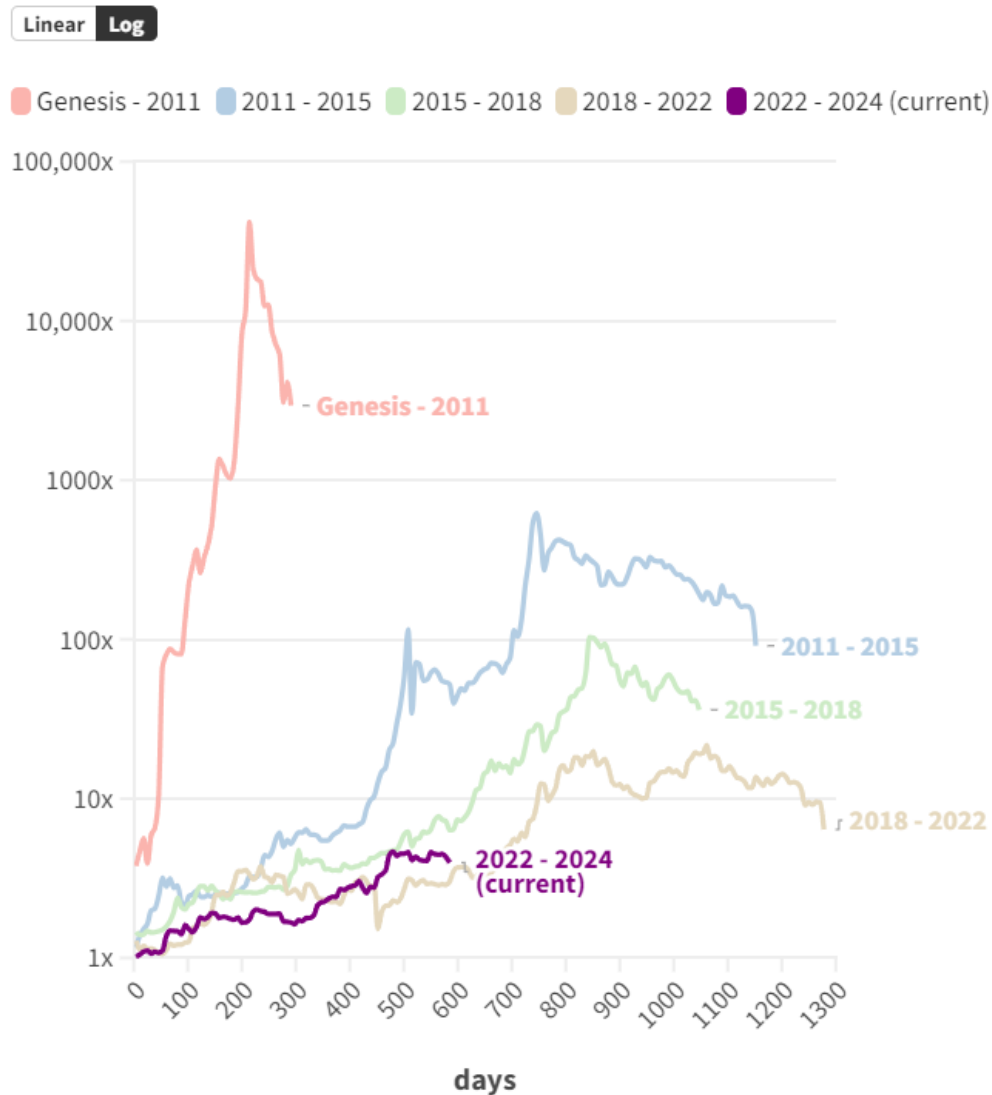
Blast issued 17 billion BLAST tokens to early adopters, with 35% claimed within hours.

AssangeDAO’s JUSTICE token surged over 80% following WikiLeaks founder Julian Assange’s release from the UK’s Belmarsh prison on June 25 amid a reported plea deal that may allow him to walk free altogether. AssangeDAO, formed to raise funds to fight for Assange’s freedom, estimates it has allocated over 11,000 ETH (\$37 million) for his legal costs and campaigning. (A significant Bitcoin donation of 8.07 BTC nearly met the \$520,000 goal for Julian Assange’s jet and recovery costs within hours, highlighting strong supporter response.)

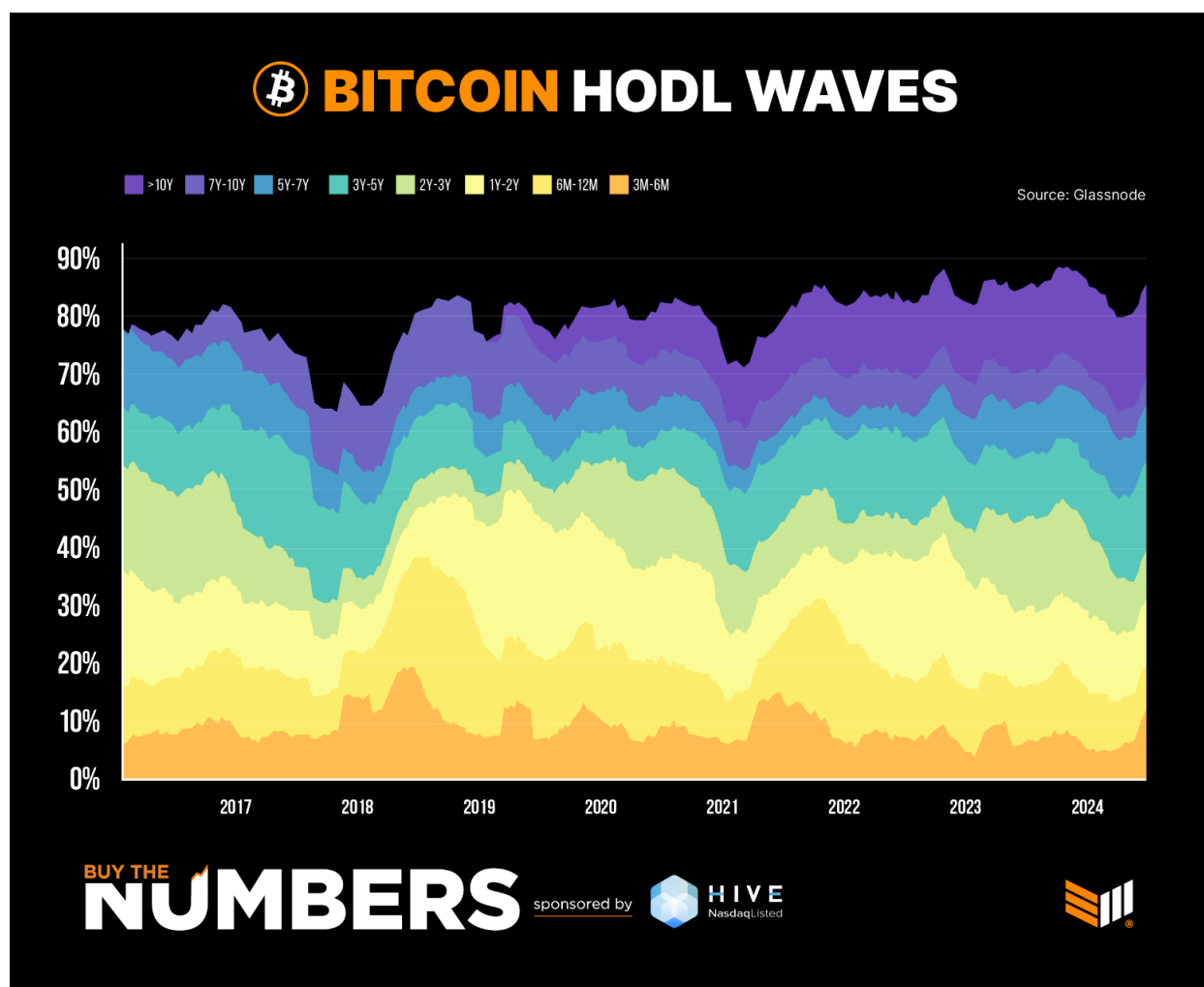
CHARTS, TABLES, QUOTES, COMMENTARY & OTHER IMAGES

Blockworks: Stacking this Bitcoin bull market up against the others... The previous two bull markets hit their peaks after ~840 and 1,060 days. So, if we're destined to repeat those periods – a big if – then we're solidly in the second half of our cycle.

Bitcoin is still tracking the previous two cycles



Digital Technologies: Over 65% of all Bitcoin supply hasn't moved in more than 1 year (Bullish)...



Bitcoin Magazine: In April 2023, Palestinian taxi driver Yusef Mahmoud launched a project on Geyser, a global Bitcoin crowdfunding platform, to raise more funds and provide food and potable water to Palestinian civilians in need. Between April 2023 and May 2024, 1,500+ people had donated to the cause. This has enabled Yusef to repeatedly buy food and potable water for 20,000 families in Gaza, each with an average of five to seven members.



Onramp Invest: How big will the Ethereum ETF(s) be?

Similar to the Bitcoin ETFs, the introduction of Ethereum ETFs represents a monumental shift in the accessibility of ETH for traditional financial players. Historically, investing in Ethereum required navigating the complexities of crypto exchanges, digital wallets, and the associated security and regulatory risks. This complexity posed a significant barrier to entry for institutional investors and those accustomed to traditional financial instruments.

An Ethereum ETF mitigates many of these risks and simplifies the investment process by allowing investors to buy and sell shares of the ETF through their existing brokerage accounts, just as they would with stocks or bonds. This seamless integration into traditional financial infrastructure lowers the entry barrier, making ETH accessible to a broader audience, including institutional investors, mutual funds, Registered Investment Advisors (RIAs), and individual investors who may have been hesitant to engage with cryptoassets directly. Moreover, the SEC's approval legitimizes ETH as an investable asset and alleviates any regulatory concerns. The launching of the ETF is likely to attract significant capital from traditional finance into the Ethereum ecosystem, similar to the impact seen with Bitcoin ETFs.

The key question is how popular the Ethereum ETF will be and what impact could that have on ETH's price? While it is challenging to estimate the exact amount of capital that might flow into the Ethereum ETF post-approval, several indicators suggest it could be substantial.

Using Bitcoin ETFs as a benchmark is a useful place to start. The Bitcoin ETFs were the largest ETF launch in history by a wide margin, shattering every ETF record imaginable. Given BTC is the largest cryptoasset and the pent-up demand after a decade of waiting for approval, it's likely the Bitcoin ETF launch set a standard no other ETF will ever live up to. But just because Ethereum is unlikely to match Bitcoin's ETF launch in terms of capital inflow, that doesn't mean it won't still be wildly successful.

Ethereum, the second-largest crypto network, boasts a robust ecosystem of dApps, DeFi platforms, and NFTs, with a market cap roughly one-third that of Bitcoin. In the first month of trading, Bitcoin ETFs (excluding Grayscale) saw nearly \$12 billion in cumulative growth, which grew to about \$40 billion over five months. If Ethereum were to attract one-third of that capital, it could see \$4 billion in net inflows in the first month and over \$13 billion in five months—which by any reasonable measure would be considered an enormous success.

However, expectations should be tempered for a couple of reasons. First, the last-minute approval means issuers have less time to line up investors prior to launch. Unlike Bitcoin ETF issuers, who had several months to prepare and attract investors, Ethereum ETF issuers may have as little as half that time, limiting their ability to do the same groundwork.

Second, the upcoming Ethereum ETFs will exclude staking. Staking involves locking up ETH to support the network and earning additional ETH in return, with current annual percentage yields (APYs) of around 2-5%. This has become a popular way to earn passive income for many Ethereum holders. By not including staking, the ETF misses out on this additional yield, potentially limiting its appeal to some investors especially those looking for yield-generating opportunities.

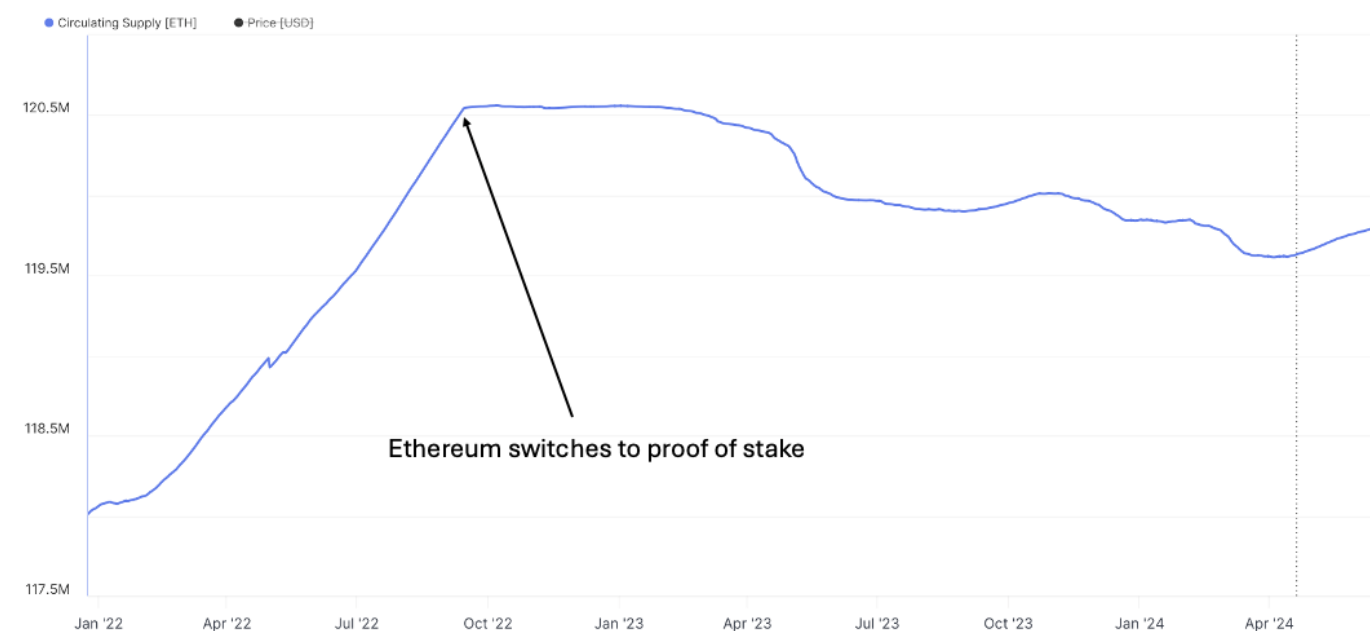
However, this exclusion could benefit existing Ethereum stakers. Currently, nearly 33 million ETH, accounting for 27% of the total supply, is staked on the Ethereum network. Staking rewards fluctuate depending on the usage of Ethereum and the number of stakers. The less stakers there are, the more often any one staker is chosen to validate blocks thus driving up the expected APY. Therefore, the

exclusion of ETFs from staking could be beneficial for existing stakers, as at the very least, it prevents the dilution of staking returns and at best, possibly lead to an increase in the staking returns over time should the ETF grow to hold a significant percentage of the overall supply of ETH.

Given that holding Ethereum in an ETF is less financially rewarding than holding and staking ETH directly, a more conservative estimate might be that the Ethereum ETF attracts 10% - 20% of the capital that flowed into Bitcoin ETFs. This would still result in billions of dollars in AUM by the end of the year.

The inflow of capital from an Ethereum ETF should exert significant upward pressure on ETH's price over time, especially given the decreasing circulating supply since Ethereum switched to proof of stake. Unlike Bitcoin, which has a consistent, predictable supply issuance, ETH's annual issuance is flexible based on varying block rewards. Additionally, Ethereum has a burning mechanism that destroys a portion of transaction fees. When usage of Ethereum is high enough, more ETH is destroyed per day than created, thereby reducing the overall supply. This dynamic has been observed since Ethereum's transition to proof of stake in September 2022.

Ethereum: Circulating Supply [ETH]



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While the Ethereum ETF paves the way for increased institutional adoption of Ethereum, it is unlikely that any other digital asset will receive ETF approval in the near future. Bitcoin and Ethereum are unique in their market dominance, liquidity, and regulatory acceptance. Together, they represent the lion's share of the crypto market and have established themselves as blue-chip assets within the digital asset space. Other cryptoassets, while innovative, lack the same level of market acceptance, liquidity, and stability, making them less likely to receive approval for an ETF.

Yet, the main reason we are unlikely to see another cryptoasset ETF is the market structure dynamics that enabled both the Bitcoin and Ethereum ETF approvals, do not exist for other digital assets. Both BTC and ETH have robust, regulated futures markets that are highly correlated with their spot prices. The SEC has approved futures-based Bitcoin and Ethereum ETFs but not for any other crypto asset. Grayscale's

win in their lawsuit meant that the SEC could not deny a Bitcoin or Ethereum ETF based on fears of market manipulation because data from the futures market was available. However, since there are no regulated futures markets in the U.S. for other cryptoassets, the SEC can deny other ETF applications based on manipulation concerns, as it did with Bitcoin for over a decade. Until there is a change of leadership at the SEC or another cryptoasset sees significant trading volumes and liquidity on a US-based futures exchange, ETF approval is highly unlikely.

The unique position of Ethereum and Bitcoin, coupled with regulatory caution and market dynamics, suggests we are unlikely to see another crypto asset ETF for quite some time. BTC and ETH ETFs might compete for capital inflows, but they will not have to compete with other crypto networks. Traditional finance's focus will remain on these two established cryptoassets, giving them a competitive advantage.

Many investors will likely allocate capital to both Bitcoin and Ethereum ETFs to diversify their exposure to the crypto industry. Professional investors typically do not hold only one stock or bond, so it makes sense to hold more than one cryptoasset. Ethereum's value proposition differs from Bitcoin's, so investors will likely see merit in holding both. The allocations may vary (e.g., 50/50, 70/30, or 80/20), but regardless of the split, ETH is likely to see significant capital inflows. This, combined with a decreasing supply, is expected to drive ETH's price higher over the long term.

While the Ethereum ETF is set to attract significant capital from institutional and individual investors alike, expecting the same level of inflows as the Bitcoin ETFs experienced is unrealistic. However, if the Ethereum ETFs attract 10-20% of what the Bitcoin ETFs did, it would still be a wildly successful outcome, outpacing all other traditional ETFs by a significant margin and likely leading to substantial price appreciation in ETH over time.

NYDIG: Some crypto funds still trade at big discounts...

Crypto Funds That Continue to Trade at Steep Discounts to NAV

Ticker	GDLC	BITW	OBTC
Fund Name	Grayscale Digital Large Cap Fund	Bitwise 10 Crypto Index Fund	Osprey Bitcoin Trust
Fund Net Assets (\$M)	525.7	973.1	119.4
Equity Value (\$M)	364.0	699.2	111.4
Discount to NAV	30.8%	28.2%	6.7%
BTC Weight	70.1%	68.2%	100.0%
ETH Weight	24.0%	23.4%	0.0%
Value of BTC in Trust (\$M)	368.5	663.6	119.4
Value of BTC + ETH (\$M)	494.6	891.3	119.4
Discount to BTC in Trust	1.2%	-5.4%	6.7%
Discount to BTC + ETH in Trust	26.4%	21.6%	6.7%
Avg Daily Volume (30d) (\$M)	2.0	3.7	0.2
Management Fee	2.5%	2.5%	0.49%

Blockware Intelligence summarized last week from a mostly on-chain perspective...

BTC Drawdown: BTC has dropped to ~\$60,000 which is 15% below its all-time high. The chart below provides perspective on where this drawdown stands in the grand scheme of Bitcoin bull markets. During the 2017 cycle BTC had 10 drawdowns of 20% or more. This is a normal, healthy, bull market correction. Bitcoin's price volatility shakes out weak hands and provides opportunities for strategic capital deployment to those with a longer time horizon.

Short Term Holder Realized Price: The price of Bitcoin has fallen below the aggregate cost basis of short-term holders for the first time since August 2023. In the short-term, we should expect some resistance around the ~\$65,000 level as short-term market speculators may look to exit their positions at a "breakeven" level. Last summer when BTC lost the STH RP support level, price traded sideways for another two months before finally breaking out again.

Long-Term Holder Net Position Change: In the face of struggling price action over the past month, we're seeing net accumulation by long-term holders for the first time this year. As the price ripped up throughout Q4 and Q1, we saw a net decrease in long-term supply as some holders expectedly sold into the price strength. Most of those willing to sell BTC at these price levels have exhausted their supply. Moreover, coins belonging to those who entered the market at the beginning of the year are beginning to age into the "long-term holder" cohort. Net distribution from long-term holders has historically denoted local tops due to the introduction of previously immobile supply to the market. This shift to a regime of net accumulation is bullish.

Mining Difficulty: Mining difficulty is projected for a significant drop of ~7.3%. This comes in the wake of the halving, a lower BTC price, and lower transaction fees all putting downward pressure on miner revenue. The winners in this scenario are the Bitcoin miners with the lowest operating costs and the most efficient ASICs. A 7% drop in difficulty means that incumbent miners will mine 7% more BTC per unit of hash. The hyper-competitive nature of Bitcoin mining punishes inefficiencies and rewards the best operators in the industry.

Energy Gravity: At a typical hosting rate today, new-gen Bitcoin ASICs require ~\$53,475 worth of energy to produce 1 BTC. The green line shows the average cost to mine 1 Bitcoin using the latest-generation Bitcoin mining rig. The orange line shows how many \$ (output) miners are able to earn for each kWh of power (input).

Summary and conclusion from Glassnode's "The Week On-Chain" from 6/25/24. (Read the full report, [here](#).)

With sideways price action dominating since early March, we leveraged the cost-basis of both long and short-term investors to assess the current degree of supply and demand in the market.

Utilizing the change in Short-Term investors' sub-cohorts' cost basis, we constructed a toolbox that estimates the momentum of capital flow into the network. The results confirmed that the ATH in March was followed by an interval of capital outflow (negative momentum).

Following on, we dissected the Long-Term Holder spending into different age sub-cohorts. The conclusion indicated that the frequency of high-spending days increases dramatically during the euphoria phase of a bull market. Interestingly, the Long-Term Holders volume accounts for an only

marginal 4% to 8% of the daily total, however, the cohort represents a substantial 40% of the profit taken by investors.

Conclusion from Coin Metrics’ “State of The Network” weekly report from 6/25/24. (Read the full report, [here](#).)

Derivatives in the cryptocurrency market have emerged as essential tools for managing risk and enhancing trading strategies, mirroring their importance in traditional finance. They enable participants to hedge against price movements, speculate on future prices, and gain leveraged exposure to cryptocurrencies, all while typically being cash-settled to facilitate easier trading and settlement processes. The evolution of crypto derivatives has significantly contributed to the maturation of the digital asset ecosystem, providing institutional and retail investors with familiar instruments to navigate this new asset class.

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	3 gwei
DeFi TVL	\$183.99 B
Fear and Greed Index	47 (Neutral)

Grayscale’s Research Team posted “Crypto Sectors in Q3 2024.” (See highlights below. Read the full piece, [here](#).)

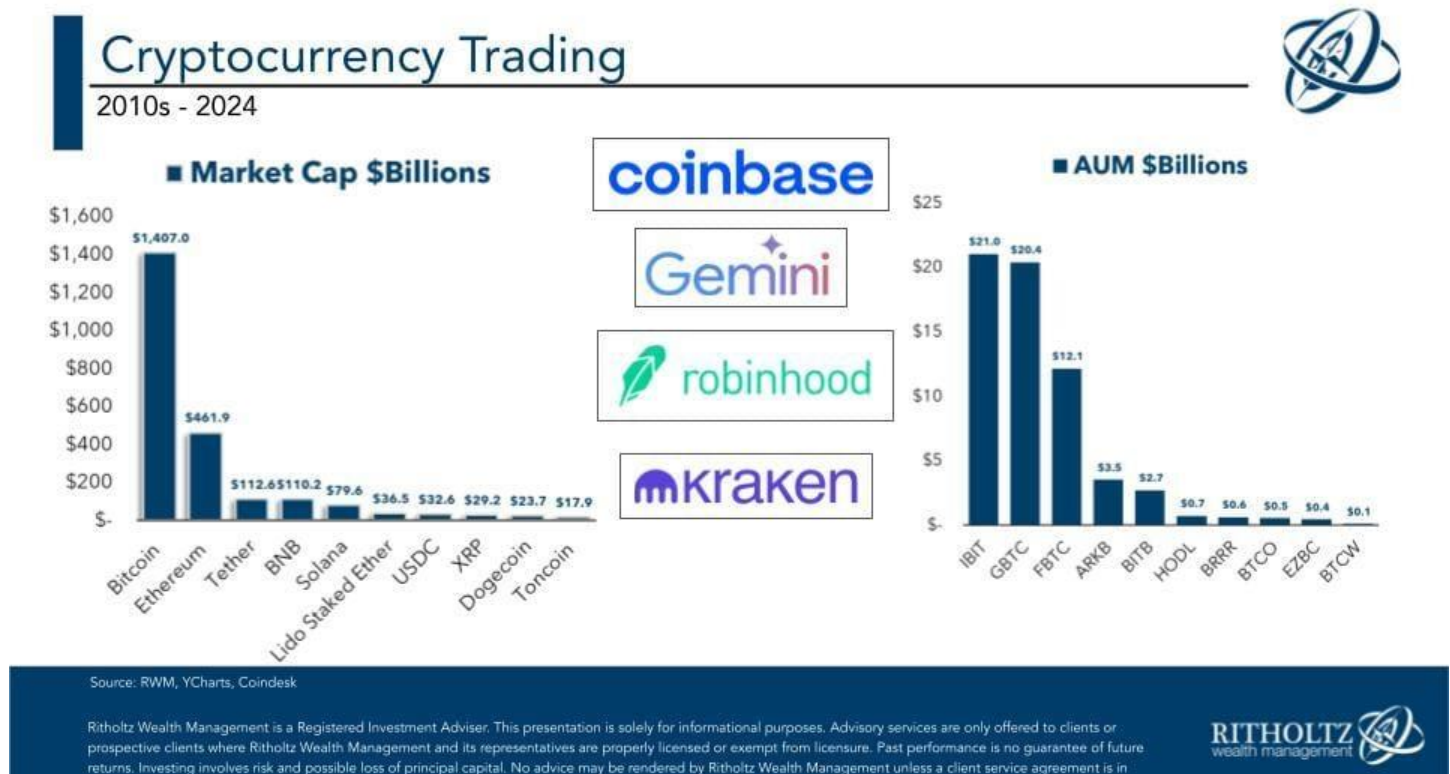
- Our Crypto Sectors framework shows mixed performance across the asset class year to date, despite large price gains for Bitcoin. Like public equity markets, crypto returns this year have lacked breadth.
- We are excited to introduce the Grayscale Research Top 20, our picks for high-potential tokens for the coming quarter. These crypto assets are selected upon the Grayscale Research team’s consideration of upcoming catalysts, trending market themes, and token-specific fundamentals. Several of the assets in our Top 20 list have high price volatility and should be considered high risk.
- Because of potential spot Ethereum ETP approval, we expect a heavy focus on the Ethereum ecosystem this quarter.

The crypto portion from a recent presentation from Josh Brown (CNBC & Ritholtz), titled “Front Row Seat for the Revolution.”

Gen Z is very different. They like taking risk. They see markets like a video game that can be beaten, or a puzzle that can be solved. They're young enough to want to experiment and bold enough to embrace the volatility of the market, attempting to make it work in their favor rather than shying away from it. Most importantly, they see trading and investing as a social activity. They want to show their friends what they're doing and share their strategies with their peers around the world. This makes perfect sense when you think about it. This is the generation that grew up sharing their location, pictures of their food and videos of themselves dancing.

Meme trading is one obvious example of this willingness to experiment and their love of the action.

The attraction to crypto and digital assets is another example.



- 55% of U.S. Gen Z investors aged 18 and over primarily invest in cryptocurrency. Meaning they're buying more Bitcoin than they're buying stocks (CFA Institute).
- 20% of Gen Z respondents (ages 18-26) in the PolicyGenius survey own cryptocurrency.
- 22% of Gen Z respondents in The Motley Fool study reported owning cryptocurrency.
- As of June 5th, 2024, total crypto trading volume within a 24hr period was at \$98B, this figure peaked in May of 2021 at \$524B. (Bitcoin price peaked 6mo later in Nov 2021.)
- 2023 24hr trading volume in crypto was 33% lower in 2023 vs 2022.

- As of June 5th, BTC represents 50% of global crypto market cap, with ETH in second place at just 16%.

One thing I've noticed about Generation Z investors is that they view stocks and crypto interchangeably. They don't recognize any distinction between a coin and a stock. They don't understand why the two things would be segregated, or why one trades between 9:30am and the other trades 24 hours a day, 7 days a week.

This is probably why Robinhood has surpassed \$20B in overnight trading volume since launching Robinhood 24hr Market last year.

To the typical Robinhood customer, stocks should be as accessible as crypto. I am guessing that most of you believe we will see 24/5 stock markets go mainstream within our lifetime and possibly even 24/7 at some point in the future. It's Gen Z that will drive this trend as their buying power increases and they begin to take executive roles around the industry.

As a financial advisor, this is terrifying to me. It's hard enough holding clients' hands five days a week through breaking news and volatility.

Matt Hougan's (Bitwise) Weekly CIO Memo: "Why Spot Ethereum ETPs Will Attract Billions."

Everyone wants to know how much spot ether exchange-traded products (ETPs) will attract in net flows. My answer: \$15 billion in their first 18 months.

That's not a casual guess. It's what the data suggests.

Here's how I get to those numbers.

A Starting Point: Relative Market Capitalization

A good starting point for estimating inflows is to look at the relative size of BTC and ETH. After all, absent any other information, I'd expect investors to allocate to Bitcoin and Ethereum ETPs roughly in proportion to their market capitalizations.

Here's how their market caps compare today:

- Bitcoin: \$1,266 billion (74% of the combined market)
- Ethereum: \$432 billion (26% of the combined market)

US investors currently have \$56 billion invested in spot Bitcoin ETPs. I suspect this will reach \$100 billion or more by the end of 2025, as these ETFs mature and are approved on platforms like Morgan Stanley and Merrill Lynch.

Using this \$100 billion figure as a reference, spot Ethereum ETPs would need to attract \$35 billion in assets to reach parity, a process I expect will take about 18 months.

Does that mean we should expect \$35 billion in inflows to Ethereum ETPs when they launch? No. For starters, the Grayscale Ethereum Trust (ETHE) is expected to convert to an ETP on launch day, bringing \$10 billion in assets with it.

Net that out and we're left with \$25 billion in inflows to reach parity.

Is that a reasonable estimate? Let's look abroad to validate the data.

Lessons From International ETP Markets

Foreign ETP markets are not the same as US ETP markets, but they are instructive.

For instance, Europe and Canada already have both Bitcoin and Ethereum ETPs. Here's how the two assets compare by AUM if you aggregate all available funds in each market:

Europe

- Bitcoin ETPs: €4,601 (78%)
- Ethereum ETPs: €1,305 (22%)

Canada

- Bitcoin ETPs: \$4,942 CAD (77%)
- Ethereum ETPs: \$1,475 CAD (23%)

It's remarkable that the asset split is virtually identical, and that it is roughly in line with the market cap breakdown I highlighted above. This suggests my earlier estimate is within an appropriate range.

One question you might be asking: Why are Ethereum ETPs slightly underperforming their absolute market cap weight? After all, they're currently gathering 22-23% of total AUM versus a 26% market cap weighting.

I can imagine various reasons, including that Bitcoin ETPs arrived first in many of these markets (as they did in the US). Some investors may have bought a Bitcoin ETP and stopped there, thinking their crypto exposure was covered. I suspect this dynamic will be true in the U.S. as well.

As a result, let's take down our estimate and assume Ethereum ETPs only get 22% of the market, matching Canada. That lowers our estimate of net inflows from \$25 billion to \$18 billion, excluding the assets from Grayscale's trust.

Other Factors to Consider

There is one other major factor to consider: the differing roles the "carry trade" could play in the BTC and ETH ETP markets.

A significant fraction of US Bitcoin ETP flows are related to the carry trade. The carry trade involves buying spot Bitcoin ETPs and then selling Bitcoin futures contracts against that position. The trade profits from the fact that Bitcoin futures contracts currently trade at a premium to the spot price of Bitcoin. The profitability of the carry trade varies, but for much of the time since BTC ETPs launched, investors could earn ~10% per year on the trade with limited risk. I estimate about \$10 billion of the current Bitcoin ETP AUM is linked to the carry trade.

I don't expect Ethereum will have the same dynamic – the Ethereum ETP carry trade isn't profitable right now for institutions (in part because US Ethereum ETPs won't engage in staking their assets). For that reason – and to keep my estimate of Ethereum ETP flows on the conservative side – we need to remove the \$10 billion in carry-trade-related AUM when sizing the Bitcoin market.

If we do that, the Bitcoin ETP denominator falls to \$90 billion AUM. With this, our estimate for net inflows for Ethereum ETPs goes from \$18 billion to \$15 billion.

Conclusion

There are a lot of ways to tweak this model.

For instance, you could argue that Ethereum ETPs will underperform my estimate because they will not stake assets, which will lower demand. I don't think this is true—staking income is a rounding error on ETH's average annual return, and I think ETP investors will be happy simply having exposure. But it is a valid critique.

On the other hand, my estimate doesn't take into account the multiple tailwinds behind Ethereum's growth, including the rise of stablecoins, growing regulatory clarity, and the aftereffects of the blockchain's recent Dencun upgrade, which dramatically lowered transaction costs on Ethereum. A strong bull market for ETH as an asset would significantly increase demand.

Still, I think \$15 billion in the next 18 months is a good starting point. My gut tells me we'll do better than that; ETH is a compelling asset powering the world's most versatile blockchain. But even \$15 billion in net new demand will have a dramatic impact on the Ethereum market.

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

- FTX claims are now selling for \$1.20 on the dollar, creating a major profit for early hedge funds who bought as low as \$0.16.
- FTX bankruptcy advisers will begin soliciting creditors for feedback on the crypto exchange's Chapter 11 reorganization plan. During a bankruptcy hearing on June 25, where lawyers for both FTX and its creditors debated a disclosure statement, Judge John Dorsey gave FTX's advisers the greenlight to solicit creditors to vote on the plan, despite some creditors opposing it and demanding payouts in cryptocurrencies, rather than the dollar value as proposed. Creditors have until August 16 to vote on the plan.
- European investment firm CoinShares managed to recoup its \$33.6 million (£26.6 million) claim in FTX, selling it to a mystery buyer for a total of \$39.6 million (£31.32 million). CoinShares announced that the claim came with a recovery rate of 116% of broker fees and is subject to customary closing conditions. It didn't disclose the individual or entity behind the purchasing of the claim.
- Sam Trabucco, former co-CEO of Alameda Research, returned to X to support Ryan Salame, liking tweets but avoiding public comments or media interaction.
- Yield App, a Seychelles-incorporated crypto investment platform, announced on June 28 that it would halt all operations on its platform with immediate effect. According to a statement, Yield App realized portfolio losses due to third-party hedge fund managers that held Yield App assets in custody on FTX, which are "subject to ongoing litigation."
- Reps. French Hill and Chrissy Houlahan visited Tigran Gambaryan, a Binance executive detained in Nigeria, and urged the US embassy to secure his humanitarian release.
- Nigeria's government refuted claims from US lawmakers that detained Binance executive Tigran Gambaryan is being denied medical care, stating that he has access to quality healthcare and consular services.