



HYPERION DECIMUS

CRYPTO NEWSLETTER

POWERED BY WEEKLY CRYPTO BRIEF

11th August 2024

BITCOIN-RELATED



Cointelegraph: It seemed unimaginable a week prior, but in just seven days, BTC crashed \$20,000 to six-month lows, even breaking below \$50,000 on August 5. (Ethereum dropped below \$2,300, down ~20%, on August 4 – amid rumors of Jump Crypto unwinding large positions.)

Bitcoin volatility hit a 20-month high, driven by price drops below \$50,000.

IntoTheBlock: Bitcoin wallets holding between 1,000 and 10,000 BTC increased their holdings while prices slid over the past few days, while those owning less than 1 BTC were sellers.

PlanB: “Periodic reminder. HODLing is not easy. If you already worry about -20% dips, then Bitcoin is not for you.”

Bitcoin’s “dominance” (or share of the total crypto market) was 60% on August 5, up from 51% on August 2, per The Block. Even though BTC’s price dropped at the beginning of the week, its dominance spiked as other cryptocurrencies including ETH, Doge, XRP, and SOL, among many others, lost even more in value relative to the broader crypto market.

Bernstein analysts said: “It’s not Bitcoin’s fault this time,” reflecting on its plunge below \$50,000 on August 5, but rather due to broader US recession fears and dislocation in the yen markets. They added: “Bitcoin’s initial reaction as a ‘risk off’ asset is not surprising. This has often been the pattern for Bitcoin markets (seen before in the March 2020 flash crash too), particularly, as it is the only market trading over the weekend. We don’t see any incremental negatives for crypto here. If rate cuts and monetary liquidity is the usual template response to US recession fears, we expect ‘hard assets’ such as Bitcoin (digital gold) to reprice up.” Analysts also added that Bitcoin remains a “Trump trade” ahead of the US elections, with the market reacting to political catalysts and likely continuing range-bound until the election outcomes are clearer.

Bitcoin rebounded following its 15% price plunge on August 5. The rebound is primarily supported by institutional investors who showed limited to no de-risking in Bitcoin futures despite the volatility, according to JPMorgan analysts.

Semler Scientific, a public medical technology company, announced it purchased an additional \$6 million worth of Bitcoin. This latest purchase brings its total Bitcoin holdings to 929 BTC, worth \$63 million.

Metaplanet, a publicly listed Japanese company, announced plans to raise up to ¥10.08 billion (\$70 million) through a gratis allotment of stock acquisition rights to existing shareholders. The majority of funds raised will be used to purchase additional Bitcoin. (The company announced days later that it secured a ¥1 billion (\$6.8 million) loan to purchase additional Bitcoin.)

In a recent Bloomberg interview, Michael Saylor, executive chairman and co-founder of MicroStrategy, revealed that beyond his company's holdings, he personally owns at least 17,732 BTC, currently valued at ~\$1 billion.

Following a year of incubation, Fedi officially launched its Bitcoin “Super App” – which combines finance and other social applications to empower sovereign and sustainable communities.

The City of Santa Monica's Bitcoin Office announced a one-day Bitcoin open-source festival scheduled for October 18. The event, held in partnership with the Proof of Workforce Foundation, aims to provide education on various aspects of Bitcoin.

INDUSTRY ADVANCES



Global asset manager Franklin Templeton launched its OnChain US Government Money Fund (FOBXX) on Arbitrum in collaboration with the Arbitrum Foundation. FOBXX was the first US-registered fund to use a public blockchain, introduced in 2021, with Franklin initially leading the now \$1.8 billion tokenized US Treasuries niche (since overtaken by BlackRock's BUIDL).

Robinhood's Q2 crypto revenues surged 161% to \$81 million compared to the same period last year, while trading volumes hit \$21.5 billion – down 40% from Q1's \$36 billion in trading volume.

The investment advising platform Path Digital Advisors selected crypto exchange Gemini as the custodian for its new automated crypto portfolio. Path's new app features managed portfolios to allow clients to trade assets and to access robo-advisement, tailoring the user's investments to their goals and risk tolerance.

The DePIN (Decentralized Physical Infrastructure Networks) sector has seen significant growth, with fundraising up 296% and the total market cap reaching \$20 billion, a 400% increase year-over-year. Despite this, revenue growth lags, indicating demand constraints, but investors are betting on potential with major investments in DePIN-tailored Layer-1 networks, like IoTeX and Peaq.

The Asian Productivity Organization and the National Productivity Center of MISTI are co-hosting a training program on Blockchain Technology Application in e-Government from August 5-9, 2024, in Phnom Penh, aimed at enhancing productivity in the Asian region. The event will include representatives from Cambodia, India, Indonesia, Malaysia, Pakistan, the Philippines, Sri Lanka, Thailand, Turkey, and Vietnam.

MINING



Bitcoin miner Core Scientific signed an extension of its earlier high-performance computing contract with CoreWeave. By exercising its option from a previous contract, it will add about \$2 billion of additional revenue, bringing the total to \$6.7 billion, starting in the first half of 2026.

Russian President Vladimir Putin approved legislation to reduce its reliance on the US dollar in international trade. The law will take effect in November 2024 and allow approved mining firms to register through a state database to mine crypto. Small, individual miners can also mine digital currency without officially registering if their energy consumption remains below a certain threshold.

ETPS (EXCHANGE-TRADED PRODUCTS), FUNDS & INDEXES



Europe's fourth-largest investment manager, Capula Investment Management, reported owning shares of spot Bitcoin ETFs issued by BlackRock and Fidelity, valued at \$464 million.

Hong Kong digital bank Mox launched Bitcoin and Ether ETFs for its customers and plans to offer direct crypto investments through a licensed exchange, aiming to differentiate with lower fees.

BlackRock and Nasdaq submitted a proposal to the SEC to list and trade options for the iShares ETH Trust (BlackRock's spot ETH ETF), aiming to provide investors with cost-effective tools for exposure and hedging related to ETH.

Cboe withdrew and re-filed its application to list options on spot Bitcoin ETFs late on August 8, signaling the SEC is potentially engaging in the process.

The Brazilian Securities and Exchange Commission (CVM) approved a Solana-based ETF, the agency disclosed in its central database on August 7. It's the first product of its kind in Brazil and among the first Solana-based ETPs globally.

Grayscale announced the launch of two new private placement investment products: Grayscale Bittensor Trust (TAO) and Grayscale Sui Trust (SUI). As is the case for Grayscale's suite of 20+ publicly quoted investment vehicles, it intends to attempt to have shares of both trusts quoted on a secondary market, as well.

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



Former CoinShares chief strategy officer Meltem Demirors is raising \$75 million for two new venture funds, Crucible Capital Fund I and 1-A, to invest in digital assets.

Solana-based DePIN project Andrena closed \$18 million to develop a decentralized autonomous wireless network, aiming to provide decentralized internet services.

Web3 gaming company Curio secured \$5.7 million in seed funding led by Bain Capital Crypto and SevenX Ventures to expand their team and develop new on-chain games.

Icebreaker, an “open professional network,” announced a \$5 million seed round – led by CoinShares.

IPOS, M&A, PARTNERSHIPS & DEALS



After being acquired by Securitize one year ago, Onramp Invest officially rebranded as Securitize for Advisors.

Initia acquired Celatone, a leading blockchain explorer from Alles Labs, to enhance its Initia Scan, which will now serve as the primary tool for navigating interwoven rollups.

Animoca Brands partnered with luxury car maker Lamborghini to explore new Web3-based brand engagement initiatives.

DEFI



Trading volume reached \$54 billion on Solana-based decentralized exchanges in July, surpassing Ethereum’s \$52 billion. Largely driven by memecoin trading, this is the first time SOL has outperformed ETH by this metric, according to the Defiant.

The founder of DeFi protocol Aave said the platform generated \$6 million of revenue during the crypto market sell-off on August 5. The sell-off led to more than \$1 billion being liquidated across crypto derivatives markets, with a further \$350 million liquidated on DeFi protocols, according to Parsec Finance. Aave's Stani Kulechov said: “Aave Protocol withstood market stress across 14 active markets on various L1s and L2s, securing \$21 billion worth of value. Aave Treasury was rewarded with \$6 million in revenue overnight from decentralized liquidations for keeping the markets safe.”

Zora launched a major protocol upgrade, integrating with Uniswap to create on-chain secondary markets that allow creators to earn royalties from trades after a mint ends. This upgrade introduces new features like Secondary Rewards, efficient price discovery, and instant liquidity, enhancing the experience for both creators and collectors.

CBDcs & STABLECOINS



Despite extreme volatility, stablecoins such as Blast's USDB and Ondo's USDT survived stress tests, quickly recovering their pegs after brief depegging events.

Stablecoin Standard, the industry body for global stablecoin issuers, announced that Fireblocks, an enterprise platform for building blockchain applications and managing digital asset operations, joined to help establish security standards for the issuance of stablecoins.

Ethena Labs expanded its synthetic dollar protocol, Ethena, to Solana to improve the scalability and stability of USDe. USDe aims to maintain a \$1 peg and currently offers a 12.3% annual yield for staked assets.

NFTS, BLOCKCHAIN GAMING & METAVERSE



Sports betting platform DraftKings became the latest US-based company to cease its NFT activities, vaguely citing "recent legal developments" in a website pop-up announcing the shuttering.

Gaming and NFT blockchain Immutable announced that it's retiring its NFT marketplace to focus on expanding its ecosystem through partnerships. Immutable said it would wind down the marketplace's operations on August 13.

Crypto exchange OKX launched a digital collectibles "treasure hunt" in the cities hosting Premier League soccer club Manchester City's US preseason matches.

Doodles released "Super Pass" NFTs on Base to give users access to the digital premier of "Dullsville and the Doodaverse," an animated film with music led by Pharrell Williams. (Doodles also released limited edition merchandise with Adidas.)

TON blockchain reports that 20% of Telegram users are now engaged in gaming, with titles such as Hamster Kombat contributing to the rise in user participation.

Popular blockchain game Notcoin announced that it will create a story-driven game with the Lost Dogs NFT collection.

JOB MOVEMENT



Tether plans to double its workforce by mid-2025, focusing on compliance and finance roles to support its growing operations and the \$118 billion in assets backing USDT.

Starknet Foundation CEO Diego Oliva stepped down after serving in the role since March 2023. James Strudwick will assume the role of Executive Director, while Oliva will stay on for a month to aid in the transition.

David Plouffe, former Obama campaign manager and crypto advocate, is joining VP Harris's campaign team as a senior adviser, bringing his experience from Binance and Alchemy Pay.

Jay-Z and Jack Dorsey-backed non-profit Btrust appointed Bitcoin core contributor Abubakar Nur Khalil as interim CEO.



REGULATIONS, RULINGS & COMMENTARY

Two of former US president Donald Trump's sons, Eric and Don Jr., teased a “big” crypto announcement they say is coming. Eric Trump posted: “I have truly fallen in love with crypto [and decentralized finance (DeFi)]. Stay tuned for a big announcement.” Don Jr. added: “Big things coming. This is the future.” The pair didn't share any more details on the plans.

Democratic leaders, White House officials, and crypto executives will participate in a virtual roundtable on digital asset policy organized by Rep. Ro Khanna. Campaign officials for US Vice President Kamala Harris have also been invited to attend. Executives from major firms such as Coinbase, Ripple, and Kraken reportedly expressed concerns to White House advisers in a Zoom call, though no promises or policy changes were discussed.

50+ crypto firms, including Coinbase and Circle, have urged President Biden and Vice President Harris to establish clear regulations for digital assets, warning that the current enforcement approach without clear rules has harmed consumers and stifled innovation.

Sen. Elizabeth Warren and other Democratic lawmakers urged the CFTC Chair Rostin Behnam to “promptly” finalize a rule banning event contracts that allow bets on political outcomes.

The digital assets industry’s Fairshake PAC claimed another victory, as its spending helped Wesley Bell defeat Rep. Cori Bush in the Missouri primary, marking the third win this week against candidates supported by Sen. Elizabeth Warren.

France has begun accepting applications for crypto asset services provider licenses under MiCA, becoming the first major EU economy to do so.

The International Monetary Fund (IMF) said it's made progress in its discussions toward a fund-supported program for El Salvador but remains concerned about risks from its Bitcoin adoption – though admitted many potential risks “have not yet materialized.”

The SEC asked a court to dismiss crypto exchange Coinbase's request that it hand over years' worth of communications related to crypto, calling the request “extraordinary.” (Last month, Coinbase dialed back its motion asking for SEC chair Gary Gensler's private communications from before and during his time as chair after pushback from judge Katherine Polk Failla.)

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

Indian crypto exchange WazirX plans to undo all trades following its July 18 withdrawal freeze due to a hack. On that date, WazirX suffered a wallet exploit that resulted in the unauthorized transfer of over \$230 million in crypto assets. The attack targeted the exchange's multisig wallet on Ethereum, which blockchain analytics firm Elliptic said was likely conducted by hackers affiliated with North Korea. Users' portfolio balances on WazirX will be restored to their status as of July 18 at 3:30 a.m. ET, with the action conducted "over the next few days."

A federal judge has ordered Ripple to pay a civil penalty of \$125 million in its lawsuit with SEC. The SEC had sought a remittance payment of \$2 billion while Ripple had requested a max penalty of \$10 million.

Binance is challenging a nearly \$86 million tax "showcause" notice from India's Directorate General of Goods and Services Tax Intelligence (DGGI). DGGI's chapter from the western city of Ahmedabad issued the notice – a first formal step taken by the authority when it suspects a violation of tax rules. It alleges Binance collected fees from Indian customers trading on its platform, the person said, and relates to the period July 2017-March 2024.

Binance has recovered \$73 million in stolen funds so far in 2024, marking a 33% increase compared to last year, with the majority of the funds recovered being from hacks and exploits.

A wallet linked to the 2022 Nomad Bridge hack has transferred \$36 million worth of Ether to Tornado Cash, continuing a pattern of laundering funds through the sanctioned mixer.

The Solana-based memecoin TrumpCoin (DJT) crashed by over 90% after a large sale, which traders suspect was a "rug pull" by developers, causing its market cap to fall from \$55 million to \$3 million.

Public Citizen and Molly White filed a complaint to the Federal Elections Committee (FEC) claiming that Coinbase violated campaign finance laws by donating \$25 million to the pro-crypto group Fairshake Super PAC, while negotiating government contracts with the DoJ. The complaint argues that Coinbase is a federal contractor due to its current work with the US Marshal Service (a unit within the DoJ) and is thus breaking "pay-to-play" laws.

Ronin, the blockchain network tied to the play-to-earn game Axie Infinity, paused its bridge amid \$11.8 million in outflows to MEV bots on August 6. 3,996 ETH (\$9.8 million) and 2 million USDC were withdrawn from the bridge ahead of the pause – the maximum amount of each asset that can be withdrawn in a single transaction. The stolen funds were returned, thanks to vigilant white hats who will receive a \$500,000 bounty.

Blockchain protocol Nexera suffered a \$1.8 million exploit. The attacker is linked to recent compromised private key incidents including the OKX DEX hack.

The Federal Reserve Bank of New York published a report on August 7 finding that sanctions against Tornado Cash did actually have an effect on the crypto mixer's usage. (Read the paper, [here](#).)

The Federal Reserve of Philadelphia charged Customers Bank with anti-money laundering and Bank Secrecy Act compliance failures. The Fed claims that it found "significant deficiencies related to the

Bank's risk management practices and compliance with the applicable laws, rules and regulations relating to anti-money laundering."

Since new financial promotion rules took effect in October, the UK's Financial Conduct Authority (FCA) has issued 1,000+ warnings to crypto firms, leading to the removal of 48 apps from UK app stores.

The Grand Palais Museum, a Paris Olympics venue hosting fencing and martial arts, was among 40 museums in France that were hacked and told that their financial data would be leaked unless a crypto ransom is paid.

A critical security vulnerability in Solana was addressed through a coordinated and confidential patching process, with 70% of the network's stake patched before public disclosure.

Stackr Labs CEO Kautuk Kundan claimed on X that they hacked Atari's crypto arcade game that was supposedly built on the layer-2 network Base to prove it was not on-chain. The developer said he and his team sabotaged the game's leaderboard without playing it.

The CFTC issued a subpoena to Hit Network, formerly associated with Ben "BitBoy" Armstrong, as part of a fraud investigation involving 15 tokens, including memecoin BEN.

Mango Markets crypto trader Avraham Eisenberg, who was convicted in a trial earlier this year, filed for a judgment of acquittal and a motion for a new trial. Judge Arun Subramanian granted the application, allowing Eisenberg's legal team to move forward. The 77-page filing claims that the original trial was "improperly venued" in the Southern District of New York.

Investors and market makers of ZKX were blindsided by the sudden shutdown of the decentralized exchange, sparking rug pull allegations, though the founder cited economic infeasibility as the reason.

MonkeDAO has initiated an internal investigation into claims of misappropriation of validator earnings, following allegations that nearly half of the earnings since December were not returned to the DAO's treasury.

MISCELLANEOUS

The cryptocurrency market capitalization fell more than 15% on August 5 before recovering, the largest daily decline since January 2022. The total crypto market cap fell to just under \$1.7 trillion, having started the day at just over \$2 trillion, according to TradingView. (Crypto-tracked futures recorded over \$1 billion in liquidations over 24 hours as the market sell-off worsened.)

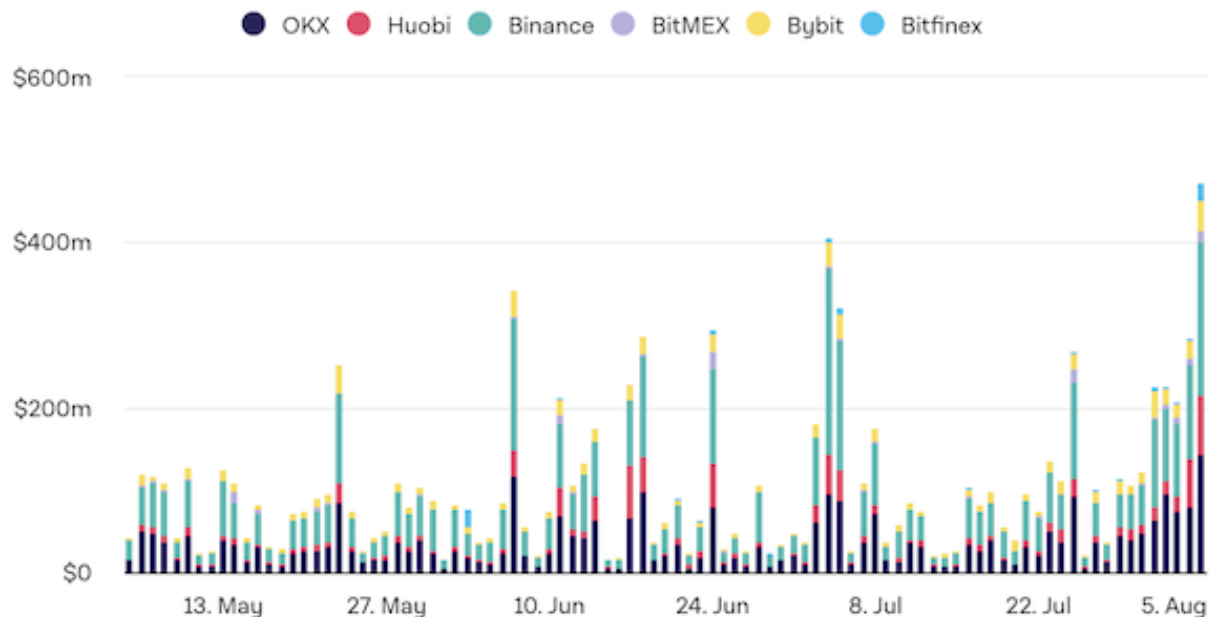
The Global PYUSD Portal Hackathon, an online event and collaboration between PayPal and Portal built on Solana, begins August 12. 40,000 PYUSD in prizes will be awarded to six winners building on Solana, with special prizes for consumer applications and DeFi projects.

CHARTS, TABLES, QUOTES, COMMENTARY & OTHER IMAGES

The Block: The largest amount of single-day long liquidations in nearly half a year occurred this week, with over \$471 million worth of longs liquidated on August 5. This was the largest liquidation of longs since April 2024. Triggered by substantial drops in the market, BTC and ETH fell by 15% and 20%, respectively. For BTC, this represented the most severe single day decline since the FTX collapse in November 2022.



Long Liquidations



SOURCE: COINGLASS
UPDATED: AUG 5, 2024

ZOOM

ALL

YTD

3M

1M

NYDIG: Parting thoughts on asset returns in risk-off environments...

Investors, individuals, and corporations face a wide array of risks, whether they are aware of them or not. Even storing your money under the mattress or in a bank account carries risks such as inflation, bank counterparty risks, or theft. Our focus here is on a very specific risk, a decline in the S&P 500. While these declines can stem from various factors, our analysis reveals that long-term US Treasuries offer the most reliable protection against this type of risk. However, even if an investor follows the traditional 60/40 (stocks/bonds) portfolio, the increase in Treasuries may not fully offset the losses experienced in the stock portion of the portfolio.

Our updated analysis once again highlights that Bitcoin may not be the ideal hedge against sudden stock market shocks and gold is far from perfect. Our theory is that the high liquidity of Bitcoin allows investors to express their opinions beyond traditional market hours (the recent price movements over the weekend were quite revealing). It is important to keep in mind that Bitcoin's correlations and price fluctuations are merely reflections of collective human behavior, rather than inherent characteristics of the asset itself. Bitcoin as a financial asset only has the characteristics that we impute on it.

Where Bitcoin has shined, however, is during geopolitical turmoil, when trust in the institutions around us is lost. We see this with specific events around the world, something we've analyzed in previous research. One can also think the longer arc of declining trust in institutions over the past few decades as one that plays to Bitcoin's strength. With that in mind, there's one Bitcoin adage that applies: don't trust, verify.

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

Bitcoin Bounces Back: Bitcoin dipped as low as \$49,000 early Monday morning but is now back at \$60,000; talk about a quick recovery. This was the largest correction in Bitcoin since the bear market bottom in late 2022 - with BTC dropping ~30% from its high of \$74,000. As is typical with these drawdowns: weak hands were shaken out, and seasoned veterans bought the dip.

Long Term Holders are Accumulating: The supply of Bitcoin held by long-term holders has been steadily increasing for the past four months. Long-term holder supply trending up is bullish because it tells us that the investors who have been in Bitcoin for the longest feel that the price is undervalued where it is now, and they are accumulating accordingly. There was a slight drop in LTH supply when BTC reached all-time highs, which is typical. But that trend has clearly reversed.

ETF Flows: Speaking of accumulation, here's an interesting observation: The Blackrock Bitcoin ETF has had net inflows this week while all other spot Bitcoin ETFs have had net outflows. This is a sign that smarter money is purchasing the Blackrock ETF. While others were panic-selling the dip, IBIT holders added to their positions. In fact, there have hardly been any days of net outflows for the entire existence of IBIT.

BTC Dominance: Bitcoin's outperformance of alts over the past 18 months has been astounding. At the start of 2023, BTC was ~40% of the total 'cryptocurrency' market cap, now BTC dominance sits at 55%. This metric can be a bit deceiving, to the downside, as much of the "crypto" side of the equation can be diluted with coins whose market cap is most or entirely illiquid. However, this consistent upward trend shows that throughout all the macroeconomic uncertainty over the past year and a half, digital asset investors are choosing BTC above all else.

ETH/BTC: Looking at ETH performance relative to BTC is another way to gauge the performance of alts and Bitcoin; being that ETH is a gateway network for many altcoins. Despite getting a spot ETF of its own, ETH is down ~20% year-to-date when priced in BTC, and ~45% since "the merge" in September of 2022.

Energy Gravity: Energy Gravity flashed an incredibly bullish signal this week. For the first time since November 2022, it actually cost more to mine 1 BTC, using an average ASIC with average electricity rate, than it does to buy 1 BTC spot. (Latest-generation ASICs like the S21, S21 Pro, and M66s are still mining below the BTC price). Every time this has happened before, it has preceded a major move up in price: Nov 2022, Sept 2020, March 2020, Dec 2018, Jan 2016, Jan 2015. At a typical hosting rate today, new-gen Bitcoin ASICs require ~\$58,000 worth of energy to produce 1 BTC.

Summary and conclusion from Glassnode's "The Week On-Chain" from 8/7/24. (Read the full report, [here](#).)

August has already been an exceptionally eventful month across both equity and digital asset markets, after a "correlation-1" event sparked a major market sell-off. Bitcoin recorded its largest drawdown (-32%) from the ATH of the cycle and precipitated a statistically significant capitulation amongst Short-Term Holders.

Futures liquidations fueled the fire, with over \$365m worth of contracts forced closed and creating a 3 standard deviation reduction in open interest. This has led to a meaningful flush out of leverage and paves the way for on-chain and spot market data to be of key importance for analysts assessing the recovery in the weeks to come.

Conclusion from Coin Metrics’ “State of The Network” weekly report from 8/6/24. (Read the full report, [here](#).)

Markets have seen near-term volatility and may continue to be risk-off due to a combination of macroeconomic and crypto-specific developments, testing the longer-term conviction of participants. Despite these challenges, on-chain infrastructure and applications have demonstrated resilience. In the short to medium term, subsiding supply overhangs from Mt. Gox creditor repayments, the eventual completion of Jump Crypto's liquidations, and easing outflows from Grayscale's GBTC & ETHE may present opportunities for both retail and institutional investors. Looking ahead, positive ETF flows will be crucial as they could signal sustained demand for crypto-assets, catalyzing a resumption in growth for crypto markets, potentially benefiting companies like Coinbase, and drive wider adoption of the on-chain ecosystem.

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	\$178.72 B
Fear and Greed Index	40 (Fear)

The Crypto Fear & Greed Index recorded a score of 17 out of 100 on August 5 – the lowest since July 12, 2022.



Crypto Fear & Greed Index score. Source: Alternative.me

Arca: 6 Reasons for the Crypto Sell-Off...

Why We're Buying The Dip

Last week was heading towards “bad”, and accelerated to “awful” over the weekend. What looked like a fairly common and pedestrian -10% weekly decline in crypto markets turned into a -20-30% rout by Sunday night. As always, when a move like this occurs, traders are left looking for answers, and, more importantly, trying to determine if this is an opportunity to profit from.

While you'll undoubtedly hear rumors that “XYZ fund blew up”, that's the story you hear every time a big market dislocation happens, and it's difficult to substantiate until it's too late (and often not true). What is easier to decipher is what factors led to the carnage in the first place, and whether or not these are long-term changes to the market or short-term dislocations that will soon revert.

So, let's review each of the 6 factors heavily involved in the selloff that ultimately crushed markets over the weekend and explain why this is looking more like a buying opportunity than a risk-off scenario.

Reason #1: Global macro events

Just about every risk-off signal percolated last week, and crescendoed into Friday. The 10-year US Treasury yield fell over 50 basis points following weak language from the Fed, and softer economic data, prompting Fed Fund futures to price in 100 basis points of rate cuts by year-end. Oil fell almost 5%, the VIX spiked +25% on Friday alone, and at one point in the week, had almost doubled, US equities continued to bleed as the Nasdaq entered “correction” territory, and the Nikkei has now fallen -20% from all-time highs reached just a few weeks ago after the BOJ raised rates, crushing the carry trade as the Yen appreciated versus the dollar.

What is the long-term effect on crypto?

It's become consensus that the Fed will cut rates in September, possibly as much as 50 basis points. The VIX has been conditioned to retreat from any fast moves higher over the past 10+ years, and we're still heading towards a US Presidential election which has historically been good for markets post-election. Meanwhile, policymakers in Japan have been trying to get out of deflation for multiple decades, and the government has been encouraging retail investors to buy equities. They can't afford a massive collapse in equities and a hit to wealth, so there is a high probability that they will blink. Crypto has had a very low correlation to equities over the past 18 months, and while it tends to exhibit more downside beta than upside beta, these relationships are short-lived. Bottom line – this does not seem to be a long-term problem for digital asset investors.

Reason #2: Jump selling ETH

Perhaps the biggest new piece of news over the weekend was that Jump Trading was unstaking and liquidating a big portion of their ETH position, over \$500 million worth, on Sunday. Rumors suggest they are exiting the crypto market maker business altogether. But why would they do this on an illiquid Sunday? A few possibilities:

1. They are actually unwinding, but this is a forced sale... either by Feds or other regulators, or because they need collateral quickly due to issues in other markets (like the Yen carry trade).

2. They fear a massive "Black Monday" like equity dump when markets open Sunday night/Monday and don't care that they are getting terrible liquidity on a Sunday because they fear it will get worse quickly.
3. They saw an opportunity to "stop hunting," trying to sell into an illiquid market and force futures liquidations to buy back lower. Perhaps they have ETH puts and are pushing the market down to their strikes.

What is the long-term effect on crypto?

If I had to guess, I'd say scenario "b" is unlikely, and this is much more likely to be scenario "a" or "c". If it's because Jump is exiting the market, that would likely be a long-term positive for crypto since Jump has been at the forefront of many problems in this industry, but a short-term negative as it sucks even more liquidity out of trading. Regardless, this selling is already over, as 90% of their wallet is now in stablecoins, so any long-term effect would be based on sentiment, not actual flows.

Reason #3: BTC and ETH ETF flows

While ETH ETF flows have been net negative, the trend was moving in the right direction towards the end of last week as Grayscale ETHE outflows were slowing and inflows into ETH ETFs offered by Blackrock, Fidelity, Bitwise, and others were beginning to close that gap. On the other hand, BTC ETFs had net outflows on Friday of \$237 million, perhaps due to a rotation trade out of BTC into ETH.

What is the long-term effect on crypto?

The new BTC and ETH ETFs are killing the digital assets market in the short term as all attention and flows are being sucked into this vortex, but it is a necessary evil long term to increase adoption and awareness. Unfortunately, there is no edge here, and the market has been at the mercy of these flows all year, and that doesn't look to be changing anytime soon. If these flows are the reason for the selloff, it's a stay away.

Reason #4: Kamala Harris jumping in the polls versus Donald Trump

While Trump still leads Harris, the gap has been closing quickly. As we've discussed for the better half of this year, a Republican victory in the polls is considered very pro-crypto, especially after Trump gave a bullish speech at Bitcoin Nashville last month. Trump announced that the US would have a strategic national Bitcoin stockpile and that billions of US government-owned Bitcoin would not be sold. Trump also announced he would remove SEC Chairman Gary Gensler if elected. Even if Democrats are less evil towards crypto now that they are starting to feel the ramifications of their miscalculations, the entire equity and crypto market favors a Trump win, and as Trump declines, so do markets.

What is the long-term effect on crypto?

This one is much easier. As Harris rises, crypto sinks. While it is unlikely that some of the recent positive US regulatory wins will be unwound if Harris wins, it is almost certain that a Democrat victory will not be as supportive as a Republican victory will be.

Reason #5: Middle East tensions rising

This is likely to be the least influential factor. While this is always unsettling for markets and a good reason to drive the VIX higher and equities lower, any fear driven by Middle East tensions almost always reverts in days. Plus, if this was really the culprit for global weakness, we would see oil prices spiking, and that is not happening.

What is the long-term effect on crypto?

The only relevant factor here is that Bitcoin is once again not acting as a “flight to quality asset” when it comes to wars and political theatre. While Bitcoin has historically spiked when banks or governments fail, it does not spike when geopolitical tensions exist. Bitcoin is a lot of things, but it is not gold, and it is not a fear hedge. As more and more institutional investors start to trade Bitcoin, its correlation to other assets actually rises, since correlations often have more to do with WHO owns an asset than WHAT the asset actually is.

Reason #6: Supply overhangs

This has been a huge driver of markets for the past 4 months, but it’s doubtful that this had much to do with this week’s sell-off. While the Jump Trading ETH sales definitely had an effect, the majority of other supply overhangs are done, or muted. Mt Gox distributions are largely done, Grayscale selling seems subdued, and the German and US government sales from seized assets are over as well. Genesis is now distributing BTC, ETH and SOL in kind post their bankruptcy, but that’s unlikely to be big enough to affect markets in a big way.

What is the long-term effect on crypto?

The actual flows are nothing to worry about at this point, but the continuous front-running of supply still looms over the market. The market is so fragile right now that any hint of selling pressure leads to multiples of actual selling ahead of the forced selling.

So why are we buying the dip? When we break down the factors, there seem to be way more reasons to buy than sell. There are only a handful of tokens in the market that are even positive YTD despite one of the most positive years in crypto’s history from both a regulatory, and fundamental, standpoint. Many tokens are now down -50-75% from the March highs. If you were ever bullish on the market, there’s no reason you should be less bullish today after this week’s events.

It’s been a while since we’ve had a global selloff like this, and the magnitude of this weekend’s events was certainly abnormal but also not unprecedented. We’ve seen similar global macro events where crypto markets were used as the weekend liquidity to front-run selling pressure in other markets (December 2018, March 2020, November 2022), and most were massive buying opportunities.

Coinbase Bytes: After a “perfect storm” hobbled markets of all kinds to start the week, crypto experts took stock of what happened and where things might be headed next.

Zach Pandl, Grayscale head of research

The chief analyst for crypto-investment giant Grayscale suggested that this week’s volatility was driven by poor monetary policy, and is all the more reason for traders to allocate some capital to BTC.

“[Governments’] undisciplined approach to monetary and fiscal policy is one of the reasons investors hold Bitcoin in the first place, so there is no reason to reconsider the longer-term bullish outlook for the asset class,” Pandl said.

Antoni Trenchev, Nexo co-founder

The crypto-wallet exec noted that volatility is nothing new for crypto and pointed out that markets began trending back upward by Tuesday.

“Thirty percent slumps, as scary as they are, are par for the course during bull markets and it’s encouraging [that] Bitcoin bounced back above \$50,000,” said Trenchev. “But make no mistake, we are in a choppy, volatile market environment.”

Rich Rosenblum, co-chief executive officer and co-founder of GSR Markets

The institutional crypto firm’s co-CEO remains optimistic despite the turmoil.

“It was only nine days ago that the BTC community was arguably the most bullish it’s ever been,” Rosenblum said in an interview with Bloomberg. “BTC could rally back to \$70,000-plus, just as quick as it sold off.”

Matt Hougan, Bitwise Asset Management CIO

Bitwise is one of the firms behind this year’s new ETH and BTC ETFs, and the company’s top investment exec suggested that Monday’s price action was a temporary correction.

“We have a global capital market sell-off that impacted the crypto market on a low liquidity weekend, but nothing has changed fundamentally about Bitcoin or about crypto except that we’re closer to the Fed lowering rates, we’re closer to quantitative easing,” Hougan told CNBC. “I see that as more of a catalyst than a headwind.”

David Duong, Coinbase head of institutional research

Coinbase’s latest Market Intelligence report predicts a “choppy market” in the third quarter of 2024 but doesn’t anticipate the beginning of a “new market cycle” in a bearish direction.

“We believe that these market jitters will persist in the short-term, but it’s possible that shorts could get squeezed here, which could lead to a market rebound in the next few days,” wrote Duong. “But don’t be fooled into thinking that this market disruption is over.”

Matt Hougan's (Bitwise) Weekly CIO Memo: "The Crypto Market Sell-Off: What Happened and Where We Go From Here – Emotions Aside, History Suggests that This Weekend's Sell-Off is a Buying Opportunity."

Crypto markets sold off sharply this weekend. Measured from 4 p.m. Friday, Bitcoin was down nearly 20% as of 7 a.m. Monday morning, falling from \$63,356 to \$51,026. Ethereum fared worse, tumbling more than 30% from \$3,307 to \$2,234.

Crypto, of course, is not alone.

Globally, capital markets are shaking from rising economic worries and geopolitical concerns. In Japan, the Nikkei just experienced its worst day since 1987, falling more than 12%. Here in the U.S., Nasdaq futures are trading down more than 4%, and the VIX volatility index is up 100% since Friday.

If you are like most crypto investors, you're cycling through a brutal swing of emotions, including fear or despair. For many, the emotion that strikes hardest is something like anger.

I thought crypto was supposed to be a hedge against global uncertainty!? What gives?

I feel those emotions too.

But there is one thing I feel more, born from six-plus years of managing money in crypto full-time: opportunity.

Lessons From the Covid Sell-Off

The last time the market melted down like this was March 12, 2020. That was the day the world realized that Covid was a big deal.

In case you've blocked it from your memory, let me remind you: It was chaos.

The Dow Jones Industrial Average sold off 2,353 points on March 12, its worst day since 1987. Tech stocks were in free fall, as were commodities. We all thought the global economy was going to end. The president would declare a national emergency the following morning.

Among all assets, Bitcoin crashed the worst, falling 37% from \$7,911 to \$4,971. It was a breathtaking one-day move, wiping out a year's worth of gains in 24 hours.

It felt as if we might never recover. The media claimed Bitcoin had failed its test as a hedge asset.

And then something spectacular happened. As global leaders stepped in to stabilize the economy—cutting interest rates, printing money – Bitcoin began to rise. A year later, it was trading at \$57,332, up more than 1,000%.

In retrospect, March 12, 2020 wasn't a time to panic. It was the best buying opportunity for Bitcoin in a decade.

It's easy to see why with the benefit of hindsight. Nothing fundamental had changed about Bitcoin because of Covid. The maximum number of Bitcoin that could exist (21 million) was the same on March

11 as it was on March 12. You didn't need to rely on any bank, government, or company to store wealth in Bitcoin on March 11, and that was still true on March 12.

At the same time, Covid supercharged the reasons for Bitcoin's long-term rise. It showed that central banks would bail out the economy at the first sign of trouble. It demonstrated the limitations of centralized institutions. And it reminded us that the future is more online and digital.

The changes all pointed in favor of Bitcoin becoming more important, not less. And in the long term, that's exactly what happened.

I see the same setup today.

What Caused This Market Meltdown

I don't want to spend too much time reviewing what caused the current market pullback. There are comprehensive write-ups [here](#), [here](#), and [here](#).

But, in brief: Weak economic data in the US on Friday sparked concerns that the global economy is slowing. This prompted a panic in Asia, where a rapid unwind of the yen carry trade – a strategy aimed at exploiting interest-rate differentials between currencies – pushed Japanese markets sharply lower. Things weren't helped by rising concerns over geopolitical risks in the Middle East, where Iran is threatening to attack Israel.

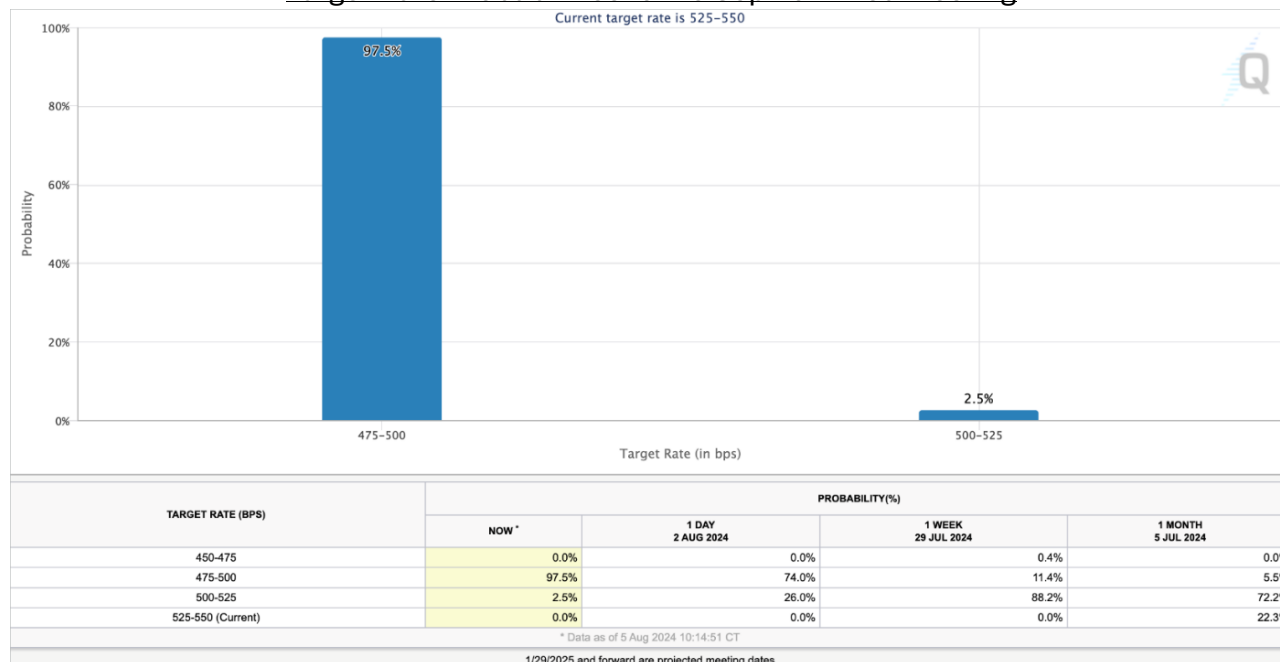
These events collided with idiosyncratic negative developments in the crypto market, where a large market maker (Jump Trading) ran into trouble and faced forced liquidations of large positions in ETH.

All of this occurred over a low-liquidity summer weekend, amplifying the move.

But watch what happens next: It looks like we're about to see a repeat of the Covid playbook.

Already, the Fed Fund futures markets are pricing in an aggressive response. A week ago, Federal Reserve Chair Jerome Powell was talking down the need for interest rate cuts this year, and the market assigned just an 11% chance of a 50 bps rate cut by the Fed's September meeting. Today, the market has increased those odds to a 98% chance. Some are even calling for an "emergency rate cut" before the September meeting.

Target Rate Probabilities for 18 Sep 2024 Fed Meeting



Source: CME Fedwatch. Data as of August 5, 2024.

So, is the money printer coming? If history is any guide, yes. It happened during Covid. It happened after the eurozone crisis in 2010. And it happened in 2008. If the events of this weekend lead to real economic unrest, it will happen again.

What To Monitor Going Forward

On a short-term basis, the key question is whether the crypto market has found its bottom yet. Sharp market pullbacks can feed on themselves in crypto, creating a downward cycle that needs to exhaust itself before we bottom. That's because, as prices drop, leveraged traders face margin calls and are forced to sell. Already, we've seen more than \$1 billion in futures liquidations, and it's unclear if we've hit bottom. You can watch here to see if forced liquidations slow down.

It's also worth keeping an eye on the health of firms in the crypto ecosystem. Very sharp moves can take down firms with overleveraged balance sheets, as we saw in the 2021 crisis. As I mentioned, there are already rumors that at least one market maker (Jump Trading) is facing challenges, and if there is contagion it could prolong the downward move.

I would also keep an eye on ETF flows, to see if ETF investors sell into this pullback or buy more. Those three factors will say a lot about where we're going in the short term.

But my real advice is to ignore the short term and keep your eyes downfield. Bitcoin is a volatile asset, with big ups and big downs. Always has been and will continue to be for a while. Times like these reinforce that market timing is a fool's errand.

Bringing a trading desk mentality to crypto misses the point. You are investing in a once-in-a-lifetime change in how money works around the world. Resist the urge to look at intraday prices and focus instead on where Bitcoin could be next year, in five years, and in ten years.

When you get your first job on Wall Street, they teach you that the four most expensive words in finance are “this time it’s different.”

Historically, whenever we’ve seen this kind of global economic panic, crypto has traded down initially but ended higher over the next year. Maybe this time really is different, but I wouldn’t bet on it. In fact, I’m betting the other way.

Grayscale Research published: “Market Byte: Late Summer Storms.” (See key points below. Read the full piece, [here](#).)

- Crypto valuations declined at the start of August, amid worries about the U.S. economic outlook and broader financial market volatility. Ethereum underperformed, potentially due to elevated futures market positioning and selling from a few large holders.
- If the US economy remains on a path to a “soft landing” Grayscale Research expects token valuations to rebound.
- However, even in a weaker economic environment, Grayscale Research has reason to believe that downside risk to prices may be more limited than in the past.

@ceteris (August 6): “YTD is honestly so f-ing wild.”

Benchmarks	01-Jan	Today	%
BTC	42,265.19	56,179.10	32.9%
ETH	2,281.47	2,529.34	10.9%
SOL	101.51	145.04	42.9%

Layer 1s	01-Jan	Today	%
ETH	2,281.47	2,529.34	10.9%
SOL	101.51	145.04	42.9%
TON	2.31	5.62	143.3%
AVAX	38.54	21.09	-45.3%
NEAR	3.65	3.70	1.3%
APT	9.40	5.23	-44.4%
ATOM	10.59	4.90	-53.7%
SUI	0.78	0.60	-22.9%
INJ	35.78	16.42	-54.1%
MINA	1.36	0.40	-70.3%
SEI	0.56	0.24	-56.7%
FTM	0.47	0.32	-32.6%
Sector avg			-15.1%

Modular	01-Jan	Today	%
TIA	11.86	4.98	-58.0%
DYM	4.89	1.24	-74.6%
ARB	1.56	0.52	-66.7%
OP	3.71	1.30	-64.9%
STRK	1.95	0.39	-80.2%
MATIC	0.97	0.41	-57.6%
MNT	0.64	0.62	-3.7%
IMX	2.14	1.15	-46.2%
MANTA	2.16	0.69	-68.3%
Sector avg			-57.8%

Memecoins	01-Jan	Today	%
DOGE	0.0894700	0.0982200	9.8%
SHIB	0.0000103	0.0000136	31.7%
PEPE	0.0000013	0.0000079	509.1%
WIF	0.1702240	1.4200000	734.2%
FLOKI	0.0000350	0.0001223	249.2%
BONK	0.0000134	0.0000204	52.8%
Sector avg			264.5%

ETH DeFi	01-Jan	Today	%
LINK	14.95	10.30	-31.1%
UNI	7.23	5.81	-19.6%
MKR	1,698.02	1,950.45	14.9%
LDO	2.64	1.17	-55.7%
AAVE	109.06	103.37	-5.2%
PENDLE	1.19	2.72	129.3%
SNX	3.86	1.31	-66.1%
FXS	8.60	1.78	-79.3%
CRV	0.60	0.24	-60.8%
Sector avg			-19.3%

SOL DeFi	01-Jan	Today	%
JUP	0.66	0.83	25.9%
PYTH	0.32	0.27	-16.4%
JTO	1.88	2.37	26.0%
RAY	1.26	1.61	28.2%
Sector avg			15.9%

Cosmos/Misc DeFi	01-Jan	Today	%
RUNE	5.16	3.15	-39.0%
OSMO	1.52	0.36	-76.3%
STRD	2.81	0.78	-72.3%
NTRN	1.10	0.35	-67.9%
FLIP	4.69	0.87	-81.5%
DYDX	2.94	0.99	-66.4%
Sector avg			-67.2%

AI & DePIN	01-Jan	Today	%
FET	0.67	0.87	29.0%
RNDR	4.46	4.77	6.9%
TAO	265.65	264.85	-0.3%
AKT	2.45	2.51	2.5%
WLD	3.64	1.72	-52.7%
HNT	6.84	4.69	-31.4%
HONEY	0.12	0.07	-37.6%
FIL	6.93	3.54	-48.9%
AR	9.65	21.03	118.0%
Sector avg			-1.6%

@EricBalchunas: Bitcoin ETFs back to inflows on Wednesday, after two days of very mild outflows representing just 0.5% of total AUM. Meaning, 99.5% of the money hung tough in face of a -14% Monday and -21% week. IBIT saw no money leave at all, yet traded \$5b, a total freak. I'm bullish as it gets re ETF investors' intestinal fortitude (in all asset classes) but even I'm surprised here. I was expecting 2-3% of the aum to leave and declare that as 'strong.'



Farside Investors

@FarsideUK

Bitcoin ETF Flow (US\$ million) - 2024-08-07

TOTAL NET FLOW: 45.1
(Provisional data)

IBIT: 52.5

FBTC: 0

BITB: 3

ARKB: 0

BTCO: 0

EZBC: 0

BRRR: 0

HODL: 0

BTCW: 10.5

GBTC: -30.6

BTC: 9.7

For all the data & disclaimers visit:

FARSIDE

INVESTORS

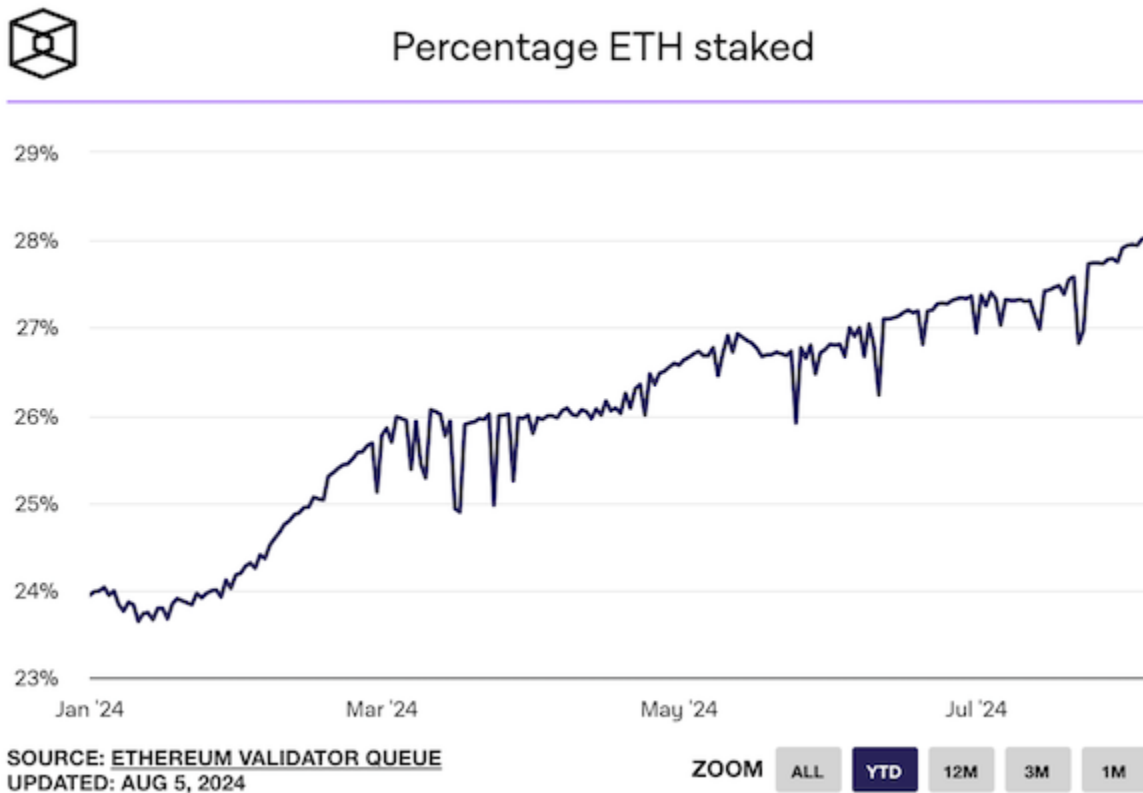
farside.co.uk

Bitcoin ETF Flow

Bitcoin ETF Flow Table (US\$m)Source: Farside InvestorsNote: The above table is generated automatically...

11:44 PM · Aug 7, 2024 · 205.1K Views

The Block: The percentage of the ETH supply staked reached an all-time high of 27.95%. (Notably, since the launch of the ETH ETFs, the percentage of ETH staked has increased by 1.9%.)



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

- A US District Judge approved a settlement between FTX, Alameda Research, and the CFTC, which will see \$12.7 billion paid out to FTX creditors.
- Bankrupt crypto lender Genesis Trading completed its bankruptcy restructuring and started distributing \$4 billion in crypto and cash to creditors, aiming for an average 64% recovery rate in cryptocurrency repayments.
- Do Kwon's extradition from Montenegro has been delayed once again, with conflicting interests between South Korea and the US continuing to stall the process.