



HYPERION DECIMUS

CRYPTO NEWSLETTER

POWERED BY WEEKLY CRYPTO BRIEF

14th July 2024

BITCOIN-RELATED



Bitcoin's correlation with the Nasdaq Composite and the S&P 500 has fallen to a multi-month low, with a 30-day Pearson correlation of -0.84 and -0.82, respectively, according to The Block's data dashboard. The correlation between Bitcoin and major US equity indices dropped off sharply since the beginning of June, when the cryptocurrency reached a price of \$71,000 before making a U-turn. Meanwhile, the equity markets sustained their multi-month rally.

The German government continued to send tens of thousands of Bitcoins from crypto exchanges and market makers this past week. Its wallets are now reportedly empty compared to the 50,000 Bitcoins it seized from the film piracy site Movie2k in January.

Bitstamp will aim to distribute its portion of Mt. Gox Bitcoin to creditors ASAP once it receives the funds, despite having 60 days to do so, the crypto exchange said. The Mt. Gox Trustee has already sent 47,229 Bitcoins (~\$2.7 billion) to Japanese exchanges BitBank and SBI VC Trade, who seemingly distributed their allocated funds within hours rather than the maximum two weeks available. The remaining 94,771 Bitcoins (\$5.4 billion) are still to be distributed among the remaining three firms processing the repayments: Bitstamp, Kraken, and BitGo.

Metaplanet, a Japanese public company that started as a hotel operator, announced it purchased another ¥400 million (~\$2.5 million) in Bitcoin. This continues the firm's strategy of adopting Bitcoin as a treasury reserve asset.

Business software company-turned-corporate Bitcoin buyer MicroStrategy announced a 10-for-1 stock split. Its shares will be split into class A common stock and class B common stock, designed to make MicroStrategy's stock more accessible to investors.

US Senator Marsha Blackburn (R-TN) announced that her re-election campaign now accepts cryptocurrency donations. This move comes as Blackburn's campaign recently launched a page dedicated to Bitcoin donations.

Former president Donald Trump was officially announced as a speaker at Bitcoin 2024, the world's largest Bitcoin conference, taking place in Nashville, Tennessee, July 25-27. Trump is due to speak at 2pm CT for 30 minutes on the last day of the conference.

The upcoming film God Bless Bitcoin will premiere at the upcoming Bitcoin Convention in Nashville on July 25 and release worldwide for free the same day. (Read more about it, [here](#).)

The city of Santa Monica is opening a Bitcoin office, partnering with Proof of Workforce to provide Bitcoin education and explore potential economic opportunities.

Julian Assange's family is raising funds via the Bitcoin network to cover his travel and recovery expenses, following his plea deal and commuted sentence. They are using BTCPay for decentralized and censorship-resistant donations.

Metis DAO-incubated interoperability protocol ZKM unveiled plans for its Bitcoin Layer-2 solution, GOAT Network, set to launch in Q3. Unlike some Bitcoin Layer 2s, GOAT Network uses a decentralized sequencer model, allowing node operators to help secure the network and earn yields. GOAT Network has secured commitments of 5,000 BTC (~\$288 million) from institutional node operators so far and plans to open a Series A fundraising round soon.

INDUSTRY ADVANCES



Bitget, a global cryptocurrency exchange and Web3 company, announced that its native token, Bitget Token (BGB), is now exclusively available for futures trading on the platform. As the first BGB perpetual futures, BGBUSDT-M will be live on July 8, with a maximum leverage of 50x.

Global asset manager BlackRock's BUIDL token, issued in partnership Securitize and backed by US Treasuries, surpassed \$500 million market value on July 8. The overall market of tokenized US Treasury products reached \$1.8 billion.

Goldman Sachs reportedly plans to launch three tokenization projects by the end of the year, focused on US and European markets. Reportedly, one will target the US fund sector while another will focus on European debt markets. The firm is also said to be planning to create marketplaces for tokenized assets.

Coinbase launched an app designed to help users consolidate and manage multiple on-chain wallets and activities, aiming to simplify the user experience, especially for beginners.

Consensys, the Ethereum software developer firm that built the MetaMask wallet, shared is launching a "MetaMask Delegation Toolkit," aimed at making the user experience of blockchain applications more seamless. The new toolkit will allow for instant user onboarding without needing to interact with a traditional wallet, in addition to eliminating pop-ups or confirmations when switching between a decentralized application and wallet.

TON hopes to achieve 500 million users by 2028 by using Telegram's large user base and integrated Web3 functions like user-friendly wallets and mini apps. (The TON blockchain ecosystem will get a new Layer-2 network called TON Applications Chain (TAC), leveraging Polygon's technology to facilitate decentralized applications and improve interoperability.)

The developer firm behind the Worldcoin protocol shared that its upcoming Layer-2 chain, World Chain, is open for developers to use. This means that select developers can apply to build, test, and give feedback to Tools For Humanity, the developer firm behind Worldcoin.

Avalanche launched Interchain Token Transfers (ICTT), which will allow token transfers across Avalanche L1s without the drawbacks of bridges like relying on a small set of nodes or a central operator.

Celo launched its Dango Layer-2 testnet, marking the first major step towards converting its Layer-1 blockchain into an Ethereum Layer-2 network.

Metallicus, the core developer of Metal Blockchain, a foundational Layer-0 blockchain, announced that TDECU, Houston's largest credit union, enrolled in its Banking Innovation Program. This move signifies TDECU's proactive approach to investigating blockchain technology's potential.

Dubai Customs announced the launch of its blockchain platform in a pioneering step aimed at enhancing efficiency and transparency in commercial operations within Dubai and across borders. This secure and efficient digital network aims to strengthen collaboration between government entities and logistics industries.

Nigeria's National Information Technology Development Agency aired its plan to develop an indigenous blockchain dubbed "Nigerium." Its goals: 1) To protect the country's data and to promote national security. 2) To get the private sector to work together with the public sector to develop the homegrown blockchain.



Bitcoin miner Hut 8 entered into a power purchase agreement for a site in West Texas with 205 megawatts of immediately available power capacity and land. The deal represents the first transaction in Hut 8's previously announced development pipeline of 1,100 megawatts of exclusive energy capacity.

Jack Dorsey's Block agreed to supply Bitcoin miner Core Scientific with its new 3-nanometer ASIC chips, representing approximately 15 EH/s of hashrate.

Malaysia's government attributes \$682 million in electricity theft since 2018 to Bitcoin mining activities, highlighting the strain on the national power grid and reinforcing efforts to address the issue.

Bitfarms scheduled a special shareholder meeting for late October as rival Bitcoin miner Riot Platforms seeks to replace two of the company's directors. Bitfarms said it was important to give shareholders "a reasonable period of time" to evaluate Riot's proposal given that Riot "seeks a reconstitution of a majority of the board to gain control of the company."

Core Scientific announced the mandatory conversion of its outstanding Secured Convertible Notes due 2029. CEO Adam Sullivan said: "The conversion of the secured convertible notes represents another important milestone that highlights the significant progress we have made since our emergence from bankruptcy earlier this year and the value creation potential ahead for our business as we continue to work to deliver on our growth strategy."

Time Magazine's Andrew Chow spoke to dozens of residents of Granbury, Texas, who have suffered from unusual medical conditions. A local Bitcoin mine appears to be the likely suspect – the noise from cooling fans may be causing people's bodies to exhibit stress responses. (Read the full article, [here](#).)

Bernstein said Bitcoin miners have secured ample power supplies and operating capabilities and can help companies build AI data centers. The broker initiated coverage of miners Iris Energy and Core Scientific with outperform ratings.

ETPS (EXCHANGE-TRADED PRODUCTS), FUNDS & INDEXES

The Australian Securities Exchange (ASX) is now home to a second Bitcoin ETF. DigitalX's Bitcoin ETF is issued in partnership with K2 Asset Management and Canadian digital assets company 3iQ which launched some of the first crypto ETFs in Toronto in 2021. BTXX will begin trading July 12 on the ASX.

REX Shares launched the new T-REX Leveraged and Inverse Bitcoin Daily Target ETFs: T-REX 2X Long Bitcoin Daily Target ETF (BTCL) and T-REX 2X Inverse Bitcoin Daily Target ETF (BTCZ). These ETFs are designed to provide 2x leveraged and 2x inverse exposure to Bitcoin.

After Bitwise was early out of the gate filing an amended registration statement for its spot Ethereum ETF, amended S-1s rolled in from VanEck, 21Shares, BlackRock, Fidelity, Franklin Templeton, and Grayscale on July 8.

The Cboe officially asked the SEC to let asset managers VanEck and 21Shares bring a Solana-based ETF to the market. The exchange submitted a pair of 19b-4 filings with the SEC on July 8, asking to list these products if and when approved by the regulator. Once the SEC acknowledges receipt of the filing, a window of 240 days opens in which the regulator is forced to make a decision on the products, which would be underpinned by SOL.

Crypto trading firm GSR completed an options transaction based on the CoinDesk 20 (CD20) Index with Zug-based asset manager St. Gotthard Wealth as the counterparty. It was the first options transaction tied to the CD20 index.

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

Morgan Creek Digital is seeking to raise \$500 million for a new VC fund focused on early-stage AI, blockchain, semiconductor, and data investments in regions such as Europe, the Middle East, Africa, and Asia-Pacific.

Crypto investment firm Hypersphere unveiled a new fund with \$130 million in AUM that will employ Wall Street-style strategies to generate returns from crypto assets. The Atlas fund launched in stealth mode in January, funded from Hypersphere's balance sheet. It is staffed by alums of high-frequency trading firm Millennium and hedge fund Bridgewater.

Partior, a blockchain payment network backed by JPMorgan, DBS, and Standard Chartered, secured \$60 million in Series B funding with investments.

Crypto trading firm and market maker Auros said that its newly established VC arm plans to invest more than \$50 million of its own capital in early-stage digital asset ventures in the next two years.

CARV, a modular data layer for AI, raised \$50 million in a strategic funding round.

Rome, a crypto startup project aiming to use Solana as an auxiliary network to provide services to Layer-2 blockchains built atop Ethereum, emerged from stealth and announced it has raised \$9 million of funding.

IPOS, M&A, PARTNERSHIPS & DEALS



Standard Chartered's crypto subsidiary Zodia Markets is in talks to acquire part of Jersey-based Elwood Capital Management – a digital-asset business backed by billionaire hedge fund manager Alan Howard.

Binance is in final negotiations to sell most of its shares in South Korean crypto exchange Gopax to Megazone, reducing its stake to around 10%.

Zodia Custody, the crypto safekeeping service backed by Standard Chartered, SBI Holdings, Northern Trust, and National Australia Bank, partnered with crypto lending specialist Maple Finance.

TaxBit and TAINA Technology, two industry-leading tax compliance solutions, announced a strategic partnership to deliver a comprehensive end-to-end tax reporting solution for the digital economy. This collaboration aims to assist US and non-US digital marketplaces with their comprehensive onboarding and reporting needs.

Swedish energy-focused project named Srcful proposed becoming a Helium subnetwork with its own ENERGY token. Subject to a successful governance vote, Srcful plans to use Helium hotspots to run a virtual power plant.

DEFI



Arbitrum DAO approved diversifying 35 million ARB worth roughly \$25 million from its treasury into six products that aim to be stable, liquid, and yield-bearing. The Arbitrum community overwhelmingly signaled support to invest 11 million ARB in BlackRock's BUIDL Fund with Securitize, along with 6 million ARB each in Ondo Finance's US Dollar Yield Token and Superstate's USTB Fund. 99.44% of ARB token holders voting in favor also decided to allocate 4 million ARB each into Mountain Protocol's USDM, OpenEden's TBill Fund, and Backed Finance's bIB01 asset.

WOOFi, a decentralized cryptocurrency exchange and sister to crypto exchange WOOX, is applying novel elements from the world of role-playing games (RPG) to DeFi, using NFTs to boost yields generated by customers staking tokens on the platform.

Starknet plans to introduce native STRK token staking by the end of 2024, pending community approval. Core developer StarkWare submitted the Starknet Improvement Proposal (SNIP) to enable staking on the network. If the proposal passes, staking may be launched on the testnet soon, with a planned mainnet release in Q4, enabling users to delegate to a staker or be stakers themselves with rewards proportional to the amount staked.

CBDcs & STABLECOINS



The Bank of Israel won't decide whether to introduce a CBDC before the European Central Bank does, according to Deputy Governor Andrew Abir, who said: "We're all waiting for the first western central bank to pull the trigger, which is almost certainly going to be the ECB. And then you may see a rush of countries going forward with it."

PayPal's PYUSD dollar-pegged stablecoin market cap has surpassed \$500 million after expanding to the Solana network in May. Notably, in the past month alone, PYUSD's token supply has increased 97% from 270 million to more than 533 million, according to DeFiLlama data. The surge places PayPal among the top 10 stablecoin issuers less than a year after its launch in August 2023, with Tether's USDT leading the niche with a supply of over 112 billion.

Coinbase Ventures invested \$1 million in strategic funding for Ampleforth's decentralized flatcoin, SPOT. Flatcoin technologies aim to track the cost of living and are considered the "next iteration of stablecoins" by Coinbase CEO Brian Armstrong. SPOT also launched on the Coinbase-incubated Ethereum Layer-2 Network Base on July 8 as part of the investment deal. SPOT is designed to combine characteristics of fiat money and hard commodities to create a decentralized, less volatile asset for the on-chain economy.

Justin Sun announced that Tron will implement gas-free stablecoin transfers later this year, with plans to expand to Ethereum and other EVM-compatible blockchains.

NFTS, BLOCKCHAIN GAMING & METAVERSE



Claiming over 250 million users already, the popular Telegram-based "clicker" game Hamster Kombat's mass adoption drive aims to reach 1 billion people, educating them about the Web3 world. Its founders revealed plans for a second airdrop after this month's initial token distribution.

The forthcoming mobile shooter game "For The Win" announced it would be building on Solana.

Gaming blockchain Oasys is teaming up with Edia Corporation, a holder of 139 retro game intellectual property (IP). Oasys will onboard a new user base to Web3 gaming by becoming the exclusive distributor for all 139 retro game IP titles Edia owns.

JOB MOVEMENT



UK Prime Minister Keir Starmer named Tulip Siddiq as Economic Secretary to the Treasury and City Minister, a position that involves overseeing financial services including crypto.

Bitfarms appointed Ben Gagnon as its CEO, effective immediately, amid its ongoing tussle with rival Riot. Gagnon previously served as Bitfarms' chief mining officer.

Leah Wald, the former boss and co-founder of Valkyrie Investments, was appointed president and CEO of crypto investment firm Cypherpunk Holdings.

Crypto trading firm and market maker Auros appointed Julien Auchecorne as head of Auros Ventures. Auchecorne previously held roles at hedge fund Brevan Howard and digital asset services platform XBTO International.

REGULATIONS, RULINGS & COMMENTARY



Sen. Debbie Stabenow (D-Mich), who chairs the Senate Agriculture Committee, plans to introduce a bill granting the CFTC regulatory authority over digital commodities, emphasizing the need for clear regulations to protect consumers and promote innovation.

The US House of Representatives voted on July 11 to uphold President Joe Biden's veto of Joint Resolution 109, the legislation that sought to invalidate the SEC's staff accounting bill 121. House Financial Services Committee Chair Patrick McHenry (R-NC) said: "SAB 121 is one of the most glaring examples of the regulatory overreach that has defined Chair Gary Gensler's tenure at the [SEC]. It limits consumers options to safely custody their digital assets, upending decades of bank custody practices and increasing concentration risk."

North Carolina Governor Roy Cooper vetoed a bill that would have banned CBDCs in the state, calling the legislation premature.

According to a source at the agency, the SEC is allowing certain firms to bypass its controversial crypto accounting guidance (SAB 121) if they demonstrate proven procedures and technology for customer crypto recovery in bankruptcies.

Industry stalwarts including Anchorage Digital, Coinbase, Kraken and Fireblocks have come together to form the Blockchain Security Standards Council – aiming to set standards for security across the blockchain industry. The council, helmed by 10 firms, aims to set standards for security across the blockchain industry. Halborn, Bastion, Figment, OpenZeppelin, Ribbit Capital, and Sentinel Global will also be on the council.

A judge suggested that Coinbase should significantly alter its subpoena request for SEC Chair Gary Gensler's personal communications, labeling the current effort as inappropriate and calling for a more formal review process.

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

Elliptic reports that Cambodia-based marketplace Huione Guarantee facilitated at least \$11 billion in cryptocurrency flows, allegedly linked to money laundering and other crimes.

The crypto market recovery over the last year has meant hackers stole more than twice the amount of crypto in dollar terms compared to the first six months of 2023, according to a recent report by blockchain intelligence company TRM Labs. Hackers stole ~\$1.4 billion worth of crypto by June 24, compared with nearly \$660 million in the same period in 2023.

Ethereum and Immunefi launched "Attackathon," with plans to raise a \$2 million reward pool to security researchers for identifying vulnerabilities in Ethereum's code.

Crypto bridge Multichain owes the Fantom Foundation \$2 million, due to a \$125 million exploit last year, following a Singapore court ruling that could lead to the return of stolen assets.

Jump Crypto will pay developers up to a \$1 million bounty for disclosing critical bugs in Firedancer, its independent validator client for Solana.

Hong Kong police authorities arrested two 38-year-old women from mainland China for allegedly abducting a three-year-old boy. The two grabbed him from a shopping mall on July 3 before demanding a ransom to be paid in USDT of \$660,000.

The SEC said it does not plan to recommend enforcement action against blockchain infrastructure firm Paxos following a probe into the Binance USD (BUSD) stablecoin. The SEC also dropped its investigation into Hiro's Stacks, a Bitcoin scaling layer for smart contracts.

Crypto exchange BitMEX pleaded guilty to violating the Bank Secrecy Act by failing to implement proper KYC and AML measures from 2015 to 2020.

DeFi giant Compound Finance's frontend was compromised on July 11 and now hosts a phishing site, per developers.

Lido DAO took a legal step to defend itself in the US judicial system. In a vote that passed on July 9, Lido DAO authorized Dolphin to file a motion to dismiss a class-action lawsuit filed in the US District Court for the Northern District of California that brought forward a number of allegations against the DAO behind the largest DeFi protocol by TVL. The class-action lawsuit, which was initially filed last year and amended in April, not only claims Lido DAO is a "general partnership governed by large holders of LDO," but also that its governance token LDO is a security that has not been registered with the SEC).

Interoperability protocol Celer Network issued a warning about a potential DNS hijacking attack that could impact multiple crypto projects.

Former Crypto.com compliance officer Jose Luis Alonso Melchor was charged with money laundering and extortion in Malta after allegedly threatening to expose sensitive company information unless compensated.

Crypto VC giant Polychain accused Niraj Pant, a former employee, of making a backroom deal with portfolio company Eclipse Labs that broke the fund's policies.

Samourai Wallet co-founder William Lonergan Hill, arrested for money laundering, was granted bail and plans to contest the charges in an upcoming court appearance.

Paxful co-founder Artur Schaback faces up to five years in prison after pleading guilty to failing to implement an effective anti-money laundering program on the platform.

MISCELLANEOUS



Vitalik Buterin urged the Ethereum network to implement automated responses to potential 51% attacks to reduce the reliance on social consensus and improve the network's resilience. He also highlighted the importance of adopting light clients, ensuring quantum resistance, and simplifying protocols for enhanced security and usability.

According to analytics firm Lookonchain, Ethereum earned annual fee revenue of \$2.7 billion, the highest among leading blockchains. Bitcoin ranked second, with annual fee revenue of \$1.3 billion, while Solana came in fourth on the list, with \$241 million.

Ethereum developers are cautiously weighing the integration of new features into the mainnet to avoid overloading the upcoming Pectra hard fork, delaying the launch of Devnet-1.

Polymarket, a crypto-based predictions market, set an all-time high number of monthly active users at 30,000.

Soccer stars Lionel Messi and Ronaldinho promoted a memecoin called WaterCoin.

Singer and rapper Amala Zandile Dlamini, known professionally as Doja Cat, warned her 5.6 million-follower X account was hacked to promote a Solana-based token with the ticker DOJA.

Arkham Intelligence CEO Miguel Morel says he anticipates the blockchain data platform will start offering paid features at some point this year but intends to keep the core product free.

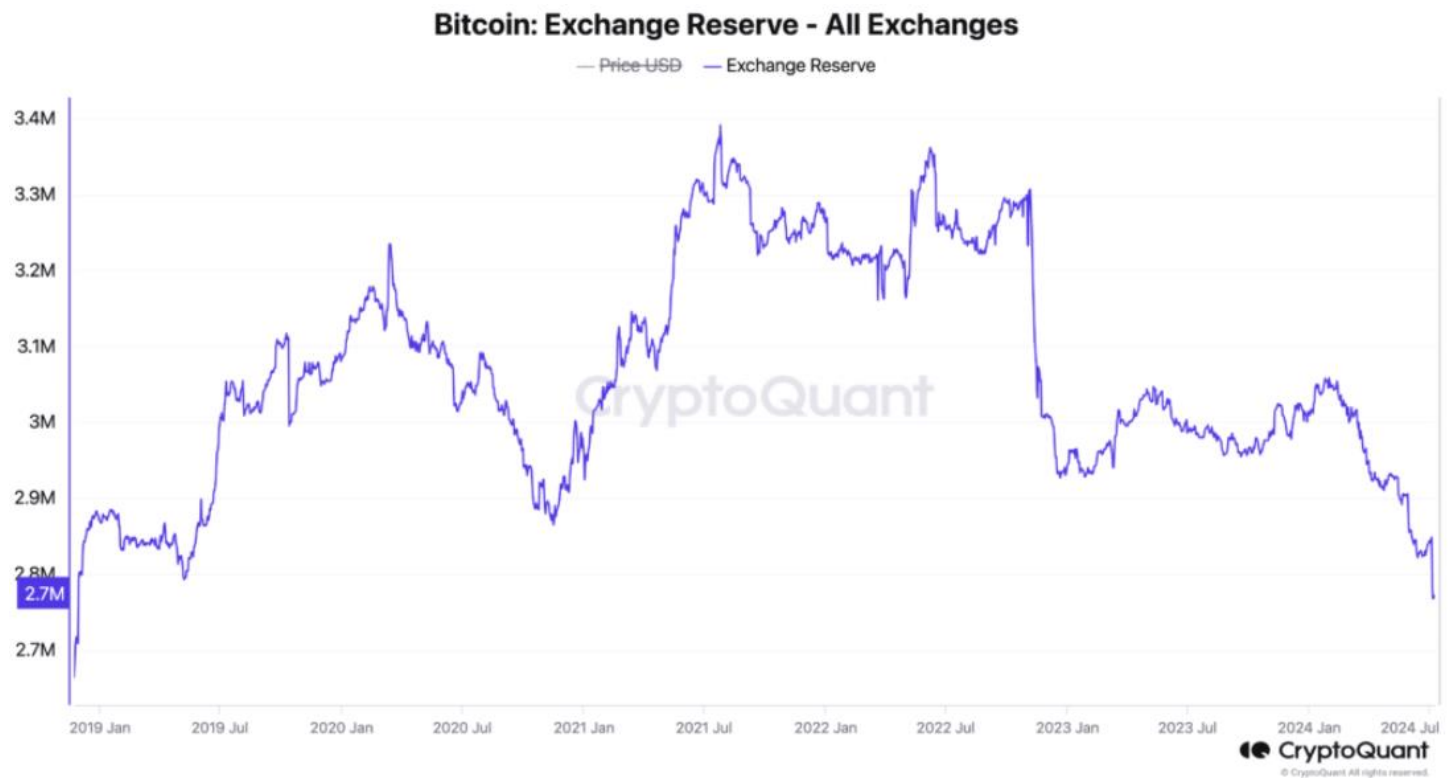
CHARTS, TABLES, QUOTES, COMMENTARY & OTHER IMAGES

NYDIG: The summer isn't typically Bitcoin's best period for returns, and this year's lull in price action seems to be a repeat of previous years. Historically, monthly median returns are poor in August and September until rebounding in the seasonally strong Q4. We may be seeing some of that already with declining volatility and rangebound price action.

Returns Wane into the Summer Months



Even though BTC has been flowing to exchanges en masse from addresses identified as connected to the German government, the number of Bitcoins sitting on exchanges has reached a multi-year record low. According to data from blockchain analytics firm CryptoQuant, exchanges around the world hold about 2.76 million Bitcoins, worth ~\$156.6 billion at current prices. That's the lowest number of BTC tokens held by exchanges since Nov. 2018 when BTC was trading near \$3,800.



The Republican National Committee endorsed pro-Bitcoin platform in party draft...

 @BitcoinMagazine

JUST IN: 🇺🇸 Republican National Committee panel passes draft of party platform, pledging to "defend the right to mine #Bitcoin ₿" and protect self custody.

CHAPTER THREE: BUILD THE GREATEST ECONOMY IN HISTORY

Our Commitment:

American Workers are the most productive, talented, and innovative on Earth. The only thing holding them back is the suffocating policies of the Democrat Party. Our America First Economic Agenda rests on five pillars: Slashing Regulations, cutting Taxes, securing Fair Trade Deals, ensuring Reliable and Abundant Low Cost Energy, and championing Innovation. Together, we will restore Economic Prosperity and Opportunity for all Americans.

1. Cut Regulations

Republicans will slash Regulations that stifle Jobs, Freedom, Innovation and make everything more expensive. We will implement Transparency and Common Sense in rulemaking.

2. Make Trump Tax Cuts Permanent and No Tax on Tips

Republicans will make permanent the provisions of the Trump Tax Cuts and Jobs Act that doubled the standard deduction, expanded the Child Tax Credit, and spurred Economic Growth for all Americans. We will eliminate Taxes on Tips for millions of Restaurant and Hospitality Workers, and pursue additional Tax Cuts.

3. Fair and Reciprocal Trade Deals

Republicans will continue forging an America First Trade Policy as set forth in Chapter 5, standing up to Countries that cheat and prioritizing American Producers over Foreign Outsourcers. We will bring our critical Supply Chains back home. President Trump turned American Trade Policy around, protecting U.S. Producers, and renegotiating failed agreements.

4. Reliable and Abundant Low Cost Energy

Republicans will increase Energy Production across the board, streamline permitting, and end market-distorting restrictions on Oil, Natural Gas, and Coal. The Republican Party will once again make America Energy Independent, and then Energy Dominant, lowering Energy prices even below the record lows achieved during President Trump's first term.

5. Champion Innovation

Republicans will pave the way for future Economic Greatness by leading the World in Emerging Industries.

Crypto

Republicans will end Democrats' unlawful and unAmerican Crypto crackdown and oppose the creation of a Central Bank Digital Currency. We will defend the right to mine Bitcoin, and ensure every American has the right to self-custody of their Digital Assets, and transact free from Government Surveillance and Control.

Artificial Intelligence (AI)

We will repeal Joe Biden's dangerous Executive Order that hinders AI Innovation, and imposes Radical Leftwing ideas on the development of this technology. In its place, Republicans support AI Development rooted in Free Speech and Human Flourishing.

Expanding Freedom, Prosperity and Safety in Space

Under Republican Leadership, the United States will create a robust Manufacturing Industry in Near Earth Orbit, send American Astronauts back to the Moon, and onward to Mars, and enhance partnerships with the rapidly expanding Commercial Space sector to revolutionize our ability to access, live in, and develop assets in Space.

Eric Balchunas: Bitcoin had 20% drawdown in a month flat. Pretty nasty. I would have been impressed if 90% of AUM hung in there but it was over 100% as they saw inflows. The Boomers hung tough, even tougher than I predicted, and kept the all-important YTD net number at +\$15 billion. Hanging tough during drawdowns is as or more important than inflows during rallies for long term net assets – just ask Vanguard.



NYDIG: Price Impact from Large Sellers Looks Overstated...

Over the past few weeks, large holders of Bitcoin balances have emerged as sellers, weighing on price and sentiment, but more so than would be indicated by commonly used transaction cost analysis (TCA) tools. Since the first specter of large sellers appeared, the consolidation of balances by the Rehabilitation Trustee for Mt Gox on May 28th, the price of Bitcoin has fallen 17.4%. But applying TCA via stock market analogues suggests that even if ALL the potential Bitcoins were to come to market, which they haven't, the recent price action by Bitcoin may be exaggerated.

Emergence of Large Sellers

Over the past week, three large holders of Bitcoin balances have impacted the market: the US government, German law enforcement (BKA), and the Rehabilitation Trustee for Mt Gox. The US government is by far the largest of the three, holding 213.3K Bitcoins (\$12.0B) according to data from Arkham Intelligence. These were acquired from the collective seizures of Bitcoins, mostly stemming from the closure of the Silk Road darknet market (2013) and the hack of Bitfinex (2016). The Rehabilitation Trustee in the Mt Gox bankruptcy case (2014) holds 139K Bitcoins (\$7.8B) and has been preparing to distribute a portion of those coins to long-standing creditors in the bankruptcy case. Finally, the Federal Criminal Police Office (BKA) in Germany presently holds 22.8K (\$1.3B) of the 50K Bitcoins it originally seized in the closure of illegal video streaming site Video2K in January of this year.

Large Supply Overhangs

Entity	Bitcoins (K)	USD (\$M)
US Government	213.3	12,046.0
Mt Gox Rehab Trustee	139.0	7,849.2
German Authorities (BKA)	22.8	1,290.2
Total	375.1	21,185.4
Total Bitcoins (K)	19,719.0	
Share of Total Bitcoins	1.9%	



Source: Arkham Intelligence, NYDIG

Traders (and more importantly creditors) have been eagerly anticipating the resolution of the Mt Gox bankruptcy case, with the Rehabilitation Trustee setting a deadline of October 31, 2024, for the distribution of some of the coins. Now there is finally progress being made on this front, as some coins have started moving into the hands of creditors. However, it was the consolidation of balances held across many addresses that initially caused market unease - blockchain activity that well preceded distribution to creditors.

US and German Governments Pile On

While the resolution of the Mt Gox has been a highly watched item, sales from the US government and the BKA were less well telegraphed. In both cases, we saw no prior indication that sales were being readied. The US government has at times disclosed sale plans, but as we pointed out recently, it has not always stuck to its word. The BKA sales have been even more puzzling. On-chain analytics show outflows

of varying amounts over irregular intervals to an increasing array of exchanges and OTC desks. There are even instances where service providers (exchanges and OTC desks) appear to be sending Bitcoins BACK to BKA, and not in insignificant amounts either (tens of millions of dollars). Regardless of this perplexing on-chain activity, BKA is not likely to be a long-term holder of Bitcoin. The good news is that it has already offloaded much of its position, with current holdings down to 13.1K Bitcoins (much lower than our table above using yesterday's data).

Bitcoin Falls on Supply Overhang Worries



Estimating the Price Impact

Bloomberg's transaction cost analysis (TCA) function is a popular feature that allows traders to gauge the price impact of their trades using statistical metrics such as volume and volatility. This is especially crucial for executing large or block trades. While this type of information isn't explicitly available for Bitcoin, we can analyze equity market proxies to see what Bitcoin trading might look like.

We use the entire holdings of the US government, BKA, and Mt Gox trustee as the upper bound for selling that might occur and analyze this in the context of a block “secondary offering”. This totals 375.1K Bitcoins, or 1.9% of the total Bitcoins in existence. We picked a variety of high flying and high valuation technology companies, including Nvidia, Telsa, and GameStop as well as Bitcoin proxies, the iShares Bitcoin Trust ETF and MicroStrategy. In each of these cases, we assumed a similar share of the total shares outstanding would need to be sold in a block trade, 1.9%. Using that ratio gives us a trade amount in number of shares with which to run a transaction cost analysis.

As can be seen from the following table, the smallest estimated price impact of selling 1.9% of the shares outstanding in a block trade is 2.8%, while the largest is 11.2%. Bitcoin, however, has already seen a 17.4% drop in its price, far greater than the maximum impact observed from similar stocks. We also don’t expect the entire US government balance or even Mt Gox coins to be sold at once, as this analysis implies. Our estimate for the number of Bitcoins that could be coming to market soon in the Mt Gox case is only 22.3K of the original 141.7K Bitcoins held by the trustee.

Estimating the Price Impact of Similar Sales of Stocks

In Millions

	BTC	NVDA	TSLA	MSTR	IBIT	GME
Market Cap (\$)	1,117,311.7	3,191,800.0	835,091.0	22,792.0	17,920.0	10,476.0
Shares/Coins (Units)	19.7	24,600.0	3,189.0	15.8	545.4	426.2
30d ADV (Shares)		385.1	88.7	1.3	23.8	67.2
Turnover Ratio		1.6%	2.8%	7.9%	4.4%	15.8%
Total Overhang (M Units)	0.375					
Share of Total Shares	1.9%	1.9%	1.9%	1.9%	1.9%	1.9%
Volume to Trade (M Shares)		468.0	60.7	0.3	10.4	8.1
Total Cost of Block Trade		6.6%	2.8%	3.0%	2.9%	11.2%

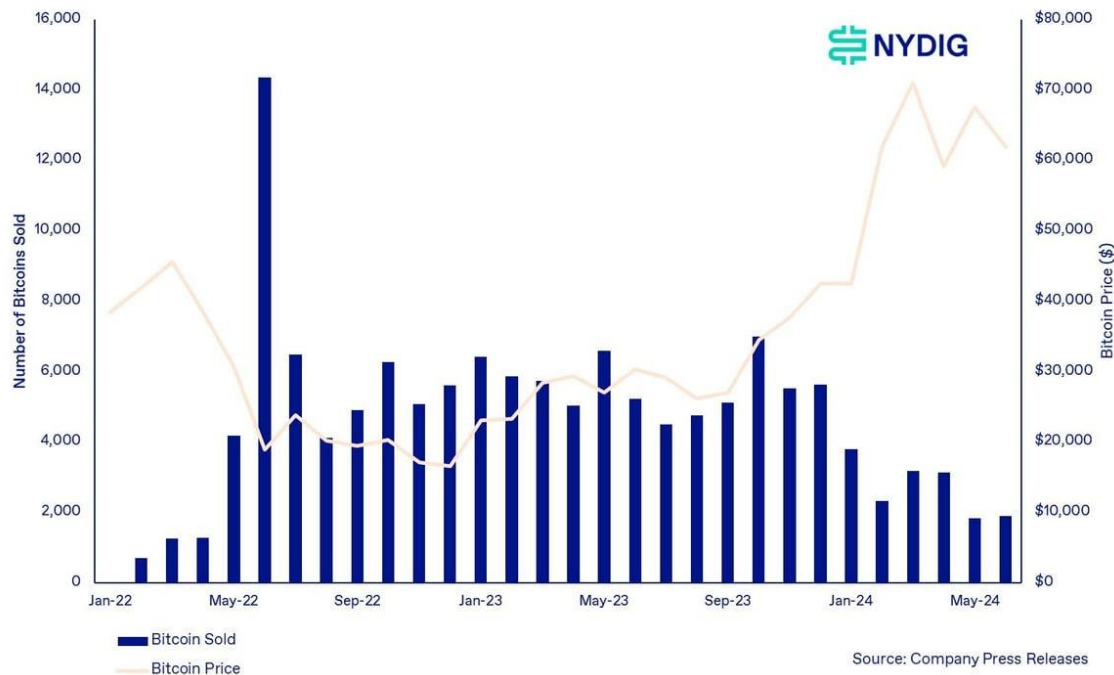


Source: Bloomberg, NYDIG

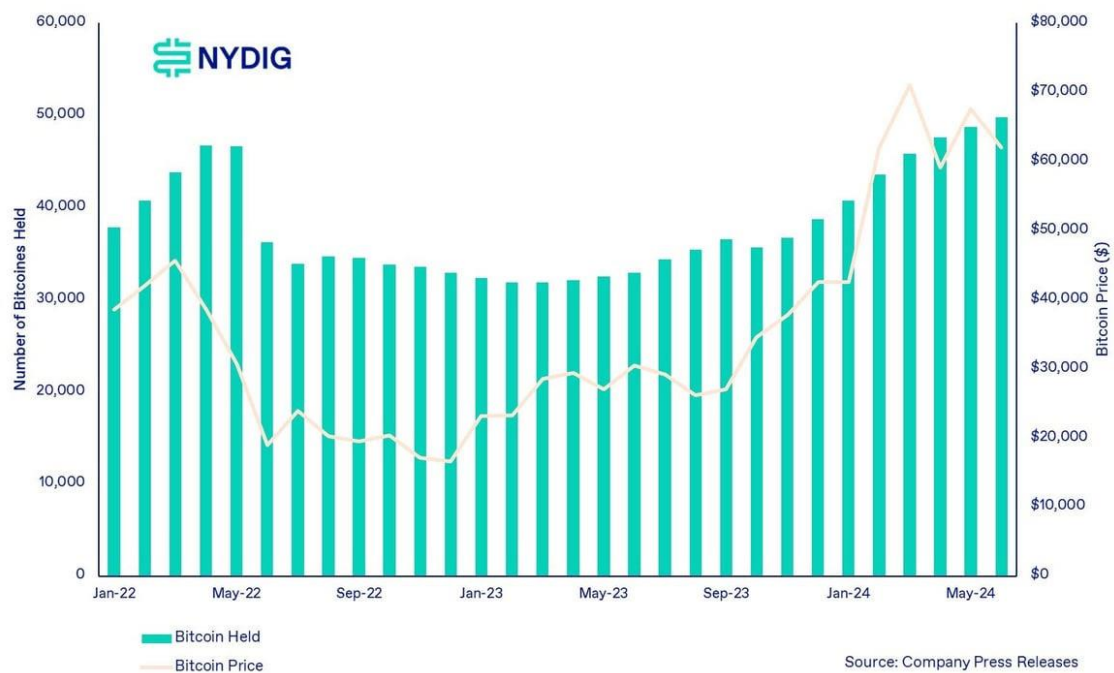
NYDIG: Public Miners Continue to Accumulate Bitcoins...

There have been a number of reports published by crypto analytics firms pointing to miners selling as exacerbating the price declines. However, June production and holdings reports by public miners refutes this notion. This data indicates (we are missing June data from Mawson and Dmg who have not reported yet, so their results are exclude from the entire time series) that public miner sales rose slightly month-to-month (71 BTCs), but balances held on public miner balance sheets continue to climb to levels well above their 2022 highs.

Bitcoins Sold by Public Miners Ticks up Slightly



Bitcoins Held by Public Miners Rises to a New High



There are limitations to what blockchain analytics can tell us. Identifying that Bitcoins move to an exchange or OTC desk, even if done correctly, only tell us that coins moved. That's it. They could've been posted as collateral or lent out, not necessarily sold. We point this out because of the factually incorrect assertion from CryptoQuant's CEO claiming that Marathon sold 1,000 BTC in June to cover expenses, a post that caused quite a stir in the market. While the company denied the fact, as did we, we now have June production and holdings data. What did Marathon actually do during June? It ACQUIRED 89 Bitcoins above and beyond its monthly production, not sold. Moral of the story is don't believe everything blockchain analysis purports to tell us, especially if the assertions are strong.

We understand that public miner activities don't explain every miner's behavior. It may be that public and private miners are behaving differently. Our preferred on-chain metric for miner positions is Bitcoins held 1 hop from the coinbase address (not the exchange, the block reward destination), which did show a steep decline in May (37.4K BTCs or ~\$2.5B), but balances are just back to where they were in March. Again, we wouldn't rely too heavily on this data given the limitations of blockchain analysis and knowing real world activities precisely.

Bitcoins Held by Miners Back to March Levels



For a refresher on how big the market could be for the spot ETH ETFs...

Bitfinex's Head of Derivatives thinks ETH ETFs could see between 10% and 20% of BTC ETF inflows.

Bloomberg's Eric Balchunas makes a similar prediction, estimating the total market for ETH ETFs could reach 20% of the BTC ETF market – around \$12.5 billion in value.

JPMorgan predicts a “modest” \$1 billion to \$3 billion of net inflows in 2024.

And then, there's simple math from Galaxy Digital:

Estimated US Spot Ethereum ETF Inflows	
Source: Galaxy Research	
Estimated ETH ETF Inflows based on BTC ETF Inflows	
BTC ETF Net Inflows to-date	\$15.1bn
Annualized Inflows (first year)	\$35.3bn
BTC / ETH Size Multiple	3.0x
Est. ETH ETF Inflows (annual)	\$11.8bn
Est. ETH ETF Inflows (monthly)	\$1.0bn
Data: Bloomberg, Galaxy Research estimates (data as of 6/15/24; ~5 months since bitcoin ETFs launched)	

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

BTC Holding Steady at \$58,000: This week was uneventful in terms of Bitcoin price action, which is honestly refreshing after the 15% drop over the past month. Stagnation in the first few months post-halving is very typical; inefficient miners are exhausting their reserves in an attempt to stay afloat. BTC will likely turn a new leaf, and begin exploring uncharted territory, in Q4 of this year, once this sell pressure is relieved.

Puell Multiple Indicates Local Bottom May Be Forming: The Puell Multiple is calculated by dividing the daily BTC issuance in dollar terms by its 365-day moving average. This effectively shows the amount of potential miner-induced sell-pressure on the market relative to the past year. Puell Multiple made lows after each of the past two halvings prior to price making an exponential move upwards. PM is at its lowest level since January 2023 and appears to be forming a bottom, providing a bullish indicator for price action going forward.

Realized Profit / Loss - Market Cap Adjusted: After months of on-chain profit-taking (coins being moved at a higher price than that at which they were acquired), we are on the cusp of enticing a regime of net-realized losses. The significance here is investors are weary of realizing losses during bull markets (bear markets are a different story due to fear-based capitulation). During the 2016/17 and 2020/21 bull markets, there were multiple drawdowns throughout. During these drawdowns there were brief periods of net-realized losses, which consistently marked local bottoms. Nobody likes to sell at a loss, especially during bull markets, prompting investors to come in and “buy the dip.”

Energy Gravity: At a typical hosting rate today, new-gen Bitcoin ASICs require ~\$50,500 worth of energy to produce 1 BTC.

Summary and conclusion from Glassnode’s “The Week On-Chain” from 7/9/24. (Read the full report, [here](#).)

Following 18 months of up-only price action after the FTX implosion, and 3 months of apathetic sideways trading, the market has endured its deepest correction of the cycle. Nevertheless, drawdowns across our current cycle remains favourable when compared to historical cycles suggesting a relatively robust underlying market structure.

The aggressive contraction has plunged a significant amount of Short-Term Holders into a position of severe unrealized loss, placing a large degree of pressure upon the cohort. However, the magnitude of losses locked in has remained relatively subdued in comparison to the market size. Alongside this, the lack of Long-Term Holder participation in loss taking suggests mature investors remain profitable, despite the ensuing market hysteria.

Conclusion from Coin Metrics’ “State of The Network” weekly report from 7/9/24. (Read the full report, [here](#).)

Q2 2024 presented a complex landscape for digital assets, marked by significant regulatory developments, technical milestones, and shifting market dynamics. The approval of Ether spot ETFs and progress in stablecoin regulation signal growing institutional acceptance and regulatory clarity. However, challenges persist, including Bitcoin's post-halving adjustments and potential sell pressure from Mt. Gox distributions.

Looking ahead, key areas to watch include the launch and adoption of Ether ETFs, the impact of Layer-2 scaling solutions on Ethereum’s sustainability, and the ongoing regulatory developments in major markets. These factors, along with broader macroeconomic trends, will be crucial in determining the digital asset market's direction for the remainder of 2024 and beyond.

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	4 gwei
DeFi TVL	\$156.94 B
Fear and Greed Index	33 (Fear)

Matt Hougan's (Bitwise) Weekly CIO Memo: "Short-term pain, long-term gain – the current market pullback looks like a gift for long-term investors; key tailwinds could drive Bitcoin to \$100K by year-end."

The crypto market is facing a weird dynamic right now: All the short-term news is bad, and all the long-term news is good. The dichotomy is creating an incredible potential opportunity for long-term investors.

Let me explain.

The Massive Tailwinds at Crypto's Back

I have never seen a better long-term setup for crypto than right now.

We have:

- Extraordinary Inflows Into Spot Bitcoin ETPs: Since launching in January, spot Bitcoin ETPs have pulled in \$15 billion in net new assets, becoming the most successful ETP launch of all time. But here's the thing: I believe they're just getting started. The ETPs are not even approved yet for mainstream use by the largest wealth management platforms, including Morgan Stanley and Wells Fargo. When that happens—later this year, I suspect—we're likely to see billions more flow in.
- The Bitcoin Halving: Bitcoin went through its quadrennial halving in April, reducing new supply by 50%. Historically, Bitcoin has performed exceptionally well in the year after each halving.¹ Will this time be any different?
- Spot Ethereum ETFs: The SEC appears ready to approve spot Ethereum ETPs in the near future, adding to the fun. We believe these ETPs could attract \$15 billion in net flows in their first 18 months on the market.
- A Sea Change in Washington's Attitude Towards Crypto: Crypto has faced outright hostility from Washington in recent years, hamstringing industry growth. But in one of the most stunning developments of the past few months, attitudes have changed sharply. In May, for instance, 71 Democrats joined 208 Republicans in support of a promising new regulatory framework for crypto. One reason for the new bipartisan support? Crypto has built political muscle thanks to one of the strongest networks of super PACs in Washington. This is a game-changer. What's more, in a historic first, the GOP just made crypto part of their official 2024 platform, signaling its growing relevance in national elections.
- Fed Rate Cuts: The Fed funds futures markets are pricing in two rate cuts by the end of 2024, and four to five rate cuts over the next 12 months. Falling rates are generally good for crypto.

Add strong growth in stablecoins, big developments in Layer 2s, institutions like BlackRock moving deeper into the space, and more, and it's one heck of a setup. The right mix of developments in the second half of the year could easily drive Bitcoin to \$100,000 and push Ethereum to new all-time highs.

The Short-Term Headwinds

So, given all the good news, why are prices down? The answer: one-off sales.

Specifically, crypto markets have been spooked by multiple short-term liquidity shocks that recently hit the market. In the past two weeks, we've seen:

- Mt. Gox Distributions: Mt. Gox—the crypto exchange that failed in 2014—finally began paying out its creditors in early July. This is a big deal: Mt. Gox is expected to distribute more than \$8 billion in Bitcoin to creditors over the next few months. Billions could be sold immediately.
- Silk Road Sales: The U.S. government holds over \$12 billion in Bitcoin it seized in 2013 from Silk Road, the infamous online black market. On July 1, the U.S. Marshals Service announced that it had selected Coinbase Prime to sell these assets, signaling they could hit the market soon.
- German Government Sales: Not to be outdone, the German government—which holds roughly \$2 billion in Bitcoin from various seizures in the past—sold \$900 million of its position, according to reports. The remainder could hit the market soon.

Consider: \$8 billion from Mt. Gox, \$12 billion from Silk Road, \$2 billion from Germany ... that's a lot of Bitcoin. Making matters worse, these sales and distributions began in earnest over the July 4 holiday week, which is typically a low-liquidity time for crypto. This amplified the impact and led to large liquidations in the futures market, further pressuring prices.

Remember: This Too Shall Pass

But remember: These are all one-off sales. They will come to an end.

As investors, we're taught to look past nonrecurring events when we evaluate investments. They don't speak to the investment's long-term value.

In other words, this too shall pass. Mt. Gox will distribute its Bitcoin, and that's it. The U.S. government will sell its Silk Road assets, and then they're done.

Meanwhile, the positives are ongoing. The Bitcoin ETPs aren't going anywhere, Ethereum continues to attract new interest, Washington's embrace of crypto appears to be accelerating, and so on.

That's why the recent pullback is a gift.

Right now, one-off events are suppressing what I think would otherwise be a raging bull market. Once the market digests these short-term liquidity shocks, the future looks bright indeed.

Tweet of the week from Ikigai Asset Management's CIO...



Travis Kling
@Travis_Kling

...

NFA. I'm wrong often.

The current "bearish" backdrop seems easier to look through and buy than most of the boogeymen we've had in these markets over the last 6 years.

- Germany is speedrunning their #Bitcoin 📉 dump. They're at 22k BTC currently, down from 50k a couple weeks ago. At this pace they'll be done in a week or two. By the time they get down to ~5k, market will look through it.
- Gox seems more FUD than actual mass selling (just a guess but feels that way). The claims buyers are sophisticated and patient. They strike me as the type to TWAP out into a raging bull, not hammer a tepid bid in the middle of summer. For the small creditors, you've hung on for decade when you could have sold ages ago. You're just going to aggressively dump now, three months after the halving?
- US govt selling is hardest to get your head around in terms of pace/method, and their stack is huge. But they've been pretty measured with selling so far, so I assume they'll continue to be pretty measured.
- You have boomers slurping the dipperino in the BTC ETFs Fri and Mon. The trillions of dollars on the sideline potentially interested in buying BTC were waiting for a pullback. They got a bit of one (26% on BTC peak to trough), and so far they've bought it.
- ETH ETFs around the corner and ETH price is a couple % below where it was before the ETF rumors hit. So you could argue there's essentially zero ETF hype in price at these levels.
- The Fed getting ready to cut. Market is currently pricing in a 70% chance of a cut in Sept. If inflation/labor data is light this month, Powell will likely tell the market that Sept is a live meeting at the 7/31 FOMC. Nickileaks has already teased this. What else would you rather own than crypto going into a worldwide easing cycle?
- There's quite a good chance Trump is about to be president. What else would you rather own than crypto going into a Trump presidency?
- NASDAQ keeps making new ATH after new ATH. crypto has completely decoupled to the downside. You could argue BTC is lagging QQQ by 40% YTD.

IDK, seems pretty easy to imagine BTC back up to at least the range highs before the election. Would love to hear the pushback on this.

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CCData released its “Stablecoins & CBDCs Report.” (See key findings below. Download the full report, [here](#).)

- Euro Stablecoins in Spotlight as MiCA Regulations Take Effect: The market capitalization of European stablecoins fell 2.51% to \$307mn, recording the lowest market capitalization since November 2023. With MiCA regulations related to stablecoins taking effect from June 30th, there is heightened interest in the compliance of stablecoins.
- Stablecoins Rises for The Ninth Consecutive Month: In June, the total market capitalization of stablecoins increased by 0.53% to \$161bn. This represents the ninth consecutive monthly rise, reaching the highest market cap since April 2022. The rate of growth in the stablecoins market capitalization has slowed down in the last three months, coinciding with the lull in the price action of digital assets.
- Stablecoin Trading Volumes Reach Seven Month Low: Trading volumes for stablecoin pairs on centralized exchanges have fallen by 18.0%, marking the third consecutive month of decline. The total trading volume reached \$970bn, the lowest in seven months. Among the top 10 stablecoins by market capitalization, USDT holds 78.4% of the market share.
- PYUSD Market Capitalization Rises to a New All-Time High: In June, the market capitalization of PYUSD rose 86.3% to \$499mn, marking a new all-time high for the asset. PYUSD is now the seventh largest stablecoin. This development coincides with PYUSD's recent integration into the Solana network. Currently, 38% of PYUSD's supply is loaned out through Solana's Kamino Finance protocol, which offers an annual percentage yield (APY) of 23%.
- Decline in On-Chain Stablecoin Transfer Volume: In June, the on-chain transfer volume of stablecoins fell for the second consecutive month, falling 7.50% to \$1.80tn. The drop in on-chain activity coincides with the market's current bearish sentiment, leading traders to take less risk. The on-chain transfer volume is currently at the lowest monthly total since February 2024.

Chainalysis released its “Money Laundering and Cryptocurrency Report.” (See below for a summary of what it covers. Download a copy, [here](#).)

- An in-depth look at crypto-native money laundering, the tactics and tools used, and methods for tracing.
- How money laundering networks are turning to cryptocurrency and what this could look like on-chain.
- The future of investigations and compliance, powered by blockchain intelligence.

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

- Two former senior FTX executives who pleaded guilty to criminal charges and played a role in their boss SBF's conviction will be sentenced later this year. Former Director of Engineering Nishad Singh and former Chief Technology Officer Gary Wang will learn their fates on October 30 and November 20, respectively.
- FTX lawyers are disputing Jump Trading subsidiary Tai Mo Shan's \$264 million claim, arguing that the loan deal in question never commenced.
- Terraform Labs, which is in the midst of bankruptcy proceedings, is looking to sell four of its businesses, including Pulsar Finance and Station.
- Celsius Network filed a lawsuit in New York against thousands of its users, especially those who withdrew their funds up to 90 days before the platform declared bankruptcy. The company is now looking to claw back the withdrawals at current market rates (far exceeding the amount at time of withdrawal).