



HYPERION DECIMUS

CRYPTO NEWSLETTER

POWERED BY WEEKLY CRYPTO BRIEF

18th August 2024

BITCOIN-RELATED



NYDIG: Bitcoin experienced a 4.1% decline in a week marked by turbulent trading. Bitcoin investors were left frustrated as stocks surged while Bitcoin remained stagnant, with no clear explanation for the lackluster performance.

The US government transferred ~\$600 million in Silk Road-related Bitcoin to Coinbase Prime.

A wallet holding \$2 billion of Mt. Gox Bitcoin initiated a test transaction on August 13, likely preparing for fund distribution to creditors, with analysts suggesting the wallet belongs to crypto custody platform BitGo. Users on Reddit are making unverified claims about receiving BTC and BCH balances on BitGo.

Metaplanet, a publicly listed Japanese investment firm, purchased an additional ¥500 million (\$3.4 million) worth of Bitcoin. This brings the company's total Bitcoin holdings to 303, acquired for ¥2.95 billion (\$20 million).

Ted Cruz, the junior US senator representing Texas, disclosed he purchased up to \$100,000 worth of Bitcoin through financial services firm River Financial.

El Salvador announced a \$1.62 billion investment by Turkish holding company Yilport into two of its seaports, marking the largest private investment in the country's history. This initiative, involving a partnership with the government for a 50-year operation of the Acajutla and La Union Seaports, is set to propel the development of the proposed tax-free "Bitcoin City." Positioned at the previously inactive La Union Seaport, Bitcoin City aims to leverage regional volcanic activity for Bitcoin mining, promoting a sustainable financial ecosystem.

Norwegian sovereign wealth fund, Norges Bank Investment Management, also known as Norway's Government Pension Fund Global, has been allocating a significant amount of its 18 trillion Krone (\$1.7 trillion) to MicroStrategy. According to the June 30 filings, Norway has invested \$217 million in MicroStrategy. (Also, the South Korea National Pension Service (~\$775 billion AUM) disclosed a ~\$34 million position in MicroStrategy.)

A comment left by Coinbase's Layer-2 network Base's official X account hinted that the firm plans to soon roll out its own version, "cbBTC," of Wrapped Bitcoin (WBTC) on Base.

Following a community outcry, crypto custodian BitGo abruptly pivoted on holders of WBTC multi-sig keys - saying the three keys for the WBTC multi-sig wallet will now be held by three different institutions.

Bitcoin developer Robin Linus released the "BitVM2" paper, which introduces significant efficiency gains and a permissionless challenge feature for Bitcoin. (See the [whitepaper](#), [here](#).)

INDUSTRY ADVANCES



Robinhood's CEO Vlad Tenev allegedly revealed that the firm now earns more revenue from crypto trading than equities, highlighting the strategic importance of crypto and AI in reshaping financial services.

Cynthia Lo Bessette, the head of Fidelity's digital asset management division, said her division is studying tokenization, including stablecoins, in addition to on-chain Treasuries and credit.

Singapore's largest bank, DBS, launched a pilot for blockchain-powered treasury tokens in collaboration with Ant International, aiming to enhance multi-currency treasury and liquidity management across various markets.

KfW, the largest development bank in Germany and owned by the German states, teamed up with Boerse Stuttgart Digital as infrastructure provider partner in preparation for its upcoming tokenized bond offering.

After tokenizing Hamilton Lane's Equity Opportunities Fund V and its private credit fund SCOPE last year, Securitize is also now enabling qualified individuals to invest in the tokenized feeder fund for Hamilton Lane's Secondary Fund VI on the Polygon blockchain. Secondary Fund VI invests in private equity, but rather than making primary investments, it buys equity stakes from primary investors. (A key advantage is that the minimum investment is \$20,000 rather than the typical \$5 million.)

MetaMask, the popular self-custodial crypto wallet for the Ethereum (ETH) network, is starting the rollout of its blockchain-based debit card developed with payments giant Mastercard and crypto payments specialist Baanx. The MetaMask Card will initially be available in a "limited pilot of a few thousand digital-only cards" to users based in EU countries and the UK.

Two prominent US mobile network carriers are reportedly testing Helium's MOBILE network to offload data traffic.

OKX is introducing Solana's "Blinks" technology, which enables shareable URLs that execute on-chain transactions, to all Ethereum-compatible chains via its multi-chain wallet.

Sauce, a platform that combines meme culture with crypto trading, went live on iOS and the web. The platform allows users to trade tokens on Solana, Ethereum, and Base without fees.

Optimism outlined a roadmap to improve interoperability between its affiliated blockchains, aiming to make its Superchain ecosystem function more seamlessly as a unified network.

SUN.io has announced SunPump, the first memecoin launch platform on TRON. The platform features streamlined, low-cost, and secure solutions for token issuance and trading to improve the meme token trading experience and help innovate within the meme culture ecosystem.

Coinbase announced the expansion of its services to Hawaii, allowing residents to buy, sell, and manage their digital assets. The development follows substantial regulatory changes by Hawaii's Department of Commerce and Consumer Affairs Division of Financial Institutions.

Worldcoin launched operations in Malaysia. Now, Malaysians can use Worldcoin technology to verify their humanity through iris scans.

TaxBit, a leader in digital asset accounting and tax solutions, set a new industry standard by launching its enterprise-grade pricing feature within the TaxBit Accounting Suite. TaxBit's Principal Market Analysis (PMA) support tool, a new solution, enhances accuracy, reduces manual efforts, and ensures compliance with evolving accounting standards, including the recent FASB ASU 2023-08 guidance.

MINING



Bitcoin hashrate hit a record high (627 EH/s), as miner reserves dropped to a 3-year low (1.8 million Bitcoin). (Per Investment bank Jefferies, Bitcoin mining was slightly less profitable in July than the previous month as the price of the world's largest cryptocurrency fell over 6% while the network hashrate remained stable. Jefferies also said August will be a more difficult month for the miners as Bitcoin's price has dropped about 5% while the network hashrate has started to grow again.)

Marathon Digital Holdings announced that all Bitcoin blocks mined in America will now be stamped with the label "Made in USA."

Marathon Digital announced a private offering of \$250 million in convertible notes. These are seven-year notes maturing on September 1st, 2031, convertible into cash or shares of MARA common stock (at Marathon's election). Marathon plans to use these funds to "acquire additional Bitcoin and for general corporate purposes, which may include working capital, strategic acquisitions, expansion of existing assets, and repayment of debt and other outstanding obligations."

Bitcoin miner Argo Blockchain repaid a \$35 million bailout loan from Galaxy Digital ahead of schedule, stabilizing its operations after financial struggles last year.

The chief of Iran's state-run electricity company, Mostafa Rajabi Mashhadi, declared: "A bounty of 1 million toman will be awarded to individuals who report every single unauthorized cryptocurrency mining equipment." (One million toman is worth roughly \$24 at the current exchange rate.)

ETPS (EXCHANGE-TRADED PRODUCTS), FUNDS & INDEXES



Coinbase reported that updated 2Q 2024 13-F filings indicate a notable increase in institutional inflows

into US spot Bitcoin ETFs, which the company views as a “promising indicator” for the Bitcoin market. The 13-F filings, released on August 14, reveal that institutional ownership of these ETFs grew from 21.4% to 24.0% between Q1 and Q2 of 2024.

The State of Wisconsin Investment Board increased its investment in BlackRock's iShares Bitcoin Trust (IBIT), according to a new SEC filing. It reported owning 2,898,051 shares of the IBIT as of June 30 (valued at \$98.9 million as of that date). This is an increase from the 2,450,400 shares that Wisconsin previously reported in May. (The filing also showed no position in GBTC, while the May filing reported a position of 1,013,000 shares.)

Goldman Sachs reported holding \$418 million in spot Bitcoin ETF shares as of June 30, with significant investments in BlackRock's iShares Bitcoin Trust and six other Bitcoin ETFs.

Morgan Stanley revealed a \$187.79 million stake in BlackRock's spot Bitcoin ETF by the end of Q2, while nearly selling off its position in Grayscale's GBTC, according to its latest 13F filing.

DRW Venture Capital disclosed holdings of nearly \$200 million in crypto ETFs, with a significant \$150 million invested in the Grayscale Ethereum Trust.

Franklin Templeton filed for a crypto index ETF that would initially hold Bitcoin and Ether.

The SEC has postponed its decision on Hashdex's proposed ETF that would include Bitcoin and Ether, extending the deadline for its ruling to September 30, 2024.

The operator of the NYSE has withdrawn its application to list and trade options based on the Bitwise Bitcoin ETF and the Grayscale Bitcoin Trust, according to a SEC filing. CBOE, where a number of the Bitcoin ETFs are traded, also withdrew its application, but re-filed with a much more extensive proposal.

The SEC approved the launch of MSTX, the first leveraged single-stock ETF targeting MicroStrategy. The ETF will seek to deliver 175% of MicroStrategy's stock's daily return. MSTX is issued by Defiance ETFs, which focuses on thematic and leveraged ETFs.

Grayscale announced the launch of a new private placement investment product: Grayscale MakerDAO Trust. As is the case for Grayscale's suite of 20+ publicly quoted investment vehicles, it intends to attempt to have shares of the trust quoted on a secondary market.

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

Chaos Labs, a crypto startup known for its suite of on-chain risk management tools, raised \$55 million in a Series A funding round – led by VC firm Haun Ventures.

TON Foundation members launched TON Ventures with a \$40 million fund to support projects building on the TON blockchain.

Sahara Labs, a crypto-AI startup building the decentralized blockchain platform Sahara AI, raised \$37 million in a strategic funding round. Pantera Capital and Polychain Capital co-led the financing.

Sling Money, a global payment app using the Pax Dollar (USDP) stablecoin and aiming to offer low-cost, instant money transfers across 50+ countries, secured \$15 million in a Series A round – led by Union Square Ventures.

Essential, a developer of an intent-centric Ethereum Layer-2 blockchain, raised \$11 million in a Series A funding round – led by Archetype.

ZK-powered exchange Vessel raised \$10 million in a seed round – with Sequoia, Scroll, and Folius Ventures all participating.

Parfin, a crypto infrastructure firm, garnered \$10 million in the first round of its Series A to develop its permissioned Ethereum Layer-2 network, Rayls.

Moonveil Entertainment, a Cayman Islands-based Web3 game studio, raised \$9 million in a Series A funding round – led by Spartan Group.

Orderly Network closed \$5 million in strategic funding, with participation from OKX Ventures, Manifold Trading, and other prominent investors.

Rhinestone secured \$5 million in seed funding, led by 1kx, to develop modular smart accounts infrastructure. (Smart accounts are digital wallets governed by smart contracts rather than private keys.)

IPOS, M&A, PARTNERSHIPS & DEALS



Animoca Brands is considering an IPO in Hong Kong or the Middle East, potentially in late 2025 or early 2026.

Tokenized asset issuer Backed partnered with eNor Securities, a regulated exchange in El Salvador, to offer tokenized real-world assets – such as bTokens to retail investors across Latin America.

Perplexity AI, an AI-powered search engine, is teaming up with prediction market Polymarket. Perplexity will provide “Perplexity Pages” and event summaries. Users will be able to access “news summaries paired with real-time probability predictions.”

Bybit and BitMobile joined forces to drive blockchain adoption with the Phēnix X mobile device (BitMobile’s new blockchain phone).

DEFI



DeFi market dominance reached a three-year low, falling to 2.84% and marking its lowest point since January 2021.

Uniswap Labs, the developer behind the decentralized exchange Uniswap protocol, saw its cumulative front-end fees cross the \$50 million mark. (Uniswap Labs also launched a \$2.35 million security competition prize pool, the largest in DeFi history.)

Renzo, an Ethereum liquid restaking protocol, expanded into the Solana liquid restaking space through a collaboration with the Jito Foundation. As part of the deal, Renzo will launch ezSOL, a Solana liquid restaking token (LRT), on Jito.

Swell introduced “swBTC,” a liquid restaking token that allows Bitcoin holders to earn yield in the Ethereum ecosystem, with returns expected to start flowing by mid-September.

Restaking protocol Symbiotic’s devnet went live on Ethereum’s Holesky test network less than two months after coming out of stealth. Symbiotic allows users to deposit funds to support third-party protocols through a shared security model, positioning itself as a competitor to Ethereum’s first restaking protocol, EigenLayer. It sets itself apart by supporting a variety of ERC-20 tokens beyond just Ether and specific derivatives.

The DeFi Education Fund said it purchased a patent from True Return Systems that will end litigation against MakerDAO and Compound Protocol. The patent in question is a “method and system for separating storage and process of a computerized ledger for improved function.”

CBDs & STABLECOINS



Apple has said it will begin letting third-party developers use the iPhone’s near-field communication (NFC) payment chip to handle transactions following a multi-year pressure campaign from regulators in Europe for the company to open up the platform. Circle’s chief executive Jeremy Allaire posted to X: “Tap to pay using USDC on iPhones incoming soon.”

In Q2 '20, USDT on TRON had a settlement volume of \$25.2 billion. According to Token Terminal, that’s 1/3 of Visa’s annual settlement volume.

Ripple started testing its new stablecoin, Ripple USD (RLUSD), on both Ethereum and XRP Ledger, though it is not yet tradeable as it awaits regulatory approval.

MakerDAO, the DeFi giant behind the DAI stablecoin, is weighing a proposal to reduce its exposure to Wrapped Bitcoin (WBTC) from the core lending engine and its money market protocol.

dYdX Chain is set to introduce a major upgrade called “dYdX Unlimited,” allowing users to list an unlimited number of token trading markets without governance approval by depositing USDC into a new liquidity pool MegaVault.

NFTs, BLOCKCHAIN GAMING & METAVERSE



The Space Exploration & Research Agency tapped Coinbase’s Base network for a Space Summer NFT drop, offering buyers a chance to win a seat on a Blue Origin flight to low Earth orbit.

Zora announced the launch of on-chain secondary markets with Uniswap for its NFT collectibles last week. This is enabled by a new “ERC-20z” token standard, an extension from the ERC-1155 standard that effectively wraps and unwraps an NFT so it becomes tradable like a standard ERC-20 token.

ZynCoin, a memecoin that recently persuaded Philip Morris to back off of legal threats for using the Zyn name, is launching a physical collectible for the ZYN community called Comfy.

Viral play-to-earn crypto game Hamster Combat criticized crypto VC funding as an “exit liquidity” activity in an August 13 broadcast to community members – stating it has turned down every offer.

The Lost Glitches, an RPG-style trading card game, launched its open beta on Xai, a Layer-3 blockchain network built for gaming.

Award-winning game studio Stratton Studios Partners is teaming up with blockchain-based games publisher Chain Games to produce console games for Web2 and Web3.

Microsoft is reportedly preparing to compete with Apple's Vision Pro headset by developing a new spatial computing headset in collaboration with Samsung, aiming for mass production by 2026. According to a report from The Elec, Microsoft plans to acquire hundreds of thousands of OLED panels from Samsung for a headset designed for spatial computing. Although not specifically aimed at the metaverse, the device can interact with metaverse environments.

JOB MOVEMENT



Bitfarms founder Nicolas Bonta is stepping down from the company's board of directors after facing pressure from rival Bitcoin miner Riot Platforms, which sought to replace him. Upon the former board chair's departure, Bitfarms named Brian Howlett as its new chair, and will add new CEO Ben Gagnon to the board.

Shobhit Maini, the head of digital assets within Citigroup's markets division, left the company to pursue other crypto-related opportunities. Deepak Mehra is set to lead that team, as he expands his current role as the markets unit's strategic investments lead.

Bitcoin miner Hut 8 appointed Sean Glennan as its new CFO starting on August 21. He will replace Shenif Visram, who is stepping down. Glennan spent 13 years at Citigroup focused on global power, utilities and renewables in Citi's investment banking unit.

Crypto exchange Bitget appointed Hon Ng (former Binance policy head) as its Chief Legal Officer.

Michael Rihani was named director of product for banking and payments by Coinbase. He was formerly a Bitcoin-focused director of product at Cash App.

Gemini nabbed Eric Kuhn as its head of on-chain product, from Kraken where he was director of product.

Kraken chose Alex Mehrdad to lead its Canadian business. (Mark Greenberg, who was Kraken's Canada CEO since October 2022, was promoted internally to create a new asset growth and management unit.)

Michael Sonnenshein, who spent three-plus years as Grayscale Investments' CEO before departing the firm in May, joined Arch as an adviser.

Blockchain technology company Consensus named Dan Odell its new CFO. He joins from metaverse tech company Improbable.

Jeff Nicholas, the former creative director for Yuga Labs' Bored Ape Yacht Club, is joining Meta's Reality Labs as an executive producer.

Hinkal, a multi-chain privacy layer for confidential DeFi transactions, appointed Yvonne Wang as its director of business development.

Nonprofit advocacy group Stand With Crypto added Logan Dobson as its executive director and Sabrina Siddiqui as its senior communications adviser.

Singapore-based Tokenize Xchange added Carney Mak as its chief strategy officer.

WSPN, a digital payments company known for its flagship stablecoin product Worldwide USD (WUSD), announced the appointment of Austin Campbell, an expert in stablecoin and digital asset markets, as its new Head of Strategy.

AlphaPoint, a provider of digital asset infrastructure of exchanges, brokerages, payment networks, and banking, announced three new executive leadership appointments. Laurence Jaeger was named Chief Commercial Officer. Jonathan Paschkes was appointed VP of Global Sales. And Robin Verderosa was named VP of Marketing.

REGULATIONS, RULINGS & COMMENTARY

Donald Trump holds between \$1 million - \$5 million in Ether, and has significant income from NFT licensing fees, according to election disclosures. While the filings list a non-specific amount of Ether, Arkham Intelligence lists the holdings of Trump's wallet at \$3.6 million. The filings show that Trump made \$7.15 million through a licensing agreement with NFT INT, and the former first lady, Melania Trump, had \$330,609 in income from the sales of NFTs.

The Trump Organization is reportedly planning to launch a new crypto initiative, with Eric Trump hinting at potential involvement in "digital real estate," as he expresses growing enthusiasm for the crypto and DeFi space. (Trump's son Don Jr. launched a Telegram channel named "The Defiant Ones" for information on the Trump family's upcoming DeFi project.)

Former US president Donald Trump and Tesla billionaire Elon Musk spoke for two hours on an X Spaces broadcast on August 12 in a wide-ranging interview that covered illegal immigration, the economy, artificial intelligence, and global warming. But they failed to mention Bitcoin or crypto at all. (Polymarket put the chance of "crypto" being mentioned at 65%, with \$600,000 staked on the topic. The chances of "Bitcoin" being mentioned peaked at 69%, with more than \$300,000 being wagered.)

Some of the heavyweights who spoke at a digital town hall, organized by the Crypto4Harris campaign, included US Senate Majority Leader Chuck Schumer, billionaire investor Mark Cuban, hedge fund veteran Anthony Scaramucci, and congressman Wiley Nickel, among others. Schumer said during the

live online town hall that he and other attendees “believe in the future of crypto.” He added: “My goal is to get something passed out of the Senate and into law by the end of the year, and I believe we can make that happen. I think we should strike a balance for crypto between promoting innovation and providing common sense guardrails.”

Paradigm recently polled registered Democrats, finding that there's been a strong shift within the party towards crypto. Embracing crypto could be crucial for VP Harris's campaign to regain support from some Democrats who are currently leaning towards Trump because of perceived hostility towards crypto by the Biden Administration.

The crypto industry, through the Fairshake PAC, plans to spend \$12 million to support Bernie Moreno in Ohio's Senate race, targeting current Senate Banking Committee Chairman Sherrod Brown, who has been critical of the crypto sector.

The IRS unveiled a new draft of its tax form, the 1099-DA, which crypto brokers and investors will use starting in 2026 to report taxable events, with significant privacy improvements made from the initial version.

Thailand launched a regulatory sandbox to allow participants to test and develop crypto-related innovations and services, under the oversight of its Securities and Exchange Commission.

Venezuela blocked access to Binance and X amid a presidential election dispute. Binance reassured its users that their funds remain safe. The government, which is facing internal unrest and international scrutiny over the election results, is also looking to block other online services and platforms like Signal (encrypted messaging).

Coinbase said the SEC should withdraw its rule proposal that would require decentralized exchanges to fall under the agency's remit and start over. Coinbase chief legal officer Paul Grewal wrote in a letter to the SEC that the SEC “irrationally assumes” that decentralized exchanges can comply in the same way as more traditional exchanges.

Coinbase, Crypto.com, Gemini, and Dragonfly Digital Management are challenging the CFTC's broad definition of “gaming” in proposed prediction market rules, urging the regulator to assess contracts individually rather than categorizing them broadly.

Binance registered as a “reporting entity” with India’s Financial Intelligence Unit, allowing the crypto exchange to operate in India after being blocked since January.

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

Illicit crypto activity has decreased by 19.6% since the start of 2024, with inflows dropping from \$20.9 billion to \$16.7 billion, according to Chainalysis' mid-year Crypto Crime report.

DeFi hacks remain a major threat to the industry despite a decline in the amount stolen in 2023, according to a report by blockchain security firm Halborn. The report summarizes the top 100 DeFi hacks between 2016 and 2023, the accumulated total of which comes to \$7.4 billion with the majority of attacks occurring on Ethereum, Binance Smart Chain, and Polygon.

A couple who founded NovaTech, allegedly operated a pyramid scheme that raised over \$650 million in cryptocurrency. The SEC charged NovaTech founders Cynthia and Eddy Petion, the company, and several promoters for their roles in promoting NovaTech to investors.

A panel set by the British Columbia Securities Commission (BCSC), a provincial regulator in Canada, found that ezBtc misappropriated customer funds “for their own purposes.” The Canadian cryptocurrency trading platform ezBtc and its founder, David Smillie, defrauded customers by misappropriating ~13 million Canadian dollars (\$9.5 million) of their cryptocurrency investments and using the funds for gambling.

Jarett Dunn, who stole \$2 million from the Solana-based Pump.fun platform, pleaded guilty in London and faces up to seven years in prison.

Binance reached a \$1.75 million settlement with Brazil's SEC, resolving a dispute over offering derivatives products, which have been banned in the country since 2020.

A crypto team unknowingly hired North Korean IT workers with fake identities, resulting in a \$1.3 million theft from their treasury.

The CFTC awarded over \$1 million to a whistleblower whose “information and assistance” led to an enforcement action in the cryptocurrency space.

The Australian Securities and Investments Commission, which regulates companies in Australia, said in a lawsuit that there had been a “collective failure” by the Australia Stock Exchange’s board and management when it tried to transfer its ageing systems for settling trades to a blockchain-based platform.

Morpho Labs was accused of scamming users by implementing a feature that liquidates anyone who taps “max withdraw” when repaying, which is not standard practice on lending platforms.

A CoinDesk investigation found that employees at Eigen Labs, the company behind EigenLayer, have accepted millions of dollars in payouts from some of the other projects that rely on its technology, raising the question of potential conflicts of interest.

Craig Wright filed a request to launch an appeal with the UK courts according to the legal counsel of the Cryptocurrency Open Patent Alliance (COPA).

Canto, a Cosmos-based Layer-1 blockchain, has been offline since Saturday afternoon due to a “consensus issue” following a software upgrade, with a fix scheduled for August 12.

MISCELLANEOUS

A major Ethereum ICO participant deposited 5,000 Ether, worth ~\$13.2 million, to the OKX exchange on August 12. This deposit is part of a series of transfers totaling 48,500 Ether, worth ~\$154 million, to OKX in the past month. The address still holds 15,600 Ether, valued at ~\$41.8 million.

A crypto user, whose identity is unknown, paid \$90,000 worth of Ethereum gas fees for a \$2,200 Ethereum trade, according to Etherscan data. The Ethereum user appears to have overpaid by almost

1,800,000%, with Ethereum's network gas fees currently hovering at yearly lows. However, there is also the possibility that the fee was purposely paid as a sophisticated form of money laundering, though it would require deep knowledge of Ethereum validators. (Ironically, Ethereum fees dipped as low as 0.6 gwei (a unit of gas) this past week with low-priority transactions costing only 1 gwei or lower – a rare occurrence in recent years.)

Cyberchain is organising the Tokenized Economy Conference, set to take place on October 3-4 in Abuja. The event is dedicated to promoting Blockchain adoption in Nigeria as part of Cyberchain's ongoing efforts, spanning over half a decade, with successful impacts in more than five states and 20,000+ Nigerians.

Ethereum co-founder Vitalik Buterin donated \$532,000 of Ether, raised from selling unsolicited animal-themed meme tokens, to the Effective Altruism Fund's Animal Welfare Fund.

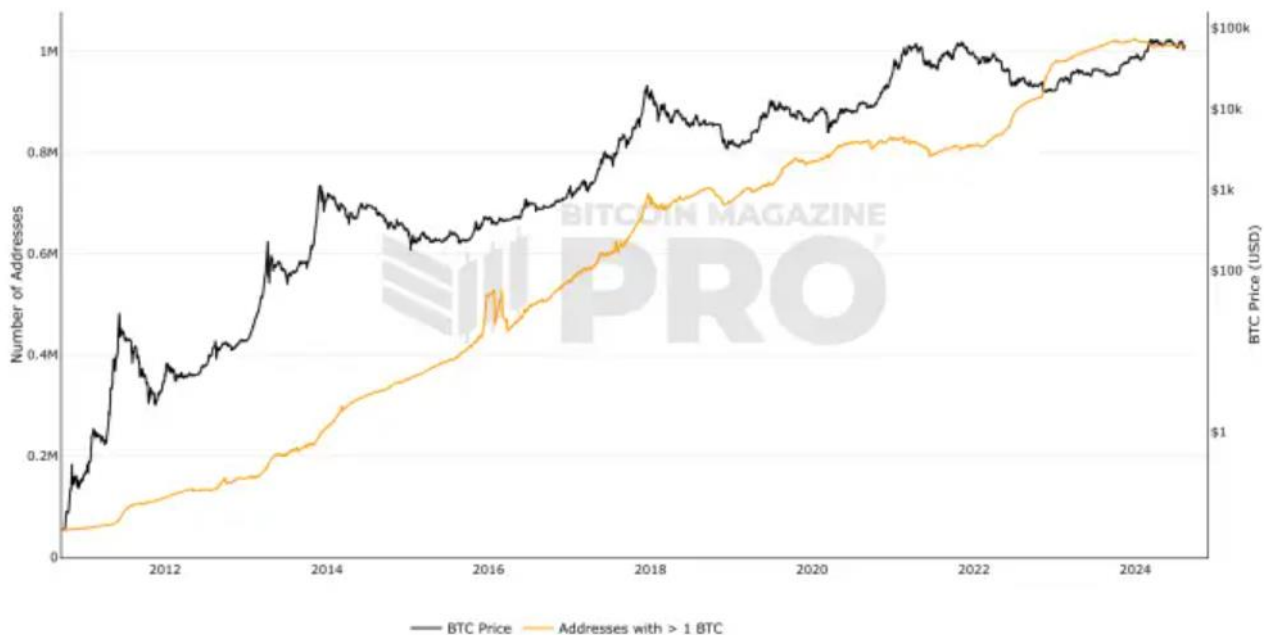
CHARTS, TABLES, QUOTES, COMMENTARY & OTHER IMAGES

Update from Charlie Bilello on asset class returns since 2011 – with Bitcoin included.

CREATIVE PLANNING		Asset Class Total Returns Since 2011 (Data via YCharts as of 8/9/24)														@CharlieBilello	
ETF	Asset Class	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2011-24 Cumulative	2011-24 Annualized
N/A	Bitcoin (\$BTC)	1473%	186%	5507%	-58%	35%	125%	1331%	-73%	95%	301%	66%	-65.5%	155.8%	44.0%	20289879%	145.9%
GLD	Gold	9.6%	6.6%	-28.3%	-2.2%	-10.7%	8.0%	12.8%	-1.9%	17.9%	24.8%	-4.2%	-0.8%	12.7%	17.5%	61.9%	3.6%
IWF	US Growth	2.3%	15.2%	33.1%	12.8%	5.5%	7.0%	30.0%	-1.7%	35.9%	38.3%	27.4%	-29.3%	42.6%	14.3%	604.2%	15.5%
SPY	US Large Caps	1.9%	16.0%	32.2%	13.5%	1.2%	12.0%	21.7%	-4.5%	31.2%	18.4%	28.7%	-18.2%	26.2%	12.8%	444.2%	13.3%
QQQ	US Nasdaq 100	3.4%	18.1%	36.6%	19.2%	9.5%	7.1%	32.7%	-0.1%	39.0%	48.6%	27.4%	-32.6%	54.9%	10.3%	836.0%	17.9%
IWD	US Value	0.1%	17.5%	32.1%	13.2%	-4.0%	17.3%	13.5%	-8.5%	26.1%	2.7%	25.0%	-7.7%	11.4%	8.6%	271.4%	10.1%
MDY	US Mid Caps	-2.1%	17.8%	33.1%	9.4%	-2.5%	20.5%	15.9%	-11.3%	25.8%	13.5%	24.5%	-13.3%	16.1%	6.3%	285.6%	10.4%
EEM	EM Stocks	-18.8%	19.1%	-3.7%	-3.9%	-16.2%	10.9%	37.3%	-15.3%	18.2%	17.0%	-3.6%	-20.6%	9.0%	5.3%	17.6%	1.2%
VNQ	US REITs	8.6%	17.6%	2.3%	30.4%	2.4%	8.6%	4.9%	-6.0%	28.9%	-4.7%	40.5%	-26.2%	11.8%	5.3%	180.1%	7.9%
PFF	Preferred Stocks	-2.0%	17.8%	-1.0%	14.1%	4.3%	1.3%	8.1%	-4.7%	15.9%	7.9%	7.2%	-18.2%	9.2%	4.9%	78.3%	4.3%
EMB	EM Bonds (USD)	7.7%	16.9%	-7.8%	6.1%	1.0%	9.3%	10.3%	-5.5%	15.5%	5.4%	-2.2%	-18.6%	10.6%	4.5%	58.6%	3.5%
EFA	EAFE Stocks	-12.2%	18.8%	21.4%	-6.2%	-1.0%	1.4%	25.1%	-13.8%	22.0%	7.6%	11.5%	-14.4%	18.4%	4.5%	99.2%	5.2%
HYG	High Yield Bonds	6.8%	11.7%	5.8%	1.9%	-5.0%	13.4%	6.1%	-2.0%	14.1%	4.5%	3.8%	-11.0%	11.5%	4.5%	84.4%	4.6%
IWM	US Small Caps	-4.4%	16.7%	38.7%	5.0%	-4.5%	21.6%	14.6%	-11.1%	25.4%	20.0%	14.5%	-20.5%	16.8%	3.4%	218.4%	8.9%
BIL	US Cash	0.0%	0.0%	-0.1%	-0.1%	-0.1%	0.1%	0.7%	1.7%	2.2%	0.4%	-0.1%	1.4%	4.9%	3.2%	15.0%	1.0%
TIP	TIPS	13.3%	6.4%	-8.5%	3.6%	-1.8%	4.7%	2.9%	-1.4%	8.3%	10.8%	5.7%	-12.2%	3.8%	2.7%	41.5%	2.6%
BND	US Total Bond Market	7.7%	3.9%	-2.1%	5.8%	0.6%	2.5%	3.6%	-0.1%	8.8%	7.7%	-1.9%	-13.1%	5.7%	2.5%	33.8%	2.2%
LQD	Investment Grade Bonds	9.7%	10.6%	-2.0%	8.2%	-1.3%	6.2%	7.1%	-3.8%	17.4%	11.0%	-1.8%	-17.9%	9.4%	1.7%	62.3%	3.6%
CWB	Convertible Bonds	-7.7%	15.9%	20.5%	7.7%	-0.8%	10.6%	15.7%	-2.0%	22.4%	53.4%	2.2%	-20.8%	14.5%	1.0%	203.6%	8.5%
DBC	Commodities	-2.6%	3.5%	-7.6%	-28.1%	-27.6%	18.6%	4.9%	-11.6%	11.8%	-7.8%	41.4%	19.3%	-6.2%	0.8%	-12.5%	-1.0%
TLT	Long Duration Treasuries	34.0%	2.6%	-13.4%	27.3%	-1.8%	1.2%	9.2%	-1.6%	14.1%	18.2%	-4.6%	-31.2%	2.8%	-0.4%	46.5%	2.9%
Highest Return		BTC	BTC	BTC	VNQ	BTC	BTC	BTC	BIL	BTC	BTC	BTC	DBC	BTC	BTC	BTC	BTC
Lowest Return		EEM	BIL	GLD	BTC	DBC	BIL	BIL	BTC	BIL	DBC	TLT	BTC	DBC	TLT	DBC	DBC
% of Asset Classes Positive		62%	95%	52%	71%	38%	100%	100%	5%	100%	90%	67%	10%	95%	95%	95%	95%

Bitcoin Magazine Pro: There are 1,012,650 Bitcoin addresses that contain 1 BTC or more. This represents more than 1 million BTC potentially taken off the market and held by strong hands, a significant portion of the 21 million BTC that will ever exist. (Also, ~75% of circulating BTC hasn't moved in 6+ months, indicating a strong commitment to HODLing among BTC holders.)

Bitcoin: Addresses with Balance > 1 BTC



Matt Hougan's (Bitwise) Weekly CIO Memo (written by Senior Investment Strategist Juan Leon this week): "History Suggests: Buy Bitcoin When There's Blood in the Street."

Global stock markets panicked on August 5. Japan's Nikkei Stock Average fell 12%, its worst day since 1987. The S&P 500 closed down 3%.

Bitcoin, unfortunately, didn't fare any better, nosediving 14.52% between August 2 and August 5. The sharp pullback elicited a great deal of questions from the media: Why did Bitcoin stumble as a hedge? Is Bitcoin really a hedge asset at all?

Intrigued, I decided to dig into the historical data.

Specifically, I analyzed every daily drop of 2% or more in the S&P 500 over the last decade, looking at how both Bitcoin and gold reacted. I then categorized their returns into three buckets, based on how each asset performed on the day the S&P 500 fell:

- Perfect hedge – The asset provided a positive return.
- Partial hedge – The asset provided a negative return but did better than the S&P 500.
- No hedge – The asset delivered a worse return than the S&P 500.

What I uncovered was both revealing and more nuanced than what is typically reported.

Is Bitcoin a Short-Term Hedge? Not Really.

Let's start with the bad news for Bitcoin: The data shows that Bitcoin is an unreliable short-term hedge. In fact, its one-day return seems to have no relationship to what's happening in the stock market at all.

A little more than half the time—59% to be exact—it has served as a kind of hedge, either rising sharply or falling less than stocks on big down days for the S&P 500. But the other 41% of the time it fell more than the index.

Unfortunately, when this happens, things tend to get ugly: On days when stocks are down 2% or more and Bitcoin underperforms, it really tumbles, losing 7.80% on average.

What this tells me is that not all one-day pullbacks are created equal. There are, of course, different reasons stocks fall 2% on a given day. The data suggest that some of these reasons cause Bitcoin to rise sharply and some cause Bitcoin to fall sharply; there is no hard-and-fast rule.

If you're looking for a foolproof one-day hedge against sharp stock market pullbacks, Bitcoin is not a good choice.

<u>Bitcoin</u>		
	Hit Rate	Average One-Day Return
Perfect Hedge	24%	4.83%
Imperfect Hedge	35%	(1.75%)
No Hedge	41%	(7.80%)
Average	—	(2.62%)
S&P 500	—	(3.08%)

Source: Bitwise Asset Management with data from Bloomberg (January 1, 2014 to August 9, 2024)

<u>Gold</u>		
	Hit Rate	Average One-Day Return
Perfect Hedge	54%	1.05%
Imperfect Hedge	46%	(0.99%)
No Hedge	0%	N/A
Average	—	0.11%
S&P 500	—	(3.08%)

Source: Bitwise Asset Management with data from Bloomberg (January 1, 2014 to August 9, 2024)

Gold performs better, although its performance is mixed: It has delivered a positive return 54% of the time the S&P 500 falls sharply, but on average, it's risen just 1.05% during these times. That makes it challenging as an effective short-term hedge: You have to own a great deal of it to make a real impact on your overall portfolio. If you have 5% of your portfolio in gold, that 1% move doesn't do much to blunt a pullback in the traditional 60% stock allocation of your portfolio. The other 46% of the time it's fallen 0.99% on average, contributing to portfolio losses.

Fortunately, most of us don't invest for one day; we invest for the long term. And so, I wondered, how have these two assets performed as a long-term hedge to these one-day shocks?

Historically, Is Bitcoin a Long-Term Hedge? Absolutely.

The track record for these two assets measured over a full year tells an entirely different story. In the year following a 2% or greater pullback in stocks, gold averages a 7.88% return, substantially underperforming the bounce in stocks. Bitcoin, however, more than makes up for its volatility with a staggering average return of 189.68%.

Average Returns in the Year After a Major Drop in the S&P 500

Name	Average One-Year Return
Bitcoin	189.58%
Gold	7.88%
S&P 500	23.03%

Source: Bitwise Asset Management with data from Bloomberg (January 1, 2014 to August 9, 2024)

This dynamic makes sense. Gold is a trusted asset, which many flock to reflexively during short-term panics. But its mature status means it underperforms over longer periods. Bitcoin, with its capped supply and decreasing issuance, has strong store-of-value properties, but is still early in its adoption phase. As such, it still has elements of being a risk asset. This means more variability in its one-day response to market pullbacks, but substantially better returns the longer you look out.

For the last decade of returns, the record is clear: When markets pull back, buying Bitcoin has been rewarded.

Will Bitcoin Outperform Again?

The easiest criticism of this analysis is that past performance is no guarantee of future performance. And while perhaps this time could be different, the 12-month outlook for Bitcoin is one of the most bullish I've seen.

Consider the following potential catalysts:

1. Spot Bitcoin ETP Inflows: Since January, inflows into Bitcoin ETPs have topped \$17 billion and outpaced new supply, pushing Bitcoin to an all-time high earlier this year. These inflows don't even include some of the biggest players. Last week, Morgan Stanley became the first wirehouse to approve Bitcoin ETPs on their platform. We expect Merrill Lynch, UBS, Wells Fargo, and others to follow suit.
2. Regulatory Tailwinds: A bipartisan coalition in Congress has ushered three crypto bills through the House of Representatives this year. With the GOP incorporating crypto into its official 2024 platform and the Harris campaign reevaluating its stance, the industry is on the cusp of regulatory clarity.
3. Fed Rate Cuts: The European Central Bank, the Bank of England, and others have already begun to cut rates. With US inflation easing and softer economic data stoking recession fears, the Fed must catch up. Fed funds futures are already anticipating cuts at the September meeting.

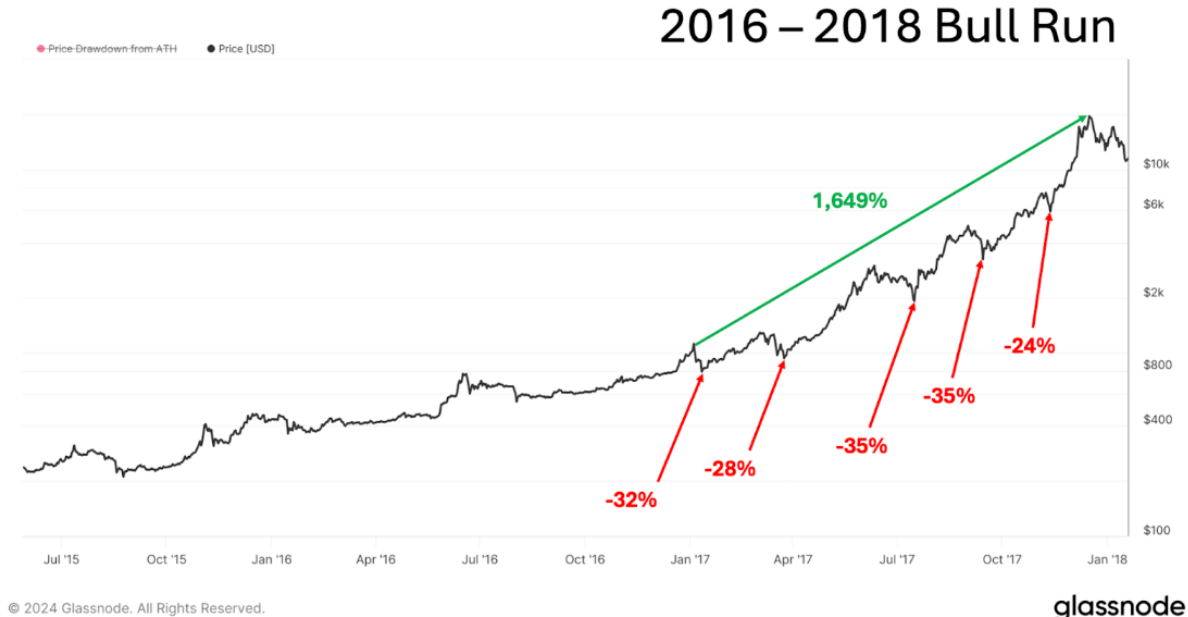
Are we out of the woods yet? Probably not. Investors are still on edge from the market swings triggered by the unwinding of the yen carry trade. Throw in the uncertainty of the US presidential election, signs of a slowing global economy and the looming threat of an Iran-Israel conflict, and you have a recipe for more turmoil ahead. But next time stocks sell off, you'll know which asset has stood out as the superior long-term hedge.

Blockforce Capital: Crypto's recent dip signals a strategic investing opportunity...

In our March edition of The Node Ahead newsletter, when Bitcoin first broke its previous all-time high of \$69,210, we highlighted that this moment has historically marked an increase in volatility in the following months. Although the subsequent 12-18 months have typically seen the largest gains, they have also come with numerous double-digit drawdowns. This past Monday, we experienced another one of these pullbacks within a larger upward trend. For newer investors, such moments can be nerve-wracking. However, for those of us who have been investing in the asset class for a decade and seen this pattern play out numerous times, these dips are buying opportunities. Let's examine why we at Blockforce have so much conviction despite the recent price drop and why we believe it's a great opportunity to double down.

Pullbacks of this magnitude are historically common within a larger upward trend. During the 2016-2018 run-up to \$20,000, Bitcoin experienced five pullbacks of 24% or greater after breaking new all-time highs. Despite these periods of volatility, Bitcoin's total price appreciation over that period was 1,649%.

Bitcoin: Price Drawdown from ATH



Similarly, in the 2020-2022 bull market, Bitcoin had five pullbacks of 24% or greater on its way to a market top of \$69,000, resulting in a 570% return over that timeframe.

Bitcoin: Price Drawdown from ATH

2020 – 2022 Bull Run



As we predicted in March, we have seen multiple pullbacks so far this cycle, with Monday being the third 20% or greater pullback of this cycle. Despite Monday's drop, Bitcoin is still up 240% since our article on January 1, 2023, calling the bottom of the cycle. All data points tracked by Blockfroce indicate that we are likely mid-way through this larger bull cycle, suggesting that bigger gains are likely later this year, along with a few more significant pullbacks. It's worth reiterating that Monday's drop was well within historical norms and to be expected in this part of the cycle.

BTC: Price Drawdown from ATH

Current Cycle



In addition to comparing historical norms, understanding why the drop happened is crucial. If the reasons and data for the pull back invalidate our core thesis, we would need to reexamine our portfolio construction. However, if the data does not invalidate our thesis and the dip in price was caused by other forces, then it's an opportunity to get aggressive when prices are low.

Several factors likely contributed to the recent pullback in crypto prices. Last week, the government released a weaker-than-expected jobs report just days after Fed Chair Jerome Powell spoke of a still-robust labor market. This contradictory data caused a wave of panic-selling in the stock market over sudden recession concerns, evaporating hopes for a soft landing. This panic spread to Asia, leading to a rapid unwind of the yen carry trade (a strategy aimed at exploiting interest-rate differentials between currencies) as the Nikkei 225 dropped 12.5% on Monday, the sharpest daily drop since Black Monday in 1987. Rising geopolitical risks in the Middle East, a stronger Japanese yen, and rumors of market maker Jump Trading liquidating its crypto business further exacerbated the situation. Consequently, the S&P 500 saw its biggest single day drop since September 2022, the Dow shed more than 1,000 points, the Nasdaq 100 erased almost \$1 billion in market value, and the VIX, Wall Street's Fear Gauge, hit levels only seen during the 2008 Financial Crisis and the 2020 pandemic.

When there is this type of fear in the market, all assets tend to become highly correlated for a short period of time as investors look for liquidity wherever they can find it and thus the broad market sell-off dragged crypto down with it.

The last time the market melted down like this was on March 12, 2020, when the impacts of COVID-19 were first realized. The Dow Jones Industrial Average had its worst day since 1987, tech stocks were in free fall, and Bitcoin crashed 38%. Critics claimed Bitcoin had failed its test as a store of value asset (quick hint, it hadn't).

As governments stepped in to stabilize the economy by cutting interest rates and printing large amounts of money, Bitcoin bounced back better and faster than any other asset. A year later, it was up more than 1,200%. In retrospect, March 12, 2020, wasn't a time to panic—it was the best buying opportunity for Bitcoin in a decade.

BTC: Price [USD]



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Nothing fundamental had changed about Bitcoin because of COVID-19. There were still only ever going to be 21 million Bitcoin. The adoption and usage of Bitcoin around the world was still growing. The fixed supply, increasing demand thesis had not changed.

In fact, COVID-19 supercharged the value proposition of a currency with a fixed supply and a predictable supply issuance schedule that can't be changed. It showed that central banks would bail out the economy at the first sign of trouble, demonstrating the limitations of centralized institutions.

The current situation feels similar to March 2020. The Fed Fund futures markets are already pricing in an aggressive response. A week ago, Federal Reserve Chair Jerome Powell was talking down the need for interest rate cuts this year, with the market assigning 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, with some even calling for an "emergency rate cut" before the September meeting. The US government debt is structurally guaranteed to grow and the only way to continue financing its operations is to further debase the currency. Financial easing and an increase in global liquidity is likely coming just like it did in 2020.

Recent events do not invalidate any of our core thesis about Bitcoin, Ethereum, Solana, or other crypto networks. These networks continue to process transactions, global adoption continues to grow, and pullbacks like the one we saw on Monday are within historical norms. In fact, the crypto markets have already started to recover, and Bitcoin seems to have stabilized around the \$60k price range. The fact that the recovery was underpinned by exceptionally strong volumes is also encouraging. Bitcoin was created exactly to fix the types of cracks in our current monetary architecture that events like this expose.

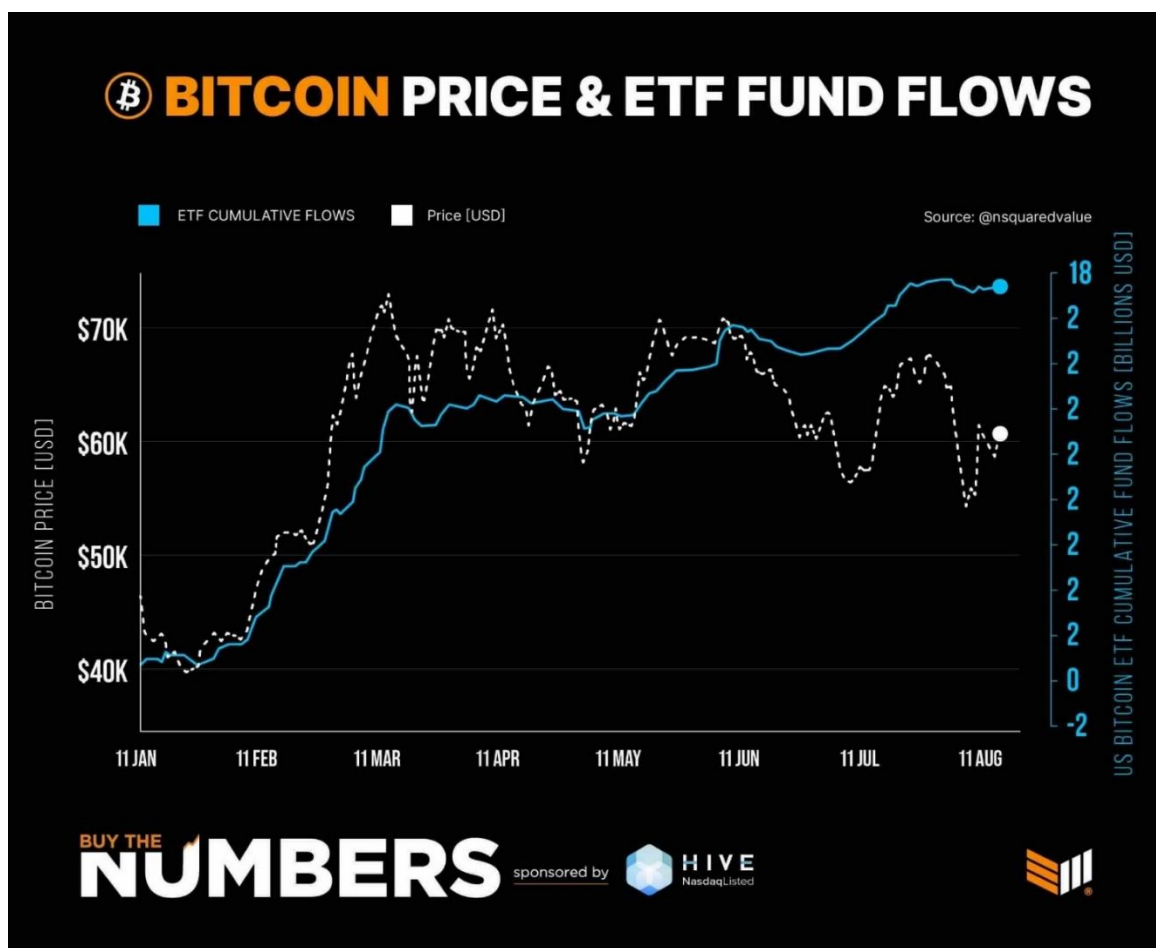
The difference this time compared to 2020 is that there is less available supply to be traded (Bitcoin held on exchanges is at historic lows relative to price), access is easier than ever with Bitcoin and Ethereum ETFs (potentially leading to greater demand than in 2020), and we have two Presidential candidates (including the current frontrunner) and a sitting US Senator who have publicly expressed the inevitability of Bitcoin as a global reserve asset and proposed steps for the US government to accumulate its own stockpile. Microstrategy will not be the last corporate to buy BTC, El Salvador will not be the last nation state to buy BTC, Wisconsin and Michigan will not be the last pension funds to buy BTC.

This setup is incredibly bullish for the rest of the year.

A wealthy Bitcoin pioneer (Chun Wang – third from the left in image), a cinematographer, a polar adventurer and a robotics researcher plan to fly around Earth's poles aboard a SpaceX Crew Dragon capsule by the end of the year, becoming the first humans to observe the ice caps and extreme polar environments from orbit, SpaceX announced on August 12.



Hive Digital Technologies: While the Bitcoin price is going down, the spot Bitcoin ETF inflows continue to go up...



Grayscale announced the reopening of subscriptions for its private placement products.

- [Grayscale Basic Attention Token Trust](#)
- [Grayscale Bitcoin Cash Trust](#)
- [Grayscale Bittensor Trust](#)
- [Grayscale Chainlink Trust](#)
- [Grayscale Decentraland Trust](#)
- [Grayscale Decentralized AI Fund](#)
- [Grayscale Decentralized Finance Fund](#)
- [Grayscale Ethereum Classic Trust](#)
- [Grayscale Filecoin Trust](#)
- [Grayscale Horizen Trust](#)
- [Grayscale Litecoin Trust](#)
- [Grayscale Livepeer Trust](#)
- [Grayscale MakerDAO Trust](#)
- [Grayscale Near Trust](#)
- [Grayscale Solana Trust](#)
- [Grayscale Stacks Trust](#)
- [Grayscale Stellar Lumens Trust](#)
- [Grayscale Sui Trust](#)
- [Grayscale Zcash Trust](#)

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

Short-Term Holder Realized Price: After being support for much of the past two years, the cost-basis (realized price) of short-term holders has turned into resistance. If BTC gets a convincing breakout above short-term holder realized price then it is likely off to the races. This metric currently sits at ~\$64,000 - expect some resistance in that area.

Mt. Gox Trustee Wallet Balance: The release of Mt. Gox coins to trustees and the subsequent selling has been a significant force of downward pressure on the BTC price this summer. However, the balance of the trustee's wallet is quickly depleting. Roughly 32,000 coins remain in the wallet. In mid-June, this was ~141,000. The ~109,000 BTC leaving the wallet represents ~\$6.5 billion of sell pressure over the past two months.

Presidential Elections - Bullish Bitcoin?: Correlation or causation is up for debate, but Bitcoin has performed exceptionally well during the year following US Presidential elections, rising 346% from November 2020 to November 2021. Our base case is that risk assets continue to trade sideways between now and November due to the market's uncertainty about the election outcome. Regardless of who wins, asset prices likely move up at the end of the year due to 1. Rising global liquidity, and 2. Removal of the uncertainty of the election.

Hashrate Growth: Mining difficulty dropped ~4% this week and the total network hashrate is at ~625 EH/s. Over the past four months hashrate growth has been slightly negative. The combination of the halving, sideways BTC price action, and summer curtailments is why we haven't seen a net-increase in hashrate despite new-generation ASICs coming onto the market during this time period. The miners plugging in the newer, more efficient ASICs are benefiting right now as their revenues are rising while their costs lower – and difficulty isn't rising to cut into that. Moreover, they're positioning themselves well for the coming bull market.

Energy Gravity: At a typical hosting rate today, new-gen Bitcoin ASICs require ~\$60,200 worth of energy to produce 1 BTC.

Summary and conclusion from Glassnode’s “The Week On-Chain” from 8/13/24. (Read the full report, [here](#).)

Despite challenging and choppy market conditions, Long-Term Bitcoin Holders remain remarkably steadfast in their conviction, with evidence they are ramping up accumulation behavior.

An elevated percentage of Bitcoin network wealth is held by this investor cohort relative to previous cycle ATH breaks, which suggests there is a degree of investor patience on display and waiting for higher prices. Additionally, the lack of panic selling amongst this cohort in lieu of the largest price contraction of the cycle highlights a resilience of their aggregate conviction.

Conclusion from Coin Metrics’ “State of The Network” weekly report from 8/13/24. (Read the full report, [here](#).)

The recent crypto market crash has provided valuable insights into the strengths and weaknesses of the crypto ecosystem. While permissionless systems demonstrated remarkable resilience in terms of accessibility and functionality, they also faced challenges such as high transaction costs under stress. Synthetic products like USDE showed impressive stability, highlighting the potential of well-designed DeFi instruments while highlighting the importance of keeping track of the underlying portfolio’s performance when considering stability in the future. By harnessing the inherent yields available within the blockchain ecosystem, these innovative financial products offer a compelling alternative to traditional yield-generating instruments.

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	
DeFi TVL	\$144.46 B
Fear and Greed Index	27 (Fear)

Highlights from Pantera Capital's monthly Blockchain Letter...

MASSIVE POLITICAL PIVOT ON BLOCKCHAIN

I've been investing in Bitcoin/blockchain for over a decade. Nothing happened at the SEC and the presidential administrations the whole time. A decade's worth of rational thinking just happened in a few weeks.

It's like the shock wave of a sonic boom. Ten years of correct thinking is crashing through politics right now.

In May one of the presidential candidates threw his support behind blockchain. Weeks later two of the three presidential candidates, ten United States Senators, and members of the US House of Representatives were at a Bitcoin conference!?! The change is absolutely massive.

So much happened it is actually kinda hard to condense, but here's a quick distillation of the major policy initiatives:

PRESIDENT TRUMP'S BITCOIN 2024 SPEECH :: POLICY INITIATIVES

1. Bitcoin is a "Marvel of Technology"

"Bitcoin is not just a marvel of technology, as you know, it's a miracle of cooperation and human achievement."

2. Bitcoin May Overtake Gold

"But I say this is the steel industry of 100 years ago. I think you're just in your infancy... It's already bigger than Exxon Mobil. Soon it will be surpassing the entire market cap of silver... One day it probably will overtake gold."

3. Trump's "America First" Approach

"The reason I've come to address the Bitcoin community today can be summed up in two very simple words: America first. Because if we don't do it, China is going to be doing, others are going to be doing it. Let's do it and do it right. My vision is for an America that dominates the future... I want the United States to be first in technology, first in science, first in manufacturing, first in artificial intelligence, and first in space."

4. Making America the Global Leader in Crypto

"This afternoon, I'm laying out my plan to ensure that the United States will be the crypto capital of the planet and the Bitcoin superpower of the world, and we'll get it done."

5. What Bitcoin Stands For

"Bitcoin stands for freedom, sovereignty and independence from government coercion and control. The Biden Harris administration's repression of crypto and Bitcoin is wrong, and it's very bad for our country. It's really quite un-American."

6. Crypto-Friendly Policies and Shutting Down "Operation Choke Point 2.0"

“As President, I will immediately shut down Operation Choke Point 2.0... I will cut unnecessary and burdens of regulations. Fight every day to make America the best place on earth to build a business, including a crypto business.”

7. A New Crypto Presidential Advisory Council

“Upon taking office, I will immediately appoint a Bitcoin and Crypto Presidential Advisory Council. Their task will be to design transparent regulatory guidance for the benefit of the entire industry.”

8. Regulatory Clarity for Stablecoins

“As part of our effort to provide regulatory clarity, we will create a framework to enable the safe, responsible expansion of stablecoins, allowing us to extend the dominance of the US dollar to new frontiers all around the world.”

9. Bitcoin Is Not a Threat to the US Dollar

“Those who say that Bitcoin is a threat to the dollar have the story exactly backwards. I believe it is exactly backwards. Bitcoin is not threatening the dollar. The behavior of the current US government is really threatening the dollar.”

10. Embracing New Ideas

“Our nation has never thrived by trying to censor new ideas and shut down the dreams of our people. America always plants our flag on the next frontier and pushes boldly ahead.” – Donald Trump, Bitcoin 2024 Conference in Nashville, July 27, 2024

TECTONIC SHIFT

Donald Trump saying ten things in a row that I completely agree with? Wow.

That’s why I’m so bullish on the future of blockchain. All those policies are completely rational.

It is highly likely that whoever is the next president of the United States, the country will have rational cryptocurrency policies.

The crowd favorite – which I also strongly support – and which will be the subject of our long-in-the-works letter on currency reserves (which we’ll send out as our September Blockchain Letter) is:

US STRATEGIC BITCOIN STOCKPILE

“Many Americans do not realize that the United States government is among the largest holders of Bitcoin... The federal government almost has 210,000 Bitcoin or 1% total supply that will ever exist. But for too long our government has violated the cardinal rule that every Bitcoiner knows by heart: ‘Never sell your Bitcoin.’ And so, as the final part of my plan today, I am announcing that if I am elected, it will be the policy of my administration, United States of America, to keep 100% of all the Bitcoin the US government currently holds or acquires into the future, we’ll keep 100%... This will serve, in effect, as the core of the Strategic National Bitcoin Stockpile. And so, as I take steps to transform that vast wealth into a permanent national asset to benefit all Americans.” – Former President Trump, Bitcoin 2024 Conference in Nashville, July 27, 2024

Before President Trump spoke third-party candidate Robert F. Kennedy Jr. gave a speech at Bitcoin 2024 promising a much larger reserve.

“I intend as President of the US to sign an executive order on day one, directing the DOJ and the US Marshals to transfer the approximately 200,000 Bitcoin held by the US government to the US Treasury, where it will be held as a strategic asset. I will sign an executive order directing the US Treasury to purchase 550 Bitcoin daily until the US built a reserve of at least 4 million Bitcoins and a position of dominance that no other country will be able to usurp. Our nation holds approximately 19% of global gold reserves. This policy will give us about the same proportion of total Bitcoin. The cascading impact from these actions will eventually move Bitcoin to a valuation of hundreds of trillions of dollars.” – Robert F. Kennedy Jr., Bitcoin 2024 Conference in Nashville, July 27, 2024

Shortly after Trump’s speech, Senator Cynthia Lummis (R-WY) read out her own legislative proposal to amass an official US federal reserve of 1 million Bitcoin over five years.

“This is the Bitcoin Reserve Bill. I’m reading from the text, in the Senate of the United States, to establish a Bitcoin strategic reserve, a network of secure storage vaults, purchase program and other programs to ensure the transparent management of Bitcoin holdings of the federal government.... When Satoshi Nakamoto, in January of 2009, mined the first Bitcoin, he brought about an asset that will change the world, and this is our Louisiana Purchase moment. This Bitcoin reserve that we’re going to create will start with the 210,000 Bitcoin that President Trump just mentioned, and pull it into a reserve stored in geographically diverse vaults, and that’s only the beginning. Over five years the US will assemble 1 million Bitcoin – 5% of the world’s supply. It will be held for a minimum of 20 years and can be used for one purpose: reduce our debt. This Bitcoin is going to be transformative for this country. As President Trump just said: ‘we are printing too much money, we are spending too much money.’ We printed in 22 months during COVID, the same amount of money that had ever been printed in the history of the United States. Well, no more. With a strategic Bitcoin reserve, we will have an asset that, in that period of time before 2045, can cut our debt in half.” – Senator Cynthia Lummis, Bitcoin 2024 Conference in Nashville, July 27, 2024

BIPARTISAN SUPPORT

Representatives Khanna (D-CA 17th District) and Nickel (D-NC 13th District) were there – emphasizing what should be obvious:

“I don’t really see why it’s partisan. Being against Bitcoin is like being against cell phones.” – Congressman Ro Khanna, CNBC Interview, July 26, 2024

Amen. Satoshi gifted this technology to the world.

“Keeping this in the bipartisan space was really my main focus in Nashville, and it’s what I’ve been working on in Congress.” – Congressman Wiley Nickel, Bitcoin Magazine Interview, August 2, 2024

SONIC BOOM

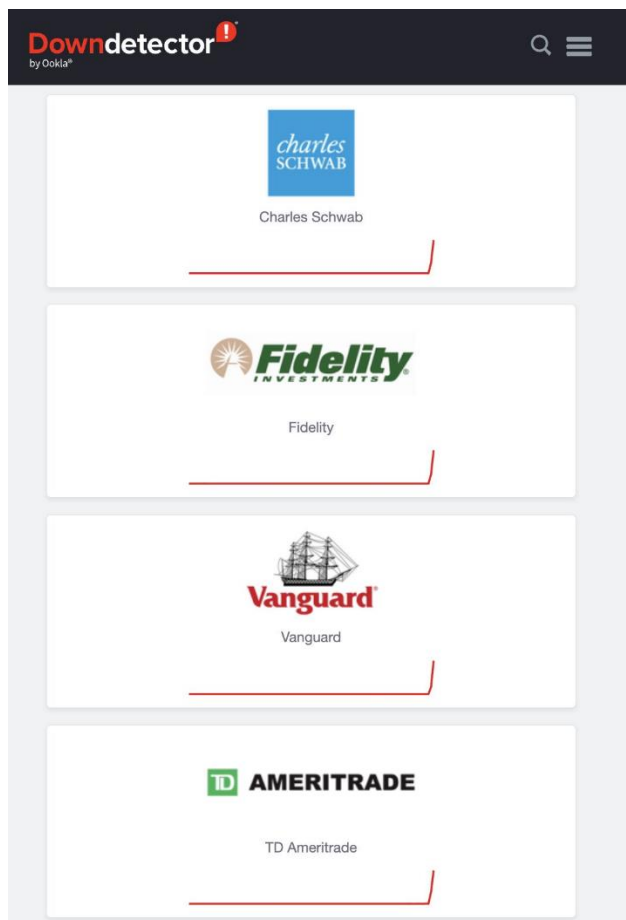
“Kamala Harris’s advisers have approached top crypto companies to ‘reset’ relations between her Democratic party and a sector that has come out as an important backer of Donald Trump, her rival for the US presidency. Members of the vice-president’s team have contacted people close to crypto companies about meeting in recent days, said four people with knowledge of the matter. Those include leading exchange Coinbase, stablecoin company Circle and blockchain payments group Ripple Labs, two of the people said.” – Financial Times, “Kamala Harris Campaign Seeks ‘Reset’ with Crypto Companies”, July 27, 2024

FREE AT LAST

“The ability to bring resources and opportunities and access to the marketplace to the people who need it most, that’s what Bitcoin is about. That’s what this is about. Giving the average American a chance to make their own decisions at home. No matter where you live, if you’re on the mountain top or in the valleys low, having a chance to democratize our financial footprint is an absolutely essential part of achieving the American dream. And whatever we can do, wherever we can do it, let’s get it done... As the Chairman of the [Senate] Banking Committee, the one thing that I will absolutely guarantee will be done is watching your legislation get a vote past the Banking Committee, and we’re going to fight to make it a law in the United States setting Bitcoin free, here at home, free at last! Free at last! Thank God almighty, it’s free at last...” – Senator Tim Scott, Bitcoin 2024 Conference Speech with Senator Cynthia Lummis, July 26, 2024

Arca: The Crypto Investing Paradox...

Yet another failure of U.S. brokerages was lost in Monday's August 5th crash. I hope you weren't trying to trade during the most volatile day of the year!



It always takes a crisis for people to remember that the current trading and asset transfer system is deeply flawed. And, of course, that leads to everyone in crypto saying, "if only there were another way where you can transact on your own without a 3rd party blocker?" And in theory, this is correct. On-chain is better for many facets of financial transactions. It is incredibly frustrating when you can't get money from your bank or trade stocks out of your brokerage account.

But therein lies the crypto investing paradox.

Crypto protocols all functioned fine last week. DeFi applications worked fine. This should have been the biggest onboarding day in on-chain history, with millions of financial professionals flocking to Uniswap and Aave to trade and lend and using self-custodial wallets to protect their assets.

Except this didn't happen.

Not because the protocols aren't awesome (they are), not because the DeFi protocols aren't awesome (they are), and not because self-custody doesn't work (it does). No one flocked to crypto last week because very few care about the assets you can transact with on these platforms. Thus, the crypto paradox. We have this great technology (blockchain) and these amazing protocols (smart contract platforms) that do not work without the assets (tokens like ETH and SOL or UNI or AAVE) that run them. But regular investors just want to trade their NVDA or AAPL stock, they don't care about trading crypto.

The technology would be so much more useful if it could be used with other assets. Imagine if investors were able to send their NVDA and AAPL stock to Uniswap to trade them there without interruption. Most of the financial world wants to use the tech, just not the assets currently available on it.

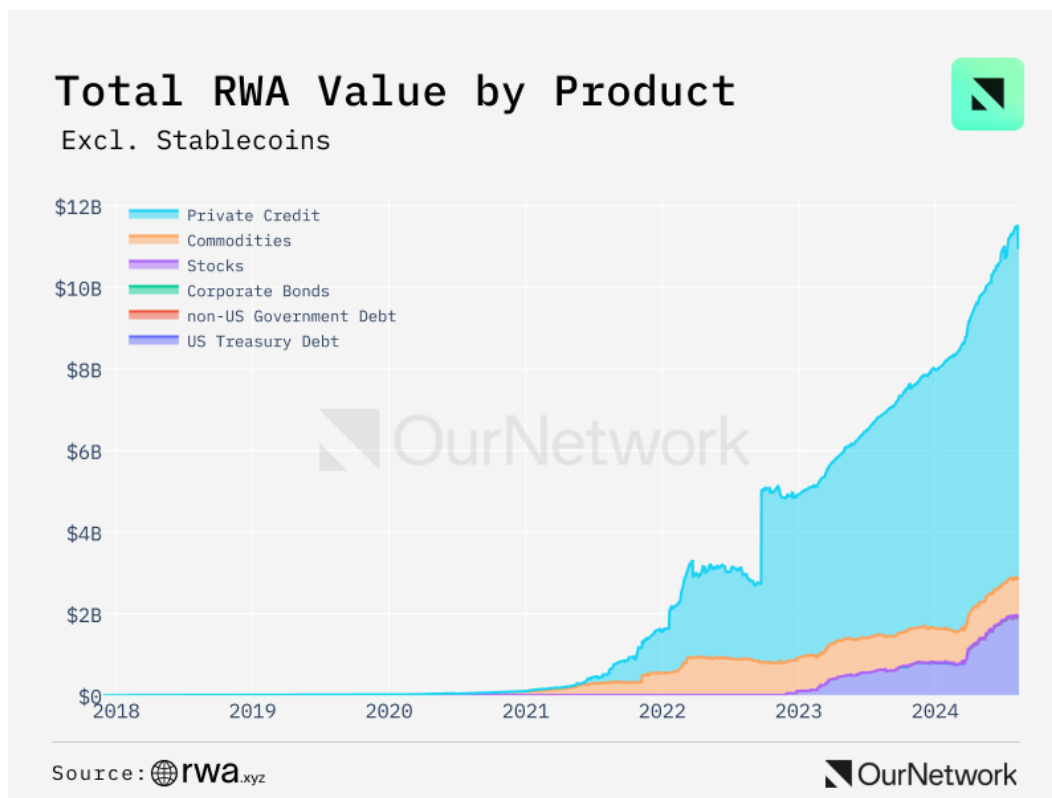
- Imagine if the government only let you use email to forward jokes. Sure, the idea of sending information instantaneously, globally, boundaryless, and for free would still make ideological sense. You could see a future where it would be used for things other than sending jokes, and a few people might invest based on that future promise... but there just wouldn't be that many people actually using email. Forwarding jokes only goes so far.
- Imagine if the government only let you transport rocking chairs on airplanes. Again, most people would recognize the power and potential of airplanes, and many investors might invest based on the future of flying people and packages worldwide. Still, there wouldn't be much interest in sending rocking chairs on airplanes, and very few airplanes would be flying.
- Imagine a world where the government said that the only food that could be delivered to your home or office was pizza (actually, this basically was the case 30 years ago). Same story. Sure, the idea of expanding food delivery would make sense. Many investors would invest in the future of food delivery apps. Many businesses would prepare and plan for future food delivery. But again, at the end of the day, there just wouldn't be that much food delivery. Pizza can only take you so far.

This is the crypto paradox. We know that eventually, we will be trading stocks, bonds, deeds to homes, jewelry, cars, and many other assets on-chain. We know that eventually, the majority of dollars sent around the world will be stablecoins. We know so many things about what blockchain technology will do, which has caused this industry to balloon in terms of investment dollars and hype.

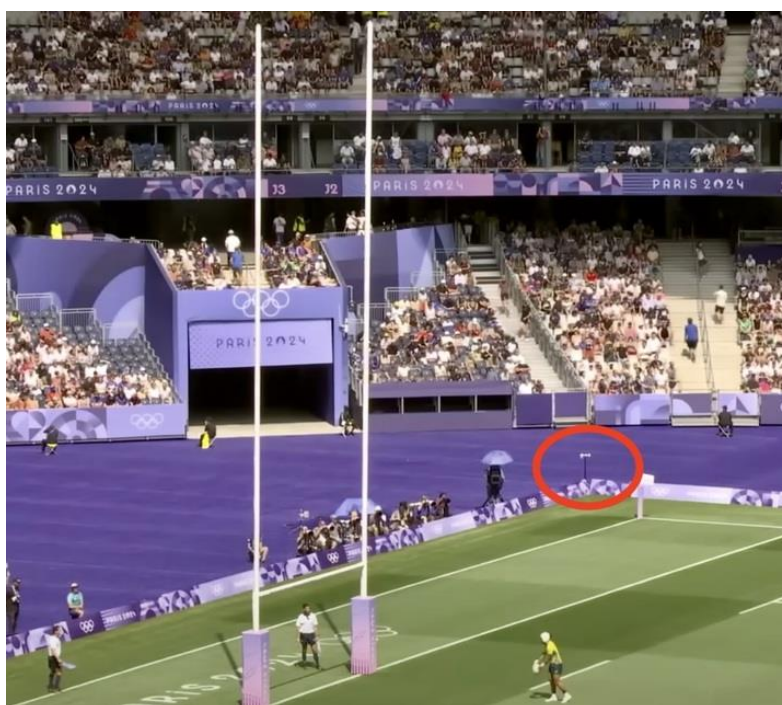
But on days like Monday, August 5th, when blockchain was needed more than ever, but alas, no one really cares about moving on-chain to trade SOL and memecoins.

And until that changes, we are stuck.

Coinstack: There is now over \$10.9 billion of RWAs on public blockchains...



DePIN installation at the Olympics: Fans who watched Australia take on Samoa in men's rugby at the Stade de France, for instance, could see one of these devices near the corner of the pitch. A decentralized weather tracking network named WeatherXM (an upstart DePIN or decentralized physical infrastructure) had 40 of its Pulse weather stations installed around the Olympic venues. The devices, which cost \$900/piece and reward operators with tokens, tracked weather data including precise temperatures, solar radiation, and air pressure near where athletes were competing.



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

- The family of detained Binance executive Tigran Gambaryan is calling for his release as his health deteriorates, with reports indicating he is mostly bedridden due to untreated medical conditions.
- Three Arrows Capital liquidators filed a \$1.3 billion lawsuit against Terraform Labs, alleging that the firm manipulated the market for Luna and TerraUSD, leading to 3AC's massive losses during the 2022 collapse.
- Celsius filed lawsuits against several crypto entities – including Tether, Badger DAO, and Compound – aiming to recover billions in losses for its creditors.