



HYPERION DECIMUS

CRYPTO NEWSLETTER

POWERED BY WEEKLY CRYPTO BRIEF

8th September 2024

BITCOIN-RELATED



NYDIG: Investors came back from summer break and hit the sell button on risk assets, sending Bitcoin - 5.4% on the week. (Equities also tumbled, with the S&P 500 -1.6% and Nasdaq Composite -2.2%. And economically sensitive oil was -8.9% on the week.)

Venezuelan opposition leader María Corina Machado proposed a national Bitcoin reserve for the country – a highlighting the role of Bitcoin as a lifeline for Venezuelans who have suffered from hyperinflation under the Chávez and Maduro regimes. (Watch the interview, [here](#).)

Japanese investment adviser Metaplanet, which adopted Bitcoin as a reserve asset earlier this year, said it tapped SBI VC Trade to provide custody services. (SBI VC Trade, a unit of Tokyo-based SBI Holdings, prioritizes tax efficiency and offers the potential to use BTC as collateral for financing.)

Switzerland's fourth largest bank, Zürcher Kantonalbank, launched Bitcoin (and crypto) trading and custody services, amid the country's open regulatory environment.

21.co, the parent company of 21Shares, launched a new wrapped Bitcoin token, 21BTC, on the Ethereum blockchain, following the earlier introduction of 21BTC on the Solana blockchain. The new Ethereum-based 21BTC aims to offer users a secure and institutionally backed alternative to existing wrapped Bitcoin products like Wrapped Bitcoin (WBTC).

Cantor Fitzgerald CEO Howard Lutnick posted on X: Over the last five years, Bitcoin has been an outsider to the TradFi community, and it's only now dipping its toe into global finance. Cantor will help TradFi bring Bitcoin all the way in. TradFi wants new asset classes, and BTC is here to stay.

NBA legend Scottie Pippen claimed Bitcoin creator Satoshi Nakamoto visited him in a dream and predicted that Bitcoin would be at \$84,650 on November 5, 2024.

INDUSTRY ADVANCES



Siemens has again issued a digital bond in accordance with Germany's Electronic Securities Act. With its new digital bond, Siemens supports the tests by the European Central Bank of distributed ledger technology for the settlement of securities with central bank money. The \$330 million digital bond has a maturity of one year.

Mastercard introduced a crypto Euro debit card in partnership with Mercuryo. The card allows users to spend crypto from their self-custodial wallets at over 100 million merchants. This initiative integrates crypto into daily transactions, improving user control over their funds while advancing Mastercard's commitment to embedding digital assets in the mainstream economy.

Centralized crypto exchange trading volumes rose 6.6% last month to \$1.2 trillion, extending the growth that began in July after hitting a multi-month low in June.

Mark Karpelès, the former chief executive of collapsed Bitcoin exchange Mt. Gox, is planning to launch a new, transparency-focused crypto exchange this month, based in Poland, called EllipX.

The Bloomberg Terminal is reportedly adding Polymarket election data to its election dashboard, providing users with real-time insights on the prediction market's numbers.

Global travel marketplace Skyscanner integrated with BNB Chain-based travel platform Travala to offer hotel bookings in 100+ cryptocurrencies, including Bitcoin, Ether and Travala's native token AVA. The integration means Travala's inventory of 2.2 million hotels across 230 countries is now available to Skyscanner's 110 million users, discoverable alongside leading travel agencies such as Expedia and Booking.com.

Worldcoin aims to achieve global scale by mass-distributing its eyeball-scanning "Orbs" to verify users and increase utility, Alex Blania, CEO of core developer Tools for Humanity, said at Korea Blockchain Week. It claims to have more than 6.5 million verified users in 160+ countries, using iris scans to issue "World IDs" as proof of humanness in exchange for WLD tokens, with the vision of protecting people from potential negative impacts from AI.

Cardano initiated its Chang hard fork, marking the beginning of decentralized governance on its blockchain, a move that aims to transfer control to ADA token holders and enhance the network's decentralization. (Cardano founder Charles Hoskinson is reportedly planning to launch a decentralized social media platform in Brazil.)

Pump.fun, a memecoin launchpad, exceeded \$100 million in revenue since its January 2024 launch, while Polymarket's trading volume in August outpaced the entire NFT market.

Polygon developers announced that the migration of MATIC to POL is live, making POL the new ticker symbol for the native gas and staking token on the Polygon PoS chain. The transition to POL follows a year of extensive community-led discussions as part of Polygon's evolution toward becoming a ZK chain and integrating with AggLayer for consolidated liquidity and state across multiple chains.

Atlantis Coin released the AtlantisChain Whitepaper, introducing a new blockchain technology that aims to redefine the landscape of digital finance and Web3 applications. AtlantisChain claims to have unprecedented transaction speed. While Bitcoin processes around 7 transactions per second (TPS), Ethereum manages 12-15 TPS, and BSC reaches 200 TPS, AtlantisChain claims to support 100,000 to 1,000,000 TPS. (Download the whitepaper, [here](#).)

Yonsei University in South Korea joined Ripple's University Blockchain Research Initiative (UBRI), becoming the 58th global partner and the 12th in the Asia Pacific region. This partnership aims to drive innovation in blockchain research across various disciplines, including artificial intelligence, finance, information systems, and management.

Taraba State government (in Nigeria) and Algorand Foundation trained 100 youth in the state – during a week-long training program – in blockchain technology and software development.

MINING



Bitcoin miners experienced their worst month in a year, with revenues plunging to \$851 million in August, reflecting a 57.5% drop since March, as they struggle with the post-halving environment.

Sergey Bezdelov, Director of Russia's Industrial Mining Association, revealed that around 54,000 BTC, more than \$3 billion, were mined in Russia last year. This mining activity reportedly generated 50 billion rubles (~\$556 million) in taxes for the Russian government.

Blockware Intelligence release a new research report titled: "Analyzing the Relationship of Bitcoin Price & Hashrate." Inside the report, they dissect historical patterns in ASIC hardware, Bitcoin price, and network hashrate to determine which times in the Bitcoin cycle are the best for miners to deploy capital. (Download the 27-page report, [here](#).)

ETPS (EXCHANGE-TRADED PRODUCTS), FUNDS & INDEXES



The US-listed spot Bitcoin ETFs had a rough day on September 3, as growth concerns and a sell-off in NVDA dented market sentiment. The 11 ETFs registered a cumulative net outflow of \$287.8 million, the largest single-day tally since May 1, when the funds bled over \$500 million, according to data tracked by Farside Investors. Updated through September 5, the US spot Bitcoin ETFs had seven consecutive days of negative flows totaling over \$1 billion. (However, as of late August, ~8 months after their debut, the 10 new spot Bitcoin ETFs collectively boasted more than \$52 billion, according to TrackInsight.)

The SEC extended its deadline to November 21 for deciding on the 7RCC Spot Bitcoin and Carbon Credit Futures ETF, citing the need for more time to review the proposal and public comments.

VanEck will close its Ether futures ETF after July spot ETH fund launch. The offering, which launched in October 2023, had gathered just \$21 million in assets.

Injective introduced a new tokenized index for BlackRock's BUIDL Fund, enabling users to track the fund's supply.

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



Robot Ventures announced a new fund, its fourth one for \$75 million. Investors included Andreessen Horowitz's Marc Andreessen and Chris Dixon (though not a16z itself). The team previously invested in successful startups like Lido, Flashbots, and LayerZero.

Asylum Ventures, a \$55 million generalist fund, was announced. Notation Capital founder Nick Chirls, which invested in projects such as Solana and NEAR, is the general partner at the new fund.

Daniel Howard (British hedge-fund billionaire Allan Howard's son) and a colleague raised \$25 million for a new VC fund (Halo Capital) that will focus on the digital-asset sector.

Web3 security firm Hypernative raised \$16 million in Series A funding – led by another Web3 security firm Quantstamp.

Blockstream Mining opened a third round of investment for its hashrate-backed tokenized note, giving participants a slice of the Bitcoin earned from its mining activities over the next four years. The third will be priced at \$31,000 and give holders the Bitcoin produced by 1 petahash per second (PH/s) of hashrate. Blockstream is targeting \$10 million in the latest round.

Double Jump Tokyo, a Japanese company focused on developing Web3 gaming projects, raised \$10 million in the first closing of its Series D funding round – led by SBI Investment.

Puffpaw, the project that intends to sell specialty vapes that record users' smoking habits on the blockchain and reward them in tokens for gradually reducing nicotine intake, raised \$6 million in seed funding – led by Lemniscap Ventures.

IPOS, M&A, PARTNERSHIPS & DEALS



Blockchain developer platform Alchemy acquired Bware Labs, the main company behind infrastructure provider platform Bware. The deal brings on 41 developers and engineers from the Bware team and increases Alchemy's headcount to 190.

New World Solutions announced that it has entered into a definitive agreement with dialMKT to acquire 51% of the issued and outstanding shares of dialMKT. dialMKT is a private British Columbia corporation developing a blockchain-powered digital ecosystem for the wristwatch enthusiast market.

DEFI



DeFi protocol fees dropped by 24.4% in August to \$288 million, marking the lowest level since February.

A Donald Trump-backed DeFi project, World Liberty Financial, reportedly draws inspiration from Dough Finance's code and will involve a non-transferable governance token and credit protocol, with Trump's sons involved in the planning. (Meanwhile, a Coindesk investigation, citing anonymous sources, claimed the Trump crypto project will be centered around a borrowing-and-lending DeFi platform and will issue a cryptocurrency called WLFI.)

EigenLayer announced its second “stakedrop,” planning to distribute 86 million EIGEN tokens to various stakeholders, including stakers and node operators, with distribution beginning on or before September 17.

Ethena’s USDe will soon be available for deposit on Ether.fi, allowing users to exchange it for a new liquid restaking token called eUSDe, providing a dollar-pegged asset for EigenLayer restaking.

CBDCS & STABLECOINS



Santander, Visa, and Mastercard selected for Brazil’s DREX CBDC Pilot. (DREX is a wholesale CBDC (wCBDC) system where the digital real is utilized for interbank settlements.)

Japan's three major banks, MUFG, SMBC, and Mizuho, are set to test a cross-border stablecoin transfer platform dubbed "Project Pax," with participation from other global banks anticipated. The pilot, run by crypto firms, including Progmatt, Datachain, and TOKI, aims to provide faster international settlements for enterprises using blockchain technology.

XRP developer Ripple's chief executive Brad Garlinghouse said the company will be issuing a US-dollar pegged stablecoin in a matter of “weeks, not months,” following over a year of development. The stablecoin will be called Ripple USD, or RLUSD, and is currently operating in a “closed beta,” according to Garlinghouse.

DWF Labs announced the finalization of a synthetic collateralized stablecoin design, which will support a variety of assets including USDT, USDC, DAI, Bitcoin, Ether, and several blue-chip tokens, offering different annual percentage yields.

NFTS, BLOCKCHAIN GAMING & METAVERSE



Build21, a real estate company that utilizes blockchain principles and infrastructure, announced the

launch of its first funding round on the MultiversX blockchain on September 24. During this round, investors can purchase NFTs from the Build21 Helmets collection.

Mysten Labs, the blockchain infrastructure provider and original contributor to the Sui blockchain, announced on September 3 that pre-orders for the SuiPlay0X1 handheld gaming device were officially live. Powered by Playtron's device agnostic game operating system, SuiPlay0X1 is the first handheld gaming device to integrate Sui's native blockchain technology.

Zynga, the game studio behind hit games like Farmville and Words With Friends, divested from its Web3 game Sugartown. The IP was sold to D20 Labs, a company led by two Sugartown game developers.

Moxy, a video game tournament and gamification platform, is teaming up with Skale Labs. Moxy will use and advance Skale's invisible, gasless blockchain technology, which, according to both companies, addresses one of the major challenges for Web3 gaming: Gas fees.

JOB MOVEMENT



ZKsync developer Matter Labs cut ~16% of its workforce on September 3 due to changing market conditions and business needs throughout 2024, according to CEO Alex Gluchowski.

OKX appointed Gracie Lin – a former MAS official who has also held roles at sovereign wealth fund GIC and ride-hailing giant Grab – as CEO of its Singapore operations.

World Liberty Financial named Corey Caplan, a cofounder of the Dolomite DeFi project, as an advisor.

REGULATIONS, RULINGS & COMMENTARY



Donald Trump reiterated his promise to make the US the crypto capital of the world if he wins in November, saying: "Instead of attacking industries of the future, we will embrace them, including making America the world capital for crypto and Bitcoin."

During Trump's discussion with BTC Inc. CEO David Bailey, he was promised \$100 million in donations and 5 million re-election votes for promoting pro-crypto policy. Since then, \$25 million has been raised. 48% of all corporate money raised this cycle is from crypto. Pro-crypto money has led to 85%-win rates for candidates.

A Coinbase spokesperson said Future Forward PAC, a super political action committee backing Kamala Harris, is accepting cryptocurrency donations.

Crypto advocate John Deaton has won the Republican nomination to take on influential Democrat Elizabeth Warren for the US Senate in November.

SEC commissioner Mark Uyeda said the SEC should create a special version of the S-1 form for digital assets. The agency's current form, the primary application companies must fill out to register securities

in the US, does not do justice to digital assets and other unusual financial products, Uyeda said. He added that the regulator has not done enough for digital asset products looking to register in the country.

The Japanese Financial Services Agency's 2025 tax reform includes new guidelines for taxing virtual currency transactions, prompting investors to advocate for a reduction in the crypto tax rate from a max of 55% to a uniform rate of 20%.

The Qatar Financial Centre (QFC), a business center based in Doha, Qatar, released a comprehensive regime for regulating and creating digital assets. The rules include tokenization processes and the legal recognition of property rights in tokens and underlying assets, custody arrangements, transfer/exchange, and provisions for the legal recognition of smart contracts.

Ryan Selkis, founder of Messari, left the company to launch “Project Solomon,” a new initiative to support Donald Trump's re-election campaign and develop a “parallel Washington” using modern technologies to address key governance issues.

African-founded cryptocurrency exchange, Quidax announced that it became the first crypto exchange to receive a provisional operating license by Nigeria’s Securities and Exchange Commission as a Digital Assets Exchange.

OKX's Singapore entity received a Major Payment Institution (MPI) license from the Monetary Authority of Singapore, allowing it to offer digital payment token and cross-border money transfer services, including crypto transactions.

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

India cryptocurrency exchange WazirX, which suffered a \$234 million hack in July, is unlikely to be able to recover user funds full through its restructuring process. The WazirX hacker appeared to transfer 2,600 ETH (~\$6.5 million) to the sanctioned crypto mixer Tornado Cash on September 3 to launder the funds, according to security firm PeckShield. (The restructuring process suggests that WazirX users may recover only 55% to 57% of their assets.)

In a report released on September 3, the Federal Trade Commission said it found the amount of money lost to Bitcoin ATM scams increased nearly 10 times from 2020 to 2023 – going from \$12 million to a whopping \$114 million. Consumers have already lost \$65 million to the ruse in the first half of 2024 alone.

Penpie, a yield generation protocol built on top of Pendle Finance, suffered a \$27 million exploit due to a smart contract vulnerability, prompting Pendle Finance to pause all smart contracts to ensure user funds remain secure.

The CFTC recovered \$18 million in digital assets from Sam Ikkurty, accused of running a Ponzi scheme disguised as a “crypto hedge fund” that severely underperformed and defrauded investors.

Robinhood's crypto arm agreed to pay \$3.9 million to settle allegations by the California Department of Justice that it prevented customers from withdrawing digital assets from their accounts between 2018 and 2022, marking the first public action by the regulator against a crypto firm.

Ukrainian authorities arrested a criminal group posing as law enforcement, who extorted \$250,000 in Tether (USDT) from a young entrepreneur by threatening him with false charges of collaborating with Russia.

The SEC charged and settled with crypto-focused investment advisory firm Galois Capital over issues related to how it handled client assets. Galois Capital agreed to settle with the SEC without admitting or denying the allegations and pay a civil penalty of \$225,000, to be distributed to the fund's investors.

Uniswap Labs settled with the CFTC for \$175,000 over charges related to offering “illegal digital asset derivatives trading.” New York State Attorney General Letitia James also joined a regulatory offensive against Uniswap, according to internal communications regarding NYAG subpoenas.)

A Scottish court seized £110,000 (\$144,000) worth of Bitcoin from John Ross Rennie, who was convicted as the “technical brains” behind a 2020 assault and crypto robbery.

Microsoft warned the code base behind the Google Chrome browser is under attack from hackers via a so-called zero-day exploit that could see users' cryptocurrency stolen. A North Korean hacking group called Citrine Sleet is believed to be behind the Chrome hack.

The US Federal Reserve issued a cease-and-desist order to United Texas Bank for significant deficiencies in adhering to anti-money laundering laws related to its crypto customers, requiring the bank to submit a comprehensive action plan within 90 days. (Crypto advocacy group The Blockchain Association is leading calls for more information about the matter, amid suggestions this is part of the US government's unacknowledged crackdown on banks offering services to the crypto industry known as Operation Choke Point 2.0.)

The FBI issued an alert warning that North Korean hackers are targeting US cryptocurrency ETFs in a bid to steal digital assets. The hackers are using advanced social engineering techniques to breach the security of companies associated with these financial products.

The mysterious DeFi crypto project called World Liberty Financial that's been promoted by former US president Donald Trump and was created by his sons Eric and Don Jr. was hijacked by scammers, reportedly luring tens of thousands Telegram users via cleverly placed ads on the Telegram group created to be the only source of official news for the project. The X accounts of Donald Trump's daughter-in-law and daughter, Lara and Tiffany Trump, were hacked.

Over 16,000 rugpulls have been launched in the past three months, with millions of dollars stolen weekly. To combat this, Pocket Universe launched a Rugpull Detector to warn users if a token is likely linked to serial rugpullers. It has flagged about 60% of hard rugs in early testing.

MISCELLANEOUS

Telegram held \$400 million in digital assets and generated a significant portion of its 2023 revenue from crypto-related activities, according to the Financial Times.

Ethereum experienced its worst month in over two years, with a 22% drop in August, driven by disappointing ETF flows, Vitalik Buterin's critical comments on DeFi, and a shift of activity to layer-2 networks. (In turn, Ethereum futures trading volumes on the CME dropped to a 9-month low in August. The downturn reflects a decline in institutional interest in Ethereum-related financial products.)

The Ethereum Foundation plans to release a financial report addressing community concerns about its spending, revealing that it holds ~\$650 million in its main wallet and has a financial runway of about 10 years depending on Ether prices.

Polygon will begin the swap of its MATIC token for the new POL token on September 4, as part of the Polygon 2.0 roadmap, which brings changes in its tokenomics and expands the token's role within the ecosystem.

Bluesky, the decentralized social media platform, experienced a surge of one million new users in three days after X was banned in Brazil, leading to a significant increase in traffic and technical challenges.

CHARTS, TABLES, QUOTES, COMMENTARY & OTHER IMAGES

Ikigai Asset Management: August and YTD return comps for Bitcoin and other asset classes...

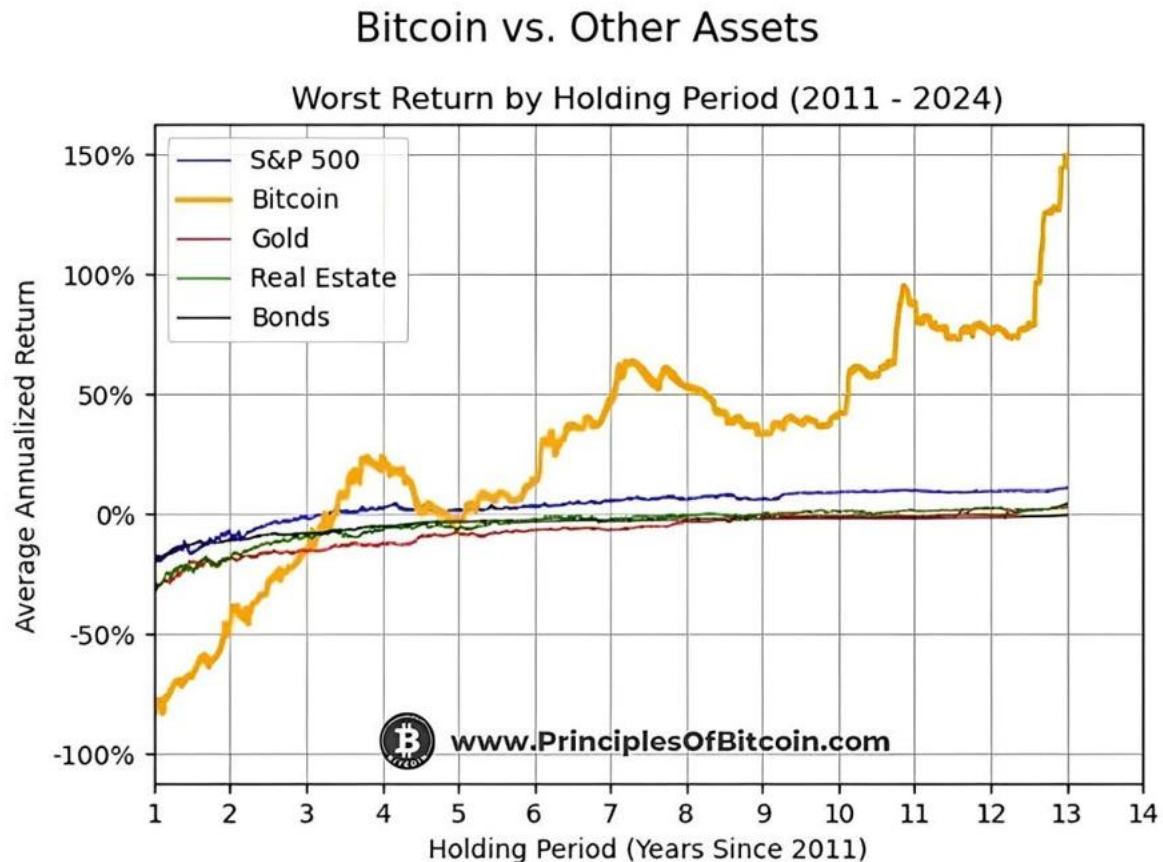
Asset Class	Aug	Jul	Q2-24	Q1-24	YTD	Q4-23	Q3-23	Q2-23	Q1-23	2023	2022	2021	Instrument
Bitcoin	-9%	3%	-12%	69%	40%	57%	-12%	7%	72%	155%	-64%	60%	BTC
NASDAQ	1%	-2%	8%	8%	16%	14%	-3%	15%	21%	54%	-33%	27%	QQQ
S&P 500	2%	1%	4%	10%	18%	11%	-4%	8%	7%	24%	-19%	27%	SPX
Total World Equities	2%	2%	2%	7%	14%	10%	-4%	5%	7%	19%	-20%	16%	VT
Emerging Market Equity	1%	1%	4%	2%	8%	6%	-4%	0%	4%	6%	-22%	-5%	EEM
Gold	2%	5%	5%	8%	21%	12%	-4%	-3%	8%	13%	-1%	-4%	GLD
High Yield	1%	2%	-1%	0%	3%	5%	-2%	-1%	3%	5%	-15%	0%	HYG
Emerging Market Debt	2%	2%	-1%	1%	3%	8%	-5%	0%	2%	5%	-22%	-6%	EMB
Bank Debt	0%	0%	0%	0%	-1%	1%	0%	1%	1%	3%	-7%	-1%	BKLN
Industrial Metals	4%	-6%	12%	-2%	7%	-5%	7%	-11%	4%	-6%	-13%	29%	DBB
USD	-2%	-1%	1%	3%	0%	-5%	3%	0%	0%	-2%	8%	6%	DX
Volatility Index	-8%	32%	-4%	4%	20%	-29%	29%	-27%	-14%	-43%	26%	-24%	VIX
Oil	-4%	-2%	1%	18%	12%	-18%	27%	-4%	-5%	-5%	29%	65%	USO

NYDIG: Despite the recent price action, the current cycle is essentially where we were as of the two previous cycles. There was a great “pull forward” because of the launch and demand created by the spot Bitcoin ETFs this cycle, with nothing analogous in previous cycles. Given that, it’s not surprising to see that at this point we’re at the same place as other cycles. The one big difference is that by this time in other cycles, other narratives began to emerge outside of Bitcoin, and that really hasn’t happened this cycle. Without new narratives emerging, the final speculative phase of crypto cycles just may never occur. If Bitcoin fails to achieve a new high this cycle outside of the March high, which was just barely over the previous cycle high, we may have to revisit the cycle thesis.

Cycle Troughs to Peaks



Korok Ray (Associate Professor at the Mays Business School of Texas A&M University): This graph shows the volatility of Bitcoin in a new light. The worst returns from other assets like gold, real estate, and bonds are (a) similar to each other, and (b) nearly flat compared to Bitcoin. It's true that other assets may not lead to large initial losses, but they also do not lead to longer-term gains. By way of comparison, the worst return from the S&P 500 exceeds 0% after 3.61 years, and 8% after 9.85 years. Similarly, it takes gold 12.38 years to escape breakeven in its worst case. This graph also gives the best indication that Bitcoin really is a new kind of investment. Notice how stocks, bonds, and real estate cluster together, while Bitcoin is markedly different.



The Grayscale Research Team published a piece titled “August 2024: Bitcoin, the Dollar, and Fed Rate Cuts.” (See highlights below. Read the full piece, [here.](#))

- Crypto valuations retreated in August 2024 alongside a brief spike in broader financial market volatility. Bitcoin outperformed while Ethereum underperformed relative to the broader crypto market.
- Fed Chair Powell signaled that rate cuts are coming soon, which could support Bitcoin as well as other assets that compete with the U.S. Dollar (e.g., physical gold).
- Ethereum’s scaling strategy may be creating uncertainty among some investors about its longer-term outlook, even though activity on its Layer-2 networks has increased significantly.
- The month also saw rising stablecoin market capitalization, upgrades to a number of key protocols, and a growing debate about digital privacy.

Bitcoin Magazine: Bitcoin's hash rate hit a new all-time high...



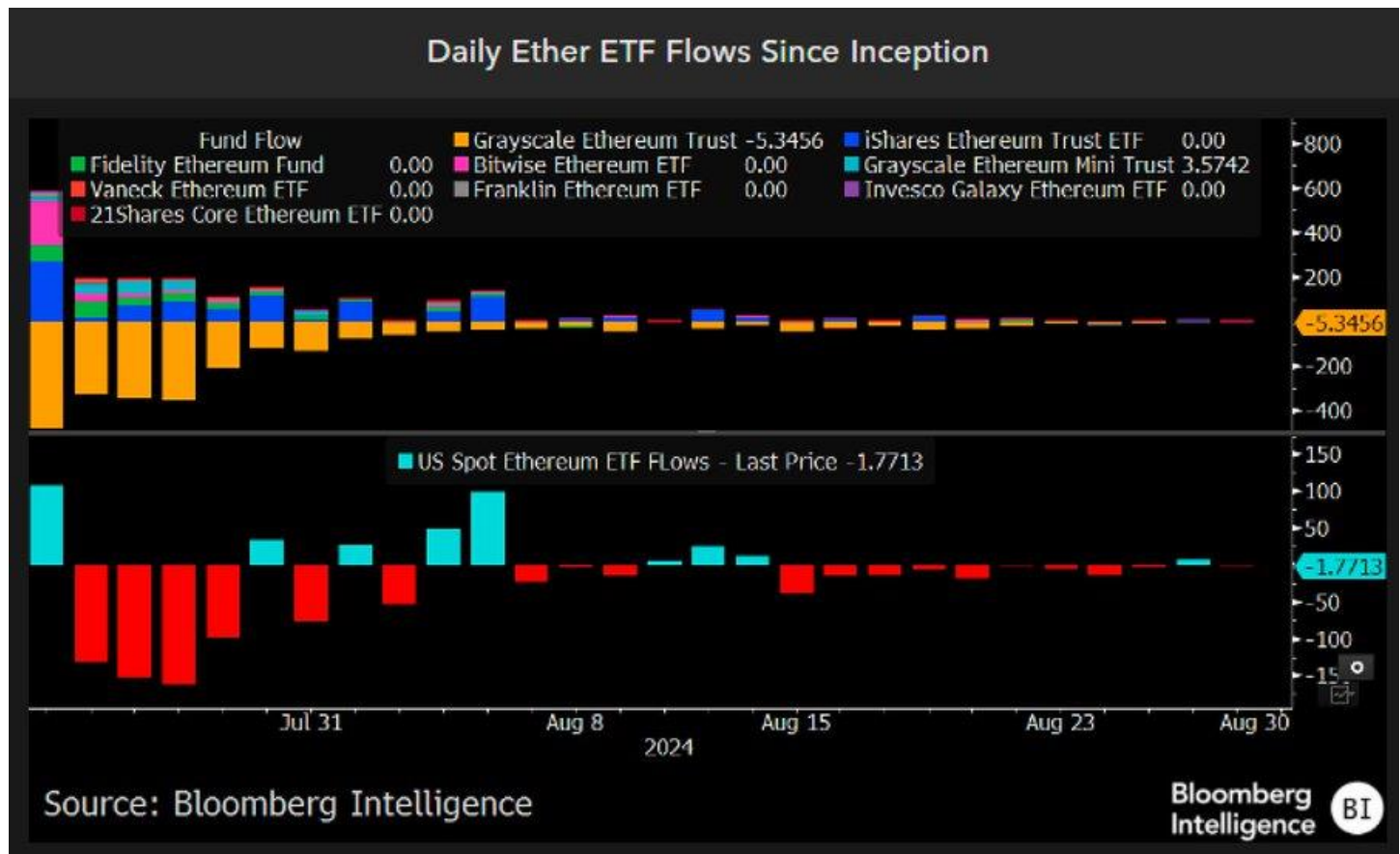
Blockworks: Riot criticizes Bitfarms' acquisition proposal, board changes...

Riot Platforms has once again publicly criticized fellow Bitcoin miner Bitfarms — this time questioning its latest proposed acquisition and board of directors adjustments.

In an open letter on September 3, Riot called for Bitfarms to halt its strategic actions ahead of a shareholder meeting slated for late October.

“Specifically, the Bitfarms board should not enter into any financing transaction prior to the completion of the special meeting,” the company said in a Tuesday release. “Riot is deeply concerned that any transaction the current Bitfarms Board will pursue will be punitively dilutive to all Bitfarms’ shareholders when there are other more attractive financing options available.”

Eric Balchunas: Ether ETFs went backward in first month... flows -\$476m as the newbies couldn't overcome the \$ETHE unlock, too powerful a force (this is why I reiterated how heroic the New Nine Bitcoin ones were) but good news is unlock will end, there's light at end of tunnel.



Summary and conclusion from Glassnode’s “The Week On-Chain” from 9/4/24. (Read the full report, [here](#).)

With Bitcoin residing only mere 22% drawdown from its ATH, a considerably shallower drawdown than prior cycles, the average BTC investor remains largely profitable, highlighting the robustness of their positioning.

Nevertheless, the Short-Term Holder cohort continues to carry elevated unrealized losses, indicating they are the primary cohort at risk and the expected source of sell-side pressure in the event of a downturn.

Alongside this, Profit and Loss taking activities remain remarkably light, suggesting a saturation of our current range with critical metrics such as the Sell-Side Risk Ratio alluding to a potential for heightened volatility in the near future

Conclusion from Coin Metrics’ “State of The Network” weekly report from 9/4/24. (Read the full report, [here](#).)

As the foundational layer for the on-chain ecosystem, Layer-1s will continue to garner significant attention. Looking ahead, technological improvements and the ability to attract adoption through its applications will shape the future of these networks. Ethereum’s upcoming Pectra upgrade, along with discussions around optimizing blob price discovery and L1 scalability, will enhance its performance and accessibility. Solana’s Breakpoint Conference could reveal key developments that further its high-throughput capabilities. Meanwhile, new entrants like Monad present opportunities for growth, adding to the competitive landscape.

While each Layer-1 follows along its roadmap, they will likely converge through different trade-offs – balancing scalability, security, and decentralization to meet the growing demands of blockchain adoption.

Blockworks updated key metrics...

Total Crypto Market Cap	\$2.00 T
Bitcoin Market Cap	\$1.07 T
Ethereum Market Cap	\$274.69 B
ETH/BTC Ratio	0.04
Ethereum Gas Price	1.80 gwei
DeFi TVL	\$141.38 B
Fear and Greed Index	23 (Extreme Fear)

Findings were released from the June 2024 Advisor Pulse Survey, conducted by the Digital Assets Council of Financial Professionals (DACFP) and sponsored by Franklin Templeton Digital Assets. (The June survey gathered responses from 584 financial professionals.)

- Four in 10 (40%) financial advisors report they have recommended crypto to at least half of their clients, up from 32% in March 2024.
- The number of advisors recommending crypto to all their clients nearly doubled, rising from 8% in March 2024 to 13% in June 2024.
- The most frequently recommended crypto allocation is 2%, indicated by nearly one in four advisors (24%). This is consistent with the March 2024 survey which also found 2% to be the most commonly recommended allocation.
- The number of advisors recommending that clients allocate between 1% to 5% of their assets to crypto remained roughly the same, increasing only one percentage point from March 2024 (87%) to June 2024 (88%).

- Among advisors not yet recommending crypto to clients, the majority (56%) say they plan to do so in the future. Four in 10 (40%) intend to begin recommending digital assets within the next six months, up from 35% who indicated this intent in March 2024. Nearly all advisors (91%) plan to recommend that clients allocate between 1% to 5% of their assets to digital assets.

Travis Kling (CIO – Ikigai Asset Management) published his monthly commentary. Highlights below...

Opening Remarks

If you just glanced at the August monthly performance of market bellwethers, you would miss the intra-month carnage. US stocks up a bit. DXY down a couple percent. Treasury yields a bit tighter. VIX a bit tighter. NIKKEI down a bit. JPY up a bit. But that monthly glance conceals how hard the global financial markets were slammed and how aggressively they recovered. It made for some historically long wicks on monthly candles.

If I had written this monthly on August 6th, I probably would have spent most of the letter unpacking the Yen carry trade unwind contagion in depth. But like I said, it came and went incredibly quickly, and I'm not expecting the situation to reappear in the near-term (although it certainly could). If you want more details, this is a good thread.

Alongside the Yen unwind situation, the US election landscape continued to evolve rapidly. Harris picked radically left Minnesota governor Tim Walz as her running mate. The Harris campaign announced economic and tax plans that included price controls and taxing unrealized capital gains. RFK Jr dropped out of the presidential race, derided the Democratic party and threw his support to Trump. In turn, Trump pledged RFK a cabinet position if he wins in November. Tulsi Gabbard did the same.

Shown above, Trump's odds on Polymarket declined precipitously after peaking at 72c immediately after his assassination attempt in mid-July. After bottoming in mid-August at 44c, Trump bounced in response to the Harris economic and tax plans and RFK's support for Trump. Both the betting markets and the public polls have the presidential race as a toss-up currently.

The next major (planned) event is the September 10th debate. There is certainly a path where either candidate could blunder enough to meaningfully impact the election. I could imagine either candidate making a mistake like that. They both certainly have the ability to say stuff that makes you really not want to vote for them. So, the debate is likely going to matter.

My optimism for the future should Trump win grew in August. I like RFK and I like Tulsi. I think a Trump administration is better off with the two of them in it.

My nervousness also grew in August. Nervous that some additional major negative event (e.g., Trump getting shot in the face) might occur between now and the election - a series of domestic terrorism attacks or a large-scale cyber-attack. Unfortunately, that just feels like where we are as a nation right now. I'm also nervous about mass election fraud at a scale that can swing the election. Unfortunately, that also just feels like where we are as a nation right now.

My conviction on a Trump win did not grow in August. I have no insider info on polling - I just see the same stuff as anyone else. And the purpose of this monthly letter is not to try and convince you which

candidate is a better choice. Vote for whoever you want. For the purposes of this letter, I'm really just trying to understand the reality of the situation and convey what I'm seeing to you, and hopefully you find that helpful. In my head, Trump seems like the clearly better choice (the least bad candidate). And yet I know that Trump lost the popular vote in 2016, 2020 and he is highly likely to lose the popular vote again this year. So, it is highly likely more people will turn out and vote for Harris than for Trump in November, even if it is very possible Trump wins the election due to the electoral college. And that simple fact makes me feel like I don't have a very good handle on what the American people want.

What CRYPTO people want, that is clear.

Market Update – Liquid Crypto Asset Investing

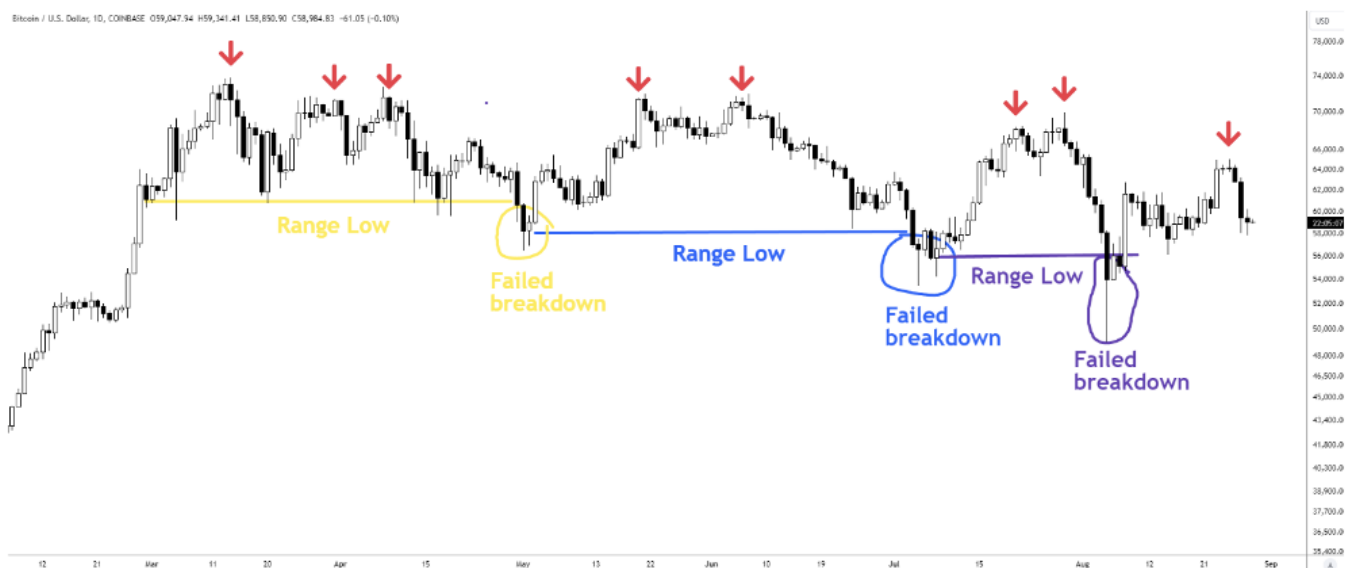
Bitcoin was down 9% in August after being down as much as 24% MTD on August 5th and up 1% on August 25th. It was a volatile summer month, and the volumes at the bottom were noteworthy.

As of 8/29/24:

- BTC on Coinbase had the second largest daily volume since FTX collapsed.
- BTCUSDT on Binance had its largest daily volume since they turned off fee-free trading on that pair (fee-free trading obfuscates volume trends).
- ETH on Coinbase had by far its biggest volume day since FTX.
- Same with ETHUSDT on Binance.
- SOL on Coinbase had the biggest volume candle since January 2023.
- Same with SOLUSDT on Binance.

You will notice how isolated that single day's volume is. It wasn't a ramp in volume going into the puke that led to the bottom candle, and there was not sustained high trading volume after the bottom. Just one big puke candle with a long that (so far) has not been revisited. That's pretty peculiar.

Overall, this last six months of trading for BTC has been so tricky it's difficult to label the whole thing a "range" at all. What it looks like to me is three consecutive range breaks that led to failed breakdowns followed by swift recoveries.



Source: TradingView. As of 8/29/24.

Granted, we have also been making lower highs for six months on the top side. So another way to characterize the last six months is simple lower lows and lower highs. Zooming out, a third way to characterize the last six months is simply consolidation at prior ATHs. All three of those labels are accurate. In any case, it's def been tricky price action and has crypto traders banging their heads against the wall. Perhaps they should consider Quiet Quitting??

Certainly, worth pointing out, BTC price action has had to chew through an enormous amount of idiosyncratic, non-recurring supply that's come to market – GBTC selling, Mt Gox selling some amount, US Government selling and German government selling. The below chart visualizes how significant that all adds up to be...



Source: @checkmatey. As of 8/23/24.

Post-Labor Day, we're now moving into the heat of the election. And given all the election considerations I laid out here last month, Bitcoin and crypto have been and will likely continue to trade with Trump's chances of winning between now and November. Last week I wrote the following...



Travis Kling ✓

@Travis_Kling

...

NFA. I'm wrong often.

[#Bitcoin](#) has likely been trading with a correlation to Trump winning. And that makes sense to me. BTC/crypto will be MUCH better off under a Trump admin.

1- The DNC does not appear to be going particularly well.

2- RFK supposed to be endorsing Trump on Friday.

These factors are showing up on Polymarket and if RFK goes for Trump, I would guess Poly would widen out further.

Then the next big stop is Sept 10 debate. It's Trump's to lose IMO. If he shows up for Kamala the way he showed up for Biden, polls/Poly should widen further still.

Given that BTC is trading with Trump, it would make sense to me that all this would add up to BTC being back up to the top of this 6-month range.

I'm less sure if BTC can break out of this range prior to the election, unless polls/Poly REALLY widen out for Trump.

Hate it or love it, this election is highly consequential for us, short-term price action just being one aspect of that.

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Since then, RFK did indeed endorse Trump but he didn't get any additional bump on Poly from it. I still think the debate will matter a lot from Trump chances and I think crypto probably trades with Trump. So, I think it ends up looking something like this...



Source: TradingView. As of 8/29/24.

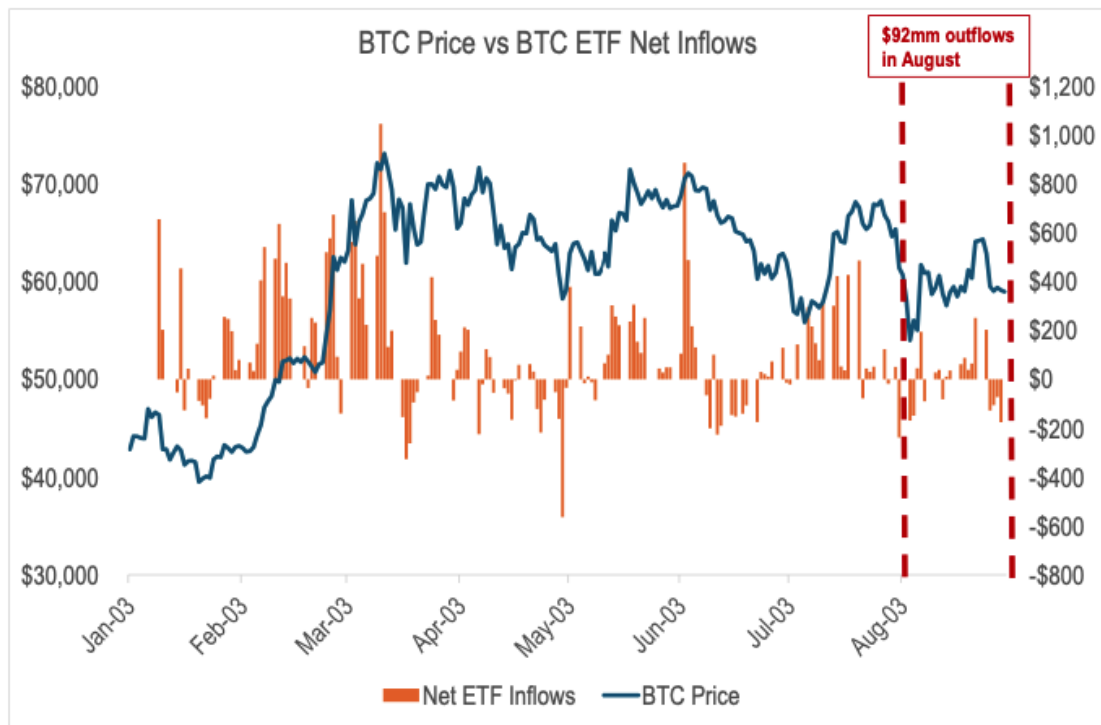
Currently, it's not my base case that Bitcoin will break out of this 6+ month trading range before the election. There's a path where Trump crushes over the next month or two and the polls/Poly REALLY open up (high 60's Poly, 7-12% point leads in swing states across multiple polls) and BTC could break out prior to the election, but it's not my base case. My guess is we'll stay in about a \$15,000 range for BTC until the election. If Trump's chances look good, we're probably at the top of the range going into the election. If it's a coin toss or worse, we're probably around \$60k going into the election.

If Trump wins, it should be God candle. An immediate move into the low \$80's makes sense to me. Then we probably grind from there up into the \$90's over the following weeks and then I would guess there will be a prolonged battle around \$100k.

If Harris wins, there will likely be at least a flash crash. BTC going from \$60 to \$50 makes sense. Alts should do meaningfully worse.

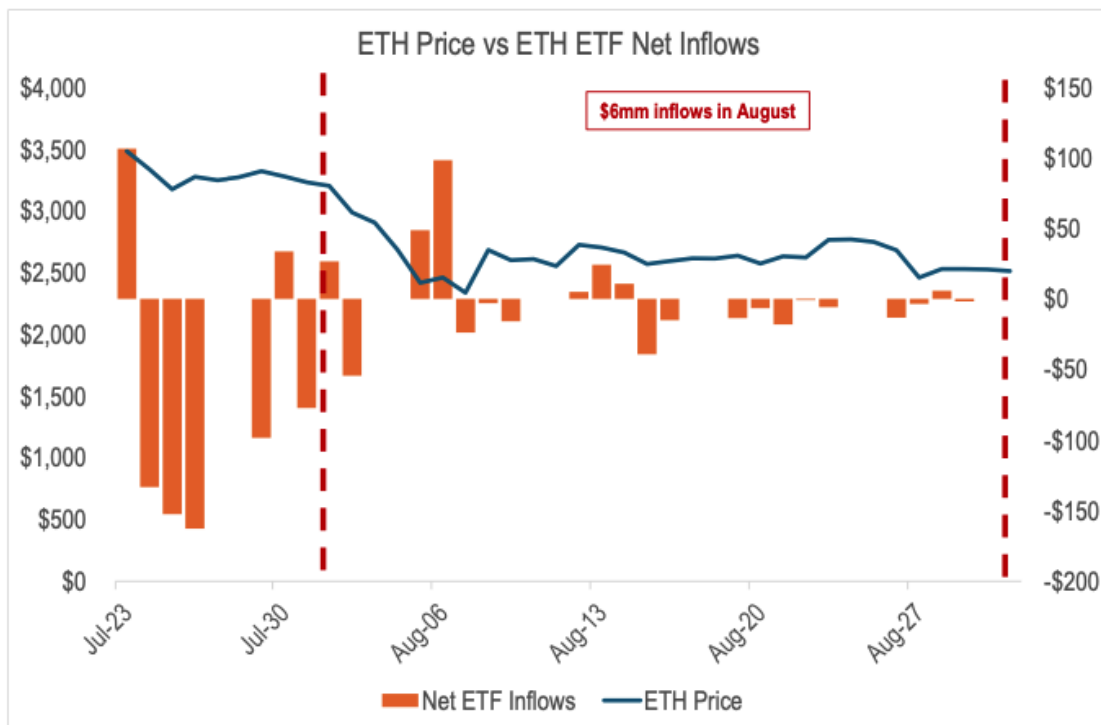
There is a very real potential for some strange price action around the election in the event that a winner is not immediately clear the next day. I think that likelihood is pretty high, maybe a coinflip. Recounts in one or more swing states are quite likely. So the market could be in a weird period of limbo as that gets sorted out. I would guess that would be a volatile period for crypto prices.

The Bitcoin ETF's saw \$92mm of outflows in August, the first month of outflows since April, and only the second month since launch...



Source: farside.co.uk. As of 8/31/24.

The ETH ETFs saw \$6mm of inflows in August. Both the outflows from ETHE and the inflows into other ETH ETFs seems to have dried up quite quickly after launch. TBD on whether that continues-



Source: farside.co.uk. As of 8/31/24.

At time of writing (Aug 29th), BTC is +44% YTD while the average of the next 35 (excluding WBTC) is -7% YTD.

So, that's over 50% of outperformance for BTC YTD vs the field. After two consecutive months of major underperformance, ETH has now given back most of its YTD gains. A few names have kept up with BTC – they're pretty easy to spot on the table above. BNB and FET are the only names that have outperformed BTC YTD. Most aren't even close.

Closing Remarks

I wrote about "Pervasive Quiet Quitting" this month because frankly I'm seeing a ton of it, and it felt like the most interesting thing I had to write about this month. I hate to be the type that complains about problems without offering solutions. No one likes that guy. And I have offered solutions. The August 2023 main section "Bad Actors Are Attracted to Crypto Like Moths to A Flame" gave a playbook for how to change crypto for the better. I wish I had the influence to put that playbook into action at a large scale. I don't. But I can keep trying to at least bring attention to the deficiencies that I see in the fabric of crypto, and maybe that will lead to change eventually. "Pervasive Quiet Quitting" was in service to that.

And crypto IS ripe for change and thus ripe with opportunity. There remains an obvious leadership vacuum in the ecosystem – a topic I've discussed plenty here over the last 12+ months. Well, it's still here. So many of the most powerful and influential people in crypto blew up so catastrophically in 2022, and so many of the leaders that remained are Quiet Quitting, what's left is a notable insufficiency of identifiable trustworthy captains to steer this crypto ship. That seems like an opportunity – one that could be seized by good actors, or we could get another cohort of SBF's, Su Zhu's, Alex Mashinsky's and the like. That's a fight worth fighting.

Regardless, and in spite of, our ails, Bitcoin and crypto ARE a real part of financial markets and now a real part of the political landscape. And they are set to get bigger on both of those fronts. That all appears to be happening with a backdrop of "A Lack of Pretense That Any of This Shit Does Anything or Will Ever Do Anything", "Financial Nihilism" and "Pervasive Quiet Quitting". Isn't that odd? It's like we've come so far while accomplishing so little.

Arca: Picking Winners, SOL vs ETH, Stablecoins, and Non-Partisan Crypto...

What Does a Winner Look Like?

We analyzed several leading tokens from the past that outperformed the broader market, increasing by at least 100% in a minimum of 100 days, and concluding their run in the top 50 by market cap. Here are a few characteristics to look for to spot these types of tokens before their winning run.

- **Market Health** – Big winners tended to emerge in strong market environments. 85% of tokens started their run while Bitcoin exceeded its 200-day moving average.
- **New Tokens** – Historically, 73% of winners never had a big run previously. However, this has not held true since 2023, when only 4 of 9 winners were on their first bull market.
- **Institutional Buy-In** – Despite a prevailing negative attitude towards crypto VCs on Twitter, monitoring where top VCs invest has been a good starting place if you want to pick winners. 67% of tokens since 2019 and 88% since 2021 were funded or backed vocally by some of the biggest VCs in the space before their subsequent runs.
- **Infrastructure**—65% of the analyzed tokens were predominantly focused on blockchain infrastructure. Perhaps this is a sign of the space's infancy, or maybe it's just "base rates" (most larger tokens are infrastructure-related).
- **Reasonable Supply/Unlocks** – The median token had 1Y forward inflation of 23%, with 63% of tokens having a circulating supply inflation of less than 25%.
- **Float Mostly Didn't Matter** – In the heat of a bear market in the long tail of tokens, sentiment around low float/high FDV tokens is incredibly low. Historically, though, the float doesn't seem very predictive. 50% of tokens had floated over 50% of 10Y forward diluted supply, while 23% were under 25%. However, none of the tokens studied had less than 15% floats, so caution is warranted in extreme cases
- **Metric Growth Wasn't Predictive** – Only 47% of winners with historical data had noticeable increases in commonly tracked metrics like TVL, fees, and active users prior to their run. Additionally, nearly half had no metrics available at the time, and most of the tokens where metrics were growing ahead of time were in 2020 and early 2021 when data access in crypto was limited at best. However, almost all winners had fundamental metrics grow during their run.

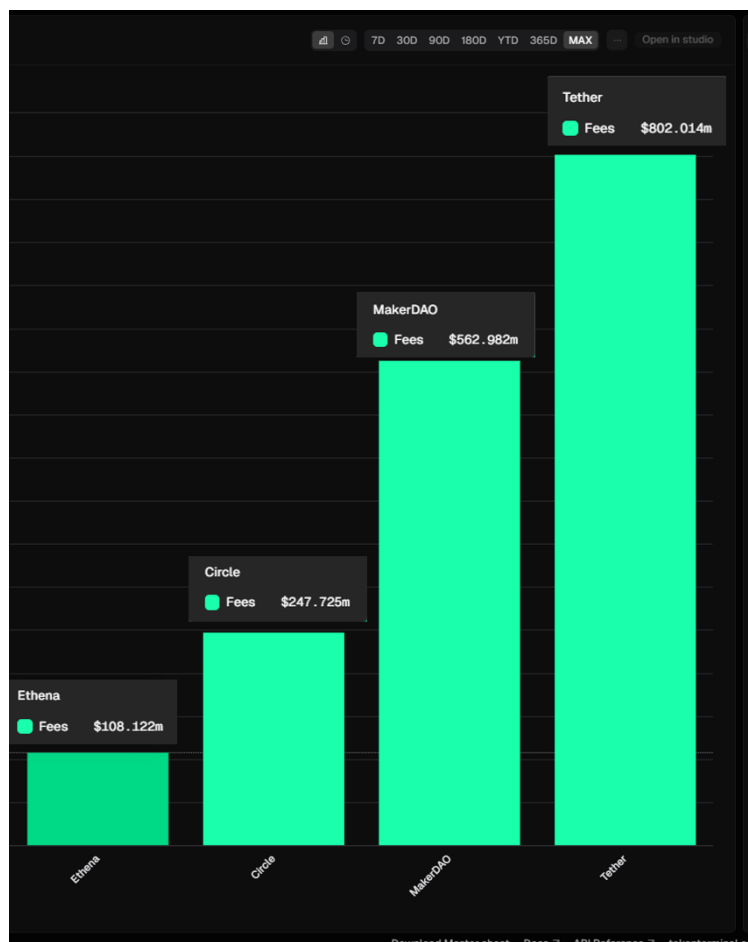
A Battle Royale Over Stablecoin Dominance

Tether recently announced a whopping financial results (over \$5 billion in profit with less than 100 employees). This propelled many of the existing market participants across TradFi, Fintech, and DeFi to publicly announce their own stablecoin aspirations. While Tether and Circle hold the controlling 90% share of total stablecoin supply today, many new entrants continue to look to replicate the success of USDT and USDC and expand the market, which has benefited greatly from the high-interest rate environment.

Outside of the competitive forces in the market, significant regulatory headwinds still create obstacles for both Circle and Tether. Markets in Crypto-Assets (MiCA) regulation in the EU, in its current form, is constricting issuers from pocketing interest of any kind, including discounts and bonuses, which makes both USDT and USDC non-compliant. Hence, many trading pairs have already been delisted for the European user base. This created a further opening for new entrants like Banking Circle, which launched a Euro-backed and MiCA-compliant stablecoin this week. While Euro-pegged stablecoins comprise a drop in the bucket of all stablecoins in circulation, they are expected to grow to \$15 billion by next year giving popular eurodollar stablecoins a run for their money.

In the US, we have seen some TradFi players like Cantor Fitzgerald's CEO Howard Lutnick extolling the virtues of stablecoins while coming out as the official custodian of Treasuries and commercial paper backing USDT. Fintech giant PayPal has also thrown its hat into the ring with a gradual stablecoin roll-out (PYUSD) across 36 million merchant accounts. While it's been slow on the uptick since announcing PYUSD over a year ago, some of the commercial potential applications, including discounts passed onto consumers when checking out with a stablecoin, could prove extremely attractive for both merchants and retail buyers.

Finally, synthetic stablecoins like algorithmic Ethena or, most recently, rebranded over-collateralized MakerDAO's Sky continue to be a popular default solution for native decentralized finance projects. While it might pale in comparison to results Tether has posted, the attractiveness of yield on USDe and DAI omnipresence in DeFi legos solidifies their lead as seen in the fees posted by those alternative stablecoin issuers. Results are even more impressive when you consider the respective product launch dates (USDe from Ethena - February 2024; USDC from Circle - May 2018; Dai/Sky from MakerDAO - December 2017; and USDT from Tether - October 2014).



Stablecoin growth continues, and it shows no signs of slowing down, driven largely by the product market fit it found within digital assets capital markets (as a popular trading pair), FX storage of value reserve (specifically within emerging markets of South America, Africa and Asia) and finally a better mode of payment (faster and near instant settlement). The once seemingly outlandish projections made by Bernstein analysts a year ago estimating stablecoins to reach \$2.8 trillion dollars by 2028 might prove too conservative, with a potential growth flywheel between platforms of TradFi, Fintech and DeFi issuers.

The Future of Ethereum is Coinbase; the Future of Crypto is Solana

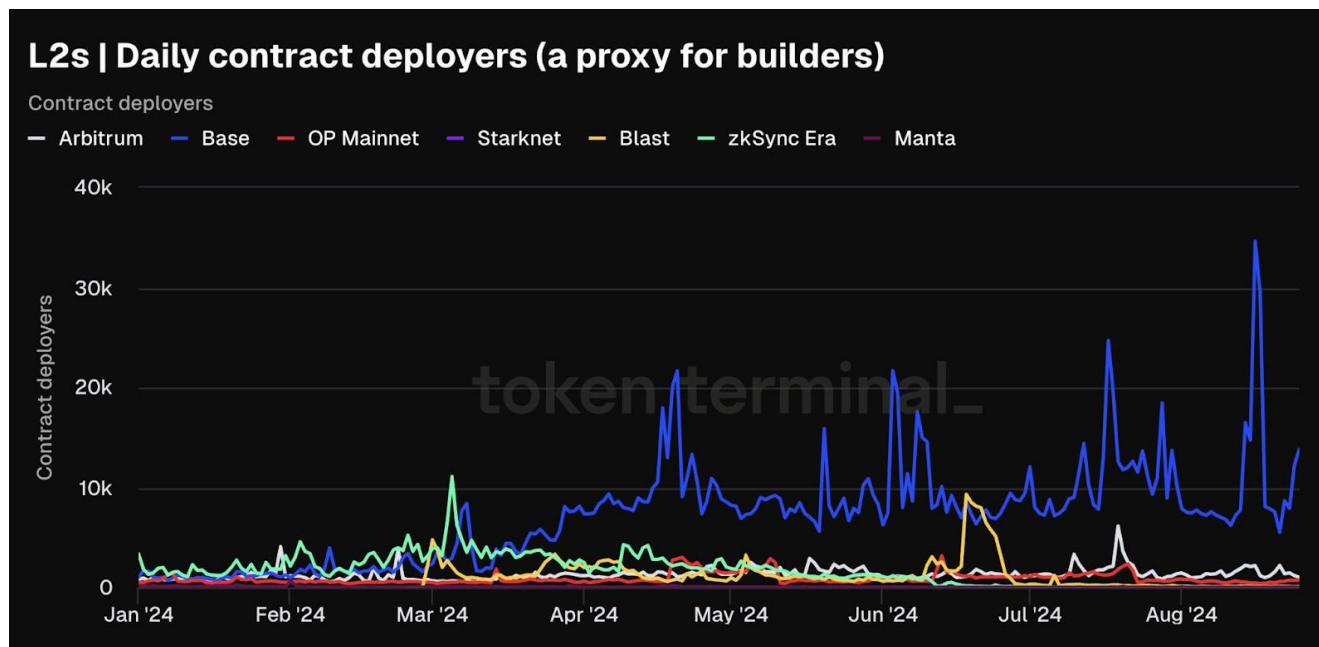
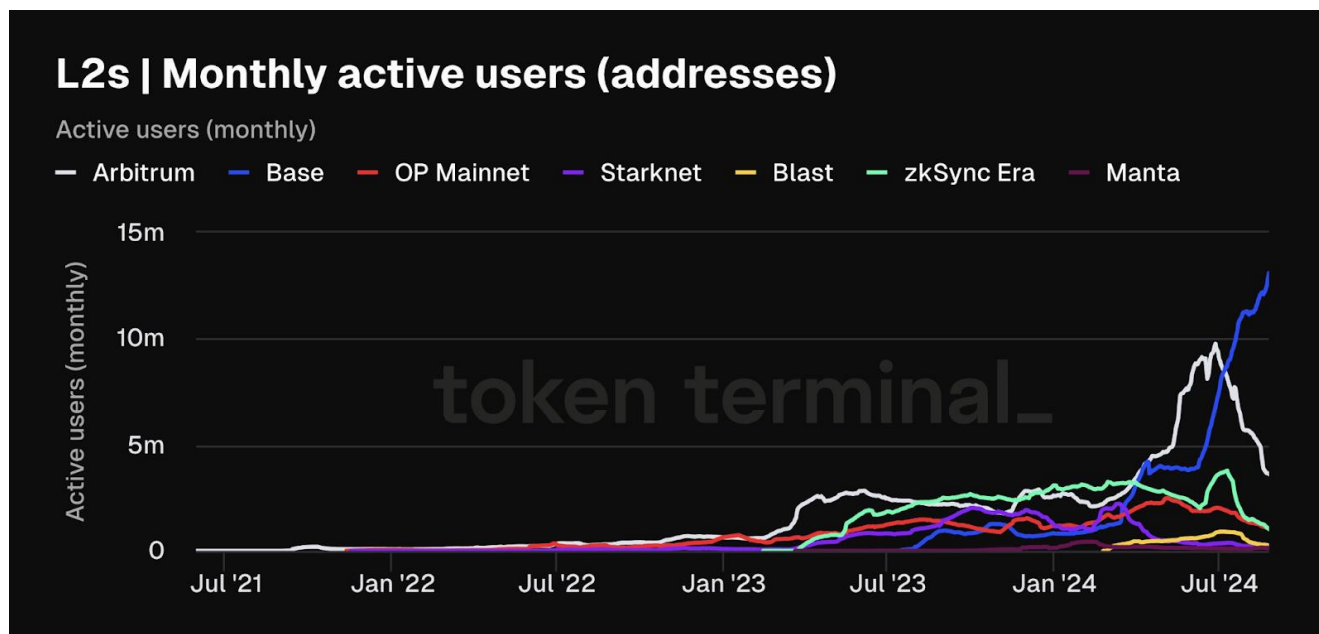
The future of Ethereum appears increasingly tied to Coinbase, while Solana is rapidly emerging as the frontrunner in the broader smart contract platform (Layer 1) landscape. Once the undisputed leader in smart contract platforms, Ethereum is currently struggling with low market sentiment and underperformance in price.



In contrast, Solana has experienced positive sentiment all year and is consistently outperforming most other Layer-1 blockchains in terms of price. A significant factor in Solana's success is its integrated approach to providing developers with a low-cost environment to launch apps on a singular chain. This has led to the proliferation of DePin projects with "utility tokens" that not only have value accrual mechanisms but also align well with the current regulatory structure in the United States. For instance, Helium is a prime example of a decentralized network that leverages utility tokens to incentivize users to build and maintain wireless infrastructure. This model of tokenomics is particularly appealing in the current regulatory environment, as it avoids many of the pitfalls associated with tokens that might be classified as securities. Additionally, these DePin tokens provide more long-term utility because they are used by network participants rather than just governing a decentralized protocol, like many current DeFi tokens.

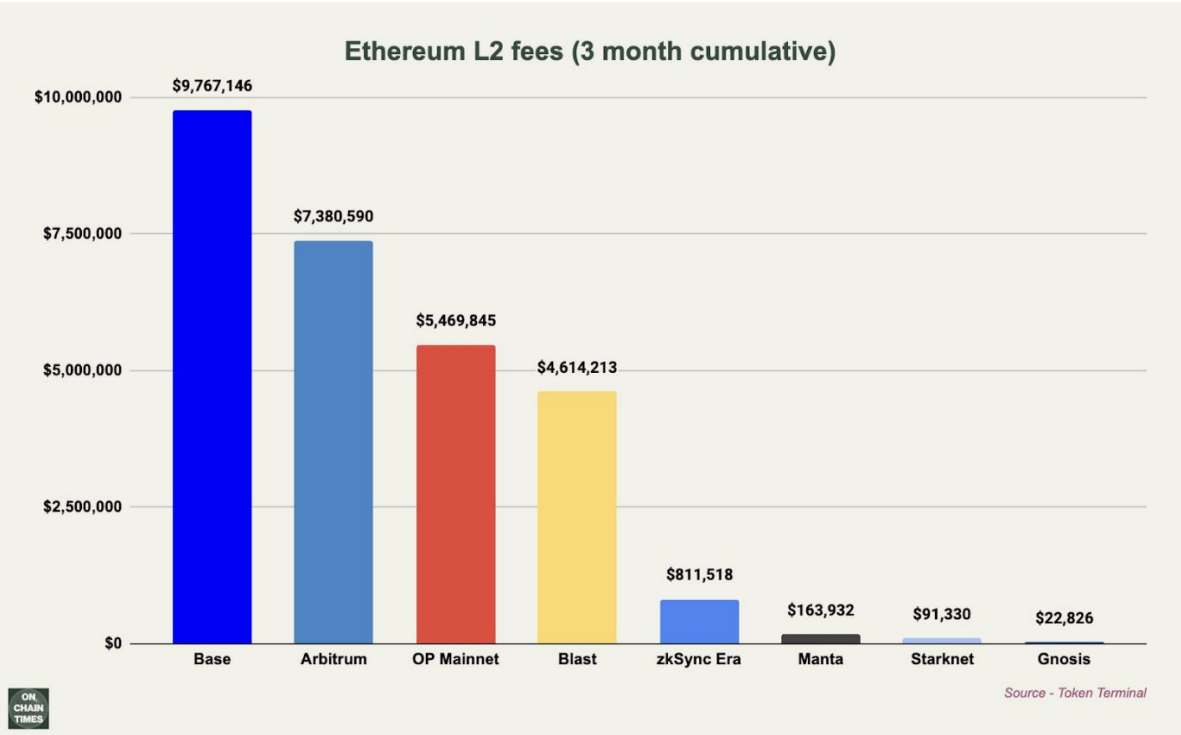
Ethereum's scaling strategy, while essential for growing an L1 that can't handle sufficient usage and has high fees, is becoming a double-edged sword. The fragmentation of liquidity and applications is parasitic to Ethereum. Instead of strengthening Ethereum, this approach dilutes and fragments the Ethereum ecosystem across hundreds of chains without a unifying interoperability standard.

Coinbase released Base earlier this year, and while Base is not currently leading the Layer-2 race in terms of TVL, it is leading the Layer-2 race regarding users and builders.

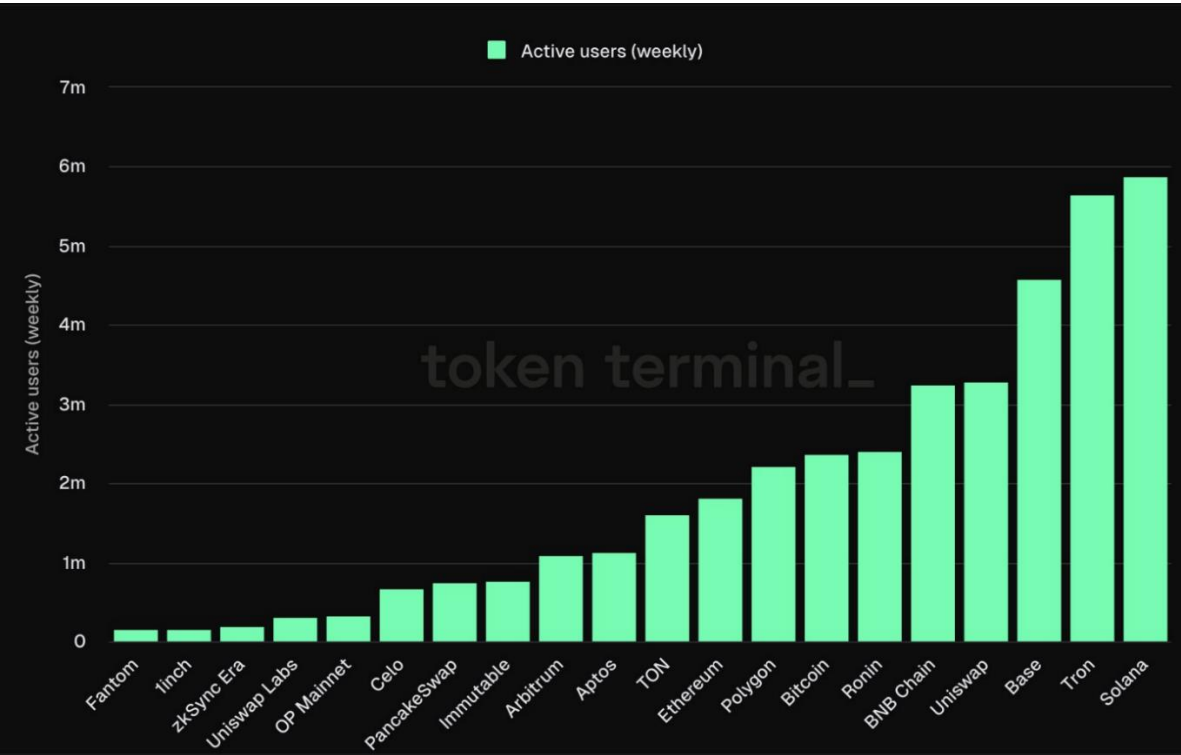


Almost all L2s are essentially the same product. What differentiates them is the community and integrations the protocol provides to builders. Base makes it easier for developers to build apps by offering seamless integration with Coinbase's products, users, and tools. With access to 110 million verified users and over \$100 billion in assets, developers can leverage Coinbase's extensive ecosystem to gain a significant advantage over building on other Layer 2s. Features like gasless transactions, easy-

to-use APIs for account abstraction, smart-wallet (passkey) integration, and simple asset bridges are designed to foster thriving applications rather than promoting its own Layer-2 governance token.



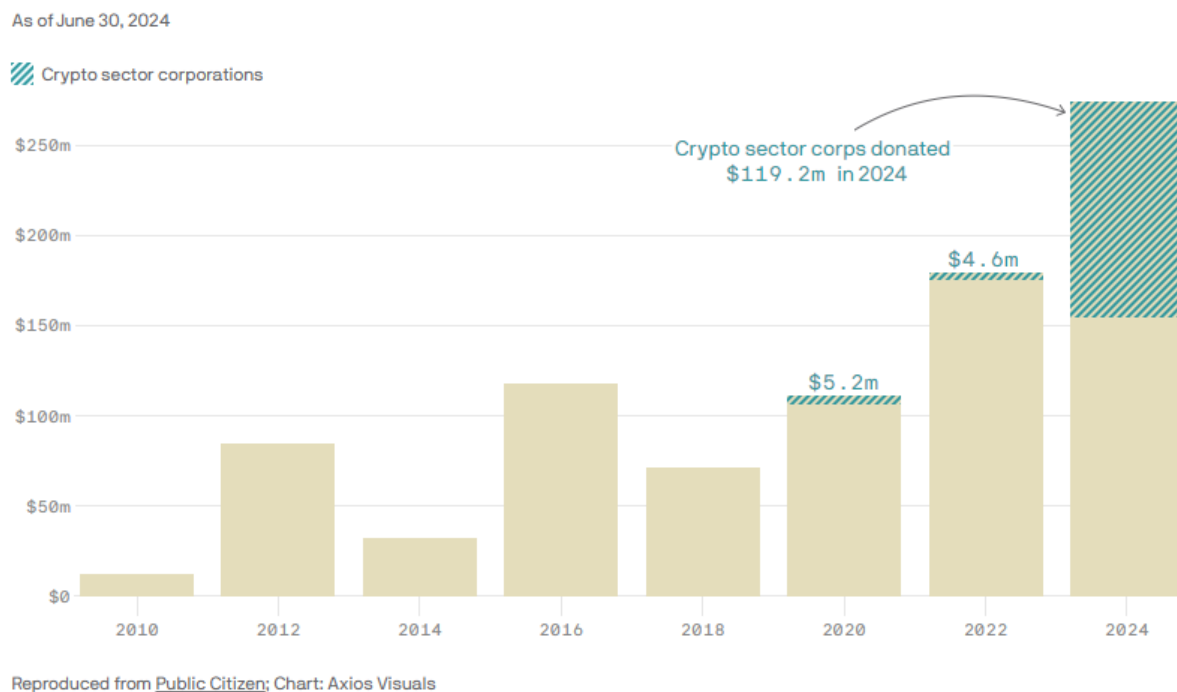
On the other hand, Solana has adopted a more holistic and integrated approach to blockchain development. This integrated approach allows for a seamless and efficient ecosystem that supports a wide range of applications all on the Layer 1 itself. Unlike Ethereum’s fragmented Layer-2 ecosystem, Solana’s cohesive environment is better suited to the needs of developers and users alike. At the end of the day, all that really matters is how many people (or AI agents soon) are using a blockchain, and Solana and Base continue to dominate in terms of active users.



Crypto Should Be Non-Partisan

To anyone who spends every day in the digital assets space, it might feel like the November US presidential election has completely taken over the mindshare of this industry. You cannot even log into crypto Twitter without being inundated by the (often) inane thoughts of everyone who believes they have something meaningful to contribute. But what might be different this time is that people outside digital assets also sense this push. That's because corporations in the digital assets industry account for about half of all corporate contributions to political action committees (PACs) this election year.

Entities in the crypto industry are spending more money than any other industry when viewed solely by the political contributions of corporations (there are some wealthy individual donors who put everyone to shame in the amount of money they throw at elections to buy their way into power and influence).

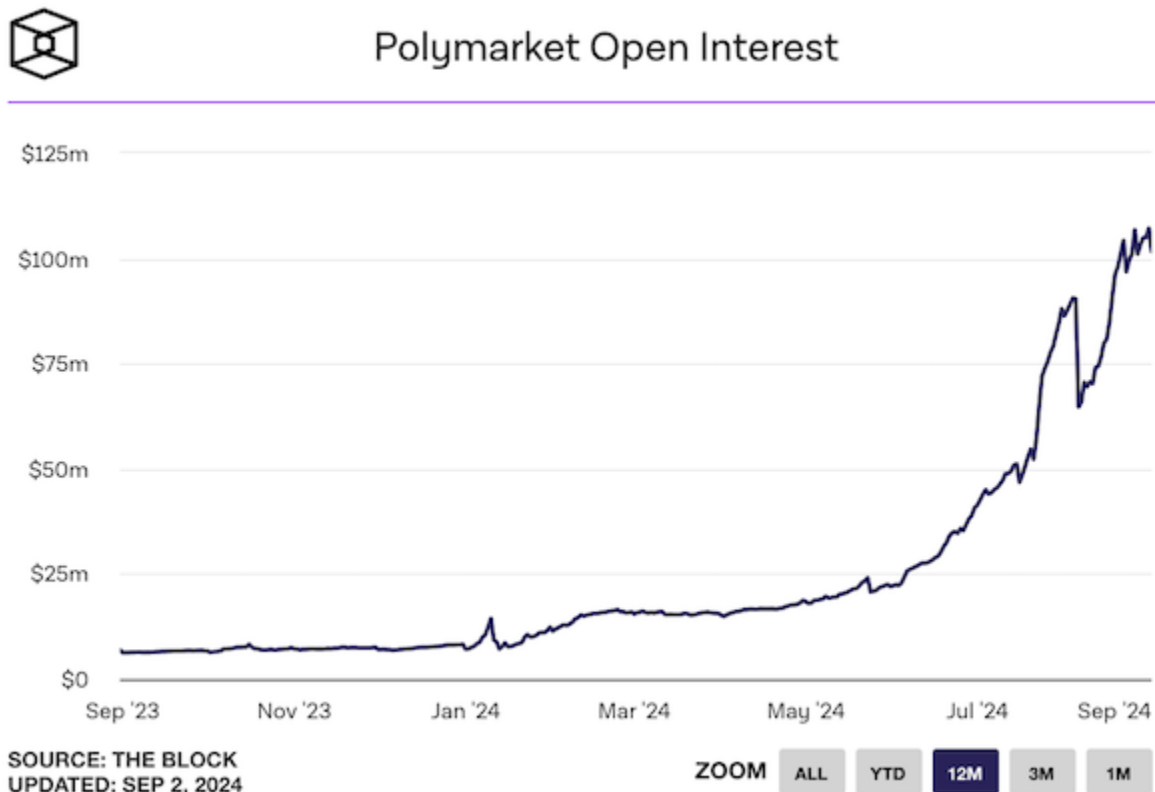


While it's fantastic for digital assets to continue to drive towards being viewed more positively, it is concerning in terms of the orchestration and results of this push. It's very clear that the current presidential administration couldn't care less about digital assets, and many feel this is due to the Elizabeth Warren agenda. Whatever her game plan is, it's been a horrific 4 years for crypto. Warren, with the SEC by her side, has been on the warpath for far too long. This industry needs more oversight and better regulation, but the "regulation by enforcement" approach has hurt innovation in America. We have always led, but we're now falling behind. The Democratic Party is now suddenly known as the party that does not want to move forward, does not support progress, and does not want to see American exceptionalism continue. This is not just a result of the party's approach to digital assets but to all types of innovation, whether technological or not.

Hopefully, the Democratic Party can right the ship. There are many in crypto who do not want to take sides, but just want digital assets to thrive. Crypto should not be a partisan issue. Digital assets should transcend parties because this is about moving forward as people and building a better future. If you believe digital assets can help improve the world, then you should not be rooting for one side over the other; you should be rooting for crypto to bring both sides together for a common goal.

It's unlikely that we'll see a change in direction or momentum in the near term as we round out the rest of the summer. The trend is your friend.

The Block: Polymarket, the crypto-powered prediction market, is continuing to grow its monopoly in the prediction market space, with its open interest skyrocketing past the \$100 million mark. This meteoric rise signals a growing appetite for cryptocurrency-based political forecasting as the US presidential election looms on the horizon. Polymarket's open interest has experienced a jaw-dropping 1,429% increase since the start of the year, climbing from a modest \$7 million to an impressive \$107 million. The presidential election is the star of the show, commanding a whopping 77% of Polymarket's weekly volume.



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

- The SEC warned FTX against repaying creditors in stablecoins or other cryptocurrencies, reserving the right to challenge such transactions, and also opposes a provision that would protect FTX debtors from future legal actions.
- US prosecutors clarified that Ryan Salame's guilty plea in the FTX case did not halt the investigation into his partner Michelle Bond, despite his claims that he was promised otherwise as part of his plea agreement.
- Binance executive Tigran Gambaryan appeared in a Nigerian court on crutches as his money laundering trial resumed, with his legal team citing serious health concerns and challenging the conditions of his detention.