



HYPERION DECIMUS

CRYPTO NEWSLETTER

POWERED BY WEEKLY CRYPTO BRIEF

15th September 2024

BITCOIN-RELATED



NYDIG: Bitcoin rallied 4.2% on the week after the price reversed course following a tough week. Perpetual swap funding rates pushed increasingly negative on major exchanges, like Binance, beginning last weekend and this week's price reversal likely caught many traders off guard. Other risk asset classes, such as equities, also rallied back as traders braced for the first interest rate cut since 2020. However, a stronger-than-expected CPI report on Wednesday reminded investors that while inflation continues to recede, it may be doing so at a rate slower than hoped by investors.

A Bernstein report said Bitcoin is expected to reach new highs later this year if Donald Trump wins the US election in November, and the cryptocurrency could hit \$90,000 by Q4. However, if Kamala Harris wins the election, the report said Bitcoin is expected to break its current floor around the \$50,000 level and could test the \$30,000-\$40,000 range.

Standard Chartered Head of Crypto Research Geoff Kendrick predicts Bitcoin will hit a new all-time high by year-end, regardless of the US election outcome. Kendrick stated: "I think Bitcoin ends the year higher, at new all-time highs, no matter who wins the US election, with a Trump win taking it to \$125,000 and \$75,000 if it's Harris." Kendrick believes regulatory changes (like easing banking rules on digital assets), US Treasury market trends, and a potential October rebound in Bitcoin ETF inflows are also positive factors supporting Bitcoin's trajectory.

Michael Saylor, the executive chair of MicroStrategy, said he expects Bitcoin's price to rise to \$13 million per coin over the next two decades. He stated: "My long-term forecast is that [Bitcoin's] going to go to \$13 million over 21 years. Bitcoin is 0.1% of the capital in the world right now – I think it's going to go to 7% of the capital."

MicroStrategy announced that it acquired ~18,300 Bitcoin (worth \$1.11 billion, was made at an average price of \$60,408 per BTC) between August 6 and September 12. The company's recent acquisition increased its BTC holdings to ~244,800 BTC, currently worth ~\$14.14 billion. The average purchase price for MicroStrategy's BTC purchases since August 2020 is \$38,585 per BTC, with a cumulative investment of ~\$9.45 billion.

Japanese investment firm Metaplanet announced the purchase of an additional 38.4 BTC, worth ~300 million yen (\$2 million). The latest acquisition brings the Tokyo-listed firm's total Bitcoin holdings to 398.8 BTC, valued at ~\$23 million.

Fractal Bitcoin, led by Unisat and Block Space Force, launched its mainnet on September 9, introducing a Bitcoin scaling solution that leverages the Bitcoin Core codebase. The network claims to achieve block confirmation times of under 30 seconds and support a 20x increase in capacity per layer through what's known as recursive layering.

Coinbase's wrapped Bitcoin product (cbBTC) launched on Base and Ethereum on September 12. The ERC-20 token is backed 1:1 by Bitcoin held at Coinbase and can be used for DeFi applications like liquidity provision and collateral to borrow other assets.

BitGo selected LayerZero as its interoperability provider, enabling Wrapped Bitcoin (WBTC) to be natively minted on BNB Chain and Avalanche, reducing bridging risks for users.

A DAO was unveiled on Bitcoin Layer-2 Rootstock. RootstockCollective, the first DAO on the Bitcoin Layer 2, is designed to encourage builders and users of Rootstock.

INDUSTRY ADVANCES

Global financial messaging network Swift is set to test new solutions that interlink fiat currencies with tokenized assets, aiming to enable real-time transactions for securities and payments across its global network.

PayPal and Venmo integrated the Ethereum Name Service into their payment platforms, enabling US users to send crypto using human-readable ENS names like `alice.eth` instead of more complex wallet addresses. The new feature simplifies crypto transactions on the platforms by automatically identifying wallet addresses linked to ENS names entered by users.

Prometheum opened its doors and is now ready to accept institutional clients' holdings of Ether, Uniswap, and Arbitrum, and it's added two more tokens: Optimism and The Graph. It officially opened its custody business on September 11 after a previous soft-launch period, and the firm is on its way to starting a trading operation in the "very near future."

A second company, tZero Group, said it's achieved status as a fully registered US broker dealer under a rule allowing for crypto firms to join those ranks, following a path previously blazed by Prometheum. The newly licensed – and Overstock-backed – firm said it'll start launching products under its new status early next year.

ParaFi Capital is tokenizing a portion of its \$1 billion venture fund on the Avalanche blockchain using the Securitize platform, aiming to open its venture strategy to a broader range of investors while leveraging Avalanche's fast and low-cost transactions.

Wormhole integrated Worldcoin's World ID into Solana, allowing developers to "prioritize real humans" in their blockchain applications, a feature that was previously more accessible to Ethereum developers. (Worldcoin assigns digital identities to people via its eyeball-scanning Orbs in exchange for WLD tokens, aiming to foster trust on the internet by distinguishing between human and non-human actors.)

Polygon Labs is unveiling a new type of computer chip optimized for zero-knowledge cryptography processing, built by hardware maker Fabric for Polygon's interoperability solution, AggLayer. Polygon Labs also said it will acquire \$5 million worth of VPU-based server systems in order to accelerate ZK-proof generation projects on the AggLayer.

g8keep is offering a platform for launching a token in just 30 seconds from your phone, making the token instantly tradable on all decentralized exchanges and safeguarded from bots and snipers. It streamlines token creation while ensuring security from automated trading exploits.

Paxos is set to launch on the Layer-2 network Arbitrum One, expanding its service offerings beyond Ethereum, Polygon, and Solana. Paxos plans to bring its stablecoin issuance and regulated tokenization platform to Arbitrum, aiming to boost the network's DeFi ecosystem.

Governance voting platform Snapshot has announced the launch of Snapshot X, a new on-chain voting protocol. The new protocol will be launched on the Layer-2 network Starknet and leverage the technology of “storage proofs” from Herodotus, a middleware blockchain infrastructure company.

ZKsync launched its decentralized governance system, activating smart contracts on the mainnet, allowing the community to participate in key protocol decisions through a structured governance model.

Aura Blockchain Consortium, based in Switzerland, reached a significant milestone with over 50 million luxury products now registered on its blockchain platform. This rapid expansion reflects a growing shift in the luxury industry towards blockchain technology, with the consortium expanding from its initial five founding members in 2022 to 50 members today. Originally formed by luxury giants LVMH Moët Hennessy Louis Vuitton, OTB Group (the parent company of Diesel), Prada Group, Cartier (under Richemont), and Mercedes-Benz.

ProvaDiVita, a company specializing in biometric technology, introduced a new platform aimed at strengthening security in identity verification. The biometric identification and authentication platform, integrated with blockchain technology, was created for identity theft, data breaches, and privacy violations, particularly in industries like finance, healthcare, and e-commerce.

The Ahmedabad Municipal Corporation (AMC) in India seeks agencies to develop and maintain a blockchain-based platform for document authentication and transactions. "The platform will help manage certificates, enable secure and efficient user authentication, integrate current AMC documents with older reference files, and offer digital signing tools.



Bitcoin mining difficulty hit a record high of 92.67 trillion on September 11, displaying intensifying competition on the network. The rise indicates greater security from surging collective computing power dedicated to mining Bitcoin.

Tokyo Electric Power Company (TEPCO), Japan's largest electricity provider, began mining Bitcoin through its subsidiary Agile Energy X using excess renewable energy that would otherwise be wasted.

Core Scientific CEO Adam Sullivan sees an exponential growth opportunity from its AI data center services, potentially becoming a \$25 to \$30 billion company in the next few years from \$2.5 billion today. However, that depends on whether or not the Bitcoin miner can demonstrate the ability to deliver gigawatt scale AI data centers beyond its initial 382MW deal with CoreWeave, Sullivan said.

Bitcoin miner CleanSpark said it will acquire seven Bitcoin mining facilities and associated land in the Knoxville, Tenn., area for total cash payments of \$27.5 million, or about \$324,000 per megawatt. The combined operating hashrate of the facilities is expected to reach 5 exahashes per second (EH/s) once the latest generation S21 Pro miners are installed, which will boost CleanSpark's current hashrate by over 22%.

Blockstream opened the Series 3 round for its second Mining Note – the BMN2. The note is available to eligible non-US investors. This round of the BMN2 is priced at \$31,000 petahash per second (PH/s), or a hash price of \$21.23. Investors who purchased the BMN2 in the series 1 and 2 rounds, during which the note sold at a higher price, will be awarded extra BMN2 to make up for the difference in price between the first two rounds and the third.

A single Bitcoin miner achieved the rare feat of processing a block on their own, which netted a payday of around \$180,000. Block 860749, mined on September 10, contained 5,935 transactions with a reward of 3.169 BTC – worth ~\$182,505 given to the mining pool Solo CK.

ETPS (EXCHANGE-TRADED PRODUCTS), FUNDS & INDEXES

For the week of September 2-6, spot Bitcoin ETFs saw net outflows of \$706.1 million, while Ethereum ETFs experienced net outflows of \$99.1 million – their biggest weekly outflows since inception. (Spot Bitcoin ETFs listed in the US posted just over \$28.7 million in net inflows on September 9, ending the outflow streak.)

Australia's Monochrome Bitcoin ETF is partnering with Hoseki to implement proof-of-reserves, becoming the first Australian spot Bitcoin ETF to provide daily verification of holdings.

21Shares announced that it selected federally chartered bank, Anchorage Digital Bank and BitGo as custodians for its US spot ETPs – the ARK 21Shares Bitcoin ETF (ARKB) and the 21Shares Core Ethereum ETF (CETH).

Crypto ETFs from State Street and Galaxy Digital begin trading: SPDR Galaxy Digital Asset Ecosystem ETF (DECO), SPDR Galaxy Hedged Digital Asset Ecosystem ETF (HECO), and SPDR Galaxy Transformative Tech Accelerators ETF (TEKX). While both DECO and HECO involve “cryptocurrency exposures through ETFs and futures,” the latter also seeks to manage “volatility through the incorporation of covered call options and protective put options.”

Roundhill Investments launched the Roundhill Ether Covered Call Strategy ETF (YETH), an ETF that combines Ethereum exposure with a covered call strategy. YETH aims to deliver a regular income stream while tracking the price movements of Ether. Notably, Roundhill becomes the first US ETF issuer to offer income-focused strategies for both Bitcoin and Ether.

Grayscale announced the launch of our newest private placement investment product, the Grayscale® XRP Trust. The Trust uses the CoinDesk Ripple Price Index (XRX) to strike its daily NAV. The Trust will carry a 2.5% annual fee, and there is no upfront or performance fee. 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)

Web3 music platform Tune.FM secured a \$50 million capital commitment from the Global Emerging Markets (GEM) Group. Tune.FM aims to help artists earn more in music royalties by “streaming royalty micropayments and digital music collectibles,” with its native JAM token.

Huma Finance secured \$38 million in funding to expand its tokenized real-world assets platform, with plans to extend its payment-finance services to Solana and Stellar’s Soroban network, aiming to enhance liquidity in trade financing.

WSPN (Worldwide Stablecoin Payment Network), a leading provider of next generation stablecoin infrastructure, raised \$30 million in seed funding, led by Foresight Venture.

Ethernity, a entertainment-focused Layer-2 blockchain solution, announced a \$10 million grant program dedicated to revolutionizing the entertainment and creator economy through development of Ethernity's Layer 2. This investment aims to support developers, founders, and startups building the future of digital entertainment on the Ethernity Layer-2 ecosystem.

PIN AI, an artificial intelligence infrastructure company utilizing blockchain to empower users in monetizing their personal data, secured \$10 million in pre-seed funding. It also joined the Fall 2024 cohort of the a16z Crypto Startup Accelerator.

Solana-based creator engagement platform DRiP raised \$8 million in a seed round led by NFX, Coinbase Ventures, and Progression (a fund started by former TikTok executives).

IPOS, M&A, PARTNERSHIPS & DEALS

Media and distribution company Angel Studios announced an agreement to become a publicly listed company through a business combination with Southport Acquisition Corporation, a SPAC. Angel Studios has held 125 Bitcoin on the balance sheet since 2021 and plans to continue acquiring and holding Bitcoin as a strategic treasury asset. The Company also announced an agreement in principle with Off the Chain Capital, a Bitcoin asset management firm, for an investment of ~\$10 million to help back the Angel Studios treasury strategy.

Toronto-based holding company Cypherpunk Holdings rebranded to Sol Strategies in a pivot to a Solana-first investment approach. Following the rebrand, Sol Strategies will focus on staking Solana and investing in the Solana ecosystem's projects and infrastructure. The strategy shift was unanimously approved by the company's board of directors at its July 30 shareholder meeting.

Blockchain analytics firm Nansen acquired staking services provider StakeWithUs, aiming to diversify the platform into cryptocurrency investments. The on-chain data provider said it plans to integrate StakeWithUs into its platform, enabling users to stake 20+ cryptocurrencies, including assets on Ethereum, Solana, and Sui, directly through Nansen.

Information and financial technology services company Accenture invested in fintech startup Emtech, which provides software-as-a-service to central banks and fintech companies. Accenture plans to integrate Emtech products into its core banking services. Emtech counts seven central banks – Ghana, Nigeria, Guinea, Liberia, Sierra Leone, Gambia, Bahamas – among its clients. It created a CBDC proof-of-concept for the Bank of the Republic of Haiti.

Sui, a Layer-1 blockchain, entered a strategic alliance with 3DOS, an innovator in decentralized manufacturing – coupling 3DOS's expansive network of 3D printers, manufacturers, and customers with Sui's advanced decentralized blockchain technologies.

DEFI

Ether.fi, known for its liquid restaking service, will offer a new blockchain-based credit card, Ether.fi Cash. Ether.fi Cash would enable users to spend fiat while using their crypto assets as collateral, allowing people to hold onto crypto and earn yield while making everyday purchases. It will offer up to 8% cash back on transactions.

Binance.US teamed up with Fireblocks to enhance its crypto custody and staking services, aiming to reassure users and regulators about the security of customer assets.

DeFi lender Sky (formerly MakerDAO) is voting on whether to fully remove Wrapped Bitcoin (wBTC) from its ecosystem, a decision that could impact \$200 million in loans, due to concerns over Justin Sun's involvement with the asset's custodian.

Starknet's community approved a proposal to introduce staking for STRK tokens, with plans to launch staking on the testnet soon and full implementation on the mainnet by the end of 2024.

CBDCS & STABLECOINS



Stablecoins volume make up about 70-80% of all value that is being settled on public blockchains in 2024, according to research from Artemis.

Ethereum's stablecoin transaction volume has hit an all-time high of \$1.46 trillion this year, fueled by increasing interest in DeFi, with DAI seeing significant use, although USDT and USDC remain the most widely traded when adjusted for potential irregularities.

USDT stablecoin issuer Tether revealed it invested over \$100 million in South America-based agricultural giant Adecoagro, becoming the Nasdaq-listed company's third-largest shareholder.

Sony Bank is planning to launch a Stable Yen on Sony's upcoming L2, Soneium. The experimental process to determine its legal status will last several months, with an ultimate goal to make money transfers faster and cheaper.

Rabby launched "GasAccount," a mechanism that simplifies gas fee payments by allowing users to deposit USDT/USDC and automatically pay for gas on any network without holding gas tokens in their addresses.

NFTS, BLOCKCHAIN GAMING & METaverse



The Digital Chamber urged Congress to clarify the legal status of NFTs, advocating for them to be classified as consumer goods rather than securities in response to the SEC's potential regulatory action (Wells notice) against OpenSea.

A rare CryptoPunk NFT worth millions of dollars was acquired for just 10 ETH (\$23,445) after the buyer exploited a loophole in the fractionalized NFT market.

The Azuki NFT project is introducing Anime.com, where fans and creators can co-create and share in co-ownership of anime intellectual property on "AnimeChain."

CCP Games revealed the official name and details about its blockchain project, formerly known as Project Awakening. The new game is called EVE Frontier, and it's a space survival game set in the EVE Online universe.

Treasure DAO members are set to vote on a proposal to migrate their Web3 gaming ecosystem from Arbitrum to ZKsync, citing that ZKsync better aligns with their long-term goals in decentralized gaming.

JOB MOVEMENT



Crypto-friendly Custodia Bank was set to lay off nine employees – representing a quarter of its workforce. The reported layoffs come amid regulatory hurdles for the Wyoming financial institution.

Binance appointed Grant Thornton Singapore to provide global accounting and tax advisory services.

Tether appointed Jesse Spiro as Head of Government Affairs.

ZKsync developer Matter Labs hired Meghan Hughes, former VP of Marketing at the Solana Foundation, as its new Chief Marketing Officer.

B2C2 – a company focused on institutional liquidity for digital assets – appointed Cactus Raazi as CEO of its US business this week.

Stablecoin Standard hired Beth Haddock as its global policy lead.

Marathon Digital appointed Janet George and Barbara Humpton to its board of directors. They replace Kevin DeNuccio and Said Ouissal, who have stepped down in a “planned transition.”

Synteq Digital appointed ex-Hut 8 Mining CEO Jaime Leverton and Robert Fedrock to its board of directors.

REGULATIONS, RULINGS & COMMENTARY



Crypto did not emerge as a topic of discussion, again, during the second presidential debate – despite the crypto industry spending \$119 million on the election so far. (Polymarket had Trump up by a few cents in its 2024 election winner market before the debate started. By the end, he and Harris were tied. Polymarket believed Harris won the debate itself.)

Donald Trump, who has fully adopted Bitcoin and crypto over the last six months, teased in a video that he'll reveal more details of the World Liberty Financial crypto project created by his sons Eric and Don Jr. in an X Spaces broadcast on September 16. He stated: “We're embracing the future with crypto and leaving the slow and outdated big banks behind.”

The UK government introduced a bill to clarify the legal status of digital assets such as cryptocurrencies and NFTs, providing greater legal protection and clear guidelines for ownership disputes. (Read more about it, [here](#).)

A New York judge ruled that Coinbase can access certain SEC documents in its case but excluded testimony from SEC Chair Gary Gensler.

A DC judge released an opinion that allows betting platform Kalshi to host election betting on its online platform in the US. A US federal appeals court halted Kalshi's brand-new political prediction markets, heeding the CFTC's request for an emergency stay after the regulator lost a similar motion to a lower-level judge.

Finstreet, a Rorix Holding subsidiary, bolstered its platform by receiving eight licenses in Abu Dhabi. These licenses will enable the firm to launch a digital MTF, central securities depository, and private financing platform in the Abu Dhabi Global Market.

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

Investors lost a record \$5.6 billion to crypto-related scams in 2023, with investment fraud being the most costly, accounting for \$4 billion of the total losses, according to an FBI report.

Texas and four other states reached a settlement with operators of an alleged \$1 billion illegal cryptocurrency investment scheme highlighted by tokenized partial ownership of a skyscraper. The Texas State Securities Board announced the settlement with Josip Heit, owner of GSB Group, and his companies, which sold products, such as token-based ownership in a skyscraper, metaverse investments, and a cryptocurrency that they claimed could be staked for rewards convertible into gold.

Indonesian crypto exchange Indodax was hacked, losing ~\$20.5 million in various tokens, prompting the platform to halt operations for maintenance amid concerns of further security breaches.

Trading platform eToro agreed to pay \$1.5 million to settle charges it operated an unregistered broker, an unregistered clearing agency, and facilitated trading certain crypto assets as securities, per the SEC. A statement said: "eToro has agreed to cease and desist from violating the applicable federal securities laws and will make only a limited set of crypto assets [Bitcoin, Bitcoin Cash, and Ether] available for trading."

Kraken requested a jury trial in its legal battle with the SEC, following a judge's decision to proceed with the lawsuit, which accuses the exchange of operating without proper registration as a broker, clearinghouse, or exchange.

The CFTC is partnering with various organizations to combat "pig butchering" crypto scams, which have become more prevalent than traditional Ponzi schemes.

Tron (DAO behind the Tron blockchain), Tether (USDT stablecoin issuer) and TRM Labs (blockchain intelligence firm) joined forces to form the T3 Financial Crime Unit (T3 FCU) – a strategic alliance focused on curbing illicit activity tied to USDT on the Tron blockchain.

MISCELLANEOUS

Ethereum co-founder Vitalik Buterin is taking a new approach to discussing Layer-2 rollups in public communications. To promote greater decentralization among Layer 2s, Buterin said he will only discuss rollups that are at "Stage 1+" – requiring a council to reach 75% consensus to override their proof systems and no fewer than 26% of the council members are independent of the roll-up team itself.

"It doesn't matter if I invested, or if you're my friend; Stage 1 or bust," Buterin said. "The era of rollups being glorified multisigs is coming to an end. The era of cryptographic trust is upon us."

a16z's Crypto Startup Accelerator (CSX) Fall 2024 program launched in New York City with 21 startups from 11 countries participating in an 8-week program – featuring lessons from top crypto founders, support from a16z crypto's teams, and networking opportunities.

A leaked video suggests that Chainalysis may have found ways to trace Monero (XMR) transactions and identify associated IP addresses, raising concerns about the privacy claims of the cryptocurrency.

Polygon's POL token listed on Binance on September 13.

Friend.Tech effectively shut down after developers relinquished control over its smart contracts due to stagnant growth and a lackluster launch of its second version.

Raj Brahmbhatt – the founder of Zeebu, a leading blockchain-powered telecom settlement platform – was recognized in Forbes Portugal's "30 Young Entrepreneurs to Follow in 2024."

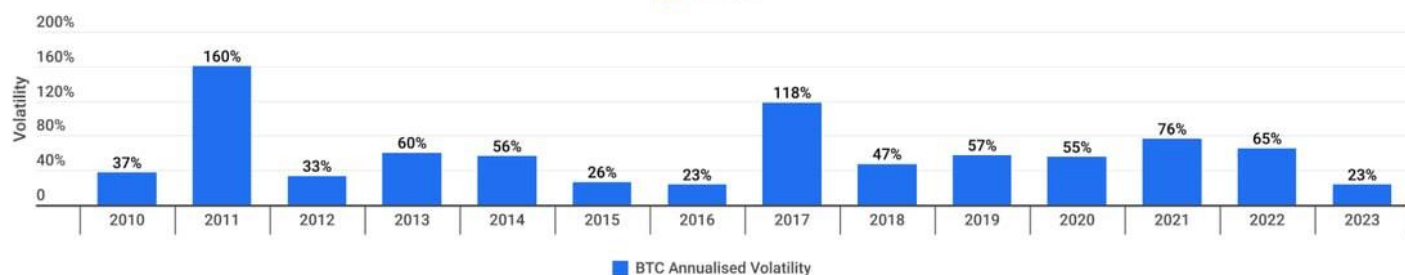
CHARTS, TABLES, QUOTES, COMMENTARY & OTHER IMAGES

CCData: While history doesn't often repeat itself, September has consistently been one of the worst months for Bitcoin in terms of price performance, with only six positive Septembers recorded in the asset's history. Since 2010, Bitcoin's average returns in September have averaged -4.51%, making it the worst-performing month on record. In contrast, April and November typically show the highest average returns, followed closely by October – with returns of 35.6%, 39.2% and 28.7%, respectively.

September 3rd, 2024 Chart of the Week

Bitcoin Performance In September, 2010 - 2023

CCData



Arca opined on “A Tough September Tape.”

Some Stats for September

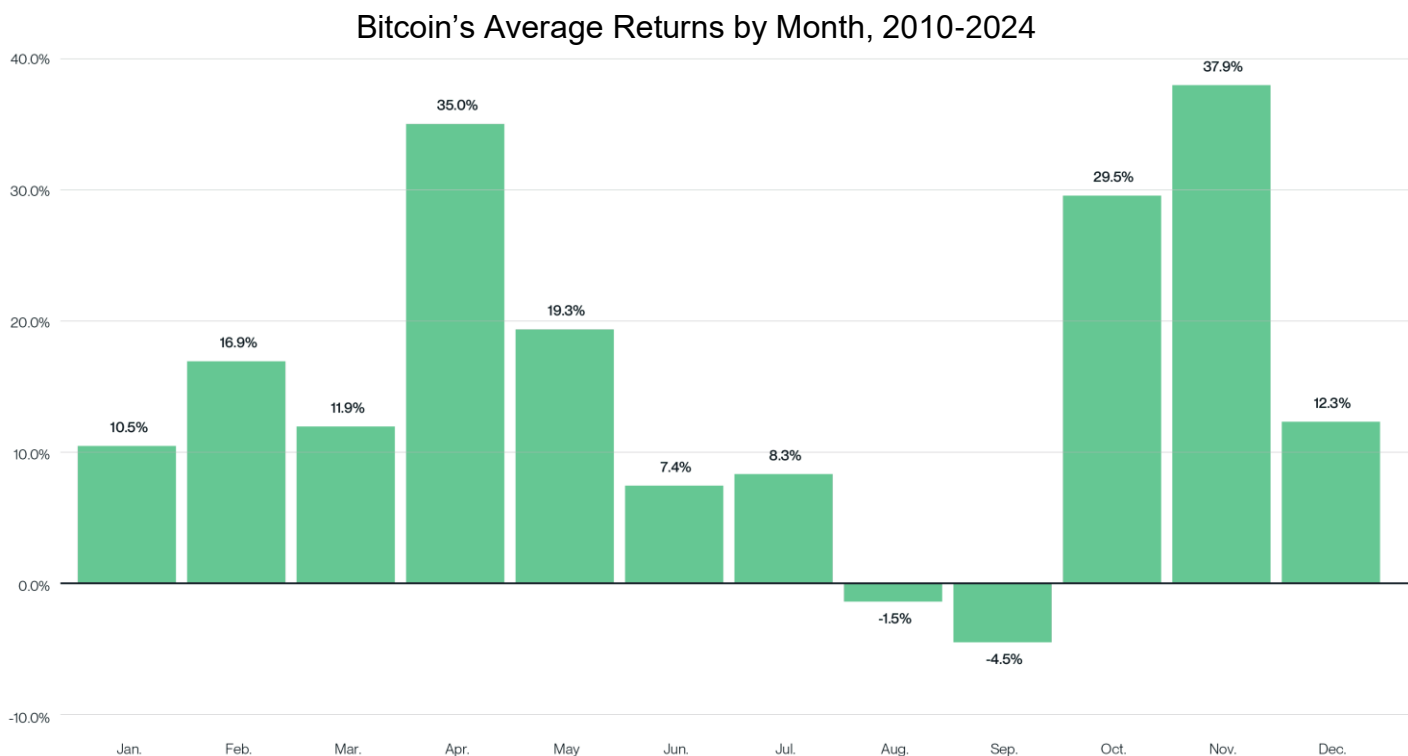
According to our friends at Cumberland:

- Bloomberg's Global Aggregate bond index has seen a negative total return for each of the last seven Septembers.
- 10-year US Treasuries have seen higher yields in 7 of the last 8 Septembers, with Gilts higher 9 out of the last 10. In addition, the previous 9 Octobers have also seen higher Treasury yields. One argument for why this pattern may occur is that global bond issuance (government and corporate) dries up over the summer holidays (encouraging a bond rally) and then surges in September and October (encouraging a sell-off).
- Gold has been lower in 10 of the last 11 Septembers.
- The iTraxx Crossover index has been wider in 8 of the last 10 Septembers.
- The S&P 500 has been lower for the last four Septembers.
- Much has already been said about September as a historically bad month for crypto. And indeed, over the last 7 years, 6 out of 7 of those Septembers have been in the red, with an average move of -7%. Only in 2023 did we see a green move of +4.07%.
- By the end of the month, we'll also be just 5 weeks away from the US election, and close election races (as this still is) usually promote sideways to lower equity markets in the build-up, before a big rally after, regardless of who wins. This ties into the seasonals, as we've only seen 6 negative Novembers for the S&P 500 since 1995 with 11 of the last 12 higher.

That said, the best way to make money in 2023 and 2024 has been to fade consensus. So... um... guess we'll see.

Matt Hougan's (Bitwise) Weekly CIO Memo: "Why Are Septembers So Terrible? – Thoughts on seasonality and the outlook for the rest of the year. Septembers are terrible."

Since Bitcoin started trading in 2010, the asset has fallen 4.5% on average during September. That's by far the worst month, and one of only two months with a negative average return.



Source: Bitwise Asset Management with data from Glassnode and ETC Group. Data from August 2010 to September 2024.

Things don't get better when you look more closely. As a detailed analysis from NYDIG shows, Bitcoin has traded down in nine of 13 Septembers on record. September 2011 was its worst month ever, with a fall of 41.2%. So far this month, through Sunday, Bitcoin is down 7%.

As the Green Day song goes, "Wake me up when September ends."

What Drives the September Effect?

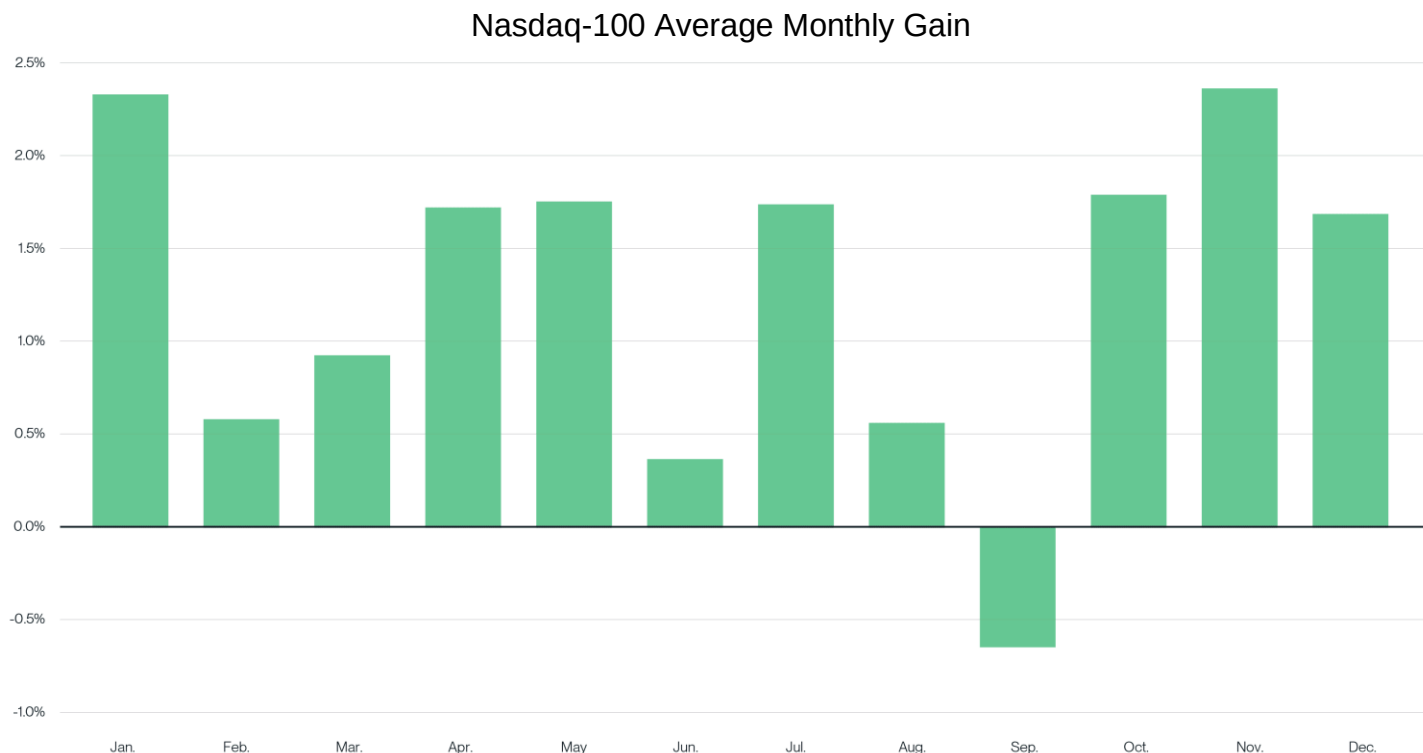
There is a lot of discussion about what drives the September Effect. While none of it is particularly convincing, I've found three primary theories:

1. Septembers Are Terrible for All Risk Assets

Bitcoin is not the only asset that suffers from the back-to-school blues. Since 1929, September is the only month when stocks fall more often than they rise. This effect is particularly pronounced in the tech-heavy Nasdaq-100.

Economists have tried to attribute this to various factors – a bump in volatility after the slow summer months, mutual funds harvesting losses at the end of their fiscal year – but no one is quite sure.

Whatever the reason, it's happening again: Through Friday, September 6, the Nasdaq-100 is down almost 6% this month.



Source: ChartoftheDay.com. Data from January 1985 to December 2023.

2. SEC Enforcement Season Weighs on Crypto:

The SEC runs on an October-September calendar year. Historically, that means you tend to see lots of enforcement actions in September, as lawyers try to meet their quotas for the year. True to form, SEC enforcement season is heating up: We've already seen a meaningful settlement with crypto fund provider Galois Capital as well as a Wells notice against NFT platform OpenSea this month. Many predict more significant lawsuits and settlements against crypto entities by month's end. I wouldn't be surprised; I've been hearing rumors of larger enforcement actions since early summer, and we've long warned about the perils of SEC enforcement season.

I'm not sure the SEC overhang is enough to explain the September Effect on its own, but it certainly doesn't help.

3. Reflexivity

Probably the best explanation I've heard for the September Effect is that it's simply self-reinforcing: People now expect September to be bad, and so it is. While that might not sound earth-shattering, it's no less true: Expectations move markets.

By contrast, Bitcoin investors historically love October – it's nicknamed "Uptober," after all, thanks to Bitcoin's 30% average rise during the month. That probably juices the animal spirits. October and November are historically among the best months for crypto investors.

The Outlook

Like many, I'm not quite sure what to make of the September Effect. It's unclear to what extent the factors above matter, whether it's a pure anomaly, or if there are various forces at work that have not been excavated. Regardless, it's impacting the psychology of today's market.

Here's what I do know: Seasonality aside, what's most important is looking at the particulars of the market right now. And when I do that, I begin to see what's behind crypto's softness this September.

Markets hate uncertainty, and there is a lot of uncertainty in the market right now. Consider:

The US presidential election – which will have significant ramifications for crypto – is currently a toss-up, with odds splitting different ways depending on whether you look at Polymarket, PredictIt, or 538. I suspect we'll see the market struggle to find its footing until we have greater clarity over future leadership and policy.

The timing and scale of Fed rate cuts is spurring fierce debate. While there's broad consensus that easier money is coming, investors are feverishly recalibrating their bets: The probability of a 50 bps rate cut in September is down, but the probability of more than 125 bps in cuts by December is up.

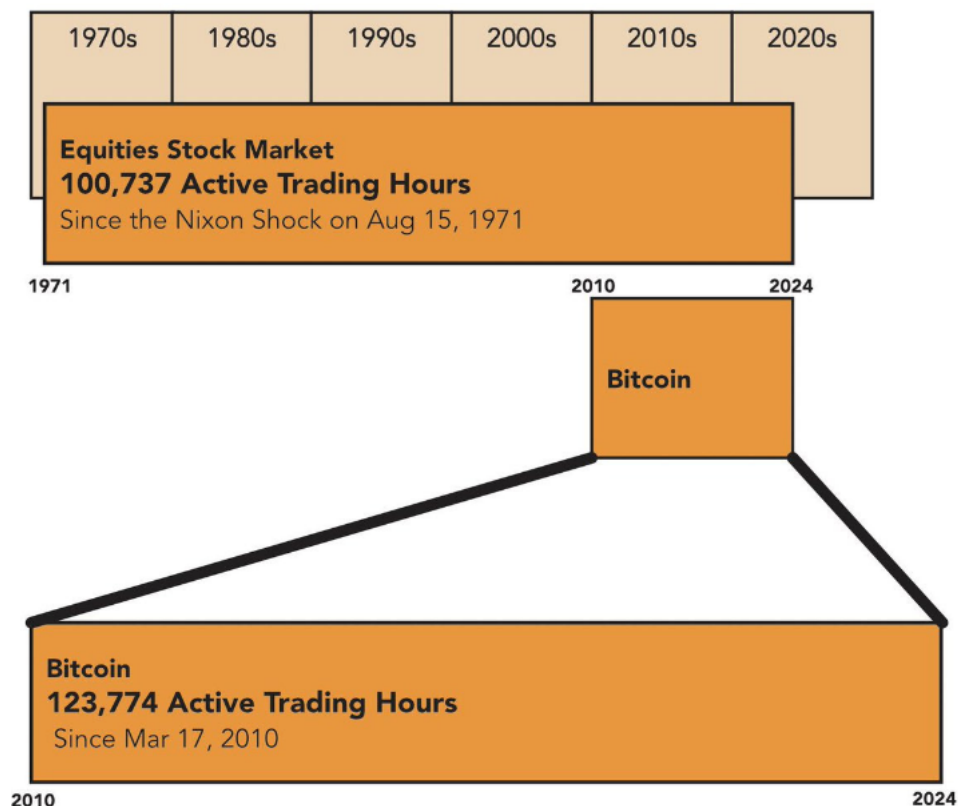
ETF flows paint a mixed picture. While flows into Bitcoin and Ethereum ETFs have softened – US Bitcoin ETFs just saw their longest run of net outflows since launching in January – zoom out and you see something else: Investment advisors are adopting Bitcoin ETFs faster than any new ETF in history.

My base case remains that we see a significant rally as this uncertainty starts to dissipate in October and November. The fact that this aligns with historical trends may or may not be a coincidence. Either way, I'm ready for it.

ARK Invest released “The Bitcoin Monthly: August Report.” (Download it, [here.](#))



Anthony Pompliano: The world changed on August 15, 1971 – President Nixon implemented a number of changes to the US economy in response to high inflation. These changes became known as the “Nixon shock.” The Nixon shock kicked off a new era for the US – the fiat currency regime had begun. Since that day, the US stock market has been open for trading in just over 100,700 hours. That may seem like a useless data point, but Cory Bates points out something interesting happened this year that made the fiat era US stock market hours of operations noteworthy. Bitcoin, which was only launched in 2009, officially eclipsed the US stock market in terms of hours of trading. Bitcoin now stands at more than 123,000 hours of trading, which is nearly 25% higher than the fiat era for public equities.



River released a research report titled “Why Business Bitcoin Adoption Grew by 30% in 1 Year – From Skepticism to Strategy.” (See the executive summary below. View the 42-page report, [here](#).)

- Businesses represent a large and growing segment of Bitcoin users, accounting for 3.3% of Bitcoin’s total supply, or 683,332 BTC as of August 18, 2024. This number has grown by 587% since June 30th, 2020, and by 30% in the past 12 months.
 - U.S.-domiciled companies account for 49.3% of business Bitcoin holdings, totaling approximately \$19.7 billion.
 - Private companies hold roughly 23,000 more BTC than public companies, according to publicly available information.
 - Five companies – MicroStrategy, Block.one, Tether, BitMEX, and Xapo – hold a total of 559,000 Bitcoin, which accounts for 82% of all corporate holdings. MicroStrategy and Tether alone make up 85% of all publicly reported business Bitcoin purchases in the first half of 2024.
- Business Bitcoin adoption has accelerated in 2024:
 - The number of publicly traded companies with Bitcoin holdings grew by 40% from September 2023 to August 2024.
 - We estimate that business Bitcoin holdings will grow at a rate of between 204 and 519 BTC per day until the year 2026, equivalent to a range of \$12.2 million and \$31.1 million per day at a \$60,000 Bitcoin price.
 - Despite the introduction of the Bitcoin ETFs, nearly all businesses hold real Bitcoin so that they don’t get designated as an “investment company.”
- A survey among our business clients provides insights into their Bitcoin strategies:
 - Since August 2023, the number of businesses River serves has grown by 68%.
 - 70% of River’s business clients have never sold Bitcoin.
 - By a wide margin, their most cited concern before buying Bitcoin was its accounting and tax treatment.
 - When asked about their treasury strategy, 95% of respondents plan on growing the size of their Bitcoin holdings in the future.
- We showcase eight companies that use Bitcoin as a core part of their strategy, with its role varying depending on each company’s size, operational model, and business philosophy. We hope that by providing a spectrum of approaches, readers may have a more complete understanding of business Bitcoin adoption:
 - SummerPlace Homes: A family-owned land developer and home builder
 - Real Bedford F.C.: An English football club
 - Tahini’s: A rapidly growing franchise of Middle Eastern restaurants
 - River: A Bitcoin-only financial institution
 - Block: A publicly traded financial services and technology company
 - Students for Liberty: A multi-national 501(c)3 nonprofit student organization
 - Atoms: A privately owned footwear designer and manufacturer
 - Peony Lane Vineyards: A small natural winemaker
- While Bitcoin’s primary business use case is as a treasury holding, we detail three areas where Bitcoin can serve as a payments solution for businesses:
 - Cross-border Bitcoin payments add value for multinational corporations and non-profits who settle international contracts and process remittances.

- Wages paid in Bitcoin are a preferable payment method for many workers, particularly those residing in areas with high inflation and banking fees.
- Commerce payments in Bitcoin have grown in recent years, which can decrease the risk of fraud and reduce fees for merchants. However, the most proven model for using Bitcoin in commerce is catering to the Bitcoin community, which represents a large source of demand.

Bitcoin Magazine Pro launched “The Bitcoin Report (August 2024)” – a monthly digest offering key insights into Bitcoin trends. (See the executive summary below. View the full report, [here](#).)

- The Long Term Power Law indicates that Bitcoin’s current price should be \$89k.
- On average, Non-HPC integrating mining companies saw higher market capitalization growth increases than those that integrated.
- MicroStrategy (MSTR) achieved a YTD return of 109.65% vs. BTC-USD’s 39.91% return.
- 15 of the Top 25 hedge funds have BTC ETF exposure, and have not sold in Q2 2024.
- Bitcoin’s recent capitulation move down to sub-\$50,000 wiped out over 25% of total Open Interest (\$9B) from the Bitcoin derivatives markets.
- Russia's legalization of Bitcoin mining aligns with broader digital currency initiatives, enhancing Bitcoin's international legitimacy.
- US Senator Cynthia Lummis has introduced the BITCOIN Act of 2024, a bill to establish a Strategic Bitcoin Reserve and other programs to ensure the transparent management of Bitcoin holdings of the Federal Government.
- The 200 Week Moving Average Heatmap shows Bitcoin is oversold.
- Marathon Digital Holdings (MARA) expands mining capacity by purchasing 30k new miners for \$121 million.

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

Bitcoin at \$58,000: “\$58k Gang” continues its reign for yet another week. While the S&P is facing resistance at its previous all-time high, Bitcoin is facing resistance itself. However, despite the bearish sentiment online and loathsome sideways price action for months, there are quite a few bright spots right now, of which we will discuss below. The first is a technical one: BTC just made a higher low. After dipping below \$50,000 in August, BTC’s most recent dip halted at ~\$52,000. There’s healthy demand in the low \$50,000 range which leads us to believe that this regime of sideways price action is likely “max pain.”

Long-Term Holder Supply: The next bright spot is that the amount of Bitcoin held by long-term holders is about to make a new all-time high. This on-chain activity is similar to 2019 / 2020. There was a large run up in 2019 as we came out of the bear market, causing a slight drop in long-term holder supply as some investors sold into the strength. This was followed by choppy sideways/down price action coupled with aggressive accumulation by long-term holders. Ultimately, this set the stage for a massive supply squeeze at the end of 2020 which resulted in BTC ripping from \$10,000 to \$50,000 from Sept 2020 to Feb 2021. Contraction of supply into diamond hands paired with expanding fiat liquidity is quite a bullish cocktail.

Market Value to Realized Value Ratio: Right now, the average Bitcoin holder has a cost-basis of \$31,400 according to the on-chain metric “Realized Price” / “Realized Value.” Vast discrepancies between Price & Realized Price (high ratio as indicated by the green line) means there are significant amounts of unrealized gains in the market, which constitute potential sell-pressure as investors look to take fiat-denominated profits. A bullish indicator is that we’ve seen the MVRV-Ratio decline steadily over the past few months; meaning that the average cost basis is rising, especially in relation to the BTC price. In fact, the MVRV-Ratio is down to ~1.8 from its March peak of ~2.8. Like long-term holder supply discussed above, this is similar behavior to the consolidation period in 2020, after the bear market recovery but before the next bull market.

Energy Gravity: At a typical hosting rate today, new-gen Bitcoin ASICs require ~\$61,300 worth of energy to produce 1 BTC.

Summary and conclusion from Glassnode’s “The Week On-Chain” from 9/10/24. (Read the full report, [here](#).)

Miners continue to demonstrate immense conviction in the Bitcoin Network, with the Hash Rate just shy of ATHs despite collapsing revenues. However, as miners tend to be pro-cyclical, being sellers during drawdowns and HODLers during uptrends, a degree of sell-side pressure can be expected in the event of further drawdowns.

Alongside this, Investor interaction with exchanges continues to fall, with contracting volumes across the board, suggesting there is a diminished appetite for investors and trade. This is also apparent across the Institutional landscape, with the Bitcoin and Ethereum ETFs exhibiting net outflows.

Conclusion from Coin Metrics' "State of The Network" weekly report from 9/10/24. (Read the full report, [here](#).)

The crypto market's rapid evolution has brought with it a new set of risks and challenges. For institutional participants, navigating these waters requires not just an understanding of network health, but also advanced tools for market surveillance and risk management. Coin Metrics' suite of data products stands at the forefront of this need, offering institutions the ability to monitor network health, assess liquidity risk using Coin Metrics' order book data and liquidity metrics across various trading pairs and exchanges, and optimize operational efficiency, reduce downtime and minimize transaction failures.

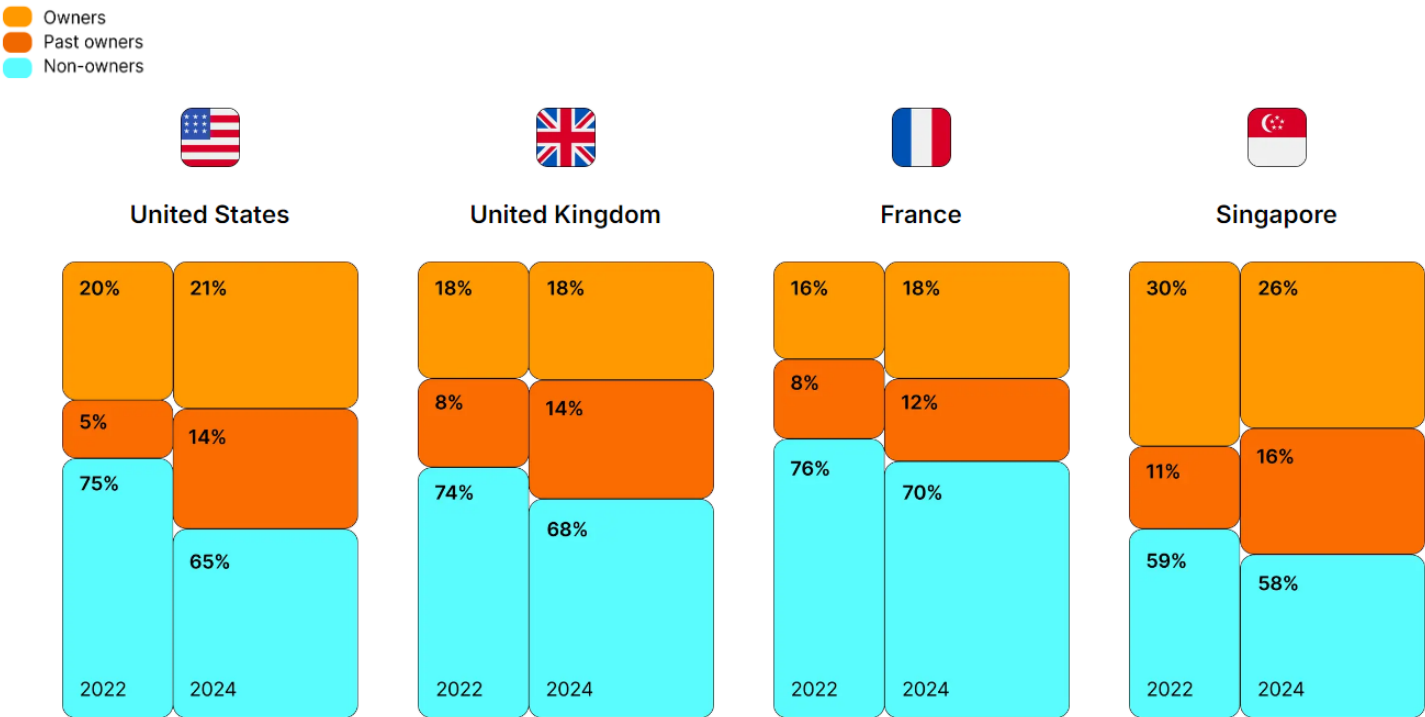
As we look to the future, the role of network health monitoring and market surveillance in the institutional crypto space is set to grow even further. The institutions that thrive will be those that not only understand the importance of these metrics but also actively incorporate them into their decision-making processes. For institutional participants, staying ahead of this curve isn't just an advantage – it's a necessity.

Blockworks updated key metrics...

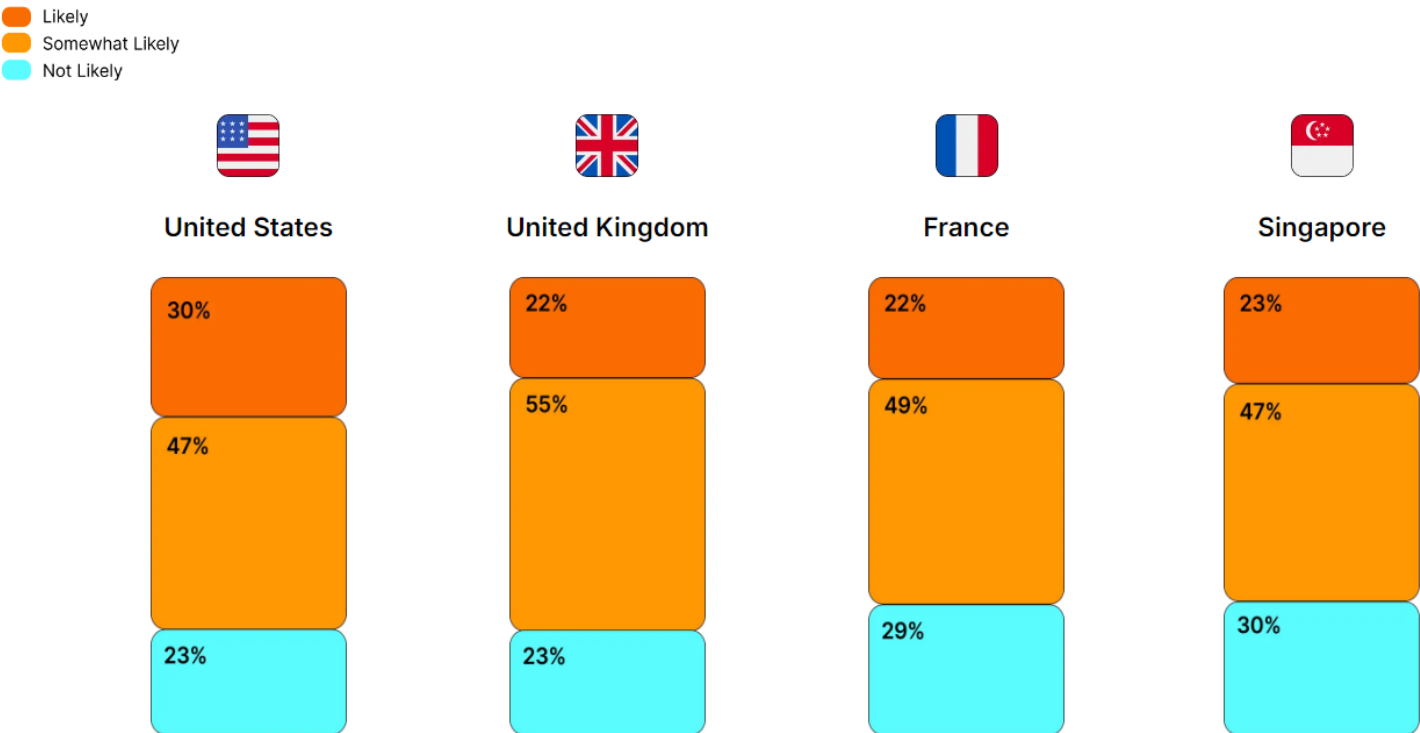
Total Crypto Market Cap	\$2.18 T
Bitcoin Market Cap	\$1.18 T
Ethereum Market Cap	\$290.13 B
ETH/BTC Ratio	0.04
Ethereum Gas Price	1.53 gwei
DeFi TVL	\$138.88 B
Fear and Greed Index	51 (Neutral)

Gemini released its “2024 Global State of Crypto Report.” (See key finding below. Download the full report, [here](#).)

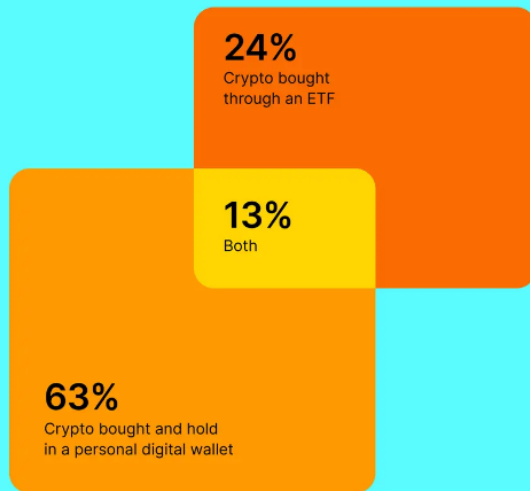
Crypto ownership by country



Likelihood of past owners to buy crypto in the next year



Types of crypto purchased in the United States

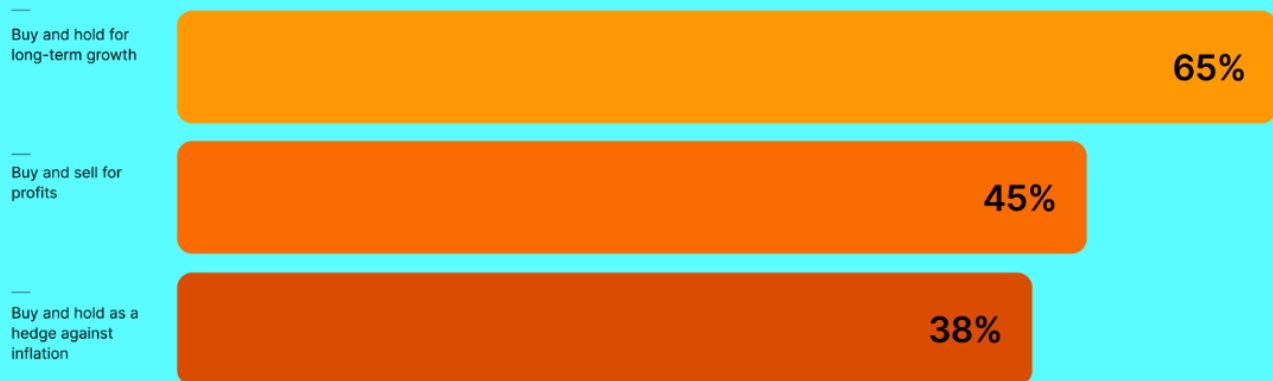


/03

13% of crypto owners got started through ETFs

In the United States, nearly two in five (37%) of cryptocurrency owners surveyed said they hold some crypto through an ETF. More than one in ten (13%) own crypto exclusively through an ETF, suggesting they entered the market through ETFs when they were introduced this year.

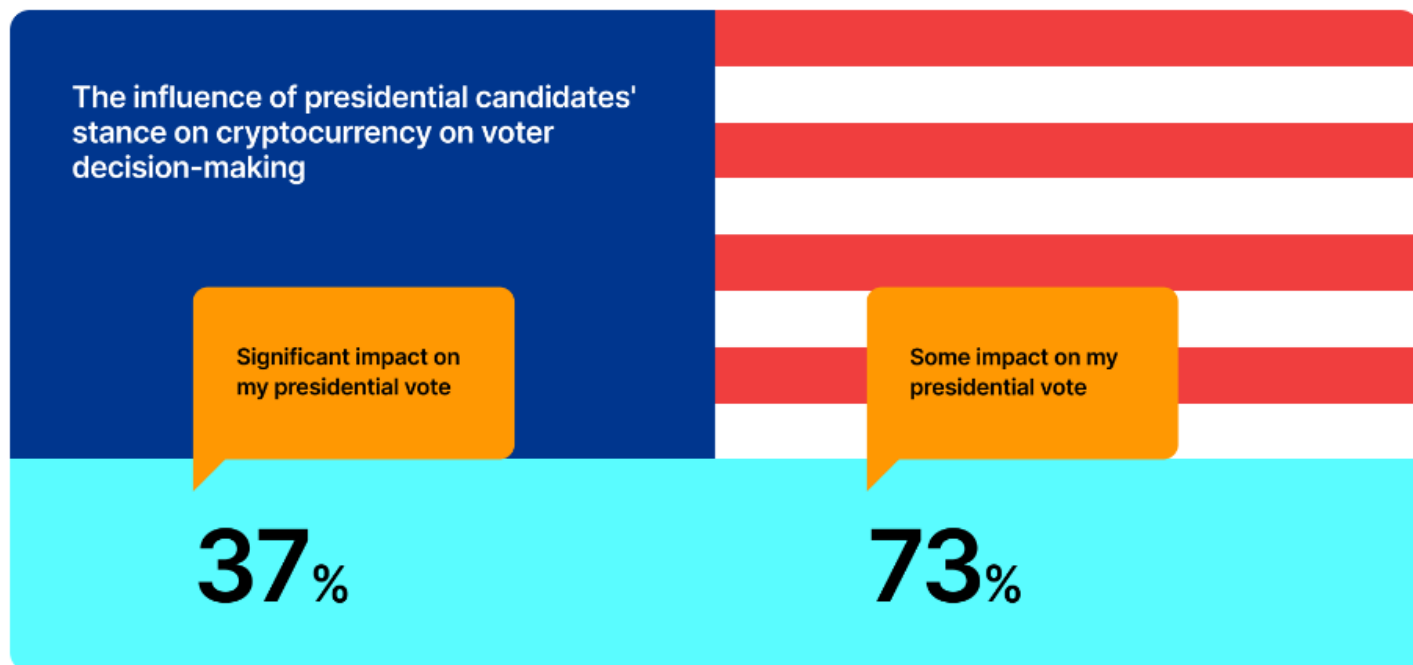
How owners use cryptocurrency



/05

65% of crypto investors are HODLers

The vast majority of cryptocurrency owners globally hold crypto for its long-term investment potential. Nearly two in three crypto owners globally (65%) buy and hold cryptocurrency because they believe in its long-term investment potential. And nearly two in five (38%) hold crypto to protect against inflation.



/06

Three in four crypto owners say policy will impact vote in US election

Among those who own crypto in the United States, the vast majority (73%) plan to consider a candidate's stance on crypto when they vote for the next president. More than a third of respondents who own crypto (37%) said that a presidential candidate's position on crypto would have a significant impact on how they vote for president.

Grayscale Research published a piece titled “Polymarket: Crypto’s Election-Year Breakout App.” (See highlights, below. Access the full write-up, [here](#).)

- Polymarket, a prediction market and breakout web application, is a prime example of how blockchain technology can help increase transparency, access, and trust in markets and information.
- Polymarket allows participants to allocate capital to event contracts (e.g., who will win an election). Offering timely and generally directionally accurate probabilities of specific events, prediction markets have the potential to aid investor, policymaker, and/or corporate leader decision-making.
- Unlike other prediction markets, Polymarket runs on a blockchain – Polygon, part of the Ethereum ecosystem and the Smart Contract Platforms Crypto Sector.
- In light of rising distrust of media, Grayscale Research believes Polymarket has the potential to be a “source of truth” by harnessing the transparency and recordkeeping of blockchain technology, the incentives of markets, and the collective intelligence of its users.

Blockworks: House lawmakers clashed at the first-ever DeFi hearing...

The House Subcommittee on Digital Assets, Financial Technology and Inclusion gathered for a hearing entitled “Decoding DeFi: Breaking Down the Future of Decentralized Finance.”

The goal, subcommittee chair French Hill, R-Ark., said, was to “explore emerging topics like tokenization and DeFi” and “consider how blockchains can be used in finance.” Some of his colleagues across the aisle, however, questioned whether DeFi has any use beyond facilitating criminal activity.

“What we have here is an effort to liberate billionaires from income taxation,” Rep. Brad Sherman, D-Calif., told witnesses, adding that DeFi technology allows the wealthy to avoid tax obligations.

“Every time a billionaire successfully cheats on his taxes, a member of the Freedom Caucus earns his wings,” Sherman said.

Witness Peter Van Valkenburgh, director of research at Coin Center, later countered Sherman, arguing that regulators have not given actors in the crypto industry enough guidance on how to comply with regulations.

“Tax evasion is a crime. It should be aggressively policed,” Van Valkenburgh said. “I do not, however, think that tax evasion and its existence warrants a 100% surveilled and controlled financial system.”

“A difficult area in the cryptocurrency space has been getting clear tax guidance from the IRS on how Americans can pay their taxes when they earn capital gains, or perhaps their wages, on these networks,” Van Valkenburgh added.

The hearing, which lasted about 90 minutes, wrapped hours before Donald Trump and Kamala Harris are scheduled to meet on the presidential debate stage for the first time. While the Harris campaign has been tight-lipped about any crypto-related policy the Vice President intends to implement should she win in November, the Trump camp has continued to cozy up to the industry.

Trump and his family have endorsed the World Liberty Financial project in recent weeks. The DeFi project is a prime example of how the blockchain industry is fraught with danger, Rep. Maxine Waters, D-Calif., said.

“Bad actors took advantage of the opportunity to scam potential users. Laura Trump and Tiffany Trump’s X accounts were hacked, and scammers used them to announce links to a coin falsely claiming to represent World Liberty Financial,” Waters said during Tuesday’s hearing. “According to the analysis, at least 200,000 people viewed the posts, and approximately 2000 people purchased \$1.8 million worth of the fake token.”

Representatives heard from five witnesses: Brian Avello, chief legal officer of UDHC; Rebecca Rettig, chief legal and policy officer of Polygon Labs; Amanda Tuminelli, chief legal officer of the DeFi Education Fund; Peter Van Valkenburgh, director of research at Coin Center; and Mark Allen Hays, senior policy analyst at Americans for Financial Reform.

Lawmakers will be in session until Sept. 27 when they will break for an election recess until Nov. 12. Tuesday’s hearing comes as Congress’s Sept. 30th deadline to pass a funding bill looms.

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

- Attorneys for Caroline Ellison (former Alameda Research CEO) are seeking no prison time – at most time served and supervised released. Ellison will be sentenced on September 24.
- Ryan Salame, former co-CEO of FTX Digital Markets, withdrew a bid to void his sentence after disputes over US investigation of partner Michelle Bond. Salame's lawyers claim prosecutors coerced his guilty plea by promising not to investigate Bond, now facing charges. Judge Kaplan called Salame's arguments "ambiguous" and may impose sanctions following his plea withdrawal.
- FTX proposed a \$14 million settlement with Emergent Fidelity Technologies to secure claims to over \$600 million in Robinhood shares, as part of its reorganization plan.
- Several crypto funds, including Pantera Capital, ParaFi Capital, and others, recently bought a significant number of Metaplex (MPLX) tokens from Wave Digital Assets – which were originally held by the FTX estate.