



HYPERION DECIMUS

CRYPTO NEWSLETTER

POWERED BY WEEKLY CRYPTO BRIEF

1st September 2024

BITCOIN-RELATED



The realized capitalization of Bitcoin long-term holders (LTH) surpassed \$10 billion for the first time ever. This highlighted the growing confidence among investors who hold the asset for extended periods, typically more than 155 days, which reflects the conviction of these holders in Bitcoin's long-term potential, as they are less likely to sell during short-term market declines.

Medical device company Semler Scientific announced it purchased an additional 83 Bitcoin for \$5 million in cash. This latest buy expands Semler's total Bitcoin holdings to 1,012 BTC acquired for \$68 million.

Nasdaq, along with CF Benchmarks, filed with the SEC to list and trade Nasdaq Bitcoin Index Options (XBTX), tracking the CME CF Bitcoin Real-Time Index. If approved, the Bitcoin index options would become the first cryptocurrency derivatives cleared by the US OCC.

CME Group will further expand its cryptocurrency derivatives offerings with the introduction of Bitcoin Friday Futures (BFF) on September 30, pending regulatory review. Sized at one-fiftieth of one Bitcoin, these new weekly futures contracts will be cash-settled to the CME CF Bitcoin Reference Rate New York Variant (BRRNY) at 4pm New York time every Friday. A new BFF contract will be listed every Thursday at 6pm New York time for a Friday trade date.

Legendary investor Bill Miller, the founder of the Miller Value Partners hedge fund who first bought Bitcoin in 2012 at prices averaging around \$700, told Forbes he sees Bitcoin as "an insurance policy against financial catastrophe, against inflation, against the types of things we saw during the pandemic." He stated: "The Fed had to flood the system to keep the Treasury market functioning, but nobody had to come in and bail out Bitcoin. You can't bail it out. I would predict that within the next three to five years, a majority of advisors will advise people to have 1% to 3% of assets in Bitcoin."

El Salvador's President Bukele acknowledged that while Bitcoin hasn't achieved widespread adoption in the country, it has positively impacted the nation's branding, investment, and tourism sectors.

Stacks, a Layer-2 blockchain that augments the Bitcoin network, began its Nakamoto upgrade with the aim of making transactions even faster.

Lightspark, a leading Bitcoin Lightning Network payments company, announced the launch of Lightspark Extend, its new solution that allows businesses to facilitate instant Lightning payments to eligible account holders in the US.

INDUSTRY ADVANCES



Russia is gearing up to begin testing crypto exchanges to help ease the flow of cross-border transactions that have been crippled by US-led international sanctions in the wake of Russia's invasion of Ukraine. The trials will start on September 1. The country's National Payment Card System will be used to swap between rubles and any cryptocurrency when testing payments on the exchange platform, according to sources.

Tokenized Treasury funds have grown to over \$2 billion in market capitalization, with BlackRock's BUIDL fund playing a significant role in this surge, just five months after the market crossed the \$1 billion mark.

Coinbase's Ethereum Layer-2 solution, Base Network, achieved a major milestone, reaching over 1 million daily active addresses, more than all other major Layer-2 networks combined.

Coinbase CEO Brian Armstrong posted on X: "This week at @CoinbaseDev we witnessed our first AI to AI crypto transaction." Armstrong explained that one AI agent – a "bot" designed to carry out a certain task – used crypto tokens to interact with another AI agent and acquire AI tokens. These AI tokens are essentially strings of data that enable algorithms to learn from information.

Sony's blockchain division, Sony Block Solutions Labs, has launched the public Minato testnet and a developer incubation program for its Soneium network.

Cardano is pushing toward its biggest upgrade in two years, with major changes to the structure of its main network, introducing mechanisms allowing users to participate in on-chain governance. The upgrade, known as the "Chang hard fork," is a major milestone in Cardano's roadmap. The Chang hard fork was pushed back to September 1 so some exchanges, including Binance, could prepare their systems.

Rumpel Labs, backed by VC firms like Dragonfly and Variant, is launching a platform to create secondary markets for trading airdrop-related points, aiming to improve price discovery and offer more flexibility for users engaging with loyalty point programs.

Kaia, an EVM-compatible Layer-1 blockchain created by Asia's messaging app giants Kakao and LINE, officially launched its mainnet, focusing on ultra-fast transactions and low gas fees, and inviting Telegram-style apps.

Starknet's latest upgrade introduced "parallel execution," allowing multiple transactions to be processed simultaneously on its Layer-2 chain. The upgrade also includes a feature that reduces confirmation times by optimizing block space usage.

Blockworks Research made its Solana dashboard available to everyone. Track TEV stats, validator/staker cash flow, transaction activity/segmentation, and more. The dashboard was made available in collaboration with the Solana Foundation. (Read and see more, [here](#).)

The Blockchain Technology Association of Nigeria, a self-regulatory agency, said blockchain adoption is the solution needed to transform the country's agricultural landscape. SiBAN President Obinna Iwuno said that blockchain technology would allow stakeholders to track the journey of agricultural products from farm to table... to verify the authenticity and quality of products (reducing the risk of fraud and ensuring food safety)... and enable farmers to access credit, insurance, and other financial services without relying on traditional banks.

MINING



Earlier this month, Marathon Digital sold \$300 million of convertible notes and purchased 4,144 Bitcoin with most of the proceeds. The company recently posted: “Given the current mining hash price, the internal rate of return (IRR) indicates that purchasing Bitcoin using funds from debt or equity issuances is more beneficial to shareholders until conditions improve.”

IREN reported a record \$184.1 million in Bitcoin mining revenue for the fiscal year ending June 30, 2024, up 144% from the \$75.5 million it generated in 2023, driven by nearly doubling its self-mining capacity to 10 EH/s and higher Bitcoin prices. The company also mined a record 4,191 BTC during the period, up from 3,259 BTC in the prior fiscal year, and expects to reach a capacity of 30 EH/s by the end of 2024, supported by a purchase of the latest-generation Bitmain S21 XP miners. It also reported \$3.1 million in AI cloud revenue for the first time.

TeraWulf is set to launch a new Bitcoin mining facility (2-megawatt facility with a liquid-cooled design) at the end of September. The company is also reportedly “actively engaging” with some of the biggest names in tech, including members of the Magnificent Seven on a potential partnership.

Bitcoin mining firm Rhodium Enterprises, which recently filed for bankruptcy, reportedly received court approval to take a loan in either United States dollars or in Bitcoin. The company was authorized to choose between receiving \$30 million or 500 Bitcoin from Galaxy Digital. However, the US dollar loan would have a 14.5% annual interest while the interest rate on the Bitcoin loan is cheaper at 9.5%.

Thai authorities raided an illegal Bitcoin mine west of Bangkok, after residents complained of frequent blackouts in the area for more than a month. Police and officials from the Provincial Electricity Authorities found Bitcoin mining rigs, pointing to people using a house to operate a mine and using power they didn't fully pay for.

ETPS (EXCHANGE-TRADED PRODUCTS), FUNDS & INDEXES



US-listed spot Bitcoin ETFs recorded over \$252 million daily net inflows on August 23, their highest level since July 23, as favorable comments at the Jackson Hole symposium buoyed risk assets, including Bitcoin.

BlackRock's spot Bitcoin ETF (IBIT) saw its largest single-day inflow in over a month on August 26, taking in \$224 million amid a slight Bitcoin pullback. On the other hand, IBIT witnessed its first negative flows since May 1, generating \$13.5 million in net outflows on August 29.

James Seyffart: Bitwise is acquiring the Osprey Bitcoin Trust (OBTC) which has the same structure as GBTC. There's about \$120 million of Bitcoin there. OBTC holders will get BITB shares of equivalent value. (View the press release, [here](#).)

The three Hong Kong spot Bitcoin ETFs surpassed HK\$2 billion (\$272 million) in AUM since launching this year. The growth shows increasing institutional appetite for regulated Bitcoin products in Asia.

Australia's two spot Bitcoin ETFs, the VanEck Bitcoin ETF and Monochrome's IBTC, have steadily accumulated Bitcoin holdings since launching earlier this year. The VanEck Bitcoin ETF debuted on the ASX on June 20 and has attracted \$40.72 million in AUM. Meanwhile, the Monochrome Bitcoin ETF began trading on the smaller CBOE Australia exchange on June 4 and has attracted \$7.4 million in AUM.

BlackRock listed its iShares Ethereum Trust (ETHA) on Brazil's B3 stock exchange, following the successful listing of its Bitcoin ETF earlier this year.

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

Hilbert Group and Xapo Bank are teaming up to launch a Bitcoin-denominated hedge fund, set to launch in September 2024. The fund is expected to receive over \$200 million in initial investment capital from Xapo Bank and other investors.

ParaFi Capital, a New York-based digital asset manager that includes KKR co-founder Henry Kravis among its backers, raised \$120 million from investors, including Theta Capital Management and Accolade Partners. In a new strategy for ParaFi, the funding will be partly used to acquire GP stakes in other crypto funds that are focused on specific market segments, strategies, or geographies. The firm plans to build a portfolio of 30 to 50 such stakes in the next three to five years.

Investment firm Lemniscap raised a \$70 million fund to invest in early-stage Web3 projects, focusing on zero-knowledge infrastructure, consumer applications, and decentralized physical infrastructure – within the Bitcoin ecosystem.

Web3 payment firm Bridge, founded by former Coinbase and Square employees, raised \$58 million to build a stablecoin-powered money movement platform with services such as cross-border payments.

Microsoft-backed startup Space and Time Labs, a startup aiming to enhance AI and blockchain development, raised \$20 million in Series A financing. The round was led by Framework Ventures, Lightspeed Faction, Arrington Capital, and Hivemind Capital.

Edge Matrix Chain raised \$20 million in funding, led by Polygon Ventures and Amber Group to support its multichain infrastructure project.

Solayer Labs, the developer of the Solana restaking protocol Solayer, raised \$12 million in a seed funding round – led by Polychain Capital.

Gameplay Galaxy, a Web3 game development studio, closed \$11.2 million in a seed extension round.

The DAO community governing Curve finance is on the verge of approving a 21 million CRV (~\$6 million) 1-year funding proposal from Swiss Stake AG, Curve Finance's lead development team headed by the protocol's founder Michael Egorov.

Layer-1 project Quai Network garnered \$5 million in a strategic funding round to enhance its development efforts.

IPOS, M&A, PARTNERSHIPS & DEALS

Threshold Network contributor, and NuCypher's co-founder, MacLane Wilkison proposed the project acquire BitGo's Wrapped Bitcoin (WBTC) to address centralization concerns, offering \$36.4 million in T tokens to transition WBTC to a decentralized custody model.

Digital Currency Group announced that it has fully repaid its short-term debts as of June, leaving only a \$1.1 billion promissory note to its bankrupt subsidiary Genesis.

Crypto.com is partnering with Standard Chartered to expand access to multiple fiat currencies including USD, euros, and Dirhams through a new retail services business managed from its regional hub in Dubai. Servicing 90 countries, this collaboration aligns with the UAE's economic diversification goals.

Coinbase and Borussia Dortmund (BVB), one of Germany's most successful football clubs, renewed and significantly expanded their partnership. The collaboration now extends beyond Germany to include Europe and Singapore, with a broader range of marketing activities.

Crypto exchanges Binance, Bitget, and ByBit are all partnering with Sanctum to launch Solana liquid staking tokens (LSTs).

Polymesh, a leader in real world asset tokenization and blockchain technology for capital markets, announced that AlphaPoint, a leading global provider of digital asset infrastructure for exchanges, brokerages, payment networks, and banking, partnered with Polymesh to offer a tokenization solution via an easy-to-use API.

DEFI



Donald Trump's new crypto venture, World Liberty Financial, is a DeFi platform that offers “high yield” investment opportunities. Trump is heavily promoting it as part of his broader crypto-related initiatives. The project is linked to his recent efforts to position the US as a global leader in cryptocurrency if he wins the presidency.

Ethereum co-founder Vitalik Buterin thinks DeFi projects need to demonstrate that they're “useful in a sustainable way” without sacrificing core principles like permissionlessness and decentralization. Buterin said on X that he's a fan of decentralized exchanges and uses them every week. He also said the decentralized betting platform Polymarket “is great.”

Bitcoin restaking startup Lombard and yield infrastructure protocol Veda teamed up to launch a new DeFi vault that aims to be a one-click solution enabling LBTC holders to earn passive yield. (LBTC is Lombard's yield-bearing cryptocurrency backed 1:1 by BTC.)

Renzo Protocol has announced the launch of its governance token – which will carry the ticker REZ – on Solana to boost its presence in the blockchain's ecosystem and leverage Wormhole's native token transfers framework. This integration expands the reach of Renzo's LRT (liquid restaking token) technology and brings Renzo to a new user base on Solana.

SafeDAO, the governing entity of the Safe project, suggested implementing a licensing fee model for protocols integrated into the Safe Wallet. This proposal, by the Safe Ecosystem Foundation, marks SafeDAO's first step toward creating dedicated revenue streams.

CBDCS & STABLECOINS



The total stablecoin market capitalization, excluding algorithmic stablecoins, reached an all-time high of over \$168.1 billion and surpassed its previous peak from March 2022.

PayPal's stablecoin PYUSD reached a market capitalization of \$1 billion, driven by its recent expansion to the Solana blockchain and increased activity in DeFi reward programs.

The Hong Kong Monetary Authority launched the Project Ensemble sandbox on August 28. Established in March, the project studies real-world asset tokenization and interbank settlement using a wholesale CBDC (wCBDC). It will concentrate on four areas: fixed income and investment funds, liquidity management, green and sustainable finance, and trade and supply chain finance.

Aave Labs proposed updating its GHO Stability Module by integrating BlackRock's tokenized fund BUIDL, aiming to enhance the efficiency and stability of its native stablecoin system.

MakerDAO rebranded to Sky and will launch upgradeable versions of its DAI stablecoin and MKR governance tokens on September 18. (Gnosis Chain community members are reconsidering its gas token options after the rebranding.)

NFTS, BLOCKCHAIN GAMING & METaverse



Former President Donald Trump is out with another collection of digital trading card NFTs. This time around, Trump's fourth collection will offer high rollers a piece of the candidate's suit from his debate with President Joe Biden, according to a post on social media platform Truth Social. People who spend \$24,750 on the cards will also get access to Trump sneakers and Trump cocktails and dinner at Trump National Golf Club in Jupiter, Florida (with Trump). (The collection had raised \$2.42 million at \$99 per mint as of August 31.).

Forbes is Web3-ifying its exclusive membership offerings by teaming up with the OKX Wallet that fast-tracks user applications to its digital community. At the center of this collaboration is the Forbes Legacy Pass NFT, a digital collectible that opens up a token-gated, members-only world for major players, stakeholders, and innovators in the Web3 space connect.

Colle AI, a leader in Web3 and AI-driven NFT technology, announced the launch of multichain support to further streamline and simplify the NFT minting process. This new feature allows users to create and trade NFTs across multiple blockchain networks, providing greater flexibility and accessibility to artists, creators, and collectors in the digital art space.

Superbasedd, a Los Angeles-based crypto lifestyle magazine covering the digital crypto world which recently bought the intellectual property for once-popular NFT collection Catalina Whale Mixer, will try to leverage the crypto community's male imbalance to create a modern Playboy.

NFT marketplace OpenSea received a notice from the SEC that it intends to pursue an enforcement action, the company disclosed on August 28.

The PGA Tour, Stratton Studios, and Chain Games Ireland are collaborating to launch a blockchain-powered mobile golf game called PGA TOUR RISE in 2026.

Popular Telegram-based crypto game Hamster Kombat announced that its token airdrop on TON blockchain is now scheduled for September 26, following a delay in its initial token generation event plans for July.

Maelstrom, a free to play 3D naval battle royale, is officially entering the world of blockchain gaming by teaming up with Uprising to bring the action-packed Web2 title to the L2 network.

Saga Origins, the publishing arm of the Saga blockchain protocol, announced a debut slate of indie titles that will use its Web3 platform. The roster of indie games includes multiplayer online (MMO) battle royale space adventure, Lussa: The Final Frontier, the new mythic sci-fi adventure RPG, God's Legacy, and updates for the immersive narrative strategy-RPG Angelic: The Chaos Theatre.

SBI Holdings, one of Japan's largest financial conglomerates, is teaming up with Oasys, a blockchain platform designed specifically for Web3 gaming.

Available as a Web2 game on Steam since 2019, Oasys-based gaming L2 Uprising unveiled a Web3 version of naval battle royale title Maelstrom. The game will be available on both Steam and Web3 game launchers.

JOB MOVEMENT



Crypto-powered, privacy-focused web browser and search company Brave cut 15% of its workforce, laying off 27 employees less than a year after axing 10% of its staff in late 2023.

TradFi veteran Frances Edwards joined crypto asset management firm Avantgarde as its chief operating officer.

REGULATIONS, RULINGS & COMMENTARY



A new poll from Fairleigh Dickinson University, released on August 30, found that crypto holders are disproportionately likely to say they will vote for Trump over Harris in the upcoming US presidential election. Half of all crypto-holding survey respondents said they planned to vote for Trump, while only 38% of crypto owners preferred Harris. (See the full report, [here](#).)

Former President Donald Trump named Robert F. Kennedy Jr. and Tulsi Gabbard, both crypto advocates, to his transition team.

The US House Financial Services Committee is set to hold a series of crypto-focused hearings in September, addressing topics such as DeFi, SEC oversight, and scams such as “pig butchering.”

The Federal Court for the Northern District of California ruled that none of the tokens on Kraken are securities and that the definition of SEC's “crypto asset security” is confusing and unclear. The case is proceeding to discovery, as agreements or contracts around a token could be considered a security. The SEC will have to prove that transactions on exchanges satisfy the Howey test, which is an arduous task to take across the industry.

The Bank for International Settlements (BIS) warned that banks using permissionless blockchains face various risks, including issues related to governance, security, and compliance, as highlighted in a new report.

Okto, the self-custodial wallet of the Indian crypto exchange CoinDCX, officially received its license from the Ras Al Khaimah Digital Assets Oasis (RAK DAO) in the United Arab Emirates.

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

Following a \$230 million exploit in July, crypto exchange WazirX's parent company – Zettai Pte Ltd – filed for a moratorium in Singapore to restructure its liabilities and facilitate recovery for affected users.

Crypto security firm CertiK said a rogue employee is to blame for several Tornado Cash transactions (totaling \$3 million) linked to its exploit of crypto exchange Kraken in June.

Polygon secured control of its Discord server after a hack led to a user losing \$145,000, just ahead of the network's token upgrade from MATIC to POL.

A Manhattan judge dismissed a lawsuit accusing Elon Musk and Tesla of manipulating Dogecoin's price through social media posts and public appearances – ruling that Musk's statements were “aspirational and puffery” rather than factual claims that could mislead investors.

Binance CEO Richard Teng denied allegations that the exchange froze all Palestinian funds, stating that only specific accounts linked to illicit activities were blocked as part of compliance with anti-money laundering laws.

Hugo Hyungsoo Lee, CEO of the defunct South Korean crypto custody firm Haru Invest, was stabbed in the neck during a court hearing in Seoul on August 28 and is in critical condition, according to local news reports. The Seoul police reportedly arrested a man in his 40s, believed to be an alleged victim of Haru Invest, on charges of attempted murder.

Cryptocurrency exchange Mudrex won a court order asking India's Ministry of Communication to take down as many as 38 websites using the company's name to carry out scams.

Telegram CEO Pavel Durov was arrested at Le Bourget Airport as part of a warrant issued by the French National Police, that's tasked with preventing violence against minors. The warrant for his arrest stems from a criminal complaint, which considers Durov complicit because of Telegram's lack of moderation, in drug trafficking, distribution of child sexual abuse material, and fraud due to Telegram's lack of moderation and cooperation with law enforcement. Durov was later indicted in France. (The Open Network Society, an independent group representing the TON community, issued an open letter to French authorities, urging the release of Durov after his arrest.)

Orderly Network's Discord channel was compromised just days after launching its ORDER token, with the team warning users to avoid clicking any links until the issue is resolved.

The TON blockchain experienced a 6-hour outage due to abnormal load and issues with validators, causing Binance and Bybit to temporarily halt deposits and withdrawals. It also experienced a second outage (~4 hours) within 24 hours.

MISCELLANEOUS

Since 2019, the cash-to-crypto industry – which is dominated by crypto ATMs – has processed at least \$160 million in illicit transactions, according to a study by blockchain analytics firm TRM Labs. The report, released in August 28, highlights why law enforcement authorities worldwide have concerns about the growing use of crypto ATMs. (See the report, [here](#).)

Robinhood Wallet added support for Solana. So, users can now self-custody Solana tokens and send and receive over the Solana blockchain.

Ethereum co-founder Vitalik Buterin suggested that implementing crypto identity solutions using zero-knowledge proofs could address the key issues associated with airdrops, such as preventing “farming” and ensuring fair token distribution to genuine community members.

The lack of transparency around the Ethereum Foundation's spending was in the limelight this past week after an on-chain transfer of 35,000 ETH (\$94 million) from the Foundation's treasury to Kraken was detected. This prompted the Ethereum Foundation's Executive Director Aya Miyaguchi to clarify that the transfer was part of the Foundation's “treasury management” activities and is not necessarily “equal to a sale.”

CHARTS, TABLES, QUOTES, COMMENTARY & OTHER IMAGES



According to the Crypto Wealth Report 2024 from Henley and Partners, Bitcoin millionaires surge 111% in a year amid a crypto rally. There are now 85,400 Bitcoin millionaires, more than double the amount from 2023... There are now 172,300 people around the world who hold more than \$1 million in cryptocurrency, up 95% from 88,200 this time last year... The “upper echelons” of the crypto wealthy also saw a significant boost, with the number of crypto centi-millionaires (people holding over \$100 million in crypto) growing 79% to 325... And six new crypto billionaires were also minted in the last year, bringing the total number of nine-figure crypto holders to 28.

	 Crypto			 Bitcoin	
	Total	Growth % (1 year)*		Total	Growth % (1 year)*
Millionaires	172,300	+95%		85,400	+111%
Centi-millionaires	325	+79%		156	+100%
Billionaires	28	+27%		11	+83%
Total crypto users (million)	560	+32%		275	+31%
Total market value (USD trillion)	2.3	+89%		1.2	+103%

Matt Hougan's (Bitwise) Weekly CIO Memo: "The Time Has Come – With Fed Chair Jerome Powell Signaling the Start of Rate Cuts, the Fog of Uncertainty Surrounding Bitcoin Has Finally Started to Clear."

Markets hate uncertainty.

That's what I've been telling people who have asked me why Bitcoin has been trading sideways since March.

After all, from a 30,000-foot view, the long-term setup for Bitcoin is overwhelmingly positive. We have record ETF inflows, rapid institutional adoption, the after-effects of the Bitcoin halving, a warming political and regulatory environment, and runaway federal deficits. It's hard to imagine better conditions.

And yet the price of Bitcoin has been going nowhere. For months. The reason, I think, is that on a short-term basis all you see is uncertainty.

Uncertainty over what, exactly?

1. The US Election: Who will win? And more immediately, what position will the Harris campaign take toward crypto?
2. Mt. Gox and US Government Sales: Billions of dollars in Bitcoin was recently released to creditors of the failed exchange Mt. Gox following years of bankruptcy proceedings. When will some of the largest holders cash out?
3. SEC Enforcement Actions: What enforcement actions will be filed as we approach the end of the SEC's fiscal year in September?
4. Fed Rate Cuts: When will the Fed start cutting rates? And by how much?

Staring down these big near-term questions, it's easy to imagine investors thinking: I'll just wait until the dust clears to jump in.

This is why I had such a visceral reaction last week to Federal Reserve Chair Jerome Powell's press conference in Jackson Hole, Wyoming. One thing I love about Jerome Powell is that he is a clear speaker – by far the best communicator we've had at the Fed during my career – and he did not disappoint this time.

In his words: "The time has come for policy to adjust. The direction of travel is clear, and the timing and pace of rate cuts will depend on incoming data, the evolving outlook, and the balance of risks."

And with that, the era of rates being "higher for longer" came to an end, and we entered the rate-cutting cycle of 2024-2025. CME futures are now pricing in a 100% chance of a rate cut at the September meeting and a 200 basis point (2%) reduction in rates over the next year.

Rate cuts have historically been good for risky assets like Bitcoin for a variety of reasons. From an academic perspective, they "lower the discount factor" used to calculate the long-term value of assets, thereby boosting prices. But more than that, they inject some animal spirits into the market.

One of the oldest sayings in investing is "Don't fight the Fed." It's typically used to warn investors against buying stocks and other risky assets when the Fed is raising rates. But the saying works in

reverse as well. When rates are coming down, “Don’t fight the Fed” means “don’t sit on the sidelines while risky assets go up.”

My guess – and it’s just that, a hunch honed over years of being in the market – is that Powell’s statement fired the starting gun for a new bull market in Bitcoin. I don’t think it will be straight up; there is still too much uncertainty for that. But I do think a new era has begun, and it will build over time as we push through the election and the other clouds of uncertainty hanging over the market.

Powell’s statement offered the first taste of how it will feel to see the veil of uncertainty surrounding Bitcoin lifted.

In a word, it feels good.

Blockforce Capital: Smart Money Bought the Dip...

In our last newsletter, we included an analysis sent to investors two days after Bitcoin's price crashed 26% on August 5th, 2024. In that analysis, we argued that the dip was consistent with those seen in previous market cycles. The primary driver of the drop was external macroeconomic factors that triggered a broad liquidity crunch, leading to a decline in the prices of most risk assets. Crucially, there was no indication from on-chain data or adoption metrics of any fundamental breakdown in Bitcoin's long-term outlook. Therefore, we concluded that this dip represented a buying opportunity rather than a cause for panic.

Fast forward a week, and Bitcoin has not only recovered from the so-called "crash" but has also returned to pre-dip levels. What stood out during this period was the contrasting behavior of retail versus institutional investors in the wake of the price drop. Retail investors largely panicked, selling off their holdings, while institutional investors took advantage of the lower prices to accumulate more Bitcoin. This divergence in behavior is a bullish indicator for the crypto market in the coming months. Let's delve into the data to understand why.

Since Bitcoin reached its all-time high (ATH) in March 2024, there had been a period of distribution, with wallets of all sizes reducing their holdings. This pattern is typical when new ATHs are reached, as many investors seek to lock in profits. However, over the past few weeks, we observed early signs of a reversal in this trend, particularly among the largest wallet sizes, which have begun to reaccumulate Bitcoin. This re-accumulation accelerated significantly following the August 5th dip.

Specifically, the supply held by wallets containing between 100 and 1,000 BTC – a reliable proxy for institutional investors – increased substantially after the dip. While many retail investors capitulated as Bitcoin hit its lowest levels since late February, institutional investors executed their largest accumulation move since March.

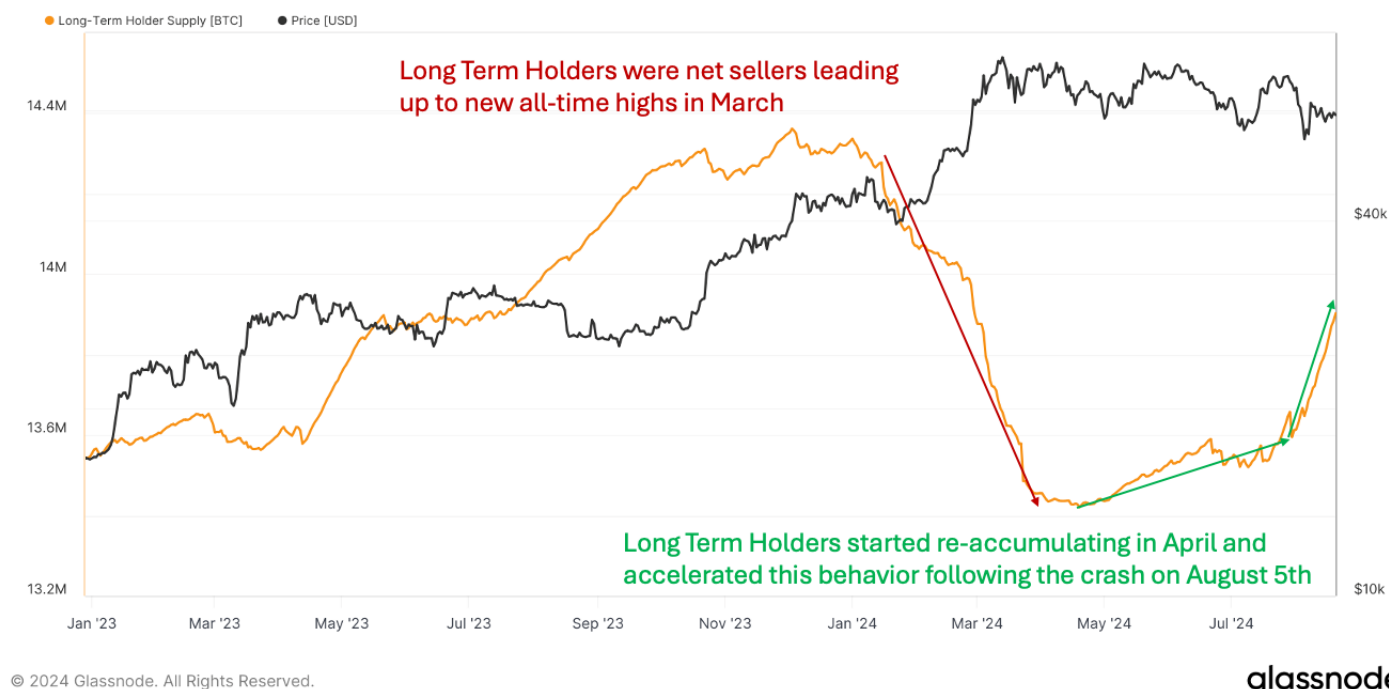
Supply Held by Addresses with 100 - 1,000 BTC



This data underscores a crucial point: the most experienced and well-capitalized market participants saw the dip not as a reason to exit but as an opportunity to bolster their positions at a discount.

The behavior of Long-Term Holders (LTH) offers additional insights. LTHs, who had reduced their holdings during the run-up to the ATH, have now shifted back to a HODLing strategy. In the last week alone, Long Term Holders added approximately 125K BTC to their supply. As shown in the chart below, the growth in total supply held by long-term holders accelerated on August 5 and started its longest uptrend of accumulation since July 2023. The fact that these investors chose to accumulate rather than liquidate during the most significant price contraction of this cycle reinforces the idea that those with a longer investment horizon see substantial upside potential in Bitcoin, even amidst short-term volatility.

BTC: Total Supply Held by Long-Term Holders [BTC]



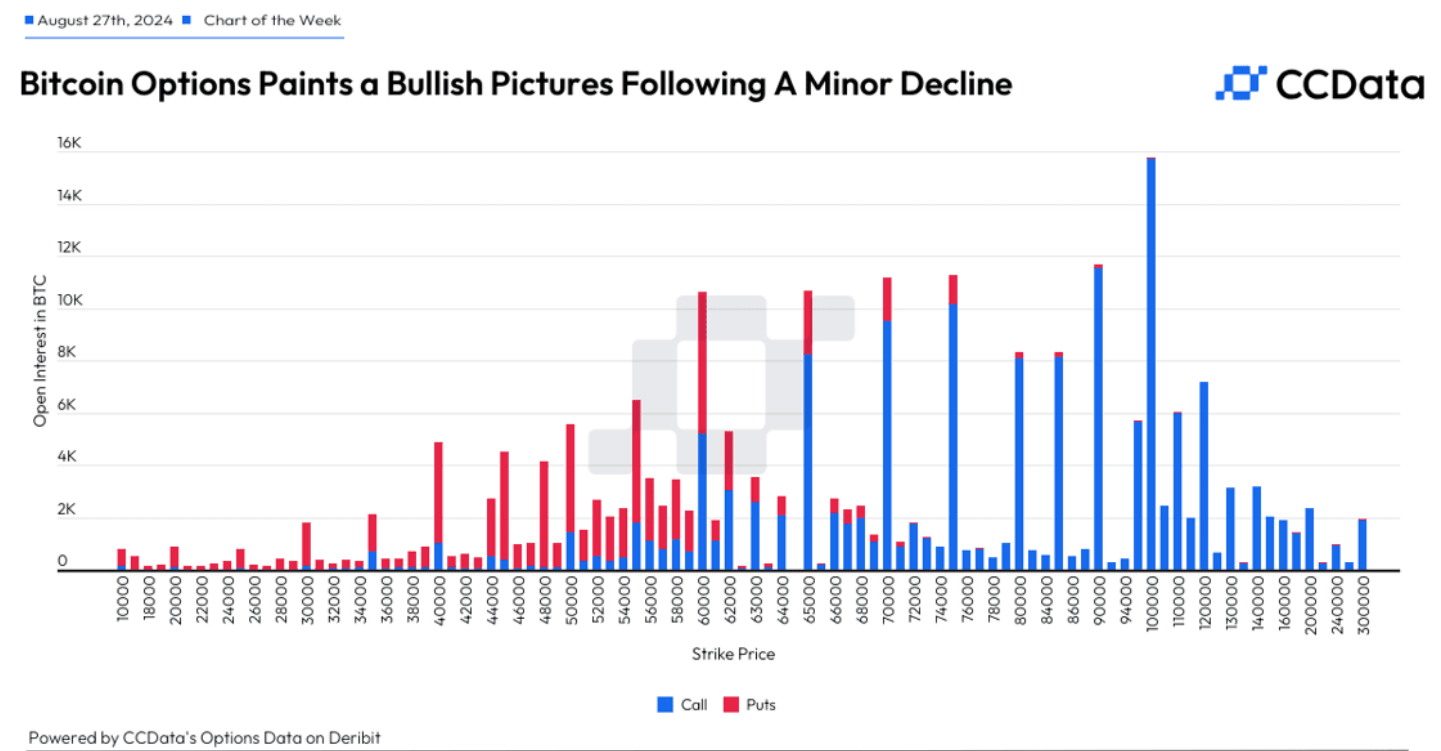
Source: Glassnode

Further evidence of institutional confidence can be observed in the ETF market. According to analysts at JPMorgan, “the retail order imbalance on August 5th ended the day at -\$1 billion, representing a significant deviation of -2.5 standard deviations below the 12-month average. In stark contrast, institutional investors capitalized on the dip, with net buying activity reaching +\$14 billion, or +2.9 standard deviations above the 12-month average, during market hours.”

This data illustrates a clear divergence in behavior: while retail investors rushed to sell as prices fell, institutional investors saw a buying opportunity. Importantly, this buying activity was even more aggressive than when Bitcoin was trading near its ATH, highlighting the strategic approach of institutions that prioritize value over short-term price movements.

The data surrounding the August 5th dip paints a compelling picture. Institutional investors, who are often more sophisticated and better equipped to handle market volatility, not only refrained from panic selling but actively increased their Bitcoin holdings. This behavior is a strong vote of confidence in Bitcoin’s long-term value, suggesting that the recent price recovery could be just the beginning of a more sustained uptrend.

CCData: Strong bullish sentiment and optimism has been indicated in the options market. On Deribit (leading exchange for Bitcoin options), open interest has seen a substantial increase of 32.5% since the beginning of the month, currently standing at around 230,000 Bitcoin, equivalent to ~\$14.3 billion. And the low put-to-call ratio, which signals a preference for calls over puts, indicates that investors are more focused on potential upward price movement. Furthermore, a significant portion of the open interest is concentrated in call options targeting the \$100,000 strike price, followed closely by options at the \$90,000 level.



A solo miner struck gold Bitcoin...



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JUST IN: A solo miner just mined a block worth 3.275 #Bitcoin worth \$199,098.

LEGEND 🧠

Block < 858978 >

Hash

000000...31dda01

Timestamp

2024-08-29 11:21:58 (18 minutes ago)

Size

1.68 MB

Weight

3.99 MWU

Health

99.92%

Fee span

Median fee

Total fees

Subsidy + fees

Miner

12:42 PM · Aug 29, 2024

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

Bitcoin in 'Sideways Purgatory': It has been yet another week of boring, sideways price action. Technically, BTC is down ~7% this week, but that is what we call 'a dip for ants.' As it stands, we are ~9% of the way through the currency halving epoch. This is Bitcoin's worst performance price-wise at this point in the cycle - but we have yet to reach the point where significant, exponential growth is typically seen. It is our belief that BTC will likely continue to trade sideways for another two months, and then begin moving up after the election.

Short-Term Holder Realized Price: The cost basis of short-term holders (last moved BTC six months ago or less) is at ~\$63,000. We should expect some resistance at this level - which is what we've seen over the past couple weeks. Breaking through this level will likely result in a large move upward for price coming shortly after.

Summary and conclusion from Glassnode's "The Week On-Chain" from 8/27/24. (Read the full report, [here](#).)

A degree of equilibrium is appearing across both the On-Chain domain and the Perpetual Futures Market. This is observable through the languishment of profit and loss-taking activities, as well as the return to neutrality in funding rates materializing across the vast Digital Asset universe. This suggests a significant decline in speculation across market investors, regardless of instrument or asset class.

Alongside this, the market has remained within a structurally ordered downtrend for over 5 months as a period of consolidation and accumulation ensues. However, with respect to historical preference, periods of quiet and calm market structure are short-lived and often precede an expectation for heightened volatility.

Conclusion from Coin Metrics' "State of The Network" weekly report from 8/27/24. (Read the full report, [here](#).)

The recent growth in stablecoin supply, pushing towards new highs, signals increasing liquidity and capital availability in the crypto ecosystem. As the landscape continues to evolve, we're witnessing stablecoins optimizing for different use cases and risk profiles with diverse collateralization methods from RWAs to crypto-assets and innovative approaches like the tokenized basis trade. As we look ahead, navigating regulatory hurdles and a low interest-rate environment introduces both opportunities and challenges, potentially reshaping business models, user preferences and the overall competitive landscape of this burgeoning sector.

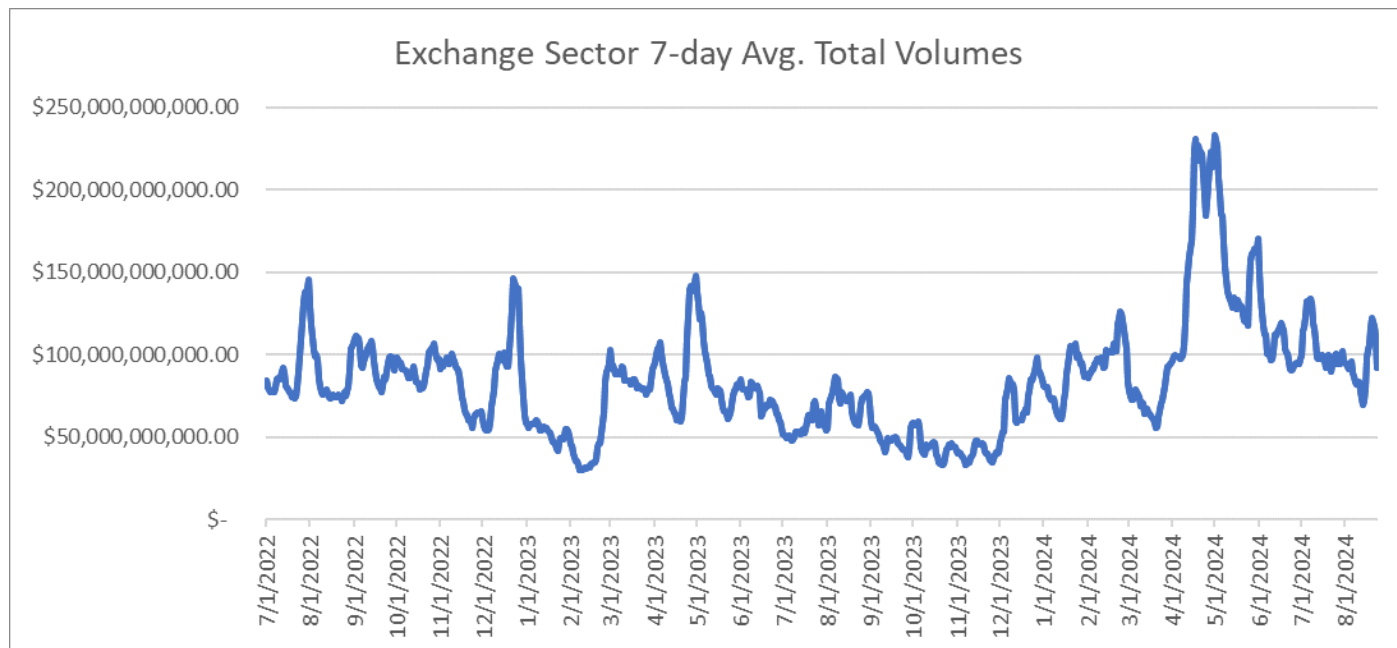
Blockworks updated key metrics...

Total Crypto Market Cap	\$2.15 T
Bitcoin Market Cap	\$1.16 T
Ethereum Market Cap	\$299.54 B
ETH/BTC Ratio	0.04
Ethereum Gas Price	2.07 gwei
DeFi TVL	\$144.14 B
Fear and Greed Index	34 (Fear)

Arca: The Inevitable Rally With Some Greenshoots...

The Rally is Finally Here

It's the end of August, and volumes in crypto are matching the work attendance of finance professionals as summer winds to a close. Total exchange volumes continued their declines last week, with volumes falling -16% WoW to \$539B in total volumes. It's quiet out here.



Source: Artemis and Arca Internal Calculations

That said, the rally was real. With market makers pulling back, TradFi seemingly uninterested in crypto at the moment, and less and less liquid crypto funds, it just doesn't take a lot of capital to spark big moves either way. While the benchmarks (BTC, ETH and SOL) gained 9%, 4%, and 11%, respectively, many small and mid-cap tokens gained +15-30% last week. Smart contract platform tokens posted the strongest gains, with some former laggards like MATIC (+25%), AVAX (+28%), and OP (+13%) leading the pack.

For starters, this was inevitable, as we wrote last week. Every other risk asset has been rallying for weeks, and it was only a matter of time before crypto caught up. We wrote:

"Quite frankly, either crypto is finally dead this time, or we're setting up for one of the biggest 'rip your face off rallies' in history, just as everyone throws in the towel."

Fed Chairman Powell may have simply put gas in the tank of the inevitable rally car when he gave his speech at Jackson Hole. For the first time, Powell signaled that a shift towards rate cuts has finally come and that the Fed does not desire any more cooling in the labor market. The Powell pivot left no doubt in the market's mind.



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SUMMARY OF FED CHAIR POWELL'S REMARKS (8/23/24):

1. "The time has come for Fed policy to adjust"
2. Fed "will do everything" to support a strong labor market
3. Fed does not welcome further weakening of the labor market
4. Confidence has grown that inflation is heading to 2%
5. Balance of risks to Fed mandates has changed
6. Inflation has declined significantly toward the goal

The Fed pivot is officially here.

7:06 AM · Aug 23, 2024 · **359.2K** Views



83



775



2.6K



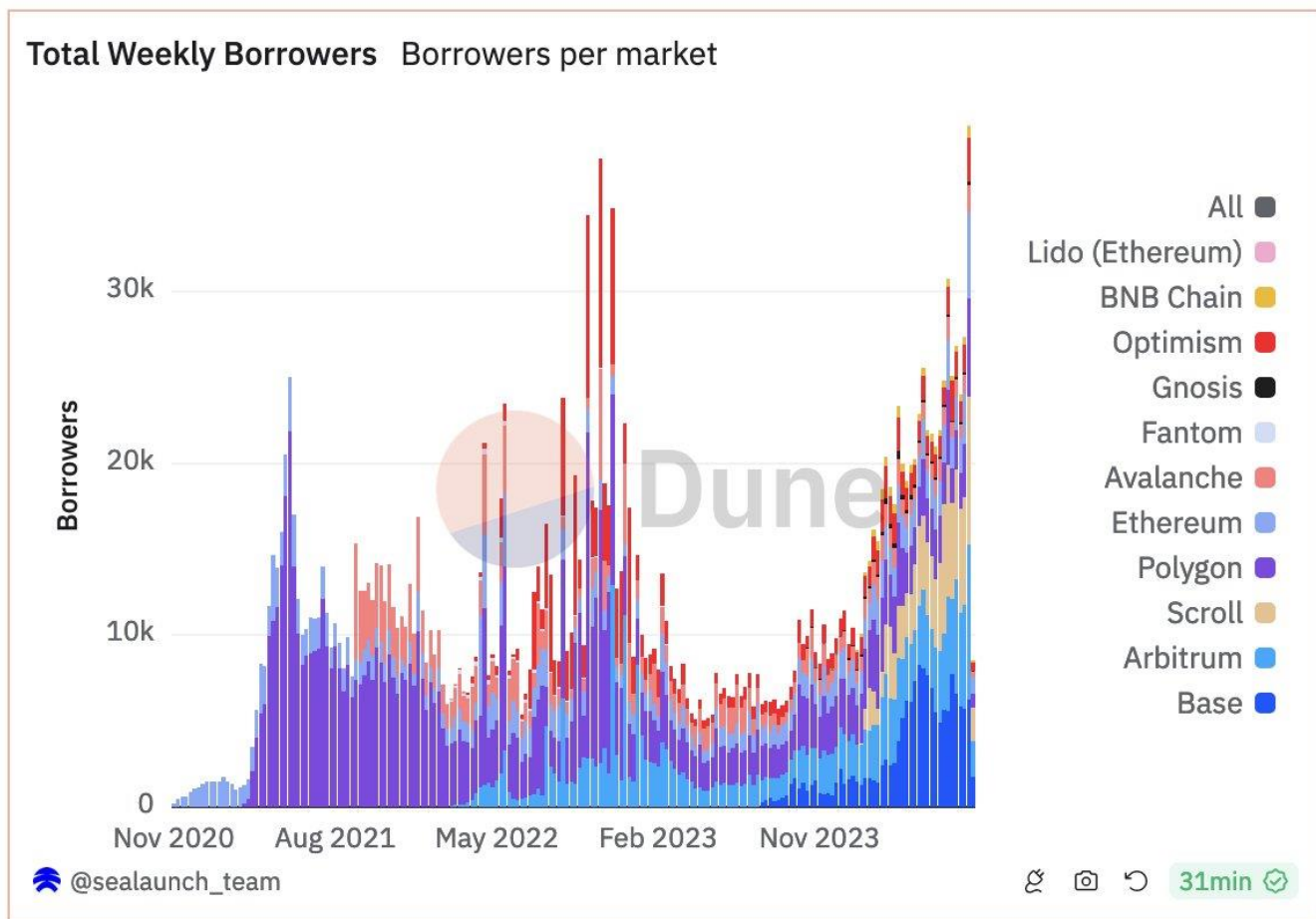
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Source: X/Twitter

The biggest question is, what happens from here? Will this rally have legs, or was it just an August low-liquidity short-covering rally? My guess is that we will continue to chop until we get closer to the election in November, but with a positive upsloping bias.

On the positive side, we're seeing some real dispersion in crypto for the first time since March and signs of "greenshoots." For example, Helium (HNT) is +28% MTD as user growth continues, plus a governance vote passed HIP-129, which automatically opted in all mobile hotspots to provide free service to beta carriers T-Mobile and AT&T. Eschelon Prime (PRIME) jumped +43% in a week simply on the heels of a few influencer tweets (here and here). Aave (AAVE) has gained +27% MTD as borrowers of the DeFi lend/borrow platform hit all-time highs, and revenues have skyrocketed.



Source: X/Twitter

On the negative side, Telegram (TON) fell -19% last week after Pavel Durov, the CEO of Telegram, was arrested in France over the weekend on a complaint related to Telegram's lack of moderation and cooperation with law enforcement. Noelle Acheson paints a pretty ominous picture regarding this arrest and what it means for the future of privacy.

While these are just a few examples, it's essential to highlight the outliers because this is how crypto markets usually function during healthier times. Investors and traders are once again willing to make bets based on actual news and information. For months, the entire market has gone up or down (mostly down) together as market makers controlled the market, moving all tokens in lockstep. But more recently, tokens have been going up and down for idiosyncratic reasons.

New capital entering the market remains sticky, however, as it is unlikely that any significant new inflows will happen until the post-presidential election. In the meantime, capital is rotating between sectors, and even though it seems more like price driving narrative rather than specific themes/catalysts driving flows, it was encouraging to see Friday's price action backed up by strong Bitcoin ETF flows (BTC ETFs had their largest inflow in 2 weeks).

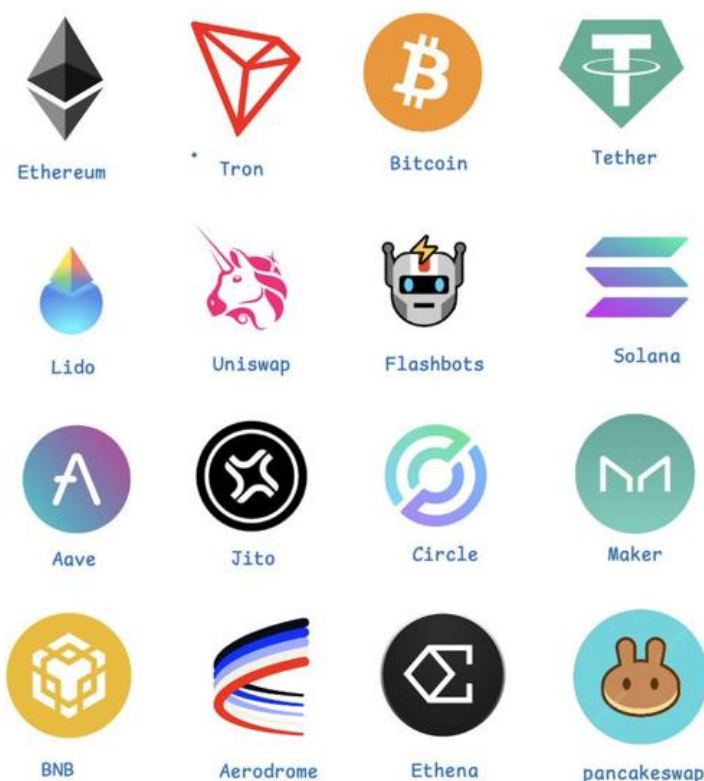
It's unlikely that we'll see a change in direction or momentum in the near term as we round out the rest of the summer. The trend is your friend!

Grayscale Research published a piece titled “Exploring the Ethereum Ecosystem.” (See highlights below. Read the full piece, [here](#).)

- The Ethereum network is the leading smart contract blockchain in terms of market capitalization and total value locked[1], hosting a rich array of applications, many of which offer their own investable tokens. The Ethereum ecosystem is very diverse, however, and every token has unique fundamentals.
- In examining the wider ecosystem, one might look at tokens that demonstrate strong fundamental characteristics. These could include factors like robust user engagement, transparent value creation mechanisms, and controlled supply growth. Within the Ethereum ecosystem, some notable assets that exhibit such traits are the tokens associated with decentralized finance applications like AAVE, MKR, and UNI, as well as LDO, which is linked to staking applications.
- The Ethereum network’s design means that most activities on the platform are linked to its native token, Ether (ETH). As a result, ETH’s value tends to reflect the overall activity and growth of the Ethereum ecosystem. This relationship between network usage and token value is a notable aspect of Ethereum’s economic model
- ETH beta strategies, which aim to mimic ETH’s performance using alternative tokens, have underperformed compared to holding ETH directly as we show in this analysis (Exhibit 4). This is because most alternative tokens lag behind ETH, with only a few outpacing it. Another approach involves diversifying across multiple promising projects instead of focusing on a single alternative token.

@chandan1_ (August 26): Protocols that generated more than \$100 million in YTD revenue...

Generated > 100 million YTD Revenue



CCData released its “Stablecoins & CBDCs Report – August 2024.” (See key findings below. Download the full report, [here](#).)

- Stablecoins On Trend to Record Consecutive Increase in Monthly Volumes: In August, the trading volume for stablecoin pairs on centralized exchanges fell 14.2% to \$848bn (as of the 23rd). However, volumes are on trend to record higher end of month volumes following a highly volatile price action of digital assets, following concerns surrounding the Japanese Yen trade that resulted in a major downtrend move in the traditional markets.
- PayPal’s PYUSD Sees Market Cap Surge to Another New All-time High: In August, the market capitalization of PayPal USD rose 56.6% to \$960mn, recording the fifth consecutive increase in end-of-month market capitalization for the stablecoin. This is a new all-time high for the stablecoin, making it the sixth-largest stablecoin by market capitalization.
- Tether Reaches New ATH Market Capitalization of \$117bn: The influence of USDT in the stablecoins market continued to rise with the market cap of stablecoin reaching a new all-time high of \$117bn in August. The stablecoin now accounts for 69.6% of the total stablecoins market capitalization with its trading dominance on centralized exchanges reaching 76.9%.
- EURC Euro Coin Demand Spikes Following MiCA Regulations: The market capitalization of Euro Coin (EURC) surged by 71.3% to \$53.7mn in August, recording the highest market capitalization for the stablecoin since October 2022. The demand for the stablecoin in centralized exchanges has increased since the implementation MiCA regulations around stablecoins, with the monthly volumes for EURC trading pairs rising for the third consecutive month, trading \$36.7mn.
- Tether Continues to Expand With Upcoming Launch of Sterling Denominated and Dirham Pegged Tokens: In August, the stablecoin issuer unveiled its plans to launch stablecoin pegged to Sterling and Dirham (GBPT) and (AEDT). This will be the seventh and eighth stablecoin from the issuer, following USDT, EURT, CNHT, MXNT, XAUT, and aUSDT, which have a current circulating supply of \$117bn, \$30.1mn, \$177k, \$19.6mn, \$620mn and \$19.1mn respectively.

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

- The US Trustee overseeing FTX's bankruptcy raised objections to the reorganization plan, particularly criticizing the unequal treatment of smaller creditors and costs related to a data breach.
- Former FTX Digital Markets co-CEO Ryan Salame, who pleaded guilty to two felony charges in September 2023 and was sentenced to 90 months in prison in May 2024, withdrew a petition to vacate his guilty plea for violations of campaign finance and money-transmitting laws.
- CZ, the former CEO of Binance, was transferred from prison to a halfway house at the Residential Reentry Management office in Long Beach, California. The facility is designed to help inmates transition back into society, as they near the end of their sentences.
- Former US government official and current Binance executive Tigran Gambaryan has now been held in Nigerian custody for six months. Yuki Gambaryan, Tigran's wife, posted a video asking for his release, citing his deteriorating medical conditions and making calls to the US and Nigerian governments. Binance CEO Richard Teng also told CoinDesk the company is working to secure Tigran's release. Tigran's trial on money laundering charges, which had been paused, is set to resume on Sept. 2.
- Do Kwon, the co-founder and CEO of Terraform Labs, was allegedly recorded by Serbia's intelligence agency meeting with Montenegro's prime minister, despite the PM's previous denials of such meetings.
- Celsius' bankruptcy administrator distributed over \$2.53 billion to around 251,000 creditors, covering 93% of eligible value, though 121,000 creditors have yet to claim their distributions.
- The SEC settled its charges from July 2020 against Plutus Lending LLC, operating as Abra, for offering and selling unregistered crypto asset securities in its crypto lending product Abra Earn. To settle, Abra agreed to an injunction prohibiting further violations of registration laws and will pay civil penalties as determined by the court without admitting or denying the allegations.