



HYPERION DECIMUS

CRYPTO NEWSLETTER

POWERED BY WEEKLY CRYPTO BRIEF

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BITCOIN-RELATED



NYDIG: Bitcoin rose 2.3% on the week as Bitcoin continues its rangebound trading. We had hoped that after last week's performance and breaking through the \$69K level, the asset would be off to the races. Alas, it was not to be, and the asset has yet to break the reigns from which it seems to be bound. It may be that Bitcoin will have to move meaningfully above the price range before traders chase higher.

Data tracked by Glassnode and Bitwise's André Dragosch showed the number of so-called "whales" (network entities owning at least 1,000 BTC) jumped to 1,678, reaching the highest since January 2021.

According to blockchain analytics firm Arkham Intelligence, Tesla still holds \$780 million in Bitcoin after a recent shuffle. Tesla's recent transfer of 11,509 BTC raised fears of a market dump, but the electric car giant reportedly still holds its entire stash.

Metaplanet, Japan's version of MicroStrategy, successfully raised 10 billion yen (\$66 million) by completing its 11th stock acquisition rights exercise. Additionally, the Japanese investment firm disclosed on Oct. 23 that 13,774 individual shareholders participated in the event, buying the new shares at a discounted price of 555 yen each. The stock acquisition rights program was first announced on Aug. 6, when its share price was ~700 yen. While the company has not officially disclosed how it plans to use the newly raised funds, its recent activities suggest there could be further investments in Bitcoin.

Microsoft shareholders will vote in December on whether to invest in Bitcoin. But the company's board has recommended voting against it, despite Bitcoin already being integrated into some of its technologies.

\$800 billion Standard Chartered Bank says Bitcoin could hit \$125,000 by end of year if Republicans sweep the US election.

Analysts at research and brokerage firm Bernstein said their current \$200,000 Bitcoin price prediction for the end of 2025 is "conservative." Digital assets lead Gautam Chhugani wrote: "Bitcoin is going to \$200,000 this cycle (2025 end). We are being conservative." Bernstein argues that Bitcoin's limited supply, paired with US debt reaching \$35 trillion, strengthens its value as a "store of value" asset, similar to gold.

Hedge fund manager Paul Tudor Jones said he has no confidence in either candidate's ability to manage inflation and is therefore worried that government spending could cause a bond market sell-off, spiking interest rates. Jones told CNBC: "We are going to be broke really quickly unless we get serious about dealing with our spending issues." Jones also firmed his views by saying he has no plans to own fixed income and will be betting against the longer-dated part of the bond market. Meanwhile, he's bullish on Bitcoin, gold, and commodities citing what he sees as the risk that "all roads lead to inflation."

During a recent interview, MicroStrategy founder Michael Saylor advocated holding Bitcoin through regulated entities like BlackRock, Fidelity, JPMorgan, and State Street, suggesting it was safer compared to unregulated, private entities, which might be more prone to government crackdowns. Ethereum co-founder Vitalik Buterin responded: "I'll happily say that I think Michael Saylor's comments are batshit insane. He seems to be explicitly arguing for a regulatory capture approach to protecting crypto. There's plenty of precedent for how this strategy can fail, and for me it's not what crypto is about."

Deribit CEO Luuk Strijers noted that Bitcoin call options are double the number of put options set for the Nov. 8 expiry, signaling bullish sentiment for the days immediately following the US election.

An institution placed a \$25 million bet on Bitcoin options on decentralized derivatives exchange Derive's on-chain market, speculating that Bitcoin could rise to \$80,000 following the US election in November. It's the largest ever on-chain options transaction bet tied to the election.

El Salvador President Nayib Bukele donated 2 Bitcoin worth \$133k to help raise money to build 1,000 schools in Honduras.

River introduced a new product that provides users with interest on cash deposits, which can be paid in USD or BTC. The "Bitcoin Interest on Cash" feature pays a variable rate of interest, which currently stands at 3.8% as of Oct. 22.

Lightspark unveiled a new Bitcoin L2 and broadens the functionality of its Universal Money Address (UMA) standard with the release of UMA Extend, UMA Auth, and UMA Request.

Bitcoin rollup protocol BitcoinOS said its Grail bridge was going live for the Cardano network on Oct. 24, opening the floodgates for capital to flow from Bitcoin into the Cardano ecosystem.

Peter Todd, the Bitcoin developer named by HBO and documentary filmmaker Cullen Hoback as the mysterious, anonymous Bitcoin creator Satoshi Nakamoto, has been forced into hiding over fears for his safety, according to a Wired report.

INDUSTRY ADVANCES



BlackRock is pushing major crypto exchanges such as Binance, OKX, and Deribit to use its BUIDL token as collateral for crypto derivatives, aiming to expand its role in the digital asset space.

UK pension giant Legal & General, which manages \$1.5 trillion in assets, is exploring the tokenization of traditional assets such as money-market funds using blockchain technology.

According to JPMorgan analysts, the \$2.4 billion tokenized US Treasuries niche is growing as an alternative to the \$180 billion stablecoin market, but is not expected to fully replace them due to regulatory and liquidity constraints.

Lazard, a 175-year-old global financial services and asset management company, is the latest TradFi firm to jump on the asset tokenization trend, planning to create tokenized funds with Bitfinex and Anthony Scaramucci's SkyBridge. The tokenized funds will be set up and issued under Kazakhstan's financial services law, under regulatory oversight of Astana Financial Services Authority (AFSA), where SkyBridge and Bitfinex are licensed to operate.

Hedge fund Brevan Howard reported that it does a significant amount of its crypto trading from the UAE because of the country's "sensible regulations." Ryan Taylor, group head of compliance at hedge fund Brevan Howard, said: "The regulators in the UAE are hard, but they want the industry to fly and so they write sensible regulations and they are prepared to talk to the industry in order to evolve those regulations."

Data provider Chainlink – along with major financial market participants, including Euroclear, Swift, and Franklin Templeton – announced that it started an initiative to make corporate actions data more accessible and standardized using artificial intelligence and blockchain tech. The project aims to address a long-standing challenge in the financial world: the lack of standardized and real-time data for corporate actions such as mergers, dividends, and stock splits, which are notoriously fragmented in markets like Europe.

Base plans to introduce permissionless fault proofs on Oct. 30 to decentralize its network and enhance security by allowing users to challenge suspicious transactions.

The bridging smart contract for Base, the fast-growing Layer-2 blockchain incubated by Coinbase, reached an all-time high for the amount of ETH held. The bridge's ETH balance increased by more than 94,728 ETH in the last 30 days to nearly 623,130 ETH, worth ~\$1.6 billion. This is a record level for the smart contract (0x490), making it the eighth-largest holder of ETH, data from block explorer Etherscan shows.

Chainlink introduced CCIP Private Transactions, allowing financial institutions to securely connect private blockchains to the multi-chain economy while maintaining data privacy. Australia and New Zealand Banking Group will pilot this capability for cross-chain settlement of tokenized real-world assets under Singapore's Project Guardian.

Kraken announced its plans to launch its own Ethereum Layer-2 network, Ink, expected to go live on mainnet in early 2025.

Solana-based Pump.fun is planning a future token launch and introduced an advanced trading platform with zero fees for the first month, catering to advanced users. (The Solana token issuer is nearing 1 million SOL tokens in lifetime fees, with over 2.5 million tokens launched using the service since its early March release.)

Kalshi's newly launched election prediction market has attracted \$30 million in volume within three weeks, trailing behind Polymarket, which has seen over \$2 billion in trades since the start of 2024. (Note: Polymarket is tightening compliance checks on users, ensuring that US-based traders aren't betting on the platform.)

Ostium Labs announced the public mainnet launch of its on-chain trading platform, enabling perpetuals trading on traditional market currencies, commodities, and indices in real time, markets uniquely affected by events like interest rate changes and geopolitical outcomes.

Pulse is launching a crypto-native health network and wearable to enable users to encrypt health data on-chain and monetize access to it. Pulse plans to support an ecosystem of apps leveraging user health data. It will initially release 10,000 genesis devices.

Buenos Aires, Argentina's capital, introduced a blockchain-based digital identity system for its 3.6 million citizens, marking a global first in decentralized identity technology backed by a government. The new system, QuarkID, utilizes zero-knowledge (ZK) cryptography via the ZKsync-powered Era Layer-2 blockchain, and is integrated into the city's MiBa digital platform that allows residents to access services and documents. The initiative aims to give citizens more control over their personal data while improving privacy and security.

Assam tea brand Earth Tea adopted blockchain technology to help attract foreign buyers. Earth Tea is leading the charge towards what it calls "Tea Industry 2.0" marking a revolution in the global tea market by using blockchain, IoT, and AI. Blockchain ensures complete transparency and traceability, allowing consumers to verify the origins of their tea, from the estate where it was harvested to the exact day of production.

Nym Technologies, a Swiss-based blockchain startup, is taking a different approach with its product, NymVPN, which claims to deliver a truly private VPN experience. Unlike conventional VPNs that rely on subscription revenue and data sales, NymVPN operates on blockchain-backed "self-sustaining economics."

Layer-1 blockchain Sui launched a hub in Dubai, a first in a global series of hubs, to support blockchain developers and entrepreneurs. Kostas Chalkias – co-founder and chief cryptographer at Mysten Labs, which developed the Sui network – said: "The vision is to be the heart of hackathons and implementation even in Dubai."



Bitcoin's hashrate reached a new all-time high of 703 EH/s – surpassing 700 EH/s for the first time.

Cloud Bitcoin miner BitFuFu acquired its first brick-and-mortar mining facility. The company called the acquisition of an 80-MW facility in Ethiopia the start of its infrastructure diversification.

Northern Data, a provider of AI and High-Performance Computing solutions, announced that it is exploring the divestment of its heritage crypto mining business, Peak Mining.

An individual miner, on Oct. 24, managed to process a block and took home 3.329 Bitcoin in total, worth \$222,438 as a reward. Blockchain data shows that the block contained 3,285 transactions and was processed at 4:18am ET.

ETPS (EXCHANGE-TRADED PRODUCTS), FUNDS & INDEXES

Bitcoin Magazine: US Institutional investors now hold 20% of US spot Bitcoin ETFs, per SEC filings.

Brokerage firm Berstein: For the week ending Oct. 18, US spot Bitcoin ETFs saw \$2.1 billion in inflows, the largest since March. Analysts noted that Bitcoin ETF inflows, crypto equity markets, and retail trading sentiment are “screaming” a risk-on environment – adding that Bitcoin, alongside other risk assets, is interpreting rising odds for the overtly pro-crypto Donald Trump to win the US presidential election as bullish.

Morgan Stanley has significantly ramped up its exposure to Bitcoin, with its Bitcoin ETF holdings now exceeding \$272.1 million. This marks just over two months since the firm began providing its clients with indirect exposure to Bitcoin via ETFs.

Grayscale announced that Grayscale Bitcoin Trust (BTC) plans to change its name to Grayscale Bitcoin Trust ETF. The change is set to take effect on Nov. 4.

According to Odaily, HODL15Capital announced that Emory University holds \$15,082,241 worth of Grayscale Bitcoin Trust as of Sep. 30, according to an SEC filing.

Balance, Canada’s long-standing crypto custodian, finally attained qualified custodian status – prompting the firm’s CEO, George Bordinu, to say it’s time to start bringing the country’s ETF digital assets (billions of dollars) “back home.” Bordinu is alluding to the fact that the safekeeping of crypto assets underlying funds issued by ETF providers 3iQ, Purpose Investments and Evolve, end up in sub-custody arrangements and held by blue chip US exchanges like Coinbase and Gemini, rather than remaining on Canadian soil.

Rex Shares launched the T-REX 2X Long Ether Daily Target ETF (ETU) and the T-REX 2X Inverse Ether Daily Target ETF (ETQ). These ETFs are structured to offer 2X leveraged and 2X inverse exposure to ETH.

VanEck improved its Solana ETN in Europe to offer investors staking rewards that are reinvested daily, providing a new form of passive income. (However, in the US, regulatory constraints prevent such offerings in crypto ETFs, although approval is anticipated as inevitable and potentially influenced by the upcoming presidential election.)

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

Aurum Equity Partners launched a \$1 billion tokenized fund on the XRP Ledger to invest in data centers across the US, UAE, India, and Europe – claiming to be the first to combine equity and debt in a tokenized format.

Bitcoin mining firm TeraWulf aims to raise \$350 million through a convertible note offering to fund a \$200 million share buyback program and support strategic business expansions.

GnosisDAO is launching a \$40 million venture fund to invest in early-stage projects focused on real-world assets, crypto infrastructure, and payments, as part of its Gnosis 3.0 roadmap.

Variational, an Arbitrum-based crypto derivatives protocol, raised \$10.3 million in seed funding – co-led by Bain Capital Crypto and Peak XV Partners.

Skyfire, an AI-driven payments company, raised a total of \$9.5 million with new backing from Coinbase Ventures and a16z's crypto accelerator, aiming to develop autonomous payment systems for AI agents.

Web3 mobile gaming platform Party Icons secured \$9 million in seed funding – led by Bitkraft Ventures to enhance its gaming and social experiences, aiming to integrate more party games and shooter modes.

Europe-based digital asset platform Stokr raised \$8 million, with plans to establish one of the first corporate Bitcoin treasuries in the EU.

Karpatkey, a provider of on-chain treasury management solutions for DAOs, secured \$7 million in funding to expand its services to more decentralized organizations and traditional financial institutions.

IPOS, M&A, PARTNERSHIPS & DEALS



Fintech payments giant Stripe acquired stablecoin platform Bridge for \$1.1 billion. (Bridge is a stablecoin platform that facilitates simplified transactions and onboarding.)

Nomura-backed Komainu is acquiring Singaporean crypto custodian Propine, strengthening its presence in Asia and enhancing its regulatory-compliant custody services amid growing demand.

Euroclear (a provider of post-trade services) announced it acquired a strategic stake in Marketnode (a Singapore-based digital market infrastructure operator.)

Blockworks announced its acquisition of The Drop, a Web3 newsletter brand.

The NBA's Golden State Warriors have announced a partnership with Coinbase to become its official cryptocurrency platform and blockchain partner.

Spanish football league LALIGA is partnering with Sportsbet.io, a crypto betting platform to boost fan engagement.

Real-world data provider Chainlink has expanded to the Bitcoin blockchain for the first time through an integration with Bitcoin Layer-2 network Spiderchain. As part of the partnership, Spiderchain is also plugging in Chainlink Cross-Chain Interoperability Protocol (CCIP), which enables token transfers across blockchains.

MetaMask and Space ID collaborated on an integration designed to simplify crypto transactions, allowing users to replace complex wallet addresses with customizable handles. Users can register a Space ID domain name and map it to their EVM-compatible public addresses to create a single and secure handle when making transactions via MetaMask.

Supercar manufacturer BRABUS announced a new collaboration with Aura Blockchain Consortium. The collaboration will add top-of-the-line NFC technology to BRABUS vehicles, which owners can use to

certify their vehicles with digital proof of authenticity. BRABUS joins companies like LVMH, Prada Group, and Cartier in using NFC technology in the luxury space.

DEFI



Bittensor integrated Ethereum smart contract compatibility into its decentralized AI network, allowing developers to interact with DeFi protocols, boosting the TAO token and advancing its AI-DeFi fusion.

DeFi protocol Synthetix V3 is expanding to Arbitrum, in its push to go multi-chain.

CBDcs & STABLECOINS



Jeremy Allaire, CEO of Circle, said the stablecoin market could grow to a \$5 trillion to \$10 trillion market in 10 years as digital money wins a larger slice of the global financial system.

Sky, formerly known as MakerDAO, is considering a return to its old branding after a token migration in September.

NFTs, BLOCKCHAIN GAMING & METAVERSE



Following the launch of ApeChain, the Ethereum Layer-3 network built by Yuga Labs, the ecosystem's APE token and Bored Ape Yacht Club NFTs have surged. Bored Ape NFTs were up 18% in 24 hours to a 12.75 ETH floor price, and the APE token more than doubled two days after the chain went live to a \$1.1 billion market capitalization.

Altreia Labs officially launched its NFT collection, Zenboz Modern Monks on the Base blockchain, available for minting now on Rarible. This new project merges art and AI tech.

The move-to-earn Web3 game STEPn GO is teaming up with Snoop Dogg to drop 800 limited edition Genesis Sneakers.

MetalCore, a futuristic shooter game involving tactical warfare on vehicular combat with prehistoric monsters, is moving from the Immutable zkEVM chain to Solana.

The metaverse game Nifty Island unveiled its latest dev roadmap, introducing features like UGC tools, a creator marketplace to trade NFTs, and digital land ownership.

JOB MOVEMENT



Crypto trading firm and market maker GSR announced the departure of two C-suite executives. Co-founder and co-CEO Rich Rosenblum stepped down from his role. And CTO John MacDonald will also leave the firm.

Portofino Technologies, a crypto trading firm, has seen a significant staff exodus after firing co-founder Alex Casimo and CFO Jae Park in July, leading to ~40% of employees departing.

Nova Labs, the company behind the Helium Mobile cell network, reported that 36% of the company was let go at the end of August.

Arjun Sethi, a co-founder of VC firm Tribe Capital, is expected to be named co-CEO of Kraken to work alongside existing CEO Dave Ripley.

Bit5ive, a Miami-area company that creates custom-built cryptocurrency data mining centers, will hire 300 full-time employees as part of its South Florida expansion.

REGULATIONS, RULINGS & COMMENTARY



Trump's lead on the crypto-based Polymarket prediction platform hit a peak of 62% against Harris' 40-odds – sparking fear that anonymous crypto traders could be influencing the election. A French trader behind \$45 million in bets, speculating on Trump's election victory, was identified, with the platform confirming no market manipulation attempts were made.

Speaking at a campaign rally for Donald Trump in Pittsburgh, Elon Musk said: “I think cryptocurrency is an interesting and probably valuable bulwark against centralized control. Crypto by its very nature helps with individual freedom.” However, Musk also said he “wasn't actively involved in crypto.”

After donating \$1 million worth of XRP to a PAC supporting Kamala Harris' presidential campaign, Ripple co-founder Chris Larsen said he amplified his support for Vice President Kamala Harris, adding \$10 million worth of XRP to her election efforts.

As many as 13 new pro-crypto candidates could ascend to seats in the House next year with backing from the industry's network of super PACs, which have spent big to promote allies and block critics in races across the country. (Read more about them, [here](#).)

The Pennsylvania House of Representatives passed the Digital Assets Authorization Act, a pro-crypto measure that prohibits “restriction on the use and custody of digital assets.” The bill had strong bipartisan support, passing by a margin of 176 votes to 26. (See the bill, [here](#).)

Minneapolis Federal Reserve president Neel Kashkari, at a town hall in Wisconsin, said: “Very few transactions are actually happening... They're not paying for goods and services using crypto... It almost never happens unless people are buying drugs or other illegal activities.”

Federal Reserve Governor Christopher Waller said that DeFi can complement, rather than replace, centralized systems. He highlighted the importance of important DeFi regulation, particularly regarding KYC rules and mitigating risks associated with stablecoins. While acknowledging stablecoins' benefits in payments and safe assets, he cautioned their use in illicit finance.

SEC Chair Gary Gensler's controversial oversight of the crypto industry is probably almost over. He will likely depart following the 2024 presidential election, though he could technically remain as commissioner until 2026.

The SEC's Division of Examinations will prioritize crypto, including Bitcoin and Ether ETFs, in 2025 due to the need to monitor the volatility and tech risks of the market. Despite potential leadership changes, the SEC plans to continue examining crypto-related activities to ensure investor protection and regulatory compliance. While much of its crypto detail on its annual list of examination priorities resembles previous years' lists, the 2025 file did not include a line about the Division of Examinations considering “whether advisers are complying with the custody requirements under the Advisers Act.”

CFTC Chair Rostin Behnam urged Congress to act on crypto regulation and election betting legislation but expressed doubt that any significant progress will happen before 2025.

The Financial Stability Board and Bank for International Settlements warned that widespread tokenization could create vulnerabilities in the financial system, calling for more oversight and regulation.

Dante Disparte, Circle's global head of policy, said that he sees the UK bringing in legislation for stablecoins soon. Disparte said: “I think we're within months, not years” of formal UK laws for the stablecoin market being introduced.

A European Central Bank (ECB) paper, authored by Ulrich Bindseil and Jürgen Schaaf, argues that Bitcoin's increasing value could have negative societal impacts due to its lack of real utility beyond being a speculative asset. The paper claims that Bitcoin has not fulfilled its original promise of becoming a global peer-to-peer payment system and instead serves primarily as a store of value, which could lead to wealth concentration and social harm. The crypto community has pushed back on these assertions. (View the paper, [here](#).)

Denmark's Tax Law Council recommended a mark-to-market taxation for cryptocurrency assets in a new report, which will be followed by a forthcoming legislative proposal. On Oct. 23, the council said that its recommendations “aim to eliminate the asymmetry in the taxation of gains and losses.” Meaning, crypto investors would be taxed on unrealized crypto gains or losses if the rules take effect.

Yuichiro Tamaki, the leader of Japan's Democratic Party for the People (DPP), proposed a plan to reduce tax rates on crypto gains from 55% to 20% ahead of the upcoming general election. The DPP's policy pitch also includes tax exemptions for crypto-to-crypto exchanges, raising leverage limits for retail investors from 2x to 10x and introducing crypto ETFs.

Vietnam expects to have 20 reputable blockchain brands on blockchain technology platforms in the region by 2030, according to the newly approved national strategy on the application and development of blockchain technology. According to the strategy, by 2025, 10 research and training facilities will be built in Vietnam and upgraded to serve human resources development for blockchain technology.

Consensys wrote a letter to the future president of the US, advocating for clear regulation that empowers – not punishes – Web3 builders. (Read it, [here](#).)

Ripple filed a cross-appeal against the SEC, aiming to contest the classification of XRP as an unregistered security and potentially reshape US digital asset regulations.

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

A Russian influencer scammed unsuspecting investors out of ~\$22 million that she then sent to Ukrainian troops amid the ongoing war, according to reports. Russian authorities said Valeria Fedyakina, an influencer who went by “Bitmama” on social media, portrayed herself as a cryptocurrency expert to gain the trust of at least four victims who she later stole millions from.

Blockchain analytics firm Arkham said that wallets tied to the US government seemed to have been compromised. In an Oct. 24 post, Arkham noted that \$20 million worth of funds were “suspiciously moved” from a government-linked address to an unknown address. The funds in question are seemingly linked to the assets seized from the infamous Bitfinex hackers.

Tapioca DAO claims it “hacked the hacker” after recovering 1,000 ETH, worth ~\$2.7 million, following a social engineering attack that resulted in the loss of \$4.7 million in funds. The team is working to secure the remaining assets and is offering a \$1 million bounty to the attacker.

Hackers who breached EigenLayer's X account lured users with phishing links, including a picture of a dog, resulting in the theft of \$800,000 from a victim through a malicious tweet.

The federal government is investigating cryptocurrency company Tether for possible violations of sanctions and anti-money-laundering rules. The criminal investigation, run by prosecutors at the Manhattan US attorney's office, is looking at whether Tether was used by third parties to fund illegal activities such as the drug trade, terrorism, and hacking – or launder the proceeds generated by them.

Transak, a Miami-based fiat-to-crypto payment gateway, disclosed a data breach affecting 1.14% of its 5 million users, potentially impacting 57,000+ people. Transak is used by major blockchain platforms, including MetaMask, Trust Wallet, Coinbase, and Ledger.

MISCELLANEOUS

CoinShares expanded its operations in the US by opening a bureau in New York City.

Ripple CEO Brad Garlinghouse said he was personally severed from a longtime banking relationship because he's a prominent figure in crypto. He stated: “Individuals within the crypto industry are being de-banked. I personally have been de-banked.” He added in an interview with CoinDesk that the institution that cut him off recently was Citigroup, with which he'd been a customer for about 25 years and he added that it's not the only personal banking relationship he's lost because of his role in crypto.

zkLink postponed its token vesting schedule by six months, delaying the release of over 40% of its ZKL token supply to align better with market conditions and future product launches.

Solana's governance hub Realms is now under new management as it spins out from under Solana Labs. It aims to become profitable by offering advisory services and tools for DAOs, while keeping core governance features free.

Across Protocol proposed capping the supply of its ACX token after LayerZero Labs CEO raised concerns about the token contract's minting and burning functions, leading to community discussions on governance and security.

Scroll is launching its first airdrop, distributing 7% of its tokens to reward contributors who have supported its growth. This initiative aims to build a decentralized and worldwide ecosystem by recognizing and incentivizing participation in Scroll's protocol and community.

CHARTS, TABLES, QUOTES, COMMENTARY & OTHER IMAGES

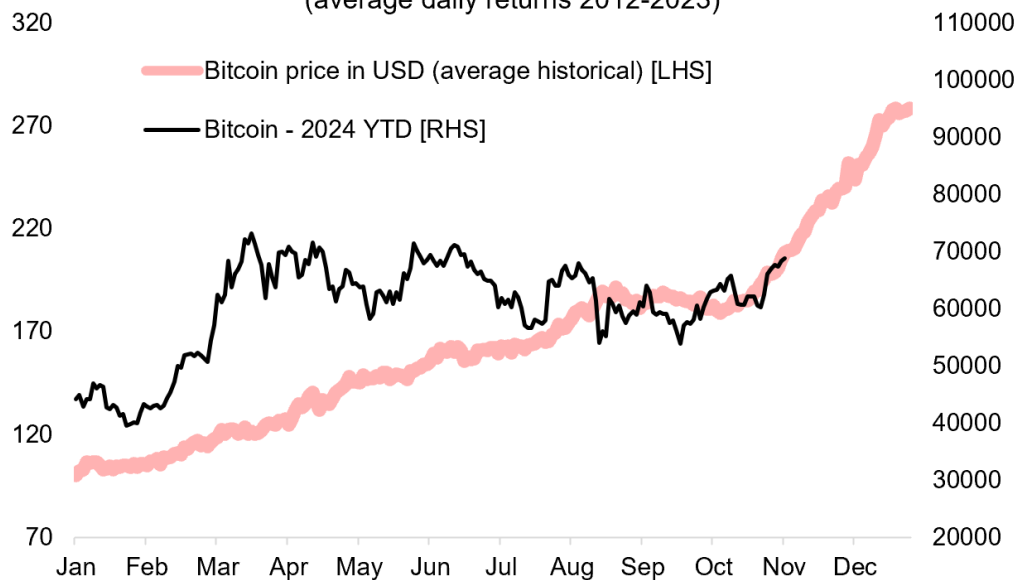
Charlie Bilello: Bitcoin and Gold are the #1 and #2 performing major assets thus far in 2024, something we have yet to see in any calendar year going back to 2011.

CREATIVE PLANNING		Asset Class Total Returns Since 2011 (Data via YCharts as of 10/21/24)															@CharlieBilello	
ETF	Asset Class	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2011-24 Cumulative	2011-24 Annualized	
N/A	Bitcoin (\$BTC)	1473%	186%	5507%	-58%	35%	125%	1331%	-73%	95%	301%	66%	-65%	156%	63.3%	23019732%	144.8%	
GLD	Gold	9.6%	6.6%	-28.3%	-2.2%	-10.7%	8.0%	12.8%	-1.9%	17.9%	24.8%	-4.2%	-0.8%	12.7%	31.4%	81.1%	4.4%	
IWF	US Growth	2.3%	15.2%	33.1%	12.8%	5.5%	7.0%	30.0%	-1.7%	35.9%	38.3%	27.4%	-29.3%	42.6%	27.2%	683.9%	16.1%	
SPY	US Large Caps	1.9%	16.0%	32.2%	13.5%	1.2%	12.0%	21.7%	-4.5%	31.2%	18.4%	28.7%	-18.2%	26.2%	24.0%	497.8%	13.8%	
QQQ	US Nasdaq 100	3.4%	18.1%	36.6%	19.2%	9.5%	7.1%	32.7%	-0.1%	39.0%	48.6%	27.4%	-32.6%	54.9%	21.5%	930.9%	18.4%	
IWD	US Value	0.1%	17.5%	32.1%	13.2%	-4.0%	17.3%	13.5%	-8.5%	26.1%	2.7%	25.0%	-7.7%	11.4%	17.7%	302.7%	10.6%	
MDY	US Mid Caps	-2.1%	17.8%	33.1%	9.4%	-2.5%	20.5%	15.9%	-11.3%	25.8%	13.5%	24.5%	-13.3%	16.1%	14.7%	316.4%	10.9%	
EEM	Emerging Market Stocks	-18.8%	19.1%	-3.7%	-3.9%	-16.2%	10.9%	37.3%	-15.3%	18.2%	17.0%	-3.6%	-20.6%	9.0%	14.2%	27.5%	1.8%	
IWM	US Small Caps	-4.4%	16.7%	38.7%	5.0%	-4.5%	21.6%	14.6%	-11.1%	25.4%	20.0%	14.5%	-20.5%	16.8%	11.6%	243.7%	9.4%	
VNQ	US REITs	8.6%	17.6%	2.3%	30.4%	2.4%	8.6%	4.9%	-6.0%	28.9%	-4.7%	40.5%	-26.2%	11.8%	11.4%	196.4%	8.2%	
PFF	Preferred Stocks	-2.0%	17.8%	-1.0%	14.1%	4.3%	1.3%	8.1%	-4.7%	15.9%	7.9%	7.2%	-18.2%	9.2%	11.2%	88.9%	4.7%	
EFA	EAFA Stocks	-12.2%	18.8%	21.4%	-6.2%	-1.0%	1.4%	25.1%	-13.8%	22.0%	7.6%	11.5%	-14.4%	18.4%	9.4%	108.4%	5.5%	
CWB	Convertible Bonds	-7.7%	15.9%	20.5%	7.7%	-0.8%	10.6%	15.7%	-2.0%	22.4%	53.4%	2.2%	-20.8%	14.5%	8.7%	226.7%	9.0%	
HYG	High Yield Bonds	6.8%	11.7%	5.8%	1.9%	-5.0%	13.4%	6.1%	-2.0%	14.1%	4.5%	3.8%	-11.0%	11.5%	7.5%	89.8%	4.8%	
EMB	EM Bonds (USD)	7.7%	16.9%	-7.8%	6.1%	1.0%	9.3%	10.3%	-5.5%	15.5%	5.4%	-2.2%	-18.6%	10.6%	6.6%	61.7%	3.5%	
BIL	US Cash	0.0%	0.0%	-0.1%	-0.1%	-0.1%	0.1%	0.7%	1.7%	2.2%	0.4%	-0.1%	1.4%	4.9%	4.3%	16.2%	1.1%	
TIP	TIPS	13.3%	6.4%	-8.5%	3.6%	-1.8%	4.7%	2.9%	-1.4%	8.3%	10.8%	5.7%	-12.2%	3.8%	3.2%	42.2%	2.6%	
BND	US Total Bond Market	7.7%	3.9%	-2.1%	5.8%	0.6%	2.5%	3.6%	-0.1%	8.8%	7.7%	-1.9%	-13.1%	5.7%	2.4%	33.7%	2.1%	
LQD	Investment Grade Bonds	9.7%	10.6%	-2.0%	8.2%	-1.3%	6.2%	7.1%	-3.8%	17.4%	11.0%	-1.8%	-17.9%	9.4%	2.4%	63.4%	3.6%	
DBC	Commodities	-2.6%	3.5%	-7.6%	-28.1%	-27.6%	18.6%	4.9%	-11.6%	11.8%	-7.8%	41.4%	19.3%	-6.2%	1.6%	-11.7%	-0.9%	
TLT	Long Duration Treasuries	34.0%	2.6%	-13.4%	27.3%	-1.8%	1.2%	9.2%	-1.6%	14.1%	18.2%	-4.6%	-31.2%	2.8%	-3.9%	41.3%	2.5%	
Highest Return		BTC	BTC	BTC	VNQ	BTC	BTC	BTC	BIL	BTC	BTC	BTC	DBC	BTC	BTC	BTC	BTC	
Lowest Return		EEM	BIL	GLD	BTC	DBC	BIL	BIL	BTC	BIL	DBC	TLT	BTC	DBC	TLT	DBC	DBC	
% of Asset Classes Positive		62%	95%	52%	71%	38%	100%	100%	5%	100%	90%	67%	10%	95%	95%	95%	95%	

Callum Thomas: There is a clear seasonal tendency for risk assets to rally in the final months of the year, and Bitcoin is an extreme example of that.

Bitcoin Price Seasonality

(average daily returns 2012-2023)



topdowncharts.com

The city of Lugano in Switzerland unveiled a statue honoring Satoshi Nakamoto, Bitcoin's anonymous founder. With its clever invisible design, when viewed head-on, it disappears entirely – representing Satoshi's anonymity.



Matthew Sigel: Morgan Stanley's Global Head of Research is pitching Bitcoin mining stocks to CIOs.

KEY THEMATIC RESEARCH

GenAI Adoption - 2 Years In

We remain bullish on Generative AI and Machine Learning as a broad theme that will deliver enterprise efficiency. After two years of investment and GenAI proofs of concept, our AlphaWise survey of 400 companies in 6 industries across 5 countries finds that (1) hurdles to enterprise adoption are still high, but (2) for those adopting, most projects are surprising positively; and (3) larger companies are focused on cost. To play this theme in equities, we maintain our preference for (1) names that are both Enabler and Adopters, and (2) Adopters with strong pricing power. [read more](#)

Powering GenAI: "Additionality" and Implications for the Data Center Value Chain

We believe we will see growing policymaker requirements to couple new Data Center projects with new power generation and think this mandate could spread to many regions. We believe this will likely favor growth in natural gas-fired plants and nuclear power. To the extent that policymakers take a "strict power additionality" approach, we believe the value of Bitcoin sites and repurposed industrial sites will rise. [read more](#)

Future of Europe: The Demographic Challenge and What It Means for Growth

Europe's demographic headwinds could shave 4% off Euro Area GDP by 2040. Our modelling of three policy scenarios (higher net migration, raising the effective retirement age by one year, and closing the gap between male and female labor force participation) suggests offsetting growth headwinds is possible, although the sensitivity of GDP to these policies varies at the country level. Absent policy action, and holding all else equal, we estimate Europe's demographic headwinds could lower companies' long-term earnings growth from 5.1% to 4.2% by 2030. We believe AI could deliver sufficient productivity gains to offset these demographic headwinds, and that automation will play a role as well. [read more](#)

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

BTC on the Cusp of a Breakout: After putting in another ‘higher-high’, BTC sentiment online has become increasingly bullish. The current halving epoch cycle appears to be lagging slightly, but we are right around the point where BTC began to rip in previous cycles. It has been our view – and still is our view – that after the 2024 US Presidential election is when BTC will start to pick up steam. With deficit spending & rising liquidity being the primary catalyst for bullish BTC price action, we believe that BTC will perform well in 2025 regardless of which candidate gets elected.

MicroStrategy: MSTR has been able to hold its ground following its latest rally. The premium to NAV of their Bitcoin holdings is still around 2.6x – and Saylor is likely to tap into this premium with an ATM stock offering to accumulate more BTC.

Energy Gravity: At a typical hosting rate today, new-gen Bitcoin ASICs require ~\$61,806 worth of energy to produce 1 BTC.

Summary and conclusion from Glassnode’s “The Week On-Chain” from 10/23/24. (Read the full report, [here](#).)

Positive market momentum continues to develop with the Bitcoin market, with the spot price breaking above several key technical and on-chain price levels. This has brought many investor positions back into a state of unrealized profit, likely to be a tailwind for sentiment.

Open interest in futures markets has also expanded recently, reaching a new ATH. The dominance of the CME Group exchange highlights an increasing presence of institutional investors in the digital asset space, with strong indications that a cash-and-carry strategy is in play.

Conclusion from Coin Metrics’ “State of The Network” weekly report from 10/22/24. (Read the full report, [here](#).)

The analysis of Bitcoin and Ethereum exchange flows metrics provided by Coin Metrics offers a powerful tool for investors, traders, and market analysts to gain crucial insights into the cryptocurrency ecosystem. By understanding the dynamics of inflows and outflows, miner behaviors, and the relationship between trading volumes and organic market activity, stakeholders can make more informed decisions and better navigate the complexities of the digital asset market. The comprehensive data and metrics presented in this report illustrate the value of data-driven analysis in the rapidly evolving cryptocurrency landscape, empowering market participants to identify trends, mitigate risks, and capitalize on emerging opportunities.

Blockworks updated key metrics...

Total Crypto Market Cap	\$2.39 T
Bitcoin Market Cap	\$1.33 T
Ethereum Market Cap	\$298.47 B
ETH/BTC Ratio	0.04
Ethereum Gas Price	6.90 gwei
DeFi TVL	\$151.68 B
Fear and Greed Index	74 (Greed)

Pantera Capital's Blockchain Letter covered "Crypto's Role in the AI Revolution."

CRYPTO: PICKS AND SHOVELS FOR THE AI GOLD RUSH

"AI is indefinite abundance and crypto is definite scarcity." This observation by Sam Altman in 2021 has since become a mantra for enthusiasts of both technologies. And at first glance, abundance seems more impactful than enforcing scarcity, suggesting AI might be the more prudent investment. Indeed, Nvidia's market capitalization is larger than crypto as a whole.

But Altman's statement calls to mind Adam Smith's "Diamond Water Paradox." Smith noted that while water is essential for survival, its abundance makes it nearly worthless in exchange.

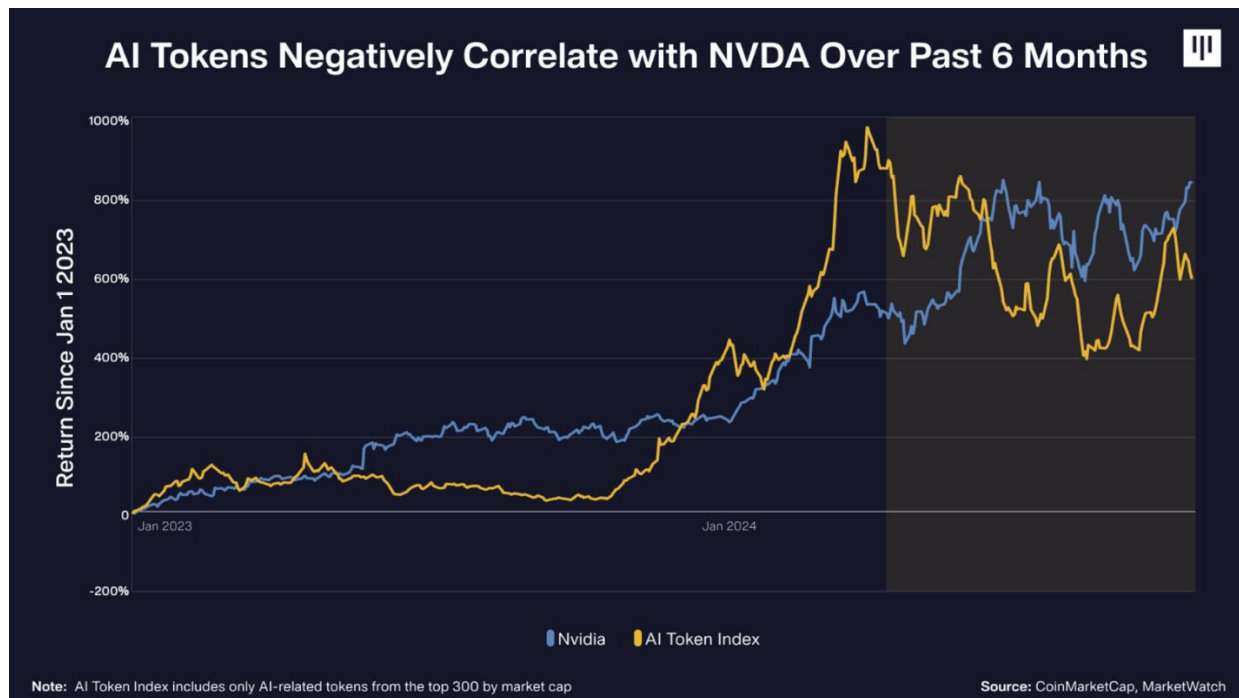
Conversely, diamonds, with little practical use, command high value due to their scarcity. This paradox suggests that even if AI becomes as vital as water, it might still have limited market value. Crypto's scarcity, by contrast, is more strategically important and valuable than it might initially appear.

Large Language Models (LLMs) have achieved remarkable milestones, including passing the Turing test and reportedly outperforming humans on standard IQ tests. But this raises the question: if humans can't tell the difference between humans and intelligent AIs (in the Turing test), can they tell the difference between intelligent AIs? If humans can't discern, then future gains in AI performance can have diminishing returns in terms of perceptible benefits for a consumer.

Just as the leap from 4K to 8K TV resolution offers minimal visible improvement to the average viewer, the difference between a highly capable AI model and a slightly more advanced one may be imperceptible to most users. This could lead to commodification of much of the AI market, with the most advanced models reserved for specialized applications in research, industry, or government, while more cost-effective, "good enough" models become the standard for everyday use. Cutting-edge AI models might become "pricey, boutique items that mainstream consumers would never consider upgrading to."

So even if we speculate on potential AI growth, we should also consider the alternative: the known, powerful, capabilities of current AI are here and will become increasingly commoditized. And here is where the intersection of crypto and AI ("Crypto x AI") really comes into focus. Crypto has the potential to act less as a high beta bet on AI's memetic value but as a pragmatic value capture mechanism for AI's distributed future. Once everyone has a 4k TV in their house, the value lies in what we do with them.

By acting as an essential and reliable input to AI and rails on which distributed AI coordinates and transacts, crypto is closer to the conservative “picks and shovels” bet on AI. This may be surprising to investors who view Crypto x AI mostly as a volatile proxy for AI’s potential growth. But it’s intriguing that for the past six months, treating NVDA as a proxy for AI growth sentiment, crypto looks more like a hedge against AI growth sentiment than a high-beta play.



We will consider how by first evaluating the promising future of “AI agents” and how crypto is poised to play a role there. Then we will discuss crypto’s potential to support current inputs to AI: data, compute, and models.

AI Agents: Programs Using Programmable Money

Last year, before most anyone was talking about AI agents on blockchains, I co-authored a paper on it that was accepted at the top US AI conference, NeurIPS. Since then, I’ve had the honor of speaking and participating in events on crypto and agentic AI at universities including Stanford, Columbia, Cornell, and Berkeley in addition to numerous technical and investment conferences. Next week, I’ll give a talk with Oxford Professors, IEEE chairs, and members of GBBC on AI, all with the aim of better understanding, exploring, and communicating what an agentic AI future is and how it intersects with blockchains. And, of course, investing in that future, including investments in agent infrastructure such as Sentient and other undisclosed positions.

And the future is here. While OpenAI indicated that AI agents would not be ready until 2025, in crypto we have AI agents now transacting on and exploring the blockchain space. One AI agent that has promoted its own token currently has around \$300,000 and it’s possible that, by the time you read this, it will have become the first AI agent millionaire.

But what are these agents, and how are they different than the more familiar “bots”?

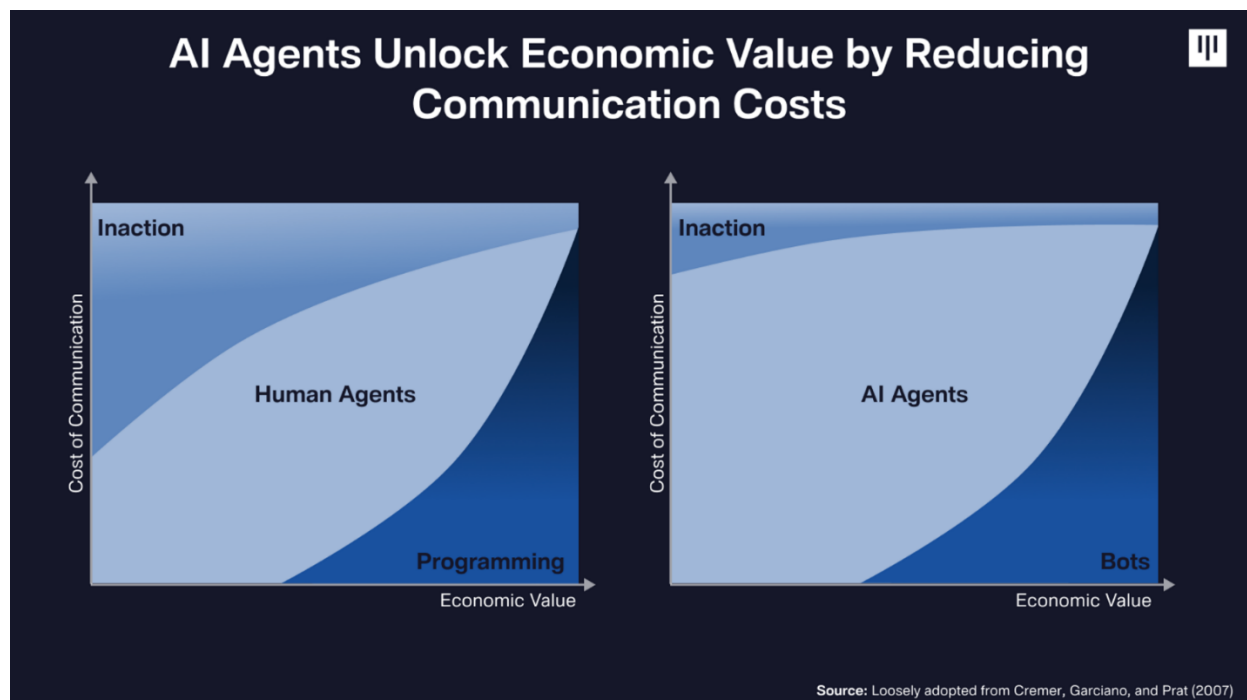
Agents Are More Than Bots

Defining an “agent” is more subtle than it seems. The field of artificial intelligence uses this less-than-helpful definition of agents: “anything that perceives its environment through sensors and acts upon that environment through actuators.” An economist’s view of an agent is closer to what we’d want: “an agent is one who acts on your behalf in some particular domain of decisions.”

If an agent acts on your behalf, a bot is essentially an agent that is hard to communicate with. For one, you have to write code for bots to execute, which means communicating in a (programming) language most people don’t know. And for those who know the language, they still have to program what the bot should do under various different conditions, which means specifying those conditions ahead of time. Both of these are communication costs.

To take an analogy, imagine you had a friend who’s headed abroad and you ask them to pick you up a souvenir. If your friend is like a bot, then he asks you to write a program specifying exactly what souvenir they should get you. What if your friend is like an agent? Then you could use words to make the ask, and you could trust your friend to get you something you’d like. Using words and not needing to specify your preferences among possible gifts in a foreign country is a reduction in communication costs. Clearly, this is a much better agent.

Having to know conditions in advance (since you have to program them in) limits the usefulness of a bot as an agent. And then the mere fact of having to program a bot at all means it is out of reach for those who don’t code. We model the shift to AI agents as being a reduction in these communication costs and a corresponding unlock in economic value.



Despite the high communication costs of existing bots, more than two trillion dollars of monthly stablecoin activity in crypto appears to be bot activity. As bots become better agents, able perhaps to trade in and out of USDC and USDT depending on relative risk as you would, we should expect this number to increase.

AI Agents Will Use Crypto

One reason AI agents are good for crypto is that it helps alleviate crypto's infamous user experience problem. The complexity of blockchain interactions, wallet management, and decentralized finance protocols has long been a barrier to widespread adoption. AI agents can act as intuitive interfaces, translating user intent into the precise technical actions required on the blockchain. They can guide users through complex transactions, explain risks, and even suggest optimal strategies based on market conditions and user preferences.

Another is that agents can't have bank accounts, but can transact with wallets. This limitation of traditional financial systems aligns perfectly with the ethos of cryptocurrency. In the crypto world, agents don't need permission from centralized authorities to operate. They can interact directly with smart contracts and decentralized protocols, holding and managing digital assets on behalf of their users. This opens new possibilities for automated wealth management, 24/7 trading, and personalized financial services that operate entirely within the crypto ecosystem.

Lastly, a mature agent ecosystem will mean agents need to transact and to coordinate with each other. Modern smart contracts, as programmable always-on international legal systems, are perfect for this task. AI agents can leverage crypto infrastructure to engage in complex, multi-party transactions and agreements. They can negotiate terms, execute trades, and even resolve disputes, all within the parameters set by their human principals. This creates a new paradigm of autonomous economic activity, where agents can form temporary alliances, pool resources, and collaborate on tasks that would be impractical or impossible for humans to manage directly.

We believe this activity is all value-add to crypto infrastructure. But there are also plausible indirect effects that make crypto itself better. For instance, decentralized autonomous organizations (DAOs) are plagued by inactivity due to attention constraints in crypto. A DAO that was actively managed by a network of AI agents, each proxying the interests of a DAO voter, would be a game changer. These agents could analyze proposals, allocate resources, and execute strategies at a speed and scale beyond human capacity, all while adhering to the core principles and goals of their human creators.

Crypto x AI Landscape



Source: @dimakhanarin

AI agents and crypto aren't just a neat combination, they're two technologies that need each other. Agents need programmable money to operate autonomously in the digital economy. And crypto needs AI to improve UX and deliver on its promise of revolutionizing finance for everyone. As this synergy develops, we'll likely see core blockchain infrastructures like Solana, Ethereum, Near, and Arbitrum as major beneficiaries of this new agent-driven economy. They are poised to do this by facilitating agent transactions, hosting the decentralized applications agents interact with, and providing the secure, transparent environment necessary for agent-to-agent coordination. As agent activity ramps up, these networks will likely see increased transaction volumes, greater demand for their native tokens, and strengthened network effects. It's not just about technological compatibility – it's about creating a new economic paradigm where AI and crypto work together to make finance more efficient, accessible, and perhaps a little bit sci-fi.

Crypto Helps Current AI

Imagine being on the verge of a significant breakthrough, only to realize that the tools you need are just out of reach. Innovation often feels this way – a journey filled with highs of breakthroughs and lows of challenges. Look at the automotive industry, for instance, where the search for more efficient engines

once hit a dead end. Engineers were eager to push the limits, but the necessary materials didn't exist yet. Progress came to a halt until new alloys and composites revived the engine of innovation. Similarly, new technologies like crypto could unleash untapped potential in artificial intelligence.

Over the years, AI development has progressed gradually, with periods of slow progress followed by rapid advancement, similar to an S-curve. In 2017, we reached a pivotal breakthrough with the emergence of transformer-based architectures, as outlined in the influential paper "Attention Is All You Need." These transformers revolutionized sequential data processing in models, enabling efficient training on large datasets. This sparked the rapid development of powerful new LLMs and generative AI models.

Despite the advancements in AI development, significant bottlenecks in data, computing, and model generation must be overcome for AI to take the next leap forward. Integrating AI with blockchain technology can help decentralize resources and democratize access, making innovation open to contributors worldwide.

Data

Data is the lifeblood of AI, the fuel that powers accuracy and reliability. High-quality, representative data is essential for building effective models, but acquiring it is challenging due to privacy concerns, limited access, and inherent biases. Moreover, users are becoming increasingly hesitant to share personal information, making data collection resource-intensive and often hindered by trust issues.

Blockchain technology offers a promising solution by introducing decentralized, secure, and transparent methods for data aggregation. Platforms like Sahara, which fit our long-term strategy of advancing decentralized infrastructure for AI, enable individuals to contribute and monetize their data while retaining control. Moreover, token economies incentivize high-quality contributions by rewarding users accordingly. This approach helps address privacy concerns by giving users ownership and control over their data. It democratizes data access, empowering smaller players who previously lacked the resources to compete with big tech companies. By incentivizing data sharing through secure means, blockchain-based platforms turn data into a commodity, enriching the available data pool and potentially leading to more robust and unbiased AI models.

However, while innovative, blockchain-based data aggregation isn't a standalone solution for AI development. Practical challenges like scalability, data quality assurance, and integration complexities limit its effectiveness if used in isolation. With their vast datasets and established infrastructures, big tech companies still hold a significant advantage that decentralized platforms can't easily match.

Therefore, including blockchain-based solutions introduces new data collection and collaboration avenues, complementing rather than replacing traditional methods. The synergy between decentralized efforts and established tech leaders can lead to collaborative partnerships that leverage both strengths, fostering innovation and inclusivity in AI development.

Compute

The rising cost and scarcity of GPUs create significant barriers for smaller players in AI development. With GPU prices increasing since the pandemic due to high demand and supply chain issues, access to essential hardware is increasingly monopolized by large corporations. This limits innovation, as many

startups and researchers need help affording the tools for advanced model training. This reduces the diversity of AI research and slows progress in smaller institutions.

However, crypto is potentially leveling the playing field by commoditizing computational power. Platforms like Exo and io.net are democratizing access to GPUs through decentralized marketplaces where anyone can access or loan out computational resources. Individuals with idle computing power can offer it on the network, earning in return. This commoditization of high-performance computing empowers a broader range of innovators to participate in AI development, breaking down barriers that once limited access to advanced tools.

In the future, as GPU supply increases, decentralized compute marketplaces could directly compete with traditional cloud services. These platforms lower access barriers and provide cost-effective alternatives, enabling broader participation in the AI ecosystem. However, ensuring that users receive reliable computational power remains a challenge. Verifying GPU standards and maintaining consistent, secure resources are essential to build trust and prevent fraud. While decentralized solutions may not replace traditional services, they could offer a competitive alternative where flexibility and cost are more critical than guaranteed performance.

Models

Today, AI development is often concentrated within small organizations such as OpenAI, Google, and Facebook. This concentration limits opportunities for global innovators and raises concerns about whether AI can reflect diverse human values. Centralized control can lead to models that embody a narrow viewpoint, overlooking the needs and perspectives of a broader user base.

A shift is occurring through decentralized platforms that distribute the power of AI development. Platforms like Sentient and Near, aligning with our vision that AI will increasingly operate on crypto rails, are democratizing development by creating open-source, community-driven ecosystems. Utilizing blockchain technology, they manage contributions transparently, ensuring developers are credited and compensated through tokenized rewards. This enables anyone to build, collaborate on, own, and monetize AI products, ushering in a new era of AI entrepreneurship. Illia Polosukhin, co-author of the groundbreaking “Attention Is All You Need” paper and co-founder of Near, is fostering an open environment for developing Artificial General Intelligence (AGI) through crowd-sourced efforts. Collaborative initiatives like these aim to align AI development with a broad spectrum of human values.

These platforms act as catalysts for change, promoting an AI economy that is both competitive and collaborative. By broadening participation, they encourage diverse ideas to flourish, leading to more innovative solutions and potentially reducing biases in AI models.

Crypto x AI presents a distinctive opportunity to democratize AI development but also introduces significant challenges. Balancing mass collaboration with the need for high-quality, expert-driven work is crucial to ensure that models are robust and ethical. By decentralizing data access, computational power, and model development, crypto breaks down traditional barriers, enabling talent from across the globe to participate in AI’s advancement. This influx of diverse perspectives fosters collaboration and builds a more inclusive ecosystem. Embracing this collaborative paradigm not only accelerates innovation but also ensures that a global community shapes the future of AI.

Matt Hougan's (Bitwise) Weekly CIO Memo: "Could Stablecoins Put an End to Money Market Accounts? – During a Quiet Quarter for Crypto Prices, Stablecoins Took Aim at Multiple Trillion-Dollar Industries. (This week's memo was written by Juan Leon – Senior Investment Strategist & Ari Bookman – Senior Editor.)

During a quiet quarter for crypto prices, stablecoins took aim at multiple trillion-dollar industries. Every quarter the Bitwise Research team publishes the Crypto Market Review, a data-driven look at the most important fundamentals and trends that are shaping the crypto markets.

The Q3 edition is a doozy.

On one hand, to put it bluntly, crypto prices went nowhere. The market chopped sideways as it has been doing for much of the last six months.

But on the other hand, as CIO Matt Hougan put it in his executive summary, "The quiet on the surface masked a huge amount of progress underneath."

We want to zoom in on just one aspect of that progress: the crowning of stablecoins as a dominant application of crypto technology.

We always say that crypto is on the brink of finding its killer use case. Well, here it is.

Why Should Investors Care About Stablecoins?

Stablecoins are not exactly a secret anymore. We've been talking about them for years (see [here](#), [here](#), [here](#), and [here](#)). Major corporations like PayPal are launching their own stablecoins. They're being discussed at the top levels of the US House and Senate. And just this week payment-processing giant Stripe announced its largest acquisition ever: a \$1.1 billion deal for Bridge, a stablecoin issuance platform.

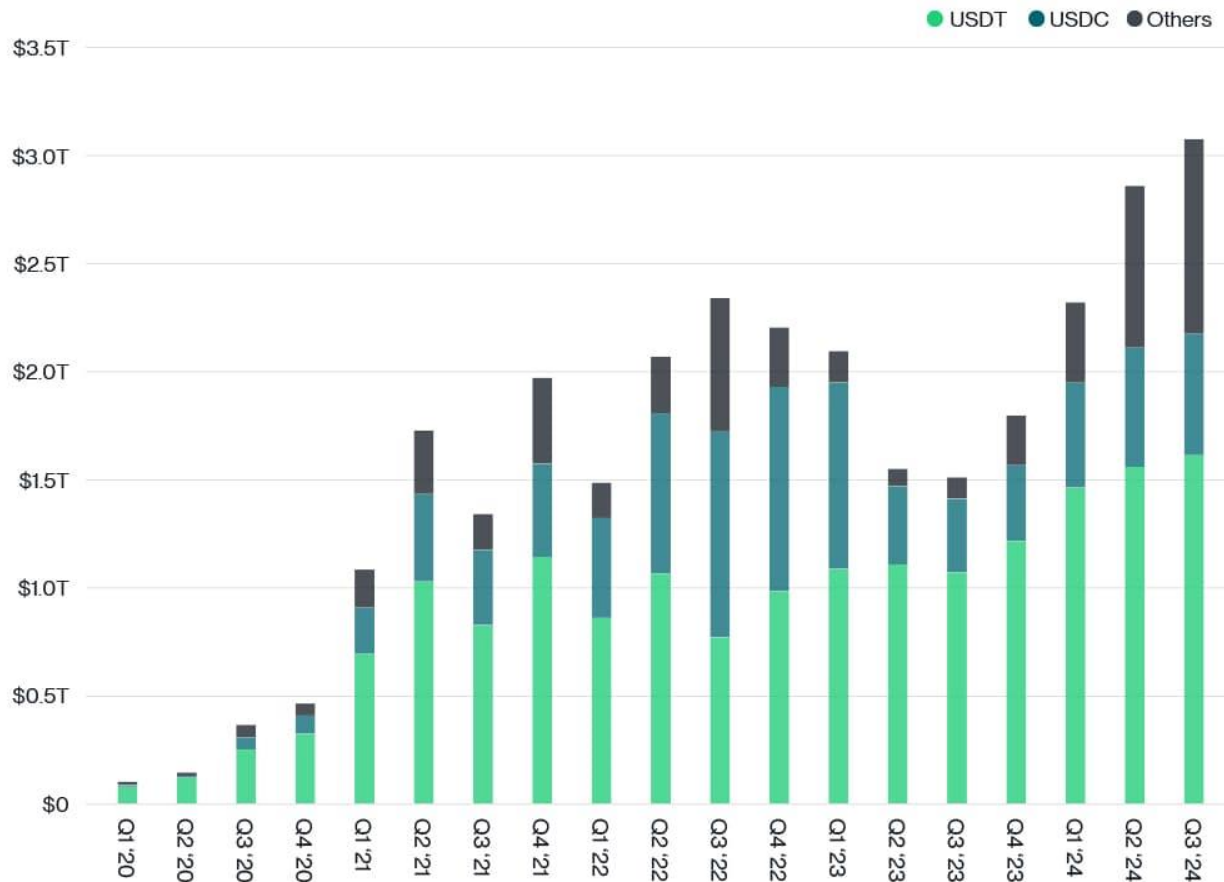
So, what makes them so valuable? And why should investors care?

Stablecoins, of course, are unlike other crypto assets in that they are designed to maintain a stable value relative to some asset, usually the US dollar. If you see a stablecoin's price swing, something has gone terribly wrong. This makes them less compelling as investments, but much more practical as a medium of exchange. And more importantly, this role allows stablecoins to serve as a bridge between traditional finance and the digital economy.

Not only that, but they're fast, efficient, and programmable. You can send \$10,000 to anyone in the world in seconds, without worrying about banking hours or lengthy settlement times. And as digital assets, stablecoins can be programmed to execute smart contracts, enabling automated payments, escrow services, and a wide range of DeFi applications.

That's why stablecoin use has rocketed to record levels. In the first half of the year, more than \$5.1 trillion of global transactions ran on stablecoin rails. That's not far behind Visa's \$6.5 trillion. This is no niche market.

Stablecoin Transactions



Source: Bitwise Asset Management with data from Coin Metrics. Data from Q1 2020 to Q3 2024.

How Stablecoins Are Taking Off

Why did PayPal, a traditional payments behemoth, launch a stablecoin? The business model is just too good.

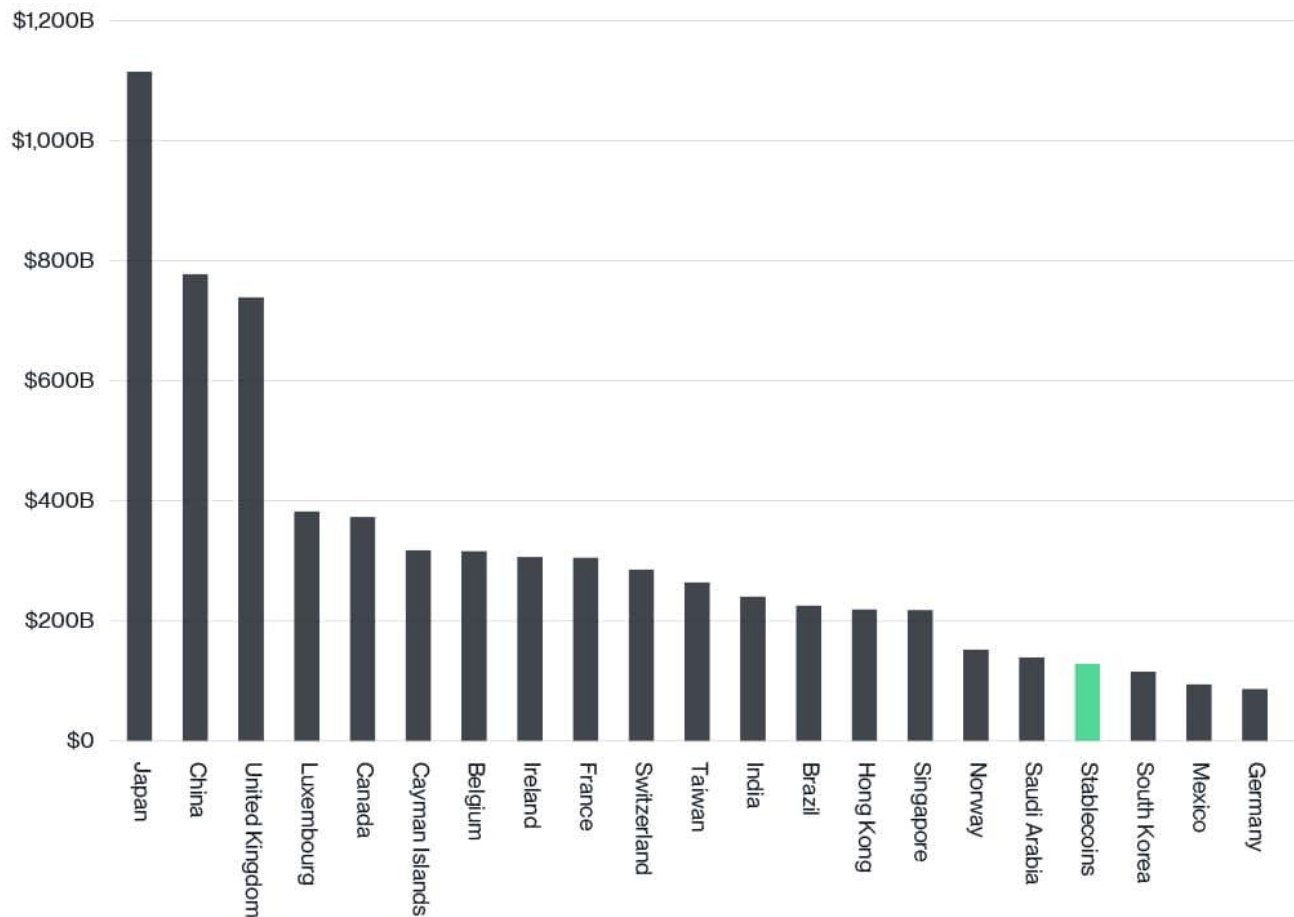
It's pretty simple: The issuer takes in US dollars (or another fiat currency) and in return issues an equivalent number of stablecoins. They then use that fiat currency to buy US Treasuries and other yield-bearing assets. And they pocket the interest.

How well does that model work? The top stablecoin issuer, Tether, made more profit last year than BlackRock.

These issuers are becoming big-time players. As the chart below shows, the top five stablecoins collectively held more US Treasuries than some G20 nations like South Korea and Germany. As a result, the growth of stablecoins provides a new source of demand for US debt and aids in liquidity provisioning for the US Treasury market, making stablecoins a net positive for the broader financial system.

Investors are chomping at the bit to get in on this action. Tether's largest competitor, Circle, is happy to oblige them; it quietly filed for an IPO this year. But while that's in the works, public companies like Visa are already integrating stablecoins into their operations.

Holder of US Treasuries: Stablecoins vs. Top Foreign Holders



Source: Bitwise Asset Management with data from the US Department of the Treasury and company reports. Data as of June 30, 2024.

What Does It Mean for Investors?

So how can investors take advantage of the moment?

Remember: Stablecoins by design don't appreciate in value. If anything, they're subject to the same inflationary pressure (and currency exchange risk) as the assets to which they're pegged.

What opportunities, then, should investors look for? And what risks do they need to keep in mind?

1) Public Companies

Some global corporations are integrating stablecoins into their operations to gain a competitive edge. These companies are reflected in crypto equity indexes, like the Bitwise Crypto Innovators 30 Index. With stablecoins offering lower transaction costs and faster settlement times than traditional intermediaries, we expect that firms like Visa and PayPal won't be the last companies to take advantage of stablecoins. Expect to see more banks and payment processors entering the space.

2) Potential Alternative to Money Market Accounts

For most stablecoin holders today, their holdings act similarly to cash in a checking account: They're static. But what if issuers could pass on some of the profit they make from their Treasury reserves as interest?

If that pathway were to open up, stablecoins would become an attractive alternative to money market funds – a \$6.3 trillion industry. For advisors whose clients keep cash on hand, stablecoins could become a useful tool in a portfolio. With stablecoin regulation a hot topic in the US Congress, this is something to watch.

3) Value Accruing to Underlying Blockchains

Most stablecoin activity happens on Ethereum. The growth of stablecoins directly contributes to the growth and stability of the network—and indirectly to the price of ETH. Of course, it also works the other way around: If the stablecoin model were to fail, it could weigh on network activity.

Final Thoughts

How big could stablecoins get?

Consider this: Liquid deposits in the US amount to approximately \$18 trillion. Stablecoins today are just 1% of the size of that market. What happens to that relative market share if we see the large-scale approval of interest-bearing stablecoins or a clearer regulatory framework?

Arca: The Difference Between Polls and Polymarket...

As Ilan Solot of Marex Solutions recently told me on an episode of Two Satoshis Live, “crypto no longer suffers from an existential crisis, but rather, it now has a relevance crisis.”

Said another way, we know blockchain technology works, but what we don’t know is whether blockchain usage will be as impactful as many of us think it will be. Some of this is due to what we’ve called the crypto investing paradox, which states that technology usage is restricted by regulation, not innovation. But regardless, the fact remains that crypto usage has been somewhat underwhelming due to a lack of popular applications. There is a lot of gambling/trading, and there is a lot of stablecoin usage, but there haven’t been successful consumer-facing apps. ChatGPT, for example, reached 100 million downloads in just four days. So did the Threads app within Facebook/Meta. Nothing in crypto has come even close to this level of engagement.

This is why the excitement over Off the Grid is so high currently and why newcomers like Axie Infinity, Farcaster, OpenSea, and StepN got so much attention early on, even though none could sustain the early growth. The market is starving for a successful, long-lasting, consumer-facing crypto app.

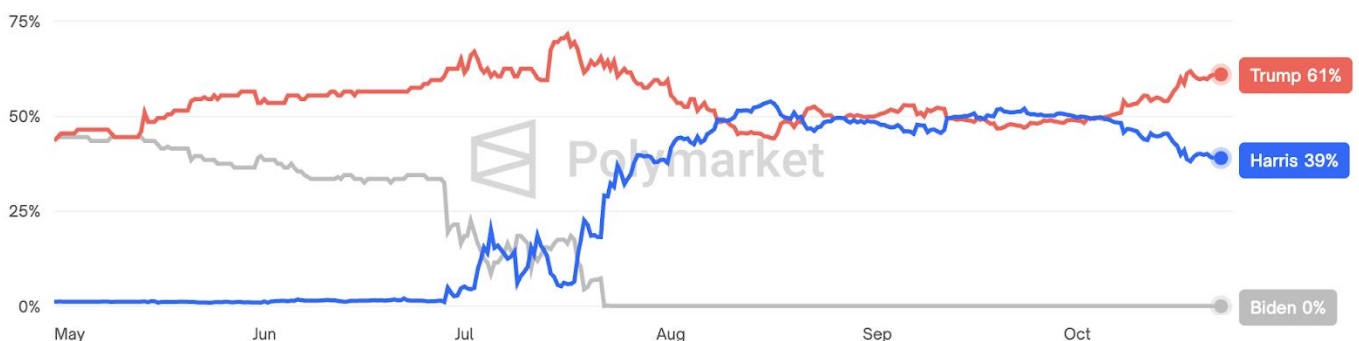
Polymarket might be the one. The USDC-powered prediction market platform has seized outsized attention in the lead-up to the Presidential election. Polymarket’s presidential betting market alone has crossed \$2 billion in total volume, though open interest remains relatively lower at \$200 million across all markets. Polymarket’s breakout success in this cycle may become a template for other crypto-based applications, as the platform is accessible without a wallet (at least to use, not to transact) and utilizes blockchain technology to arbitrate disputes in a decentralized way.

It’s hard to argue that Polymarket has been a success, even though many still don’t understand the difference between prediction markets and polls. Polls indicate the number of votes, while prediction markets indicate the probability of winning. For example, out of 100 possible votes, a poll comes back split 50-50. This would equate to a 50% probability on a prediction market since it is quite literally a toss-up. But let’s say that the same poll came back 52-48, and the market viewed this poll to have a high degree of confidence. Well, even though it’s a slim margin, if you’re confident in the outcome, then a prediction market might have an 80-90% probability. It doesn’t matter how much you win by. Only the binary outcome matters for prediction markets.

The Presidential prediction market on Polymarket has moved heavily in Trump’s favor recently, which is likely responsible for the majority of the recent gains in gold, crypto, and certain sectors within the equity market.

Presidential forecast >

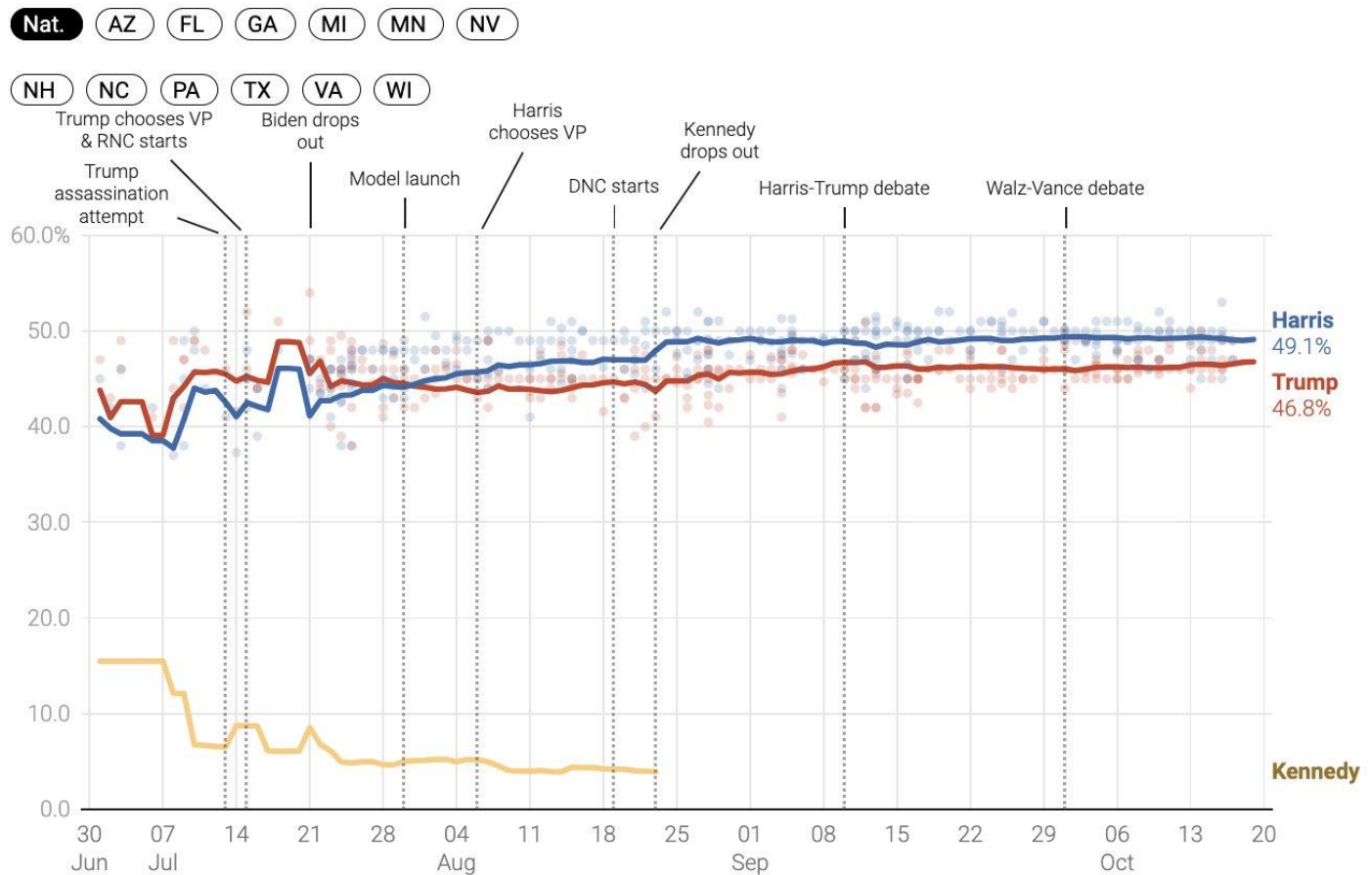
Source: Polymarket.com



However, the polls still indicate that this is very close.

Who's ahead in the polls?

An updating average of 2024 presidential general election polls, accounting for each poll's quality, sample size and recency. Click the buttons to see the polling average in different contests



Note: Polling averages are adjusted based on trends in both state and national polls.

Updated October 20, 2024 • [Get the data](#)

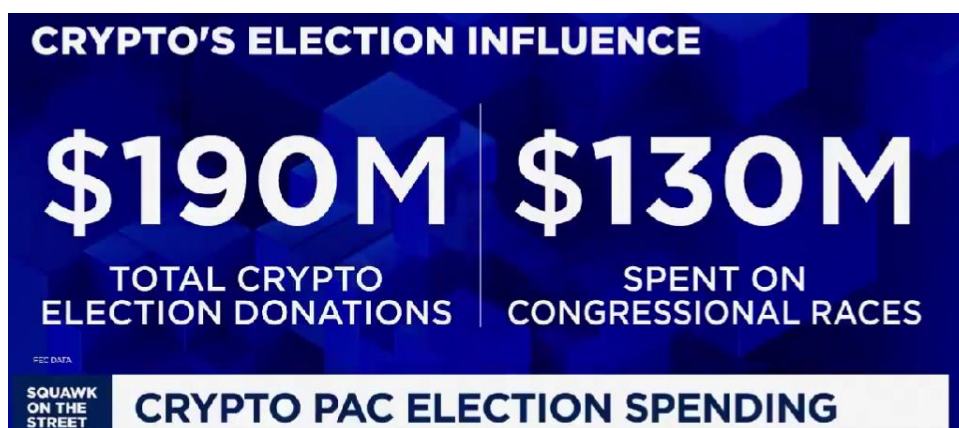
**SILVER
BULLETIN**

So ultimately, both the polls and the prediction markets can be right. A very very slight recent edge in the polls for Trump in swing states could lead to a large increase in the probability of him winning come election night.

But back to crypto, it doesn't really matter whether or not Polymarket is predictive or not. What matters is whether or not anyone still cares about Polymarket after the presidential election is over. For those who have been hearing about prediction markets for decades (like myself), consider me skeptical. Blockchain did not create prediction markets; it's simply a pretty good product built at the right time that happens to use blockchain. Further, even within crypto's history, we've seen prediction markets fall by the wayside after an election. Below is the TVL of Augur, (the leading prediction market 4 years ago), and you can see how TVL fell off a cliff after the 2020 election.

Here's hoping Polymarket has more staying power.

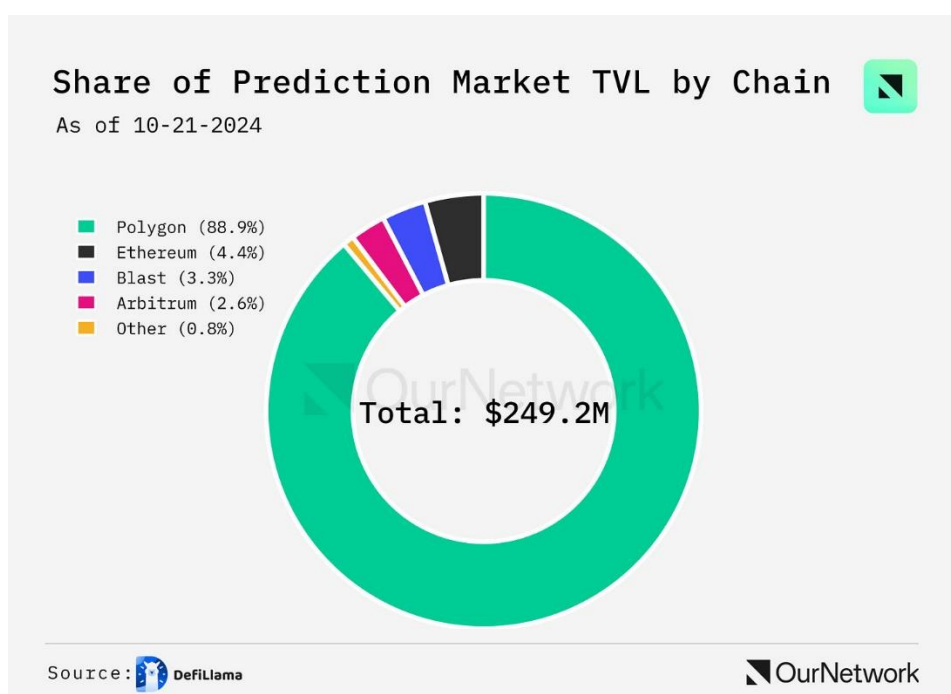
CNBC: Crypto political donations for the US presidential election total almost \$200 million.



US Senator Ted Cruz (R) features pro-Bitcoin messaging in a new campaign ad. (Watch the ad, [here.](#))



Polymarket surpassed \$1.3 billion in monthly betting volume in October 2024 and reached \$221 million in TVL.



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

- Nigeria has dropped money laundering charges against Binance's Head of Financial Compliance and former Special Agent for the US IRS, Tigran Gambaryan, who has been detained in the country since February. The Nigerian government will continue prosecuting Binance on the money laundering charges without Gambaryan, along with separate charges of tax evasion.
- Former Celsius CEO Alex Mashinsky will return to court on Nov. 13 to address his motion to dismiss fraud and market manipulation charges. Mashinsky faces multiple felony counts related to manipulating the price of Celsius' CEL token. His co-defendant Roni Cohen-Pavon has pleaded guilty and will be sentenced on Dec. 11.