



HYPERION DECIMUS

CRYPTO NEWSLETTER

POWERED BY WEEKLY CRYPTO BRIEF

1st December 2024

BITCOIN-RELATED



Bitcoin futures open interest, which represents the number of active positions held by traders, hit a record high of \$63 billion earlier this week, according to data from Checkonchain.

@jvb_xyz: Central banks hold gold. Zero hold Bitcoin. If a strategic Bitcoin reserve is instantiated, *anywhere,* there will be a cascade of followers.”

Brazil's Chamber of Deputies introduced a bill to create a strategic Bitcoin reserve – proposing the establishment of the Sovereign Strategic Bitcoin Reserve, designed to diversify the financial assets of Brazil's National Treasury.

German parliament member Joana Cotar said: “Germany needs a Bitcoin strategy.” She added: “You can buy Bitcoin as a federal reserve, as a store of value to fight inflation.”

A UK pension scheme became the first in the country to invest in Bitcoin. The unnamed defined-benefit scheme invested 3% of its assets in Bitcoin.

Vancouver Mayor Ken Sim revealed plans to incorporate Bitcoin into the city's investment portfolio, aiming to position the town as a crypto-friendly hub. The motion, set to be formally presented on Dec. 11, is part of a broader strategy to modernize Vancouver's financial framework and mitigate economic risks by leveraging Bitcoin's growing value.

MicroStrategy purchased another 55,500 BTC for \$5.4 billion between Nov. 18 and Nov. 24, according to an 8-K filing with the SEC on Nov. 25. The purchase represents the company's largest set of acquisitions to date. MicroStrategy now holds 386,700 BTC – worth ~\$37 billion.

MARA Holdings acquired 6,474 Bitcoin worth \$615 million, boosting its total holdings to nearly 35,000 BTC after completing a \$1 billion convertible notes offering.

Japanese investment firm Metaplanet plans to raise ¥9.5 billion (\$62 million) to increase its Bitcoin holdings. The company will issue stock acquisition rights to fund the purchase of additional Bitcoin.

Healthcare tech company Semler Scientific increased its Bitcoin holdings by acquiring 297 BTC for \$29.1 million between Nov. 18 and Nov. 22. It now holds 1,570 BTC.

SOS Ltd, a China-based cloud computing and crypto mining firm, announced a \$50 million Bitcoin purchase.

Interactive Strength, maker of innovative specialty fitness equipment, announced that the company's board of directors approved the purchase of up to \$5 million in Bitcoin.

The board of Acurx Pharmaceuticals approved the purchase of up to \$1 million in Bitcoin to hold as a treasury reserve asset. CEO David P. Luci said: “As demand for Bitcoin grows, and so does its acceptance as a major and primary asset class, we believe that Bitcoin will serve as a strong treasury reserve asset for cash not needed over the next 12 to 18 months.”

Anixa Biosciences, a biotech company, said its board of directors approved buying an undisclosed amount of Bitcoin to diversify the company's treasury reserves.

Rumble, the video-sharing platform and cloud services provider, announced that its Board of Directors has approved a corporate treasury diversification strategy of allocating a portion of the company's excess cash reserves to Bitcoin. Rumble's Bitcoin allocation strategy will include purchases, at the discretion of the company, of up to \$20 million.

Japanese public company Remixpoint announced it will buy ¥500 million (~\$3.3 million) worth of Bitcoin.

Hong Kong's largest digital bank, ZA Bank, now allows retail users to buy Bitcoin (and Ethereum) directly via its app.

Cantor Fitzgerald, the Wall Street giant led by Howard Lutnick, is reportedly discussing a multibillion-dollar Bitcoin-backed lending program with the help of US dollar-pegged stablecoin issuer Tether. The proposed program would allow clients to borrow dollars using Bitcoin as collateral with a \$2 billion initial allotment, but with the potential to expand to tens of billions of dollars.

Newmarket Capital launched Battery Finance, a Bitcoin-collateralized loan strategy enabling borrowers to use Bitcoin as collateral for loans – without marking it to market – as a means to bring forward Bitcoin's value.

Timestamp, a new platform that allows accredited and nonaccredited investors to invest in Bitcoin and open-source companies, officially launched. Timestamp promises users they can invest in Bitcoin companies with “low investment minimums” where users can review offerings, connect directly with the founders of these companies, and explore curated opportunities.

HTX, the crypto exchange advised by controversial figure Justin Sun, recently redeemed 5,182 Wrapped Bitcoin (WBTC) worth ~\$500 million. On-chain data for WBTC suggests this is the sixth-largest redemption of WBTC of all time.

On Nov. 23, the price of Wrapped Bitcoin (WBTC) saw a “flash crash” to an all-time low of \$5,200 on crypto exchange Binance before quickly rebounding to above the \$97,800 mark.

INDUSTRY ADVANCES



In a policy change, Morocco is set to legalize cryptocurrencies, overturning a 2017 ban on digital assets. Abdellatif Jouahri, Governor of Morocco's central bank, announced that a draft law regulating cryptocurrency assets is nearing final adoption, saying: "We have prepared a draft law regulating crypto assets, which is currently in the adoption process."

Archax, in collaboration with Ripple, launched the first tokenized money market fund on the XRP Ledger (XRPL), using abrdn's \$3.8 billion USD Liquidity Fund.

Solana's DEXs surpassed \$100 billion in monthly trading volume for the first time. The surge in trading volume, up over 100% from October's \$52.5 billion, was driven by the ongoing memecoin frenzy coupled with Solana's low transaction fees and user-friendliness.

Base, the Coinbase-incubated Layer-2 network, reached a record daily transaction count of 9.1 million, marking a ~30x increase since January.

Phantom Wallet integrated support for Base, enabling users to interact with Base-based tokens, dApps, and memes, potentially driving new activity and liquidity on the network.

Avalanche launched Avalanche9000, its largest upgrade, making it easier to build apps and custom blockchains on the platform. Avalanche900 was launched on the testnet to reduce transaction and validator costs.

Tading data aggregation platform Birdeye launched a mobile version. The app, which supports Solana, Sui, and EVM chains, will let users track trades, price swings, and trending tokens.

DIA launched a testnet for Lumina, its new modular oracle infrastructure aimed at improving transparency, scalability, and integration flexibility. Designed to address common issues with existing oracles, Lumina allows for data aggregation, verification, and delivery across blockchains.

Flashbots launched BuilderNet to tackle centralization in Ethereum's block-building process by encouraging a decentralized approach where multiple operators share transaction processing and order flow securely.

Meme trading app VECTOR officially launched on Apple and Google Play. The platform is generating buzz with ongoing code drops, fueling excitement among traders eager to participate in its unique trading ecosystem.

Avelia, a blockchain platform from Shell, Accenture, and Amex GBT, expanded its solution to support decarbonization and scaling of SAF in air freight. Sustainable aviation fuel has the potential to slash aircraft CO₂ emissions by up to 80% compared to traditional jet fuel – equal to a reduction of about 2% of global emissions across all sectors.

Aventus, a leader in enterprise blockchain technology and parachain on Polkadot, announced the launch of its Blockchain Factory: a platform designed to make blockchain adoption more accessible, offering a streamlined, flexible solution for organizations exploring the potential of Web3 technologies including blockchain and tokenization.

MINING



President Nayib Bukele of El Salvador introduced the concept of a “rent-a-volcano” program to harness geothermal energy to power Bitcoin mining. Under the proposal, the government would allow third parties to harness the country’s geothermal resources. If Bukele’s suggestion is approved, El Salvador will become a pioneer in using natural energy to mine Bitcoin.

Switzerland's Canton of Bern parliament approved a motion to explore Bitcoin mining as a solution for utilizing surplus energy, stabilizing electricity grids, and creating economic opportunities in collaboration with local mining firms.

Tether-Backed Northern Data is reportedly getting offers for its crypto mining arm. The firm has invited several bidders to a banker-led style process.

During an earnings call, executives from Sydney-based Bitcoin miner IREN said the company had received interest from an AI firm for potentially hosting computing infrastructure at IREN's Sweetwater, TX mining site. And executives also mentioned a potential dividend in BTC.

The Public Utility Commission of Texas adopted a rule requiring cryptocurrency mining facilities connected to the state’s main electric grid to register with the state’s grid operator, amid surging demand for power and a growing crypto mining industry in Texas.

Compass Mining, a Bitcoin mining marketplace, expanded into Iowa with a new 30 MW Bitcoin mining facility. The new, fully self-owned facility enhances Compass's capacity and offers customers greater choice for machine deployment.

ETPS (EXCHANGE-TRADED PRODUCTS), FUNDS & INDEXES



Cboe Global Markets announced the launch of cash-settled index options tied to spot Bitcoin ETFs on Dec. 2, offering institutional and retail investors a simplified way to hedge or speculate on Bitcoin's price movements.

MIAX Sapphire Options Exchange (part of Miami International Holdings’ collection of US exchanges) submitted revised rules to start listing options on three Bitcoin ETFs, according to a Nov. 25 regulatory filing. The rule change permits MIAX Sapphire to list options on Grayscale Bitcoin Trust (GBTC), the Grayscale Bitcoin Mini Trust (BTC), and Bitwise Bitcoin ETF (BITB).

On Nov. 26, Bitwise filed an S-1 for an ETF that would hold both Bitcoin and Ether. And on Nov. 27, Bitwise submitted an application for an ETF based on its existing 10 Crypto Index Fund. The NYSE Arca had filed to list the Bitwise 10 Crypto Index Fund as an ETP on Nov. 15.

First Trust revealed its intention to launch Bitcoin-focused defined-outcome (aka buffer) ETFs that protect against losses, while capping upside. Each will have a cap on upside performance, to be

determined. The “floor” ETF provides investors with max 15% loss. The “buffer” ETFs provide protection after 15% or 30% of losses are realized. All will use IBIT as reference.

Calamos Investments filed for 14 Bitcoin buffer ETFs.

WisdomTree established a trust entity in Delaware for an XRP ETF – the preliminary step for approval from the SEC in launching a fund. (Asset managers Bitwise, Canary Capital, and 21Shares have also filed for XRP ETFs over the last few weeks.)

WisdomTree launched the WisdomTree Physical XRP – listed on Deutsche Borse, SIX Swiss Exchange, Euronext Paris, and Euronext Amsterdam.

DeFi Technologies’ subsidiary Valour launched the first Dogecoin ETP in the Nordics on the Spotlight Stock Market.

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

Former Coatue fintech head Michael Gilroy and Coinbase board member Gokul Rajaram are co-founding a venture firm, which is aiming to raise \$500 million – with the formal fundraising process starting in 2025 – to invest in early-stage fintech and software startups.

Partior, a blockchain fintech for real-time clearing and settlement, completed its Series B funding round, raising \$80 million. The round saw participation from Deutsche Bank, JPMorgan, Jump Trading Group, Standard Chartered, Temasek, and Valor Capital Group.

Metalayer, a crypto-focused investment firm, secured \$20 million in a first close toward its \$25 million crypto venture fund target. The fund’s early backing came from institutional investors, including executives from Two Sigma Ventures.

Decentralized gaming platform KGeN secured \$10 million in funding, led by Aptos Labs.

Avant Protocol secured \$6.5 million in seed funding to expand its Avalanche-based yield-bearing stable-value token, which resembles Ethena's offerings.

Talus Network secured \$6 million in a Polychain-led round to expand its decentralized AI ecosystem, including plans for a TikTok-linked AI dating app and the TAI token.

IPOS, M&A, PARTNERSHIPS & DEALS

Howard Lutnick, Trump’s pick for commerce secretary and the CEO of Cantor Fitzgerald, reportedly secured a deal for the financial services firm to acquire a 5% ownership stake in stablecoin issuer Tether. The equity stake was potentially valued at as much as \$600 million.

DeFi derivatives protocol Cega announced its acquisition by an undisclosed “leading platform,” prompting the planned shutdown of its operations by year-end.

Shemaroo Entertainment, a leader in India's media and entertainment industry, announced a strategic partnership with PWR Chain, an advanced Layer-0 blockchain infrastructure.

GCEX, a regulated digital prime brokerage, extended its partnership with Hex Trust, a fully-licensed provider of digital asset custody, staking and markets services, to include a Secured Accounts service. This service is designed to provide an additional layer of security and control over digital assets for institutional clients, including hedge funds, asset managers, and brokers.



The Donald Trump-backed cryptocurrency platform World Liberty Financial got off to a sluggish start, with investors buying far fewer of its WLFI tokens than the project hoped for. But Chinese-born crypto billionaire Justin Sun gave it a significant boost, buying \$30 million worth of WLFI and the next day was being named as an adviser to World Liberty Financial.

Aave, the dominant lending protocol in DeFi, started using oracles developed by Chaos Labs, a risk management firm that has a long working relationship with Aave. The move automates processes for changing the lending protocol's risk parameters such as liquidation thresholds as well as supply and borrowing capacities.

Binance is set to launch BFUSD on Nov. 27, a reward-bearing margin asset (not a stablecoin) that generates passive rewards by simply holding it or trading futures with it. The crypto exchange promises that the asset's APY "will never go below zero," protecting holders from negative returns, supported by a BFUSD Reserve Fund, initially seeded with 1 million USDT.

Controversial interoperability protocol Ren said that version 2 is coming, with the team anticipating it will have a "more outsized and sustainable impact on DeFi than Ren v1."

Starknet became the first major Ethereum Layer-2 rollup to launch staking, allowing users to earn rewards with at least 20,000 STRK or by delegating smaller holdings, signaling a step toward further decentralization.

Hyperliquid launched its HYPE token on Nov. 29 as part of its genesis event, enabling staking, governance, and decentralized trading on its platform. The Hyper Foundation distributed over \$1.6 billion worth of HYPE tokens in a massive airdrop. No tokens were reserved for private investors or centralized exchanges, making it the seventh-largest airdrop in crypto history.

Pendle Finance expanded to the Base blockchain, introducing yield strategies like fixed yields, yield trading, and liquidity pools for assets such as cbETH and Lombart's LBTC.

Bitwise Asset Management announced that its Bitwise Onchain Solutions division will offer staking services on Starknet, bringing the firm's technical expertise and professional approach to the fast-growing Ethereum Layer-2 blockchain known for its leading scaling technology. Starknet will make history on Nov. 26 when it becomes the first Ethereum L2 to enable staking for its native token, STRK.

CBDcs & STABLECOINS



On Nov. 25, Central Bank of Iran governor Mohammad Reza Farzin said Iran will launch a CBDC in the near future.

The total market capitalization of the stablecoin sector hit a record \$191.6 billion.

Tether is closing down its euro stablecoin, EURT. The firm said: “After careful consideration, we have made the decision to discontinue support for EURt.” Users will be able to redeem tokens until Nov. 27. The decision comes as digital asset businesses operating in the EU are in crunch time before region-wide regulations (MiCA) go into full force by the end of this year.

Ethena and Securitize are pitching Ethena's upcoming USDt stablecoin for Spark's \$1 billion tokenization competition.

Worldwide Stablecoin Payment Network (WSPN), a pioneer in digital payment solutions, and Polygon Labs announced a strategic collaboration focused on the expansion and adoption of WUSD, WSPN's flagship stablecoin.

Coinbase is discontinuing its USDC Rewards program for EEA customers on Dec. 1 because of compliance with European MiCA regulation's new requirements for e-money tokens.

NFTS, BLOCKCHAIN GAMING & METAVERSE



Kraken will stop allowing listing, bidding or selling on its NFT marketplace after Nov. 27 and will fully shut down the platform on Feb. 27, 2025.

Art Blocks NFT project took a major leap forward on Ethereum, as 90% of Art Blocks pieces will now be viewable on Ethereum in perpetuity, without the backend support of the company.

Moonray's recent NFT mint on OpenSea resulted in over 220,000 “Jadeon Adam” character skins being claimed by players on Coinbase's Ethereum Layer-2 network Base, becoming OpenSea's biggest ever for a game.

British tax agency HMRC is exploring options to value three seized NFTs from a tax fraud investigation.

GONDI facilitated a historic \$2.75 million loan for CryptoPunk #8348, the only one with seven traits, to NFT collector Seedphrase. The loan has a six-month maturity and 20% interest rate, with the Punk as collateral.

The popular manga and anime series “Attack on Titan” has expanded into The Sandbox metaverse gaming platform with a new game called Attack on Titan: Invasion.

JOB MOVEMENT



Sky Mavis, creator of Axie Infinity, laid off 21% of its staff in a move to refocus on core products and prepare for accelerated growth in 2025, despite claiming strong financial health.

REGULATIONS, RULINGS & COMMENTARY



The Trump administration is reportedly planning to shift crypto regulation to the CFTC, reducing the SEC's oversight by granting the commission authority over exchanges and digital assets classified as commodities, such as Bitcoin and Ether.

Trump's transition team has interviewed Paul Atkins, a veteran financial regulator and proponent of crypto and fintech companies, as a candidate to lead the SEC.

Former CFTC chair Chris Giancarlo, affectionately known as "crypto dad" for his work to advance the industry and technology, is reportedly among the top contenders to be named as Trump's so-called crypto czar, overseeing the country's approach to crypto regulation.

Fairshake, a US Super PAC supporting the crypto industry, has accumulated \$103 million to spend on the 2026 midterms. In the 2024 election. (Ripple committed \$25 million to the Fairshake crypto super political action committee, bringing its fresh funds to \$73 million so far for the 2026 election cycle.)

The CFTC's global markets advisory committee advanced a recommendation to broaden the use of non-cash collateral through distributed ledger technology. The recommendation aims to improve the efficiency of financial transactions by incorporating blockchain or other distributed ledger technologies to streamline the use of non-cash collateral.

Russia's upper house approved a crypto tax bill imposing a 15% income tax on trading and mining profits while exempting value-added tax, advancing toward stricter regulations. The bill now awaits President Vladimir Putin's signature to become law.

Hong Kong proposed tax exemptions for crypto investment gains and other assets held by private funds and family offices, aiming to boost its status as a global financial hub and attract institutional interest in blockchain innovation.

Taiwan accelerated the implementation of strict anti-money laundering rules for crypto providers, effective Nov. 30, mandating compliance registration with penalties including imprisonment and fines for non-adherence.

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

The SEC collected \$8.2 billion in financial remedies this year, the highest amount in SEC history.

~52% of that amount is attributable to the SEC's jury trial win against Terraform Labs and its co-founder and CEO Do Kwon.

DEX Uniswap will offer up to \$15.5 million in rewards to bounty hunters who discover critical flaws in the protocol's v4 core contracts.

According to a 404 Media report, Tether's USDT stablecoin is being used to move millions of dollars by drug traffickers "to the point where Tether is sold cheaper in Mexico due to its links to drugs," and Binance was being used to move the money.

Cryptocurrency exchange XT.com suffered a hack worth \$1.7 million, according to blockchain security firm PeckShield.

A crypto player outsmarted Freysa, an AI agent designed to resist manipulation, by exploiting its code logic, securing a \$47,000 prize after 482 attempts by 195 participants in a unique adversarial gaming challenge.

According to Regula's "Deepfake Trends 2024" study, 57% of crypto companies report audio deepfake incidents, compared to just 45% facing fake or modified document fraud. The study further reveals that 53% of crypto firms have encountered video deepfake fraud.

The US Department of Treasury's sanctions against decentralized crypto mixer Tornado Cash were unlawful, according to a ruling from the US Fifth Circuit Court of Appeals. The ruling stated: "Because these immutable smart contracts are not 'property' under the word's common, ordinary meaning or under OFAC definitions, we hold that OFAC exceeded its statutory authority." (Vitalik Buterin donated \$1 million in Ether to Coin Center hours after Tornado Cash's victory.)

Alexey Pertsev, the Tornado Cash developer sentenced for money laundering, had his detention extended by a Dutch court, complicating his ability to prepare an appeal against his five-year prison sentence.

A UK court rejected Craig Wright's appeal against the Crypto Open Patent Alliance (COPA) today, deeming it baseless with "no prospect of success." The court found no credible allegations of bias and noted falsehoods in Wright's arguments.

A former Binance executive in the UK is suing the crypto exchange, alleging she was unfairly dismissed after whistleblowing that a colleague had solicited bribes to expedite client integration, a charge Binance denied, attributing her dismissal to poor performance and stating the issue was already under investigation.

Decentralized science platform Pump Science won't launch any new tokens on Pump.fun ever again, the team said in a statement following an incident that resulted in a flood of fraudulent tokens being launched from its profile.

MISCELLANEOUS

Crypto.com is sponsoring the Crypto.com Showdown, a golf competition with a multi-million-dollar prize in CRO cryptocurrency. The event will feature top golfers from LIV Golf and the PGA Tour in Las Vegas on Dec. 17.

Ethereum's blob usage surged to over 21,000/month, matching record highs, as Layer-2 solutions, such as Base and Arbitrum, leveraged blobs for scalable, low-cost transaction bundling.

Jupiter DAO on Solana opened voting on a \$1.5 billion airdrop proposal to distribute 1.4 billion JUP tokens to active users and stakers, aiming to grow the platform's ecosystem.

Movement developers have unveiled plans for its native MOVE token as an ERC-20 on Ethereum, with a total supply of 10 billion tokens. The Movement Foundation will retain 10% of the supply, with 17.5% earmarked for early contributors, 22.5% for investors, 40% for ecosystem initiatives and 10% distributed via an upcoming airdrop.

Pirate Wires, a technology and culture publication owned by Founders Fund marketing executive Mike Solana, published a story documenting how Kalshi, the US-regulated prediction market, paid social media influencers to disparage crypto-based, offshore rival Polymarket and its CEO Shayne Coplan after the FBI raided Coplan's home this month.

Former Solana Foundation employee Kevin Ricoy launched a US media company, Allmight, to focus on furthering the nation's leadership in crypto. Allmight's first product is "This Week in Crypto" – a late-night, talk-style show covering crypto news.

Coinbase announced that it will not support Celo's migration from a Layer 1 to a Layer 2 in Optimism's Superchain ecosystem, requiring users to withdraw their funds by Jan. 13, 2025, to avoid becoming inaccessible. The decision sparked a backlash from Celo's community,

A study analyzing 1,500+ memecoins promoted by 377 Twitter influencers found that 76% of influencers promote "dead" memecoins, meaning 86% of these coins lose 90% of their value within three months. Notably, only 3% of promoted tokens achieve a 10x gain, with smaller influencers showing slightly better outcomes than their larger counterparts.

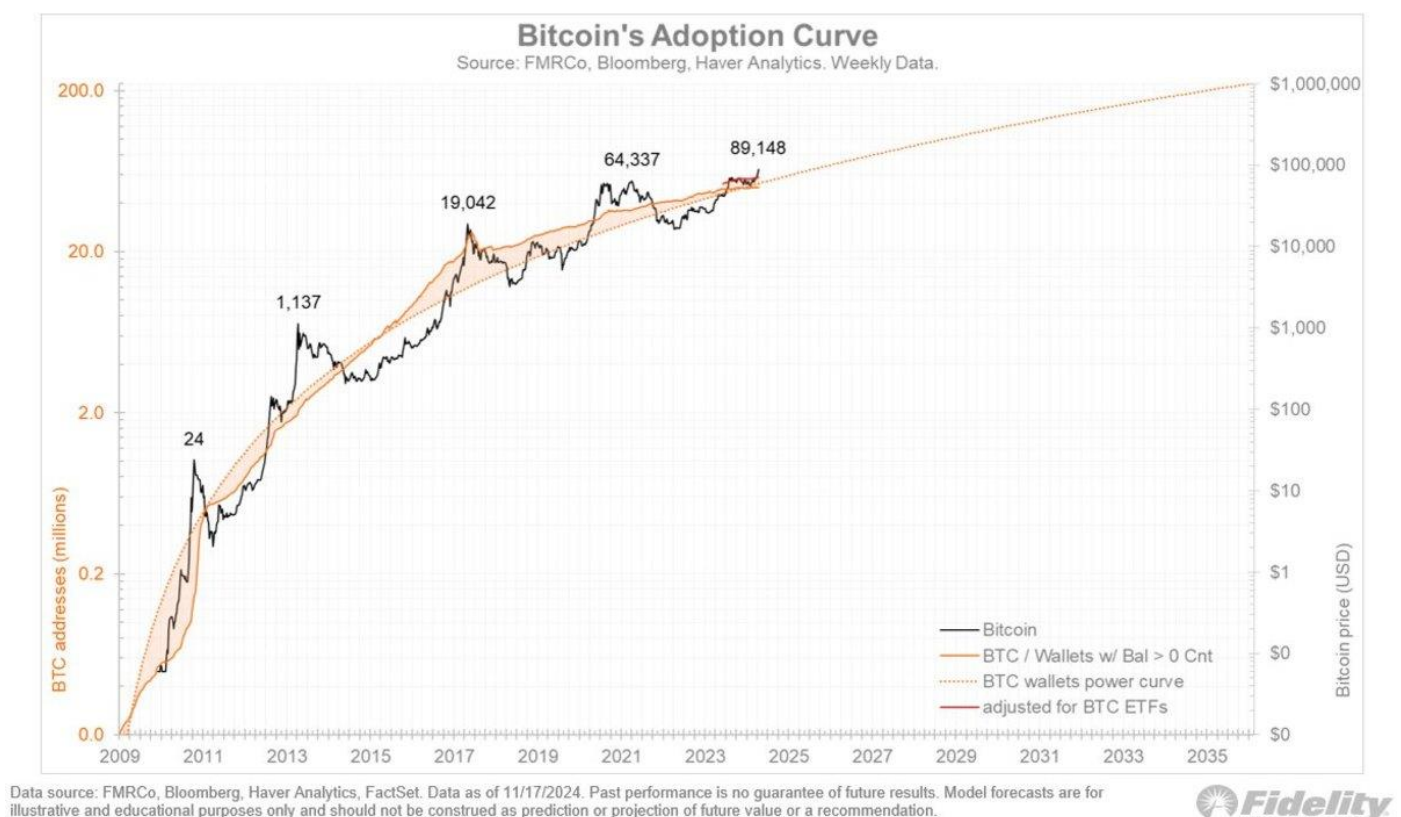
Memecoin promoters on Pump.fun sparked outrage by using NSFW shock content, including extreme acts and explicit videos, to attract investors, drawing sharp criticism from the crypto community and raising concerns about moderation. Pump.fun suspended its live stream.

CHARTS, TABLES, QUOTES, COMMENTARY & OTHER IMAGES

Jurrien Timmer, Director of Global Macro at Fidelity Investments, shared Bitcoin valuation models based on adoption curves and monetary policy scenarios...

Despite a slowdown in Bitcoin's network growth, as measured by the number of wallets with a non-zero balance, Timmer noted that the trend still aligns with the steep power curve shown in his updated adoption chart. While the internet adoption curve has a gentler slope, Bitcoin's adoption trajectory remains steeper, signifying its rapid but maturing growth.

Importantly, Timmer highlighted a key limitation in the measurement of wallet growth: the understated wallet/address count due to Bitcoin ETFs, which consolidate holdings into just a few wallets. "It's very likely that the wallet/address count is understated," he said, pointing out that ETFs obscure the broader distribution of Bitcoin adoption.

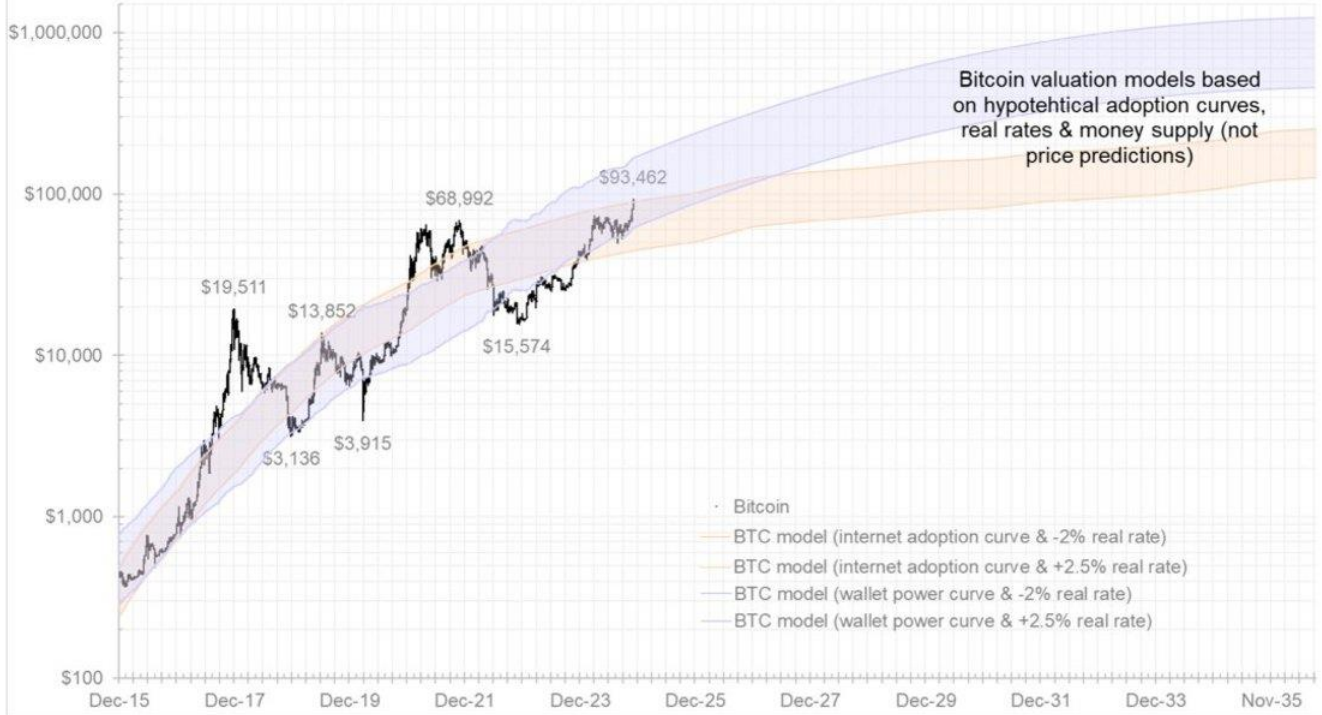


Building on his previous models, Timmer added a new layer to his valuation framework by incorporating money supply growth alongside real interest rates. The updated charts compare two hypothetical paths for Bitcoin's valuation: one driven by adoption curves and real rates, and another that includes monetary inflation as a factor.

"Again, these are not predictions," Timmer clarified, "but merely attempts at visualizing the use case on the basis of adoption, real rates, and monetary inflation." This layered approach underscores how external macroeconomic forces, like monetary policy, could influence Bitcoin's adoption and valuation.

Bitcoin Valuation Models (Adoption Curves)

Source: FMRCo, Bloomberg, Haver Analytics. Weekly Data.

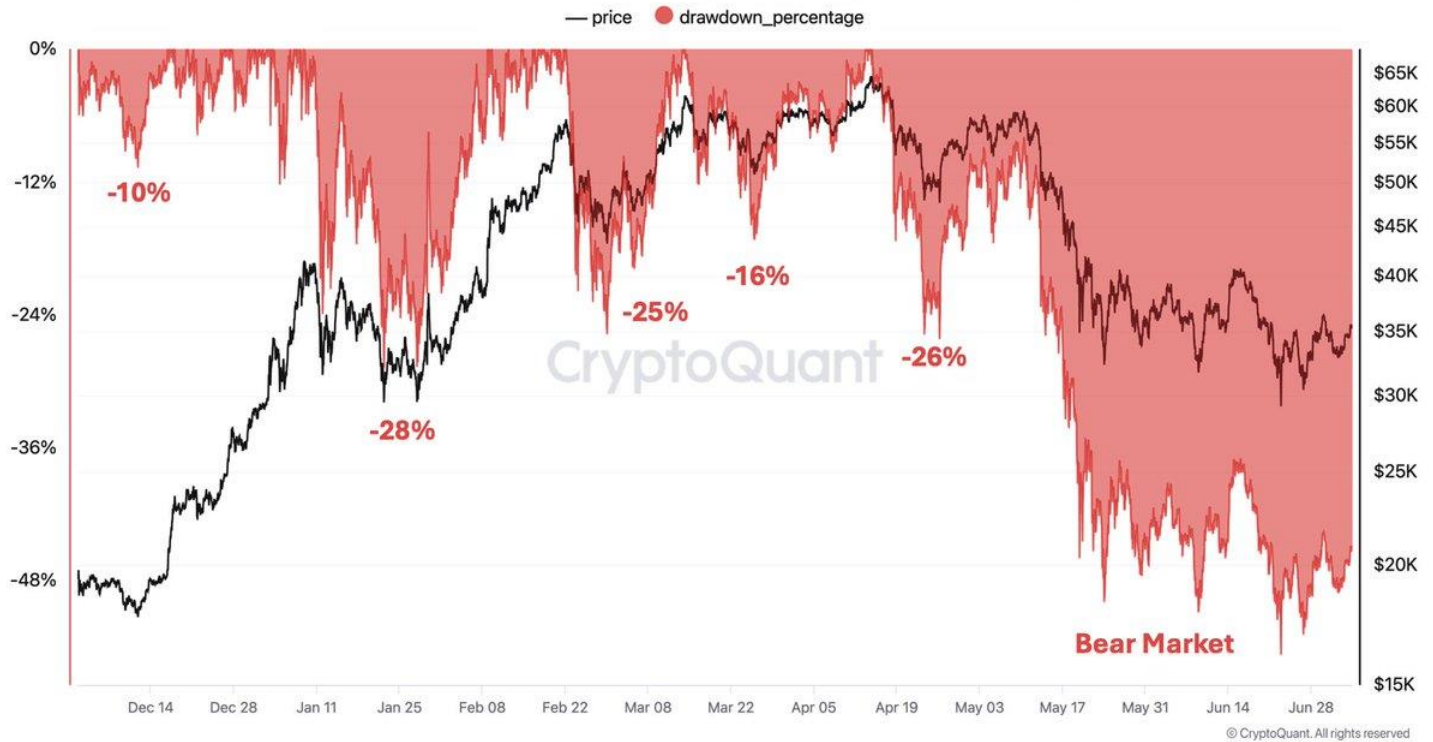


Data source: FMRCo, Bloomberg, Haver Analytics, FactSet. Data as of 11/17/2024. Past performance is no guarantee of future results. Model forecasts are for illustrative and educational purposes only and should not be construed as prediction or projection of future value or a recommendation.



Ki Young Ju: Even in a parabolic bull run, Bitcoin can see -30% pullbacks. Such corrections repeatedly occurred during the 2021 price discovery from 17K to 64K. This isn't a call for a correction – just manage your risk and avoid panic selling at local bottoms. We're in a bull market... The Bitcoin market seems too early to call a bubble. The market cap hasn't increased significantly relative to cumulative on-chain capital inflows. Based on the current realized cap, it could rise to \$141K. The realized cap has been steadily increasing every day.

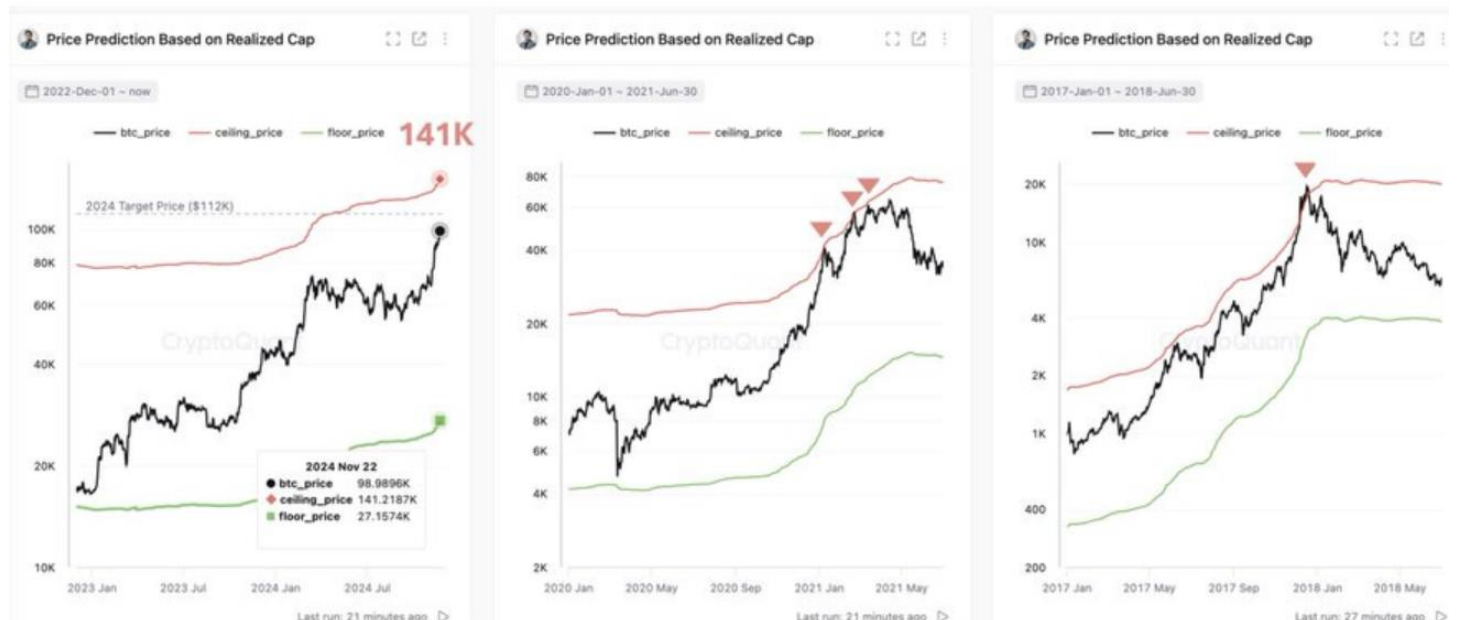
BTC: Drawdown from ATH during the 2021 price discovery phase



2024

2020

2017



Dan Morehead: Pantera Bitcoin Fund Hits 1,000x...

Pantera Bitcoin Fund recently achieved an insane milestone – 1,000x.

The post-election surge has taken the fund a further 30% higher. The Fund's lifetime return is now 131,165% (net of fees and expenses).



I wanted to share the original logic – as it is equally compelling to me today.

From: Dan Morehead

Sent: July 5, 2013

Subject: VERY TIMELY: We Should Buy Bitcoin NOW @ \$65

The forecast bitcoin washout happened – very quickly. Bitcoins are now trading at \$65 /BTC – exactly half the price they were trading at our first meeting on May 28th. I think we should buy aggressively now.

Brief thoughts:

- The market cap of all bitcoins ever created (and probably 10-25% have been lost or destroyed) is now \$740 million.
- On May 28th, \$20mm would buy 156,000 bitcoins. Now it will buy 308,000.
- ...the price is going WAY UP. It's going to squeeze up like a watermelon seed.

I'm going to buy 30,000 bitcoins this weekend with personal money.

The Fund can have this purchase or not, as others wish.

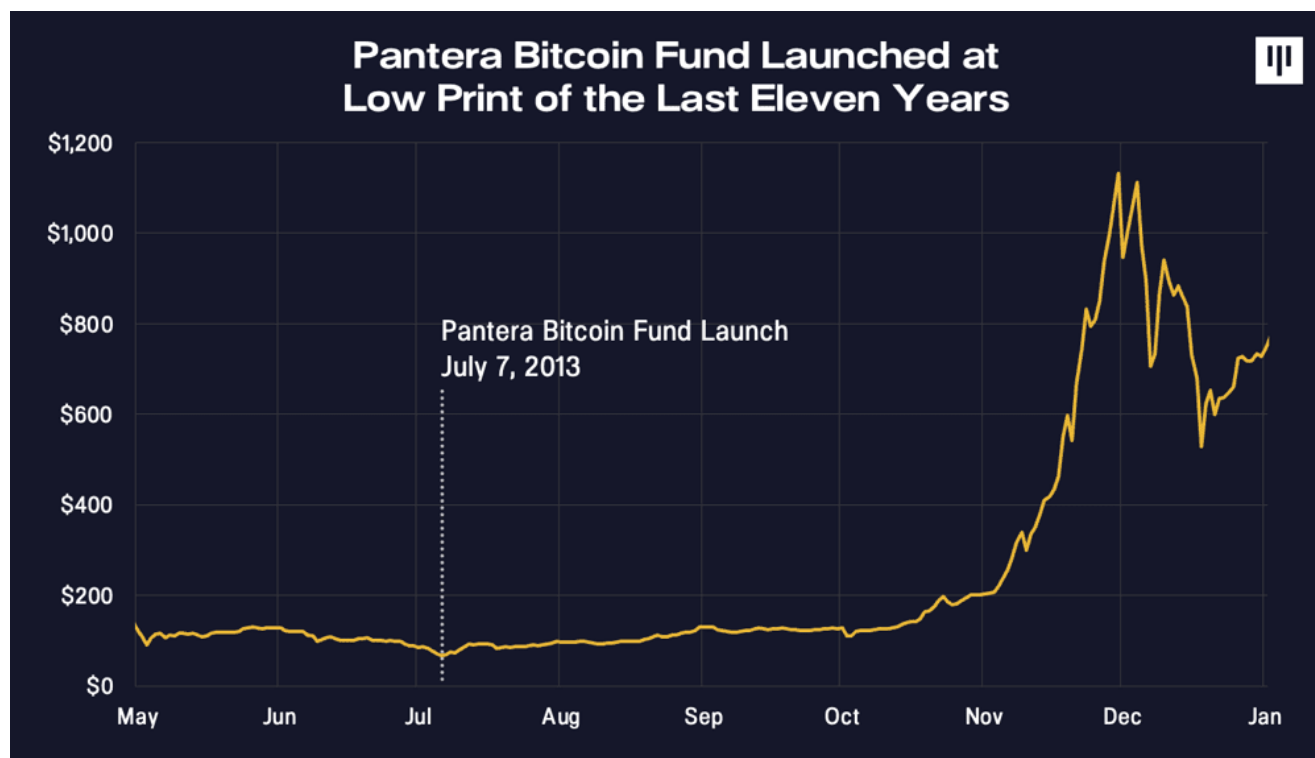
I just want to get involved.

Dan

DAN MOREHEAD
CEO

P A N T E R A

The day we chose to launch Pantera Bitcoin Fund was literally the low print of the last eleven years.



That first investment memo still reads well.

In 2013 we bought 2% of the world's Bitcoins.

Even after eleven years, Bitcoin is ****still**** squeezing up like a watermelon seed.

Honestly, I just can't help thinking that we still have many more years of very compelling returns.

GOLD IN 1000 BC

The core of my view was written a month later:

"I was discussing Bitcoin with an investor yesterday and he replied somewhat dismissively 'It's just like buying gold'. No, it's like buying gold in 1000 B.C. 99% of the financial wealth has yet to address Bitcoin. When they do, Bitcoin is either going to be worth zero or [up orders of magnitude]."

As an industry, we've made some progress. Now it's something like "only" 95% of financial wealth has yet to put their full-sized position on.

The catalyst for the change – from 5% in 2024 to a much higher number – just happened: regulatory clarity in the United States. Massive institutional managers like BlackRock, Fidelity, and others are now offering incredibly cheap, efficient access to anyone with a brokerage account. This new ease of access will finally allow tens of millions of investors and individuals to get exposure to this important new asset class.

We believe the broader industry will benefit greatly from the first pro-blockchain US president in office. In our view, blockchain's success is in the best interest of the nation and we believe everyone in Congress will eventually adopt a neutral or pro-blockchain stance – it's beginning to happen. Blockchain's 15-year regulatory headwinds are now turning into tailwinds.

I still passionately believe what I wrote eleven years ago:

From: Dan Morehead
Sent: August 21, 2013
Subject: Bitcoin Forecast V

Bitcoin Enthusiasts,

I wanted to share my strong conviction that bitcoin is about to melt-up. (Much of the logic is in the previous emails.) I recognize that by normal securities market standards this statement sounds insane: I believe bitcoin will explode through \$200 within the next 6-8 weeks.

I was discussing bitcoin with an investor yesterday and he replied somewhat dismissively "It's just like buying gold". No, it's like buying gold in 1000 B.C. 99% of the financial wealth has yet to address bitcoin. When they do, bitcoin is either going to be worth zero or \$5,000 /BTC. The current market price of \$100 implies only a 2% chance bitcoin succeeds. I think it's north of 50% chance that the world adopts a global currency/payment system in which free cryptography replaces the very expensive "trust" charged by banks/VISA-MasterCard/Western Union/PayPal/etc. Bitcoin dominates cash, electronic fiat money, gold, bearer bonds, large stone discs, etc. It can do all of the things that each of those can. It's the first global currency since gold. It's the first borderless payment system ever.

If you plan to invest/invest more in bitcoin, it's my opinion that "now" is better than "later". For those that have a "half position" on now, I sense two possible scenarios a year down the road:

- We split a bottle of wine over good stories of how the Bitcoin project seemed so promising but shit, it just didn't work. We're each out a small fraction of our net worth. No tears.
- If it's trading at \$5,000...might need something stronger than wine to erase the feelings of regret.

Please let me know if and when you plan to invest. We can cut a NAV daily if needed.

Regards,

Dan

DAN MOREHEAD
CEO

P A N T E R A

"I think it's north of 50% chance that the world adopts a global currency/payment system in which free cryptography replaces the very expensive 'trust' charged by banks/VISA-MasterCard/Western Union/PayPal/etc. Bitcoin dominates cash, electronic fiat money, gold, bearer bonds, large stone discs, etc. It can do all of the things that each of those can. It's the first global currency since gold. It's the first borderless payment system ever."

[With Bitcoin at \$104]

From: Dan Morehead
Sent: November 6, 2013
Subject: Bitcoin Melt-Up

Quick note for those thinking about timing entry:

I helped Pantera Bitcoin Fund execute a million dollars overnight. The buying pressure on bitcoin was intense. Bitstamp's 30-day volume is 4x what it was in July. Their overnight volume set a new record \$13mm – 10x a typical day in a few months ago. They, MtGox, and BTCChina each have done \$13mm overnight. The total market is rallying on \$50mm volume. In July bitcoin averaged \$5mm per day.

...In my opinion, it's like deciding whether to buy Microsoft back in the day at \$0.20 a share. It was hard to do when the stock was just at \$0.10. In the fullness of time...clearly a great trade. I believe bitcoin right now is just like that. The world's first global currency since gold and the world's only borderless payments system (frictionless to boot) at a market cap of \$3bn? Now that the Silk Road is gone, a new wave of sophisticated investors is entering.

It feels like it's happening.

A melt-up which could be orders of magnitude.

Regards,

Dan

DAN MOREHEAD
CEO

P A N T E R A

That's still exactly how I feel. We're still early. 95% of financial wealth has not addressed blockchain. They are just beginning this massive transformation now. When they do, Bitcoin might be at something like \$740,000 /BTC.

[With Bitcoin at \$254]

From: Dan Morehead
Sent: November 6, 2013
Subject: Bitcoin Melt-Up

Quick note for those thinking about timing entry:

I helped Pantera Bitcoin Fund execute a million dollars overnight. The buying pressure on bitcoin was intense. Bitstamp's 30-day volume is 4x what it was in July. Their overnight volume set a new record \$13mm – 10x a typical day in a few months ago. They, MtGox, and BTCChina each have done \$13mm overnight. The total market is rallying on \$50mm volume. In July bitcoin averaged \$5mm per day.

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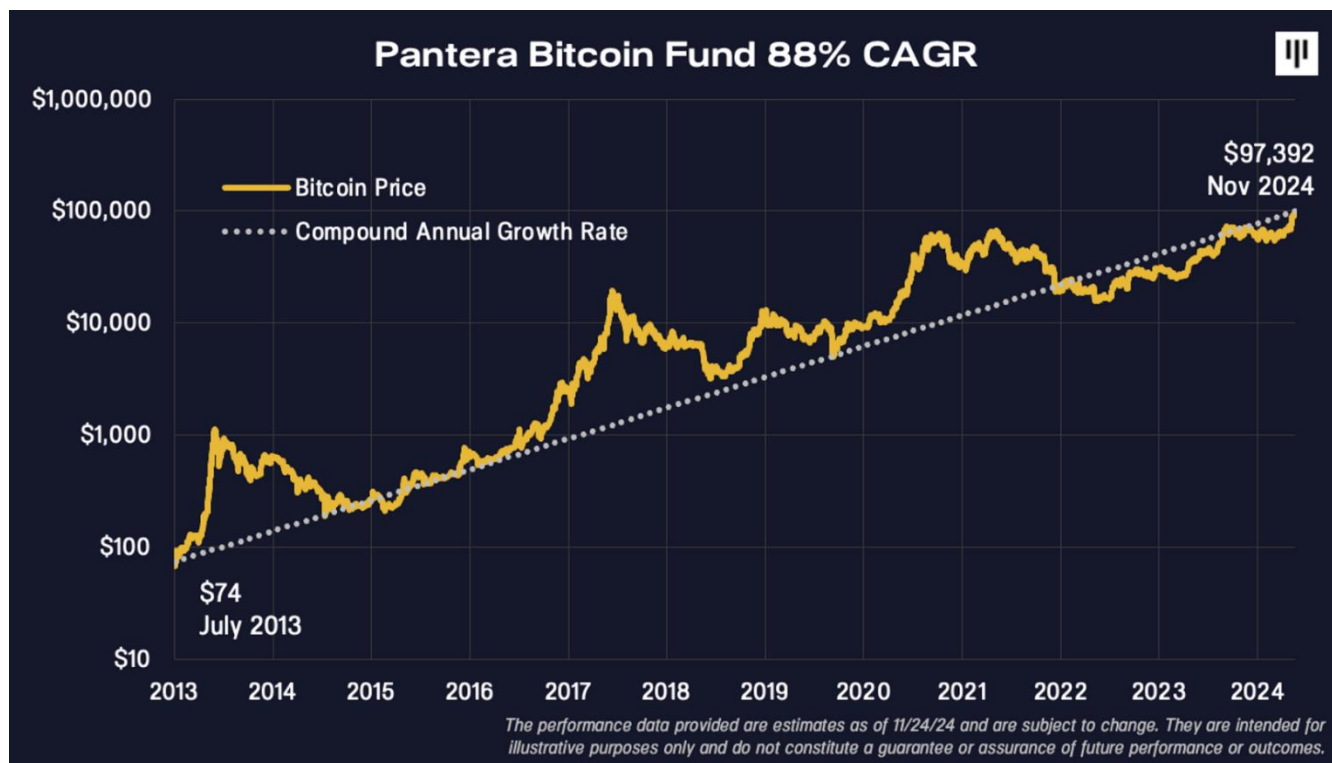
P A N T E R A

The market did melt-up. It was at \$1,000 in less than a month – and now three orders of magnitude higher.

11-YEAR CAGR OF 88%

I can imagine an investor thinking: “Bitcoin has doubled this year. Well, I guess I missed it.” and giving up.

No, that's the wrong mindset. On average, it almost doubles ****every**** year. The compound growth rate since we launched the fund eleven years ago is 88%.



ORDERS OF MAGNITUDE

It's already done three orders of magnitude. Another one seems plausible. If and when Bitcoin gets to \$740,000 /BTC, that's a market cap of \$15 trillion. Not an inconceivable number, relative to \$500 trillion in financial assets.

While the past does not necessarily predict the future, if the trend were to continue, Bitcoin would hit \$740,000 in April 2028.

I think it will take a few years longer, but I do think there's a decent chance of doing so.

That's been my mentality: I wouldn't bet my life on it, I'm not 100.00% sure blockchain assets will go up, but when you multiply the chance it goes up times the order of magnitude or more the industry is potentially going to go up – the result ends up being way better than other assets one could invest in. The expected value of the trade is the most compelling I have seen in almost forty years of doing this.

ARK Invest: The BITCOIN Act Gains Momentum After Trump's Victory...

In August, ARK Disrupt featured Senator Cynthia Lummis' initiative¹ to introduce the BITCOIN Act – also known as the "Boosting Innovation, Technology, and Competitiveness through Optimized Investment Nationwide Act of 2024" – which would establish a Strategic Bitcoin Reserve (SBR). To support the SBR, the US Treasury would safeguard the Bitcoin with a decentralized network of secure storage facilities across the United States.

Donald Trump's presidential election victory and the surge in Bitcoin's price to an all-time high have bolstered interest in the BITCOIN Act. President-elect Trump's focus on the bold actions necessary to secure America's economic and technology dominance includes adding Bitcoin to the national reserve.

The BITCOIN Act includes a plan to acquire up to one million Bitcoin over a five-year period, capping the purchases at 200,000 per year. At today's price of ~\$100,000, the program would cost ~\$100 billion. The Treasury would hold the Bitcoin for a minimum of 20 years and then sell them to help pay down the Federal debt.

To fund the Bitcoin purchases, the Act proposes reallocating the Federal Reserve's (Fed's) surplus funds and adjusting the valuation of the Fed's gold certificates ~60-fold from ~\$42.2 in book value per ounce to its current ~\$2,500 market price. Senator Lummis has suggested that the US consider selling a portion of its gold reserves to finance the SBR and diversify US reserves.

Other legislative moves are taking shape to support the diversification of reserves, increasing the odds that the US SBR will be approved. Pennsylvania, for example, has passed⁶ the Bitcoin Rights Bill that will create a state-level SBR, setting a bold example for other states to follow. As of Nov. 22, Polymarket gave the Federal SBR a 33% chance of passing through the legislative process.

Hut 8 CEO Asher Genoot teased the idea of adding to the company's Bitcoin stash...



Summary and conclusion from Glassnode’s “The Week On-Chain” from 11/26/24. (Read the full report, [here](#).)

Supported by surging price action, Long-Term Holders are meaningfully distributing coins, locking in a substantial \$2.02B in profit. This has created an overhang of supply that must be absorbed to accommodate sustained increases in price.

When evaluating the composition of which entities are spending, the majority of this sell-side pressure appears to originate from coins aged between 6 months and 1 year. This underscores the potential for further distribution from older entities who require a higher price to part with their coins.

Conclusion from Coin Metrics’ “State of The Network” weekly report from 11/26/24. (Read the full report, [here](#).)

MicroStrategy’s bold approach highlights Bitcoin’s potential as a corporate reserve asset. By leveraging its large Bitcoin chest, the company has amplified its market performance, establishing itself as a unique proxy to BTC. However, this strategy carries inherent risks tied to Bitcoin’s price volatility and the sustainability of equity premiums, warranting closer attention as market conditions evolve.

MicroStrategy’s model could inspire broader adoption – not only among corporations but potentially at the sovereign level, further cementing Bitcoin’s role as a store of value and superior reserve asset.

Blockworks updated key metrics...

Total Crypto Market Cap	\$3.58 T
Bitcoin Market Cap	\$1.92 T
Ethereum Market Cap	\$444.59 B
ETH/BTC Ratio	0.04
Ethereum Gas Price	10.02 gwei
DeFi TVL	\$221.66 B
Fear and Greed Index	81 (Extreme Greed)

FCA finds crypto ownership, according to its latest research on consumer attitudes and behaviors, continues to rise as it delivers plans to regulate crypto...

- 12% of UK adults now own crypto, up from 10% in previous findings.
- Awareness of crypto also rose from 91% to 93%.
- The average value of crypto held by people increased from £1,595 to £1,842.
- Only 1 in 10 people say they did not do any research before buying crypto. (Information from family and friends was the most common source of information for those who had never bought crypto.)

- Around a third of people said they believed they could raise a complaint with the FCA if something went wrong and were seeking recourse or financial protection.

Arca: Bull Markets are Harder Than Bear Markets...

Bull markets are way harder to invest in than bear markets. It's so tempting to sell when a token gains 50-100% in a week, and it's even harder to buy after a token rises that much if you missed it. The liquidity of these tokens, and visible price moves, may actually be damaging investors' abilities to process the moves objectively, and on longer time frames. In a bear market, you ration your cash, spend weeks or months investigating opportunities, and deploy money slowly into investment ideas that have plenty of time to germinate. In bull markets, you often have to make decisions in hours, with less information, higher opportunity costs, and hundreds of distractions, including other traders tripping over themselves to buy tokens you haven't even heard of, with leverage.

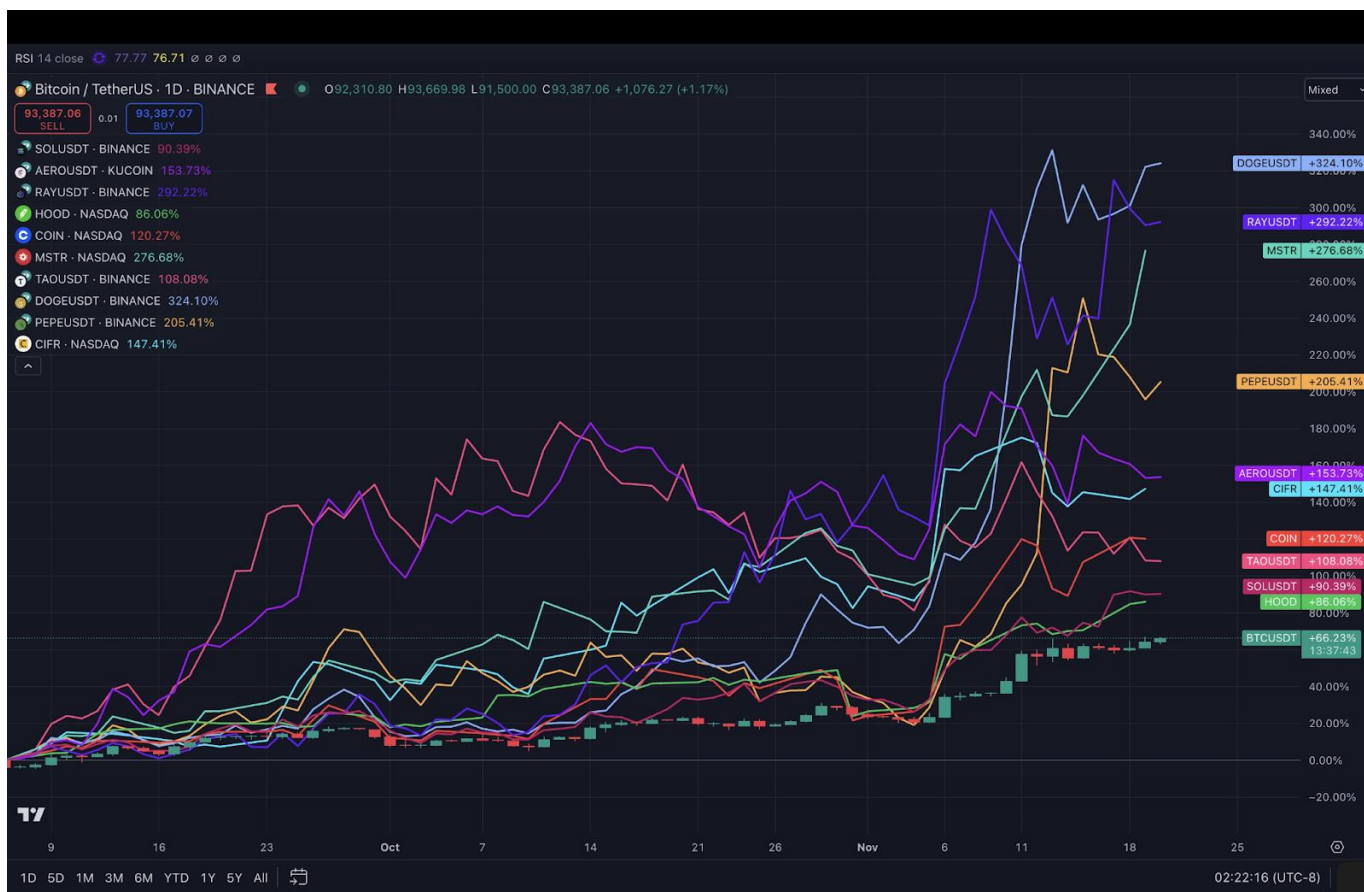
I often think about the difference between credit and equity investors to understand market psychology better. Credit investors have asymmetric downside as their gains are capped but their potential losses are large, whereas equity investors have known downside and unlimited upside. That risk/reward backdrop alone often makes credit investors more defensive and makes equity investors more aggressive. It's much easier for credit investors to invest in a bear market when they can point to depressed valuations. In contrast, equity investors thrive in bull markets and can seemingly justify any move higher. Digital asset investors are, therefore, the ultimate bull market investors, as there is seemingly no price too high given the potential upside and no real way to kill a bad project through bankruptcy, but also far fewer agreed-upon valuation anchors.

In August 2020, we discussed a similar insane rally (it turned out not to be that silly as the market has rallied much more since). In March 2024, we discussed a similar insane rally (once again, it turned out not to be that silly as the market has rallied much more since). And here again today, we'll discuss another rally in digital assets that seems silly but may once again prove to be just the beginning.

So, let's check in on where we are in this crypto rally. The market has been yelling for 3 months (beginning September 6th), what the ideal portfolio construction should be:

- BTC
- SOL
- Blue Chip Memecoins
- SOL ecosystem tokens
- Base Ecosystem tokens
- Crypto Equities
- AI Tokens
- A few newer tokens that the market has latched onto (i.e. SUI)

Up until this past week, these have been the consistent winners. A select few are shown below:



Source: TradingView

The market has also been very clear about what not to own:

- ETH
- Any of the seemingly endless number of ETH Layer 2 tokens
- ETH DeFi
- DePin
- Gaming
- NFTs

If you have tried to trade any of these laggards, you know there has been almost no consistent daily demand for tokens in these sectors.

And all of this, for the most part, made sense, even if only in retrospect. You could certainly justify the following:

- BTC = credit default swap: on continued deterioration of trust in banks and governments, including inflation and runaway debt
- ETH = Blackberry: Slow, outdated (or maybe Microsoft – better for Enterprise, not for consumers, but we have no real enterprise demand yet)
- SOL = iPhone: 10x faster than Blackberry, way better UX, more apps, social consensus
- Memecoins = the equivalent of trading daily options, and a middle finger to Wall Street and society

- SOL and BASE: growth engines. As measured by organic (non-incentive driven) growth, have been the two fastest growing chains (honorable mention SUI)
- AI Tokens: Rising star of blockchain integration. AI has been dominating attention since the rise of GOAT, and now we have hundreds of AI Agents spawning every day (perhaps we'll write about the rise of AI agents next week)

Anyway, as I said, up until the past 2 weeks, this all made some sense. And then the silly season began:

- Ripple (XRP) +183% MTD
- Cardano (ADA) +212% MTD
- Stellar (XLM) +483% MTD
- Hedera (HBAR) +209% MTD
- The Sandbox (SAND) +231% MTD

The list of tokens with ridiculous monthly moves higher goes on and on. Coinbase is once again the #1 finance app. Trading is gambling again. People I haven't spoken to in 3 years are texting me asking if they should keep "fill in the blank" token, many of which I've never even heard of. Many tokens that have not had a pulse since 2021 are back en vogue. Remember Decentraland (MANA)? +147% MTD. How about VeChain (VET)? +104% MTD. Does Enjin (ENJ) still exist? Sure does, I guess, +104% MTD. Surely IOTA must be dead right? Nope, +104% MTD. EOS is definitely dead (+94% MTD). Basic Attention Token (BAT) hasn't been used since 2019... +82% MTD. Axie Infinity (AXS), 2021's crash and burn artist, +72% MTD.

We've had no less than 20 full-time employees at Arca for the past 4 years, working around the clock to understand tokenomics, sector growth, and future applications of blockchain technology, and few, if any of those mentioned above have warranted more than 5 minutes of discussion over the past three years, based purely on any visible metrics of adoption, growth or cash flows. At the same time, any one of these could easily resurrect themselves and become important again. The tokens will continue to trade no matter what happens to the team / project, and it's essentially impossible for any of these protocols to file for bankruptcy. Smart contract platforms are, in very basic terms, just app stores. They are blank canvases. As long as the blockchain produces blockspace, even if the app store is empty today, there's nothing stopping developers and companies from deciding to build the apps of the future on these chains. Decentralized apps can be a ghost town for years, and then all of a sudden, users come back, and the flywheel starts up again. Said another way, most of the protocols and apps in this space are more "what could be" than "what has happened", and there's a lot of hope that "fill in the blank project" will be one of the ultimate winners.

Am I predicting this will happen to the ones mentioned above? No. Would I be shocked if it did? Also no. This is what makes investing in a crypto bull market so difficult. Some legitimate blockchain projects are growing and increasing their value proposition, and anyone would agree with this if they looked at various metrics. There are others that no matter how you look at them, you're still left clueless. Often, price attracts users rather than the other way around. I mentioned Sandbox (SAND) above – a once-hot metaverse startup with incredibly large VC backing in 2020 and 2021 that has been virtually dead for years. Daily wallets just went from 100 per day to 7000 last week, which sure sounds like a lot of growth, but in reality, that's going from flatline dead metrics to now only "mostly dead". But there is a pulse, at least.

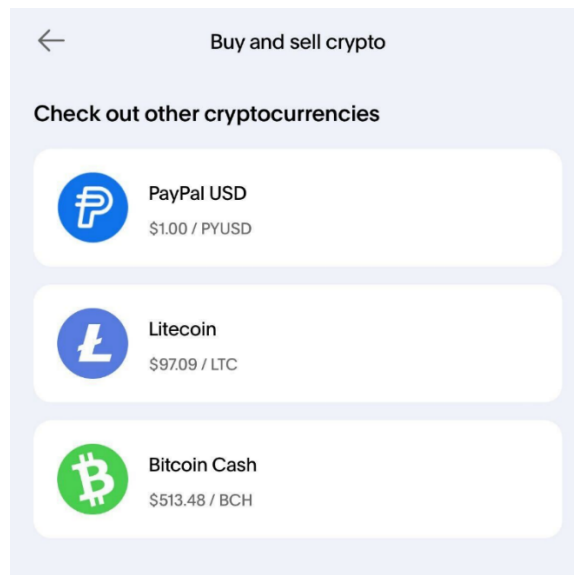


Source: DappRadar

So how the hell are you supposed to invest in a space with seemingly infinite tokens to choose from and no real rhyme or reason for why many of them are flying higher recently? As our friends at Bitwise Asset Management suggested recently, one solution is passive index investing:

“As an investor, you’re faced with two options. You can try to pick and choose the winners, researching dozens of different blockchains and their unique tokenomics and fundamental drivers. Or you can bet the field, buying a diversified index fund that holds the leading assets on a market-cap-weighted basis.”

And that’s certainly one option. However, the issue here is with “market-cap weighted.” It’s hard, using any sort of actual investment framework, to justify the prices of the majority of the Top 25 by market capitalization, which essentially means index weighting is just perpetuating a broken system of buying legacy tokens with no value proposition. This is no different than those who still buy Litecoin (LTC) or Bitcoin Cash (BCH) just because they were grandfathered onto so many platforms in the early days. Thanks for the great set of investment options, PayPal!



Source: PayPal

Another logical answer is active management (which, disclaimer, Arca focuses on). This is another viable choice if you want to at least have a rationale for the investments that you own. But it's no secret that most actively managed funds have underperformed Bitcoin since the middle of 2023. While that's the equivalent of comparing a small-cap equity manager to Nvidia, it is the standard that many in this space are held to, and many active managers have exhibited major style drift trying to keep up with the memecoins and high flyers.

Which leaves the third option that many investors have chosen – just ignore this space completely. And, well, that certainly hasn't been the right answer either. We'll let Rick Wurster, incoming CEO of Charles Schwab, tell you how that plan has gone:

"I have not bought crypto, and now I feel silly."

And he should feel silly. The technology, and the crypto investment landscape, is real. But at the same time, we certainly understand the trepidation and confusion and understand many who feel paralyzed by the inability to separate signals from noise. There are no barriers to entry in this industry, and everything from legit growing companies to outright scams gets the same coverage and airtime.

Bull markets are hard. But make no mistake, we are in one. There are decades where nothing happens, and there are weeks where decades happen. The political, regulatory, and sentiment shift post-election is the biggest positive event in the industry. Which means both real growth and nonsensical growth will continue. Whether or not your investing strategy is the right one is challenging to know in real-time. But it has been pretty well established that no allocation at all is the wrong choice. Separating the wheat from the chaff has never been more challenging.

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

- Stablecoins Trading Volume on Track for Record Yearly Highs: The monthly trading volume for stablecoin trading pairs on centralized exchanges grew by an impressive 77.5% to \$1.81tn as of November 25th. If the current pace continues, trading activity on centralized exchanges is set to surpass the previous yearly highs recorded in March. USDT continues to dominate trading activity, accounting for 82.7% of total volumes. FDUSD and USDC follow, with 9.01% and 8.09% market share, respectively.
- TetherUSD (USDT) Market Cap Continues to Hit New Highs: In November, the market capitalization of TetherUSD (USDT) rose by 10.5% to \$133bn, marking another all-time high for the stablecoin. This increase represents the fifteenth consecutive month of growth in USDT's market cap. USDT's market dominance currently stands at 69.9%. The market capitalization of USD Coin (USDC) also rose in November, climbing by 12.1% to reach \$38.9bn, marking its highest level since February 2023.
- MiCA-Compliant Stablecoin Developments Continue: Major stablecoin issuers are entering the MiCA-compliant Euro stablecoins sector - with Tether investing in Dutch firm Quontoz to issue EURQ and Paxos acquiring Finnish EMT institution Membrane Finance. In November, Euro stablecoins saw their market cap fall by 11.4% to \$256mn. However, the trading volume for EUR stablecoin pairs rose by 52.9% to \$657mn.
- Ethena Labs' USDe Sees Strong Growth: The market capitalization of Ethena Labs' USDe rose sharply by 42.2% in November, reaching a new all-time high of \$3.86bn. This surge in demand for the stablecoin coincided with heightened interest in the Ethena ecosystem, following the foundation's proposal to activate revenue sharing for ENA token holders on November 15th. The stablecoin's appeal is further supported by its competitive APY, which currently stands at 21.2%, however, this is a decline from its peak of 55.9% in March.

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

- Bankrupt crypto lending platform Celsius is set to make its second round of distributions to creditors. In a Nov. 27 court filing, Celsius bankruptcy estate said \$127 million available from the litigation recovery account would be paid out to creditors across classes 2, 5, 7, 8, and 9. These include those with claims ranging from retail borrower/depositors, general earn, withhold, unsecured loans, and general unsecured brackets. Based on eligibility, creditors will receive payouts either in Bitcoin or US dollars.