



HYPERION DECIMUS

# CRYPTO NEWSLETTER

POWERED BY WEEKLY CRYPTO BRIEF

5<sup>th</sup> January 2025

## BITCOIN-RELATED



**Bitcoin turned 16 years old. (Satoshi Nakamoto, the creator of Bitcoin, mined the first Bitcoin block on Jan. 3, 2009. This “genesis” block followed the release of a Bitcoin whitepaper on October 31, 2008, which laid its foundation.)**

**El Salvador reached a milestone of holding 6,000 BTC in its reserves, making the country sixth among the top government holders of Bitcoin globally.**

**A proposal for the Swiss National Bank to hold Bitcoin, was set in motion in an initiative published by the Swiss federal chancellery.**

**Hong Kong lawmaker Wu Jie urged the city-state’s government to consider integrating Bitcoin into its fiscal reserves.** A local media outlet reported that Wu proposed that the Hong Kong Special Administrative Region explore the inclusion of cryptocurrencies in its fiscal reserves and leverage foreign exchange funds to acquire and hold digital assets over the long term.

**The Syrian Center for Economic Research presented a proposal for the transitional government to legalize Bitcoin and digitize the Syrian pound in a bold strategy to address the country’s economic crisis.**

**\$1.5 trillion Franklin Templeton said: “We expect to see strategic Bitcoin reserves added by several nations.”**

**On Dec. 31, there was a 74% chance that a new country buys Bitcoin in 2025, according to Polymarket.**

**MicroStrategy purchased an additional 2,138 Bitcoin worth \$209 million, its eighth consecutive weekly buy.** The company now owns a total of 446,400 BTC, worth ~\$41 billion.

**Genius Group – a leading AI-powered, Bitcoin-first education group – announced an additional \$10 million purchase for its Bitcoin Treasury, bringing its total holdings to 319.4 Bitcoin, valued at \$30 million.**

**Hong Kong-listed company Yuxing Technology announced on Jan. 1 that in a series of transactions between July 25 and Dec. 31, it purchased 78.2 Bitcoins for a total value of ~\$6.3 million.**

**Tether transferred 7,629 BTC, valued at ~\$705 million, from Bitfinex's hot wallet to its strategic Bitcoin reserve address on Dec. 30.** Around two hours later, it transferred another 775 BTC to the reserve address. The addition to Tether's reserve, its largest in nine months, takes the stablecoin issuer's total Bitcoin holdings to 83,759 BTC.

**\$9.5 billion financial services company Unchained helped its clients secure over 100,000 Bitcoin in 2024.**

## INDUSTRY ADVANCES



**Morgan Stanley's crypto subsidiary E-Trade is preparing to offer crypto trading, according to The Information** reported on Jan. 2, citing two people familiar with the plans. However, before launching such a service, E-Trade would need approval from key regulators, including the Federal Reserve. (Its parent company is a bank holding organization, so it falls under the central bank's oversight.)

**Garanti BBVA Kripto, a Turkish custody platform that is part of Spanish banking giant BBVA, will** soon enable crypto trading services, signaling a broader push by European banks to embrace cryptocurrency offerings under MiCA regulations.

**Digital assets platform MoonPay said it was among the first companies approved under Europe's** cryptocurrency regulation. The company secured approval to operate as a licensed crypto business in the Netherlands under the EU's MiCA bill.

**KuCoin introduced a feature for merchants to allow customers to pay for purchases directly from** their account on the crypto exchange. Merchants can integrate the tool, called KuCoin Pay, into their payment systems. Customers pay by scanning a QR code or using the KuCoin app, the exchange said in a press release.

**Blockchain developer Kartik Patel launched Anon World, a social platform built on Farcaster,** introducing a Reddit-like community interface that supports community discussions while maintaining user anonymity.

**AI agent project Ai16z (unrelated to the similarly named VC firm) is considering adjustments to its** tokenomics and may launch a Layer-1 blockchain tailored for AI applications. In Q1 2025, ai16z plans to introduce a token launchpad for deploying AI projects, using its native token as the base currency.

**Pi Network, a rapidly expanding blockchain platform, introduced a major update ahead of its Open** Network launch in Q1 2025. The platform now offers access to 20 Mainnet Pi apps through the Ecosystem Interface in the Pi Browser, with newly launched apps allowing Pioneers to engage in real Pi transactions for goods and services, shifting away from the Testnet apps that had previously been used for testing purposes. With the update, Pioneers can directly interact with fully operational apps involving the exchange of real Pi.

## MINING



**HIVE Digital Technologies, a global leader in digital asset mining and AI computing solutions,** announced a strategic relocation of its head office from Vancouver, Canada to San Antonio, Texas, and a transition to US GAAP Reporting.

**Foundry USA Pool – the largest Bitcoin mining pool by hash rate – recently took action to return an** 8.18 BTC transaction fee, worth ~\$777,000, that had been accidentally overpaid. The error occurred on Dec. 19 during the mining of block 875475, which included a transaction with a fee 91,127 times higher than what was needed.

## ETPS (EXCHANGE-TRADED PRODUCTS), FUNDS & INDEXES



**US spot Bitcoin ETFs saw net inflows of more than \$4.5 billion in December, lower than November's** all-time high of over \$6.6 billion. (BlackRock's US spot Bitcoin ETF saw its biggest-ever single-day exodus of funds, as investors pulled \$332.6 million from IBIT on Jan. 2, according Farside Investors.)

**US spot Ethereum ETFs generated record inflows exceeding \$2 billion in December, nearly doubling** November's figure.

**ETF issuer Volatility Shares filed an application for ETFs based on Solana futures contracts on** CFTC-regulated exchanges, despite the fact that no Solana futures products are currently available to trade.

**The Indxx Bitcoin Reference Index was licensed as the underlying benchmark to Migdal Mutual** Funds as the underlying benchmark for the MTF (4D) Indxx Bitcoin Reference Index Fund, which listed on the Tel Aviv Stock Exchange on Dec. 31.

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



**Robert Le, an analyst at private-market research and data firm PitchBook, believes crypto VC** funding could exceed \$18 billion in 2025.

**Winna.com, a crypto-focused casino gaming platform that debuted this past summer, successfully** secured \$15 million in seed funding.

## IPOS, M&A, PARTNERSHIPS & DEALS



**Crypto merger and acquisition activity rose to 185 deals in 2024 but stayed below the 2022 peak,** signaling a cautious recovery in the sector.

**Crypto.com partnered with the UAE's Dubai Islamic Bank (DIB).** The collaboration is designed to expand the company's presence in the UAE and Gulf countries at large, with a focus on promoting Crypto.com's app and card via the bank's channels, "with reward-based campaigns for DIB's customers, and facilitating cryptocurrency payments via DIB's systems."

## DEFI



**HyperLiquid's native HYPE token staking launched on the decentralized exchange's mainnet,** marking a significant milestone for network security and community involvement. Stakers can delegate HYPE tokens to validators, with rewards and network security tied to the validators' performance and reputation.

**Stani Kulechov, the founder of DeFi lender Aave and decentralized social media network Lens,** shared plans to release a new set of contracts on Lens. The new features include ICOs, a new "flavor" of ERC-20 tokens, bonding curves, ERC-721 contracts, and point systems.

**Solana's restaking protocol, Solayer, introduced its LAYER governance token alongside a new foundation,** aiming to expand ecosystem growth and support advanced scaling solutions.

**SyncSwap V3 introduced "Range Pools," offering capital efficiency and customizable liquidity management alongside existing pool models like Stable and Aqua Pools,** cementing SyncSwap's position as a versatile DEX on ZKsync.

## CBDcs & STABLECOINS



**Dollar-pegged stablecoin USDT, issued by Tether, recorded its steepest weekly market cap drop** since the FTX collapse in November 2022 as the EU's MiCA regulation, for which USDT has yet to receive certification for MiCA compliance, comes into effect.

**Non-custodial lending platform Frax Finance approved BlackRock's BUIDL token as the backing for** its frxUSD stablecoin, integrating treasury management and blockchain transparency to enhance financial stability.

**Wirex added two new stablecoins to its digital payments platform. The integration of the VNX Euro (VEUR) and VNX Swiss Franc (VCHF) coins allows users to spend these currencies directly through their Wirex cards.**

**The Usual protocol saw a major sell-off of its decentralized stablecoin, USD0, triggered by a large whale transaction in the secondary market on Jan. 1. The sell-off caused USD0 to trade briefly at \$0.99, but it was able to fully recapitalize and regain its US dollar peg within a few hours.**

## NFTS, BLOCKCHAIN GAMING & METaverse



**NFT data tracker CryptoSlam showed that blockchain-based digital collectibles had a sales volume of \$8.83 billion in 2024. That surpassed 2023 NFT sales by over \$100 million (a 1.1% year-on-year increase).**

**The Crypto Times named its top 10 hottest games in 2024: 1) Hamster Kombat, 2) X Empire, 3) Rocky Rabbit, 4) Tomarket, 5) Pixelverse, 6) MemeFi, 7) CATS, 8) Dropee, 9) TapSwap, 10) Tapcoin.**

## JOB MOVEMENT



**Stuart Hoegner retired as General Counsel for Tether and Bitfinex, with Michael Hilliard now in sole charge of their legal operations.**

**Seraphim Czecker, the head of growth at DeFi protocol Ethena is stepping down amid a broader strategic shift for the entity.**

**Haiku stepped down as COO of the Milady-themed NFT launchpad and marketplace Scatter as of Jan. 1, stating that their “work is done” with the platform now in a strong and sustainable position. Scatter’s new COO, known pseudonymously as Three, was praised by Haiku as a capable leader and designer who will continue driving the platform's artist-first mission.**

**As the Ripple stablecoin, RLUSD, becomes publicly available, the company appointed several influential figures to its advisory board. Among the most prominent names is Raghuram Rajan, a former director of the International Monetary Fund (IMF).**

## REGULATIONS, RULINGS & COMMENTARY



**President-elect Donald Trump endorsed pro-crypto representative Mike Johnson to continue in the role of House Speaker, just days before lawmakers are set to decide on who will hold the position. (Johnson was given an “A” grade by the Coinbase-backed Stand With Crypto non-profit due to his**

support of the CBDC Anti-Surveillance State Act, deemed “somewhat pro-crypto,” and the FIT21 bill that's “very pro-crypto.”

**Incoming House Financial Services Chair French Hill (R-Ark.) tapped Allison Behuniak to be the panel's policy director.** Behuniak was previously staff director for HFSC's digital asset subcommittee.

**The Blockchain Association, the DeFi Education Fund, and the Texas Blockchain Council have filed a lawsuit against a new IRS rule affecting DeFi brokers.** (The rule, which was recently finalized, mandates DeFi brokers to collect and report users’ personal and trading data starting in 2027.) Critics argue that the rule imposes undue burdens on DeFi protocols and infringes on user privacy, potentially pushing DeFi technology offshore. The lawsuit claims DeFi’s nature exempts it from such reporting requirements and warns of a potential collapse of the industry under these regulations. (a16z Crypto also voiced strong opposition to the rule.)

**The IRS issued a temporary relief for a rule that would have defaulted crypto holders on centralized exchanges to a less-than-ideal accounting method.** The initial IRS ruling stated that if investors holding crypto assets with a CeFi broker don’t select their preferred accounting method, like FIFO or Spec ID, the broker will default to reporting sales using the FIFO method. (FIFO is the default method for calculating capital gains tax in the US.) It is calculated by assuming the oldest cryptocurrency bought is sold first, pushing up a taxpayer’s capital gains. Now, you won’t have to be locked into FIFO as before.

**China introduced stricter foreign exchange rules requiring banks to monitor and report risky activities,** including crypto-related cross-border transactions, by tracking user identities, fund sources, and trading frequencies.

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

**The T3 Financial Crime Unit, a collaboration between the Tron blockchain, stablecoin issuer Tether,** and blockchain intelligence company TRM Labs, said it has frozen a total of \$100 million of Tether's USDT used by illicit actors since the unit was formed in September.

**Losses from crypto hacks and scams sank to the lowest monthly level of 2024 in December, with \$29 million stolen,** a significant decline from earlier months, according to blockchain security firms.

**Malaysia’s securities regulator launched enforcement action against crypto exchange Bybit for** operating without proper registration, ordering the firm to suspend its website and trading platforms in the country.

**A new scam has been making the rounds mainly on YouTube. Security firm Kaspersky said in a security update:** “The scammers are impersonating beginners who foolishly share access to their crypto wallets, tricking equally naive thieves – who end up becoming the victims.”

**Fraudulent crypto tokens based on the “Squid Game” Netflix series have once again found their way into the crypto market as the show goes to air for a second season.**

**The infamous online thief Blockchain Bandit resurfaced after two years, moving 51,000 ETH worth** around \$172 million to a new multi-signature wallet (flagged by blockchain sleuth ZachXBT). The return of Blockchain Bandit raised fears that the consolidated ETH could be used to fund further exploits.

## MISCELLANEOUS



**Steno Research analysts wrote in a report that they forecast Ethereum to outperform Bitcoin in 2025**, citing historical trends and Donald Trump's US election victory. The report added: “2025 will witness institutional adoption of crypto on an unprecedented scale.”

**Pump.fun, a Solana-based memecoin launchpad, has deposited over 1.56M SOL (~\$317M) to Kraken**, with recent activity marking a decline from its November 2024 peak. On-chain metrics show decreasing trading volume, revenue, and Solana's economic value, reflecting a cooling period for the platform after significant earlier activity.

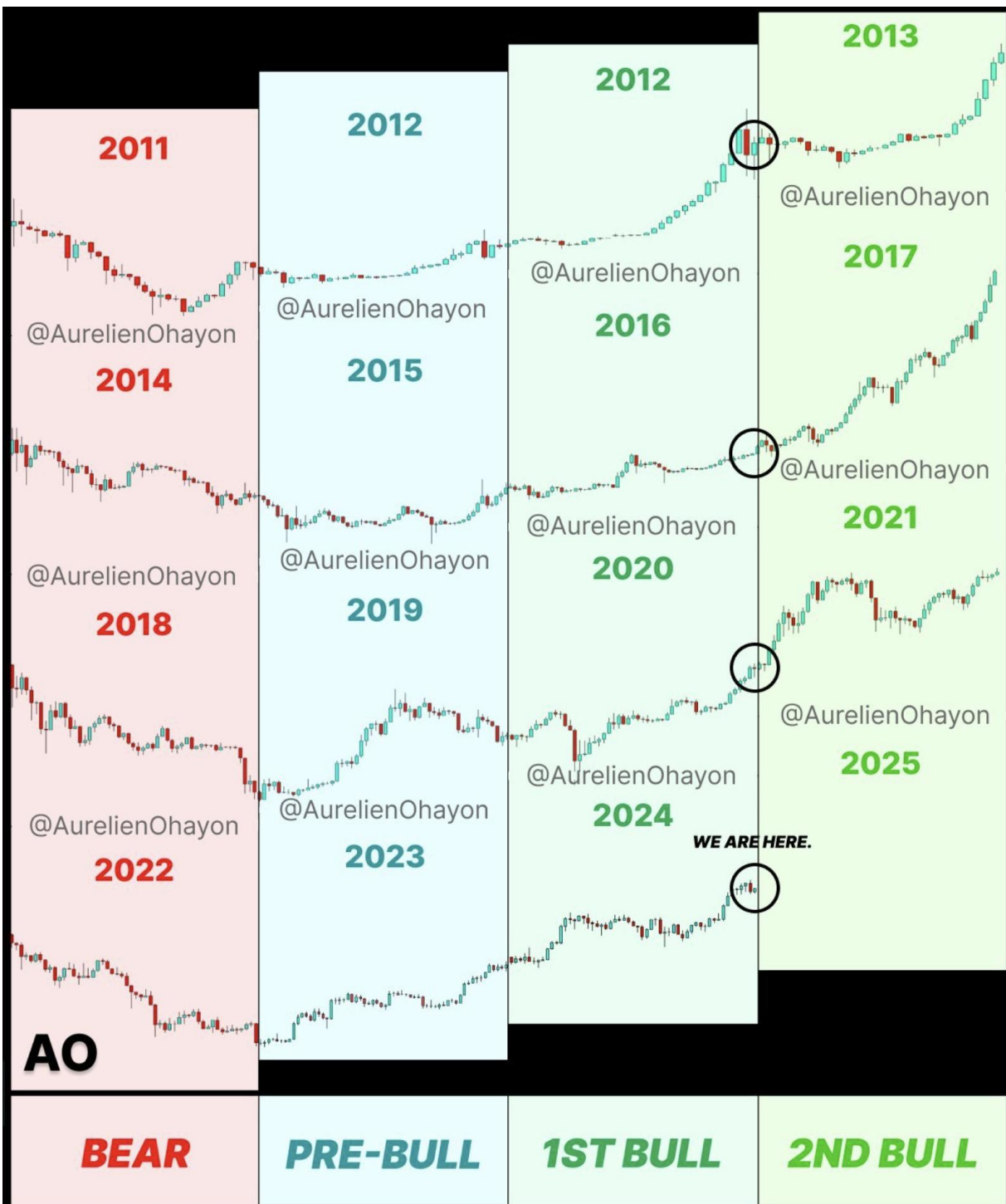
**Solana's Drift Protocol plans a second airdrop in May, leveraging its loyalty program to reward users** after achieving \$55 billion in trading volume and onboarding more than 200,000 traders.

**Tech CEO Siqi Chen helped to raise millions of dollars on Christmas Day for his four-year-old daughter, Mira**, whose diagnosis with a rare type of brain tumor inspired the creation of an eponymous Solana memecoin. A few days later, Chen claimed that he inadvertently orchestrated a rug pull in a token he created named ZERO, saying: “I am so sorry I messed this up so badly on behalf of the MIRA and Solana communities. I am committed to making sure mine and MIRA's integrity and mission is upheld” (vowing to make users whole with his personal funds).

**The long-running “Week in Ethereum” newsletter, which dates back to August 2016, is winding down**, citing diminished financial support from the Ethereum Foundation as the primary reason.

# CHARTS, TABLES, QUOTES, COMMENTARY & OTHER IMAGES

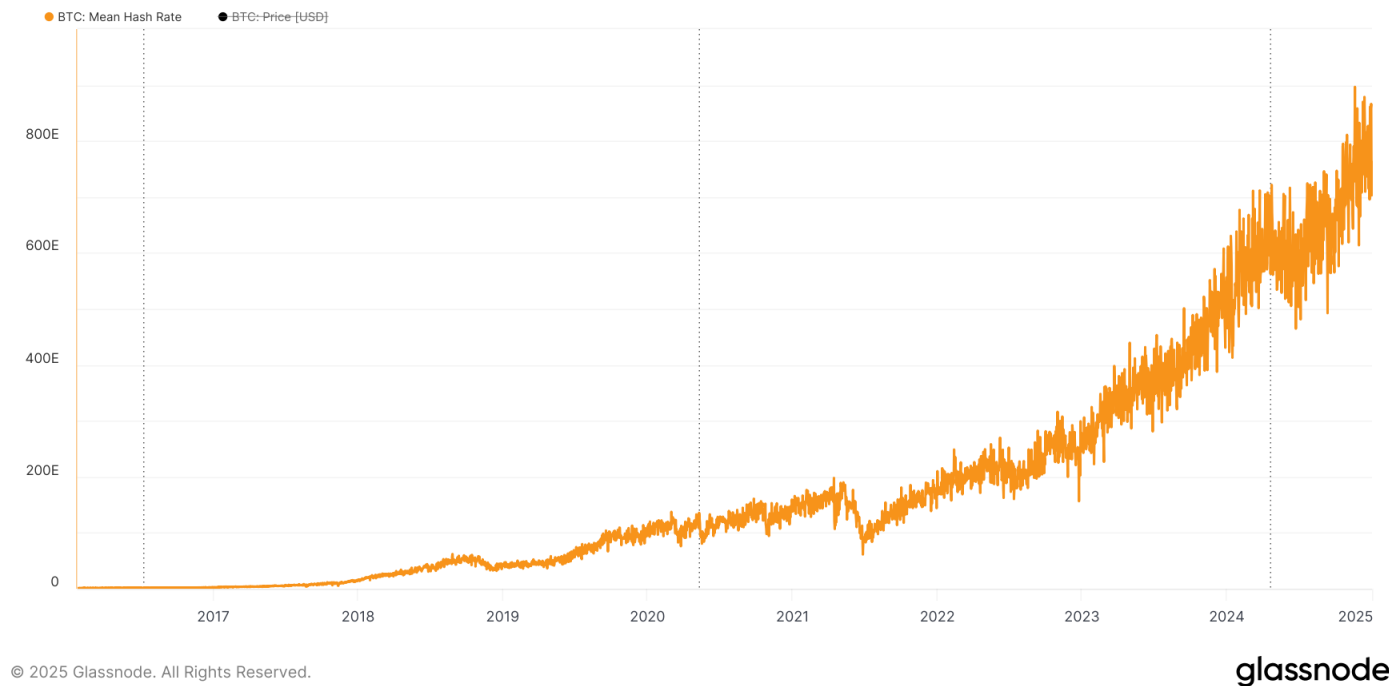
It's common in the Bitcoin community to say, "zoom out." That's because while Bitcoin's price movements look chaotic in the short term, over extended periods they fit within a 4-year cycle. Bitcoin analyst Aurelien Ohayon shows how Bitcoin has followed a pattern of Bear, Pre-Bull, 1st Bull, and 2nd Bull three times previously, and thus far this present cycle has followed suit too. The upcoming period for this cycle, 2nd Bull, has typically been the most lucrative.



## Anthony Pompliano posted some commentary and charts on Bitcoin's highs...

Bitcoin's hash rate currently sits at an all-time high, which signals the increasing strength of the blockchain.

Mean Hash Rate



If you combine all of the computing power from Amazon AWS, Google Cloud, and Microsoft Azure, it still would not equal 1% of the Bitcoin network. It is impressive that miners and node operators have assembled the decentralized computing network without central planning or a primary capital source.

From a holders' perspective, on-chain wallet addresses with at least \$100 in Bitcoin is near all-time highs.

## Number of Addresses with Balance $\geq$ \$100



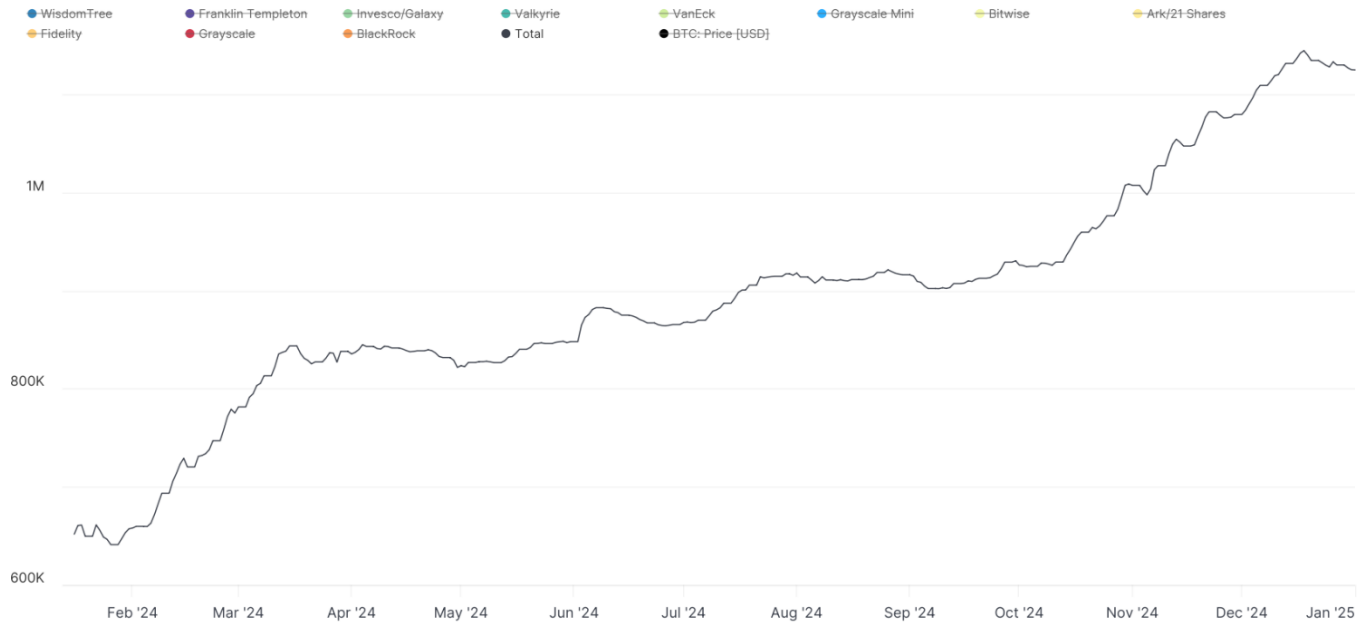
The same is true for on-chain wallet addresses with at least \$1,000 as well.

## Number of Addresses with Balance $\geq$ \$1k



Institutions don't want to be left behind by retail, so we have seen the total number of Bitcoin held by the US-traded ETFs jump from approximately 650,000 Bitcoin in January 2024 to more than 1,250,000 Bitcoin a year later.

## US Spot ETF Balances

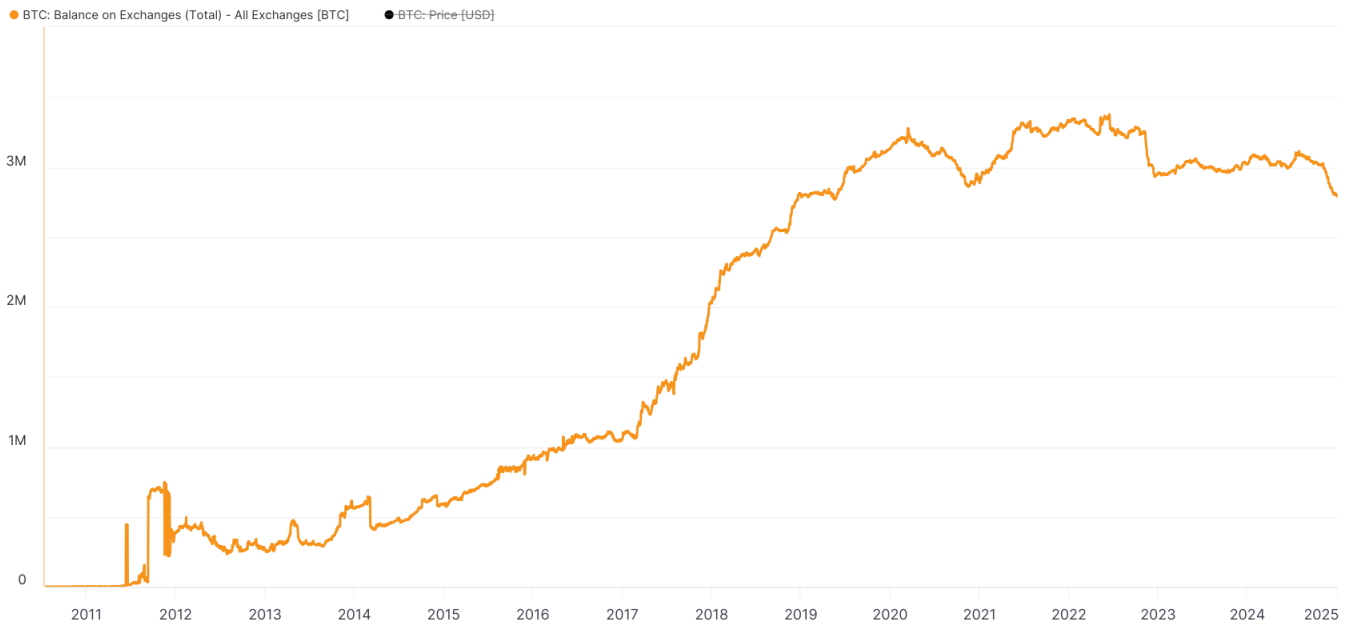


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People and institutions want Bitcoin. You can see this clearly with the falling amount of Bitcoin left on exchanges. We recently crossed below 2,791,000 Bitcoin, which is a level we haven't seen since 2019.

## Balance on Exchanges (Total)

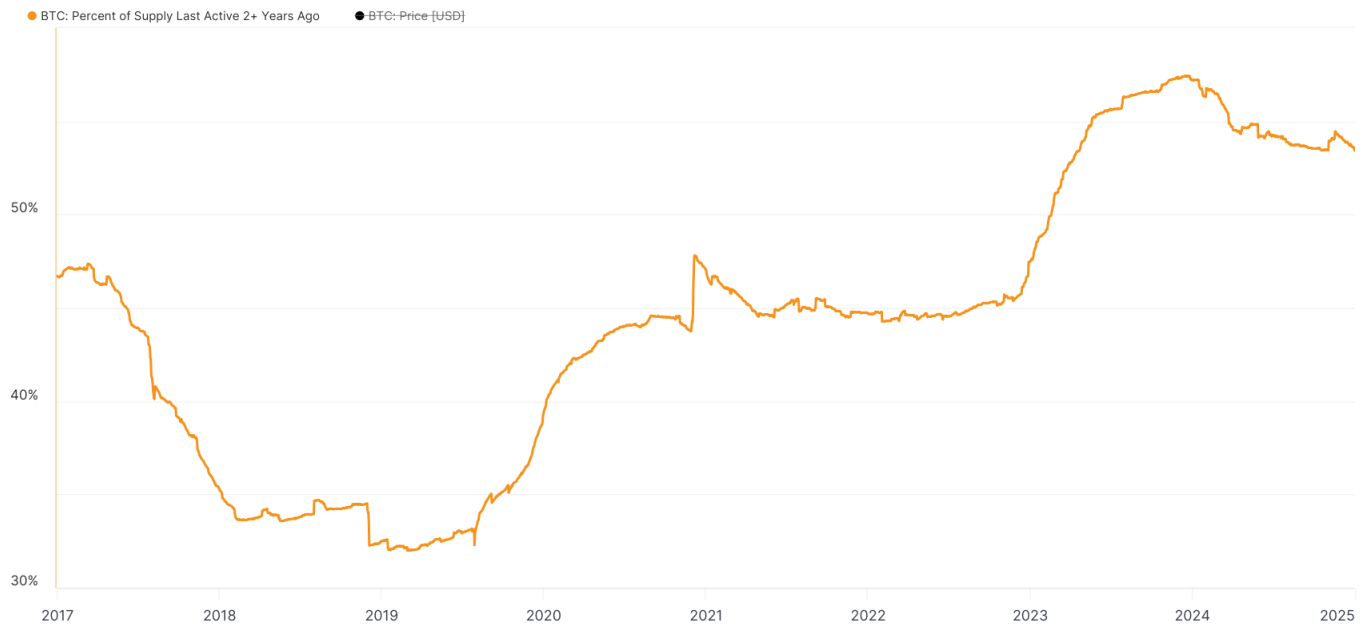


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Although the price of Bitcoin has increased nearly 500% in the last 2 years, we see that more than 1 out of every 2 Bitcoin in circulation has not moved. This signals long-term holders with deep conviction, regardless of price.

### Percent of Supply Last Active 2+ Years Ago

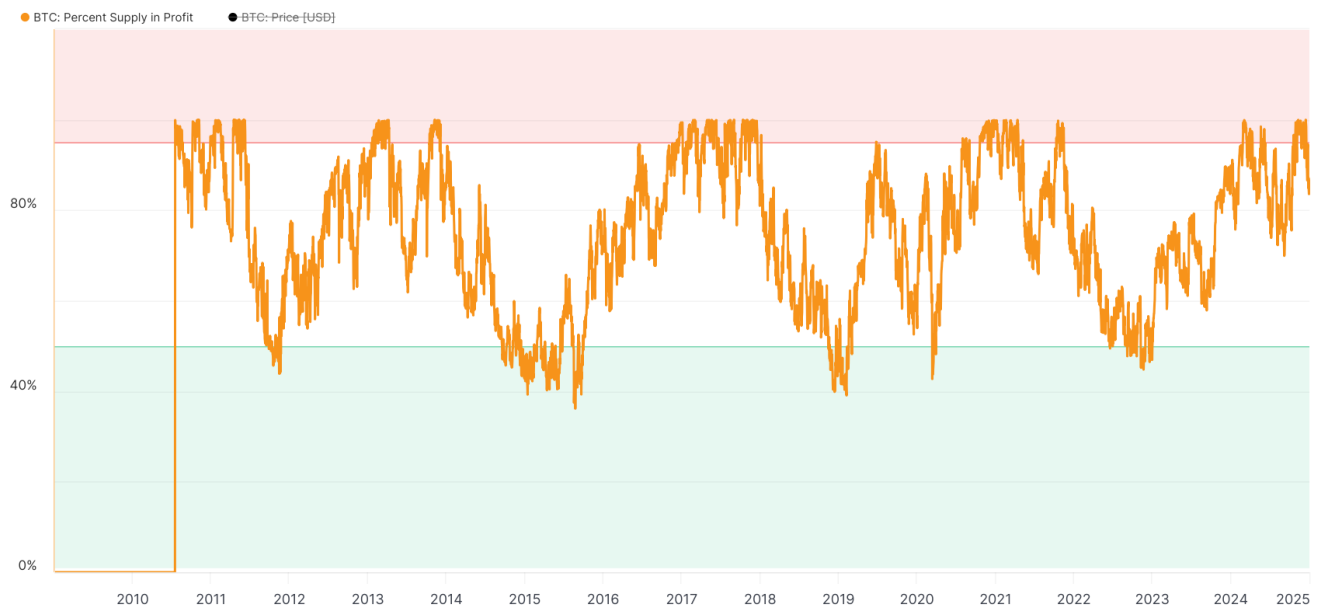


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We also know that more than 86% of all Bitcoin in circulation are currently “in profit,” which means the coins last traded hands at a price lower than the price today.

### Percent Supply in Profit

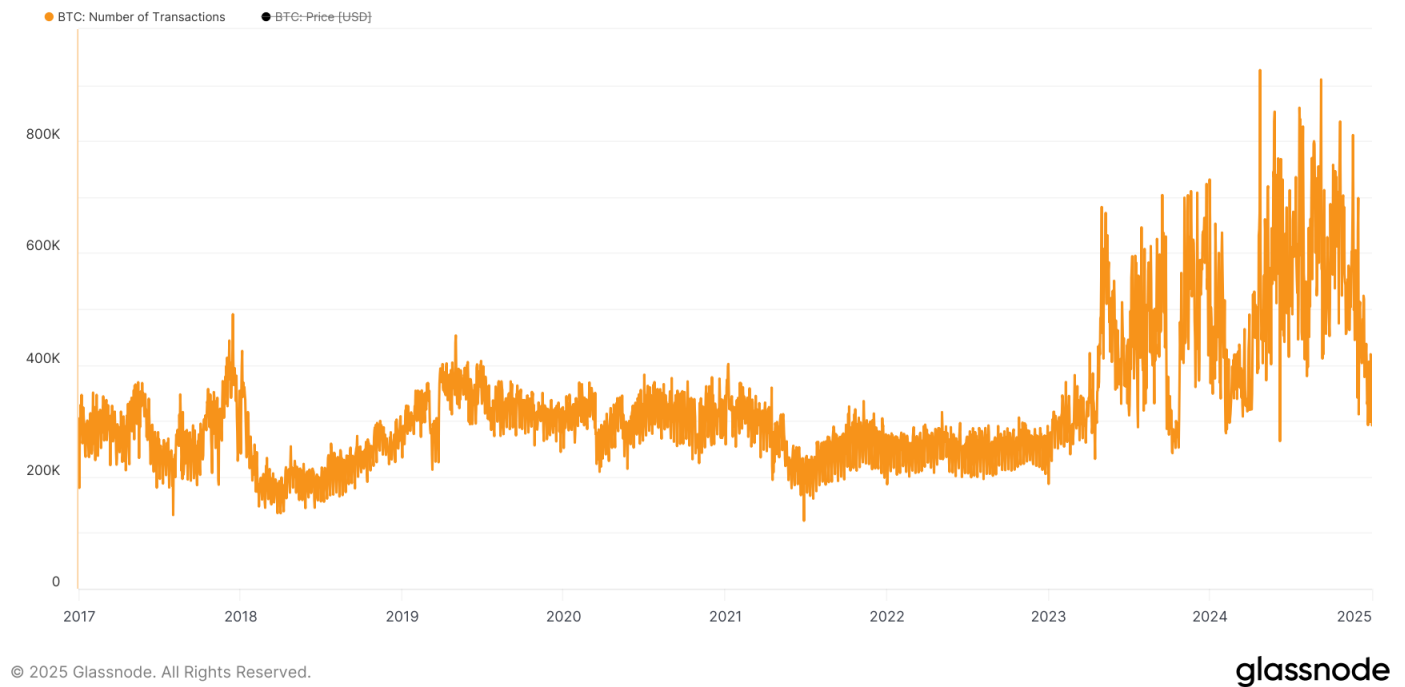


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Lastly, the number of transactions on the Bitcoin network has been dropping throughout December 2024. We continue to see transaction volume holding lower in the last 24 hours.

### Number of Transactions



You can make an argument that people are holding Bitcoin, therefore they are not transacting their Bitcoin. That would drive the transaction number lower. You could also argue that a lower number of transaction volume could show less interest in the digital asset. I will leave that data point for you all to decide.

Overall, Bitcoin feels strong to start 2025. The network looks healthy, institutions and retail are holding Bitcoin, and the bull market appears to still have more room to run. This does not mean that Bitcoin's price can't go down in the short-run, but I believe we have another Bitcoin all-time high price ahead of us before this bull market is over.

## Pomp also posted: Bitcoin is the New S&P 500...

The S&P 500 has been the standard measurement of “the market” for decades. Most hedge fund investors benchmark their performance against the index and media outlets reference the index price movements as a signal for market sentiment.

This has been happening since 1957 when Standard & Poor’s expanded their index to include the current structure – a market capitalization weighted index of the 500 largest stocks.

Over time this index has become the measurement stick, so let’s take a look at how hedge funds did in 2024. Bloomberg’s Nishant Kumar assembled a list of select hedge funds and their performance last year:

| Fund                                                  | Strategy             | 2024 Return (%) |
|-------------------------------------------------------|----------------------|-----------------|
| DE Shaw Oculus                                        | Multistrategy Macro  | 36.1            |
| Bridgewater China*                                    | Macro                | 35              |
| Statar                                                | Commodities          | 25.3            |
| Broad Reach Master                                    | EM Macro             | 24.3            |
| Marshall Wace TOPS*                                   | Systematic           | 22.6            |
| Schonfeld Fundamental Equity                          | Multimanager Equity  | 21.1            |
| Schonfeld Strategic Partners                          | Multistrategy        | 19.7            |
| DE Shaw Composite                                     | Multistrategy        | 18              |
| Walleye                                               | Multistrategy        | 18              |
| Dymon Asia                                            | Multistrategy        | 17              |
| Marshall Wace Alpha Plus*                             | Systematic           | 15.9            |
| Millennium                                            | Multistrategy        | 15              |
| Man Strategies 1783                                   | Multistrategy        | 14.6            |
| Marshall Wace Eureka*                                 | Equity Long/Short    | 14.3            |
| Balyasny                                              | Multistrategy        | 13.6            |
| ExodusPoint                                           | Multistrategy        | 11.3            |
| Bridgewater Pure Alpha*                               | Macro                | 11.2            |
| Bridgewater Asia*                                     | Macro                | 10.4            |
| The Winton Fund                                       | Multistrategy        | 10.3            |
| Bridgewater AIA Macro*                                | Quant Macro          | 9.9             |
| New Holland Capital Tactical Alpha                    | Multistrategy        | 9.6             |
| King Street Capital**                                 | Multistrategy Credit | 9.1             |
| Brevan Howard Master                                  | Multimanager         | 5.5             |
| Brevan Howard Alpha Strategies#                       | Multistrategy        | 2.4             |
| *through Dec. 27; #through Dec. 24; **through Dec. 20 |                      |                 |

The list is not comprehensive – Robert Citrone’s Discovery posted a 52% increase in 2024 – but this list gives us a good barometer for how the hedge fund industry has stacked up.

Simply, it was a good year for hedge funds but many of them failed to best the index.

Warren Buffett and Berkshire Hathaway were in a different spot. Berkshire returned 25.5% compared to the S&P's 23.3% return, which marks an important milestone for the value investor – outperforming the index gives Berkshire shareholders hope their capital is better positioned than in the main index.

But beating the S&P 500 index last year may not be as notable as people want you to believe. For example, gold outperformed the S&P 500 index as well. This signals to me that the “real return” of the stock market may not be what investors think it is.

Gold, a precious metal with no earnings, should only be increasing in value due to investor interest in protecting their economic value from inflation, debasement, and economic chaos. So, if gold is outperforming the S&P 500, it begs the question “how much of the S&P return is attributable to monetary debasement?”

We will never get the perfect answer, but it isn't hard to see that a larger percentage of the return is from debasement than people like to admit.

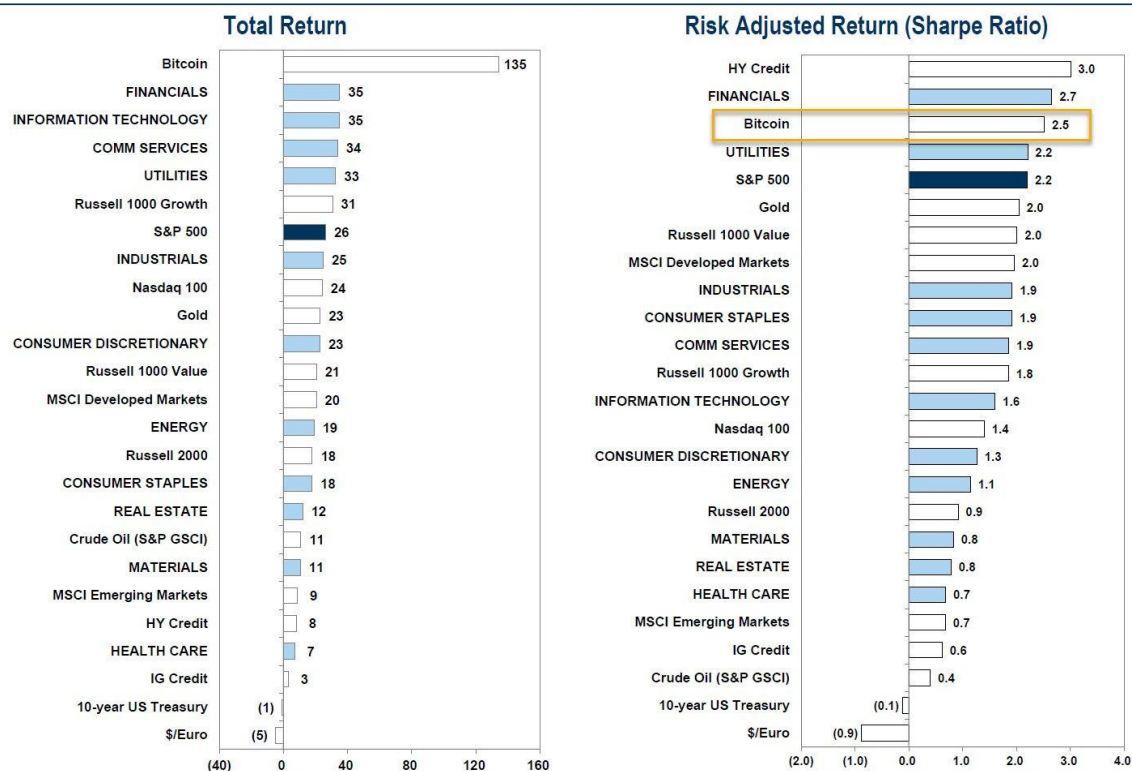
If investors are not outperforming the main index, then they are definitely losing economic value when measured against an asset like gold which can't be intentionally debased.

This brings me to Bitcoin.

The digital asset is gold on steroids. It has all of the same sound money principles, but it also boasts a finite supply. This helped Bitcoin produce a ~ 120% return in 2024. Safe to say that Bitcoin destroyed the S&P 500, Berkshire Hathaway, and gold.

On top of the outperformance, Bitcoin also has a higher Sharpe ratio than stocks or gold.

### Market Performance: YTD absolute and risk-adjusted returns



Note: Crude Oil (S&P GSCI) return represents S&P GSCI Crude Oil Index total return. Spot change equals (4%) YTD.

So here is my proposal – Bitcoin should replace the S&P 500 in every investors mind as the true benchmark for their returns.

You don't need to spend millions of dollars per year employing hedge fund employees to get the Bitcoin return. You can simply buy the asset and hold it. It is simple market exposure.

And Bitcoin has now become one of the most important financial assets. For example, I was recently talking to the CIO of a well-known macro fund and he told me that the first thing the team checks in their process is global liquidity and the second thing is Bitcoin's price.

Bitcoin is THE macro asset in the world.

It is most sensitive to global liquidity. It is accessible by anyone in the world with an internet connection. And Bitcoin is the only large asset that trades 24/7/365 with deep liquidity.

Bitcoin is the new S&P 500.

The older generations may find this idea perplexing. It may even anger them to read it. But the truth is that Bitcoin has already replaced the S&P 500 as the benchmark performance indicator for the younger generation. They have grown up with Bitcoin. They all recognize it as the apex predator of financial markets.

If you can't beat Bitcoin, then you should just buy Bitcoin.

And my guess is that Bitcoin is going to replace the S&P 500 as a benchmark for traditional investors over time as well. It will have to start with LPs because fund managers are not incentivized to adopt a benchmark that is nearly impossible for them to beat.

Bitcoin has been growing at an 80% compound annual growth rate for the last decade. Over the last 5 years, the asset has compounded at 67% annually. I don't think many hedge funds can claim similar performance over time.

Regardless of whether you use Bitcoin as your benchmark or not, this is where the world is headed in my opinion. You are better off using the new metric in your analysis – it will force you to think more clearly and become a better investor. I have written about this before. I will continue to hammer the point home.

You must change your point of reference.

Most people think of the "Bitcoin standard" as a hyper-Bitcoinization. Maybe that happens or maybe it doesn't. But I do know that Bitcoin is becoming the standard on which all investments must be measured against.

**Ray Korok (Associate Professor at Texas A&M University's Mays Business School): Happy New Year, Bitcoin! Big moments for 2024, and looking ahead to 2025.**

2024 was a big year for Bitcoin. It was the year of the spot Bitcoin ETF approvals, the beginnings of corporate adoption of Bitcoin, and the first crossing of the hundred-thousand-dollar milestone. Of these, the ETF did the most to bring mass adoption to Bitcoin. Now, any retirement account can have Bitcoin exposure at the click of a button. Though it does not provide true Bitcoin ownership in the form of self-custody of private keys, it does act as a gateway drug to get normies interested in Bitcoin.

Perhaps the most important person of the year for Bitcoin was Larry Fink, the CEO of BlackRock. Fink has a low-profile presence in the financial press, but enough clout that his endorsement was enough to give comfort to vast pools of capital to invest in Bitcoin. BlackRock's stamp of approval was a big win for Bitcoin, and the ETF inflows likely what led to crossing the \$100k threshold.

Speaking of which, my favorite Bitcoin video of the year was God Save The Coin by Michael Goldstein of the Satoshi Nakamoto Institute. It runs through all the different criticisms Bitcoin faced since its inception. At the end of the day, Bitcoin doesn't care and marches on. The narratives and criticism around Bitcoin will constantly shift and evolve, yet there is nothing like the market test to prove its value.

Looking ahead, 2025 will be the year of corporate adoption of Bitcoin. This is already happening, with MicroStrategy leading the pack and open-sourcing its playbook for companies to convert their cash holdings into Bitcoin. Not only have most of the Bitcoin miners decided to HODL Bitcoin, but so too have over a dozen other assorted companies. I expect a Fortune 500 company to buy Bitcoin on its balance sheet this year in 2025, and Michael Saylor to be the most famous/infamous figure for Bitcoin in 2025.

I'll write separately about MicroStrategy's Bitcoin treasury operations and assess its leverage/risk, but its most fascinating impact is on the corporate bond market, which can now have Bitcoin exposure through convertible debt. And it's not just MicroStrategy, as all the other miners are following suit, with Marathon and Riot leading the pack. The bond markets are larger than the equity markets, and providing this channel for the bond market to have Bitcoin exposure is probably the most unanticipated outcome in Bitcoin thus far, and may have the most significant consequences that no one expected.

Finally, I'm optimistic that the new Trump Administration will adopt favorable regulation towards crypto in general, though I do not expect the US government to buy Bitcoin the way it holds gold. The new chair of the Council of Economic Advisers, in which I served during the Bush Administration, is favorable to the idea of the US holding Bitcoin. But he has remarked that the US already holds so much bitcoin because of prior seizures (like the Silk Road). So I expect the new administration to simply re-label those holdings as a Bitcoin Strategic Reserve, without making any new purchases this year.

As for corporate adoption, I expect small companies to continue to convert some of their cash to Bitcoin. For the big companies, my Hail-Mary bet is that the first major purchase will come from Tesla, Meta, or Dell. Tesla already has some Bitcoin on its balance sheet from its purchase a few years ago, and Elon Musk is slowly learning about the problems of inflation while advising President Trump, evidenced by his posting of Milton Friedman videos on X. Mark Zuckerberg is pushing forward open-source AI; the next logical step is open-source money.

So, I'm optimistic about 2025 for Bitcoin, even though 2024 will be hard to beat!

## Bitcoin Magazine: Bitcoin Hashrate hits a NEW ALL-TIME HIGH...



## Top crypto VCs shares their 2025 funding outlooks...

- Coinbase Ventures head Hoolie Tejawani told The Block it plans to invest heavily in the on-chain economy in the year ahead, focusing on stablecoins, the intersection of crypto and AI and DeFi applications. The firm is also optimistic about constructive regulatory progress in the United States, fueled by a pro-crypto Donald Trump administration and a supportive Congress entering office in January.
- Binance Labs investment director Alex Odagiu emphasized its focus on user adoption, fundamentals and sustainability for 2025, continuing to back web3, AI and biotech startups.
- Galaxy Ventures' general partner Will Nuelle is optimistic about the growth of stablecoins and real-world asset tokenization but sees limited potential in metaverse projects.
- Dragonfly general partner Rob Hadick said the firm remains focused on backing top founders in areas with proven product-market fit, including DeFi, scaling platforms, centralized finance and stablecoins/payments.
- Hack VC expects crypto VC funding to be “appreciably higher” in 2025, barring any black swan events, managing partner Ed Roman told The Block, with the firm betting on crypto-AI, scalability infrastructure and DeFi as key areas of growth for the next year.
- Hashed CEO Simon Seojoon Kim shared a more measured outlook for 2025, saying that while Trump's remarks about Bitcoin as a US Treasury asset hint at a potential shift in institutional sentiment, funding levels are unlikely to return to their 2021-2022 highs.

**Conclusion from Coin Metrics’ “State of The Network” weekly report from 12/31/24. (Read the full report, [here](#).)**

### Best of State of the Network in 2024

In this special edition of the State of the Network, Coin Metrics reflects on a year full of riveting data and crucial events through the lens of its favorite issues from 2024. This year, the firm covered a diverse range of topics in both breadth and depth...

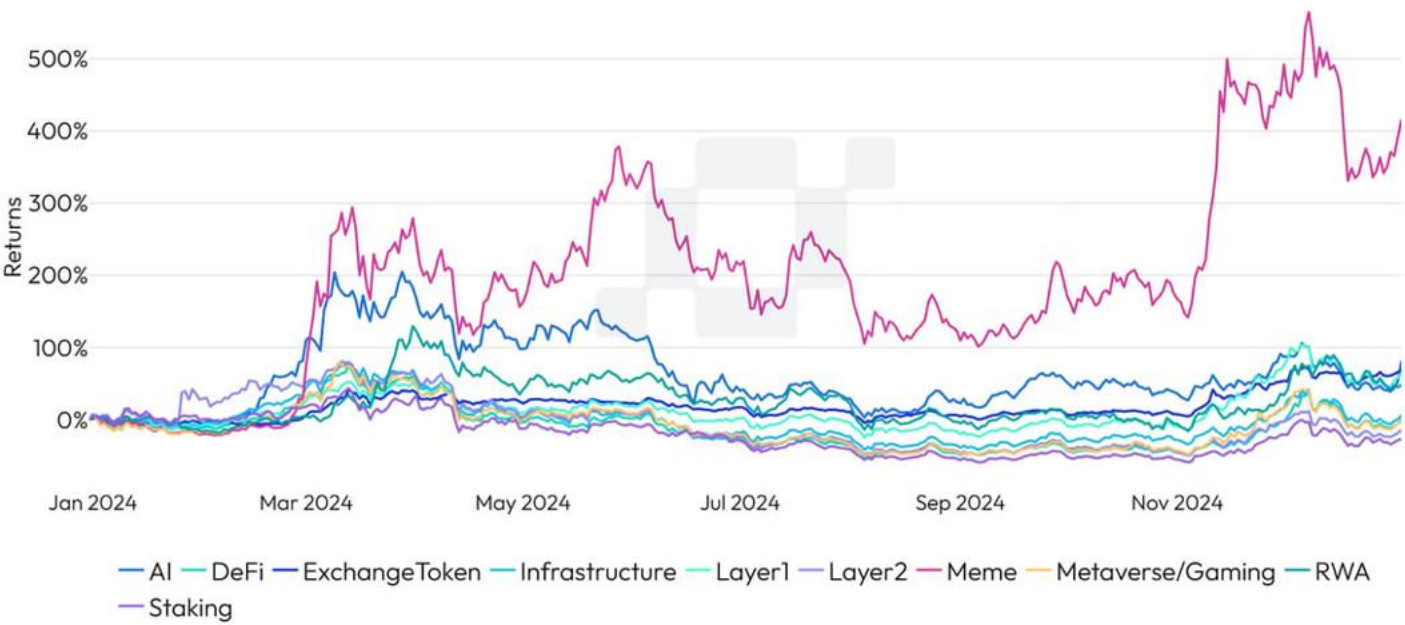
- Bitcoin
- Mining
- Ethereum
- Staking
- Layer 2s and Blobs
- Solana
- Stablecoins
- Derivatives Markets
- DeFi
- MicroStrategy
- Tokenomics and Airdrops
- Blockchain Network Health
- Datonomy
- Polymarket
- Wrapped Assets and Tokenization & WBTC
- And more

Blockworks updated key metrics...

|                         |            |
|-------------------------|------------|
| Total Crypto Market Cap | \$3.63 T   |
| Bitcoin Market Cap      | \$1.93 T   |
| Ethereum Market Cap     | \$436.24 B |
| ETH/BTC Ratio           | 0.04       |
| Ethereum Gas Price      | 8.91 gwei  |
| DeFi TVL                | \$230.52 B |
| Fear and Greed Index    | 72 (Greed) |

**CCData: The memecoin basket led the pack with an extraordinary 371% return, driven by popular tokens like DOGE, SHIB, WIF, POPCAT, and BONK.**

Basket Performance - 2024 Yearly Returns



## **Blockworks listed crypto's greatest app innovations in 2024...**

### Pendle

Pendle exists because crypto wants to speculate.

In Pendle's short history, the team has constantly reiterated its yield trading product using narratives from stablecoins and infamous "DeFi 2.0" (Olympus DAO) in the 2021 bull, to liquid staking tokens, real-world assets on Arbitrum, and liquid restaking during the prolonged bear.

It wasn't until the points meta blew up in early 2024 that Pendle struck gold, with its TVL shooting up from the multi-million to multi-billion-dollar range. Pendle's Principle Tokens (PT) and Yield Token (YT) yield mechanisms remain an indispensable tool for anyone looking to perform any form of leveraged points or fixed yield farms.

### Fluid

Fluid is a picture-perfect example of what innovation looks like. Fluid took many of DeFi's successful primitives, such as Uniswap v3's concentrated liquidity and Aave's utilization rate curves, then redesigned traditional AMM liquidity provisioning from the ground up.

With its "smart debt" and "smart collateral" mechanisms, Fluid enables deep multi-million-dollar DEX liquidity pools that are, technically speaking, \$0 in TVL. This capital efficiency was an ingenious combination of users' debt from lending protocols and AMM liquidity pools.

### Ethena

Stablecoins are some of the hardest sectors to compete in. That makes USDe's \$6 billion market cap achievement very impressive – all within the span of a year.

Previous stablecoins built along the spectrum of centralization (USDT) vs. scalability (DAI). Ethena instead put together a series of impressive business development deals with CEXs and designed USDe, a scalable stablecoin that exploited the arbitrage in CEX-DEX perps funding rates and delivered yield to users.

### GEODNET

For GPS technology to work well at centimeter-level accuracy, traditional companies deploy thousands of real-time kinematic (RTK) networks, like base stations and mobile rovers, globally.

Using crypto token incentives, GEODNET sought to scale the deployment of RTK networks. Based on November data, GEODNET has already deployed at least 10,000 stations across 140 countries, surpassing the 5,000 stations put together from traditional providers Trimble and Hexagon.

Notably, GEODNET has found a significant cost advantage. Deploying a base station with GEODNET is about \$700, or 97% cheaper than legacy costs of \$25,000. If that's not innovation, I don't know what is.

## Virtuals

Virtuals is the premier “picks and shovel” play of the recent AI agent frenzy.

It’s an AI agent factory that lets anyone spawn a tokenized AI agent. Similar to pump.fun, the agent’s native token is bonded to a DEX liquidity pool (Uniswap v2) once the criteria of a \$420k market cap is met.

Built on Base, Virtuals has spawned at least 12,000 AI agents since its inception, including the wildly popular anime bot Luna, which runs 24/7 and can be tipped with the agent’s respective token.

Virtuals’ innovation comes from a combination of many different pieces including LLM models, crypto wallets, innovative value accretive tokenomics, NFTs, and IPFS for data storage.

## Highlights from Travis Kling's (CIO – Ikigai Asset Management) monthly commentary...

|                   | Dec  | Nov  | Oct  | Q4-24 | Q3-24 | Q2-24 | Q1-24 | YTD  | 2023 | 2022 |
|-------------------|------|------|------|-------|-------|-------|-------|------|------|------|
| BTC               | -3%  | 37%  | 11%  | 48%   | 1%    | -12%  | 69%   | 121% | 155% | -64% |
| ETH               | -10% | 47%  | -3%  | 28%   | -24%  | -6%   | 60%   | 46%  | 91%  | -67% |
| XRP               | 7%   | 281% | -17% | 240%  | 29%   | -24%  | 2%    | 238% | 81%  | -59% |
| BCH*              | -19% | 45%  | 6%   | 25%   | -12%  | -44%  | 121%  | 36%  | 157% | -75% |
| EOS               | -18% | 113% | -14% | 50%   | -11%  | -48%  | 30%   | -8%  | -2%  | -72% |
| BNB               | 7%   | 14%  | 2%   | 24%   | -3%   | -4%   | 94%   | 124% | 27%  | -52% |
| XTZ               | -24% | 167% | -11% | 82%   | -11%  | -43%  | 40%   | 28%  | 39%  | -84% |
| XLM               | -37% | 467% | -6%  | 237%  | 8%    | -35%  | 9%    | 157% | 81%  | -73% |
| LTC               | 0%   | 48%  | 4%   | 54%   | -11%  | -28%  | 44%   | 42%  | 4%   | -52% |
| TRX               | 24%  | 22%  | 8%   | 63%   | 25%   | 1%    | 14%   | 136% | 98%  | -28% |
| Aggregate Mkt Cap | -5%  | 45%  | 6%   | 46%   | -4%   | -14%  | 63%   | 96%  | 119% | -64% |
| Aggregate DeFi*   | 8%   | 41%  | 0%   | 52%   | -15%  | -21%  | 47%   | 50%  | 132% | -77% |
| Aggr Alts Mkt Cap | -7%  | 63%  | -3%  | 47%   | -13%  | -15%  | 58%   | 72%  | 90%  | -64% |

Source: CoinMarketCap and Coingecko. As of 12/31/24. BCH includes SV.

### OPENING REMARKS

December was a very strong ending to a very strong year for crypto. Prices were down slightly on the month, but read the highlights below – it was a big month and it sets up for an exciting 2025. It's not an exaggeration at all to say crypto had a step change in 2024. The spot BTC and ETH ETFs, along with the strong alignment of crypto with the GOP and the subsequent red wave victory in November, puts 2024 as one of the best years ever for crypto and sets up for an exciting and prosperous 2025.

As I look back over each month's highlights from 2024 (which you can see here), I'm struck by how MUCH happened to crypto EXTERNALLY while simultaneously how LITTLE happened to crypto INTERNALLY. The ETFs; MSTR buying \$23.9bn of BTC; SAB 121; FIT 21; BTC options; all the political stuff; public companies buying BTC – these are all things that happened TO crypto, not things that crypto did itself. When I look back on 2024, crypto really didn't do all that much ITSELF.

A year ago today, in the closing remarks of my Jan 1, 2024 letter I said:

*"It appears to me that this cycle is starting off with less pretense than prior cycles. I actually think there is LESS expectation this time around that any of this shit does anything or will EVER do anything. That's not to say there's not an expectation for much higher prices. That's not true at all. The general expectation is for BTC to hit ATH in the next year or so and a bunch of Alts to massively outperform."*

That came true in spades in 2024. Prices went much higher and crypto didn't really do much... Lol. Let me break it down further for you, lest you think I'm glossing over some stuff. Let's think about the most successful crypto products of 2024:

- Pump.fun, HyperLedger, Ethena, Echo – These are "meta use cases". Use cases that are entirely self-contained within crypto.
- Polymarket – Objectively a huge success. But I am wary they can maintain high levels of volume post-elections (we shall see).

- Base – Tons of transaction volume, but very little actual underlying usage of the projects launched on the chain. Also, a large portion of the transaction volume is likely airdrop farming.
- Helium Mobile – Great project. Incentivizing a 5G Wifi mesh network. That's legit. But AFAIK, they currently have ~500,000 subscribers (I could be wrong on that). That's a good start. If that number is 10mm a year from now, we'll be talking about a real success.
- Virtuals, ai16z – Hugely successful agent launching platforms. Yet, when you drill down into the actual agents themselves, they have very little to show for themselves at this point (it is still very early).
- Terminal of Truths/GOAT – IMO the most fascinating thing that happened in crypto in 2024 by far. Spawned an entirely new sector and opened up imaginations to crazy new possibilities down the road. But at time of writing, ToT is a twitter account with an LLM writing the tweets and a human approving them, and GOAT is a \$600mm market cap memecoin and really not much else. TBD what happens there.

So that's the point I'm trying to make. Total crypto market cap went from \$1.8tn to \$3.4tn in 2024, an increase of ONE POINT SIX TRILLION DOLLARS, and we really didn't do all that much new. Bitcoin accounted for \$1tn of that \$1.6tn increase, and Bitcoin didn't do anything at all other than the same thing it's been doing since Jan 3, 2009 – spitting out new blocks every 15 minutes. It's just the world around Bitcoin that changed so much in 2024.

So how do we feel about that? Especially how do we feel about that going into 2025? I'll give some detail on that in the Closing Remarks. For now, I don't want to end this on a sour note. I have so much to be thankful for in 2024 and I hope you do too. Crypto has a lot to be thankful for as well. Crypto is walking into 2025 with a level of political support that would have been completely unimaginable two years ago. It's going to be a gamechanger.

## CLOSING REMARKS

And now for some predictions (NFA. I am wrong often):

- Crypto in 2025 will likely be defined by a MUCH more favorable regulatory environment and political backdrop. This will be THE headline factor in 2025 and many of the current events will stem from this in one way or another.
- Trump will sign an Executive Order that will be announced within the first 30 days of his administration that establishes a Bitcoin Strategic Reserve from the government's seized BTC. The EO will also state the government will never sell seized BTC again.
- The Lummis bill to buy BTC by selling gold will not pass in 2025. Trump will not issue an EO to buy more Bitcoin. The BSR will just be seized BTC.
- The SEC will approve at least 5 new types of spot crypto ETFs.
- Bitcoin's price will reach \$150k but not \$200k in 2025.

- Bitcoin's largest peak-to-trough drawdown in 2025 will be ~35%.
- Spot BTC ETFs will see \$50bn of new net inflows (2024 was \$35bn).
- Spot ETH ETFs will see \$10bn of new net inflows (2024 was \$2.7bn).
- Aggregate crypto market cap will reach \$7tn but not \$9tn in 2025 (currently \$3.5tn).
- The AI Agent aggregate market cap will reach \$40bn in 1H-25 (as measured by sentient.market, currently \$12bn).
- Crypto use cases will continue to struggle to find product market fit in providing solutions to real world problems that lead to significant mass adoption.

**Grayscale Research published "Crypto Sectors in Q1 2025." (See a summary below. Read the full piece, [here](#).)**

- Crypto markets soared in Q4 2024, as measured by the FTSE/Grayscale Crypto Sectors family of indexes. The gains largely reflected a positive market reaction to the US election result.
- Competition remained fierce in the Smart Contract Platforms Crypto Sector. Category leader Ethereum underperformed Solana, the second-largest asset by market cap, and investors increasingly focused on alternative Layer-1 networks like Sui and The Open Network (TON).
- We have updated the Grayscale Research Top 20. The Top 20 represents a diversified set of assets across Crypto Sectors that, in our view, have high potential over the coming quarter. The new assets this quarter are HYPE, ENA, VIRTUAL, JUP, JTO, and GRASS. All the assets in our Top 20 list have high price volatility and should be considered high risk.

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

- Defunct crypto lender Celsius filed an appeal after a judge dismissed its \$444 million claim against FTX, arguing that procedural issues invalidated its attempt to recover alleged preferential transfers in the ongoing bankruptcy case.
- Terraform Labs co-founder Do Kwon pleaded not guilty to criminal charges in the US in a Manhattan courtroom on Jan. 2, shortly after his extradition from Montenegro. Federal prosecutors also unsealed a nine-count indictment that charges Kwon with securities fraud, wire fraud, commodities fraud, and money laundering conspiracy related to the \$40 billion in estimated losses from Terra's collapse in 2022. Kwon's next court appearance is on Jan. 8.