

# BITFINEX Alpha



Issue: 26-09-2022  
[bitfinex.com](https://bitfinex.com)

Copyright 2022 BFXWW Inc. The Bitfinex name and leaf logo are trademarks used under license. All rights reserved.

*This material is being provided by BFXWW Inc. ("Bitfinex") for general informational purposes only. Views or opinions expressed herein may not reflect those of Bitfinex as a whole and may change without prior notice. Nothing in this newsletter constitutes investment, portfolio management, legal, accounting or tax advice, advice on trading techniques, models, algorithms, or any other schemes, or a recommendation to buy, sell or hold any digital tokens or other digital assets. No recommendation or advice is being given as to whether any digital asset is suitable for you. No solicitation or offer of any digital asset or financial promotion of any kind is being made.*

*You should not trade in digital assets unless you understand the associated risks.*

*You should not commit funds or collateral to trading in digital assets that you are not prepared to lose entirely. Past performance of a digital asset or trading strategy does not guarantee future results or returns. This newsletter contains forward-looking statements—statements that relate to future events or future performance—which are only projections, opinions and hypotheticals about possible future events, conditions, outcomes and results. Actual events or results may differ materially.*

*Where indicated, information provided comes from other content providers. That information is protected by copyright owned or licensed by those content providers. Bitfinex has not been involved in preparing, adopting or editing this content and does not explicitly or implicitly endorse or approve such content. Bitfinex makes no guarantees that information supplied in third-party content is accurate, complete, or timely.*

*While Bitfinex attempts to provide accurate and timely information, neither Bitfinex nor any third-party content provider guarantees the accuracy, timeliness, completeness or usefulness of any newsletter content, and are not responsible or liable for any such content. All newsletter content is provided on an "as-is" basis.*

*You may not use any of the trademarks, trade names, service marks, copyrights, or logos of Bitfinex in any manner which creates the impression that such items belong to or are associated with you or are used with Bitfinex's consent, and you acknowledge that you have no ownership rights in and to any of such items.*

*This newsletter is provided only to select recipients. You should not post, transmit, redistribute or otherwise make available any newsletter content to any other person.*

# EXECUTIVE SUMMARY

Macro economic indicators look bleak, but crypto is still looking positive.

With the [Fed's rate hike last week](#), US interest rates are now higher than the target long-term neutral rate of inflation, which is 2.5 percent.

[GDP is now expected to grow](#) by only 0.2 percent in 2022, and not return to its long-run target of 1.8% until 2025; similarly [unemployment is expected to rise](#) to 4.4 percent and [inflation is seen cooling only slowly](#). Rates in the meantime are forecast to rise to 4.4 percent by the end of the year.

[Housing prices, which are a key component of GDP, are falling](#) as buyers face [the worst levels of affordability for four decades](#), with mortgage costs now 36% of a household income compared to 21% just a year ago.

Meanwhile in Europe, the [European Central Bank seems set on a similar path as the Fed](#). With the war in Ukraine and high energy prices driving inflation upwards, it appears likely that as further increases in the cost of borrowing are announced to control inflation, it will [drive many European countries into recession](#).

In crypto however, while the bearish macro conditions have not gone unnoticed in terms of the price, [adoption is still growing](#).

*Chainalysis* has ranked Central and South Asia and Oceania (CSAO) as [one of the leading regions for receiving crypto payments](#), and the fastest growing — with the largest onramps being NFTs. [NFT-related websites received 58 percent of web traffic from CSAO IP addresses to cryptocurrency services in Q2 2022](#); [play-to-earn blockchain game websites received another 21 percent](#).

More broadly, on-chain data suggests that many of those attracted by rising prices in 2020 and 2021 have stuck around, and they [continue to invest a significant chunk of their capital in digital assets](#). Big, long-term [cryptocurrency holders have continued to hold through the bear market](#). So while their portfolios have lost value, those losses aren't locked in because they haven't sold — the on-chain data suggests those holders are optimistic the market will bounce back, [keeping market fundamentals relatively healthy](#).

[The number of HODLers of up to 0.1 BTC has also grown](#) under bearish market conditions since April 2022, which is anomalous to previous bear market data. This is even more testament to retail investors and [crypto adoption growing even when macro conditions face headwinds](#).

We also note that [there is a new force in crypto driven by Football](#), as the FIFA World Cup approaches. [Algorand's establishment of a FIFA Collect NFT marketplace has seen new users of the Algorand blockchain growing](#) — a phenomenon that has been apparent since the Summer.

The percentage of supply held by ALGO whales (addresses with > 1 percent of supply) [climbed sharply](#) throughout August and September. [Whales' aggregate holdings climbed by over \\$280M since August](#). The excitement surrounding the World Cup and football generally have found a new outlet in crypto.

Crypto on chain metrics are also telling a consistent story about investor behaviour. An analysis of the [Bitcoin realised price](#), which is the value of all Bitcoins at the price they were bought, divided by the number of Bitcoins in circulation, indicates that the realised price is \$21,300 - which means that most participants are holding BTC at a loss.

This is [backed up by the Spent Output Profit Ratio \(SOPR\)](#), a tool that allows you to track the overall state of profit/loss of the market as a whole. On this measure, even Whale-sized wallets are [being forced to realise losses in the current market](#).

Interestingly, Short Term Holder Realised Price and Long Term Holder Realised Price are [now within \\$200 of each other](#), and it is possible the reason for the realised price closing in on the actual price might also be due to the losses being realised on all of the Bitcoin purchased at much higher prices.

In Crypto news we report on the [Wintermute hack](#); the [new Nasdaq Crypto custody service](#); [charges against a well-known crypto influencer by the SEC](#); a request for public comment on [the role of crypto in illicit finance](#) by the US Treasury Department; the [white hat hack of the Ethereum Arbitrum bridge](#); [EU finalisation of the Markets in Crypto Assets regulations](#); and the [continuing bid battles for Voyager](#).

Happy trading!

# INDEX

## 1. GENERAL MARKET UPDATE

- 75 bps Hike: As Expected
- The Housing Market
- Europe's Inflation and Energy Crisis Deepens
- Summary

6-13

6-8  
9-10  
11-12  
13

## 2. WHAT'S ON-CHAIN THIS WEEK?

- Crypto Adoption Remains Strong Even Under Bearish Conditions
- Football Tokens and NFTs Gain Traction
- Realised Prices By Time Held

15-21

15-17  
18-19  
20-21

## 3. NEWS FROM THE CRYPTO-SPHERE

- Crypto Market Maker Wintermute Hacked for \$160M, OTC Services Unaffected
- Nasdaq Starts Crypto Custody Service for Institutional Clients
- SEC Charges Ian Balina for Promoting Unregistered ICOs
- US Treasury Wants Public to Comment on Crypto's Role in Illicit Finance
- White Hat Found a Huge Vulnerability in Ethereum-Arbitrum Bridge
- EU Finalises Legal Text for Landmark Crypto Regulations under MiCA
- Binance and FTX Make Top Bids for Bankrupt Lender Voyager

23-29

23  
24  
25  
26  
27  
28  
29





# GENERAL MARKET UPDATE



# 75 bps Hike: As Expected



**Figure 1.** FOMC decided on a 75 basis points (bps) interest rate hike in their September meeting.  
(image source: Barrons)

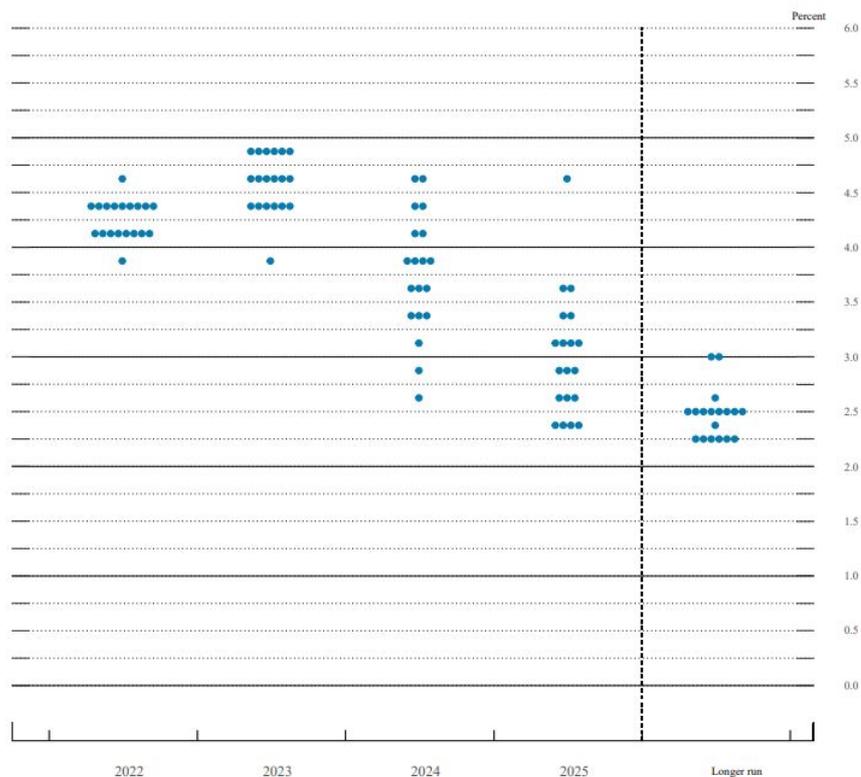
It is our view that the hike in US interest rates by 75 bps last week was not the end. Despite this being the third consecutive hike in rates, the recent Consumer Price Inflation print of 8.5% for August confirmed that aside from supply chain disruption and geopolitical tensions in Europe, a key driver of inflation is sustained consumer demand - a paradox which has meant that companies are not losing customers, despite higher prices for goods and services.

With inflation so entrenched, the US Federal Reserve has few tools at its disposal before it can reach its neutral rate for inflation - which in theory, neither stimulates nor dampens the economy - and is estimated to be at 2.5 percent.

With retail sales still increasing, companies continuing to hire and raise wages, and industrial production remaining stable. People are still buying cars, retail goods, and dining out despite higher prices and higher costs of borrowing.

It is this resilience in demand that the Fed is trying to change.

The FEDERAL FUNDS RATE is now 3.0 to 3.25 percent, the highest since 2008 and the Fed signalled more massive hikes ahead.



**Figure 2.** FOMC participant's assessments of appropriate monetary policy: Midpoint of Target Range for the Federal Funds Rate (Source: Federal Reserve, United States)

MEETING PROBABILITIES								
MEETING DATE	325-350	350-375	375-400	400-425	425-450	450-475	475-500	500-525
11/2/2022	0.0%	28.3%	71.7%	0.0%	0.0%			
12/14/2022	0.0%	0.0%	0.0%	28.2%	71.6%	0.2%	0.0%	0.0%
2/1/2023	0.0%	0.0%	0.0%	1.2%	30.1%	68.5%	0.2%	0.0%
3/22/2023	0.0%	0.0%	0.0%	0.7%	17.3%	51.5%	30.5%	0.1%
5/3/2023	0.0%	0.0%	0.0%	0.6%	16.6%	50.1%	31.3%	1.3%
6/14/2023	0.0%	0.0%	0.1%	2.4%	20.2%	48.1%	28.1%	1.2%
7/26/2023	0.0%	0.0%	0.5%	5.5%	25.0%	44.6%	23.4%	1.0%
9/20/2023	0.0%	0.2%	2.1%	11.9%	31.5%	37.6%	16.0%	0.7%
11/1/2023	0.1%	0.8%	5.3%	18.3%	33.5%	30.6%	11.0%	0.4%
12/13/2023	0.4%	2.9%	11.3%	25.4%	32.1%	21.5%	6.1%	0.2%

**Figure 3.** FOMC Meeting Probabilities for the Federal Funds Rate

The neutral interest rate is crucial because central banks often try to align their policies with their neutral rate estimates. It's also a benchmark for the appropriate level of the short-term interest rate. The Fed relies on estimates rather than a precise measurement of the neutral interest rate.

Since 2012, the central bank has estimated neutral interest rates quarterly; in July of this year, the rate was 2.5 percent. As the Federal Funds rate has increased past the Fed's projected neutral rate of 2.5 percent, the target rate is now considered restrictive, and at a level meant to restrain economic growth.

Variable*	Median <sup>1</sup>					Central Tendency <sup>2</sup>					2022
	2022	2023	2024	2025	Longer run	2022	2023	2024	2025	Longer run	
Change in real GDP	0.2	1.2	1.7	1.8	1.8	0.1–0.3	0.5–1.5	1.4–2.0	1.6–2.0	1.7–2.0	0.0–0.5
June projection	1.7	1.7	1.9		1.8	1.5–1.9	1.3–2.0	1.5–2.0		1.8–2.0	1.0–2.0
Unemployment rate	3.8	4.4	4.4	4.3	4.0	3.8–3.9	4.1–4.5	4.0–4.6	4.0–4.5	3.8–4.3	3.7–4.0
June projection	3.7	3.9	4.1		4.0	3.6–3.8	3.8–4.1	3.9–4.1		3.5–4.2	3.2–4.0
PCE inflation	5.4	2.8	2.3	2.0	2.0	5.3–5.7	2.6–3.5	2.1–2.6	2.0–2.2	2.0	5.0–6.2
June projection	5.2	2.6	2.2		2.0	5.0–5.3	2.4–3.0	2.0–2.5		2.0	4.8–6.2
Core PCE inflation <sup>4</sup>	4.5	3.1	2.3	2.1		4.4–4.6	3.0–3.4	2.2–2.5	2.0–2.2		4.3–4.8
June projection	4.3	2.7	2.3			4.2–4.5	2.5–3.2	2.1–2.5			4.1–5.0
Memo: Projected appropriate policy path											
Federal funds rate	4.4	4.6	3.9	2.9	2.5	4.1–4.4	4.4–4.9	3.4–4.4	2.4–3.4	2.3–2.5	3.9–4.6
June projection	3.4	3.8	3.4		2.5	3.1–3.6	3.6–4.1	2.9–3.6		2.3–2.5	3.1–3.9

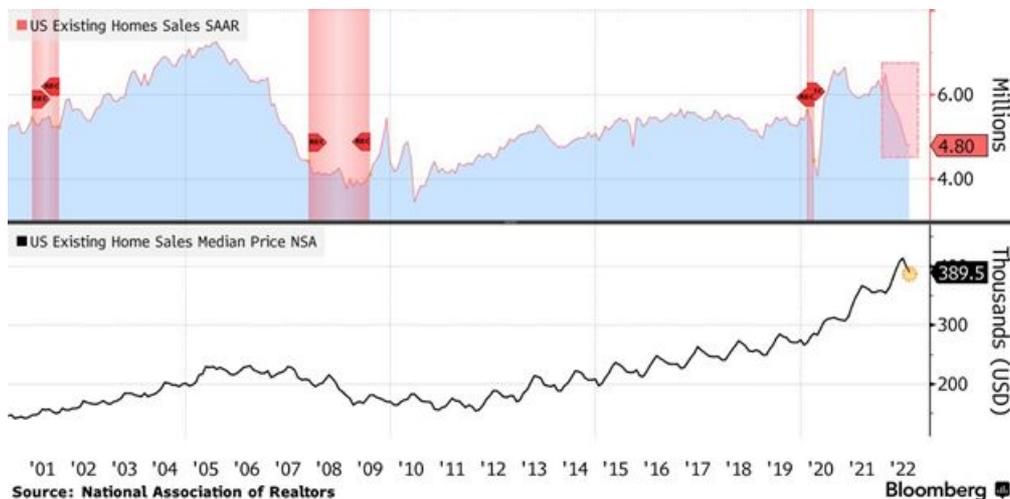
**Figure 4, Table 1.** Economic projections of Federal Reserve Board members and Federal Reserve Bank presidents, under their individual assumptions of projected appropriate monetary policy, September 2022

In addition to the strong emphasis on the FOMC's commitment to fighting inflation, the changes to the Summary of Economic Projections this time were especially notable. The predictions for GDP growth were cut down significantly, especially for 2022, which went from 1.7 percent to only 0.2 percent. GDP growth won't reach its long-term growth target of 1.8 percent until 2025 based on current estimates. In the same way, unemployment is projected to increase to 4.4 percent and remain at this level through 2024. This rate is above the equilibrium level of 4 percent. Inflation projections were higher by one whole percentage point in 2022, 0.8 percentage points in 2023, and 0.5 percentage points in 2024. Policymakers projected that they would increase borrowing costs to 4.4 percent by the end of the year and forecasted significantly higher interest rates in the years to come. Fed Chair Jerome H. Powell has stated that these actions will hurt the economy, but slowing growth is necessary to control inflation. (link - <https://bit.ly/3SrAP8o>)

# The Housing Market

Home sales can be a good indicator to evaluate the health of the economy. The housing market has a significant role in calculating Gross Domestic Product (GDP) – the economy's broadest measure. Housing's combined contribution to GDP generally averages around 15 to 18 percent, with residential investment accounting for 3-5 percent and spending on housing services making up about 12-13 percent of GDP.

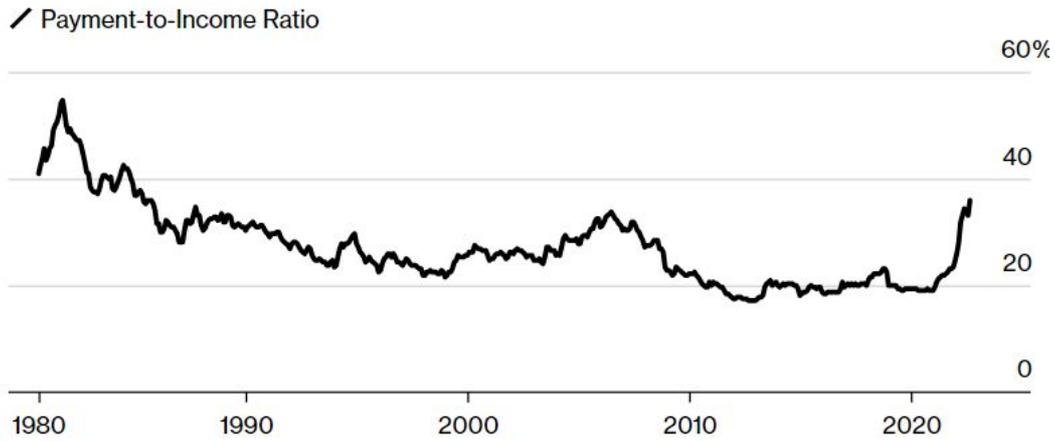
Prices are falling from peak levels as buyers face the worst affordability rates in four decades. As the United States braces for an economic downturn, prices are only expected to decline further.



**Figure 5.** Purchases of Previously Owned Homes (Source: National Association of Realtors, Bloomberg)

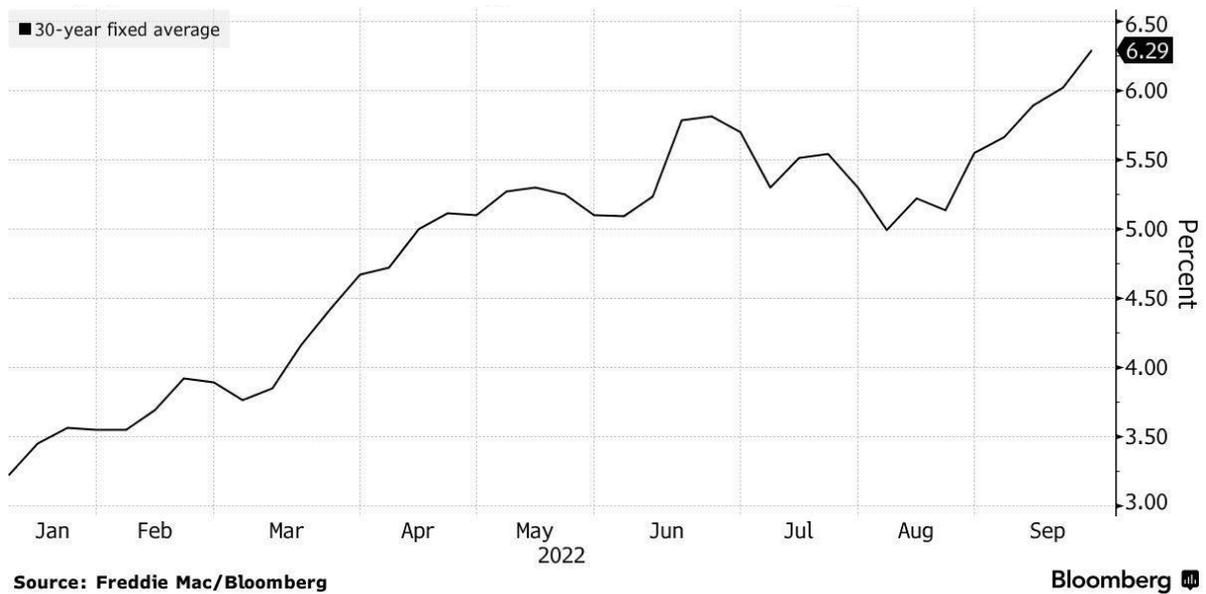
In August, sales of previously owned homes declined for the seventh consecutive month. Rising mortgage rates continued to make homes less affordable, gravely hurting the housing market.

*Black Knight Inc.* says that a median-priced US home costs 36 percent of a family's income, the highest since 1985. In September 2021, when rates were about half as high as they are now, the average monthly payment was 22 percent of a household's income. Housing affordability is now at its worst since 1985.



Source: Black Knight Inc.  
 Footnote: Data based on median income needed to cover payments on median-priced home bought with 30-year mortgage and 20% down. September level based on last week's Freddie Mac 30-year rate.

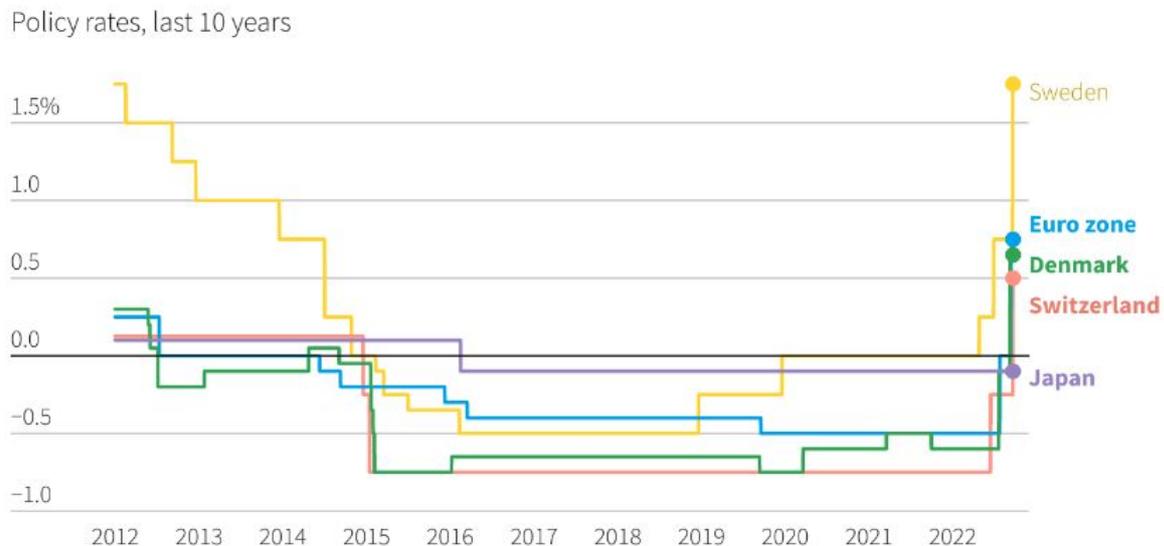
**Figure 6.** Payment to Income Ratio: Housing Affordability (Source Black Knight Inc)



**Figure 7.** Mortgage Rates: 30-year fixed average (Source: Freddie Mac, Bloomberg)

Mortgage rates in the United States have increased for the fifth week in a row, this increases the risk of keeping more prospective home buyers out of the market. The average 30-year fixed loan rate has jumped to 6.29 percent from 6.02 percent last week, according to *The Federal Home Loan Mortgage Corporation*. Rates followed a jump in 10-year Treasury yields, according to the company's statistics, and are currently at their highest level since October 2008.

# Europe's Inflation and Energy Crisis Deepens



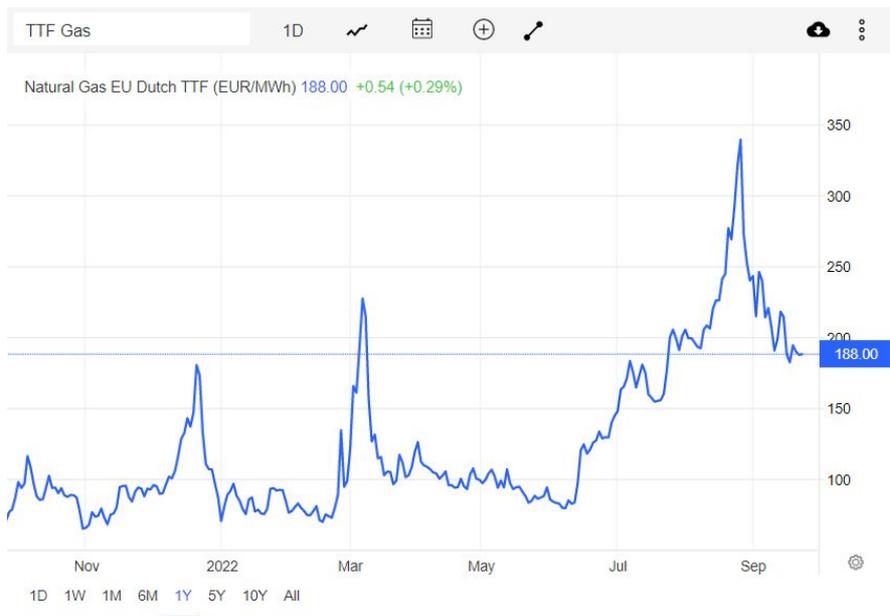
**Figure 8.** Europe's Policy Rates in the past ten years (Source: Refinitiv Data Stream, Reuters)

The era of negative rates in Europe ended as the Swiss National Bank raised its interest rate to 0.5 percent on Thursday, September 22, 2022. The rate hike comes after inflation in Switzerland reached a three-decade high of 3.5 percent last month. The Swiss National Bank rate hike happened two weeks after the European Central Bank (ECB) announced a 75-basis point interest rate rise to a benchmark deposit rate of 0.75 percent on September 8th. Switzerland was the last country in Europe with a negative policy rate, as the region's central banks aggressively increased rates to combat soaring inflation.

Higher rates could help the fight against inflation by raising the Euro's exchange rate against the Dollar and other currencies. That's because the Euro's recent slide to under \$1 — driven by soaring energy costs and dampening economic prospects — makes imported goods, including energy, more expensive.

On Monday, September 19, ECB President Christine Lagarde stated that the ECB might boost interest rates to a level that inhibits economic development to reduce demand and battle inflation. She went on to say that if the present energy supply issues that are causing higher prices, reduces the bloc's potential, the ECB would have to cool demand. The ECB can only influence the interest rate but cannot directly target the energy sector's supply crisis, hence it is likely to tighten more to bring down inflation. Unlike the US Federal Reserve, which has a dual mandate for inflation and employment, the ECB's mandate is only to lower inflation. It is becoming increasingly likely that the ECB will drive regional economies into a recession in order to manage inflation.

The Eurozone's energy crisis may be traced back to years of underinvestment in the renewable energy industry and non-fossil fuel energy alternatives. The current crisis has been brewing for decades, exacerbated by the Russia-Ukraine conflict. Russia's invasion of Ukraine has exposed the fragility of EU countries' energy security. Natural gas prices, and consequently, electricity prices, have increased steeply. Though prices have slightly corrected from extreme levels last month, it is apparent that solving supply shortages and demand destruction can sustainably bring down the prices.



**Figure 9.** Natural Gas EU TTF (Source: Tradingeconomics)

Europe's reliance on liquefied natural gas (LNG) has worsened the supply crisis due to LNG's lesser fungibility compared to other energy sources. Unlike oil and coal, LNG is not easy to ship globally. Natural gas requires expensive pipelines and facilities for handling and shipment. Hence, shortages in natural gas are difficult to supply to specific regions which lack infrastructure.

Europe's energy crisis leaks out into the rest of the world. Because Europe is wealthier on a global scale, it can pay higher costs for LNG imports over their typical baseline price to compensate for bottlenecks from Russia. Many LNG ships that were initially slated for developing nations in Asia have relocated to Europe due to higher import prices. The unfortunate effect of Europe's underinvestment and inadequate energy planning and Russia's conflict has resulted in significant energy shortages in poor households in developing countries like Bulgaria or the Slovakia region.

# Summary

- As expected, the FOMC increased the range for the federal funds rate by 75 basis points to 3-3.25 percent.
- Policymakers projected that they would increase borrowing costs to 4.4 percent by the end of the year and forecasted significantly higher interest rates in the years to come.
- Recognising that rising inflation will not go away on its own, the world's major central banks are tightening policy.
- The US housing market is showing signs of a 'paralysis' as buyers face the worst affordability in decades.
- Mortgage rates in the United States have risen for the fifth week in a row. The average 30-year fixed loan rate has jumped to 6.29 percent from 6.02 percent last week.
- Many LNG ships that were originally slated for developing nations in Asia have relocated to Europe due to higher import prices. The unfortunate effect of Europe's underinvestment and inadequate energy planning and Russia's conflict has resulted in significant energy shortages in poor households in developing countries.



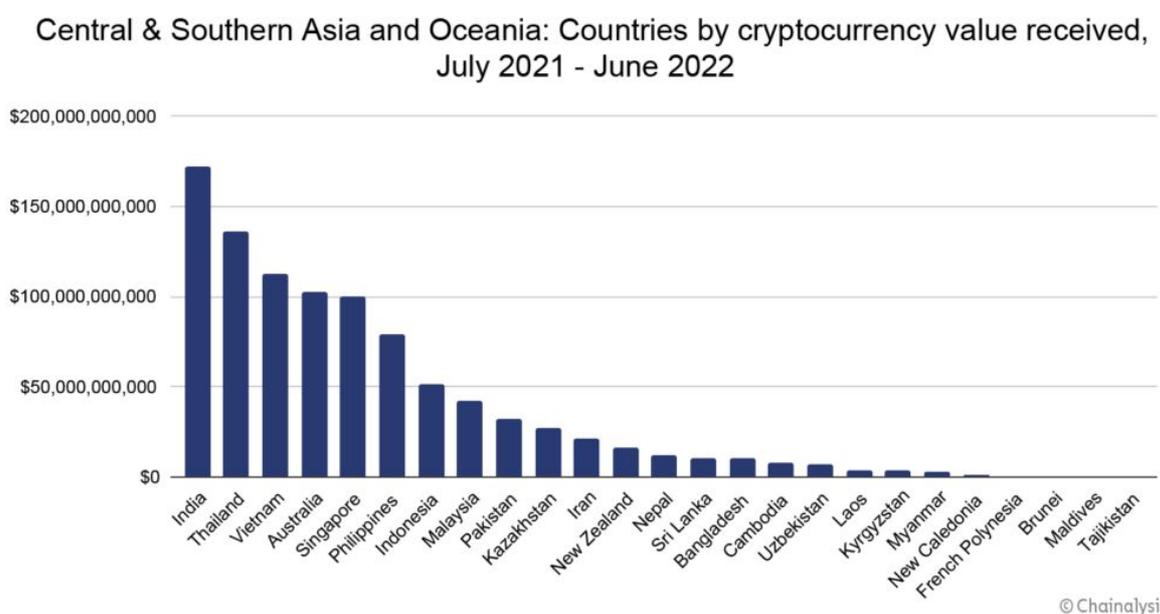
# WHAT'S ON-CHAIN THIS WEEK?



# Crypto Adoption Remains Strong Even Under Bearish Conditions

an aggregation of data derived from scraping various surveys, Chainalysis has compiled an index of top countries by cryptocurrency adoption, and volume traded metrics compiled. Chainalysis is a blockchain data platform that powers investigation, compliance and market intelligence software.

Central & Southern Asia and Oceania (CSAO) is the third largest cryptocurrency market in the index this year, but is the fastest growing in terms of new market participants. Citizens of CSAO countries received \$932 billion in cryptocurrency value from July 2021 to June 2022. Crypto adoption and growth in the region have been resilient despite the bearish market conditions. CSAO is also home to seven of the top twenty countries in this year's index: Vietnam (1), the Philippines (2), India (4), Pakistan (6), Thailand (8), Nepal (16), and Indonesia (20).

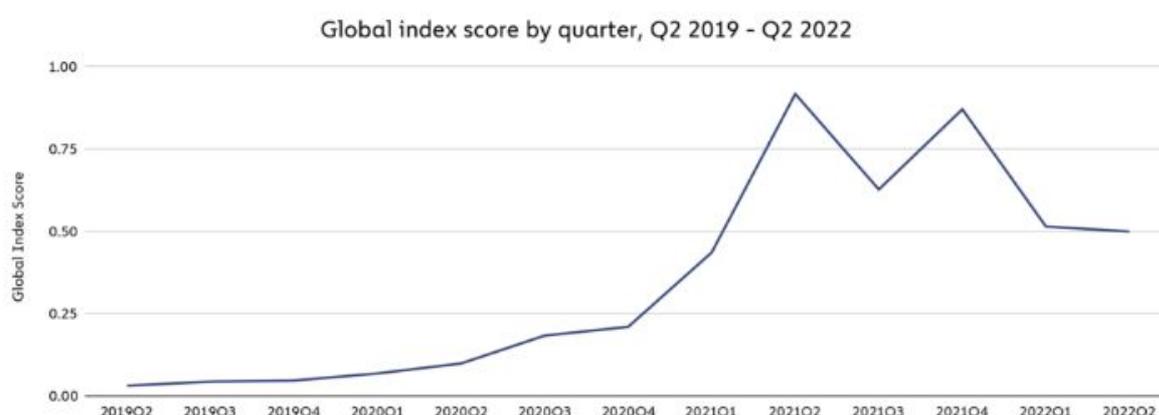


**Figure 10.** CSAO countries charted by growth in cryptocurrency holdings. (source: Chainalysis)

With \$172 billion in Bitcoin value received from July 2021 through June of this year, India continues to dominate CSAO in unweighted crypto activity. Following closely are Singapore, Australia, Thailand, Vietnam, and Thailand, each receiving more than \$100 billion. However, island nations in Oceania like the Maldives and Central Asian nations like Uzbekistan are less interested in cryptocurrencies.

The largest on-ramp to cryptocurrencies in CSAO right now may be NFTs. NFT-related websites received 33 percent of web traffic from CSAO IP addresses to cryptocurrency services in Q2 2022; play-to-earn blockchain game websites received another 21 percent.

Overall adoption has slowed down worldwide in the current bear market but remains above pre-bull market levels. Our data shows that global adoption has levelled off in the last year after growing consistently since mid-2019. We look at this trend in the chart below, where we apply our index methodology globally by summing all 154 countries' index scores quarterly, from Q2 2019 to the present, and re-index that number again to show adoption growth over time across the world.



**Figure 11.** Global crypto adoption index score quarterly chart.

The data suggests that many of those attracted by rising prices in 2020 and 2021 stuck around and continue to invest a significant chunk of their capital in digital assets. Big, long-term cryptocurrency holders have continued to hold through the bear market. So while their portfolios have lost value, those losses aren't locked in because they haven't sold—the on-chain data suggests those holders are optimistic the market will bounce back, keeping market fundamentals relatively healthy.

In terms of population density of the percentage of cryptocurrency holders, Brazil and Indonesia are tied at the top spot, with 41 percent of their citizens holding cryptocurrency. The United Arab Emirates rounds up the podium, with 35 percent of the nation owning at least some cryptocurrency.

Balance, BTC	Addresses	% Addresses (Total)	Coins	USD	% Coins (Total)
(0 - 0.00001)	3261547	7.68% (100%)	15.59 BTC	\$325,024	0% (100%)
[0.00001 - 0.0001)	7914538	18.64% (92.32%)	341.90 BTC	\$7,127,219	0% (100%)
[0.0001 - 0.001)	10528005	24.8% (73.68%)	4,080 BTC	\$85,060,996	0.02% (100%)
[0.001 - 0.01)	10482984	24.69% (48.88%)	39,686 BTC	\$827,286,950	0.21% (99.98%)
[0.01 - 0.1)	6653354	15.67% (24.19%)	216,908 BTC	\$4,521,652,214	1.14% (99.77%)
[0.1 - 1)	2748428	6.47% (8.52%)	850,557 BTC	\$17,730,660,773	4.46% (98.63%)
[1 - 10)	719868	1.7% (2.04%)	1,818,784 BTC	\$37,914,277,711	9.54% (94.17%)
[10 - 100)	132210	0.31% (0.35%)	4,269,427 BTC	\$89,000,240,413	22.39% (84.64%)
[100 - 1,000)	13670	0.03% (0.04%)	3,859,877 BTC	\$80,462,790,158	20.24% (62.25%)
[1,000 - 10,000)	2110	0% (0.01%)	5,076,932 BTC	\$105,833,433,413	26.62% (42.01%)
[10,000 - 100,000)	91	0% (0%)	2,158,667 BTC	\$44,999,454,647	11.32% (15.39%)
[100,000 - 1,000,000)	5	0% (0%)	777,161 BTC	\$16,200,652,897	4.07% (4.07%)

**Figure 12.** List of the number of entities classified on the basis of BTC holdings by wallet balances. (source: Bitinfocharts)



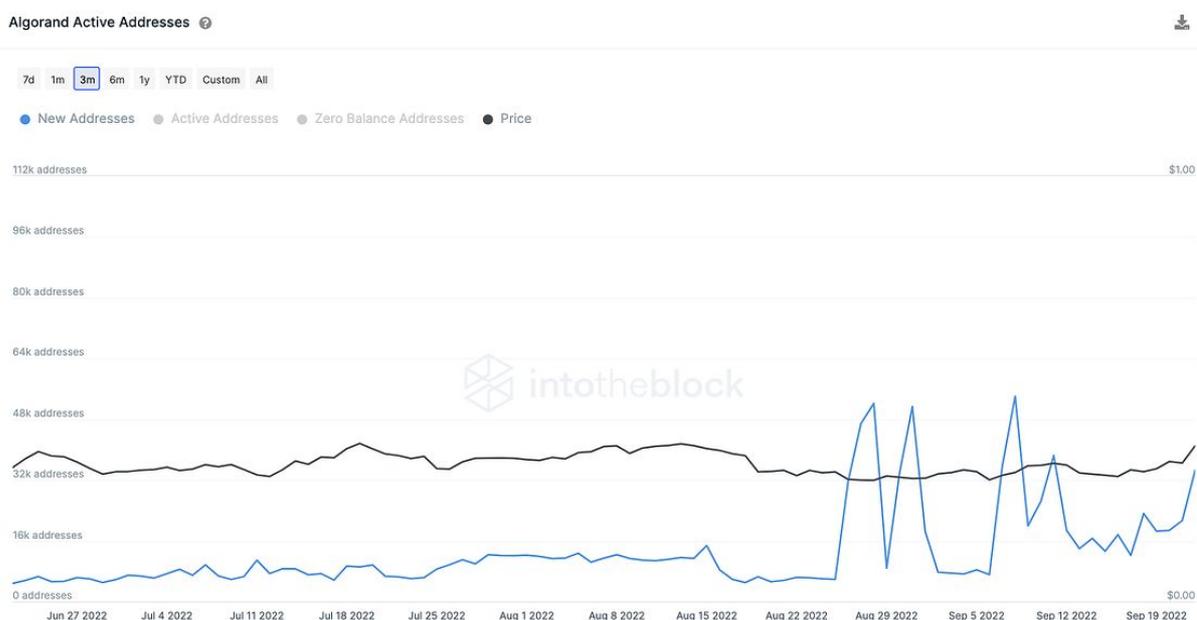
Bitcoin addresses are pseudonymous, which means that while we easily see what addresses have the most Bitcoin in them, we can only identify who's behind each one through extensive blockchain analysis or if the entity behind them comes forward.

Data from BitInfoCharts shows that the top Bitcoin wallets belong to cryptocurrency exchanges, which means they hold the assets of various users who choose custody of their funds on exchanges. Data shows five Bitcoin addresses with between 100,000 and 1 million BTC in them. Four of these have been identified and belong to exchanges.

While the above discussion is interesting, what supports our previous statements and provides more actionable data is that the number of HODLers in the top 5 categories (up to 0.1 BTC) has grown under bearish market conditions since April 2022, which is anomalous to previous bear market data. This is even more testament to retail investors and crypto adoption growing even when the macro conditions face headwinds.

# Football Tokens and NFTs Gain Traction

The entire crypto sector as a whole has experienced a lack of trading volume and a liquidity crisis at times for smaller market cap tokens. The launch of fan tokens however has injected a new potential force in crypto that is gaining traction and Football crypto projects are becoming more active, in volume and activity as the FIFA World Cup approaches. A new set of partnerships, the most significant being Algorand's agreement for an official FIFA NFT platform, has helped to extend crypto's reach.



**Figure 13.** Number of active Algorand Addresses. (source: intotheblock)

Originally announced in early September, the genesis drop on the FIFA Collect marketplace launched on Thursday, 22 September, and has coincided with a spike in new users of the Algorand blockchain, which is hosting the NFT platform behind the collectables.

Positivity among large ALGO holders has been spreading throughout the summer. The percentage of supply held by whales (addresses with > 1 percent of supply) climbed sharply throughout August and September. Whales' aggregate holdings climbed by over \$280M since August. The excitement surrounding the World Cup and football generally have found a new outlet in crypto.

ALGO Historical Concentration

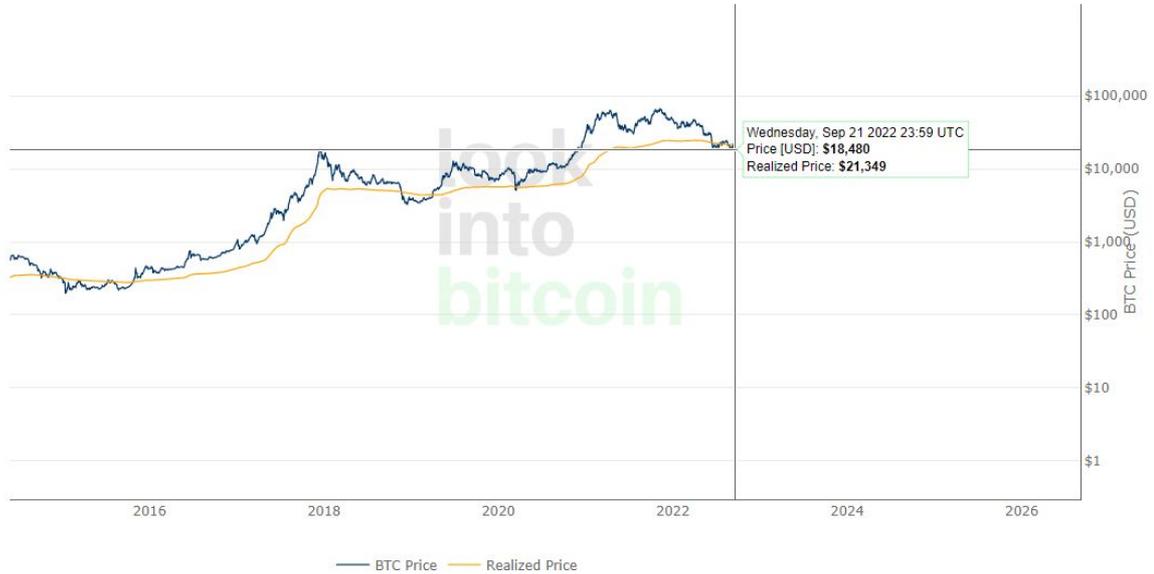
7d 1m 3m 6m 1y YTD Custom All

Whales Investors Retail Price



**Figure 14.** Algo concentration by wallet sizes during the current year in contrast to price. (source: intotheblock)

# Realised Prices By Time Held



**Figure 15.** Realised Price for spot BTC holders in contrast to price. (source: lookintoBitcoin.com)

Bitcoin Realised Price is the value of all Bitcoins at the price they were bought, divided by the number of Bitcoins in circulation. This gives us the 'average cost basis' at which all Bitcoins were purchased, which is another way of describing Realised Price. Currently, the realised price stands at \$21,300. We are currently in a consolidation period where the actual market price of Bitcoin is under the realised cost. Historically, these conditions have provided a good buying opportunity; and accumulation metrics indicate the same view. Short Term Holder Realised Price and Long Term Holder Realised Price are now within \$200 of each other.

With the realised cap for various types of investors flirting with each other and price and realised price also oscillating around each other in a relatively tight spread for the last three months, we have analysed the Spent Output Profit Ratio (SOPR) - a tool that allows you to track the overall state of profit/loss of the market as a whole. The ratio is produced by dividing the price at which coins are sold by the price paid for those coins.

Which means:

- If  $SOPR > 1$ , it means that market participants are booking profits.
- If  $SOPR < 1$ , it means market participants are realising losses.



**Figure 16.** *SOPR for whales on BTC. White – BTC Price Action, Blue – SOPR>1, Red – SOPR<1. (source: Whalemaps)*

In the chart above, we see that even whale-sized wallets are forced to realise losses under the current market conditions. The reason for the realised price closing in on the actual price might also be due to the losses being realised on all of the Bitcoin purchased at much higher prices.



# NEWS FROM THE CRYPTO-SPHERE



# Crypto Market Maker Wintermute Hacked for \$160M, OTC Services Unaffected:



**Figure 17.** A tweet from the company's founder and CEO, Evgeny Gaevoy (source CoinDesk)

Cryptocurrency market maker Wintermute has lost \$160 million in a hack relating to its decentralised finance (DeFi) operation, according to a tweet from the company's founder and CEO, Evgeny Gaevoy.

The firm's lending and over-the-counter (OTC) services have not been affected. Decentralised finance refers to financial activities carried out on the blockchain without the use of third parties.

Wintermute is the latest in a long list of crypto companies to be stung by hacks over the past few months. Gaevoy said the company remains solvent, with "twice over" \$160 million remaining in equity. He essentially implied that the books remain balanced with sufficient capital to ensure there are no solvency or liquidation risks on any open projects and investments.

Founded in 2017, Wintermute trades billions of dollars across the crypto market daily as it provides liquidity across multiple ventures. Last week it was named as the official DeFi market maker for the Tron network.

Gaevoy added that the company is still treating the hack as a "white hat" event (meaning it was "pen-tested" to improve the platform, not for the attacker's financial gain) and asked the hacker to get in touch. The [hacker's wallet](#) has been tracked down by [on-chain sleuth ZachXBT](#); it currently holds around \$9 million in ether (ETH) and \$38 million in other ERC-20 tokens.

# Nasdaq Starts Crypto Custody Service for Institutional Clients:



**Figure 18.** Nasdaq is open to working with crypto-native firms (Source Bloomberg)

Nasdaq, the second-largest U.S. stock market operator, is starting a cryptocurrency custody service as it aims to cash in on the demand from institutional crypto investors, according to a press release on Tuesday, 20th September.

The company has hired Ira Auerbach, who previously ran prime brokerage services at Gemini, as the head of its digital assets unit, the release said.

Nasdaq's move into crypto follows a wider trend across Wall Street. Last month, BlackRock, the world's largest asset manager, said it will offer cryptocurrencies to its institutional clients. Further, the Depository Trust & Clearing Corporation, which processes almost all of the U.S. stock market's trades, released its own blockchain as it looks to speed up the time taken for settlement of trades. This would also allow them to reduce latency in various other operations.

# SEC Charges Ian Balina for Promoting Unregistered ICOs:



**Figure 19.** *Crypto promoter Ian Balina (source: Cryptoslate)*

Crypto influencer Ian Balina – host of the “Ian Balina Crypto World Tour” and YouTube channel “Diary of a Made Man” – has been charged with violating U.S. securities laws for his role in promoting – and later reselling – tokens connected to a 2018 initial coin offering (ICO).

In a complaint filed Monday in the Western District of Texas’s Austin Division, the U.S. Securities and Exchange Commission (SEC) said Balina promoted an unregistered securities offering for SPRK tokens between April and July of 2018, and did not disclose that he was paid by the Cayman Islands-based issuer, Sparkster Ltd., to do so.

Additionally, Balina is accused of violating the Securities Act by forming an investment pool on Telegram with which to re-sell his own SPRK tokens, therefore conducting “his own unregistered offering of SPRK tokens.”

The reason this news development is significant is because while documenting his identity put Mr. Balina under the microscope of public and judicial scrutiny, this practice of token promotion by certain influencers was quite common during the ICO boom. This move aims to set a precedent for how illegal offerings of unregistered tokens will be legislated going forward.

# US Treasury Wants Public to Comment on Crypto's Role in Illicit Finance:



**Figure 20.** *The U.S. Treasury Department is seeking public comment on the role of cryptocurrencies in illicit finance (source CoinDesk)*

The U.S Treasury Department [published](#) a “request for comment” on Monday listing over 20 questions, asking the general public, including the crypto community, to weigh in on how digital assets might be used in illegal activities, and how the department should respond to this issue.

The regulator also noted that various federal officials would create a “coordinated action plan” to address the possible national security risks posed by digital assets.

# White Hat Found a Huge Vulnerability in Ethereum-Arbitrum Bridge:



**Figure 21.** *The vulnerability could have allowed attackers to steal all incoming ether deposits to Arbitrum Nitro (source CoinDesk)*

The rush to find a way of lowering transaction costs on the Ethereum blockchain led developers behind scaling tool Arbitrum to miss a bug in the latest version that would have allowed attackers to steal all funds sent to the network.

Arbitrum paid about 400 ether (\$530,000) to the hacker who flagged the vulnerability.

The threat was found in the way transactions are submitted and processed on the network, through a bridge, which allows users to transfer tokens between different blockchains. Attacks on bridges have become one of the biggest security threats in crypto, accounting for almost \$1 billion stolen in the past year.

# EU Finalises Legal Text for Landmark Crypto Regulations Under MiCA:

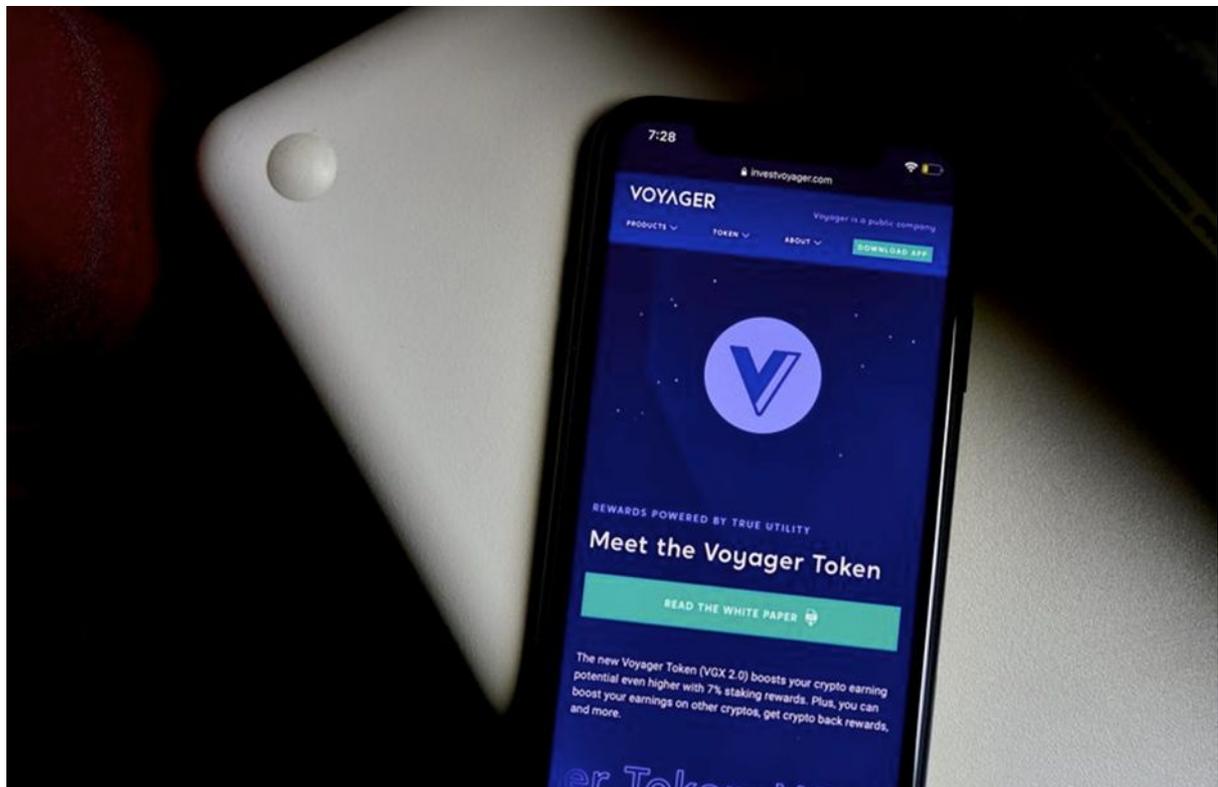


**Figure 22.** EU Finalises Legal Text for Landmark Crypto Regulations Under MiCA (Source CoinDesk)

The European Union has finalised the full text of its landmark Markets in Crypto Assets (MiCA) legislation. A leaked draft of the text shows the rules could apply to algorithmic stablecoins and fractionalized NFTs. (link - <https://bit.ly/3xS74We>)

The new potential law will require issuers of crypto assets to publish white papers containing technical roadmaps, for platforms to register with the authorities, require stablecoin issuers to hold capital and be prudently managed.

# Binance and FTX Make Top Bids for Bankrupt Lender Voyager:



**Figure 23.** *The auction for Voyager’s assets (Source The Wall Street Journal)*

Crypto exchanges FTX and Binance have made the leading bids for the assets of bankrupt crypto-lender Voyager Digital Ltd., according to people familiar with the matter, but neither bid has been accepted yet.

The current bid from Binance is about \$50 million, slightly higher than the competing bid from FTX, according to the people.

At the time of its bankruptcy filing in July 2022, Voyager said it had total assets of \$5 billion and total liabilities of \$4.9 billion.

FTX and Binance have emerged among the few winners in the crypto meltdown. Both have managed to increase their share of the trading market. FTX, owned by Sam Bankman-Fried, has been aggressively acquiring distressed assets during the downturn.

The auction for Voyager’s assets began on Sep.13. Other bidders involved include crypto investment manager Wave Financial and trading platform CrossTower. It is possible as well that a separate bidder could come in with a new competing bid.

A hearing is scheduled in New York for Sept. 29 to announce the winning bid, but an announcement could come sooner.



<https://t.me/bitfinex>



**BITFINEX**  **Alpha**

