BITFINEX Alpha

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EXECUTIVE SUMMARY

The economy remains resilient, which means rates will continue to rise

In an intriguing turn of events, the US manufacturing sector is charting a rebound, reporting surging orders driven by strong demand for transportation equipment. Great news for the economy! But is it? The longer-term trend still seems soft, and this looks like a re-stocking exercise following the manufacturing demand slump last year. As rate rise expectations increase, the more defined trend is for consumers to redirect more of their spending towards services as identified in previous editions of *Bitfinex Alpha*.

In contrast, what seems more resilient is the housing market, where there continues to be strong demand with a significant rise in newly built home sales, driven by inventory shortages in the resale market and despite high mortgage rates. This encouraging rally was underscored by a robust 12.2 percent rise in sales in May, exceeding forecasts and marking the largest jump since February 2022. But we should wonder what the Fed thinks about all this. They want to curb inflation and that will surely mean seeking to curb the drivers of housing demand.

US trade dynamics also look positive. May saw a welcome shrinkage in the US trade deficit as imports receded. However, the deficit remains 10 percent higher than the first quarter, threatening to curb Q2's economic growth. That said, this setback could be offset by increased inventory investment, portraying a complex economic landscape where the factors of trade and inventory investment are delicately balanced.

The consumer sector, a crucial economic pulse, is also looking buoyant with the Conference Board reporting that consumer confidence has surged to a 17-month high. Outperforming forecasts, the 7.2-point jump in June points towards easing concerns over recession and inflation and demonstrates a resilient economic environment.

However, the Fed's preferred Personal Consumption Expenditure index print for May showed only a small decline to 4.6 percent, excluding food and energy, compared to 4.7 percent in April. And in the job market, as we have been accustomed to seeing, stickiness continues, with jobless claims unexpectedly dropping to a four-week low.

Crypto markets are in a tussle

In crypto markets, the price of BTC continues to hover around the key $30,000 range, and the latest on-chain metrics and investor behaviour suggest we may be at the genesis of a new bull run. The nuance is in the data – Bitcoin's Spent Output Profit Ratio (SOPR) and Net Unrealised Profit and Loss (NUPL) indicators have edged into the green, hinting that on average, all BTC exchanging hands is being done so at a profit since its initial breach of $29,500.

However, the devil, as always, is in the detail. On-chain data from *CryptoQuant* reveals a significant spike in miners sending BTC to exchanges, an activity often seen in two scenarios: either during bear market capitulation or during the nascent stages of a bull market. This move seems to be aimed more at derivative trading activities however, building positions using Bitcoin as collateral rather than direct selling on the spot markets, thereby muting any immediate bearish pressure on prices.

Meanwhile, Bitcoin's Spent Output Profit Ratio (SOPR) has remained above one for a fortnight, indicating that market participants, keen on future price appreciation, do not have to sell at a loss and are confident in their spot positions to either realise partial profits now or hold for higher. This is providing a critical supportive base for the BTC price as we await further bullish signals.

Investor cohort behaviour, as reflected in the Long-Term-Holder vs Short-Term-Holder SOPR ratio, is showing signs of increased profit-taking by the former group. However, with exchange netflows remaining moderate, this selling likely represents a partial profit-realisation, rather than a sweeping bearish turn.

The tug-of-war between bullish and bearish sentiment is evident in Bitcoin's order flow data as well. High positive deltas at the $29,500 and $31,000 levels indicate robust buying interest, absorbed largely by limit sell orders. This balance between market buys and sells has created a critical zone that could dictate Bitcoin's trajectory in the coming weeks. In conclusion, whilst we're seeing a complex blend of investor and miner behaviour, the overall tone seems cautiously optimistic.

Crypto news flow is positive

Against this market backdrop, the news agenda is largely positive. HSBC Hong Kong has become the city's first bank to offer Bitcoin and Ether ETF trading.

Tether is partnering with the Georgian government to foster blockchain technology growth in the country. And Bitfinex has launched a peer-to-peer trading platform in Latin America, focusing on Venezuela, Argentina, and Colombia. Business intelligence firm MicroStrategy also continues to bolster its Bitcoin holdings, recently purchasing an additional 12,333 BTC. In the UK, the Law Commission recommends acknowledging and protecting digital assets, highlighting the nation's progressive stance towards cryptocurrencies.

In contrast, Lightspark CEO David Marcus, along with Ethereum's co-founder Vitalik Buterin, has voiced concerns over the United States' stance towards digital asset adoption and raising concerns over the competitive edge other countries are gaining in this rapidly growing sector.

With an economic outlook that remains complex, a Bitcoin market that hints at more growth and a positive news agenda, it all makes for another interesting week of trading ahead.

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GENERAL MARKET UPDATE

US ECONOMIC DATA

JUNE 26-30, 2023

NEW HOME SALES & DURABLE GOODS ORDERS

+12.2%

NEW HOME SALES
763,000 annual rate
May 2023
(vs consensus forecast of 675,000)

+1.7%

DURABLE GOODS ORDER
May 2023
(vs consensus forecast of 0.9%)

June 27

CONSUMER CONFIDENCE

109.7

+7.2 pts
from previous month

May 2023
(vs consensus forecast of 104)

June 27

ADVANCED US TRADE DEFICIT

-6.1%

ADVANCED TRADE BALANCE
91.1 Billion
May 2023

-0.1%

ADVANCED WHOLESALE INVENTORIES
912.9 Billion

+0.8 %

ADVANCED RETAIL INVENTORIES
778.7 Billion

June 28

INITIAL JOBLESS CLAIMS

239,000

WEEK ENDING JUNE 25

(vs consensus forecast of 265,000)

June 29

PERSONAL CONSUMPTION EXPENDITURE

+0.3%

PCE CORE (MoM)
May 2023, vs consensus forecast 0.3 %

+0.1%

HEADLINE PCE (MoM)

+4.6%

PCE CORE (YoY)
May 2022-May 2023, vs consensus forecast 4.5 %

3.8%

HEADLINE PCE (MoM)

June 30

Inflation Pressures Ease as Consumer Spending Slows, Says Commerce Department Report

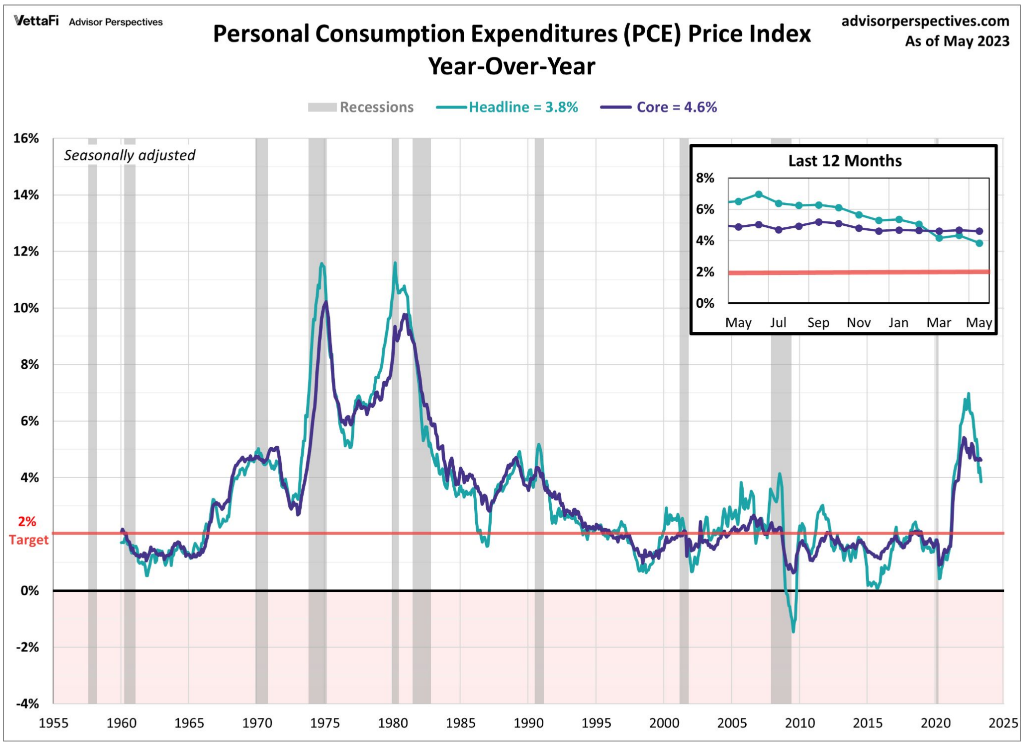


Figure 1. Personal Consumption Expenditures (PCE) Price Index (Year-over-Year) (Source: Advisor Perspectives, US Bureau of Economic Analysis)

According to the latest report by the US Bureau of Economic Analysis) inflation pressures saw a slight decrease in May, coinciding with a considerable slowdown in consumer spending. The report last Friday, June 30, revealed that the Personal Consumption Expenditures (PCE) price index, a significant metric monitored by the Federal Reserve, rose by 0.3 percent for the month when excluding food and energy. This figure aligned with consensus estimates. On a year on year basis, so-called Core PCE, was up by 4.6 percent (refer to Figure 1). In comparison, April witnessed a 0.4 percent increase in the index for the month and a 4.7 percent rise year-over-year (YoY).

Including the volatile food and energy components, inflation was notably milder, with a mere 0.1 percent increase for the month and a 3.8 percent rise YoY (refer to Figure 1). These figures represented a decrease from the 0.4 percent monthly and 4.3 percent YoY increases reported in April. The year-over-year headline number was the lowest since April 2021, while the core number was the lowest since October 2021.

Despite the slight retreat in inflation, consumer spending experienced a meager 0.1 percent growth for the month, falling short of the consensus forecast of a 0.2 percent increase and marking a significant decline from the 0.6 percent surge witnessed in April. This deceleration occurred despite personal income accelerating by 0.4 percent, surpassing the estimated 0.3 percent increase.

While the recent data indicated a gradual improvement in inflation, it remains significantly higher than the Federal Reserve's long-term target of 2 percent. Fed Chairman Jerome Powell stated earlier this week that achieving this target is unlikely for a few more years.

During their June meeting, Federal Reserve officials suggested that they anticipate at least two additional quarter-point interest rate hikes before the year's end. Even Atlanta Fed President Raphael Bostic, who opposes further increases, mentioned that he does not foresee any rate cuts occurring this year or in 2024.

Traders in the market currently estimate an 87 percent probability of the Federal Reserve approving a quarter-point interest rate hike at the July meeting, a calculation that has remained largely unchanged following the release of the recent data, according to CME Group.

As prices continue to rise, consumers have begun to reduce the pace of their spending and save more money. The personal savings rate for May increased to 4.6 percent, up from April's 4.3 percent.

Furthermore, consumer spending has shifted back toward services, reversing the trend observed during the COVID-19 pandemic, where consumers focused more on purchasing higher-priced goods. The Commerce Department's Bureau of Economic Analysis revealed that spending on services rose by $52 billion for the month, while spending on goods fell by $33.1 billion. This occurred alongside a 0.1 percent decrease in goods prices and a 0.3 percent increase in services prices. Energy prices experienced a 3.9 percent decline, while food prices rose by just 0.1 percent.

US Manufacturing Sector Shows Signs of Recovery with Surging Orders but Long-Term Trend Still Soft

Figure 2. Durable Goods Orders MoM change (Source: US Census Bureau)

According to the latest report from the Commerce Department released on Tuesday, June 27th, the manufacturing industry in the United States experienced an unexpected surge in new orders for durable goods last month. This signals a potential turnaround for the sector. The increase in orders, driven primarily by strong demand for transportation equipment, indicates a temporary stabilisation for manufacturers after a slump in 2022. This positive trend could suggest an expanding economy, providing hope for the recovery of the manufacturing industry.

The report revealed that orders for durable goods rose by 1.7 percent in May refer to Figure 2), marking the third consecutive month of growth (refer Figure above). This figure surpassed the consensus forecast of a 0.9 percent decline, demonstrating a more robust recovery than anticipated.

Orders for passenger planes experienced a substantial surge of 33 percent in May, counterbalancing a 35 percent decline in contracts for military aircraft. Additionally, new orders for automobiles saw a strong rise of 2.2 percent following a stagnant period in April. Moreover, core orders, which excludes transportation, demonstrated a positive 0.7 percent gain in May, indicating broad-based growth across the manufacturing landscape. However, despite these recent improvements, the year-over-year (YoY) growth of core orders remained modest, at just two percent. This statistic highlights a significant stagnation in business investment since the end of 2021, attributed to the impact of higher interest rates. When companies anticipate an economic softening, they tend to reduce their investment.

Economic softening refers to a slowdown in the rate of economic growth or a minor decline in economic activity. It's a period when the economy is still growing, but at a slower pace than before. This softening can be seen in various economic indicators such as GDP growth rate, employment rate, consumer spending, industrial production, and so forth. It's not a recession (which is a significant decline in economic activity), but it might be a sign that a recession could happen in the future if the softening continues or worsens.

Nevertheless, the overall performance of the industrial side of the economy is modest, with higher interest rates dampening the demand for expensive manufactured goods. Instead, consumers have been redirecting their spending toward services such as travel. Given this prevailing trend, this is unlikely to change in the near future, especially if the Federal Reserve (the Fed) proceeds with further interest rate hikes or even maintains the status quo. This scenario would provide little incentive for manufacturers to increase their production or to expand their workforce.

The unexpected surge in durable goods orders in May brings temporary relief to concerns about a looming recession. However, the economic landscape for manufacturers may be discouraging as lending standards tighten and interest rates remain elevated, thereby weakening the demand for goods.

The manufacturing sector's recent performance reflects a potential bottoming out and hints at a temporary recovery after a challenging period. However, sustained growth and long-term stability will depend on various factors, including the trajectory of interest rates and consumer spending patterns. Manufacturers must remain adaptable and agile in response to the ever-changing economic landscape, ensuring their ability to thrive in an evolving market.

New Home Sales in the US Surge as Inventory Shortage Boosts Demand

The housing market in the United States witnessed a significant surge in sales of newly built homes in May. We believe this was fueled by a shortage of available homes in the resale market as we have indicated in previous editions of *Bitfinex Alpha*. This marked the third consecutive month of increased sales, with May experiencing the largest jump since February 2022. The strength in new home sales was evident nationwide, with the Northeast and the West leading the way. Home builders have become a crucial source of inventory for home shoppers, driving the upward trend in new home sales.

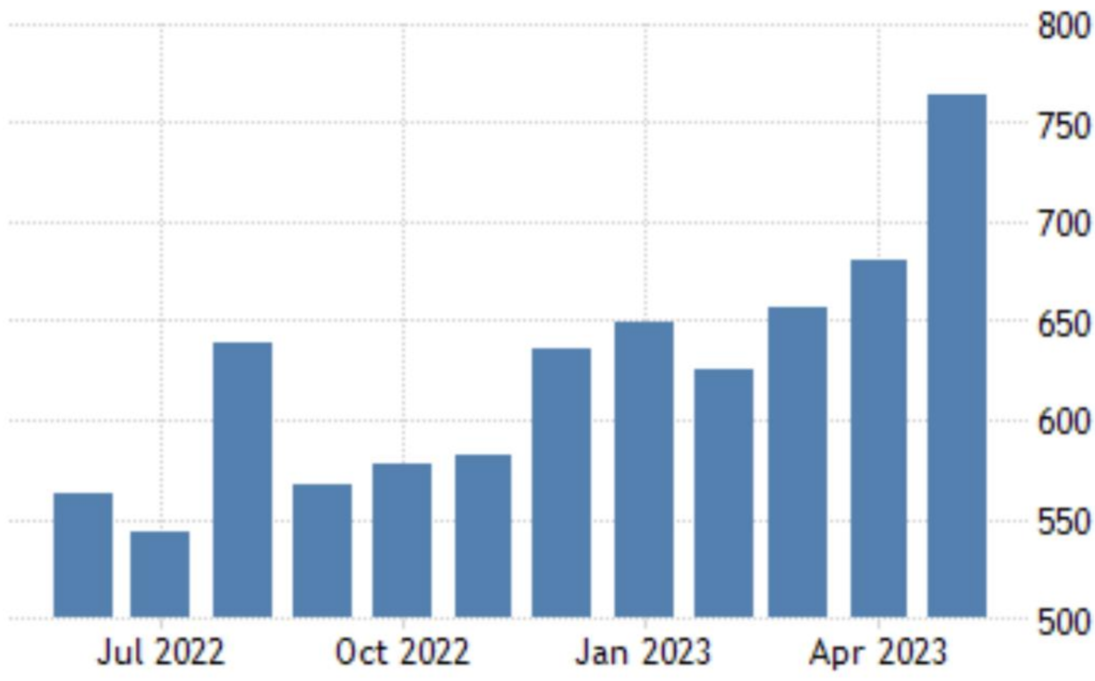


Figure 3. US New Home Sales Monthly Chart. Y-axis is in thousands. (Source: FRED)

According to the Commerce Department's report on Tuesday,June 27th, new home sales soared by 12.2 percent in May (refer Figure above) to a seasonally adjusted annual rate of 763,000 units (refer to Figure 3), the highest level in nearly one and a half years. This figure exceeded expectations, as the consensus expectation was for sales to reach 675,000 units. The data for April was also revised, revealing that new home sales had risen to 680,000 units, compared to the initial estimate of a 4.1 percent increase to 683,000 units. It is worth noting that new home sales data tend to be volatile month-on-month and are often subject to revision.

Regionally, both the Northeast and the West witnessed significant increases in new home sales, each recording a rise of around 17 percent. Overall, new home sales have surged by 20 percent compared to the previous year. The median sales price of a new home sold in May declined to $416,400 from the previous month.

While new home sales reflect the actual transactions of homes, the supply of new homes represent the available inventory of newly constructed homes. Both are interrelated and impact each other, playing a crucial role in supply and demand, and pricing dynamics. The supply of new homes for sale experienced an 11.8 percent drop between April and May. At April to May's pace it would take 6.7 months to clear the supply of houses on the market, down from 7.6 months in April, according to the Census Bureau.

While the housing market has been struggling due to inventory shortages and high mortgage rates, home builders have thrived as buyers flock to new constructions, offering them more options. The surge in new home sales indicates that the housing market may have reached a floor and could even be improving. Recent data showed a rise in homebuilder confidence in June, entering positive territory for the first time in 11 months. Additionally, housing starts experienced a surge in May, despite limited supply, and home resales saw a slight uptick.

These signs for revival in the housing market may suggest that the Fed will continue raising interest rates. The housing market has been significantly impacted by the central bank's rapid rate hiking cycle, with the Fed signalling two more rate increases this year to curb overall economic demand. Notably, the increase in sales last month occurred even as mortgage rates resumed their upward trend.

As the housing market shows signs of recovery, driven by strong demand and limited supply, we will be closely monitoring developments and anticipating the impact of the Fed's monetary policies on the future trajectory of the housing market.

US Trade Deficit Narrows as Demand for Imports Decline

	ADVANCE INTERNATIONAL TRADE: GOODS DEFICIT		ADVANCE WHOLESALE INVENTORIES		ADVANCE RETAIL INVENTORIES	
MAY 2023	**$91.1 Billion**	**-6.1%°**	**$912.9 Billion**	**-0.1%***	**$778.7 Billion**	**+0.8%**
APRIL 2023	**$97.1 Billion**		**$913.9 Billion (R)**		**$772.5 Billion (R)**	

Next release: July 27, 2023.

* The 90 percent confidence interval includes zero. There is insufficient evidence to conclude that the actual change is different from zero.
° Statistical significance is not applicable or not measurable.
Data adjusted for seasonality but not price changes.
Source: U.S. Census Bureau; Advance Economic Indicators Report, June 28, 2023.

Figure 4. US Advanced Trade Deficit, Wholesale Inventories and Retail Inventories

In May, the United States witnessed a reduction in its trade deficit in goods due to a decrease in imports. However, this improvement might not be sufficient to prevent trade from having a negative impact on the country's economic growth in the second quarter. Despite the contraction witnessed in May, the goods trade deficit has increased by over 10 percent since the first quarter. This phenomenon will likely exert downward pressure on economic growth in the second quarter. A trade deficit epitomises a negative trade balance, wherein the value of imports supersedes that of exports.

Nonetheless, it is anticipated that the detrimental impact of this trade deficit on Gross Domestic Product (GDP) will be counterbalanced by an uptick in inventory investment. Consequently, it presents an economic landscape defined by intricately intertwined factors of trade and inventory investment. According to the report by the US Census Bureau last Wednesday, June 28, there was a significant rise in retail inventories last month, further supporting this notion.

The latest data on international trade in goods shows that the US trade deficit amounted to $91.1 billion in May. This figure represents a $6.0 billion decline from April's deficit of $97.1 billion. May's exports of goods totaled $162.8 billion, a decrease of $1.0 billion compared to April. Imports of goods in May amounted to $254.0 billion, reflecting a decrease of $6.9 billion compared to April.

Furthermore, wholesale inventories in May were estimated to be $912.9 billion, slightly lower by 0.1 percent compared to April 2023. However, they demonstrated a positive growth of 3.6 percent in comparison to May 2022. On the other hand, retail inventories in May reached an estimated value of $778.7 billion, showing a growth of 0.8 percent from April 2023 and an increase of 7.0 percent from May 2022.

These latest figures indicate a significant shift in the US trade balance and inventory levels. The narrowing trade deficit and the positive growth in retail inventories suggest a potential rise in domestic demand for goods, which could potentially stimulate the economy. Nonetheless, it is crucial to closely monitor these trends in the upcoming months to ascertain their sustainability.

Looking at the short-term forecast, the recent improvements in the trade deficit and inventory levels may contribute to a more optimistic sentiment in the near future. The reduction in the trade deficit could potentially lead to a strengthening of the US dollar and enhanced competitiveness in international markets. However, it is important to exercise caution and observe how these trends develop in the context of global economic conditions.

All in all, the latest data on international trade and inventories in the United States portrays a shifting dynamic. The narrowing of the trade deficit coupled with positive growth in retail inventories indicates potentially positive implications for the economy. Traders and investors should continue to closely monitor these developments as they shape their strategies and outlook for the coming months.

US Consumer Confidence Surges to 17-Month High, Reflecting Economic Optimism

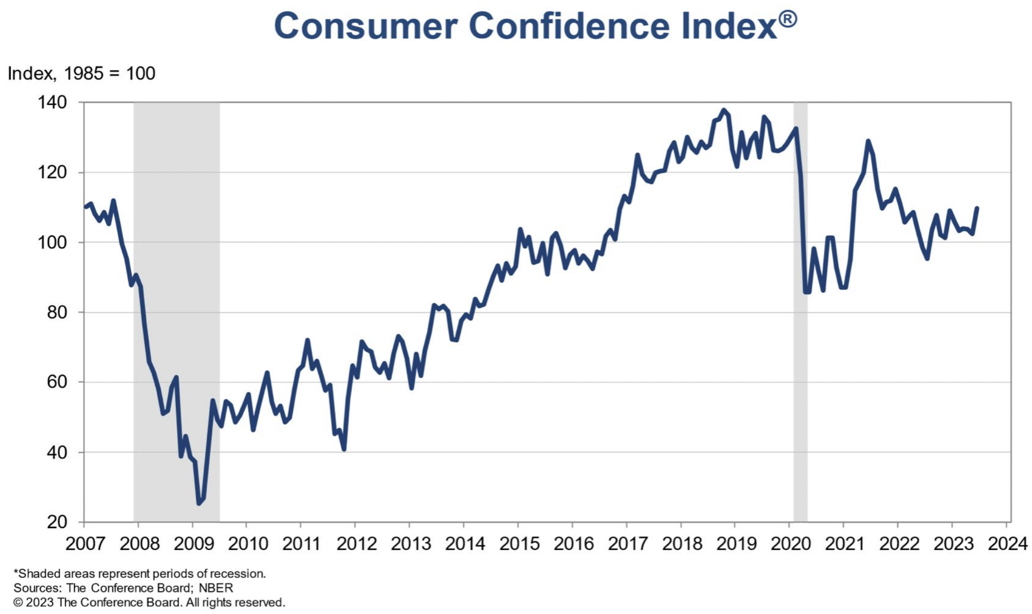


Figure 5. Consumer Confidence Index. (source: The Conference Board, NBER)

Consumer confidence in the United States soared to a 17-month high of 109.7 in June, signalling a decrease in concerns about a recession and a slowdown in inflation (refer to Figure 5), according to a survey conducted by the Conference Board, released last Tuesday, June 27. The closely watched index experienced a substantial increase of 7.2 points from a revised figure of 102.5 in May, which had been the lowest reading in six months.

Consumer confidence serves as an important indicator of the overall state of the economy, reflecting whether it is improving or worsening. The Consumer Confidence Index, a salient barometer of consumers' evaluation of extant economic conditions and their short-term projections, suggests a prevailing sense of optimism amongst US consumers. This index amalgamates two essential metrics - the Present Situation Index and the Expectations Index - thereby providing an all-encompassing perspective on consumer confidence.

Interestingly, the consensus forecast had anticipated a marginally lower index reading of 104, underscoring the extent to which current consumer optimism surpasses earlier estimates.

Figure 6. Present Situation vs Expectations Index. (source: The Conference Board, NBER)

The survey also revealed notable improvements in the components that measure consumers' perceptions of the current economic situation and their expectations for the future. The Present-situation index, which gauges consumers' feelings about the economy in the present moment, reached its highest level in almost two years at 155.3 in June (refer to Figure 6), up from 148.9 in the previous month. Additionally, the Expectations index, which reflects consumers' outlook for the coming six months, rose to 79.3 in June (refer to Figure 6), marking the highest reading this year (refer Figure above).

However, it is important to note that the future-expectations index still falls short of the 80 mark (refer Figure above, brown line), which often serves as a recessionary signal according to the Conference Board. In fact, the index has remained below this level in all but one month over the past 16 months.

Despite ongoing concerns about inflation, the survey revealed that consumers anticipate a slowdown in price increases. Respondents projected a six percent rise in prices over the next year, representing the lowest reading since the end of 2020.

One notable discrepancy emerges from consumers' reported dissatisfaction with the economy over the past year, juxtaposed with their continued spending habits that indicate confidence in a healthy economic environment. This divergence can be explained by the fact that while inflation remains high and prices are increasing, wages are also rising, unemployment rates are low, and individuals feel secure in their jobs. These factors have instilled confidence among consumers, encouraging them to maintain their spending habits and supporting the economy's resilience against a potential recession.

The surge in consumer confidence reflects growing optimism among Americans regarding the economic outlook. This positive sentiment is expected to fuel continued consumer spending, contributing to sustained economic growth in the coming months. However, analysts will closely monitor factors such as inflation trends and economic stability to assess the durability of this optimistic trend.

Jobless Claims Dropped to a Four-Week Low

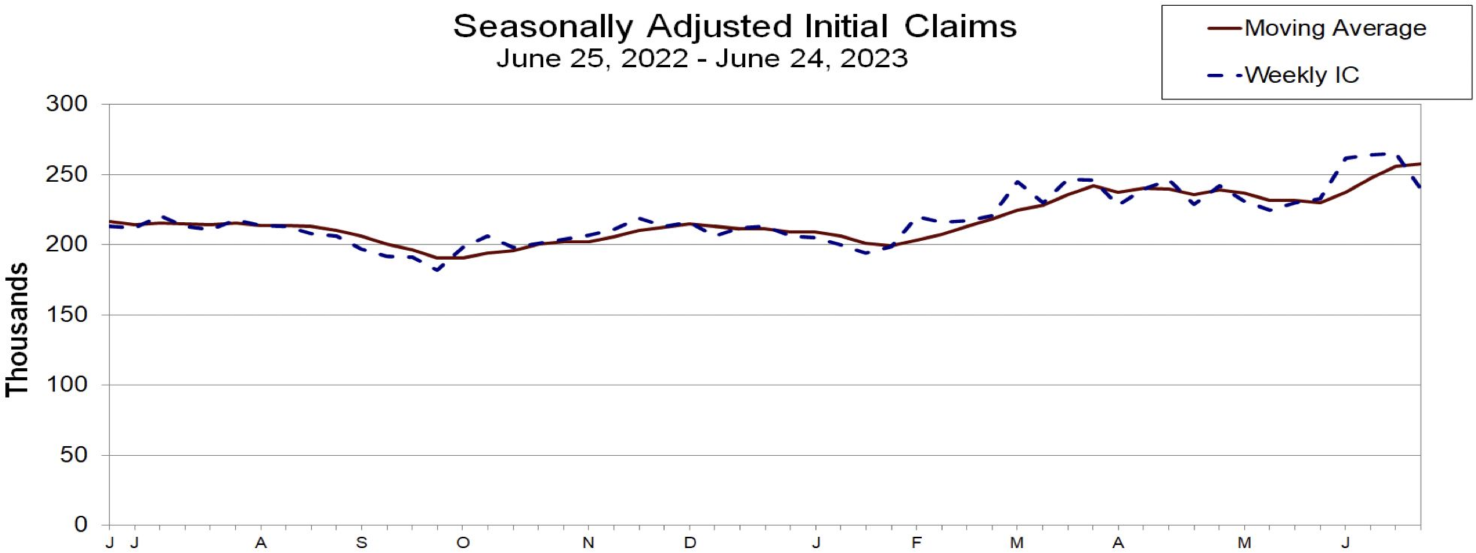


Figure 7. Weekly Jobless Claims in the US. (Source: US Bureau of Labour Statistics)

The latest data from the US Labor Department and the Commerce Department reveals a positive outlook for the American economy. Jobless claims experienced an unexpected decline, marking the largest decrease in 20 months, while first-quarter gross domestic product (GDP) was revised higher. These developments indicate a resilient labour market, potentially supporting the Federal Reserve's decision to continue raising interest rates in order to manage demand and curb inflation.

According to the Labor Department's report last Thursday, June 29, initial claims for state unemployment benefits decreased by 26,000 to 239,000 for the week ending June 25 (refer to Figure 7). This decline came as a surprise, reversing the recent upward trend observed in the previous three weeks. Consensus forecast was 265,000 claims for the same period. The drop in jobless claims suggests that there is no significant deterioration in demand for workers.

It is worth noting that recent policy changes in Minnesota and some cases of fraud in certain states contributed to the increase in jobless claims during the first three weeks of June. However, last week's decrease in claims, along with the overall lower figures relative to the size of the labour market, indicate a healthy job growth trend. We consider that any claims numbers below the threshold of 280,000 suggest a steady pace of job creation, with an average of 314,000 jobs added per month in 2023.

The positive labour market data aligns with the Conference Board's survey, which revealed that consumers' perception of the job market improved in June compared to the previous month. More individuals considered jobs as "plentiful," while the percentage of those who believed jobs were "hard to get" slightly decreased.

Jerome Powell, Chairman of the Federal Reserve has acknowledged the tightness of the labour market, stating that there are indications of better balance between labour supply and demand. Factors such as increased labour force participation, easing nominal wage growth, and declining vacancies contribute to this assessment. However, labour demand still outpaces the supply of available workers.

Furthermore, the Commerce Department's revised estimate of the first-quarter GDP growth rate revealed an increase from 1.3 percent to 2.0 percent. This revision reflects upgrades in consumer spending and exports, underscoring the strength of the economy. The labour market's robustness, characterised by declining continuing claims, has played a role in supporting the economy, compensating for the slowdown in inventory investment by businesses.

WHAT'S ON-CHAIN THIS WEEK?

Investor Behaviour Suggests Early Signs of a Bull Market

The SOPR (Spent Output Profit Ratio) and NUPL (Net Unrealised Profit and Loss) metrics across various investor cohorts suggests that Bitcoin is now being sold in profit since its initial break above $30,000. However, we analyse how this might signal that we are in the early stages of a bull market.

Figure 8. BTC/USD 2H chart. (source: Bitfinex)

The BTC price broke above the all important $29,500 mark for the second time this year on June 21st (refer Figure 8 above). Since then, the price has been bracketing in the range marked between this level and the $31,000 level. This is a particularly important level as the price has always consolidated and stalled here before reversing or trending in either direction.

Figure 9. BTC/USD Daily Chart. (source: Bitfinex)

As seen in Figure 9 above, the marked zone has always acted as a pivotal point in deciding the trend for the crypto market and as such is a major psychological level.

This zone is really important as this precise region served as a rebound point for the BTC price in January 2021, following a 35 percent depreciation, which eventually culminated in the formation of the $64,800 peak. Subsequently, after a 55 percent retracement from this peak, the price bounced from this zone yet again, establishing the current All-Time-High (ATH) for the asset at approximately $69,000.

Furthermore, it was within this region that the price consolidated during May-June 2022 prior to a downward break, which consequently marked the inception of the bear market lows for the cycle.

As such, this is the one of the most important levels in terms of monitoring the behaviour of different investor cohorts.

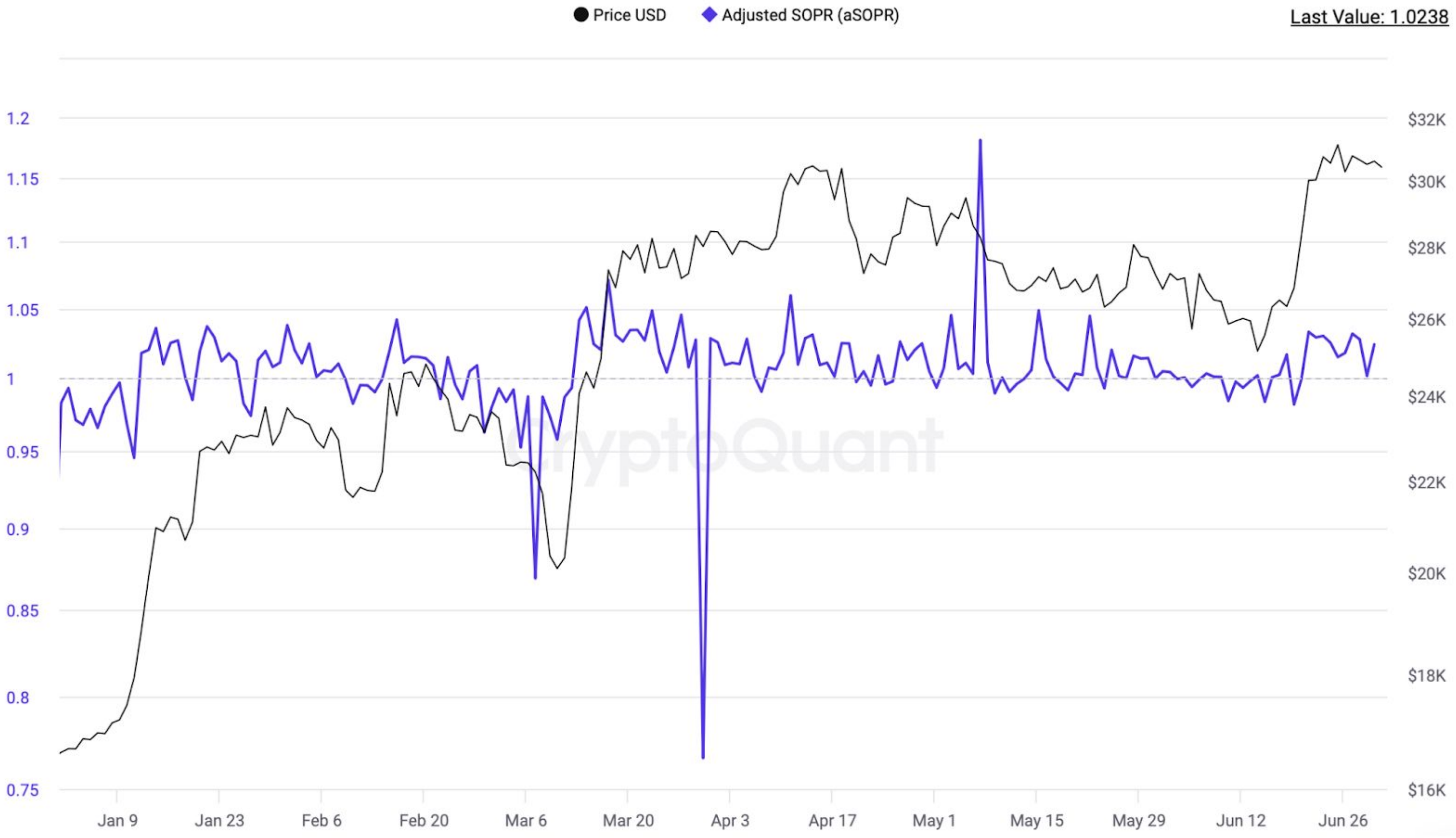


Figure 10. Adjusted SOPR for Bitcoin. (source: CryptoQuant)

The SOPR is an on-chain metric that provides insights into the profitability or loss of coins moved on-chain. It's calculated by dividing the selling price (the price at which a coin was last moved) by the purchase price (the price at which a coin was initially acquired). If SOPR is greater than one, it means that people are, on average, selling their bitcoins at a profit; if it's less than one, they are selling at a loss. The adjusted SOPR (aSOPR) removes noise from the aggregate data by not factoring in coins that were moved again in less than an hour's time as these may be entities moving their own coins from one address to another.

The SOPR has been above one for about two weeks now since the BTC price broke above the crucial $29,500 level. In a bull market, most market participants are expecting further price appreciation, which means they are unwilling to sell at a loss. This generally keeps the SOPR value > one during bull markets, because there is very little supply coming onto the market at breakeven prices.

In both bull and bear markets, the SOPR value tends to find support and resistance at a value of one, thus, **a sustained stint above one as we are in now would signal we are in an early bull market stage.**

However, when SOPR values reach extreme positive levels which would be above 1.4, it means that coins are being sold at a high degree of profit, which can signal euphoria and/or market tops.

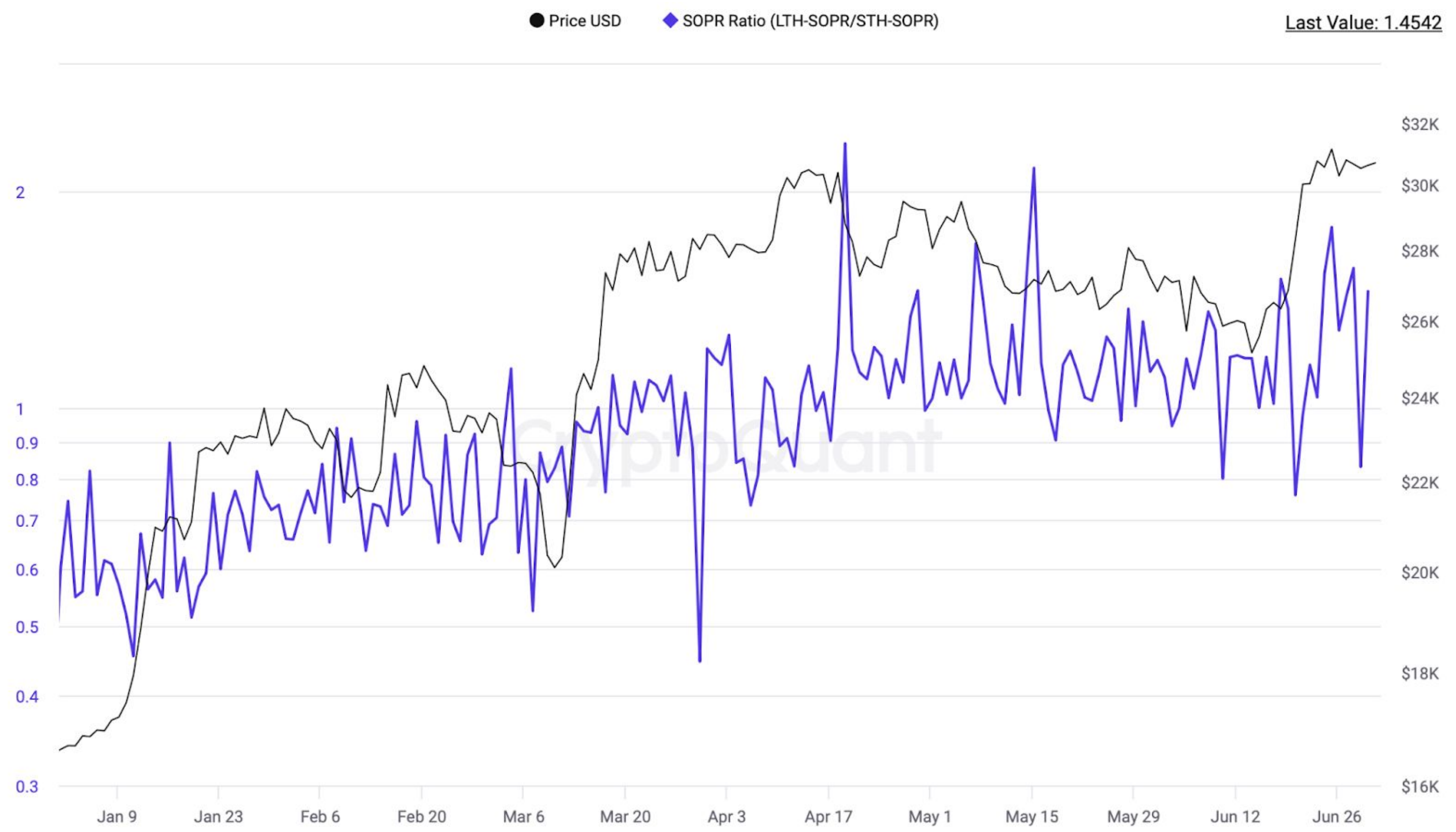


Figure 11. LTH vs STH SOPR Ratio. (source: CryptoQuant)

The long-term holder divided by short-term holder SOPR ratio is the ratio between profits realised by investors with a longer investment outlook (who have not moved coins for more than half a year) and shorter term investors.

This ratio has seen a gradual surge since the beginning of the year. A recent uptick in the metric could be seen as a warning sign for Bitcoin as long-term holders realising profit at a crucial level is not particularly a positive sign for Bitcoin, but this is most likely a case of them realising partial profits at an important level to reduce risk. Since exchange netflows data suggest that the net inflow into exchanges is not that high, we believe that the amount of BTC sold is not extremely high due to a lack of volume and so the current reading does not immediately indicate a temporary market top but rather a stalling phase before continuation. As aforementioned, the aSOPR data suggests we are due for eventual continuation upwards despite some choppy price action over the next week or month.

Orderflow Data Reveals a Competitive Tussle Between Bulls and Bears

In this section, we further breakdown the events following the break above the $29,500 level and the subsequent and current ranging of the market between that and the $31,000 level from an orderflow perspective.

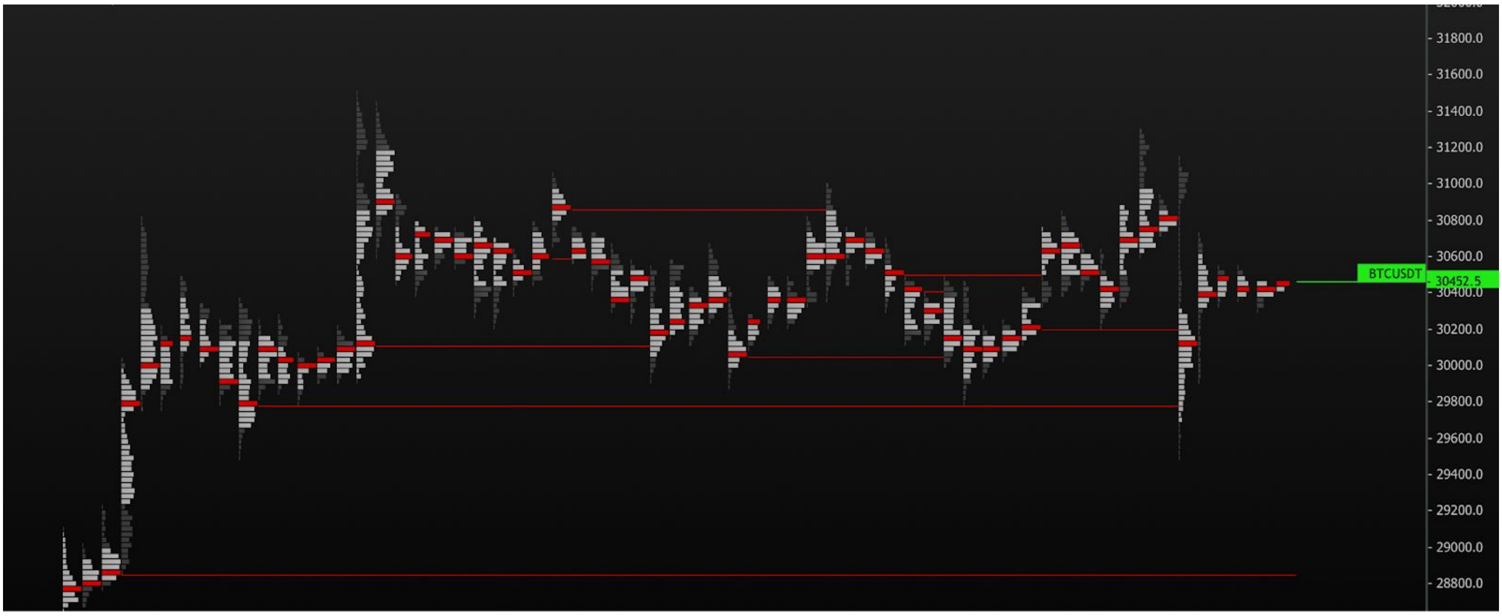


Figure 12. BTC/USD 4H Volume Profile chart. (source: exocharts)

A Volume Profile chart is a type of chart that shows trading activity—volume—over a specific time period at specific price levels. It is different from the traditional Volume bar chart which shows the total volume traded at a specific time period. Instead, Volume Profile shows the volume at different price levels and how much trading occurred at each price level.

As you can see from the Figure 12 above, a majority of all the volume has been in a tight range. When a Volume Profile chart shows a lot of volume in a tight range between two levels as it does now, it generally suggests that there has been a lot of buying and selling activity in that price range. This area often acts as a strong level of interest. The conclusions that can be derived from the above data is that there is a high probability that the move away from the current range for Bitcoin is a decisive one since a retest of the range after a move up or down would mean it is likely to act as a crucial rebound zone when and if price returns to it.

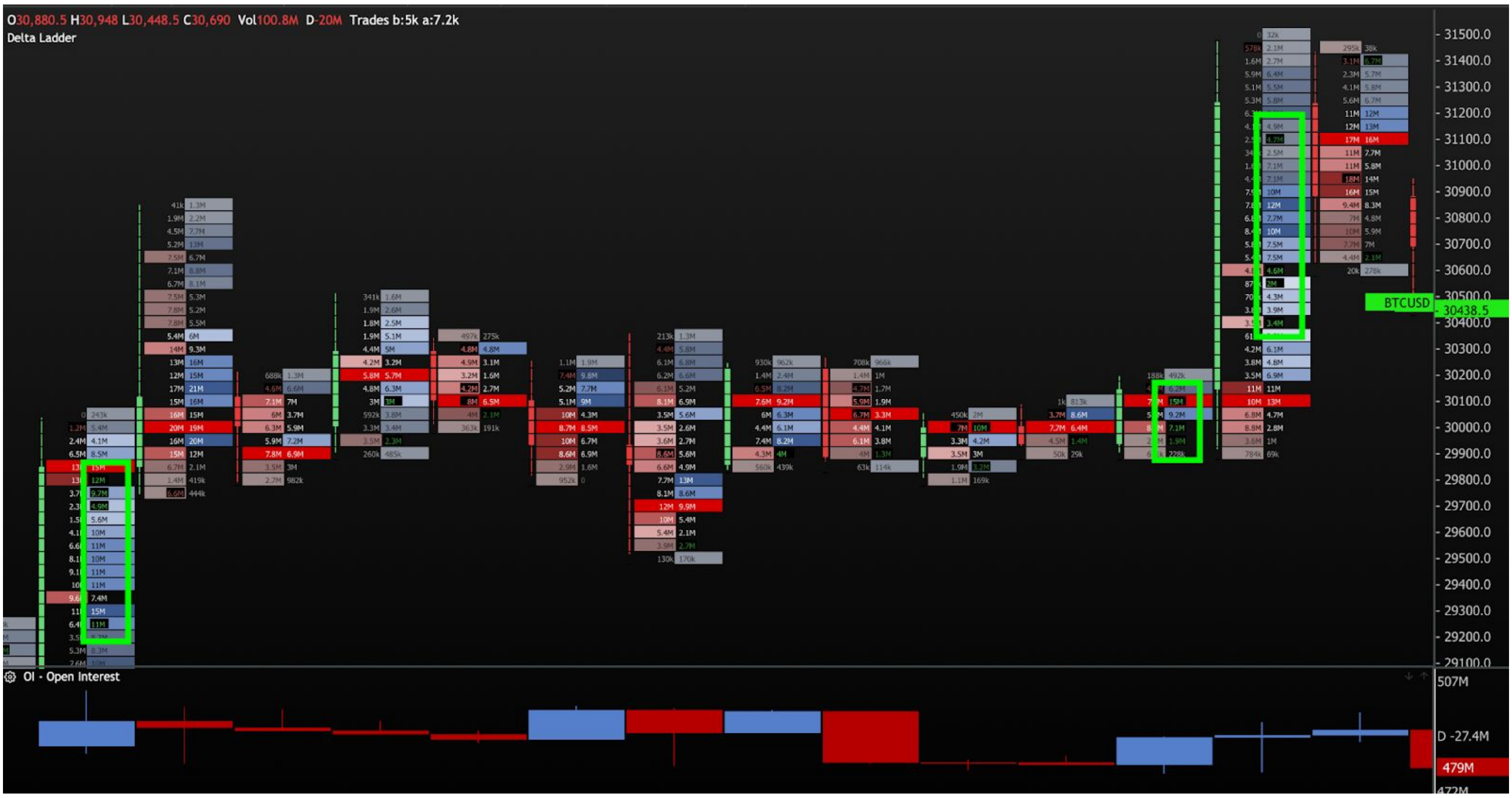


Figure 13. BTC/USD 4H chart. (source: exocharts)

With reference to spot selling discussed in the above section, there is a very high chance that some spot positions unloading on the market are containing the increasing market buy orders.

The highlighted green boxes indicate high positive delta. Delta is the difference between market buys and sells. Positive delta is evident on the break above the $29,500 level and the attempted breakout above the $31,000 level. Positive delta implies there is more buying volume with respect to market selling volume. Positive delta at the top shows that buying is being absorbed by limit orders to sell at those levels.

Lack of this volume in the derivatives market and open interest remaining at similar levels implies that a lot of this selling via limit orders was executed in the spot markets.

Figure 14. BTC/USD Daily Chart. (source: Bitfinex)

June 30th, 2023 was a crucial day for Bitcoin. On this day, the price tagged both the range extremes and closed only 0.1 percent above the opening price. The volume for the day was the highest since the price broke into this range and while volatility metrics remain calm on the higher time frame, the lack of liquidity in the markets as discussed in the previous edition of the [Bitfinex Alpha](#) mean there is a lot of fluctuation on the lower time frames because of lower market depth.

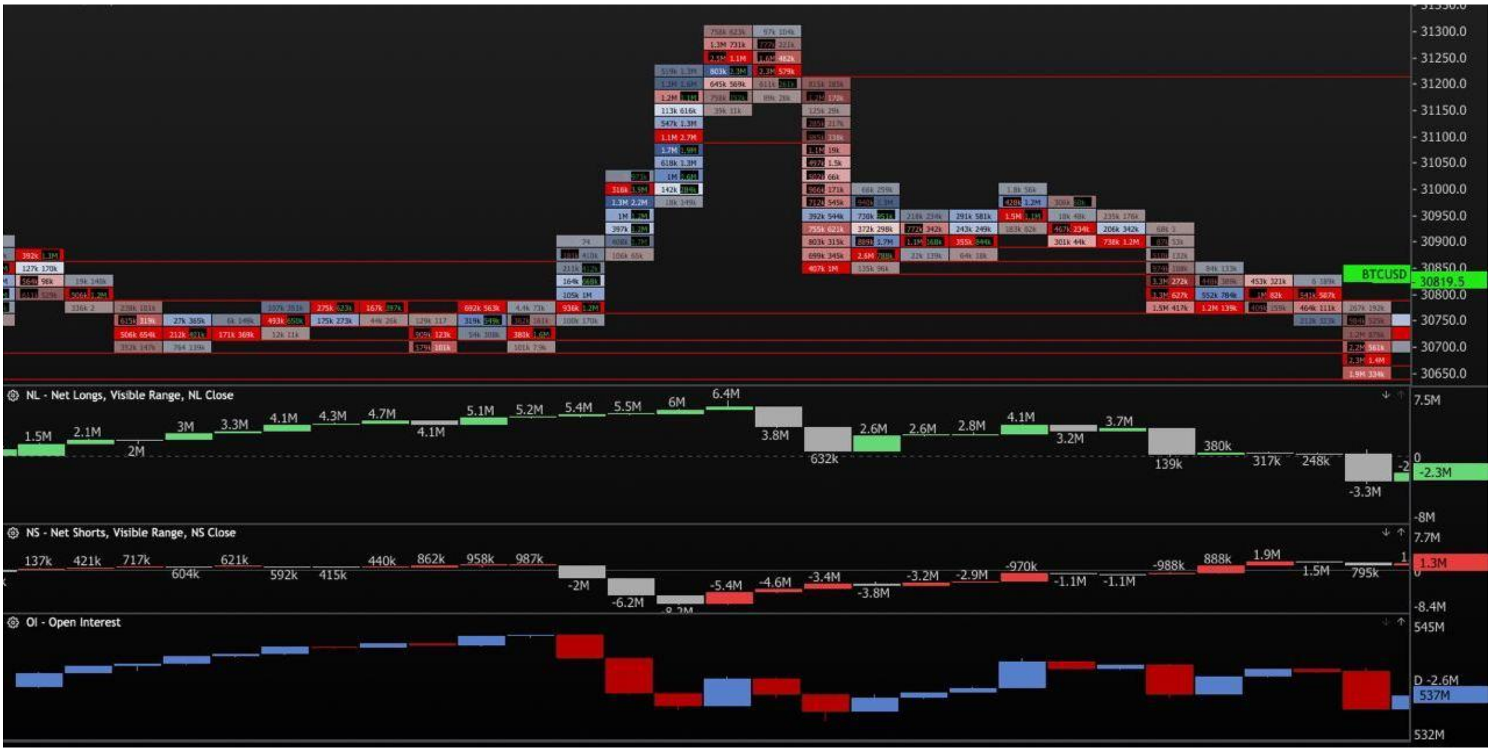


Figure 15. BTC/USD 1H chart with Open Interest, Net Longs, Net Shorts. (source: exocharts)

The figure above shows the footprint data above the $31,000 level on June 30th. The move shows a high amount of positive delta imbalance into the highs, delta imbalance is when the market buying volume is more than three times the market selling volume. The stacked negative delta in the candles following the move to $31,300 (which was an immediate and rapid drop) alongside an open interest decrease suggests that a lot of breakout traders were trapped trying to long the breakout and eventually were forced to sell.

Figure 16. Total Liquidations For the Crypto Market. (source: coinglass)

This move up caused a decent amount of short liquidations as well as shown above. The following move was a sharp move to the $29,500 level. This resulted in an equivalent amount of long liquidations as well. Thus, the built up positions in this tight range on the derivatives market were cleared. This is what analysts refer to as a leverage wipeout where traders, both on the long and short side are liquidated after an extended period of consolidation within a small price range.

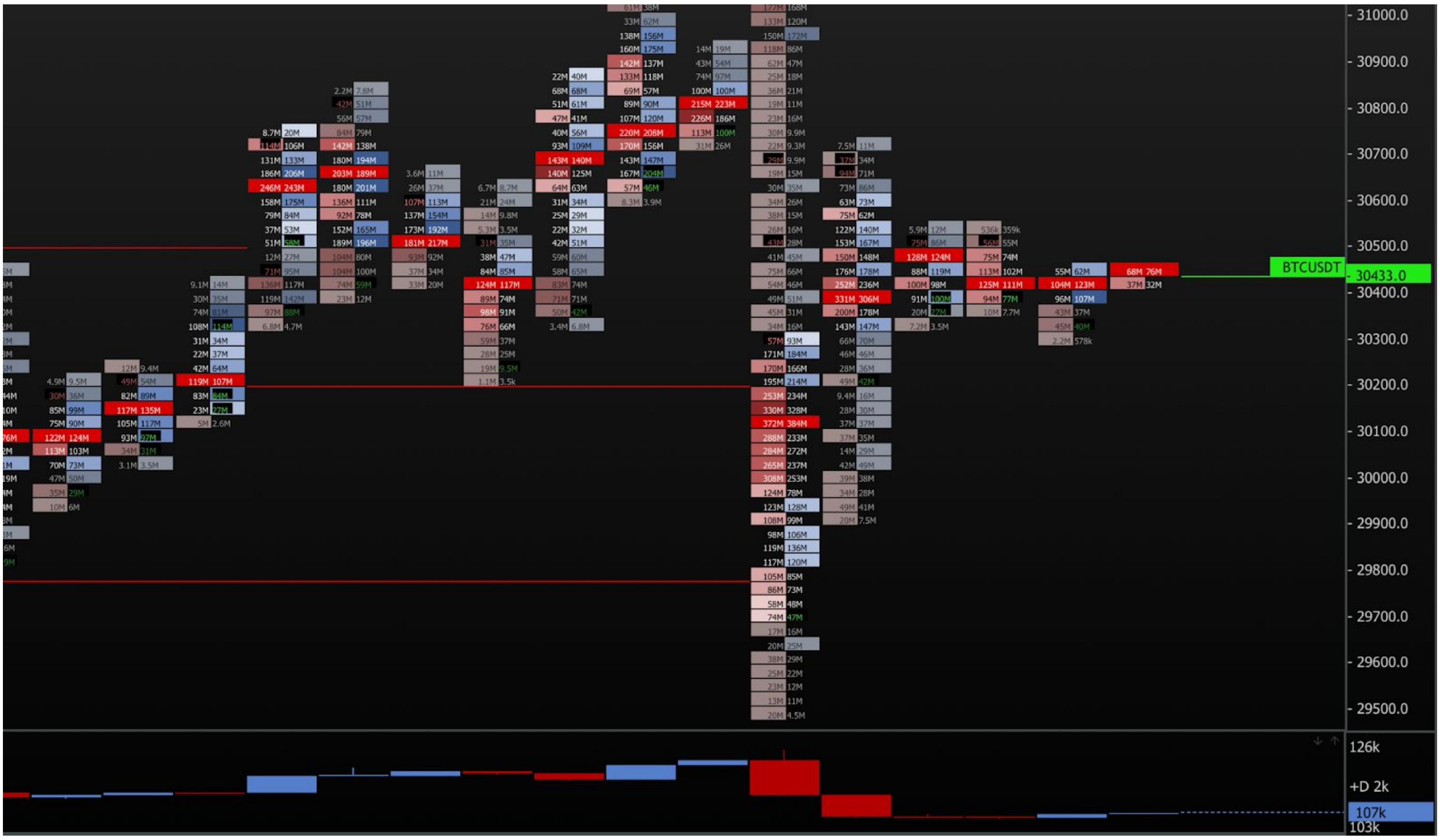


Figure 17. BTC/USD 4H delta ladder and Open Interest chart. (source: exocharts)

The orderflow data for the $29,500 retest reveals a sharp decline in OI (Open Interest) indicating that limit orders also stepped up at the bottom of the range.

The price movements throughout the week is indicative of how buyers and sellers are currently at an impasse and that the next move out of this range will be decisive as well as violent which is unusual for the BTC price of late.

Miner Exchange Flows Reach Record Highs

Multiple on-chain trackers suggest that miners are moving coins to exchanges at a record pace. This behaviour is analogous to that seen during bear market capitulations and early bull market stages.

Miners normally move coins to exchanges at a high rate either during bear market capitulation (as we covered extensively during the bear market) or during early bull market to build derivatives positions and use their BTC balance as collateral.

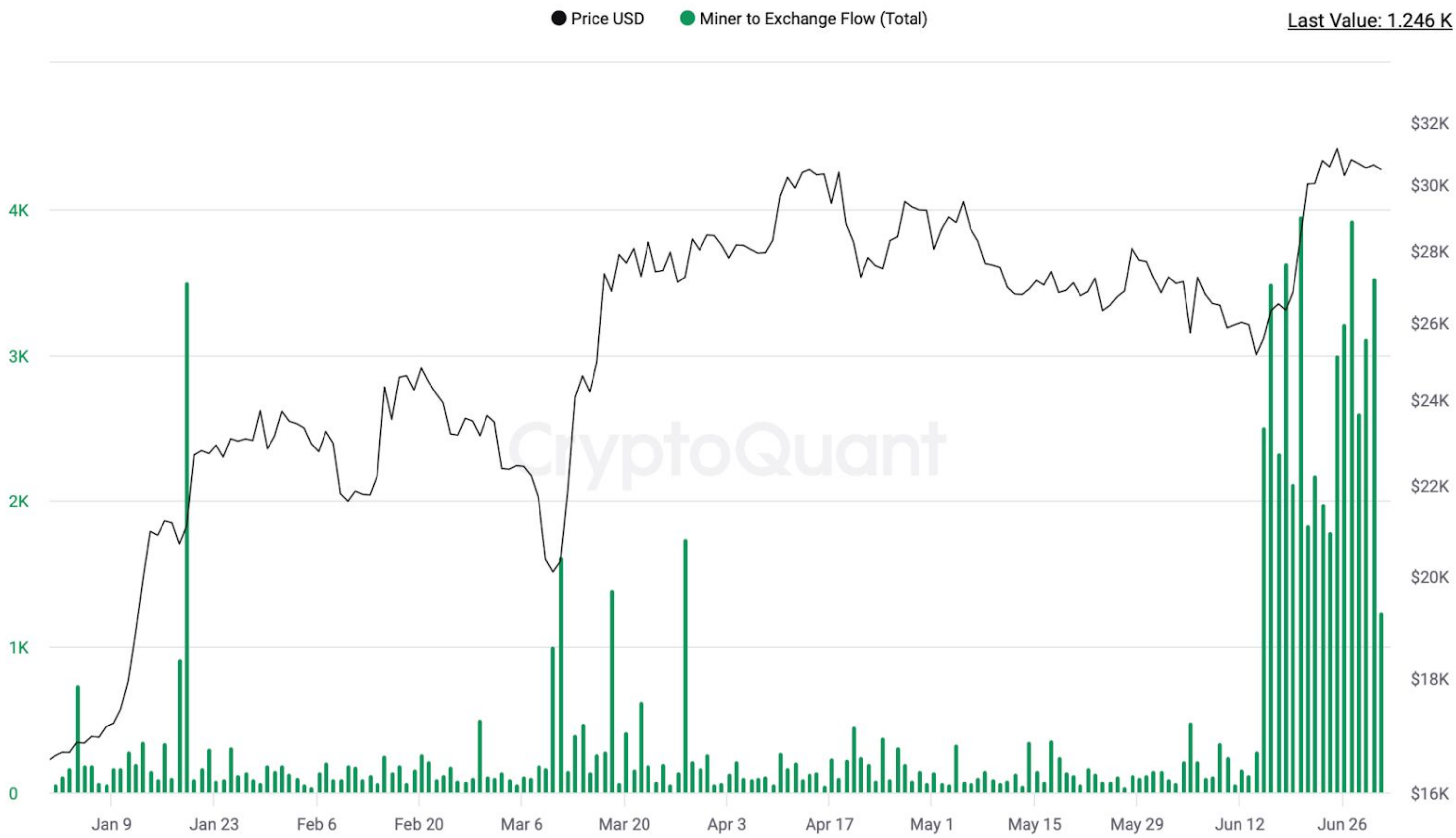


Figure 18. Miners to Exchange Flow. (source: CryptoQuant)

Miners have been averaging around 3000 BTC worth of daily flows into exchanges since the second week of June (refer Figure 18 above). This is alarmingly high so it requires a breakdown analysis.

It can be estimated that since miners represent a considerable section of large spot holders, that they are a decent proportion of the spot BTC sellers at the current range extremity.

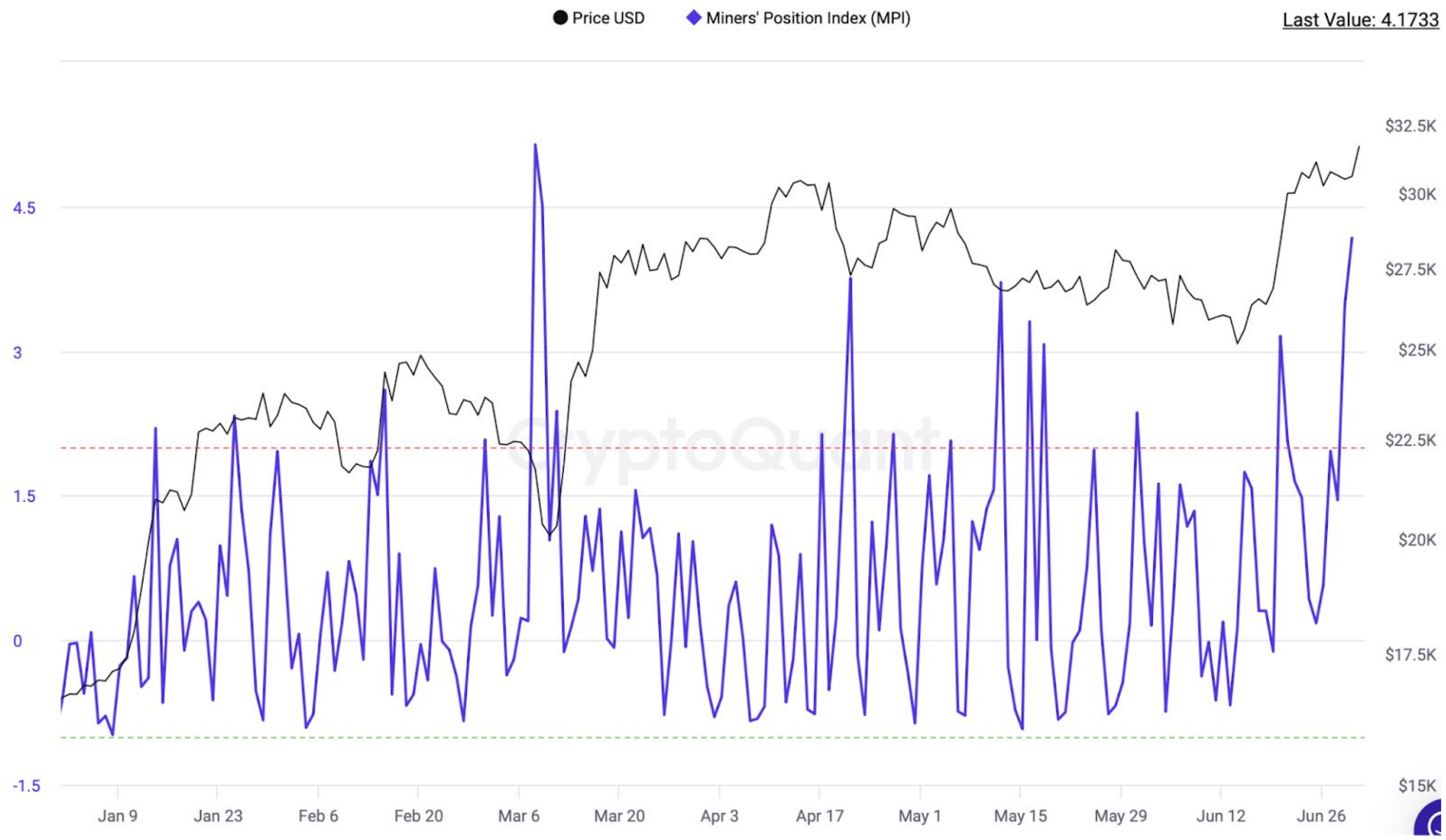


Figure 19. Miner's Position Index for Bitcoin. (source: CryptoQuant)

The Miner's Position Index (MPI) is an indicator used in cryptocurrency trading to evaluate the position of miners in the Bitcoin market. It measures the ratio of Bitcoin leaving all miners' wallets to its yearly moving average.

The MPI is an important tool because miners are a crucial part of the Bitcoin ecosystem. They validate transactions, secure the network, and are rewarded in Bitcoin for their efforts. As a result, they regularly sell Bitcoin to cover their expenses, such as electricity and hardware costs. When miners sell more than usual, it can put downward pressure on the price of Bitcoin, potentially signalling a bearish market trend.

In general, if the MPI is greater than two as it is currently (refer Figure 19 above), it indicates that miners are selling more Bitcoin than usual, which is often interpreted as a bearish signal for Bitcoin price.

As per *CryptoQuant* data, since the 15th of June, there has been notable activity within miners' portfolios, pointing towards signs of BTC outflows primarily directed towards exchanges. A total of approximately 33,860 BTC has been dispatched to derivative exchanges, though the majority of these funds have subsequently been reclaimed back into proprietary wallets.

Their behaviour may indicate that miners are utilising their newly minted coins as collateral in derivative trading activities. This is because miners have experienced a decrease of approximately 8,000 BTC in their reserves, with only a small proportion of this amount dispatched to spot trading exchanges.

An illustrative example of such trading is known as "hedging". This involves making counter bets to the market consensus, thereby providing a degree of protection against adverse price movements.

Despite the significant value of these transactions, as these coins are not being dispatched to spot exchanges, it is plausible that this activity does not represent substantial market selling pressure on the price. As such, the direct impact on spot market prices may be relatively limited.

NEWS FROM THE CRYPTO-SPHERE

HSBC Hong Kong Now Allows Customers to Trade Bitcoin and Ether ETFs

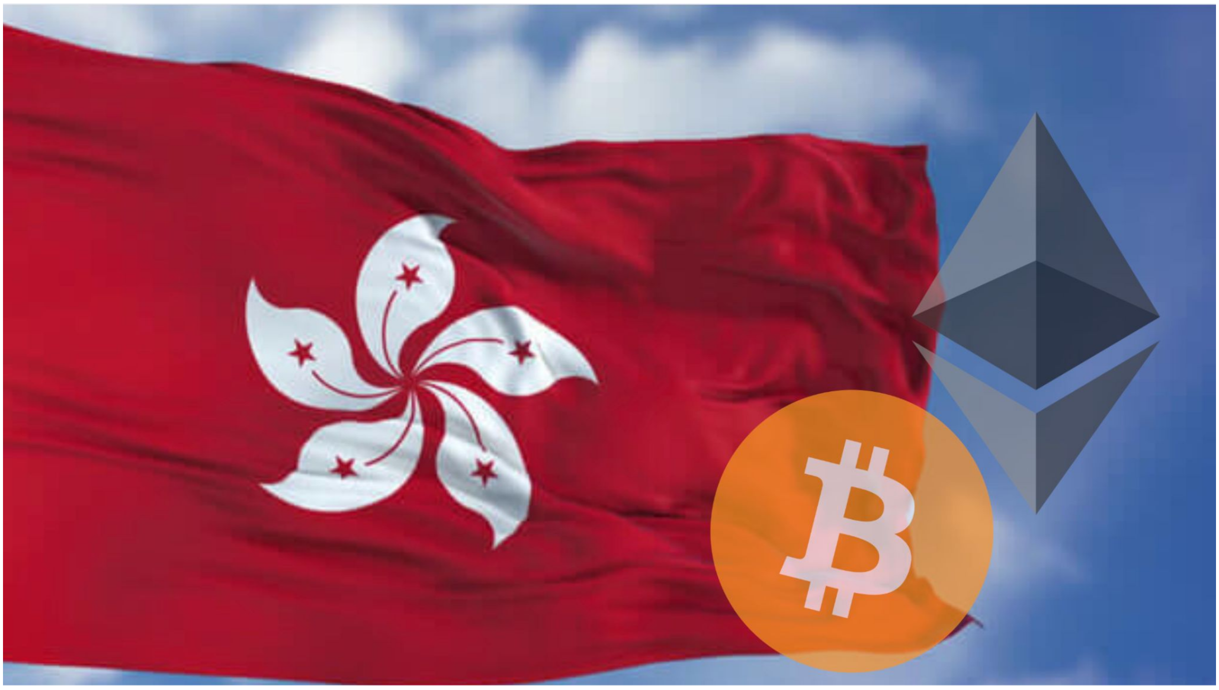


Figure 19. HSBC Hong Kong Now Allows Customers to Trade Bitcoin and Ether ETFs

- **HSBC Hong Kong now allows customers to trade Bitcoin and ether exchange-traded funds (ETFs), making it the first bank in Hong Kong to offer such services.**
- **Three crypto ETFs, including Bitcoin and Ether futures, are available on HSBC Hong Kong's investment platform, enabling users to easily engage in cryptocurrency trading.**

HSBC Hong Kong, the largest bank in the special administrative region of China, has announced that it now allows its customers to trade Bitcoin and ether exchange-traded funds (ETFs) listed on Hong Kong's stock exchange. This move makes HSBC Hong Kong the first bank in the region to offer trading in crypto ETFs.

The ETFs listed are the CSOP Bitcoin Futures ETF, CSOP Ethereum Futures ETF, and Samsung Bitcoin Futures Active ETF. These developments are at odds with HSBC Chief Executive Officer Noel Quinn’s previously cautious comments on crypto and contradict an interview in 2021, during which he said the bank had no plans to start a cryptocurrency trading desk or sell digital currencies as an investment to customers.

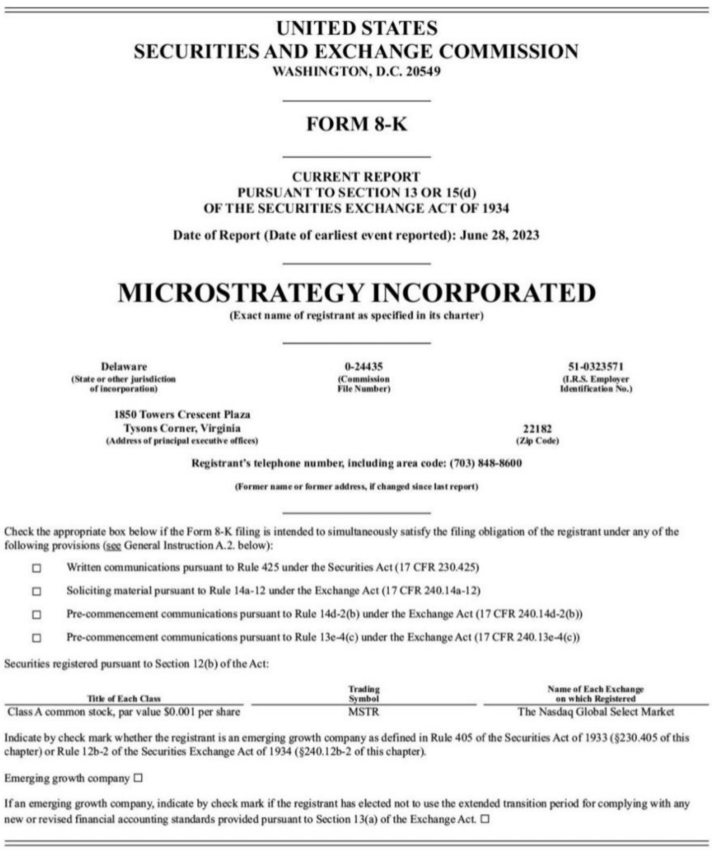
Hong Kong rolled out a new crypto regulatory regime starting June 1, allowing crypto exchanges to offer trading services to individuals and institutions if they secure and comply with licences designed to shield investors from the risky practices exposed in the 2022 crash.

The inclusion of these crypto ETFs on HSBC Hong Kong platform means that users based in Hong Kong can easily engage in crypto trading through the bank. The CSOP Bitcoin Futures ETF and CSOP Ether Futures ETF are managed by CSOP Asset Management and track standardised, cash-settled Bitcoin and Ether futures contracts, respectively, that are traded on the Chicago Mercantile Exchange (CME). These ETFs were listed on Hong Kong's stock exchange in December last year. The Samsung Bitcoin Futures Active ETF, managed by Samsung Asset Management Hong Kong, made its debut in January.

This news comes at a time when Hong Kong has introduced a new licensing regime for crypto platforms, aiming to attract more crypto firms to the region amid the United States' increased scrutiny of the industry. The Hong Kong Monetary Authority (HKMA), the banking regulator in Hong Kong, is reportedly pressuring HSBC, Standard Chartered, and Bank of China to accept crypto exchanges as clients. It remains to be seen whether HSBC Hong Kong's competitors will follow suit and offer crypto ETFs on their platforms.

Meanwhile, in the United States, there is a race among financial institutions to launch a bitcoin ETF. Companies like BlackRock, Invesco, and WisdomTree have filed or refiled applications for approval. However, the U.S. regulator has rejected similar applications in the past due to concerns about market manipulation in the crypto industry. The outcome of these ongoing efforts to introduce a bitcoin ETF in the United States is yet to be determined.

Microstrategy Acquires 12,333 more Bitcoin



UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported): June 28, 2023

MICROSTRATEGY INCORPORATED
(Exact name of registrant as specified in its charter)

Delaware	0-24435	51-0323571
(State or other jurisdiction of incorporation)	(Commission File Number)	(I.R.S. Employer Identification No.)

1850 Towers Crescent Plaza
Tysons Corner, Virginia
(Address of principal executive offices)

22182
(Zip Code)

Registrant's telephone number, including area code: (703) 848-8600

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Trading Symbol	Name of Each Exchange on which Registered
Class A common stock, par value $0.001 per share	MSTR	The Nasdaq Global Select Market

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Figure 20. Form 8k for Microstrategy Incorporated.

- **MicroStrategy has purchased an additional 12,333 BTC for $347 million, solidifying its position as one of the largest holders of Bitcoin.**
- **With a total of 152,333 BTC valued at $4.5 billion, MicroStrategy holds more Bitcoin than any other publicly traded corporation, expressing confidence in the long-term viability of the cryptocurrency.**

MicroStrategy, the renowned software company co-founded by cryptocurrency advocate Michael Saylor, has made headlines once again by acquiring a significant amount of Bitcoin. This latest purchase solidifies MicroStrategy's position as one of the largest holders of the popular cryptocurrency and has generated a surge of positive sentiment in the market.

Between April 29 and June 27, MicroStrategy purchased an additional 12,333 BTC for $347 million, marking its largest Bitcoin acquisition to date. With this purchase, the company now holds a total of 152,333 BTC, valued at $4.5 billion. This amount represents approximately 0.726 percent of the total available supply of 21 million BTC.

MicroStrategy, known for its cloud-based services, mobile software, and business intelligence, holds more Bitcoin than any other publicly traded corporation.

MicroStrategy's co-founder, Michael Saylor, has previously stated that the primary reason for buying Bitcoin is as a hedge against inflation. The average purchase price for the Bitcoin in its possession is approximately $29,668 per coin.

Figure 21. Tweet Announcement from Michael Saylor

Despite Bitcoin's decline from its all-time high of $68,789 in November 2021, MicroStrategy's stock has risen by over 162 percent since its initial Bitcoin purchase in 2020.

This latest acquisition of Bitcoin reaffirms MicroStrategy's confidence in the long-term viability of the digital asset. The company is currently also working on an "enterprise Lightning solution" aimed at facilitating swift money transfers for businesses. You can read more about this Microstrategy initiative on the Bitfinex blog.

Tether Collaborates with Government of Georgia to Establish Blockchain Hub and Foster Innovation

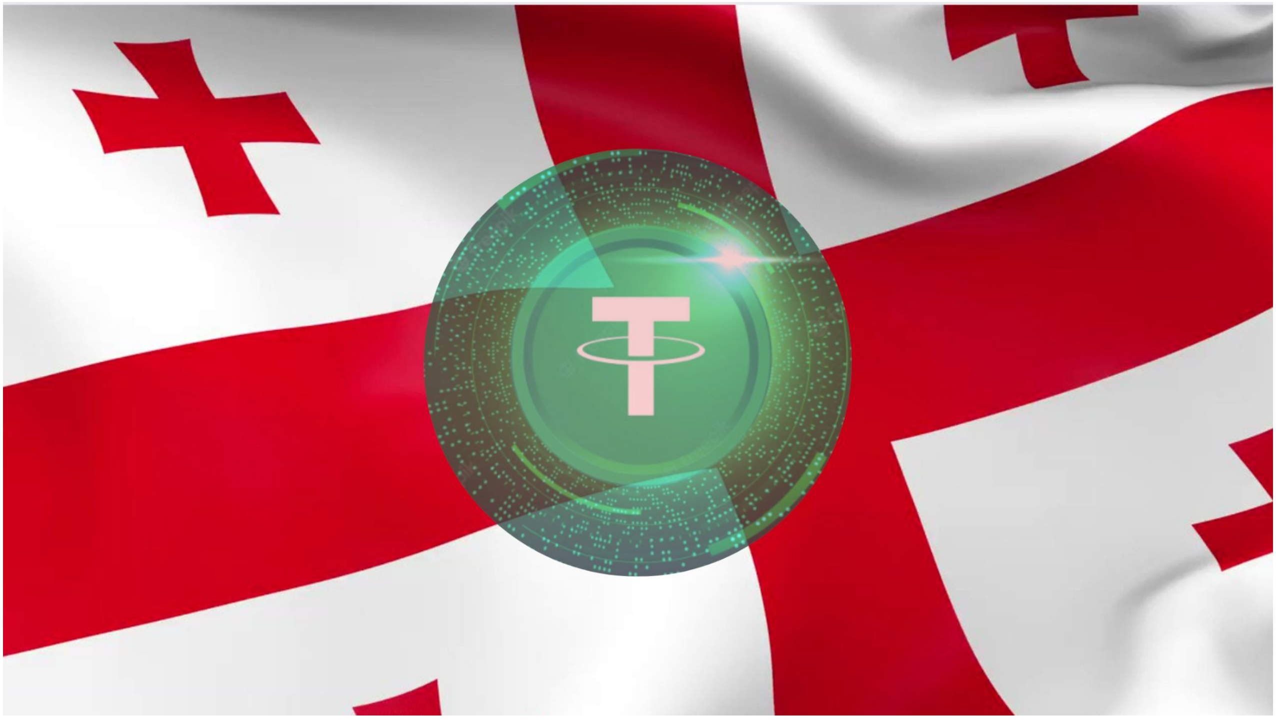


Figure 22. Tether Collaborates with Government of Georgia

- **Tether has signed a Memorandum of Understanding with the Government of Georgia to position the country as a central hub for blockchain technology and peer-to-peer solutions.**
- **The collaboration aims to foster a thriving startup ecosystem by attracting international attention and investment.**
- **Tether and the Georgian government will work together to develop a resilient infrastructure to promote the adoption of digital communication and payment systems, and provide educational programs to empower students and professionals in the cryptocurrency industry**.

Tether, the leading stablecoin provider, has announced a significant collaboration with the Government of Georgia in a move to position the country as a thriving hub for blockchain technology and peer-to-peer solutions. The agreement aims to stimulate innovation, economic growth, and establish Georgia as a global leader in the field.

The Memorandum of Understanding (MOU) signifies Tether's commitment to advancing its global strategy of investing in cities and nations worldwide that are open to adopting blockchain and crypto solutions. By working closely with the Government of Georgia, Tether aims to create an environment conducive to the usage of peer-to-peer technologies. Paolo Ardoino, the CTO of Tether, emphasised the collaboration's significance in reinforcing Tether's role as a pioneering investor in digital asset infrastructure in cities and nations globally.

The agreement focuses on fostering a thriving startup ecosystem by highlighting Georgia's favourable working conditions and high quality of life. The aim is to attract international attention and investment, promoting the growth and success of innovative blockchain startups in Georgia. To support this initiative, Tether will establish a special fund for local startups, providing assistance in the development of blockchain technologies and further positioning Georgia as an attractive ecosystem for technological startups.

Deputy Minister of Economy and Sustainable Development, Irakli Nadareishvili, expressed his enthusiasm for Tether's interest in investing in Georgia. The collaboration will include cooperation in the educational field, aiming to develop local blockchain technologies and introduce companies operating in the sector to Georgia. The Deputy Minister also highlighted that the collaboration will serve as a crucial incentive for the continued development of the local startup ecosystem.

Recognizing the importance of a resilient infrastructure, Tether and the Government of Georgia will explore the development and implementation of a robust communication and financial system. This includes promoting the adoption of digital communications and payment systems based on peer-to-peer technologies, as well as enhancing existing infrastructure to ensure its reliability in supporting blockchain-based solutions. Leveraging the transparency and security of blockchain systems, it hopes to transform public administration and the private sector, ensuring efficient and reliable services for citizens.

Furthermore, Tether and the Georgian government will collaborate closely with local academic institutions, including a previously announced partnership with BTU, one of Georgia's top technological universities and research centres. The goal is to develop educational programs and initiatives that empower students and professionals with the necessary knowledge and skills to excel in the cryptocurrency industry, covering areas such as blockchain technology, stablecoins, and peer-to-peer systems.

By joining forces with the Government of Georgia, Tether aims to strengthen the blockchain ecosystem, drive innovation, and position Georgia as a global leader in blockchain and peer-to-peer technologies. The collaboration is expected to benefit the local startup community and enhance Georgia's reputation as an attractive destination for companies and professionals worldwide.

Bitfinex Expands P2P Trading Platform to Venezuela, Argentina, and Colombia

Figure 23. Bitfinex Expands P2P Trading Platform to Venezuela, Argentina, and Colombia

Bitfinex has launched a peer-to-peer trading platform in Venezuela, Argentina, and Colombia, expanding its services in Latin America to allow users to trade cryptocurrencies such as Bitcoin, Ether, and Tether.

Bitfinex, a leading digital asset exchange, has announced the launch of its peer-to-peer (P2P) trading platform in Venezuela, Argentina, and Colombia. The platform, called "Bitfinex P2P," enables users in these South American nations to trade popular cryptocurrencies such as Bitcoin, Ether, and Tether. Additionally, it supports Tether's euro-pegged stablecoin, EURT, and Tether Gold (XAUT). Paolo Ardoino, the Chief Technology Officer of Bitfinex, stated that the launch of Bitfinex P2P is part of the company's broader initiative to promote digital asset-related financial services throughout Latin America.

This recent development follows Bitfinex becoming the first international trading platform to receive a digital asset service provider license from El Salvador’s National Digital Asset Commission in April. The exchange also announced an investment in the the Chile-based crypto platform OrionX in May. That collaboration aims to foster local education programs and enhance financial literacy in the cryptocurrency space.

The entrance of Bitfinex into these countries comes after the closure of P2P crypto exchange LocalBitcoins in February, which served as a popular platform for residents of Latin America. Paxful, another well-known platform in the region, temporarily suspended its operations in April but resumed services in May.

Bitfinex's move into Venezuela, Argentina, and Colombia marks a significant step in the expansion of its services in Latin America. As the popularity of cryptocurrencies continues to rise in the region, the availability of a reliable and secure P2P trading platform will likely attract a growing number of users interested in trading and investing in digital assets.

Lightspark CEO Expresses Frustration as the US Lags in Embracing Digital Assets

Figure 24. ***Lightspark CEO Expresses Frustration as the US Lags in Embracing Digital Assets***

- **Lightspark CEO David Marcus expresses frustration over the United States falling behind in the adoption of digital assets, citing the challenges in retaining top talent and the advantage other countries are taking.**
- **In contrast, the UK is making significant strides in embracing cryptocurrencies, with the Law Commission publishing recommendations to recognize and protect digital assets and Prime Minister Rishi Sunak aiming to position the country as a hub for Web3 technologies.**

In a recent tweet, David Marcus, the CEO of Lightspark and former president of PayPal, expressed his disappointment at the United States falling behind in the realm of digital assets. Marcus highlighted the country's struggles in retaining and attracting top talent to work on crucial upgrades to the financial system. He further noted that while the US falters, the rest of the world is seizing the opportunity.

Marcus's comments were prompted by a tweet from Fred Ehrsam, the co-founder of crypto investment group Paradigm, and former co-founder of Coinbase, who drew attention to the UK Law Commission's recommendations aimed at solidifying its position as a global crypto hub. Ehrsam mused about the potential impact if a similar headline were to emerge from the US government.

Figure 25. Tweet from Lightspark CEO David Marcus

Coinbase CEO Brian Armstrong has echoed Marcus's concerns about the US regulatory environment negatively impacting America's economic competitiveness. Armstrong voiced his opinions in response to the Securities and Exchange Commission's lawsuit against Coinbase earlier this month.

Meanwhile, the United Kingdom is actively embracing cryptocurrencies. The Law Commission recently published recommendations outlining several key measures to recognize and protect digital assets. These include the establishment of a panel of industry experts for technical and legal guidance, the development of a specialised legal framework for collateral arrangements involving crypto assets, and the clarification of whether specific digital assets fall under existing financial regulations. The onus now lies on the UK government to decide whether to adopt these recommendations.

The UK government's enthusiasm for crypto is evident and it has made clear in the past its plans to position the country as a hub for Web3 technologies. Prime Minister Sunak's office released a statement affirming the need to provide regulatory clarity to crypto businesses and create an environment conducive to the growth of startups. The statement highlighted the government's focus on embracing new innovations, particularly those powered by blockchain technology, to support economic expansion in the UK.

Crypto and web3 venture capital firm, Andreeson Horowitz (also known as a16z), also announced its intention to open a UK office, reflecting the growing interest in the UK as regulatory pressures intensify in the United States. Chris Dixon, a general partner at a16z, emphasised the UK government's recognition of the potential of Web3 technologies and blockchain. In a blog post, Dixon mentioned the firm's collaboration with policymakers and regulators worldwide, underscoring the UK government's commitment to fostering innovation and economic growth through technologies like Web3.

As the UK advances its crypto-friendly initiatives, concerns grow over the United States' ability to keep pace and remain competitive in the rapidly evolving digital asset landscape. The disparity in regulatory approaches may have profound implications for the future of finance and technology, shaping the global distribution of innovation and talent in the coming years.

Ethereum Co-Founder Expresses Sympathy for Solana Amid SEC Enforcement Actions

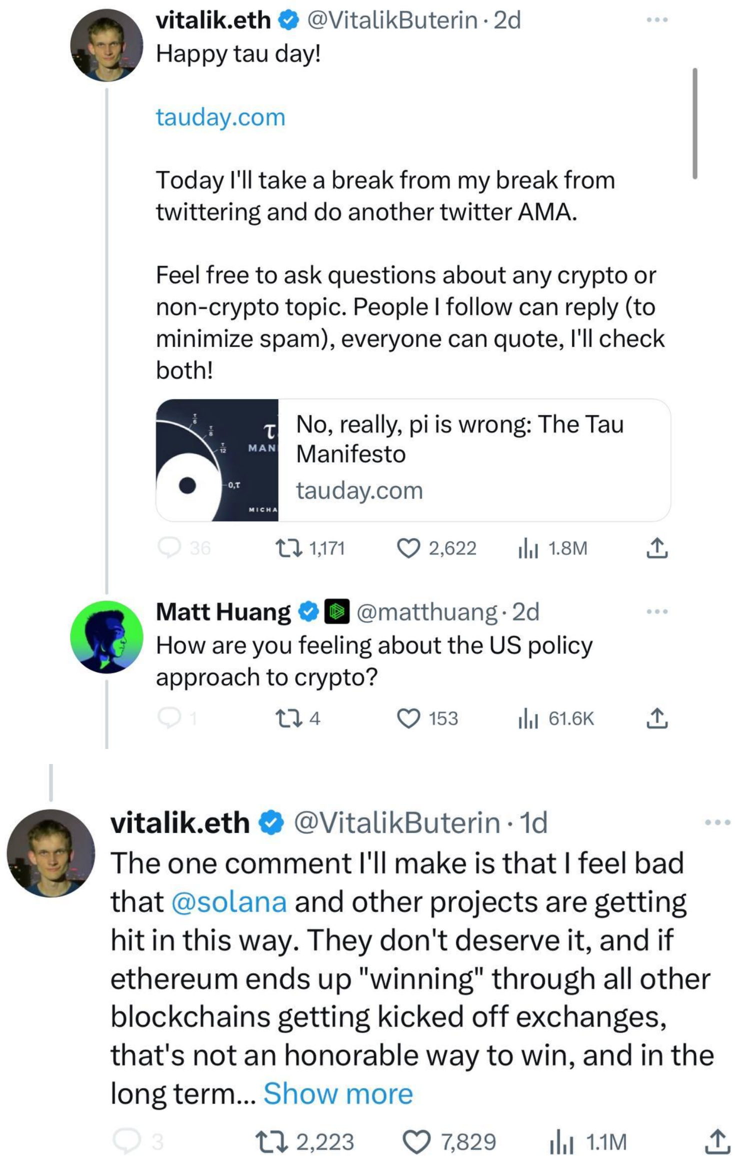


Figure 26 Ethereum Co-founder Expresses Sympathy for Solana Amid SEC Enforcement Actions

- **Ethereum co-founder Vitalik Buterin expresses sympathy for blockchain projects like Solana targeted in recent SEC enforcement actions, stating that they don't deserve such treatment and Ethereum's progress shouldn't come at the expense of other blockchains.**
- **Solana Foundation disagrees with SEC's classification of SOL as a security, Polygon Labs asserts that MATIC was developed and deployed outside the US, while Coinbase and Binance are actively contesting the SEC lawsuits.**

Vitalik Buterin, the co-founder of Ethereum, has shown empathy towards blockchain projects such as Solana that have faced recent enforcement actions as the US Securities and Exchange Commission (SEC) acts against crypto exchanges. Buterin expressed his concern over the targeted approach, stating that projects like Solana do not deserve to be impacted and that Ethereum's “winning” should not come at the expense of other blockchains.

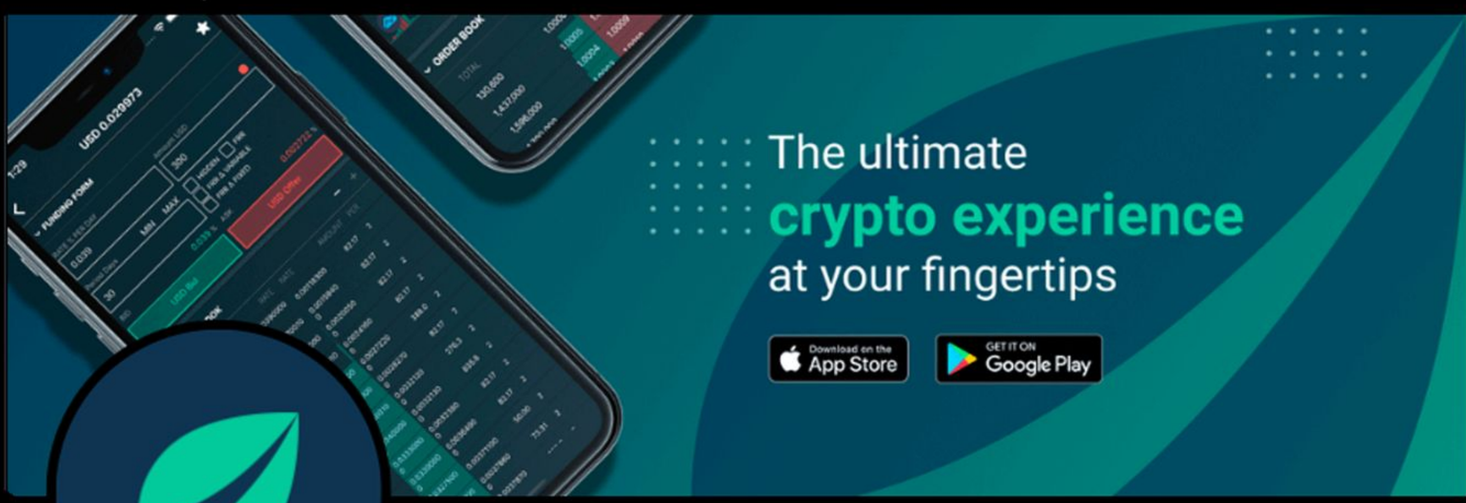
The SEC filed lawsuits earlier this month against several major crypto exchanges including Coinbase and Binance, accusing them of facilitating trading in unregistered securities. Several tokens, including Solana's SOL.

Polygon's MATIC, and Algorand's ALGO, have been listed as unregistered securities by the regulator.

Buterin emphasised that Ethereum's true competition lies in the centralised world that is rapidly expanding, rather than other blockchains. He expressed his wish for a fair outcome for all honourable projects involved in the current regulatory situation.

In response to the SEC's classification of SOL as a security, the Solana Foundation expressed disagreement, welcoming ongoing engagement with policymakers to achieve clarity on legal matters. Similarly, Polygon Labs responded to the SEC's claims about MATIC, asserting that the token was developed and deployed outside the US, with a global focus.

Coinbase and Binance have been actively contesting the SEC's lawsuits. Coinbase recently filed a motion to dismiss the SEC lawsuit, while Binance faced an early setback when a federal judge denied a request from Binance's lawyers to challenge the language used by the SEC in a press release. The legal battles between these exchanges and the SEC continue.



https://t.me/bitfinex

BITFINEX Alpha