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EXECUTIVE SUMMARY

Despite the relief with which markets greeted last week's Consumer Price Index (CPI) print, the US economic picture is still quite mixed. While there are indications of improvement, such as increased small business optimism, challenges persist, including inflationary pressures in the housing sector and cautious consumer borrowing.

The latest CPI report showed moderating headline inflation, but at the core level is still elevated, and of course, significantly above the Federal Reserve's two percent target.

Producer Price Index (PPI) data announced last week also supports the trajectory of an easing CPI. Producer prices rose only marginally, indicating a slowdown in goods demand and a decrease in supply chain bottlenecks due to higher interest rates. This suggests a potential easing of inflationary pressure in the future, given that producer prices are later on passed on to consumers.

Businesses, too, seem to be expecting decreased demand given that consumer credit data indicates a more prudent borrowing behaviour, though small business owners are also continuing to face challenges related to labour costs and workforce quality in a job market that remains tight.

In crypto markets, the behaviour of Bitcoin miners continues to attract attention. As reported last week, miners are continuing to offload large volumes onto exchanges, with one mining pool in particular, Poolin, leading the activity. We continue to believe this activity indicates potential derisking or hedging strategies adopted by miners, and it is notable that Bitcoin mining stocks have soared recently, as institutional interest in Bitcoin rises.

The Bitcoin mining difficulty has also reached an all-time high, a testament to increased network robustness and miner confidence. Miners are clearly bullish on Bitcoin as they commit more resources to mining, hence triggering the mining difficulty, but they are hedging their position, hence the despatch of more Bitcoin to exchanges.

Investors in Bitcoin are also behaving more bullishly. On-chain movements of Bitcoin show that there is a transfer of supply from long-term holders (LTHs) to short-term holders (STHs), a cycle commonly seen in bullish conditions. This shift hints at new market entrants seeking quick profits and long-term holders cashing in on favourable prices. As this trend plateaus, it signals an early bull market stage where supply change occurs between these two cohorts.

Taking a closer look at the Spent Output Profit Ratio (SOPR) among various investor cohorts, we observe LTHs in a holding phase, with their SOPR finding support around the level of 'one' since April. When SOPR is greater than one, it indicates that the holders selling are doing so at a profit. Conversely, a SOPR less than one implies that sellers are incurring a loss. Finding support at one is common for bullish regimes. This suggests a level of satisfaction by LTHs with their current positions and an unwillingness to sell at a loss, creating a potential price floor. Meanwhile, STHs seem to be the main sellers at current price levels, suggesting a balance in the market between buying and selling pressures.

The Bitcoin market has been oscillating within a narrow range between $29,500 and $31,500, with most selling pressure originating from STHs. However, the spike last week to $31,800, caused by the positive Ripple news and bullish inflation data mark saw short liquidations worth $193 million. This was the highest since entering this consolidation range. These dynamics have also seen both late market buyers and sellers feeling the pinch of increased derivative market participation.

In the news this week, we saw reports that the Arkham project, a controversial on-chain intelligence exchange, is facing criticism for compromising user data, while BlackRock's re-filing of its application to the SEC for a Bitcoin ETF raises privacy concerns. Ethereum staking is progressing, but regulatory uncertainties have slowed down inflows. Central Bank Digital Currencies (CBDCs) are gaining momentum, and Ripple Labs Inc. celebrates a significant legal victory.

Have a good trading week ahead.

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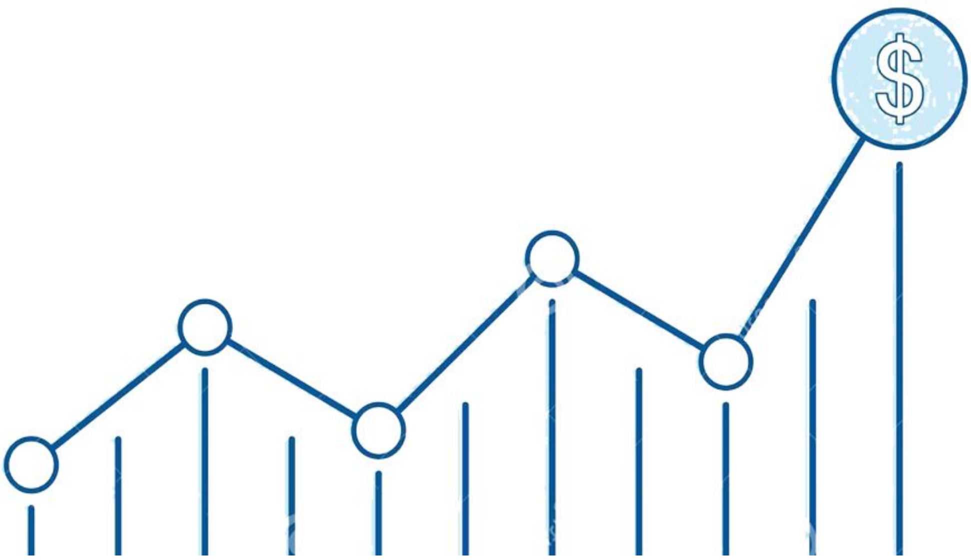


GENERAL MARKET UPDATE

US Inflation Reaches Lowest Level in Over Two Years, Providing Respite for the Federal Reserve

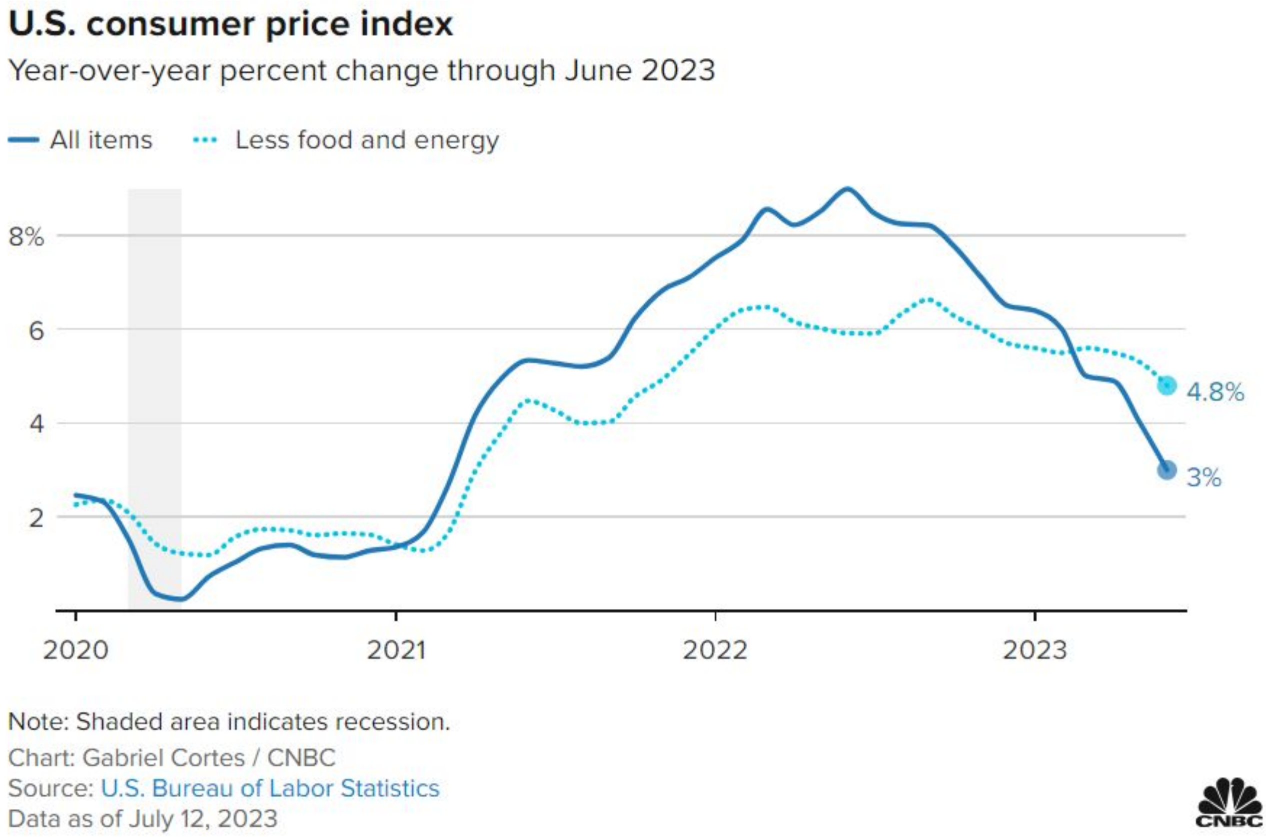


Figure 1. US Consumer Price Index (Source: Bureau of Labor Statistics)

Headline inflation in the United States fell to its lowest annual rate in more than two years in June, signalling a deceleration in costs after a period of exceptionally high price increases, according to the US Bureau of Labor Statistics last Wednesday, July 12th. The consumer price index (CPI), a key measure of inflation, rose by three percent Year-over-Year (YoY), marking its lowest level since March 2021 (refer to Figure 1). On a monthly basis, both the core and headline CPI increased by 0.2 percent, slightly below consensus forecasts of 0.3 percent.

The decline in inflation figures could provide some relief to Federal Reserve policymakers, who have been striving to curb inflation that soared to a nine percent annual rate in 2022, the highest since November 1981. The Fed is likely to view these numbers as validation of its policies, as inflation has fallen while growth has remained steady.

Consumer Price Index (CPI) Report	Reference period	Actual	Consensus forecast	Previous Period
Headline CPI (year-over-year)	June 22 - June 23	3.0 percent	3.1 percent	4 percent
Headline CPI (month-over-month)	June 2023	0.2 percent	0.3 percent	0.1 percent
Core CPI (year-over-year)	June 22- June 23	4.8 percent	5 percent	5.3 percent
Core CPI (month-over-month)	June 2023	0.2 percent	0.3 percent	0.4 percent

Figure 2. Consumer Price Index Report: Core and Headline Figures (Source: US Bureau of Labor Statistics)

However, central bank policymakers are more concerned with core inflation, which still exceeds the Fed's two percent annual target. Over the past 12 months, the core CPI recorded a 4.8 percent increase, representing the smallest year-on-year gain since October 2021, following a 5.3 percent increase in May. The core inflation rate is expected to continue receding as the labour market cools down and independent measures indicate a downward trend for rents too. Rent prices are relatively stable compared to other components of the CPI and changes in prices may take longer to manifest and be reflected in the CPI report.

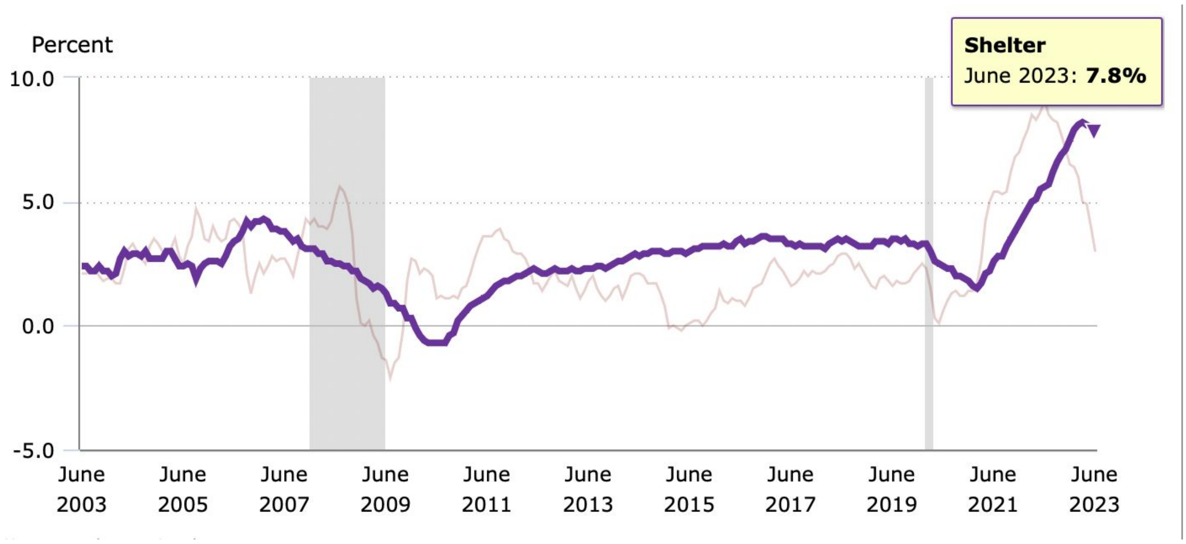


Figure 3. Consumer Price Index - Shelter Category (Source: Bureau of Labor Statistics)

The Fed anticipates that inflation rates will continue to decline, and housing costs should be the clearest indication that the battle against inflation is being won. However, the most recent data indicates that is not happening yet. The shelter index rose by 0.4 percent last month and increased by 7.8 percent annually (refer to Figure 3). This increase in housing costs is likely due to limited supply as homeowners are proving to be reluctant to sell their properties in the face of rising interest rates.

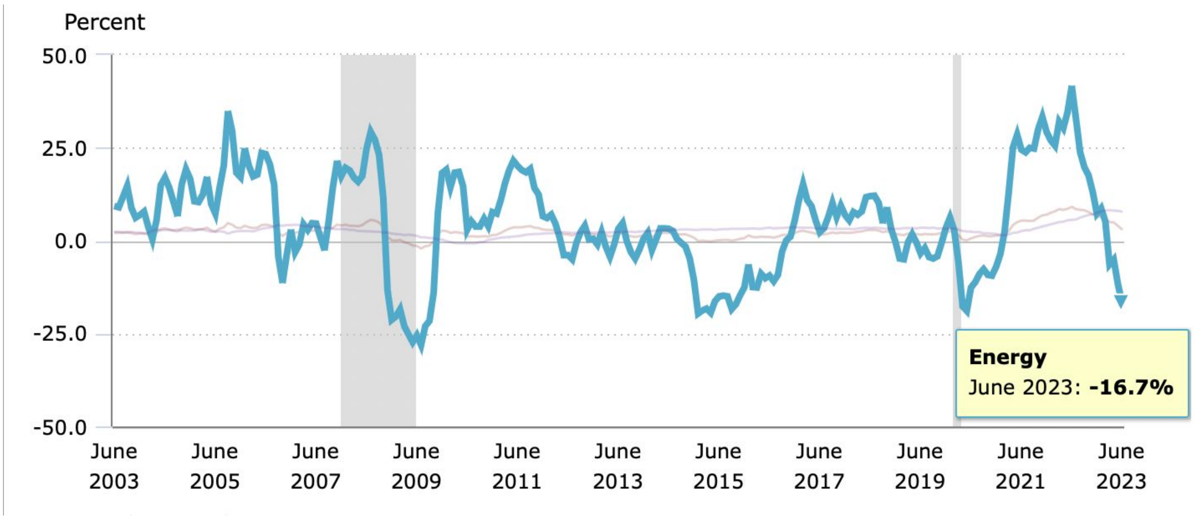


Figure 4. Consumer Price Index - Energy Category (Source: Bureau of Labor Statistics)

Despite a 0.6 percent increase in energy prices last month, the overall CPI rise remains muted, and on an annual basis, the energy index declined by 16.7 percent (refer to Figure 4). Additionally, food prices only rose by 0.1 percent, while used vehicle prices, which had previously driven the inflation surge, declined by 0.5 percent. Airline fares fell by three percent on a monthly basis and experienced an 8.1 percent annual decline.

Financial markets responded positively to the report. **Traders still expect a quarter percentage point rate hike during the Federal Reserve's upcoming meeting on July 25th-26th,** although market pricing suggests that expectations are that this is likely to be the final increase before officials pause.

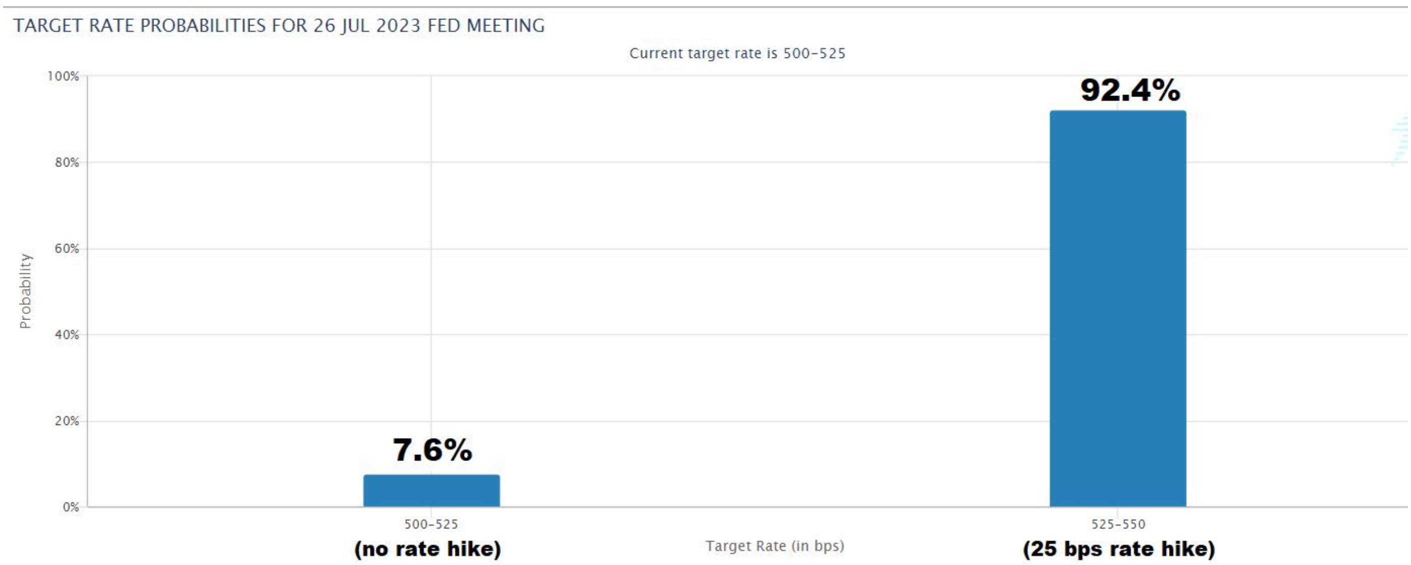


Figure 5. Target Rate Probabilities for July 26 FOMC meeting.

MEETING PROBABILITIES													
MEETING DATE	275-300	300-325	325-350	350-375	375-400	400-425	425-450	450-475	475-500	500-525	525-550	550-575	575-600
7/26/2023					0.0%	0.0%	0.0%	0.0%	0.0%	7.6%	92.4%	0.0%	0.0%
9/20/2023	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	6.6%	80.5%	12.9%	0.0%
11/1/2023	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	5.4%	67.5%	24.8%	2.3%
12/13/2023	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	1.2%	19.2%	58.0%	19.8%	1.8%
1/31/2024	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.5%	9.0%	36.0%	41.4%	12.0%	1.0%
3/20/2024	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.3%	5.9%	26.0%	39.4%	22.9%	5.1%	0.4%
5/1/2024	0.0%	0.0%	0.0%	0.0%	0.0%	0.8%	7.6%	27.2%	38.0%	21.4%	4.7%	0.3%	0.0%
6/19/2024	0.0%	0.0%	0.0%	0.0%	0.5%	4.8%	19.1%	33.5%	28.3%	11.6%	2.1%	0.1%	0.0%
7/31/2024	0.0%	0.0%	0.0%	0.4%	4.3%	17.6%	32.1%	28.8%	13.3%	3.1%	0.3%	0.0%	0.0%
9/25/2024	0.0%	0.0%	0.4%	3.8%	15.8%	30.0%	29.3%	15.4%	4.5%	0.7%	0.1%	0.0%	0.0%
11/6/2024	0.0%	0.3%	3.0%	13.1%	26.9%	29.4%	18.5%	6.9%	1.6%	0.2%	0.0%	0.0%	0.0%
12/18/2024	0.2%	1.9%	9.1%	21.4%	28.4%	22.9%	11.5%	3.7%	0.7%	0.1%	0.0%	0.0%	0.0%

No increase in rates

Gradual rate cuts

Figure 6. Market Pricing in a pause after the anticipated rate hike next month (Source: CME FedWatch Tool)

Last year, as inflation began to accelerate, policymakers initially believed it would be transitory, subsiding once pandemic-related factors wore off. These factors included increased demand for goods, supply chain disruptions, and semiconductor shortages. However, when inflation persisted, the Fed began a series of rate hikes, ultimately raising benchmark rates by five percentage points since March 2022.

The easing of headline inflationary pressures has occured while real average hourly earnings have improved, increasing by 0.2 percent from May to June and by 1.2 percent on a year-over-year basis. Real wages refer to wages adjusted for inflation, meaning they reflect the actual purchasing power of earnings. This marks a positive trend after worker wages consistently lagged behind the cost of living during the peak of the inflation surge in June last year.

US Producer Prices Show Minimal Increase in June, Indicating Cooling Inflation

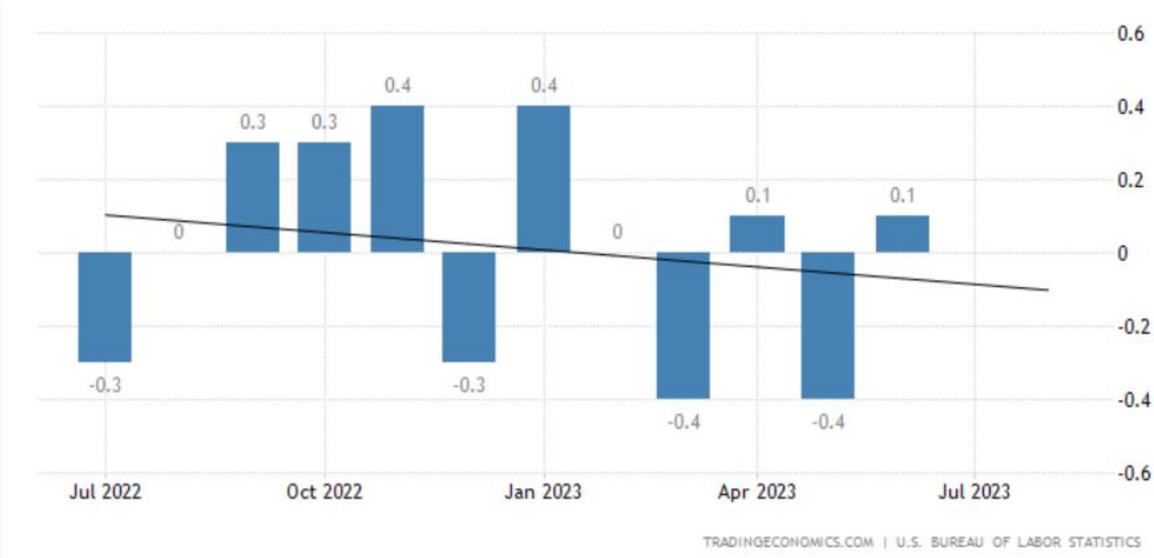


Figure 7. Month-over-month change in Producer Inflation (Source: Tradingeconomics.com, US Bureau of Labor Statistics)

The latest data from the US Bureau of Labor Statistics released on Thursday, July 13th, also suggests that inflationary pressures in the United States are subsiding, as the producer price index (PPI) for June recorded a smaller-than-expected increase. Producer price inflation supports the anticipated trajectory of the Consumer Price Index as it captures price changes at the producer level, while the CPI reflects changes in prices paid by consumers. Increases or decreases in the costs faced by producers at earlier stages of production, as reflected in the PPI, can eventually be passed on to consumers in the form of higher or lower prices, which would be reflected in the CPI.

The PPI for final demand edged up by 0.1 percent (refer to Figure 7), falling short of consensus forecasts of a 0.2 percent increase, signalling a calming inflationary environment. When excluding food, energy, and trade services, the PPI also rose by 0.1 percent month-over-month (MoM), aligning with expectations.

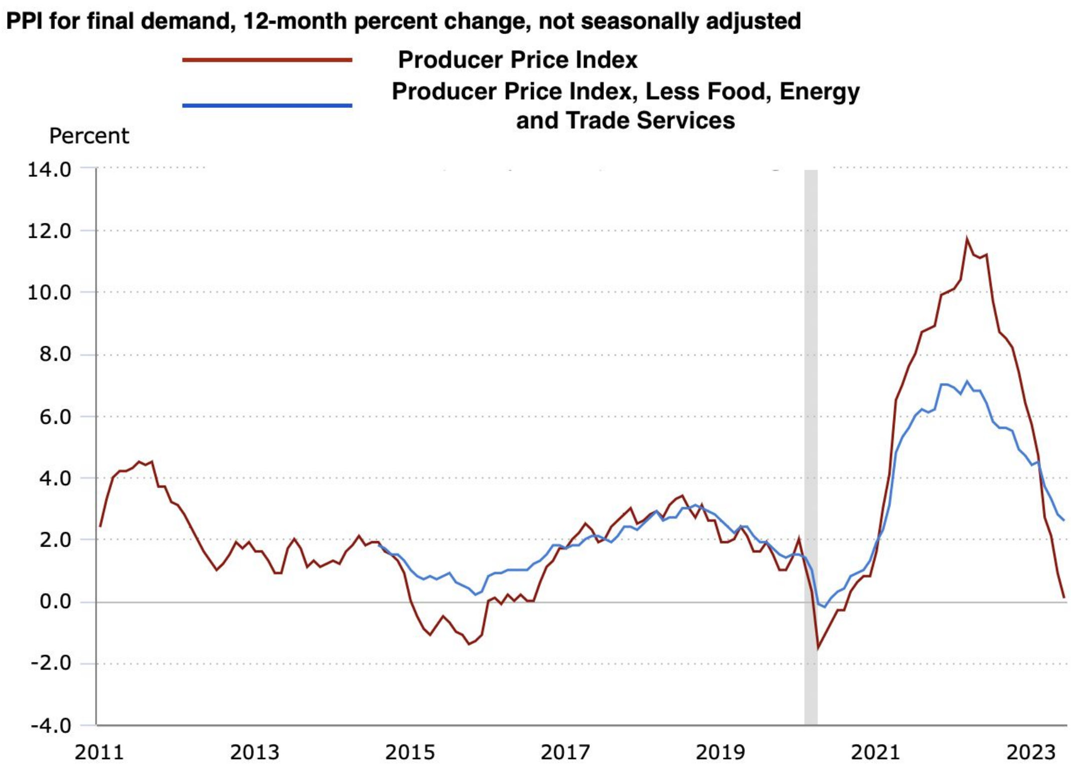


Figure 8. PPI for Final Demand, PPI Less Food, Energy and Trade Services (Bureau of Labor Statistics)

In the 12 months ending June, the PPI rose by a mere 0.1 per cent, marking the smallest year-on-year rise since August 2020. In the 12 months through June, core PPI increased by 2.6 percent, slightly lower than the 2.8 percent rise observed in May (refer to Figure 8). Consensus forecasts were for a year-over-year (YoY) increase of 0.4 percent in the headline PPI. The actual data suggests a different trend, indicating easing inflation. This trend aligns with the disappearance of supply chain bottlenecks and a slowdown in goods demand due to higher interest rates.

This producer report followed the consumer price index CPI report for June, which similarly showed a smaller-than-anticipated rise. This outcome has raised investor optimism, suggesting that the Fed may be nearing the end of its rate-hiking cycle. Interestingly, the wholesale producer figures have also been declining at a faster pace compared to consumer inflation data CPI.

The monthly PPI increase of 0.1 percent was primarily driven by a 0.2 percent rise in service prices. Notably, deposit services experienced a significant 5.4 percent surge. Additionally, the cost of food and alcohol retailing, hotel and motel accommodations, insurance, hospital inpatient care, and airline tickets also witnessed increases. However, the cost of road freight transportation declined by 2.1 percent.

Goods prices, on the other hand, remained unchanged in June after dropping by 1.6 percent in May. Energy prices rebounded with a 0.7 percent increase, while the cost of food declined for the third consecutive month.

The narrower measure of core PPI, which excludes food, energy, and trade services components, slightly rose by 0.1% after remaining unchanged in May.

These latest reports on producer prices in the United States indicate a continued trend of easing inflationary pressures. The lower-than-expected increases in both the producer price index (PPI) and the consumer price index (CPI) suggest that the economy is entering a disinflation phase.

As the Fed closely monitors these developments, market sentiment remains optimistic, with investors hopeful that the central bank is nearing the end of its tightening cycle. The focus now shifts to how these trends will impact monetary policy decisions and the overall trajectory of the U.S. economy in the coming months.

US Wholesale Inventories Unchanged in May, Indicating Potential Support for Economic Growth

According to the latest data released by the US Census Bureau last Monday,July 10th, wholesale inventories in the United States remained unchanged in May, following two consecutive months of decline. This suggests that inventory investment could play a role in supporting economic growth during the second quarter of the year. The previous report had indicated a 0.1 percent dip in inventories, but it has now been revised to reflect no change. In April, stocks at wholesalers had fallen by 0.3 percent (refer figure below).

MONTHLY WHOLESALE INVENTORIES

MAY 2023	**$913.7 billion**	**0.0%***
APRIL 2023 (revised)	**$913.7 billion**	**-0.3%***

Next release: August 8, 2023

* The 90 percent confidence interval includes zero. There is insufficient evidence to conclude that the actual change is different from zero.
Data adjusted for seasonality but not price changes.
Source: U.S. Census Bureau, Monthly Wholesale Trade Survey, July 10, 2023.

Figure 9. Monthly Wholesale Inventories MoM change. (source: US Census Bureau)

Consensus forecast was that inventories were to remain unchanged, aligning with the current findings. Inventories are a crucial component of gross domestic product (GDP), and in May, they witnessed a year-on-year increase of 3.7 percent.

During the first quarter, private inventory investment had experienced its slowest growth rate in one and a half years, which had contributed to the limited GDP growth of two percent in that period. Factories have been grappling with production constraints due to careful inventory management, driven by anticipation of weaker demand amid higher borrowing costs. The Fed, which initiated its fastest monetary policy tightening campaign in over 40 years in March 2022, has already raised its policy rate by 500 basis points. After skipping the rate hike in June, the central bank is expected to resume raising rates this month.

The report highlights that wholesale motor vehicle inventories increased by 1.1 percent in May, following a rise of 0.3 percent in April. However, inventories of furniture continued to decline, along with stocks of lumber, paper, apparel, farm products, and petroleum.

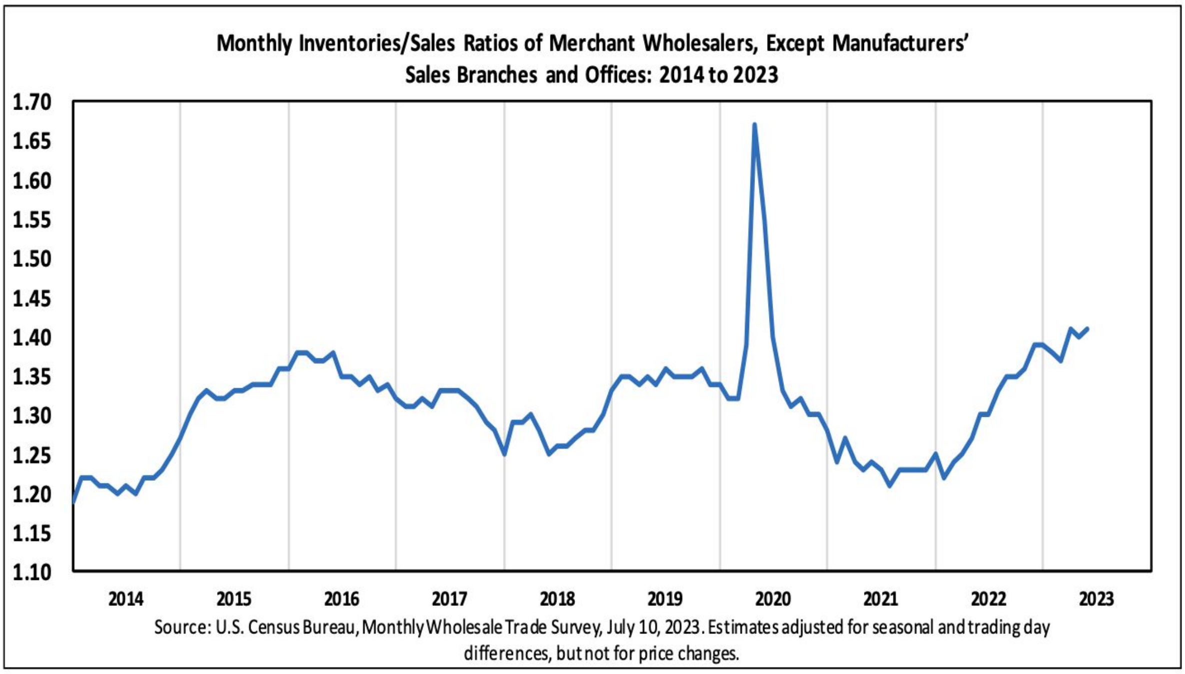


Figure 10. Monthly Inventories/Sales Ratio of Merchant Wholealers (Source: US Census Bureau)

When excluding automobiles, wholesale inventories slipped by 0.1 in May, which is a factor in the GDP calculation. Meanwhile, sales at wholesalers experienced a 0.2 percent decline after remaining unchanged in April. Notably, there were increases in the sales of durable goods such as automobiles, furniture, machinery, and professional equipment. The current sales pace indicates that it would take wholesalers approximately 1.41 months to clear their shelves, surpassing the 2019 average of 1.35 months and slightly higher than the figure of 1.40 recorded in April.

Consumer Credit Growth Slows in May, Reflecting Cautious Borrowing Behaviour

According to the Fed's latest report last Monday, July 10th, total consumer credit in the United States increased by $7.2 billion in May, marking a significant decline in the growth rate compared to the $20.3 billion gain observed in the previous month. This translates to an annual growth rate of 1.8 percent, down from a revised five percent increase in April. This latest increase represents the smallest monthly rise in consumer borrowing since November 2020.

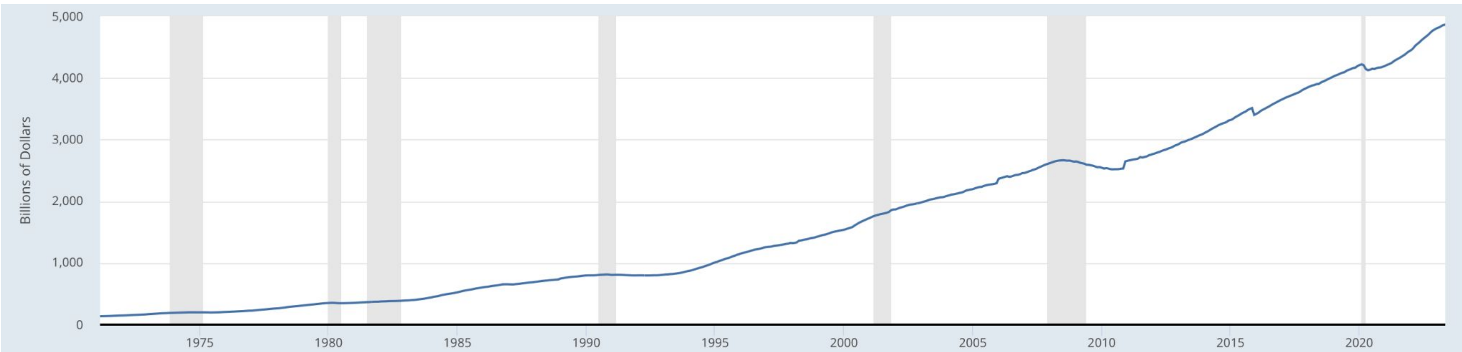


Figure 11. Total Consumer Credit Owned and Securitised. (source: FRED)

The key details of the report indicate that revolving credit, which includes credit cards, experienced an 8.2 percent rise in May, following a substantial 13.8 percent gain in the previous month. On the other hand, non-revolving credit, comprising auto and student loans, declined by 0.4 percent after witnessing a growth rate of 2.1 percent in April. This marks the first decline in non-revolving credit since April 2020.

It is important to note that the Fed's data does not encompass mortgage loans, which constitute the largest category of household debt.

In a broader context, economists have been closely monitoring consumer credit data to assess the strain on household balance sheets, particularly considering the elevated pace of consumer spending in recent years. While top-income earners are believed to continue spending, there are indications that many other households are exhibiting more cautious behaviour and reducing their expenditures.

The latest report highlights a moderation in consumer borrowing, reflecting a more restrained approach amid increasing interest rates, tightening lending practices, and potential concerns about economic conditions. As economists keep a close eye on these trends, the impact on consumer spending and overall economic growth remains a key area of focus.

Small Business Confidence Improves, Sales Outlook Brightens, but Challenges Remain

Figure 12. Small Business Optimism Index (Source: National Federation of Independent Business)

Small businesses in the United States displayed a less pessimistic outlook on near-term economic prospects in June, reaching their most positive sentiment since February 2022, according to the National Federation of Independent Business (NFIB)'s last Tuesday, July 11th.

In June, the Small Business Optimism Index of NFIB rose by 1.6 points to reach 91.0 (refer to Figure 12). However, this marks the 18th consecutive month where the index remains below the average of 98. Among small business owners, inflation and labour quality are equally significant concerns, with 24 percent reporting each as their primary problem. The net percentage of owners increasing average selling prices declined by three points to a seasonally adjusted 29 percent, indicating a high level of inflation but showing a downward trend. This reading is the lowest observed since March 2021.

The organisation's general business conditions outlook index rose by 10 points to a negative 40 percent. This was 21 percentage points better than last June's reading of a net negative 61 percent. It is worth noting that US small businesses have maintained a net negative view of the business climate since December 2020.

There was also a notable improvement in sales expectations, with a smaller percentage of business owners anticipating weaker sales in the next three months compared to May. The net percent of owners who expect real sales to be higher improved seven points from May to a net negative 14 percent.

While inflation and finding quality workers remained significant concerns for business owners, worries about price pressures have eased compared to a year ago. In June, 24 percent of small business owners identified inflation as their top concern, a slight decrease from 25 percent in May.

This figure was also 13 points lower than the peak reached last July, which was the highest reading since the fourth quarter of 1979.

The NFIB survey revealed that 42 percent of business owners reported difficulty filling job openings, a slight decline of two points from May but still historically high (refer to Figure 13). Additionally, a net 15 percent of small business owners planned to create new jobs in the next three months, down four points from May. Many of the small business owners who expressed concern about inflation cited labour supply as their primary worry.

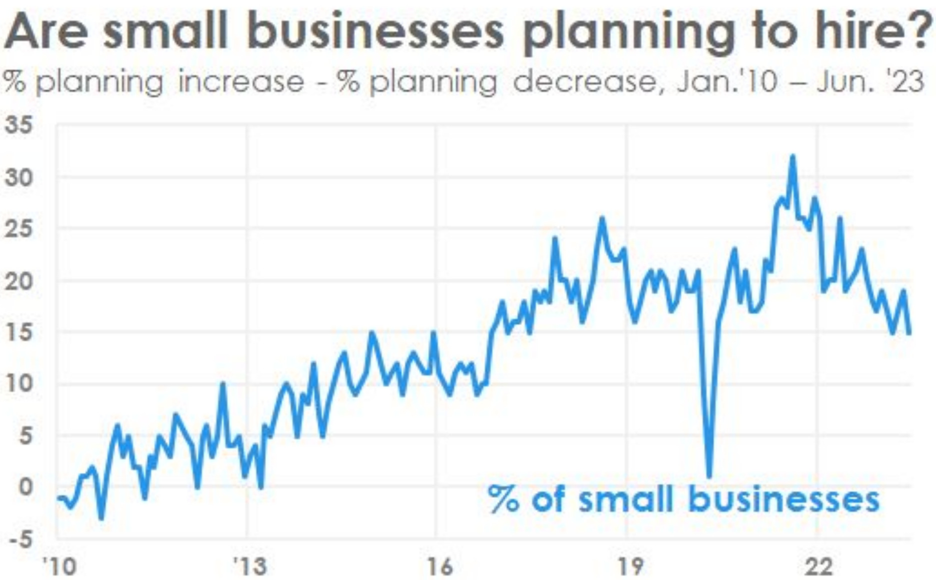


Figure 13. Responses to Question: "Are Small Businesses Planning to Hire?" Source: NFIB

Despite the improved economic outlook, the NFIB index has remained below the 49-year average of 98 for 18 consecutive months. Small businesses continue to face challenges related to labour costs and workforce quality in a job market that, although slowing, remains tight.

Small Business Optimism

Index Component	Net %	From Last Month
Plans to Increase Employment	15%	▼ -4
Plans to Make Capital Outlays	25%	▬ 0
Plans to Increase Inventories	-3%	▼ -1
Expect Economy to Improve	-40%	▲ 10
Expect Real Sales Higher	-14%	▲ 7
Current Inventory	-4%	▼ -1
Current Job Openings	42%	▼ -2
Expected Credit Conditions	-8%	▲ 2
Now a Good Time to Expand	6%	▲ 3
Earnings Trends	-24%	▲ 2

Figure 14. Small Business Optimism (Source: NFIB)

Although hiring slowed in June, as indicated by the Department of Labor's report of the smallest increase in nonfarm payrolls in two and a half years, wage growth remained strong with a year-over-year increase of 4.4 percent.

Federal Reserve Beige Book Reveals Slight Economic Growth and Easing Inflation Pressures

Figure 15. The Federal Reserve Beige Book

According to the latest Beige Book survey released by the Fed last Wednesday, July 12th, economic activity in the United States experienced only a slight increase in late May and June, with expectations of continued slow growth. The Beige Book serves as a resource for policymakers, and will be taken into consideration in their upcoming meeting to discuss interest-rate policy next week. The Beige Book, reflecting surveys and interviews conducted across the 12 districts where the Fed maintains a regional office, revealed that five districts experienced some growth, five reported no change, and two encountered modest declines. The survey period covers the month to end June

The labour markets were described as healthy, with indications that hiring was becoming more targeted and selective. Experts believe that cooling down the labour market is crucial to aligning inflation with the Fed's two percent target.

Although workers' wages continued to rise, the report stated that the pace was more moderate compared to previous periods. Additionally, the survey revealed a slowdown in the rate of price increases in June. Some districts noted that consumers had become more sensitive to higher prices, leading to limitations on which firms could pass along input cost increases. However, solid demand enabled other firms to maintain their profit margins.

The Beige Book also highlighted that service firms faced higher input cost pressures, while manufacturers experienced eased price pressures. Lending activity showed signs of softening, and transportation activity either decreased or remained stagnant across most regions.

Moreover, the report aligned with other recent inflation data, indicating a softening of upward price pressures. Prices increased at a modest pace overall, and several districts reported a slowdown in the rate of increase. The report also mentioned varying extents to which businesses could pass input cost increases to consumers. Looking ahead, price expectations were generally stable or lower for the next several months.

The employment sector demonstrated modest growth, with wage increases gradually returning to pre-pandemic levels, according to various districts' reports. The economic impacts of the Federal Reserve's recent interest rate increases varied across regions and economic sectors. For example, rising interest rates affected manufacturers in the Richmond Fed district, leading to drops in new orders and rising inventory levels. On the other hand, auto dealers in upstate New York reported strong new car sales, while used car sales remained subdued.

Furthermore, the report highlighted challenges faced by the commercial real estate sector due to the shift towards remote work arrangements. High office vacancies persisted, impacting commercial real estate markets. The finance sector experienced a deterioration, although at a slower pace compared to previous months.

The Fe released the report two weeks before its upcoming interest rate decision. The Fed's rate increases over the past year have not led to an economic downturn, as the economy continues to grow, job additions remain steady, and households spend actively on services.

Although the latest CPI data did little to change financial markets' expectations of a rate hike, it supported the belief that the Fed would maintain its current position afterwards. Policymakers' projections suggest a potential half-percentage-point increase in the policy rate by the end of this year, but the final decision will depend on the economic outlook and inflationary pressures.

WHAT'S ON-CHAIN THIS WEEK?

Bitcoin Miners' Outlier Behaviour In July

As discussed in *Bitfinex Alpha two weeks ago* (*July 3 Issue*), miners are sending large inflows of Bitcoin into exchanges. We believe miners are derisking and even potentially hedging their positions on derivatives as the 30-day cumulative transfer volume moved beyond 70,000 BTC last week (refer Figure 16 below).

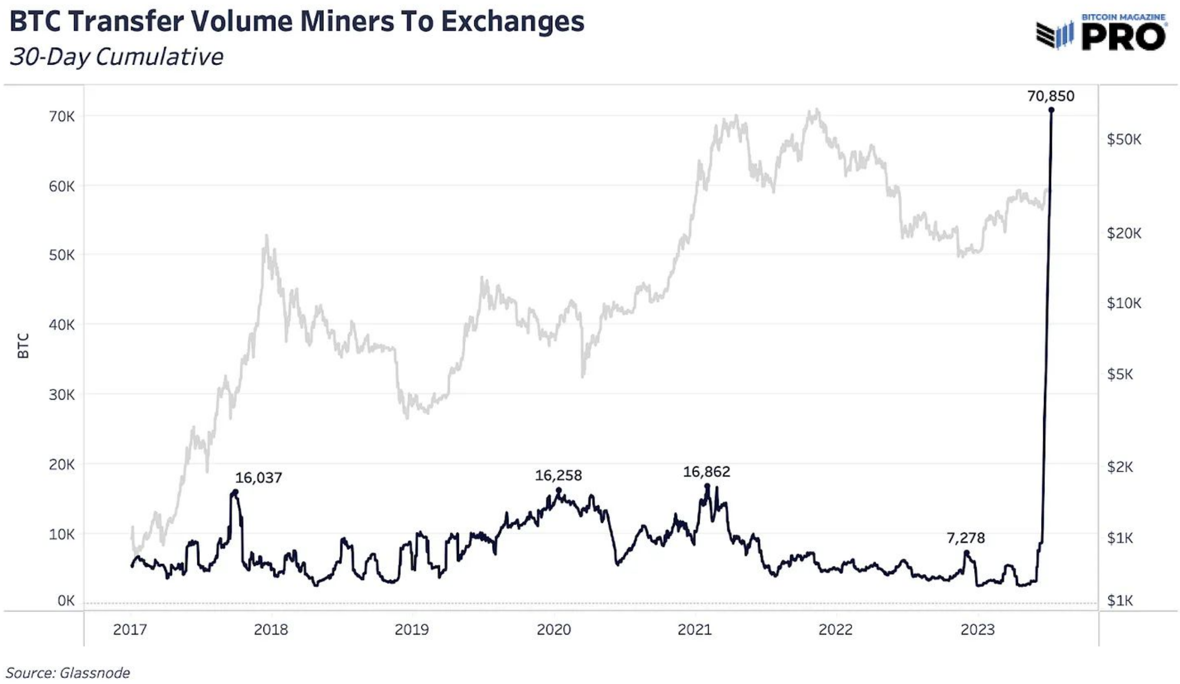


Figure 16. BTC Transfer Inflows to Exchanges 30-Day Cumulative. (source: Glassnode / Bitcoin Magazine PRO)

The above chart tracks data from 2016 and highlights how much of an outlier the months of June and July have been. Miners have always transferred to exchanges in order to use their Bitcoin as collateral to hedge their large spot positions using derivatives. However, a transfer to exchanges on this scale is extremely rare and potentially showcases new miner behaviour.

Upon close examination of the granular data, it appears that the bulk of the activity is originating from a single mining pool, Poolin, and is being dispatched to one solitary exchange, Binance. This is as per *Glassnode* data.

Several plausible explanations underpin this pattern that extend beyond the domain of unique selling pressure. Miners could be engaging in hedging activities within the derivatives market, undertaking movements as part of an Over-the-Counter (OTC) order, or effectuating transfers via an exchange for other reasons. We lack certainty regarding the precise causality of this phenomenon; however, it remains an intriguing anomaly worth highlighting.

However, despite this perceivably bearish or over-cautious behaviour from the miners, mining stocks have skyrocketed over the past month. The top mining stocks have been appreciating in value throughout 2023 and even more so since June 15th, which was when the Blackrock ETF announcement first took place. (refer Figure below)

Figure 17. Top Mining Stocks Performance in 2023. (source: TradingView)

This indicates that the heightened risk aversion from miners could also be from increased institutional investments in the sector. It is natural that Bitcoin mining stocks catch a bid in tandem with the increased institutional interest in Bitcoin.

Bitcoin mining difficulty has also increased by 6.45 percent last week which is a new all-time high. (refer to Figure 18 below)

Figure 18. Bitcoin Mining Network Difficulty. (source: blockchain.com)

The difficulty metric denotes the level of complexity involved in mining a Bitcoin block or, stated more technically, discovering a hash beneath a certain target. A heightened difficulty indicates the necessity for greater computational power to mine an equivalent quantity of blocks, thereby enhancing the network's resilience against potential attacks. The difficulty adjustment is directly correlated with the total approximated mining power depicted in the hashrate chart.

The difficulty is subject to adjustment every 2016 blocks, which approximately equates to a two-week interval, with the aim of maintaining the average time between each block at ten minutes. This adjustment mechanism ensures the balance between the computational power in the network and the rate of block generation, keeping the Bitcoin network efficient and secure.

A large single upward adjustment would mean that a lot of new mining power has been added to the network. This could be due to the entry of more miners into the network or current miners upgrading their equipment due to increase in capital at disposal. If this increase only slightly more than offsets a previous downward adjustment of -3.26 percent, it means that the network has essentially returned to the computational power level it had before the decrease.

Now when we think about the effect these events would have on price, an increase in mining difficulty implies more computational power has been committed to securing the Bitcoin network, which is often seen as a sign of increased network health. It could indicate more miner confidence in the profitability of mining, possibly due to a higher Bitcoin price or more efficient mining hardware.

Thus, miners are at a peculiar situation where they are rapidly increasing their mining potential as the Bitcoin halving inches closer whilst simultaneously hedging their exposure to an extent which is higher and more cautious than previous cycles. The fact that the 2022 bear market lows saw the largest bear market capitulation ever also factors into this approach.

Supply Across Various Investor Cohorts Suggest Early Bull Market Stage

The long-term holders (LTHs) and the short-term holders (STHs) of Bitcoin are the two broad investor cohorts we study when analysing Bitcoin supply trends. The Spent Output Profit Ratio (SOPR) data suggests that we are in an early bull market stage as there is a supply transfer beginning to be evident from the LTHs to the STHs.

Bitcoin has a capped supply of 21 million coins. This scarcity is one of the factors contributing to its value. As of now, the total supply of Bitcoin is approximately 18.9 million.

However, it's important to note that not all of these Bitcoins are in circulation. A significant portion is held by long-term investors and is not available for buying or selling. This reduces the effective supply of Bitcoin, creating a supply squeeze when demand rises, which can lead to price increases.

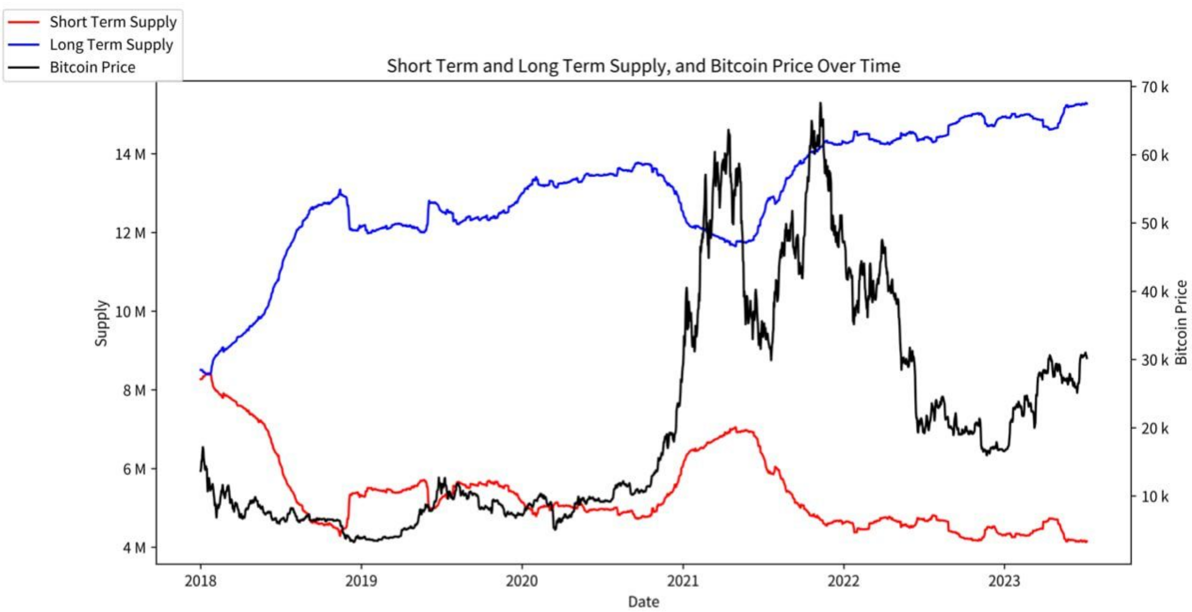


Figure 19. Bitcoin Short Term and Long Term Holder Supply alongside BTC price. (source: CryptoQuant data)

As evident from Figure 19 above, there is always a supply inversion relation between the long-term holders and the short-term holders.

The depicted blue line represents the supply held by Long-Term Holders (LTHs), whilst the red line signifies the supply held by Short-Term Holders (STHs). The black line illustrates the Bitcoin price.

During bullish cycles, typified by ascending Bitcoin prices and heightened optimism, there is often a transference of supply from LTHs to STHs. This is visually discernible as the red line (STH Supply) ascends whilst the blue line (LTH Supply) descends.

This pattern signifies a surge of STHs entering the market in pursuit of rapid profits, often acquiring their holdings from LTHs who are capitalising on the elevated prices to realise their gains.

Conversely, throughout bearish cycles, typified by descending Bitcoin prices and prevalent pessimism, supply tends to shift from STHs back to LTHs; the red line (STH Supply) diminishes while the blue line (LTH Supply) amplifies.

This trend denotes the exit of less tenacious participants from their positions, frequently selling to LTHs who are accumulating more Bitcoin at lower prices. The cyclical interchange of supply between LTHs and STHs encapsulates the evolving dynamics of the Bitcoin market. It underscores the impact of investor sentiment on market trajectories and elucidates the contrasting strategies adopted by LTHs and STHs.

Currently, we can see the LTH as well as the STH supply plateauing after a period of accumulation from the LTHs and a selling off by the STHs. This is very common for early bull market stages in the Bitcoin market where the two cohorts change behaviour and the supply change takes place.

To look at profitability across various investor cohorts, we look at their respective Spent Output Profit Ratios (SOPR). The LTHs are currently in a supply holding era where they are starting to sit back on their spot positions, we have discussed how there was profit taking at the pivotal $30,000 level from this particular cohort but since April, their SOPR has found support at around the pivot of one. (refer to Figure 20 below)

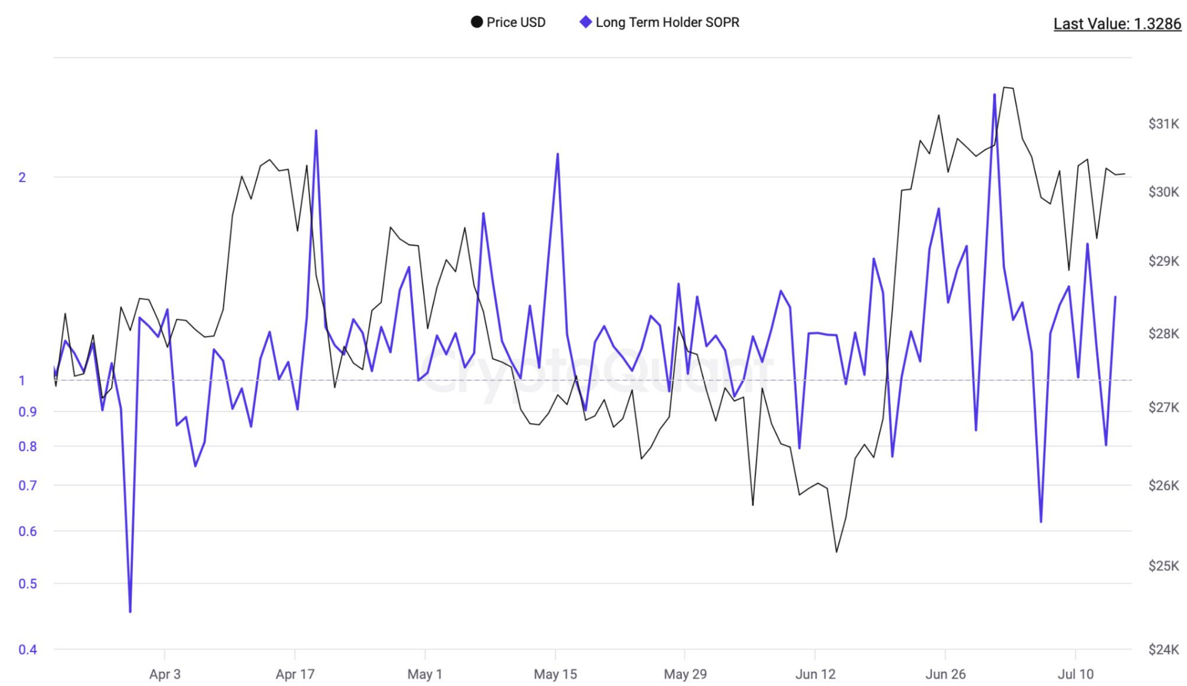


Figure 20. Long-Term Holder SOPR vs BTC price. (source: CryptoQuant)

The Spent Output Profit Ratio (SOPR) is a crucial on-chain metric that provides insights into the profit and loss behaviour of Bitcoin holders. Essentially, SOPR is the price sold divided by the price paid. When SOPR is greater than one, it indicates that the holders selling are doing so at a profit. Conversely, a SOPR less than one implies that sellers are incurring a loss. Finding support at the one level is common for bullish regimes.

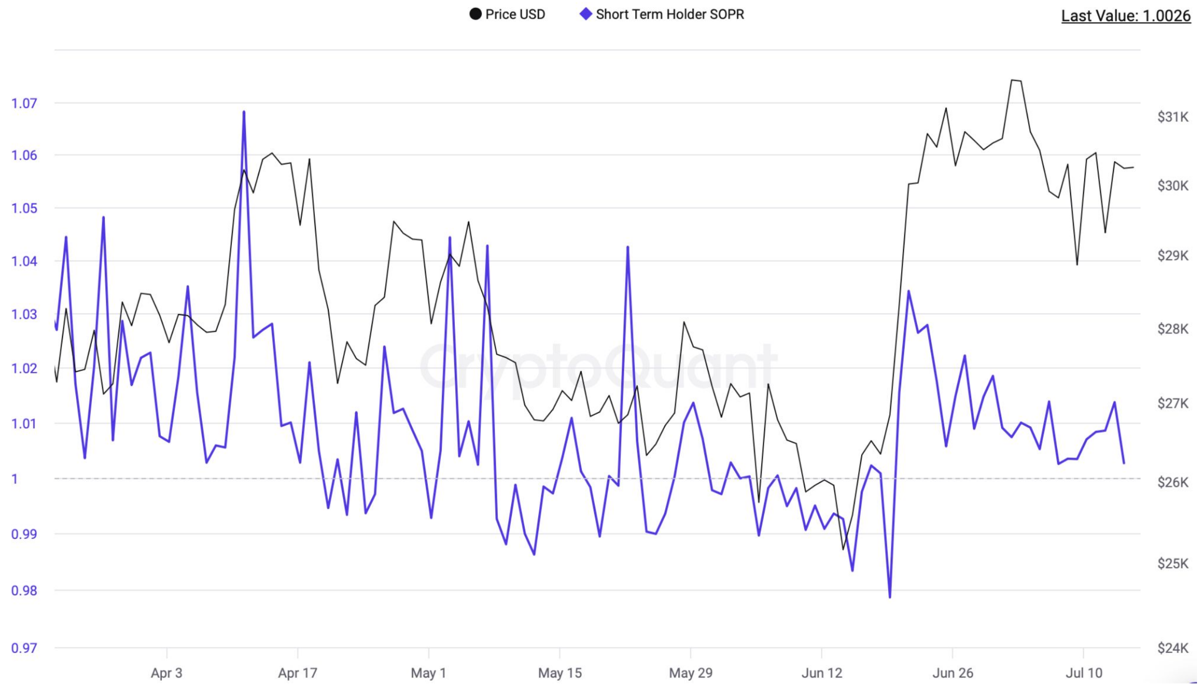


Figure 21. Short-Term Holder SOPR vs BTC price. (source: CryptoQuant)

The STH SOPR (refer to Figure 21 above) has also continually found support at the 0.98 to 1.0 level. Normally, when both the STH and LTH SOPR are finding support at these levels, it suggests a period of uncertainty in the markets as all cohorts are taking profit because of smaller price fluctuations which is currently evident with the price being stuck in the consolidation range we have been in for the past several weeks. However, the consistent drops below one to about 0.98 suggests that even though the selling pressure is settling down, the STHs are the one who are mostly selling at these price levels, the profit taking from LTHs was brief and has stopped indicating that was just a case of realising partial profits to reduce risk from their larger spot positions.

This could indicate a state of equilibrium in the market. When SOPR is at one, it means that the average investor is selling their coins for the same price they bought them, suggesting a balance between buying and selling pressure.

If SOPR is finding support at one and not going below it, it could potentially indicate a price floor. This is because when investors are unwilling to sell at a loss, it creates a level of price support, which can prevent the price from falling further.

Thus, disregarding smaller pullbacks of 10-15 percent, the longer term trend seems to be up despite the recent pullback which is expected to continue further as most investor cohorts continue to find a price floor and most of the selling seems to come only from STHs, this is discussed further in the following section.

Short-Term Holders Sell Off At Range Highs As Leveraged Buyers Got Punished Above $31,000

In this section we discuss how on-chain data suggests that a majority of the selling in our consolidation range from $29,500 to $31,500 has come from short-term holders. In addition to this, a major rejection from range high on Friday, July 14th as well as the intra-week orderflow data suggests that increased participation in the derivatives markets has punished late market buyers and sellers alike.

Figure 22. BTC/USD Hourly Chart. (source: Bitfinex)

The above chart shows the range that Bitcoin has been consolidating in and the recent rejection from the range high after a brief trip to $31,800s for BTC (refer red box in figure 22 above).

The news regarding the recent developments in the Ripple (XRP) case as covered in the Crypto News section as well as the PPI and CPI data released earlier in the week served as a bullish catalyst as BTC caught spot bids to fly past $31,500. The spot buying resulted in a supply shock which caused the highest amount of short liquidations to the tune of $193 million since we entered the consolidation range. (refer Figure 23 below)

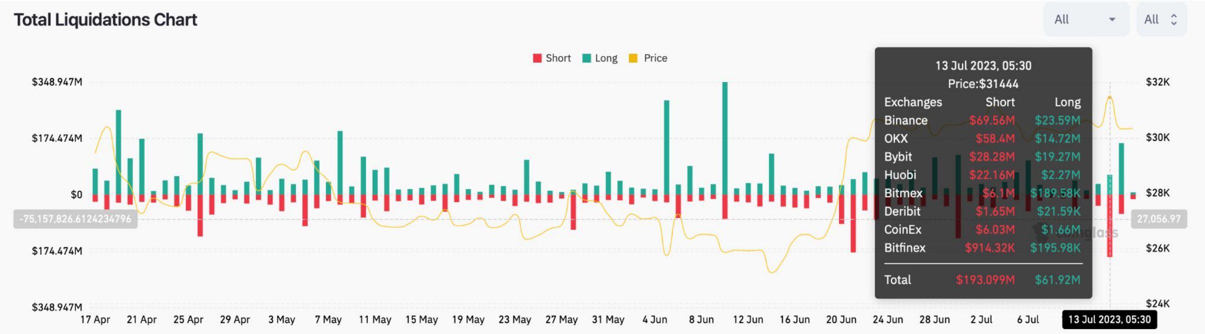


Figure 23. Total Liquidations Across Major Exchanges. (source: coinglass)

Before the rapid move up on July 13th, there was increased shorting interest in the derivatives market, perhaps from traders expecting bearish inflation data. This can be seen in the increasing number of market shorts and negative delta imbalance. The spot bids perhaps absorbed this at the local lows and then market longs.

Delta is the difference between Buy and sell market volume.
Negative Delta is when there's higher selling volume compared to buying volume. Negative Delta at the bottom (local support) shows that the selling was absorbed by Limit orders (Set by bigger traders) (refer green box in Figure below).

This can be confirmed by seeing Positive Delta and Positive Delta Imbalance (Marked by Green Highlights) stacked on the next candles.

Positive Delta Imbalance occurs when the Buying volume is 3 times greater than the selling volume as default. This Phenomenon of Market Selling being absorbed by Limit orders and then Positive Delta being stacked in the candles, is a confirmation of high conviction buying.
This can be seen from the delta ladder chart below.

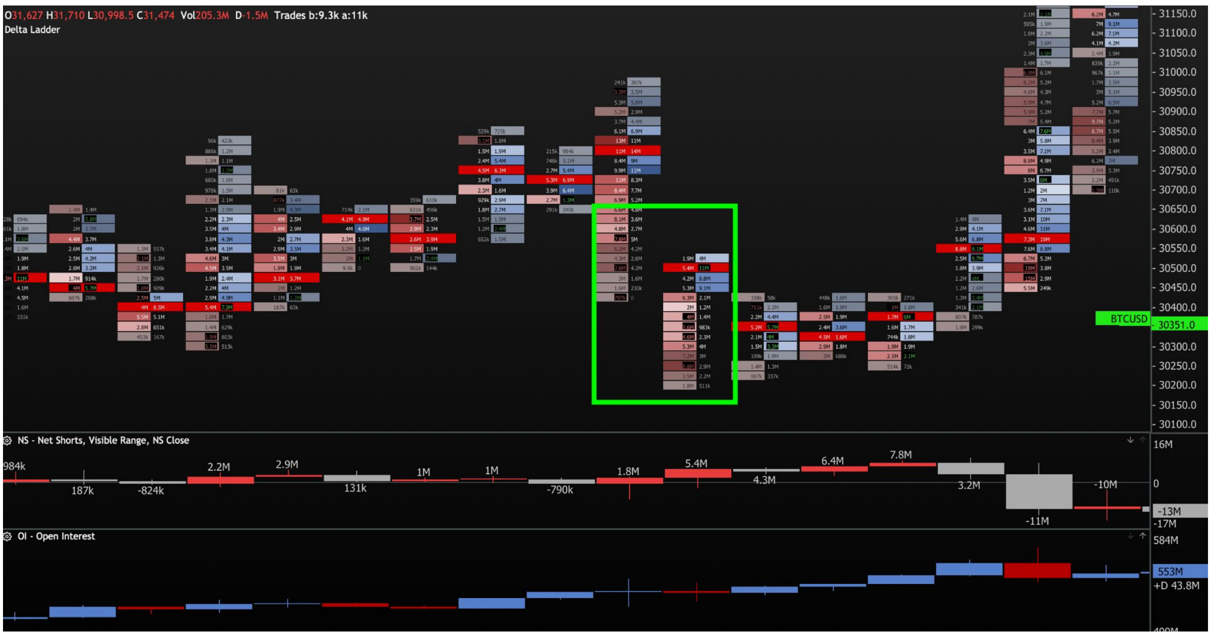


Figure 24. Delta Ladder chart for BTC/USD.

The Positive Delta Imbalance stacking generally occurs after a Bottom because most of the sellers in the market have already panic sold.

Once, BTC price breached range high, there was a lot of late market longs into a potential spot supply region. There was inferior buying volume on perpetual contracts despite the late market longs as shown in the figure below.

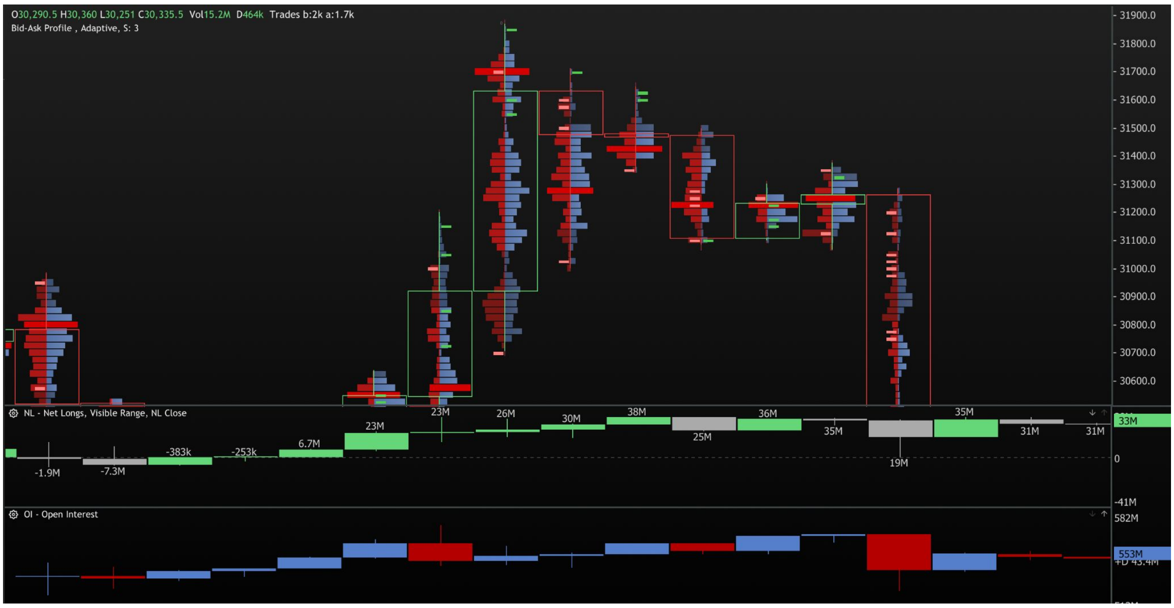


Figure 25. Bid-Ask Profile BTC/USD 4H chart. (source: exocharts)

As is evident, there was a lot of price chasing short-term derivatives traders while there was a complete lack of bids near another crucial level at $31,000. This caused the price to quickly fall back below as the weak derivatives led push was likely absorbed by spot selling from short-term holders at the range highs. The entire push above range high was dominated by perpetuals, this is evident as perpetual contracts traded at a premium in relation to spot price (refer Figure below).

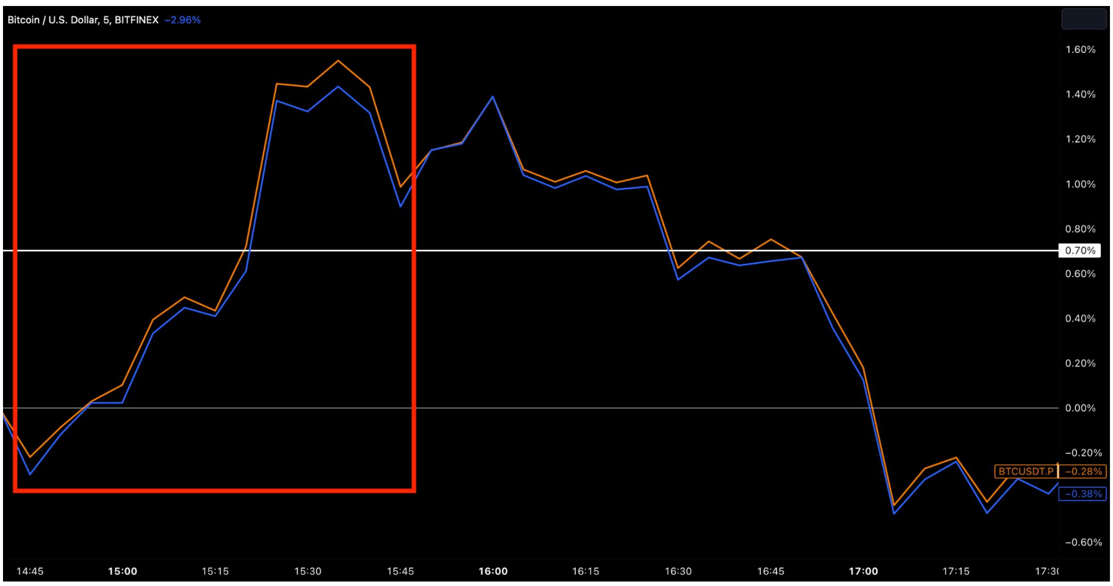


Figure 26. BTC/USD spot (blue) vs perpetual (orange) chart. (source: Bitfinex)

Post this breakdown from range high, forced selling from aforementioned late longers caused BTC price to fall back to sub $30,000 levels.

For now, orderflow and on-chain data suggests that we will continue to be range-bound in the short term. A move beyond the discussed range will be decisive for BTC. However, we note that the spot selling we have witnessed, combined with exchange inflows and time series data for exchange flows across various investor cohorts, suggests that most of the selling came from short-term sellers.

The unanticipated dip in Bitcoin's price from $31,800 to $29,800 has elicited queries concerning the primary sellers in the market. The figure below is a time-series chart that presents the daily influx to exchanges by age band within the chosen period. Different age bands are differentiated by colour, each signifying the time that has passed since the last Bitcoin movement prior to its sale.

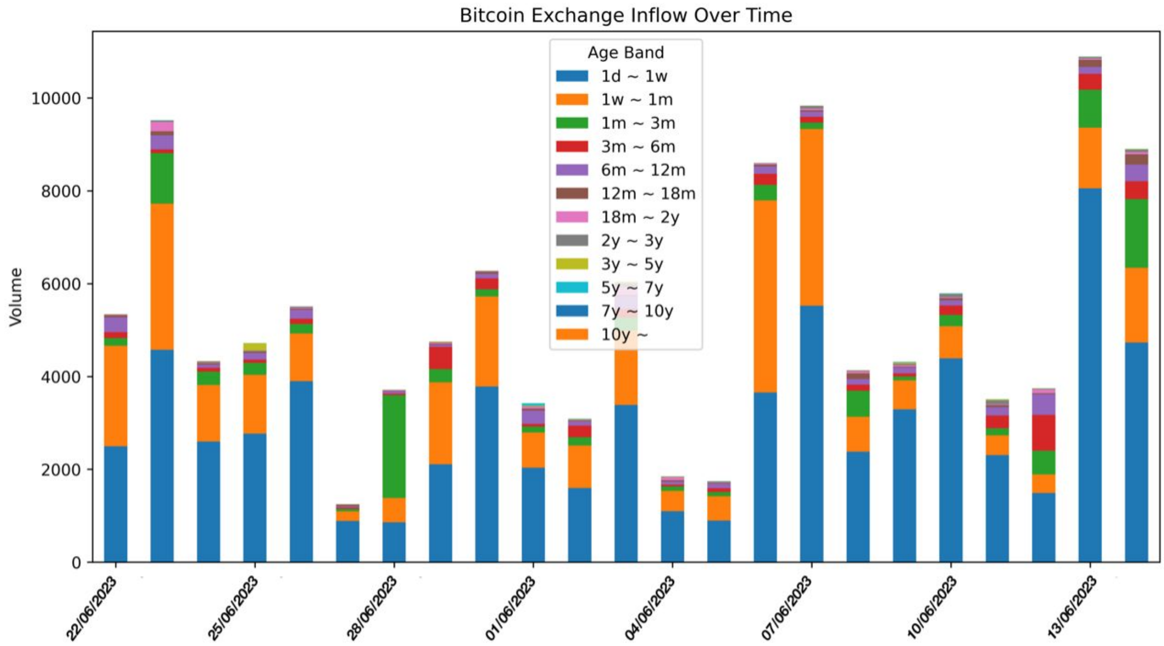


Figure 27. Bitcoin Exchange Inflow Across Various Holding Periods. (source: Onchained, CryptoQuant)

At first glance, the chart exhibits significant oscillations in the inflow to exchanges across different age bands, and even day by day. We notice conspicuous peaks representing instances of heightened selling activity. The '1d ~ 1w' and '1w ~ 1m' age bands are notably prominent, suggesting that the holders who last moved their Bitcoin within these timeframes are the primary sellers.

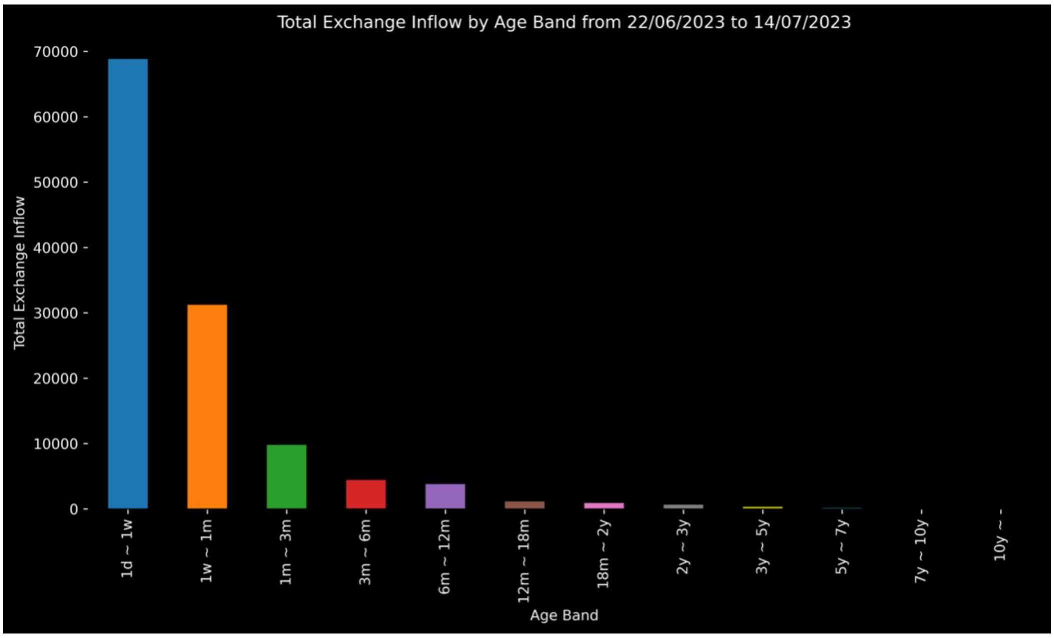


Figure 28. Total Exchange Inflows Across Various Holding periods. (source: Onchained, CryptoQuant)

The figure above offers another perspective, detailing the total inflow to exchanges by age band over the examined period. The colour coding is consistent with Figure 27 on the previous page, simplifying comparison and comprehension.

This chart illuminates the situation clearly - a substantial part of the sold Bitcoins originates from comparatively new holders. The largest inflow comes from Bitcoins last mobilised within the one-day to one-week range, followed by those moved between one week and one month. We see a sharp decline in Bitcoin sales from holders who have kept their Bitcoin for extended durations, which confirms that the principal sellers are indeed short-term holders.

NEWS FROM THE CRYPTO-SPHERE

BlackRock's Bitcoin ETF Filing Suggests Intensified Surveillance and Information Sharing

Figure 29. BlackRock's Bitcoin ETF Filing Prompts Intensified Surveillance and Information Sharing

- **BlackRock's filing for a Bitcoin ETF has triggered a trend for intensified surveillance and information sharing**
- **The information-sharing agreements, which involve sharing specific trade and trader data, including personally identifiable information, aim to address regulatory concerns but raise privacy concerns among crypto traders.**

BlackRock's recent filing for a Bitcoin exchange-traded fund (ETF) with the U.S. Securities and Exchange Commission (SEC) has included a mechanism that allows suspicious trades to be flagged to regulatory authorities, making it an intriguing proposition for regulators.

The SEC has long emphasised the need for surveillance sharing to combat market manipulation in the crypto space, a requirement first seen in the 2017 Winklevoss Bitcoin ETF application. The crypto exchange, Coinbase has been selected by Blackrock and other ETF applicants to be the main reference point for crypto asset movements. However, the "Coinbase and NASDAQ Information Sharing Term Sheet," shared with *CoinDesk*, hints at a more comprehensive arrangement.

The distinction lies in the approach: the Surveillance-Sharing Agreement (SSA) pertains to data surveillance conducted by the spot exchange (in this case, Coinbase), which can be pushed to regulators, ETF providers, and listing exchanges if deemed suspicious. There is also some scope - though it is not necessarily automatic - that would allow regulators and ETF providers to pull data from the exchange.

These agreements involve sharing specific information about trades and traders, including personally identifiable information (PII) such as names and addresses. It's important to note that an information-sharing request must be specific, akin to a subpoena, rather than a broad fishing expedition for all trade-related information within a given timeframe.

The crypto community has expressed privacy concerns, as crypto traders generally prefer anonymity. However, for an ETF to succeed, firms must comply with the information-sharing requirements.

BlackRock, Coinbase, and NASDAQ have refrained from commenting on the matter.

With the SEC's ongoing scrutiny of Bitcoin ETF applications, the level of surveillance and information sharing is expected to intensify. Market experts believe that BlackRock, as the world's largest asset manager, stands a better chance of securing approval for its Bitcoin ETF. However, the SEC's decision will likely hinge on how well information-sharing arrangements accommodate regulatory demands.

While the SEC continues to assess various filings for Bitcoin ETFs, improvements have been requested, prompting applicants to refile their proposals. The outcome of these evaluations will determine which ETF receives the first approval and how it will impact the crypto industry.

The combination of information and surveillance sharing is a well-established practice among brokers and exchanges in traditional equity markets. It allows regulatory authorities to request additional information about a client's trading history, ensuring compliance and preventing illicit activities. In cases where suspicious activity is identified, brokers and exchanges are required to file suspicious activity reports (SARs), which may prompt regulators to request PII to identify beneficial owners and potentially trigger consolidated audits.

If BlackRock's Bitcoin ETF is approved by the SEC, it could pave the way for the approval of other filings. Despite concerns surrounding surveillance and information sharing, the ETF's launch would provide exposure to crypto assets and contribute to increased cryptocurrency adoption.

Ethereum Staking Approaches 20 percent Milestone, but Inflows Slow Amid Regulatory Cautions

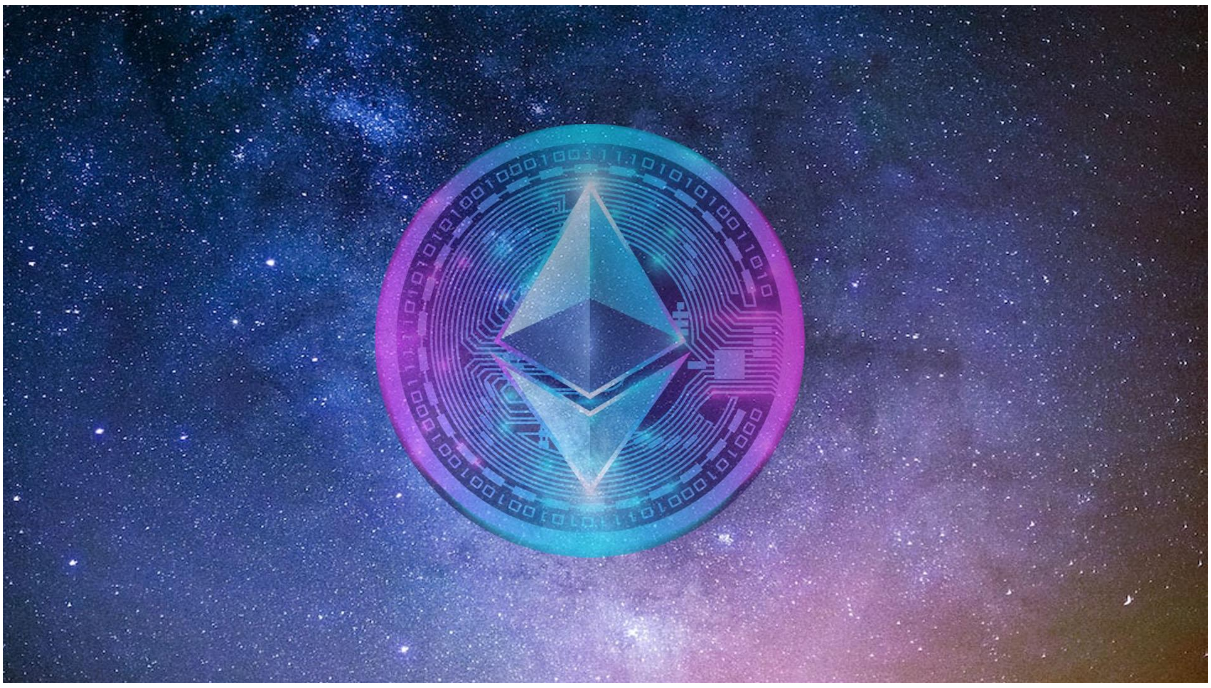


Figure 30. Ethereum Staking Approaches 20 percent Milestone, but Inflows Slow Amid Regulatory Cautions

- **Ethereum staking reaches a 20 percent milestone as 23.9 million ETH tokens are locked up, but inflows slow due to investors' regulatory concerns.**
- **Regulatory scrutiny and lawsuits against exchanges like Binance and Coinbase have dampened the pace of inflows, while shorter waiting times for new validators have alleviated congestion.**

Ether (ETH) staking is on the verge of reaching a significant milestone, with nearly 20 percent of all tokens locked up in staking contracts. However, the pace of inflows has slowed as investors grow cautious about regulatory risks surrounding the crypto market.

According to a Dune Analytics dashboard by Hildobby, investors have deposited 23.9 million ETH into Ethereum's staking network, including tokens committed and those waiting in a queue. This figure represents approximately one-fifth of the token's total supply of 120 million. The launch of Ethereum's Shanghai upgrade, enabling withdrawals from its Proof-of-Stake (PoS) network since April, fueled a surge in demand for staking the second-largest cryptocurrency. Staking allows crypto holders to lock up their tokens to participate in securing the network as validators, earning rewards in return. This investment option has gained popularity among long-term and institutional investors.

Since the upgrade, deposits have significantly outweighed withdrawals by 4.5 million ETH, valued at $8.4 billion at the current price. Investors rushed in, leading to a waiting time of around one-and-a-half months to establish new validators. However, the pace of inflows slowed down last month compared to the initial surge.

Analysts attribute this slowdown to regulatory scrutiny on centralised exchanges. June was a significant turning point when the US SEC filed lawsuits against Binance and Coinbase. The lawsuits alleged that the platforms, which are prominent ETH staking services, offered unregistered securities through their staking offerings. Following these legal actions, net flows into ETH staking declined and turned negative on some days, according to a Dune Analytics dashboard by 21Shares. Although flows have since returned to positive territory, they remain at a lower level than in May.

The slowdown in demand has contributed to a reduction in the backlog of validators waiting to be activated. The waiting time to deploy new validators has decreased to 36 days from a peak of nearly 46 days in early June. Additionally, increasing the threshold of new validators entering the network per day has helped ease the congestion, lowering the queue by five days, as tweeted by Irina Timchenko, Ethereum blockchain manager at staking service Everstake.

However, the prolonged waiting time can negatively impact investors and potentially decrease inflows into staking. Tokens transferred to staking do not earn rewards until they are stuck in the queue, reducing the effective annualised yield. Conversely, Katie Talati, head of research at digital asset investment firm Arca, stated that the validator queue is less likely to affect inflows significantly, with investors primarily concerned about the time it takes to unstake and withdraw funds from ETH staking.

Bank for International Settlements Survey Reveals Growing Momentum for Central Bank Digital Currencies (CBDCs)

Figure 31. Bank for International Settlements Survey Reveals Growing Momentum for Central Bank Digital Currencies (CBDCs)

- **Bank for International Settlements Survey Reveals Growing Momentum for Central Bank Digital Currencies (CBDCs)**
- **A Bank for International Settlements survey reveals that approximately 24 central banks are expected to introduce digital currencies by the end of the decade, with most focusing on retail CBDCs, while nine central banks are considering wholesale CBDCs.**
- **The survey highlights the motivations behind CBDC development, including enhancing cross-border payments, and notes that stablecoins and crypto assets have accelerated central banks' work on CBDCs.**

According to a survey conducted by the Bank for International Settlements (BIS), approximately two dozen central banks from both emerging and advanced economies are expected to introduce digital currencies by the end of the decade. The BIS report was released on Tuesday, July 11th. The global trend of exploring central bank digital currencies stems from the desire to retain control over digital payments and avoid excessive reliance on the private sector, especially as the use of cash declines. Central banks are focusing on both retail and wholesale versions of CBDCs.

The BIS survey, which involved 86 central banks in late 2022, found that the majority of new CBDCs will be introduced in the retail space. Eleven central banks, including those in the Bahamas, the Eastern Caribbean, Jamaica, and Nigeria, have already implemented live digital retail currencies. On the wholesale side, which offers potential new functionalities through tokenization, nine central banks are considering launching CBDCs.

Enhancing cross-border payments emerged as a key motivation for central banks' efforts to develop wholesale CBDCs, according to the report. The Swiss National Bank recently announced plans to pilot a wholesale CBDC on Switzerland's digital exchange, while the European Central Bank is progressing with its digital euro pilot, aiming for a potential launch in 2028. China has already conducted pilot testing involving 260 million individuals, and India and Brazil are planning to introduce digital currencies next year.

The BIS survey also highlighted that 93 percent of central banks participating in the survey are engaged in some form of CBDC exploration. Furthermore, 60 percent of respondents stated that the emergence of stablecoins and other crypto assets has accelerated their work on CBDCs.

The survey revealed that almost 40 percent of respondents indicated that their central banks or institutions in their jurisdiction had recently conducted studies on the use of stablecoins and other crypto assets among consumers or businesses. The report emphasised that if widely used for payments, cryptoassets, including stablecoins, could pose a threat to financial stability.

The global momentum surrounding CBDCs reflects the growing recognition among central banks that digital currencies have the potential to reshape the financial landscape. As central banks continue to explore and develop CBDCs, the future of digital currencies and their impact on the financial ecosystem remains a topic of great interest and significance.

Ripple Scores Legal Victory as XRP Deemed Non-Security

Figure 32. Ripple Scores Legal Victory as XRP Deemed Non-Security

- **Ripple's Legal Victory:** Blockchain firm Ripple Labs Inc. won a significant legal battle against the U.S. Securities and Exchange Commission (SEC) with the court ruling that Ripple's XRP token does not qualify as a security. However, Ripple's sales of XRP to institutional investors were deemed unregistered securities offerings.

- **Implications for Ripple:** The case will now proceed to trial to address the SEC's claims that Ripple executives aided and abetted the unregistered offering of XRP to institutional investors. Ripple CEO Brad Garlinghouse expressed confidence in the company's legal standing following the ruling.

- **Potential Impact on the Cryptocurrency Industry:** The ruling could set a precedent for how digital assets are classified and regulated in the U.S., potentially impacting other cryptocurrency companies facing similar lawsuits. However, the court's decision not to address the status of secondary market sales of XRP leaves room for further legal challenges and interpretations.

Blockchain company Ripple achieved a significant legal triumph when Judge Analisa Torres delivered a summary ruling in its high-stakes case against the Securities and Exchange Commission (SEC). The ruling, announced on July 13, Thursday, resulted in the dismissal of the SEC's case as the judge recognized that Ripple's XRP token does not fall under the classification of a security.

It's worth noting that the court did not address whether secondary market sales of XRP qualify as offers and sales of investment contracts. The court explained that this specific question was beyond the scope of its consideration, and determining whether a secondary market sale can be categorised as an offer or sale of an investment contract would require a comprehensive evaluation of the particular contract, transaction, or scheme.

Understanding Securities in Finance and Investment

In finance and investment, a security refers to a tradable financial asset, such as stocks, bonds, or derivatives, that holds monetary value. Securities are typically traded in financial markets and represent ownership or a creditor relationship with a company or entity. The classification of an asset as a security is crucial as it determines the regulatory framework that governs its operations. Securities are subject to specific regulations designed to protect investors and ensure fair and transparent markets.

The legal battle between Ripple Labs, the company behind XRP, and the SEC began in December 2020 when the SEC filed a lawsuit against Ripple, alleging that the company conducted an unregistered securities offering by selling XRP to investors. The central point of contention in the case revolved around whether XRP qualified as a security under US securities laws. The SEC argued that XRP met the criteria of an investment contract, which is considered a security. Conversely, Ripple contended that XRP is a digital currency and should not be subject to securities regulations.

Judge Torres' Ruling

> Second, Ripple sold XRP on digital asset exchanges "programmatically," or through the use of trading algorithms (the "Programmatic Sales"). SEC 56.1 Resp. ¶ 95; Defs. 56.1 Resp. ¶ 647. Ripple's XRP sales on these digital asset exchanges were blind bid/ask transactions: Ripple did not know who was buying the XRP, and the purchasers did not know who was selling it. SEC 56.1 Resp. ¶ 96; Defs. 56.1 Resp. ¶¶ 652–54. The SEC alleges that Ripple sold approximately $757.6 million of XRP in Programmatic Sales. Defs. 56.1 Resp. ¶ 647. Ripple used the proceeds from the Institutional and Programmatic Sales to fund its operations. Defs. 56.1 Resp. ¶¶ 156–70.[5]

Figure 33. Excerpt from The Ruling (Source: US District Court, Southern District of New York)

In her ruling, Judge Analisa Torres found that Ripple's sales of XRP totaling $728.9 million to institutional investors, including hedge funds, constituted unregistered securities offerings. However, programmatic sales and sales by Ripple's CEOs were not subject to the same classification. As a result, the case will proceed to a jury trial to address other claims made by the SEC.

Judge Torres ruled that XRP itself does not meet the requirements of an investment contract as defined by the Howey test, a legal test used in the United States to determine whether a transaction qualifies as an investment contract and falls under the definition of a security. The test derives its name from a 1946 U.S. Supreme Court case called SEC v. W.J. Howey Co. Some other distributions of XRP, such as algorithmic sales on exchanges to unknown buyers and compensation for employees and other parties, were not deemed securities offerings.

Rationale behind the Illegality of Institutional Sales

The rationale behind institutional sales being deemed illegal lies in the fact that Ripple's claim of XRP being a mere currency or utility token is not valid, given that many investors had agreed not to sell their XRP until a specific period had passed. Consequently, during the lock-up periods, the XRP tokens could only serve as speculative investments. The court also cited investment contracts that explicitly stated buyers were acquiring XRP "solely to resell or otherwise distribute."

Further, the nature of the Institutional Sales also supports the conclusion that Ripple sold XRP as an investment rather than for consumptive use. In their sales contracts, some Institutional Buyers agreed to lockup provisions or resale restrictions based on XRP's trading volume. *See, e.g.*, Defs. 56.1 Resp. ¶¶ 575, 800–01. These restrictions are inconsistent with the notion that XRP was used as a currency or for some other consumptive use. "Simply put, a

rational economic actor would not agree to freeze millions of dollars . . . if the purchaser's intent was to obtain a substitute for fiat currency." *Telegram*, 448 F. Supp. 3d at 373. Certain Institutional Sales contracts required the Institutional Buyer to indemnify Ripple for claims arising out of the sale or distribution of XRP, *see* Defs. 56.1 Resp. ¶ 792, and other contracts expressly stated that the Institutional Buyer was purchasing XRP "solely to resell or otherwise distribute . . . and not to use [XRP] as an [e]nd [u]ser or for any other purpose." *Id.* ¶ 793. These various provisions in the Institutional Sales contracts support the conclusion that the parties did not view the XRP sale as a sale of a commodity or a currency—they understood the sale of XRP to be an investment in Ripple's efforts.

Figure 34. Excerpt from The Ruling (Source: US District Court, Southern District of New York)

The court order indicates that institutional investors purchasing XRP understood that they were investing in the token based on the efforts of Ripple Labs, a key aspect of the Howey Test.

In a tweet shared in July by US defense attorney James Filan, following the ruling, the court is set to “issue a separate order setting a trial date and related pre-trial deadlines in due course.”

Figure 35. Tweet from James K. Filan, US defense Attorney (Source: twitter.com/FilanLlaw)

Future Implications and Continuing Litigation

Following the ruling, Ripple CEO Brad Garlnghouse expressed confidence in the company being on the right side of the law since the lawsuit began in 2020. This favourable outcome supports Ripple's argument that XRP lacks the characteristics typically associated with securities. The ruling represents a significant development for the future of XRP and the broader cryptocurrency market.

The decision was highly anticipated within the cryptocurrency community, particularly in light of the SEC's regulatory crackdown on platforms like Binance, Coinbase, and Kraken for the sale of unregistered securities. However, some experts believe that the ruling may introduce further complications to the already ambiguous regulatory landscape, while others anticipate that the litigation will continue.

For instance, RIA Lawyers Co-Founder and Partner Max Schatzow pointed out that if the initial sales to institutional investors were in violation of the law, such violation was necessary for the subsequent legal secondary sales to occur.

Max Schatzow
@AdviserCounsel

It's just dumb.

If not, for the initial violation, the secondary sales can't happen. The initial sales only happen so that the secondary sales can happen. They serve no other purpose.

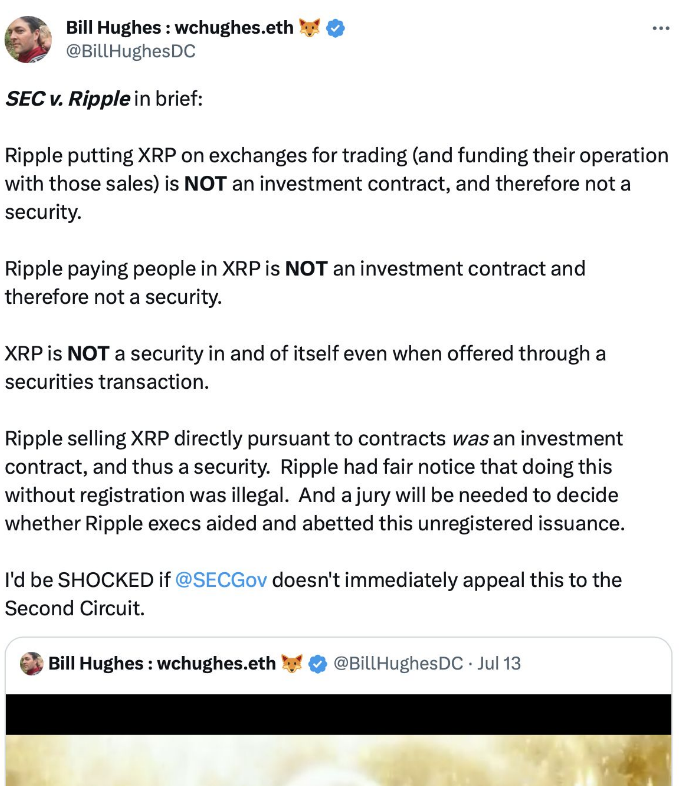
The founders violate the law in the first instance so that they can have a secondary.

9:47 AM · Jul 13, 2023 · **2,421** Views

3 Retweets **1** Quote **15** Likes

Figure 36. Tweet from Max Schatzow, twitter.com/AdviserCounsel

Consensys lawyer Bill Hughes expressed shock if the SEC does not appeal the released order, and Brown Rudnick Partner Preston Byrne viewed the order as a significant loss for the SEC while believing that the court system will ultimately land on a different outcome regarding this issue.



Bill Hughes : wchughes.eth
@BillHughesDC

SEC v. Ripple in brief:

Ripple putting XRP on exchanges for trading (and funding their operation with those sales) is **NOT** an investment contract, and therefore not a security.

Ripple paying people in XRP is **NOT** an investment contract and therefore not a security.

XRP is **NOT** a security in and of itself even when offered through a securities transaction.

Ripple selling XRP directly pursuant to contracts *was* an investment contract, and thus a security. Ripple had fair notice that doing this without registration was illegal. And a jury will be needed to decide whether Ripple execs aided and abetted this unregistered issuance.

I'd be SHOCKED if @SECGov doesn't immediately appeal this to the Second Circuit.

Bill Hughes : wchughes.eth @BillHughesDC · Jul 13

Figure 37. Tweet from Bill Hughes twitter.com/BillHughesDC

Figure 38. Tweet from Preston Byrne, twitter.com/prestonjbyrne

The case will now proceed to trial to determine the veracity of other claims made by the SEC against Ripple. Specifically, the court will examine whether Ripple executives aided and abetted the unregistered offering of XRP to institutional investors.

Controversial Crypto Project Arkham Under Scrutiny for Privacy Concerns and Leaked Data

Figure 39. Controversial Crypto Project Arkham Under Scrutiny for Privacy Concerns and Leaked Data

- **The Arkham project, promoted through Binance's IEO program, faces controversy over privacy concerns and leaked data as it aims to create an on-chain intelligence exchange for buying and selling information on blockchain wallet owners.**
- **Scepticism arises within the crypto community as Arkham is accused of breaching its own privacy policy and leaking customer data, while also raising concerns about its centralised nature and the inadvertent exposure of users' email addresses through its referral program.**

Arkham project, touted as the world's first on-chain intelligence exchange, has stirred controversy within the crypto community. Binance, the renowned cryptocurrency exchange, recently announced the Arkham (ARKM) token sale as its 32nd Initial Exchange Offering (IEO) on the Binance Launchpad. However, concerns regarding user privacy and leaked data have cast a shadow over the project.

Arkham aims to create a platform where users can buy and sell information about the owners of blockchain wallet addresses. By placing bounties, buyers on the Arkham Intel Exchange can request intelligence from the community, rewarding bounty hunters who submit the requested information. This model intends to establish a liquid market for information, enabling users to monetize their investigative work.

Information you provide us. Personal information you may provide to us through the Services includes:

- **Account and contact data,** such as your first and last name, organization name (if applicable), biography (if you choose to add one), email and mailing address, Ethereum public address, phone number, profile picture, and user name.
- **Interests, usage, and connections**, including information about how you use the Services, such as the types of content you engage with, content you share, features you use, actions you take, and people or accounts you interact and connect with.
- **Marketing data,** such as your preferences for receiving our marketing communications, and details about your engagement with them.
- **Communications** that we exchange with users when they contact us with questions or feedback, including feedback about interacting with other users, and questions about purchasing.
- **Transaction information.** Please note that for conducting any transactions through the Service, we work with third-party electronic wallet extensions such as MetaMask and WalletConnect. Your interactions with third-party electronic wallet extensions are governed by those businesses' own privacy policies.
- **Blockchain addresses**, including account information from third party wallet providers, and the associated crypto holdings and transaction data.
- **Other data** not specifically listed here, which we will use as described in this Privacy Policy or as otherwise disclosed at the time of collection.

Third party sources. We may combine personal information we receive from you with information we obtain from other sources, such as:

- **Public sources**, including blockchains and social media companies.
- **Marketing partners**, such as companies that have entered into joint marketing relationships with us.

Automatic data collection. We, our service providers, and our business partners may automatically log information about you, your computer or mobile device, and your interaction over time with the Services, our communications, and other online services, such as:

- **Device data**, such as device IP address (and derived location), device name and operating system, browser type and settings, telecommunications provider, operating system, the date and time of Services use, and interactions with the Services.
- **Online activity data**, such as information about your use of and actions on the Services, including pages or screens you viewed, how long you spent on a page or screen, navigation paths

Figure 40. Arkham's Privacy Policy (Source: Arkham)

Arkham has been criticised for running what some say is a "dox-to-earn" or "snitch-to-earn" business model. Hudson Jameson from Polygon Labs commented that while a "snitch-to-earn" component might be useful, all submissions end up on Arkham, which acts as the central arbiter. Jameson suggested that the project should be decentralised to address this concern.

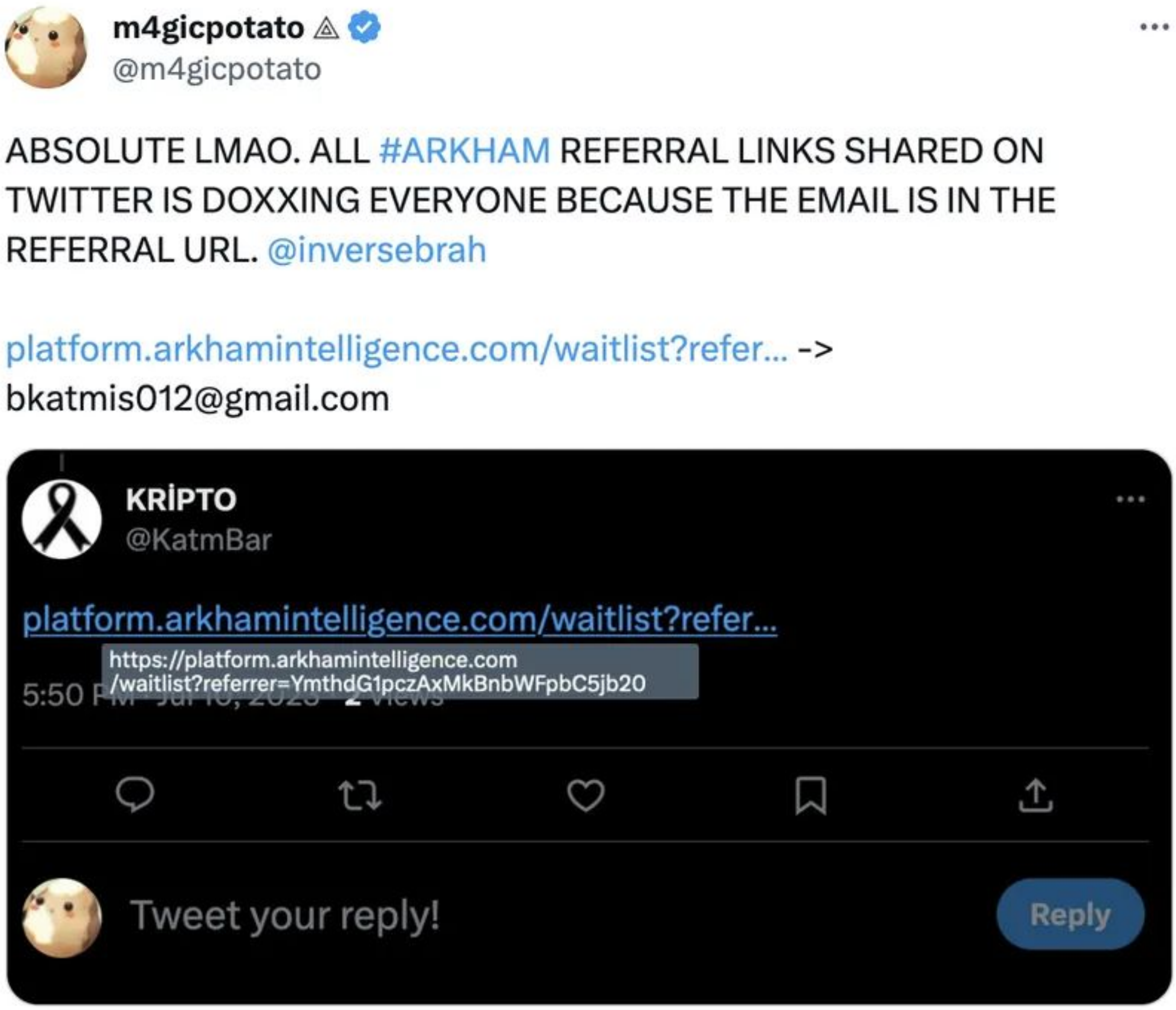
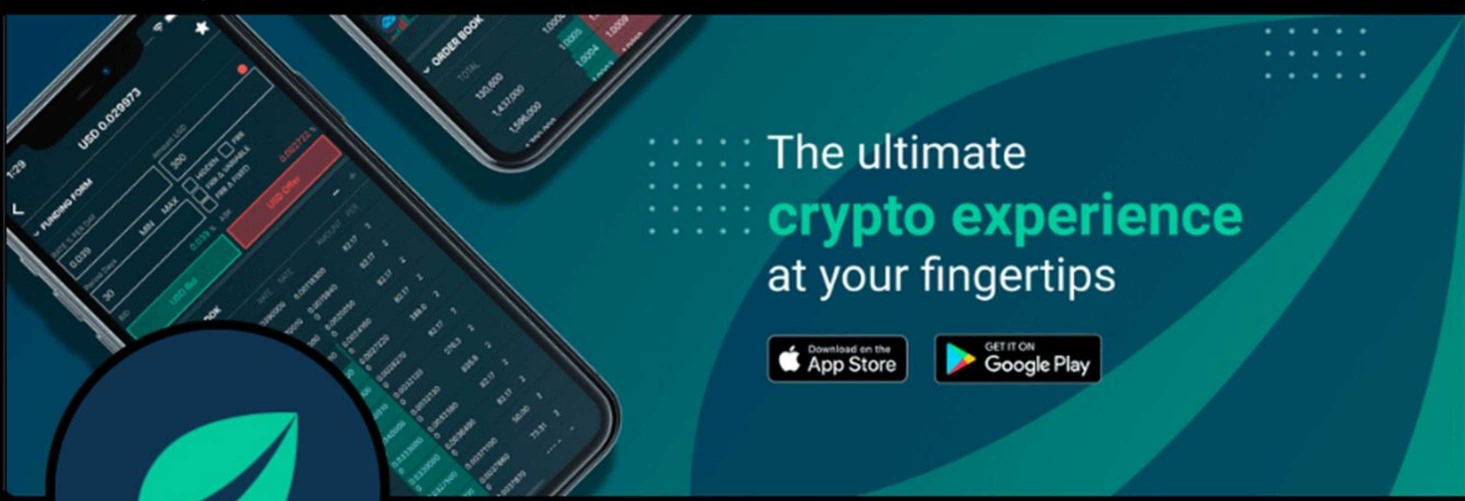


FIgure 41. Twitter Post on Arkham's referral Links (Source: Twitter.com/mm4gicpotato)

It was revealed that Arkham Intelligence had inadvertently leaked its own customers' private information. The issue arose from the way Arkham structured its web link referral program. Users who shared their unique referral URL unknowingly exposed their email addresses, which were encoded in an easily decipherable Base64 format. This revelation sparked a discussion about Arkham's approach to user privacy just as the company was launching its service to unmask crypto wallet owners on a large scale.

It remains uncertain how many users may have been affected by this setup. In December, Arkham's Twitter account shared a referral code for the private beta, which included the Base64 version of the CEO's email address. Consequently, anyone who shared their Arkham link potentially compromised their anonymity or, at the very least, disclosed their email address.

The combination of privacy concerns and leaked data has generated significant attention within the crypto community. As the project progresses, stakeholders and industry observers are closely watching to see how Arkham addresses these issues. The scrutiny surrounding Arkham serves as a reminder of the importance of privacy and data protection in the rapidly evolving crypto landscape.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