# BITFINEX Alpha


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# EXECUTIVE SUMMARY

In a strong week, Bitcoin hit a peak of $38,000, its highest point since May 2022, before retracing some of its gains. Even at current levels at $37,000, the average buy in price for short-term holders - the Short-Term Holder Realised Price (STH RP) - stands at approximately $30,380. This gap, between the STH RP and the current market price, is at its most pronounced since April 2022.

Based on historical performance, the change in the STH RP month-on-month show that there is a need to exercise caution. Analysis of short-term holder and long-term holder cohorts demonstrate that historically, when there is a $2000 month-on-month change in STH RP, combined with a negative shift in the average buying price of long-term holders (currently taking place), it suggests the likelihood that a local peak has been reached, potentially to be followed by a retraction to test the STH RP level. At current levels, this indicates that the price could theoretically fall back to a $30,000 to $31,000 range.

It is notable that market volatility is also high: the recent surge to $38,000 was accompanied by significant market liquidations amounting to $491 million just on November 9th - the highest since August 17th. We would suggest that it would be prudent to be cautious in the current conditions.

In the wider economy, the availability of credit and lending standards have tightened, impacting both businesses and consumers. We see these conditions gradually loosening over time however, reflecting decreased loan demand, as high interest rates continue to bite.

Compounding this situation is a significant rise in household debt, showing a 1.3 percent increase in the third quarter, pushing total debt to $17.29 trillion. The largest annual increase in credit card balances since 1999 - a 4.7 percent increase in credit card borrowing - is one factor contributing to this surge. Such a spike in credit usage indicates a growing reliance on credit amid financial strains.

The labour market, while showing resilience, is also exhibiting signs of gradual weakening. There's been a noticeable rise in ongoing jobless claims, which suggests increasing difficulties in finding new employment for those on unemployment benefits.

Adding to these economic challenges is a decline in consumer sentiment, which is now at its lowest since May. This decline adds another layer of complexity to the economic outlook.

On the news agenda - and one of the catalysts behind the sharp recent rise in BTC - was the filing by BlackRock, the world's largest asset manager, of an Ether (ETH)-based Exchange-Traded Fund (ETF). This news also led to a temporary surge in the ETH price, pushing it to around $2,100.

More good news on the utility of blockchains came when JPMorgan announced that it had introduced programmable payments within its JPM Coin system, which will allow for automated and expedited transactions for institutional clients, when certain conditions are met.

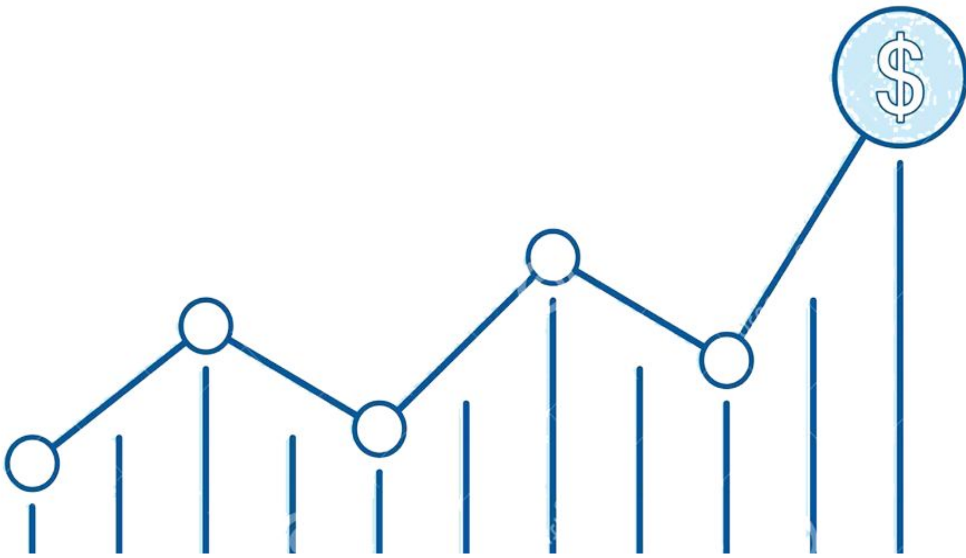
Also on the payments front, Dtcpay, a Singapore-based company, announced the launch of a new payment system supporting both fiat and crypto assets including Tether, Ether, and Bitcoin. The new system is designed to be suitable for both in-store and online transactions.

And finally, FTX filed a lawsuit against Bybit, to recover approximately $953 million in assets withdrawn by the company, just before FTX's collapse. The news triggered a sharp increase in FTX's FTT token.

For once, a positive news week. Happy trading!

# INDEX





# WHAT'S ON-CHAIN THIS WEEK?

# Bitcoin Reaches $38,000: Local Peak Possibility And Onchain Update

**In the current month-to-date (MTD), BTC has risen from $34,400 at monthly open to a peak of $38,000 for the first time since May 2022 (refer Figure below). We provide a retrospective analysis over past cycles focused around realised price across various investor cohorts to gain insight into the levels of interest ahead.**


***Figure 1. BTC/USD 2H Chart. (source: Bitfinex)***

Key to understanding the current uptrend in the BTC price is the Short-Term Holder Realised Price (STH RP), which represents the average purchase price for Bitcoin by investors who have held the asset for 155 days or less. Contrasting this dynamic level with BTC price is a good measure for investor profitability. The current STH RP is at $30,380 (refer Figure below). At the current BTC price of around $37,000, this marks the widest gap between current price and STH RP since April 10th, 2022.

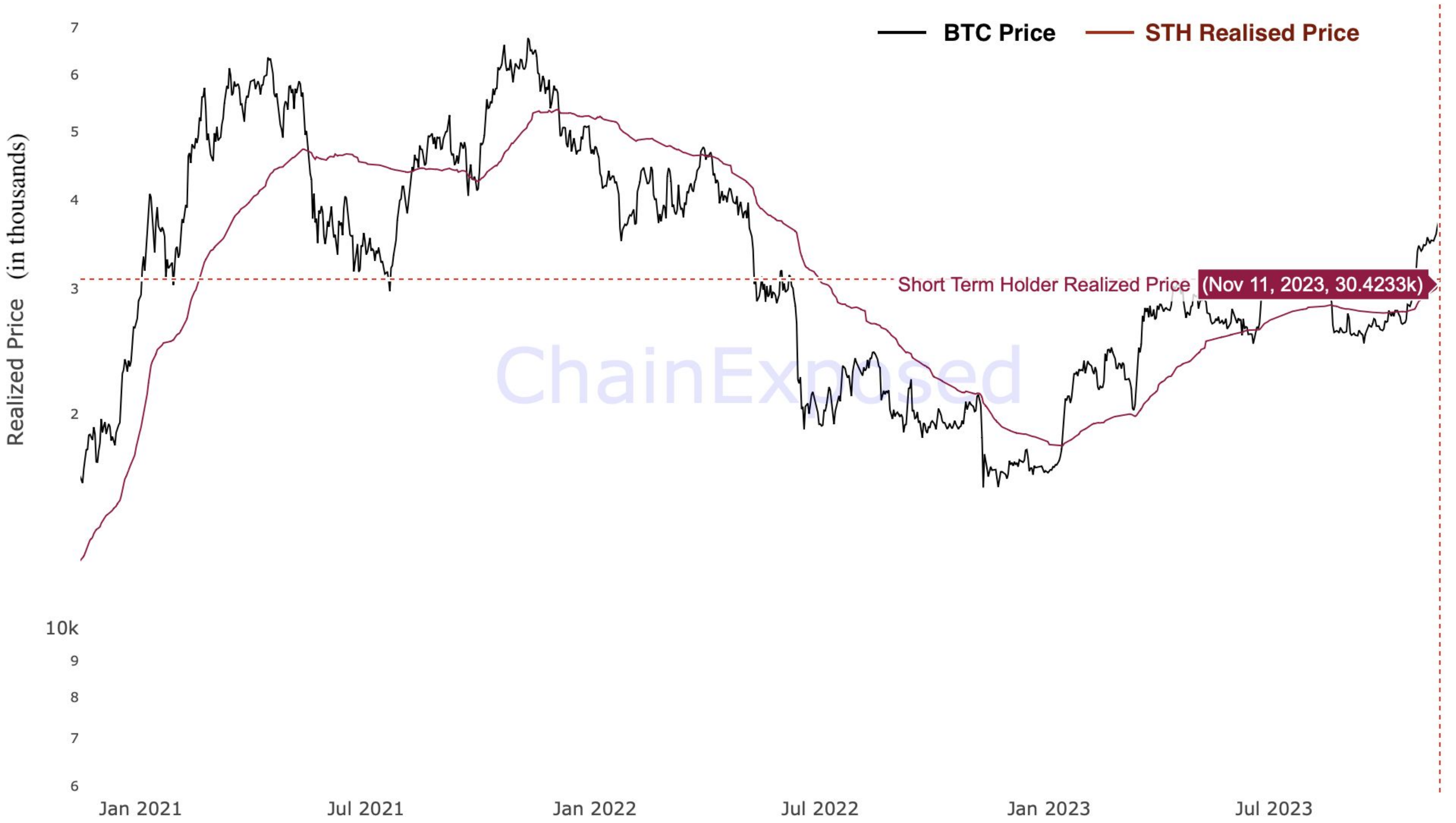



***Figure 2. Short-Term Holder Realised Price vs BTC. (source: chainexposed)***

A look at Bitcoin's price recovery from its cycle lows highlights significant movements in STH RP. A pivotal moment was in December 2022 when the price of BTC finally moved through both the Long-term Holder Realised Price (LTH RP), which at the time was around $20,200, and the STH RP at $18,730, climbing from $17,000 to $24,000. This pattern persisted until August 2023 with the STH RP, acting as support on multiple occasions before an extended downturn ensued, with BTC falling below the STH RP at that time, of $28,300 and correcting to $24,900. However, a notable shift occurred in mid-October 2023 when the Bitcoin price once again surpassed the STH RP, resulting in a jump from $27,900 to $35,000.

The monthly fluctuations in STH RP and LTH RP (LTH RP) are important. Historical trends show however that when the month-over-month change in STH RP reaches a threshold of $2000, it often signals local peaks (refer Figure below), particularly following the recovery phase in bear markets. At the same time, if there is a negative monthly shift in LTH RP, it typically indicates that long-term holders are liquidating their Bitcoin investments.

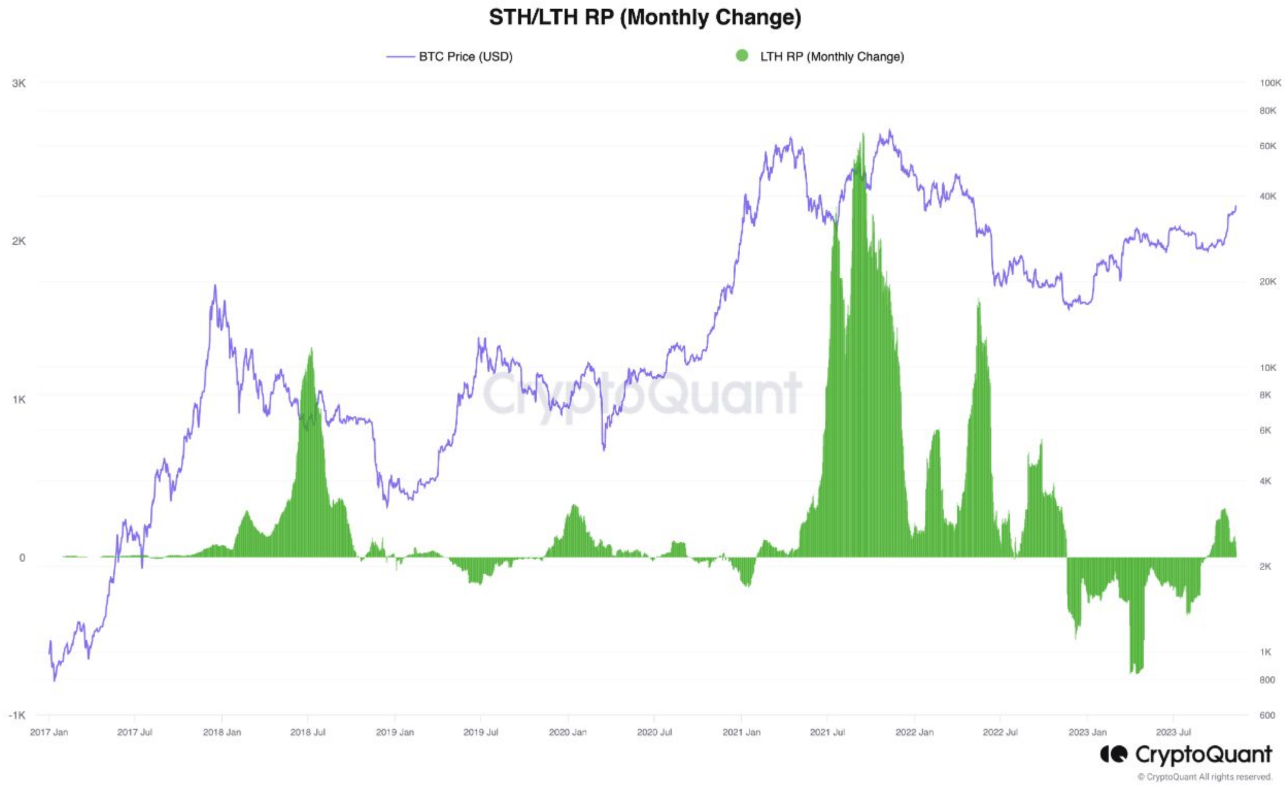



***Figure 3. Long-Term Holder Realised Price Monthly Change. (source: CryptoQuant)***

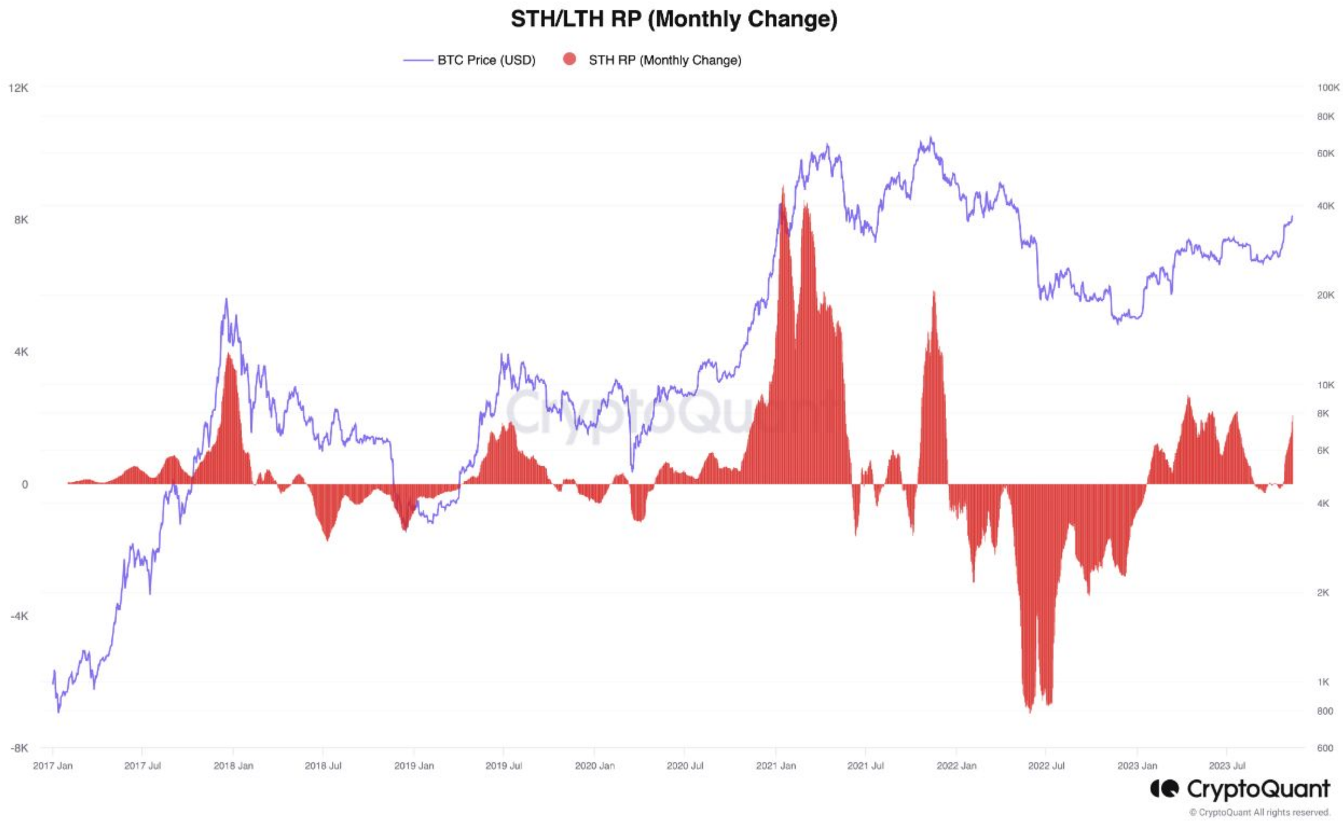



***Figure 4. Short-Term Holder Realised Price Monthly Change. (source: CryptoQuant)***

In the current market, with the BTC price still some way off it's all-time high, the convergence of these two metrics – a $2000 monthly positive change in STH RP and a negative shift in LTH RP – suggests the likelihood of a local peak in the price. If a peak is reached, it is expected to be followed by a retraction to test the STH RP level. Given the current STH RP hovering around $30,380, theoretically, this correction might lead Bitcoin's price to potentially drop back to the $30,000 to $31,000 range.

At *Bitfinex Alpha*, we have been discussing the possibility of a new bull market, or the ending stages of a bear market since December 2022 and throughout the rise we have seen in BTC since the beginning of the year. However, it is important to be cautious. The STH and LTH levels can change, as these are dynamic measures and the realised price could move up as the price has a less pronounced pullback, or the pullback happens at a later date.

# Bitcoin Market Cap Inches Closer To $750 Billion

**Bitcoin's market capitalization is close to surpassing the $750 billion mark for the first time since April 2022 (refer Figure below), signifying a significant milestone in the resurgence of the asset. At the same time, the total market capitalization of the entire cryptocurrency market is on the cusp of reaching $1.5 trillion, a level not seen in almost two years.**

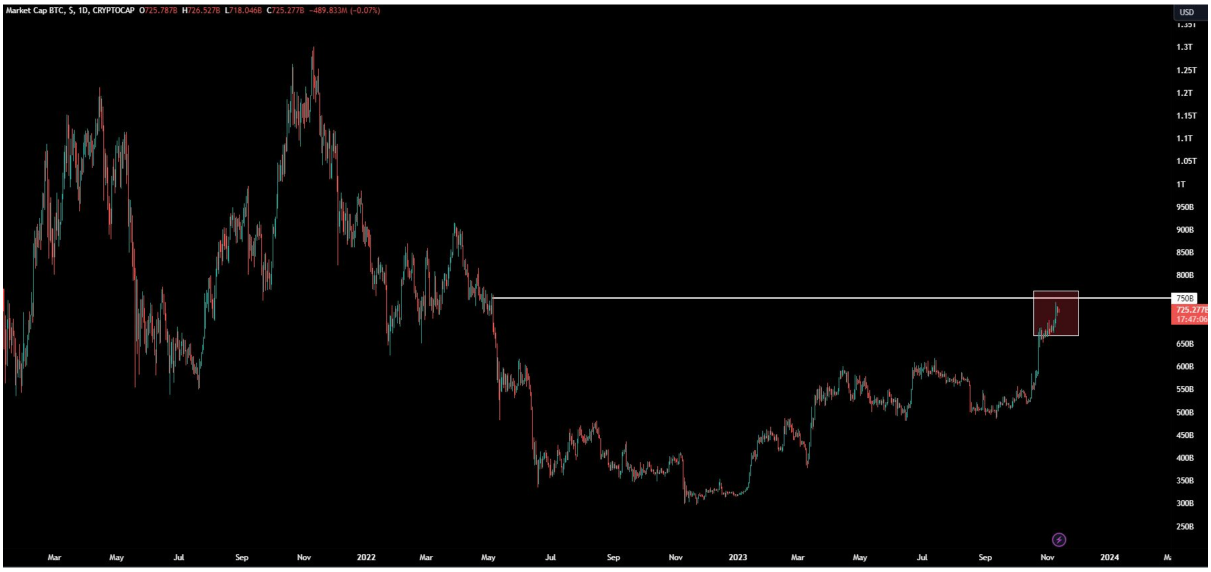



***Figure 5: Bitcoin Market Capitalisation. (source: CryptoCap)***

This resurgence is underscored by Bitcoin's remarkable price performance, having soared 35 percent in the past month and an impressive 120 percent over the past year. These gains come amidst a landscape marked by increased regulatory scrutiny, several high-profile fraud cases, and following a prolonged bear market, highlighting the robustness of the sector.

The surge to $38,000 for BTC and almost $75 billion market capitalisation came on November 9th. This was accompanied by the largest total liquidations amounting to around $491 million in one day since the August 17th flash crash (refer Figure below).


***Figure 6. Bitcoin Daily Liquidations. (source: Coinglass)***

The rebound in BTC as well as the broader market underscore the enduring appeal of digital assets.

That said, as *Bitfinex Alpha* has been forecasting over the past several months, we have entered a much higher volatility environment, triggering significant long and short liquidations, sometimes within a couple of hours as seen on November 9th. (refer Figure below)


***Figure 7. BTC/USD November 9th. (source: coinalyze)***

We saw cascading short liquidations as the price of BTC rose to $38,000. The subsequent pullback to $35,600 resulted in long liquidations. The significant decrease in open interest in the pullback was probably a result of profit taking on a large scale at the highs. Additionally, the long liquidations were traders who entered long positions late or were betting on a breakout above the $38,000 level. The total long liquidations for November 9th was $218.5 million and the total short liquidations was $278.5 million across all centralised exchanges as per *coinglass* data.

The price has continued to range into the weekly close since (to be updated)

# GENERAL MARKET UPDATE

# The Impact of Tightening Lending Standards and Rising Credit Card Debt in the US

**In the third quarter, there was a notable tightening in lending standards across the United States, affecting both businesses and consumers, as reported by the Federal Reserve's [Senior Lending Bank Officers Survey](#) last Monday, November 6th.** The rate of change in credit tightening, however, is gradually easing, aligning with a widespread decrease in loan demand as a result of higher interest rates.

Senior bank lending officers reported a tightening of standards for business loans, amid increasing scrutiny on lending practices across various sectors. On the consumer side, acquiring home mortgages, credit cards, and auto loans has also become more challenging, mirroring the constraints observed in business lending. This shift in lending criteria signals a cautious approach by financial institutions amid a changing economic landscape.

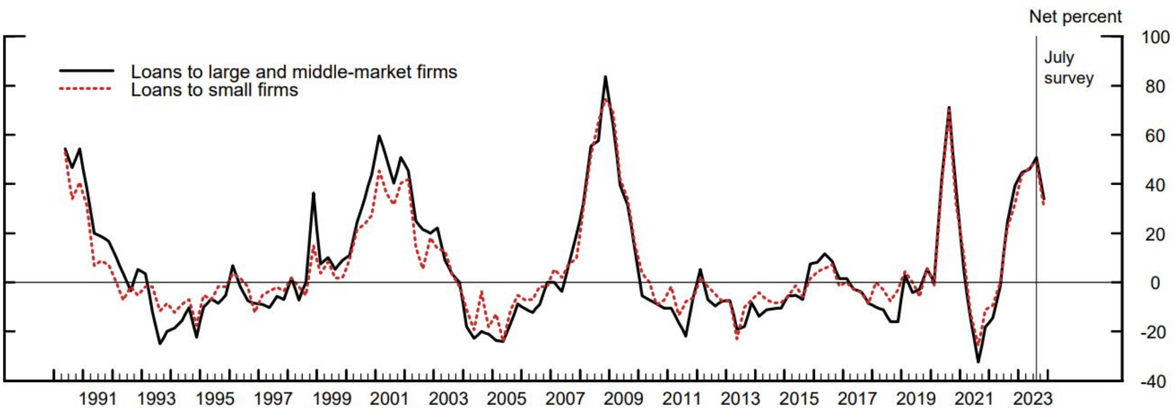



***Figure 8. Net Percent of Domestic Respondents Tightening Standards for Commercial and Industrial Loans (Source: Federal Reserve)***

The demand for loans, particularly home mortgages, has seen a significant downturn. About 60 percent of banks reported a moderate to substantial decrease in this demand in the third quarter. In the previous quarter, only 43 percent of the banks reported a decrease in demand. This decline is a direct consequence of the Fed's continued rate hikes since early 2022, profoundly impacting the residential housing sector. The average interest rate for 30-year fixed-rate home mortgages has surged 7.5 percent, reaching levels unseen in almost 25 years. For a $200,000 home with a 20 percent down payment, the current monthly mortgage payment is around $1,118. Two years ago, at 3.10 percent, it would have been about $683, and four years ago, at 3.69%, approximately $735.

There is, however, a higher percentage of banks reporting stronger demand for credit cards. This is aligned with a surge in credit card debt among consumers.

The survey's in-depth responses however, hint at a potential slowdown in the credit-tightening process, reflecting the Fed’s most recent decision to pause rate hikes. A comparison of the second and third quarters reveals a decrease in the percentage of banks that were tightening business lending standards.

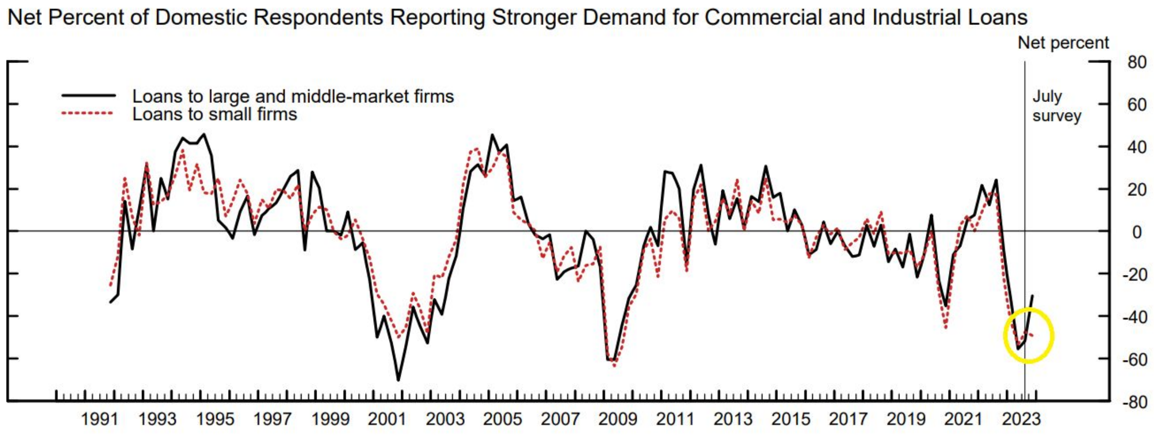



***Figure 9. Notable Decline in Commercial and Industrial Loans Demand (Source: The Federal Reserve)***

For commercial and industrial loans, smaller businesses led the weakened demand, with a significant number of banks observing a drop in credit requests, especially among businesses with annual sales below $50 million. Larger firms also saw a reduction, albeit less severe than in the previous quarter.

As for household loans, a majority of loan officers reported stable mortgage lending standards in the third quarter, with a small fraction indicating tighter conditions.

Despite a recent pause in rate hikes, it's evident that credit standards remaig restrictive.

# Consumer Loans And Household Credit Card Debt Continues To Ascend

**US household debt witnessed a notable increase in the third quarter, according to a [report](report) released last Tuesday, November 7th, rising 1.3 percent, and pushing total debt to $17.29 trillion. A significant factor in this rise was an escalation in credit card borrowing, which saw a 4.7 percent increase, bringing credit card debt to $1.08 trillion. This jump in credit card balances, amounting to $154 billion, is the most substantial annual increase observed since 1999.**

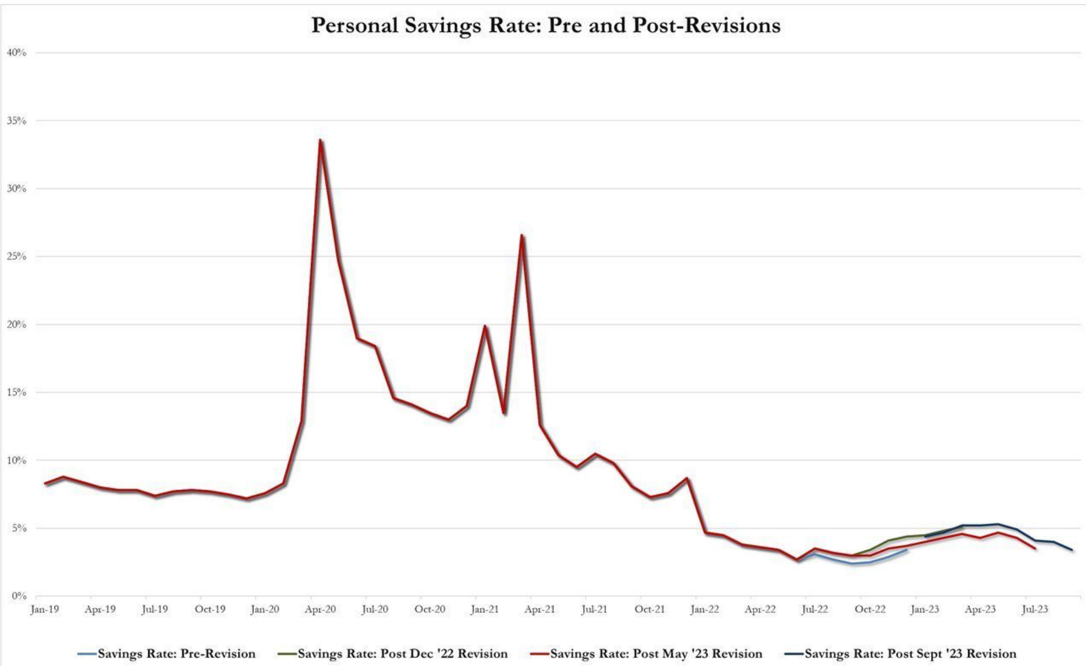



***Figure 10. Personal Savings Rate Since 2019***

Personal savings in the United States has plummeted to near-record lows, currently standing at a mere four percent. The savings rate is a measure of the amount of money which an individual deducts from his/her disposable personal income to keep aside as a nest egg or for retirement, expressed as a percentage or ratio.This decline coincides with the depletion of approximately $2 trillion in excess savings accumulated during the pandemic, largely created thanks to government stimulus measures. Concurrently, there has been a surge in consumer debt, with total credit card debt reaching an unprecedented high of $1.08 trillion, increasing 16.66 percent over the past year.

This simply means that American consumers are grappling with diminishing savings while simultaneously shouldering an increasing debt burden. This trend is unfolding against the backdrop of a period of rising interest rates. Average monthly credit card expenditure for US households has escalated to $1,600.

Alarmingly, nearly 40 percent of US households now find themselves in a precarious financial position, with credit card debt surpassing their savings. The average American household is encumbered with close to $10,000 in credit card debt. This mounting debt, compounded by ongoing inflation, is pushing many into a distressing cycle of financial instability.

As the situation unfolds, the most critical aspect to monitor will be the impact on consumer behaviour. Taken from this perspective, a soft landing scenario for the Fed seems increasingly distant given this latest debt data because the average consumer is stuck in a cycle of depleting savings, increasing debt and increasing prices (note that core inflation measures are still at around four percent).

Delinquency rates are also on the rise, although they remain below pre-pandemic levels. As of September, overall debt delinquency rose to three percent, up from 2.6 percent in the second quarter, but still lower than the 4.7 percent rate seen at the end of 2019.

The report also indicated a significant trend in delinquency among borrowers in their thirties, particularly those with credit card, auto, or student loans. Despite higher costs, credit cards remain a popular choice due to their relative accessibility compared to other loan types.

**The Takeaway**

Soaring interest rates are reshaping the borrowing behaviour for businesses and consumers.There's a noticeable decline in loan demand, yet it remains premature to determine if this trend will persist, particularly given the current elevated interest rate environment, as it seems unlikely that mortgage rates will rise further and contribute to a worsening of the situation. Moreover, the increasing reliance on credit cards may be attributed to the growing difficulty in securing alternative loan types. This shift towards credit card usage raises concerns about repayment capabilities, particularly in the face of mounting debts. Moving forward, monitoring these evolving borrowing patterns will be crucial, as they hold significant implications for the broader economic landscape.

# Navigating the Subtle Shifts in the US Labour Market

**While recent weeks have shown stability in initial jobless claims, despite significant auto worker strikes, there are growing indicators suggesting a gradual weakening in the labour market.**

In the week ending November 4th, there was a slight decrease in new applications reported for unemployment benefits. The Unemployment Insurance Weekly Claims report showed that seasonally adjusted initial jobless claims dropped by 3,000 to 217,000 (refer Figure below). This is a minor decrease from the revised figure of 220,000 from the previous week, and slightly below the consensus forecast of 218,000 claims.


***Figure 11. Week-over-Week Initial Jobless Claims In the US. (source: US Department Of Labor)***

However, a more telling sign of the state of the labour market is the continuous rise in ongoing claims. For the seventh consecutive week, the advance number for seasonally adjusted insured unemployment during the week ending October 28 was 1,834,000, an increase of 22,000, approaching the peak seen in April. This uptick indicates that individuals receiving unemployment benefits are finding it more challenging to secure new employment compared to last year. Ongoing claims have persisted despite non-farm payrolls increasing in October by over 150,000, marking the 34th consecutive month of increase in the metric. This means that even in a growing labour market, there is insufficient job supply with respect to demand, which has resulted from increasing debt and sky high prices for consumer items and home prices.

As the economy braces for a slowdown in the final quarter, partly due to the tight financial conditions previously discussed, there's potential for a further rise in new unemployment claims.

Despite these signs, the labour market has largely maintained its tightness, as evidenced by persistently high quit rates and wage growth. However, the current deceleration in employment growth aligns with expectations, following years of strong job gains (See Figure below). Although further slowing is anticipated, we believe it is unlikely to push the economy into a recession, given the labour market's overall strength.

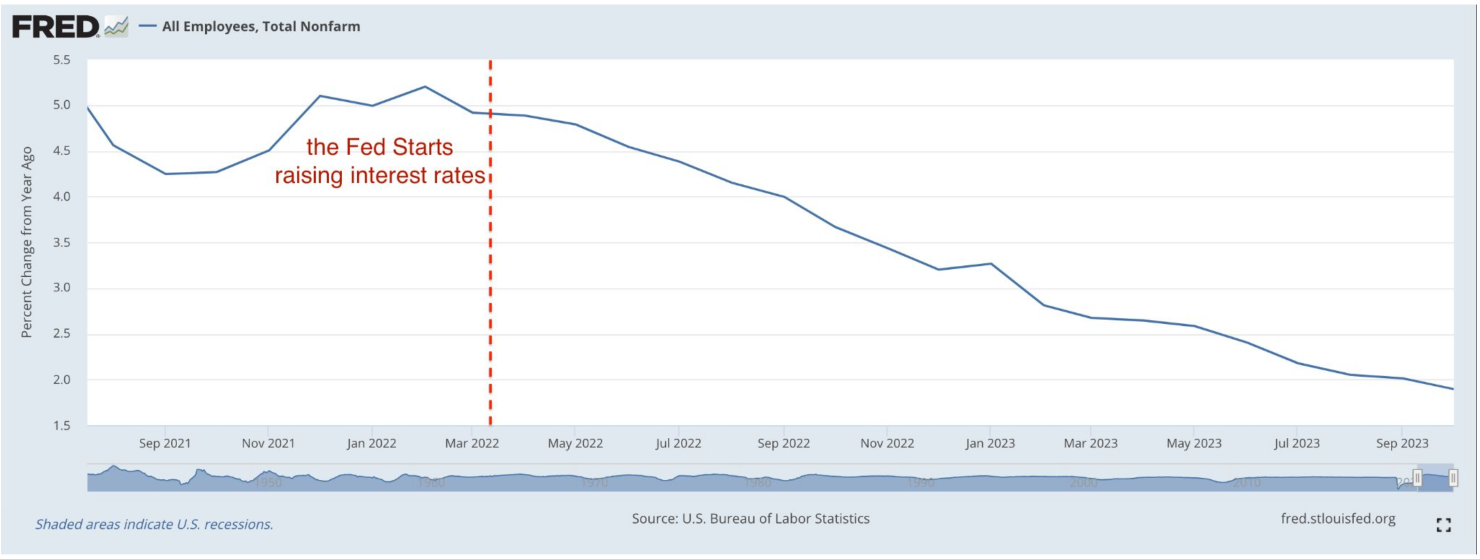



***Figure 12. Employment Growth in the US (Percent change from Year Ago (Source: US Bureau of Labor Statistics)***

# US Consumer Sentiment Hits New Low Amid Rising Inflation Expectations

**Latest data from the University of Michigan, released on Friday, November 11th, indicates a continued downtrend in US consumer sentiment. November marked the fourth consecutive month of decline, with the Consumer Sentiment Index dropping to its lowest level since May, registering at 60.4, a significant fall from October's 63.8.**

The report also highlighted a decrease in consumers' evaluation of current economic conditions, which fell to 65.7 from 70.6. Additionally, the expectations index, which gauges future economic prospects, dipped to 56.9, down from 59.3 in October, reaching its lowest point since May. This sustained decline in consumer sentiment could have broader implications for the US economy.

Amid concerns over high interest rates and global conflicts, including those in Gaza and Ukraine, the economic outlook, as expressed by consumers, looks weak. Inflation expectations have also risen, with consumers foreseeing an increase to 4.4 percent over the next year, the highest in seven months. Looking further ahead, the five-year inflation expectation has escalated to 3.2 percent, the highest since March 2011.

The Federal Reserve keeps a close eye on these consumer attitudes, especially since they have been aggressively raising interest rates to fight inflation. Their efforts are aimed at preventing these expectations from influencing consumer behaviour too adversely, and undermine their progress in controlling price hikes.

Despite high employment rates, and wage increases post-pandemic, US households maintain a pessimistic outlook, largely fueled by persistent inflation. Interestingly, consumer expectations regarding gasoline prices have also increased, contrary to the actual trend of decreasing fuel prices since September, as reported by the US Energy Information Administration.

# NEWS FROM THE CRYPTO-SPHERE

# BlackRock Expands into Crypto with Ethereum ETF Plan, Boosting Ether's Market Value

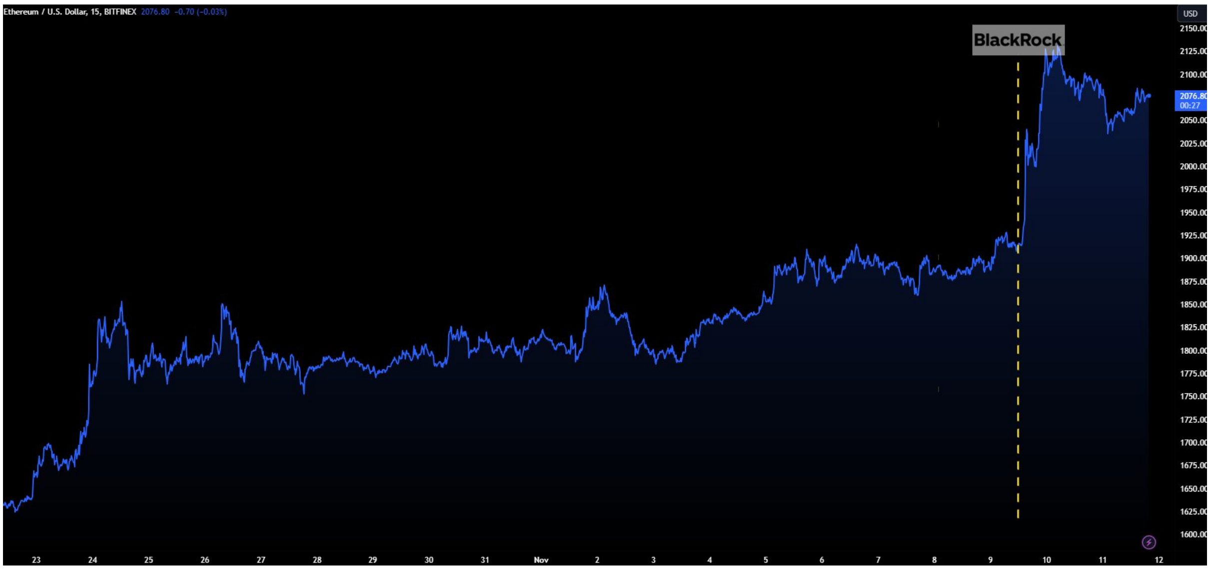



***Figure 13. BlackRock Expands into Crypto with Ethereum ETF Plan, Boosting Ether's Market Value***

- **BlackRock filed for a spot Ether ETF, triggering a temporary surge in the Ether price**
- **This move follows BlackRock's earlier application to launch a Bitcoin ETF**

BlackRock, the asset management giant, filed for an Ether-based Exchange-Traded Fund (ETF) on 9 November, 2023. Following news of the filing, there was an immediate positive reaction in the Ether (ETH) price, which rose nearly three percent to around $2,100.

While there was a slight pull back later, ETH was still nine percent up on the day.

The filing follows Blackrock's earlier application for a Bitcoin ETF.

In an attempt to address potential SEC concerns about market surveillance and ensuring that underlying reference data that would be used to establish the ETF unit values are accurate, the filing indicated that it would be guided by the CME Group's ETH futures market. ETH futures quoted on the CME already underpin existing ETH futures ETFs, and closely correlate with the spot prices of ETH. The filing suggested that since the SEC has previously approved ETFs based on ETH futures, that CME surveillance is reliable, and should be sufficient to endorse ETFs based on spot ETH prices.

# FTX Targets Bybit in $953 Million Lawsuit


***Figure 14. FTX Targets Bybit in $953 Million Lawsuit***

- **FTX has filed a lawsuit against Bybit, seeking to recover about $953 million in assets withdrawn just before its bankruptcy, citing misuse of special VIP privileges by Bybit's Mirana Corporation**
- **FTX's native token, FTT, witnessed a sharp rally, soaring by nearly 100% in a day**

FTX, currently navigating its own bankruptcy, is taking legal action against cryptocurrency exchange Bybit. The lawsuit aims to reclaim approximately $953 million in cash and digital assets withdrawn by Bybit just before FTX's collapse. Bybit's Mirana Corporation allegedly used special VIP access that was not available to the majority of FTX customers to facilitate this withdrawal. According to the legal writ filed by FTX, "Mirana leveraged its VIP connections to pressure FTX Group employees to fulfill its withdrawal requests as soon as assets became available, further reducing the funds available to meet withdrawal requests by FTX.com's non-VIP customers." The lawsuit claims that Mirana Corporation was able to secure over $327 million after FTX had already suspended withdrawals.

The legal proceedings are part of a strategic approach undertaken by FTX, while it remains in Chapter 11 bankruptcy, to reclaim funds transferred out in the months leading to the bankruptcy. This measure is aimed at trying to reclaim all available funds for creditors, and in this lawsuit is arguing that these withdrawals took place under preferential treatment.

The value of FTX's native token, FTT, rose sharply following the lawsuit, up 240 percent over two days and reaching a high of $5.30, though it later fell below this mark.

# JPMorgan Launches Programmable Payments with JPM Coin, Elevating Digital Transaction Efficiency


***Figure 15. JPMorgan Launches Programmable Payments with JPM Coin, Elevating Digital Transaction Efficiency***

- **JPMorgan has introduced programmable payments in its blockchain-based JPM Coin system, designed to automate and expedite transactions for institutional clients**
- **Programmable payments means less human intervention needed and transaction processes go faster**

In a significant move towards advancing digital payment solutions, JPMorgan has activated programmable payments through JPM Coin, its blockchain-based payment system. This new feature represents a major leap in the functionality of JPM Coin, as described by Naveen Mallela, the head of Coin Systems at Onyx, the blockchain division of JPMorgan.

The rollout of its latest feature was announced last Friday, November 10th. "This marks a significant milestone in the evolution of JPM Coin where programmability has always been the holy grail,", according to Mallela

Programmable payments can be automated based on pre-set criteria, which allows for less human intervention and potentially faster transaction processes. This automation is particularly beneficial for managing financial resources during non-working periods, such as weekends and holidays.

Designed primarily for institutional clients, these programmable payments are aimed at enhancing the treasury operations of JPMorgan’s corporate clients. In particular, in an environment when interest rates are high, it allows JPMorgan customers to transfer deposits to higher yielding accounts. They can also help manage delayed payments and respond to urgent financial requirements like margin calls.

JPM Coin, introduced in 2019, is JPMorgan's tool for facilitating blockchain-based transactions for institutional clients. It recently achieved a milestone of processing $1 billion in daily transactions, and plans are underway to extend JPM Coin's services to retail customers.

# Singapore's Dtcpay Rolls Out  Crypto-Fiat Payment System


***Figure 16. Singapore's Dtcpay Rolls Out  Crypto-Fiat Payment System***

- **Dtcpay, a Singapore-based company, is launching a new payment system supporting both fiat and cryptocurrencies like Tether, Ether, and Bitcoin, suitable for both in-store and online transactions**
- **The company is collaborating with China-based PlatON and Allinpay International for developing privacy-centric digital infrastructure and smart terminals**

Dtcpay, a Singapore-based company, is introducing a new payment system that will accommodate both fiat currencies and cryptocurrencies like Tether, Ether, and Bitcoin for transactions both in physical stores and online. The launch was announced on November 9.

In this venture, Dtcpay is collaborating with PlatON, an open-source blockchain based in China, to develop a privacy-focused digital infrastructure. Additionally, they have partnered with Allinpay International, another China-based entity, to design intelligent terminals and digital interfaces. Both Dtcpay and Allinpay are recognised as major payment institutions by the Monetary Authority of Singapore (MAS).

Dtcpay's new service will facilitate the exchange between fiat and cryptocurrencies and plans to incorporate more digital currencies in the future. The company already offers services for point-of-sale and online transactions. In an earlier development, Dtcpay has teamed up with Sumsub, a London-based firm, for Know Your Customer services related to its digital wallet, and with Jeripay, a Singapore-based POS provider, to extend crypto payment services across Jeripay's network of 8,000 terminals.

Singapore is known for its widespread use of electronic payments and progressive stance on cryptocurrency regulations, emphasising consumer protection. While Singapore is exploring the concept of central bank digital currencies, MAS maintains that there is no immediate need for a retail CBDC.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