BITFINEX Alpha

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EXECUTIVE SUMMARY

In contrast to the rally currently being seen in the altcoin market, Bitcoin is in a phase of consolidation and uncertainty, with the price ranging amidst fears of an extended pullback.

Last week, BTC made a second attempt to break through $38,000, but the momentum was short-lived, as heavy profit taking was seen in both the futures market - as indicated by negative Cumulative Volume Delta and an 8.7 percent drop in open interest - and in the spot market, where there was a wall of limit sell orders.

Bitcoin is currently trading around the monthly opening price for November, with signs of waning momentum, with positive funding rates being seen on futures contracts - which is historically associated with market declines - as well as the potential for selling pressure from short-term holders realising profits.

Currently, the short-term holder age band has inflated, corresponding with a 120 percent year-to-date increase in BTC's price. However, the current cycle shows a lower proportion of short-term holdings compared to past cycles, indicative of the current concentration of supply in the hands of long-term holders. As the fourth Bitcoin halving, expected around April 2024, approaches, a significant tightening in Bitcoin's supply is evident. The 'available supply' and 'supply storage' rates indicate that long-term investors are accumulating Bitcoin at a rate far exceeding new Bitcoin issuance. This is contributing to the tightening supply scenario as the halving approaches. The increase in mining fees is also a key indicator of the robust health of the Bitcoin ecosystem. The rise in these fees suggests higher demand for processing transactions on the Bitcoin network, leading to increased revenue for miners. This is an important trend to watch as we head towards the halving in Q2 2024.

On the macro front, the burden of servicing the US national debt continues to weigh on the US Treasury. US indebtedness has increased by approximately $10 trillion since 2020 to $33.7 trillion, with a $41 billion year-over-year increase in interest payments, as rates have risen.

That said, there are signs of stabilisation in the economy, particularly in the realm of inflation. The most recent Consumer Price Index report indicated a notable decrease in core inflation, driven largely by reduced gasoline costs.

This trend has fostered optimism that the Federal Reserve might further pause hiking rates. Similarly, October's Retail Sales and Producer Prices data lend further support to the notion of stabilising inflation.

Despite these positive indicators, the economy faces industrial production challenges, particularly in the automotive sector, where strikes by the United Auto Workers union against major automakers have led to a greater-than-expected drop in factory output.

On the brighter side, the economy is experiencing upward pressure on growth, buoyed by consumer resilience and a strong job market. However, this growth also carries inflation risks. Hence, the decline in industrial activity could help balance inflationary pressures. The combination of weak industrial production and steady consumer demand presents a nuanced picture for the Federal Reserve, as it navigates the path towards easing inflation and achieving a soft landing for the US economy.

In the latest news from the crypto-sphere, the US Securities and Exchange Commission (SEC) has delayed decisions on key ETF applications from Hashdex and Grayscale, reflecting continued cautious regulatory oversight for this instrument.

Many however believe that it is just a matter of time before ETF approval is given, and Cathie Wood, CEO of ARK Invest, projects the total crypto market cap to skyrocket from $1 trillion to $25 trillion by 2030, likening its potential to the early internet era. On the business front, Bakkt announced an expansion of its crypto custody portfolio, while the Monetary Authority of Singapore plans to issue a central bank digital currency for wholesale settlements.

It all provides a picture of regulatory caution and optimistic growth projections. Sounds like a normal day in the office.

Happy trading!

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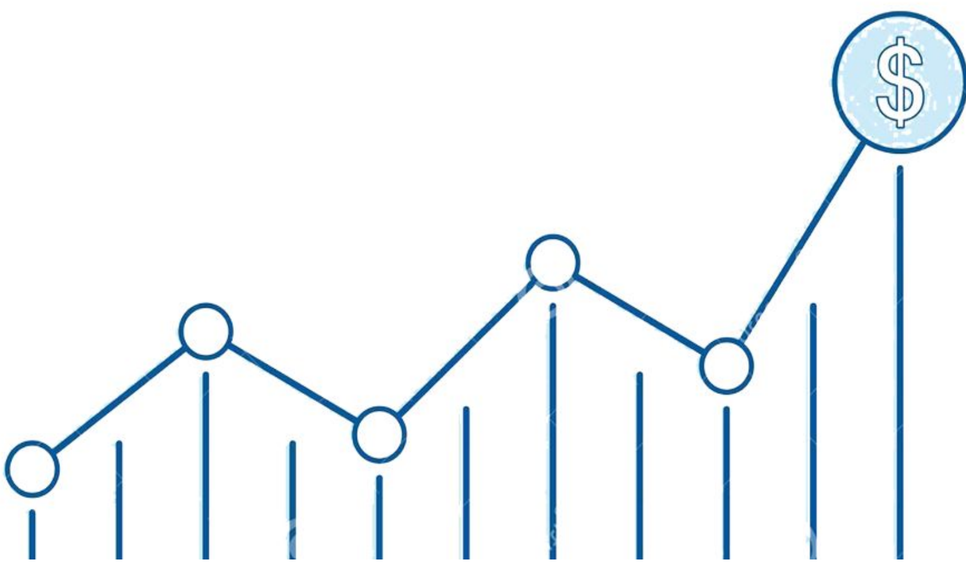


WHAT'S ON-CHAIN THIS WEEK?

BTC Continues to Range Amidst Fear of an Extended Pullback

Multiple altcoins have continued to outperform BTC, while the largest crypto asset spent the past couple of weeks trading in a range. While a broader rally in major altcoins ensued, BTC saw short-term holders realising profits. We discuss this and the concentration of supply amongst various investor cohorts and how a ranging environment is likely to continue.

Figure 1. BTC/USD 4H chart. (source: Bitfinex)

Last week, BTC made a brief but notable second attempt to breach the $38,000 mark, as illustrated in the figure above. Increased volatility and trading volume were particularly evident during this period, with the return to the $38,000 level marked by the highest hourly trading volume since the initial surge to this price point at the start of the month.

Figure 2. BTC/USD 15m chart from November 15th. (source: coinalyze)

The recent inability of BTC to sustain its push through the $38,000 level can be attributed to trading activities in the futures markets. The Cumulative Volume Delta (CVD) for futures turned negative as the price rose and in the hour following the peak, indicating significant profit-taking by futures traders. This trend was further confirmed by an 8.7 percent decrease in open interest as shown in the figure above, which suggests that market selling, likely driven by futures participants locking in profits, played a key role.

Additionally, some selling pressure in the spot market, characterised by limit selling, also contributed to this scenario. These combined factors of profit-taking in the futures market and selling in the spot market were likely the primary reasons behind Bitcoin's failure to breach and sustain any momentum above the $38,000 mark.

At the time of writing, BTC is trading around the monthly opening price for November. However, there are signs of waning momentum. Notably, BTC has just recorded its first negative weekly close after four consecutive weeks of positive growth, which collectively accounted for a more than a 40 percent increase in its price. This shift indicates a potential cooling-off period following the recent bullish trend.

There is additional confluence from on-chain resources as well as futures market data that signal some selling pressure. Positive funding rates are historically associated with market declines, and selling pressure is potentially rising as short-term holders' realise profits.

BTC has surged more than 120 percent this year and while *Bitfinex Alpha* continues to expect this trend to continue, we observe that multiple indicators suggest it would be prudent for investors to proceed with caution.

On-chain metrics

Wealth Allocation Across Age Bands provide insight into Bitcoin Realised Cap or Real Wealth. The realised capitalization represents the sum of last transacted value for all BTC in circulation. It eliminates all lost coins from the calculation, showing the "real" market cap, and its distribution across short-term and long-term Age Bands. This metric categorises Bitcoin's Realised Cap based on the holding duration. There's a clear pattern where Bitcoin's price increases correspond with a rise in capital in short-term bands, indicating new investor enthusiasm. This indicates that a wealth distribution from long-term holders to short-term holders occurs during market top formations, even local tops for BTC. As seen in the figure below, we are not even close to the market tops observed in 2021 and 2018. However, the short-term holder age band has inflated as of late and corresponding with a 120 percent year-to-date increase and the weekly trend as discussed above, we are expecting BTC to continue to range or pullback a little further from current levels.

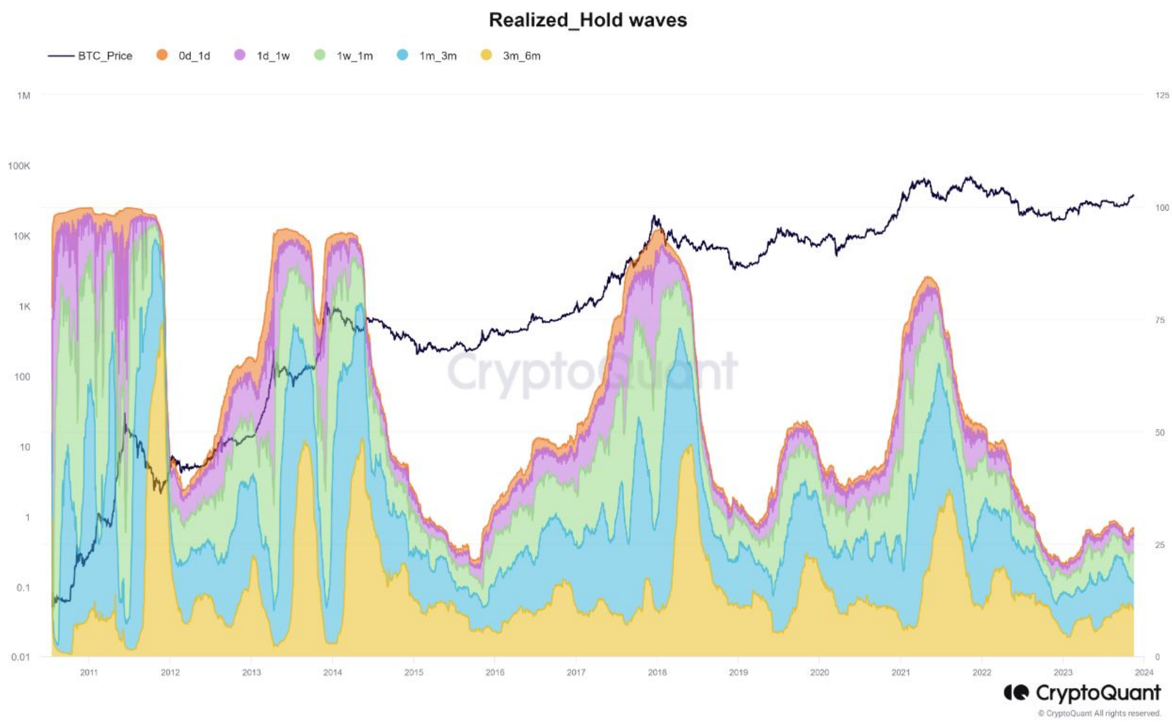


Figure 3. Realised_HODL Waves. (source: CryptoQuant)

Realised Cap Comparison between the current and the previous cycles helps to compare the percentage and dollar value of realised wealth in short-term bands during Bitcoin's recent price surge, with past cycles showing a striking difference. In previous cycles (2015-2016: 51 percent of market were short-term holders, 2018-2019: 46.7 percent were short-term holders, 2020-2021: 73 percent were short-term holders), there was a higher proportion of short-term holdings at a similar point in the cycle compared to just 32 percent in the current cycle.

Despite the similar timeframe, this lower proportion of short-term holders in the current bull run, alongside the rapid price increase, signals a significant risk level as the supply is more concentrated than past cycles. The positive is that there is a significant amount of wealth distribution potential left even while we expect short-term ranging or pullbacks, because supply is so concentrated in the hands of long-term holders.

When we measure wealth distribution potential, we are comparing the current climate with that of the previous cycles from a perspective of the amount of supply distribution (from LTHs to STHs) in the previous cycle.

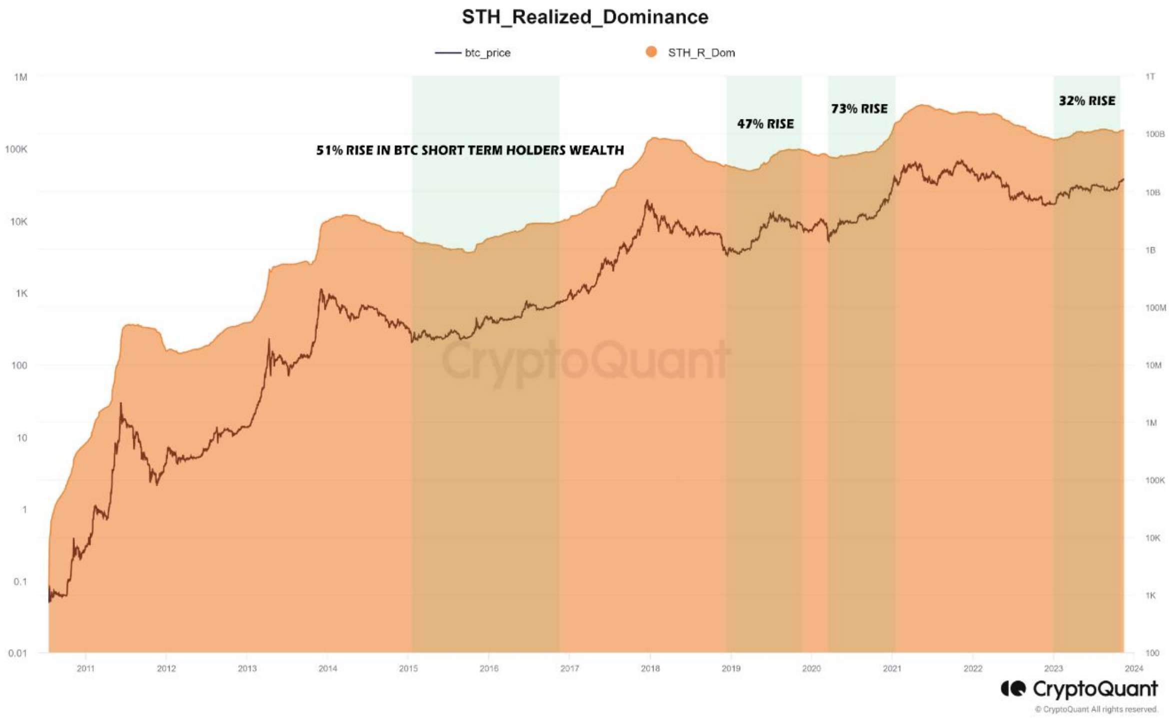


Figure 4. Short-Term Holder Realised Dominance. (source: CryptoQuant)

Supply Crunch and Improving Network Metrics Leading to Halving

As the fourth Bitcoin halving, expected around April 2024, draws near, a significant tightening in the Bitcoin supply is becoming evident, reaching levels unprecedented in its history. Additionally fundamentals of Bitcoin evaluated via network metrics continue to show strength.

The Bitcoin halving event, a milestone in the cryptocurrency calendar, takes place approximately every 210,000 blocks. This event slashes the rate of new Bitcoin issuance in half, significantly impacting the supply of new coins. While it's established that the fourth halving will occur at block 840,000, its exact date and time remain uncertain due to the inherent variability and unpredictability in mining blocks.

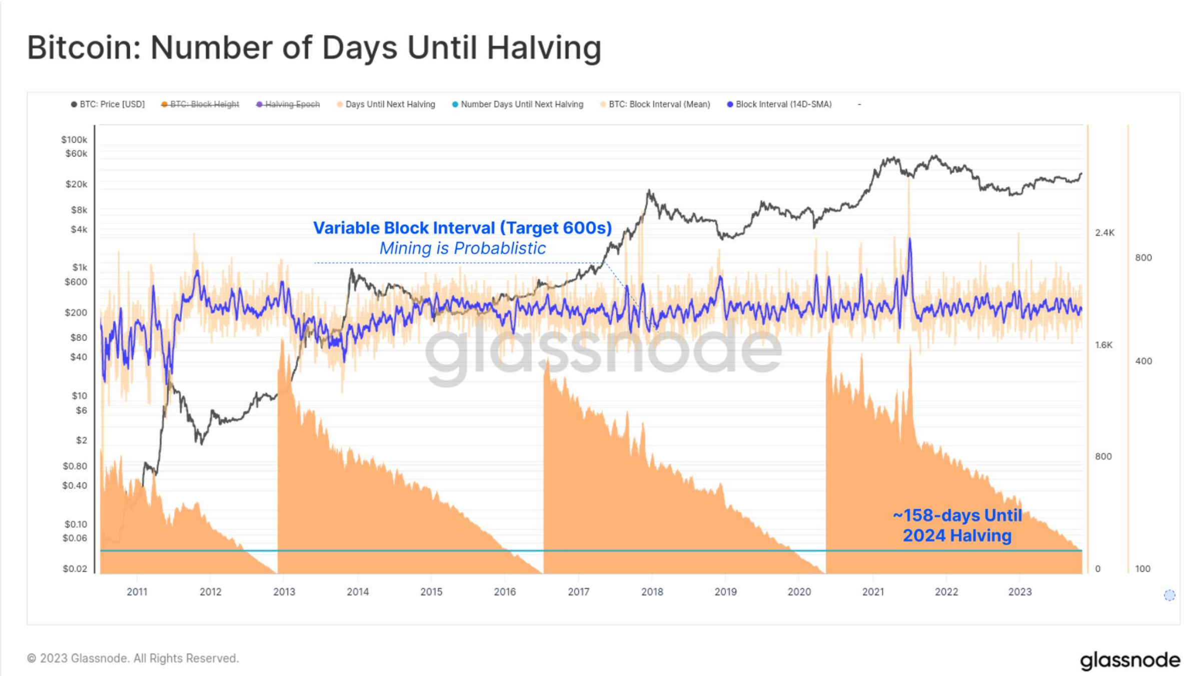


Figure 5. Bitcoin Number Of Days Till Halving Estimate. (source: Glassnode)

Taking into account the current average interval between blocks, the best estimate as per *Glassnode data* is that the halving is expected to take place on April 23, 2024. This estimate, however, is subject to change depending on the actual pace of block mining in the coming months. The halving event is closely watched by investors and market analysts due to its potential impact on Bitcoin's price and the broader cryptocurrency market.

Various metrics can beanalysed to gauge the current supply crunch situation. These include measures of 'available supply', which indicate the amount of Bitcoin actively circulating and accessible for trading or transactions. Additionally, the 'supply storage' rate, representing the amount of Bitcoin being held by long-term investors, which is now exceeding new Bitcoin issuance by more than 200 percent. This substantial difference suggests that long-term investors are accumulating Bitcoin at a rate far greater than the pace at which new Bitcoins are being created, further contributing to the tightening supply scenario as the halving approaches.

The figure below utilises 'coin-age' as a key metric to analyse various Bitcoin supply heuristics. 'Coin-age' measures the time elapsed since a coin was last moved or spent on the blockchain. According to this analysis, the Short-Term Holder Supply of Bitcoin, which includes coins up to 155 days old and are statistically more likely to be spent, is at a multi-year low of 2.33 million BTC.

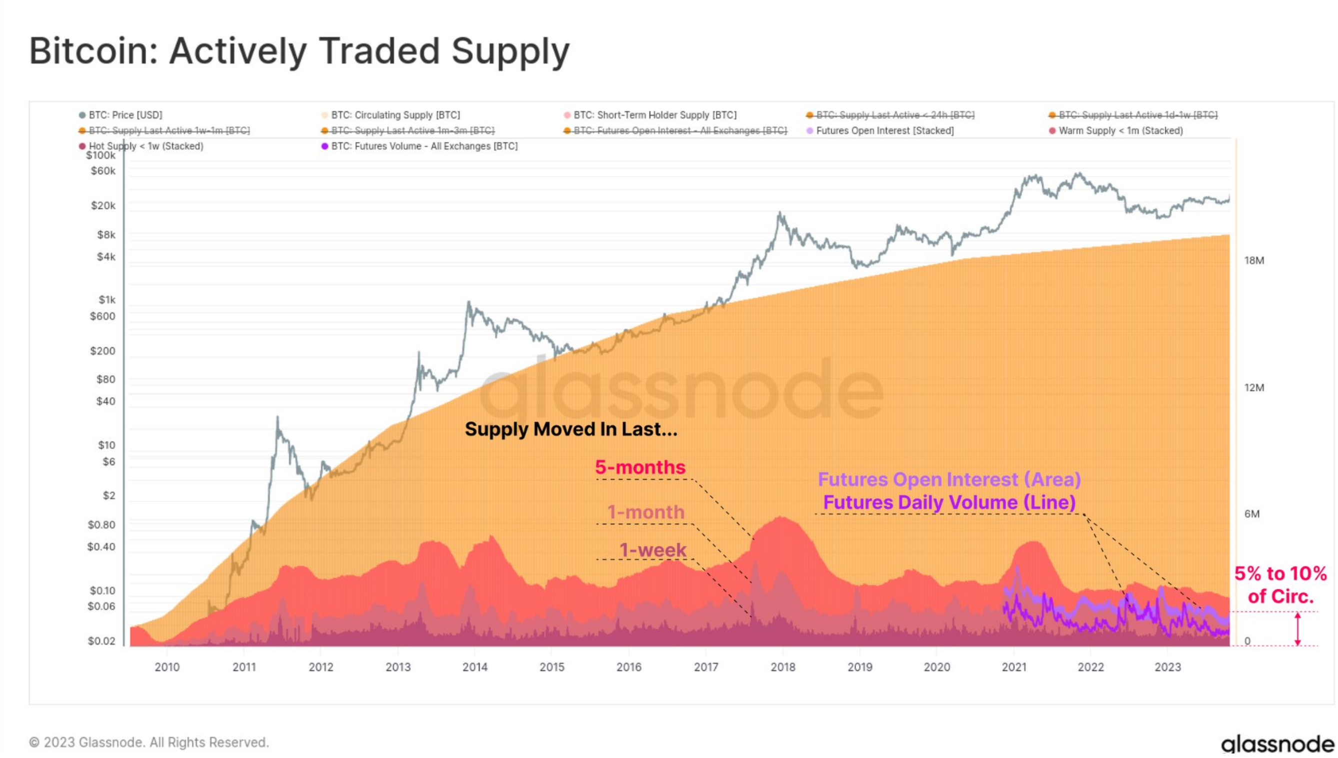


Figure 6. Bitcoin Actively Traded Supply (source: Glassnode)

Additional metrics focus on more active supply segments, like coins that are less than one month old, totaling 1.39 million BTC. An interesting aspect to consider is the Futures Open Interest, amounting to 0.41 million BTC, which can be viewed as a form of 'supply exposure' in derivative markets.

When these figures are combined, they represent a 'hot supply' that accounts for approximately five percent to ten percent of Bitcoin's circulating supply. This segment of the supply is actively engaged in daily trading activities. This perspective is crucial for understanding the liquidity and movement dynamics of Bitcoin in the market, especially as it relates to short-term trading and speculation.

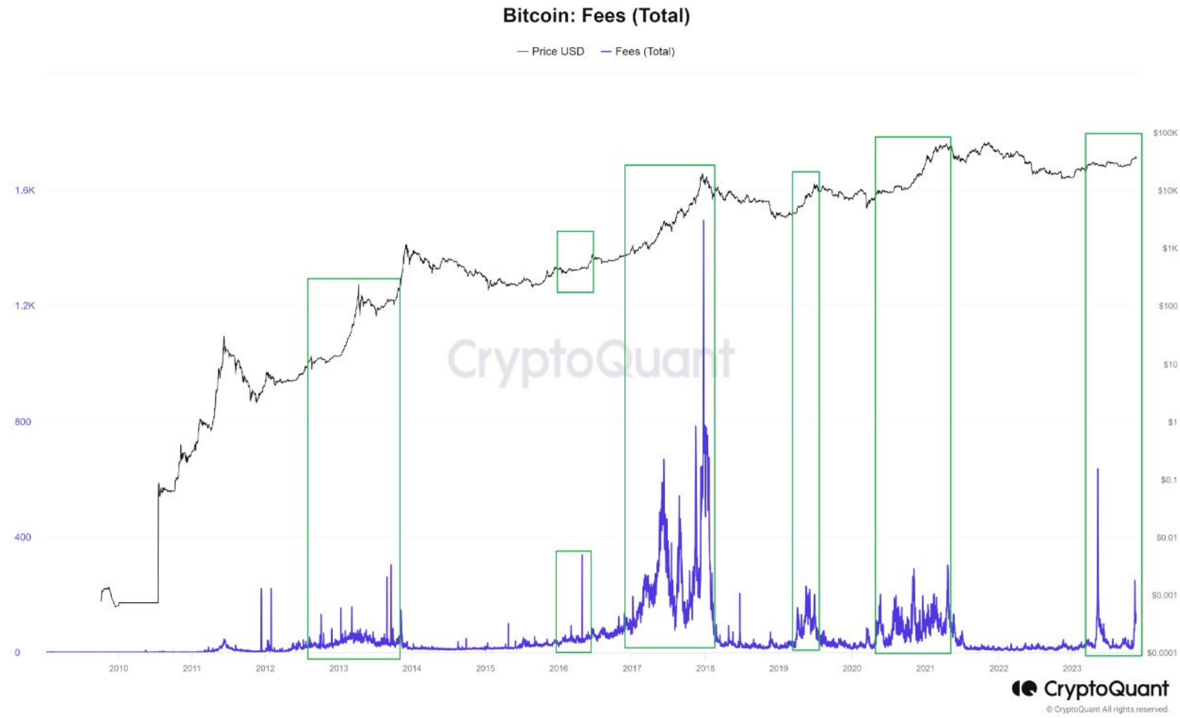


Figure 7. Bitcoin Total Fees With Price Higher Time Frame. (source: CryptoQuant)

Figure 8. Bitcoin Total Fees With Price LowerTime Frame. (source: CryptoQuant)

The figures above show a strong correlation with fundamental network activity and the rise in BTC price. Specifically, the increase in mining fees - the total sum of fees paid to miners for processing transactions - is a key indicator of the robust health of the Bitcoin ecosystem. Recently, there has been a notable surge in these fees, which is a positive development for miners.

This increase in fees suggests that there is a higher demand for processing transactions on the Bitcoin network. As more users engage in Bitcoin transactions, the competition to get these transactions included in the next block rises, leading to higher fees. For miners, this is a beneficial trend, as it increases their revenue from each block they mine, in addition to the block reward they receive.

Overall, the rising fees indicate not only greater activity and interest in Bitcoin transactions but also contribute to the overall financial health and sustainability of the Bitcoin network. This trend is an important aspect to monitor for investors and participants in the Bitcoin market leading up to the halving in Q2 2024.

GENERAL MARKET UPDATE

Rising Tides of Debt and Interest: Navigating the US's Fiscal Challenges

We have been through a challenging fiscal landscape in the US, marked by elevated interest rates, escalating debt levels, and shifting budgetary priorities. This is underscored by the latest US Treasury report, revealing that the rise in debt is further burdened by interest payments.

Increasing National Debt

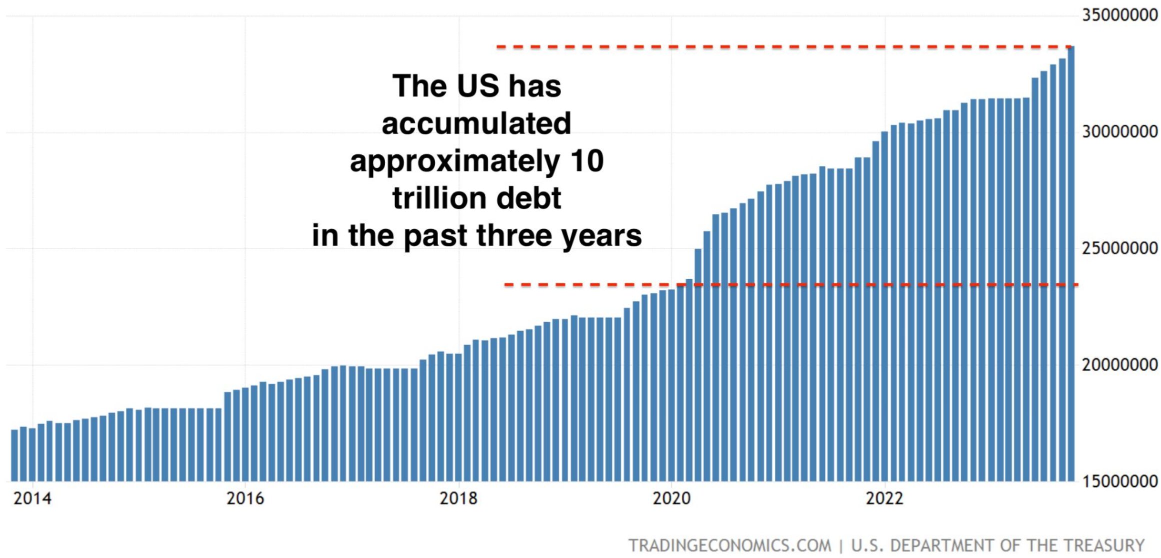


Figure 9. United States Government Debt (Source: US Department of the Treasury)

The federal budget deficit in October 2023 fell by 24 percent to $67 billion on a Year-over-Year (YoY) basis, a temporary break from a rising trend. This decline is attributed to record-high revenues of $403 billion for the month, largely due to delayed tax payments from natural disaster-stricken areas, especially California.

However, this improvement is overshadowed by the larger narrative of increasing national debt, which has surged by approximately $10 trillion since 2020 to a total of $33.7 trillion, up 45 percent. The escalating cost of interest on the national debt is a primary factor in the current fiscal challenge. Interest payments have surged, with the Treasury's monthly data for October highlighting a $41 billion year-over-year increase, underscoring the burden of servicing the growing debt.

Interest payments on national debt accounted for roughly two-thirds of the net total increase in spending. Federal outlays increased by 16 percent to almost $470 billion in October. In simple terms, an outlay is a payment or expenditure. Every payment made by the federal government originates from accounts created by congressional appropriations. These payments cover a broad spectrum, including contracts, financial aid awards, and salaries for personnel.

The Current Economic Crossroads

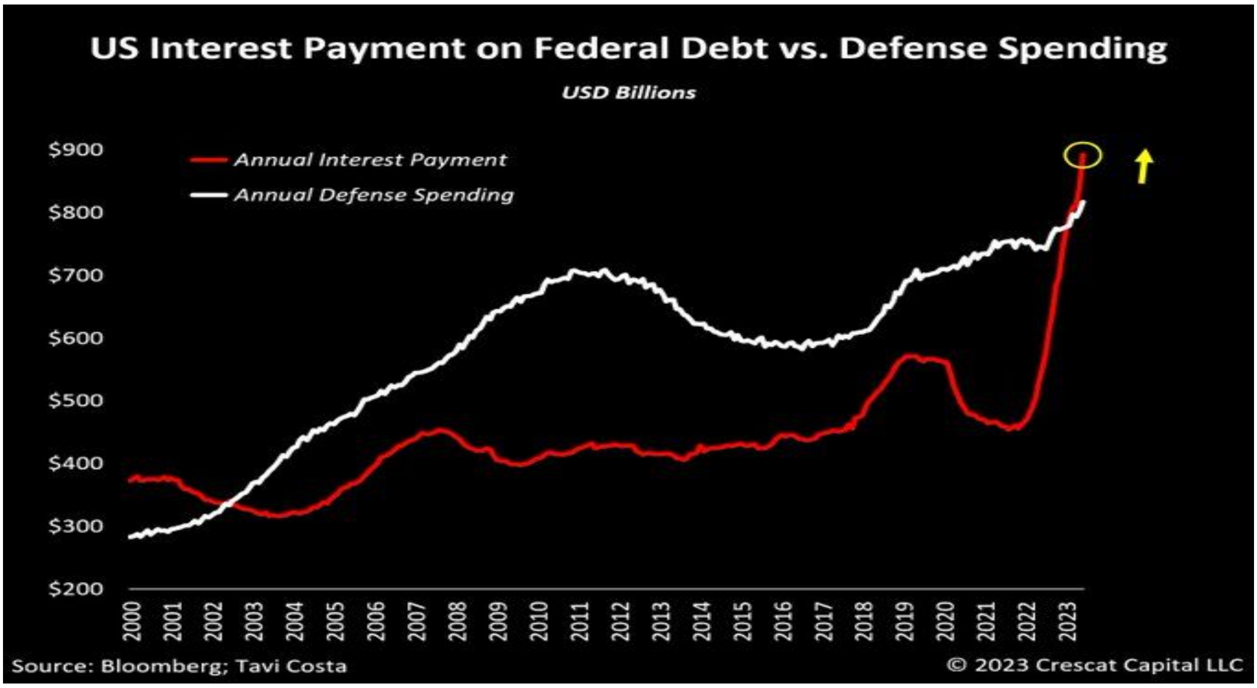


Figure 10. US Interest Payment on Federal Debt vs Defense Spending

In the late 1970s and early 1980s, the US stabilised the dollar through high interest rates, a strategy viable due to the then-low levels of national debt. This policy ushered in a four-decade era of falling interest rates and rising debt levels. A combined strategy of monetary policymakers lowering interest rates and fiscal policymakers providing stimulus was frequently effective in reducing economic slowdowns during this time.

Today, the US faces a different reality. Interest rates, previously at historic lows, are on an upward trajectory, coinciding with growing debt. This reversal from previous trends suggests potential systemic instability. In October, interest payments on the national debt amounted to $89 billion, making it the second-highest federal expenditure after Social Security, which totalled $118 billion for the month. Notably, the US now spends more in gross interest on Treasury debt securities than it does on national defence.

The fiscal situation in the US is further complicated by entitlements like Social Security and Medicare, which adjust with inflation. As the cost of living rises, so do Social Security benefits. Medicare costs also grow in line with increasing healthcare expenses. Military spending too, a significant part of the US federal budget, is also unlikely to fall, given ongoing global conflicts and tension.

Because foreign investors own a sizable portion of US debt, this is also a worrying issue. Any doubt about the US government's ability to repay its debts, would send tremors through US financial markets. As the debt level rises, there might be an increase in perceived credit risk in US investment vehicles, even those initially seen as strong. Recently, Fitch Ratings downgraded the credit rating for US government debt. Moody's have also recently revised its outlook to a more negative stance. These reduced credit ratings indicate an increased risk for investors, which often leads to higher borrowing costs for the government.

Furthermore, rising global political tensions could hinder the US's ability to secure more funding, risking its financial obligations and the upkeep of strategic alliances. This declining economic stature could amplify national security risks and leave the US more vulnerable to geopolitical disturbances. The biggest obstacle to addressing high and rising federal debt may be political, but the failure to tackle this issue increases the risk of fiscal instability.

US Inflation Rate Stabilises, Suggesting End to Federal Reserve's Rate Hikes

The latest inflation report has brought a sense of relief to the US economy: consumer prices remained stable in the past month, driven by a significant decrease in gasoline costs.

This trend has led to the smallest year-over-year (YoY) increase in core inflation in the last two years. These developments are strengthening the belief that the Fed may be done with its interest rate hikes.

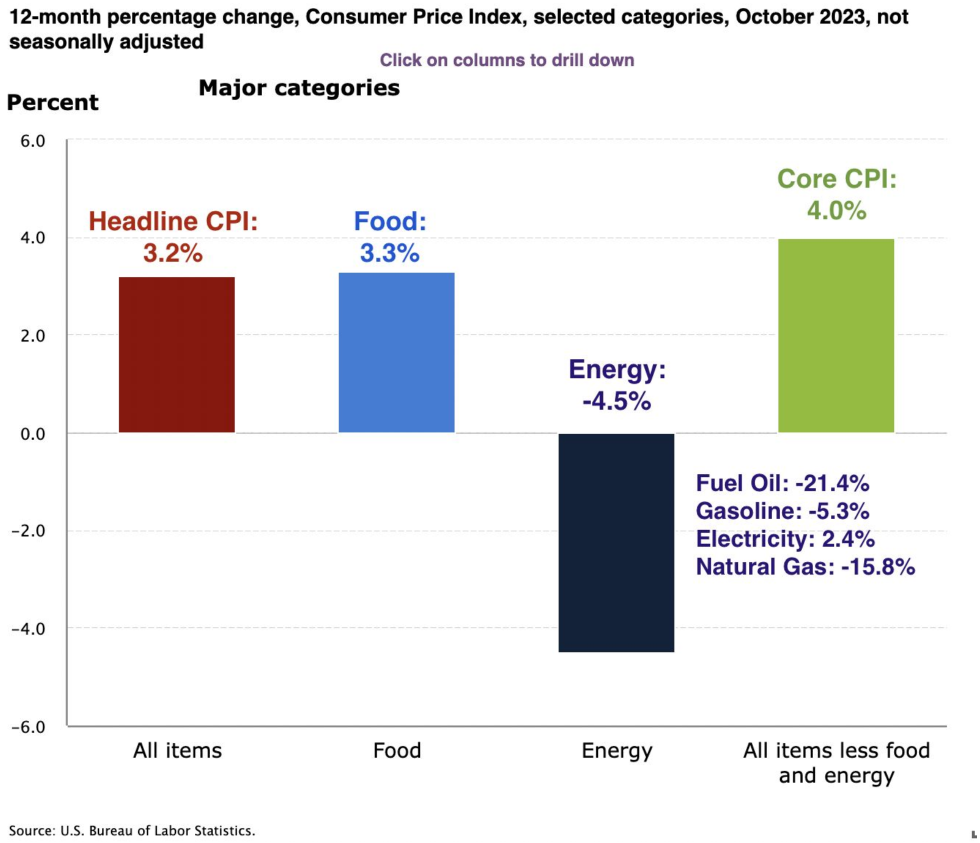


Figure 11. YoY Change, Consumer Price Index, October 2023 (Source: US Bureau of Labor Statistics)

According to the [latest inflation report from the US Bureau of Labor Statistics](), the Consumer Price Index (CPI) showed no change in October, a noticeable shift from the 0.4 percent rise witnessed in September. The Core CPI, which omits food and energy costs, rose slightly by 0.2 percent from September's 0.3 percent rise. These figures fell below the consensus forecast of 0.1 percent and 0.3 percent increases for the headline and core CPI, respectively.

YoY data revealed a slowdown in the headline CPI to 3.2 percent in October from 3.7 percent in September, with the core CPI dipping slightly to 4.0 percent from September's 4.1 percent.

Inside the Data

Delving deeper into the data, a significant 5.0 percent drop in gasoline prices was observed. Although rent increases continued, their pace slowed compared to September. Food prices saw a moderate increase of 0.3 percent. Interestingly, key services like transportation and airfares experienced declines, contributing to the softer-than-expected core inflation data.

Despite YoY consumer price inflation declining from its peak of 9.1 percent in June 2022, recent months have seen a stall in this disinflationary trend amid a robust economy backed by a tight labour market. However, the October inflation data shows evidence of further disinflation, which is likely to continue for the remainder of the year. During disinflation, prices continue to rise, but at a slower pace than before.

Market Reaction

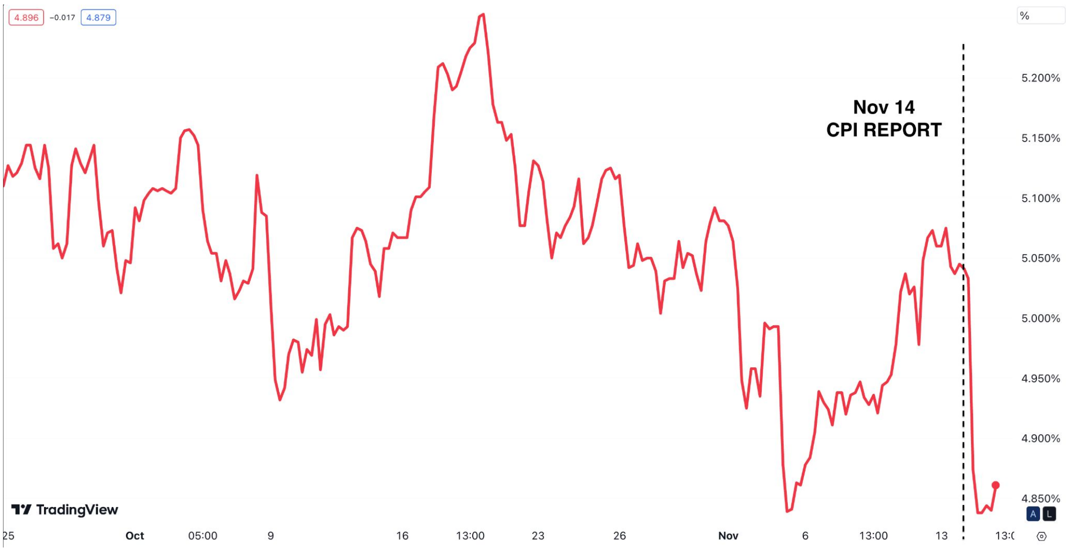


Figure 12. US 2-Year Treasury Bond Yield

Market reaction to the CPI data saw prices of US Treasury bonds surging, with a significant intra-day drop in the yield of the two-year note to its lowest point in two weeks. Two-year notes are particularly sensitive to changes in inflation. The US dollar also weakened compared to a range of other major currencies. On Wall Street, stock prices experienced a marked increase. Additionally, the CME Group's FedWatch tool indicates that financial market analysts are currently forecasting a potential reduction in interest rates by May 2024.

CME FEDWATCH TOOL - MEETING PROBABILITIES									
MEETING DATE	350-375	375-400	400-425	425-450	450-475	475-500	500-525	525-550	550-575
12/13/2023			0.0%	0.0%	0.0%	0.0%	0.0%	94.5%	5.5%
1/31/2024	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	3.9%	90.8%	5.3%
3/20/2024	0.0%	0.0%	0.0%	0.0%	0.0%	1.1%	28.2%	66.9%	3.8%
5/1/2024	0.0%	0.0%	0.0%	0.0%	0.5%	14.5%	47.3%	35.7%	1.9%
6/12/2024	0.0%	0.0%	0.0%	0.3%	9.3%	35.0%	40.1%	14.6%	0.7%
7/31/2024	0.0%	0.0%	0.2%	6.2%	26.0%	38.3%	23.5%	5.6%	0.3%
9/18/2024	0.0%	0.1%	4.0%	18.9%	33.9%	28.8%	12.0%	2.2%	0.1%
11/7/2024	0.1%	2.2%	11.8%	26.8%	31.2%	20.0%	6.8%	1.1%	0.0%
12/18/2024	1.5%	8.7%	21.9%	29.8%	23.6%	11.1%	3.0%	0.4%	0.0%

Figure 13. Meeting Probabilities showing Rate Cut to Start by May 2024 (Source: CME FedWatch Tool)

The Takeaway

Headline inflation has declined remarkably from 6.4 percent at the beginning of the year. This should give the Fed enough room to hold rates steady in its December meeting, in line with current expectations in the Fed Futures market. This would also align with its goal of sustaining economic expansion. However, this pause in rate hikes doesn't signal a change in the Fed's broader tightening policy. The central bank remains cautious and ready to adjust rates if inflation persists or unexpectedly increases.

Drop in Producer Prices and Retail Sales in October

The latest data on Retail Sales and Producer Prices for October, lends support to the trend of stabilising inflation, reinforcing the Consumer Price Index report for the month, discussed above.

Producer Prices

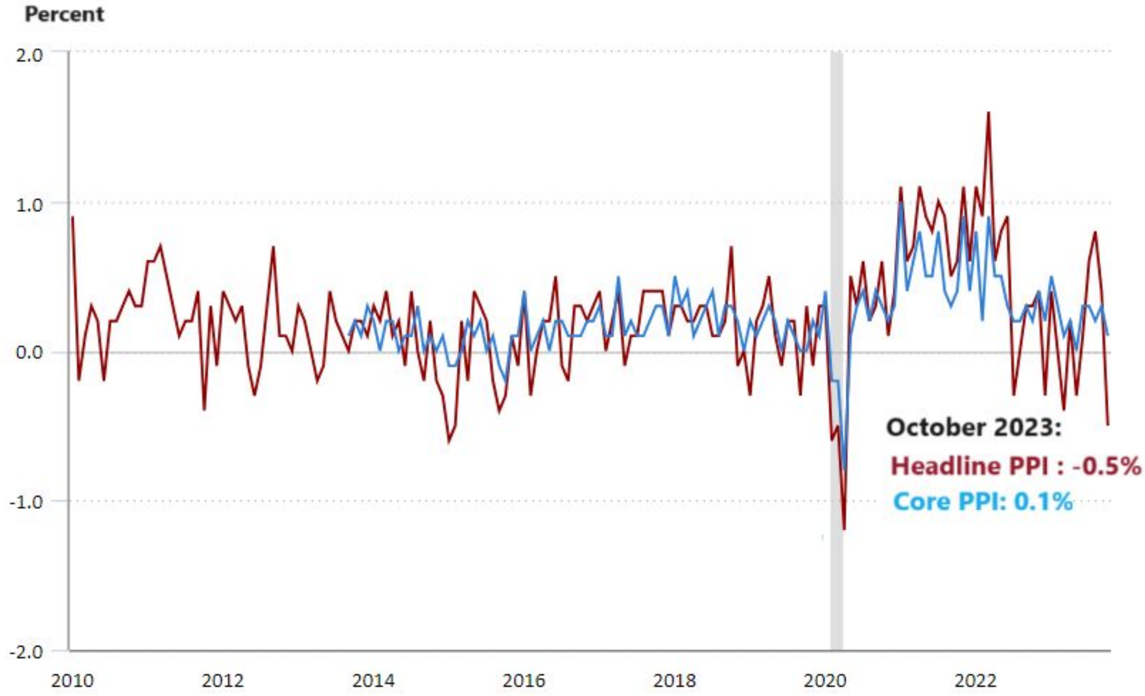


Figure 14. PPI for final demand, 1-month percent change (Source: Bureau of Labor Statistics)

The US Producer Price Index (PPI) showed a 0.5 percent drop in October, after advancing 0.4 percent in September, according to the US Bureau of Labour Statistics. October's producer prices saw the largest decline since April 2020, primarily driven by a significant reduction in gasoline costs. The consensus forecast is a 0.1 percent rise in producer prices. This trend is a clear sign of easing inflationary pressures.

On a YoY basis, the PPI rose by 1.3 percent in October, compared to a 2.2 percent increase in September.

The decrease in goods prices, which fell by 1.4 percent in October, was primarily influenced by a substantial 15.3 percent drop in gasoline prices. Meanwhile, food prices experienced a slight decrease of 0.2 percent.

The core PPI, excluding unpredictable items such as food, energy, and trade services, rose modestly by 0.1 percent in October. This is a slower pace compared to the 0.3 percent increase in September. Core PPI in October increased by 2.9 percent, YoY, less than the 3.0 percent rise seen in the previous month.

Retail Sales

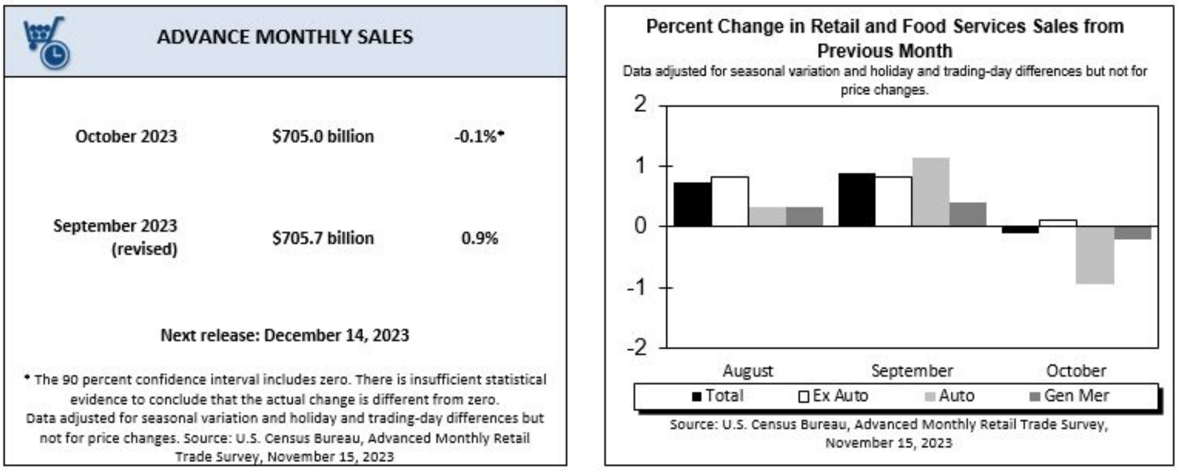


Figure 15. Retail Sales (Left) and Percent Change in Retail & Food Services Sales from Previous Month (Right), Source: US Census Bureau

In a separate report by the Census Bureau, US retail sales in October experienced a decline for the first time in seven months. Retail sales slipped 0.1 percent in October to 705 billion, from a 0.9 percent rise in September. Data for September was revised higher from a previously reported rise of 0.7 percent. The decrease in retail sales was attributed to reduced spending in sectors such as motor vehicles and hobbies.

While sales slowed, it was still less than expected. The consensus forecast for retail sales was a decline of 0.2 percent. Taking into account the upward revisions in September, last Wednesday's report showcases the underlying strength of consumer spending.

Core retail sales are most closely aligned to the consumer spending part of the GDP. Core retail sales, which exclude automobiles, gasoline, building materials, and food services, increased by 0.2 percent in October. Core retail sales data for September was adjusted upwards, indicating a rise of 0.7 percent, instead of the initially reported 0.6 percent.

This positive trend in core retail sales is encouraging, especially given the potential economic challenges ahead. Provided that income growth continues and job stability is maintained, the US economy has a higher likelihood of avoiding a recession.

The Takeaway

The substantial decrease in producer inflation presents a compelling case for the Fed to halt further interest rate hikes. Future Fed meetings are likely to see a shift in dialogue towards the possibility of reducing rates.

As inflation shows signs of stabilising and American consumers remain steadfastly resilient, the Fed now has the opportunity to reconsider its monetary policies, potentially pivoting towards fostering sustained economic expansion.

US Industrial Production Slumps in October Amid Auto Strikes

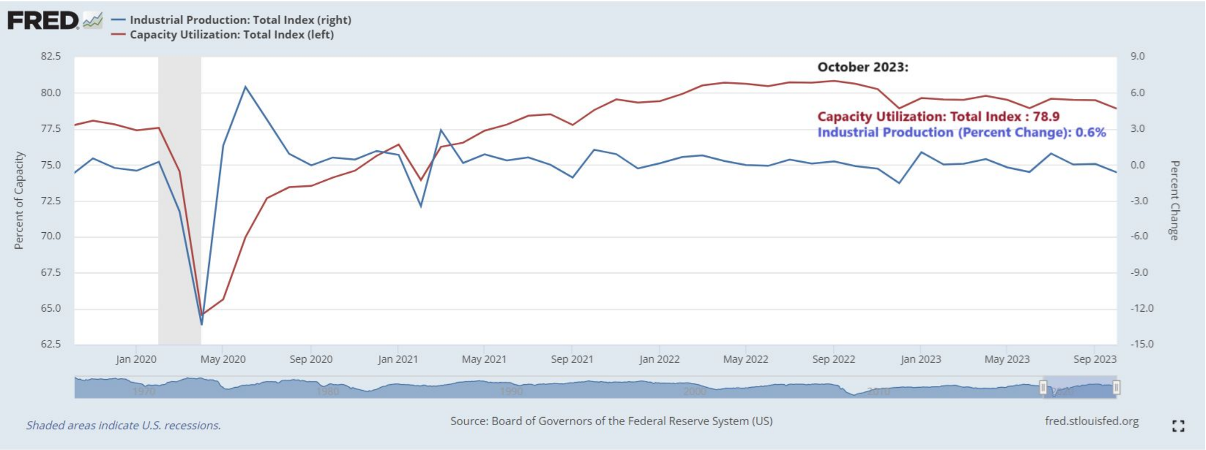


Figure 16. Industrial Production, percent change and Capacity Utilisation (Source: US Federal Reserve)

Production at US factories dropped more than expected in October as strikes by the United Auto Workers (UAW) union against Detroit's "Big Three" automakers (General Motors, the Ford Motor Company and Chrysler) depressed motor vehicle production.

Manufacturing output fell 0.7 percent last month, as reported by the Fed on Thursday, November 16th. Data for September was revised lower to show production at factories rising 0.2 percent instead of the previously reported 0.4 percent. The fall in manufacturing output for October, was greater than the consensus forecast of a 0.3 percent drop.

Overall industrial production, a broader measure that includes not just manufacturing output but also the output of mines and utilities, dropped 0.6 percent in October after edging up 0.1 percent in September.

Capacity utilisation for the industrial sector, a measure of how fully firms are using their resources, fell to 78.9 percent in October, from 79.49 in September lower than its long term average of 80 percent.

There has been upside pressure on economic growth in the final quarter as consumers and the job market have remained resilient. This also means upside risks to inflation. However, the weak data on industrial production should somehow offset these risks, which works in the Fed's favour in easing inflation and raising the chance of a soft landing.

NEWS FROM THE CRYPTO-SPHERE

SEC Postpones Decision on Key Bitcoin and Ether ETF Proposals

Figure 17. SEC Postpones Decision on Key Bitcoin and Ether ETF Proposals

- **The US Securities and Exchange Commission (SEC) has extended its decision deadline regarding Hashdex's application to convert its bitcoin futures ETF into a spot bitcoin ETF, as well as Grayscale's Ether Futures ETF application**
- **The delay came amid ongoing high anticipation for an approval of a spot Bitcoin ETF**

The US Securities and Exchange Commission (SEC) postponed its decision on Hashdex's proposal to change its Bitcoin futures exchange-traded fund (ETF) into a spot vehicle last Wednesday, November 15th. The agency also delayed making a decision whether to approve the Hashdex Nasdaq Ethereum ETF, which aims to hold both spot Ether and futures contracts.

The SEC also delayed Grayscale's application to introduce a new Ether futures ETF. Both Hashdex and Grayscale submitted their respective applications in September. The SEC was expected to deliver its verdict by November 17th, but the SEC said last Wednesday that they would be delaying the decision.

This postponement occurs amid growing expectations that the SEC will approve a spot Bitcoin ETF eventually. In 2023 alone, over a dozen firms have sought approval for spot Bitcoin ETFs, with several more proposing ETFs tied to Ether.

While the SEC has not provided clear guidance on its stance towards these new applications, it has historically cited concerns over Bitcoin's vulnerability to market manipulation and the absence of robust surveillance-sharing agreements. Over time, the SEC has denied more than 30 applications from various applicants, including the Winklevoss twins. The race for a spot Bitcoin ETF intensified in July when BlackRock, the giant asset manager, entered the fray. Unlike others, BlackRock has experienced minimal rejections for its funds, boosting the hopes of those anticipating a successful ETF launch.

Cathie Wood Foresees Massive Growth in Crypto Market by 2030

Figure 18. Cathie Wood Foresees Massive Growth in Crypto Market by 2030 (Image Source: Financial Times)

- **Cathie Wood, CEO of ARK Invest, predicts the cryptocurrency market will grow from $1 trillion to $25 trillion by 2030**
- **Wood compares the current state of cryptocurrency to the early internet era, believing in its significant potential for growth, particularly with leading assets like Bitcoin and Ethereum**

In a recent appearance on CNBC's "Squawk Box," Cathie Wood, CEO of ARK Invest, said she anticipated crypto market capitalisation to expand from its current valuation of just over $1 trillion to $25 trillion by 2030. She attributes this growth to the global adoption of Bitcoin, and the increasing interest from Wall Street in offering digital assets to their clients. She specifically mentioned BlackRock's application to launch a spot Bitcoin exchange-traded fund (ETF).

As a relatively early investor in crypto assets through ARK Invest, Wood offers a unique perspective on the institutional shift towards crypto. She anticipates that Bitcoin and Ethereum will drive the market's growth in the coming years. "Our expectation is that the crypto asset ecosystem will be dominated by those two," she affirmed.

Drawing parallels with the early internet era, Wood expressed her belief that cryptocurrency is poised for similar explosive growth as it becomes more mainstream. "This feels like the early internet again; it is a very big idea," she remarked.

For Wood and like-minded crypto investors, the value of crypto lies in its distinctiveness from traditional economies and central banks. She views it as a new asset class offering diversification and, particularly in the case of Bitcoin, a hedge against both inflation and deflation.

Cathie Wood's insights reflect a growing sentiment among investors about the potential of cryptocurrencies to redefine the financial landscape in the coming decade.

Bakkt Expands Crypto Custody Offerings, Adds Support for Shiba Inu, Doge, and Other Coins

Figure 19. Bakkt Expands Crypto Custody Offerings, Add Support for Shiba Inu, Doge, and Other Coins

- **Bakkt, a cryptocurrency firm, announced the expansion of its digital asset custody services to include six new coins, including Bitcoin Cash, Dogecoin, and Shiba Inu, with plans to add more in early 2024**
- **Despite a 30 percent year-over-year decrease in adjusted EBITDA losses to $21.6 million, Bakkt's crypto revenue grew to $191.8 million in Q3 2023**

In a move to strengthen its position in the digital asset custody sector, crypto firm Bakkt announced last Wednesday, November 15th, its plans to enhance its custodial services by introducing support for six additional cryptocurrencies. This included Bitcoin Cash, Dogecoin, Ethereum Classic, Litecoin, Shiba Inu, and USD Coin, supplementing its existing support for Bitcoin and Ether. Bakkt's initiative to broaden its crypto offerings signifies a pivot back towards its core business of digital asset custody, with plans to integrate more coins into its services in early 2024.

Digital asset custody, a critical aspect of the cryptocurrency ecosystem, involves the secure management of cryptographic keys essential for accessing and transferring digital currencies. Bakkt, like other custodians in the field, employs a variety of robust security measures to ensure the safety of these assets. These measures include the use of cold storage solutions, which involve keeping coins offline, and multi-signature technology, which necessitates multiple approvals for accessing the assets, thereby enhancing security.

Just a day prior, on November 14th, Bakkt released its quarterly earnings report, reporting an adjusted EBITDA loss (Earnings Before Interest, Taxes, Depreciation, and Amortisation) of $21.6 million, a 30 percent improvement compared to the previous year. This decline was attributed primarily to a decrease in compensation and benefits expenses.

Despite the reported losses, Bakkt's crypto revenue showed promising growth, reaching $191.8 million in the third quarter of 2023. This increase was largely fueled by the acquisition of Apex Crypto in April. Overall, the company's total revenue for the quarter stood at $204.8 million. However, Bakkt also reported a 28 percent decrease in its assets under custody, amounting to $505.7 million, reflecting the volatile nature of the cryptocurrency market.

Bakkt's expansion to include additional cryptocurrencies demonstrates an industry trend towards diversification. This strategy caters to a broader range of investors and users, recognising the growing demand for a wider range of digital asset custody solutions. The emphasis on enhancing digital asset custody services highlights the critical need for secure management of cryptographic keys in the crypto ecosystem. With concerns around security being paramount, services that offer robust protection are increasingly important. This focus on security is likely to become a key differentiator for firms in attracting and retaining users.

Singapore Unveils Plan for Wholesale Central Bank Digital Currency

Figure 20. Singapore Unveils Plan for Wholesale Central Bank Digital Currency

- **The Monetary Authority of Singapore (MAS) announced plans to issue a central bank digital currency (CBDC) for wholesale settlements**
- **This move aims to position Singapore as a leader in global financial technology innovation and digital currency evolution.**

In a landmark move, the Monetary Authority of Singapore (MAS) announced last Thursday, November 16th, its plan to launch a central bank digital currency (CBDC) for wholesale settlement purposes. This initiative aligns with Singapore's broader strategy to enhance its digital economy through innovative financial technology solutions.

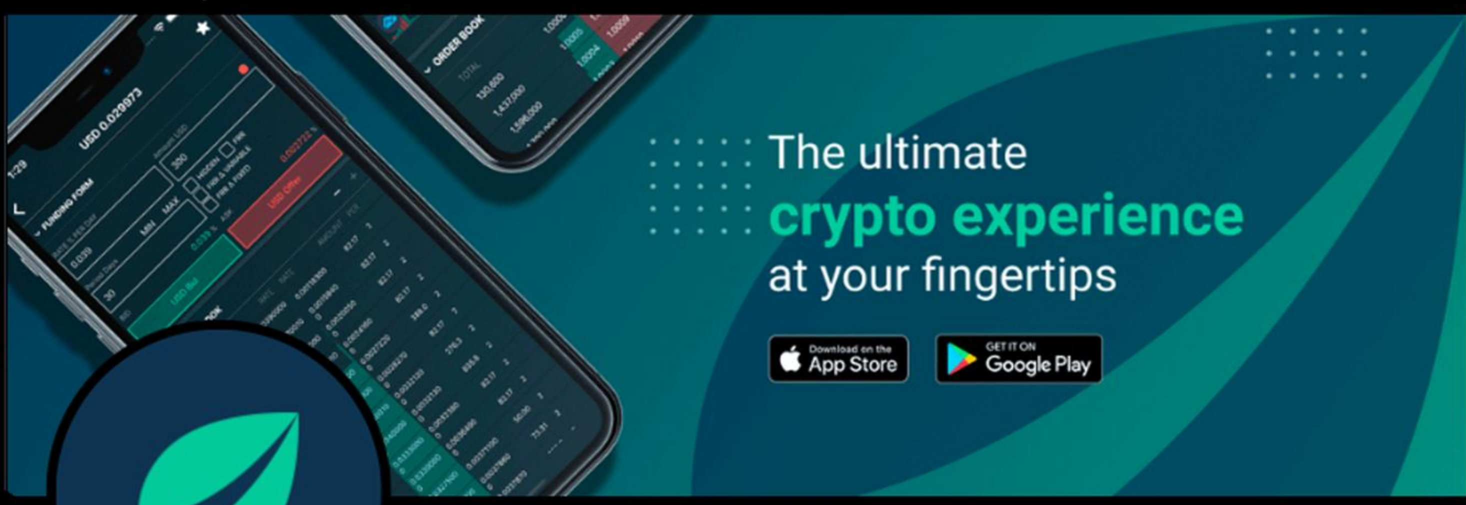
At the heart of this initiative is the MAS' Orchid Blueprint. This comprehensive plan lays out a futuristic vision for digital money transfers, positioning Singapore at the forefront of financial technology innovation. The blueprint is a roadmap for integrating digital currency into the existing financial ecosystem, ensuring seamless and secure transactions.

MAS said, "To complement the digital money trials by the financial industry involving retail and corporate users, MAS will commence the development of CBDC for wholesale interbank settlement next year. MAS will pilot the 'live' issuance of wholesale CBDCs for the first time, after previously simulating issuance within test environments."

This initiative marks a decisive step in MAS' journey towards implementing a fully operational CBDC. The initial phase will focus on settling retail payments between commercial banks, with potential future expansions to include cross-border settlements.

Singapore's exploration into wholesale CBDCs is a reflection of a larger global movement. Countries around the world are being advised by international organisations to develop legal and infrastructural frameworks for digital versions of their fiat currencies.

When a central bank, especially one from a leading financial hub like Singapore, engages in such a project, it signals a recognition of the importance and potential of digital currencies, albeit the focus in this case is on CBDCs. Singapore’s approach can serve as a benchmark for other countries and institutions looking to explore digital currencies.



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