BITFINEX Alpha

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bitfinex.com

EXECUTIVE SUMMARY

Bitcoin has recorded yet another All-Time High, reaching $72,007 on March 11th (at the time of writing) - a cause for celebration for long-term long-only investors, but challenging for short-term traders and risk-takers. Such sharp moves in the market have resulted in significant liquidations for long and short positioned traders. Last week alone, on March 5th when BTC reached a new high, the reversal that followed as prices retraced, led to nearly $900 million in long liquidations, the highest for a single day in three years.

Underlying spot demand for BTC, however, remains strong, as evidenced by continued substantial inflows into the spot Bitcoin ETFs. Despite the volatility on March 5th, the same day saw the highest amount of ETF inflows so far in March, indicating continued robust investor interest.

The altcoin sector is also witnessing a significant resurgence, with the Total3 index climbing to over $720 billion in terms of market cap. This uptick reflects a broadening interest in alternative cryptocurrencies, with a particular - and puzzling focus - on Meme coins, as well as AI-related projects. The AI sector, especially, has seen an explosion of interest and development, with new projects being launched and existing ones expanding, highlighting the potential for synergies between AI and blockchain.

Speculation has also flooded into dog and even cat-themed tokens, and has spilled over into increased trading volume of tokens on the Solana blockchain - which some of the Meme tokens are built on - reaching levels close to that of Ethereum. On Ethereum itself, heightened trading activity of DEX tokens has led to a sharp increase in transaction fees, which are now on track to achieve an annualised $10 billion of revenue for the first time since early 2022. The spike in interest and the elevated levels of trading that we are seeing in Meme tokens is remarkable, to say the least.

In the broader macro economy, there was a deceleration in the growth of the services industry, balanced however, by a significant uptick in new orders. Inflation shows signs of easing as the price index for business inputs has dropped from a recent peak. Despite this, the labour market remains robust, with job openings holding steady, and continuing to challenge the Federal Reserve's goals to cool the market and consider rate reductions.

The latest employment figures show the US economy added an impressive 275,000 jobs in February, a testament to the enduring demand for labour. Nevertheless, there are indications that the labour market might be starting to cool off, with the unemployment rate seeing a slight uptick, alongside a deceleration in wage growth.

In crypto news last week, South Korea's Bitcoin market witnessed a notable increase in the Kimchi Premium, now at a 27-month high, while El Salvador's investment in Bitcoin has also borne fruit, with the country's holdings now valued at over $150 million, securing a profit of $50 million. This marks a significant milestone for the nation, which has adopted Bitcoin as legal tender.

On the regulatory front, the United States Securities and Exchange Commission has decided to delay its verdict on the authorisation for the Chicago Board Options Exchange and other trading platforms to list and trade options on Bitcoin ETFs until late April. Finally, in a significant legal advancement, the state of Wyoming in the US has passed legislation granting legal status to Decentralised Autonomous Organizations (DAOs), marking a major step in integrating blockchain initiatives into formal legal structures.

Have a good trading week!

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WHAT'S ON-CHAIN THIS WEEK?

Bitcoin Reaches an All-Time High

On March 8th, BTC surpassed its previous all-time high (ATH), reaching a new high of $69,839 on Bitfinex and climbing to $70,000 on some exchanges. Just like the previous attempt to move past the last cycle's high on March 5th, the price immediately retraced the move up to consolidate before reaching a new All-Time High on March 11th at $72,007 (at time of writing). Whether we can also achieve a new highest daily close remains to be seen. In the short-term however, BTC traders have been faced with increasingly leveraged and volatile markets that have punished positions in both directions.

Figure 1. BTC/USD Daily Chart. (source: Bitfinex)

The extent of risk in the markets was highlighted on March 5th, when BTC saw a spike to a then new all-time high on some exchanges, before meeting a wave of selling that saw the price fall to approximately $59,000 - a 15 percent decline within four hours, triggering almost $900 million in long liquidations. This was followed however, by a swift recovery, with the price stabilising in the vicinity of $67,000. On Friday, March 8th, BTC achieved another milestone hitting a new high of $69,839 on Bitfinex and briefly touching $70,000 on some exchanges, before again encountering stronger selling, although only amounting to a six percent correction - likely due to a reduced amount of leveraged positions in the BTC perpetual markets.

The latest ATH, reached on March 11th was met with only a minimal amount of short liquidations at around $89 million. Most of demand current is assumed to be spot driven as open interest (OI) is much lower than previous attempts over the previous cycle high.

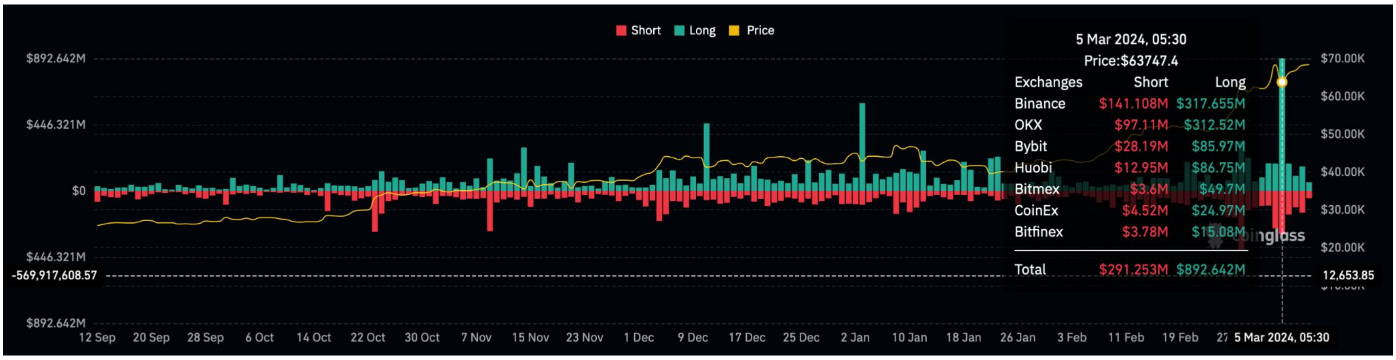


Figure 2. Total Liquidations Across All Markets Daily Chart. (source: Coinglass)

In contrast, total liquidations on March 5th amounted to $1.18 billion and were the third highest in history, according to *Coinglass*. In such volatile market conditions, both the short and long side are at risk, highlighted by the fact that there were also a significant amount of short liquidations, totalling close to $291 million. On March 8th, when that day's ATH was reached, the selling that followed saw only $300 million in total liquidations, mostly taking place in altcoin markets, rather than in BTC perps.

The day's price activity on March 8th serves as a cautionary reminder for those who are trading BTC on shorter timeframes, or using leverage, to proceed with extreme caution. Perhaps one positive is that the recent volatility has eliminated leverage positions in both directions, and with reduced borrowing in the market, it seems likely that BTC will resume its upward trajectory once the market stabilises.

Even if you are positioned correctly in the markets however, sharp price movements like those observed last week, can lead to liquidations. The extent of the volatility in the markets is aptly surmised by the implied and historical volatility readings in options markets. On March 4th, the implied volatility for options expiring at the end of the month reached one of its highest recorded values at 77 percent, indicating that the market is expecting increased volatility. After subsiding slightly, implied volatility has continued to increase over the weekend and has reached a value of 73.4 (at the time of writing). To complement this, a very steady increase in historical volatility (HV) was also recorded up to March 6th, before flattening out at 66.8.

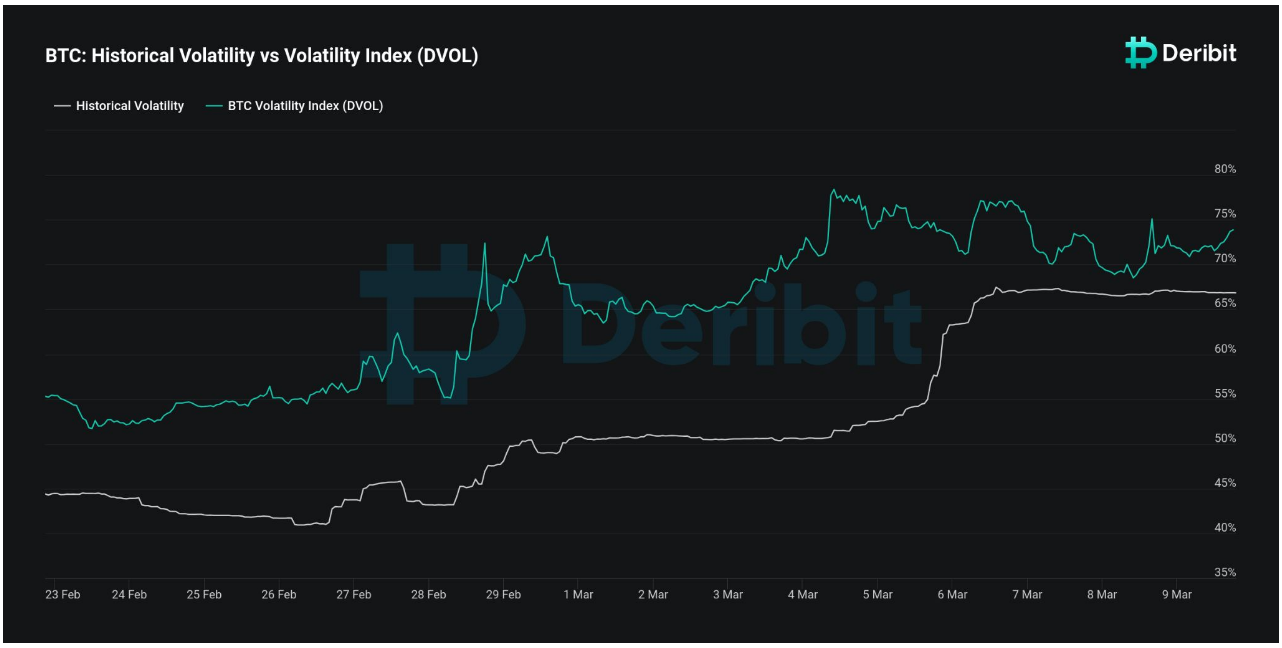


Figure 3. DVOL - Implied Volatility vs Historical Volatility For Monthly Options. (source: Deribit)

Both numbers are elevated (see Figure above). Implied volatility continues to be a leading indicator of expected fluctuations in BTC markets, while the current historical volatility reading shows that BTC is moving more than usual.

Despite the sharp fluctuations caused by higher leverage and funding rates, the spot demand for BTC and what we have come to term “passive demand” from regular spot Bitcoin ETF flows has continued largely unhampered. As seen in Figure 1, the current ATH is over 86 percent higher from the local bottom after the sell-the-news sell-off post ETF launch ended. The significant intra-day volatility experienced on March 5th was not triggered by panic among ETF buyers. In fact, we witnessed the fourth highest level of inflows since the launch of the ETFs in USD notional terms, with daily net flows reaching approximately $638 million (refer Figure below).

It's important to note that ETF purchases do not directly impact the spot BTC market during traditional market trading hours, which is when the dip on March 5th occurred. This is because the authorised participants responsible for creating and redeeming ETF shares typically conduct their buying and selling of BTC during off-market hours (non-US trading hours) thereby isolating these activities from real-time market fluctuations.

Date	IBIT	FBTC	BITB	ARKB	BTCO	EZBC	BRRR	HODL	BTCW	GBTC	Total
19 Feb 2024	-	-	-	-	-	-	-	-	-	-	0.0
20 Feb 2024	154.3	71.7	11.1	27.4	0.0	0.0	0.0	5.9	2.2	(137.0)	135.6
21 Feb 2024	96.5	52.5	0.0	10.7	1.0	3.0	0.0	0.0	0.0	(199.3)	(35.6)
22 Feb 2024	125.1	158.9	7.9	6.7	0.0	0.0	1.2	2.9	4.4	(55.7)	251.4
23 Feb 2024	167.5	52.5	12.0	34.5	0.0	1.5	0.0	8.7	0.0	(44.2)	232.5
26 Feb 2024	111.8	243.3	37.2	130.6	4.4	7.9	0.0	6.2	0.9	(22.4)	519.9
27 Feb 2024	520.2	126.0	18.4	5.4	2.6	16.6	0.0	9.7	3.6	(125.6)	576.9
28 Feb 2024	612.1	245.2	9.9	23.8	0.0	0.0	0.0	(3.4)	2.2	(216.4)	673.4
29 Feb 2024	603.9	44.8	21.7	9.9	(1.5)	5.4	0.0	7.0	0.0	(598.9)	92.3
01 Mar 2024	202.5	49.3	42.3	55.1	0.0	5.4	0.0	(1.8)	0.0	(492.4)	(139.6)
04 Mar 2024	420.1	404.6	90.9	38.2	(25.7)	7.8	3.7	(5.7)	(3.2)	(368.0)	562.7
05 Mar 2024	788.3	125.6	3.7	63.7	(14.2)	3.6	0.0	3.5	6.6	(332.5)	648.3
06 Mar 2024	281.7	205.7	28.6	41.3	3.0	5.8	40.7	0.0	1.4	(276.2)	332.0
07 Mar 2024	244.2	473.4	41.4	42.1	0.0	0.0	41.8	1.9	2.5	(374.8)	472.5
08 Mar 2024	336.3	130.3	8.0	1.7	(7.6)	8.0	41.4	7.8	0.0	(302.9)	223.0
Total	10,029.4	6,154.7	1,351.3	1,819.9	204.4	148.0	264.2	132.3	43.5	(10,553.0)	9,594.7

Figure 4. Bitcoin Spot ETF Flows Across Various ETFs. (source: FarsideUK)

That said, we did see an increase in outflows from the Grayscale Bitcoin Trust (GBTC) last week, after such outflows had appeared to be subsiding to negligible levels, relative to the continued inflows into the other BTC ETFs. Last week, the gap between GBTC outflows and inflows into the other ETFs narrowed , with the average daily outflow from GBTC standing at $330.9 million, while the average net inflows into the other funds averaged $447.7 million daily. It suggests at least, that despite the increased outflows from GBTC, the overall market sentiment and the net position of inflows into the other ETFs continue to be robust.

Crypto's Altcoin Season Continues Strong Momentum

The altcoin market is currently enjoying a vibrant resurgence, highlighted by the Total3 index (which tracks the price performance of all crypto assets, excluding BTC and Ether), surpassing the $700 billion mark in terms of market capitalisation, and achieving a new high of over $720 billion for the first time this cycle. This milestone represents a significant turnaround from the bear market peak (see Figure below), illustrating substantial growth, both in interest and investment, in altcoins.

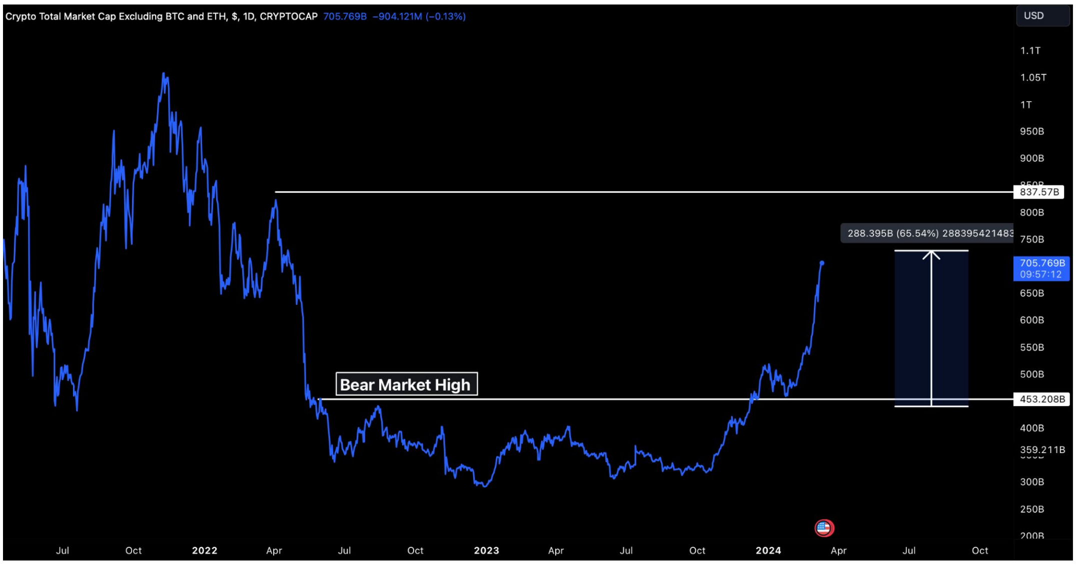


Figure 5. Figure: Total3 Index Daily Chart (source: CryptoCap)

The index is about 16 percent away from the $837 billion mark which was reached in April 2022, and is its last significant high before the bear market commenced. There is still some room to go for altcoins however. The ATH market cap for the Total3 index was reached on 1 November 2021, hitting a high of $960.78 billion, which is still 33 percent above its current levels.

Action in Alts Continues in Cats, Dogs and AI

The altcoin sector is a rotational sector and tends to benefit as crypto investors look to diversify out of BTC. The recent highs in BTC has seen this play out, as the rise in the Total3 Index indicates, however where the capital has been flowing is puzzling and surprising.

As highlighted in last week's *Bitfinex Alpha*, both the Meme coin and AI indices as measured by Coingecko continue to do well, with both indices up 32 percent and 38 percent respectively in the past seven days.

The convergence of Artificial Intelligence (AI) and crypto assets has in particular captured considerable interest, and was prominently featured at events such as the ETH Denver conference, where it became a focal point for both investors and developers.

Additionally, there has been a notable increase in the launch of new AI projects to over 250 by our calculations compared to 180 in November, as well as significant updates and expansion as investment capital has begun to flow into this sector, indicating a burgeoning interest in the potential synergies between AI technologies and blockchain-based digital assets.

The AI sector has become the leading new sector for projects being listed on Centralised Exchanges and has driven volumes across altcoins. The current market capitalisation of the Coingecko AI index is $28 billion and we believe there could be a second leg up for the AI sector (after a major run in late 2023), with the potential of this category to exceed other trending categories (such as Meme tokens) over the next several months.

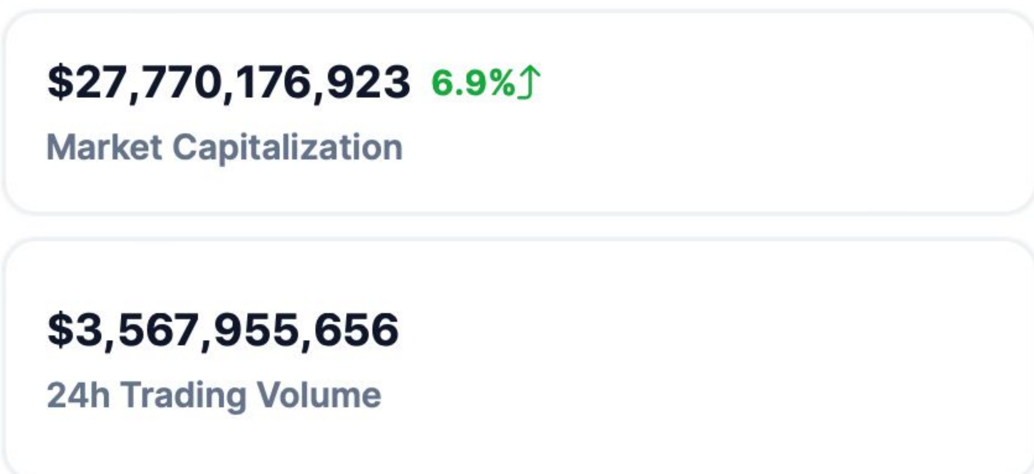


Figure 6. Market Capitalisation and Daily Trading Volume For AI Coins On Centralised Exchanges (source: Coingecko)

Another standout sector showing a notable trend shift is Cat-themed coins, which have collectively seen more than a 64 percent gain over the past week, reaching a cumulative market capitalization of over $750 million. Although this figure is relatively modest compared to the market caps of Meme and Dog-themed coins, it demonstrates, if nothing else, the huge shift taking place in favour of crypto meme/animal coins. However, the top three coins by market capitalisation in the Coingecko Cat-themed index account for 80 percent of the total index market capitalisation, underscoring a significant concentration within this niche sector (as illustrated in the figure below).

#	Coin	Price	1h	24h	7d	24h Volume	Mkt Cap	Last 7 Days
246	Wen $WEN	$0.0003282	0.2%	-13.8%	18.6%	$35,752,667	$327,551,999	
385	Popcat POPCAT	$0.1641	-11.3%	-23.0%	177.3%	$10,594,552	$162,022,673	
584	Toshi TOSHI	$0.0001875	-2.7%	-24.5%	-20.1%	$2,186,776	$77,339,392	

Figure 7. Top Three Cat coins by market capitalisation. (source: Coingecko)

Recent speculation around meme tokens has also broadened its reach to include tokens on the Solana blockchain, where trading volume for Solana tokens on decentralised exchanges (DEXs) have reached over $19 billion since the start of the month, only slightly below Ethereum token trading volumes at over $24 billion. (refer Figure below)

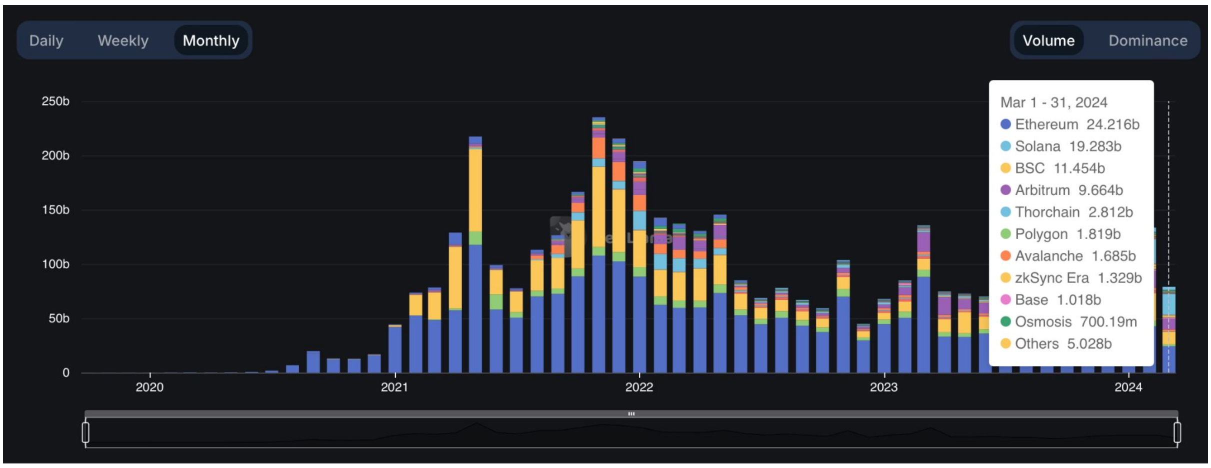


Figure 8. DEX trading volumes for the current month. (source: DefiLlama)

This surge in market activity has led to a significant increase in transaction fees on Ethereum, reaching the highest levels seen in almost two years. With over $190 million in fees collected over the week, Ethereum's fee revenue is on an annualised path to exceed $10 billion for the first time since early 2022, reflecting the intensified trading and speculation within the cryptocurrency market.

GENERAL MARKET UPDATE

US Services Sector Sends Mixed Signals in February, New Orders Rise Amid Employment Dip

In February, the US services industry saw a slight deceleration in growth, primarily due to a contraction in its employment index. Despite this, there was a notable increase in new orders, reaching a peak not seen in six months, highlighting the sector's underlying strength and resilience.

	Services PMI®					
Index	Series Index Feb	Series Index Jan	Percent Point Change	Direction	Rate of Change	Trend** (Months)
Services PMI®	52.6	53.4	-0.8	Growing	Slower	14
Business Activity/ Production	57.2	55.8	+1.4	Growing	Faster	45
New Orders	56.1	55.0	+1.1	Growing	Faster	14
Employment	48.0	50.5	-2.5	Contracting	From Growing	1
Supplier Deliveries	48.9	52.4	-3.5	Faster	From Slowing	1
Inventories	47.1	49.1	-2.0	Contracting	Faster	3
Prices	58.6	64.0	-5.4	Increasing	Slower	81
Backlog of Orders	50.3	51.4	-1.1	Growing	Slower	2
New Export Orders	51.6	56.1	-4.5	Growing	Slower	4
Imports	54.3	59.9	-5.6	Growing	Slower	2
Inventory Sentiment	56.7	59.3	-2.6	Too High	Slower	10
Customers' Inventories	N/A	N/A	N/A	N/A	N/A	N/A
Overall Economy				Growing	Slower	14
Services Sector				Growing	Slower	14

Figure 9. ISM Services PMI (Source: Institute of Supply Management)

The Institute of Supply Management (ISM) Services Purchasing Managers' Index (PMI) fell slightly to 52.6 from January's 53.4. However, given it is still above the 50 mark that separates growth from contraction, the services sector - which is a substantial part of the US economy - continues to expand despite the weight of 525 basis points of interest rate hikes since March 2022. Notably, growth was reported across fourteen service industries, including construction, retail trade, and public administration.

A standout detail from the report was the rise in new orders to services businesses, which grew to 56.1 from 55.0 in January, marking the highest level since August last year. Additionally, there was a noticeable increase in business activity reported, with this metric reaching a five-month high.

Although financial markets currently anticipate an interest rate cut by June this year, it is clear that decision-making on this point is clouded by persistently high inflation rates, with pressure mainly coming from the services sector, and in particular housing, utilities, finance, healthcare, and recreation.

Despite these challenges, there's a hint of positive news with the price index for business inputs, a key measure of inflation, decreasing from an 11-month peak of 64 in January to 58.6 in February. This deceleration is particularly welcome following an earlier surge in the Consumer Price Index this year.

The PMI however also reported a contraction in the employment index, from 50.5 in January to 48 in February, which could initially be seen as alarming, given that companies experiencing labour shortages will typically exert upward pressure on wages. However, real evidence of this needs to be demonstrated first before arriving at such a conclusion, and the increase in new orders alongside a decrease in the inflation index suggests an environment conducive to stable growth. This balanced scenario supports the potential for lower interest rates in the future, indicating a cautiously optimistic outlook.

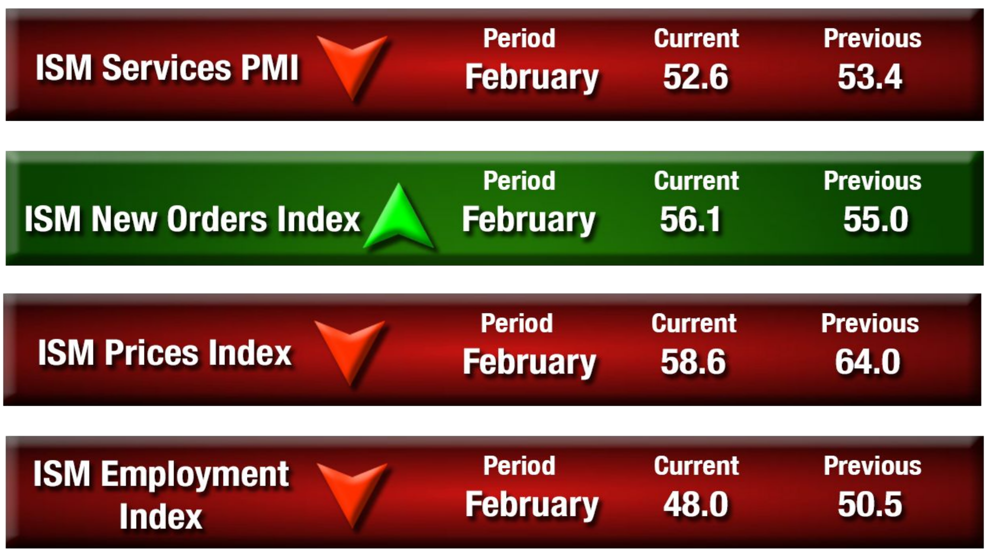


Figure 10. Section Summary (Source: Institute of Supply Management)

US Job Openings Remain Steady at 8.9 Million, Challenging Federal Reserve's Hopes of a Cooler Labor Market

US job openings remained unchanged at 8.9 million for the third consecutive month, indicating a continued strong demand for labour across the country. This persistent trend poses a challenge to the Federal Reserve's desire to temper the labour market, as officials eye a reduction in interest rates later this year.

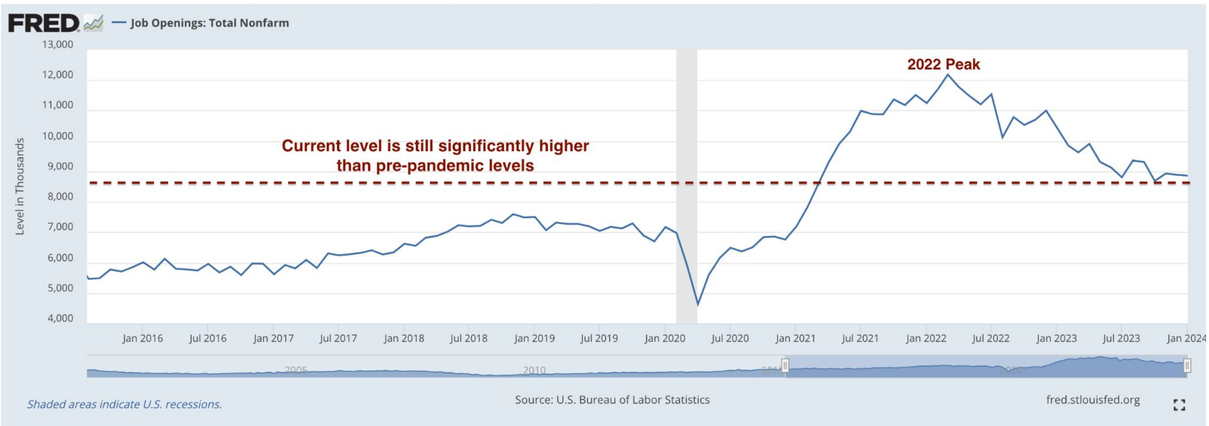


Figure 11. Job Openings, Total NonFarm (Source: Bureau of Labor Statistics)

Despite a decrease from the peak of 12 million job openings in 2022, the current figures significantly surpass those recorded before the pandemic began in 2020. The Bureau of Labor Statistics' Job Opening and Labor Turnover Survey (JOLTS) reported that the ratio of openings to unemployed increased to 1.45 in January from 1.44 in the prior month. The pre-pandemic average was around 1.2. During his testimony to Congress, Fed Chair Jerome Powell said, " Although the jobs-to-workers gap has narrowed, labour demand still exceeds the supply of available workers", highlighting the ongoing shortage of available workers.

Nevertheless, the labour market showed signs of stabilisation with the quit rate marginally declining by 0.1 percent to 2.1 percent in January. Furthermore, the hiring rate experienced a slight decrease as well, moving to 3.6 percent in January from the previous rate of 3.7 percent. Both quit, and hiring rates have reverted to levels seen before the pandemic, while the frequency of layoffs has stayed below the average of 2019. This scenario suggests that there is no significant upward pressure on wage inflation. A lower quit rate implies reduced competition among employers to attract and retain workers, potentially easing the need for wage increases to secure or lure employees. Additionally, the dip in hiring rates indicates that businesses are filling fewer new roles, diminishing the necessity for offering higher wages to attract talent, thereby helping to moderate wage inflation.

The sustained number of job openings highlights the enduring strength of the labour market, signalling an underlying economy that is robust. However, this persistently high ratio of job openings to unemployed individuals presents a significant hurdle for the Fed’s objective to bring inflation to its two percent target. The resilience of the labour market may fuel continued strong consumer spending, bolstered by steady employment, thereby sustaining economic activity. This scenario, while indicative of a healthy economy, complicates the Fed's task of moderating inflation without undermining the vitality of the labour market

	Period	Current	Previous
Job Openings	January	8.9M	8.9M
Job Quit Rate	January	2.1%	2.2%
Hiring Rate	January	3.6%	3.7%

Figure 12. Section Summary (Source: Bureau of Labor Statistics)

Economic Growth Trends and Federal Reserve Insights: A Closer Look at the US Economic Landscape in Early 2024

According to the Fed's Beige Book, the US experienced a mild acceleration in economic activity at the beginning of 2024. This Beige Book report, known for providing an overview of economic conditions across different regions, gives cause for a cautiously optimistic outlook for the year.

The report, drawing on data from the past six weeks, ending February 26, serves as a precursor to the Fed's forthcoming meeting scheduled for March 19-20.

Key Findings:

Economic Dynamics: A majority of the Fed's twelve regional banks reported an upturn in economic activity, and even though there was a reduction in consumer spending, attributed to unfavourable weather conditions and inflation-induced price hikes, other factors such as international disruptions in the Red Sea, sparked by the actions of Yemen's Houthi rebels, seemed to have a negligible effect on overall economic momentum.

Financial Health: Despite a slight increase in loan delinquencies, the overall credit status of American households and businesses remains robust, indicating a healthy financial underpinning.

Inflation Trends: Wage and price inflation appeared to subside further—to a still-modest pace for wages and a much slower pace for prices. Despite some shipping challenges, supply chain issues were no longer a concern.

Labour Market: The employment sector shows signs of easing, with companies finding it somewhat easier to maintain their workforce. Demand remains high for highly skilled workers, but overall wage increases are slowing down, aligning with the recent JOLTS report.

In a recent congressional testimony, Chair Jerome Powell emphasised the Fed's cautious approach towards rate reductions. Powell stated, " If the economy evolves broadly as expected, it will likely be appropriate to begin dialling back policy restraint at some point this year. But the economic outlook is uncertain, and ongoing progress toward our two percent inflation objective is not assured. Reducing policy restraint too soon or too much could result in a reversal of progress we have seen in inflation and ultimately require even tighter policy to get inflation back to two percent". Powell's comments reflect a commitment to maintaining policy restraint until progress toward the inflation objective is assured amidst the prevailing economic uncertainties.

US Job Market Providing Mixed Signals

The US economy continues to demonstrate strong demand for workers, adding 275,000 jobs in February. However, signs of cooling continue to show, with a slight increase in the unemployment rate and a decrease in wage growth, according to the Bureau of Labor Statistics' (BLS) Employment Situation Summary, released last Friday, March 8th.

Last month, 275,000 jobs were added to nonfarm payrolls. The Bureau adjusted its initial January job creation figures from 353,000 to 229,000 and the December numbers from 333,000 to 290,000. Meanwhile, the unemployment rate increased to 3.9 percent from 3.7 percent in February, the highest in two years. When paired with a rise in unemployment, the downward revision of nonfarm payrolls may suggest that the job market is not as robust as previously thought.

The BLS also reported less upward pressure on wage growth, with average hourly earnings growth dropping from 0.5 percent in January to 0.1 percent in February.

The slowdown in wage increases and the rise in the unemployment rate has fueled speculation that the Fed may reduce interest rates by June, with financial markets predicting a 73.8 percent (as of March 11, 2024) chance of a rate cut. The Fed faces challenging decisions regarding the timing and extent of potential rate cuts. The central bank's next moves will be closely watched as it balances stimulating the economy with the risk of triggering inflationary pressures.

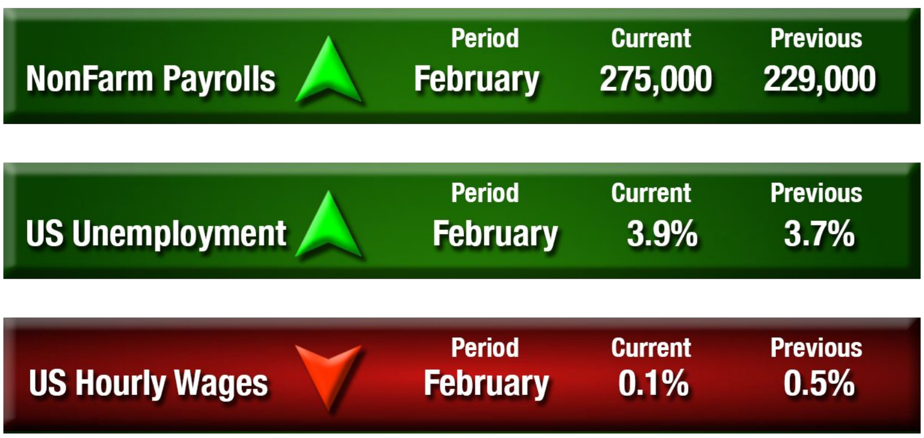


Figure 13. Section Summary (Source: Bureau of Labor Statistics)

NEWS FROM THE CRYPTO-SPHERE

South Korea's Bitcoin Market Witnesses Historic 27-Month High in Kimchi Premium

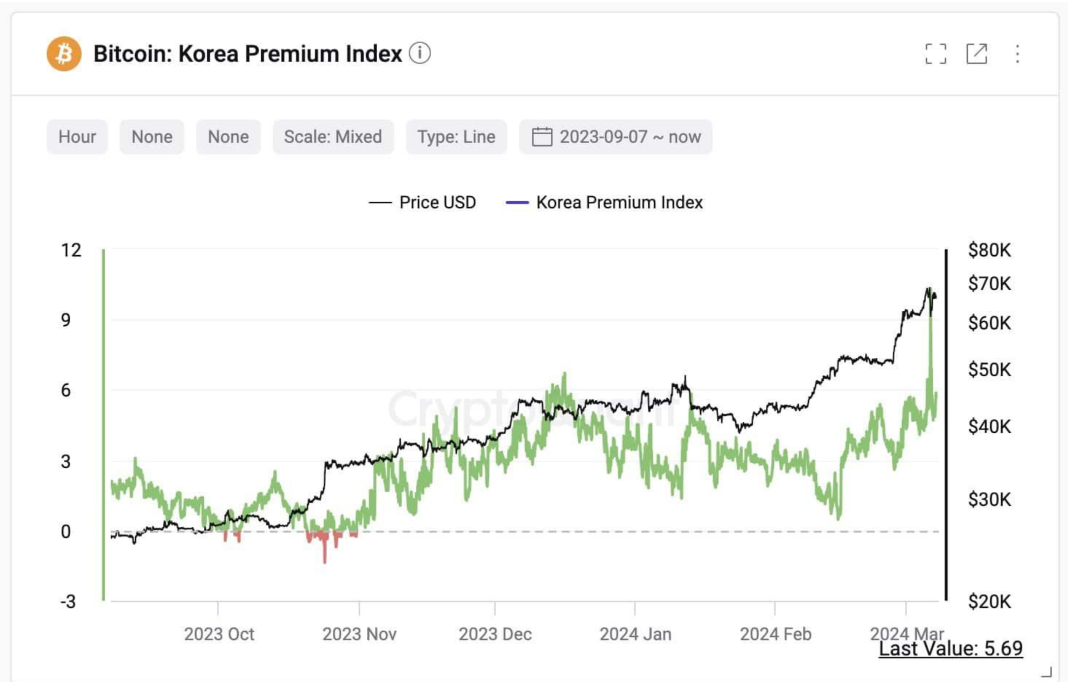


Figure 14. South Korea's Bitcoin Market Witnesses Historic 27-Month High in Kimchi Premium

- **South Korea's Bitcoin market observed a significant rise in the Kimchi Premium, reaching a 27-month high at 10.32 percent**
- **Strict local regulations and a growing demand among South Korean investors influence this price gap**
-

The price gap between Bitcoin prices in South Korea and other global markets, known as the Kimchi Premium, has surged to a 27-month record, hitting 10.32 percent last Wednesday, March 6th, according to CryptoQuant.

The term 'Kimchi Premium' is unique as it underscores the distinctive trading landscape in South Korea, which is heavily influenced by domestic regulations and market demand.

South Korea has implemented rigorous Anti-Money Laundering (AML) and securities regulations, overseen by the Financial Services Commission (FSC). These regulations require cryptocurrency exchanges and Virtual Asset Service Providers (VASPs) to adhere to strict guidelines, such as real-name verification, AML procedures, and cybersecurity measures. This tight control aims to safeguard the market and investors but can restrict overseas cryptocurrency flows due to the compliance required.

This significant increase in the Kimchi Premium therefore highlights the challenges international investors in the Korean crypto market face due to stringent South Korean regulations, as well as the the enthusiastic engagement of domestic investors in cryptocurrency markets. While aiming to mitigate risks associated with arbitrage, the current regulatory framework inadvertently fuels the premium by limiting the inflow of cryptocurrencies from overseas markets. As Bitcoin's value reaches unprecedented heights, the expanding gap signals a robust, albeit isolated, market enthusiasm.

El Salvador's Bitcoin Investments Surpass $150 Million in Value

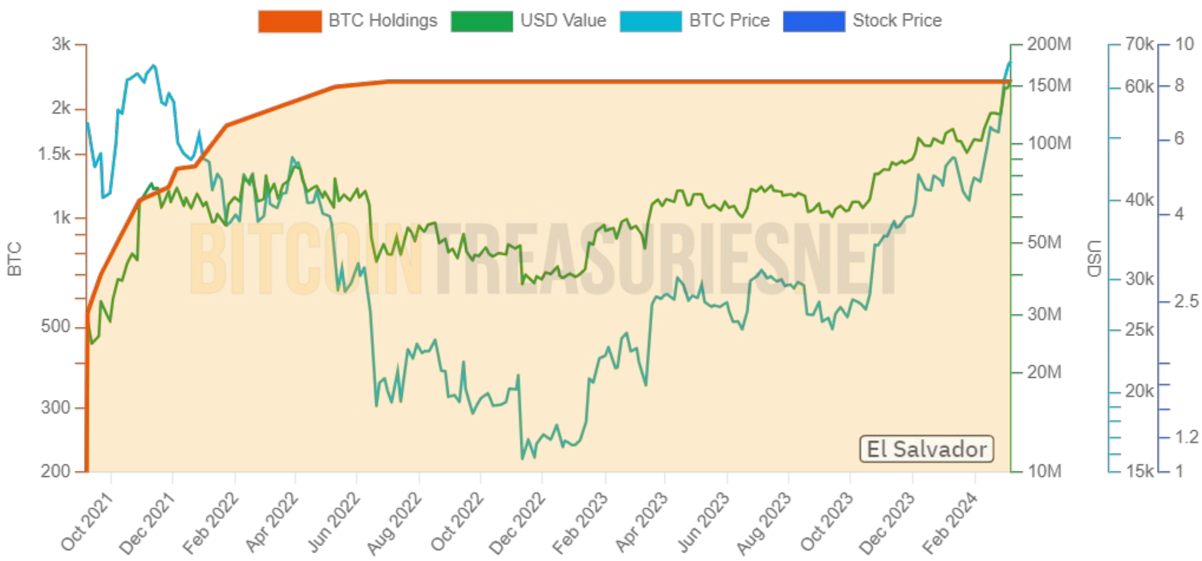


Figure 15. El Salvador's Bitcoin Investments Surpass $150 Million in Value

El Salvador's Bitcoin investments have significantly appreciated, now valued at over $150 million, and yielding a $50 million profit

El Salvador's Bitcoin assets have significantly increased in value, now exceeding $150 million. According to [data from BitcoinTreasuries](), the country has made a $50 million profit over the initial investment cost.

El Salvador made history in 2022 by becoming the first country to accept Bitcoin as legal tender. This bold move has turned what began as a depreciating investment into a substantial financial asset for the country. The Central American nation continues to stand out globally as it upholds the concept of a Bitcoin standard.

Under President Nayib Bukele, El Salvador is thought to have been purchasing one Bitcoin daily, accumulating a total of 2,380 BTC, valued at approximately $164.7 million on March 5th when Bitcoin hit a new all time high. This marks a 53 percent increase over the total acquisition cost, with an average purchase price of $44,300 per Bitcoin.

Figure 16. El Salvador President Nayib Bukele’s Post on X

In a recent post on X, President Bukele expressed criticism towards the media's portrayal of El Salvador’s Bitcoin adoption: “When Bitcoin’s market price was low, they wrote literally thousands of articles about our supposed losses. Now that Bitcoin’s market price is way up, if we were to sell, we would make a profit of over 40 percent (just from the market purchases), and our main source of BTC is now our citizenship program.” El Salvador's citizenship program is designed to grant citizenship to individuals who make significant investments in the country.

“...but it’s very telling that the authors of those hit pieces, the ‘analysts’, the ‘experts’, the ‘journalists’, are totally silent now.”, Bukele added.

SEC Holds Off on Approving Bitcoin ETF Options

Figure 17.SEC Holds Off on Approving Bitcoin ETF Options

- **The SEC has postponed the decision on allowing the Chicago Board Options Exchange (Cboe) and other exchanges to list and trade options on Bitcoin ETFs until late April**
- **Both the Cboe and other major exchanges like NYSE and Nasdaq are advocating for regulatory approval to offer options trading for cryptocurrency-based products**

The Securities and Exchange Commission (SEC) has delayed its decision on whether to allow the Cboe to introduce options trading for Bitcoin exchange-traded funds (ETFs). The Cboe, a leading market for options and futures trading in the US, submitted its initial request in January, seeking regulatory approval to list and trade options on the then emerging Bitcoin ETFs. The SEC said it was putting this request on hold until late April.

Options are contracts offering the buyer the right, but not the obligation, to buy or sell a specific financial asset at a set price within a certain time frame. This form of trading is often used to hedge risk, providing a safety net against market volatility. Cboe Options' current rules generally permit it to list options on an ETP three days after shares of the ETP begin trading on a national securities exchange like Nasdaq or the New York Stock Exchange.

Nonetheless, conventional rules applicable to other ETPs do not automatically apply to those involving commodities like Bitcoin. According to a statement from the Cboe, for the Options Clearing Corporation (OCC) to facilitate the issuance and clearance of these proposed Bitcoin options, not only must the Cboe's rule changes be approved by the SEC, but additional regulatory consents from both the SEC and the Commodity Futures Trading Commission (CFTC) are also necessary.

The Cboe is not the sole entity venturing into the cryptocurrency options space. The New York Stock Exchange (NYSE) has lodged filings to list "commodity-based trust shares," and Nasdaq has revealed intentions to offer options trading specifically on BlackRock's iShares Bitcoin Trust ETF. Nasdaq contends that such options would furnish investors with more affordable investment opportunities while also serving as effective hedging tools.

Grayscale has publicly supported the NYSE's proposed rule changes, particularly advocating for the SEC's approval of options on its fund, GBTC. Through a statement on their blog, Grayscale clarified, "Our argument is straightforward: If investing in options for shares of products holding derivatives of an asset is acceptable for investors, investing in options for shares of products holding the asset itself should be as well." This appeal underscores Grayscale's call for consistent regulatory treatment for direct asset holdings compared to derivative products.

Wyoming Enacts Pioneering Legislation to Legitimise Decentralised Organizations

Figure 18.Wyoming Enacts Pioneering Legislation to Legitimise Decentralised Organizations

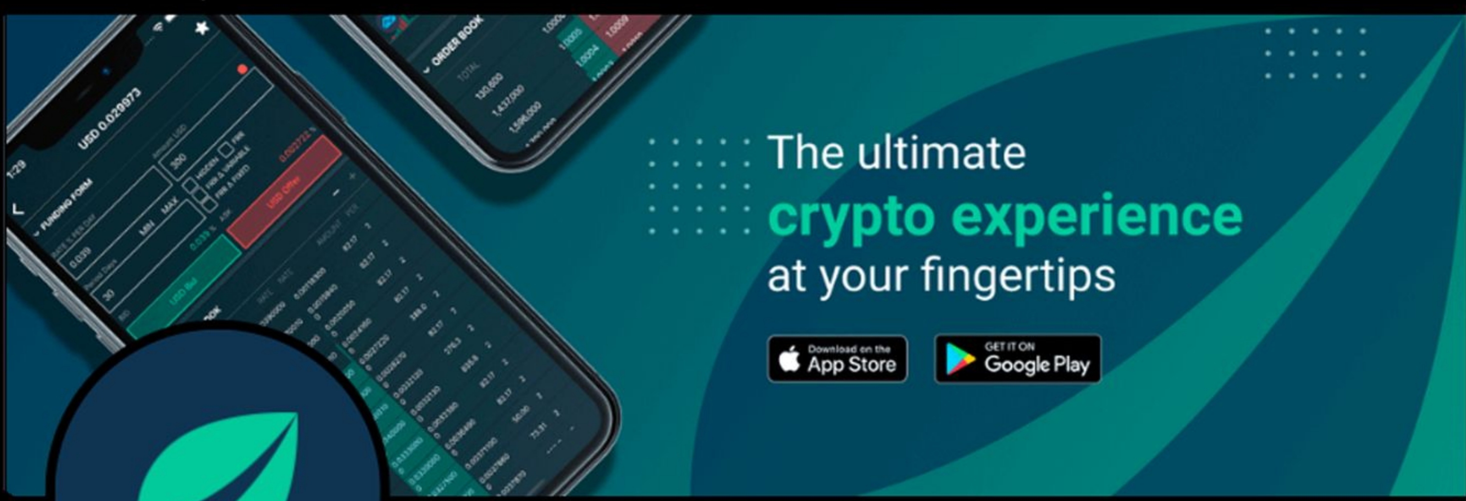
- **Wyoming has passed a new law granting legal status to DAOs within its jurisdiction**
- **This move, endorsed by Governor Mark Gordon, is seen as a major advancement in integrating blockchain initiatives into formal legal structures**

Wyoming has adopted a new law granting legal status to decentralised autonomous organisations (DAOs). The legislation, known as the Wyoming Decentralised Unincorporated Nonprofit Association Act or DUNA, received Governor Mark Gordon's endorsement last Thursday, March 7th. The new law will go into effect July 1, 2024.

Miles Jennings, the chief legal officer at a16zcrypto, hailed the enactment as a "major breakthrough" in a statement released on X, the social media platform, the following day. The venture capital firm played a pivotal role in shaping the legislation, contributing insights and appearing before state Senate and House legislative panels.

Last year, US authorities scrutinised DAOs closely. The Commodity Futures Trading Commission's notable victory against Ooki DAO set a significant legal precedent. This ruling highlighted the potential for DAOs to be considered accountable under the Commodity Exchange Act.

The newly passed bill in Wyoming addresses these challenges by offering DAOs the opportunity to gain legal recognition. This status is critical for engaging in various activities, including entering contracts, setting up banking operations, participating in legal processes, and fulfilling tax obligations.



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