BITFINEX Alpha

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EXECUTIVE SUMMARY

As the market begins to recover again after a sharp correction at the start of last week, we have been focusing on where the bottom of the current trading range is. We believe the pullback last week for Bitcoin from its current all-time high of $73,666, and amounting to an approximate 17.5 percent correction, suggests we are close to establishing a local bottom - and indeed may have already done so.

Reviewing the pattern of corrections we have seen since BTC reached its floor in November 2022, shows that corrections do not usually exceed 20-24 percent, and we expect the current cycle will be no different.

We also do not see the state of inflows into spot Bitcoin ETFs as any cause for concern. Even though negative ETF outflows featured heavily last week, all of it is from the Grayscale Bitcoin Trust (GBTC), as investors both switch out of the higher fees demanded by GBTC and also take profit, especially as many of these investors are long term holders who entered during the bear market. We would only be worried if the negative flows in GBTC began to be reflected in the newer ETFs like Blackrock's IBIT and Fidelity's FBTC.

GBTC investors are not the only sellers in the market. Whale wallet activities have also indicated significant profit taking, validated by the fact that the Spent Output Profit Ratio (SOPR) for long-term holders is firmly in profit territory. The lack of any movement in the Realised Price for long-term holders also shows that there has been no significant BTC purchases by this cohort since early February.

Our analysis indicates that in the current market, the floor for BTC is around $56,000, as this is both just above the Realised Price for the short-term holder cohort, and is also the estimated cost-basis for ETF investors. A fall to $56,000 would also be the maximum downturn we would expect from a new local high, amounting to around 23-24 percent - consistent with our earlier analysis of corrections to market bottoms.

In the broader macro economy, the US housing market is showing signs of improvement, as evidenced by a substantial increase in housing starts, bringing some hope that we could have a more balanced market, potentially easing the burden of shelter inflation, a notable factor contributing to the broader inflationary trends.

Further bolstering the housing sector's outlook, the National Association of Realtors reported a significant rise in existing home sales. Yet, this positive trend is counterbalanced by the diminishing inventory of available homes. The limited supply of existing homes, alongside the uptick in new home construction, underscores the persistent market pressure on housing, and indicates that new construction alone may not be enough to take the heat out of the housing market.

The Fed has indicated, however, that it anticipates three policy rate cuts this year, and that despite the recent surge in inflation, the central narrative remains one of gradual inflation reduction towards the 2% target, albeit on an uneven trajectory.

US business activity has remained stable, even as there has been a rise in input and output costs, further underscoring the Fed's complex challenge of managing inflation risks, and engineering a soft landing.

In the crypto-sphere, the SEC continues to delay ETF applications for spot ETH products, as it intensifies its scrutiny over Ether and the question of whether ETH should be classified as a security. The ongoing uncertainty has led to a widening of Grayscale Ethereum Trust's discount to 20 percent, its lowest since November 2023.

On the brighter side, BlackRock launched BUIDL, its inaugural tokenised asset fund on the Ethereum network. This launch is a significant milestone in BlackRock's digital asset strategy, providing qualified investors with a novel avenue to earn US dollar yields through blockchain technology, ensuring greater accessibility and transparency in on-chain offerings.

Have a good trading week!

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WHAT'S ON-CHAIN THIS WEEK?

BTC Decline Continues as ETF Outflows Persist

Last week, Bitcoin experienced a correction of approximately 17.5 percent from its all-time high (ATH) of $73,666 before it began to recover. Although the market is currently trading within a range, historical market cycle patterns suggest that the local bottom for this correction could either be established or is quite close to being established. A key factor behind this is that the stabilisation of flows into spot Bitcoin ETFs may imply that demand for Bitcoin is beginning to diminish, leaving the market to establish its own equilibrium.

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

This suggests that we are currently seeing a potential shift in market dynamics and investor sentiment.

The reason we feel confident that we are close to establishing a market cycle bottom - if we have not already done so - is that when the bear market bottom was reached in November 2022, with BTC dropping below $15,500, any subsequent significant decline from local highs was never more than 23 percent. The average correction in this cycle, including intra-day flash crashes often spurred by leverage, has always been within the 20-22 percent range.

With the current correction leading to just a 17.5 percent reduction in BTC's value, we believe this current cycle is exhibiting the same characteristics of previous market cycles.

We also anticipate a period of ranging in the near term, with the demand for ETFs stabilising and certainly moving away from the highly aggressive inflows of over $1 billion per day. Any downturn however is expected to be relatively moderate. Declines of 20-30 percent are normal in volatile crypto markets, and it's important to note that the recent pullback has had a more pronounced impact on some altcoins than on BTC. This suggests that while the market may face fluctuations, the overall severity of any decline for BTC may be less drastic than for some altcoins.

Last week spot Bitcoin ETFs experienced net negative flows for the first time, with every single day of trading last week reporting a net negative flow. Total outflows - all of which were from the Grayscale Bitcoin ETF - came in at over $2 billion for the week while the net outflow, after discounting the inflows for other ETFs, was $896 million. (refer Figure below)

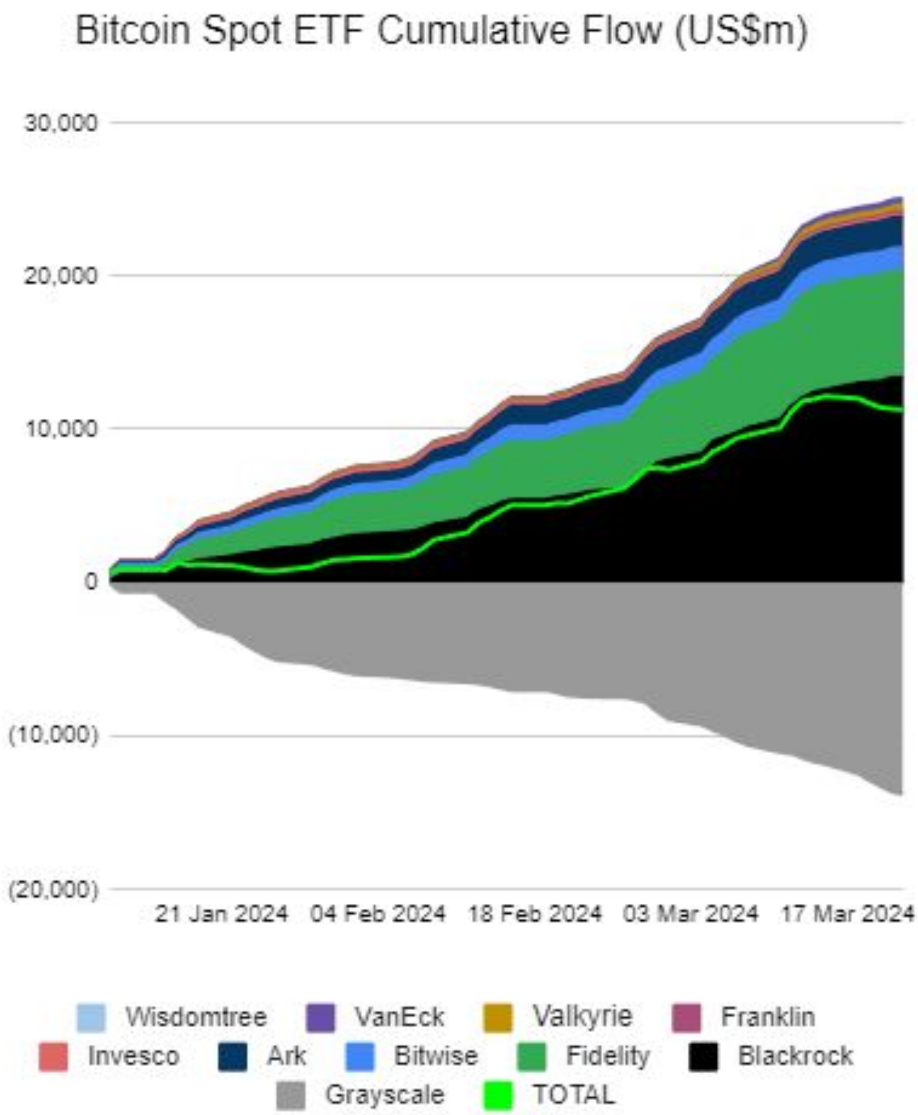


Figure 2. Spot Bitcoin ETF Cumulative Flows Across All ETF Providers. (Source: FarsideUK)

This shift to negative ETF flows last week however does not raise significant concerns for a couple of reasons. First, the outflows may reflect investors transitioning from GBTC to other ETF providers that offer lower and more financially attractive management fees. Second, and importantly, the lack of outflows in other ETFs is possibly due to the prolonged period during the bear market when GBTC traded at a discount exceeding 50 percent.

Following the transformation of the fund into an ETF, this discount has nearly disappeared. This change suggests that large BTC holders who invested in the GBTC trust during the bear market are now realising returns more than double those of general market participants who invested directly into BTC, as their investments have appreciated significantly. Consequently, this group of investors has begun profit-taking earlier than the usual timeline observed for whale investors and holders in a bull market, initiating their sales as market conditions become more favourable. However, we do not believe there is a real cause for concern in terms of ETF flows unless the newly launched ETFs, and primarily the Blackrock and Fidelity offerings, start experiencing negative flows.

It is also important to note that ETF flows as a proportion of spot trading volumes on CEXs (Centralised Exchanges) has been increasing recently. (refer Figure below)

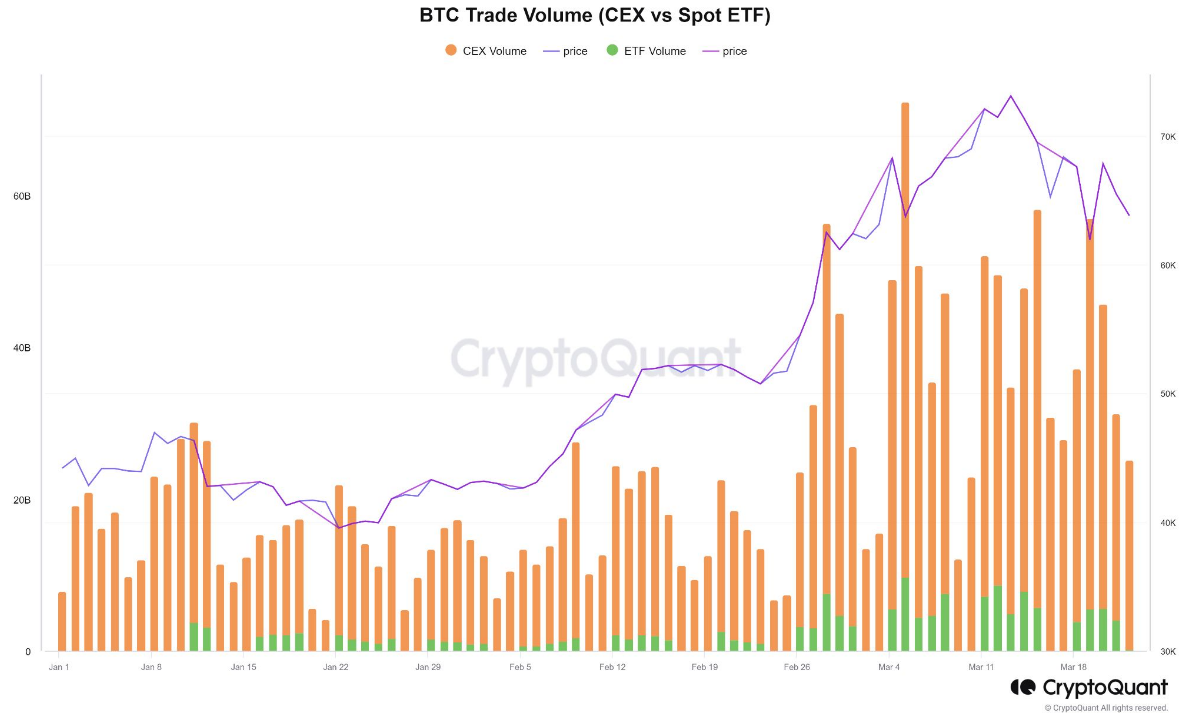


Figure 3. BTC Trading Volume For CEXes and ETFs. (Source: CryptoQuant)

ETF volumes as a proportion of CEX spot trading volume reached a peak on March 12th, when ETF volumes were over 21.8 percent of the net spot trading volume for Bitcoin across centralised exchanges. This suggests that spot orderflow is on track to become a weak proxy for real-time ETF flows, if this trend continues.

Whale Movements and Related Support Levels

Whale wallets have been consistently selling since the start of March, which as the figure below indicates, often leads to a phase of volatility, and short-term decline to form a local dip. On March 13th, the market witnessed the highest whale wallet outflow since November 2022, with 20,506 BTC being moved.

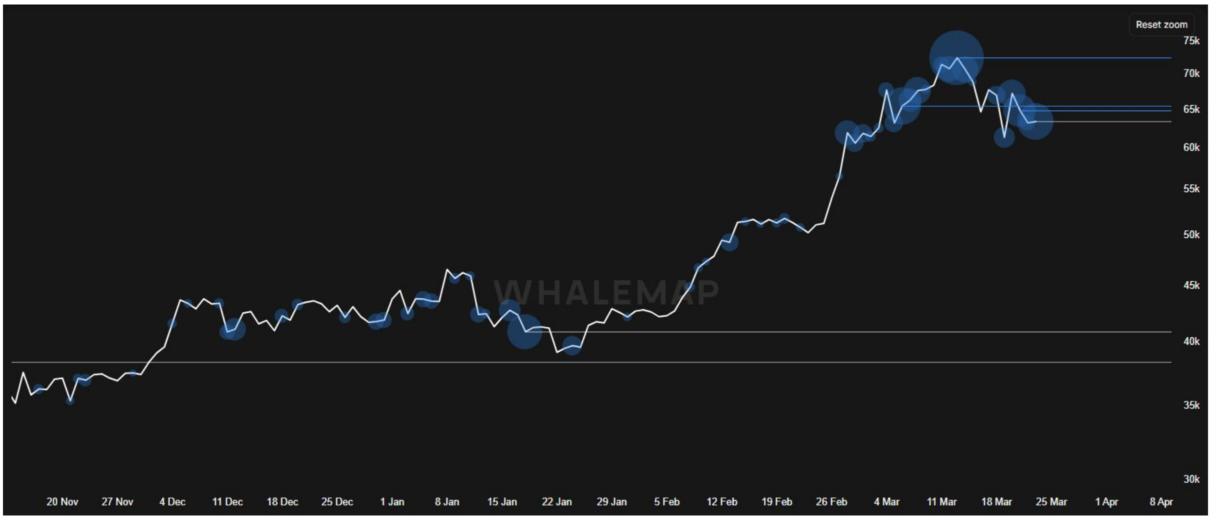


Figure 4. Cumulative Whale Wallet Outflows For Bitcoin. (Source: Whalemap)

The whale wallet outflows indicator by *Whalemap* is used to track whale wallets where the size of each bubble correlates to the cumulative outflow for that particular day across wallets with a net balance of more than 10,000 BTC. Such sell-offs, with whales selling into rising BTC prices typically signal the onset of a healthy correction. This pattern also explains the heightened market turbulence observed whenever the price reaches a new all-time high (ATH).

Spent Output Profit Ratio (SOPR) values significantly above one - when coins are being moved at a profit - suggest that there is aggressive profit-taking among holders. For long-term holders (LTH) , the SOPR value has been consistently elevated above the average threshold of one since the start of March (refer Figure below). Please note that there has always been a strong consistent overlap between the long-term holder and whale (or large holder) cohort. This trend indicates a marked increase in profit-taking activities by the LTH cohort.

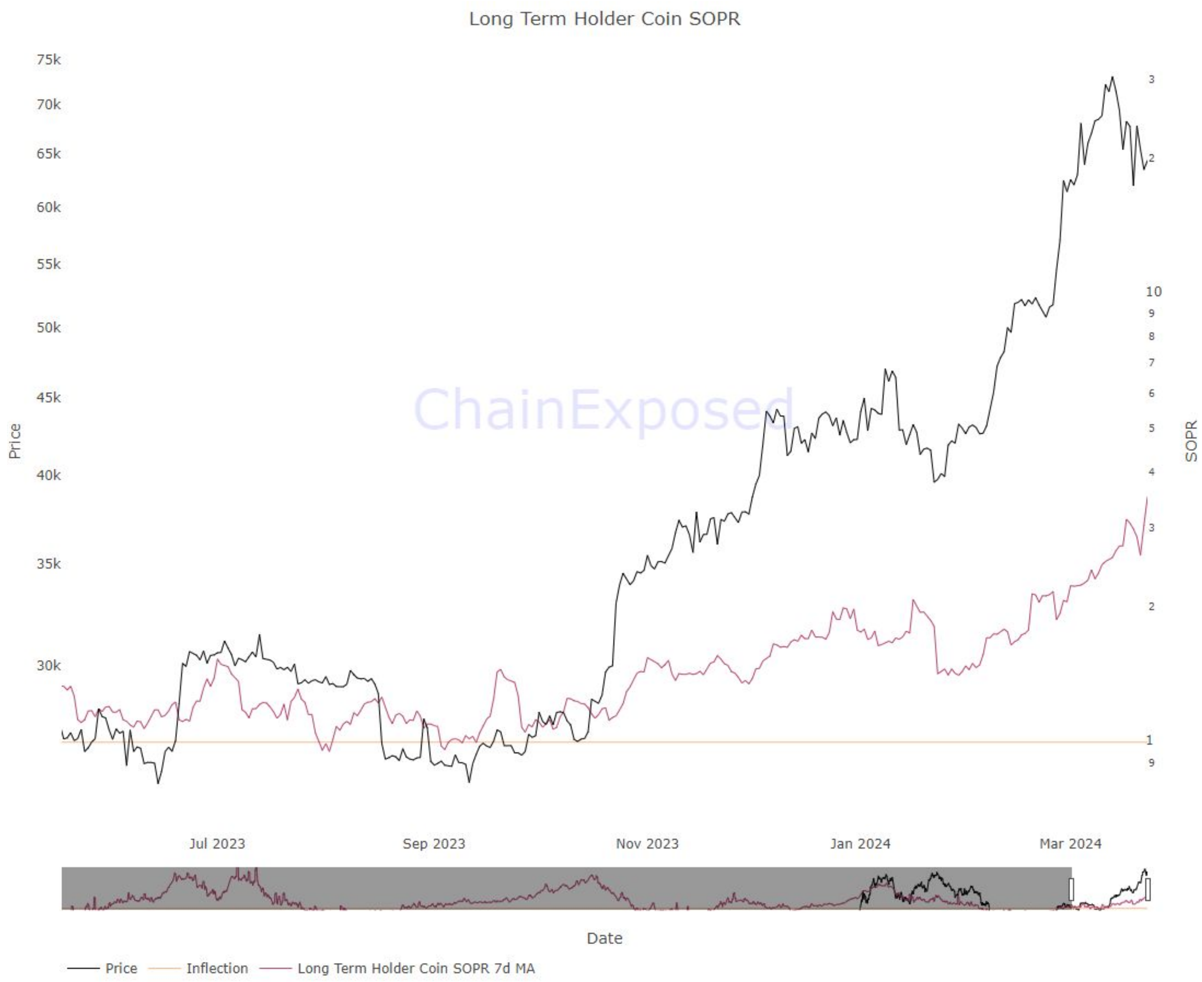


Figure 5. Long-Term Holder Spent Output Profit Ratio. (Source: ChainExposed)

SOPR is an indicator that measures the profitability of spent coins by comparing the combined USD value of all coins spent on a given day to the combined USD value of those coins at the time they were acquired.

To interpret this metric, one observes how the current SOPR value stands in relation to the break-even point of 1. A SOPR value of 1 indicates that, on average, sellers are breaking even, neither making a profit nor a loss.

Another point to be noted is that LTHs have hardly bought BTC since early February 2023, which is demonstrated by the fact that the long-term holder's Realised Price has stayed stable in this period.

Figure 6. Bitcoin Long-Term Holder Realised Price. (Source: LookIntoBitcoin)

With the current LTH realised price below $20,000 there is a very high likelihood that BTC will not trade near this level in the current cycle. However, the Short-Term Holder (STH) Realised price is currently at $55,834 (refer figure below) and has served as a crucial dynamic support/resistance level throughout this cycle.

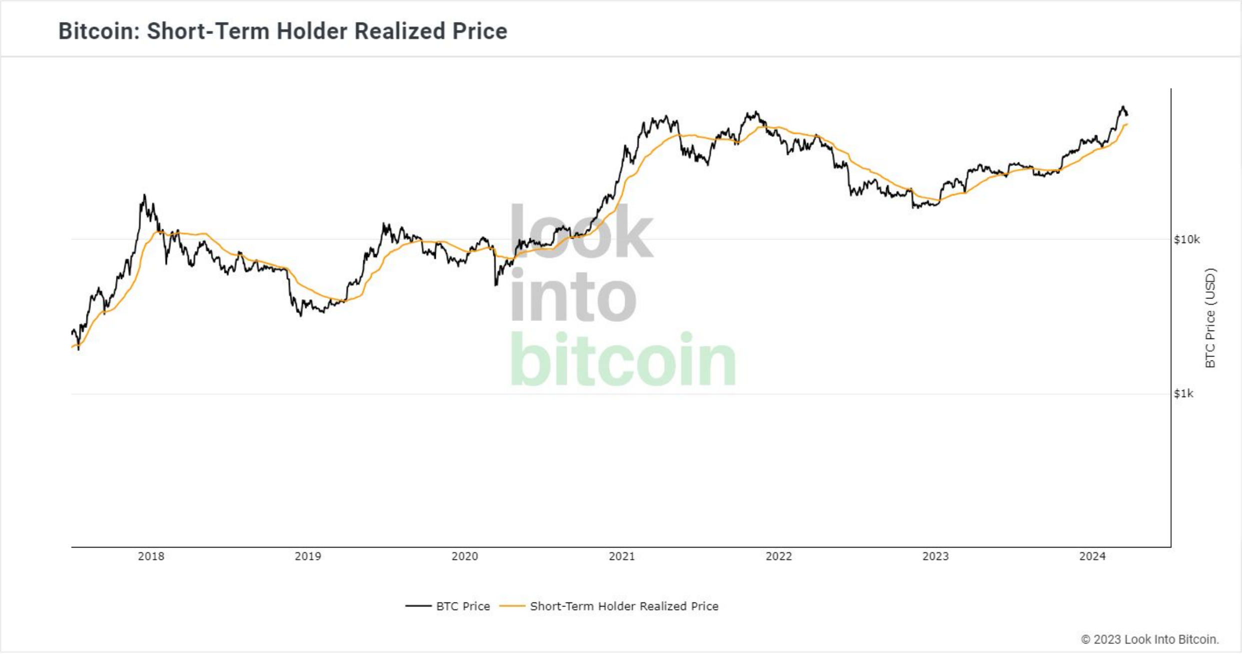


Figure 7. Bitcoin Short-Term Holder Realised Price. (Source: LookIntoBitcoin)

The current cost basis for all the inflows for spot Bitcoin ETFs since inception lies around $56,000 as well. This is an estimate based on the per day inflow data analysed by CryptoQuant.

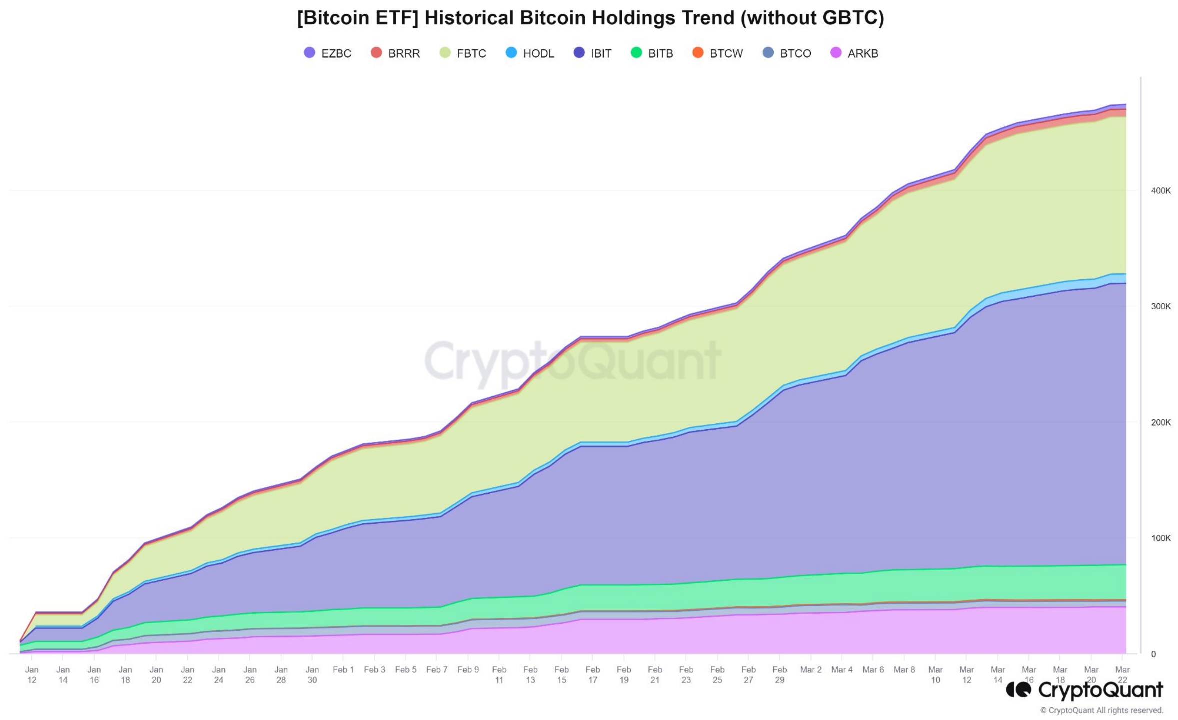


Figure 8. Spot Bitcoin ETFs Historical Netflow Trend Without GBTC. (source: CryptoQuant)

Any decline to $56,000 for BTC would align with the maximum downturn we would expect from a new local high to the bottom, amounting to around 23-24 percent, as we outlined in our previous analysis. Indeed $56,000 is a crucial level for BTC, offering a convergence of technical indicators that suggest this price point could act as a pivotal area for Bitcoin's short-term market trajectory.

Regardless of these levels it is important to note that BTC has already corrected 17.5 percent which is close to the average downturn from local highs since the bear market bottom. Regardless of whether we see BTC move lower, we do not expect a V-shaped recovery as has been the case for previous dips since 2023.

GENERAL MACRO UPDATE

Resilient Growth in US Housing Starts

NEW RESIDENTIAL CONSTRUCTION
FEBRUARY 2024

Building Permits:	**1,518,000**
Housing Starts:	**1,521,000**
Housing Completions:	**1,729,000**

Next Release: April 16, 2024

Seasonally Adjusted Annual Rate (SAAR)
Source: U.S. Census Bureau, HUD, March 19, 2024

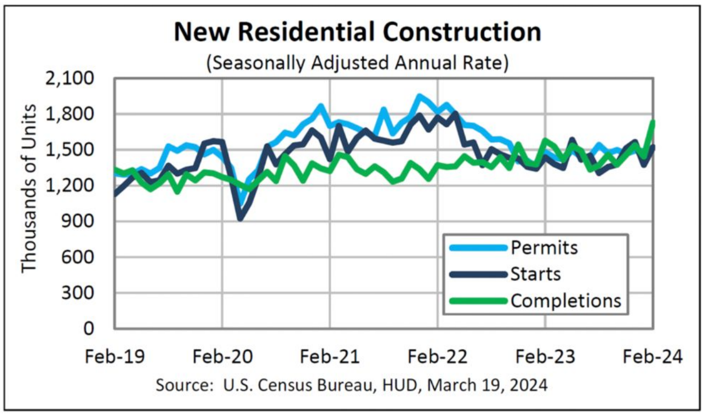


Figure 9. New Residential Construction, February 2024 (Source: US Census Bureau)

US housing starts **and permit issuance saw a substantial increase in February, after falling in January due to unfavourable weather conditions.**

Housing starts were up by 10.7 percent to 1.521 million units (consensus forecast was 1.43 million), and building permits were up 1.9 percent (consensus forecast was 1.49 million).

Single-family home construction starts, which account for the bulk of homebuilding, saw a sharp 11.6 percent rise, hitting its highest level in nearly two years, at an adjusted annual rate of 1.129 million units, driven by warmer weather and a consistent shortage of previously owned homes in the market. Building permits for future construction of single-family housing units rose to its highest number in more than one and a half years.

These latest numbers provide a glimmer of hope towards achieving a more balanced housing market, potentially alleviating the pressure of shelter inflation, a significant component in the broader inflationary landscape. Despite the housing market grappling with the impact of the Federal Reserve's aggressive campaign of interest rate hikes that started in 2022, the homebuilding sector finds support in the ongoing shortage of home inventory.

In a separate report from the National Association of Home Builders, confidence among builders of single-family homes reached an eight-month high in March amid optimism about sales now and over the next six months. While the inventory of existing homes slightly improved, it remains substantially below levels seen before the pandemic. New construction offers an alternative to resale homes, particularly as builders have ramped up over the last year.

Completed housing projects increased to 1.7 million, the highest number since 2007 and comes at a time when the demand for new homes is improving, and housing prices remain high, providing builders with greater incentives to complete projects promptly.

Despite the increase in construction, the housing market still remains challenged, however. Homeowners are hesitant to sell because many have locked in lower mortgage rates in the past, contributing to a low supply of existing homes. This ongoing shortage keeps the housing market tight.

Moreover, the anticipation of the Fed's less aggressive interest rate cuts adds another layer of complexity. Initially, the market expected four rate cuts this year, which would have potentially lowered mortgage rates and increased buying activity. However, now only three cuts are expected due to the recent inflation report being higher than expected. This means that despite some recovery signs in the housing market, high demand and limited supply will likely maintain a tight housing market throughout the year.

Surge in Existing Home Sales as Inventory Tightens

To add to the upside seen in housing starts and permits this week, the National Association of Realtors also reported a significant increase in existing home sales.

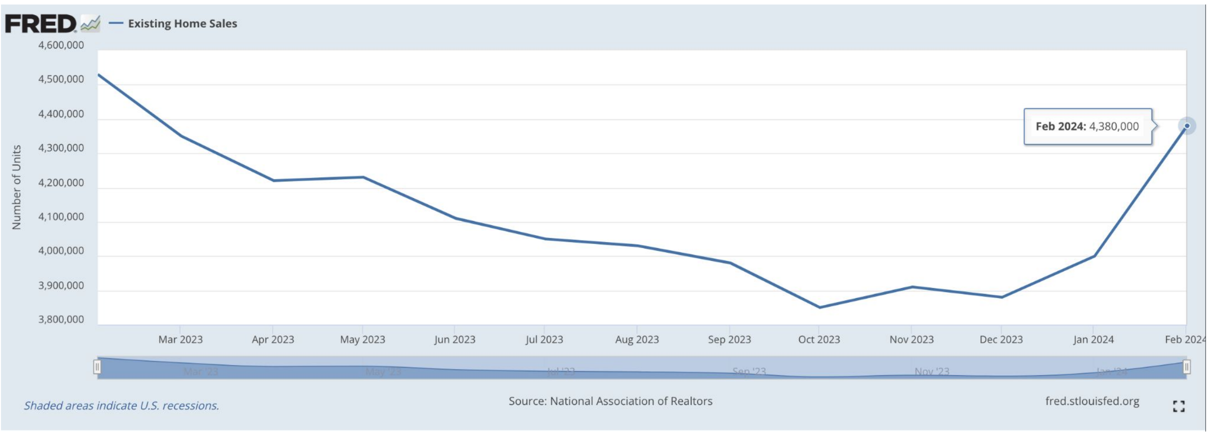


Figure 10. Existing Home Sales (Source: National Association of Realtors)

In February, sales of existing homes rose by 9.5 percent to 4.38 million, well above the consensus forecast of 3.95 million. This growth, marking the third increase in nine months, is likely fueled by the Fed's pause in interest rate hikes.

Long-term mortgage rates have been easing since reaching a peak in October last year, and the Fed's pause has fuelled added confidence in the housing market.

Figure 11. US 30-Year and 15-year Mortgage Rates

However, while existing home sales are picking up, the inventory of available homes continues to decrease. At the current rate of sales, the inventory will be exhausted after just 2.9 months, which is the shortest timespan since March 2023. The persistent decrease in existing home supply, despite a rise in new home construction, suggests that housing market pressures remain. It underscores that the increased supply from new construction might not be enough to significantly alter the market dynamics characterised by high demand and limited overall supply.

Federal Reserve Signals Possible Rate Cuts

The Summary of Economic Projections (see below) and the latest Fed policy statement indicated that the Fed is looking to cut policy rates three times this year. Fed Chair Jerome Powell, emphasised that despite the recent surge in inflation readings, it had not changed the "overall story which is that of inflation moving down gradually on a sometimes-bumpy road toward two percent."

Percent

Variable	Median[1]			
	2024	2025	2026	Longer run
Change in real GDP	2.1	2.0	2.0	1.8
December projection	1.4	1.8	1.9	1.8
Unemployment rate	4.0	4.1	4.0	4.1
December projection	4.1	4.1	4.1	4.1
PCE inflation	2.4	2.2	2.0	2.0
December projection	2.4	2.1	2.0	2.0
Core PCE inflation[4]	2.6	2.2	2.0	
December projection	2.4	2.2	2.0	
Memo: Projected appropriate policy path				
Federal funds rate	4.6	3.9	3.1	2.6
December projection	4.6	3.6	2.9	2.5

Figure 12. Economic projections of Federal Reserve Board members and Federal Reserve Bank presidents, under their individual assumptions of projected appropriate monetary policy, March 2024 (Source: Federal Reserve)

At last week's Federal Open Market Committee meeting, the Fed kept rates steady but notably revised its economic forecasts, predicting faster growth of 2.1 percent this year, significantly higher than its December projection of 1.4 percent. It also forecast for unemployment to reach four percent by the end of 2024, a slight increase from the current rate of 3.9 percent. The closely watched core Personal Consumption Expenditure (PCE) index forecast was also adjusted upwards to 2.6 percent, higher than December's forecast of 2.4 percent.

While the majority of Fed policymakers foresee three rate reductions this year (see Figure below), they are expecting fewer rate cuts in 2025 and 2026. This change is primarily predicated on recent improvements in economic forecasts,

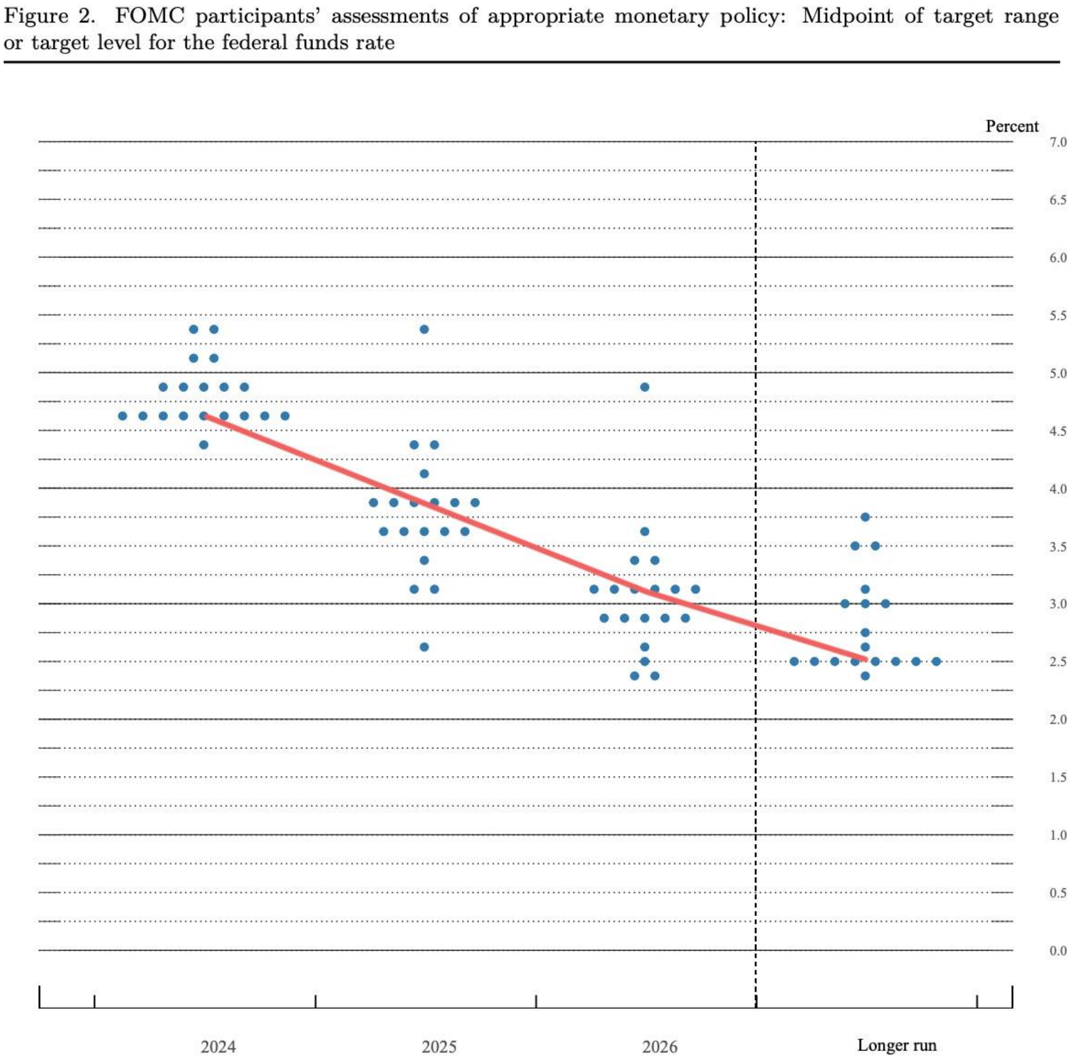


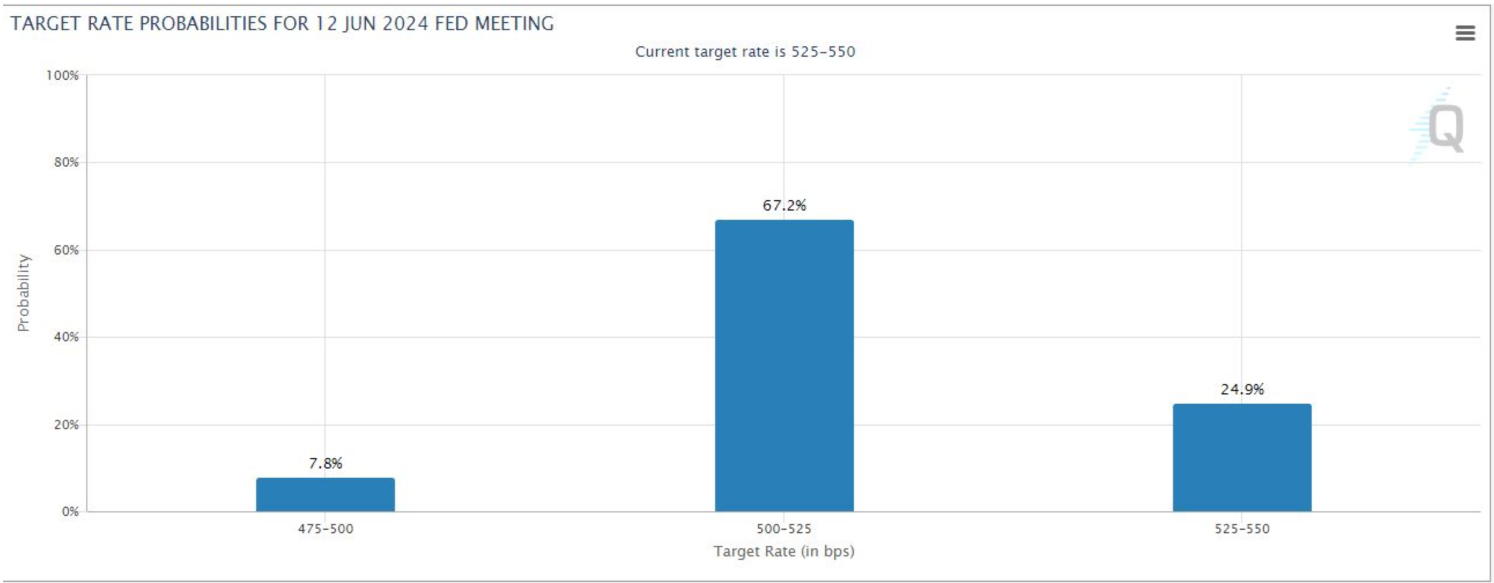
Figure 13. Federal Reserve's Dot Plot
(Source: Summary Of Economic Projections - Federal Reserve)

Powell, in a press conference, stated that the timing for the proposed rate cuts will depend on the Fed's "ongoing assessment of the incoming data, the evolving outlook, and the balance of risks."

As of March 25, the market projects a 75 percent chance of a rate cut this year alongside expectations of three total cuts throughout the year.

The Federal Reserve has made clear that any decisions on lowering interest rates will be guided by inflation trends and its strategy is to reduce interest rates gradually, in a manner that supports sustained economic growth and maintains full employment.

Looking forward, as interest rates decrease, this will likely result in fresh corporate debt issuance, relieving stress related to vast amounts of commercial real estate and corporate debt that require refinancing in the next two years given the looming maturity wall.



TARGET RATE (BPS)	PROBABILITY(%) NOW *	1 DAY 22 MAR 2024	1 WEEK 18 MAR 2024	1 MONTH 23 FEB 2024
450-475	0.0%	0.0%	0.0%	0.3%
475-500	7.8%	8.9%	3.9%	12.9%
500-525	67.2%	66.7%	50.8%	52.3%
525-550 (Current)	24.9%	24.4%	45.3%	34.5%

* Data as of 25 Mar 2024 12:42:23 CT

1/1/2025 and forward are projected meeting dates

Figure 14. Rate Probabilities for June 12 2024 Fed meeting (Source: CME FedWatch Tool)

CME FEDWATCH TOOL - MEETING PROBABILITIES

MEETING DATE	300-325	325-350	350-375	375-400	400-425	425-450	450-475	475-500	500-525	525-550	
5/1/2024					0.0%	0.0%	0.0%	0.0%	10.9%	89.1%	
6/12/2024	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	7.8%	67.2%	24.9%	1st Rate Cut
7/31/2024	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	3.9%	37.3%	46.2%	12.6%	
9/18/2024	0.0%	0.0%	0.0%	0.0%	0.0%	3.0%	29.9%	44.3%	20.0%	2.8%	2nd Rate Cut
11/7/2024	0.0%	0.0%	0.0%	0.0%	1.5%	15.9%	36.8%	32.7%	11.7%	1.4%	3rd Rate Cut
12/18/2024	0.0%	0.0%	0.0%	1.0%	11.7%	30.8%	33.8%	17.8%	4.4%	0.4%	
1/29/2025	0.0%	0.0%	0.5%	6.5%	21.4%	32.3%	25.7%	11.0%	2.4%	0.2%	
3/19/2025	0.0%	0.3%	3.9%	15.0%	27.6%	28.6%	17.3%	6.1%	1.1%	0.1%	
4/30/2025	0.1%	1.8%	8.6%	20.3%	28.0%	23.8%	12.6%	4.0%	0.7%	0.1%	

Figure 15. Meeting Probabilities for 2024 (Source: CME FedWatch Tool)

Steady Business Activity in March Meets Rising Prices, Fueling Inflation Concerns

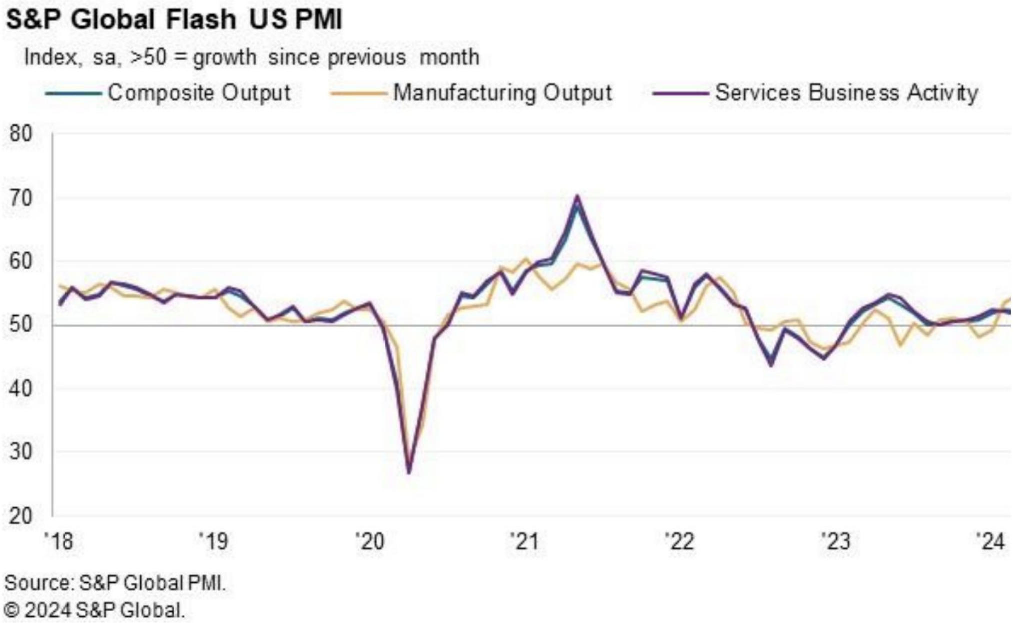


Figure 16. S&P Flash US PMI (Data Collected Between March 12 to March 20, 2024 by S&P Global)

In March, US business activity was largely unchanged month on month, but a widespread increase in prices signal persistent inflationary pressure. According to S&P Global, the flash US Composite PMI Output Index, an indicator of the health of manufacturing and service sectors, overall slightly declined to 52.2 from February's 52.5. An index above 50 still denotes growth in the sector.

However the manufacturing component increased, with its flash PMI reaching 52.5, the highest since June 2023, and up from 52.2 in February. While new orders growth moderated, employee numbers were up, and supply chain conditions continued to improve. Meanwhile however, costs for manufacturing inputs also rose.

In the services sector, PMI dropped to 51.7 from February's 52.3, hinting at a slowdown, with costs for inputs and prices also rising, though employment levels held steady.

Further insights from the S&P Global survey indicate a slight decrease in new private sector orders to 52.1 from February's 52.3, with input costs increasing here too, climbing to a six-month high of 58.9 from 55.5. Output prices similarly surged to 56.8, the highest since April 2023, up from 54.1 in February, with service sectors experiencing most of the increase.

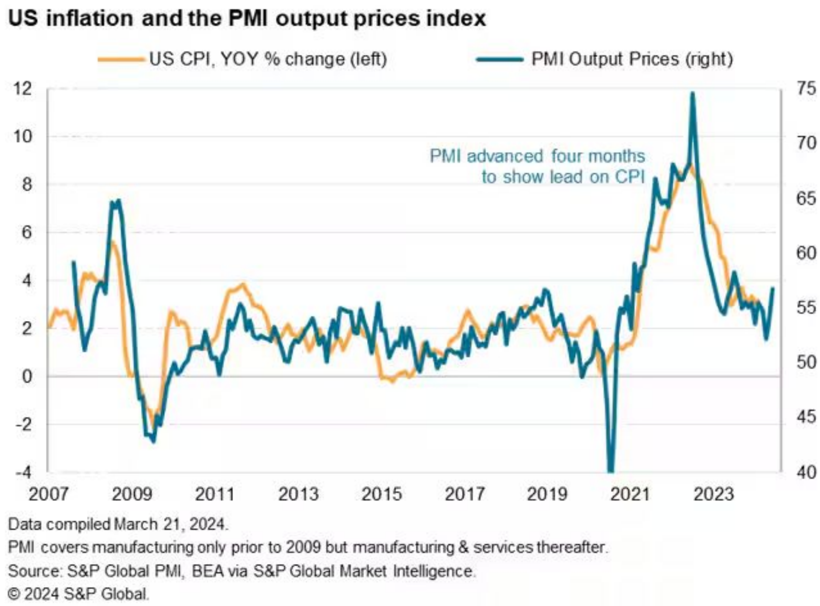


Figure 17. US Inflation and the PMI Output Prices Index (Source: S&P Global and Bureau of Economic Analysis)

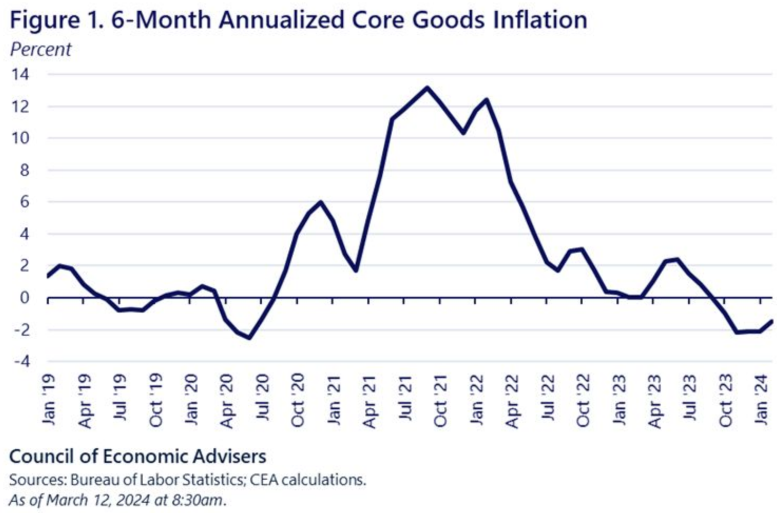


Figure 18. 6-Month Annualised Core Goods Inflation (Source: Bureau of Labor Statistics)

With the previous period of deflation in goods (see Figure above) apparently nearing its end, a significant reduction in services pricing is now essential to steer overall inflation downward. The current month's recorded increase in both input and output prices indicates potential inflationary pressures ahead, adding the notable increase in consumer prices seen at the start of the year.

Though business activity remains stable currently, the clearly evident inflationary pressure demonstrates how complex, the Fed's challenge is. The inflationary risks identified in the S&P Global survey not only corroborate the Fed's current economic assessments but also validate the necessity for a measured and responsive approach to monetary policy. By emphasising again last week its data-dependent approach to monetary policy, the Fed acknowledges the intricate balance required between fostering economic growth and controlling inflationary pressures.

NEWS FROM THE CRYPTO-SPHERE

SEC Delays Decision on Ether ETFs

Figure 18.SEC Delays Decision on Ether ETFs

- **The SEC has postponed the decision on the Hashdex Nasdaq Ethereum ETF and Ark21Shares Ethereum ETF to May 30th**
- **The day after, the SEC also announced that will delay its decision on theVanEck Ethereum ETF until May 23 2024**

The Securities and Exchange Commission (SEC) has postponed its decision on the approval of the Hashdex Nasdaq Ethereum Exchange-Traded Fund (ETF) to May 30th, 2024. The proposed Hashdex ETF, if approved, is set to hold both spot Ether and futures contracts.

This isn't the first time the SEC has extended its timeline for deciding on this particular ETF. Public comments were invited by the SEC in December when it was initially proposed for listing on the Nasdaq stock exchange in September. The ETF is under the management of Toroso Investments, which is a recognised commodity pool operator by the Commodity Futures Trading Commission and part of the National Futures Association.

The SEC also deferred its decision on the ARK 21Shares Ethereum ETF, another fund tracking Ether's performance, pushing the decision date to May 24th, 2024. The SEC is also soliciting public feedback on this fund.

And the SEC is also delaying its decision on another spot Ether ETF, VanEck Ethereum ETF, until May 23rd, 2024 and also asked for public comments.

As was the pattern previously with the Spot Bitcoin ETFs, the SEC has approved Ether futures-based ETFs but until now has yet to approve an ETF based on spot Ether or a combination of both spot and futures, pending further consultation. In October, the launch of nine futures-based ETFs marked a significant development, though evaluation and approval is coming slowly. In addition, a complicating issue is the SEC’s ongoing analysis on whether Ether should be classified as a security, as discussed in the next section.

SEC Escalates Scrutiny on Ethereum, Impacting ETF Hopes

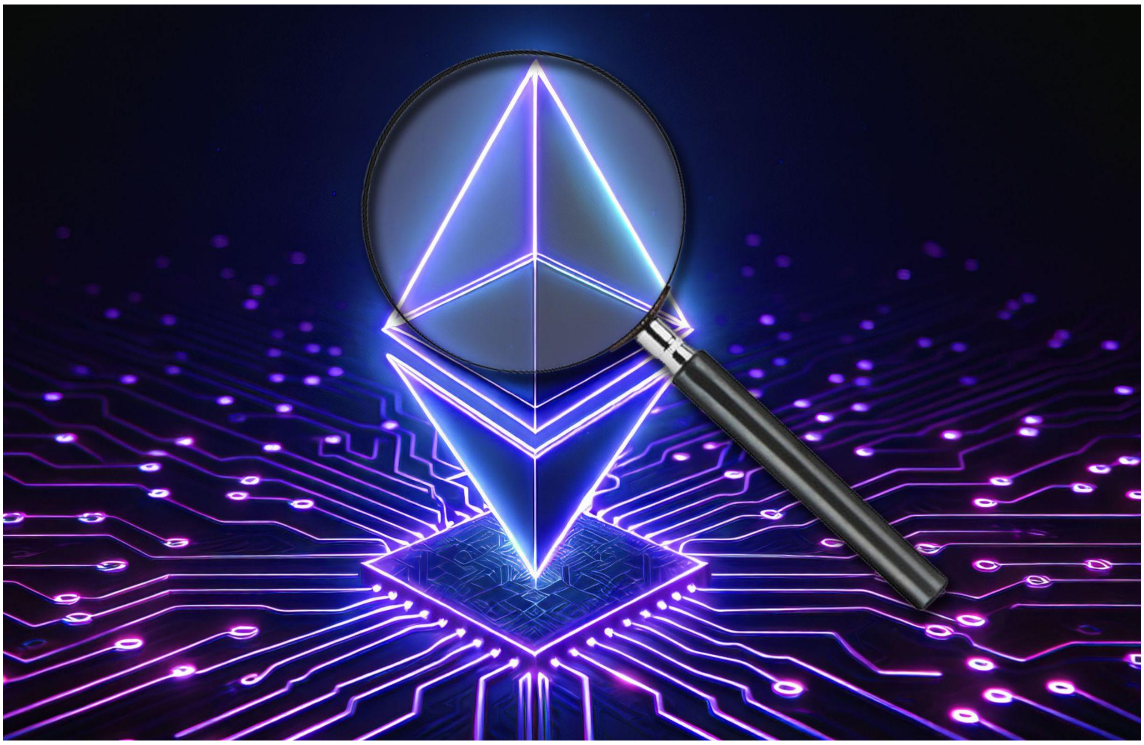


Figure 19.SEC Escalates Scrutiny on Ethereum, Impacting ETF Hopes

- **The SEC is intensifying its efforts to classify Ether as a security, a move that could upend the the prospects for Ether-based ETFs**
- **The investigation focuses on the Ethereum Foundation and the blockchain's transition to a proof-of-stake model, raising significant regulatory questions**

In an aggressive move that casts a shadow over the cryptocurrency landscape, the Securities and Exchange Commission (SEC) is reportedly intensifying its efforts to categorise Ether as a security. Several US companies are said to have been subpoenaed as part of an inquiry to determine whether Ether should be classified as a security. This step has significant implications for asset managers such as BlackRock that are awaiting approval for their applications for Ether-based Exchange-Traded Funds (ETFs).

The ongoing scrutiny targets the Ethereum Foundation's success in transforming the Ethereum network to a proof-of-stake consensus mechanism, following The Merge in September 2022, which could now mark a potential turning point in how the blockchain and Ether is regulated.

This latest SEC action is part of its ongoing actions where it has alleged that several crypto assets constitute securities. While Bitcoin is generally seen as a commodity that in theory falls under the purview of the Commodities and Futures Trading Commission (CFTC), the SEC considers most other cryptocurrencies as securities, necessitating formal registration.

Ether’s unresolved status also means that if it is adjudged to be a security, this could also disrupt the CFTC’s oversight of Ether's futures markets.

BlackRock Launches BUIDL: Tokenised Asset Fund on Ethereum with $5M Entry Barrier

Figure 20.BlackRock Launches BUIDL: Tokenized Asset Fund on Ethereum with $5M Entry Barrier

- **BlackRock introduces its inaugural tokenised asset fund, BUIDL, on the Ethereum network, marking a significant step in the firm's digital assets strategy**
- **BUIDL offers qualified investors the opportunity to earn US dollar yields, leveraging blockchain technology to provide benefits such as enhanced accessibility to on-chain offerings and a transparent settlement process**

BlackRock announced its first tokenised asset fund, named the BlackRock USD Institutional Digital Liquidity Fund (BUIDL), launched on the Ethereum network. This marks BlackRock's first foray into tokenised funds issued on a public blockchain, aiming to provide qualified investors with US dollar yields. The fund, spearheaded by BlackRock's Head of Digital Assets, Robert Mitchnick, is a significant leap forward in the firm's digital assets strategy, designed to tackle real-world financial challenges for its clients.

“BUIDL will offer investors important benefits by enabling the issuance and trading of ownership on a blockchain, expanding investor access to on-chain offerings, providing instantaneous and transparent settlement, and allowing for transfers across platforms,” BlackRock said in an announcement.

To participate, investors must meet a substantial initial investment threshold of $5 million.

BlackRock has enlisted Bank of New York Mellon as the custodian and administrator of the Fund's assets, while Securitize Markets, LLC, an SEC-registered transfer agent, will manage asset tokenisation.

Securitize's Co-founder and CEO, Carlos Domingo, underscored the transformative potential of tokenised securities in capital markets, emphasising the growing accessibility of traditional financial products through digitization. BlackRock is also an investor in Securitize with BlackRock's Global Head of Strategic Ecosystem Partnerships, Joseph Chalom, joining Securitize's Board of Directors.

BlackRock's move into tokenised assets is a potential further catalyst to the adoption of blockchain technology in mainstream finance.

Grayscale Ethereum Trust Discount Widens to -20 Percent Amid Spot ETF Uncertainty

Figure 21. Grayscale Ethereum Trust Discount Widens to -20 Percent Amid Spot ETF Uncertainty

Grayscale Ethereum Trust discount hits 20 percent, marking its lowest level since November 2023, signalling diminishing hopes for a spot Ether ETF approval by May

The discount at the Grayscale Ethereum Trust reached its lowest point since November 2023, plummeting to -20 percent. This downward trend mirrors waning hopes for the approval of a spot Ether ETF, even by May - which is the month most ETF applications have been delayed to (see section above on *SEC delays decision on Ether ETFs*).

If a spot Ether ETF were to gain approval, Grayscale's Trust would undergo conversion, as did its Bitcoin counterpart, which would allow investors to redeem underlying Ether, effectively eradicating the discount. However, the discount suggests a lack of anticipation for swift approval and conversion.

Bloomberg ETF analyst James Seyffart slashed the odds of approval in a recent post on X.

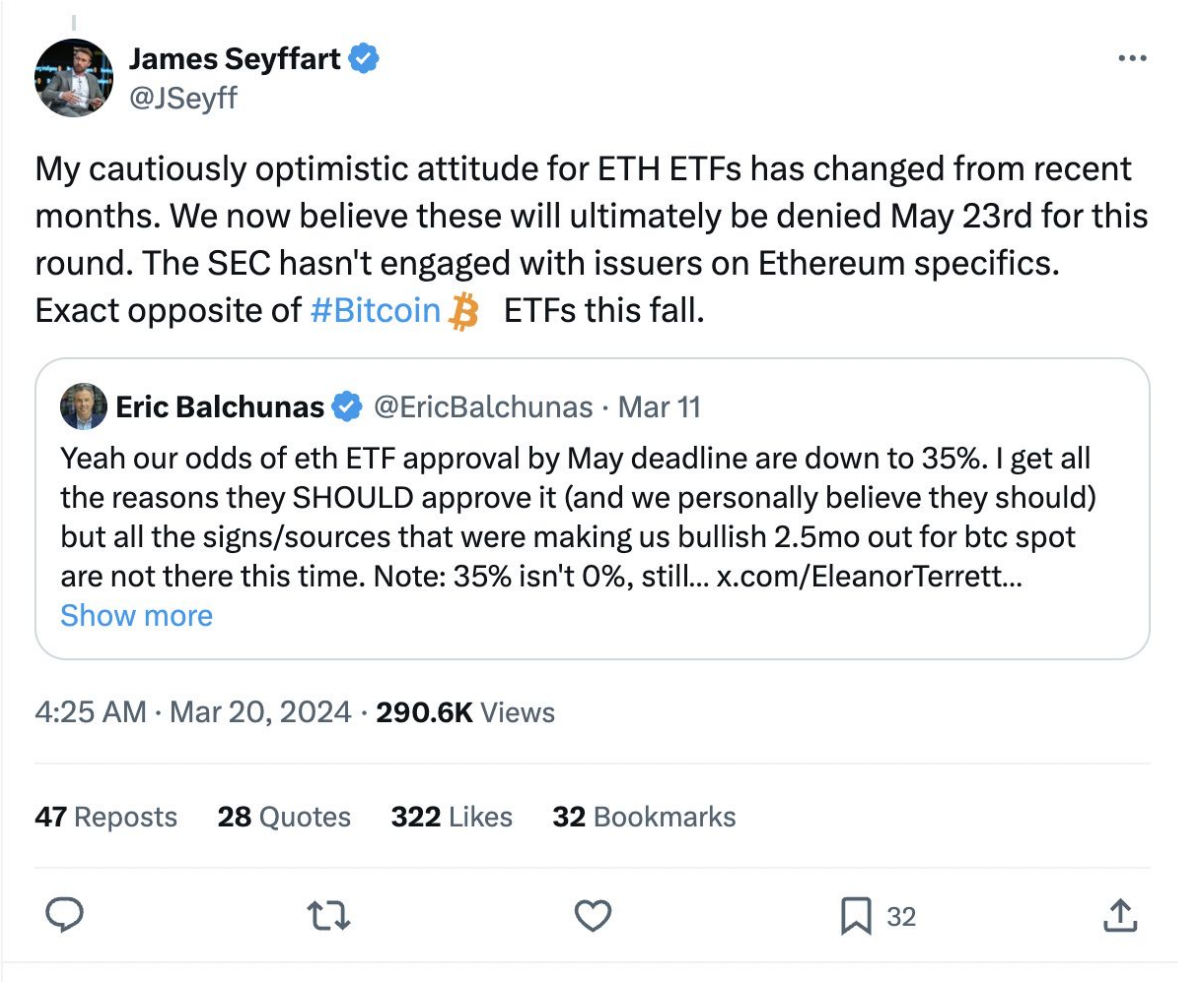
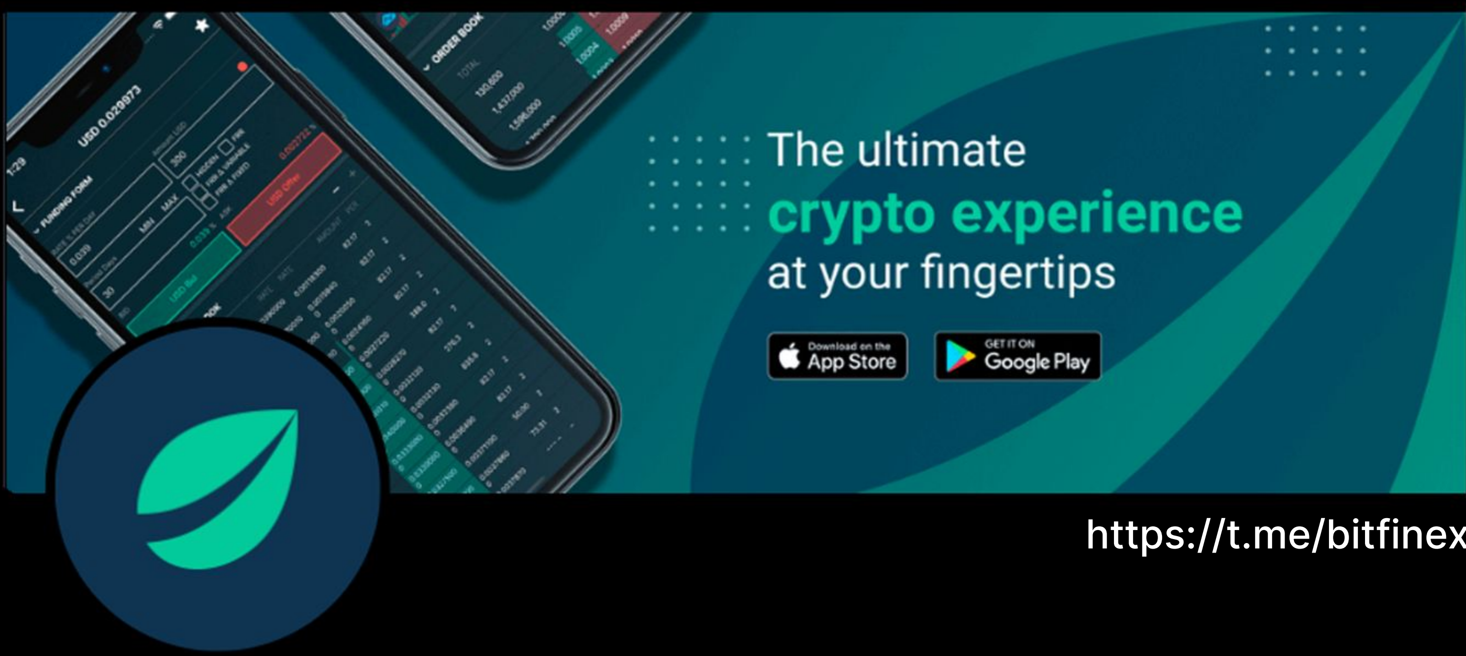


Figure 22. [James Seyffart Post on X]

Seyffart pointed out that unlike the comprehensive dialogues that preceded the approval of spot bitcoin ETFs in January, the SEC has not engaged in similar back-and-forth communication with the issuers concerning the spot ether ETF.



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