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EXECUTIVE SUMMARY

Currently, two important Bitcoin on-chain metrics signal a potentially advantageous buying opportunity. The Market Value to Realised Value (MVRV) measure, alongside the Open Interest (OI) weighted funding rate, hint at a potential entry point for investors. The OI-weighted funding rate went positive last week, indicative of an increased appetite for long positions. Furthermore, the MVRV ratio, currently at 2.21, suggests Bitcoin might be undervalued, especially as historical patterns show substantial returns when MVRV dips below its 90-day average.

Interestingly, however, Bitcoin dominance is experiencing a decline, with Ether and other altcoins outperforming BTC. Typically, post-halving periods witness a shift in investor focus to altcoins, searching for potentially higher returns. Ether's recent robust performance against Bitcoin, despite regulatory challenges, suggests a market that is receptive to altcoins and indicative of a larger trend shift. Ether's role as an indicator for altcoin performance remains significant, as it often precedes broader altcoin market movements.

This potential buying opportunity for Bitcoin and the fresh interest in Alts come as the US economy reported growth slowing to 1.6 percent during the first quarter of the year, marking a dip below the Federal Reserve's long-term potential growth estimate of 1.8 percent for the first time since the second quarter of 2022. This slowdown comes as the economy continues to labour under persistently high inflation, presenting a complex challenge for the central bank. The Fed's key inflation gauge, the personal consumption expenditures (PCE) index, saw no change in March, holding steady at a 0.3 percent increase month-over-month. However, on a year-on-year basis, PCE is at 2.7 percent - above the Fed's 2 percent inflation target and exceeding consensus forecasts.

This combination of slowing growth and accelerating inflation has reignited fears of stagflation, a scenario in which economic growth stalls as prices continue to rise. However, some economic resilience is evident, exemplified by robust spending patterns recorded in March, though this has been overshadowed by worries about sustained inflation and potential further rate hikes by the Federal Reserve. Wider market sentiment, once buoyed by positive economic indicators, has now tilted towards caution.

As market expectations adjust to anticipate fewer rate cuts in 2024, the prevailing scenario of higher-for-longer interest rates poses significant challenges for US companies, particularly affecting their financing capabilities for growth and day-to-day operations.

In this climate, companies are likely to exercise increased caution, prioritise their expansion projects more judiciously, hire selectively, and enhance operational efficiency.

The US Department of Justice is also taking a firm stance on regulatory violations, recommending a three-year prison sentence for Binance founder Changpeng Zhao, due to breaches of the Bank Secrecy Act.

It has also initiated action against Keonne Rodriguez and William Lonergan Hill, founders of Samourai Wallet, for allegedly facilitating over $100 million in money laundering through their crypto mixing service, Samourai.

More positively, an IMF study has illuminated Bitcoin's significant role in facilitating cross-border financial activities, particularly in regions where access to the global financial system is constrained. The study highlighted the contrast between high Bitcoin adoption in countries like Venezuela and Ukraine and its relatively low uptake in the United States, underscoring its utility in financially restrictive environments.

Have a good trading week!

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WHAT'S ON-CHAIN THIS WEEK?

On-Chain Metrics Signal Buying Opportunity for Bitcoin

Several on-chain metrics including the Market Value to Realised Value (MVRV) measure and the Open Interest (OI) weighted funding rate, are currently indicating a potentially attractive entry point for Bitcoin investors. This does not necessarily indicate that the current $59,675 local low (refer Figure below) will hold before a new All-Time High for the asset is reached, but current on-chain signals we are seeing have historically coincided with a bottom for BTC. Further it is important to recognise that the impact of the halving on the market is historically becoming smaller, which suggests investors should be looking to other indicators to forecast BTC price trajectory.

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

As is evident from the figure above, from a price perspective, BTC is currently retesting range lows. Statistically, the more times a support level or range low is tested the weaker it gets. For bullish momentum to be re-established, it is critical for BTC to move towards the range highs, which is currently around the $71,000 mark. Successfully breaking out of the lower range and moving towards these highs could signal strength and potentially attract further buying interest, supporting a positive trend reversal. If however, BTC fails to move upward and instead breaks down below the support level, it could lead to a bearish outlook, possibly triggering further declines as market sentiment shifts.

The OI-weighted funding rate (refer Figure below), which indicates the cost of holding Bitcoin futures positions, saw a consistently positive shift on April 24th. This followed several dips into negative territory since April 14th, reaching as low as -0.0071 percent. This shift indicates a rising interest in long positions. A move from a negative to a positive funding rate signals a change in market sentiment from bearish to bullish, meaning traders are increasingly willing to pay a premium to hold positions that bet on the price of Bitcoin going up.

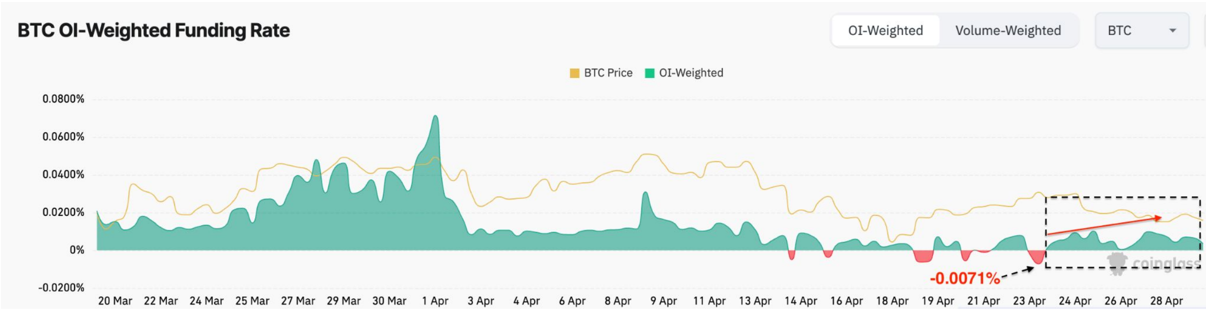


Figure 2. Open Interest Weighted Funding Rate For BTC. (Source: Coinglass)

The MVRV indicator is also instrumental in determining if BTC is over or undervalued compared to its fair value. Bitcoin MVRV has been falling since the start of April, reaching 2.21 as of Friday, April 26th, some 10.5 percent down from the start of April. With the ratio at this level, it suggests that Bitcoin may be undervalued. Any MVRV score above 3.5 suggests that the market is nearing its peak, while a score below one indicates that it has bottomed out.

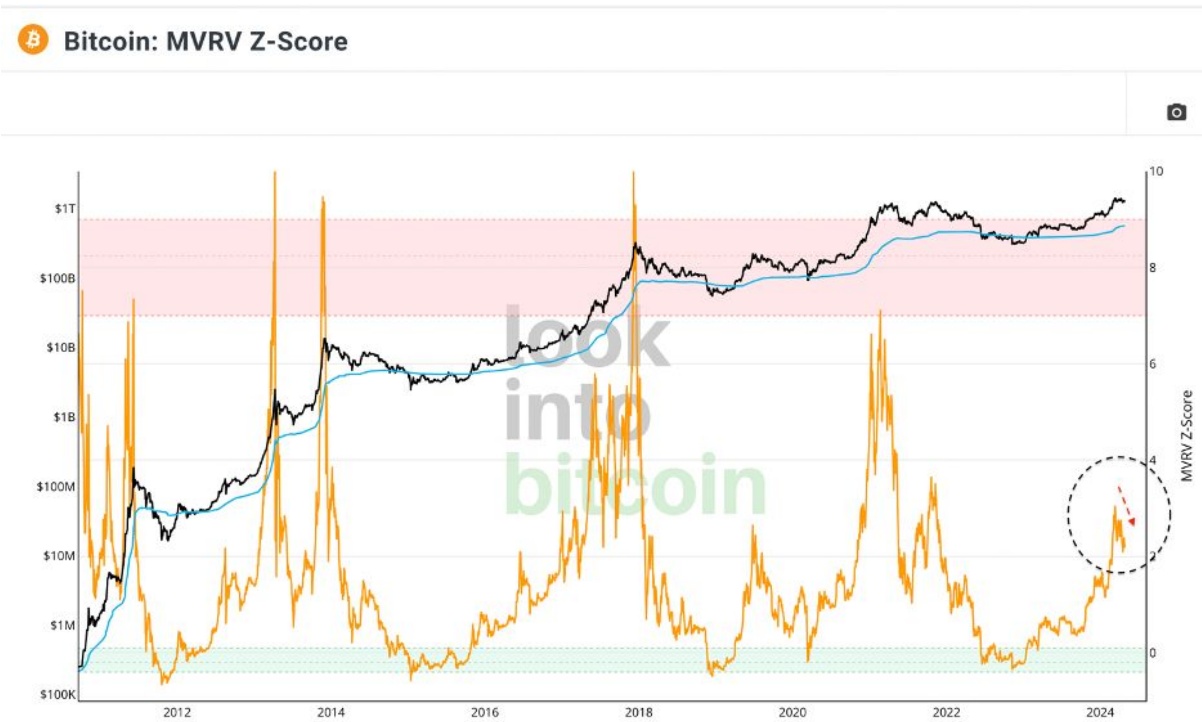


Figure 3. Bitcoin MVRV-Z Score (Source: LookintoBitcoin)

In addition, when the MVRV ratio dips below its 90-day average, which is currently at 2.44, it has been followed by significant returns for the underlying asset, averaging 67 percent. This pattern indicates that the current juncture might be a lucrative time for Bitcoin investments.

It is however crucial to understand the relative impact of the Bitcoin halving on the market, compared to previous halvings. The effect of the halving is decreasing because the volume of new coins coming onto the market is negligible compared to the global trade volume in the Bitcoin ecosystem. This trend suggests that halvings are becoming less significant as the market matures.

Figure 4. Bitcoin Past Three Halvings (Source: Glassnode)

As the chart above illustrates, there has been a trend of diminishing returns for Bitcoin after each halving. However, this has also been coupled with shallower drawdowns, potentially signalling a more mature and stable market.

Figure 5. Bitcoin Performance 365 after Halving (Source: Glassnode)

An examination of Bitcoin's price trajectory from the cycle's low to the halving indicates notable parallels with the periods in 2015 and 2018, where gains ranged from 200 percent to 300 percent. However, the 2024 cycle stands out, as it surpassed the preceding All-Time High prior to the halving, attributed to a substantial early surge in demand, partly fueled by the introduction of new spot ETFs.

Bitcoin Dominance Declines as Ether and Altcoins Outperform BTC

Historically, after Bitcoin halvings, attention often shifts towards altcoins, which tend to rally and gain market share. This shift occurs as Bitcoin's reduced supply growth rate is seen as a long-term bullish development, which increases investor risk appetite leading investors to seek potential higher returns from alternative cryptocurrencies. This halving appears to be no different.

Figure 6: Bitcoin Dominance Weekly Chart. (Source: CryptoCap)

The past pattern of Bitcoin dominance (BTC.D) peaking around the time of the halving is notable. For instance, Bitcoin dominance reached a high of approximately 69.8 percent (refer Figure above) just before the halving on May 11th, 2020, but then subsequently dropped by 18 percent to the statistically important 57 percent mark, as the market saw increased investor interest in altcoins as part of the broader market dynamics post-halving.

The 57 percent level in BTC.D represents a significant technical and psychological benchmark based on historical data. Once Bitcoin dominance reaches this level, it tends to experience a sharp rejection - or further sharp fall - indicating a shift in market sentiment and capital flow from Bitcoin to altcoins.

Following last week’s halving, we saw BTC.D reach 57 percent and then fall sharply through it, as altcoins continue to gain traction.

Ether's recent performance has seen the asset outstrip Bitcoin in terms of gains for two consecutive weeks for the first time since last February, highlighting a significant shift in investor sentiment and market dynamics. The 7.5 percent increase in the ETH/BTC metric not only marks Ether's strongest weekly gain against Bitcoin since early January but also comes at a pivotal time amid swirling negative speculation around Ethereum.

Figure 7. ETH/BTC Weekly Chart. (Source: Bitfinex)

This resurgence in Ether's value against Bitcoin is especially noteworthy considering the backdrop of potential regulatory challenges it faces. The US Securities and Exchange Commission has recently raised concerns by suggesting Ether is a security, fuelling fears about a potential rejection, or at least a delay in Ether Exchange Traded Fund approvals.

The ETH/BTC price recently dipped below a critical bear market low of around 0.0491 (see Figure above), indicating a potential shift in market dynamics or sentiment, however its robust rebound from these lows suggests strong market resilience and a renewed investor interest in Ether as a leading alternative to Bitcoin.

Ether's role as a proxy for the altcoin market often positions it as a first mover before other altcoins catch up in terms of market trends. Its performance can serve as a bellwether for the broader altcoin market, hinting at potential rallies or retracements. For investors and market observers, tracking Ether's performance against Bitcoin offers valuable insights into the health and direction of the wider cryptocurrency market, especially during periods of regulatory uncertainty and market volatility.

GENERAL MACRO UPDATE

US Economic Growth Slows but Inflation Remains High

The US economy's growth slowed to 1.6 percent during the first quarter of the year, marking a dip below the Federal Reserve's long-term potential growth estimate of 1.8 percent for the first time since the second quarter of 2022. This slowdown comes as the economy continues to labour under persistently high inflation, presenting a complex challenge for the central bank.

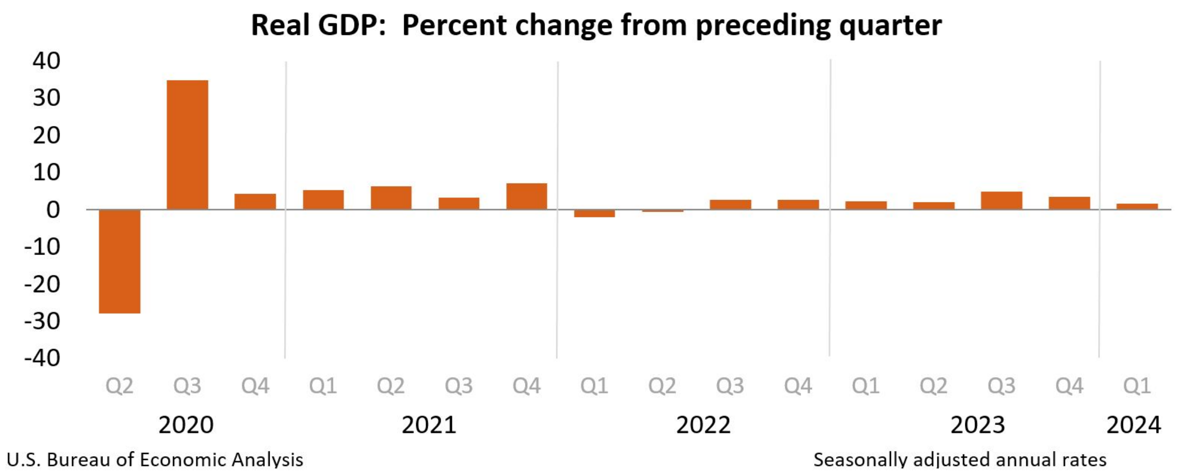


Figure 8. Real GDP: percent Change from the Preceding Quarter (Source: Bureau of Economic Analysis)

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 9. Federal Reserve Projection for GDP, Unemployment, Inflation and Interest Rate Projections (Source: Summary of Economic Projections, March 20 2024)

Historically, Fed officials have indicated that a period of growth below the trend is necessary to alleviate inflationary pressures, and the recent GDP report aligns with this perspective. However, inflation continues to exceed the Fed’s target. The personal consumption expenditures price index, a critical inflation indicator, rose at an annual rate of 2.7 percent in March, surpassing the Fed's 2 percent target (see next chapter: ‘*US Consumers Maintain Spending in the Face of Persistent Inflation*’)

Market projections have adjusted in response to these economic indicators. According to the CME Group's FedWatch tool, the likelihood of a Federal Reserve rate cut has diminished, with the probability of a rate reduction in June now 11 percent. Expectations for cuts later in the year have also decreased.

CME FEDWATCH TOOL - CONDITIONAL MEETING PROBABILITIES							
MEETING DATE	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%	2.7%	97.3%
6/12/2024	0.0%	0.0%	0.0%	0.0%	0.2%	11.4%	88.4%
7/31/2024	0.0%	0.0%	0.0%	0.0%	2.4%	26.5%	71.0%
9/18/2024	0.0%	0.0%	0.0%	1.0%	12.1%	44.3%	42.6%
11/7/2024	0.0%	0.0%	0.2%	2.8%	17.3%	44.0%	35.7%
12/18/2024	0.0%	0.1%	1.4%	9.5%	29.6%	40.2%	19.2%
1/29/2025	0.0%	0.4%	3.6%	15.0%	32.6%	34.4%	13.9%
3/19/2025	0.2%	1.8%	8.4%	22.4%	33.3%	25.8%	8.0%
4/30/2025	0.6%	3.4%	11.9%	25.1%	31.5%	21.4%	6.0%

Figure 10. Conditional Meeting Probabilities (Source: CME Fed Watch Tool)

Significant fluctuations in trade and inventory figures were the main factors behind the more sluggish GDP growth, which collectively detracted 1.2 percent from overall economic activity.

However, more positive indicators were noted in the GDP report. When removing the impact of inventories and trade, final sales to domestic purchasers grew by 2.8 percent, and sales to private domestic purchasers, which excludes government sales, rose by 3.1 percent. Real final sales, which provide a clearer picture of domestic demand, increased by 2 percent.

As the Fed assesses this mixed economic picture, it will focus on additional indicators such as upcoming employment and inflation data to gauge whether the economic slowdown will persist and lead to moderated inflation rates.

As long as the job market remains robust, with persistently high inflation, the Fed might see minimal reason to change current interest rates. The combination of weaker-than-anticipated GDP growth and higher-than-expected inflation in the first quarter creates a challenging environment for the Fed as it contemplates adjustments to interest rates this year.

1. ***Trade and Inventory:***
    - ***Trade:*** *Exports add to GDP as they represent domestic production sold abroad, whereas imports are subtracted since they are foreign products purchased by domestic consumers. This is represented by Net exports of goods and services, on Table 2 of the GDP report*
    - ***Inventory:*** *Increases in inventory contribute positively to GDP as it indicates production exceeding sales; decreases imply sales outpacing production, reducing GDP. This is represented by Change in private inventories on Table 2 of the GDP report.*
2. ***Final Sales to Domestic Purchasers:*** *This metric strips out exports, imports, and inventory changes to focus on domestic consumption and investment. It highlights the direct impact of internal demand on economic activity.*
3. ***Final Sales to Private Domestic Purchasers****: This measures spending by private entities (households and businesses), excluding government expenditures and the impacts of trade and inventory adjustments. It reveals the private sector's contribution to economic activity.*
4. ***Real Sales:*** *Adjusting sales for inflation shows the real volume of economic transactions, providing a clearer picture of economic growth over time by eliminating the effect of price changes.*

US Consumers Maintain Spending in the Face of Persistent Inflation

	2023		2024		
	Nov.	Dec.	Jan.	Feb.	Mar.
	Percent change from preceding month				
Personal income:					
Current dollars	0.4	0.3	1.0	0.3	0.5
Disposable personal income:					
Current dollars	0.4	0.3	0.4	0.2	0.5
Chained (2017) dollars	0.4	0.2	0.0	-0.1	0.2
Personal consumption expenditures (PCE):					
Current dollars	0.4	0.6	0.1	0.8	0.8
Chained (2017) dollars	0.4	0.5	-0.3	0.5	0.5
Price indexes:					
PCE	0.0	0.1	0.4	0.3	0.3
PCE, excluding food and energy	0.1	0.2	0.5	0.3	0.3
Price indexes:	Percent change from month one year ago				
PCE	2.7	2.6	2.5	2.5	2.7
PCE, excluding food and energy	3.2	2.9	2.9	2.8	2.8

Figure 11. Personal Income and Outlays, March 2024 (Source: Bureau of Economic Analysis)

March saw an uptick in US inflation, primarily due to ongoing increases in housing and utility expenses, strengthening the view that the Fed will maintain interest rates at their current level in this week's FOMC meeting.

The Fed's key inflation gauge, the personal consumption expenditures (PCE) index, saw no change in March, holding steady at a 0.3 percent increase month-over-month, according to the latest figures from the Bureau of Economic Analysis. Excluding food and energy prices, the core PCE index was also up 0.3 percent. However, on a year-on-year basis, PCE was up 2.7 percent and core PCE up 2.8 percent, slightly exceeding consensus forecasts of 2.6 and 2.7 percent respectively.

Consumer spending persisted through March, propelled by strong income growth, despite the stickiness of inflation. Consumer spending increased by 0.8 percent for March, and when adjusted for inflation, growth was 0.5 percent, aligning with February's revised inflation-adjusted spending growth.

Income growth also rose to 0.5 percent, up from 0.3 percent, indicative of a resilient labour market and wage increases. Even when adjusted for inflation, disposable income rebounded to 0.2 percent, a recovery from February's 0.1 percent decline.

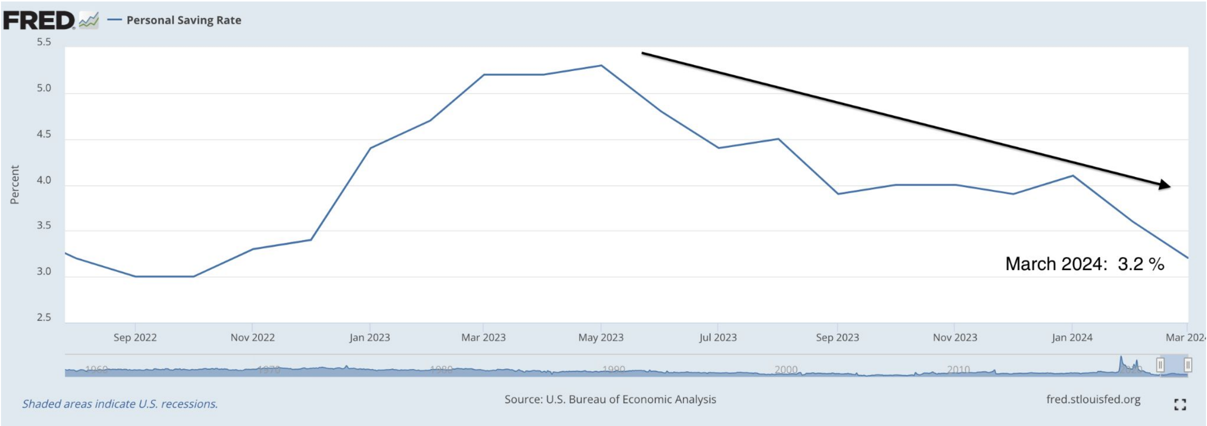


Figure 12. Personal Savings Rate (Source: Bureau of Economic Analysis)

A cause for concern, however, is the savings rate, which dipped to 3.2 percent, marking the lowest point since October 2023. This decline suggests consumers are digging further into their savings to sustain spending levels.

This latest inflation data report gave some relief in the market, alleviating the anxieties stirred by weaker than expected first quarter GDP. Given this latest data, we expect the Fed will continue to adopt a wait-and-see stance on monetary policy in the coming months, and take a hawkish view on inflation.

US Economy in Danger of Suffering Stagflation As Growth Slows and Inflation Rises

Recent economic data from the US presents a mixed bag of moderate growth tempered by persistent inflation, triggering concerns about the potential onset of stagflation.

The latest GDP report suggests an annualised growth rate of 1.6 percent for the first quarter of the year, a drop from the 3.4 percent recorded in the previous quarter. This slowdown in growth is paired with an unsettling rise in inflation, with the PCE index, increasing by an annualised rate of 3.4 percent, up from 1.8 percent in the fourth quarter.

This combination of slowing growth and accelerating inflation has reignited fears of stagflation, a scenario in which economic growth stalls as prices continue to rise. Inflation continues to exceed the Fed’s target of two percent, despite some indicators of economic resilience, such as robust spending figures for March.

Adding to the economic tension, liquidity in the US dollar has diminished as tax receipts draw money out of the system (see Figure 13 below). Reduced liquidity can exacerbate an economic slowdown by making it more difficult for businesses and consumers to access the credit and funds needed to maintain or expand operations and consumption. Furthermore, the MOVE index (see Figure 14 below), a measure of Treasury market volatility, has risen, complicating lenders' ability to use Treasury securities as collateral for loans. Finally, the USD index has also surged past significant resistance levels, approaching highs seen last fall. A stronger dollar can hurt US exports by making them more expensive and less competitive abroad. This can reduce demand for US goods overseas, negatively impacting US manufacturers.

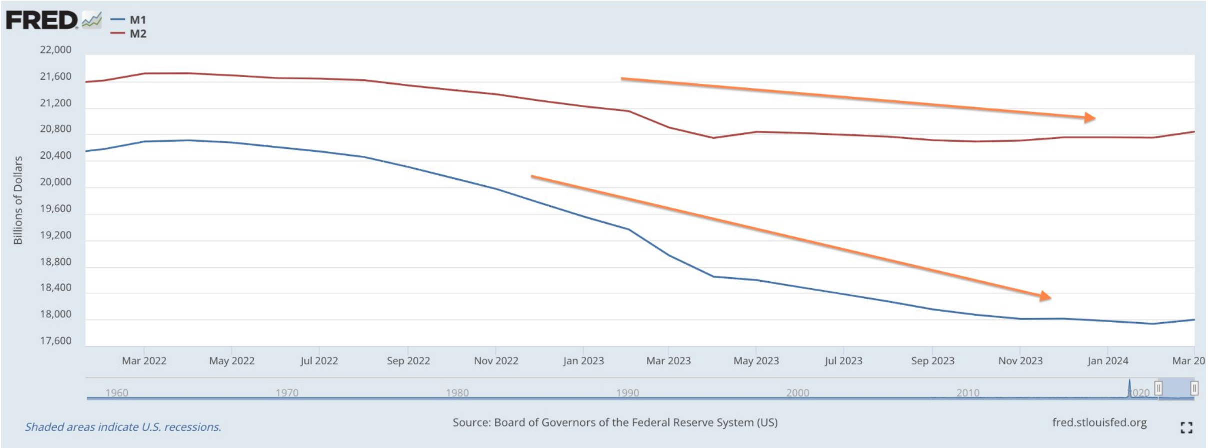


Figure 13. M1 and M2 Money Supply In the US (Source: Federal Reserve)

Figure 14. MOVE Index

Figure 15. US Dollar Index (Chart Source: TradingView)

Financial markets, which had been buoyant until recently, have started to falter under the weight of these economic pressures. Initially, markets were optimistic that the strong economy could withstand rising bond yields. However, as inflation came in hotter than expected, optimism has waned, dampening hopes for an aggressive easing of financial conditions by the Fed. Market expectations for rate cuts in 2024 have been drastically reduced from January, when six rate cuts were expected, to today, when market expectations are for just one rate cut at best.

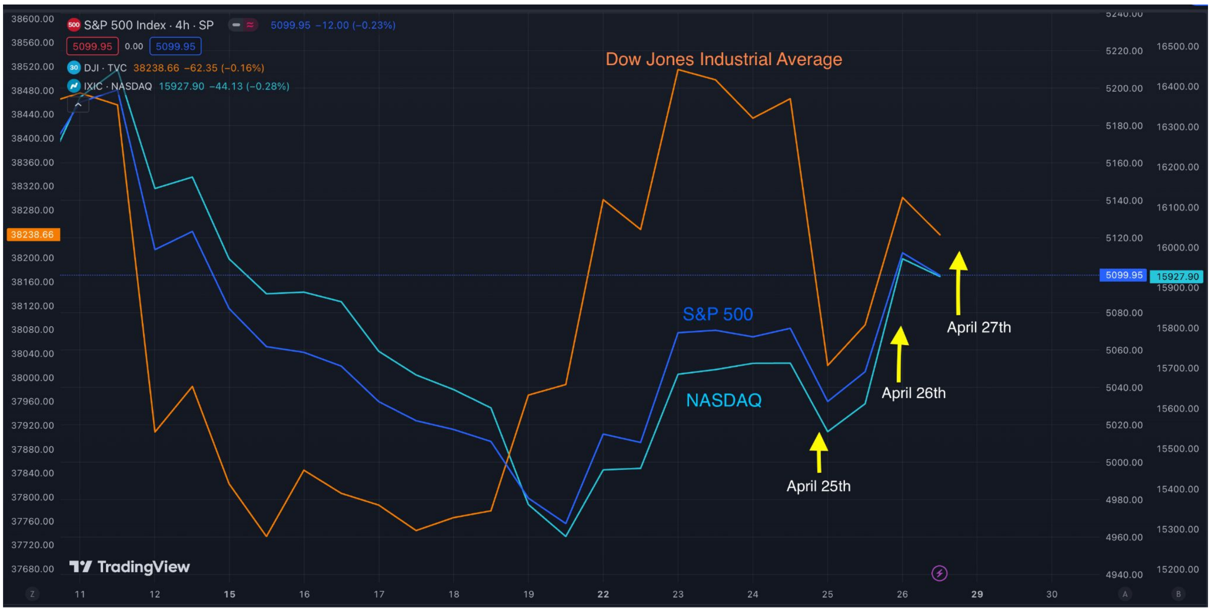


Figure 16. NASDAQ, S&P 500 and Dow Jones Industrial Average Price Action

As a result, equities and cryptocurrencies, which had been performing well, began to weaken this month. The market's mood has shifted from resilience in the face of positive economic data to concerns over persistently high inflation and the fear of further rate hikes by the Fed. The outlook suggests a challenging period ahead, with likely volatile market conditions and possible corrections in financial markets, as investors navigate an economic landscape fraught with inflationary pressures and uncertain growth prospects.

US Companies Adapt to Persistently High-Interest Rates

As the market prices in fewer-than-expected rate cuts in 2024, higher-for-longer interest rates will affect the ability of US companies to finance their growth and daily operations. Higher borrowing costs have become an unavoidable reality for consumers, business owners and policymakers.

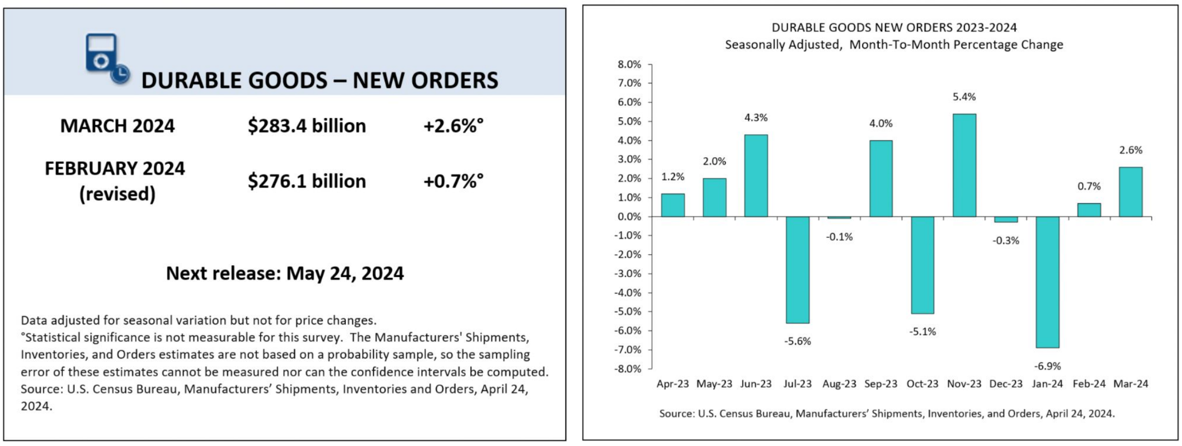


Figure 18. Durable Goods Order (Source: Census Bureau)

In March, demand for US manufactured capital goods saw a modest rise, and revisions of the previous month's data indicated a continued slump in equipment spending throughout the first quarter. The US Commerce Department reported that orders for durable goods - products designed to last at least three years - increased by 2.6 percent in March.

Orders for non-defence related capital goods, a subset of durable goods that businesses use in the production of goods or services, is up by only 0.2 percent last month. February's figures were also adjusted downwards, showing a 0.4 percent increase instead of the initially reported 0.7 percent.

The figures reflect a trend of muted business investment, brought on by high interest rates. It also chimes with the S&P Global Flash US Component PMI (Purchasing Manager's Index, which indicates a slowdown in growth and diminished demand across both manufacturing and service sectors. The report showed an overall reduction in new orders from businesses for the first time in six months. While a rate cut is expected later this year, timing has been pushed out progressively during the course of this year.

US business activity has continued to increase in April, but the rate of expansion has slowed amid signs of weaker demand. The latest rise in output was the smallest, year-to-date, reflecting reduced rates of growth and falling orders in both the manufacturing and services sectors.

A historical view of Treasury bond activity reveals the change in the borrowing and lending landscape in the US. From the start of the millennium to the onset of the pandemic, interest rates have been decreasing, but are now increasing as the world transitions from an economic environment where supply is high and inflation is low to now where supply is tight and inflation is high and persistent.

Figure 19. US 10-Year Treasury and Moody's BAA Corporate Bond Yield

Indeed, even if interest rates fall, it doesn't guarantee a similar drop in the real cost of borrowing when adjusted for inflation. If inflation rates decrease while borrowing rates remain rigid, real interest rates are likely to stay elevated or potentially rise.

Corporate Bond Yields were 8.26 percent in January 2020 and declined to around 3.6 percent prior to the pandemic. The US 10-Year Treasury also declined from 6.55 percent in 2000 to 1.47 percent prior to the pandemic.

Corporate debt costs plummeted from 9 percent in 2000 to a mere 4 percent pre-pandemic. Post-pandemic, the surge in inflation, and the accompanying rise in interest rates, has seen corporate debt expenses leap from 3 percent to 6 percent, and yields on 10-year Treasuries climb from under 1 percent to 4.25 percent.

Currently, US corporations with investment-grade debt are servicing their obligations at rates between 5.5 percent and 6.6 percent, averaging out at around 5.9 percent.

Once interest rates fall of course, there is an expectation that debt servicing costs will also drop, but that may not be the case if inflation persists.

The big picture here is that investment remains weak, and this is unlikely to change dramatically while credit conditions remain restrictive, especially for smaller firms. Companies must now navigate with greater caution, meticulously select expansion initiatives, hire with more discernment, and foster efficiency to a much greater degree.

NEWS FROM THE CRYPTO-SPHERE

Binance Founder Faces Potentially Three Years in Prison

Figure 20. IBinance Founder Faces Potentially Three Years in Prison

- **The US Department of Justice has recommended a three-year prison sentence for Changpeng Zhao, the founder of Binance, for violating the Bank Secrecy Act**
- **Zhao's legal team is seeking leniency, advocating for probation under home confinement, and arguing that he was unaware of certain illegal transactions**

The US Department of Justice (DOJ) has recommended a three-year prison sentence against Changpeng "CZ" Zhao, the founder and former chief executive of Binance. This recommendation follows his guilty plea last November for breaching the Bank Secrecy Act, and admitting to enabling the platform to contravene federal sanctions and anti-money laundering laws.

Legal Stance and Defence Arguments

The recommendation is based on the DOJ's assertion that CZ's violations were extensive involving illicit funds from darknet markets and crypto mixers, thus necessitating a harsher sentence to serve as a deterrent.

CZ, under his plea agreement, had argued for an 18-month custodial sentence, and they continue to advocate for leniency, including a request that he serves his probation under home confinement in Abu Dhabi. They suggest that he was not directly informed of the illegal transactions that took place on the Binance platform, and that these comprised only a minuscule portion of Binance's trading volume. The defence also noted that, as Binance operates as a non-US company, it was not directly contravening US sanctions by interacting with users from sanctioned countries.

Implications for the Crypto Industry

The outcome of CZ’s sentencing, scheduled for April 30, is set to have significant implications for regulatory measures within the global cryptocurrency market. This case underscores the US regulators’ commitment to enforcing compliance with financial laws in the cryptocurrency sphere, signalling to other entities in the industry the importance of adherence to legal standards.

This pivotal case comes as regulatory scrutiny on cryptocurrency practices intensifies worldwide, with major platforms like Binance at the forefront of navigating these complex legal landscapes. The final decision on CZ's sentencing will likely resonate across the cryptocurrency community, affecting how compliance and regulatory frameworks are shaped moving forward.

IMF Study Highlights Bitcoin's Role in Global Economy And Rising Cross-Border Flows

Figure 21. IMF Study Highlights Bitcoin's Role in Global Economy And Rising Cross-Border Flows

A recent study published by the International Monetary Fund (IMF) underscores the significant role of Bitcoin in cross-border financial activities, particularly in countries with restricted access to the global financial system. The 43-page document, 'A Primer on Bitcoin Cross-Border Flows: Measurement and Drivers', provides a comprehensive analysis using both on-chain and off-chain data to map out the landscape of Bitcoin transactions across nations.

The IMF report reveals that countries with limited engagement in the global economy utilise Bitcoin (BTC) more extensively compared to their Gross Domestic Product (GDP). These findings are critical as they highlight Bitcoin as a financial lifeline for nations hindered by capital controls and economic isolation. According to the report, the magnitude of cross-border BTC flows is considerable, especially in countries with relatively small capital inflows. This supports the concept that Bitcoin acts as a release valve, offering residents in these regions a pathway to circumvent restrictive financial environments and engage with the global markets.

In contrast to emerging economies, the US exhibits a markedly low rate of BTC adoption. The study includes a chart that illustrates the disparity between cross-border BTC flows and traditional investments, measured against GDP. Traditional investment products continue to dominate the US market, in sharp contrast to countries like Venezuela and Ukraine, where Bitcoin adoption is more pronounced.

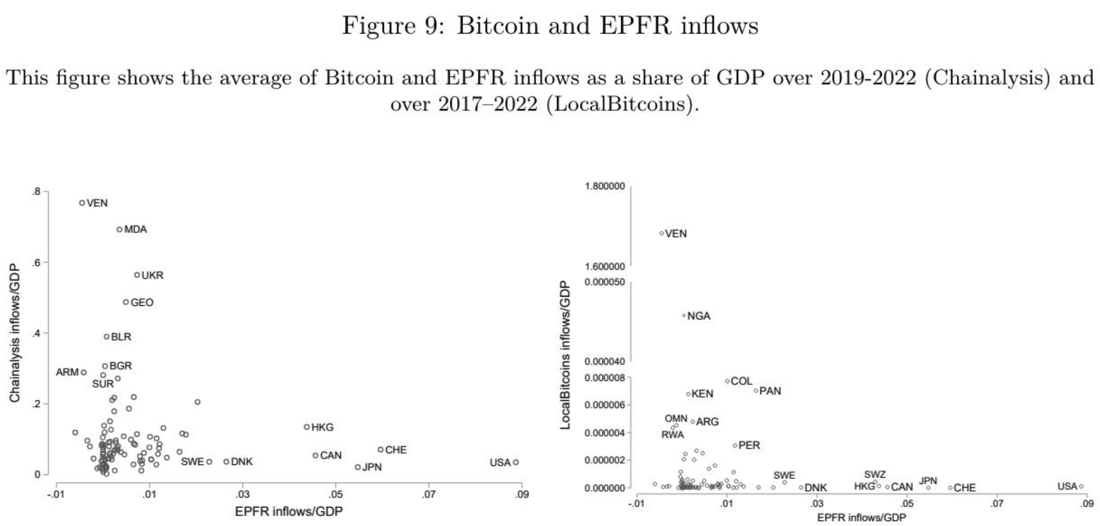


Figure 22. Chart comparing cross-border bitcoin flows vs. flows into traditional investment products by GDP. (Note: The chart labels traditional flows "EPFR" because it gathers the data from EPFR Global)

The involvement of three IMF researchers and a detailed survey of relevant academic literature reflect the institution's serious commitment to understanding Bitcoin's economic impact. The paper points out that the rising use of Bitcoin can be seen as a symptom of imbalances in the traditional financial system and highlights the need for policymakers to consider crypto assets in capital flow management regulations.

These insights from the IMF are indicative of Bitcoin's increasing relevance in global finance, prompting a reevaluation of how digital currencies are integrated into economic policies worldwide. As digital assets like Bitcoin and Ethereum continue to shape financial landscapes, the IMF's continued research into these areas signals a proactive approach to harnessing their potential benefits while managing associated risks.

Samourai Wallet Founders Charged with Money Laundering Over $100 Million

Figure 23. Samourai Wallet Founders Charged with Money Laundering Over $100 Million

- **Federal prosecutors have charged the founders of Samourai Wallet, Keonne Rodriguez and William Lonergan Hill, with facilitating over $100 million in money laundering through their crypto mixing service,**
- **This case is part of a broader US government crackdown on cryptocurrency services that are alleged to obscure the origin of funds**

Federal prosecutors have charged Keonne Rodriguez and William Lonergan Hill, the founders of Samourai Wallet, with facilitating over $100 million in money laundering through their crypto mixing service. This development underscores the US government's continued crackdown on cryptocurrency tools that could potentially be used for illicit financial activities.

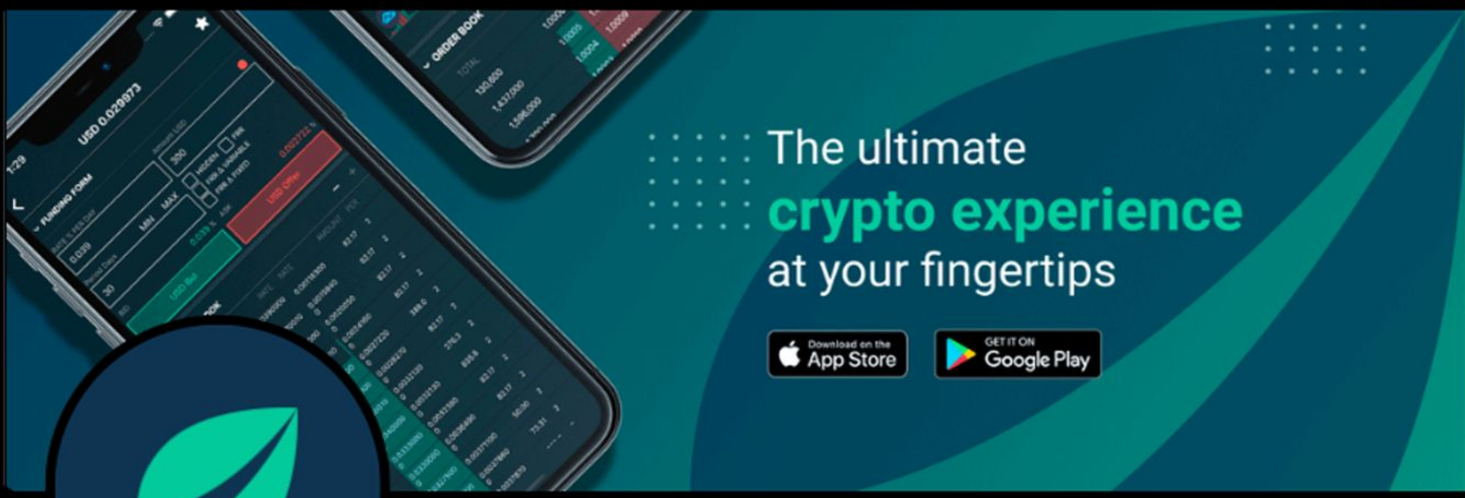
Rodriguez and Hill have been charged with conspiracy to commit money laundering and operating an unlicensed money-transmitting business. The most severe of these charges carries a maximum sentence of twenty years in prison.

Rodriguez was arrested in Pennsylvania and was presented before a US Magistrate Judge on Wednesday, April 24th. Hill was taken into custody in Portugal and is pending extradition to the US

According to the Department of Justice, Samourai Wallet has been involved in laundering more than $100 million from dark web markets since its inception in 2015. The overall unlawful transactions facilitated by Samourai are alleged to be around two billion dollars. The profits from these mixing services are said to have netted the founders approximately 4.5 million USDt in fees.

The Samourai Wallet's website has been seized, and its mobile application is also under a seizure warrant from the Google Play Store. This case is part of a broader enforcement trend targeting crypto mixing services, as seen with ongoing prosecutions like those against the founders of Tornado Cash and the conviction of the operator of Bitcoin Fog.

This high-profile case reflects the increasing regulatory scrutiny over cryptocurrency operations, particularly those offering services that may obscure the origin of funds, thus complicating efforts to combat money laundering and other financial crimes.



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