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EXECUTIVE SUMMARY

In Bitcoin markets we continue to see traders seeking a price equilibrium, as they adjust to the new rate of supply of BTC on the market from mining, and absorb the increasingly complex messages about inflation and interest rates from macro economic indicators.

BTC last week fell to a new local low, before sharply correcting, and in the past week has experienced fluctuating market sentiment, even though major altcoins remained stable above their April lows.

A key development was the observed activity among Bitcoin whales, as indicated by the Exchange Whale Ratio, which suggests potential selling pressure as this cohort of investor has been seen putting Bitcoin onto exchanges, with the possibility that they might be about to sell. That said, historically, most of the aggressive selling has come from the more price-sensitive short-term holders, that is those who have owned BTC for 155 days or less. For this group, the realised price is $58,700, and in current markets this seems to be acting as an important support level. Judging from the short-term holder Market Value to Realised Value ratio, selling from this cohort also seems to be waning.

Further support can also be seen in the fact that this post halving period has resulted in a notable decrease in volatility. The significant drop in Bitcoin's implied volatility suggests the market is settling, with a reduced expectation of drastic price movements. The volatility risk premiums for both Bitcoin and Ethereum have narrowed dramatically, indicating a realignment of market expectations towards a more stable and predictable environment.

This comes as the current economic landscape means the Fed continues with its cautious and deliberate approach, maintaining rates at 5.25-5.50 percent, and now also slowing down the pace of reduction of assets on its balance sheet, and hence increasing demand for treasuries.

Inflation remains persistent with the latest data from the employment cost index rising faster than expected, as the tightness in the labour market means employees can demand higher wages due to inflation. The availability of jobs however has not correspondingly risen, which has caused consumer confidence, regarding the labour market, to dip.

Indeed, supporting this was a Bureau of Labor Statistics report showing a drop in job openings to their lowest level in three years and a deceleration in wages.

In crypto news last week Binance founder Changpeng Zhao was sentenced to four months for money laundering and sanctions violations; and Hong Kong witnessed the debut of new spot Bitcoin ETFs, marking a significant step forward in the region's adoption of crypto assets, even if the initial take up was slow.

And finally Tether, the world's largest stablecoin issuer, reported a record $4.52 billion profit in the first quarter of 2024, and revealed net equity of $11.37 billion, reflecting its robust financial position.

Have a good trading week.

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WHAT'S ON-CHAIN THIS WEEK?

BTC Hits New Range Lows

It was a tumultuous week for Bitcoin, as the world's largest crypto asset saw a close below range lows on Tuesday, April 30th, before quickly reversing, and closing back within the range by Friday, May 3rd. The week also saw market sentiment fluctuating significantly, but major altcoins did not close below their April 13th lows.

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

Last week proved to be BTC's most tumultuous period since November 2022, recording the steepest pullback for this entire cycle with BTC dropping 23 percent below its current cycle high (which is also the BTC all-time high) to form a local low around $56,700. The current move now surpasses the September 2023 correction for this cycle which was a 21.7 percent decline.

The drop was triggered by a series of macroeconomic events as well as developments within the cryptocurrency sector. In the crypto markets, the debut of spot Exchange-Traded Funds in Hong Kong, anticipated to bolster BTC's market presence, had a soft start. In addition, the market was impacted by news that Binance Founder and former CEO Changpeng Zhao, received a four-month prison sentence.

Further exacerbating the situation, on the macro front, an uptick in the US Employment Cost Index and renewed focus on the trajectory of interest rates following the Federal Reserve's Federal Open Market Committee meeting contributed to downward pressure on Bitcoin's price, which fell to a low of $56,711 on May 1st (refer Figure above).

However, as the week unfolded, additional economic data indicating a cooling labour market alleviated some of the bearish sentiment in the market, as traders wagered that rates would drop later this year. This shift helped BTC stage a recovery from its earlier lows, climbing back to around $64,000.

Figure 2. Bitcoin Short-Term Holder Realised Price (Source: LookintoBitcoin)

The Short-Term Holder Realised Price (STH-RP), calculated as the realised capitalisation of Bitcoin acquired by this cohort, divided by the total coin supply currently stands at around $58,700. This metric has historically acted as a crucial support and resistance indicator. For instance, it served as support in March 2023, June 2023, and January 2024, and as resistance in April 2022, November 2022, and October 2023. Notably, periods following the breach of these levels have typically seen increased price volatility. As was seen in the past week, the STH-RP acted as support once again with recent price action bouncing back from this level.

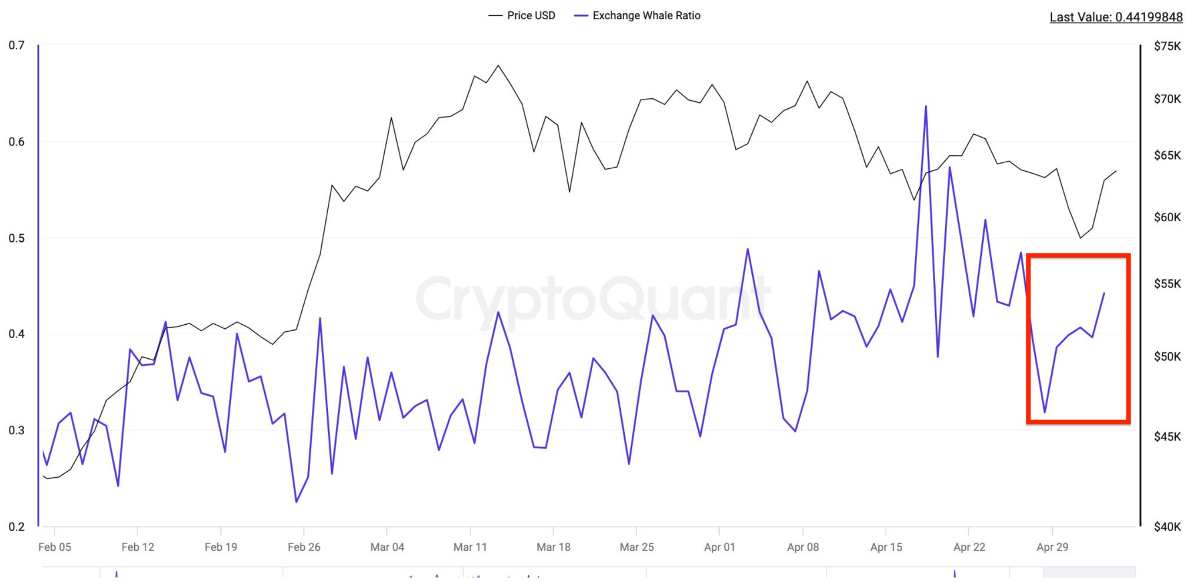


Figure 3. Exchange Whale Ratio (Source: CryptoQuant)

Bitcoin's trajectory has been notably bearish since it recorded a new all-time high in March 2024, before dropping back below even its previous cycle high of around $69,000. A critical indicator in this regard is the Exchange Whale Ratio, which measures the ratio of large deposits by major holders (whales) to total deposits on exchanges. A recent spike in this ratio indicates that whales have been moving their holdings to exchanges, possibly to sell, exerting downward pressure on prices. Hence, any correction might stop once the ratio stabilises. This would indicate that LTHs and whales have finished distributing their supply at least for the time being. We have also previously covered how long-term holders and whale wallets have been distributing their BTC holdings in the current BTC range.

While whales are significant players, the more aggressive market responses often emanate from short-term holders. According to the Realised Loss breakdown (see below), these investors currently dominate selling pressure. The age band realised price distribution shows the selling pressure coming mostly from coins held from one week to one month (1w-1m). The spot price reacts sensitively to changes in the one-week to one-month cost basis as recent buyers, being more price-sensitive, are likely to sell under market stress.

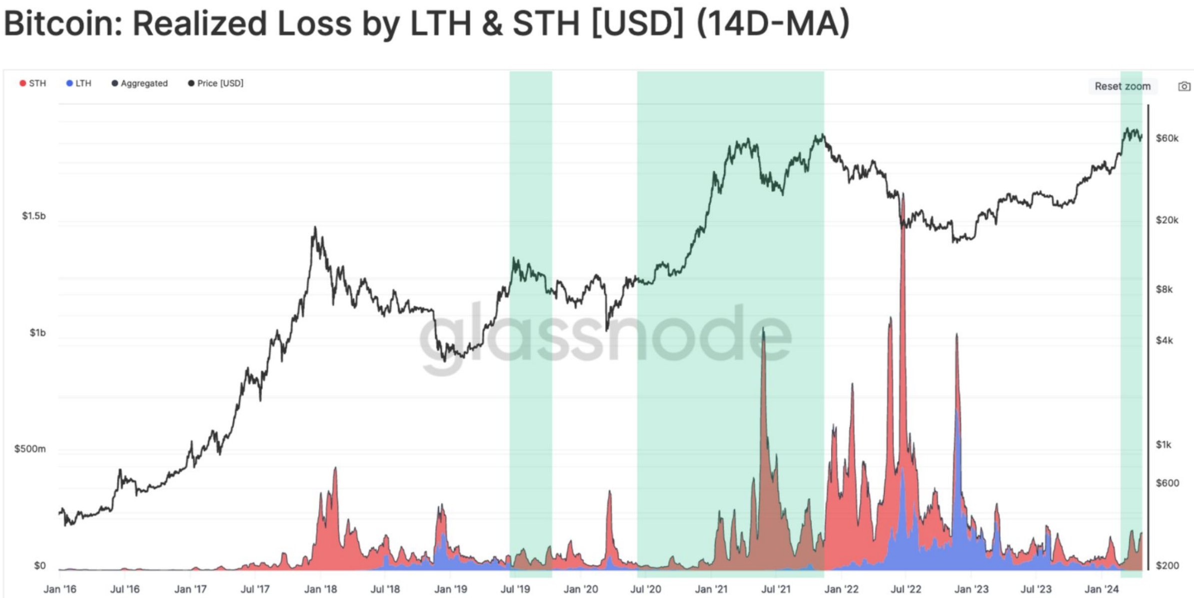


Figure 4. Realised Loss by Long-Term Holders (LTH) and Short-Term Holders (STH)

The Market Value to Realised Value (MVRV) ratio for one-week to one-month holders typically dips into the 0.9 to 1 range during bull market corrections, indicating a market decline of zero to negative 10 percent below these investors' average cost basis. Currently, with the cost basis of these holders at $66.7k and the price hovering between $60k and $66.7k, we see indications of a local bottom formation. Having said that, if we see a sustained break below this MVRV level, it could trigger widespread selling.

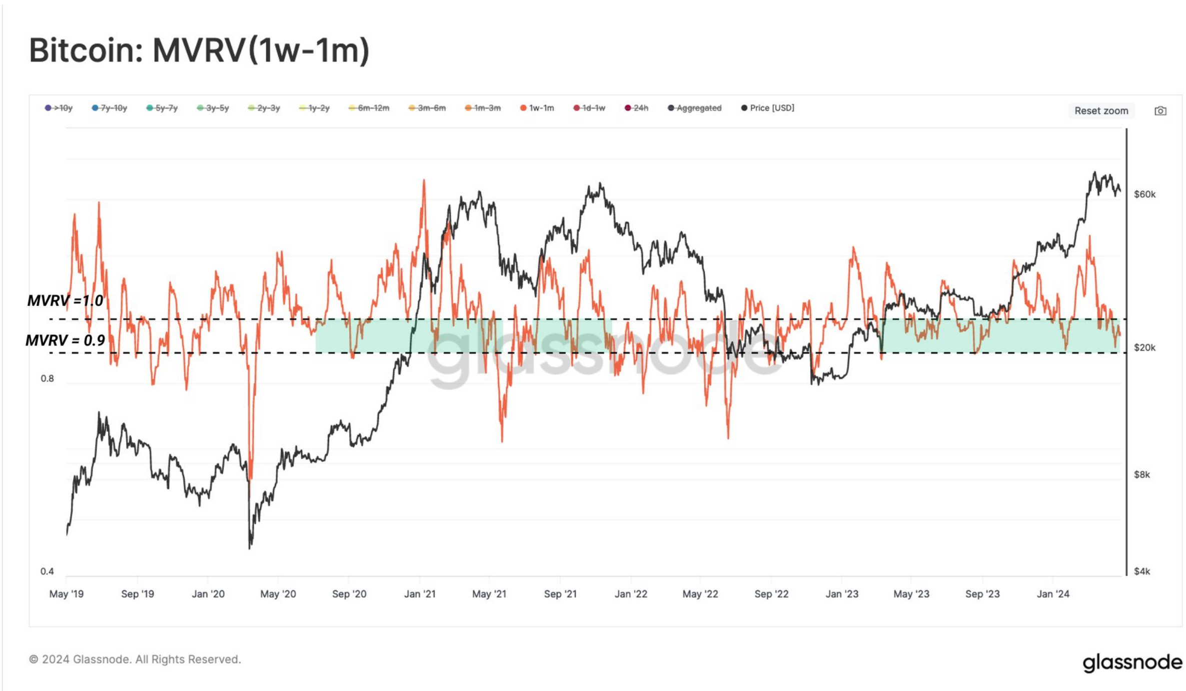


Figure 5. Bitcoin MVRV (1w-1m)

Currently, the Short-Term Holder MVRV (STH-MVRV) ratio is 0.96. When the STH-MVRV dips below one, it typically precedes a market recovery. This indicates that selling pressure from short-term holders may be waning, a sign that sellers could be nearing exhaustion.

Supporting this potential turnaround is the Bitcoin Fundamental Index (BFI), an index which assesses various aspects of Bitcoin's network health, including transaction volume and wallet activity, and aims to gauge the overall market. BFI which shows an inflection point suggesting an upward trend may be on the horizon.

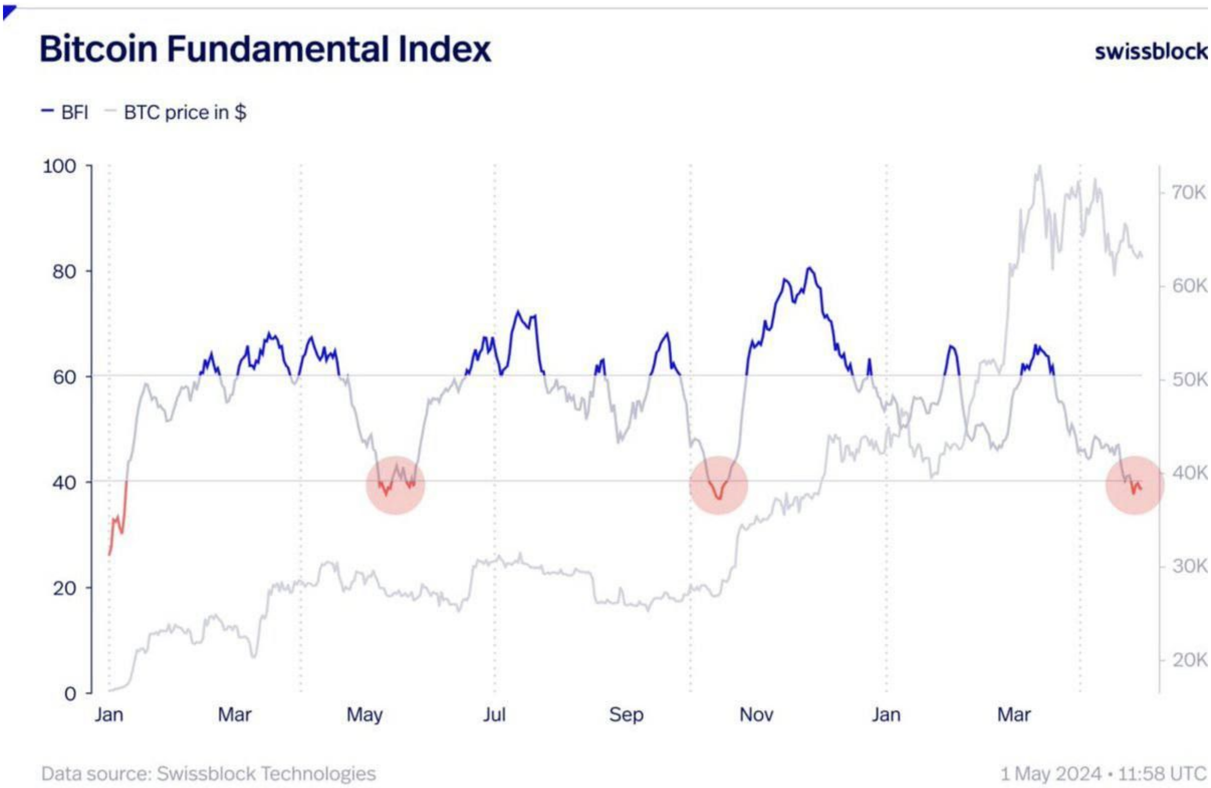


Figure 6. Bitcoin Fundamental Index. (Source: Swissblock Technologies)

The current position of the index indicates that selling pressure is waning, while network growth has surpassed levels observed at previously identified market bottoms. This potential for positive movement hinges largely on liquidity expectations, which makes future decisions of the FOMC meeting crucial.

Bitcoin Volatility In A Post-Halving Environment

In exploring the immediate aftermath of the Bitcoin halving event on April 20th, 2024, it is clear that the halving acted as a resolution-of-uncertainty event, significantly impacting the volatility and market dynamics of cryptocurrencies. Following the halving, Bitcoin implied volatility (BVIV) experienced a significant decrease, a 24.2 percent drop from 74.54 to 56.47. This shift is indicative of expected market sentiment towards future price fluctuations, but was not mirrored by substantial price movements, suggesting a stabilisation effect.

Similarly, Ethereum's implied volatility (EVIV) decreased by 15.9 percent, moving from 61.94 to 52.08, even as its price showed a slight upward trend during the post-halving adjustment period. This pattern indicates a broader market adjustment to reduced uncertainty following the halving. The comparative analysis of implied and realised volatilities, particularly the sharper decrease in Bitcoin's implied volatility relative to its realised volatility, underscores a significant recalibration of market expectations concerning risk and reward.

Furthermore, the changes in spot-volatility correlations for both Bitcoin and Ethereum reveal a decrease in the magnitude of correlations, with Bitcoin's one-week spot-vol correlation moving to -20 percent from -56 percent. This decline suggests a lesser degree of linkage between price levels and volatility, and more of a reduction in market uncertainty.

The volatility risk premium (VRP) for both Bitcoin and Ethereum have now seen dramatic reductions. Bitcoin's VRP collapsed to 2.5 percent from 15 percent, and Ethereum's to 8.5 percent from 18 percent post the halving. Volatility risk premium (VRP) reflects the tendency for implied volatility to surpass realised volatility. This discrepancy between what is anticipated in terms of volatility (implied) and what actually transpires (realised) constitutes the risk premium. Essentially, VRP quantifies the premium that investors demand as compensation for the additional risks associated with the uncertain future volatility of asset returns.

This concept is integral to understanding market dynamics and investor behaviour, particularly in environments characterised by uncertainty. Investors use the VRP as a critical gauge in their decision-making processes, calibrating their risk exposure based on the expected volatility compared to historical trends.

The significant narrowing of the VRP indicates a realignment of market expectations to a more stable and predictable environment post-halving, in sharp contrast to the price action on May 1, 2024, which saw Bitcoin falling to a range low. The market consensus seems to be that future volatility may be less than previously anticipated, following the halving. A possible reason for Ethereum VRP to drop less, is that the SEC's ETF decision on May 23, 2024 acts as an additional uncertainty for the ETH price. This also confirms that VRP captures the premium related to future uncertainty.

In summary, the Bitcoin halving not only adjusted the supply mechanism of Bitcoin but also played a crucial role in recalibrating crypto market dynamics and investor expectations. The decrease in VRPs and changes in correlations indicate a market trending towards stability, where future uncertainties are considered with less concern. This reflects a broader expectation of more predictable market conditions post-halving.

Appendix

Since the Bitcoin halving until the recent market move on May 1, call it the "post-halving adjustment period", Bitcoin implied volatility, measured by BVIV, went sharply down to 56.47 from 74.54. This 24.2 percent volatility fall was not accompanied by strong price action as can be seen in Figure 7 below.

Figure 7. BTCUSD (Bitfinex) and BVIV (Volmex)

Similarly, Ethereum implied volatility decreased 15.9 percent from 61.94 to 52.08 during the same time window, as shown in Figure 8, while the price moved only slightly upwards.

Figure 8. ETH/USD (Bitfinex) and EVIV (Volmex)

The downturn trend in implied volatility during the post-halving adjustment period was steeper than the realised 1-month volatility, measured by BVRV1M, as can be seen in Figure 9.

Figure 9. BVIV (Volmex) vs BVRV1M (Volmex)

Ether volatilities followed a similar pattern as Bitcoin vols, as shown in Figure 10 below.

Figure 10. EVIV (Volmex) vs EVRV1M (Volmex)

Lastly, we saw major changes in spot-volatility correlations as shown in Figure 11 and Figure 12 below.

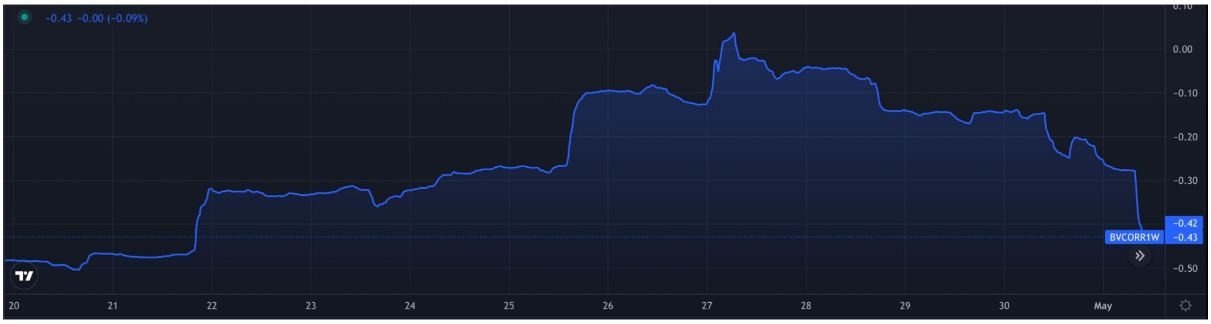


Figure 11. BVCORR1W (Volmex)

Magnitude of Bitcoin spot-vol 1-week correlation, BVCORR1W, went down to negative 20 percent from negative 56 percent, while that of Ethereum decreased in magnitude to 18 percent (negative) from 54 percent (negative).

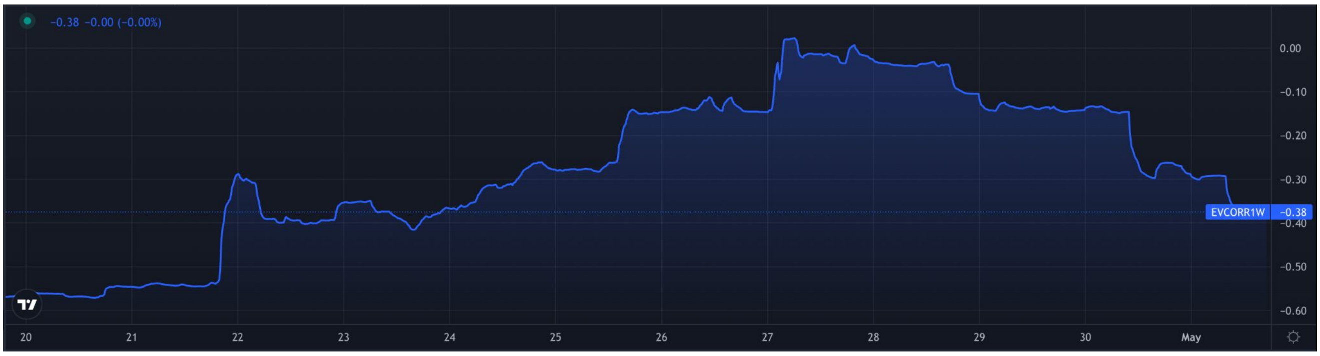


Figure 12. EVCORR1W (Volmex)

During the post-halving adjustment period, Bitcoin volatility risk premium (VRP) crashed to 2.5 percent from 15 percent while Ether VRP went down to 8.5 percent from 18 percent.

Figure 13. BTC VRP (red), ETH VRP (orange) and VRP difference (green)

Options market movements with regards to the previous week's macro announcements

Following the dovish tilt in the statements from both the [Federal Open Market Committee (FOMC)]() and the Quantitative Risk Assessment (QRA), the recent rally in USD has been tempered, while market sentiment has edged into fear territory, dropping just below the neutral 50 mark as BTC hit range lows.

Figure 14. Bitcoin Fear & Greed Index Between Range High and Range Low

In the cryptocurrency derivatives market, perpetual funding rates have remained negative across major options exchanges, indicating a lack of leverage on the bullish side.

Figure 15. BTC/USD 4H Aggregate Chart. (Source: VeloData)

Open Interest and Cumulative Volume Delta data indicates that traders of perpetuals continued to long BTC on the way down on May 1st, before the $60,000-$61,000 range low level was lost. At that point the market saw approximately $1 billion longs closed at market either because of stops or liquidations and breakout shorts of approximately $200 million based on delta values below $60,000 opened at market. It must be noted that these shorts could also be options or spot market participants hedging positions, or entities using arbitrage strategies. This resulted in BTC having an extended period of negative funding, even though open interest (OI) was still relatively high, especially in comparison to the April 13 low, following [one of the largest single day BTC leverage wipeouts] ever.

On May 2nd and 3rd, the funding rate for BTC went negative for two consecutive days on an aggregate basis for the first time since January 2023 (as per *VeloData* above). Current funding however has turned positive at 5.8 percent for BTC and 9.71 percent for Ether. It's worth mentioning that positive funding rates are typically observed during all market conditions and these are annual rates which won't affect most perpetual futures market participants as most don't hold futures positions for an extended period of time. An interesting observation from 2021 highlights this trend: throughout the entire first half of the year, negative funding rates on an aggregated basis for two consecutive days occurred only once. This rarity underscores the general market sentiment and momentum during bullish market conditions. It's also important to note that negative funding rates in the past week was not necessarily because of a lot of short open interest on perpetual positions on Centralised Exchanges, but was rather because the period between May 1st and May 3rd saw very high spot demand and was also the period where we had significant net positive ETF flows ($378m) for the first time in the past three weeks with GBTC recording positive inflows for the first time since the trust was converted into a spot Bitcoin ETF (above $63m). (refer Figure below)

Date	IBIT	FBTC	BITB	ARKB	BTCO	EZBC	BRRR	HODL	BTCW	GBTC	DEFI	Total
16 Apr 2024	25.8	1.4	0.0	(12.9)	0.0	1.8	1.7	3.6	0.0	(79.4)	0.0	(58.0)
17 Apr 2024	18.1	0.0	(7.3)	(42.7)	0.0	0.0	0.0	0.0	0.0	(133.1)	0.0	(165.0)
18 Apr 2024	18.8	37.4	12.8	9.5	0.0	0.0	0.0	7.2	0.0	(90.0)	0.0	(4.3)
19 Apr 2024	29.3	54.8	4.9	12.5	3.9	1.9	0.0	(1.8)	0.0	(45.8)	0.0	59.7
22 Apr 2024	19.7	34.8	2.2	22.6	2.7	7.7	0.0	7.5	0.0	(35.0)	0.0	62.2
23 Apr 2024	37.9	4.4	23.2	33.3	(0.3)	1.9	0.0	(1.9)	0.0	(66.9)	0.0	31.6
24 Apr 2024	0.0	5.6	0.0	4.2	0.0	0.0	0.0	0.0	0.0	(130.4)	0.0	(120.6)
25 Apr 2024	0.0	(22.6)	(6.0)	(31.3)	0.0	1.9	(20.2)	0.0	0.0	(139.4)	0.0	(217.6)
26 Apr 2024	0.0	(2.8)	(3.8)	5.4	0.0	0.0	0.0	0.0	0.0	(82.4)	0.0	(83.6)
29 Apr 2024	0.0	(6.9)	6.8	(31.3)	0.0	1.8	2.7	0.0	0.0	(24.7)	0.0	(51.6)
30 Apr 2024	0.0	(35.3)	(34.3)	3.6	(2.4)	0.0	0.0	0.0	0.0	(93.2)	0.0	(161.6)
01 May 2024	(36.9)	(191.1)	(29.0)	(98.1)	(5.4)	(13.4)	(9.7)	(6.5)	(6.2)	(167.4)	0.0	(563.7)
02 May 2024	0.0	0.0	0.0	13.3	1.5	3.4	2.3	0.0	0.0	(54.9)	0.0	(34.4)
03 May 2024	12.7	102.6	33.5	28.1	33.2	60.9	35.6	8.7	0.0	63.0	0.0	378.3
Total	15,454.4	8,030.1	1,746.0	2,166.3	267.5	348.0	479.9	478.5	58.6	(17,461.8)	(2.1)	11,565.4
Average	195.6	101.6	22.1	27.4	3.4	4.4	6.1	6.1	0.7	(221.0)	(0.0)	146.4
Maximum	849.0	473.4	237.9	200.7	63.4	60.9	43.4	118.8	6.6	63.0	11.9	1,045.0
Minimum	(36.9)	(191.1)	(34.3)	(98.1)	(37.5)	(13.4)	(20.2)	(6.5)	(6.2)	(642.5)	(14.7)	(563.7)

Figure 16. Spot Bitcoin ETF Daily Flows. (Source: FarsideUK)

Surprisingly, despite these bearish signals, Solana has seen a significant price jump of over 10 percent since Friday, even as its perpetual funding rates remain negative, suggesting that spot purchases rather than futures are driving the rally.

In BTC options, the short-term outlook has seen a decrease in open interest, with one-week options seeing a drop in OI, even as the March 2025 contracts have ticked higher by 7.5 percent, which we believe is an indication of investors either hedging shorts as we broke down below range lows or using the BTC dip as a buying opportunity to bet on long-term price appreciation. Ether shows a similar trend, with negative to low funding rates extending into late May and a slight increase in longer-term futures.

Glassnode's Bitcoin Accumulation Trend Score indicates an uptick in net outflows across all wallet cohorts throughout April but especially amongst long-term holders, pointing to persistent sell-side pressure.

Trading flows highlighted more selling in September options, particularly the 80k/90k/100k calls, with some of the activity involving September 60k vs. 90k call spreads. Post-Non-Farm Payroll (NFP) data last week, volatility curves steepened into the weekend but remained lower than intra-week spikes and continue to downtrend post the halving.

GENERAL MACRO UPDATE

Federal Reserve Maintains Interest Rate at 5.5 Percent, Announces Slower Pace of Asset Reduction

In last week's Federal Open Market Committee (FOMC) meeting, the Fed decided to hold interest rates steady at 5.25- 5.50 percent, a target rate that has been in place since July last year. The decision reflects ongoing efforts to temper inflation without further economic contraction. As part of its strategy, [the Fed also announced] a slowdown in the pace of the reduction of its assets on its balance sheet.

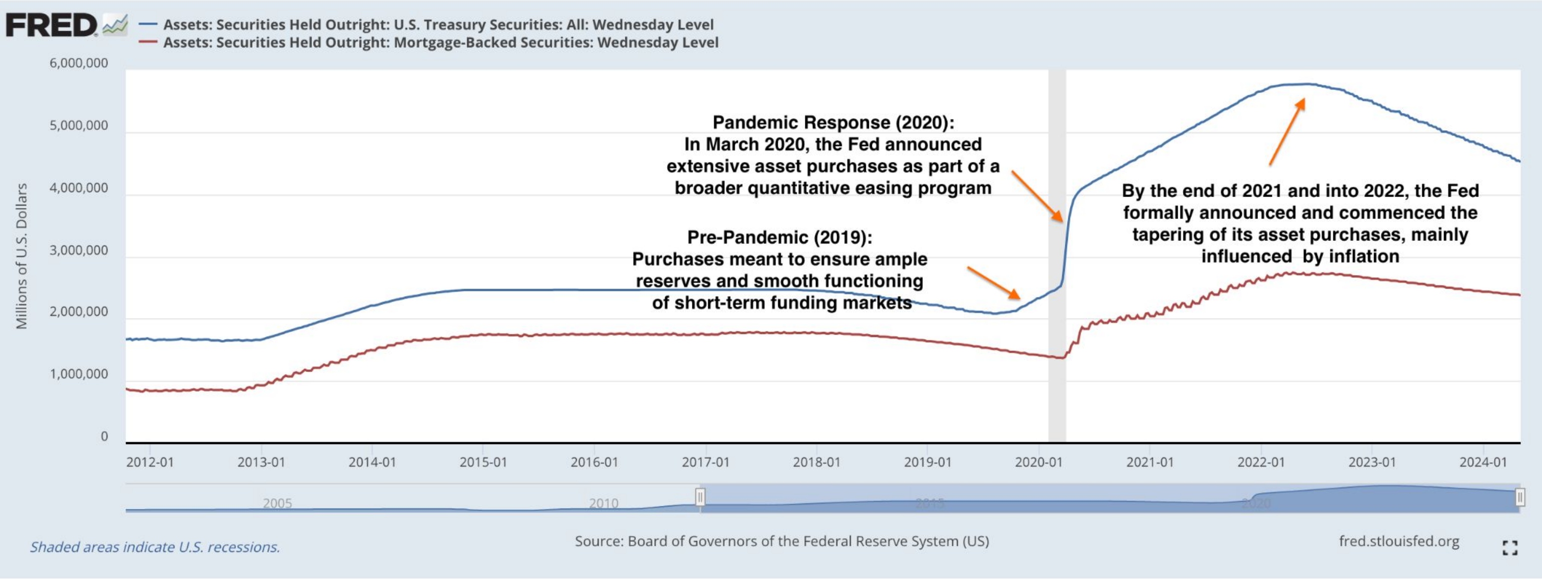


Figure 17. Federal Reserve Assets : Securities Held Outright (Source: Federal Reserve)

Starting in June, the redemption cap for Treasury securities will be lowered to $25 billion monthly, down from the previous $60 billion. However, the cap on mortgage-backed securities redemptions will remain unchanged at $35 billion per month. Any surplus from mortgage-backed securities principal payments will be redirected into Treasury investments.

The Fed balance sheet has decreased in size from a peak of $9 trillion during the pandemic to $7.5 trillion. The ongoing reduction process has not yet significantly impacted the market, but this new policy adjustment might exert some downward pressure on yields, as the market becomes more confident about rates not climbing towards 5 percent, and in turn increasing demand for Treasuries, pushing prices up, and yields down.

Figure 18. US 10-Year Treasury Yield (Chart Source: TradingView)

Since the Wednesday announcement, the yield on the benchmark 10-year Treasury note dropped by 3.8 percent to reach 4.512 percent on Friday. The Fed has not specified an end target for its balance sheet reduction but anticipates completing the process around 2025, and stabilising its holdings between $6 trillion and $6.5 trillion.

When questioned about whether the reduction in the Fed's asset holdings contradicts its commitment to maintaining higher interest rates, Fed Chair Jerome Powell emphasised that this moderated pace of asset reduction is not at odds with the Fed's restrictive monetary policy. Instead, it's intended to stabilise asset management and avoid market disruptions, similar to those experienced in 2019. In September 2019, a liquidity shortfall in the US repo market occurred due to simultaneous large-scale Treasury settlements and quarterly corporate tax payments taking place, which significantly drained bank reserves. The Federal Reserve intervened by conducting repo operations to inject liquidity and stabilize market rates

Regarding the outlook for future rate cuts, Powell highlighted the significance of long-term economic trends, but recognised the recent economic data reported during the first quarter of largely sticky inflation and a slowing labour market, and said he "took the signal." He stated, "It's likely to take longer for us to gain confidence that we are on a sustainable path to two percent inflation," emphasising the need for a cautious approach in determining when to implement policy changes.

Current economic conditions, like interest rates weighing on the housing market, a cooling job market, and stabilising oil prices, are expected to eventually influence upcoming economic data, and should contribute to an easing in inflation. However, waiting too long until the Fed is confident to cut rates carries the risk of escalating unemployment and slowing economic growth, both of which can deteriorate quickly once they start.

Report:	Date	Current	Previous
FED Rate Decision	April 30 - May	5.25-5.50	5.25-5.50

Rising Employment Costs Challenge Fed's Rate Cut Plans

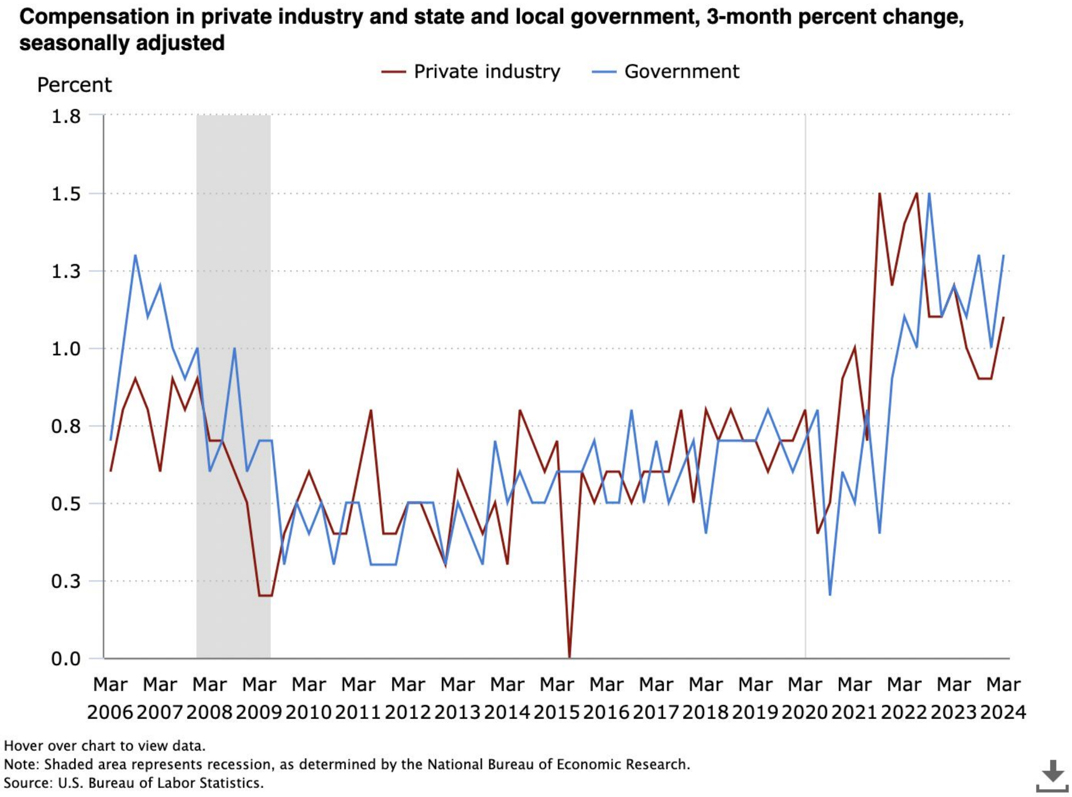


Figure 19. Compensation in Private Industry and Government (Source: Bureau of Labor Statistics)

The employment cost index has outpaced expectations in the first quarter, while consumer sentiment regarding the labour market has deteriorated, adding further complexity to the question of when the Fed will be in a position to cut rates.

The employment cost index, increased by 1.2 percent in the first quarter, up from 0.9 percent [in the previous quarter](), and exceeded consensus forecasts of just a one percent rise.

This rise in employment costs is linked to a significant recovery in core service inflation, excluding housing, which is an important indicator for the Fed in assessing inflation. This trend of an increasing cost of employment does not align with the Fed’s goals of achieving price stability.

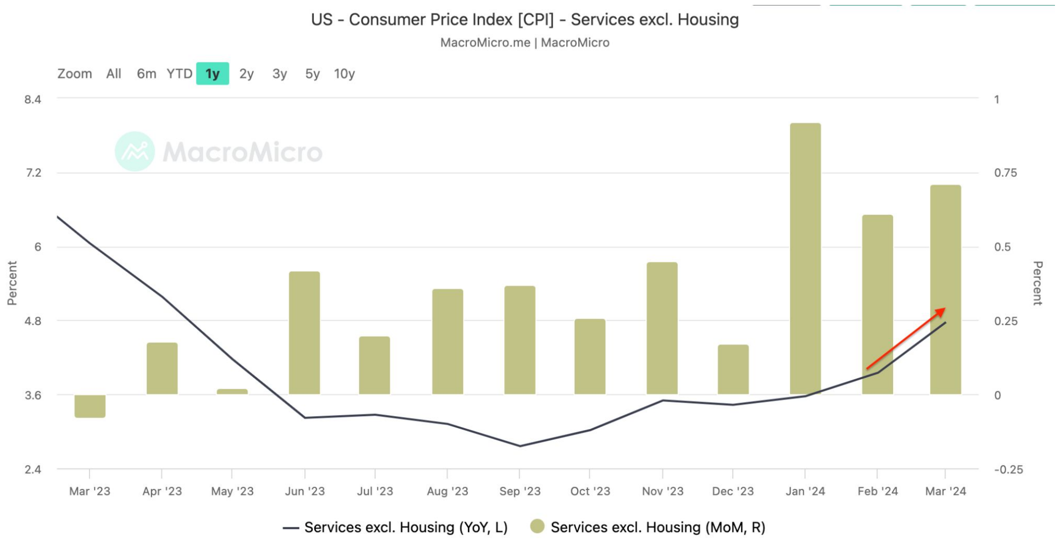


Figure 20. Consumer Price Index - Services Excluding Housing (Source: Macromicro, Bureau of Labor Statistics)

This rise in employment costs is linked to a significant recovery in core service inflation, excluding housing, which is an important indicator for the Fed in assessing inflation. This trend of an increasing cost of employment does not align with the Fed's goals of achieving price stability.

For employees however, this data spells good news as their wages and benefits are rising faster than inflation, and has contributed to consistent strong spending patterns. The wage increases pose a challenge for the Fed as it attempts to balance a robust job market with inflation control efforts.

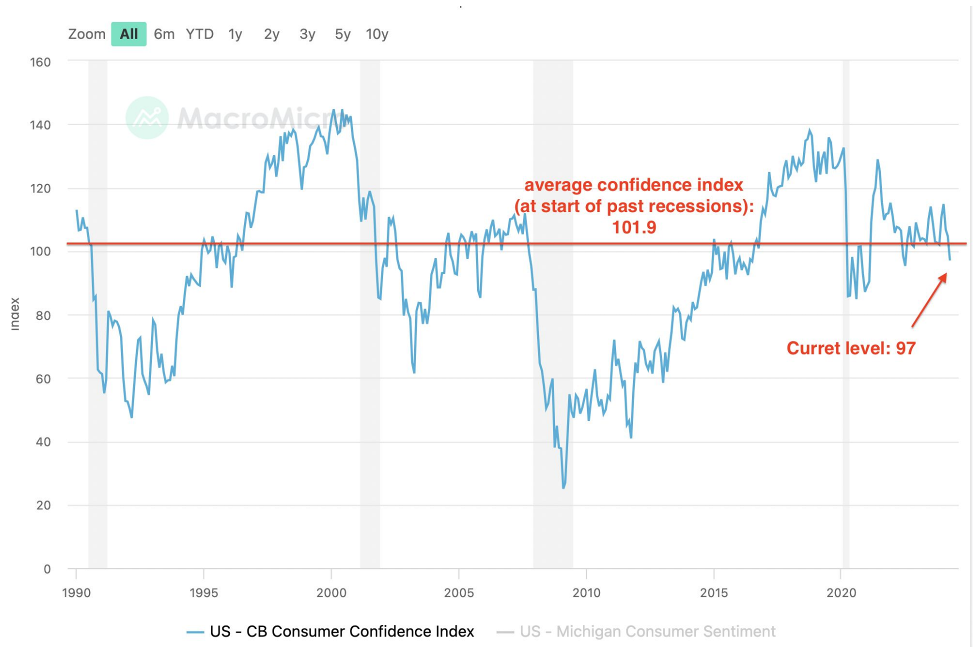


Figure 21. US Conference Board Confidence Index

A separate report from the Conference Board last Tuesday revealed a decline in consumer confidence in April, with the index dropping to 97, marking its lowest point since July 2022, influenced by higher gasoline prices and dwindling job prospects.

This level is below the average index score of 101.9 typically seen at the onset of recessions. Moreover, the labour differential index, which measures the ease of finding jobs, reached its lowest point since last November, further highlighting the strain felt in some parts of the economy.

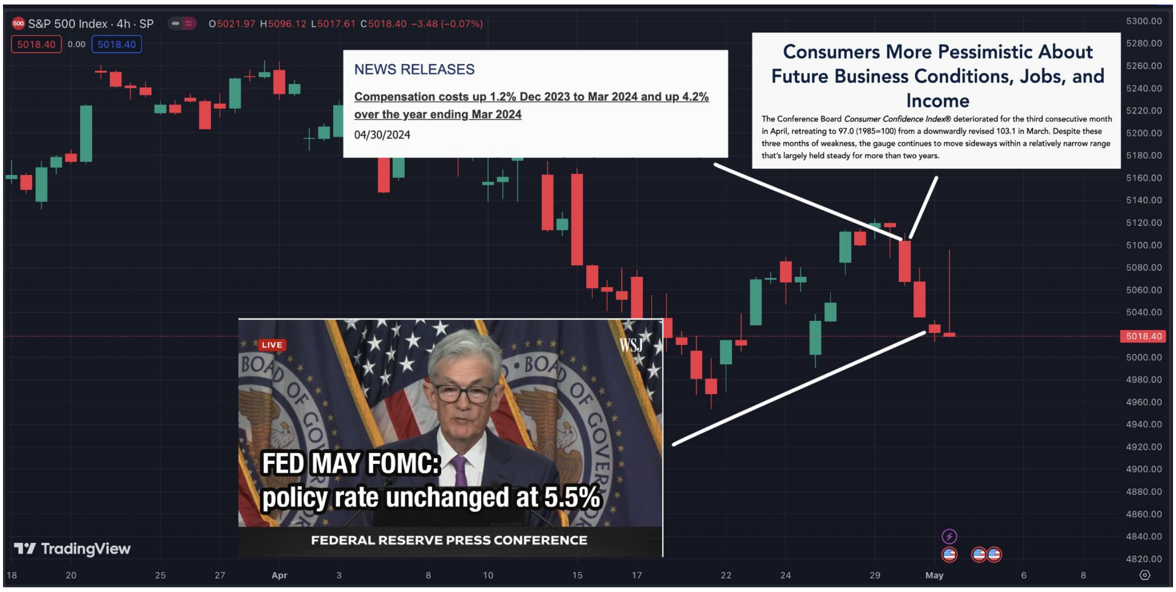


Figure 22. S&P 500 price action immediately after last Tuesday and Wednesday's Economic News

Additional signs of employment weakness are also evident in other reports. [The Chicago Business Barometer](#) fell to a 17-month low, declining from 41.4 in March to 37.9 in April, just slightly above its two-year low recorded in November 2022. Similarly, the recent [US S&P Global Flash PMI report](#) revealed a significant reduction in workforce numbers, particularly in the service sector, marking the most substantial drop in employment since mid-2020.

The increase in the US employment cost index amidst falling consumer confidence and business sentiment may suggest that businesses are feeling the pressure of inflation, leading to higher wages but a more cautious approach to hiring. Workers and their unions are likely to demand higher wages and employers may need to offer higher salaries to attract and retain talent, which is evidenced in the decline in quit rates (as discussed in the next chapter). The discrepancy between rising employment costs and cooling employment indicators suggests that employers are competing for a limited pool of labour, which can be a sign of a tight labour market, but does not necessarily lead to increased employment.

Report:	Period	Current	Previous
Employment Cost Index	Quarter 1	1.2%	0.9%

Report:	Period	Current	Previous
Consumer Confidence	April	97	103.1

US Job Openings Hit Three-Year Low as Labour Market Cools

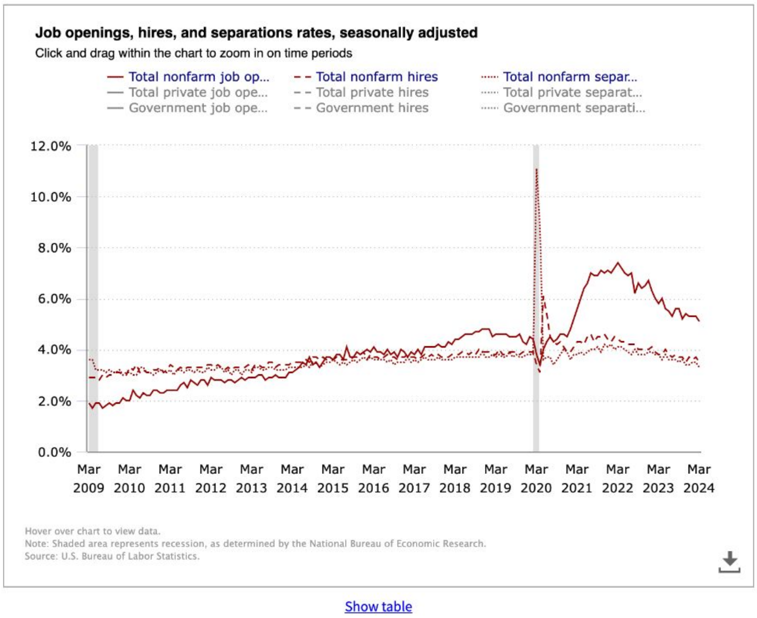


Figure 23. Job Openings, Hires and Separation Rates (Source: Bureau of Labor Statistics)

In March, the number of job openings in the US dropped to 8.49 million, marking the lowest level in three years, as reported by the Bureau of Labor Statistics, last Wednesday, May 1st. This decline aligns with conditions suggestive of a cooling labour market, where the gap between labour demand and supply is beginning to narrow.

The ratio of job vacancies to unemployed individuals dipped to 1.32, moving closer to the pre-pandemic average of 1.2. Concurrently, the quit rate decreased to 2.1 percent, returning to its pre-pandemic norm, indicating a move towards a more balanced labour market.

A separate report also revealed a decline in the ISM manufacturing index for April, attributed to decreased production activity and new orders. Amidst this downturn, manufacturing employment sentiment remained subdued for the seventh consecutive month.

Notably, the prices paid subindex also experienced a significant rise, reaching its highest level since June 2022 at 60.9, up from 55.8 in March. This increase in input costs, along with other economic indicators point to the persistence of inflation.

US Job Growth Moderates, Wage Growth Decelerates as Labour Market Seeks Stability

Job growth in the US decelerated more than expected in April, with the annual increase in wages dipping below four percent for the first time in nearly three years, according to the Employment Situation report issued last Friday, May 3rd. This signals a shift toward a more sustainable rate of employment growth as the second quarter begins.

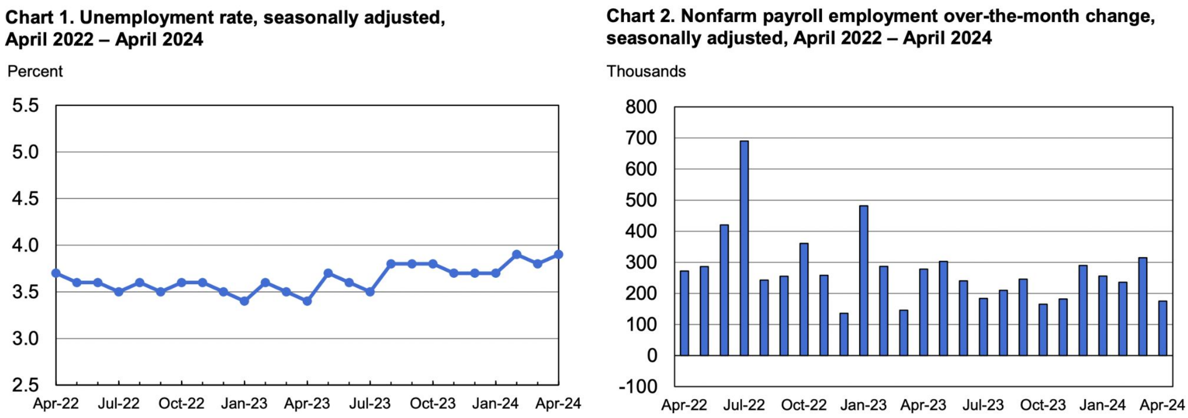


Figure 24. Unemployment Rate and Nonfarm Payroll Employment in April 2022-April 2024 (Source: Bureau of Labor Statistics)

US job growth eased from an average of 289,000 new jobs in the first quarter of 2024 to 175,000 in April, below the consensus forecast of 240,000 jobs. Average hourly earnings rose 0.2 percent after climbing 0.3 percent in March. On a year-on-year (YoY) basis, wages increased 3.9 percent, the smallest gain in almost three years. The unemployment rate also edged up to 3.9 percent from 3.8 percent in March. The unemployment rate has consistently stayed below four percent for a remarkable 27 consecutive months.

Despite a slower pace, the breadth of hiring improved, with the diffusion index rising to 60.4 percent in April from 54 percent in March, indicating a wider range of industries adding jobs. This trend underscores a gradual balancing in the labour market, a positive sign for the Fed, which has been cautious about adjusting interest rates.

The private sector contributed 167,000 jobs, while government employment increased by only 8,000, considerably below the previous three-month average of 62,000.

Stability was also observed in the labour force participation rate, which held steady at 62.7 percent, although the employment-to-population ratio slightly declined to 60.2 percent. The median duration of unemployment decreased from 9.5 weeks to 8.7 weeks, suggesting that job seekers are able to find a job within two to three months.

This cooling in the hiring pace, while still robust, can be interpreted as beneficial with respect to the inflation outlook. It should relieve worries about stagflation, which had been fanned by news of a moderation in economic growth and persistent inflation in the first quarter. Financial markets, according to the CME Fedwatch Tool, seemed to be more confident of a September rate cut and currently foresee two potential rate cuts this year.

CME FEDWATCH TOOL - CONDITIONAL MEETING PROBABILITIES

MEETING DATE	350-375	375-400	400-425	425-450	450-475	475-500	500-525	525-550
6/12/2024			0.0%	0.0%	0.0%	0.0%	8.4%	91.6%
7/31/2024	0.0%	0.0%	0.0%	0.0%	0.0%	2.4%	32.5%	65.1%
9/18/2024	0.0%	0.0%	0.0%	0.0%	1.2%	17.4%	48.8%	32.6%
11/7/2024	0.0%	0.0%	0.0%	0.5%	7.4%	29.3%	42.6%	20.2%
12/18/2024	0.0%	0.0%	0.3%	4.4%	20.1%	37.0%	29.7%	8.5%
1/29/2025	0.0%	0.1%	2.1%	11.4%	27.6%	33.8%	20.3%	4.8%
3/19/2025	0.1%	1.2%	7.0%	19.9%	30.8%	26.7%	12.1%	2.2%
4/30/2025	0.5%	3.3%	11.8%	24.0%	29.3%	21.2%	8.4%	1.4%

Figure 25. CME FedWatch Tool - Conditional Meeting Probabilities

Report:	Date	Current	Previous
US employment report	April	175,000	315,000

Report:	Date	Current	Previous
US unemployment rate	April	3.9%	3.8%

Report:	Date	Current	Previous
Hourly Wages	April	0.2%	0.4%

NEWS FROM THE CRYPTO-SPHERE

Binance Founder Changpeng Zhao Sentenced To Four Months In Prison

Figure 26.Binance Founder Changpeng Zhao Sentenced To Four Months In Prison

- **Binance founder Changpeng Zhao sentenced to four months for money laundering and sanctions violations**
- **Binance agrees to $4.3 billion in fines and forfeiture, concluding the Justice Department's case**

Changpeng Zhao, founder and former CEO of Binance, was sentenced to four months in prison after pleading guilty to violating US money laundering laws and sanctions. Seattle-based US District Judge Richard Jones delivered the ruling, which is significantly lower than the three-year sentence sought by prosecutors.

As part of his plea deal in November last year, Zhao agreed to step down as CEO, pay a $50 million fine, and admit to sanctions violations linked to users in Iran, Cuba, Syria, and Russian-occupied areas of Ukraine. Zhao's lawyers had requested five months' probation, emphasising his acceptance of responsibility and absence from family, but this was declined.

The sentence imposed by US District Judge Richard Jones in Seattle was significantly shorter than the three years sought by the Department of Justice, and below the maximum 18 months recommended under federal guidelines.

Binance's plea, submitted last November, acknowledged violations including anti-money laundering, unlicensed money transmitting, and sanctions breaches, while Zhao pleaded guilty to money laundering charges. Zhao, a dual citizen of the UAE and Canada, was released on a $175 million bond but ordered to stay in the US.

Binance also agreed to a $4.32 billion penalty to resolve the Department of Justice's case. The prosecution criticised Zhao's decisions, arguing his deliberate violation of US law aimed to attract users and build his company.

This marks the second major crypto sentencing in recent months, following former FTX CEO Sam Bankman-Fried's 25-year prison sentence in connection to FTX's collapse.

Tether Reports Record-Breaking First Quarter Report

Figure 27. Tether Reports Record-Breaking First Quarter Report

- **Tether reported a record-breaking $4.52 billion profit in Q1 2024**
- **Tether's net equity stood at $11.37 billion, reflecting its growing financial strength and stability. US Treasury holdings now exceed $90 billion, contributing to Tether's financial stability and transparency**

In Tether Holdings Limited latest attestation, for the first quarter, it increased the level of transparency related to the company's earnings.

The Group reported profits of $4.52 billion, of which $1 billion stemmed from its net profits from holding US Treasuries. The remainder consisted of mark-to-market gains from holding Bitcoin and gold.

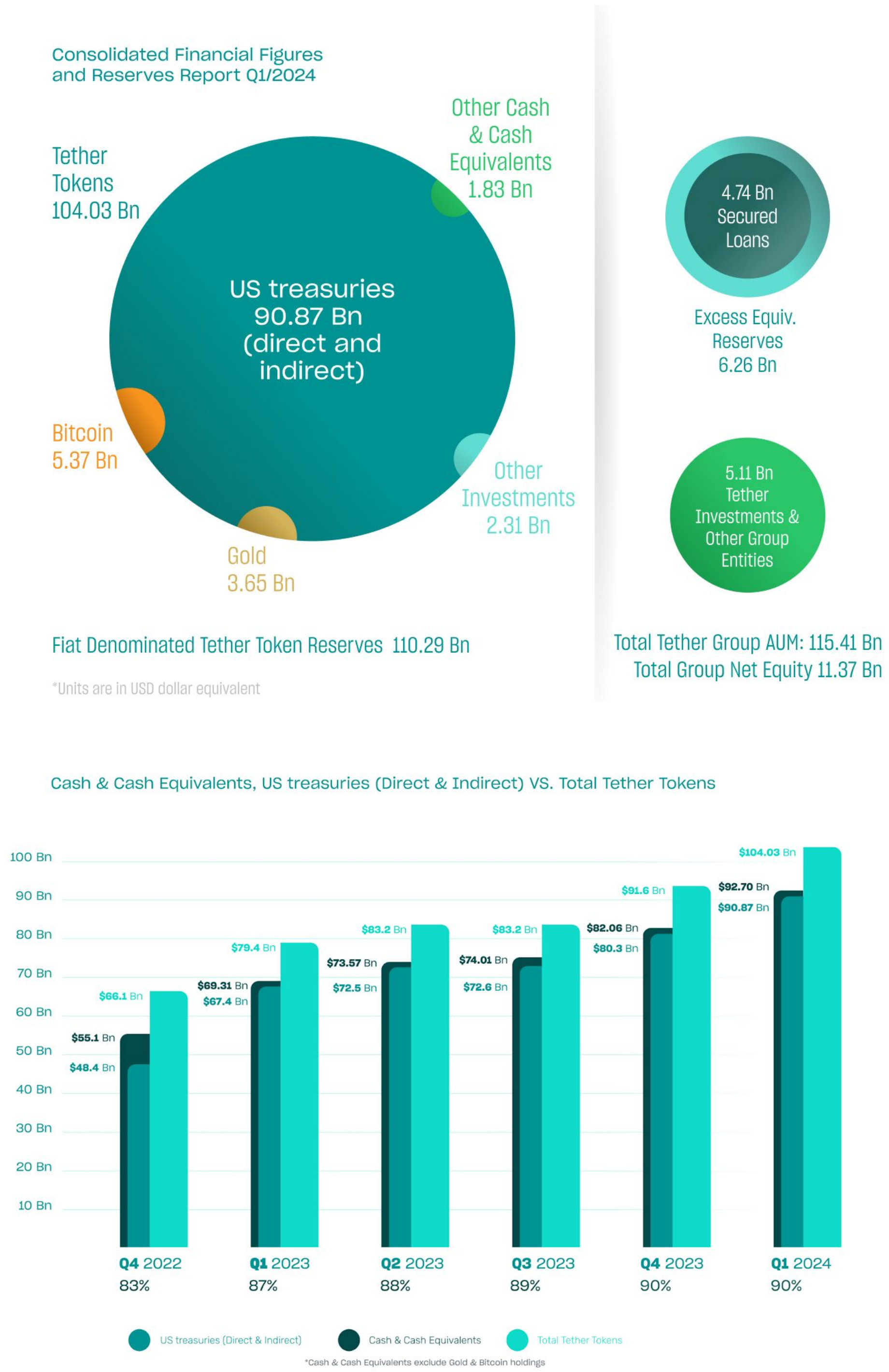


Figure 28. Tether Financial Figures and Reserves Report

Tether's US Treasuries holdings now exceed $90 billion, including indirect exposure through reverse-repurchase agreements and money market funds. Net equity stood at $11.37 billion, a rise from $7.01 billion in December 2023, supported by a $1 billion increase in excess reserves, now nearing $6.3 billion. Tether tokens are backed by Cash and Cash Equivalents at 90 percent, with $12.5 billion USDt issued in Q1 alone. Tether's reserves amount to $110 billion, exceeding liabilities of $104 billion by $6.26 billion.

Hong Kong Bitcoin ETFs Record $8.5 Million in First-Day Volume

Figure 29. Hong Kong Bitcoin ETFs Record $8.5 Million in First-Day Volume

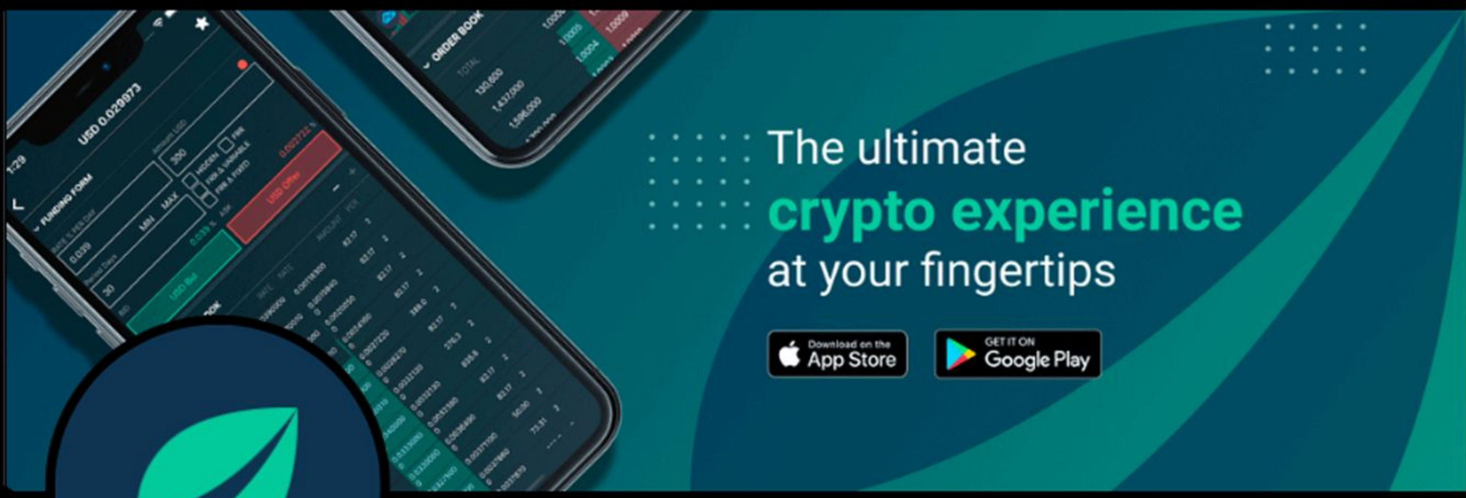
- **Hong Kong's new spot Bitcoin ETFs garnered $8.5 million in trading volume on debut, with a total combined volume of $12 million including Ether ETFs**
- **Despite modest initial volumes compared to the US, optimism surrounds the long-term potential of these ETFs, expected to attract institutional investors and propel Bitcoin's mainstream adoption in Asia**

Hong Kong's new spot Bitcoin ETFs saw $8.5 million volume on their opening day, after the Hong Kong Securities and Futures Commission (SFC) approved six total spot Bitcoin and Ether ETFs last week.

Three Bitcoin ETFs debuted including: ChinaAMC Bitcoin ETF, Harvest Bitcoin ETF, and Bosera HashKey Bitcoin ETF. Including Ethereum ETFs, the total combined trading volume reached HK$87.58 million ($12 million).

While these volumes are modest compared to US spot Bitcoin ETFs that saw $4.6 billion on their first day, industry commentators are optimistic about their long-term potential.

The launch of Bitcoin ETFs in Hong Kong is expected to attract more institutional investors and drive mainstream adoption of Bitcoin in the region. As the global Bitcoin landscape evolves, Hong Kong's embrace of spot Bitcoin ETFs positions it potentially as a key player in Bitcoin's future in Asia.



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