BITFINEX Alpha

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EXECUTIVE SUMMARY

Markets remained resilient last week with Bitcoin maintaining its position above the critical $62,000 level, propelled by the unexpected approval of the Ether Spot ETF. Early last week, both BTC and ETH surged in anticipation of an imminent announcement, but immediately fell once the news was confirmed.

While it is certainly positive for the industry as a whole that further regulated vehicles are now being made available to access crypto assets, the SEC has made it clear that, in the case of ETH, no ETFs will be approved that seek to distribute to investors ETH staking rewards. With that being the case, it is possible that more investors might be drawn to investing directly in ETH itself, leaving them free to stake the asset and earn additional returns. It suggests that the enthusiasm for ETH ETFs might not be as significant as that of BTC ETFs to date.

Indeed, as of May 24th, BTC ETFs achieved a record streak of 10 consecutive days of inflows, with BlackRock's IBIT leading the charge at $16.35 billion. Also, a telling indicator was that last week's ETH price surge was driven by increased activity in the perpetual futures market. The $4,000 resistance level remains a key psychological barrier, and we see potential for a robust uptrend if broken, although short-term volatility and consolidation are expected.

The state of the BTC and ETH markets is well-illustrated by the BTC and ETH implied volatility indices. We see a pattern now where intense speculation and significant market volatility builds up around perceived risk events such as the Bitcoin halving, the last FOMC meeting and the ETH ETF approvals, but then an almost equally fast return to stable prices, and reduced implied volatility and volatility risk premiums once the events play out.

In the broader economy, last week saw two key Fed officials lay out important insights into how they view current economic conditions, reiterating their firm commitment to reducing inflation to the two percent target. While a resilient labour market has bolstered overall economic activity, persistent inflation and financial stability remain key areas of focus for policymakers.

The US housing market, in particular, faces continued challenges as existing home sales in April fell unexpectedly due to rising mortgage rates and high house prices. It marks the second consecutive month of falling sales and reflects deteriorating builder confidence. Higher mortgage rates have significantly impacted the housing market, with significant relief unlikely until the Fed begins cutting.

US business activity is also robust, jumping to its highest level in over two years in May, driven by robust growth in the services sector. However, manufacturers report escalating prices for various inputs, indicating potential future price inflation.

In a recap of the crypto news, the biggest development last week was of course the SEC approval for ETH ETFs, representing a significant win for firms like VanEck, Fidelity, and BlackRock, and a major step forward for the broader cryptocurrency industry.

Meanwhile, the US House of Representatives approved the CBDC Anti-Surveillance State Act with a 216 to 192 vote. The bill aims to prevent the Fed from issuing a CBDC to individuals, though critics argue it could undermine the global dominance of the US dollar and US banks.

And, as if on cue, US Presidential candidate Donald Trump has begun accepting cryptocurrency donations, positioning himself as the "crypto candidate" in stark contrast to the Biden administration's more cautious stance on cryptocurrencies.

Have a good trading week!

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WHAT'S ON-CHAIN THIS WEEK?

Bitcoin and Ethereum: Key Price Levels and ETF Market Impact

In last week's *Bitfinex Alpha* report, we highlighted the significance of the $62,000 price level for Bitcoin, as a cost basis for ETF buyers, emphasising that maintaining above this critical threshold is essential for sustaining market confidence and minimising short-term volatility. Over the past week, BTC has continued to remain above this level, and we now observe that following a period of heavy distribution by Long-Term Holders following the $73,666 all-time high reached in March, sell-side pressure has significantly decreased.

On Monday last week, BTC surged by 7 percent to $71,922 amidst market anticipation for the approval of an Ether ETF. However, when applications were approved on Thursday, the prices of both BTC and ETH fell, showcasing a typical "buy the rumour, sell the news" reaction from market speculators. As of May 27th, Bitcoin is trading at $68,547

Spot Bitcoin ETFs faced challenges at the end of April, with May 1 being particularly tough due to outflows exceeding $560 million. However, the situation improved in the following weeks, especially after favourable US CPI data for April. In fact, May 10 marked the last day of negative numbers for the largest ETFs, excluding GBTC, which operates on different dynamics to the rest of the US ETF universe.

Market Data

#	Ticker	Exchange	Inst.	Prem./Dsc. As of 05/24	1DNetInflow As of 05/24	CumNetInflow As of 05/24	NetAssets As of 05/24	Ne
1	GBTC	NYSE	Graysca...	-0.03%	$0	-$18B	$20.00B	
2	IBIT	NASDAQ	BlackRo...	+0.54%	$182M	$16B	$19.79B	
3	FBTC	CBOE	Fidelity	+0.47%	$44M	$9B	$11.14B	
4	ARKB	CBOE	Ark Inve...	+0.51%	$4M	$3B	$3.34B	
5	BITB	NYSE	Bitwise	+0.39%	$6M	$2B	$2.49B	
6	BTCO	CBOE	Invesco ...	+0.21%	$0	$311M	$497.78M	
7	HODL	CBOE	VanEck	+0.41%	$16M	$526M	$690.18M	
8	BRRR	NASDAQ	Valkyrie ...	+0.37%	$0	$507M	$590.12M	
9	EZBC	CBOE	Franklin...	+0.38%	$0	$361M	$423.79M	
10	BTCW	CBOE	Wisdom...	+0.50%	$0	$67M	$85.29M	
11	DEFI	NYSE	Hashdex	-0.38%	$0	$2M	$12.70M	

Figure 1. Bitcoin Spot ETF Flow, as of May 24, 2024 (Source:SoSoValue)

Since then, the ETFs have experienced an impressive streak, matching the record of 10 consecutive days of inflows set in March. On May 21, inflows exceeded $300 million, while May 24 saw numbers surpassing $250 million.

BlackRock's IBIT has come first in terms of inflows, since the ETFs were officially launched, attracting over $16.35 billion. Although Grayscale remains the leader with $20 billion (due to its existence as a closed-end trust before the ETFs were approved), the outflows it has seen suggest that BlackRock might overtake it soon.

Overall, the total net inflows across all ETFs are close to $13.7 billion.

Bitcoin ETF Flow Table (US$m)

Date	IBIT	FBTC	BITB	ARKB	BTCO	EZBC	BRRR	HODL	BTCW	GBTC	DEFI	Total
06 May 2024	21.5	99.2	2.1	75.6	11.1	1.8	0.0	1.8	0.0	3.9	0.0	217.0
07 May 2024	0.0	4.1	0.0	2.8	6.0	0.0	0.0	0.0	0.0	(28.6)	0.0	(15.7)
08 May 2024	0.0	0.0	11.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	11.5
09 May 2024	14.2	2.7	6.8	4.4	2.2	1.8	0.0	0.0	0.0	(43.4)	0.0	(11.3)
10 May 2024	12.4	5.3	0.0	0.0	0.0	0.0	0.0	0.0	0.6	(103.0)	0.0	(84.7)
13 May 2024	0.0	38.6	20.3	0.0	0.0	0.0	0.0	7.1	0.0	0.0	0.0	66.0
14 May 2024	0.0	8.1	0.0	133.1	5.5	1.8	1.2	1.7	0.0	(50.9)	0.0	100.5
15 May 2024	0.0	131.3	86.3	38.6	4.6	1.9	3.7	7.5	2.1	27.0	0.0	303.0
16 May 2024	93.7	67.1	1.4	62.0	6.2	3.8	18.5	0.0	0.0	4.6	0.0	257.3
17 May 2024	38.1	99.4	20.8	10.0	5.7	0.0	6.4	9.5	0.0	31.6	0.0	221.5
20 May 2024	66.4	64.0	24.0	68.3	0.0	0.0	0.0	0.0	5.2	9.3	0.0	237.2
21 May 2024	290.0	25.8	(4.2)	0.0	0.0	0.0	0.0	(5.9)	0.0	0.0	0.0	305.7
22 May 2024	92.0	74.6	0.0	3.5	0.0	0.0	0.0	0.0	0.0	(16.1)	0.0	154.0
23 May 2024	89.0	19.1	0.0	2.0	2.0	0.0	0.0	9.5	0.0	(13.7)	0.0	107.9
24 May 2024	182.1	43.7	6.4	4.1	0.0	0.0	0.0	15.6	0.0	0.0	0.0	251.9
Total	16,353.8	8,713.1	1,921.4	2,570.7	310.8	359.1	509.7	525.3	66.5	(17,641.1)	(2.1)	13,687.2
Average	174.0	92.7	20.4	27.3	3.3	3.8	5.4	5.6	0.7	(187.7)	(0.0)	145.6
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)

Source: Farside Investors

Figure 2. Bitcoin ETF Flow Table, US$m (Source: Farside Investors)

Meanwhile, there is excitement around the [recent approval of Ether ETFs] as the influx of investment into these products, once launched, will significantly impact the market (see next chapter on '[A New Era for Ethereum']), potentially pushing ETH to new record highs. Last Monday, ETH surged by over 20 percent, reaching a six-week high of more than $3,900. But the activity in ETH markets seems to be driven by futures trading. Prior to confirmation of the ETH ETF approvals, the ETH price dropped by 10 percent from the highs on an intra-day basis and seven percent within 12 minutes on Thursday (before confirmation of approval later that day) as a result of highly leveraged long positions being stopped/liquidated. As of May 27th, ETH is trading at $3906.

Figure 3. Ether Aggregated Open Interest (Source: Coinalyze)

The above chart illustrates a significant rise in the open interest metric, which aligns with a notable increase in ETH's spot price. This rise in open interest signals increased activity in the perpetual futures market, with more traders taking assertive positions. This heightened activity is likely a key driver behind the recent sharp price increase at the beginning of last week. The positive funding rate also suggests bullish sentiment in the market, as traders expect the price to continue rising.

Figure 4. Ether Funding Rates (Source: Coinalyze)

Nevertheless, the $4,000 resistance level is a crucial psychological barrier. These fluctuations have caused substantial liquidations of both long and short positions, as shown in the aggregate liquidation metric.

Figure 5. Ether Aggregated Liquidation (Source: Coinalyze)

If buyers break through the $4000 resistance and sustain the bullish momentum, a robust uptrend could emerge in the short term, potentially targeting a new all-time high. However, the price is expected to undergo a phase of sideways consolidation with increased volatility before making its next significant move.

A New Era for Ethereum: Market Reactions to Ether ETF Approvals

The SEC approval of several Ether ETF applications marks a significant milestone for ETH, the second-largest cryptocurrency by market capitalization, paving the way for broader adoption and increased investment opportunities. The approval process was marked by intense speculation and significant market volatility, reflecting the market's anticipation and subsequent reaction to this landmark regulatory decision.

The period following Bitcoin's halving on April 20, 2024, set the stage for a series of events. During this post-halving phase, the cryptocurrency markets experienced a period of reduced volatility and relative stability. Key metrics during this time included a drop in the Bitcoin Volmex Implied Volatility Index (BVIV) from 75 to 55 and a decrease in the Ethereum Volmex Implied Volatility Index (EVIV) from 80 to 63. The BTC price stabilised around $65,000, while the ETH price hovered around $3,200. Concurrently, the volatility risk premiums (VRPs) for BTC and ETH fell to 1.5 and 8.5, respectively. This phase was characterised by reduced market uncertainty, as indicated by the lower implied volatilities and VRPs.

Market Anxiety Before the Fed Meeting

This calm market environment was disrupted however by growing fears prior to the Fed's monetary policy meeting on May 1, 2024. Investors were concerned about potential interest rate changes that could lead to significant market movements. The BVIV rose from 55 to 67.5, while the EVIV increased from 63 to 85. The BTC price dropped from $65,000 to $56,500, and ETH fell from $3,200 to $2,850. The BTC VRP surged to 13.0, and the ETH VRP rose to 29.2 (See *EVIV (VOLMEX) vs. Volatility Risk Premiums* chart below). This period highlighted the sensitivity of the cryptocurrency markets to broader financial and macroeconomic conditions, resulting in increased implied volatilities and risk premiums.

Market Stabilization and Higher Hopes for Ether ETF Approval

Following the FED meeting however, the cryptocurrency markets returned to a more stable state until May 20, 2024, when analysts significantly raised the probability of ETH ETF approvals, from 10 percent to 65 percent. This sudden change in sentiment was quickly reflected in the markets, as can be seen in Figure 6 and Figure 7.

Figure 6: BTCUSD (BITFINEX) and ETHUSD (BITFINEX)

Figure 7: BVIV (VOLMEX) and EVIV (VOLMEX)

The BVIV increased to 64, and the EVIV jumped to 85.5. The BTC price rose to just under $72,000, while the ETH price soared to $3,950. The Bitcoin VRP spiked to 16 first, but it gradually decreased to 10, while the Ethereum VRP increased to 34 and remained around 30, as shown in Figure 8. The difference in VRPs reached 27. This abrupt shift was indicative of the market rapidly pricing in the increased likelihood of approval.

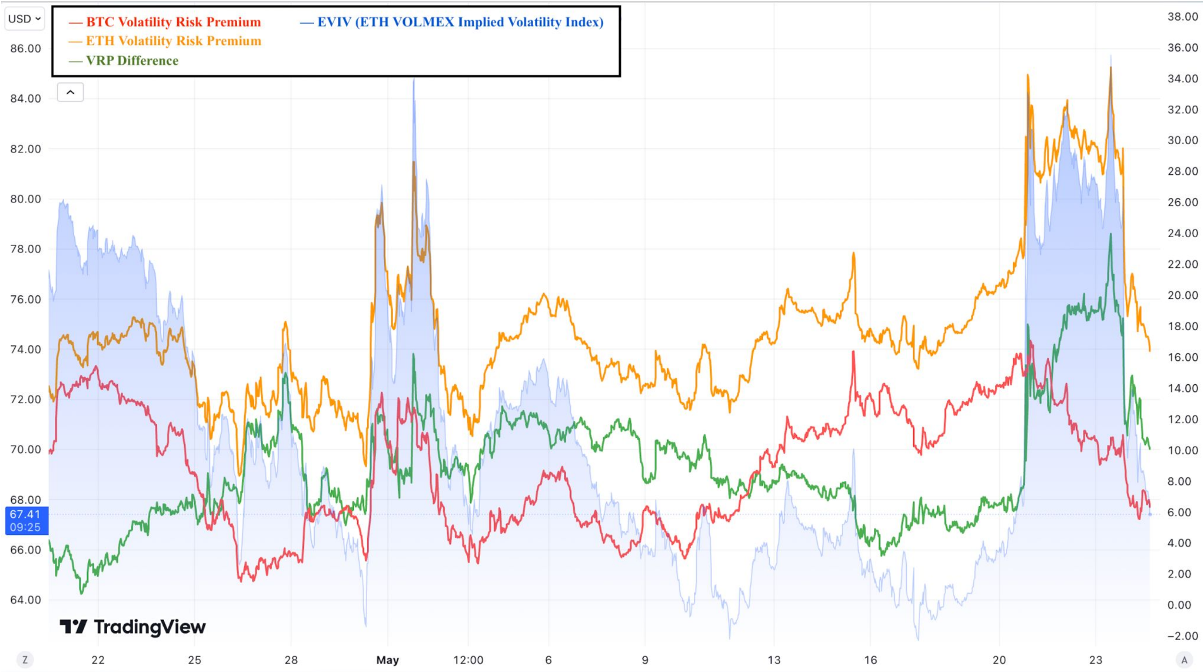


Figure 8: EVIV (VOLMEX) vs Volatility Risk Premiums

SEC Approval Announcement and Market Reaction

The SEC announced the approval of Ether ETFs on May 23, 2024, leading to immediate adjustments in the markets. Within only three hours of the announcement, the EVIV decreased from 85.5 to 69.5. The BVIV dropped from 64 to 52.5 within nine hours. The Ethereum VRP fell to 18, and the Bitcoin VRP decreased to 7. The difference in VRPs dropped to 11. Prices initially fluctuated significantly before the announcement, with ETH ranging from $3,530 to $3,904 and BTC from $66,400 to $68,400 within an hour before the announcement. However, once the decision was made, prices began to stabilise. The reduction in implied volatilities and VRPs post-announcement indicated that the market had priced in the resolution of uncertainty, leading to stabilisation once the news was confirmed.

“Sell the News” Phenomenon

Following the initial excitement and subsequent stabilisation, investors began to realise their gains, leading to a "sell the news" effect. The ETH price fell from $3,800 to $3,650, and the EVIV decreased to 68.5. BTC dropped from $68,000 to $66,700, and the BVIV decreased to 52. This behaviour is typical in financial markets, where anticipated positive events lead to profit-taking once the news is confirmed, resulting in short-term price declines.

Conclusion

The approval of spot ETH ETFs by the SEC serves as a compelling case study of how regulatory decisions and market expectations interact. The journey from low odds of approval to significant market excitement, followed by the resolution of uncertainty and subsequent profit-taking, highlights the complex dynamics of the cryptocurrency markets. This sequence of events underscores the importance of understanding market sentiment, volatility indices, and the impact of major regulatory announcements.

GENERAL MACRO UPDATE

Federal Reserve Officials Highlight Economic Progress and Regulatory Measures

In a series of speeches delivered last Monday, May 20th, key Federal Reserve officials provided insights into the current economic landscape in the US and outlined crucial measures to ensure financial stability. Vice Chair, Philip N. Jefferson and Vice Chair for Supervision, Michael S. Barr, offered their perspectives on economic growth, inflation, monetary policy, and banking regulations.

Economic Growth and Inflation: A Mixed Picture

Philip N. Jefferson addressed the trajectory of the US economy, noting solid growth yet signalling potential headwinds. "The US economy continues to grow at a solid pace," Jefferson remarked, highlighting a 1.6 percent GDP increase in Q1 2024. However, he acknowledged a slowdown from the previous quarter's 3.4 percent expansion and anticipated that "spending growth [would] slow later this year" due to restrictive monetary policies.

Jefferson underscored that while inflation has eased from its peak, it remains above the Federal Open Market Committee's (FOMC) two percent target.

In the latest FOMC minutes, for the April 30–May 1, 2024 meeting, it was reported that “Participants observed that while inflation had eased over the past year, in recent months there had been a lack of further progress toward the Committee’s two percent objective”. Nevertheless, the minutes also noted that members of the committee were positive that inflation would ultimately return to the target, though there was uncertainty over how long that would take, and how much impact high rates will have on the economy in the meantime.

Labour Market Dynamics

In both Jefferson and Barr’s recent speeches, they highlighted the robust state of the labour market. Jefferson reported that the unemployment rate remained below four percent, with a labour force participation rate higher than pre-pandemic levels. Barr added that sub-4 percent inflation had been in place “for 27 months," marking the longest stretch of low unemployment in over half a century. It is this labour market solidity that has been a critical element in supporting economic stability.

Monetary Policy: Caution and Continuity

Jefferson and Barr however noted that a cautious approach to monetary policy was necessary. Barr noted the importance of maintaining the current restrictive policy stance to combat inflation and acknowledged that while significant progress had been made in reducing inflation from its peak of 7.1 percent to 2.7 percent, further work was needed. "These results did not provide me with the increased confidence that I was hoping to find to support easing monetary policy," he said.

Housing Market and Financial Stability

Jefferson focused on the housing sector's role in monetary policy transmission, highlighting its sensitivity to interest rate changes. He pointed out that the current policy stance has contributed to a rebalancing of the housing market, putting downward pressure on inflation. However, he cautioned that "housing services inflation may keep housing costs elevated for a while longer" due to the lag in adjusting market rents.

Barr, on the other hand, discussed the regulatory framework aimed at ensuring banking stability. He emphasised the need for robust capital, liquidity, and resolution resources in banks, especially in light of the banking stress observed in 2023. Barr detailed ongoing adjustments to regulatory measures, including extending requirements to reflect unrealized losses on capital and exploring targeted liquidity regulations to enhance banks' resilience.

Conclusion

While the economy shows signs of robust growth and a resilient labour market, persistent inflation and financial stability remain key areas of focus. The Federal Reserve’s commitment to prudent monetary policy and regulatory measures aims to support a stable and healthy economy, ensuring continued progress toward their dual mandate objectives.

Housing Market Struggles Continue with Unexpected Decline in Home Sales

The US housing market is facing continued challenges, with existing home sales in April falling unexpectedly due to rising mortgage rates and high house prices. This decline, reported by the National Association of Realtors, marked the second consecutive month of falling sales.

Existing home sales decreased by 1.9 percent to a seasonally adjusted annual rate of 4.14 million units, missing the consensus forecast of 4.21 million units.

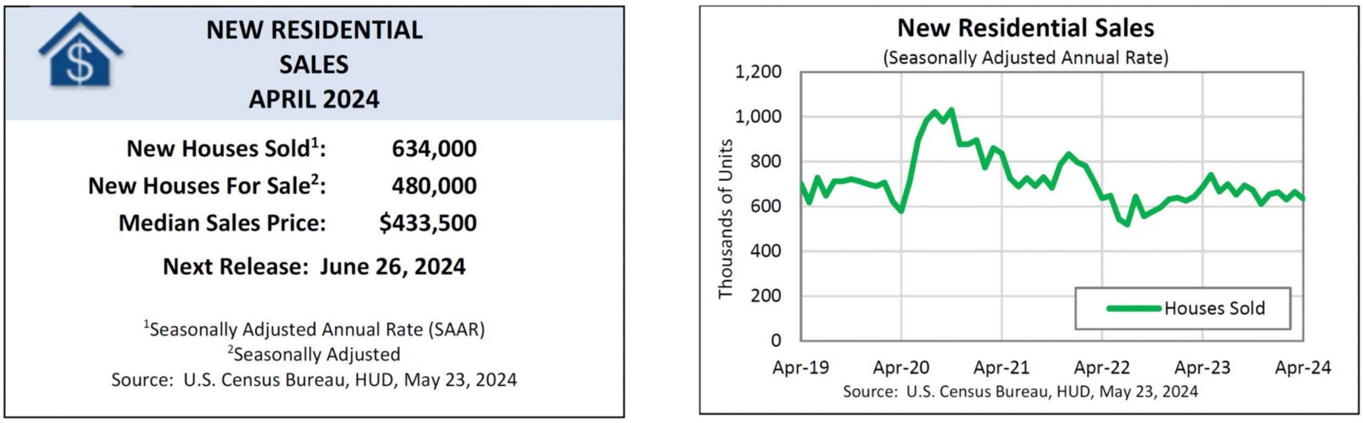


Figure 9. New Residential Home Sales , April 2024 (Source: US Census Bureau)

Further evidence of the housing market losing momentum also emerged from the latest New Residential Sales figures, which reported a 4.7 percent drop in new US single-family home sales in April, bringing the annual rate down to 634,000 units. This decline was more pronounced than the consensus forecast of a drop to 679,000 units. March's sales pace was also revised downward to 665,000 units from the previously reported 693,000 units.

Year-on-year, new home sales fell by 7.7 percent in April. In response to higher mortgage rates, builders have however been focusing on smaller homes and offering buyer incentives, which contributed to residential investment growing at its fastest pace in over three years during the first quarter.

The rise in mortgage rates has significantly impacted the housing market, which is also evidenced in our previous report on deteriorating builders confidence. A significant relief in mortgage rates is unlikely until the Fed starts cutting interest rates.

US Business Activity Reaches Two-Year High in May, Manufacturing Costs Surge

US business activity surged to its highest level in over two years in May, driven by robust growth in the services sector, although manufacturers reported escalating prices for various inputs, indicating potential future inflation in goods.

According to S&P Global's flash US Composite PMI Output Index released last Thursday, May 23rd, both manufacturing and services index jumped to 54.4 this month, marking the highest reading since April 2022. This is a significant increase from April's final reading of 51.3. An index value above 50 indicates expansion in the private sector. Consensus forecasts had anticipated the index to remain relatively stable at 51.1.

The services sector significantly contributed to this growth, with its flash PMI rising to 54.8 from 51.3 in April. The manufacturing sector also saw a slight increase, with the flash PMI inching up to 50.9 from 50.0. This increase in activity suggests that economic growth gained momentum halfway through the second quarter.

However, the boost in activity contrasts with "hard data" from April, such as retail sales, housing starts and permits, as well as industrial production, which indicated a loss of economic momentum early in the second quarter. Additionally, the labour market is showing signs of slowing.

The PMI survey also revealed that new orders received by private businesses rose to 51.7 this month from 49.1 in April. Employment however contracted for the second consecutive month, though the rate of decline has slowed.

Businesses are facing higher input prices, with the manufacturing input prices index soaring to its highest level in a year and a half. This trend suggests that the period of goods disinflation we have been seeing, is slowing down

NEWS FROM THE CRYPTO-SPHERE

SEC Approves Applications for Ether-Linked ETFs, Paving Way for New Crypto Investment Opportunities

Figure 10. SEC Approves Applications for Ether-Linked ETFs, Paving Way for New Crypto Investment Opportunities

- **The SEC approved rule 19b-4 applications from Nasdaq, CBOE, and NYSE to list ETFs tied to Ether, potentially allowing these products to trade later this year**
- **This marks a significant win for firms like VanEck, Fidelity, and BlackRock, and signals a major step forward for the broader cryptocurrency industry**

In a significant and unexpected development, the US Securities and Exchange Commission (SEC) gave the green light to rule 19b-4 applications from Nasdaq, CBOE, and NYSE to list exchange-traded funds (ETFs) tied to the price of Ether. This move could potentially see these products begin trading later this year.

S-1 registration statements still need to be approved before the ETFs can officially debut, nevertheless, the SEC's decision marks a major victory for the firms involved and the broader cryptocurrency industry. Until recently, the consensus was that the SEC would reject these filings, and many market participants were anticipating a rejection due to a lack of engagement from the SEC on the applications. That all changed last Monday, when SEC officials requested that the exchanges quickly fine-tune their filings, leading to a flurry of optimism in the market.

The approval covers eight ETFs from VanEck, Fidelity, Franklin, Grayscale, Bitwise, ARK Invest 21Shares, Invesco Galaxy, and BlackRock. These ETFs will be listed on Nasdaq, NYSE Arca, and Cboe BZX exchanges.

A 19b-4 form is a rule filing used by self-regulatory organisations like stock exchanges to propose new rules or changes to existing rules. This is different from an S-1 form, which is a registration statement used by companies to register their securities with the SEC before they go public. The 19b-4 form is part of the process for ETFs to get approval for listing and trading on exchanges, while the S-1 form is required for the initial public offering of the ETF itself. This distinction is crucial as it highlights the different regulatory requirements and steps needed for an ETF to enter the market. The SEC order last Thursday did not provide a timetable for when the S-1 forms would be approved, nor the date they would begin trading.

Should these ETFs gain trading approval, it is expected to attract substantial institutional capital. While ETFs are essentially vehicles for gaining exposure to an underlying asset, they may also drive more users to Ethereum itself. One possible outcome is that new Ether investors might decide to forego investing in the ETH ETFs in order to invest directly in the asset and benefit from the staking yield in ETH that is unlikely to be available in the ETFs. An extra 3-18 percent yield on top of any price upside exposure might incentivise investors to take self-custody.

Here is a short timeline that lead to the recent approval of Ether Exchange Traded Funds:

- **October 2, 2023:** NYSE Arca filed Form 19b-4 with the SEC to convert Grayscale Ethereum Trust to a spot Ethereum ETF. The filing comes on the heels of the SEC's clearance of the first Ethereum futures ETFs.
- **November 17, 2023:** Fidelity filed its application for a spot Ether ETF, aiming to leverage its extensive experience and reputation in the ETF market
- **November 21 2023**: On behalf of BlackRock, Nasdaq filed for the approval of iShares Ethereum Trust
- **January 10 2024:** Bitcoin Exchange-Traded Products are approved by the SEC which made the market optimistic for the approval of Ethereum ETFs
- **January 18 2024:** The Securities and Exchange Commission delayed its deadline to make a decision on Fidelity's proposal for a spot Ether ETF
- **January 24 2024:** SEC delays Blackrock spot Ether ETF.
- **March 4, 2024:** The SEC delayed the decision on multiple Ether spot ETF applications, including those from BlackRock, Fidelity and Grayscale, indicating continued regulatory scrutiny and the complexities involved in approving these products.
- **May 23 2024:** SEC approves rule 19b-4 forms for eight Ether ETF applications: Blackrock, Fidelity, Grayscale, ARK Invest, VanEck, Invesco Galaxy, and Franklin Templeton

US House Passes Bill to Block Central Bank Digital Currency

Figure 11. US House Passes Bill to Block Central Bank Digital Currency

- **The US House of Representatives approves CBDC Anti-Surveillance State Act with a 216 to 192 vote**
- **The bill, led by House Majority Whip Rep. Tom Emmer, aims to prevent the Federal Reserve from issuing a CBDC to individuals**
- **Critics argue the bill could undermine the global dominance of the US dollar and US banks**

In a significant legislative move, the US House of Representatives passed a Republican-led bill designed to block the creation of a central bank digital currency (CBDC) by the Federal Reserve. The bill, known as the CBDC Anti-Surveillance State Act, was approved along partisan lines with a vote of 216 to 192, receiving support from 213 Republicans and three Democrats.

Introduced in September 2023 by Rep. Tom Emmer, (R-Minn.), the bill targets concerns over potential government surveillance and control over financial transactions. Emmer has expressed that the CBDCs, if not modelled to function like cash, could allow unprecedented government monitoring and potential suppression of activities based on political views.

The Fed itself has also maintained a cautious approach towards adopting a CBDC. Fed Chair Jerome Powell emphasised that it is far from recommending or adopting such a currency and would only consider doing so through existing banking structures, ensuring that personal accounts at the Fed remain off-limits.

The bill did face however stiff opposition from Democrats, including Maxine Waters, (D-Calif.), who criticised it as "anti-innovation." The debate extends beyond privacy concerns, touching on broader implications for the US's financial dominance globally. Investment bank TD Cowen has warned that prohibiting a US CBDC could disadvantage US banks and the US dollar in international trade, especially against other major currencies that are considering a CBDC, such as the Euro.

The Senate, controlled by Democrats, is less likely to pass the bill, reflecting ongoing divisions over digital currency policy in the US government.

Trump Embraces Crypto, Accepts Donations for 2024 Presidential Campaign

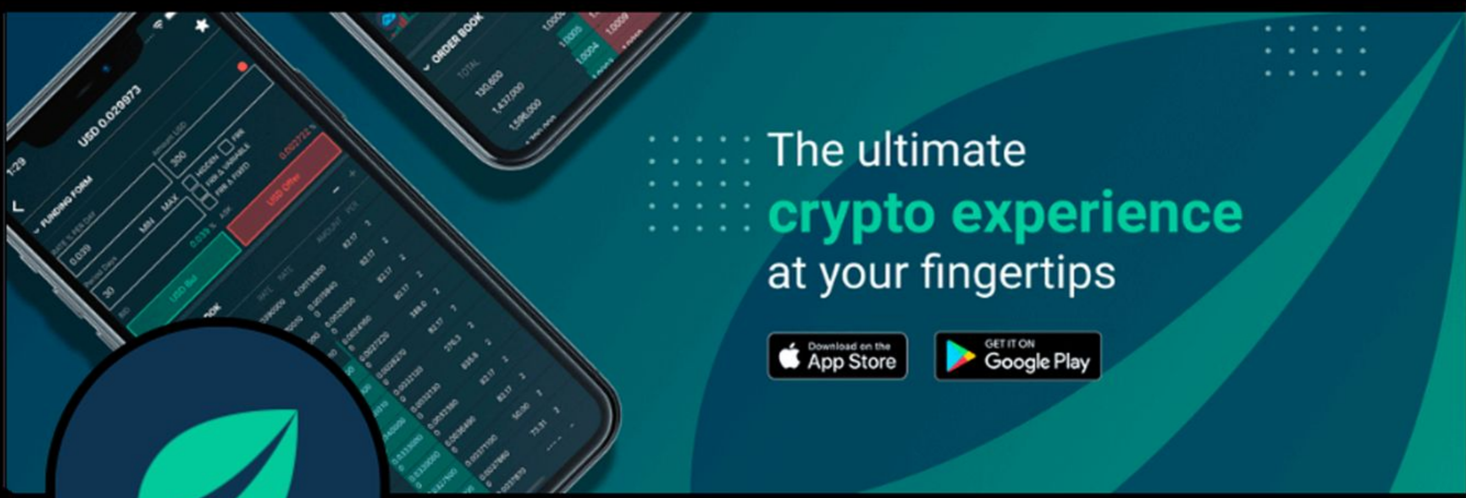
Figure 12. Trump Embraces Crypto, Accepts Donations for 2024 Presidential Campaign

- **US Presidential candidate Donald Trump begins accepting cryptocurrency donations, a first for a major party candidate, and positions him as the "crypto candidate”**
- **The move contrasts sharply with the Biden administration's more cautious stance on cryptocurrencies**

Donald J. Trump, gearing up for the upcoming US presidential election, officially started accepting cryptocurrency donations, marking a significant shift in campaign finance dynamics, and positions Trump as the first major party candidate to leverage digital currencies for campaign contributions. The announcement was made following a gala at his Mar-a-Lago resort earlier this month, where Trump expressed strong support for the crypto sector.

While independent candidate Robert F. Kennedy Jr. has been accepting crypto donations for some time, Trump's acceptance signals a broader acceptance of crypto within mainstream political campaigns. Trump's campaign has ambitiously stated plans to "build a crypto army," aiming to counteract figures like Senator Elizabeth Warren, who has been vocal about her criticisms of the cryptocurrency industry.

This strategic embrace of crypto by the Trump campaign highlights a growing divergence in approach between Republicans and Democrats regarding digital currencies, especially as the latter reevaluates their stance amidst evolving public and political perceptions of crypto's role in finance and governance.



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