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EXECUTIVE SUMMARY

Despite a generally positive week for Bitcoin, stronger-than-expected US jobs data caused a price dent on Friday, raising concerns about the timing of potential rate cuts. Robust spot ETF flows have kept Bitcoin resilient, with now 20 consecutive trading days of net inflows, however, the inability to push past range highs is a short-term negative. High open interest on BTC and altcoin perpetual futures, alongside high funding rates, indicates leveraged positions that might lead to future price corrections.

Indeed, while short-term Bitcoin holders have shown increased activity, with holdings rising from 2.2 million BTC in January to over 3.4 million BTC by mid-April, this surge, driven by buying of spot Bitcoin ETFs, introduces sensitivity to price volatility.

As we have reported in earlier editions of *Bitfinex Alpha,* however, long-term Bitcoin holders continue to exhibit strong market conviction, with recent data showing a halt in any selling from this cohort. BTC held for over a year is currently inactive. In addition, Bitcoin "whales" (entities holding more than 1,000 BTC) are accumulating at a rate reminiscent of the pre-2020 bull run, reaching historical balance highs.

Crypto asset prices continue to be impacted by macroeconomic developments. Newly released April data on job openings in the US revealed a sharp drop, indicative of a slowing economy, however May employment data contradicted this trend, with an unexpected surge in labour demand, casting doubt on the likelihood of a near-term rate cut.

This now puts the US out of kilter with other central banks, such as the European Central Bank and the Bank of Canada, who started cutting rates last week to foster recovery and growth.

Adding to the complex economic landscape, the US services sector also rebounded in May, reversing April's contraction, with business activity reaching its fastest pace in three years. This resilience complicates the Fed’s decision-making, as they balance signs of economic weakness with areas of significant strength.

The US economy's strength and adaptability could enable it to thrive even with high-interest rates, driven by robust labor demand and rising wages, supporting continued economic growth and solid consumer spending. Nevertheless, there is a risk that prolonged high-interest rates could stifle economic activity, reduce investment, and slow job creation, potentially leading to a downturn.

In the latest crypto news, New York Attorney General Letitia James is taking legal action against AWS Mining and NovaTech for allegedly running crypto pyramid schemes. These companies and their promoters promised high returns but operated as pyramid and Ponzi schemes, misleading investors.

Meanwhile, ProShares has filed with the SEC to list a spot Ethereum ETF on the NYSE, with a decision expected by late July 2024. The proposal, in compliance with SEC guidelines, excludes Ether staking features, which might limit investor yield opportunities, but aligns with regulatory standards for broader market acceptance.

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WHAT'S ON-CHAIN THIS WEEK?

Bitcoin Spot ETF Flows Sustain Price Levels but Price Remains Vulnerable to Macro Data

Last week's stronger-than-expected US jobs dented Bitcoin, in what was otherwise a highly positive week for the world's largest cryptocurrency. With concerns that a rate cut may not be coming soon, all risk assets have started to look vulnerable. However, for Bitcoin, thanks to continued robust spot ETF flows, the asset has remained resilient.

Bitcoin ETF Flow Table (US$m)

Date	IBIT	FBTC	BITB	ARKB	BTCO	EZBC	BRRR	HODL	BTCW	GBTC	DEFI	Total
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
27 May 2024	-	-	-	-	-	-	-	-	-	-	-	0.0
28 May 2024	102.5	34.3	3.3	4.1	3.4	0.0	1.2	0.0	1.4	(105.2)	0.0	45.0
29 May 2024	24.6	17.7	11.0	4.0	1.0	0.0	0.0	0.0	1.1	(31.1)	0.0	28.3
30 May 2024	1.6	119.1	25.9	(99.9)	2.1	0.0	0.0	0.0	0.0	0.0	0.0	48.8
31 May 2024	169.1	5.9	0.0	0.0	0.0	0.0	0.0	(1.9)	0.0	(124.3)	0.0	48.8
03 Jun 2024	0.0	77.0	14.3	10.7	0.0	0.0	0.0	2.0	1.1	0.0	0.0	105.1
04 Jun 2024	274.4	378.7	61.0	138.7	0.0	0.0	1.6	4.0	0.0	28.2	0.0	886.6
05 Jun 2024	155.4	220.6	18.5	71.4	3.6	0.0	0.0	4.0	0.0	14.6	0.0	488.1
06 Jun 2024	349.9	3.1	(3.1)	(96.6)	0.0	0.0	0.0	2.0	0.0	(37.6)	0.0	217.7
07 Jun 2024	168.3	0.0	(7.9)	6.9	0.0	0.0	0.0	0.0	0.0	(36.3)	0.0	131.0
Total	17,600	9,570	2,044	2,610	321	359	513	535	70	(17,933)	(2)	15,687
Average	170.9	92.9	19.8	25.3	3.1	3.5	5.0	5.2	0.7	(174.1)	(0.0)	152.3
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)	(99.9)	(37.5)	(13.4)	(20.2)	(6.5)	(6.2)	(642.5)	(14.7)	(563.7)

Figure 1. Spot Bitcoin ETF Flows Across Various Providers In the US. (Source: FarsideUK)

The BTC ETFs have proved to be a significant factor in underpinning the Bitcoin price, and there have been zero net outflows from these instruments since May 10, marking a streak of 20 consecutive trading days of inflows. This trend, however, faces potential disruption in the coming week due to inflation signals likely to emerge in the forthcoming US Consumer Price Index report, and perhaps more importantly, the deliberations of the scheduled US Federal Open Market Committee meeting on interest rates, which is also meeting this week.

The outcomes of these near-term economic signals could impact continued inflows and put BTC into a ranging or slow bleed environment.

In BTC perpetual futures markets, funding rates are currently high, indicating that there is a premium to be paid by going long. Although there are no specific data points to confirm, the rising Bitcoin CME futures open interest (OI) alongside the ETF inflows, suggests that traders are leveraging the basis arbitrage opportunity. For context, Bitcoin futures OI on CME reached $11.4 billion on June 4th (refer to Figure below) which is equivalent to the OI around the March All-Time Highs before the price corrected, and dipped to the $57,000 level. This strategy typically involves shorting Bitcoin on the open market, earning basis funding in the process, while simultaneously gaining spot exposure through ETFs, allowing traders to potentially profit from the price discrepancies between futures and spot markets.

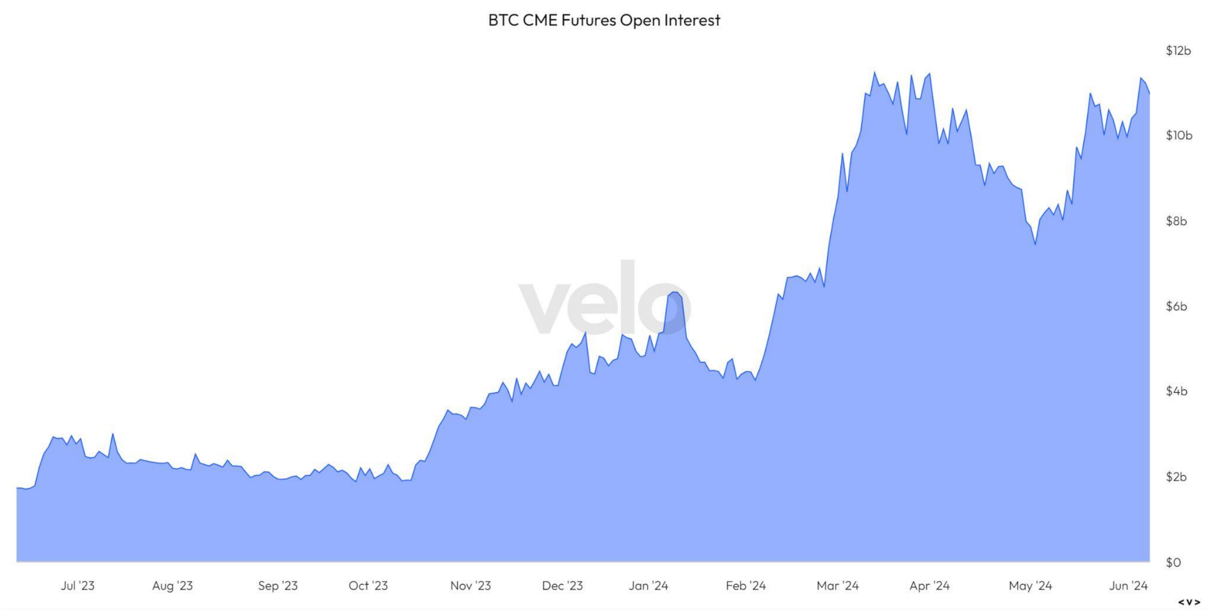


Figure 2. Bitcoin CME Futures Open Interest. (Source: VeloData)

BTC Rejects From Range High To Find Local Low Support

Last week, BTC reached a range high at over $71,500 for the second time since the sub-$57,000 range low deviation reached in May. Since then, local lows around $68,500 have held since the correction. Recent moves from local highs to lows was around 4.88 percent, and on Friday, June 7th, BTC was down 2.04 percent, the largest daily decline since mid-May when BTC was trading at range lows.

Figure 3. BTC/USD 4H Chart. (Source: Bitfinex)

While the local move for BTC was not extreme, many altcoins suffered much worse fates, with 20-25 percent declines, and even major altcoins like Ether and Solana declined 7.5 percent and 12.1 percent respectively.

Highly positive ETF flows for the last 20 trading days have helped to offset pressure on BTC, however, the fact that this was unable to move the price further, and push BTC above its range high is a negative in the short-term. The counter-argument is that traders are executing a basis arbitrage trade, where they have long spot exposure and short perpetual futures to collect funding payments. However, it is important to note that this is highly speculative. As per the chart below, there has been high open interest (OI) on BTC, as well as on altcoins.

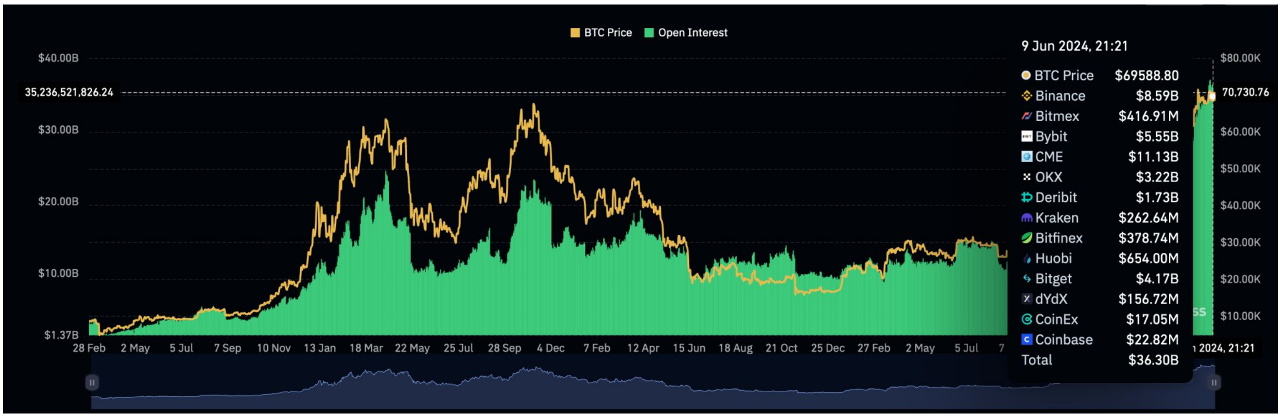


Figure 4. Open Interest For BTC Perpetual Trading Pairs Across Major Centralised and Decentralised Exchanges. (Source: Coinglass)

Coinglass data shows that BTC OI across major exchanges reached an all-time high of $36.8 billion on June 6th. And despite the correction in price, OI is currently sustained above $36 billion levels.

We believe the drop on Friday was more of a “leverage flush” where an extreme amount of leveraged longs on altcoins (as well as majors to some extent) is wiped out and funding rates neutralised. The Estimated Leverage Ratio (ELR) also spiked, reaching a local high near 0.19 by June 6th. (refer Figure below)

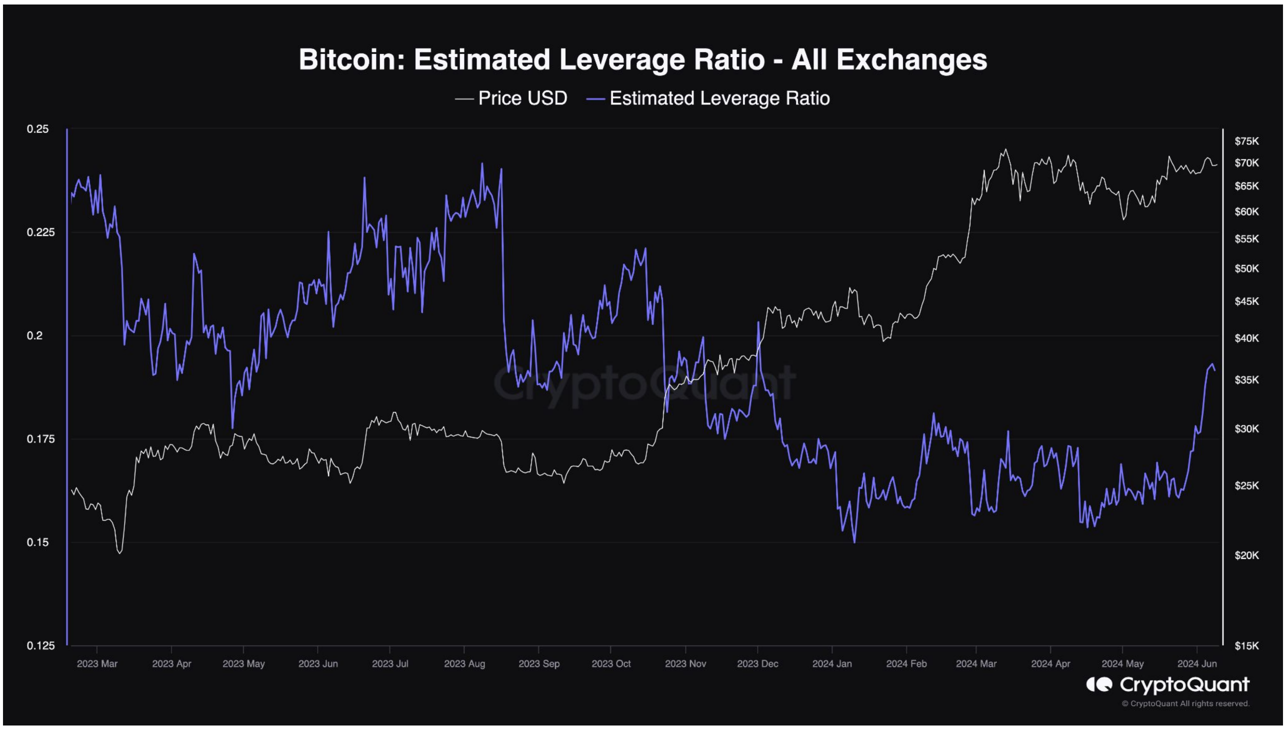


Figure 5. Estimated Leverage Ratio Across Exchanges. (Source: CryptoQuant)

The ELR is calculated by taking an exchange's OI, divided by its reserve of coins to indicate how much leverage is used by users on average. Increasing values indicate more investors are taking high leverage risk in their derivative trading.

However, we do not expect a major decline to follow immediately, even though the leverage wipeout/liquidations were quite significant on altcoins. This is mainly because the amount of BTC liquidations was relatively small. While we had more than $360 million in long liquidations and over $410 million total liquidations on June 7th - the highest since April 14th and more than when BTC went sub $57,000 - this time around only $50 million of the long liquidations came from BTC. (refer to Figure below)

Figure 6. Total Liquidations Across Major Exchanges And All Pairs. (Source: Coinglass)

Most were on altcoins, which explains the severity of the decline in altcoins last week relative to majors.

Such liquidation events are usually not followed by further severe drops and hence the next week will be pivotal, given the forthcoming Consumer Price Index inflation report on June 12th is expected to be a major market catalyst, with the price expected to continue to range in a tight environment as derivatives positions get built up again.

In the current environment, holding the local lows around $68,000-$68,500 would be pivotal for bulls, whereas failure to move past range highs remains a cause for concern.

Short-Term vs. Long-Term Bitcoin Holders and Market Dynamics

Short-Term Holders, those who typically hold Bitcoin for less than 155 days, have shown a significant increase in activity, with their holdings rising from 2.2 million BTC in January to over 3.4 million BTC by mid-April before seeing a decline. We believe a large portion of this activity comes from spot Bitcoin ETFs.

Figure 7. Total Supply Held by Short-Term Holders, BTC (Source: Glassnode)

This pattern demonstrates the depth of investment in BTC today, thanks to the introduction and rising interest in Spot Bitcoin ETFs. The concentration of these short-term holder coins around the current spot price shows how much has been invested in the current price range, however it also introduces the risk of heightened sensitivity to price volatility.

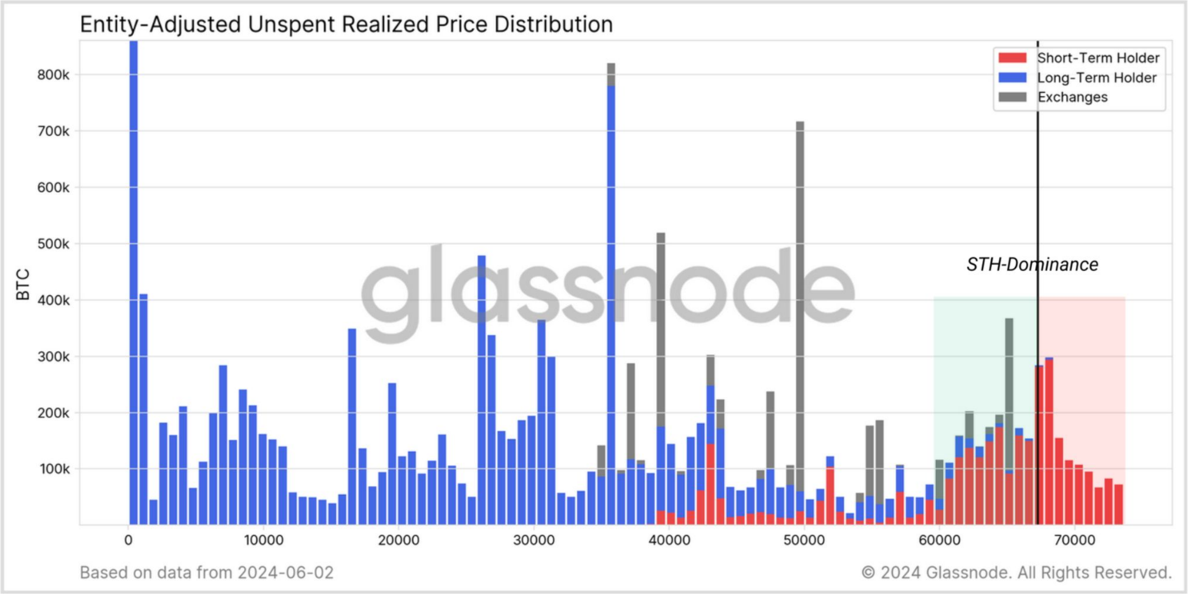


Figure 8. Entity-Adjusted Unspent Realized Price Distribution

Short-Term Holder supply currently stands at approximately 3.3 million BTC, a slight decline from April and we believe attributable to the correction in BTC seen in March, following the All-Time High.

Based on the current scenario, a key support zone for BTC lies between $68,096 and $68,581. Amy threat to these areas might loosen market conviction.

Long-term Bitcoin holders, however are showing increased confidence in the market. After BTC reached a new all-time high of $73,666 in March, Long-Term Holders (LTHs) sold substantial amounts of their BTC, however, recent data shows that this trend has stalled and that they are now accumulating Bitcoin. The chart below shows that the “inactive” supply for holders of Bitcoin for one year has barely changed, indicating that the investments are being held instead of traded.

Figure 9. Bitcoin Supply Last Active more than One Year Ago (Source: MacroMicro)

Moreover, only approximately 0.03 percent of LTH supply have coins that were bought above the current spot price. This pattern is typical of early bull market phases, where long-term holders prefer to retain their holdings in profit for the most part, with only brief periods of distribution, reinforcing the notion that HODLing is a favoured strategy among seasoned investors.

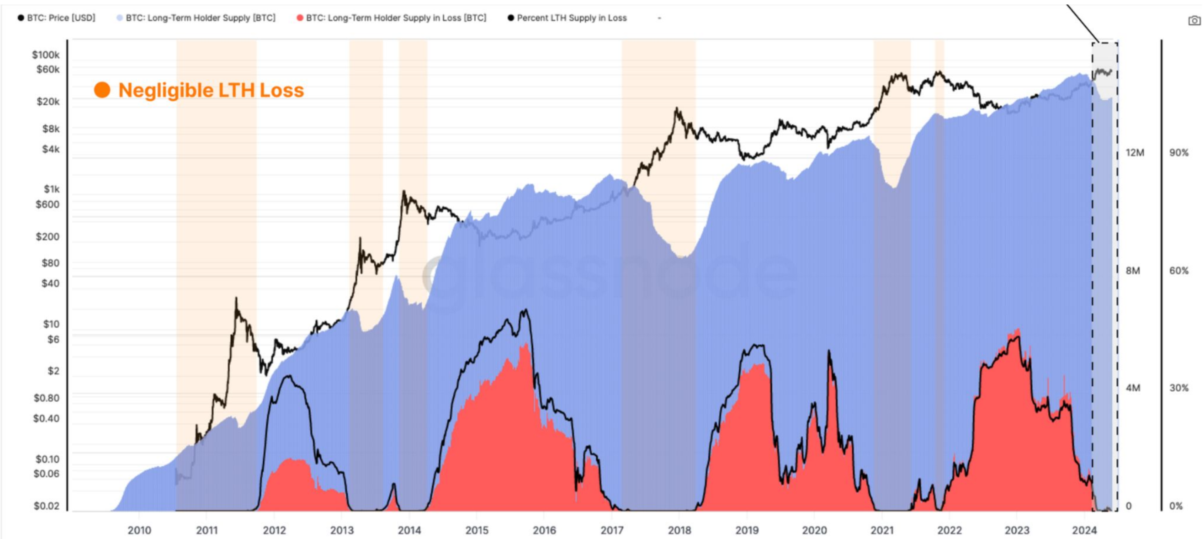


Figure 10. Bitcoin Long-Term Holder Supply and Long-Term Holder Supply in Loss (Source: Glassnode)

Adding another layer to this bullish sentiment, Bitcoin "whales" (entities holding more than 1,000 BTC) are also accumulating Bitcoin at a pace reminiscent of the pre-2020 bull run. This accumulation, now at its highest in the last two months, has led to a new historical high in their Bitcoin balance (see chart below).

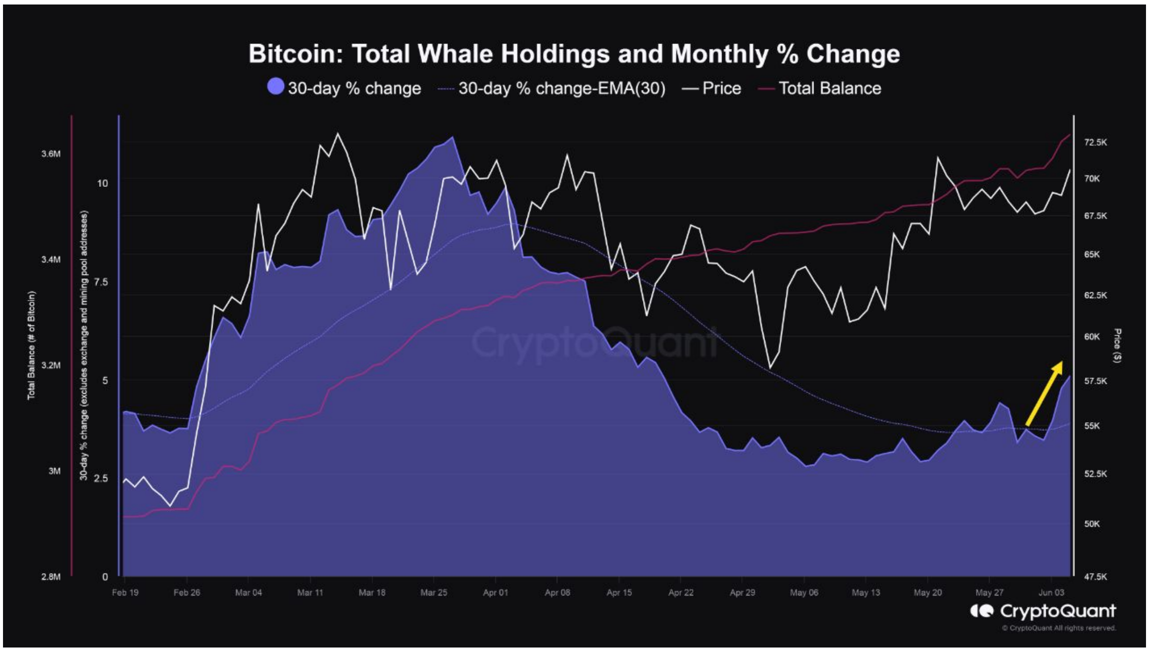


Figure 11. Bitcoin Total Whale Holdings and Monthly Percent Change (Source: Cryptoquant)

Looking forward, several factors could potentially reignite Bitcoin's upward trajectory. These include an increase in average daily ETF buying activity, a reduction in selling pressure from long-term holders, and a rise in liquidity, which could be triggered by the anticipated rate cut.

GENERAL MACRO UPDATE

Robust May Jobs Report Highlights Strong Labor Market, Poses Challenge for Federal Reserve

US demand for labour unexpectedly surged in May, throwing into doubt any likelihood of a near-term rate cut. The data came in contrast to last week's earlier Job Openings and Labor Turnover Summary report for April which showed job openings sharply falling. The report also put the the Fed behind other Central Banks that are beginning to lower rates.

Non-farm payroll grew by 272,000 in May, or an adjusted increase of 257,000 due to a net downward revision of 15,000 in March and April estimates. This was significantly higher than the consensus forecast of 190,000 jobs. Employment growth was primarily driven by higher-paying jobs in sectors such as goods production, government, and health care. Specifically, jobs in the jobs in the goods production sector sector increased by 25,000, health care by 83,500, trade and transport by 27,000, and government by 43,000.

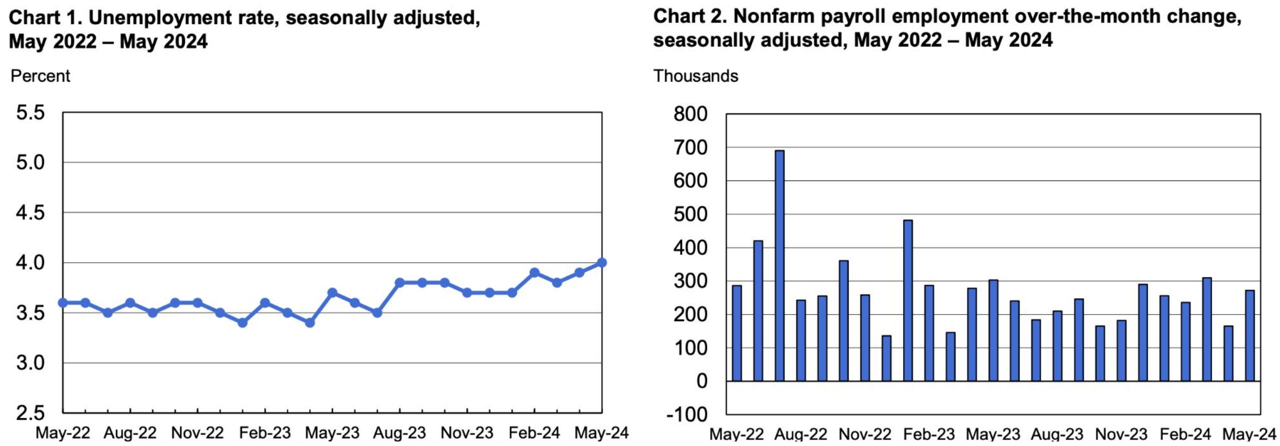


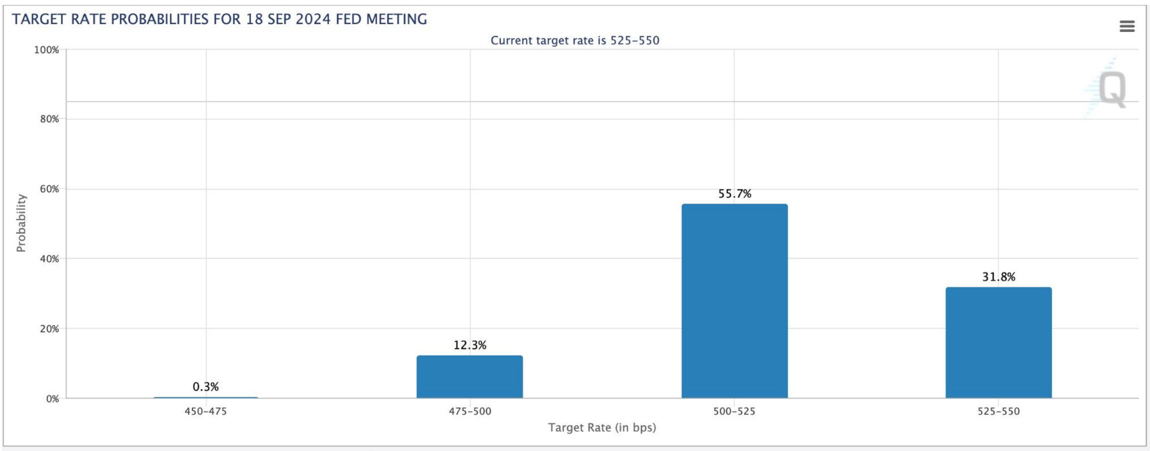
Figure 12. Unemployment Rate and Non-Farm Payroll Employment, month-over-month (MoM) change (Source: Bureau of Labor Statistics)

This rise in higher-paying jobs was mirrored by a 0.4 percent increase in average hourly earnings, resulting in a 4.1 percent wage increase on a year-on-year (YoY) basis. The unemployment rate rose to four percent, marking several consecutive months with unemployment below 4 percent or that level.

The robust wage growth and higher-paying job increases in May lessen the chances that the Fed will be able to cut rates twice this year, as it was earlier expected to do. The unexpectedly strong wage gains suggest that inflation may remain elevated longer than anticipated, although the impact of a sticky unemployment rate could moderate this.

In May, the labour force participation rate was 62.5 percent, and the employment-to-population ratio stood at 60.1 percent. The median duration of unemployment was 8.9 weeks, indicating that most workers find new employment in just over two months.

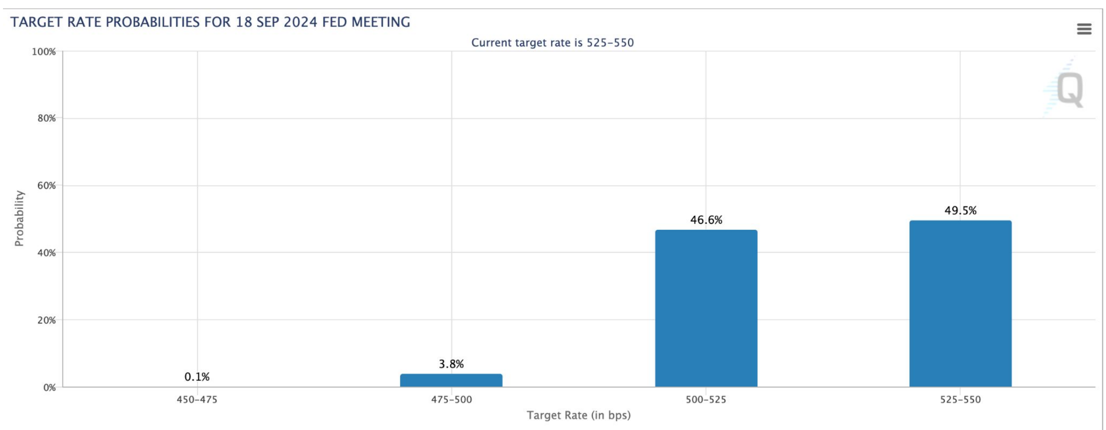
In the last seven days, expectations for a rate cut by September fluctuated significantly. Initially, optimism for a cut was fuelled by the decline in job openings reported in the JOLTS report, and rate cuts by other central banks. However, this sentiment shifted dramatically following the surge in employment reported in the May Employment Situation report. Prior to the publication of the report, the CME FedWatch Tool indicated a 68.3 percent probability of a September rate cut. By Friday, this probability had dropped to 50.5 percent.



TARGET RATE (BPS)	PROBABILITY(%)			
	NOW *	1 DAY 5 JUN 2024	1 WEEK 31 MAY 2024	1 MONTH 7 MAY 2024
450-475	0.3%	0.1%	0.2%	1.1%
475-500	12.3%	12.0%	7.5%	15.7%
500-525	55.7%	57.2%	47.0%	48.9%
525-550 (Current)	31.8%	30.6%	45.2%	34.3%

* Data as of 7 Jun 2024 01:38:06 CT

Figure 13. Target Rate Probabilities for September FED Meeting as of June 7 2024 (Source: CME FedWatch Tool)



TARGET RATE (BPS)	PROBABILITY(%)			
	NOW *	1 DAY 7 JUN 2024	1 WEEK 31 MAY 2024	1 MONTH 9 MAY 2024
450-475	0.1%	0.1%	0.2%	1.3%
475-500	3.8%	3.8%	7.5%	18.0%
500-525	46.6%	46.6%	47.0%	49.4%
525-550 (Current)	49.5%	49.5%	45.2%	31.3%

* Data as of 9 Jun 2024 04:06:13 CT

Figure 14. Target Rate Probabilities for September FED Meeting, after Market digest the Friday's Employment Report (Source: CME FedWatch Tool)

The US labour market continues to show remarkable resilience, even after adjusting for evolving demographics and markets. May's employment data indicates robust and ongoing labour demand, which has lead to a notable increase in wages over the past year, and has benefited American households. Even with some recent signs of labour markets softening, such as in in the job openings report, the labour market's strong performance in May is anticipated to bolster economic growth and prompt the Fed to adopt a careful stance on reducing interest rates.

On one hand, the strength and adaptability of the US economy could enable it to thrive even in a high-interest-rate environment driven by robust labour demand and rising wages. This scenario would support continued economic growth, solid consumer spending, and overall economic resilience. However, there is also a significant risk that maintaining elevated interest rates for too long could stifle economic activity, leading to reduced investment, slower job creation, and a potential downturn. The Fed faces the delicate task of balancing these opposing outcomes.

ECB and Canada Cut Interest Rates

Last week, both the European Central Bank (ECB) and the Bank of Canada announced interest rate cuts, marking the beginning of a new phase of economic policy management, aimed at fostering recovery and growth.

After maintaining elevated interest rates for years in a battle against inflation, the Bank of Canada lowered its policy rate by 25 basis points to 4.75 percent, marking the first reduction in over four years. This move, the first change in the rate since July of last year, aims to support a more accommodative monetary policy to stimulate demand and growth. The decision was driven by several factors, including declining headline and core inflation measures, stagnant growth, and rising unemployment.

Despite the modest size of the cut, it signals the start of a gradual easing cycle anticipated to unfold over the next 18 months. In its announcement, the Bank of Canada highlighted that underlying inflation continued to decrease, with the headline consumer price index falling to 2.7 percent in April, maintaining inflation below 3 percent for four consecutive months.

The ECB also reduced interest rates by 25 basis points, to 3.75 percent, last week, a move that was widely anticipated by markets. Despite recent inflation and wage data in Europe exceeding expectations, the ECB is likely to pause now until July. Inflation is close to the central bank's target, and growth remains weak, so additional rate reductions are expected later this year and next.

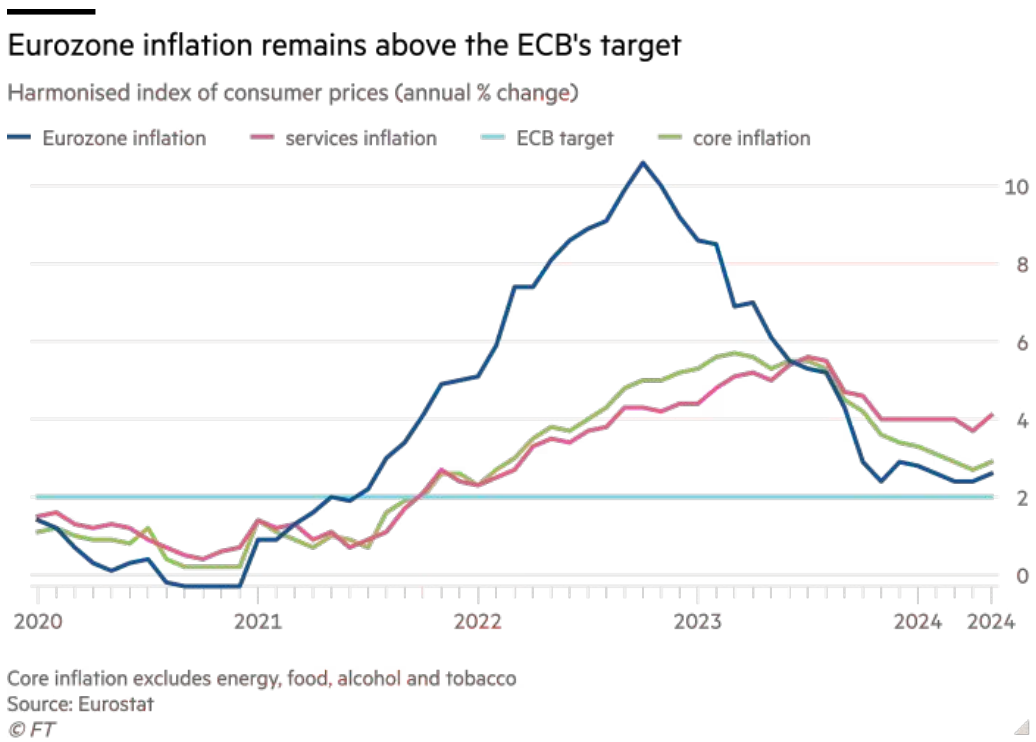


Figure 15. Eurozone Inflation (Source: Eurostat)

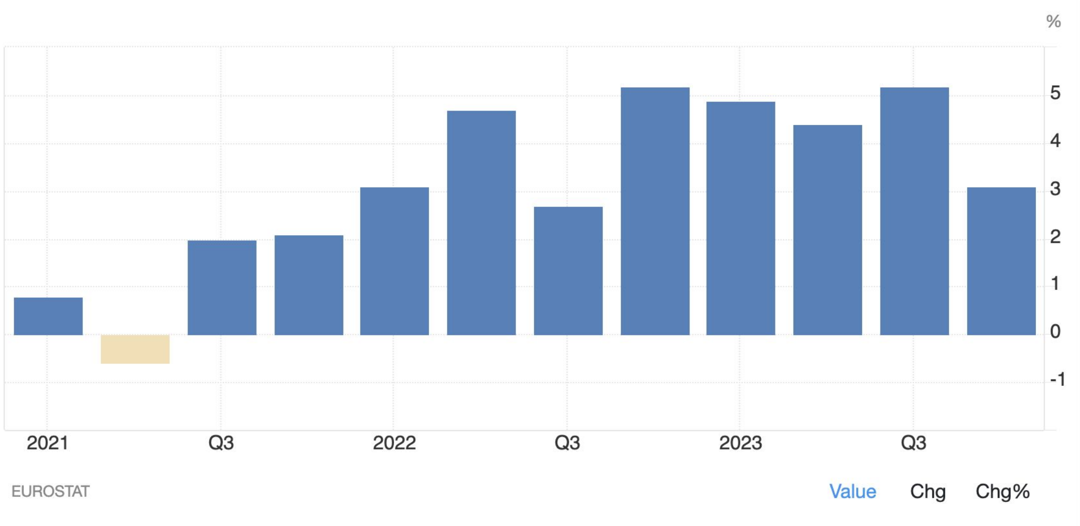


Figure 16. Euro Area Wage growth (Source: Eurostat)

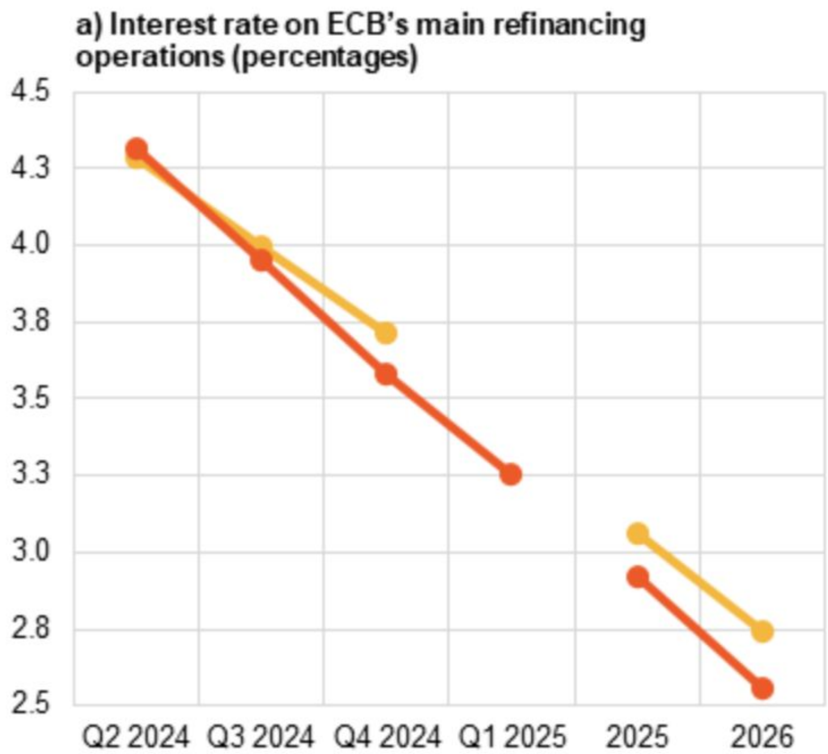


Figure 17. ECB's Survey of Professional Forecasters (SPF) for the second quarter of 2024,

According to the ECB's Survey of Professional Forecasters, two more quarter-point rate cuts are anticipated this year. This divergence in policy with the Fed, could lead to currency volatility in the coming months, reflecting the differing economic conditions in the eurozone compared to the US.

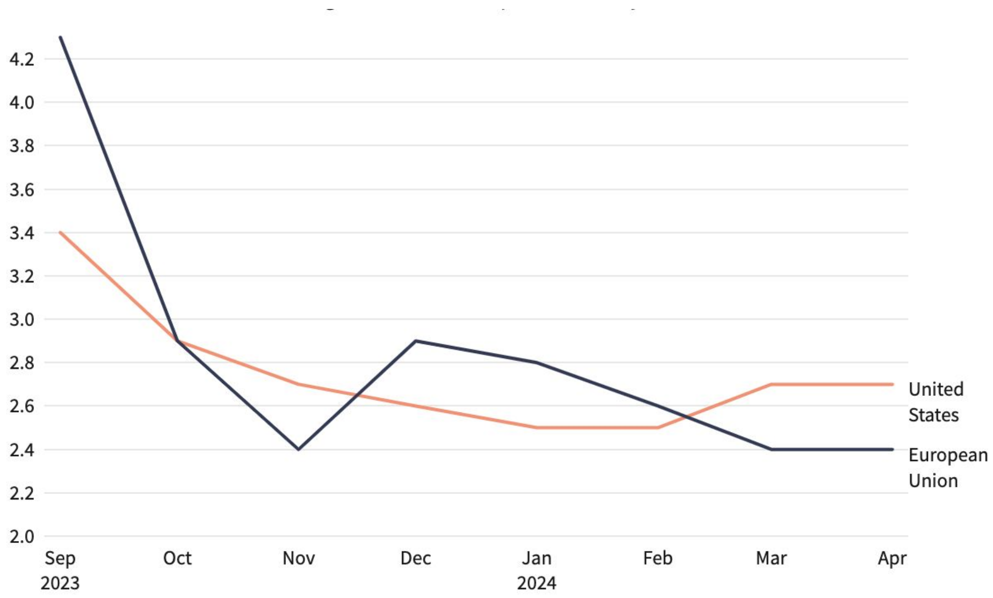


Figure 18. US and European Union Inflation
(Source: European Central Bank and The U.S. Bureau of Economic Analysis)

Inflation trajectories have varied significantly across regions. While the US experienced a resurgence in inflation during the first quarter, the euro area saw a steady decline. The Fed, which is set to meet this week, is not expected to alter its current rate of 5.25-5.5 percent immediately. Officials have indicated the need for greater assurance that inflation is sustainably nearing its target before considering rate cuts.

However, with the recent rate cuts by the ECB and the Bank of Canada, their shift towards more accommodative monetary policies to boost economic growth, suggest that the Fed may need to re-evaluate its own monetary policy. With the Fed adopting a cautious approach, the actions of its global counterparts may influence its decisions in the coming months, particularly if inflation trends and economic conditions warrant a shift.

US Job Openings Experience Sharp Decline in April

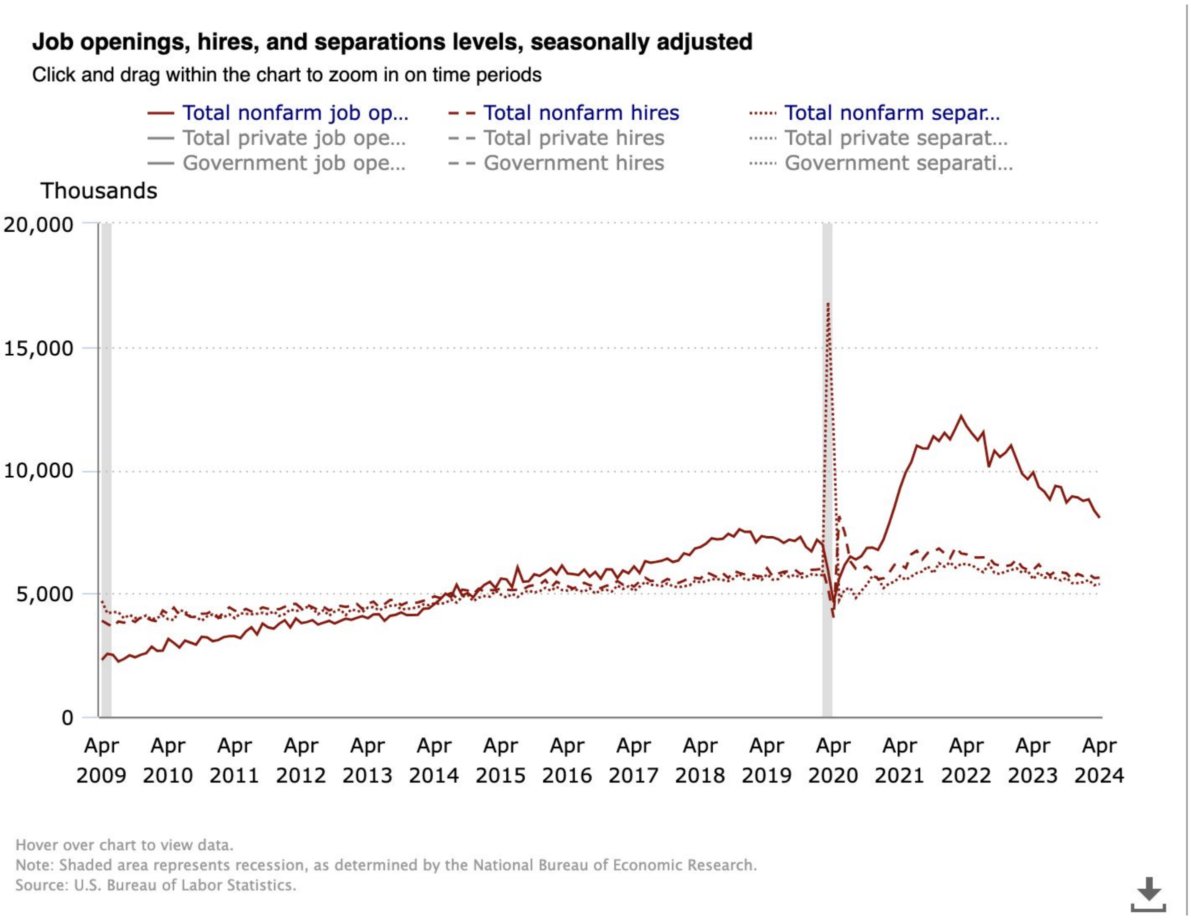


Figure 19. Job Openings, Hires and Separation Levels (Source: US Bureau of Labour Statistics)

As mentioned in an earlier chapter, job openings in the US experienced a significant decline in April, marking the lowest number of available positions per job-seeker in nearly three years, as reported in the latest Job Openings and Labor Turnover Summary (JOLTS). This evidence of a softening labour market, (in sharp contrast to the Non-Farm Payrolls and employment data) is another data point in the Federal Reserve's efforts to combat inflation.

Job openings dropped by 296,000 to 8.059 million by the end of April, representing the lowest level since February 2021. The consensus forecast was for 8.4 million job openings.

A broader, longer-term view of job openings data reveals a significant narrative. Whenever job openings decline sharply, an economic downturn follows, unless there is monetary policy intervention. In 2008, job openings plummeted in the wake of the global financial crisis, and remained sluggish until around 2015, before experiencing healthy growth until 2019 as easy monetary policies took effect. Similarly, as signs began to emerge that the US economy was likely heading for a mild recession in 2020 or 2021, job openings began to decline - a trend that was exacerbated by the COVID-19 pandemic, which caused a further sharp drop in jobs. However, a surge in stimulus money then drove job openings to a record-high 12 million in early 2022. Since that peak, job openings have been falling sharply, along with hiring rates.

Figure 20. Job Openings Total Non Farm from 2004 to 2024 (Source: Bureau of Labor Statistics)

The ratio of job openings to unemployed individuals fell to 1.24 in April, down from 1.3 in March, marking the lowest ratio since June 2021. Federal Reserve Chair Jerome Powell closely monitors this metric as an indicator of labour market tightness. It is significantly below its post-pandemic peak of nearly two-to-one and now aligns with pre-pandemic levels.

In April, the number of individuals quitting their jobs increased by 98,000 to 3.507 million. The quit rate, a preferred indicator of labour market tightness, remained stable at 2.2 percent in April, consistent with its normalised level for the past three quarters. For comparison, the quit rate lowest point in 2019 was 2.3 percent.

Layoffs reached their lowest point since December 2022, with 1.52 million reported. However, it is worth noting that the reduction in job openings is largely attributed to small firms with fewer than 50 employees, which tend to be more volatile and less indicative of overall labour market tightness.

US Service Sector Rebounds in May, Surpassing Expectations

	Services PMI®						Manufacturing PMI®		
Index	Series Index May	Series Index Apr	Percent Point Change	Direction	Rate of Change	Trend** (Months)	Series Index May	Series Index Apr	Percent Point Change
Services PMI®	53.8	49.4	+4.4	Growing	From Contracting	1	48.7	49.2	-0.5
Business Activity/ Production	61.2	50.9	+10.3	Growing	Faster	48	50.2	51.3	-1.1
New Orders	54.1	52.2	+1.9	Growing	Faster	17	45.4	49.1	-3.7
Employment	47.1	45.9	+1.2	Contracting	Slower	4	51.1	48.6	+2.5
Supplier Deliveries	52.7	48.5	+4.2	Slowing	From Faster	1	48.9	48.9	0.0
Inventories	52.1	53.7	-1.6	Growing	Slower	2	47.9	48.2	-0.3
Prices	58.1	59.2	-1.1	Increasing	Slower	84	57.0	60.9	-3.9
Backlog of Orders	50.8	51.1	-0.3	Growing	Slower	2	42.4	45.4	-3.0
New Export Orders	61.8	47.9	+13.9	Growing	From Contracting	1	50.6	48.7	+1.9
Imports	42.8	53.6	-10.8	Contracting	From Growing	1	51.1	51.9	-0.8
Inventory Sentiment	57.7	62.9	-5.2	Too High	Slower	13	N/A	N/A	N/A
Customers' Inventories	N/A	N/A	N/A	N/A	N/A	N/A	48.3	47.8	+0.5

Figure 21. Services and Manufacturing PMI (Source: Institute for Supply Management)

The US services sector rebounded in May, reversing the contraction seen in April, as business activity surged to its fastest pace in three years. Such data, as revealed in the latest Institute for Supply Management (ISM) survey, may support the Fed taking a more cautious stance on monetary policy.

The non-manufacturing purchasing managers index (PMI) increased to 53.8 in May from 49.4 in April. This figure, the highest since last August 2023, exceeded the consensus forecast of 50.8.

The survey's business activity index also increased significantly by 10.3 points to 61.2, the highest level since November 2022. New orders also accelerated after slowing down in the last two months, and there was a slight easing in the measure of services input costs. However, while employment improved from April's four-month low, it remained in the contraction zone at 47.1.

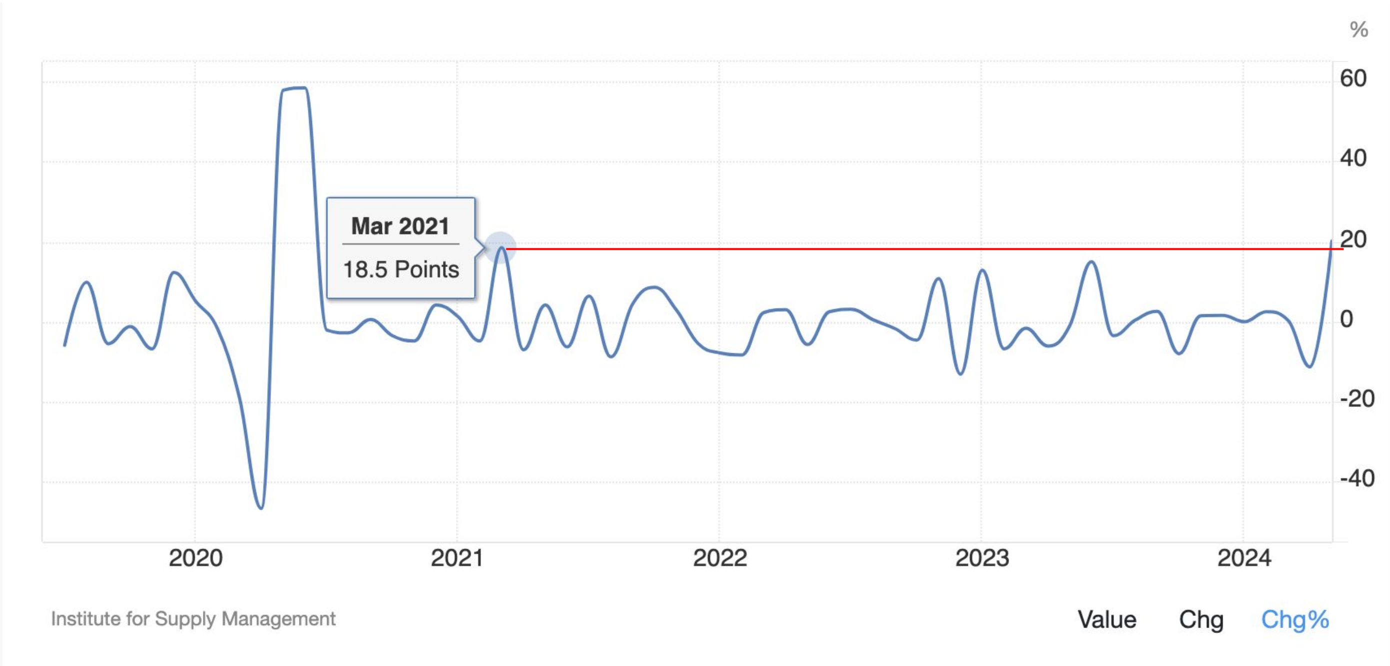


Figure 22. ISM Services Business Activity (Source: Institute for Supply Management)

In contrast, the ISM's manufacturing sector report, released last Monday, indicated that factory activity contracted for the second consecutive month in May. Recent data has generally fallen short of consensus forecasts, suggesting that the Fed's interest rate hikes—totalling 525 basis points since March 2022—are beginning to impact an economy that has shown remarkable resilience.

Despite this, the unexpected strength in the services sector, which makes up the majority of US economic output, may discourage Fed policymakers from considering rate cuts soon. This is further compounded by the May Employment Situation report also issued last week.

The contradictory data indicates that while signs of economic weakness have begun to emerge, there are still areas of significant strength and resilience in the economy, which is making the Fed's monetary policy decisions quite challenging.

NEWS FROM THE CRYPTO-SPHERE

NY Attorney General Sues Over Alleged Crypto Pyramid Schemes Targeting Haitian Community

Figure 23. NY Attorney General Sues Over Alleged Crypto Pyramid Schemes Targeting Haitian Community

- **New York Attorney General Letitia James is suing two companies and their promoters for allegedly running crypto pyramid schemes**
- **The schemes, AWS Mining and NovaTech, promised high returns but operated as pyramid and Ponzi schemes**

New York Attorney General (NYAG) Letitia James has initiated a lawsuit against two companies and their promoters, accusing them of running fraudulent crypto pyramid schemes that deceived investors, particularly those of Haitian descent, out of more than $1 billion.

In a complaint filed last Thursday, June 6th, the NYAG's office charged Cynthia Petion, her husband Eddy Petion, and other associates with orchestrating scams that duped thousands of investors worldwide, including at least 11,000 individuals in New York.

The first scheme, AWS Mining, was marketed as a crypto mining investment with a promised 200 percent return but collapsed in April 2019. Following this, a larger fraud operation emerged under the name NovaTech, presented as a crypto and foreign exchange trading platform. Investors reportedly deposited over $1 billion in cryptocurrency with NovaTech between August 2019 and April 2023. However, the complaint reveals that only $26 million of these funds were actually traded on the platform.

Attorney General James described both schemes as pyramid operations, where promoters gained cryptocurrency by recruiting new participants. NovaTech was further identified as a Ponzi scheme, falsely promising profits from crypto trading while paying investors with the cryptocurrency funds of newer investors.

The defendants are accused of executing an affinity fraud, specifically targeting the Haitian community. They allegedly marketed the schemes in the Creole language and exploited their victims' religious beliefs, portraying the investments as a path to "financial freedom" for those in vulnerable financial positions.

ProShares Proposes Spot Ethereum ETF Listing on NYSE Amidst Regulatory Scrutiny

Figure 24. ProShares Proposes Spot Ethereum ETF Listing on NYSE Amidst Regulatory Scrutiny

- **ProShares has filed with the SEC to list a spot Ethereum ETF on the NYSE, hoping for a decision by late July 2024**
- **In compliance with SEC guidelines, ProShares' ETF proposal excludes Ethereum staking features, potentially limiting investor yield opportunities**

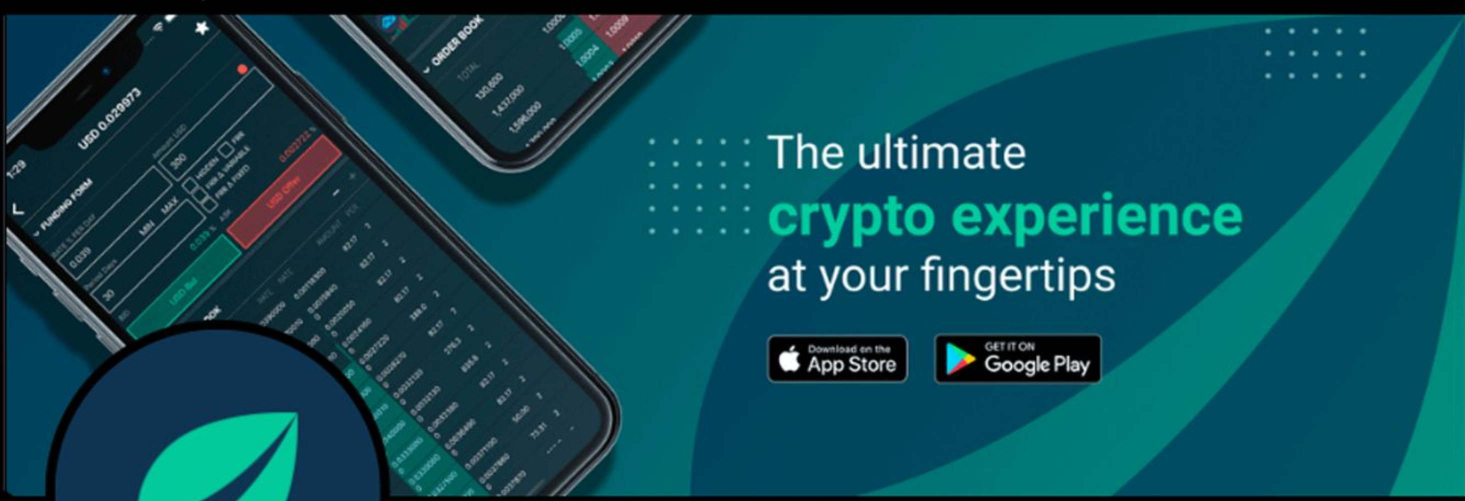
ProShares, a prominent financial services company, has officially filed with the United States Securities and Exchange Commission (SEC) to list its spot Ethereum ETF on the New York Stock Exchange (NYSE). This initiative seeks to provide investors with regulated and direct exposure to Ether, and would mark an expansion in ProShares' digital asset offerings.

The proposal outlines that Coinbase Custody Trust Company will handle custody, ensuring security and regulatory compliance. ProShares has also excluded any staking capabilities from its Ether ETF proposal to align with the SEC's current regulatory stance, which is critical of unregistered staking services.

ProShares' move follows its recent launch of two Ethereum-linked futures ETFs — ProShares Ultra Ether ETF (ETHT) and ProShares UltraShort Ether ETF (ETHD) — which target 2x and -2x daily returns of Ethereum, respectively. These products started trading on the NYSE on June 7, offering investors new tools for trading ETH.

Proshares have been in the vanguard of crypto asset ETFs. It was the first to launch a Bitcoin-linked ETF in 2021, which also invested in futures rather than the spot market. The fact that it is now pursuing a direct investment product for Ether, reflects a growing acceptance and interest in cryptocurrency among traditional financial entities.

The broader implications of this development are significant as it indicates increasing efforts by established financial institutions to integrate more crypto-based products amidst a changing regulatory landscape. This proposal, if approved, could catalyse further introductions of similar products, as evidenced by recent approvals and launches of cryptocurrency ETFs both in the US and globally.



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