BITFINEX Alpha

Issue: 08-07-2024
bitfinex.com

EXECUTIVE SUMMARY

Bitcoin prices dropped below their [120-day range] on July 3rd, reaching $53,219, as the market reacted to fears of selling by both the German government and Mt. Gox creditors. However, market data over the weekend suggest that a potential local bottom has been reached.

Firstly, the market has begun to realise that contextually, despite the large nominal value of BTC transferred to exchanges by the German government, as a proportion of all Bitcoin bought and sold since 2023, it is a relatively small number.

Secondly, volatility metrics have recorded a narrowing in the spread between implied volatility and historical volatility, suggesting that the market expects more stability going forward and implies that BTC could range at current levels, or at least experience less severe declines.

Thirdly, market positioning displays complacency with shorts, as evidenced by the high number of short liquidations, even yesterday (July 7th), as the market rebounded, suggesting a higher number of 'late shorters' on lower time frames, and perhaps a lack of clear conviction in either direction.

While we do see long-term Bitcoin holders continuing to realise significant profits on their spot holdings, short-term holder selling might be close to exhaustion. We note that the Spent Output Profit Ratio (SOPR) for short-term holders is at 0.97, indicating that this cohort is now selling at a loss. In the past, when this has happened, prices have rebounded as selling pressure eased.

Further, the funding rate across BTC perps have turned negative for the first time since the May 1st bottom. This might be seen as increased bearish sentiment but it also reinforces the view that BTC might be stabilising or nearing a potential bottom, as the balance of buying and selling pressures evolves.

Historically, periods of negative funding rates combined with low short-term SOPR values have often marked the bottom of price corrections. Negative funding rates suggest that selling pressure is high or sellers are dominating the market, but it can also indicate that the market is oversold. When this oversold condition aligns with a recovering SOPR, it often signals that the market is finding a floor.

In the macro economy, the Fed minutes shows that officials continue to remain highly cautious about cutting rates, even though labour market data and easing inflation is supportive of an easing in monetary conditions. Unemployment is now at 4.1 percent, the highest since November 2021, signalling an economy adjusting to long-term growth and hiring trends.

There has also been a notable slowdown in payroll growth, with 111,000 fewer jobs created in April and May than previously estimated. The median duration of unemployment rose from 8.9 months in May to 9.8 months in June, indicating longer job search periods. The number of job openings per unemployed person held steady at 1.22, and the quit rate remained unchanged at 2.2 percent, suggesting no additional wage pressure from workers quitting.

In addition, the Institute for Supply Management's Manufacturing Purchasing Managers Index contracted in June, with the index dropping to 48.5, its lowest since February. Sub-indices for production, new orders, and inventories all declined, reflecting reduced demand and sentiment. Employment in manufacturing also fell. Similarly, the non-manufacturing PMI fell to 48.8, its lowest in four years, indicating contraction in the services sector.

We do not expect rates to fall at the next policy meeting, scheduled for July 30-31, but remain hopeful of a cut in September.

Have a good trading week.

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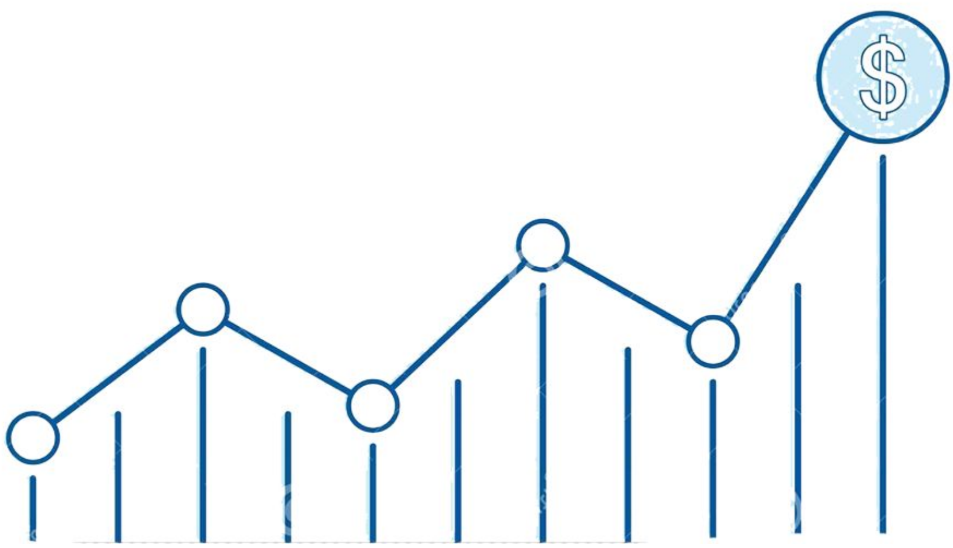


WHAT'S ON-CHAIN THIS WEEK?

Volatility Returns to Crypto Markets Amidst Market Downturn

Bitcoin prices broke below our 120 day old range in an albeit expected yet brutal move, recording a low of $53,219 (refer to figure below), for the first time since February 26th. While this move is in-line with our expectations of a volatility spike in July and market correction, data from July 6th and 7th is showing signs of that a potential local bottom is close.

Figure1. BTC/USD Daily Chart. (Source: Bitfinex)

The fall in BTC was triggered as the German law enforcement agency, the *Bundeskrimanalamt* (BKA), started transferring coins from self custody to exchanges, causing high volume selling from investors across all cohorts. The fear is not only a large dump of coins from the BKA, but also Mt. Gox creditors (see *Mt Gox Transfers Over 47,000 BTC in Preparation for $9 Billion Creditor Repayment*) who are expected to get custody of $9 billion in assets (of which, most is BTC), this month.

On Tuesday, the BKA executed a significant transfer of 832.7 BTC, valued at approximately $52 million. Of these, 282.7 BTC were directed to major centralised exchanges.

Following this initial transfer, the BKA conducted another substantial transaction two days later, moving 3000 BTC worth roughly $174 million.

The above movements caused a 16 percent peak-to-trough decline this week, as BTC dropped from its Tuesday high before hitting a low of $53,219 on Friday.

It is noteworthy however that following the very public transfers of coins by the BKA, subsequent moves have been to institutional and OTC desks, which has allowed some optimism to creep back into the market that further selling pressure might be alleviated if future selling might not be on the open market. This might also be one of the reasons why BTC has moved almost 10 percent off the lows to record a high of $58,563 over the weekend.

There are a couple of key points to note about the most recent correction to anticipate how the market would move from here. A lot of the selling was in the spot market, with market participants responding more to the drop in price, rather than the actual impact of the selling from the BKA.

However it is important to note that the realised capitalisation of Bitcoin flowing onto the market since 2023 - that is the value of Bitcoin bought and sold - amounts to $224 billion. This compares to only $9 billion from Bitcoin that was seized and subsequently sold by governments, including that from the United States and Germany. This represents only four percent of the total cumulative realised value added to the market since the start of 2023. See figure below)

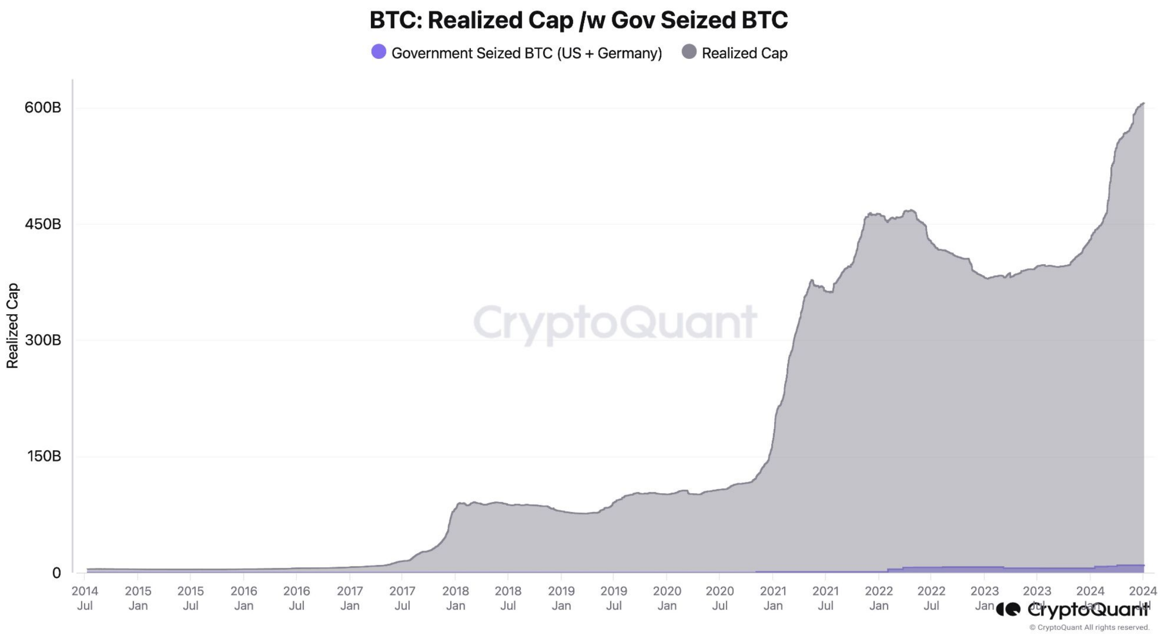


Figure 2. BTC Realised Capitalisation vs Government Seized BTC Capitalisation. (Source: CryptoQuant)

Despite the large nominal value, the actual number of Bitcoins transferred to exchanges amounts to only hundreds of millions of dollars, which suggests that the real market impact and the supply overhang from government-seized Bitcoins are relatively minimal. This suggests that while the sales of seized assets are significant in terms of individual transactions, their overall effect on the market dynamics and BTC price stability is less substantial than it might initially appear.

While most investors may believe that any market recovery will only take place after the supply overhang is dealt with, it is quite possible that the market recovers before that because the sales have been priced in.

An analysis of the Coinbase Premium Index suggests that much of the selling pressure has been alleviated. The Premium measures the percentage difference between the price of Bitcoin on Coinbase Pro (USD pair) and other centralised exchanges (USDT pair).

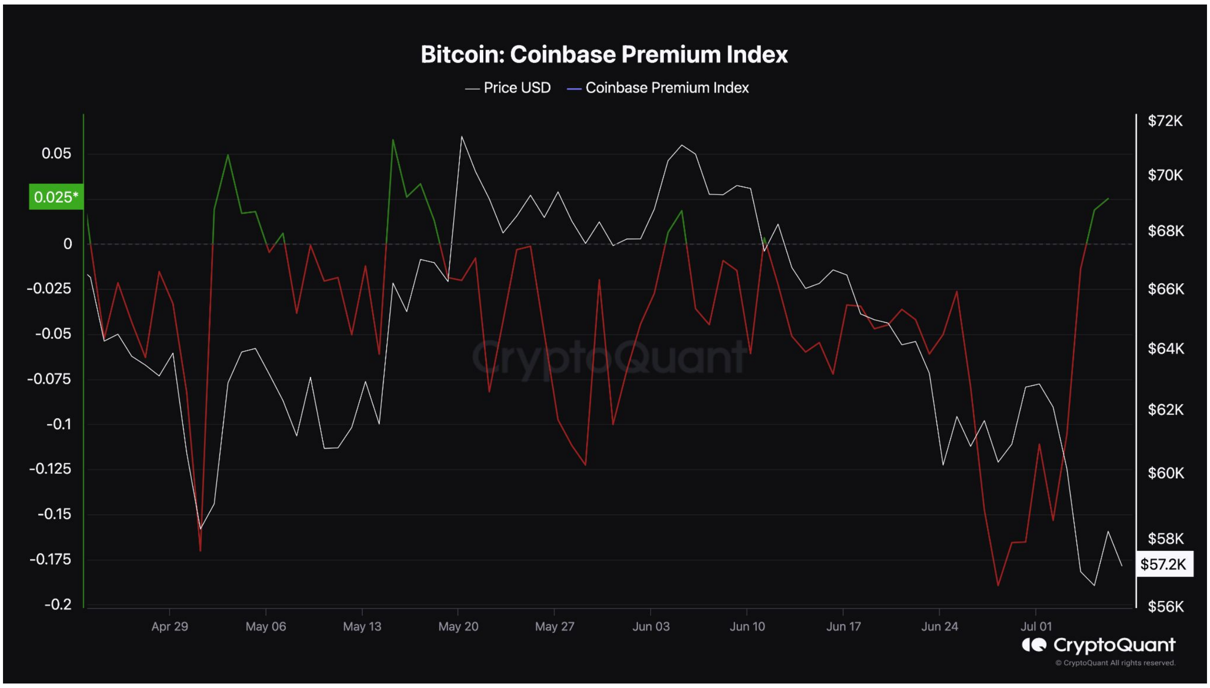


Figure 3. Coinbase Premium Index. (Source: CryptoQuant)

When the Coinbase Premium is low, it often suggests that there is strong selling pressure on the Coinbase spot markets, which is the preferred market for miners, funds, ETFs and even government entities such as the BKA. The premium was low throughout June as selling pressures evidently emerged, but has now suddenly turned positive, even though the BTC price has been falling, for the first time since September 2023. This indicates that, on Coinbase at least, selling pressure has diminished. (See figure above).

Another important indicator to note is that the market has seen a significant uptick in volatility on the lower timeframes. The implied volatility metric, DVOL, momentarily moved to the 55 percent mark on July 5th for monthly expiry dated options.

Figure 4. BTC Implied Volatility vs Historical Volatility. (Source: Deribit Metrics)

Implied volatility (IV) spiked first, as investors began pricing in an increase in expected volatility, followed by an uptick in historical volatility (HV), leaving the implied vs historical volatility spread at less than 1.9 percent. This compares to 15-16 percent towards the end of June, which suggests that the market had been positioning for significant moves in either direction, even though the market actually registered only smaller moves.

When the spread between IV and HV is low, it reveals several important insights about the options market and the underlying asset:

1. Market Stability: A narrow IV/HV spread indicates that the market perceives the current volatility levels as consistent with historical patterns. This typically suggests a lack of upcoming events or developments anticipated to disrupt market stability, pointing to an expectation of continuity in terms of volatility. Thus, on current readings, we would expect BTC to range at these levels or move much less.

2. Fair Pricing of Options: With the market's expectations for future volatility (reflected in IV) closely mirroring past volatility levels (captured by HV), options are likely considered to be fairly priced. This alignment means that the prices of options are thought to accurately reflect the expected level of risk and volatility based on historical data.

Thus, we do not believe that the market continues cascading down over the next week without some stabilisation first either in the form of ranging or upside.

Another point of confluence is market positioning that appears to be displaying complacency with shorts. In a week where BTC recorded an intra-week decline of over 16 percent, and altcoins recorded an even sharper decline, we still saw over $175 million in short liquidations, the highest since May 20th and one of the highest since our current range began.

Figure 5. Total Liquidations Across Crypto Market. (Source: Coinglass)

While we also registered $750 million in long liquidations over two days, none of the daily candles came in below the previous May 1st low, when there were $1.55 billion in long liquidations over two days. This indicates that the current market has a lower amount of leveraged longs and a high number of “late shorters” attempting to short a breakdown of range lows. This suggests that conviction in either direction is relatively low.

The upcoming week now holds significant importance as the market faces the potential breakdown from a 125-day trading range—a psychologically important level.

However, data from lower time frames such as stabilising options flow and negative funding rates across numerous perpetual trading pairs suggests that the intensity of downward moves might lessen, and even see some upside, suggesting a possible stabilisation or a mild recovery in the near term, providing a critical juncture for traders to monitor closely for signs of a directional shift.

Long-Term Holder Profits and Short-Term SOPR Trends

The Spent Output Profit Ratio (SOPR) for long-term Bitcoin holders surged to a value of 2.69 last week (refer to figure below), as this cohort continued to realise significant profits from their BTC holdings.

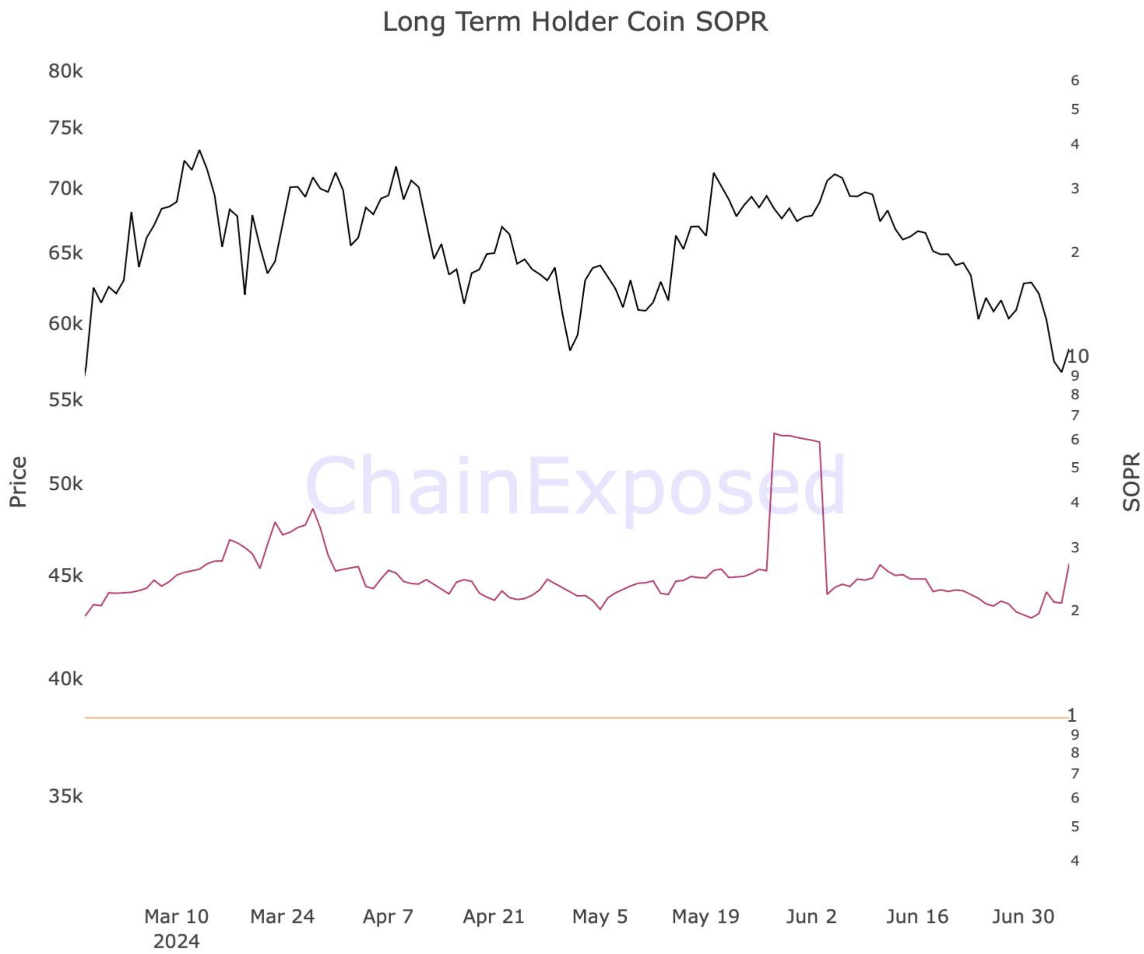


Figure 6. Bitcoin Long-Term Holder SOPR (Source: CryptoQuant)

SOPR is a financial metric that gauges the realised profit or loss on a given day for wallets falling under a specific cohort of investors. The calculation is done by comparing the combined USD value of all coins spent to the value of these coins when they were initially acquired.

The current action aligns with the price correction we saw last week, implying that, in the case of long-term holders, these investors are capitalising on their significant gains, and exerting downward pressure on the BTC price. As we had indicated last month in *Bitfinex Alpha*, profit-taking from this cohort had peaked in May at a value above 6.2 and then gradually declined until onl July 1st, last week, they again resumed profit-taking.

An in-depth look at the Spent Output Age Bands chart (see figure below), reveals a spike in activity originating from Bitcoin holders who had maintained their positions for 3-5 years. The significant movement of these aged coins further adds to our belief that long-term investors are locking in their profits, contributing to the current decline in price. Monitoring the behaviour of these seasoned investors is critical, as continued selling could further drive prices down.

A note on how SOPR works

When sellers are breaking even, SOPR is at a value of one —indicating that on average, sellers are neither making a profit nor a loss. This break-even point often plays a significant role in market behaviour:

- In Bear Markets: The SOPR often acts as a resistance level. As the market approaches this break-even point, sellers who have been holding coins at a loss rush to sell as soon as they can do so without incurring further losses. This phenomenon can exacerbate selling pressure, leading to sharp price declines.

- In Bull Markets: Conversely, the SOPR can serve as a support level. Holders are generally reluctant to sell at a loss, resulting in diminished selling pressure once prices drop to levels where most are breaking even or making a profit. This reluctance helps stabilise prices and can sustain upward momentum.

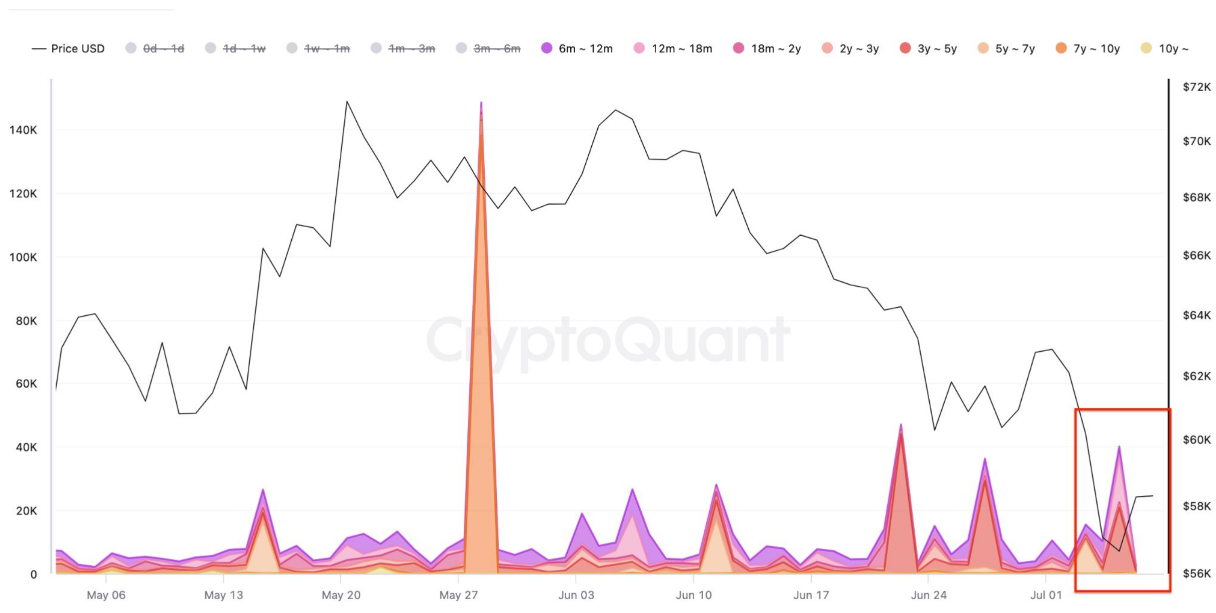


Figure 7. Bitcoin Spent Output Age Bands

In last week's edition of *Bitfinex Alpha*, we highlighted the ongoing downtrend in the market, its sensitivity to newsflow and the challenges posed by multiple sources of supply overhang. The market indeed pulled back as these factors came to the fore last week.

However, if we zoom out, there are potential signs that the market might still be in a bullish higher timeframe phase rather than merely experiencing a seasonal trend.

The SOPR for short-term holders (STH), as of July 6th, has reached a value of 0.97, indicating that this cohort is now selling at a loss. Usually when this happens there is a rebound in price. A similar pattern was observed in September 2023 (See figure below). During that period, SOPR moved under 0.95, before the price began to rise again, as holders became reluctant to continue selling at a loss, and began to withhold their coins, reducing selling pressure.

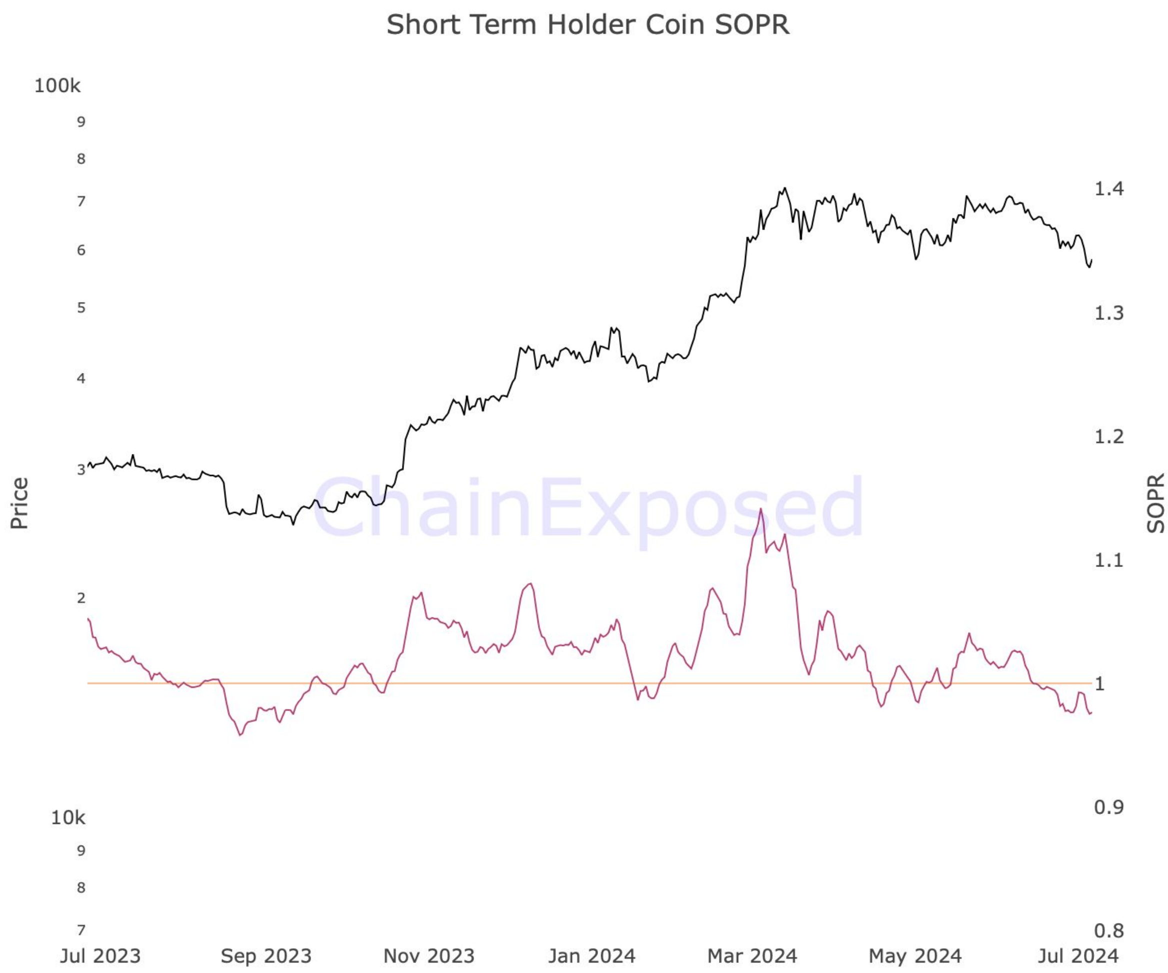


Figure 8. Short-Term Holder Spent Output Profit Ratio. (Source: ChainExposed)

While this suggests a positive signal for the market, we continue to recommend caution, given the current dependency on news flow as a catalyst for market behaviour and the ongoing supply overhang. Furthermore, the surge this weekend in BTC, which saw a nearly 10 percent increase from its low of $53,219 last week to $58,563 over the weekend, could potentially represent the extent of this bounce.

Our medium-term view is that as long as the market remains news dependent and relatively illiquid, investors and traders should remain vigilant, as the current momentum could quickly taper off, with the effect of either stabilising the market, or potentially triggering a further fall.

The average funding rate across all BTC perp trading pairs have also flipped negative for the first time since the May 1st bottom. This current trend in funding rates not only reflect the increased bearish sentiment but also reinforce the notion that BTC might be stabilising or nearing a potential bottom, as the balance of buying and selling pressures evolves.

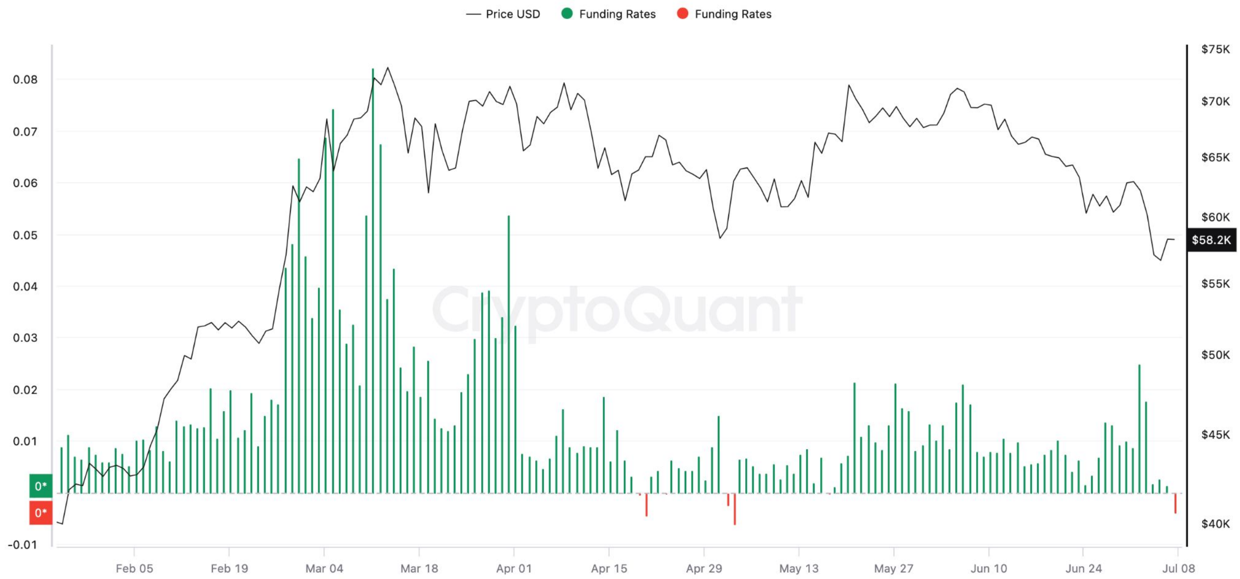


Figure 9. Bitcoin Funding Rates (Source: CryptoQuant)

Historically, periods of negative funding rates combined with low short-term SOPR values have often marked the bottom of price corrections. Negative funding rates suggest that selling pressure is high or sellers are dominating the market, but it can also indicate that the market is oversold. When this oversold condition aligns with a recovering SOPR, it often signals that the market is finding a floor.

GENERAL MACRO UPDATE

June Jobs Report Reflects Economic Normalisation Amid Rising Unemployment

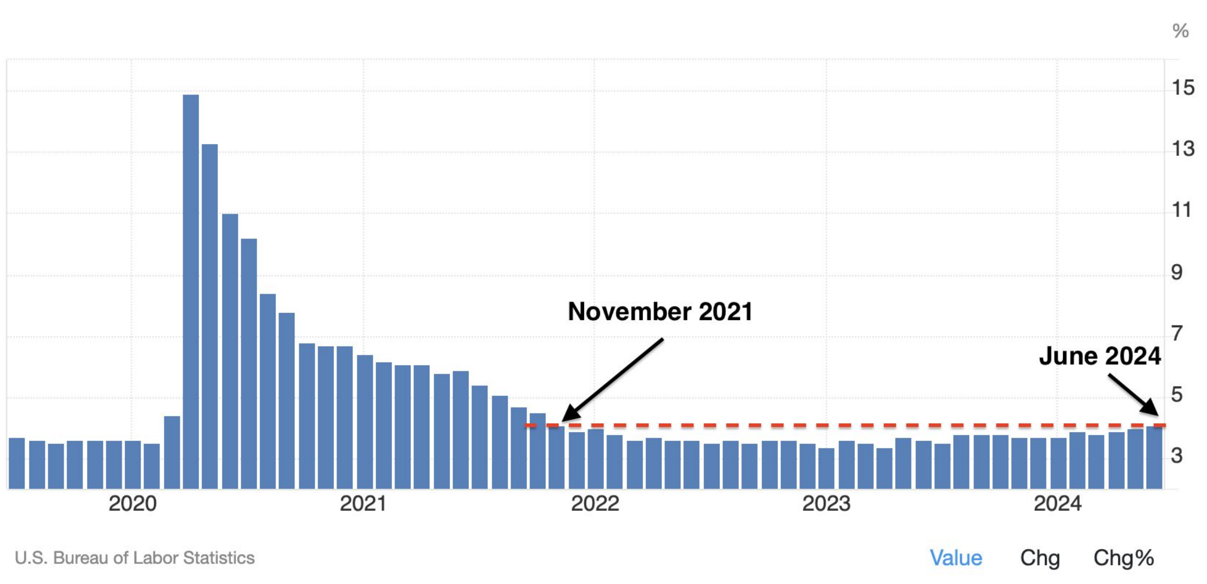


Figure 10. US Unemployment Rate (Source: Bureau of Labor Statistics)

The unemployment rate increased to 4.1 percent in June (refer to figure above), the highest since November 2021, reflecting an economy returning to long-term growth and hiring trends. The lingering effects of high interest rates and inflation have taken their toll on the US economy.

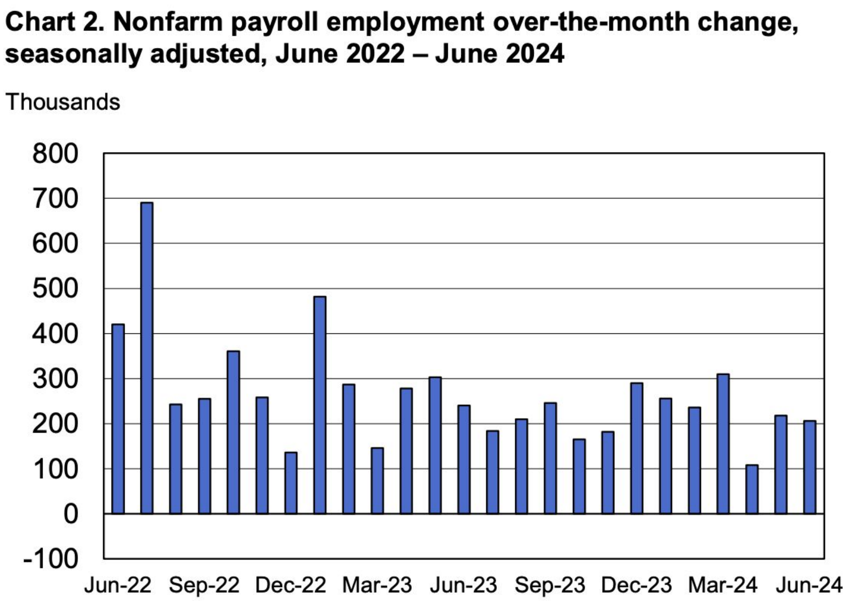
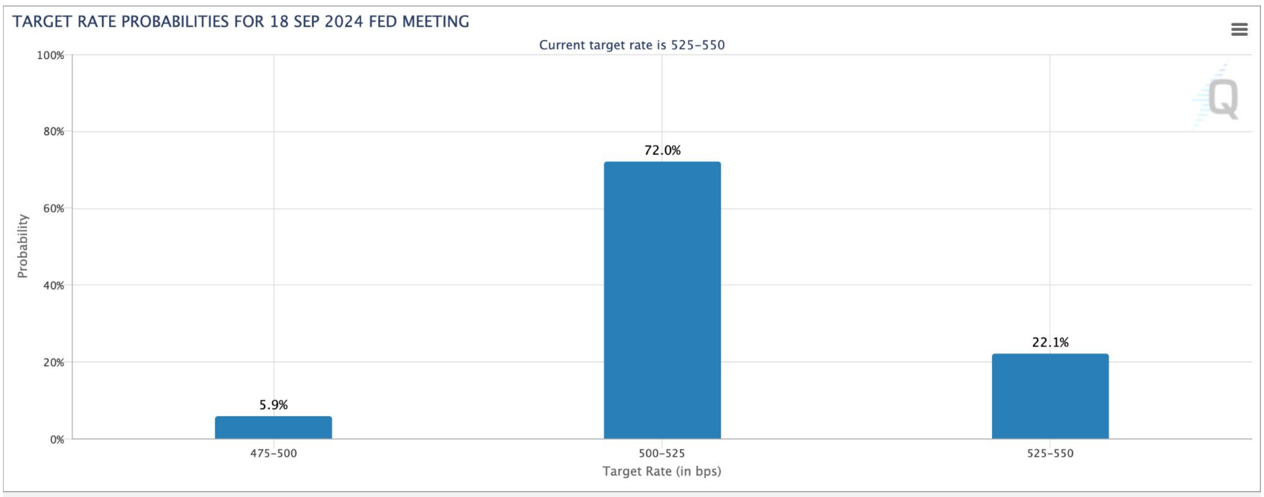


Figure 11. Nonfarm Payroll employment, Month-over-Month Change (Source: Bureau of Labor Statistics)

The latest employment report from the US Bureau of Labor Statistics, revealed a notable slowdown in payroll growth, as evidenced by revisions indicating 111,000 fewer jobs created in April and May than previously reported. In June, the economy added 206,000 new jobs. Additionally, wage growth has shown signs of deceleration, increasing by just 0.3 percent on a monthly basis and 3.9 percent annually.

Further insights from the household survey indicated a modest rise in total employment, with an increase of 116,000 jobs. The labour participation rate also saw an increase to 62.6 percent in June, from 62.5 percent in May. However, the employment-to-population ratio held steady at 60.1 percent. Notably, the median duration of unemployment rose, moving from 8.9 months in May to 9.8 months in June, suggesting that those unemployed are taking longer to find work. The increased duration of unemployment and the slight rise in the unemployment rate highlight areas of concern that could impact economic recovery trajectories.

This report, coupled with the moderation in price inflation in May, could bring fresh confidence to the Fed about the inflation outlook. According to the latest projections, financial markets anticipate that the US central bank, which aggressively tightened monetary policy in 2022 and 2023, might begin easing its policies in September.



TARGET RATE (BPS)	PROBABILITY(%)			
	NOW *	1 DAY 3 JUL 2024	1 WEEK 28 JUN 2024	1 MONTH 5 JUN 2024
450-475	0.0%	0.0%	0.0%	0.1%
475-500	5.9%	6.0%	6.2%	12.0%
500-525	72.0%	68.4%	57.9%	57.2%
525-550 (Current)	22.1%	25.7%	35.9%	30.6%

* Data as of 5 Jul 2024 11:21:44 CT

Figure 12. Target Rate Probabilities For September (Source: CME FedWatch Tool)

As the economy cools, the need for the Fed to relax its restrictive policy rate to prevent an unnecessary end to the business cycle becomes more important. With disinflation spreading through the economy amid a cooling labour market and underlying indicators of slower economic growth, the current policy rate of 5.25 percent to 5.5 percent may no longer be suitable.

Strong Labour Demand Continues in May, Job Openings Rise Unexpectedly

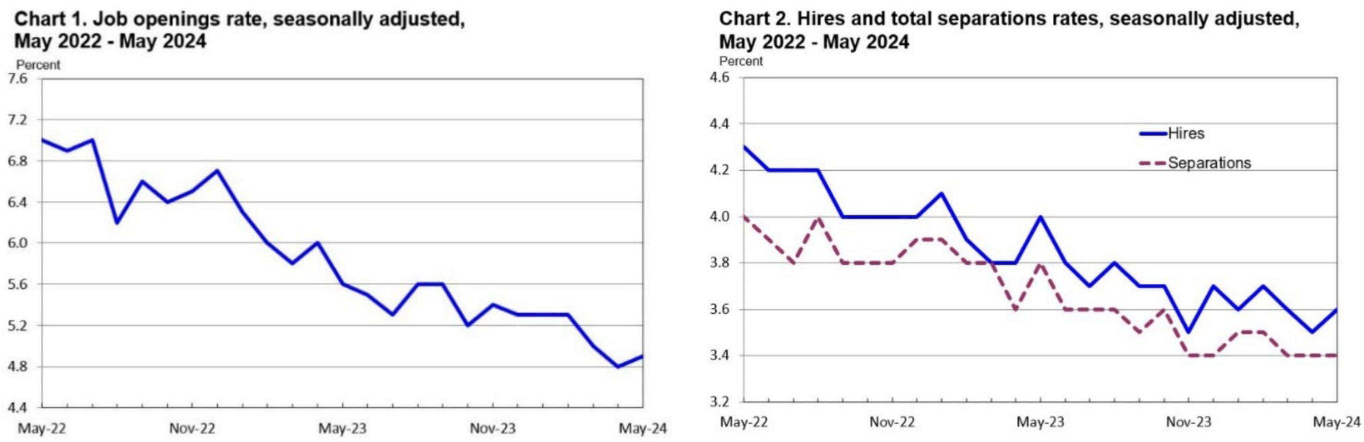


Figure 13. Job Openings Rate, Hiring and Total Separations Rate (Source: Bureau of Labor Statistics)

Labour demand remained robust in May, driving an increase in hirings. Job openings unexpectedly rose to 8.1 million in May from a downwardly revised figure of 7.9 million in April. The consensus forecast was 7.9 million job openings.

While job openings increased, the number of job openings per unemployed person in May was unchanged from April at 1.22. The report also indicated that the balance between labour supply and demand remained stable, as shown by the quit rate, an important measure of inflationary pressure within the labour market, holding steady at 2.2 percent. A steady quit rate means there is no additional upward pressure on wages due to a surge in workers quitting, which can help keep inflation in check.

The jobs data is in line with the increased participation rates and a slowdown in wage growth as the pressure in labour supply eases, as shown in the previous chapter. While the increase in job openings creates a demand for labour, a stable vacancy-to-unemployed ratio indicates that this demand is being met by an adequate supply of workers. The higher participation rate helps to provide this supply by bringing more individuals into the labour force. Moreover, employees who choose not to quit add to the labour supply, alleviating the pressure on employers to raise wages.

This latest Job Openings and Labor Turnover Survey is unlikely to change the Fed’s expected decision to maintain current interest rates at this month's meeting. However, with indications of a more balanced labour market, we suggest that the Fed should consider reducing its policy rate in September to prevent further strain on job growth.

Fed Officials Signal Caution Despite Economic Slowdown and Easing Inflation

According to the minutes - released this week - of the June 11-12 Federal Open Market Committee Meeting, officials acknowledged signs of a slowing US economy and diminishing price pressures, but maintained a cautious stance on interest rate cuts.

The minutes highlighted indicators suggesting a decline in inflation. Wage growth had decelerated, and major retailers were reducing prices, reflecting reduced pricing power, as noted by several participants. Officials even declared: “labor demand and supply continued to move into better balance”. Yet despite all this they were still not prepared to lower interest rates. Even though, on the final day of the meeting, data was also released showing that the Consumer Price Index (CPI) remained unchanged in May compared to the previous month.

Fed officials insist that additional evidence is still needed before considering rate cuts, saying they require greater assurance that inflation is moving sustainably towards the two percent target. At the time of the meeting, the personal consumption expenditures price index, which guides the Fed's inflation target, stood at 2.7 percent year-on-year for April. This figure, while lower than previous readings, was still considered "elevated" and only a modest improvement, warranting a continued tight monetary policy.

The overall message from the meeting minutes is clear: the Fed is in no hurry to cut rates, and “does not expect it will be appropriate to reduce the target range until it has gained greater confidence that inflation is moving sustainably toward 2 percent”.

The US central bank is scheduled to convene its next policy meeting on July 30th-31st. By that time, policymakers will have new data to consider, including June's employment report showing a cooling labour market, the Consumer Price Index (CPI) for June due on July 11th, and a preliminary estimate of the second-quarter economic growth expected on July 25th.

Manufacturing Sector Contracts in June Amid High Interest Rates

MANUFACTURING AT A GLANCE
June 2024

Index	Series Index Jun	Series Index May	Percentage Point Change	Direction	Rate of Change	Trend* (Months)
Manufacturing PMI®	48.5	48.7	-0.2	Contracting	Faster	3
New Orders	49.3	45.4	+3.9	Contracting	Slower	3
Production	48.5	50.2	-1.7	Contracting	From Growing	1
Employment	49.3	51.1	-1.8	Contracting	From Growing	1
Supplier Deliveries	49.8	48.9	+0.9	Faster	Slower	4
Inventories	45.4	47.9	-2.5	Contracting	Faster	17
Customers' Inventories	47.4	48.3	-0.9	Too Low	Faster	7
Prices	52.1	57.0	-4.9	Increasing	Slower	6
Backlog of Orders	41.7	42.4	-0.7	Contracting	Faster	21
New Export Orders	48.8	50.6	-1.8	Contracting	From Growing	1
Imports	48.5	51.1	-2.6	Contracting	From Growing	1
OVERALL ECONOMY				Growing	Slower	50
Manufacturing Sector				Contracting	Faster	3

Back

Figure 14. Institute for Supply Management Manufacturing Purchasing Managers' Index (PMI)

According to the Institute for Supply Management's latest Manufacturing Purchasing Managers Index (PMI) report, manufacturing sentiment entered a contraction phase in June after three months of marginal growth. Further evidence that persistently high interest rates have curtailed demand for manufacturing goods.

The manufacturing index dropped slightly to 48.5 from 48.7, marking its lowest level since February. Based on the ISM's historical data for the broader economy, an index below 48.7 over time typically signals overall contraction in the sector. The industry is grappling with increased interest rates and weakening demand, although business investment has remained relatively stable.

Most subindices in the survey indicated contraction in June, with employment seeing another decline after a brief recovery in May, hinting at reduced job creation in the sector. Production, new orders, and inventories also fell, reflecting diminished sentiment regarding both supply and demand.

However, the inflation indicator showed a positive note. The prices paid sub index showed its smallest increase in six months, easing concerns about potential inflation in goods prices this year, which aligns with the Fed's focus.

In a separate report released last Wednesday, July 3rd, the Institute for Supply Management (ISM) reported that its non-manufacturing Purchasing Managers Index (PMI), which gauges activity in the US services sector, fell to its lowest level in four years in June due to a significant decline in orders. This could signal a slowdown in the economy at the end of the second quarter.

The ISM's services PMI decreased to 48.8 in June from 53.8 in May, marking the lowest point since May 2020 and the second time this year the index has fallen below 50, indicating a contraction in the services sector. The consensus forecast was a drop to 52.5. The business activity measure within the survey fell to 49.6 in June from 61.2 in May, showing the first contraction since May 2020.

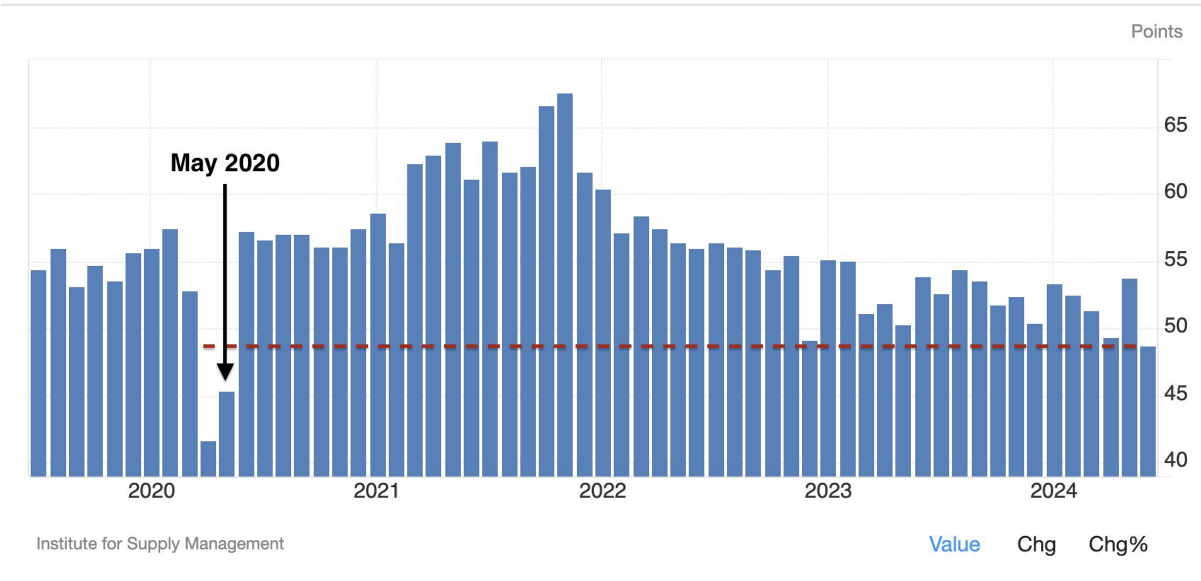


Figure 15. United States ISM Services PMI (Source: Institute for Supply Management)

The new orders index also declined to 47.3, the lowest since December 2022, from 54.1 in May. Employment in the services sector continued to decrease, which could imply slower job growth in the coming months.

Additionally, inflation in the services sector eased slightly last month. The ISM's prices paid index for services inputs decreased to 56.3 from 58.1 in May, indicating that the disinflation trend was resuming after price pressures rose in the first quarter. This data is in line with the continuing trend of disinflation on the Services (less energy services) component of the Consumer Price Index (CPI).

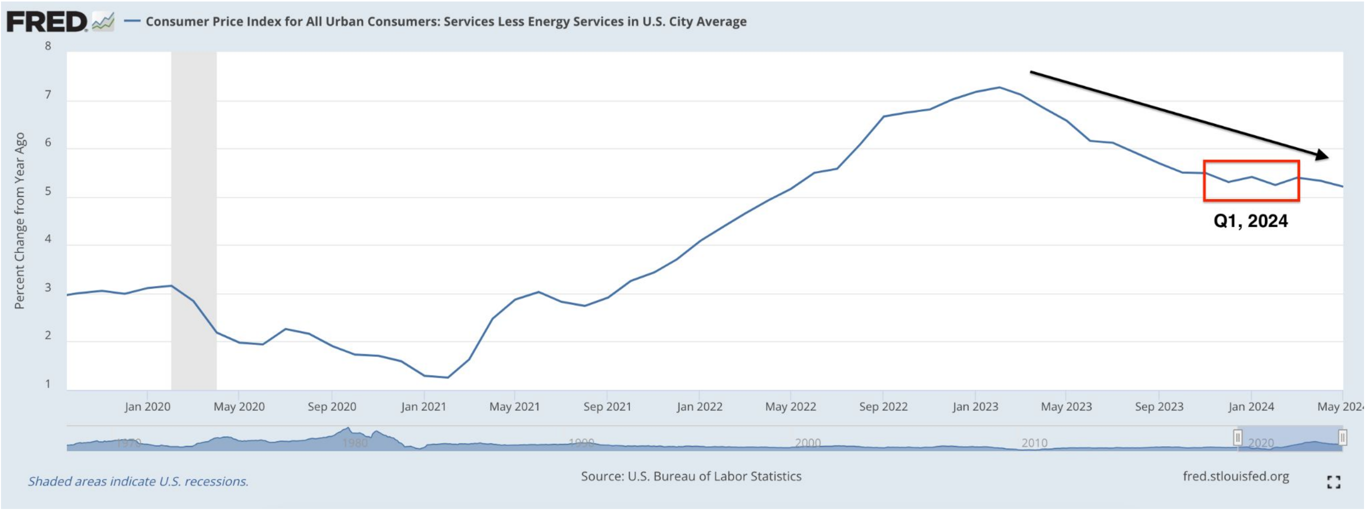


Figure 16. Consumer Price Index in the US: Services Less Energy Services (Source: Bureau of Labor Statistics)

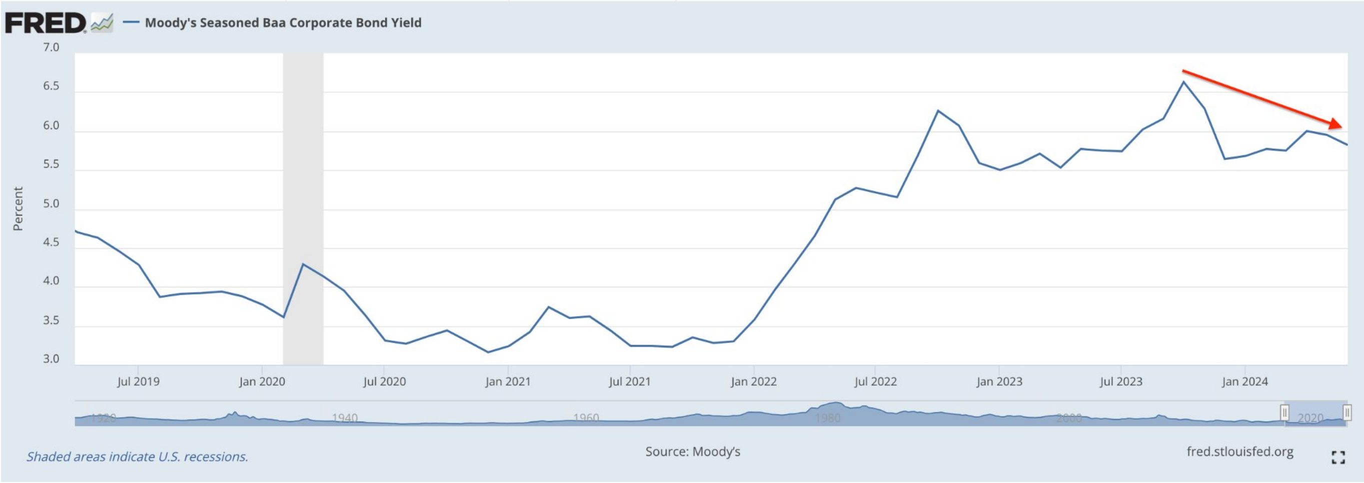


Figure 17. Moody's Seasoned Baa (Medium-Grade, Moderate Credit Risk) Corporate Bond Yield (Source: Moody's)

Economic cooling is expected to continue, putting additional pressure on spending demand. The manufacturing sector may face ongoing challenges in the coming months. Despite a decline in corporate bond yields since late last year providing some support to investment spending, it hasn't been sufficient to revive growth in manufacturing. A significant loosening of financial conditions is needed to drive substantial improvement.

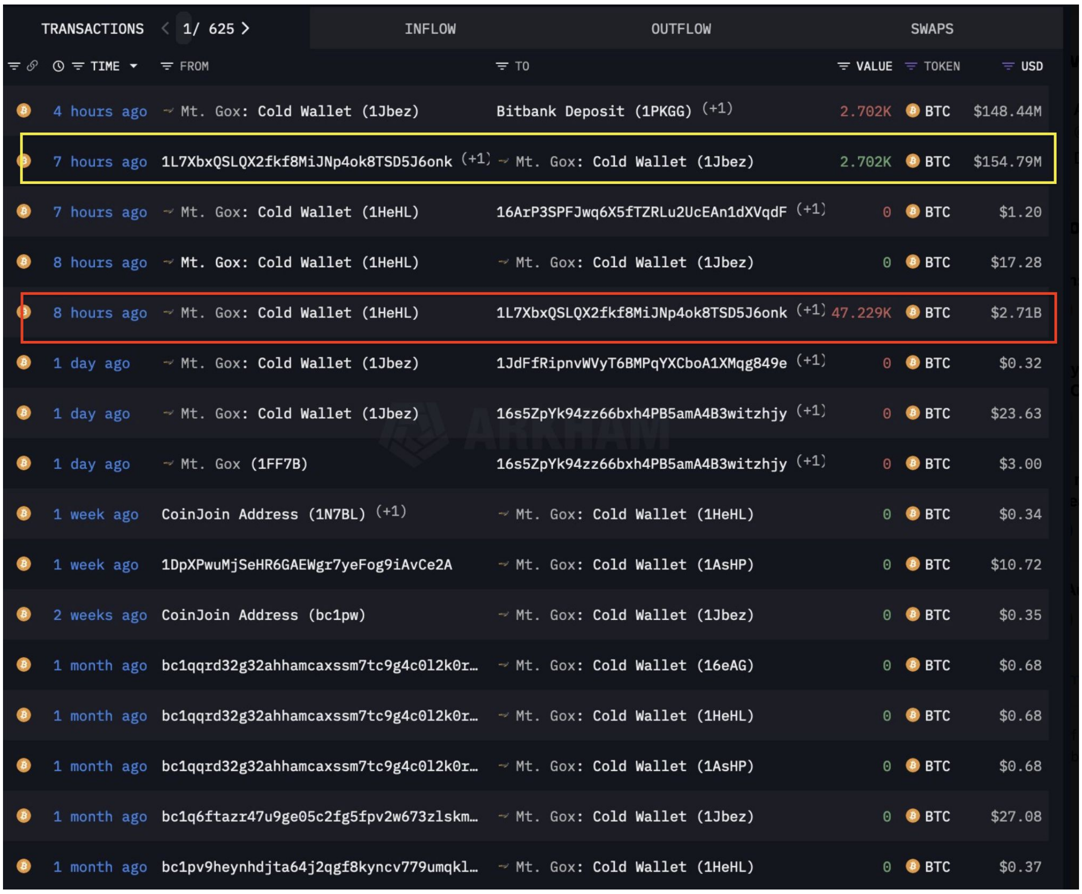
NEWS FROM THE CRYPTO-SPHERE

Mt Gox Transfers Over 47,000 BTC in Preparation for $9 Billion Creditor Repayment

Figure 18. Mt Gox Transfers Over 47,000 BTC in Preparation for $9 Billion Creditor Repayment

- **Mt Gox transferred over 47,000 BTC to a new wallet in preparation for its upcoming $9 billion repayment to creditors, with subsequent movements involving multiple wallets and exchanges**
- **The now-collapsed exchange announced in late June that it would start distributing funds in Bitcoin, Bitcoin Cash, and fiat to its creditors, starting early July**

Mt Gox, the collapsed cryptocurrency exchange, transferred over 47,000 BTC to another wallet early Friday morning, July 5th, as reported by Arkham Intelligence. This significant move comes ahead of the exchange's anticipated $9 billion repayment to creditors.



TIME	FROM	TO	VALUE	TOKEN	USD
4 hours ago	Mt. Gox: Cold Wallet (1Jbez)	Bitbank Deposit (1PKGG) (+1)	2.702K	BTC	$148.44M
7 hours ago	1L7XbxQSLQX2fkf8MiJNp4ok8TSD5J6onk (+1)	Mt. Gox: Cold Wallet (1Jbez)	2.702K	BTC	$154.79M
7 hours ago	Mt. Gox: Cold Wallet (1HeHL)	16ArP3SPFJwq6X5fTZRLu2UcEAn1dXVqdF (+1)	0	BTC	$1.20
8 hours ago	Mt. Gox: Cold Wallet (1HeHL)	Mt. Gox: Cold Wallet (1Jbez)	0	BTC	$17.28
8 hours ago	Mt. Gox: Cold Wallet (1HeHL)	1L7XbxQSLQX2fkf8MiJNp4ok8TSD5J6onk (+1)	47.229K	BTC	$2.71B
1 day ago	Mt. Gox: Cold Wallet (1Jbez)	1JdFfRipnvWVyT6BMPqYXCboA1XMqg849e (+1)	0	BTC	$0.32
1 day ago	Mt. Gox: Cold Wallet (1Jbez)	16s5ZpYk94zz66bxh4PB5amA4B3witzhjy (+1)	0	BTC	$23.63
1 day ago	Mt. Gox (1FF7B)	16s5ZpYk94zz66bxh4PB5amA4B3witzhjy (+1)	0	BTC	$3.00
1 week ago	CoinJoin Address (1N7BL) (+1)	Mt. Gox: Cold Wallet (1HeHL)	0	BTC	$0.34
1 week ago	1DpXPwuMjSeHR6GAEWgr7yeFog9iAvCe2A	Mt. Gox: Cold Wallet (1AsHP)	0	BTC	$10.72
2 weeks ago	CoinJoin Address (bc1pw)	Mt. Gox: Cold Wallet (1Jbez)	0	BTC	$0.35
1 month ago	bc1qqrd32g32ahhamcaxssm7tc9g4c012k0r…	Mt. Gox: Cold Wallet (16eAG)	0	BTC	$0.68
1 month ago	bc1qqrd32g32ahhamcaxssm7tc9g4c012k0r…	Mt. Gox: Cold Wallet (1HeHL)	0	BTC	$0.68
1 month ago	bc1qqrd32g32ahhamcaxssm7tc9g4c012k0r…	Mt. Gox: Cold Wallet (1AsHP)	0	BTC	$0.68
1 month ago	bc1q6ftazr47u9ge05c2fg5fpv2w673zlskm…	Mt. Gox: Cold Wallet (1Jbez)	0	BTC	$27.08
1 month ago	bc1pv9heynhdjta64j2qgf8kyncv779umqkl…	Mt. Gox: Cold Wallet (1HeHL)	0	BTC	$0.37

Figure 19. Movement on Mt. Gox Wallet (Source: Arkham Intelligence)

The transfer, worth about $2.71 billion, was moved to a wallet ending in "6onk." Following this transfer, the new wallet sent 2,702 BTC (valued at $154.79 million) back to Mt Gox's cold storage. This amount was then moved to another new wallet, identified as 1PKG....zwzV.

The wallet 1PKG....zwzV subsequently transferred 1,545 BTC (around $84.87 million) to a hot wallet on Bitbank. Bitbank is one of the exchanges that facilitate Mt Gox's creditor repayments.

In late June, Mt Gox announced it would begin distributing over $9 billion in Bitcoin, Bitcoin cash, and fiat currency to its creditors starting in early July. The value of Bitcoin has moved sharply since this announcement as discussed in the On-Chain section.

TIME	FROM	TO	VALUE	TOKEN	USD
2 hours ago	Mt. Gox: Cold Wallet (1Jbez) (+1)	1PKGGMh5cGYMMJq32aVY8gfCzsmUiszwzV	1.545K	BTC	$84.87M
2 hours ago	1PKGGMh5cGYMMJq32aVY8gfCzsmUiszwzV	Bitbank: Hot Wallet (bc1qr) (+1)	1.545K	BTC	$84.87M

Figure 20. Bitcoin Transferred from Mt. Gox Cold Wallet to Bitbank

House of Representatives to Vote on Overriding Biden's Veto of SAB 121

Figure 21. House of Representatives to Vote on Overriding Biden's Veto of SAB 121 Next Week

- **The House of Representatives is set to vote next week on whether to overturn President Joe Biden's veto of Staff Accounting Bulletin 121 (SAB 121), a rule requiring SEC-reporting entities to record cryptocurrency holdings on their balance sheets**
- **To override the veto, a two-thirds majority vote is needed in both the House and Senate, which previously passed the resolution with bipartisan support but fell short of the required majority**

This week, the House of Representatives may vote on President Joe Biden's controversial veto of Staff Accounting Bulletin 121 (SAB 121). This proposed rule requires SEC-reporting entities holding cryptocurrencies to record those assets on their balance sheets. The vote is included in the House's "legislation that may be considered" list, as per the weekly schedule released by House Majority Leader Steve Scalise.

Constitutionally, the House must vote again to overturn or uphold presidential vetoes. The votes are expected to take place on Tuesday or Wednesday, this week.

In May, a resolution to overturn SAB 121 passed with bipartisan support in both the House of Representatives and the Senate. The vote in the House was 228 in favour and 182 against, while the Senate vote was 60 in favour and 38 against. However, President Biden vetoed the resolution.

Critics of SAB 121 argue that it would hinder American banks from managing and safeguarding cryptocurrency exchange-traded products at scale. They believe this would increase "concentration risk" by shifting control to non-bank entities.

To override President Biden's veto, a two-thirds majority vote is required in both the House and the Senate. In May, only 55.6 percent of House members and 61.2 percent of Senate members supported the resolution. This indicates that more Democratic support will be necessary to achieve the two-thirds majority needed to override the veto.

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