BITFINEX Alpha

Issue: 22-07-2024
bitfinex.com

This material is being provided by BFXWW Inc. ("Bitfinex") for general informational purposes only. Views or opinions expressed herein may not reflect those of Bitfinex as a whole and may change without prior notice. Nothing in this newsletter constitutes investment, portfolio management, legal, accounting or tax advice, advice on trading techniques, models, algorithms, or any other schemes, or a recommendation to buy, sell or hold any digital tokens or other digital assets. No recommendation or advice is being given as to whether any digital asset is suitable for you. No solicitation or offer of any digital asset or financial promotion of any kind is being made.

You should not trade in digital assets unless you understand the associated risks.

You should not commit funds or collateral to trading in digital assets that you are not prepared to lose entirely. Past performance of a digital asset or trading strategy does not guarantee future results or returns. This newsletter contains forward-looking statements—statements that relate to future events or future performance—which are only projections, opinions and hypotheticals about possible future events, conditions, outcomes and results. Actual events or results may differ materially.

Where indicated, information provided comes from other content providers. That information is protected by copyright owned or licensed by those content providers. Bitfinex has not been involved in preparing, adopting or editing this content and does not explicitly or implicitly endorse or approve such content. Bitfinex makes no guarantees that information supplied in third-party content is accurate, complete, or timely.

While Bitfinex attempts to provide accurate and timely information, neither Bitfinex nor any third-party content provider guarantees the accuracy, timeliness, completeness or usefulness of any newsletter content, and are not responsible or liable for any such content. All newsletter content is provided on an "as-is" basis.

You may not use any of the trademarks, trade names, service marks, copyrights, or logos of Bitfinex in any manner which creates the impression that such items belong to or are associated with you or are used with Bitfinex's consent, and you acknowledge that you have no ownership rights in and to any of such items.

This newsletter is provided only to select recipients. You should not post, transmit, redistribute or otherwise make available any newsletter content to any other person.

EXECUTIVE SUMMARY

In an extremely positive week for crypto assets, BTC hit a 39-day high of $68,560, rebounding over 29 percent from the local low on July 5th. The recent movement has been marked by five consecutive green daily closes from July 12th to 16th, indicating strong bullish momentum.

A key event impacting the market was Germany's Bundeskriminalamt's complete liquidation of over 48,000 BTC, which created substantial sell-side pressure. The market absorbed this influx, showing resilience and indeed renewed demand. The exhaustion of sell-side pressure from both the German government's sale and miners, who have historically sold their holdings post-halving to upgrade infrastructure, has allowed for positive price action and recovery. The Miner Sustainability metric shows that miners are now fairly paid, marking their return to profitability for the first time in a month. This suggests the phase of upgrading machinery is nearing its end, which should alleviate further selling pressure from miners.

ETF inflows have also been positive, with almost $1.2 billion recorded last week, marking the first positive interest since early June. A key reason for this is that the price has risen above the average inflow cost basis of ETF holders, which is $58,200, and this has breathed new confidence into the market.

Orderflow metrics have also contributed to the sentiment. The spot Cumulative Volume Delta metric, which measures the net difference between market buying and selling volumes on centralised exchanges has reflected a shift towards net-buy-side activity for the first time since early March, indicating a softening of sell-side pressures.

As we also indicated in last week's Bitfinex Alpha, the Long-term Holder Spent Output Profit Ratio which divides the price BTC is sold, by the price paid, is also showing that selling pressure from this cohort subsided in early July.

While the Bitcoin Exchange Reserve metric, which tracks the amount of BTC held in exchange wallets, shows that in recent weeks, there has been a rapid decrease in these reserves, suggesting that large investors have been buying the dip and moving their assets off exchanges. This behaviour points to accumulation and suggests a potential supply squeeze, which could drive prices higher in the coming months.

Another interesting dynamic is the cost basis for short-term holders (STH), whose realised price is currently at $65,176. Our analysis shows that as BTC has recovered, the STH realised price has also risen, indicating a resurgence in buying interest in general and confidence among short-term holders.

Additionally, the Short-Term Holder Spent Output Profit Ratio (STH SOPR) metric, which determines whether short-term holders realise profits or losses, has been below the equilibrium level of one, but is now beginning to move back towards this level. This indicates that while some short-term holders took an opportunity to buy the dip, there is also a sub-cohort that has realised losses on their spot holdings over the past two weeks when BTC was below their cost basis. If this metric is now moving back towards a mean value of one, it suggests that capitulation from this cohort of holders might be over.

Meanwhile, in the US economy, retail sales figures have shown that a significant slowdown in inflation over the past two months has positively impacted consumer spending, defying widespread expectations of a downturn. However, the housing market presents a contrasting picture, with single-family housing starts in June, plummeting to its lowest level in eight months. This downturn is primarily driven by high mortgage rates and a persistent shortage of affordable homes, creating significant headwinds for potential homebuyers.

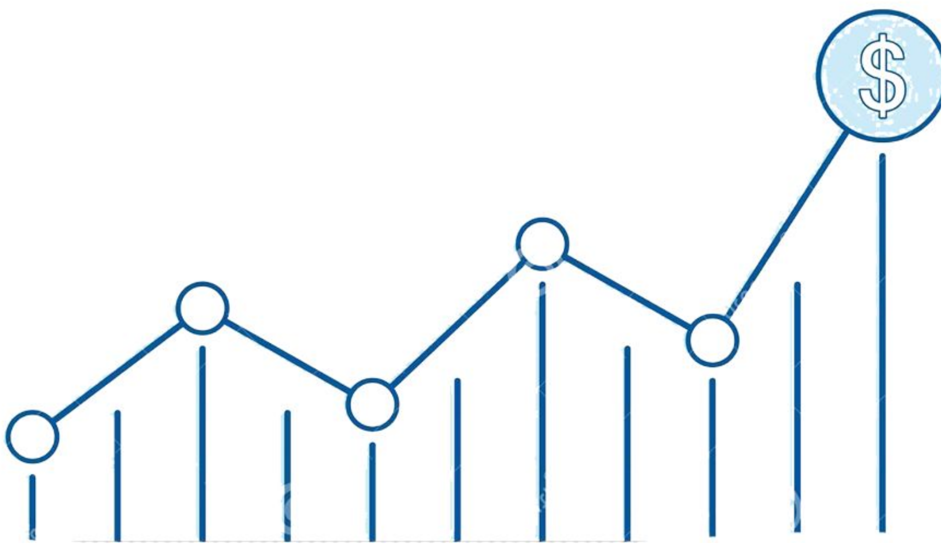
Despite these challenges in the housing sector, the manufacturing industry has demonstrated resilience, with factory production exceeding expectations. This recovery in manufacturing is noteworthy, especially given the constraints of elevated borrowing costs that have generally pressured various sectors. The anticipated monetary policy easing by the Federal Reserve in September could offer much-needed relief, potentially stimulating growth in both housing and manufacturing sectors.

Additionally, the US Leading Economic Index continued to contract in June, but the rate of contraction has slowed compared to the past three months. The drop in the economic index during the first half of this year is smaller than the latter half of the previous year, suggesting a less negative long-term growth outlook.

Finally, the cryptocurrency industry is experiencing significant regulatory advancements. Spot Ethereum ETFs from Fidelity, VanEck, and others will begin trading on the Cboe exchange on July 23, 2024, following US SEC approval. Some firms are waiving fees initially to attract investors. In Hong Kong, the first stablecoin sandbox participants are prohibited from public fundraising during initial testing as the Hong Kong Monetary Authority develops a risk-based regulatory framework requiring future issuers to obtain licences. Meanwhile, South Korea has enacted the Virtual Asset User Protection Act, mandating exchanges to secure 80 percent of user deposits in cold storage, use licensed banks for cash deposits, maintain reserves, obtain insurance, and implement real-time monitoring, with penalties for non-compliance.

Have a great trading week!

INDEX



WHAT'S ON-CHAIN THIS WEEK?

Bitcoin Market Recovery Continues

BTC reached a 38-day high of around $68,560 last week, as its recovery continued. Two weeks ago we had opined that on-chain flows suggest that at least a temporary bottom for Bitcoin might be in on July 5th. The price is up 29 percent since then and on-chain metrics and ETF flows remain neutral to positive.

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

Bitcoin has made a significant recovery, surging past the previously established range lows of around $60,000, and has ascended more than 29 percent from the local low set on July 5th. Additionally, from July 12th to 16th, BTC recorded its first sequence of five consecutive green daily closes since early March, indicating a robust momentum shift to the upside. This is the first instance of this happening since early March. This recent movement suggests a strong bullish sentiment in the market, potentially setting the stage for continued upward trends as investors show renewed confidence in the asset.

One of the significant events that had been impacting the crypto market was Germany's Bundeskriminalamt's complete liquidation of its Bitcoin holdings. This sell-off amounted to more than 48,000 BTC being sold, creating substantial sell-side pressure. However, with the market now having fully absorbed this influx, and the selling apparently over, this sell-side exhaustion has allowed for positive price action.

Figure 2. German Government Bitcoin Wallet Balance History (Source: Arkham Intelligence)

Another important cohort of holders that had been contributing to selling pressure since the Bitcoin Halving in April have been miners. Post Bitcoin Halvings, miners have historically been a significant source of sell-side pressure as they liquidate their BTC holdings in order to upgrade machinery to more efficient hardware in an effort to remain profitable after the block reward for mining gets halved.

However, their impact has lessened with each successive halving, as the reduction in block rewards decreases the amount of coins miners need to sell to cover their costs. Consequently, their influence on the market has become smaller.

The data indicates that any sales miners were executing to upgrade machinery to sustain their operations, is likely nearing its end. The Miner Sustainability metric, which evaluates the profitability of mining activities after accounting for the cost of hardware and operations, shows that miners have reached a state of being “fairly paid” (refer Figure below), marking their return to profitability for the first time in a month.

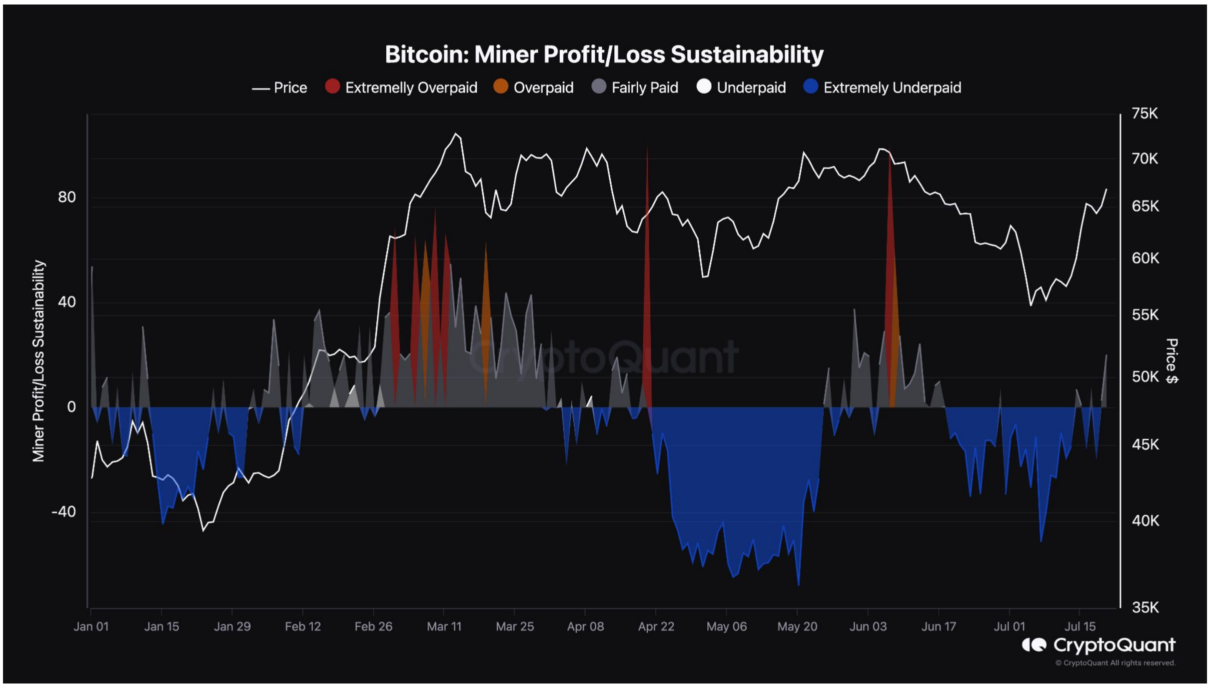


Figure 3. Bitcoin Miner Profit/Loss Sustainability. (Source: CryptoQuant)

Despite experiencing a temporary increase in this metric in May, miners have predominantly been operating at a loss since the Bitcoin Halving in mid-April, resulting in a period marked as "unsustainable" for mining operations. The completion of equipment upgrades however is expected to reduce operational costs and enhance efficiency, thus further stabilising the financial footing of miners and potentially influencing the broader cryptocurrency market by decreasing the need to sell Bitcoin holdings to cover operational expenses.

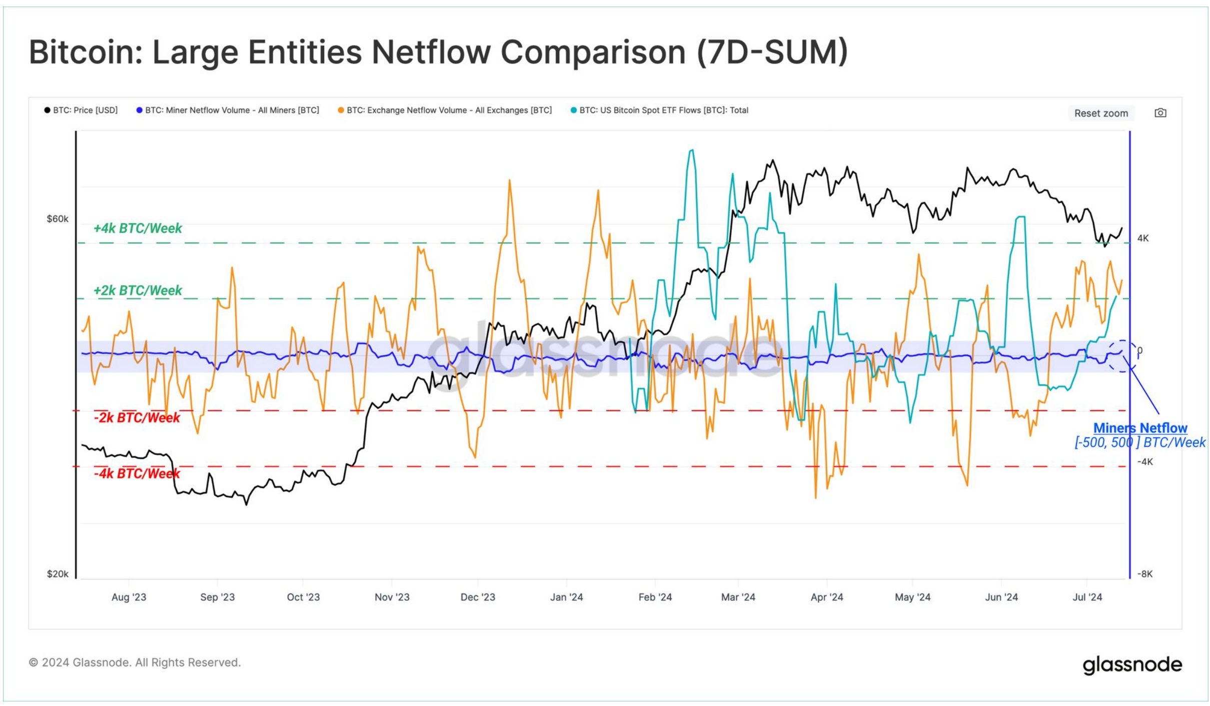


Figure: Large Entities Netflow Comparison (7D-SUM) (Source: Glassnode)

Elevated sell-side activity from miners typically aligns with periods of price volatility, yet since BTC reached its all-time high (ATH) of $73,666, the sell-side pressure from miners has been declining steadily compared to other sources. Despite a brief spike in June, the Miner Position Index has now returned to its equilibrium point (refer to Figure at the end of this chapter). This change marks a notable shift in market dynamics, indicating that other forces are now playing a more substantial role in determining the price of BTC.

Today we find that instead of miner sales, the main downward pressure on price has become ETF outflows. Following the all-time high in March, ETF outflows dominated the market, particularly those from the Grayscale Bitcoin Trust, and have been substantial enough to overshadow the traditional sell-side pressures from miners. As a result, the dynamics of the sell-side in the Bitcoin market have shifted, with institutional and government actions now playing a more critical role.

We calculate however that the average inflow cost basis of ETF holders is at $58,200, which we believe had triggered significant inflows into ETFs, and marking the first positive interest since early June. Last week alone, almost $1.2 billion in total inflows were recorded (see Figure below). This renewed interest from ETFs suggests a potential bottoming out of prices and a possible recovery in the near term.

Bitcoin ETF Flow Table (US$m)

	IBIT	FBTC	BITB	ARKB	BTCO	EZBC	BRRR	HODL	BTCW	GBTC	DEFI	Total
Fee	0.21%	0.25%	0.20%	0.21%	0.25%	0.19%	0.25%	0.20%	0.25%	1.50%	0.90%	Total
02 Jul 2024	14.1	5.4	(6.8)	2.5	0.0	0.0	0.0	3.5	0.0	(32.4)	0.0	(13.7)
03 Jul 2024	0.0	6.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(27.0)	0.0	(20.5)
04 Jul 2024	-	-	-	-	-	-	-	-	-	-	-	0.0
05 Jul 2024	0.0	117.4	30.2	11.3	0.0	0.0	0.0	12.8	0.0	(28.6)	0.0	143.1
08 Jul 2024	187.2	61.5	11.0	8.4	0.0	0.0	0.0	1.6	0.0	25.1	0.0	294.8
09 Jul 2024	121.0	91.0	(4.7)	43.3	0.0	0.0	0.0	3.3	0.0	(37.5)	0.0	216.4
10 Jul 2024	22.2	57.8	4.7	5.7	9.5	31.7	20.7	3.3	0.0	(8.2)	0.0	147.4
11 Jul 2024	72.1	32.7	7.5	4.3	0.0	0.0	0.0	0.0	0.0	(37.7)	0.0	78.9
12 Jul 2024	120.0	115.1	28.4	13.0	4.0	0.0	0.0	6.6	0.0	23.0	0.0	310.1
15 Jul 2024	117.2	36.1	15.2	117.2	7.9	3.7	0.0	3.6	0.0	0.0	0.0	300.9
16 Jul 2024	260.2	61.1	17.3	29.8	20.5	9.4	2.2	22.0	0.0	0.0	0.0	422.5
17 Jul 2024	110.4	2.8	(6.0)	0.0	0.0	0.0	0.0	0.0	0.0	(53.9)	0.0	53.3
18 Jul 2024	102.7	2.8	0.0	(47.6)	0.0	0.0	0.0	1.8	0.0	(22.5)	0.0	37.2
19 Jul 2024	116.2	141.0	44.6	-	6.4	3.9	7.6	41.8	1.8	20.3	0.0	383.6
Total	18,968	9,962	2,200	2,608	345	394	527	627	72	(18,694)	(2)	17,008
Average	144.8	76.0	16.8	19.9	2.6	3.0	4.0	4.8	0.5	(142.7)	(0.0)	129.8
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)	(20.9)	(20.2)	(11.3)	(6.2)	(642.5)	(14.7)	(563.7)

Figure 4. Bitcoin Spot ETF Flow (Source: Farside Investors)

Order Flow also suggests a change in the general market positioning, and indicates more aggressive buying pressure from the bulls over the past couple of weeks. The spot Cumulative Volume Delta (CVD) metric, which measures the net difference between market buying and selling volumes on centralised exchanges, has been a crucial indicator of market sentiment. Since the ATH in March, CVD has predominantly shown sell-side dominance indicating large holders exiting their spot positions aggressively. However, a significant shift occurred last week, with the first net-buy-side aggression since March indicating a softening of sell-side pressures.

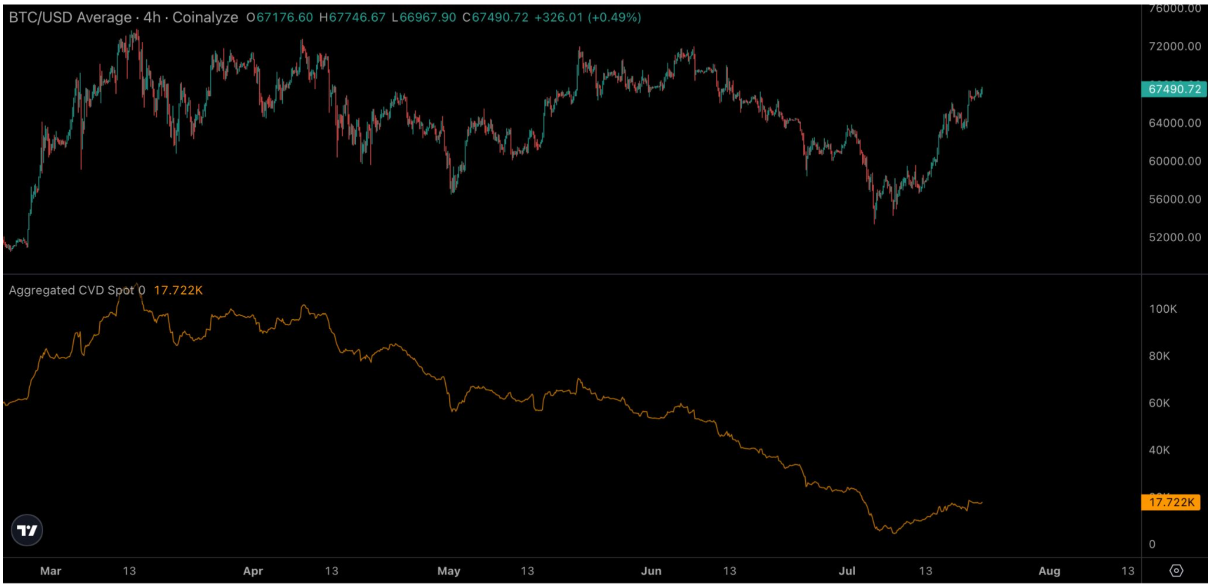


Figure 5. Spot Cumulative Volume Delta- All Exchanges (Source: Coinalyze)

As is evident from the chart above, it is clear that early July marked the first time since March where we saw aggressive accumulation for BTC which coincides with our whale and Long-Term Holder Spent Output Profit Ratio values indicating the bottom last week. Cumulative Volume Delta (CVD) is a key metric used to assess the aggressiveness of participants in the order books. It measures the urgency with which traders are willing to buy or sell at current market prices, rather than placing limit orders at desired price levels. Essentially, CVD helps in identifying whether market participants are acting as aggressive buyers or sellers by analysing the net volume of market orders that move the price upward versus downward. This urgency to transact at the prevailing price indicates the prevailing market sentiment and can provide insights into potential price movements based on the dominant buying or selling pressure.

The Bitcoin Exchange Reserve metric, which tracks the amount of BTC held in exchange wallets, also provides valuable insights. A decline in exchange reserves typically indicates that investors are withdrawing their holdings for long-term storage rather than selling. Recent weeks have seen a rapid decrease in these reserves, suggesting that large investors are buying the dip and moving their assets off exchanges. This behaviour points to accumulation and suggests a potential supply squeeze, which could drive prices higher in the coming months.

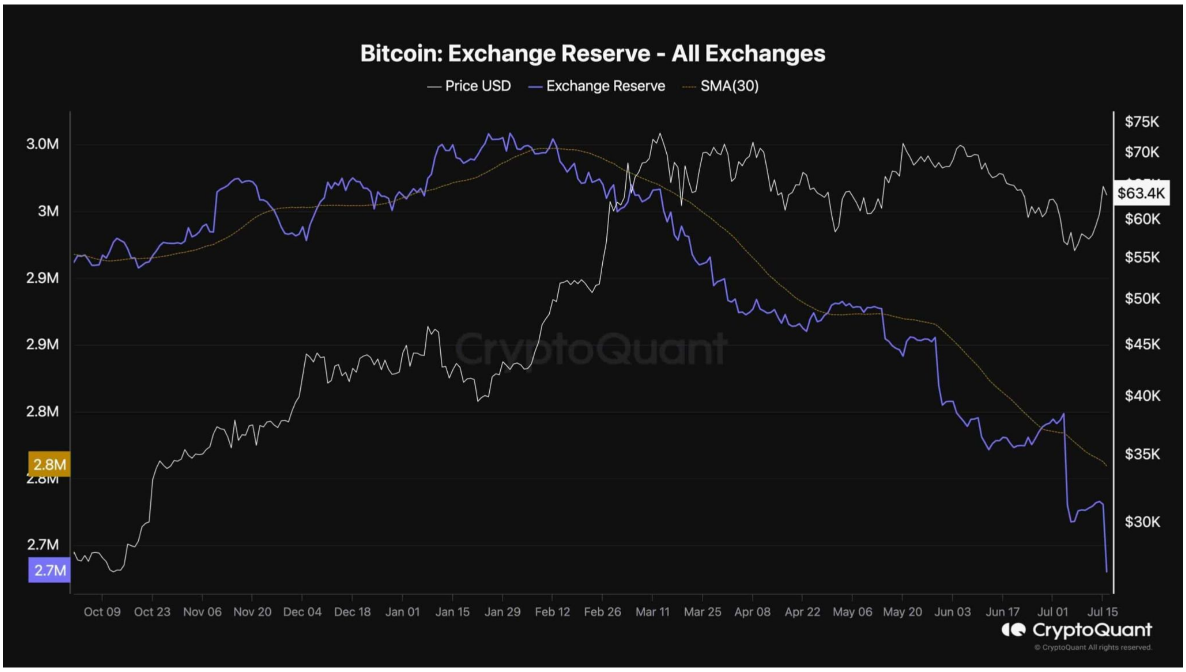


Figure 6. Bitcoin Exchange Reserve- All Exchanges (CryptoQuant)

Biden News

Finally, it is worth mentioning that on Sunday, BTC had a sharp initial 2.88 percent decline on the news that President Biden had stepped out of the running for the 2024 US Presidential elections, before it reversed entirely (See Figure below). Some analysts believe that Trump's stance is better for crypto and hence, as probabilities of a Republican win have increased, that has acted as tailwinds for risk assets, especially crypto. (See our analysis - published before the Biden news - on *Where do US Presidential Candidates Stand on Crypto Policy*).

However, given the uncertainty brought upon by an unclear Democrat candidate, we can expect a news driven and volatility filled week with elections, Ethereum ETF launch and Mt. Gox creditors receiving coins being some of the main talking points.

Figure 8. Bitcoin 3-Minute Chart(Bitfinex)

An explainer of the Miner's Position Index

The Miners' Position Index (MPI) is a crucial metric that tracks the ratio of total miner outflows in USD to the one-year moving average of those outflows. A higher MPI value indicates that miners are transferring more coins out of their wallets than usual, which often suggests increased selling activity. This can be particularly relevant if miners decide to sell a substantial proportion of their reserves simultaneously, as it has the potential to exert downward pressure on Bitcoin prices.

If the index suggests a lower-than-average outflow, it could be a precursor to a possible price increase, assuming these coins are being moved to exchanges for sale. This information is crucial for market participants looking to anticipate significant market movements as the current stabilisation suggests continued inactivity from miners and hence a reduction of the constant selling pressure that has affected BTC over the past three months.

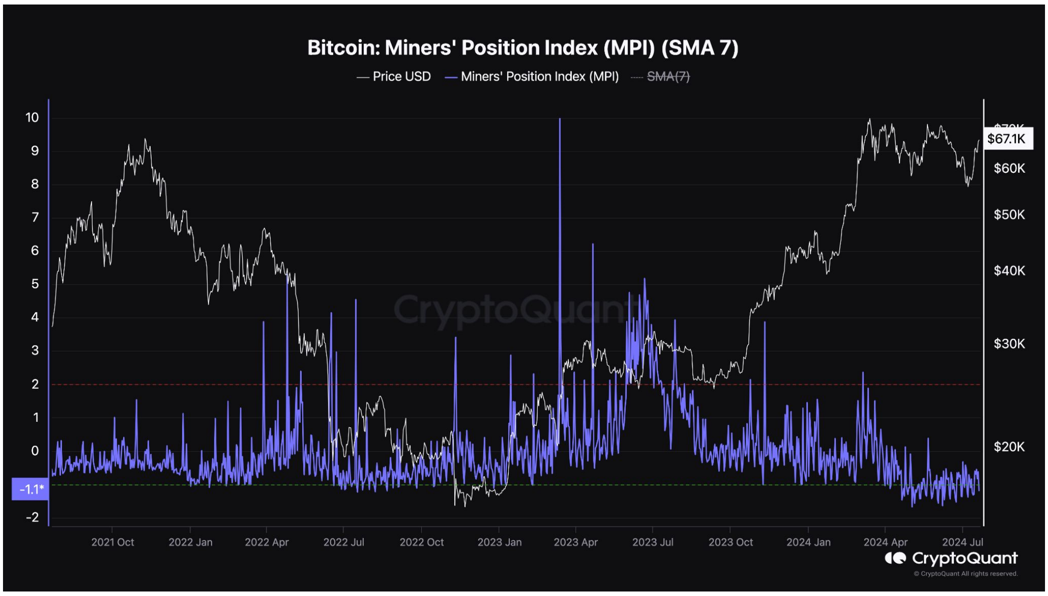


Figure 7. Bitcoin Exchange Reserve - All Exchanges (CryptoQuant)

BTC Moves Past Short-Term Holder Cost Basis

Understanding the behaviour of different bitcoin holder cohorts can explain buying/selling pressure at certain levels. Recently, an important milestone was reached when the market price of BTC surpassed the Realised Price for short-term holders (STHs) currently at $65,176—a metric that denotes the average acquisition cost of these investors.

Figure 9. Bitcoin Short-Term Holder Realised Price. (Source: LookIntoBitcoin)

The STH Realised Price metric often acts as a support/resistance level. Such was the case when it acted as support and marked the May 1st bottom below $57,000. As can be seen from the chart above, the metric has moved up alongside the BTC price, indicating how STHs have bought the dip.

When the market price exceeds this average cost basis, it is often indicative of a resurgence in buying interest in general and confidence among short-term investors. This can be a critical sign of a positive shift in market sentiment. Short-term holders, who are generally more reactive to price changes and market news, may begin to increase their holdings once the price rises above their entry points, thereby reinforcing the price level as a new support.

Additionally, the Short-Term Holder Spent Output Profit Ratio (STH SOPR) metric, which determines whether short-term holders realise profits or losses, has been below one lately. This indicates that while some short-term holders took an opportunity to buy the dip, there is also a sub-cohort that has realised losses on their spot holdings over the past two weeks when BTC was below their cost basis. However, if this metric is now moving back towards a mean value of one, it suggests capitulation from this cohort of holders might be over.

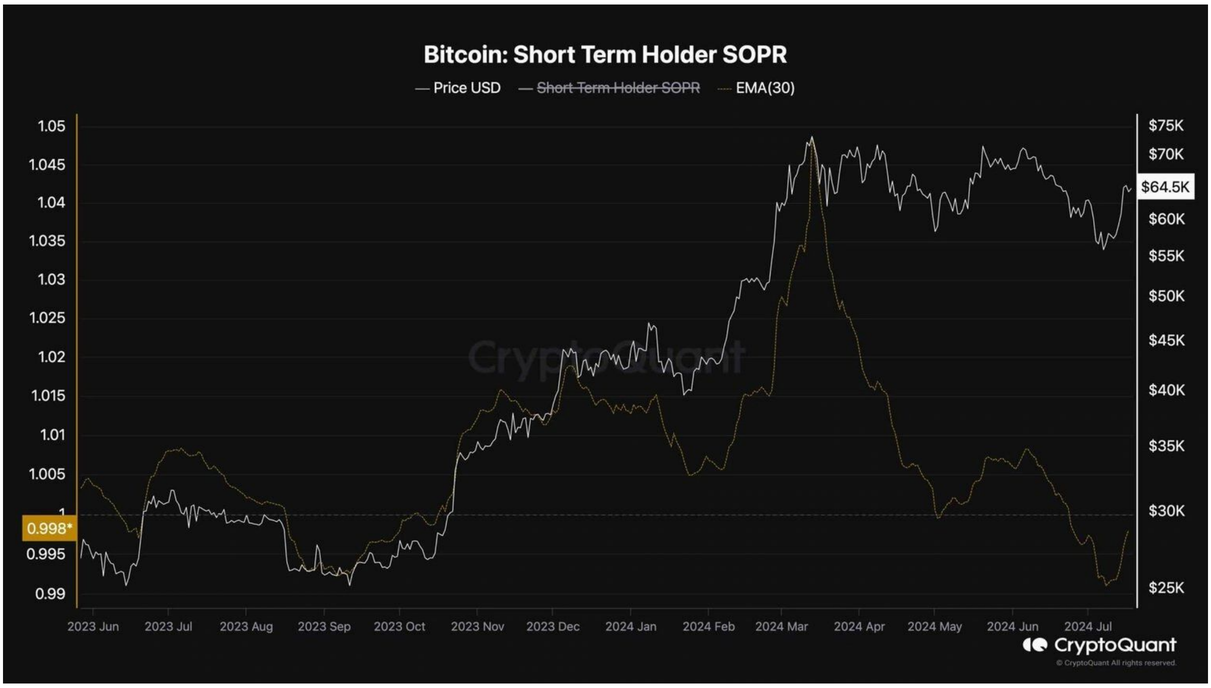


Figure 10. Bitcoin Short-Term Holder SOPR (Source: Cryptoquant)

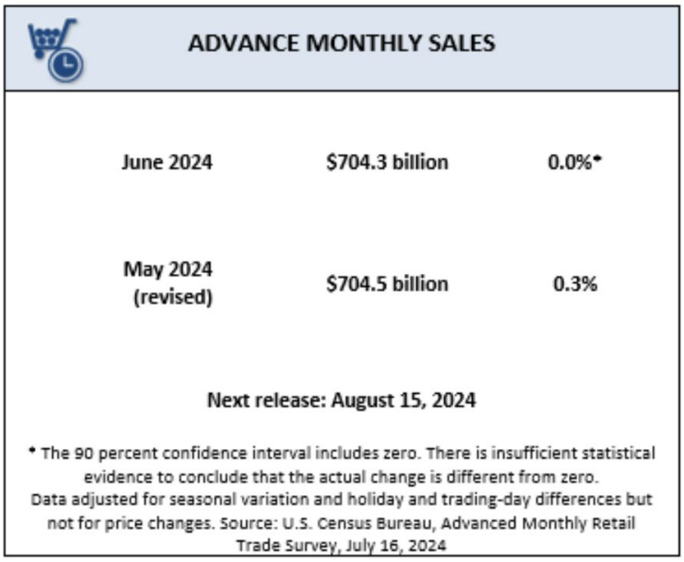
As for the Long-Term Holder (LTH) cohort, their Realised Price has moved past the $20,000 mark for only the second time in history. (refer Figure below)

Figure 11. Bitcoin Long-Term Holder Realised Price. (Source: LookIntoBitcoin)

While the change in Realised Price has been gradual, the slight increase we have been seeing is reflective of net accumulation by long-term holders for the first time since the 2022 bear market. This comes after a period of heavy distribution from this cohort between March and June 2024.

GENERAL MACRO UPDATE

Strong Retail Sales Defy Expectations Amid Slowing Inflation



ADVANCE MONTHLY SALES

June 2024	$704.3 billion	0.0%*
May 2024 (revised)	$704.5 billion	0.3%

Next release: August 15, 2024

* The 90 percent confidence interval includes zero. There is insufficient statistical evidence to conclude that the actual change is different from zero.
Data adjusted for seasonal variation and holiday and trading-day differences but not for price changes. Source: U.S. Census Bureau, Advanced Monthly Retail Trade Survey, July 16, 2024

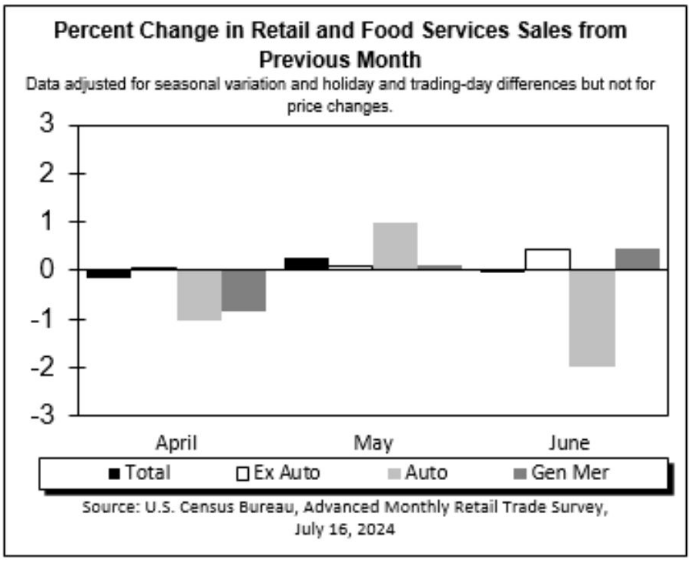


Figure 12. Advanced Monthly Sales (Source: US Census Bureau)

Inflation has slowed down significantly over the past two months. Retail sales figures revealed that this slowdown has positively impacted consumer spending, contrary to widespread expectations.

Retail sales in June remained unchanged, outperforming the consensus forecast of a 0.4 percent decline. While auto dealership receipts dropped, consumer resilience in other areas boosted economic growth projections for the second quarter. The [Advance Monthly Sales for Retail and Food Services] report for June, also revised up consumer spending figures for May, 0.3 percent.

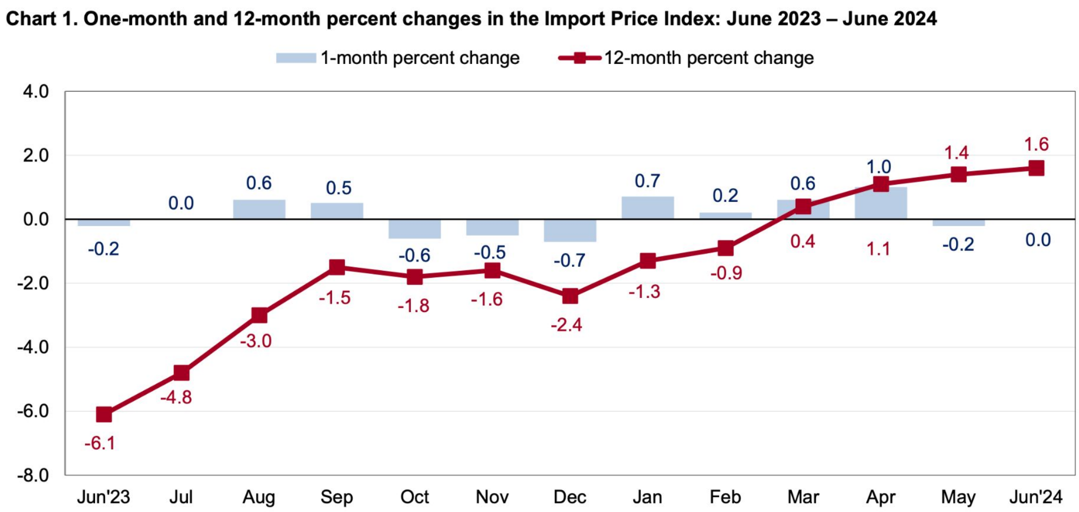


Figure 13. Import Price Index (Source: US Bureau of Labor Statistics)

In a separate report, the US Import and Export Price Indexes for June reported that import prices remained flat, after a 0.2 percent decrease in May. The consensus forecast was for a 0.1 percent decline. As import prices often feed into consumer prices, their steadiness suggests that inflationary pressures from imported goods are diminishing. This development supports the expectation of a continued downward trend in overall inflation, which is crucial for maintaining consumer purchasing power and economic stability.

BUSINESS INVENTORIES

MAY 2024	$2,558.5 billion	+0.5%
APRIL 2024 (revised)	$2,546.2 billion	+0.3%

Next release: August 15, 2024

* The 90 percent confidence interval includes zero. There is insufficient evidence to conclude that the actual change is different from zero.
Data adjusted for seasonality but not price changes.
Source: U.S. Census Bureau, Manufacturing and Trade Inventories and Sales, July 16, 2024.

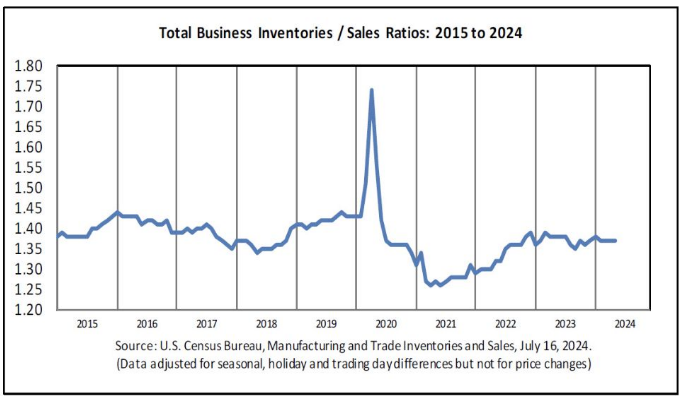


Figure 14. Business Inventories (Source: US Census Bureau)

Second-quarter growth prospects also improved thanks to a 0.5 percent increase in business inventories in May, following a 0.3 percent rise in April. This rise in inventories suggests that businesses are anticipating stronger demand in the future. The accumulation of inventories can be a sign of confidence in continued economic growth and can contribute to GDP growth as it reflects higher production levels. The Atlanta Fed subsequently raised its GDP growth estimate for the second quarter from 2.0 percent to 2.7 percent (latest estimate as of July 17th), significantly higher than the 1.4 percent growth rate seen in the first quarter.

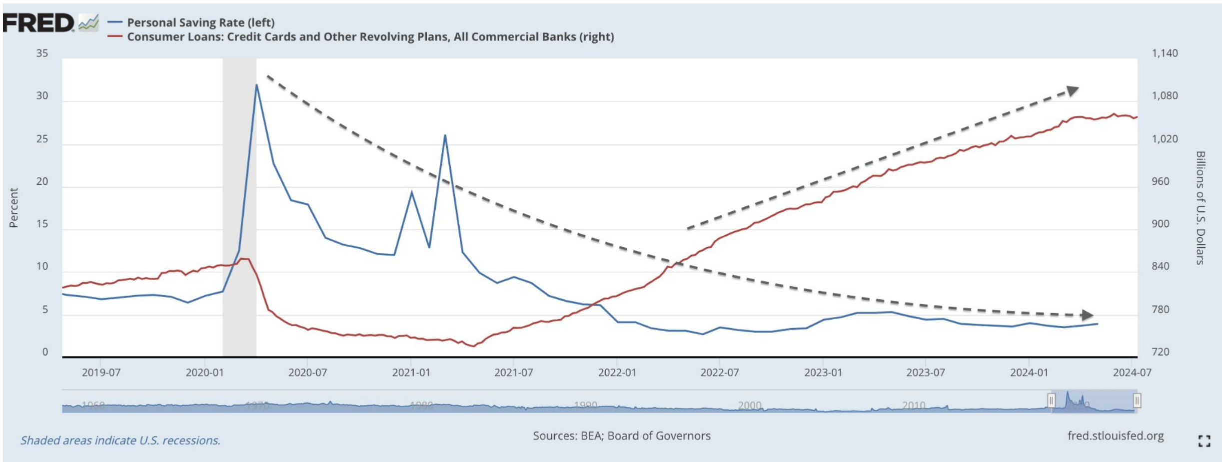


Figure 15. Personal Savings Rate Decline and Rise in Consumer Loans

However, consumer spending continues to face challenges. Most households have depleted the savings accumulated during the COVID-19 pandemic and are burdened with increasing credit card debt due to higher borrowing costs. Additionally, wage growth is slowing as the labour market cools. Despite these hurdles, if inflation continues to ease, American consumers may remain resilient. It is essential to monitor potential headwinds, such as rising credit card debt and slowing wage growth, which could impact consumer spending in the long term.

Housing Market Slumps Amid High Mortgage Rates, While Manufacturing Rebounds

In June, the US housing market saw a notable downturn, with single-family housing starts dropping to their lowest level in eight months. Concurrently however, the manufacturing industry displayed resilience, exceeding expectations in factory production.

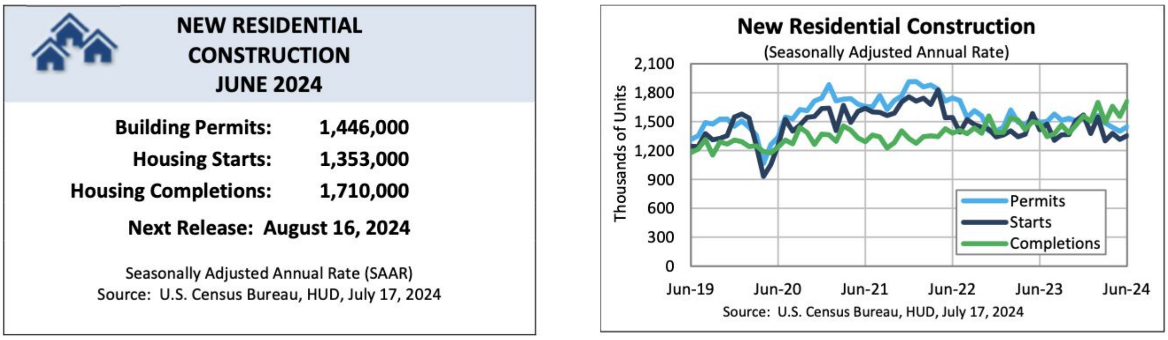


Figure 16. New Residential Construction (Source: US Census Bureau)

According to June Residential Construction data, housing starts came in at an annualised 1.35 million, three percent above the revised May estimate of 1.31 million. Single-family housing starts in June were at an annual rate of 980,000, 2.2 percent below the revised May figure of 1.002 million - hitting an eight-month low.

The issuance of building permits for future construction of single-family homes also plummeted to a one-year low, signalling a subdued recovery even with the anticipated rate cuts in September. The decline in both housing starts and building permits is primarily attributed to elevated mortgage rates, which have been a significant drag on economic growth in the second quarter.

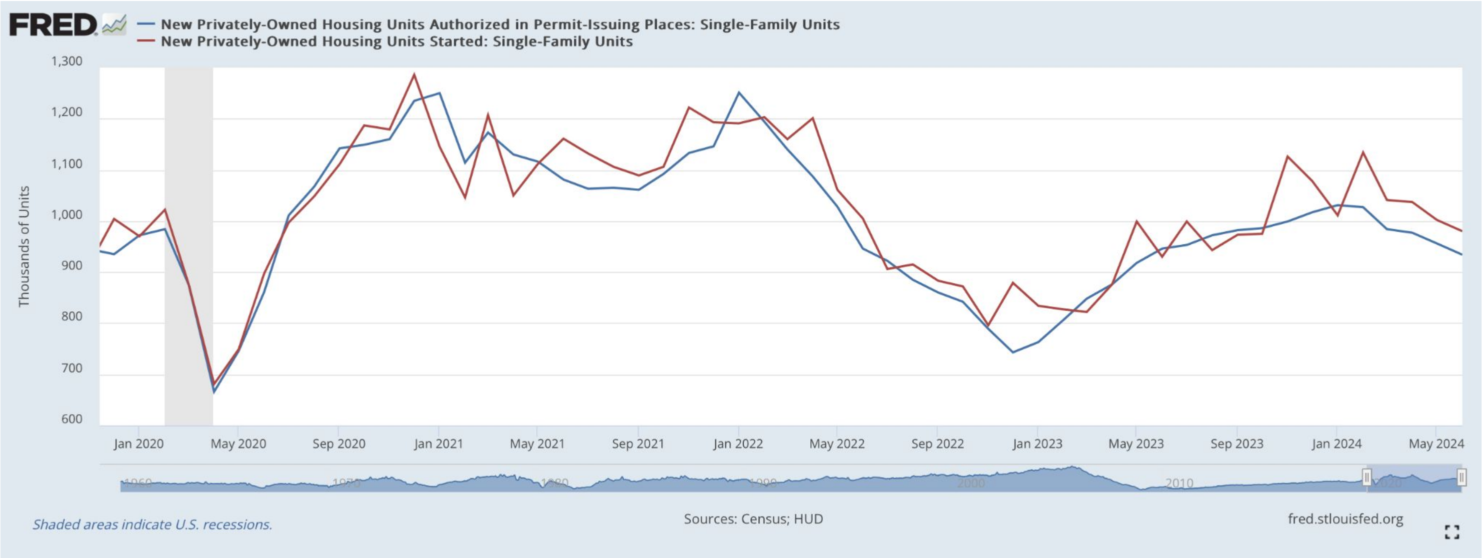


Figure 17. Housing Starts and Building Permits for Single-Family Units

Despite these challenges, the demand for new construction remains supported by the scarcity of existing homes for sale. This shortage keeps home prices high and, when combined with rising borrowing costs, places homeownership out of reach for many Americans.

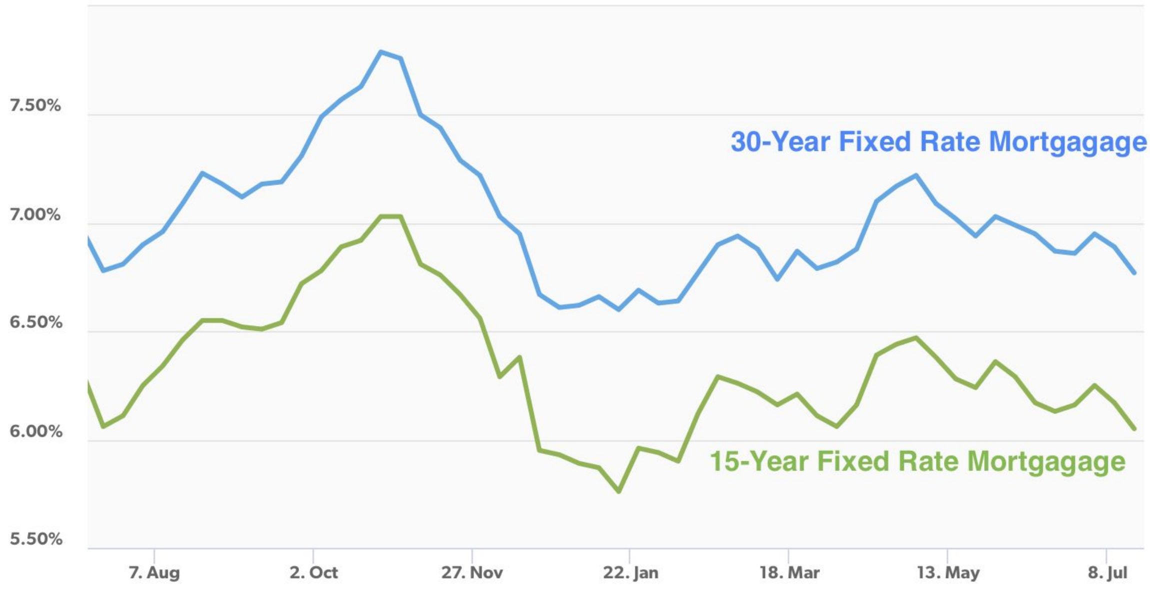


Figure 18. 30-Year Mortgage Exceeded Seven Percent This Year, Last April (Source: Freddie Mac)

The housing market had been robust throughout most of the last year and into the first quarter of 2024, driven by the limited availability of pre-owned homes. However, this momentum waned as the average rate for a 30-year fixed-rate mortgage surged past seven percent in April, amidst persistent inflation and a strong economy.

In contrast however, the manufacturing sector exhibited resilience in June, with industrial production exceeding expectations and contributing to a robust recovery in output for the second quarter. The latest Industrial Production and Capacity Utilisation figures reveal that manufacturing output was up by 0.4 percent, following a one percent increase in May. This performance surpassed consensus forecasts of a modest 0.2 percent rise. On a year-on-year basis, factory production increased by 1.1 percent in June.

Manufacturing, which accounts for 10.4 percent of the US economy, has faced challenges due to higher interest rates that dampen demand for goods and complicate capital investments. Nevertheless, there is now optimism that manufacturing activity is recovering. The anticipated monetary policy easing expected in September, amid declining inflation, could further stimulate factory output.

The mixed data from the housing market and the manufacturing sector means that any rate cut, come September, should be welcome and stimulate growth. However, the effectiveness of these measures in addressing the underlying challenges, particularly in the housing market, remains to be seen. The interplay between inflation trends, Fed rate policy, and market dynamics will be crucial in shaping the future trajectory of these economic sectors.

US Leading Economic Indicators Show Modest Decline in June

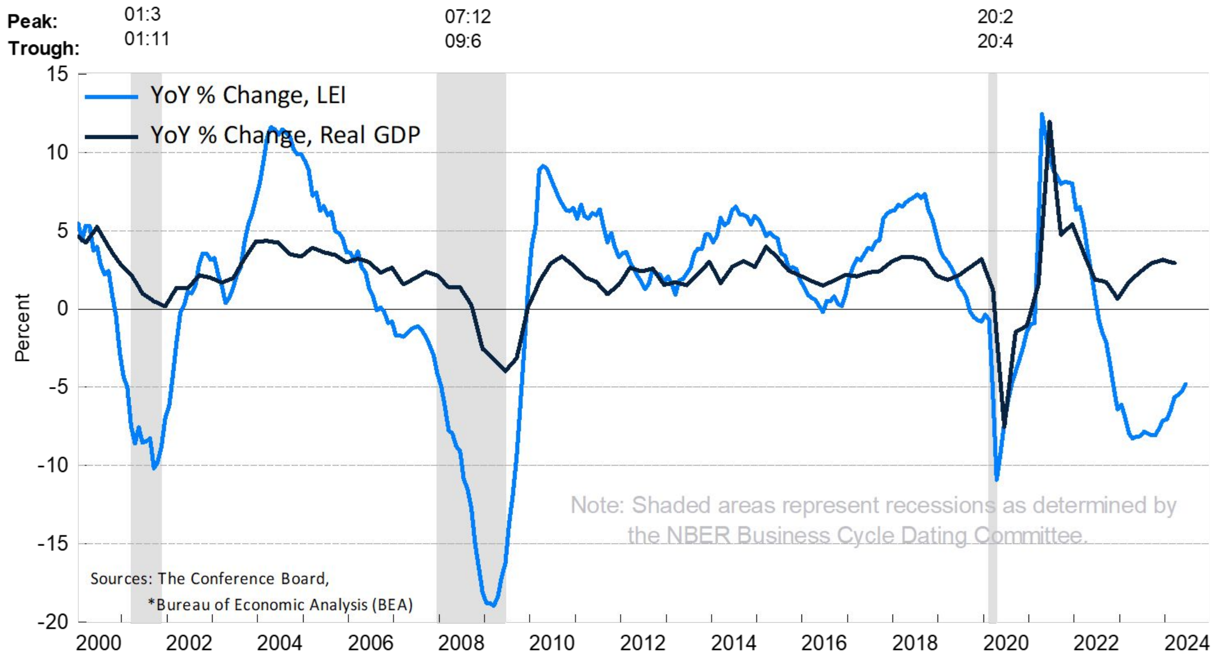


Figure 19. US Leading Economic Indicators Show Modest Decline in June

The Conference Board reported on Thursday, July 18th, that there was a slight decline in the leading US economic indicators for June. The Leading Economic Index fell by 0.2 percent, following a revised decrease of 0.4 percent in May. This decline was slightly less severe than the consensus forecast, which had anticipated a 0.3 percent dip for June. This data reflects continued caution regarding the short-term economic outlook for the US, suggesting a potential softening in economic activity.

The US Conference Board's Leading Economic Index (LEI) is a composite of ten economic indicators designed to predict future economic activity. It measures components such as unemployment claims, new orders for consumer goods, building permits, and stock prices to provide insights into the direction of the economy over the next three to six months.

The contraction in June was smaller than in the past three months. The Conference Board said that the ongoing decline can be attributed to factors such as pessimistic consumer expectations, weak new orders, negative interest rate spreads, and an increased number of initial claims for unemployment benefits. The latest data from the US Department of Labour showed 243,000 initial jobless claims were filed in the week ending July 13, up from 222,000 the week prior, and above the consensus forecast of 229,000.

The Conference Board's report highlighted a 1.9 percent drop in the leading economic index during the first half of this year, a smaller decrease compared to the 2.9 percent drop in the latter half of the previous year. This reduced rate of decline indicates a less negative long-term growth outlook, suggesting a gradual recovery of the economy.

NEWS FROM THE CRYPTO-SPHERE

Five Spot Ethereum ETFs Set to Begin Trading on July 23, Announces CBOE

New Listings

All systems are functioning normally.

Last Updated 8:04:38 PM

YEAR:

2024

Search...

Search

DATE	SYMBOLS	NOTIFICATION
2024-07-23	CETH	Cboe New Issue Notification for 1 21Shares US LLC ETF
2024-07-23	FETH	Cboe New Issue Notification for 1 Fidelity ETF
2024-07-23	EZET	Cboe New Issue Notification for 1 Franklin Templeton ETF
2024-07-23	QETH	Cboe New Issue Notification for 1 Invesco ETF
2024-07-23	ETHV	Cboe New Issue Notification for 1 VanEck ETF

Figure 20. Five Spot Ethereum ETFs Set to Begin Trading on July 23, Announces CBOE

- **Spot Ethereum ETFs from Fidelity, VanEck, and other firms will start trading on the Cboe exchange on July 23, 2024**
- **The ETFs have received approval from the US SEC, with some firms waiving fees for initial periods to attract investors**

Five Spot Ethereum exchange-traded funds (ETFs) are set to commence trading on July 23 on the Cboe exchange. The ETFs comprise the Fidelity Ethereum Fund, the Franklin Ethereum ETF, the Invesco Galaxy Ethereum ETF, the VanEck Ethereum ETF, and the 21Shares Core Ethereum ETF.

In May, the US Securities and Exchange Commission approved the 19b-4 forms for firms seeking to launch their spot Ethereum ETFs, but these firms still needed their registration statements to become effective before they could proceed.

Cboe

Cboe New Issue Notification

Overview

We are pleased to announce that One (1) Exchange Traded Product ("ETP") will be listed on Cboe and will begin trading as a new issue on July 23, 2024, pending regulatory effectiveness.

SYMBOL	NAME	CUSIP	FIRST DATE OF TRADING
ETHV	VanEck Ethereum ETF	92189L103	Tuesday, July 23, 2024

BZX Exchange-listed securities will be quoted and printed to the SIAC Tape B data feed.

For new ETP issues Cboe conducts a single New Issue Auction to open trading at approximately 9:30 a.m. ET. For additional information on how daily and new issue auctions are conducted for Cboe-listed securities, please see our US Equities Auction Process document.

Figure 21

For each ETF, Cboe's notification stated, "We are pleased to announce that 1 Exchange Traded Product ('ETP') will be listed on Cboe and will begin trading as a new issue on July 23, 2024, pending regulatory effectiveness". Such notices are procedural steps in preparation for product launches.

Last Wednesday, firms disclosed fee details in their amended registration statements. Franklin Templeton will waive its fee until January 31, 2025, for the first $10 billion of the fund's assets. VanEck will waive its fee for one year after the fund is listed, or the first $1.5 billion.

Hong Kong Unveils Initial Stablecoin Sandbox Participants

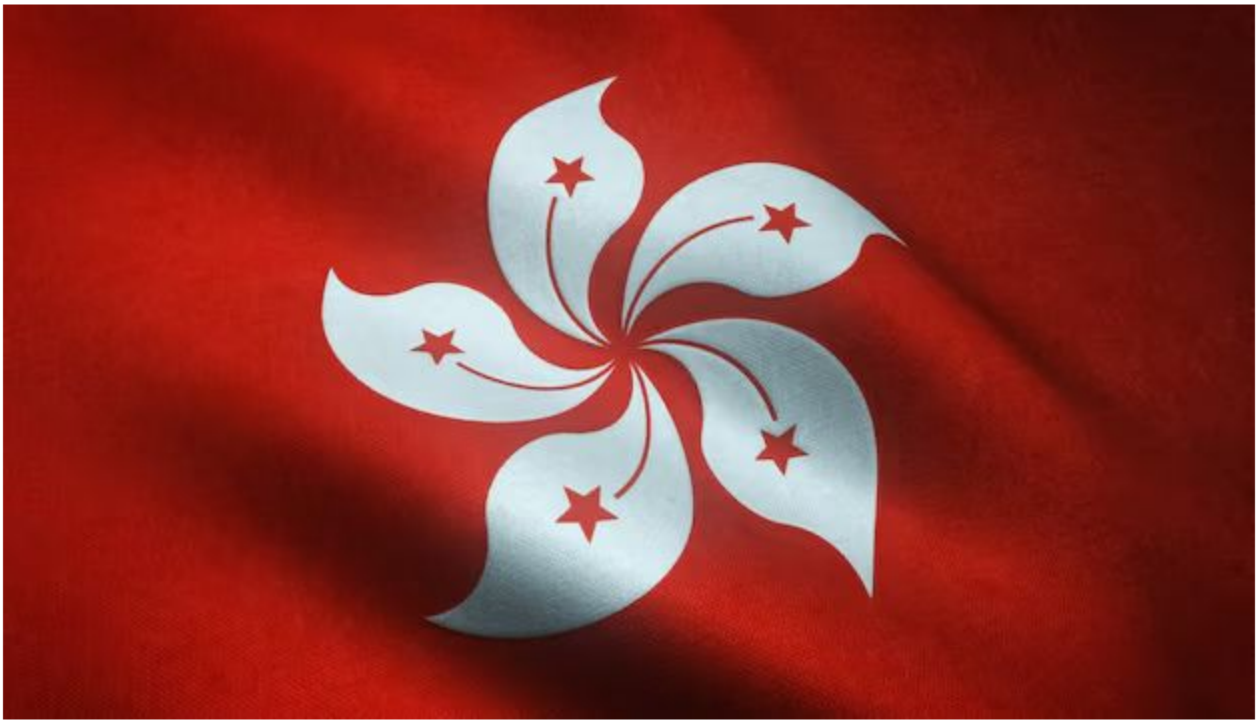


Figure 22. Hong Kong Unveils Initial Stablecoin Sandbox Participants

- **Hong Kong has introduced its first batch of stablecoin sandbox participants, but they are restricted from raising public funds during the initial testing phase**
- **The Hong Kong Monetary Authority aims to develop a risk-based regulatory framework for stablecoins and requires future stablecoin issuers to obtain a licence, with plans to finalise the legislative proposal soon**

Hong Kong has introduced its first group of stablecoin sandbox participants, although these entities are currently barred from soliciting public funding. This move aligns with Hong Kong's ambition to solidify its position as a leading cryptocurrency hub.

The Hong Kong Monetary Authority (HKMA), the region's de facto central bank, announced last Thursday, July 18th that it is permitting institutions to test operational plans for stablecoin issuance. This is part of an effort to develop a regulatory framework that is both appropriate and risk-based.

The sandbox initiative, originally announced in March, includes participants such as Jindong Coinlink Technology, RD InnoTech, Standard Chartered Bank, Animoca Brands, and Hong Kong Telecommunications in its first round.

In a separate statement, HKMA's Deputy Chief Executive Darryl Chan emphasised that sandbox participants are prohibited from raising public funds or offering investment products under the sandbox's name. He clarified that these participants "cannot use the general public's funds at the initial stage of their testing."

The initial batch of participants is focusing on use cases related to payments, supply chain management, and capital markets. Chan highlighted the potential of stablecoins as a medium for payments, noting their ability to lower costs, reduce transaction times, and provide innovative solutions through their programmability. This could lead to more automated and intelligent financial services, enhancing fund flows and risk management in transactions.

This announcement follows the publication of responses to a consultation on a licensing proposal for stablecoin issuers. A key element of this proposal is the requirement for all fiat-referenced stablecoin issuers to secure a licence from the HKMA.

The regulators intend to finalise the legislative proposal and present a bill to the Legislative Council promptly. Meanwhile, the HKMA will continue processing applications for the sandbox and encourage applicants to devise detailed plans for the issuance, distribution, and redemption of stablecoins.

.

South Korea Implements Comprehensive Crypto Regulatory Framework

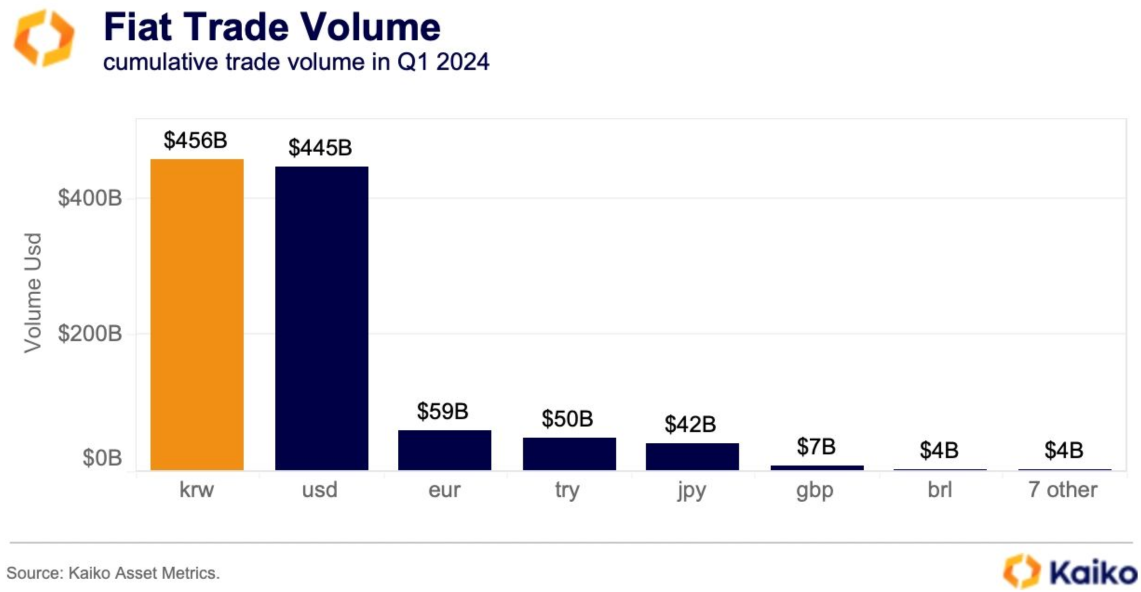


Figure 23. South Korea's Won Ranked First in Fiat Trade Volume Used for Cryptocurrency (Source: Kaiko)

- **South Korea has implemented its first comprehensive crypto regulatory framework, the Virtual Asset User Protection Act**
- **The law mandates that exchanges secure 80 percent of user deposits in cold storage, use licensed local banks for cash deposits, maintain reserves, obtain insurance, and implement real-time monitoring systems, with non-compliance leading to penalties or service suspensions by the Financial Services Commission**

South Korea officially implemented its first comprehensive crypto regulatory framework on Friday, July 19th. The framework aimed at protecting cryptocurrency investors. This regulatory shift follows the high-profile collapses of Terra-Luna and FTX in 2022, prompting a fast-tracked approach to safeguard the digital asset market.

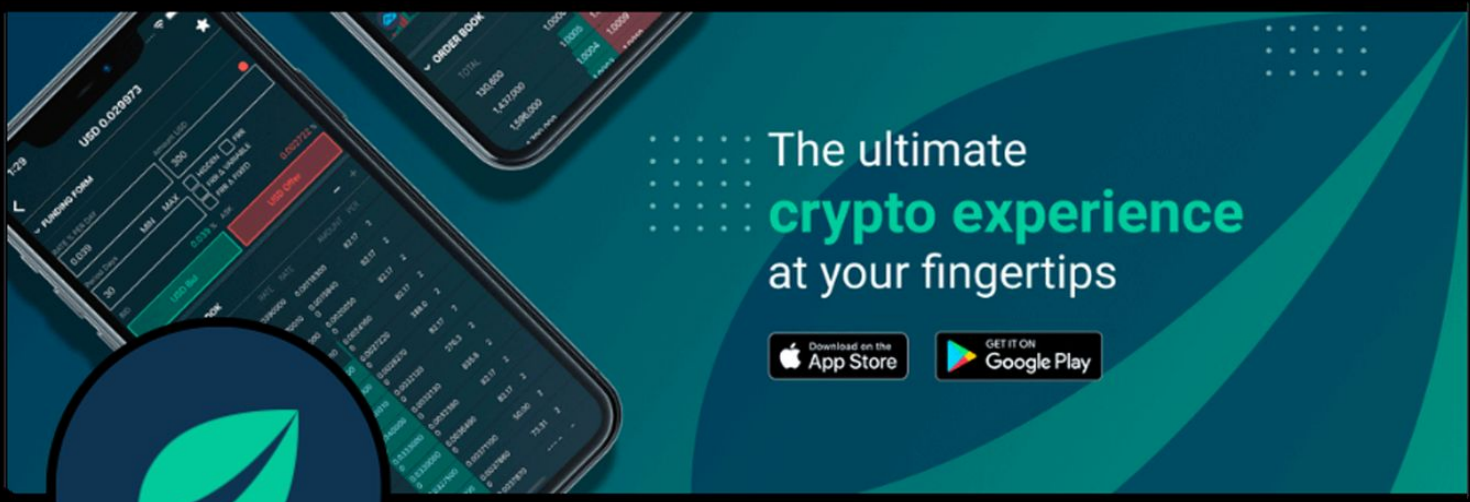
The new legislation, known as the Virtual Asset User Protection Act, received approval on July 18, 2023, and was granted a one-year period for fine-tuning. This law enforces stringent requirements on digital asset exchanges, mandating that service providers in South Korea must secure at least 80 percent of user crypto deposits in cold storage, separate from their own operational funds.

Exchanges are also required to delegate the custody of users' cash deposits to a licensed local bank and maintain cryptocurrency reserves that match the amount and type of customer deposits. Additionally, crypto services must obtain adequate insurance or establish a reserve fund to cover potential hacks or liquidity issues.

Beyond safeguarding user funds, the act requires exchanges to implement real-time monitoring systems to detect and report any irregular trading activities that might be illegal. Non-compliance with these regulations can result in penalties or service suspensions imposed by the Financial Services Commission (FSC), South Korea's top financial regulator.

In tandem with the new law, the FSC has launched a 24-hour surveillance network in collaboration with local exchanges to monitor suspicious activities in the cryptocurrency market.

.



https://t.me/bitfinex

BITFINEX Alpha