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EXECUTIVE SUMMARY

Last week, Bitcoin saw a strong recovery, surging almost 28 percent from its recent low near $49,000, which marked the lowest price since February. This rebound brought BTC back above the crucial $60,000 level, after it had experienced a significant sell-off in August, with the price dropping 33.32 percent from its cycle high and All-Time High of $73,666. This marked the largest decline of the current cycle.

Key metrics, such as the Mayer Multiple, which compares Bitcoin's current price to its 200-day moving average (200DMA), provide insight into the severity of this downturn. The Mayer Multiple dropped to 0.88 during the recent decline, a level not seen since the FTX collapse in November 2022, indicating a strong bearish phase as Bitcoin traded significantly below its average historical trend.

On-chain metrics also highlight the intensity of the sell-off. The Short-Term Holder Realised Price (STH Cost-Basis), which reflects the average purchase price of recent buyers, is currently at $64,860. Bitcoin's spot price recently approached the -1 standard deviation (SD) band below this STH Cost-Basis, a rare occurrence, historically seen in only about 7.1 percent of trading days. This highlights the severity of the current market conditions.

The Short-Term Holder MVRV ratio, which compares the current market price to the purchase price for newer investors, shows that this group is holding the largest unrealised losses since the bear market lows of 2022. Overall, these metrics underline the deep bearish sentiment and stress among short-term investors, which usually occurs at local bottoms.

The US economy continues to display resilience, with recent data offering a more optimistic outlook despite ongoing concerns of a potential slowdown. Last week, a significant drop in jobless claims and a steady rise in wholesale inventories provided a solid foundation for economic growth, particularly in the second quarter, where US wholesale inventories played a crucial role in economic expansion.

Household debt levels in the second quarter edged up slightly, highlighting a growing financial burden on consumers. However, with delinquency rates remaining stable, it is evident that borrowers are still supporting economic activity, albeit with some signs of strain. The slower pace of credit usage and rising financial stress hint at a potential deceleration in consumer spending, which could temper economic growth unless the Federal Reserve considers adjusting interest rates.

Adding to the mixed economic signals, the US services sector experienced a notable rebound in July, recovering from a four-year low as new orders surged and employment within the sector grew for the first time in six months. This resurgence in services may help ease fears of a recession, particularly in light of the recent spike in unemployment and continued stock market volatility.

In the latest news from the crypto-sphere, Kamala Harris has emerged as the frontrunner in the 2024 US presidential race, leading Donald Trump by a narrow margin in both betting odds and recent polls. As her campaign gains momentum, there is growing speculation about her potential stance on cryptocurrency, particularly as her team has begun engaging with industry executives. This engagement hints at the possibility that cryptocurrency policy may become a focus in the coming months, sparking interest and anticipation within the crypto community.

Simultaneously, major financial institutions like BlackRock and Nasdaq are making strides in the digital asset market, as they recently filed a request with the US Securities and Exchange Commission (SEC) to introduce options trading for BlackRock's spot Ethereum ETF. This move comes on the heels of the SEC's approval of Ethereum-linked ETFs from several prominent firms, signalling a significant expansion in investment options for digital assets. As these developments unfold, the SEC continues to play a pivotal role in shaping the cryptocurrency landscape, evidenced by its recent decision to delay approval of Hashdex's proposed ETF, which aims to directly hold spot Bitcoin and Ether. The postponement, extending the review period until September 30, 2024, reflects the SEC's cautious approach as it meticulously evaluates the implications of new digital asset products on the market.

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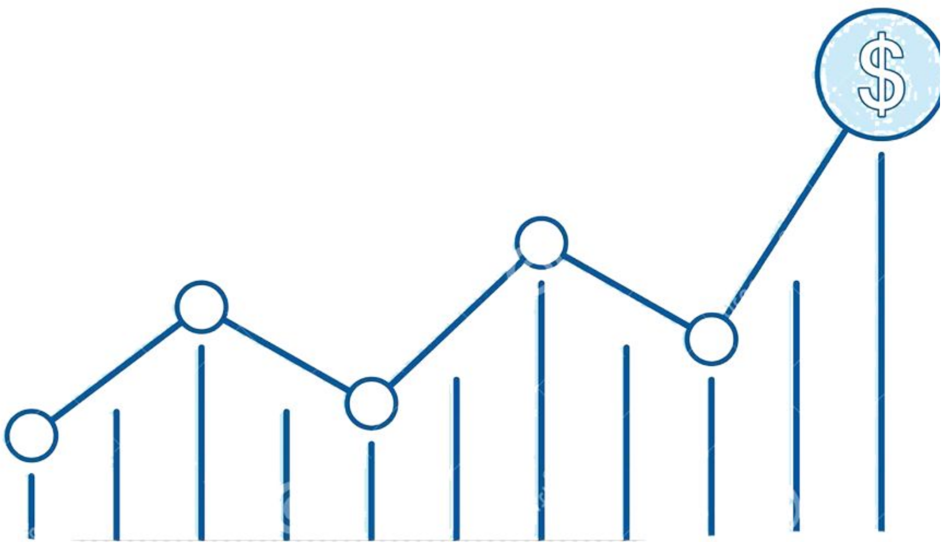

WHAT'S ON-CHAIN THIS WEEK?

BTC Registers an Impressive Recovery to Move Past $60,000

Last week, BTC moved almost 28 percent off the lows near $49,000 which was the lowest price it had been since February, or in 174 days. This move moved BTC above range lows around the $60,000 level.

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

In August, we have seen a sell-off across all risk assets and Bitcoin has been no exception, experiencing a 33.32 percent decline from cycle high which is also our current All-Time High at $73,666. This was the largest such decline for BTC of this cycle.

The Mayer Multiple is an important metric for evaluating the severity of price movements in bitcoin, defined as the ratio of the current bitcoin price to its 200-day moving average (200DMA). The 200DMA is commonly used by traders and investors as a key benchmark to differentiate between bullish and bearish market conditions.

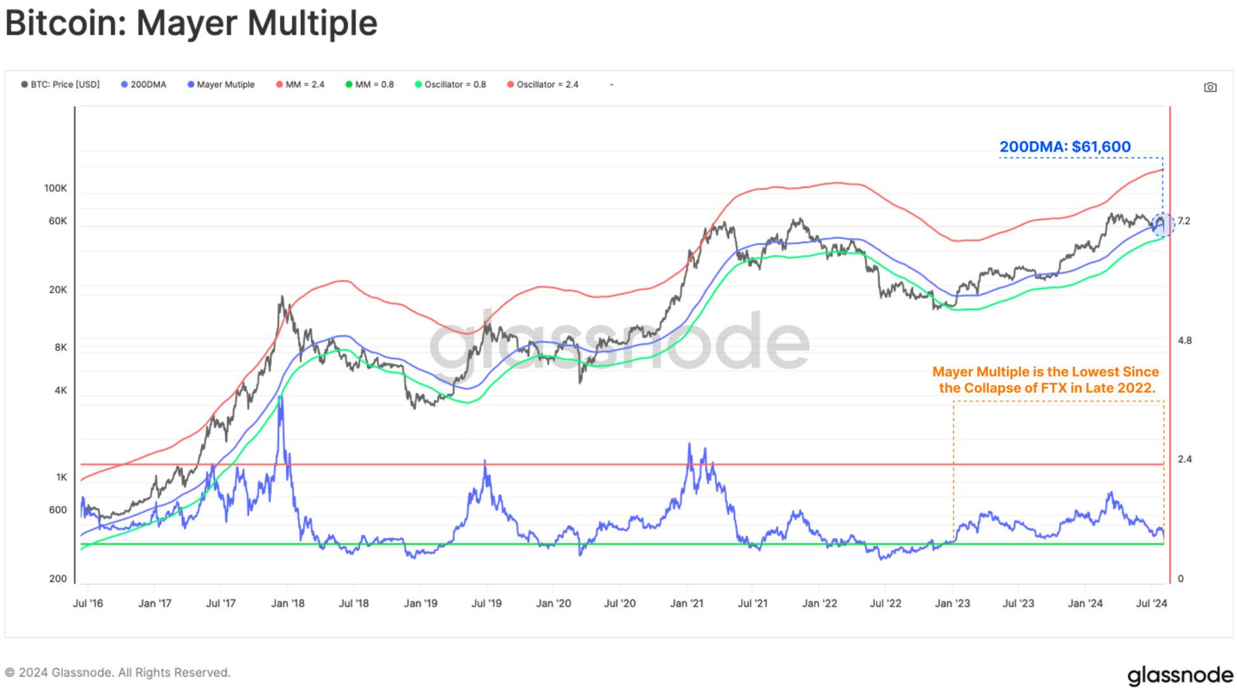

Figure 2: Bitcoin Mayer Multiple vs Price. (Source: Glassnode)

In the most recent market downturn, where bitcoin's price fell below $50,000, the Mayer Multiple dropped to 0.88 (refer Figure below). This level is significant as it marks the lowest point since the collapse of the cryptocurrency exchange FTX in November 2022 which was the catalyst to form the bear market lows below $16,000, indicating a substantial contraction in price relative to the longer-term trend.

This decline in the Mayer Multiple to such a low figure highlights a pronounced bearish phase in the market, suggesting that bitcoin was trading well below its average historical price trend. This metric is especially useful for investors to understand the extent of the deviation from typical market conditions and to assess potential buy or sell signals based on historical patterns.

When examining the severity of the sell-off in bitcoin through on-chain metrics, the Short-Term Holder Realised Price (STH Cost-Basis) is particularly insightful. This metric indicates the average price at which recent buyers (those considered short-term holders and have bought and held onto their coins for a period of 155 days or less) have purchased their holdings. Currently, the STH Cost-Basis stands at $64,860. (refer Figure below)

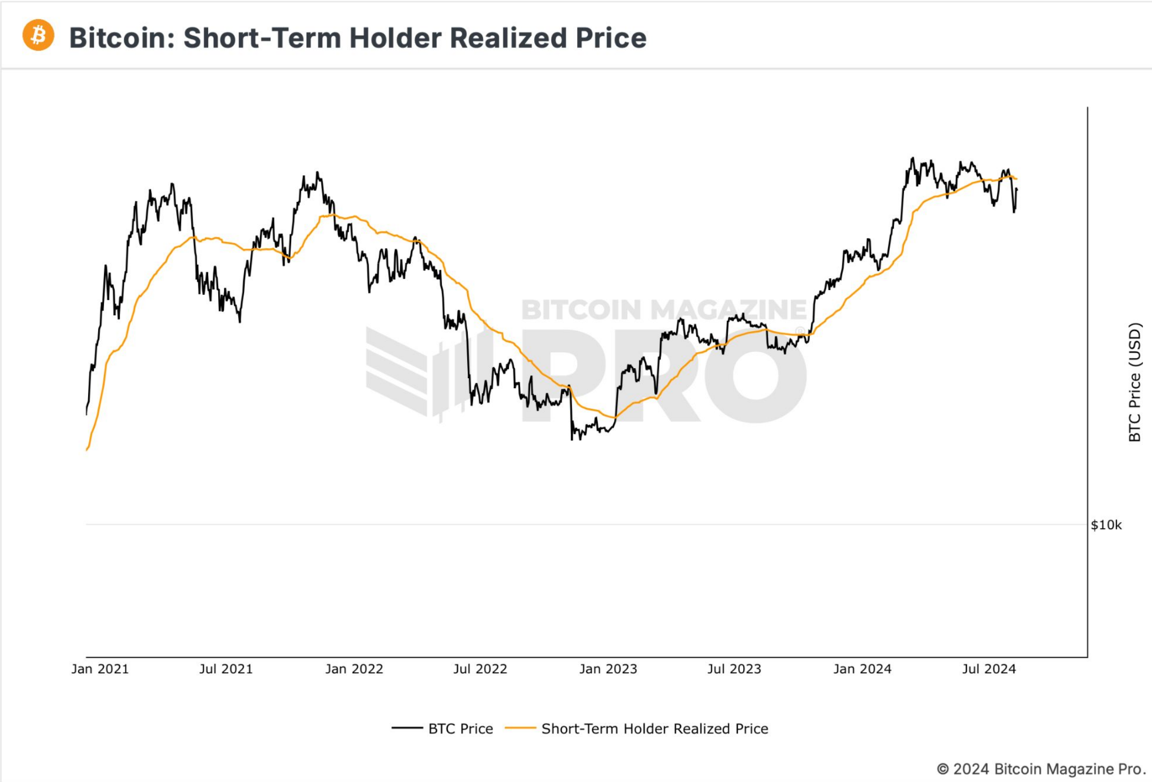

Figure 3: Bitcoin Short-Term Holder Realised Price. (Source: Bitcoin Magazine Pro)

To further assess market conditions, we also consider the -1 standard deviation (-1SD) move below the STH Cost-Basis. This statistical band helps in understanding how often the price falls significantly below the average purchase price of recent investors, which is a strong indicator of widespread losses within this group.

Recently, the spot price of Bitcoin approached this -1SD band, highlighting the intensity of the recent market downturn. Historically, only 364 out of 5139 trading days (approximately 7.1 percent) have recorded prices deviating below this level. This low percentage underscores the rarity and severity of the current price drop, indicating that the recent sell-off has pushed the price to levels seldom seen in relation to the short-term holders' cost basis.

This situation not only reflects the sharp pace of the decline but also serves as a crucial signal for investors about the extent of negative sentiment and potential stress among newer market participants. Such insights are valuable for assessing market conditions and potential recovery scenarios.

The Short-Term Holder MVRV (Market Value to Realised Value) is another insightful metric used to analyse the current state of the Bitcoin market, particularly focusing on the newest cohort of investors. This ratio compares the fair market value (what people are currently willing to pay for BTC) to the realised value (the price at which the coins were last moved on the blockchain, presumed to be their purchase price).

When the MVRV ratio is below one, it indicates that short-term holders are experiencing unrealized losses, meaning the current market price is less than what they paid for their bitcoins. This scenario is particularly crucial because it suggests that if these holders decided to sell, they would do so at a loss, increasing the likelihood of selling pressure in a bearish market.

Figure 4: Bitcoin Short-Term Holder Market Value to Realised Value against price. (Source: Glassnode)

Currently, the Short-Term Holder MVRV ratio indicates that this cohort of investors is holding the largest amount of unrealised loss since the bear market lows in 2022. This significant metric not only underscores the depth of the current market downturn but also highlights the level of financial stress being experienced by newer investors. Such conditions can exacerbate the volatility of the market as these investors may be more prone to sell in panic during further price drops, potentially leading to accelerated declines in bitcoin's price.

Understanding these dynamics is crucial for predicting potential market movements and gauging the sentiment and financial standing of newer entrants in the cryptocurrency space. This analysis can help investors and analysts determine if the market is nearing a capitulation point or if further declines are likely.

GENERAL MACRO UPDATE

Labour Market Stabilises as Jobless Claims Drop and Wholesale Inventories Rise

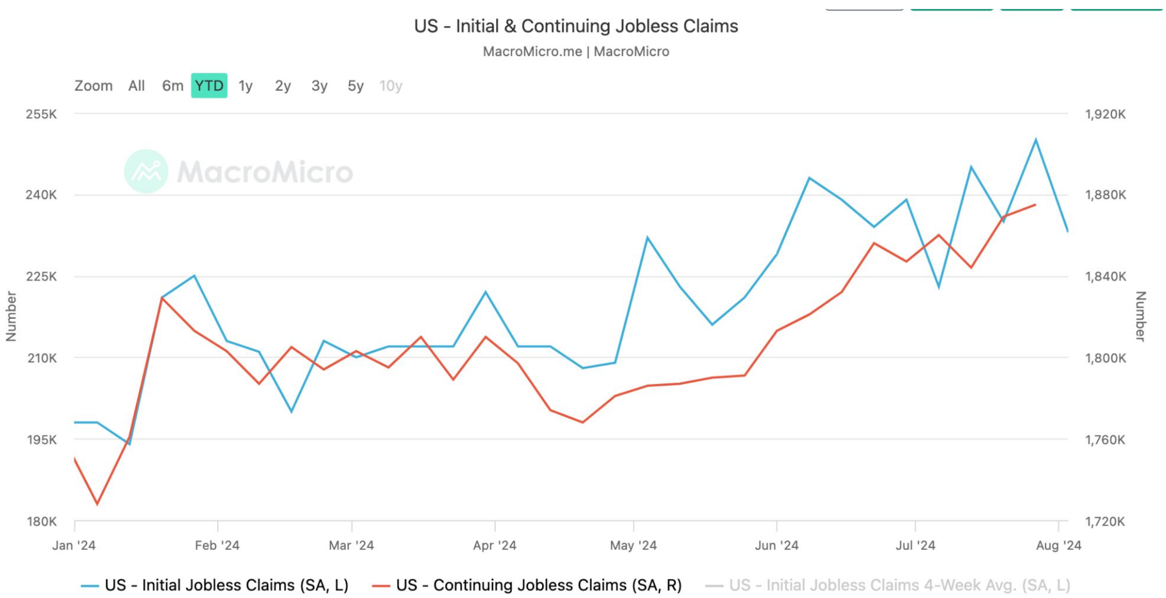

Figure 5: Initial and Continuing Jobless Claims (Source: Maromicro, US Department of Labor)

The US economy showed signs of resilience last week, with a notable decline in jobless claims and a steady increase in wholesale inventories, signalling continued economic growth. These developments provide a more optimistic outlook amid concerns of a potential economic slowdown.

The number of Americans filing for new unemployment benefits decreased significantly last week. Initial claims for state unemployment benefits dropped by 17,000 to a seasonally adjusted 233,000 for the week ending August 3rd, according to the Unemployment Insurance Weekly Claims report by the Department of Labor. This decline exceeded economists' expectations of 240,000 claims, marking a four-week low. The reduction in claims reflects a diminishing impact from temporary factors such as motor vehicle plant shutdowns and Hurricane Beryl, which had previously led to a spike in jobless claims.

This decline in jobless claims comes as a relief following the prior week's unexpected surge in jobless claims, which raised concerns about the health of the labour market. While the previous week's claims were slightly revised up to 250,000, the latest data suggest that the labour market is experiencing a gradual slowdown rather than a sharp decline. Continuing claims, which indicate the number of people still receiving benefits, edged up slightly to 1.875 million for the week ending July 27, further reinforcing the trend of a moderating labour market.

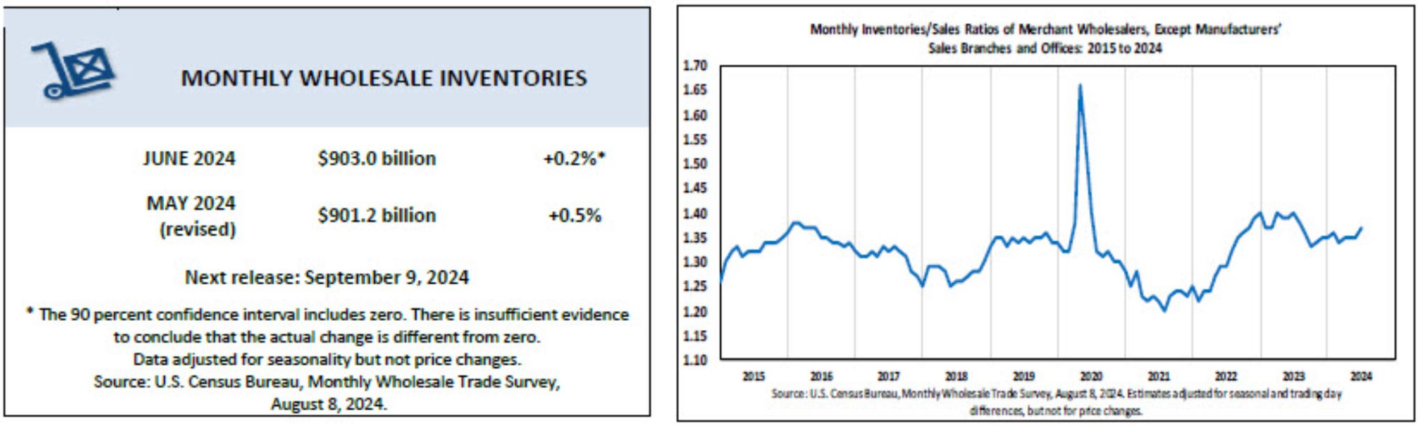

Figure 6: Monthly Wholesale Inventories (Source: US Census Bureau)

Meanwhile, US wholesale inventories grew in June, contributing to the overall economic expansion in the second quarter. According to the Monthly Wholesale Trade report from US Census Bureau, wholesale inventories increased by 0.2 percent in June, consistent with earlier estimates. This rise followed a 0.5 percent gain in May, highlighting the continued strength in inventory accumulation as a key component of gross domestic product (GDP). The consensus forecast was 0.2 percent increase in inventories.

The US economy grew at a robust 2.8 percent pace in the second quarter, double the growth rate of the first quarter. Private inventory investment played a significant role in this growth, adding 0.82 percentage points to GDP, which more than compensated for the impact of a wider trade gap.

In summary, the recent decline in jobless claims and the steady rise in wholesale inventories suggest that the US economy continues to expand, albeit at a more measured pace. These indicators provide a reassuring signal that the labour market and overall economic conditions remain stable, despite ongoing concerns about potential economic challenges.

US Household Debt Rises Slightly in Q2 as Delinquency Rates Remain Steady Amid Economic Pressures

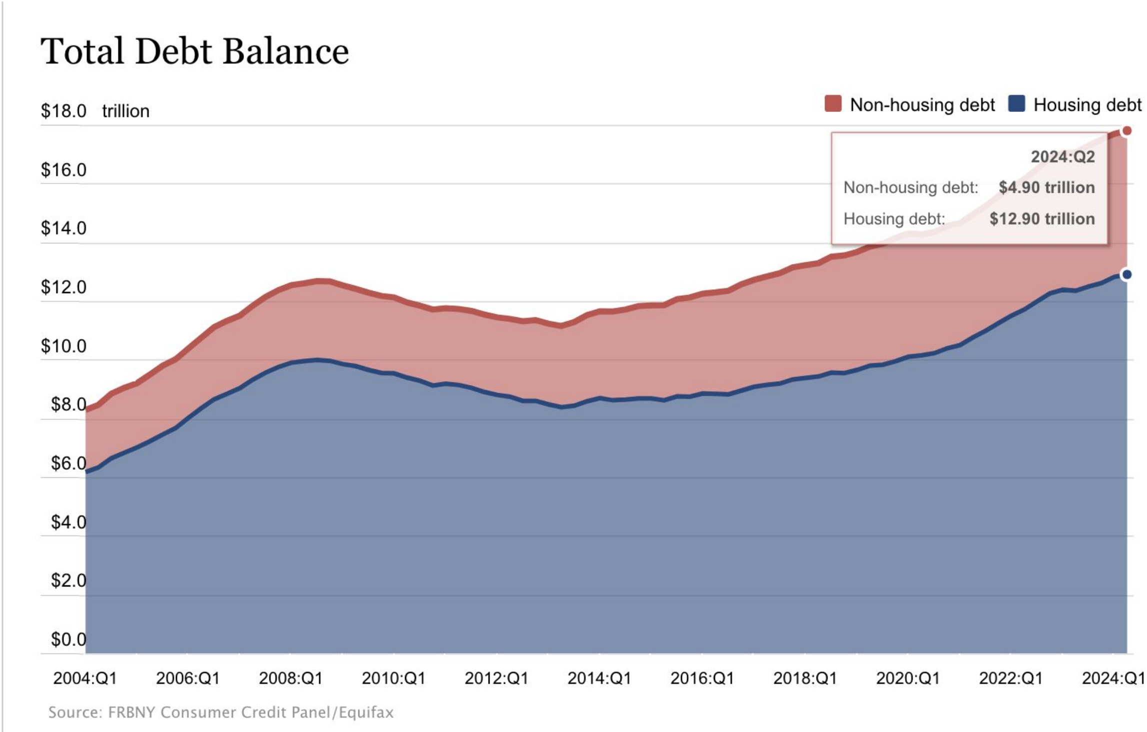

Figure 7: US Household Total Debt Balance (Source: The Federal Reserve)

In the second quarter, US household debt levels saw a slight increase, signalling that while the financial burden on consumers is rising, overall delinquency rates remain stable, suggesting that borrowers are still managing to support economic activity.

Household debt in the United States grew by $109 billion, or 0.6 percent, in the second quarter, reaching a total of $17.80 trillion, according to the Federal Reserve's Household Debt and Credit report last Tuesday, August 6th. This marks a significant increase of $3.7 trillion from the pre-pandemic levels at the end of 2019. The rise in debt occurs as the Fed continues to maintain high-interest rates, which were raised to 5.25-5.50 percent between March 2022 and July 2023 in an effort to curb inflation. Despite the higher borrowing costs, the economy has shown resilience, though concerns remain about the potential impact of rising delinquencies, which could signal economic distress and reduced consumer spending.

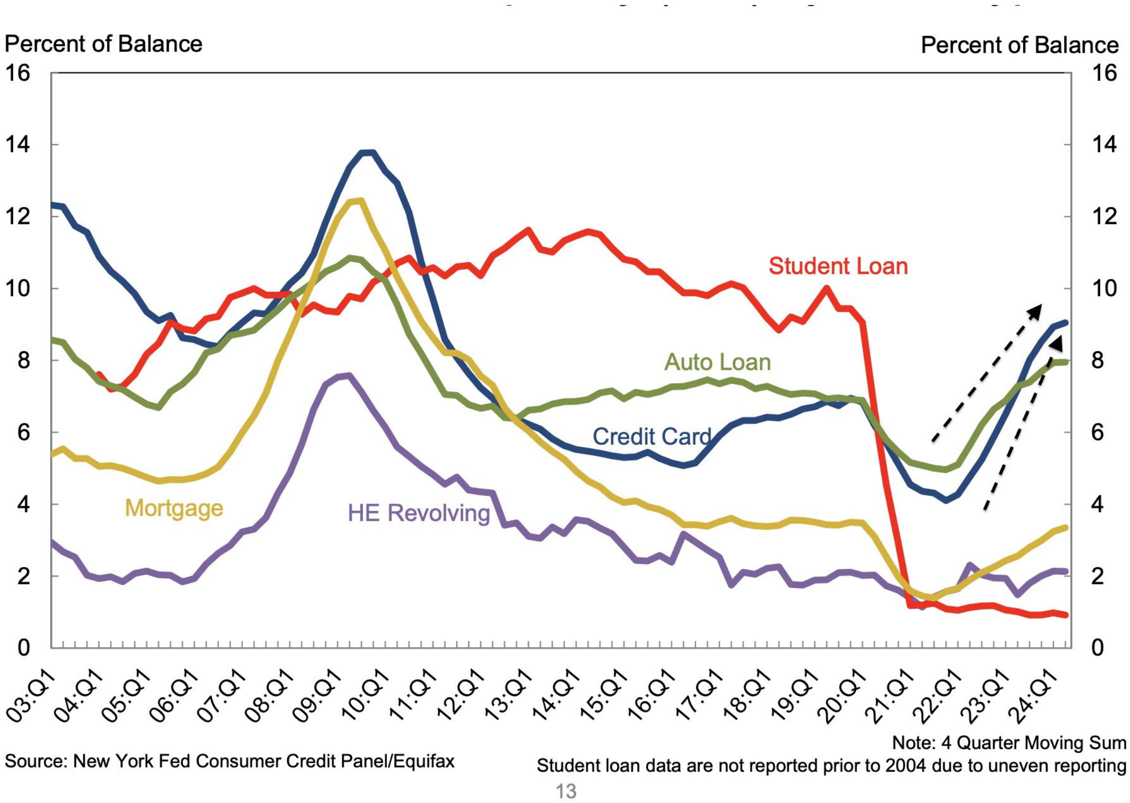

Figure 8: Transition into Delinquency by Loan Type (Source: New York Fed Consumer Credit Panel)

While the overall delinquency rate remained stable at 3.2 percent, the same as in the first quarter and still below the pre-pandemic level of 4.7 percent, there were slight increases in delinquencies for credit cards and auto loans. This uptick suggests that while the overall economic picture remains stable, certain sectors are experiencing increased financial strain, particularly in areas with higher interest rates.

The Fede's separate Consumer Credit report, focusing on non-mortgage consumer credit, highlighted a slowdown in the rate at which consumers increased their credit usage in June. Consumer credit rose by a modest $8.9 billion, falling short of consensus forecast of a $9.7 billion increase. Notably, revolving credit, such as credit card debt, actually declined for the second time in three months, a trend not seen since 2021. This decline is likely a reflection of the high-interest rates, which can exceed 20 percent, making it more costly for consumers to rely on credit.

Non-revolving credit, including auto and student loans, grew at a 3.4 percent annual rate in June. This category tends to be less volatile, but the slower growth in credit usage typically aligns with recessionary conditions, indicating that US households are feeling the strain of rising financial pressures. High-interest rates and persistent inflation have forced consumers to be more cautious with their spending, leading to a reliance on current income over savings, particularly among lower-income households. This financial stress is captured by debt delinquencies and increasing credit card balances.

While consumers are still managing to support the economy, the slower growth in credit usage and rising financial stress suggest that consumer spending may slow down, potentially restraining US economic growth until the Fed considers lowering interest rates.

US Services Sector Shows Resilience in July Amid Economic Uncertainty

Index	Series Index Jul	Series Index Jun	Percent Point Change	Direction	Rate of Change	Trend** (Months)
Services PMI®	51.4	48.8	+2.6	Growing	From Contracting	1
Business Activity/ Production	54.5	49.6	+4.9	Growing	From Contracting	1
New Orders	52.4	47.3	+5.1	Growing	From Contracting	1
Employment	51.1	46.1	+5.0	Growing	From Contracting	1
Supplier Deliveries	47.6	52.2	-4.6	Faster	From Slowing	1
Inventories	49.8	42.9	+6.9	Contracting	Slower	2
Prices	57.0	56.3	+0.7	Increasing	Faster	86
Backlog of Orders	50.6	44.0	+6.6	Growing	From Contracting	1
New Export Orders	58.5	51.7	+6.8	Growing	Faster	3
Imports	53.3	44.0	+9.3	Growing	From Contracting	1
Inventory Sentiment	63.2	64.1	-0.9	Too High	Slower	15
Customers' Inventories	N/A	N/A	N/A	N/A	N/A	N/A

Figure 9: Institute of Supply Management (ISM) Service PMI and Index Components

In July, the US services sector experienced a resurgence, rebounding from a four-year low as new orders increased and employment within the sector grew for the first time in six months. This positive shift could help alleviate recession fears heightened by last month's spike in unemployment and ongoing stock market volatility.

The Institute for Supply Management (ISM) services sector index climbed back into positive territory, reaching 51.4 in July after dipping to 48.8 in June according to their [Purchasing Managers' Index report] released last Monday, August 5th. A PMI reading above 50 indicates growth in the services sector, constituting more than two-thirds of the US economy. The ISM considers readings above 49 over time to signal overall economic expansion.

Key metrics within the ISM survey also showed improvement. The new orders index rose to 52.4 from 47.3 in June, which had marked the lowest point since December 2022. Additionally, the employment measure in the services sector increased to 51.1, marking the first growth since January, up from 46.1 in June. This five-point rise in the index was the second largest in more than three years, following a significant 6.7-point increase in January.

This data suggests that the slowdown in nonfarm payroll growth in July may not indicate a broader deterioration in the labour market. Nonfarm payrolls grew by 114,000 last month, representing the second smallest increase this year, while service providers added just 72,000 jobs, the fewest since December 2020.

Although last week was anticipated to be light in economic data, the significant market volatility has increased scrutiny of any available indicators for signs of strength or weakness. However, it is essential to avoid over-interpreting one month's data. The Fed's decision on whether to cut its policy rate by 25 or 50 basis points in September will largely depend on economic data released between now and the next Federal Open Market Committee meeting.

NEWS FROM THE CRYPTO-SPHERE

Kamala Harris Emerges as the Frontrunner in the Presidential Race Amidst Tight Odds with Donald Trump

Figure 10: Kamala Harris Emerges as the Frontrunner in the Presidential Race Amidst Tight Odds with Donald Trump

- **Kamala Harris has become the frontrunner in the 2024 presidential race leading to a narrow but significant lead over Donald Trump in both betting odds and recent polls**
- **The race remains highly competitive, with Harris and Trump closely matched in key battleground states, while Harris's campaign begins to engage with the cryptocurrency industry, sparking interest in her potential policy stance**

Following President Joe Biden's withdrawal from the 2024 presidential race, Vice President Kamala Harris has emerged as the frontrunner for the presidency. Since Biden endorsed her candidacy on July 21, Harris has seen a surge in her chances, now holding a 52.7 percent probability of winning, according to data from electionbettingodds.com. This marks the first time Harris has been favoured to win the presidency. She is also leading based on odds aggregated from other platforms like Betfair.com, PredictIt.org, Smarkets.com, and Polymarket.com.

Conversely, former President Donald Trump's chances have diminished slightly, now standing at 45.2 percent, after initially being as high as 67.9 percent following a failed assassination attempt on July 13. Despite this dip, the race remains intensely competitive.

While Harris has maintained her lead for four consecutive days as of August 12th, the odds difference between her and Trump remains narrow and could shift at any moment.

Harris's campaign has been relatively quiet on economic issues, particularly those related to the cryptocurrency industry. However, her team has begun engaging with industry executives, signalling that crypto policy may become a focus in the coming months. This has sparked interest within the crypto community, with some industry leaders and lawmakers urging Harris to clarify her stance on digital assets. Meanwhile, Donald Trump has publicly expressed his support on Bitcoin which gained the approval of cryptocurrency investors and enthusiasts.

The election's outcome, particularly in relation to the cryptocurrency sector, is being closely watched by the market and currently, the contest is a "toss up."

BlackRock and Nasdaq Seek SEC Approval for Ethereum ETF Options

Figure 11: BlackRock and Nasdaq Seek SEC Approval for Ethereum ETF Options

- **BlackRock and Nasdaq have requested SEC approval to introduce options trading for BlackRock's spot Ethereum ETF**
- **The SEC recently approved Ethereum-linked ETFs from companies like Franklin Templeton and VanEck, expanding investment options in digital assets**

BlackRock and Nasdaq have filed a request with the US Securities and Exchange Commission (SEC) to introduce options trading for BlackRock's spot Ethereum exchange-traded fund (ETF), on August 7th. The proposal, disclosed in a regulatory filing on Tuesday, marks a significant development in the growing market for digital asset investment products.

In a related move, the SEC had previously given the green light in July for ETFs linked to the price of Ethereum, approving products from several prominent companies, including Franklin Templeton, VanEck, Bitwise, and 21Shares.

Options contracts, which are central to this proposal, allow investors to purchase or sell an asset, such as a stock or an ETF, at a specific price by a predetermined date. The filing emphasized that offering options on the Ethereum ETF would provide investors with a cost-effective tool for gaining exposure to spot Ethereum prices.

The SEC is responsible for overseeing the technical rule changes that exchanges must implement to list options. Public comments on the proposed rule change are being accepted for the next 21 days.

SEC Delays Decision on Hashdex's Proposed Spot Bitcoin and Ether ETF

Figure 12: SEC Delays Decision on Hashdex's Proposed Spot Bitcoin and Ether ETF

- **The SEC has delayed its decision on Hashdex's proposed ETF that would hold spot Bitcoin and Ether**
- **Hashdex's ETF, filed under the S-1 registration, could include other cryptocurrencies in the future, with any changes requiring further approval through a 19b-4 filing**

According to a filing last Friday, August 9th, the US Securities and Exchange Commission (SEC) has postponed its decision to approve Hashdex's proposed exchange-traded fund (ETF), which aims to directly hold spot Bitcoin and Ether. The agency announced that it will extend its review period until September 30, 2024, as it requires more time to thoroughly evaluate the proposed rule change and the related issues.

Hashdex, a crypto asset management firm, initially filed its registration statement, known as an S-1, with the SEC on July 24. The S-1 is a critical document that companies submit to the SEC when registering a new security, providing detailed information about the offering. Hashdex's proposed ETF, named the Hashdex Nasdaq Crypto Index US ETF, would primarily hold Bitcoin and Ether. However, the fund's composition could expand to include other cryptocurrencies if regulatory conditions allow.

The firm indicated in its S-1 filing that if another cryptocurrency becomes eligible for inclusion in its index, it would adjust its strategy to reflect this change, initially holding only Bitcoin and Ether in proportions determined by the index. Should the Trust decide to revert to a full replication strategy, a new filing under Rule 19b-4 of the Securities Exchange Act would be required. The 19b-4 filing is a submission used by exchanges to propose rule changes or new listings to the SEC, which then reviews and approves or denies these changes.

Nasdaq had earlier submitted a Form 19b-4 in June to facilitate the listing and trading of the Hashdex ETF. This fund is designed to follow the Nasdaq Crypto Index US methodology and will be traded on the Nasdaq exchange.

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