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EXECUTIVE SUMMARY

This month’s US interest rate decisions are poised to significantly influence both Bitcoin's short-term volatility and long-term trajectory. Since early August, Bitcoin has gained over 32 percent, driven by traders anticipating dovish comments by the Federal Reserve. A 25 basis point cut is likely to signal the beginning of a typical easing cycle, which could lead to long-term price appreciation for Bitcoin as liquidity increases and recession fears ease. On the other hand, a more aggressive 50 basis point cut might cause an immediate price spike but could be followed by a correction as recession concerns escalate. Over the past week, we have seen spot holders de-risk while perpetual market speculators have been attempting to “buy the dip” and we continue to observe significant long open interest on BTC perpetuals.

If we were to speculate, we would caution to expect a 15-20 percent decline when rates are cut this month, with a bottom of $40-50k for BTC. This is not an arbitrary number but based on the fact that the cycle peak in terms of percentage return reduces by around 60-70 percent each cycle and the average bull market correction has reduced as well. But this logic could be negated quite easily if macroeconomic conditions change. These are uncertain times for traders.

Historically, September has been a volatile month for Bitcoin, with an average return of -4.78 percent and a typical peak-to-trough decline of around 24.6 percent. This volatility, combined with the potential for a "sell-the-news" reaction after a rate cut, could present both risks and opportunities for traders. Meanwhile, Bitcoin's increasing correlation with traditional risk assets like the S&P 500 suggests its price movements will remain closely tied to global macroeconomic conditions. Actions by other major central banks, such as the ECB's potential pause in rate hikes amid slowing growth, the BOJ's cautious approach amidst a slowly recovering economy, and the PBOC's targeted liquidity measures to support China's slowing growth, are likely to have ripple effects across global markets and influence digital assets like Bitcoin.

The US economy continues to benefit from ongoing disinflation, robust household consumption, and wage growth that outpaces inflation. The Federal Reserve's preferred inflation measure, the PCE index, increased by 2.5 percent in July, indicating sustained disinflation and reinforcing price stability across the economy. Earlier fears of a potential economic slowdown have eased, supported by stronger-than-expected GDP growth in the second quarter, which was revised upward to three percent annual rate from the previous estimate of 2.8 percent.

However, the housing market faced challenges in July, with pending home sales hitting a record low, as declining mortgage rates failed to stimulate market activity. Despite this setback, we remain optimistic that the downturn will be temporary, with expectations that further declines in mortgage rates and the conclusion of the election year could help the market regain momentum. Meanwhile, US consumer confidence reached a six-month high in August, driven by optimism about the overall economic outlook, although concerns about the job market still linger.

Across the cryptocurrency industry, we also see a growing trend of political and regulatory engagement, alongside significant advancements in trading infrastructure and market adoption. Presidential candidate Donald Trump has announced a strategy aimed at positioning the US as a global leader in cryptocurrency, specifically through his association with the decentralised finance project, World Liberty Financial.

In tandem with this political shift, the 24X National Exchange has filed a proposal with US regulators to launch a securities exchange that would allow for 24/7 trading of cryptocurrency ETFs. Meanwhile, Australia has emerged as a major player in the global cryptocurrency market, experiencing a 17-fold increase in cryptocurrency ATMs over the past two years, making it the third-largest market worldwide. However, this rapid expansion has also raised concerns among authorities about the potential use of these ATMs for money laundering. In response, a multi-agency task force has been established to address these issues, underscoring the ongoing tension between innovation and regulation in the cryptocurrency landscape.

Have a good trading week!

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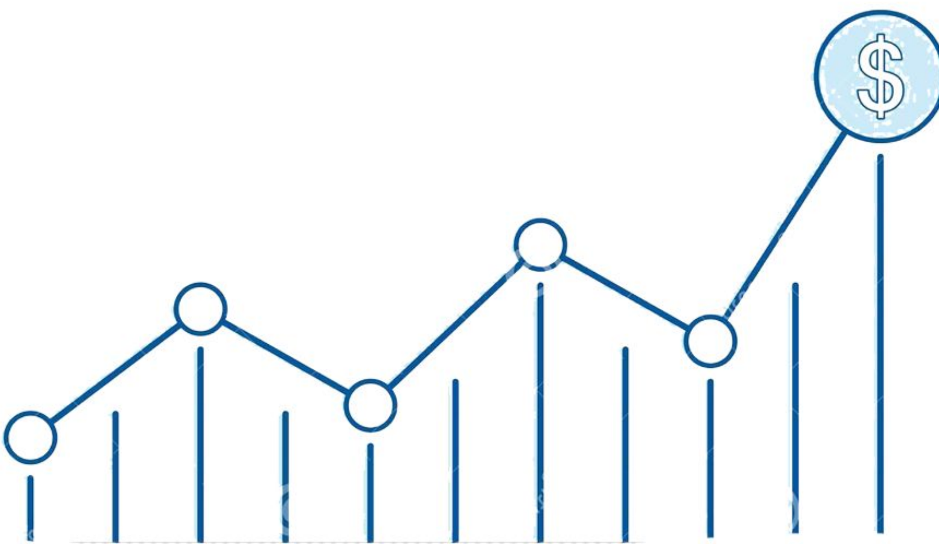


WHAT'S ON-CHAIN THIS WEEK?

Post BTC Sell Down, What Will Happen if the Fed Cuts Rates?

Bitcoin prices have moved up more than 32 percent since the August 5th lows, while concurrently global open interest (OI) for BTC/stablecoin perpetual pairs has increased close to 30 percent. Since Fed Chair Jerome Powell's statements at Jackson Hole, the price has rallied 8.32 percent and open interest moved up around 10.64 percent. We believe a majority of this was traders anticipating the news regarding interest rate cuts. Last week's subsequent price correction (touching a low of $57876) has seen OI decreased, which could mean that "late longs" have been flushed out to some extent but not completely.

Risk assets in general are increasingly sensitive to decisions made by the Federal Open Market Committee (FOMC) regarding interest rates. Historically, these decisions have had a significant impact on asset prices, with rate cuts often perceived as bullish and rate hikes viewed as bearish. This conventional wisdom however presents opportunities for contrarian strategies, especially in the volatile landscape of digital assets like Bitcoin.

In the last seven days there has been significant selling of BTC (more detail below) as traders 'sell the news' on the now near certainty that interest rates will fall.

Recent remarks by Powell at the Jackson Hole Symposium have supported expectations of an impending shift downwards in the Fed's monetary policy. With inflation stabilising—evidenced by the Personal Consumption Expenditures (PCE) Price Index rising by just 2.5 percent—an upcoming September rate cut is almost certain. The PCE, the Fed's preferred inflation gauge, adds weight to the argument that the Fed could begin easing rates without sparking a new wave of inflation, a scenario that would be favourable for Bitcoin.

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

Last week’s ‘sell the news’ action however, could imply that there is still some further downside as aggressive spot selling has been observed over the past week while on the futures and perpetual markets, we have noticed aggressive buying only on the lower timeframes. Typically, rate cuts are perceived as bullish catalysts for risk assets.

An analysis of cumulative volume delta (CVD) metrics across major centralised exchanges for both spot and perpetual trading pairs (BTC/stablecoin), shows that there has been aggressive selling in the spot markets, particularly at the start of the US session, across the entirety of last week..

CVD, which measures the net difference between market buying and selling volumes on centralised exchanges, has historically shown that when selling is indicated it usually correlates with market selling. However, while the spot CVD metric is down around 66 percent since the August 26th daily high, the CVD for BTC perpetuals is down only 11 percent. While these metrics are better observed on the intra-day lower timeframes, the above is enough to highlight how spot holders have been aggressively derisking over the past 7-10 days. This spot derisking is also observable across spot Bitcoin ETF flows. (refer figure below)

Bitcoin ETF Flow (US$m)

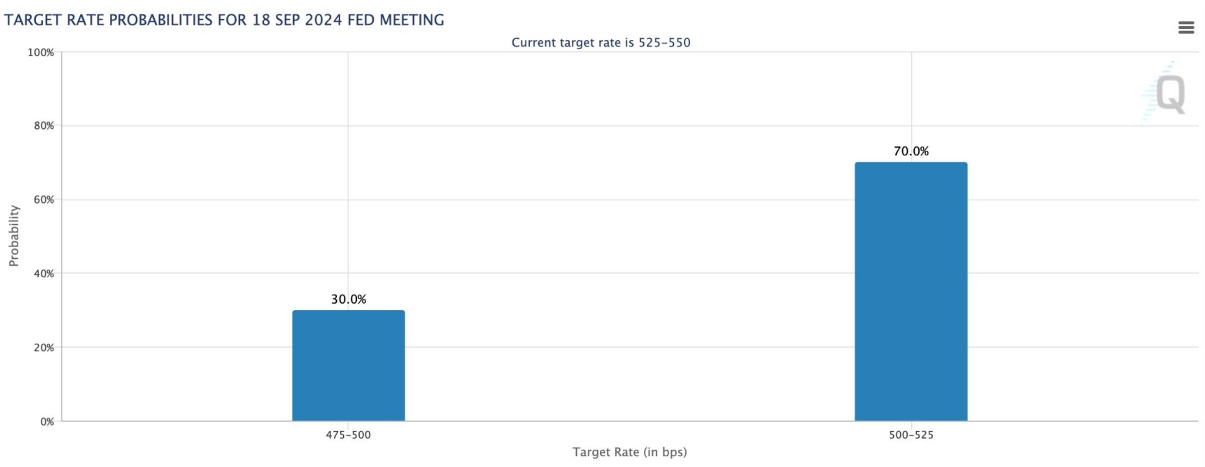
	Blackrock	Fidelity	Bitwise	Ark	Invesco	Franklin	Valkyrie	VanEck	WTree	Grayscale	Grayscale	Total
	IBIT	FBTC	BITB	ARKB	BTCO	EZBC	BRRR	HODL	BTCW	GBTC	BTC	
Fee	0.21%	0.25%	0.20%	0.21%	0.25%	0.19%	0.25%	0.20%	0.25%	1.50%	0.15%	
12 Aug 2024	13.4	0.0	(17.1)	35.4	0.0	0.0	0.0	0.0	0.0	(11.8)	7.9	27.8
13 Aug 2024	34.6	22.6	16.5	(6.1)	0.0	0.0	0.0	0.0	0.0	(28.6)	0.0	39.0
14 Aug 2024	2.7	(18.0)	(5.8)	(6.8)	0.0	3.4	0.0	0.0	0.0	(56.9)	0.0	(81.4)
15 Aug 2024	0.0	16.2	6.2	0.0	0.0	0.0	0.0	0.0	0.0	(25.0)	13.7	11.1
16 Aug 2024	20.4	61.3	12.0	13.4	0.0	1.7	0.0	0.0	0.0	(72.9)	0.0	35.9
19 Aug 2024	92.7	3.9	(25.7)	0.0	(8.8)	0.0	0.0	0.0	0.0	0.0	0.0	62.1
20 Aug 2024	55.4	0.0	(6.5)	51.9	0.0	0.0	0.0	0.0	0.0	(12.8)	0.0	88.0
21 Aug 2024	8.4	10.7	10.0	0.0	2.5	3.5	0.0	0.0	0.0	(9.8)	14.2	39.5
22 Aug 2024	75.5	9.2	(11.5)	7.8	0.0	0.0	0.0	3.4	4.8	(28.4)	4.0	64.8
23 Aug 2024	86.8	64.0	42.3	23.8	3.2	0.0	2.3	14.4	0.0	(35.6)	50.8	252.0
26 Aug 2024	224.1	(8.3)	(16.6)	0.0	0.0	5.5	0.0	(7.2)	5.1	0.0	0.0	202.6
27 Aug 2024	0.0	0.0	(6.8)	(102.0)	0.0	0.0	-	0.0	0.0	(18.3)	0.0	(127.1)
28 Aug 2024	0.0	(10.4)	(8.7)	(59.3)	0.0	0.0	0.0	(10.1)	0.0	(8.0)	(8.8)	(105.3)
29 Aug 2024	(13.5)	(31.1)	(8.1)	5.3	0.0	0.0	(1.7)	0.0	0.0	(22.7)	0.0	(71.8)
30 Aug 2024	0.0	(12.9)	(16.4)	(65.0)	(11.1)	0.0	0.0	0.0	0.0	(70.2)	0.0	(175.6)
Total	20,917	9,829	1,988	2,314	345	393	528	582	211	(19,852)	348	17,603
Average	129.9	61.1	12.3	14.4	2.1	2.4	3.3	3.6	1.3	(123.3)	2.2	109.3
Maximum	849.0	473.4	237.9	200.7	63.4	60.9	43.4	118.8	118.5	63.0	191.1	1,045.0
Minimum	(36.9)	(191.1)	(70.3)	(102.0)	(37.5)	(23.0)	(20.2)	(38.4)	(6.2)	(642.5)	(8.8)	(563.7)

Figure 3. Spot Bitcoin ETF Flows Across All ETF Providers. (Source: FarsideUK)

All ETFs apart from Blackrock's IBIT had net negative flows, or net outflows, last week. Apart from last Monday, the asset class as a whole saw net outflows. We believe this has been fuelled by the aggressive spot selling that was concentrated during the US sessions last week, as these ETFs are traded only during US trading hours.

The Net Realised Profit/Loss (NPL) indicator from on-chain data provider Santiment also offers insights into market behaviour. The NPL indicator, which measures the average return on investment based on on-chain transaction volume, spiked from -32.99 million to 1.02 billion between Wednesday and Thursday. This positive shift suggests that, on average, Bitcoin holders have been booking profits, contributing to increased selling pressure last week.

Figure 4. Net Realised Profit/Loss -Bitcoin (Santiment)



TARGET RATE (BPS)	PROBABILITY(%)			
	NOW *	1 DAY 29 AUG 2024	1 WEEK 23 AUG 2024	1 MONTH 30 JUL 2024
450-475	0.0%	0.0%	0.0%	0.5%
475-500	30.0%	34.0%	36.0%	13.1%
500-525	70.0%	66.0%	64.0%	86.4%

Figure 5. Outlook for Bitcoin as FOMC approaches

Market sentiment indicated by the Target Rate Probabilities for interest rates (refer Figure above) currently points to a 70 percent probability of a 25 basis points (bps) rate cut and a 30 percent chance of a 50 bps cut at the September 2024 FOMC meeting. Historically, these expectations have been reliable indicators of the Fed's actions. Furthermore, signs of a weakening labour market—evidenced by underwhelming Non-Farm Payroll (NFP) reports and declining job openings—reinforce the case for a rate cut.

Potential Scenarios for Bitcoin Following Rate Cuts

A 25 bps rate cut would likely mark the beginning of a standard rate-cutting cycle, which could lead to long-term price appreciation for BTC as recession fears ease. Such a move would signal the Fed's confidence in the economy's resilience, reducing the likelihood of a severe downturn. For BTC, this scenario could initiate a gradual uptrend after a sell-the-news event as the market anticipates more liquidity entering the system.

On the other hand, a more aggressive 50 bps cut could trigger an immediate spike in Bitcoin's price, potentially rising 5-8 percent due to heightened liquidity expectations, but we believe this can be short-lived. However, this scenario also comes with risks; a significant cut might increase recession concerns, leading to a temporary peak in the BTC price followed by a more substantial correction. This would mirror past instances where aggressive rate cuts initially boosted asset prices, only for the gains to be tempered by rising economic uncertainties.

Figure 6. Fed Funds Rate and Bitcoin Price Since 2015

In 2019, an aggressive rate-cutting cycle led to BTC dropping by 50 percent from its cycle high before stabilising.

In the current scenario, conditions differ. Bitcoin has already undergone its halving event, reducing the pace at which new supply enters the market, and factors that were present in 2019-2020, such as the economic policies implemented to counter the global pandemic, are absent today.

If we apply a similar logic to the present however, a 15-20 percent decline from Bitcoin's price at the time of a rate cut could be anticipated. This is not an arbitrary number but based on the fact that the cycle peak in terms of percentage return reduces by around 60-70 percent each cycle and the average bull market correction has reduced as well. Assuming the price of BTC at around $60,000 before interest rates are cut, this would place a potential bottom between the low $50,000s or mid $40,000 levels. However, it's important to recognise that these estimates are speculative and subject to significant variation based on evolving macroeconomic conditions.

September: A Historically Volatile Month for Bitcoin

Time	January	February	March	April	May	June	July	August	September	October	November	December
2024	+0.62%	+43.55%	+16.81%	-14.76%	+11.07%	-6.96%	+2.95%	-8.33%				
2023	+39.63%	+0.03%	+22.96%	+2.81%	-6.98%	+11.98%	-4.02%	-11.29%	+3.91%	+28.52%	+8.81%	+12.18%
2022	-16.68%	+12.21%	+5.39%	-17.3%	-15.6%	-37.28%	+16.8%	-13.88%	-3.12%	+5.56%	-16.23%	-3.59%
2021	+14.51%	+36.78%	+29.84%	-1.98%	-35.31%	-5.95%	+18.19%	+13.8%	-7.03%	+39.93%	-7.11%	-18.9%
2020	+29.95%	-8.6%	-24.92%	+34.26%	+9.51%	-3.18%	+24.03%	+2.83%	-7.51%	+27.7%	+42.95%	+46.92%
2019	-8.58%	+11.14%	+7.05%	+34.36%	+52.38%	+26.67%	-6.59%	-4.6%	-13.38%	+10.17%	-17.27%	-5.15%
2018	-25.41%	+0.47%	-32.85%	+33.43%	-18.99%	-14.62%	+20.96%	-9.27%	-5.58%	-3.83%	-36.57%	-5.15%
2017	-0.04%	+23.07%	-9.05%	+32.71%	+52.71%	+10.45%	+17.92%	+65.32%	-7.44%	+47.81%	+53.48%	+38.89%
2016	-14.83%	+20.08%	-5.35%	+7.27%	+18.78%	+27.14%	-7.67%	-7.49%	+6.04%	+14.71%	+5.42%	+30.8%
2015	-33.05%	+18.43%	-4.38%	-3.46%	-3.17%	+15.19%	+8.2%	-18.67%	+2.35%	+33.49%	+19.27%	+13.83%
2014	+10.03%	-31.03%	-17.25%	-1.6%	+39.46%	+2.2%	-9.69%	-17.55%	-19.01%	-12.95%	+12.82%	-15.11%
2013	+44.05%	+61.77%	+172.76%	+50.01%	-8.56%	-29.89%	+9.6%	+30.42%	-1.76%	+60.79%	+449.35%	-34.81%
Average	+3.35%	+15.66%	+13.42%	+12.98%	+7.94%	-0.35%	+7.56%	+1.77%	-4.78%	+22.90%	+46.81%	+5.45%
Median	+0.29%	+15.32%	+0.50%	+5.04%	+3.17%	-0.49%	+8.90%	-7.91%	-5.58%	+27.70%	+8.81%	-3.59%

Figure 7. Bitcoin Historical Monthly Performance. (Source: Coinglass)

September has traditionally been a volatile month for Bitcoin, with an average return of -4.78 percent (refer Figure above, since 2013) and a typical peak-to-trough decline of 24.6 percent (since 2014). This volatility is often attributed to the end of the summer trading lull, as fund managers return from vacation and human-driven trading activity increases. The anticipated rate cut in September adds another layer of complexity, potentially exacerbating the market's volatility.

Figure 8. Bitcoin Price Volatility in Months of September

This historical price action for September also aligns with our view of a projected 20 percent drop in Bitcoin prices following a rate cut. However, it's worth noting that historical trends also show that when August ends in the red, September has occasionally defied expectations and delivered positive returns. This could provide a counterargument to the assumption that September will necessarily be a bearish month for Bitcoin.

The upcoming FOMC meeting and the potential for rate cuts are set to be pivotal events for Bitcoin and the broader cryptocurrency market. While historical data suggests caution in the short term—particularly given Bitcoin's historical volatility in September—the broader trends indicate a continued long-term bullish outlook for the digital asset.

Global Economic Policies and Their Influence on Cryptocurrency Markets

Bitcoin values are increasingly influenced by global economic policies and the actions of major central banks. BTC has seen its correlation to the SPX increase since late July, and while this correlation is a cyclical metric, we expect in the current environment of economic policy adjustment, that this will continue.

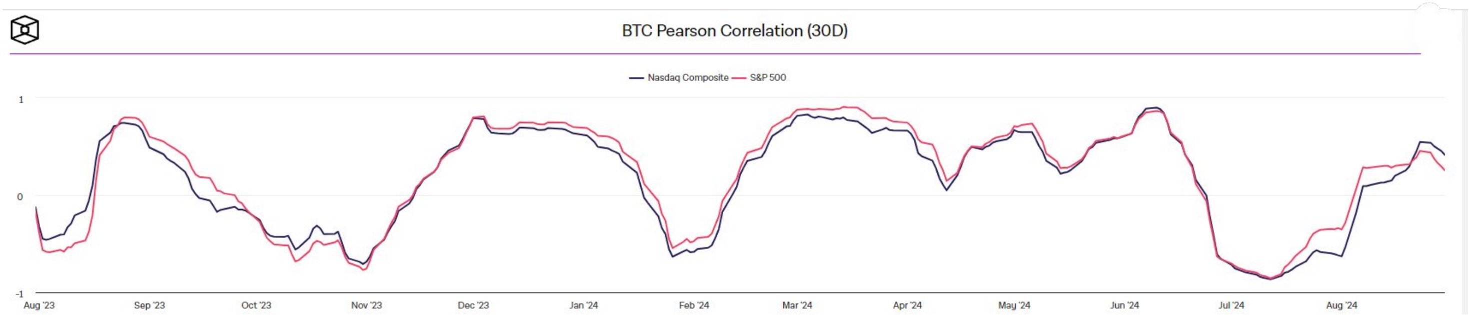


Figure 9. BTC Pearson Correlation On A 30-Day Rolling Basis. (Source: TheBlock)

BTC's correlation with US equities is a cyclical metric. Typical correlation or decorrelation works on a 2-3 month cycle. The top of the cycle is reached when the correlation (synchronisation in price movements relative to market capitalisation) reaches 0.8-0.9 and then gradually decreases. Since late July, the correlation has increased over time and today, as we stand on the precipice of a rate-cutting cycle and upcoming US elections - which will affect global liquidity and risk assets worldwide - we expect this correlation to increase.

Policy Responses and Global Safeguards

In the wake of the 2007-2008 financial crisis, governments around the world implemented stricter regulations to prevent a repeat of the catastrophic economic downturn. Measures like the Dodd-Frank Act in the United States and Basel III globally have made the financial system more resilient. These safeguards stand in stark contrast to the pre-2007 era, where loose regulations and unchecked financial practices contributed to the crisis.

Today, policymakers are more focused on maintaining financial stability and controlling inflation. This proactive stance includes a greater willingness to intervene in markets, which has significant implications for assets like Bitcoin.

Key Global Events and Their Impact on Cryptocurrency

Figure 10. Major Central Banks Total Assets , Bitcoin Price (Source: MacroMicro)

The actions of major central banks and economic institutions are pivotal in shaping the cryptocurrency market. The chart above shows how increased liquidity from central banks tends to correlate with Bitcoin price increases. Each institution's approach to monetary policy, interest rates, and inflation control can have ripple effects across global markets, influencing the behaviour of digital assets like Bitcoin and altcoins. This is also evidence of the fact that while rate-cuts can be sell-the-news events in the short-term, it is indeed very bullish for risk assets in the long-term. The figure below shows how the S&P500 has performed since the first rate cut of each rate cutting cycle.

YEAR	3-MONTH RETURN	6-MONTH RETURN	9-MONTH RETURN	12-MONTH RETURN
1973	-8.0%	-7.7%	-16.3%	-30.8%
1974	-24.5%	-21.9%	-2.5%	10.2%
1980	11.9%	22.9%	33.0%	33.2%
1981	-7.0%	-6.3%	-15.2%	-16.2%
1984	1.6%	10.1%	16.9%	12.4%
1989	8.7%	7.7%	3.1%	11.6%
1995	6.5%	12.7%	19.8%	20.1%
1998	16.9%	22.3%	27.0%	22.3%
2001	-10.7%	-3.6%	-18.1%	-10.0%
2007	-2.1%	-13.5%	-8.5%	-21.7%
2019	1.1%	9.0%	-3.3%	7.7%
Avg.	-0.5%	2.9%	3.3%	3.5%

Figure 11. S&P Performance Post First Rate Cut Of A Cutting Cycle. (Data Source: Morgan)

The initial reaction from the stock market post rate cut is a consolidation period or a brief sell-off to the tune of -20 percent in the first month over the past nine cutting cycles. However, these sharp sell-offs are followed by immediate reversals if a recession is avoided.

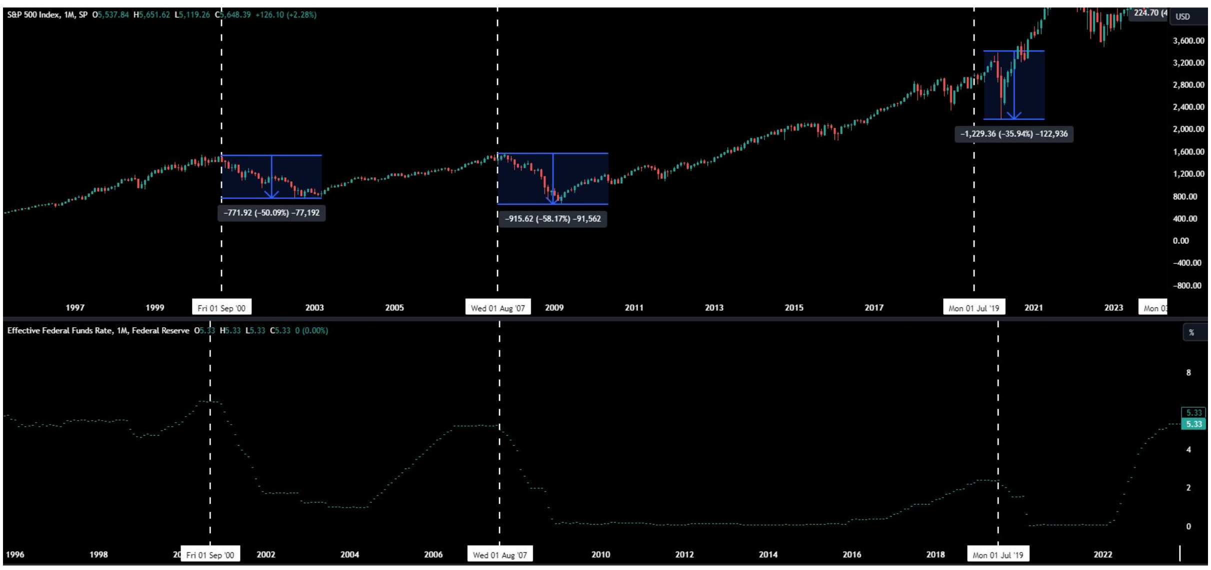


Figure 12. SPX and Effective Federal Funds Rate.

However, if the Fed is able to avoid a recession, the long-term outlook for risk assets is increasingly bullish. Since 1970, the S&P 500 has climbed an average of 18 percent one year after the first rate cut in non-recessionary periods. In recession periods, the index climbed an average of just two percent a year following the first cut.

European Central Bank (ECB)

The ECB has been navigating a complex economic environment characterised by stubbornly high inflation in Southern Europe and weakening economic growth across the Eurozone. While the ECB has continued to raise rates into 2024, it has recently signalled the possibility of a pause, given the signs of an economic slowdown. The upcoming ECB Governing Council Meeting on September 14, 2024, will be closely watched, as any changes in interest rates or policy direction could have significant implications for European equities, the Euro, and, by extension, the cryptocurrency market.

Bank of Japan (BOJ)

The BOJ has been slowly unwinding its ultra-loose monetary policy, though it remains one of the most dovish major central banks. Japan's inflation has finally started to pick up, placing the BOJ in a delicate position: it must support economic growth while preventing the yen from weakening further. The BOJ Policy Meeting on September 20, 2024, could bring further moves towards tightening or interventions in the yen market, both of which could have global implications, particularly for currency markets and, indirectly, for cryptocurrencies like Bitcoin.

People's Bank of China (PBOC)

The PBOC has been focused on supporting economic growth amid a property sector downturn and slowing exports. Its measures have included liquidity injections and targeted stimulus, though the effectiveness of these interventions remains in question. China's economic slowdown is a significant concern for global markets, especially for commodities and emerging markets. The upcoming Q3 2024 GDP release, expected in mid-October, will be a crucial indicator of the performance of the world's second-largest economy and could significantly impact global market sentiment, including the cryptocurrency market.

Bitcoin and Altcoins: Diverging Paths

The dynamics of global economic policies have created a complex environment for cryptocurrencies, particularly the relationship between Bitcoin and altcoins. While Bitcoin has seen relatively stable performance, largely driven by institutional inflows and regulatory clarity, altcoins have struggled.

Figure 13. Bitcoin Market Cap and Altcoin Market Cap (Source: Tradingview)

Many altcoins are significantly depressed compared to Bitcoin, with some down 70-80 percent from their all-time highs. This divergence is partly due to regulatory challenges facing altcoins, especially in the US and Europe, where Bitcoin has enjoyed more regulatory acceptance.

Figure 14. Marketcap Bitcoin Dominance (Source: Tradingview)

Bitcoin's dominance in the market—currently around 57 percent—reflects cautious sentiment among investors. Historically, Bitcoin tends to outperform in uncertain environments, while altcoins lag until clearer risk-on signals emerge. However, as macroeconomic conditions stabilise and liquidity improves, altcoins—particularly Layer 1 protocols and DeFi projects—could be poised for a rally, given they have been the best performing sectors in August (see Figure below) and could outperform once BTC bottoms .

Figure 15: Sector-wise Performance Across Top 200 Crypto Assets Over The Past Week. (Source: Velo)

Navigating the Intersection of Global Policies and Cryptocurrency

The broader global economic landscape suggests that as long as central banks like the ECB, BOJ, and PBOC are navigating challenging macro economic environments, their policies will continue to influence cryptocurrency markets. The accommodative stance of central banks, particularly the BOJ's delayed rate hikes and the ECB's cautious approach, suggests that the current era of supportive market conditions may continue. The US elections and the regulatory climate surrounding the crypto market is also a significant factor affecting BTC and more importantly altcoins towards the end of Q4 2024 and Q1 2025.

The cryptocurrency market stands at a critical juncture, influenced both by the upcoming FOMC rate decisions and the broader global economic policies of major central banks. While the short-term outlook for Bitcoin may be volatile, particularly given the historical patterns seen in September, the long-term prospects remain promising. The actions of central banks like the ECB, BOJ, and PBOC will play a significant role in shaping the future of digital assets.

GENERAL MACRO UPDATE

Steady Inflation and Robust Consumer Spending Signals US Economic Stability as Fed Eyes Rate Cut

As the US economy progresses into the last two quarters of the year, investors can be comforted by a picture of ongoing disinflation, robust household consumption, and wage growth that outpaces inflation. The Federal Reserve's preferred inflation measure, the Personal Consumption Expenditures (PCE) index, increased at an annual rate of 2.5 percent in July, consistent with the consensus forecast and unchanged from the previous month. The data shows that disinflation across the US economy continues and reinforces the fact that price stability seems to have been achieved.

On a month-on-month basis, the PCE price index rose by 0.2 percent in July, building on a 0.1 percent increase in June, and in line with the consensus forecast. Excluding the more volatile food and energy components, the year-over-year inflation rate climbed by 2.6 percent, with a monthly increase of 0.2 percent, reflecting the same growth seen in June.

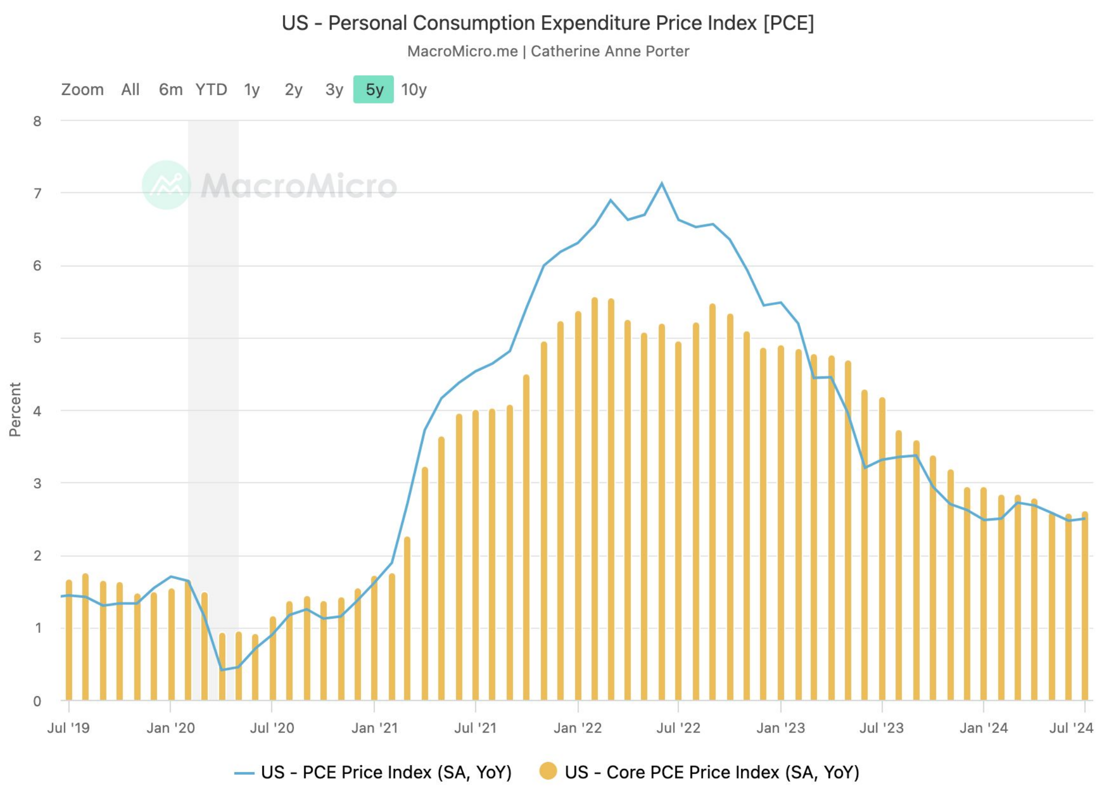


Figure 16. Personal Consumption Expenditure (Source: Bureau of Economic Analysis, MacroMicro)

	2024				
	Mar.	Apr.	May	June	July
	Percent change from preceding month				
Personal income:					
Current dollars	0.5	0.2	0.4	0.2	0.3
Disposable personal income:					
Current dollars	0.5	0.2	0.3	0.1	0.3
Chained (2017) dollars	0.2	-0.1	0.3	0.1	0.1
Personal consumption expenditures (PCE):					
Current dollars	0.7	0.2	0.5	0.3	0.5
Chained (2017) dollars	0.3	0.0	0.5	0.3	0.4
Price indexes:					
PCE	0.3	0.3	0.0	0.1	0.2
PCE, excluding food and energy	0.3	0.3	0.1	0.2	0.2
Price indexes:	Percent change from month one year ago				
PCE	2.7	2.7	2.6	2.5	2.5
PCE, excluding food and energy	2.8	2.8	2.6	2.6	2.6

Figure 17.Personal Income and Outlays report (Source: Bureau of Economic Analysis)

In tandem with these inflation trends, personal spending surged by 0.5 percent, with inflation-adjusted spending rising by 0.4 percent. Additionally, personal income grew by 0.3 percent, and when excluding government transfers, income saw a 0.2 percent increase, while disposable income increased by 0.1 percent.

This data is unlikely to deter the Fed from its anticipated course of action, which involves lowering interest rates by at least 25 basis points in September. The July data reinforces the Fed's confidence that the PCE index is on a trajectory toward the Fed’s two percent target.

Recent inflation reports, both core and headline, have shown a trend toward stabilisation, with consumer spending continuing to exceed expectations. This resilience in spending highlights the economy's solid growth. However, with the labour market beginning to cool, the focus shifts to how much consumer spending might slow down in the coming months. While a 25 basis point rate cut in September appears almost certain, the Fed remains cautious, hoping that upcoming job reports do not intensify the need for a more significant 50 basis point reduction.

Furthermore, the current data supports risk-taking by businesses as interest rates decline, and investors are increasingly optimistic about a sustained economic expansion, buoyed by the potential benefits of the interest rate cut.

Economic Growth Remains Robust Despite Early August Concerns

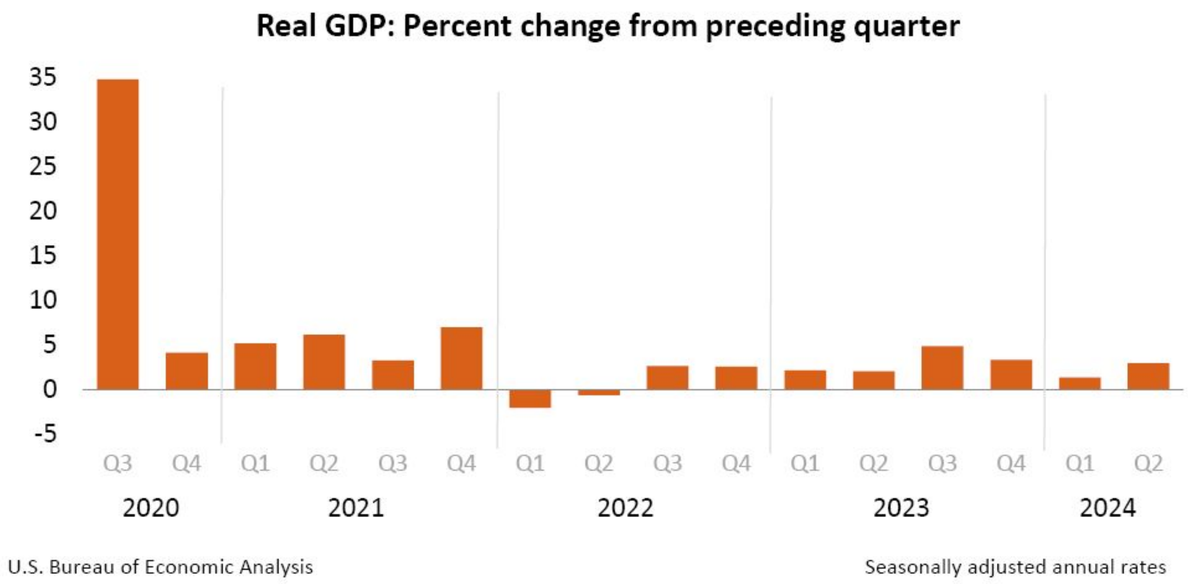


Figure 18. Real GDP, Percentage Change from Preceding Quarter

Concerns over a potential economic slowdown that emerged in early August now appear to have been overblown following the release of recent data on gross domestic product (GDP) and jobless claims.

The Bureau of Economic Analysis updated figures showing that the US economy grew at a stronger pace in the second quarter than initially estimated.

According to the Gross Domestic Product and Corporate Profits Report released last Thursday, August 29th, GDP expanded at an annual rate of 3.0 percent during the second quarter, a notable increase from the earlier estimate of 2.8 percent. This revision reflects a substantial upward adjustment in consumer spending, which remains a critical component of the economy. In contrast, the first quarter saw a growth rate of 1.4 percent. The consensus forecast was for second-quarter GDP to remain unchanged at 2.8 percent, making the upward revision a positive surprise.

Consumer spending, which represents more than two-thirds of overall economic activity, was revised upward to a 2.9 percent growth rate, compared to the previously reported 2.3 percent. This increase in spending helped offset downgrades in other areas, such as business investment, exports, and private inventory investment. Although there may be a decline in private investment in the third quarter, consumer spending is expected to continue driving economic growth.

Wage gains have supported consumer spending, though the pace is beginning to moderate as the labour market shows signs of cooling. In the second quarter, personal income rose by $233.6 billion, which is a slight downward revision from the previous estimate.

Figure 19. US Initial and Continuing Jobless Claims (source: US Department of Labor, MacroMicro)

Initial jobless claims, an important indicator of layoffs, stabilised at 231,000 in the week ending August 24th, following a spike in July, according to the [Department of Labor's Unemployment Insurance Claims] report. This stabilisation suggests a potential rebound in the labour market for August. With inflation largely under control, a robust labour market is likely to remain a key factor supporting growth, particularly in consumer spending, as the year progresses. Contrary to earlier fears, the economy does not appear to be on the verge of a downturn.

Pending Home Sales Plummet to Record Low

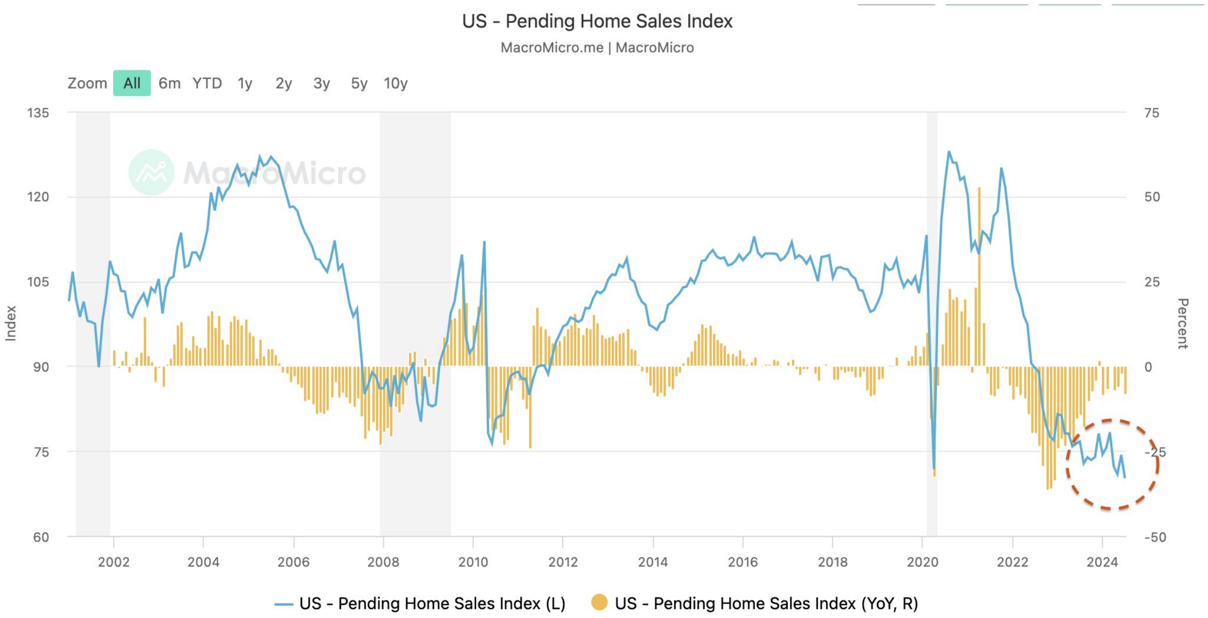


Figure 20. US Pending Home Sales (Source: National Association Realtors)

In July, pending home sales plunged to a new record low as declining mortgage rates failed to boost market activity. According to the National Association of Realtors (NAR), the monthly index for pending home sales dropped by 5.5 percent compared to the previous month, reaching its lowest level since the index was first introduced in 2001.

This sharp decline followed a brief recovery in June after the index had previously hit a record low in May. The drop in July was unexpected, as the consensus forecast had anticipated a slight increase of 0.1 percent. Year-over-year, pending transactions fell by 8.5 percent.

Despite a slowdown in the rate of price increases, home prices are still considered to be high. The Federal Housing Finance Agency reported a 5.1 percent year-over-year rise in house prices for June, the smallest annual increase in nearly a year, following a 5.9 percent rise in May.

Figure 21. Existing Homes Inventory & New Homes Inventory (Source: MacroMicro)

While slower job growth and higher inventory levels had a positive influence on house prices, they were insufficient to counteract the affordability challenges and buyers' hesitation due to the upcoming US presidential election. Several factors are contributing to buyer reluctance, including the fact that, although mortgage rates are falling, they remain high compared to recent years. With the Fed likely to cut interest rates in September, some buyers may prefer to wait before reentering the market.

Although July's numbers were disappointing, we believe that the downturn will be short-lived. As mortgage rates are expected to decline further and the election will pass this year, there is hope that the housing market will soon regain momentum.

US Consumer Confidence at Six-Month High, But Labour Market Anxiety Grows

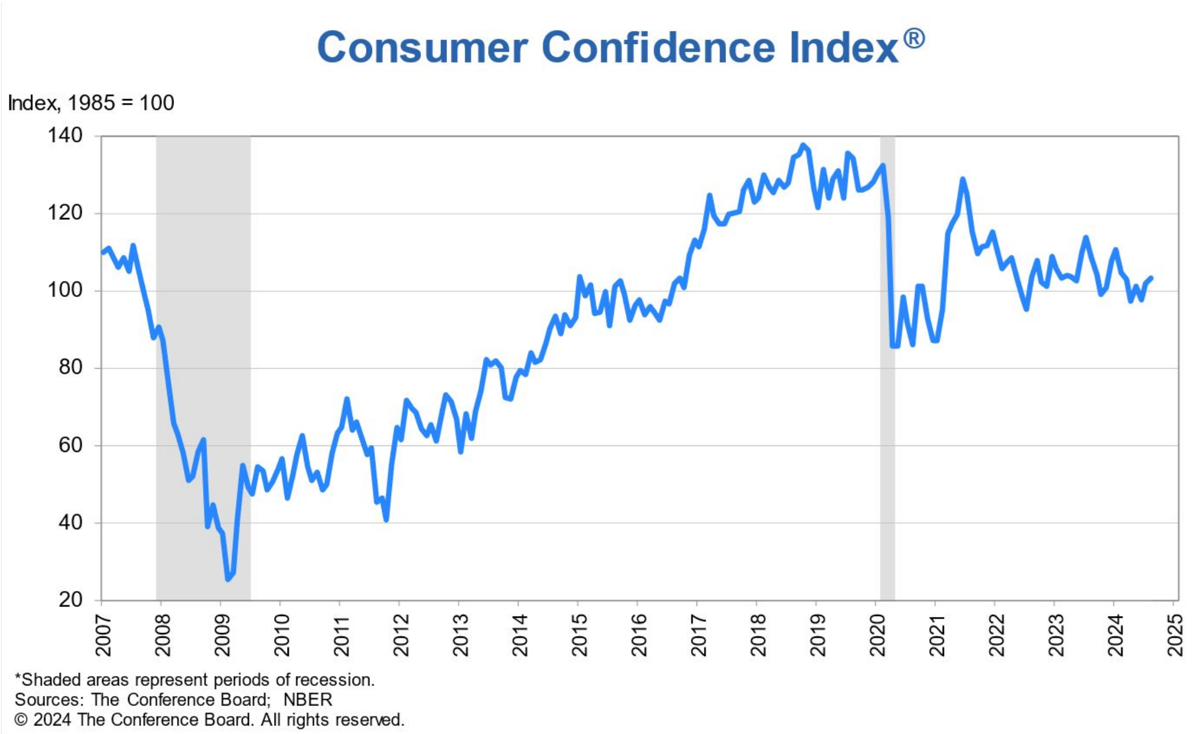


Figure 22. US Confidence Index (Source: The Conference Board)

In August, US consumer confidence reached its highest level in six months, driven by optimism about the economic outlook, despite growing concerns over the labour market.

According to the Conference Board's US Consumer Confidence report, the Consumer Confidence Index rose to 103.3, marking its highest reading since February. This increase from July's revised figure of 101.9 suggests that consumers are increasingly positive about business conditions over the next six months, reducing fears of an imminent recession.

The Conference Board's Expectations Index, which gauges consumers' short-term outlook for income, business conditions, and the labour market, also saw an improvement, rising to 82.5 in August. This is the highest level recorded since August 2023 and represents the second consecutive month where the index has remained above 80—a threshold below which a recession is typically anticipated.

However, while overall confidence in the economy has improved, sentiment towards the labour market has become more cautious. The proportion of consumers who believe that jobs are "plentiful" dropped slightly to 32.8 percent from 33.4 percent in July. Simultaneously, the percentage of those who view jobs as "hard to get" inched up to 16.4 percent from 16.3 percent in the previous month. The labour market differential, which reflects the gap between these two perceptions, narrowed to 16.4, the smallest margin since March 2021. This measure is closely linked to the unemployment rate, which has been on an upward trend for the past four months, recently reaching nearly a three-year high of 4.3 percent.

In contrast to the labour market concerns, consumers' inflation expectations have eased. The survey indicated that 12-month inflation expectations fell to 4.9 percent, the lowest level since March 2020, down from 5.3 percent in July. This decline in inflation expectations may reflect confidence in the Federal Reserve's efforts to manage inflationary pressures, despite the recent volatility in the labour market.

NEWS FROM THE CRYPTO-SPHERE

24X Exchange Aims to Revolutionise Cryptocurrency ETF Trading with Round-the-Clock Market Proposal

Figure 23. 24X Exchange Aims to Revolutionise Cryptocurrency ETF Trading with Round-the-Clock Market Proposal

- **24X National Exchange has filed a proposal with US regulators to launch a securities exchange that would enable 24/7 trading for cryptocurrency ETFs**

24X National Exchange, a 24-hour electronic market trading platform, took a significant step toward reshaping the trading landscape by filing an amended application with US regulators, to establish a securities exchange that could introduce 24/7 trading for cryptocurrency exchange-traded funds (ETFs). The application outlines a groundbreaking proposal to extend trading hours well beyond the standard schedule.

The filing details 24X's plan to "significantly expand trading outside of regular trading hours " for US-listed securities. The proposed exchange would operate continuously—23 hours a day, every day of the year, including holidays, with certain exceptions for trading pauses.

Should the exchange receive approval, 24X aims to include a wide range of securities for trading during its proposed 24X Market Session. Eligible securities would encompass any security from the Nasdaq-100 Index, S&P 500 Index, Russell 2000 Index, and the top 50 ETFs by average daily volume.

While 24X’s proposal presents a bold vision, it has yet to receive the green light from the Securities and Exchange Commission (SEC). Recent public feedback, particularly comments, highlighted critical areas such as the management of trading pauses and the implementation of stress tests in an extended trading environment.

In contrast to crypto exchanges, securities exchanges that handle crypto ETFs currently limit trading to the hours between 9:30 am and 4:00 pm Eastern Time (ET).

Australia's Crypto ATM Market Expands Rapidly Amid Rising Concerns Over Misuse

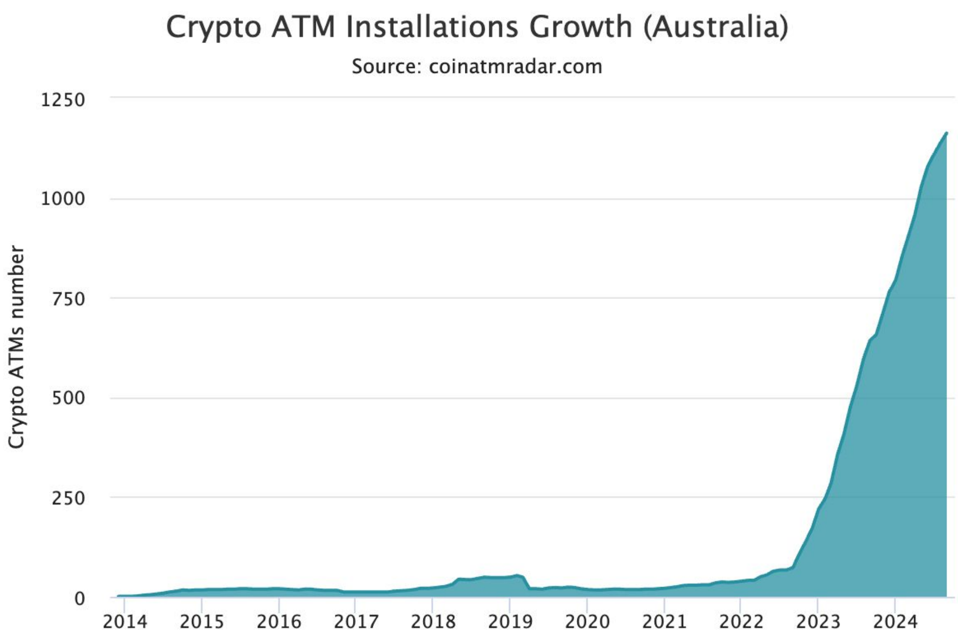


Figure 24. Australia's Crypto ATM Market Expands Rapidly Amid Rising Concerns Over Misuse

- **Australia has seen a 17-fold increase in cryptocurrency ATMs in the past two years, making it the third-largest market globally**
- **Authorities are increasingly concerned about the use of these ATMs for money laundering, prompting a multi-agency task force to address the issue**

Australia has seen a 17-fold increase in cryptocurrency ATMs in the past two years, making it the third-largest market globally.

Authorities are increasingly concerned about the use of these ATMs for money laundering, prompting a multi-agency task force to address the issue

Australia has experienced a remarkable surge in the number of new cryptocurrency ATMs, with their numbers growing 17-fold in just the past two years. This rapid expansion positions the country as one of the fastest-growing markets for these kiosks globally, even as concerns mount over their potential misuse by criminal elements.

In a post dated August 28, blockchain intelligence firm TRM Labs highlighted this rapid growth, describing it as "the most significant expansion of the cash-to-crypto industry in recent years."

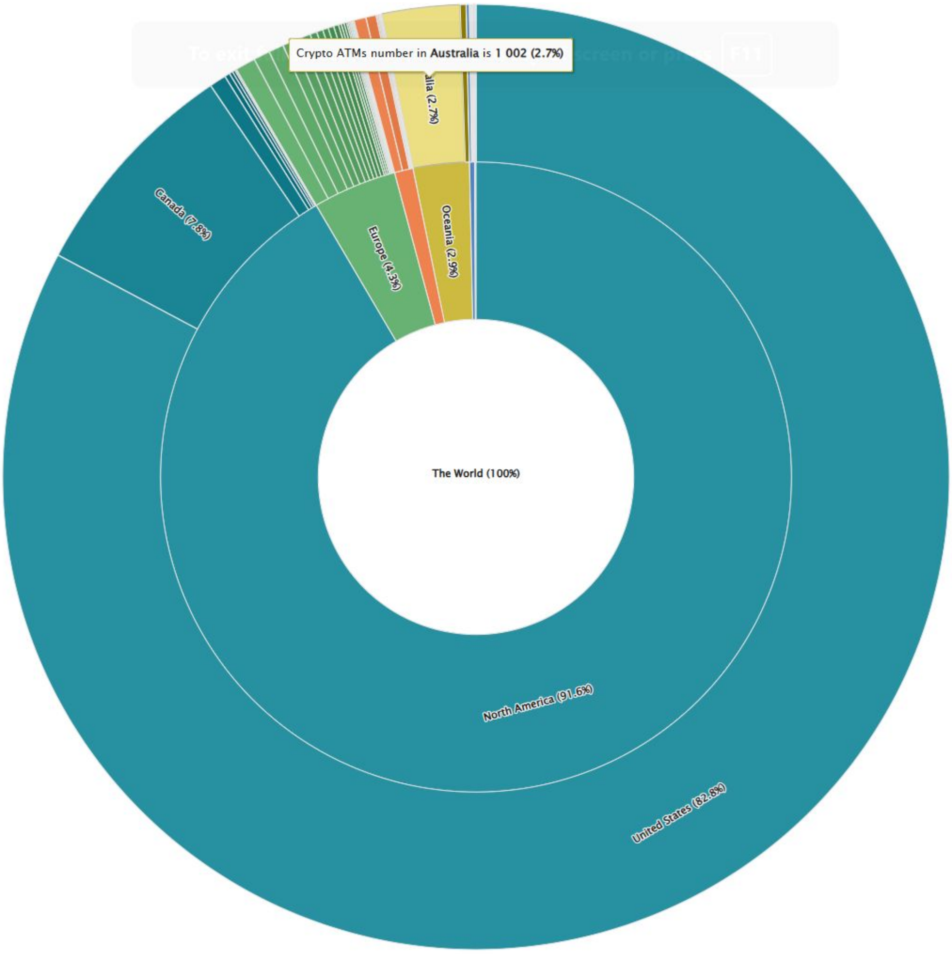


Figure 25. Crypto ATM distribution by continents and countries. Source: Coin ATM Radar

Despite this impressive growth, Australia's share of the global market remains relatively small at 3 percent, trailing significantly behind the United States, which dominates with over 82 percent of the market and 31,877 ATMs. Canada follows with 3,004 machines, capturing a 7.8 percent share.

However, this rapid expansion has likely caught the attention of law enforcement agencies. Australian authorities have identified crypto ATMs as a potential vulnerability for money laundering. In March of last year, the Australian Federal Police established a multi-agency task force focused on combating money laundering, noting that some criminals have been using these crypto ATMs to launder their illicit gains.

Trump to Unveil Crypto Strategy, Touts Partnership with DeFi Project

Figure 26. Trump to Unveil Crypto Strategy, Touts Partnership with DeFi Project

- **Former President Donald Trump plans to introduce a strategy to make the US a global leader in cryptocurrency, linked to the DeFi project World Liberty Financial**
- **Trump's involvement in the crypto space has grown, including promises to create a "strategic Bitcoin reserve"**

In a recent post on X, former President Donald Trump announced that he will unveil a comprehensive plan aimed at establishing the United States as a global leader in cryptocurrency. The announcement was linked to World Liberty Financial, a decentralized finance (DeFi) project that has garnered support from his sons, Donald Trump Jr. and Eric Trump.

"This afternoon I'm laying out my plan to ensure that the United States will be the crypto capital of the planet," Trump stated in his post, which featured the World Liberty Financial logo.

Trump had earlier hinted at a significant upcoming announcement regarding cryptocurrency and DeFi in recent weeks, and has been building anticipation for this reveal.

Shortly before Trump's post, World Liberty Financial issued a warning on their Telegram channel, cautioning followers against fraudulent schemes. The channel mentioned that some users were being targeted with fake airdrop and token sale offers falsely claiming to be from the project. "We are currently not conducting any airdrops or token sales," the message clarified.

Trump's engagement with the crypto community has been on the rise since his appearance at Bitcoin 2024 in July, where he signalled his intent to attract crypto-savvy voters. His entrepreneurial ventures have also extended into the digital space, with several NFT collections featuring his likeness available since late 2022.

During the Bitcoin conference, Trump also vowed to remove Gary Gensler, the current chair of the Securities and Exchange Commission, and proposed the creation of a "strategic Bitcoin reserve" to prevent the US from selling its Bitcoin holdings, should he win the presidency in November.

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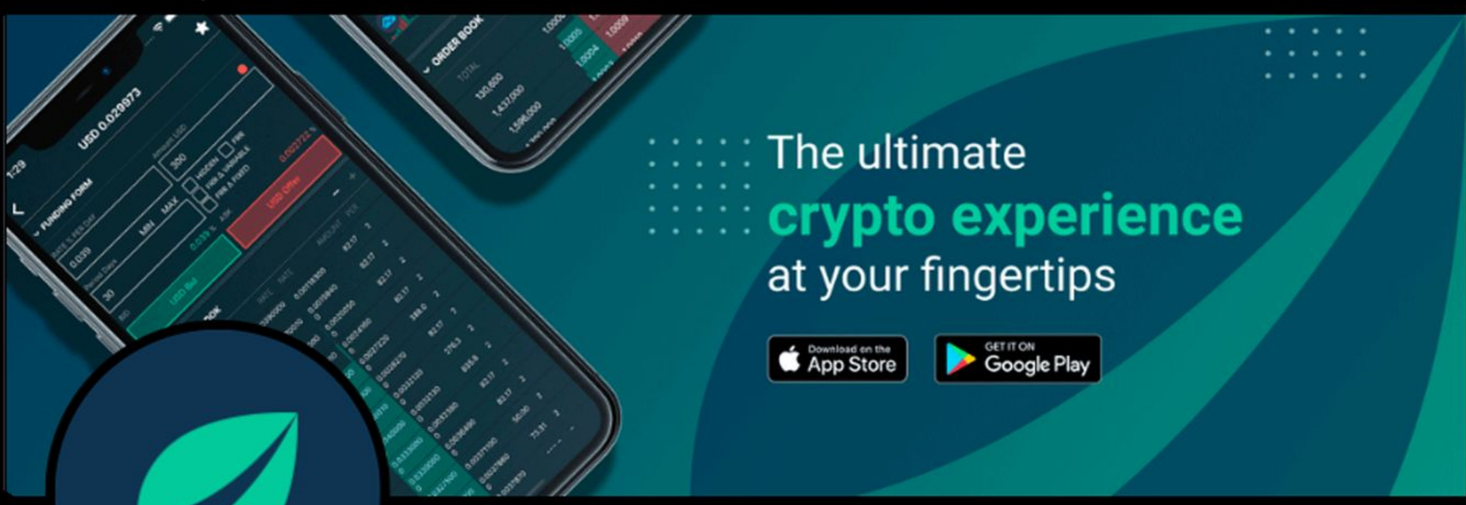

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