BITFINEX Alpha

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EXECUTIVE SUMMARY

BTC Soars as New Investors Enter the Market

Bitcoin has shattered its previous all-time high set in March, reaching new highs above $82,000 following the re-election of Donald Trump as US President. The market's positive response to his election victory has fuelled an impressive 23 percent surge in the BTC price from the pre-election dip.

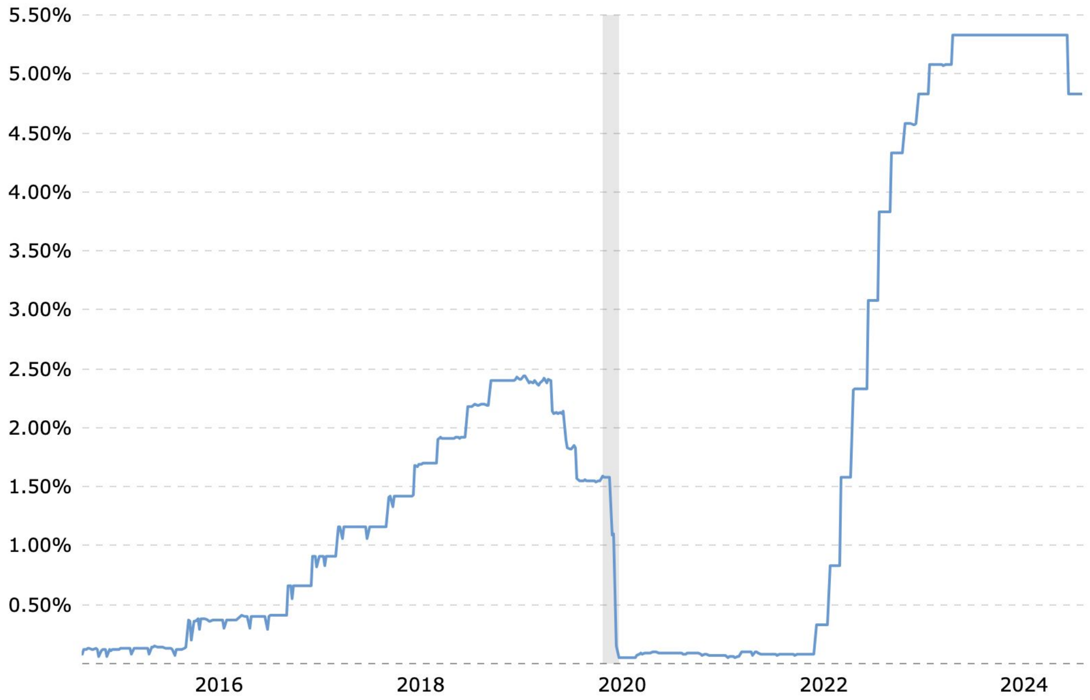
Record-breaking ETF inflows, totalling $2.28 billion over three days, signal renewed institutional demand for Bitcoin. BlackRock's IBIT ETF alone drew $1.1 billion in net inflows, reversing prior outflows seen during pre-election de-risking. This surge in demand marks a notable shift, with buying interest absorbing selling pressure at all-time highs and stabilising market dynamics. A marked increase in the Aggregated Spot Cumulative Volume Delta shows that there has been strong buying across major exchanges post-election. With open interest (OI) in Bitcoin futures and perpetual contracts also reaching an all-time high of $45.43 billion, the market signals heightened speculative activity, yet remains relatively stable as OI and price are in equilibrium at elevated levels.

In addition, the current wave of profit-taking is comparatively modest, compared to the March all-time high, when realised profits peaked at $3.1 billion. We believe this reflects a maturing market that has recalibrated its fair value expectations.

While the momentum is promising, the $82,000-85,000 zone could act as a psychological resistance point. We anticipate some consolidation or a potential pullback to $77,000 to close the CME gap, before Bitcoin continues its climb on higher time frames. The market's resilience, bolstered by institutional participation and newfound demand, sets a robust foundation for Bitcoin's price discovery in uncharted territory.

The US economy currently shows signs of strength, driven by strong consumer confidence, steady growth, and easing inflation pressures. Following Donald Trump's election, markets are reacting positively, with optimism around his pro-growth policies, including tax cuts and regulatory rollbacks. However, these policies bring inflation risks, especially if tariffs and stricter immigration rules are enacted, potentially increasing prices and wage costs.

The Federal Reserve's recent 0.25 percent rate cut, coupled with strong productivity and a stable labour market, reflects confidence in sustained growth.



However the Fed has signalled caution about further cuts, and has indicated that it will remain flexible as it waits for clearer fiscal signals before making further adjustments. Consumer sentiment has also been at its highest since April, fueled by falling gas prices and diminishing short-term inflation concerns. This optimism supports consumer spending, suggesting robust economic performance in the coming months. However, inflation risks and policy uncertainties present potential challenges, making this an economically optimistic yet cautious period.

For crypto, the Trump election victory has been perceived as very positive, sparking a surge in Bitcoin's price and lifting crypto-centric stocks amid hopes of reduced regulations and the potential for a national Bitcoin reserve.

This week, we also saw Tether expanding its use case through the successful financing of a $45 million crude oil transaction in the Middle East, marking its entry into the commodities market.

Through its new Trade Finance division, Tether is positioning USDt as a transformative tool for faster, cost-effective global trade, with ambitions to extend into diverse sectors beyond energy.

On the regulatory front, the SEC has again delayed its decision on options for spot Ethereum ETFs, citing concerns over investor protection and market stability. This cautious approach reflects ongoing scrutiny of crypto markets, even as Ethereum ETFs have gained traction since July.

Have a great trading week!

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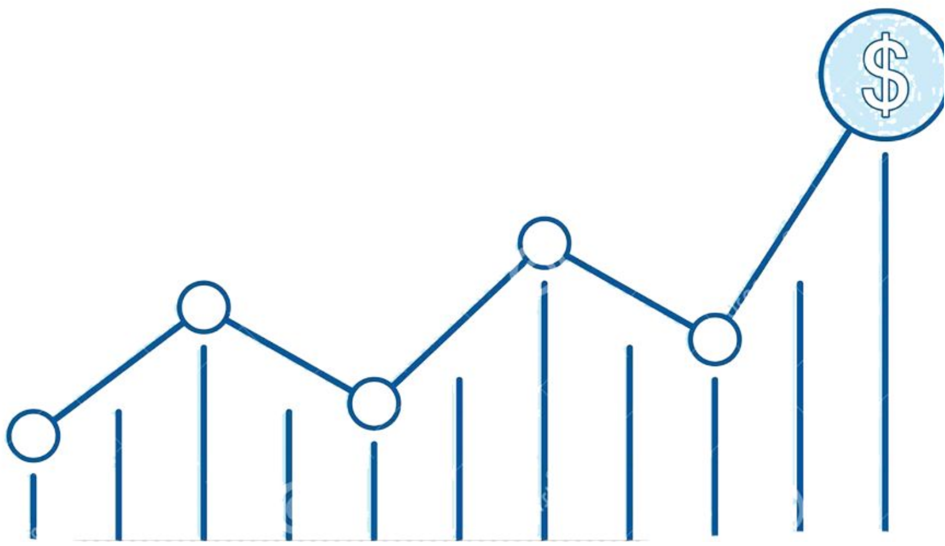


MARKET SIGNALS

Bitcoin Surpasses $82,000 Post Trump Win

Bitcoin surpassed its previous all-time high of $73,666, set in March of this year, reaching a high of $82,475, following the results of the US Presidential election and Donald Trump's victory. BTC is up over 23 percent from the de-risking that took place pre-election (See Figure below). This rally highlights the market's positive reaction to the election outcome, with investors positioning themselves for potential economic stimulus and regulatory shifts under the new administration.

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

While we continue to see some profit-taking as prices reach successive new highs, US ETF buying remains sustained and reached a record high last week , recording $2.28 billion in net inflows over the course of the three days following the elections.

At the time of Bitcoin's March all-time high (ATH), we also saw a peak in realised profit volume of over $3.1 billion (See Figure below). Realised profit volume represents the USD-notional value of coins being transferred on-chain, after deducting the value from when they were last transferred. Usually, larger market participants move significant quantities of BTC to and from exchanges or OTC desks when taking positions, and the realised profit metric captures both of these scenarios to give an accurate picture of the amount of distribution/accumulation of Bitcoin in a given period. Since the peak, the market has sought to price in possible sales of BTC from investors in profit. As a consequence, realised profit volumes have gradually subsided, reaching an equilibrium, as can be seen in the chart below. This reset in supply and demand forces and the subsequent surge in price this weekend indicates that the market is now pricing in a higher "fair value" for Bitcoin, while it continues price discovery.

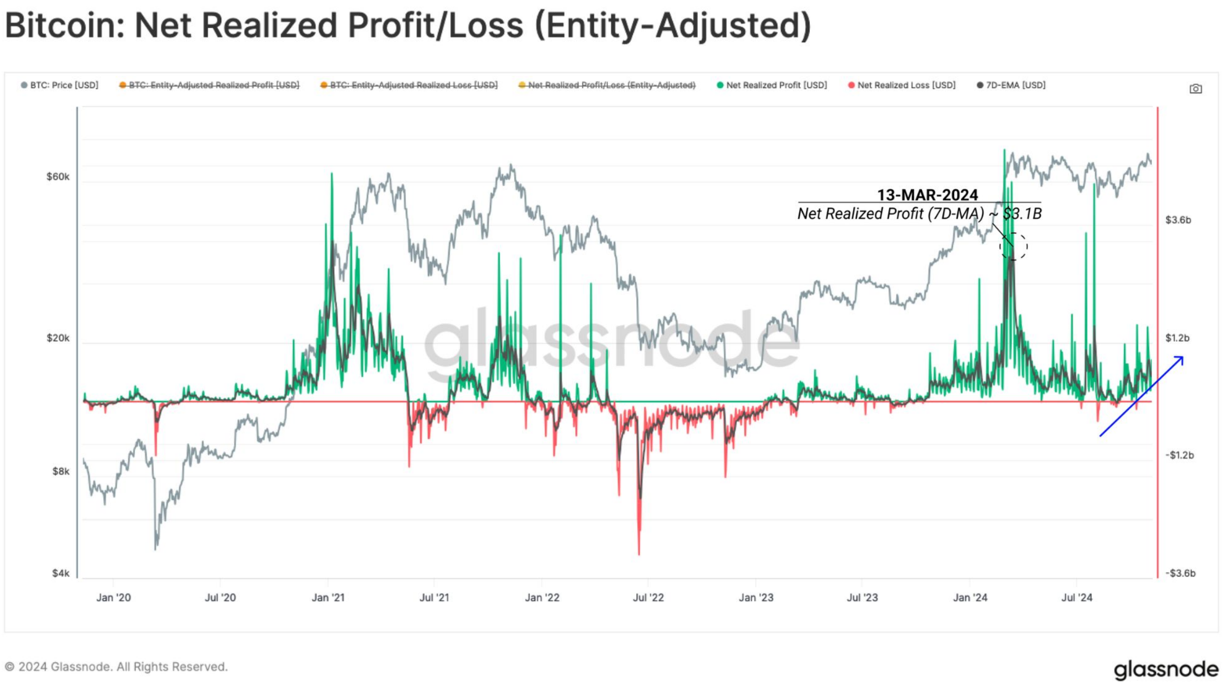


Figure 2. Bitcoin Realised Profit/Loss Across Multiple Entities. (Source: Glassnode)

Even though there has been a structural increase in profit-taking, the amount of profit-taking above $70,000 is significantly smaller in comparison to past instances that BTC traded above this level. We believe this signals the entry of a new wave of demand into the market which is backed up by ETF buying post elections, and suggests fresh investor interest could drive further upward momentum in the near term.

BlackRock's IBIT ETF (see Figure below) saw a significant surge of $1.1 billion in net inflows on November 7th, following two rare days of outflows on November 5th and 6th, likely driven by pre-election de-risking. This highlights a clear resurgence in demand for Bitcoin, both in terms of timing and pricing, as the market adjusts to these higher price levels above $70,000. From March to August, there was considerable supply with insufficient sustained buying pressure to absorb it. Now we appear to be entering into a new phase where the volume of profit-taking when BTC hits an all-time high is notably lower, given the amount of fresh demand entering the market post-election. This demand is helping to absorb the minor selling pressure still present, suggesting a healthier market environment and potential for further upward movement.

	Blackrock	Fidelity	Bitwise	Ark	Invesco	Franklin	Valkyrie	VanEck	WTree	Grayscale	Grayscale	Total
	IBIT	FBTC	BITB	ARKB	BTCO	EZBC	BRRR	HODL	BTCW	GBTC	BTC	
Fee	0.25%	0.25%	0.20%	0.21%	0.25%	0.19%	0.25%	0.20%	0.25%	1.50%	0.15%	
22 Oct 2024	43.0	8.8	0.0	(134.7)	0.0	0.0	0.0	3.8	0.0	0.0	0.0	(79.1)
23 Oct 2024	317.5	0.0	(25.2)	(99.0)	0.0	0.0	0.0	(5.6)	0.0	0.0	4.7	192.4
24 Oct 2024	165.5	0.0	29.6	0.0	0.0	0.0	0.0	0.0	0.0	(7.1)	0.0	188.0
25 Oct 2024	292.0	56.9	2.5	33.4	0.0	0.0	0.0	11.3	0.0	0.0	5.9	402.0
28 Oct 2024	315.2	44.1	38.7	59.8	0.0	0.0	0.0	0.0	0.0	0.0	21.6	479.4
29 Oct 2024	642.9	133.9	52.5	12.4	0.0	0.0	0.0	16.5	0.0	(17.3)	29.2	870.1
30 Oct 2024	872.0	12.6	(23.9)	7.2	7.2	0.0	6.1	4.1	0.0	0.0	8.0	893.3
31 Oct 2024	318.8	(75.2)	(74.0)	(94.2)	0.0	0.0	1.9	(13.9)	0.0	(31.1)	0.0	32.3
01 Nov 2024	0.0	(25.6)	(5.6)	(24.1)	0.0	0.0	(1.7)	(5.9)	0.0	(5.5)	13.5	(54.9)
04 Nov 2024	38.4	(169.6)	(79.8)	(138.3)	0.0	(17.6)	(5.7)	(15.3)	0.0	(63.7)	(89.5)	(541.1)
05 Nov 2024	(44.2)	(68.2)	19.3	(12.5)	0.0	(6.0)	(1.3)	(3.9)	0.0	0.0	0.0	(116.8)
06 Nov 2024	(69.1)	308.8	100.9	127.0	0.0	0.0	(2.6)	17.2	0.0	30.9	108.8	621.9
07 Nov 2024	1,119.9	190.9	13.4	17.6	0.0	0.0	0.0	4.3	0.0	7.3	20.4	1,373.8
08 Nov 2024	206.1	33.5	23.0	0.0	0.0	17.8	0.0	13.0	0.0	0.0	0.0	293.4
Total	27,387	10,761	2,344	2,611	418	436	537	725	217	(20,141)	563	25,857

Figure 3. Bitcoin US ETFs Daily Flows Across All Providers. (Source: FarsideUK)

The new found spot buying interest post elections is also shown through the Aggregated Spot Cumulative Volume Delta metric which has increased considerably. (See Figure below)

Figure 4. Aggregated Spot Cumulative Volume Delta vs BTC price Post US Election Results (Source: Coinalyze)

The Spot CVD shows taker flow, as in spot market buying/selling across major exchanges. As is clear from the figure above, the market buying interest on centralised exchanges has increased significantly post clarity of a Trump win and has continued into the weekend.

We expect some levels above $82,000 to be local resistance in the short term and buying interest post elections is expected to subside. The price action in US sessions on Monday and the following days (after the market has had time to react to the Trump win) should set the short-term trend.

Simultaneous to spot market inflows, the open interest (OI) for Bitcoin related futures and perpetual trading pairs has also reached a new ATH at $45.43 billion. (refer Figure below)

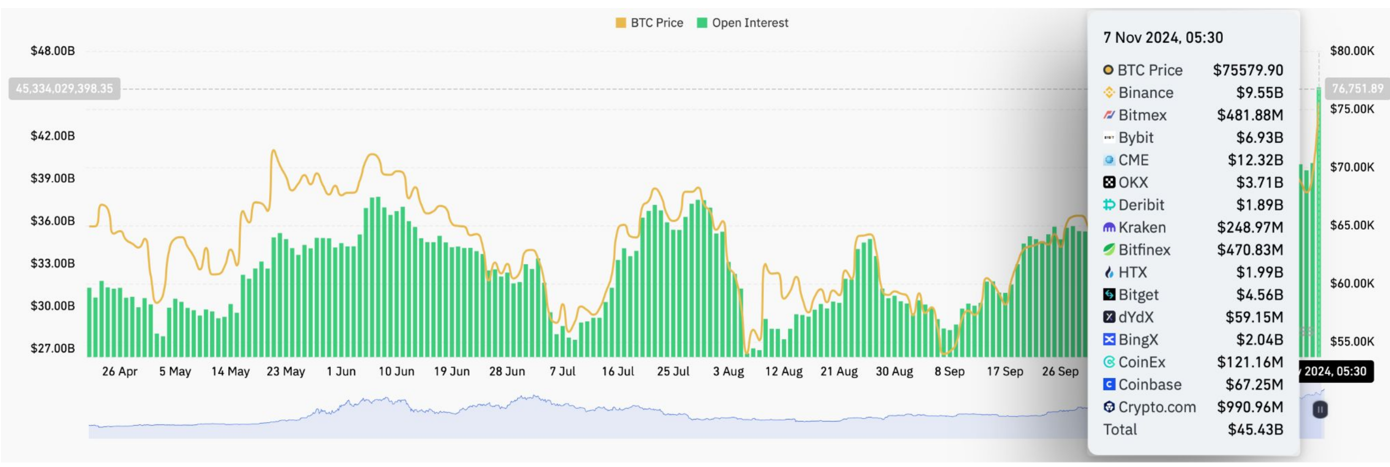


Figure 5. Bitcoin Trading Pairs Total Open Interest Across Centralised Exchanges (Source: Coinglass)

As we have indicated in previous editions of *Bitfinex Alpha,* high OI levels are often interpreted as showing a high amount of speculative leveraged buying, however, high OI readings are not necessarily bearish and just like price they can be simply adjusting as investors seek the right price point. As we denote OI in USD-notional terms it is reasonable that OI increases to ATHs along with price. A lot of analysts have continued to be bearish citing high or unsustainable OI levels as a rationale, however in our view, OI increasing in absolute terms is not bearish or unsustainable if the underlying spot price is also rising. It is only if OI levels rise faster than the underlying that investors should be vigilant of over-heating. As of right now, the latter is not the case.

BTC OI increased by $5 billion on November 7th, compared to November 6th, and we believe prices will continue to stall near the $82,000-85,000 area momentarily and perhaps find support back near $77,000 where the ‘CME Gap’ is currently priced. The CME gap refers to the BTC price on the Chicago Mercantile Exchange (CME) at the Friday close for the CME, compared to cryptocurrency exchanges which trade 24/7.

Traders often monitor these gaps because, historically, Bitcoin’s price has shown a tendency to “fill” them—that is, to move back to the level where the gap occurred. It is not a necessity but it’s a good price level that aligns with the belief that a brief pullback with continuation of the trend up will occur.

GENERAL MACRO UPDATE

Trump’s Triumph Sparks Market Optimism, but Inflation Risks Loom

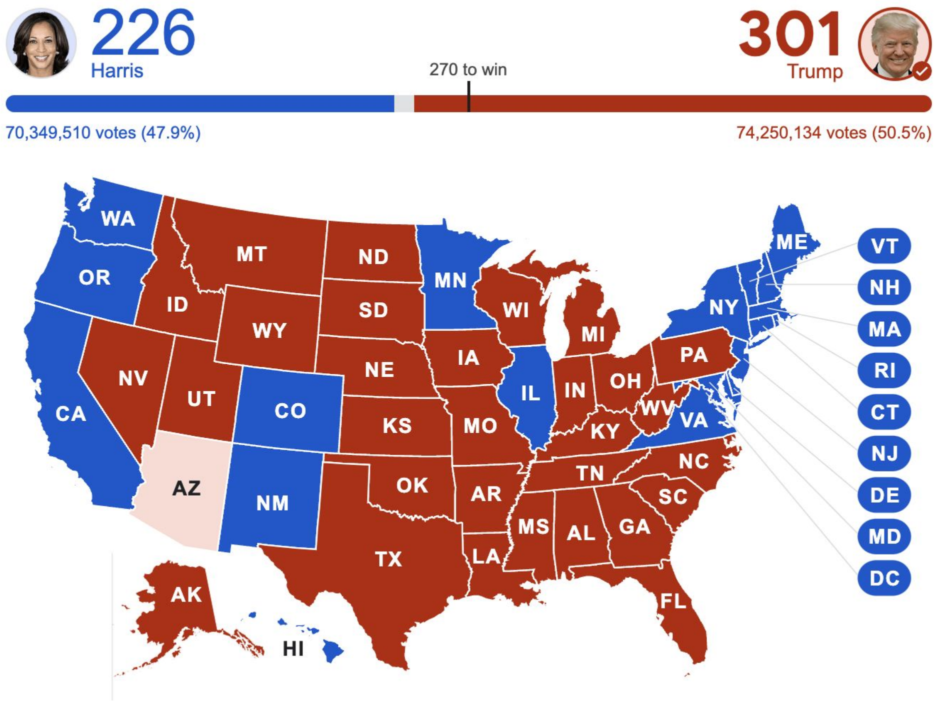


Figure 7. Donald Trump Won US Presidential Elections

The return of Donald Trump to the US presidency made considerable waves through financial markets, with investors anticipating the introduction of policies that could stimulate economic activity through both tax cuts and a lighter regulatory approach.

Trump’s campaign prioritised tackling inflation and promising rapid price reductions, appealing to voters' economic concerns and emphasising policies aimed at economic growth.

Central to [Trump's economic proposals]() is a broad range of tax cuts intended to benefit different demographic groups, including senior citizens and homeowners. These cuts would be partially offset by imposing new tariffs on imports from China and other countries and by implementing stricter immigration policies, including deporting millions of undocumented immigrants. The strategy suggests that increased disposable income for Americans could lead to higher demand, possibly putting upward pressure on prices, especially if new tariffs are imposed. Tariffs, in effect, function as a sales tax on imported goods, meaning American consumers ultimately bear the cost, which could drive up inflation. However, a potential decrease in the labour force due to deportations could increase wages as companies compete for a smaller pool of workers, amplifying wage-push inflation.

Figure 8. US Dollar Currency Index (Source: Tradingview)

The reaction in the currency markets has been pronounced, with the US dollar strengthening significantly against key global currencies. This surge is largely driven by expectations of a more aggressive tax-cut policy that could enhance economic growth and attract global capital inflows, particularly into sectors that benefit from reduced regulation.

Figure 9. S&P 500, NASDAQ, Dow Jones Industrial Average

In equities, optimism about the potential for accelerated economic growth was also evident, with solid gains across stock markets. Additionally, yields on Treasury notes reflected this sentiment, with the 10-year Treasury note yield climbing to 4.46 percent in anticipation of increased economic activity. The combination of anticipated tax cuts, heightened capital flows, and a relaxed regulatory environment could make financial markets a pivotal driver of economic conditions under a potential Trump administration.

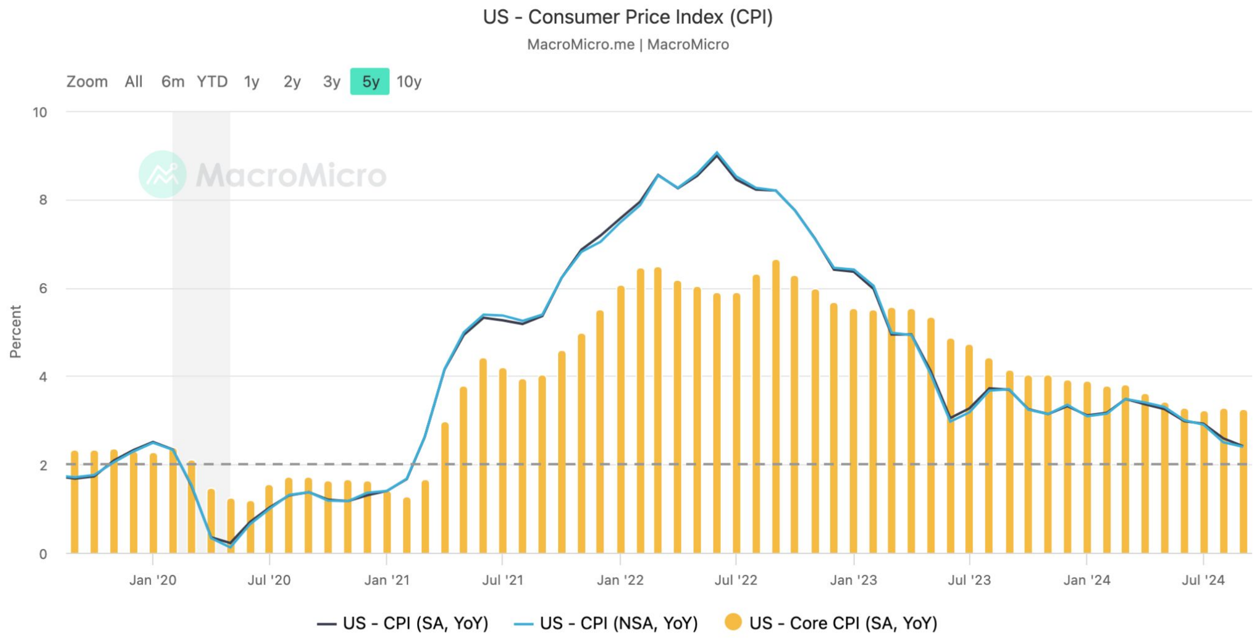


Figure 10. Consumer Price Index (source: Macro Micro)

Inflation, which has been falling recently, could start rising again however, especially if tariffs and labour restrictions come into play. Although inflation has moderated to levels near the Federal Reserve's two percent target, it is still perceived by consumers as high since overall price levels remain elevated. Trump's proposed policies, such as imposing tariffs, may risk reigniting inflationary pressures, particularly through the tariff-driven price increases that consumers would have to absorb. Furthermore, stricter immigration controls could strain the labour market, increasing wage costs as businesses compete for a smaller workforce.

In conclusion, while Trump's economic approach aims to stimulate growth through tax cuts and a less restrictive regulatory framework, it also introduces potential risks, particularly concerning inflation. Tariff-based policies and tightened immigration could elevate prices and wage costs, adding complexity to the economic landscape. If implemented, these strategies would likely lead to a robust but inflation-prone economy, posing challenges that policymakers and investors would need to navigate carefully.

Fed Lowers Interest Rates Amid Strong Economic Growth, Signals Caution on Future Cuts

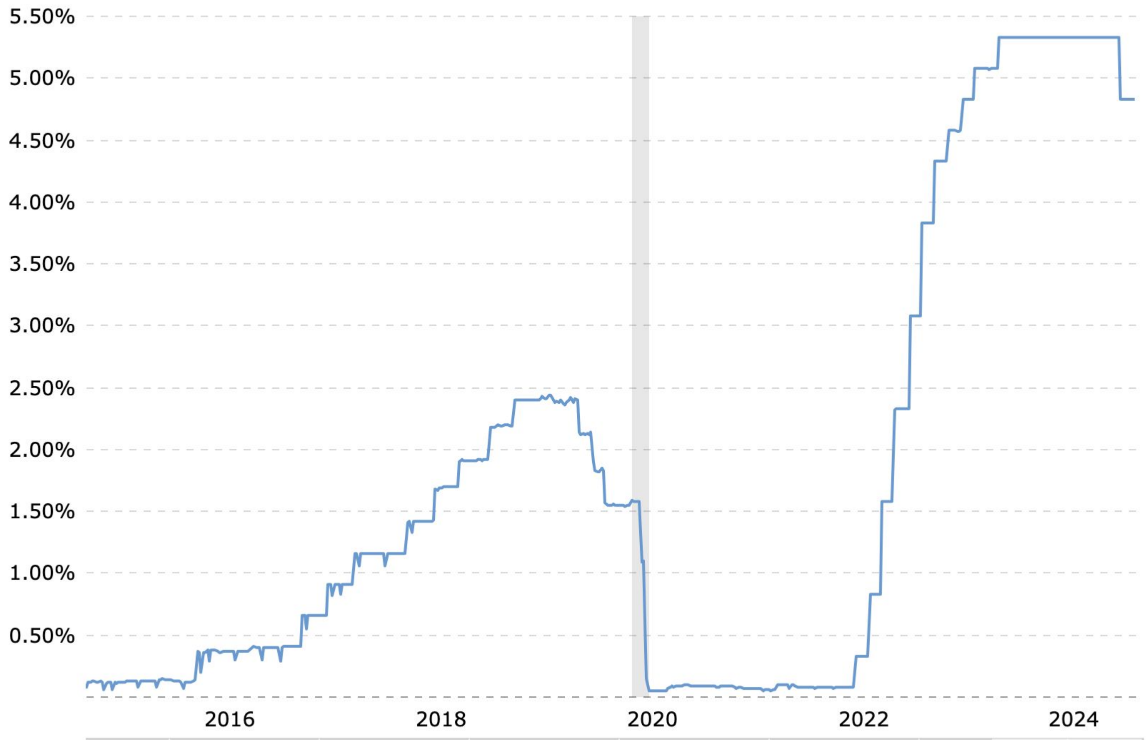


Figure 11. Figure X. Federal Reserve Interest Rates

Last Wednesday, November 6th, the Federal Open Market Committee (FOMC) opted to decrease the federal funds rate by 0.25 percent, setting it within a range of 4.5 percent to 4.75 percent. This decision reflects an environment where inflation is moderating, and productivity is on the rise. However, in its policy statement it emphasised that it sees both employment and inflation risks as balanced, and indicated there was no urgency to adjust rates at its next meeting.

The primary focus of the policy statement has shifted towards the health of the US labour market, which, while stable, has shown signs of slowing over the past year. Fed Chair Jerome Powell said during his press conference, that the American economy remains robust, and he anticipates continued strength in the upcoming year. Powell also reassured that recent political changes, such as Donald Trump's election as president, will not immediately influence Fed policies, underscoring that the Fed operates independently from fiscal policymaking.

Powell highlighted that as the Fed nears what is known as a "neutral rate" of interest – a rate that neither stimulates nor restricts economic activity – it may be sensible to reduce the pace of future rate cuts. The neutral rate helps maintain economic stability by balancing inflation and growth, and reaching this rate could allow the Fed to adjust its approach. While inflation is currently on a downtrend, Powell cautioned that they are not ready to declare victory over rising prices. Nonetheless, there is optimism that inflation will continue to decrease, aligning with the Fed's goals.

Although another quarter-point rate cut would be welcomed, robust economic performance has increased the chances that the Fed will hold rates steady at its December meeting, according to projections from the CME FedWatch Tool. Additionally, with recent political shifts, the Fed has refrained from offering guidance on how possible changes in fiscal, trade, or immigration policies might impact the economy, waiting instead for concrete policy actions before making projections.

If the economy sustains a growth rate of approximately 3 percent, the Fed's current path of rate cuts may become more gradual than initially projected. This scenario could lead the Fed to revise its long-term growth estimate, currently pegged at 1.8 percent, particularly as President-elect Donald Trump's new policies suggest the economy's potential growth rate could be higher. Consequently, the Fed might adjust its forecast for the terminal policy rate – the long-term interest rate projection – to reflect this more optimistic growth outlook.

The Fed's decision to lower rates signals confidence in the US economy's current strength and the potential for sustainable growth. With inflation easing and productivity gains providing additional support, the Fed has the flexibility to manage interest rates carefully in response to economic changes. As policymakers wait to assess the impact of future fiscal policies, the Fed's approach remains cautious yet adaptable, aiming to sustain growth while mitigating inflation risks.

US Consumer Sentiment Reaches Highest Level Since April Amid Falling Gas Prices and Eased Inflation Concerns

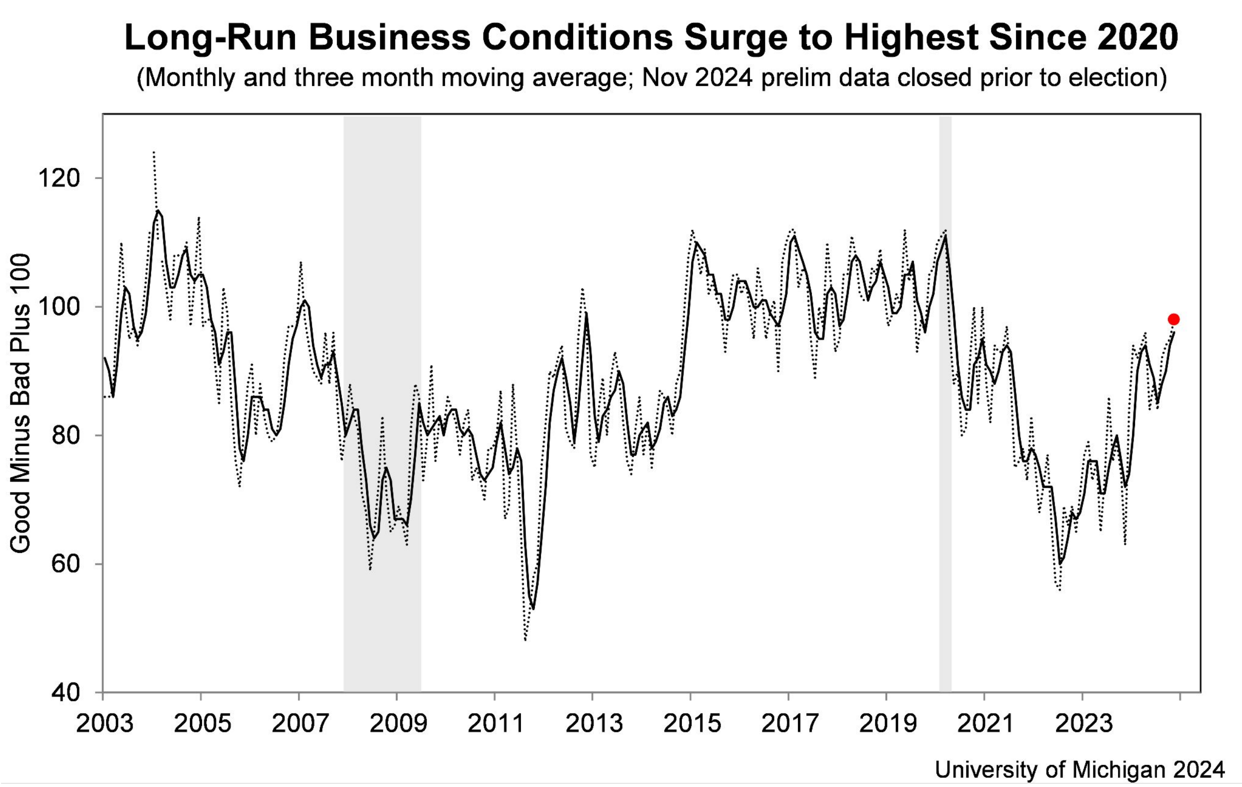


Figure 12. Consumer Sentiment (Source: University of Michigan)

Consumer confidence in the United States has climbed to its strongest point since April, driven by declining gasoline prices and reduced worries about inflation.

According to the University of Michigan's November survey released last Friday, November 8th, the consumer sentiment index rose to 73 from 70.5, with future expectations contributing significantly to this improvement.

The timing of the survey suggests that recent political events had minimal impact on the results, as most responses were collected before election day.

The survey's expectations index experienced a notable increase of nearly 6 percent, reaching 78.5—the highest level since July 2021. Expectations on consumer’s personal finances grew by 6 percent, partly due to improved income prospects. Short-term business conditions also saw a 9 percent surge in November, while long-term business conditions achieved their most favourable reading in almost four years.

Americans who had been negatively affected by the recent surge in inflation are now seeing less risk of inflation in the near term. However, their expectations for long-term price increases remain higher than those before the COVID-19 pandemic.

This improvement in consumer sentiment is expected to continue boosting spending, as evidenced over the past three months. The positive momentum suggests the potential for a strong economic quarter ahead, with favourable prospects on the horizon.

NEWS FROM THE CRYPTO-SPHERE

Trump's Victory Sets the Stage for a Pro-Crypto US Shift

Figure 13. Trump's Victory Sets the Stage for a Pro-Crypto US Shift (Source: https://www.donaldjtrump.com)

- **Donald Trump's election victory signals a pro-crypto shift in the US, with plans to establish a national Bitcoin reserve, reduce regulatory pressures, replacing SEC Chair Gary Gensler, and position the country as the global leader in digital finance**
- **The crypto market reacted positively to Trump's win, with Bitcoin surging to over $80,000 and significant growth in crypto-centric companies**

President-elect Donald Trump's support for Bitcoin has sparked a surge of excitement within the cryptocurrency market. Bitcoin reached an unprecedented high of $75,000, immediately following the election result, while shares in crypto-focused companies, including Robinhood Markets and MicroStrategy, enjoyed notable gains.

This market reaction mirrors optimism within the crypto community, that Trump's incoming administration will reduce regulatory pressures on the industry. With a supportive Congress, there is potential for new legislation that could foster further growth and innovation within the US crypto sector.

Trump's alignment with Bitcoin has been evident throughout his campaign, saying at BTC Nashville earlier this year that "Bitcoin and crypto will skyrocket like never before, even beyond your expectations." "I'm laying out my plan to ensure that the United States will be the crypto capital of the planet". As part of this vision, Trump proposed a groundbreaking initiative to establish a national Bitcoin reserve. This proposal, which would weave Bitcoin into the fabric of the nation's financial strategy, reflects his view on the potential of digital finance and his aspiration for the US to lead in this space.

One of Trump's key campaign promises was also to reshape the regulatory environment for the crypto industry. His primary target is the Securities and Exchange Commission (SEC), whose current chair, Gary Gensler, has taken a strict approach to regulating digital assets. Trump says he plans to replace Gensler with a more crypto-friendly figure who would aim to create clearer, growth-oriented policies. Such changes could lead to a regulatory framework that is more conducive to innovation, giving businesses and investors alike greater confidence in the stability of US crypto laws.

Despite the regulatory challenges that have hindered the crypto industry in the past, the US has maintained its status as a global leader in digital finance. Large financial institutions like BlackRock and Fidelity have started to offer tokenised investment options, while major payment networks, including Visa and Mastercard, have integrated crypto features into their credit cards. Trump's administration, combined with a supportive Congress, could catalyse an era of rapid growth and innovation within the crypto industry. With the promise of clear, crypto-friendly regulations, the US has a unique opportunity to solidify its position as the leading hub for decentralised finance, creating an environment that fosters both economic growth and technological advancement.

Trump's victory signals a new chapter for the cryptocurrency industry in the US, and with a potential shift towards more supportive regulation, the country is setting the foundation for an innovative, crypto-driven future.

Tether Enters Commodities Market with $45M Crude Oil Financing Deal

Figure 14. Tether Enters Commodities Market with $45M Crude Oil Financing Deal

- **Tether financed its first crude oil transaction in the Middle East**
- **Through its Trade Finance division, Tether aims to streamline global trade by leveraging USDt for faster, cost-effective transactions, expanding beyond energy into various sectors with secure, blockchain-based solutions**

Tether, the issuer of USDT, the largest stablecoin, and one of the most profitable companies in the crypto industry, has made a significant move into the commodities market. The company announced that its Investment division completed its first crude oil financing transaction in the Middle East in October, valued at approximately $45 million. The transaction, which involved financing the transport of 670,000 barrels of Middle Eastern crude oil with a publicly traded super-major oil company and a leading commodity trader, marks Tether’s debut in global commodities.

Tether has showcased its financial strength in recent quarters, reporting a net profit of $2.5 billion for Q3 2024, which has contributed to a remarkable $7.7 billion in profit so far this year. This strong performance underpins the launch of Tether's Trade Finance division, which aims to make an impact on the $10 trillion trade finance industry by offering accessible, capital-efficient solutions to streamline global trade flows. The trade finance venture operates separately from Tether's stablecoin reserves, and funded through the company's profits.

Paolo Ardoino, Tether's CEO, emphasised the strategic role of USDt in transforming trade finance. "Tether Investments' financing of this significant crude oil transaction underscores our commitment to reshaping the trade finance landscape," he stated. "With USDt, we're bringing efficiency and speed to markets historically relying on slower, more costly payment structures."

In addition to the energy sector, Tether aims to expand its financing solutions into industries like technology, agriculture, and asset-backed sectors. Utilising blockchain transparency and strict compliance standards, Tether's Trade Finance division strives to offer secure, efficient funding options, driving broader access and modernising global trade finance.

This milestone crude oil transaction is only the beginning, as Tether positions itself as a leading force in trade finance and commodities, promoting greater efficiency and inclusivity across a wide range of global markets.

With this landmark transaction, Tether signals a new era in trade finance, paving the way for more flexible lending and capital solutions across a broader spectrum of global industries.

SEC Postpones Decision on Options for Spot Ethereum ETFs, Citing Market Concerns

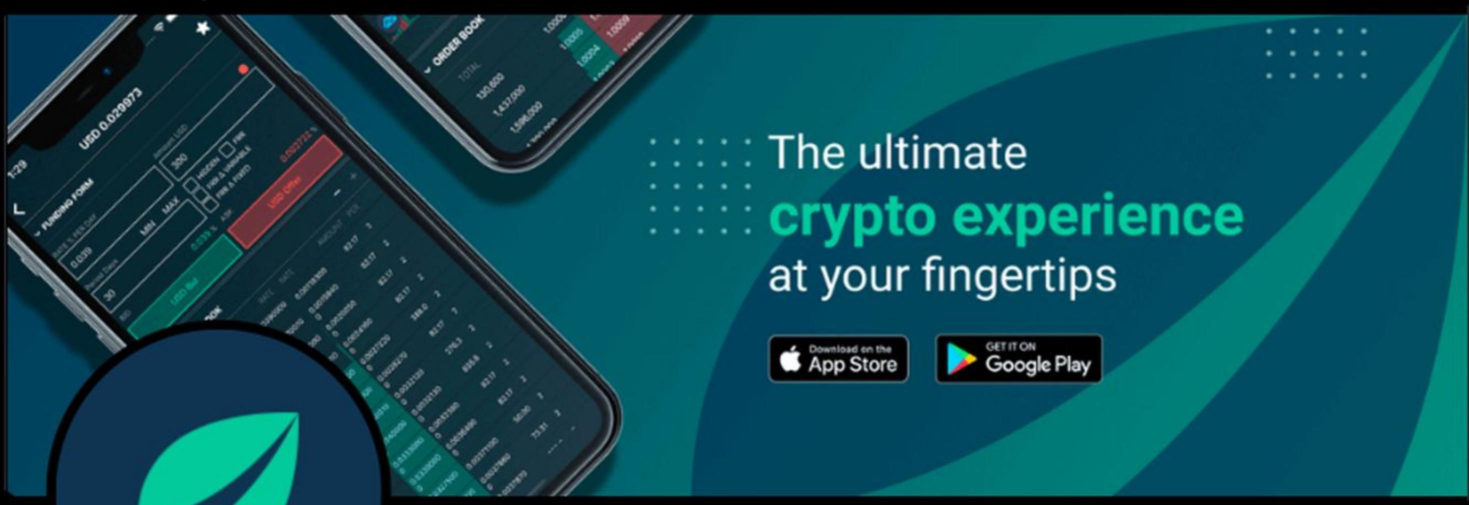
Figure 15. SEC Postpones Decision on Options for Spot Ethereum ETFs, Citing Market Concerns

The SEC has delayed its decision for a second time on approving options for spot Ethereum ETFs, citing the need for further analysis on investor protections and market stability under the Securities Exchange Act

The US Securities and Exchange Commission (SEC) has postponed its decision for a second time on whether to permit options on spot Ethereum ETFs, signalling a need for more in-depth review and public commentary. In a filing issued last Friday 8th November, the SEC indicated it was seeking additional analysis to determine if the proposed rule changes align with the requirements of the Securities Exchange Act, specifically regarding safeguards against market manipulation, investor protection, and maintaining a fair trading environment under Section 6(b)(5) of the Act.

The proposed rule change, initially submitted in August by NYSE American LLC in partnership with Grayscale and Bitwise, proposed listing and trading options on several Ethereum-related products, including the Bitwise Ethereum ETF, Grayscale Ethereum Trust, Grayscale Ethereum Mini Trust, and any future trusts holding ether.

The SEC's decision to delay is to assess whether the ETFs can meet regulatory standards without exposing investors or the market to excessive risk. This comes after the SEC approved eight Ethereum ETFs in July this year.



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