

# BITFINEX Alpha



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# EXECUTIVE SUMMARY

## BTC Propelled by ETF Flows & Institutional Demand

Bitcoin's approach to the historic \$100,000 mark has been propelled by the unprecedented [inflows](#) from the Bitcoin ETFs and strong institutional [demand](#). Despite facing profit-taking resistance near \$99,334—its latest all-time high—BTC has demonstrated resilience, holding steady near \$96,000 over the weekend, before regaining some strength in early Monday trading. With BTC now up 47 percent since the pre-election low of \$66,880 and an astonishing 130 percent year-to-date, it is charting new territory. BTC outperformance compared to traditional assets is undeniable: Bitcoin has now [eclipsed Saudi Aramco](#) in market capitalisation, securing its place as the seventh-largest asset globally, with a valuation at its high that exceeds \$1.9 trillion and has [outperformed gold and silver](#), in relative terms this quarter.



While Bitcoin's rally has been remarkable, it has not come without [profit-taking from long-term holders](#) (LTHs). [Over 461,000 BTC](#) has been spent to date, following the the break of the 73,666 ATH last month, as LTHs capitalise on gains far above their realised price of \$24,912. While there is elevated distribution pressure, it remains contained compared to historical peaks in [March 2021 and March 2024](#). These movements suggest a healthy, yet temporary, [stalling of momentum](#), with the broader market likely to absorb selling pressure and continue upward in the medium term.

The broader cryptocurrency market, which excluding Bitcoin and Ethereum are known as the Total3 index, has also [achieved](#) new cycle highs, driven by surging investor sentiment. Total3 experienced a 23.2 percent trough-to-peak increase last week —the largest move since April 2021. Large-cap altcoins, such as Solana ([SOL](#)), reached new all-time highs, [marking a pivotal moment](#) as they surpassed key resistance levels, including the April 2022 high.



Altcoin market capitalisation is now nearing its May 2021 peak of \$984 billion, [suggesting a shift](#) in speculative capital from Bitcoin to altcoins. Historically, such rotations have signalled the onset of "alt season," a period characterised by outsized gains in altcoins relative to Bitcoin.

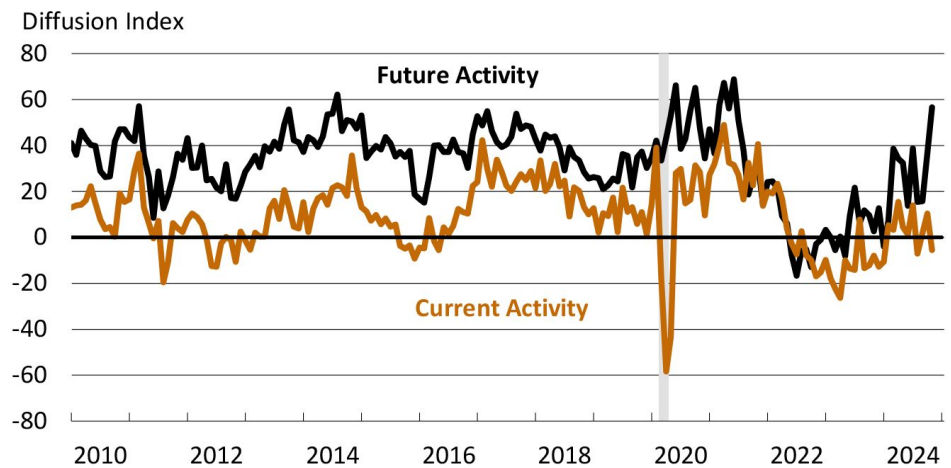
Indeed annualised funding rates for large-cap altcoins are moving past the 45 percent threshold, signifying [heightened speculative activity](#). As retail participation grows, lower timeframe volatility is expected to increase, further fuelling altcoin momentum. However, these conditions call for caution, as extreme funding rates often precede sharp corrections.

The US economic landscape is also currently shaped by mixed signals, with contrasting data across consumer sentiment, manufacturing activity, and the housing market, reflecting a blend of optimism and persistent challenges. Consumer sentiment [rose](#) in November to 71.8, driven by optimism among Republicans following Trump's election, though longer-term inflation expectations [climbed](#) to 3.2 percent, reflecting concerns over his policies. Manufacturing activity softened, with the general activity index [dropping to -5.5](#), but positive trends in orders and employment and strong future growth expectations highlight resilience. The housing market faces [significant challenges](#), with October declines in housing starts and permits due to high mortgage rates and hurricane disruptions, exacerbating the nationwide housing shortage. These trends reveal optimism in some areas but persistent structural challenges elsewhere.



### Chart. Current and Future General Activity Indexes

January 2009 to November 2024



Note: The diffusion index is computed as the percentage of respondents indicating an increase minus the percentage indicating a decrease; the data are seasonally adjusted.

In crypto news last week, the SEC [delayed](#) its decision on Franklin Templeton's proposed BTC-Ethereum combined ETF., despite approval being given for the introduction of BTC ETF options. Meanwhile, South Korea [plans](#) to implement a 20 percent cryptocurrency gains tax in 2025, but is raising the exemption threshold to 50 million won (~\$35,919) to minimise the impact on small investors. Legislative votes are scheduled this month. And as mentioned, the Cboe [will launch](#) cash-settled options tied to spot Bitcoin on December 2, offering efficient tools for price exposure and risk management. These developments underscore the growing integration of crypto into mainstream finance.

Happy Trading!

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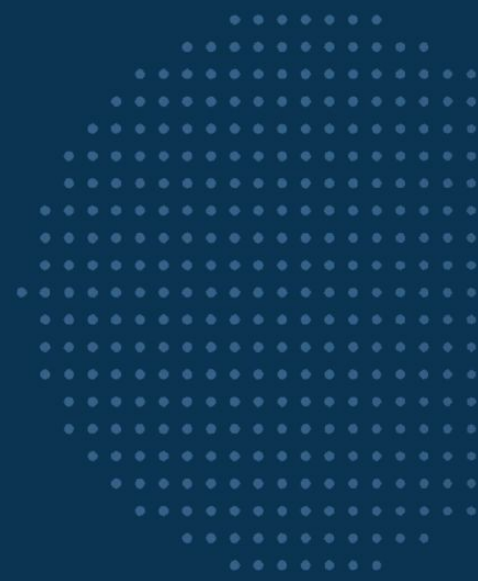
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# MARKET SIGNALS



# Bitcoin Approaches \$100,000

**Bitcoin** continued its historic ascent from the pre-election sell-off, approaching the significant \$100,000 level. While the price has faced some initial resistance, largely driven by profit-taking, we anticipate that any stall in momentum will be temporary. The ongoing, relentless inflows into BTC, through both ETF buying and purchases being made by MicroStrategy are likely to maintain upward pressure, despite short-term fluctuations.



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

The current rise is unprecedented for two reasons. The first is the sheer scale and speed of capital inflows since the pre-election sell-off low of \$66,880, just 20 days ago. The volume of capital entering the market during such a relatively short period is [the largest Bitcoin has seen](#). Over the last 20 days, the BTC price has consistently set new all-time highs, with the latest recorded at \$99,334, before a slight correction brought the price to \$95,611 over the weekend. This move represents a near 50 percent increase from the pre-election lows and an impressive 130 percent rise year-to-date (YTD).

The last time BTC saw a near 50 percent trough-to-peak ascent was in February of this year, triggered by the launch of the Bitcoin ETFs. It stands as the third-largest trough-to-peak move since February 2020.



























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%	-8.6%	+7.29%	+10.76%	+36.32%	
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%	+1.75%	-3.77%	+21.89%	+45.94%	+5.45%
Median	+0.29%	+15.32%	+0.50%	+5.04%	+3.17%	-0.49%	+8.90%	-8.04%	-4.35%	+21.20%	+10.82%	-3.59%

**Figure 2. Bitcoin Monthly Returns from 2013 Till Present. (Source: Coinglass)**

Given the significant increase in Bitcoin's market capitalisation since those earlier periods, the amount of capital required to achieve the same percentage price movements has risen considerably. Furthermore, if Bitcoin were to close the month at current or higher prices, it would represent the largest dislocation from median performance on a monthly basis for the entire year.

In the meantime, the increase in value of Bitcoin means it has gone from just last week becoming the eighth largest tradeable asset by market cap to now the seventh largest. Its performance this quarter-to-date has vastly outpaced that of both gold and silver, which are up 5.3 percent and 8.1 percent, respectively, compared to BTC's current quarter-to-date high of 56.9 percent. This contrast suggests a potential rotation of capital from traditional commodity store-of-value assets towards Bitcoin. As the chart below shows, at a market capitalisation high of over \$1.9 trillion, Bitcoin has surpassed Saudi Aramco.

Rank	Name	Market Cap	Price	Today	Price (30 days)	Country
1	 Gold GOLD	\$18.253 T	\$2,718	1.62%		
2	 NVIDIA NVDA	\$3.476 T	\$141.95	-3.22%		 USA
3	 Apple AAPL	\$3.474 T	\$229.87	0.59%		 USA
4	 Microsoft MSFT	\$3.100 T	\$417.00	1.00%		 USA
5	 Amazon AMZN	\$2.072 T	\$197.12	-0.64%		 USA
6	 Alphabet (Google) GOOG	\$2.028 T	\$166.57	-1.58%		 USA
7	 Bitcoin BTC	\$1.903 T	\$96,328	-1.40%		
8	 Saudi Aramco 2222.SR	\$1.802 T	\$7.45	-0.18%		 S. Arabia
9	 Silver SILVER	\$1.767 T	\$31.40	1.49%		

**Figure 3. Top 10 Largest Assets By Market Capitalisation.**

Given the speed and scale of the price appreciation, it is not surprising that we have seen most recently some profit taking, and a temporary stalling of momentum.

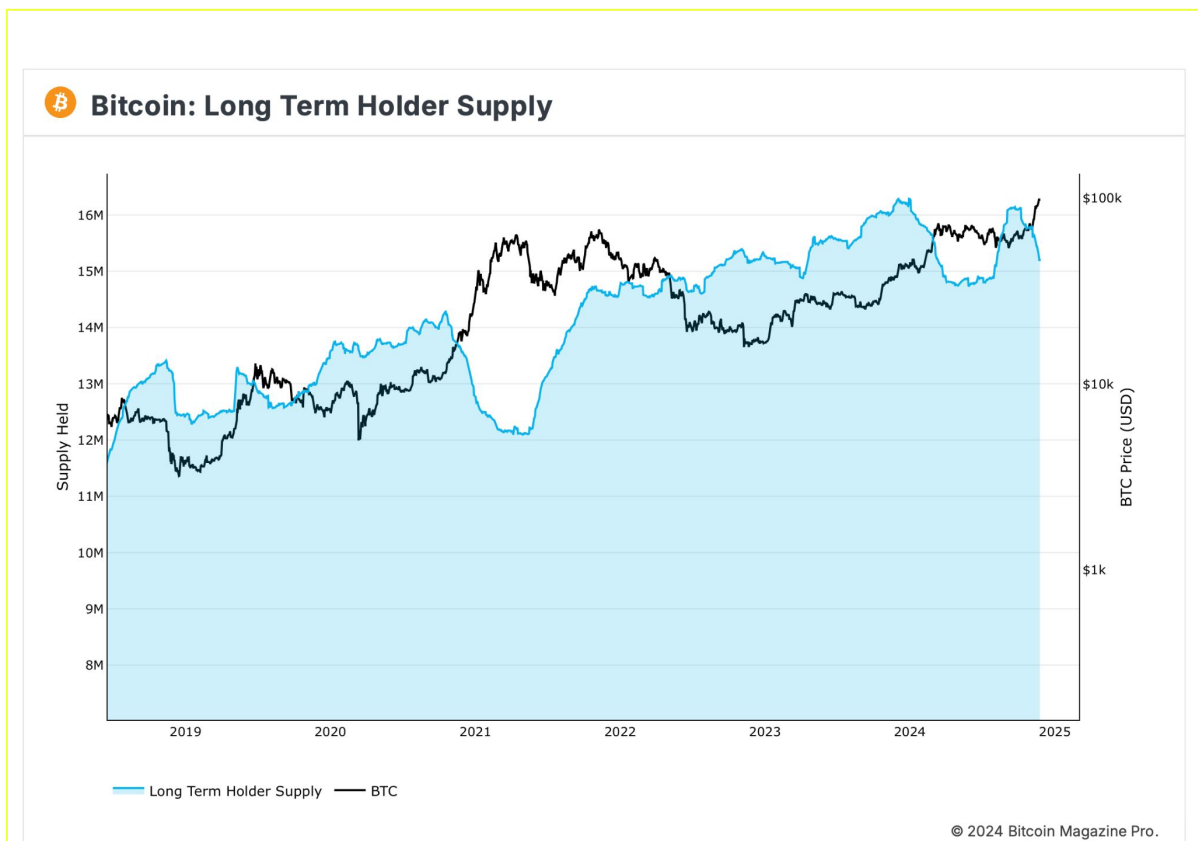
### Profit Taking Kicks In

It has been quite common historically that once BTC reaches a new all-time high (ATH) in a [halving](#) year, long-term holder (LTH) wallets, which typically accumulate during bear markets, become more active. The current average LTH Realised Price (LTH-RP), or the average price of acquisition by these wallets, is \$24,912. While this is a rough estimate as the metric uses the price and date at which point a particular coin was moved into a specific wallet address, including many of the 'lost coins', this metric offers a rough gauge into how much unrealised profit an average LTH has.



**Figure 4. Bitcoin Long-Term Holder Realised Price. (Source: Bitcoin Magazine Pro)**

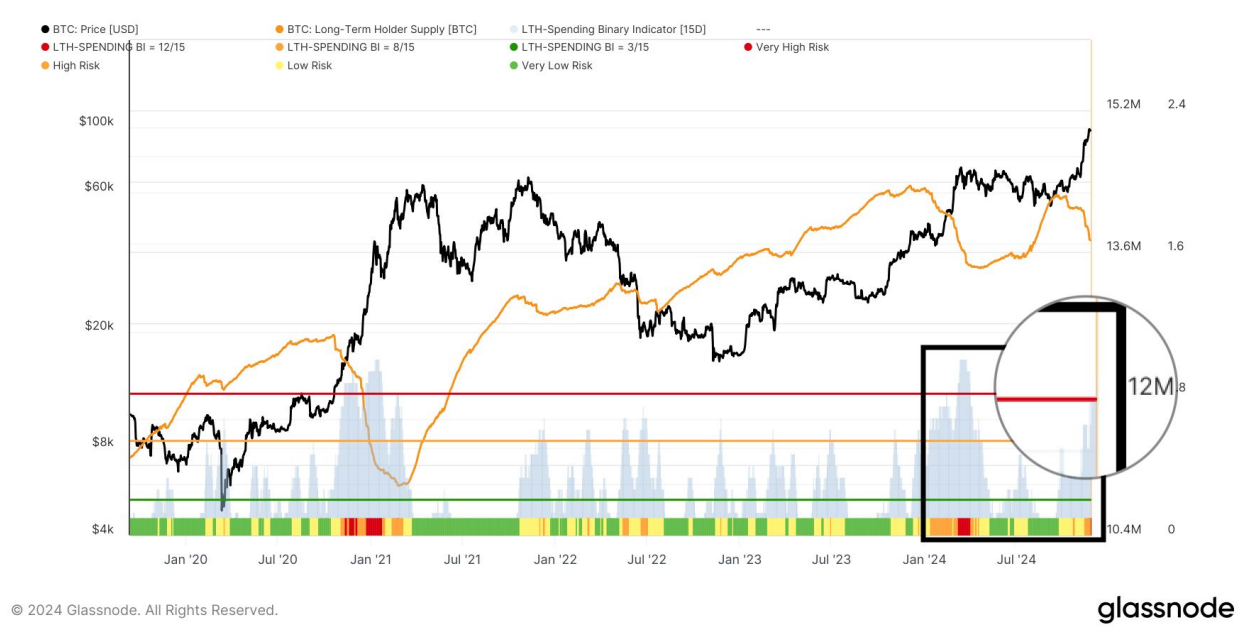
Typically, when BTC approaches the LTH-RP, long term holders actively accumulate more Bitcoin while the opposite is true when the price moves multiples away from this value, at which point they take profit. We have seen a notable decline in LTH balances, with more than 461,000 BTC having been spent till November 25th after the break of the 73,666 ATH last month. (refer Figure below)



**Figure 5. Long-Term Holder Supply In Profit. (Source: Glassnode)**

To assess the intensity of LTH sell-side pressure, we can also use the Long-Term Holder Spending Binary Indicator, which measures the percentage of days over the past two weeks when LTH spending exceeds their buying, which will also be reflected in a net decline in their holdings.

Bitcoin: Long-Term Holder Spending Binary Indicator (15D) [SIGNAL]



**Figure 6. Bitcoin Long Term Holder Binary Spending Indicator. (Source: Glassnode)**

Since early September, as Bitcoin's price gained momentum, LTH spending (that is the movement of coins out of these wallets) has steadily increased. With the recent surge to \$93,000, spending seemed to intensify, with 14 of the last 20 days (between 5th November to 24th November) seeing a net decline in LTH balances. While this reflects growing distribution pressure from long-term holders, it is still not as significant as the distribution observed around the March 2021 and March 2024 peaks when supply decreased by 2.5 and 1.4 million BTC respectively, suggesting that the current sell-off from LTHs is still relatively contained. The LTH Bi line (red line in the figure above) highlights the levels that LTH spending has intensified and spending currently has reached this level for the first time since March 20th, 2024. Typically, once LTH spending reaches this level, distribution starts and if sustained above this level, the price reaches a top within the next three to four months.

This behaviour follows a classic and recurring pattern: long-term holders typically begin to take profits when price action is strong, and demand is robust enough to absorb the selling pressure. Despite the recent uptick in spending, a significant portion of Bitcoin remains under LTH ownership, suggesting that many holders may be waiting for even higher prices before releasing more coins into the market.

The ability of BTC to make new ATHs every week, despite profit taking, is due to the fresh demand coming into the market from new investors. We believe that any selling has been absorbed and outpaced by strong ETF inflows and subsequent buying from institutions including Microstrategy (though it is not clear exactly how MicroStrategy executes its purchases - which is also an important factor to consider as it is unlikely they execute their buys at market, and are likely to execute at a trade-weighted average price and/or over-the-counter, which would have a more muted impact on the price).

## ETF Buying Fuelling Price Rises

The net inflows in spot Bitcoin ETFs in the US have been over \$3.35 billion in the past week. (refer Figure below)

	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%	
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
11 Nov 2024	756.5	135.1	42.7	108.6	8.7	10.1	0.0	0.0	0.0	24.2	28.2	1,114.1
12 Nov 2024	778.3	37.2	0.0	(5.4)	0.0	0.0	0.0	10.1	0.0	(17.8)	15.1	817.5
13 Nov 2024	230.8	186.1	12.3	14.5	0.0	0.0	0.0	5.1	0.0	0.0	61.3	510.1
14 Nov 2024	126.5	(179.2)	(113.9)	(161.7)	0.0	0.0	0.0	2.5	0.0	(69.6)	(5.3)	(400.7)
15 Nov 2024	0.0	(175.1)	(7.4)	(108.6)	0.0	0.0	(1.7)	(7.7)	0.0	(22.5)	(47.0)	(370.0)
18 Nov 2024	89.3	60.0	24.4	13.2	0.0	0.0	0.0	7.7	0.0	5.8	54.4	254.8
19 Nov 2024	216.1	256.1	52.8	267.3	0.0	0.0	0.0	7.9	0.0	16.2	13.1	829.5
20 Nov 2024	626.5	133.9	9.2	3.8	0.0	0.0	0.0	0.0	0.0	0.0	-	773.4
21 Nov 2024	608.4	301.0	68.0	17.2	0.0	5.7	0.0	5.6	0.0	(7.8)	7.0	1,005.1
22 Nov 2024	513.2	21.7	0.0	0.0	5.0	0.0	6.2	5.6	0.0	(67.1)	5.7	490.3
Total	31,333	11,538	2,432	2,760	432	452	541	762	217	(20,326)	674	30,814


**Figure 7. US Spot Bitcoin ETF Daily Flows Denoted In Millions Of USD. (Source: FarsideUK)**

Thus, spot demand in the Bitcoin market continues to be robust.

However, ETFs and other institutional entities typically do not execute buys over the weekend, while long-term holders continue to distribute. Hence the profit-taking we have seen over the weekend with a subsequent fall in the price is due to a lack of demand to match the supply hitting the market.

As we approach the \$100,000 mark and maintain a price comfortably above \$90,000, it is important to monitor daily ETF flows. A slowing of inflows would suggest a lack of interest for spot Bitcoin at currently high prices and could be the warning sign for a larger correction.





Our view is that any sell off is a healthy correction. Indeed, we anticipate that there could even be a slightly larger correction this week, particularly as important macro events such as the US Consumer Price Index data release and Federal Open Market Committee minutes are published.

It is also important to note that when price has a strong impulse in either direction, a small corrective move is expected as supply/demand and open interest (OI) balances out at new price levels. While there have been warnings of a major crash/correction since we saw an [ATH in OI in October](#), it is important to note that in a momentum driven market it is normal for price and open interest to increase rapidly in a short-duration of time before a small corrective/ranging period before continuation. Given the marriage of potentially slowing ETF flows, important macro news events and long-term holder profit taking we might see a small correction but we expect all downside volatility to be temporary until flows change on a sustained basis.

# Altcoins Follow Bitcoin to Create New Cycle Highs

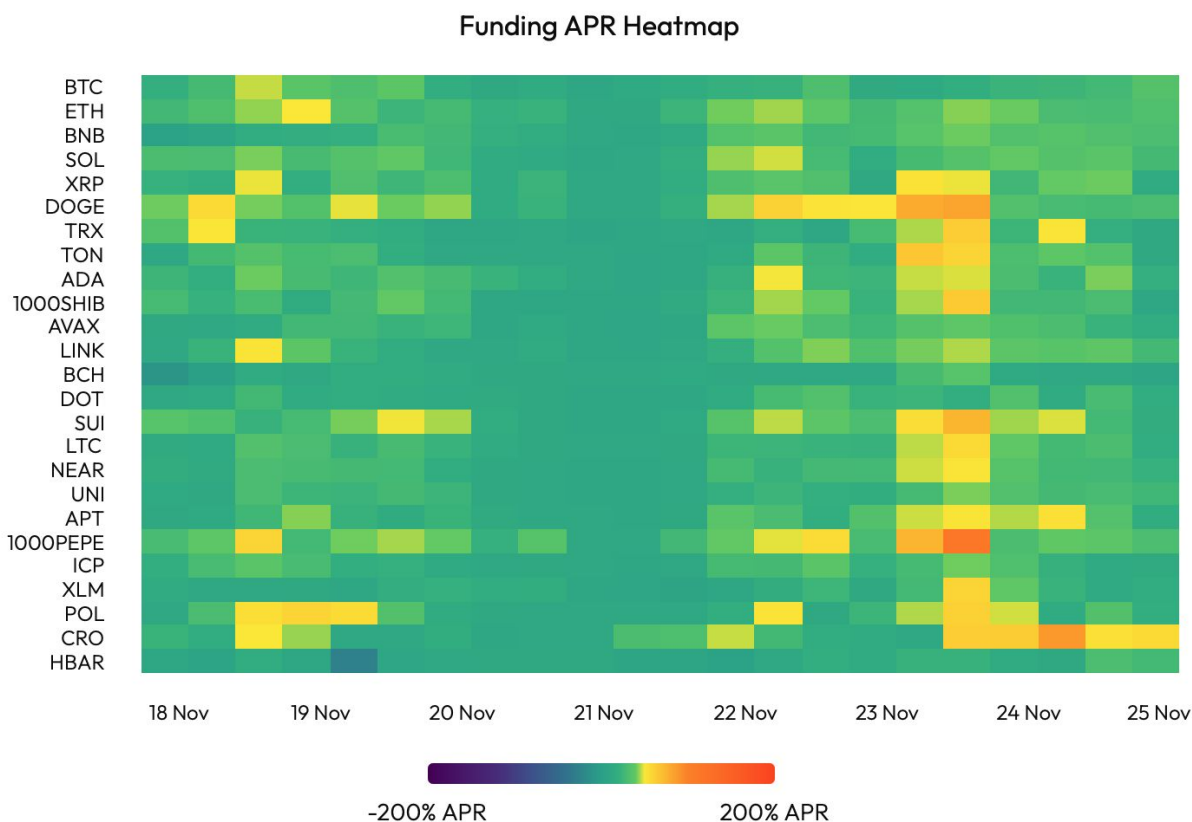
The Total3 Index, which represents the market capitalisation of all cryptocurrencies excluding Bitcoin and Ethereum, reached new cycle highs last week, marking its largest trough-to-peak move since April 2021 with a 23.2 percent increase. While many altcoins reached cycle highs, notable large-cap alts, such as Solana ([SOL](#)), achieved new all-time highs, further highlighting the strength and momentum in the broader altcoin market. This surge in the Total3 suggests increasing investor appetite for altcoins, potentially driven by both market sentiment and ongoing developments in the regulatory landscape. Last week the Total3 market cap rose to within a few basis points of its May 2021 High of \$984 billion.



**Figure 8. Crypto Total Market Cap Excluding Ethereum and Bitcoin. (Source: CryptoCap)**

As the Figure above shows, we have moved past the April 2022 high for altcoins, which was widely regarded as the “start of the bear market”, after which the next impulse down formed the 2022 bear market lows for altcoins. We believe an ascent past these levels indicates the rotation of speculative capital and interest from Bitcoin into altcoins as retail market participation increases. This usually marks the onset of the final stage of the bull market where altcoins begin to outperform Bitcoin on an aggregate basis.

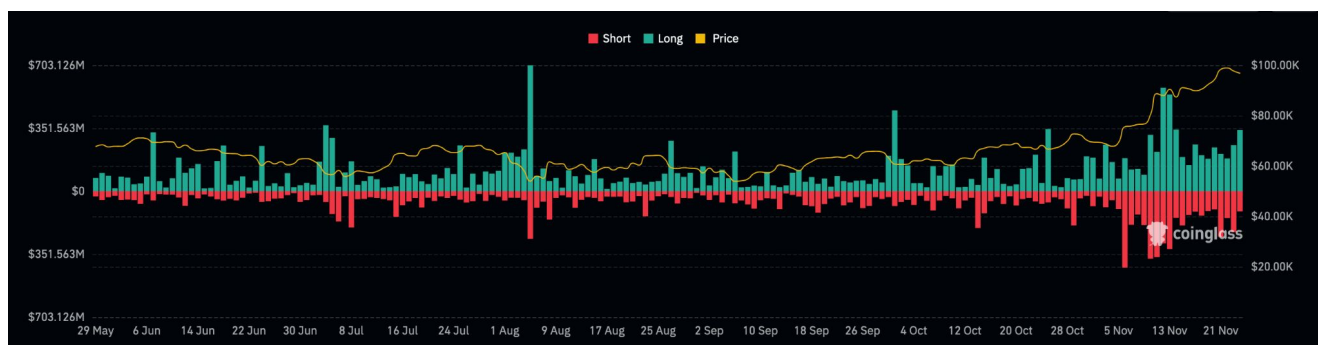
However, while some altcoins like SOL have continued to outperform Bitcoin since the bear market lows, most have underperformed - until the last three weeks. When altcoins start to outperform Bitcoin considerably on relevant timeframes, lower timeframe volatility usually increases and funding rates reach extremes. This phase of the market is usually what is characterised as "alt season".



**Figure 9. Annualised Funding Rates For Large Cap Cryptocurrencies. (Source: Velo)**

As is evident from the figure above, the funding rates for large cap crypto assets have begun to consistently move past the yellow region (indicating higher annualised funding rates than 45 percent). As such it is important to exercise caution while trading as we expect average daily moves of more than 15-20 percent (calculated via Average True Range (ATR) metrics for altcoins) across large altcoins and much higher percentage moves in either direction for smaller altcoins by market cap. ATR is calculated by taking the average of the "true range" values over a set number of periods, where the true range considers the highest high minus the lowest low, as well as the difference between the current closing price and the previous close. We refer to the past 14 daily trading sessions in this case.

While momentum strongly favours the bulls, the reason we believe a minor correction or ranging conditions is not out of the question, is because average volatility and with it, liquidations, have increased significantly over the past week. We have already counted five instances over the last week of daily total liquidations across all crypto assets exceeding \$500 million, including both shorts and longs.



**Figure 10. Total Liquidations Across Major Centralised Exchanges. (Source: Coinglass)**

BTC saw a 4.2 percent intra-day correction just on Sunday 24th November, which caused even larger retraces in alts, albeit after moving up several multiples in recent weeks. There were around \$322 million in total long liquidations just within 12 hours on Sunday (see Figure below).



**Figure 11. Total Liquidations in a 12 Hour Window on Sunday November 24th. (Source: Coinglass)**

While we expect alt season to continue, if BTC were to have a larger correction, we expect this to be magnified in altcoins, while if BTC were to move higher, lower timeframe upside seems to be limited for altcoins (on an aggregate basis) as Bitcoin gains more speculative positioning while approaching the \$100,000 mark and altcoins market cap seems to have reached a significant resistance level at \$984 billion. A sustained move above the May 2021 high (see Figure 8 above) would be the signal for altcoins to continue their ascent higher. However, we expect at minimum a period of ranging after a week full of consistently high liquidation numbers for both longs as well as shorts for altcoins.



# GENERAL MACRO UPDATE



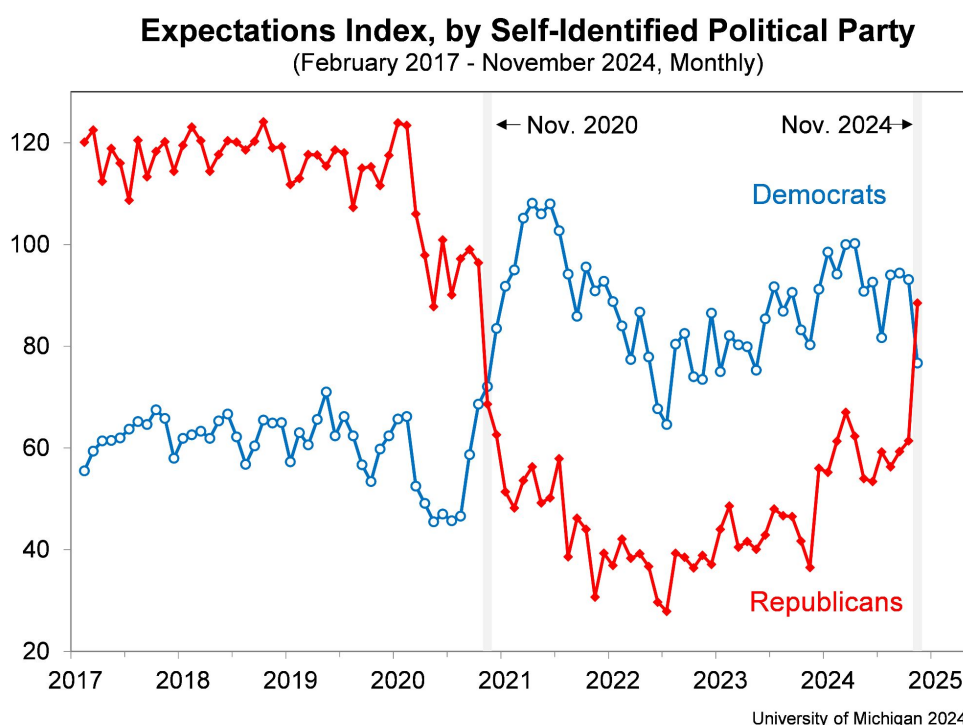


# US Consumer Sentiment Rises Among Republicans But Drops Among Democrats Following Trump's Election Victory

In November, US consumer sentiment improved for the fourth consecutive month, driven largely by a sharp rise in optimism among Republicans following Donald Trump's victory in the presidential election. The University of Michigan's [Survey of Consumers](#), released last Friday, November 22nd showed that for Democrats however, the Expectations Index fell (refer to Figure below), a reflection of the two groups' incongruous views of how Trump's policies will influence the economy. The results highlight the political divide in how Americans perceive the economy based on party affiliation.

The University of Michigan's Consumer Sentiment Index, a widely recognised measure of economic confidence, rose to 71.8 in November, marking its highest level since April. This is an increase from October's 70.5, though it fell short of the consensus forecast, which had predicted a higher reading of 73.5. Notably, the final figure was also slightly below the preliminary estimate of 73.0, which was calculated before the November 5th election.

## Political Divisions in Economic Expectations



**Figure 12. Expectations Index By Self-Identified Political Party (Source: University Michigan)**



The stability of the overall sentiment index conceals stark partisan disparities. Similar to the patterns observed after the 2020 presidential election, political affiliations significantly influenced people's economic outlook. The Expectations Index—an indicator of how consumers anticipate future economic conditions—soared among Republicans while dropping sharply among Democrats. These shifts reflect contrasting views on how Trump's policies might impact the economy.

Among Republicans, sentiment surged by an impressive 15.5 points, the largest increase recorded since Trump first won the presidency in 2016. In contrast, sentiment among Democrats fell by 10.1 points following Vice President Kamala Harris's loss, a significant blow to their party.

### **Inflation Expectations and Economic Concerns**

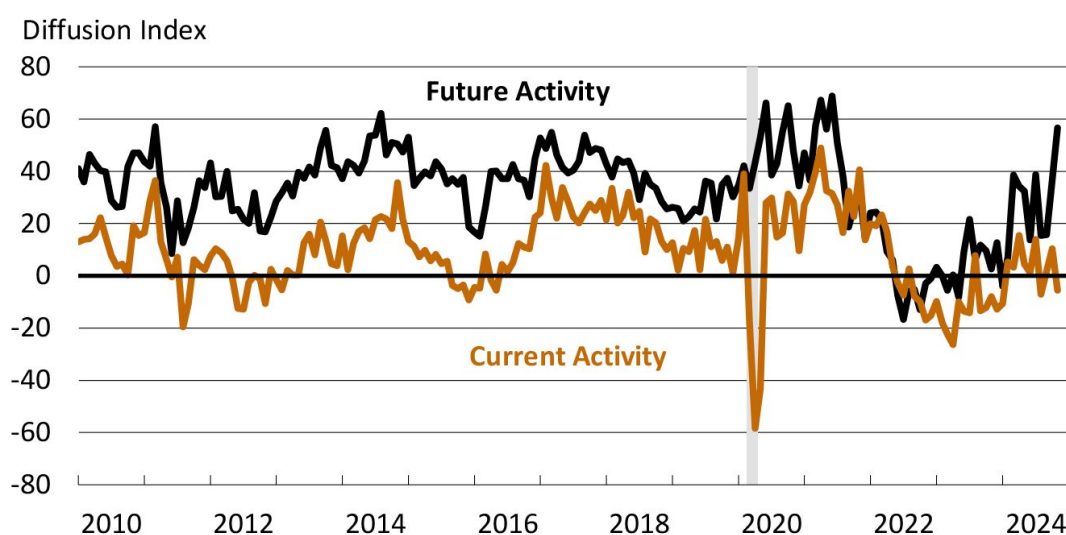
While overall consumer sentiment rose, Americans' expectations about inflation presented a mixed picture. In the short term, inflation expectations remained subdued, with respondents anticipating a 2.6 percent increase in prices over the next year. This marks the lowest inflation expectation since December 2020. However, over a longer horizon, five-year inflation expectations climbed to 3.2 percent, up from 3.0 percent in October and the highest level recorded in a year.

We pointed out the potential inflationary pressures stemming from Trump's proposed economic policies in our previous [Bitfinex Alpha](#). His agenda, which includes tax cuts, increased tariffs, and stricter immigration controls, is seen by many as potentially reigniting inflation.

The November consumer sentiment data underscores how political events and leadership changes significantly influence public confidence in the economy. Moreover, subdued short-term inflation expectations suggest that households remain cautious about immediate price pressures, even as they anticipate higher inflation in the coming years.

# November Manufacturing Survey Shows Mixed Signals, But Optimism for Growth Remains Strong

**Chart. Current and Future General Activity Indexes**  
January 2009 to November 2024




Note: The diffusion index is computed as the percentage of respondents indicating an increase minus the percentage indicating a decrease; the data are seasonally adjusted.

**Figure 13. Federal Reserve Bank of Philadelphia Manufacturing Business Future and Current Activity**

The Federal Reserve Bank's [November 2024 Manufacturing Business Outlook Survey](#) issued last Thursday, November 21st highlights a mixed performance in regional manufacturing activity. The general activity Index fell into negative territory at -5.5, reflecting a significant decline from October's positive reading of 10.3. This marks only the second negative reading of the year, suggesting a softening in overall manufacturing conditions. However, the indexes for new orders and shipments, though declining, remained positive, indicating that some growth persists in these areas.

The negative general activity index reflects near-term pressures on manufacturing, likely tied to the broader macroeconomic environment. Higher interest rates, due to the Fed's tightening policy from March 2022 to July 2023, have increased borrowing costs for businesses, which could be dampening investment and production growth. Additionally, persistent uncertainty in global supply chains may still be constraining the sector's ability to operate at full capacity.



Employment showed improvement, with the employment index rising to 8.6, as more firms reported increases in their workforce than reductions. The average workweek index surged to 17.4, its highest level since April 2022, reflecting greater demand for labour hours. The rebound in employment and extended work hours are encouraging signs, highlighting that manufacturers are still expanding their operations in certain areas. This could indicate that businesses are positioning themselves for future growth, even as current activity faces headwinds.

Price indexes for both inputs and outputs continued to show moderate growth, aligning with long-term averages. The prices paid index fell to 26.6, and the prices received index declined to 14.3, signalling a cooling in inflationary pressures.

Despite the negative general activity index, positive readings in new orders and shipments indicate that demand for manufactured goods has not collapsed. However, the decline in these indexes suggests slowing momentum, consistent with a cooling economy. The future general activity index rose sharply to 56.6, its highest level since mid-2021, supported by strong gains in future new orders, shipments, and employment expectations. The sharp rise in future activity indicators underscores manufacturers' belief in a more favourable business environment in the months ahead. This optimism likely stems from expectations of improving economic conditions, potential stabilisation in monetary policy, and a possible easing of global supply chain bottlenecks.

# Hurricanes and High Mortgage Rates Stall US Housing Market Recovery in October

	
<b>NEW RESIDENTIAL CONSTRUCTION</b>	
<b>OCTOBER 2024</b>	
<b>Building Permits:</b>	<b>1,416,000</b>
<b>Housing Starts:</b>	<b>1,311,000</b>
<b>Housing Completions:</b>	<b>1,614,000</b>
<b>Next Release: December 18, 2024</b>	
Seasonally Adjusted Annual Rate (SAAR)	
Source: U.S. Census Bureau, HUD, November 19, 2024	

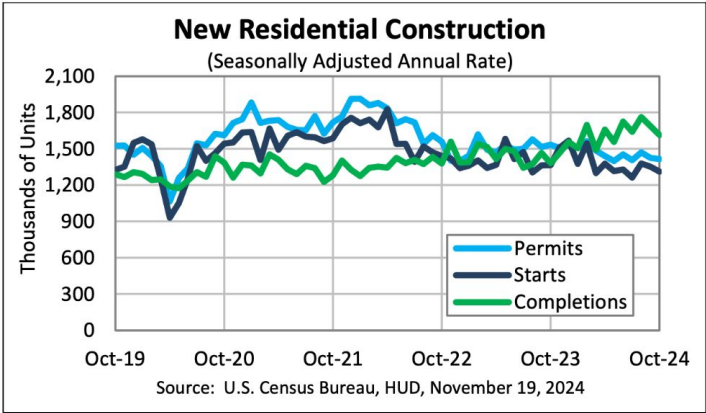



Figure 14. New Residential Construction (Source: US Census Bureau)

The US housing market was hit in October, with both housing starts and building permits experiencing declines for the second month in a row, according to the [Census Bureau's Monthly New Residential Construction Report for October](#). A combination of destructive hurricanes in the 'South' region and rising mortgage rates hindered construction activity, signalling continued challenges for the residential real estate sector.

Housing starts, a critical indicator of residential construction's contribution to the economy, dropped by 3.1 percent last month to a seasonally adjusted annual rate of 1.311 million units. Meanwhile, building permits, a measure of future housing activity, dipped by 0.6 percent. These declines reflected the adverse impact of Hurricanes Helene and Milton, which caused widespread disruption in southern states of the US and was responsible for the largest declines seen in October housing starts. The South region saw a steep 10.2 percent decline in starts, while the Northeast, which also faced weather challenges, reported a dramatic 28.7 percent drop. In contrast, the Midwest and the West recorded modest gains of 4.6 percent.

The data underscores the vulnerability of the housing market to extreme weather events, although rebuilding efforts are expected to drive a short-term rebound in the South over the coming months. However, persistently high mortgage rates are likely to dampen construction activity in other regions. Higher borrowing costs have significantly eroded housing affordability, leaving prospective buyers struggling with limited supply and rising prices.





Residential investment has also contracted for three consecutive quarters, contributing minimally to overall economic growth. Although some improvement is anticipated in November and December, as rebuilding efforts ramp up, the national housing market remains far below its long-term sustainable level of 1.7 million annual starts. October marked the 30th straight month of housing starts failing to meet demand, exacerbating the nationwide shortage.

The impact of the housing market slowdown extends beyond construction. With supply constraints and affordability challenges, inflationary pressures in the housing sector are likely to persist, influencing consumer spending and economic sentiment. Despite robust GDP growth in recent quarters, housing will continue to weigh on the economy heading into next year.

Without a significant increase in new construction, the housing shortage will remain a critical issue for American buyers. This, coupled with rising inflation and sustained high interest rates, paints a challenging picture for the housing market in the near future.



# NEWS FROM THE CRYPTO-SPHERE



# SEC Extends Review of Combined Bitcoin and Ethereum ETF Proposal



**Figure 15. SEC Extends Review of Combined Bitcoin and Ethereum ETF Proposal**

- The SEC has delayed its decision on Franklin Templeton's proposed Franklin Crypto Index ETF, which aims to combine Bitcoin and Ethereum investing under the ticker EZPZ
- If approved, the ETF would simplify crypto investments by offering exposure to both cryptocurrencies through a single fund

The US Securities and Exchange Commission (SEC) has postponed its decision on whether to approve a new Exchange-Traded Fund (ETF) that aims to combine Bitcoin and Ethereum. [The proposal](#), submitted by investment group Franklin Templeton in August, aims to create the Franklin Crypto Index ETF, which would trade under the ticker EZPZ. If approved, the ETF would be listed on the Cboe BZX Exchange and rely on Coinbase Custody Trust Company LLC to securely hold its digital assets.

The SEC explained in a [filing](#) last Wednesday, November 20th that it needs more time to consider the proposal thoroughly before deciding what action to take. The agency emphasised its responsibility to analyse the potential impact of such financial products on the market and investors. This cautious approach aligns with the SEC's broader regulatory stance on cryptocurrency-related investments, which have seen a surge in applications and interest in recent years.



The decision to delay came just a day after the launch of options for spot Bitcoin ETFs. These options allow traders to hedge or speculate on Bitcoin's price, further expanding the tools available for crypto investors. Earlier this year, the SEC approved 11 spot Bitcoin ETFs, a significant milestone for the cryptocurrency market. Unlike futures-based ETFs, which track contracts predicting the asset's future price, spot ETFs are directly tied to the current value of the underlying cryptocurrency.

The Franklin Crypto Index ETF, if approved, would take this concept further by offering exposure to both Bitcoin and Ethereum within a single fund. This could simplify cryptocurrency investments for traditional investors, eliminating the need to directly manage wallets or navigate crypto exchanges. Such products are seen as a bridge between traditional finance and the burgeoning digital asset space, making cryptocurrencies more accessible to a broader audience.

# South Korea Set to Enforce Cryptocurrency Tax Plan in 2025, Raises Exemption Threshold




**Figure 16. South Korea Set to Enforce Cryptocurrency Tax Plan in 2025, Raises Exemption Threshold**

- South Korea's ruling party plans to implement a cryptocurrency gains tax in January 2025, though only for gains above 50 million won (\$35,919) to reduce its impact on small investors
- The amended plan includes provisions for estimating purchase prices in volatile markets and is set for legislative votes on November 25th-26th

South Korea's ruling Democratic Party of Korea (DPK) is moving forward with its plan to impose taxes on cryptocurrency gains starting January 1, 2025. [This decision](#) comes despite earlier delays and ongoing debates about further postponements.

The original proposal for a 20 percent tax (22 percent including local taxes) on crypto gains was set to take effect in 2022 but faced significant pushback from investors and industry leaders. After two delays, the implementation date was rescheduled to 2025. Although some discussions suggested postponing the tax until 2028, the DPK remains firm on the 2025 timeline.





In a notable amendment to the tax plan, the government aims to raise the tax exemption threshold from 2.5 million Korean won (\$1,795) to 50 million won (\$35,919). This adjustment significantly reduces the number of investors who would be subject to the tax. Party representatives acknowledged that the higher exemption limit would exempt most small-scale investors, effectively minimising the plan's impact.

To address the challenges posed by the cryptocurrency market's volatility, the revised policy will also allow taxpayers to estimate the original purchase price using a percentage of the sale price if accurate acquisition records are unavailable.

The updated plan is scheduled for a vote by the National Assembly's tax subcommittee on November 25th, followed by a general legislative vote on November 26th. If approved, the measures will take effect as planned in 2025.

# Cboe to Launch First Cash-Settled Options Linked to Spot Bitcoin



**Figure 17. Cboe to Launch First Cash-Settled Options Linked to Spot Bitcoin on December 2**

- Cboe Global Markets will launch SEC-regulated cash-settled index options tied to spot Bitcoin ETFs on December 2
- Key features include cash settlement, European-style exercise, mini options for smaller portfolios, and customisable FLEX options

Cboe Global Markets [announced](#) last Friday that it will introduce the first cash-settled index options tied to spot Bitcoin on Monday, December 2nd. These options, regulated by the SEC, will be listed exclusively on the Cboe Options Exchange and based on the newly created Cboe Bitcoin US ETF Index (Ticker: CBTX).

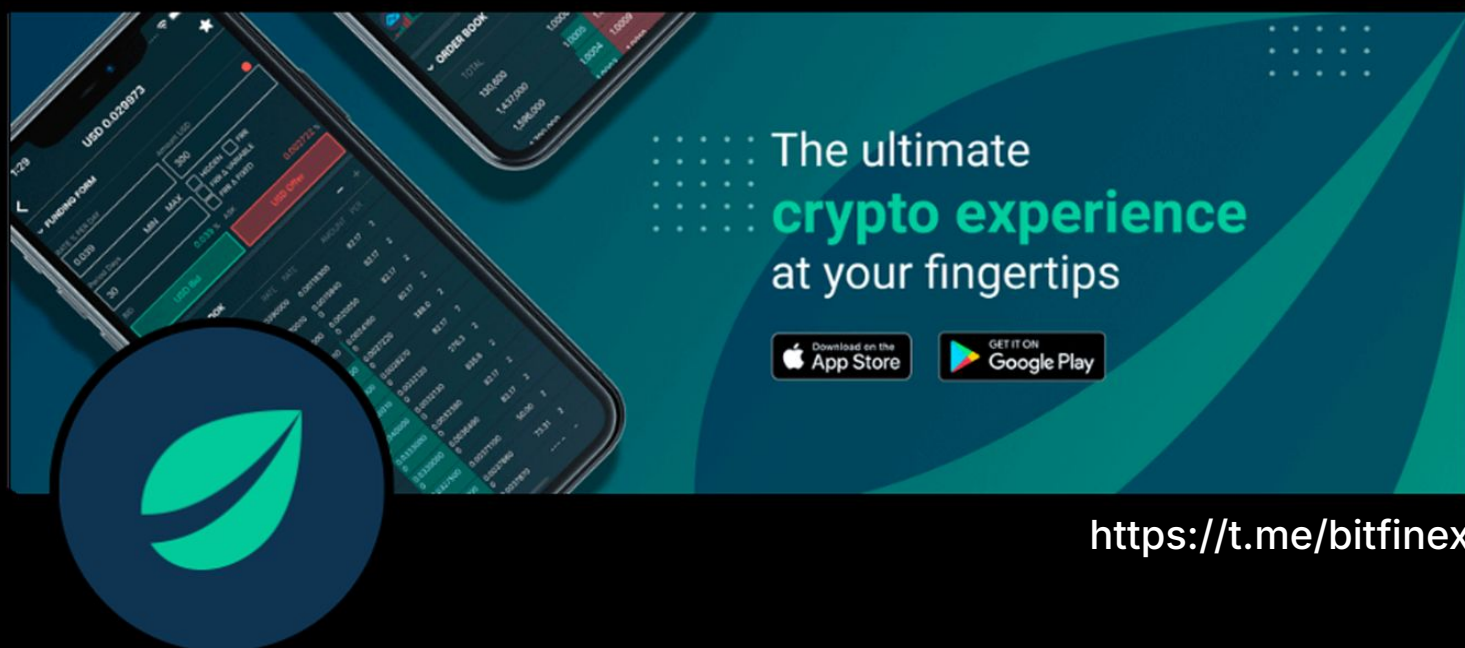
The index tracks the performance of US-listed spot Bitcoin ETFs and mirrors the price of spot Bitcoin, offering a benchmark for investors. Options contracts will allow participants to gain exposure to Bitcoin's price movements through spot ETFs, manage risk, and express market views.



## Key Features:

- **Cash Settlement:** Positions settle in cash, avoiding the complexities of physical delivery.
- **European-Style Exercise:** Options can only be exercised on expiration, reducing early assignment risks.
- **Mini Options:** Cboe Mini Bitcoin US ETF Index options (Ticker: MBTX) offer smaller notional values, catering to diverse portfolio sizes.
- **FLEX Options:** Customizable contracts for greater trading flexibility.

This development expands Cboe's digital asset derivatives portfolio, complementing its existing Bitcoin and Ether margin futures. It also highlights the company's leadership in US spot crypto ETFs, including Bitcoin and Ether offerings



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