BITFINEX Alpha

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EXECUTIVE SUMMARY

BTC consolidating at $100K

Bitcoin reached a historic milestone last week, breaching $100,000 for the first time and hitting a new all-time high of $104,000. This marked a 111 percent rise from its summer lows under $50,000. However, the rally was followed by a sharp 14.84 percent correction, including a rapid 10 percent drop within just eight minutes—the largest pullback from a present ATH since the pre-election sell-off. The correction triggered over $1.1 billion in liquidations, of which $419 million were in Bitcoin long positions, underscoring the level of leverage in the market.

Despite this volatility, signs of market stabilisation are emerging. The Realized Profit metric, which peaked at $10.5 billion daily, has fallen to $2.5 billion, easing sell-side pressure. Futures funding rates have also normalised, signalling reduced speculative leverage. And while ETF inflows slowed slightly towards the end of last week, they remain a critical source of support amid ongoing long-term holder profit-taking.

As Bitcoin consolidates above $100,000, the mid-term outlook remains bullish, and with normalising funding rates and slowing sell-side pressure, further upward momentum is likely, provided ETF inflows continue.

The latest US economic data threw up some mixed results last week, but overall showed that the economy continues to look resilient. November saw a strong rebound in job creation, with 227,000 jobs added, exceeding expectations despite disruptions from October's hurricanes. However, a slight rise in unemployment to 4.2 percent suggests lingering workforce shifts. October job openings surged to 7.74 million, highlighting sustained demand for labour, although hiring slowed, reflecting employer caution amid economic uncertainties. Meanwhile, the service sector marked its 51st consecutive month of growth in November, though at a slower pace, with the PMI at 52.1, supported by robust consumer spending and wage growth. Inflationary pressures persist, but easing supply chain bottlenecks and strong year-end expectations point to stability.

	CME FEDWATCH TOOL - CONDITIONAL MEETING PROBABILITIES								
MEETING DATE	250-275	275-300	300-325	325-350	350-375	375-400	400-425	425-450	450-475
12/18/2024				0.0%	0.0%	0.0%	0.0%	86.0%	14.0%
1/29/2025	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	27.6%	62.9%	9.5%
3/19/2025	0.0%	0.0%	0.0%	0.0%	0.0%	18.2%	50.9%	27.7%	3.2%
5/7/2025	0.0%	0.0%	0.0%	0.0%	6.4%	29.7%	42.7%	19.1%	2.1%
6/18/2025	0.0%	0.0%	0.0%	3.3%	18.5%	36.5%	30.4%	10.2%	1.0%
7/30/2025	0.0%	0.0%	0.8%	7.1%	23.0%	35.0%	25.4%	8.0%	0.8%
9/17/2025	0.0%	0.3%	2.8%	12.0%	26.7%	32.0%	20.0%	5.7%	0.5%
10/29/2025	0.0%	0.7%	4.5%	14.8%	27.7%	29.7%	17.3%	4.7%	0.4%
12/10/2025	0.2%	1.4%	6.4%	17.1%	28.1%	27.5%	15.1%	4.0%	0.3%

As the Federal Reserve evaluates potential policy shifts from the new incoming administration, the economy remains anchored by a resilient labour market and steady consumer demand. Uneven recovery across sectors however, signal the need for cautious optimism.

In crypto news last week, South Korea experienced a dramatic surge in crypto trading, with $34 billion recorded in just 24 hours across leading Korean crypto exchanges, following the declaration of martial law by President Yoon Suk-yeol. The political unrest caused panic sell-offs and platform outages, highlighting the market's sensitivity to geopolitical instability. Bankrupt exchange Mt. Gox also transferred $2.4 billion worth of Bitcoin to a new wallet, just as Bitcoin rose above $100,000 for the first time. And Grayscale joined the competitive race to launch a Solana ETF, filing to convert its Solana Trust as SOL rallied. These events illustrate the dynamic interplay of political, regulatory, and historical factors shaping the evolving crypto landscape.

Have a good trading week!

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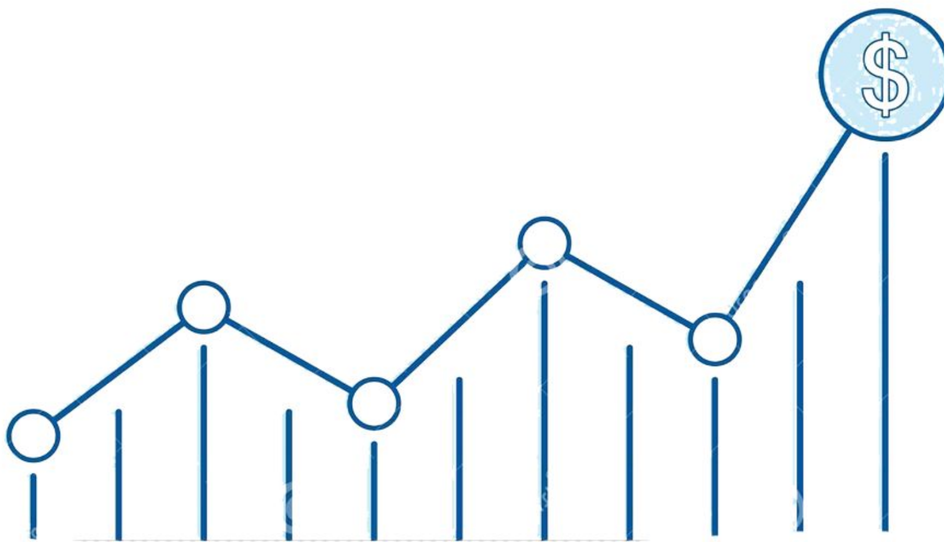

MARKET SIGNALS

Bitcoin Breaches $100,000

Last week marked a historic milestone for the crypto market and Bitcoin in particular, as [BTC](BTC) surpassed the $100,000 mark for the first time in the asset's history. Driven by strong momentum, the price reached a new all-time high (ATH) of $104,000, before seeing an intra-week correction, dropping 14.84 percent. The correction was almost as shocking as the rise, with 10 percent of the fall occurring in just 8 minutes, marking the largest correction since Bitcoin's pre-election lows. It was also the largest correction in a sub one-hour window since March 2024.

Figure 1. BTC/USD 4H Chart. (Source: Bitfinex)

While breaking through the $100,000 mark for Bitcoin is no doubt an historic moment for the asset, we analyse the correction that we also saw last week to illustrate how the market is positioned.

While we continue to believe that the mid-term outlook for Bitcoin remains extremely bullish, last week's correction was not just significant from a percentage perspective, but also from the point of view of liquidations, with over $1.1 billion wiped out across major centralised exchanges. (refer Figure below)

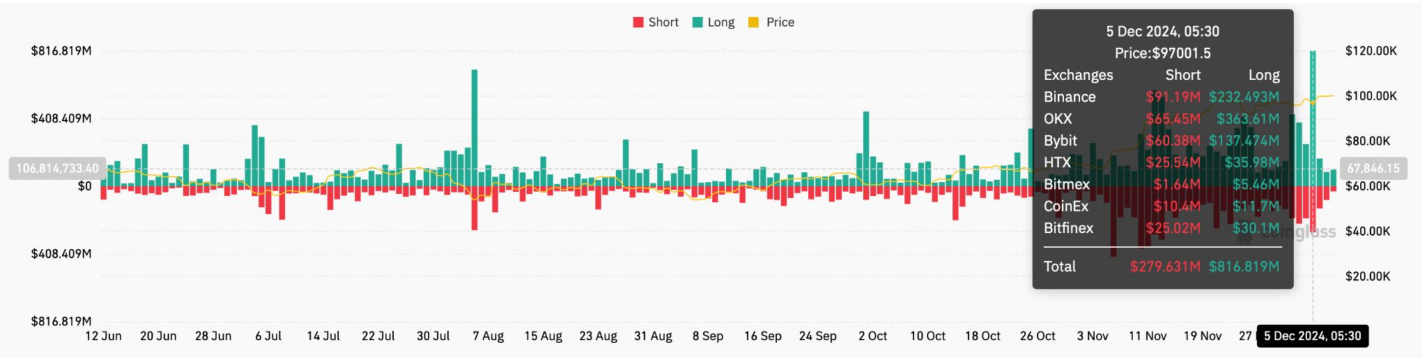

Figure 2. Total Liquidations Across Major Centralised Exchanges. (Source: Coinglass)

Over $815 million of the liquidations were long positions, with $419 million in Bitcoin alone. This represents one of the largest liquidation cascades in USD-notional terms since the November 2022 FTX collapse, and with half of these in Bitcoin positions, it also marked the second largest long liquidation event in USD-notional terms for Bitcoin-related trading pairs. In terms of Bitcoin itself, approximately 4,350 BTC were liquidated, marking the fourth highest daily liquidation since 2019.

Amid this market turmoil, Long-Term Holder (LTH) distribution, as highlighted in previous editions of *Bitfinex Alpha*, has continued, although at a slower pace. We believe that the liquidation cascade last week was driven by LTH profit-taking and distribution. The sudden price drop triggered by these sales however has led to a deceleration in the rate of distribution.

To explain this and the more gradual nature of any future price declines, we will focus on two key metrics: Realized Profit and futures funding rates. These offer insights into sell-side pressure and leveraged demand, respectively.

Realized Profit (RP), which tracks the USD gains from moved coins, peaked at $10.5 billion daily during Bitcoin's surge towards $100,000. However, it has since fallen to around $2.5 billion per day, reflecting a 76 percent drop. This sharp reduction in RP suggests that the profit-taking has significantly cooled, and that further sell-offs, if they occur, should be less dramatic in nature. Moreover, this will allow the price to find an equilibrium in supply/demand at the new ATH, and thus a new lower timeframe price range.

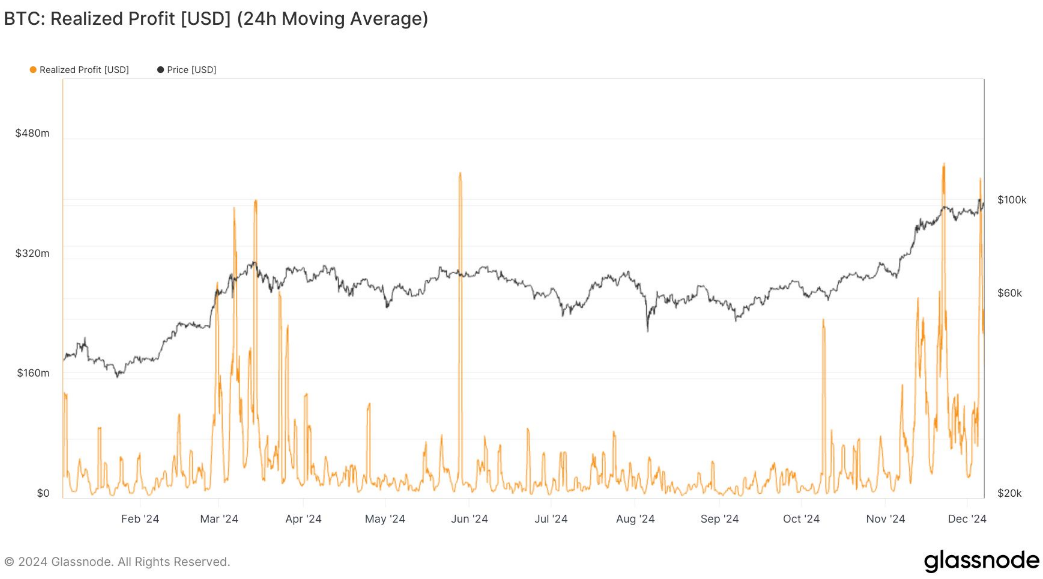

Figure 3. Bitcoin Realised Profit In USD-Notional Terms Using A Daily Simple Moving Average For Smoothening. (Source: Glassnode)

With such a decline in realized profit and sell-side pressure, we can expect future declines to be less abrupt than the one experienced last week.

Funding rates too are stabilising (refer Figure below), as the market transitions to a more balanced phase, where volatility is likely to be more contained and price movements less erratic in the medium term.

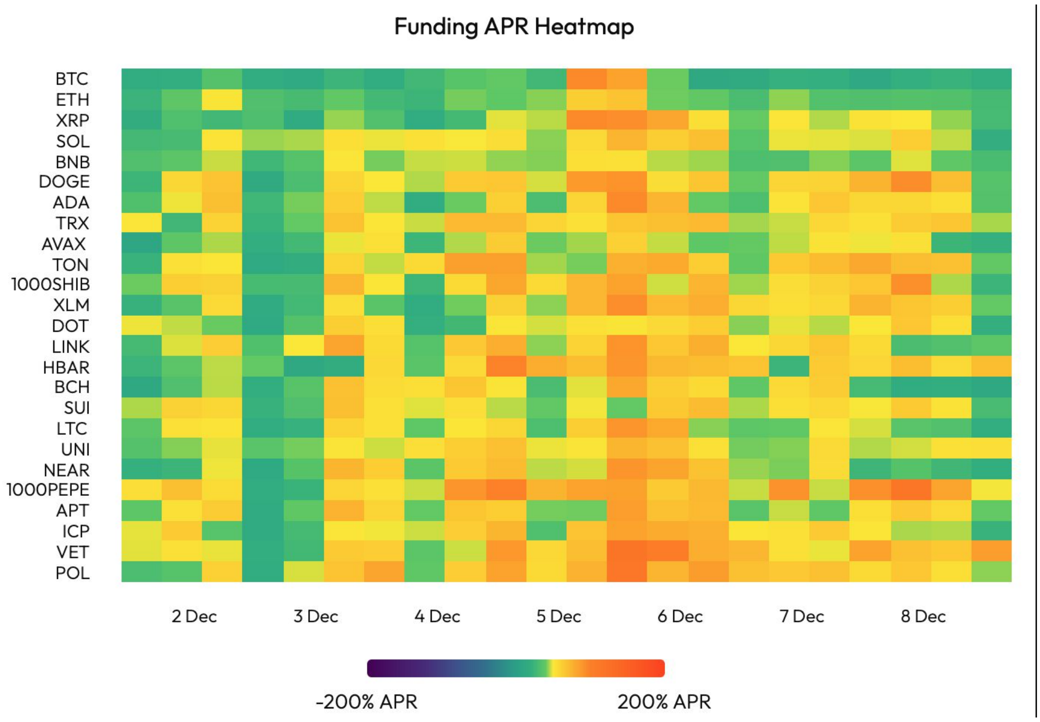

Figure 4. Funding Heatmap Across Top Crypto Assets By Market Capitalisation. (Source: Velo)

This is illustrated in the perpetual futures markets, where funding rates are beginning to plateau as speculative demand stabilizes.

Funding rates, which represent the cost of holding an open perpetual futures contract, surged during the rally, but did not reach the extreme levels observed in March this year. This indicates a more measured level of leverage entering the market compared to earlier in the cycle. Nevertheless, funding rates on Bitcoin and Ethereum moved past 80-100 percent APR momentarily on December 5th (the day of the ATH) indicating a significant level of leveraged longs in the market . Funding APRs on many altcoins moved even faster exceeding 200 percent on smaller assets like DOGE and PEPE.

However, post the 14 percent BTC correction - even though altcoins did not see such a steep drop in price - funding rates have settled down to under 30 percent APR on altcoins, and under 15 percent on Bitcoin and Ethereum which are more normal levels for bull market runs.

If funding rates begin to decline further, it would signal that excessive long leverage is starting to unwind, potentially leading to a more balanced market as price forms a base. We believe that the $100,000 level is no longer a significant support/resistance level and the price might find a new equilibrium on the spot markets as increasing speculation on the futures and perpetual markets settles. Conversely, a re-acceleration in funding rates could suggest that additional risk is being added to the long side, which might indicate renewed speculative demand or an increasing reliance on leverage. This dynamic will be crucial in understanding the sustainability of price levels and the likelihood of further upward momentum.

GENERAL MACRO UPDATE

November Job Market Rebounds Demonstrating Continued Resilience in the US Economy

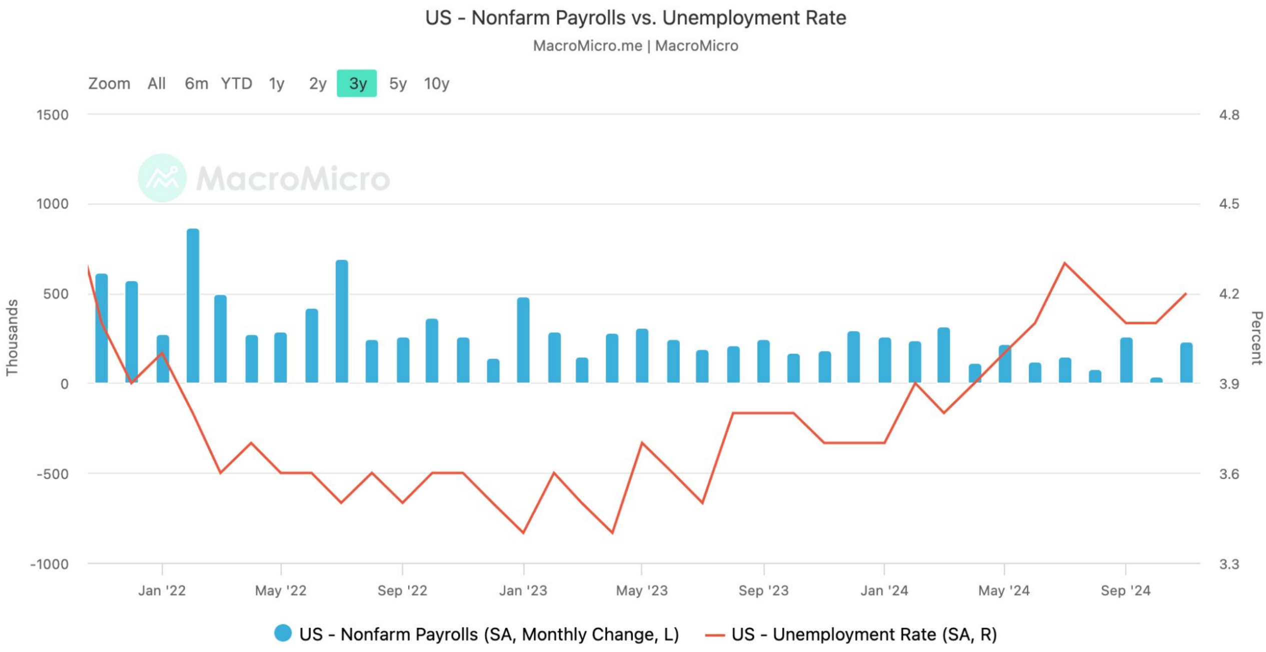

Figure 5. NonFarm Payrolls and US Unemployment Rate (Source: Macromicro, US Bureau of Labor Statistics)

The US labour market saw a significant recovery in November, adding 227,000 jobs, as the US economy continues to demonstrate its resilience, despite disruptions caused by the hurricanes in October. However, a slight rise in the unemployment rate to 4.2 percent highlights broader workforce shifts.

November's job gains exceeded consensus forecasts of 220,000, and a further 56,000 jobs were added for September and October, according to the Bureau of Labor Statistics' Employment Situation Summary issued last Friday, December 6th.

Private sector hiring led the surge, contributing 194,000 new positions, largely driven by a 160,000-job increase in the service sector. Despite the strong job creation however, the unemployment rate ticked up to 4.2 percent. This increase is partly due to 193,000 people leaving the labour force, which could indicate underlying slack in the job market. A rise in unemployment suggests there may still be room for improvement in the labour market.

This also supports expectations that the Federal Reserve will reduce its policy interest rate by 25 basis points when it meets next Tuesday 17th December, to support broader economic participation.

This will bring interest rates to the 4.25 to 4.5 percent range. However, with the economy projected to expand by over 3.3 percent this quarter and wage growth remaining strong, the Fed is expected to hold off on further cuts until at least March.

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12/18/2024				0.0%	0.0%	0.0%	0.0%	86.0%	14.0%
1/29/2025	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	27.6%	62.9%	9.5%
3/19/2025	0.0%	0.0%	0.0%	0.0%	0.0%	18.2%	50.9%	27.7%	3.2%
5/7/2025	0.0%	0.0%	0.0%	0.0%	6.4%	29.7%	42.7%	19.1%	2.1%
6/18/2025	0.0%	0.0%	0.0%	3.3%	18.5%	36.5%	30.4%	10.2%	1.0%
7/30/2025	0.0%	0.0%	0.8%	7.1%	23.0%	35.0%	25.4%	8.0%	0.8%
9/17/2025	0.0%	0.3%	2.8%	12.0%	26.7%	32.0%	20.0%	5.7%	0.5%
10/29/2025	0.0%	0.7%	4.5%	14.8%	27.7%	29.7%	17.3%	4.7%	0.4%
12/10/2025	0.2%	1.4%	6.4%	17.1%	28.1%	27.5%	15.1%	4.0%	0.3%

Figure 6.CME FedWatch Tool - Conditional Meeting Probabilities

Market data reflects this outlook, with an 86 percent probability of a rate cut priced in. Looking ahead, the Federal Reserve will evaluate the potential impact of upcoming fiscal policy changes, including tax reductions and increased government spending, as well as deregulation and higher import taxes, as it shapes its monetary strategy for 2025.

October Job Openings Also Surge

The US job market also showed renewed strength in October, with job openings climbing sharply and layoffs reaching their lowest levels in 1.5 years. However, hiring activity slowed, indicating that while demand for workers remains robust, some hesitancy among employers persists.

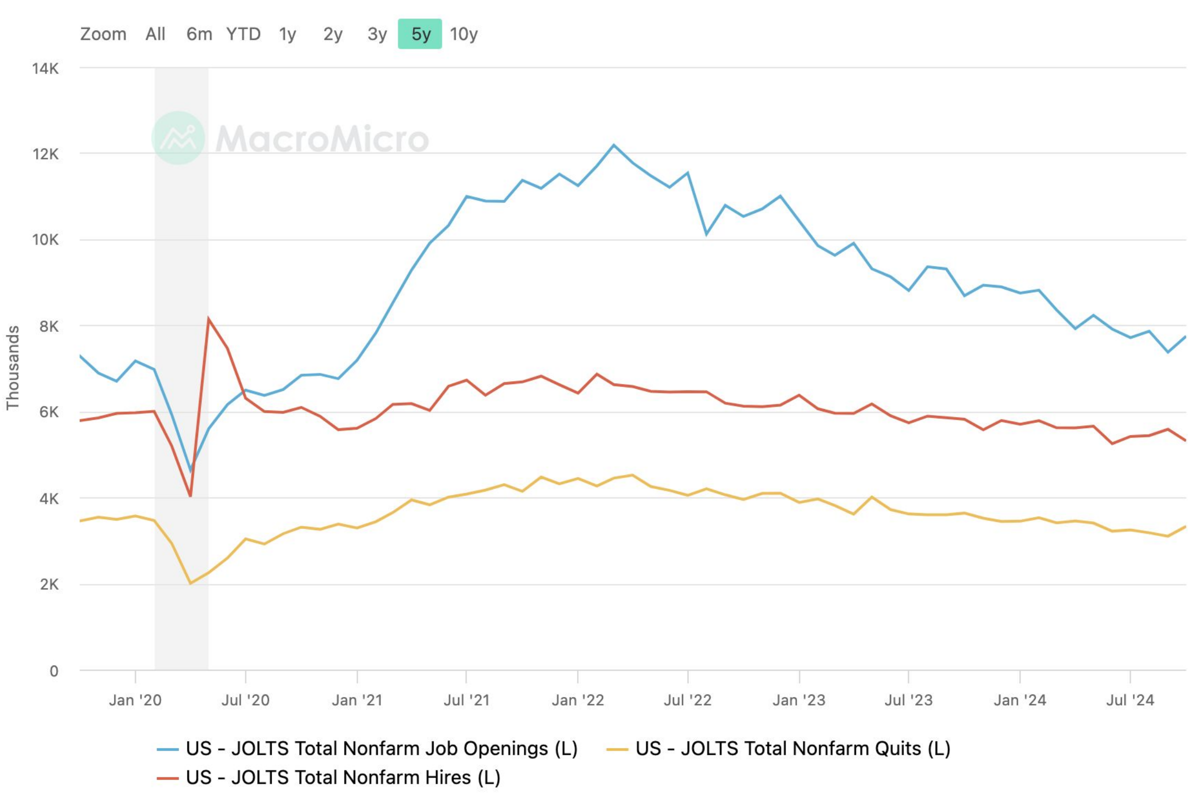


Figure 7 The Bureau of Labor Statistics released the Job Openings and Labor Turnover Survey (JOLTS)

In the Bureau of Labor Statistics latest [Job Openings and Labor Turnover Survey (JOLTS)], job openings rose to 7.74 million from September's 7.37 million. This kept the vacancies-to-unemployed ratio steady at 1.1, and within levels seen before the pandemic. While layoffs dropped significantly, employers appeared cautious about onboarding new workers, likely influenced by hurricane disruptions and broader economic uncertainties.

Job openings surged, particularly in the South, as a result of the impact of Hurricane Milton. However, hiring saw a notable decline of 269,000, bringing the total number of job openings to 5.3 million in October. Industries such as construction, manufacturing, finance, professional services, and hospitality experienced reduced hiring activity.

The hiring rate dipped to 3.3 percent in October from September's 3.5 percent, attributed to employers delaying recruitment processes due to weather-related disruptions and a reassessment of economic prospects. This drop affected businesses of all sizes and occurred across all US regions, with the South seeing the steepest decline, partly due to lingering storm-related challenges.

Despite the decrease in hiring, workers exhibited growing confidence in the labour market. Resignations experienced their most significant increase in 1.5 years, reflecting employees' belief in their ability to secure new opportunities.

The report suggests that the labour market remains resilient, with strong worker demand continuing to anchor wage growth and consumer spending. The data will unlikely deter the Federal Reserve from a December rate cut. Looking forward, if labour demand remains robust into 2025, the central bank will use this as a reason to slow the pace of future rate cuts or even pause altogether.

Longer-term, potential shifts in immigration and economic growth policies could reshape the labour market. Stricter immigration rules may limit the labour supply, causing job openings and quit rates to climb further without necessarily boosting hiring. The Federal Reserve must weigh these scenarios carefully as it shapes its monetary policy, balancing the dual goals of fostering employment and controlling inflation. For now, the labour market remains a pillar of economic stability, but evolving policy dynamics and employer caution signal that its trajectory may change.

US Service Sector Growth Slows in November

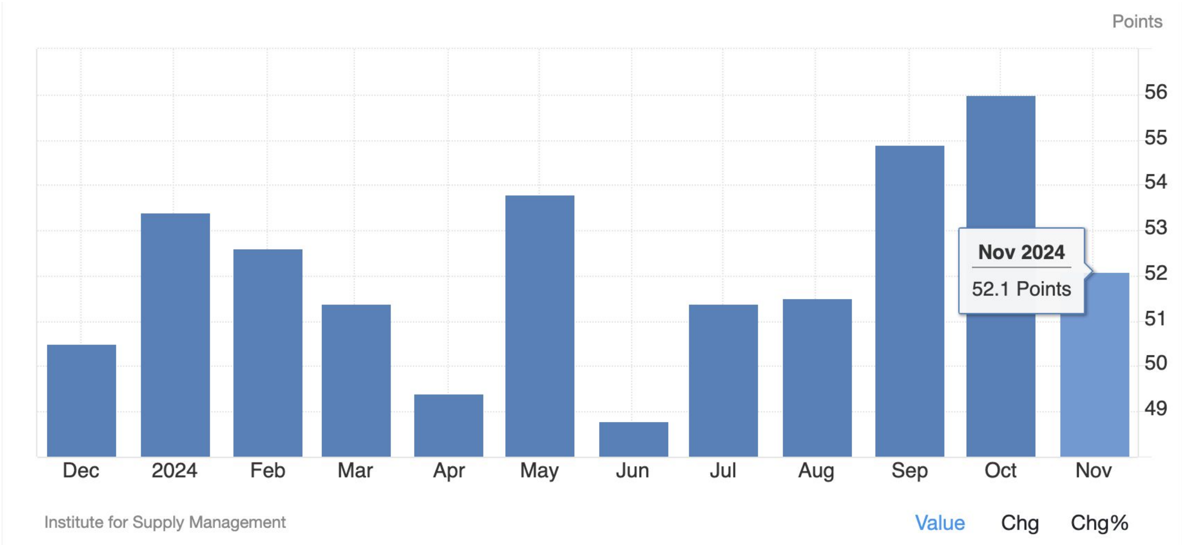


Figure 8. United States ISM Services PMI

The US service sector continued its growth in November, marking 51 months of expansion out of the 54 months since the economic recovery post-pandemic began. However, the pace of growth eased, reflecting a slower but steadier economic expansion as the holiday season approaches.

The November 2024 Services ISM Report On Business, released by the Institute for Supply Management (ISM) on Wednesday, showed the services purchasing managers index (PMI) reaching 52.1 for November. While any reading above 50 indicates expansion, the latest figure is below the long-term average of 54.9 recorded between 2000 and 2024. Despite this moderation, the sector's resilience is underpinned by a labour market at full employment and wages growing faster than inflation, bolstering consumer spending.

Breaking down the survey, new orders grew at 53.7, and employment registered 51.5 on the index, both signalling continued expansion but at a slower pace compared to previous months. Meanwhile, the prices paid index rose to 58.2, indicating that inflationary pressures persist in the services sector. At the industry level, 14 sectors reported growth, while three showed contraction, underscoring the uneven recovery across different parts of the economy.

	Services PMI®					
Index	Series Index Nov	Series Index Oct	Percent Point Change	Direction	Rate of Change	Trend** (Months)
Services PMI®	52.1	56.0	-3.9	Growing	Slower	5
Business Activity/ Production	53.7	57.2	-3.5	Growing	Slower	5
New Orders	53.7	57.4	-3.7	Growing	Slower	5
Employment	51.5	53.0	-1.5	Growing	Slower	2
Supplier Deliveries	49.5	56.4	-6.9	Faster	From Slower	1
Inventories	45.9	57.2	-11.3	Contracting	From Growing	1
Prices	58.2	58.1	+0.1	Increasing	Faster	90
Backlog of Orders	47.1	47.7	-0.6	Contracting	Faster	4
New Export Orders	49.6	51.7	-2.1	Contracting	From Growing	1
Imports	53.8	50.2	+3.6	Growing	Faster	5
Inventory Sentiment	54.6	53.0	+1.6	Too High	Faster	19
Customers' Inventories	N/A	N/A	N/A	N/A	N/A	N/A

Figure 9.ISM Services Survey Results (Source: Institute of Supply Management)

The supplier deliveries index fell to 49.5 from 56.4 in October, moving into contraction territory for the sixth time this year. This indicates that suppliers are delivering goods more quickly, which may alleviate some supply chain bottlenecks. Additionally, the backlog of orders eased to 47.1, suggesting reduced pressure on existing orders, while inventory sentiment increased to 54.6, reflecting businesses' expectations for a strong year-end performance.

Overall, while the slower pace of growth signals caution, the service sector remains a cornerstone of economic stability. With strong labour market conditions and robust consumer demand leading into the holiday season, the outlook for the sector remains optimistic despite the challenges of inflation and uneven growth across industries.

NEWS FROM THE CRYPTO-SPHERE

South Korea Experienced Record-Breaking $34 Billion in Crypto Volumes Following Short-Lived Martial Law

Figure 10.South Korea Experienced Record-Breaking $34 Billion in Crypto Volumes Following Short-Lived Martial Law (Image Source: The Korea Times)

- **South Korea's cryptocurrency exchanges recorded over $34 billion in trading volume within 24 hours following the declaration of martial law by President Yoon Suk-yeol**
- **The political unrest caused a rush in crypto selling and platform outages, illustrating the strong connection between geopolitical events and crypto market volatility**

On Wednesday, December 4th, South Korea witnessed an unprecedented surge in cryptocurrency trading, with local spot exchanges recording a collective trading volume exceeding $34 billion in a single day. This record-breaking activity unfolded against the backdrop of political unrest, as President Yoon Suk-yeol declared, then later swiftly revoked emergency martial law within six hours.

Data from CoinMarketCap revealed that the combined trading volume across South Korea's top exchanges—Upbit, Bithumb, Coinone, Korbit, and Gopax—reached $34.2 billion in 24 hours. Upbit, the country's largest cryptocurrency exchange, dominated the market, handling $27.25 billion.

The spike occurred right after President Yoon declared martial law, citing a need to counteract alleged "anti-state" activities to undermine democracy. These activities were reportedly linked to the opposition left-wing political party.

Amid fears of economic and political instability, South Korean traders hurriedly sold off their crypto holdings. This frenzied activity caused significant price drops across most major cryptocurrencies and led to temporary outages on several trading platforms due to overwhelming traffic.

The situation began to stabilise as lawmakers convened an emergency session and unanimously voted to oppose martial law. President Yoon then revoked his declaration six hours after its issuance, leading to a restoration of calm in both the political and financial sectors.

The record trading volume highlighted how digital assets are being used as both a hedge and a liquidation mechanism during crises.

Mt. Gox Transfers $2.4 Billion in Bitcoin as Market Hits Historic Highs

Figure 11. Mt. Gox Transfers $2.4 Billion in Bitcoin as Market Hits Historic Highs

- **Bankrupt crypto exchange Mt. Gox transferred 24,000 BTC ($2.4 billion) to a new wallet, its first major movement since November 12th, sparking speculation about potential creditor repayments**
- **The transfer coincided with Bitcoin surpassing $100,000, driven by positive US election results, highlighting Mt. Gox's ongoing influence on the crypto market**

On Wednesday, December 4th, the bankrupt cryptocurrency exchange Mt. Gox transferred nearly 24,000 BTC—valued at approximately $2.4 billion—to a new wallet late Wednesday night, according to data from Arkham Intelligence. The recipient address, identified as "1N7jW...1u8Yp," received 24,051.75 BTC from one of Mt. Gox's cold storage wallets. This marks the exchange's first major transfer since November 12th.

The purpose of the transfer remains unclear, but similar transactions in the past have preceded repayments to creditors via centralised exchanges. While the distribution timeline remains uncertain, Mt. Gox recently delayed its repayment deadline from October 31, 2024, to October 31, 2025, leaving thousands of creditors waiting for their long-lost Bitcoin.

The timing of the transfer coincided with Bitcoin prices surpassing $100,000 for the first time on Wednesday, fueled by optimism surrounding favourable US election results for cryptocurrency policies. The Tokyo-based exchange, which was the world’s largest Bitcoin trading platform before its 2014 collapse due to a massive security breach, continues to loom large in crypto history as it resolves creditor claims.

Grayscale Files to Transform Solana Trust into an ETF, Joining Competitive Race

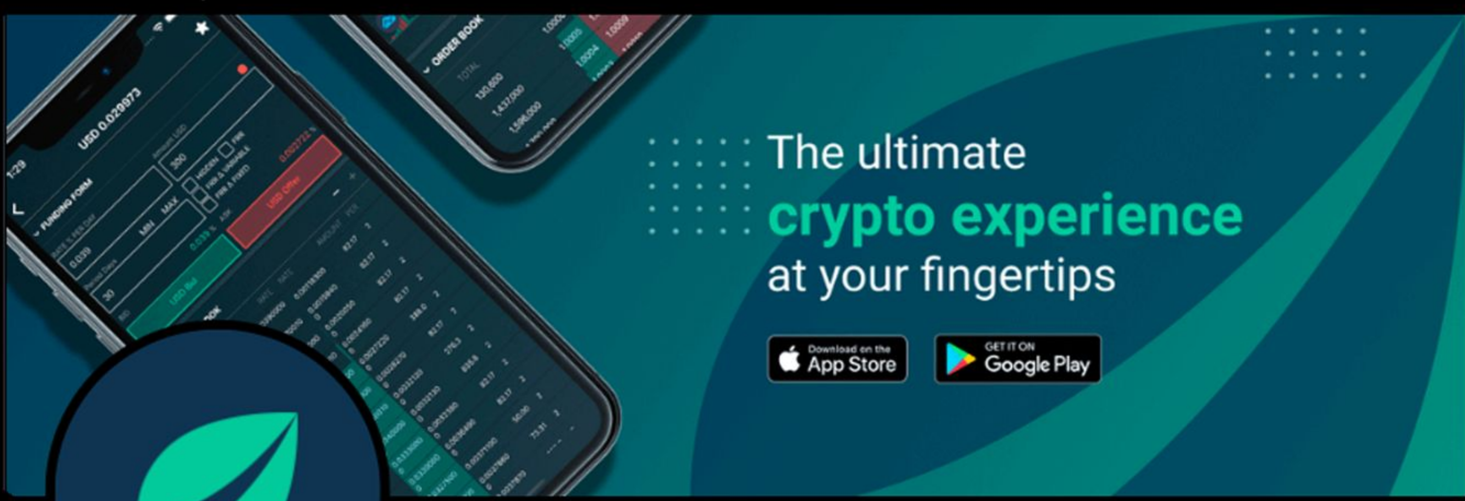
Figure 12. Grayscale Files to Transform Solana Trust into an ETF, Joining Competitive Race

- **Grayscale filed to convert its Solana Trust into an ETF, joining four other asset managers in the competitive race to launch a Solana-focused exchange-traded fund**
- **The filing comes amid a strong Solana market rally and growing optimism about crypto-friendly regulations**

Grayscale has officially entered the race to launch a Solana exchange-traded fund (ETF) by filing to convert its existing Solana Trust (GSOL) into an ETF. NYSE Arca, the exchange proposed to list the fund, submitted a 19b-4 filing to the US Securities and Exchange Commission (SEC) last Tuesday evening, December 3rd.

With this move, Grayscale becomes the fifth asset manager pursuing a Solana ETF, joining Bitwise, VanEck, 21Shares, and Canary Capital, all of which revealed similar plans earlier this year. Grayscale has had prior success in the ETF market, having already transitioned its Ethereum and Bitcoin trusts into ETFs earlier in 2024.

Launched in 2021, the Grayscale Solana Trust currently manages $134 million in assets, according to the latest filing. The filing also comes as Solana, alongside other major cryptocurrencies, has experienced a strong market rally this year. This momentum has been further accelerated by the November election of Donald Trump, which has fueled optimism about a regulatory landscape more favourable to the crypto industry.



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