BITFINEX Alpha

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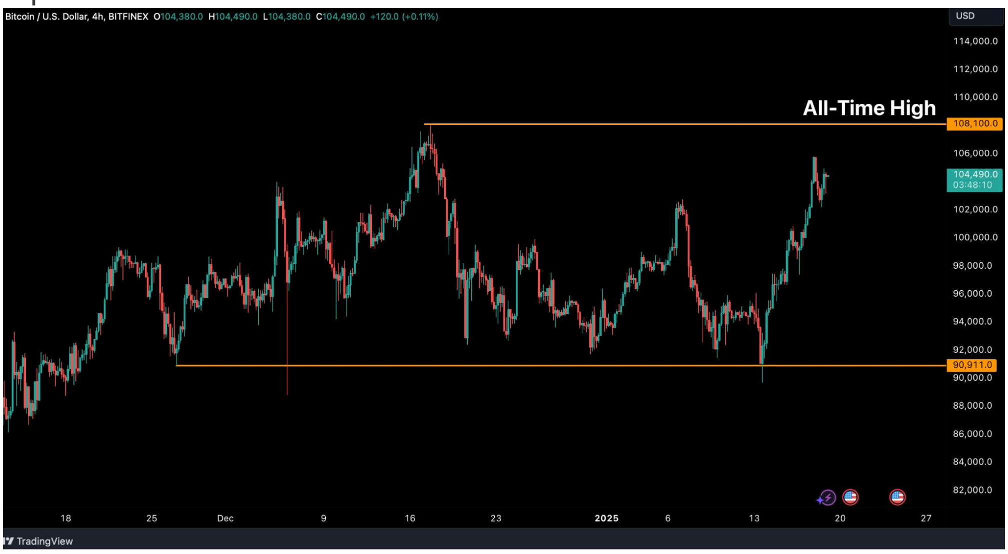
EXECUTIVE SUMMARY

Markets Rebound but Beware 'Sell-the-News' Trading

Bitcoin staged a remarkable recovery last week, climbing back above $100,000 after briefly dipping to a low of $89,698. The recovery reached a high of $105,800. This 18.2 percent peak-to-trough bounce highlights Bitcoin's relative strength compared to equities, with BTC ending the week up 10 percent.

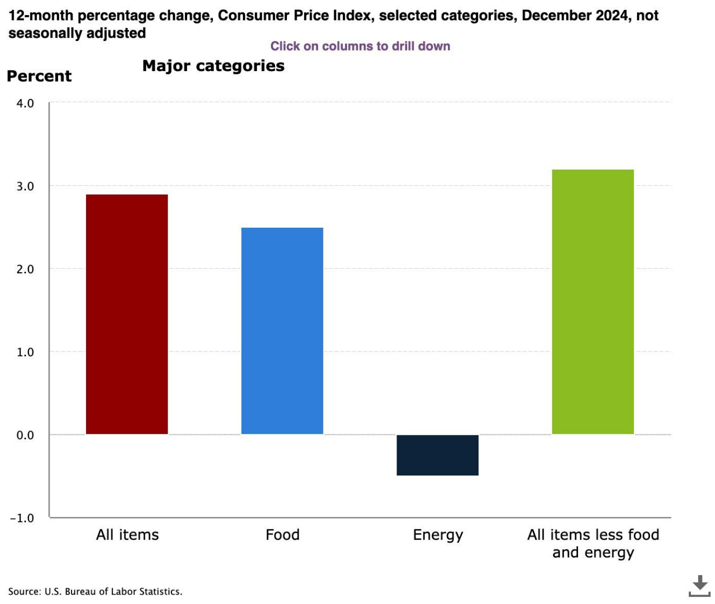


BTC/USD 4H Chart Showing the All-Time High as of Last Week

The dip below $90,000 triggered significant liquidations, with $818 million recorded on January 13th, including $592 million in long positions. Short-term holders (STHs), whose average cost basis is $88,400, played a critical role in defending the price during this correction. Historically, STH cost basis acts as a reliable support level, and last week's trough aligned closely with this level, triggering a rebound. However, a drop below the STH cost basis could create stress, potentially driving further sell-offs.

The recovery was primarily fuelled by aggressive spot buying, as seen in the sharp rise in the Spot Cumulative Volume Delta. This metric indicated significant taker buy pressure, particularly from US-based exchanges. The buying patterns mirrored previous activity associated with MicroStrategy and ETF purchases, further reinforcing the view that institutional demand remains strong.

However, the spot buying pressure seen last week might require time for bids to replenish, potentially triggering a brief pullback before further upward momentum resumes. Bitcoin's resilience and sustained demand position it well for continued strength in the medium term.



Inflation showed a slight uptick in December, with the CPI rising 2.9 percent on an annualised basis, driven largely by surges in energy prices. While core inflation remains above the Federal Reserve's two percent target, stabilising import prices and a lower-than-expected Producer Price Index growth offers some optimism for moderating inflationary pressures. Consumer spending remained robust, with retail sales climbing 3.9 percent year-over-year in December, bolstered by wage growth and a strong labour market. However, uncertainties loom as Trump's proposed tariffs could escalate costs for essential goods, disproportionately impacting lower-income households and potentially disrupting recent progress in inflation control. Meanwhile, the Federal Reserve appears cautious, signalling fewer rate cuts in 2025 to balance inflationary concerns with economic growth. Despite these headwinds, the resilience of consumer activity and employment strength provides a solid foundation, notwithstanding that the risks from tariff policies, labour supply constraints, and seasonal spending fluctuations could pose significant challenges.

In crypto news last week, Trump launched meme coin $TRUMP on the Solana blockchain, stirring both enthusiasm and scepticism as it rapidly reached a valuation of $15 billion before seeing some significant profit-taking. While marketed as a symbol of support for Trump’s ideals rather than an investment, concerns over its centralisation and transparency persist, with potential implications for regulatory scrutiny and political finance. In the meantime, institutions continue to look for ways to make crypto-related assets available to traditional finance investors, with filings submitted for a spot Litecoin ETF and a proposed Onchain Economy ETF focusing on digital asset infrastructure. These filings reflect a broader push for mainstream crypto adoption following the success of Bitcoin and Ethereum spot ETFs. The OnChain Economy ETF seeks to provide exposure to businesses shaping the blockchain economy, offering a diversified entry point for investors amid growing interest in the sector.

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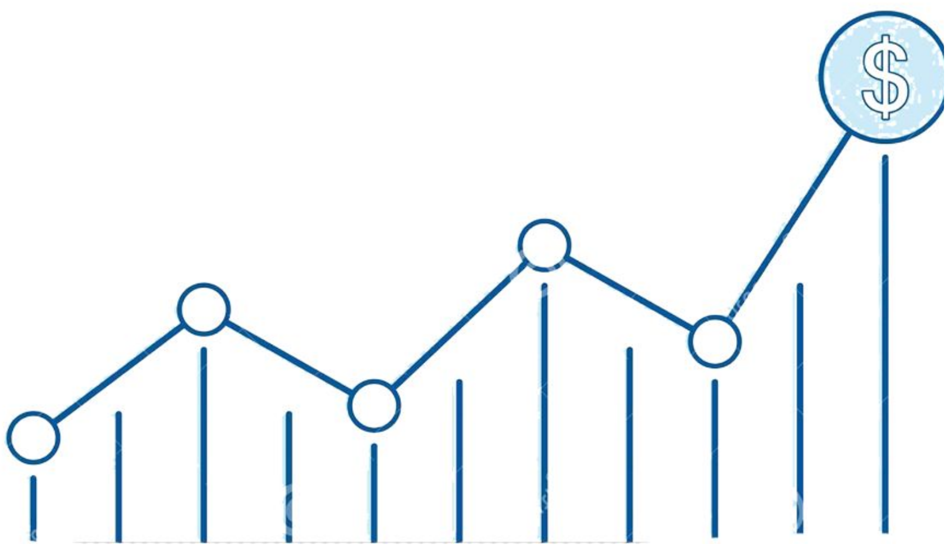


MARKET SIGNALS

Bitcoin Climbs Back Above $100k on Recovery Bounce

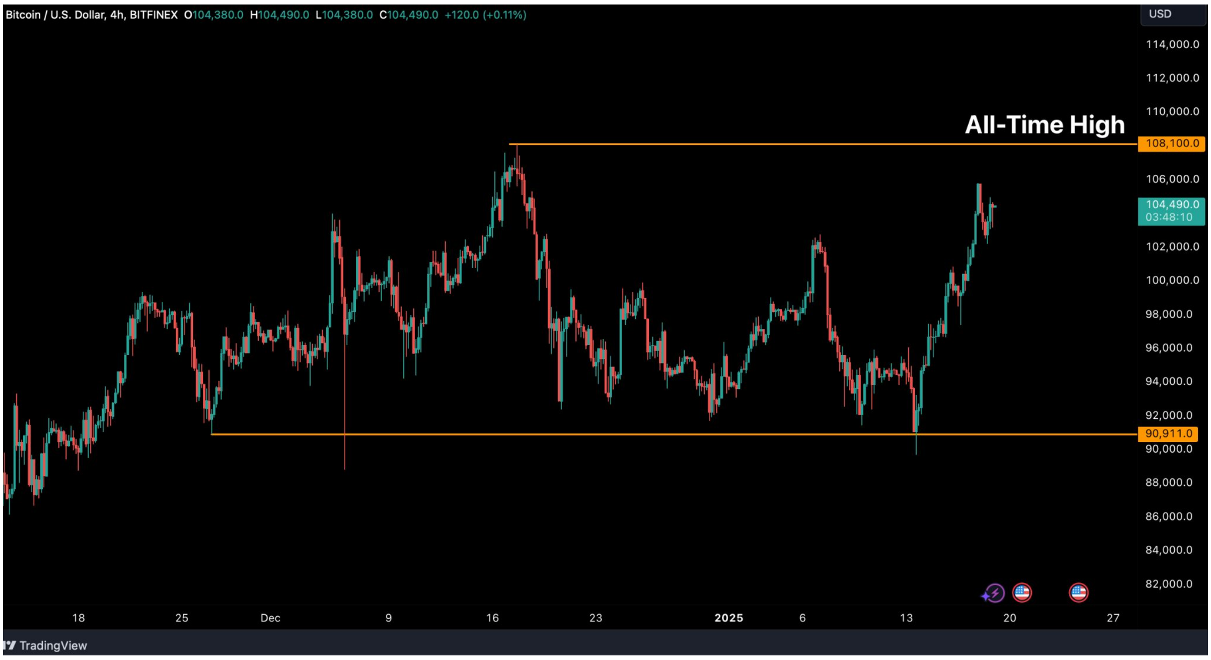


Figure 1: BTC/USD 4H Chart showing the All-Time High as of last week. (Source: Bitfinex)

Last week, Bitcoin demonstrated a strong recovery following a sharp dip that saw the price fall below $90,000 at the start of the week. It rebounded to a high of $105,800. As we have highlighted previously BTC continues to demonstrate impressive relative strength compared to the stock market, as it closed the week 10 percent higher, with a peak-to-trough move of over 18.2 percent.

While there were concerns about a larger pullback, Bitcoin's dip to $89,698 triggered approximately $818 million in liquidations on January 13th, with $592 million of those coming from long liquidations. (refer Figure below)

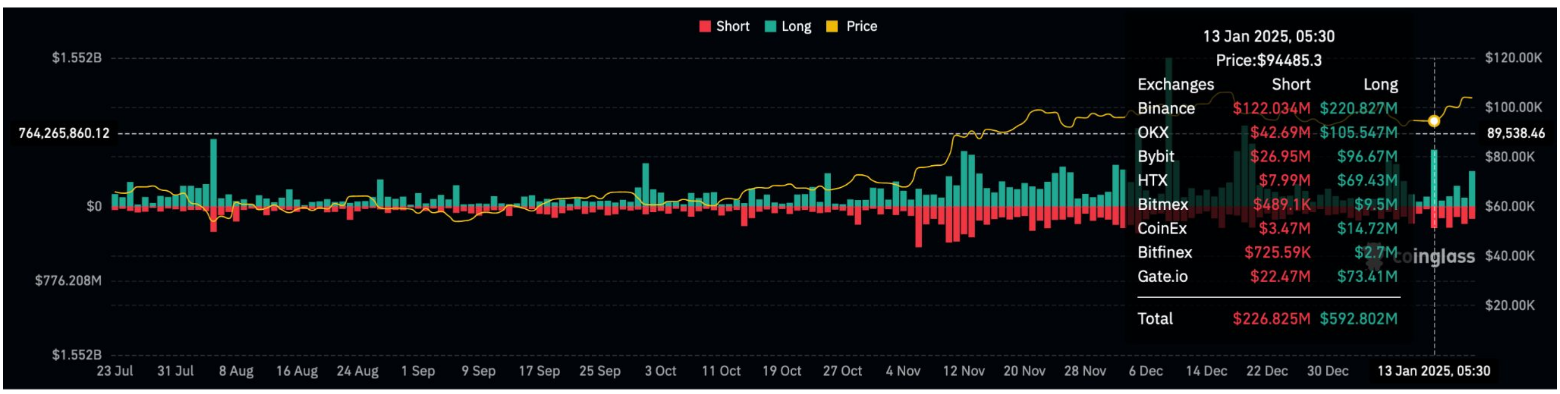


Figure 2: Total Liquidations Across Major Centralised Exchanges. (Source: Coinglass)

Short-term holders of BTC (wallets with BTC holdings less than 155 days) are a critical factor in such market movements. The Short-Term Holder Realised Price (STH-RP) acts as a crucial support-resistance level when the price dips below their cost basis. If the market downturn had deepened, this cohort could have faced severe unrealized losses. However, short-term holders typically defend their average cost basis, and this has historically provided a reliable support level.

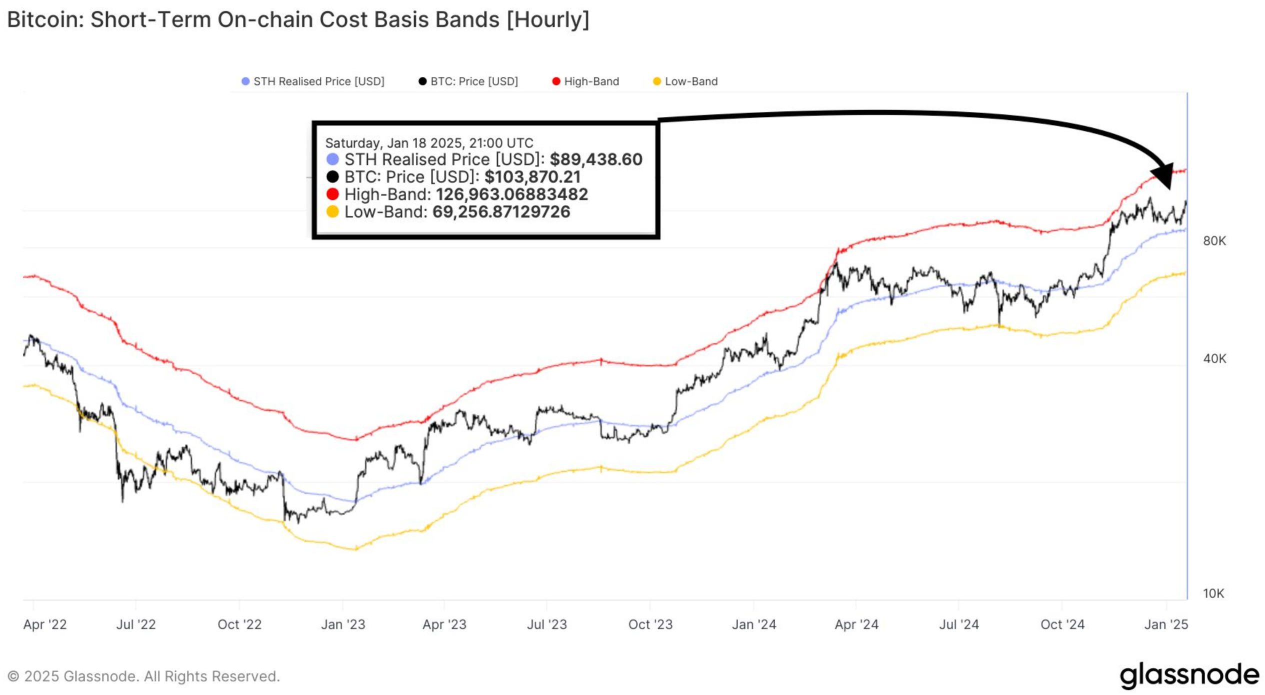


Figure 3: Bitcoin Short-Term Holder Realised Price Standard Deviation Bands. (Source: Glassnode)

Currently, the average Short-Term Holder cost basis is at $88,400. Using a statistical approach, we've established a band between $125,500 and $68,500, which we believe represents the upper and lower support and resistance for this cohort. (See Figure above). These are calculated using one standard deviation from the current STH-RP of $89,438. The spot price is currently trading around 18 percent above the Short-Term Holder cost basis, suggesting the market is still within the norms of a typical bull market. During the trough of our correction last week, the price came within a few basis points of this cost basis and found support to rebound higher. However, if the market fails to regain upward momentum, falling below the STH cost basis could trigger near-term stress, potentially leading to additional sell-side pressure if investors begin to panic.

We do believe that President-elect Trump's inauguration ceremony today could potentially be a sell-the-news event. However, there are encouraging signs from the spot markets as most of the demand since the sub-$90,000 move was spot driven.

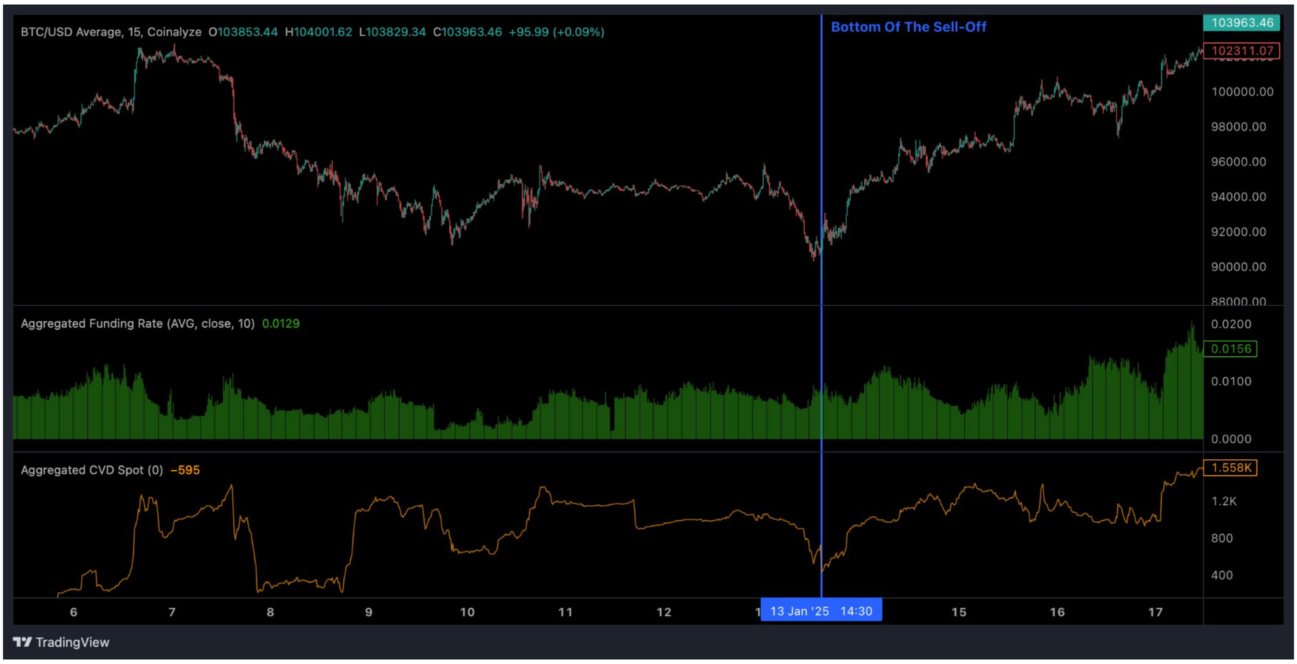


Figure 4: BTC/USD 15 minute Chart With Aggregated Funding Rate And Aggregated Spot Cumulative Delta. (Source: Coinalyze)

As seen in the figure above, during the recovery last week, there was aggressive taker buy pressure which is seen from the Spot Cumulative Volume Delta (CVD) moving up aggressively. The CVD is an essential market metric used to analyse buying and selling pressure in spot markets. It tracks the net difference between market buy and sell orders over a given period. When CVD rises aggressively, it indicates that buying pressure is dominant in the spot market. This suggests that buyers are actively lifting ask prices, signalling strong demand and potential upward momentum for the asset.

A significant portion of the buy volume has originated from US-based exchanges, with the buying pattern mirroring that of previous MicroStrategy and ETF buys. The noticeable aggression from spot market buyers as traditional markets were about to close reinforces this view, with strong demand from both short-term holders and institutional investors. This consistent buying from the US has been key to BTC maintaining its position as among the best performing risk assets since the US election results were announced in early November.

However, the downside of this robust buying pressure is that, following such aggressive moves, bids often take time to replenish. This could result in a slight pullback, particularly if a "sell-the-news" event occurs. In this scenario, perpetual traders who bought in anticipation of President Trump's inauguration and the potential executive orders favouring crypto regulation and taxation in the US, may take profits. This would further exacerbate any pullback.

GENERAL MACRO UPDATE

Inflation Trends in December: Implications for Monetary Policy and Economic Growth

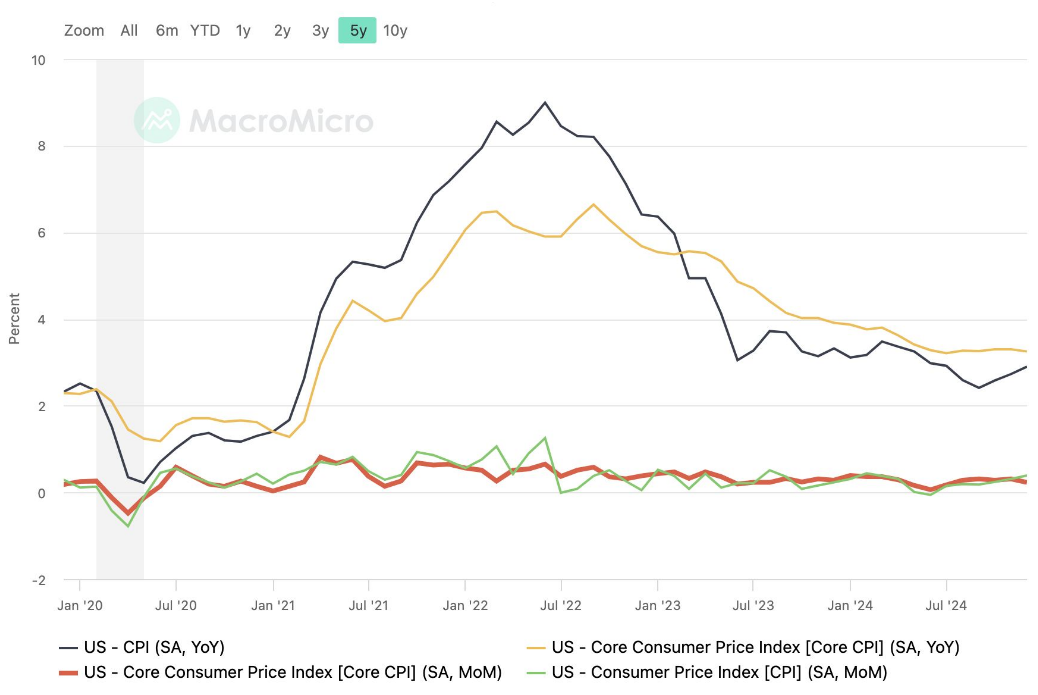


Figure 5. Consumer Price Index (Source: Bureau of Labor Statistics, Macromicro)

The December consumer price index (CPI) reflects a mixed picture of inflation, with modest progress in evidence to tackle underlying price pressures but significant challenges still remain for policymakers and investors.

In December, the CPI rose by 0.4 percent from a month ago, an increase from November's 0.3 percent, according to the Bureau of Labor Statistics' Consumer Price Summary issued last Wednesday, January 15th. This is the highest monthly increase in nine months. On an annual basis, CPI rose by 2.9 percent in December from 2.7 percent in November. These increases were largely driven by significant gains in energy prices, which jumped 2.6 percent, and gasoline costs, which surged 4.4 percent. The price of used autos and trucks also climbed 1.2 percent. Notably, energy costs accounted for over 40 percent of the overall CPI increase, with gasoline prices among the largest components. Core inflation, which excludes volatile food and energy categories, increased by 0.2 percent month-over-month and 3.2 percent year-over-year.

Although the trend for inflation has improved during 2024, it remains above the Federal Reserve's two percent target and continues to strain consumers who have endured significant price hikes over recent years. The producer price index, which measures the average change in selling prices received by domestic producers, suggests that inflation might continue to a downward trend. The Producer Price Index (PPI) rose 0.2 percent last month, lower than the consensus forecast of 0.4 percent, following a 0.4 percent rise in November. However, we expect the road toward the Fed's target will be bumpy.

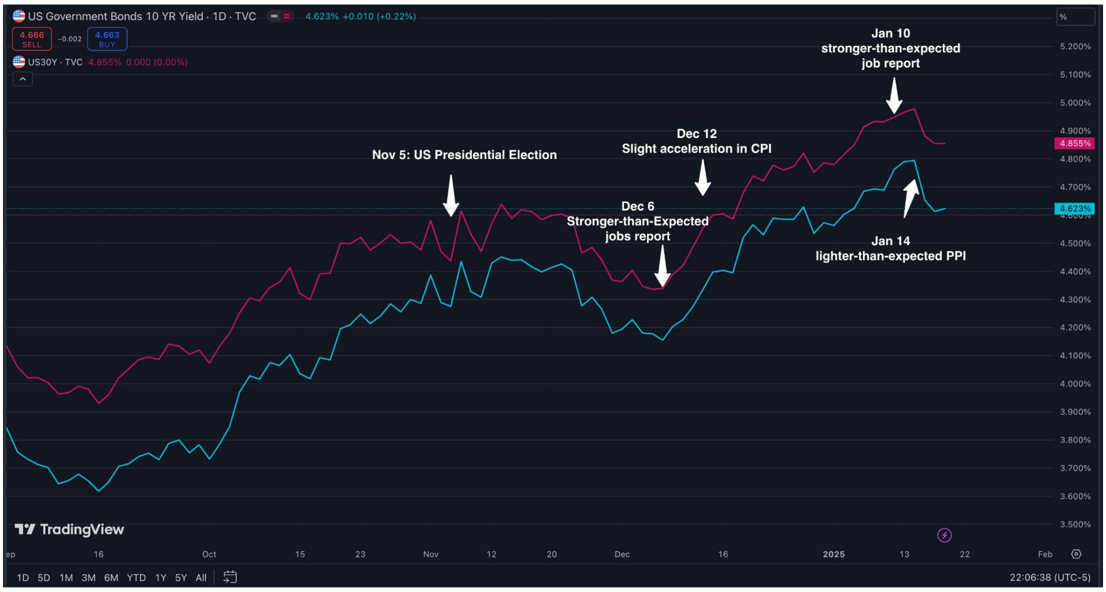


Figure 6. US 10-Year and 30-Year Treasury Yield

The current economic environment is shaped by expectations of expansionary fiscal policies and tighter immigration restrictions, which are likely to exert upward pressure on prices. As a result, long-term yields are approaching five percent, and investors are pricing higher yields across the board. US bond yields spiked after a hotter-than-expected jobs report fueled expectations of a slower rate cut. However, it declined after a lighter-than-expected PPI last Tuesday. Despite this, the upward pressure on prices is expected to dampen risk-taking, constrain fixed business investment, and may weigh heavily on the housing sector.

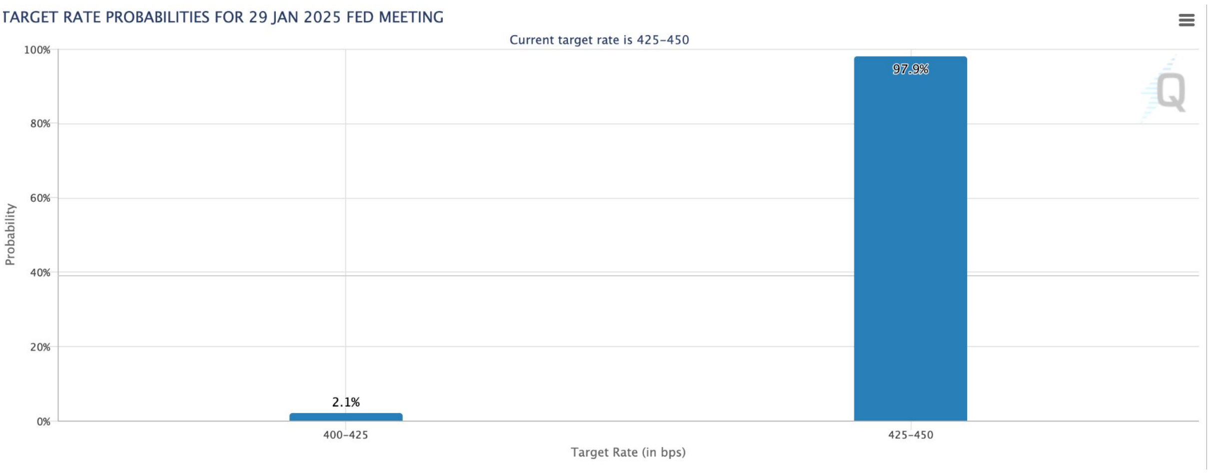


Figure 7. CME Fed Watch Tool: Target Rate Probabilities for January 29 2025 Fed Meeting

Given these conditions, the Fed appears poised to pause further rate cuts. The December CPI data will likely reinforce the view among policymakers that any additional rate reductions—if they occur at all—should be delayed until the latter half of the year. This cautious approach reflects a balancing act between addressing inflationary pressures and supporting economic growth.

The Impact of US Import Prices and Tariff Policies on Inflation and Economic Equity

The dynamics of US import prices and proposed tariff policies have significant implications for the inflation landscape and economic equity. Recent trends suggest stability in import prices, but looming tariff changes may alter this trajectory, influencing household costs and economic activity.

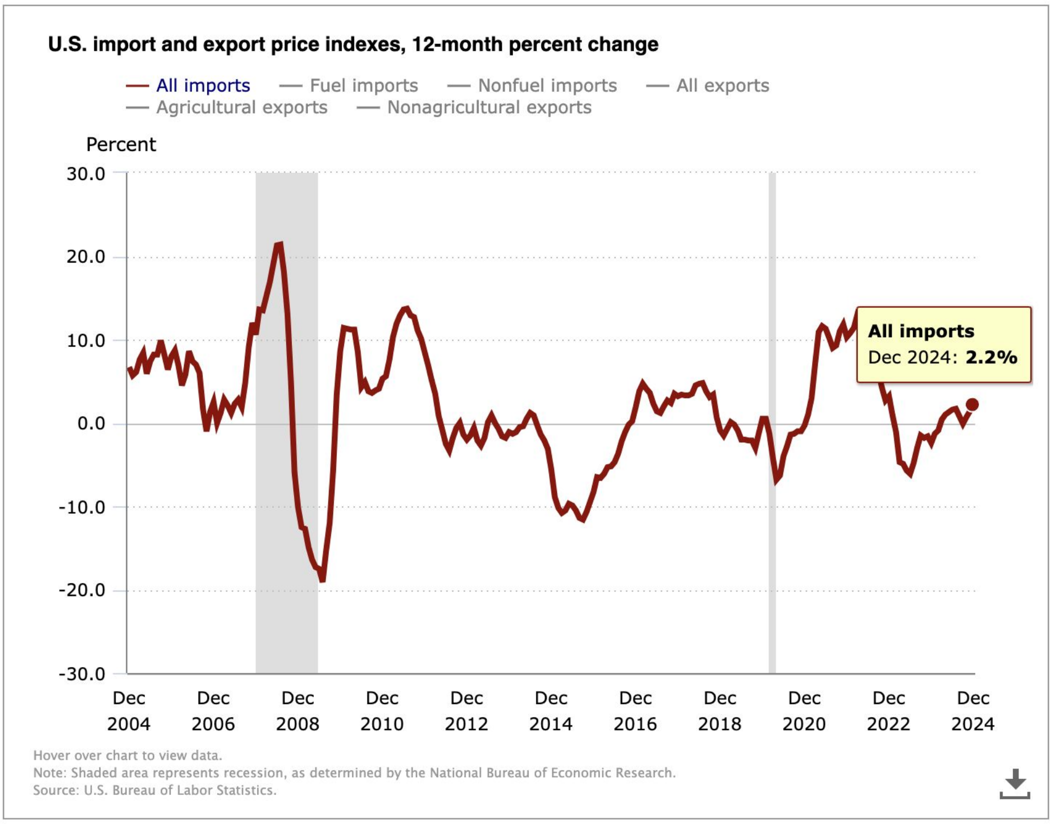


Figure 8. All Import Index (Source: US Bureau of Labor Statistics)

US import prices showed only minimal growth for the third consecutive month in December. The US Import price index rose by just 0.1 percent following a 0.1-percent increase in each of the previous 2 months, according to the Bureau of Labor Statistics' US Import and Export Price Summary issued last Thursday, January 16th. Over the year from December 2023 to December 2024, import prices increased by a modest 2.2 percent. While imported goods comprise only a small fraction of overall consumer expenditures, these figures indicate a broader trend of stabilisation in external cost pressures. Notably, despite significant increases in the costs of fuel and food, weaknesses in other categories tempered the overall impact, providing a relatively subdued outlook for inflation.

The restrained growth in import prices aligns with milder inflation readings from both producer and consumer price indices. Collectively, these indicators suggest a downward trend in inflationary pressures, offering some optimism for economic policymakers and households alike. However, despite these promising signals, more definitive evidence will be required to convince both investors and the Fed that inflation is firmly under control.

The inauguration of President-Elect Donald Trump introduces uncertainty regarding trade policies, particularly the potential for significant tariff increases on imported goods. Such measures could lead to substantial price hikes for goods not widely produced domestically, including clothing and consumer electronics. While the specifics of these tariffs remain unclear, their implementation exacerbates supply chain pressures, a key driver of inflation during the pandemic and its aftermath.

Tariffs inherently place a disproportionate burden on lower-income households, as these groups allocate a higher share of their income to essential goods. Many American households continue to struggle with the lingering effects of pandemic-related price shocks, making additional cost increases especially challenging. As tariffs are passed down to consumers, they risk intensifying financial strain on vulnerable populations, raising concerns about economic equity and fairness.

While recent trends in import prices suggest a positive outlook for inflation control, the potential introduction of new tariffs could disrupt this stability, creating additional economic challenges. The Fed must weigh the broader implications of such measures, particularly their regressive effects on lower-income households.

The Resilience of American Consumer Spending

ADVANCE MONTHLY SALES

December 2024	$729.2 billion	0.4%*
November 2024 (revised)	$725.9 billion	0.8%

Next release: February 14, 2025

* The 90 percent confidence interval includes zero. There is insufficient statistical evidence to conclude that the actual change is different from zero.
Data adjusted for seasonal variation and holiday and trading-day differences but not for price changes. Source: U.S. Census Bureau, Advanced Monthly Retail Trade Survey, January 16, 2025

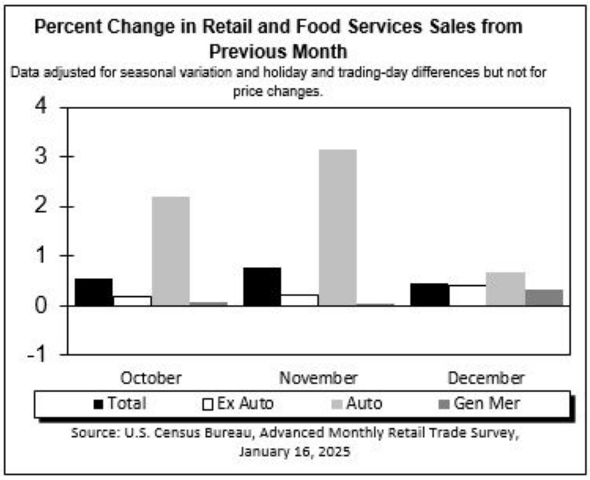


Figure 9. Advanced Monthly Sales, Retail (Source: US Census Bureau)

In 2024, American consumers demonstrated remarkable spending strength, with retail, restaurant and online sales maintaining notable growth in December. While there are some factors that may temper this momentum moving forward, the current trajectory of consumer spending reflects solid economic support from rising incomes and a robust labour market.

Retail sales continued their upward trend in December, rising by 0.4 percent following a revised 0.8 percent increase in November, according to the US Census Bureau's Advance Monthly Sales for Retail and Food Services report issued last Thursday, January 16th. While the consensus forecast was a 0.6 percent rise, the actual gains still reflect a healthy consumer sector. On a year-over-year basis, retail sales grew by 3.9 percent in December, underscoring sustained consumer confidence.

Specific sectors saw varying degrees of growth. Auto dealership sales rose by 0.7 percent after a substantial 3.1 percent increase in November. Meanwhile, furniture store receipts surged by 2.3 percent, and clothing retailers experienced a 1.5 percent rebound. These trends highlight diverse contributions to overall retail strength.

Despite a slight slowdown in underlying inflation last month, overall consumer prices saw their largest increase in nine months. Higher wage growth, driven by labour market strength, has been a significant factor supporting consumer spending. Nonfarm payrolls surged in December, and the unemployment rate declined to 4.1 percent from 4.2 percent in November, painting a positive picture of employment conditions.

The Fed, recognising the impact of these trends adjusted their economic projections. While initially projecting four rate cuts, the Fed now anticipates only two reductions this year. This shift reflects acknowledgment of potential risks, including inflationary pressures from tax cuts and policies introduced by the Trump administration.

Several risks could dampen the strong consumer spending outlook. Seasonal factors and potential "spending hangovers" following the holiday season could slow growth early in the year. Additionally, higher tariffs remain a key downside risk, with potential inflationary effects disproportionately affecting lower-income households.

The labour market also faces uncertainties. In the week ending January 11, the Department of Labor’s Unemployment Insurance Claims report showed initial claims for state unemployment benefits rose by 14,000 to 217,000, higher than the consensus forecast of 210,000. While employment remains solid, challenges in finding skilled workers and concerns over future staffing needs have emerged. Immigration restrictions from the incoming administration could further constrain the labour supply, posing risks to job growth in 2025.

NEWS FROM THE CRYPTO-SPHERE

$TRUMP

Figure 10. $TRUMP

- **Donald Trump launched a meme coin named $TRUMP on the Solana blockchain with a total supply of 1 billion tokens, 80 percent of which are controlled by Trump-affiliated entities**
- **The coin rapidly surged in value, sparking both excitement and scepticism within the crypto community over its legitimacy, transparency, and decentralisation**

On January 18, President-elect Donald Trump launched a meme coin named $TRUMP, to coincide with today's inauguration. The announcement was made via his social media account on X (formerly Twitter), featuring the slogan "Fight, fight, fight!" inspired by his campaign rally chants during his alleged attempted assassination on 15 September 2024

Tokenomics

The $TRUMP token is built on the Solana blockchain, with an initial supply of 200 million coins out of a total cap of 1 billion. The remaining 80 percent is held by Trump Organization affiliate CIC Digital LLC and Fight Fight Fight LLC, both subject to a three-year unlocking period to prevent immediate large-scale sales.

Following its launch, the $TRUMP coin experienced a significant surge in value, reaching over $30 per coin and a market capitalisation exceeding $6 billion within hours.

This rapid increase has drawn both enthusiasm and scepticism from the crypto community. Some traders have questioned the coin's legitimacy, suggesting potential hacks of Trump's accounts, though no official statements have confirmed such issues.

The $TRUMP coin is not marketed as an investment opportunity but as a means to support Trump's ideals and beliefs. A disclaimer on the official website states that the tokens are "not intended to be, or to be the subject of, an investment opportunity, investment contract, or security of any type."

This launch adds to Trump's history of crypto-related ventures, including NFT sales and his World Liberty Financial platform. There have been media reports that Trump plans to issue an executive order to make cryptocurrency a national priority after his inauguration.

Knock-on effects

The launch of the Trump meme coin ($TRUMP) could have a variety of political, economic and even societal consequences.

1. The token could attract intense scrutiny from financial regulators like the SEC or CFTC, potentially prompting calls for tighter crypto regulation.
2. If proceeds from the coin are used for political activities, questions may arise about transparency, accountability, and compliance with campaign finance laws.
3. The popularity of $TRUMP could also increase volatility, as speculative activity grows. Scepticism about the motives and legitimacy of the coin could also harm the trust in both Trump and the broader crypto market.
4. This launch has already inspired imitators and scams targeting Trump supporters (see screenshot below), forcing the the President-elect’s son, Eric Trump to issue a public comment distancing $TRUMP from the scam coin.

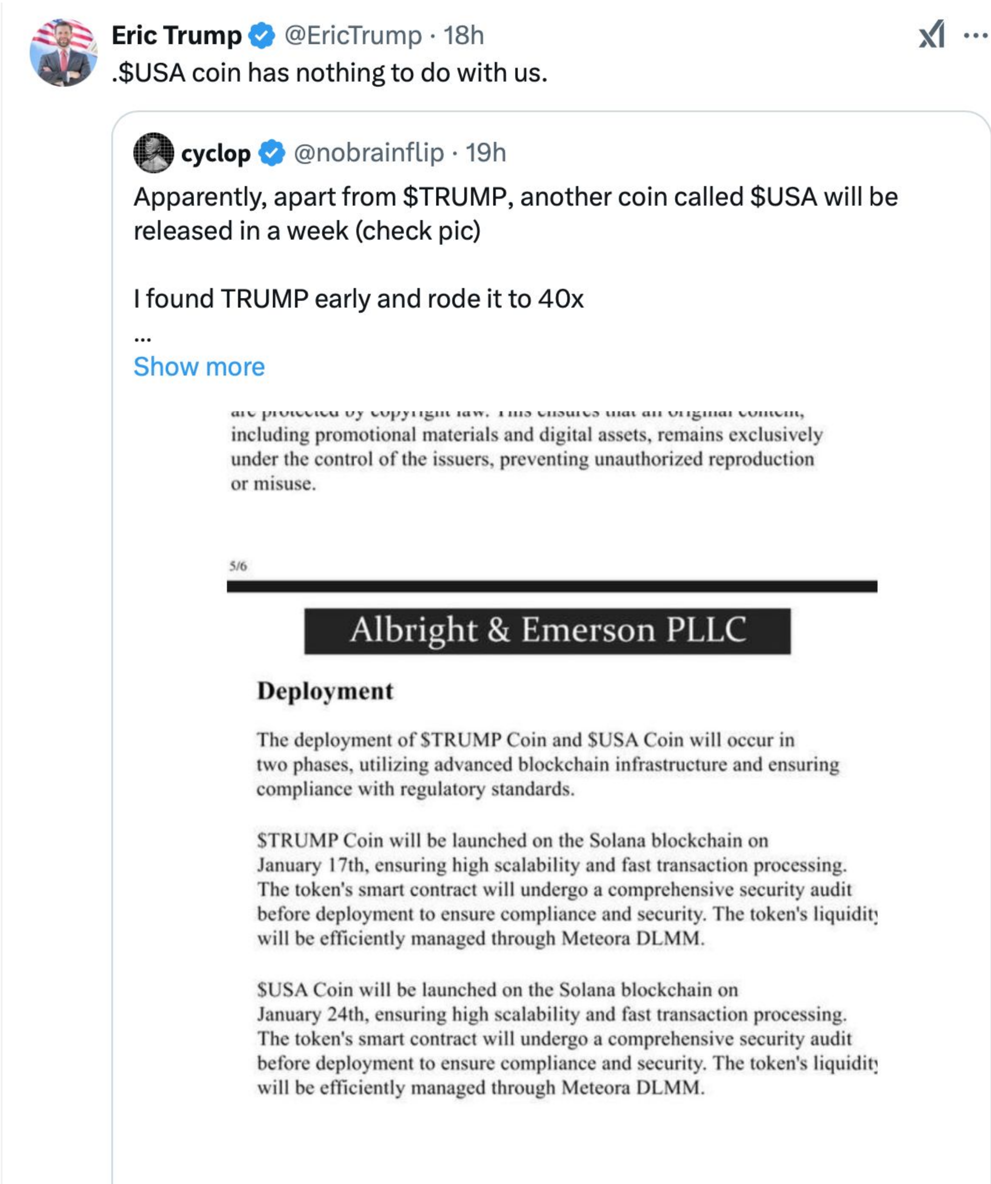


Figure 11: Eric Trump Denying Association with Tokens Other Than TRUMP. (Source: X)

1. The Trump token could set a precedent for political figures leveraging blockchain technology for personal or political branding, leading to new intersections between politics and decentralised finance. While it might temporarily boost Trump's influence, the ultimate consequences will depend on how the coin is received, regulated, and used.

What This Means For The Crypto Industry

This coin initiative could be part of a broader strategy to integrate cryptocurrency into the political and economic landscape. If Trump decides to issue an executive order making cryptocurrency a national priority post-inauguration, it will confirm a significant policy shift from his earlier scepticism towards digital assets.

× TO All Deposits × USD ≥ $1.00 × COIN TRUMP

TRANSFERS 1 / 2 | SWAPS | INFLOW | OUTFLOW

TIME	FROM		TO	VALUE	TOKEN	USD
2 hours ago	TRUMP Token	Trump Team 2 30M (7q…	KuCoin Deposit (ChXVG)	150K	TRUMP	$3.99M
4 hours ago	TRUMP Token	Trump Team 2 30M (7q…	Kraken Deposit (Dnsft)	299.9K	TRUMP	$8.12M
5 hours ago	TRUMP Token	Trump Team 2 30M (7q…	Kraken Deposit (Dnsft)	100	TRUMP	$2.82K
5 hours ago	TRUMP Token	Trump Team 2 30M (7q…	Crypto.com Deposit (F3KRv)	75K	TRUMP	$2.09M
6 hours ago	TRUMP Token	Trump Team 2 30M (7q…	KuCoin Deposit (ChXVG)	250K	TRUMP	$7.78M
6 hours ago	TRUMP Token	Trump Team 2 30M (7q…	Bybit Deposit (7eFYW)	250K	TRUMP	$7.04M
6 hours ago	TRUMP Token	Trump Team 2 30M (7q…	Gate.io Deposit (DwrYb)	150K	TRUMP	$4.22M
7 hours ago	TRUMP Token	Trump Team 2 30M (7q…	Gate.io Deposit (DwrYb)	100K	TRUMP	$3.26M
8 hours ago	TRUMP Token	Trump Team 2 30M (7q…	Bybit Deposit (7eFYW)	100K	TRUMP	$3.25M
8 hours ago	TRUMP Token	Trump Team 2 30M (7q…	Gate.io Deposit (DwrYb)	100K	TRUMP	$3.25M
8 hours ago	TRUMP Token	Trump Team 2 30M (7q…	Gate.io Deposit (DwrYb)	150	TRUMP	$4.51K
9 hours ago	TRUMP Token	Trump Team 2 30M (7q…	Bybit Deposit (7eFYW)	100K	TRUMP	$2.90M
9 hours ago	TRUMP Token	Trump Team 2 30M (7q…	Bybit Deposit (G1CiX)	40K	TRUMP	$1.16M
9 hours ago	TRUMP Token	Trump Team 2 30M (7q…	Bybit Deposit (G1CiX)	40K	TRUMP	$1.14M
9 hours ago	TRUMP Token	Trump Team 2 30M (7q…	KuCoin Deposit (ChXVG)	100K	TRUMP	$2.84M
9 hours ago	TRUMP Token	Trump Team 2 30M (7q…	Crypto.com Deposit (F3KRv)	100K	TRUMP	$2.67M

Figure 12: Wallet Transactions Linked To TRUMP Deployer Wallet. (Source: Arkham Intelligence)

Fight Fight Fight LLC and CIC Digital LLC control roughly 80 percent of the total supply of TRUMP, raising questions about the decentralisation and transparency of the coin. However, it must be noted that as per tokenisation details, the 80 percent of aforementioned supply is locked for three years with gradual unlocks over that period.

Figure 13: Donald Trump X

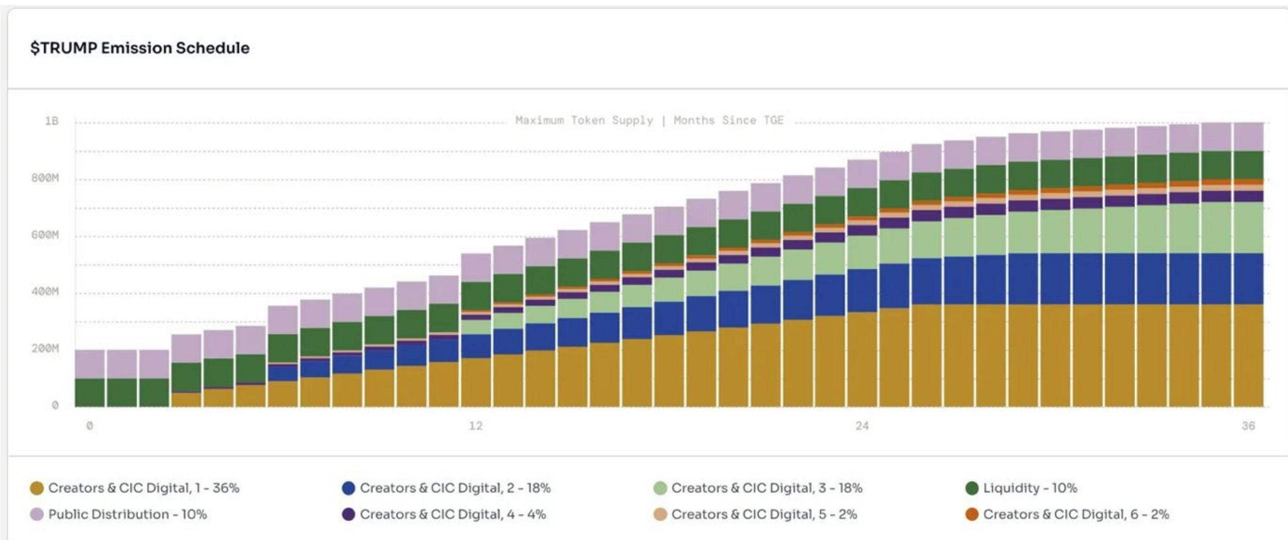


Figure 14. TRUMP Emission Schedule Denoted in Months Post TGE. (Source: gettrumpmemes.com)

Nasdaq Filing Made for Spot Litecoin ETF

Figure 15. Nasdaq Filing Made for Spot Litecoin ETF

- **Nasdaq submitted a 19b-4 form on behalf of Canary Capital to the SEC for the "Canary Litecoin ETF," with Coinbase Custody managing the Litecoin holdings**
- **The filing highlights growing institutional interest and could drive mainstream adoption, following the success of Bitcoin and Ethereum spot ETFs earlier**

A Nasdaq filing of a 19b-4 form on behalf of Canary Capital for a proposed "Canary Litecoin ETF" was made last Wednesday, January 15th, marking a critical step in the approval process.

According to the filing, US Bancorp Fund Services, LLC will act as the administrator for the ETF, while US Bank N.A. will manage the cash holdings. The Litecoin holdings will be stored by Coinbase Custody Trust Company LLC.

The submission of the 19b-4 form represents the second phase of the ETF application, following the filing of Canary Capital's amended S-1 form. This form initiates a formal review by the SEC, triggering a regulatory timeline upon its publication in the Federal Register.

The application comes as competition intensifies among asset managers aiming to launch spot ETFs for various cryptocurrencies, including Solana and XRP, and follows the SEC's landmark approval of Bitcoin and Ethereum spot ETFs in 2024.

Industry stakeholders view these filings as a response to evolving regulatory dynamics, with growing optimism around potential approvals under the new US administration, which is perceived as relatively supportive of crypto innovation.

The move by Nasdaq and Canary Capital underscore the growing institutional interest in cryptocurrency markets and the broader push for mainstream adoption. Spot crypto ETFs provide a gateway for traditional investors to gain exposure to digital assets without the complexities of direct ownership.

Furthermore, approval of a Litecoin ETF could bolster market confidence and pave the way for increased liquidity and transparency in the cryptocurrency ecosystem.

VanEck Introduces New ETF Targeting Digital Asset Ecosystem

Figure 16. VanEck Introduces New ETF Targeting Digital Asset Ecosystem

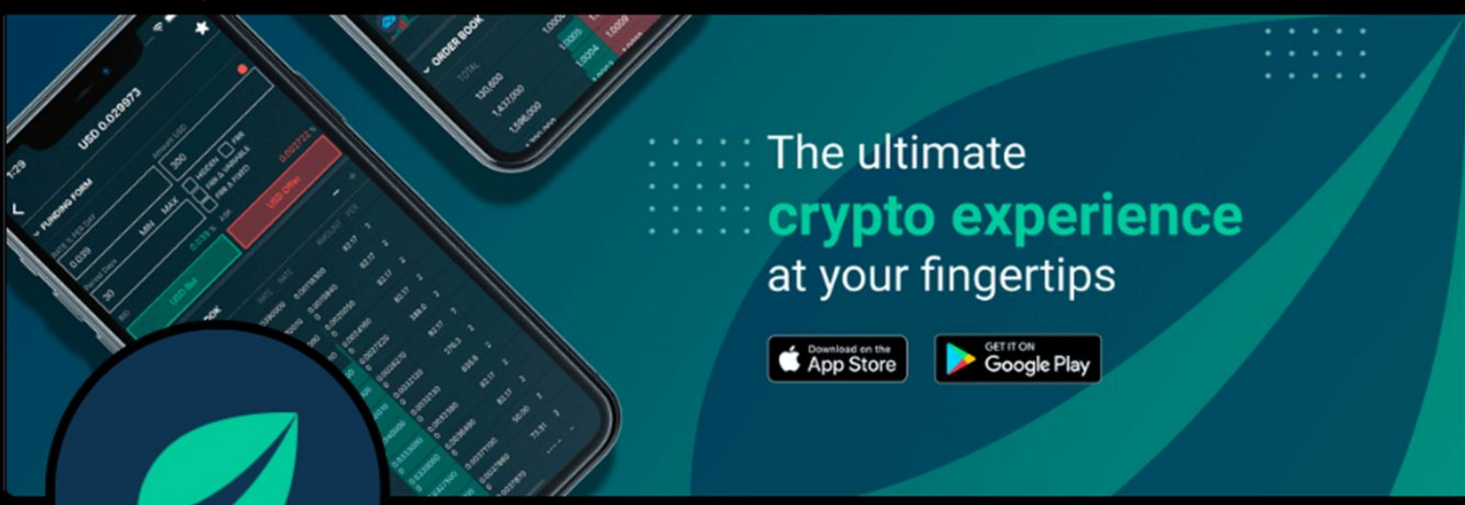
- **VanEck has filed with the SEC to launch an Onchain Economy ETF**
- **This allocates 80 percent of its assets to digital asset-focused companies like exchanges, payment platforms, and mining firms, rather than directly investing in digital assets or commodities**

Leading investment manager VanEck has filed with the US Securities and Exchange Commission (SEC) to launch the Onchain Economy ETF, a fund focused on companies and instruments shaping the digital transformation landscape. According to the filing made last Wednesday, January 15th, the ETF will allocate at least 80 percent of its net assets to businesses involved in digital assets, such as cryptocurrency exchanges, payment platforms, and mining companies, as well as investment vehicles tied to digital asset-related instruments like commodity futures contracts.

Unlike traditional crypto ETFs, the Onchain Economy ETF will not directly invest in digital assets or commodities.

This filing follows VanEck's recent decision to liquidate its Ethereum Strategy ETF (EFUT) in September 2024, which provided exposure to Ethereum futures. The closure came after the SEC approved spot Ethereum ETFs earlier this year. Meanwhile, VanEck's existing crypto funds, including its spot Ethereum fund (ETHV) and spot Bitcoin ETF (HODL), continue to generate significant trading volumes.

By targeting companies driving the digital transformation, VanEck is aiming to provide investors a diversified approach to capitalising on the growing influence of blockchain technology.



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BITFINEX Alpha