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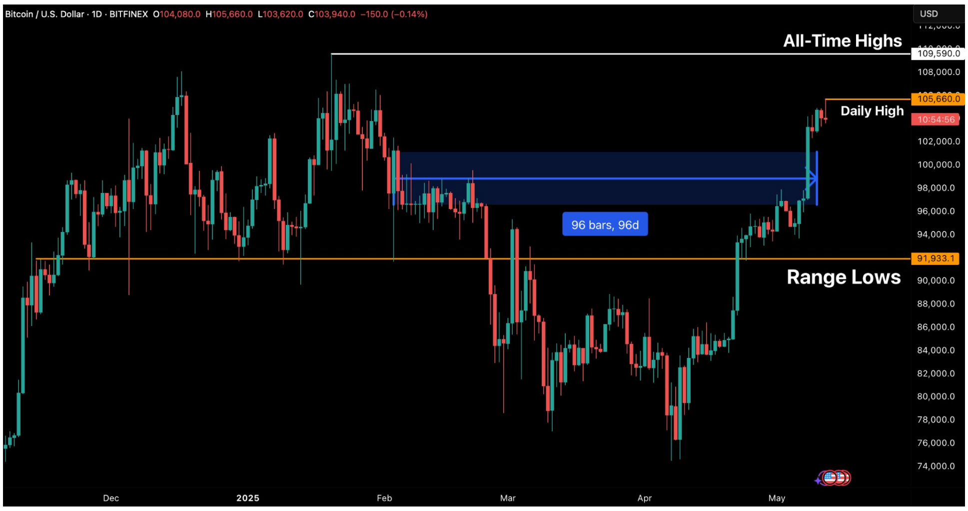
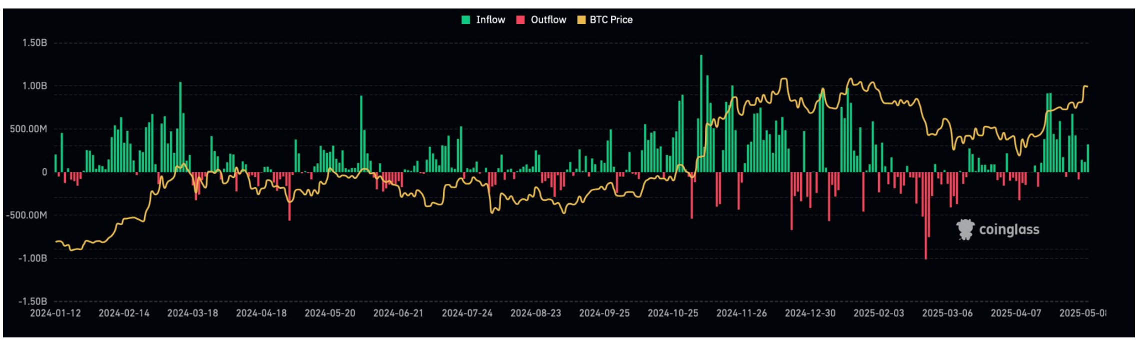
EXECUTIVE SUMMARY

The Bulls Return to Bitcoin

Bitcoin reclaimed the $100,000 mark for the first time in over three months, demonstrating renewed strength, after falling 32 percent from its January all-time high. Driven by macro tailwinds—including easing tariff tensions and a dovish shift in the Fed's tone—the breakout aligns with a broader risk-on shift and has seen BTC outperform equities.



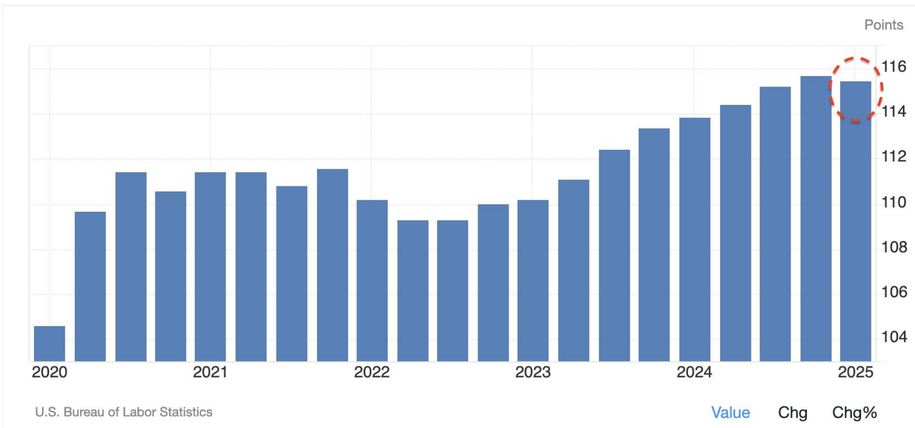
Importantly, capital rotation into Bitcoin appears sustained, as reflected in the realised cap reaching a new all-time high and ETF inflows exceeding $920 million over the past two weeks. On-chain data also confirms a significant drop in coins held at a loss, with over 3 million BTC returning to profit. Coupled with rising spot volumes and institutional-led ETF flows, Bitcoin now sits on a structurally solid footing. As long as macro conditions remain supportive, short-term dips are likely to be absorbed quickly, reinforcing the upside bias and leaving BTC well-positioned for a potential new leg toward fresh highs.



In the meantime, the Federal Reserve has held interest rates steady as concerns rise over both increasing inflation and unemployment—highlighting the risk of stagflation. Fed Chair Jerome Powell has stressed the uncertainty surrounding the economic outlook, noting the Fed's need for more data before deciding on further policy action. Despite market expectations of a rate cut by July, the Fed's stance remains cautious, prioritising price stability over reacting quickly to slowing growth.

In the energy sector, crude oil prices have plummeted due to OPEC+'s shift to higher production targets, yet gasoline prices in the US remain firm due to tight refining capacity and seasonal demand. This divergence, driven by refinery bottlenecks and widening crack spreads, suggests that retail fuel costs may only ease if these supply issues resolve and oil prices stay low.

The highly touted US-UK trade agreement also offers limited economic relief, even though there are now reductions on select goods like UK vehicles and US agricultural exports. However, the deal lacks comprehensive scope, offering modest gains while broader trade challenges remain unresolved.



Adding to economic strain, US labour productivity declined for the first time in nearly three years while unit labour costs surged, exacerbated by tariffs and trade disruptions. Businesses are struggling with rising compensation costs and reduced efficiency, which may lead to tighter margins and hesitant investment, unless productivity rebounds or trade tensions ease.

In the cryptosphere, new developments signal rising institutional and governmental interest in crypto markets, though political and regulatory hurdles remain. New Hampshire has taken a bold step in financial innovation, becoming the first US state to enact a law permitting investment in cryptocurrencies and precious metals. This move reflects the growing state-level momentum around digital asset integration amid evolving national policy debates.

Meanwhile, legislative gridlock in Washington continues. The US Senate narrowly failed to advance the GENIUS Act by a vote of 48-49, with three senators not voting and a motion to reconsider filed. This highlights the current difficulties in reaching bipartisan consensus on key economic and innovation-focused legislation.

In the private sector, BlackRock deepened its regulatory engagement by meeting with the SEC to discuss introducing staking features and refining options trading rules for crypto ETFs. The meeting marks a significant development in crypto asset regulation, with BlackRock advocating for staking in Ethereum-based ETFs and broader product functionality. It also reflects a shifting regulatory tone as the SEC becomes more active in shaping the digital asset space.

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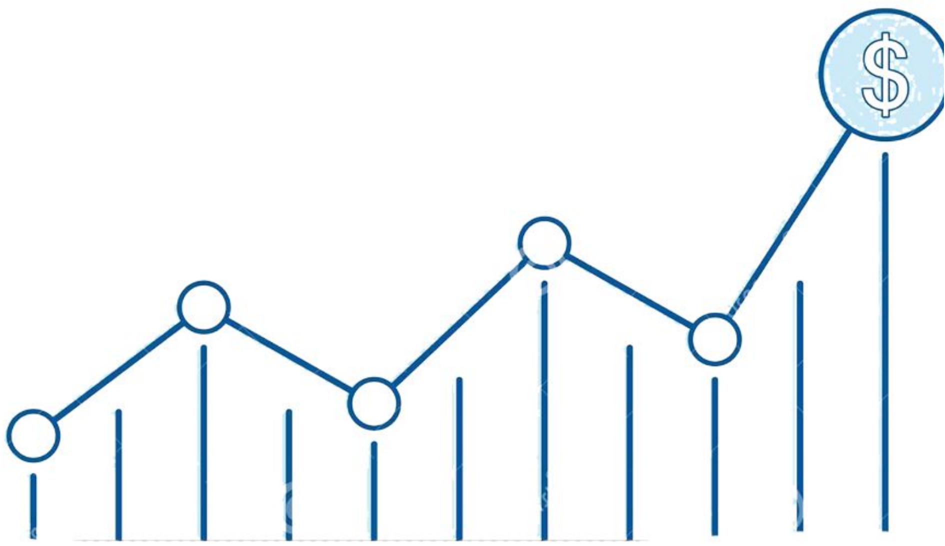


MARKET SIGNALS

Bitcoin Breaks Past $100K Again

After falling 32 percent from it's all-time high of $109,590, Bitcoin is now finally back above the $100,000 mark for the first time in 96 days. This latest breakout saw BTC touch $105,660, its highest price in over three months and just 3.6 percent shy of its previous ATH. The rally is a clear continuation of the strong momentum observed since the reclaim of multi-month range lows, and aligns with our thesis that Bitcoin will display relative strength versus equities and other risk assets, as macro catalysts return to the forefront.

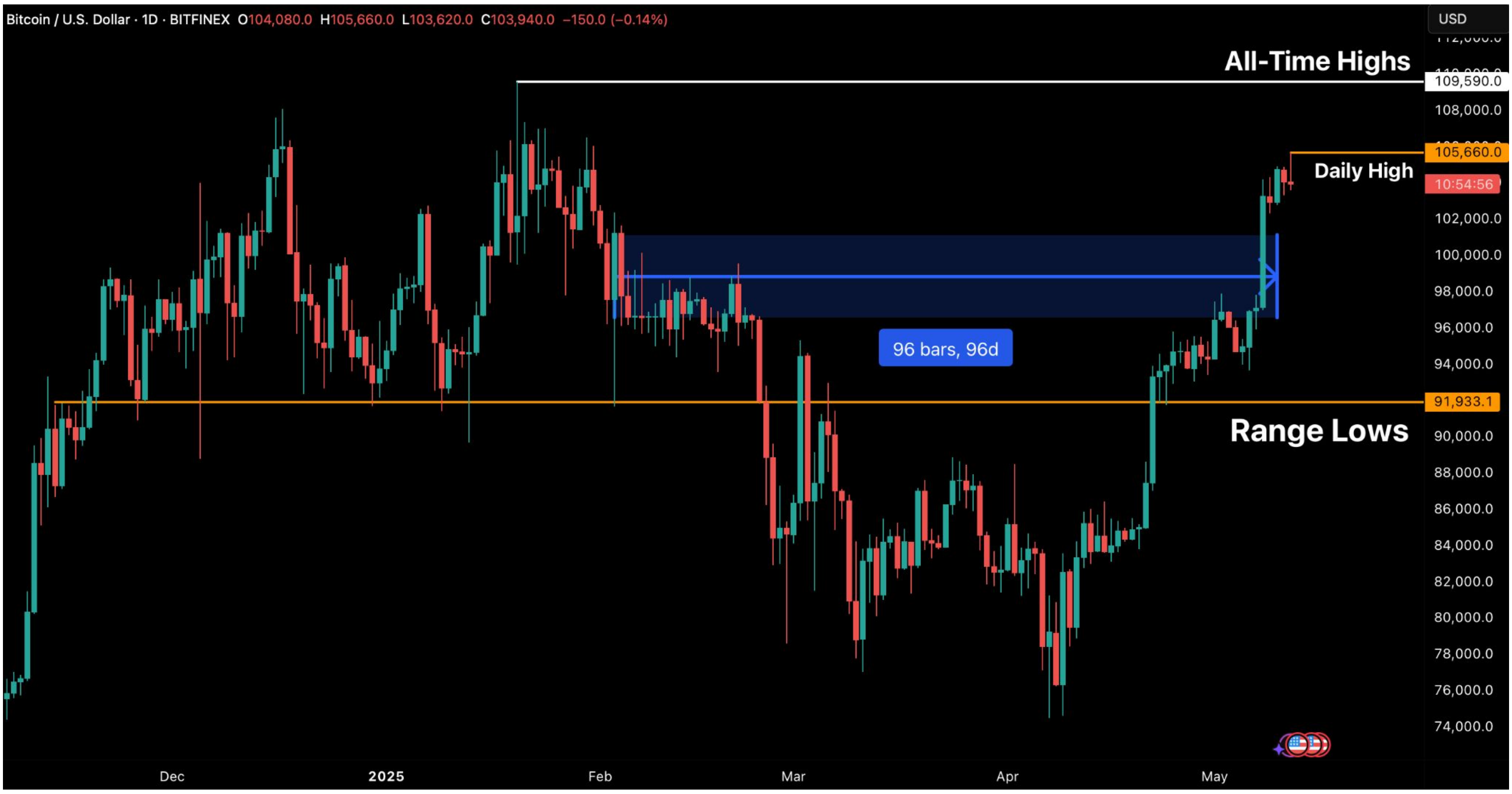
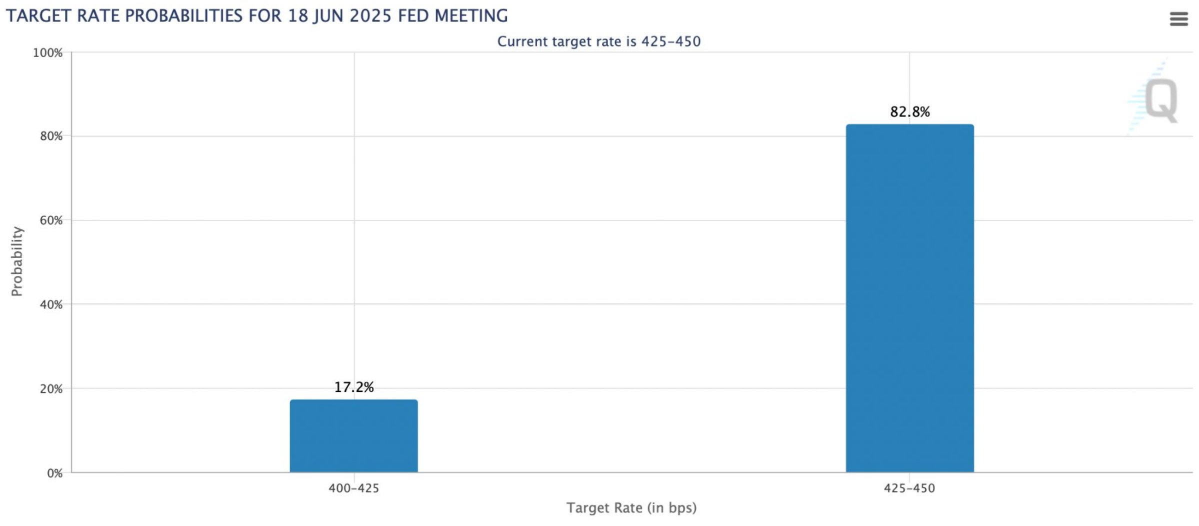


Figure 1. BTC/USD Daily Chart. (Source: Bitfinex)

Recent developments such as the Federal Reserve's positive comments on the rate trajectory and evolving clarity around the US tariff situation has allowed confidence to return to the markets and in particular, reignite bullish momentum in Bitcoin. This backdrop appears to be creating an increasingly favourable investor sentiment for BTC, especially in an environment where equities remain more sensitive to tightening liquidity conditions. Bitcoin's decisive move underscores its growing role as a macro-sensitive asset with asymmetric upside potential. The move past $100,000 not only confirms the strength of the recovery but may also set the stage for a renewed push toward fresh all-time highs.

The May FOMC meeting delivered precisely what markets had hoped for—optionality without a hint of panic. Fed Chair Jerome Powell kept rates unchanged, while acknowledging emerging signs of economic slowdown and softening consumer demand. Crucially, he resisted locking the Fed into a pre-set path for rate cuts, instead signalling a more balanced, data-dependent approach that considers both inflation and growth risks. This shift, though subtle, marked a meaningful recalibration of in the Fed’s monetary stance.



TARGET RATE (BPS)	PROBABILITY(%)			
	NOW *	1 DAY 9 MAY 2025	1 WEEK 2 MAY 2025	1 MONTH 10 APR 2025
375-400	0.0%	0.0%	0.9%	21.6%
400-425	17.2%	17.2%	34.0%	63.2%
425-450 (Current)	82.8%	82.8%	65.1%	15.2%

Figure 2. FedWatch Target Rate Probabilities for June 2025 FOMC Meeting. (Source: CME)

More significantly, the geopolitical landscape saw a notable improvement. The threat of escalating tariffs has eased, following backchannel progress between Washington and Beijing. China’s decision to pause retaliatory tariffs sent a clear message, helping remove a major macro overhang. For Bitcoin and broader global beta assets, this is a pivotal development. With rate cuts still on the table, reduced geopolitical tail risk, and ongoing fiscal support, the market now has room to reprice risk assets higher under a far more constructive macro regime. June meeting rate cut odds have decreased by over half to 17 percent since the FOMC press conference (see Figure 2 above) yet markets have seen the Fed exercising caution, even as it simultaneously is entertaining the idea of cutting rates immediately after tariff inflation effects ease. Indeed, it is highly possible tariff impact concerns could be resolved as early as the end of the month, which has led to strong market optimism.

Supporting data:

- US 10Y yields dropped ~9bps on the week, reflecting risk-on appetite.
- DXY pulled back below 104.50, further easing pressure on crypto markets.
- Real rates (5Y5Y inflation swaps) remained anchored, a green light for risk allocation.

Macro takeaway: The market is no longer bracing for downside shock—it’s starting to position for a cyclical melt-up, led by Bitcoin.

The recent resurgence in Bitcoin's price has not only triggered a fresh wave of capital inflows, but also revived broader market liquidity and participation. While many investors are re-entering the market, others are taking the opportunity to de-risk and lock in profits by distributing into strength—a common dynamic during the early stages of recovery in bull cycles.

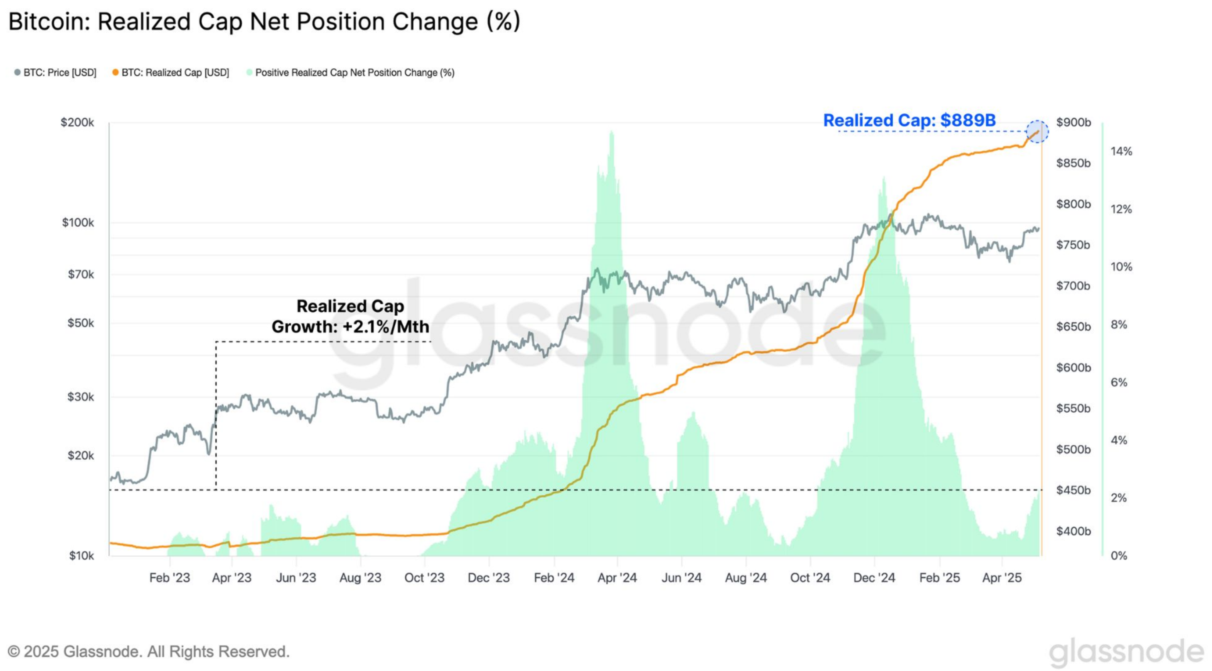


Figure 3.Bitcoin Realised Capitalisation Net Position Change. (Source: Glassnode)

One of the most reliable measures of capital flow into the network is the *realised cap*, which represents the aggregate cost basis of all coins in circulation—effectively quantifying how much capital has entered the market over time. As of now, Bitcoin's realised cap has reached an all-time high of $889 billion, reflecting growing investor conviction and capital inflow.

Even more notably, the realised cap has increased by 2.1 percent over the past 30 days alone, indicating a sharp rise in net inflows. This reinforces the thesis that recent gains are being supported by fresh liquidity and not merely leverage or speculative rotation, adding strength to Bitcoin's ongoing recovery and positioning it well for continued upside if macro conditions remain supportive.

Having confirmed renewed market strength and a shift toward a profit-dominated regime, we can now assess the extent of financial relief that this rally has provided to market participants.

At the depths of the recent correction, when Bitcoin approached the $74,000 level, over 5 million BTC (more than 25 percent of active supply) were held in an unrealised loss—effectively underwater. Following the recovery in price, this figure has dropped sharply to approximately 0.7 million BTC (about 2.9 percent). This means more than 3 million coins have returned to a profitable position. Such a transition typically boosts investor confidence and contributes to a more supportive market structure.

Figure 4. Bitcoin Supply In Loss in Correlation to Price. (Source: CryptoQuant)

With macroeconomic tailwinds turning more favourable, and on-chain metrics pointing to improved sentiment across key investor cohorts, we believe short-term pullbacks will likely be shallow and met with demand. Until there is a material change in either the macro landscape or investor behaviour, our directional bias remains to the upside—consistent with our stance since BTC reclaimed the mid-$70,000s in April.

The ETF bid returned decisively over the past two weeks since we reclaimed our range lows, marking a clear resurgence of institutional appetite. Spot Bitcoin ETFs recorded over $920 million in net inflows, with sustained demand following last week's FOMC (see Figure 5). BlackRock's IBIT led the way, accounting for more than half of the week's inflows, closely followed by Fidelity and Bitwise. This pattern confirms that institutional reallocation has resumed after the April price consolidation and the temporary pressure from options expiry.

Flow data shows a strong US session dominance, with 70–80 percent of ETF-driven activity occurring between 10AM and 4PM ET. This trend mirrors Bitcoin's price action, which has seen stronger performance during US hours, followed by softer moves or mild retracements during the Asian session.

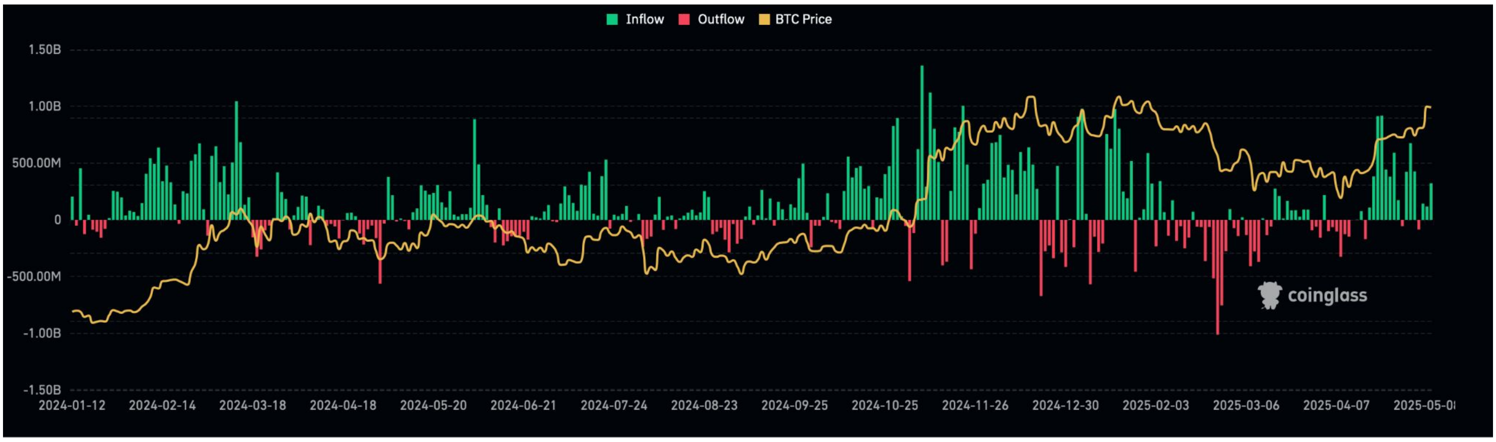


Figure 5. Bitcoin Net Daily ETF Flows for US Based Asset Managers. (Source: Coinglass)

Key takeaways:

- ETF flows are becoming structurally de-correlated from short-term pullbacks, signalling steady allocation rather than opportunistic buying.
- The demand appears mechanical, driven by portfolio mandates and allocation models rather than discretionary trade setups.
- Rising spot volumes, coupled with low volatility, indicate that institutional flows—not retail speculation—are now steering marginal price discovery.

As long as this pace of ETF inflows persists, institutional demand sets a powerful floor. In such an environment, the breakout above $100,000 remains not only sustainable—but also potentially just the beginning.

GENERAL MACRO UPDATE

Federal Reserve Holds Rates Amid Rising Risks of Inflation and Unemployment

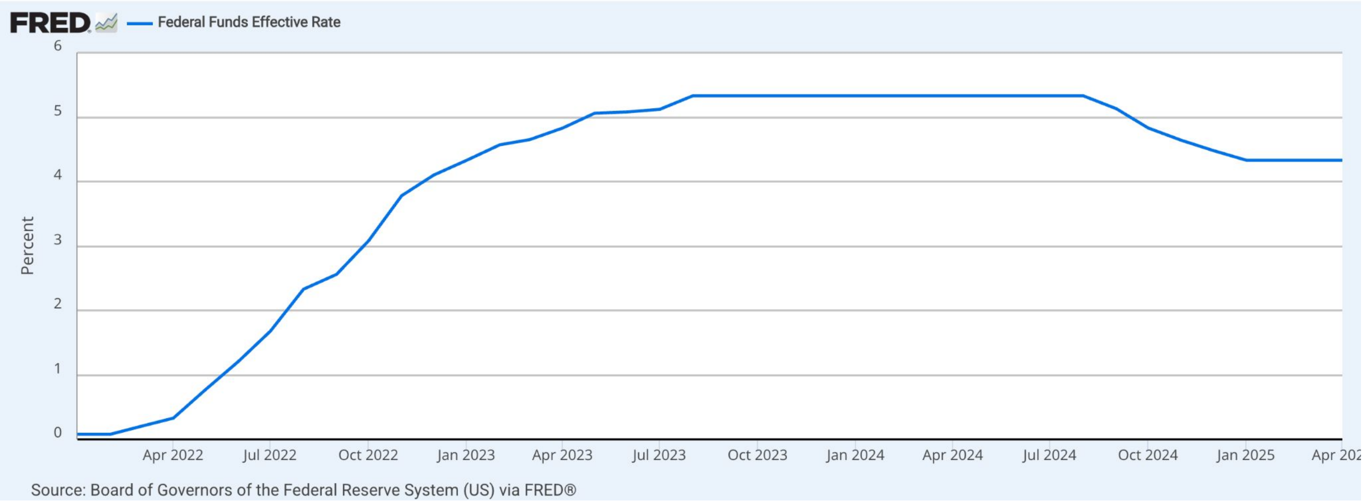


Figure 6. Federal Reserve Funds Rate Remains Unchanged (Source: Federal Reserve)

The US Federal Reserve has chosen to keep interest rates unchanged while signalling growing concerns over rising inflation and unemployment. This cautious stance reflects increasing uncertainty in the economy, as policymakers assess the ripple effects of ongoing trade tensions and tariffs.

In its latest policy statement following a meeting of the FOMC, the Fed significantly shifted its tone, explicitly pointing to the dual threat of both higher inflation and rising joblessness. The key takeaway from the statement was,

"The Committee is attentive to the risks to both sides of its dual mandate and judges that the risks of higher unemployment and higher inflation have risen."

This acknowledgement marks a notable change, as the Fed is now emphasising risks that could pull the economy in opposing directions—a situation that could lead to stagflation, where inflation surges while economic growth stalls.

Federal Reserve Chair Jerome Powell, during his press conference, underscored the uncertainty surrounding the economic outlook. He noted that it remains unclear whether the economy will maintain its current growth trajectory or falter under the weight of trade disruptions and potential inflation spikes. Powell emphasised the need for patience, explaining that the Fed requires more time to fully understand the impact of tariffs on inflation, employment, and overall economic performance. His comment: *"I don't think we can say which way this will shake out, I think there's a great deal of uncertainty..."* reflected the central bank's cautious approach and its reluctance to act prematurely.

	CME FEDWATCH TOOL - CONDITIONAL MEETING PROBABILITIES										
MEETING DATE	175-200	200-225	225-250	250-275	275-300	300-325	325-350	350-375	375-400	400-425	425-450
6/18/2025						0.0%	0.0%	0.0%	0.0%	17.2%	82.8%
7/30/2025	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	8.9%	51.1%	40.0%
9/17/2025	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	6.4%	39.3%	43.1%	11.1%
10/29/2025	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	3.8%	26.1%	41.6%	24.0%	4.5%
12/10/2025	0.0%	0.0%	0.0%	0.0%	0.0%	2.5%	18.6%	36.4%	29.9%	11.1%	1.5%
1/28/2026	0.0%	0.0%	0.0%	0.0%	1.0%	8.9%	25.7%	33.8%	22.4%	7.3%	0.9%
3/18/2026	0.0%	0.0%	0.0%	0.5%	4.8%	16.8%	29.5%	28.4%	15.3%	4.3%	0.5%
4/29/2026	0.0%	0.0%	0.1%	1.5%	7.5%	19.7%	29.3%	25.4%	12.8%	3.4%	0.4%
6/17/2026	0.0%	0.0%	0.5%	3.3%	11.3%	22.7%	28.1%	21.5%	9.8%	2.5%	0.3%
7/29/2026	0.0%	0.1%	0.8%	4.2%	12.5%	23.3%	27.4%	20.2%	9.0%	2.2%	0.2%
9/16/2026	0.1%	0.7%	3.7%	11.2%	21.6%	26.7%	21.4%	10.8%	3.3%	0.5%	0.0%
10/28/2026	0.0%	0.3%	1.8%	6.5%	15.1%	23.5%	24.7%	17.4%	8.0%	2.3%	0.4%
12/9/2026	0.2%	1.4%	5.1%	12.6%	21.0%	24.3%	19.5%	10.7%	3.9%	0.9%	0.1%

Figure 7. Conditional Meeting Probabilities - CME FedWatch Tool

Despite growing market expectations of a 25 basis-point rate cut as early as July, the Fed’s latest statement and Powell’s remarks do not support an immediate move to ease monetary policy. In fact, Powell reiterated that maintaining price stability is a prerequisite for achieving sustainable employment, signalling that the Fed is unlikely to intervene quickly to counteract the slowdown caused by trade policies.

This stance leaves the central bank in a delicate position. If inflation continues to rise, the Fed may need to maintain tight monetary policy even as economic growth slows. On the other hand, if job losses start to mount, pressure will build to cut rates to support the labour market. The most challenging scenario would be if both inflation and unemployment rise simultaneously, forcing the Fed to make a difficult choice between controlling inflation and supporting employment.

For now, the Fed remains on the sidelines, waiting for clearer signals from economic data before making its next move. Financial markets, which had been betting on an imminent rate cut, may need to recalibrate their expectations in the coming months.

Oil Prices Fall, Gasoline Holds: Unpacking the Energy Market Disconnect

As the summer driving season kicks off in the US, many motorists may be puzzled by a familiar frustration: crude oil prices are falling, yet gasoline prices remain elevated or have even ticked up slightly. This decoupling of oil and gasoline prices—despite the apparent link between the two—highlights deeper complexities within the energy market.

Oil's Sharp Decline: What's Happening?

Figure 8. WTI Crude Oil Price (USD/Bbl) , Source: TradingEconomics

West Texas Intermediate (WTI) crude oil, a key benchmark for US oil prices, has fallen significantly from $80 per barrel on January 15th to $56.7 by May 5th, marking a sharp 29 percent decline. Prices are now low enough that, on average, US producers cannot profitably drill new wells, according to the latest survey data from the Dallas Federal Reserve.

This drop is primarily attributed to moves by the Organisation of the Petroleum Exporting Countries and its allies (OPEC+), which recently shifted strategies, announcing aggressive increases in production, with a 411,000 barrels per day hike in both May and June.

This pivot was not just about balancing global oil demand and supply. OPEC+ is also strategically pressuring member nations—such as Kazakhstan and Iraq—that have been exceeding their production quotas. By flooding the market and pushing prices lower, the cartel aims to rein in these members and reclaim tighter control.

Country	June 2025 Required Production (kbd)
Algeria	928
Iraq	4,086
Kuwait	2,466
Saudi Arabia	9,367
UAE	3,092
Kazakhstan	1,500
Oman	775
Russia	9,161

Figure 9. OPEC Production Requirements

While these announcements have pushed oil prices down further, a key caveat remains: OPEC+'s targets reflect planned, not actual, production. In April, for instance, actual production declined by 200,000 barrels a day, despite earlier intentions to increase it. This mismatch introduces uncertainty about how far oil prices might fall in the months ahead.

Given the decline in crude oil prices, many expected gasoline prices to fall in tandem. Yet as of May 5th, average retail gasoline prices stood at $3.27 per gallon—slightly higher than earlier in the year. This divergence is explained by what's known as the **"crack spread"**—the difference between the price of crude oil and the refined products made from it, such as gasoline.

The crack spread often widens during periods of tight refining capacity or when refineries face operational issues. Currently, several factors are keeping gasoline prices firm despite falling oil:

1. **Refinery Constraints:** Refining capacity in the US has been constrained due to scheduled maintenance and unexpected outages, This bottleneck reduces gasoline output even when oil is cheap, maintaining upward pressure on pump prices.

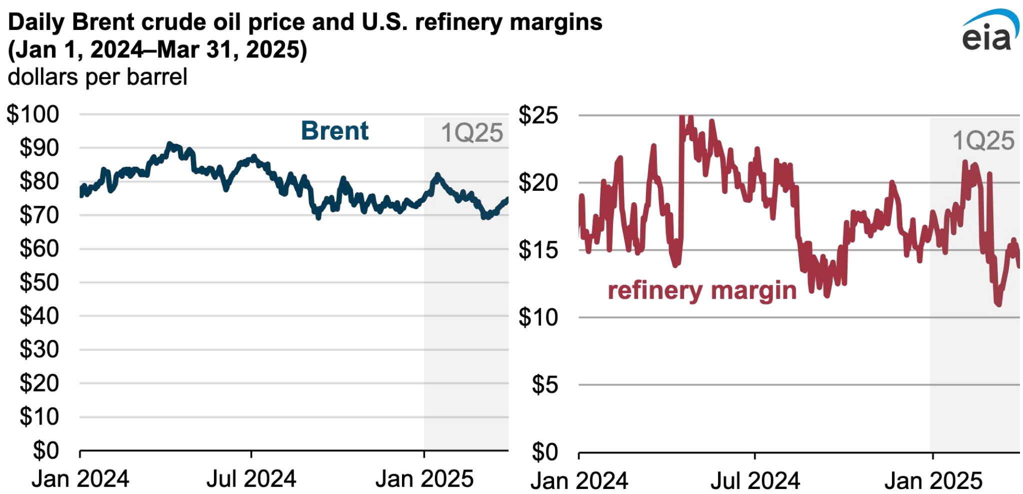


Figure 10. Refinery Margins,Right (Source: US Energy Information Administration)

2. **Seasonal Demand:** The approach of summer typically brings a surge in gasoline demand. With more Americans hitting the road, higher consumption keeps prices elevated, even if oil is cheaper.

Wholesale gasoline prices suggest that retail prices could trend lower toward $3 per gallon in the near future, especially if refining bottlenecks ease and oil prices remain subdued. However, much depends on the actual follow-through of OPEC+'s production boosts and whether US oil producers sustain or reduce their output.

The Bigger Picture: Trade and Policy Uncertainty

Overlaying all of this is the broader uncertainty surrounding trade policy and tariffs. The White House and consumers alike are banking on falling oil prices to ease inflationary pressures. But until clarity emerges on trade policies and global supply chains stabilise, commodity markets—including oil and gasoline—are likely to remain volatile.

It's also important to note that if WTI crude dips below the key $55-per-barrel threshold, US oil producers might start cutting production to avoid losses. This, in turn, could tighten supply and push prices back up—an outcome OPEC+ is carefully monitoring.

US-UK Trade Agreement: Small Wins but Limited Economic Impact

The recent trade agreement framework between the US and the United Kingdom marks a step forward in diplomatic relations, but offers only modest economic gains for both sides. While the deal brings relief to certain sectors, its overall impact on trade and growth remains limited.

Last Thursday, May 8th, both nations unveiled a memorandum of understanding outlining the path for future trade discussions. Although hailed as a breakthrough by leaders on both sides, the agreement is not a full-fledged trade deal but rather an initial framework. This means many crucial details are still under negotiation, and it remains to be seen whether this pact will evolve into a comprehensive agreement or merely serve as a symbolic gesture.

What's in It for the UK?

The most significant win for the UK centers around its automotive industry. Last month, the US imposed a steep 25 percent tariff on all imported vehicles, adding to an existing 2.5 percent tariff. This was a serious blow, given British car exports to the US account for more than a quarter of its total auto exports, according to the UK Office for National Statistics.

Under the framework, the UK can now export up to 100,000 vehicles annually to the US at a reduced tariff rate of 10 percent. Notably, this quota is roughly equivalent to what the UK exported last year, providing stability rather than expansion for the industry.

Another win comes from the removal of 25 percent tariffs on steel and aluminium exports, a critical development for the UK's struggling metals sector. This relief is expected to offer short-term support to industries that have been battling high costs and global competition. The deal also includes exemptions for certain aerospace components, like aircraft engines, which are vital to the UK's manufacturing landscape.

What Does the US Gain?

In return, the US secured opportunities to expand its agricultural exports, particularly beef and ethanol, to the UK market. However, other products, such as US poultry, remain blocked due to longstanding UK and European food safety regulations. The UK has also agreed to source some imports from the US that were previously supplied by other countries.

The Bigger Picture: Limited Scope and Impact

Despite these positive developments, the agreement stops short of being a comprehensive trade deal. A 10 percent baseline tariff on goods remains in place, signalling that many trade areas are still untouched by the current framework. Both US President Donald Trump and UK Prime Minister Keir Starmer praised the pact as a "great deal," but Trump admitted that the final details are still being ironed out and may take several weeks to finalise. Moreover, any formal agreement would require approval by the US Congress before coming into full effect.

For the UK, while the deal brings targeted relief to sectors like automotive and metals, economists caution that the broader economic benefits are likely to be minimal. The country continues to face significant growth challenges, and the modest tariff reductions are unlikely to spur a substantial change in the UK's broader economic outlook. The muted reaction in financial markets speaks volumes.

US Productivity Falls Amid Tariff Pressures: What's Behind the Drop and Rising Labour Costs

For the first time in nearly three years, US worker productivity has taken a step back, signalling potential challenges for businesses already grappling with rising costs. This decline, coupled with a sharp increase in labour expenses, comes at a critical moment when tariffs are adding further strain to corporate margins.

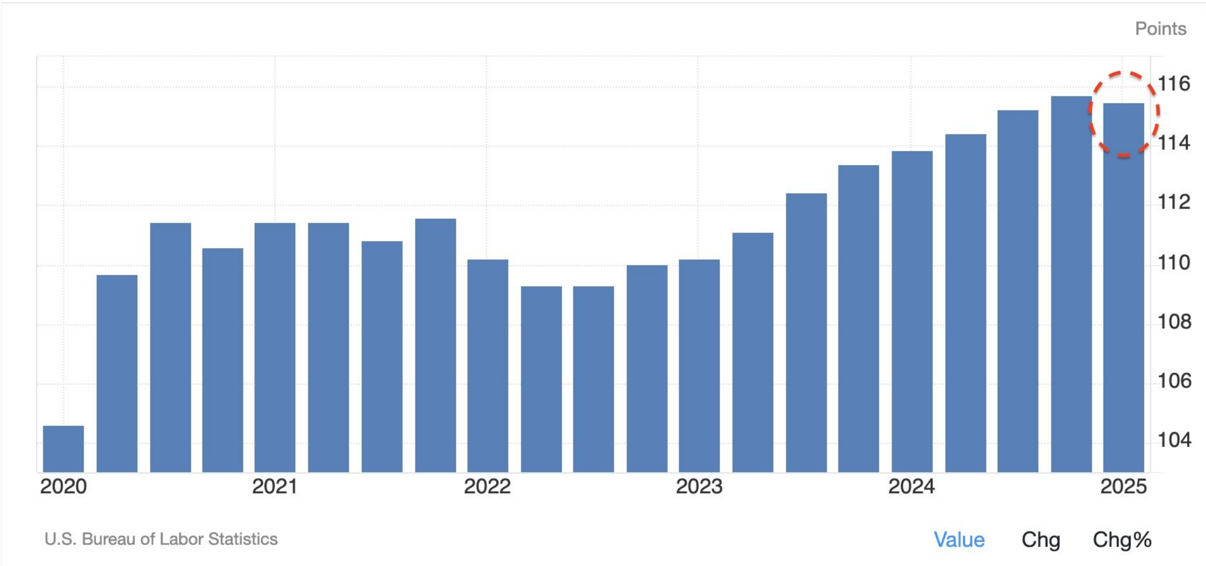


Figure 11. US Nonfarm Productivity (Source: Bureau of Labor Statistics, TradingEconomics)

According to the US Labor Department's Bureau of Labor Statistics, nonfarm productivity—which measures the hourly output of workers—fell at an annualised rate of 0.8 percent in the first quarter of the year. This marked the first decrease since the second quarter of 2022 and followed a revised 1.7 percent growth in productivity during the previous quarter.

This decline didn't come as a complete surprise. The government's earlier gross domestic product (GDP) report had already hinted at a slowdown, revealing that the economy contracted at a 0.3 percent annualised rate in Q1—the first contraction in three years.

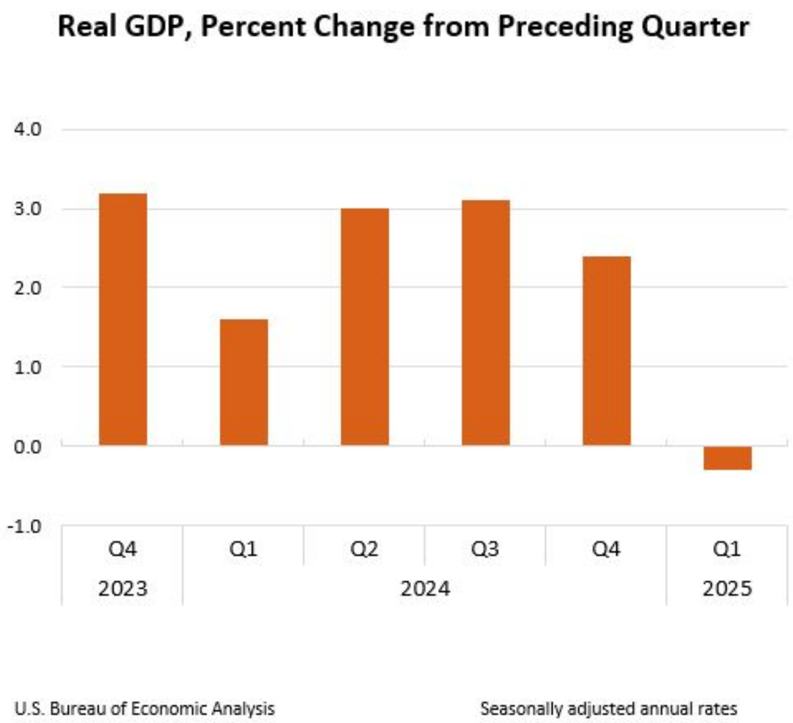


Figure 12. US Real GDP, Change from Preceding Quarter (Source: Bureau of Economic Analysis)

Meanwhile, unit labour costs, which reflect the cost of labour to produce one unit of output, surged by 5.7 percent in the first quarter. This was a noticeable acceleration from the 2.0 percent increase recorded in the final quarter of last year. Hourly compensation also climbed sharply, rising at a 4.8 percent rate, up from 3.7 percent in the prior quarter.

One key factor behind the decline in productivity is the impact of the ongoing trade tensions and tariff policies. Businesses, bracing for steep import duties—such as the 145 percent tariffs on Chinese goods—rushed to stockpile inventory ahead of the new tariffs. This rush led to a surge in imports, overwhelming supply chains and temporarily distorting normal production and work patterns.

When companies focus on hoarding goods rather than on steady production and sales, overall efficiency tends to drop. In this case, while goods were flowing in, they weren't necessarily being turned into finished products or services at the same pace. This mismatch between inputs (the imported goods) and outputs (the actual production) directly affects productivity metrics.

Additionally, businesses under pressure from rising import costs may have reallocated resources to manage logistics and tariffs compliance, rather than optimising production processes. Such operational shifts can further drag on productivity, as attention diverts from innovation and efficiency improvements toward managing short-term disruptions.

Table A1. Labor productivity growth and related measures – preliminary first-quarter 2025
(percent change from previous quarter at annual rate and from same quarter a year ago)

Sector	Percent change from:	Labor productivity	Output	Hours worked	Hourly compensation	Real hourly compensation	Unit labor costs
Nonfarm business	Previous quarter	-0.8	-0.3	0.6	4.8	1.0	5.7
	A year ago	1.4	2.2	0.8	2.7	0.0	1.3
Business	Previous quarter	-1.1	-0.6	0.5	4.9	1.1	6.1
	A year ago	1.4	2.1	0.7	2.8	0.0	1.4
Manufacturing	Previous quarter	4.5	5.1	0.5	6.2	2.4	1.6
	A Year ago	1.5	1.1	-0.4	2.2	-0.5	0.7
Durable manufacturing	Previous quarter	7.1	7.9	0.8	7.0	3.1	0.0
	A year ago	1.3	0.3	-1.0	2.0	-0.7	0.7
Nondurable manufacturing	Previous quarter	2.2	2.3	0.1	4.6	0.8	2.4
	A year ago	1.3	2.0	0.7	2.7	0.0	1.4

Figure 13. Labor Productivity Growth, Compensation and Unit Labor Cost (Source: Bureau of Labor Statistics)

The decline in productivity also had a knock-on effect on labour costs. When workers produce less output per hour, but their wages remain the same or increase, the cost of labour per unit of output inevitably rises. This was reflected in the 5.7 percent spike in unit labour costs—a concerning jump for businesses already feeling the pinch from tariffs.

While a rising pay rate is generally a sign of a healthy labour market, in this context, it adds to the inflationary pressures on businesses that are already navigating higher material costs due to tariffs.

Implications for Inflation and Business Margins

Interestingly, despite the jump in labour costs, policymakers do not currently view the labour market as a major driver of inflation. The broader economic slowdown and signs of a cooling job market suggest that wage-driven inflation may not be a pressing concern for now.

However, for businesses, the picture is less reassuring. Rising labour costs combined with declining productivity squeeze profit margins, particularly for companies in sectors that are heavily reliant on imports. Without significant productivity improvements or relief from tariff pressures, many businesses may face difficult decisions on pricing, investment, and hiring in the months ahead.

NEWS FROM THE CRYPTO-SPHERE

New Hampshire's Strategic Bitcoin Reserve

Figure 14. New Hampshire's Strategic Bitcoin Reserve

- **New Hampshire became the first US state to create a Strategic Bitcoin Reserve, allowing up to 5 percent of public funds to be invested in Bitcoin and precious metals under House Bill 302, signed by Governor Kelly Ayotte**
- **This move sets a precedent for other states, potentially boosting institutional Bitcoin adoption and strengthening its role in public finance and market stability**

Last Tuesday, May 6th, New Hampshire made history by becoming the first US state to establish a Strategic Bitcoin Reserve, as announced by Governor Kelly Ayotte in her X post. Governor Ayotte signed House Bill 302 into law, authorising the state treasurer to allocate up to 5 percent of public funds into digital assets and precious metals. The legislation specifies that eligible digital assets must have a market capitalisation exceeding $500 billion, effectively limiting the investment to Bitcoin at present

This groundbreaking initiative positions New Hampshire at the forefront of integrating cryptocurrency into state-level fiscal policy. The law mandates secure custody solutions or exchange-traded products for holding the assets, ensuring compliance with regulatory standards. Set to take effect in 60 days, the bill reflects a strategic approach to diversifying state reserves and hedging against inflation. The implications of New Hampshire's move are profound for the broader cryptocurrency market. It sets a precedent that may encourage other states to consider similar legislation, potentially leading to increased institutional adoption of Bitcoin. Such developments could bolster market confidence and contribute to the maturation of the crypto ecosystem. As Bitcoin continues to gain legitimacy as a reserve asset, its role in public finance and investment portfolios is likely to expand, influencing market dynamics in the coming months.

US Senate Halts Stablecoin Legislation Amid Political Tensions Over Trump's Crypto Ventures

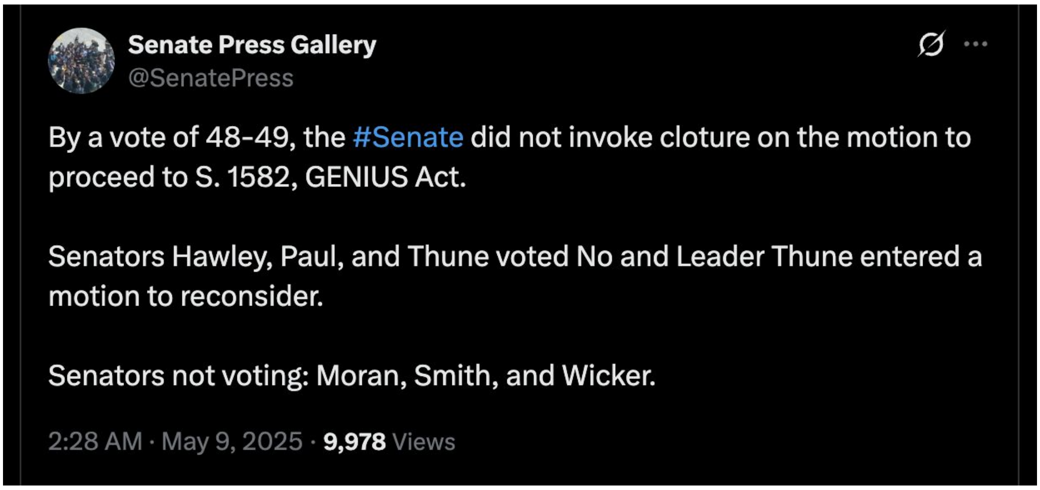


Figure 15. US Senate Halts Stablecoin Legislation Amid Political Tensions Over Trump's Crypto Ventures

- **The US Senate failed to advance the GENIUS Act, a stablecoin regulation bill, with bipartisan opposition fueled by concerns over President Trump's crypto firm, World Liberty Financial**
- **The setback highlights political divisions and leaves the crypto industry without clear regulatory guidelines, raising concerns over market stability and oversight**

Last Thursday, May 8th, the US Senate failed to advance the "GENIUS Act," a pivotal bill aimed at establishing a regulatory framework for stablecoins—cryptocurrencies pegged to the US. dollar. The motion to end debate and proceed to a full vote garnered only 49 of the required 60 votes, with Republican Senators Josh Hawley and Rand Paul joining Democrats in opposition. This setback underscores the growing political tensions surrounding cryptocurrency regulation, particularly in light of President Donald Trump's involvement in the crypto industry through his firm, World Liberty Financial.

Democratic lawmakers have expressed concerns over potential conflicts of interest, especially following revelations that World Liberty Financial's stablecoin would be utilised in a $2 billion investment deal with an Abu Dhabi firm for Binance. Senator Mark Warner, who initially supported the bill, withdrew his backing, citing unfinished legislative text and unresolved issues related to foreign stablecoin oversight and anti-money-laundering measures.

The failure to advance the GENIUS Act highlights the complexities of crafting bipartisan legislation in a politically charged environment. As the crypto industry continues to evolve, the absence of clear regulatory guidelines may hinder innovation and market stability. The ongoing debate reflects broader questions about the intersection of politics, personal interests, and the future of digital asset regulation in the United States.

BlackRock Meets SEC on Staking and Options for Crypto ETFs: What It Means for the Industry

Figure 16. UK Unveils Draft Crypto Regulations to Enhance Consumer Protection and Foster US Collaboration

- **BlackRock met with the SEC to discuss adding staking features and refining options trading rules for crypto ETFs.**
- **The meeting reflects both BlackRock's push for innovation in crypto ETFs and the SEC's more proactive approach to digital asset regulation in recent months**

BlackRock, the world's largest asset manager, has intensified its engagement with US regulators by holding a high-level meeting with the Securities and Exchange Commission (SEC) last Friday to discuss the evolving landscape of cryptocurrency exchange-traded funds (ETFs). The discussion centered on two key issues: enabling staking for crypto ETFs and refining guidelines for options trading on these products.

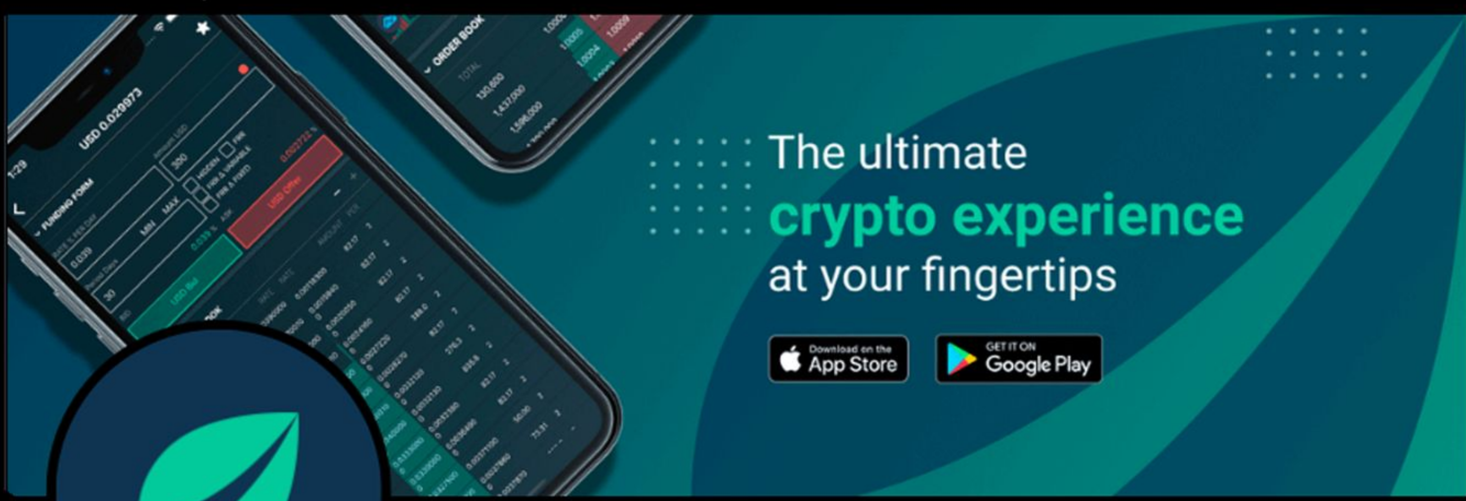
According to a memorandum released after the meeting, BlackRock representatives met with members of the SEC's crypto task force to explore regulatory strategies for digital assets, and "addressing issues related to regulation".

Staking has been a major topic of interest, as multiple firms have sought SEC approval to incorporate staking into crypto ETFs. BlackRock's Head of Digital Assets, Robert Mitchnick, has been particularly vocal about the potential of staking for spot Ethereum ETFs. In March, he described staking as a possible "step change upward" for crypto ETFs, while acknowledging the significant regulatory hurdles that need to be addressed. Mitchnick also participated in the latest meeting with the SEC.

During the discussions, BlackRock's team outlined considerations for creating exchange-traded products (ETPs) that include staking capabilities. They also explored the mechanics of options trading on crypto ETFs, discussing factors such as liquidity thresholds and limits on positions and exercises to maintain market integrity.

The SEC already approved options trading for spot Ethereum ETFs—including those issued by BlackRock, Grayscale, and Bitwise—last month, marking a notable advancement in the crypto investment space. Additionally, BlackRock used the meeting to engage in broader conversations about the standards and criteria required for approving crypto ETFs.

This meeting is part of a broader effort by the SEC's crypto task force to engage more actively with industry stakeholders. Over the past several months, the agency has adopted a more hands-on approach to shaping the regulatory environment for digital assets, signaling a shift from its previously more cautious stance. BlackRock's ongoing dialogue with the SEC highlights the growing institutional push to expand the functionality and appeal of crypto ETFs.



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