BITFINEX Alpha

Issue: 21-07-2025

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EXECUTIVE SUMMARY

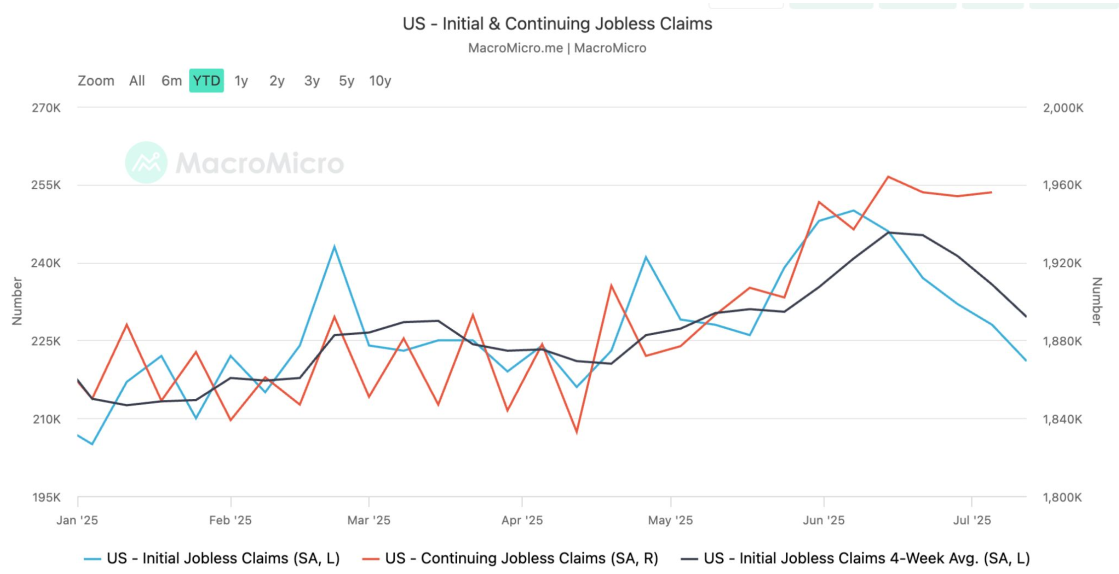
ALTs Rally Follows Bitcoin ATH

Bitcoin reached fresh all-time highs of $123,120 last week before cooling off into sideways consolidation, marking a 65.3 percent rally from April's lows. As Bitcoin paused, altcoins surged aggressively, with many large caps like Ethereum and XRP outperforming for the first time in months. This shift in momentum triggered a 6.9 percent decline in Bitcoin dominance, the largest since December 2023, suggesting the market is rotating into higher beta assets, a hallmark of mid-cycle expansion phases.

Despite Bitcoin's consolidation, it continues to trade well above the realised cost basis of 95 percent of holders, highlighting that most of the supply sits in profit. This historically marks late-stage bullish phases where profit-taking by short-term holders intensifies. Long-term holders have started distributing coins for the first time since early 2024, while ETFs, retail, and newer market participants absorb that supply. This natural rotation between holder classes reflects a maturing cycle, but it also raises near-term fragility, especially if buyer momentum fades.

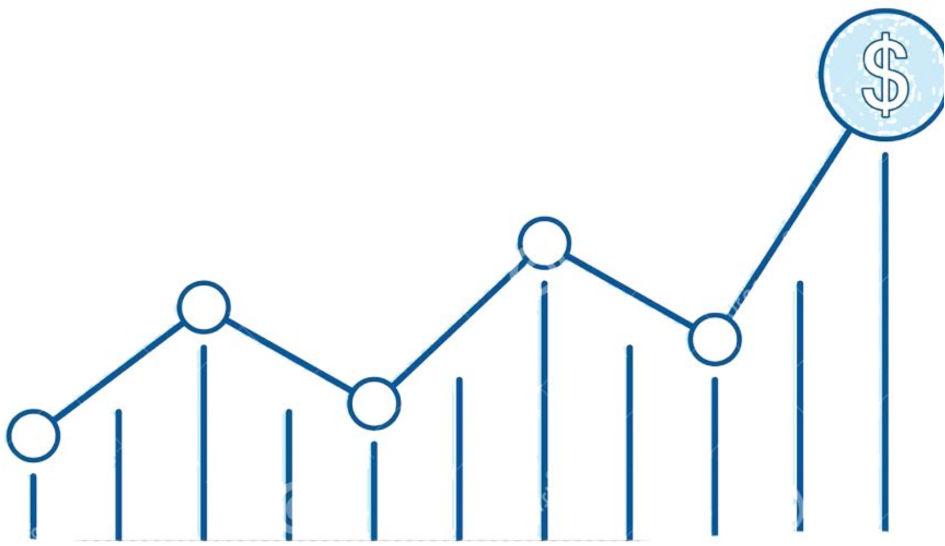
Bitcoin briefly pulled back to $115,820 after testing the +1 standard deviation band (σ) above the Short-Term Holder cost basis at $120,000, a zone that historically attracts distribution. For the rally to continue, the next resistance lies at the +2σ band near $136,000—a level associated with overbought conditions and peak market exuberance. Sustaining momentum to reach that level will likely require renewed institutional inflows or strong macro tailwinds to absorb profit-taking pressure. For now, the baton has passed to altcoins, but Bitcoin's structural strength remains intact—just entering a more delicate, reactive phase.

In the macro economy it is becoming clearer that tariff-driven inflation is surfacing, with June's CPI rising 0.3 percent and core inflation up 2.9 percent annually, as higher import costs from China and other key US trading partners push up prices in consumer goods like appliances and apparel. While shelter and services inflation shows mild easing, producer price data points to rising upstream costs and potential "stagflation-lite" risks, prompting the Fed to hold off on rate cuts for now. Despite these inflationary pressures, US retail sales rebounded by 0.6 percent in June, driven by auto sales and preemptive consumer buying ahead of further tariff hikes, though real consumption gains remain marginal. Labour market data adds to the mixed picture—initial jobless claims are down, but continuing claims and slower wage growth suggest potential softening ahead.



In crypto, institutional adoption surged as Strategy (formerly MicroStrategy) became the first public company to hold over 600,000 BTC, now valued above $73 billion. Meanwhile, Hungary imposed strict penalties for unlicensed crypto trading, forcing major platforms to suspend services, and Kazakhstan is weighing crypto allocations in its sovereign reserves.

INDEX



MARKET SIGNALS

Bitcoin Consolidates as Alts Fire Off

Bitcoin reached a new all-time high at $123,120 earlier last week before entering a period of sideways consolidation. This move marks the culmination of a sustained rally that began in early April—spanning over three months and amounting to a 65.3 percent gain from its cycle low of $74,501.

While Bitcoin cooled off, however, altcoins finally caught a strong bid, staging an aggressive catch-up rally. For the first time since November 2024, many major altcoins outperformed BTC, suggesting a broadening of market participation beyond Bitcoin alone.

This shift was also reflected in Bitcoin Dominance, which saw its largest peak-to-trough decline in over 250 days. Such a decline in dominance after a prolonged BTC-led uptrend often signals the start of a new phase in the market cycle—typically where capital rotates into higher beta assets and traders begin to take on more risk.

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

The market appears to be transitioning from a Bitcoin-centric rally into a more widespread altcoin-led expansion phase, particularly as investors rotate out of BTC to chase relative performance across the crypto complex.

Bitcoin Dominance, which represents BTC's share of the total crypto market capitalisation—recorded seven consecutive red daily closes for the first time since December 2023. The Bitcoin Dominance index has declined 6.9 percentage points from its cycle high of 66 percent, reflecting a notable shift in market leadership.

Importantly, this decline has not been driven by Bitcoin weakness, as BTC has largely traded sideways near its all-time highs. Instead, the drop in dominance stems from a strong resurgence across major altcoins. Ethereum and Solana, in particular, have led the charge, posting outsized gains over the past week and pulling capital away from Bitcoin.

This dynamic suggests that capital rotation is underway, with investors reallocating from Bitcoin into higher-beta assets to capture additional upside. Historically, such sustained declines in Bitcoin dominance, especially without a sharp BTC correction, often signal the beginning of altcoin-led phases within broader bull markets. (refer Figure below)

Figure 2. Bitcoin Dominance by Market Capitalisation. (Source: CryptoCap)

The notable increases in large cap coins were Ethereum at 19.45 percent and XRP at 21.4 percent. The OTHERS index, which includes the entire crypto market capitalisation but excludes stablecoins and the top 10 crypto assets by market cap, has increased by over 35 percent in the past two weeks, adding roughly $85 billion to the altcoin market, not including major coins. This index is now approaching its yearly open market cap of $352 billion after declining more than 47 percent from the open during the recent market decline.

Figure 3. OTHERS Weekly Chart. (Source: CryptoCap)

Bitcoin Surge Approaches the Next Potential Resistance

As Bitcoin re-enters a phase of price discovery, a significant structural shift is evident: the majority of the coin supply is now held in profit. Using the Cost Basis Distribution Quantiles as a lense, we observe that the spot price has climbed above the 95th percentile level, currently set at $107,400.

Historically, when Bitcoin trades above this threshold, it tends to signal late-stage bullish phases before a short-term market top formation. The rationale is simple: as price moves above the cost basis of nearly all investors, the number of market participants sitting on substantial unrealised gains increases sharply. This often triggers elevated levels of profit realisation, especially from shorter-term holders and opportunistic investors.

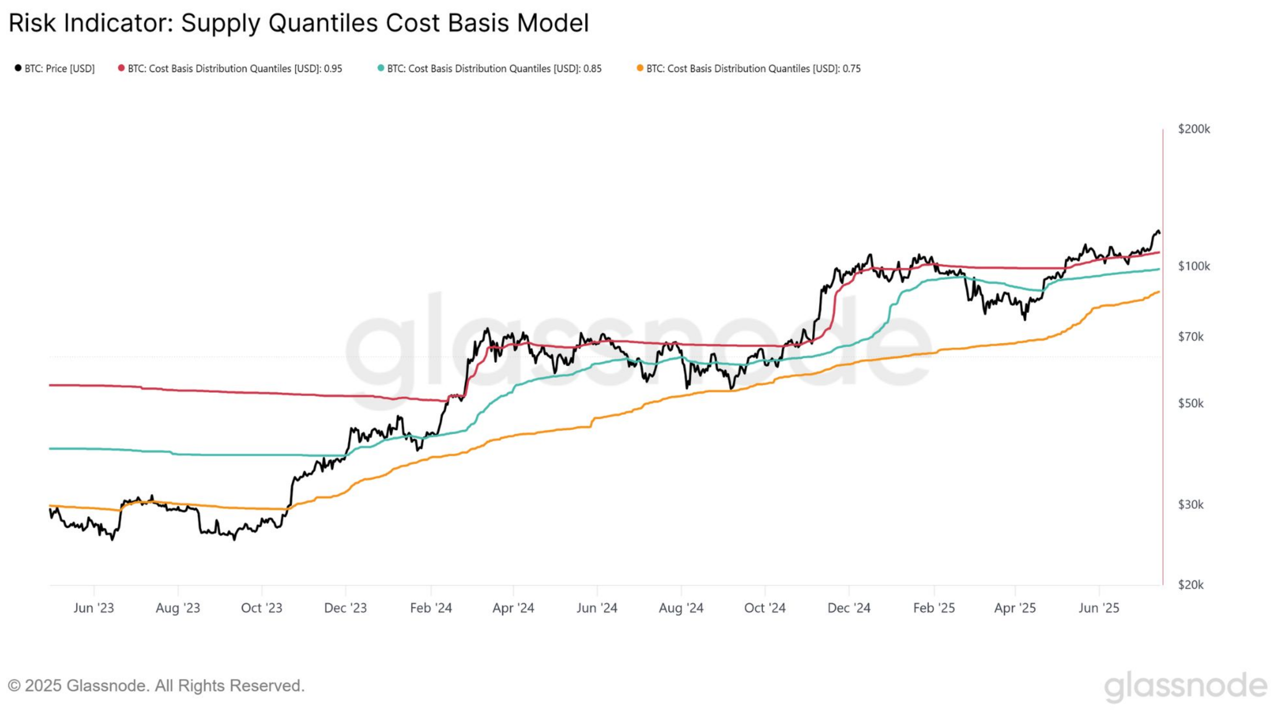


Figure 4. Bitcoin Supply Quantiles Cost Basis Model. (Source: Glassnode)

What follows is a redistribution of supply to new buyers at higher acquisition prices. While this helps support the uptrend in the short term, it also raises the average cost basis across the holder base, making the market structurally more fragile. The higher the cost basis climbs, the more price-sensitive the average investor becomes, especially during corrections. In such environments, any sharp drop in price can quickly escalate into a broader unwind as holders scramble to preserve profits.

This dynamic doesn't guarantee an imminent top, but it does increase the risk of volatility and corrective phases, particularly if buyer momentum slows or macro catalysts turn unfavourable. It's a classic setup for a top-heavy market, one where a growing concentration of profit-sensitive investors starts shaping price behaviour more than conviction-based long-term holders.

Long-Term Holders (LTHs)—those holding Bitcoin for more than 155 days—have also officially flipped to net distribution, indicating they're now sending more coins to exchanges or newer wallets than accumulating. At the same time, Short-Term Holders (STHs)—wallets holding coins for less than 155 days—have just turned net positive, showing they are absorbing supply as Bitcoin trades near recent highs. We believe that institutional buyers and new retail investors as well as ETFs and Bitcoin Treasury companies, make up a significant portion of this new influx of capital.

This rotation from LTHs to STHs is a natural part of every bullish phase, but the strength or weakness of spot demand over the following weeks will determine whether this leads to a cooling period or the next leg higher.

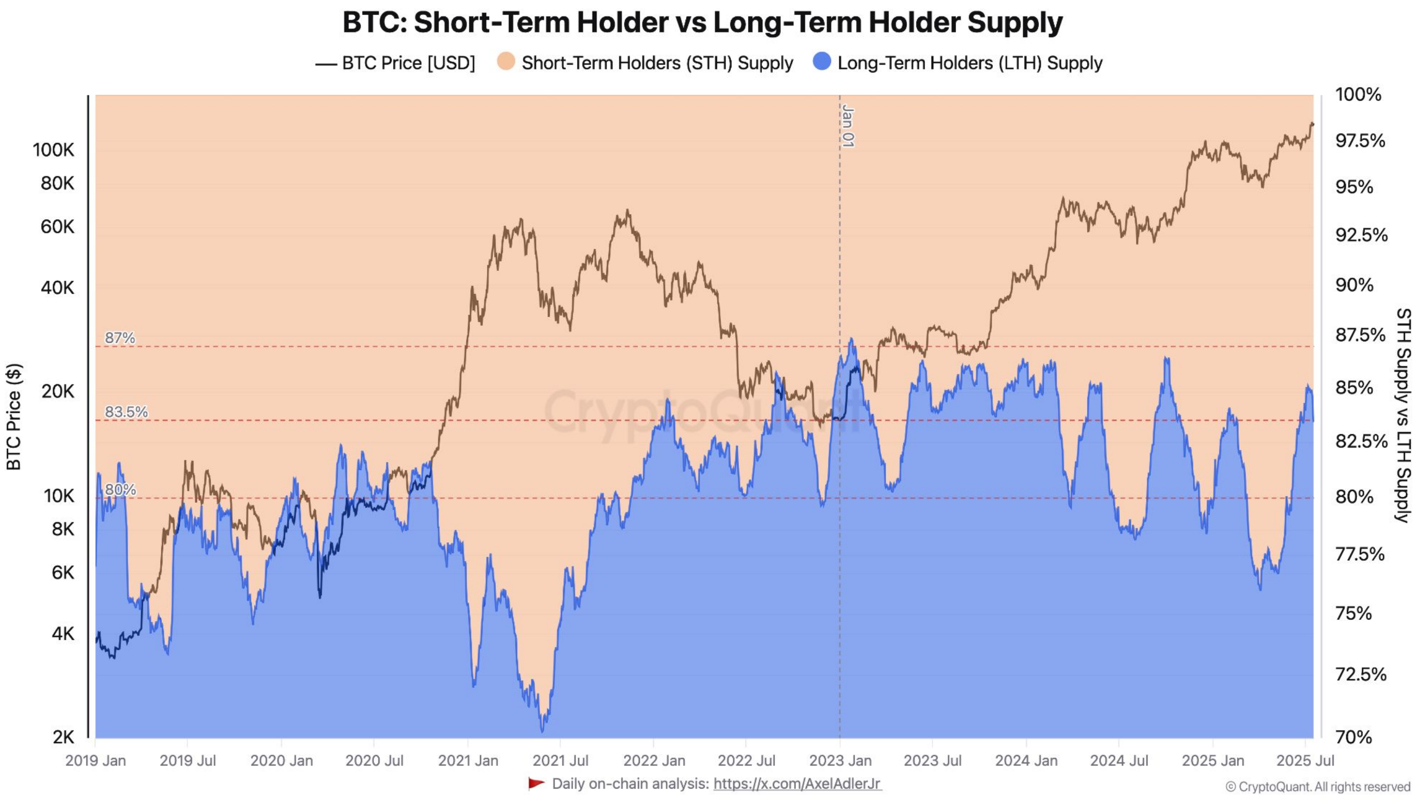


Figure 5. Bitcoin Short-Term vs Long-Term Holder Supply. (Source: CryptoQuant)

After reaching a new all-time high of $123,120, Bitcoin experienced a pullback to $115,820, a move that reflects increasing sell-side pressure from investors eager to lock in profits into market strength. This reaction closely aligns with the price temporarily breaking above $120k, which notably represents a +1 standard deviation level above the Short-Term Holder (STH) cost basis—a key zone that often attracts distribution.

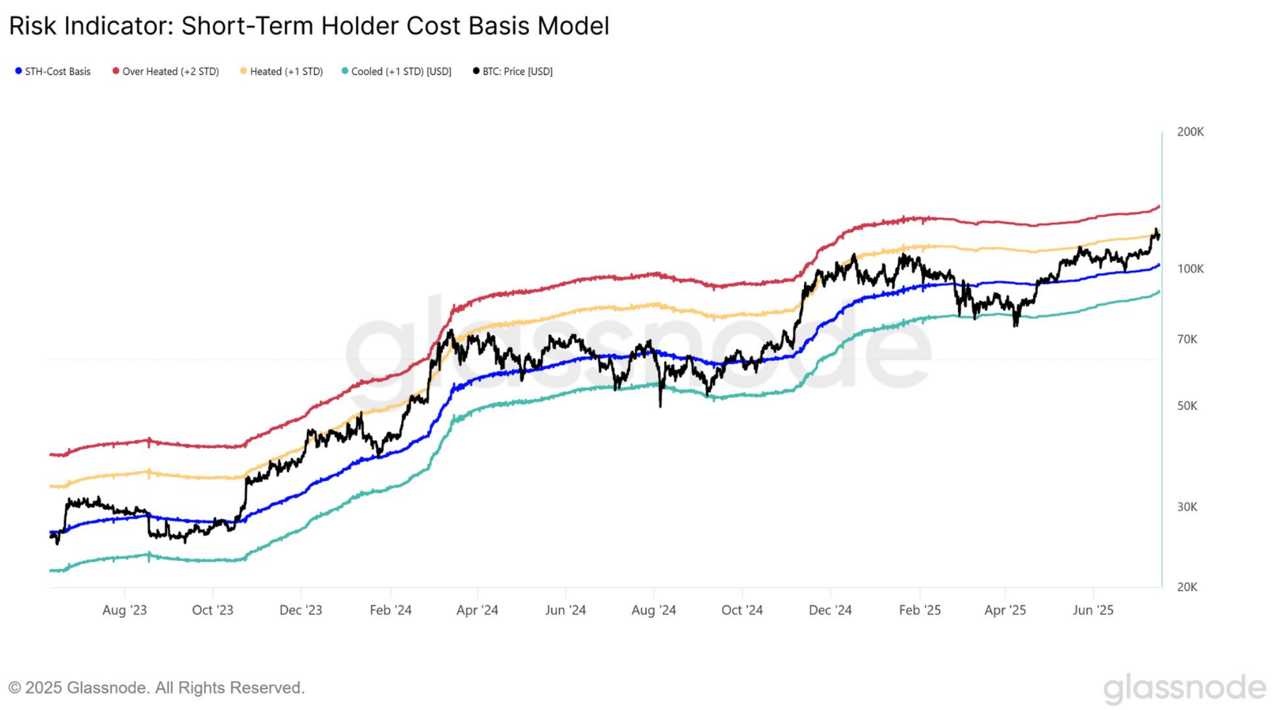


Figure 6. Bitcoin Short-Term Holder Cost Basis Model With Bands. (Source: Glassnode)

Historically, this +1σ band serves as a natural resistance point during periods of heightened speculative activity, as short-term holders tend to take advantage of elevated prices to realise gains. The pullback indicates that while bullish momentum remains intact, the market has entered a more sensitive phase where upward progress is increasingly met with friction from existing supply.

If current momentum persists and speculative demand continues to absorb supply, the next major technical and on-chain resistance lies at the +2 standard deviation band, currently around $136,000. This level historically represents overextended bullish conditions and often coincides with euphoric market sentiment and peak positioning. A clean move towards or beyond that level would likely require a fresh wave of ETF inflows, institutional bids, or macro tailwinds to drive further demand.

GENERAL MACRO UPDATE

Tariff-Led Inflation Pressures Resurface as Core Prices Edge Higher, Fed Seen Holding Off on Cuts

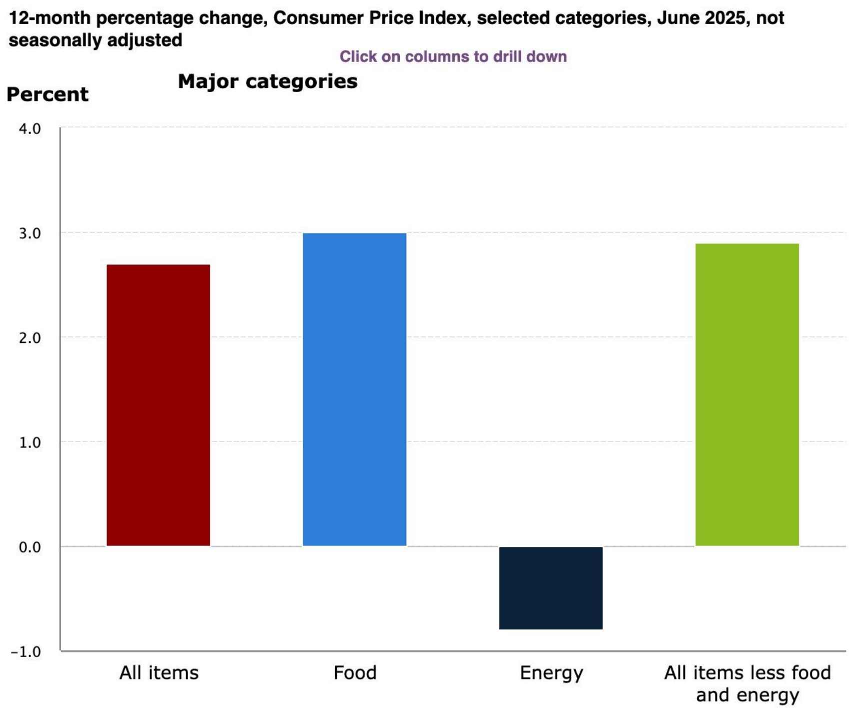


Figure 7. 12-Month Percentage Change, Consumer Price Index (Source: Bureau of Labour Statistics)

Inflation pressures reemerged in June as higher prices across imported goods—from apparel to appliances—pushed consumer price data upward, reaffirming concerns that recent tariff hikes are beginning to work their way through the economy. While some components of inflation, such as shelter and services, have shown signs of moderation, escalating import costs are likely to dominate the inflation narrative through the second half of the year, complicating the Federal Reserve's path toward easing interest rates.

June's Consumer Price Index (CPI), according to the US Bureau of Labour Statistics, revealed a 0.3 percent monthly rise, lifting annual inflation to 2.7 percent. Core inflation, which strips out volatile food and energy prices, advanced 0.2 percent in June and 2.9 percent over the year—slightly under the consensus forecast but still indicating persistent underlying pressures. Categories most sensitive to trade dynamics, particularly those reliant on Chinese imports, experienced pronounced gains. Household furnishings rose by 1 percent, appliances surged 1.9 percent, and audio equipment prices jumped 4.5 percent—illustrating how tariffs are amplifying input costs for consumer goods.

Recreational items and apparel also exhibited notable price increases, indicating broader price pressures across discretionary spending categories. Year-over-year, audio-video equipment costs rose over 11 percent—a record high for a sector long buffered from inflation by globalisation. These inflationary trends appear directly tied to import levies recently imposed or threatened under the current Trump administration, with additional tariff hikes set to begin in August.

While energy prices increased 0.9 percent on the month, gasoline costs rose just 1 percent, and remained 8.3 percent lower than a year ago. Shelter prices, a core contributor to overall inflation, ticked up modestly by 0.2 percent for the month and 3.8 percent year-over-year. Meanwhile, food and beverage prices increased 0.3 percent on the month. Though housing and services inflation have decelerated slightly, they remain elevated in the 3.5–4 percent range, creating a complex inflation mix. The full effects of tariffs may not yet be fully captured in current CPI figures, as businesses typically adjust pricing with a lag.

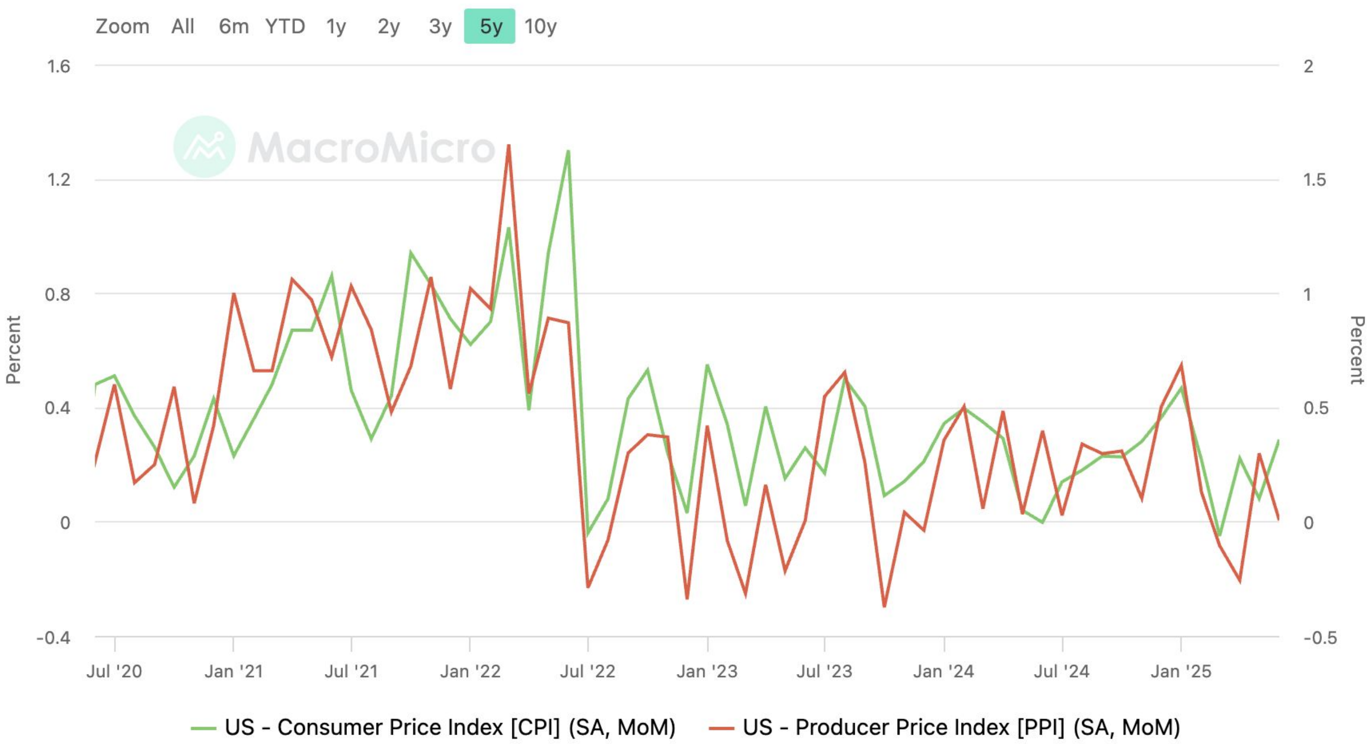


Figure 8. Consumer Price Index and Producer Price Index (Month-Over-Month Change, Bureau of Labour Statistics)

But it wasn't just consumers feeling the heat. [The Producer Price Index (PPI)](), released a day after CPI report last week, added another layer of complexity. Headline producer prices were flat in June, but within the data, goods prices rose at their fastest pace since February—up 0.3 percent on the month—as the effects of tariffs began filtering upstream. In contrast, transportation and warehousing costs declined for the first time in three months, reflecting weaker demand for inventory replenishment.

More notably, both headline and core producer inflation moderated year-over-year. Core PPI rose 2.6 percent, a significant drop from 3.2 percent in May. This slowdown suggests that despite rising input costs, business activity and final demand may be softening—a concerning sign that could point toward a “stagflation-lite” scenario where inflation persists even as economic momentum cools.

Another red flag emerged in the form of car-related inflation. While retail vehicle prices have helped keep inflation subdued in recent months, the PPI data hinted at a potential reversal. Rising costs in the automotive supply chain may soon lead to higher consumer car prices.

	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
7/30/2025						0.0%	0.0%	0.0%	0.0%	4.7%	95.3%
9/17/2025	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	2.8%	59.6%	37.6%
10/29/2025	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	1.5%	33.2%	47.8%	17.5%
12/10/2025	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	1.0%	22.9%	43.1%	27.3%	5.7%
1/28/2026	0.0%	0.0%	0.0%	0.0%	0.0%	0.5%	10.7%	31.9%	36.1%	17.7%	3.1%
3/18/2026	0.0%	0.0%	0.0%	0.0%	0.3%	6.3%	22.7%	34.3%	25.7%	9.4%	1.4%
4/29/2026	0.0%	0.0%	0.0%	0.1%	2.4%	12.1%	26.8%	31.2%	19.9%	6.6%	0.9%
6/17/2026	0.0%	0.0%	0.1%	1.4%	8.0%	20.6%	29.4%	24.7%	12.3%	3.3%	0.4%
7/29/2026	0.0%	0.0%	0.5%	3.8%	12.5%	23.8%	27.7%	20.2%	9.0%	2.2%	0.2%
9/16/2026	0.0%	0.2%	1.8%	7.3%	17.0%	25.3%	24.7%	15.8%	6.3%	1.4%	0.1%
10/28/2026	0.0%	0.5%	2.6%	8.7%	18.2%	25.2%	23.4%	14.4%	5.6%	1.3%	0.1%
12/9/2026	0.1%	0.9%	3.7%	10.4%	19.5%	24.9%	21.8%	12.8%	4.8%	1.0%	0.1%

Figure 9. CME FedWatch Tool - Conditional Meeting Probabilities (Data as of July 21, 2025)

As a result, financial markets have begun dialling back expectations of imminent rate cuts. The CME Fed Watch Tool, as of July 21st, shows low odds of a cut in the Fed’s July meeting, while a September cut remains possible but far from guaranteed. Treasury yields have climbed amid the uncertainty, reflecting investor hesitation as the Fed weighs how transitory these tariff-induced pressures may be.

Ultimately, inflation appears to be entering a new phase—driven less by service-sector stickiness and more by rising import costs filtering into consumer goods. With the prospect of steeper tariffs on the horizon and key inflation components, such as housing, still elevated, policymakers are expected to remain cautious. Until there is clearer evidence that the inflation trajectory is stabilising, the Fed is likely to remain on pause, waiting for confirmation that price shocks have either peaked or are embedding more permanently into the economy.

US Retail Sales Bounce Back in June, But Tariffs and Labour Signals Cloud Outlook

ADVANCE MONTHLY SALES

June 2025	$720.1 billion	0.6%
May 2025 (revised)	$715.5 billion	-0.9%

Next release: August 15, 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, July 17, 2025

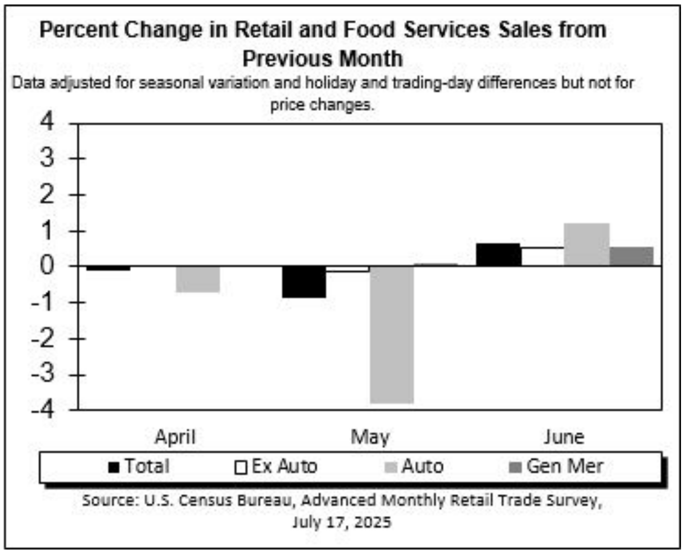


Figure 10. Retail Sales (Source: US Census Bureau)

American consumer spending showed a stronger-than-expected recovery in June, offering a temporary boost to economic momentum after a sluggish start to the quarter. However, signs of pressure are building beneath the surface, as trade-related price increases and softening labour market dynamics threaten to complicate the outlook for both growth and monetary policy.

Figure 11. US Retail Sales Yearly and Monthly Changes (Chart Source: Macromicro)

Retail sales climbed 0.6 percent in June, following two consecutive monthly declines, according to the US Census Bureau's latest Advance Monthly Sales for Retail and Food Services report. The rebound was led by a 1.2 percent rise in auto and parts sales, which had fallen sharply in May. While this uptick initially appears encouraging, it may also reflect early signs of inflation creeping into the vehicle market. Recent producer price data also indicated a rise in input costs across the auto supply chain—suggesting that consumer vehicle prices, which had previously remained subdued, may begin to accelerate in the coming months.

Overall, 10 of 13 retail and food categories posted gains, with clothing stores, building materials, and restaurants showing notable strength. Online sales increased 0.4 percent, while spending on hobbies, books, and sporting goods edged up modestly. However, not all sectors participated in the upswing—electronics and appliance stores, along with furniture outlets, recorded slight declines, suggesting that higher import prices may be dampening demand in tariff-sensitive categories.

Part of the jump in sales to consumers is the acceleration of purchases in anticipation of rising costs from tariffs. Inflation data this month showed significant price increases in household items like furnishings, appliances, and toys—goods largely exposed to global supply chains. While these price gains inflated retail sales figures, the volume of goods sold may have increased more modestly, casting doubt on the sustainability of the rebound.

Stripping out volatile components like autos, gas, building materials, and food services, core retail sales rose 0.5 percent in June after a downward revision to 0.2 percent in May. Although these figures contribute directly to GDP calculations, adjusted for inflation, real consumption gains were only marginal. With household spending largely flat earlier in the quarter, the latest data suggests that second-quarter growth likely improved, but not substantially. According to the Atlanta Fed, it now forecasts a 2.4 percent annualised GDP expansion in Q2, recovering from the 0.5 percent contraction in Q1—mostly due to easing import drag rather than a surge in domestic demand.

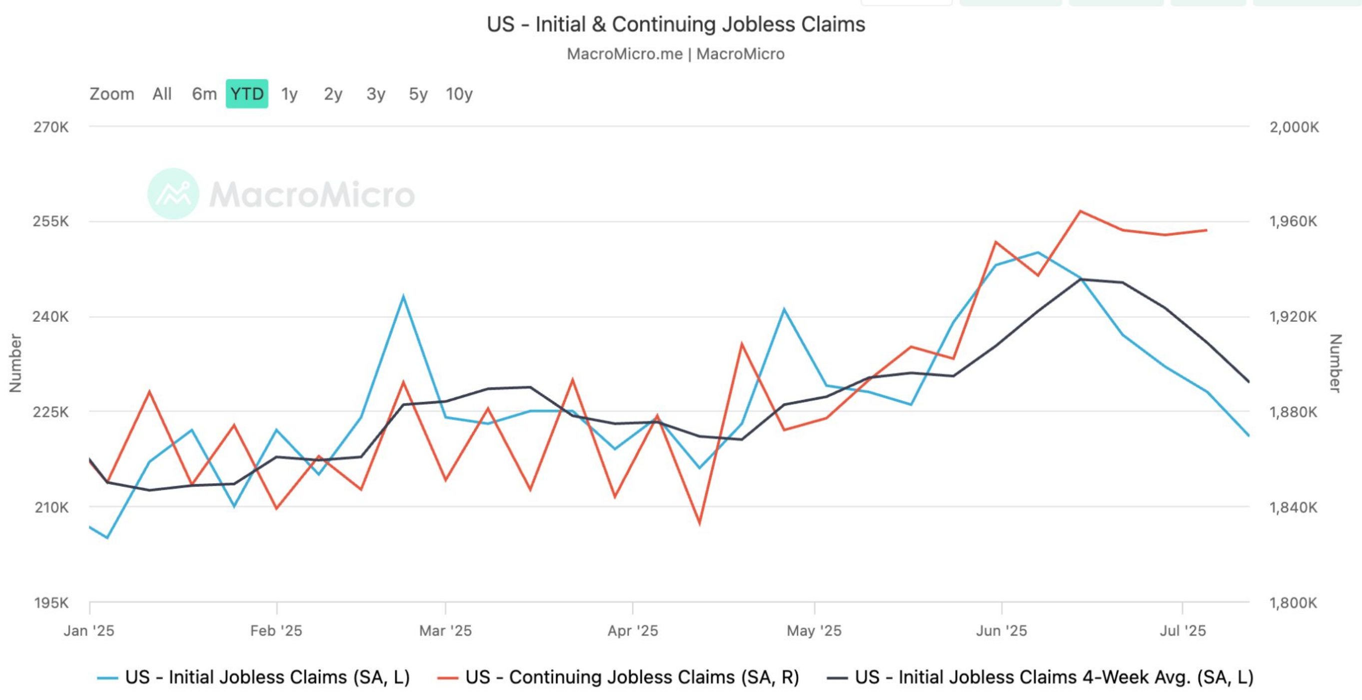


Figure 12. Initial Jobless Claims and Continuing Jobless Claims

Labour market indicators released alongside the sales data offered a mixed signal. In the week ending July 5th, initial jobless claims dropped to 221,000, the lowest since April, implying continued labour market resilience. However, the number of continuing claims—often viewed as a proxy for hiring—ticked slightly higher, indicating that rehiring may be slowing for some displaced workers. June's nonfarm payroll growth of 147,000 jobs further reflects a steady, albeit moderated, pace of employment expansion.

Despite a stable job backdrop, risks are mounting. Business hiring plans have become more cautious amid trade policy uncertainty, and wage growth has lost momentum. Slipping home prices in several regions and volatile financial markets have also eroded household wealth, potentially curbing future spending capacity.

Meanwhile, import prices increased modestly by 0.1 percent in June, with notable rises in goods from China, Japan, and the European Union. This reinforces the view that foreign suppliers are not fully absorbing tariffs—contrary to White House claims—and are instead passing those costs onto US buyers. Imports from Canada and Mexico bucked the trend, posting slight declines.

The latest economic data shows that the US economy is still growing, but facing headwinds from both policy and pricing dynamics. The unexpected strength in retail activity may delay the Federal Reserve's decision to cut interest rates, especially as inflation begins to creep upward in sectors affected by tariffs. Still, we warn that June's uptick may overstate the underlying strength of the consumer, with broader concerns, including slower wage gains and global uncertainty, likely to weigh on the second half of the year.

NEWS FROM THE CRYPTO-SPHERE

Strategy Acquires 4,225 BTC, Now Holding More Than 600,000 BTC

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported): July 14, 2025

Strategy

MICROSTRATEGY INCORPORATED
(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation)	001-42509 (Commission File Number)	51-0323571 (I.R.S. Employer Identification No.)
1850 Towers Crescent Plaza Tysons Corner, Virginia (Address of principal executive offices)		22182 (Zip Code)

Registrant's telephone number, including area code: (703) 848-8600

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Figure 13. Strategy Acquires 4,225 BTC, Now Holding More Than 600,000 BTC

- **Strategy (formerly MicroStrategy) acquired 4,225 more BTC last week for $472.5M, bringing its total holdings to 601,550 BTC—worth over $73B and making it the first public company to surpass 600,000 BTC**
- **Funded by a mix of equity and preferred stock offerings, the move reinforces Strategy's aggressive Bitcoin accumulation strategy, and solidifies its leadership in institutional crypto adoption**

In an update filed on July 14th, 2025, Strategy (formerly MicroStrategy) disclosed the acquisition of an additional 4,225 BTC, purchased between July 7th and July 13th. This investment cost approximately $472.5 million at an average price of $111,827 per coin, funded through a mix of equity and preferred stock offerings—specifically, $330.9 million from MSTR common shares, $71.1 million from STRK (Strategy's preferred stock Series K), $55.3 million from STRF (Series F), and $15 million from STRD (Series D). With this latest purchase, Strategy's total Bitcoin holdings have risen to 601,550 BTC, acquired at a blended cost of around $71,268 per coin, amounting to a total investment of roughly $42.87 billion.

At current market valuations of BTC—hovering above $121,000—this treasury is worth more than $73 billion, delivering over $30 billion in unrealised gains. The 601,550 BTC acquired amount to approximately 2.86 percent of Bitcoin's entire 21-million-coin supply. Notably, this latest accumulation makes Strategy the first publicly traded company to amass more than 600,000 BTC, reinforcing its status as the world's leading corporate Bitcoin holder

The acquisition follows a brief pause in weekly purchases coinciding with Q2 earnings, signaling Strategy's rigorous capital allocation strategy driven by executive chairman Michael Saylor, and a clear intention to steadily build Bitcoin reserves. Funding continues via an advanced At-The-Market (ATM) plan, now expanded to a "42/42" plan to raise up to $84 billion through various equity instruments and convertible notes by 2027.

This move further validates the institutional embrace of Bitcoin, with Strategy setting a benchmark that others are following; firms like Metaplanet, Riot Platforms, and KULR are also stacking BTC—but none have rivalled Strategy's scale.

Hungary Tightens Crypto Reins, Criminalises Unlicensed Trading Amid Regulatory Uncertainty

Figure 14. Hungary Tightens Crypto Reins, Criminalises Unlicensed Trading Amid Regulatory Uncertainty

- **Hungary has announced the enforcement of strict crypto laws, criminalising unlicensed crypto trades with penalties of up to eight years in prison and placing all oversight under the Hungarian National Bank.**
- **The unclear licensing process has left around 500,000 users and platforms in limbo, forcing major exchanges like Revolut and Bitstamp to suspend services amid legal uncertainty.**

In a sweeping regulatory overhaul that took effect on July 1st, 2025, Hungary significantly toughened its stance on cryptocurrency trading, embedding harsh penalties within its updated Criminal Code for both individuals and service providers involved in unlicensed crypto operations. The legislation categorises trades conducted through unlicensed exchanges as felonies, punishable by imprisonment of up to two years for smaller transactions, and up to five years when trading large volumes—those exceeding 50 million HUF (approximately $146,000)—with even more severe consequences reserved for exceptionally large trades reaching 500 million HUF (around $1.46 million). Entities that provide unapproved crypto-asset exchange services face penalties reaching eight years in prison, marking a sharp crackdown on operators circumventing the new state-mandated licensing system.

Under the new regulatory regime, the Hungarian National Bank now oversees crypto-asset service provider licensing, imposing rigorous measures including conversion-validation certifications and stringent origin-of-funds checks—steps intended to align domestic protocols with the upcoming EU-wide MiCA framework. However, the lack of published licensing guidelines or an application timeline has plunged about 500,000 domestic crypto holders and active trading platforms into regulatory limbo. The immediate fallout has been tangible: major international players such as Revolut and Bitstamp suspended their crypto services in Hungary, citing the sweeping ambiguities and potential legal risks

While proponents like the Blockchain Hungary Association assert that this measure aims to redirect market participants toward compliant frameworks rather than extinguish crypto activity, the missing implementation decree pose substantial friction and uncertainty. Looking ahead, operators licensed under the forthcoming EU MiCA framework are expected to enter Hungarian markets by 2026—contingent on national authorities providing clear procedural directives.

Kazakhstan Weighs Incorporating Crypto into Sovereign Reserves

Figure 15. Kazakhstan Weighs Incorporating Crypto into Sovereign Reserves

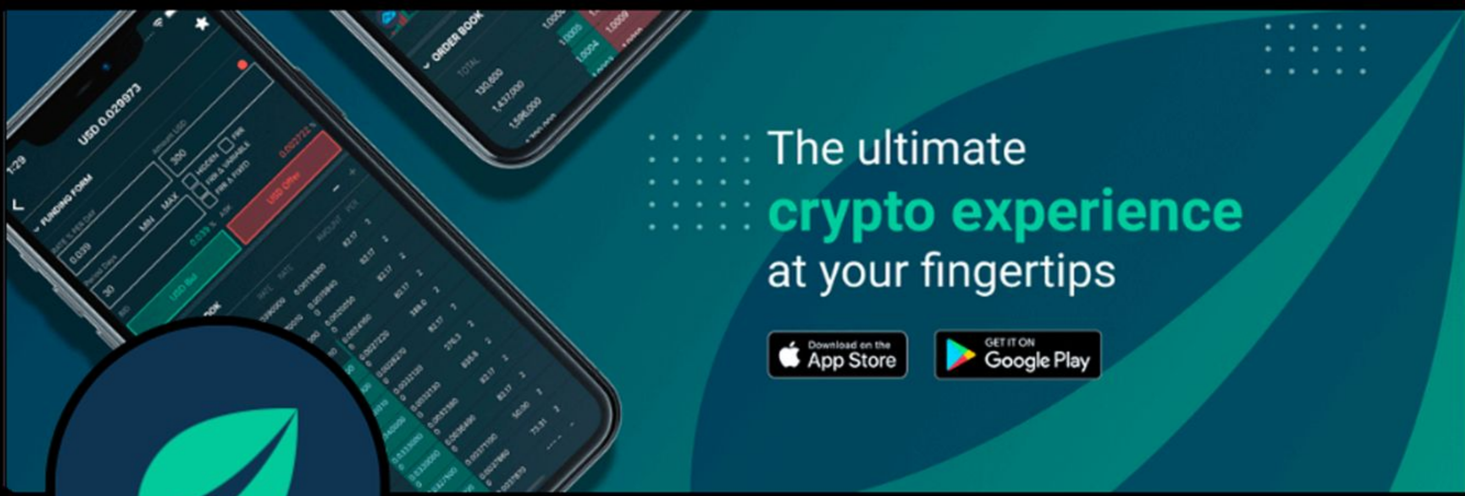
- **Kazakhstan is exploring adding crypto assets—like ETFs or stakes in digital firms—to its sovereign reserves, alongside gold and foreign currencies, as part of a cautious alternative investment strategy**
- **Plans include creating a state-run crypto reserve using seized and state-mined coins, positioning Kazakhstan as a regional leader in digital finance amid ongoing regulatory reforms and CBDC rollout**

Last Monday, July 15th, Kazakhstan's central bank governor, Timur Suleimenov, revealed that the country is actively evaluating the potential allocation of state-held assets—such as gold, foreign currency reserves, and sovereign wealth fund holdings—into cryptocurrency investments. Drawing on models from Norway, the US, and Middle Eastern wealth funds, the National Bank is considering integrating crypto instruments, including ETFs or direct holdings in firms tied to digital assets, as part of its "alternative portfolio" strategy aimed at generating higher returns—while acknowledging crypto's notorious volatility and the need for cautious, delayed decision-making. Concurrently, plans are underway to establish a state-run crypto reserve built from digital assets seized in criminal cases and coins mined by state-affiliated mining operations—leveraging Kazakhstan's position as one of the world's largest Bitcoin mining hubs (roughly 13 percent of global hash rate)—and managed centrally via a specialised National Bank affiliate.

This structure is intended to meet sovereign-wealth best practices, ensuring transparent valuation, audited custody, and risk protocols common to fossil fuel or gold reserves.

Importantly, no formal investment decision has been finalised: officials underscore the experimental approach, citing the speculative nature of crypto assets and positioning any allocation as part of a broader “aggressive” but limited alternative reserve sub-portion—likely similar to sovereign peers, with crypto exposure capped below 1 percent of total. The nascent reserve strategy also connects to broader regulatory reforms in Kazakhstan—including the launch of its digital tenge CBDC, a “CryptoCity” pilot zone for legal crypto payments, licensing regimes for exchanges through the Astana International Financial Centre, and the crackdown on 36 unlicensed crypto platforms in 2024—all signalling an ambition to become a regional digital finance leader while maintaining institutional risk

While details and execution frameworks remain undefined, Kazakhstan signals a potential shift within sovereign wealth management—juxtaposing traditional reserve assets with digital-asset exposure in pursuit of enhanced returns and financial resilience.



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