

WEEKLY
NEWSLETTER

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ECB Eyes Solo Rate Cut:
Eurozone Diverges from US
Despite Market Concerns

DISCOVER
THE UNKNOWN DEPTH OF
FINANCIAL MARKETS



INSIGHTS FROM
THIS WEEK'S
ANALYTICS REVIEW

EXPLORING THE
FINANCIAL
DEVELOPMENTS

DELVE DEEPLY
INTO THE WORLD
OF CRYPTO

Monday 15 April 2024

This NEWSLETTER is targeted towards institutional, professional, and qualified investors, as well as qualified clients.

Context

ICEBERG ANALYTICA

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- Tesla Stumbles: EV Dreams on Hold?
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- Apple Bets on AI: Growth or Hype?

ICEBERG FINANCIAL

- ECB Goes Solo: Rate Cut Despite Market Jitters
- The Fiscal Dilemma of Global Rearmament
- Perfect Storm: Rising Rates Spark Recession Threat
- Real Estate, Banks on Shaky Ground: Loan Maturities Loom
- India's Growth: Boom or Illusion?

ICELAB

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CHARTS

- Inflation pressures delay Fed rate cuts
- Brent oil prices reach new highs due to geopolitical tensions and production cuts
- Commodities remain low compared to the S&P 500 despite Brent price surge

USD vs. Major Currencies

Name	Change	Change %	1 Month	YTD	1 Year	3 Years	Day Range	<	>
Australian Dollar	0.02	1.24%	2.23%	5.47%	3.51%	18.09%	1.52221 —● 1.54892		1.4
British Pound	0.0067	0.85%	2.74%	2.38%	0.26%	10.49%	0.79169 —● 0.80471		0.1
Canadian Dollar	0.0089	0.65%	2.06%	3.98%	2.50%	9.64%	1.36779 —● 1.37864		1
Chinese Renminbi ("Yuan")	0.01	0.18%	1.02%	1.98%	5.68%	10.97%	7.25403 —● 7.26874		€
Euro	0.0075	0.81%	2.69%	3.75%	3.28%	11.98%	0.92266 —● 0.94132		0.8
Japanese Yen	-0.03	-0.02%	3.95%	8.60%	14.96%	40.07%	152.608 —● 153.383		13
Swiss Franc	0.0045	0.49%	4.17%	8.64%	1.94%	-0.87%	0.90937 —● 0.91447		0.8

- The US Dollar (USD) surged this week, driving EUR/USD to its lowest level since November. This uptrend was primarily fueled by higher-than-expected inflation in the United States (US), which reinforced the USD's strength. Federal Reserve (Fed) Chair Jerome Powell's remarks indicating no rush to cut rates further supported the USD. Market sentiment shifted from expecting multiple rate cuts in 2024 to possibly only two, with the initial move anticipated in July.
- Meanwhile, the European Central Bank (ECB) maintained its key rates unchanged, but ECB officials hinted at the possibility of reducing monetary policy restrictions if inflation trends towards their target. ECB President Christine Lagarde emphasized the need for data dependency and building confidence in inflation convergence. Speculative interest has increased bets on a 25 basis point rate cut by the ECB in June.
- The contrasting stances of the Fed and ECB highlight the divergence in economic outlooks and policy priorities between the US and Eurozone. While the Fed remains cautious about further rate cuts amid a robust economy, the ECB is under pressure to stimulate economic growth. This discrepancy in central bank views and needs has intensified downward pressure on EUR/USD, pushing it towards 1.0600 by the end of the week. Additionally, the USD maintained its upward momentum on Friday, supported by diminished expectations of June rate cuts and disappointing financial results from major banks like JPMorgan and Wells Fargo.

Energy

Name	Symbol	Today	1 Month	YTD	1 Year	3 Years	Day Ra	<	>
Oil	USO	-0.02%	11.15%	22.33%	12.56%	99.34%	81.23	●	83.41
Brent Oil	BNO	0.15%	11.22%	21.64%	14.20%	108.02%	33.11	●	33.91
Natural Gas	UNG	0.27%	-2.74%	-26.58%	-44.02%	-60.48%	14.62	●	14.90
Gasoline	UGA	0.30%	8.64%	20.33%	12.47%	131.21%	73.03	●	74.57

- Oil prices experienced a rollercoaster ride this week. On Friday, concerns about Iran potentially retaliating for an Israeli attack on its embassy caused prices to jump. Brent crude closed at \$90.45 per barrel, up 71 cents, and West Texas Intermediate (WTI) reached \$85.66 per barrel, a 64-cent increase. However, these gains couldn't offset the losses from earlier in the week.
- The bigger picture reveals a decline driven by two main factors. First, the International Energy Agency (IEA) lowered its forecast for global oil demand growth in 2024. This suggests a potential decrease in oil consumption, leading to a price drop. Second, expectations of a slower pace of interest rate cuts in the US dampened enthusiasm.
- Higher interest rates can hinder economic growth, reducing demand for oil. Additionally, a continued decrease in the number of operating oil rigs in the US hints at a potential future decline in production, offering a temporary counterpoint to the downward pressure. Despite this, the bearish outlook on demand and interest rates dominated the week, leading to an overall decline in oil prices.

• Metals •

Name	Symbol	Today	1 Month	YTD	1 Year	3 Years	Day Ra	<	>
Palladium	PALL	-0.01%	0.79%	-4.59%	-28.89%	-61.64%	96.10	●	99.73
Gold	GLD	-1.32%	8.56%	13.45%	15.87%	33.65%	216.02	●	225.09
Platinum	PPLT	-0.33%	5.80%	-1.39%	-4.48%	-18.27%	89.70	●	92.48
Silver	SLV	-1.46%	16.03%	17.68%	9.39%	11.24%	25.52	●	27.24

- Gold price experienced a volatile week, initially appearing poised for a correction but ultimately rallying to a new all-time high above \$2,400. Early in the week, Gold's gains were tempered as traders awaited key inflation data from the US. However, the release of higher-than-expected inflation figures on Wednesday triggered a surge in US Treasury bond yields and strengthened the US Dollar, leading to a brief downturn in Gold prices. Despite this setback, escalating geopolitical tensions, particularly in the Middle East, reignited demand for Gold as a safe-haven asset, driving prices higher once again.
- The outlook for Gold was further influenced by central bank policies and economic data releases. The European Central Bank (ECB) maintained its key rates, but reports suggested a potential rate cut in June, prompting capital outflows from the Euro and boosting Gold prices denominated in euros. Additionally, anticipation of economic data from China, particularly GDP figures for the first quarter, added to market volatility. A disappointing GDP print from China could raise concerns about Gold demand, while strong figures may support further gains in Gold prices.
- Looking ahead, geopolitical developments and central bank policies are expected to remain key drivers for Gold prices. Any signs of de-escalation in geopolitical tensions could dampen demand for Gold, while ongoing conflicts may continue to support its safe-haven status. Additionally, the performance of the US Dollar and expectations regarding the Federal Reserve's monetary policy pivot will likely influence Gold's trajectory in the coming days. Overall, heightened uncertainty in global markets is likely to keep Gold investors vigilant and focused on geopolitical events and economic indicators for direction.

Analytica

• **Google Stumbles in Generative AI Race: Can It Catch Up?**

- Google's efforts to launch a competitor to OpenAI's ChatGPT, known as GPT-4, faced significant setbacks and delays. The delayed release of Google's product, Gemini, was marred by flaws in image generation, disappointing CEO Sundar Pichai and highlighting Google's struggles in generative AI development. These difficulties reflect broader challenges for Google in maintaining its dominant position in the face of technological advancements.
- While Google stumbled, competitors like Microsoft capitalized on the opportunity. Microsoft's early partnership with OpenAI and the integration of AI-powered services into its products positioned it as a leader in the field. Google's response, Gemini, eventually garnered positive feedback but revealed internal organizational challenges and a lack of a cohesive strategy.
- Google's organizational structure, characterized by fragmented divisions and bureaucratic inertia, hindered its ability to innovate and adapt quickly. Cultural tensions, lack of clear leadership, and an aversion to risk-taking contributed to Google's struggles in rolling out generative AI across its products effectively.
- Pichai's leadership style, marked by consensus-building and a cautious approach, has been criticized for being inadequate in addressing Google's AI challenges. While Pichai acknowledges the need for change, internal frustrations persist, with some employees questioning the company's vision and direction.
- Internal reorganizations, such as the merger of DeepMind and Google Brain, have led to tensions and resentment among employees. Despite efforts to streamline decision-making and empower innovation, Google faces ongoing challenges in fostering a culture conducive to AI development and implementation.
- Despite these setbacks, Google remains a dominant force in the search market. However, the emergence of generative AI poses a significant disruption, and Google's response will determine its future competitiveness. While Google's market share has not yet been significantly threatened, the company must accelerate its adoption of generative AI to stay ahead of competitors and meet evolving user expectations.

• **Tesla's Stumble Tests EV Dreams: Startups Struggle, China Surges**

- Tesla's recent challenges have cast a shadow over the electric vehicle (EV) industry. Despite being the pioneer in the field, Tesla is facing headwinds such as slowing growth, supply chain disruptions, and increasing competition, particularly in the Chinese market.
- The company's warning of lower growth in 2024, combined with production disruptions at its Berlin factory and declining market share in China, has led to a significant decline in Tesla's market value. Additionally, the recent report of delivering fewer cars than expected in the first quarter has further fueled concerns about Tesla's future prospects. The once-hyped competitors aiming to replicate Tesla's success are also facing difficulties. Startups like Lucid Motors and Rivian, which were once valued highly, have seen their market capitalizations plummet. Some companies have paused production, faced delisting threats, or are on the brink of bankruptcy.
- One of the primary challenges for these Tesla imitators is achieving economies of scale. While the promise of EVs reducing barriers to entry seemed enticing, the reality is that achieving profitability still requires producing a significant number of vehicles annually. Tesla itself struggled initially before achieving profitability, highlighting the importance of scale in the automotive industry. Furthermore, many of these startups have struggled to deliver unique products that can compete effectively with Tesla or traditional automakers. Despite focusing on advanced technology, they often lack distinctive features or struggle to offer competitive pricing, hindering their ability to attract customers.
- To survive, these companies are now shifting their strategies, focusing on launching more affordable models and expanding into mass-market segments. However, even this shift poses challenges, as they need to ensure cost competitiveness while maintaining technological innovation. In contrast, Chinese EV companies appear to be more innovative and cost-effective, benefiting from strong government support and a robust supply chain. Companies like Nio and Xpeng have demonstrated impressive growth in the domestic market, leveraging technologies like battery swapping and autonomous driving.
- Looking ahead, the EV industry is likely to witness further disruptions, particularly in China, where tech giants like Huawei and Xiaomi are entering the market. This intense competition underscores the need for Tesla and other players to continue innovating and adapting to market dynamics to remain competitive in the evolving EV landscape.



• **Smarter Machines: AI Reasoning Revolution**

- AI Reasoning Revolution: Meta's Llama 3 and OpenAI's GPT-5 Promise Smarter Machines
- Tech giants unveil new AI models, aiming for machines that can reason, plan, and assist us in daily tasks.
- OpenAI and Meta are poised to introduce new artificial intelligence models that they claim will mark significant progress in reasoning and planning capabilities, essential steps toward achieving superhuman cognition in machines. Meta announced the impending rollout of Llama 3, while OpenAI hinted at the arrival of GPT-5, both aiming to enhance the capabilities of large language models like ChatGPT.
- According to executives from both companies, these advancements signify a shift towards AI systems that can not only generate language but also reason, plan, and retain memory. The focus is on addressing complex tasks and improving the sophistication of AI capabilities, moving beyond narrow functions to more comprehensive problem-solving abilities.
- These developments come amidst a broader trend in the tech industry towards releasing more sophisticated generative AI models. As companies compete to create AI that can mimic human output across various domains, the pace of progress is accelerating, with reasoning and planning seen as crucial steps towards achieving artificial general intelligence.
- Yann LeCun, Meta's chief AI scientist, highlighted the current limitations of AI systems, which often produce output without thoughtful planning and struggle with complex questions. Incorporating reasoning capabilities into AI models would enable them to search for answers, plan actions, and anticipate outcomes, representing a significant advancement towards human-level intelligence.
- Both Meta and OpenAI are exploring ways to integrate their new AI models into consumer products, such as Meta's Ray-Ban smart glasses, where AI assistants powered by Llama 3 can provide guidance and assistance in various tasks. The vision is to have AI systems mediate our digital interactions, offering support and solutions across different contexts.

- **Apple's AI Gamble: Stock Soars on AI Integration Rumors, But Can It Deliver Growth?**

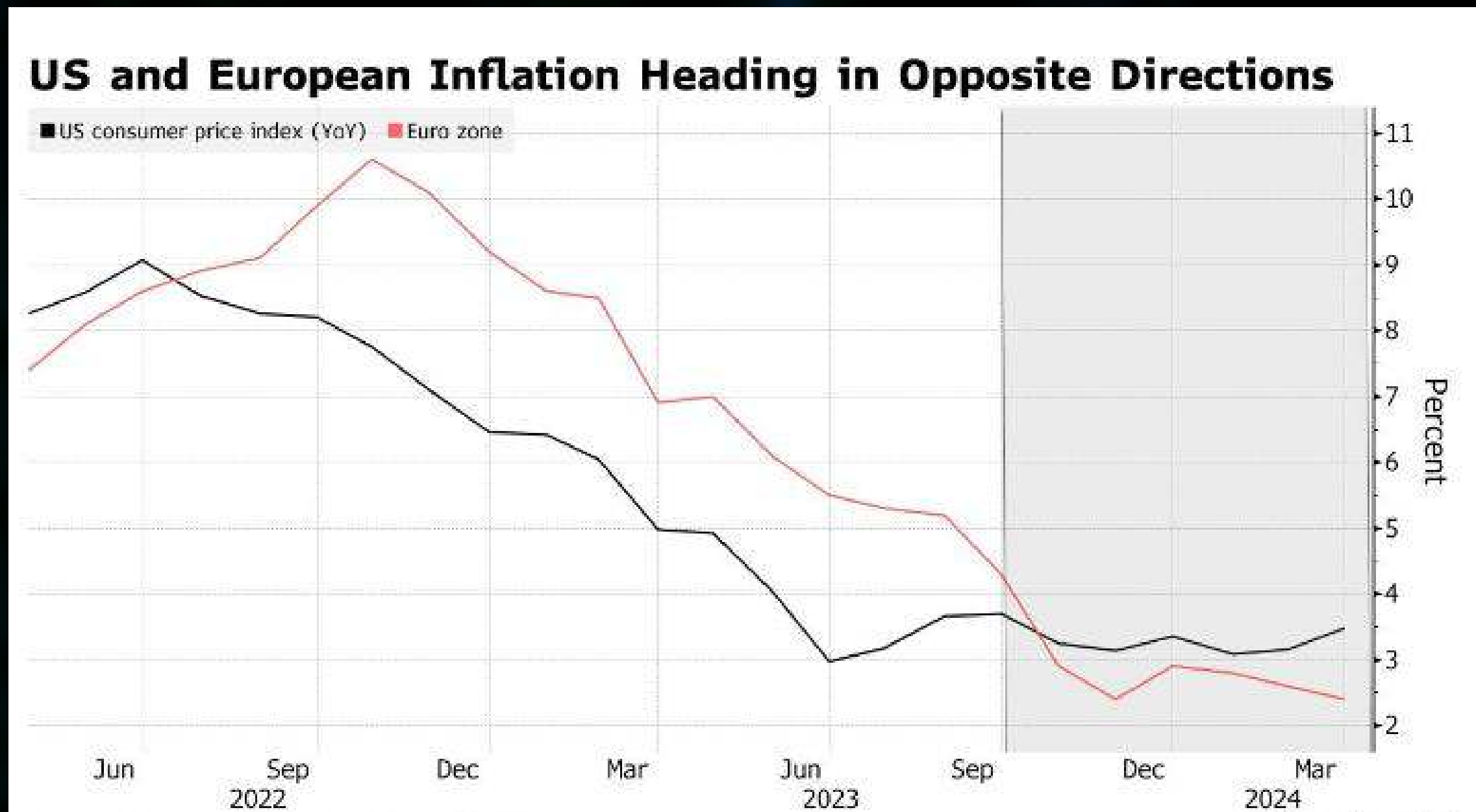
- Apple's stock jumps on whispers of AI-powered Macs, but long-term success hinges on delivering on the promise of AI across its devices.
- Apple has faced market pressure due to a perceived lack of clarity regarding its future growth prospects. However, a recent report indicating a shift towards artificial intelligence (AI) in its Mac computer line sparked investor interest, leading to a 4.3% surge in stock value and a \$112 billion increase in market capitalization. While the impact of this move on Apple's growth trajectory remains uncertain, investors are cautiously optimistic about the potential benefits of integrating AI into consumer hardware.
- For Apple to sustain its recent rally, it will be crucial to deliver on the promise of growth, potentially by incorporating AI into its flagship product, the iPhone. Despite recent stagnation and a decline in stock value from its record high, analysts remain bullish on Apple's long-term prospects, citing its strong financial position and the likelihood of future innovation in AI technology.
- Trading at a discounted valuation compared to its peers, Apple has attracted interest from hedge fund investors, who see potential upside in the company's reduced valuation and the anticipated AI upgrade cycle. The broader hope among investors is that AI integration will catalyze a re-acceleration of growth, particularly as the company aims to rebound from recent declines in revenue and weak performance in key markets.
- Analysts anticipate that Apple's gross margins will improve, driven by a greater mix of services within its portfolio, leading to potential revenue growth in the coming quarters. Despite challenges faced by Apple and other tech giants in the "Magnificent Seven" group, which includes Tesla Inc., the group has maintained a significant weighting in the S&P 500 Index, underscoring the enduring importance of technology stocks in the broader market landscape.



• ICEBERG FINANCIAL

• **ECB Eyes Solo Rate Cut: Eurozone Diverges from US Despite Market Concerns**

- The ECB ponders a rate cut independent of the Fed, raising concerns about market volatility and euro depreciation.
- The European Central Bank (ECB) is considering diverging from the Federal Reserve's monetary policy, as the economic situations in the euro area and the US differ significantly. Bank of Greece Governor Yannis Stournaras suggested that the ECB should act independently, reflecting a shift from previous expectations of synchronized policy moves between the ECB and the Fed. Unexpectedly high US inflation data has prompted investors to reassess their expectations, potentially putting the ECB in a unique position.
- ECB President Christine Lagarde acknowledged the influence of US economic conditions on ECB decisions but emphasized the ECB's independence in determining its monetary policy. While the ECB plans a rate cut, the Fed might not follow suit immediately, indicating a potential divergence in monetary policy between the two central banks. This divergence could have significant implications for global financial markets, particularly regarding exchange rate fluctuations and market volatility.
- Analysts are cautious about the potential market reaction to a significant rate cut by the ECB without corresponding action from the Fed. They warn of market overreaction and substantial euro depreciation if the ECB implements drastic rate cuts in isolation. Lagarde refrained from commenting on the potential impact of exchange rate movements on inflation, reiterating the ECB's focus on its mandate of price stability rather than exchange rate targets.
- Meanwhile, economic analysts are considering the potential implications of a second Trump administration on inflation and economic growth. Oxford Economics outlined two scenarios involving different levels of tax cuts, fiscal spending, tariffs, and immigration policies. These scenarios suggest varying impacts on GDP growth and inflation, highlighting the uncertainty surrounding future economic policies and their consequences for global economic dynamics.



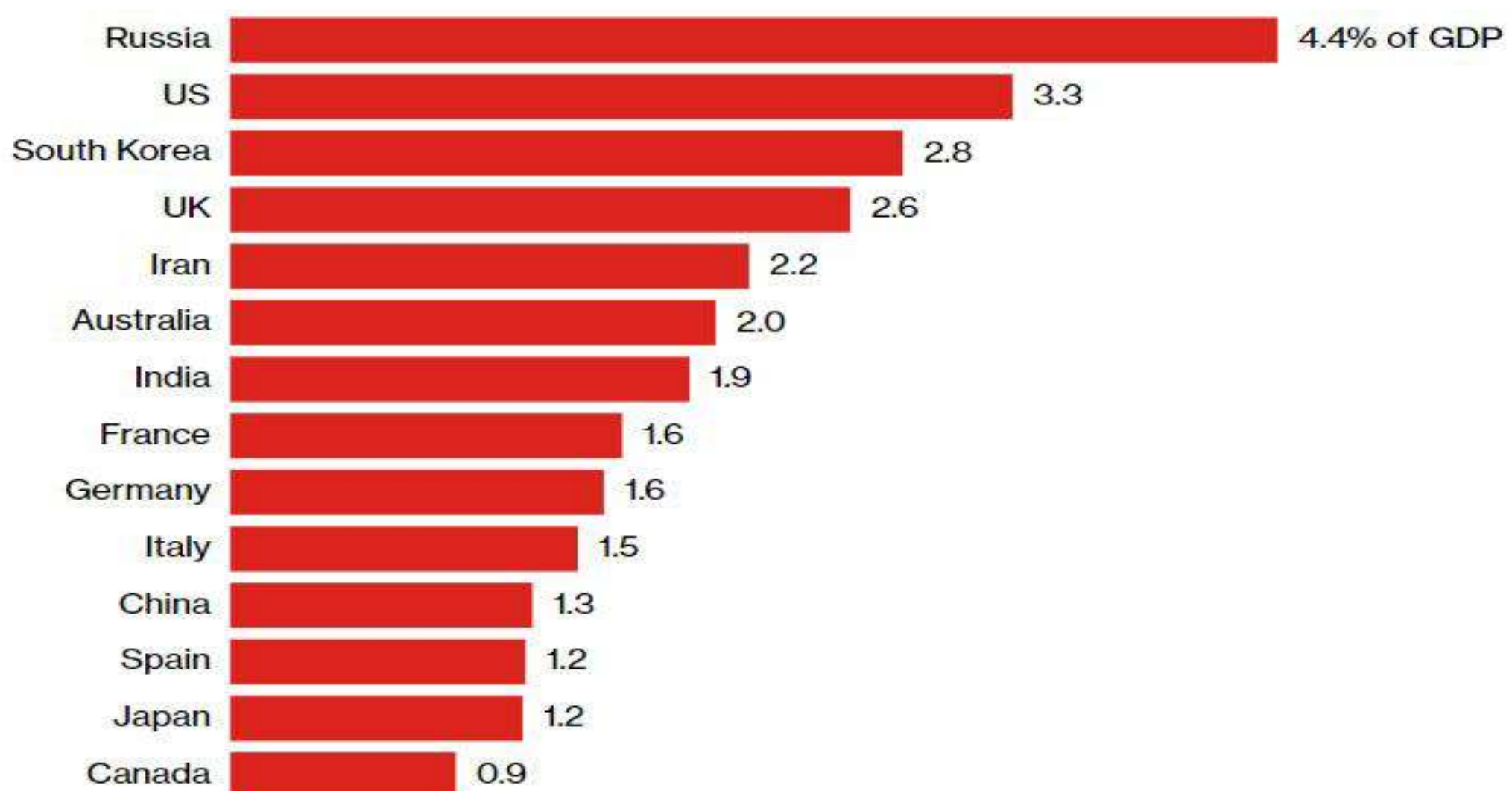
• The Fiscal Dilemma of Global Rearmament

- Amidst the rising trend of global rearmament, Western governments grapple with tough decisions and significant financial burdens, particularly in the face of assertive geopolitical challenges, reshaping fiscal paradigms and raising questions about reconciling defense commitments with finite resources.
- The emerging trend of global rearmament, highlighting the significant costs and tough decisions it poses for Western governments, especially amidst shaky public finances. Despite record defense spending worldwide, European Union nations are just beginning to consider the requirements of 21st-century security, particularly in the face of an assertive Russia, a volatile Middle East, and a growing Chinese military.
- There's recognition among political leaders of progress toward NATO's defense spending targets, but security-focused officials suggest that military budgets may need to double to as high as 4% of GDP to fulfill alliance plans. The aggressive actions of Russia and China are driving Western leaders to address longstanding issues over taxes, welfare, and government borrowing.
- The increasing burden of preparing for war is reshaping fiscal paradigms, with meeting NATO's 2% minimum for military spending potentially stalling post-pandemic debt consolidation efforts. Even reaching 4% would force tough choices for weaker EU economies, leading to deeper borrowing, significant budget cuts, or tax increases. Similar concerns are evident globally, with countries like China and the US ramping up defense spending.

- The prospect of a remilitarized world raises difficult questions about reconciling defense commitments with finite tax revenues and growing welfare needs. Despite the urgency, NATO members are unlikely to agree on firm commitments to spend as much as 4% of GDP on defense anytime soon. Investors may favor expanding jointly-backed euro bonds to finance defense spending, but prolonged higher interest rates could complicate public finance options.
- The opposition to joint bond issuance from fiscal hawks underscores the challenges in reaching consensus on financing defense overhauls. NATO's plan to revamp defenses includes putting more troops on higher readiness and investing in new technologies to maintain an advantage over adversaries like Russia. While the costs are significant, they may still be preferable to the consequences of inadequate defense spending, according to experts.

Estimated Defense Spending

As proportion of GDP in 2023



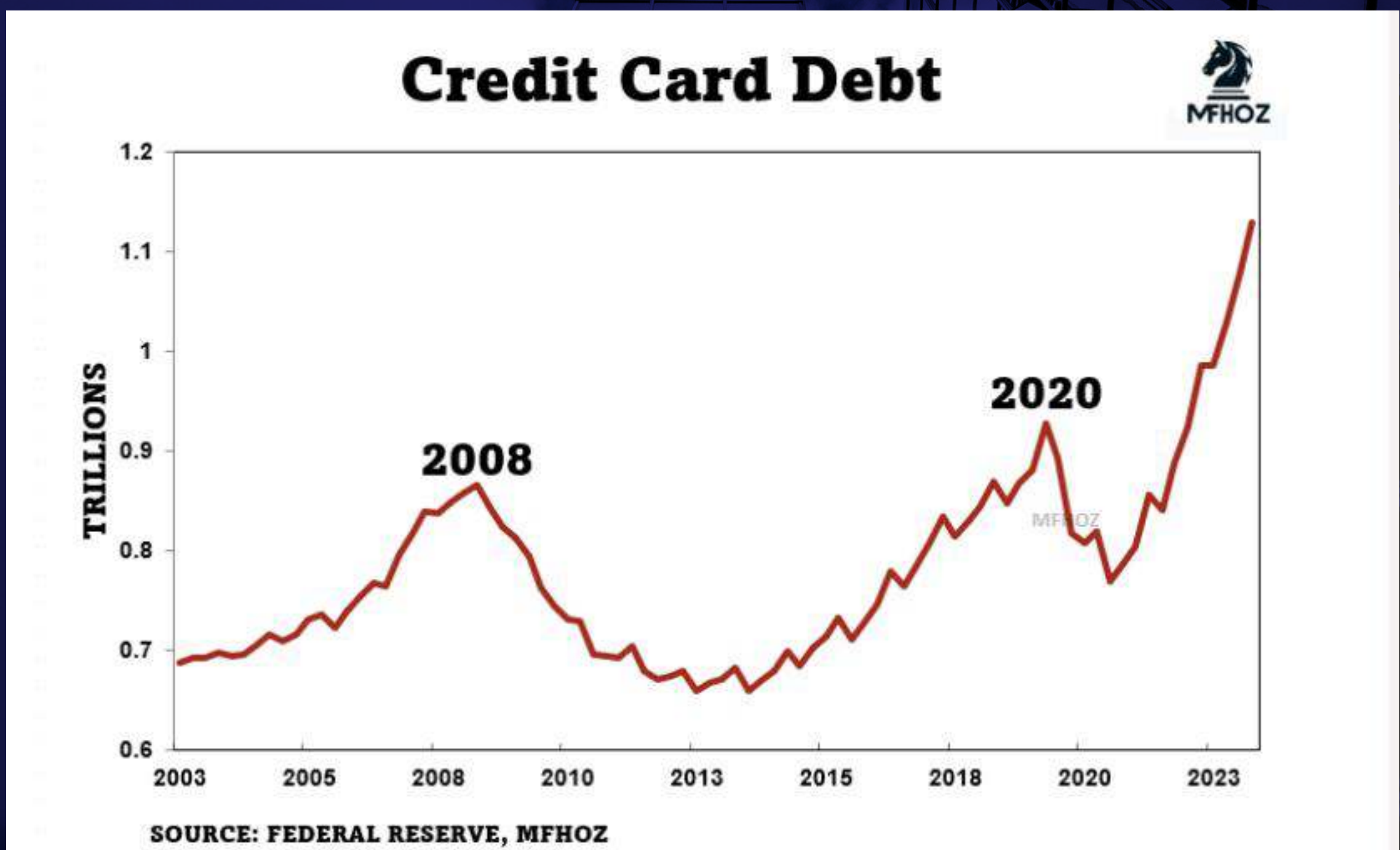


- **Looming Loan Maturities Threaten Commercial Real Estate, Regional Banks**

- With over \$900 billion in loans maturing this year, the commercial real estate market faces refinancing hurdles, potentially impacting regional banks and the office sector.
- The commercial real estate sector is facing a significant challenge as more than \$900 billion in loans come due this year, constituting roughly 20 percent of all commercial real estate loans nationwide. Analysts are concerned about the potential repercussions for regional banks and municipal finances, particularly after a challenging 2023 where many loans were extended rather than repaid. The recent near-failure of New York Community Bancorp has reignited worries about the stability of regional banks, especially those heavily involved in underwriting commercial real estate loans.
- The office market presents the most pressing issues, with over \$17 billion of commercial mortgage-backed security (CMBS) office loans set to mature in the next 12 months, double the volume from 2023. Many of these loans face challenges in refinancing due to properties with canceled leases, vacancies, or other cash-flow problems. Borrowers are faced with difficult choices, including shouldering higher borrowing costs or risking default.
- While there are some signs of improvement, such as a higher office loan payoff rate in early 2024, economists remain cautious. Moody's data suggests that there are still troubled loans on the horizon, with potentially significant implications for banks and downtown areas struggling to attract tenants.
- The practice of "extend and pretend," where lenders and borrowers extend loan deadlines without addressing underlying issues, has gained traction but may be insufficient in the current economic environment. With interest rates rising and commercial property prices declining, there is concern that this strategy may lead to catastrophic consequences if market conditions do not improve.
- Despite the challenges, policymakers and economists are monitoring the situation closely, particularly the impact on small and midsize banks, which hold the majority of commercial mortgage loans. While defaults may occur, experts believe the risk is manageable and unlikely to pose a systemic threat to the financial system. The Federal Reserve is actively assessing the potential for large commercial real estate losses and is prepared to address any issues that arise.

- **Perfect Storm of Debt and Defaults: Rising Rates Squeeze Consumers, Threaten Recession**

- Soaring credit card debt, delinquencies, and unemployment in the US and Canada point to a potential economic downturn as interest rates rise.
- In the US, credit card debt has surged to over \$1.34 trillion in February, surpassing previous cycle peaks and signaling potential financial strain for consumers. With interest rates on this debt exceeding 20%, borrowers face significant financial burdens. Additionally, new car loans with a 5-year term are at 8.22%, surpassing rates seen during the 2007 peak. Many individuals who purchased vehicles and homes during the pandemic price spike of 2019 to 2023 have experienced declines in equity, adding to their financial challenges.



- Delinquencies on credit card and auto loans have already reached levels matching those seen during the 2008 recession, indicating growing financial stress among borrowers. Despite the US 'U3' unemployment rate remaining near historic lows at 3.8%, mortgage payment defaults due to unemployment have spiked above 2008 levels. The broader 'U6' measure of US unemployment, currently at 7.3%, has risen 80 basis points above its cycle low, signaling broader economic challenges.
- In Canada, unemployment has risen to 6.1% in March, exceeding pre-COVID levels and historical benchmarks for recessionary signals. The uptick in unemployment aligns with historical patterns where a rise of 80 basis points from the cycle low precedes a recession. Central bank easing cycles tend to coincide with accelerated unemployment rates and increased financial stress, as seen in both the US and Canada.

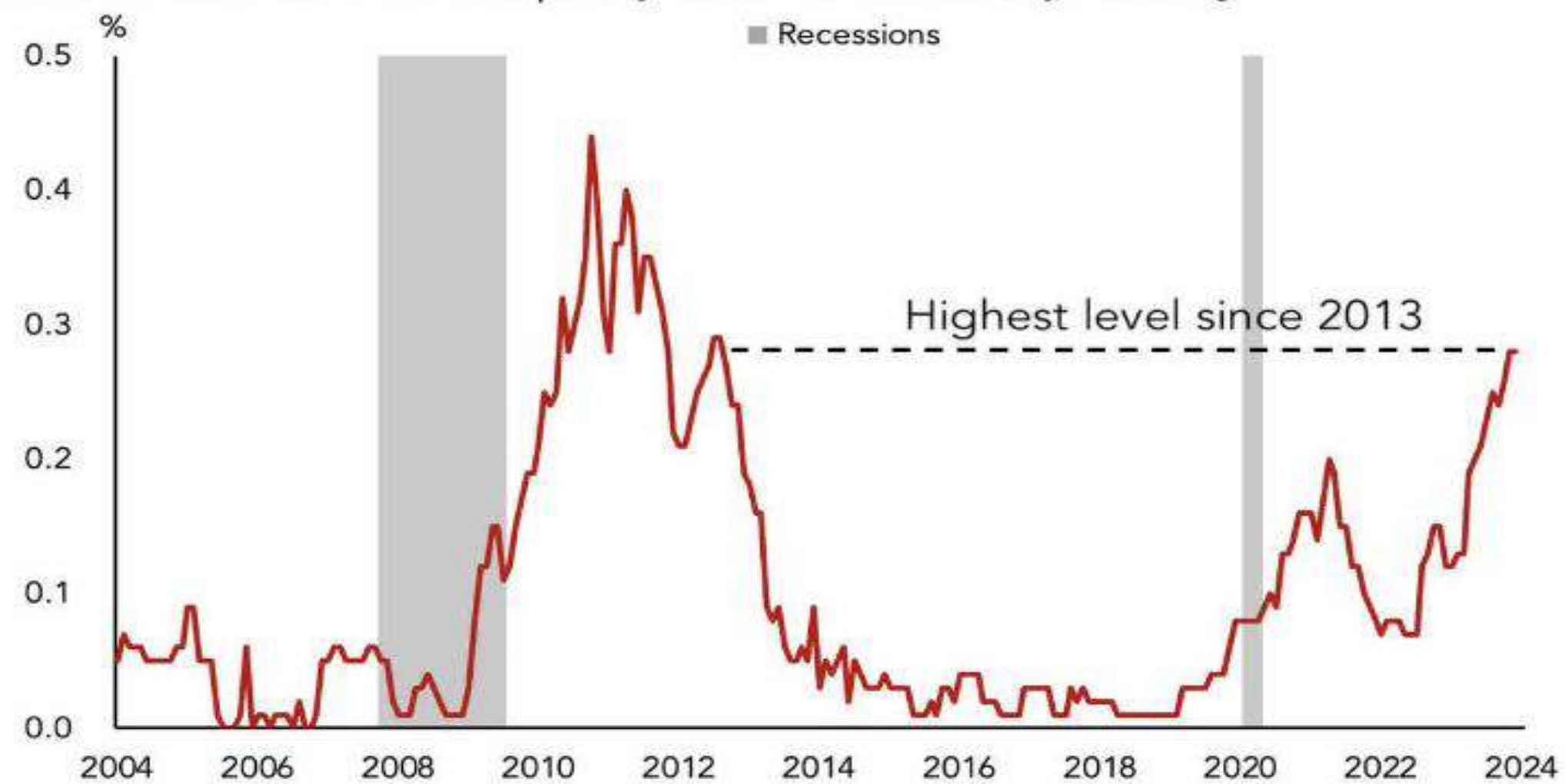
- Loan delinquencies on multifamily properties have surged to the highest levels since 2013 and the 2008 recession, indicating broader challenges in the real estate sector. Corporate bankruptcy filings have also increased notably since the Federal Reserve began hiking base rates in March 2022, highlighting the ripple effects of tightening monetary policy. As central banks embark on easing efforts, defaults and bankruptcy filings tend to accelerate, underscoring the complexities of managing debt stress pandemics.

ATM

Delinquency Rate of Multifamily Housing



Freddie Mac Serious Delinquency Rates for Multifamily Housing



Dates: 2004 Through December 2023.

Source: Bloomberg Finance L.P., National Bureau of Economic Research, Game of Trades.



- **India's Growth: Boom or Illusion?**

- India's GDP growth sparks optimism, but questions linger about data accuracy and methodology used to calculate economic health.
- India's economic trajectory has seen periods of optimism followed by dashed hopes, with cycles of booms and busts characterizing its growth patterns. Despite past setbacks, the country is once again showing signs of an upswing, with GDP growth reaching 8.4% in the year leading up to the fourth quarter of 2023. However, questions persist regarding the accuracy of India's growth figures, particularly as they relate to inflation and the methodology used for GDP calculation.
- The discrepancy between nominal GDP growth and consumer price inflation raises concerns about the reliability of India's economic data. Methodological changes in GDP calculation, implemented in 2015, have led to debates over the accuracy of growth estimates, with some suggesting that previous figures may have been overestimated. While the new approach addresses certain shortcomings of the old method, it introduces its own complexities and challenges.
- One key issue lies in the choice of deflator and the methodology for deflation, particularly the reliance on wholesale price indices (WPI) over consumer prices. This discrepancy is especially pronounced in service sectors, which constitute a significant portion of India's GDP and have been expanding rapidly. Additionally, India's method of deflation does not employ the common "double deflation" approach used by most countries, leading to potential distortions in productivity measurements, particularly in periods of fluctuating input prices such as during the 2010s oil price fluctuations.
- Despite ongoing concerns about data accuracy and methodological challenges, recent trends suggest a convergence between WPI and consumer prices since the COVID-19 pandemic. However, caution is warranted in interpreting quarterly GDP figures, as they may be influenced by one-time factors. Efforts are underway to improve data quality and incorporate services into price indices, although progress is slow due to challenges in data collection and reluctance from the private sector to share information.

- Overall, while India's economic data presents a mixed picture and uncertainties remain, alternative indicators such as electricity use and purchasing manager surveys point to a robust overall economy. Forecasts suggest continued growth in the coming years, indicating a potential acceleration in India's economic momentum. Despite the noise and complexity surrounding economic data, most government economists view the current outcome with cautious optimism.

• ICELAB

Bitcoin's Asymmetry: High Risk, High Reward and Core Security

- Bitcoin's potential payoff is high, but so is the risk, with its success hinging on becoming a global currency. However, its core cryptography offers a strong foundation for secure transactions.
- Bitcoin's asymmetry is evident in its potential payoff, which hinges on its success as a global base layer money. Early investors are drawn to Bitcoin for its asymmetric bet, where its price reflects the market's belief in its mission. This asymmetry leads to high volatility, with Bitcoin either succeeding or failing in its mission, making it a hallmark of radical innovations.
- Asymmetric cryptography is fundamental to Bitcoin, where private keys generate unique public keys for transactions. This cryptographic asymmetry ensures security and privacy, forming the core of Bitcoin's functionality. Without it, transactions and the entire Bitcoin network would not be possible, highlighting its critical role in the ecosystem.
- Bitcoin's innovation exhibits asymmetry, with the initial version containing the majority of its groundbreaking features. While subsequent improvements have been made through Bitcoin Improvement Proposals, they have mainly entailed small tweaks rather than significant advancements. This asymmetry fosters innovation at the application layer, where most developments occur, while limiting innovation at the protocol layer.
- Despite Bitcoin's strides in reducing information asymmetry, concerns arise regarding the potential reintroduction of such disparities in new financial systems built atop Bitcoin. Entrepreneurs forming companies and cartels may seek to control and manipulate information, potentially leading to regulatory challenges and stifling competition. While Bitcoin's design minimizes information asymmetry among users, challenges may emerge as the ecosystem evolves.



- **Web3 Revolution: Real Assets Meet Blockchain**

- Real-World Assets Get a Web3 Upgrade: Transforming Traditional Finance with Blockchain and NFTs
- Web3 technology is merging with traditional assets (real estate, art, etc.) to create a new financial landscape with increased accessibility, security, and fractional ownership.
- The concept of Web3 represents the next evolutionary step for the internet, focusing on user sovereignty, blockchain technology, trustless transactions, and decentralization. Concurrently, Real-World Assets (RWAs) are becoming increasingly important in traditional finance (TradFi), encompassing both tangible and intangible assets.
- Integrating RWAs into Web3 has significant implications for consumer experience, including accessibility, security, and transparency. This integration enhances liquidity, fractional ownership, and transparent transactions, revolutionizing investment strategy and asset management. RWAs encompass both tangible assets like real estate and commodities and intangible assets like copyrights and patents. Web3, powered by blockchain technology, aims to democratize finance by removing intermediaries and introducing digital asset ownership through Non-Fungible Tokens (NFTs).
- Current integrations of RWAs into Web3 include projects like Singapore's 'Project Guardian,' exploring the application of DeFi for wholesale funding markets. These initiatives aim to leverage blockchain technology to tokenize assets and facilitate trustless transactions. Alberto Fernández, CEO of ENO, highlights the potential of Web3 to enhance transparency and security, allowing users to explore new definitions of value and ownership. Integrating RWAs into Web3 enables users to build meaningful connections and experiences both digitally and in real life.
- NFTs play a crucial role in this integration by offering digital ownership and authentication of property titles. Tokenization of RWAs increases liquidity and accessibility while ensuring transparency and security through blockchain immutability. However, regulatory challenges remain a significant hurdle. The lack of clear legal frameworks for RWA integration into Web3 poses compliance issues and regulatory uncertainty. Companies must navigate these challenges while ensuring smart contract security and legality.

- Despite these challenges, the integration of RWAs into Web3 enhances consumer experience by granting access to previously illiquid assets, increasing portfolio control, and ensuring transparency. The total market capitalization of RWA tokens indicates significant liquidity in the space, with potential for further growth. Interoperability scaling between blockchains and regulatory compliance across borders are key challenges that must be addressed for successful integration. Despite these hurdles, the fusion of RWAs with Web3 offers compelling use cases for financial accessibility and asset management, ushering in a new era where TradFi meets DeFi.

• **Bracing for the Halving: Bitcoin Miners Go Green and Tech-Savvy**

- As Bitcoin mining rewards decrease, companies prioritize sustainability and technological innovation to navigate the profitability challenges.
- Bitcoin miners are bracing for the halving event, a pivotal moment in bitcoin's cycle that slashes the reward for mining new blocks by half every four years. Led by industry figures like Paolo Ardoino, Geoff Morpheu, Drew Armstrong, and Thomas Pacchia, the sector is strategizing to mitigate the impact of reduced rewards on profitability. Understanding the dynamics between bitcoin's price, hash rate, and mining profitability is crucial, with shifts in these variables significantly affecting miners' operations.
- Companies like BitFarms are adopting proactive strategies centered on sustainability and efficiency to navigate the halving. Geoff Morpheu emphasizes the company's commitment to green energy and innovative cooling technologies to maintain profitability post-halving. Similarly, Tether is investing in renewable energy sources for its mining operations, aligning with its environmental goals while ensuring long-term profitability. This shift towards eco-friendly practices reflects a broader trend in the industry towards sustainable mining.
- The industry's focus extends beyond operational efficiency, with an emphasis on technological innovation and community engagement. Tether's development of the Moria platform exemplifies this approach, enabling efficient management and scalability of mining operations. Meanwhile, Cathedra prioritizes operational excellence, leveraging cutting-edge technology to optimize energy consumption and costs. Thomas Pacchia underscores the importance of readiness for the halving, emphasizing a comprehensive approach that considers market dynamics and regulatory environments.
- In addition to mining, community engagement plays a vital role in the industry's evolution. Pacchia's PubKey serves as a cultural center in New York City, fostering discussions and education around bitcoin. This emphasis on community building underscores the interconnectedness of mining practices and the broader ecosystem. As miners navigate the challenges posed by the halving, their adaptive strategies underscore a commitment to sustainability, efficiency, and community engagement, shaping the future of bitcoin mining.



- **Hong Kong's Cryptocurrency Regulatory Conundrum**

- The criticism from HashKey Exchange underscores the concerns surrounding Hong Kong's new cryptocurrency regulations, as the city aims to position itself as a global hub for the industry, prompting companies to seek alternatives amid uncertainties over access to overseas clients.
- The chief executive of HashKey Exchange in Hong Kong has criticized the city's new regulations for cryptocurrency exchanges, expressing concerns that they could limit access to global clients. These comments come amid a push by Hong Kong to establish itself as a hub for the cryptocurrency industry. Under the new regime, cryptocurrency exchanges in Hong Kong are required to apply for regulatory approval. However, Livio Weng of HashKey Exchange believes that these regulations could hinder access for overseas investors, potentially impacting the growth of the local market. In response to these concerns, HashKey Exchange has decided to launch an exchange licensed in Bermuda.
- The comments by HashKey Exchange highlight broader uncertainties surrounding the long-term viability of operating cryptocurrency exchanges under Hong Kong's new standards. The city's proximity to China has attracted significant interest from companies seeking regulatory approval, despite China's ban on cryptocurrency trading in 2021. While some companies, like HashKey and OSL, have already secured licenses, others are still awaiting approval. However, industry insiders have raised questions about the limited size of the Hong Kong market and whether the costs associated with obtaining licenses will be justified.
- Despite these challenges, Hong Kong lawmakers have actively courted cryptocurrency exchanges, recognizing the potential economic benefits they could bring to the city. Moving forward, Hong Kong aims to attract a broader range of market participants beyond exchanges, including market makers and technology developers, to build a more complete ecosystem in the cryptocurrency industry.

CHARTS

- The Federal Reserve's anticipated rate reduction for 2024 are shown in this graphic. The Fed had initially projected three rate cuts in December, but the market had predicted a more aggressive six rate cuts for the year.
- But the most recent U.S. consumer pricing data indicates that prices continued to rise in March, especially for petrol and housing rentals, so the financial markets are already lowering their predictions. Rate cuts are becoming less likely, with a postponement until at least September currently projected.
- The Fed and market players will keep a careful eye on inflation and economic indicators to determine when rate adjustments are necessary and when they are not.

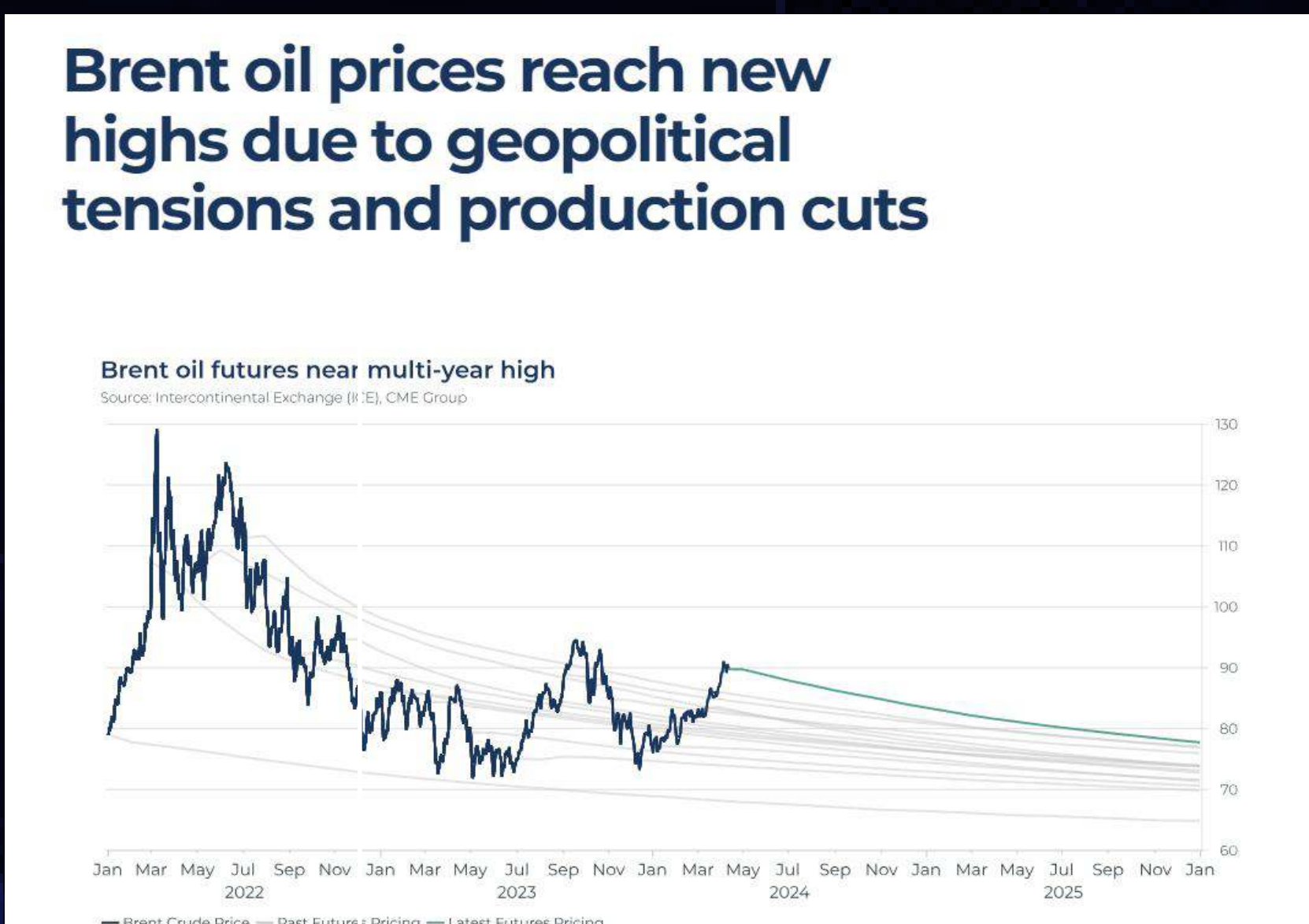
Inflation pressures delay Fed rate cuts

United States: Market expectations for cuts during 2024

Source: CME Group



- Three key factors have caused the spot price of Brent to rise to its highest level since October of last year: growing Middle East tensions, Ukrainian drone assaults on Russian refineries, and expectations that OPEC will continue its output cuts.
- The red line on the graphic represents the multi-year highs that Brent oil futures have reached as a result of these geopolitical events. The prices of futures have surprisingly risen above levels seen during the early 2022 price spike.
- Global markets are concerned about the upward trend in Brent oil prices, which could mean higher fuel prices for consumers this spring and summer.



- In contrast to the S&P 500, commodities continue to trade at historically low levels, even with the recent spike in the Brent spot price. The ratio between the S&P 500 and the S&P GSCI Commodity Index is highlighted in this analysis. There are three clear peaks that show times when commodities were more expensive than the S&P 500: the oil crisis of 1973–1974; the Gulf War in 1990; and the global financial crisis of 2008.
- Right now, the situation is reversed, with commodities being very inexpensive in relation to the S&P 500. A look at departures from the historical mean shows that these kinds of circumstances have only been seen before 1973, during the IT bubble, and right now. The longest stretch below the one standard deviation band occurs at this time as well. In contrast to previous times, the ratio is currently at a record low.

Commodities remain low compared to the S&P 500 despite Brent price surge

Commodities historically weak compared to S&P 500

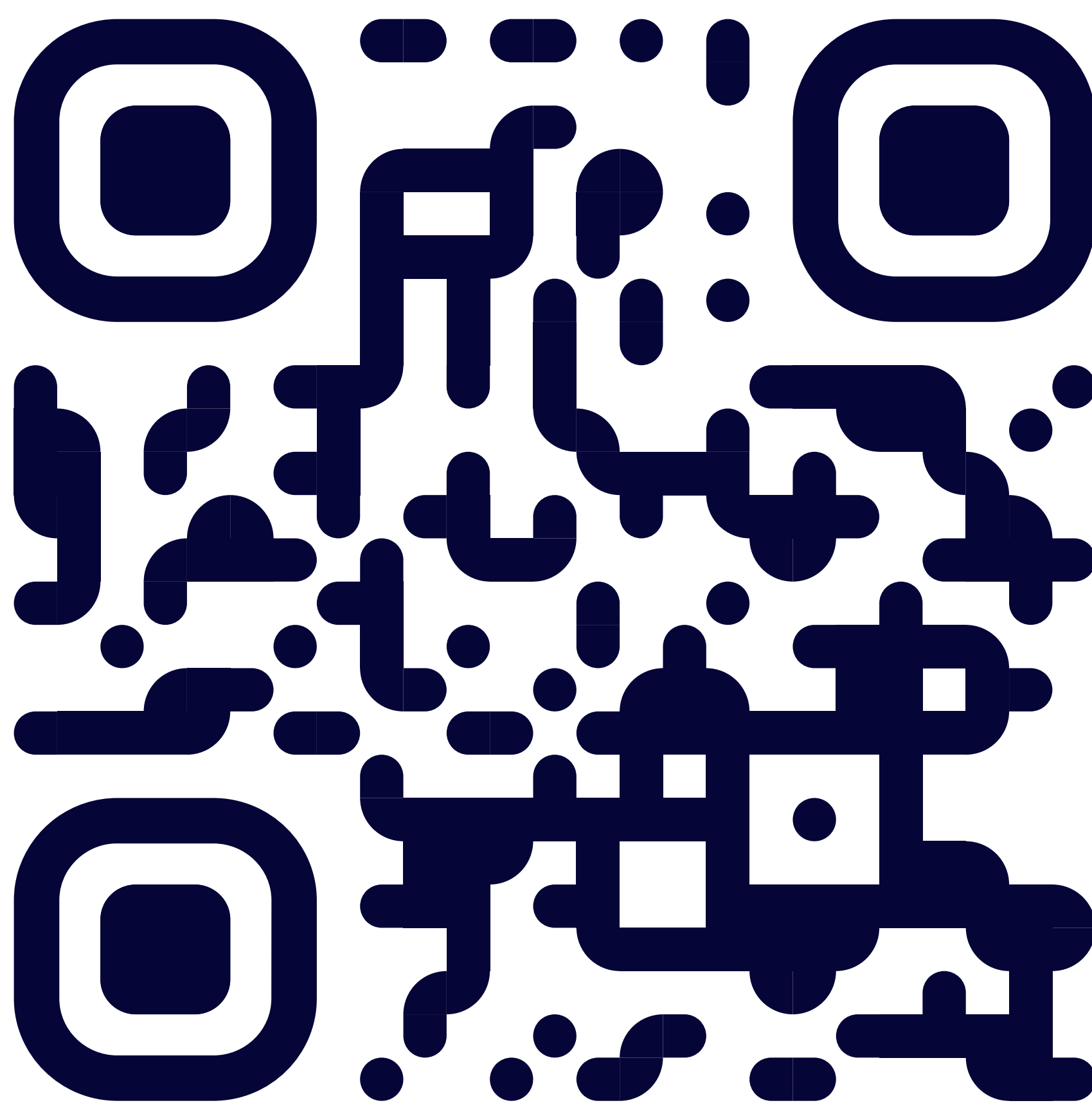
Source: NBER (National Bureau of Economic Research), S&P Global



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