

WEEKLY NEWSLETTER

# Bitcoin Halving: Will Prices Pop or Stall This Time?

Discover The Unknown Depth of Financial Markets

INSIGHTS FROM THIS WEEK'S ANALYTICS REVIEW

EXPLORING THE FINANCIAL DEVELOPMENTS

DEEP DIVE INTO THE WORLD OF CRYPTO

Monday 22 April 2024

# Context

## ICEBERG ANALYTICA

- AI vs. Chips: US, UK Battle for Tech Supremacy
- Can Generative AI Lift Tech Earnings?
- Stalled Startups: Saudi Arabia's AI Hub Dreams on Hold
- Apple Ousted: Chinese Phones Take the Crown

## ICEBERG FINANCIAL

- 2024's Economic Tightrope: Growth vs. Debt & Geopolitics
- Hidden Danger: Post-Pandemic Debt Clouds Future
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- Bitcoin Halving: Will Prices Pop or Stall This Time?
- Crypto Chaos: Regulation Lags Behind Meme Mania
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## CHARTS

- Economic indicators from China show mixed signals
- U.S. tech stocks bolstered by AI prospects
- Global inflation dynamics: A shift from hyperinflation to deflation



## USD vs. Major Currencies

Name	Change	Change %	1 Month	YTD	1 Year	3 Years	Day Range	<	>
Australian Dollar	0.0016	0.10%	2.14%	6.14%	4.76%	20.27%	1.5547 — 1.57124		
British Pound	0.0043	0.54%	2.33%	2.48%	-0.09%	11.16%	0.80208 — 0.8086		
Canadian Dollar	-0.0023	-0.16%	1.72%	4.02%	2.87%	10.19%	1.37233 — 1.38042		
Chinese Renminbi ("Yuan")	-0.0011	-0.02%	0.58%	1.74%	5.33%	11.06%	7.2456 — 7.26285		
Euro	-0.0012	-0.13%	2.16%	3.72%	3.03%	12.48%	0.93661 — 0.94233		
Japanese Yen	0.02	0.02%	3.08%	9.39%	14.90%	41.95%	153.588 — 154.672		
Swiss Franc	-0.0019	-0.21%	2.18%	7.84%	1.21%	-1.34%	0.90104 — 0.91269		

- The US Dollar (USD) maintained stability throughout the week, holding onto gains from the previous week despite reaching new highs earlier in the month. This stability was driven by investor reactions to the latest US inflation data, which showed prices surpassing expectations in March. The unexpected slowdown in disinflationary pressures reinforced confidence in the economy's strength and suggested that the Federal Reserve (Fed) might prolong its tighter monetary policies.
- Expectations for a Fed rate cut in June significantly diminished to around 16%, while projections for the first rate cut in September rose above 65%, reflecting a shift in sentiment towards a delayed easing cycle. Fed policymakers expressed a similar sentiment, with officials like Raphael Bostic and John Williams advocating for maintaining the current restrictive stance, citing positive economic data and a need for gradual inflation normalization.
- Chairman Jerome Powell's remarks echoed this sentiment, emphasizing that there is no rush to initiate rate cuts. This shift in rhetoric contributed to a change in investor sentiment towards the USD, with many now expecting a delay in the Fed's decision to lower borrowing costs. Overall, the USD's stability reflected evolving market perceptions of US economic strength and Fed policy outlook.



## Energy

Name	Symbol	Today	1 Month	YTD	1 Year	3 Years	Dir	<	>
Oil	USO	0.09%	1.03%	18.20%	11.38%	82.45%	78.56	●	79.53
Brent Oil	BNO	0.09%	1.23%	17.32%	13.34%	90.15%	31.98	●	32.32
Natural Gas	UNG	0.69%	-6.00%	-28.90%	-50.95%	-63.51%	14.38	●	14.80
Gasoline	UGA	0.20%	-0.65%	16.80%	13.76%	116.67%	70.58	●	71.58

- Oil prices experienced some volatility during the week, with Brent futures settling slightly higher on Friday despite posting a weekly decline. The initial spike in prices came after reports of explosions in Iran's Isfahan city, suspected to be an Israeli attack. However, gains were limited as Tehran downplayed the incident, indicating a potential avoidance of further escalation in the Middle East conflict. This fluctuation reflected market sensitivity to geopolitical tensions in the region.
- Investors had been closely monitoring the situation following previous Iranian attacks and Israeli responses, with concerns over potential disruptions to oil supply. U.S. lawmakers added sanctions on Iran's oil exports in response to recent events, highlighting the geopolitical risks surrounding oil markets. Despite these tensions, the International Monetary Fund expects OPEC+ to gradually increase oil output from July, which contributed to a slight decline in oil prices throughout the week.
- Analysts revised their oil price forecasts upward, considering geopolitical tensions alongside expectations of rising demand and restrained supply by OPEC and its allies. While oil demand continues to grow and supply remains constrained due to voluntary production cuts, there are lingering concerns that Middle Eastern tensions could still impact supply dynamics. Additionally, the increase in U.S. oil and natural gas rigs suggests potential future output growth, adding further complexity to the oil market outlook.



## Metals

Name	Symbol	Today	1 Month	YTD	1 Year	3 Years	De	<	>
Palladium	PALL	-0.18%	-0.63%	-6.60%	-37.16%	-63.65%	92.66	94.65	
Gold	GLD	0.31%	10.15%	15.26%	18.30%	32.46%	220.08	222.3	
Platinum	PPLT	-0.80%	2.69%	-5.02%	-13.52%	-23.10%	85.29	86.07	
Silver	SLV	1.31%	12.88%	18.73%	11.71%	7.35%	25.90	26.32	

- Gold prices had a volatile week, initially surging above \$2,400 as tensions escalated between Iran and Israel. Safe-haven demand drove the precious metal's rally in response to Iran's retaliation following an alleged Israeli attack on its consulate in Damascus. However, as Western nations called for de-escalation and market sentiment improved, gold's upward momentum was tempered, despite hawkish comments from Federal Reserve officials pushing US Treasury yields higher.
- The Federal Reserve's cautious stance on inflation and interest rates also influenced gold prices throughout the week. Fed Chairman Jerome Powell emphasized the lack of significant progress on inflation, indicating a willingness to maintain the current interest rate target if inflation persists. Additionally, San Francisco Fed President Mary Daly highlighted the importance of confidence in inflation reaching the Fed's target before considering policy action, advocating against urgency in rate adjustments.
- Towards the end of the week, gold prices retreated from their highs above \$2,400 as reports of Israeli missiles striking Iran triggered a brief flight to safety. However, easing concerns over further escalation in the conflict led to improved market sentiment, causing gold to retrace its gains. Despite the volatility, gold remained sensitive to geopolitical developments and the Fed's monetary policy outlook, with investors closely monitoring these factors for future price movements.



## • Analytica

### • **AI Boom Strains Resources: US, UK Face Geopolitical Tech Battle for Chip Power**

- Lead Sentence: Soaring costs of training AI giants threaten US and UK dominance, sparking competition with China and a scramble for resources by wealthy nations.
- The rapid advancement of large language models in artificial intelligence (AI) is fueled by ever larger "training runs," which require significant amounts of expensive semiconductor chips and electricity. As the cost of training models increases exponentially, there's a looming shortage of computing and electrical power, particularly in the US and UK. This scarcity may compel AI companies to seek resources elsewhere, potentially shifting important facilities and capabilities to other countries.
- This scarcity is expected to trigger intense geopolitical competition between the US- and UK-centric AI ecosystem and a China-centric one. Wealthy middle powers like the United Arab Emirates (UAE) and Saudi Arabia may play significant roles, leveraging their financial resources to attract AI companies and talent. The UAE, for example, offers large cash reserves to invest in premium computer chips and cheap electricity, positioning itself as an AI growth hub.
- However, concerns arise regarding data privacy and security if training runs occur in the UAE and Saudi Arabia, where privacy protections may be less stringent.



- There's a risk of anonymized data from the US, UK, and other countries being transferred to these regions, potentially leading to data breaches and the relocation of AI talent. Such scenarios could also facilitate the transfer of data and technical know-how to China and Russia.
- To address these challenges, Western governments, including the US, UK, and Europe, have two options. They could either attempt to maintain their lead in AI development by expanding domestic power generation or collaborate with allies to create a values-based ecosystem around AI. The latter approach involves defining joint values on data protection, privacy, and AI usage, and building a network of countries committed to these principles, excluding collaboration with China and Russia.
- Ultimately, governments in Europe and the US face a critical decision to ensure they retain control over their data, talent, and AI model training. Whether pursuing independent strategies or forming alliances, strategic planning is essential to navigate the complex landscape of AI development and maintain global competitiveness.

- **Tech Earnings: Will AI Deliver or Disappoint? Investors Eye Generative AI's Impact on Growth**

- Tech giants face investor scrutiny as AI spending fails to show clear revenue gains, raising questions about the technology's true return on investment.
- As tech giants gear up to report their quarterly earnings, the spotlight will be on the role of artificial intelligence (AI) and its potential impact on business growth. Despite significant investment in AI infrastructure, there's a lack of clear evidence showing that generative AI is translating into meaningful revenue streams for companies.
- Microsoft, a key player in the AI space due to its partnership with OpenAI and integration of AI technology across its software suite, has seen some positive signs of AI-driven growth. However, the additional revenue attributed to AI represents only a small fraction of Microsoft's total revenue.



- Moreover, the adoption of features like Copilot, which provides intelligent guidance to users, is still in its early stages, with uncertain implications for revenue. Other tech companies are even further behind in leveraging generative AI, and the rate of adoption remains unpredictable. Generative AI's unique challenges, such as the risk of delivering inaccurate results or "hallucinations," make it difficult to integrate into existing business processes and user behaviors.
- Despite the uncertainty surrounding AI adoption, significant investments have been made in the necessary tech infrastructure. Nvidia, a leading provider of data-center chips, has seen a surge in sales driven by the growing demand for AI-related hardware. However, any delays in AI adoption could result in a significant downturn for the hardware industry. Tech companies are urging patience, suggesting that the impact of generative AI on sales may become more apparent later this year or in the future. In the meantime, investors can expect positive news from existing business operations to offset any concerns about AI adoption. Despite initial fears of an economic downturn, tech giants continue to deliver strong revenue and profit growth, providing a solid foundation for upcoming earnings reports.
- However, the questions surrounding AI's role in driving future growth are becoming increasingly prominent. As tech companies navigate this uncertain landscape, investors will be closely monitoring earnings calls for insights into AI adoption and its potential impact on business performance.

## • **Stalled Startups: Saudi Arabia's AI Hub Dreams on Hold**

- Many participants in the kingdom's flagship AI accelerator program face delays in promised funding, raising doubts about its tech ambitions.



- The ambitious plans of Saudi Arabia to establish itself as a global tech hub, particularly in the realm of artificial intelligence (AI), are facing scrutiny following reports of delays and unmet promises in the Gaia accelerator program. Despite grand announcements, founders who participated in the program have revealed significant challenges in receiving the government grants and investment funds they were promised.
- According to interviews and documents reviewed by Forbes, many startups enrolled in the Gaia program have yet to receive the \$40,000 government grants or the \$100,000 equity investment from New Native, the startup accelerator managing the program. While some startups from the first cohort received partial funds, others from subsequent cohorts have been left empty-handed, despite incurring substantial expenses to participate in the program. The Gaia accelerator, funded by the National Technology Development Program (NTDP), aimed to attract AI startups to the kingdom with the promise of financial support and residency visas. However, bureaucratic hurdles and delays in processing paperwork have hindered the disbursement of grants to participating startups.
- Additionally, the \$100,000 investment promised by New Native's VC partner, Venture Growth Partners, reportedly fell through for many startups, casting doubt on the program's ability to fulfill its commitments. While attempts were made to compensate for the delays, such as proposing to reduce the equity investment or delaying it further, the situation has left many founders disillusioned. Despite these challenges, Saudi Arabia continues to invest heavily in its tech and AI ambitions, with initiatives like the Gaia accelerator seen as integral to the kingdom's Vision 2030 plan for economic diversification. However, recent reports of scaling back projects like the Neom city development and declining cash reserves in the Public Investment Fund (PIF) have raised questions about the sustainability of these ambitions.
- For founders who participated in the Gaia program, the experience has been mixed, with some startups folding or stalling, while others remain hopeful of securing local business deals in Saudi Arabia. As Minister Abdullah Al Swaha emphasizes the kingdom's commitment to technological advancement, the reality for many startups highlights the challenges and uncertainties of navigating the Saudi tech ecosystem.



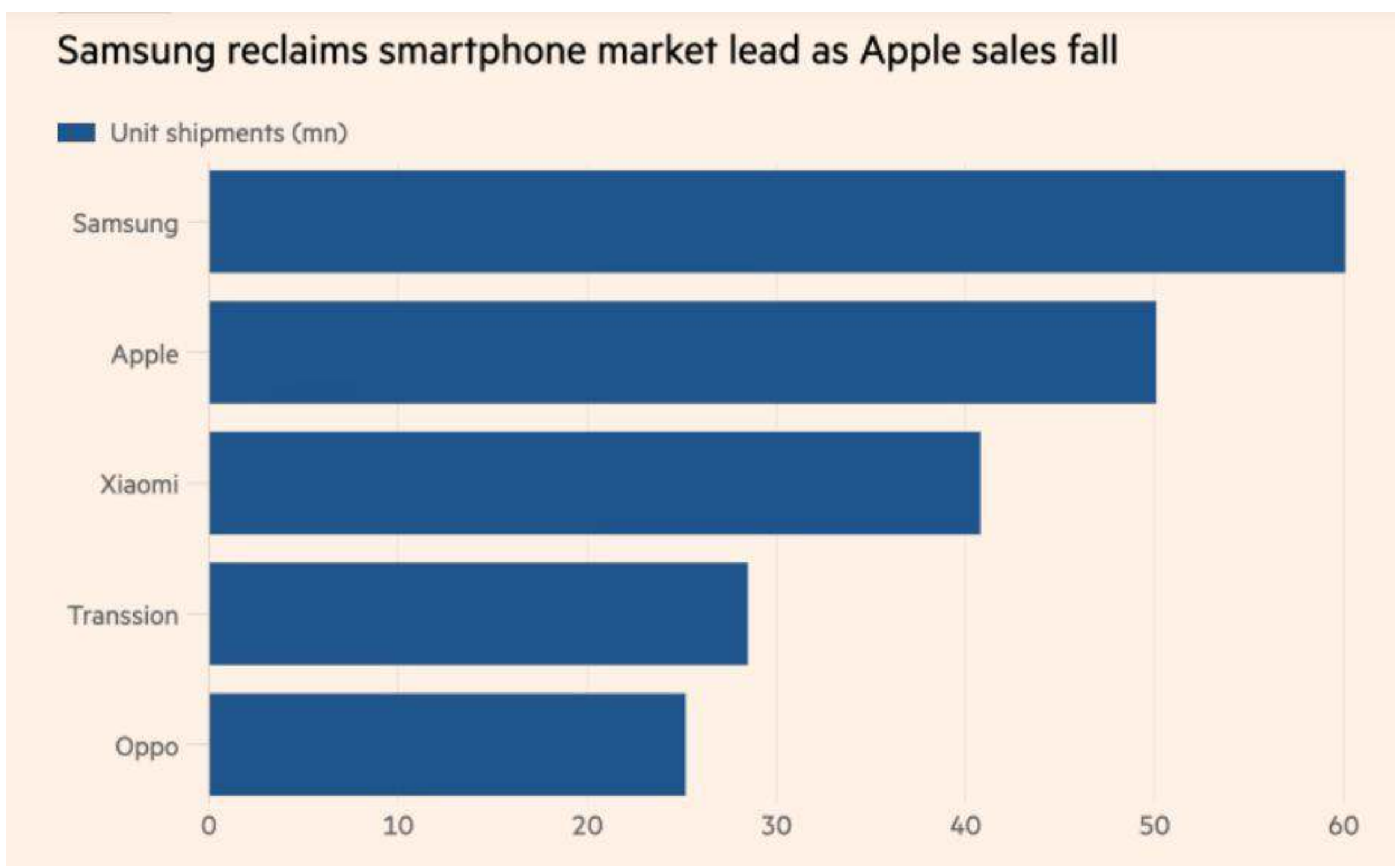


- **Apple Loses Smartphone Crown: Chinese Rivals Surge as iPhone Sales Slump**

- Apple cedes smartphone market lead as competition heats up, particularly in China, forcing diversification of its manufacturing base.
- At the beginning of 2024, Apple lost its lead in the global smartphone market, experiencing a 10% decline in iPhone sales, while lower-cost Chinese competitors like Xiaomi saw significant growth. Samsung reclaimed its position as the largest smartphone maker by volume, with a 23% market share, fueled by the launch of its latest flagship Galaxy S24 phone.
- Xiaomi, a Chinese manufacturer, surged with a 34% increase in sales, capturing a 14% market share, reflecting Apple's challenges in the competitive Chinese smartphone market. Transsion, another Chinese company, emerged as the fastest-growing major smartphone maker, experiencing an 85% increase in shipments. Transsion's affordable handsets, popular in Africa, propelled it ahead of established rivals like Oppo.
- Despite an 8% overall increase in global smartphone shipments, Apple has not benefited from the industry's recovery. Its shares have declined amid stiff competition in China, where consumers are opting for more expensive devices and Huawei poses a threat in the premium segment. Additionally, Apple faces challenges from a government crackdown on the use of its devices by officials.



- To counter these challenges, Apple is diversifying its manufacturing away from China, with CEO Tim Cook visiting Vietnam to expand the company's supply chain. Suppliers like Foxconn, Quanta, and Luxshare have ramped up production in Vietnam, indicating Apple's strategic shift to mitigate risks associated with its reliance on China.

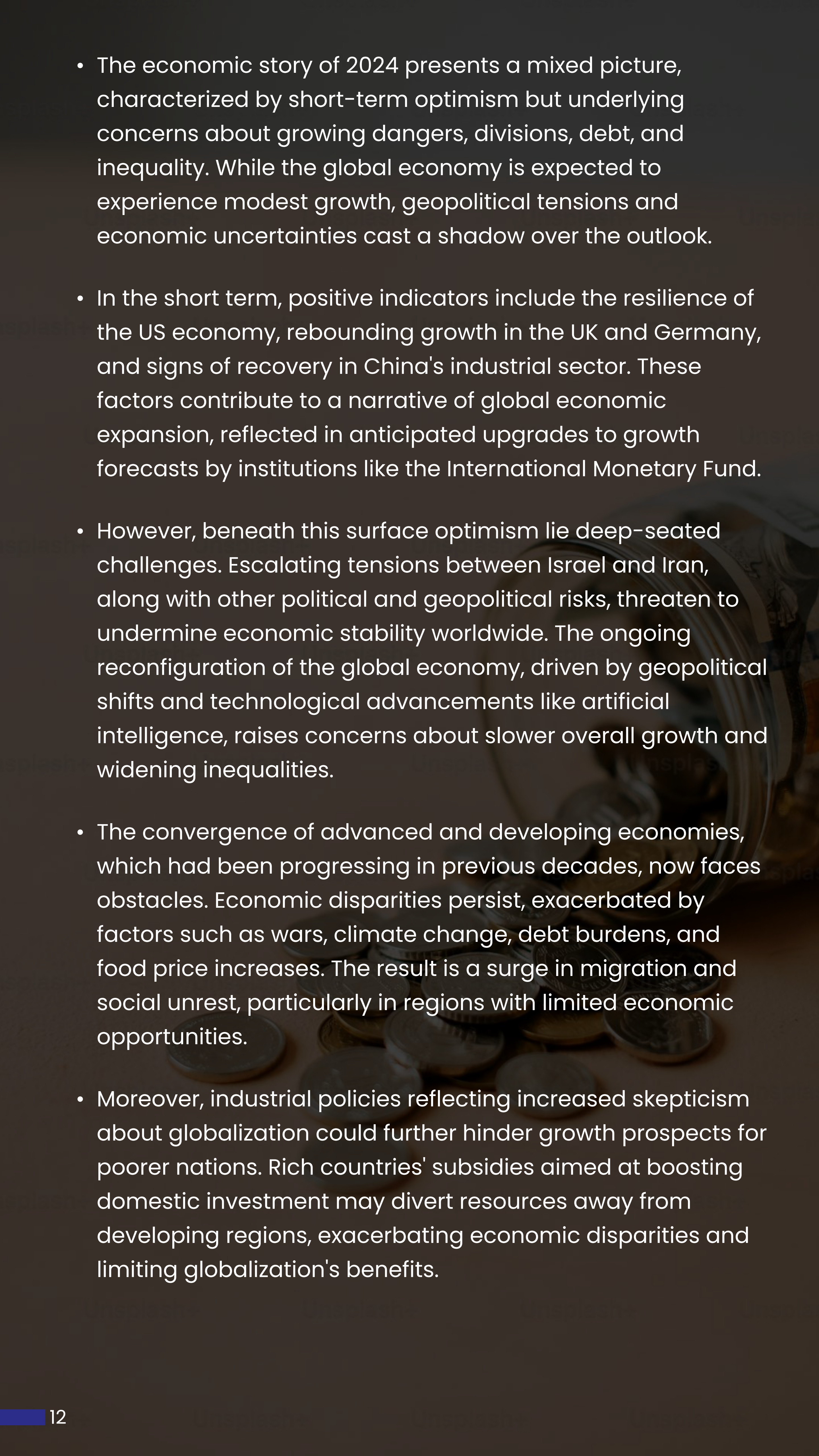


## • ICEBERG FINANCIAL

# • 2024's Economic Rollercoaster: Growth Glimmer Amid Debt, Geopolitics, and Inequality

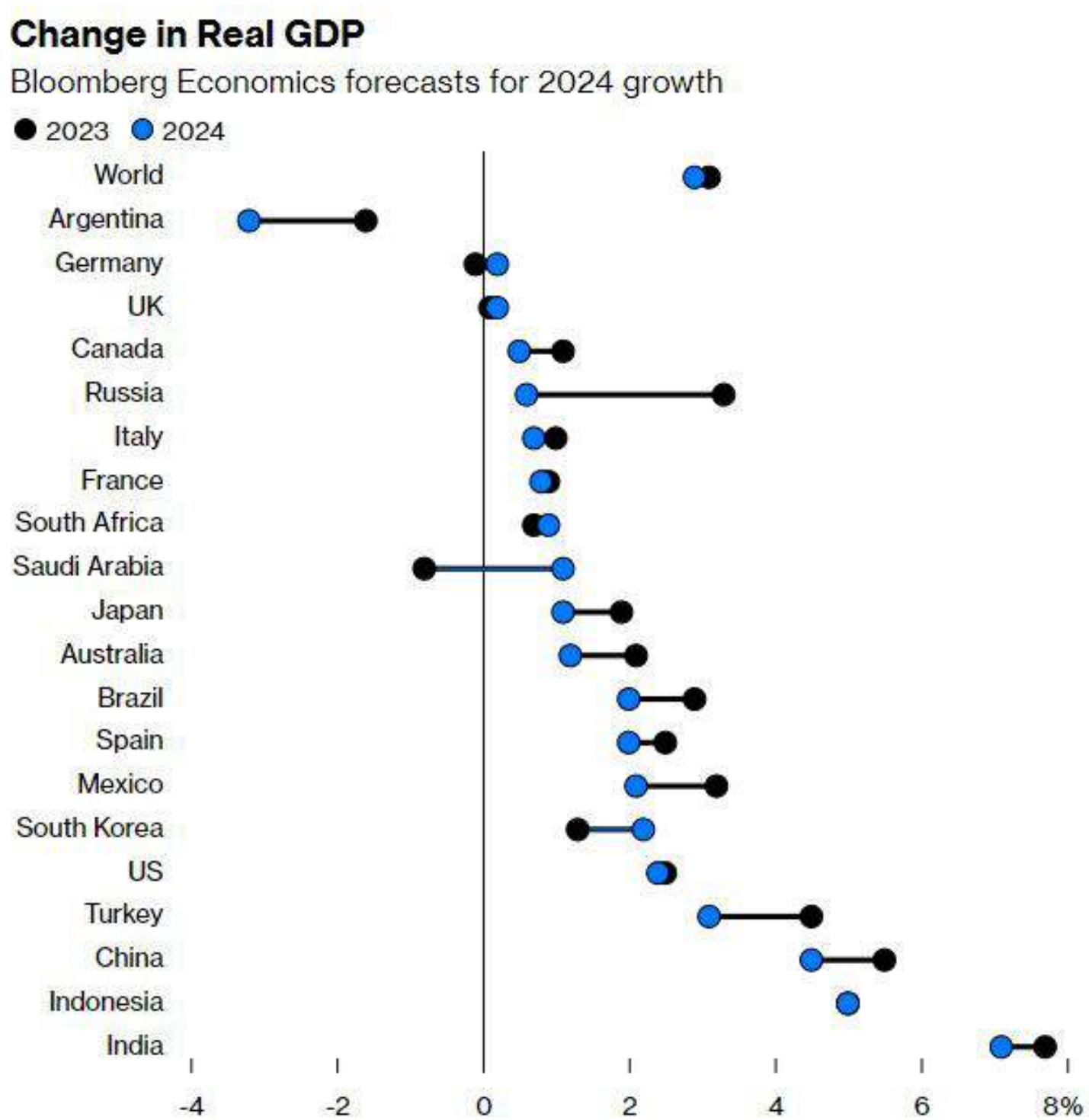
- The global economy presents a mixed bag in 2024, with short-term optimism battling underlying worries about geopolitical tensions, debt burdens, and rising inequality.



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- The economic story of 2024 presents a mixed picture, characterized by short-term optimism but underlying concerns about growing dangers, divisions, debt, and inequality. While the global economy is expected to experience modest growth, geopolitical tensions and economic uncertainties cast a shadow over the outlook.
  - In the short term, positive indicators include the resilience of the US economy, rebounding growth in the UK and Germany, and signs of recovery in China's industrial sector. These factors contribute to a narrative of global economic expansion, reflected in anticipated upgrades to growth forecasts by institutions like the International Monetary Fund.
  - However, beneath this surface optimism lie deep-seated challenges. Escalating tensions between Israel and Iran, along with other political and geopolitical risks, threaten to undermine economic stability worldwide. The ongoing reconfiguration of the global economy, driven by geopolitical shifts and technological advancements like artificial intelligence, raises concerns about slower overall growth and widening inequalities.
  - The convergence of advanced and developing economies, which had been progressing in previous decades, now faces obstacles. Economic disparities persist, exacerbated by factors such as wars, climate change, debt burdens, and food price increases. The result is a surge in migration and social unrest, particularly in regions with limited economic opportunities.
  - Moreover, industrial policies reflecting increased skepticism about globalization could further hinder growth prospects for poorer nations. Rich countries' subsidies aimed at boosting domestic investment may divert resources away from developing regions, exacerbating economic disparities and limiting globalization's benefits.



- Central banks' cautious approach to interest rates amid lingering inflationary pressures adds to the economic uncertainty. Rising government debt levels, especially in low-income countries, pose significant challenges, with debt-servicing costs consuming substantial portions of GDP.
- Despite these challenges, there are opportunities for countries to navigate the evolving global landscape strategically. Connector economies, acting as links between major powers, demonstrate resilience in trade networks. However, achieving a new equilibrium requires a concerted effort to avoid economic nationalism and prioritize cooperation and strategic partnerships.



- **Post-Pandemic Boom Hides Debt Time Bomb: Will it Cripple Future Growth?**



- Rising global debt levels threaten to limit government spending and hinder economic resilience, raising concerns about long-term sustainability.
- The global economy is showing resilience and equity markets are trending higher, but investors must remain vigilant for potential vulnerabilities and risks. The combination of aggressive fiscal stimulus during the pandemic and multi-decade highs in interest rates has reignited concerns about debt sustainability, reminiscent of the 2008 financial crisis.
- While high debt levels are concerning, particularly with persistently high real yields, the immediate worry is not debt servicing but rather the crowding out effect on government spending, limiting policy flexibility and hindering economic growth. There are nuanced differences in debt sustainability across sectors. Household debt, for instance, has significantly improved since the 2008 crisis, with manageable ratios and service costs in the US due to a decade of deleveraging. However, public debt, especially in the US, has surged, with gross federal debt as a percentage of GDP doubling over 20 years to \$34 trillion.
- The rise in government debt globally poses significant challenges, including lower future spending, increased vulnerability to market shocks, and tougher policy decisions for central bankers and governments. Despite the US economy's outperformance in the post-Covid recovery, driven by significant government spending and supportive legislation, the massive transfer of money may eventually lead to fiscal headwinds. The US dollar's status as the global reserve currency mitigates the risk of a Treasury debt crisis, but increasing supply could lead to higher interest rates, affecting government spending decisions. Moreover, American banks hold substantial amounts of US government debt, and rising yields could result in significant paper losses, constraining lending activity and affecting the financial system.



- Growing debt levels limit policymakers' financial flexibility to deal with unexpected events, making recovery from shocks more challenging. For investors, embracing bonds, especially high-quality sovereign debt like US Treasuries, may be prudent, as they are attractively priced. Vulnerabilities may arise in overleveraged sectors such as commercial real estate and lower-rated high-yield debt, while slowing growth rates could impact equities. As public debt escalates globally, addressing debt sustainability becomes increasingly urgent, as current deficits burden future generations with fixing the fiscal challenges. The time to address these issues is now.



## • **Revitalizing the Capital Markets Union: EU's Strategic Imperative**

- As EU leaders prepare to reignite discussions on the Capital Markets Union (CMU), divergent member state interests and concerns about centralized oversight pose challenges.
- EU leaders are gearing up to reinvigorate plans for the Capital Markets Union (CMU) in a bid to eliminate national barriers within the bloc's capital markets. Draft conclusions from an upcoming EU summit reveal a commitment to advancing the CMU, which has faced resistance from member states hesitant to cede more powers to Brussels. However, the urgent need for funding for defense capabilities and the green transition, coupled with concerns about falling behind global competitors like the US and China, has prompted a reevaluation of the CMU's strategic importance.
- Financial Services Commissioner Mairead McGuinness emphasized the necessity of mobilizing private capital alongside public funds to meet the substantial financing requirements for the green transition and defense. The European Central Bank estimates an investment gap of €800 billion per year for the EU to achieve its 2040 climate targets, in addition to €75 billion annually for meeting Nato's military expenditure target.



- Integration of Europe's fragmented financial markets through the CMU is seen as crucial to retaining capital within the EU, which currently experiences a net financial outflow of €250 billion per year, primarily to the US. However, disagreements persist among member states on key issues such as financial market supervision. While some advocate for expanding the oversight powers of existing EU regulator Esma, others, like Germany, oppose centralized supervision due to concerns about increased costs for banks and market actors.
- The challenge for EU leaders lies in finding consensus and overcoming resistance to change. The fragmented nature of member states' interests presents obstacles to reaching agreements on crucial aspects of the CMU. However, proponents argue that failure to address these challenges could undermine the EU's ability to finance critical initiatives and risk fueling anti-EU sentiment, particularly ahead of upcoming European Parliament elections.

- **Chokehold on Trade: Maritime Tensions Threaten Global Supply Chains**

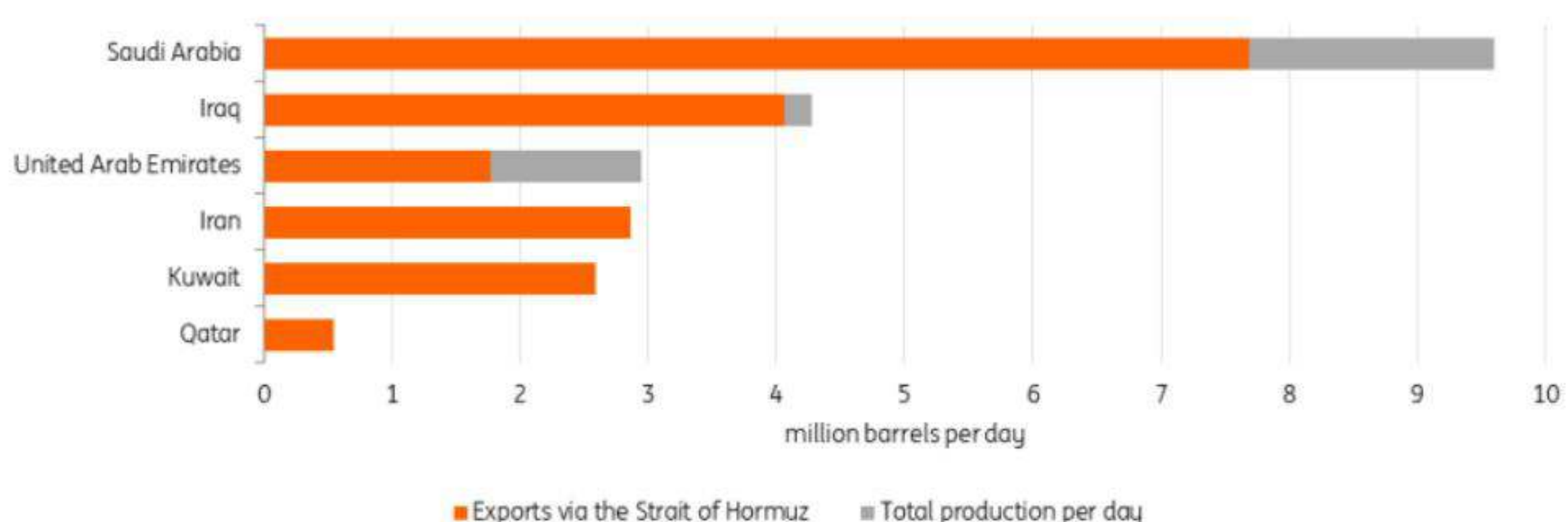
- Disruptions in critical shipping lanes like the Strait of Hormuz raise concerns about oil prices, inflation, and economic growth.
- The significance of maritime trade cannot be overstated, with over 80% of global goods trade being transported by sea. Any disruption in maritime trade has far-reaching implications for the global economy. The latest concern revolves around the Strait of Hormuz, a vital passage responsible for around a fifth of the world's oil transportation. Geopolitical tensions surrounding this area, coupled with potential disruptions, pose risks to global trade routes, leading to production delays, increased transit times, and higher inflation.
- However, the Strait of Hormuz is not the sole point of concern regarding maritime security.



- The Strait of Bab el-Mandeb-Suez Canal and the Panama Canal have also experienced disruptions, impacting global maritime trade. Attacks by Houthi rebels in the Strait of Bab el-Mandeb-Suez Canal have led to decreased transits, while drought conditions at the Panama Canal have affected its operational capacity. The recent seizure of the MSC Aires container vessel by Iranian forces underscores the vulnerability of maritime trade to geopolitical tensions. Elevated risks in these regions could swiftly impact trade routes, leading to increased insurance premiums and further disruptions. The politicization of trade and shipping has become more apparent, with geopolitical risks extending to areas like the Taiwan Strait.
- The economic impact of such disruptions can be significant. The blockage of the Suez Canal by the Ever Given container ship in 2021 resulted in estimated losses of 0.2 to 0.4 percentage points in global trade. Similarly, low water levels in the Rhine in Germany had a negative impact on GDP numbers. The significance of the Strait of Hormuz lies in its critical role in transporting oil, petroleum products, and LNG. Any attempts to disrupt or block oil flows through this passage would have severe consequences for global oil exporters like Iraq, Qatar, and Kuwait, as well as major LNG exporters like Qatar. The tensions in the Middle East have already led to higher oil prices, with a considerable risk premium already factored in.

### Production and export of crude oil via the Strait of Hormuz in 2023

Exports via Strait of Hormuz based on [AWR Llyod analysis](#) estimates from 2021. Million barrels per day.





## • **Fed Pumps the Brakes: Rate Cuts on Hold as Inflation Persists**

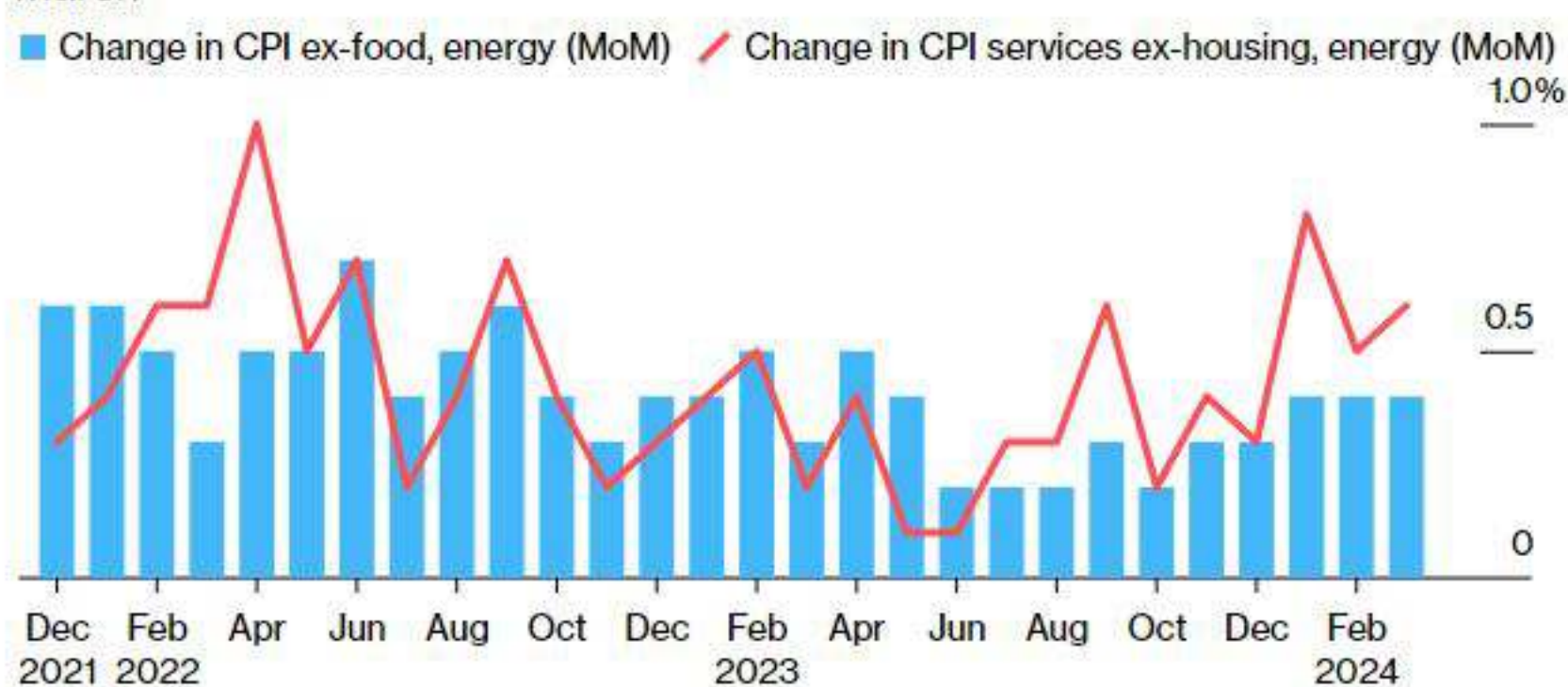
- Rising inflation data forces the Federal Reserve to delay interest rate cuts and consider a more cautious approach to price control.
- The recent string of disappointing inflation data has prompted the Federal Reserve to reassess its timeline for interest rate cuts and its approach to addressing price growth. Fed Chair Jerome Powell indicated that it may take longer than initially anticipated to gain the confidence needed to lower rates, signaling a more cautious approach. This shift in stance has dampened expectations for multiple rate cuts in 2024, with some concerns emerging that there might be no cuts at all.
- Despite concerns about high borrowing costs not effectively curbing demand, most policymakers believe that interest rates are at their peak. However, there is a recognition among some Fed officials that further rate increases may be necessary if economic data warrant such actions to address inflation. The enduring strength of the economy and labor market, coupled with a market rally earlier in the year, has reignited debates about the effectiveness of current monetary policy. Some policymakers, like New York Fed President John Williams and Boston Fed President Susan Collins, have expressed concerns about the need for demand moderation to achieve price stability.
- While economists have revised down their expectations for rate cuts this year, there is still uncertainty about the effectiveness of current policy in constraining the economy. The persistence of strong demand has fueled skepticism about the extent to which monetary policy is restraining economic activity. Financial conditions have also played a role in shaping the Fed's approach, with market rallies in response to talks of rate cuts at the end of last year.



- However, recent disappointing inflation data and concerns about inflation stalling at an elevated rate have led to a reassessment of financial conditions.
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- There is growing recognition among policymakers that the post-pandemic economy may be fundamentally different, potentially leading to higher borrowing costs than previously experienced. Some officials have revised up their estimates of the long-run fed funds rate, reflecting both the economy's resilience and climbing estimates of the neutral rate of interest.
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### Stubbornly High Inflation

CPI excluding food and energy topped forecasts for a third-straight month in March



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## • Bitcoin Halving: Will Prices Pop or Stall This Time?

- Bitcoin's upcoming halving stirs debate as new factors like ETFs and Ordinals challenge historical price trends surrounding the event.
- The upcoming Bitcoin halving, anticipated to occur soon, is generating considerable interest and debate within the cryptocurrency community. Unlike previous halvings, this one may not have as pronounced an impact on prices due to factors such as the launch of protocols like Ordinals and the maturation of the mining sector.
- The halving, which reduces the rate at which new bitcoins are introduced into circulation, has historically been associated with significant price rallies in the cryptocurrency market.



- However, there is ongoing debate about whether the effects of the halving are already reflected in current prices, or if the reduced supply of new bitcoins will create a supply shock that drives prices higher. Two economic theories underpin this debate. Supporters of the efficient market theory argue that because the halving is known in advance and information is widely shared, bitcoin's current price accurately reflects its value. Conversely, others point to historical patterns in the crypto market and the impact of supply and demand dynamics on price.
- This halving is unique in several ways. It's the first time in Bitcoin's history that the price has increased before the event.
- This is attributed partly to the launch of spot bitcoin exchange-traded funds (ETFs) in the U.S., which have attracted significant investor interest and capital inflows. Moreover, the institutionalization of bitcoin through ETFs and the involvement of prominent firms like BlackRock, Fidelity, and others serve to legitimize the cryptocurrency sector. This institutional involvement is reshaping the perception of bitcoin from a niche asset to a legitimate investment opportunity.
- However, macroeconomic factors, such as higher interest rates and inflation, may dampen the impact of the halving on attracting new buyers. Reports from financial institutions like JPMorgan and Goldman Sachs suggest that these factors could temper the post-halving rally. For bitcoin miners, the halving presents both challenges and opportunities. While historically it has been a boon for miners, this time they face higher costs, increased competition, and cautious investor sentiment. To survive and thrive, miners must focus on efficiency, cost-cutting measures, and diversification into other revenue streams.
- The launch of protocols like Runes, created by the Ordinals creator Casey Rodarmor, could introduce new demand for block space and bolster the mining economy post-halving. However, concerns remain about the potential impact of reduced profitability on network security and the overall health of the Bitcoin ecosystem. Ultimately, the halving represents a critical juncture for the Bitcoin network and its participants. While the exact impact remains uncertain, it underscores the ongoing evolution and maturation of the cryptocurrency market. As the sector continues to attract institutional interest and regulatory scrutiny, the halving serves as a reminder of the dynamic forces shaping the future of digital currencies.





- **Crypto's Regulatory Mess: Memecoins Run Wild as Real Innovation Stalls**

- Lead Sentence: Unregulated memecoins flourish while valuable blockchain projects face hurdles, highlighting the need for crypto regulations that promote innovation, not speculation.
- The cyclical nature of speculative fervor in the crypto market, particularly around memecoins, highlights a significant regulatory imbalance that favors meme tokens over blockchain innovations with genuine utility. While memecoins, like Dogecoin, thrive in an environment where creators can easily launch and list tokens, entrepreneurs working on more productive blockchain projects face regulatory obstacles and uncertainty.
- This regulatory disparity reflects a broader issue within the crypto industry, dividing it into two cultures: "the casino," focused on speculative trading and gambling, and "the computer," interested in blockchain as a platform for meaningful innovation. While memecoins represent the former, other blockchain-based innovations, such as decentralizing AI and combating deepfakes, belong to the latter.
- The regulatory framework in the US, particularly the application of the Howey test, lacks clarity and consistency, leading to confusion and hindering innovation. While Bitcoin and Ethereum have been deemed not to involve managerial efforts and thus escape stringent regulation, other projects struggle to qualify for similar treatment.



- To address this regulatory imbalance and promote responsible innovation, specific solutions are needed. These may include implementing tailored disclosures to provide investors with more information and imposing long lock-up periods to deter get-rich-quick schemes. By learning from past mistakes and implementing appropriate regulatory measures, regulators can foster a healthier and more conducive environment for innovation in the crypto industry.

- **BlackRock's Tokenized Fund Injects \$288 Million into Crypto's Evolution**

- Larry Fink's firm spearheads effort to bridge traditional finance with crypto through blockchain-based funds.
- Larry Fink's BlackRock has emerged as a central figure in the world of digital assets, particularly with its recent forays into tokenization, which involves converting traditional assets like stocks and bonds into digital tokens recorded on a blockchain. This move marks a significant step towards integrating crypto's underlying technology into financial markets, potentially revolutionizing how assets are traded and settled.
- One of BlackRock's notable initiatives is the BlackRock USD Institutional Digital Liquidity Fund (Buidl), the first fund tokenized on the ethereum blockchain. Despite the concept not being entirely new, Buidl has garnered substantial attention and investments, drawing in \$288 million from just 10 holders since its launch last month. This success is attributed in part to BlackRock's credibility and the perceived benefits of blockchain-based tokenization.
- The primary advantage of tokenized funds like Buidl lies in their ability to make digital assets behave more like traditional assets, particularly cash. By offering stable value and investing in assets like Treasuries, these funds provide investors with yield, addressing a common limitation of stablecoins. Moreover, tokenized funds offer enhanced security and compliance features, restricting participation to qualified investors and enabling the fund to halt redemptions if necessary to comply with regulations.




- From an institutional perspective, tokenized funds present numerous advantages, including higher quality collateral for trading activities. Buidl's yield and BlackRock's backing make it an attractive option for market makers and brokers, potentially reducing capital charges and widening the range of trading opportunities.
- While tokenized funds like Buidl hold promise for revolutionizing financial markets and enhancing the efficiency of trading, their immediate impact may be felt in the realm of crypto trading. By providing high-quality collateral and facilitating more efficient trading mechanisms, these funds could contribute to the evolution of crypto markets and bring greater legitimacy to blockchain-based assets.



- **DeFi and Web3 Gaming Steal the Show in Q1 2024, Surpassing Stablecoins in Key Metrics**

- The first quarter of 2024 demonstrated the continued dominance of decentralized finance (DeFi) and the remarkable growth of Web3 gaming within the crypto industry, surpassing stablecoins in key metrics and reflecting investor preferences and market sentiment during this period.
- DeFi experienced a notable resurgence, particularly on chains like Solana (SOL) and Base, driven by increased developer and user activity. This resurgence has fueled hopes for a second 'DeFi Summer,' with projects embracing new concepts like staking, liquid staking, restaking, and liquid restaking, which have played pivotal roles in DeFi's expansion.



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- Staking now constitutes a significant portion of DeFi's Total Value Locked (TVL).
  - Despite stablecoins retaining the top spot for address activity, DeFi surpassed stablecoins in transaction counts, averaging nearly 7 million daily transactions in Q1'24. Furthermore, DeFi led in fees spent, gas usage, and the overall number of projects, despite comprising only around 4% of the total crypto market cap. The TVL for yield-generating protocols within DeFi experienced steady growth, rising from \$26.5 billion in Q3'23 to \$59.7 billion in Q1'24, indicating renewed confidence and liquidity in the DeFi markets as investors seek yield generation opportunities.
  - In tandem, Web3-based gaming has emerged as a significant departure from traditional gaming platforms, leveraging cryptocurrencies and NFTs to offer players decentralized gaming experiences. Players can actively participate in games and earn rewards, decentralizing control within the gaming ecosystem. Web3 gaming surpassed stablecoins in transaction volume and achieved the highest year-over-year (YoY) active address growth across all categories, with a 155% increase in active addresses during Q1 '24. Transactions within Web3 gaming experienced a remarkable 370% YoY increase, highlighting the surge in player engagement and participation.
  - While stablecoins continue to lead in daily active users, representing over 41% of all Web3 user activity, other categories have shown higher quarter-over-quarter (QoQ) activity growth, indicating potential catch-up. Tether's USDT remains the dominant stablecoin, controlling approximately 75% of the market cap, while Circle's USDC leads in volume and average transaction size.
  - Stablecoins have proven attractive to both new and experienced users, offering stability and value predictability, especially during periods of market uncertainty. The surge in stablecoin user activity in Q1'24 can be attributed to factors like the approval and listing of spot Bitcoin ETFs in the US, anticipation of Bitcoin's next Halving event, fiat currency devaluation, popularity of low-volatility assets, and the strength of the USD, to which over 90% of stablecoin transactions are anchored.



# CHARTS

- China's major measures of economic activity, such as the official and Caixin manufacturing Purchasing Managers Indexes (PMI), grew faster than forecast in March. One other high-frequency indicator that is worth taking into account is traffic congestion in large cities like Guangzhou, Beijing, Shenzhen, Shanghai, and Beijing.

## Economic indicators from China show mixed signals

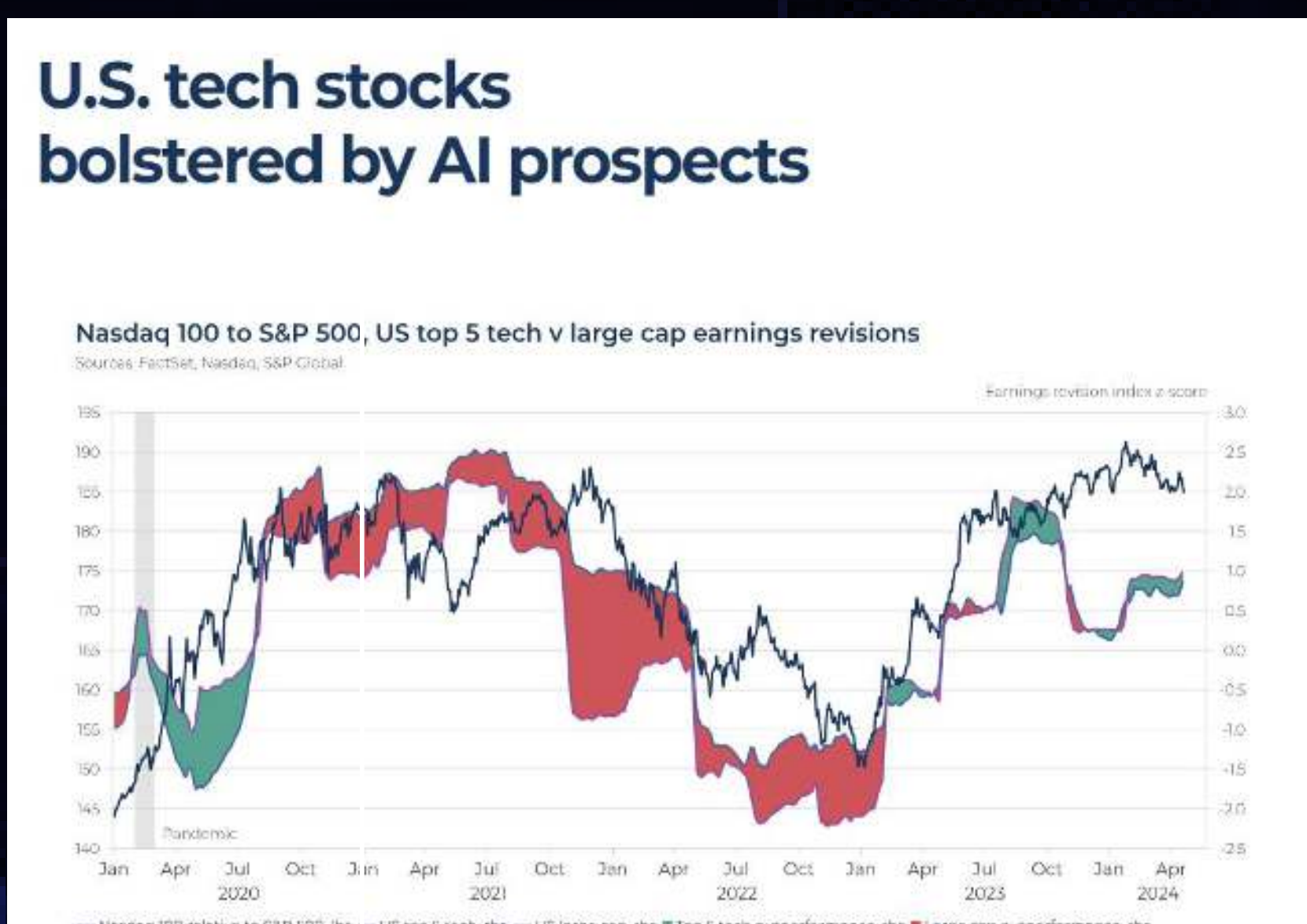
### China's road congestion

Jan-Dec seasonality





- The robust performance of US mega-cap tech equities has been fueled by positive outlooks for Artificial Intelligence and general economic resiliency. A closer look at these tech giants' earnings revisions in comparison to larger large-cap equities reveals that, since 2020, the Nasdaq 100 has outperformed the S&P 500 whenever US tech titans' earnings revisions exceed those of larger equities (using z-scores, shown in the chart as the green color).
- The fact that these leading tech companies' profit revisions now outperform those of larger large-cap stocks indicates that the strength of US major tech stocks is probably here to stay.





- The goal of controlling inflation at reasonable levels has replaced the previous emphasis on high inflation rates in recent years. This analysis compares possibilities of deflation, in which inflation rates are negative, with the extremes of hyperinflation, when rates surpass 10%. Although the percentage of nations experiencing hyperinflation has decreased from almost half to fifteen percent, deflation is increasing, with six percent of countries reporting lower consumer prices than a year ago.
- These patterns are essential to comprehending the state of the world economy and the various budgetary difficulties that different nations encounter.

## Global inflation dynamics: A shift from hyperinflation to deflation

Deflation vs Hyperinflation  
Based on 100 countries

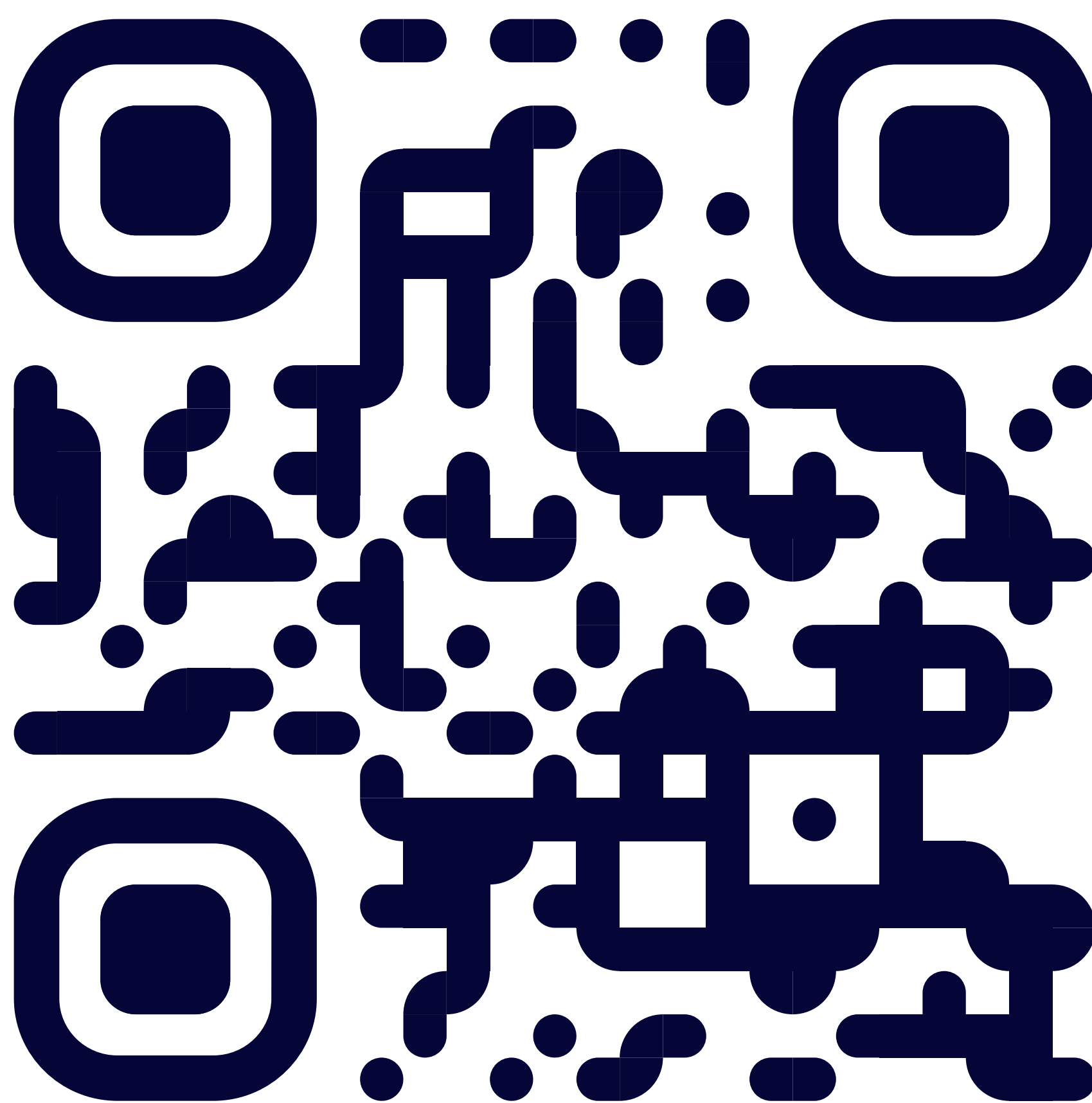




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