

WEEKLY NEWSLETTER

Emerging Markets Shine: Lower Risks, Higher Returns Than You Think

Discover The Unknown Depth of
Financial Markets

29
Monday
April
2024

**INSIGHTS FROM THIS
WEEKS ANALYTICS REVIEW**

**EXPLORING THE FINANCIAL
DEVELOPMENTS**

**DELVE DEEPLY INTO THE
WORLD OF CRYPTO**

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ICEBERG ANALYTICA

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ICEBERG FINANCIAL

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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 experienced a modest retracement during the week, reversing two consecutive weeks of gains and pulling back from yearly peaks reached earlier in the month. This movement in the USD Index (DXY) reflected investors' reactions to changing sentiments regarding the potential timing of the Federal Reserve's (Fed) easing program. The likelihood of a rate adjustment at the September 18 meeting lost momentum amid persistently high US inflation figures, as indicated by both the Consumer Price Index (CPI) and the Personal Consumption Expenditures (PCE) data for March. The data suggested a slowdown in deflationary pressures and reinforced the strength of the economy, indicating a possible prolongation of tighter Fed policies.
- According to the CME Group's FedWatch Tool, the probability of the Fed initiating an easing cycle in September decreased significantly to around 45%. This shift in expectations coincided with stabilizing US yields near recent multi-month highs across various maturity periods, reflecting a broader macro environment signaling fewer interest rate cuts for the remainder of the year. Despite the Fed's blackout period, recent comments from Fed officials echoed Chairman Jerome Powell's stance of no rush to implement interest rate cuts. Atlanta Fed President Raphael Bostic suggested a potential move by year-end, while New York Fed's John Williams emphasized the importance of data-driven rate adjustments.
- Looking ahead, expectations regarding interest rate trajectories among G10 central banks and inflation dynamics suggest potential actions by other major central banks. The European Central Bank (ECB) is anticipated to cut interest rates during the summer, possibly followed by the Bank of England (BoE). However, both the Federal Reserve and the Reserve Bank of Australia (RBA) are expected to start easing later this year, likely in the fourth quarter. Despite recent policy rate hikes, the Bank of Japan (BoJ) remains an outlier in its monetary policy approach.

Energy

Name	Symbol	Today	1 Month	YTD	1 Year	3 Years	Day	<	>
Oil	USO	-0.06%	4.01%	20.62%	23.00%	89.91%	80.06	●	80.97
Brent Oil	BNO	0.15%	4.34%	19.85%	25.55%	97.64%	32.56	●	32.87
Natural Gas	UNG	-2.16%	-6.02%	-30.67%	-48.00%	-65.91%	13.95	●	14.24
Gasoline	UGA	0.03%	2.07%	17.71%	23.27%	124.05%	72.26	●	72.84

- Oil prices experienced a tug-of-war on Friday, caught between geopolitical tensions in the Middle East and opposing economic forces in the United States. On the one hand, escalating military actions by Israel in Lebanon and Gaza stoked worries about potential supply disruptions in the region. This unrest provided a clear upward push for oil prices, as markets priced in the risk of reduced oil availability. Benjamin Netanyahu, Israel's prime minister, further fueled these anxieties by hinting that the country would act independently if the International Criminal Court pursued investigations into the recent conflict.
- However, this bullish sentiment was countered by strong economic headwinds in the US. A resurgent US dollar threw cold water on oil prices. A stronger dollar makes oil more expensive for buyers using weaker currencies, effectively reducing demand for oil on the global market. To add to the pressure, US inflation data released on Friday indicated a rise in inflation. This data suggests the Federal Reserve is unlikely to cut interest rates in the near future. Lower interest rates can stimulate economic growth, which typically leads to increased demand for oil. With the prospect of rate cuts diminishing, the outlook for oil demand softened.
- In the end, the opposing forces largely neutralized each other. While geopolitical tensions in the Middle East provided some support for oil prices, the strengthening dollar and rising inflation expectations in the US capped significant gains. The day ended with a modest increase for oil prices, but the overall trend remained range-bound.

Metals

Name	Symbol	Today	1 Month	YTD	1 Year	3 Years	Da	<	>
Palladium	PALL	-2.50%	2.28%	-7.33%	-33.11%	-65.74%	87.63	●	89.05
Gold	GLD	0.32%	7.43%	13.31%	17.26%	29.84%	215.53	●	217.0
Platinum	PPLT	-0.02%	1.32%	-7.63%	-16.37%	-27.76%	83.63	●	84.28
Silver	SLV	-0.68%	11.41%	14.28%	9.02%	2.43%	24.75	●	25.22

- Gold faced significant bearish pressure at the start of the week, resulting in its largest one-day loss of the year on Monday. This downturn was attributed to a reduction in geopolitical tensions surrounding the Iran-Israel conflict, leading to a correction after weeks of impressive gains driven by safe-haven flows. Despite falling to its lowest level in over two weeks near \$2,290 early Tuesday, Gold managed to hold above the \$2,300 mark by the end of the day, supported by selling pressure on the US Dollar (USD) following disappointing US PMI data releases.
- Throughout the week, Gold's performance was influenced by various economic indicators from the US. While the USD held resilient against its rivals on Wednesday following positive Durable Goods Orders data, Gold struggled to gain momentum. However, on Thursday, weaker-than-expected US Gross Domestic Product (GDP) figures, indicating a slower-than-anticipated economic growth rate in the first quarter, led to a weakening of the USD and allowed Gold to end the day in positive territory. Nevertheless, Gold's recovery remained capped as the GDP report also highlighted an increase in the GDP Price Index, indicating a stronger impact of inflation on GDP growth.
- The week concluded with the announcement that the core Personal Consumption Expenditures (PCE) Price Index rose 2.8% on a yearly basis in March, matching February's increase and surpassing market expectations. Despite this, the USD maintained its strength on Friday, posing challenges for Gold to extend its recovery heading into the weekend. Looking ahead, investors are likely to closely monitor the US Federal Reserve's (Fed) monetary policy announcements and April labor market data from the US, which could drive further volatility in the XAU/USD pair in the coming week.



• Analytica

• The UAE's AI Gambit: G42 Navigates US-China Rivalry with Microsoft Deal

- A \$1.5 billion Microsoft investment in Abu Dhabi's G42 underscores the UAE's push for AI dominance and its strategic balancing act between the US and China.
- G42, a startup based in Abu Dhabi, has rapidly evolved into a prominent technology conglomerate with diverse interests spanning large language models, human genomics, and spacecraft. While relatively unknown outside of the Middle East, G42 has established significant connections with major US technology and artificial intelligence companies, including Amazon.com Inc. and OpenAI Inc. However, the most notable development in G42's trajectory came on April 16 when Microsoft Corp. disclosed a \$1.5 billion investment in the company.
- This partnership with Microsoft underscores G42's growing importance and its pivotal role in the United Arab Emirates' (UAE) ambitions to position AI at the core of its economic strategy. G42's chairman, Sheikh Tahnoon bin Zayed Al Nahyan, a prominent member of the Abu Dhabi royal family, wields considerable influence in global finance and Persian Gulf security. The organization, along with its associated entities, is part of his vast corporate empire, which is estimated at \$1.5 trillion.

- Despite its rise, G42 has faced scrutiny, particularly regarding its ties to China. Originating as a data analysis and surveillance venture, G42's collaboration with Chinese companies raised concerns among US officials, who feared potential security risks and backdoor access to sensitive technologies. This scrutiny intensified as G42 expanded into cloud computing and chip manufacturing, critical components of advanced AI development.
- To address these concerns, G42 embarked on a process of divesting its Chinese investments and reevaluating its supply chain. This strategic shift culminated in Microsoft's substantial investment, signaling a tangible reward for G42's efforts to distance itself from Chinese partnerships. The collaboration between Microsoft and G42 is viewed as a significant step towards advancing cloud and AI services, particularly in regions like Africa and Central Asia, where the US seeks to counter Chinese influence.
- G42's ability to navigate geopolitical complexities reflects the leverage that Gulf-based tech companies hold in the current global landscape. As a key US ally, the UAE's technological ambitions align with US interests, making partnerships with companies like G42 strategically valuable. Despite lingering concerns among some US officials, the benefits of collaborating with wealthy technology allies like G42 outweigh perceived risks, particularly in sectors critical to national security and economic growth, such as semiconductor manufacturing and AI development.





- **Tesla's Two Sides: Wall Street Wants Cars, Fans Crave Tech as Stock Surges on Affordability Pledge**

- Tesla's tale of two worlds: Investors cheer production plans for cheaper cars, while enthusiasts like Dennis Wang see a tech powerhouse pushing boundaries in AI and design.
- Elon Musk's Tesla has become synonymous not just with electric vehicles, but also with cutting-edge technology and futuristic innovation. As Tesla's first-quarter results approached, a Tesla enthusiast named Dennis Wang was spotted with his dark-purple Cybertruck at a charging station in Los Angeles. Wang, a devoted Tesla owner and shareholder, views Tesla not merely as a car company but as a tech company, attributing its allure to its advanced software, particularly its self-driving technology.
- While Tesla loyalists like Wang emphasize the significance of Tesla's technological prowess, investors on Wall Street are more focused on Tesla's ability to boost sales and profitability. Amidst a tumultuous period marked by falling vehicle sales and layoffs, investors were relieved by Tesla's announcement of plans to produce more affordable vehicles by 2025, leading to a surge in Tesla's share price.

- Elon Musk, Tesla's enigmatic CEO, has a history of toggling between ambitious promises and pragmatic strategies to navigate challenges. From hyping Tesla's self-driving capabilities to pivoting towards volume growth during the pandemic, Musk's narratives often create uncertainty among investors. Nonetheless, Tesla's dual identity as both a car company and a tech company is a key aspect of its appeal and market positioning.
- In terms of market dynamics, China represents a crucial battleground for Tesla's growth, given its status as the world's largest EV market. While Tesla faces intense competition and price pressures in China, a cheaper model could potentially help it maintain its market position. In the United States, Tesla's dominance is already established, but growth prospects hinge on selling more cars to fund its AI development efforts, particularly for its self-driving technology.
- Despite its promising trajectory, Tesla faces numerous challenges, including executive departures, shareholder trust issues, and Musk's unpredictable behavior. However, enthusiasts like Wang remain optimistic about Tesla's future, citing Musk's visionary leadership and the company's track record of innovation. Ultimately, Tesla's ability to balance its identity as both a carmaker and a technology pioneer will determine its success in the evolving automotive landscape.

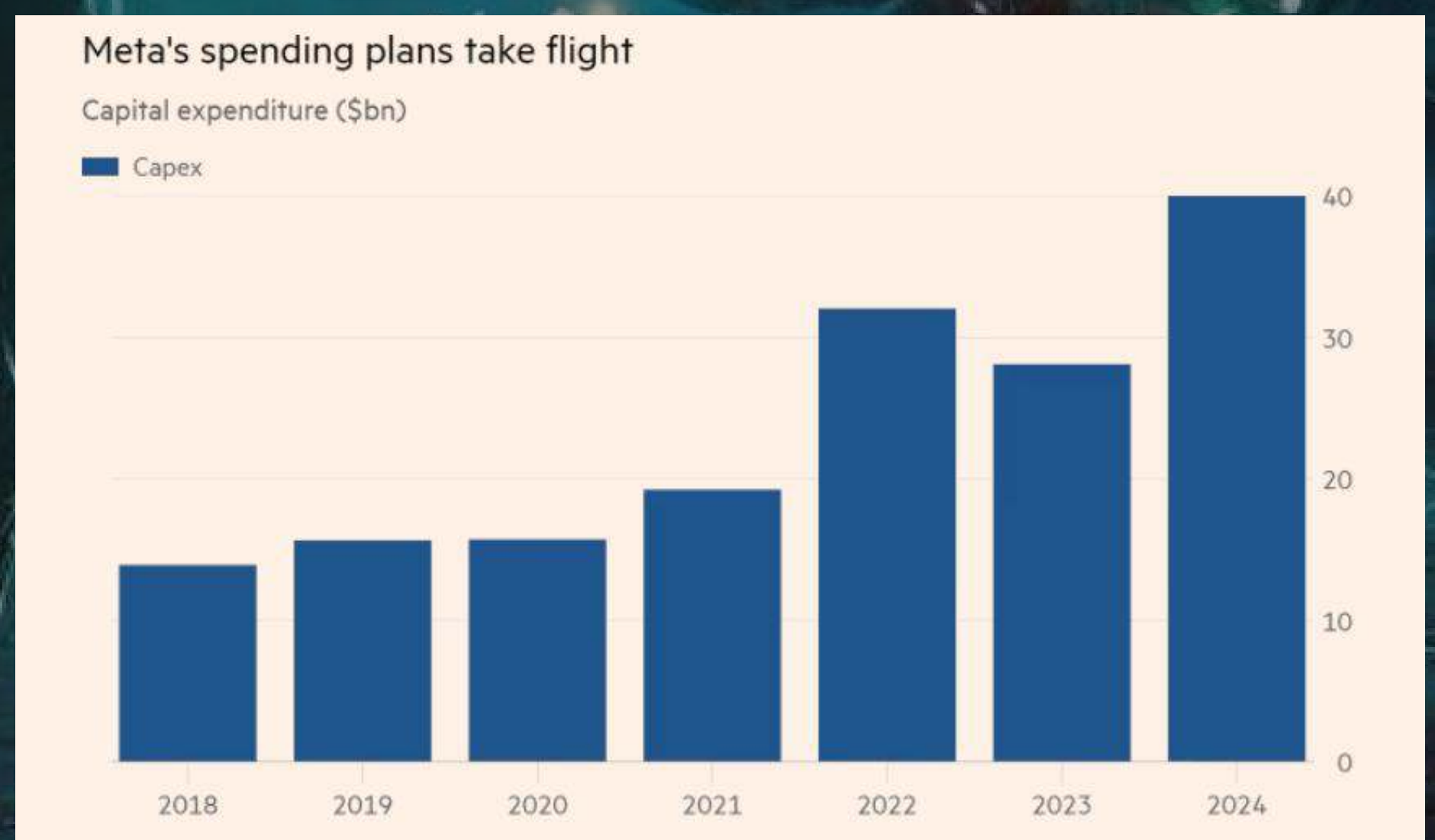




- **Meta's AI Gamble: Can Zuckerberg's Costly Bet Pay Off?**

- Lead Sentence: Investor jitters rise as Meta's slowing revenue growth clashes with skyrocketing costs for its ambitious AI projects.
- Investor sentiment toward extravagant corporate spending on artificial intelligence (AI) is shifting as Meta, formerly known as Facebook, experiences changes in its revenue growth and cost dynamics. Initially supportive of Mark Zuckerberg's AI initiatives during a period of robust digital advertising revenue and controlled expenses, shareholders are now more cautious as revenue growth slows and costs escalate.
- Meta's commitment to advancing AI technology through in-house development, highlighted by its generative AI projects, has garnered praise. Recent milestones include the introduction of its proprietary AI chip and the release of Llama 3, the latest iteration of its generative AI model. However, the lack of a clear revenue timeline for AI projects, akin to the uncertainty surrounding Meta's virtual reality metaverse plan, adds to investor apprehension.

- Despite significant capital investment, the nature of Meta's AI business remains ambiguous. While billions are allocated to infrastructure and R&D, the company has yet to monetize its AI endeavors directly. Revenue continues to be predominantly driven by digital advertising, with AI serving as a complementary initiative alongside ventures like virtual reality headsets.
- Integrating generative AI into platforms like Instagram and Facebook aims to enhance user engagement, but tangible metrics indicating increased user activity remain undisclosed. To compete with platforms like TikTok, Meta faces the challenge of significantly boosting engagement, a task that may become more pressing in the event of a TikTok ban in the US, although such scenarios are speculative and distant.
- Despite Meta's strong financial position, uncertainties persist regarding the scale and direction of its AI investments. While Zuckerberg attempts to reassure stakeholders by likening AI to previous ventures, the magnitude of Meta's AI ambitions and their potential impact on the company's financial landscape are still unfolding.





- **Microsoft Cloud Soars on AI Power, Strained by Demand**

- Microsoft's cloud sales surge as AI adoption explodes, but the tech giant scrambles to expand capacity to meet customer needs.
- Microsoft's latest financial report reveals a significant uptick in cloud sales, driven in large part by the demand for artificial intelligence (AI) services. The company's revenue and earnings for the quarter exceeded analysts' estimates, buoyed by robust demand for AI technology. CFO Amy Hood noted that the surge in AI demand has strained Microsoft's capacity to meet customer needs, prompting plans for increased capital spending to bolster infrastructure such as data centers.
- With a focus on dominating the generative AI industry, Microsoft's strategic investments in companies like OpenAI and Mistral have positioned it as a frontrunner in the AI race. The company's efforts to convert these investments into profitable ventures have resonated positively with investors, contrasting with concerns raised by competitors like Meta regarding ballooning capital expenditures in AI.

- One of Microsoft's flagship AI products, the 365 Copilot generative AI assistant, has garnered significant attention, boasting adoption by nearly 60% of Fortune 500 companies. Despite AI capacity constraints, Copilot's uptake remains unaffected, highlighting Microsoft's commitment to ensuring continued success in this area.
- In addition to AI-driven growth, Microsoft's cloud division, including its Azure computing platform, saw a 21% increase in sales, surpassing analysts' forecasts. Azure revenue surged by 31%, fueled by strong demand for AI services, which contributed significantly to overall sales growth.
- Looking ahead, Microsoft anticipates continued momentum in cloud sales, albeit with potential limitations due to AI capacity constraints. Despite these challenges, the company remains optimistic about its growth prospects, as evidenced by its robust financial performance and bullish outlook for the future.





- **Emerging Markets Shine: Lower Risks, Higher Returns Than You Think**

- New data reveals emerging market companies offer competitive returns with lower risks than previously assumed, boosting investor confidence.
- The Global Emerging Markets Risk Database Consortium (GEMs) recently published two reports that shed light on the investment landscape in emerging market businesses. Comprised of 25 multilateral development banks and finance institutions, GEMs provide a comprehensive view of investment risks in emerging markets based on 30 years of lending data.
- Key findings from the reports indicate that investment risks in emerging market companies are comparable to those experienced in other asset classes. Default rates in the GEMs portfolio, averaging about 3.5% between 1994 and 2022, align closely with default rates in similarly rated companies by S&P and Moody's. Notably, during global crises, default rates in the GEMs portfolio were lower than those of comparable companies, providing resilience in turbulent times.

- Moreover, recovery rates in the GEMs data set surpassed expectations, standing at 75%. This outperforms recovery rates reported for other asset classes such as Moody's Global Loans, Moody's Global Bonds, and JPMorgan Emerging Market Bonds. The International Finance Corporation (IFC) private sector portfolio exhibited a low average default rate of 4.1% from 1986 to 2023, underscoring the potential and resilience of investments in emerging markets. Research also suggests that IFC's equity investments have outperformed the S&P 500 over the past four decades.
- However, it's essential to recognize that these statistics reflect the unique experience of multilateral development banks and finance institutions. Factors such as in-country staff presence, advisory services, and longer grace periods before default contribute to lower defaults and higher recovery rates. Despite these positive findings, investors require more than statistics to invest confidently in emerging markets. They seek regulatory certainty, political risk insurance, and foreign exchange risk mitigation.
- As a co-founder and significant contributor to the GEMs consortium, the IFC remains committed to pooling data with partners to produce informative reports that equip investors with essential risk-reward calculations. The World Bank Group's support of this initiative, including the release of sovereign default and recovery rate statistics, further strengthens investor confidence in emerging markets.






• **China's Stock Market Jitters: Hiccup or Headwind?**

- Recent stock market turbulence raises concerns, but China's long-term growth story remains intact, fueled by AI investment, policy intervention, and a robust consumer base.
- China's stock market has faced turbulence recently, causing concerns among consumers and investors. However, it's cautioned against hastily labeling this phase as a crisis. While caution is warranted due to uncertainties like the property market and youth unemployment, dismissing China's domestic market growth potential entirely would be premature.
- Positive developments in US-China relations, such as the Biden-Xi summit and Xi's meetings with US business leaders, hint at efforts to ease geopolitical tensions and foster collaboration, particularly in areas like artificial intelligence. China's significant investments in AI and industrial robotics, coupled with regulatory measures to stabilize its market, underscore its commitment to growth.

- The coordination of fiscal and monetary policies in China, including liquidity injections and financing for public housing programs, indicates efforts to stimulate the economy. Despite challenges, China's emergence as a global economic powerhouse, driven by consumption and services, remains evident. Notable progress in areas like luxury market expansion and electric vehicle sales highlights China's ongoing economic evolution.
- India's rise as a potential economic powerhouse has garnered attention, yet its distinct challenges and democratic structure set it apart from China. China's market, though currently subdued, presents opportunities for investors attracted by comparatively low valuations. Moreover, China's expanding influence in regions like Latin America underscores its global impact beyond domestic challenges.





- **Europe Defies Gravity: Stocks Soar on Rate Cut Hopes, Echoing 1995 Boom**

- European equities defy economic data, mirroring the 1995 tech boom, with hopes for rate cuts and strong earnings fueling a market rally.
- European equity markets have surprised many by diverging from traditional macroeconomic indicators and continuing to rise despite expectations of central bank interest rate cuts. Drawing parallels to 1995, when the Federal Reserve and the Bundesbank shifted towards rate cuts, analysts suggest a similar 'Fed pivot' scenario is underway. Despite lackluster economic growth in Europe compared to the US, similarities in factors like technological innovation, tight labor markets, and positive economic data suggest a potential soft landing akin to the 1990s.
- Valuations of European stocks have been on the rise, reminiscent of the 1995 scenario, driven by hopes for future rate cuts and improving economic conditions. Forward price/earnings ratios have increased, mirroring the trajectory seen in 1995, with rising M&A deal volumes adding to the optimism. Additionally, early signs of recovery in European earnings revisions further bolster confidence, with predictions of significant earnings growth for MSCI Europe companies by year-end.

- Beyond the 1995 comparison, European equities are supported by a range of positive themes such as the adoption of AI, capital distributions, margin discipline, and M&A activities. Increasing mentions of "green shoots" in corporate conversations reflect growing optimism, while concerns over economic uncertainty and energy costs are diminishing. Moreover, Europe's strength is not solely dependent on its domestic economy, as a significant portion of market capitalization-weighted revenue exposure comes from regions outside Europe, particularly the US.
- While the 1995 comparison serves as a guide, analysts acknowledge potential risks such as policy changes after the US election or unforeseen external shocks that could disrupt the current bullish trend. However, for the time being, the outlook remains optimistic, with European equities expected to continue their upward trajectory akin to the market dynamics of 1995.



- **Dollar Dominance: US Strength Sparks Trade War Fears**

- Soaring dollar threatens global trade as robust US growth and receding rate cuts fuel investor appetite, raising concerns about a return to protectionist policies.
- The dollar has surged in strength, driven by robust American growth and reduced expectations of Federal Reserve interest rate cuts, leading to increased investment in US markets. As a result, the dollar has appreciated by 4% against a trade-weighted basket of currencies this year, with further appreciation anticipated. This trend is exacerbated by the relative weakness of other major currencies, such as the yen and the euro, further driving up the value of the dollar.
- The prospect of a strong dollar has implications for global trade dynamics and domestic manufacturing policies, particularly in the context of the upcoming US presidential election. A strong dollar tends to inflate the prices of American exports and depress import prices, potentially widening the country's trade deficit—a concern for both Democratic and Republican administrations. Efforts to weaken the dollar, either through policy measures or intervention, may become contentious political issues.

- While a strong dollar benefits exporters with costs denominated in other currencies, it also poses challenges, such as imported inflation and increased debt repayment burdens for companies borrowing in dollars. Concerns about the impact of these developments on global financial stability have been raised by international institutions like the IMF.
- Efforts to counter the dollar's strength through foreign exchange interventions or international coordination face limitations and may offer only temporary relief. The gap in interest rates between the US and other countries is a key driver of currency weakness elsewhere, making concerted efforts to halt the dollar's climb challenging.
- China's currency, the yuan, has experienced significant depreciation against the dollar, driven by economic concerns and capital outflows. This trend may exacerbate trade tensions between the US and China, potentially leading to further tariffs or sanctions.
- Overall, as long as the US economy continues to outperform and policymakers view a strong dollar as a concern, trade tensions are likely to escalate, posing challenges for global economic stability and international relations.





Financial

- **Japan Stands Pat: Weak Yen Pressures BoJ as Rate Hike Speculation Grows**

- The Bank of Japan maintains ultra-low rates, pushing the yen to a 34-year low, with investors awaiting signs of intervention or a policy shift to address the depreciating currency.
- The Bank of Japan's decision to maintain interest rates and its apparent lack of concern over the yen's depreciation has sent the currency tumbling to a fresh 34-year low against the dollar. BoJ Governor Kazuo Ueda's remarks suggesting that the weak yen has had "no major impact" on Japanese inflationary pressures have fueled speculation that the government might intervene in the markets to support the currency.
- Despite unanimous voting to keep benchmark interest rates steady, investors had speculated about potential rate increases later in the year, given signals from the US Federal Reserve regarding inflation. However, the BoJ's stance on currency rates not being a direct target of monetary policy has raised concerns about the yen's vulnerability.

- The sudden rise and subsequent fall of the yen after the rate announcement have triggered speculation about potential intervention by Japan's finance ministry. Rumors of a "rate check" by officials have also fueled market volatility, reminiscent of past interventions to stabilize the currency.
- Analysts suggest that coordination between the government and the BoJ would be more effective in addressing the yen's weakness. While the BoJ forecasts inflation to remain near its 2 percent target, concerns persist about the impact of the falling yen on imported goods and inflationary pressures.
- Investors are closely watching for signs of the BoJ's response to yen weakness, with expectations of a potential rate increase in the future, contingent on indicators such as service inflation and real wages. However, the BoJ's cautious approach and focus on long-term inflationary trends suggest that any action regarding the yen's weakness may prioritize its impact on inflation over short-term currency movements.



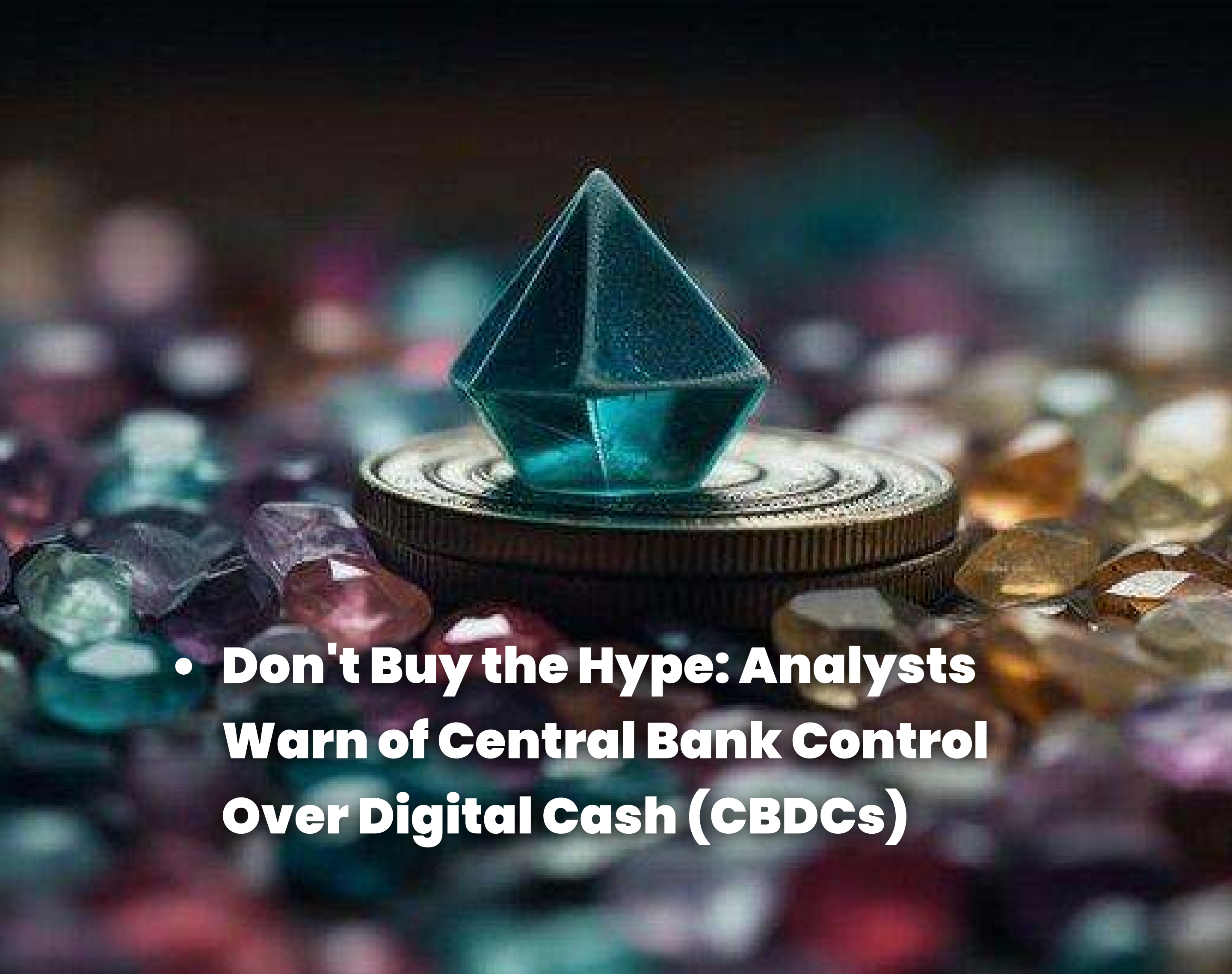
A glowing blue brain is positioned on a mossy rock in a lush, sun-dappled forest. The brain's surface is highly detailed, showing the complex folds and grooves of the cerebral cortex. The surrounding environment is filled with green foliage, tree trunks, and a stream of water in the foreground, creating a serene and naturalistic setting. A white box with the text 'ICELAB' is overlaid on the left side of the image, connected to the brain by a thin white line.

ICELAB

- **Web3 Bubble Bursts, But Asia Charts a Different Course**

- Global Web3 investment cools, but China and India forge ahead with blockchain initiatives, highlighting a potential regional shift in Web3 development.
- The year 2023 marked a turning point for the Web3 ecosystem, as the bubble surrounding it began to deflate. Despite high expectations, fueled by excitement over the third iteration of the internet, actual use cases remained limited. With rising interest rates and persistent inflation, investors grew wary of the nebulous and nascent Web3 landscape, particularly due to the underlying blockchain technology's lack of trust from central banks.
- In contrast to the global decline in Web3 funding, Asia, particularly China and India, presents a more optimistic outlook. Despite regulatory restrictions on cryptocurrency, both countries have shown interest in leveraging blockchain technology for various applications.

- China, for example, is actively developing a national strategic Web3 plan and establishing substantial investment funds, aiming to position the Greater Bay Area as a Web3 hub. Similarly, India's relatively tolerant stance toward Web3 has fostered a thriving ecosystem of startups, particularly in sectors like finance, entertainment, and infrastructure.
- Despite the potential for growth in China and India's Web3 ecosystems, uncertainties loom, primarily stemming from regulatory attitudes toward cryptocurrency. While Web3 is not inherently reliant on crypto, its role as a foundational component raises concerns about the compatibility of regulatory frameworks. In Southeast Asia, however, countries like Singapore are embracing digital assets and allocating resources to support FinTech innovation, indicating broader regional potential for Web3.
- The cautionary tale of Web3's trajectory mirrors previous hype cycles in the tech industry, reminiscent of the metaverse concept's rise and subsequent decline. While blockchain technology and digital assets are likely here to stay, the fate of Web3 remains uncertain. Its viability hinges on practical applications and regulatory acceptance, factors that will determine whether it becomes a lasting paradigm shift or fades into obscurity like other hyped technological concepts.



- **Don't Buy the Hype: Analysts Warn of Central Bank Control Over Digital Cash (CBDCs)**

- A new report by The Analysts throws cold water on central bank digital currencies (CBDCs), arguing they threaten privacy and expand government control over money, not promote innovation.
- In their extensive analysis of central bank digital currencies (CBDCs), The Analysts express skepticism about the purported benefits and underscore the profound risks associated with their implementation. Despite some advocating for a "right" approach to CBDCs that emphasizes competition, innovation, privacy, and freedom, The Analysts argue against such notions, asserting that CBDCs represent a significant expansion of government control over financial transactions.
- By examining statements from government officials involved in CBDC initiatives, such as Andrew Abir of the Bank of Israel and Klaas Knot of the Dutch central bank, The Analysts elucidate the true nature of CBDCs.

- Abir emphasizes that CBDCs are direct liabilities of central banks, granting them unprecedented control over individuals' financial assets. Additionally, Abir underscores CBDCs' role in competing with private banks, challenging the notion of fair market competition and raising concerns about government overreach.
- Knot's remarks regarding the digital Euro further highlight the tension between privacy and regulatory objectives. While Knot asserts that the digital Euro would protect privacy akin to cash transactions, Anthony and his colleague caution against such assurances, citing governments' historical efforts to monitor cash transactions and combat illicit activities. Moreover, Knot acknowledges the absence of a legal framework for the digital Euro, casting doubt on its potential privacy protections and suggesting ongoing debates over balancing privacy with regulatory imperatives.
- The Analysts delve into the fundamental implications of CBDCs, arguing that these initiatives fundamentally centralize control over the money supply in the hands of governments. They caution against viewing CBDCs merely as technological advancements, emphasizing their potential to undermine economic and political freedoms. Ultimately, Anthony and his colleague advocate for a critical examination of CBDCs and their ramifications on individual liberties and governmental control over financial transactions.



- **Bitcoin Stalls, But Wall Street Heats Up: Morgan Stanley Considers Bitcoin ETFs, Buoying Price Hopes**

- Despite a recent price dip, anticipation of Morgan Stanley offering bitcoin ETFs to clients fuels investor optimism, potentially sparking a new wave of mainstream adoption.
- The bitcoin price, having retreated from its recent all-time high of nearly \$74,000, is currently hovering around \$64,000 per bitcoin. Amidst this volatility, a notable development emerged as a top Federal Reserve official responded intriguingly to inquiries about the Fed's potential involvement with bitcoin, stirring speculation about the cryptocurrency's future trajectory. Additionally, leaks from a major Wall Street bank suggest that Morgan Stanley may soon authorize its 15,000 brokers to recommend newly approved spot bitcoin exchange-traded funds (ETFs), potentially reshaping the landscape of cryptocurrency investment.
- Reports indicate that Morgan Stanley is considering granting its clients access to spot bitcoin ETFs, subject to carefully crafted risk management protocols.

- While customers currently need to initiate discussions with their advisors regarding bitcoin ETFs, the proposed move by Morgan Stanley could democratize access to cryptocurrency investments, albeit with stringent risk tolerance and allocation limits.
- The anticipation surrounding the introduction of spot bitcoin ETFs has fueled pent-up demand, exemplified by the rapid accumulation of assets in funds like BlackRock's IBIT, which garnered \$15 billion within three months of its launch. The prospect of Morgan Stanley becoming the first wirehouse to fully endorse bitcoin ETFs has further heightened excitement within the cryptocurrency community, with predictions of an impending surge in retail and institutional investment.
- Moreover, the recent supply cut resulting from bitcoin's fourth halving event coincides with heightened institutional interest, exacerbating the supply-demand imbalance. Institutions have accumulated substantial bitcoin holdings, while the reduction in daily mining output underscores the scarcity of the asset. Analysts anticipate that sustained interest in bitcoin ETFs, coupled with reduced supply, could catalyze a resurgence in retail investment and drive further price appreciation.
- As Wall Street continues to navigate the evolving landscape of cryptocurrency investments, the potential endorsement of bitcoin ETFs by major financial institutions like Morgan Stanley marks a significant milestone in the mainstream adoption of digital assets. However, the implications of these developments remain subject to ongoing regulatory scrutiny and market dynamics, shaping the future trajectory of bitcoin and the broader cryptocurrency market.



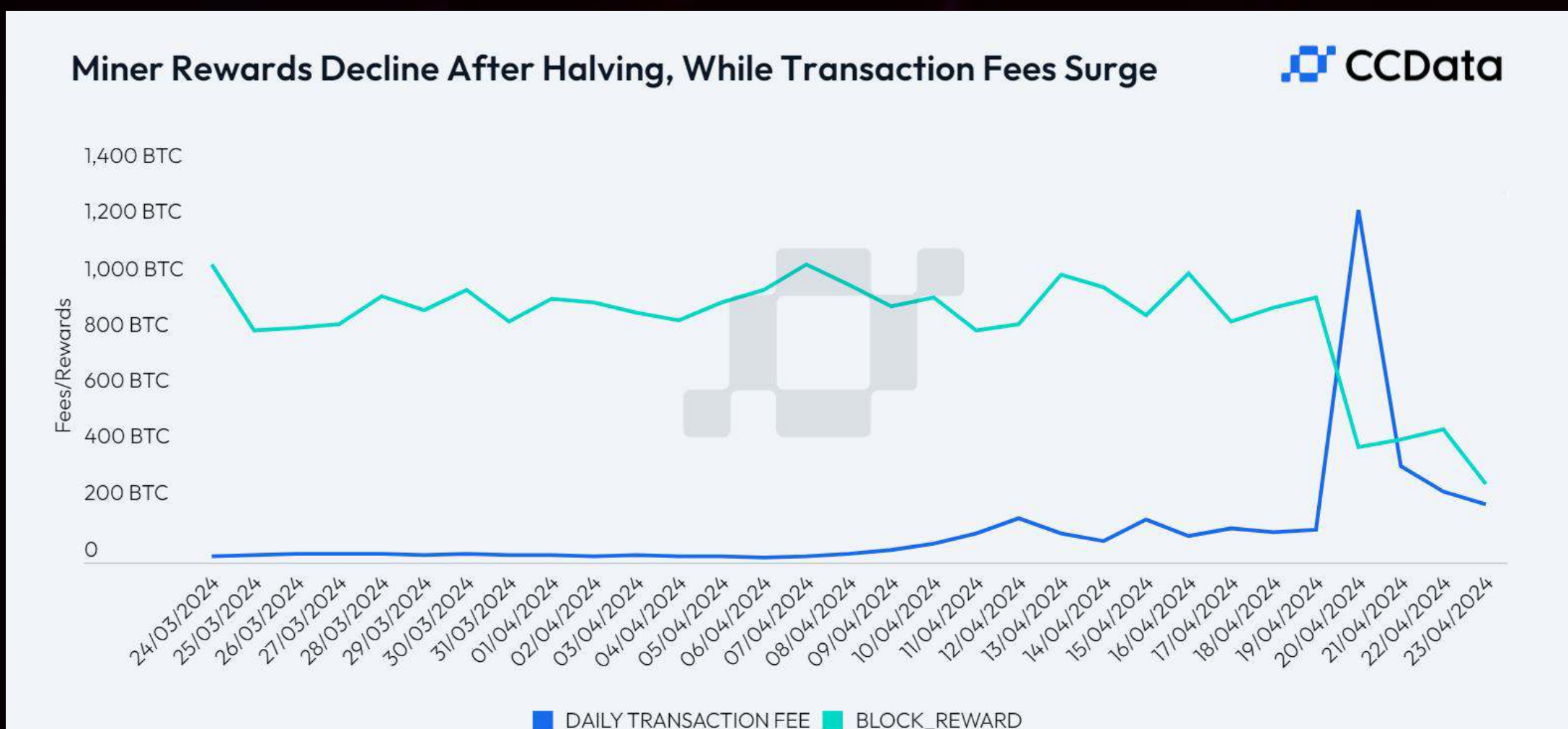


- **Crypto Tax Crackdown: IRS Unveils New Form and Reporting Rules**

- The IRS tightens its grip on cryptocurrency with a new Form 1099-DA and stricter reporting requirements for brokers and real estate agents dealing in digital assets.
- The IRS has taken steps to enhance crypto tax reporting by introducing a draft of Form 1099-DA, Digital Asset Proceeds From Broker Transaction, alongside proposed regulations aimed at strengthening reporting requirements for digital asset transactions. This form represents a significant development in the IRS's efforts to monitor and regulate the crypto space, following the proposed regulations published last year.
- Under the proposed regulations, brokers, including digital asset trading platforms and payment processors, would be mandated to report customers' sales and exchanges of digital assets to the IRS using Form 1099-DA. The regulations outline requirements for reporting transactions occurring on or after January 1, 2025, with additional provisions for including gain or loss and basis information starting from January 1, 2026.

- Moreover, the proposed regulations extend reporting obligations to real estate reporting persons involved in transactions utilizing digital assets as consideration. These entities are required to report the disposition of digital assets in real estate transactions closing on or after January 1, 2025, further expanding the scope of crypto tax reporting.
- Form 1099-DA instructions clarify that receiving the form indicates involvement in digital asset transactions, prompting individuals to disclose these activities on Form 1040. The IRS defines digital assets broadly, encompassing cryptocurrencies, non-fungible tokens (NFTs), and other digital representations of value recorded on distributed ledgers.
- The form's reporting requirements mirror those of traditional brokerage statements, detailing the types and amounts of digital assets transacted, along with any associated withholding. Notably, brokers are tasked with identifying their role in the transaction, distinguishing between hosted and unhosted wallets, with implications for controlling keys and potential anonymity.
- Additionally, Form 1099-DA includes provisions for reporting wash sales loss disallowed, a notable inclusion given the absence of current regulations applying wash sale rules to crypto. The form also addresses cost basis reporting and mandates disclosure of transaction IDs or hashes for transactions recorded on distributed ledgers, providing a comprehensive record of digital asset activities.

CHARTS



- The Bitcoin halving that occurred recently and its effect on daily miner revenue are highlighted in this week's Chart of the Week. Bitcoin halvings decrease mining block rewards by half, from 6.25 BTC to 3.125 BTC, approximately every four years or every 210,000 blocks. If transaction fees and the fundamental price of Bitcoin stay the same, miners may see a decline in income as a result of this change.
- With the increasing demand for Bitcoin block space, transaction fees are projected to become more relevant for miners, even though historically rising Bitcoin prices have mitigated the impact of decreasing BTC issuance. Daily transaction fees skyrocketed to 1,257 BTC shortly after the last halving, a sharp 1,336% rise over the average daily charge of 88 BTC since August. The increased curiosity in Bitcoin Ordinals and Runes was the main factor behind this.
- To put things in perspective, since August 2023, there have only been 24 days out of 267 on which the daily mining revenue from block rewards has been less than 80% of the overall daily revenue. On the day of the halving, when BTC daily transaction fees increased to 1,257 BTC yet daily block rewards were only 409 BTC, the lowest proportion ever recorded was 24.56%.

Is gold still a haven amid geopolitical tensions?

Short-term impact of various geopolitical events on gold prices

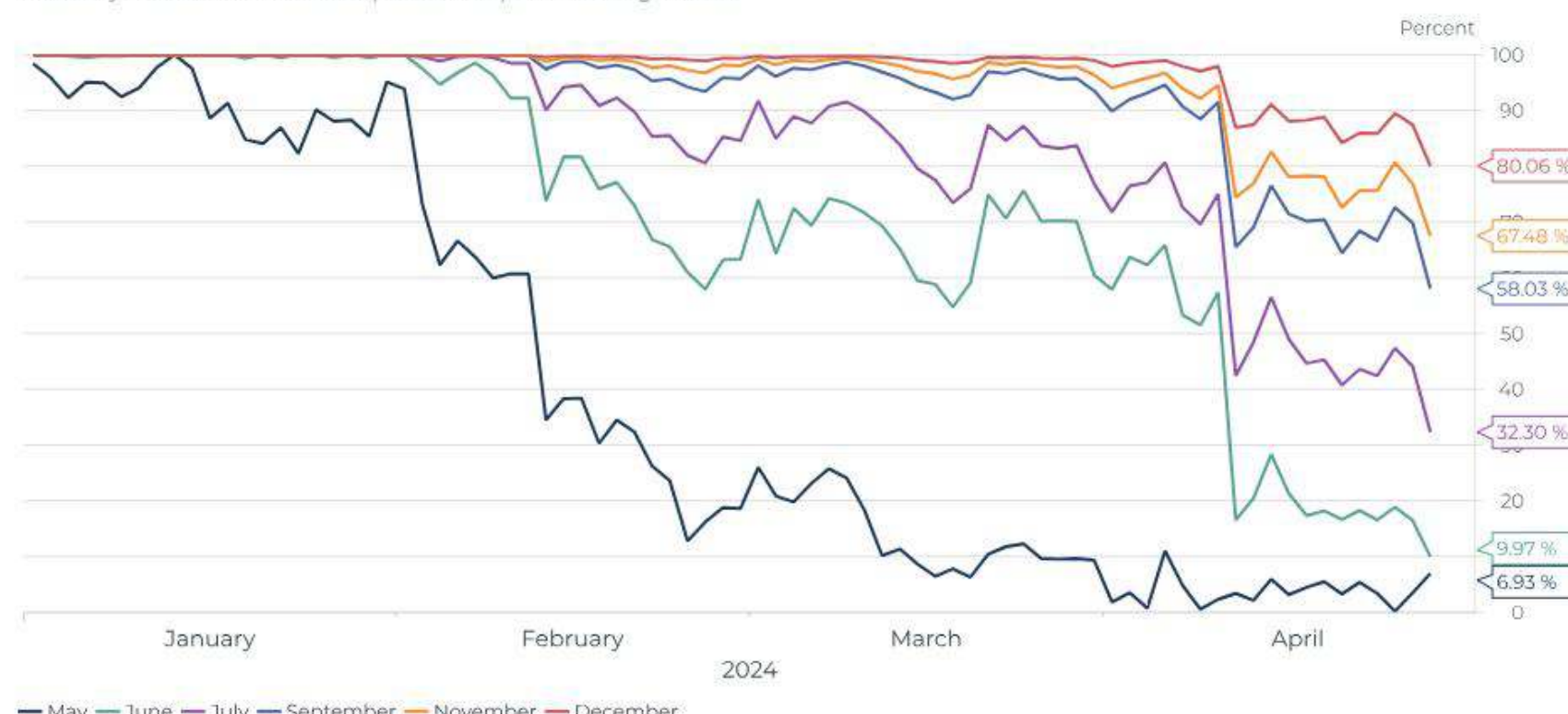


- Geopolitical concerns continue to have an impact on economies and financial markets, despite promises of averting a worldwide recession. Because of this, safe-haven investments like gold are in high demand.
- The reaction of gold prices in the months after big geopolitical developments has analyzed. For instance, gold prices have not demonstrated a steady pattern following the recent episode in which Iran attacked Israel.
- However, gold prices have usually increased since the Hamas strike in October 2023. Geopolitical unrest is probably going to keep driving up demand for gold as a secure investment.

Diminishing expectations for Fed rate cuts

United States: Cut probability for the Fed meetings 2024

Probability that the first cut has taken place at the specific meeting or earlier

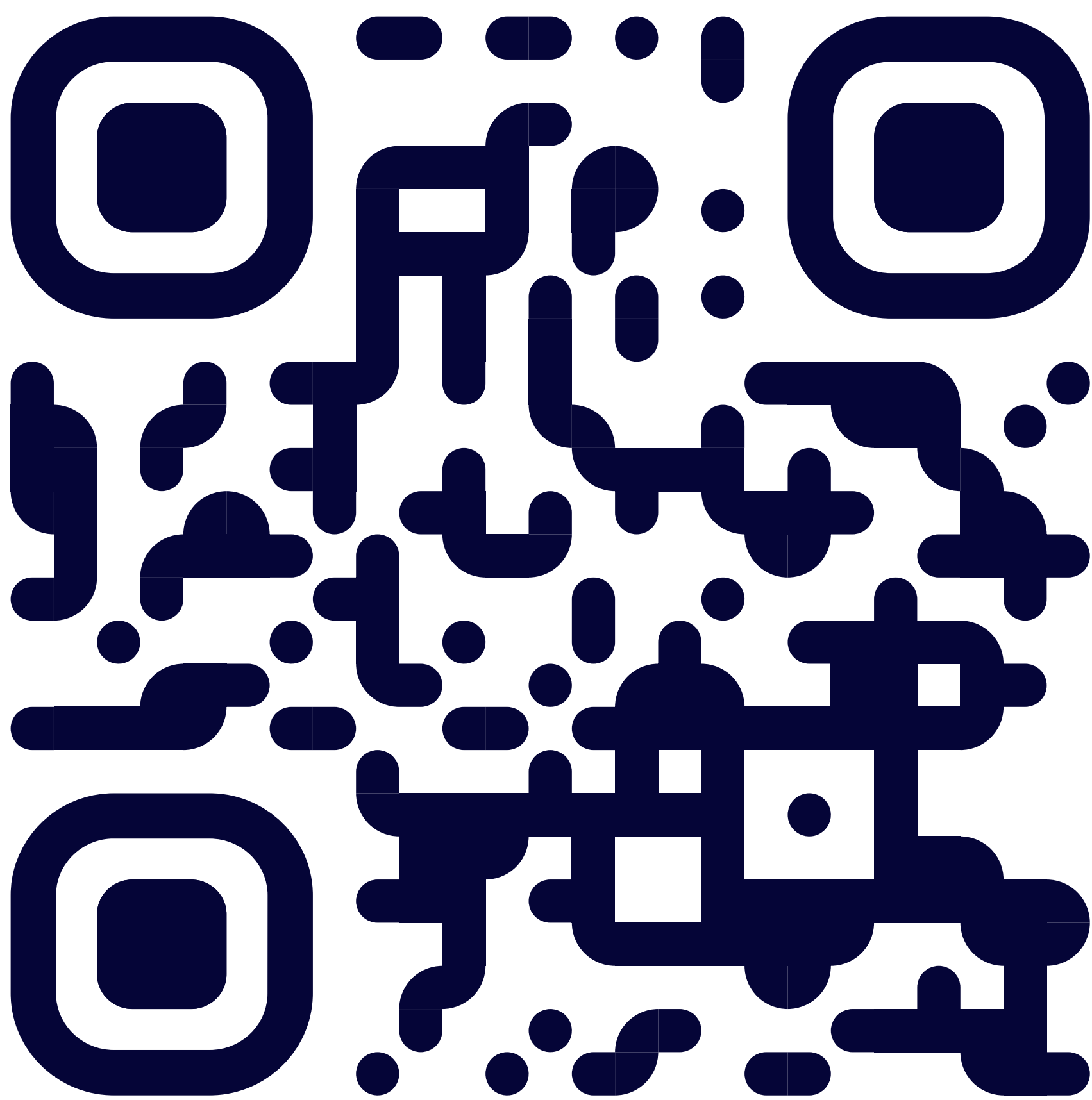


- Any reservations about the Federal Reserve reducing rates soon were removed earlier this month with the revelation of "unexpectedly hot" CPI statistics. The market has given up on a rate cut at the upcoming FOMC meeting in May, according to chart, and the likelihood of one in June is likewise low, at about 20%.
- The three rate cuts that were initially anticipated, beginning in March of 2024, have not happened, and as a result, short-term market expectations are becoming progressively more negative. There is currently a less than 50% chance of a rate cut by the end of the first half of the year. A fall haircut still seems likely, though.

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