

WEEKLY NEWSLETTER

AI Meets Blockchain: The Rise of Decentralized Intelligence

Discover The Unknown Depth of
Financial Markets

13
Monday
May
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	0.0032	0.21%	-1.35%	3.21%	2.63%	18.69%	1.51028 —●— 1.516		1.44949
British Pound	-0.000013	-0.00%	0.11%	1.76%	0.79%	12.79%	0.7974 —●— 0.79979		0.7608
Canadian Dollar	-0.00061	-0.04%	-0.06%	3.22%	2.18%	13.02%	1.363 —●— 1.36903		1.309
Chinese Renminbi ("Yuan")	0.01	0.18%	-0.29%	1.52%	4.22%	12.64%	7.21997 —●— 7.23453		6.954
Euro	0.0009	0.10%	-0.25%	2.49%	-1.96%	12.71%	0.92684 —●— 0.92925		0.88692
Japanese Yen	0.36	0.23%	1.84%	10.42%	16.07%	43.12%	155.36 —●— 155.904		135.58
Swiss Franc	0.00034	0.04%	-0.71%	7.69%	-1.74%	0.64%	0.90559 —●— 0.90852		0.8354

- The British Pound (GBP) faced a choppy week of trading against the US Dollar (USD), struggling to maintain gains from previous weeks. GBP/USD fluctuated throughout the week and managed to recover some ground lost earlier, approaching the key 200-day SMA around 1.2540 by Friday. This volatility mirrored the uncertain movements in the Greenback as investors digested the Federal Reserve's dovish stance from its May 1 meeting and subsequent comments from Fed officials, who remained cautious about the prospect of interest rate cuts.
- The highlight of the week was the Bank of England (BoE) monetary policy meeting, where the Monetary Policy Committee (MPC) voted 7-2 to keep rates unchanged. Despite maintaining rates, the BoE adjusted its inflation projections and emphasized that future rate decisions would depend on incoming data. Governor Bailey indicated a preference for lowering rates in the coming quarters and highlighted recent inflation developments. Chief Economist Huw Pill suggested that MPC members were increasingly confident about potential rate cuts but awaited further evidence to support their decision.
- Market sentiment appears to be pricing in the possibility of the BoE starting an easing cycle in August, with the potential for a move in June still on the table. Positive results from the UK economic calendar on Friday, including better-than-expected GDP readings, Balance of Trade figures, and Industrial and Manufacturing Production data, further buoyed the mood surrounding the Pound. These developments contributed to the overall sentiment surrounding GBP/USD throughout the week.

Energy

Name	1 Month	YTD	1 Year	3 Years	Day Range	< >
Oil	-8.27%	12.98%	16.94%	69.29%	75.24 ● 76.83	60.02 ▬
Brent Oil	-7.45%	12.89%	19.82%	77.49%	30.79 ● 31.41	24.19 ▬
Natural Gas	5.42%	-18.54%	-35.47%	-60.67%	16.46 ● 16.82	13.87 ▬
Gasoline	-8.84%	9.36%	14.92%	95.24%	66.23 ● 67.63	56.17 ▬

- Oil prices experienced a decline of nearly \$1 a barrel on Friday, primarily influenced by comments from U.S. central bank officials suggesting the likelihood of higher interest rates persisting. Brent crude futures settled at \$82.79 a barrel, down \$1.09, while U.S. West Texas Intermediate crude settled at \$78.26 a barrel, down \$1.00. Despite some fluctuations throughout the week, Brent recorded a slight 0.2% loss, while WTI saw a marginal rise of 0.2%.
- Dallas Federal Reserve President Lorie Logan expressed uncertainty regarding whether current monetary policy measures were sufficiently tight to bring down inflation to the central bank's 2% target. This sentiment, along with similar remarks from Atlanta Fed President Raphael Bostic, suggested that inflation might slow under the existing monetary policy framework, potentially allowing for a reduction in the policy rate in 2024. However, any rate cuts might be modest, with the possibility of implementation only towards the end of the year.
- The comments from Fed officials contributed to a strengthening of the U.S. dollar, making dollar-denominated commodities like oil more expensive for buyers using other currencies. This, coupled with the anticipation of higher interest rates, could dampen demand for oil. Additionally, rising U.S. fuel inventories ahead of the typically robust summer driving season added further pressure on oil prices. With these factors in play, some analysts anticipate a bearish demand adjustment in response to weakening demand trends for U.S. gasoline and diesel.

Metals

Name	1 Month	YTD	1 Year	3 Years	Day Range	< >
Palladium	-6.15%	-10.37%	-38.92%	-67.30%	89.73 —●— 92.01	78.50 —
Gold	1.44%	14.41%	15.87%	27.08%	218.08 —●— 219.60	168.30 —
Platinum	3.14%	0.47%	-11.23%	-21.83%	90.61 —●— 91.75	77.68 —
Silver	1.26%	18.32%	10.55%	1.66%	25.62 —●— 26.05	18.97 —

- Gold prices (XAU/USD) experienced a week of mixed movement, with the precious metal struggling for direction before rallying towards the end of the week. Initially, XAU/USD traded within a range of \$2,300 to \$2,330, lacking clear momentum. However, a surge occurred on Thursday as market sentiment shifted due to renewed hopes of Federal Reserve (Fed) rate cuts. Investors turned away from the US Dollar (USD), boosting demand for safe-haven assets like gold.
- The week saw notable events from central banks, particularly the Reserve Bank of Australia (RBA) and the Bank of England (BoE). The RBA maintained its Official Cash Rate (OCR) at a twelve-year high of 4.35%, with Governor Michele Bullock reiterating readiness to act if stubbornly high inflation persists. Meanwhile, the BoE kept its benchmark interest rate steady at 5.25% but surprised markets with higher growth forecasts and lower inflation projections. Governor Andrew Bailey even hinted at potential sharper rate cuts than market expectations.
- Thursday's release of US Initial Jobless Claims for the week ending May 3 shifted market sentiment dramatically. The data showed a loosening labor market, with seasonally adjusted Initial Jobless Claims reaching the highest level since November 2023 at 231K. This prompted investors to speculate on Fed rate cuts, leading to a decline in the USD and a subsequent rise in gold prices.



Analytics

- **Big Tech's AI Boom Sparks Power Surge: Can Renewables Keep Up?**

- Tech giants' massive AI investments fuel data center growth, raising concerns about energy consumption and prompting a scramble for clean energy solutions.
- Big tech's insatiable appetite for computing power, primarily driven by the burgeoning demand for artificial intelligence (AI) workloads, is propelling massive investments in data centers. Alphabet (Google's parent company), Amazon, Microsoft, and Meta collectively poured \$40 billion into data center infrastructure in the first quarter of the year, with Meta projecting capital expenditures of up to \$40 billion for AI-related projects alone. This level of investment rivals that of major players in the energy sector like Saudi Aramco. The comparison is apt not just due to the financial outlay but also because AI's voracious appetite for processing power translates into immense electricity consumption.
- The data-driven AI revolution has spurred a surge in energy consumption by tech giants, with projections indicating a doubling of electricity consumption by data centers by 2026 compared to 2022 levels. This exponential growth poses significant challenges for the energy industry, requiring substantial investments in grid infrastructure to meet the escalating demand for clean energy. However, risk-averse utilities, constrained by financial limitations and regulatory scrutiny, face hurdles in expanding grid capacity.

- In response to the escalating energy demands of big tech, industry leaders are taking proactive steps towards decarbonization. Tech giants are spearheading green energy initiatives, investing in renewable energy projects to power their operations. Microsoft recently announced a partnership with Brookfield to develop renewable energy capacity, aiming to achieve 100% reliance on zero-carbon energy sources by 2030. Additionally, tech firms are exploring innovative solutions to optimize energy consumption, such as microgrids and advanced software, to enable more flexible data processing.
- Renewable energy isn't the sole focus of big tech's energy initiatives; nuclear power, geothermal energy, and innovative technologies like small modular reactors are also under consideration. For instance, Google is pioneering enhanced geothermal power generation in collaboration with startups like Fervo, while Microsoft is exploring nuclear power as a reliable energy source. Collaborative efforts with industries like steel production are also underway to aggregate demand for clean energy and drive innovation in long-duration energy storage and clean hydrogen production.
- Some of the boldest energy initiatives in the AI industry come from figures like Sam Altman, CEO of OpenAI, who is investing in nuclear fusion, solar modules with integrated storage, and nuclear micro-reactors to power AI server farms. These ambitious endeavors underscore the tech industry's commitment to addressing the energy challenges posed by AI's rapid expansion. Despite the speculative nature of these ventures, they represent the same innovative spirit that once fueled skepticism about AI's potential, which has since been unequivocally demonstrated.





- **Saudi AI Fund Courts US: Open to Divesting from China**

- New Saudi AI firm Alat reassures US of its loyalty, willing to cut ties with China if needed.
- The establishment of a new state-backed Saudi Arabian fund focused on semiconductor and AI technology has raised eyebrows regarding potential partnerships with China. However, Alat CEO Amit Midha has assured that the firm is committed to prioritizing its relationship with the United States. Backed by a significant capital injection from Saudi Arabia's Public Investment Fund, Alat is willing to divest from China if requested by Washington to do so. Midha emphasized that the US market is their primary focus and that they are open to deeper partnerships with US companies.
- The US has been engaging in discussions with Saudi Arabia to ensure that its substantial investment in AI does not inadvertently strengthen China's technological capabilities, which have been viewed as a national security concern by US officials. Saudi Arabia's efforts to become a major hub in the AI industry, including its investments in Alat and collaborations with Silicon Valley players, have attracted attention. However, concerns have been raised about potential Middle Eastern connections facilitating China's access to advanced technology, thereby circumventing US sanctions.

- In response to these concerns, Alat is positioning itself as a supportive partner for the US in building essential AI infrastructure. Midha underscored the firm's commitment to the US by highlighting planned partnerships with US tech companies and co-investments with US funds. While specific details about these partnerships were not disclosed, Midha expressed confidence in the value that Alat can bring to the US market and its potential to contribute meaningfully to AI development.
- Overall, the statement from Alat's CEO reflects the complexities surrounding international partnerships in the technology sector, particularly amidst geopolitical tensions between major powers like the US and China. As Saudi Arabia navigates its role in the global AI landscape, its alignment with US interests could shape its future trajectory in this critical industry.

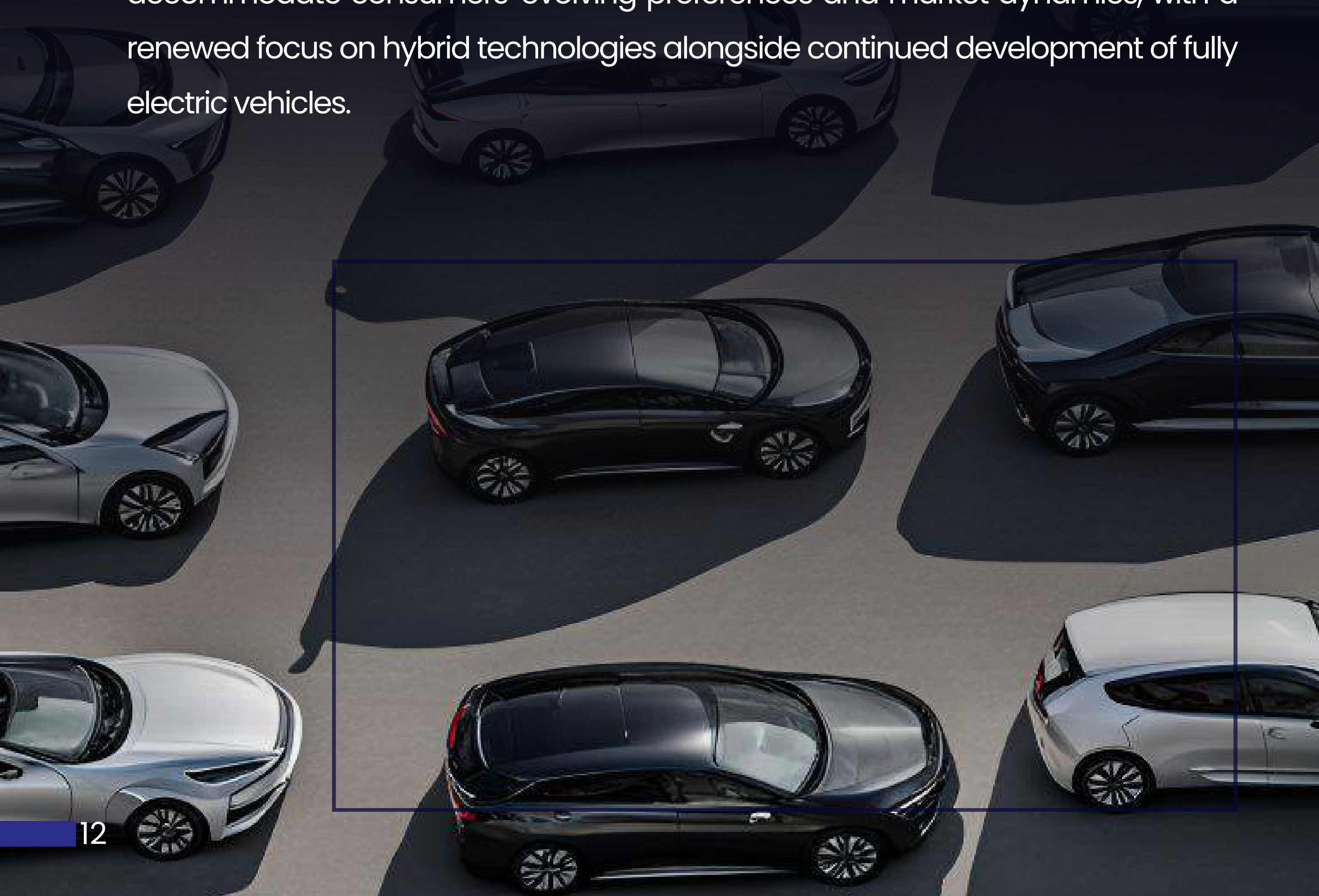




• **Hybrids Roar Back: Carmakers Shift Gears as Electric Car Sales Stall**

- Consumers pump the brakes on electric cars, forcing manufacturers to focus on hybrids again. But is this a detour or a U-turn on the road to electrification?
- Global carmakers are adjusting their investment strategies to focus more on hybrid technologies due to consumers' hesitancy toward fully electric vehicles and concerns about charging infrastructure. Executives from major automakers such as General Motors, Nissan, Hyundai, Volkswagen, and Ford emphasized the need to prioritize hybrid vehicles during the Financial Times' Future of the Car Summit.
- Mark Reuss, President of General Motors, highlighted the importance of investing heavily in plug-in hybrids, emphasizing the need for agility and leveraging technical capabilities. Similarly, José Muñoz, Global President of Hyundai, noted the shift in consumer preferences towards hybrids and stated that electric vehicles remain the future but a longer transition period is now evident.

- The growth of electric car sales slowed in the US and Europe last year, leading to discounts by carmakers. Concerns have arisen regarding potential government policy changes regarding the transition away from petrol-based cars. Ford's European boss, Martin Sander, emphasized the importance of flexibility in business models to address shifts in demand and indicated that hybrid models may continue to be sold into the next decade.
- General Motors, after largely eliminating plug-in hybrids from its range, announced plans to reintroduce the technology in January. This shift in consumer behavior coincides with increasing competition from Chinese manufacturers offering cheaper electric vehicles in their domestic market and Europe.
- To remain competitive in China's automotive market, carmakers like Peugeot need to remain agile and avoid price wars. The threat from Chinese companies has led to a heightened focus on hybrids, which typically offer higher profit margins compared to fully electric vehicles.
- Despite the emphasis on hybrids, the majority of the industry still views developing profitable fully electric cars as a crucial long-term goal. Toyota, a leader in hybrid technology, plans to increase spending on new technologies following record profits driven by hybrid sales.
- In summary, the automotive industry is adapting its investment strategies to accommodate consumers' evolving preferences and market dynamics, with a renewed focus on hybrid technologies alongside continued development of fully electric vehicles.



A young boy with dark skin and short hair, wearing a white polo shirt, sits in the center of the frame. He is surrounded by a vast sea of US dollar bills, including \$100 and \$20 bills, which are scattered around him. The background is a dense field of these bills, creating a textured, greenish-gold background. The boy has a serious, contemplative expression, looking directly at the camera. A white box with a thin border is positioned in the upper left quadrant, containing the word 'Financial' in a bold, white, sans-serif font. A white line with a dot at the end extends from the top of the page down to the box.

Financial

- **Surprise! Poorest Countries' Bonds Top Performers**

- Emerging market bonds, especially from resource-rich nations, outperform despite high US borrowing costs and global economic concerns.
- The sovereign debt market has seen an unexpected turn of events this year, with bonds issued by some of the world's poorest countries emerging as the top performers despite the backdrop of high US borrowing costs. These bonds, primarily denominated in foreign currencies like the dollar and carrying ratings below triple B, have delivered a robust 4.9% total return for investors, contrasting sharply with the 3.3% loss observed in a US Treasury bond index.
- The surprising resilience of the global economy has played a pivotal role in bolstering the performance of emerging market sovereign bonds. Additionally, higher commodity prices have provided a boon to countries like Nigeria, Angola, and Zambia, which rely heavily on exports of oil and copper. Moreover, countries facing debt distress or default, such as Sri Lanka and Zambia, have received support from international lenders like the IMF, further contributing to the positive sentiment surrounding emerging market debt.

- Despite the usual concerns associated with higher bond yields in the US and Europe, which typically lead to capital outflows from emerging markets, the tide may be turning. While investors have withdrawn close to \$12 billion from emerging market debt funds this year, there are indications that these outflows could reverse, especially if the outlook for US corporates deteriorates.
- Domestic reforms and restructuring efforts in several emerging market countries have also bolstered investor confidence. For instance, Argentina's bonds have seen a remarkable 39% gain this year following radical austerity measures and deregulation initiatives. Similarly, bonds from Sri Lanka, Ghana, and Zambia have delivered double-digit returns as they progress through restructuring processes.
- Support from international organizations like the IMF has been instrumental in reducing the likelihood of sovereign debt defaults. Increased bailout packages for countries like Egypt and Pakistan, coupled with investments from countries like the United Arab Emirates, have helped stabilize vulnerable economies. Furthermore, access to international markets has improved for frontier economies, with countries like the Ivory Coast, Kenya, Benin, and El Salvador successfully tapping into international capital markets.
- While local currency emerging market bonds have faced challenges, particularly due to the strength of the US dollar, the sell-off has been relatively contained. Despite poorer returns in dollar terms, investors in Europe and Japan remain optimistic about the prospects of emerging market debt.





• **Gold Glimmer Fades: Prices Poised for Pullback as Fed Rate Cuts Remain Uncertain**

- Despite a strong start to the year, gold prices could face a correction in the coming months as the Federal Reserve delays rate cuts. Central bank buying remains a bright spot, but ETF outflows suggest softening investor sentiment.
- Gold prices surged to an all-time high above \$2,400/oz in April, driven by strong demand from central banks and geopolitical tensions. Despite expectations for Federal Reserve rate cuts being pushed back, gold has climbed more than 12% so far this year, demonstrating its resilience.
- The outlook for gold prices remains closely tied to Federal Reserve policy. While the Fed is expected to cut rates this year, it has emphasized the need to see more evidence of inflation easing first. The upcoming inflation data will provide further insights into the US economy, influencing the Fed's decision-making process. Our US economist predicts the first rate cut in September, followed by cuts in November and December.

- However, if the Fed maintains its cautious approach to easing, gold prices may face a pullback. Volatility is expected to persist in the coming months as the market reacts to macroeconomic drivers, including geopolitical events and Fed rate policy.
- Central banks have been significant buyers of gold, with demand posting its strongest start to any year on record in the first quarter. China's central bank, in particular, has been actively expanding its gold reserves, adding 27 tonnes in the first quarter and continuing to accumulate in April. However, the pace of buying slowed last month due to record high gold prices.
- On the other hand, physically backed gold exchange-traded funds (ETFs) have experienced outflows for much of 2024, despite gold prices reaching new highs. Global gold ETF holdings fell to their lowest level since February 2020 by the end of April, with Europe continuing to register outflows.
- Overall, we anticipate gold prices to moderate slightly in the second quarter as the Fed maintains a cautious stance and geopolitical factors are already factored into current prices. We forecast prices to average \$2,250/oz in the second quarter and \$2,218/oz for the year 2024. Prices are expected to peak in the fourth quarter, averaging \$2,300/oz, assuming the Fed begins rate cuts in the second half of the year and the dollar and yields weaken.

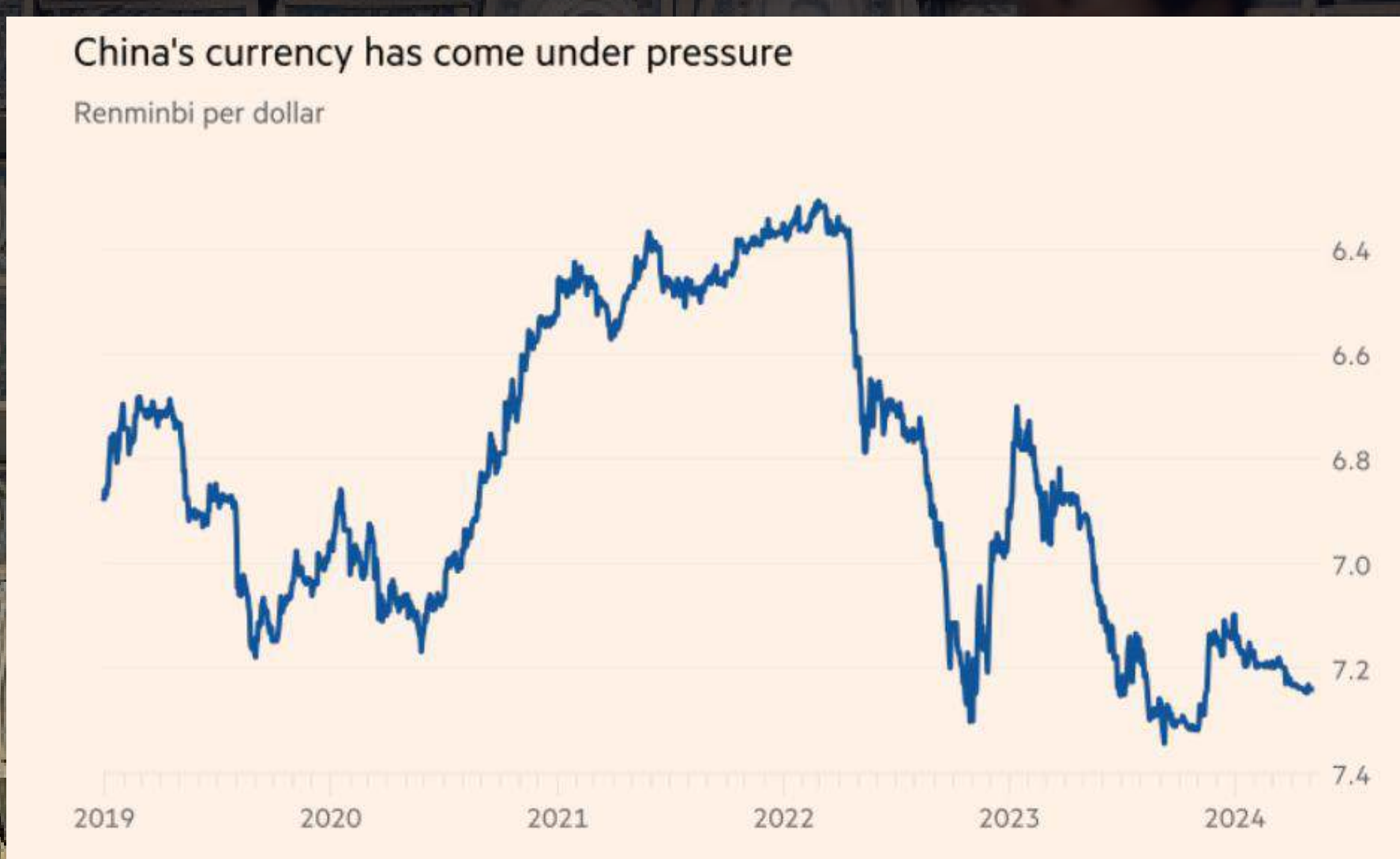


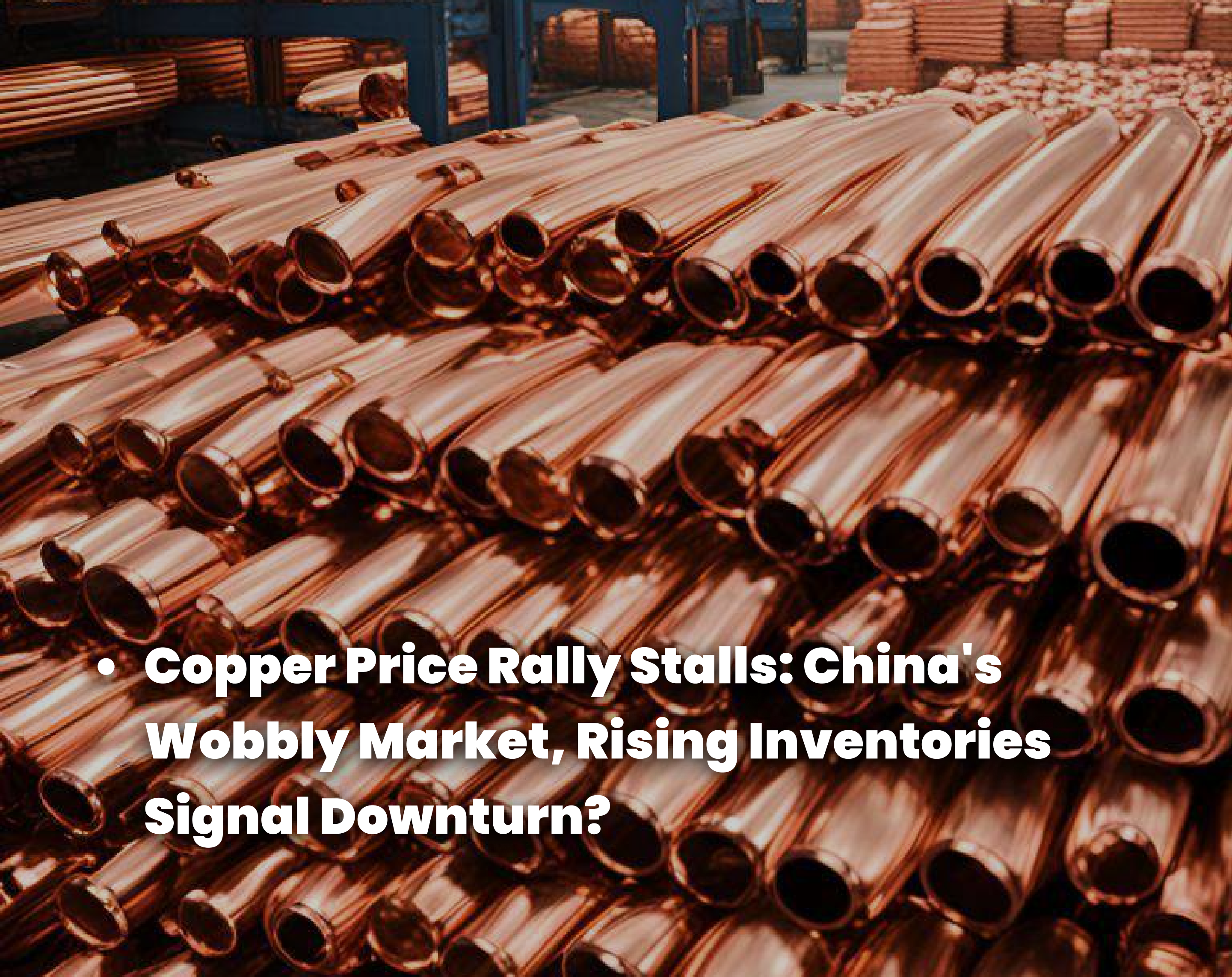


- **China's Currency: Devaluation Talk Overblown Despite Trade Surplus**

- China's strong trade surplus suggests renminbi devaluation is unlikely, with targeted stimulus and controlled easing a better course for a slowing economy.
- Recent speculation about a significant devaluation of the renminbi seems unlikely given China's substantial manufacturing trade surplus and balance of payments surplus, which may be understated. While Japan has a larger surplus, the yen has experienced a deep slump, suggesting China could follow suit. Factors contributing to this include the persistent decline in interest rates towards zero, domestic economic conditions, and policy challenges.
- However, there's little benefit from a policy-induced or accidental depreciation of the renminbi, which could have far-reaching economic and political consequences. With China's strong external trade position, there's no case for boosting exports, and it could hinder efforts to strengthen domestic consumer demand. Instead, targeted fiscal support for households, financed by withdrawing support from companies and state entities, could be more beneficial.

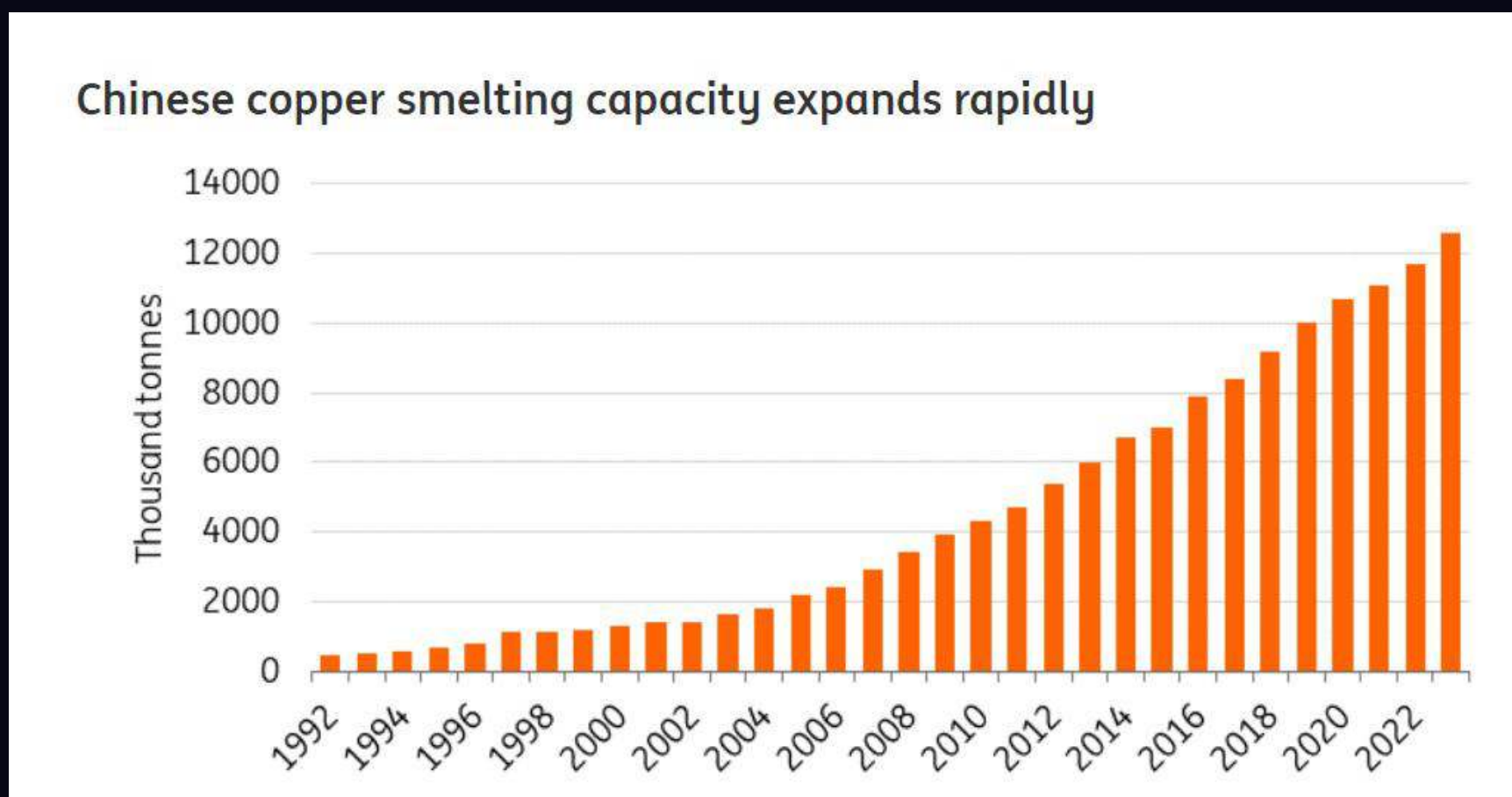
- Monetary easing and a weaker renminbi could exacerbate China's financial imbalances and trade frictions, leading to hostile reactions from the US and EU. Memories of the 2015 financial chaos caused by mishandled renminbi adjustment are still fresh, and China's leaders may be wary of disruptive repercussions from a currency depreciation shock.
- Despite plans to ease monetary policy, China faces challenges as interest rates approach zero and inflation remains subdued. Real borrowing rates for companies and households have tightened, posing constraints on private firms and the economy. China's move towards a harder currency peg and intervention to support the renminbi may continue, but reductions in interest rates are expected in the face of softening domestic demand and potential deflationary pressures.
- Loose financial conditions and weak investment returns could exacerbate capital outflows despite controls, leading to a weaker renminbi. The expansion of liquidity in the financial system may strain currency reserves' capacity to maintain a relatively fixed currency, eventually leading to currency depreciation. Therefore, the renminbi's weakness may become more likely as China grapples with its monetary policy challenges and evolving economic conditions.



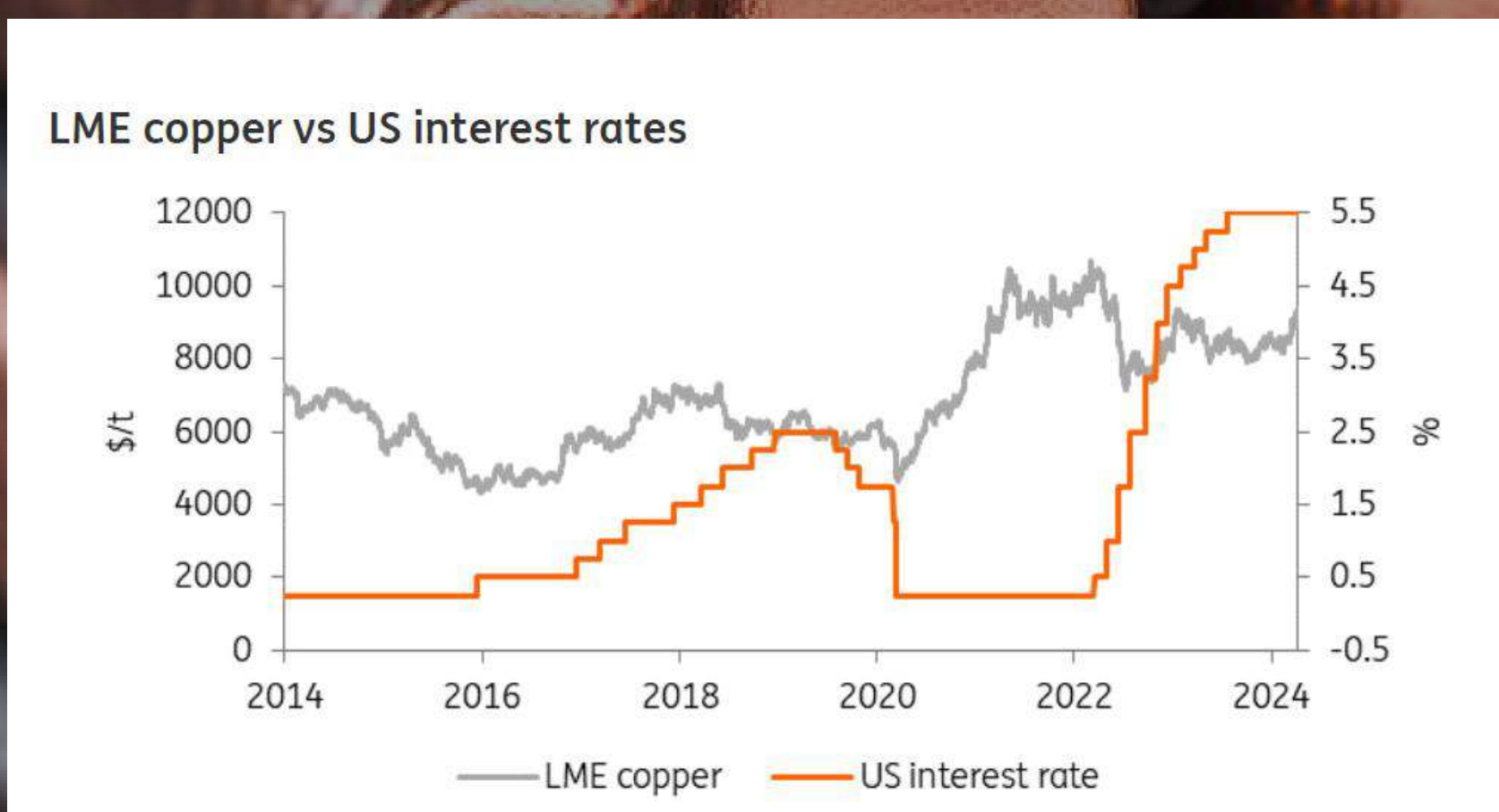


- **Copper Price Rally Stalls: China's Wobbly Market, Rising Inventories Signal Downturn?**

- Copper prices hit a two-year high, but concerns about China's property market, high inventories, and a strong dollar could trigger a correction.
- Copper prices have recently reached a two-year high, driven by concerns over tightness in global mine supply and increased demand from the green energy sector. However, there are indicators suggesting that copper prices may undergo a downward correction in the short term unless certain factors intervene.
- One factor affecting copper prices is the state of China's property market, which continues to struggle. While manufacturing activity in China has remained steady, the housing sector has been declining, with housing completions down more than 20% year-on-year. This trend indicates slowing demand for copper, as housing completions are a significant driver of copper usage.



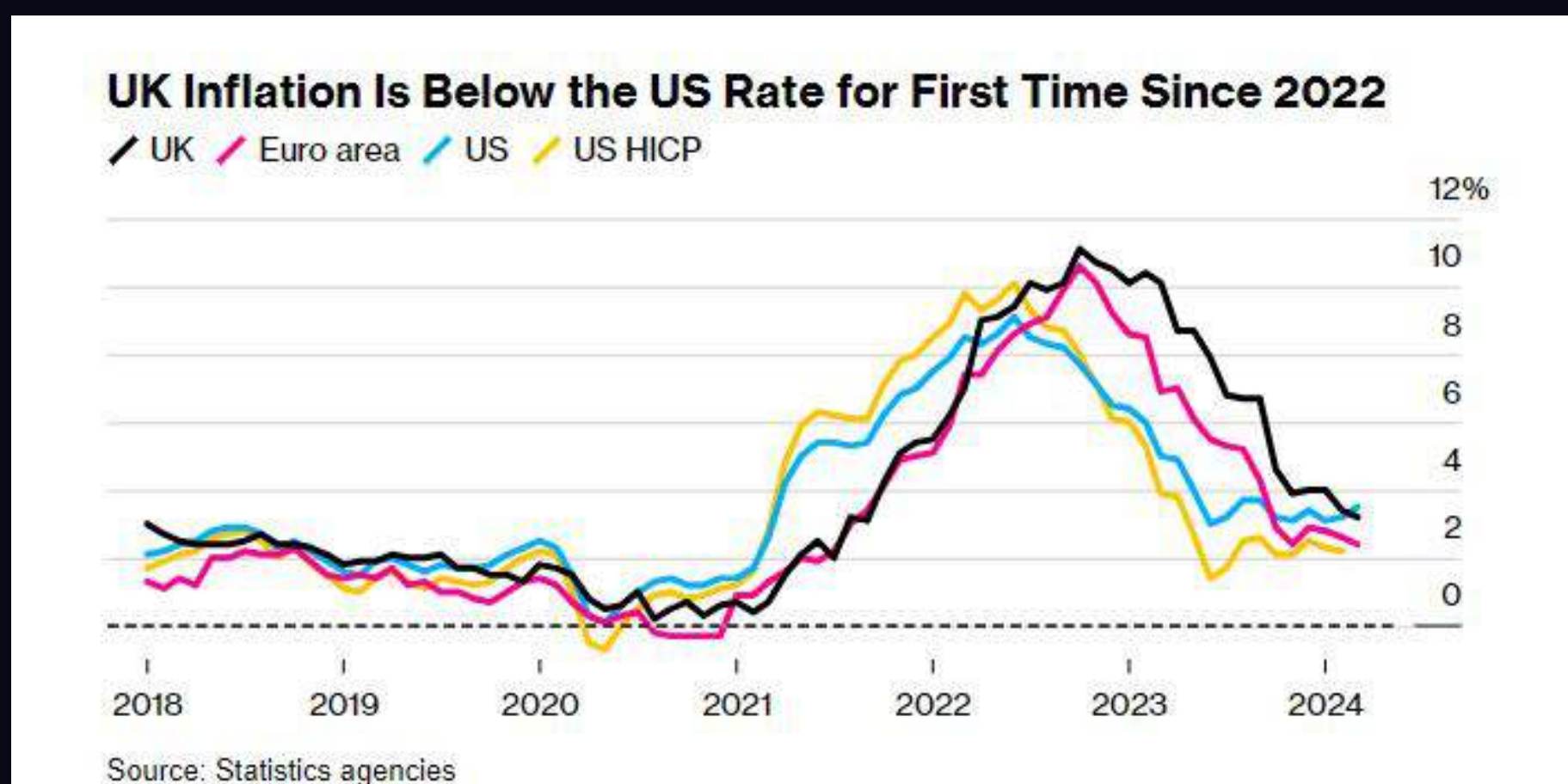
- Additionally, copper inventories in China are currently elevated, reaching a four-year high in SHFE warehouses. Despite the second quarter traditionally being strong for copper demand, inventories have increased due to sluggish domestic demand and high refined copper output. Smelters have responded by exporting more refined copper to China-bonded zones and LME warehouses.
- Moreover, China's refined copper output is heading for a record, driven by the country's strategic focus on green energy. Last year, China's production of refined copper surged, indicating sustained demand for the metal.
- Another factor impacting copper prices is the premium on imported copper in China, which recently slumped to zero for the first time in several years. This decrease is attributed to rising international copper prices, which deter buyers and reflect reduced Chinese buying appetite.
- Outside of China, US monetary policy also influences copper prices, with higher rates and a stronger dollar historically dragging down industrial metals. If US Fed rate cut expectations are pushed back, it could lead to a stronger dollar and weaker investor sentiment, resulting in lower copper prices.
- In conclusion, while copper prices have reached highs due to supply concerns and increased green energy demand, various factors suggest a potential downward correction in the short term, unless sustained stimulus measures are implemented in China or significant output adjustments occur.



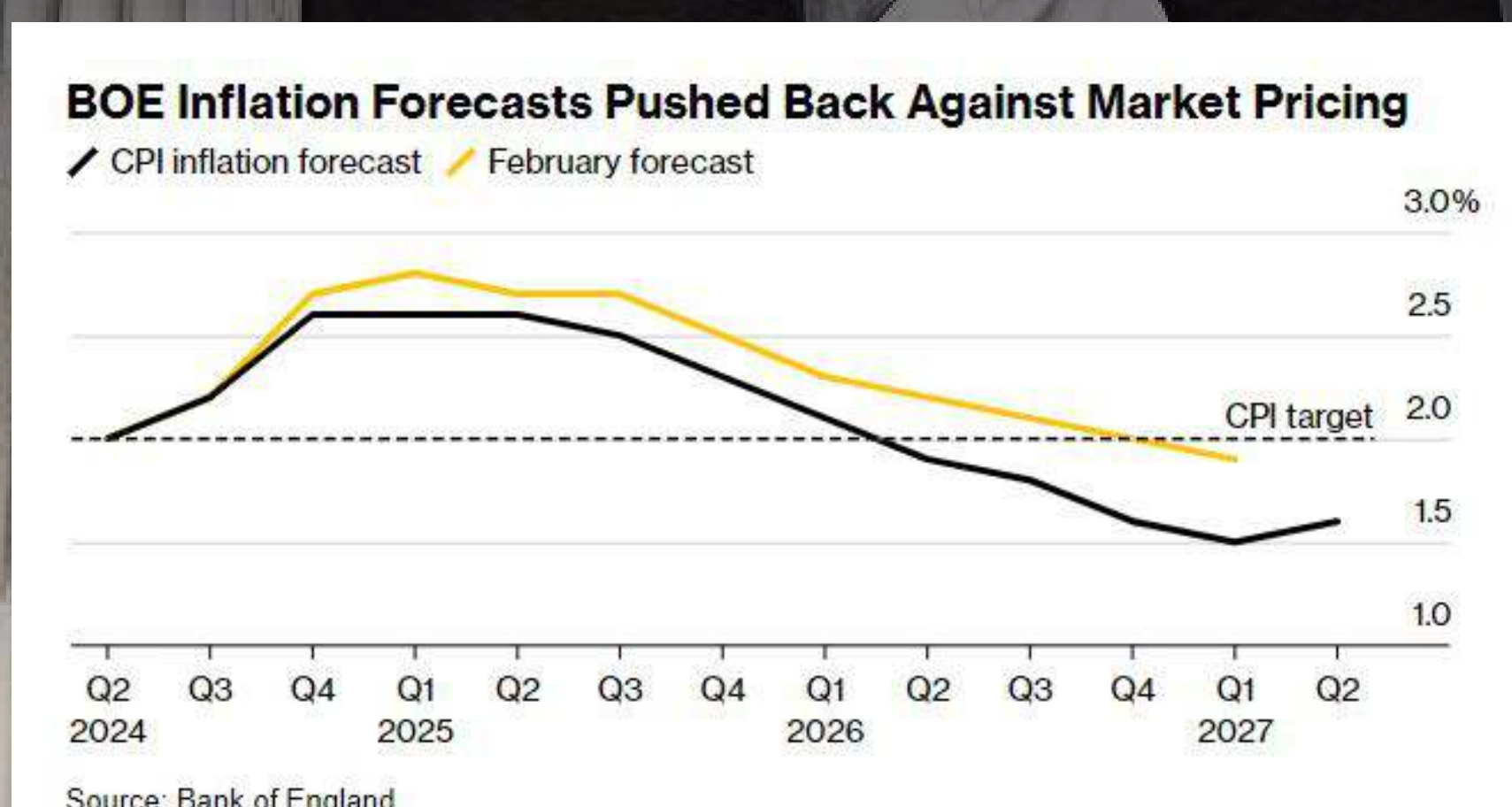


• **BOE Caves to Market Pressure: Rate Cuts on Horizon, But Can They Tame Inflation?**

- The Bank of England throws in the towel, signaling lower rates are coming. But with inflation hot, will this cool the economy or just fan the flames?
- The recent alignment between the Bank of England (BOE) and market expectations regarding interest rates reflects a significant shift in sentiment. Despite months of divergence, Governor Andrew Bailey's remarks have now put investors on notice that rate reductions are likely in the coming quarters, potentially starting as early as June.
- This change in stance has been influenced by various factors, including evolving economic conditions both domestically and globally. Bailey has emphasized that the UK's economic trajectory is more aligned with the eurozone than with the US, a point that has gained traction in market sentiment. The BOE's move to realign with market expectations is not only crucial for economic policy but also has political implications. Chancellor of the Exchequer Jeremy Hunt sees lower rates as a potential political boost for the Conservative party, particularly in the lead-up to an upcoming election.



- Bailey's strategy of shifting focus onto UK economic data for rate guidance indicates a more proactive approach by the BOE in shaping market sentiment. This shift is necessary to regain control over market expectations, which had previously been heavily influenced by developments in the US. The recent interventions by Bailey to correct market perceptions underscore the BOE's efforts to assert its independence and autonomy in setting monetary policy. However, challenges remain, particularly in managing inflationary pressures while supporting economic recovery.
- The timing and scale of rate cuts will be closely monitored, especially given their potential impact on consumer sentiment, borrowing costs, and overall economic growth. While the possibility of a rate cut in June remains uncertain, the BOE's focus on economic data suggests that future policy decisions will be data-dependent.
- Overall, the alignment between the BOE and market expectations reflects a nuanced approach to policymaking amid evolving economic dynamics and political considerations. As the situation continues to unfold, close attention will be paid to how the BOE navigates its dual mandate of price stability and economic growth.





ICELAB

- **AI Meets Blockchain: The Rise of Decentralized Intelligence**

- The marriage of Web3 and AI is creating a buzz, with blockchain offering solutions for transparency, data ownership, and fairer AI development.
- The convergence of Web3 and artificial intelligence (AI) is a burgeoning field that's gaining remarkable traction, propelled by the pivotal role of blockchain technology in reshaping the future landscape of AI. In the midst of the exponential growth witnessed in AI capabilities, the imperative for decentralization, transparency, and democratization of AI resources has become increasingly evident. This evolution underscores a shift towards a more equitable and accessible AI ecosystem.
- Central to the discourse on decentralized AI is the democratization of access to its foundational resources—data, models, and computational power. This democratization is deemed vital as the AI industry burgeons and the costs associated with processing vast datasets escalate, potentially limiting participation to a select few entities. Leveraging blockchain and distributed ledger technologies, decentralized AI endeavors to circumvent the monopolization of the AI landscape, fostering a collaborative milieu where contributions from diverse participants are incentivized and valued. Through this approach, concerns surrounding the lack of innovation and transparency inherent in centralized AI systems are mitigated, paving the way for a more inclusive and dynamic AI environment.

- Miguel Palencia, Co-Founder of Qtum, underscores the significance of decentralization in endowing individuals with true ownership and provenance of AI assets. Palencia emphasizes the pressing need to address the concentration of AI power within a handful of corporations, highlighting concerns regarding the potential misuse of these powerful tools. Decentralization emerges as a means to achieve self-sovereignty and ensure that the benefits of AI accrue to a broader spectrum of stakeholders.
- Fair compensation for contributors within the AI economy is a pivotal facet that decentralized AI seeks to rectify. Models like GPT-3 and ChatGPT underscore the importance of rewarding contributors equitably, particularly as these models rely on copious amounts of open-source data for training. Decentralized AI endeavors to address this disparity by leveraging blockchain technology to track and reward contributors for their valuable data and resources. This paradigm incentivizes participation and fosters a more collaborative and inclusive AI development process.
- Moreover, while open-source AI has expedited model development, industries with proprietary data, such as finance and healthcare, necessitate solutions that safeguard data privacy. Decentralized AI platforms offer a panoply of techniques—ranging from federated learning to homomorphic encryption—that enable businesses to contribute proprietary data securely, without compromising sensitive information. This approach positions businesses as stakeholders in the broader AI ecosystem, enabling them to derive rewards for their contributions without exposing proprietary data.
- Looking ahead, the trajectory of decentralized AI holds immense promise, with industry experts expressing confidence in its transformative potential. Despite prevailing skepticism, the fusion of Web3 and AI is anticipated to redefine our interactions and perceptions, heralding a future characterized by innovation and inclusivity. As the industry continues to evolve, prioritizing user-friendly products and adhering to ethical standards will be instrumental in catalyzing widespread adoption and fostering a more equitable AI ecosystem.



• **Crypto Cash Kings: Influencers Rule Fundraising, But Can They Be Trusted?**

- Social media stars are the new VCs in crypto, promoting projects and raising millions. But with big money comes big questions: are these influencers giving honest advice, or just pumping their own bags?
- The landscape of crypto fundraising is evolving rapidly, with traditional venture capitalists and angel investors being replaced by a new breed of influencers known as Key Opinion Leaders (KOLs). These influencers leverage their social media platforms to promote crypto startups to thousands of retail traders, potentially influencing investment decisions on a large scale.
- KOL fundraising involves influencers investing in crypto projects and then promoting them to their followers. This strategy is seen as beneficial for both the projects, which gain exposure and potential buyers, and the KOLs, who stand to profit from their investments.
- However, there are concerns about transparency and potential conflicts of interest. Many KOLs do not disclose their financial relationships with the projects they promote, which could mislead their followers and potentially violate consumer-protection laws.

- Despite these concerns, the prominence of KOLs in the crypto space is expected to grow, especially as the "creator economy" continues to reshape online interactions. Crypto projects are increasingly turning to KOLs for funding and marketing, bypassing traditional channels like venture capital.
- KOL rounds often involve generous terms for the influencers, including discounted valuations and early access to tokens. While this can provide an incentive for KOLs to promote projects, it also raises questions about the sustainability of their alignment with the projects' goals.
- Overall, the rise of KOLs in crypto fundraising reflects a broader trend of influencers playing a significant role in shaping consumer behavior and investment decisions. However, there is a need for greater transparency and accountability to ensure that investors are making informed choices based on unbiased information.





- **Hacked and Hogtied: SEC Stumble Exposes Tech Woes, Regulatory Gridlock**

- Bitcoin ETF decision delayed again after SEC Twitter hack exposes cybersecurity gaps and slow government tech adoption. Can regulators adapt or will innovation leave them behind?
- The recent hack of the Securities and Exchange Commission's (SEC) Twitter account provides a stark illustration of the challenges faced by modern regulators. The hack occurred amidst the SEC's deliberations on whether to approve exchange-traded funds (ETFs) based on bitcoin, a decision that has been delayed for years due to concerns about cryptocurrency scams and market volatility.
- Despite the SEC's caution, the U.S. Court of Appeals for the D.C. Circuit ruled in favor of allowing ETFs based on bitcoin futures products, leading to increased pressure on the agency to approve such funds. Last Tuesday, a false announcement on the SEC's Twitter account briefly suggested that bitcoin ETFs had been approved, causing a temporary surge in bitcoin prices before the error was corrected.

- The incident highlighted not only the susceptibility of digital platforms to hacking but also raised questions about the SEC's own cybersecurity practices. It was revealed that the SEC had not implemented basic security measures such as two-factor authentication on its official social media accounts, a lapse that drew criticism given the agency's oversight of cybersecurity incidents in the private sector.
- Furthermore, the incident underscored broader issues with government bureaucracy and inefficiency in adapting to technological advancements. While private sector entities have embraced technologies like two-factor authentication, government agencies have lagged behind, hindered by cumbersome procurement processes and outdated guidelines.
- The challenges faced by government technologists reflect a larger problem of bureaucratic inertia and excessive regulatory scrutiny, which can impede innovation and hinder agencies' ability to respond effectively to evolving needs. While accountability and transparency are essential in government operations, excessive micromanagement and rigid procedures can stifle progress and prevent agencies from fulfilling their mandates.
- Ultimately, while criticism of the SEC's missteps is warranted, it's essential to recognize the broader systemic issues at play and consider how to strike a balance between accountability and innovation in government policymaking. Simply imposing more guidelines and oversight may not be the most effective solution and could further entrench bureaucratic obstacles to progress.





• **Tether's Big Profits Spark Stablecoin Scrutiny: Regulation Needed for Growth?**

- Tether's record profits highlight the rise of stablecoins, but dominance raises concerns about regulation and competition in the crypto market.
- The dominance of Tether (USDT) in the stablecoin market has been underscored by its record-breaking profit of \$4.52 billion in Q1 2024, prompting a closer examination of its significance and the broader implications for the cryptoasset industry. Despite facing regulatory scrutiny and legal challenges, Tether has maintained its leading position, with profits driven largely by gains on bitcoin and gold holdings, as well as operating profits from U.S. Treasury holdings. These profits highlight the evolving role of stablecoins and their integration with traditional assets.
- While Tether remains the leader among centralized exchanges, decentralized stablecoins like USD Coin (USDC) have seen significant growth in transactional volume, surpassing USDT in certain metrics. Factors such as improved transparency, reputational recovery, and strategic partnerships have contributed to USDC's resurgence, challenging Tether's dominance in the stablecoin sector. The competition between stablecoins underscores the need for regulatory clarity and standardized legislation to foster a conducive environment for stablecoin issuers and users.

- The profitability and market dominance of stablecoins like Tether and USDC highlight the growing importance of stablecoin legislation. Regulatory uncertainty in the United States has hindered the development of the cryptoasset market, necessitating clear and comprehensive regulations to support the continued growth of stablecoins. However, the likelihood of substantive legislation before the upcoming presidential election appears uncertain, posing challenges for stablecoin issuers and market participants seeking regulatory clarity.
- In conclusion, the profitability of stablecoins like Tether reflects their evolving role in the cryptoasset market, with implications for both industry stakeholders and regulatory authorities. As stablecoins continue to play a crucial role in facilitating transactions and providing liquidity, regulatory clarity will be essential to ensure their continued growth and stability in the broader crypto ecosystem.



CHARTS

Assessing China's economic health beyond GDP

China: Li Keqiang Index as measure of growth

Source: China National Bureau of Statistics (NBS)



- Although China's first-quarter GDP growth beat forecasts, there were conflicting results from other important economic indicators like retail sales, industrial production, and fixed asset investment.
- The Li Keqiang Index provides an alternative viewpoint on China's economic situation in this setting. This index, which bears the name of Li Keqiang, the seventh premier of the People's Republic of China, is centered on three key metrics: rail freight volumes, bank loans, and electricity consumption. Premier Li supported these metrics over traditional GDP as better measures of actual economic activity.
- This graph indicates a potential upward bias in evaluating China's economic health because it reveals that the Index has recently tended to predict more strong economic activity than the official GDP estimates.

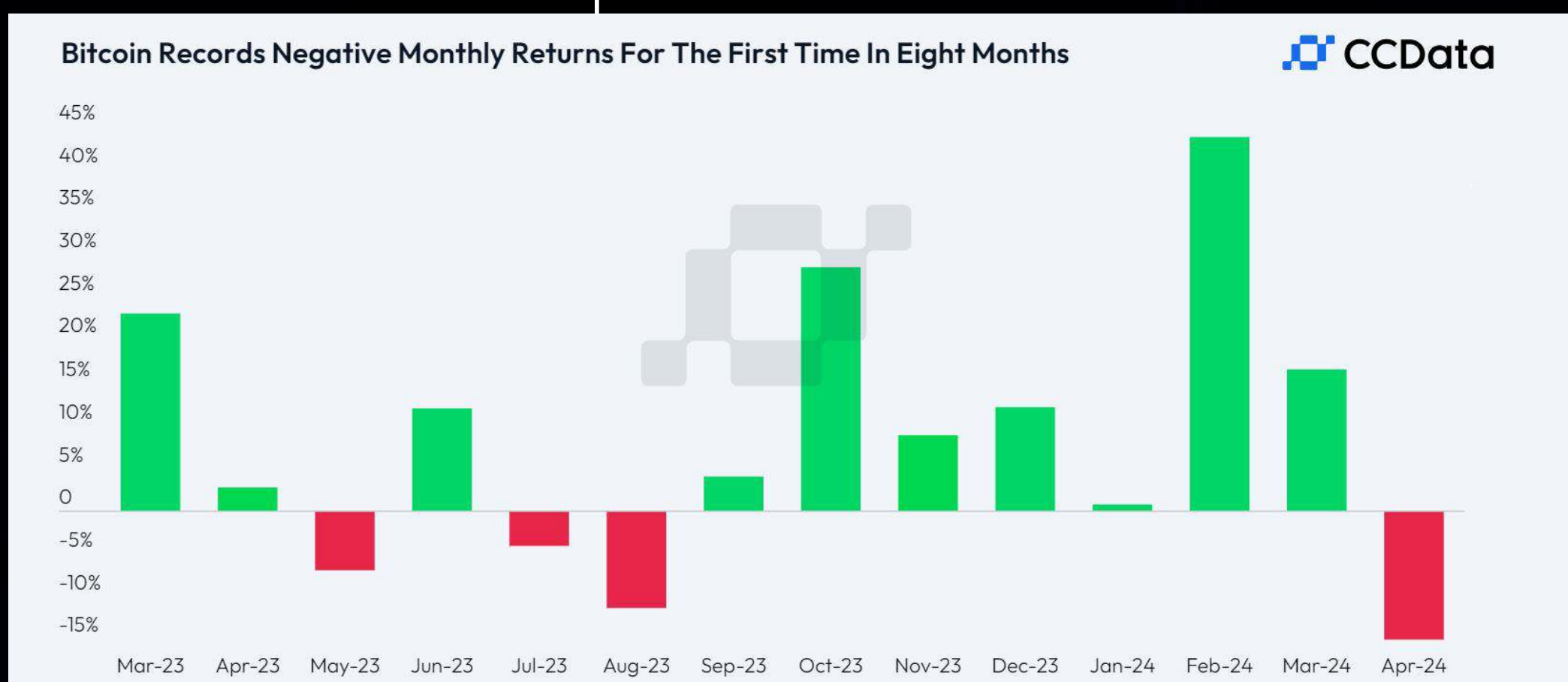
Federal Reserve maintains rates amid inflation concerns

Fed funds: futures implied probabilities

Source: CME Group

Meeting	Fwd. rate	3.25-3.5	3.5-3.75	3.75-4	4-4.25	4.25-4.5	4.5-4.75	4.75-5	5-5.25	5.25-5.5	5.5-5.75
2024-06-12	5.32 %								8.4 %	91.6 %	
2024-07-31	5.24 %							2.4 %	32.5 %	65.1 %	
2024-09-18	5.18 %						1.3 %	18.0 %	49.4 %	31.3 %	
2024-11-07	5.11 %					0.5 %	7.6 %	29.8 %	42.6 %	19.5 %	
2024-12-18	4.95 %				0.3 %	4.3 %	19.6 %	36.8 %	30.1 %	8.9 %	
2025-01-29	4.77 %			0.1 %	2.1 %	11.1 %	27.2 %	33.8 %	20.7 %	5.0 %	
2025-03-19	4.71 %			1.1 %	6.8 %	19.6 %	30.7 %	26.9 %	12.4 %	2.4 %	
2025-04-30	4.63 %		0.5 %	3.3 %	11.6 %	23.7 %	29.3 %	21.5 %	8.7 %	1.5 %	

- Based on Fed Funds futures trading, this chart shows the predicted probabilities of future Federal Reserve interest rate levels. It provides an overview of market expectations for US monetary policy over the course of multiple upcoming FOMC sessions.
- Notably, the market mood moves dramatically in favor of a rate reduction by the end of 2024, even while the existing rates are kept at 5.25% to 5.50%. The Fed has been careful in its approach to securing persistent progress towards its 2% inflation target before considering any rate reductions, and this trend indicates a rising anticipation of an easing of monetary policy.
- The goal of the Fed's decision to maintain rates at current levels in the face of consistently high inflation above three percent, along with a deliberate pause in the reduction of the balance sheet, is to effectively manage liquidity and stabilize the financial system, averting reserve shortages that could resemble the problems caused by the quantitative tightening policy in 2019.
- These actions demonstrate the Fed's methodical approach to monetary adjustments and point to a planned course ahead in the face of changing economic conditions. This is important for the world's financial markets and has important ramifications for emerging markets and developing countries that are under pressure from the US dollar's strengthening.

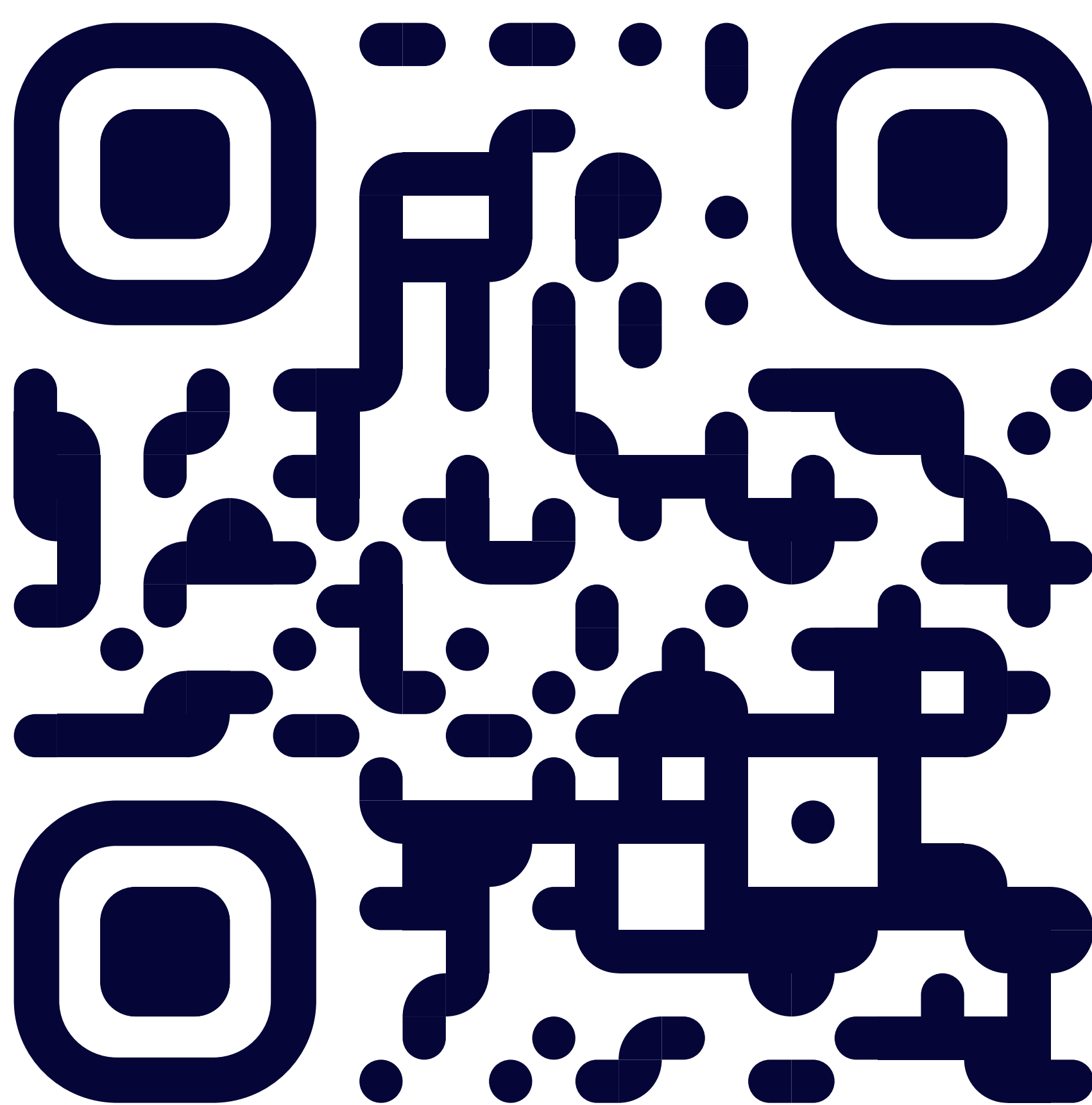


- We look at the recent price performance of Bitcoin in this Chart. As of the end of April, the price dropped 15.0% to \$60,634. This was the biggest monthly drop since November 2022, when the FTX collapsed.
- With the current intensification of the Middle East geopolitical turmoil, weaker ETF inflows, and a higher-than-expected CPI inflation rate, the retracement marked Bitcoin's first negative monthly returns in eight months.

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