ICEBERG FINANCIAL

WEEKLY NEWSLETTER

Melting and Recasting: Logistical Hurdles in the Global Gold Trade

Discover The Unknown Depth of Financial Markets

17 Monday March 2025

INSIGHTS FROM THIS WEEK'S ANALYTICS REVIEW

EXPLORING THE FINANCIAL DEVELOPMENTS

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Context

ICEBERG ANALYTICA

- The AI Software Pivot: Big Tech's Hardware Innovation Takes a Backseat
- Demand for AI Talent: Job Openings Surge Industry-Wide
- Transformative AI: Gemini Models Redefine Robotics
- An AI App Surge: Record Growth in Record Time

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- Logistics of Gold: Melting and Recasting
- Trade Tensions and Economic Stability: China's Balancing Act
- Volatility Surge and Hedge Funds Struggle
- Mar-a-Lago Accord's Dollar Plan: A Catalyst for Market Instability
- The Specter of Recession: Economic Uncertainty Intensifies

ICELAB

- Crypto's Vulnerable Underbelly: Stolen Funds and Scams Reign
- Meme Coins: A Mirage of Riches, Rigged for the Select Few
- Trump's Bitcoin EO Lacks Clarity
- On-Chain Social Media: The TikTok Revolution and Beyond

CHARTS

- Global inflation expectations
- Overseas holdings of US Securities
- Layoffs take a toll on job market for federal workers

Insights From Past Weeks Analytics Revivew

USD vs. Major Currencies

USD vs. Major Currencies

Name	Symbol	Rate	Change	Change %	5 Days	1 Month	YTD	1 Year	3 Years	Day Range		52 Week Range	
Australian Dollar	USD:AUD	1.58138	-0.0097	-0.61%	-0.24%	0.52%	-2.12%	4.08%	13.65%	1.57943	1.59284	1.44074	1.64222
British Pound	USD:GBP	0.77325	0.0011	0.14%	-0.15%	-2.68%	-3.20%	-1.40%	0.52%	0.77166	0.77453	0.74443	0.82233
Canadian Dollar	USD:CAD	1.43726	-0.0067	-0.46%	0.04%	1.33%	-0.03%	6.19%	12.09%	1.43556	1.44469	1.34208	1.47935
Chinese Renminbi ("Yuan")	USD:CNY	7.23733	-0.011	-0.15%	-0.31%	-0.33%	-1.37%	0.46%	13.19%	7.23087	7.25441	6.97349	7.39915
Euro	USD:EUR	0.91916	-0.0023	-0.25%	-0.39%	-3.56%	-4.80%	0.04%	0.55%	0.91637	0.92329	0.89181	0.97934
Japanese Yen	USD:JPY	148.6175	0.80	0.54%	0.66%	-2.50%	-5.55%	0.16%	25.76%	147.743	149.024	140.049	161.679
Swiss Franc	USD:CHF	0.88567	0.0029	0.33%	0.79%	-1.60%	-2.39%	0.10%	-5.63%	0.8816	0.88642	0.83739	0.92044

- EURUSD surged past 1.0900 this week, driven by German political developments and trade tensions. Chancellor-in-waiting Friedrich Merz secured Green Party support for a €500 billion infrastructure fund, boosting confidence in Germany's economy. Trade disputes, particularly Trump's tariff threats against Europe, added uncertainty to the U.S. dollar's outlook, while easing geopolitical tensions after Trump and Zelenskyy's meeting supported risk appetite. On the monetary front, the Fed held rates steady at 4.25%–4.50%, while the ECB cut rates by 25 basis points and adjusted its growth and inflation outlook, signaling further easing if needed. Despite losing some momentum, the Euro maintained a strong weekly gain.

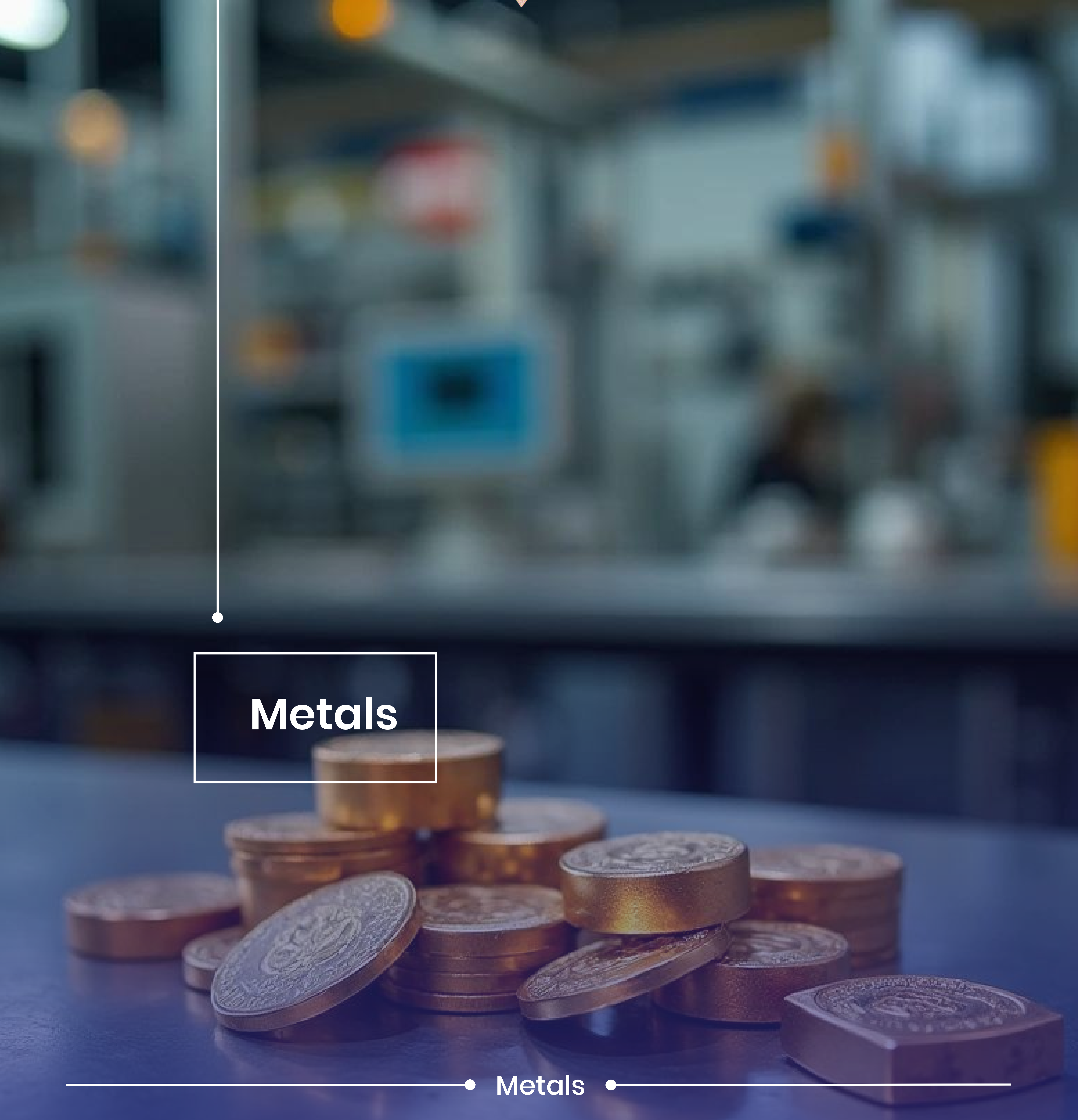
Energy

Energy

Energy

Name	Symbol	Today	5 Days	1 Month	YTD	1 Year	3 Years	Day Range	52 Week Range
Oil	USO	0.92%	0.26%	-4.67%	-4.33%	-5.27%	-0.77%	71.65 – 72.43	66.02 – 84.58
Brent Oil	BNO	0.97%	0.34%	-4.96%	-2.77%	-6.06%	-0.65%	28.89 – 29.17	26.77 – 33.91
Natural Gas	UNG	1.68%	-6.04%	10.89%	29.63%	39.95%	-66.92%	21.04 – 21.96	12.35 – 24.33
Gasoline	UGA	0.92%	2.09%	-6.93%	-4.43%	-13.95%	8.88%	59.65 – 60.20	55.37 – 74.57

- Oil prices rebounded 1% on Friday, closing nearly unchanged for the week as geopolitical uncertainty continued to dominate market sentiment. Hopes for a quick resolution to the Ukraine war faded, with Putin attaching conditions to a U.S. ceasefire proposal, while Trump urged Russia to accept a deal. The U.S. allowed a key license for Russian energy transactions to expire, and Chinese firms scaled back Russian oil imports over sanctions concerns. Meanwhile, the IEA warned of a potential oil surplus, citing weaker demand and rising U.S. production, while OPEC+ output increases added to bearish pressures. Despite short-term oversupply risks, geopolitical tensions remain a key factor in future price movements.



Metals

Metals

Precious Metals

Name	Symbol	Today	5 Days	1 Month	YTD	1 Year	3 Years	Day Range		52 Week Range	
Palladium	PALL	0.43%	1.48%	-1.37%	5.66%	-10.23%	-60.33%	87.83	89.49	77.52	113.92
Gold	GLD	0.04%	2.55%	3.36%	13.67%	37.38%	50.98%	274.66	276.30	198.94	276.30
Platinum	PPLT	-0.09%	3.20%	1.46%	9.48%	6.39%	-5.98%	90.38	91.44	81.94	100.00
Silver	SLV	-0.10%	3.79%	4.78%	16.64%	35.11%	32.60%	30.51	30.93	22.29	31.80

- Gold initially dropped below $2,900 due to economic slowdown fears but rebounded sharply, surpassing $3,000 as safe-haven demand increased. Escalating trade tensions, including new US tariffs on Canadian steel and aluminum, fueled uncertainty, while weaker-than-expected US inflation data helped sustain Gold's rally. Technical buying accelerated gains after Gold broke its previous all-time high, with speculation of a Chinese reserve requirement cut adding further support. Looking ahead, the Fed's policy decision and dot plot projections will be key. A signal of multiple rate cuts could weaken the Dollar and push Gold higher, while a more hawkish stance may trigger a pullback.

Analytica

- **AI Software Over Gadgets: Big Tech's Hardware Innovation Slowdown**

- Major tech companies like Amazon and Microsoft are shifting their focus from new gadgets to artificial intelligence (AI) software, leading to a slowdown in hardware innovation and layoffs in hardware divisions.

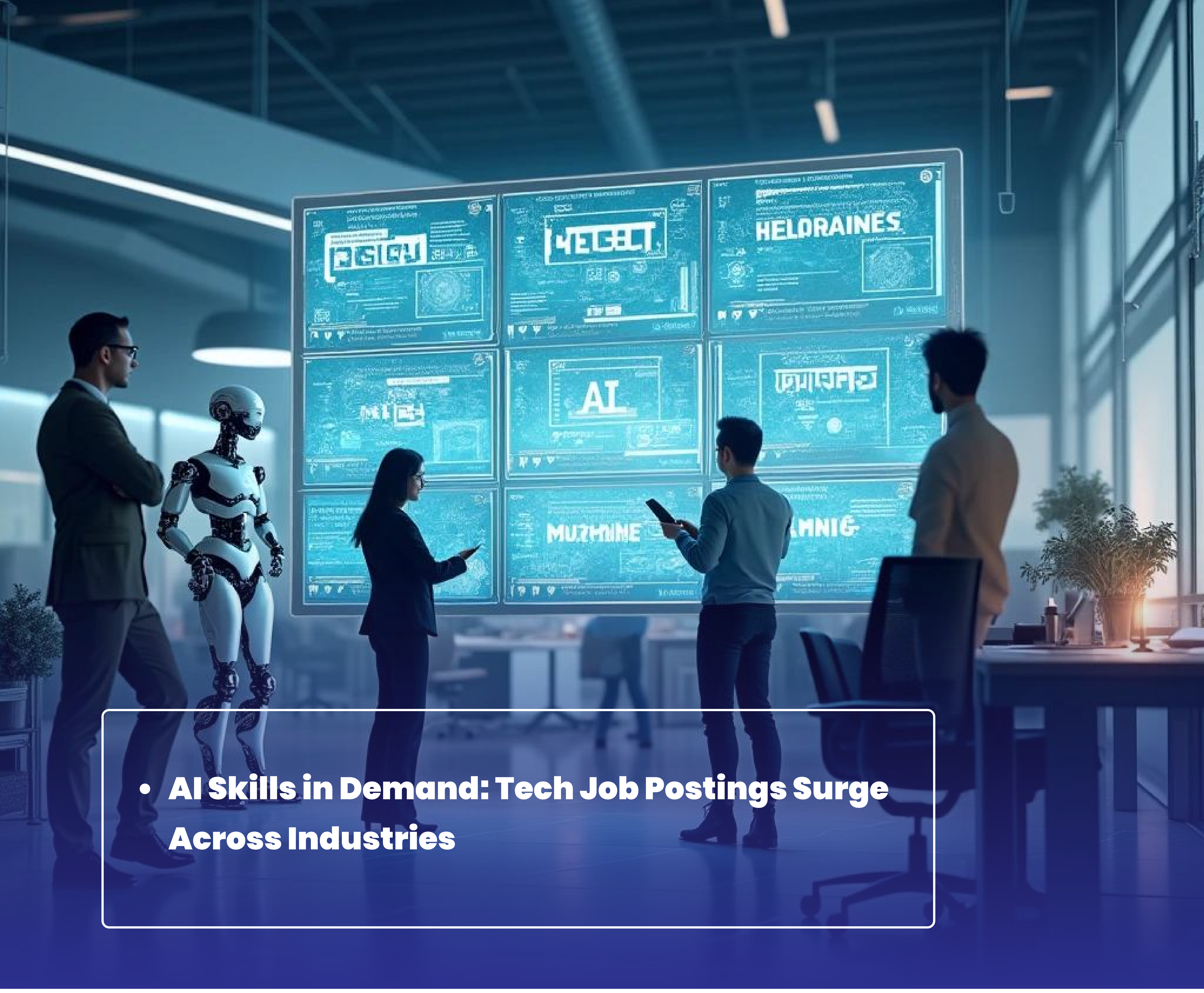
- The hardware development landscape in big tech companies has seen a shift as they increasingly focus on artificial intelligence (AI) software rather than new gadgets. Despite the boom in AI, companies like Amazon and Microsoft have moved away from ambitious hardware projects. The industry’s pivot toward AI has meant fewer resources and attention directed toward hardware innovation, with experts noting a lack of risk-taking in developing new devices. For example, Amazon's recent introduction of an enhanced Alexa lacked a new gadget, highlighting the industry's focus on AI software rather than innovative hardware.

- While the tech sector has been pouring billions into AI tools, the development of new, purpose-built hardware to complement these technologies has not kept pace. This shift has been particularly evident in Seattle, home to Amazon and Microsoft. Both companies have reduced their investments in hardware, laying off workers in their hardware divisions as part of broader cost-cutting measures. The city, which was once a hub for cutting-edge engineering projects, now sees fewer job opportunities for hardware engineers, and the local product design firms have felt the downturn as well. This has caused concern about the future of hardware innovation.

- In the past, both Amazon and Microsoft were aggressive in developing hardware. Amazon, for example, introduced the Alexa and Echo smart speaker, while Microsoft unveiled the HoloLens augmented reality headset. However, both companies struggled to establish profitable business models around their hardware initiatives. Amazon, under CEO Andy Jassy, has scaled back its hardware operations, focusing on a narrower range of devices that deliver the most value to customers. Similarly, Microsoft recently sold its interest in the HoloLens project to a defense contractor, signaling a retreat from consumer-focused hardware.

- Some hardware engineers, like Liam Pingree, who previously worked on autonomous robots at Amazon, have expressed frustration with the lack of support for ambitious hardware projects. After leaving Amazon, Pingree joined Microsoft, only to find himself helping dismantle the HoloLens team. This trend is troubling for the industry, as the skills and resources needed to push hardware innovation forward are dwindling. Despite this, some engineers are hopeful about commercial space ventures, as tech billionaires invest in rocket engines and satellite constellations. However, even this sector has not been immune to layoffs, with Blue Origin, Jeff Bezos's space company, recently announcing job cuts.

- Executives within Amazon and other tech companies acknowledge that AI hardware is likely on the horizon, though it remains unclear what form it will take. The next wave of hardware could either build on existing products, like smartphones and smart speakers, or take another shot at creating innovative, AI-focused devices. However, with the focus firmly on AI software, the future of consumer hardware innovation remains uncertain. Despite the lack of new hardware announcements, Amazon's executives hint at the development of “an entirely new wave of hardware,” but details remain scarce.

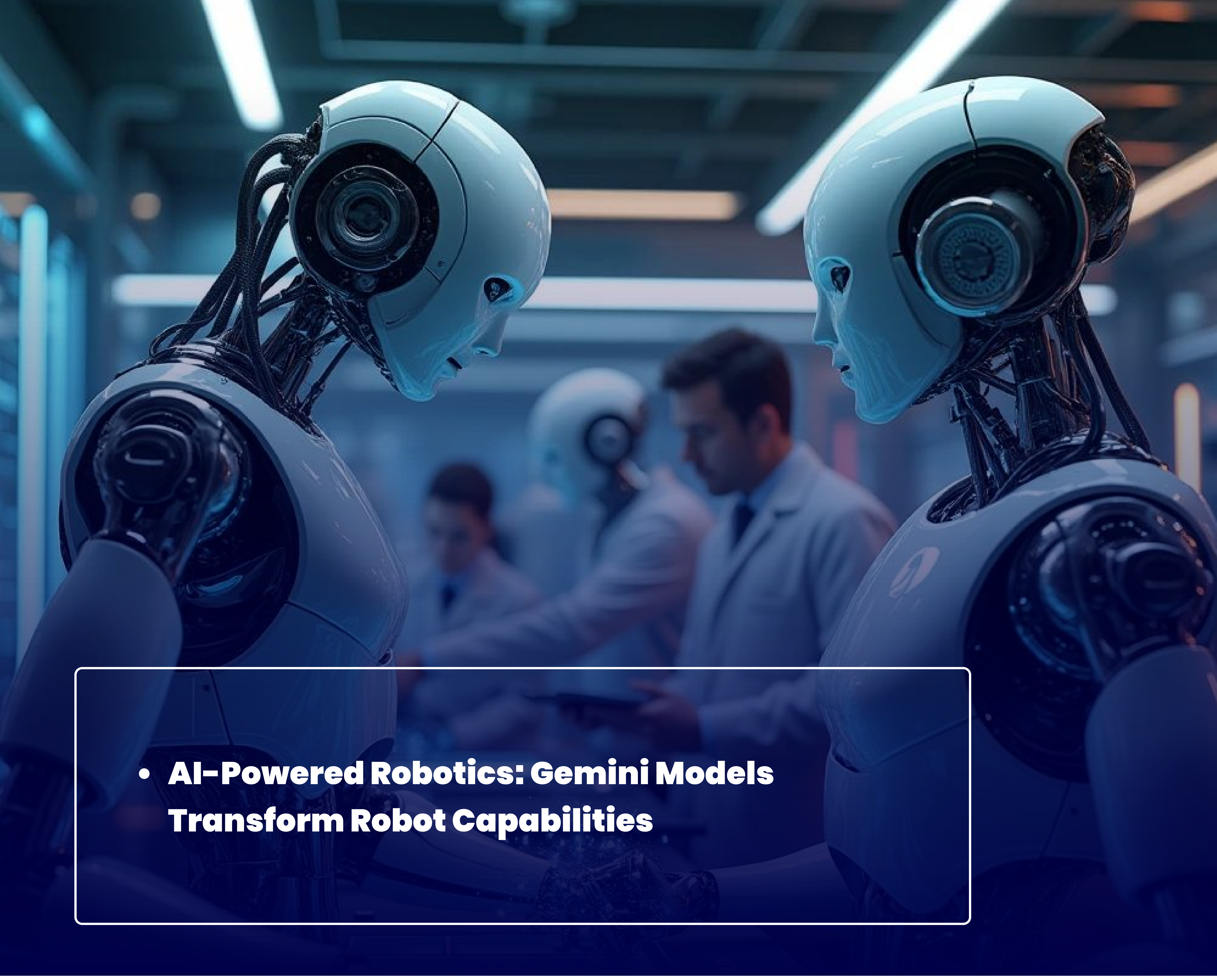


AI Skills in Demand: Tech Job Postings Surge Across Industries

- Companies across various sectors are increasingly seeking technology hires with artificial intelligence (AI) skills, with nearly 25% of U.S. tech job postings this year requesting AI expertise.
- Companies are increasingly seeking technology hires with artificial intelligence (AI) skills, with nearly 25% of U.S. tech job postings this year requesting AI expertise. This trend spans industries, as businesses across various sectors, including finance, professional services, and information technology, adjust their recruitment to incorporate AI. In the tech sector, 36% of IT jobs posted in January were AI-related, while companies like banks and consulting firms are also prioritizing candidates familiar with AI algorithms and models. The rise of AI has reshaped hiring practices, with even non-tech companies embracing AI integration in their operations.
- The release of OpenAI's ChatGPT in late 2022 marked a turning point in the AI job market, drawing attention to the potential of AI to enhance products and workflows. While AI-related jobs existed before, the introduction of ChatGPT accelerated the spread of AI across various industries. For example, retail companies are now seeking data science directors to apply AI for optimizing store layouts, utilities providers are hiring analysts to assess wildfire risks using machine learning, and pharmaceutical companies are integrating AI into computational chemistry.

- Although AI-related roles represent a small portion of the overall job market, with 1.3% of all job postings in January being AI-focused, the demand for AI skills has risen significantly. AI-related job listings grew 68% from the release of ChatGPT through the end of 2023, while overall tech job postings declined by 27%. Companies are mainly looking for candidates who can integrate AI into existing roles rather than hiring for entirely new AI-centric positions, such as cybersecurity engineers who can leverage AI to improve threat detection.

- While engineers without AI skills can still find opportunities, those with AI expertise tend to command higher salaries and greater job security. The demand for cutting-edge AI talent remains high, and companies are keen to retain employees with these specialized skills, as evidenced by the lack of AI-skilled workers entering outplacement programs. This focus on AI skills underscores the growing importance of AI across industries, offering both career advantages and competitive pay for those with expertise in the field.

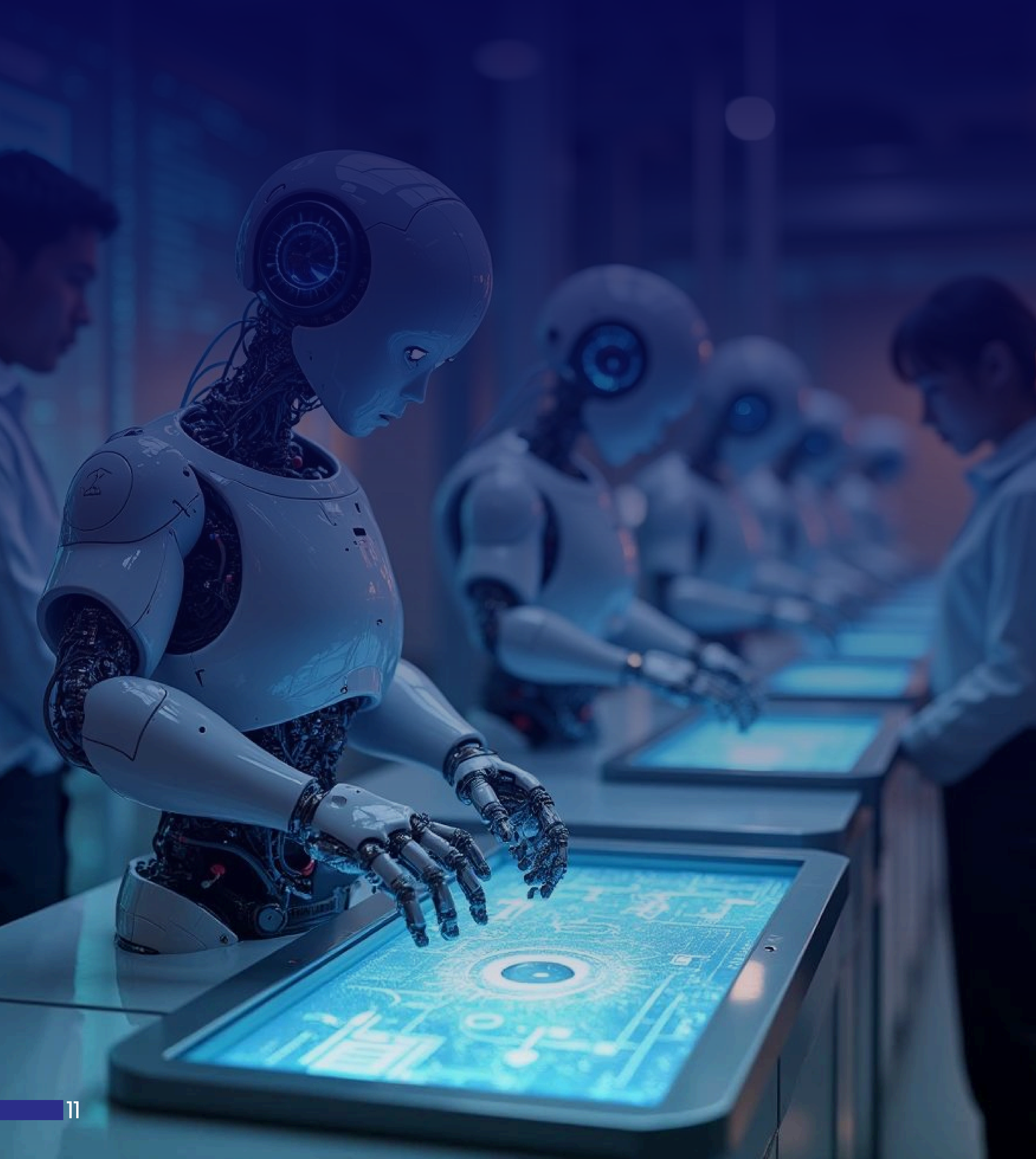


• AI-Powered Robotics: Gemini Models Transform Robot Capabilities

- Gemini Robotics models, built on Gemini 2.0, are enabling robots to better adapt to real-world settings, respond to instructions, and manipulate objects, showcasing the potential of AI to scale robotics.
- Google DeepMind has introduced Gemini Robotics models, marking a significant step toward more adaptable and practical general-purpose robots. These models leverage large language models to help robots perform complex tasks, such as folding an origami fox, organizing a desk, and dunking a miniature basketball. DeepMind is also collaborating with the start-up Apptronik to build humanoid robots using this technology. The new models, Gemini Robotics and Gemini Robotics-ER, enable robots to better adapt to dynamic environments and execute tasks more dexterously, addressing one of the main challenges in robotics—performing well outside controlled laboratory settings.
- The breakthrough comes as tech giants like Tesla and OpenAI, along with startups, aim to build AI systems capable of autonomously controlling robots, a shift that could transform industries such as manufacturing and healthcare. Jensen Huang, CEO of Nvidia, has highlighted the immense potential of generative AI to scale robotics, calling it a multitrillion-dollar opportunity. Until now, progress in advanced robotics has been slow, primarily due to the need for manually programmed movements, but AI has enabled robots to adapt to new environments and acquire skills more quickly.

- Google's Gemini Robotics model, built using the Gemini 2.0 language model, can adjust to new situations, respond to verbal instructions, and manipulate objects. These capabilities are vital for robots operating in real-world, unstructured settings. Google DeepMind's use of its vast computational resources and internet-trained large language models is what sets these robots apart, allowing them to reason through tasks and make decisions, such as how to grasp objects with the appropriate number of fingers.

- Robotics experts have praised the models, noting their success in tasks that involve spatial reasoning and dexterous manipulation. While experts like Ken Goldberg from UC Berkeley and Russ Tedrake from MIT acknowledge the impressive results, they also emphasize that there's still significant work to be done before these robots can be widely adopted for everyday use. Despite these challenges, the progress made with Gemini Robotics is seen as a promising step toward more capable and versatile robots in the future.



• AI App Boom: Startups Achieve Record Growth in Months, Not Years

- AI-powered startups are achieving unprecedented growth, with some reaching millions in annual recurring revenue in months, a pace that far exceeds previous tech booms.
- Large language models (LLMs) are emerging as the next major platform for a new wave of software companies, similar to how past computing shifts gave rise to giants like Oracle and Salesforce. The availability of generative AI from companies like OpenAI and Anthropic has sparked a flurry of "smart apps" aimed at improving white-collar work. The speed at which some of these startups are gaining users and achieving impressive valuations, such as Cursor, which went from a $2.5 billion valuation to $10 billion in just three months, highlights the rapid growth in this sector.
- These AI-powered tools, particularly those aimed at coding assistants and other technical applications, are seeing significant success. Some apps, like Mercor, which uses AI for job candidate interviews, have already reached $50 million in annual recurring revenue (ARR) in under two years, a feat that took Salesforce four years to achieve. Other startups, like Loveable.dev and Bolt.new, have experienced explosive growth, hitting $17 million and $20 million in ARR within months of launch.
- However, these startups face several challenges. One of the main hurdles is transforming a single-use AI tool into an integral part of customers' workflows, which often involves competing with established software giants like Microsoft and Adobe. While startups had a built-in advantage in the early days of cloud computing, AI's growth is more closely tied to the cloud than a completely new platform, which may limit its disruptive potential. Additionally, many of these AI app companies are facing significant costs, including fees paid to LLM providers for each service request, which could put pressure on their margins.
- Despite these challenges, some investors see parallels between the current AI boom and the early days of the internet, where heavy investments in infrastructure eventually led to lower prices and greater profitability for application developers. However, while some AI startups are already generating significant revenue, there remains the risk of a bubble as AI expectations continue to soar, reminiscent of the dotcom bust at the turn of the millennium.

Financial

• Melting and Recasting: Logistical Hurdles in the Global Gold Trade

- The need to melt down and recast gold bars in Switzerland to meet New York's specific size requirements underscores the logistical challenges and physical nature of the global gold trade.

- At the Argor-Heraeus refinery in southern Switzerland, operations are running non-stop to keep up with an unprecedented demand for 1kg gold bars, particularly for the New York market. Since December, the refinery has been working around the clock due to a surge in demand driven by the fear of potential tariffs on gold imports by US President Donald Trump. This fear has caused gold prices to soar to record highs, with over $61 billion of bullion flooding into the US as traders rushed to avoid tariffs. This rush has led to distortions in global trade data and shortages in London, the world's largest gold trading hub.

- The gold market operates on different bar sizes in New York and London, creating a logistical challenge. While London primarily trades in 400-troy-ounce bars, New York uses smaller 1kg bars. As a result, gold bars must be melted down and recast in Switzerland before being sent to New York. This process underscores the physical nature of gold, which is often underestimated in financial markets. Despite the growing role of digital transactions, the physical transport and transformation of gold bars remain crucial elements of the gold trade.

- The surge in demand and the potential for tariffs have created an arbitrage opportunity, as the price of gold futures in the US briefly surpassed those in London. This led to a rush of gold shipments from London to New York, further straining the global supply chain. The Bank of England, which holds vast amounts of gold in its vaults, has been facing bottlenecks as the demand for 1kg bars skyrocketed. This has resulted in delays of over four weeks to access gold, triggering a liquidity crisis in the London bullion market and driving up short-term lease rates for gold.

- In addition to the logistical constraints, security concerns play a significant role in the gold supply chain. Gold bars are often stored in the Bank of England's vaults, which are located beneath the city's historic buildings. The process of retrieving gold bars from these vaults is time-consuming and labor-intensive, involving staff who are carefully vetted and trained. This has led to a shortage of staff capable of handling the increasing demand, further exacerbating delays in the gold supply chain.

- Once the gold leaves the Bank of England's vaults, it is transported to Switzerland, where it is melted down and recast into 1kg bars at the Argor-Heraeus refinery. The journey from London to New York, including transportation and recasting, costs around $3 to $5 per ounce. In the refinery, gold bars are reshaped into smaller units, and the process runs continuously to meet the high demand. Despite the refinery's ability to handle gold from various sources, the surge in demand has significantly increased operating costs due to rising lease rates for borrowed gold.

- As the immediate fears of tariffs on gold imports begin to subside, the flow of gold into New York is expected to slow. Traders anticipate that the movement of gold will reverse, with long-term holders potentially shifting their holdings back to London due to its cheaper storage costs. The system that maintains different bar sizes in New York and London persists largely due to inertia, but there are calls for harmonizing the bar sizes in the future. This ongoing situation highlights the physical and logistical challenges of the global gold market, which continues to rely on tangible metal despite the increasing digitalization of financial markets.

China's Economy Stable Amidst Renewed Trade Tensions

- Despite President Trump's renewed trade tensions, China's economy has shown resilience in the first two months of 2025, with stable retail sales, investment, and industrial production.
- China’s economy has remained stable in the first two months of the year despite President Trump reigniting trade tensions with Beijing. Retail sales have shown modest growth, investment has remained steady, and industrial production has only slightly declined, signaling resilience. The Chinese government has set a record budget deficit and maintained a 5% growth target for 2025, but the ongoing tariff hikes pose challenges, particularly for exports, which were a major driver of GDP growth last year. Analysts from Citigroup expect stable economic activity, with trade-related pressures yet to significantly impact key indicators.
- Industrial production is projected to grow 5.3% in the first two months, a slight drop from 5.8% in 2024, continuing China’s trend of industrial outperformance over consumer-driven growth. Official data showed a recovery in factory activity and strong exports, particularly to ASEAN and the European Union, despite escalating trade tensions. President Xi Jinping has taken steps to bolster business confidence, including engaging with private sector leaders such as Alibaba’s Jack Ma, as part of efforts to support economic growth.

- Consumer spending remains a weak spot, with retail sales rising 3.8%, only marginally higher than last year's 3.5%, reflecting continued struggles in post-Covid consumption recovery. Deflationary pressures have intensified, with inflation turning negative for the first time since 2021, driven by an early Lunar New Year and weaker-than-expected demand. Imports have also fallen sharply, underscoring the fragile state of domestic consumption. Government efforts to stimulate spending, including a trade-in program expansion, face skepticism about their effectiveness in significantly boosting demand.

- The housing market remains a major drag on economic activity, contributing to deflation and weak consumer sentiment. However, recent government measures have provided some stabilization, with the decline in new-home prices easing for a fifth consecutive month. Fixed-asset investment, which includes infrastructure and real estate development, is expected to have grown 3.2% in the first two months, matching last year's full-year pace. While policy support may help sustain growth, the 5% annual target remains ambitious given ongoing economic headwinds.

• Volatility Surge: Hedge Funds Struggle in Trump-Driven Market

- The VIX index has surged to its highest level since last August, reflecting heightened investor anxiety as hedge funds grapple with unpredictable market conditions caused by Trump's policies.

- Hedge funds are struggling with heightened market volatility caused by President Trump’s trade policies, leading them to reduce their exposure to equities and cut back on leverage. The sell-off in stocks, driven by concerns over tariffs, has severely impacted popular hedge fund positions, with Goldman Sachs’ Hedge Industry VIP index dropping 12.5% since mid-February, outpacing the broader market decline. In response, fund managers have aggressively scaled down their leveraged bets, making the most significant reductions in gross positions in four years and one of the largest in the past 15 years. The only way to navigate the current environment, according to hedge fund executives, is to minimize leverage.

- Major hedge funds like Millennium and Citadel have seen losses due to the volatility, with Millennium down 1.4% last week and Citadel posting a modest decline of 0.3% for the year through February. Other funds, like Balyasny, have fared better, gaining 3.5% in its main fund. The uncertain market conditions are further exacerbated by Trump's unpredictable trade stance, immigration crackdowns, and public sector cuts, fueling fears of inflation and slower economic growth. Meanwhile, the VIX index, a key measure of market volatility, has surged to its highest level since last August, reflecting heightened investor anxiety.

- Multi-manager hedge funds, which rely on multiple trading teams and high leverage, have seen their largest position reductions since late 2018, when markets last experienced a sharp downturn. The Bank of England has warned that rapid deleveraging among hedge funds can amplify market movements, exacerbating stock price declines. This environment makes it increasingly difficult for hedge fund managers to identify short-term winners and losers in the market, creating further uncertainty for investors.

- The shift in market conditions has led to fundamental changes in stock performance, with short positions now outperforming long positions, causing further hedge fund losses. According to Goldman Sachs, fundamental long-short equity funds have lost nearly 6% since mid-February, marking their biggest peak-to-trough decline since May 2022. Hedge fund executives acknowledge that the speed and scale of policy changes have fundamentally altered market dynamics, making it one of the most challenging environments they have ever encountered.

Mar-a-Lago Accord: A Weaker Dollar Proposal Shakes Global Markets

- Discussions around a potential "Mar-a-Lago Accord," aimed at weakening the U.S. dollar through coordinated efforts with foreign governments, are causing uncertainty in the market, despite Treasury assurances of a "strong dollar" policy.

- The U.S. dollar has become a point of contention in discussions about economic policy under President Trump, with some of his allies advocating for a weaker dollar to benefit U.S. manufacturers. While Treasury Secretary Scott Bessent has reiterated that the administration remains committed to a "strong dollar" policy, the market has been reacting to the broader concerns about the administration's economic strategies, particularly its aggressive trade and tariff policies. These measures, along with concerns about a U.S. recession, have led to a weakening of the dollar in recent months. Investors are particularly focused on the potential for a radical currency proposal, known as the “Mar-a-Lago Accord,” named after the 1985 Plaza Accord, which aimed to weaken the dollar.

- The Mar-a-Lago Accord would involve a coordinated effort among foreign governments to push down the value of the U.S. dollar in exchange for long-term Treasury reserves and avoidance of tariffs. The idea, championed by Trump’s Council of Economic Advisers, has stirred debate. While some economists see the potential for such an agreement, others argue it is highly unlikely given the broader global political landscape, with major economies like China and those in the Middle East not directly dependent on the U.S. for security. Moreover, critics point out that altering currency values and manipulating the Treasury market could have unpredictable, severe consequences.

- Investors are finding it difficult to predict the impact of these proposed changes, given the internal contradictions in the Trump administration's economic goals. For instance, Trump wants a weaker dollar to boost exports but also wants the dollar to maintain its role as the global reserve currency. Additionally, while tariffs are likely to pressure the dollar, they also conflict with the goal of reducing the trade deficit. There is growing uncertainty over how these conflicting policies will play out, particularly as the Federal Reserve might need to cut interest rates if the economy slows.
- Some economists, like Adam Posen and Michael Strain, argue that a Mar-a-Lago Accord is unlikely to come to fruition. They note that negotiating such an agreement would be much more complicated than in the 1980s due to the changing global dynamics and the involvement of countries with less economic dependence on the U.S. than in the past. Even if the proposal were to gain traction, it could have far-reaching consequences, including disrupting the global bond market, which underpins the dollar's position as the world's reserve currency.
- In conclusion, while discussions around a weaker dollar and the potential for a new currency agreement continue to grow, the prospects of such a proposal being implemented are slim. The complexities involved in adjusting currency values, particularly in relation to the Treasury market, make it a highly uncertain and risky endeavor for the U.S. government.

• Recession Fears Mount: Tariffs, Layoffs, and Uncertainty Grip the Economy

- A combination of tariffs, government layoffs, funding cuts, and immigration restrictions is fueling rising recession fears, creating a disruptive economic environment marked by uncertainty and declining consumer confidence.

- Recession fears are rising due to a combination of tariffs, government layoffs, funding cuts, and immigration restrictions, each individually capable of slowing down the economy. Together, these factors create a broader, more disruptive environment that could significantly impact economic stability. While some of President Trump's promised policies, like tax cuts and deregulation, might boost business investments, the overall uncertainty in the market has many business leaders worried. A recent poll showed that CEO outlooks for the economy have dropped to the lowest levels since 2012, and discussions around tariffs have significantly increased, further contributing to the growing sense of unpredictability.

- Consumer behavior is also reflecting the economic strain, with people at all income levels pulling back on purchases. Shoppers are opting for smaller-sized items, such as miniature liquor bottles, and cutting back on luxury goods. Retailers have noted a slowdown in spending, with companies like American Eagle and Delta Airlines pointing to reduced consumer confidence and caution in spending. Small businesses, especially in immigrant communities, have also reported a dip in spending due to fears surrounding immigration policies. As uncertainty continues, even larger companies are experiencing lower demand, particularly from Hispanic consumers, who are being impacted by these political and economic shifts.

- One of the key indicators to watch is initial unemployment claims, which can signal the health of the job market. While recent claims remain relatively low, increases in some regions, particularly around Washington, D.C., suggest that government-related layoffs could be taking a toll. With the rise in federal employee layoffs and the broader economic impacts of funding cuts, the true extent of the job market's vulnerability is unclear. The situation remains fluid, with government job cuts contributing to a higher number of layoffs, impacting local economies that depend on federal spending.

- Ultimately, while some optimistic policies are in place, the broader sense of economic instability, combined with increasing uncertainty in business and consumer behavior, makes the future direction of the U.S. economy uncertain. Analysts are closely monitoring these shifts, looking for early indicators like job cuts and changes in consumer spending habits to determine whether the country will avoid a recession or head into one.

• Stolen Funds and Scams Dominate Crypto Crime Landscape

- The Chainalysis report highlights that stolen funds, particularly from North Korean hackers, and crypto scams, including "pig butchering," are leading categories of illicit cryptocurrency transactions.

- The 2025 Chainalysis Crypto Crime Report highlights the growing role of cryptocurrencies in illicit activities, despite their many legitimate applications. Blockchain technology, which provides a transparent and immutable record of transactions, has ironically made it easier to trace the financial networks behind criminal enterprises. The report estimates that over $40 billion in crypto transactions were linked to illicit activities in 2024, with a final figure expected to exceed $51 billion. This transparency has shed light on how criminal networks operate, including payments between cartel-linked wallets and their international suppliers.

- One of the largest segments of crypto crime remains stolen funds, with hackers pilfering $2.2 billion in 2024. A striking 60% of these thefts were attributed to North Korean state-sponsored hackers, who infiltrate crypto and Web3 companies through IT workers posing as legitimate employees. These workers reportedly generate up to $600 million annually, which helps fund the country’s weapons programs. Crypto scams also surged, with nearly $10 billion in fraud-related transactions, half of which were linked to high-yield investment schemes. A particularly alarming trend is the rise of “pig butchering” scams, where victims are manipulated into fraudulent investments. This type of crime is not only devastating for the victims but also for those forced to participate, with reports indicating that thousands of trafficked individuals are coerced into running these scams.

- Ransomware-related crypto crime, on the other hand, saw a decline, generating only $800 million in 2024—a 35% drop from the previous year. The reduction has been attributed to successful law enforcement operations in the U.S. and U.K., as well as changes in ransomware tactics. While smaller payments have declined, there has been a rise in high-value ransom demands, suggesting that ransomware gangs are shifting their approach. Darknet markets and fraud shops also struggled, with total revenue falling to $2 billion and $250 million, respectively. The collapse of Hydra in 2022 left a fragmented market, but new platforms continue to emerge, facilitating the sale of illicit goods, including highly potent synthetic opioids.

- Two of the largest categories of illicit crypto transactions are sanctions violations and wallets tied to "illicit actors." The report estimates that $10.8 billion flowed through wallets linked to cybercrime, extortion, trafficking, and money laundering services. Meanwhile, sanctioned entities and jurisdictions accounted for $15.8 billion in transactions. Businesses and individuals in sanctioned countries like Iran increasingly rely on crypto to bypass restrictions, with Iranian crypto outflows surging 70% to $4.2 billion in 2024. Tehran's crackdown on domestic exchanges in December suggests that the Iranian government seeks to control this avenue of financial transactions, potentially to stabilize its own currency.

- A key takeaway from the report is the shift in the type of cryptocurrencies used in crime. While Bitcoin remains dominant in ransomware and darknet transactions, its volatility and slow transaction speeds make it less attractive for criminals. Instead, stablecoins now account for 63% of illicit transactions, up from less than 20% in 2020. This rise is largely driven by their use in sanction evasion, but also reflects criminals' preference for stable, liquid assets. Rather than simply condemning crypto as a tool for crime, the report underscores how financial criminals, like everyone else, seek efficiency and reliability in their transactions.

• Meme Coins: Modern-Day Oil Booms, Rigged for Early Insiders

- Meme coins, like 19th-century oil booms, attract speculative investments with promises of quick riches, but are often rigged to benefit creators and early insiders, leaving later investors with losses.

- Meme coins have become a modern version of the speculative behavior seen during the 19th-century oil booms, where people poured money into unproven ventures hoping to strike it rich, only to face financial ruin. Similarly, meme coins are cryptocurrencies created as jokes or parodies, with no real purpose or long-term vision. Unlike traditional cryptocurrencies like Bitcoin or Ether, meme coins often rely on humor, viral internet trends, or popular culture figures to gain attention. Despite their lack of utility, they attract massive speculative investments, with many traders hoping to turn small investments into large profits. However, the market is often rigged before most investors can even place their bets.

- Meme coins, which have been around since the launch of Dogecoin in 2013, follow a predictable cycle: the coin goes viral, early insiders profit, and later investors are left holding worthless tokens. For example, the $TRUMP token saw explosive growth but crashed dramatically after the creator, former President Donald Trump, admitted to not knowing much about the project. This pattern of hype-driven volatility is common in the meme coin world, where creators and insiders often manipulate the market to maximize their profits.

- Unlike the ICO (Initial Coin Offering) craze of 2017-2018, meme coins don't offer any real utility and aren't considered securities. However, they follow a similar pattern, where early investors, often with insider knowledge, profit before the value crashes. Meme coins are typically designed to benefit their creators, with large portions of the total supply secretly held by insiders. Once enough investors buy in, these insiders cash out, causing the price to plummet, leaving latecomers with worthless assets.

- The rise of meme coins also brings about the issue of "rug-pulling," where creators abandon their projects after profiting from them, leaving investors with nothing. This practice is often associated with fraud and conspiracy, yet enforcement against it is limited due to the anonymity of creators and the global nature of the problem. High-profile figures, including politicians, have also joined the trend, launching their own meme coins, often benefiting from their influence and connections. For example, both Trump and U.S. Senator John Cornyn launched their own tokens, which skyrocketed before crashing to near-zero values, with accusations of fraud and manipulation following the collapse.

- Despite the predatory nature of meme coins, U.S. regulatory agencies like the SEC have been slow to take action. Meme coin creators often avoid legal consequences by labeling their tokens as "for entertainment purposes only," thus sidestepping securities laws. This loophole allows them to manipulate market hype for personal gain while avoiding regulatory scrutiny. As a result, many investors, unaware of the rigged system, are left with worthless tokens, while creators and early buyers walk away with profits. The lesson for would-be investors is clear: if you're not "in the know," you're likely to lose your money in this speculative and high-risk market.

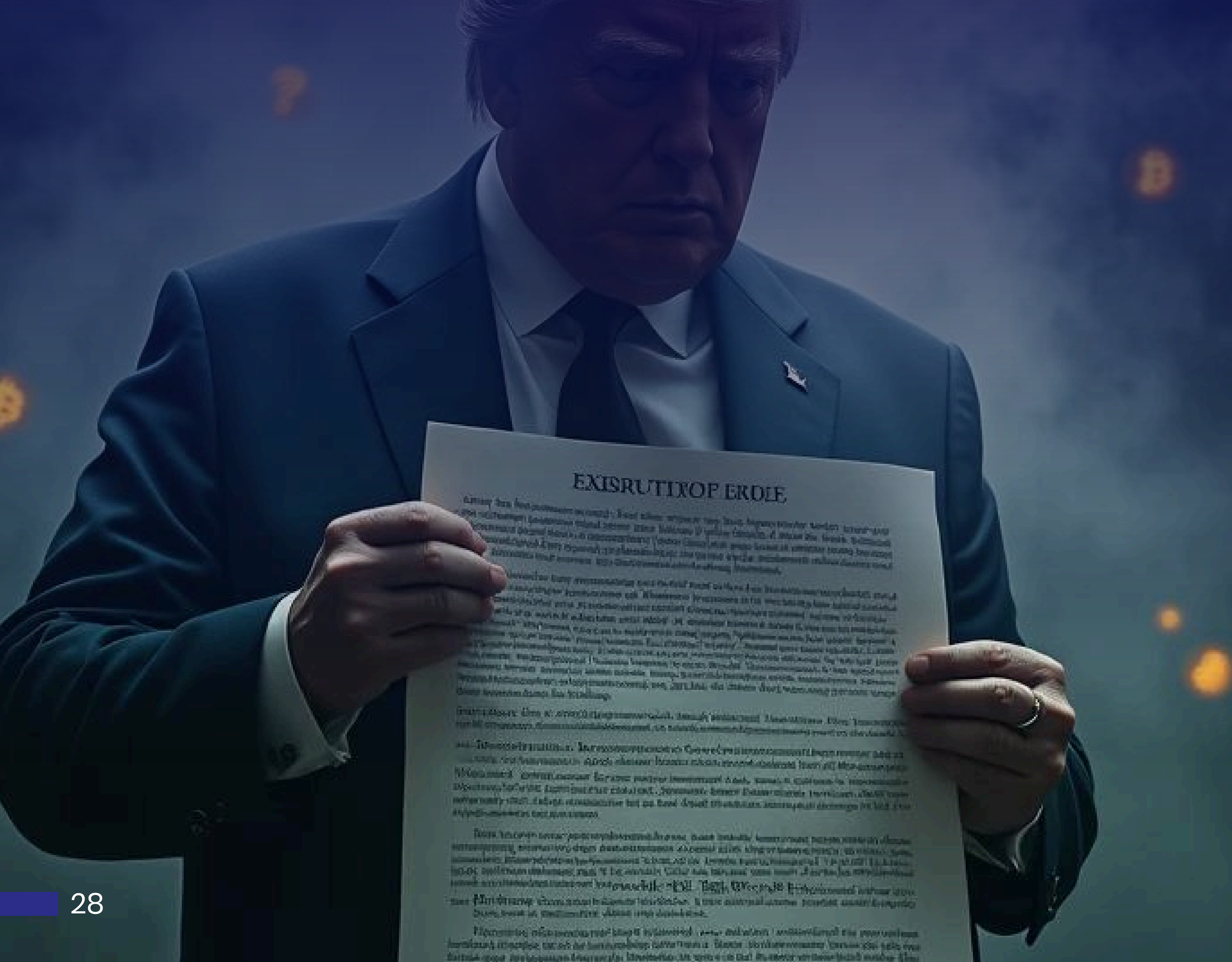
• Disappointment and Uncertainty: Trump's Bitcoin EO Lacks Clarity

- The lack of clear commitment and specifics in President Trump's executive order on a Strategic Bitcoin Reserve has disappointed the market, failing to provide a definitive signal to investors.
- After much anticipation and speculation from crypto traders, President Donald Trump's executive order (EO) to establish a Strategic Bitcoin Reserve did not trigger the market rally many expected. While some had hoped this would lead to a surge in demand for bitcoin, the opposite occurred. The market saw significant declines, with many long-leveraged speculators facing heavy liquidations. The main issue lies in the specifics of the EO: it essentially functions to prevent the government from selling its existing bitcoin holdings, much of which likely comes from hack victims like Bitfinex. Additionally, the EO leaves open the possibility of acquiring more bitcoin through budget-neutral methods, but the lack of clear commitment and Trump's casual comments about bitcoin have not reassured the market.
- This disappointment is compounded by a challenging macroeconomic environment. With equities in decline due to tariff concerns and broader market instability, the unwinding of the yen carry trade and the FED's reverse repo drying up have reduced liquidity for risk assets, including bitcoin. While some view bitcoin as a store of value akin to gold, many treat it as a speculative asset, which has contributed to its recent downfall.

- The market also remains uncertain about the government's stance on bitcoin, as the EO lacks clear direction. The announcement has failed to send a definitive signal to investors and other nations that the strategic reserve is more than just a political maneuver aimed at Trump's supporters. Derivatives markets show little movement in open interest, and the negative skew indicates institutional investors are hedging against potential downside risk.

- Looking ahead, the introduction of the BITCOIN Act, put forward by Senator Lummis, could provide more clarity and stability if it passes through Congress. This bill could strengthen the strategic reserve's framework and provide a clear path for the U.S. government to acquire more bitcoin. Additionally, further details on budget-neutral methods of acquiring bitcoin, potentially from figures like David Sacks and Treasury Secretary Scott Bessent, could add weight to the government's commitment to the asset.

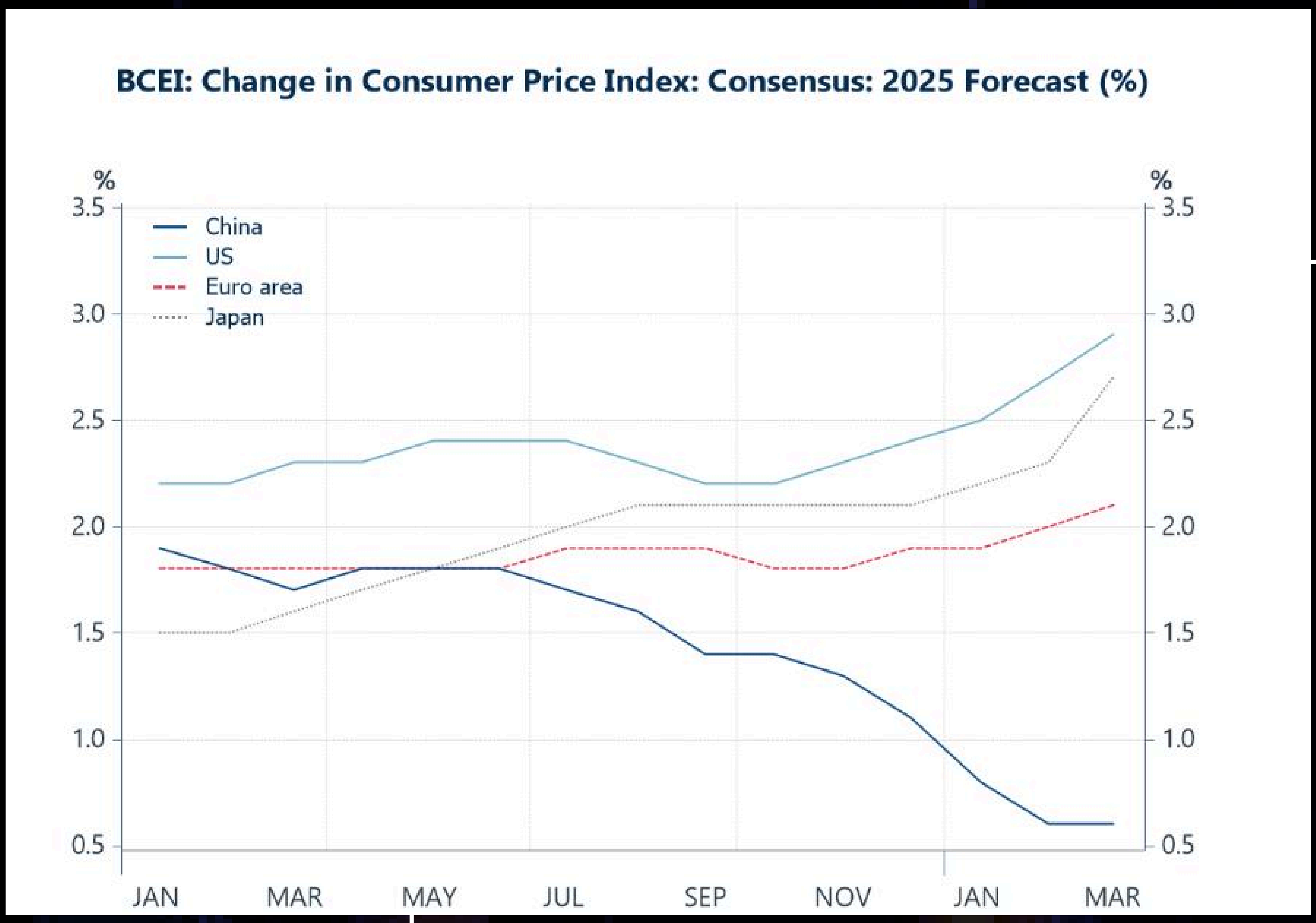
- As the government moves toward legitimizing bitcoin within the broader financial system, more institutional and corporate investments in bitcoin are expected. Over 70 public companies already hold bitcoin on their balance sheets, and this trend is likely to continue as bitcoin becomes more integrated into regulated finance. If these steps continue to progress, they could inspire other nations to establish their own strategic bitcoin reserves. Despite recent setbacks, the overall trajectory of bitcoin adoption remains positive, and for long-term holders, a HODL strategy may still be the best course.



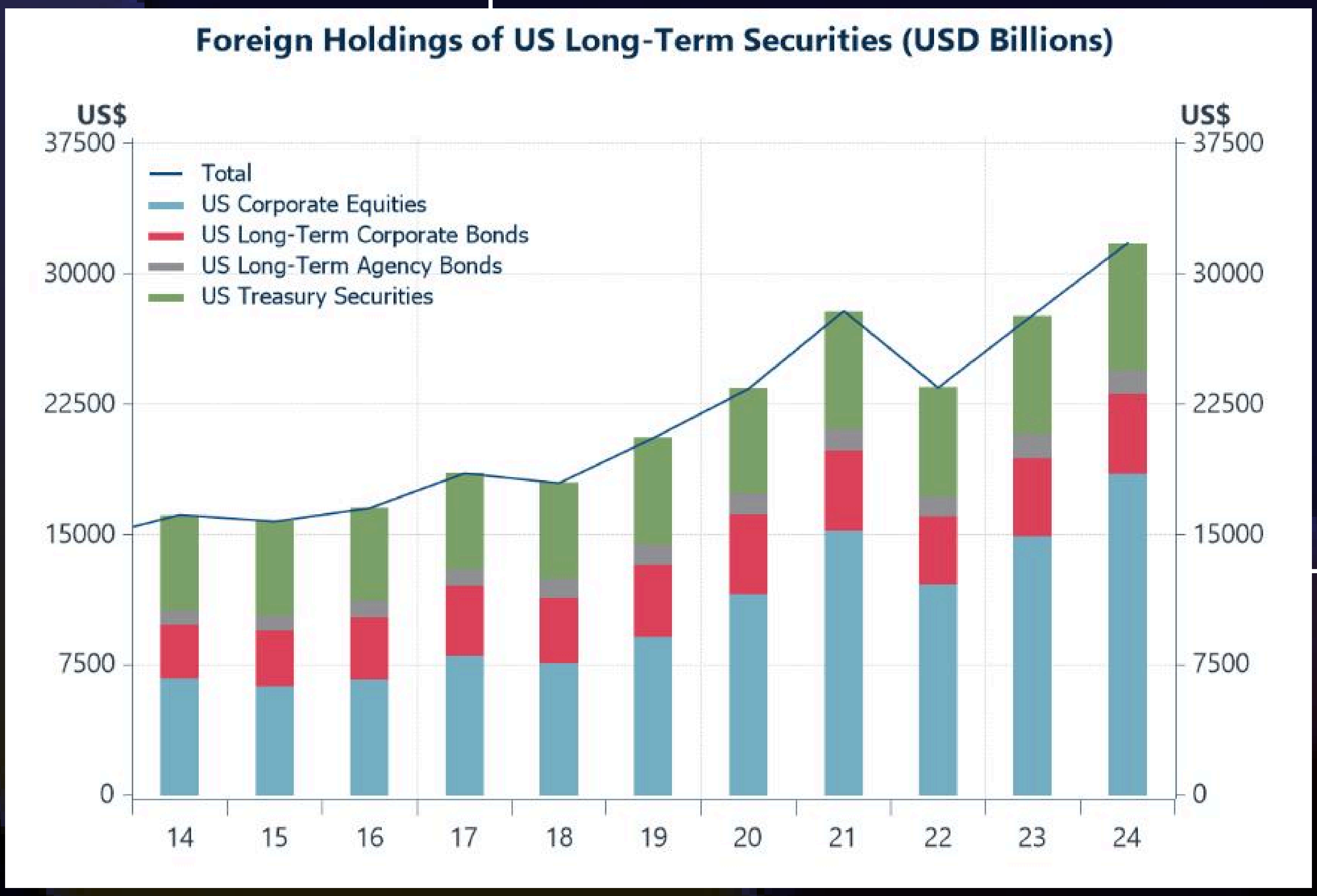
Taking TikTok On-Chain: Push for User-Owned Social Media Gains Momentum

- The debate around TikTok's ownership highlights the growing movement to decentralize social media platforms, with initiatives like Project Liberty aiming to shift control from corporate entities to users.
- The debate around TikTok's ownership and control over digital identities has become a central issue in the broader conversation about the future of social media. As platforms like TikTok dominate the digital landscape, the question arises of who owns and controls the vast amount of data created by users. This issue is about more than just the ownership of platforms like TikTok; it reflects a larger struggle for digital autonomy, where users' personal data, interactions, and identities are at stake. Social media has long been controlled by corporate giants, leaving users with little control over their own digital lives.
- Project Liberty, in collaboration with Alexis Ohanian and Kevin O'Leary, is advocating for taking TikTok on-chain to ensure that digital spaces are user-owned and not controlled by corporate entities. By utilizing Frequency, a public blockchain developed specifically for social networking, Project Liberty aims to decentralize the control of social media platforms. This shift would prioritize data sovereignty, interoperability, and resilience against centralized control. TikTok, with its massive influence, could serve as a key platform in this movement towards decentralization.
- Bluesky, another open-source social media project, is trying to achieve decentralization, but it still relies on centralized systems for some critical functions. These include the storage of data and the management of relay systems, which could undermine the long-term viability of its decentralized model. Despite its promise, Bluesky still contains vulnerabilities that could lead to the concentration of power in the hands of a few, making it an imperfect solution. The challenges faced by Bluesky illustrate the complexities of decentralizing social media at scale.
- Frequency offers a more robust solution to the issues of digital identity and social media governance. Unlike traditional centralized platforms, Frequency operates on the principle of decentralization, where users have full control over their data. By ensuring that all critical data, such as user interactions, connections, and content, is stored securely and privately, Frequency gives users the power to control how their information is shared, with whom, and for how long. This model restores the autonomy of users in a way that traditional platforms have failed to do.
- Achieving digital self-sovereignty requires more than just technological solutions; it requires a shift in the power dynamics of the internet. Frequency offers the opportunity to reclaim the promise of an open and interconnected internet, where users are in control of their digital identities and content. By decentralizing platforms like TikTok, the vision of a truly user-owned and user-governed digital world can be realized. This movement away from corporate control marks a crucial step towards breaking free from the data monopolies that have defined the current era of social media.

CHARTS



- Meanwhile, the same survey shows rising concerns about this year's inflation prognosis in the US and Europe, which may be a reflection of how US tariff actions are affecting price pressures around the world. Due to increased pricing pressures brought on by changing trade dynamics and growing import costs, Japan's inflation prediction for 2025 has also increased. All of this contrasts with China, where inflation forecasts for this year are expected to drop below 1%, escalating worries about deflation and sluggish demand (chart 2).



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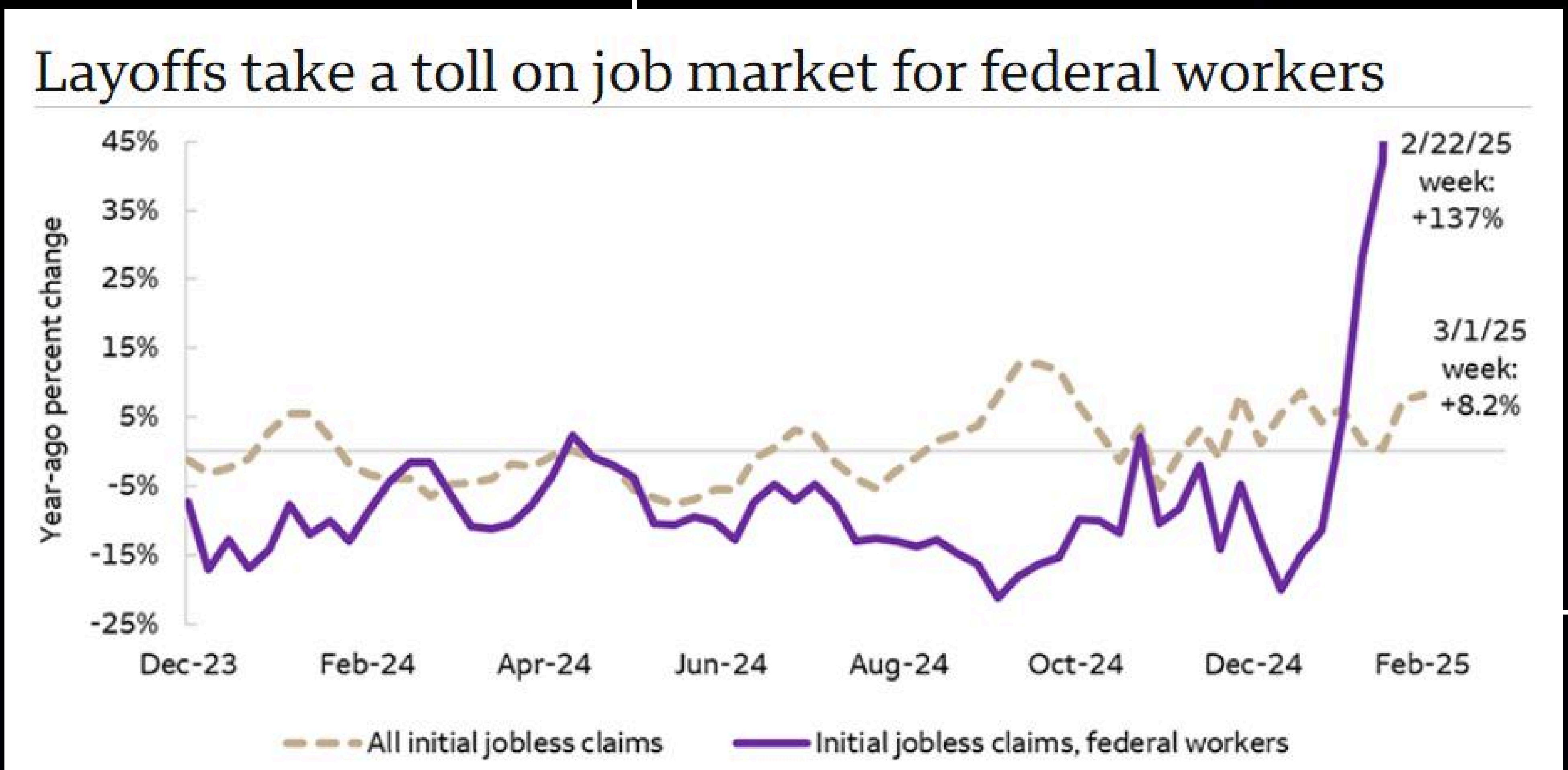

- The graph above shows the recent increase in federal employees' first-time unemployment claims (+137% year-over-year) in the week ending February 22. In the meantime, overall first unemployment claims rose 8.2% in the week ending March 1 compared to the same period last year and are still well below the level that would indicate a recession.
- Even though government employees make up less than 2% of non-farm payrolls, recent layoffs could significantly rise in the months ahead. Smaller, less economically diversified cities and larger metro regions like Washington, D.C., which rely more on federal employment, are likely to be hardest hurt by the negative economic impact.

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