

WEEKLY NEWSLETTER

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Echoes of the 1930s: Global Trade Barriers Surge,

Threatening Economic Turmoil

Discover The Unknown Depth of Financial Markets

31 Monday March 2025

INSIGHTS FROM THIS WEEK'S ANALYTICS REVIEW EXPLORING THE FINANCIAL DEVELOPMENTS DELVE DEEPLY INTO THE WORLD OF WEB3



This NEWSLETTER is targeted towards institutional. professinal. and qualified investores. as well as qualified clients.

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ICEBERG FINANCIAL

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Insights From Past Weeks Analytics Revivew

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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	1.59155	0.0049	0.31%	-0.01%	-1.20%	-1.49%	3.70%	19.16%	1.58423 • 1.59213	1.44074 — 1.64222
British Pound	USD:GBP	0.77297	0.0007	0.09%	-0.07%	-2.78%	-3.23%	-2.43%	1.14%	0.77111 0.77385	0.74443 - 0.82233
Canadian Dollar	USD:CAD	1.43077	0.00026	0.02%	-0.28%	-1.02%	-0.49%	5.67%	14.30%	1.42764 — 1.43332	1.34208 - 1.47935
Chinese Renminbi ("Yuan")	USD:CNY	7.27064	0.0023	0.03%	0.09%	-0.32%	-0.91%	0.18%	13.88%	7.26587 - 7.27679	6.97349 - 7.39915
Euro	USD:EUR	0.92402	-0.0018	-0.19%	0.06%	-4.13%	-4.30%	-0.31%	1.44%	0.9221 - 0.92897	0.89181 - 0.97934
Japanese Yen	USD:JPY	149.855	-1.19	-0.79%	0.03%	-0.48%	-4.76%	-0.95%	20.94%	149.683 • 151.212	140.049 - 161.679
Swiss Franc	USD:CHF	0.88084	-0.00084	-0.10%	-0.33%	-2.46%	-2.93%	-2.37%	-5.69%	0.87998 • 0.88356	0.83739 0.92044

• The US Dollar struggled late in the week, reversing gains despite reaching three-week highs above 104.00 in the Dollar Index (DXY). Initially buoyed by new White House tariff threats, concerns over economic fallout weakened sentiment, coinciding with a mixed performance in US yields. The administration imposed a 25% tariff on auto imports but delayed duties on Mexican and Canadian goods, with more measures expected soon. While tariffs could address trade imbalances, they risk fueling inflation, potentially delaying Federal Reserve rate cuts. The Fed maintained rates between 4.25%-4.5%, citing inflation and a strong labor market. Markets now focus on upcoming labor data, with the DXY facing resistance at 104.92 amid mixed







	/			- Energy						
Energy										
Name	Symbol	Today	5 Days	1 Month	YTD	1 Year	3 Years	Day Range	52 Week Range	
Oil	USO	-0.94%	1.33%	-0.60%	-1.03%	-5.03%	0.32%	74.54 75.54	66.02 84.58	
Brent Oil	BNO	-0.92%	1.34%	0.07%	0.77%	-5.42%	-0.69%	30.12 • 30.45	26.77 — 33.91	
Natural Gas	UNG	4.51%	2.35%	4.87%	26.89%	46.40%	-72.26%	20.14 • 21.35	12.35 24.33	
Gasoline	UGA	-0.41%	1.98%	0.44%	-0.33%	-11.49%	<mark>13.10%</mark>	62.78 • 63.24	55.37 — 74.57	

• JPMorgan analysts predict that U.S. President Donald Trump would declare retaliatory tariffs on a range of goods on April 2, escalating fears of a trade war and the potential for a recession. Strong indicators of oil demand have held prices steady in spite of these concerns, and a notable decline in U.S. crude inventories has helped to moderately increase prices. WTI increased 1.6%, bouncing up more than 6% from March's lows, while Brent futures climbed 1.9%. With additional levies on Venezuelan crude purchasers and a predicted 200,000 barrel per day decline in Venezuela's oil output, U.S. sanctions on the country are making the oil market even more complicated. The tightening global supply, driven by sanctions on Venezuela and Iran, combined with OPEC+'s planned production increases, is expected to create a bullish outlook

for oil prices in the second quarter.

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				- N	letals				
Precious N	letals								
Name	Symbol	Today	5 Days	1 Month	YTD	1 Year	3 Years	Day Range	52 Week Range
Palladium	PALL	-0.74%	1.48%	5.23%	6.47%	-4.92%	-57.13%	88.36 89.89	77.52 • 113.92
Gold	GLD	0.74%	2.00%	7.90%	17.32%	38.08%	58.64%	282.86 284.64	206.29
Platinum	PPLT	-0.27%	0.03%	4.13%	8.32%	7.67%	-1.79%	89.37 90.32	82.25 • 100.00
Silver	SLV	-1.02%	3.26%	9.50%	17.74%	36.26%	35.19%	30.86 - 31.41	22.63 • 31.80

 Gold reached a record high above \$3,080 on Friday, driven by rising safe-haven demand amid escalating trade tensions and concerns about the US economy. The surge followed US President Trump's announcement of a 25% tariff on car imports, set to take effect on April 2. This, combined with fears of an economic downturn and a deepening trade war, led investors to seek refuge in Gold. Despite steady PCE inflation data, Gold's momentum continued through the weekend, fueled by risk aversion. As markets await US economic data, including the ISM Manufacturing PMI and Nonfarm Payrolls, focus remains on the tariff developments, which could further impact Gold prices, depending on their





Analytica

 Trillion-Dollar Bet: Al Data Centers and the Specter of Overcapacity

- Big Tech's unprecedented investment in Al-focused data centers, projected to surpass \$1 trillion annually, is raising concerns about potential overcapacity. The risk of repeating the fiber optic overbuild of the dot-com era looms, as companies gamble on Al's exponential growth.
- The late 1990s internet boom wasn't a single bubble but a collection of interconnected ones, with e-commerce companies like Pets.com and telecom firms at the forefront. A lesser-known but crucial part of this infrastructure frenzy

was fiber optics, which promised to revolutionize internet bandwidth. The breakthrough came with Wavelength Division Multiplexing (WDM), allowing multiple data streams to travel through a single fiber, vastly increasing efficiency. Ciena pioneered the commercial deployment of WDM, fueling excitement about the internet's potential. This led to a massive infrastructure boom, with telecoms investing over \$500 billion in fiber optic networks, often financed by debt. However, when the dot-com crash hit, demand failed to meet expectations, leading to a glut of unused fiber, financial collapses, and plummeting stock values for key players like Corning and Ciena.

• Two decades later, a similar infrastructure boom is unfolding around artificial intelligence. Big Tech giants—Amazon, Google, Meta, and Microsoft—are investing record amounts into AI-focused data centers, with \$320 billion in capex planned for just this year. The competition to build AI-ready infrastructure has driven spending to unprecedented levels, with even governments and private entities joining the race. Nvidia has emerged as the dominant player in AI chips, holding up to 95% market share. The company's revenue has skyrocketed from \$27 billion in 2022 to \$130 billion in 2024, reflecting the insatiable demand for AI computing power. Despite these massive investments, parallels to the fiber optic overbuild of the 1990s have raised concerns about whether AI's exponential growth forecasts will





- Nvidia's success is tied to the shift from traditional computing to Al-driven models requiring immense processing power. CEO Jensen Huang argues that Al's computing needs are escalating, particularly with the rise of "agentic Al," which involves reasoning and step-by-step problem-solving. This transition is expected to drive data center spending beyond \$1 trillion annually within five years. However, much like the internet boom, there is uncertainty about Al's real adoption rate and whether current investment levels are sustainable. Google CEO Sundar Pichai has acknowledged that the fear of underinvestment is greater than the risk of overspending, reinforcing the "blank check" mindset that fuels this infrastructure surge.
- Despite Nvidia's dominance, a shock came in January 2025 when the Chinese AI company DeepSeek released an open-source model that rivaled OpenAI's capabilities but required significantly lower costs to train and operate. This revelation triggered a \$600 billion sell-off in Nvidia stock, as Wall Street realized AI's compute requirements might not grow as relentlessly as expected. DeepSeek's efficiency suggested that AI development might not need the exorbitant hardware investment once assumed, raising concerns about the long-term viability of hyperscalers' AI infrastructure spending. If AI models continue improving at this rate,

companies may soon find themselves with excess AI compute power, much like the unused fiber networks of the early 2000s.

 While no one doubts AI's transformative potential, the key question remains whether revenue will grow fast enough to justify the immense capital investment. Al-related product sales currently generate only a fraction of the money being poured into AI infrastructure, raising concerns about a financial bubble. Experts predict AI will contribute modestly to GDP growth and affect only a small percentage of jobs in the near term. The dot-com crash proved that the internet was not a passing fad—it simply took longer to scale profitably than early investors had hoped. The AI revolution is distinct, but the speculative spending driving its infrastructure buildout bears striking similarities to past technology bubbles, leaving open the possibility of history rhyming once again.



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Beyond Models: Al's Compute Crisis Demands Scalable Solutions

- The AI revolution is hitting a compute bottleneck, as the insatiable demand for processing power outpaces infrastructure capabilities.
- Al advancements are pushing the limits of computing power, with architectures like Mixture of Experts (MoE) improving efficiency. Models like DeepSeek and ASI-Mini 1 demonstrate how selective activation of expert sub-models can reduce computational strain while maintaining high performance. Fetch.Al's ASI-Mini 1 takes this further by incorporating Mixture of Agents (MoA), enabling multiple AI agents to collaborate, making it the first Web3 large language model. While these innovations optimize compute usage, they may also intensify overall demand due to Jevons Paradox, where increased efficiency leads to broader adoption and higher infrastructure needs.
- The rising demand for AI extends beyond model training. Large language models (LLMs) and AI agents require immense computing power not only for training but also for inference and real-time decision-making. AI agents, in particular, operate continuously, analyzing data and making autonomous decisions, placing additional pressure on infrastructure. The reliance on GPUs remains a major bottleneck, as supply chain issues and high costs limit accessibility. Businesses seeking to scale AI must now prioritize flexible, cost-

effective, and distributed computing solutions to stay competitive.

- The AI industry is undergoing a fundamental shift, as applications expand from research labs to consumer products and financial systems. Autonomous trading, customer service, and decentralized AI networks now require real-time compute power, intensifying infrastructure challenges. Funding and scaling strategies are evolving in response, with companies like SingularityNET investing heavily in AI infrastructure. The scarcity of GPUs and the rising cost of cloud computing are becoming as crucial as advancements in AI models themselves.
- Despite MoE reducing inefficiencies, the overall demand for compute power is accelerating rather than shrinking. Companies must now navigate both Al development and infrastructure economics to remain competitive. The focus is shifting toward scalable, decentralized computing solutions that can sustain Al's rapid growth. Those that fail to plan for infrastructure expansion risk falling behind in an increasingly compute-intensive landscape.
- Ultimately, Al's growth trajectory is inseparable from the compute crisis.
 While new architectures improve efficiency, they also drive adoption, intensifying infrastructure demands. Companies must balance model advancements with sustainable compute access, ensuring that cost-

effective and scalable solutions remain at the forefront of Al strategy.





Catching Starlink: Europe's Satellite
 Operators Face a Steep Climb

• European satellite operators, struggling to compete with Starlink's low-cost and agile

services, are facing a major challenge.

- Europe is working on creating a homegrown alternative to Starlink, Elon Musk's satellite broadband service, following concerns over US threats to cut off Starlink's services in Ukraine. The European Commission's defense white paper suggests that the EU should fund Ukrainian military access to services from EU-based satellite providers. In response, European satellite operators such as Hispasat, Eutelsat, and SES have been asked to propose available capabilities to help Ukraine. Despite EU funding, industry experts warn that no single European satellite network can match the wide range of Starlink's services, especially its use on the front lines in Ukraine. Instead, a European solution would likely involve a combination of different satellites operating in multiple orbits, which would require various user terminals for different networks.
- Starlink has become the dominant force in satellite broadband, with a network of 40,000 terminals in Ukraine. The service is integral not only for consumers and the government but also for military operations, where troops use Starlink's compact terminals on drones to relay live video footage. Industry experts note that Starlink's low Earth orbit (LEO) network is more resilient and offers lower latency and faster speeds than traditional satellite networks. This success stems from Starlink's massive investment and the low cost of terminals, which have enabled it to capture millions of subscribers and clients across sectors like airlines and shipping, putting pressure on





- European satellite operators are struggling to compete with Starlink's lowcost and agile service. The traditional satellite operators had hoped that new connectivity businesses would offset declining revenues from broadcast services. However, the launch of Starlink, aided by cheap launches from SpaceX, disrupted the industry. Starlink's ability to provide global coverage from LEO, with thousands of satellites and lower latency, outperformed the traditional geostationary (GEO) orbits used by older companies. The challenge now for European operators is to catch up, despite their focus on new satellite orbits and performance upgrades, which have been expensive and slow to yield results.
- Eutelsat and SES have attempted to pivot by adopting multi-orbit strategies, but both companies are heavily indebted, making it difficult to fund the technologies needed to remain competitive with Starlink. Eutelsat's acquisition of OneWeb, a LEO operator, and SES's expansion into medium Earth orbit (MEO) with its O3b network have yet to deliver significant financial returns. Both companies have faced setbacks, including slow satellite rollouts and power issues with new satellite generations. Analysts are concerned about the ability of European companies to sustain this multi-orbit strategy, and they face rising costs, including higher insurance
 - premiums, as they continue to battle Starlink's dominance.
- The European Commission's Iris² project, which aims to provide secure government communications by 2030, will be critical to supporting a European alternative to Starlink. The success of such initiatives hinges on a combination of LEO, MEO, and GEO satellites, each with their own strengths and limitations. For example, OneWeb's network, while useful, has higher latency and costlier terminals compared to Starlink. While alternative solutions exist, such as GovSatCom, which pools communication capacity among EU members, they do not yet have the capacity to match Starlink's widespread coverage. Europe's satellite sector faces a major challenge in creating a viable and competitive alternative to Starlink, particularly as new players like Amazon's Project Kuiper prepare to enter the market.







 Ultra-Thin, Ultra-Efficient: Corning's Gorilla Glass Powers Next-Gen Windows

• Corning's innovative use of ultra-thin, chemically strengthened glass, similar to that

- used in smartphones, is transforming window technology. These new panes, sandwiched between standard glass, significantly enhance insulation and performance.
- A breakthrough in window technology, leveraging the same advancements behind smartphone glass, could save American households billions in energy costs while providing better insulation, durability, and storm resistance. These new windows feature thin panes of chemically strengthened glass sandwiched between thicker standard panes, offering superior insulation at a cost only 20% higher than conventional energyefficient windows. Unlike traditional double-pane windows, which have remained largely unchanged for a century, this innovation can help homes retain heat during winter power outages and meet the toughest hurricane-building codes while being significantly lighter than existing stormproof options.
- The key innovation stems from Corning, the company behind Gorilla Glass, which refined its glass manufacturing techniques to produce ultra-thin, nearly flawless sheets for architectural applications. These panes, thinner than a credit card yet larger than a queen-size mattress, are used as interior layers in three- and four-pane windows, significantly improving insulation without adding excessive weight. This advancement allows windows to become better insulators than walls, potentially redefining home energy efficiency. Although this technology is still scaling up in U.S. production, it is





- Companies like Alpen, a leader in energy-efficient windows, have collaborated with Corning to mass-produce these reinforced windows. With automated production facilities in Colorado and Pennsylvania, Alpen is rolling out standard-sized models to keep costs competitive. Builders who have tested these windows report remarkable energy savings, as they allow sunlight to warm interiors without conductive heat loss. This means homes can remain warm on sunny winter days without running heating systems, significantly lowering energy bills.
- Wider adoption of these high-performance windows will depend on demand from builders, homeowners, and landlords. Historically, energyefficient technologies gain traction when building codes mandate them, as profit-driven builders may otherwise opt for cheaper materials. Without regulatory requirements, rental property owners also have little incentive to invest in solutions that primarily benefit tenants through lower utility costs. Thus, policy changes may be necessary to encourage broader adoption.
- Beyond energy efficiency, this glass is also transforming impact-resistant doors and windows. Miter Brands has incorporated Corning's thin glass into hurricane-proof windows, reducing their weight by up to 40% while maintaining the highest safety standards, such as Miami-Dade's hurricane

resistance tests. This innovation demonstrates the wide-ranging potential of smartphone glass technology, now poised to revolutionize home construction by enhancing energy efficiency and resilience against extreme weather.

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- A new wave of protectionism is sweeping the globe, reminiscent of the 1930s and the Smoot-Hawley Tariff Act, as countries erect trade barriers at an alarming rate.
- Rising trade barriers worldwide are accelerating at a rate not seen in decades, reminiscent of the 1930s protectionist wave that worsened the Great

Depression. While Trump's recent tariffs have triggered retaliatory measures from major economies, many countries had already been tightening trade restrictions against China before his policies took effect. The European Union is among those responding to the shifting trade landscape by strengthening measures to protect domestic industries from an influx of redirected imports caused by U.S. tariffs on steel and aluminum. Economists suggest the world may be heading toward the most extensive protectionist movement since the Smoot-Hawley Tariff Act.

- Although global tariff levels remain much lower than those of the early 20th century, the economic and diplomatic damage could be significant. Increased tariffs are expected to slow growth, raise inflation, and weaken international cooperation. The World Trade Organization, originally designed to prevent protectionist policies from escalating, has lost influence, as Washington has sidelined its role in trade disputes. Trump's administration is pushing forward with additional tariffs on critical imports such as semiconductors, pharmaceuticals, and automobiles, heightening concerns over broader trade conflicts.
- Many countries have ramped up trade restrictions beyond their disputes with the U.S., particularly targeting China. South Korea, Vietnam, and Mexico have imposed new duties on Chinese steel and chemical products, while Indonesia plans tariffs on imported nylon. Even Russia, despite close political ties with China, has increased taxes on imported Chinese vehicles as they dominate the Russian auto market. The growing number of trade restrictions suggests that protectionism is becoming a widespread trend, not just a U.S.-driven policy





- The echoes of past trade wars are clear, with the Smoot-Hawley Act serving as a historical warning. The post-World War II global order reduced tariffs significantly, leading to decades of trade expansion that lowered consumer prices but also contributed to industrial decline in advanced economies. Trump's latest trade policies aim to reverse those effects by eliminating trade deficits and restoring domestic manufacturing. While supporters argue that this will create jobs and drive investment, retaliatory measures from trading partners, including steep tariffs from the EU on American goods, raise concerns about economic disruption.
- The economic impact of these policies is already being felt, with declining consumer confidence, falling stock markets, and weakening business investment. Global trade is increasingly fragmenting along geopolitical lines, and analysts warn that reversing this trend will be difficult. Governments are prioritizing self-sufficiency in key industries, and the WTO's diminished role makes large-scale trade agreements unlikely. As protectionist policies take root worldwide, reversing them may require a shift in both economic priorities and political will—something that appears unlikely in the near future.

Tariff Turnaround

President Trump has lifted the average U.S. tariff to its highest level in decades



Trading Blows

The U.S. and other major economies are tightening import controls

Number of import curbs in force





 ECB's R-Star Gamble: Navigating the Grey Zone of Monetary Policy

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 As the ECB signals its rates are approaching neutral, the elusive "R-star" becomes a central yet uncertain factor in policy decisions. With estimates varying widely, the ECB must balance theoretical models with real-world inflation data to chart its course.

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- The European Central Bank (ECB) has signaled that its policy rates are becoming "meaningfully less restrictive," meaning they are approaching a neutral level known as "R-star." This is the short-term interest rate that neither stimulates nor restrains economic activity, keeping inflation stable and employment full. However, R-star is a moving target, influenced by factors such as demographics, technological progress, and risk preferences, making it difficult to pinpoint. Current estimates for the euro area range between 1.5% and 2.5%, adding uncertainty to monetary policy decisions.
- While R-star is useful when rates need to be far from neutral, such as during the ECB's aggressive tightening in 2022-23 to combat inflation, its relevance diminishes as rates approach neutral. This creates a "grey zone" where policy assessments depend heavily on uncertain estimates. At this stage, inflation projections become a more reliable guide. Unlike in 2022-23, when inflation forecasts were disrupted by energy price shocks, by 2024, these projections have regained credibility as inflation steadily declines toward the ECB's 2%





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- A practical approach for the ECB is to weigh R-star estimates when rates need to be far from neutral but shift focus to inflation projections when rates are closer to balance. If inflation is still declining and economic growth remains weak, it is likely that policy remains restrictive. Given the ECB's primary mandate of price stability, R-star should not dictate policy but instead provide broader context for decision-making.
- The ECB faces a challenging environment where economic stagnation is exerting downward pressure on inflation. Weak GDP growth and low consumer confidence could push inflation below the 2% target, while global tensions add further economic uncertainty. Additionally, potential fiscal stimulus measures, such as Germany's suspension of its "debt brake" and a European defense plan, could have significant impacts on inflation and interest rate dynamics.
- Given the abundance of economic uncertainties, relying solely on R-star as a guiding reference is inadequate. Instead, the ECB must remain pragmatic and data-driven, focusing on inflation trends and macroeconomic conditions rather than theoretical estimates of the neutral rate. While there is still work to be done to ensure inflation stabilizes, determining the precise path forward remains complex requiring flexibility in policy making.

path forward remains complex, requiring flexibility in policymaking.



 From Market Boom to Tariff Bust: Trump's Economic Agenda Unravels

• President Trump's economic agenda began with a surge of market optimism, quickly derailed by his unpredictable tariff policies. A \$4 trillion market loss and

plummeting consumer sentiment highlighted the growing uncertainty among businesses and investors.

- President Trump's economic agenda began with a surge of optimism, as evidenced by market gains after his inauguration. He boasted about the Nasdaq's rise, and the S&P 500 hitting an all-time high. However, his unpredictable tariff policies soon undermined this optimism. As Trump initiated a series of tariff battles with major trade partners, the stock market lost \$4 trillion in value, and consumer sentiment dropped to its lowest point since January 2021. Despite these setbacks, Trump pushed forward with his trade policies, preparing for new tariffs aimed at any trading partner imposing barriers on U.S. products.
- The unpredictable nature of Trump's trade policies created confusion among businesses. CEOs and lobbyists reached out to the White House, seeking clarity and expressing concerns over the haphazard approach to tariffs. While Trump's team argued that these policies were part of a broader strategy to reshape global trade, many investors and businesses began to doubt the long-term effectiveness of such aggressive moves. The administration's stance on tariffs, particularly with Canada and Mexico, continued to shake confidence, with market volatility and concerns about inflation and weaker growth affecting

investor sentiment.



- Trump's administration had hoped to overhaul global trade relations, believing tariffs could boost domestic manufacturing and reduce trade imbalances. However, these efforts were met with mixed reactions. Investors, initially optimistic about tax cuts and deregulation, began to grow increasingly pessimistic as the tariff strategies caused inflationary pressure and slowed growth. Even Trump admitted that a recession could be a possibility, acknowledging that the country was in a transition period aimed at overhauling global trade agreements. Despite this, Trump's team maintained that the fundamental strength of the economy, including low unemployment and a housing surge, would eventually prove the policies successful.
- The impact of tariffs extended beyond trade policies to the mergers and acquisitions (M&A) sector. Deal volume dropped by almost 10% compared to the previous year, a sharp contrast to the initial expectation of a boom. The unpredictability of tariff policies and the lack of clarity about the future direction of trade relations created an environment of uncertainty, causing businesses to hold back on investments and hiring. The Federal Reserve, already cautious about inflation, now had to contend with the added complication of rising prices due to tariffs, further stalling economic activity.
- As the uncertainty persisted, businesses became more reluctant to hire or invest. A significant drop in optimism was seen in the manufacturing sector, with fewer firms expecting growth. CEOs, in particular, voiced frustrations over the unpredictability of tariffs, which affected long-term planning and investment. Despite reassurances from the White House that Trump was following through on his campaign promises, the sense of unpredictability and the potential economic toll of tariffs continued to worry both businesses and investors. As the administration pushed for sweeping changes to global trade, it remained to be seen whether these policies would ultimately achieve their intended results or lead to more economic instability.





 Caught in the Crossfire: Allies Navigate Trump's Trade War, Balancing Retaliation and Restraint

- President Trump's trade war has forced America's allies into a precarious position, compelling them to choose between retaliatory measures and cautious diplomacy.
- President Trump's trade war has put America's allies in a difficult position, forcing them to choose between retaliation and compliance. Canada and the EU have taken a strong stance against U.S. tariffs, imposing countermeasures on American goods to show strength. In contrast, the U.K. and Mexico have opted for a more cautious approach, prioritizing negotiations over direct confrontation. The uncertainty surrounding Trump's evolving tariff policies has made it unclear which strategy is most effective.
- Canada, the EU, and China believe they have enough leverage to pressure the U.S. economy, with Canada being a key energy supplier and the EU's large market making its tariffs impactful. Canada initially took an aggressive stance, with Ontario's leader threatening an electricity export tax, but Trump quickly responded with threats of even higher tariffs, forcing Canada and the EU to reconsider. Prime Minister Mark Carney acknowledged Canada's economic limitations, while the EU delayed its countertariffs to allow for further





- China's response has been relatively mild, focusing on targeted tariffs and WTO legal action rather than escalating the trade war. Mexico, highly dependent on the U.S. market, has prioritized diplomacy, offering cooperation on drug enforcement and border security in hopes of securing better trade terms. Despite these efforts, Trump has yet to provide Mexico with tariff relief, raising concerns about the long-term sustainability of economic cooperation.
- The U.K. has taken a different path, seeking to position itself as a mediator between the U.S. and Europe while avoiding a trade conflict with Trump. Prime Minister Keir Starmer has focused on strengthening defense and diplomatic ties, with Britain eager to secure a favorable trade agreement. His charm offensive included delivering a personal invitation from King Charles to Trump for a state visit, signaling the U.K.'s commitment to maintaining strong relations.
- With Trump set to introduce new "reciprocal tariffs" on April 2, the stakes are high for all nations involved. Whether retaliation or restraint proves to be the best strategy remains uncertain, but the trade war continues to reshape global economic and diplomatic dynamics.



Financial Sanctions Have Become America's Economic Weapon

New additions to OFAC sanctions list by year





Copper's Tight Squeeze: Demand Outpaces

Supply Amid Global Uncertainty

- Tight supply conditions, evidenced by near four-year highs in copper waiting to leave London warehouses, are contributing to rising prices.
- Copper prices are expected to surpass \$12,000 per tonne this year, driven by increasing global demand and potential US tariffs under President Donald Trump. Major trading houses, including Mercuria and Trafigura, foresee new record highs as the market tightens. The price of copper on the London Metal Exchange, which peaked at nearly \$11,000 in May 2024 before dipping, has rebounded to around \$10,000.
- US copper imports have surged, with an estimated 400,000 to 500,000 tonnes currently en route to the country, reshaping a market traditionally dominated by Chinese demand. Traders are rushing to secure supplies ahead of possible 25% tariffs, leading to a widening spread between London and New York copper prices, now exceeding \$1,350 per tonne. Tariffs have already been applied to US imports of aluminium and steel, adding to the uncertainty in the metals market.
- Infrastructure upgrades in the US and EU are also expected to boost copper demand. Expanding power grids require significant copper inputs, reinforcing the bullish outlook for the metal. However, concerns about global economic fragility persist, with analysts warning that uncertainty over US tariffs could impact price stability. Despite this, US buyers remain active, given the lack of a quick solution to increase domestic supply.

 Copper stocks in US Comex warehouses are near their highest level since 2019, with duty-paid copper exempt from additional tariffs. Meanwhile, copper waiting to leave London Metal Exchange warehouses is near a fouryear high, indicating tight supply conditions.

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 MSTR vs. BTC: The Imperfect Correlation of a Bitcoin Proxy

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- While Strategy (formerly MicroStrategy) is lauded as a leading bitcoin proxy, statistical analysis reveals a fluctuating correlation between its stock price and bitcoin's value. Corporate decisions, share dilution, and market dynamics create a relationship that, while strong, is far from perfect.
- Strategy, formerly known as MicroStrategy, remains the largest corporate holder of bitcoin, trading at a premium to its net asset value (mNAV). The company, originally a software analytics firm, has evolved into a bitcoin treasury under Michael Saylor's leadership. Its stock price is highly correlated with bitcoin but not perfectly, as shown by statistical analysis over different time horizons in 2024.
- Over a rolling one-year window, the correlation between BTC-USD and MSTR fluctuated within a tight range of 0.6 to 0.69, indicating a strong but imperfect relationship. A rolling one-quarter window showed greater variance, with correlation ranging from 0.5 to 0.75. A notable dip occurred toward the end of the year, coinciding with MSTR's \$42 billion bitcoin purchase plan, which led to

share dilution and temporarily weakened the link to bitcoin's price.

- Shorter time horizons displayed even greater fluctuations. Over a rolling one-month window, correlation varied from 0.3 to 0.9, while the one-week correlation swung between -0.8 and nearly 1.0. This extreme volatility challenges the perception that MSTR always moves in sync with bitcoin, despite social media claims to the contrary. The reality is that a leveraged bitcoin equity like MSTR, while strongly tied to BTC, is still subject to corporate decisions, management actions, and external market dynamics.
- MSTR's premium valuation reflects its unique position, offering investors • exposure to bitcoin even in jurisdictions with restrictions on direct BTC purchases. However, its stock remains distinct from bitcoin itself, influenced by capital allocation decisions, share issuances, and corporate governance factors that impact its price beyond bitcoin's movements.

A Turning Point for AI: Decentralized Data
 Collection Reshapes the Global Landscape

- China's adoption of decentralized AI (DeAI) data collection in industrial applications signals a potential turning point in global AI infrastructure.
- China's Shenzhen Data Exchange (SDEx) has made a significant breakthrough by integrating decentralized AI (DeAI) data collection into real-world industrial applications. SDEx, China's largest national data trading platform, facilitated a deal between AI company Intellifusion and decentralized solution provider OORT, enabling global, community-driven data contributions. This move addresses a critical AI bottleneck: the scarcity of diverse, high-quality training data. Traditional centralized data methods face challenges due to regulatory restrictions, lack of dataset diversity, and monopolization by major tech firms, making decentralized approaches increasingly valuable.
- OORT's model, which rewards global participants for data contributions, demonstrates a scalable, incentivized system that surpasses the limitations of centralized platforms like AWS Data Exchange. Unlike AWS, which primarily serves commercial enterprises and faces cross-border compliance hurdles, OORT's system is open, permissionless, and more inclusive of data from underrepresented regions. By leveraging blockchain and Web3 tools, decentralized AI data collection enables more transparent, verifiable, and globally accessible data markets, reducing reliance on centralized

- The DeAI space is rapidly evolving, evidenced by two major alliances launched recently. HumanAlx, backed by OORT, YGG, and NEO, is building a permissionless AI infrastructure integrating computing, storage, and data. Meanwhile, the Open Agents Alliance (OAA), supported by NEAR, Aethir, and Coinbase, aims to create an open-source framework for decentralized AI agents. These initiatives reflect a growing industry commitment to shifting AI development away from centralized control, ensuring a more equitable and accessible future for AI technology.
- Despite market downturns and concerns about AI hype, SDEx's adoption of DeAI signals a turning point in how AI data is gathered, validated, and commercialized. The success of this decentralized approach could redefine global AI infrastructure, moving away from walled-garden data monopolies toward open, user-driven ecosystems. This shift underscores the potential for blockchain-based data solutions to reshape the AI landscape, ensuring more inclusive and scalable AI development in the years ahead.

From CryptoKitties to Mainstream: Web3
 Gaming's Persistent Evolution

• Despite market crashes and skepticism, Web3 gaming is demonstrating

resilience, evolving beyond early play-to-earn models. The success of platforms like Ronin and games like Pixels highlights the industry's commitment to building sustainable economies and engaging gameplay.

- Web3 gaming is facing skepticism as token prices decline, studios shut down, and many declare the space a failure. However, dismissing it based on shortterm metrics ignores the progress made and the broader shift toward digital ownership. Unlike traditional games, where players' assets are controlled by publishers, Web3 enables true ownership of in-game items, identities, and achievements. This model is not about speculation but about giving players agency over their virtual assets in an open, interoperable, and player-driven economy.
- The concept of digital ownership in gaming is not new, as seen in markets for CS:GO skins and World of Warcraft gold. However, Web3 provides a way to make these economies permissionless and resilient against centralized control. The industry has evolved beyond the early play-to-earn model, now prioritizing sustainable tokenomics, engaging gameplay, and long-term player retention. Comparing Web3 gaming to traditional gaming is premature, as the latter has had decades to refine business models, while Web3 is still in its experimental phase.

- The skepticism surrounding Web3 gaming mirrors past industry disruptions. Mobile gaming, free-to-play models, esports, and digital skins were all dismissed before becoming dominant. The author recalls initially ignoring blockchain technology until CryptoKitties demonstrated digital ownership's potential. Despite the challenges of 2018-2019, persistence paid off when Axie Infinity's success in 2021 validated Web3 gaming. Even after the 2022 crash, true believers continued to build, recognizing that great games take time.
- The current landscape proves that Web3 gaming is making significant strides. Ronin, once supporting only Axie Infinity, now has millions of users, growing NFT trading volume, and a permissionless model fostering innovation. Pixels, a farming game, maintains a strong player base despite a 96% token drop, showing that well-designed economies can thrive. Meanwhile, Parallel's world championship in Las Vegas signals Web3's entry into mainstream competitive gaming. These examples highlight that real adoption and sustainable economies are forming.
- Dismissing Web3 gaming today is akin to missing past revolutions in the industry. Those focused solely on token prices fail to see the infrastructure, communities, and economies being built. Web3 gaming is still evolving, and

history suggests that the next breakthrough will come from those who persist through market cycles. While skeptics remain, the industry's builders remain committed, convinced that this is not a time to give up but to double down on the future of gaming.

Bitcoin vs. Gold: Decoding the Divergence of Safe **Haven Assets**

- While both Bitcoin and gold are considered potential hedges against inflation, their distinct roles and investor behaviors create a significant divergence in their price movements.
- The divergence between Bitcoin and gold reflects their distinct roles and investor behaviors. Gold is viewed as a stable, safe-haven asset, typically increasing in value during times of economic uncertainty, as seen during the 2008 financial crisis when its price surged by nearly 25%. Bitcoin, however, is more volatile, influenced by market sentiment, regulatory changes, and technological advancements. While both assets are seen as potential hedges against inflation, Bitcoin's volatility is more pronounced due to external factors like regulatory crackdowns and innovations in blockchain technology.

Gold maintains its stability partly due to its centuries-old perception as a store of value, supported by institutional investments and global monetary policies. It remains less susceptible to regulatory and technological shifts. Bitcoin, in contrast, is a high-risk, high-reward asset, especially popular

- among younger investors and tech-focused institutions. Its volatility is driven by regulatory decisions and technological developments, making it more prone to drastic price fluctuations.
- Institutional adoption is growing for both assets, but Bitcoin's adoption has been more recent, with institutions now holding around 7% of its circulating supply. This institutional interest adds legitimacy to Bitcoin but also increases its exposure to large-scale liquidity shifts. Conversely, gold has long been a part of institutional investment strategies, offering a more predictable and stable investment profile.
- The regulatory environment also differs for Bitcoin and gold. Gold enjoys a well-established regulatory framework, ensuring consistent participation in markets. In contrast, Bitcoin has been impacted by regulatory tightening, particularly in the U.S., leading to price declines after government announcements. The distinct regulatory treatments underscore the differing nature of these two assets.
- Understanding this divergence is essential for investors and regulators alike. Bitcoin should not be viewed as a direct substitute for gold, especially for those seeking stability. Recognizing Bitcoin's unique characteristics will help in crafting better portfolio strategies and regulatory policies, while also adapting to the growing influence of digital assets in the global market. The future of Bitcoin and gold will likely see both assets continuing to coexist, serving different roles in investment portfolios.

Revolut X Disrupts Crypto Trading with Ultra-Low Fees in Europe

- Revolut is shaking up the crypto trading landscape with its new app, Revolut
 X, offering dramatically lower fees than competitors.
- Revolut is shaking up the crypto trading space with a new dedicated app, Revolut X, offering ultra-low fees to attract traders in the UK and Europe. Unlike competitors such as PayPal, Cash App, and Coinbase, which charge transaction fees ranging from 1.4% to 1.5% plus spreads, Revolut X charges only 9 basis points for price takers and no spread. This move disrupts its previous high-fee model and challenges major exchanges like Binance, Coinbase, and Kraken in the European market, where Revolut holds strong regulatory credibility.
- Revolut's shift toward lower crypto fees aligns with its strategy of capturing more active traders. Data from the company suggests that Revolut X customers trade 10 times more frequently than its standard retail users. The firm, which earned a record \$545 million in profits from \$2.2 billion in gross income last year, is leveraging crypto as a key driver for its broader financial ecosystem. By offering over 220 tokens and 400+ trading pairs in USD, EUR, and GBP, Revolut differentiates itself from traditional financial firms with limited token offerings.
- Binance, which relies heavily on Europe due to limited access to the U.S. market, stands to lose the most from Revolut's aggressive pricing. While Binance boasts 250 million registered users, estimates suggest only 8-9% are active traders, many in lower-income markets like Brazil and India. Revolut's regulatory advantage and wealthier European clientele give it an edge, though it will still face competition from Coinbase, Kraken, and Bitstamp, the latter now owned by Robinhood.
- Revolut's strategy also extends to the U.S., where it is targeting younger users through partnerships with Sutton Bank and Cross River Bank. By integrating payments, currency exchange, zero-fee investing, and banking services, Revolut aims to establish itself as an all-in-one financial hub. Whether its crypto push succeeds will depend on how quickly it can scale user adoption and sustain its low-fee model in a competitive market.

- The Magnificent 7, a group of seven of the best technology stocks, beat the overall market by a large margin for more than two years. Actually, a major factor in the index's recovery from the October 2022 low to the end of 2024 was this tight market leadership.
- The situation has been different this year. The rest of the market is flat, but the Magnificent 7, which serves as a stand-in for the technology sector, is down 15% so far this year. The underperformance has been mostly caused by worries that the technology sector is overpriced and trading at stretched multiples. We see this as a good retreat, though, considering the dramatic runup of these stocks.
- Keep a positive outlook on U.S. large-cap equities, anticipate market volatility to persist until policy ambiguity around the administration's tariff strategy abates, and keep an eye out for additional tariff clarification on April 2. Consider the relative stability of the remainder of the market in the face of volatile index performance as a positive indication and a reminder of the value of diversification.

- The implications of growing concentration in many equity-centric portfolios may have been highlighted by recent market volatility. This volatility, in our opinion, serves to emphasize the possible advantages of hedge fund strategies, which have tended to engage in markets that are heading upward while limiting their exposure to those that are decreasing.
- The aforementioned graphic illustrates how hedge fund tactics may be able to assist mitigate setbacks. Hedge funds have only contributed 21% of the returns of the MSCI World Index to downward-trending markets, although accounting for 49% of the performance of stocks in upward-trending markets.
- Although hedge fund strategies come in a variety of forms, the wider range of tools available to them can provide flexibility in expressing opinions about companies, markets, and the economy. We think investors may be able to withstand difficult market conditions by combining hedge funds with a portfolio of conventional stocks and bonds.

• Examine the ETH/BTC ratio from 2020 to the present in further detail in this week's Chart of the Week. The ratio dropped to 0.0227 on March 14th, the lowest since May 2020.

Ethereum is trading close to \$2,000, a level not seen since November 2023, while Bitcoin is still stable at \$87,000.

 The extended downward trend in the ETH/BTC ratio, a commonly used measure of altcoin strength, emphasizes Ether's poor performance in comparison to Bitcoin throughout this cycle.

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