IMF Outlines Need for Global Approach to Crypto Regulation

The International Monetary Fund (IMF), the financial institution focused on maintaining worldwide financial stability, has outlined its proposal for establishing a global regulatory framework for crypto. The IMF called for a “comprehensive, consistent and coordinated” approach in order to harness the benefits of crypto’s underlying technology while mitigating some of its risks, in a blog published on Thursday.

Metaverse ETP Gains Approval in Europe

DeFi Technologies subsidiary Valour is set to launch an exchange-traded product focused on the metaverse in Europe as companies continue gravitating to the space. The ETP will consist of an index of the top five digital assets related to the metaverse, a market which Bloomberg Intelligence estimates could present an $800 billion revenue opportunity by 2024.

UAE Wealth Fund Mubadala Investing in Crypto Ecosystem: CEO

Mubadala Investment Company, one of United Arab Emirates’ sovereign wealth funds, is looking at investments in the “crypto ecosystem,” CEO and Managing Director Khaldoon Al Mubarak said in an interview with CNBC. Mubadala has AED 894 billion (US$243 billion) in assets under management and is one of the largest wealth funds in UAE and the world.
In the last few weeks, MicroStrategy has maintained its aggressive bitcoin strategy by adding 8,440 BTC to its treasuries.

- MicroStrategy has purchased an additional 8,440 BTC over the last few weeks. The company now holds 122,480 BTC bought at an average price of $29,860.

- Bitcoin stacking has been MicroStrategy’s corporate treasury strategy since August 2020. In February 2021, MicroStrategy held a conference to promote corporate adoption of bitcoin. It was rumored that many large and influential corporations were attending.

- In the aftermath, news regarding some corporations acquiring bitcoin reached the market. Tesla bought $1.5 billion worth of bitcoin throughout January and later sold 10% of their holdings, leading them to hold approximately 40,000 BTC. In Norway, Aker bought 1,170 BTC, and in Hong Kong, Meitu acquired 941 BTC. Additionally, Square bought more bitcoin, leading the company to hold 8,027 BTC.

- However, since Q1, 2021, no new companies from outside the crypto ecosystem have publicly announced any bitcoin purchases. Several reasons could explain the non-existent news on new companies adding bitcoin to their treasuries. First and foremost, expanding the corporate treasury strategy is relatively unusual, and in the last years, share repurchases have been a very common strategy.

- Second, Tesla saw some backlash on their investment due to bitcoin’s energy consumption. Adding bitcoin to the corporate treasuries might involve negative headlines.

- Third, with the aggressive purchases over the last year, MicroStrategy has become one of the most pronounced whales in bitcoin – at what point does MicroStrategy become a systemic risk for BTC? Michael Saylor’s vocal and eccentric behavior might also contribute to distancing more conservative corporate CEO’s from even considering the bitcoin treasury strategy.

- Nevertheless, for MicroStrategy, this strategy has been very fruitful so far as the company is currently $2.2 billion in profit on its bitcoin holdings.
Ether futures see growing popularity on CME leading open interest to push above $1 billion on CME.

- The open interest on ETH futures on CME has quietly surpassed $1 billion, with CME’s market shares in the ETH futures sitting at 10%. This is well below the +20% market share seen in the BTC futures market.

- The ETH growth on CME shows that it is demand among institutional investors seeking to get exposure to both ETH and BTC. The relatively low market share compared to the BTC futures is not surprising, given that the ETH futures have only been live since February this year.

- Further contributing to bitcoin’s high open interest on CME is the recently launched ETFs. There have also been several attempts to launch ETH ETFs, but they’ve been withdrawn promptly. CME’s ETH market relative infancy has likely caused the rapid withdrawals. Few papers on CME’s impact on Ether’s price discovery are available, and the market will need time to reach maturity and the same level of confidence as the BTC futures market on CME.

- The open interest on CME’s ETH futures began accelerating in early October alongside bitcoin’s growth but has since flattened out and declined amid ETHUSD weakness in recent weeks. CME’s market share has remained stable at 10%, indicating a sustained institutional demand to trade ETH.

- The ETH basis on CME has been in line with the BTC basis on CME in the last months, suggesting a similar long/short demand on both assets.
Bitcoin has seen a 32% drawdown since the $69,000 top.

- Bitcoin is down 32% from its ATH. As evident by the chart, huge drawdowns in bull markets are a common feature in bitcoin. However, the slow summer signals that the market is a different beast now compared to 2017, when sell-offs were frequent and absorbed rapidly.

- This has a natural explanation. Until 2020, bitcoin and the crypto market, in general, had idiosyncratic price discovery processes. However, as bitcoin gradually got adopted by institutional investors, it naturally became more susceptible to developments in traditional markets in addition to its distinctive bitcoin-related news, such as Chinese bitcoin bans or nation-states adopting bitcoin.

- Now, macro plays a more important role in bitcoin’s price action. The market is paying close attention to the outcome of this week’s FOMC meeting. Interest rate hikes and accelerated tapering to dampen inflation could impact bitcoin in the near term.

- Mid-December has marked monumental shifts in bitcoin in the last four years.
  - In the 2017 bull market, BTCs ATH was reached on Dec 17th.
  - In 2018, the bitcoin bear market bottomed at $3100 on Dec 17th.
  - Six months of strength ensued. However, bitcoin once again went into a sluggish phase in the latter half of 2019, and the downward trend once again ended on Dec 17th, with bitcoin trading at $6550.
  - In 2020, bitcoin surpassed $20,000 on the eve of Dec 16th.

- While bitcoin has matured over the last years, this December could also mark a monumental shift in bitcoin, with the most obvious catalyst being the outcome of the ongoing FOMC meetings.
Since January 2020, holding bitcoin would have increased your purchasing power by 520%. In a highly inflationary period, isn’t this return enough to be called an inflation hedge?

- On Friday, the U.S. Bureau of Labor Statistics released the CPI for November, showing that U.S. inflation hit a 6.8% annualized rate.

- The bitcoin price didn’t increase in the days following the higher-than-expected CPI number release, but this doesn’t mean that we should write off bitcoin as an inflation hedge. The CPI is a lagging indicator - measuring inflation that has already occurred. If bitcoin is an inflation hedge, the inflation that has already happened should theoretically be priced into bitcoin by the time the CPI is released.

- A higher-than-expected CPI increases the probability that the FED might have to increase tapering. A more hawkish monetary policy is bearish for bitcoin, so if anything, a higher-than-expected CPI should theoretically decrease the price for bitcoin in the short term.

- The most straightforward way to judge bitcoin as an inflation hedge is to look at its performance since the beginning of 2020. During this period, characterized by high inflation caused by unprecedented monetary stimulus and supply-chain issues, bitcoin has delivered a real return of 520%.

- During the same period, gold has had a real return of 8%, while the S&P 500 has returned 33% in real terms. Bitcoin’s unmatched returns during this highly inflationary period illustrates that bitcoin has indeed been an excellent inflation hedge.
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