TRUSTNODES
2nd edition
BRINGING YOU TOMORROW TODAY
August 1st 2021

Welcome to the second edition of Trustnodes following an eventful month and in many ways quite an historic one.

In the daily 24/7 bitcoin trading, giant movements can quickly become yesterday's news in that endless clamor for more and more in five seconds euphorias.

But now and then we're afforded a moment of reflection and of course some of the biggest stories of the month and year are that SpaceX bought bitcoin and Amazon is looking to do something with BTC, while Rothschilds bought eth and ECB is moving towards euro-e, a digital euro.

Hence why we have Jeff Bezos there ostensibly looking out of a SpaceX window to re-create his view out of Blue Origin in showcasing that too now has reusable rockets.

On the other hand the pace of change is almost non existent in politics, exemplified in our cover by that man looking like almost in a cage at that painful moment when he was resting after shutting down his lifelong achievement in the Sichuan bitcoin mining datacenter.

That some far away faceless borgs can have so much power over the lives of so many, and that so many stay so completely silent, is a reminder why so many place their faith in the rules of code.

In a century hence or two, it might not be difficult to imagine that it is stone written iron code which effectively governs almost all matters, with the constitution written in a smart contract in evolved bits by bits.

This proposition is quite unimaginable currently in any detail, for if it arises it will probably be more a product of evolution than revolution, yet that we can now blurringly foresee what may be in a century, is a gift for it opens once more the door to the willingness to dream and the willingness to think.

Utopia in code presumably has its own traps, yet what other chains can there be for the likes of Xi. How else can the equities of court be democratized to daily life than by a million or trillion people across space and time making cheating not just illegal, or legally enforced on the other side of the pyramid, but practically impossible.

And so we code to get that poor man out of his cage, and cheer on the cowboys in their quest to space, aware always we're just a moment in time, and so why not enjoy it while it lasts.

By peacock we walk, colors full arout, and in pleasing smile, take your arms ahigher,
in music and play, in towers sway...

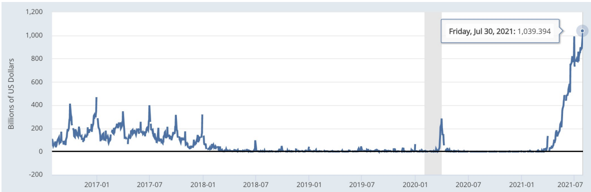
The eagle flies free... upon mountain and sea, it watches the sun, in peaceful glee.
All are below, and all are above, it's heaven always, even in hell hole.
The eagle flies free in humanity, in peace or in war, dictata or libertooo.

So the chains, of thousand years, it wears, todays.
It speaks loudly and very clear,
in this time,
THE EAGEL FLIES FREEHEEE.

Trustnodes's Chief Editor

Andrew Quentson

Bitcoin Rises as Reverse Repos Hit $1 Trillion



Bitcoin has crossed $42,000 overnight with it currently trading at $41,500 in a jump from $38,000 the previous day.

There are numerous reasons, including potentially the fact money parked at the Fed in Reverse Repurchase Agreements has crossed $1 trillion for the first time.

Reverse repos are short term purchase agreement where banks give cash to Fed in return for bonds with the Fed currently paying them 0.05% interest during the duration of that agreement.

The big question is why this is now finding so much usage with the dominant explanation being that there's just too much cash flowing around in the system.

Banks don't know where to park it and apparently they have no better place than a facility which pays 0.05% in interest, with the stock market plunge in China potentially being one contributor to this surge (pictured).

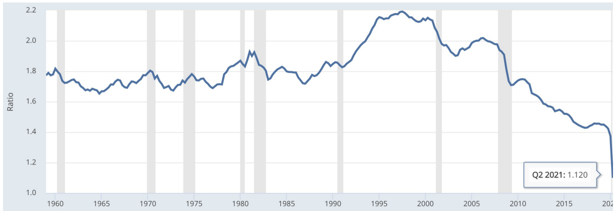
An estimated $1 trillion has been lost in value in Chinese stocks trading in Asia and USA with that money potentially now temporarily parking

before finding a new investment.

Some may have gone towards bitcoin or are on their way, but some suggest this reverse repo surge may continue, potentially hitting $2 trillion.

Deposited cash for banks is a liability so they try and balance by turning that liability into a bond asset, but it may be demand for bonds is now so high that it overspills to repo reserves.

That still however implies people are holding too much cash instead of investing it, with the velocity of money continuing to plunge:



Velocity of M2 Money Stock (M2V), 2021

That's while stocks have added another $26 trillion globally , or 30% of its previous all tim high, with house prices increasing as well, as are commodity prices.

Yet there's still so much cash in the system, it's happy to park at almost zero percent in interestwhile inflation reached 5.4% in June.

One big reason may well be because wages are not quite keeping up, with all the tech giants announcing record profits waiting for somewhere to invest.

All of that suggests asset prices will go higher to readjust for the new fiat supply with Fed maintaining the emergency measures while China is seemingly moving towards monetaryeasing.

Stocks Add $26 Trillion Since 2020

The global stock market has gained $26 trillion since its previous high in January 2020, adding 30% of its then global market cap of $90 trillion.

That follows mass money printing globally that has increased the Fed's balance sheet from under $4 trillion to now more than $8 trillion.

The vast stimulus has contributed to most US indices hitting new all time highs with the current global stock market cap currently at above $116 trillion.

By comparison, bitcoin is still tiny, worth $780billion with the entire crypto market cap at just
$1.6 trillion or about 1% of global stocks.

Apple's stock market cap, on the other hand, has surpassed $2.4 trillion with Google's standing at $2.6 trillion while Microsoft is at $2.14 trillion.

Bitcoin Banning China Starts Falling Out of Favor, Crypto Booming India Brought In

China is going through one of its toughest month in years where international markets are concerned with the Chinese Communist Party (CCP) uneasy about what risks becoming an exodus, and yet it's not quite backing down.

A sell-off on Monday and Tuesday led to a relief rally on Wednesday in part because Chinese State Funds started buying stocks according to wide speculation and due to a meeting held with international banks where the CCP tried to calm the markets.

Red returned on Friday however, with the CCP now talking of macro autonomy while it opens a new six months long regulatory action on tec companies with a particular focus on how they handle data.

The Securities and Exchanges Commission hasjust confirmed that "the Public Company Accounting Oversight Board (PCAOB) be permitted to inspect the issuer's public accounting firm within three years." If not, the company will be delisted.

This re-arrangement due to China prohibiting foreign ownership of their companies is bringing the stock market itself to the forefront of a clash between America and China.

China has tried to soften slightly, suggesting they could work with the G7 for a new world trade treaty that addresses their concerns, but it’s not clear whether China would be willing to engage in proper reforms, including opening up their companies to foreign ownership.

China has instead shown to international markets a very different face, one that now is more and more being called economic fascism.

This space was introduced to it in 2017 when they closed crypto exchanges without any law or prior warning and those exchanges had no recourse to an independent court.

Since then countless of prominent examples have shown the lack of a real free market in China with capitalism and private enterprise allowed as long as CCP does not say otherwise whenever it pleases with their ears and eyes everywhere through CCP committees in every business of note in this one party state.

Jack Ma, and by extension Alibaba, was reprimanded through the disciplinary procedures of the Party, not based on any law or even policy. The Party thus has total control over the economy without any recourse with China recently imprisoning billionaire Sun Dawu to 18 years in prison following a secret trial.

That a company like Tesla operates in a country which openly holds secret trials speaks of just how deluded international markets have been in betting their property, trillions upon trillions, toa jurisdiction which can crackdown on their business at any point without any warning or recourse and without anyone quite saying a thing as the party has complete and final say under threat of imprisonment.

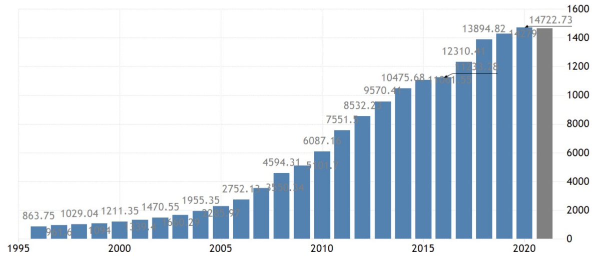
All this however was not quite evident. All of course knew that China is authoritarian, but all assumed that was just in political matters, not economics. Now it has become quite evident that there is no market in China but the whims of the Party, and everyone participating in such market is subject to the mood swings of Xi Jinping.

As Xi is set to renew his imperial term next year, any change can’t quite be expected either Economically fascist China may well be here t stay and so everyone participating there has to calculate for that huge risk.

Enter India

Venture Capital investment in India for the month of July has for the first time since 2013 overtaken China in what may signal the beginning of a shift in international capital.

The soon to be world’s most populous country is currently economically where China was in 2006 with a GDP of $2.6 trillion as of 2021.



China’s GDP, 1995-2021

In just a decade and a half China has gone from current India to nearly overtaking Europe in great part because international capital flooded the market under the assumption that authoritarianism would be limited to political dissent with the market itself protected under property rights in a court of law.

Those assumptions did not account for China’s version of Trump. What’s more, they didn’t account for the systemic political weakness in China keeping this Trump in charge potentiallyeven for life now that he has removed term limits and uses a reign of terror of sorts under the guise of purging corruption with the latestto be under investigation being Cai Esheng, a former vice chairman and Communist Party committee member of China’s Banking Regulatory Commission.

Hence Apple is seemingly moving iPhone manufacturing to India where there is plenty of cheap labour in the now 1.366 billion population.

Crucially, India has an independent judiciary. We suspect from afar they have the British system fundamentally where the government and parliament are kind of merged especially if the ruling party wins in a landslide, but the judiciary is completely independent and able as well as willing to stand up to the government with that independence ingrained in the legal system.

Thus as in Europe and America the government can on rare occasions overreach, but there is a genuine recourse to a court of law.

We know as much because the Indian SupremeCourt overturned a diktat by their central bankwhich was largely modeled on the diktat by China's central bank in 2017.

In China there was no such court hearing, while the Supreme Court of India said the Indian central bank had acted disproportionately, and thus the diktat was quashed. Just as importantly, the quashing of this diktat took practical effect in exchanges re-opening in India, and now crypto is booming there.

This proves that not only does India have an independent judiciary, but they also have an wholistic rule of law that fundamentally andpractically is no different than in Europe orAmerica.

India's top companies, July 2021

While the stock market in China is going through some turbulences, stocks in India are booming, up as you can see to new heights.

That might make plenty wonder just how much room does China really have to grow further as it obviously won't have another 10x in a decad and a half to a GDP of $140 trillion.

The answer for India on the other hand is somewhat easy as there is no reason why it doesn't have enough room to grow in the next 15 years to at least the GDP of current China.

That would be a 7x or so from now as a whole. For VCs catching the early startups, there migh be plenty of 1000x-es or more.

In addition India has crypto, making their market more dynamic than China especially if in 15 years things like defi become mainstream

That opens room for plenty of potential innovation and frontier innovation, rather thanjust copy pastas of Uber, although India has those too.

A lot of institutional investors therefore are beginning to look away from China at new opportunities in places where China's growth over the past 15 years can be replicated now that realistically China doesn't have much mor room to grow except at beast a 2x in the next 1 years.

Some however say in 15 years the same will happen for foreign investors with India as is happening with China, but in China we're just seeing the fragility of authoritarianism where one or two good leaders run it all fine, but then a new leader gets too big for his boots and removes term limits while purging and interfering in the market because dear leader of course knows what is best for everyone.

The same can't happen in India anymore than i can happen in Europe because India is a functioning British-style democracy with a judiciary that fiercely protects its independence

Property rights therefore are guaranteed, diktatsare quashed, the people are the ultimate boss and can 'routinely' fire the Prime Minister, there is no systemic censorship, there are no secret trials, there is no party committee in every business, there is fierce debate, and in effect what you have is the United Kingdom but with a lot more cheap labour.

That's a place where international capital canbe a lot more comfortable in operating, especially as the guaranteed fundamental freedoms allow them to tap into new innovations like bitcoin or defi and whatever might come after.

STATEMENT ON INVESTOR PROTECTIONRELATED TO RECENT DEVELOPMENTS IN CHINA

SEC Chair Gary GenslerJuly 30, 2021

Recently, the government of the People's Republic of China provided new guidance to and placed restrictions on China-based companies raising capital offshore, includingthrough associated offshore shell companies.These developments include government-ledcybersecurity reviews of certain companies raising capital through offshore entities.

This is relevant to U.S. investors. In a number of sectors in China, companies are not allowed to have foreign ownership and cannot directly list on exchanges outside of China. To raise money on such exchanges, many China-based operating companies are structured as VariableInterest Entities (VIEs).

In such an arrangement, a China-based operating company typically establishes an offshore shell company in another jurisdiction,such as the Cayman Islands, to issue stock to public shareholders. That shell company entersinto service and other contracts with the Chinabased operating company, then issues shares o a foreign exchange, like the New York Stock Exchange. While the shell company has no equity ownership in the China-based operating company, for accounting purposes the shell company is able to consolidate the operating company into its financial statements.

For U.S. investors, this arrangement creates "exposure" to the China-based operating company, though only through a series of service contracts and other contracts. To be clear, though, neither the investors in the shell company's stock, nor the offshore shell company itself, has stock ownership in the China-based operating company. I worry that average investors may not realize that they hol stock in a shell company rather than a China-based operating company.

In light of the recent developments in China and the overall risks with the China-based VIE structure, I have asked staff to seek certain disclosures from offshore issuers associated with China-based operating companies before their registration statements will be declared effective. In particular, I have asked staff to ensure that these issuers prominently and clearly disclose:

> That investors are not buying shares of aChina-based operating company but instead are buying shares of a shell company issuer that maintains service

agreements with the associated operatingcompany. Thus, the business description of the issuer should clearly distinguish the description of the shell company's management services from the description of the China-based operating company;

That the China-based operating company,the shell company issuer, and investors face uncertainty about future actions by the government of China that could significantly affect the operating company's financial performance and the enforceability of the contractual arrangements; and

Detailed financial information, including quantitative metrics, so that investors canunderstand the financial relationship between the VIE and the issuer.

Additionally, for all China-based operating companies seeking to register securities with the SEC, either directly or through a shell company, I have asked staff to ensure that these issuers prominently and clearly disclose:

Whether the operating company and theissuer, when applicable, received or weredenied permission from Chinese authorities to list on U.S. exchanges; therisks that such approval could be deniedor rescinded; and a duty to disclose if approval was rescinded; and

That the Holding Foreign Companies Accountable Act, which requires that the Public Company Accounting Oversight Board (PCAOB) be permitted to inspect the issuer's public accounting firm withinthree years, may result in the delisting of the operating company in the future if thePCAOB is unable to inspect the firm.

In addition to this specific guidance, we will continue to hold all companies to the securities laws' high standards for complete and accurate disclosure.

Further, I also have asked staff to engage in targeted additional reviews of filings for companies with significant China-based operations.

I believe these changes will enhance the overal quality of disclosure in registration statements of offshore issuers that have affiliations with China-based operating companies. This work builds on the SEC's Division of Corporation Finance's previous guidance on disclosure considerations for companies based in or with significant operations in China.

I believe such disclosures are crucial to informed investment decision-making and areat the heart of the SEC's mandate to protect investors in U.S. capital markets.

$2 Billion Bitcoin Withdrawn From Exchanges

Some $2.4 billion worth of bitcoin has been withdrawn from major crypto exchanges in the past week according to blockchain analytics.

59,764.79 BTC was withdrawn in the past seven days from exchanges like Coinbase,Bitstamp or Kraken.

7,326.08 of it, worth nearly $300 million, was withdrawn in just the past 24 hours out of a total 1.9 million bitcoin held on these exchanges, worth $77.5 billion or circa 10% of the total supply.

Rank	Site	Balance (BTC)	24H Change	7D Change	30D Change
1	Coinbase Pro	651,476.71	+3,244.44	-20,844.60	+14,469.55
2	Okex	325,432.12	-670.26	+4,033.65	+2,785.66
3	Binance	298,096.84	-1,809.36	-25,519.30	-37,462.52
4	Bitfinex	194,850.87	-2,270.04	-6,937.72	+3,288.87
5	Kraken	160,285.86	+305.87	-463.31	+14,110.23
6	Huobi	123,488.13	-5,062.57	-6,871.26	-32,318.44
7	Bitflyer	59,454.82	-121.58	-1,864.82	-1,641.28
8	Bittrex	48,135.34	+21.51	-250.62	-1,000.25
9	Poloniex	37,857.59	+24.65	+24.23	-526.53
10	Coincheck	33,369.85	-55.87	-413.92	-122.28
11	Gate	8,058.61	-29.83	-436.75	-453.49
12	Bitstamp	4,134.34	-903.03	-220.38	+541.45
13	Total	1,944,641.08	-7,326.08	-59,764.79	-38,329.03

Bitcoin held on exchanges, July 2021

Coinbase and Binance have seen the biggest withdrawals at a combined 45,000 bitcoin in the past week with the two being some of thebiggest custodians as well.

This reversal is the first since April when the amount held on exchanges rose from 1.82 million bitcoin to more than 2.03 million this Monday.

A very sharp fall in supply has been experienced since, with Santiment data suggesting supply in exchanges is near all time lows as pictured in the featured image.

For Bybt, April 20th had about one million coins less, with these data diverging due toexchanges constantly changing custodian addresses and because the blockchain is pseudo-anonymous. Thus there has to be estimates.

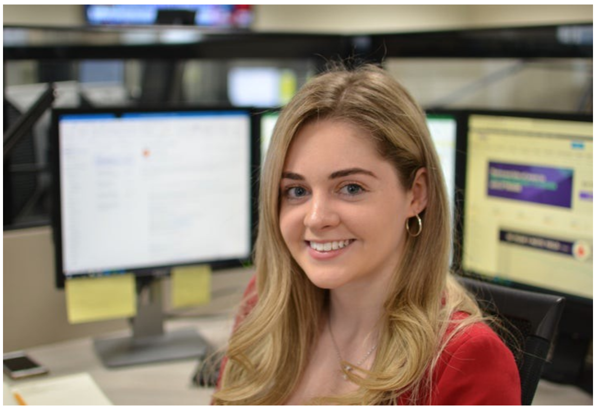
They all agree however on the trajectory, which is that supply on exchanges is falling, and they also seem to agree with the speed of it as both Santiment and Bybt shows a sharp drop.

That suggests more buyers than sellers have entered the market and have withdrawn to their hardware wallet or self-custodian wallet outside of exchanges, presumably to hold more longterm.

That's a change from spring and much of this summer when more coins were being sent to exchanges, presumably to sell.

Something that may suggest sentiment is turning more bullish, but it isn't clear whether this is a leading or a lagging indicator followin a rise in bitcoin's price to $40,000, coinciding with the sharp fall of supply on the exchanges.

World's First Bitcoin Mutual Fund Launches in US



US based ProFunds with $60 billion of assetsunder management has announced the launch of the Bitcoin Strategy ProFund.

They describe it as the first publicly available U.S. mutual fund designed to provide investment results, before fees and expenses, that generally correspond to the performance o bitcoin.

It is limited to investing in bitcoin futures, rather than bitcoin spot, but their prospectus says they can in exceptional circumstances also invest in Canadian bitcoin ETFs.

"Cryptocurrency has become a significant assetclass, and our new Bitcoin Strategy ProFund provides investors access to a bitcoin strategy through a mutual fund investment," says ProFunds' CEO Michael L. Sapir, adding:

"Compared to directly buying bitcoin, which may involve opening a new account with an unregulated party, this ProFund offers investors the opportunity to gain exposure to bitcoin through a form and investment method that tensof millions of investors are familiar with."

Mutual funds are a way of pooling capital together to invest with it sometime having its shares publicly traded.

Here there is a ticker, BTCFX, but there is no listed exchange with the minimum investment currently being $1,000.

They charge a total expense ratio of 1.15%, which is a bit higher than the typical 1% or less charged in ETFs, in part perhaps because this is the first of its kind and thus currently lacks much competition.

Its launch however further illustrates the growing demand for bitcoin as an asset class as well as its continued expansion into new markets.

PayPal to Launch Bitcoin Trading in UK

PayPal is expanding the ability to buy bitcoin to the United Kingdom according to PayPal's CEO Dan Schulman. In an earnings call, hesaid:

"We're going to launch, hopefully, maybe evennext month in the UK. Open up trading there. We're working right now on transfers to third party wallets.

And we really want to make sure that we creat a very seamless process for taxes and tax reporting. And so, we're really looking at how do we integrate that into both the trading and the 'buy with crypto' on our platform."

PayPal's bitcoin volumes jumped to about $50million on Monday as bitcoin headed towards
$40,000 as pictured above.

"We continue to be really pleased with the momentum we're seeing on crypto," Schulmansaid, further adding:

"We're adding incremental functionality to that… we increased limits to $100,000 a week. We're right in the middle of some open bankin integration, which will increase the ability to fully integrate into ACH and do faster payments."

The United Kingdom is a fairly big market for crypto as Brits are generally in step with Americans in regards to crypto awareness and adoption.

This expansion thus should open new markets for bitcoin starting potentially next month.

SpaceX to be Tokenized

SpaceX and other private companies are soon to be publicly traded on ethereum in a synthetic manner despite these companies currently not having a market.

PrePO has just closed a $1.1M seed round from Apollo Capital, The LAO, Maven 11 Capital, and founders from mStable, Illuvium, Alchemix, dHedge, Zed Run, SocietyOne, and BetaShares.

"The idea of creating public markets for companies or projects that do not currently have one is one of the best utilizations of a permissionless network. Combine that with a team of very strong and dedicated builders and you have yourself a great project," said Mathijs van Esch of Maven 11 Capital.

The project is led by Xavier Ekkel, a software engineer who previously worked at Canva, a graphics design software that is sort of Adobe but for social media images with Canva valuedat $6 billion.

"Pre-public asset exposure shouldn't be reserved for an exclusive club of investors. prePO will finally unlock access for all – something only possible through the power ofdecentralized finance," Ekkel says.

The design technically appears to be a bit likeUniswap. You have liquidity providers, collateral, that sort of thing, making this potentially an orderless exchange, thus the smart contract runs by itself.

The more difficult part conceptually is settingthe price. Here Alex Cowan, a spokesperson foprePO told *Trustnodes*:

"The base level valuation is determined by analyst reports – prePO then sets upper and lower bands and price discovery is facilitate bytraders between these bands – through this speculation prePO can derive an estimated valuation for the asset.

If for example, the latest estimated valuation o SpaceX is $75 billion, the prePO market COULD be between $60 billion and $160 billion," emphasis his.

They further explain if the market reaches the higher end, a new market could be opened with a new range, so making this effectively price discovery for non publicly traded companies, including McLaren, Reddit, SpaceX or OpenSea, Zapper, dYdX.

This hasn't quite launched yet, with it to be seen what it will look like exactly once it is in hard code, but the idea is that once the company goes public, then the prePO price is settled at the company's opening price on the first day of trading.

So in theory and perhaps even in practice this can allow for betting on startups even at the very early stages as well as mature companies that will probably go public at some point with the investor benefiting from the price appreciation that does finally settle once thecompany goes public.

“When the asset goes public, you can exit your position at a final settlement price, based on the price at the end of the first day of public trading for stocks, or on a time-weighted average price for tokens,” they say.

This settlement price is presumably guaranteedby the collateral, with one able to exit at the bottom of the range if the company does not gopublic by the expiry date.

So adding a new dimension as you’re betting not just on valuation, but also on whether it goes public, something that makes all this potentially interesting both for general investorswho can tap into private companies as well as VC investors looking to actually fund them directly who receive more information on the public synthetic market for private companies.

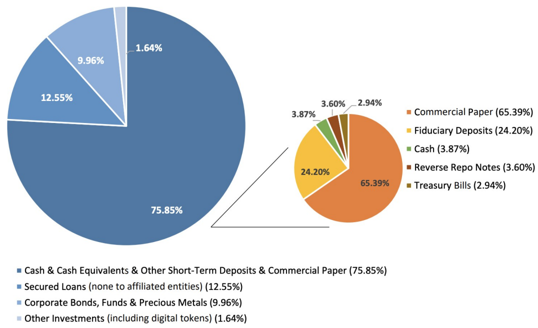
That’s especially because if something like SpaceX is undervalued on prePO due to lack of information or otherwise, someone like Elon Musk can correct that by directly participating, adding new efficiency to the wider market.

Biden Administration Ponders Crypto Approach

The top echelons of the US government held a closed door meeting attended by Jereme Powel and Janet Yellen to discuss stablecoins.

Publicly, almost nothing was said about this meeting except that they spoke of the rapidgrowth of stablecoins, potential uses of stablecoins as a means of payment, and potential risks to end-users.

What has been leaked to the media suggests th focus was Tether’s use of commercial paper, a common form of unsecured, short-term debt issued by corporations.



Tether backed by commercial paper and USTreasury notes.

According to a presentation, some $40 billion worth of USDt is backed by commercial paper, making Tether the world’s seventh biggest holder according to a report by JP Morgan strategists.

Yellen told those gathered to “act quickly to ensure there is an appropriate U.S. regulatory framework in place.”

In attendance were Janet L. Yellen herself as Secretary of the Treasury, Jerome Powell as Chair, Board of Governors of the Federal Reserve System, Gary Gensler as Chair, Securities and Exchange Commission, Rostin Behnam as Acting Chairman, Commodity Futures Trading Commission, Jelena McWilliams as Chairman of the Federal Deposit Insurance Corporation, Michael J. Hsu as Acting Comptroller of the Currency, Randal Quarles as Vice Chair for Supervision, Board ofGovernors of the Federal Reserve System and J. Nellie Liang as Under Secretary for Domestic Finance at the U.S. Department of the Treasury.

They compared the tether situation to an unregulated money-market mutual fund that can potentially be susceptible to a rush for an exit in times of uncertainty.

Tether has experienced many such episodes when the crypto space was concerned whether it is really backed. Those concerns subsided after the New York Attorney General effectively said they were backed, with Tether apparently also holding US government bonds.

Tether is also not the only one doing stablecoins. There's Circle's USDc with Circleitself soon to IPO. There are others, includingBinance's bUSD.

Fed-ing the Crypto Netflix

If bitcoin 10x-es from here, which it may well do, it's not out of foreseeability that stablecoins reach a market cap of $1 trillion or in a decade potentially even ten trillion.

That's of course something systemically relevant, and if they want to move there can be benefits for the stablecoins industry presumingYellen and Powell act reasonably and with consent, consent that can be reached if their intentions are judged logical and reasonable.

Powell recently met Coinbase's Brian Armstrong and we know they discussed stablecoins. What exactly is not clear, but they have to be careful not to be seen picking winners and losers.

That includes between banks and crypto as well as within crypto. For the former, because they risk propping up Blockbuster when Netflix is on the way, and that Netflix may not beAmerican if the elderly are not careful.

For the latter, because they risk picking petsho over Amazon with Tether being the initial innovator of these stablecoins while USDc effectively copy pasted.

This growing space arose out of necessity as previously pretty much all crypto trading pairs were against volatile BTC, which had the effec of kind of pegging them to bitcoin's price. Now USDt dominates globally with its crypto like qualities making it far more efficient than USD to the point one can easily imagine in a decade or so from now, crypto USD will become a daily part of financial life.

Because Netflix is obviously more convenientthan Blockbuster. The tokenized dollar likewise, especially as it provides access to decentralized autonomous finance where the inability to cheat, like with Libor, itself provides huge efficiency gains where the enduser is concerned.

Currently the defi space is very much a playground of risk takers, but someone like Senator Elizabeth Warren will use it in a decad because whoever plays her role at that point may be currently taking risks on defi to pave the way for mainstream usage just as supercoders in the 90s paved the way for mainstream internet.

"DeFi refers to a fast-growing and highly opaque corner of the cryptocurrency market which allows users to engage in a variety of financial activities – including lending, borrowing, and trading derivatives to take on leverage – without an intermediary like a bank," Warren said, further adding:

"Given that participants and project developersmay remain anonymous, DeFi could present particularly severe financial stability risks.
According to a 2019 Financial Stability Board report, decentralized financial technologies ma raise new forms of concentration risks, unclear

allocation of liability, and recovery andresolution challenges."

She is right in some ways. Some of us are still waiting for our MT Gox coins, just as some are waiting for real wage increases since the 70s.

The latter speaks clearly of what would happen if proposed measures do not have consensual buy-in due to being reasonable. Coders will just Nakamoto because the potential efficiency gains for their country and their people are far too great to not utilize.

Jurisdictions like Europe would accommodate in any event, and if they're pressured to the point coders see them as just a vassal – which is very unlikely because they are democracies answerable to those very coders – there's always jurisdictions like Russia or complete anonymity like Nakamoto.

Because banks, and that includes Powell as well as the entire US government, can delay innovation in this space, but they can't stop it as it is impossible to stop the publishing of code which is what stablecoins ultimately are.

Their choice is just one: either buy up the Netflix startup or copy it to compete or bring it in within the oversight parameters as the copyrights industry did with Netflix.

What that would look like exactly is not clear with the decision that of Powell mainly, or more correctly whatever millennials are at the Fed doing research input.

Fed Upgrading?

It's not an easy matter to strike the right balance, but where US is concerned this is a great problem to have because they actually do have this fast growing stablecoins market that brings their printed out of nothing money into the digital era.

Europe might have an actual problem: how do they compete in this new digital financial realm to get some market share so that the dollar is not the only used fiat coin at scale.

Countries like Russia have an even bigger problem. How do they prevent the Ruble from weakening due to an increased use of USD coins especially if there's financial turbulencesSomething Vladimir Putin, their president, could have addressed if he spent resources to increase competency in this area instead of being distracted by imperial games.

For China, the problem might be even existential because while they can fool their populace with paper scanned e-CNY to call it a coin, they risk unnoticeable and utterly gradual innovation in this area in America and Europe leaving them in the dust in a decade or two due to completely closing the door to innovation in this space which may well turn out to be one o the biggest strategic mistake of this century. Not that their people are necessarily listening. We suspect the Chinese completely ignore the CCP, especially in Shanghai.

Thus while Warren can say whatever she wantsas can Yellen, it won't be either who will be here in a decade or two in a competent form, but the supercoders who are generally millennials or younger and those currently going through the political ladder who may well be participants in this space, certainly if they're smart enough to manage well investments and risk.

50% of family offices are looking to crypto . 25% in US have already bought. That's who people will listen to, not grandpas or grandmas that look to the past rather than the future, and certainly not banks which are infested with cheating and abuse of power to the point of rigging all prices, including housing prices through their buy to let schemes and much else

Any decision thus needs to be thought very carefully and in an objective manner with a realistic clear eyed view regarding the harnessing of these new capabilities that encourage innovation and widespread benefits through new efficiencies.

More perhaps the Fed even guaranteeing thepeg or even making them part of the ReserveSystem because in many ways this is a gift tothe dollar system and their monopoly of printing it out of nothing.

Fed, in a decade or two, could even participate in this automated defi finance because the dollar is probably not going anywhere any time soon unless they very badly mismanage it.

That could also court some political buy-in especially if these token reserves get Fed interest that is passed on to the end user, so potentially bypassing what can become a very politically charged matter in regards to Fed demanding interest on printed out of nothing lended money while not giving the public any of that interest.

However these are probably for the next generation once we, the digital natives, get to chair things as for current grandpas they might be unable to comprehend the new code based system. But it doesn't fundamentally threaten anything, neither the Fed nor the government, as things like stablecoins or defi are more a change in form than in substance.

A change in substance is something like bitcoin, but that's not going to replace the dollar anytime soon and the only way to compete with that is to have a fixed limit on the dollar which is obviously not going to happen.

Bitcoin's digital gold quality moreover can have its own uses for central banks, including as reserves, but the administration appears to be more looking at effectively how something like USDc can extend the dollar's dominance.

Innovation First For a DigitalDollar

Publicly they say something different, which to our ears reads more like re re re from donkeys, but you'd think privately they have a far more sophisticated analysis and consideration of the matter because in many ways stablecoins are their savior, their Netflix while Blockbuster wa still at its prime.

It can be their way of upgrading themselves, and so keep bitcoin to just digital gold instead of passing the tipping point for payments usage

As such, the only real concern at this stage without any indication to the contrary is potentially monopolistic restrictions that limitcompetition in the stablecoins space, and thuspotentially limit innovation at too far an earlystage.

Things like interest payments for example are not even being experimented. Stuff like defi have not even gone through a proper painful bear market yet when coders start shouting at each other as some of the sun lit fields get a more realistic look.

It's too early in our view for any real involvement by the grandpas, especially in the defi space which currently is untouchable in any event as the coders' spirit is too high and therefore any action would be a very big and potentially risky mistake because you can just fork these projects.

But it is too early for stablecoins as well. The $1 trillion line maybe would be more appropriate to move towards making them part of the system with the stablecoins market currently needing a bit of competition or to sor out the on-going competition of sorts which is barely one year old.

However it depends what exactly they want to do, which is why there should be a public consultation and not just closed doors meetings because these are huge matters.

If they do want to be involved, then in our view that should be on the basis of innovation first and not risks because currently it is only risk takers taking risk, and therefore there is no harm, with everyone very aware of the dangers in this space, especially code bugs or high volatility.

Those things have to be ironed out by the market, and this space needs to be given some room to grow and mature with any current action needing to consider it would be the same as taking action on internet developments in 1995 before the likes of Powell learned how to send an e-mail, with today's equivalent being before 'normy' Powell, rather than Fed chair, learned how to install MetaMask.

On the other hand, it is probably around 1995 when Fed put up its first website, so it is very much the time to see how these new capabilities can be utilized, but that's while bearing in mind that in ten years time they may also sign up to crypto's equivalent of Twitter, after perhaps skipping MySpace and maybe even Facebook.

Because finance is changing and eventually Fed will probably be a user of this new finance too as it does bring new capabilities which eventually will probably be utilized by all to some extent with it not quite foreseeable currently just what new innovation will arise out of it, and thus those in charge need to tread very carefully and always with general buy-in from those that are making all of this possible.

Huobi Stock Price PlungesAfter Closing China Subsidiary

The stock price of Huobi Technology HoldingsLtd listed in Hong Kong has dropped by 20% following news that it is dissolving a Beijing based subsidiary.

According to the industrial and commercial data of the National Enterprise Credit Information Publicity System, Beijing HuobiTianxia Network Technology Co., Ltd. was dissolved on July 22 due to a resolution.

Creditors must now declare their claims to the liquidation group within 45 days of that announcement says local media.

A spokesperson for Huobi told the Securities Times that "because this entity has not had any business operations, it was deemed unnecessary, which led to its cancellation."

OKCoin has also dissolved its subsidiary calle Beijing Lekuda Network Technology with a spokesperson stating that the move was part of its "normal adjustment of operational entities."

Huobi's stock price crashes, July 2021

China has engaged in a wide ranging crackdown of the technology sector with theMinistry of Industry and Information Technology opening a new six months campaign to regulate tech companies.

That follows the closing down of crypto exchanges in 2017 with Huobi and OKCoin moving overseas from their base in Beijing.

In the intervening years, observers speculated now and then whether China might engage in a detente of sorts and open up the exchanges, which is presumably why Huobi kept its subsidiary.

Following the expulsion of bitcoin miners, however, they've presumably concluded the Chinese Communist Party (CCP) is not going to change their approach.

This can serve as a warning to the wider market which wondered whether the reprimanding of Jack Ma was a one off event and even now commentators speculate China will ease up.

However, it may be instead that China has changed and that change is here to stay. That the crackdown has just began rather than it being a brief short term episode with CCP's interventions potentially becoming the new normal.

Ark Invest Sells Chinese Stocks, Buys Bitcoin

Ark Invest has been getting out of Chinese stocks amid a sell off that has plunged most Chinese stocks down 10% over the past month following surprising intervention in the marketby the Chinese Communist Party (CCP).

The ARK Innovation ETF has reduced itsexposure to just 0.32% of its $23 billion inassets invested in Chinese companies, compared to 8% in February.

The ARK Next Generation Internet ETF still has about 3.8% invested in Chinese stocks, but that's down from 9% earlier this year.

At the same time, Ark Invest has been buying bitcoin. The ARK Cryptocurrency U.S. Fund LLC bought $20 million in May.

Last week, the ARX Next Generation ETF bought 140,157 Grayscale shares (GBTC), justa day after buying 310,000 such shares, bringing it to a total of $11 million at the current price.

They have also bought close to a million (876,157) Coinbase shares worth more than
$200 million at the current trading price, in addition to $88.74 million of Twitter shares after Jack Dorsey said bitcoin will be a "big part" of the social media company's future.

Whether other investors will follow out of China and into bitcoin remains to be seen, but there is an estimated one trillion dollars on the move looking for new investment as the Chinese stocks sell-off deepens.

Chinese Stocks Crash

Tencent has wiped out another $100 billion today, down 9% after suspending WeChat newsignups for a “security technical upgrade” in accordance with relevant laws and regulations.It is down 25% this month.

Contemporary Amperex Technology (CATL), the lithium batteries manufacturer that suppliesTesla, fell 8.3% as did other likewise manufacturers.

The Hang Seng Tech index (HSTECH) has fallen another 8% with it down more than 40% since February as pictured above, while the Hang Seng Index dropped 4.2%, down 14% this month.

Shanghai stocks fell ‘only’ 2.5%, but FTSE’s A50 top Chinese companies dropped 4%. The CSI 300 Index of top Shanghai and Shenzhen listed companies is down 3.5% today, having fallen 10% this month.

“We’re more bullish on developed markets versus emerging markets,” said Daniel Gerard,a senior multi asset strategist at State Street Global Markets as investors seemingly shift their focus after two decades of betting on China.

That follows new restrictive measures by the Chinese Communist Party (CCP), but in China they blaming a rumor that US may restrict investment by US funds in China.

That hasn’t been confirmed with it unclear whether that’s more a result of a game of Chinese whispers where US funds selling off Chinese stocks translates to new US restrictions.

Another rumor going there according to local media is that Chinese companies listed in the United States must disclose potential policy risks, otherwise they may violate the law. Themarket is worried that the United States will launch a formal investigation into the disclosure of information by Chinese companies, they say.

On the other hand investors are worried China may stop new companies from IPO-ing in US and it may even take punitive measures against listed companies as it did against Didi.

Investors are concerned about what CCP might do next as the Party gets more and more involved in having a say over market operations.

“We could see times when markets become concerned that China’s policy setting might beexcessively tight,” BlackRock strategists said ia note to clients on July 26. “That points to downside risks in the short term.”

The big question is of course whether this is a short term readjustment as the CCP perhaps tries to burst some bubbles in a managed way, or whether this is a canary indicating growth has peaked in China after four decades without one recession.

In addition the capricious nature of CCP's interventions creates uncertainty for the investment environment in China with the surprising restrictions on educational stock being the latest example that shocked the market.

This sell off therefore is accounting for that political uncertainty at the same time as America and Europe becomes more appealing from an investment perspective with the consumer confidence in US rising for a sixth straight month.

Thus you'd think some of this capital taken off Chinese stocks will go towards US and Europe as well as maybe bitcoin to hedge a potential worsening of the situation in China with CNY down again today to above 6.5 per dollar, falling by 0.42%.

Bitcoin Nears $40,000

Bitcoin has risen to just under $40,000 for the first time in six weeks with it currently trading at about $38,500 as it leads a crypto recovery with it unclear whether we're seeing a cup and handle on 4h candles as pictured above.

A cup and handle is a very bullish formation that suggests bears have run out of ammo, with bulls charging. Bears then give it another try to form the handle, but upon being defeated bybulls, the asset takes off.

The above looks kind of like such formation, but of course it depends on price action whethe it will fully play out.

That's just one driver however. A bigger one may well be China where the party has made the stock price of even a food delivery app, Meituan, plunge 14% following yet some more regulations requiring respect for the rights of delivery staff.

The Hang Seng China Enterprises Index, whic includes Hong Kong-listed mainland stocks, has entered a bear market after falling 24% from a February peak.

Some may still be holding however, but plenty will be looking for new assets with bitcoin an apt one due to it being outside of the banking system, so it can't be seized or given a haircut if defaults lead to banking troubles.

The news that SpaceX bought bitcoin and that its CEO, Elon Musk, doesn't 'dump,' may hav also contributed towards changing sentiment.

That was followed by Amazon suggesting they're looking to enter the crypto space, while eth is now just over a week away from upgrading to EIP1559 which will reduce its total supply.

Bitcoin has been leading however with eth's ratio not quite keeping up as it charges towards that $40,000 line which it hasn't comfortably overtaken since May.

There is also a bit of FUD, but a very mixed one with Bloomberg reporting DoJ is opening an investigation on Tether for 'banking fraud.'

"Specifically, federal prosecutors are scrutinizing whether Tether concealed from banks that transactions were linked to crypto, said three people with direct knowledge of the matter who asked not to be named because the probe is confidential," they say.

Crypto is not illegal, so it's not clear why it is any of the bank's business what the account is used for as long as its usage is legal, which it is because Coinbase does the same with USDc.

Therefore it's not clear whether the investigation will go anywhere as proving fraud over legal activity would be a high barrier.

The good news is that DoJ investigating potential fraud suggests they've moved on from investigating whether Tether manipulated bitcoin's price.

"Reserves exceed liabilities," said Paolo Ardoino, Tether's CTO, with Bitfinex and Tether now settling a claim by the New York Attorney General for $18.5 million regarding the matter.

All this so indicating Fed is probably looking for a way to have a say over tokenized dollars as they near $100 billion in market cap.

Something that may well increase the adoption of such tokens if they're brought into the limelight, and thus may smooth the on and off ramps for cryptos in general.

Otherwise in the worst case scenario, everyone would be running from Tether to bitcoin whichwould probably send the crypto into a bull runas has been the case previously when USDt briefly went off peg.

All of it suggesting the FUD is kind of fading and weakening with another potential contributor to bitcoin's rise being lockdowns especially in Australia.

It is winter there so nowadays that means locked in houses with corrupt bureaucrats making their way through the Greek alphabet while proposing boosters may be needed as big farma fattens its pockets.

That's generally with printed money, and so some Australians may well be going bitcoin with a clash of sorts arising especially in Europe between the elected and the populace regarding never ending restrictions or governme harder daddy and freedum.

Generally however the economy is opening up with the professional class moving on since May 2020, while in 'normie' town the BBC especially continues on and on, but the 'normies' also seem to be moving on now.

As is bitcoin, with the big theme coming up being potentially the ramifications of those lockdowns, especially in China where they ma have overextended.

Is China Buying Bitcoin?

Bitcoin has been rising during early morning Shanghai time for the past few days with Asia seemingly bullish for the first time in months.

Following the crackdown on bitcoin mining, that might come as surprising, but that was just a few big giant mining farms.

Bitcoin itself is not banned in China with Over the Counter (OTC) trading still legal, thus considering what is going on there, the smarter/wealthier ones may well be going bitcoin.

The CSI 300 Index, which tracks the top 300 companies in the Shanghai and Shenzhen stock exchanges, fell another 3.2% today while the Hang Seng Index plunged 4.1%.

"I see panic selling in the market now as investors are pricing in a possibility that Beijing will tighten regulation on all sectors that have seen robust growth in recent years," said Castor Pang, head of research at Core Pacific Yamaichi. "I don't think investors can do any bottom fishing at this point. We don't know where the bottom is."

CNY has dropped against the dollar, down from 6.38 CNY per USD back in May to now nearing 6.5 CNY as the US economy recovers while China moves towards money easing in some ways.

In other ways, Shanghai increased mortgage rates for first-time buyers to 5% from 4.65% and for non-first-time buyers to 5.7% from 5.25%, leading to a cool down in the property market.

Something that may have contributed to trouble at Evergrande, the property giant that saw its stock plunge after a court froze $20 million.

Debt in China is nearing 300% of GDP and the majority of it is in corporate bonds with defaults increasing.

"China is going after the core of its new entrepreneurial driven economy, and it's going after their business models," says Stephen Roach, an expert in the economic interrelations between China and US having worked at a high level in the private sector at both countries.

Hedge fund manager Anthony Scaramucci has called it a "Tiananmen Square moment for capitalism" in China, while BlackRock starts moving:

"Monetary and fiscal policy tightening is just one aspect of China's overall hawkish policy stance, the other two being measures to stabilise property price increases and an antimonopoly clampdown," BlackRock strategists including Wei Li said in a report lastweek.

UBS is getting out as the Chinese Communist Party risks for the first time facing the market:

"We are shifting our tactical stance on offshoreChinese equities to neutral within our Asia strategy, given the extent of recent regulatory action against technology companies," Mark Haefele, chief investment officer at UBS Wealth Management, said in a report to clientson July 20.

The big question in everyone's mind is whethe this is just a blip or the start of a clash between the market and the Party which might be a catalyst for a full blown financial crisis in China due to fears of contagion.

There's already a flight to safety with government bonds in China dropping amid this uncertainty and confusion.

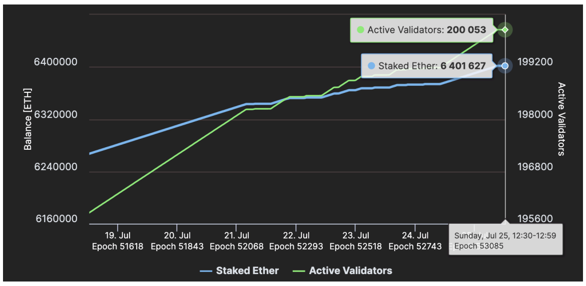
A $600 billion tech sell off is just some of the money on the move, with some of it presumably making their way to cryptos as a hedge against the banking system which may well come under pressure if corporate defaults continue to increase.

Under these circumstances, 'retail' investors inChina probably don't care what the Party says,nor in Shanghai, as some of them run for the exit.

Thus while China's morning time is shared wit much of Asia, it may be China specifically that is contributing to bitcoin's rise as the word panic starts being thrown around.

But this might be contained from a full blown crisis. However, if confidence continues to be shaken and big investors keep moving, we might see a reshuffling of sorts with bitcoin potentially one big gainer.

Ethereum2.0 Surpasses 200,000 Validators



Ethereum 2.0 has reached more than 200,000 validators for the first time since it launched seven months ago on December the 1st 2020.

The Proof of Stake (PoS) network has operated without any problems since then, with it gradually courting confidence to the point it now holds 6,405,339 eth.

That's worth $13.5 billion, which is currently earning 6.1% a year in eth as the network seemingly heads for that big 10 million eth validators number potentially by the end of the year.

That means currently about 6% of the total supply is practically out of circulation, and will remain so for probably at least another year.

These 200,000 validators are best seen as the equivalent of asics because just like one person can have many asics, so too one person can have many validators with a validator being 32eth slots.

To get any idea of how many individuals/ entities there are staking, we'd nee access to node data which curiously are currently not readily available for ethereum 2.0

That would have its own difficulties however because one person can run many nodes with ◊32 slots, just as one entity can run one nodewith many validators.

Numerous exchanges run staking services for end users, including Kraken and Bitcoin Suisse thus making guesstimates an especially difficultask unless one goes big data to get a fuller picture of addresses relationships to nodes and validators.

In due course such information will probably become accessible to all, but for now basic details are lacking in a comprehensive form, like how many nodes are running what client.

The reaching of this milestone in addition raise questions in regards to how many validators th network can handle with Vitalik Buterin, ethereum's co-founder, previously mentioningthere might need to be a cap of one million validators.

We're still far away from reaching that numberbut at some point being a validator will becoma lot more difficult than currently with it unclear what happens after that number is reached in regards to whether a prospective validator has to wait for others to exit or whether it is by rotation.

Years on however, staking eth is becoming a real thing with that ◊6.4 million number only increasing for now as you can not withdraw until the unlock.

Uniswap Removes Stock Tokens

Uniswap has removed from its frontend interface numerous synthetixs tokens that includes the likes of Amazon, Coinbase, Appleand Alphabet.

They have removed a number of currencies too,like sEUR, as well as synthetic cryptos like sBNB with Uniswap stating:

“We monitor the evolving regulatory landscape.Today, consistent with actions taken by other DeFi interfaces, we have taken the decision to restrict access to certain tokens through app.uniswap.org.”

It’s not clear what regulatory landscape they’rereferring to exactly, with some suggesting synthetic stocks that track the price of spot stocks are to be treated the same as spot stocks.

This action has given rise to some debate with speculations Uniswap Labs, the company behind Uniswap, may have been reached out bythe Securities and Exchanges Commission (SEC).

Others speculate this is maybe more the VCs behind Uniswap trying to hamper a competitorby not giving them a market on the orderless exchange.

Sushiswap however, Uniswap’s fork, has not taken such action. In addition the synth pairs are accessible at the smart contract level, so onecould put up a new interface that does not censor tokens.

With this decision so making a clear distinctionbetween the frontend interface, fully controlled by Uniswap Labs, and the smart contract open source protocol that can be forked.

One project is now trying to move their tokens to Sushiswap, but unless we get frontend uncensored mirrors perhaps running on IPFS, it’s not clear why eventually the same might no occur on Sushiswap.

Following this move, there have been calls to open source the frontend as well so that anyon can run it, with defi now seemingly facing a resilience test in front of some pressure.

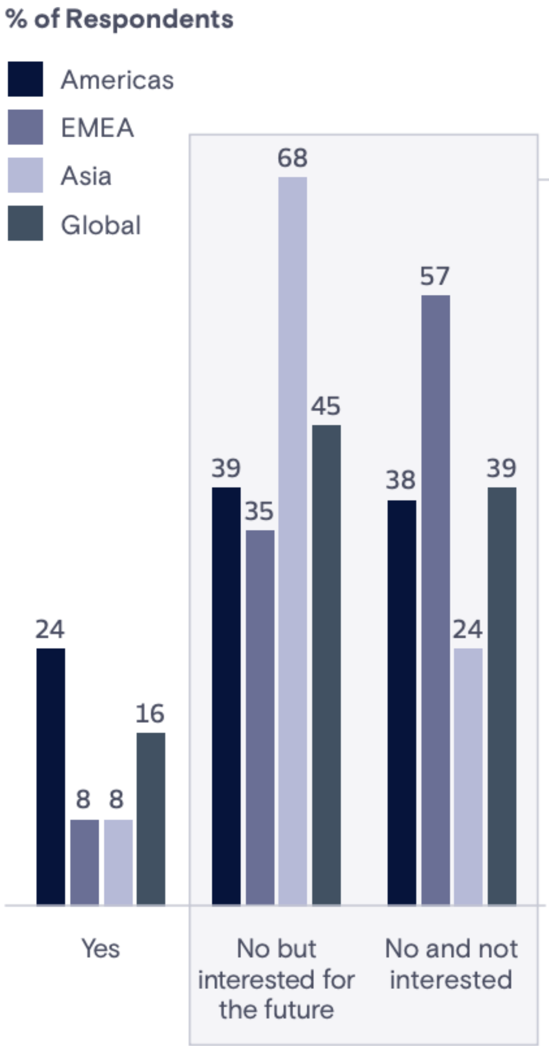
50% of Family Offices Interested in Buying Bitcoin

The rich are going bitcoin with half of respondents to a family offices survey stating they are interested in crypto investments.

150 responded across the globe with 22% of them managing more than $5 billion while 44% manage between $1 billion and 4.9 billion.

15% have already bought bitcoin, while 45% say they have not yet, but are interested in doing so.

Of the 39% who are not interested, 38% say it’ because they are not familiar with crypto or no comfortable with current infrastructure, while



Invest in Any Form of Cryptocurrency

32% says it"s because cryptos are not currently part of the family offices mandate.

For the rest, crypto is part of protecting from inflation, currency debasement, or from an environment with low interest rates which in Europe includes negative interest rates as well.

“Some family offices are considering cryptocurrencies as a way to position for higher inflation, prolonged low rates, and other macroeconomic developments following a yearof unprecedented global monetary and fiscal stimulus,” the report says, adding:

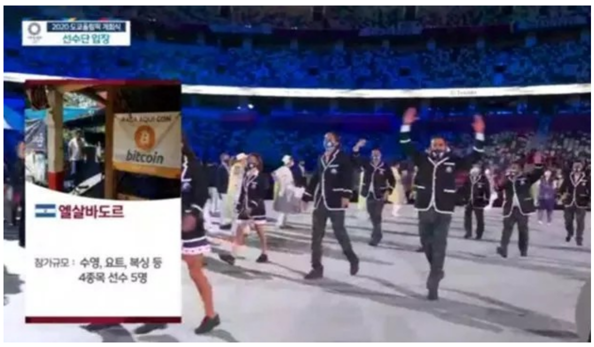
“Of the approximately two-thirds of family offices that are actively thinking about an increase in inflation, digital assets emerged as one portfolio solution. Currency debasement has also been top of mind for about 40% of global respondents, with more than 40% of this subset indicating they would consider investin in digital assets.”

In America, 24% of family offices have bought while Europe, the Middle East and Africa (EMEA) are below the 10% threshold with no breakdown given for just Europe.

The reason may be because America is slight ahead of Europe in terms of bitcoin awareness, with primarily American hedge funds and institutional investors diving into crypto this year.

Europe may follow with the level of interest suggested here, 68% for Asia, indicating that crypto is on its way to becoming a mainstream part of investment portfolios at least where the rich are concerned which generally manage their wealth through family offices.

Bitcoin Represents El Salvador at the Olympics



South Korean broadcaster MBC used images t “represent” countries during the Tokyo2020 Opening Ceremony held this Friday.

For Italy they used pizza, for Norway salmon, for Haiti upheaval and for Ukraine they used Chernobyl.

The Olympic team from El Salvador was instead represented by bitcoin after the country declared the currency legal tender.

Countries represented by images at the Olympics 2020

MBC later apologized, stating: “In today’s Opening Ceremony broadcast, inappropriate photos were used when introducing countries like Ukraine and Haiti. Also, inappropriate photos and subtitles were used for other countries. We apologise to the viewers of Ukraine and other countries.”

They clearly didn’t apologize for El Salvador, however, with this being the first time bitcoin has any relation to the Olympics.

Amazon “Inspired by the Innovation Happening in Crypto”

The world’s biggest commerce tech company i exploring what crypto could look like on Amazon according to a spokesperson.

In response to numerous questions asking for more detail regarding a job posting by Amazon looking for a Digital Currency and Blockchain Product Lead, a spokesman said:

“We’re inspired by the innovation happening ithe cryptocurrency space and are exploring what this could look like on Amazon.

We believe the future will be built on new technologies that enable modern, fast, and inexpensive payments, and hope to bring that future to Amazon customers as soon as possible.”

This is the first time Amazon has ventured into cryptocurrencies, with it unclear currently just what they plan as the spokesman said “I don’t have additional details to provide at this time beyond our statement.”

We’ll probably find out soon enough howeveronce they’re done with their exploration, withthe big question being what company is inspired next as crypto adoption now goes bigleague.

China's Economy Has Plateaued Says Bloomberg Analyst

"China's rejection of open-source software crypto-assets may mark a plateau in the country's economic ascent, we believe," says Mike McGlone, a Senior Commodity Strategistat Bloomberg Intelligence.

Hedge fund manager Anthony Scaramucci has gone even further, saying that the recent

regulatory crackdowns from the Chinese government equate to a "Tiananmen Square

moment of capitalism" meant to regain control over the country's business leaders.

Didi's shares fell another 10% today with educational Chinese stocks also dropping following potential new regulations, while investors are asked to divest from US listedChinese stocks.

Stocks in TAL Education (ticker: TAL) are down 54% in premarket trading. New Oriental Education & Technology (EDU) stock is off 48%. Shares of Gaotu Techedu (GOTU) have dropped 59% and shares of 17 Education & Technology (YQ) are down almost 40%.

The Shanghai index dropped another 0.7%today with the Hang Seng Index down by1.45%.

The MSCI China Index has dropped 20% since February as investors start accounting for the political risks of investing in China.

In contrast Dow Jones is up 0.38%. FTSE 100 has gained 0.67%. Bitcoin has risen to about $32,500 while eth just about touched $2,100, currently trading at $2,064.

As the outlook for investment in China is seemingly becoming a political minefield, thebig question is where all this money will go.

We may see the reverse of what happened in 2008 when economic troubles in USA turnedbig money's focus on the then fast growing emerging markets and China in particular.

Now, if China's economy starts becoming a bitshaky, the focus may return to America and Europe for long term investment, as well as perhaps to bitcoin for somewhat more risky long term investments, with a lot of money potentially on the move currently following these huge sell-offs of Chinese stocks.

Amazon is Going Bitcoin

Amazon, the $2 trillion global commerce and tech giant is looking "to develop Amazon's Digital Currency and Blockchain strategy and product roadmap."

In boldly asking for a Digital Currency and Blockchain Product Lead, the world's third biggest company says:

"You will leverage your domain expertise in Blockchain, Distributed Ledger, Central Bank Digital Currencies and Cryptocurrency to develop the case for the capabilities which should be developed."

They're asking for someone who has "deepunderstanding of the digital/ cryptocurrencyecosystem and related technologies" as Amazon prepares to go crypto.

To the surprise of no one in some ways, at leastno informed ones, as after we saw Jeff Bezos come out of that Blue Origin rocket (pictured),it felt like it was just a matter of time until Amazon moves into crypto.

You can't compete in the space race without competing to take to the moon the world's onlyneutral non-government digital money.

Then there's global satellite internet with Starlink soon to face Amazon's Project Kuiperas the world's two richest men seemingly go head to head in advancing the new frontier.

More importantly however there may well bearising a sense that crypto is inevitable. That this thing is real, it does stuff, and it affects business.

That sense of skepticism or dismissal therefore may be giving way to adoption as giants look t this new innovation and try to keep ahead.

Thus Amazon will probably be joined by a lotmore as the paradigm begins to switch from discussing bitcoin to doing bitcoin.

Also See: Amazon "Inspired by theInnovation Happening in Crypto"

Banks Prepare For Bitcoin Adoption

Banks are seemingly preparing for a bitcoinworld where digital currencies – whether central bank ones, private market issued, orcryptos – become ubiquitous.

The announcement by JP Morgan that they are opening access to five crypto products for 'retail' wealthy investors has courted much attention, but it's just one infrastructure development paving the way for a merger of sorts between the traditional and the new digital financial system.

"In 2-3 years' time, things will have changed and most banks, including Starling, will be gearing up to do very interesting things in these [crypto] areas," says Anne Boden, the CEO of British fintech start-up Starling.

The timeframe of 2-3 years is interesting because it is fairly short term and where monolithic corporations are concerned, it ispractically around the corner.

In that time frame, the European Central Bank (ECB) may have well decided just what an e-euro looks like, and more crucially, it may have decided whether such euro will be more crypto or more a paper scan to call it a website.

e-CNY ostensibly is already a reality, but the complete lack of any technical details on how any of it works has courted a cold and an indifferent reception where it matters: the coders who are ultimately making all this work.

In a 'whitepaper' that sounds more like a brochure than a technical document summarizing the new world, they claim e-CNYcan do smart contracts without quite explainingjust how.

They do however confirm one important aspect,the end-users' wallet is run and controlled by the central bank albeit in cooperation with the commercial banks.

That makes it a change within the internal banking system arrangements, but where the rest is concerned it remains the case they need to be persuaded by being far more transparent regarding how any of this works in a way thatcoder can understand at a high level.

Not that they have to of course, but we are entering an era where money is by consent, jusas 500 years ago we entered an era where the bible was opened to the interpretation of all annot just that of the priests.

Europe therefore, if it is to go down this path,has to take coders with them or Europe would not be going down any path as we think is thecase with PBoC currently.

This however is more a sideshow, albeit an important one because there are new opportunities and thus there can be new surprises. But the main show in a 2-3 years timeframe is that big question: what happens ifcryptos 10x from here.

We'd be looking at a crypto market cap of $10trillion, or about 10% of global stocks currentlwith bitcoin itself being about $6 trillion, whicwould make it almost reach parity with USD M0 monetary supply. Equivalence in effect with cash, while the tokenized dollar would probably be a trillion or more.

Savers would have access to a new market ofautomated finance with basic artificial intelligence in defi which offers very uniqueuse cases, like flashloans.

Flashloans in effect turn money itself into a commons by allowing anyone to tap into themoney pool without upfront capital under thesole conditions of if/then code guarantees.

This capability has never existed before and its existence provides new demand for capital from savers, so translating to higher reward for savers in that base supply and demand equation.

Nowadays we know that banks don't quite compete for savers because they don't quite lend savings, instead they print money out ofthin air when they loan it.

Yet that savers' money can potentially be used for a lot of things, including buying and selling in trading casinos, with those savings being the capital of banks 'loaned' to them.

So if we're in a situation where defi is heading mainstream, banks will face some competition because a lot of their capital will be turned into smart contract custodians.

And there are signs we are heading mainstream in usage. Where the rich and thus presumably the smart are concerned, a tipping point has already been passed with an incredible 50% of family offices looking to enter this space.

Due to this significant demand, JP Morgan has no choice but to offer crypto services, albeit ina very limited way by restricting it even for the very wealthy to Grayscale's Bitcoin Trust, Bitcoin Cash Trust, Ethereum Trust, and Ethereum Classic, as well as Osprey Funds' Bitcoin Trust.

The Grayscale Trust has a slight pumpish and dumpish design due to its six month holding requirement, so one may well wonder cynically whether JP Morgan is being a bit of a prick in such selections considering there are plenty of ETNs and even Canadian crypto ETFs that don't have such restriction.

But what is pretty unique to this space currently is just how accessible it all is outside of traditional infrastructure with a family office able to even mine bitcoin if they want, either directly or through private equity stakes.

So bringing the other question of whether there will be a merge or two parallel systems, with the answer potentially existential for traditionalfinance as the latter presumably means at somepoint one overtakes the other.

At the present, there's little to weigh either way,with Venture Capitalists (VCs) always looking for monopoly edges which the future may welltell are in the [front-end interface](), or maybe not.

The answer will maybe come once code literacy has reached reading and writing literacy levels. For reading and writing itself,that took about 400 years from the printing press invention to now everyone being able toread and write.

For code, you'd think it will take less time, butdecades at best. In the meantime, a hybrid of merging in some ways like providing access tostock form bitcoins as JP Morgan is doing, andparallel systems in other ways like coding flashloans, is likely more the reality for at leastsome years.

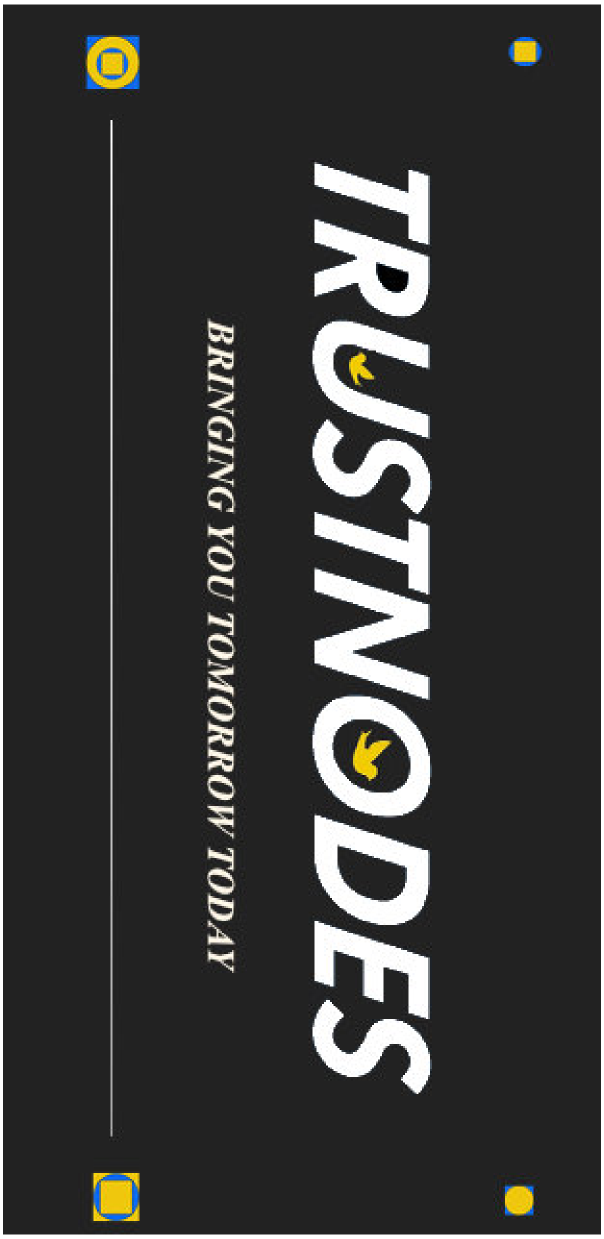
So banks are more preparing for compensatingany potential competitive disadvantages by providing a bridge of sorts to the crypto space with the aim of taking a cut for that bridging.

They're not as of now innovating by piloting,trialing or testing crypto native services like facilitating the use of jUSD as collateral to earinterest from flashloaners and other arbitragersall in pretty much one click.

They wouldn't only take a cut, but USD and jUSD can be fractional reserves, so crowning isome way bitcoin's place due to its fixed limit.

Instead however they seem to have taken the view that these new things are the same as the old things and they're only appealing due to regulatory arbitrage, with their approach beingthat of the priesthood centuries ago: turn off thprinters somehow. Or in this case, force the regulator to apply the same regulations to thisspace without any changes whatever.

For this, there hasn't been much discussion. Gebig and they can't ban, was the conclusion forup to here. Addressing regulatory arbitrage bybanks and the rich through restrictions for everyone else through the force of the law, however, is the current playground that has noprevious guidance except that there is general agreement the internet went wrong due to VCsforcing monopoly edges, or moats as they callthem.



A combination of VC monopoly pressure and banks initiated regulatory restrictions can potentially delay some innovation in this space that gives banks time for more of a merger thantwo systems, but one can easily speculate it is turtles all the way down with it unclear whetherthere is a golden turtle.

There must be, for the priesthood is now relegated to historical decoration, but not in adecade, nor a century.

Likewise the capabilities that in many ways weare still just prototyping won't be utilized to a full extent for decades to come, but in those decades we should still nonetheless hopefully enjoy a renaissance, maybe an age of discovery,perhaps even an enlightenment as code becomes word.

In two or three years, we should perhaps enjoywhat in internet terms would be 1995, which happens to be the year JP Morgan launched online banking with their history page stating:

"1995 Online Banking and the Internet Chemical launches Online Banking which allows customers to consolidate all of their accounts and access them from their home computers. Two years later, NBD Bank, BankOne and Chase each introduce online bankingservices. First Chicago NBD introduces a freeInternet bank in 1998."

The beginning of the offering of bitcoin products is perhaps the equivalent, but just as then so too now few are quite watching this in some ways non-development, and more are wondering just how crypto native finance will be utilized by coders and whether in a decade or so, they'll dominate all finance.

Bitcoin RSI Breaks Out

Bitcoin's Relative Strength Index (RSI) has broken out from a seven months downtrend for the first time today.

As can be seen above, the RSI has been makin lower highs, but now upside momentum has gone up high enough to break the trend of lower highs in momentum, creating a local higher high.

That's a potential indicator that there has been some bullish strength on display recently after bitcoin briefly dipped below $30,000 for the third time.

[Bitcoin's Price](), July 2021

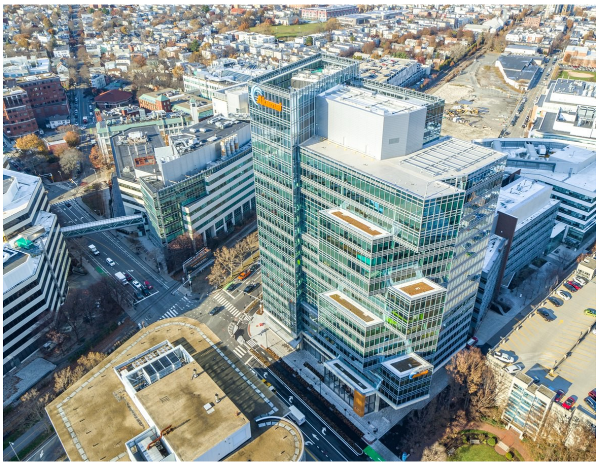
Bitcoin spent precisely 24 hours below $30,000, to then rise up more than 10% tocurrently above $32,000.

The big question is whether that's just the beginning of further legs up, or whether it turns downwards again to go below $28,000.

This RSI breakout suggests the former is more likely with bitcoin ranging for the past two months since May when it first reached these levels.

Any upwards movement therefore may be slow and cautious as bulls need to build up some confidence by maintaining ground and gradually moving up if this breakout plays out.

Bitcoin Unaffected Amid Internet Outage



Playstation, Steam, BBVA bank, Delta Airlines British Airways and in total more than 30,000 websites went down today.

The problem appears to be with Akamai, one the world's biggest hosting provider which alsoprovides domain name system services. They said:

"We are aware of an emerging issue with theEdge DNS service. We are actively investigating the issue."

Edge computing is a frontier technology that promises to provide faster data delivery with this being the second major outage that appear to be connected to it.

Last month, [global media went down]() due tosome 'monkey' problem at Fastly, an edgecomputing provider specializing in quick delivery of uncached media.

What the exact problem was at Akamai remain to be seen, but due to its peer to peer nature bitcoin has not been affected at all by this or other internet outages with it continuing to operate while some banks and services become inaccessible.

Update: "We have implemented a fix for this issue, and based on current observations, the service is resuming normal operations. We will continue to monitor to ensure that the impact has been fully mitigated," Akamai said about thirty minutes after the outage.

Busta Rhymes Buys Bitcoin

Busta Rhymes, an American rapper, songwriter,record producer, and actor, has bought bitcoin after watching the B word digital conference.

"After watching the Bitcoin conference live with Jack Dorsey, Elon Musk, Cathie Wood, I'm sold on Bitcoin," Busta Rhymes said to his 3.8 million Twitter followers.

"Officially holding Bitcoin," he added. Sayinghe is now "looking into eth next."

Busta Rhymes
@BustaRhymes

MY BIGGEST TAKEAWAY WAS THIS.....
The way @elonmusk phrased this statement has got me seriously thinking... especially what's been happening aroundthe world recently.

Government and it's monopoly

The conference between Musk, Dorsey and Wood was watched live by at least 200,000 people during the session with it having one of the highest live viewership on Youtube outsideof space rocket launches.

Musk, Dorsey and Wood are all bitcoiners, wit Musk further revealing for the first time that he personally also holds eth.

The Grammy Award nominated Busta Rhymesis now also a bitcoiner with it unclear how many he bought or how much eth he plans to buy.

Both bitcoin and eth have been rising with bitcoin reaching $32,000 while eth has touched $2,000, up from $1,700 on Tuesday.

That's perhaps because many may well be joining Busta Rhymes with this being the first time Musk talked bitcoin in a live discussion.

Bitcoin is a Hedge Against Bad Deflation Says Ark Invest

We all have heard bitcoin is a hedge against inflation due to its fixed limit, but curiously Ark Invest's Cathie Wood says it is also a hedge against deflation.

"Deflation I think is going to be a real thing," Wood says. "There's going to be good deflationcaused by innovation, so demand will boom because of that.

There's going to be bad deflation because so many companies out there have not been investing enough in innovation. Their productsare going to go obsolete. And they're going to be stuck trying to service the debt that they piled on because their shareholders wanted profits and wanted them now.

So they leveraged up to buy back their shares and pay dividends. I think that's going to be the source of bad deflation and counterparty risk.

We learned from 08-09 that counterparty risk can be devastating. Almost cataclysmic. So a hedge against that would be another reason to bitcoin."

In emerging markets investors are seeing high levels of inflation, and so they'll want to hedge with bitcoin, Wood said. While in USA she argues we'll see deflation due to non-innovating companies struggling to keep up.

It's in China however where we are currently seeing signs of companies having to pay back their debt, especially property companies, with a mini corporate bond crisis unfolding theresince 2019.

The risk is of course that they can't pay back the debt, thus the bank faces losses, uncertainty arises in regards to bank insolvency, and then banks stop short term lending to each other. As that short term lending is how accounts are reconciled and settled, the fiat payment system stops functioning and you face a situation where ATMs don't give out your money.

That's what happened in America in 08-09, with the situation in China not quite there, but at some point their government will presumabl take on the losses of the private sector which will be covered by the taxpayer through money printing.

In US we've seen a lot of that money printing, but by the government. Where the commercial sector is concerned, banks have no incentive currently to lend due to 0% interest rates with those interest rates being how they make money.

There's talks of interest rates rising in two year which will make it profitable for banks to lend and so we might see commercial bank money printing as new capital is generated through loans.

That capital increases supply. As bitcoin has a fixed limit, it should act as a hedge against that increase in monetary supply, while also acting as a hedge if deflation through debt repayment leads to a banking crisis because bitcoin is outside of the banking system.

Space Heaters, Starlink, Mining Batteries Are Musk'sPlans For Bitcoin

“Let’s say you need a little space heater, and normally your space heater would be pure entropy, but what if that space heater also was a bitcoin, ethereum, doge mining node. Pick your currency.

So then you’d be heated up and you’d also mine your crypto and have connectivity in one. Better than running just a space heater,” says Elon Musk.

Space mining is not quite something we had thought of, but you can imagine energy intensive operations in Mars could well double as a bitcoin miner to beat entropy, at least somewhat.

However asics on every toaster has been thought of as an idea before. It hasn’t quite gone anywhere, but maybe it was ahead of its time with mining heaters potentially making more sense, space mining heaters.

That was in reply to putting a node on every Starlink in the context of capacity discussions with Musk stating SpaceX and Starlink are working towards “worldwide access to gigabit level connectivity at low cost, and so then your base layer could do a lot of transactions if you take that into account.”

“Some houses have gigabit connections and that trend is obviously of higher bandwidth and lower latency, and if someone else doesn’t do it, Starlink certainly will,” he said, adding that he has:

“High confidence you’ll be able to maintain a decentralized financial system while still havina much bigger blockchain.”

Speed is only one aspect of the scalability triangle. Storage is another one with bitcoin devs experimenting on block finality to allow for history pruning.

But Musk spoke of a different sort of storage. Yes, bitcoin is now more environmentally friendly, he said, but that’s only because price went down.

When Tesla started accepting bitcoin, price shoup and so did its energy usage. You couldn’t ramp up renewable energy in such a short spacof time, but you can shovel coal, he said.

In addition he questioned renewable usage for bitcoin mining because mining runs 24/7, whil renewable energy is produced when there’s sunor when there’s wind.

So you’d need a battery to store the energy, Musk said, and as it happens Tesla does batteries for houses, small operations, and also they now do them for big operations including potentially mining farms.

Musk stated that he is pro-nuclear and he’dinclude hydro power within the environmentally friendly energy mix.

If bitcoin mining becomes more than 50% environmentally friendly and there’s an obviou trend of that increasing further, Tesla will start accepting bitcoin again for payments he said.

So miners now need to get some batteries and starlink connection to asics space heaters and ~~Musk~~ bitcoin can party again seems to be the message of the world’s richest man.

SpaceX Bought Bitcoin

Elon Musk, the CEO of SpaceX, said the company has bought bitcoin while speaking at the B word digital conference this Wednesday.

"I do own bitcoin and Tesla owns bitcoin, SpaceX owns bitcoin," Musk said. "I emphasize SpaceX, Tesla and I own bitcoin, I also own some eth and doge, SpaceX and Tesla own only bitcoin."

This is the first time it has been revealed that SpaceX, the private company itself, owns bitcoin with Musk not specifying just how many or when they bought.

It may well be around the same time Tesla did back in February when they bought [$1.5 billion worth of bitcoin], but no further information is known except the now confirmed fact that SpaceX has bitcoin in its treasury reserves.

The reason may be due to negative interest rates particularly in Europe with Musk expressing incredulity that the balance in the bank account shrinks.

He said it is somewhat bearable when you get 1% on your savings while inflation is 2%, but seeing the capital itself go down is very much something else.

However this was in a general discussion, not specific to SpaceX's decision to hold bitcoin, with Musk mentioning that more in the context of stating he is a supporter of bitcoin as he, SpaceX and Tesla holds it.

"You know, I might pump, but I don't dump,"Musk said following a spring and summer ofspeculation regarding whether Tesla sold.

It now appears very clear: not only Tesla hasn' sold, but SpaceX has bought as Musk says he wants to see bitcoin succeed.

China's Goodbye to Crypto Mining NFT Sells For $2 Million

The revolution will be monetized

A picture visualizing the moment Chinese miners left Sichuan has been turned into a digital painting and a Non Fungible Token (NFT) that's going for 1,024 eth on Opensea, currently worth about $2 million.

The picture was taken by Caixin's Ding Gang who further shot other moments in May as miners embarked on an exodus following the party's decision to cut off electricity.

"On May 2, an ethnic Tibetan woman in Sichuan province's Heishui county holds partsof a cryptocurrency mining machine that wassent from Xinjiang for local installation, including power cords that look like a bouquet of flowers," says Caixin.

The NFT has the effect of making the moment look like it was taken in the 19th century, so acting as a critique of the Party.

Another image, not NFT-ed, shows two womencarrying asics in a back-basket to load them into a truck, so capturing the great mining exodus.

Since then, an editorial has called for China to "declare war on crypto," but with the hashrate now recovering they may have declared war only on their own people because globally no one cares anymore as the network is unaffected.

The hashrate in USA is also rising with it now accounting for 17% of global mining and growing, so this story is now being NFT-ed into the history ~~books~~ blockchains.

Hyperinflating Venezuela Now Ruled by Gangs

You can not ignore politics because politics is power, and how that power is used has consequences.

So says Adam Curtis, with one of those consequences on vivid display in Venezuela where a gang of 300 has been engaging in pitched gun battles with the police in Caracas, Venezuela's capital.

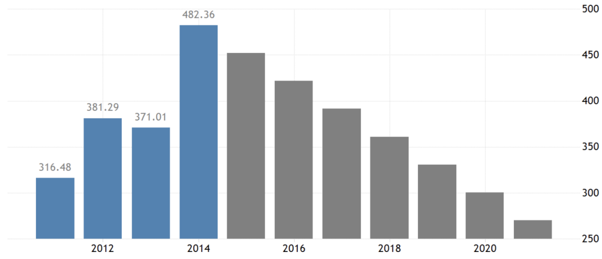
"It is becoming more evident that Maduro is losing control in and out of Caracas," said Alexander Campos, a researcher at the Central University of Venezuela. "The capacity and ambition of criminal groups from gangs to guerrillas is growing."

These gangs are trying to take over a highway linking Caracas to the west – which would allow them to control shipments into the capital.

They have set checkpoints with the above building being one of them formerly used by E Koki as gangs there now try to take over territory.

This is some five years since hyperinflation began in Venezuela with inflation there 'fallingto 2719.50 percent in May.

It's GDP is decimated, down more than 50% since 2014 as the country fails to recover or halt the decline now seven years on:



Venezuela's GDP 2021

Venezuela's troubles began after oil prices fell following Russia's annexation of Crimea in 2014 as Saudi Arabia flooded the market with rumors suggesting it was under pressure from Obama.

Venezuela's primary export was oil, with it used to subsidize government handouts. After oil prices fell, that stimulus turned into inflation and then hyperinflation with the government unable to get a grip on the situation.

They tried to address it by, among other things, launching an ostensibly oil backed Petro token,but that failed to take off.

The citizenry there has also failed to change the administration with attempts to do so unsuccessful as the military stood by Nicolás Maduro, Venezuela's ruler since 2013.

Individuals thus seem to have taken matters on their own hands by forming gangs, marking a dangerous turn of events as Venezuela risks descending into lawlessness.

Tech Giants Race to Crypto

Facebook, Twitter, Reddit, Signal, Kin, and wesuspect Google, are just some of the world's biggest tech companies now involved in cryptoto various degree and to various degrees of success.

They've all taken different approaches. Insteadof integrating bitcoin or eth, Facebook plannedto launch a stablecoin backed by a basket of fiacurrencies operating in its own Libra blockchain.

Something that got them into some political trouble, with the matter now more on hold as the $1 trillion company was threatened with new laws.

Kin took a more hybrid approach in initially launching a token on ethereum, but their plans to move to Stellar courted some backlash from investors with the Securities and Exchanges Commission (SEC) then getting involved to effectively shut the whole thing down.

Signal is taking a more stealthy approach in no launching a token or a crypto, but in more integrating one that happens to be advised by Signal's founder, Mobilecoin.

Mobilecoin was just valued at $1 billion, with probably 90% of that valuation coming due to their apparent relationship with Signal.

Just what plans Signal may have are unclear, not least perhaps because they're operating in a bit of a gray zone in that the crypto had an Initial Coin Offering (ICO).

Reddit is staying clear of that, piloting instead more the monetization of social contributions on subreddits like r/cryptocurrency through MOON tokens with it unclear what their conclusions are on those experiment.

Twitter's founder on the other hand, Jack Dorsey, is taking a different approach in betting everything just on bitcoin with Dorsey stating they are "building an open developer platform with the sole goal of making it easy to create non-custodial, permissionless, and decentralized financial services" on bitcoin.

That's a fairly big ambition with it more aimed at Square, the payments app, as bitcoin itself becomes an ingredient in competition.

Google hasn't announced anything but its co-founder, Sergey Brin, showed up at a bitcoin gathering in 2018. His suggestion was putting huge resources behind the blockchain to make it mainstreamy, presumably a bit like what Facebook planned.

Seeing what happened there, perhaps Google didn't take it any further, but the involvement of some of these giants is probably due to new startup ideas and competitors that integrate crypto.

Things like Presearch which uses tokenization in searches. They've gained some adoption, but are not anywhere near putting a dent in Google's market share.

However, all these giants rely on users providing free content to them. Their castles thus are built on sand, in many ways, as a competitor can easily go viral and they become MySpace.

They feel particularly threatened by competition however small, and therefore are trying to copy new ideas, as in the case of Reddit, to not give users any excuse to disrupt their habit by experimenting with new providers.

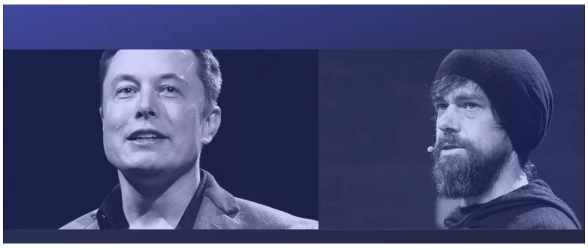
Thus crypto can be existential for many of the as at the very least it provides that excuse, but experimentation there arguably has not quite began with things like defi taking off instead due to having no competition as it's a new field

While where social networking experimentation is concerned, it's difficult toget the right balance while not being gobbledup by the established competition.

So tech giants are trying to stay ahead and look out for any ideas, while Dorsey is seemingly more tapping into the bitcoin community that already exists and is trying to advance it to assist Square.

Out of all this fermentation, you'd expect something new to arise at some point as crypto startups focused on giants' territories get more experience and as new capabilities present themselves following a strengthening of the base layer and a blockchain harnessing of second layers.

Bitcoiners Await The Jack &Musk Show



Bitcoiners are gearing up for one of the biggest crypto conference ever which is to begin later today with it livestreamed globally.

Elon Musk, the CEO of Tesla and SpaceX, has now been confirmed as a speaker. In addition Jack Dorsey of Twitter and Cathie Wood of ArInvest will keynote the B Word.

The conference begins at 9AM PDT, just as Silicon Valley wakes up. That translates to 12 o'clock for New York and 5PM for Europe while China gets to be asleep.

The conference is designed in different tracks, or sessions, with the Musk & Jack one called "Bitcoin as a Tool for Economic Empowerment."

The setup is not clear in regards to whether it's more a discussion between all three and Steve Lee, the moderator, or whether each gets to speak.

But the whole sessions is to last just one hour with it livestreamed at 11AM, making it prime time in Europe at 7PM.

Just what Musk in particular will say remains to be seen. Tesla is facing a potential loss in the second quarter due to their bitcoin holdings, so there might be some announcement, although nothing is confirmed.

In addition he is also facing considerable competition both in the electric vehicles market and now in the space race with Jeff Bezos showcasing a reusable rocket on Tuesday.

Thus you'd expect him to up his game with rumors he might get into making bitcoin mining more green, but it's not very clear whether those rumors have come out of thin air or otherwise.

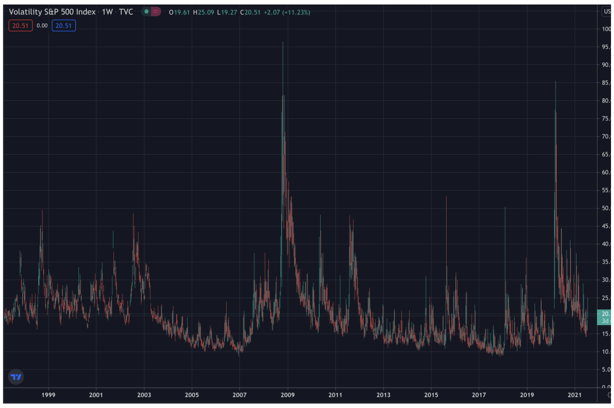
Volatility Spikes

"I've gone long the VIX (via $UVXY) to prepare for the macro fireworks." So said Barr Silbert on June 14th, with some fireworks now on display as VIX (pictured above on 4h candles) spikes to its highest level since May.

When Silbert publicly tweeted, the Volatility S&P 500 Index (VIX) was at $16. On Monday it reached $25.

That's still far below the $85 on the 23rd of March 2020, the first day of trading after Italy shocked the world by locking down Milan.

Even that is below the $96 reached on the 27th of October 2008 when Lehman Brothers announced bankruptcy.



VIX since 1999

Yet markets are a bit on edge, more in China than in USA, with investors across the worldclosely watching the movements of the eagleand the dragon.

Hours before America and UK was to accuse the Chinese government of hacking Microsoft,news of an iPhone spyware Pegasus, by an Israeli company, breaks.

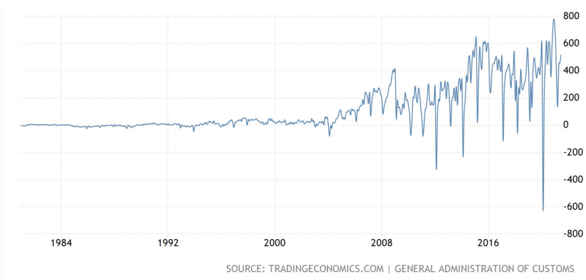
Apple shares fell, with some reminded of Snowden's leak in 2013 just days before Obama and Xi was to meet on cyber theft after America was shocked to discovered that a unit of the Chinese military had hacked SolarWorld, the now bankrupt then leader of solar manufacturing in United States and the world.

China's response then and now remains the same: we're just learning of all these things you're doing, and you're accusing us. US maintains they don't hack to steal trade secrets from companies to give them to their own companies.

Some say that's because China doesn't have any trade secrets as they've copied everything, so US can't respond in kind.

Neither can it quite respond in kind to China's latest move in signaling the end of the $2.7 trillion US stock listing juggernaut because US companies don't quite list in China.

They do however manufacture there, and a lot of those manufactured goods make their way to America with China's trade surplus hitting a record $80 billion a month in 2020, or about half a trillion a year.



China's trade surplus as of June 2021

According to this data, the China opening up did not quite begin in the 70s, but in 2006 and then took off properly in 2010 at a time when American and European investors developed a groupthink of send everything to China.

They were backed by the ruling elite at the tim in UK and US who told the public US and UK was to become a knowledge/service economy with manufacturing allowed and even encouraged to exodus en mass, except in Germany where the board represented employees halted any such attempt.

Closing that massive trade deficit is crucial if America and Europe is going to see any growt with the previous arrangement of 'brains in USA and hands in China' breaking down because not only do they not respect intellectua property rights, but the government itself engages in trade theft according to American intelligence officials.

Hence Biden needs to decide just how the eagl flies and in particular whether those tariffs mus be back on the table if there's to be some prope growth. If not, he needs to explain how exactly he responds in a way that shows up on the data

Here America has huge room for maneuver because China exports about $500 billion a yea to USA, while it imports only $135 billion a year.

That's a 5x difference which can be utilized to force China to respect intellectual property rights and to halt government backed trade theft.

Once those tariffs are back on the table, then they can say they don't want to talk or can act all belligerent in Alaska knowing full well the current administration risks being perceived asall talk and no action.

The market in China however is currently full of action with fears corporate bond defaults might get out of hand with China's Evergrande Real Estate Group being the latest to see a 14% fall in shares earlier today following a 16.2% fall on Monday.

The Hang Seng tech Index also fell another 0.8% today after a 1.8% drop on Monday. While Dow Jones in contrast has jumped 1.6%.

That raises the question of whether turbulences in China would affect the US and Europe economically with the Chinese economy previously sheltered during the Euro crisis in Europe or the banking crisis in USA and UK.

You'd think the same should apply in reverse and EU-USA should even benefit as global investors divest from China to invest in Europe or America if we now get the reverse of 2020.

China grew that year significantly after it stopped publishing pandemic data and reopenedeverything, with US and Europe contracting.

Now the latter are opening up which should boost the economy, while China faces worried investors that are accounting for Party political risks as well as a growing number of corporate bond defaults following huge debt expansion in the past decade in particular.

Evergrande for example might have to sell assets to pay off its debt. That can have a knock on effect in depressing property prices that then make banks less tolerant to mortgage arrears ina spiral of sorts.

So far these bond defaults have been rumbling for more than a year with no catalyst, but the banking problems in UK and USA also rumbled for more than a year until it became a full blow crisis.

Whether that will also apply to China, though with bonds due to overbuilding, remains to be seen, but all of this is adding to volatility.

Something that also applies to bitcoin which has dropped just below $30,000 and currently seems to be trying to overtake it again.

That could in part be due to crypto specific factors, but earlier today it reflected the red in China/Asia and now seems to be reflecting the green in USA.

Making it an interesting question regarding how bitcoin would respond if these bond defaults turn into a full blown financial crisis in China where they may have over expanded with America-Europe having the opposite problem of a housing shortage.

You'd think as a digital commodity outside of the banking system, bitcoin would rally in such a situation after some volatility, but what it wil do remains to be seen.

Rothschilds Buy Ethereum

The Rothschild Investment Corporation has bought 2,834.69 eth in a stock form through Grayscale's Ethereum Trust (ETHE).

They are reported as holding $1.4 billion in assets with about $5 million of it now held in ethereum.

That makes them one of the most prominent bank to buy eth, most likely for one of their private clients with this being just one of many private banks owned by the Rothschilds.

That's while ethereum fell to $1,750 in a summer rout amid some turbulences in Chines corporate bonds.

Once the richest family on earth, a Rothschilder has even chaired an Initial Coin Offering (ICO).

While the Rockefellers, which once dominatedAmerica, began investing in crypto and blockchain startups way back in 2018.

First tipping their toes, now the Rothschild Investment Corporation is somewhat graduallybut slowly building up a position with it also currently hodling about $4.2 million worth of141,405 GBTC shares as compared to 279,119ETHE shares according to a filing with the Securities and Exchanges Commission.

Bitcoin's price, July 2021

Traders were anxious about this unlock as it is the biggest yet six months on after some $1 billion worth of GBTC shares were minted.

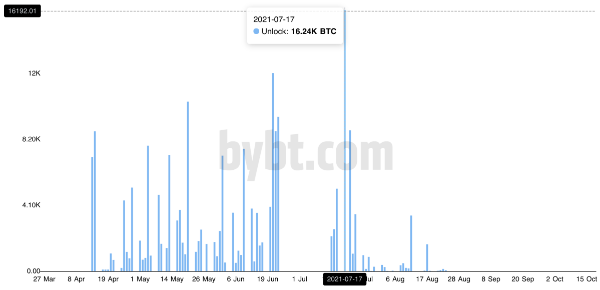
Now that this is behind us, the massive buying during November and December produces no longer massive unlocks six months later in July

Hence any pressure that might have been created by old institutional buyers redeeming their coins six months later should now recede.

In addition any pressure on GBTC's sell price due to unlocks should lower. Something that may lead to more demand for minting new shares which is the equivalent of buying bitcoin.

As can be seen in the featured image, there's hardly much more locked sums to become available now, so any supply that may have come from that should start stabilizing.

Bitcoin Unmoved as Grayscale Unlocks $1 BillionShares

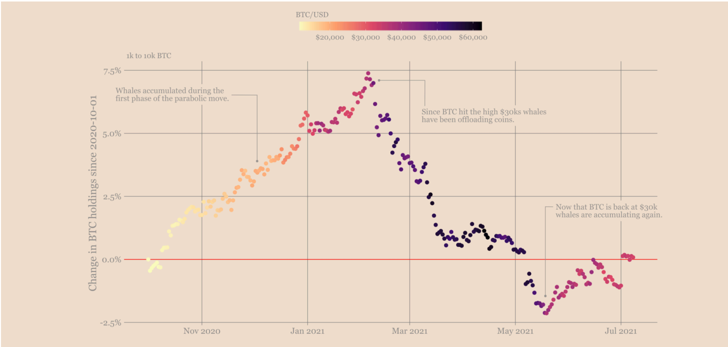


Bitcoin's price has remained at around $30,000 despite some 25,000 bitcoins being unlocked atGrayscale's Bitcoin Trust (GBTC).

More than 16,000 bitcoin was unlocked on Saturday and another 9,000 was unlocked today making it a combined $1 billion worth of coins.

Price however has remained within the general range, slightly dipping today but not much off from where it was.

Bitcoin Whales Start Accumulating



Bitcoin whales, defined as addresses that hold between 1,000 to 10,000 BTC ($31 million to $310 million) are now increasing their holdings according to blockchain analytics.

While bitcoin's price was rising to $30,000, bitcoin whales were holding or accumulating says an analysis by Ecoinometrics.

After $30,000 however, they began selling all the way to $64,000 as shown above and kept selling down to $30,000 again.

But now they've stopped selling and have began increasing their holdings for the first time in five months.

Those holding 10 to 100 BTC have also stabilized and have slightly increased theirholdings after they began selling from the mid-$20,000s onwards.

Balance, BTC	Addresses	% Addresses (Total)	Coins	$USD	% Coins (Total)
(0 - 0.001)	19556607	51.11% (100%)	3,978 BTC	125,638,982 USD	0.02% (100%)
[0.001 - 0.01)	9696199	25.34% (48.89%)	36,851 BTC	1,163,944,111 USD	0.2% (99.98%)
[0.01 - 0.1)	5834380	15.25% (23.55%)	189,812 BTC	5,995,254,012 USD	1.01% (99.78%)
[0.1 - 1)	2376751	6.21% (8.3%)	743,219 BTC	23,474,747,144 USD	3.96% (98.77%)
[1 - 10)	652581	1.71% (2.09%)	1,674,323 BTC	52,883,899,877 USD	8.93% (94.81%)
[10 - 100)	131077	0.34% (0.38%)	4,259,409 BTC	134,534,454,983 USD	22.71% (85.88%)
[100 - 1,000)	13891	0.04% (0.04%)	3,936,677 BTC	124,340,883,397 USD	20.99% (63.17%)
[1,000 - 10,000)	2068	0.01% (0.01%)	5,210,759 BTC	164,583,084,905 USD	27.78% (42.19%)
[10,000 - 100,000)	81	0% (0%)	2,108,134 BTC	66,585,912,600 USD	11.24% (14.41%)
[100,000 - 1,000,000)	3	0% (0%)	593,902 BTC	18,758,526,413 USD	3.17% (3.17%)

Addresses richer than

1 USD	100 USD	1,000 USD	10,000 USD	100,000 USD	1,000,000 USD	10,000,000 USD
32,156,979	13,646,523	5,379,381	1,630,197	308,658	74,762	6,051

Bitcoin distribution, July 2021

Those holding 100 to 1,000 BTC were accumulating all the way from $30,000 to $60,000, buying the whale coins and that ofsharks.

They then held steady and even slightly increased their holdings during the drop, withsmall fish – those that have less than one bitcoin – also buying all the way to the top.

Whales have the most in bitcoin, valued at $16billion, followed by 10 – 100 bitcoin holders with $135 billion. In combination they hold about half of bitcoin's market cap.

Their turn towards selling therefore after $25,000 and $30,000 would have had an effect on bitcoin's price due to increased market supply.

That was bought up by the third biggest category, 100 to 1000 addresses, which keptbuying beyond $30,000 all the way until thecorrection.

Now all three categories are either holding or accumulating, with bitcoin's price reaching some stability just above the previous 2017 all time high when accounting for inflation .

Malaysian Police Steamrolls $1.2 Million Bitcoin Asics

Malaysian authorities have thrown $1.2 million down the drain by engaging in a dramatic spectacle of comedic display in steamrollingmore than one thousand bitcoin asics.

This is the first time such action has been takenas far as we are aware, with it unclear whetherthe authorities in the Miri city of 300,000 people quite knew what they were doing.

A video shows a steamroller going over the asics, presumably to turn them into granite? The asics are then a bit more flat with it unclearwhether at the very least they sold them for scrap.

We presume they didn't even know these are very valuable 'computers' with just one of themgoing for $10,000. They may have thought instead these are somehow bad electricity stealing devices and steamrolling them will teach them a lesson.

Because that's one way of viewing these specific asics which were used to mine bitcointhrough stolen electricity with eight people arrested.

"A total of six people have been successfullycharged under Section 379 of the Penal Code for electricity theft and have been fined up toRM8,000 and jailed for up to eight months," Miri police chief ACP HakemalHawari said on Friday.

They apparently stole some $2 million worth ofelectricity from Sarawak Energy Berhad (SEB),more than half of which could have been recouped by auctioning these asics instead of playing Mr Bean.

There's no suggestion they seized any bitcoinseither, probably because they have no clue whatbitcoin is, let alone how to seize it.

A more informed authority would have probably found eth as well as other cryptos, allof which in combination would have paid backmore than the stolen electricity, and so in the end the country would overall benefit.

But here instead they steamroll these bad boys, which is a bit peculiar because Malaysia is now fairly rich with a GDP of $360 billion for 30 million people, but they're still a developing country below European levels.

Bitcoin in addition is perfectly legal there, classified by courts as a commodity, so this isn't some gov policy but a police department coming across a new thing and so not quite knowing what to do with it.

Something that gives us a very vivid display of the increasing bitcoin adoption in the region as presumably these police boys will now realize they burned a lot of money, and so get to learn just what is bitcoin in the process.

China Sells Another $18 Billion US Treasuries While the Young Weaponize CCP

China has reduced their US debt holdings byanother $18 billion to 1078.4 billion from 1096.1 billion and down $22 billion overall since March when they held $1.1 trillion in government bonds.

The move comes amid a strengthening CNY, down to 6.47 to the dollar from 7.2 in June

2020, as well as amidst worsening US-Sinotensions.

China snubbed a visit by the U.S. Deputy Secretary of State Wendy Sherman during an Asian tour earlier this week.

Initially she was to visit China as well, but the Communist Chinese Party (CCP) put forward a far too low ranking official.

The media there says US is not "sincere," and therefore China does not want to talk despite US president Joe Biden giving numerous concessions, including closing down a counter-espionage department.

China's economy is growing however, shootingup an incredible 8.8% in the second quarter – though more than halved from an unbelievable18% in the first quarter – with Xiaomi now overtaking Apple as the top smartphone in the world by market share.

At the same time trade between China and US is growing despite talks of decoupling, up 30% during last year.

That's giving them some confidence with the media atmosphere there seeming somewhat belligerent, but a new internet culture is growing in China that might be an echo of 2010 gamergate.

The CCP is being weaponized by the young who are using China's censorship apparatus tosettle scores between fandom rivalries.

There's hardly an article about PS5 that doesn't dread Liu Ruizhe, someone that delayed the launch of PS4 by reporting some loophole that allowed access to a wide range of games in contravention of the letter of the law which was overlooked and unenforced by authorities.

Following the report, Sony had to make some modifications which angered the gamers who then gave Ruizhe the whole treatment of doxing and the rest.

A bigger 'revolt' was what is now called the Xiao Zhan scandal. In a rivalry between two fan groups, one of them mass reported the othe to the Party for technically breaching some rul or another. The Party then actually took action, shutting down an image board. Others responded by giving a one star rating to anything to do with Xiao Zhan.

What surprised most of them was that this reporting to the party actually works. Some compare it to neighbors snitching neighborsduring the Cultural Revolution.

"When reporting becomes the norm, no one ca be alone," concludes one commentary on a culture that instead of changing politics, just weaponizes it.

And it's not just kids on their bedrooms playin on internet yards, Tesla itself apparently asked CCP to censor its critics:

"According to people familiar with the matter, it complained to the government over what it sees as unwarranted attacks on social media, and asked Beijing to use its censorship powers to block some of the posts."

Presumably they're not the first or the last, and as Chinese citizens become more informed as well as more resourceful, there may well be more pushback. Knowing as much, China's President Xi Jinping referred to the young in particular in stating:

"The future belongs to the young people, and our hopes also rest with them… In the new era our young people should make it their mission to contribute to national rejuvenation and aspir to become more proud, confident, and assured in their identity as Chinese people so that they can live up to the promise of their youth and th expectations of our times, our Party, and our people."

Those young are the first digitally native generation with outbursts against censorship occasionally going viral under the protection of pseudo-anonymity.

Thus the CCP has to adapt to the games of a new generation, a generation that seems to consider CCP rules as more something for the books unless they themselves snitch and 'force' the Party to enforce its own laws.

At the same time America has to adapt to the new CCP, with Biden risking coming across asa bit soft in failing to get anything for his onesided concessions, while Trump got a lot through negotiating trade deals.

It is also a bit difficult to imagine the CCP would have pulled off that level of belligerence in Alaska if Trump was still in power.

The snub will be answered you'd think, or Biden and America come across as weak when they can just levy more tariffs so that US also sees a bit of that 30% growth in two quarters.

Binance Warned by its Headquarters Jurisdiction

Binance has been warned by regulators in the country it is based, the Securities and Futures Commission (SFC) of Hong Kong, to stop providing "stock tokens" services.

"SFC wishes to make it clear that no entity in the Binance group is licensed or registered to conduct 'regulated activity' in Hong Kong," they say.

Binance quickly complied, stating "we areannouncing that we will be winding down support for stock tokens on Binance.com to

shift our commercial focus to other product offerings. Effective immediately, stock tokens

are unavailable for purchase on Binance.com, and Binance.com will no longer support any stock tokens after 2021-10-14 19:55 (UTC)."

They have a partnership with CM-Equity AG, licensed investment firm in Germany, and say they may move Europeans there.

"Users may transition their stock token balances to CM-Equity AG once its new portal is established," Binance said.

This is the latest regulatory action against the global crypto exchange based in Hong Kong which has been under the scrutiny of US authorities.

They were founded in an Initial Coin Offering (ICO) in 2017 which gave rise to both Binance the exchange and the BNB token now operatin in the Binance Chain.

Their initial base in Japan faced regulatory difficulties as FSA there did not license them. So they moved to Malta, but a change of administration led to the Maltese authorities clarifying that "Binance is not authorised by the MFSA to operate in the crypto currency sphere."

Since then speculation has intensified regardingtheir headquarters with Binance putting their HQ on Linkedin as "everywhere."

Changpeng Zhao, Binance's CEO, has refusedto state in interviews where they are based, giving rise to rumors that Cayman Island is their HQ or Seychelles.

The Cayman Islands financial authority (CIMA) also said earlier this month Binance does not have a license there and they are investigating "whether Binance, the Binance Group, Binance Holdings Limited or other companies affiliated with this group of companies have activities operating on or from within the Cayman Islands that may fall within the scope of the Authority's regulatory oversight."

Binance's own terms and conditions, however,have Hong Kong as its jurisdiction, stating:

"These Terms (including this arbitration agreement) shall be governed by, and construedin accordance with, the laws of Hong Kong."

Hence Binance.com itself now has to comply with whatever Hong Kong authorities say, while previously actions from UK's FCA andother jurisdictions had as response somethingakin to: a subsidiary operates there and thus Binance.com is not affected, we'll just launchbinance.[country].

That's unless Binance moves again, with the exchange operating in somewhat of a gray zone as it was publicly funded from the get go, unlike Coinbase which was privately funded and opened to the public only after it reached a valuation of $100 billion.

The global public, by having the choice to invest in Binance from the get go, has greatly benefited from the success of the exchange. While the public has not benefited at all from the success of Coinbase as they were prohibite from investing in it for the first nine years of it existence when it saw massive growth.

Something the United States regulators do not like as such US prohibition in public funding o startups can only work if it is global.

It's not clear however why Europe in particular which is the only globally respected jurisdictio that can stand up to the United States, is not providing a home of sorts.

One reason might be because Zhao has not quite asked them. They picked the tiny jurisdiction of Malta instead, when it could have been very different if it was Germany, or one of its principates like Luxembourg and Liechtenstein, or France.

That may well be the way they have to go especially as they already have a partnership with CM-Equity AG. Then the exchange woul be outside of US's global jurisdiction, which clearly also includes tiny Hong Kong, but of course they'll have to comply with European law.

However, they'll potentially have the opportunity to shape or influence such laws with both Germany and France keen to provide jurisdictional competition by taking a different approach to this ancient prohibition in startups public financing.

But what Zhao will do remains to be seen with his options limited now that his home country, China, has turned hostile towards cryptos.

US Gov Offers Bitcoin Rewards For Info Leaks

The United States government will pay a whistleblower up to $10 million in bitcoin for information on cyberattacks.

"Commensurate with the seriousness with which we view these cyber threats, the Rewards for Justice program has set up a Dark Web (Tor-based) tips-reporting channel to protect the safety and security of potential sources," the US Department of state said, adding:

"The Reward For Justice program also is working with interagency partners to enable the rapid processing of information as well as the possible relocation of and payment of rewards to sources. Reward payments may include payments in cryptocurrency."

The reward is from the Diplomatic Security Service, which is specifically asking for "information leading to the identification or location of any person who, while acting at the direction or under the control of a foreign government, participates in malicious cyber activities against U.S. critical infrastructure in violation of the Computer Fraud and Abuse Act (CFAA)."

This is the first time in history the US government or any government in the world has offered to pay in bitcoin for any service.

Something that suggests first of all they have to buy $10 million worth of bitcoin, and second of all the government won't ban the crypto because it needs it for itself to facilitate payment services.

Moreover this is an acknowledgment that bitcoin is a very secure form of payment which the US government thinks no government has any sort of backdoors in it because they obviously do badly need the information they're asking, and so they're going to all lengths to make it as comfortable as possible and as secure as possible for the leaker.

Massive Falling Wedge Forms on Ethereum

A three months long falling wedge appears to be forming on ethereum and other cryptos, including bitcoin.

The falling wedge pattern forms when the market makes lower lows and lower highs with a contracting range.

When this pattern is found in a downward trend, it is considered a reversal pattern, as the contraction of the range indicates the downtrend is losing steam.

Currently ethereum is testing support yet again at about $1,800s with it unclear whether bulls will be able to defend it.

If they do, then bears will be forced to cover, leading to an upwards movement. The wedge, courtesy of ethtrader, suggests the latter is likely, though not certain.

The drawing can be criticized on technical grounds with some suggesting three points are needed, but on fundamentals, price may be due for a reversal as well.

First, the three months long intense Fear Uncertainty Doubt (FUD) atmosphere appearsto be nearing an end. Miners are out of China now, there isn't much more FUD that can comefrom there and instead a reversal seems to havebegan in hashrate .

The Grayscale FUD is also coming to an end on Sunday, with that too paving the way for better news as the stock pressure from GBTC rescinds.

Political and environmental FUD has also run its course with it unclear where any further FUD would come from.

Some rant from Dogecoin's co-founder, Jack Palmer, who was previously driven out of twitter ostensibly due to engaging in identity politics, probably won't hold much water. So there may be clearer skies ahead.

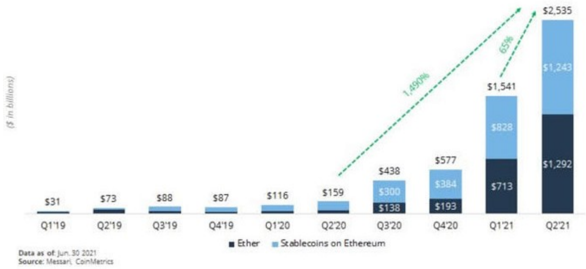
Second, there's now quite a bit to look forward to. In a couple of weeks, ethereum will start burning a portion of its total supply based on fees. That should act as a constant source of new demand and as a dividend for holders.

The bitcoin conference is coming up on Wednesday with Jack Dorsey, Ark Invest and Elon Musk. There might be announcements out of it. Musk is perhaps a bit bruised with Tesla's Q2 earnings expected to suffer due to bitcoin's price fall. So he might not be a clown this time, but a nice bitcoiner. The other two definitelywill behave.

Then there's August to look forward to. The holiday month isn't great for stocks due to lackof liquidity which can cause volatility, but forbitcoin previously during bull markets it starte slowly rising around mid-July and August, witthat gentle assent gradually building confidence.

So whether the TA chart above is right or otherwise remains to be seen, as is the case for whether fundamentals will have much of an effect, but at the very least a change in ethereum's nature from an investment perspective you'd think would have some effecin either increasing upwards price pressure or refraining it from falling as much as it otherwise would have done.

Ethereum on Course to Settle $8 Trillion This Year



Ethereum has processed $4 trillion worth of transactions in the first half of 2021 with it set to clear $8 trillion transactions this year for the first time.

According to blockchain analytics from Messari, ethereum saw a 3x increase in the firs quarter, settling $1.5 trillion in transactions, upfrom $570 billion in Q4 2020.

The second quarter saw a further increase with $2.5 trillion transactions processed as pictured above, making that a new record.

	Bitcoin (Explorer, top100)	Ethereum	XRP	Litecoin (Explorer, top100)	Bitcoin Cash (Explorer, top100)	Dogecoin (Explorer, top100)
Total	18,757,767 BTC	116,716,150 ETH	44,089,620,959 XRP	68,093,346 LTC	18,778,096 BCH	130,359,024,700 DOGE
Price	1 BTC = $ 31,787.21 USD coinbasepro: 31,783.47 USD simex: 31,788.49 USD p2pb2b: 31,857.89 USD bitfinex: 31,800.4 USD kraken: 31,813.2 USD 1 USD = 0.000031 BTC	1 ETH = $ 1,895.14 USD coinbasepro: 1,893.46 USD p2pb2b: 1,894.59 USD kraken: 1,897.98 USD bitfinex: 1,896.5 USD gemini: 1,895.43 USD 1 USD = 0.00053 ETH	1 XRP = $ 0.596 USD bitstamp: 0.597 USD bitfinex: 0.597 USD cex.io: 0.597 USD exmo: 0.612 USD exrates: 0.598 USD 1 USD = 1.68 XRP	1 LTC = $ 123.11 USD coinbasepro: 122.93 USD p2pb2b: 122.97 USD simex: 122.89 USD bitstamp: 123.08 USD kraken: 123.1 USD 1 USD = 0.0081 LTC	1 BCH = $ 446.5 USD coinbasepro: 446.19 USD p2pb2b: 445.87 USD bitstamp: 445.93 USD gemini: 445.62 USD coinsbit: 446.23 USD 1 USD = 0.0022 BCH	1 DOGE = $ 0.182 USD coinbasepro: 0.182 USD coinsbit: 0.182 USD bitfinex: 0.181 USD bittrex: 0.181 USD exmo: 0.186 USD 1 USD = 5.51 DOGE
Market Capitalization	**$596,257,134,225 USD**	**$221,193,082,744 USD**	**$26,281,434,931 USD**	**$8,382,689,528 USD**	**$8,384,332,452 USD**	**$23,669,147,833 USD**
Transactions last 24h	228,799	1,238,043	834,461	142,112	71,463	19,284
Transactions avg. per hour	9,533	51,585	34,769	5,921	2,978	804
Sent last 24h	514,792 BTC ($16,363,800,845 USD) 2.74% market cap	1,740,520 ETH ($3,298,524,534 USD) 1.49% market cap		1,608,378 LTC ($198,000,691 USD) 2.36% market cap	14,587,680 BCH ($6,513,331,265 USD) 77.68% market cap	46,096,221,232 DOGE ($8,369,641,284 USD) 35.36% market cap
Sent avg. per hour	21,450 BTC ($681,825,035 USD)	72,522 ETH ($137,438,522 USD)		67,016 LTC ($8,250,029 USD)	607,820 BCH ($271,388,803 USD)	1,920,675,885 DOGE ($348,735,054 USD)
Avg. Transaction Value	2.25 BTC ($71,520 USD)	1.41 ETH ($2,664 USD)		11.32 LTC ($1,393 USD)	204.13 BCH ($91,143 USD)	2,390,387 DOGE ($434,020 USD)
Median Transaction Value	0.025 BTC ($794.36 USD)	0 ETH ($0 USD)		0.091 LTC ($11.23 USD)	0.11 BCH ($49.1 USD)	1,161.65 DOGE ($210.92 USD)
Block Time	9m 36s	13.6s		2m 22s	9m 52s	1m 3s
Blocks Count	691,281	12,838,159		2,087,623	696,577	3,814,779
Blocks last 24h	148	6,354		607	145	1,371
Blocks avg. per hour	6	265		25	6	57

Bitcoin and Ethereum Daily Settlement Value, July 2021

Ethereum is now settling about $3.3 billion a day, way up from circa $300 million in early 2020.

Bitcoin however handles far more at $16.4 billion a day, with this naturally varying dailybased on blockchain transfers, but current levels are more the usual ones rather than flukes.

Unlike for BCH which apparently has seen 78% of its total supply move in the past 24 hours. That's not necessarily 78% of all coins as you can endlessly transfer the same coin, but based on these data we can safely guess there's maybe some spamming going on in BCH, although not necessarily because cheap fees can lead to more usage.

While for eth, we can see a lot of the activity is real because the median transaction value is zero. That's due to the majority of transactions being smart contract transfers or potentially token transfers which show as zero eth on the surface, because it's either a token or the 'code' is transferring and so you need to look at internal transactions to see the actual value.

Doge is also transferring more than eth at some $8.4 billion in the past 24 hours, but here againthere's 35% of the supply moving, while for etit's 1.5%. However them shibas may well be uto something.

As we're dealing with blockchain data, there'slot of qualifiers but during the first and secondquarter of the year, eth fees were very high reaching at points more than $100 for a Uniswap transaction.

That means it is very unlikely anyone was sending eth around just to game these stats. Instead there was a huge amount of activity which we can now quantify as being $4 trillionmore than the GDP of Germany.

Those volumes are also not far off from overtaking Visa's $11 trillion transfers last yeaif ethereum settlements keep up with the first half.

That would be a significant milestone for this barely five years old cryptocurrency which hasnow grown into an entire financial ecosystem.

Binance's Brazil Director Resigns

"There was a misalignment of expectations about my role," Ricardo da Ros (pictured) said in announcing his resignation as Binance's Brazil Director.

"I was hired with the objective of structuring and regularizing the operation in Brazil, but the progress in these 6 months was below what I expected and I thought it was better to quit.

I believe that the company will take the necessary measures in its time and according to its strategy, which unfortunately differ from myexpectations," Da Ros said.

Da Ros did not provide any detail regarding this "misalignment of expectations," but said he was "satisfied with the excellent results obtained in Brazil in these 6 months."

Binance has recently faced regulatory action across the globe with the latest being Italy's Commissione Naziole per la Società e la Borsa which issued a warning stating that Binance is not authorized to operate in the country.

UK's FCA issued a similar warning last month, leading to a break up in Binance's partnership with Clear Junction, one of the largest payment processor in UK.

Binance has also faced problems in Brazil according to local media where the Securities and Exchange Commission (CVM) banned Binance Futures.

In response to the director's resignation, Binance stated:

“Ricardo da Ros, who for six months held the position of country manager for Brazil at Binance, is no longer in the organization. We are grateful for the work and contribution made by Ricardo during his time at Binance and we wish him well in his future endeavors.”

“Legitimately Undecided” one-Dollar Says Powell, Claims it Would Make Bitcoin Unnecessary

An act of Congress will be needed if the UniteStates is to issue digital reserve money, JeremePowell, Chair of the Federal Reserve Banks, said in a testimony.

“I am legitimately undecided on whether the benefits [of a central bank-issued digital reservmoney] outweigh the costs or vice versa,” Powell said, further adding:

“The more direct route would be to appropriately regulate stablecoins, which we’renot– we don’t do right now. And that’s going t be a very important thing that we do, do.

So in terms of congressional authorization, youknow, there are different views on that. I’ve said publicly– and I think this is right– that we would want very broad support in society and in Congress.

And ideally, that would take the form of authorizing legislation as opposed to a very careful reading of ambiguous law to support this. It’s a very, very important initiative. And I do think we should ideally get authorization.”

The race to digitize fiat money in a crypto-inspired form is heating up with China claimin it already has as it launches [hardware wallets for e-CNY](#) .

Europe is going ahead with an [investigation phase on e-euro](#) , but America has something neither has: a vast market of tokenized dollars used across the globe.

Just USDt and USDc are now in combination worth $88 billion. That’s 1.4% of M0 dollar supply, making it still a relatively small amount, but for both the euro and cny, it is at pretty much zero.

In addition, another crypto 10x is not out of question, so by the time Fed opens discussions on a digital currency in September, it’s not clear whether the boat would have sailed already.

“We do not need to fear stablecoins,” Fed Vice Chairman Randal Quarles said last month. “The Federal Reserve has traditionally supported responsible private-sector innovation.”

Fed thus can afford to “get it right” than to move quickly, but Europe in particular risks being left behind as tokenized dollar network effects intensify.

“These are economic activities that are very close to bank deposits and money-market funds. They need to be regulated in similar ways,” Powell said in regards to stablecoins.

However he needs to be careful to regulate ‘by consent’ because the market here is global and undue regulation can drive non-dollar tokanization.

On the other hand, sooner or later Fed will have to answer the question of whether these tokenized dollars are insured by the ultimate money issuer, the central bank, whether they are legal tender, and whether in effect they are government backed.

That’s the sort of questions they will have to deal with if they are going to start regulating, which for now is probably a bit too soon because the stablecoins market itself is transforming almost daily with significant innovation especially in decentralized finance.

There's no reason currently to stand in front ofthat innovation, so opening discussions in autumn sounds like the right approach as it should give some time for a more stable stablecoins market to form at which point grandpas can put some ground rules so as to effectively make these legal tender.

The only way they then risk being beaten is if Europe launches a Libra style e-euro with a public chain and smart contracts where peoplecan build Uniswaps and tokens while it all is fully integrated into the customer facing banking and payment system. Or alternativelyif they anger the market and everyone moves ttokenizing euros.

On the other hand something like a plain e-CNY, where there's almost no difference to CNY for end users, is probably an inferior approach to just letting the private market meemarket needs through the profit motive that then drives more innovation as it has done in the case of tokenized dollar stablecoins.

So America faces a different situation and doesso from a position of strength as well as comfort because the market is lightyears aheadwhen it comes to the e-dollar.

Interestingly however grandpa seems to suggeshe is only interested in such a thing because reee bitcoin:

"You wouldn't need stablecoins, you wouldn'tneed cryptocurrencies if you had a digital U.S.currency – I think that's one of the stronger arguments in its favor."

He is mistaken obviously because he could have just said you don't need gold or diamondsas there are dollars.

Bitcoin has a unique proposition in being a digital unit of account of fixed supply that exists completely outside of the banking system, including outside of the central bank.bit like gold, but even more so because some80% of gold is owned by central banks.

So an e-dollar would have nothing to do with bitcoin itself except in as far as like tether it can increase efficiency in global arbitrage, a need that gave rise to these tokenized dollars to begin with.

Stablecoins maybe would face more pressure from an e-dollar, but they have network effects as they are fully integrated, while an e-dollar would start from scratch with it unclear really just what the market would decide in the end as much depends on execution.

But in our view the primary reason to try such things is not ree bitcoin, more wow innovation. Uniswap on a euro network opens automated finance to the masses which might not be great for incumbents like the internet wasn't for Blockbuster, but it should be great for end users as then borrowing and savings rates would be set by the market, rather than be manipulated by casino bankers.

You'd get new efficiency and one click access to leet finance in a way that when you look back twenty years ago you wonder just how we lived.

This is a world that is coming one way or another because its benefits are self evident and therefore the question of upgrade should be tackled with a clear eyed view of the interest of the public first, not that of entrenched interests for whom innovation has never cared as it brings new capabilities, in this case code money that natively digitizes all finance in an upgrade from what is still largely analogue finance in structure.

Crypto Exchanges Ordered to Freeze Hacker's 'Wallet'

Coinbase, Kraken, Gemini, Binance US, Bitmax and other exchanges face a motion to freeze a 'wallet' belonging to a crypto hacker.

Mark Shin sued the ICON Foundation for improperly interfering with his ownership andpossession of ICX tokens after he used a vulnerability in August 2020 to generate approximately 14 million ICX tokens.

Shin argued he did not modify any source codeor exceed the authorization provided by the ICON network to all its users, nor did the exploit violate any applicable rules, so it does not fall under the United States Computer Fraud and Abuse Act.

That claim appeals to have failed with Velic, a Icon specific exchange, and ODEX also facingmotion to freeze his account.

It's unclear currently how it was established Shin had accounts in these exchanges, but thewidth and breadth of it indicates American agencies are now going to exchanges to seizecrypto assets.

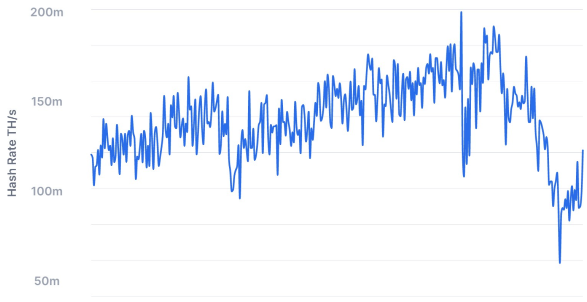
Last month DoJ announced they had seized thebitcoin ransom paid by Colonial Pipeline withthe department stating at the time they had gained access to the hacker's private key.

That caused confusion and even rumors they had broken bitcoin's encryption, but now that iis becoming very clear agencies are tapping

into exchanges, it is most likely they just ordered Gemini to release the ransom funds.

As crypto is not widely accepted, it has to be converted into fiat, so creating a centralized and accountable bottleneck which will now be more and more used by authorities.

Bitcoin's Hashrate Starts to Rise



Bitcoin's hashrate has risen to 120 exahashes per second for the first time since it plunged last month.

That's more than double the recent low of 58 exahashes with the hashrate seeing an upwards trend for the past three weeks as pictured above.

That suggest a significant amount of hashrate based in China has relocated or otherwise turned back on in a fairly short amount of time.

Some of them have raised funds to relocate with publicly traded BIT Mining recently closing a $50 million fundraise through stocks issuance to move out of China.

Chinese authorities on the other hand are continuing their expulsion with the Anhui province being the latest to ask miners to leave

Yet the bitcoin network has seen almost nodisruption throughout this exodus, with thedifficulty adjusting to account for a lower hashrate. Something that has made bitcoinmining more profitable, and thus its hash isrising again.

Whether that reflects on price is to be seen wit it a bit unclear currently just what relationship hash and price has and which "causes" which as an increase in hash can lead to an increase in the mining cost to acquire bitcoin, thus making direct buying cheaper, something that then can encourage further hash to be added to the network.

Thus this hash movement may well reflect on price as they both halved around the same time but what price will now do remains to be seen.

China Showcases e-CNY "Hardware Wallets"

Various forms of digital yuan hardware walletshave been showcased at the 2021 World Artificial Intelligence Conference Innovative

Application Exhibition by three digital yuan participating banks, the Industrial and Commercial Bank, China Construction Bank, and the Bank of Communications, all of which have set up a digital yuan exhibition area in their booths.

The hardware wallets come in all sorts of shapes and sizes, including watches, key rings, and even earphone cases.

"In the future, residents only need a digital renminbi hardware wallet, which can basically handle daily payment and other functions, and it will replace most of the physical wallet functions," said booth staff of the Industrial and Commercial Bank.

c-CNY hardware wallets, July 2021

Some of these hardware wallets can process offline payments. That's both through the usualNear Field Communication (NFC) technology, but also quite interestingly they can handle offline QR code payments.

"Currently, the hardware wallet is an application linked to the digital yuan soft wallet. The hardware wallet can be recharged through the soft wallet," said booth staff of China's Bank of Communications.

The Shanghai branch of the Industrial and Commercial Bank of China is trailing a smart terminal for opening a digital yuan wallet. Customers can open hardware wallets or software wallets by opening an account in the terminal.

This is only being tested, but in the future e-cn can be bought at these smart terminals which presumably will also provide other basic services.

For now, "you can apply [for e-cny wallets] at business outlets in pilot cities. Generally speaking, you can pass the review within two working days," a Bank of China staff member said.

The Arrival of Digital Reserve Money

Digital yuan is not a bank account, but M0 reserve fiat legal tender money issued by China's central bank through a two tier system

At the first tier the central bank issues the currency through what some are describing as 'giant apps' accessible only by commercial banks participating in what is still a pilot, although the list is constantly being expanding to include Alipay and the like.

"WeChat and Alipay are financial infrastructures and wallets, while digital yuan i the content of the wallet," said Mu Changchun director of the Digital Currency Research Institute at the People's Bank of China late last year.

The likes of WeChat in the analogue system have to interface with commercial banks. Now there's the potential for a decoupling between the app, which one can consider as the equivalent of a bank account, and the contents of the app which can move in a somewhat peerto peer manner.

Commercial banks maintain a key role in as faas they provide to the public access to the app,and they also have the privilege of converting say cash to digital yuan or vice versa. There arno self-custody apps that anyone can put out there to connect to the system as is the case with bitcoin.

As commercial banks control the public app, you'd think digital yuan can't get out of the banking system, but this is digital cash in as far as this is digital reserve money, something that until now the public has not had access to, only cash.

The public currently, except for the pilot participants, can only access bank IoUs in a digital form, but the piloters have central bank money in their wallet, and therefore if the commercial bank goes under, they are unaffected.

How? Not your keys, not your coins, with the commercial bank being the custodian. So the only way official statements that the end user would not be affected is if the public has in effect a bank account with the central bank and the central bank is the custodian, with commercial banks more like WeChat and Alipay, "financial infrastructures."

The second way this gets out of the commercial banking system, but of course not that of the central bank – which cash doesn't either – is through these hardware wallets.

e-CNY, "technically enables small amounts of anonymity," Mu said previously. One easy example could well be that one of these hardware wallets gets stolen or is gifted. Now both the central bank and commercial banks think Xi is transacting, when it's in fact Zhang.

Chinese officials thus call the system "controlled anonymity" in as far as all wallet users have to be identified. That also means the central bank in particular has access to all data.

To protect privacy, former PBoC governor Zhou Xiaochuan says commercial banks must"use an encryption mechanism to upload transaction data to the central bank."

He further said "the transaction data reported to the central bank should be mainly used for anti-money laundering, anti-terrorist financing, combating telecommunication fraud and correcting operational errors."

Mainly. An integral component of this system is data analytics with it part of "one currency,two banks, and three centers."

One currency is the central bank's digital currency. "Two treasuries" refers to the digital currency issuance library (the database for storing the central bank's digital currency issuance fund) and the digital currency bank library (the database for commercial banks to store the central bank's digital currency). "Three Center" refers to the authentication center (responsible for identity information management), registration center (responsible for digital currency ownership registration) andbig data analytics center, responsible for analysis of anti-money laundering and the like.

No Blockchain?

Officials have claimed over and over again tha a blockchain is not being used, but they've never quite specified just what exactly is being used.

They claim a blockchain would not be able to handle retail level transactions, but there isn't much of a reason why a Proof of Authority (PoA) permissioned chain, like Libra, can't handle global level capacity.

However since the authority here is one, the central bank, what we have is probably an ordinary database to which commercial banks connect with that database getting inspiration from the blockchain.

There's talk of a hybrid system where the central bank has its own – presumably just a database – and then commercial banks have their own method of connecting to it with a third layer then giving public access throughcommercial banks.

As the technical design has not been explained for a technical audience, just how this works is a bit hazy, but there is no blockchain explorer, and thus the arguably decisive question: can this have smart contracts?

There's claims it can and something like ethereum is ultimately a database, so there may be technical ways it can do so, however without a blockchain explorer, it's not clear how this can have automated finance in the style of defi.

The CBDC/DCEP and now e-CNY design began all the way back in 2014 when there were no smart contracts as we now know them, so in crypto terms and from some descriptions, this might be more a version 1 blockchain.

Bitcoin of course has 'smart contracts,' but far too limited to run something like Uniswap. Now we can put Uniswap on this central bank database, and Curve as well as all these dapps, and they can talk/interlope, but how can an entrepreneur connect these dapps without seeing the code?

There's perhaps no reason why the central bank can't have an explorer, but for itself. Opening that to the public and even allowing the public to write to it may open security risks as the database itself could perhaps even be hacked.

A more controlled version of this would allow licensed entities to write, but that significantly limits innovation with it unclear how one can issue an e-stock token here and then Compound it to turn the borrowed e-CNY into another e-stock on book orderless Uniswap where others provide liquidity.

That's the future of finance, automated finance.The code does everything, humans just take decisions. Without that edge, it's not clear whyanyone cares they have access to central bankreserve money especially when they don't getany of the benefits commercial banks do by having such access, like earning central bank interest from deposits, let alone borrowing rights, but there's a payment and clearingsystem so that might have some benefits.

ETH Like e-Fiat Coming?

However ultimately central banks care about only one thing: the power to issue money. So if we, as the public, would be unhappy with what is really just more of the same and want public smart contracts, there isn't really any reason why they wouldn't provide such service as it does not directly interfere with their sole interest of having the power to issue money.

As such, a central bank copy clone of eth with identical capabilities in regards to defi, tokenization, and much else, is most likely coming.

If not in China, then in Europe or America, and if in neither, then in Sweden or Switzerland. Because one way or another, the technological advancement gap will be closed.

Probably not fully. Crypto will probably alwaybe more open, and thus more innovative, whic in turn means central banks will keep playing catchup until crypto innovation reaches the growth stage of the internet with no more obvious low hanging fruits left and so changesto incremental innovation rather than structural

But the technical edge might probably at some point become a minor distinction primarily based on fixed supply versus managed supply.

In the process, coders will have a field day because if Europe or America in particular manages to get this right to the satisfaction of coders in terms of tech capabilities – which is crucial if they're going to adopt it – then a whole field of automated code based digital finance opens up.

This will be different to bitcoin which will retain its unique offering of digital gold as a hedge against the mismanagement of fiat supply, but the current money system will at least upgrade and thus should have innovative benefits over the current largely analogue dominant system.

Whether they can get it right however is a big question. eCNY, as it stands, hasn't because itappears to offer nothing to the public above what the public already had on offer due to it lacking publicly writable smart contracts ala Uniswap.

That's the base standard they have to meet if they want to compete and actually have the public pay attention with it more a toss up right now whether they can, both due to technical and political challenges, meet this standard.

Bitcoin Already Tested 2017 ATH Accounting For Inflation

When taking into consideration changes in fiat money supply, bitcoin has already tested the previous all time high in 2017 this June, with that support level holding.

This new measure uses the Bravenewcoin Liquid Index for bitcoin (BLX) which averages bitcoin's price across exchanges.

It then compares that to the M2 money supply, a measure provided by Fed's Fred API under the ticker of FRED:WM2NS.

That's to account for changes in the nature of the dollar as while bitcoin reached $20,000 in 2017, with some bears saying it might test that
$20,000 now after coming down from $64,000 it is of course the case that $20k in 2017 is not the same as $20k today because trillions of dollars have been printed.

Thus when we add those printed funds to the equation, it turns out bitcoin already has gone so low as to test the previous all time high and that held. While in plain price, the lowest it went to is $28,000.

That suggests dividing BTC/M2 shows $20,00in 2017 is now worth $28,000 four years later,with that price of $28,000 being bitcoin's biggest support level.

BTC bounced off $28,000 when it tested that level last month, indicating there's considerabl buy pressure there.

Now at $33,000, bitcoin is sidewaying above the previous all time high according to this measure, with it to be seen whether it gradually rises from there, or it goes below even 2017.

ECB Gives Go Ahead to Digital Euro Project

The European Central Bank (ECB) has announced they "have decided to launch a project to prepare for possibly issuing a digital euro."

A two years long investigation phase has now been opened with no design decisions made at this stage.

"It has been nine months since we published our report on a digital euro. In that time, we have carried out further analysis, sought input from citizens and professionals, and conductedsome experiments, with encouraging results.
All of this has led us to decide to move up a gear and start the digital euro project," ECB's President Christine Lagarde said.

During the project's investigation phase, the Eurosystem will focus on a possible functional design. It will involve focus groups, prototyping and conceptual work.

The investigation phase will examine the use cases that a digital euro should provide as a matter of priority to meet its objectives: a riskless, accessible, and efficient form of digital central bank money, ECB said.

"Our experimentation revealed that existing infrastructure, such as that used by the Eurosystem for instant payments – TARGET Instant Payment Settlement (TIPS) –, as well as distributed ledger technology, could be scaled up to process the roughly 300 billion retail transactions carried out in the euro area each year," says Executive Board member Fabio Panetta.

ECB suggested architectures combining centralised and decentralised elements are possible.

Although no design decisions have been made, Panetta previously said that a digital euro mustnot become "too successful."

It will be necessary to limit the amount each individual user can hold in digital euros, he said, either through a simple cap, or by introducing a tiered remuneration, so as to avoid bank runs or systemic banking issues thamight arise from a digital euro.

"We have been discussing amounts in the ordeof €2,000, €3,000 — not more than that. In that way, you can use a digital euro as a meansof payment, but not as a form of investment," Panetta said.

Although no design decisions have been made,ECB says "a digital euro core infrastructure would be environmentally friendly: for the architectures that were tested, the power used trun tens of thousands of transactions per seconis negligible compared with the energy consumption of crypto-assets such as bitcoin."

Bitcoin uses Proof of Work (PoW) in order to fairly issue new coins, to ensure no coins outside of the protocol rules have been created and to guarantee the 21 million fixed limits.

In a digital euro you'd have Proof of Committee where the board decides how many euros should be created or destroyed, hence there's no need for PoW.

ECB says "a market advisory group will take account of prospective users' and distributors' views of a digital euro during the investigationphase. Those views will also be discussed by the Euro Retail Payments Board."

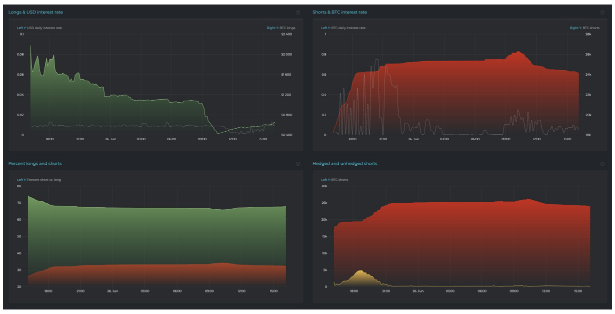
There's numerous potential decisions during this investigation regarding such details as whether there will be self-custodian wallets anda publicly writable blockchain by publishing smart contracts.

That is whether this will be Libra, but run by the central bank rather than Facebook, furnished with the open source code publicly published.

That sort of design where it's basically eth but with permissioned nodes can make the euro and cryptos be technically somewhat the same, with competition moving more to monetary qualitieslike fixed supply or a managed supply.

But what exactly they'll come up with during the investigation remains to be seen as the central bank so moves to compete to retain its power of issuing currency in the digital age.

Whale Takes $1 Billion Bet as Shorts Jump 23,000 Bitcoin



Someone has taken a 23,000 bitcoin short bet on Bitfinex, worth $729 million at the current price, with 15,157 bitcoin apparently borrowed

The shorting began at eight o'clock UTC, so asEurope was waking up this Friday, with it gradually rising all day from about 2,000 shorted bitcoin to 26,400 at one point before some of it is closed.

Bitcoin [shorts on Bitfinex](), June 2021

Bitcoin's price on Bitstamp [per Tradingview](), June 2021

We can see above the gradual but relentless ris in shorts throughout yesterday being mirroredin a pretty much identical gradual and relentlesfall in bitcoin's price from above $34,000 to about $30,000.

The 25th of June was the last Friday of the month with CME futures expiring as well asoptions on Deribit and other platforms.

These are apparently unhedged shorts, althought's not clear whether the above data from Datamish is limited to Bitfinex, in which case we wouldn't know whether they are hedged somewhere else or otherwise.

But what is more interesting is if we zoom out a bit to see a pretty big zig zag of close to one billion dollars.

Zoomed out [bitcoin shorts]() on Bitfinex, June 2021

Bitcoin [shorts jumped 10x]() earlier this month, but price went against the shorter/s, reaching $41,500 on the 15th of June.

It then falls to $38,000 on the 18th of June when the shorters start closing as price drops to $29,000 on the 22nd, while shorts fall from 25,000 bitcoins to 3,000.

Bitcoin then rises to reach $35,000 on the 25th, when [Musk sends out a bitcoin tweet]() at 4:10 am euro time, which may have contributed to these shorts opening when europe woke up.

It remains to be seen now when these shorts close with it unclear whether there's a lag between these shorts opening and Bitfinex reporting and just how much of a lag as our suspicion based on previous events suggests it may lag by four or five days, but of course it may have changed.

In addition Bitfinex does not quite have AML and KYC, so this billionaire might feel

comfortable, but of course we do not know if itis one person.

Yet they probably made quite a bit of money with it to be seen now if they get hunted withlongs up too to 50,000 bitcoin, but they rosegradually rather than in a massive jump.

Euro Bonds Hit the Market

"The largest institutional single tranche euro- denominated bond ever issued" was 7 times oversubscribed with demand exceeding €142billion for the €20 billion NextGen bond thathas a 10-year maturity.

Repayment won't start until 2028, giving Europe a seven year long honeymoon for this first trench of an up to €800 billion package fo green and digital infrastructure spending until 2026.

"The strong appetite from global investors shows that the NGEU issuances will establishthe EU as a key player on the debt capital markets – issuing liquid, highly rated debt ofinterest to both domestic and international investors.

Our issuances will also strengthen the international role of the euro," said Johannes Hahn, European Commissioner for Budget and Administration.

The debt will be rapid by the EU itself which is to boost its budget by levying a carbon tax, digital tax, or financial transaction tax.

"I welcome the excellent collaboration betweenthe Commission's funding team in Luxembourgand the financial centre ecosystem in making this 'Hamiltonian' moment possible," said the Luxembourg Minister of Finance Pierre Gramegna.

Luxembourg, one of the only remaining city state from the Holy Roman Empire alongside Liechtenstein, marked the listing of the first bond at the Luxembourg Stock Exchange (LuxSE).

"This issuance increases the attractiveness of Europe as a place of investment and strengthens capital market activity across the region. It is a privilege for our exchange to be part of this extraordinary bond issuance," stated Julie Becker, CEO of LuxSE.

While the recent euro summit highlighted the flamboyance of this still very new governance model with the council ambushed at the last minute on whether to meet Putin and a recent legislation from Hungary taking the other half of the meeting, on the economy there was sweet music for those that want to see a united continent with the council stating:

"We reiterate our full commitment to the completion of the Banking Union and, capitalising on recent discussions, invite the Eurogroup in inclusive format to agree, without delay and on a consensual basis, on a stepwise and time-bound work plan on all outstanding elements needed to complete the Banking Union.

We underline our political support for the Capital Markets Union (CMU) and call for a rapid implementation of the CMU Action Plan in line with the priorities set out in the Council conclusions of 3 December 2020. Structural challenges to the integration and development of capital markets, particularly in targeted area of corporate insolvency laws, need to be identified and addressed. Green finance, including a green bond standard, can be a catalyst towards a fully-fledged CMU."

Europe Uniting?

However rowy the summit may have initiallyseemed, at the end the council was united on politics both on Hungary and on Russia with itputting conditions on the latter before they canrestore relations as offered by Vladimir Putinwho in an ostensible detente nonetheless seemed to suggest that Nato effectively shouldbe disbanded if there's to be normal relations.

This out of touch 19th century analysis illustrates Putin's lack of diplomatic skills as h offered no acceptable way to square the circle, and so in some way strengthened those that sayRussia under Putin has no care nor aim to be ajolly good neighbor.

While the episode therefore may have looked abit chaotic, one does wonder whether this chaois actually some fine diplomacy in basically theEU saying we do want to talk, but you do haveto show that you are really willing to talk as well, by for example abiding with the Minsk agreement.

A greater unnoticed failure was EU's lack of progress on the Western Balkans which they now see as strategic, with no progress on this front due to a technicality in as far as Bulgaria'government has fallen yet again, and thus the current caretaker government ostensibly doesn't have the legitimacy to change Bulgaria's previous veto on North Macedoniaover identity.

This capriciousness however may also be short lived as Slovenia is now to take the presidency where they chair the council, with Slovenia's Minister of Foreign Affairs, Anže Logar,stating:

"Our roadmap is focused on socio-economic recovery and the integration of the Western Balkans into different European policy areas, ranging from infrastructure, transport and energy connectivity to research and innovation,decarbonisation, digitalisation and cyber resilience.

All this is crucial for a credible and secure European Union, which we would like to highlight at the EU-Western Balkans Summit, hosted by Slovenia this autumn."

An interesting analysis by Politico also reveals the so called 'engine' of the EU, Corep, the constant meeting of the member states permanent representatives who answer directly to the political head of state.

The head of state council meeting therefore may be more a rubber stamping exercise and an opportunity to vent over what the reps couldn't agree to overcome roadblocks. Hence this council rowing might be a staple of European governance, a bit like the ruthlessness in the House of Commons.

This may explain the show on the political front, as one might expect if for example California and Alabama was in the same room, while nothing was heard on the economy because that show went down last year and they largely agreed to what is now being enacted with these NextGen bonds.

The Multilayer Techy Europe

The flux in European governance and its changing form as it moves towards a continental level awareness can also be seen in the tech fronts.

An interesting analysis on quantum computers points out there's a €1 billion European Flagship program that especially helps "the smaller countries, which might have high-levelindustry and research—sufficient scientific power to contribute—but which cannot affordbig investments. For them, that's a really goodprogram."

Then there's the national programs. The Frenc have a €2 billion one while in Germany there are even "clusters where the states spend a lot of money—in Bavaria, up to 300 million euros —to strengthen the research and the industry in their regions."

Italy has a smaller program, but you can imagine the Swedish, Danish, Belgian, Dutch,even the Estonian talent can potentially be tapped by the European Flagship program gluing national programs together.

There's not enough of that gluing with its lack more visible perhaps on the blockchain and AI space where Europe has the most of talent as a study by the European Investment Bank (EIB) and European Commission stated:

“Europe has the largest talent pool of researchers in artificial intelligence, with an estimated 43 064 in the field (of whom 7 998 are in the United Kingdom), compared with 28536 in the United States and 18 232 in China.”

Nonetheless the United States and China together account for over 80% of the €25 billion in annual equity invested in artificial intelligence and blockchain technologies, whilthe EU27 only accounts for 7% of this total, investing around €1.75 billion per year.

There’s a €10 billion investment gap in artificial intelligence and blockchain technologies in the European Union, they find,with it perhaps time for the European structureto expand to at least include permanent reps focused on the economy only.

These new bonds should assist towards that European economy, with S&P Global Ratingsrevising upward their forecast for eurozone growth to 4.4% this year and 4.5% in 2022 because of “broader implementation of fiscalstimulus under the Next Generation EU planand weaker contraction of GDP in the first quarter.”

It’s not clear however whether they’re doing enough with U.S. President Joe Biden finally reaching a $579 billion infrastructure agreement that brings total federal investment in infrastructure to nearly $1 trillion over five years.

In the United States, both the federal government and state governments have been able to raise funds, while In Europe, only member states have been able to do so until now.

NextGen thus should add a new dimension and some dynamism especially as there’s a seven years long honeymoon period with US treasury bonds so finding some competition as some may well see Europe as an even safer haven.

That could potentially develop financial markets in the EU and increase the sophistication of financial instruments, including European stocks.

Marking thus a greater integration of the continent as its governance starts to function at a meaningful level, including tax and spend.