In this edition of Laser Focus:

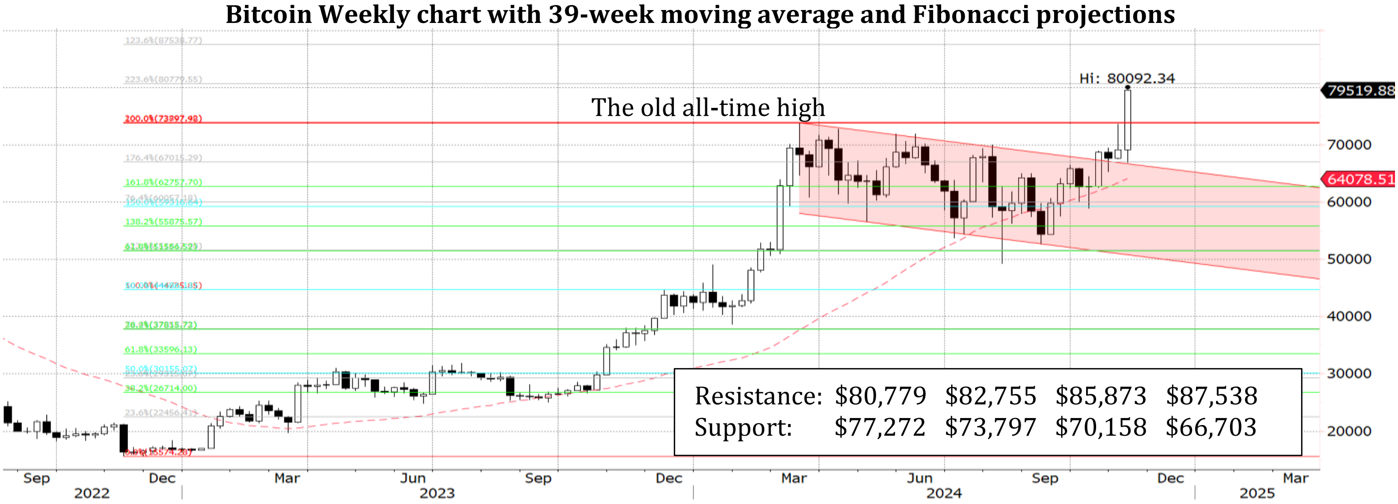
- A "Trumptastic" reaction: Bitcoin hits new all-time highs on U.S. election outcome; Bitcoin ETFs achieve record volumes
- Bitcoin ETFs challenge gold's performance
- Trumps alliances are important for technology innovation and keeping it from heading overseas
- New ways to manage Fixed Income in DeFi are emerging

A 'Trumptastic' rise in Bitcoin to new all-time highs

The S&P 500 hit new all-time highs last week in reaction to Donald Trump's win for the Republicans in the US presidential election. But the rush into crypto assets has been more prominent. Bitcoin broke the March 2024 high of $73,797, reaching above the $77,000 handle on Friday, and has continued to push high, surpassing $80,000 on Monday. We mentioned in our last report that "Uptober" was a seasonal support for cryptocurrencies, predominantly for Bitcoin where October and November see positive returns, typically 21.64% in October, and 46.81% in November since 2013. It's worth mentioning Bitcoin celebrated its 16th birthday on October 31st, the day the Bitcoin whitepaper was published.

The reason behind the surge in crypto boils down to Donald Trump's pro-crypto stance, including his pledge to make the U.S. "the world capital for crypto and Bitcoin" back in a speech in September at the economic club of New York. JD Vance as his vice-president has heightened the focus on a new cryptocurrency framework that benefits platforms such as Coinbase, and might lead to the SEC dropping its legal battle with Coinbase for allegedly selling unregistered securities.

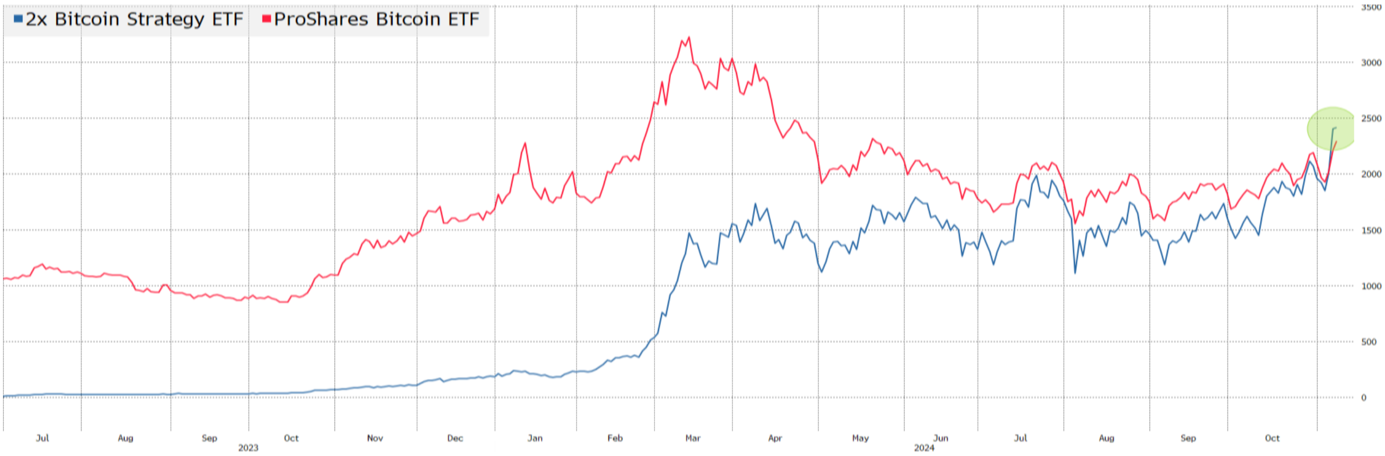
Bitcoin Weekly chart with 39-week moving average and Fibonacci projections



We can see the $73,797 old high from March has now been broken, and acts as a polarity level, breaking above a downward sloping channel. This implies higher highs to unravel towards $80,779, a technical Fibonacci projection, then $82,755. There's potential for the up-trend to continue medium-term towards $90,000, the longer the 39-week moving average is safe from a retest near $64,000. It's worth noting **the Volatility Shares 2X Bitcoin strategy witnessed record**

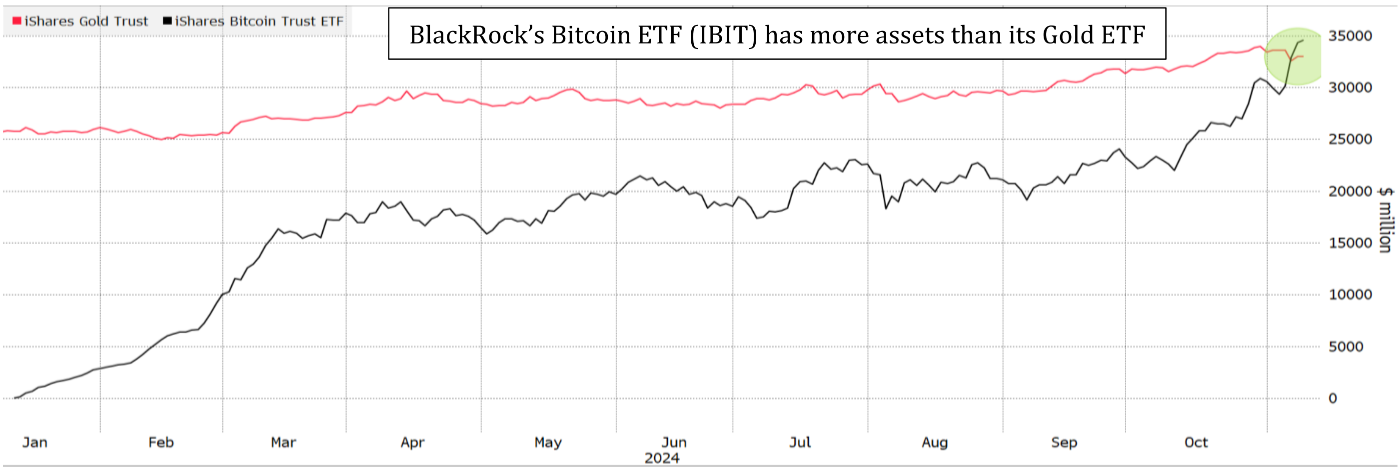
trading volume last Wednesday, reaching $2.4 trillion in total assets and recording $627 million trading volume on the day of the U.S. election outcome.

Volatility Shares' 2X Bitcoin ETF becomes the Largest Futures Fund (BITX)



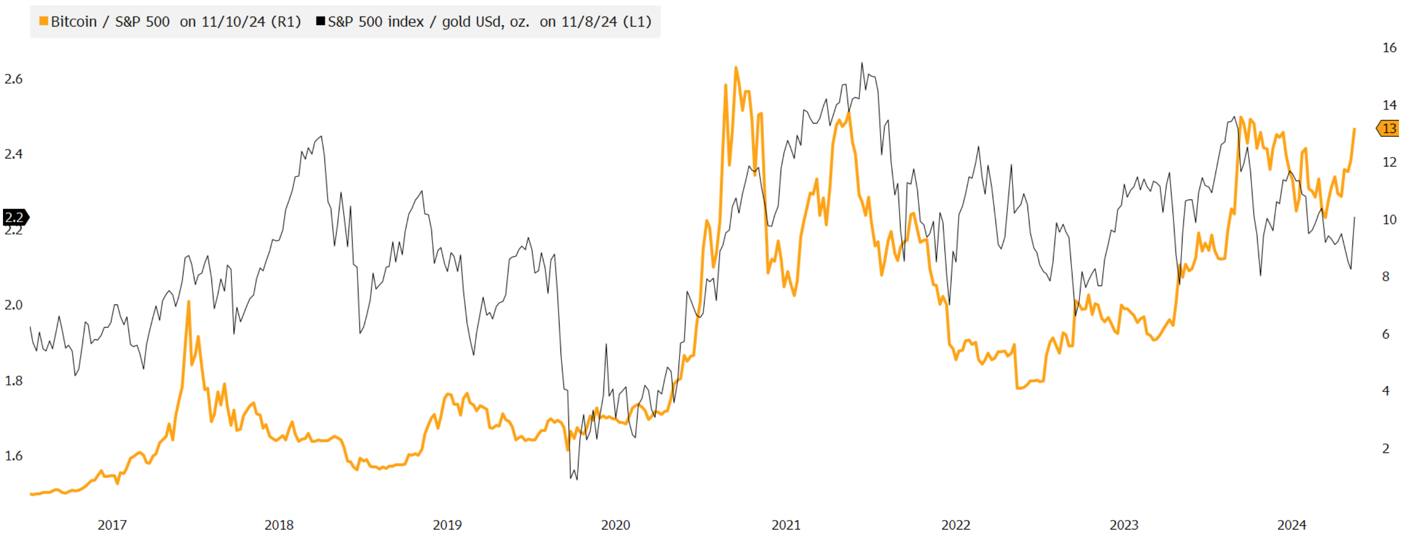
The rally means BITX has overtaken BITO the Proshares Bitcoin ETF fuelled by the "risk on" rally from the Trump clear win. Leveraged ETFs are favoured by traders looking for short-term reactions in the crypto market and the perception now has increased that **digital assets in general are becoming more accepted and their growth is expected to increase under a "pro-crypto" administration.**

BITX was only launched back in June 2023, and its adoption by investors indicates strong appetite for money going into riskier, high-return investment products. **A record 164 derivatives-based funds were launched this year in the US, and assets in this space have risen 6x in the last 5 years to reach $300 billion.** The momentum is driven by funds that sell options to generate cash, which is then sent back to shareholders as dividends. Yields at times more than 100% have attracted a large following. This development may concern regulators due to the complexity and self-regulation of these products. Some members of the SEC such as Cristina Martin Firvida have been vocal about their concerns, including the issue of social-media activity and influencers in the space.



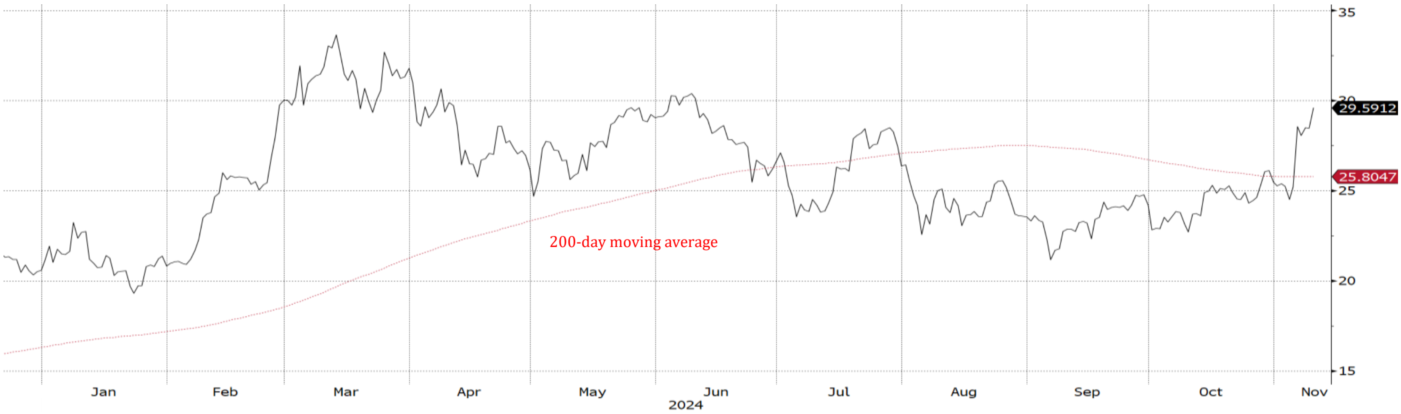
Another interesting "Trumptastic" reaction in the crypto world is that BlackRock's Spot-Bitcoin ETF now has more assets than its gold ETF (chart above). Remember spot Gold – a non-yielding asset- made new all-time highs on Oct 31st and was +35% ytd. **The iShares Bitcoin Trust ETF (IBIT)** surpassed the $33 billion iShares Gold Trust (IAU) in total assets, reaching $34.3 billion after record inflows last Thursday according to Bloomberg data. This makes it **the 4th best performing fund globally in terms of this year's flow.** On Oct 29th IBIT traded roughly $3.3 billion of Bitcoin, and then the days that followed saw major inflows of $1.8billion. The Coinbase premium has also returned for the first time in 5 weeks, indicating that American investors are leading the current rally.

Bitcoin/S&P 500 moves to 13x



The moves in the stock and gold market vs Bitcoin are worthy of attention since all compete for investment, but each have their own specific criteria. All 3 assets this year have been making record highs. Gold on Oct 31st reaching $2,790.10 an ounce making it +35% up to that point for 2024. The S&P 500 up to Friday making 50 consecutive higher highs this year to be +25.70% YTD closing at 5,995.54 in the cash market. Whereas for Bitcoin it's about +91.0% YTD, exceeding returns from investments in stocks and Gold. Bitcoin/S&P 500 is now at 13x having been sub 10 in August, the beta for the crypto currency is outperforming.

When looking at the Bitcoin/Gold cross below we can now see that it takes 29 ounces of gold to buy the equivalent of 1 bitcoin in USD terms.



This is also interesting since gold OTC investment almost doubled YoY to 137t. This was the seventh consecutive quarter in which OTC investment has been positive for gold demand and remains a notable component of the market. Total gold supply grew by 5% YoY to a record 1,313t.

Mine production grew 6% YoY to another quarterly record and YTD output has eclipsed the 2018 prior high. Recycled gold volumes rose 11% YoY. Investment flows were key to gold's performance in Q3.

Falling interest rates, geopolitical uncertainty, portfolio diversification and momentum buying are among the key drivers. But with 1-in-4 U.S. citizens now owning some form of crypto, Gold is likely to continue to underperform, despite making new higher highs. Whilst it is estimated on First National Bullion data, about 11.6% own silver and 10.8% own some form of gold, **crypto assets are increasingly being adopted as a haven and store of value versus traditional assets.**

The SEC is an independent agency

With all the furore about possible deregulation under a Trump 2.0 administration it's worth remembering the SEC is an independent agency. Gary Gensler has tenure as the head of the SEC until June 5th, 2025. Speculation about his resignation may grab the media headlines, but the reality is **he cannot be forced out of office**. However, if he should resign before his tenure is up, the important question is: who might be his likely successor?

Speculation in the media has suggested RobinHood's top lawyer Dan Gallagher could be the next possible Commissioner, while Hester Peirce has been named as a potential interim SEC head. Peirce however has ruled herself out of running the organization. If Gallagher is the boss, speculation is that non-fraud related cases will be dropped by the SEC and ongoing cases will be settled or dropped. Former SEC Commissioner Paul Atkins is also in the frame as a possible contender. If Gensler resigns, timing-wise it is most likely to be by Jan 20th which is when the Presidential inauguration is always held.

The election also handed Republicans control of the Senate after 2 years of Democratic leadership. The outcome opens up the possibility that the pro-crypto candidate Tim Scott could take the helm of the Senate Banking Committee.

New ways to manage and trade Fixed Income are emerging in DeFi

The concept of "yield" is well established in decentralised finance (DeFi). In DeFi, users often deposit funds into yield-generating protocols such as liquidity pools, lending platforms, or staking layers like staked Ether (stETH), which helps them earn additional units of the token they initially deposited. This form of passive income has become one of the core mechanisms driving participation in DeFi. **Yield-generation protocols have ingrained themselves as essential tools in theDeFi ecosystem** by allowing users to grow their capital over time through continuous earnings.

Bonds are another financial instrument not widely used in DeFi, but offer an interesting possibility now. In traditional finance, bonds represent a promise to deliver a lesser quantity of an asset in the present (usually sold at a discount) in exchange for the full amount, or face value, at a future date. Bonds allow for time-based value accrual as the face value matures over time. While both bonds and yield-generating assets share the idea of earning from an initial deposit, they fundamentally differ in structure. This difference opens the door to a range of speculative strategies and market opportunities unique to each. Yield Automated Market Makers (AMMs) are introducing innovative ways to manage and trade yield. For example, protocols like Pendle Finance separate the yield generated by an asset from its principal value, giving investors the ability to speculate on or hedge against future yield without selling the underlying assets.

This opens the door to new trading strategies and redefines how investors handle interest rate exposure, bringing greater flexibility and liquidity to traditional finance. **Yield Automated Market Makers will be a growing business.**

Trump may be the champion of Defi, but his alliances are important

Trump these days is a different version of himself in that he has launched his own NFT and created the perception that he is now the champion of DeFi. This agenda aligns with his recognition that the retail-investor interest in digital assets has massively increased in the US and has even became an election issue. Elon Musk's alliance with Donald Trump creates an important dimension in the US reaction to regulation. When Elon Musk tweets about crypto, it triggers a market reaction. Musk's influence might normalise crypto policies and keep innovation from leaving the country. They may look at areas where regulation has been more favourable, such as "Crypto Valley" in Switzerland which accommodates over 1,000 blockchain companies, as well as Dubai and Singapore which have benefitted from a framework of more pro-crypto jurisdiction. Today's decisions about crypto regulation will likely determine which nations will lead the next technological revolution. It's about where the fundamental architecture of the future of the global economy will be designed and launched.

Trump's win will garner a reaction from China's crypto community

Hong Kong announced back in 2022 that it's attempting to position itself as a global web3 hub. Trump's victory might accelerate the region's ambitions now as it attempts to compete with the US. HK has already 3 ETFs directly investing in Bitcoin. Regulators in the city are likely to quicken their regulatory moves and the chances are it will ripple out to mainland China. Back in late September, China's former deputy Finance Minister Zhu Guangyao called on the government to re-evaluate its approach to Bitcoin to stay competitive with the US, he stated on cryptocurrencies:

"We must fully recognise the risks and the dangers they pose to capital markets. However, it is crucial to study international trends and policy adjustments as they are a vital component of digital economic growth."

Zhu also highlighted the importance of developments in emerging markets and BRICS nations, including Russia, South Africa, Brazil, and India, which have taken steps toward integrating crypto into their financial systems.

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