In this edition of Laser Focus:

- The sideways moves in crypto markets and the talk of a Bitcoin strategic reserve so far not materializing.
- Bitcoin ETFs are now only $26 billion away from catching Gold ETFs.
- **MACRO FOCUS** – how bonds, stocks and currencies are faring amid market conditions that are less volatile than you'd expect, considering constant newsflow about tariffs, Deepseek, Ukraine and political uncertainty in Germany.

Bitcoin shy of retesting January's all-time high of $109,398

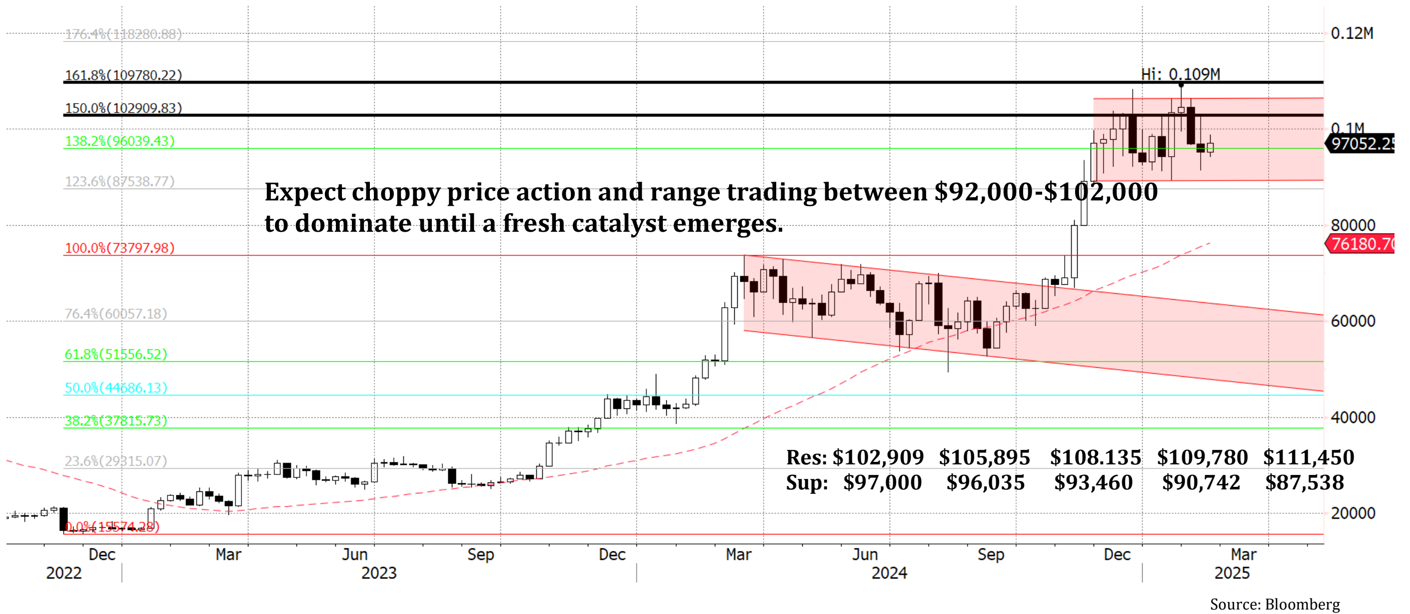
The $89,300-$106,000 wide trading range for Bitcoin has dominated for the last 9 weeks, and this range is likely to continue to hold for the month. There is potential risk of a topping pattern around $106,000 with $89,325 as the mid-point trigger, which if it was to ever play out would have a target nearer to $73,000, (-24%), but this is not our call.

In our last report we talked about the risk of market dilution in cryptocurrencies, as too many new coins are being launched, making it more difficult for crypto projects to maintain value. What's happening is it is separating bitcoin from everything else digital. Historically, when bitcoin hit new records, it lifted the rest of the crypto market. But altcoins have been struggling for months, even after the post-election bitcoin rally.

We are only a few points away from fresh new all-time highs in the S&P 500 index, whilst the speculative sentiment that was dominating crypto on the back of a more crypto-friendly US administration, has faded in recent weeks. When Donald Trump was campaigning for the presidency, he kept citing the agenda to pursue a strategic bitcoin reserve, but the administration has so far not given any more clues about following through on this.

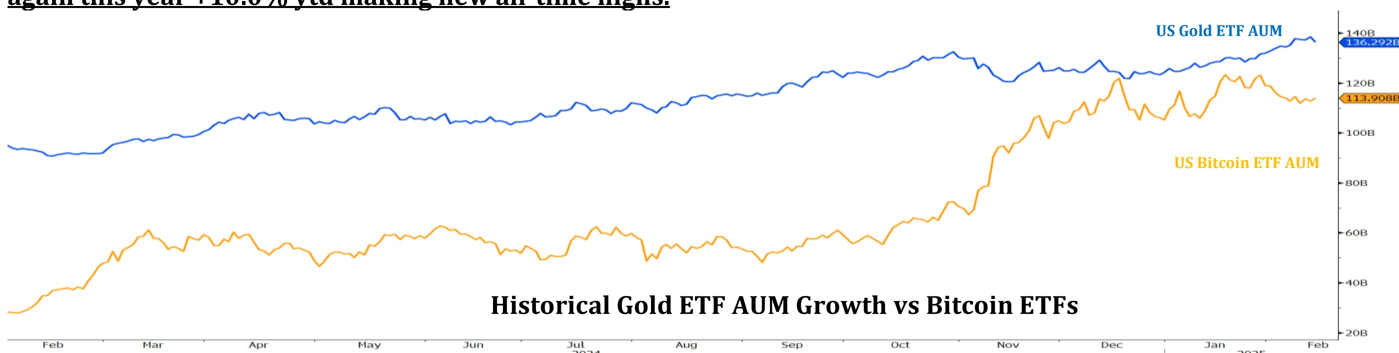
The bottom line is that cryptocurrencies such as Bitcoin continue to trade sideways for now, whilst stocks look poised for fresh highs. The S&P 500, the Nasdaq Composite, and the Dow Jones Industrial Average all concluded the week with gains, despite the hotter-than-expected U.S. inflation report.

Bitcoin in US dollars – weekly chart with Fibonacci projections and 39-week moving average



Source: Bloomberg

Bitcoin ETF assets are only $26 billion from catching gold ETFS AUM, which is interesting as gold has been surging again this year +10.0% ytd making new all-time highs.

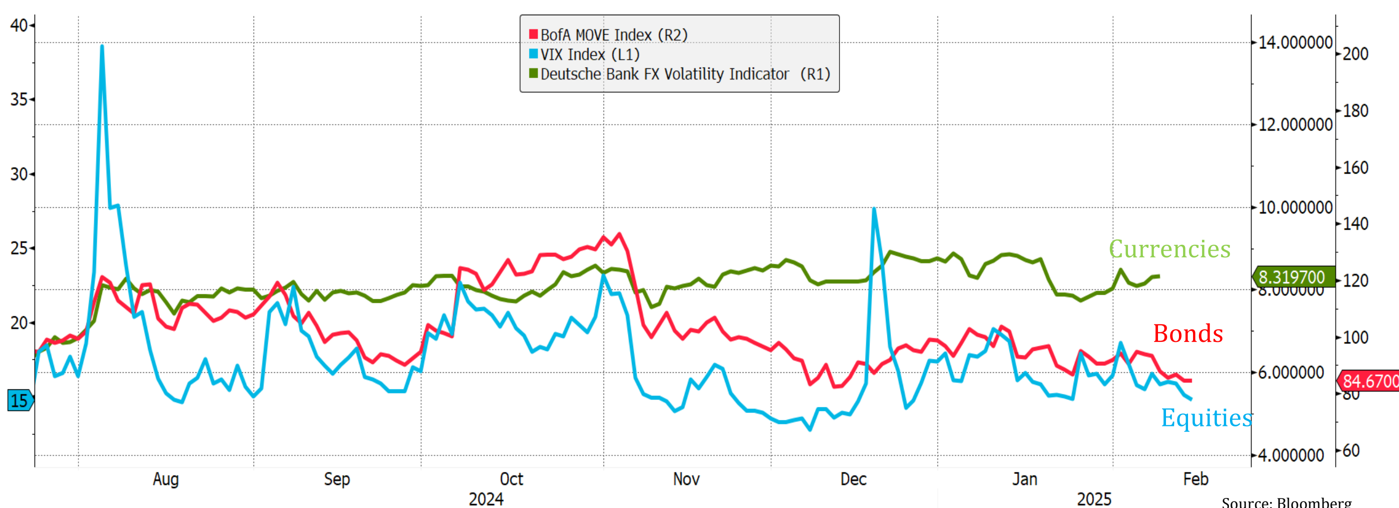


Source: Bloomberg

MACRO FOCUS

Despite all the changing news flow, volatility is relatively well contained

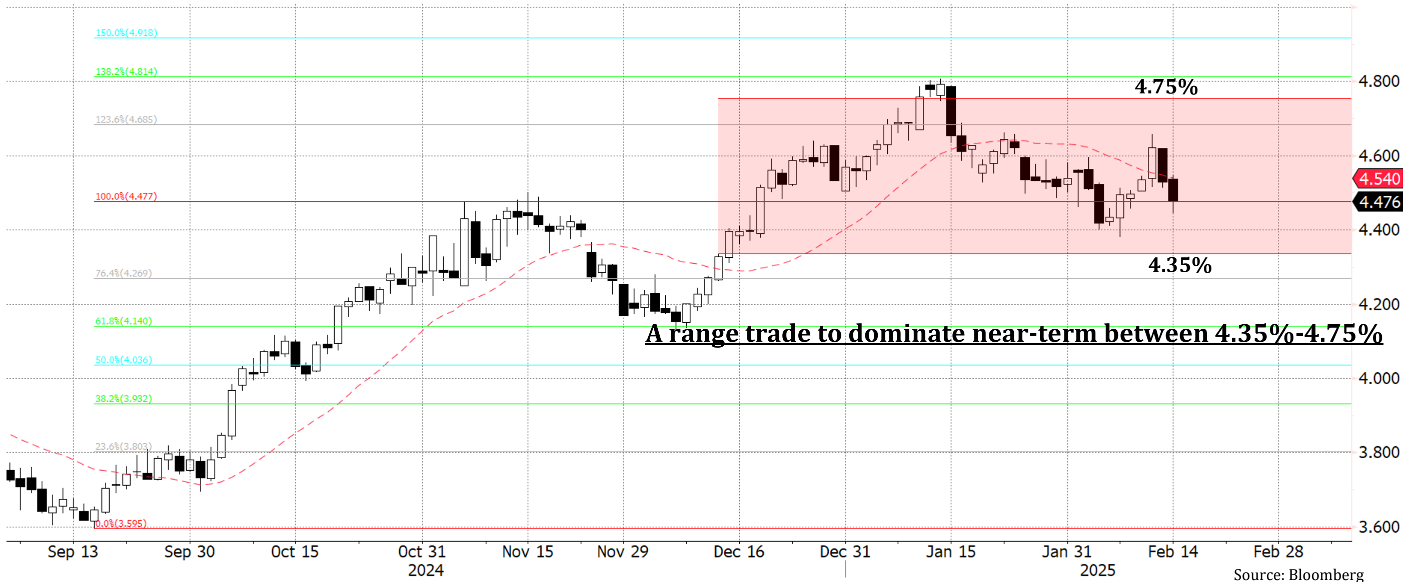
There's been a lot going on in the news which has been moving markets, but it's relatively well-contained from a volatility perspective. Less contained, however in FX.



Source: Bloomberg

Bonds: The MOVE Index measures U.S. bond market volatility by tracking a basket of OTC options on U.S. interest rate swaps. The Index tracks implied normal yield volatility of a yield curve-weighted basket of at-the-money one-month options on the 2-year, 5-year, 10-year, and 30-year constant maturity interest rate swaps. Bond markets went a bit wild during Dec-Jan, moving 60 basis points from a yield low of 4.12% in the 10-year to a yield high of 4.80% in mid-January, peaking on January 13th in the MOVE index. Now, markets are calmer and choppier with a range-trade suggestion between 4.35%-4.75% and likely to dominate the month. This is despite having to navigate the whole tariff narrative recently with the US and its trading partners, and the Deepseek AI "sputnik moment" between open source and closed source AI code. This is coupled with rate cut uncertainty from the US after a spate of US data, whilst the ECB and BoE are, according to the markets, still expected to cut rates. We await a catalyst to break from the range. In this regard, the elephant in the room is the recent debate about whether we'll see an end to the Ukraine/Russia conflict, and its implications for various asset classes.

US 10-year generic yield daily chart with Fibonacci projections and 20-day MA

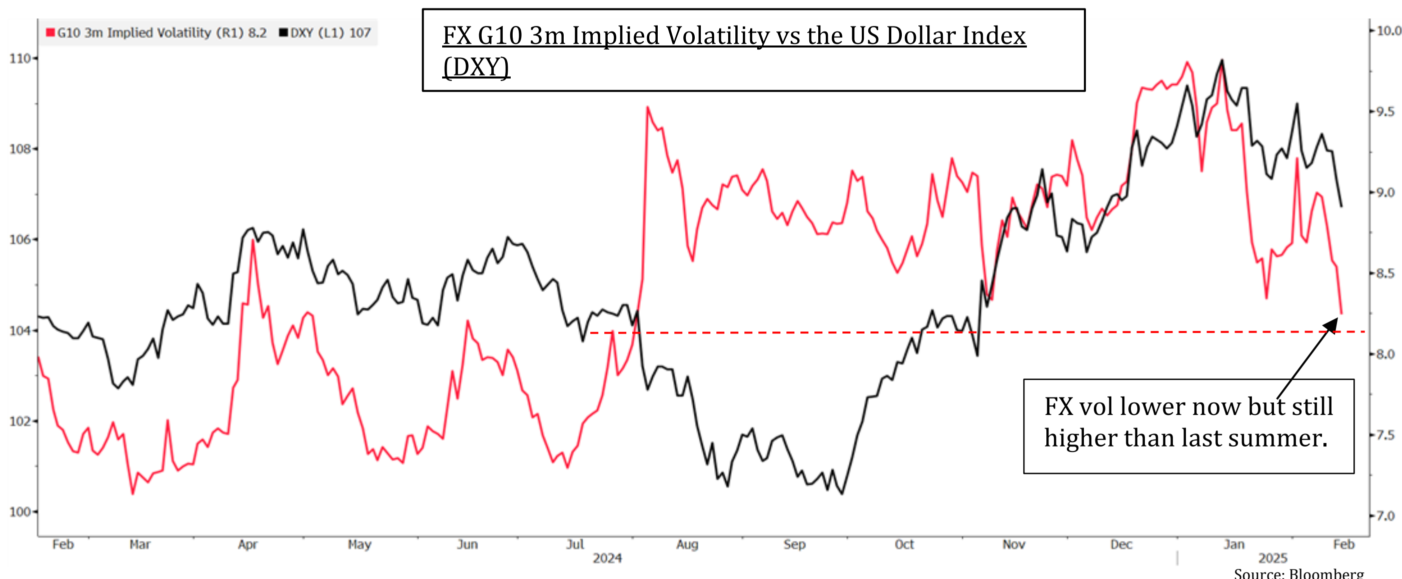


Stocks: The VIX Index is a financial benchmark designed to be an up-to-the-minute market estimate of the expected volatility of the S&P 500 Index. It is calculated by using the midpoint of real-time S&P 500 Index (SPX) option bid/ask quotes. The S&P 500 volatility risk premium and put skew aren't showing stress in relation to the increased uncertainty on trade policy. Short-dated realised volatility on a close-to-close basis has been declining. While a reset in volatility typically sees interest in convex exposure, corrections can see non-convex strategies outperform. The S&P 500 realised volatility on a 10-day look-back window has declined to 10% amid the recent tight ranges. Year-to-date realised volatility is about 14.5%, compared to an average of 12% in 2024 and 13% in 2023. All this leaves scope for new all-time highs to surface in the index, with Friday's close just 14 points shy of the 6,128.18 ultimate high.

This earnings season has seen 77% of companies reporting actual results for Q4 2024 to-date. Of these companies, 76% have reported actual EPS above estimates, which is below the 5-year average of 77% but above the 10-year average of 75%. So overall it's a positive outcome. Our target for the S&P500 is somewhere around 6,500-6,550. Note Germany's stock market the DAX is already +10% this year, making new highs with the Euro Stoxx 600. We see European stocks still favouring attention as a diversification away from US stock price dominance.

S&P 500 weekly chart with Fibonacci projections

FX: it is worth noting that G10 3-month implied volatility is now 8.4, so coming down but higher than where it was last summer. That said, the choppy start to the year for the dollar on trade uncertainty and paring of Fed cuts is reflected in elevated volatility of volatility. But the shift in convexity pricing is limited.



Source: Bloomberg

The volatility risk premium has leaked recently as realised volatility has softened. This should be helped by the Fed remaining on-hold. The US Dollar rally has stalled, after it moved +8.0% last year, (EM was -7.7% in 2024), and now the US Dollar index is testing the low for this year.

So, what does this mean for EUR/USD? It could possibly move to 1.0600/50 is viable near-term and GBP/USD to 1.2710+ before the US dollar firms up again, barring any surprises in the news. Europe and the UK still face growth challenges and a risk of tariffs, but if FX markets perceive things are improving on a fundamental basis (and tariffs are taken less seriously), then the USD may have peaked. If that happens, emerging markets will benefit, especially if tariff concerns really subside outright by the April deadlines. The election is looming in Germany, meaning some EURO sensitivity might surface. For choice the JPY is a favoured currency with the BoJ on a hiking mode, and in time may trend towards sub 150.00 vs the USD. It's a different story for the CHF. With the prospect of dipping into negative rates this year, we see that typically safe haven currency weakening in 2025.

Is anyone paying attention to what is happening with China?

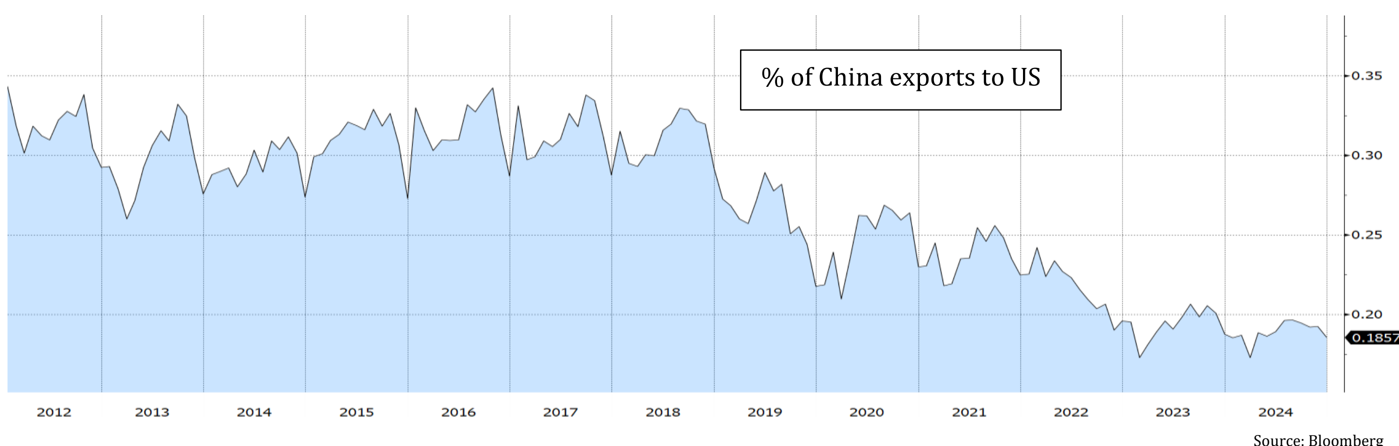
2024 saw the 75th anniversary of the founding of the People's Republic of China (PRC). But it also marked the biggest capital flight from the country since 1990, of $168 billion. The sharp decline in Foreign Direct Investment (FDI) can be attributed to profit repatriation and debt repayments and could continue if there is a trade war with the US. Remember, not long ago back in 2021 a historical high was reached of $344 billion in FDI inflows. Domestic companies have been moving money abroad, while international companies are also pulling back. Chinese investors sent $173 billion overseas, whilst foreign investors only produced flows into China of $4.5 billion- the lowest amount since 1992. **The threat of a trade war with the US is hurting investor confidence towards China.**

It's worth watching inflows into emerging market tech, infrastrucutre and AI ETFs to counter the FDI outflows. What is emerging is an exposure to popular themes such as the internet, defence, cloud computing, and space (we are very bullish space long term generally). Last week witnessed $808 million of inflows to KranShares CSI China ETF. This fund holds Alibaba, Tencent and PDD Holdings, and is+24.4% on average ytd.

China is an interesting investment paradox. Long term growth projections look weak with an everage of 3.9% between 2024-2033 and only 1% by 2050. This comes down to demographics and property market concerns. It's been 5 years since the Covid-19 pandemic, and consumers are still not convinced about the future. This is why the China savings rate is so high,

with the average quarterly rate above 33%, and is also partially reflected by the fact fewer people are getting married and having children due to a lack of great future propsects.

On the positive side, the tariffs from President Trump's first term were meant to reduce China's export share to the US. But China's overall exports have risen continually, driven by demand from emerging markets. A 95% increase in exports to EM from 2017-24 has raised EM's share of China's exports from 32.5% to 42.3%. As for the US, it fell from 28.8% to 18.6% with China. While the US is at odds with Mexico, China has doubled its exports there to $90 billion, and the Asean region has grown to $587 billion to surpass the US as the largest export destination. China has reduced its reliance on direct US exports and pivoted towards supply chain relocation and regional integration. **Despite all the talk about tariffs and trade wars with China, the Chinese have been preparing for this for the 8 years.**



Source: Bloomberg

It's worth noting that Chinese and European shares are having a strong start to 2025. Hong Kong's Hang Seng Index (HSI) has gained nearly +13%, while Europe's Euro Stoxx 50 index has gained more than 9%, and hit a record high last Thursday for the first time in 25 years. U.S. traded shares of Alibaba Group Holding Ltd (BABA), the Chinese e-commerce and technology giant, +45% since Jan. 1st. The AI app DeepSeek's demonstration that China can innovate in the realm of AI technology has helped to revive the fortunes of its sluggish market.

Investors are now thinking that China can compete, not just on manufacturing, but on the frontiers of software development. DeepSeek isn't the only notable development to come out of China recently. Shares of BYD Co. Ltd. (HK:1211) (CN:002594) surged after the leading Chinese electric-vehicle maker unveiled its "God's Eye" full self-driving technology and said it would enable it on most of its vehicles for no extra cost.

China is worth watching closely, as it relies less and less on the United States.

Disclaimer
Nature of this document: The information in this presentation (the "Presentation") have been prepared for informational and educational purposes only. This information discusses general market activity, industry or sector trends, or other broad-based economic, market or political conditions and should not be construed as research or investment advice. This document is not a contractually binding document or an information document required by any legislative provision, and is not sufficient to take an investment decision. This document is a confidential communication to and solely for the use of, the people to whom it is directly distributed. No recipient of this document may distribute this report or otherwise disclose its contents, unless required by applicable laws.
Addressees: This document is addressed exclusively to professional and institutional investors (i.e. eligible counterparties) residing in eligible jurisdictions. This document does not take into account any internal policies and procedures, regulatory restrictions nor investor's particular objectives, financial situation or suitability and/or appropriateness. Any recipient hereof should conduct its own independent analysis and the data contained or referred to herein or therein. None of the products/services offered by Laser Digital are available to retail investors in any jurisdiction.
No distribution: This Presentation is strictly confidential and intended only for professional investors or other investors to whom this Presentation can be lawfully communicated. It is for information purposes only and is subject to change. The distribution of this Presentation and other information contained in it may be restricted by law in certain jurisdictions and persons into whose possession any document or other information referred to in this Presentation comes should inform themselves about and observe any such restriction. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. This material may only be availed of by the customer to whom it was distributed. This material is the copyrighted work of Laser Digital and you may not copy, transmit or redistribute this material, in whole or in part, without the prior written consent of Laser Digital.
No offering: Nothing in this Presentation amounts to, or should be construed as, an offer, placement, invitation or general solicitation to invest in any fund or to buy or sell securities, digital assets, or to engage in any other related or unrelated transactions. This document does not purport to contain all of the information that may be required to evaluate any potential transaction and should not be relied on in connection with any such potential transaction. Any future offers to invest in the fund/other products will be subject to the terms of the relevant offering documentation.
Non-reliance: The Presentation is not a recommendation and should not be relied upon as accounting, legal, tax or investment advice. You should consult your tax, legal, accounting or other advisers separately. Neither this Presentation nor the information contained in it is for publication or distribution, directly or indirectly, in or into any jurisdiction where to do so might constitute a violation of applicable law. None of Nomura, Laser Digital, their group companies or any of their respective directors, officers, employees, partners, shareholders, advisers, agents or affiliates (together the "Sponsor Parties") make any representation or warranty, express or implied, as to the accuracy or completeness of the information contained in this Presentation, and nothing contained in it shall be relied upon as a promise or representation whether as to past or future performance. To the maximum extent permitted by law, none of the Sponsor Parties shall be liable (including in negligence) for direct, indirect or consequential losses, damages, costs or expenses arising out of or in connection with the use of or reliance on this Presentation. The information contained in this document is unaudited. It is published for the assistance of recipients, but is not to be relied upon as authoritative and is not to be substituted for the exercise of one's own judgment. The given material is subject to change and, although based upon information which Laser Digital considers reliable, it is not guaranteed as to accuracy or completeness and there is a possibility that such information was summarized and imperfect. Any data contained in this is subject to verification or amendment. Recipients of this document should seek their own professional advice, as appropriate, before providing services and/or buying, selling or investing in any financial instruments or digital assets. No liability whatsoever shall be accepted for any loss, damage, cost or expense arising from any use of this presentation or its contents. This information may not be current and Laser Digital has no obligation to provide any updates or changes.
Digital Assets: Digital assets regulation is still developing across all jurisdictions and governments may in the future restrict the use and exchange of any or all digital assets. Digital assets are generally not backed nor supported by any government or central bank, are not insured by depositor nor investor guarantees schemes and do not have the same protections countries' bank deposits may have and are more volatile than traditional currencies and/or other investments. Transacting in digital assets carries the risk of market manipulation and cybersecurity failures such as the risk of hacking, theft, programming bugs, and accidental loss. Differing forms of digital assets may carry different risks. In certain circumstances it may not be possible to liquidate a digital assets position in a timely manner at a reasonable price. The volatility and unpredictability of the price of digital assets may lead to significant and immediate losses. Capital at Risk: An investment in any of the products mentioned herein involves significant risks, including loss of an investor's entire capital investment. Alternative investment strategies are intended only for investors who understand and accept the risks associated with investments in such products and these products are not suitable for all investors. Laser Focus | Issue #8,

November 26, 2024 5 Investments in digital assets are high-risk investments and you should not expect to be protected if something goes wrong. The volatility and unpredictability of the price of digital assets may lead to significant and immediate losses. You are invited to do all the necessary research and learn before investing in digital assets. Nothing herein is intended to imply that the Laser's investment methodology may be considered "conservative", "safe", "risk free", or "risk averse." The capital and/or return are not guaranteed, nor are they protected.

Simulated Performance: Simulated performance is hypothetical and may not take into account material economic and market factors that would impact the investment manager ' s decision-making. Simulated results are achieved by retroactively applying a model with the benefit of hindsight. The results reflect the reinvestment of dividends and other earnings, but do not reflect fees, transaction costs, and other expenses, which would reduce returns. Actual results will vary, and these results are not a reliable indicator of future performance.

Past Performance: In considering any performance data in this Presentation, you should bear in mind that past or targeted performance is not indicative of future results, and there can be no assurance that any of the assets/products mentioned here would achieve comparable results or that target returns would be met. Past performance is not a guide to future performance, future returns are not guarantees and a loss of original capital may occur. The price and value of investments referred to in this document may fluctuate . This information is provided for illustrative purposes only and is not an indication of the future performance of any asset referred to herein. All investments must be made on the basis of the applicable legal documentation only. Current performance may be lower or higher than the performance data quoted. Where not relevant or representative, outliers may be excluded. Any future performance is subject to taxation which depends on the personal situation of each investor and which may change in the future. Changes to exchange rates could have adverse effects on the value or price of, or income derived from, certain investments in any of the assets referred to herein.

Non-Independent Research: This material does not qualify as independent financial research. It was not prepared in compliance with applicable provisions of law designed to promote the independence of financial analysis and is not subject to a prohibition on trading following the distribution of financial research. Research reports do not constitute a personalized investment recommendation as defined under the applicable laws and regulations, are not addressed to a specific client, and are prepared without analyzing the financial circumstances, investment profiles or risk profiles of clients. Laser Digital assumes no responsibility for any investment decisions that may be taken by a client or any other person based on this research report.

Forecast: Economic and market forecasts presented herein reflect a series of assumptions and judgments as of the date of this presentation and are subject to change without notice. Whether forecasts are made, these forecasts do not take into account the specific investment objectives, restrictions, tax and financial situation or other needs of any specific client. Actual data will vary and may not be reflected here. These forecasts are subject to high levels of uncertainty that may affect actual performance. Accordingly, these forecasts should be viewed as merely representative of a broad range of possible outcomes. These forecasts are estimated, based on assumptions, and are subject to significant revision and may change materially as economic and market conditions change. None party of the Laser Group has any obligation to provide updates or changes to these forecasts. Case studies and examples are for illustrative purposes only.

Forward Looking Statements: Certain information contained herein constitutes forward-looking statements, which can be identified by the use of terms such as "may", "will", "should", "expect", "anticipate","project", "estimate", "intend", "continue" or "believe" (or the negatives thereof) or other variations thereof. Due to various risks and uncertainties, including those discussed above, actual events or results, the ultimate business or activities of Laser Digital or the actual performance of any product referred to herein may differ materially from those reflected or contemplated in such forward-looking statements. As a result, investors should not rely on such forward-looking statements in making their investment decisions. The key facts and service providers referenced here are subject to change. Some statements reflect Laser Digital's views, estimates, opinions, or predictions based on proprietary models and assumptions, particularly concerning the digital asset market. There is no guarantee that these views, estimates, opinions, or predictions are accurate or will be realized. If these assumptions or models are incorrect or circumstances change, the assets actual performance may differ significantly and be lower than the estimated performance. Any updates to fundamental research perspectives (including projections, price targets, or significant revisions to growth estimates) will not lead to a change to this Presentation. This material has been prepared by Laser Digital research desk. Certain views and opinions expressed may differ from those of Laser Group and its affiliates. Investors are urged to consult with their financial advisors before buying or selling any securities and/or digital assets

Conflict of interest: Laser Digital companies may occasionally act as principal traders, brokers, dealer or asset managers in the digital assets mentioned on this presentation and may hold these (and other) digital assets as well as financial instruments linked to such digital assets. Laser Digital has in place several conflict of interest management arrangements, including a conflict of interest policy, personal account dealing policy as well as information barriers and Chinese Walls arrangements. Our salespeople, traders, and other professionals might share market commentary or trading strategies,

either orally or in writing, with our clients and principal trading desks that could present opinions differing from those found in this research. The asset management division, principal trading desks, and investment operations may make investment choices that are not consistent with the analyses or perspectives provided in this research. Our organization, including our affiliates, officers, directors, and employees, may periodically hold long or short positions, act as principals, and trade in the securities or derivatives discussed in this research, unless restricted by regulation or internal policies.
UK: This document is being issued in the United Kingdom by Laser Digital UK Ltd, I Angel Lane, London EC4R 3AB, United Kingdom, to and/or is directed only at persons who are professional investors and this document must not be relied or acted upon by any other persons in the United Kingdom. Laser Digital UK Ltd, FRN 1000108, is an appointed representative of Strata Global Ltd, which is authorised and regulated by the Financial Conduct Authority, FRN 563834. Strata Global Ltd is registered in England & Wales with company number 07707508 and whose registered office is at 7-11 Moorgate, London EC2R 6AF. All, or most, of the rules made under the FSMA for the protection of retail clients will not apply, and compensation under the United Kingdom Financial Services Compensation Scheme will not be available.
UAE (excluding ADGM and DIFC): In the UAE (excluding ADGM and DIFC), this document is issued by Laser Digital Middle East FZE ("LDME"). LDME is the investment manager of the fund and is authorised and regulated by the Dubai Virtual Assets Regulatory Authority ("VARA") with registered number VL/23/06/001. We are registered in Dubai, and only deal with or for Qualified Investors and Institutional Investors as defined by VARA. Our registered office is located at One Central, Office 3, Level 3, Unit 345, Dubai, UAE. Additional information on LDME and the relevant regulatory disclosures may be found at https://www.laserdigital.com/laser-digital-middle-east. The information contained herein, does not constitute, and is not intended to constitute, a public offer of securities in the United Arab Emirates ("UAE") and accordingly should not be construed as such.
UAE (ADGM): In ADGM, this document is issued by Laser Digital (AD) Ltd ("LDAD"), with registered office at 1134, 11, Al Maqam Tower, Abu Dhabi Global Market Square, Al Maryah Island, Abu Dhabi, United Arab Emirates. LDAD is authorised by the Financial Services Regulatory Authority (FSRA), holding a financial services permission with number 240029. The scope of Regulated Activities and relevant restrictions are set out here:
https://www.adgm.com/publicregisters/fsra/fsf/laserdigital-ad-limited. In accordance with section 30(4)(a) of FSMR, the following limitations and stipulations apply to all Regulated Activities, unless specified otherwise: Laser Digital (AD) Limited is not permitted to deal with Retail Clients as defined under the Conduct of Business Rulebook (COBS). This document is intended for distribution only to Professional Investors and/or Market Counterparties. It must not be delivered to, relied on by or acted upon by, any other person. The FSRA does not accept any responsibility for the content of the information included in this document, including the accuracy or completeness of such information. The FSRA has also not assessed the suitability of the products or services to which this document relates to any particular investor or type of investor. If you do not understand the contents of this document or are unsure whether the products or services to which this document relates are suitable for your individual investment objectives and circumstances, you should consult an authorised financial adviser.
Restricted jurisdictions: The distribution of this document and the offering of any product mentioned herein may be restricted in certain jurisdictions. The information below is for general guidance only, and it is the responsibility of any person or persons in possession of this document to inform themselves of and observe all applicable laws and regulations of any relevant jurisdiction. Such persons should also inform themselves of any applicable legal requirements, exchange control regulations and taxes in the countries of their respective citizenship, residence or domicile. This document does not constitute an offer or solicitation to any person in any jurisdiction in which such an offer or solicitation is not authorised or to any person to whom it would be unlawful to make such an offer or solicitation. In particular, this document does not constitute an offer of securities to sell or a solicitation of an offer to purchase in or into the United States, Canada, Australia.