



CryptAM's Monthly Newsletter

Any doubts that digital assets are here to stay were erased as the crypto market firmly extends into its second cycle.

Lead by a continued rebound in Bitcoin prices, the recovery has started to show nuances as clearly the market environment was not "the tide to lift all boats" as smaller "alt" coins failed to rally in similar magnitude. Said another way, in our opinion, the weaker alt-coin performance reflects a lack of retail investors interest; e.g. no wave of ICO's interest seen in 2017, leaving the re-entry inflow to more sophisticated and professional investors which is a positive baseline for a more sustainable rally.

Of course, speaking of institutional interest, this month's newsletter would be incomplete if we did not mention Facebook's Libra official announcement and subsequent governmental regulatory feedback.

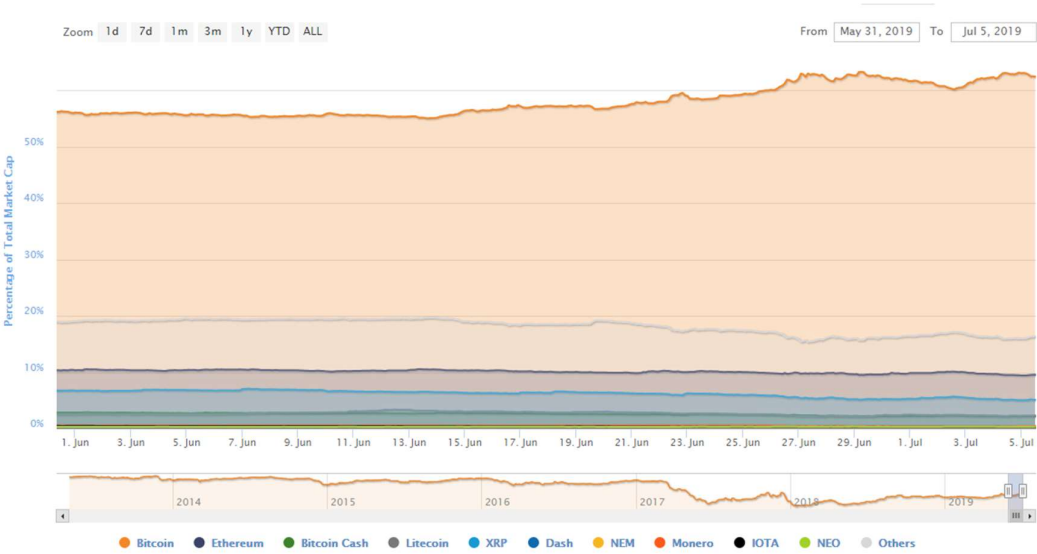
Increased Dispersion of Returns (a good thing)

Why does this recent rally feel different versus 2017? The out performance of higher liquidity coins, including Bitcoin, indicates that returning investors are more educated,

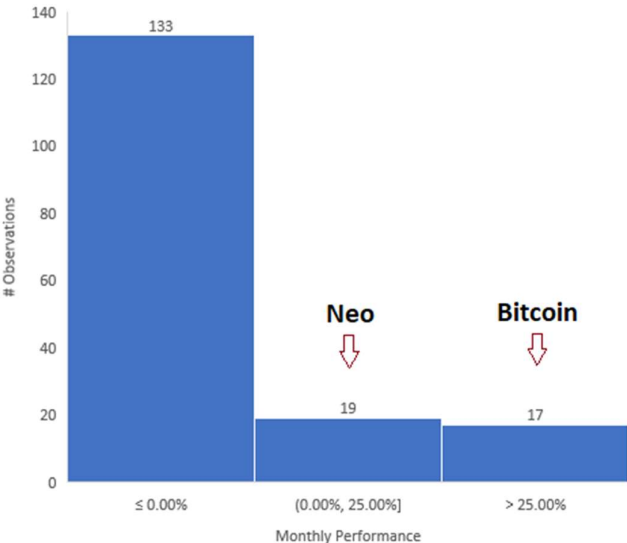
focused on instrument selection and are picking their spot by favoring liquidity. Bitcoin returned **26.15%** and Neo (a top 25 coin) rallied **23.1%** over the month.

What is important to point out, shown in the second chart where we plot 170 coins, while the overall market capitalization of the market grew this was mainly driven by a few selected coins, which were generally the higher liquidity coins. Majority of coins under performed, even within a rising market, indicating that there is large investor differentiation.

Market capitalization recovery - lead by BTC



Losers outweigh the winners, winners delivered in greater magnitude



Key reasons why we believe that this 2nd cycle rally is more sustainable over the medium term:

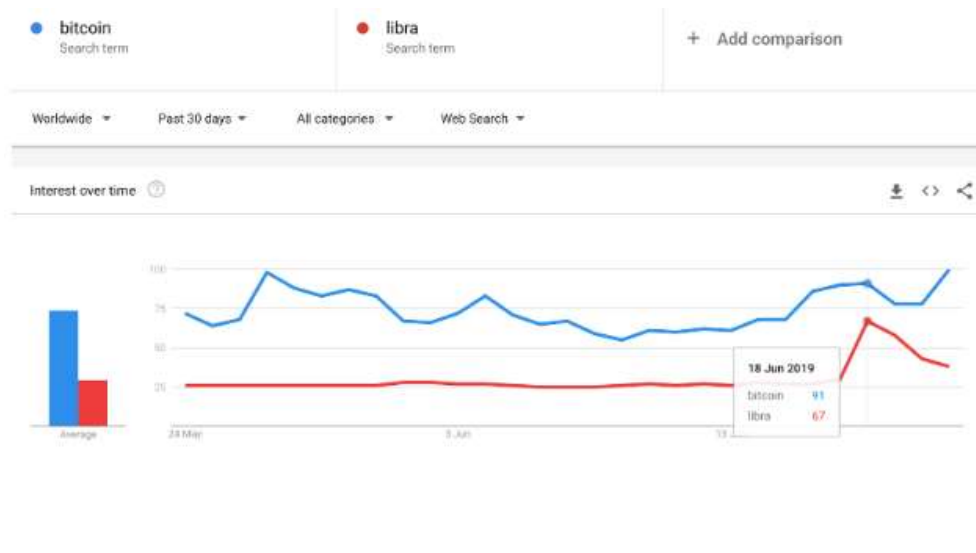
1. The market is more mature. Participants, technology, process standards and global regulation is more robust than they were in the last 5 years. Education among users and investors is growing as mainstream becomes more aware of both the risk and the opportunities.

2. The increased interest of sophisticated investors, not retail, as demonstrated by the lack of alt-coin performance. We expect that the larger, more recognized coins will continue to rally. Should alt-coins return to the hype days of 2017, that would be a key indicator in our view to turn bearish. We continue to watch that space carefully.

3. Facebook announcing its Libra coin (pseudo / aspiring crypto-coin) has clearly placed the digital asset market firmly back in the spotlight. A company that has ~2bn users and which mints its own internal currency is not something to be sniffed at. This has implications to challenge sovereignty of countries and impact the global financial system. This announcement delivers a material support to the industry, irrespective of whether the protocol is permissioned / non-permissioned. Data from Google Trends' search analytics resource indicates that internet googling of 'bitcoin' (BTC) set a monthly high. Searches for the term "bitcoin" are continued in the week after the unveiling of Facebook's new cryptocurrency and blockchain-powered financial infrastructure project, Libra, was announced. However, remains well below its former peak apparently suggests that retail FOMO has not yet become a major driver of Bitcoin's renewed price momentum. Instead, several parameters indicate that institutional demand for bitcoin is increasing in lockstep, and that network fundamentals are hitting all-time-high.

4. Diversification is everything when investing for the long term. Fundamentally, there is no doubt we live in very uncertain times. Professional investors understand, the one thing that markets do not like is uncertainty. In a world where geopolitics have never been so frail, one has to consider adding small amounts of tail-risk protection to the portfolio.

Google searches for FaceBook Libra and Bitcoin



Positive Market Boost But Mixed Reactions to Facebook's Libra Whitepaper Release

If you have not heard, Facebook is launching its own crypto-coin. Take a minute to think about that. A corporate monetary system that does not have oversight from sovereigns and central banks, yet.

Although Libra won't yet officially launch until 2020, supporters, detractors, politicians, and developers are already weighing in:

US politicians from both sides of the aisle have a say:

"Facebook's new Libra blockchain project has the potential to be a big step forward towards a more global and inclusive financial infrastructure," said U.S. Congressman Darren Soto, Co-Chair of the Congressional Blockchain Caucus. "We are encouraged by the possibility of increasing access to mobile and digital payments, which will ultimately benefit our society and become a driver of economic growth. While it is yet unclear how this new technology will be regulated, it is crucial Congress continues to protect consumers

and the financial well-being of investors, while simultaneously promoting innovation for these virtual currencies.”

Maxine Waters, House Financial Services Committee Chairwoman, also expressed concerns. Even asking Facebook to stop the project until Congress can understand it further. Sen. Josh Hawley said: it sounds like Facebook is “expanding their monopoly” with its new cryptocurrency project.

“Facebook is already too big and too powerful, and it has used that power to exploit users’ data without protecting their privacy,” Representative Sherrod Brown, the leading Democrat on the Senate Banking Committee, tweeted out. “We cannot allow Facebook to run a risky new cryptocurrency out of a Swiss bank account without oversight.”

Bankers and startup founders see Libra’s success as inevitable.

“They’re not the first company to launch a crypto payment solution, but they do have immense reach obviously through their Facebook platform,” said NAB’s business banking chief Anthony Healy. “With a billion plus users on its platform, it is clearly a threat. Like all fintech disrupters, they’re all potential threats, but they’re also opportunities for us to learn, and if some of these emerge as real threats we can learn from them, develop our own capabilities and respond appropriately.”

The Crypto Corner

While high-profile industry figures such as Ethereum co-founder Joe Lubin have critiqued Libra over its lack of decentralization, researchers at top crypto exchange Binance, have proposed that the social media giant’s token could spark additional volume in the cryptocurrency space.

With the above attention, one thing is for sure, the crypto / digital asset conversation is not going anywhere, it is just getting started...

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