

## What's new in the digital assets industry?

October 23<sup>rd</sup>. Before seeing an increase of 25% following China's announcement to become a world leader in blockchain and crypto currencies, other digital assets such as NEO - *the Chinese Ethereum* - gained widespread attention as well as Libra, after Facebook's CEO presented the project to the Congress.

### **Market review and outlook**

Early October's dip provides a good price support level for Bitcoin, providing subsequent recovery momentum support that should prevail into year-end. Added to that, late into the month, President Xi Jinping's countrywide blockchain adoption initiative announcement drove momentum for the blockchain and crypto world as the next rounds fired within the "tech cold war" between east and west. The Guangzhou government was the first of the provenances to publicly financially support Xi's blockchain initiative. Government officials plan to establish a \$150m fund to specifically finance "outstanding blockchain projects" with "angel investment, equity investment, and post-investment value-add".

Will adding positive sentiment to the digital asset world, our view is that Bitcoin markets will likely continue to trade with \$8,000- \$12,000 range for an extended period as responsive and new buyers to surface on dips, as well as hangover sellers from the 2017 rally as Bitcoin matures into a digital version of gold. We expect that Bitcoin will continue to maintain its dominance beyond 50% market cap as altcoins lag, a clear sign that returning investors are more actively focused on 'asset selection', picking their spot, versus buying up assets indiscriminately. Another driver is that the rest of the crypto market; i.e. lower capitalized coins, remains at risk of fading, especially with new institutional offerings entering the market (China / Libra). Additionally, we expect volatility should continue broadly decline since peaking almost two years ago.

This wider narrative has formed momentum behind Bitcoin, the leading digital asset driven by blockchain, is a focused on non-sovereign, digital store of value for an asset class that has a controlled inflation rate / hard cap and a higher Sharpe ratio than gold. A solid go-to-option for classic portfolios looking to diversify their risk and improve their portfolio efficiency.

## US-China Digital Assets Rivalry

A day after Mark Zuckerberg's testimony to the Congress about the company's planned cryptocurrency Libra, President Xi Jinping announced China's ambition to become the world leader in blockchain and digital assets. This announcement resulted to a 25% increase in the price of Bitcoin within 1h30 and opens an interesting new front in the growing U.S - China technology rivalry.

The development of a Chinese digital money is not new, the Central Bank of China (PBoC) revealed last August being working on such alternative since 2014 and "close" to launch it. Although the RMB is already available under a digital form through Alipay and WeChat pay (two privately owned companies representing over 90% of the country's mobile payment market), those two giants represent a major challenge for Chinese banks because they draw away deposits and revenues. The government sees in a centralized digital currency a way for banks, which are mainly state owned, to stem the leak. The PBoC digital money will be accessible through a mobile wallet that consumers and businesses could download and then exchange their RMB for the digital money before being able to make and receive payments. The banks will act as the agent to convert the PBoC digital currency and fiat money, could ultimately turn them into banks' deposits and obviously track the flow of money, exerting more control and surveillance on its users. Going further, China sees opportunities to spread its money abroad by simplifying cross border transactions mainly with countries involved in the Road and Belt initiatives that owe \$5 trillion of debt to China.



Libra appears as China's most logical challenger because it aims at simplifying payment's methods while transforming ecommerce and revamping the financial system. Launched by Facebook which record 2.4 billion users, Libra could also be a preferred payment method across the Road and Belt Road, the main reason why Chinese officials see it as an economic and geopolitical threat. The government has long been unhappy about the dollar's dominance in the global financial system and is frightened by the idea of having an American company dominating the future world of digital money.



From a regulatory perspective, if Libra is a decentralized currency, it would become powerful so the backlashes from the Congress and Central Banks were not surprising even though Facebook claimed that it will not control Libra and promises that it will hand over currency management to the Swiss-based Libra Association.

The White House remained discreet on Libra, Donald Trump suggested last July that *"Facebook Libra's 'virtual currency' will have little standing or dependability. If Facebook and other companies want to become a bank, they must seek a new Banking Charter and become subject to all Banking Regulations, just like other Banks,"*

Is Facebook ready to back up its digital money to the USD or become a bank? As for now, no new announcement has been made by the company but when we compare this project to China's Alipay and WeChat pay, both did not have actual assets backing their payment systems for over 10 years, nor did they become a bank... so it's perhaps time for America to take away the best from China's innovation to stay competitive.

### Notes

<https://forkast.news/watch-why-is-chinas-central-bank-launching-a-digital-currency-chicago-booth-economist-explains-the-impact/>  
<https://www.forbes.com/sites/kenrapoza/2019/07/08/beijing-begins-imagining-a-wechat-china-cryptocurrency/#7fcf03b54e6d>  
<https://www.theblockcrypto.com/post/37782/7-things-you-probably-didnt-know-about-chinas-digital-currency-global-coin-research>  
<https://techcrunch.com/2019/10/11/libra-denominated-in-dollars/>

## CryptAM latest activities



Our investment team's focus is to maintain stable absolute performance and lower volatility versus the market. We are still on target to deliver the 50% calendar year-on-year return and stay competitive when comparing our performance to industry indices such as the EurekaHedge Crypto Hedge Fund Index. Click [here](#) to request for our October's factsheet.



CryptAM Services has launched CryptAM VUE™, an analytical tool which is designed to help portfolio managers and investments professionals visualize the impact digital assets, such as a crypto hedge funds, can have on their existing holdings. Thanks to CryptAM VUE™, our team can recommend the best ratio wealth managers should allocate to digital assets to diversify their portfolio on a risk-adjusted return basis, while reaching their investment objectives. Click [here](#) to download the brochure



CryptAM Fund is now entitled of an ISIN number which makes it trackable by institutional investors and consistent across markets worldwide.



Two presentations were led at CryptAM office last week where investors could learn more on how digital assets compare with other alternative investments and how to manage risk when investing in crypto funds. [CryptAM Vue™](#) was also introduced and raise interest from the participants.



### CryptAM celebrated its 2<sup>nd</sup> anniversary on November 10<sup>th</sup>!

Durability, reliability and trust are the values that make a company successful. We hope that after 2 years, CryptAM comes on top of your mind when thinking about digital assets experts and investments solutions into this field.



CryptAM Services has set up a [survey](#) to determine the investment approach of its investors and their perception on Digital Assets. We would be very grateful if you could click [here](#) and answer the questionnaire as this will help us to understand our audience better, improve our offerings and the value we deliver in the future.

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