

CRYPTO A.M.

Our series on AI, Blockchain, Cryptocurrency and Tokenisation

PARTNER CONTENT

CITY A.M.'S CRYPTO INSIDER

JAMES BOWATER

Given that only a few weeks ago (24th July, www.cityam.com/crypto-insider), I was reporting that Bitcoin, trading at US\$7,708, seemed to be on a positive turn with 20% gains in the previous two weeks and subsequently rising as high as US\$8,384 (25th July) it is now US\$6,347. The question becomes what stalled the mini bull run? The most common theory relates to the US Securities and Exchange Commission's recent decisions on Bitcoin ETFs (Exchange-Traded Funds). The first came on the 25th July when the Winklevoss twins' crypto exchange Gemini Trust Co LLC's proposed fund was rejected citing fears of insufficient protection from manipulation adding "regulated Bitcoin-related markets are in the early stages of their development". The second decision had a deeper impact, when it announced on the 7th August that it was delaying its determination until the 30th September on the rule changes to approve or disapprove the VanEck SolidX Bitcoin ETF. Will recent history repeat itself with another feverish rise in the days and weeks leading to the 30th September?



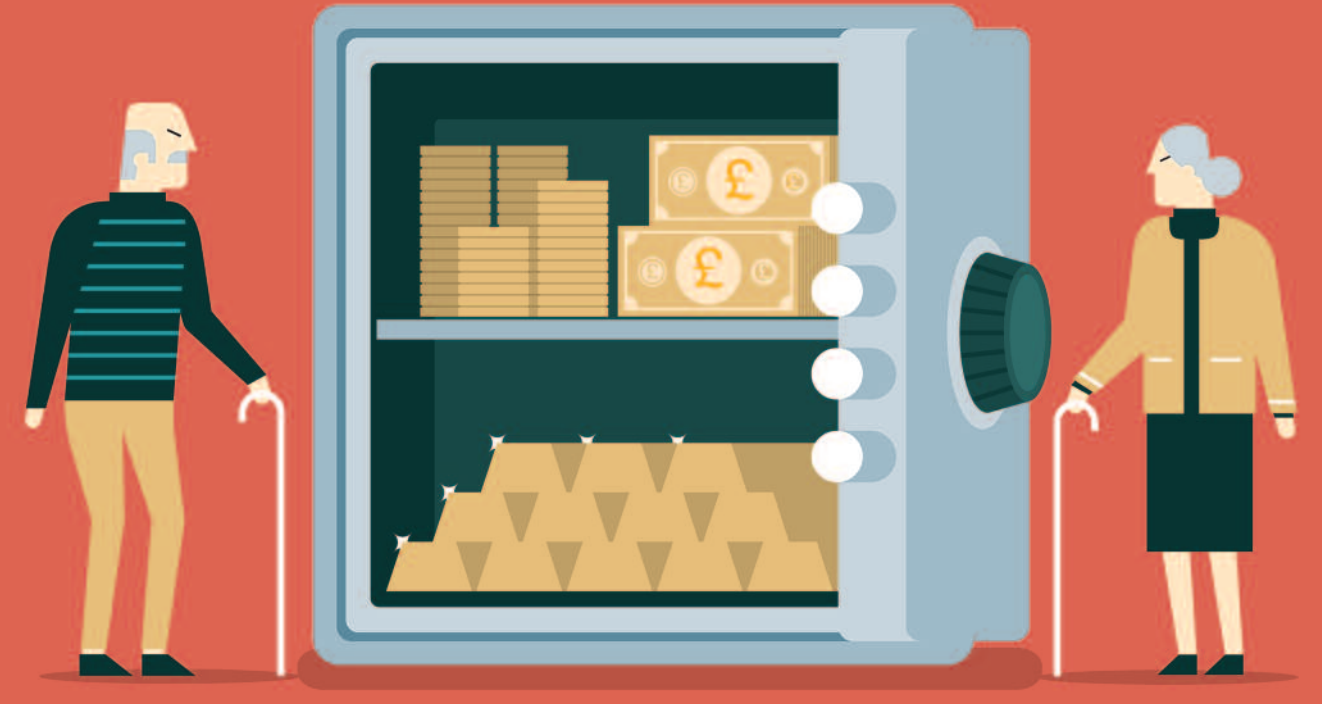
Despite the consequent doom and gloom that has descended into the crypto market – the deep-rooted positivity of those I continue to meet in the Blockchain, crypto and tokenisation space remains undiminished. Another notable trend of thought is that this is all good for an industry wanting to shake the tree. Already a plethora of experts and advisors have disappeared as quickly as they came, at least for now, and the less well thought out or the frankly bandwagon-jumping Initial Coin Offerings are either being paused or cancelled. I'm sure some will re-emerge when the hype inevitably returns once the crypto market stabilises and moves in a positive direction again.

As has been recently reported, Apple (2nd August) became the first trillion-dollar company in the world and, as Jonny Fry mentions in today's main feature article, Facebook's stock value plummeted by US\$120bn (26th July); these two facts firmly put into perspective the comparatively tiny global crypto market cap which, as of writing, is US\$215bn – Bitcoin accounts for circa 50% of the value underscoring its continued dominance.

A significant entrant into the crypto world is Mike Novogratz's Galaxy Digital crypto merchant bank that started trading on the 1st August. Novogratz, the billionaire investor of Goldman Sachs and Fortress Investor Group fame, foresees the market cap heading back to the US\$800bn mark in the next 18 months. Though his caveat was that certain conditions needed to be met: regulatory approvals and custody solutions announced implemented by trusted names.

The key take away point I get from all the above is that this market is highly unpredictable but very much still in its nascent stages of development but I truly believe that the growth potential is vast.

HOW MUCH CASH DO YOU HAVE IN YOUR PENSION WHY SHOULD YOU CARE?



In the past you got a job, worked for a company and when you retired your pension arrangements, let alone any influence as to how where it was invested. That has all changed and now, as never before, millions of people all over the world have in their own pension and can decide where it is invested. This means that you need to take more responsibility for your retirement and ensure that you understand what is happening globally, so you can navigate the ups and downs of different equity, bond property and now, Crypto markets.

The dark days of 2008 seem a long time ago now when equity markets

tumbled. It looked like we were going to see a collapse of a number of banks across Europe and the USA, forcing governments to step in to bail out heavily debt-laden so called safe institutions. Against this backdrop we saw the emergence of something called "Bitcoin" a Cryptocurrency.

Bitcoin's price rose from US\$0.01 in 2008 to over US\$20,000 in December 2017 and has led to the creation of over 3,400 other Cryptocurrencies and a new Asset Class emerging.

As the graph shows (see in Main Graphic) bonds, equities, properties and even classic cars all have had a good run! BUT – what goes up must come down!

SO WHAT COULD BRING THIS LONG RUN BULL MARKET TO AN END?

Political unrest: will Germany continue to bailout Portugal, Italy, Greece and Spain, not to mention the continued troubles in the Middle East, which has recently been leading to higher oil prices?

Governments cannot afford the social support: net of ever increasing healthcare and pension payments. THEY HAVE NO CASH - so it looks like they may have to raise taxes, so reducing demand as people have less cash.

Social inequality: in so-called sophisticated societies how can it be correct or sustainable that 82% of the wealth generated in 2017 went, according to Oxfam,

Millions of people all over the world can now decide where their pension is invested

to 1% of the global population? It is often quoted that when the US catches a cough the world gets the Flu – according to Swonk, chief economist at Grant Thornton "The U.S. economy has a bit of a cushion, and we can weather the storm for a bit. But the storm is still brewing and the undercurrents are clearly forming."

International Trade wars: as Trump tries to make "America great again!" Rising interest rates: the average period between interest rates being ratcheted up and the markets taking fright in the last 50 years is 34-months (source <https://www.sovereignman.com>).

The Fed started raising interest rates in December 2015, so 34-months from then is October 2018!

Many public company directors have their remuneration linked to the company's Earnings Per Share ("EPS"). In order to improve a firm's EPS, if the number of shares stays the same you need to increase the company's earnings i.e. increase profits. Alternatively you borrow, and buy back shares, with fewer shares your EPS rises so giving the directors a bonus!

In 2017, S&P 500 companies bought back over US\$530Billion of equity, but in 2018 they are ex-

pected to buy back over US\$800Billion of their shares. There are only TEN companies in the S&P 500 that are cash positive i.e. they have NO debt. With corporate debt as a % of GDP in USA at a historical high at over 72% rising interest rates will not be welcome.

Corporate disappointment: Facebook's recently announced that they had only increased revenue by 42% and in doing so missed investors expectations and paid the price by losing over US\$120Billion in two hours reminding us how fickle investors can be and how fast stocks can fall.

Just talk to your local estate agent, who will tell you how sluggish property prices are where you live. The issue is that prices are not just sluggish; they are falling.

Yet complacency seems to be the order of the day, as investors appear to ignore the gathering storm clouds. What will be interesting is when the penny drops and markets suffer dramatic falls, will we see Cryptocurrencies come of age? Will they prove to be a safe haven and continue to be uncorrelated to other asset classes, as the table below indicates they have been in the past? This could well happen since what other asset

class represents good value for investors currently? (see Table in Main Graphic)

So before the markets fall, take a long hard look at where your pension is invested. Maybe now is time to say thank you to one of the longest bull markets in property, bonds and equities and raise the amount of cash you have. By holding cash in your pension fund or portfolio, the risk is an opportunity cost i.e. markets may still go higher - but how stressed will you be if markets fall by more than 25% as we saw happen with Facebook in just 2 hours?

There are enough uncertainties to trigger stock, property or bond market to fall. Cryptocurrencies may offer a home for some, given how they historically have not correlated with other assets but this market is still relatively small. We could see Cryptocurrencies become more popular, as apart from holding cash - what alternatives are there?

Author credit, Jonny Fry, CEO of Team Blockchain

IMPORTANT INFORMATION: THE VIEWS AND OPINIONS PROVIDED BY CITY A.M.'S CRYPTO INSIDER ARE OF THOSE NAMED IN THE ARTICLE AND SHOULD NOT BE TAKEN AS INVESTMENT ADVICE. THIS COMMUNICATION IS MARKETING MATERIAL.

LBX WEEKLY MARKET ROUND UP

A ride on the crypto carousel with the London Block Exchange

Crypto investors always question token prices, with Bitcoin's price attracting the most attention as it commands the longest history. The news that ICE (NYSE) is creating Bakkt - a new exchange that will open the gates for institutional investors to buy bitcoin - along with the multiple filings for Bitcoin ETFs, are both strong positive indicators of sentiment. So why haven't they propelled prices higher and rescued us from this prolonged winter? Similarly, why have many projects been negatively affected by this news?

Think altcoins. The first altcoins were built - and tried to improve upon - Bitcoin's initial framework. New use cases and projects were then developed and, by 2013, there were around 40 projects - of which 10 still exist. In 2018, there are more than 1800. Altcoins were overvalued during the bull market, so now we're experiencing investor exhaustion.

How'd we fall? The space saw an inflow of new money as investors felt they were late to the party, ergo exposing themselves to as

many 'cheap' altcoins as possible. That worked when sentiment was positive, but altcoins later proved to be less resilient to downturns than bitcoin. Some argue that altcoins have weaker development communities and economic incentives, hence their susceptibility to bitcoin's volatility.

We've recently seen the consequences of that misguided diversification. When bulls feel confident that price will go up, they stop selling. Newcomers then increase the asset's market value, as more demand on less supply creates upwards pressure. Since early 2018 bears have won the majority of the battles due to less demand and the positive news hasn't been able to overturn the negative sentiment created by the current drop. So what will be the next catalyst?

Join us at <https://lbx.com/register> to find out.



C/M/S!

Law . Tax

cms.law

ICO NEWS



A-Team Mission: Make Bitcoin Mainstream

What if Microsoft came together with Starbucks and the New York Stock Exchange (NYSE) on a mission to take Bitcoin mainstream? A strong enough signal that cryptocurrencies are going mainstream? Well they have! Resulting in a new platform dubbed Bakkt.

Meanwhile what's the significance of the first international scientific conference, backed by the first peer-reviewed scientific journal on Blockchain technology, its applications and uses, the Journal of the British Blockchain Association - which just arrived? (Note: I chair the BBA's committee on the finance of ICO/DLT Startups).

"Not only is the BBA the largest, most influential, Blockchain association worldwide, with members and advisors over 5 continents, 110 countries, but we've set the 'Gold Standard' for the highest quality, evidence based, peer-reviewed Blockchain and DLT resources. The JBBA inaugural edition, read by over 7,500 blockchain leaders and influencers distributed to over 1,200 institutions worldwide. In March 2019, we'll host the world's first 'Scholars in Blockchain' international Scientific Conference" said BBA co-founder Naseem Naqvi.

Returning to that other A-Team: Intercontinental Exchange (ICE), who own the NYSE, have announced that they're forming this new company with the sole mission to make Bitcoin a mainstream financial asset. Bakkt, developed in partnership with Microsoft and Starbucks among others, will integrate with the ICE's US futures market and clearinghouse to list a physically-settled

one-day bitcoin futures product, including warehousing in-house managed by ICE, launching in November they've announced.

"Bakkt is designed to serve as a scalable on-ramp for institutional, merchant and consumer participation in digital assets by promoting greater efficiency, security and utility," said Kelly Loeffler, CEO of Bakkt. "We are collaborating to build an open platform that helps unlock the transformative potential of digital assets across global markets and commerce."

"In bringing regulated, connected infrastructure together with institutional and consumer applications for digital assets, we aim to build confidence in the asset class on a global scale" commented Jeffrey C. Sprecher, founder, chairman, & CEO of ICE. Sprecher and Loeffler, who're married, have also said that they envision that, with ICE's help, Bitcoin can become a "bona fide currency" - the asset of choice for international payments and could "greatly simplify the movement of global money - the first worldwide currency."

"As flagship retailer, Starbucks will play a pivotal role in developing practical, trusted and regulated applications for consumers to convert their digital assets into US dollars for use at Starbucks," Maria Smith, Starbucks' VP, partnerships & payments, said. Regardless of how strong you like your coffee that's a strong signal!

More on this via ICOradio. Please Tweet/Telegram your questions to @BarryJJames or listen at ICOradio.

City AM's Crypto Insider speaks to Andrew Rabbit, CEO of incuto.com

I recently met up with Andrew Rabbit is CEO of incuto.com, a banking technology platform for a new global network of community-focused, ethical challenger banks.

Whilst mainstream banks suffer an expensive, legacy debt of technology, 14 million people in the U.K. live in poverty.

"We saw an opportunity to combine a love of technology with addressing a significant social challenge. The financial market is dominated by PayDay lenders and pre-paid bank accounts, which exploit the very people who can least afford it, with high interest rates, monthly and per-transaction fees. Paying more because you are poor is referred to as the Poverty Premium."

It's hard to raise funding for social impact ventures, so I'm humbled by the support I've had from family and

friends, investors and partners. I've seen first hand how destructive debt and poverty can be - I lost my sister to cancer last year - her final days consumed with worry that her two boys would be left with debts and nowhere to live.

Backed by social impact investment from Wayra, Ascension Ventures and Northstar, we've been able to focus on supporting Credit Unions, who operate across the U.K. and do an amazing job providing loans, savings and financial support to their local communities. However, they



suffer their own challenge of legacy technology which makes them slow and hard to reach.

Now, powered by incuto, Credit Unions can use machine learning to predict behaviour, drive intelligent marketing and arrears management campaigns, issue loans in less than 5 minutes, with risk-based pricing, and monitor fraud in real-time. They are reducing costs, becoming digital, accessible, and moving fast. Most importantly, they are becoming connected.

Integration with the Post Office, MasterCard, Starling

Bank and Optimus Cards means incuto can provide a real bank account and debit card to Credit Union Members and an 11,500 strong branch network, to promote true financial inclusion.

With savings rates often 15 to 20 times higher than a high-street bank, incuto aims to support Credit Unions to serve the mainstream market of savers and borrowers, breaking the

The financial market is dominated by PayDay lenders



traditional view of them being the lender of last resort.

Financial education tools are embedded within the incuto platform, using gamification and nudge theory to promote the right behaviour and choices.

Our distributed ledger will allow massive expansion, aiming to create a global network of 68,000 Credit Unions in 109 countries, to challenge even the largest banks, without breaking the ethos of a truly ethical, community-focused service.

"incuto is a family - the team, partners, investors, Credit Unions and the 14million people in the U.K. (2bn across the globe) we'll strive to serve. Our part is to bring innovation, technology and passion - it's a new and exciting challenge every day - who could ask for more than that!"