CRYPTO A.M.

Our series on AI, Blockchain, Cryptoassets, DLT and Tokenisation

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PARTNER CONTENT

CITY A.M.'S CRYPTO INSIDER

JAMES BOWATER

There is a definite change in the air when it comes to the world of crypto with positivity abound despite the $41m hack of the world's biggest crypto exchange Binance (see CryptoCompare Market View right). Thomas Lee, in his Guest Main Feature today, explains why he feels that crypto spring has begun.

Bitcoin (BTC) has had a breakout week and since last week's Crypto AM and at the time of writing BTC is trading at up 33.3% US$7,771.02; Ethereum (ETH) is up 19.3% at US$203.16; Ripple (XRP) up 5% at US$0.3259; Binance (BNB) pretty flat at US$23.16 and Cardano (ADA) up 8.9% at US$0.07636. Overall Market Cap is up 23.2% at US$228.64bn (data source: www.CryptoCompare.com)

Scalability remains one of cryptocurrencies' biggest barriers to mass adoption by both companies and individuals. Scalability is very important, as the higher the scalability the faster transactions can be processed and the lower the cost of processing. The amount of work being carried out in this area is very encouraging: from new companies such as Cardano and EOS building their initial blockchain infrastructure for high scalability to existing successful products like Ethereum developing their second generation with massive scalability a major feature the goal of a secure and scalable blockchain is coming ever closer. Joe Lubin, a co-founder of Ethereum and founder of ConsenSys was interviewed on Saturday by Cointelegraph saying that the Ethereum blockchain will become about 1,000 more scalable within 18 to 24 months. CasperLabs have also entered the fray with the aim of deploying a "fully decentralised, sharded and scalable next-generation blockchain".

There is, however, no need to look for a single winner in this race; high transaction blockchains have applications in the internet of things (IOT), financial markets, the legal system, personal identity and information, voting...; the list goes on and on, and each application will find its natural home on the blockchain that most suits it.

Finally last week in London, I caught up with old friend Vinay Gupta, Founder & CEO of Mattereum who had some good news to share: Mattereum will be partnering with sci fi legend William Shatner to document the authenticity of memorabilia and collectibles, on the Ethereum blockchain. This will be achieved with Mattereum's new Asset Passport technology, which uses legally-binding "smart contracts" to ensure the accuracy of records. The new initiative will create digital twins for science fiction and other collectible memorabilia. The first digital twin is for a one of a kind numbered action figure of William Shatner himself as "Capt. James Kirk in Casual Attire", autographed by Shatner. It will be stored on an immutable ledger and assure collectors that the item came from Shatner's personal collection, in fact Vinay is demonstrating this live this afternoon at Consensus in New York.

CRYPTO SPRING HAS BEGUN

Designed by Phill Snelling, Bowater Media

THE crypto bear market of 2018 was more painful than any other prior crypto downturn because many of those hurt were retail investors "new to crypto." The crushing 85% decline not only wiped out investor capital, but lead many of those "new to crypto" to believe that Bitcoin and crypto were broadly declining into oblivion.

In spite of how bad 2018 was, 2019 has so far seen a surprising resurgence in crypto markets, both in prices and dynamism, which naturally begs the question—is the Crypto winter over?

Before I weigh in with my opinion at the end of this article, there are four areas we should analyse:

- Fundamentals. Has Bitcoin and crypto become more useful?
- Sentiment. Is Crypto rising on good news and shrugging off bad news?
- Price technicals. Are crypto technical indicators positive or negative?
- Equilibrium. Is the market reaching a balance between supply and demand?

HAS CRYPTO BECOME MORE USEFUL?

This is best answered looking beyond the blockchain, but it is worth noting that Bitcoin's onchain volumes are actually up YTD; the first increase since 2017. Several notable developments are positive for crypto this year. Facebook is developing its own decentralized platform including a native cryptocurrency, several banks have developed their own "stablecoins" which are digital versions of cash, and Fidelity Investments, a global financial institution, is soon to offer cryptocurrency trading.

Equally important, we have seen a surge in Bitcoin usage and volumes in countries where financial stability has worsened. Witness the spike in volumes reported by Localbitcoin in countries like Venezuela and Turkey. And most recently, the surge in Bitcoin trading as Wechat began to restrict crypto communications on its platform. Short answer—yes, Bitcoin and crypto have become a lot more useful in 2019.

IS CRYPTO RISING ON GOOD NEWS AND SHRUGGING OFF BAD NEWS?

There have been several notable negative developments in 2019. Among them, Bitfinex disclosed that it received unorthodox funding from Tether to replace cash that was purportedly seized by governments. This $850 million transfer represents a sizable capital shortfall for the stable token platform Tether. On May 7, Binance revealed that a sophisticated and coordinated hack on its hot wallets resulted in the theft of 7,000 bitcoin (~$42 million USD). Bitcoin and the crypto market's price has largely absorbed this bad news and continued to rise. This is a major shift in market dynamics compared to 2018.

Last year, headlines like "Goldman is not going to launch crypto trading" resulted in 10%-15% declines in a single day. This is a reversal of sentiment. In our view, this tells us that sentiment is so negative and holders are so skeptical, that bad news is not bringing selling pressure. This is a great sign.

PRICE TECHNICALS. IS CRYPTO IN POSITIVE OR NEGATIVE TREND?

The simplest arbiter of price trend in any market is the price relative to the 200D moving average. I have followed markets for 25 years, so this simple rule of thumb works on any stock, asset, bond, etc. Anytime an instrument is above its 200D, it is considered to be in "positive trend." Bitcoin crossed above its 200-day on April 1, 2019, the first such positive close since March 2018 (13 months). A report Fundstrat (my firm) published last year shows that Bitcoin has an average 6-month gain of 193% when it's above its 200D and a mere 13% when it is below. Therefore, crossing the 200D is a big §deal. On April 23, Bitcoin saw a "golden cross" which occurs when the 50D moving average crosses above the 200D moving average. This is also another highly promising signal. Conclusion? Technicals are positive.

EQUILIBRIUM? LESS SCAMS? BETTER SUPPLY AND DEMAND?

ICO funding has dwindled to effectively zero, so the "get rich quick scams" are largely gone. In 2020 the next Bitcoin halvening will take place, which will half Bitcoin block rewards from 12.5 Bitcoins to 6.25 Bitcoins per block mined. This will reduce the daily supply of Bitcoin coming into the market from $9mm today to $4.5 million. That is a massive drop coming soon.

Bitcoin is the most important crypto asset at the moment, and its success creates a vast halo for the rest of the landscape. This favorable supply and demand dynamic is unequivocally positive for crypto.

MY CONCLUSION? YES, CRYPTO SPRING HAS BEGUN...

Bottom line, the evidence is strong that crypto winter is over. What does this mean for price action? We think prices have bottomed, and within the next 12-18 months we should be seeing new highs for Bitcoin and other useful tokens.

> Crypto spring has begun, even in the face of mass skepticism

We view Bitcoin and crypto as an emerging asset class and recommend investors allocated 1%-2% of their investable capital to this. Whether one chooses to be more aggressive in gaining exposure rests entirely on a person's risk tolerance and financial position.

Thomas Lee, Co-Founder of FundStrat Global in conversation with James Bowater. Please visit FundStrat.com for further information or follow Thomas on Twitter @fundstrat

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CRYPTOCOMPARE MARKET VIEW

Major Exchange Hack Can't Stop Bitcoin's Surge

Last week saw one of the most significant cryptocurrency thefts in recent memory as leading exchange Binance suffered a major hack, resulting in the loss of over 7,000 bitcoin - worth $40mn at the time. According to the exchange, hackers used various techniques including "phishing, viruses and other attacks" to access one of Binance's online crypto wallets which held 2% of the Binance's entire bitcoin holdings.

Although Binance CEO Changpeng Zhao briefly toyed with the idea of attempting a controversial "rollback" of the bitcoin blockchain to undo the hackers' transactions, the exchange instead confirmed that it would use its Secure Asset Fund for Users (SAFU) to ensure that users suffered no financial loss.

While the news caused a brief drop of around 2% in the bitcoin price, it failed to stop bitcoin's surge past the key $6,000 resistance level on Thursday. Bitcoin seemed unstoppable as it shot up to touch the $7,500 level on Sunday - a high not seen since September 2018. Altcoins too saw substantial gains, with ether briefly crossing the $200 mark for the first time since November last year.

In less dramatic news, last week saw Facebook announce that it is softening its stance on Cryptocurrency and blockchain ads. After an outright ban in January 2018, the platform revised its policy in June 2018 to allow "pre-approved partners." While the latest policy upholds the ban on ICOs, it no longer requires pre-approval for ads for "technology, industry news, education or events."

Finally, a new application for a cryptocurrency ETF has been filed with the US SEC. Created by Crescent Crypto Index Services, the ETF seeks to track the performance of market capitalization-weighted portfolio of bitcoin (BTC) and ether (ETH), and joins a growing list - including the hotly-anticipated VanEck SolidX application.

The CryptoCompare Digital Asset Summit will take place in London on June 12th. With keynote speaker Andreas M. Antonopoulos, the summit will feature presentations from some of the key companies in the space including Coinbase, Binance, Nasdaq, and UBS.

Crypto A.M. shines its Spotlight on CoinSchedule

Alex Buelau, CEO of CoinSchedule

If you follow cryptocurrencies, you have probably noticed that the price of one Bitcon has gone up from £4000 to more than £6000 in a matter of days – the market is alive again! But if you had to name the one greatest problem in this space right now, what would it be? Hacks, lack of regulation, price volatility, scams? For CoinSchedule it's always been disinformation and bad actors, or to put it another way, the lack of trustworthiness of the different projects and market players. The inability for even advanced and experienced investors to determine the quality, legitimacy and potential of existing and emerging projects causes extreme inefficiencies in the allocation of capital and time in this market and consequently, the industry as a whole suffers.

CoinSchedule has been rating blockchain projects since 2016, and as the industry has become more mature and competitive, the company has learned to adapt and improve its methods. What started a side project, looking at a handful of token sales to rate every month, soon had to deal with hundreds of projects as the industry entered a hype phase in 2017. It was during that time that the company developed a unique approach to rating blockchain projects. Instead of taking the manual route, where each project is rated by an in-house analyst, CoinSchedule uses algorithms and the power of the crowd. "We realised early on that the only way to ensure consistency, scalability and fairness when rating the different blockchain projects, is to do so programmatically - code never lies." proclaims Alex Buelau, CEO of CoinSchedule.

The company partnered with scientists from the University of Oxford and released its first AI-powered rating algorithm called 'CoinSchedule TrustScore' early in 2018. TrustScore rates blockchain projects based on their credibility. It assigns a risk score to each project based on factual and verifiable information such as verified identities of team members, company paperwork, country of operation and the quality of publicly available data about the project. The algorithm works exactly the same for every project, ensuring a standardized and fair system for all stakeholders, which is very important since CoinSchedule works closely with regulators and major media publications, so it has to stay credible. Thus far, TrustScore has proven to be a great success with over 250 projects rated and 2000 team member IDs verified.

> In a sense, we are becoming the Open Source Moody's of Blockchain

As the blockchain industry enters a new cycle of growth, with more institutional interest and demanding customers, CoinSchedule is getting ready to follow suit. "We are finishing a fundraise and will develop new algorithms to rate everything, from token sales to exchanges, from existing coins to wallets" says Alex. As part of this effort, and to ensure that the process is as transparent and trustworthy as possible, CoinSchedule has vowed to open source all of its current and future rating algorithms. "In a sense, we are becoming the Open Source Moody's of Blockchain" suggests Alex.

For more information visit: info@coinschedule.com

BLOCKCHAIN: BALANCING STAKEHOLDER INTERESTS

Troy Norcross, Co-Founder Blockchain Rookies

Today's supply chains have multiple stakeholders where there are multiple interests and priorities. To no one's surprise, these interests and priorities are not always aligned. Discrete systems lead to both a lack of transparency in goods and a lack of liquidity for remittances.

At one end of the supply chain are the enterprise clients. They want full visibility into their supply chain to ensure quality and traceability of the products as well as to reduce costs associated with insuring their supply chain. By transforming an entire supply chain to be digital and recording much of the information into a blockchain based ledger, this can add real value to the enterprise.

At the other end of the supply chain are the various sources of raw materials, logistics and transportation services, manufacturing and industry companies working to bring transform raw materials into the final goods and services required by the enterprise clients. These businesses are often very capital intensive. The challenge for these companies is that many up-stream companies in the supply chain hold onto payments for 60, 90 or even 180 days. Slow payments terms make for a cheap operating capital loan.

By putting the entire supply-chain, including both transfer and transformation of goods as well as payments onto the blockchain, allows stakeholders to use smart contracts to ensure that both quality of goods is assured and that payments are made nearly instantly upon successful receipt of products to the next point in the supply chain.

Establishing a blockchain for an industry where there are multiple participants can provide a unique environment where quality of products goes up in return for improved liquidity across the supply chain. All stakeholders have to give-a-little in order to get-a-little. The net result is an improvement across the supply chain for everyone – even the end consumer.

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CRYPTO A.M. INDUSTRY VOICES

Inflation is the Enemy

When the elusive Satoshi Nakamoto invented the Bitcoin during the crash of 2008, Bitcoin exploded into the techno-geek market "mind" because the idea to challenge at-the-time dubious central-bank behaviours with a distributed, transparent and digitally-automated monetary system was just too cool.

Very real people have been ornery for decades at their constantly eroding savings, so the idea of an independent fiscal world operating from a mobile phone also attracted the establishment's excitement. Now nearly everyone knows what a Bitcoin is, and what it may portend.

Bitcoin took advantage of the perfect storm of advancing computing power, cryptographic technology and peer-to-peer computing—without which a viable digital currency could not exist. But the implicitly embedded idea of overcoming inflation has been lost in the hype. Now days, a "stablecoin" is just a digital currency pegged to a fiat currency—tied to a government currency.

In other words, the great opportunity for innovative advancement is being wasted on the idea of duplicating the fiat money's intrinsic worthlessness with a new, digital copy of that same baselessness.

It is time for a more scientific approach to money. Consider that much of the world worryingly anticipates the implications for their employer's or investments' bottom line when each new political scandal hits the press. "Will our margins disappear for the XYZ product line shipped overseas?" Have Trump or May said the wrong thing again—have our exports died until another day?

When an Argentine must endure 20% or so inflation every year, or half the rest of the world for that matter, it means that next year for the same stuff, 20% more of their currency must be paid. We are all so used to money losing value that it is considered an unavoidable part of existence. We recoil at the Venezuelan monetary nightmare, as their inflation exceeds 10 million percent, per the IMF's expectations for 2019.

Science and technology need to work their magic again to connect our currency to the world. Government monopoly, however progressive to advocate, really means 'No Innovation Allowed', or at least in the near future. Let's be honest, governments are never going to restore intrinsic value to currency—it simply would cost too much for the existing, very large money supplies.

Digital currencies, such as the FreeMark, can provide a consenting alternative. In a world of tomorrow, intrinsically-valued money tied to the basis of goods, for instance baskets of commodities, can offer a respite to constant inflation and the erosion of our wealth that is a consequence. Consumers should fight for the freedom of choice—for the economic liberty to select the most attractive money they save or spend, just as they choose which restaurant they go to or where they shop for groceries.

This freedom of choice ultimately produces incredible diversity of fulfilment of needs. Sure, your favourite local restaurant may close if not managed capably, or if it does not appeal to enough clients to ensure its survival. But we need better money—we need to have the opportunity to save, or to lose, to risk, or not to, so that we can let the newest offers bloom, see them to their fruition, and discover possibilities yet unborn. Some will fail to achieve their vision, but some will justify their risk.

Ultimately, risk is and must be proportional to reward. The risk of trying new digital currencies that may better preserve our wealth may deliver the reward of preservation of spending power, so that a Venezuela-type of outcome does not result in our financial world.

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