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EXECUTIVE SUMMARY

Bitcoin to Range as Economic Realities Loom

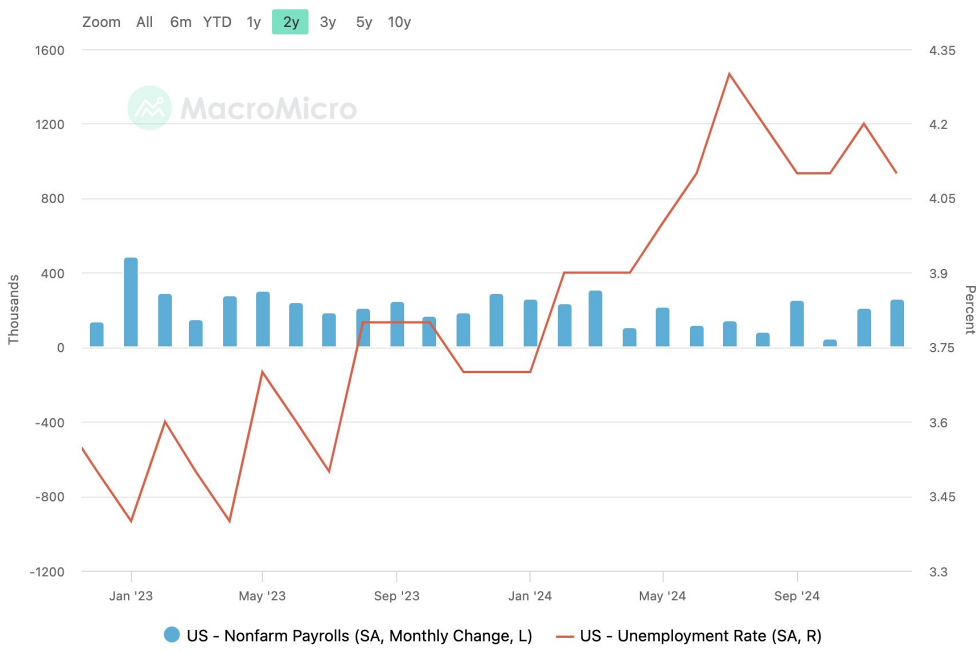
Bitcoin tumbled to a low of $91,430 last week, extending its correction after reaching a record high of $108,100 on 17 December 2024. It continued to drop on Monday of this week and is now down more than 15 percent on growing market caution, driven by surging US Treasury yields and consistent outflows from spot Bitcoin ETFs. Notably, ETFs saw seven days of outflows in the past 12 trading days, with $718 million exiting in just two days, a sharp reversal from the early January inflows of almost $2 billion.

Rising US Treasury yields have hit a 14-month high at 4.79 percent, drawing institutional money away from riskier assets like Bitcoin. Historically, BTC reacts quickly to yield spikes, but this time the impact was compounded by the news that the US Department of Justice plans to liquidate $6.5 billion in seized Bitcoin.

Despite macro pressures, Bitcoin remains resilient—still up 42 percent since the US election—outperforming equities, which have erased post-election gains. However, with the Federal Reserve signalling fewer rate cuts and financial conditions tightening, Bitcoin may face more volatility in the short term. Optimism around pro-crypto regulation under the incoming administration of President-elect Donald Trump could, however, still limit deeper losses and keep BTC in a strong long-term position.

The latest economic data shows that the US economy ended 2024 with a resilient labour market and unexpected growth in the services sector. In December, the labour market added 256,000 nonfarm jobs, surpassing forecasts and marking the strongest monthly gain since March.

Key industries such as healthcare, retail, and leisure led the way, with unemployment falling to 4.1 percent and wages rising by 3.9 percent year-over-year. This solid job growth, coupled with steady wage gains, is underpinning strong consumer spending, a cornerstone of the US economy. The resilient labour market has also eased pressure on the Federal Reserve to cut interest rates further, delaying any potential reductions until mid-2025.



The services sector added to this positive momentum, with the Institute for Supply Management (ISM) reporting an increase in its Purchasing Managers' Index (PMI) to 54.1 in December. This growth was fuelled by rising production and new orders, signalling continued expansion across key industries such as finance, education, and hospitality. However, employment in the services sector dipped slightly, highlighting a nuanced labour landscape with sector-specific challenges.

In the latest cryptocurrency news, the UK Treasury's decision to exempt crypto staking from collective investment scheme (CIS) regulations offers clarity and flexibility for blockchain businesses, fostering innovation and solidifying the UK as a crypto-friendly jurisdiction. Meanwhile, in Hong Kong, the launch of the Supervisory Incubator for Distributed Ledger Technology by the Hong Kong Monetary Authority provides banks with a structured environment to adopt blockchain solutions like tokenised deposits while managing associated risks, setting a global precedent for balancing innovation and regulation.

Crypto markets still faced some uncertainty however following news that the Department of Justice has been authorised to liquidate $6.5 billion worth of Bitcoin seized from the Silk Road marketplace. News of the sale contributed to the 7.2 percent price decline in Bitcoin, amplifying market concerns about potential volatility. This event to an extent challenges the pro-crypto sentiment that fuelled Bitcoin's rally to its recent all-time high and reintroduces regulatory uncertainty, underscoring the delicate interplay between policy decisions and market sentiment.

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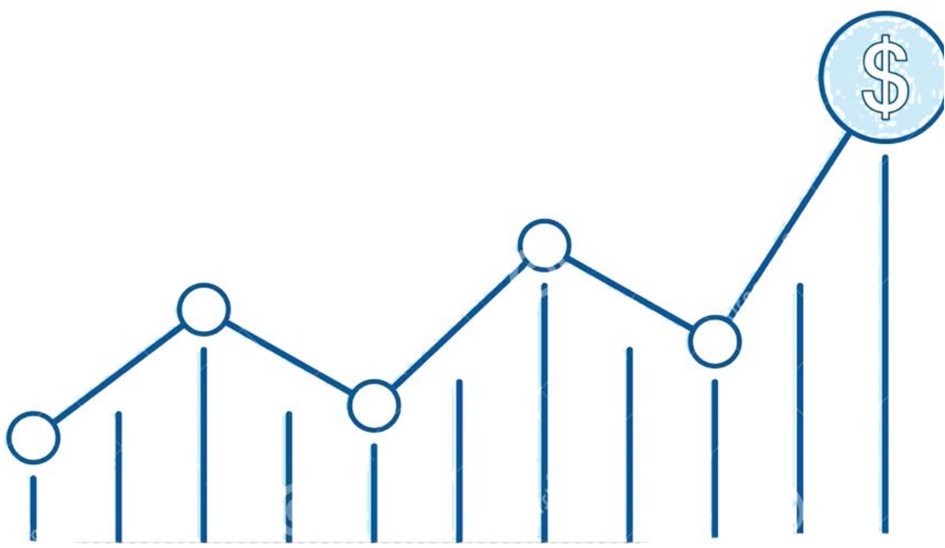


MARKET SIGNALS

Bitcoin Drops Below $92,000

Bitcoin dropped to $91,430 last week, as the likelihood of further near-term interest rate cuts receded, and net outflows were recorded across US spot Bitcoin ETFs.

Figure 1. BTC/USD Daily Chart. (Source: Bitfinex)

While such downside may be limited in the short term, this market reaction suggests the possibility of a more ranging environment over the coming weeks and months, with the market likely to see periods of consolidation as it adjusts to an evolving macroeconomic environment.

Spot Bitcoin ETFs have also experienced net negative flows in seven out of the last 12 trading days. Typically, the "new year, new capital" seasonality leads to rallies at the beginning of the year, and this trend has historically been observed in both traditional and crypto markets.

	IBIT	FBTC	BITB	ARKB	BTCO	EZBC	BRRR	HODL	BTCW	GBTC	BTC	
Fee	0.25%	0.25%	0.20%	0.21%	0.25%	0.19%	0.25%	0.20%	0.25%	1.50%	0.15%	
23 Dec 2024	31.7	(146.0)	(23.7)	(15.7)	(25.6)	0.0	0.0	(2.6)	0.0	(38.4)	(6.2)	(226.5)
24 Dec 2024	(188.7)	(83.2)	8.5	(75.0)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(338.4)
25 Dec 2024	-	-	-	-	-	-	-	-	-	-	-	0.0
26 Dec 2024	56.5	254.4	(8.3)	186.9	0.0	0.0	0.0	2.7	0.0	(24.2)	7.2	475.2
27 Dec 2024	79.4	(208.2)	(36.0)	(112.6)	(14.2)	0.0	0.0	0.0	0.0	3.7	0.0	(287.9)
30 Dec 2024	(36.5)	(154.6)	(31.4)	(26.4)	0.0	0.0	0.0	0.0	0.0	(134.5)	(31.7)	(415.1)
31 Dec 2024	(23.5)	36.8	8.7	(11.2)	0.0	0.0	0.0	0.0	0.0	(9.6)	4.1	5.3
01 Jan 2025	-	-	-	-	-	-	-	-	-	-	-	0.0
02 Jan 2025	(332.6)	36.2	48.3	16.5	0.0	0.0	0.0	5.5	0.0	(23.1)	6.9	(242.3)
03 Jan 2025	253.1	357.0	61.1	222.6	0.0	0.0	0.0	5.6	0.0	0.0	8.7	908.1
06 Jan 2025	209.1	370.2	71.2	152.9	0.0	8.9	0.0	17.3	0.0	73.8	75.2	978.6
07 Jan 2025	596.1	(86.3)	(113.8)	(212.6)	0.0	(5.6)	0.0	0.0	0.0	(125.4)	0.0	52.4
08 Jan 2025	(124.0)	(258.7)	(11.3)	(148.3)	(9.4)	(8.2)	0.0	0.0	0.0	(8.9)	0.0	(568.8)
09 Jan 2025	-	-	-	-	-	-	-	-	-	-	-	0.0
10 Jan 2025	(183.6)	16.6	(1.6)	5.7	0.0	0.0	0.0	0.0	0.0	13.5	0.0	(149.4)

Figure 2 : Spot Bitcoin ETF Daily Flows Across All ETF Providers In The US. (Source: FarsideUK)

Although we saw nearly $1 billion in inflows on both January 3rd and 6th—being the first real trading days of the year (as ETF data across major providers is often delayed by a day), this positive momentum reversed last week, as two consecutive negative days resulted in a total of $718 million in outflows on 8th January and 10th January.

The shift also came as the most recent release of job market data, led to a decrease in the probability of more frequent rate cuts in 2025. In addition, the news that the US Department of Justice had been granted authorisation to liquidate $6.5 billion worth of Bitcoin added pressure to the market during the week.

The Impact of Higher Treasury Yields on Bitcoin

One of the most significant macroeconomic pressures on the Bitcoin price has been the surge in US Treasury yields, particularly the 10-year, which recently climbed to 4.79 percent, its highest level in 14 months. The last time yields rose above 4.6 percent was in April 2024 when a significant top was put in for BTC near $73,000, a level which was not reached again for seven months. This spike in yields has wide-reaching implications for both traditional markets and risk assets like Bitcoin.

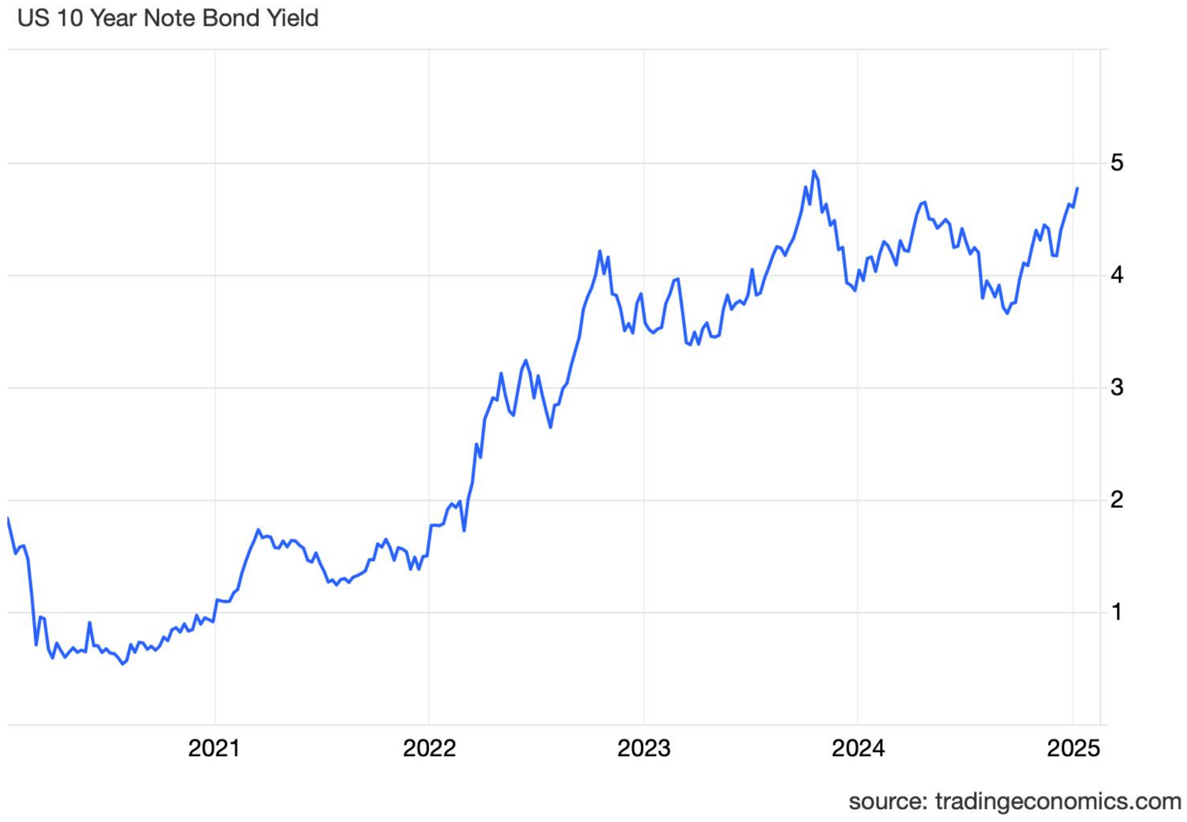


Figure 3. US 10-Year Bond Yield. (Source: TradingEconomics)

Higher Treasury yields lead to rising returns on low-risk government bonds, making them more attractive to institutional and conservative investors relative to high-risk, non-yielding assets like Bitcoin. As yields increase, the opportunity cost of holding Bitcoin rises, prompting some institutional investors to rebalance their portfolios away from cryptocurrencies and into safer, yield-generating assets.

Higher yields also mean tightening financial conditions, which impacts overall liquidity in financial markets. With borrowing becoming more expensive, there is a reduction in the inflow of capital into speculative and growth assets like cryptocurrencies. Institutional investors, especially those managing diversified portfolios, often rotate out of crypto and into bonds to take advantage of safer returns. These investors use bonds and other yield-generating instruments to hedge risk. As bond yields rise, institutions typically de-risk by reducing exposure to volatile assets, including Bitcoin. This rotation has decreased overall crypto market inflows, and exerted downward pressure on BTC prices. We believe this effect is in turn influencing ETF flows where a lot of the institutional entities involved in crypto transact.

Treasury yield moves usually affect risk assets with a delayed effect. The S&P 500 typically reacts to rising 10-year Treasury yields with a lag of 1 to 3 months. This delay occurs because equities are forward-looking and can initially absorb higher yields if they are driven by strong economic growth. However, sustained high yields eventually tighten financial conditions, leading to downward revisions in corporate earnings projections and, eventually, equity market corrections.

For instance, in 2022, the S&P 500 remained resilient for several weeks after yields began climbing but eventually dropped sharply as inflation concerns and Fed rate hikes took their toll.

In contrast, Bitcoin tends to react more quickly than equities due to its higher volatility and greater sensitivity to liquidity changes. The lag for Bitcoin is typically shorter, ranging from 1-2 weeks, and sometimes even less in highly speculative market conditions. Crypto markets, particularly Bitcoin, are more responsive to macroeconomic shifts because it is often viewed as a risk-on asset, heavily influenced by liquidity and investor sentiment.

For example, in mid-2023, a sudden rise in Treasury yields caused Bitcoin to decline within days, while equities experienced a more gradual pullback.

Currently, with the 10-year Treasury yield nearing 4.8 percent, Bitcoin has already shown signs of stress, dropping below $92,000, while the S&P 500 (SPX) is showing a more gradual pullback, illustrating the lagged nature of its response.

Figure 4. SPX Futures Index 4H Chart. (Source: SP)

That said, the SPX also had a 3.1 percent rally to start the year but has since completely reversed the entire move. As Bitcoin nears the $90,000 support level, the SPX is also nearing the pivotal 5770 support level.

The minutes from the Federal Open Market Committee (FOMC) meeting of 17-18 December 2024, that was released last week, revealed one of the most hawkish stances from the Fed in recent months. This came just before the much stronger-than-expected jobs report was issued last Friday, which showed the U.S. economy added 256,000 new jobs in December, with the majority of gains concentrated in a few sectors.

Traders in the Fed Funds futures market are now pricing in a 38.3 percent likelihood that the Fed will not implement any rate cuts in the first half of this year, according to the CME FedWatch tool. This is a sharp increase from just 12.4 percent a month ago. Given these factors, coupled with rising Treasury yields, US stocks are facing significant challenges in 2025. The Dow Jones Industrial Average has had its worst start to a year since 2016, reflecting heightened uncertainty in the markets, with investors increasingly anticipating that the Federal Reserve may pause interest rate cuts at least until May. It has also extended its decline since reaching a new high in early December to about 6.95 percent.

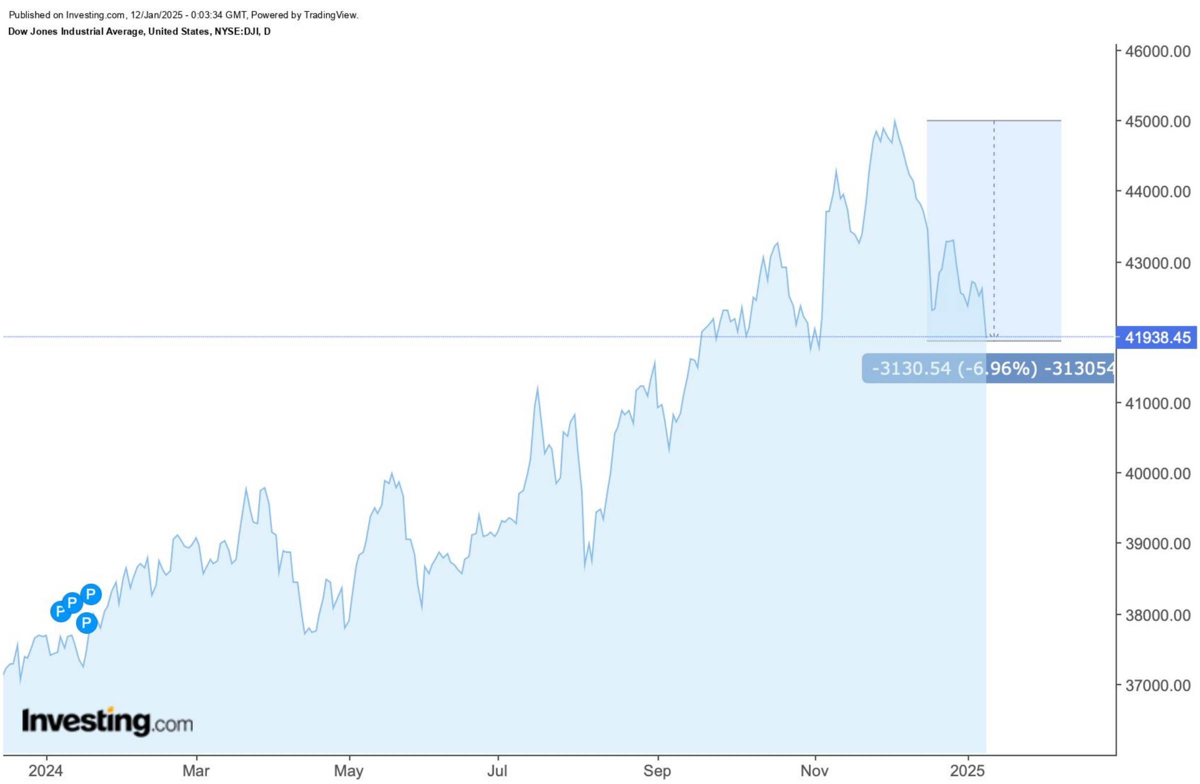


Figure 5. Dow Jones Index Daily Line Chart. (Source: NYSE)

Equity correlation

There are two important considerations for BTC currently with respect to US equities. The first is the BTC-SPX correlation which has traditionally peaked during the first quarter of the year. As we enter Q1 it is important to consider that BTC price action will be increasingly macro-correlated.

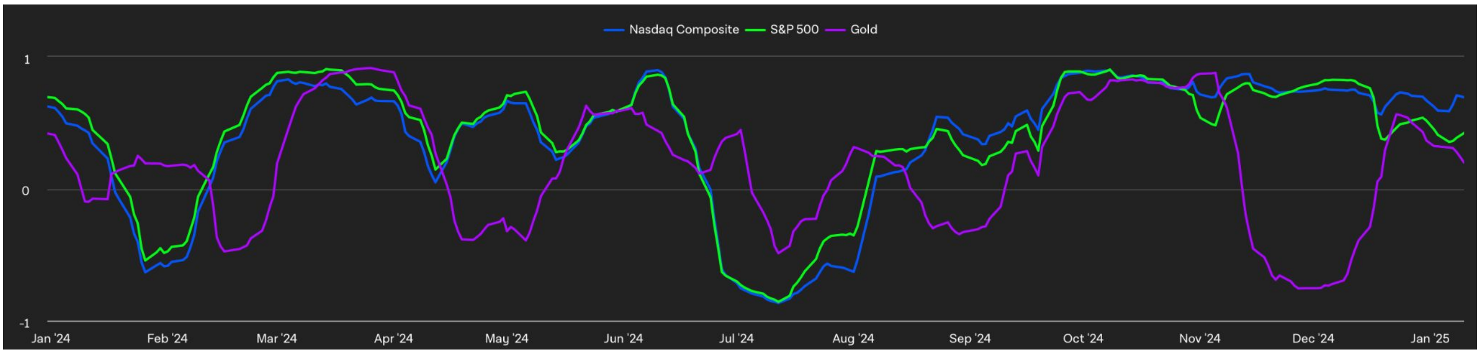


Figure 6. BTC Pearson Correlation With Risk Asset Indices And Gold. (Source: TheBlock)

Secondly, while equities are already retracing their entire post election rallies, BTC is still up 42 percent since the election day low of $67,541. After lagging equities on a relative basis for an 8-month period during 2024, this is an increasingly positive development for the crypto market and demonstrates some resilience. Thus, it is important to consider that while a ranging environment is likely going forward given the changing macro backdrop, a Trump win and the prospect of favourable regulations for crypto continue to contribute to relative strength, at a time when all risk assets are facing macro headwinds on a lower timeframe.

GENERAL MACRO UPDATE

Resilient US Labour Market Boosts Economic Confidence

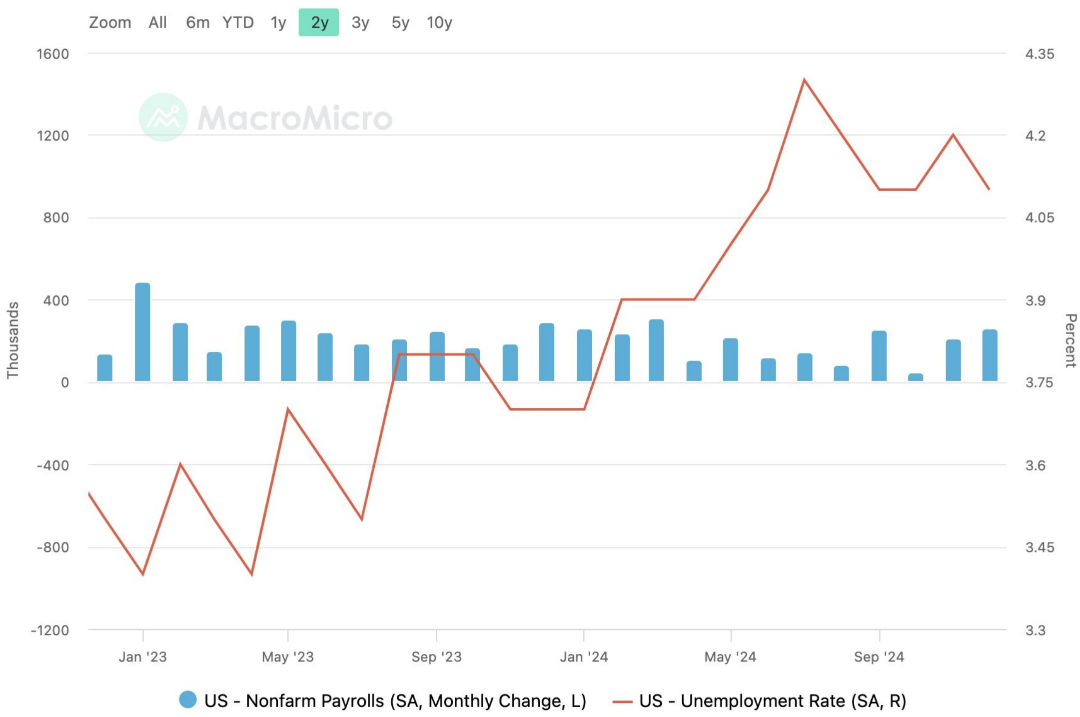
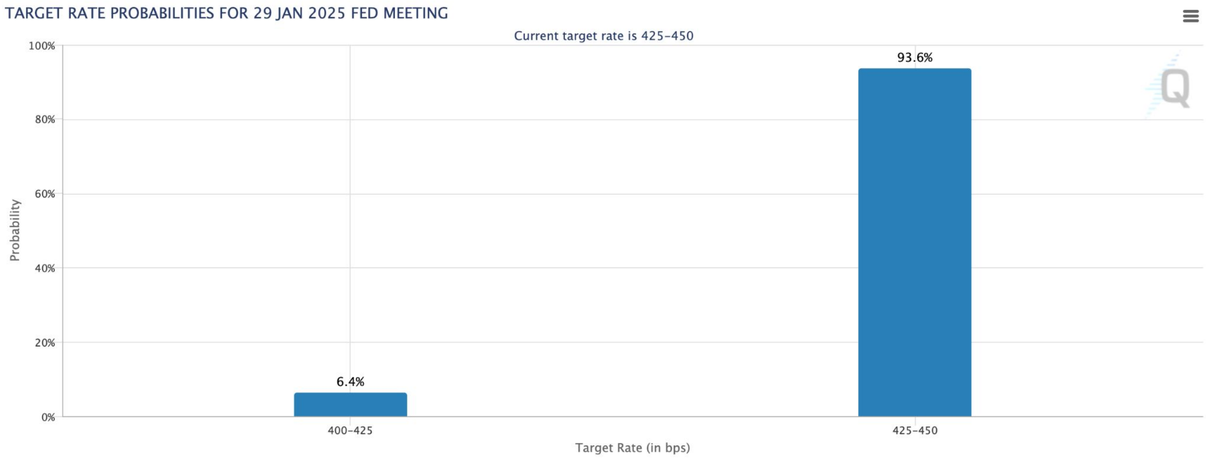


Figure 7. **US Employment (US Bureau of Labor Statistics)**

The US labour market continues to demonstrate the remarkable resilience that has been a key characteristic of the US economy.

As 2024 closed, the latest data for December revealed stronger-than-expected job growth and declining unemployment rates.

The unemployment rate fell to 4.1 percent, accompanied by steady wage increases, according to the Bureau of Labor Statistics' US Employment Situation Summary last Friday, January 10th. The data reinforced expectations that the Federal Reserve will keep interest rates unchanged in the near term, bolstering the dollar's strength while pushing long-term bond yields higher.



TARGET RATE (BPS)	PROBABILITY(%)			
	NOW *	1 DAY 10 JAN 2025	1 WEEK 3 JAN 2025	1 MONTH 11 DEC 2024
400-425	6.4%	3.2%	10.7%	20.8%
425-450 (Current)	93.6%	96.8%	89.3%	77.2%
450-475	0.0%	0.0%	0.0%	2.0%

* Data as of 11 Jan 2025 04:10:34 CT

Figure 8. Target Rate Probabilities for January 2025 Fed Meeting (CME FedWatch Tool)

December saw the addition of 256,000 nonfarm jobs, exceeding the consensus forecasts of 155,000. This marked the strongest monthly gain since March, with industries such as healthcare, retail, and leisure leading the way. Retail alone added 43,000 positions, reversing declines seen in November, while healthcare employment rose by 46,000, supported by hiring across hospitals and residential care facilities.

Meanwhile, wages continued their upward trajectory, with hourly earnings rising 0.3 percent from the previous month and 3.9 percent year-over-year.

Despite a significant influx of 243,000 workers into the labour force in December, the participation rate held steady at 62.5 percent. The employment-to-population ratio, however, edged up slightly to 60 percent, reflecting a gradual improvement in job creation capacity.

Nonetheless, structural challenges remain. Over 22 percent of the unemployed have been out of work for 27 weeks or longer, highlighting one subset of the labour force that is struggling to regain employment. This dynamic underscores the evolving labour landscape, where technological advancements such as automation and artificial intelligence reshape job opportunities.

The strong performance of the labour market has eased pressure on the Fed to lower interest rates further. While multiple rate cuts were initially anticipated in 2024, policymakers are now signalling caution, with the first potential reduction delayed until mid-year. This shift aligns with ongoing concerns over inflationary risks fueled by rising wages and robust consumer spending.

The Fed's decision to adopt a "wait-and-see" approach has strengthened the US dollar and pushed Treasury yields to new highs. These factors are enhancing the dollar's appeal but could pose challenges for American exporters by making US goods more expensive abroad.

The labour market's strength is contributing to a solid economic foundation, with GDP growth in the third quarter at 3.1 percent. This exceeds the 1.8 percent widely recognised estimate of what the US long-term growth rate should be to achieve non-inflationary economic expansion. Rising wages are supporting consumer spending, which remains a cornerstone of economic activity. At the same time, the robust dollar, bolstered by higher Treasury yields, continues to assert its dominance in global financial markets.

The US labour market remains a pillar of economic stability, with job growth and wage gains underscoring the resilience of the broader economy. While structural challenges and sector-specific weaknesses persist, the overall outlook is positive.

US Services Sector Shows Unexpected Growth in December

The US services sector posted stronger-than-expected growth in December, driven by rising production and new orders, even as businesses remained cautious ahead of the incoming Trump administration and grappled with tariff concerns and inflationary pressures.

Index	Series Index Dec	Series Index Nov	Percent Point Change	Direction	Rate of Change	Trend** (Months)
Services PMI®	54.1	52.1	+2.0	Growing	Faster	6
Business Activity/ Production	58.2	53.7	+4.5	Growing	Faster	6
New Orders	54.2	53.7	+0.5	Growing	Faster	6
Employment	51.4	51.5	-0.1	Growing	Slower	3
Supplier Deliveries	52.5	49.5	+3.0	Slowing	From Faster	1
Inventories	49.4	45.9	+3.5	Contracting	Slower	2
Prices	64.4	58.2	+6.2	Increasing	Faster	91
Backlog of Orders	44.3	47.1	-2.8	Contracting	Faster	5
New Export Orders	50.1	49.6	+0.5	Growing	From Contracting	1
Imports	50.7	53.8	-3.1	Growing	Slower	6
Inventory Sentiment	53.4	54.6	-1.2	Too High	Slower	20
Customers' Inventories	N/A	N/A	N/A	N/A	N/A	N/A
Overall Economy				Growing	Faster	6
Services Sector				Growing	Faster	6

Figure 9. Institute of Supply Management on Services

The Institute for Supply Management (ISM) reported last Tuesday, January 7th, that its services sector purchasing managers' index (PMI) rose to 54.1 in December, up from November's 52.1. This exceeded the consensus forecast of 53.4 and signalled continued expansion, as any reading above 50 indicates growth. However, the index remains below its October level (prior to the US 2024 election), suggesting that businesses are still cautious ahead of President-elect Donald Trump's inauguration later this month.

Most key metrics in the services sector, which spans industries such as finance, education, and hospitality, showed improvement in December. Production grew significantly, and new orders edged up, signalling strong demand. However, employment in the sector dipped during the month, pointing to some easing in some sectors of the tight labour market that had been a hallmark of the broader economy.

Among industries, finance and insurance experienced the strongest growth in December, while real estate suffered the steepest contraction. Meanwhile, input prices climbed sharply, continuing the inflationary pressures that have troubled policymakers. Despite efforts to control inflation, progress toward the Fed's two percent target stalled during the latter half of 2024 due to the economy's resilience.

In December, the Fed cut interest rates for the third time in 2024, aiming to reduce the burden of high borrowing costs on business activity and investment. However, with a steady economy and persistent inflation concerns, further rate cuts may not be likely in the near term. Policymakers remain cautious about potential inflationary pressures as the Trump administration begins its tenure.

NEWS FROM THE CRYPTO-SPHERE

UK Treasury Exempts Crypto Staking from Collective Investment Scheme Regulations

Figure 10.UK Treasury Exempts Crypto Staking from Collective Investment Scheme Regulations (Source: www.gov.uk)

- The United Kingdom Treasury Department has amended the Financial Services and Markets Act 2000 to clarify that crypto staking is not classified as a "collective investment scheme" (CIS), freeing staking services from stringent CIS regulations and allowing smoother operations for blockchain businesses
- This regulatory update, effective January 31, 2025, provides clarity and flexibility for crypto firms in the UK, and is a move to becoming a more crypto-friendly environment, following regulatory efforts to curtail access to crypto investing in the retail market in 2024

The United Kingdom Treasury department introduced a key amendment to the Financial Services and Markets Act 2000, clarifying that crypto staking—a fundamental process in proof-of-stake blockchains like Ethereum and Solana—do not fall under the regulatory definition of a "collective investment scheme" (CIS). The amendment was passed before parliament last Thursday, January 9th.

This update provides much-needed clarity for cryptocurrency businesses operating within the UK, allowing them to offer staking services without facing the rigorous compliance requirements typically applied to CIS activities. The amendment includes a new provision explicitly stating that "qualifying cryptoasset staking" is not considered a CIS.

The legislation defines "qualifying cryptoasset staking" as the process of validating transactions on a blockchain or similar distributed ledger technology. The Treasury acknowledged that applying CIS regulations to staking arrangements would impose undue burdens, potentially disrupting the efficient operation of blockchain networks and the services offered to users.

The updated legislation is scheduled to take effect on January 31, 2025.

Staking involves participants locking up their cryptocurrency to validate blockchain transactions, earning rewards—usually additional tokens—in return. Some staking services pool user assets, which had previously raised concerns about whether these arrangements should be classified as CIS. In the UK, CIS regulations govern schemes where participants pool funds to generate profits or income, such as investment funds or exchange-traded funds (ETFs). These schemes require authorisation and compliance with rules enforced by the Financial Conduct Authority. Applying these rules to staking would have introduced significant regulatory challenges for blockchain businesses, potentially stifling innovation and participation in the sector.

The UK Treasury's decision to exempt crypto staking from CIS regulations is a significant step toward fostering innovation in the blockchain industry. By tailoring regulations to the unique nature of staking, the government has provided greater certainty for crypto businesses, ensuring they can operate more effectively without unnecessary regulatory barriers.

Hong Kong Introduces Supervisory Incubator to Support Safe Adoption of Blockchain Technology

Figure 11. Hong Kong Introduces Supervisory Incubator to Support Safe Adoption of Blockchain Technology

- **The Hong Kong Monetary Authority (HKMA) launched the Supervisory Incubator for Distributed Ledger Technology (DLT) to help banks adopt blockchain solutions like tokenised deposits, while managing associated risks**
- **This initiative supports innovation in this sector by providing risk management guidance, live trials, and industry collaboration, positioning Hong Kong as a leader in integrating blockchain into traditional finance**

The Hong Kong Monetary Authority (HKMA) has launched the Supervisory Incubator for Distributed Ledger Technology (DLT) to help banks, which the HKMA regulates, unlock the potential of blockchain technology while managing risks responsibly. The initiative, introduced last Wednesday, January 8th, aims to guide banks in implementing DLT-based solutions like tokenised deposits, ensuring a seamless integration with traditional banking systems.

The Incubator acts as a **one-stop supervisory platform** where banks can validate their risk management strategies before launching blockchain-based services. A dedicated team from the HKMA will provide feedback, assist with live trials, and help refine processes under an iterative approach. This structure supports banks in responsibly navigating the complexities of transitioning to DLT.

At the industry level, the program promotes best practices in managing DLT risks through targeted guidance, workshops, and collaborative research. These initiatives aim to improve the entire sector's readiness to adopt blockchain technology effectively.

The launch was announced during the fourth edition of the **FiNETech series** , a fintech-focused event attended by over 300 professionals from the financial and technology sectors. The series has become a platform for exploring how blockchain can enhance transaction efficiency and data utilization across banking, insurance, and securities industries.

This move by the HKMA underscores the growing acceptance of blockchain technology within traditional financial systems. By creating a structured environment for banks to safely adopt DLT, Hong Kong is paving the way for broader institutional use of blockchain, including tokenised assets and innovative financial products. This initiative not only fosters innovation but also sets a global precedent for how regulators can balance the need for innovation with risk management, signaling positive growth for the blockchain and crypto sectors.

DOJ Authorised to Liquidate $6.5 Billion in Seized Silk Road Bitcoin

Figure 12. DOJ Authorised to Liquidate $6.5 Billion in Seized Silk Road Bitcoin

- **The US Department of Justice (DOJ) has received court authorisation to proceed with the sale of approximately 69,370 Bitcoin, valued at around $6.5 billion, which had previously been seized from the Silk Road darknet marketplace.**
- **Prior to the anticipated sale, a DOJ-controlled wallet executed a test transaction of 0.001 BTC to a Coinbase Prime address, signalling possible preparations for the liquidation process.**
- **The impending sale has raised concerns among traders about potential market volatility, causing BTC price to decline about 7.2 percent in a few hours post the news.**

Background and Details

The Silk Road, operational between 2011 and 2013, was an online black market that utilised Bitcoin for transactions involving illegal goods and services. Following its shutdown by the FBI in 2013 and the arrest of its founder, Ross Ulbricht, authorities seized significant amounts of Bitcoin associated with the platform.

In recent developments, the DOJ has been granted approval to liquidate a substantial portion of these seized assets. Blockchain data revealed that a wallet associated with the DOJ conducted a 0.001 BTC test transaction to a Coinbase Prime address as far back as April 2nd, 2024, followed by the transfer of approximately 30,174 BTC (worth about $2 billion at the time) to a different address.

As per court documents, The DOJ had requested accelerated approval to sell the assets, as officials contended that the current volatility of prices is a main reason to avoid further delay.

Implications for Traders

The introduction of such a large quantity of Bitcoin into the market could influence liquidity and price volatility. Historically, large-scale government sales of seized Bitcoin have impacted market dynamics. Last year's German government's sale of 50,000 BTC had a noticeable effect on prices. Traders will be monitoring the DOJ's chosen method for the sale. Needless to say, an over-the-counter (OTC) transaction may mitigate market disruption compared to open market sales.

Other mitigants include the fact that Bitcoin's Realized Cap, its value based on the price of each coin when it was last moved, has grown by $381.7 billion in the past year alone, rendering the $6.5 billion sale relatively insignificant in the broader market context. The Realized Cap calculates Bitcoin's market value based on the price at which each coin last moved on the blockchain, rather than the current market price. The $6.5 billion worth of seized Silk Road Bitcoin represents only about 1.7 percent of the increase in the Realized Cap. Thus, the Bitcoin market has demonstrated the ability to absorb larger capital flows without significant long-term disruption. For context, Bitcoin ETFs alone have absorbed large inflows, and institutions regularly trade in volumes that dwarf the $6.5 billion figure.

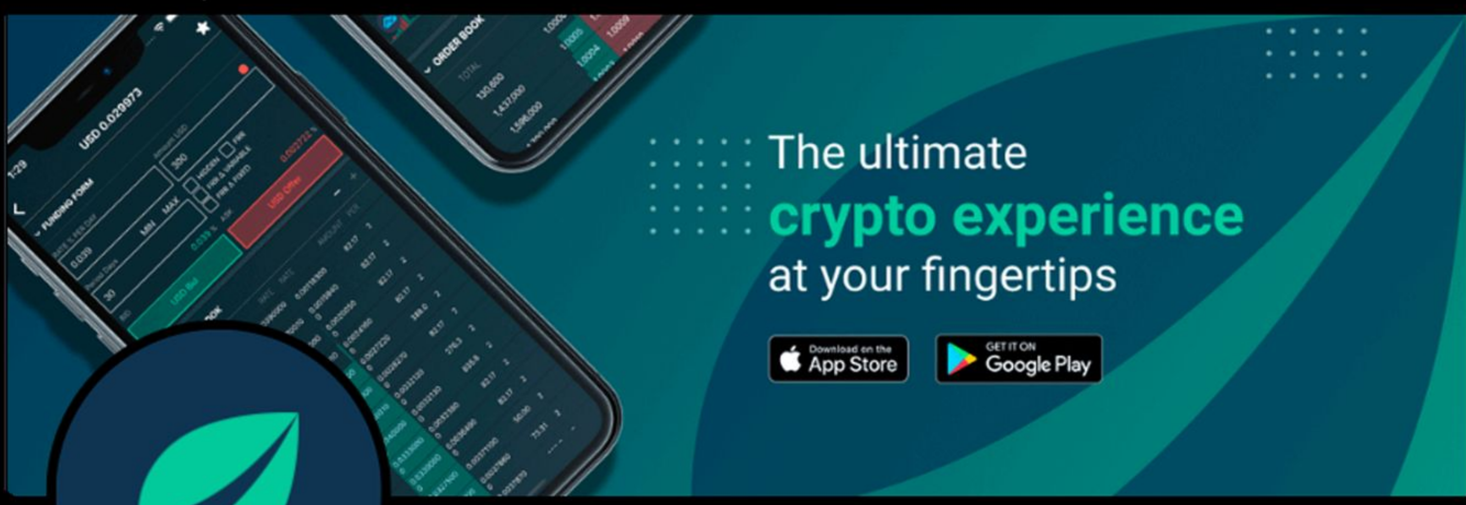
Market Outlook

The DOJ news caused BTC to fall by approximately 7.2 percent, however, other macroeconomic factors like the tight labour market data released last Friday also influenced the price decline. The forthcoming DOJ sale adds an element of uncertainty, and more than the price impact of a $6.5 billion sale in the Bitcoin spot markets, it is the market reaction and the effect on sentiment that a sale actually going through represents. The news exacerbated the current lower timeframe bearish move on BTC, as it dropped to $91,430 or a 15.4 percent retracement from the ATH (all time high) of $108,100 reached on 17 December, 2024.

Figure 13. Bitcoin Price Reaction

It is important to note that the main bullish catalyst for Bitcoin’s rally from November 2024 to form the current ATH of $108,100 was the belief that the incoming US administration would be pro-crypto. This rally is tied to expectations of regulatory support and institutional adoption.

However, the DOJ's decision to proceed with this sale—even before the inauguration of the new administration—challenges that narrative. This move re-introduces regulatory uncertainty.



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