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➢ Mario Draghi brought political stability to Italy. Now, a key election threatens it all.

Italy is back on the radar of many investors as an upcoming presidential vote threatens the political stability seen over the last year.
In two weeks, the country's lawmakers and regional delegates will decide who should become the next president as the term of Sergio Mattarella comes to an end on Feb. 3. Over 1,000 of the country's parliament and regional representatives are due to begin voting on Jan. 24.

The main issue is whether Mario Draghi, currently the country's prime minister, will be chosen as the new president.
The appointment of Draghi, the former president of the European Central Bank, to national politics about a year ago put an end to several years of political turbulence in the country. The yield on the 10-year Italian bond dropped to its lowest level of 2021 shortly after news that Draghi was likely to be the new prime minister.
His government, comprised mostly of politicians from different parties and some technocrats, has appeased markets due to its parliamentary support and reform plans.
Draghi's potential departure from government, however, risks this economic and political stability.

Analysts at Goldman Sachs said in a note Thursday that Draghi's departure would "trigger uncertainty regarding the new government and its policy effectiveness."
"Given the diverging interests among the parties in Parliament and the typical length of time it takes to form a new government, we are more concerned than the consensus that this scenario would entail a delay to the implementation of the Recovery Fund and related reforms," they said. The Recovery Fund refers to the 191.5 billion euros ($216.68 billion) that the country is due to receive from the EU to deal with the economic shock from the coronavirus pandemic.
The disbursements of the funds are linked to the implementation of previously promised reforms. Both aspects are seen by experts as pivotal to fostering the Italian economy, which has struggled for many years.
Wolfango Piccoli, co-president of the consultancy firm Teneo, also pointed out short-term risks to the economic recovery if Draghi becomes president.
"Regardless of whether Draghi is elected as president or not, Italy is unlikely to hold parliamentary elections a year ahead of schedule. However, the process to install a new prime minister and a new government is likely to be noisy and the current heterogeneous ruling coalition may undergo a partial reconfiguration," he said in a note Wednesday.
The current parliamentary term expires in 2023 and Italians will then head to the polls to choose a new parliament and government, if no snap election takes place in the meantime.
Draghi signaled in his end-of-year press conference that he is available to take on the country's presidency.
"What's in [it] for Mario Draghi is that he will be able to secure Italian stability over the medium to long-term," Guido Bodrato, economist at Berenberg, told CNBC's "Street Signs Europe" on Thursday.
He also wants to push political parties to actually be held accountable [for] government action."

It is tradition for those interested in becoming the president of Italy to signal their willingness, but not to officially announce they are running.
Other potential candidates in the running include Silvio Berlusconi, the former prime minister who was temporarily barred from public office after a conviction for tax fraud in 2012; Giuliano Amato, who twice served as prime minister; Justice Minister Marta Cartabia; former lower house speaker Pier Ferdinando Casini; and economics commissioner and former prime minister Paolo Gentiloni.
"The body of 'grand electors' that will elect [the] next president is currently composed of 1,007 members (58 regional delegates who are still to be appointed and 949 lawmakers)," Piccoli of Teneo said, though the final number could become 1,008 due to an upcoming by-election.
In the first three rounds of voting, a two-thirds majority is needed to elect a new president. After that, a simple majority becomes enough to choose a new head of state, Piccoli highlighted.
The "grand electors" could be in for a long process with voting rounds expected to take 6 hours due to pandemic restrictions.
"Intense political maneuvering behind closed doors characterizes the election of the president as the whole process is managed by political parties.

Experience also suggests that in the absence of a clear candidate emerging in the first round of voting, the dynamics of the voting itself often generate new alliances or consensus around names which, in principle, were only considered at best secondary options," Piccoli added.

➢ Russia is risking all-out war to prevent Ukraine from joining NATO.

Russia's dealings — or, more accurately, its clashes — with the West have centered on one country which has been a particular flashpoint for confrontations in recent years: Ukraine.
It's back in focus this week with a series of high-stakes meetings taking place between Russian and Western officials that are centered on trying to defuse heightened tensions between Russia and its neighbor.
A particular issue right now is whether Ukraine — something of a frontier country between Russia and the rest of Europe, and one which aspires to join the EU — could one day become a member of the Western military alliance NATO.
This is a possibility Russia vehemently opposes.
As the Russia Council prepares to meet NATO officials in Brussels on Wednesday, CNBC has a guide to why Russia cares so much about Ukraine and how far it might be willing to go to stop Ukraine from joining the alliance.

Relations between the European neighbors hit a low in 2014 when Russia annexed Crimea from Ukraine, and it has supported a pro-Russian uprising in the east of the country where low-level fighting between Ukrainian forces and pro-Russian troops has continued ever since.
Tensions have ratcheted up even further in recent months amid multiple reports of Russian troops amassing at the border with Ukraine, prompting widespread speculation that Russia is preparing to invade the country although it has repeatedly denied it is planning to do so.
For their part, the U.S., EU and NATO have warned Russia that they will, as President Joe Biden told President Vladimir Putin during a phone call on Dec. 30, "respond decisively if Russia further invades Ukraine." Just how far the West would go to defend Ukraine is a big question, however.

Last month, Russia set out several main demands to the West on Ukraine, among other security matters, in a draft security pact.
In the document, it demanded that the U.S. must prevent further eastward expansion of NATO and must not allow former Soviet states to join the alliance.
Russia also demanded in the draft pact that the U.S. "shall not establish military bases" in the territories of any former Soviet states that are not already members of NATO, or "use their infrastructure for any military activities or develop bilateral military cooperation with them."
Although not mentioned by name in the draft pact, Ukraine is an obvious focal point for the Russians — it is a former Soviet republic, as is Russian ally Belarus, Azerbaijan, Moldova and Armenia, among others. The former Soviet states of Latvia, Lithuania and Estonia are already NATO members.
Russia has already, and often, expressed its dislike of U.S. missile defense complexes in Poland and Romania in Eastern Europe and the bolstering of NATO's presence, in terms of "combat-ready battlegroups," as NATO describes them, in the Baltic states and Poland.
For their part, the U.S. and NATO have already described demands that Ukraine not be admitted to NATO, or that it roll back NATO deployments in Eastern Europe, as "non-starters" — in the words of U.S. Deputy Secretary of State Wendy Sherman, who led the U.S. delegation in talks with Russian officials in Geneva on Monday.
While she noted that the U.S. had pushed back against Russia's security proposals, her Russian counterpart Sergei Ryabkov said the talks, which lasted around seven hours, were "difficult" and signaled that Moscow's demands had not changed, telling reporters, "it's absolutely mandatory to make sure that Ukraine never — never ever — becomes a member of NATO."
With no clear progress made in talks on Monday, hopes are being pinned on further discussions between Russian and NATO officials in Brussels on Wednesday, and more discussions on Thursday at the Organization for Security and Cooperation in Europe in Vienna.

Putin has made no bones about the fact he thinks the breakup of the Soviet Union was a catastrophe for Russia, describing it as the "greatest geopolitical tragedy" of the 20th century.
Ukraine has particular importance for Russia, given its location — it stands as a bulwark between Russia and the eastern EU states — as well as symbolic and historical importance, often being seen as a "jewel in the crown" of the former Soviet empire.
Putin has extolled the cultural, linguistic and economic ties Ukraine has with Russia, describing Russians and Ukrainians as being "one people" last year. He even wrote an essay on the subject, titled "On the Historical Unity of Russians and Ukrainians."

The sentiment is not largely requited in Ukraine, with the country's government under President Volodymyr Zelenskiy looking westward for economic aid and geopolitical strength, particularly in the years following Russian's 2014 annexation of Crimea.
Ukraine has repeatedly expressed its desire to join the EU and NATO, which represents a geopolitical kick in the teeth for a resurgent Russia vying to maintain power and influence in the region.
Many strategists and close followers of Russian politics believe Putin, who has been in power alternating between prime minister and president since late 1999, harbors a strong desire to invade Ukraine.
Maximilian Hess, fellow at the Foreign Policy Research Institute, told CNBC on Tuesday that "Russia is not just seeking to prohibit Ukraine from joining the alliance — something it has sought to do since Ukraine's 2008 NATO Membership Action Plan (MAP) application — but also to remove Ukraine from the Western sphere of influence to which it has moved since the 2014 Ukrainian Revolution."
"NATO membership is particularly symbolic, but Russia would not accept a situation in which the West significantly expanded military support to Ukraine either."

One of the biggest questions facing Western officials is just how far Russia is willing to go to stop Ukraine's drift toward Europe and the West, and to enhance and extend its presence and influence in the country as it stands.
At talks on Monday, Russia's delegation insisted that there were no plans to invade Ukraine, but analysts aren't so sure.
Angela Stent, director emerita of Georgetown University's Center for Eurasian, Russian and East European Studies, told CNBC on Tuesday that a Russian invasion of Ukraine could still happen. "Let's say, 50-50 at the moment," she said, adding that it could be a "more limited invasion" rather than a massive one.
"That danger still lies there," she said.
Hess agreed, noting that "I do think Russia is prepared to go to war, but I do not think the Kremlin would desire a war far beyond the current fronts. The risks of encountering a sustained Guerilla resistance would be very high, particularly if they went beyond Donetsk and Luhansk Oblasts," he said.
Russia does need a "credible invasion threat" to remain, however, especially as it's played the key role in bringing the U.S. to the table, Hess added.
"The risk of renewed or expanded Russian invasion — Ukraine of course already faces an ongoing Russian invasion of Crimea and proxy occupation of parts of Donetsk and Luhansk — has never fully receded these past eight years and is unlikely to after these talks as maintaining the ability to restrict Ukraine's potential success is still seen as key to the long-term self-preservation of the Kremlin," he said.
Meanwhile, Tony Brenton, a former British ambassador to Russia, told CNBC on Tuesday that both Russia and the U.S. want to avoid a military confrontation and that Moscow just wants what it sees as its interests "accommodated."

- **Inflation rises 7% over the past year, highest since 1982.**

Inflation plowed ahead at its fastest 12-month pace in nearly 40 years during December, according to a closely watched gauge the Labor Department released Wednesday.
The consumer price index, a metric that measures costs across dozens of items, increased 7%, according to the department's Bureau of Labor Statistics. On a monthly basis, CPI rose 0.5%.
Economists surveyed by Dow Jones had been expecting the gauge to increase 7% on an annual basis and 0.4% from November.
The annual move was the fastest increase since June 1982 and comes amid a shortage of goods and workers and on the heels of unprecedented cash flowing through the U.S. economy from Congress and the Federal Reserve.
Despite the strong gain, stocks rose after the news while government bond yields were mostly negative.
"The December CPI report of a 7% increase over the last 12 months will be shocking for some investors as we haven't seen a number that high" in almost 40 years, said Brian Price, head of investment management at Commonwealth Financial Network. "However, this print was largely anticipated by many, and we can see that reaction in the bond market as longer-term interest rates are declining so far this morning."
Excluding food and energy prices, so-called core CPI increased 5.5% year over year and 0.6% from the previous month. That compared with estimates of 5.4% and 0.5%. For core inflation, it was the largest annual growth since February 1991.
Shelter costs, which make up nearly one-third of the total rose 0.4% for the month and 4.1% for the year. That was the fastest pace since February 2007.
Used vehicle prices, which have been a major component of the inflation increase during the Covid pandemic due to supply chain constraints that have limited new vehicle production, rose another 3.5% in December, bringing the increase from a year ago to 37.3%.

Conversely, energy prices mostly declined for the month, falling 0.4% as fuel oil was down 2.4% and gasoline fell 0.5%. Still, the complex as a whole rose 29.3% in the 12-month period, including a gain of 49.6% for gasoline.

Fed officials are watching the inflation data closely and are widely expected to raise interest rates this year in an effort combat increasing prices and as the jobs picture approaches full employment. Though the central bank uses the personal consumption expenditures price index as its primary inflation measure, policymakers take in a wide range of information in making decisions.

"This morning's CPI read really only solidifies what we already know: Consumer wallets are feeling pricing pressures and in turn the Fed has signaled a more hawkish approach. But the question remains if the Fed will pick up the pace given inflation is seemingly here to stay, at least in the medium-term," said Mike Loewengart, managing director for investment strategy at E-Trade. "With Covid cases continuing to rise, the impact on the supply chain and labor shortages could persist, which only fuels higher prices."

Inflation has been eating into otherwise strong wage gains for workers. However, real average hourly earnings posted a small 0.1% increase for the month, as the 0.6% total gain outweighed the 0.5% CPI headline increase. On a year-over-year basis, real earnings declined 2.4%, according to BLS calculations.

Fed officials largely attribute rising inflation pressures to pandemic-specific issues in which a shortage of workers has led to clogged supply chains and empty store shelves. Though there are signs the omicron variant cases could peak soon, lingering Covid issues combined with cold weather in the Northeast point "to renewed upward pressure on food prices," wrote Paul Ashworth, chief U.S. economist at Capital Economics.

Food prices broadly rose 0.5% for December and were up 6.3% on a 12-month basis, the biggest rise since October 2008.

Investors largely expect the Fed to start raising rates in March. Fed Chairman Jerome Powell, at his confirmation hearing Tuesday before the Senate banking panel, did not provide any specific dates but acknowledged that if current conditions persist, rate hikes are on the way.

Markets are pricing a nearly 79% chance for the first quarter-percentage point increase to come in May and see about a 50% chance the Fed could enact four such hikes in 2022, according to the CME's FedWatch Tool.

- **European carriers are flying thousands of near-empty planes this winter just to keep their airport slots.**

Airlines in Europe this winter are flying passenger planes that are at times nearly empty in order to hold onto coveted take-off and landing spots at airports during a time of lower travel demand.

Recent publicity around this usage requirement has sparked controversy and anger at a time of growing international concern over climate change and the carbon emissions created by the aviation industry.

Airport industry representatives, meanwhile, are defending it, arguing for the need to maintain commercial viability, connectivity and competitiveness.

Airlines have expressed frustration over so-called "use it or lose it" slot rules established by the European Commission, the EU's executive arm, which was suspended in March 2020 as the industry was floored by the Covid-19 pandemic. It has since been brought back incrementally to now require airlines to use 50% of their allocated airport slots. That figure is scheduled to increase to 80% this summer.

German carrier Lufthansa is among those airlines and is already cutting some 33,000 flights over the winter season as the omicron variant hobbles demand. Still, it must make 18,000 flights over the winter season to meet its slot use requirement, its CEO said. Its subsidiary Brussels Airlines is having to make 3,000 almost-empty flights by the end of March.

"Due to the weak demand in January, we would have reduced significantly more flights," Lufthansa Group CEO Carsten Spohr told a German newspaper in late December. "But we have to make 18,000 additional, unnecessary flights in winter just to secure our take-off-and-landing rights."

He added: "While climate-friendly exemptions were found in almost all other parts of the world during the time of the pandemic, the EU does not allow this in the same way. That harms the climate and is exactly the opposite of what the EU Commission wants to achieve with its 'Fit for 55' program."

The "Fit for 55" program was adopted by Commission in July of 2021 to meet the new EU goal of reducing greenhouse gas emissions by a minimum of 55% by 2030.

In the face of criticism from airlines and environmentalists, airport industry representatives are pushing back, saying there is "no reason" why the thousands of near-empty flights should be reality.

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Airport industry body Airports Council International (ACI) expressed support for the European Commission's position, arguing that its lowering of the airport slot use threshold to 50% was "designed to reflect the uncertainties of a badly hit market and fragile recovery for aviation."
"A few airlines are claiming they are forced to run high volumes of empty flights in order to retain airport slot usage rights. There is absolutely no reason why this should be the reality," Olivier Jankovec, Director General of ACI Europe, said in a statement in early January.
He rejected the notion of completely empty "ghost flights" being flown, as have the airlines themselves, who say that rather than being completely empty, the flights often have very few passengers and would otherwise be canceled if it weren't for the slot use requirement.
"Low load factors have of course been a reality throughout the pandemic," Jankovec said, "but the retention of vital air connectivity for both economic and societal imperatives is well documented ... Balancing commercial viability alongside the need to retain essential connectivity and protect against anti-competitive consequences is a delicate task."

Environmental activists are not impressed. "'Brussels Airlines makes 3,000 unnecessary flights to maintain airport slots'," Swedish climate activist Greta Thunberg wrote on Twitter last week, citing a headline of a Belgian newspaper. "The EU surely is in a climate emergency mode…"
The aviation sector creates about 14% of the carbon emissions from overall transport, making it the second-biggest source of transport greenhouse gas emissions after road travel, according to the commission, which also says that if global aviation were a country, it would rank in the top 10 emitters.
The European Commission says on its own website that "aviation is one of the fastest-growing sources of greenhouse gas emissions" and that it "is taking action to reduce aviation emissions in Europe."
Belgian mobility minister Georges Gilkinet described the institution's flight requirements as "environmental, economic and social nonsense." He wrote to the European Commission this month to demand more flexibility for airlines to keep insufficiently booked planes on the ground.
But a Commission spokesman said that the current 50% threshold is a sufficient reduction that reflects consumer demand and offers "much needed continued air connectivity to citizens."

Lufthansa spokesman Boris Ogursky told CNBC on Wednesday that he believed the commission's slot rule of 80% use for summer 2022 is "appropriate." However, he noted, "air traffic has however still not normalized yet. Due to the development of new virus variants and the resulting travel restrictions, the situation remains volatile, so exemptions are still necessary."
"Not only next summer 2022, but also now in the current winter flight schedule 21/22, more flexibility would be needed in a timely manner," Ogursky said. "Without these crisis-related flexibilities, airlines are forced to fly with almost empty planes just to secure their slots."
He added that this practice is not in place in regions outside of Europe. "Other regions of the world are taking a more pragmatic approach here, for example by temporarily suspending slot rules due to the current pandemic situation. That benefits the climate and the airlines."
ACI's Jankovec highlighted a provision called "Justified Non-Use of Slots", which allows airlines to present the case to their slot-coordinators, "allowing them to effectively use their allocated airport slots for less than 50% of the time," he said.
For Lufthansa, this provision isn't very helpful, as it only allows airlines to exempt single flight connections, according to Ogursky: "This option cannot be applied to the majority of our weekly booked flights, resulting in the end to 18,000 unnecessary flights during the current winter schedule (Nov 21 – Mar 22)," he said.
Brussels Airlines media relations manager Maaike Andries also clarified that the flights taking off to meet the airport slot use threshold are not empty; rather, for the coming winter season, some of the airline's flights "are insufficiently filled to be profitable."
"These flights would normally be cancelled by us to make sure we don't operate unnecessary flights from both an ecological and an economical point of view," Maaike added. "However, if we would cancel all those flights, this would mean we pass under the minimum limit to keep our slots. The same issue is valid for all carriers in Europe, as this is a European law."
"In other continents there have been made appropriate exceptions to the normal regulations, avoiding these unnecessary flights, but in Europe we are still in need of more flexibility."

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➢ **Profits for S&P 500 companies rose 22% in the fourth quarter and nearly 50% in 2021, estimates show.**

Earnings season begins with a focus on guidance.

It's a cliché, but it's true: Investors are focused on the future, not the past.
But it's even more true for 2022 than most other years.
Fourth quarter earnings for the S&P 500 are expected to be up 22.4%, according to Refinitiv, capping off a remarkable 2021 where overall earnings will be up approximately 49%.
Don't expect that to last.
Investors will be dealing with three major issues that will affect corporate profits: consumer demand, profit margins, and Fed policy.
Two of those factors — profit margins and Fed policy — are likely to be serious headwinds.
Earnings reporting season kicks of this week with Delta on Thursday and a bunch of banks on Friday.

Consumer demand

The good news is that consumer demand remains strong going into 2022. Although spending appears to have moderated a bit recently and supply chain issues will continue to surface in corporate commentary, omicron is expected to slow but not derail the economic recovery. The wild card is whether the withdrawal of stimulus will cause the consumer to pull back in the second half of the year.

Profit margins

This is the critical component of corporate profitability, since it measures how much profit a company is able to retain after paying costs. S&P 500 operating margins have remained close to a record 13% through most of 2021 because corporations, while faced with higher costs, were able to raise prices.
Corporations may not be so successful in 2022 at maintaining those margins, even if commodity costs come down.
"We see corporate profits at risk amid rising wage pressures" Savita Subramanian, Bank of America's Equity & Quant Strategist, said in a recent note to clients. She noted that labor costs were roughly 40% of total costs for corporate America. She expects continuing upward wage pressures to continue and says it is likely "wildly unrealistic" to expect margins to remain at records for 2022.
It all comes down to whether companies can continue to raise prices, which is problematic after a year of big price hikes: "If wages are sticky, pricing and demand will determine the have vs. have-nots," she wrote.

Fed policy

"The Fed is raising interest rates in an environment where earnings growth is decelerating," Nick Raich, who tracks corporate profits at the Earnings Scout, told me.
While the Fed raising rates gradually in a strong economy may not be a problem, it could be a problem when the Fed actually starts raising rates in the second quarter, especially if there is a sign that the economy is slowing down.
The Fed raising rates in a declining economy is definitely a problem.
"I'm worried about Q2 and Q3 estimates, because they don't have rate hikes baked into them," Raich told me.
Why not? "Because the analysts are mostly just listening to what the companies say," and the companies have not yet begun to talk about the impact of higher rates in 2022.
But the stock market has already sniffed out that concern.

Aside from macro issues, there are several other early warning signs that indicate 2022 may be a bit tougher than 2021.
One excellent sign of future stock prices: analysts that are raising estimates.
While expectations of future earnings are what matters, it is changes in the trend that moves stocks. "It's the change to the expectations that matter most," Raich told me. "It's what expectations are out six to 18 months from here."
In 2021, most of the earnings estimates were rising through the year, providing a significant tailwind for stocks.
That isn't happening now. Fourth quarter estimates, for example, remained flat at roughly up 22% for several months.
"For stock prices to justifiably go higher, EPS estimates must rise at increasing rates too," Raich said in a note to clients earlier this week.
"This is not happening anymore."

A second red flag: early reporters are not beating estimates the way they used to.
2021 was a strange year for earnings. Analysts consistently underestimated the strength of the economic recovery. As a result, earnings were often 20% higher than analysts were expecting.
They may not continue into 2022.
To date, 20 companies have reported earnings. Most of these have quarters that ended in November.
Those 20 are beating earnings by an average of 13%. Those 20 were beating by 20% in prior quarters.

The final factor argue for a moderation is simply gravity: After several whacky years, earnings will likely experience mean reversion, the tendency to revert to long-term averages.
Average earnings growth in the S&P 500 is typically in the mid- to high- single digits.
Not surprisingly, that is exactly what 2022 is shaping up to look like:

S&P 500: 2022 earnings estimates
Q1: up 7.6%
Q2: up 5.2%
Q3: up 7.4%
Q4: up 14.3%
Source: Refinitiv

Given that 2021 Q4 numbers are likely to come in higher than expected, that 14.3% increase for 2022 Q4 estimates will likely come down as well.
The bottom line: Overall earnings for 2022 are likely to be in the mid- to high single-digit numbers, about in line with historic averages.
"You had big earnings growth in 2021, so now we are going back to normal. It's 49% growth [for 2021] that is abnormal."

➢ Erdogan blames Turkey's currency problems on 'foreign financial tools' as central bank reserves fall.

Turkish President Recep Tayyip Erdogan has pledged to bring down his country's soaring inflation, which hit 36% in December, as the country's central bank gears up for another rate-setting meeting next week.
Speaking in Parliament on Wednesday, Erdogan said he was protecting the country's economy from attacks by "foreign financial tools that can disrupt the financial system," according to a translation by Reuters.
"The swelling inflation is not in line with the realities of our country," the president added, vowing that recently announced government measures to support the severely weakened lira would soon tame "unjust" price hikes.
Economists commenting on the news were not impressed.
"More complete and utter rubbish from Erdogan," Timothy Ash, emerging markets strategist at Bluebay Asset Management, wrote in an email note shortly after the speech.
"Foreign institutional investors don't want to invest in Turkey because of the absolutely crazy monetary policy settings imposed by Erdogan," he wrote. "There is NO foreign plot."
Turkey's lira lost 44% of its value in 2021, due in large part to a refusal by the president — who essentially controls the levers of the Turkish central bank — to raise interest rates to rein in inflation. And Turks themselves are looking beyond the lira as they lose hope in their own currency: Turkish stores are now starting to display prices in U.S. dollars, and Turks are putting their money into cryptocurrencies like bitcoin and ether.
"If RTE [Recep Tayyip Erdogan] wants to save the lira, and maybe his own skin, he should adopt a USD-based currency board," Steve Hanke, an economist at Johns Hopkins University, wrote on Twitter on Wednesday, saying Turkey is "spontaneously dollarizing."
His tweet featured an article by Israeli daily Haaretz entitled "Even the Turkish Lira stopped believing in Erdogan."

An avowed opponent of interest rates, Erdogan instead outlined an alternative set of measures to bolster the lira. The plan essentially entails protecting local depositors against market volatility by paying them the difference if the lira's decline against hard currencies surpass banks' interest rates.

Critics say this plan is unsustainable and is essentially one large hidden interest rate hike. And central bank reserves are already falling: Central bank gross reserves decreased by $1.6 billion to $109.4 billion in the first week of January, according to Goldman Sachs, "driven by the decline in foreign currency reserves which stood at US$71.0 billion."
The state's currency interventions, spending dollars to buy lira in order to stabilize it, have been costly.
The lira appeared to be in free fall in mid-December, dropping as low as 18 to the dollar before the government announced its rescue plan. The intervention has managed to bring the currency back to just under 14 to the dollar and keep stable there for the past week, though that's a dramatic fall from its level of 7 to the dollar just one year ago.
The picture isn't entirely bleak: Turkey showed positive figures for industrial production and retail sales in November, which "suggested that Turkey's economy held up well during the early part of the currency crisis," wrote Jason Tuvey, senior emerging markets economist at Capital Economics.
"But we doubt that this strength will last for much longer as the more pernicious effects created by very large falls in the lira in December filter through," Tuvey added.
"While export sectors may hold up well, consumer-led ones will suffer amid a surge in inflation, which hit 36.1% y/y in December and is set to rise further."

Analysts estimate Turkey's short-term debt to be just above $180 billion, with a current account deficit of around $10-$20 billion, leaving gross external financing requirements at around $200 billion. With central bank gross reserves at about $109 billion and likely to keep dropping with dollarization, spending to support the lira and potential further foreign capital flight, financing for that currency reserve coverage does not look very strong.
So how long can the central bank keep intervening to prop up the lira? "The answer is not very long if it continues to keep up the pace of intervention seen in December, which remember only held the lira flat over the month," Ash wrote.
Meanwhile, Erdogan continues to push his own economic theories, insisting Wednesday that the link between interest rates and inflation have long been disregarded in some other countries — a comment that some critics have noted would liken Turkey to Argentina, Venezuela or Iran in terms of monetary policy.
"I worry about the messaging now to foreign investors," Ash wrote.
"Erdogan is telling the world that Turkey does not need foreign capital, foreign portfolio investors are not welcome, and Turks can finance their own economy. His economic policy mantra is already not liked ... Investors I think are asking themselves why they should continue to finance bad policies from the Erdogan administration? Will any new issue money just disappear in ineffective and idiotic FX intervention, and is Turkey heading to a systemic crisis?"

- **German economy grew by 2.7% in 2021 as country tackled supply chain issues, surging Covid cases.**

The German economy grew by 2.7% in 2021 after another year of surging Covid-19 cases, pandemic-related restrictions and supply chain pressures, preliminary data showed Friday.
It comes after the largest euro economy shrunk by 4.6% in 2020 — the first year of full lockdowns and tough social restrictions in the wake of Covid.
"Despite the continuing pandemic situation, more delivery bottlenecks and material shortages, the German economy managed to recover from the sharp fall last year although the economic performance has not yet reached its pre-crisis level again," Georg Thiel, president of the Federal Statistical Office said Friday, according to a statement.
The statistics office said that German growth was still 2% lower in 2021 than in 2019, showing that the economy has not yet returned to pre-Covid levels.
Looking ahead, upcoming economic performance remains clouded by uncertainty.
On Thursday, Germany's public health agency, the Robert Koch Institute, warned that the number of new Covid cases is continuing to increase rapidly. The latest figures point to new daily infections of around 80,000 people.
In addition, Germany saw an increase in net borrowing in 2021.
The statistics office said that financial deficit stood at 153.9 billion euros ($176.46 billion) at the end of the year — higher than the 145.2 billion euros recorded in the previous year.

Source: Refinitiv

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➢ Google expands London property empire with $1 billion office purchase.

Google has bought a colorful office space in London for $1 billion while it waits for building work on its heavily-delayed U.K. headquarters to be completed.

The internet giant announced Friday that it has acquired all the Central St. Giles building, where it already occupies several floors, in London's West End.

"Our investment in this striking Renzo Piano-designed development represents our continued confidence in the office as a place for in-person collaboration and connection," said Ronan Harris, vice president and managing director of Google U.K. and Ireland, in a blogpost.

Google plans to refurbish the office over the next few years, Harris said, adding that there will be collaboration spaces, team pods, and covered outdoor working spaces.

The Mountain View-headquartered firm employs 6,400 staff in the U.K. and the company has pledged to create enough U.K. office space for 10,000 in the coming years. Its main hub is in the recently gentrified King's Cross neighborhood on the northern fringe of the city center, where it has snapped up several offices.

However, its new U.K. headquarters, which sits on a plot behind King's Cross train station, is still under construction. The 11-storey "groundscraper" has been designed by the prestigious Heatherwick Studios and Bjarke Ingels Group. The plans show a 25-meter swimming pool, a 200-meter rooftop running trail, and a large sports hall with views over London. It will accommodate up to 4,000 Googlers when it's completed.

However, the development is running several years behind schedule. Google was initially hoping to be in the building by 2016, but a series of setbacks have pushed the move-in date back several years. The initial £1 billion ($1.2 billion) plans drawn up by Allford Hall Monaghan Morris were reportedly scrapped by Google cofounder Larry Page for being "too boring."

A source familiar with the build, who did not want to be named due to the sensitive nature of the project, told CNBC last April that Google is aiming to be in by 2023/2024, marking a delay of almost a decade.

Other Google buildings in the King's Cross neighborhood are at various stages of completion. Google eventually expects to employ around 7,000 people in the area.

Elsewhere, the Alphabet-owned DeepMind AI lab is also facing delays on a new 11-storey building in the same area. DeepMind was due to move into the building — which boasts a library, lecture theater, and a roof garden — last year but construction work is yet to finish.

Meanwhile, Apple is set to move 1,400 staff from multiple Apple offices around London into a new 500,000 square foot space, which will occupy six floors of the former Battersea coal-fired power station (depicted on the front cover of Pink Floyd's "Animals" album).

The U.K. is one of the biggest outposts for U.S. tech giants. Meta, Twitter, and Amazon have also acquired shiny multi-story buildings in London in recent years to accommodate their growing armies.

The coronavirus stalled many construction projects worldwide and the lavish headquarters of Silicon Valley firms are no exception. When restrictions tightened in the U.K., many construction companies temporarily shut down building sites and laid off workers.

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Your Weekend Wire

The week ahead

Date	Time	Country	Indicator Name	Period	Reuters Poll	Prior	SmartEstimate®	Predicted Surprise
17.01.2022	00:50	Japan	Machinery Orders MM	Nov		3.8%		
17.01.2022	00:50	Japan	Machinery Orders YY	Nov		2.9%		
17.01.2022	09:00	Germany	Full Year GDP	2022				
17.01.2022	10:00	Italy	Consumer Prices Final MM	Dec		0.4%		
17.01.2022	10:00	Italy	Consumer Prices Final YY	Dec		3.9%		
17.01.2022	10:00	Italy	CPI (EU Norm) Final MM	Dec		0.5%		
17.01.2022	10:00	Italy	CPI (EU Norm) Final YY	Dec	4.1%	4.2%	4.10%	0.00%
17.01.2022	14:30	Canada	Manufacturing Sales MM	Nov		4.3%		

Date	Time	Country	Indicator Name	Period	Reuters Poll	Prior	SmartEstimate®	Predicted Surprise
18.01.2022	08:00	United Kingdom	Claimant Count Unem Chng	Dec		-49.8k		
18.01.2022	08:00	United Kingdom	ILO Unemployment Rate	Nov		4.2%		
18.01.2022	08:00	United Kingdom	Employment Change	Nov		149k		
18.01.2022	08:00	United Kingdom	Avg Wk Earnings 3M YY	Nov		4.9%		
18.01.2022	08:00	United Kingdom	Avg Earnings (Ex-Bonus)	Nov		4.3%		
18.01.2022	11:00	Germany	ZEW Economic Sentiment	Jan		29.9		
18.01.2022	11:00	Germany	ZEW Current Conditions	Jan		-7.4		
18.01.2022	14:15	Canada	House Starts, Annualized	Dec		301.3k		
18.01.2022	14:30	United States	NY Fed Manufacturing	Jan		31.90		
18.01.2022	14:30	Canada	CPI Inflation MM	Dec		0.2%		
18.01.2022	14:30	Canada	CPI Inflation YY	Dec		4.7%		
18.01.2022	14:30	Canada	CPI BoC Core YY	Dec		3.6%		
18.01.2022	14:30	Canada	CPI BoC Core MM	Dec		0.0%		
18.01.2022	16:00	United States	NAHB Housing Market Indx	Jan		84		
18.01.2022		Japan	JP BOJ Rate Decision	18 Jan		-0.10%		

Date	Time	Country	Indicator Name	Period	Reuters Poll	Prior	SmartEstimate®	Predicted Surprise
19.01.2022	08:00	United Kingdom	CPI MM	Dec		0.7%		
19.01.2022	08:00	United Kingdom	CPI YY	Dec		5.1%		
19.01.2022	08:00	United Kingdom	RPI MM	Dec		0.7%		
19.01.2022	08:00	United Kingdom	RPI YY	Dec		7.1%		
19.01.2022	08:00	United Kingdom	RPIX YY	Dec		7.2%		
19.01.2022	08:00	Germany	CPI Final MM	Dec		0.5%		
19.01.2022	08:00	Germany	CPI Final YY	Dec		5.3%		
19.01.2022	08:00	Germany	HICP Final MM	Dec		0.3%		
19.01.2022	08:00	Germany	HICP Final YY	Dec		5.7%		
19.01.2022	10:30	United Kingdom	PPI Input Prices MM NSA	Dec		1.0%		
19.01.2022	10:30	United Kingdom	PPI Input Prices YY NSA	Dec		14.3%		
19.01.2022	10:30	United Kingdom	PPI Output Prices MM NSA	Dec		0.9%		
19.01.2022	10:30	United Kingdom	PPI Output Prices YY NSA	Dec		9.1%		
19.01.2022	10:30	United Kingdom	PPI Core Output MM NSA	Dec		0.8%		
19.01.2022	10:30	United Kingdom	PPI Core Output YY NSA	Dec		7.9%		
19.01.2022	12:00	United Kingdom	CBI Trends - Orders	Jan		24		
19.01.2022	14:30	United States	Building Permits: Number	Dec		1.717M		
19.01.2022	14:30	United States	Housing Starts Number	Dec	1.670M	1.679M	1.6609M	-0.0091M
19.01.2022	14:30	Canada	Wholesale Trade MM	Nov		1.4%		

Source: Refinitiv

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Your Weekend Wire

The week ahead

Date	Time	Country	Indicator Name	Period	Reuters Poll	Prior	SmartEstimate®	Predicted Surprise
20.01.2022	08:00	Germany	Producer Prices MM	Dec		0.8%		
20.01.2022	08:00	Germany	Producer Prices YY	Dec		19.2%		
20.01.2022	08:45	France	Business Climate Mfg	Jan		111		
20.01.2022	14:30	United States	Initial Jobless Clm	10 Jan, w/e				
20.01.2022	14:30	United States	Cont Jobless Clm	3 Jan, w/e				
20.01.2022	14:30	United States	Philly Fed Business Indx	Jan		15.4		
20.01.2022	16:00	United States	Existing Home Sales	Dec	6.40M	6.46M	6.459M	0.059M
20.01.2022	16:00	United States	Exist. Home Sales % Chg	Dec		1.9%		

Date	Time	Country	Indicator Name	Period	Reuters Poll	Prior	SmartEstimate®	Predicted Surprise
21.01.2022	00:30	Japan	CPI, Core Nationwide YY	Dec		0.5%		
21.01.2022	00:30	Japan	CPI, Overall Nationwide	Dec		0.6%		
21.01.2022	01:01	United Kingdom	GfK Consumer Confidence	Jan		-15		
21.01.2022	07:00	United Kingdom	Retail Sales MM	Dec		1.4%		
21.01.2022	07:00	United Kingdom	Retail Sales Ex-Fuel MM	Dec		1.1%		
21.01.2022	07:00	United Kingdom	Retail Sales YY	Dec		4.7%		
21.01.2022	07:00	United Kingdom	Retail Sales Ex-Fuel YY	Dec		2.7%		
21.01.2022	12:00	United Kingdom	CBI Distributive Trades	Jan		8		
21.01.2022	14:30	Canada	Retail Sales MM	Nov		1.6%		
21.01.2022	14:30	Canada	Retail Sales Ex-Autos MM	Nov		1.3%		

Source: Refinitiv

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Your Weekend Wire
Figures

Currencies

EURUSD	1.1427	Weekly Change
Week Low	Week High	0.67%
1.1286	1.1482	

GBPUSD	1.3683	Weekly Change
Week Low	Week High	0.72%
1.3533	1.3748	

EURCHF	1.0424	Weekly Change
Week Low	Week High	-0.09%
1.042	1.0511	

AUDUSD	0.7244	Weekly Change
Week Low	Week High	1.20%
0.7150	0.7314	

USDCHF	0.9121	Weekly Change
Week Low	Week High	-0.75%
0.9093	0.9278	

USDCAD	1.2515	Weekly Change
Week Low	Week High	-1.02%
1.2453	1.2697	

USDTRY	13.5563	Weekly Change
Week Low	Week High	-2.19%
13.1624	13.932	

EURGBP	0.8349	Weekly Change
Week Low	Week High	-0.10%
0.8324	0.8364	

Indices and Commodities

Eurostoxx 50	4 284.19
Week Change	YTD
0.28%	0.23%

Gold	1823.1644
Week Change	YTD
1.56%	1.27%

SMI	12 581.38
Week Change	YTD
-1.39%	-1.98%

WTI	82.7400
Week Change	YTD
4.89%	8.75%

S&P 500	4 649.62
Week Change	YTD
-0.38%	-2.25%

US 10Y Yield	1.7486
Week bp Change	YTD bp Change
-1.34	23.85

VIX	20.49
Week Change	YTD
8.26%	17.94%

EU 10Y Yield	-0.0510
Week bp Change	YTD bp Change
-0.80	12.60

Sources: Bloomberg/Refinitiv

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Crypto Market Cap: $2,028,806,042,567

Dominance*: BTC: 39.6% ETH: 19.1%

*: Split of crypto usage within the global crypto market cap.

News Flow

➢ Binance CEO Zhao Is Worth $96B Excluding Crypto Holdings.

Changpeng "CZ" Zhao is worth an estimated $96 billion, a figure that rivals tech billionaires Mark Zuckerberg, Larry Page and Sergey Brin, according to Bloomberg.

CZ's net wealth has been estimated for the first time by the Bloomberg Billionaires Index, which concludes that it exceeds that of Asia's richest person, Mukesh Ambani, the chairman of Indian conglomerate Reliance Industries.
The $96 billion figure does not consider Zhao's personal crypto holdings, meaning it could be a significant underestimate.
It is likely CZ's wealth could rival that of Facebook founder Mark Zuckerberg and Google founders Larry Page and Sergey Brin, Bloomberg said.
Among his crypto peers, the 44-year-old's closest rivals are FTX founder Sam Bankman-Fried ($15.4 billion) and Coinbase CEO Brian Armstrong ($8.9 billion), according to Bloomberg's index.
Binance is the world's largest cryptocurrency exchange, with a 24-hour trading volume of $106 billion as of Jan. 6, according to CoinGecko. It generated at least $20 billion of revenue last year, according to Bloomberg.
Bloomberg assumed Zhao owns 90% of Binance and estimated the exchange's revenue from spot and derivatives trading volumes and advertised fees. It valued the business based publicly traded peers. Zhao declined to comment to Bloomberg, and Binance disputed the accuracy of the estimates.

➢ China is pushing for broader use of its digital currency.

China is ramping up efforts to roll out the digital yuan to the broader population, as the country's technology giants like Alibaba and Tencent jump on board.
But there are challenges ahead and one question stands out: Will Chinese citizens — who already use two dominant mobile payment systems run by these same tech firms — begin paying with the digital yuan?
The People's Bank of China (PBOC), the country's central bank, has been working on the digital form of its sovereign currency since 2014.
Also known as the e-CNY, it's designed to replace the cash and coins already in circulation. It is not a cryptocurrency like bitcoin, in part because it's controlled and issued by the central bank. Bitcoin is a decentralized digital currency that isn't backed by any central banks or a single administrator.
China's digital yuan is a form of central bank digital currency (CBDC) which many other central banks around the world are also working on — though the Chinese central bank is way ahead of its global peers.
To date, the PBOC has been piloting the digital currency via lotteries, and tens of millions of digital yuan have been handed out to citizens in a handful of cities in China.
Chinese authorities are now stepping up their ambition to expand the use of e-CNY to more citizens even though a nationwide rollout date has not been set.
"It feels to me like they're now ready to push this out wider," Linghao Bao, analyst at consultancy Trivium China, told CNBC.

Last week, the PBOC launched an app to allow users in 10 areas, including major cities Shanghai and Beijing, to sign up and use the digital currency.
The two dominant payment systems in China are Tencent's WeChat Pay and Alipay, which is run by Alibaba affiliate Ant Group.
Perhaps the most significant push came on Thursday when Tencent announced that its WeChat messaging app would support the digital yuan. WeChat has over 1 billion users and is integral to daily life in China.

Alipay is also a partner for the digital yuan.

News Flow

One potential challenge for the PBOC is getting people to download their new digital yuan app and switch from WeChat and Alipay. Hence, integration with WeChat is key and gives the e-CNY a potentially huge user base.
On Friday, e-commerce giant JD.com said that it would begin facilitating third-party merchants that sell on its platform to start accepting the e-CNY.
JD.com has been an early partner for the digital yuan and previously accepted it for payment on a few occasions. Now, it's looking to expand that further.

While there are still unknowns over the technical make-up and other factors behind the digital currency, one of the more immediate questions is whether people will use the e-CNY regularly, even as the central bank tries to push for wider usage.
To use WeChat or Alipay for example, users just link their bank account to the app. But to use the digital yuan, users will need to sign up a separate app and link that to their WeChat or Alipay or use the digital yuan app.
"The big question we have is whether consumers are going to use this or not. To me, there is no strong incentive for consumers to switch [from their current systems]," Bao said.
"I don't see any strong incentive because there is still friction to use digital yuan," he said. "You have to download the app, sign up, then top up your wallet. I'm not sure consumers want to go through these extra steps."
While the PBOC has used digital yuan lotteries to effectively hand out free money and get users on board, Bao questioned what will entice citizens to continue using the digital yuan after they've spent that money.
"How are you going to make people keep using the digital yuan?" he asked.

China's central bank previously stated its intention to make the digital yuan available to visitors to the Beijing Winter Olympics.
The venues for the 2022 Games in Beijing will be able to use the e-CNY app there. But overall, transaction volume is unlikely to match that seen by Alipay and WeChat Pay, according to Paul Triolo, head of the geo-technology practice at risk consultancy Eurasia Group.
"For the foreseeable future, even if there is an uptick at the Winter Olympics, the transaction turnover rate of the central bank digital RMB is likely to be very tiny in comparison to popular payment platforms WeChat Pay and Alipay," Triolo said. The Chinese currency is also referred to as the renminbi, or RMB.
"However, over time, there may be some niche areas where the digital RMB could see greater use, such as paying certain types of government related bills, or for things like transportation, particularly if the central bank offers incentives like red envelopes and other inducements."
Meanwhile, China's so-called "zero Covid" approach has led to strict measures to try to stamp out the virus in China — that means very few foreign visitors will be attending the Winter Olympics in Beijing.
"Though the Olympics were originally viewed by Chinese authorities as a chance to showcase the potential use of the currency in an international setting, it is likely that few non-Chinese citizens will use the digital RMB wallet at the Games," Triolo added.
The Games would have been the first real opportunity to see how the digital yuan will work for tourists and overseas visitors to China, but that opportunity is gone.

➢ Powell Says Fed Will Release Crypto Report 'Within Weeks'.

The Federal Reserve's highly anticipated report on cryptocurrencies and central bank digital currencies (CBDCs) – initially slated to come out last September – will be released "within weeks," Fed Chairman Jerome Powell told a U.S. Senate committee on Tuesday.
Powell, who was nominated for a second term as Fed chairman by President Joe Biden, was asked about the timing of the report by Sen. Mike Crapo (R-Idaho) during his confirmation hearing in front of the Senate Banking Committee.
"We didn't get it to quite where we needed to get it," Powell said about the report's delays. "But it's effectively there now, it's within weeks [that] we will be publishing it."
Powell's testimony echoes similar remarks he made at a Senate hearing in November, when he promised the release of the report in "coming weeks." Two months earlier, he said it was coming "soon." And last July, he promised the report would be published by September.

The report is expected to focus on CBDCs, a subject the Fed is researching and a popular topic of discussion at congressional hearings where Powell is called as a witness.
At Tuesday's hearing, Powell was asked by Sen. Pat Toomey (R-Pa.), the committee's ranking member, whether a CBDC couldn't coexist with "well-regulated, privately issued stablecoins," if Congress gave the Fed the authority to pursue the digital currency.
"No, not at all," Powell responded.
Toomey also cast doubt on the Fed's authority to act as a retail bank for Americans.
"It seems to me that there is absolutely nothing in the history, the experience, the expertise, the capabilities of the Fed that lends the Fed to being a retail bank. Is that a fair observation?" Toomey asked.
Powell agreed: "I would say, yes," he said.

➢ Dorsey Proposes Non-Profit Bitcoin Legal Defense Fund for Developers.

Block founder and CEO Jack Dorsey proposed creating a legal defense fund for Bitcoin developers as the community faces "multi-front litigation" and "threats" that have forced some without legal support to "capitulate."
Dorsey wrote the proposal in an email dated Jan. 12 to the bitcoin-dev mailing list, shared on Twitter. The email was signed by Dorsey, Chaincode Labs co-founder Alex Morcos and academic Martin White as "Bitcoin Legal Defense Fund Board."
The main purpose of the fund is to defend developers by finding and retaining defense counsel, developing litigation strategy and paying legal bills.
According to the post, the Fund's first activity will be to run point on coordinating the defense of Craig Wright's Tulip Trading lawsuit against various bitcoin developers in relation to a "breach of fiduciary duty" with regards to the theft of crypto from the Mt. Gox hack.
Ontier LLP, the law firm representing Tulip Trading, has been given the green light by a London High Court to serve papers on 16 Bitcoin-related developers in a fight over funds from the defunct Mt. Gox exchange. At the same time, Wright is suing groups that hosted the Bitcoin white paper for breach of copyright.
The fund is free and voluntary for developers to use if they so choose, the email reads. It will start a corps of volunteer and part-time lawyers. The fund's board will determine which lawsuits and defendants it will help defend.
At this time, the trio says, the Fund is not looking to raise outside capital, but may do so in the future at the direction of the board.
In December, Wright was found not liable for a breach of a business partnership with a former associate, deceased Florida computer forensics expert Dave Kleiman. The suit was focused on claims that Wright developed the Bitcoin protocol on his own, or if it was a partnership between Wright and Kleiman. Wright's claims that he is Satoshi were not tested in court.

➢ Investors are paying millions for virtual land in the metaverse.

It's no secret the real estate market is skyrocketing, but the Covid pandemic is creating another little-known land rush. Indeed, some investors are paying millions for plots of land — not in New York or Beverly Hills. In fact, the plots do not physically exist here on Earth.
Rather, the land is located online, in a set of virtual worlds that tech insiders have dubbed the metaverse. Prices for plots have soared as much as 500% in the last few months ever since Facebook announced it was going all-in on virtual reality, even changing its corporate name to Meta Platforms.
"The metaverse is the next iteration of social media," said Andrew Kiguel, CEO of Toronto-based Tokens.com, which invests in metaverse real estate and non fungible token-related digital assets.
"You can go to a carnival, you can go to a music concert, you can go to a museum," Kiguel said.
In these virtual worlds, real people interact as cartoon-like characters called avatars, like a real-time multiplayer video game. Today, people can access these worlds through a normal computer screen, but Meta and other companies have a long-term vision of building 360-degree immersive worlds, which people will access through virtual reality goggles like Meta's Oculus.
A recent report by crypto asset manager Grayscale estimates the digital world may grow into a $1 trillion business soon.
Here, major artists, including Justin Bieber, Ariana Grande and DJ Marshmello, are performing as their own avatars. Even Paris Hilton DJ'ed a New Year's Eve party on her own virtual island.
Kiguel's company recently dropped nearly $2.5 million on a patch of land in Decentraland — one of several popular metaverse worlds. "Prices have gone up 400% to 500% in the last few months," Kiguel said.

News Flow

Another hot metaverse world is the Sandbox, where Janine Yorio's virtual real estate development company, Republic Realm, spent a record $4.3 million on a parcel of virtual land.
Yorio tells CNBC her company sold 100 virtual private islands last year for $15,000 each. "Today, they're selling for about $300,000 each, which is coincidentally the same as the average home price in America," she said.

"The digital world, to some, is as important as the real world," Miami-based real estate broker Oren Alexander tells CNBC. "It's not about what you and I believe in, but it's about what the future does."
Just like property in the real world, Kiguel says the metaverse is about three things: location, location, location.
"There are areas when you first go into the metaverse where people congregate — those areas would certainly be a lot more valuable than the areas that don't have any events going on," Kiguel said.
To be sure, those heavily trafficked areas are reeling in big spenders.
"Think about the board game Monopoly. We just bought Boardwalk and the surrounding area," Kiguel said. "Areas where people congregate are far more valuable for advertisers and retailers to find ways to get in there to access that demographic."
For example, Snoop Dogg is building a virtual mansion on a plot of land in Sandbox, and someone recently paid $450,000 to be his neighbor.
"I think it absolutely matters who your neighbor is," said Yorio. "That's kind of true of almost anything, right? It's like a club and you want to be around people that share similar interests."
Buying virtual land is simple — either directly from the platform or through a developer. Investors build on their land and make it interactive. "You can decorate it, you can change it, you can renovate," Yorio says. "It's code."
But Yorio cautions that investing in digital real estate is risky business.
"[It's] highly, highly risky. You should only invest capital that you're prepared to lose," Yorio tells CNBC. "It's highly speculative. It's also blockchain-based. And as we all know, crypto is highly volatile. But it can also be massively rewarding."
Mark Stapp, professor and director for real estate theory and practice at Arizona State University, agrees. "I would not put money into this that I didn't care about losing. I certainly wouldn't," Stapp says. "If it continues the way it's going, it is most likely going to be a bubble. You're buying something that isn't tied to reality."

➢ Chipmakers are set to be 'winners' as the metaverse takes off.

The metaverse, which requires a massive amount of computing power, is set to benefit global chipmakers— but other tech-related industries could also gain from it, analysts say.
Widely seen as the next generation of the internet, the metaverse refers broadly to a virtual world where humans interact through three-dimensional avatars that can be controlled via virtual reality headsets like Oculus.
Through the metaverse, users can engage in virtual activities such as gaming, virtual concerts or live sports.
The metaverse drew much attention last year, when social networking giant Facebook announced it was changing its name to Meta in October.
Big tech firms will benefit as the technologies related to that virtual world emerge, analysts said.
"The metaverse winners are really the technology companies," DBS Bank's Chief Investment Officer Hou Wey Fook told CNBC's "Squawk Box Asia" on Monday. Semiconductor firms would be a clear beneficiary as the metaverse will need a lot of computing power, he said.
However, the benefits to chipmakers will be "uneven," Morningstar said in a report last week.
"Since many of the tasks that take place in a 'metaverse' involve real-time processing of immense amount of data, this will require the chips involved to use advanced process nodes that are only available at TSMC, Samsung and Intel," it said.
Smaller foundries such as United Microelectronics Corporation, SMIC and GlobalFoundries may only benefit from the lower-value parts of the supply chain, such as power management and display drivers, said Morningstar.
Last year, shares of chipmaker Nvidia soared 125% on metaverse hopes. CNBC's Jim Cramer picked Nvidia as one of four key stocks that investors should buy if they want to bet on the success of the metaverse.
Other main areas set to support the metaverse infrastructure that investors could consider would be firms that are supplying the "key building blocks," such as cloud computing, artificial intelligence and video games graphics, said private banking firm Lombard Odier in a December report.

In such cashless, virtual environments, blockchain technology and cryptocurrencies may also play a key role. Blockchain supporting non-fungible tokens, or NFTs — digital tokens that represent proof of ownership of assets such as art, collectibles or memes — could create an "interesting" ecosystem for digital content creation and monetization, the bank said.
"These could confer the right to use artworks or own creatures created in the metaverse, opening the door to a new virtual economy. In this realm, human creativity has virtually no limits," the firm said.
Facebook parent Meta, as well as Apple, Microsoft and Google are gearing up to release new hardware products and software services for the metaverse.
In Asia, China is set to go big on the metaverse as well. Its biggest city, Shanghai, included the metaverse in its five-year development plan. The plan called for "encouraging the application of the metaverse in areas such as public services, business offices, social entertainment, industrial manufacturing, production safety and electronic games."

- **Chipmakers are set to be 'winners' as the metaverse takes off.**

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Last year, shares of chipmaker Nvidia soared 125% on metaverse hopes. CNBC's Jim Cramer picked Nvidia as one of four key stocks that investors should buy if they want to bet on the success of the metaverse.
Other main areas set to support the metaverse infrastructure that investors could consider would be firms that are supplying the "key building blocks," such as cloud computing, artificial intelligence and video games graphics, said private banking firm Lombard Odier in a December report.
In such cashless, virtual environments, blockchain technology and cryptocurrencies may also play a key role. Blockchain supporting non-fungible tokens, or NFTs — digital tokens that represent proof of ownership of assets such as art, collectibles or memes — could create an "interesting" ecosystem for digital content creation and monetization, the bank said.
"These could confer the right to use artworks or own creatures created in the metaverse, opening the door to a new virtual economy. In this realm, human creativity has virtually no limits," the firm said.
Facebook parent Meta, as well as Apple, Microsoft and Google are gearing up to release new hardware products and software services for the metaverse.
In Asia, China is set to go big on the metaverse as well. Its biggest city, Shanghai, included the metaverse in its five-year development plan. The plan called for "encouraging the application of the metaverse in areas such as public services, business offices, social entertainment, industrial manufacturing, production safety and electronic games."

News Flow

➢ BIS, Swiss National Bank, SIX Exchange Complete Wholesale CBDC Trial.

Switzerland is practically ready to launch a wholesale central bank digital currency (CBDC).
Working in concert, the Bank for International Settlements (BIS), the Swiss National Bank (SNB) and the country's stock exchange, SIX, have test-driven the integration of wholesale CBDC settlement.
Also included in the prototype were five commercial banks: Citi, Credit Suisse, Goldman Sachs, Hypothekarbank Lenzburg and UBS.
Wholesale CBDC is not to be confused with a digital currency issued by a central bank that would find its way into retail bank accounts, something Switzerland has already ruled out.
"Wholesale" in this context is all about connecting financial market infrastructures and streamlining transactions, so that a digital cash token can be instantly swapped with a token representing another financial asset, for instance, and done in such a way that any credit risk is removed from the system.

So far, no one at the SNB or SIX has said the launch of a wholesale CBDC in Switzerland is imminent, despite seeming to have stolen a march on most of the world. That said, most countries have begun at least kicking the tires on CBDCs of some form.
A report issued earlier today by the U.K.'s House of Lords Economic Affairs Committee concluded that a retail-facing CBDC might be "a solution in search of a problem." However, the Lords report was more optimistic about the introduction of a wholesale CBDC, which could "enhance efficiency in securities trading and settlement," adding that "further exploration and experimentation are necessary."
Back in Switzerland, stalwarts of traditional finance are giving their stamps of approval.
"We have demonstrated that innovation can be harnessed to preserve the best elements of the current financial system, including settlement in central bank money, while also potentially unlocking new benefits," BIS Innovation Hub Head Benoît Cœuré said in a statement. "As [distributed ledger technology] goes mainstream, this will become more relevant than ever."
Still, it's unclear whether Switzerland will begin a third phase of its wholesale CBDC prototype, dubbed "Project Helvetia."
The testing, which took place over three days at the start of December 2021, proved that issuing a wholesale CBDC on a DLT platform operated and owned by a private-sector company (Swiss stock exchange owner SIX, in this case) was both operationally possible and feasible under Swiss law, according to a press release.

In previous interviews with CoinDesk, executives from the Swiss National Bank and SIX had hinted that testing of a wholesale CBDC was close to completion and just required a policy decision to give it the green light.
"Project Helvetia [...] allowed the SNB to deepen its understanding of how the safety of central bank money could be extended to tokenized asset markets," Andréa M. Maechler, a member of the governing board of the Swiss National Bank, said in a Thursday statement.
The second phase of Helvetia explored the settlement of domestic interbank transactions, plus monetary policy transactions between the central bank and commercial banks. Cross-border transactions were also tackled, involving a transaction from a Swiss bank to Citigroup in London.
This involved connecting the SIX Digital Exchange (SDX) distributed ledger (built using the R3 Corda blockchain) with the existing Swiss real-time gross settlement system – SIX Interbank Clearing, which has been operated on behalf of the Swiss National Bank since 1987 – as well as the respective core banking systems.
"To continue fulfilling their mandates of ensuring monetary and financial stability, central banks need to stay on top of technological change," Maechler said.

News Flow

➢ Solana could become the 'Visa of crypto'.

The Bank of America strategist stated that Solana is set to take a slice of Ethereum's market share thanks to its low transaction fees, scalability and ease of use.

Bank of America digital asset strategist Alkesh Shah has predicted that Ethereum competitor Solana could become the "Visa of the digital asset ecosystem" in a Tuesday research note.

The Solana network launched in 2020, and its native token, SOL, has since grown into the fifth-largest cryptocurrency with a market capitalization of $47 billion. An order of magnitude faster than Ethereum, it has been used to settle over 50 billion transactions and mint over 5.7 million nonfungible tokens (NFT).

Critics, however, argue its speed comes at the cost of decentralization and reliability, but Shah thinks the benefits outweigh the drawbacks.

He went on to suggest that Solana is taking a slice of Ethereum's market share thanks to its low fees, ease of use and scalability, while Ethereum may be relegated to "high-value transaction and identity, storage and supply chain use cases," wrote Shah, as quoted by Business Insider.

Visa processes an average of 1,700 transactions per second (TPS), but the network can theoretically handle at least 24,000 TPS. Ethereum currently handles around 12 TPS on its mainnet (more on layer twos), while Solana boasts a theoretical limit of 65,000 TPS.

Shah conceded, saying, "Solana prioritizes scalability, but a relatively less decentralized and secure blockchain has tradeoffs, illustrated by several network performance issues since inception."

Solana has experienced more than its fair share of network performance issues over the past months, such as withdrawal issues most recently confirmed by Binance on Wednesday, reports of delayed performance across social media on Friday, and what appeared to be a distributed denial-of-service attack on Jan. 5, although Solana denied this was the case.

This came less than a month after a previous attack on Dec. 10, with reports of network congestion caused by mass botting associated with an initial DEX offering on Solana-based decentralized exchange platform Raydium.

In an interview with Cointelegraph on Dec. 22, Austin Federa, head of communications at Solana Labs, said that developers are currently working to address the network's issues, specifically in relation to improving transaction metering.

➢ Crypto exchange Gemini pushes into wealth management with acquisition of BITRIA.

Gemini, the $7.1 billion crypto exchange, is getting into wealth management with the acquisition of a digital asset platform for financial advisors, CNBC has learned exclusively.

The company has agreed to purchase BITRIA, a five-year-old San Francisco-based start-up whose tools help advisors manage holdings of bitcoin and other tokens, according to Gemini's global head of business development Dave Abner.

The move creates one of the industry's first full-service digital asset custodians for advisors, according to Abner, who declined to disclose how much Gemini paid in the deal. Gemini intends to combine its crypto custody and exchange capabilities with BITRIA's portfolio management programs, allowing advisors to do things like tax-loss harvesting, he said.

"Advisors manage the biggest pool of money in the country right now, and they're hearing from their clients that want access to crypto," Abner said this week in a phone interview. "This creates a one-stop, end-to-end experience for advisors to manage all of their clients' digital assets within their traditional portfolio management systems."

Crypto insiders have forecast a boom in mergers this year as a cohort of newly flush digital asset giants like Gemini and Coinbase look to acquire capabilities and expand offerings. Just yesterday, Coinbase announced it was buying Chicago-based FairX so that it could offer derivatives to retail and institutional customers.

Though crypto started more than a decade ago as a retail investor-led phenomenon, the rise of bitcoin, Ethereum and other coins in the past two years has enticed bigger investors into the space. That's created the need for ways to provide wealthy investors access to crypto through familiar wealth management vehicles like separately managed accounts.

"Nobody else in the crypto space is looking at servicing the wealth management community the way that Gemini is," Abner said. "We're already the largest service provider to crypto ETFs globally. Now we are moving into the wealth space, and we're going to be the only pure-play full-service provider of crypto assets" to advisors.

News Flow

BITRIA, which changed its name from Blockchange in November, is one of a small handful of crypto companies that have sprung up to service financial advisors. Competitors include Onramp Invest and Eaglebrook Advisors. The broader financial advisor industry's assets have surged along with booming equities markets, topping $110 trillion during the pandemic.
Gemini, founded in 2014 by Winklevoss twins Tyler and Cameron, was valued at $7.1 billion in a November funding round. Ballooning valuations in the industry have left companies flush with cash and with mandates to ramp up growth.
The acquisition followed a partnership between the two firms announced in 2020. BITRIA's employees, including co-founder and CEO Daniel Eyre, are joining Gemini, the companies said.
"The future of wealth management lies in digital assets and blockchain technology and the integration of BITRIA's technology with Gemini provides a bridge to that future," Eyre said in a statement.

➢ Crypto Options Market Starting to Have Material Impact on Spot Market.

While a correlation between equities and crypto has become more apparent during the last year, Singapore's QCP wrote that there is a limit to this correlation because of the increasing importance of the crypto options market.
As the bitcoin and ether markets followed the bearish sentiment of the equities market as the week began, bitcoin and ether tumbled below $40,000 and $3,000, respectively.
QCP wrote that they believe there was a bounce-back because of the number of strikes at the $40,000 mark for bitcoin, and the $3,000 mark for ether, held by whales.
The fund noted that there was a counterparty that was buying a large amount of downside risk reversals (where a trader buys the put and sells the call) who suddenly switched positions to take profit (where they sell the put and buy the call).
With the volume of delta trading (simultaneously buying and selling options) on the strikes at $40,000 and $3,000, there was a creation of spot support at those levels, QCP wrote.
QCP said that one reason why bitcoin is facing some resistance at the $44,000 market is that a whale began taking profit on his $42,000 January calls as bitcoin drifted towards $44,000.
"We think option activity will increasingly dictate spot movements as the option market continues to grow," the firm wrote.

➢ Dogecoin jumps 9% after Elon Musk says its can be used buy Tesla merchandise.

The price of dogecoin jumped more than 15% on Friday before paring gains after Tesla began accepting the cryptocurrency as payment for some merchandise.
On Friday, Tesla CEO Elon Musk said on Twitter that the electric carmaker's merchandise can be purchased with dogecoin.
Dogecoin topped $0.20 a coin at around 01:19 ET before paring some of those gains, according to Coindesk data. It was up more than 9% at $0.18 at 07:06 ET.
Only a small number of items were buyable with the cryptocurrency, which originally started life as a joke coin.
A whistle shaped like Tesla's Cybertruck costs 300 doge, which is equivalent to about $59 at the time of writing. A commemorative belt buckle to celebrate Tesla's Gigafactory in Texas was going for 835 doge, or about $164.
Plans to accept dogecoin as payment have been in the works for a while. In December, Musk tweeted that "Tesla will make some merch buyable with Doge & see how it goes."
Musk is a high-profile supporter of dogecoin, and his tweets often move the price of the cryptocurrency.

There are several terms and conditions that come with using dogecoin to buy merchandise from Tesla.
Users will need a dogecoin wallet to transfer the digital money to Tesla. Furthermore, if "an order is overpaid in Dogecoin, the overpayment amount will not be refunded to the original form of payment," according to company's website.
Tesla warns that it can take up to six hours for the dogecoin network to confirm the payment.
And the company says that any orders paid for in dogecoin cannot be canceled or refunded. Normally, if a person buys Tesla merchandise through the official store via traditional payments methods, it can be returned within 30 days of receiving the product.

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News Flow

It's not the first time Tesla has accepted a cryptocurrency as payment. Last year, Tesla bought bitcoin worth $1.5 billion at the time and said it planned to accept purchases using the cryptocurrency. Musk later stopped accepting bitcoin over environmental concerns. The bitcoin network, through a process called mining, uses large amounts of energy.

Dogecoin uses significantly less energy, according to analysis by TRG Datacenters. Musk said last year that he would work with dogecoin developers to improve the efficiency of transactions.

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Figures and Charts

BTC	42 183.92	Weekly Change
Week Low	Week High	0.23%
39 658.28	44 451.00	
Circulating Supply		
		18 928 456.00
Market Cap		
$		804 265 450 182.00

	3 220.74	Weekly Change
Week Low	Week High	1.73%
2929.53	3413.35	
Circulating Supply		
		119 153 787.00
Market Cap		
$		387 901 401 538.00

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Glossary

A

- **Address (Crypto Address):** An address is comparable to a bank account number. It is a unique collection of numbers and letters. This identification code is required to carry out a blockchain transaction and is unique for each owner. (ie: 1GyWgXtkVG5gsm9Ym1rkHoJHAftmPnTHQj)

- **Airdrop:** An airdrop is a way to distribute coins. End users can generally get coins for free or in exchange for a small task, such as subscribing to a newsletter, sending a tweet or inviting other people via a personal affiliate link.

- **Algorithm:** The 'algorithm' is a way to solve a task using data processing and calculations. There are different types of algorithms in use by blockchains.

- **Altcoin:** An altcoin is any cryptocurrency or token created after the Bitcoin was developed.

- **Anti-Money Laundering (AML):** AML is the abbreviation for 'anti-money laundering'. AML stands for policy and legislation on money laundering. This prevents illegally acquired funds from being converted into a legal variant. Within the crypto world, it is no longer unusual for AML techniques to be used by exchanges and wallets. This term is often used as AML/KYC, where KYC stands for 'Know your customer'.

- **APY:** APY is short for 'annual percentage yield', which is the total return rate that is earned on an interest-bearing asset or savings account. The compounding interest should be considered when the APY percentage is projected. An APY of 5% will turn $100 into $105 after exactly one year.

- **ATH:** ATH is the abbreviation of 'All-Time High' and means the highest price ever paid for a particular coin. ATH is also often used to indicate that someone's total portfolio has reached the highest value ever.

- **ATL:** ATL stands for 'all-time-low' and is the opposite of ATH, or 'all-time-high'. ATL is used to indicate that the price of a coin or the entire wallet of a person is at the lowest level ever in terms of value.

B

- **Bitcoin (BTC):** Bitcoin is the very first, best known and currently the most valuable digital coin.

- **Bitcoin (unit of Currency):** The bitcoin is the very first cryptocurrency invented in 2008 by an anonymous developer named Satoshi Nakamoto. It can be divided up to 8 digits after the comma. The smallest one is called a satoshi (0.00000001 BTC).

- **Blockchain:** The blockchain is a technique that makes it possible to safely store data in a decentralized way. This data can be money, but it could be other data as well.

Sources: blockspot.io/crypto-dictionary

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- **Bot:** A 'bot' is an autonomous program on a network, such as the Internet, that can interact with systems or users. It is often designed to automate certain manual tasks. Bots are often used in Telegram chat groups to prevent spam.

C

- **CBDC:** CBDC stands for 'Central bank digital currency' and is the fully digital form of fiat money. Unlike at Bitcoin, this type of currency would be created by a centralized authority like a central bank or a monetary authority. It might or might not have a distributed ledger. Each central bank in the world can have a custom implementation. Currently, it is still in test phase or just a concept on paper.

- **Centralized:** Centralized means that one organization has control. For example, governments and companies are centralized. The opposite of centralized is decentralized, such as the Internet and the blockchain.

- **Coin:** A Coin is the umbrella term for cryptocurrencies and tokens.

- **Cold Storage:** Cold storage refers to storing cryptocurrency on a place where the private key cannot be accessed via the internet. This can be done on a hardware wallet, paper wallet or software wallet in an offline environment.

- **Cold Wallet:** A cold wallet is a wallet for storing cryptocurrency where the private key is not exposed to the Internet.

- **Cryptocurrency:** A cryptocurrency, also known as 'crypto', is a type of currency that is transferred via a blockchain. It uses strong cryptography to secure the transactions, that usually have value. While traditional fiat currencies are subject to counterfeiting, this is not possible in a cryptocurrency. Bitcoin is still the most valuable cryptocurrency.

D

- **DAO:** DAO is an abbreviation of 'Decentralized Autonomous Organization'. This is an organization that runs automatically on itself without any human interventions. The work is automatically executed through Smart contracts.

- **DeFi:** DeFi is the abbreviation of 'Decentralized Finance'. It can be defined as a new financial ecosystem consisting of various financial tools, apps and services utilizing blockchain technology. It's an umbrella term for all these projects combined and is growing daily. Examples of DeFi functionality are banking services in the form of stablecoins, decentralized exchanges, derivatives, prediction markets, or lending and borrowing systems. The last one can be either peer-to-peer or with a pool. It is a combination of replicating products and services in the traditional finance industry as well as innovative new ones only possible with blockchain technology.

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- **DEX:** A DEX is short for Decentralized Exchange. This is an exchange where people can trade cryptocurrencies and tokens without the need of a middleman. It is usually run by code in a 'smart contract'. The transactions are generally written to the blockchain, which makes a DEX by default slower than a centralized exchange that uses fast databases. The main benefit of a DEX is that nobody, but yourself, holds the private key to the funds. Even though a DEX will not have a middleman regarding the trades, the exchange and the website are centrally managed. Therefore, it's not 100% decentralized in fact. The level of decentralization differs per DEX. Use the filters in this list with exchanges to find each DEX.

E

- **ERC-20:** ERC20 coins are all tokens on the Ethereum blockchain. These coins are also supported by most Ethereum wallets.

- **ETF:** ETF is an abbreviation for 'Exchange-Traded-Fund' or a listed fund on a stock exchange. This is a tradable product (security) that follows the price of an underlying asset. Examples are an equity index, a basket of certain securities, bonds and commodities. There are several applications for a Bitcoin ETF, but none of these has yet been approved by the SEC in the United States of America.

- **Ethereum:** Ethereum (ETH) is consists of one blockchain where both its own transactions (Ether) and those of numerous other coins (tokens) are recorded. Ethereum distinctive feature is the so-called "smart contract". The programming language of Ethereum is written in such a way that programmers can write their own programs based on the Ethereum blockchain.

F

- **Fiat Currency:** Fiat currency or also simply called fiat is money issued by a government or organizations that can issue it, like banks for example. It doesn't have any value by itself and is for decades not backed by gold anymore either. It instead remains value based on the trust of the people. Once the trust goes away it will decrease in value and could eventually cause hyperinflation.

- **Fully Diluted:** Fully Diluted in crypto refers to fully diluted market cap. This is the market cap of a coin based on its total supply instead of the circulating supply. This is an important metric for investors to compare coins and help with the decision if it's overvalued or undervalued.

H

- **HODL:** HODL is the wrong spelling of 'hold'. This spelling mistake was once made by someone accidentally or intentionally on a forum. Since then, this term has been used to indicate that you keep or should be holding your position.

Sources: blockspot.io/crypto-dictionary

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I

- **ICO:** An 'initial coin offering' (ICO) can be compared a bit with an IPO. Investors get an opportunity to invest in a certain coin for the first time. The difference with the stock market however is that a company must meet all kinds of requirements before the IPO can take place. The market of ICO's is much less regulated. Therefore, it happens more often that an ICO is fraudulent.

- **Interoperability:** The term interoperability in crypto refers to blockchain interoperability. In short, this means the ability to share information between different blockchains. Since the launch of Bitcoin, a lot of new blockchains have emerged of which the most well known Ethereum. All these new blockchains are in a way competing to get adoption by developers and users and results in a lot of silos. Since each blockchain usually has its own speciality, it would make sense for developers to utilize more than one blockchain. For this to work there is a need for the interoperability and several projects are working on this.

K

- **Key Pairs:** A key pair is the combination of a public and private key together. During the process of creating a wallet, a pair of keys is generated. The private key is the most important one and should be backed up safely and not shared with anyone.

- **KYC:** KYC is an abbreviation for 'Know Your Customer' and was created to combat money laundering via cryptocurrencies. At almost every ICO it is mandatory to prove that you are who you say you are. This is also regularly requested at crypto exchanges.

M

- **Masternode:** A masternode is a server, ran from home or in a data center, that has an essential role in a decentralized network. It usually performs specific tasks, like storing files or data and keeping it accessible in the network. It could also function to validate the transaction or for consensus purposes like voting on proposals. The technical (memory, CPU, etc.) and financial criteria (number of coins needed) are different for each coin. If the masternode you set up does not perform well it's possible to lose your coins if those are meant as collateral. The rewards could also just stop and then you can just start over again. A masternode usually gives a high reward that's paid out in the coin itself.

- **Maximum Supply:** This is the maximum number of coins that will exist for a token or cryptocurrency. If there is a max supply defined, no more coins can be created. 'Burned' coins are part of this supply, so therefore it is always larger than or equal to the total supply.
  For Bitcoin, the maximum is set to 21 million.

- **Mining:** Mining is also known as 'Cryptocurrency mining' or 'Cryptomining'. It is a process where blocks are added to a blockchain by solving a mathematical puzzle. The block can also contain transactions on that blockchain and will then become verified and immutable. Depending on the blockchain, mining can be done with a CPU, GPU, specialized hardware or a combination of all.

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N

- **NFT:** NFT is the abbreviation of non-fungible token. This is a type of token representing a unique asset. These can be either digital or represent real-world assets. Examples are a sword in a game or ownership of a piece of land. NFT's are generally scarce, unique and indivisible. The Ethereum blockchain makes it easy to create NFT's with it's ERC-721 and ERC-1155 standards.

O

- **ODN:** ODN is the abbreviation of 'OriginTrail Decentralized Network'. This is an open-source and permissionless network that relies on an off-chain technology stack consisting of several inter-related layers. It is a decentralized network of data providers, data creators, data holders, and data viewers. The glue between all entities is the ERC-20 based Trace Token (TRAC). This is used as a collateral stake to keep data holders honest and for payments to compensate the data holders for providing their resources.

P

- **Paper Wallet:** A paper wallet is an alternative to a hardware or software wallet. It is a piece of paper or a PDF containing the information to access the cryptocurrency in that wallet. It normally consists of a 'public key' and a 'private key'.

- **Permissioned Blockchain/ledger:** Anyone can mine Bitcoins because it is a public blockchain. This is not the case with a permissioned blockchain. There is a layer above it that determines which entity can write transactions in a block. The XRP coin from the company Ripple Labs is an example of such a blockchain and has CGI, MIT and Microsoft as approved entities for example. These are called "transaction validators".

- **PoA (Proof of Authority):** PoA stands for 'Proof of Authority'. This is a validation method to process transactions and blocks in a blockchain only by approved accounts. These are known as 'validators' and run specific software to store the transactions in blocks. Since the identity is linked to the system, it can contribute to more trust.

- **Private Key:** A private key in the crypto space can be defined as the combination of letters and numbers that corresponds to a specific public key. The private key can be used to gain access to the assets on that public key, also known as the wallet address. Once you share your private key with somebody, store it on your computer in plain text or type it in a website or app, you risk losing all your funds stored on its a corresponding public address.

- **Public Key:** A public key in the crypto space can be defined as a combination of letters and numbers and forms the address to which the cryptocurrencies or tokens can be sent to. Everybody who knows the public key of somebody can see the assets stored on that address. Only the owner of the corresponding private key can send those assets out.

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Q

- **QR Code:** A QR code is a type of barcode in the form of a square. The letters QR stand for 'Quick Response'. The code contains many dots, a few small squares and sometimes a small logo in the middle. This is different from most other barcode types, which are rectangular with lines. A QR code can therefore contain much more information. Within the crypto world, it is often used to make a 'wallet' address scannable. This speeds up the process of transferring crypto and prevents errors.

S

- **Satoshi Nakamoto:** Satoshi Nakamoto is the alias of the creator of Bitcoin, who wants to remain anonymous. Nobody knows who it is. It could be a person, a group, a company or even a government. It is quite likely that it is a person because there are people who have communicated with him or her via e-mail.

- **SEC:** SEC is the abbreviation of 'Securities and Exchange Commission'. This is an independent government organization of the United States of America. The SEC holds the primary responsibility regarding the financial markets. They enforce the federal securities laws, propose new rules and regulate the US financial markets.

- **Stablecoin:** Stablecoins are tokens or cryptocurrencies attempting to have a minimized volatility of its price. It usually tries to keep a stable price of a related asset like USD for example. It can be backed by the related asset or replicated using smart contracts. Stablecoins are usually pegged to fiat money, but it's also possible to be pegged to precious metals like gold or silver, or even other assets. It enables an easily accessible way to store crypto wealth, temporarily, in a more stable asset during market volatility instead of using the traditional financial ecosystem. Fiat withdrawals can take a few days and could be costly as well.

T

- **Tether:** The Tether is often abbreviated as USDT on exchanges. This is a non-government regulated 'stablecoin' with a value of around 1 US dollar. The company behind this coin claims that every Tether in circulation is covered with real dollars on their bank account.

- **Total Supply:** The 'total supply' indicates the number of coins already in circulation, supplemented with the coins that are not tradable yet. So, it only applies to coins already in existence. This is different from the 'max supply', in which future coins are included. The total supply is greater than or equal to the 'circulating' supply'. It can consist of tradable and non-tradable coins, such as reserved or not yet released coins for the team or investors.

- **Transaction Fee:** The 'transaction fee' is the amount that must be paid to execute transactions on the Blockchain. This fee is usually paid to the 'Miners', but sometimes they are burned. There are also several cryptocurrencies, where you don't have to pay a fee.

Sources: blockspot.io/crypto-dictionary

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W

- **Wallet:** A 'wallet' is a place to store cryptocurrencies encrypted. There are several variants, such as a paper wallet, hardware wallet or software wallet. Each coin has one or more supported wallets.

- **Whale:** A 'whale' is someone with a very large position in a coin.

- **Whitepaper:** A 'whitepaper' is a document that is almost always written for the launch of a new coin through an ICO. All aspects of a coin should be explained here: how it is used, for what and sometimes also the price expectation. After the ICO new versions can be released if the situation changes.

Y

- **Yield Farming:** Yield farming is the process of generating the most returns possible on your crypto assets by putting them to work. Within the crypto space, DeFi has taken on a big role and services inside this space are making yield farming possible. There are nowadays ways to move your crypto assets to pools to gain interest on those assets giving it an annual percentage yield (APY). Just buying crypto-assets and holding them in your wallet, won't generate any yield, but lending them out with DeFi services like, Compound, for example, does make this possible. A term closely related to yield farming is liquidity mining.

Sources: blockspot.io/crypto-dictionary

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