

## Your Weekend Wire

### News Flow

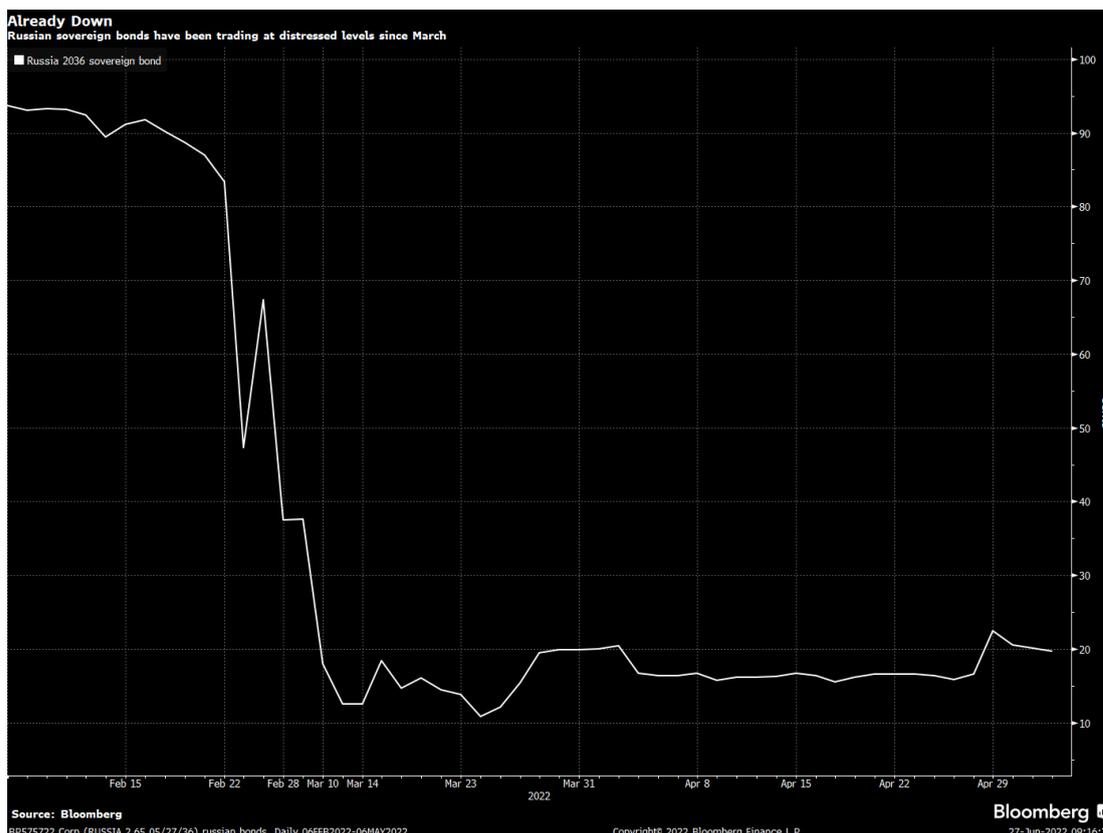
#### ➤ **Russia Defaults on Foreign Debt for First Time Since 1918.**

Russia defaulted on its foreign-currency sovereign debt for the first time in a century, the culmination of ever-tougher Western sanctions that shut down payment routes to overseas creditors.

For months, the country found paths around the penalties imposed after the Kremlin's invasion of Ukraine. But at the end of the day on Sunday, the grace period on about \$100 million of snared interest payments due May 27 expired, a deadline considered an event of default if missed.

It's a grim marker in the country's rapid transformation into an economic, financial and political outcast. The nation's eurobonds have traded at distressed levels since the start of March, the central bank's foreign reserves remain frozen, and the biggest banks are severed from the global financial system.

But given the damage already done to the economy and markets, the default is also mostly symbolic for now, and matters little to Russians dealing with double-digit inflation and the worst economic contraction in years.



Russia has pushed back against the default designation, saying it has the funds to cover any bills and has been forced into non-payment. As it tried to twist its way out, it announced last week that it would switch to servicing its \$40 billion of outstanding sovereign debt in rubles, criticizing a “force-majeure” situation it said was artificially manufactured by the West.

“It’s a very, very rare thing, where a government that otherwise has the means is forced by an external government into default,” said Hassan Malik, senior sovereign analyst at Loomis Sayles & Company LP. “It’s going to be one of the big watershed defaults in history.”

A formal declaration would usually come from ratings firms, but European sanctions led to them withdrawing ratings on Russian entities. According to the documents for the notes whose grace period expired Sunday, holders can call one themselves if owners of 25% of the outstanding bonds agree that an “Event of Default” has occurred.

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With the final deadline passed, focus shifts to what investors do next.

They don't need to act immediately and may choose to monitor the progress of the war in the hope that sanctions are eventually softened. Time may be on their side: the claims only become void three years on from the payment date, according to the bond documents.

"Most bondholders will keep the wait-and-see approach," Takahide Kiuchi, an economist at Nomura Research Institute in Tokyo.

**Russia's Default Tussle With Bondholders Is Only Just Starting**

During Russia's financial crisis and ruble collapse of 1998, President Boris Yeltsin's government defaulted on \$40 billion of its local debt.

The last time Russia fell into default vis-a-vis its foreign creditors was more than a century ago, when the Bolsheviks under Vladimir Lenin repudiated the nation's staggering Czarist-era debt load in 1918.

By some measures it approached a trillion dollars in today's money, according to Loomis Sayles' Malik, who is also author of 'Bankers and Bolsheviks: International Finance and the Russian Revolution.'

By comparison, foreigners held the equivalent of almost \$20 billion of Russia's Eurobonds as of the start of April.

**Russia Debt Held Abroad Below 50%, First Time Since 2018: Chart**

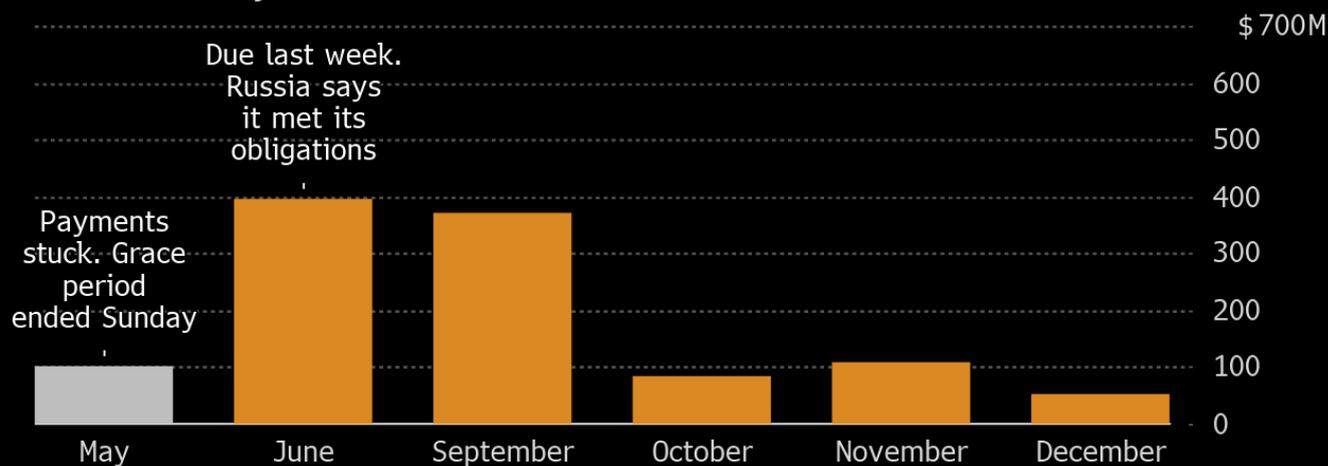
"Is it a justifiable excuse to say: 'Oh well, the sanctions prevented me from making the payments, so it's not my fault?'" Malik said.

"The broader issue is that the sanctions were themselves a response to an action on the part of the sovereign entity," he said, referring to the invasion of Ukraine. "And I think history will judge this in the latter light."

### Time's Up

#### Russia's grace period on missed bond payments in May has expired

■ Amounts due by month



Source: Bloomberg News  
Includes euro and dollar payments. Figures rounded.

**Bloomberg**

Finance Minister Anton Siluanov dismissed the situation on Thursday as a "farce."

With billions of dollars a week still pouring into state coffers from energy exports, despite the grinding conflict in east Ukraine, he reiterated that the country has the means, and the will, to pay.

"Anyone can declare whatever they like," Siluanov said. "But anyone who understands what's going on knows that this is in no way a default."

His comments were prompted by the grace period that ended on Sunday. The 30-day window was triggered when investors failed to receive coupon payments due on dollar- and euro-denominated bonds on May 27.

The cash got trapped after the US Treasury let a sanctions loophole expire, removing an exemption that had allowed US bondholders to receive payments from the Russian sovereign. A week later, Russia's paying agent, the National Settlement Depository, was also sanctioned by the European Union.

In response, Vladimir Putin introduced new regulations that say Russia's obligations on foreign-currency bonds are fulfilled once the appropriate amount in rubles has been transferred to the local paying agent.

The Finance Ministry made its latest interest payments, equivalent to about \$400 million, under those rules on Thursday and Friday. However, none of the underlying bonds have terms that allow for settlement in the local currency.

So far, it's unclear if investors will use the new tool and whether existing sanctions would even allow them to repatriate the money.

According to Siluanov, it makes little sense for creditors to seek a declaration of default through the courts because Russia hasn't waived its sovereign immunity, and no foreign court would have jurisdiction.

"If we ultimately get to the point where diplomatic assets are claimed, then this is tantamount to severing diplomatic ties and entering into direct conflict," he said. "And this would put us in a different world with completely different rules. We would have to react differently in this case -- and not through legal channels."

#### ➤ **Ban on New Gold Imports From Russia Seen as 'Largely Symbolic'.**

The plan by some Group of Seven nations to ban new gold imports from Russia is "largely symbolic" as flows have already been restricted by sanctions, according to analysts.

The US, UK, Japan and Canada plan to announce the ban during the G-7 summit that started Sunday in Germany. While the UK government said in a statement over the weekend that "this measure will have global reach, shutting the commodity out of formal international markets," analysts played down the potential impacts as the London Bullion Market Association, which sets standards for that market, removed Russian gold refiners from its accredited list in March.

"The impact from a ban on Russian gold imports by G-7 nations is likely to be fairly limited, given that the industry already took steps to restrict Russian gold," said Warren Patterson, head of commodities strategy at ING Groep NV. "It looks as though its largely symbolic."

While Western sanctions to punish Russia after its invasion of Ukraine have largely closed European and US markets to gold from the world's second-biggest bullion miner, the G-7 pledge would mark a total severance between Russia and the world's top two trading centers, London and New York.

Vivek Dhar, a commodities analyst at Commonwealth Bank of Australia, said in a note that "a ban also just formalizes what has largely been in place via sanctions" and he didn't expect it to drive gold prices materially higher.

The ban is unlikely to have any real impact on prices, with macro issues really driving sentiment now, said Daniel Hynes, a commodities strategist at Australia & New Zealand Banking Group Ltd.

"This is a mere rubber-stamping exercise of unofficial policies already in place and is unlikely to meaningfully change the outlook for gold," said Jeffrey Halley, a senior market analyst at Oanda Corp., said in a note. The metal "remains adrift" in the \$1,800 to \$1,880 range of the past month, he wrote.

#### ➤ **Turkish lira whipsaws following new loan ban that's set to affect thousands of companies.**

Turkey's currency, the lira, enjoyed a much-welcomed boost on Monday and the preceding Friday after the country's banking regulator announced a ban on lira loans to companies holding what it deemed to be too much foreign currency.

By Monday morning in Istanbul, the lira had notched a roughly 8% gain in two days, trading at 16.01 to the greenback, up from Thursday's close of 17.35.

But by late afternoon on Monday, it had pared some of those gains, decreasing slightly to 16.5 against the dollar, after whipsawing within the 16 to 17 lira per dollar range.

The moves reflect mixed feelings by investors over the new loan ban, which says that if corporates in Turkey want to get commercial lira loans, they have to sell a sufficient amount of their FX to buy lira instead, which helps support the beleaguered currency that's lost some half of its value in the last year.



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The new rule states that firms holding the equivalent of 15 million lira in foreign currency (roughly \$910,000 as of 3 p.m. in Istanbul) cannot borrow lira if their FX funds exceed 10% of their assets or yearly sales. An exception for smaller businesses that can't borrow in FX allows those to still borrow lira if their FX position is net short.

The new rule is meant to shore up the lira, which has dramatically weakened over the past few years as Turkey's central bank, at the behest of President Recep Tayyip Erdogan, largely refused to raise interest rates to curb rising inflation. Now for the country of 84 million, inflation has reached a staggering 73%, severely crippling Turks' purchasing power.

Turkey's move is "potentially affecting thousands of companies," analysts at Saxobank wrote Monday. "These companies might be prompted to dump their foreign currency holdings if they want to continue accessing credit in TRY."

Deutsche Bank wrote in a note that the impact of the rule will be "severe," but the benefits to the lira may be short-lived after large corporates reduce their FX holdings.

Some analysts watching the change are not impressed.

"Bad policy. Desperate really. Short termism and capital controls, whichever way you look at it," Timothy Ash, an emerging markets strategist at Bluebay Asset Management, wrote in an email note.

"It over-complicates things for business and banks when what everyone knows Turkey needs is plain and simple interest rate increases."

He added that any boost to the lira is likely not sustainable, and that the rule won't change Turkish companies' demand for FX.

"Might provide short term boost for the lira but does not change the underlying story — arguably it makes it worse long term by driving trade and business underground and likely out of the system," he said.

Ercan Erguzel, an economist at Barclays, says this poses a fresh risk to liquidity in the market as Turkey is already running low on its foreign currency reserves.

"We might see further pressure on already tight system-wide FX liquidity," he wrote in a note, adding that "additionally, some firms might consider delaying investments until they have a better picture in terms of their FX and TRY (lira) liquidity."

#### ➤ **Lagarde plays down recession risks, says ECB is ready to 'move faster' on rates if needed.**

European Central Bank President Christine Lagarde on Tuesday played down concerns about a recession in the euro zone, also saying her team is ready to raise rates at a faster pace — if needed — if inflation continues to shoot higher.

Central bank officials are gathered in Portugal for their annual conference, with the focus on surging consumer prices. The euro zone is expected to see a headline inflation rate of 6.8% this year — well above the ECB's target of 2%.

This comes at a time when economists are assessing whether the euro zone will escape a recession this year. The region has seen growth levels deteriorate amid an energy crisis, sanctions on Russia and food insecurity — just to name a few factors.

"We have markedly revised down our forecasts for growth in the next two years. But we are still expecting growth rates due to the domestic buffers against the loss of growth momentum," Lagarde said Tuesday at the Sintra Forum.

The European Central Bank held an emergency meeting earlier this month to announce a new tool aimed at addressing fragmentation risks in the euro zone. However, market players were left with questions about the timing and magnitude of the mechanism.

Investors are concerned about high inflation and have been tracking closely what the ECB is saying and doing. Investors are also wary of the high levels of debt in Europe, in Italy, and how a return to tighter monetary policy could become a financial constraint for these economies.

"If the inflation outlook does not improve, we will have sufficient information to move faster. This commitment is, however, data dependent," Lagarde added Tuesday.

Speaking to CNBC, Erik Nielsen, global chief economist at UniCredit, said he does not expect this year's forum to address disparities between public debt levels, but to focus more on the future of monetary policy.

"Can you really hike interest rates into a recession even if inflation is high? That would be unusual," he said.

The ECB confirmed in early June its intention to hike rates next month and then again after the summer. This would likely bring the ECB's deposit rate back out of negative territory and mark a massive moment for the central bank, which has kept rates below zero since 2014.

However, there are questions on whether Lagarde will follow through with multiple rate hikes with the region's growth outlook darkening. The ECB in June forecast a GDP rate of 2.8% for the euro zone this year, but economists are starting to talk about the prospect of a recession toward year-end off the back of Russia's invasion of Ukraine and the impact that's having on the global economy.



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According to Nielsen, the Federal Reserve in the United States is in the same position.

“There is a very high chance the Fed ends up cutting rate towards, sort of, the end of next year or something, and this is the recession story again,” he said.

“They can’t implement what they are saying, they will do the next one and maybe one more hike but then it is going to be really difficult for them, both in the U.S. a little bit later, and in Europe,” he added.

#### ➤ **ECB’s chief economist sees double-sided risk of spiraling inflation and an economic slowdown.**

European Central Bank Chief Economist Philip Lane said the Frankfurt institution will have to remain vigilant over the coming months with the prospect of inflation spiraling ever higher alongside the risk of a consumer-led slowdown the region.

“With the uncertainty, we have to manage the two risks,” Lane, who is also a member of the bank’s Governing Council, told CNBC’s Annette Weisbach Tuesday at the ECB’s Sintra Forum in Portugal.

“On the one side, that could be forces that keep inflation higher than expected for longer. On the other side, we do have the risk of a slowdown in the economy, which would reduce inflationary pressure,” he added.

“So, it’s very much having a clear vision for the next couple of meetings, having an orientation to move away from the very low rates we’ve had for quite a few years, but also fully respecting the importance of being data dependent. And to retain the optionality to respond to what we see, in the coming months.”

All eyes are on the ECB with a critical meeting next month. The central bank has said it will be raising interest rates for the first time in 11 years, but investors are more interested in understanding what the ECB is doing to address fragmentation risks in the region.

The euro zone’s central bank held an emergency meeting earlier this month as borrowing costs surged for the so-called peripheral European nations. The ECB said it would be developing a new tool to address these risks — however, markets were left wondering when the tool would be implemented and how far it would go.

These conversations come at a time when there’s widespread concern about the euro zone economy. Inflation is high and the growth outlook is deteriorating.

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#### ➤ **Finland, Sweden Closer to Joining NATO With Turkey Deal.**

Finland and Sweden took a major step on their way to NATO membership after Turkey dropped its opposition to their bids, all but ensuring the military alliance’s expansion on Russia’s doorstep.

The move “sends a very clear message to President Putin that NATO’s door is open,” NATO Secretary General Jens Stoltenberg told reporters at the start of an alliance summit in Madrid. “He wanted less NATO, now President Putin is getting more NATO, on his borders. So, what he gets is the opposite of what he demanded.”

Turkey agreed to support inviting the two Nordic countries into the military alliance, after receiving pledges from Finland and Sweden addressing its security concerns, including restrictions on Kurdish groups that Turkey considers terrorists, and avoiding arms embargoes.

“The talks were intense and tough, not in mood, but in terms of the subject matter, and after four hours, we reached an understanding,” Finnish President Sauli Niinisto said. “Turkey becoming an ally now could impact the considerations” on arms export permits made on a case-by-case basis, he added.

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Membership of the North Atlantic Treaty Organization for the two previously neutral countries would mark a significant shift in the European security landscape after Russia's invasion of Ukraine. Turkish President Recep Tayyip Erdogan earlier met with Swedish Prime Minister Magdalena Andersson, Niinisto and Stoltenberg.

The membership process will still take many months, including ratification from NATO allies' parliaments, before Finland and Sweden become members and can benefit from the alliance's article 5 collective defense commitments. Stoltenberg said he expected allies to sign the Nordic countries' accession protocols "immediately" after the summit. All 30 alliance members need to sign off.

A senior US administration official said President Joe Biden's goal was to help get the deal across the finish line. Biden told Erdogan Tuesday morning in a phone call that he should seize the moment and finalize negotiations for an agreement during the Madrid summit.



There were no US concessions to Turkey to get the deal over the finish line and Turkey never tied long-standing US requests like F-16 fighter jets to any agreement to allow Sweden and Finland to begin the process of joining the alliance, the official told reporters Tuesday evening after it was announced.

"It's good for Sweden and Finland's security but in equal measure it is good for NATO as we would contribute to the common security of the alliance," Andersson said in a phone interview. "Sweden and Finland were able to explain our work against terrorism and how we have tightened legislation and will continue to strengthen it."

The US has stressed that bringing Finland and Sweden into the fold could make the alliance more secure. Turkey's block complicated the allies' efforts to present a united front considering Russia's invasion of Ukraine.

Sweden has tightened laws on terrorism in recent years, and more steps in that direction are under way. Niinisto has said Finland's anti-terror legislation is on par with current NATO members following a revamp last year.

The Nordic nations have also highlighted constitutional protections for freedom of speech, meaning they could not prevent peaceful Kurdish demonstrations, and said any extraditions requested by Turkey must be ruled on by courts. When it comes to lifting bans on arms exports, Andersson in June signaled that the Swedish authorities that grant arms-export approvals may take a different view on shipments to Turkey in light of the NATO membership bid.

Throughout the negotiations, Finland and Sweden insisted they meet all NATO's entry criteria.

Finland, which has 1,300 kilometers (800 miles) of border with Russia and a history of wars against its eastern neighbor, was driven into NATO's fold by Russia's Feb. 24 invasion of Ukraine and pulled neighboring Sweden along.

The attack shifted popular opinion overnight, with policy makers rapidly kicking off the process to join.

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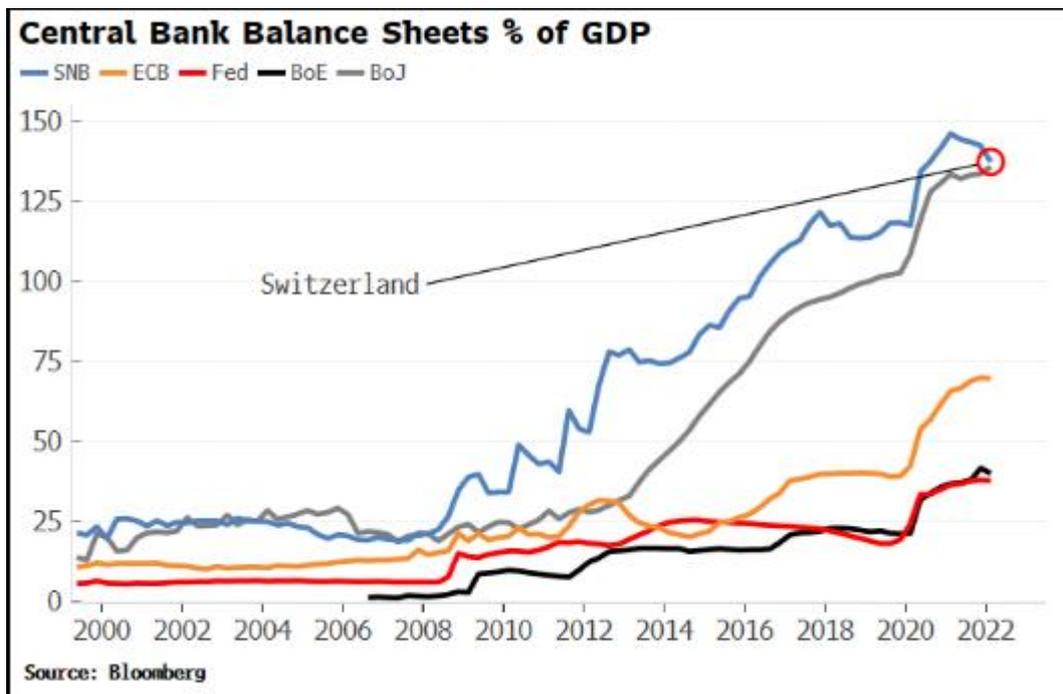
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#### ➤ **SNB Looks Like It Is Staying the Course.**

EUR/CHF on Wednesday closed below parity for the first time in seven years, in a sign the SNB is (so far) following through on the indications it has given that it would intervene less in the currency. Probably a good thing too, given the SNB's balance sheet is vying with Japan's as the world's largest macro-economic imbalance.



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The week ahead

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Date	Time	C	A	M	R	Event	Period	Surv(M)	Actual	Prior	Revised
07/01-07/08		RU	🔔	📊		Current Account Balance	2Q P	--	--	--	--
07/04	01:50	JN	🔔	📊		Monetary Base YoY	Jun	--	--	4.6%	--
07/04	01:50	JN	🔔			Monetary Base End of period	Jun	--	--	¥673.4t	--
07/04	08:00	GE	🔔	📊		Exports SA MoM	May	--	--	4.4%	4.5%
07/04	08:00	GE	🔔	📊		Imports SA MoM	May	--	--	3.1%	3.6%
07/04	08:00	GE	🔔			Trade Balance SA	May	--	--	3.5b	3.1b
07/04	10:30	EC	🔔			Sentix Investor Confidence	Jul	--	--	-15.8	--
07/04	11:00	EC	🔔			PPI MoM	May	--	--	1.2%	--
07/04	11:00	EC	🔔	📊		PPI YoY	May	--	--	37.2%	--
07/04	14:00	CA	🔔			Bloomberg Nanos Confidence	Jul 1	--	--	--	--
07/04	15:30	CA	🔔	📊		S&P Global Canada Manufacturing PMI	Jun	--	--	56.8	--
07/04	16:30	CA	🔔			BoC Overall Business Outlook Survey	2Q	--	--	5.0	--
07/04	16:30	CA	🔔	📊		BoC Business Outlook Future Sales	2Q	--	--	-11.00	--
07/04-07/08		RU	🔔	📊		Wellbeing Fund	Jun	--	--	\$197.7b	--

Source: Refinitiv

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The week ahead



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Date	Time	C	A	M	R	Event	Period	Surv(M)	Actual	Prior	Revised
07/05	02:30	JN				Jibun Bank Japan PMI Composite	Jun F	--	--	53.2	--
07/05	08:00	RU				S&P Global Russia Services PMI	Jun	--	--	48.5	--
07/05	08:00	RU				S&P Global Russia Composite PMI	Jun	--	--	48.2	--
07/05	08:45	FR				Industrial Production MoM	May	--	--	-0.1%	--
07/05	08:45	FR				Industrial Production YoY	May	--	--	-0.3%	--
07/05	08:45	FR				Manufacturing Production MoM	May	--	--	-0.4%	--
07/05	08:45	FR				Manufacturing Production YoY	May	--	--	0.8%	--
07/05	09:45	IT				S&P Global Italy Services PMI	Jun	--	--	53.7	--
07/05	09:45	IT				S&P Global Italy Composite PMI	Jun	--	--	52.4	--
07/05	09:50	FR				S&P Global France Services PMI	Jun F	--	--	54.4	--
07/05	09:50	FR				S&P Global France Composite PMI	Jun F	--	--	52.8	--
07/05	09:55	GE				S&P Global Germany Services PMI	Jun F	--	--	52.4	--
07/05	09:55	GE				S&P Global Germany Composite PMI	Jun F	--	--	51.3	--
07/05	10:00	UK				New Car Registrations YoY	Jun	--	--	-20.6%	--
07/05	10:00	EC				S&P Global Eurozone Services PMI	Jun F	--	--	52.8	--
07/05	10:00	EC				S&P Global Eurozone Composite PMI	Jun F	--	--	51.9	--
07/05	10:00	IT				Deficit to GDP YTD	1Q	--	--	7.2%	--
07/05	10:30	UK				Official Reserves Changes	Jun	--	--	-\$365m	--
07/05	10:30	UK				S&P Global/CIPS UK Services PMI	Jun F	--	--	53.4	--
07/05	10:30	UK				S&P Global/CIPS UK Composite PMI	Jun F	--	--	53.1	--
07/05	14:30	CA				Building Permits MoM	May	--	--	-0.6%	--
07/05	16:00	US				Factory Orders	May	--	--	0.3%	--
07/05	16:00	US				Factory Orders Ex Trans	May	--	--	0.3%	--
07/05	16:00	US				Durable Goods Orders	May F	--	--	--	--
07/05	16:00	US				Durables Ex Transportation	May F	--	--	--	--
07/05	16:00	US				Cap Goods Orders Nondef Ex Air	May F	--	--	--	--
07/05	16:00	US				Cap Goods Ship Nondef Ex Air	May F	--	--	--	--

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Date	Time	C	A	M	R	Event	Period	Surv(M)	Actual	Prior	Revised
07/01-07/08		RU				Current Account Balance	2Q P	--	--	--	--
07/04-07/08		RU				Wellbeing Fund	Jun	--	--	\$197.7b	--
07/06	08:00	GE				Factory Orders MoM	May	--	--	-2.7%	--
07/06	08:00	GE				Factory Orders WDA YoY	May	--	--	-6.2%	--
07/06	09:30	GE				S&P Global Germany Construction PMI	Jun	--	--	45.4	--
07/06	10:30	UK				S&P Global/CIPS UK Construction PMI	Jun	--	--	56.4	--
07/06	11:00	EC				Retail Sales MoM	May	--	--	-1.3%	--
07/06	11:00	EC				Retail Sales YoY	May	--	--	3.9%	--
07/06	13:00	US				MBA Mortgage Applications	Jul 1	--	--	--	--
07/06	15:45	US				S&P Global US Services PMI	Jun F	--	--	51.6	--
07/06	15:45	US				S&P Global US Composite PMI	Jun F	--	--	51.2	--
07/06	16:00	US				ISM Services Index	Jun	55.9	--	55.9	--
07/06	16:00	US				JOLTS Job Openings	May	--	--	11400k	--
07/06	18:00	RU				CPI WoW	Jul 1	--	--	--	--
07/06	18:00	RU				CPI Weekly YTD	Jul 1	--	--	--	--
07/06	20:00	US				FOMC Meeting Minutes	Jun 15	--	--	--	--
07/06		RU				Light Vehicle Car Sales YoY	Jun	--	--	-83.5%	--

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Date	Time	C	A	M	R	Event	Period	Surv(M)	Actual	Prior	Revised
07/01-07/08		RU				Current Account Balance	2Q P	--	--	--	--
07/04-07/08		RU				Wellbeing Fund	Jun	--	--	\$197.7b	--
07/07	01:50	JN				Foreign Buying Japan Stocks	Jul 1	--	--	--	--
07/07	01:50	JN				Foreign Buying Japan Bonds	Jul 1	--	--	--	--
07/07	01:50	JN				Japan Buying Foreign Stocks	Jul 1	--	--	--	--
07/07	01:50	JN				Japan Buying Foreign Bonds	Jul 1	--	--	--	--
07/07	03:00	JN				Bloomberg July Japan Economic Survey					
07/07	04:00	JN				Tokyo Avg Office Vacancies	Jun	--	--	6.37	--
07/07	07:00	JN				Leading Index CI	May P	--	--	102.9	--
07/07	07:00	JN				Coincident Index	May P	--	--	96.8	--
07/07	08:00	GE				Industrial Production SA MoM	May	--	--	0.7%	--
07/07	08:00	GE				Industrial Production WDA YoY	May	--	--	-2.2%	--
07/07	10:30	UK				Output Per Hour YoY	1Q F	--	--	-0.8%	--
07/07	13:30	US				Challenger Job Cuts YoY	Jun	--	--	-15.8%	--
07/07	14:15	US				ADP Employment Change	Jun	200k	--	128k	--
07/07	14:30	US				Trade Balance	May	-\$88.4b	--	-\$87.1b	--
07/07	14:30	CA				Int'l Merchandise Trade	May	--	--	1.50b	--
07/07	14:30	US				Initial Jobless Claims	Jul 2	--	--	--	--
07/07	14:30	US				Continuing Claims	Jun 25	--	--	--	--
07/07	15:00	RU				Official Reserve Assets	Jun	--	--	587.4b	--
07/07	15:00	RU				Gold and Forex Reserve	Jul 1	--	--	--	--
07/07	16:00	CA				Ivey Purchasing Managers Index SA	Jun	--	--	72.0	--
07/07		IT				Bank of Italy Report on Balance-Sheet Aggregates					

Source: Refinitiv

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Economic Releases All Economic Releases View Agenda Weekly

Date	Time	C	A	M	R	Event	Period	Surv(M)	Actual	Prior	Revised
07/08	10:00	IT				Industrial Production MoM	May	--	--	1.6%	--
07/08	10:00	IT				Industrial Production WDA YoY	May	--	--	4.2%	--
07/08	10:00	IT				Industrial Production NSA YoY	May	--	--	-2.8%	--
07/08	11:00	IT				Istat Releases the Monthly Economic Note					
07/08	14:30	CA				Net Change in Employment	Jun	--	--	39.8k	--
07/08	14:30	CA				Full Time Employment Change	Jun	--	--	135.4k	--
07/08	14:30	CA				Part Time Employment Change	Jun	--	--	-95.8k	--
07/08	14:30	US				Two-Month Payroll Net Revision	Jun	--	--	-22k	--
07/08	14:30	US				Change in Nonfarm Payrolls	Jun	275k	--	390k	--
07/08	14:30	CA				Unemployment Rate	Jun	--	--	5.1%	--
07/08	14:30	US				Change in Private Payrolls	Jun	275k	--	333k	--
07/08	14:30	CA				Hourly Wage Rate Permanent Employees Y...	Jun	--	--	4.5%	--
07/08	14:30	US				Change in Manufact. Payrolls	Jun	--	--	18k	--
07/08	14:30	CA				Participation Rate	Jun	--	--	65.3%	--
07/08	14:30	US				Unemployment Rate	Jun	3.6%	--	3.6%	--
07/08	14:30	US				Average Hourly Earnings YoY	Jun	--	--	5.2%	--
07/08	14:30	US				Average Hourly Earnings MoM	Jun	0.4%	--	0.3%	--
07/08	14:30	US				Average Weekly Hours All Employees	Jun	34.6	--	34.6	--
07/08	14:30	US				Labor Force Participation Rate	Jun	--	--	62.3%	--
07/08	14:30	US				Underemployment Rate	Jun	--	--	7.1%	--
07/08	16:00	US				Wholesale Inventories MoM	May F	--	--	--	--
07/08	16:00	US				Wholesale Trade Sales MoM	May	--	--	0.7%	--
07/08	18:00	RU				CPI YoY	Jun	--	--	17.10%	--
07/08	18:00	RU				CPI MoM	Jun	--	--	0.12%	--
07/08	18:00	RU				CPI Core MoM	Jun	--	--	0.40%	--
07/08	18:00	RU				CPI Core YoY	Jun	--	--	19.87%	--
07/08	21:00	US				Consumer Credit	May	\$30.000b	--	\$38.069b	--

Source: Refinitiv

# Your Weekend Wire Figures

## World Currencies/PM & World Bonds

World Currencies	Last	1D Change
<u>EURUSD</u>	1,0405	-0,75%
<u>EURCHF</u>	1,0012	-0,01%
<u>EURGBP</u>	0,8666	-0,65%
<u>EURJPY</u>	140,96	0,92%
<u>USDCHF</u>	0,9622	-0,74%
<u>USDJPY</u>	135,47	0,18%
<u>USDCAD</u>	1,2947	-0,57%
<u>USDTRY</u>	16,76	-0,36%
<u>GBPUSD</u>	1,2007	-1,40%
<u>AUDUSD</u>	0,6777	-1,83%
<u>NZDUSD</u>	0,6160	-1,35%

Precious Metals	Last	1D Change
<u>Gold</u>	1 793,97	-0,74%
<u>Silver</u>	19,63	-3,19%
<u>Platinum</u>	876,05	-2,30%
<u>Palladium</u>	1 939,75	-0,02%

World Bonds	Last	1D Change
<u>US 10Y</u>	2,8857	-4,22%
<u>EUR 10Y</u>	1,2640	-5,39%
<u>Swiss 10Y</u>	0,9320	-12,82%
<u>UK 10Y</u>	2,13	-4,67%

## Indices & Commodities

World Indices	Last	1D Change
<u>Dow Jones</u>	30 775,43	-0,82%
<u>S&amp;P 500</u>	3 785,38	-0,88%
<u>Nasdaq</u>	11 028,74	-1,33%
<u>Eurostoxx 50</u>	3 446,19	-0,25%
<u>FTSE 100</u>	7 168,66	-0,01%
<u>CAC 40</u>	5 927,52	0,08%
<u>DAX</u>	12 794,34	0,08%
<u>SMI</u>	10 729,45	-0,11%
<u>Nikkei</u>	25 935,62	-1,73%
<u>Hang Seng</u>	21 859,79	-0,62%
<u>CSI 300</u>	4 466,72	-0,41%
<u>VIX Index</u>	28,46	-0,87%

World Commodities	Last	1D Change
<u>WTI Crude</u>	108,47	2,56%
<u>Brent Crude</u>	111,70	2,45%
<u>Nat Gas (HH)</u>	5,89	8,59%
<u>Nickel</u>	22 651,00	-4,61%
<u>Copper</u>	359,70	-3,16%
<u>Corn</u>	756,50	1,71%
<u>Wheat</u>	876,25	0,86%
<u>Soybean</u>	1 673,50	-0,09%
<u>Coffee</u>	233,60	0,41%
<u>Cotton</u>	103,94	-0,33%
<u>Sugar</u>	18,28	-1,19%

Sources: Bloomberg



# Your CRYPTO Weekend Wire

**Crypto Market Cap:** \$872,668,770,953,907

**Dominance\*:** BTC: 42,4% ETH: 14,8%

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

## News Flow

### ➤ **El Salvador's \$425 million bitcoin experiment isn't saving the country's finances.**

El Salvador bet its economic salvation on bitcoin, but so far, the gamble isn't paying off like President Nayib Bukele hoped it would. The government's crypto coffers have been cut in half, bitcoin adoption nationwide isn't really taking off, and crucially, the country needs a lot of cash, fast, to meet its debt payments of more than \$1 billion in the next year. This comes as the price of bitcoin has fallen more than 70% from its November 2021 peak, and more than 55% from the time Bukele announced his plan. Meanwhile, El Salvador's economic growth has plummeted, its deficit remains high, and the country's debt-to-GDP ratio — a key metric used to compare what a country owes to what it generates — is set to hit nearly 87% this year, stoking fears that El Salvador isn't equipped to settle its loan obligations.

Pair these economic woes with a renewed war on gang violence, and you have all the fixings of a country on the brink.

"On the surface, the whole bitcoin thing hasn't really paid off," said Boaz Sobrado, a London-based fintech data analyst.

It isn't bitcoin's fault that the government is edging toward financial ruin.

The government has an unrealized paper loss on bitcoin of around \$50 million, which the finance minister notes is less than 0.5% of the national budget. In aggregate, the entire experiment (and all its associated costs) have only run the government around \$374 million, according to estimates. That's not nothing — especially because El Salvador has \$7.7 billion of bonds outstanding — but to an economy of \$29 billion, it is comparatively small.

The optics aren't good, though.

Negotiations have stalled with international lenders in part because they are unwilling to throw money at a country that is spending millions in tax dollars on a cryptocurrency whose price is prone to extreme volatility. Rating agencies, including Fitch, have knocked down El Salvador's credit score citing the uncertainty of the country's financial future, given the adoption of bitcoin as legal tender. That means that it's now even more expensive for President Bukele to borrow much-needed cash.

"In terms of their financial situation, El Salvador is in a very difficult place. They have a lot of bonds that are trading severely discounted," continued Sobrado.

"The economic policy of the country is essentially magical thinking," said Frank Muci, a policy fellow at the London School of Economics, who has experience advising governments in Latin America.

"They've spooked the bejesus out of financial markets and the IMF," continued Muci, who tells CNBC that nobody wants to lend money to Bukele unless it's at "eye-gouging rates" of 20% to 25%.

"The country is sleepwalking into a debt default," said Muci.

But the millennial, tech-savvy president, who once touted himself as the "world's coolest dictator" on his Twitter bio, has tethered his political fate to this crypto gamble, so there is a very big incentive to make it work in the long run — and to pay off the country's debt in the interim. Bukele faces re-election for another five-year presidential term in 2024.

Well before President Bukele got it in his head that bitcoin was a magical elixir that would bandage over longstanding economic vulnerabilities, the country was in a lot of trouble.

The World Bank projects that the Salvadoran economy will grow by 2.9% this year and 1.9% in 2023, down from 10.7% in 2021. But that growth itself was a bounce back from an 8.6% contraction in 2020.

Its debt-to-GDP ratio is almost 90%, and its debt is expensive at around 5% per year versus 1.5% in the U.S. The country also has a massive deficit — with no plans to reduce it, whether through tax hikes or by substantially cutting spending.

In a research note from JPMorgan, analysts warn that El Salvador's Eurobonds have entered "distressed territory" in the last year, and S&P Global data reportedly shows that the cost to insure against a sovereign debt default is hitting multi-year highs.

Both JPMorgan and the International Monetary Fund warn the country is on an unsustainable path, with gross financing needs set to surpass 15% of GDP from 2022 forward — and public debt on track to hit 96% of GDP by 2026 under current policies.

"In the past three, four months, what they've done is implement gasoline subsidies, which are super expensive," said Muci, who has expertise in economic diversification and public financial management and has taken part in applied research projects for El Salvador, Venezuela, and Honduras.



## Your CRYPTO Weekend Wire

### News Flow

“This is a country that’s rudderless in terms of economic policy. I mean, they don’t know where they’re going, or what they’re doing. I think it’s a classic case of one day at a time,” he said.

All this comes as El Salvador faces imminent debt repayment deadlines in the billions of dollars, including an \$800 million Eurobond that matures in January.

El Salvador has been trying since early 2021 to secure a \$1.3 billion dollar loan from the IMF — an effort that appears to have soured over President Bukele’s refusal to heed the organization’s advice to ditch bitcoin as legal tender. This tracks with Fitch’s recent downgrade, which was also attributed to El Salvador’s “uncertain access to multilateral funding and external market financing given high borrowing costs,” plus its “limited scope for additional local market financing.”

The president’s efforts to consolidate power have also driven up this risk premium. Bukele’s New Ideas party has control over the country’s Legislative Assembly. In 2021, the new assembly came under fire after it ousted the attorney general and top judges. The move prompted the U.S. Agency for International Development to pull aid from El Salvador’s national police and a public information institute, instead re-routing funds to civil society groups.

Additionally, El Salvador can’t print cash to shore up its finances. El Salvador dollarized in 2001, meaning that it ditched its local currency, the colón, in favor of the U.S. dollar. Only the Federal Reserve can print more dollars. Meanwhile, its other national currency, bitcoin, is revered for the fact that it, too, is impossible to mint out of thin air.

In Sept. 2021, El Salvador became the first country to adopt bitcoin as legal tender.

The initiative involved buying bitcoin with public funds, as well as launching a national virtual wallet called “chivo” (Salvadoran slang for “cool”) that offers no-fee transactions and allows for quick cross-border payments. For a country that is a largely cash economy — where roughly 70% of people do not have bank accounts, credit cards, or other traditional financial services — chivo was meant to offer a convenient onramp for those who had never been a part of the banking system.

The experiment also involved building a nationwide infrastructure of bitcoin ATMs across the country and requiring all businesses to accept the cryptocurrency.

The president upped the ante in November when he announced plans to build a “Bitcoin City” next-door to the Conchagua volcano in southeastern El Salvador. The bitcoin-funded city would offer significant tax relief, and geothermal energy rolling off the adjacent volcano would power bitcoin miners.

All in, the government has spent about \$375 million on the bitcoin rollout, including a \$150 million trust designed to convert bitcoin instantly into dollars, \$120 million on the \$30 bitcoin bonus given to each citizen who downloaded the chivo wallet (no small sum in a country where the monthly minimum wage is \$365), and the roughly \$104 million the government has publicly admitted to spending on bitcoin. Muci notes that these expenses plus the \$50 million in unrealized losses on the country’s bitcoin portfolio means that the country has spent around \$425 million on “making bitcoin happen.”

But nine months into this nationwide bet on bitcoin, and it doesn’t appear to immediately be delivering on a lot of its big promises.

President Bukele tweeted in January that the app had 4 million users (out of a total population of 6.5 million), but a report published in April by the U.S. National Bureau of Economic Research showed that only 20% of those who downloaded the wallet continued to use it after spending the \$30 bonus. The research was based upon a “nationally representative survey” involving 1,800 households.

“In terms of actual penetration of bitcoin transactions, it seems to be quite low,” explained Sobrado. “There seem to have been issues with regards to the state-issued wallets. Lots of people downloaded it, but it was buggy. It wasn’t really the best user experience.”

Of those who did use the government’s crypto wallet, some had technical problems with the app. Other Salvadorans reported cases of identity theft, in which hackers used their national ID number to open a chivo e-wallet, in order to claim the free \$30 worth of bitcoin offered by the government as an incentive to join.

Another hope for the chivo wallet was that it would help save hundreds of millions of dollars in remittance fees. Remittances, or the money sent home by migrants, account for more than 20% of El Salvador’s gross domestic product, and some households receive over 60% of their income from this source alone. Incumbent services can charge 10% or more in fees for those international transfers, which can sometimes take days to arrive and require a physical pick-up.



# Your CRYPTO Weekend Wire

## News Flow

But in 2022, recent data shows that only 1.6% of remittances were sent via digital wallets.

In terms of merchant adoption, a survey published in March by the Chamber of Commerce and Industry of El Salvador found that 86% of businesses have never made a sale in bitcoin.

“They gave people the wallets, they forced businesses to accept them, but essentially, in my opinion, it’s a big nothing burger,” said Muci, who previously worked at the Growth Lab at the Harvard Kennedy School of Government. “Nobody really uses the app to pay in bitcoin. People that do use it, mostly use it for dollars.”

Bitcoin City is on hold, as is the \$1 billion bitcoin bond sale, which was initially put on ice in March because of unfavorable market conditions.

If the president’s tweets are to be believed, then the government’s personal bitcoin investment is down about \$50 million on paper. (None of these losses are locked in until the country exits its bitcoin position.)

“Ultimately, El Salvador’s problems are just tangential to currency,” said Muci.

“The issues have to do with security, economic productivity and other things. And bitcoin has nothing to do with any of that,” he said.

El Salvador’s big bitcoin gamble may be struggling now, but Sobrado tells CNBC that it has undoubtedly been a win in terms of attracting bitcoin tourists.

“While they might be down in terms of unrealized losses in their bitcoin investment, they are extremely up in terms of tourism,” said Sobrado.

“They have attracted a lot of people who are bitcoin believers and a lot of capital from these people. And I think it is entirely possible that if you think of the unrealized losses as a marketing campaign, El Salvador has already achieved what it wanted to,” continued Sobrado, who also noted that countries like Costa Rica spend billions of dollars on marketing campaigns.

The tourism industry is up 30% since the Bitcoin Law took effect in September, according to official government estimates. The country’s tourism minister also notes that 60% of tourists now come from the U.S.

The bitcoin experiment also hasn’t hurt the president’s popularity. Bukele’s approval ratings are north of 85% — thanks in large part to his tough-on-crime approach to leading. That’s no small thing to a country that was more dangerous per capita than Afghanistan five years ago. “Mr. Bukele is, to this day, one of the most popular presidents that is in power,” said Sobrado. “He has approval rates of 80 plus percent, that people in other parts of the world just dream of.”

As for the country’s oppressive levels of debt, virtually everyone agrees that President Bukele will do whatever it takes to pull together enough cash to make good on what the country owes this year and next. A big part of that incentive comes from the upcoming presidential election in 2024, in which Bukele is vying for another five-year term.

JPMorgan sees a “high likelihood” of that \$800 million bond maturity being paid in January, in order to “avoid disruptive credit events that might derail his prospects for a potential re-election.” Although Fitch expects El Salvador to meet its near-term debt service payments, the credit agency warns that keeping pace with its loans will prove “more onerous as the year progresses.”

Muci agrees that El Salvador will be able to scrape together the cash, but he warns that ultimately the country’s public finance situation is unsustainable.

“The plane is going to crash eventually, if they don’t change things,” said Muci. “If they don’t raise taxes, cut spending, start being much more disciplined. You know, convincing markets that they’re sustainable.”

He added, “Bitcoin doesn’t solve any of El Salvador’s important economic problems.”

### ➤ **Goldman Sachs** Leading Investor Group to Buy Celsius Assets.

Goldman Sachs is looking to raise \$2 billion from investors to buy up distressed assets from troubled crypto lender Celsius, according to two people familiar with the matter.

The proposed deal would allow investors to buy up Celsius’ assets at potentially big discounts in the event of a bankruptcy filing, the people said.



# Your CRYPTO Weekend Wire

## News Flow

Goldman Sachs appears to be gauging interest and soliciting commitments from Web3 crypto funds, funds specializing in distressed assets and traditional financial institutions with ample cash on hand, according to a person familiar with the situation. The assets, most likely cryptocurrencies having to be sold on the cheap, would then likely be managed by participants in the fundraising push.

Celsius has tapped restructuring advisory firm Alvarez & Marsal, the Wall Street Journal reported Friday afternoon.

Goldman Sachs did not respond to a request for comment.

Celsius, which had more than \$8 billion lent out to clients and \$12 billion in assets under management as of May of this year, abruptly announced on June 12 that it would stop withdrawals from its platform, citing “extreme market conditions.” The disclosure exacerbated those conditions, briefly sending bitcoin’s price below \$20,000.

In addition to hiring Alvarez & Marsal, Celsius has tapped restructuring attorneys from law firm Akin Gump Strauss Hauer & Feld, the Wall Street Journal reported earlier this month. Global investment bank Citigroup has also been enlisted by Celsius to advise on possible solutions, including an assessment of an offer from rival crypto lender Nexo, The Block reported.

Citigroup (C) and Akin Gump have both recommended Celsius file for bankruptcy, according to people familiar with the matter. Citigroup declined to comment. Akin Gump did not immediately respond to a request for comment.

Celsius raised \$750 million from investors last year, including Canada’s second-largest pension fund, Caisse de dépôt et placement du Québec (CDPQ), valuing the business at \$3.25 billion.

### ➤ **Morgan Creek Is Trying to Counter FTX’s BlockFi Bailout.**

Cryptocurrency investment firm Morgan Creek Digital is attempting to raise \$250 million from investors to purchase a majority stake in crypto lender BlockFi, a leaked investor call from Tuesday reveals.

Morgan Creek’s plan to rapidly assemble an equity offer was hatched in response to crypto exchange FTX’s Tuesday morning announcement that it would extend a \$250 million credit line to BlockFi.

Morgan Creek Digital declined to comment. A person with knowledge of the effort said there are multiple venture capital funds that are exploring ways to provide equity financing to BlockFi as the lender struggles to stay afloat.

At stake is the ability of BlockFi’s existing shareholders, including longtime backer Morgan Creek, to recoup their investments.

“I’ve been making calls all day,” Morgan Creek Digital managing partner Mark Yusko said on the leaked call.

According to Yusko, the FTX credit line proposal had a catch for BlockFi’s existing shareholders: It gave FTX the option to buy BlockFi “at essentially zero price.” If FTX were to exercise said option, it would effectively wipe out all of BlockFi’s existing equity shareholders, including management and employees with stock options, as well as all equity investors in the company’s previous venture rounds.

However, Yusko said on the leaked call that BlockFi founders Zac Prince and Flori Marquez had a valid reason for preliminarily accepting the terms: Of the several emergency financing offers BlockFi received, FTX’s was the only one that would not subordinate client assets to the rescuer.

In other words, unless BlockFi went with FTX, its depositors would have had to wait in line behind the new lender to be repaid. Additionally, BlockFi had not received any equity financing options at that stage. (Yusko did not identify any of the other firms that proposed bailout packages for BlockFi.)

BlockFi CEO Prince tweeted on June 21 that the company had signed a preliminary term sheet with FTX. Yusko told investors on the leaked call that day that FTX and BlockFi were “probably three days away from signing a definitive agreement.”

“We are still negotiating the terms of the deal and cannot share more information at this time,” a BlockFi spokesperson told CoinDesk on Saturday. “We anticipate sharing more on the terms of the deal with the public at a later date.” FTX did not respond to requests for comment by press time.

According to Yusko on the leaked call, in the event that FTX exercised its option after extending the credit line, only investors in the most senior tranche of the company’s latest raise would get back anything, and even that would amount to pennies on the dollar.

Morgan Creek, which participated in several funding rounds for BlockFi, would be among those holding the bag.

“The only alternative is to raise an equivalent amount in equity and that’s what we’re working on,” Yusko told investors on the call. “I would say it’s a 10% possibility but not zero.”



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A recording of the call, which CoinDesk reviewed, offers a rare window into the closed-door negotiations to rescue BlockFi, one of the crypto industry's largest lenders, amid a meltdown in the digital asset and broader financial markets. It also shows how the current turbulence echoes past financial crises, with Yusko comparing FTX's rescue package to J. Pierpont Morgan's bailout of the Knickerbocker Trust in 1907.

Indeed, Wall Street firm Goldman Sachs has been trying to organize an investor group to scoop up assets of another troubled crypto lender, Celsius Network, at steep discounts if company files for bankruptcy.

On Friday, the Wall Street Journal reported that FTX was in talks to acquire an equity stake in BlockFi. It is unclear whether new developments since Tuesday have substantially changed negotiations.

When asked by an investor on the call, Yusko said Morgan Creek would be open to an "in-between deal" where FTX (led by billionaire Sam Bankman-Fried) and Morgan Creek both put up a portion of the capital.

"I will definitely try to pursue [a joint deal]," said Yusko. "Not that I have SBF on speed-dial, but I could probably get that call."

Yusko said that he spoke with one potential lead investor that could write a \$100 million check, as well as two other investors who "expressed interest" and could write checks up to \$50 million.

Morgan Creek Digital, co-founded by Anthony "Pomp" Pompliano, is one of BlockFi's largest investors. The firm has participated in BlockFi's Series A through D fundraising rounds across three funds and a special purpose vehicle (SPV), a type of investment structure that allows an investor to invest in a single company.

Yusko cautioned that while Morgan Creek was doing all it could to salvage its investment in BlockFi, success was far from assured.

### ➤ **Crypto hedge fund at center of crisis faces risk of default as deadline to repay \$670 million nears.**

Three Arrows Capital, a crypto-focused hedge fund, has to meet a deadline on Monday to repay more than \$670 million in loans or face default, in a case that could have a ripple effect across the digital asset market.

3AC, as it's also known, is one of the most prominent crypto hedge funds around and is known for its highly leveraged bets.

But with billions of dollars being wiped off the digital coin market in recent weeks, the hedge fund is facing a potential liquidity and solvency issue.

Voyager Digital, a digital asset brokerage, said last week that it had lent 3AC 15,250 bitcoins and \$350 million of the stablecoin USDC. At Monday's prices, the total loan equates to more than \$675 million. Voyager gave Three Arrows Capital until June 24 to repay \$25 million USDC and the entire outstanding loan by June 27, Monday.

Neither of these amounts has been repaid, Voyager said last week, adding that it may issue a notice of default if 3AC does not pay the money back.

Voyager said that it "intends to pursue recovery from 3AC" and is talking to its advisors "regarding legal remedies available."

Voyager Digital and Three Arrows Capital were not immediately available for comment when contacted by CNBC.

Voyager, which is listed on the Toronto Stock Exchange, has seen its shares plummet 94% this year.

Three Arrows Capital was established in 2012 by Zhu Su and Kyle Davies.

Zhu is known for his incredibly bullish view of bitcoin. He said last year the world's largest cryptocurrency could be worth \$2.5 million per coin. But in May this year, as the crypto market began its meltdown, Zhu said on Twitter that his "super cycle price thesis was regrettably wrong."

The onset of a new so-called "crypto winter" has hurt digital currency projects and companies across the board.

Three Arrow Capital's problems appeared to begin earlier this month after Zhu tweeted a rather cryptic message that the company is "in the process of communicating with relevant parties" and is "fully committed to working this out."

There was no follow-up about what the specific issues were.

But the Financial Times reported after the tweet that U.S.-based crypto lenders BlockFi and Genesis liquidated some of 3AC's positions, citing people familiar with the matter. 3AC had borrowed from BlockFi but was unable to meet the margin call.

A margin call is a situation in which an investor must commit more funds to avoid losses on a trade made with borrowed cash.

Then the so-called algorithmic stablecoin terraUSD and its sister token Luna collapsed.

Source: [Click on the link on each article title to be redirected to the original website.](#)



# Your CRYPTO Weekend Wire

## News Flow

3AC had exposure to Luna and suffered losses.

“The Terra-Luna situation caught us very much off guard,” 3AC co-founder Davies told the Wall Street Journal in an interview earlier this month.

Three Arrows Capital is still facing a credit crunch exacerbated by the continued pressure on cryptocurrency prices. Bitcoin hovered around the \$21,000 level on Monday and is down about 53% this year.

Meanwhile, the U.S. Federal Reserve has signaled further interest rate hikes in a bid to control rampant inflation, which has taken the steam out of riskier assets.

3AC, which is one of the biggest crypto-focused hedge funds, has borrowed large sums of money from various companies and invested across several different digital asset projects. That has sparked fears of further contagion across the industry.

“The issue is that the value of their [3AC’s] assets as well has declined massively with the market, so all in all, not good signs,” Vijay Ayyar, vice president of corporate development and international at crypto exchange Luno, told CNBC.

“What’s to be seen is whether there are any large, remaining players that had exposure to them, which could cause further contagion.”

Already, several crypto firms are facing liquidity crises because of the market slump. This month, lending firm Celsius, which promised users super high yields for depositing their digital currency, paused withdrawals for customers, citing “extreme market conditions.”

Another crypto lender, Babel Finance, said this month that it is “facing unusual liquidity pressures” and halted withdrawals.

### ➤ **Coinbase Stock Tumbles as Goldman Sachs Cuts Rating to ‘Sell’.**

Coinbase stock fell more than 10% on Monday after Goldman Sachs downgraded it to a sell, citing potential for large revenue drops this year.

Goldman analysts, led by Will Nance, said in a research note that current cryptocurrency prices and trading volumes indicate further declines in Coinbase income.

Coinbase has historically generated more than 90% of its revenue from trading fees.

The analysts expect Coinbase’s revenue to fall 61% year-on-year in 2022 and by 73% in the second half of the year alone, as the soured macro-outlook continues to inflict pain on industry heavyweights.

Goldman’s latest rating lowers its price target for Coinbase from \$70 a share to \$45. The top US exchange’s stock was worth around \$56 during pre-market trade on Tuesday, having recovered 1% from Monday’s losses.

If Goldman analysts are on point, Coinbase could see its share price shed another 20% from here.

Coinbase recently said it would slash its workforce by 18% — or 1,100 employees — in anticipation of a US recession. The company warned its trading revenue could be hurt by the crypto winter; a period marked by an extended downturn across digital assets.

Goldman expects Coinbase to make further staff cuts as its downsizing thus far only brings its headcount back to where it was at the end of this year’s first quarter.

The Wall Street mainstay’s analysts reckon Coinbase must “make substantial reductions in its cost base” to stymie its cash burn as “retail trading activity dries up.”

Goldman is also bearish on Coinbase’s decision to sunset its professional trader-focused platform and unify all trading into a single application.

“We believe that combining these platforms will reduce switching cost friction between the two platforms and potentially lead to fee rate compression,” the analysts said.

Coinbase’s stock has drifted downwards ever since it went public in April 2021 at a valuation of more than \$86 billion. The company’s market value is now under \$12.5 billion, having collapsed 85% since its direct listing.

Source: [Click on the link on each article title to be redirected to the original website.](#)



# Your CRYPTO Weekend Wire

## News Flow

### ➤ **Crypto Due Diligence Startup Vying To Bring Transparency to ‘Opaque’ Industry.**

A digital assets-focused due diligence startup run by two traditional finance veterans is one of a handful of companies in the space building out its business through a deep-rooted market downturn.

Quentin Thom and James Newman’s London-based perform has started conducting deep dives on crypto exchanges and other service providers, in addition to the platform’s bread and butter of conducting due diligence on blockchain venture capital and hedge fund firms at the bequest of deep-pocketed institutional investors considering backing such entities.

“It’s shining a light on an area that is, rightly or wrongly, perceived to be opaque,” Newman told Blockworks.

The startup is a contrary brightspot in an industry beleaguered by layoffs, compensation cuts and rescinded job offers as executives jockey to buffer their balance sheets in the wake of the implosion of the stablecoin UST and the shockwaves that crypto lender Celsius’ demise has sent spiraling through trading desks this month.

Thom — formerly an executive at Deutsche Bank’s European prime brokerage department servicing traditional hedge funds — and Newman — who most recently spent about a decade in due diligence for Barclays — have now conducted upwards of 30 reviews on asset managers, not counting the growing number on the sell-side, the co-founders told Blockworks. And they’re looking to hire, perhaps in prime position to snap up talent cut loose from other companies making cutbacks.

“It feels like a perfect storm,” Thom said of the market’s crash. “Now is such a good time, when criticism is as high as it is now, to sell assurance and reassurance to what ought to be really an excellent and interesting and dynamic industry to those institutions who are probably tiptoeing back a little bit.”

Several recent reviews for large limited partners have resulted in those backers writing checks to cryptoasset managers, even though recent events had made them reluctant to do so, Thom said, declining to name the entities involved.

The growth comes on the heels of Celsius and Voyager, the crypto lender facing steep losses after its margin calls of hundreds of millions of dollars to one-time industry standout — and now beleaguered — digital assets-focused hedge fund firm Three Arrows Capital were not met.

Unlike most of the industry, their woes are a potential boon to perform: The company can offer clients a review of how to protect their assets in the event of a bankruptcy or broad-based restructuring, where they would likely be far down the line of those looking to recoup funds as unsecured creditors.

There’s also a long list of crypto’s skeletons in the closet — money laundering, mismatched incentives, shady liquidity provision and governance — that Thom and Newman are looking to capitalize on by preventing their clients from falling prey to such pitfalls.

And that’s especially true with traditional financiers who know the ins and outs of due diligence on stock pickers but are lost when it comes to the crypto arena. From custody to leverage to counterparty risk, it’s an entirely different set of questions.

The firm is also closing on a review for a top-tier European sports league, as well as tapping an outside firm to do “hardcore deep dives” on potential hires for crypto companies. The team could also assist with tokenomics for firms issuing their own digital assets for the first time.

Due diligence examinations now are largely conducted on a one-off basis in the space, leading to a “huge internal effort to manage multiple due diligence enquiries,” the firm wrote in marketing materials. In most cases, service providers don’t get to see the reports perform assembles to prevent them influencing the content.

But the firm is working on what they dub an “industry first”: perform an operational examination on service providers that the firms in question can then send free of additional charge to clients. And there are slated updates every six months in a bid to prevent out-of-date information.

One potential perform client, who was granted anonymity because they’re not permitted to speak to the press, said many startups get a “lot of hype for being unique,” adding that this operation is doing something truly different — at least when it comes to digital assets.

“In TradFi, due diligence is cookie cutter; it’s taken for a given,” the source said. “Crypto doesn’t have that, and this is a big step toward transparency.”

Source: [Click on the link on each article title to be redirected to the original website.](#)



# Your CRYPTO Weekend Wire

## News Flow

### ➤ Michael Saylor's MicroStrategy Purchased Another \$10M of Bitcoin Over Past Two Months.

MicroStrategy (MSTR) on Wednesday morning said it purchased 480 bitcoins for about \$10 million – an average price of \$20,817 per coin – during the period from May 3 to June 28.

The new additions bring company holdings to 129,699 bitcoins (BTC) acquired for \$3.98 billion, or an average cost of \$30,664 each. At press time, bitcoin is changing hands at \$20,100, making MSTR's stash worth approximately \$2.6 billion.

During bitcoin's latest leg down to the \$18,000-\$21,000 range, there's been a lot of talk about whether MicroStrategy may begin to face margin calls, but company CEO Michael Saylor has dismissed the chatter and pledged to purchase additional coins as cash flow allowed.

**Michael Saylor** ⚡️ ✓  
@saylor · Follow

MicroStrategy has purchased an additional 480 bitcoins for ~\$10.0 million at an average price of ~\$20,817 per #bitcoin. As of 6/28/22 @MicroStrategy holds ~129,699 bitcoins acquired for ~\$3.98 billion at an average price of ~\$30,664 per bitcoin. \$MSTR

microstrategy.com  
MicroStrategy Acquires Additional 480 Bitcoins  
June 29, 2022

2:08 PM · Jun 29, 2022

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### ➤ Grayscale sues SEC after rejection of bid to turn the largest bitcoin fund into an ETF.

Grayscale, which manages the world's largest bitcoin fund, said it would sue the U.S. Securities and Exchange Commission after regulators turned down its bid to convert the investment vehicle into an exchange-traded fund.

The SEC on Wednesday rejected Grayscale's application for a spot bitcoin exchange-traded fund, citing a failure by the investment manager to answer questions about concerns around market manipulation.

The watchdog is concerned investors would lack sufficient protections under the Grayscale proposal.

Source: Click on the link on each article title to be redirected to the original website.



# Your CRYPTO Weekend Wire

## News Flow

Grayscale filed to make its Bitcoin Trust, known as GBTC, an ETF back in October 2021, but the ruling faced multiple delays. Grayscale had piled pressure on the watchdog to side with it, including by giving people a way of quickly emailing in to express their support. Soon after the SEC's rejection, Grayscale filed a petition challenging the decision with the U.S. Court of Appeals for District of Columbia Circuit. The litigation is being led by Grayscale's senior legal strategist Donald B. Verrilli Jr., a former U.S. solicitor general, and a team of attorneys at law firm Davis Polk & Wardwell.

Verrilli said the SEC is "failing to apply consistent treatment to similar investment vehicles and is therefore acting arbitrarily and capriciously in violation of the Administrative Procedure Act and Securities Exchange Act of 1934."

The SEC was not immediately available for comment outside of normal U.S. working hours.

Grayscale argues the SEC's position is inconsistent considering previous decisions to greenlight other bitcoin-based ETFs, including those based on futures markets and one that allows investors to short — or bet against — the cryptocurrency.

Crypto bulls had pinned their hopes on the SEC approving the first U.S. spot bitcoin ETF, a move that would potentially open the cryptocurrency up to more institutional investment.

The move to deny Grayscale's bitcoin ETF application adds to a slew of negative news around crypto lately. Earlier this week, embattled crypto hedge fund Three Arrows Capital collapsed into liquidation.

Bitcoin was trading at \$20,085 late Wednesday, down 1% in the last 24 hours. Cryptocurrencies have lost a combined \$2 trillion in over market value since the peak of the bubble in November 2021.

### ➤ **Coinbase seeks licenses in Europe as it looks to ramp up growth outside the U.S.**

Coinbase is seeking licenses with various countries in Europe as part of an aggressive expansion in the region.

The exchange already has an active presence in the U.K., Ireland and Germany, but wants to set up operations in Spain, Italy, France, the Netherlands and Switzerland, according to Nana Murugesan, Coinbase's vice president of international. Coinbase recently hired its first employee in Switzerland, he says.

The U.S. crypto giant is looking to international markets to drive growth amid fears of a looming "crypto winter." Earlier this month, Coinbase announced it would lay off 18% of its workforce, while other firms including Gemini and BlockFi haven taken similar steps amid a fall in crypto prices.

Still, Murugesan says Coinbase is planning to hire a regional manager to oversee its European operations. The firm is mainly prioritizing "mission-critical roles" in fields like security and compliance after a period of rapid growth, he added.

"When we entered U.K. and Europe, this was actually during the last big bear market in 2015-2016," said Murugesan, who joined Coinbase in January 2022.

"But then when you fast forward to 2017-2018, the U.K. is now a massive part of our business, as is Europe," he added. "We entered, we made bets. I'm sure it was probably a tough time. But it's paid off, significantly."

Coinbase is in talks to get approval under anti-money laundering rules in several countries, including France, said Katherine Minarik, the company's vice president of legal.

The company is gearing up for MiCA, or Markets in Crypto-Assets, a landmark piece of legislation from the EU that aims to harmonize the regulation of crypto across the bloc.

Officials from the European Council and Parliament are due to meet Thursday in a bid to reach an agreement on the rules. If all goes smoothly, the expectation is that MiCA will come into force by 2024.

Once approved, it will enable Coinbase to "passport" its services into all 27 EU member states, Minarik said.

While Coinbase is the biggest crypto exchange in the U.S., it's facing intense competition from newer players like Binance, FTX and Crypto.com. Binance's U.S. affiliate recently ditched fees for customers trading bitcoin, news that sent shares of Coinbase tumbling.

Coinbase is racing to keep pace with its rivals, which are gaining significant traction in territories outside the U.S.

Source: [Click on the link on each article title to be redirected to the original website.](#)



# Your CRYPTO Weekend Wire

## News Flow

In the Middle East, for example, both Binance and FTX obtained licenses in Dubai. Binance also secured authorization in France and Italy and is seeking approvals in additional European countries.

“Being a publicly traded company, the bar is very high,” Murugesan said. “Sometimes it may take a bit longer to get some things done. But we want to stay the course.”

At the same, major crypto players — Coinbase included — are reeling from a dramatic plunge in digital currency prices, which some investors believe will be the start of a much longer downturn known as “crypto winter.”

A confluence of factors is weighing on the market, including higher interest rates from the Federal Reserve and the collapse of the UST stablecoin. The slump in token prices has in turn led to solvency issues at investment firms that loaded up with leverage, like Three Arrows Capital.

Coinbase made a sudden U-turn on its cost-cutting strategy this month, announcing plans to cut roughly 1,100 employees globally. Though the cuts affected 18% of Coinbase’s global headcount overall, Murugesan says its U.K. workforce was less impacted with around 7% of roles cut locally.

Coinbase reported a 27% decline in revenues in the first quarter as overall usage of the platform declined. The business is currently heavily reliant on trading fees. But it’s hoping to diversify into new products, including nonfungible tokens and interest-like rewards known as staking.

Coinbase has around 9.2 million monthly transacting users globally but less than 50% of those are using the app for trading, Murugesan said.

### ➤ EU to Require Exchanges to Identify Most Crypto Transactions.

EU policymakers reached a deal Wednesday on a new bill that seeks to track crypto transfers, with no minimum threshold requirements or exemptions for low-value transfers, on exchanges and similar platforms.

The ruling, aimed at crypto asset service providers (CASPs) under the Financial Action Task Force’s “Travel Rule,” will require information relating to each transaction to be stored on both sides of the transfer.

Dubbed the Transfer of Funds Regulation, the bill seeks to apply wire transfer obligations to crypto transfers by requiring CASPs to collect and send customer data with transactions.

CASPs will also be required to provide information to relevant authorities if an investigation is conducted into money laundering and terrorist financing, according to a statement on Wednesday. CASPs include the likes of custodians, exchanges and regulated trading platforms.

Transactions from un-hosted wallets — those not based on exchanges — will also be covered under the new rule when an individual interacts with hosted wallets managed by CASPs. Transfers from an unhosted wallet to another unhosted wallet will not be covered under the legislation.

EU lawmaker Ondrej Kovarik said in a tweet on Wednesday the agreement on the regulation, “strikes the right balance in mitigating risks for fighting money laundering in the crypto sector.” The lawmaker also said it would not hinder or overburden innovation and businesses.

The legislation is part of the union’s anti-money laundering package and will be aligned with the Markets in Crypto-assets rules (MiCA), the policymakers said.

It’s the latest development following MiCA, first introduced to parliament in 2020, which sets out common rules for crypto regulation across all 27 EU member states. The latest bill complements existing measures currently being pursued within the bloc including clamping down on what it perceives as shady crypto activity.

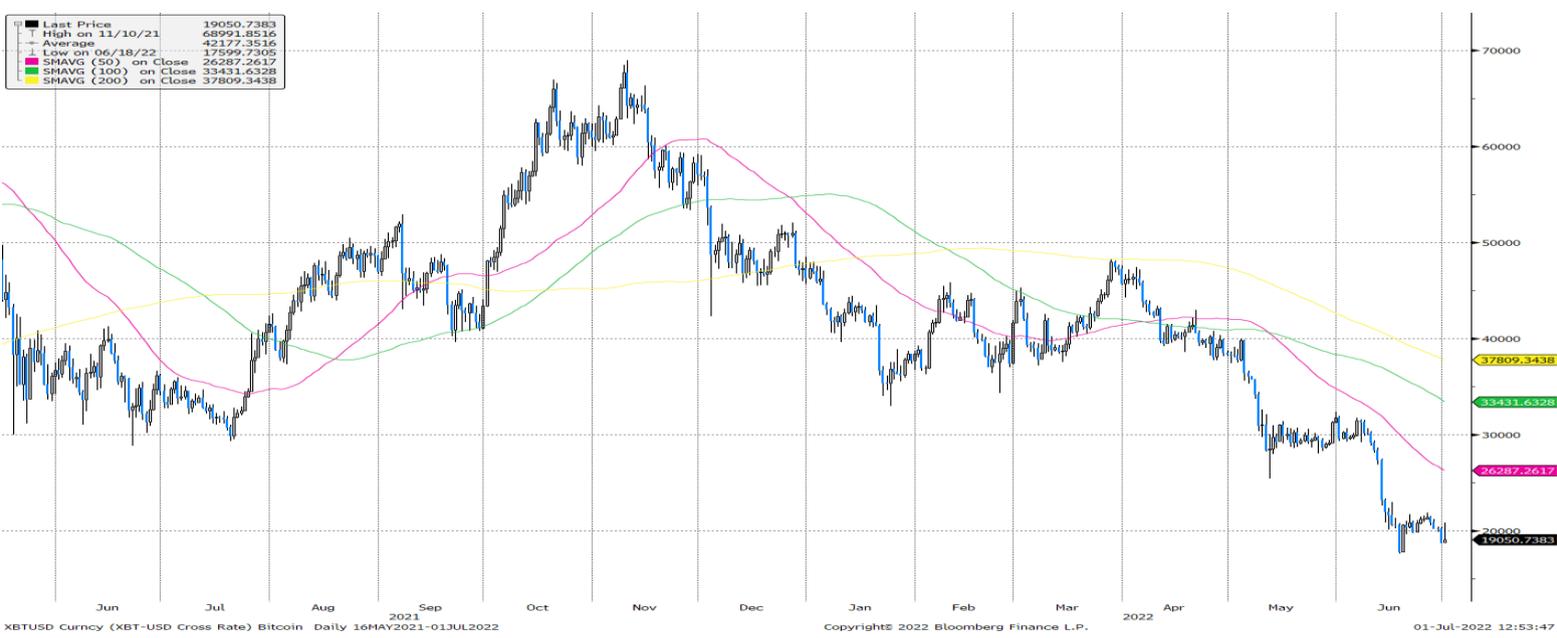
“This new regulation strengthens the European framework to fight money-laundering, reduces the risks of fraud and makes crypto-asset transactions more secure,” said Ernest Urtasun co-rapporteur of the bill. “This regulation introduces one of the most ambitious travel rules for transfers of crypto assets in the world. We hope other jurisdictions will follow the ambitious and rigorous approach the co-legislators agreed today.”

Source: [Click on the link on each article title to be redirected to the original website.](#)



# Your CRYPTO Weekend Wire

## Figures and Charts



Crypto	Last	5D Change	YTD Change
Bitcoin	19 356,00	3,34%	-9,52%
Ethereum	1 049,46	3,86%	-15,84%



Sources: Bloomberg / Trading View



# Your CRYPTO Weekend Wire 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.



# Your CRYPTO Weekend Wire Glossary

- ❖ **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.



# Your CRYPTO Weekend Wire Glossary

❖ **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) 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.



# Your CRYPTO Weekend Wire Glossary

## 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.



# Your CRYPTO Weekend Wire Glossary

## 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.



# Your CRYPTO Weekend Wire Glossary

## 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.



# Your CRYPTO Weekend Wire Glossary

## 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](https://blockspot.io/crypto-dictionary)

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