

# BTC Slumps Following OKEx Forced-Liquidation Incident

## WEEKLY RECAP

- Total market cap. reached \$253.80 bn (a 14.7% decrease), where 7 day trading volume slumped 16.6% for top 100 crypto

## WEEK AHEAD

- 9 Aug:** XLM to list on Bitpanda exchange
- 13 Aug:** Revaloot to release airdrop to BTC holders

## THOUGHTS OF THE WEEK

Investors turned their attention towards the Bitcoin (BTC) futures market following the slumping price of BTC this week. As first reported by Chinese financial news media in June on 31 July, a client of OKEx initiated an “unusually large” long position of approximately 4.16 mn BTCUSD quarterly futures, and this account was frozen by OKEx after the client refused to lower this long position. The BTC price tumbled shortly after this preemptive action, and OKEx had to liquidate the client’s position.

As noted in our Chart of the Week, the BTC price once reached \$6930 since the reveal of this incident. In the case of BTC futures liquidation, OKEx utilizes its socialized clawback mechanism in cases when the balance of its insurance fund is insufficient to cover the total margin call loss.

The socialized clawback mechanism raised huge concern among participants on OKEx, as the balance of the insurance fund (10 BTC) could not cover the estimated total loss of 1200 BTC at the time of this incident. Since the outstanding losses need to be covered by the counterparty, OKEx traders which had shorted BTCUSD quarterly futures risked having up to 18% of unrealized gains “clawed back” by OKEx to cover the losses. Failure to take remedial measures before the scheduled settlement time (HKT 4pm on 3 Aug.) could have resulted in serious damage to OKEx’s reputation.

Realizing the potential consequences brought by this forced liquidation incident, OKEx performed the clawback of \$9 mn, injected 2500 BTC from its own capital pool to its insurance fund to settle this exposure, and further promised to implement a series of risk management measures. We believe that a tiered margin system would be the most effective, since users with larger positions would be required to place higher margins leading to lower effective leverage, limiting the magnitude of losses and minimizing the occurrence of socialized clawback.

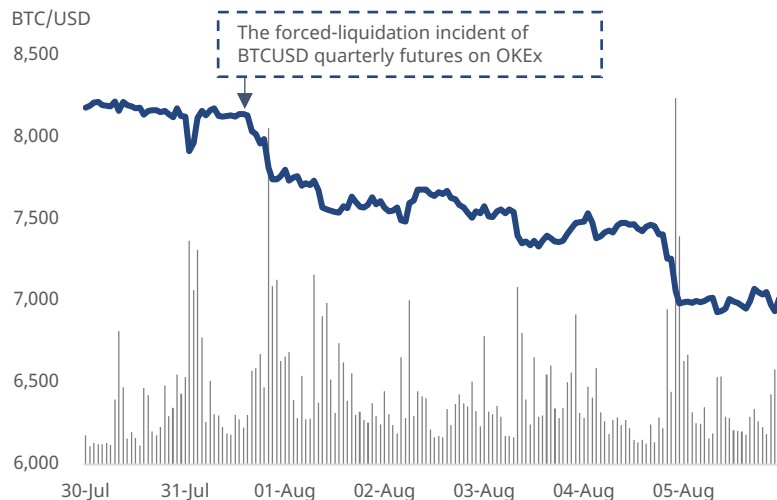
The growing demand for BTC futures investment is worth noticing despite the slumping crypto market since April. As noted in the quarterly statistics produced by the CME Group, the average daily volume of BTC futures in Q2 2018 surged 93%, where the rate of open interest surged 58%. We believe the trading volume of BTC futures will possibly soar further given the increasing volatility of BTC prices and the growing interest in BTC investment from the traditional financial sector.

## TOP CRYPTO PERFORMANCE SUMMARY

Name	Price	7D%	Vol.	7D%	Mkt Cap.	% Total Mkt
BTC	\$7,012.95	-14.55%	26.76bn	-14.62%	120.56bn	47.50%
ETH	\$406.78	-12.75%	9.80bn	-8.86%	41.14bn	16.21%
XRP	\$0.43	-4.95%	1.41bn	5.69%	16.91bn	6.66%
EOS	\$7.02	-15.13%	3.42bn	-21.16%	6.36bn	2.51%
XLM	\$0.24	-23.22%	418.27mn	-41.18%	4.52bn	1.78%
ADA	\$0.13	-21.35%	417.47mn	-29.85%	3.31bn	1.31%
USDT	\$1.00	-0.06%	16.40bn	-12.22%	2.43bn	0.96%
XMR	\$114.34	-17.87%	146.48mn	-20.67%	1.86bn	0.73%
DASH	\$203.78	-15.27%	812.22mn	27.86%	1.68bn	0.66%
ZEC	\$176.56	-19.55%	728.88mn	-10.75%	795.70mn	0.31%

## CHART OF THE WEEK

Price and trading volume of BTC (30 Jul – 5 Aug)



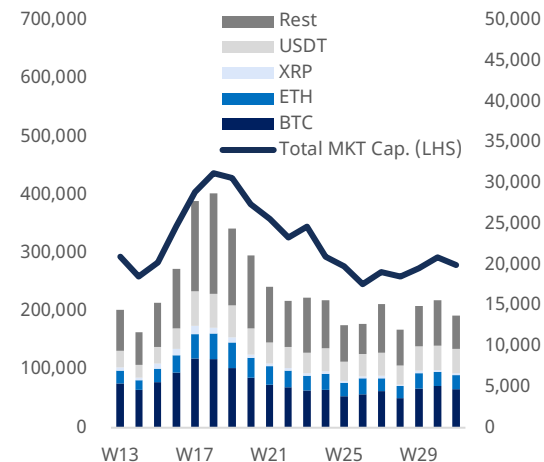
## NETWORK FUNDAMENTALS

	BTC	ETH
Hashrate	45,883,211 TH/s (+6.2%)	286,579 GH/s (+1.3%)
# Wallet Users	27,059,861 (+1.2%)	40,118,136 (+1.6%)
Top 3 Miners	BTC.com (20%) AntPool (12%) BTC.TOP (11%)	Ethermine (30%) SparkPool (19%) F2 Pool (14%)

## TOP ICOS WITH MOST FUNDS RAISED

Name	Industry	Close	\$ Raised	% Raised
FTT	Application	31 Jul	15mn	74%
CODX	Application	30 Jul	12mn	100%
ASA	Application	1 Aug	4.06mn	34%

## MARKET CAP & TRADING VOL. (US\$ mn)



## DISCLAIMER

Abbreviations: ADA: Cardano; ASA: Asura Coin; Aug: August; BTC: Bitcoin; CME Group: CME Group Inc.; CODX: Codex Protocol; ETH: Ethereum; FTT: FarmaTrust; HKT: Hong Kong time; ICOS: Initial Coin Offerings; Jul: July; Market Cap: Market Capitalization; mn: million; Trading Vol.: Trading Volume; USD: United States Dollars; USDT: USD Tether; XLM: Stellar Lumens; XMR: Monero; XRP: Ripple; ZEC: Zcash;

Chart of The Week: Source: Cryptocompare, OKEx, Standard Kepler Research

Market Cap & Trading Vol.: Source: Coinmarketcap, Standard Kepler Research

The horizontal axis represents the week number in 2018. For instance, W13 indicates the thirteenth week in 2018.

The primary vertical axis represents total market capitalization; and the secondary vertical axis represents total trading volume.

Network Fundamentals: Source: Blockchain.info, Blocktrail, Etherchain.org, Etherscan.io, Standard Kepler Research

Thought of The Week: Source: Bloomberg, Coindesk, Coinmarketcap, Cointelegraph, Cryptocompare, Jinse, OKEx, Standard Kepler Research

Top Crypto Performance Summary: Source: Coinmarketcap, Standard Kepler Research

Top ICOs with Most Funds Raised: Source: Cryptocompare, ICObench, ICODrops, ICOmarks, ICOratings.com, Standard Kepler Research

Week Ahead: Source: Cryptocalendar.pro, Standard Kepler Research

Weekly Recap: Source: Coinmarketcap, Standard Kepler Research

Past performance does not guarantee future results.

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The price of Bitcoin and other cryptocurrencies are highly volatile in nature. It is suggested that clients should perform their own due diligence and consult a fully qualified independent professional financial adviser before making any investments in cryptocurrencies.

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Unless otherwise stated, all data is as of August 5, 2018 or as of most recently available.