

Scalability Not Key Driver of BTC's Value

WEEKLY RECAP

- Total market cap. reached \$203bn (a 6.6% decrease), and 7 day trading volume slumped 4.2% for top 100 crypto

WEEK AHEAD

- 17 Oct:** The Cboe XBT expiration date for BTC
- 21 Oct:** XRP and XLM participate in Money20/20 USA in Las Vegas

THOUGHTS OF THE WEEK

Bitcoin's current ability to process 7 transactions per second on average is far from sufficient for purposes of handling real-time transaction processing, and a number of scalability solutions are currently being considered by the sector.

Sidechains, a layer-two scaling technology, can be considered as one such option. A sidechain is a separate blockchain that is attached to the main chain using a two-way peg, and an intermediary serves between the two chains. By handling the bulk of transactions on a sidechain, and only attaching computational results to the main chain, scalability can be improved. However, sidechains are responsible for their own security, and the introduced intermediary should be considered an element of centralization.

Announced by Blockstream this week, 'Liquid Network' is a sidechain solution for BTC, with its native token Liquid BTC (L-BTC) being backed by a two-way peg to BTC. L-BTC can be redeemed at any time, and claims to facilitate full settlement of BTC transfers in 2 minutes. L-BTC has so far secured the support of multiple exchanges, most notably Bitfinex, Bitmex, and OKCoin.

Compared to existing BTC scalability solution 'Lightning Network', the most distinguishing feature of Liquid Network is its focus on supporting bulk transactions among crypto exchanges and financial institutions. We view the introduction of confidential transactions (CT) as critical in making the solution commercially viable, since sensitive transaction information that can be considered trade secrets are concealed with CT. On the contrary, Lightning Network is built to handle instant and high-volume micropayments, which is made possible through the elimination of block confirmations and custodian risks.

We question the actual demand for many proposed scalability solutions, with the total sum processed by the well known Lightning Network not exceeding 116 BTC to date. This may indicate that the BTC community does not in fact prioritize scalability, and BTC's value is not primarily derived from its role as a currency.

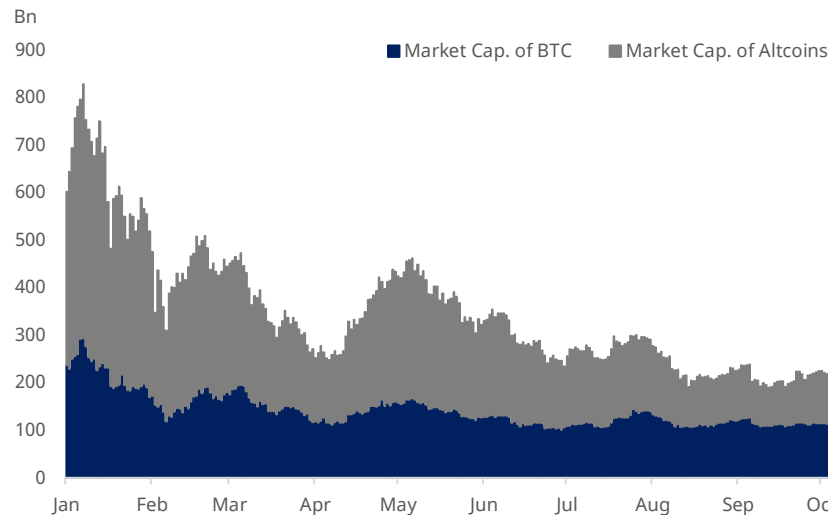
Rather, we believe the value of BTC to be derived from its recognition, and its role in the market as a safe storage of value, similar in nature to commodities such as gold. As demonstrated in our Chart of the Week, large sums of value have been sheltered in BTC during bearish times of dropping total market capitalization.

TOP CRYPTO PERFORMANCE SUMMARY

Name	Price	7D%	Vol.	7D%	Mkt Cap.	% Total Mkt
BTC	\$6,316.77	-4.12%	22.35bn	3.04%	109.41bn	53.95%
ETH	\$200.45	-10.83%	8.75bn	-4.68%	20.56bn	10.14%
XRP	\$0.42	-12.05%	3.12bn	-21.99%	16.82bn	8.29%
BCH	\$448.11	-12.16%	2.00bn	-25.32%	7.80bn	3.85%
EOS	\$5.25	-8.45%	3.08bn	-7.43%	4.76bn	2.35%
XLM	\$0.22	-10.08%	0.28bn	19.32%	4.08bn	2.01%
USDT	\$0.99	-0.93%	15.14bn	3.23%	2.64bn	1.30%
ADA	\$0.07	-10.23%	0.24bn	20.32%	1.89bn	0.93%
XMR	\$102.34	-10.30%	0.25bn	80.52%	1.69bn	0.83%
DASH	\$161.42	-10.21%	0.99bn	-34.77%	1.35bn	0.67%

CHART OF THE WEEK

BTC Share of Total Market Capitalization in 2018



TOP CRYPTO NEWS AT A GLANCE

Coinbase launches the first ERC-20 token 0x (ZRX) on Coinbase Pro: The trading of ZRX will be available once sufficient liquidity is reached. A separate announcement will be made when ZRX is available on coinbase.com and mobile apps.

Binance announces all listing fees will be donated to charity with immediate effect: Project teams can determine the amount of listing fees as donations and there is no minimum requirement on listing fee.

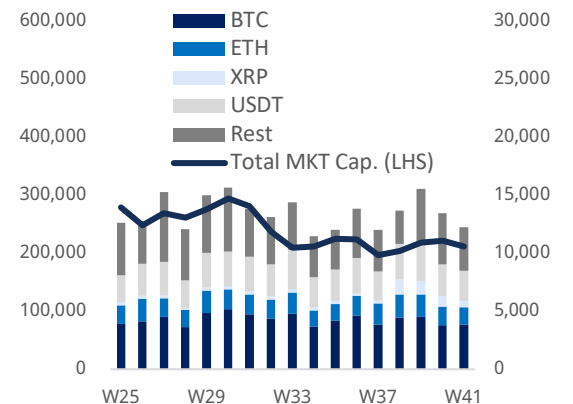
IBM launches blockchain food tracking network "Food Trust": Following Walmart and Nestle SA, Carrefour is the most recent addition to the "Food Trust" initiative.

Bitfinex suspends fiat deposits: Service expected to resume within a week. The exchange has not specified the reason of suspension and has denied rumors on insolvency and banking issues.

NETWORK FUNDAMENTALS

	BTC	ETH
Hashrate	50,558,859 TH/s (-1.5%)	256,915 GH/s (+0.6%)
# Wallet Users	29,176,368 (+0.7%)	44,142,801 (+1.0%)
Top 3 Miners	BTC.com (17%) AntPool (13%) SlushPool (11%)	Ethermine (26%) SparkPool (23%) F2 Pool (13%)

MARKET CAP & TRADING VOL. (US\$ MN)



DISCLAIMER

Abbreviations: ADA: Cardano; BCH: Bitcoin Cash; bn: billion; BTC: Bitcoin; crypto: cryptocurrencies; CT: confidential transactions; ETH: Ethereum; IBM: International Business Machines Corporation; ICOs: Initial Coin Offerings; L-BTC: Liquid Bitcoin; Market Cap: Market Capitalization; mn: million; Oct.: October; Trading Vol.: Trading Volume; USD: United States Dollars; USDT: USD Tether; XBT: Cboe Bitcoin (USD) Futures; XLM: Stellar Lumens; XMR: Monero; XRP: Ripple; ZRX:0X

Chart of The Week: Sources: Coinmarketcap, Standard Kepler Research

Market Cap & Trading Vol.: Sources: Coinmarketcap, Standard Kepler Research
The horizontal axis represents the week number in 2018. For instance, W25 indicates the twenty fifth week in 2018. The primary vertical axis represents total market capitalization; and the secondary vertical axis represents total trading volume.

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

Thought of The Week: Sources: Blockstream, Blockcast.it, Bloomberg, Coindesk, Cointelegraph, Lightning Network, Liquid Network, p2sh.info, Standard Kepler Research

Top Crypto News At a Glance: Sources: Blockcast.it, Coindesk, Cointelegraph, Standard Kepler Research

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

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

Weekly Recap: Sources: 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 October 14, 2018 or as of most recently available.