

Blockchain - A Game for Institutional Giants

WEEKLY RECAP

- Total market cap. reached \$134bn (a 29.4% increase), and 7 day trading volume surged 92.6% for top 100 crypto

WEEK AHEAD

- 28 Dec:** Last trade date of CME Bitcoin Futures
- 29 Dec:** Dapps platform open source for TRX

THOUGHTS OF THE WEEK

A brief but firm speculative look at the value being generated by public chains, and the public trust in existing institutions, reveals four possible scenarios for the adoption of blockchain (see chart of the week).

We view the current value being generated by public chains as low, defining "value" as the ability to both scale & present attractive use cases for that scalability. Public chains generally struggle to handle transaction volumes beyond those generated by niche demand. They are further difficult to update, as made evident by the many hard forks that result from proposed improvements to BTC and BCH. Chains that do offer sufficient scalability still fail to present valuable use cases, with circa 80% of volume on EOS being driven by gambling dApps of questionable value to the public.

Furthermore, surveyed global trust in institutions is still high, albeit weakened in several western nations. However the populations of China, India, and Indonesia (comprising ~40% of the global population) exhibit extremely high trust in existing institutions. Significantly, trust in financial institutions is the strongest among millennials, the same tech savvy group we would expect to first adopt public chain alternatives. The point is not whether these users could benefit from a public chain solution, but rather that they have very low incentive to consider one.

Blockchain hence finds itself in what we term "A Game for the Giants", far from the perceived "Public Chain Utopia" that many crypto enthusiasts touted last year. We thus expect existing institutions to absorb blockchain, as opposed to being displaced by it. This will occur in the form of permissioned chains, and primarily for purposes of record keeping, accounting and transaction settlement. 84% of surveyed executives around the world report having blockchain initiatives underway, and we expect trust in institutions to further rise as permissioned solutions are adopted.

We are of the mind that a move towards greater adoption of public chains is unlikely. Expect central bank digital currencies to make currency tokens irrelevant to the general public. We further struggle to find strong use cases for dApps, and believe potential users to be more aware of the weaknesses of public chains. They would not be wrong to conclude that most if not all public chains are in fact institutions hidden behind the wrappings of "decentralization", highly dependent on the efforts of development teams and key influencers such as Daniel Larimer and Vitalik Buterin.

TOP CRYPTO PERFORMANCE SUMMARY

Name	Price	7D%	Vol.	7D%	Mkt Cap.	% Total Mkt
BTC	\$4,041.36	23.50%	41.49bn	69.59%	70.47bn	52.47%
XRP	\$0.37	27.14%	4.77bn	141.98%	15.07bn	11.22%
ETH	\$127.91	47.95%	17.33bn	81.63%	13.30bn	9.90%
BCH	\$193.84	138.35%	5.32bn	1034.89%	3.40bn	2.53%
EOS	\$2.75	42.53%	7.07bn	90.60%	2.49bn	1.86%
XLM	\$0.13	28.42%	0.77bn	38.25%	2.40bn	1.79%
USDT	\$1.02	1.46%	33.23bn	115.84%	1.89bn	1.41%
BSV	\$106.47	41.05%	1.65bn	321.78%	1.87bn	1.39%
ADA	\$0.04	49.92%	0.33bn	442.96%	1.13bn	0.84%
XMR	\$53.41	33.32%	0.10bn	45.42%	0.89bn	0.66%

CHART OF THE WEEK

Scenario Planning: A Speculative Look at the Future of Blockchain

High value generated by public chains

	The Utopia	A Paradigm Shift
Low public trust in institutions	<ul style="list-style-type: none"> Many proposed ideas from ICOs become plausible Significant number of cryptocurrencies issued by companies Disintermediation in tx processing agencies 	<ul style="list-style-type: none"> Permissioned + public chains Cross chain operation when trust + crowd support needed (e.g. stocks issuance on permissioned chain, with currencies issued on public chain)
	<h3>Alternative Investment</h3> <ul style="list-style-type: none"> Cryptocurrencies function as storage of value, but not medium of exchange BTC but not much else Possibly privacy usage 	<h3>A Game for the Giants</h3> <ul style="list-style-type: none"> Financial institutions absorb blockchain, and are not displaced by it Permissioned chains only Record keeping, accounting, payment settlement E.g. HKEx post-trade clearing & settlement

Low value generated by public chains

TOP CRYPTO NEWS AT A GLANCE

Facebook is developing a cryptocurrency for transfers in WhatsApp: Facebook will develop a stablecoin pegged to the U.S. dollar, initially to target the Indian remittance market. WhatsApp has more than 200mn users in India.

The United Kingdom releases tax advice for crypto investors: Individuals will be liable to pay either capital gains tax or income tax, depending on the type of crypto involved. Employees need to pay National Insurance if they receive crypto payments from their employers.

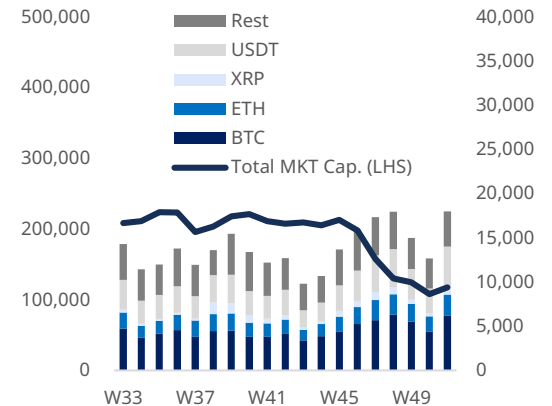
Circle publishes 3rd party audit of USD reserves for USDC: The audit was completed by Grant Thornton LLP. Circle has 177mn issued and outstanding USDC tokens, and the firm holds \$180mn in custody accounts.

Bank of England survey reveals 70% of respondents prefer gifts in digital currency: Only 21% of respondents prefer cash as Christmas gift.

NETWORK FUNDAMENTALS

	BTC	ETH
Hashrate	39,161,214 TH/s (+7.3%)	163,742 GH/s (-4.2%)
# Wallet Users	31,637,441 (+0.6%)	50,755,669 (+1.7%)
Top 3 Miners	BTC.com (17%) AntPool (11%) ViaBTC (11%)	Ethermine (29%) SparkPool (17%) NanoPool (14%)

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



Please see important disclosure on next page.

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WEEKLY SUMMARY | 17 – 23 DECEMBER

DISCLAIMER

Abbreviations: ABC: Adjustable Blocksize Cap; ADA: Cardano; BCH: Bitcoin ABC; BCH SV: Bitcoin Satoshi Vision; bn: billion; BTC: Bitcoin; crypto: cryptocurrencies; CME: CME Group Inc.; dApps: Decentralized Applications; ETH: Ethereum; HKEx: The Stock Exchange of Hong Kong Limited; ICO: Initial Coin Offerings; Market Cap: Market Capitalization; mn: million; Trading Vol.: Trading Volume; TRX: Tron; Tx: Transaction; US\$: United States Dollars; USDC: USD Coin; USDT: USD Tether; XLM: Stellar Lumens; XMR: Monero; XRP: Ripple

Chart of The Week: Sources: CFA Institute, Standard Kepler Research

Market Cap & Trading Vol.: Sources: Coinmarketcap, Standard Kepler Research
The horizontal axis represents the week number in 2018. For instance, W33 indicates the thirty third week in 2018. The primary vertical axis represents total market capitalization; and the secondary vertical axis represents total trading volume.

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

Thought of The Week: Sources: Bloomberg, CCN, CFA Institute, Coindesk, Coinmarketcap, Cointelegraph, DappRadar, Standard Kepler Research

Top Crypto News At a Glance: Sources: Blockcast.it, CCN, 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 December 23, 2018 or as of most recently available.

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