

Winter or Doomsday for the Crypto Market?

WEEKLY RECAP

- Total market cap. reached \$103bn (a 6.6% decrease), and 7 day trading volume slumped 27.1% for top 100 crypto

WEEK AHEAD

- 18 Dec:** XMR to list on DEEX Exchange
- 19 Dec:** Cboe XBT expiration date for BTC

THOUGHTS OF THE WEEK

The sector is experiencing a particularly cold winter, with the total market cap shrinking US\$700bn since the January all time high. ROIs are also down, with fund Pantera Capital losing an estimated 73% on their crypto portfolio in 2018. BTC miners are further hit, with profitability falling from US\$3.1 to 0.1 per TH/S, and ~800,000 BTC-miners have exited since mid-November. The winter has also reached other ecosystem actors, with Steemit, Consensys, Zenix and ETCDEV all announcing cuts or ceased operations.

We view the above market correction as the result of a busted ICO bubble, and the cleaning out of speculators and dubious market actors. The market cap shrinks as there is currently little value to sustain prices without the influx of fresh money via ICOs. There is also an increased market awareness as to the weaknesses of public blockchains and the now apparent flaws of ICOs as fundraising tools. ICOs have come to present an inherent misalignment of interest between investors and project creators, as they do not provide investor with a right to future business earnings. In fact, the listing of a project on a significant exchange is a major exit opportunity for project creators, thus removing much of their incentive to deliver long term value. Increased regulations could serve as alternative incentive, but would also erode the straight-forward nature that initially propelled ICOs to popularity.

Several much hyped projects are expected to begin secondary market trading in 2019, including Telegram and Filecoin. We expect these to create another sell-off, or for these projects to delay exchange listings until the general market sentiment turns. Also expect regulations around ICOs to intensify, with the U.S. SEC stressing that all ICOs are securities unless they achieve a sufficient degree of decentralization. We estimate that ~60% of ICOs are in fact centralized as their associated smart contracts can be modified by a central party. Potential fines have triggered the exiting of dubious ICO projects, and expect to see authorities pursue dubious projects & associated spokespersons who looked to cash in on the ICO bubble.

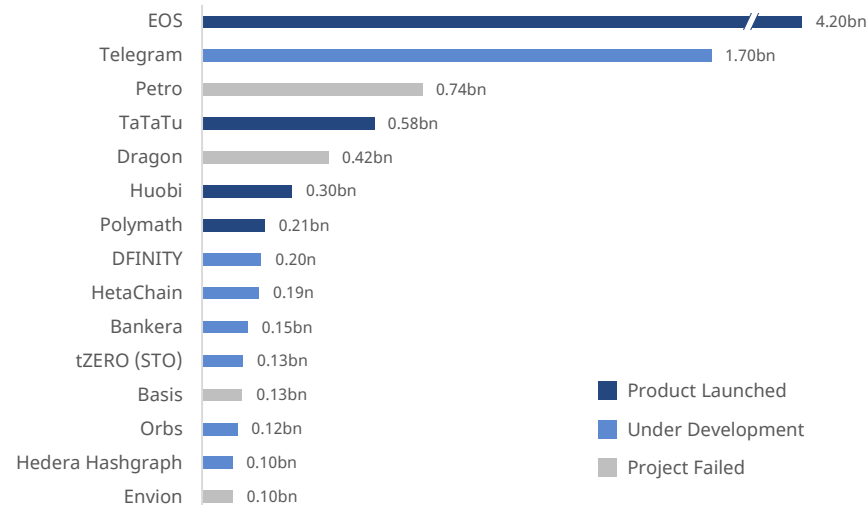
We fundamentally do not view ICOs as sustainable fundraising tools, and several high profile ICOs have failed to deliver products (see the chart of the week). Expect the market to adjust further as fresh money stops flowing in via ICOs. We do not however view this as the death of blockchain. Rather, we view this as a failed experiment in fundraising, a realization that the value of public chains is still low and unproven, and an opportunity to reflect on the true value of blockchain.

TOP CRYPTO PERFORMANCE SUMMARY

Name	Price	7D%	Vol.	7D%	Mkt Cap.	% Total Mkt
BTC	\$3,272.31	-6.33%	24.46bn	-26.38%	57.02bn	54.95%
XRP	\$0.29	-5.37%	1.97bn	-32.66%	11.89bn	11.46%
ETH	\$86.46	-6.42%	9.54bn	-23.23%	8.98bn	8.65%
XLM	\$0.10	-18.10%	0.56bn	-30.94%	1.87bn	1.80%
USDT	\$1.00	-1.23%	15.39bn	-27.89%	1.86bn	1.80%
EOS	\$1.93	6.00%	3.71bn	-25.70%	1.75bn	1.69%
BCH	\$81.33	-23.55%	0.47bn	-36.63%	1.42bn	1.37%
BSV	\$75.49	-21.76%	0.39bn	-44.01%	1.32bn	1.27%
ADA	\$0.03	-5.18%	0.06bn	-58.36%	0.75bn	0.72%
XMR	\$40.06	-12.96%	0.07bn	-22.20%	0.67bn	0.64%

CHART OF THE WEEK

Status of the 15 Largest ICOs in 2018 (US\$)



TOP CRYPTO NEWS AT A GLANCE

The Gibraltar Stock Exchange announces insurance offering to all listed assets: Callaghan Insurance Brokers acts as the insurer. The insurance policy covers all forms of professional indemnity and both hot and cold wallets.

UAE Central Bank & Saudi Arabian Monetary Authority announces collaboration: The two authorities aim to jointly develop cryptocurrency for cross-border interbank transactions.

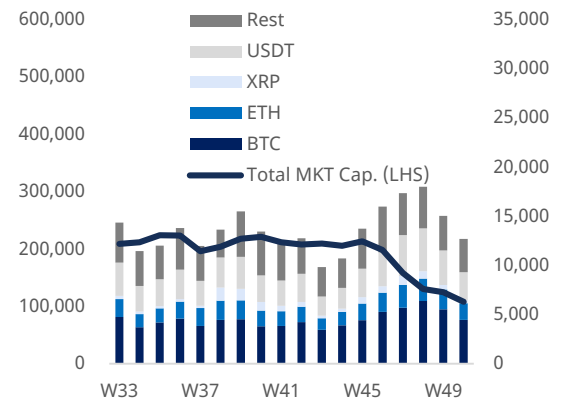
U.S. SEC chairman Jay Clayton stresses importance of securities law to ICOs: He adds that ICOs are at greater risk to fraud and manipulation, and provide less investor protection than equities and fixed income products.

U.S. stablecoin project Basis announces operational shutdown: The decision was reached following regulatory concerns from the U.S. SEC.

NETWORK FUNDAMENTALS

	BTC	ETH
Hashrate	36,488,953 TH/s (+2.7%)	170,837 GH/s (-3.2%)
# Wallet Users	31,461,432 (+0.6%)	49,911,026 (+1.5%)
Top 3 Miners	BTC.com (19%) SlushPool (14%) AntPool (12%)	Ethermine (28%) SparkPool (18%) NanoPool (13%)

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



Please see important disclosure on next page.

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WEEKLY SUMMARY | 10 – 16 DECEMBER

DISCLAIMER

Abbreviations: ABC: Adjustable Blocksize Cap; ADA: Cardano; BCH: Bitcoin ABC; BCH SV: Bitcoin Satoshi Vision; bn: billion; BTC: Bitcoin; Cboe: Cboe Global Markets, Inc.; crypto: cryptocurrencies; ETH: Ethereum; ICO: Initial Coin Offerings; Market Cap: Market Capitalization; mn: million; Nov: November; ROI: Return on Investment; Trading Vol.: Trading Volume; UAE: United Arab Emirates; US\$: United States Dollars; USDT: USD Tether; U.S. SEC: United States Securities and Exchange Commission; XBT: Cboe XBT Bitcoin Futures; XLM: Stellar Lumens; XMR: Monero; XRP: Ripple

Chart of The Week: Sources: Coinschedule, ICObench, ICODrops, Project Websites, 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: BlockToro, Bloomberg, CCN, Coindesk, Coinmarketcap, Cointelegraph, CryptoFundResearch, CryptoGlobe, ICORating, Standard Kepler Research, United States Securities and Exchange Commission

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 16, 2018 or as of most recently available.

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