

Five Trends to Keep an Eye on in 2019

WEEKLY RECAP

- Total market cap. reached \$131bn (a 1.6% increase), and 7 day trading volume slumped 7.1% for top 100 crypto

WEEK AHEAD

- 7 Jan:** Trade talks b/w China and U.S. in Beijing
- 11-12 Jan:** ETCV and ETN forks

THOUGHTS OF THE WEEK

Firstly, 2019 is touted as the year of security token offerings (STO), yet we view this hype as highly premature. When the technology is discounted, security tokens are securities and must be regulated as such. Issuers must register with regulators or apply for exemptions. The development of STOs depends on clear regulatory definition of security tokens, as well as global consensus. Early entities issuing STOs may be of limited attractiveness to investors, and secondary trading is initially only expected in smaller jurisdictions.

Secondly, we further foresee more stringent crypto regulations and enforcement against operators and developers of unlawful smart contracts. The EtherDelta ruling set a precedence, holding the smart contract creator responsible for operations executed under U.S. SEC jurisdiction. We expect enhanced international regulation to make crypto a recognised "sector" under financial markets, driving regulations surrounding financial crypto instruments and taxation.

Thirdly, regulators are expected to determine the future of BTC ETFs in 2019. These are viewed as potential gateways for traditional institutions into crypto markets, yet we are cautiously pessimistic about their near future approval. Attention should be paid to the 27 February decision on VanEck's application. This application attempts to address price manipulation concerns by relying on a surveillance sharing agreement with a significant BTC-related market. It is also worth noting that BTC ETF approval would help develop industry standards for crypto custodians who would play a crucial role in ETF share redemption.

Fourthly, permissioned blockchains could be a component in central bank issued digital currencies (CBDC). These enable new consumer payment systems (securing public access to risk free central bank money in countries with low cash usage), and more efficient systems for inter-bank settlement. The central banks of Singapore, Sweden, Canada, Japan, and the EU (among others) are currently evaluating CBDCs.

Lastly, early warning indicators have for some time shown signals of a possible near future contraction of traditional markets (see Chart of the Week). This may divert the attention of central banks and cause delays to the actual adoption of CBDC. While a bear run might generate interest in alternative storages of value such as Bitcoin, it is also likely to contract investment into other aspects of cryptocurrencies and blockchain, such as STOs, equity funding, and market trading.

TOP CRYPTO PERFORMANCE SUMMARY

Name	Price	7D%	Vol.	7D%	Mkt Cap.	% Total Mkt
BTC	\$3,840.61	0.09%	29.47bn	-6.48%	67.08bn	51.06%
ETH	\$153.48	12.28%	17.84bn	3.05%	16.00bn	12.17%
XRP	\$0.36	-2.48%	2.82bn	-29.54%	14.54bn	11.07%
BCH	\$160.24	-1.56%	1.42bn	-42.79%	2.81bn	2.14%
EOS	\$2.69	2.81%	4.44bn	-42.79%	2.44bn	1.86%
XLM	\$0.11	-2.99%	0.55bn	-14.87%	2.18bn	1.66%
USDT	\$1.02	-0.85%	23.23bn	-11.03%	1.90bn	1.44%
BSV	\$88.00	-1.09%	0.46bn	-21.23%	1.54bn	1.18%
ADA	\$0.05	10.74%	0.16bn	-2.42%	1.20bn	0.91%
XMR	\$50.20	4.23%	0.09bn	4.51%	0.84bn	0.64%

CHART OF THE WEEK

Early Warning Indicators for Stress in Domestic Banking Systems, 2017-2018

	Credit to GDP Gap	Debt Service Ratio	Household DSR	Cross-border Claims to GDP
Brazil	-5.0	-0.9	...	0.5
Canada	7.5	2.9	0.7	33.1
China	12.3	5.1	...	-27.9
Hong Kong	22.7	6.9	...	-12.3
India	-8	0.5	...	-30.6
Japan	7.3	-1.8	-1	20.5
Russia	-7.4	1.8	1.8	-24.9
UK	-14.7	-1.3	-0.8	0.6
US	-6.6	-1.1	-1.5	-15.2

	Credit/GDP Gap ≥ 9	DSR ≥ 1.8	HDSR ≥ 1.4	XB Claim ≥ 34
	4 ≤ Credit/GDP Gap < 9	0.1 ≤ DSR < 1.8	0.6 ≤ HDSR < 1.4	18 ≤ XB Claim < 34

Legend

Blue: Indicator has breached the threshold for predicting at least 2/3rds of crises
Grey: Lower threshold to predict at least 90% of crises

TOP CRYPTO NEWS AT A GLANCE

10th anniversary of BTC Genesis Block: Bitcoin's genesis block was created on 3 Jan 2009. The genesis block contained a reward of 50 BTC, worth US\$191,350 today.

DX exchange will offer tokenized stocks on the Ethereum blockchain next week: Trading on DX exchange leverages Nasdaq's Financial Information exchange (FIX) protocol and is fully regulated under the European Union.

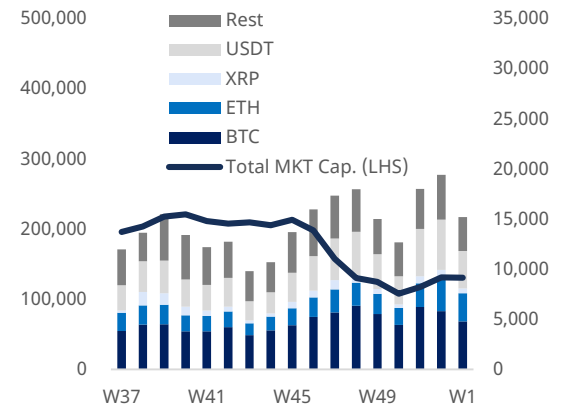
BitTorrent launches BTT, the native Tron-based token: BTT is compatible with the native TRC-10 standard, and it facilitates the optimization of network speeds and faster downloads on BitTorrent.

The Philippines Securities and Exchange Commission (PSEC) postpones the release of ICO regulations: Draft regulations state that security tokens sold to banks and pension funds can be exempted from regulation.

NETWORK FUNDAMENTALS

	BTC	ETH
Hashrate	42,413,991 TH/s (+4.2%)	178,552 GH/s (-0.1%)
# Wallet Users	32,004,371 (+0.6%)	52,056,420 (+1.0%)
Top 3 Miners	BTC.com (14%) AntPool (13%) F2Pool (11%)	Ethermine (28%) SparkPool (23%) NanoPool (13%)

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



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WEEKLY SUMMARY | 31 DECEMBER – 6 JANUARY

DISCLAIMER

Abbreviations: ABC: Adjustable Blocksize Cap; ADA: Cardano; b/w: between; BCH: Bitcoin ABC; BCH SV: Bitcoin Satoshi Vision; bn: billion; BTC: Bitcoin; CBDC: Central bank issued digital currencies; crypto: cryptocurrencies; ETF: Exchange traded funds; ETCV: Ethereum Classic Vision; ETH: Ethereum; ETN: Ethereum Nowa; FIX: Nasdaq's Financial Information exchange (FIX) protocol; ICO: Initial Coin Offerings; Market Cap: Market Capitalization; mn: million; Nov: November; PSEC: The Philippines Securities and Exchange Commission; SEC: The U.S. Securities and Exchange Commission; STO: Security Token Offerings; Trading Vol.: Trading Volume; US\$: United States Dollars; USDT: USD Tether; XLM: Stellar Lumens; XMR: Monero; XRP: Ripple

Chart of The Week: Sources: BIS Quarterly Review, BIS Statistical Bulletin, Standard Kepler Research
Credit-to-GDP gap is as of BIS Statistical Bulletin, Dec 2018
Debt Service Ratio (DSR), Household DSR and Cross-border claims to GDP are as of BIS Quarterly Review, March 2018

Credit-to-GDP gap: The difference between the credit-to-GDP ratio and its long-run trend, based on a one-sided HP filter with the smoothing parameter equal to 400,000. Debt service ratio: The ratio of interest payments plus amortisations to income. Cross-border claims to GDP: Claims on the non-bank sector, including claims on the non-bank financial sector and the government sector.

Market Cap & Trading Vol.: Sources: Coinmarketcap, Standard Kepler Research
The horizontal axis represents the week number in 2018. For instance, W37 indicates the thirty seventh week in 2018. W1 indicates the first week in 2019. 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, Coindesk, Coinmarketcap, Cointelegraph, Standard Kepler Research, The Bank for International Settlement, The U.S. 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 January 6, 2019 or as of most recently available.

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