



Market Commentary: October 2019

Bitcoin and altcoins got squeezed in October causing cryptocurrency markets to finish the month with a positive performance. Meanwhile, in digital asset news, altcoins finally reclaim headlines after several languid months of inactivity, Grayscale capitalizes on a reluctant SEC, Bakkt futures make a “come Bakkt” and China leads the way in digital asset and blockchain innovation.

Brave, the firm that rewards their web browser users in Basic Attention Tokens (BAT) for their data, released the world’s first whitepaper outlining a distributed virtual private network (VPN), dubbed VPN-0. VPN-0 will allow users to connect with each other over a peer-to-peer network while preserving their online identities ([Cryptoslate](#)). If successfully implemented, this would be a major, but also controversial innovation in the tech-privacy space as it will allow users to search dodgy things without their identity being revealed ([Decrypt](#)).

Justin Sun, the founder of Tron (TRX), is once again teasing a major announcement for his cryptocurrency. Sun tweeted that Tron is partnering up with a billion-dollar tech mega-corporation that will distribute Tron dapps and tokens to billions of customers ([CCN](#)). If Tron makes the right partnership, the potential synergy could render Tron to be the first mainstream adopted cryptocurrency.

Lastly, in altcoin news, DeFi is making new headwinds, as there is now \$420 million worth of Ethereum being utilized throughout DeFi platforms. Although MakerDao is the most popular DeFi platform to lockup Ethereum for lending and borrowing, dydx, the Andreessen Horowitz backed derivatives platform, has grown its share of locked up Ethereum from \$14.2 million worth to \$25 million worth in just two months. Likewise, InstaDApp, another less popular DeFi platform, now has \$32 million worth of Ethereum locked up for lending and borrowing ([Decrypt](#)). We continue to monitor the DeFi space closely as it is one of the fastest-growing and most promising niches within the digital asset space.

Not everyone is complaining about the SEC’s decision to delay a bitcoin ETF until 2020, in fact, Grayscale, the firm behind the successful Grayscale Bitcoin Trust (GBTC) and several altcoin trusts, has seen \$85 million in capital inflows in Q2 or twice as much capital inflow as in Q1. More interestingly, 25% of capital inflow in Q2 targeted altcoins ([Coin Telegraph](#)). In addition, while the SEC stalls, Grayscale continues to gain market share in the digital asset management space. In fact, Grayscale has just released a new FINRA approved product for OTC retail trading, the Digital Large Cap Fund (DLC). DLC is an index fund that tracks a basket of nine of the most popular cryptocurrencies. At the beginning of October, there were around 3.2 million shares of DLC outstanding ([Coindesk](#)).

After a disappointing launch, Bakkt futures are gaining traction. Only a month after its release, Bakkt futures volume exploded to 10x its first-day trading volume, hitting an all-time high daily trading volume of \$10.3 million on October 25th ([Coin Telegraph](#)). “Piggy-Bakkting” off of their most recent success, the custody and futures platform has also



announced that they will be entering into the mobile payment industry. Although Bakkt has released minimal details about the new endeavor, we know Bakkt is releasing a consumer app, which will allow users to transact and track digital assets. Starbucks has already announced that they will be partnering up with Bakkt on the project ([Cointelegraph](#)).

Finally, China has officially confirmed that it will release its own digital currency electronic payment system (DCEP). The Peoples Bank of China (PBoC) revealed that they have been studying digital currencies for the last five to six years. The PBoC boasts that “DCEP can achieve the real-time collection of data related to money creation, bookkeeping, etc., providing a useful reference for the provision of money and the implementation of monetary policies”. The launch of DCEP will mark the first digital currency issued by a central bank ([u.today](#)). While China leads on the digital currency innovation front, China is also leading the way in blockchain development. According to the China Electronic Information Industry Development (CCID), there are over 700 blockchain firms in China. Although China lacks large scale implementation of blockchain technology and has not released any “killer blockchain applications”, it is only a matter of time before China gains significant market share in the digital asset space. ([Cointelegraph](#)).