BKCoin Capital

Market Commentary: September 2019

Cryptocurrency markets dipped in September as it appears that regulators will not approve the VanEck/SolidX Bitcoin ETF until 2020 (**Cointelegraph**). The approval of a bitcoin ETF in 2019 was anticipated to be a major catalyst that would propel cryptocurrency markets higher as it would render investing in bitcoin easier for both retail investors and institutional investors. Meanwhile, Bakkt's disappointing release of its bitcoin futures contract exchange added to the negative sentiment among investors in the digital asset space. Compared to the initial release of the CME bitcoin futures, which processed 420 million dollars in its first week of trading, the highly anticipated Bakkt product only processed a measly 6.8 million dollars in its first week of trading (**Decrypt**). The lack of liquidity in Bakkt futures along with the VanEck/SolidX Bitcoin ETF flop can greatly be attributed to investor's uncertain expectations about US crypto regulation, a reoccurring theme we continue to see plague crypto markets. US regulators continue to hesitate on regulating digital assets, yet global innovation within the digital asset space continues to prosper.

We are seeing an increase in US regulated exchanges adapting to the growth of digital assets. Nasdaq is making its first step into the decentralized finance (DEFI) space by issuing an index for digital assets. The index, Defix (DEFX), will track projects belonging to "Proof-of-Work blockchain Amoveo (VEO), decentralized exchange protocol 0x (ZRX) and prediction market Augur (REP), as well as the governance token of the decentralized autonomous organization behind the DAI stablecoin and MakerDAO (MKR)" (**Cointelegraph**). This an interesting move by Nasdaq as most institutions tend to stay away from DEFI as it is direct competition to their centralized business models and lacks government regulation. Furthermore, the Chicago Mercantile Exchange Group (CME), well known in the digital asset space for their successful bitcoin futures contracts, is planning to release bitcoin options contracts in early 2020 (**Cryptoslate**). This product will likely drive an increase in demand by institutions focused on the bitcoin derivatives space.

The tokenization of real estate, where ownership of real estate can be portioned into cryptocurrency, has finally come to fruition. Blockchain real estate firm, Asset Block, is tokenizing 60-million-dollars worth of luxury real estate on Algorand's blockchain platform (**Cointelegraph**). On the other hand, Harbor, a startup with the goal of transforming the alternative asset experience, has tokenized 100 million dollar's worth of real estate on Ethereum's blockchain (**The Tokenist**). In other words, on both platforms, investors now have access to invest in what was previously a very illiquid and high barrier to entry marketplace.

In government digital currency news, North Korea, the Democratic People's Republic of Korea (DPRK), is joining Iran and Venezuela in issuing its own national digital currency to avoid international sanctions. This is not DPRK's first interaction with digital currencies. DPRK hackers have been responsible for stealing $2 billion from foreign banks and digital exchanges to fund its weapons of mass destruction program (**Cointelegraph**). Meanwhile, across the border, the People's Bank of China (PBOC) has denied rumors of launching its cryptocurrency in November and confirmed that it does not have an official launch for its digital currency (**Coindesk**). Lastly and unsurprisingly, Binance continues to make headlines as it is now marketing its Venus stablecoin as a government-friendly digital currency as an alternative to Libra. Once again, Binance continues to push the boundaries of digital asset innovation (**Cointelegraph**).