



Market Commentary: December 2019

Although many digital asset investors were hoping for a “Christmas rally” in December, they were left disappointed as altcoins continued their downtrend, while the price of bitcoin remained fairly constant losing a trivial 2.65%. Although it was more of a “Blue Christmas” for crypto asset investors, digital assets continue to remain uncorrelated to traditional assets. In other words, a great source of diversification for a traditional investment portfolio.

In industry news, we continue to see the rise of crypto derivatives, mainstream multi-billion dollar corporations find opportunities in non-fungible tokens (NFT’s), the largest digital asset exchanges strategically position themselves for the new year and once again, central banks are continuing the push to issue their own digital currency.

OKEx, the second-largest crypto derivatives exchange (**FTX**), has launched options trading, which will initially allow only selected users to try the service (**Crypto Globe**). Likewise, Bakkt has also launched its own options trading product, which will be the first Bitcoin Options contract regulated by the Commodities Futures Trading Commission (CFTC) (**Cointelegraph**). Although the options market is considered an esoteric market for most retail investors, the trillion-dollar market is adored by institutions because it gives them the ability to generate consistent low volatility returns.

Nike has finally unveiled more details about its patented cryptocurrency project, CryptoKicks. One of the ways the technology will be used is by authenticating and transacting a physical shoe using Ethereum non-fungible tokens. Basically, the system provides a way to ensure the authenticity of its sneakers (**Cointelegraph**). Additionally, CryptoKicks’ technology has immense utility outside of the primary retail sneaker market. In fact, the sneaker resale market is expected to have a market size of over \$6 billion in 2025, while its current market size is estimated to be about \$2 billion (**Business Insider**). CryptoKicks could play a large role in helping authenticate resold sneakers, which is one of the largest retail markets flooded by counterfeits (**Las Angeles Times**). Meanwhile, Microsoft is also “dipping its toes” into the non-fungible token space. It is rewarding its developer community with a program called “Azure Heroes”. Developers who are nominated by the Microsoft community as social leaders will be rewarded an Ethereum “Badger” collectible token. This token will be able to be exchanged on a secondary market (**Microsoft**). Although this project seems trivial, most likely it is being used as a proof of concept for more practical applications of NFT technologies.

Several of the most well-known cryptocurrency exchanges have been making strategic moves leading up to the new year hoping to gain a competitive advantage in 2020. Gemini is collaborating with State Street to launch a digital asset pilot. State Street, a well-respected investment bank in the traditional financial services industry, is using Gemini’s cryptocurrency expertise to help them implement digital asset technology into their product offerings (**Business Wire**). Additionally, Kraken has just acquired Circle’s OTC trading desk in an attempt to offer more liquidity and tighter spreads to its users. Circle, on the other hand, is doubling down on its most notable product, its stablecoin, USDC, and believes stablecoins



will reach widespread adoption in 2020 ([CoinTelegraph](#)). Lastly, Binance the largest spot cryptocurrency exchange has made a multi-million-dollar investment in its rival exchange FTX. CFO of Binance Wei Zhou, says this move encourages “positive competition as well as partnerships” in the space ([CoinTelegraph](#)).

Finally, and as stated in the previous newsletter, Peoples Bank of China’s entrance into the stablecoin industry has sparked a wave of interest across the globe, inciting central banks to develop their own stablecoin technologies. This month Russia’s Central Bank is testing a real asset-backed stablecoin ([CoinTelegraph](#)), South Korea is forming a task force for central bank digital currency research ([Bitcoinist](#)), Sweden’s Central Bank is planning to launch the “e-krona”([Bitcoinist](#)), British Virgin Islands is launching a dollar-backed stablecoin ([FX Street](#)), the Bahama’s already began testing their own digital currency ([Coindesk](#)) and Iran is planning to create a cryptocurrency to confront “U.S. economic hegemony” ([Coindesk](#)).