



## Market Commentary: November 2021

### Key Regulatory Updates

**India's Crackdown:** In its upcoming parliamentary winter session, the Indian government is planning to introduce a new bill to regulate virtual currencies rendering most cryptocurrencies illegal in India. Earlier this year the government was proposing to criminalize the handling, trading and mining of digital currencies, however, the bill was not introduced. Both India's government and central bank have criticized the cryptocurrency market as India's Prime Minister has stated that cryptocurrencies could "spoil" its "youth", while India's central bank claims that cryptocurrencies pose grave risks to the country's "economic stability". Despite India's censure on the broader cryptocurrency market, India strongly supports a centralized digital currency as a senior government official admitted that India is ultimately paving the way to release its own Central Bank Digital Currency (CBDC) ([Reuters](#)). The crackdown had a substantial effect on the Indian cryptocurrency market as crypto pairs priced in Indian Rupees saw their products trade at a 20% discount compared to its US Dollar counterparts ([Businessinsider](#)).

**The Old College Try:** Senator Cynthia Lummis (R-WY) and Sen. Ron Wyden (D-OR) are co-sponsoring a bill that would exclude specific cryptocurrency entities from being defined as a broker rendering them subject to crippling tax reporting requirements, which went into effect with the passing of Joe Biden's \$1.2T infrastructure package. According to the bill, entities such as crypto miners would need to report large transactions in line with anti-money laundering and terror financing rules, however, it is nearly impossible for cryptocurrency miners to gather that data. Cryptocurrency advocates agree with Senator Lummis that if the bill does not pass, America's position as the global financial leader would be in peril. The bill has a favorable shot of becoming law as several senators previously worked together to amend the current infrastructure bill only to be defeated by an individual senator ([Decrypt](#)).

### Market Overview

**The Fight for Crypto Capital:** It appears that Miami may not be crowned crypto capital of the US just yet as incumbent New York Mayor, Eric Adams, is giving Miami Mayor, Francis Suarez, a run for his "Bitcoins". After a recent Tweet by Mayor Suarez stating that he would be taking his next paycheck in Bitcoin, rendering him the first American politician to do so, Mayor Adams "one upped" Suarez by replying to Suarez's Tweet stating that he would be taking his first three checks in Bitcoin. Adams further claimed that New York City will be "the center of the cryptocurrency industry" ([Twitter](#)). Fortunately, the banter remained amiable as Suarez congratulated Adams on the election also adding that he is looking forward to the "friendly competition". Adams made another strategic move in playing catch up to Miami's dominance



as the crypto capital by launching New York City's own cryptocurrency, NewYorkCityCoin (NYCCoin). The cryptocurrency is issued by the same firm that helped Suarez release MiamiCoin (MIA), CityCoins. Although it is still unknown what the mining proceeds of NewYorkCityCoin will be allocated towards, Suarez has already deemed that the proceeds of MiamiCoin will be allocated to crypto education, climate change initiatives and the funding of underprivileged communities. Nevertheless, we are already seeing the beginnings of the prosperous economic knock on effects that cryptocurrency can provide to governments and its citizens ([Cointelegraph](#)).

We (Almost) Purchased the Constitution: ConstitutionDao, a decentralized autonomous organization (DAO), made up over 18,000 users, raised over \$40M within just one week, in an attempt to buy a copy of the US Constitution at a Sotheby's auction. Unfortunately, the crypto natives were outbid by none other than outspoken crypto critic and CEO of the multi-billionaire dollar hedge fund, Citadel, Ken Griffin. The loss proved to be a major blunder for the DAO as its users did not know whether they initially won or lost the auction or who the DAO's representative was that was bidding on the constitution during the auction ([Decrypt](#)). After the auction was finalized, the DAO floated several other ideas in an attempt to re-allocate their member's capital such as opting to buy a copy of the Bill of Rights. Although the DAO eventually decided to return its member's money, unfortunately, the DAO encountered even more problems. On one hand, small investors in the DAO saw their contribution get eaten up by Ethereum's high gas fees upon the retribution of their capital. On the other hand, the DAO had a manual process of returning the capital contributions, which made the process extremely inefficient for its members. The final nail in the coffin for ConstitutionDAO was that the DAO's governance token, PEOPLE, effectively proved to be worthless, despite its +2700% price increase since its release ([The Verge](#)). Although the DAO failed to accomplish its goal, this could still be considered a success for the cryptocurrency industry and DAOs in general as it proved to be the first proof-of-concept for DAOs. Likewise despite its failures, it showed that DAOs could be a potentially effective way for a group of users that share a common interest to efficiently pool together and accomplish a specific task.

Meet you in the Meta: After Facebook's recent rebrand from a social media company to a metaverse company both investors and even governments are now trying to seize their piece of the metaverse. To begin the month of November, the largest cryptocurrency based metaverse game by market capitalization, The Sandbox, raised \$93M in its Series B round led by Softbank's Vision Fund 2 to expand its NFT based metaverse ([Coindesk](#)). The raise came right before the \$2.46B market cap metaverse based project released Sandbox Alpha, the first opportunity for its players and 12K unique in-game virtual land owners to interact within the game ([Decrypt](#)). However, The Sandbox is not the only project making headwinds within the metaverse, Enjin, an NFT based cryptocurrency project, is launching a \$100M fund to support a decentralized metaverse and secure the future of NFTs on Polkadot ([Enjin.io](#)), while Kucoin Labs, the parent company behind the sixth largest cryptocurrency exchange by trading volumes, is launching a \$100M VC fund for early stage metaverse projects ([Cointelegraph](#)).



Lastly, the capital city of South Korea, Seoul, is also making a surprising entrance into the metaverse. The city has issued a five-year metaverse plan with the aim of making public services more accessible to its citizens. Some important highlights of the rollout include the launch of a “contactless communication” platform by 2022, which will allow citizens with virtual headsets to interact with a variety of public services, historical sites and cultural events all within the metaverse and the launch of “Metaverse 120 Center”, a virtual city hall, which is expected to be completed by 2023 ([Bloomberg](#)).

### **Breaking Down the Basis**

Bitcoin Futures quarterly basis rallied along with the spot price of Bitcoin into all-time highs causing Bitcoin’s annualized basis to average around 18% across exchanges and even eclipse 20% on OKEx. However, the basis collapsed along with Bitcoin’s price ending the month of November averaging an annualized 10% across exchanges. Bitcoin’s pull back came as a surprise to most investors as leverage remained fairly moderate into the break of all-time highs. As a result, the pullback could most likely be attributed to spot selling, rather than a de-leveraging. Several economic and market factors contributed to the de-risking such as the recent Indian crypto ban, FUD surrounding Mt. Gox’s redistribution plan as well as smart money front running profit taking into the end of the year. Since Bitcoin’s fake out into all-time highs, there is close to a non-zero chance we see Bitcoin retest all-time highs into the end of the year. As a result, Bitcoin’s basis should remain fairly subdued in December.