



Investment Insight

Friday, 8 September 2017

0x00A651D43B6e209F5Ada45A35F92EFC0De3A5184: No, not a high security password, a pseudonym. Mr or Ms 0x00A651D43B6e209F5Ada45A35F92EFC0De3A5184 gained some notoriety in the world of cryptocurrency recently. In **The Inside Track** we share some extracts from a recent Bloomberg report that reveals ~~all~~ a bit more.

A new alternative. Staying on the theme of cryptocurrency, it looks like still nascent virtual currencies such as Bitcoin and Ether may be heading for the mainstream. Indeed, they may be about to overtake gold as the main alternative to conventional fiat money.

The unregulated nature of cryptocurrency exchanges to date has been a deterrent to mainstream adoption of Bitcoin and its ilk. However, the Chicago Board Options Exchange is planning to start offering cash-settled bitcoin futures next year, and new Bitcoin trading platforms are starting to receive regulatory approval. In this week's **Pic of the Week** we take a closer look.

Quoted...

"Being powerful is like being a lady. If you have to tell people you are, you aren't."

—Margaret Thatcher

The Inside Track

Cryptocurrency has had a chequered genesis partly due to the fact that it enables users to remain anonymous. Users like Mr or Ms 0x00A651D43B6e209F5Ada45A35F92EFC0De3A5184 for example who, according to a recent Bloomberg report from which we share some extracts below, made a gain of over \$200m on trading a cryptocurrency in just over a month.

An unknown cryptocurrency trader turned \$55 million of paper wealth into \$283 million in just over a month. The only clue about this person or persons, beyond a virtual wallet with the identification code 0x00A651D43B6e209F5Ada45A35F92EFC0De3A5184, surfaced on a June 11 Instagram posting, in Bahasa, in which he or she (or they) (or somebody posing as them) boasted about the 413% profit accumulated earlier this year from Ether, the digital money of the Ethereum blockchain.

Hidden identities are a popular feature of the twilight world of virtual money. Now that the total value of cryptocurrency, such as bitcoin and Ether, soared June 6 to more than \$100 billion, approaching the market value of McDonald's Corp., concerned regulators say it might be time to link wallet IDs with actual humans. Secrecy persists from the days, earlier this decade, when Ross Ulbricht, going by the nom de guerre Dread Pirate Roberts, used bitcoin to launder money and traffic in narcotics, activities for which he started serving a life term at the Metropolitan Correctional Center in New York.

That's not to say that 0x00A651D43B6e209F5Ada45A35F92EFC0De3A5184 or any other entities are doing anything illegal. But...a lack of transparency could also be stifling the mainstreaming of online money, according to draft legislation issued by the European Parliament in March. "The credibility of virtual currencies will not rise if they are used for criminal purposes," the draft said. "In this context, anonymity will become more a hindrance than an asset for virtual currencies" and their potential future popularity.

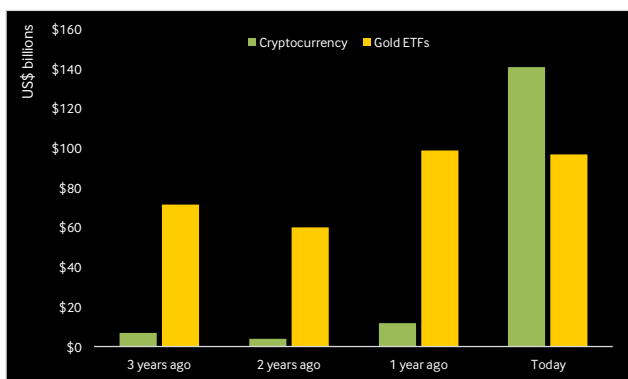
Ether, the second-most-popular cryptocurrency after bitcoin, is used to pay for applications or programs that run on the Ethereum blockchain, a secured list of transactions that can be shared. That allows for the use of "smart contracts," or pieces of computer code that make the terms of such agreements operate automatically. The blockchain has the potential to reshape business and finance by enabling immediate settlements of activities such as bank transfers and securities trades.

Like bitcoin, Ether is struggling to overcome a reputation sullied by cyberattacks and technology bottlenecks. A flash crash last month saw the price of the cryptocurrency tumble to just 10 cents before rebounding to about \$300.

0x00A651D43B6e209F5Ada45A35F92EFC0De3A5184 couldn't be reached for further comment.

Pic of the Week

There are over 100 different cryptocurrencies in circulation. However, the top few account for the vast majority of the total. There has been a major shift in the market capitalisation of the top 10 traded cryptocurrencies in the past year. So much so that, as the chart shows, they now comfortably exceed the cumulative total value of gold ETFs. No longer just the preserve of those of nefarious intent, it might be time for ordinary investors and savers to start decrypting cryptocurrency.



Market View

| | Last 7 days | Last 12 mths | YTD | 5Y Ann. |
|-------------------|-------------|--------------|--------|---------|
| Global equities | -0.4% | +12.1% | +9.3% | +9.5% |
| US equities | +0.8% | +12.8% | +10.0% | +11.4% |
| European equities | +0.0% | +6.8% | +3.0% | +6.1% |
| EM equities | -0.4% | +17.0% | +25.6% | +2.3% |
| Irish equities | +0.5% | +6.0% | +2.2% | +15.3% |
| Commodities | +3.2% | -0.6% | -2.1% | -10.3% |
| Hedge funds | +0.1% | +5.4% | +3.9% | +1.9% |

| Economic indicators | Bond yields | Inflation | GDP YoY |
|---------------------|-------------|-----------|---------|
| Ireland | +0.6% | +0.4% | +6.1% |
| Germany | +0.3% | +1.8% | +2.1% |
| USA | +2.0% | +1.7% | +2.2% |
| China | +3.6% | +1.4% | +6.9% |

| Currencies | Current | YTD Δ |
|------------|----------|---------|
| EUR:USD | 1.20 | +14.3% |
| EUR:GBP | 0.92 | +7.6% |
| EUR:CNY | 7.80 | +6.3% |
| GBP:USD | 1.31 | +6.1% |
| Bitcoin | 4,649.63 | +388.4% |

Week ahead: Key events

11/09 UK PMI & Japan Machine Orders
12/09 UK Employment Outlook & House Price Index
12/09 US Retail Sales
13/09 Japan Retail Sales
13/09 EU Employment & Industrial Production
13/09 US Mortgage Applications
14/09 BOE Interest Rate Decision
14/09 US Jobless Claims
15/09 US Manufacturing

| Commodities | <i>Current</i> | <i>YTD Δ</i> |
|--------------------|----------------|--------------|
| Gold | 1,347.00 | +16.9% |
| Copper | 6,875.50 | +24.5% |
| Oil | 54.06 | -8.0% |
| Wheat | 437.25 | -6.0% |

| Central Bank rates | <i>Current</i> |
|---------------------------|----------------|
| Eurozone | 0.00% |
| USA | 1.25% |
| UK | 0.25% |

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