

## Dispatch #10 -2021

April 9th, 2021

A slew of Bitcoin ETF filings with the SEC takes top billing in Dispatch 10. The filers are industry powerhouses like Fidelity Investments, Goldman Sachs, Van Eck and Wisdom Tree. Bitcoin also continues to make subtle progress as a medium of exchange. Examples are Tesla accepting Bitcoin for car purchases and the Sacramento Kings offered to pay wages in Bitcoin. Also watch out for the Coinbase IPO next week that will be a high-profile event for the crypto ecosystem, as Coinbase will be valued above many US banks. Other items discussed in this week's Dispatch include:

- Visa & Paypal to accept digital currencies to settle payments
- NBA's Sacramento Kings offer player salary in Bitcoin
- Tesla accepts payment in Bitcoin
- China launches digital Yuan
- Strong March jobs report
- Bitcoin School: Comparing today's price action to past cycles.

### Slew of companies files to launch Bitcoin ETFs

While the Dispatch was on spring break in South Carolina, Fidelity, Wisdom Tree, Van Eck, NYDIG and Goldman Sach announced plans to launch bitcoin ETFs. The bottom of this article in [The Block](#) provides links to stories on each company that has filed with the SEC to launch a bitcoin ETF. Van Eck was the first to file and the **SEC will likely have to announce a decision within 45 days** as this [Coindesk story](#) mentions. Low-cost ETF access should accelerate Bitcoin adoption and possibly lead to a price reaction too.

This [WSJ article](#) provides specific details on the Fidelity plan. Fidelity is already well entrenched in the bitcoin echo system with Fidelity Digital Assets, one of the premier institutional Bitcoin custody providers in the market. RockDen advocates owning actual Bitcoin rather than a paper obligation via an ETF or some other fund structure.

## Visa & Paypal introduce crypto settlement

Visa will allow settlement using stablecoin USDC as this [Reuters article](#) explains. With Paypal, US users can use Bitcoin, Ethereum and Litecoin to settle payments as this [article explains](#). These measures are somewhat academic because the **US tax code makes payment from anything other than stablecoins ill advised**. That is because each transaction will lead to a taxable event based on the difference in value between when you acquired the digital currency and when you dispose of it. This [article](#) has more details on the tax implications and how Paypal may report transactions to the IRS.

However, the ability to use digital assets for payments does remove a layer (banks) from the equation.

Legacy:           Consumer → Bank → Visa/Paypal → Merchant

New:               Consumer/crypto → Visa/paypal → Merchant

- Note that in the Visa case, they are using Crypto.com as the only issuing agent, so essentially Crypto.com replaces the bank in the legacy scenario. One centralized entity, replacing another.
- The Paypal case is more powerful because it is cutting out the banks, although it's unclear how they convert from crypto to USD, which I believe will ultimately require access to Fedwire system.

Could this drive demand for changes to the tax code over the long term as adoption increases? That seems highly unlikely from where we sit today as the government needs revenue to pay down an all-time high debt to GDP. Under current rules, since Bitcoin is considered an asset, using digital currencies for everyday purchases is very cumbersome. However, the next two stories highlights how Bitcoin is gaining traction for large value transactions.

## Sacramento Kings offers to pay organization salary in Bitcoin

This announcement may have far reaching consequences although it hasn't garnered much attention. This follows Russell Okung of the NFL structuring his contract to be [paid half in bitcoin](#). The Kings are offering all employees to be paid in Bitcoin as this [Forbes article](#) elaborates. Stay aware of this gradual proliferation of high-value usage.

## Tesla will accept Bitcoin for auto purchases

Tesla is accepting Bitcoins for car purchases, as the tweet below announced.



**Elon Musk** ✓  
@elonmusk

### You can now buy a Tesla with Bitcoin

3:02 AM · Mar 24, 2021 · Twitter for iPhone

**116K** Retweets   **23.5K** Quote Tweets   **902.3K** Likes

Source: [Twitter](#)

Read more about how you can make payment with bitcoin on Tesla's [customer support page](#). And to drive home the above point about **disintermediating banks**, Tesla is running its own bitcoin node (essentially their own bitcoin bank), which means **that your Bitcoin will go directly to tesla with no intermediary**. To the extent Tesla just holds the Bitcoin received as payment, they don't need access to a bank.

## China launches digital Yuan

China launched the digital Yuan last week and it will circulate alongside normal paper/electronic cash. Each digital Yuan issued will remove a regularly Yuan from circulation, so the money supply won't increase. The [paragraph from the WSJ](#) shown below should immediately raise question about using a digital Yuan as a store of value. **Do you trust the Chinese Communist Party to control your wealth?** Ignore the end about bitcoin because bitcoin protocol is NOT anonymous.

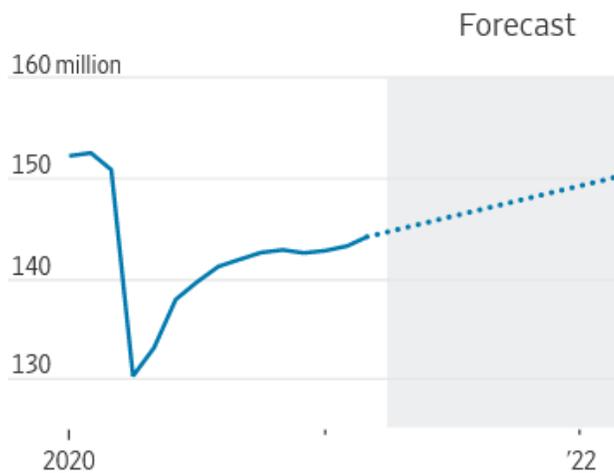
China's version of a digital currency is controlled by its central bank, which will issue the new electronic money. It is expected to give China's government vast new tools to monitor both its economy and its people. By design, the digital yuan will negate one of bitcoin's major draws: anonymity for the user.

The view here remains that **the digital Yuan and other central bank digital currencies (CBDC) are NOT alternatives to digital assets like Bitcoin that are valued for scarcity and trust**. If at all, CBDCs should make moving your fiat currencies into digital assets easier vs. the friction today.

## Strong March Jobs report

The US added 916K jobs on a seasonally adjusted basis in March, which was better than the 660K that economists predicted. Part of this increase was driven by teachers returning to work, which illustrates some of the quirks of the labor department statistics. This [WSJ article](#) provides more details and the chart below illustrates the jobs market today vs pre-Covid.

### Nonfarm payrolls



Note: Actual figures are seasonally adjusted  
Sources: Labor Department, Wall Street Journal surveys

**Evidence of surging demand and the need to hire was made clear by Delta Airlines cancelling flights on Easter Sunday due to [staff shortage](#).** Delta is also going to stop blocking middle seats starting May 2021, one month earlier than previously anticipated. If you are dying to travel post pandemic, you better book tickets now!

**The strong jobs data is adding to the inflation debate.** Inflation hawks say that substantial stimulus provided by government checks and Fed money printing will lead to sustained inflation. The opposing view is that we are merely re-employing furloughed workers and the pickup in inflation will be temporary. The Dispatch sees rising risks of sustainably higher inflation as demand recovers to pre-Covid levels and favorable base effects of large city rents dissipate later in 2021. Rents are the single largest component of the core PCE (personal consumption expenditure) used by the Fed to gauge inflation.

## Bitcoin School

### Price action today and prior price pullbacks

I've recently been asked when the last two cycles peaked in value, in relation to the halving cycle. The log scale chart below provides a graphical look at the prior two halving cycles, shown by the top and the bottom of the blue shaded area. There is NO reason that the current 3<sup>rd</sup> cycle needs to track between the range of the prior cycles, although it has thus far. I would ignore the thin blue line, which is merely the average of the last two cycles. Definitely ignore the price points illustrated on the blue line.

- The entry of institutional investors will substantially change the shape of the current cycle compared to the last two, I believe.

### Bitcoin After The 3<sup>rd</sup> Halving

March 28, 2021

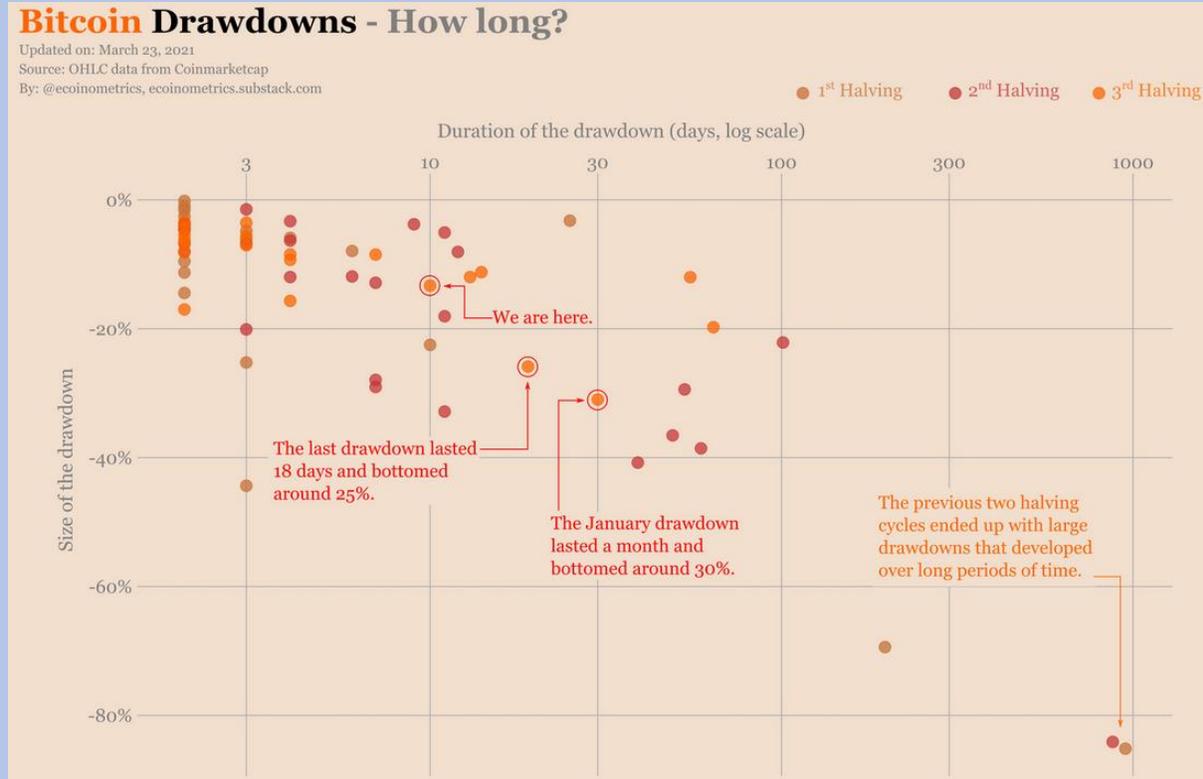
Source: original ohlc data from Coinmarketcap  
By: @ecoinometrics, ecoinometrics.substack.com



Source: @ecoinometrics

Note: The Dispatc uses *Bitcoin* to denote the token of the *bitcoin* protocol.

People interested in Bitcoin are mostly aware of the large, roughly 80% peak-to-trough drawdown of Bitcoin price in the prior cycles. They are less aware of the more numerous smaller price declines on the way up in the prior cycles. The chart below shows the many price drawdowns (aka price pullbacks) of the current 3<sup>rd</sup> cycle and how these compare to pullbacks in the past cycles.



Source: Glassnode

Stay safe and do reach out if you have any questions or comments about the material in this Dispatch.

Asi

**Important Disclosures**

*This is not an offer or solicitation for the purchase or sale of any security or asset. While the information presented herein is believed to be reliable, no representation or warranty is made concerning its accuracy. The views expressed are those of RockDen Advisors LLC and are subject to change at any time based on market and other conditions. Past performance may not be indicative of future results.*