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EXECUTIVE SUMMARY

Beware of Profit Taking

Following a 32 percent decline from January's all-time highs, BTC has rallied more than 50 percent, reaching new highs of $111,880, and has now entered a phase of healthy consolidation. Strong ETF inflows, surging spot market participation, and positive net realised cap growth have contributed to structural buying in the market, rather than speculative excess. Even as macro risk aversion has returned, with news of possible 50 percent US tariffs on European imports, Bitcoin has held firm—unwinding excess leverage and absorbing profit-taking without a significant breakdown. With such strong gains, profit taking becomes an increasing possibility at these levels.

This resilience is drawing attention to Bitcoin's evolving role as a macro-sensitive, conviction-driven asset that now trades more in line with global liquidity flows than retail sentiment. Notably, Metaplanet's $104 million accumulation of Bitcoin, and Michigan's proposed crypto-friendly legislation further validate the narrative of growing institutional and policy-level support for digital assets.

Looking ahead, Bitcoin's ability to continue to consolidate above its short-term holder cost basis around $95,000 remains key. With over $11.4 billion in short-term holder profits realised in the past month, near-term supply overhang is expected—but so is structural demand. ETF bid strength, low volatility, and spot premium all suggest a maturing market poised for eventual continuation once macro clarity improves. The coming weeks will likely determine whether Bitcoin's latest breakout was a local high or the prelude to a more aggressive leg higher in Q3.

In the meantime, the US faces growing financial strain as long-term Treasury yields surge and the dollar weakens amid credit downgrades, rising debt, and looming tariffs. Investor confidence is shaken, with yields on 10-year and 30-year bonds surpassing 4.5 and 5 percent, reflecting scepticism over fiscal discipline and inflation risks.

The steepening 30Y/10Y yield curve, typically a growth signal, now reflects fears over long-term risk—not optimism. With foreign demand weakening and Fed support of the bond market fading, markets are pricing in a new era of higher rates and volatility. The bond market is no longer reacting to headlines—it's warning of a structural shift in how risk is priced.

Last week, both institutional adoption and regulatory momentum advanced on multiple fronts. Publicly listed firms Strategy, Metaplanet, and Semler Scientific collectively acquired over 8,800 BTC, reinforcing Bitcoin's role as a strategic treasury asset. Strategy now holds more than 2.7 percent of Bitcoin's total supply, highlighting a growing trend among corporations to treat BTC as a long-term reserve in times of economic uncertainty.

On the adoption front, FIFA announced it is building its own blockchain on Avalanche, shifting from previous partners Algorand and Polygon. The new EVM-compatible network will make it easier for developers and fans to access digital collectibles, positioning FIFA to scale its Web3 ambitions.

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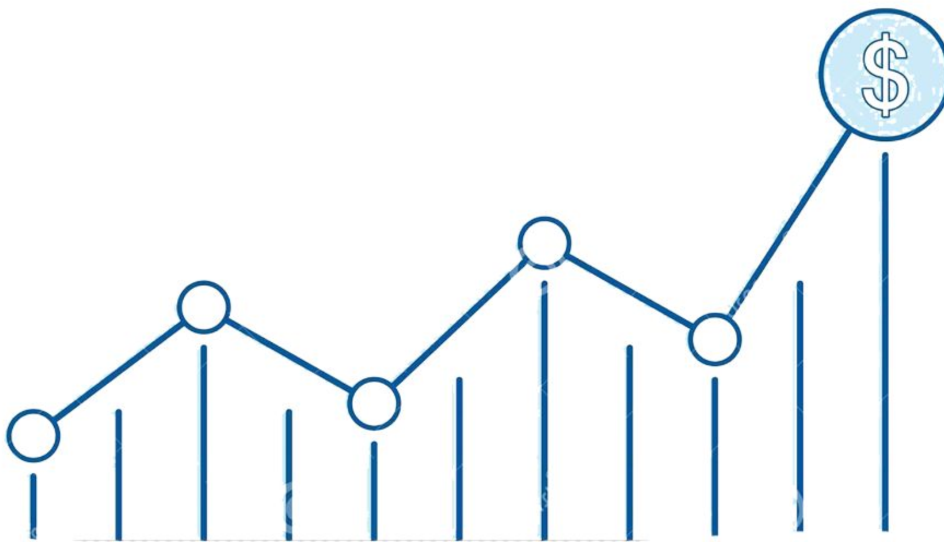


MARKET SIGNALS

New All-Time Highs for Bitcoin Brings Profit Taking Risk

Bitcoin surged to a new all-time high of $111,880 last Thursday, 22 May, extending a strong uptrend that has been in evidence since early April. However, the rally soon encountered resistance, and within 36 hours BTC had fallen even below its previous ATH of $109,590.

The primary macro trigger was news that US President Donald Trump may propose sweeping 50 percent tariffs on European Union imports, reigniting global trade war fears. The announcement saw a wave of risk aversion across markets, which quickly spilled into crypto. At the same time, the break to new highs had led to a sharp rise in leverage across Bitcoin perpetual futures markets, making the rally vulnerable to a flush. When the price faltered, cascading liquidations added to the downside pressure. However, an extension to the tariff talks with the EU has brought about a mean reversion bounce on Bitcoin currently.

For now, our base case has played out: a new ATH driven by strong spot demand and ETF inflows has been achieved, which has then been followed by an initial phase of limited upside and a corrective move as excessive leverage unwinds. The coming days will now be pivotal in determining whether the range we have formed now because of the pullback and subsequent bounce stabilises above the $106,000 weekly lows level, or whether a deeper reset is required before the next leg higher.

Figure 1. BTC/USD Daily Chart Shows The Strongest Recovery Across All Risk Assets Since April Lows. (Source: Bitfinex)

The rally to new all-time highs also marks a major technical and psychological milestone—Bitcoin has now climbed over 50 percent from the April lows that followed the April 2nd, 'Liberation Day' sell-off.

What makes this recovery particularly remarkable is the pace and consistency of the move. Bitcoin has now logged seven consecutive green weekly closes—the longest such streak since October 2023—underscoring the strength of current market momentum. This kind of unbroken bullish advance is rare, especially amid a backdrop of geopolitical and macroeconomic uncertainty.

Given the scale of the move and the historical context, it's reasonable to expect upside volatility to cool temporarily. A period of consolidation or mild retracement would not only be healthy but also provide a more sustainable foundation for the next leg higher. BTC has now entered a short-term range bound phase as leveraged positions reset and spot demand consolidates while macro catalysts shape up heading into June.

Another key factor likely to moderate Bitcoin's near-term upside is the wave of profit-taking that typically follows a breakout to new all-time highs—especially after such a swift and sizeable rally. Since bottoming in early April, Bitcoin has surged more than 50 percent in under 45 days, a pace of appreciation that naturally invites investors to lock in gains.

There will be two types of sellers: those who bought the dip and are now sitting on healthy profits, and those who were underwater during the recent correction and have now returned above breakeven. The psychological tendency to de-risk after such rebounds often creates short-term resistance to further price expansion.

We can already see this shift in behaviour reflected in the on-chain data. Short-Term Holder profitability has seen one of the sharpest improvements on record. As the price reclaimed and pushed above this cohort's cost basis of $93,400 (currently $95,164), profit-taking accelerated. Realised profit peaked at $747 million per day—an enormous figure by historical standards. The STH Cost basis, which rolls day by day, can be tracked using the STH Realised Price Metric.

Figure 2. Short-Term Holder Realised Price. (Source: Bitcoin Magazine Pro)

Over the past 30 days, Short-Term Holders have realised a cumulative $11.4 billion in profit, a staggering contrast to the $1.2 billion realised in the previous 30-day period. This dramatic shift highlights just how quickly investor sentiment and behaviour can pivot when momentum returns.

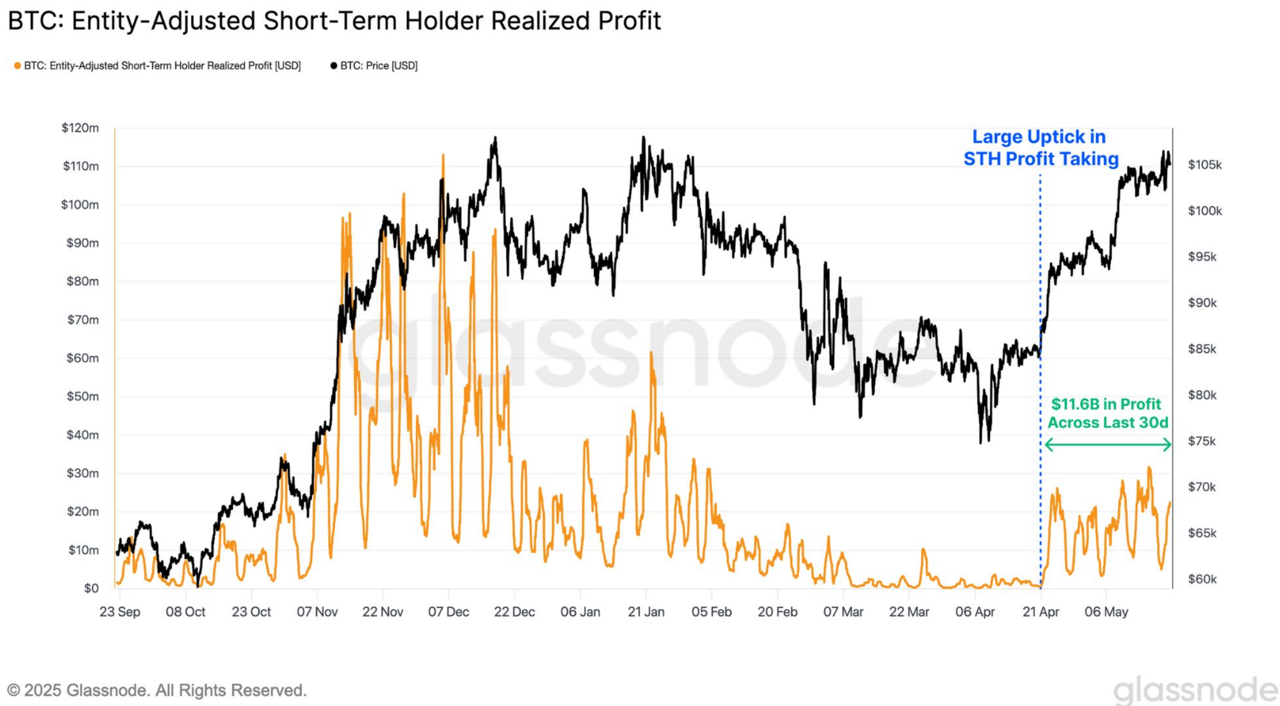


Figure 3. Short-Term Holder Realised Profit Implying Moving Coins Onchain. (Source: Glassnode)

However, it also implies that some degree of consolidation is likely as the market digests this wave of distribution before attempting another leg higher.

This surge in profit-taking has also triggered a notable spike in the Short-Term Holder Realised Profit/Loss Ratio. The ratio has climbed to such an extent that only around 8 percent of trading days in Bitcoin's history have recorded higher levels. This means that realised profits for recent market entrants now vastly outweigh realised losses, underscoring just how much upside pressure has been converted into sell-side flow.

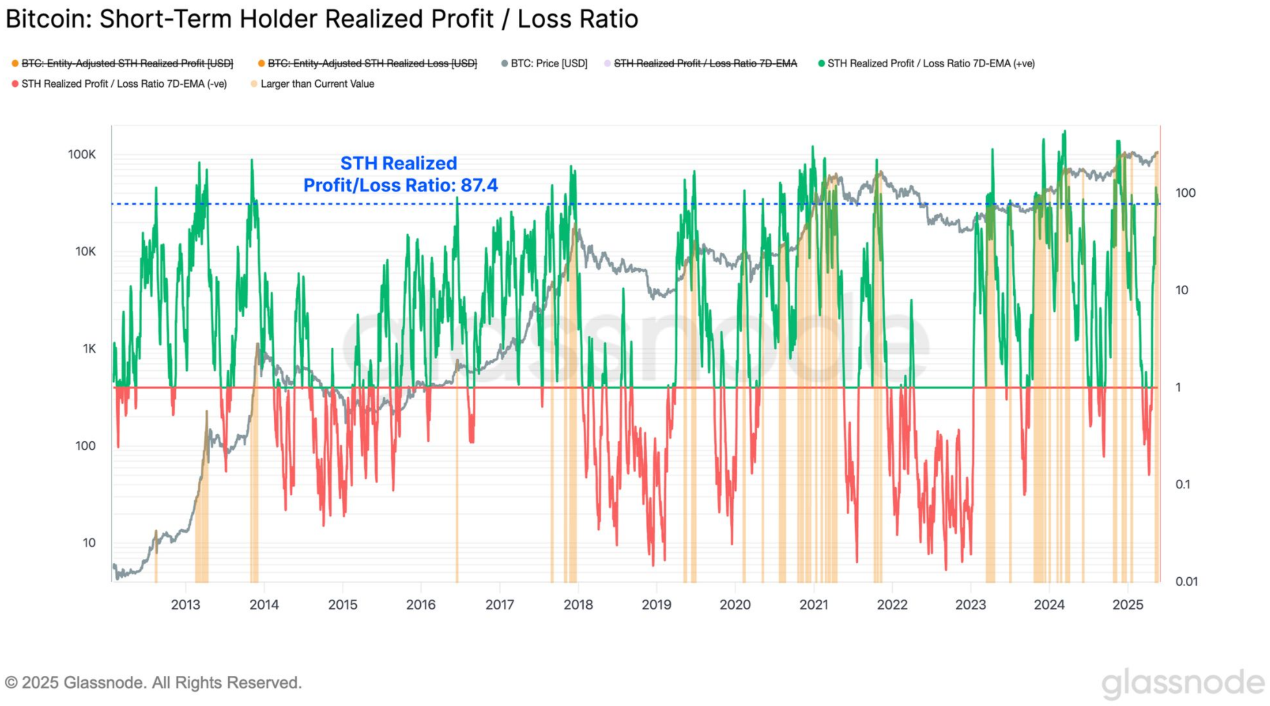


Figure 4. Bitcoin Short Term Holder Realized Profit/ Loss Ratio (Source: glassnode)

Historically, such elevated readings are common during strong bullish impulses, reflecting investor confidence and price momentum. However, they also tend to occur during the later stages of rally phases—particularly as markets approach local or even global topping formations. At these levels, the risk emerges that profit-taking outpaces new demand inflows.

When realised profits become excessive, it can result in a glut of overhead supply—coins being sold into strength—which can act as resistance. Unless there's a corresponding rise in new capital entering the market to absorb this supply, prices may begin to stall or even retrace. This doesn't necessarily imply a trend reversal, but rather that the market is entering a cooling-off period before its next major move.

GENERAL MACRO UPDATE

Rising Yields, Falling Dollar: US Faces a Perfect Storm of Fiscal and Trade Pressures

The US economy appears to be entering a new phase of heightened financial volatility as the combined effects of a sovereign credit downgrade, expansive fiscal policies, and looming trade tariffs shake investor confidence. With long-term Treasury yields surging and the dollar under pressure, markets appear to be repricing risk at a time when structural imbalances in trade and budget policy are converging. This article analyses how these macroeconomic forces are reshaping investor expectations and what they could mean for asset prices and future policy decisions.

The downgrade on May 16th of the United States' credit rating to Aa1 from Aaa, has accelerated a broader shift for financial markets. Investors are now demanding higher returns across the Treasury curve, pushing the 10-year yield above 4.5 percent and the 30-year beyond 5 percent. These movements reflect rising scepticism of the trajectory of the US fiscal environment and a broader reassessment of risk in the face of growing economic imbalances.

At the heart of the turmoil is the increasing likelihood of higher government spending and larger budget deficits. According to projections from the Committee for a Responsible Federal Budget, the developing House reconciliation bill, which is officially titled the 'One Big Beautiful Bill Act', some $2.9 trillion could be added to the national debt over the next decade—and as much as $5.2 trillion if certain provisions are extended permanently. The result would be a significant increase in interest costs, rising to 4.4 percent of GDP, and debt levels potentially reaching 129 percent of GDP.

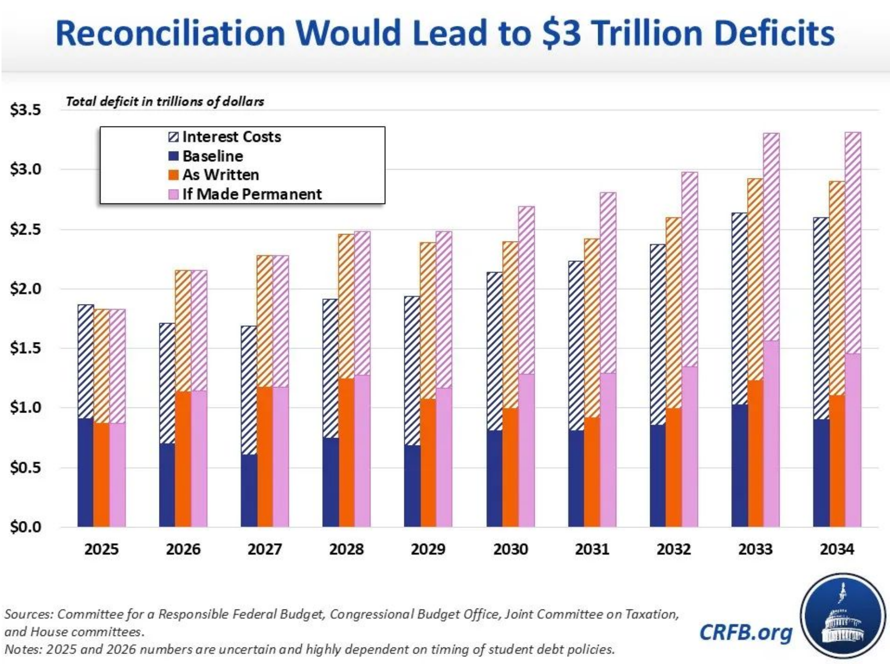


Figure 5. US Total Deficit in Trillion Dollars (Source: Committee for a Responsible Federal Budget)

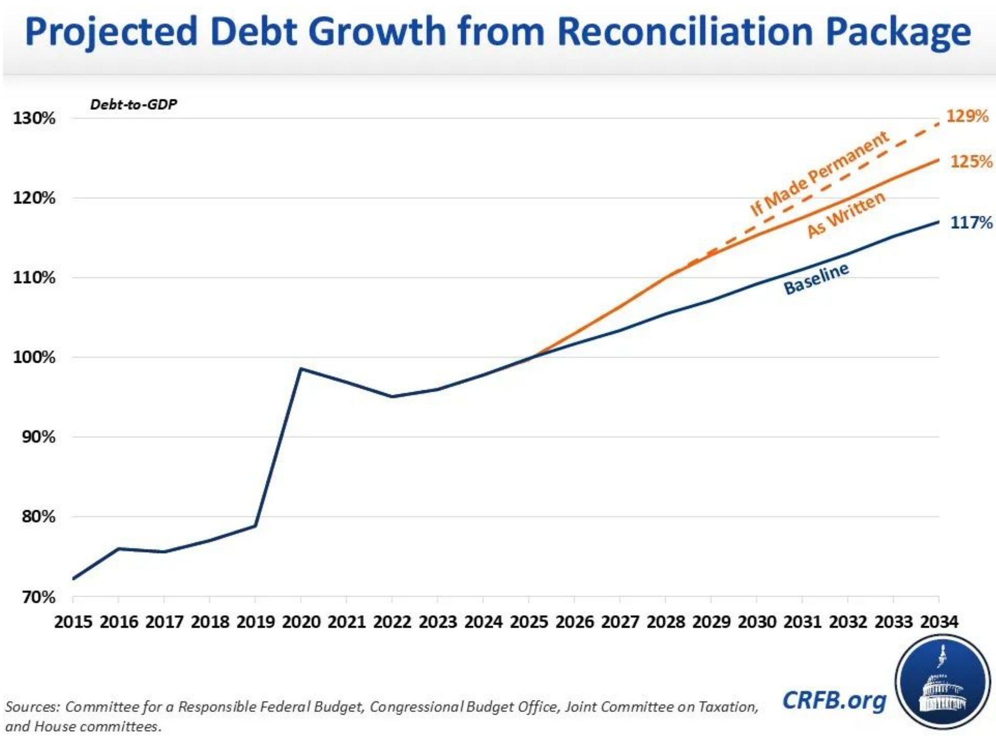


Figure 6. US Debt to GDP (Source: Committee for a Responsible Federal Budget)

Markets are reacting accordingly. The long end of the Treasury yield curve is flashing red, pricing in higher inflation and a lack of faith in the sustainability of current fiscal decisions. The bond market, in particular, seems unconvinced by policymakers' ability to rein in spending or stabilise the debt trajectory. Investors are increasingly anticipating a scenario where long-term interest rates remain elevated for a prolonged period.

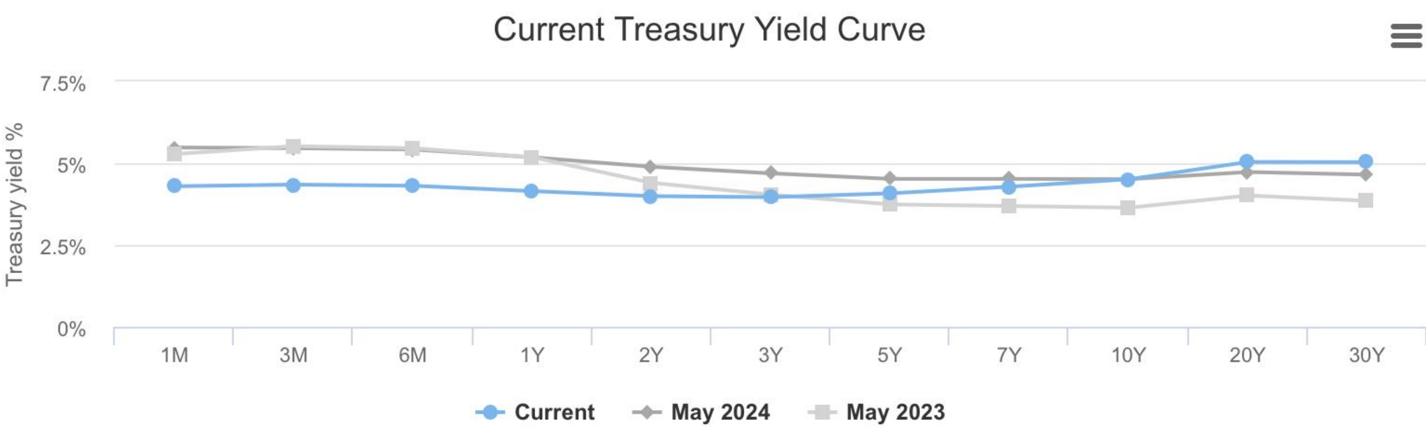


Figure 7. Current Treasury Yield Curve (retrieved : May 24 2025)

Trade policy is compounding these concerns. Since the US imposed broad tariffs earlier this year, the market has been recalibrating for more inflation and disrupted global supply chains. With the expiration of a 90-day tariff reprieve fast approaching, fears are growing that even steeper trade restrictions could follow. This looming deadline, set for July 9th, could trigger another wave of inflationary pressure and further reduce market stability.

Figure 8. DXY US Dollar Index (Source: Tradingview)

The fallout from these combined pressures is hitting the dollar. Since April 2nd, when major tariffs were first implemented—referred to by some as “Liberation Day”—the US dollar has been on a gradual decline, particularly against G-10 currencies like the euro. Forward-looking indicators suggest this trend could intensify as investors rotate out of dollar-denominated assets in search of more stable safe havens.

In this increasingly unstable environment, the US dollar seems to be bearing the greatest impact. Financial markets are under pressure as conflicting signals emerge: on one hand, short-term interest rates suggest the Fed may still be willing to offer support; on the other, long-term fiscal issues—like rising debt and persistent deficits—are shaking investor confidence. This growing mismatch is becoming harder for markets to ignore, and it’s raising serious doubts about the long-term sustainability of current US economic policy.

What the Yield Curve Is Telling Us: Markets Brace for a New Era of Risk Pricing

As headlines swirl with talk of deficits, downgrades, and trade tensions, a quieter but equally important shift is playing out in the bond market: the structure of the US yield curve is changing.

While much attention is being paid to rising deficits and trade disputes, it's worth paying attention to the bond market's internal signals—especially the yield curve. One standout metric is the widening spread between 30-year and 10-year Treasury bonds. At first glance, this might suggest confidence in future economic growth. But look closer, and a more complex—and cautionary—picture emerges.

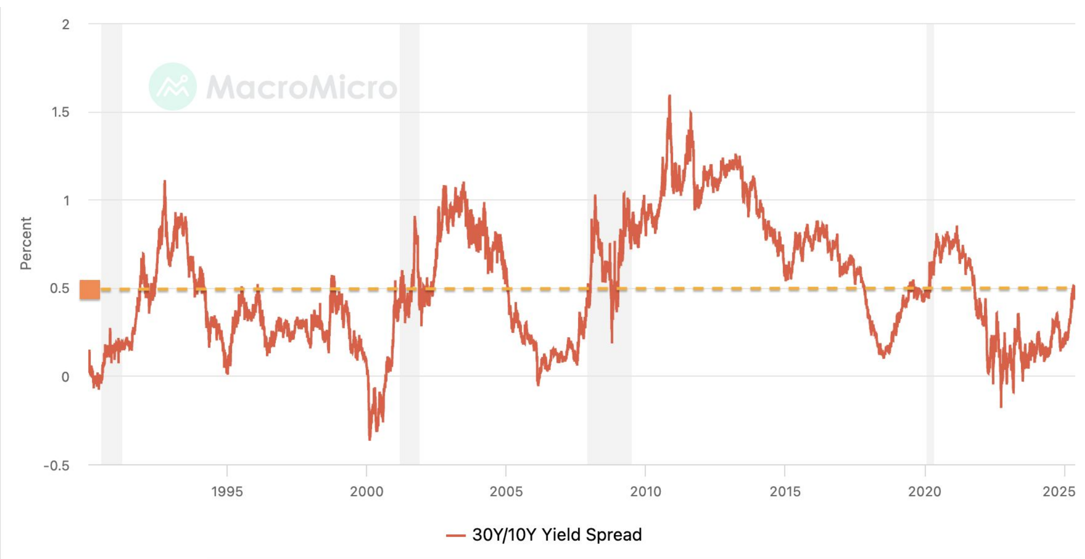


Figure 9. 30Y/10Y Yield Spread (In 5 Months and 30-Year Time Frames)

The spread, which now hovers around 48 basis points, has returned to pre-2008 levels. Historically, a steepening curve like this might be seen as a healthy sign—indicating stronger growth ahead and higher interest rates to match. But today's context is different. This shift is not being driven by optimism, but by structural concerns: fiscal excess, policy uncertainty, and rising inflation expectations.

Investors are demanding more yield to hold long-dated US debt—not because they expect a boom, but because they no longer see long-term Treasuries as safe in the way they once did. The Federal Reserve has pulled back from its role as a major buyer of long-term bonds, foreign capital inflows are weakening, and inflation continues to erode real returns. Holding onto 30-year paper now carries more perceived risk, and the market is pricing that in.

Compounding this trend are political developments, particularly renewed tariff threats. Former President Trump's vow to impose steep duties on European imports and even iPhones adds to the inflationary outlook. Tariffs raise the cost of goods, distort global supply chains, and force central banks to navigate unpredictable policy terrain.

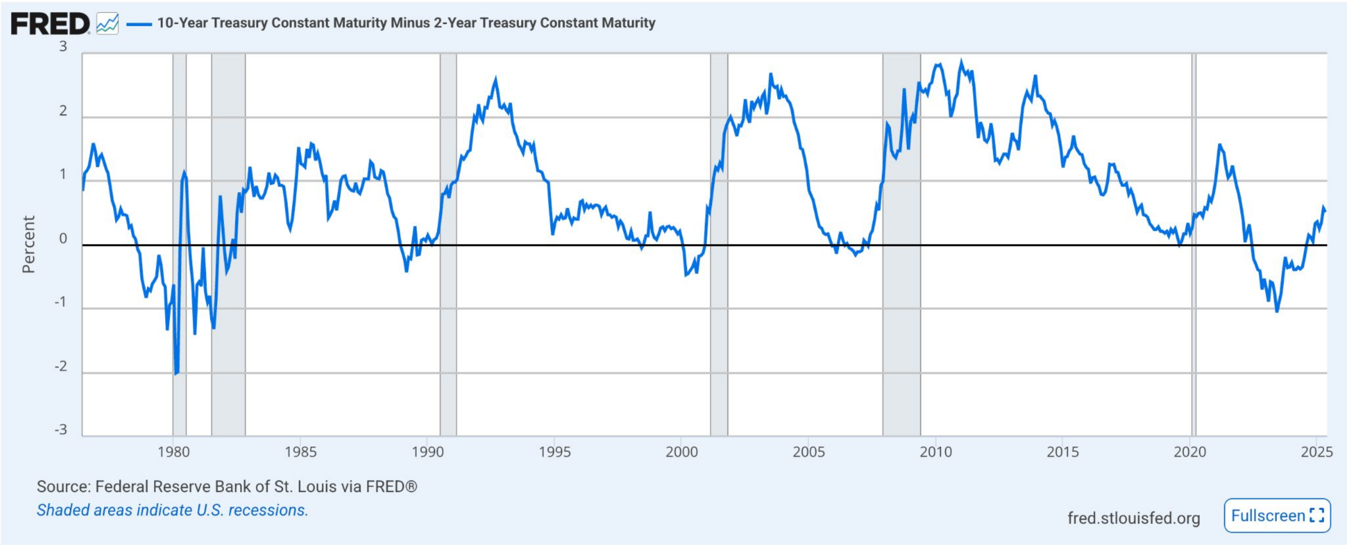


Figure 10. Yield Curve Inversion (10-Year Minus 2-Year Treasury Yield Becomes Negative) Prior to Recessions (Shaded in Grey)

Crucially, this steepening of the yield curve fits into a historical pattern. Before each of the last five US recessions, the yield curve inverted—meaning short-term rates exceeded long-term ones—then flipped back as investors priced in long-term risk. That "bear steepening" is unfolding again today: both ends of the curve are seeing rising yields, but the long end is climbing faster. This reflects a breakdown of the old assumptions that guided investment decisions for over a decade.

The generation of investors raised on zero rates and central bank support is now entering unfamiliar territory. With inflation elevated and the Fed potentially less willing to intervene, bondholders face a world where long-term risk can no longer be ignored. Duration risk—the chance that inflation or rate hikes will erode the value of long-term debt—is front and centre again.

This shift affects more than just sovereign bonds. Mortgage rates, pension fund returns, and corporate borrowing costs all hinge on long-term Treasury yields. A steepening curve means these costs could remain elevated, reshaping investment strategies and consumer behaviour alike.

The bond market isn't just reacting to news—it's predicting a shift in how risk is measured and priced. While deficits and trade tensions dominate headlines, the yield curve is quietly telling us that a new era is beginning—one where investors no longer take low rates or dollar strength for granted.

Resilient Labour Market Meets Sluggish Housing

The US economy is showing mixed signals as a firm labour market co-exists with a weakening housing sector. While jobless claims remain low and employers hold onto workers, persistent uncertainty is making it harder for job seekers to find new roles. Meanwhile, rising mortgage rates and economic volatility are keeping potential homebuyers on the sidelines. Together, these trends highlight the fragile balance between labour market strength and housing strain, shaping the Federal Reserve’s cautious stance on interest rates.

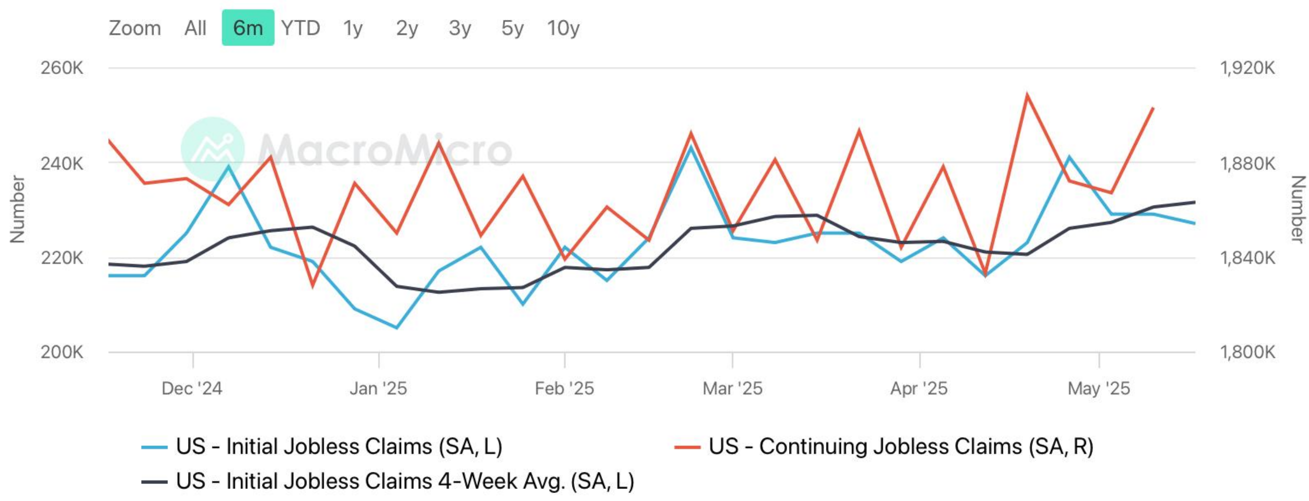


Figure 11. Initial Jobless Claims

In a week marked by fresh economic data, the US labour market continues to exhibit surprising resilience. New filings for unemployment benefits fell slightly to 227,000 for the week ending May 17th, according to the Department of Labor—an indication that layoffs remain low. Employers, wary of upcoming policy shifts and economic uncertainty, are holding tightly onto existing staff rather than expanding headcounts.

This trend of “labour hoarding” reflects both confidence in long-term business needs and caution about the near-term policy landscape. The Trump administration’s evolving positions on tariffs, immigration enforcement, and federal workforce cuts have made businesses reluctant to commit to new hiring. As a result, while the total number of layoffs remains modest, those who do lose their jobs are finding it harder to re-enter the workforce. The median duration of unemployment, a measure of how long job seekers remain out of work, rose from 9.8 weeks in March to 10.4 weeks in April.

We view these numbers as a sign that employment growth in May will be stable, though it does not come without warning signs. This duality—low initial claims but longer spells of unemployment—suggests that while the labour market is strong, it's becoming less dynamic.

This labour-market steadiness has given the Federal Reserve some breathing room. With inflation still above target and economic policies in flux, the Fed has opted to keep interest rates steady, choosing to watch how broader economic forces unfold. In this sense, the labour market is acting as a buffer, allowing policymakers to remain on hold without risking a sudden downturn.

But the same can't be said for the housing market, which is showing clear signs of strain. According to the National Association of Realtors, Existing-Home sales dropped 0.5 percent in April to an annualised pace of 4 million units—the slowest April performance since 2009. At the same time, housing inventory rose sharply by 9 percent, pushing the total to 1.45 million units, a four-year high.

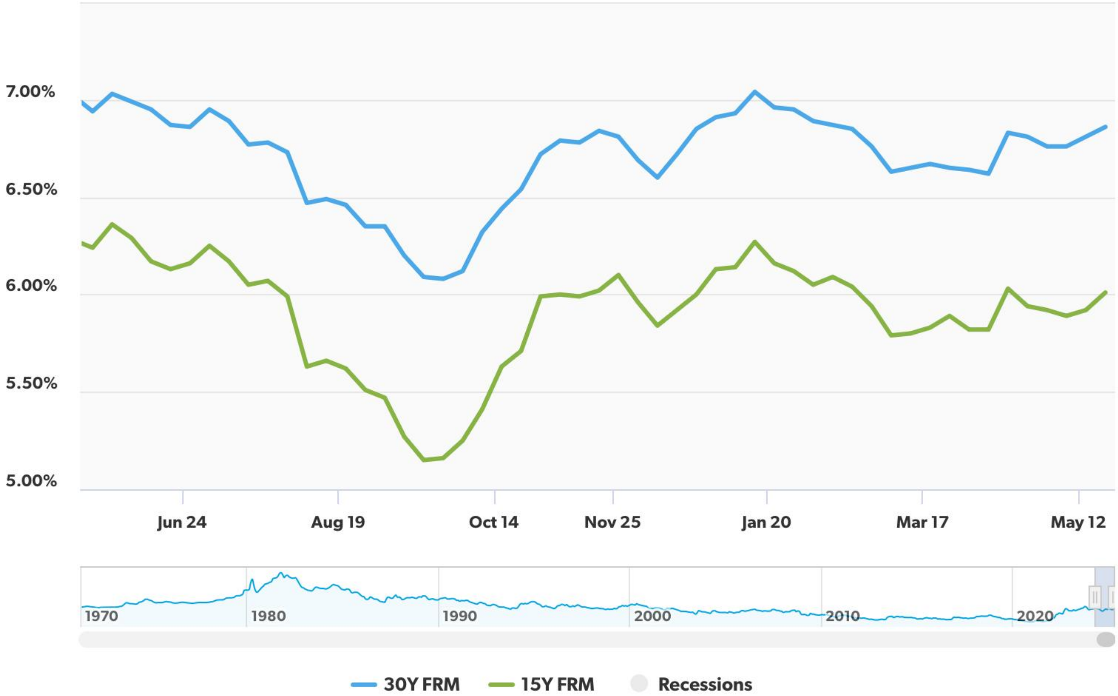


Figure 12. US Fixed-Rate Mortgage Rate (Source: FreddieMac)

What's driving this slowdown? The answer lies largely in mortgage rates. A sell-off in the bond market has pushed up yields, which directly affects the rates consumers pay on home loans. For many would-be buyers, the combination of high borrowing costs and economic uncertainty is reason enough to wait. We expect this trend to continue, with the housing market remaining subdued through to the end of the year.

This divergence between labour and housing reveals a key challenge for economic policymakers. On one hand, the job market supports growth and consumer spending. On the other hand, housing—a major driver of wealth and economic activity—remains in a rut, threatening to drag on broader momentum.

NEWS FROM THE CRYPTO-SPHERE

Institutions Accelerate Bitcoin Accumulation as Strategy, Semler, and Metaplanet Expand Holdings

Figure 13. Institutions Accelerate Bitcoin Accumulation as Strategy, Semler, and Metaplanet Expand Holdings

- **Major firms including Strategy, Metaplanet, and Semler Scientific collectively acquired over 8,800 BTC last week, highlighting growing institutional confidence in Bitcoin as a treasury asset**
- **These acquisitions reflect a broader trend of public companies diversifying into crypto, with Strategy alone now holding over 2.7 percent of the total Bitcoin supply**

Last week saw significant institutional Bitcoin adoption, with three publicly listed firms making headline-worthy acquisitions that highlight the deepening commitment of traditional companies to digital assets.

Leading the pack, Strategy, the largest corporate holder of Bitcoin, revealed the purchase of 7,390 BTC between May 12th and 18th, an investment valued at approximately $765 million, according to a filing last Monday, May 19th. This latest buy raises its total Bitcoin treasury to over 576,000 BTC—equivalent to more than 2.7 percent of Bitcoin's total supply. The acquisition was funded through recent stock sales, including common shares and a Series A preferred offering, reaffirming the firm's ambitious target of amassing $42 billion in Bitcoin by 2027.

Meanwhile, Tokyo-based investment firm Metaplanet also reinforced its Bitcoin-focused approach by acquiring 1,004 BTC for around $104 million last Monday. This brings its total holdings to 7,800 BTC. Metaplanet's aggressive expansion further reflects a growing trend among global institutions viewing Bitcoin not just as a store of value but as a strategic asset in increasingly uncertain financial markets.

In the healthcare sector, Nasdaq-listed Semler Scientific added 455 BTC to its reserves during the same period, according to a filing last Friday, May 23rd. Semler spent $50 million from its $500 million at-the-market equity offering. As of May 22nd, the company held 4,264 BTC, with a total acquisition cost of $390 million and a current market valuation nearing $475 million. Semler has also adopted a Bitcoin yield metric to track the performance of its treasury strategy, emphasising the company's evolving financial priorities.

With firms across sectors—from tech to finance to healthcare—embracing Bitcoin, the landscape for corporate crypto adoption is entering a new phase of maturity.

FIFA Teams Up with Avalanche to Launch Its Own Blockchain for Digital Collectables

Figure 14. FIFA Teams Up with Avalanche to Launch Its Own Blockchain for Digital Collectables

- **FIFA is partnering with Avalanche to launch a new EVM-compatible blockchain network, replacing Algorand and Polygon, to improve speed, scalability, and user experience for its digital collectables and fan engagement platform**

FIFA, the world football governing body, is stepping up its game in the digital space with its new partnership with Avalanche, a leading Layer 1 blockchain, to power its upcoming blockchain network, according to a press release last Thursday, May 22nd. This new system will be compatible with the Ethereum Virtual Machine (EVM), making it easier for developers and users to interact with it using familiar tools and wallets.

By using an EVM-compatible blockchain, apps and services already built for Ethereum can also run on FIFA's new network—saving developers time and making the platform more accessible for fans and collectors.

This move marks a shift away from FIFA's previous blockchain partners, Algorand and Polygon, which had previously hosted the organisation's digital collectibles under the "FIFA Collect" brand. Moving forward, all FIFA digital collectibles and NFTs will be housed on the new Avalanche-based network.

Francesco Abbate, CEO of both FIFA Collect and Modex—the company helping FIFA build its digital fan experiences—highlighted that the switch to Avalanche offers better speed, scalability, and security. "It makes the experience smoother, more accessible, and ready to grow," he said.

Although no specific launch date has been announced, the migration of FIFA Collect will be the first step. Support for the old platforms (Algorand and Polygon) will end as the organization transitions to Avalanche.

The announcement also follows Avalanche's earlier 'Avalanche9000' upgrade, which was designed to lower costs for developers and make it easier to create custom blockchains within the Avalanche ecosystem.

With this new blockchain initiative, FIFA is aiming to future-proof its digital offerings, giving football fans a faster and more user-friendly way to collect and engage with digital content.

Michigan Lawmakers Propose Sweeping Crypto Legislation Covering Mining, Investment, and Taxation

Figure 15. Michigan Lawmakers Propose Sweeping Crypto Legislation Covering Mining, Investment, and Taxation

- **Michigan lawmakers introduced four bills to regulate crypto use in state investments, protect digital asset holders' rights, allow Bitcoin mining on abandoned oil sites, and exempt related mining income from taxes**
- **The state has already made substantial investments in Bitcoin and Ethereum ETFs, signaling growing support for crypto-friendly policies**

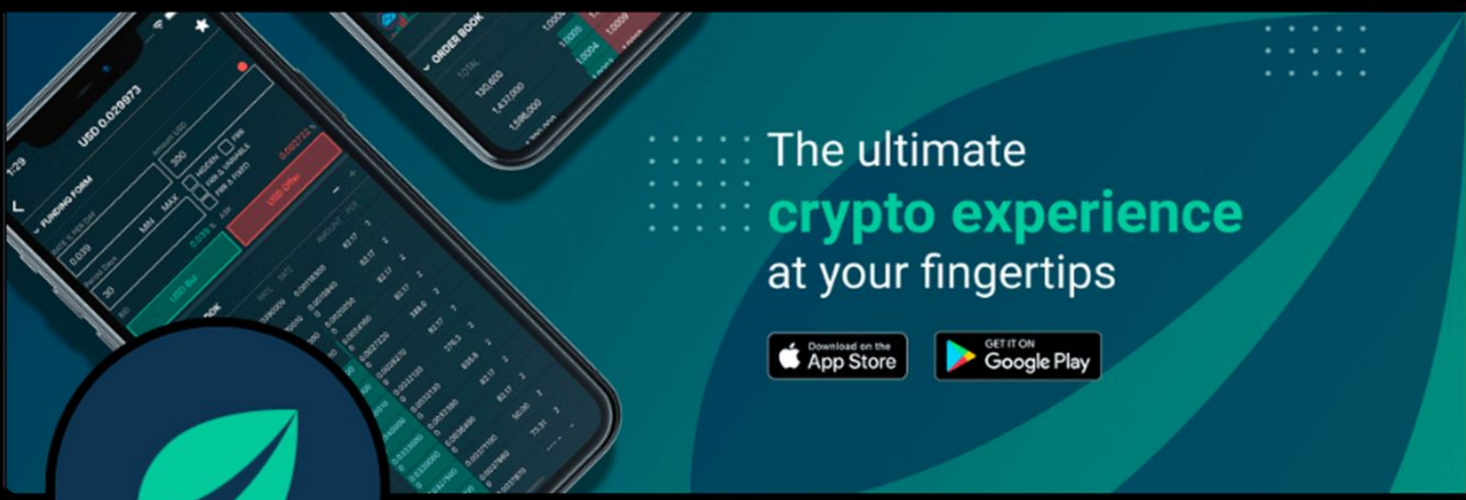
Michigan's House of Representatives introduced a package of four new bills last Wednesday aimed at establishing clearer guidelines for cryptocurrency activity across the state. These proposals address state treasury investments, protections for digital asset holders, crypto mining on abandoned sites, and income tax treatment of mined assets.

Among the proposed legislation is House Bill 4510, which seeks to update the “Public Employee Retirement System Investment Act.” If passed, it would allow the state treasurer to invest in digital assets, but only those with a market capitalization exceeding $250 billion (currently only Bitcoin and Ethereum). The bill specifies that any such investments must be held through exchange-traded products issued by registered investment companies. This initiative builds on a prior bill introduced earlier this year that would permit up to 10 percent of Michigan's general and economic stabilisation funds to be allocated to crypto assets, aiming to both diversify holdings and improve returns.

House Bill 4511 focuses on safeguarding the rights of Michigan residents to own cryptocurrency. It would prohibit the state from enforcing restrictions or requiring licenses for individuals to hold digital assets. Additionally, it prevents certain state officials from promoting or endorsing central bank digital currencies (CBDCs) issued by the US government.

The final two bills, HB 4512 and HB 4513, are closely connected and target the integration of bitcoin mining into environmental reclamation efforts. HB 4512 proposes the launch of a bitcoin mining initiative using decommissioned oil and gas well sites, provided that operators commit to restoring the sites as necessary. HB 4513 complements this by amending Michigan's 1967 Income Tax Act to address income earned from mining operations based at these sites.

These legislative efforts reflect a broader trend across multiple US states to embrace more crypto-friendly policies, particularly amid a federal climate increasingly open to digital assets.



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