

July 2024: A Month of Turbulence in the Crypto Markets

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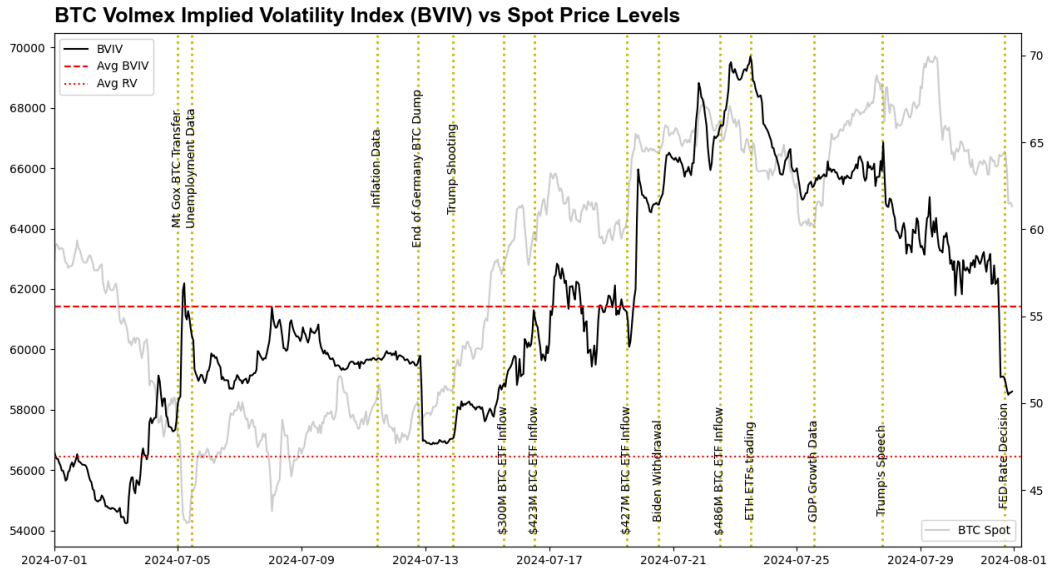
July 2024 was a tumultuous month for the cryptocurrency market, marked by significant price swings and volatility. From government actions to political developments, the crypto market experienced notable fluctuations.

The month began with the Saxony state government in Germany selling 50,000 Bitcoin, seized from criminal investigations, which ended on July 12 and stirred market concerns about manipulation, especially due to sales on July 4 when U.S. markets were closed. On July 5, the defunct exchange Mt. Gox moved a large sum of BTC into another wallet to begin repaying its creditors causing panic as BTC prices crashed. The same day, the U.S. unemployment rate was reported at 4.1%, slightly above expectations, raising hopes for a potential Federal Reserve rate cut and contributing to a market recovery. A failed assassination attempt on Donald Trump on July 13, coupled with his pro-crypto stance, further boosted market sentiment, causing a surge in crypto prices.

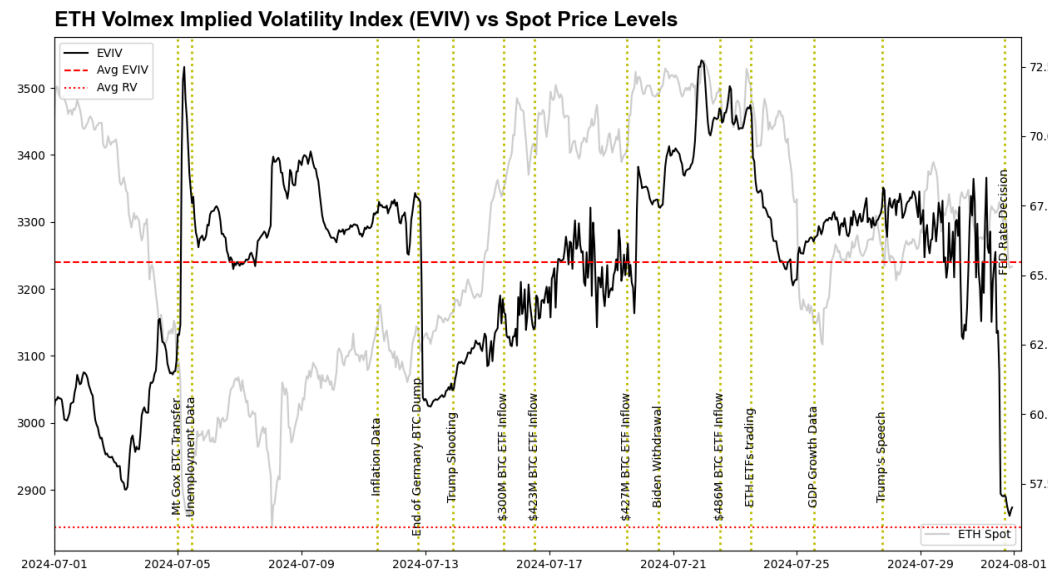
Between July 15 and 22, significant inflows into Bitcoin ETFs, amounting to over \$1 billion, along with Joe Biden's withdrawal from the presidential race, led to a strong rally in the crypto markets. Ethereum ETFs began trading on July 23, following the SEC's approval, initially raising expectations but later causing a price dip due to selling pressure from Grayscale. On July 25, U.S. GDP data exceeded expectations at 2.8%, dampening hopes for a rate cut, but Donald Trump's speech on July 27, where he endorsed Bitcoin and suggested a strategic reserve, provided further bullish momentum. The month ended with the FOMC meeting on July 31, where the Federal Reserve maintained interest rates, emphasizing the need to monitor inflation. This decision led to a decline in both BTC and ETH prices, closing a month full of significant market-moving events.

The time-weighted average price of BTC was \$62,737.20 in July 2024, with the Bitcoin Volmex Implied Volatility Index (BVIV) averaging 55.57. BTC reached a high of \$70K, accompanied by the highest BVIV level of 70.38, and a low of \$53.5K, with the BVIV dropping to 42.79 at its

lowest. ETH similarly experienced notable volatility, with an average price of \$3,273.56 and the Ethereum Volmex Implied Volatility Index (EVIV) averaging 65.45. ETH peaked at \$3.5K, with the EVIV hitting a high of 73.02, and fell to a low of \$2.8K, with the EVIV at 56.26.



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During July 2024, the realized volatility for BTC stood at 46.91%, while ETH experienced a higher realized volatility at 55.92%. These figures indicate the extent of actual market fluctuations over the period. The variance risk premium, which represents the difference between implied and realized volatility, was 8.66 for BTC and 9.53 for ETH. This premium suggests that

option writers received a significant compensation for the risks associated with the uncertainty prevalent in the market during this time. The high variance risk premiums reflect the market's anticipation of future volatility, resulting in elevated option prices as a hedge against potential adverse price movements. This period of high uncertainty and market stress led to substantial premiums being built into the options market, offering notable returns for those providing these risk protections.

German Government's Bitcoin Sale

One of the most impactful events in July 2024 was the decision by the Saxony state government in Germany to liquidate 50,000 Bitcoin, which had been seized from various criminal investigations. This significant sale concluded on July 12, 2024, and generated proceeds exceeding three billion dollars. The timing of the sales raised eyebrows, as they notably took place during the U.S. Independence Day holiday on July 4, a period when U.S. markets were closed. This timing led to accusations of market manipulation, as the lack of U.S. market activity may have contributed to increased volatility and potential market instability. The large-scale sell-off triggered sharp declines in Bitcoin prices and heightened volatility, reflecting the market's sensitivity to substantial liquidations, especially from government sources. The incident highlighted the intricate interplay between regulatory actions and market dynamics, underscoring how significant government decisions can ripple through the crypto markets, impacting prices and investor sentiment.

Mt. Gox Repayments

On July 5, Mt. Gox initiated the repayment process to creditors, distributing Bitcoin (BTC) and Bitcoin Cash (BCH). The large-scale distribution led to panic, driving Bitcoin's price below \$53,500 and Ethereum (ETH) down to around \$2,800. By the end of July, approximately 33,000 BTC remained in Mt. Gox's wallet from an initial 142,000 BTC.

On July 5, Mt. Gox, the defunct cryptocurrency exchange that collapsed in 2014, initiated the repayment process to creditors in BTC. This large-scale distribution of digital assets triggered widespread panic in the crypto markets, causing a significant sell-off. Bitcoin's price plunged to \$53K levels, while ETH also experienced a sharp decline, dropping to around \$2,800.

By the end of July, Mt. Gox's wallet still held approximately 33,000 BTC, down from an initial 142,000 BTC at the beginning of the month. While the substantial release of assets contributed to increased levels of price volatility, it also had a positive side effect by clearing the market of significant sell-side pressure. This event potentially paved the way for Bitcoin to approach new ATHs in the future, as the market absorbed the shock and stabilized. The clearing of this

overhang marked a significant step toward resolving one of the most notorious chapters in cryptocurrency history, allowing the market to focus on growth and new opportunities.

The U.S. Unemployment

On July 5, 2024, the U.S. unemployment rate was reported at 4.1%, slightly above the expected 4.0%. This marginally higher figure was interpreted by the markets as a potential indicator of a looming recession, which paradoxically boosted investor sentiment. The reasoning was that a weaker-than-expected labor market could prompt the FED to consider cutting interest rates sooner than anticipated to stimulate economic growth. This news arrived at a critical moment, following a morning market dip triggered by panic over Mt. Gox's repayment of Bitcoin. The release of the unemployment data shifted the market's mood, leading to a recovery in asset prices. The expectation of a more accommodative monetary policy by the FED provided a cushion against the earlier sell-off, fostering a more optimistic outlook among investors and helping to stabilize the market amid ongoing volatility.

End of Bitcoin Selling by German Government

On July 12th, 2024, the German government completed the sale of its last batch of Bitcoin, a significant event that had immediate effects on the cryptocurrency market. The end of this large-scale sell-off, part of a liquidation of 50,000 BTC, led to a notable spike in Bitcoin's price, which rose from \$56.6K to \$58.5K. Concurrently, there was a sharp decline in the BVIV Index, which dropped from 53.3 to 47.7, indicating a sudden decrease in market volatility after a major uncertainty factor disappeared. This event also positively impacted ETH, with its price climbing from \$3,050 to \$3,156. EVIV similarly fell, decreasing from 68.3 to 60.4. The end of the Bitcoin dump by the German government removed a significant source of selling pressure, stabilizing the market and reducing volatility, as reflected in the falling BVIV and EVIV levels.

Trump Assassination Attempt

On July 13, 2024, an assassination attempt targeted Donald Trump, the Republican presidential candidate in the United States. The attempt failed, but it nonetheless sent shockwaves through the political and financial spheres. Trump's known pro-crypto stance contributed to a swift market reaction, as investors speculated on potential implications for cryptocurrency regulation and adoption. The incident led to a notable increase in cryptocurrency prices; BTC rose from \$57.8K to \$59.8K, while ETH increased from \$3,114 to \$3,200. The market's response also included a rise in implied volatilities, reflecting high uncertainty. BVIV and EVIV both increased slightly by approximately 1.1 volatility points. The incident highlighted the interconnected nature of political developments and financial markets, particularly within the highly reactive and speculative crypto sector.

Inflows to BTC ETFs and Biden's Withdrawal

From July 15th to the end of July 22nd, crypto markets enjoyed a rally caused by some large amount of inflows into BTC ETFs totalling more than \$1B. Also the presidential candidate Joe Biden has withdrawn from the race. These events caused increases in both prices and volatilities. BVIV jumped up to 70.4 from 48.4 while BTC price went up to \$68.5K from \$60.7K. Similarly, ETH price went up to \$3559 from \$3235 while EVIV increased to 72.8 from 60.6.

Between July 15th and the end of July 22nd, the cryptocurrency markets experienced a notable surge, driven by two significant events: substantial inflows into Bitcoin exchange-traded funds (ETFs) and Joe Biden's withdrawal from the presidential race.

During this period, BTC ETFs saw an influx exceeding \$1 billion. This influx acted as a major catalyst, propelling Bitcoin's price to new heights. The price of BTC surged from \$60.7K to \$68.5K, reflecting a robust increase in investor confidence and market activity. Correspondingly, BVIV spiked from 48.4 to 70.4, indicating increased market volatility as traders reacted to the inflows. ETH also benefited from the bullish sentiment. The price of ETH climbed from \$3,235 to \$3,559. Alongside this price increase, EVIV rose from 60.6 to 72.8, underscoring increased market fluctuations in response to the same factors.

The combination of substantial ETF inflows and political developments contributed to the volatility and price escalations across the cryptocurrency markets. As these events unfolded, they not only amplified price movements but also reflected broader market dynamics influenced by both financial inflows and political shifts.

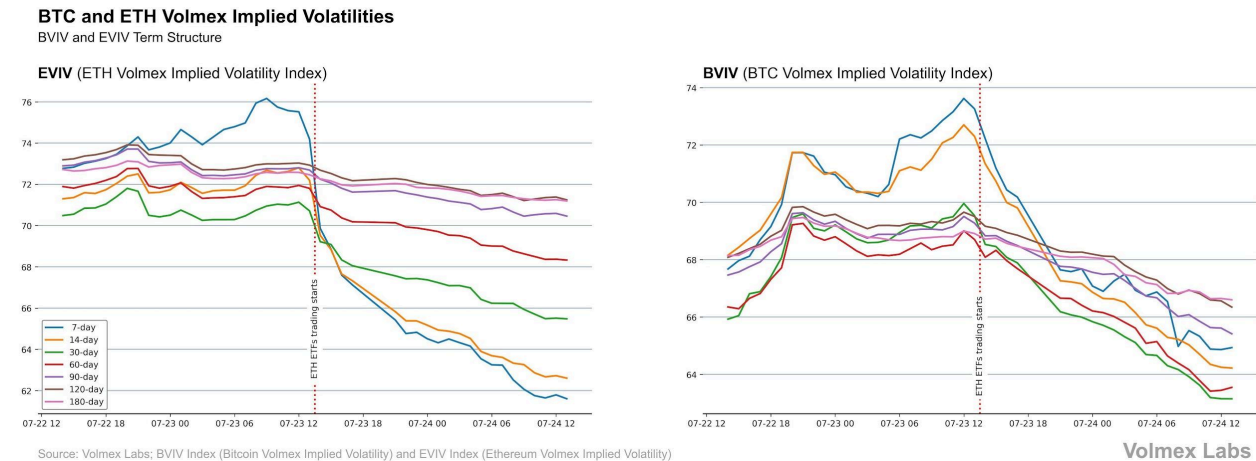
Start of Ethereum ETFs Trading

On July 23, 2024, Ethereum ETFs began trading in the United States, marking a significant milestone for the crypto market. This development followed the SEC's approval of several spot Ethereum ETF applications on May 23, 2024. The introduction of these ETFs was anticipated to provide greater market clarity and investment opportunities.

The commencement of Ethereum ETFs served as a key resolution-of-uncertainty event for implied volatilities. As a result, the EVIV index decreased from 72.8 to 60.7 within a week, reflecting a reduction in market uncertainty. Similarly, the BVIV index fell from 70.4 to 55.2 during the same period, indicating a broader decrease in volatility across the cryptocurrency market.

However, the launch also brought some immediate challenges. Grayscale's ETH ETF (ETHE) created notable selling pressure, which led to a decline in Ethereum's price. Within a few days,

ETH's price dropped to \$3,090. Bitcoin also experienced a price adjustment, falling to \$63.5K. These movements underscore the complexities and volatility associated with new financial products in the crypto space, highlighting both the market's enthusiasm and the potential for short-term disruptions.

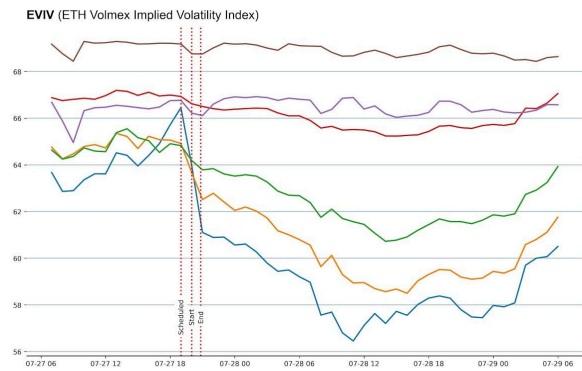
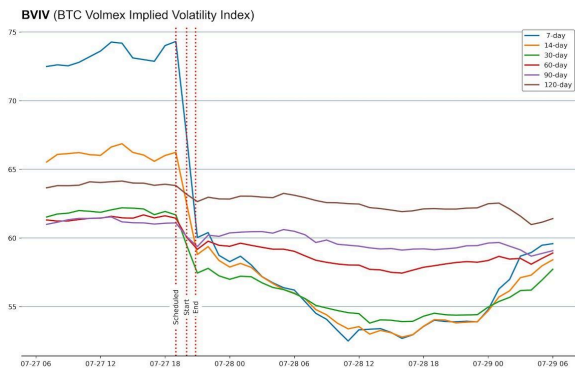


GDP Data and Trump’s Speech

On July 25, 2024, the U.S. GDP data for the second quarter was released, showing a growth rate of 2.8%, surpassing the expected 2.5%. This stronger-than-anticipated economic performance diminished market expectations for a potential interest rate cut by the FED. Consequently, the initial reaction was a slight decrease in cryptocurrency prices as investors adjusted their expectations.

However, the mood shifted dramatically with Donald Trump’s speech on July 27, 2024. In his address, Trump adopted a surprisingly positive stance towards Bitcoin, declaring himself “pro-Bitcoin” and expressing support for integrating the cryptocurrency into his economic vision. Trump also proposed the idea of establishing “a strategic Bitcoin reserve”, marking a notable departure from his previous skepticism about digital assets.

Trump's Speech at Nashville Bitcoin2024: How BTC and ETH Options Reacted BVIV and EVIV Term Structure



The impact of Trump's speech was significant. As the speech began, Bitcoin's implied volatility, measured by the BVIV Index and its term structure, decreased, particularly in the shorter term. This decline in volatility indicates that Trump's remarks acted as another resolution-of-uncertainty event, following the earlier launch of Ethereum ETFs. The endorsement of Bitcoin by a prominent political figure helped to buoy market sentiment and stabilize prices, reinforcing the positive effects of the ongoing developments in the cryptocurrency space.

FED's Interest Rate Decision

The final key event of July 2024 was the Federal Open Market Committee (FOMC) meeting. Contrary to some market speculation, the FOMC did not announce a prospective interest rate cut. Instead, the Committee emphasized the necessity of ongoing vigilance in monitoring economic indicators, with a particular focus on inflation, which continues to exceed their target levels. Although there have been some signs of moderation in inflation, it remains a significant concern for policymakers.

The FOMC's decision led to a market reaction as both Bitcoin (BTC) and Ethereum (ETH) prices declined. Bitcoin's price fell to \$64.5K, while Ethereum dropped to \$3,217. This response reflects investor sentiment adjusting to the FED's continued cautious stance on monetary policy.

In addition to the price adjustments, the implied volatilities of both cryptocurrencies also decreased. The BVIV index decreased to 50.3, and EVIV fell to 56.3. This reduction in volatility points to a market settling into a new equilibrium after the uncertainty surrounding potential interest rate adjustments was resolved.

Timeline

July 4, 2024: German regulators kept dumping BTC on a US holiday

July 5, 2024: Mt Gox transferred a large amount of BTC to another wallet.

July 5, 2024: US Unemployment data worse than expected, which created hopes of FED rate cut

July 12, 2024: End of BTC Dump by German government

July 13, 2024: Attempted assassination of Donald Trump

July 15, 2024: \$300M BTC ETF Inflow

July 16, 2024: \$423M BTC ETF Inflow

July 19, 2024: \$427M BTC ETF Inflow

July 20, 2024: Biden drops out of the presidential race

July 22, 2024: \$486M BTC ETF Inflow

July 23, 2024: ETH ETFs started trading

July 25, 2024: GDP data

July 27, 2024: Trump's Speech

July 31, 2024: FED interest rate decision