**Cryptofinance** Cryptocurrencies

# Crypto is back with $300bn frenzy

Bitcoin puts post-FTX collapse behind it with 40% rise so far in 2023


Crypto assets are rising again after last year's crash, with even Solana rising 140% this year © FT montage: Bloomberg

**Scott Chipolina** in London FEBRUARY 3 2023

*Hello and welcome to latest edition of the FT's Cryptofinance newsletter. This week, we're taking a look at crypto's January market recovery.*

With bankruptcies, job cuts and arrests packed into the first few weeks of the year, the crypto industry looked set to pick up right where it left off after a disastrous 2022. But it's not all doom and gloom for the tumultuous world of digital assets.

In just a month and change, roughly $300bn has been tacked on to the market value of crypto assets, sending it back above $1tn. Bitcoin has surged more than 40 per cent to roughly $23,000, rebounding from the drop to $16,000 per token, which marred the flagship cryptocurrency in the wake of FTX's bankruptcy last year.

Bitcoin's chief rival token ether is also firmly in the green, while Solana — the beleaguered "ethereum killer" that all but died last year — has registered an eye-popping 140 per cent increase in value so far in 2023.

CryptoCompare figures also show the total assets under management for digital asset investment products increased almost 37 per cent in January to more than $26bn, the highest since May 2022 — the month when crypto's unprecedented crisis of confidence began. Grayscale's GBTC — an investment trust designed to track the price of bitcoin — last month notched up $38.9mn in average daily volume, a 23 per cent rise from December, according to the crypto data provider.

The recent digital asset surge hasn't taken place in a vacuum, but amid a wider rally for other speculative assets.

So-called meme stocks GameStop and AMC Entertainment Holdings are up roughly 20 and 30 per cent so far this year, and investor and bitcoin evangelist Cathie Wood's ARKK exchange traded fund has posted over 25 per cent gains, buoyed by HODLing Coinbase shares, which in turn have more than doubled in 2023.

Jim Bianco, president and co-founder of macro research firm Bianco Research, texted me to say we're "back to 2021", referring to that year's red-hot bull run fuelled in large part by retail excitement and a fear of missing the crypto boat.

"Log back into your Reddit account and YOLO into meme stocks," he said.

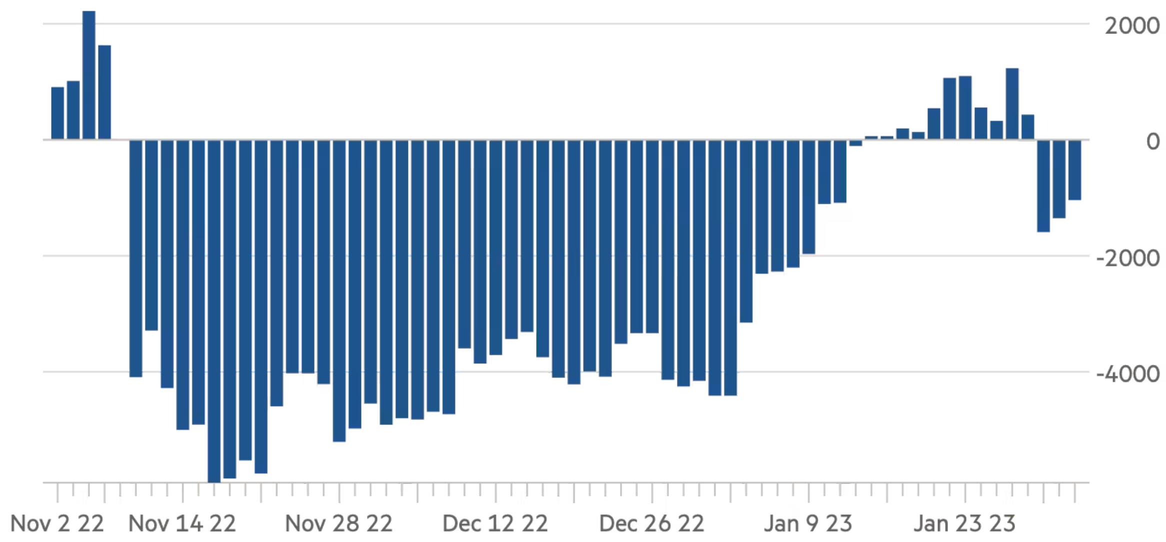
But while Crypto Twitter™ braces for a long-awaited change of fortune, it's important to take the industry's rally with a grain of salt. January paints a pretty picture for cryptocurrencies, but the shadow cast by FTX's collapse still looms large. Bitcoin has yet to venture above the mid-$20,000s, a price range it stubbornly held on to before FTX's collapse, prompting me to claim the flagship token needed a story to sell.

"Most of the biggest winners so far this year are actually still the biggest losers over the past 90 days," Jeff Dorman, chief investment officer at investment firm Arca, told me this week. "Why do the past 90 days matter? Because FTX imploded in the first week of November, killing what looked to be a promising recovery in digital assets at the time."

As JPMorgan's Nikolaos Panigirtzoglou also pointed out to me via email, crypto venture capital funding has remained weak well into the new year, and an institutional impulse that was once present in bitcoin futures faded as January came to a close.

Institutional interest in bitcoin futures faded towards the end of last month

Open interest in CME bitcoin futures contracts




Source: JPMorgan


"We suspect the crypto rally in the second half of January was more driven by retail rather than institutional investors," Panigirtzoglou told me.

And, as those of you who were around during the industry's inaugural "crypto winter" of 2017-18 will know, bull runs fuelled by retail investors alone can turn on a dime.

*What's your take on crypto's recent run of fortune? As always, send me your thoughts via email at scott.chipolina@ft.com.*

## Weekly highlights:

- **One scoop to start:** I spent some time digging into US Senate lobbying records and discovered Binance used the same lobbyists to pitch Washington lawmakers as its US affiliate. Binance has gone to considerable lengths to emphasise Binance US — its American arm — operates separately from the wider group, but these findings point to linkages between the two. Read my story here.

- The UK has pinned its colours to the mast when it comes to regulating crypto assets. Unlike the EU — which has constructed fresh rules from the ground up — Westminster wants to bring crypto into the UK's existing financial services regulations. The government still trails Brussels on the road to reining in crypto, and London's future as a crypto hub is far from guaranteed, but Finnish MEP Eero Heinäluoma told me British and European legislators should learn from each other and there is "certainly no need for a race to the bottom". Catch up on my coverage here and here.

- The latest in crypto job cut roulette: blockchain analytics firm Chainalysis parted ways with roughly 5 per cent of its staff, while crypto exchange Bittrex laid off more than 80 of its workers. You might recall Bittrex from its run-in with US law enforcement, when the exchange agreed to pay almost $30mn to settle cases for "apparent violations" of sanctions against countries including Iran, Cuba and Syria.

- Meta Platforms has embraced crypto's Web 3 culture but its metaverse unit — Reality Labs — is not generating much bang for its buck. In the last quarter the metaverse unit's revenue fell to $727mn from $877mn a year ago, and losses of $4.3bn also grew from $3.3bn the year prior. My colleague Hannah Murphy has the story here.

## Soundbite of the week: Munger dunks on crypto

Charlie Munger, one of America's most famous investors, stepped up his criticism of crypto this week, calling for the US to ban the volatile asset class.

Munger has long been one of crypto's most established critics, but the Berkshire Hathaway heavyweight's recent Wall Street Journal column pulled no punches.

> "What should the US do after a ban of cryptocurrencies is in place? Well, one more action might make sense: Thank the Chinese communist leader for his splendid example of uncommon sense."

## Data mining: 2022's record-setting crypto hacks

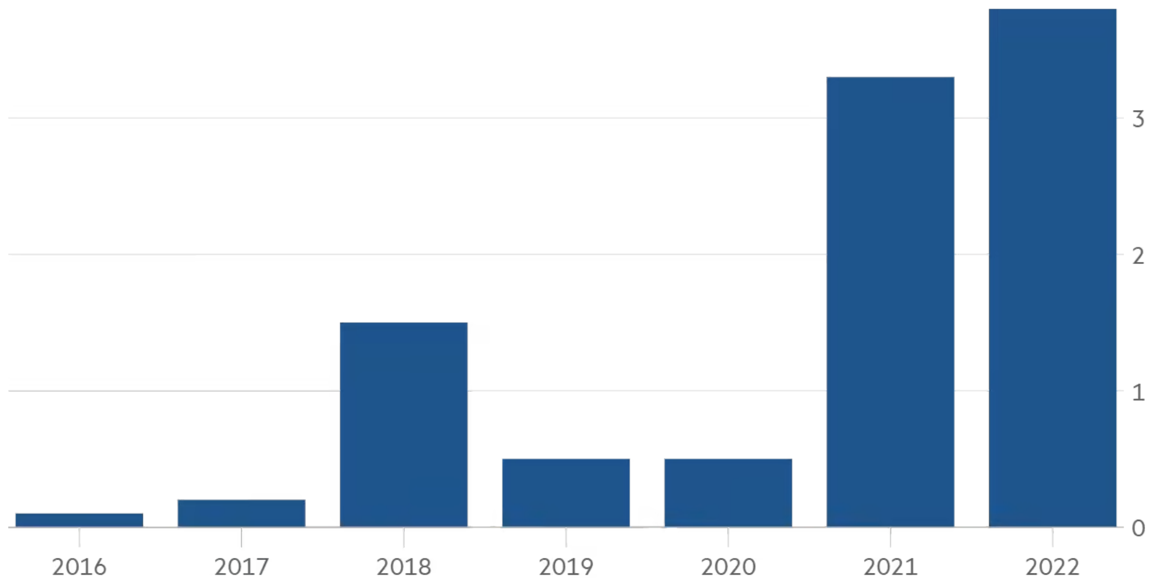
Almost every crypto metric that matters was pointing straight down in 2022: token prices collapsed, the crypto market shrunk and a bunch of major players fell into bankruptcy in what was arguably the industry's worst year to date.

One metric managed to buck the trend, but it's not something crypto evangelists will be bragging about any time soon. Last year was the biggest ever for crypto hacking, with almost $4bn stolen from cryptocurrency businesses, according to blockchain analytics platform Chainalysis. The total number of hacks also dropped last year to 219, down from 263 in 2021, indicating hackers were generally going after bigger targets.

And finally, North Korean hackers — which I've covered for this newsletter and on FT.com — pocketed roughly $1.7bn of the collectively stolen goods. It seems working for the world's most financially isolated country is a good way to sharpen someone's crypto heist credentials.

Total value stolen in crypto hacks ($bn)

Last year saw the most value stolen in crypto hacking history




Source: Chainalysis


*Cryptofinance is edited by Philip Stafford. Please send any thoughts and feedback to cryptofinance@ft.com.*

*Your comments are welcome.*