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**Portal Market Commentary - March 2023**

**Market Update**

March was a tale of two halves as the market initially feel around 15% in the first 10 days of the month before rallying 21% to finish the month up 7.5%. The Portal Digital Fund finished up 3.2% net of fees and is up 13.4% for Q1 2023. The rally was led by Bitcoin which finished March up 23% as fears of both continued bank collapses and bailouts / bail-ins as well as renewed Quantitative Easing (QE) in the form of the Federal Reserve offering unlimited access to emergency borrowing as per the chart below. The liquidity party is back on, and global central banks will need to follow suite.

Chart, line chart

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**Back to the Future II**

The US Federal Reserve (FED) is out of options as it has created a monster in the form of a credit-dependent economy since it was created in [1913](https://www.youtube.com/watch?v=GiEVU31aCSI) that has managed to export its inflation by maintaining the US Dollar as the global reserve currency via the [Bretton-Woods Agreement](https://en.wikipedia.org/wiki/Bretton_Woods_system) in 1944 and then propped up by demand for the [Petro-Dollar.](https://www.investopedia.com/terms/p/petrodollars.asp)

The FED is now sitting on an estimated [$1.7 trillion in unrealised losses](https://www.thomsonreuters.com/en-us/posts/investigation-fraud-and-risk/us-banks-problems/) as interest rates were hiked aggressively over the past year from [0.5% to the current 5%](https://www.bankrate.com/rates/interest-rates/federal-funds-rate/). The magnitude of this debt problem is depicted below in the chart on FDIC (Federal Deposit Insurance Corporation) losses vs 2008’s Global Financial Crisis.

Chart, timeline

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A final chart to depict the debt trap that the US Federal Reserve has created is depicted below courtesy of Bloomberg’s Jamie Coutts, Bloomberg Intelligence’s Crypto Market Analyst, as well as the Bitcoin Fundamentals dashboard.

The US Government owes $852bn in interest payments in 2023 to the Federal Reserve. The only way to fund this as well as its social spending and military support for the Russia vs Ukraine campaign is … borrow more money from the FED!

**The Fastest Rise in US Govt Interest Payments posy World War II**

Chart, line chart

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**And So… Where to From Here?**

As the debasement of the US Dollar continues unabated the world’s largest Emerging Markets (EM) led by Brazil, Russia and China are now abandoning the US Dollar and OPEC is cutting oil production as the US Hegemony plummets. Why is this important? Well, the BRICS nations have now overtaken the G7 in [global GDP contribution at 31.5% vs 30%.](https://www.silkroadbriefing.com/news/2023/03/27/the-brics-has-overtaken-the-g7-in-global-gdp/)[[1]](#footnote-1) They are expected to be joined by Egypt, UAE, Iran, Bangladesh and even potentially Mexico, and more importantly, Saudi Arabia are all looking at signing up to the BRICS [New Development Bank.](https://www.silkroadbriefing.com/news/2023/03/23/egypt-becomes-a-member-of-the-brics-new-development-bank/)

Chart, line chart

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This is going to be a difficult transition for the USA, but less so for EM’s and other commodity exporting countries who will be able to trade freely in the currency of their choice, reducing demand for the USD. In addition, we believe that this is extremely beneficial for cryptocurrencies and digital assets (‘crypto assets’) as unlike bank deposits or bonds, self-custodied BTC cannot be re-hypothecated, debased or confiscated and is accessible with an internet connection any time. If you control the keys, you control your assets.

In addition, in crypto assets there are no bailouts for customers or mismanaged and fraudulent financial intermediaries, unlike the regulated fiat world. In crypto, the market clears bad actors and the protocols with real-world use cases grow more resilient. In addition, there is an anti-fragility is built into the Bitcoin protocol through immutable code and decentralization. CBDCs are central banks' response to inherent fragility by disintermediating banks and imposing enormous control.

**What Does the Data Indicate?**

An analysis of various data metrics on a 3-month, 12-month and 3-year view as per the Bitcoin Fundamental Dashboard below shows that the ecosystem continues to thrive and grow at an amazing pace, particularly with network adoption as indicated by active addresses. We are still at the beginning of the ‘s-curve’ in crypto asset adoption and as the technology improves and gets smarter and better applications are developed to deal with the inherent bugs in the CeFi system, both investor participation and entrepreneurs / developers entering this space will grow we believe exponentially.

**Bitcoin: State of the Network**

**Conclusion**

As above, the global fiat money system is predicated on the exponential increase in credit, making bailouts a permanent and necessary feature until CBDCs can be implemented. Currently there is a stand-off between Central Bank’s and the implementation of CBDC’s that are planning more control over the economy and citizens movements vs. the alternate path of Bitcoin's open monetary network which offers autonomy, privacy, and freedom from debasement.

The three trends we identified and discussed in 2022 as per the graphic below continue to gather pace and will result in continued adoption and growth in the crypto asset space.



There will be bad actors such as FTX along the way, poor risk management and flawed protocols such as Terra Luna and 3AC, this is always part of any new industry, and these afflictions are necessary to build resilience in the industry. We also believe that this is the greatest opportunity for wealth creation and a real democratisation of access to capital and participation in the global economy that will give rise to the next unicorns, regardless of governments attempts to stifle it.

Please feel free to contact me should you have any enquiries.

Contact: E: [mark.witten@firstdegree.asia](mailto:mark.witten@firstdegree.asia) W: [www.portal.am](http://www.portal.am)

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1. The BRICS currently include Brazil, Russia, India, China and South Africa, while the G7 includes Canada, France, Germany, Italy, Japan, the United Kingdom, and the United States, as well as the European Union. [↑](#footnote-ref-1)