

LISTEDRESERVE

MoneyBits

Hong Kong ETFs

Hong Kong's first spot bitcoin and ether ETFs get conditional approval as city stakes a lead on such products

- Boser Asset Management, HashKey Capital, Harvest International and ChinaAMC are all working on spot crypto ETFs after the SFC's first conditional approvals
- The inclusion of an ether ETF gives Hong Kong a lead among major finance hubs, as the US has been delaying a decision on such products

Interesting spin in the South China Morning Post (owned by Alibaba Group).

"...as the US has been delaying a decision on such products".

I think the analysis is rather harsh on the Americans since they were first to the Bitcoin ETF and also now completely dominate bitcoin mining. If a state sanctioned media organisation is saying this, then perhaps there is genuine competition now for effective finance products that garner some sort of access to the major digital assets.

I further expect this competition to extend into bitcoin mining which will officially re-enter China at some point.

Despite those approvals, it was a tough week performance-wise given the geopolitical activity over the weekend.


Bitcoin dropped 10% on Sunday morning as news of Iranian action broke. Of course, no other markets were able to move because they don't trade on the weekend so we have become the defacto leading indicator of what is going to happen when markets do open. Sometimes that is frustrating but it is a worthy reminder that bitcoin receives no support from stock exchanges, there are no circuit breakers, no "market pauses for 10% drop", no government behind it helping out. 24/7 trading, no excuses. That's the strength of the asset, not the weakness.


That aside, we now have the two most powerful economies in the world vying for investor access to bitcoin and ethereum. I consider that a significant positive and although we don't really go in for price predictions, here's Willy Woo (our favourite analyst of years gone by) echoing my comments from some weeks ago about the gold market cap being a reasonable target for bitcoin over the next 5-7 years. As with all price predictions, he will be wrong, but directionally I believe he is right.



Willy Woo 
@woonomic

...

The new #Bitcoin  ETFs brings price targets of \$91k at the bear market bottom and \$650k at the bull market top once ETF investors have fully deployed according to asset manager recommendations***.

These are very conservative numbers. #Bitcoin  will beat gold cap when ETFs have completed their role.

*** Note these are not targets for THIS cycle, it takes a long time for capital deployments to complete.

Back of the envelope calculations:

- 1) \$100T managed by asset managers, they generally have a 2% allocation recommendation (see Fidelity). This number will rise over time, but today it's a \$2T allocation into BTC.
- 2) BTC currently holds \$561,159,959 of investment (we can measure this on-chain), new total will bring it to \$2.56T of investment
- 3) We can use MVRV to calculate market cap vs money invested. This ratio is 5x in bull market tops and 0.7x in bear market bottoms.
- 4) This translates to capitalisations of \$12.8T and \$1.8T respectively or \$650k and \$91k per coin.
- 5) I've excluded other self custody inflows, so this is absolutely a lower bound estimation. Self custody inflows are way bigger right now.
- 6) Bitcoin will certainly exceed Gold capitalisation by the time asset manager capital has deployed. Gold went on a 12 year bull run when it's ETF was approved, now it's Bitcoin's turn.

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A simple puzzle GPTs will NEVER solve

Posted by computer scientist (and owner of higherorderco.com) Victor Taelin. As a designer of computer logic systems he made the following confident prediction:

"A simple puzzle GPTs will NEVER solve:

As a good programmer, I like isolating issues in the simplest form. So, whenever you find yourself trying to explain why GPTs will never reach AGI - just show them this prompt. It is a braindead question that most children should be able to read, learn and solve in a minute; yet, all existing AIs fail miserably. Try it!"

A::B is a system with 4 tokens: `A#`, `#A`, `B#` and `#B`.

An A::B program is a sequence of tokens. Example:

```
B# A# #B #A B#
```

To *compute* a program, we must rewrite neighbor tokens, using the rules:

```
A# #A ... becomes ... nothing
A# #B ... becomes ... #B A#
B# #A ... becomes ... #A B#
B# #B ... becomes ... nothing
```

In other words, whenever two neighbor tokens have their '#' facing each-other, they must be rewritten according to the corresponding rule. For example, the first example shown here is computed as:

```
B# A# #B #A B# =
B# #B A# #A B# =
A# #A B# =
B#
```

The steps were:

1. We replaced `A# #B` by `#B A#`.
2. We replaced `B# #B` by nothing.
3. We replaced `A# #A` by nothing.

The final result was just `B#`.

Now, consider the following program:

```
A# B# B# #A B# #A #B
```

Fully compute it, step by step.

I did try and it was simple. However that is not the point. The point is that GPT4, Gemini, Claude and all the best AI systems could not solve it. Victor then offered a prize of \$10,000 for anyone who could get an existing GPT to work the puzzle out consistently, every time it tried. Victor's reasoning:

Two days ago, I confidently claimed that "GPTs will NEVER solve the A::B problem". I believed that: 1. GPTs can't truly learn new problems, outside of their training set, 2. GPTs can't perform long-term reasoning, no matter how simple it is. I argued both of these are necessary to invent new science; after all, some math problems take years to solve. If you can't beat a 15yo in any given intellectual task, you're not going to prove the Riemann Hypothesis.



I *WAS* WRONG - \$10K CLAIMED!

Multiple solutions were posted within 24 hours that solved the problem 100% of the time. It was mostly about how the prompts to the GPT were constructed. Full details on exactly how it was done are [here](#) (bit technical).

To me this was an ample demonstration (and a very noble one since he paid the \$10k) of someone with a deep understanding of computing and artificial intelligence pushing the boundary of what is possible.

The whole thing is a reminder about new technology. It appears and is immediately met with skepticism. Mostly references to what it can't do or isn't good at or 'will never do'. This however was a very positive instance. He said it couldn't be done. Then it was done, he paid. Now the technology is probably better than it was last week because we all understand a little bit more than we did and it happened because someone took an intellectual risk and was willing to be wrong.

There is a difference then in the forms of criticism. Coming at something from a point of view of deep understanding. Making a conjecture, being wrong, and then updating your view because you were wrong. Alternatively there is making criticisms from a position of zero understanding, being wrong and still not updating your view. The latter of course being by far the more common position.

Anyway, the whole thing was a very pleasing exchange between complete strangers on the internet that pushed the boundary of knowledge out a little bit.

Nirvana fallacy

Which leads me to this which also popped up last week. The Nirvana fallacy occurs when someone compares an actual, existing thing to something that does not exist. We might say, an idealised alternative.

For example:

"Bitcoin as a decentralised currency is too slow, blocks every 10 minutes is ridiculous when banks process transactions instantly"

First of all, banks run centralised currencies, not decentralised ones, so the comparison is false. Next if you want a decentralised currency it will necessarily be "slow". Why? Because the whole world has to coalesce around it.

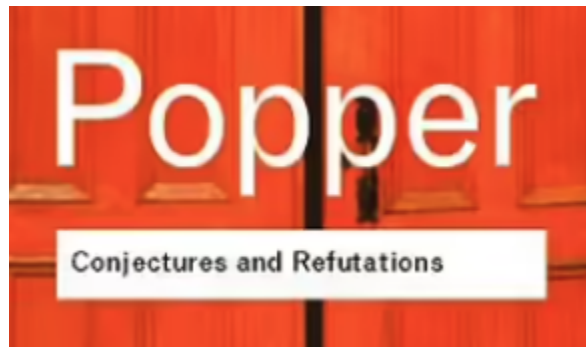
Everyone needs to have a chance to download the latest transactions and synchronise and all the rest of it. No, that does not need 10 minutes but there is no alternative currency that comes anywhere close.

The actual comparator (of very high speed decentralisation) does not exist. In most criticisms of bitcoin I believe that to be true, indeed you might usefully try to apply it when you hear them.

From my perspective, I like the negative criticisms because I believe they make the asset stronger over time. There are those who aggressively pursue false criticisms though; it might just be easier (and vastly more profitable) for them if they put forward a working alternative rather than fallacious dreams.

If you can't put forward a working alternative, there is probably a reason for that, and it might be time to look a little closer.

Did you know this?



I ended up buying this book in a fit of enthusiasm about something I read on the internet. It's a dense slog and there is no way I am reading it all. By some miracle though, I opened up a random page and came across this, which was fascinating, despite being probably obvious. Given the fluke, I thought I would share it, at the risk of looking stupid.

"It will rain tomorrow"

"It will rain tomorrow and on Wednesday"

The second statement is much less likely probabilistically, but *if it is true* it contains a lot more information.

I mean, it's obvious and it extends with each outcome you add. Personally, I had never considered the idea that probabilistically super low outcomes contain the most information of all (if they are correct, which they are less likely to be).

In investing then surely the same is true? The very obvious thing will probably not have that much upside if it turns out to be successful. The very random thing about which you are highly skeptical will, if it succeeds. It couldn't be a linear distribution either because everyone is gathered around the obvious thing that will likely happen and almost nobody will want to associate with the thing that could fail.

Again, it's obvious I had just never considered it laid out in this form.

Next time somebody comes to me offering an investment in flying cars that use recycled bat urine to propel them through the universe, I will pause for thought given the amount of potential information their offer might contain.

Euro-Trash

"If our updated assessment of the inflation outlook, the dynamics of underlying inflation and the strength of monetary policy transmission were to further increase our confidence that inflation is converging to our target in a sustained manner, then it would be appropriate to reduce the current level of monetary policy restriction,"
Lagarde stated.

The word salad department can be proud, for us mere mortals, it's clear the European mood music is starting to swing. Not so much the hints at cuts but especially the references to doing something different from the Federal Reserve.



"We are not Fed dependent" she later added.

Obviously that is completely untrue longer term but it might well be true now. The Americans are just pumping their economy like crazy in election year. 7% budget deficit, full employment. It's insane, so it would be mad for the ECB to just keep following their lead when the economic situation in Europe is so different. A June rate cut in Europe looks like a virtual lock, so if you are going on holiday there it might make your Euro's a bit cheaper.



It fairly crunched the Euro too, losing 2% following the press conference. Still, I'm just amazed it has held above parity with the USD when it should be 90 cents.

Since the quarter has ticked over we should update ourselves on Euro v Bitcoin. Coming up for the four year anniversary of doing this and we are currently sitting on a 6x increase. Not all quarters included below just showing some of the highs (March 21) and lows (Dec 22) along the way. It's worth noting that when the chips were really down in December 2022 (FTX and Luna had collapsed), we were still 1.5x the Euro in performance terms. At that time Lagarde ran around telling everyone how volatile bitcoin is.

Per USD	12-Jun-20	31-Dec-20	31-Mar-21	30-Jun -22	30-Sep -22	31-Dec -22	31-Dec-23	31-Mar-24	Change
	1.126	1.210	1.172	1.040	0.980	1.070	1.100	1.080	-4.05%
	9,481	28,900	58,919	20,126	19,573	16,603	40,020	66,023	596.37%

To me the chart says bitcoin is volatile today, this month, this quarter and even this year. Over time though it is not. Fiat currency is the melting ice cube and the sheer scale of the melt overwhelms any volatility that bitcoin can muster.