



R&R Weekly Column
By Brunello Rosa



Crypto Hype Now, Crypto Winter Later On

On January 23rd, the newly inaugurated US President Donald Trump signed, [among other things, an executive order](#) on *Strengthening American Leadership in Digital Financial Technology*. Some of the key provisions of the executive order, which revoked Biden's previous executive order on *Ensuring Responsible Development of Digital Assets*, are: (1) a ban on developing a US-backed central bank digital currency; (2) a push to further strengthen the dominant position of the US in USD-based stablecoins and (3) the "potential creation and maintenance of a national digital asset stockpile," which in the media is sometimes called the "Bitcoin Strategic Reserve".

This push on cryptos provided by the new administration has two additional datapoints. First, on the eve of his own inauguration, Trump, and subsequently his wife Melania, [launched his own meme-coin \\$Trump](#), the price of which jumped overnight from 18 cents to nearly 70 USD, before falling back. Disregarding for a moment the massive conflict of interests, there could hardly be a stronger signal that Trump could provide to the crypto industry than issuing his own "crypto-currency." Subsequently, Trump Media and Technology Group Corp. (TMTG) announced its [intention to launch new investment products, including a spot Bitcoin \(BTC\) exchange-traded fund \(ETF\)](#), thus following giants such as Blackrock.

The second datapoint comes from an unexpected source – the Federal Reserve, and its own Chair Jay Powell. First, Powell said that Bitcoin, instead of being considered [a substitute for the US dollar, should be considered a substitute for gold](#). Second, during his latest [press conference following the January FOMC meeting](#), he also said that "banks are perfectly able to serve crypto customers, as long as they understand and can manage the risks and it's safe, safe and soundness [... The Fed is] "not against innovation, and we certainly don't want to, to take actions that would cause banks to, you know, to terminate customers who are perfectly legal just because of excess risk aversion maybe related to regulation and supervision."

This is almost the polar opposite to what Christine Lagarde said [at the end of the ECB Governing Council meeting in January](#), when she said that "there is a view around the table of the governing council, and most likely the General Council as well, that reserves have to be liquid, that reserves have to be secure, that they have to be safe, that they should not be plagued by the suspicion of money laundering or other criminal activities."

All this is to say that, in coming months and possibly years, the institutional adoption of Bitcoin is set to increase, and this will surely support its value as well as of that of other crypto-assets, such as Ethereum and Solana, to name only a few. In Davos, the [CEO of Bank of America said that his bank](#) – as well as others, including JP Morgan – would be ready "to come in hard" on crypto transactions, as they have "hundreds of patents on blockchain" and the tech stack needed to do so.

The question is: will this last? When speaking not to Bitcoin sceptics, but to real crypto fanatics and investors, they will say that almost certainly a new "Crypto Winter" is inevitable, and it may not even be that far away. There is no need to be a crypto pessimist to make this prediction: it's the story of this asset since its inception. The value may drop up to 30-70% from its peak, before recovering and surging to new highs that – if Bitcoin really were to replace gold as an investment asset – may be in the region of USD 700,000, [according to John Pfeffer, a partner at UK-based Pfeffer Capital](#).

The question then becomes: will institutional adoption be able to cushion the fall in prices? Or will technological advancements (e.g. of quantum computing, able to break all current cryptography) make it harder? What will be the wider financial stability implications? If leverage will be added to the system (something that so far has not happened, but could occur with wider institutional adoption), are we going to experience a new Global Financial Crisis to the power of 10 in coming years? These are all questions that even the biggest crypto enthusiasts should ask themselves. It is certain that we will learn their answers in the coming years anyway.

Our Recent Publications

- [Gulf Arab States Want Western Sanctions on Syria Fully Lifted](#), by Gulf State Analytics, 7 February 2025
- [Review: Bank of England Cut Rates and Signals a "Gradual and Careful" Approach](#), by Brunello Rosa and Nato Balavadze, 6 February 2025

- [The National Rally's Transformation: From Jean-Marie Le Pen to Bardella Mania](#), by Lāsma Kokina, 5 February 2025
- [Donald Trump's Second Term Begins, 19th Century-Inspired Inaugural Speech and the First Days' Executive Orders](#), by Marina Tovar I Velasco, 4 February 2025

Looking Ahead

The Week Ahead: QoQ GDP Growth Rate To Stall In EZ And Contracts In UK; Headline Inflation Rate To Remain Steady in US

In the US, in January, headline inflation is expected to remain at 2.9% y-o-y. In January, retail sales are likely to show no growth (*p*: 0.4%).

In the EZ, in Q4, according to the second estimate, the economy is expected to stall q-o-q (*p*: 0.4%) and advance by 0.9% y-o-y (*p*: 0.9%). In December, IP is seen contracting by 0.5% m-o-m (*p*: 0.2%).

In the UK, in Q4, according to preliminary estimates, the GDP growth rate is expected to shrink by 0.1% q-o-q (*p*: 0.0%). In December, IP is likely to rise by 0.3% m-o-m (*p*: -0.4%). Manufacturing production is also seen increasing by 0.1% m-o-m (*p*: -0.3%).

The Quarter Ahead: Trump And Japanese PM Ishiba Meeting; Israel-Hamas Ceasefire Deal And Trump's Plans

Trump-Ishiba Meeting. Japanese PM Shigeru Ishiba is optimistic Japan will avoid U.S. tariffs, citing Trump's recognition of Japan's investment and job creation. After meeting Trump, Ishiba noted Japan's role but didn't discuss auto tariffs. He believes Japan's top investor status makes higher tariffs unlikely.

Trump's plans for Gaza. Hamas freed three hostages as Israel released Palestinian prisoners and withdrew from the Netzarim Corridor, enabling displaced Gazans to return to widespread destruction. Meanwhile, Trump reiterated his vision of US control over Gaza after the conflict, despite contradictions from his administration. He claimed Israel would transfer Gaza to the US, with no American troops needed, and suggested Palestinian resettlement. The proposal has sparked international backlash.

Last Week's Review

Real Economy: US NFP Decelerated; EZ Headline Inflation Increased; PMIs Rose In UK And EZ And Fell In US; BOE Cut Rates

In the US, January NFPs increased by 143K (*c*: 170K; *p*: 307K), while the unemployment rate declined to 4.0% (*c*: 4.1%; *p*: 4.1%). In January, S&P Global Manufacturing PMI increased to 51.2 (*c*: 50.1; *p*: 479.4), while Services PMI edged down to 52.9 (*c*: 52.8; *p*: 56.8). Composite PMI declined to 52.7 (*c*: 52.4; *p*: 55.4).

In the EZ, in January, headline inflation rose to 2.5% y-o-y (*c*: 2.4%; *p*: 2.4%), whereas core inflation stood at 2.7% y-o-y (*c*: 2.6%; *p*: 2.7%). In January, HCOB Manufacturing PMI increased to 46.6 (*c*: 46.1; *p*: 45.1), while Services PMI declined marginally to 51.3 (*c*: 51.4; *p*: 51.6). Composite PMI increased to 50.2 (*p*: 49.6) as expected. In December, retail sales advanced by 1.9% y-o-y (*p*: 1.6%) as expected. Among the largest EZ economies, headline inflation rate rose to 1.5% y-o-y (*p*: 1.3%) in Italy;

In the UK, in January, S&P Global Manufacturing PMI increased to 48.3 (*c*: 48.2; *p*: 47), while Services PMI fell to 50.8 (*c*: 51.2; *p*: 51.1). Composite PMI rose to 50.6 (*c*: 50.8; *p*: 50.4).

BoE Cut Rates. In the UK, in February, the BoE cut its Bank Rate by 25 bps to 4.50% (*p*: 4.75%).

Financial Markets: Stock Prices Rose; US Stocks and Long-Term Yields Fell; Dollar And Oil Prices Declined, Gold Prices Increased

Market Drivers: Stocks ended the week lower amid tariff uncertainty. Markets fell sharply after Trump announced 25% tariffs on Mexico and Canada and 10% on China. However, stocks rebounded after he delayed tariffs on Mexico and Canada by 30 days. In contrast, Europe's stocks rose, nearing record levels despite trade concerns.

Global Equities: Increased *w-o-w* (MSCI ACWI, +0.0%, to 869.44). The US S&P 500 index decreased (-0.2% *w-o-w*, to 6,025.99). In the EZ, share prices increased (Eurostoxx 50, +0.7% *w-o-w*, to 5,326.35). In EMs, equity edged up (MSCI EMs, +1.4%, to 1,108.48). Volatility stood at 17.35 (VIX S&P 500, 52w avg.: 15.6; 10y avg.: 18.8).

Fixed Income: *w-o-w*, the 10-year US Treasury yields fell (-5 bps to 4.49%). The 2-year US Treasury yields increased (+8 bps to 4.29%). The German 10-year bund yields edged down (-8 bp to 2.38%).

FX: *w-o-w*, the US Dollar Index decreased (DXY, -0.3%, to 108.04; EUR/USD -0.0%, to 1.03). In EMs, currencies are virtually unchanged (MSCI EM Currency Index, -0.0% *w-o-w*, to 1,741.98).

Commodities: *w-o-w*, oil prices decreased (Brent, -2.7% to 74.66 USD/b). Gold prices increased *w-o-w* (+1.9% to 2,887.60 USD/Oz).



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Abbreviations, Acronyms and Definitions

a	Actual	LN	Northern League, Italy
AKP	Justice and Development Party, Turkey	MSS	Five Star Movement, Italy
ann.	annualized	m-o-m	Month-on-month
ARS	Argentinian Peso	mb	Million barrels
avg.	Average	mb/d	Million barrels per day
bn	Billion	MENA	Middle East and North Africa
BoC	Bank of Canada	MHP	Nationalist Movement Party, Turkey
BoE	Bank of England	mn	Million
BoJ	Bank of Japan	MPC	Monetary Policy Committee
bpd	Barrels per day	NAFTA	North-American Free Trade Agreement
bps	Basis points	NATO	North Atlantic Treaty Organization
BS	Balance sheet	OECD	Organization for Economic Cooperation and Development
c	Consensus	Opec	Organization of Petroleum Exporting Countries
C/A	Current account	p	Previous
CB	Central bank	P2P	Peer-to-peer
CBB	Central Bank of Bahrain	PBoC	People's Bank of China
CBK	Central Bank of Kuwait	PCE	Personal Consumption Expenditures
CBT	Central Bank of Turkey	PE	Price to earnings ratio
CDU	Christian Democratic Union, Germany	PM	Prime minister
CNY	Chinese Yuan	PMI	Purchasing managers' index
CPI	Consumer Price Index	pps	Percentage points
DJIA	Dow Jones Industrial Average Index	pw	Previous week
DJEM	Dow Jones Emerging Markets Index	QCB	Qatar Central Bank
d-o-d	Day-on-day	QAR	Qatari Riyal
DXY	US Dollar Index	QE	Quantitative easing
EC	European Commission	q-o-q	Quarter-on-quarter
ECB	European Central Bank	RE	Real estate
ECJ	European Court of Justice	RBA	Reserve Bank of Australia
EIA	US Energy Information Agency	RRR	Reserve Requirement Ratio
EM	Emerging Markets	RUB	Russian Rouble
EP	European Parliament	SWF	Sovereign Wealth Fund
EPS	Earnings per share	tn	Trillion
EU	European Union	TRY	Turkish Lira
EUR	Euro	UAE	United Arab Emirates
EZ	Eurozone	UK	United Kingdom
Fed	US Federal Reserve	US	United States
FOMC	US Federal Open Market Committee	USD	United States Dollar
FRB	US Federal Reserve Board	USD/b	USD per barrel
FX	Foreign exchange	UST	US Treasury bills/bonds
FY	Fiscal Year	VAT	Value added tax
GCC	Gulf Cooperation Council	VIX	Chicago Board Options Exchange Volatility Index
GBP	British pound	WTI	West Texas Intermediate
GDP	Gross domestic product	WTO	World Trade Organisation
IMF	International Monetary Fund	w	Week
INR	Indian Rupee	w-o-w	Week-on-week
IPO	Initial public offering	y	Year
IRR	Iranian Rial	y-o-y	Year-on-year
JPY	Japanese yen	y-t-d	Year-to-date
k	thousand	ZAR	South African Rand
KSA	Kingdom of Saudi Arabia	2y; 10y	2-year; 10-year