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Strategic Equity & Business Solutions

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Bitcoin (BTC)
Cardano (ADA)
Solana (SOL)
Ethereum (ETH)
Ripple (XRP)

Impacted Groups: Cryptocurrencies

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Digitalizing Fort Knox

Introduction

Just a few days ago, President Donald Trump announced the launch of a U.S. Strategic Crypto Reserve, consisting of Bitcoin (BTC), Ethereum (ETH), Cardano (ADA), Ripple (XRP), and Solana (SOL). This decision marks a significant shift in stance, given his years of vocal skepticism toward cryptocurrencies. The move has sparked widespread debate, with many questioning its prudence as a national investment strategy. Beyond the political implications, this development raises critical questions about cryptocurrency's evolving role in the U.S. economy and its potential impact on financial markets.



Abstract

This article explores the origins of the policy, its short- and long-term implications, and the lesser discussed controversies surrounding this historic decision for the United States. It examines the proposed structure of the reserve and the broader economic impacts while addressing key criticisms, from concerns over volatility to allegations of favoritism linked to substantial crypto donations. At its core, this raises a critical question: Does this initiative reflect financial innovation or misconduct? While we acknowledge cryptocurrency's role in a diversified portfolio as a speculative asset, this development alone does not warrant a definitive shift in its broader assessment.

"Scam" to Stockpile

A common discussion point of our radio station, *Wall Street Radio*, is Bitcoin's transformation from the so called "people's currency" to an asset increasingly controlled by institutions. While we see this institutional adoption as a net positive for cryptocurrency's practical use cases, it also signals a departure from its original purpose. The more institutional participation and investors seeking exposure in 401k/IRA accounts, the closer pinned the volatility will be to the broad market, further chipping away its inverse properties that were so highly touted in its early days. To visualize this, below is a correlation coefficient between SPY and BTC:



As we can see, overtime the correlation to SPY, and broad market markets has accelerated, suggesting that in its early days BTC was operating in accordance with halving cycles, but now tracks closer to capital flows.

This underscores a longstanding reality in U.S. history: when global markets assign value to an asset, the government inevitably positions itself to claim a stake, regardless of the investment's broader implications. From artificial intelligence to democracy and resource acquisition abroad, this pattern has played out time and again, and cryptocurrency is proving to be no exception.

Impact

The immediate impact of the announcement, although expected, was a large rise in price for all of the associated cryptocurrencies. This climb was quickly subsided the following day, with price settling around a negligible gain. We believe this speaks to the expectation of this announcement, as well as the market accurately pricing in the impact. The U.S. already holds a considerable amount of cryptocurrencies through seizure operations from illegal activities over the years, which will serve as a base investment for the reserve. Additionally, the majority of the recent gains in crypto has come after the presidential election, a pivotal moment for pro-crypto politicians.



Flashback to 2021, Trump is quoted saying "Bitcoin, it just seems like a scam. I don't like it because it's another currency competing against the dollar." Returning to just a few days ago, with the announcement of the reserve, this sentiment has seemingly been reversed.



Above: Bitcoins by the Numbers



Above: Crypto Czar – David Sacks

This action does position the U.S. well to compete in global blockchain development, but we do not believe it aligns with Trump's budgetary plans, alluding further to using already seized and government owned currencies for the reserve. And the announcement of continued purchases would certainly raise supply questions, as we know there will only be 21 million Bitcoins.

Why?

Besides obvious financial motives from some of Trump's key supporters throughout the campaign, the reasoning behind the reserve is simple.

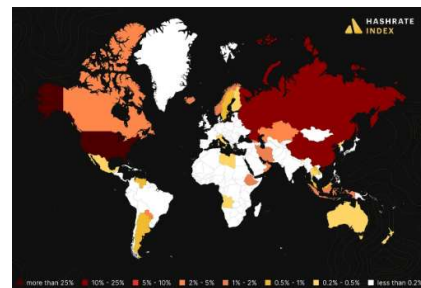
Over the last few years, we have seen abhorrent fraud, scamming, and mistrust come out of the cryptocurrency ecosystem with an administration in place who was oblivious to the matter. Whether or not the US actually uses the reserve for anything is overshadowed by the need of its resources to help regulate and access the market with federal support. While not an uncommon practice for the US to come in and overregulate a market, it is necessary and also likely limits volatility.

A significant segment of the community believes this move could prompt other foreign governments to follow suit. While a ripple effect is possible, the U.S. likely remains ahead of its peers in terms of purchasing power and strategic influence. On a global scale, the establishment of a U.S. crypto reserve could serve as a counterbalance to China's dominance in digital currency and crypto mining, aligning with Trump's broader commitment to keeping America "stronger than ever." Additionally, it appeals to a younger, innovation focused voter base that prioritizes technological advancement over regulatory constraints. The reserve will also require custodians, with Coinbase (COIN) emerging as a likely candidate, given its status as the world's largest crypto custodian.

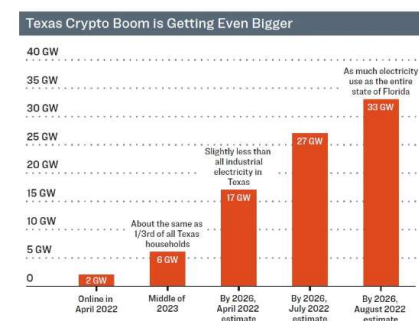
Unfortunately, the 'why' is muddled by trading activity that certainly raises an eyebrow. [Have a look at a recent trade exemplifying this:](#)

- Insider puts a \$200m long on BTC and ETH (the day prior)
- Trump announces Strategic Reserve
- Both markets see huge price surges immediately after
- Insider then shorts ETH with 50x leverage
- Entire market nukes the following day with broad market sell off
- Insider profits

This type of price action only hurts the administration as it becomes painfully obvious that insider trading is taking place. There is a false claim circulating that Trump's Crypto Czar, David Sacks, holds positions in the top five cryptocurrencies being floated as the foundation of the reserve, however he has made it clear that those positions were liquidated prior to joining the administration.



This development also supports our claim that the US needs to ramp up energy production. Below is a chart that shows the top BTC mining countries across the world, with the U.S. being a standout number one with 36% of the market, followed by Russia at a mere 16%.



Within the U.S., it is noted that Texas and Wyoming are the top choices for mining as they offer favorable business environments and access to cheap energy. If we plan to continue to rollout operations across the country, it will be important to bolster the grid on top of what we are already doing for AI and datacenter development.

Conclusion

Despite Trump releasing a “meme coin” recently, and the aforementioned suspicious trade activity, we believe this will help slowdown the funneling of wealth from what is essentially crowdsourcing donations in exchange for a gamble. At Wall Street Radio, we’ve long viewed crypto as a diversification play, not a savior. This reserve doesn’t rewrite that script, but it’s not an act of theater either. It’s America doing what it’s done since the frontier days: staking a claim on what’s valuable and accepting the flaws afterward. Success hinges on execution, not fanfare, and that’s where the real story will begin.

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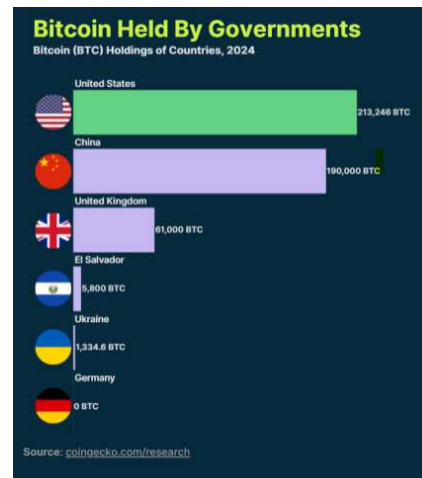
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Above: Bitcoin Held by Government