

The Banking & Payments Show: The Crypto Renaissance

Audio

Join industry experts on Behind the Numbers: The Banking & Payments Show as we take a compelling deep dive into the world of cryptocurrencies. Explore the market's rebound, analyze EMARKETER's predictions, and unravel the dynamics behind the soaring values. This episode brings to light the phenomenal recovery of Bitcoin, reaching an unprecedented \$69,000 peak, bouncing back from 2022's dramatic downturn. Delve into the critical factors

propelling cryptocurrencies to new heights and the significant role of 'halving' in sustaining this momentum. In our engaging 'Headlines' feature, we dissect the factors contributing to the resurgence of crypto values, examining the critical elements that influence market highs. The 'For Argument's Sake' segment ignites a thought-provoking debate on the practical uses of cryptocurrencies, with a spotlight on Bitcoin. Expert analysts, Grace Broadbent, and Tyler Van Dyke, join host, Rob Rubin, to offer their insights into the currency's real-world applications.

Key Insights:

- Cryptocurrencies are witnessing a remarkable revival, with Bitcoin leading the charge by hitting an all-time high.
- Market analysts and enthusiasts are keenly observing the impact of 'halving' events on cryptocurrency values.
- A detailed analysis of the utility and real-world application of cryptocurrencies fuels a spirited debate, underlining the digital currency's role in the current financial landscape.

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Episode Transcript:

Rob Rubin:

Are you looking to take your media strategy to the next level and make an impact with millions of customers? Walmart Connect harnesses the massive reach of America's number one retailer. They can help you connect more meaningfully with Walmart's 139 million weekly online and in-store customers. To find the right audience for your message, they use Walmart's

proprietary customer purchase data to help you precisely target even niche audiences at scale. Visit walmartconnect.com today to see how they can help you find the customers you want at the scale you need. Hello everyone and welcome to the Banking and Payment Show, a Behind the Numbers podcast from eMarketer Made Possible today by Walmart Connect. Today is April 9th, 2024. I'm Rob Rubin, head of business development at eMarketer and your host. Today we're going to discuss the crypto renaissance. And for this conversation I invited analysts Grace Broadbent and Tyler Van Dyke back to discuss why there's been a comeback and our outlook for the future. Hi there. How are you guys doing?

Grace Broadbent:

Hey Rob. Happy to be here.

Tyler Van Dkye:

Yeah, great to be back.

Rob Rubin:

Yes, happy to have you back too. I wanted to ask you guys a question because we're talking about crypto. And that's do you have any, or do you have friends who have had some real personal experiences with crypto?

Grace Broadbent:

I unfortunately got sucked in the 2020s crypto spike, bought about like two, \$300 worth of it. Right now, it's just about even. I've made no money on it basically, made very small increments. But I'm just sitting on it because you never know.

Rob Rubin:

You never know.

Grace Broadbent:

An the off chance it reaches a hundred thousand, then I'm cashing out.

Rob Rubin:

Tyler, what about you? You a big crypto junkie?

Tyler Van Dkye:

Unfortunately not. I have never personally bought or owned crypto. I knew someone in college who was actually a crypto miner at the time, and so he is doing very well. I should have gotten on board with him.

Rob Rubin:

Right. Did you have a chance?

Tyler Van Dkye:

Yeah. I did and I didn't understand it and I didn't get into it.

Rob Rubin:

It's always that way, isn't it? Well, that was fun. We have a lot to cover, so I want to get right to the headlines. In the headlines. I pick a recent article on our topic to discuss. Today, the topic is the Crypto Comeback. And I picked a New York Times article from a few weeks ago titled Bitcoin Hits Record High Completing a Stunning Comeback. And it's about how Bitcoin hit a record high of more than \$69,000, a remarkable comeback for the Volatile cryptocurrency after its value plunged in '22 amid the market meltdown. So my question that I want us to discuss here, what are the biggest reasons Bitcoin biggest is now at or near all time highs?

Grace Broadbent:

I think it's a couple main reasons. I think the biggest is that Bitcoin ETFs were approved back in January and that really created renewed investor optimism. They have had a very successful first couple months, a lot of interest, and that has definitely bumped up interest in the asset overall,

Rob Rubin:

And you don't need to spend \$69,000 to buy one Bitcoin.

Grace Broadbent:

Exactly.

Tyler Van Dkye:

The other thing you have to think about is that Bitcoin is like the id of finance. There are no fundamentals, no investing thesis. It's just like it's urges and greed and FOMO and Bitcoin

tracks how the rest of the stock market is doing. And right now, the S&P, Nasdaq, Dow Jones, they're also at all time highs. So it kind of makes sense that as those stocks have recovered, Bitcoin is also doing very well.

Rob Rubin:

A lot of cryptos have fallen by the wayside. And even during the meltdown, Bitcoin was the most stable in terms of retaining its value, no?

Tyler Van Dkye:

Well, I don't know about that. It went from like 60 something thousand to below 30,000 at one point.

Rob Rubin:

I think it hit 22.

Tyler Van Dkye:

Yeah. So it certainly didn't go to zero, but in terms of percentages, it was pretty brutal for a while.

Rob Rubin:

Brutal. Do you think regulators are going to approve other cryptocurrencies for ETFs?

Grace Broadbent:

So the SEC is considering applications for Ethereum, which would be the second largest crypto by market cap. The decision is expected in May, but it's likely not going to pass then just due to the inherent technicalities of how Ethereum was built versus Bitcoin. And also Bitcoin is used more as an investment vehicle versus Ethereum is used more for transactions, so they're just very different assets.

Rob Rubin:

But Bitcoin is going to be, they're going through a process called halving. And maybe someone can explain, what is halving and how is that going to impact Bitcoin moving forward?

Tyler Van Dkye:

Yeah. So halving refers to the reward that you get for mining Bitcoin. So mining is the process of verifying transactions on the block chain. And when Bitcoin was first launched, the reward for every block was 50 Bitcoins. And roughly every four years that gets cut in half because Bitcoin has a fixed supply. There's never going to be more than, I think it's like 21 million Bitcoin, and so it was 50, then it became 25, then it was 12 and a half. And so the reward for mining Bitcoins gets smaller as it also gets more difficult to mine each block.

Rob Rubin:

We've covered this in previous podcast episodes about the unbelievable amount of energy that gets consumed for mining Bitcoin. So when it goes halving, does that mean that it takes twice the amount of energy to mine Bitcoins as it used to?

Tyler Van Dkye:

In a sense. It takes twice as much energy to get the same reward. But the energy to mine one block doesn't really change. You're just getting less of a reward from that one block. So if you're a miner and you're really trying to get those rewards for mining, then yeah, you're going to expend a lot more energy. But if you're completing crypto transactions, you're not going to be-

Rob Rubin:

Yeah. I find this fascinating. According to the Energy Information Administration, Bitcoin mining or crypto mining overall actually consumes 2% of all the electricity produced in the United States. Do you guys believe that?

Tyler Van Dkye:

I believe it.

Rob Rubin:

That's a lot.

Tyler Van Dkye:

Lot. I think I saw somewhere that it comprises like 3% or 4% of our greenhouse gas emissions, so that tracks.

Rob Rubin:

It just sort of bugs me that we're trying to become a more green place and we have this new cryptocurrency that appears to be the standard in terms of holding its value and it's consuming more and more electricity. It requires dinosaurs.

Grace Broadbent:

But I'm going to be in its defense. A lot of technologies start off very inefficient, but then over time they work to become more efficient, which is what Bitcoin or blockchain overall is trying to do. They're over time becoming more efficient. Over half of it right now, this is also a data point, I can't back up at the moment, but over half of it uses renewable energy. There's more of a push for renewable energy in it. And also if you compare it to the banking sector or something, the traditional banking system uses so much energy. You really need to compare it versus... You can of course say that fact and it sounds crazy. But if you compare it to what other industries are using, I don't know if it's fair.

Rob Rubin:

I agree. I just think it is funny that it consumes so much electricity. But if you're talking about banking, there's still a lot of mainframes in play with banks, and those suckers consume a lot of electricity too. That was really fun to talk about, what's going to happen with Bitcoin, that it is at an all time high and that it's probably because the US regulators enabled the ETFs. I want to move to our next segment for argument's sake

And for argument's sake, we're going to argue nicely about whether there's actual real world utility value of crypto currencies and bitcoins in particular. So I'm going to take the position that crypto is speculative. It's a speculative investment. It has no intrinsic value beyond what someone is willing to pay for it. That's different than a traditional stock equity, which is there's numbers behind what the company does. Whereas with crypto, you buy a crypto coin for \$69,000 and you hope someone is willing to give you 70 for it. But it does nothing other than that. So I think that crypto doesn't really have a lot of value. What do you guys think?

Tyler Van Dkye:

Well, I think first I would say crypto is a huge bucket that covers Bitcoin, Ethereum, Ether, stable coins, CBDCs, right? It's painting with a really broad brush to just say that all of it is useless.

Rob Rubin:

So maybe just Bitcoin is useless.

Tyler Van Dkye:

Yes. I'd be more willing to give you that one. I think it's difficult to come up with a lot of real world use cases for Bitcoin, but there are absolutely instances in the back end where blockchain technology can be really useful. JP Morgan has the Onyx blockchain and they complete settlements and transactions and stuff. SWIFT is working on a CBDC platform that would facilitate CBDCs from different countries. There are applications for things like smart contracts that automatically execute functions based on certain parameters. And then crypto themselves, things like remittances and cross-border payments are absolutely improved by blockchain technology.

Grace Broadbent:

Yeah, I agree with that. I'd say there's a lot of use for crypto overall and blockchain technology in the payment sector like remittances and B2B payments, like Tyler said.

Rob Rubin:

Are B2B payments really ready for it though? There's a lot of B2B payments that are still on paper checks.

Grace Broadbent:

I'd say for smaller businesses, no, they're not ready for that. Maybe some of the large corporations are, but yes, you're correct that we have a while to go before businesses and consumers are going to adopt it. But in theory, they can bring a ton of benefits to payments. They solve a lot of pain points. They're immediate. They are no cost to the sender or the recipient. They're very secure. You can trace them, where the money has gone and where it's going to. There's a lot of inherent benefits to the technology.

Rob Rubin:

So you guys are going to argue that crypto overall has real value, but maybe not in today's present day.

Tyler Van Dkye:

Yeah, I would agree with that.

Grace Broadbent:

Yeah, I would too. I think to just write off crypto as a speculative investment is way too broad of a statement. I think we have a long way to go before CBDCs are going to be used publicly or stable coins are going to be used as payments. But they definitely I think.

Tyler Van Dkye:

Have a future. I think it's just going to take a lot longer to get there than some people once thought.

Rob Rubin:

They have credit cards that are crypto based, right?

Grace Broadbent:

Yeah, absolutely. There's a lot of crypto cards that are run on Visa and MasterCard.

Rob Rubin:

Where do they get the value or what your credit limit is changes with those cards?

Tyler Van Dkye:

It depends on the card. A lot of the cards that you see today are basically like crypto rewards cards, so you can earn a 100th of a Bitcoin for every transaction.

Rob Rubin:

So you're not using your crypto dollars as it were.

Tyler Van Dkye:

There are some that indirectly they will liquidate your holdings and then send dollars to settle the transaction, but these parts aren't... If I had a crypto card and I swipe it at a retailer, I'm not sending them Bitcoin.

Rob Rubin:

Right.

Tyler Van Dkye:

Whoever's issuing the card is converting them into dollars and moving them that way.

Rob Rubin:

Given the speculative nature of the market, that's risky in the credit card business, no?

Tyler Van Dkye:

Yeah.

Grace Broadbent:

They've definitely had very small adoption so far. But in addition to credit cards, there's also PayPal investing in crypto payments and Stripe, and most of the really big payment names are all doing it. PayPal just launched a proprietary stablecoin last August. They've not released numbers on it. It does seem like low adoption, but they're really setting it up to be used for remittances and other payment transactions like that.

Rob Rubin:

Are they targeting the coin to the dollar?

Grace Broadbent:

Yes. That one is pegged to the US dollar, so it's not used for investment purposes. It's really for payments.

Rob Rubin:

All right.

Tyler Van Dkye:

But something that I wanted to say earlier, we're talking about the crypto renaissance. It's true that the price of Bitcoin and Ether and things has gone up a lot. But in terms of the crypto ecosystem, it's still really hurting. In 2021, there was 20.6 billion dollars in VC funding for crypto startups. In 2022, there was 37.7 billion. Last year there was 5.8 billion.

Rob Rubin:

Right. It all went to AI now.

Tyler Van Dkye:

Yeah, exactly.

Grace Broadbent:

Actually.

Tyler Van Dkye:

Exactly. So it's very easy on one level to say that crypto has recovered. But the industry, it's still not banked. After Silver Gate collapsed, I think you'd be hard-pressed to find a bank that's going to really work deeply with crypto in the US. So I would put an asterisk next to Renaissance.

Rob Rubin:

In the beginning of 2020 and 2021, there were all these new crypto coins hitting the market like speculative coins. FTX had their own crypto coin, which they did shenanigans with. Are there new coins coming out?

Grace Broadbent:

There are new ones.

Tyler Van Dkye:

I'm sure there are.

Grace Broadbent:

Yeah. There are new ones every single day I'm pretty sure. Those are definitely, I would discuss most of those in a fully different category than Bitcoin and even Ethereum. Those are ones, we're not going to see random coins in ETFs any time soon. It's definitely a very different category. It's very speculative, but I do think blockchain and I will go to say Ethereum is in its own category.

Rob Rubin:

I always think of blockchain as a technology. It's something that banks like Chase are leveraging, the technology that sort of underscores crypto, but that they use it just to facilitate transactions, their own transactions. Is that-

Tyler Van Dkye:

Yeah.

Rob Rubin:

That's how it works?

Grace Broadbent:

Yeah, exactly. Yeah. Most banks are already using blockchain technology in some way on the back end for interbank transfers and things of that nature, and we don't even realize it.

Rob Rubin:

Well, this has been a fantastic For Argument's Sake. We almost argued a lot. I started off saying that Bitcoin in particular, but cryptocurrencies in general have no real world utility value. I think you guys successfully argued that they do have utility value, but that maybe today they don't have as much as they might have in the future. I'm not sure. I'm going to still stick with my Bitcoin argument that the only reason people buy Bitcoin is because they think someone else is going to pay more for it in the future, and that's different than buying any other kind of equity. I want to thank everyone for listening to the Banking and Payment Show and eMarketer Podcast made possible today by Walmart Connect. I also want to thank our editor Victoria tomorrow. Be sure to listen to another episode of Reimagining Retail with host Sarah Levo. Bye Tyler.

Tyler Van Dkye:

See you. Thanks for having me.

Rob Rubin:

Yeah, thanks for coming. Grace, a lot of fun. Thank you for coming.

Grace Broadbent:

Yes, thank you.

Rob Rubin:

And we'll see you all soon. Thank you very much.