

Bitcoin futures are about to get another big boost

A man walks past an electric board showing exchange rates of various cryptocurrencies including Bitcoin

New York

Bitcoin investors expect futures volumes to perk up when CME Group Inc, the world's largest derivatives exchange operator, launches its own contract to wager on the cryptocurrency yesterday.

The second U.S. bitcoin futures launch is seen as another step towards big institutional investors warming up to a volatile asset that had until recently been accessible only via largely unregulated markets.

Like the futures contract launched last week by rival Cboe Global Markets, CME's will be cash settled. But it will be priced off an index of data from several cryptocurrency exchanges, instead of just one.

"The CME contract is based on a broader array of exchanges," said Matt Osborne, chief investment

officer of Altegris, a \$2.5 billion alternative investments provider based in San Diego, California. "So there is a possibility that the CME contract may generate more interest and more volume."

The January CME contract will trade on.

Bitcoin has drawn attention for its eye-popping price gains, but it is also notoriously volatile. Bitcoin exchanges and digital currency wallets meanwhile have struggled with issues like outages, denial-of-service (DDoS) attacks and hacks.

Bitcoin hit another record high on Friday near \$18,000 on the Luxembourg-based BitStamp platform, and has soared roughly 1,700 per cent so far this year.

Chicago-based Cboe's bitcoin futures surged nearly 20pc in their debut on

Monday, and more than 4,000 contracts changed hands by the end of the 4:15 p.m. EDT settlement.

But the trading volume in the one-month contract, which expires in January, fell to just around 1,500 contracts the next day. By Friday, volume had stabilized at roughly more than 1,000 contracts.

In contrast, trading volume in the Cboe volatility index futures typically runs in the tens of thousands to more than 100,000 contracts, market participants said.

The decline in bitcoin futures volume had been expected, analysts said, given concerns about the cryptocurrency's underlying volatility.

And discount brokerage TD Ameritrade said on Friday it would allow certain clients

to trade Cboe bitcoin futures from Dec. 18, pointing to a potential pickup.

The futures contract price has declined more than 5pc since its launch on Dec. 10.

Some investors believe the CME bitcoin futures could attract more institutional demand because the final settlement price is culled from multiple exchanges.

The Cboe futures contract is based on a closing auction price of bitcoin from the Gemini exchange, which is owned and operated by virtual currency entrepreneurs and brothers Cameron and Tyler Winklevoss.

To be sure, the general sentiment in the market remains one of caution and this has been reflected in margin requirements for the contracts. (Reuters)

Bitcoins not money: UBS boss

Geneva

The chairman of Swiss banking giant UBS said in an interview published yesterday that he does not consider the soaring cryptocurrency bitcoin as money and called for regulators to intervene.

Bitcoin prices have surged this year from less than \$1,000 in January to \$17,000 last week, after trading in the digital currency began on the Chicago Board Options Exchange -- the first time it has appeared on a traditional platform.

But in an interview with the NZZ am Sonntag weekly, UBS boss Axel Weber warned investors against jumping on the bandwagon, saying the bubble would inevitably burst.

"In my opinion, bitcoins are not money," he said, adding that the virtual currency had significant "design flaws".

Money is meant to fulfil three main functions and bitcoins fail at all of them, he said.

The currency is not an effective means of payment since it is not universally accepted, it is not a good measure of value since prices are not written in bitcoins, and it is not an effective way to store value, since it is inherently unstable, he said.

The main problem, he said, is that with no central bank and no issuer controlling the supply, the value is determined solely by demand, which leads to "huge price fluctuations in both directions". (AFP)

Castro, Russian oil exec meet in Havana

Havana

Cuban President Raul Castro and the head of Russian oil company Rosneft met in Havana on Saturday, the latest sign the two countries are readying a major energy agreement.

State-controlled media on Sunday ran a photograph of Castro and Igor Sechin sitting with notebooks at a table with Economy Minister Ricardo Cabrisas, after the latter two had held what was termed in a brief caption "a working meeting".

Castro usually appears with visitors only in protocol photographs. There was no

further information.

Castro and Sechin have known each other for decades.

Cuba struggled with blackouts and fuel shortages after the fall of its benefactor, the Soviet Union. The rise of Hugo Chavez, Venezuela's late president, ended that crisis at the turn of the century, and Cuba came to rely on Venezuela for about 70 percent of its fuel needs.

But socialist Venezuela's subsidized shipments have fallen by at least 40 percent since 2014. Cuba is looking for new suppliers to help mitigate electricity and fuel rationing to state companies. (Reuters)

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