

# Caleb & Brown Crypto Brokerage

Inside the Markets

February 2025

## Trump's policies, AI developments and interest rates spark moves in risk assets

It's been a big start to 2025 in traditional finance (TradFi) and crypto markets. The S&P500 reached a record high of 6,128, Bitcoin made a new all-time high of US\$109,358, XRP reached a seven-year high of US\$3.40 and flows into digital asset investment products continue at a healthy rate, with assets under management (AuM) now almost US\$170 billion. Keep reading to learn what's shaping crypto markets in 2025.

### BTC Snapshot

12-month high \$109,358  
12-month low \$44,247  
Price (6 Feb 2025) \$98,211

### Key Market Metrics

BTC Dominance 61.37%  
ETH Price \$2,833  
Total Crypto Market Cap \$3.4T  
Alt-Coin Market Cap \$1.2T

## Trump's Presidential Working Group on Digital Asset Markets

In late January, President Trump signed his first crypto-related executive order to establish the [Presidential Working Group on Digital Asset Markets](#). The [working group's key priorities](#) are to provide regulatory clarity, assess the creation of a cryptocurrency stockpile, and amend existing regulations and agency directives that have unnecessarily curtailed growth. In line with President Trump's focus on regulatory clarity, the U.S. SEC launched an investigation into whether the Federal Deposit Insurance Corporation (FDIC) encouraged the debanking of crypto companies throughout Biden's term. Documents recently released by FDIC Chairman Travis Hill revealed that U.S. [regulators encouraged banks to limit their involvement with the crypto sector](#). These early moves to establish the frameworks for regulatory clarity and a digital asset stockpile are favourable for the future of crypto in the U.S. and may drive upward momentum.

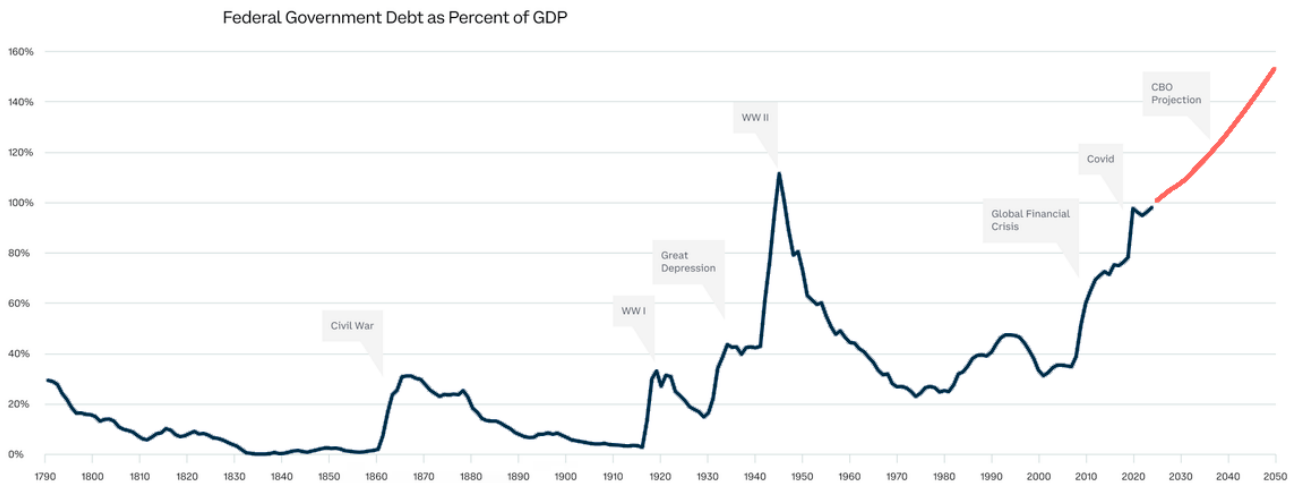
“Taking all of our work into consideration, we believe 2025 will be another good year for risk assets and that we're still only in the early stages of The Banana Zone, which officially kicked off last year with Global M2 breaking higher.”

- Raoul Pal, Co-Founder and CEO, [Real Vision](#)

## Are strategic bitcoin reserves coming?

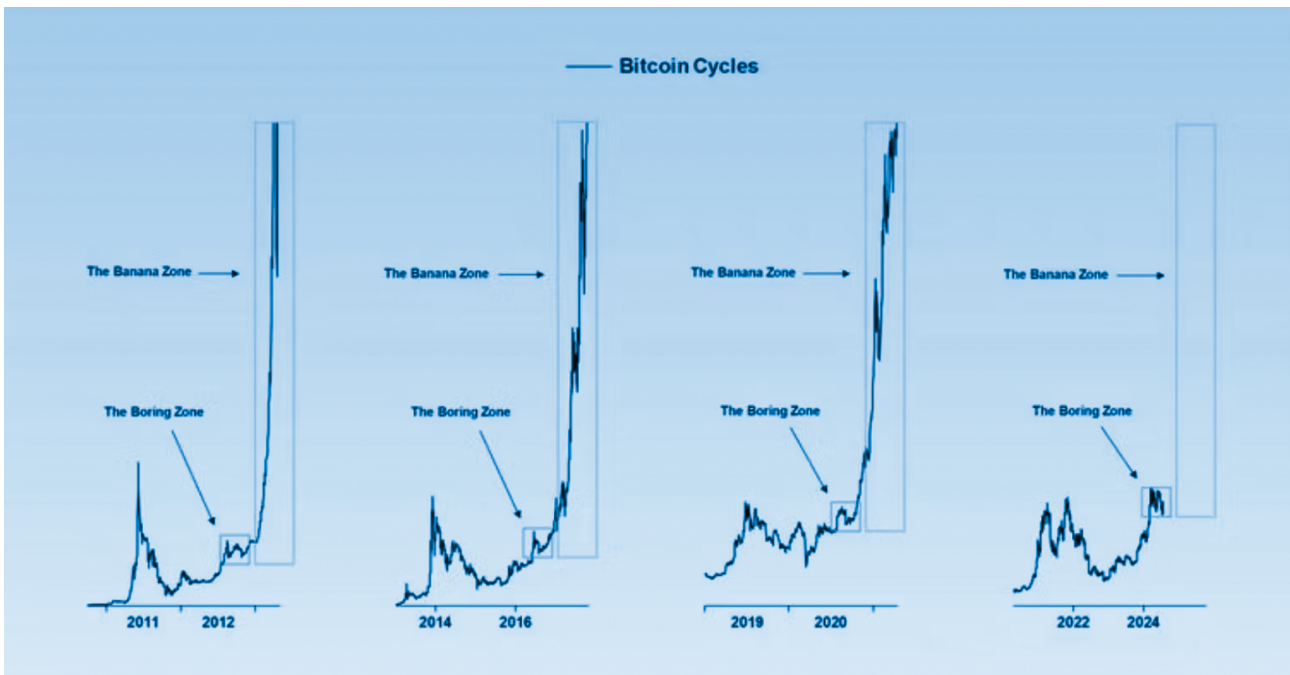
Governments are now looking at how they can incorporate cryptocurrencies into their financial management as a store of value and to [manage growing levels of public debt](#). The chart below demonstrates the sharp rise in the U.S. debt-to-GDP ratio expected in the years ahead. With inflation diminishing the value of fiat currency, accumulating store-of-value assets like bitcoin could help state governments and the U.S. Government to better manage financial risk.

## The U.S. debt-to-GDP ratio is forecast to rise sharply - Grayscale



Coinbase quarterly report (Source: Grayscale). Past performance is not a reliable indicator of future performance.

To date, [sixteen U.S. states](#) have introduced legislation to establish a strategic bitcoin reserve. Arizona and Utah are currently the frontrunners to establish bitcoin reserves. The legislation in these states has passed the first reading. The legislation will now go to a second committee vote and then to a second reading and final vote. Once passed, the legislation can be enacted, and the jurisdiction can establish its bitcoin reserve. Increased demand for bitcoin as reserves are established, plus the continued expansion of global liquidity, could fuel further upward momentum for bitcoin, as outlined in the chart below.



(Source: [Global Macro Investor](#)).

At the federal level, talk of a strategic bitcoin reserve has [broadened to other assets](#). President Trump's crypto working group will explore establishing a 'strategic national digital assets stockpile', suggesting that it may include [other assets aside from bitcoin](#). By leaving asset allocations open at this stage, the U.S. Government has the flexibility to invest in other growing sectors, such as artificial intelligence (AI) and [altcoins like XRP](#), which have seen a resurgence since President Trump's election.

“...the crypto industry has a real shot, here and now, to achieve the many goals we have in common IF we work together instead of tearing each other down. This is not, and never will be, a zero-sum game.”

- Brad Garlinghouse, CEO, [Ripple Labs](#)

Not only do other cryptocurrencies, such as XRP, offer efficient transactions and effectively bridge TradFi and crypto, it may make sense to [diversify the country's digital asset stockpile](#) as it does with its other reserve assets, including gold, foreign currencies, Special Drawing Rights (SDRs), and U.S. government debt. The possibility of adding XRP to the stockpile isn't without its potential challenges. Debate remains over whether Ripple's large holdings of XRP give it too much control over the supposedly decentralised network and regulatory uncertainty remains as the [SEC's case against Ripple is ongoing](#). Regardless of asset allocation, the fact that the U.S. Government is considering how this will work demonstrates that crypto is becoming a larger part of the TradFi system, which may fuel further upward momentum across the crypto market.

## The AI race continues

The crypto market and tech stocks saw a steep selloff at the end of January as China's AI chatbot, DeepSeek, rattled markets. Chip-making company Nvidia declined by almost [US\\$600 million](#) on the news, the [largest single-day drop](#) amongst U.S. public companies. While DeepSeek doesn't have any direct correlation to bitcoin and many other cryptocurrencies, the market-wide shock and crypto being a 'risk-on' asset was enough to cause a sell-off.

Early news stated that DeepSeek's 'large language model' (LLM) powers the app's reasoning capabilities with substantially fewer resources than OpenAI's GPT, taking almost [2.8 million hours](#) to train at a cost of just under US\$6 million. However, this didn't include research and development, architecture, and algorithm and data costs, making the [original claims misleading](#). For reference, OpenAI's GPT-4 cost over [US\\$100 million to train](#).

Prior to DeepSeek's launch, OpenAI, SoftBank, and Oracle created [Stargate](#), a new company designed to invest up to US\$500 billion on developing AI infrastructure in the U.S.. As the next 'gold rush' in technological development, the nation that leads in AI development could significantly [grow its macroeconomic and geopolitical power](#). [For crypto](#), this could accelerate AI development and adoption in DeFi, blockchain security and on-chain intelligence. Further U.S. progress in AI could provide upward momentum for risk assets, while developments seen as a destabilising force to current global power structures could elevate selling pressure. There's a reason why Co-founder of venture capital firm Andreessen Horowitz, Marc Andreessen, called the event "AI's Sputnik moment".

## The global interest rate trajectory

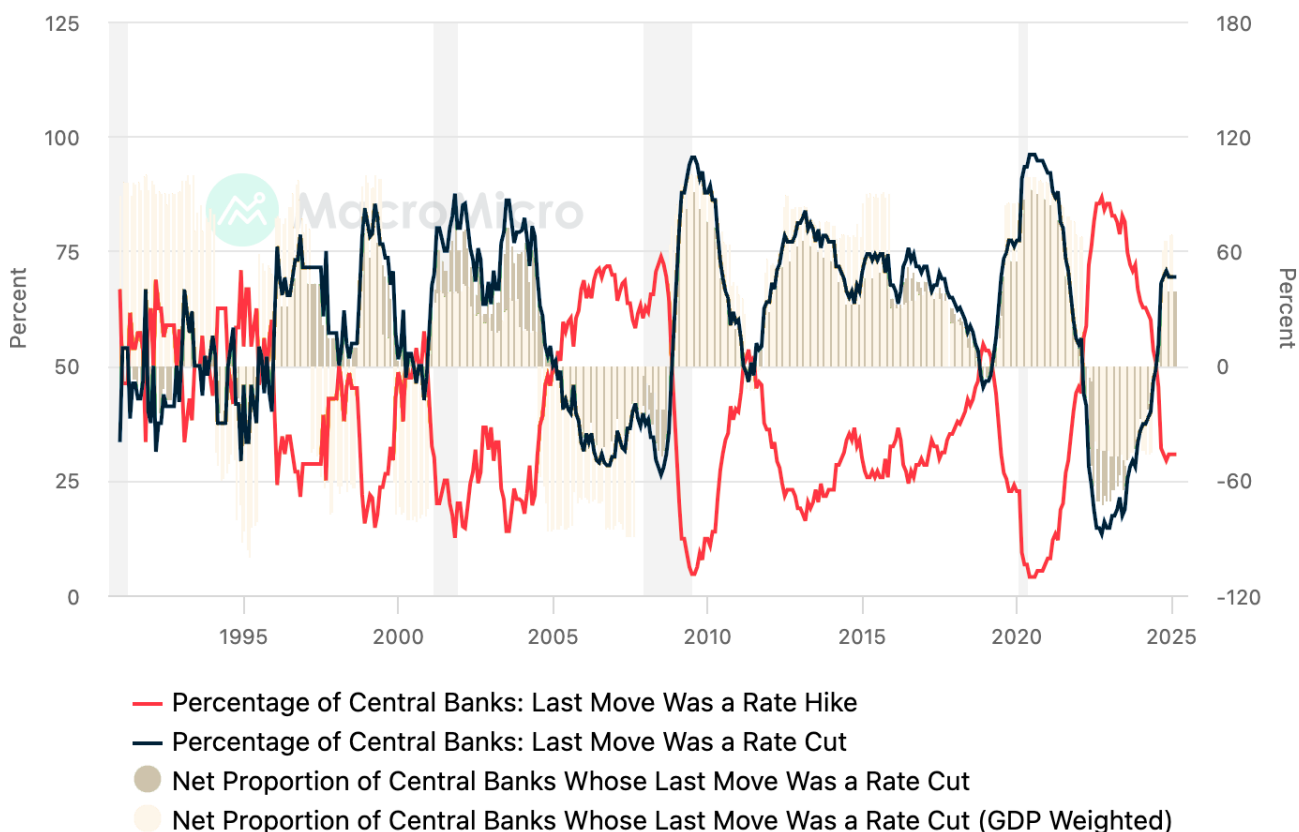
The U.S. Federal Open Market Committee (FOMC) left rates at [4.5%](#) in its January 29 meeting due to [continued economic expansion and stabilisation of the unemployment rate](#). Notably, the Bank of Canada and European Central Bank each cut rates in the same week to [3%](#) and [2.9%](#), respectively. The Bank of England then cut its official bank rate by 25 basis points to 4.5%. In December, the U.S. Federal Reserve indicated that it planned to deliver two further [25-basis-point rate cuts in 2025](#), with the aim of eventually reaching a neutral rate of [3% by 2027](#).

Currently, [central banks globally](#) are either continuing to cut rates or leaving them on hold, as detailed in the chart below. If central banks continue cutting rates, particularly those with large U.S. dollar debt or a trade deficit, while the U.S. dollar strengthens, any eventual slowdown in trade and, subsequently, a rising unemployment rate could prompt the U.S. Federal Reserve to reconsider its interest rate trajectory for 2025.

[President Trump's proposed tariffs](#) could also influence The Fed's policy. Executive orders, originally signed on 1 February 2025, imposed 25% tariffs on imports from Canada and Mexico and 10% tariffs on China. The situation remains fluid as Trump later placed a 30-day pause on Canada and Mexico's tariffs. If these tariffs proceed, it will likely have an inflationary effect as the cost of buying imported goods will increase. This may leave The Fed in a difficult position as other central banks pause or continue lowering rates while the U.S. potentially faces further inflation.

Generally, rate cuts add further liquidity to markets, which can drive bullish momentum for risk assets like crypto and equities.

World - Proportion of Central Banks Cutting/Hiking Rates



(Source: [MacroMicro](#)).

### Other developments that may shape markets in 2025

Caleb & Brown's team will monitor key developments impacting crypto markets to provide timely updates via video and our regular written content. These developments include President Trump's tariffs, regulatory clarity for the crypto sector, the ability for U.S. banks to engage more with the crypto sector, the potential approval of altcoin ETFs (XRP, Solana and Ethereum staking), the creation of bitcoin and digital asset reserves by governments around the world, the establishment of a U.S. sovereign wealth fund, and more.

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