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Cryptocurrencies - A Look into the Future of Digital Finance

Richard Harris | July 2025

We first wrote about cryptocurrencies in January 2023, at a time when speculation reigned supreme and the topic was somewhat “taboo”. The pioneer of this new asset class, Bitcoin, had already gone through several periods of volatility, with exaggerated swings up and down, leading to much debate about the longevity of this new “craze” that many were talking about. Those who had invested early, either through speculation or early knowledge of the technology, were more able to ride out these wild swings, but many who had bought further up had to endure months or even years of pain and uncertainty as regulation and adoption came and went from all sides of the financial world. On top of this, governments were unsure how to deal with the environment in general and what threats it would impose on the current traditional framework.

In recent years, cryptocurrencies have rapidly evolved from an experimental digital curiosity to a legitimate asset class that is fundamentally reshaping the global financial landscape. With institutional adoption accelerating and regulatory frameworks crystallising around the world, digital assets are poised to transform traditional payment systems, financial services and entire industries in ways previously unimaginable.

Main Applications of Cryptocurrencies

Before we begin, I would like to highlight some of the most important use cases for cryptocurrencies and blockchain technology, to create a broad understanding of the possibilities of this technology. This may assist with some of the terminology used in the newsletter.

Use Case	Primary Applications
Payment & Money Transfer	**Cross-border remittances** (sending money) and **peer-to-peer transactions** without traditional banking intermediaries
Investment & Wealth Management	**Store of value** and **portfolio diversification** to hedge against inflation and currency devaluation
Decentralized Finance (DeFi)	**Lending, borrowing, and staking** to earn passive income without traditional banks
Digital Asset Creation	**NFT creation** and **gaming economies** enabling virtual asset ownership and trading
Financial Inclusion	**Banking the unbanked** and **emergency funding** distribution during crises
Tokenisation	**Converting real-world assets** like real estate, commodities, and securities into digital tokens
Privacy & Security	**Anonymous transactions** and **censorship-resistant payments** that cannot be blocked

Three years ago, cryptocurrencies were at their lowest point from a sentiment perspective. The turmoil of 2022, characterised by global bank failures and sharp price corrections on stock markets, left many wondering whether digital assets had peaked. But what followed was an equally dramatic turnaround. By the end of 2023, investor confidence gradually returned, triggering a new wave of capital inflows and a calming of prices. By the end of 2024, the global market capitalisation of cryptocurrencies had risen to an impressive USD 3.8 trillion, almost doubling from the lull just 18 months earlier.

The rise of cryptocurrencies has not just been a matter of price. Adoption and innovation have accelerated at a pace that has impressed even the optimists. Trading platforms and established financial institutions integrated crypto infrastructure, focusing not only on Bitcoin but embracing the entire ecosystem, including DeFi (decentralised finance) and stablecoins. User numbers speak a similar story. in 2024, global crypto ownership reached 6.8% of the population, with more than 560 million users worldwide.

Institutional capital poured in as regulatory fog began to clear, particularly in key markets such as the US and EU, leading to the launch of crypto ETFs and the wider adoption of blockchain-based solutions by corporates. The scale of venture capital funding reflects this new confidence. Record investments were made in crypto start-ups in early 2025, and there is a steady stream of IPOs (initial public offerings) and mergers across the industry. Far from drying up, capital has shifted to projects focussed on real-world applications and integration into traditional finance.

This period also saw the maturation of decentralised financial systems, gaming, the tokenisation of traditional assets and the first significant central bank digital currency pilots at scale. Regulatory measures and improved security protocols began to address public concerns about fraud and volatility.

The Role of Government Adoption with Cryptocurrencies

The world's governments are experiencing an unprecedented wave of cryptocurrency adoption, making 2025 a potentially transformative year for digital assets. President Trump's return to office has sparked this movement with his executive order establishing a strategic national stockpile of digital assets and declaring that America wants to become the "crypto capital of the planet." This crypto-friendly stance from the world's largest economy has sent ripple effects around the world. Meanwhile, central bank digital currencies (CBDCs) are gaining significant momentum globally, with 134 countries now exploring CBDCs - a dramatic increase from just 35 countries in May 2020.

Many of our readers will have heard of the Genius Act, which was signed into law in the USA on 18 July 2025. The Act establishes America's first comprehensive framework for stablecoins and creates a regulated environment in which licenced institutions can issue these digital currencies pegged to the dollar. The Act ensures consumer protection through mandatory asset backing and audit requirements and positions the United States as a global leader in digital currency innovation. By mandating that stablecoin reserves be held in U.S. assets, the law reinforces the international dominance of the dollar and demonstrates how traditional financial systems can be effectively integrated with emerging digital technologies.

While only El Salvador and the Central African Republic recognise Bitcoin as legal tender, governments around the world are rapidly advancing their own digital currency initiatives. China is leading the way with massive digital yuan transaction volumes, Europe is making progress in trialling the digital euro and countries such as Nigeria, the United Arab Emirates, Singapore and Japan are developing or trialling their own central bank digital currencies, signalling a global shift towards state-backed digital money systems.

South Africa’s position on digital transformation and regulation of the industry is particularly noteworthy. We were the first African country to officially license cryptocurrency exchanges and service providers involved in wealth and asset management. To date, 248 crypto asset service provider (CASP) licences have been issued, and Absolut Wealth and Asset Management are both licenced CASPs.

Companies around the world, but especially in America, have also become aware of the current cryptocurrency revolution. In the second quarter of 2025 alone, companies bought around 131,000 BTC, surpassing purchases of Bitcoin ETFs for three quarters in a row. But it's no longer just about hoarding cryptocurrencies as an investment. Major retailers such as Microsoft, Starbucks and Home Depot have jumped on the payment bandwagon and are allowing their customers to pay with Bitcoin and other cryptocurrencies. PayPal has caused a stir with the launch of a service that allows US merchants to accept over 100 different cryptocurrencies and automatically convert them into dollars, so businesses don't have to worry about volatility.

As mentioned by Steve Jobs: “Innovation is the ability to see change as an opportunity, not a threat.”

To Conclude

When we reflect on the remarkable journey of cryptocurrencies from uncertainty and volatility to mainstream and institutional acceptance, it is clear that digital assets have become an important part of the modern financial landscape. The last few years have shown that thanks to thoughtful regulation, innovative applications and proactive adoption by the private and public sectors, cryptocurrencies are no longer a fringe technology but are changing the way we think about value, payments and economic opportunity. Whether you're a cautious observer or an enthusiastic participant, it's important to stay informed and adapt as this fast-moving technology evolves. At Absolut Wealth, we will do our best to guide you through these times of change and help you navigate the opportunities and challenges that await you in the age of digital finance.

Lastly, it is important to add a note of caution to investing in cryptocurrencies. As with all new technologies, volatility will most likely continue in the prices of these assets as they become more mainstream, implying higher risk for increased potential upside. This newsletter aims to provide an insight into the disruptive nature that this new asset class will have on the financial system we are used to. There are many crypto assets that have little use case or value. As with the .com boom in the late 90s, many of these tokens will fall by the wayside without a solid use case. It is important to only invest in established cryptocurrency protocols and avoid schemes or “investments” that sound too good to be true. They almost certainly are. Make sure you are guided by a someone reputable and that you are the final authority when managing your crypto assets.

Market and Economic Update - July 2025

Global stock markets rose in July, led by robust gains in the US. The S&P 500 extended its winning streak to a third straight month, while the Nasdaq posted its fourth consecutive gain. Remarkably, the S&P 500 experienced an unusually steady stretch, posting no daily fluctuations of 1% or more - something that has not been seen since July 2023. Positive corporate earnings and easing trade tensions highlighted by new agreements with the EU and Japan contributed to the rally. There was further diplomatic progress in trade relations with China and Finance Minister Bessent expressed optimism about the ongoing negotiations, further stabilising sentiment.

Below the headlines, US economic data provided mixed signals. While growth recovered in the second quarter, momentum on the labour market weakened. The US Federal Reserve decided to leave interest rates unchanged in the face of growing economic concerns and pressure from the President. Nevertheless, both the US and global bond markets ended the month in negative territory.

In Europe, markets rose despite volatility caused by trade tensions, geopolitical uncertainties and a mixed sector performance. The German DAX rose by 0.7 %, France’s CAC 40 gained 1.4% and the UK’s FTSE 100 rose by 4.2 %. UK inflation unexpectedly rose to 3.6% in June, its highest level since January 2024.

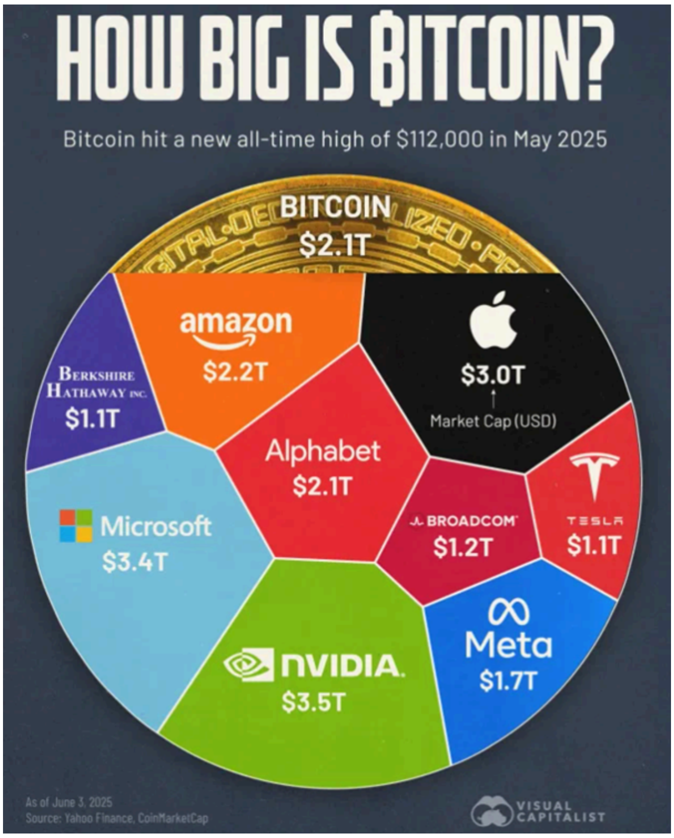
In China, the Shanghai Composite Index advanced 3.7% in July and the Hang Seng in

Commodities saw mixed results. Brent crude oil soared 7.3% to $73.50 per barrel as OPEC+ cut production and limited supply. Gold slipped 0.4% as a stronger US dollar weighed on demand. Copper prices initially spiked due to supply concerns and tariff risks but plunged 18% late in the month when the US exempted key commodities such as ores and cathodes from new tariffs, ending July down 2.6%. Among platinum group metals, platinum fell by 5.0% after a strong June, while palladium rebounded 8.3% and rhodium rose by 32%.

Locally, South African assets benefited from global appetite for higher yields and a weaker rand. The JSE All Share Index surpassed the 100,000-point mark for the first time, before closing July at 98,519- marking a fifth consecutive monthly gain and ending up 2.2%. Domestic bond markets rallied as the South African Reserve Bank cut its repo rate by 25 basis points and signalled a new 3%inflation target. Longer-dated bonds and listed property stocks saw the greatest gains. The rand depreciated by 3% against the US dollar after the Trump administration announced plans to impose a 30% import tariff on South African goods.

Chart of the month

The following chart shows the total market capitalisation of Bitcoin compared to the world's largest companies in May 2025. Although it is not a direct comparison, Bitcoin and cryptocurrencies as a whole represent a leading edge of technology and a fundamentally new asset class. With global ownership only at 6.8%, this chart will be one to watch as more and more people around the world embrace and utilise this fascinating technology.



"Great fortunes are made by seeing possibilities before they become obvious." — Jim Rogers

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