

# The Daily Dispatch

## Weekly Special Feature

March 31, 2021

### **Art's NFT Question: Next Frontier in Trading, or a New Form of Tulip?**

By: Scott Reyburn—The New York Times (*Published in March 30, 2021*)



Works by the digital artist known as Beeple are displayed in virtual museums within Cryptovoxels, a virtual world powered by the Ethereum blockchain. [*Credit: Metapurse*]

In February 1637, at the height of the speculative frenzy in the Netherlands we now know as “tulip mania,” a single bulb of the prized Viceroy tulip sold for 6,700 guilders, enough to buy a grand house in one of Amsterdam’s most desirable districts.

The market for tulips collapsed later that month, with prices of more common bulbs falling by as much as 95 percent. Since then, tulip mania has become a byword for the irrationality of financial bubbles.

So what about NFT mania?

Last week, Nifty Gateway, a specialist online marketplace for nonfungible tokens, or NFTs, held an auction that included a computer-generated illustration by the digital artist Mike Winkelmann, known as Beeple, whose JPG collage “Everydays — The First 5000 Days” was sold online by Christie’s earlier this month for a sensational \$69.3 million.

The work on Nifty Gateway, “Ocean Front,” showed a ramshackle condo development of old trailers, buses and containers rising from the sea on wooden stilts, and sold for \$6 million. That could have bought a three-bedroom, three-bathroom apartment overlooking Central Park in NY.



A still image from “Ocean Front,” a computer-generated work by Beeple that sold for \$6 million last week. [*Credit: Beeple; via Gemini*]

“We’re in a frenzy of speculation. I don’t know how long these prices will be sustainable,” said Robert Norton, the chief executive and co-founder of Verisart, a company that certifies artworks on the blockchain. “We’re living in a moment of collective hysteria.”

Over the last few months, NFTs have been selling for jaw-dropping prices almost routinely on specialist sites that accept payments in cryptocurrencies. In February, an NBA Top Shot video clip of a LeBron James dunk sold for \$208,000, paid for in FLOW tokens. Last week, Jack Dorsey, the chief executive of Twitter, sold his first tweet, newly “minted” as an NFT, for 1,630.6 Ether, the digital currency of the Ethereum blockchain-based platform. That price was equivalent to \$2.9 million.

Most jaw-dropping of all, of course, was the \$69.3 million

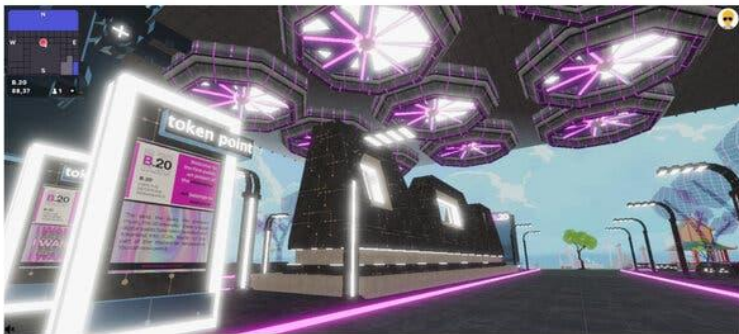
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given at the end of Christie's two-week, one-lot auction of the Beeple JPG. A digital mosaic of all the satirical illustrations the South Carolina-based artist has posted online each day since 2007, "Everydays" was the first purely digital NFT Christie's had sold.

In another first, Christie's accepted payment in Ethereum, the cryptocurrency most commonly used to trade digital collectibles. The price of Ethereum has more than doubled since Jan. 1, bloating the virtual wallets of investors, some of whom are splashing their Ether on NFT art.

"Everydays" was bought by the Singapore-based crypto entrepreneur Vignesh Sundaresan, also known as MetaKovan, whose 42,329.453 Ether payment covered both the hammer price of \$60.2 million, and \$9.1 million in fees, according to Rebecca Riegelhaupt, a Christie's spokeswoman.

Sundaresan is the founder of Metapurse, a cryptocurrency fund that in January launched a "public art project" called B.20; according to its website, B.20 seeks to redefine "the experience and ownership of art." At the center of the project is a "bundle" of virtual assets, anchored by a collection of 20 Beeple NFTs bought for about \$2.2 million in December.



Visitors to virtual museums at cryptovoxels.com can become stakeholders in the collection on display by purchasing tokens from virtual vending machines. *[Credit: Metapurse]*

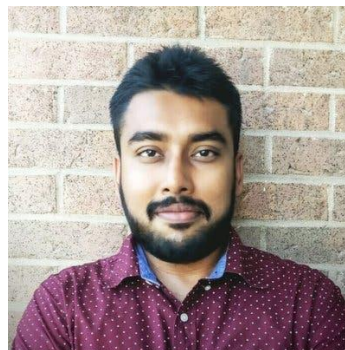
The ownership of the B.20 collection, but not the assets themselves, has been split up into 10 million tradeable virtual tokens. The Beeple images are displayed in virtual museums within cryptovoxels.com, which describes itself as a virtual world powered by the Ethereum blockchain. Visitors to these open-access virtual museums can become stakeholders in the collection by purchasing B.20 tokens from virtual vending machines inside.

One work you won't see on display, though, is "Everydays." Sundaresan and his business associate Anand Venkateswaran, a.k.a. Twobadour, said in an email that their Christie's acquisition was "not part of the B.20 collection." They added that there were no plans to monetize the 5,000-image collage "yet."

With the prices of individual NFTs soaring, the B.20 fund is just one of a number of NFT fractional ownership ventures, in which tradable tokens at affordable price points, pegged to the value of desirable digital assets, are divided among a group of buyers.

"I find the move toward fractionalization disturbing," said Michael Moses, the founder of Mei-Moses, a database of auction sales, now owned by Sotheby's. Its main index shows that, during the past 10 years, the overall value of the many thousands of artworks resold at auction has not increased.

"How do you value what's being fractionalized? Value is something incorporated over time, not added in an instant," said Moses in an interview. Cutting up expensive digital items into tradable tokens made the market "fraught with volatility," he added. "Basically it's gambling. You have no idea of the true value of the work."



Vignesh Sundaresan, a Singapore-based crypto entrepreneur also known as MetaKovan, was the buyer for the \$69.3-million Beeple, according to Christie's.



Anand Venkateswaran, who goes by Twobadour and is Sundaresan's business associate, said the two had no plans to monetize the 5,000-image collage "yet."

According to a Jan. 19 blog post by Twobadour, 50 percent of the B.20 fund's 10 million tokens have been retained by Sundaresan, and 2 percent of them are owned by Beeple himself. A further 25 percent were released in a public



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offering in January, priced at \$0.36 each. The first 16 percent of the public offering were “instantly” bought by bots, said Twobadour, referring to the high-speed automated trading mechanisms used by speculators.

On Tuesday, the tokens were trading at \$6.33. On March 10, the day before Beeple’s “Everydays” sold at Christie’s, they had reached a high of \$28.43, according to coinmarketcap.com. The B.20 website says that “There is an infinite upside to art.” But the fund’s token holders, like those who speculated on tulip bulbs, are discovering that the value of these investments can go down, as well as up.

According to the economist Peter M. Garber, the author of “Famous First Bubbles: the Fundamentals of Early Manias,” the Dutch market for tulips — or rather, futures agreements for their unseen, buried bulbs — became “just a gambling market” in 1637, particularly for the lower-priced bulbs, traded by weight in taverns, whose promissory prices increased 20-fold in the space of a month.

“People were coming in with no wealth and no credit,” said Garber. “The deals became unhinged. It was unsustainable.”

In an article published last week, Beeple told The New Yorker that he had cashed in the crypto winnings from his Christie’s sale for 53 million old-fashioned dollars. The day after the record-breaking auction, he said in an interview on Coindesk TV, an online media outlet for blockchain and cryptocurrency news: “I think it’s a bubble,” adding, “If it’s not a bubble now, I do believe it probably will be a bubble at some point, because there’s just so many people rushing into this space.” (Winkelmann did not reply to requests for comment for this article.)

A token based on a New York Times column about NFTs by Kevin Roose sold in an online auction last week for 350 Ether, more than \$500,000. All proceeds from the auction will be donated to the Neediest Cases Fund, a Times-affiliated charity.

Damien Hirst, who, according to The New Yorker, sent Winkelmann a congratulatory message after the Christie’s auction, is among the artists joining the rush. On Tuesday, Hirst said in a news release that he would be offering a collection of 10,000 NFTs, called “The Currency Project,”

with each token tied to an associated original work on paper.



Winkelmann, the artist known as Beeple, in his home studio, in Ladson, S.C., in February. [Credit: Andrew J. Whitaker/The Post And Courier, via Associated Press]

A single artist’s project involving the minting of 10,000 NFTs might appear to be out of step with the growing outcry over the energy used by Ethereum’s proof-of-work algorithm, which requires a large number of computer servers.

In December, the London-based digital artist and computer scientist Memo Akten calculated that the minting and sale of the average NFT produced about 211 kilograms of carbon dioxide. On the basis of these calculations, Hirst’s latest project would consume energy equivalent to the electricity usage of an average American household over 412 years. (Hirst and Palm, a crypto start-up partnering with him for the project, said in a news release that their implementation would be “up to 99 percent more energy efficient” than previous Ethereum-based NFT sales.)

Environmental concerns could, possibly, be one factor that might cool enthusiasm for NFTs. Another could be a drop in the value of Bitcoin and Ethereum, to which NFT prices are pegged.

Back in early 2018, the nascent market for crypto art was choked when the prices of virtual currencies collapsed. But in recent months, the value of Bitcoin has been bolstered by investments from the electric car company Tesla, hedge funds and other influential players, giving investors hope that cryptocurrencies might shed their reputation for volatility.

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Kenneth S. Rogoff, a professor of public policy and economics at Harvard and author of the 2016 book “The Curse of Cash,” said that investment from “heavy hitters” such as Tesla may have reinforced the idea that cryptocurrency like Bitcoin would evade governmental regulation.

“The core problem with cryptocurrencies is that people are able to make large-scale transactions that cannot be easily traced by the government. It helps facilitate tax evasion, money laundering, crime and terrorism, and governments can’t quietly allow that,” said Rogoff in an interview. “But central banks and regulators have been moving slowly. Bitcoin and other cryptocurrencies can have a long run.”

It should also be pointed out that febrile speculation in assets that have no physical existence has flourished during epidemics, when people spend a lot of time indoors. Tulip mania coincided with an outbreak of bubonic plague in the Netherlands that killed a fifth of Amsterdam’s population between 1635 and 1636.

As the character of a weaver who mortgaged his home and sold his loom to buy promissory notes for bulbs put it in “The Rise and Decline of Flora,” an anonymous Dutch satire on tulip mania, published in 1637, “It has been a madness.”

Will people feel the same about digital tokens?

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Source: Scott Reyburn (2021) ‘Art’s NFT Question: Next Frontier in Trading, or a New Form of Tulip?’ *The New York Times*. Available at:  
<https://www.nytimes.com/2021/03/30/arts/design/nft-bubble.html> (Accessed 31 March 2021)

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TODAY'S TOP NEWS

## PHL raises P24B via Samurai bonds

The Philippines raised ¥55 billion (P24.2 billion) from a three-year, Japanese yen-denominated “Samurai” bond offering. The note, which has a coupon set at 0.001%, is a discount bond, which the IFR financial news service described as “an unusual structure in the cross-border yen bond market.”

## Cebu Air reports net loss of over P22B for 2020

Cebu Air, Inc., the listed operator of budget carrier Cebu Pacific, announced on Tuesday a net loss of P22.2 billion for 2020, mainly due to the “heavy impact” of the global health crisis on its operations. Cebu Air’s total revenues for 2020 dropped 73% to P22.6 billion, the company told the local bourse.

## Ayala seeks regulatory nod for shelf registration

Ayala Corp. filed on Tuesday the registration statement for its proposed public distribution and sale of debt securities worth up to P30 billion to be issued in one or more tranches under the shelf registration program of the Securities and Exchange Commission

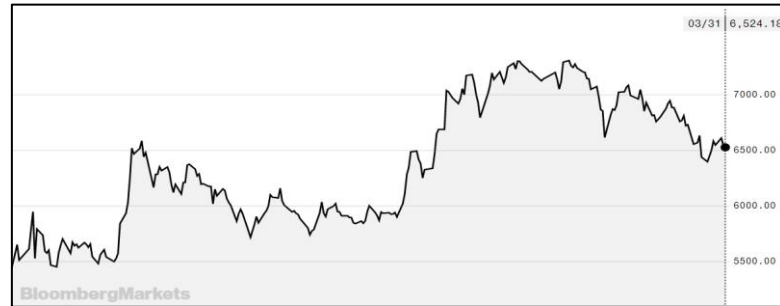
## Filinvest Land net income down 41%

Filinvest Land, Inc. (FLI) posted a 41% fall in net income attributable to equity holders to P3.73 billion in 2020, which its top official described as a year when the listed property developer faced a “formidable opponent.”

## Da Vinci Capital OKs P22.5B share-swap w/ Cosco

Holding firm Da Vinci Capital Holdings Inc., retail magnate Lucio Co’s backdoor-listing vehicle for his liquor business, has ratified an offer from Cosco Capital Inc. to acquire up to P22.5 billion worth of its common shares through a share swap deal.

## Philippine Stock Market Update



Previous Close:

6,545.55

1 Yr Return:

24.09%

Open:

6,554.43

YTD Return:

-8.54%

52-Week Range:

5,226.27 - 7,432.40

Source:

Bloomberg

## Foreign Exchange

As of Mar. 30, 2021

US Dollar	Philippine Peso
1	48.55

## BVAL Rates

As of Mar. 30, 2021

Tenor	Rate
1Y	1.919
3Y	2.793
5Y	3.384
7Y	4.016
10Y	4.453
20Y	4.941

## Daily Quote

"It took me a long time not to judge myself through someone else's eyes."

-- Sally Field

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## MORE LOCAL NEWS

### India extends grant to PH corn sector

As the coronavirus pandemic continues to have a firm grip over the globe, the Indian government has extended a \$50,000 grant to the local corn sector to highlight the importance of agriculture in the face of a pandemic.

### 2-month budget gap swells to P 130B

The national government's budget deficit widened by 793.7 percent to P130 billion as of end-February as two-month revenues remained lower compared to pre-lockdown levels while spending on public goods and services increased to respond to the prolonged pandemic.

### COVID casualties: 4.2M lose jobs, 7.9M get pay cuts

MANILA, Philippines—As the COVID-19 pandemic and community quarantine measures taken to fight it dragged on, more Filipinos went job-hunting in February but 4.2 million were unemployed and 7.9 million took pay cuts from shorter working hours, the government said on Tuesday (March 30).

### BSP: No debt payment moratorium during ECQ

Banks are encouraged to continue extending relief measures to clients as there is no new round of debt payment holiday during the week-long enhanced community quarantine (ECQ) in Metro Manila and nearby provinces until April 4, according to the Bangko Sentral ng Pilipinas (BSP).

### Largest online insurance market in Ph launched

Local insurance technology startup Kwik.insure has launched the country's largest online insurance marketplace with over 100 life and non-life insurance products from more than a dozen of the country's top insurance and healthcare providers.

### Ayala bond offer gets top rating

Ayala Corp., the country's oldest conglomerate, has received the highest issue credit rating of PRS Aaa from local debt watcher Philippine Rating Services Corp. for its planned bond offering. The initial tranche of fixed rate bonds amounts to P6b with an oversubscription option of up to an additional P4b, consisting of 2024 and 2026 bonds.

### Banks seen to offload P152b in bad assets

Banks are expected to dispose about P152 billion worth of non-performing assets (NPAs) under a new law allowing the industry to offload soured loans, even at substantial discount, to ensure a sound and safe financial system amid the global health crisis, according to the Bangko Sentral ng Pilipinas (BSP).

### Inflation seen rising as oil prices spike

The BSP may be underestimating the country's inflation risks as high oil prices will soon be the problem, prompting consumer prices to surpass government targets. Pantheon Macroeconomics said the BSP is very slowly taking near-term inflation risks seriously, evident in its modest hike in inflation forecast for the year.

### Strong Q4 results pull Phoenix to profit in 2020

Phoenix Petroleum Philippines Inc. posted a net income of P63 million in 2020 despite the decline in oil price and weak demand due to the pandemic. The company said it registered a net income of P158 million in the fourth quarter of last year, which "effectively reversed prior losses," leading to a P63 million net income for the full year.

### Atlas Mining swings to net income

Atlas Consolidated Mining and Development Corp. returned to profitability in 2020 as it reported a net income of P118 million driven by an increase in gold production and higher metal prices. In 2019, ACMDC incurred a net loss of P565 million.

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## TODAY'S TOP ASIAN NEWS

### Sembcorp to develop new Vietnam industrial park

Sembcorp Industries unit Sembcorp Development will be involved in the development of a new industrial park in Vietnam's Quang Tri province, Sembcorp Industries said in a Singapore Exchange filing on Tuesday night (March 30).

### Singapore start-ups draw \$5.5b of funding in 2020

Start-ups in Singapore raked in \$5.5 billion of funding in 2020 despite the challenges of Covid-19. This figure, shared by Second Minister for Trade and Industry Tan See Leng on Tuesday, is lower than the funds garnered in recent years. But it demonstrates the resilience of Singapore's investment landscape

### Japan factory output falls in February

Japan's industrial output fell in February due to declines in the production of cars and electrical machinery, in a worrying sign for an economy struggling to recover from the deep impact of the coronavirus pandemic.

### Xiaomi plans US\$15b foray into electric cars

[SHANGHAI] Xiaomi Corp plans to invest about US\$10 billion over the next decade to manufacture electric cars, embarking on its biggest-ever overhaul to enter China's booming EV market.

### Asian SPACs face regulators considering rule changes

ASIAN bourses from Tokyo to Singapore are considering rule changes to allow listing of special purpose acquisition companies (SPACs), but some industry players say the region may not attract the kind of frenzy, or the massive billions of dollars, seen in the US for such blank-cheque firms.

## TODAY'S TOP GLOBAL NEWS

### In Archegos fire sale, Credit Suisse, Nomura burned

While banks including Goldman Sachs, Morgan Stanley and Deutsche Bank were able to exit their trades with Archegos Capital relatively unscathed, Credit Suisse and Nomura have been burned in the fire sale. The blowup of the Archegos fund is still reverberating, with global banks so far standing to lose more than \$6 billion.

### Spotify buys Locker Room app's maker Betty Labs

Spotify Inc said on Tuesday it has purchased Betty Labs, the company behind sports-focused social audio app Locker Room, to accelerate its move into live audio. New voice-based platforms, including invite-only social app Clubhouse, have seen rapid growth in recent months during the COVID-19 pandemic.

### Fossil fuel stocks lost \$123b in past decade

Share offerings in fossil fuel producing and related companies lost US\$123 billion (\$\$165.8 billion) in the last decade, underperforming a baseline world equities index by 52 per cent, according to analysis released on Wednesday (March 31).

### Major airlines commit to carbon neutrality by 2050

Airlines for America, a group representing major U.S. airlines, said on Tuesday it is committed to working with the aviation industry and the government to achieve net-zero carbon emissions by 2050.

### Aurora, Volvo partners on self-driving heavy trucks

Global heavy truck manufacturers are lining up technology partners to help build out self-driving systems for long-haul freight that could see widespread commercial service well before self-driving robotaxis.