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$13M Sell-Off: Arthur Hayes Sounds Alarm on Bitcoin, Ethereum

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A sharp downturn in the cryptocurrency market this week was punctuated by a major warning from Arthur Hayes, co-founder of BitMEX, who sold off more than $13 million in digital assets amid concerns over mounting U.S. economic and policy pressures. Hayes cautioned that macroeconomic instability, including new tariffs and weakening labor data, could push Bitcoin down to $100,000 and Ethereum to $3,000 in the short term.

The sell-off coincided with a wave of liquidations, including more than $300 million in ETH positions, further deepening the market slide. Hayes blamed "dwindling liquidity" and "policy confusion" as key drivers of volatility, though he reiterated his long-term bullish outlook.

Hayes' remarks followed a series of significant developments in Washington. President Donald Trump dismissed the Commissioner of the Bureau of Labor Statistics after a downward revision to job figures. Federal Reserve Governor Adriana Kugler also stepped down, and Trump renewed his attacks on Fed Chair Jerome Powell, pressing for rate cuts to counter what he called "economic stagnation."

Powell, however, held firm, leaving interest rates unchanged at 4.50% for the fifth consecutive meeting, citing inflationary risks and unstable economic indicators.

Meanwhile, the SEC advanced Project Crypto, a regulatory overhaul first introduced by Chairman Paul Atkins, aiming to modernize U.S. oversight of digital assets. The initiative proposes updated custody rules, clearer asset classifications, and regulatory sandboxes to encourage innovation.

Meanwhile, the Commodity Futures Trading Commission (CFTC) is set to assume oversight of both Bitcoin and Ethereum, a move designed to stem the tide of crypto firms leaving U.S. markets due to regulatory friction.

While these reforms are intended to stabilize the industry long-term, their rollout has added short-term uncertainty for traders and institutional investors.

Compounding market anxieties, Arkham Intelligence uncovered the LuBian Attack, the largest known Bitcoin theft to date. Hackers exploited weak security protocols at a major mining pool to steal 127,426 BTC, valued at $14.5 billion. The breach reignited concerns over cyber risks in the crypto ecosystem and intensified calls for stronger security standards.

Despite the crash, institutional activity remains strong. BlackRock added $375 million in ETH to its holdings in July, and SharpLink Gaming acquired over 108 million ETH via Galaxy Digital, pushing total corporate ETH holdings above $10 billion. Analysts say such moves reflect long-term confidence in Ethereum's infrastructure and utility.

Meanwhile, Trump's Digital Asset Report 2025 outlined plans to reject a U.S. Central Bank Digital Currency (CBDC), expand support for stablecoin issuance by banks, and streamline foreign account reporting, a package aimed at keeping the U.S. competitive in digital finance.

The Chicago Board Options Exchange also proposed a rule change to expedite ETF approvals, potentially enabling listings of altcoin ETFs, including Solana, by October.

These developments mark a pivotal moment for U.S. crypto policy and financial regulation, with major implications for markets, innovation, and investor protections.