



**Analyzing the Development of Stablecoin
from the Jackson Hole Economic
Symposium Conference**

Prepared by Zexmon Group

September 10, 2019

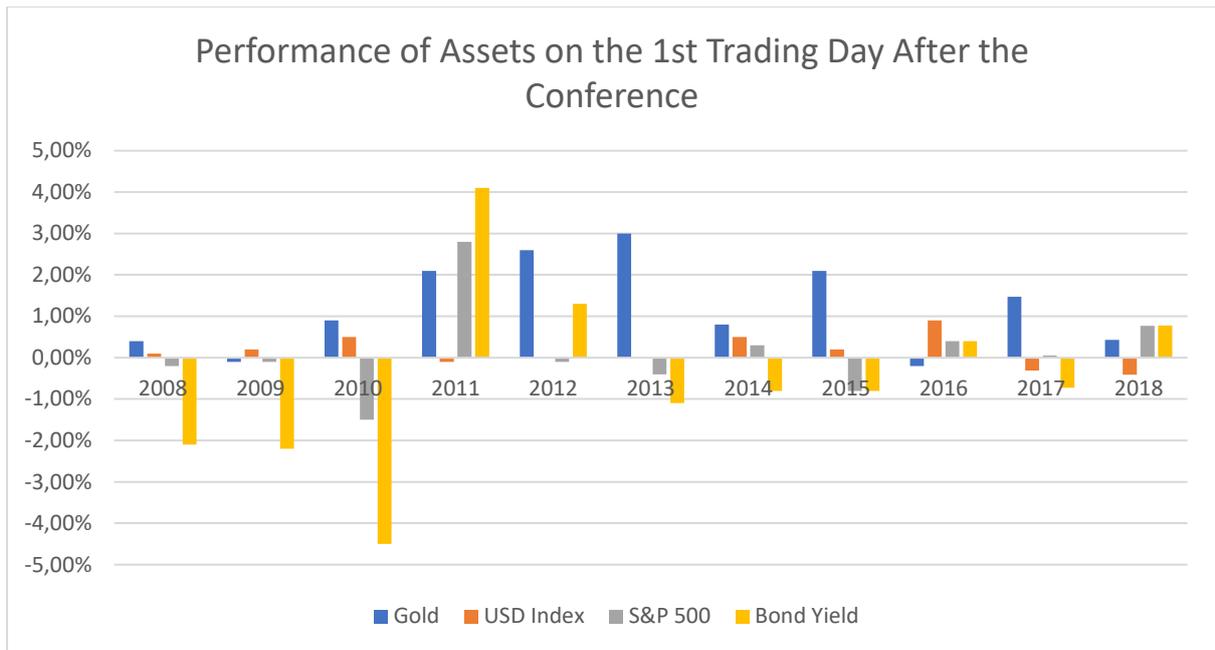
1. The policy barometer

The Jackson Hole Economic Symposium conference is an annual central banking conference first started by the Federal Reserve Bank of Kansas City in 1978. Participants include prominent central bankers, finance ministers, academics, and financial market participants from around the world, where they discuss important economic and current policy matters facing the U.S. and world economies. The conference is also dubbed as “the policy barometer” as it has huge impacts on the market and investors all set eyes on it.

2. Conference topics and its market impact

Past Conference Policy Signals	
2008	The US subprime mortgage crisis. Participants discussed solutions to handle the bankruptcy of the Lehman Brothers
2010	Ben Bernanke, Chairman of the Federal Reserve of the time, hinted the launch of QE2 on the conference, and it was launched later that year in November.
2011	Ben Bernanke said the Fed would impose monetary policy to spur economic growth. A month later, they launched the \$400 billion maturity extension program (MEP).
2012	Ben Bernanke hinted that the Fed would launch QE3 soon. QE3 was launched at the end of 2012.
2013	The market expected the Fed would launch QE4, yet it was not executed. Instead, they discussed the potential candidate of the next Fed chairman. Janet Yellen was appointed.
2014	Mario Draghi, President of the European Central Bank, warned that if inflation continue to worsen, they were ready to add fresh monetary stimulus. The next year, the European Central Bank launched QE.
2015	Richard Fisher, instead of Yellen, represented the Fed to attend the conference, hinting that the Fed would raise interest rate at the end of the year. In December, the Fed raised its interest rate by 0.25%, the first hike since the 2018 financial crisis.
2016	Yellen said that case for an interest rate hike had ‘strengthened’, and interest was raised by 0.25% in December.
2017	Yellen disagreed with President Trump’s rollback on financial regulation. She insisted to implement Dodd–Frank Act’s stringent banking regulation. The ECB chief Draghi said QE had been a success and economies were more resilient. The ECB then gradually tightened banking policies.
2018	Jerome Powell became the new chair of the Fed. He said that they expected additional interest rate increase when the economy had improved. Since then, the Fed had adjusted interest rate by 0.25% for multiple times.

From the signals released from the conference, the ECB is seen to announce their policy signals before the conference, so the market has time to digest the expected changes and to lower the impact on the financial markets.

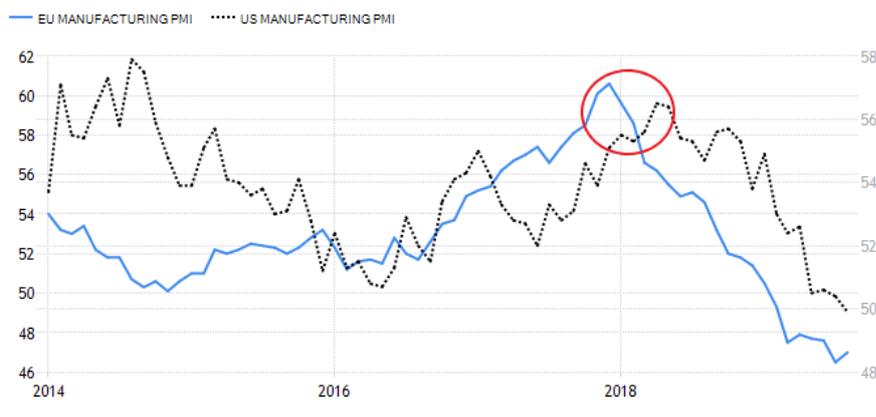


From this graph, we can see that the ECB signals have more impact on hedging assets (gold and national debt), while gold sees an increase in general.

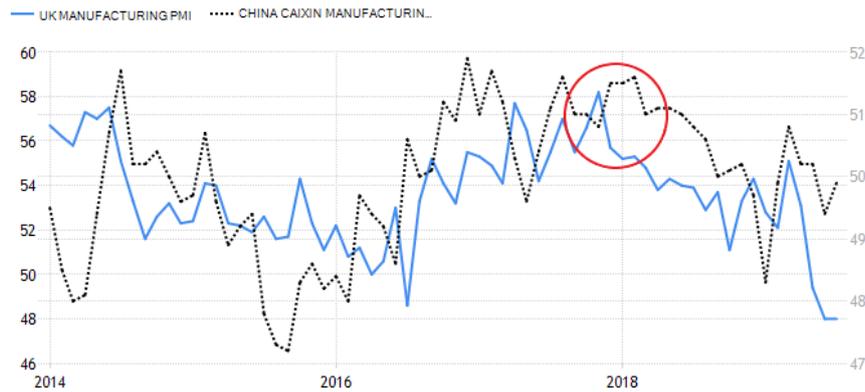
3. Challenges of currency policy in 2019

Jerome Powell, Chairman of the Federal Reserve, said that the current era is characterized by low interest rate, low inflation rate, and low growth. The Fed therefore should be looking at how to sustain the growth, lower the unemployment rate and to stable the commodity price.

Currently, 3 main factors affect the global economic growth – the slow down of global economic growth, uncertain trading policy, and slowdown of inflation.



The Europe and the US manufacturing industry PMI Source: Tradingeconomics



The UK and China manufacturing industry PMI Source: Tradingeconomics

Looking at the PMI data in manufacturing of the 4 countries, it shows that since 2018, the manufacturing industry of the world's leading economies have seen a downtrend, staying under the 50-point line separating expansion from contraction. Europe and the US both showed a clear fall from 56-57 point in 2018 to 48-49 in 2019, adding to the worrying.



US Bond Yield Curve Rate Comparison

On the other hand, the US Treasury yield data represents the long-term economy expectation, which also shows downturn signals of the future economy. Judging from the graph above, the yield curve of short-term 1-month debt to the long-term 30-year debt has been going down since July, and is expected to worsen to the point that triggered the financial crisis in 2018, sparking questions of when's the next global economic crisis.

2019 Lower Interest Rate Trend

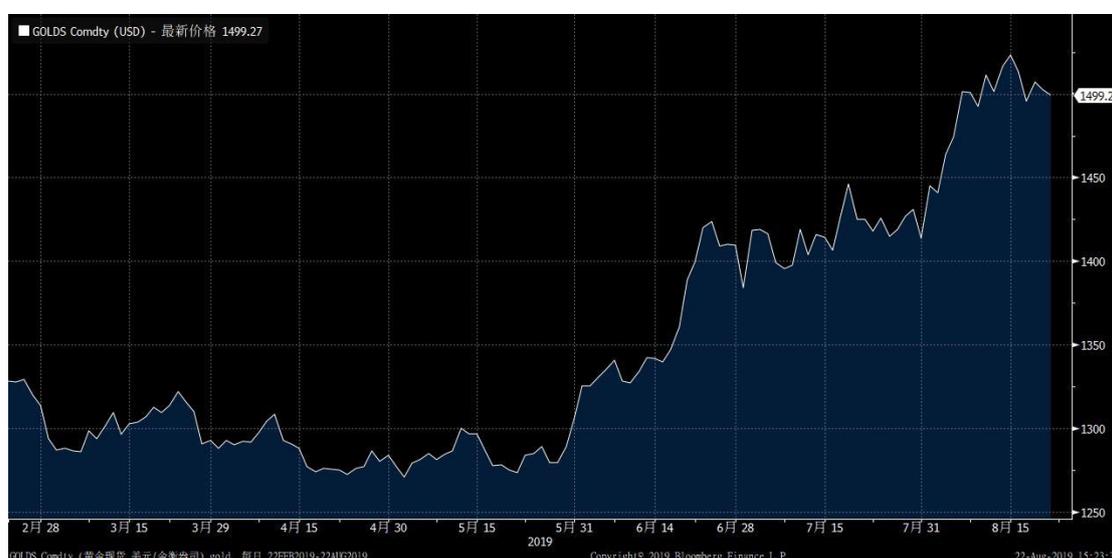
Country	Times	Inflation Rate (As of Aug)	Current Interest (As of Aug)	Yearly Interest	Lowered Basis Point
U.S.	1	1.60%	2.25%	2.50%	25
Korea	1	0.60%	1.50%	1.75%	25
Thailand	1	1%	1.50%	1.75%	25
Malaysia	1	1.50%	3%	3.25%	25
Indonesia	1	3.32%	5.75%	6%	25
Brazil	1	3.37%	6%	6.50%	50
Peru	1	2.11%	2.50%	2.75%	25
Australia	2	1.60%	1%	1.50%	50

New Zealand	2	1.70%	1%	1.75%	75
Chile	2	2.30%	2.50%	2.75%	25
Philippine	2	2.40%	4.25%	4.75%	50
India	4	3.18%	5.40%	6.50%	110

Jan to Aug, 2019 - Interest Rate Lowering

Since Jan 2019, different countries have started to roll out measures for lowering interest rates. Australia and New Zealand dollars, though backed by commodity, have already lowered their interest rates twice to cope with the possible economic downturn and uncertainties in global trading.

Jerome Powell might have said that the cut of interest rate was merely a “one-time adjustment” after the conference in July, but the inversion of government bond yields, the continued decline of PMI as well as other signals, it seems that the US is facing an economic red light.



London gold trend on the first day of the 2019 Jackson Hole Economic Symposium conference
Source: Bloomberg

	Current Yield	Close Yestoday	BP Change today	High yield today	Low yield today
US 2 year	1.568%	1.612%	-4.4	1.640%	1.568%
US 5 year	1.458%	1.501%	-4.3	1.540%	1.458%
US 10 year	1.588%	1.613%	-2.6	1.661%	1.586%
US 30 year	2.098%	2.105%	-0.7	2.156%	2.093%
2-10 spread (bps)	1.94	0.10		2.05	1.77

The US bond trend on the first day of the 2019 Jackson Hole Economic Symposium conference
Source: Investing

After Powell spoke at the conference on the first day, driven by “risk aversion” and “interest rates”, the London gold price broke through USD 150/ounce, while the US Treasury yield rate remained at daily low. In the long run, risk aversion will continue as the US-China trade war getting more intense and continue to worsen; the Jackson Hole conference maintained a laxer monetary policy, forming a long-term support for gold price, and in turn lowering the US bond yield rate.

4. The US dollar liquidity trap and the demands for stablecoin

In this conference, apart from discussions on the current economic landscape and monetary policies, Mark Carney, the Governor of the Bank of England, also gave an eye-catching speech. He emphasised that when the interest rate declines in the future, the global dominance of US dollar increases the risks of liquidity trap and therefore they should be looking to cure the dollar's spillover effect as long term goal. The only way is to urge stablecoins, such as Libra, to end the USD supremacy dominance and establish a multi-currency reserve system, But Libra must be able to solve its own problems first.

Based on the expected interest rate hike, Carney reminded the market that at a low or even 0 interest rate environment, the surplus of US dollar might cause people to stock up, instead of spending the cash on investment or shopping, posing pressure on the monetary system and hence forming a liquidity trap.

To prevent this, stablecoins like Libra can be used to break the USD's dominance and establishing a new type of multi-polar reserve system. This shows the mainstream finance industry sees stablecoin as something far greater than blockchain; instead, they are exploring how stablecoin can revolutionize the whole finance industry, as well as the regulations and supervision needed for the new digital money.

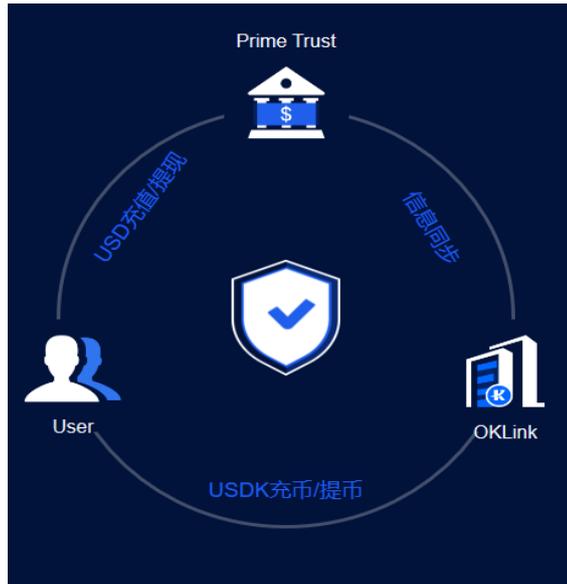
5. USDK – A 100% reserve stablecoin

At present, USDT has an absolute advantage in the stablecoin market. Yet the token's accidental issuance and burnt, opaque audit, not fully backed by fiat equivalents, etc. have led the market to lose trust in the stablecoin, which holds back on a full market adoption.

On contrary, another stablecoin on the market is more trustable – USDK. USDK is a stablecoin powered by blockchain technology and US Licenced Trust Company. It is a ERC-20 digital asset co-developed by OKLink and Prime Trust based on Ethereum technology. Every USDK is backed by 1 USD from the Prime Trust Special Account.

OKLink Fintech Limited (OKLink) is a wholly-owned subsidiary of Leap Holdings Group Limited (1499.HK). It is committed to developing the underlying technology of blockchain including stablecoins like USDK, blockchain big data, blockchain custody services and more applications.

Prime Trust is a US trust company that has committed to the blockchain industry. Chartered by the banking commissioners office in Nevada, it provides a wide range of services including custody, trust, escrow, funds processing, AML compliance and transaction technology to customers located in the US and internationally.



How USDK works

Source: <https://www.oklink.com/pages/usdk/index.html>

When users buy USDK, USD will be deposited to Prime Trust’s account. As the account data are shared and synced between Prime Trust and OKLink, Prime Trust will confirm the depositing before transferring USDK to users via blockchain, hence USDK are 1:1 fully backed by fiat currency.

Prime Trust, LLC
330 South Rampart Blvd
Summerlin, NV 89145

TRUST HOLDINGS REPORT

JULY 31, 2019

US Dollars held in Trust Account(s)	USD \$ 28,600.072
Balance of USDK tokens issued and outstanding	USDK 28,600.072

NOTES

1. Prime Trust, LLC as Trustee of the "Stablecoin Trust Agreement" (the "Trust") and custodian of the US Dollars backing the USDK token periodically makes requests of OKLink Fintech Limited ("OKLink"), as a Service Provider to the Trust, to mint new USDK tokens for new deposits cleared. Conversely, Prime Trust withdraws and transmits funds to holders of USDK tokens in response to verified and cleared USDK token redemption activity. As of 5:00 pm Eastern Time ("ET") on July 31, 2019 (the "Report Date and Time") Prime Trust's net mint requests and redemption activities agree with the amount of tokens issued by OKLink and outstanding (total circulating token supply) as denoted under the USDK smart contract address (0x1c48f86ae57291f7686349f12601910bd84470bb) and publicly available to view on the Ethereum public blockchain.
2. The Trust Accounts refers to the accounts held by the Company at U.S. depository institutions. The US dollars balance in the Trust Account(s) is at least equal to or greater than \$28,600.072 at the Report Date and Time. This does not contemplate the impact of outstanding checks/wires, deposits in transit or other reconciling items.
3. Prime Trust, LLC is not entitled to any funds at any time and no amounts deposited into the Trust Account(s) shall become the property of Prime Trust, LLC, or any other entity, or be subject to any debts, liens or encumbrances of any kind.
4. There are no liens, claims or security interests in any funds within the Trust Account(s).
5. Prime Trust, LLC has evaluated subsequent events through the date the report is available to be issued, and has determined that there are no subsequent events that require disclosure.

To the best of the knowledge and belief of the undersigned, the information contained in the Trust Holdings Report as of July 31, 2019 at 5:00 pm ET is accurate and complete.


Whitney White, Chief Operations & Technology Officer
Prime Trust, LLC
August 1, 2019

Prime Trust audit report in Aug, 2019 | Source: MOORE STEPHENS International Limited

USDK is being audited by MOORE STHPHENS, an independent audit company in California, US. Audit reports are released regularly to users. In the August report, it clearly states that the USDK issuance number and the amount of USD in Prime Trust's account are exactly the same, meaning users who hold USDK do not have to worry about withdrawing their assets.

6. Conclusion

USDK wins market's trust by offering a completely transparent background and is fully backed by fiat currency. It fulfils what the market needs in a stablecoin, and is promised to solve the real-life problems on trading by blockchain technology.