

Is a crypto ban possible?

The commonly held theory on holding Bitcoin, or other digital currency, is that it acts as a hedge when inflation sets in and has a devaluing effect on the buying power of the local currency. Of course, there are many other reasons the cryptocurrency has flourished of late, one of which is pure and simple speculation. The type of inflation breakout that might prove Bitcoin's power as a hedge asset does not appear to be coming in the near term, according to some economists. "There is no evidence that we're borrowing too much money," Stanford economist Erik Brynjolfsson said. Former U.S. Treasury Secretary Lawrence Summers has said that "there may be some temporary sense of heat in the economy because of all the stimulus that's been provided in the last year." Summers went on to say that future economic growth could be in danger if the U.S. does not embrace new stimulus going forward.

India is reportedly reading a law into force that would ban cryptos, giving holders of the virtual assets up to six months to liquidate. Such a ban would include possession, issuance, mining, trading and transferring crypto assets. India is not the first nation to act against Bitcoin, with similar bans seen in countries like China, Pakistan, Russia, Bolivia, North Macedonia, and Morocco. These nations are concerned that Bitcoin's decentralized system will make it more complicated for central banks to create their own central bank digital currencies (CBDCs), as well as worries that



cryptos could be used for illicit activities. CBDCs will allow central banks to have real-time data about their economies, offering the ability to track money flows, spending and savings data and what sectors are suffering or doing well.

From 1934 to 1974, it was illegal for Americans to own gold. Trading of gold anywhere in the world was banned, except for some jewellery and collectors' coins. Bringing a Bitcoin ban could be legally difficult for the U.S. government, not to mention enforcement – which would be virtually impossible as the government would have to exert strict control over the internet.

Meanwhile, China is speeding up currency trials as it moves to a digital renminbi – a tool that would be highly attractive to a government that is concerned with social control.

Fiscal snapshot

Bank of Canada

	Bank Rate	Bank Prime Lending Rate
March 2021	0.50	2.45
February 2021	0.50	2.45
March 2020	0.50	2.45

Government of Canada benchmark bond yields

	5-Year	10-Year	Long
March 2021	0.99	1.55	1.97
February 2021	0.88	1.35	1.76
March 2020	0.60	0.71	1.32

**Indicative commercial mortgage spreads*
Over Government of Canada bond yields**

Conventional	5-Year	10-Year
March 2021	1.40 - 2.00	1.60 - 2.00
March 2020	1.70 - 2.20	1.80 - 2.25
Insured	5-Year	10-Year
March 2021	0.95 - 1.20	0.95 - 1.20
March 2020	0.95 - 1.20	0.95 - 1.20

*Spreads are indicative of high quality real estate in major Canadian markets.
Source(s): Bank of Canada

Highlighted transaction

Asset type	Retail
Location	Major Canadian city
Facility details	A first mortgage in the amount of \$7.6M was arranged for a 10-year term, 25 year amortization at a competitive interest rate.

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