

Bloomberg Crypto Outlook

A Collectible vs. Minions

- Bitcoin Set to Continue What It's Been Doing, Just More Slowly
- Increased Adoption Gives Bitcoin Edge vs. Crypto-Market Minions
- Futures, Addressses Indicate Firming Bitcoin-Adoption Foundation
- Highest-Ever Bitcoin Average Price In 2020

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CONTENTS

- 3** Overview
- 4** Its Bitcoin vs. the Myriad Wannabees
- 5** Favorable Bitcoin Companions
- 6** Bitcoin Set to Continue Outperforming Most Alts

Data and outlook as of February 4, 2019

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[BI COMD](#) (the commodity dashboard)

Note - Click on graphics to get to the Bloomberg terminal

Bitcoin Set to Continue What It's Been Doing, Just More Slowly

Performance: Bloomberg Galaxy Crypto Index (BGCI)

January +40%, One-year to Feb. 4: +76%

Bitcoin January: +31%, One-year: +168%

(Bloomberg Intelligence) -- The 2020 outlook for Bitcoin remains favorable, with a significant reversal in the past 10 years' drivers unlikely, in our view. This year's enthusiasm in some alt-coins is reflective of a bullish environment, but should subside as Bitcoin further distinguishes itself from most of the highly speculative and oversupplied minions. Simple rules of demand vs. supply are unfavorable for sustained alt-coin price appreciation in a market with plenty of competition.

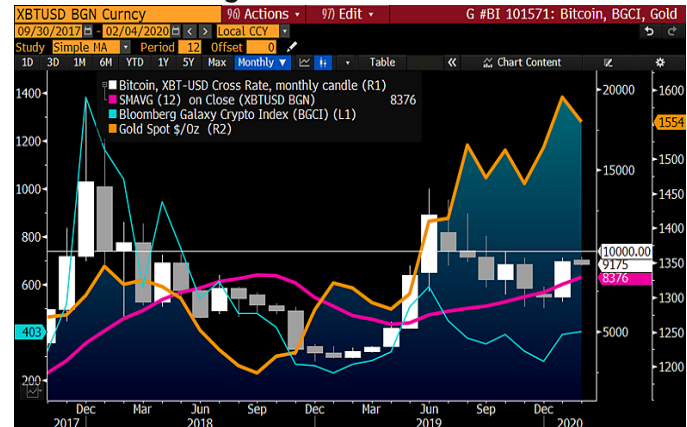
Similar to gold, positive fundamentals should extend Bitcoin's price appreciation, as we see it. Indications for the first-born crypto remain favorable in the key metric that matters for an asset where supply is increasingly limited -- adoption.

Bitcoin Realism Vs. Minions

Increased Adoption Gives Bitcoin Edge vs. Crypto-Market Minions. After correcting more than 80% from its 2017 peak, we believe that Bitcoin is more likely to extend its strong start to 2020 while the rest of the oversupplied cryptos struggle. Increasing adoption and similar fundamentals to gold favor Bitcoin vs. rival digital currencies, even with the Bloomberg Galaxy Crypto Index up more to start the year.

Friendly Trends for Bitcoin, Less So for Others. Crypto-price optimism to start 2020 has more staying power in Bitcoin than the broader market, in our view. Up about 45% in 2020 through Feb. 4, the Bloomberg Galaxy Crypto Index (BGCI) is outpacing Bitcoin's 30% advance. Yet our graphic depicts Bitcoin's longer-term outperformance, tracking the rally in gold prices. A supportive macroeconomic backdrop and Bitcoin's resemblance to gold as a quasi-currency are primary reasons we expect appreciation to endure vs. the more speculative, trade-orientated focus of most alt-coins.

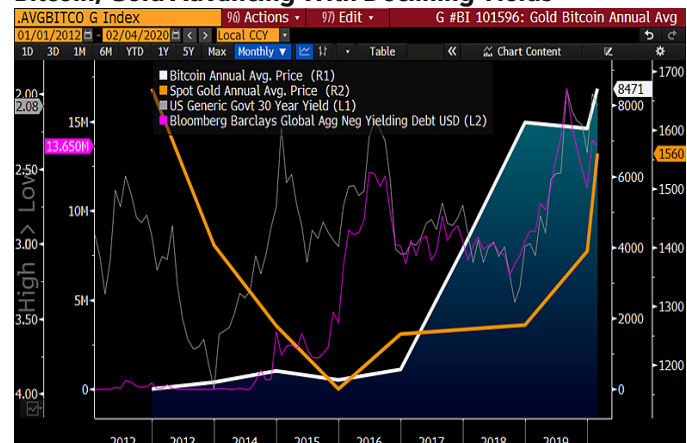
Bitcoin Bull Resting Between \$8,000-\$10,000



The fleeting nature of pump-and-dump trades in most of the wannabees further distinguishes Bitcoin, which is becoming a bigger part of portfolios, similar to gold. Bitcoin's \$8,000-\$10,000 range is tightening.

Highest-Ever Bitcoin Average Price In 2020. Bitcoin's \$8,500 average price this year is its highest ever on an annual basis, and there's little to push it lower when considering a shrinking supply, increasing adoption and favorable macroeconomics. It's no coincidence that the same measure of gold is the most elevated in seven years. Our graphic shows seemingly entrenched trends: appreciating quasi-currency prices and declining bond yields. Given advancing debt-to-GDP levels, notably in the U.S., Japan and China, it's little surprise that alternative stores-of-value are gaining.

Bitcoin, Gold Advancing With Declining Yields



Bitcoin is winning the adoption race among cryptos, akin to what gold established long ago. Increasing demand in the benchmark crypto should endure.

Its Bitcoin vs. the Myriad Wannabees. Bitcoin's outperformance vs. rival cryptos is likely to endure. Our scorecard shows most of the top 10 alt-coins and the Digital Assets 100 Small Cap Index beating Bitcoin in 2020, but early optimism should be fleeting. Parabolic supply is the primary headwind for the broad market, still in an extended hangover from the 2017 frenzy. Two-year performance is likely a better indicator of what to expect. Bitcoin is up about 7% vs. down 90% for the small-cap gauge.

Over 5,000 cryptos are listed on Coinmarketcap vs. about 1,500 two years ago. Bitcoin adoption is increasing, while the alt-coin market battles over the latest new-and-improved entrants.

Bitcoin, Gold Advancing with Declining Yields

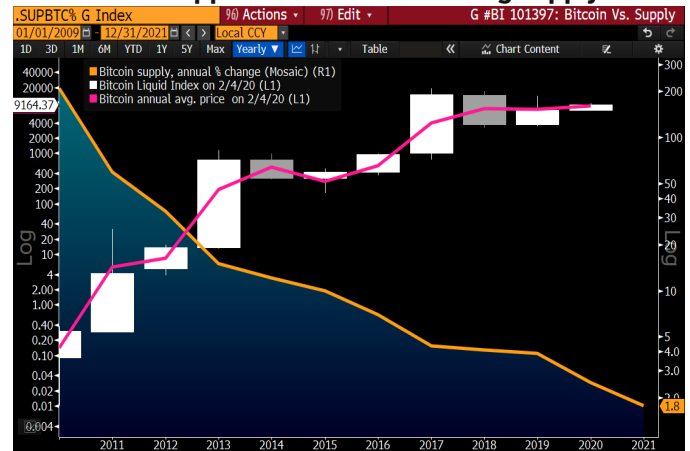
Name	1 Mth % Change	3 Mth % Change	YTD % Change	1 Yr % Change	2 Yr % Change
Bloomberg Galaxy Crypto Index					
Bloomberg Galaxy Crypto Index (BGCI)	-22	39.6	0.5	43.9	75.5
USD Cross					
Bitcoin Cash (BCH)	-10	58.6	29.5	84.5	219.3
Ethereum Classic (ETC)	-11	130.3	128.2	153.4	192.3
Bitcoin (BTC)	-11	20.6	-3.2	27.6	167.4
Litecoin (LTC)	-11	48.7	8.6	62.5	97.9
Ethereum (ETH)	-11	31.9	0.2	45.6	75.4
Monero (XMR)	-22	30.0	16.3	65.0	72.8
EOS (EOS)	-10	47.4	19.9	60.4	70.7
Dash (DASH)	-11	94.2	50.0	165.6	62.2
Zcash (ZEC)	-11	97.4	67.8	128.6	30.6
Ripple (XRP)	511	21.2	-10.7	38.9	-10.8
MVIS CryptoCompare Indices					
Single Asset Indices					
Bitcoin Cash (BCH)	-22	70.8	30.2	84.7	222.1
Ethereum Classic (ETC)	-11	148.6	128.0	153.6	189.1
Bitcoin OTC (BTC)	-11	25.7	-3.6	27.6	167.4
Bitcoin (BTC)	-11	25.3	-0.8	27.6	165.9
Litecoin (LTC)	-11	61.4	9.2	62.5	100.6
Ethereum (ETH)	-11	40.4	0.2	44.9	76.6
Monero (XMR)	-11	46.2	18.1	65.8	76.3
NEO (NEO)	-11	36.2	6.8	38.8	73.7
Dash (DASH)	-11	149.7	52.0	165.8	71.1
Iota (MIOTA)	-11	101.7	24.1	111.5	30.0
ZCash (ZEC)	-11	121.3	66.4	126.1	29.2
NEM (XEM)	-11	48.3	12.9	45.7	22.6
Ripple (XRP)	511	38.0	-9.9	39.1	-11.2
Multi-Asset Indices					
Digital Assets 100 Large Cap	-10	30.6	1.2	33.2	119.0
Digital Assets 100	-10	31.3	2.1	33.9	111.8
Digital Assets 5	-11	38.5	1.2	42.0	88.1
Digital Assets 10	-11	43.4	4.6	46.7	81.4
Digital Assets 25	-11	52.7	13.4	56.4	75.5
Digital Assets 100 Mid Cap	-11	49.5	28.6	52.4	42.9
Digital Assets 100 Small Cap	-11	31.3	-2.7	31.6	-7.0
MVIS IP owned by Van Eck, distributed by ...					
Bitwise Crypto Indices					
Multi-Asset Indices					
Bitwise 100 Total Market Crypto Index	-11	32.7	0.5	36.0	122.5
Bitwise Hold 10 Large Cap Crypto In...	-11	38.5	1.2	42.0	88.1
Bitwise 20 Mid Cap Crypto Index	-11	69.4	32.0	74.2	61.9
Bitwise 70 Small Cap Crypto Index	-11	29.6	4.8	32.3	0.0
Bitwise IP Owned by Bitwise Asset Manage...					
BTC Cross					
Bitcoin Cash (BCH)	-11	33.4	33.6	45.4	19.5
Ethereum Classic (ETC)	-11	97.9	135.6	98.3	9.2
Litecoin (LTC)	-11	24.9	12.2	27.2	-26.1
Ethereum (ETH)	-11	11.0	3.5	13.9	-34.6
Monero (XMR)	-11	16.7	20.2	29.2	-35.4
EOS (EOS)	-11	24.3	23.1	24.9	-36.6
Dash (DASH)	-11	99.6	55.0	108.1	-39.3
Zcash (ZEC)	-11	78.8	73.2	78.9	-51.2
Ripple (XRP)	-11	13.5	-4.5	12.8	-65.5

(3pm NY, Jan 4)

Basic Supply and Demand Rules Support Bitcoin.

Approaching 90% of all Bitcoin supply that will ever be mined (to be reached next year), the price bias remains tilted upward, in our view. The annual amount of new coins will decline to less than 2% in 2021, based on our analysis of data from Mosaic. The graphic depicts Bitcoin time-correcting the parabolic 2017 rally for a third consecutive inside-range year - ample time to alleviate its overbought condition. The first-born crypto should have limited downside and eventually resume appreciating as supply approaches its limit of 21 million. Adoption is the metric that matters, with about 87% of total supply already in the market.

Prices Should Appreciate With Diminishing Supply

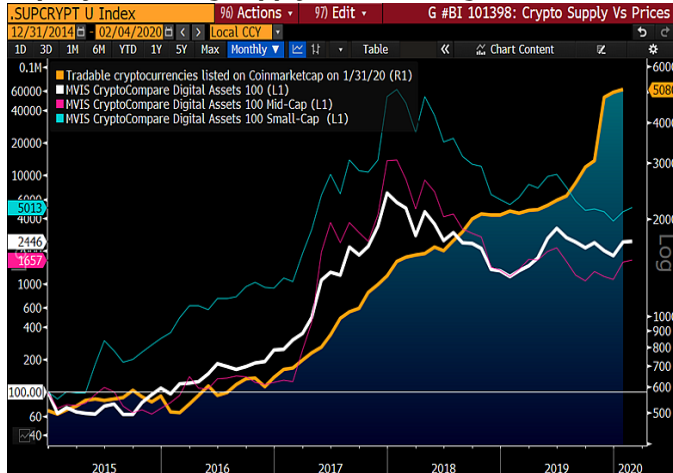


If sustained, the average price of about \$8,500 in 2020 to Feb. 4, would be the highest ever on an annual basis. We see little to pressure prices lower, as most adoption signals are positive.

Satoshi's Mistake Boosts Bitcoin Price vs. Market. Satoshi Nakamoto, the pseudonym for Bitcoin's creator, got one big thing wrong for a proper "peer-to-peer cash system," and it's supporting the first-born cryptocurrency's price appreciation while pressuring myriad wannabes. Programmed peak-supply means limited incentive to spend or sell an asset that's essentially a collectible. Our graphic depicts the opposite condition with broad cryptos: rapidly increasing supply due to few barriers to entry. The basics of supply and demand shine unfavorably on appreciating broad crypto-asset prices.

So, on which of the 5,000-plus cryptos do we focus? At the beginning of the 2017 rally, Coinmarketcap listed about 700 of the Bitcoin knock-offs. Most are better than the others and thus, the primary reason most broader crypto-asset indexes should remain under pressure.

Rapidly Increasing Supply and Declining Prices



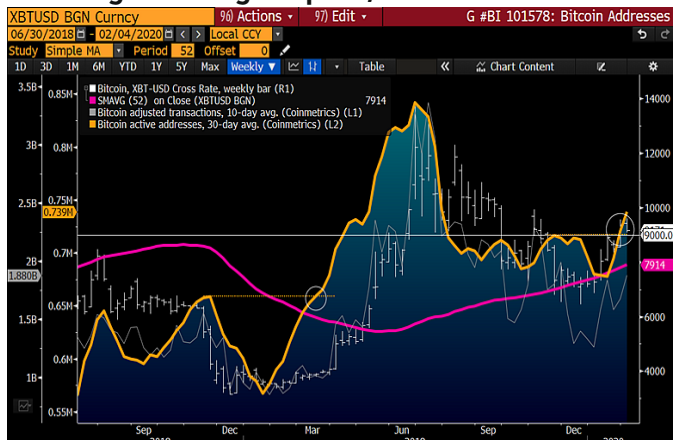
Favorable Bitcoin Companions

Futures, Addresses Indicate Firming Bitcoin-Adoption Foundation.

Volume and open interest in futures, and on-chain addresses used, are primary Bitcoin-adoption metrics that have soundly increased vs. a month ago, supporting price appreciation. The next key story for the benchmark crypto will be its bid to exit the \$8,000-\$10,000 range. Our perspective is that it's a consolidating bull market.

Bitcoin Addresses Point to Firming Foundation. Address totals suggest Bitcoin is likely to sustain above \$9,000, as we see it. One of the most robust indicators of the 2018 price decline and 2019 recovery -- the 30-day average of Bitcoin active addresses from Coinmetrics -- is the highest since July, when the price peaked at about \$14,000. Our graphic depicts a similar pattern in this metric when its 1H recovery preceded the end of the bear market. Indicating increasing adoption, this is an important gauge for the benchmark crypto, with about 90% of total available supply that will ever be mined already in the market.

Indicating Increasing Adoption, Addresses Rise



The shorter-term trading-focused indicator from Coinmetrics -- adjusted transactions -- suggests a Bitcoin price closer to the 52-week moving average just below \$8,000. The more buy-and-hold figure (addresses) reflects increasing investment interest.

Futures Are Advancing Bitcoin Foundation, Maturity.

Regulated exchange-traded futures remain a favorable indicator for the Bitcoin price. Our graphic shows the benchmark crypto appears to be well-situated, with increasing volume and open interest on the CME-traded future. The advent of options is a primary reason for this year's spike in trading, but primarily represents Bitcoin's transition toward the institutional mainstream.

Advancing Bitcoin Futures Volume and Interest



Open interest of almost 21,000 Bitcoins (about \$190 million) and 30-day volume of 37,000 (over \$300 million) indicate that a futures-based exchange-traded fund should be a matter of time. Bakkt open interest of about 1,200 Bitcoins on Feb. 4 was a new high for the nascent contract traded on FNX-ICE.

Advancing Bitcoin Unlikely to Keep Companions. New-year optimism is more sustainable in Bitcoin than the broader crypto market, in our view. An unlikely force would be needed to knock the first-born crypto off its global-benchmark status and endure a price decline. We believe there's greater potential of staying the course of increasing adoption. Our graphic depicts the relatively moribund performance of the second- and third-ranked constituents in the Bloomberg Galaxy Crypto Index -- Ethereum and XRP. They face plenty of competition and are at elevated risk, due to their more speculative nature and smaller market caps.

Bitcoin may not be the "peer-to-peer electronic cash" as originally designed, but it fills a unique role as a gold-like store-of-value in an increasingly digital world. Through Feb. 4, Ethereum and XRP were up 45% and 37% to start 2020 vs. 28% in Bitcoin.

Bitcoin Set to Continue Outperforming Most Alts



Investors in GBTC Taking Supply Off the Market. Inflows into the Grayscale Bitcoin Investment Trust (GBTC) are indicative of increasing allocations from buy-and-hold type investors supporting the price. Our graphic depicts the trust AUM in Bitcoin equivalents at a record high of almost 280,000. That's about 1.5% of the total supply vs. 1% near the price peak in 2017. A simple interpretation is that about 100,000 Bitcoins have been taken off the tradable supply market and put into investments. The process may be in its early days, similar to the advent of gold exchange-traded funds (ETFs) in 2004.

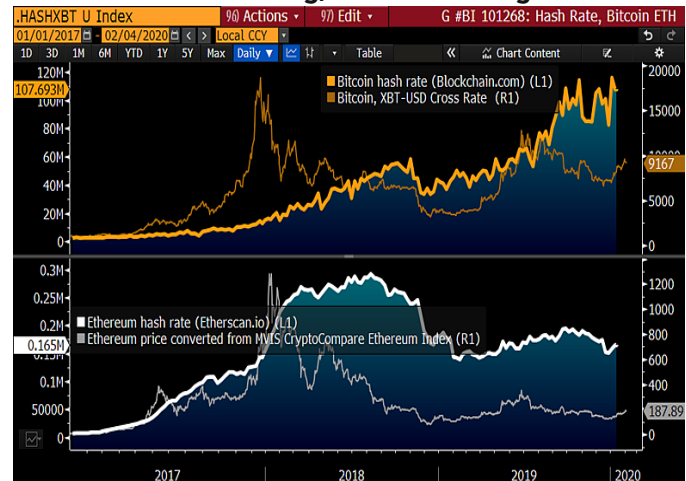
Bitcoin Trust Indicates Rising Investor Demand



GBTC trades at a premium, thus distorting the amount of Bitcoin equivalents, but the premium is a measure of demand, and measuring demand is our primary goal with the metric. AUM of the Bitcoin Tracker One ETF (COINXBE), based in Sweden, is equivalent to about 30,000 Bitcoins.

Bitcoin Hash Rate Reflects Dominance. In addition to Bitcoin's maturation process into more exposure vehicles such as listed futures and options, an advancing hash rate reflects this crypto leader's increasing adoption and dominance. Our graphic depicts the Bitcoin hash rate steadily advancing and well above that of Ethereum, the No. 2 crypto on Coinmarketcap. As measured by hash rate, the amount of processing power on the Bitcoin blockchain recently touched a record high. By contrast, the same measure of the Ethereum network is about 40% below the 2018 peak.

Bitcoin Hash Rate Is Rising, Ethereum Falling



This hash rate measure of the depth and processing power of a blockchain is in decline for most crypto assets, with the notable exception of Bitcoin.

{CRYPT} Page on the Bloomberg Terminal (3pm NY, Jan 4)

Standard						Cryptocurrency Monitor			
Index	Last	Net Chg	% Chg	Open/Yest Clo.	2D Chart	30D Rng	Time		
1) BGCI Bloomberg Galaxy	401.48	-2.53	-0.63%	401.69 404.01			15:22		
Bid/Ask Data (Supplied by Mosaic)									
Base USD									
Coins	Last	Net Chg	% Chg	Bid	Ask	2D Chart	30D Rng Time		
11) Bitcoin	9136.78	-137.41	-1.48%	9136.25	9137.30		15:22		
12) Bitcoin Cash	376.22	-5.25	-1.38%	375.67	376.76		15:22		
13) Dash	109.540	-5.693	-4.94%	109.410	109.670		15:22		
14) EOS	4.1374	-0.0648	-1.54%	4.1374	4.1375		15:22		
15) Ethereum	186.810	-2.707	-1.43%	186.740	186.870		15:22		
16) Ethereum Classic	11.329	-0.329	-2.82%	11.325	11.333		15:22		
17) Litecoin	67.040	-2.522	-3.63%	66.989	67.090		15:22		
18) Monero	73.952	-3.156	-4.09%	73.931	73.973		15:22		
19) XRP	0.2647	+0.0133	5.29%	0.2646	0.2647		15:22		
20) Zcash	63.813	-1.321	-2.03%	63.731	63.894		15:22		
Futures	Last	Net Chg	Volume	Open	Settle	2D Chart	30D Rng Time		
21) CME Bitcoin	9215	-195	7985	9355	9410		15:22		
Cryptocurrency News More »									
41)	Tesla Overbought Level Exceeds Bitcoin's at Peak Price: Chart						BN 11:20		
42)	Tesla Is More Overbought Than Bitcoin During Height of Bubble						BN 10:21		
43)	CCN: Here's Everything You Need To Know About Tesla Stock's Insane Rally						NS1 13:18		
44)	CoinTelegraph: IOTA Focuses on Immediate Adoption with Chrysalis Upgrade						NS1 15:14		
45)	Coin Desk: Handshake's Uncensorable Web Domains Go Live on Mainnet						WE3 15:13		
46)	FXStreet: Bitcoin Price Analysis: BTC/USD is nearing a technical support zone						NS5 15:10		
47)	Daily Bitcoin: Satoshi's Vision for Bitcoin Wasn't Payments, Says Kraken Exec						WE9 15:07		
48)	CryptoSlate: Cardano (ADA) is up 70% YTD but still isn't the best performing coin						NS1 15:01		
49)	Coin Desk: No, a Blockchain Wouldn't Have Prevented the Iowa Caucus Debacle						WE3 15:01		

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