

# Bitcoin Gaining Store-of-Value

Overview	1
Improving Macro Backdrop	1
'Meh' Market Indicators	2
Broad Subjectivity to Bitcoin	3

- Bitcoin and crypto market gaining hard-currency macro favor
- Gaining favor vs. negative yields, MMT
- Extended prices? Transactions are too low, volatility too high
- Bitcoin, cryptos meet retracement resistance
- The broad crypto market has little hope without higher bitcoin

Note - Click on graphics to get to the Bloomberg terminal

Mike McGlone - BI Senior Commodity Strategist

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

Most data as of June 4

**Performance:** Bloomberg Galaxy Crypto Index (BGCI)  
 May +58.1%, 2019 +72.0 thru June 4  
**Bitcoin:** May +62.3%, 2019 +108.3%, thru June 4

## That Sound You Heard? More Bitcoin Credibility as Digital Money

(Bloomberg Intelligence) -- Bitcoin and the crypto market should remain dominated by speculators susceptible to the path of least resistance, but it's gaining "sound money" accolades. Our short-term indicators signal a preference to avoid the fear of missing out (FOMO). Led by Bitcoin, crypto prices are extended by most measures. If a new bull market is sustained, we expect more base building to occur. In the bigger picture, Bitcoin is leading the crypto-market charge toward alternative, digital-age sound money vs. negative interest rates in an increasing number of countries.

Bitcoin, 10 years since inception, will continue to gain traction as a unique asset class, in our view. Volatility should continue to decline, but is increasing recently, indicating caution for further price advances. Lagging transactions are also cautionary.

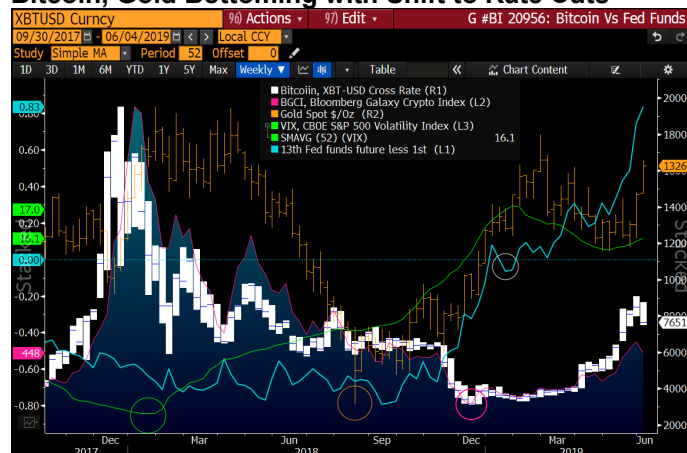
### [Improving Macro Backdrop](#)

**Bitcoin and Crypto Market Gaining Hard-Currency Macro Favor.** Bitcoin will continue to gain favor, as we see it, with easier monetary policies and increasing debt burdens. Negative interest rates in Japan and Germany, joining Switzerland, on the back of prospects of Federal Reserve rate cuts and the increasing popularity of Modern Monetary Theory (MMT) favor sound money and stores of value.

### Macroeconomic Landscape Favors Bitcoin, Cryptos.

The macroeconomic foundation is firming for Bitcoin and the crypto market. Our graphic depicts the recovering Bitcoin price and Bloomberg Galaxy Crypto Index along with gold's price, stock-market volatility and futures shifting to expectations of Fed easing. The one-year fed funds futures spread began pricing for a rate cut in January as Bitcoin bottomed.

### Bitcoin, Gold Bottoming with Shift to Rate Cuts



Getting past the stage of deflating the 2017 frenzy, Bitcoin is maturing into a digital version of gold. Rapidly advancing technology, increasing adoption and limited supply support its price. Dominated by speculators and extended in the shorter term based on most of our indicators, the Bitcoin alternative asset store-of-value macro foundation is firming.

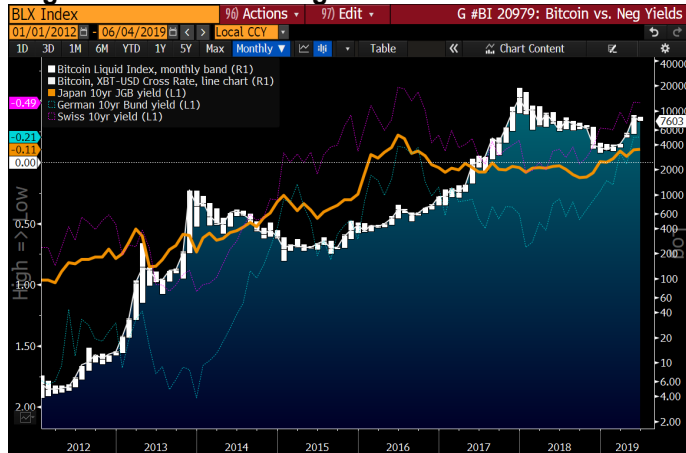
### Bitcoin Gaining Favor vs. Negative Yields, MMT.

Negative interest rates are a primary difference vs. last year that supports Bitcoin and crypto prices. Last June, the Swiss 10-year yield was a major negative-yielding standout. Now Japanese and German government-bond investors have to pay to lend. Expanding global quantitative easing and growing interest in Modern

# Bloomberg Crypto Outlook – June 2019 Edition

Monetary Theory, notably in the U.S., are sound-money supportive. With its shrinking supply (expected to halve next year), Bitcoin increasingly fills this role, which is still dominated by gold.

## Negative Yields Boosting Bitcoin Price

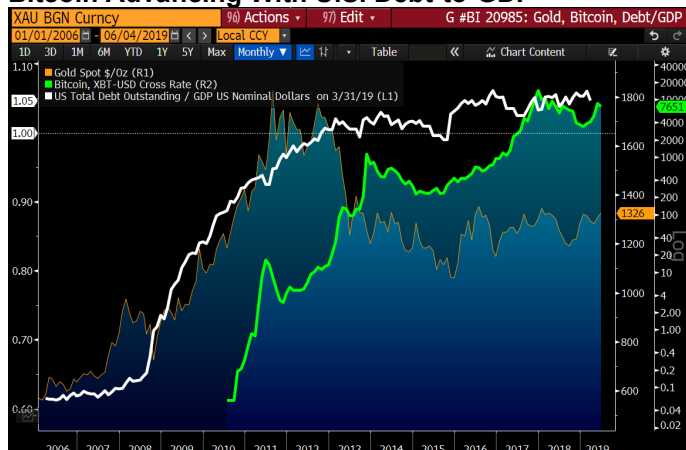


Bitcoin has recovered toward \$9,000 since trading at about \$7,500 at the start of June 2018. Gold has barely budged from \$1,300 an ounce, which emphasizes some key store-of-value attributes of Bitcoin -- the newer, more interesting asset and a better performer.

## Bitcoin Gains Sound-Money Status vs. U.S. Debt.

Increasing U.S. debt-to-GDP, with little end in sight, is supporting Bitcoin's price. When the first-born crypto began trading in 2009, total debt was almost 70% to GDP, with gold trading at \$900 an ounce. With debt above the 100% level now, gold has advanced about 50%, but has stagnated for six years with dollar appreciation and Bitcoin gaining attention. There's little doubt Bitcoin is gaining favor, notably among the younger, more tech-savvy. Our graphic depicts part of the macroeconomic reason -- rapidly increasing U.S. debt despite a growing economy.

## Bitcoin Advancing With U.S. Debt-to-GDP



Potentially akin to email vs. snail mail, Bitcoin may not be practical for day-to-day transactions. Yet as a store-of-value it has many favorable attributes, notably portability and limited supply.

## 'Meh' - Market Indicators

**Bitcoin Rally? Transactions Are Too Low, Volatility Too High.** Unless it's different this time, some primary Bitcoin price companions indicate price appreciation should be limited, at least in the near term. Elevated volatility and prices vs. consistent means in the midst of subdued transactions indicate that speculators are too optimistic, as we see it.

## Indicators Similar to Before Past Two Corrections.

Bitcoin's price is elevated, based on our primary indicators. Recently exceeding 80% above its 20-week average, with the 10-day average of adjusted transactions from Coinmetrics lagging behind, prompts shorter-term caution. Relative to its 20-week mean, our graphic depicts Bitcoin in a similar situation as November 2015 and June 2016, just before corrections back to this mean. Trailing transaction count is a primary difference this time.



On a quarterly basis, the Bitcoin price is 0.95 correlated to the 10-day average of transactions since January 2014. For comparison, the correlation to the MVIS CryptoCompare Digital Assets 100 is 0.94. The 20-week Bitcoin average has been a good trend indicator. It's heading higher, but near \$5,100 vs. \$7,600 on June 4.

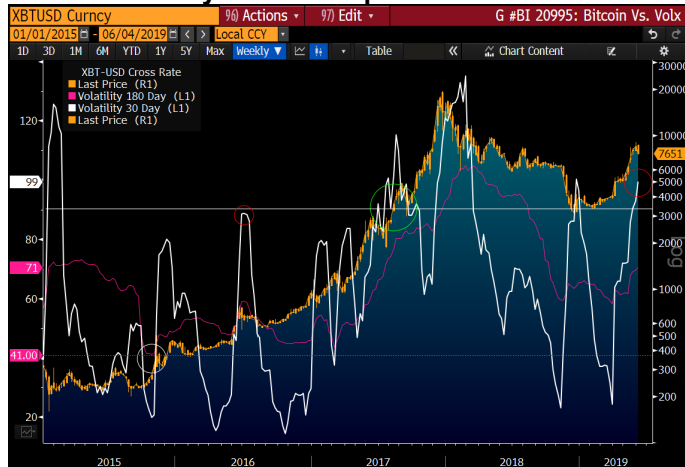
## High Volatility Indicative of Excess Speculation.

Excessive speculation needs to be cleansed for an enduring Bitcoin-price and crypto-market recovery, in our view. Bitcoin's 30-day volatility reading near 100% has rarely been exceeded in the past four years, except for the parabolic frenzy about two years ago. August 2017 marked the highest volatility in two years as Bitcoin broke

## Bloomberg Crypto Outlook – June 2019 Edition

above \$3,000. Adding legitimacy to this measure of excessive speculation, the low in the correction was about \$3,100; the market simply returned to the price area that sparked the frenzy.

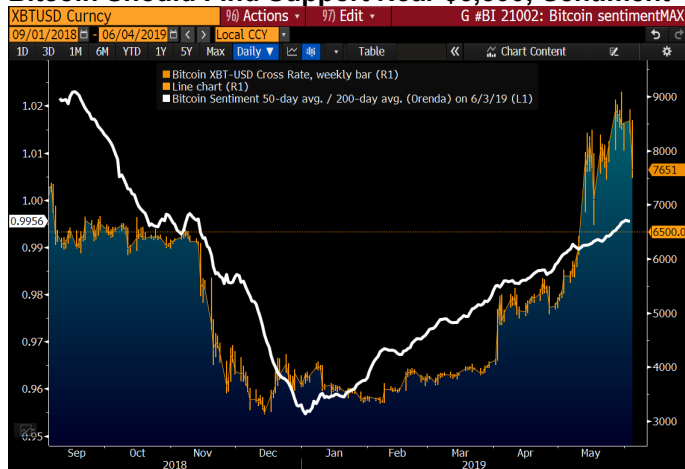
### Bitcoin Volatility Points to Speculative Excesses



In December, volatility peaked near 100% as the market bottomed. As we expect volatility to continue to decline with maturation, the recent recovery is a disconcerting trend for the path from speculative digital assets to become proper currencies.

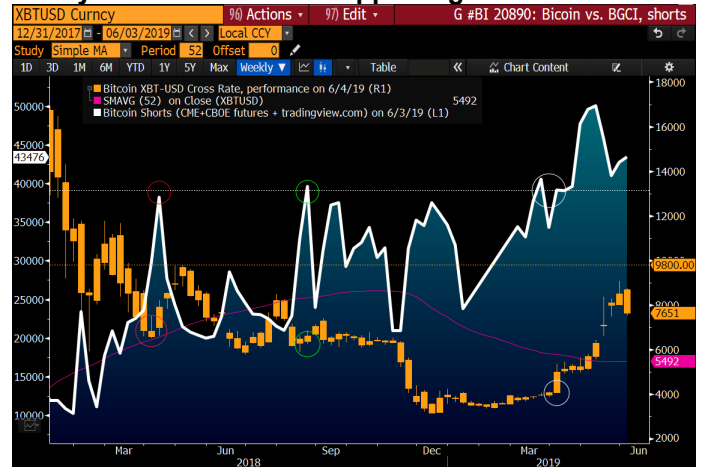
**Bitcoin-Sentiment Indicator Trending Positive.** Bitcoin should remain on an upward trajectory, with our graphic showing a clear uptrend in the 50-day average divided by the 200-day norm of Orenda's sentiment indicator. This measure was a consistent bear-market indicator last year. On an auto-scale basis from February 2018, good Bitcoin price support should come in just above \$6,500. This is also about the most widely traded area since the end of 2017.

### Bitcoin Should Find Support Near \$6,500; Sentiment



Still-Elevated Bitcoin Shorts Keeping a Bid Below the Market. Bitcoin's price should continue to appreciate until the high level of short positions declines, if history is a guide. Our measure of shorts, which includes listed futures (CME) and crypto exchanges from Tradingview.com, has declined from a record high in early May, but is still near levels where the price typically has limited ability to decline. Early April was the most recent example where shorts first sustained above current levels. Prices have appreciated since.

### Plenty of Bitcoin Shorts Supporting Prices



Indicating extremely negative sentiment, elevated shorts portend an end to the bear market, in our view. They also represent increasing market participation, maturation and more tools for trading, which should limit parabolic moves and suppress volatility.

## Broad Subjectivity to Bitcoin

**The Broad Crypto Market Has Little Hope Without Higher Bitcoin.** Indicating increasing adult supervision – institutional investors vs. retail speculators -- Bitcoin is gaining favor, but also adding risk to the broader crypto market. Bitcoin is running into layers of retracement resistance and increasing broad-market-beta risk on the way down.

### Bitcoin, Cryptos Meet Retracement Resistance.

Returning to the 38% retracement mark from the August 2017 breakout to the peak, Bitcoin and the crypto market have run into layers of resistance. Our graphic depicts the bulk of the 2017 parabolic rally beginning with Bitcoin first breaching \$3,000 and the full Bloomberg Galaxy Crypto Index (BGCI) history. Bitcoin has plenty of resistance to chop through -- the halfway mark is near \$10,700. If Bitcoin has limited upside, the broad market should be worse off.

# Bloomberg Crypto Outlook – June 2019 Edition

## Little Broad Market Hope Without Higher Bitcoin



Showing divergent weakness to the first-born crypto, the BGCI remains below its 24% retracement mark. Indicating speculative excesses, August 2017 was the first time in over two years that Bitcoin's 30-day volatility topped 90%. Also adding legitimacy to this time frame, the \$3,000 pivot then was the approximate correction low.

**Tether, Bitcoin SV Are Market-Cap Notables.** Bitcoin SV, the best performer on a one-month basis, is a prime example of the nascent stage of cryptos. The most recent significant hard fork of Bitcoin, SV has leaped to No. 8, as its primary creator (Craig Wright) gains traction in his claims to be the creator of Bitcoin, Satoshi Nakamoto. SV, short for "Satoshi's vision," also represents the rapidly increasing supply headwind for the broader market.

## Market-Cap Leaders: SV, Binance Coin and Tether

Top Ten Cryptocurrencies By Market Capitalization									
End of 2017				June 4, 2019					
		Mkt Cap.	% of		Mkt	% of			
		\$ Billions	Top 10		Cap. \$B	Top 10			
				Chg. from	1-month	Rank			
				2017	Change	Since			
						2017			
1	Bitcoin	216.3	45.1%	Bitcoin	141.8	64.6%	-34%	41%	-
2	XRP (Ripple)	81.2	16.9%	Ethereum	26.4	12.0%	-62%	52%	+1
3	Ethereum	68.9	14.4%	XRP	17.5	8.0%	-78%	39%	-1
4	Bitcoin Cash	40.1	8.4%	Bitcoin Cash	7.1	3.2%	-82%	40%	-
5	Cardano	16.7	3.5%	Litecoin	6.5	3.0%	-43%	44%	+1
6	Litecoin	11.8	2.5%	EOS	6.2	2.8%	27%	37%	+5
7	IOTA	9.2	1.9%	Binance Coin	4.4	2.0%	411%	41%	+20*
8	DASH	7.8	1.6%	Bitcoin SV	4.0	1.8%	n/a	327%	n/a
9	Stellar	5.7	1.2%	Tether	3.1	1.4%	123%	12%	+7
10	Monero	5.1	1.1%	Stellar	2.4	1.1%	-57%	30%	-2
	<b>Total</b>	<b>462.8</b>		<b>Total</b>	<b>219.4</b>		<b>-53%</b>	<b>42%</b>	

Sources: Bloomberg Intelligence, Coinmarketcap.com. 1-month change is from May 6. \*estimate of Binance coin rank advance

Binance Coin is advancing partly due to its connection with the Binance exchange, leaving the tenacity of Tether as one of this year's standouts. Getting past the allegations of New York's attorney general with appreciating market cap is a sign of strength for all cryptos, as we see it.

## {CRYPT} Page on the Bloomberg Terminal

Index	Last	Net Chg	% Chg	Open	Yest Close	2D Chart	30D Rng	Time
BGCI Bloomberg Galaxy	468.13	+19.91	4.44%	448.27	448.22			06:59

Coins	Last	Net Chg	% Chg	Bid	Ask	2D Chart	30D Rng	Time
1) Bitcoin	7856.41	+205.03	2.68%	7855.63	7857.20			06:59
12) BitcoinCash	409.89	+32.92	8.73%	409.00	410.79			06:59
13) Dash	149.089	+5.064	3.52%	148.594	149.585			06:59
14) EOS	6.4858	+0.2915	4.71%	6.4754	6.4962			06:59
15) Ethereum	247.217	+7.744	3.23%	247.100	247.335			06:59
18) Ethereum Classic	8.263	+0.323	4.07%	8.238	8.288			06:59
17) Litecoin	104.728	+3.793	3.76%	104.600	104.856			06:59
18) Monero	86.980	+3.833	4.61%	86.851	87.110			06:59
19) Ripple	0.4052	+0.0128	3.26%	0.4050	0.4053			06:59
20) Zcash	79.623	+2.021	2.60%	79.380	79.865			06:59

Futures	Last	Net Chg	Volume	Open	Settle	2D Chart	30D Rng	Time
21) CBOE Bitcoin	7900.00	+270.00	497.00	7505.00	7630.00			06:59
22) CME Bitcoin	7905	+280	1296	7525	7625			06:58

Cryptocurrency News | More »

- 4) CFTC's Giancarlo on Fed Policy, Liquidity, Swaps Framework, Blockchain (Video) BLC 04:16
- 4) Bitcoin Indicator Flashes a Sell Signal as Slump Accelerates BN 06/04
- 4) SEC Sues Kik Over \$100 Million ICO, Sees Kin as a Security (2) BN 06/04
- 4) Forex Crunch: Bitcoin price analysis: BTC/USD slides below historical EMA21 support WE9 06:57
- 4) Daily Bitcoin: Securities Regulator Issues Suspension to Crypto Investment Firm, Associated Crypto WE9 06:55
- 4) CoinTelegraph: Ripple Promises Higher Degree of Accuracy in XRP Volume and Sales Reporting NS1 06:54
- 4) Forex Crunch: Blockchain for Retail: Use Cases and Potential Applications WE9 06:53
- 4) Daily Bitcoin: Best Universities and courses offering Online Blockchain and Cryptocurrency Education WE9 06:47

As of the morning of June 5, 2019 EDT

## {BI COMD} Cryptos, Under Data Library

Name	MTD % Change	1 Mth % Change	3 Mth % Change	YTD % Change	1 Yr % Change	2 Yr % Change
<b>Bloomberg Galaxy Crypto Index</b>						
Bloomberg Galaxy Crypto Index (BGCI)	-7.2	39.3	74.1	79.7	-41.0	
<b>USD Cross</b>						
Litecoin (LTC)	-5.8	40.0	102.3	254.9	-13.5	
Bitcoin Cash (BCH)	-5.6	43.0	214.9	169.3	-64.4	
EOS (EOS)	-20.0	33.0	74.2	154.6	-54.2	
Bitcoin (BTC)	-7.6	38.0	105.0	113.9	3.0	195.1
Monero (XMR)	-6.3	29.4	75.4	91.0	-48.0	
Ethereum (ETH)	-5.6	42.8	82.9	90.1	-59.3	
Dash (DASH)	-8.0	24.6	78.5	86.3	-53.1	
Ethereum Classic (ETC)	-1.9	45.0	93.9	62.8	-46.4	
Zcash (ZEC)	-10.1	32.9	56.3	38.0	-66.6	
Ripple (XRP)	-6.4	35.0	29.7	17.2	-40.2	
<b>MVIS CryptoCompare Indices</b>						
<b>Single Asset Indices</b>						
Litecoin (LTC)	-4.4	31.9	99.6	244.4	-11.4	246.9
Bitcoin Cash (BCH)	-4.7	36.2	212.7	161.8	-49.7	
Bitcoin OTC (BTC)	-7.0	38.4	104.7	113.5		
Bitcoin (BTC)	-6.3	35.5	102.8	105.9	3.7	245.5
Dash (DASH)	-8.0	21.6	86.2	89.5	-51.2	5.8
Ethereum (ETH)	-4.6	43.1	82.9	84.2	-58.1	2.4
Monero (XMR)	-6.1	26.6	74.8	82.7	-48.6	77.5
Ethereum Classic (ETC)	-1.1	32.2	88.3	57.8	-46.5	-51.9
NEO (NEO)	-9.0	14.2	35.5	52.6	-78.1	865.3
Zcash (ZEC)	-8.9	22.0	53.7	34.8	-67.3	-68.8
NEM (XEM)	-9.8	45.0	94.3	26.3	-67.3	-65.3
Iota (MIOTA)	-10.8	49.5	49.7	16.6	-75.5	
Ripple (XRP)	-4.9	28.0	27.8	12.1	-40.1	39.5
<b>Multi-Asset Indices</b>						
Digital Assets 25	-3.1	39.2	92.0	100.8	-44.6	74.5
Digital Assets 100 Large Cap	-5.6	35.4	90.6	92.4	-27.4	108.0
Digital Assets 100	-5.4	34.0	87.2	89.3	-32.5	97.3
Digital Assets 10	-5.7	34.1	80.7	80.6	-38.0	82.7
Digital Assets 5	-5.3	36.8	82.7	79.9	-34.5	87.8
Digital Assets 100 Small Cap	-2.9	20.5	46.3	59.0	-74.0	-9.3
Digital Assets 100 Mid Cap	-2.8	11.3	43.5	45.5	-72.9	-35.4
<b>MVIS IP owned by Van Eck, distributed by ...</b>						
<b>Bitwise Crypto Indices</b>						
<b>Multi-Asset Indices</b>						
Bitwise Hold 10 Large Cap Crypto In...	-5.3	36.8	82.7	79.9	-34.5	87.8
Bitwise 100 Total Market Crypto Index	-10.5	32.4	83.0	77.0	-33.4	72.2
Bitwise 70 Small Cap Crypto Index	-9.1	15.4	36.4	48.2	-72.1	-25.7
Bitwise 20 Mid Cap Crypto Index	-10.5	18.3	54.8	28.5	-72.0	-54.1
<b>Bitwise IP Owned by Bitwise Asset Manage...</b>						
<b>BTC Cross</b>						
Litecoin (LTC)	0.4	-1.7	-2.7	63.5	-17.3	
Bitcoin Cash (BCH)	1.8	0.3	52.6	27.2	-65.5	
EOS (EOS)	-13.1	-5.4	-14.7	19.5	-55.3	
Monero (XMR)	1.4	-7.0	-14.4	-10.7	-49.5	
Ethereum (ETH)	2.1	9.7	-10.9	-11.3	-60.6	
Dash (DASH)	-0.5	-10.1	-13.0	-13.0	-54.5	
Ethereum Classic (ETC)	5.9	-1.4	-5.7	-24.1	-48.2	
Zcash (ZEC)	-2.8	-7.8	-23.8	-35.5	-67.6	
Ripple (XRP)	-1.7	-4.5	-38.7	-46.9	-43.7	



The data included in these materials are for illustrative purposes only. The BLOOMBERG TERMINAL service and Bloomberg data products (the “Services”) are owned and distributed by Bloomberg Finance L.P. (“BFLP”) except (i) in Argentina, Australia and certain jurisdictions in the Pacific islands, Bermuda, China, India, Japan, Korea and New Zealand, where Bloomberg L.P. and its subsidiaries (“BLP”) distribute these products, and (ii) in Singapore and the jurisdictions serviced by Bloomberg’s Singapore office, where a subsidiary of BFLP distributes these products. BLP provides BFLP and its subsidiaries with global marketing and operational support and service. Certain features, functions, products and services are available only to sophisticated investors and only where permitted. BFLP, BLP and their affiliates do not guarantee the accuracy of prices or other information in the Services. Nothing in the Services shall constitute or be construed as an offering of financial instruments by BFLP, BLP or their affiliates, or as investment advice or recommendations by BFLP, BLP or their affiliates of an investment strategy or whether or not to “buy”, “sell” or “hold” an investment. Information available via the Services should not be considered as information sufficient upon which to base an investment decision. The following are trademarks and service marks of BFLP, a Delaware limited partnership, or its subsidiaries: BLOOMBERG, BLOOMBERG ANYWHERE, BLOOMBERG MARKETS, BLOOMBERG NEWS, BLOOMBERG PROFESSIONAL, BLOOMBERG TERMINAL and BLOOMBERG.COM. Absence of any trademark or service mark from this list does not waive Bloomberg’s intellectual property rights in that name, mark or logo. All rights reserved. © 2019 Bloomberg.

Bloomberg Intelligence is a service provided by Bloomberg Finance L.P. and its affiliates. Bloomberg Intelligence shall not constitute, nor be construed as, investment advice or investment recommendations (i.e., recommendations as to whether or not to “buy”, “sell”, “hold”, or to enter or not to enter into any other transaction involving any specific interest) or a recommendation as to an investment or other strategy. No aspect of the Bloomberg Intelligence function is based on the consideration of a customer's individual circumstances. Bloomberg Intelligence should not be considered as information sufficient upon which to base an investment decision. You should determine on your own whether you agree with Bloomberg Intelligence.

Bloomberg Intelligence is offered where the necessary legal clearances have been obtained. Bloomberg Intelligence should not be construed as tax or accounting advice or as a service designed to facilitate any Bloomberg Intelligence subscriber's compliance with its tax, accounting, or other legal obligations. Employees involved in Bloomberg Intelligence may hold positions in the securities analyzed or discussed on Bloomberg Intelligence.