

Bitcoin	1
Broad Market	3
Movers	4
Ethereum	4
Ripple	5
EOS	6

From Lamborghinis to Fiats

- Bitcoin NVT ratio is far from buy zone
- Unprecedented cryptocurrency price Indications pointing negative
- Movers -- EOS pump likely done, advancing tether added omen
- Crypto supply signals early days of price support

Note - Click on graphics to get to the Bloomberg terminal

Mike McGlone - BI Senior Commodity Strategist
James Seyffart - BI ETF and Commodities Strategist

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

Most data as of July 6

Trading Lamborghinis for Fiats Likely Before Crypto Bottom

(Bloomberg Intelligence) -- Without earnings or revenue and competing against U.S dollars earning close to 2%, cryptocurrencies need new buyers. Institutions are in baby steps as proper regulation is needed, which should keep pressure on prices. Bitcoin below its 52-week mean implies that most buyers in the past year are underwater after the longest period in history above this mean, and reciprocity is likely. The NVT ratio, a proxy similar to stock earnings, shows Bitcoin at a similar rich level as the 2014 bear market. Parking alt-coin gains in Bitcoin risks a tide-going-out domino effect. Volatility remains high vs. past bottoms, yet it should near new lows with maturation and increased participation. Supply, demand and price indicators remain negative. New lows puts another gut-wrenching bear market rally on radar.

few were primary players, indicates sustained bear-market pain before the potential gain. Life-changing wealth optimism for the mainstream is what the Bitcoin bear-market charts appear to depict. Rallies have been sharp, but holding resistance near levels that supported the bull market.

Bitcoin NVT Ratio Is Far From Buy Zone. The Bitcoin network value-to-transaction (NVT) ratio is too high for a typical price bottom. Close to 160, the estimated value of all Bitcoin vs. daily transactions as determined from Blockchain.info is about double the average since 2010. The eight-week average, a good proxy for price trends is near the peak from 2014, the only down year for Bitcoin (58%). Peaks in this ratio appear to be declining with maturation. The most recent bottom in the eight-week average at the end of 2015, close to 45, almost matched the same four years earlier.

[Well Fed Bitcoin Bear](#)

Bitcoin Downtrend is Gaining Momentum



Riding the Bitcoin Bear, False-Hope Rallies Should Be Expected. The history of Bitcoin, when a more select

Network Value to Transactions Elevated



Both NVT bottoms trailed Bitcoin lows, but proved to be good indications of relatively low prices. The NVT ratio is considered a similar relative value proxy for cryptocurrencies as PE ratios are for stocks.

Bitcoin Likely to Endure Bear's Grasp Awhile. It appears that Bitcoin's mean-reversion process is just

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starting. The number of addresses used, a demand proxy, hasn't been this low in two years, when Bitcoin traded at about \$600. What was support is now resistance. Indicating plenty of room to roam in bear territory, prices are about midway between the downward-trending 18-week average near \$8,000 and 40% below (about \$4,800). This mean was good guidance in the bull market, with prices rarely extending more than 60% higher, until 2017.

Bitcoin Downtrend Appears in Early Days



Indicating the extent of the frenzy and a bearish divergence, about a year ago Bitcoin stretched more than 90% above the 18-week mean as addresses declined. Markets often revisit such extremes. The May-June rush toward \$3,000 appears to be highly speculative. The downdraft is likely to reciprocate the parabolic gains.

Crypto Supply Signals Early Days of Price Support.

The digital-currency supply appears to have peaked, but will likely require an extended period of normalization for demand to catch up. Supporting an eventual bottom in prices similar to four years ago, the rate of increase in tradable cryptos from CoinMarketCap is heading lower. An extended period of stagnant new issuance is likely necessary to adequately reduce speculative excess. The 2014-16 supply decline lasted a bit less than two years. Bitcoin was predominant then, as the amount of new coins reached about 300 above its 20-month average.

The recent peak in this measure of the cryptocurrency-supply velocity (almost 600 in February) appears to be headed toward an early-stage decline. Bitcoin initially plunged 82% from its 2013 peak. The number of coins (almost 1,600) is about double a year ago.

Declining Supply: The Beginning of Price Support



Key Mean-Reversion Theme Playing Out in Bitcoin.

Mean reversion, our key theme for 2018, has just begun in Bitcoin and is catching up in stocks, in our view. Typically after parabolic rallies such as 2017's, Bitcoin nadirs haven't occurred until volatility is much lower. The 180-day measure near 95% is more than double the 2015 bottom, when the crypto market was immature and Bitcoin touched \$183. Increasing Bitcoin participation and maturation should pressure volatility, potentially to a new low before the next price bottom.

Bitcoin Volatility Too High for Typical Bottom



The CBOE Volatility Index, recovering from the lowest-for-longest since 1990, has plenty of mean-reversion room, with negative implications for stocks. The 2017 Bitcoin and S&P 500 Index means (\$3,953 and 2,449), a respective 39% and 11% below July 6 levels, also are indicative of markets that simply rallied too far.

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Bearish Broad Market Indicators

Unprecedented Cryptocurrency Price Indications Pointing Negative. Primary supply, demand and price indicators remain lower for cryptocurrency prices. Never have Bitcoin addresses used plunged with such velocity. Other indicators include still parabolically increasing supply of tradable coins, elevated market volatility and unprecedented index vs. component volatility divergence.

Cryptocurrency Supply Too High for Price Bottom. In need of new inflows, the broad cryptocurrency market should remain overburdened by excessive supply. Since the December peak in the MVIS Cryptocompare Digital Assets 10 index, about 300 new tradeable coins have been added according to coinmarketcap.com. Last years frenzy coincided with a rapid increase in new coins, but the inflection point appears to have been reached.

Prices Appear at Inflection to Increasing Supply



In 2016, the broad market embarked on the historic rally after this supply measure remained unchanged for almost two years. It was much more of a select-few market then, dominated by Bitcoin. Achieving plenty of mainstream status in 2017, the best of exponential price gains should be past, at least until there is more pain, if history is a guide.

Unprecedented Decline in Addresses Used. The rapid decline in the amount of Bitcoin addresses used in 2018 portends a cryptocurrency bear market more severe than before. Measured vs. its 26-week mean, Bitcoin addresses in 2018 plunged to the lowest rate of change since 2011. A sharp recovery in addresses then coincided with a price recovery when the market was dominated by Bitcoin in early days. The amount of addresses close to 342,000, according to Blockchain.info, is unchanged since November 2015. Potentially of greater significance, for the first time the rate of change from a year ago in the monthly average is negative.

Bitcoin Addresses Used Portend More Price Declines



The indication is some combination of market maturation, declining interest and increased speculation. Longer-term holders are more likely to use their own addresses vs. more speculative exchange trading which consolidates them.

Unprecedented Volatility Disparity Is an Omen. Higher volatility in an index vs. a primary constituent is an oxymoron that exists in cryptocurrencies -- the indication is negative for prices. Bitcoin 180-day volatility is 95% vs. 102% for the MVIS Cryptocompare Digital Assets 10 Index. Overall market volatility is too high compared with typical price bottoms, but this disparity adds another pressure factor. Such discrepancies are unheard of in normal markets, which is precluding more institutional investment.

Volatility Is Too High for Typical Price Bottom



There are various reasons for such a divergence other than actual index volatility exceeding a component, notably the quality and robustness of widely tradeable pricing sources. This was a key issue Bloomberg confronted with the creation of the Bloomberg Galaxy Crypto Index, given defensible price-data sources are hard to come by.

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Movers - EOS Getting Tethered

Movers -- EOS Pump Likely Done, Advancing Tether Added Omen. Recent EOS reversion and relative Tether survivorship are indicative of a progressing market hangover process. Stable coin Tether flirting with top 10 status indicates outflows from its speculative pumped brethren. Previously pumped EOS appears similar to Ripple (XRP) at the end of 2017.

Relative Survivor Platforms Getting Tethered. Tether flirting with No. 10 among top cryptocurrencies indicates a maturing market and is a potential omen for its more speculative brethren. Top 10 shuffling was little changed from a month ago, with decentralized-application platforms showing relative strength in 2018 -- Ethereum and EOS being the leaders. Of greater significance recently may be No. 11 on July 5. At the end of June and beginning of July, controversial stable coin Tether obtained No. 10 status on Coinmarketcap.com.

EOS Maintains No. 5 But Tether Gaining

Top Ten Cryptocurrencies By Market Capitalization								
End of 2017				July 5, 2018				
	Mkt Cap.	% of		Mkt Cap.	% of	Mkt. Cap.	Rank	
	\$ Billions	Top Ten		\$ Billions	Top Ten	Change	Change	
1	Bitcoin	216.3	45.1%	Bitcoin	115.3	51.7%	-47%	-
2	Ripple	81.2	16.9%	Ethereum	48.3	21.7%	-30%	+1
3	Ethereum	68.9	14.4%	Ripple	19.3	8.6%	-76%	-1
4	Bitcoin Cash	40.1	8.4%	Bitcoin Cash	13.1	5.9%	-67%	-
5	Cardano	16.7	3.5%	EOS	8.1	3.6%	66%	+6
6	Litecoin	11.8	2.5%	Litecoin	4.9	2.2%	-59%	-
7	IOTA	9.2	1.9%	Cardano	4.0	1.8%	-76%	-2
8	DASH	7.8	1.6%	Stellar	3.9	1.8%	-30%	+1
9	Stellar	5.7	1.2%	IOTA	3.3	1.5%	-64%	-2
10	Monero	5.1	1.1%	NEO	2.8	1.2%	-42%	+2
Total		462.8		Total	220.2		-52%	

Sources: Bloomberg Intelligence, Coinmarketcap.com

The "A Peer-to-Peer Electronic Cash System" mantra of the Bitcoin white paper favors coins with stable prices for such transactions. Tether climbing the leader board may be more indicative of the realities of the speculative excesses of the broader market. High volatility is repressive for most actual use cases.

Pumped Then Dumped June May Get Worse for EOS.

The stud of 2018, EOS appears similar to Ripple when its XRP token peaked above \$3 in January. Down near 90% since, the EOS one-month decline of 37% shows a similar pump-and-dump pattern. A competitor to Ethereum, EOS should be a good proxy for the entire market -- further sustained price appreciation will likely depend on overall market sentiment. Our view that the market is in early days of a hangover supports more EOS mean reversion.

EOS Pump Hangover Likely to Be Enduring

Name	1 Mth % Change	3 Mth % Change	YTD % Change	1 Yr % Change	2 Yr % Change	3 Yr % Change
■ Bloomberg Galaxy Crypto Index						
Bloomberg Galaxy Crypto Index (BGCI)	-22.2					
■ MVIS CryptoCompare Indices						
■ Single Asset Indices						
Ethereum Classic (ETC)	20.7	38.4	-36.0	3.5		
Ethereum (ETH)	-21.1	27.4	-37.1	76.7	4,698.1	
NEO (NEO)	-29.8	-16.7	-45.9	376.6		
Bitcoin (BTC)	-12.8	-0.7	-55.1	198.7	1,060.8	2,802.1
Monero (XMR)	-18.6	-18.4	-63.4	165.6	6,700.4	26,427.3
Litecoin (LTC)	-30.5	-27.5	-67.1	60.7	1,749.0	1,447.4
ZCash (ZEC)	-26.4	-2.7	-68.3	-41.1		
Iota (MIOTA)	-37.1	12.9	-71.2			
Ripple (XRP)	-28.5	1.1	-71.6	88.2	7,231.6	4,981.8
Bitcoin Cash (BCH)	-34.3	20.4	-73.8			
Dash (DASH)	-12.9	-16.2	-78.9	13.0	3,333.9	7,587.4
NEM (XEM)	-22.4	-10.8	-80.7	12.6	1,961.3	151,219.8
■ Multi-Asset Indices						
Digital Assets 25	-25.2	5.7	-54.9	142.2	3,453.7	8,012.3
Digital Assets 100 Small Cap	-33.0	-6.5	-55.7	132.6	2,602.5	8,173.6
Digital Assets 5	-21.3	9.5	-55.9	123.6	2,012.2	5,241.8
Digital Assets 10	-23.1	9.6	-57.2	122.3	3,052.3	6,534.4
Digital Assets 100 Large Cap	-20.5	5.0	-58.9	118.6	1,390.9	3,451.5
Digital Assets 100	-21.7	3.9	-59.0	118.9	1,478.9	3,654.2
Digital Assets 100 Mid Cap	-31.1	-7.7	-64.2	43.2	3,345.8	4,743.7
■ MVIS IP owned by Van Eck, distributed by ...						
■ USD Cross						
Bitcoin (BTC)	-13.7	-0.4	-54.1	153.1	873.9	2,300.3
Ethereum (ETH)	-22.2	27.4				
Ripple (XRP)	-29.3	1.5				
Litecoin (LTC)	-31.3	-27.0				
Bitcoin Cash (BCH)	-35.4	20.4				
Dash (DASH)	-23.6	-15.9				
Ethereum Classic (ETC)	19.5	38.4				
EOS (EOS)	-37.2					
Monero (XMR)	-19.1					

The near 20% one-month gain in Ethereum Classic simply due to being added to the Coinbase trading platform is indicative of speculative excesses that likely still need purging. The hard fork Ethereum is ranked number two in market cap vs. fifteen for classic due to its more robust blockchain. Classic is part of some more early generation coins that are likely to be left to the wayside.

Ethereum Set for More Declines

Ethereum's High Volatility, Competition Bring Bumps In the Road. One of the better relative performers in the bear market, Ethereum should continue to succumb to the lower cryptocurrency tide. Volatility remains too high for a typical bottom for Ethereum's token, ETH, and recent support from rival EOS's pump should prove fleeting.

Ethereum Appears at Mercy of New Rival EOS. High-flying EOS may have an outsized influence on the price path for Ethereum -- risks remain elevated. Optimism for the new decentralized platform competitor supported the entire market, notably Ethereum, but the recent divergence appears ominous. Ethereum's 2018 mean reversion process was interrupted early in April on the back of the EOS's move to a new high, just prior to the token launch. What appears as a prelaunch pump is at high risk of broader bear market reality.

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Lifted by EOS Pump, Ethereum Risks More Reversion



Ethereum and EOS had a combined market capitalization near \$55 billion on July 6, with EOS near 20% vs. 2% a year ago. The bear market appears unable to sustain such lofty valuations. EOS, at high risk of further reverting the pump run-up would remove an Ethereum price support. If EOS sustains the recent peak, older Ethereum should remain a laggard.

Competition, Volatility Too Much for Ethereum.

Elevated volatility and increasing competition should keep Ethereum under pressure. ETH prices have had a greater propensity to bottom when volatility is well-below recent peaks. Nearing November lows, 90-day volatility is off its 2018 peak, but likely to continue to decline as part of the market maturation process involving greater participation and increasing competition. Near 90%, volatility is double the 2016 low that preceded the historic bull market. This level will be revisited; it's a question of time as the nascent market matures.

New Low Volatility Likely For Price Bottom



New competitors, such as EOS, represent part of the maturing process as should some back-and-fill of parabolic gains. The two-year peak in 90-day volatility occurred about a year ago, along with the inception of trading of EOS ERC20 tokens.

Mean Reversion Risks & Ripple

Mean Reversion Leading Ripple Likely to Bring Further Unwinding. A primary object of speculation in 2017, the Ripple XRP token is likely to maintain a mean reversion leadership position. Its price remains too lofty, based on relative value to the market and volatility analysis.

Ripple Faces Severe Mean Reversion Risks. Relative to the broader cryptocurrency market, Ripple is set to maintain its 2018 underperformer status. The XRP token's relative performance spike in 2018 is similar to 2017 -- both from a valuation foundation that's likely to be revisited. Compared with the MVIS CryptoCompare Digital Assets 10 Index, the XRP token price is barely changed since the beginning of 2016. Prior to what appears to be a mostly speculative-driven price spike in 2017, XRP underperformed the market.

Ripple Likely to Drop to Previous Base to Market



XRP is poised to return to similar relative value levels. With the broad market unchanged, XRP's current price near 47 cents would need to drop to almost 16 cents (about 70%) to return to similar relative-to-the market levels from before the price spikes.

Ripple Leading Price, Volatility Trend Down. A frenzy leader in 2017, Ripple's XRP token should continue to be a leader in the trend toward lower prices and volatility. With 90-day volatility near the December low, both price and volatility are back near initial support levels, but they're more likely to act as speed bumps in the mean

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reversion process. Pre-2017 frenzy volatility levels, which bottomed near 40%, should be in play. Current readings more than double that indicate the extent of mean reversion risks.

Nearing Supports Likely to Be Speed Bumps



New buyers should be necessary to support the XRP token price. High volatility reduces the practicality of XRP for the Ripple use-case of instant global payments. Maturing markets with greater participation should continue to pressure price volatility.

[Too Hot EOS](#)

Too-Hot EOS Should Extend Its Cooling-Down Process. Appearing too optimistically priced a month ago, EOS's cryptocurrency may still be too hot for even moderate success with its use-case: enterprise adoption via mass scalability. The market cap peak near \$18 billion for a cryptocurrency without a live product was extreme and a less-than-perfect coin launch further indicates market excess.

MainNet Launch Delays and Glitches Weigh. EOS has had numerous issues despite the massive war chest of \$4 billion awarded during capital raising, proving that the best products won't necessarily be the ones with the most money backing them. EOS MainNet's launch was delayed seven days, till June 10, as bugs were worked out. Six days later, the entire network came to a halt for several hours. Aside from technical issues, EOS and the larger crypto community are in heavy debate over EOS's arbitration process, which the company said may be changed. The delays and glitches have hurt EOS's price and can't be overlooked.

EOS Price Pre- and Post-MainNet



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