

Bloomberg Crypto Outlook

Global Cryptocurrencies 2022 Outlook

- Bitcoin, Ethereum, Cryptos, the Fed and 2022 Deflationary Forces
- Three Crypto Stalwarts for 2022? Dollars, Ethereum, Bitcoin
- Did Bitcoin Start a New Bull Market in 2021? A Refreshed Trend
- What Might Stall the Ethereum Bull in 2022? Higher Prices

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Most data and outlook as of December 3, 2021

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Note - Click on graphics to get to the Bloomberg terminal

2022 Outlook: Global Cryptocurrencies

Performance: Bloomberg Galaxy Cypto Index (BGCI)

November +1%, 2021 to December 3: +201%

Bloomberg Galaxy DeFi Index (DeFi)

November -15%, 2021 +177%

Bitcoin November -6%, 2021 +85%

Ethereum November +8%, 2021 +470%

(Bloomberg Intelligence) -- Incentivized by China's ban and the proliferation of revolutionary technologies such as crypto dollars and non-fungible tokens (NFTs), we expect the U.S. to embrace cryptocurrencies in 2022, with proper regulation and related bullish price implications. Stable coins may be misnamed, as most of them track the dollar. The unlimited supply of fiat currency should sustain rising prices, notably in Bitcoin and Ethereum, which have limited supply. What might trip up the advancing three musketeers -- Bitcoin, Ethereum and crypto dollars -- may be the more profound question for 2022, but we expect wider adoption to prevail and overcome most wobbles, like 2021's near 50% correction. Some normalization in stock-market returns and a continued decline in U.S. Treasury bond yields may shine on Bitcoin and Ethereum in portfolios.

Bitcoin, Bonds and the Fed

Bitcoin, Ethereum, Cryptos, the Fed and 2022

Deflationary Forces. Renewed impetus from the Federal Reserve to take away the punch bowl, and declining bond yields may point to a macroeconomic environment in 2022 that favors top cryptocurrencies Bitcoin and Ethereum. Crypto assets showing divergent strength vs. equities near the end of 2021 may portend continued digital-asset outperformance in 2022.

Is Bitcoin Looking Forward to a Fed End Game? A primary force to reverse expectations for Federal Reserve tightening in 2022 is a drop in the stock market, which may be a bit of a win-win for Bitcoin. The benchmark crypto, well on its way to becoming a digital store-of-value, remains in a price-discovery mode and is a risk asset, and has been rising with the equity tide. Bitcoin will face initial headwinds if the stock market drops, but to the extent that declining equity prices pressure bond yields and incentivize more central-bank liquidity, the crypto may come out a primary beneficiary. Our graphic depicts the one-year-out Fed funds future pricing for higher rates in 2022. The facts of failed attempts by the Federal Reserve to sustain tightening cycles, notably since the 2015 hike, point to the U.S. following Japan and Europe toward negative yields.

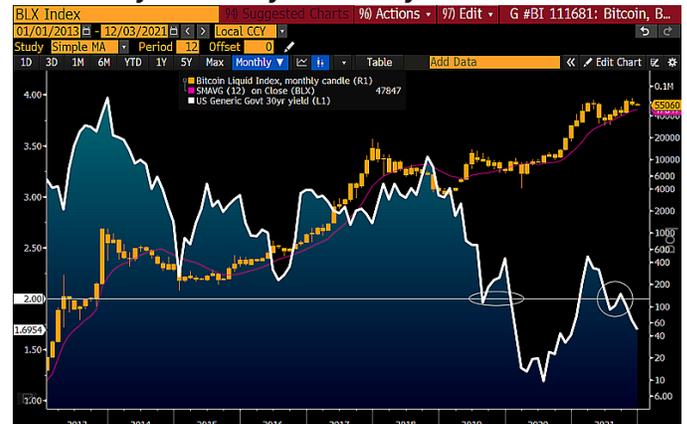
Against-Consensus Declining Bond Yields and Bitcoin.

The inability of the U.S. Treasury long bond to sustain above 2%, despite widespread consensus for higher yields, may be a primary indicator of a transition back to a more deflationary environment in 2022 favoring Bitcoin. The long bond first dropped below the 2% threshold in February 2020, signaling the severity of the pandemic. Most risk assets followed in March. Our graphic depicts U.S. yields potentially on a trajectory to follow Japan and Europe into negative territory. The upcoming digital reserve asset may be a top standout to benefit.

Is Fed Tightening a Dream? Bitcoin May Tell



Bitcoin May Be Primary Beneficiary of Lower Yields



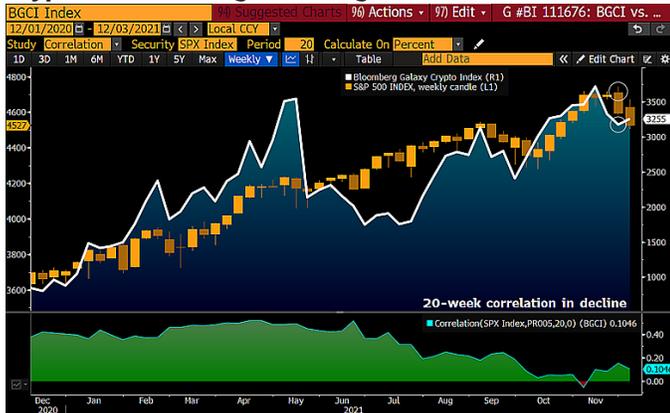
Funds have been moving away from old analog gold and toward Bitcoin and Ethereum. The question for 2022 centers on reversal or acceleration of these flows. With bond yields in decline, our bias is toward the latter.

Do Cryptos Have an Advantage vs. the Stock Market?

Divergent strength vs. the stock market and underpinnings from the sharp drawdown in 2021 may set the stage for further appreciation of cryptocurrency asset prices in 2022. Compared with broad equities, which haven't had a 10% correction since the 2020 swoon, the crypto market may have a relative advantage in 2022. Our graphic depicts the Bloomberg Galaxy Crypto Index recovering despite the declining S&P 500 at the end of November. Cryptos are risk assets, but the primaries -- Bitcoin and Ethereum -- may be transitioning toward stores-of-value.

Diminishing supply is a key attribute shared by the top two cryptos. Digital assets, in early adoption-and-migration days into investment portfolios, may have an advantage vs. an extended stock market, at risk of wobbling, notably as the Federal Reserve reduces liquidity.

Crypto Assets Divergent Strength vs Stock Market



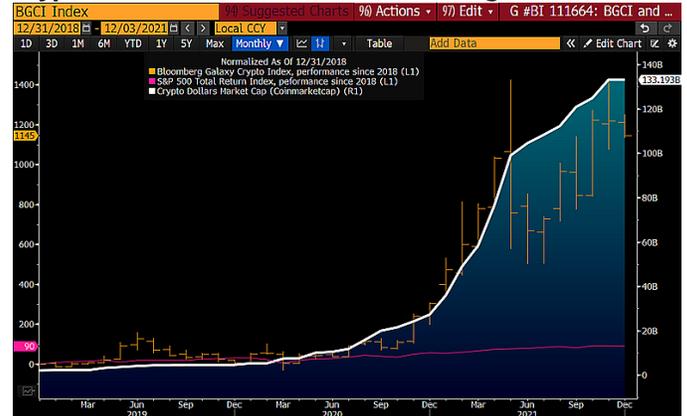
Dollars, Bitcoin, Ethereum

Three Crypto Stalwarts for 2022? Dollars, Ethereum, Bitcoin.

Representing a better way to transact, a strengthening ecosystem and an asset class that's here to stay, crypto dollars are the most significant advancing part of the digital-money revolution and the third leg of the crypto stool. Bull markets in the other two -- Bitcoin and Ethereum -- look as durable as the advancing market cap of stable coins tracking the dollar.

Bitcoin, Ethereum and Crypto Dollars in 2022 . Past performance is no indicator of future results, but when a new asset class outperforms incumbents, naysayers have little choice but to join in. We see this process playing a primary role in 2022, as money managers may face greater risks if they continue to have no portfolio allocations to cryptos. Our graphic depicts the Bloomberg Galaxy Crypto Index (BGCI) increasing about 1,200% since the end of 2019 vs. closer to 90% for the S&P 500. Such outsized performance typically comes with volatility, and the almost 60% drawdown in the BGCI in 2021 could add underpinnings for further appreciation in 2022.

Crypto Dollar Proliferation and Advancing BGCI

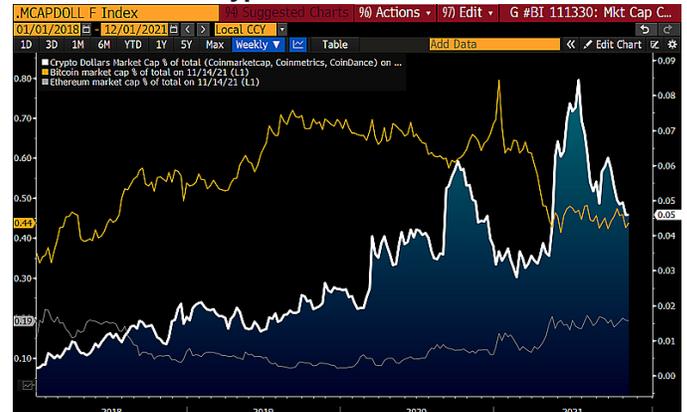


The BGCI is 80% Bitcoin and Ethereum. A solid trend of 2021 that we expect to accelerate in 2022 is the proliferation of crypto dollars. Our graphic shows the crypto dollar market cap rising above \$130 billion.

Dollar Gaining Dominance Among Cryptos.

Stalwart crypto dollars, along with Bitcoin and Ethereum, are poised to stay atop the ecosystem vs. about 15,000 rivals jockeying for speculative leadership. Binance Coin, Solana and Cardano have replaced XRP, Bitcoin Cash and Chainlink near the top from a year ago. Our graphic depicts the enduring upward trajectory of the market cap of crypto dollars alongside Bitcoin and Ethereum. The way we see it, there's plenty of speculation in the space, as indicated by Shiba Inu and Dogecoin, but the top three should continue to do what they have been: maintaining dominance.

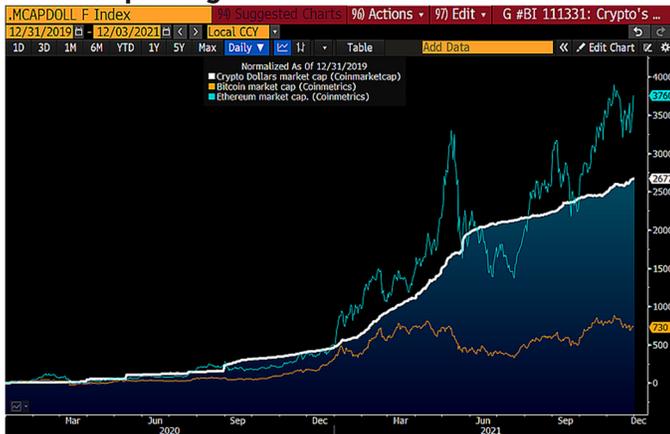
A Bull Market in Crypto Dollars



Ethereum has been advancing as a percentage of the total, notably to about 20% from around 10% a year ago. Most crypto dollars operate on the Ethereum platform.

Top Digital-Asset Bull Market: Crypto Dollars. The ability to transact and transmit dollars around the clock with instant settlement, and to earn interest well above eurodollars, are attributes of crypto dollars, with implications for digital assets like Ethereum. This has buoyed the greenback and trickled down to most financial assets. In a world rapidly going digital, the shift to transacting via digital tokens may be unstoppable. Our graphic compares the increasing market cap of the top five crypto dollars (Tether is No. 1) to Bitcoin and Ethereum. Volume in Tether typically exceeds trading in Bitcoin and Ethereum combined, according to Coinmarketcap. Tether is an Ethereum token.

Market Cap Change Since End of 2019



Bumps in the road can be expected, but the advent of central-bank digital currencies has already happened organically, and the world has gone for the dollar.

Bitcoin Bull Market

Did Bitcoin Start a New Bull Market in 2021? A Refreshed Trend. The key question facing Bitcoin nearing the onset of 2022 is whether it's peaking or simply a consolidating bull market. We believe it's the latter, and see the benchmark crypto well on its way to becoming global digital collateral in a world going that way. It's likely to be about key support around \$50,000 and \$100,000 resistance in 2022.

Bitcoin's Initial 2022 Cage - \$40,000-\$70,000. The reasons Bitcoin corrected about 50% in 2021 were fundamentally bullish, as we see it, and could solidify rising prices in 2022. Getting past China's ban on cryptomining and issues with energy consumption have improved the benchmark's underpinnings, as evidenced by its price recovery since reaching a bottom in July. Most mining operations have moved to more secure locations in the U.S. and Canada, and the energy use of the world's largest

decentralized network indicates its strength. Our graphic depicts what we see as a renewed bull market, notably since the July low of around \$30,000.

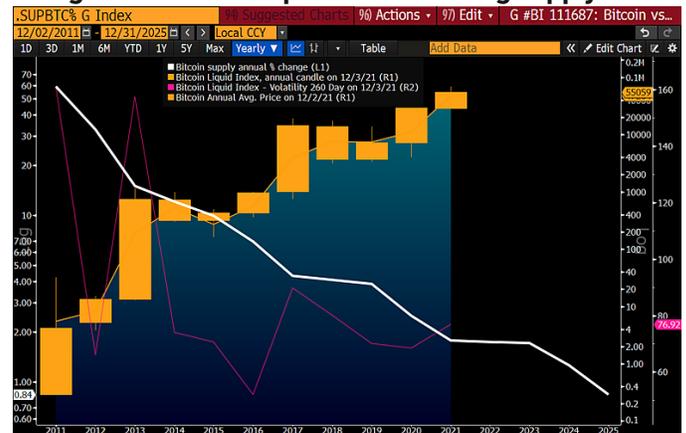
Bitcoin Purged Speculative Excess in 2021 Decline



Good support is at about \$40,000 -- just below the 20-week moving average and trend since July. Around \$70,000 appears as initial resistance vs. the upper end of the trend channel and distance above the 20-week mean.

Is Bitcoin on Path to \$100,000 in 2022? Bitcoin appears to be on a trajectory for \$100,000. We see it as more of a question of time, notably due to the economic basics of increasing demand vs. decreasing supply. There are ample examples of Bitcoin simply staying on course in 2022 of its process of adoption into the mainstream. U.S., Canadian and European exchange-traded funds and futures, migration into the 60/40 mix and legal-tender status in El Salvador point to a bull market in global adoption. Our graphic depicts the juxtaposition of declining Bitcoin supply with rising prices and with volatility looking tame.

Rising Bitcoin with Adoption and Declining Supply



It's normal to expect declining volatility on a maturing asset, and that's what we see for the benchmark crypto. Annualized volatility just below 80% is about the same as in 2018, but the price is much higher, which indicates mainstream migration.

Bitcoin May Be More Than a Digital Version of Gold. A potential path for the Bitcoin price is to stabilize around 100x an ounce of gold and for volatility to resume its downward trajectory, if past patterns repeat. Our graphic depicts a good reason the crypto price could keep advancing relative to the metal, as 260-day Bitcoin volatility appears in early recovery from reaching the lowest ever vs. gold at the start of 2021. At the end of 2016, this relative risk measure formed a similar bottom, as the Bitcoin-to-gold ratio breached 1x resistance on the way to 10x at the end of 2017. A supply-reduction year (halving) is an additional factor that 2020 shared with 2016.

Bitcoin on Path Toward 100x vs. Gold - Volatility



Something unexpected has to trip up this technical indicator, we believe, with fundamental underpinnings for Bitcoin holding fast on the appreciation path vs. gold.

A Consolidating, Maturing Bitcoin Bull-Market . A paused, corrected and refreshed bull-market is how we see Bitcoin approaching 2022. Our graphic shows the benchmark crypto at about the same price on Nov. 18 as the end of 1Q. Declining volatility along with increasing depth and adoption are enduring trends we see gaining traction, along with a propensity to advance in price. The start of 2021 marked a milestone for Bitcoin -- 260-day volatility on the crypto dropped to its lowest ever vs. most major asset classes, notably the S&P 500. Up about 100% in 2021, the benchmark crypto should find layers of support starting around this year's average price just below \$50,000.

Marking Time: Bitcoin in 4Q Unchanged From 1Q



The about 50% drawdown in 2Q should help firm the foundation, and we see greater potential for Bitcoin to head toward \$100,000 than sustain below \$50,000. (11/19/21)

Ethereum Bull Market

What Might Stall the Ethereum Bull in 2022? Higher Prices. Demand is increasing, supply is declining and Ethereum's position at the epicenter of the digitization of finance and money is a foundation for further price appreciation. Ethereum has been a top-performing major crypto asset in 2021, and we expect that to continue after a drawdown of about 60% in 1H.

Ethereum Bull-Market Cage is \$4,000-\$5,000. Ethereum enters 2022 with rising adoption and declining supply, while having withstood a substantial correction this year. The key question is how overextended prices may need to get for a pullback, and how deep into support the No. 2 crypto may dip until it finds responsive buyers. Our graphic depicts what we see as a renewed bull market, on the back of the about 60% drawdown to the July low. The correction helped establish \$4,000 as key resistance and \$2,000 as support. What was resistance is now support, and \$4,000 may act as the key pivot for 2022.

No Reason to Complicate a Bull Market



The primary denominator for non-fungible tokens (NFTs) and go-to platform token for crypto dollars, Ethereum has established its usefulness in 2021 and we see 2022 building on that. Success breeds competition, but so-called Ethereum killers have a history of coming and going.

A Top Beneficiary of Bitcoin ETF? Ethereum. Since the launch of the first U.S. Exchange-traded fund tracking Bitcoin, the fact that Ethereum has been a top outperformer may indicate a more enduring bull market for the No. 2 crypto. When measured from the day before the Oct. 19 launch of the Proshares Bitcoin Strategy ETF (BITO), Ethereum has risen about 20% vs. Bitcoin's decline of around 8%. Ethereum appears to be in the early days of becoming the collateral of the internet and is the epicenter of building the platform for DeFi, fintech and NFTs.

Performance Since Launch of U.S. Bitcoin ETF



Diminishing supply, on the back of the 2021 protocol change, adds to underpinnings below the price of Ethereum. A futures-based ETF tracking the No. 2 crypto should be a matter of time, if rising volume and open interest on the CME contract are a guide.

The Rise of Crypto, DeFi and Ethereum. Ethereum is in a top position to lead the wave of digitalization, tokenization, DeFi, fintech and NFTs. Our graphic depicts the price of the No. 2 crypto running about parallel with the total market cap of crypto assets from Coinmarketcap. Most NFTs are denominated in Ethereum, which means an expanding ecosystem represents demand for ETH. Bitcoin is well on its way to becoming the global digital reserve asset, while Ethereum is being adopted as the collateral of the internet. The most widely traded crypto asset -- Tether -- is a crypto dollar and Ethereum token. The popular online video game Axie Infinity operates on the Ethereum network.

According to Etherchain.org, about 630,000 ETH (roughly 50% of normal supply) have been removed since the start of August to Oct. 26, vs. the average monthly supply of about 410,000 since August 2020.

Ethereum - Crypto Platform, Internet Collateral



Ethereum has earned depth and dominance. Success spurs competition and there are plenty of would-be Ethereum killers, but we see the No. 2 crypto fending off challenges to its leadership.

Ethereum Supply May Be Entering Free Fall. Plenty can go wrong with upgrades to new technology, but we see maturation with an enduring downward slope in incremental supply that -- if the rules of economics apply -- are price-positive for Ethereum. The graphic depicts new Ethereum supply shrinking more quickly after a protocol change that began removing coins from circulation in early August. For the first time, the 52-week rate-of-change in the number of new Ethereum coins vs. the total outstanding is on track to drop below 4%. Demand for the No. 2 crypto is less straightforward, but supply may dip below that of Bitcoin, which fell under 2% this year.

Supply Trend Favors Rising Ethereum Price



{CRYP} Page on the Bloomberg Terminal

| Standard | | | | | | | | | | Cryptocurrency Monitor | | | |
|---|----------|----------|---------|-------------|--------------|-------------|------------|-------|-------|------------------------|--|--|--|
| Index | Last | Net Chg | % Chg | Open | Yest Clo... | 2D Chart | 30D Rng | Time | | | | | |
| 1) BGC Bloomberg Galaxy | 3218.71 | -154.37 | -4.58% | 3370.37 | 3373.08 | | | 14:11 | | | | | |
| ● Bid/Ask Data ● Network Data (Supplied by Mosaic) | | | | | | | | | | Base USD | | | |
| Coins | Last | Net Chg | % Chg | Circ Supply | Market Cap ↓ | Coin Volume | USD Volume | Time | | | | | |
| 1) Bitcoin | 54685.73 | -2217.71 | -3.90% | 18.89M | 1033.06B | 0.0222M | 1245.02M | 14:11 | | | | | |
| 2) Ethereum | 4296.750 | -251.086 | -5.52% | 118.59M | 509.64B | 0.3047M | 1360.75M | 14:11 | | | | | |
| 3) XRP | 0.9425 | -0.0399 | -4.06% | 50489.98M | 47.59B | 40.9543M | 39.57M | 14:11 | | | | | |
| 4) Litecoin | 193.735 | -12.375 | -6.00% | 69.11M | 13.39B | 0.3981M | 79.63M | 14:11 | | | | | |
| 5) Bitcoin Cash | 548.23 | -19.37 | -3.41% | 18.92M | 10.37B | 0.0262M | 14.63M | 14:11 | | | | | |
| 6) Ethereum Classic | 45.745 | -1.792 | -3.77% | 131.39M | 6.01B | 0.1542M | 7.19M | 14:11 | | | | | |
| 7) Monero | 227.445 | -11.610 | -4.86% | 18.04M | 4.10B | 0.0063M | 1.49M | 14:11 | | | | | |
| 8) EOS | 3.8795 | -0.1255 | -3.13% | 940.90M | 3.65B | 3.2245M | 12.93M | 14:11 | | | | | |
| 9) Zcash | 218.860 | -10.415 | -4.54% | 13.22M | 2.89B | 0.0593M | 13.52M | 14:11 | | | | | |
| 20) Dash | 171.691 | -6.038 | -3.40% | 10.47M | 1.80B | 0.0050M | 0.88M | 14:11 | | | | | |
| Futures | Last | Net Chg | Volume | Open | Settle | 2D Chart | 30D Rng | Time | | | | | |
| 21) CME Bitcoin | 54605 | -2570 | 7138 | 57030 | 57175 | | | 14:11 | | | | | |
| 22) CME Ether | 4294.25 | -249.00 | 4900.00 | 4583.50 | 4543.25 | | | 14:11 | | | | | |
| Cryptocurrency News More » | | | | | | | | | | | | | |
| 41) Bitcoin's Correlation With Stocks Grows as Risk Appetite Drops | | | | | | | | BN | 13:15 | | | | |
| 42) Tether Fails to Dispel Mystery on Stablecoin's Crucial Reserves | | | | | | | | BN | 12:50 | | | | |
| 43) Ritholtz Latest to Push Into Crypto 'Wild West' Without Spot ETF | | | | | | | | BN | 09:00 | | | | |
| 44) Print And Frame Your NBA Top Shots At Home With Infinite Objects | | | | | | | | BZG | 14:08 | | | | |
| 45) Cryptocurrency Near Up More Than 8% In 24 hours | | | | | | | | BZG | 14:04 | | | | |
| 46) Cryptocurrency Decentraland Falls More Than 8% In 24 hours | | | | | | | | BZG | 14:04 | | | | |
| 47) Bored Ape #2759 Sold For 70 ETH | | | | | | | | BZG | 14:04 | | | | |
| 48) Here's Why This Rare CryptoPunk NFT Just Sold For \$654,379 In ETH | | | | | | | | BZG | 14:04 | | | | |
| 49) NewsBTC: Understanding Bitcoin UTXO: Mid-To-Long Term Holders Responsible For November Corre... | | | | | | | | BLG | 14:01 | | | | |
| 50) Bitcoinist: Blockchain.com To Launch New NFT Marketplace | | | | | | | | BLG | 14:01 | | | | |

(2pm NY, December 3)

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