Onward and Upward

- Bitcoin at $100,000, $5,000 Ethereum Is Path of Least Resistance
- Having Survived Correction, Crypto Assets Now Poised to Thrive
- Ethereum $5,000: Can Anything Keep No. 2 Crypto From New Highs?
- DeFi Revolution: Advancing Ethereum, Cardano, Dollar Dominance
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Most data and outlook as of September 2, 2021

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**BI COMD** (the commodity dashboard)

**Bitcoin at $100,000, $5,000 Ethereum Is Path of Least Resistance**

_Bloomberg Galaxy Crypto Index (BGCI)_

- **August +25%, 2021 to September 3: +184%**
- **Bitcoin August +13%, 2021 +71%**
- **Ethereum August +36%, 2021 +415%**

(Bloomberg Intelligence) -- Crypto-assets appear in a revived and refreshed bull market with the 2H benefit of a steep discount from previous highs at the start. Bitcoin has been a laggard amid the DeFi revolution led by Ethereum. The digital reserve asset in a world going that way and the building block of fintech is how we respectively view the No. 1 and No. 2 cryptos. Success breeds competition, as evidenced by Cardano advancing to No. 3, but so-called Ethereum-killers have a history of speculative excesses.

We see Ethereum on course toward $5,000 and $100,000 for Bitcoin. Portfolios of some combination of gold and bonds appear increasingly naked without some Bitcoin and Ethereum joining the mix. A macro risk-off decline is a primary threat for the crypto bull market.

**The Bulls are In Control**

_Having Survived Correction, Crypto Assets Now Poised to Thrive._ After enduring a gut-wrenching correction, we see the crypto market more likely to resume its upward trajectory than drop below the 2Q lows. What could stop Bitcoin and Ethereum from achieving record highs in 2H may be the more elusive question. Increasing demand and adoption are facing diminishing supply.

_What Stops Onward-and-Upward Trajectory?_ The crypto market may be just hype and speculation, or it could be a revolution in money and finance that’s in early price-discovery days. Our bias is with the latter. Why complicate an enduring trend, notably in the aftermath of a sharp correction and with adoption still growing, as evidenced by a plethora of news stories? Fidelity and Franklin Templeton are two of the larger asset management firms adding digital-assets staff. The graphic depicts the upward trajectories of Bitcoin and Ethereum, of which our take is to avoid the lower-probability exercise of trying to pick peaks.

**Crypto-Assets Breaking Away vs. Equities**

Up about 1,000% since the end of 2019, the Bloomberg Galaxy Crypto Index (BGCI) appears to have two major advantages vs. the S&P 500 -- cryptos reflect a potential revolution in money and finance and have had a major pull-back since their 2020 swoon. Our graphic depicts the equity market basically tracking quantitative easing as measured by the upward trajectory of G4 central bank balance sheets. Both indexes represent risk exposure, but unlike the S&P 500, the BGCI includes Bitcoin, which is well on its way to becoming the digital reserve asset in a world going that way.

**BGCI - High Beta Performance at a Discount?**
That upcoming digital store of value and the money of non-fungible tokens (NFTs) and the internet -- Ethereum -- make up 80% of the BGCI. To the extent that investing is about future opportunity, digital assets may represent the higher-beta potential.

'TINA' May Be Shining on Bitcoin and Gold. Gold and Bitcoin have high potential to continue advancing in price, notably if U.S. Treasury yields resume their enduring downward trajectories, following Japan and most of Europe. We believe the mantra "There is no alternative" -- or TINA -- that's been keeping the market afloat may be losing some luster to assets that are more likely to appreciate on the back of entrenched trends amid rising quantitative easing and debt-to-GDP levels. Our graphic depicts the Bitcoin-Gold-Bond index outperforming the S&P 500 since the end of 2015, notably from the start of 2020, along with the rapidly rising level of G4 central-bank balance sheets.

Diminishing Supply Fuels Ethereum Upward Bias. The fact that Ethereum is the primary denominator for NFTs, which are gaining traction, is tilting the No. 2 crypto's demand vs. supply balance increasingly to the bullish side. Our graphic depicts the accelerating downward trajectory of new Ethereum supply, in the aftermath of the protocol change that began burning coins at the start of August. For the first time, the 52-week rate-of-change in the amount of new Ethereum coins vs. the total outstanding is on track to drop below 4%.

Demand Up, Supply Down and Rising Prices

Demand for the No. 2 crypto is less straightforward, but supply may dip below that of Bitcoin, which fell under 2% this year. According to Etherchain.org, about 170,000 ETH have been burned since the start of August to Sept. 2. This is about 40% of the average monthly supply of closer to 410,000 since August 2020.

Ethereum a Dime to Bitcoin's Dollar. Ethereum outperforming Bitcoin has been typical in crypto bull markets, and we see probabilities tilted toward staying the course since the 2019 bottom. The No. 2 crypto can be added to the list of proxies for the No. 1 to reach the $100,000 threshold, by simply following. Our graphic depicts the Ethereum-to-Bitcoin price ratio approaching its 2021 high at about 0.08. Of note, this metric remains below its peak from 2018 at about 0.11. The overlay with the MVIS CryptoCompare Digital Assets 100 Index approaching its all-time high from earlier in 2021 shows further upside room in the ratio, if trend-is-your-friend patterns are a guide.
Trends Remain Friendly for Ethereum, Bitcoin

In addition to increasing demand and adoption, a key bullish Bitcoin guide is that 2021 is a post-supply-cut year, which have typically been the top performers.

NGU Technology Tilting Favorably for Ethereum. The phrase “number go up” (NGU) is used in cryptos to describe the diminishing supply schedule of Bitcoin, which supports its price, but NGU may better relate to Ethereum in the future. Due to its recent upgrade, the number of new No. 2 coins as a percent of current coins is likely to dip below that of Bitcoin, with the potential of going negative. If Ethereum’s pace of 2021 price appreciation stays the same vs. Bitcoin, the market cap of No. 2 will flippen No. 1 toward the end of 2022. Our graphic shows a more realistic trajectory for such a crossover toward 2023, based on regression lines since the start of 2020.

A Long Road for Ethereum to Flippen Bitcoin

Bumps in the road should be expected, but Ethereum appears on an enduring path as the go-to platform for the crypto ecosystem and decentralization of finance akin to Amazon Inc. and e-commerce.

What Gets Bitcoin to $100,000? Following Ethereum

Having corrected over 50% and formed good bases of support within what we view as enduring bull markets, probabilities are tilted toward Bitcoin and Ethereum resuming upward price trajectories. Our graphic depicts a simple, yet logical, way for Bitcoin to get toward $100,000 by following the performance of No. 2. Ethereum (up about 300% in 2021 to Aug. 6), which we see as highly probable, especially after last year’s supply cut. Post-halving years have seen the greatest appreciation, and 4x in 2021 would be quite tame for the the No. 1 crypto compared with 55x in 2013 and 15x in 2017.

Bitcoin May Just Follow Ethereum Toward $100K

A question is whether supply-and-demand conditions have deteriorated since the start of 2021 and compared with Bitcoin’s past. Our take is that underpinnings are bullish in a maturing environment.

DeFi Revolution and Dollar Dominance

DeFi Revolution: Advancing Ethereum, Cardano, Dollar Dominance. Up about 70% is not bad, but Bitcoin’s 2021 performance to Sept. 2 compares with over 300% for the Bloomberg Galaxy DeFi Index, both of which we see more likely to continue appreciating into year end. Ethereum is the building block of DeFi, with competition rising from Cardano. The U.S. dollar is the foundation.

DeFi, ESG on Steroids? Advancing Ethereum. The August launch of the Bloomberg Galaxy DeFi Index (BGDI) accentuates the rising demand for and adoption of Ethereum. Most of the index members are built on the Ethereum blockchain. No 1. in the BGDI (about 40%) is Uniswap, the decentralized exchange and No. 2 (about 20%) is Aave, the decentralized lending pool. Overlooked factors in recent U.S. congressional debates are the revolution that crypto-assets are leading in raising the living standards of the world’s unbanked and the rampant free-market capitalism of digital assets. Dollar-linked coins are the most widely traded cryptos, as indicated by Tether -- an Ethereum token.
Decentralized finance (DeFi) crypto applications use smart contracts on blockchains to offer financial services such as lending, market-making and insurance, without a central financial intermediary.

**Ethereum Facilitating Digital Dollar Dominance.**
Increasing dollar dominance, Bitcoin, Ethereum, DeFi and about 11,000 wannabes is the trend in crypto-assets. This is the progression of the past few years and makes sense based on patterns in revolutionary industries, as exemplified by e-commerce dominated by Amazon.com. Our graphic depicts the most significant development of 2021 that’s not widely known: the trading dominance of stable coins tracking the dollar. With Tether (an Ethereum token) at the top, the world’s most widely traded crypto-asset, two of the top cryptos listed on Coinmarketcap are digital dollars when sorted by volume.

**Dollar, Bitcoin, Ethereum and Everything Else**

<table>
<thead>
<tr>
<th>#</th>
<th>Name</th>
<th>Price</th>
<th>24h %</th>
<th>7d %</th>
<th>Market Cap (M)</th>
<th>Volume (GM)</th>
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<tbody>
<tr>
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<td>USDT</td>
<td>$1.00</td>
<td>+0.01%</td>
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<td>BTC</td>
<td>$48,543.12</td>
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<td>-4.93%</td>
<td>$383,604,416,505</td>
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<tr>
<td>2</td>
<td>ETH</td>
<td>$3,808.24</td>
<td>-1.53%</td>
<td>-21.75%</td>
<td>$460,964,268,473</td>
<td>$25,955,203,203</td>
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<tr>
<td>3</td>
<td>ADA</td>
<td>$2.09</td>
<td>+0.55%</td>
<td>+13.37%</td>
<td>$95,830,213,203</td>
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<tr>
<td>14</td>
<td>BUSD</td>
<td>$0.99</td>
<td>+0.00%</td>
<td>-0.02%</td>
<td>$12,557,943,534</td>
<td>$5,986,482,394</td>
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It’s not a spurious connection, as evidenced by the about $110 billion market cap of digital-dollar crypto tokens, noted at Bretton Woods: The Realignment. We foresee a future of Bitcoin, the digital reserve asset, complementing the dollar reserve currency.

**Bitcoin the Reserve Asset and Dollar Currency**
The dollar’s more than 300% advance vs. peers since President Richard Nixon ended the gold peg in 1971 is evidence the greenback is the least-worst currency, but we believe Bitcoin represents the digital future. The first-born crypto may have solved the age-old problem of a global reserve asset that’s easily transportable and transactionable, has 24/7 price discovery, is relatively scarce and is nobody’s liability or project. Our graphic depicts the upward trajectory of the trade-weighted broad dollar, which has regained buoyancy with the advent of Bitcoin.
### Bloomberg Crypto Outlook 2021

#### (CRYP) Page on the Bloomberg Terminal

<table>
<thead>
<tr>
<th>Index</th>
<th>Announcement</th>
<th>Last</th>
<th>Net Chg</th>
<th>% Chg</th>
<th>Open</th>
<th>Yest. Clo.</th>
<th>20 Chart</th>
<th>30D Rng</th>
<th>Time</th>
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#### Cryptocurrency Monitor

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<th>Last</th>
<th>Net Chg</th>
<th>% Chg</th>
<th>Circ. Supply</th>
<th>Market Cap</th>
<th>Base USD Vol</th>
<th>Time</th>
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<tbody>
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<td>49520.09</td>
<td>+1247.59</td>
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<td>Zcash</td>
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<th>20 Chart</th>
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#### Cryptocurrency News

1. Andreessen Horowitz Lands Latham Partner for Crypto-Focused Job
2. Day-Trading Army Goes All-In on NFTs as Meme-Stock Mania Ebbs
3. Crypto Accounts Yielding 7% Spur Scrutiny as States Warn of Risk
4. Cryptonews: How To Run A Bitcoin Node For Free
5. AMB Crypto: SEC charges BitConnect Founder, execs with $2B cryptocurrency fraud
6. Market Wrap: Bitcoin Enters September Slowdown; Cardano’s ADA at New High
7. Riot Blockchain Social Media Volume Rises: 3 Signals
8. CoinTelegraph: SBI reportedly looks to launch crypto fund in Japan by December

(Spm NY; September 2)