

Bloomberg Crypto Outlook

Just Another Strong 4Q?

- Tech Revolution, Speculation, U.S.-China; Cryptos Have It All
- Is \$50,000 Resistance Set to Flip to Bitcoin's Support? Probably
- What Stops Ethereum From \$5,000? Path of Least Resistance Is Up
- Are Crypto Dollars the New Eurodollars? The Trend Is Friendly

CONTENTS

- 3** Overview
- 3** Finally Time for \$50K Bitcoin?
- 4** What Stops Ethereum from \$5,000
- 5** Top Winner? Crypto Dollars

Most data and outlook as of October 4, 2021

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Tech Revolution, Speculation, U.S.-China; Cryptos Have It All

Performance: Bloomberg Galaxy Crypto Index (BGCI)

September -11%, 2021 to October 4: +164%

Bitcoin September -8%, 2021 +69%

Ethereum September -12%, 2021 +358%

(Bloomberg Intelligence) -- The bigger surprises for us at the end of 2021 will be if Bitcoin and Ethereum prices aren't higher and crypto dollars become less dominant than at the start of 4Q. The Bloomberg Galaxy Crypto and DeFi indexes convey an enduring bull market in digital currencies following a sharp correction that cleansed speculative excesses. Many of the reasons for the summer decline are bullish long term, notably a China ban on cryptos that could prove futile and set the nation -- not the crypto market's progress -- back. Juxtaposed is the U.S. embrace of crypto assets with open discourse and regulation.

China could continue pushing back on digital currency, but we believe it's incapable of restricting a global free market of open-source software-based assets. Reluctant acceptance might be inevitable.

Finally Time for \$50K Bitcoin?

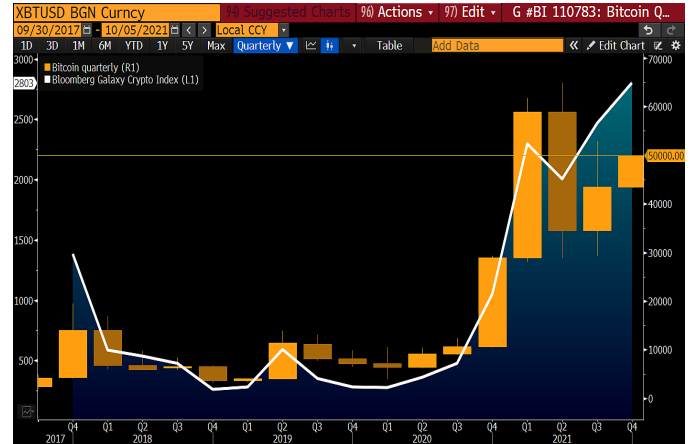
Is \$50,000 Resistance Set to Flip to Bitcoin's Support?

Probably. Bitcoin's \$50,000 resistance point since May appears ripe to become the crypto's support value in 4Q. We view the \$40,000 mark as similar to the crypto's \$10,000 launchpad from 4Q20. Parallels are visible from about 4x higher. The 2021 average price is \$44,500, and adoption and demand are on the rise vs. diminishing supply.

Bitcoin, a Bear or Refreshed Bull Market? Bitcoin has weathered a storm of bad press and banning in 2021, yet there's stalwart support around \$30,000. At the start of 4Q, we see similar underpinnings that resulted in the 171% gain in 4Q20. Wall-of-worry sentiment appears elevated in an environment of increasing demand and adoption. Our graphic depicts Bitcoin in a quarterly bull-flag consolidation pattern, unable to breach \$30,000 support and knocking on the door of \$50,000 resistance. If the benchmark crypto catches up a bit to the Bloomberg Galaxy Crypto Index (BGCI), Bitcoin would be closer to \$70,000.

Note - Click on graphics to get to the Bloomberg terminal

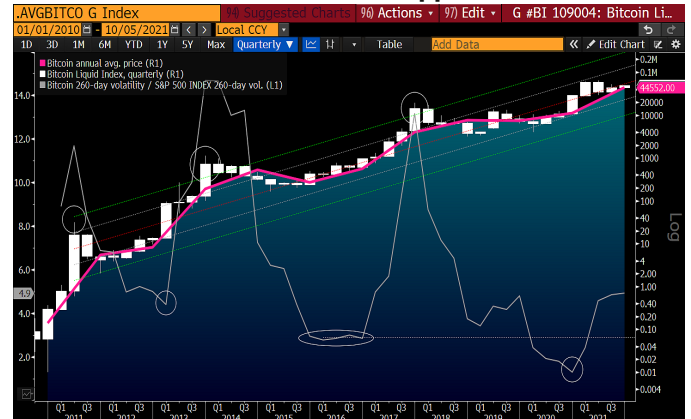
Bitcoin Bull Well Rested to Start 4Q



Risk vs. reward tilts toward a resumption of the more enduring price-discovery stage in 4Q than further back-and-fill. About \$40,000 has attracted responsive buyers, akin to \$30,000 in May-July. Ethereum has been a top driver of the BGCI.

\$100,000 in 2021 Is Meager by Bitcoin Standards. Bitcoin looks like a rested and discounted bull market. The Oct. 4 price at about \$49,000 is just below its 10-year regression line and not far above the 2021 average (\$44,500). Bitcoin was hot in April before correcting on concerns about energy consumption and a China ban, representing the uniqueness and strength of the world's largest decentralized network. Our graphic depicts a key foundational support -- 260-day volatility dropped in 2020 to its lowest ever vs. most major asset classes, notably the S&P 500.

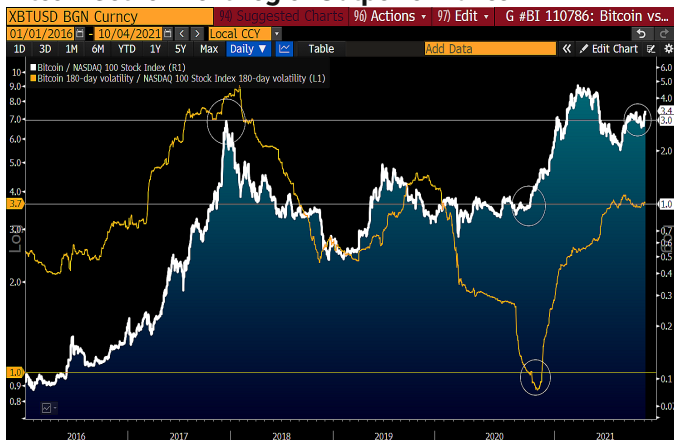
Firm Bitcoin Foundation for 2021 Appreciation



Up almost 70% to Oct. 4, the benchmark crypto is running into layers of support below \$40,000. A correction of about 50% from its peak appears to have simply cleansed the market of excess and speculation.

Bitcoin's Advantage vs. Equities: A Discounted Bull. The May decline of most assets on the back of Bitcoin showed the crypto has mainstream appeal, with potential outcomes in its favor. Rising equities should keep high-beta Bitcoin buoyant, but if the stock market drops, more stimulus will solidify underpinnings for the digital reserve asset. It was only in November that Bitcoin's 180-day volatility dropped below that of the Nasdaq 100 Stock Index. With the Bitcoin-to-Nasdaq price ratio at about 1-to-1 near the end of 2020, the indication was the benchmark digital asset was gaining an upper hand. Our graphic depicts the ratio backing up to the old peak at about 3x after reaching a new high.

Bitcoin Set for Next Leg of Outperformance



The necessity of a rising stock market for reflation vs. the price-discovery stage of Bitcoin sets up well for continued outperformance for the crypto.

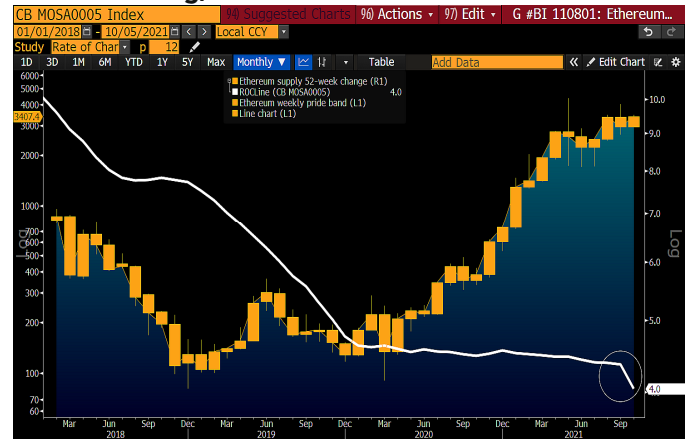
What Stops Ethereum from \$5,000

What Stops Ethereum From \$5,000? Path of Least Resistance Is Up. Ethereum's floor just below \$2,000 from May-July appears to have added a handle to \$3,000 for 4Q, tilting risk vs. reward toward further price appreciation. It's likely still the early price-discovery days for Ethereum, the go-to platform for decentralized finance (DeFi), non-fungible tokens (NFTs), fintech and crypto dollars.

Diminishing Ethereum Supply vs. Demand, Adoption. A bit overextended in May, Ethereum resembles a consolidating and discounted bull market. Demand and adoption are rising, but our graphic depicts a notable difference from a year ago -- plunging supply. At the start of 4Q20, the 12-month rate of change in the measure of Ethereum supply from Mosaic was closer to 5%. Now it's on track to drop toward 2% because of a recent upgrade that

burns coins. More straightforward as part of Bitcoin code, NGU technology (stands for "number go up," due to declining supply) is gaining accolades in Ethereum.

A Consolidating, Discounted Bull Market



According to Etherchain.org, about 430,000 ETH were burned from August-Oct. 4. That's just over 50% of new supply, based on the monthly average closer to 410,000 since August 2020.

DeFi, DEXs, NFTs and Increasing Ethereum Demand.

Ethereum's share of the crypto market is increasing, and the trajectory is stabilizing at the higher plateau. On Oct. 4, the market cap of the No. 2 crypto was about 20% of the total, vs. closer to 10% at the start of 2021. Bitcoin's dominance has weakened to about 40% from 70%. Mosaic and Coin Dance data place Ethereum atop the food chain, indicative of rising crypto values and it's prominence as the go-to platform for smart contracts, NFTs and decentralized finance. Our graphic depicts Ethereum getting overextended above \$4,000 in May, but appearing on sounder footings around \$3,300 at the start of 4Q.

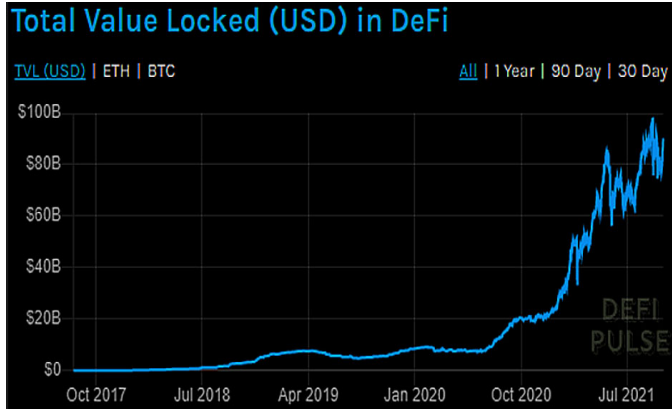
Ethereum Crypto-Market Leadership on the Rise



Having revisited its 20-week moving average around \$2,000, we view any risks tilted toward more of the same ascent.

Rising DeFi Market Cap and Ethereum. As revolutionary technologies are disruptive by nature, we see a sustainable course for the digitalization of money and finance, and rising demand for Ethereum. The value of assets in DeFi is approaching \$100 billion vs. about \$20 billion a year ago, according to DeFi Pulse. The chart depicts a familiar uptrend in most crypto assets and prices. The more significant question is what might cause an enduring reversal.

Regulation, Bitcoin, Ethereum and Crypto Dollars



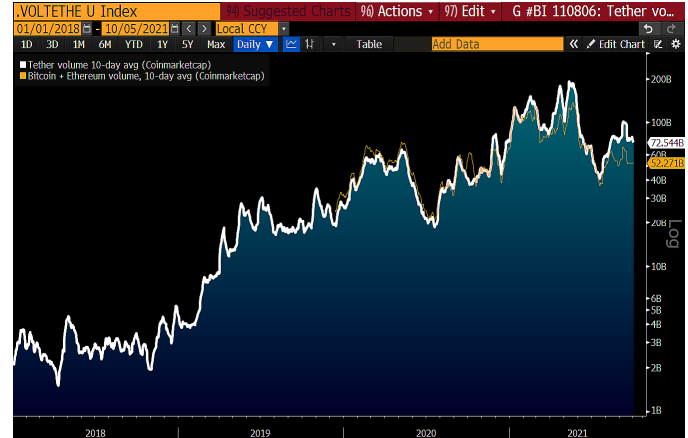
Ethereum futures trading on the Chicago Mercantile Exchange is part of the regulatory mainstream and the adoption path that cryptos are following in 2021. Interest-bearing crypto dollars may follow eurodollars. Dollar deposits in crypto savings accounts may be akin to deposits at foreign banks.

Top Winner? Crypto Dollars

Are Crypto Dollars the New Eurodollars? The Trend Is Friendly. The rapid spread of crypto dollars is a primary reason that diversification with crypto assets is gaining status as simply prudent. Organic adoption of digital dollars is a predominant trend, which represents part of the bullish case for Ethereum and is a tailwind to the greenback.

Crypto Dollars on Track to Rival Eurodollars. It's normal for rapidly advancing technology to face regulation and pushback from those being disrupted, but we see a revolution in crypto dollars, which has underpinnings in Ethereum. The ability to transact and transmit dollars 24/7 with instant settlement and to earn interest well above eurodollars are attributes of crypto dollars. This has buoyed the greenback and trickled down to most financial assets. In a world rapidly going digital, the shift may be unstoppable.

Top Digital-Asset Bull Market: Crypto Dollars



Bumps in the road should be expected, but the advent of central bank digital currencies has already happened organically, and the world has gone for the dollar. Our graphic depicts the increasing volume of the top crypto dollar -- Tether -- which exceeds trading in Bitcoin and Ethereum combined, according to Coinmarketcap. Tether is an Ethereum token.

Dollar First, Then Bitcoin, in Crypto Trading Volume.

Tether is the most widely traded crypto asset, and the fact that it tracks the dollar is bullish for the buck and Ethereum. Our graphic depicts a significant development of 2021 that isn't widely known: the trading dominance of stable coins tracking the dollar. With Tether (an Ethereum token) at the top, two of the top four cryptos by volume listed on Coinmarketcap are digital dollars. The SEC is likely to focus on what Chairman Gary Gensler calls "stable value coins," but we see incentive to embrace with regulation, notably vs. China pushing back.

Dollar Trading Is Dominant in Cryptos

#	Name	Coimarketcap	Price	24h %	7d %	Market Cap	- Volume(24h)
5	Tether USDT	Buy	\$1.00	-0.05%	+0.03%	\$68,050,661,058	\$65,719,160,384 65,693,480,054 USDT
1	Bitcoin BTC	Buy	\$48,207.75	-0.46%	-10.55%	\$904,929,626,464	\$27,968,558,438 582,112 BTC
2	Ethereum ETH	Buy	\$3,390.52	-1.09%	-10.08%	\$399,217,053,674	\$16,139,816,641 4,762,059 ETH
14	Binance USD BUSD		\$1.00	-0.07%	+0.03%	\$13,059,429,965	\$5,133,367,868 5,133,392,407 BUSD

Ethereum is a key to building the crypto infrastructure, where free markets have embraced the greenback as the top global currency. Bitcoin is becoming the digital reserve asset, while the denominator for most NFTs -- Ethereum -- is the money of the Internet.

Not Diversifying in Cryptos May Be Greater Risk. The world is becoming more digital, favoring the dollar and pressuring gold. Outlooks for the greenback, gold, broad commodities and most assets may be increasingly inadequate if not considering developments in crypto assets. Organic digital adoption of the greenback is a headwind for dollar-based commodities, and notably gold, but we see the old analog reserve asset as sufficiently discounted vs. Bitcoin. Our graphic depicts the relative outperformance of the Bloomberg Galaxy Crypto Index vs. gold since the peak in total known gold ETF holdings in 4Q20 -- about when Bitcoin showed sustainability above the \$10,000 threshold.

Is Ignoring Cryptos Akin to Fading the Internet?



By comparison, gold returns have been poor. Crypto assets' performance emphasizes the risks of not diversifying.

{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	2798.71	+17.98	0.65%	2756.56	2780.73			05:36					
● Bid/Ask Data ● Network Data (Supplied by Mosaic)										Base USD			
Coins	Last	Net Chg	% Chg	Circ Supply	Market Cap ↓	Coin Volume	USD Volume	Time					
11) Bitcoin	49879.20	+873.06	1.78%	18.84M	939.43B	0.0278M	1347.60M	05:36					
12) Ethereum	3405.125	+20.870	0.62%	117.80M	401.16B	0.2290M	769.03M	05:36					
13) XRP	1.0504	+0.0101	0.97%	50490.20M	53.03B	44.0556M	45.80M	05:36					
14) Litecoin	168.710	+0.715	0.43%	68.68M	11.59B	0.4808M	79.91M	05:36					
15) Bitcoin Cash	560.94	+13.43	2.45%	18.86M	10.58B	0.0447M	24.53M	05:36					
16) Ethereum Classic	53.362	+1.072	2.05%	130.37M	6.96B	0.3167M	16.67M	05:36					
17) Monero	267.725	+1.605	0.60%	18.01M	4.82B	0.0070M	1.84M	05:36					
18) EOS	4.6799	+0.1669	3.70%	935.89M	4.38B	6.3611M	29.04M	05:36					
19) Dash	174.113	+0.293	0.17%	10.37M	1.81B	0.0078M	1.37M	05:36					
20) Zcash	117.577	+1.777	1.53%	12.80M	1.50B	0.0118M	1.38M	05:36					
Futures	Last	Net Chg	Volume	Open	Settle	2D Chart	30D Rng	Time					
21) CME Bitcoin	50275	+420	2819	49310	49855			05:36					
22) CME Ether	3426.25	-21.50	985.00	3424.25	3447.75			05:34					

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41) China's Biggest Crypto Platform Knows There's No Going Home	BN	01:48
42) ✓ India Fueling One of World's Fastest-Growing Crypto Regions (1)	BN	02:53
43) ✓ 'I believe bitcoin is the best form of money'	FTI	02:43
44) Daily FX: Bitcoin (BTC) Rallies into \$50k Resistance Zone, Alt-Coins Build on Bitcoin Strength	NS1	05:34
45) Inside Bitcoins: 5 Best Cryptocurrency To Buy On Low Prices October 2021 Week 2	NS1	05:33
46) CryptoGlobe: Revolutionizing the Green Industry With Proof-of-Origin and OUD Token	WE9	05:32
47) FXStreet: Three reasons why Ethereum price is going to \$5,000	NS5	05:32
48) Daily Bitcoin: Bitwage Raises \$1.5 Million in Latest Funding Round – Bitcoin News	WE9	05:29

(5:30am NY, October 5)

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