

Bloomberg Crypto Outlook

If Not Long, May Be Short

- If Not Long Bitcoin, Ethereum - Are You Short? Blockbuster Risks
- Is 2021 Just Another Crypto Foundation Year? The Base Is Firming
- Significance of 20% Return If Bitcoin Zero: More Participation
- Crypto Musketeers vs. Stooges - Bitcoin, Ethereum and the Dollar

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Most data and outlook as of November 2, 2021

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BI COMD (the commodity dashboard)

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If Not Long Bitcoin, Ethereum - Are You Short? Blockbuster Risks

Performance: Bloomberg Galaxy Crypto Index (BGCI)

October +40%, 2021 to November 2: +236%

Bloomberg Galaxy DeFi Index (DeFi)

October +13%, 2021 to November 2: +262%

Bitcoin October +40%, 2021 to November 2: +118%

Ethereum October +44%, 2021 to November 2: +510%

(Bloomberg Intelligence) -- Global asset managers with zero Bitcoin and Ethereum allocations may need to rethink their approach as 2022 draws near, with risks tilting against the holdouts amid the rapid evolution in digital assets. It's no coincidence either that China has banned non-Chinese cryptos, whereas the U.S., Canada and Europe have seen launches of numerous exchange-traded funds and futures based on the top two cryptos, winning what we perceive as a cold war in digital assets. Crypto dollars are the most widely traded. Regulatory clarity should be a 2022 hallmark.

A Bitcoin floor appears to be inching up toward \$60,000 from \$50,000, with fuel for a year-end sprint toward \$100,000. Ethereum appears on track for \$5,000, with support around \$4,000.

Tidal Wave of U.S. ETFs

Is 2021 Just Another Crypto Foundation Year? The Base Is Firming.

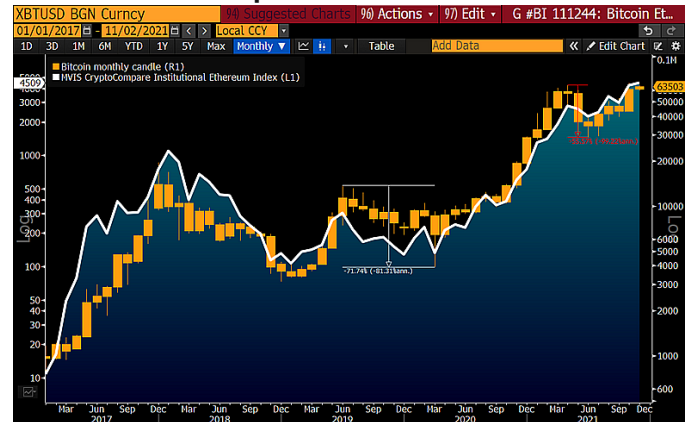
A melt-up in Bitcoin and Ethereum into year-end is likelier than retracement, we believe, after 2021 corrections cleansed speculative positions, and with increasing demand and adoption, and declining supply, sustaining a bull market. The startup of U.S. ETFs and the fact that cryptos counter China bans limit downside risks.

What Stops Crypto-Asset Proliferation, Adoption?

Historical significance is often underappreciated, as is the case with most crypto assets to start November. We think the repercussion of the launches of Bitcoin and Ethereum exchange-traded funds and futures in the U.S. and Canada the same year that China banned outside crypto assets is a new cold war of sorts -- one the U.S. is winning. The proliferation of crypto dollars (the most widely traded digital assets) vs. few tokens tracking the yuan shows organic demand for free-market capitalism and the greenback.

Note - Click on graphics to get to the Bloomberg terminal

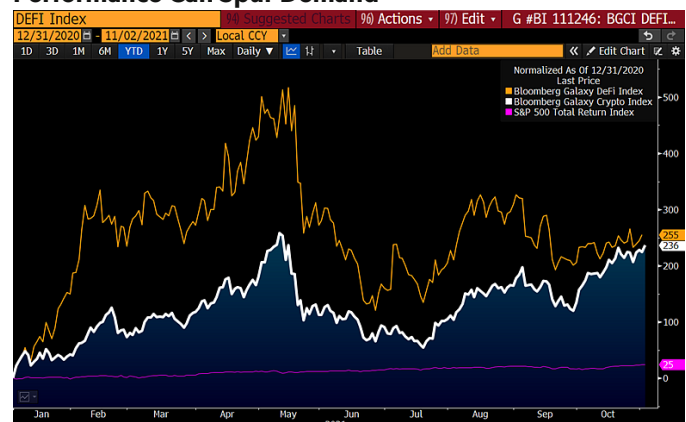
Little Reason to Complicate Bull Markets



Our graphic points to further appreciation in the top two cryptos. If the first-born catches up to the performance of the No. 2 asset by market capitalization (Ethereum) in 2021, Bitcoin's target resistance value would be about \$100,000 relative to what's looking like a firmer \$60,000 floor.

Risks Are Tilting vs. Those With Zero Crypto. Money managers risk falling behind and underperforming peers that own crypto assets. Our graphic depicts the 200%-plus outperformance of the Bloomberg Galaxy Crypto and DeFi indexes in 2021 vs. the S&P 500. With outsized returns come volatility, as evidenced by drawdowns of more than 50% in the crypto gauges this year relative to the lack of a 10%-plus correction in the U.S. equity benchmark since the 2020 swoon. Selloffs in crypto assets appear to be attracting responsive buyers, most of which face the potential of falling behind by avoiding crypto allocations.

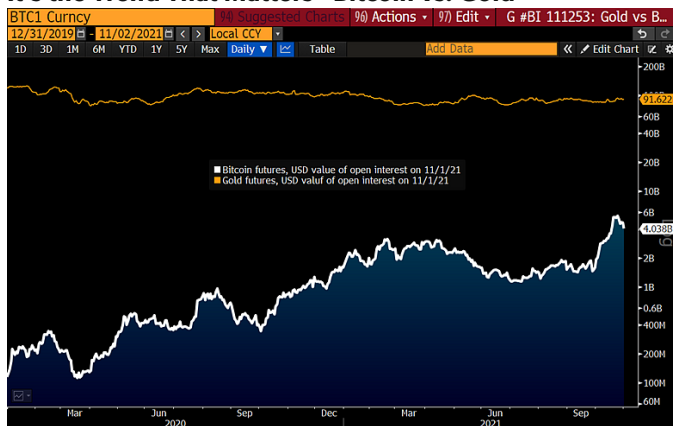
Performance Can Spur Demand



Managers expected to catch big trends ahead of the masses appear increasingly challenged by the classic 60% equities/40% bonds model, considering skimpy interest rates.

Futures-Based ETF: The End of the Beginning? Bitcoin futures are minuscule, considering the size of the crypto and gold markets, leaving room for expanded participation and potential price appreciation. Our graphic points to a young bull market in CME Bitcoin futures open interest vs. the opposite in gold. Bitcoin open interest of about \$4 billion pales in comparison with gold (around \$90 billion), but at the start of 2020, the crypto-futures market was only \$200 million vs. \$125 billion for gold.

It's the Trend That Matters - Bitcoin vs. Gold



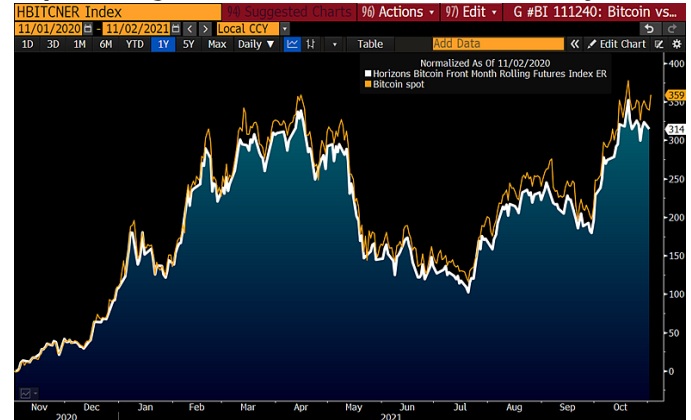
Trends matter. We see greater potential of accelerating upside for Bitcoin-futures participation on the lucrative nature of "cash and carry" strategies. Going long the crypto, hedged 1-to-1 with futures, has returned more than 20% in the past year.

Cash-and-Carry Rising Tide

Significance of 20% Return If Bitcoin Zero: More Participation. The U.S. approval of Bitcoin exchange-traded funds and its effect on "cash and carry" trades may mark 2021 as a milestone year. The ability to profit through long positions in spot Bitcoin and shorting the futures may eventually be arbitrated out amid increasing participation and demand.

Bitcoin, Ethereum and Futures Cash and Carry. Lucrative futures carry is one example of how much Bitcoin has moved on from the perceived risk of hitting zero. It should also stoke demand, if the rule of money flowing to where it's treated best applies. About a 10% annual return is implied for investors holding Bitcoin vs. selling futures. Our graphic depicts about a 20% one-year carry of going long the crypto vs. rolling a short position in the one-month future. If holding Bitcoin vs. short the future, risk is minimized if the crypto drops to zero.

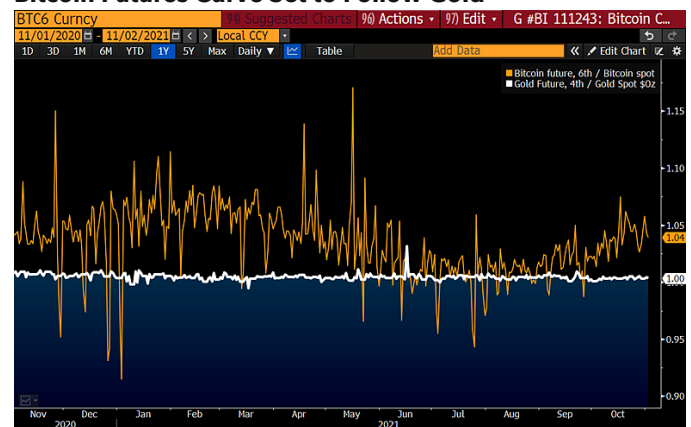
Top Arb Target - Bitcoin, Ethereum Cash and Carry



The launch of U.S. Ethereum futures, and ETFs tracking Bitcoin futures, are 2021 turning points of the latter's maturation toward general-collateral status. No. 2 Ethereum likewise is gaining clout as the collateral of the Internet. Bitcoin-future margin ratios remain restrictive, but should decline with maturation.

How Long Can 20%-Plus Bitcoin Last? A simple example of the increasing value of Bitcoin is the return of about 20% on a fully hedged position if the crypto drops to zero. Here's the basic math, excluding slippage and fees. Grayscale Bitcoin Trust (GBTC) has been averaging about a 15% discount to the crypto's price, and the premium on the six-month-out future is around 5%. Spot Bitcoin delta hedged 1-to-1 has been earning about 20% on an annual basis. Highly traded and liquid futures should "arb" this out, if history is a guide.

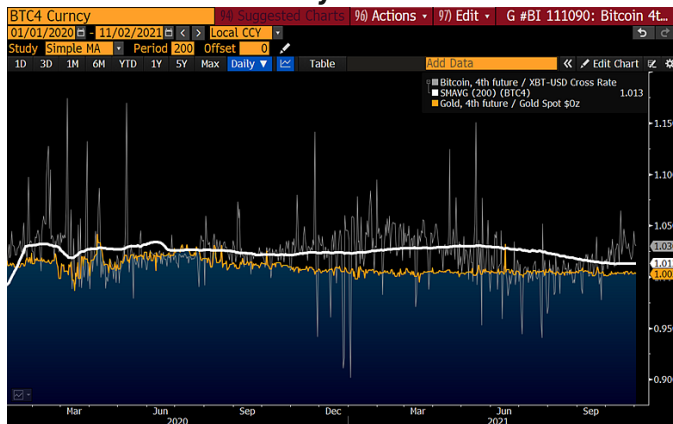
Bitcoin Futures Curve Set to Follow Gold



Our graphic depicts that Bitcoin futures could look forward to a curve like gold's. Reducing the restrictive trading rules of the nascent Bitcoin future should be a matter of time, due to increasing participation. Bitcoin-futures leverage is less than 3x compared with 21x in gold. Volatility is a key difference.

Bitcoin Is On Track to Trade Like Gold. The advent of Bitcoin ETFs tracking CME futures is likely to accelerate the nascent assets' maturation process, with positive price and negative volatility implications. Our graphic depicts the declining 200-day average of the contango measured by the fourth Bitcoin future vs. spot Bitcoin. This spread has widened with the launch of the BITO ETF, but we expect a resuming trend toward a curve akin to gold. High margins limited participation in Bitcoin futures, but that changed with ETFs. The CME limits Bitcoin futures' leverage to about 2.5x vs. over 20x for gold. A key disparity is volatility, and ETFs will increase participation, pressuring the contango arbitrage.

Bitcoin Futures Curve Likely to Be Like Gold's



Bitcoin ETFs may have opened the spigot for prime brokers to on-ramp crypto vs. futures arbitrage.

Three Musketeers vs. Stooges

Crypto Musketeers vs. Stooges - Bitcoin, Ethereum and the Dollar. Stalwarts Bitcoin, Ethereum and crypto dollars are poised to stay atop the ecosystem vs. about 13,000 rivals jockeying for speculative leadership, if past patterns repeat. Binance Coin, Cardano and Solana have replaced XRP, Bitcoin Cash and Chainlink near the top from a year ago.

Tether, Ethereum and Bitcoin vs. 13,000 Wannabes.

Enduring crypto-market trends include the proliferation of crypto dollars, Bitcoin becoming general collateral and Ethereum building the platform for DeFi, fintech and non-fungible tokens (NFTs). Our graphic of the top six cryptos from Coinmarketcap shows consistency among the three leaders -- Bitcoin, Ethereum and Tether. The rapid adoption of stable coins that track the dollar is a key notable; Tether is predominant. There are numerous Tether wannabes, which shows the significance of the greenback to the crypto ecosystem -- the buck is in demand more than all other fiat currencies for transactions.

Consistency a the top - Bitcoin, Ethereum, Tether

Rank	Name	Symbol	Market Cap	Price	Circulating Supply	Volume (24h)
1	Bitcoin	BTC	\$1,156,485,845,063.09	\$61,318.96	18,860,168 BTC	\$32,241,199,927.48
2	Ethereum	ETH	\$506,663,636,947.23	\$4,288.07	118,156,446 ETH	\$17,498,160,237.85
3	Binance Coin	BNB	\$87,464,591,883.46	\$524.36	166,801,148 BNB *	\$2,076,289,914.74
4	Tether	USDT	\$70,286,558,907.95	\$1.00	70,260,109,912 USDT *	\$91,561,112,863.18
5	Cardano	ADA	\$65,378,981,994.98	\$1.97	33,271,310,416 ADA	\$2,446,176,744.16
6	Solana	SOL	\$61,003,141,449.57	\$202.42	301,367,632 SOL *	\$2,577,364,485.82

There's little to stop Bitcoin from becoming the global digital-reserve asset, and plenty of so-called Ethereum killers coming and going among the top cryptos.

This Graphic a Cautionary Tale for Wannabes. Interchange among mostly speculative crypto assets competing with Bitcoin, Ethereum and Tether is a pattern that should instill investor caution. Our graphic of the leading cryptos on Coinmarketcap from this time last year showed XRP, Bitcoin Cash and Chainlink among the top six. A year later, they've all dropped (to No. 7, No. 21 and No. 14, respectively). It's this enduring jockeying for position among top cryptos, often driven by hype and speculation, that leads us to view most that rise swiftly to the top with trepidation.

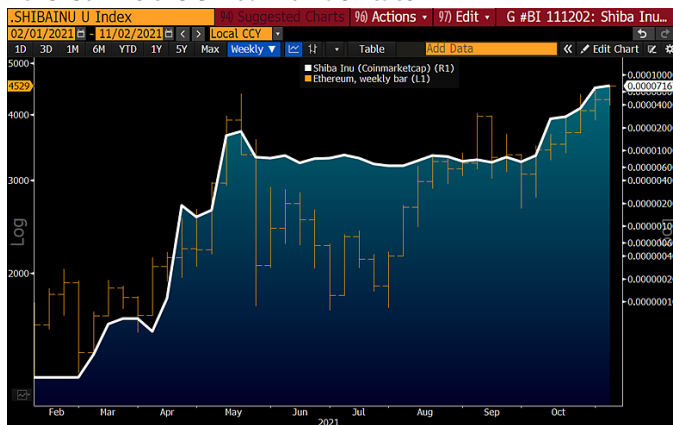
What's Consistent? Change Among the Other Three

Rank	Name	Symbol	Market Cap	Price	Circulating Supply	Volume (24h)
1	Bitcoin	BTC	\$254,569,759,062.59	\$13,737.11	18,531,537 BTC	\$24,453,857,900.09
2	Ethereum	ETH	\$44,888,307,221.41	\$396.36	113,251,873 ETH	\$10,475,146,018.40
3	Tether	USDT	\$16,660,908,761.15	\$1.00	16,654,602,134 USDT *	\$34,361,640,767.79
4	XRP	XRP	\$10,859,147,268.26	\$0.2398	45,284,665,028 XRP *	\$1,855,741,695.95
5	Bitcoin Cash	BCH	\$4,966,023,215.63	\$267.56	18,560,700 BCH	\$1,785,981,044.79
6	Chainlink	LINK	\$4,505,164,094.00	\$11.54	390,509,556 LINK *	\$1,319,631,443.18

Bitcoin, Ethereum and crypto dollars are exceptions. Shiba Inu in 2H and Dogecoin in 1H are examples of speculative hype-coins better classified as fun for gamblers on an unprecedented 24/7 global scale.

'Joke Coin' Punchline Is Getting Serious. Shiba Inu presents a unique blend of exploitation, good marketing, ESG, supply vs. demand economics and gambling on an unprecedented 24/7 global scale, and faces reversion worthy of its parabolic rise. The fact that the meme coin has reached our radar places Shiba Inu at similar risk as Dogecoin in May, just before its collapse. It may be fun for speculators, but having achieved about a \$40 billion market cap and No. 9 October ranking on Coinmarketcap, Dogecoin wannabe Shiba Inu is an example of excesses among 13,000 cryptos.

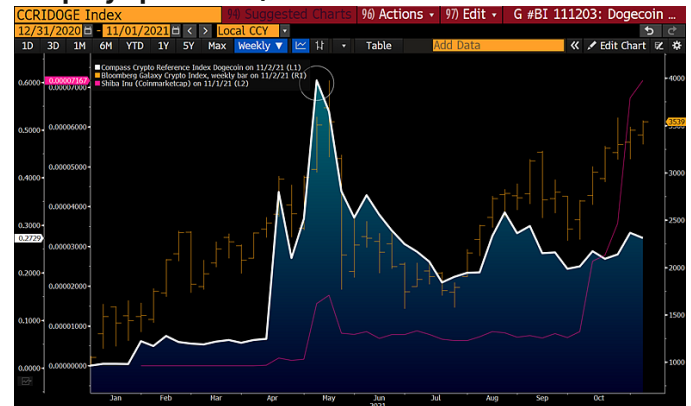
Ethereum Is the Shiba Inu Facilitator



Plenty of decimals have captivated punters willing to risk \$100, which translates to about 1.4 million Shiba Inu coins at the Oct. 29 price of 0.007 cents vs. only 0.0016 Bitcoin around \$61,000. Shiba Inu is a use-case and demand factor for the Ethereum platform.

Is Shiba Inu a Leading Indicator Like Dogecoin? The Bloomberg Galaxy Crypto Index has recovered toward its 2021 high despite Dogecoin's underperformance, indicating institutional investors are getting more involved. Our graphic depicts risks to the broader market, with gravity likely to overcome Shiba Inu. Yet we find a crypto market in transition, and like all revolutionary technologies, speculation is playing a role. Limiting supply, pricing the coin at extremely low decimals, timely Twitter posts and gifting Shiba Inu coins to Ethereum co-founder Vitalik Buterin are part of what captivates speculators.

Uniquely Speculative, Shiba Inu Faces Risk-Off



Buterin took a large portion of the Shiba coins he received out of circulation and donated the rest to charity. When the Shiba Inu game is up, the problem we see is that many assets could be prone to risk-off sentiment.

Rested, Corrected Ethereum Rides Digitization Wave: BI Commodity.

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. The No. 2 crypto -- the denominator for NFTs and top platform for tokenization -- is well on its way to becoming the collateral of the internet, akin to Bitcoin's trajectory to be the global digital reserve asset. 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.

A lot can go wrong to derail nascent technologies, and plenty of competition may be a headwind, but Ethereum has passed the test of the 2021 protocol upgrade, which should help pave the way for similar with ETH 2.0, as it's called due to the upgrade that will cut energy consumption.

{CRYPT} 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	3538.85	+126.52	3.71%	3394.89	3412.33			16:14
● 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	63414.63	+2687.12	4.42%	18.86M	1196.08B	0.0227M	1418.66M	16:14
12) Ethereum	4531.270	+219.461	5.09%	118.18M	535.52B	0.2508M	1105.42M	16:14
13) XRP	1.1336	+0.0455	4.18%	50490.14M	57.24B	49.2952M	54.82M	16:14
14) Litecoin	201.988	+8.493	4.39%	68.89M	13.91B	0.4162M	82.74M	16:14
15) Bitcoin Cash	602.71	+15.90	2.71%	18.89M	11.38B	0.0300M	17.86M	16:14
16) Ethereum Classic	54.868	+1.298	2.42%	130.62M	7.17B	0.3070M	16.74M	16:14
17) Monero	275.150	+4.570	1.69%	18.02M	4.96B	0.0013M	0.36M	16:14
18) EOS	4.7347	+0.1261	2.74%	938.28M	4.44B	3.0469M	14.29M	16:14
19) Zcash	174.120	+6.315	3.76%	13.00M	2.26B	0.0358M	6.21M	16:14
20) Dash	198.137	+9.935	5.28%	10.42M	2.06B	0.0111M	2.15M	16:14
Futures	Last	Net Chg	Volume	Open	Settle	2D Chart	30D Rng	Time
21) CME Bitcoin	63765	+2150	5154	61010	64015			16:13
22) CME Ether	4562.75	+184.00	5764.00	4314.75	4550.75			16:13
Cryptocurrency News More »								
41)	Ethereum Enthusiasts Are Touting Inflation-Fighting Credentials						BN	15:37
42)	Miami Mayor Suarez Says He'll Take Next Paycheck in Bitcoin						BN	14:32
43)	Tarantino to Auction Unseen 'Pulp Fiction' Scenes as NFTs (1)						BN	11:39
44)	xSigma To Offer NFTs From 3 NFL Players: What Investors Should Know						BZG	16:14
45)	Senator Ted Cruz proposes crypto as payment for vendors doing business on Capitol Hill						BDR	16:11
46)	Unlock: Zanzibar, World Mobile Group and IOG partner for Blockchain hub						BLG	16:07
47)	CryptoSlate: Goldman Sachs predicts \$8,000 per Ethereum (ETH) by the end of 2021						NS1	16:01
48)	Why NFTs and the metaverse will make you an owner - not just a renter - on the internet						BDR	15:56

(4pm NY, November 2)

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