Research Roundup

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Research Roundup – November 2023

01. Recent Market Action

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Recent Market Action
Bitcoin and Ether Best Performing Assets YTD

• Year-to-Date returns are now 120%+ for BTC and 75%+ for ETH
• 1-month performance: 31% BTC and 28% ETH
• Driven by ETF speculation?
• Ether outperforming bitcoin - ETF catalyst or something else?

YTD Bitcoin and Ether Returns Compared

Bitcoin Forms Golden Cross Pattern

• 50-Day moving average crosses above 200-Day, indicating bullish sentiment
• Price trading above these levels since mid-October
• Potentially driven by ETF speculation and gamma squeeze in options market

Source: Glassnode, 11/13/2023
Relative Performance (1M) of BTC and ETH

- The positive news around ETF products for both assets has favored BTC more recently
- Possibly due to shorter time horizon to product launch as well as halving in ’24

Source: Glassnode, 11/13/2023
Bitcoin and Ether Decoupling from Equities?

• Bitcoin and ether correlation to equities continue to decline towards zero
• Correlation of 0 indicates no relationship between price action
• Bitcoin and ether correlation has seen sharp drawdown to around 0.6

Source: Coin Metrics, 11/14/2023.
Is Futures Market Activity a Sign of Institutional Demand?

Top 5 Bitcoin Futures Open Interest Exchanges

- CME surpasses Binance for largest amount of futures OI on exchanges
- Bitcoin futures open interest refers to the total number of outstanding Bitcoin futures contracts in the market
- Cboe Digital to launch margined futures for bitcoin and ether – are these signs of increasing institutional demand?

Making the Headlines This Month
Recent News

• Blackrock has filed for a spot ether ETF.

• A New York judge approved a Celsius repayment plan involving the use of a mining firm.

• A jury found Sam Bankman-Fried guilty on all counts; he faces up to 115 years in prison.

• Ethereum Layer 2 network Scroll went live in late October.

• Modular data availability Layer 1 network Celestia went live on October 31st.

• Cryptocurrency exchange Kraken announced plans to launch a Layer 2 network.

• Centralized exchange OKX launched a decentralized Layer 2 testnet using Polygon’s chian development kit.
Where We are at in the Bitcoin Cycle
• Current drawdown is approximately 45% from last all-time high

• Interestingly, long-term treasuries have also experienced similar drawdowns recently

Source: Coin Metrics, 11/13/2023
The Current Bear Market vs Past

Bitcoin: Days to Return to All-Time Highs

- Potential positive catalysts: positive ETF news, other regulatory clarity, upcoming halving, increasingly illiquid supply
- Potential negative catalysts: negative ETF news or regulatory announcements, increased market volatility or stress, potential flows already priced in

What is Going on with Bitcoin Fees?
Bitcoin Fees Reach Levels Not Seen Since May

- Bitcoin fees are at their highest levels since Ordinals took off in May
- Driven mostly by recent price action as has previously happened
- But...

Source: Glassnode, 11/12/2023.
Will Higher or Spiking Fees Be the New Normal?

- Conditions were set for higher fees with Ordinals setting more of a floor for fees and consistently filling blocks
- Could we face an environment of fuller blocks and therefore more susceptibility to spiking fees?
- Or is it largely driven by higher time preference users?

Source: Glassnode, 11/12/2023.
Miners Receiving Greater Revenue from Fees

• Miners earned more than 20% of their revenue from fees in October.
• With bitcoin supply halving currently set for approximately April 2024, miners may need to increasingly rely on fees to stay profitable.
• Therefore, could this be a preview of future fee market structure?

Source: Glassnode, 11/14/2023.
In Case You Missed It

Understanding Proof-of-Work
A nontechnical introduction to bitcoin mining and the implications of proof-of-work for investors

Signals Report
A quarterly breakdown of key market metrics that could be impacting price and investor sentiment.
Fidelity Digital Assets™ Research

Quarterly Observation of Current Market Conditions
Click the icons to see how we measured the conditions.

Bitcoin

- Short-Term Outlook (0-1 year): Neutral
- Mid-Term Outlook (1-5 years): Neutral

Ethereum

- Short-Term Outlook (0-1 year): Neutral
- Mid-Term Outlook (1-5 years): Neutral

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