Bitcoin Post-Halving Market Update



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look into bitcoin

Key Details

- The global macro environment continues to play to Bitcoin’s strengths, despite possible short term risks.
- There is ongoing evidence of strong retail and institutional interest.
- Post halving miner capitulation appears to have largely played out.
- On-chain analysis reveals network setting up for the next bull run with opportunities for strategic Bitcoin investors.

The Rising Star of Bitcoin

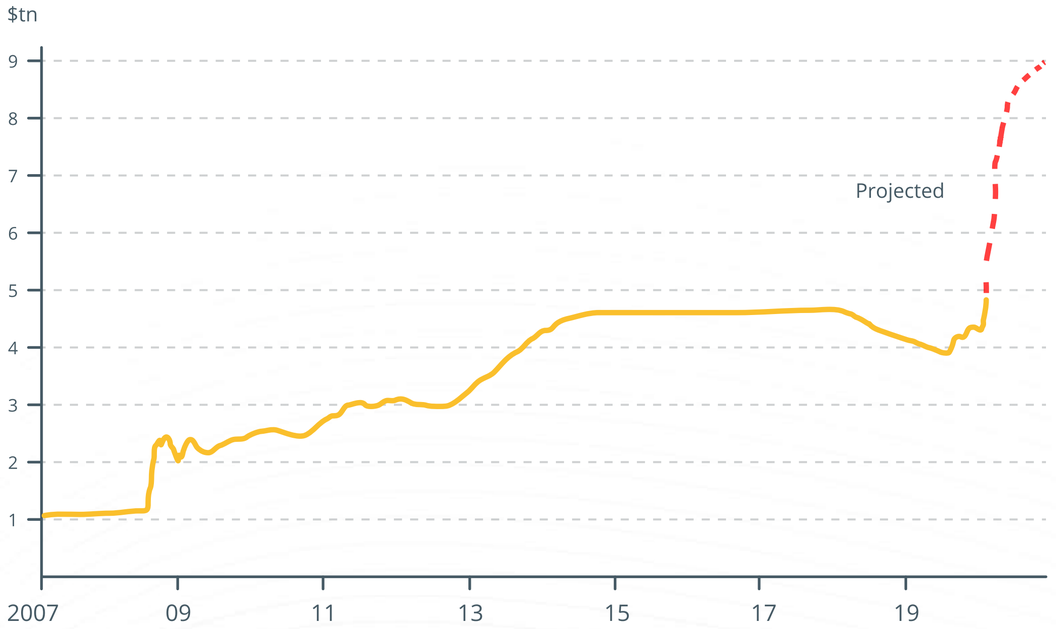
Bitcoin's (BTC) fundamentals and on-chain signals remain bullish despite any threats of post-halving miner capitulation and global markets turmoil.

With the buzz and excitement of the halving behind us, we can now look forward to forecasting what is next for Bitcoin.

- Governments and policymakers around the world continue to grapple with coronavirus by taking fiscal and monetary actions at a scale never seen before in our lifetimes. This is illustrated by the introduction of negative Interest rates, untethered money printing, and rapidly expanding central bank balance sheets.
- The net result is that government debts are skyrocketing and fiat currencies are being devalued time and again as further rounds of stimulus are announced.
- In addition we are now seeing civil unrest gain traction in the U.S. and other parts of the world as frustrations with traditional institutions build.

These global issues are setting up the perfect macro environment for Bitcoin.

Federal Reserve's balance sheet could reach $9tn



Sources: BofA Clobal Research: Bloomberg
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Are institutions on their way?

Bitcoin is looking increasingly attractive as an investment in this environment. It's hard-capped supply, that is digitally native, in a world that is now even more digitally dependent after COVID-19, makes for a compelling investment case.

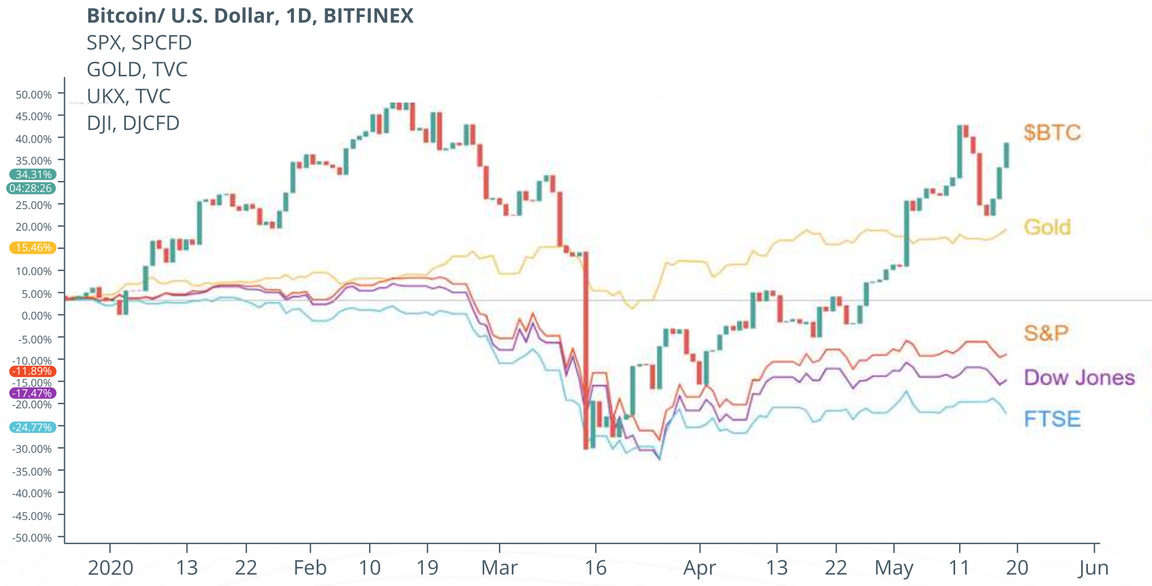
Furthermore, for the first time in Bitcoin's history we are beginning to see major institutional players come forward and publicly show their interest and involvement with Bitcoin.

- Last month Paul Tudor Jones, CEO of U.S.-based hedge fund Tudor Investment Corp, declared his enthusiasm for Bitcoin by announcing that his fund currently holds Bitcoin futures and the fund has allocated around **1-2%** to this trade.

> At the end of the day, the best profit-maximizing strategy is to own the fastest horse. Just own the best performer and not get wed to an intellectual side that might leave you weeping in the performance dust because you thought you were smarter than the market. If I am forced to forecast, my bet is it will be Bitcoin.

- Despite Goldman Sach's skeptical public announcement towards Bitcoin last week, large institutions in general have been increasing their involvement in the space. Grayscale Bitcoin Trust bought up a staggering 18,910 bitcoin in a little over two weeks post the halving. This clearly shows a strong investor appetite for the digital asset given that bitcoin supply (i.e. mined bitcoin) in that time was only 12,337.

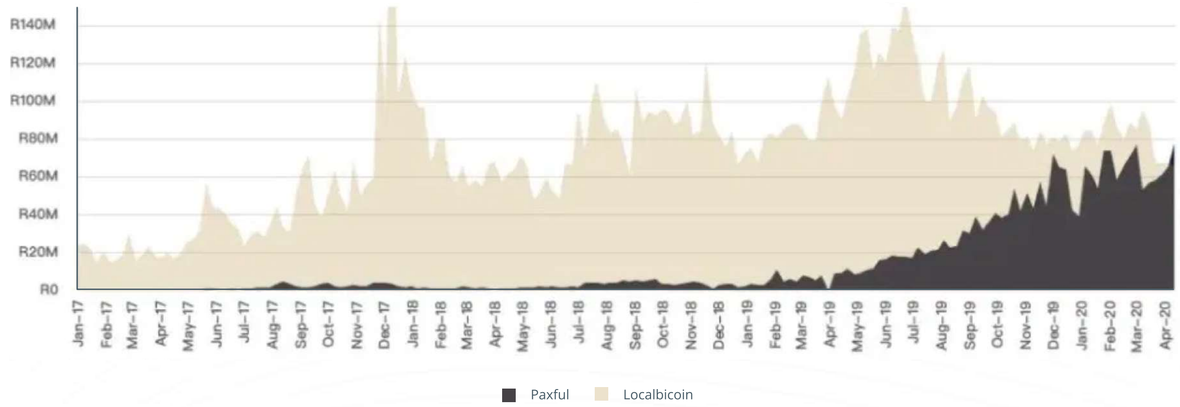
- A key part of its appeal is that, despite being extremely volatile, BTC has outperformed most other asset classes significantly in such a testing 2020 macro environment. Currently Bitcoin is up 36% year to date.



Consumer (retail) interest in Bitcoin surges

- Consumer interest continues to rise with the growth of services such as Square cash app in the US, a mobile payments app which also allows the purchase of Bitcoin. Last month, the company announced that its Bitcoin revenues were up 71% versus the previous quarter to $306m, and up by a staggering 367% year-on-year.
- The growth was attributed to an increase in the number of active Bitcoin customers as well as growth in overall consumer demand.
- Strong levels of growth are expected also in emerging markets such as India, where recent regulatory changes are helping to open up a huge consumer market to cryptocurrencies.
- Cryptocurrency growth had been restrained until March this year due to a government ban on banks interacting with cryptocurrency businesses. Those restrictions have now been lifted which will likely help legitimise Bitcoin and other digital currencies.
- The prevalence of cross border remittance payment needs in India is also acting as a key stepping stone into the world of digital stablecoins and Bitcoin.
- Paxful and Local Bitcoins, two peer-to-peer Bitcoin exchanges have seen steady growth in recent years. This growth will likely accelerate in the new regulatory climate recently announced.

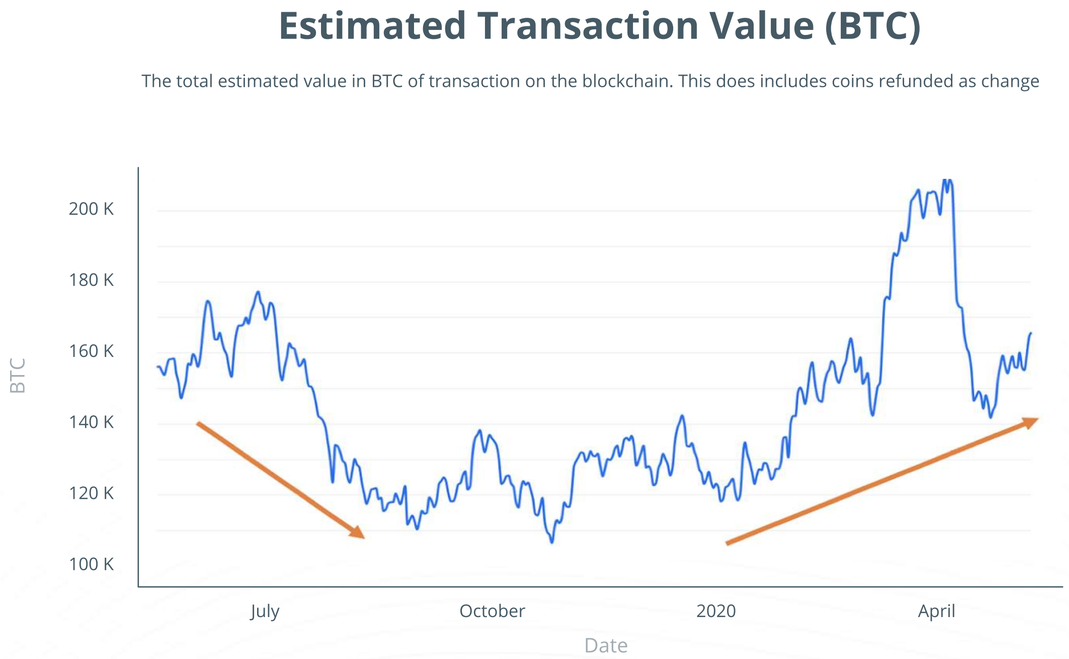
Paxful & Local Bitcoin Weekly Trading Volume (Indian Rupee)



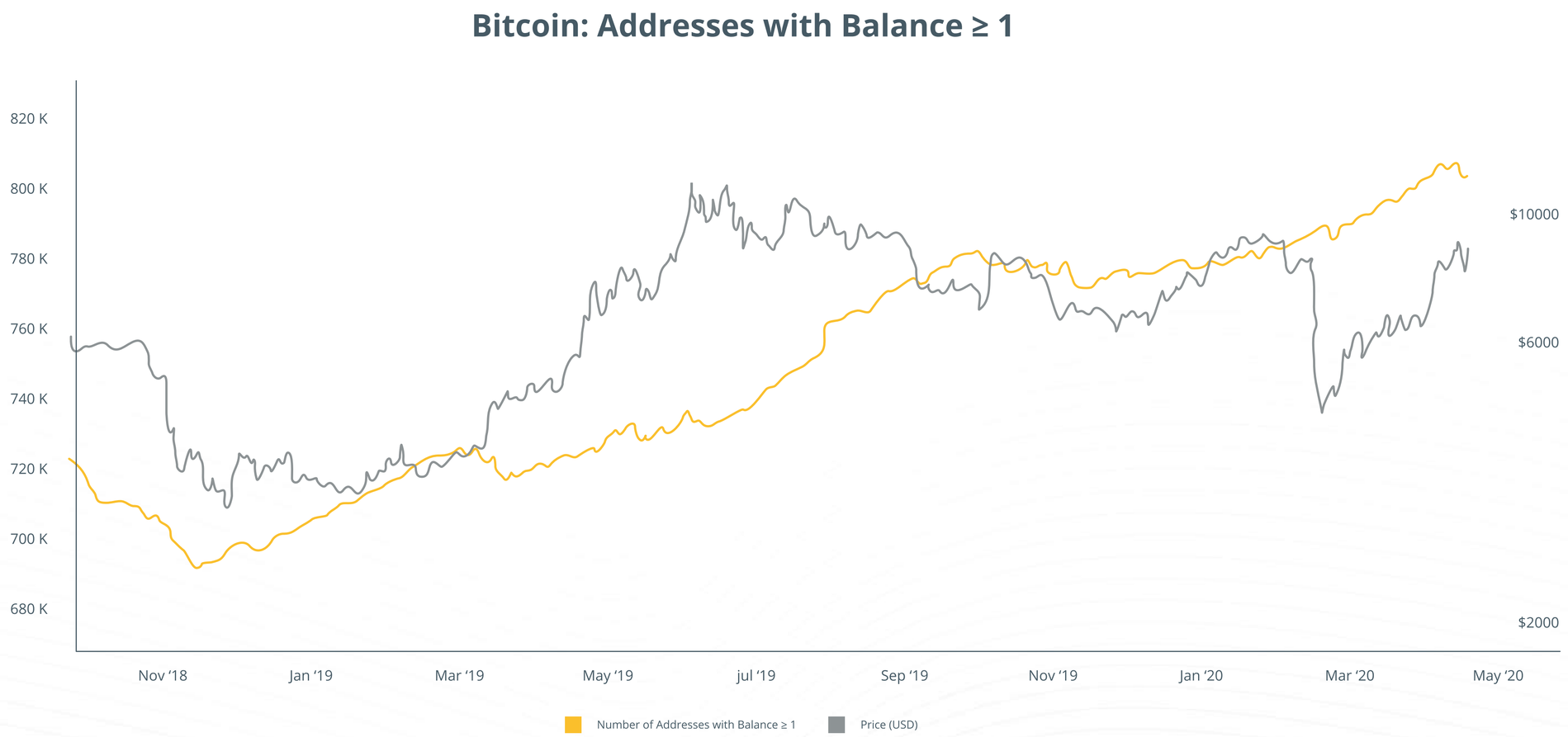
State of the Bitcoin Network

Three key performance indicators provide a broad overview of the current state of the Bitcoin network. Those are on-chain volume, adoption via address growth, and an increasing number of people holding Bitcoin.

- On-chain volume: Recent on-chain volumes continue to rise, and have been doing so since late 2019. This is very encouraging for Bitcoin bulls as it indicates a healthy blockchain in terms of usage.
- Adoption via address growth (see next slide for chart): A good proxy for measuring Bitcoin adoption over time is the growth in Bitcoin wallets. The number of wallet addresses containing a balance greater than or equal to 1BTC have been consistently growing over the past 18 months. The number of these addresses is up 16.5% since December 2018.
- The same phenomenon continued after the market crash to $3,750 on March 13, 2020. This shows that retail investors were not put off by the short term price drop.
- HODL'ers continuing to HODL: On-chain data is showing that sentiment among mid to long-term investors remains positive and that they are not prepared to sell their bitcoin holdings in the short to medium term.



State of the Bitcoin Network

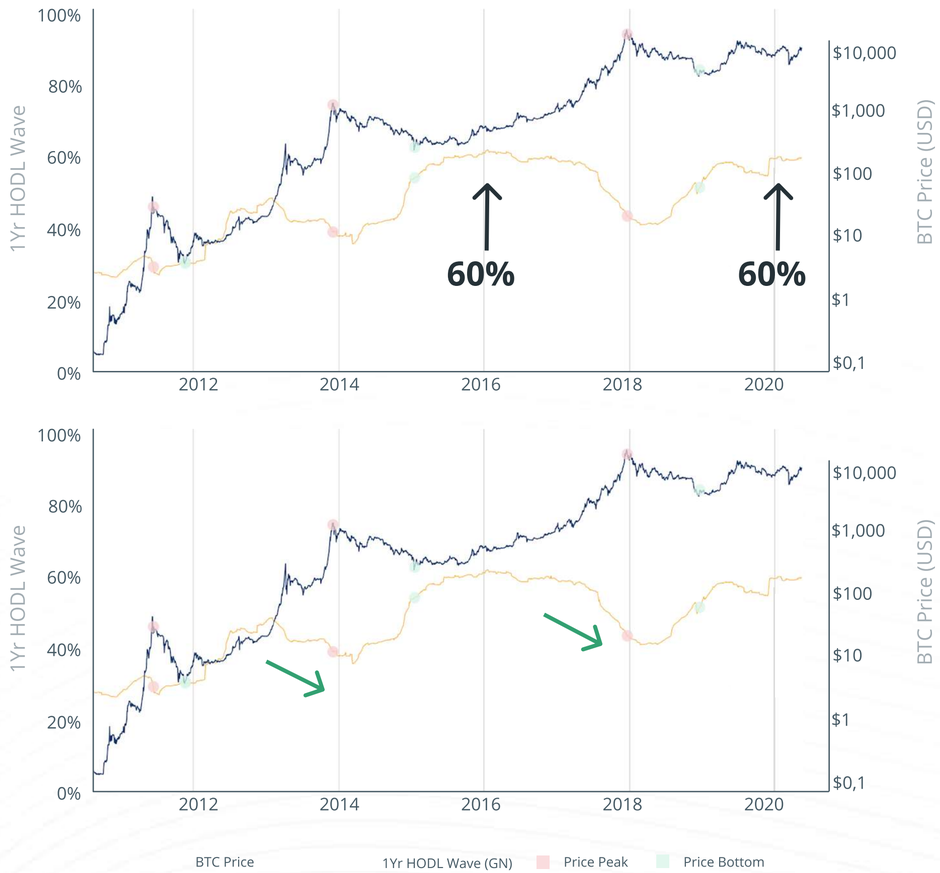


State of the Bitcoin Network

- Despite the major volatility in Bitcoin price in recent months, the percentage of Bitcoin that has not moved on-chain for over a year remains around the 60% level. This indicates that there are strong hands among Bitcoin investors.
- The 1yr+ HODL data is also able to show the cyclical nature of HODL'ing. What is clear is that there is typically a sustained drop in the number of coins held for over a year as the market approaches the late stages of a Bitcoin bull market, as shown by the green arrows
- Currently there is no sustained drop in +1yr HODL'ing which is stable around 60%. This indicates that the market is just starting to enter a new bull market with investors accumulating more Bitcoin, and there are months to go before we approach cycle highs.

1Y+ HODL Wave

1Yr HODL=UTXO > 1 Year Source: lookintobitcoin.com

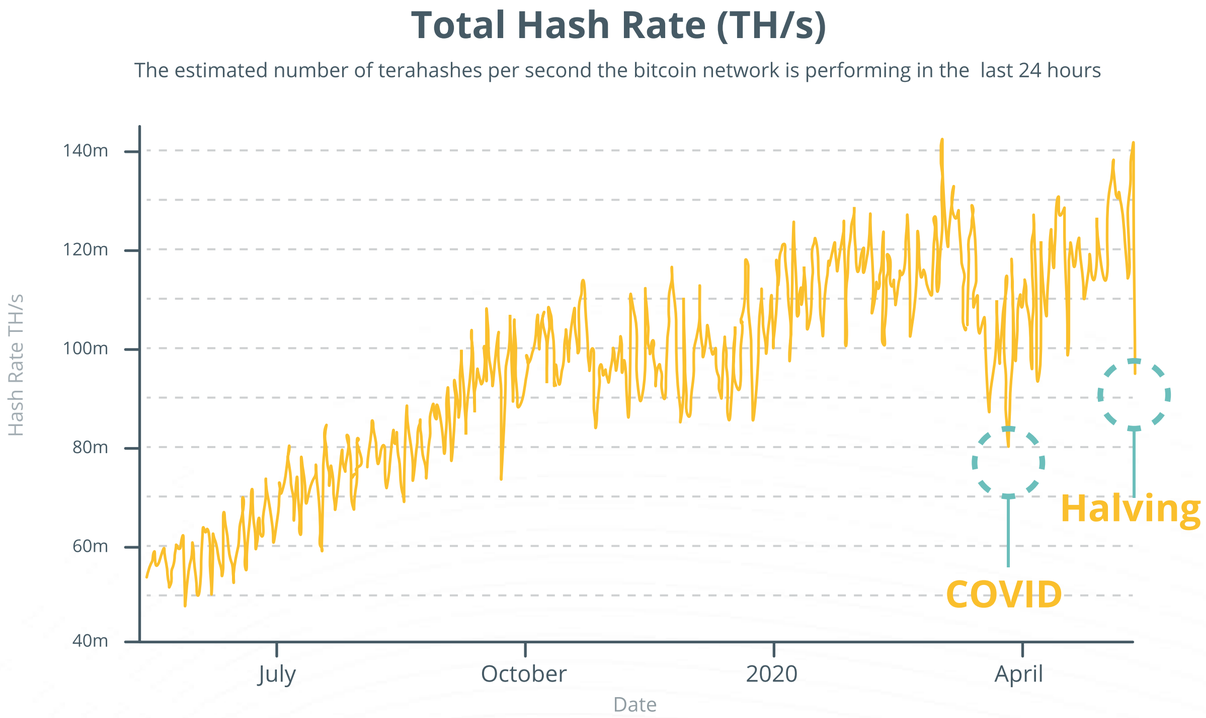


Post-halving miner capitulation risk

Now that the halving is over, miner rewards have been cut in half. Inefficient miners, unable to compete with a major drop in revenues will be forced to shut down.

- Given that the network already recently experienced drops in hash rate in late March due to economic concerns around COVID, and with the next difficulty adjustment around the corner, it is possible that the networks will not endure a mass capitulation by miners.
- Looking at the raw values of hash rate (which show the overall power committed to the network) there were significant drops of around 25% in the few days post halving as miners switched off their equipment.
- Since then hash rate has recovered and we may now have seen the majority of miner capitulation as a result of the halving event.

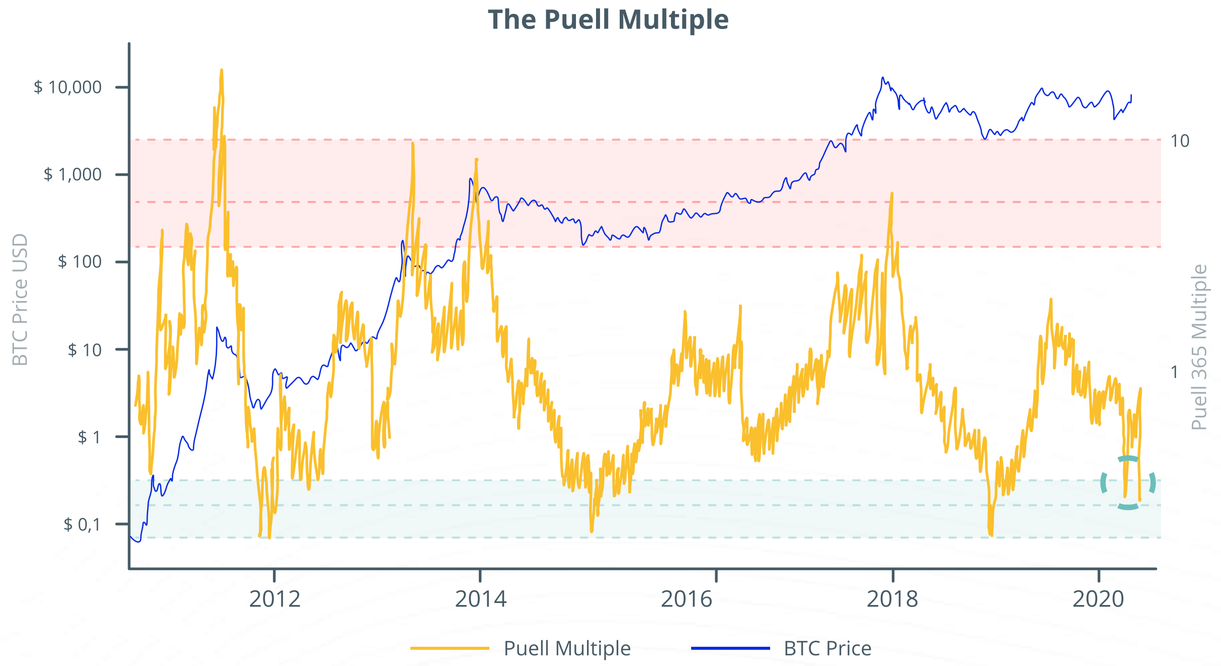
  If the hash rate does begin to significantly fall again, it may start to impact on price as mining inventory gets sold, thereby adding more selling pressure to Bitcoin price.



Post-Halving dip offers opportunities

The halving drop in revenue has presented an opportunity to Bitcoin investors based on a key Bitcoin valuation model. The Puell Multiple uses historic miner revenues to determine long term entry points for Bitcoin investing. It divides current daily coin issuance by the 1yr moving average of daily coin issuance.

- When the Puell Multiple (orange line) dips into the lower green boundary, it signals historic lows in $BTC price based on long term time horizons. It has previously picked the lows of Bitcoin's major market cycles with great accuracy when dipping into this area.
- The Puell Multiple has again now dipped back into that green boundary presenting a potential opportunity for Bitcoin investors to buy. The indicator then also highlights opportunities to sell when entering the upper red zone, which occurs at market cycle highs.
- So there looks to be strong long term potential upside for Bitcoin assuming price can navigate any short term risks presented by either a potential miner capitulation or a correlated drop with global stock markets. Should these occur, on a technical basis there are two broad areas of support for price.



Bitcoin’s current market structure

- The recent confluence of the 200 day moving average and the 128 day MA creates an area of important support for price. During the 2016/17 bull market the 128 MA frequently acted as key support for price. Again, two weeks ago, price bounced right off it and ran back towards the $10,000 area.
- Beneath those daily levels is the 200 Week MA which has always been a major support level throughout Bitcoin’s history.
- Currently it is around $5,950 and is steadily rising. In the increasingly unlikely event of us heading down to this level, buyers would likely step in again with strong bids to try to support $BTC.
- Meanwhile, $BTC continues to test the $10k area. Noteworthy that retraces from $10k are becoming less violent each time, suggesting that buyers are stepping in earlier in anticipation of $10k ultimately being breached.
- While there remain some key short term risks to Bitcoin, overall the fundamentals are bullish as we head deeper into a global macro environment that Bitcoin was essentially built to thrive in. It is increasingly looking like Bitcoin’s time to shine on the global stage is now here.



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The future of money
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