

# Market Update

11.05 – 14.05



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## Market Development

- May started with a mixed picture in the crypto market. Bitcoin is showing strong momentum, outpacing the rest of a more or less flat market.
- The price action we have seen in May is supported by strong volume growth, which is different from what we saw in the weeks after the market crashed in March.
- Can models predict the future? PlanB's stock-toflow model has been discussed lately, with critics pointing at spurious correlation and other flaws.

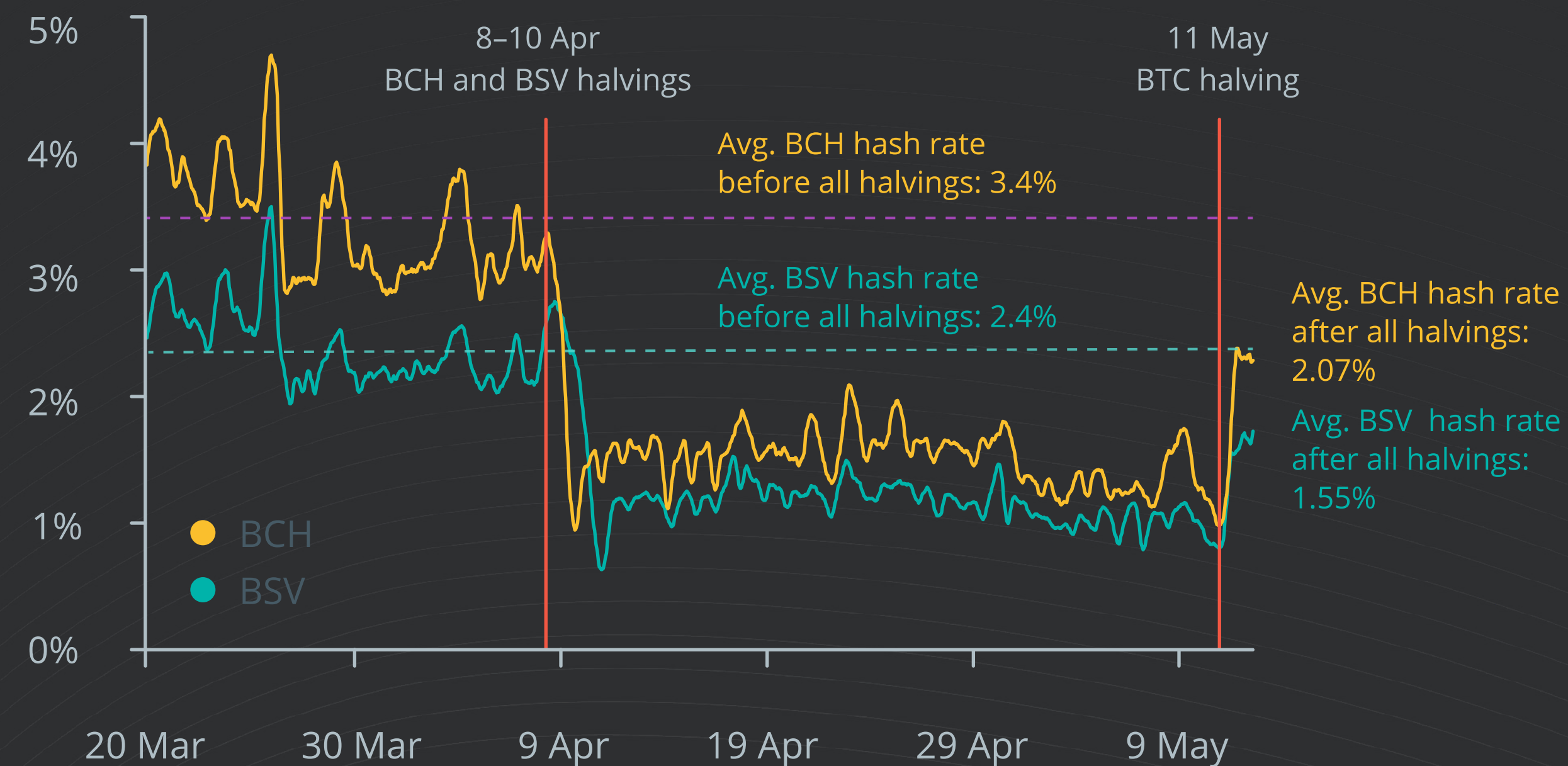
## Adoption

- The crypto space is dominated by males, but female engagement is growing accelerating rapidly. It and is expected to grow above 20% within the next two years.
- The demand for bitcoin is rising worldwide, and bitcoin ATMs are being installed at a high rate.
- P2P volumes are seeing a boost in 2020, but the dominant player is losing market shares.

## Network Activity

- The transaction volumes from several altcoins pale in comparison to that of bitcoin, which is over \$10 billion in daily volume.
- It appears as though miners are moving back to BCH and BSV after BTC completed its third halving this week.

### BCH and BSV shares of total SHA-256 hash rate



# Bitcoin outpacing other coins in May

- With the recent halving event for bitcoin, the price has shown strong momentum and outpaced most coins.
- Bitcoin has been climbing by almost 10% so far in May, while the likes of ETH, XRP and XMR are around breakeven.
- BNB, on the other hand, is struggling a bit more and is in the red so far this month.
- With the increase in trading volumes on Binance this month, one would assume that this would be reflected in BNB's price. This is, however, not the case at the moment.
- There is still no sign of cryptocurrencies moving differently based on their use cases and tech, as most of crypto moves in parallel.

## Price development in may

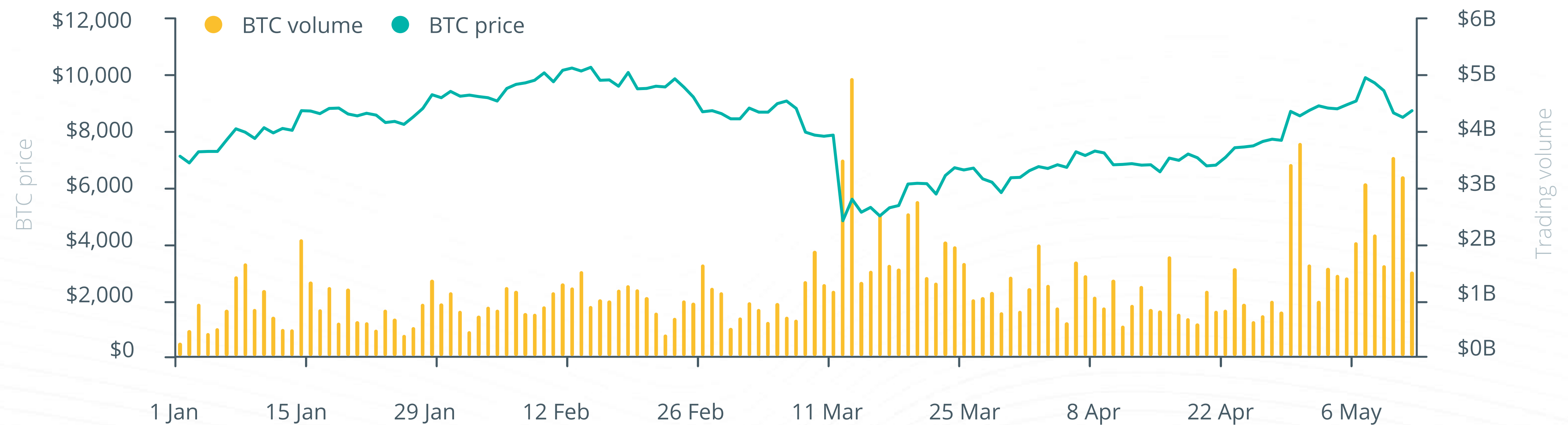


Source: [cryptowat.ch](https://cryptowat.ch)

# Latest price action supported by strong volume

While the strong price growth after the market crash in March was not supported by increasing volume, this has recently been changing. Going into May, BTC's volume has increased and supported the push to \$10,000. However, the pullback over the last week has also been supported by high daily trading volume. This is a healthy sign, as the market is regaining its breath.

Real BTC daily volume vs. BTC price

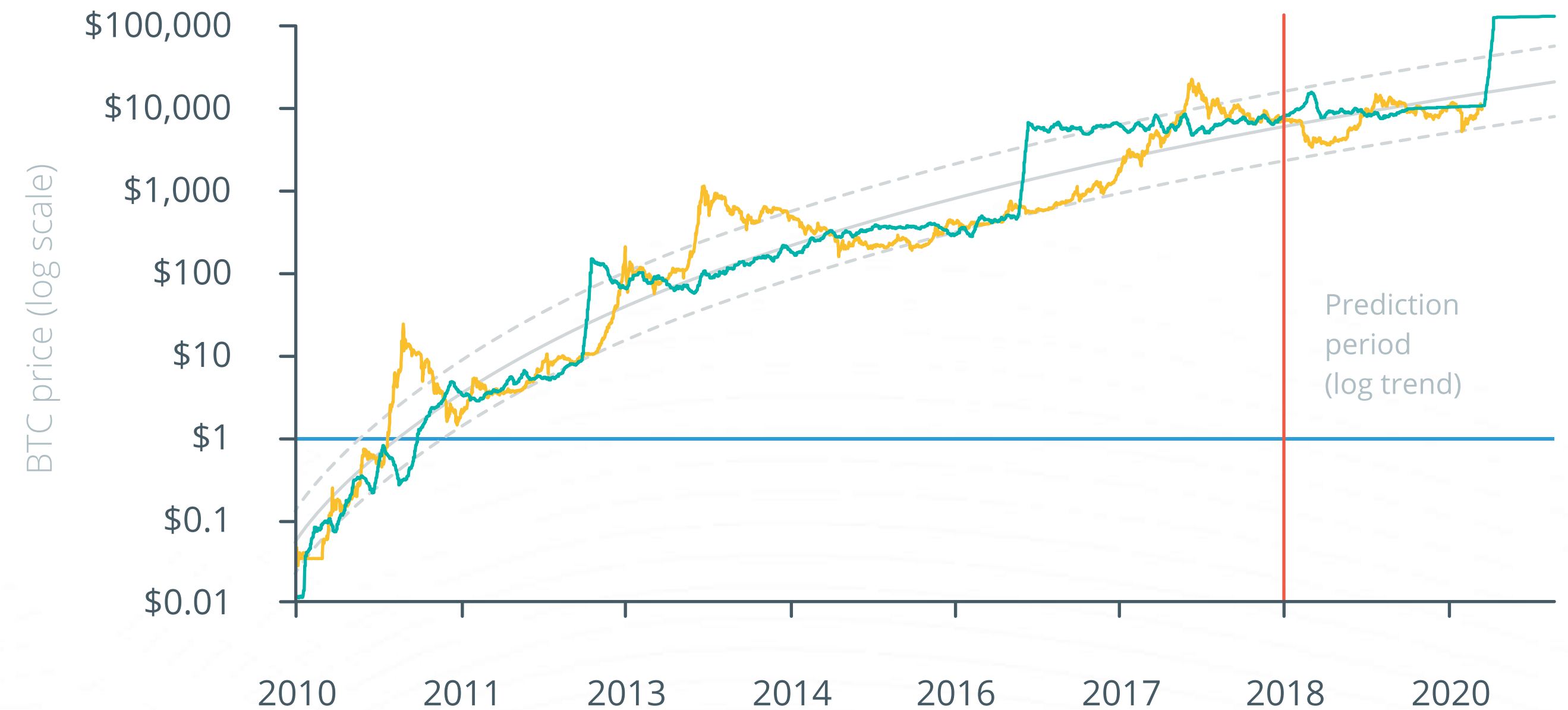


Source: Messari

# Can models predict the future?

- The well-known stock-to-flow model predicts a BTC price hitting above \$100,000 after the halving. Will we get there?
- These kinds of models can work as self-fulfilling prophecies, but it is dangerous to follow blindly.
- The stock-to-flow model has been debated lately, with several econometric errors being uncovered.
- Furthermore, this model only looks at supply and the effects of the halvings, while demand is not considered.
- While the underlying assumption of appreciation in price due to bitcoin's scarcity makes sense, predicting the future price is challenging and likely not possible.
- In a liquid market, the hypothetical discovery of the "true model" would itself change the market, rendering itself obsolete.

## BTC models: stock-to-flow & log trend



# Adoption



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# Most bitcoiners are male, but female engagement is growing rapidly

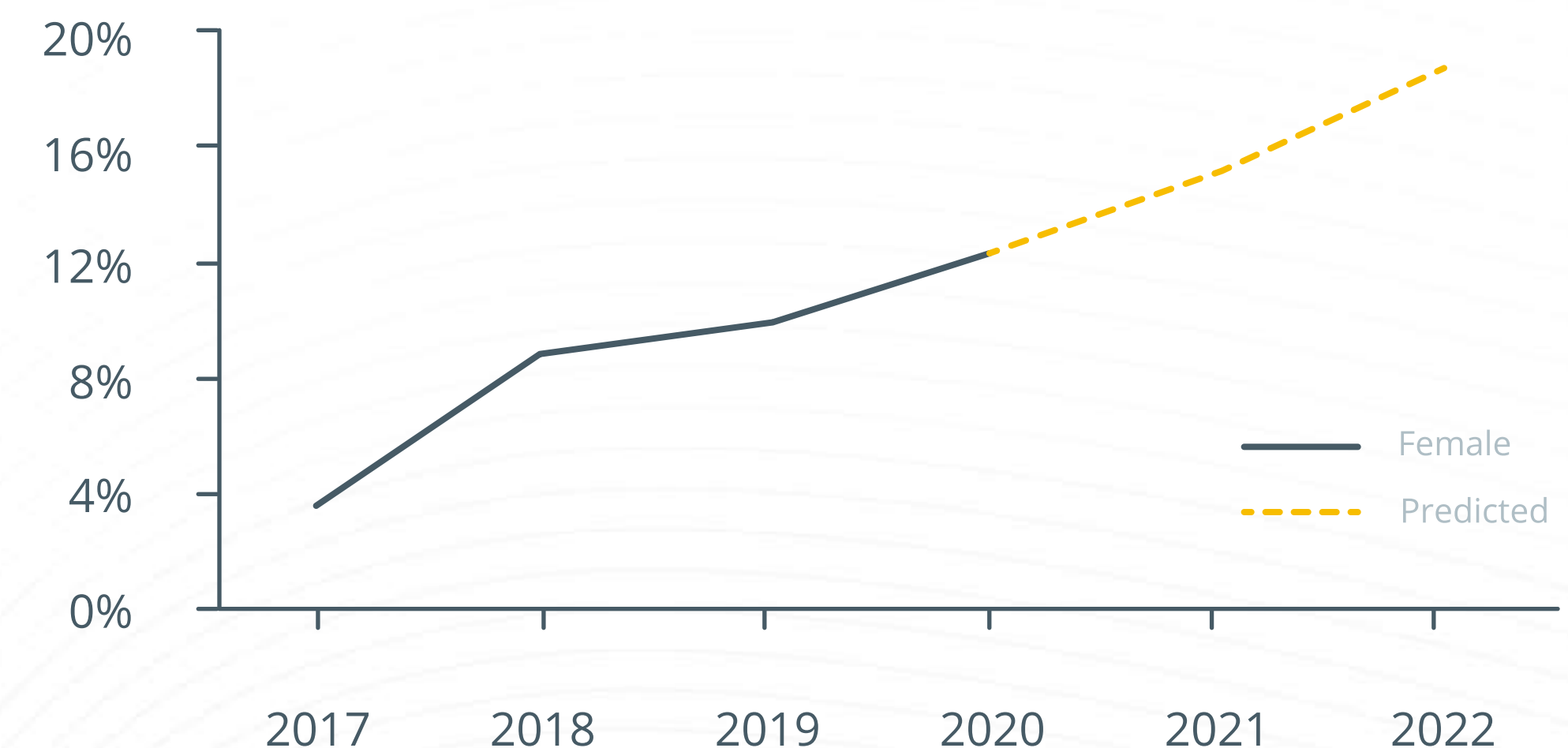
- Both the technology and finance sectors have traditionally been dominated by men. It's therefore not surprising to see the same demographic pattern in bitcoin.
- Google Trends data suggests that 87.72% of Bitcoin's community engagement is driven by male activity.
- However, the female community engagement has risen steadily each year since 2017, rising from a mere 3.42% of the community engagement to 12.28% in 2020. **That's a yearly growth rate of more than 50% on average**, indicating that female involvement in the cryptocurrency space will be more evident in the years to come.
- Increased female engagement is a sign that bitcoin is maturing as an asset, attracting attention and liquidity from a broader spectrum of society.

## Bitcoin community engagement by gender



*Source: Google Trends data collected by Coin.dance*

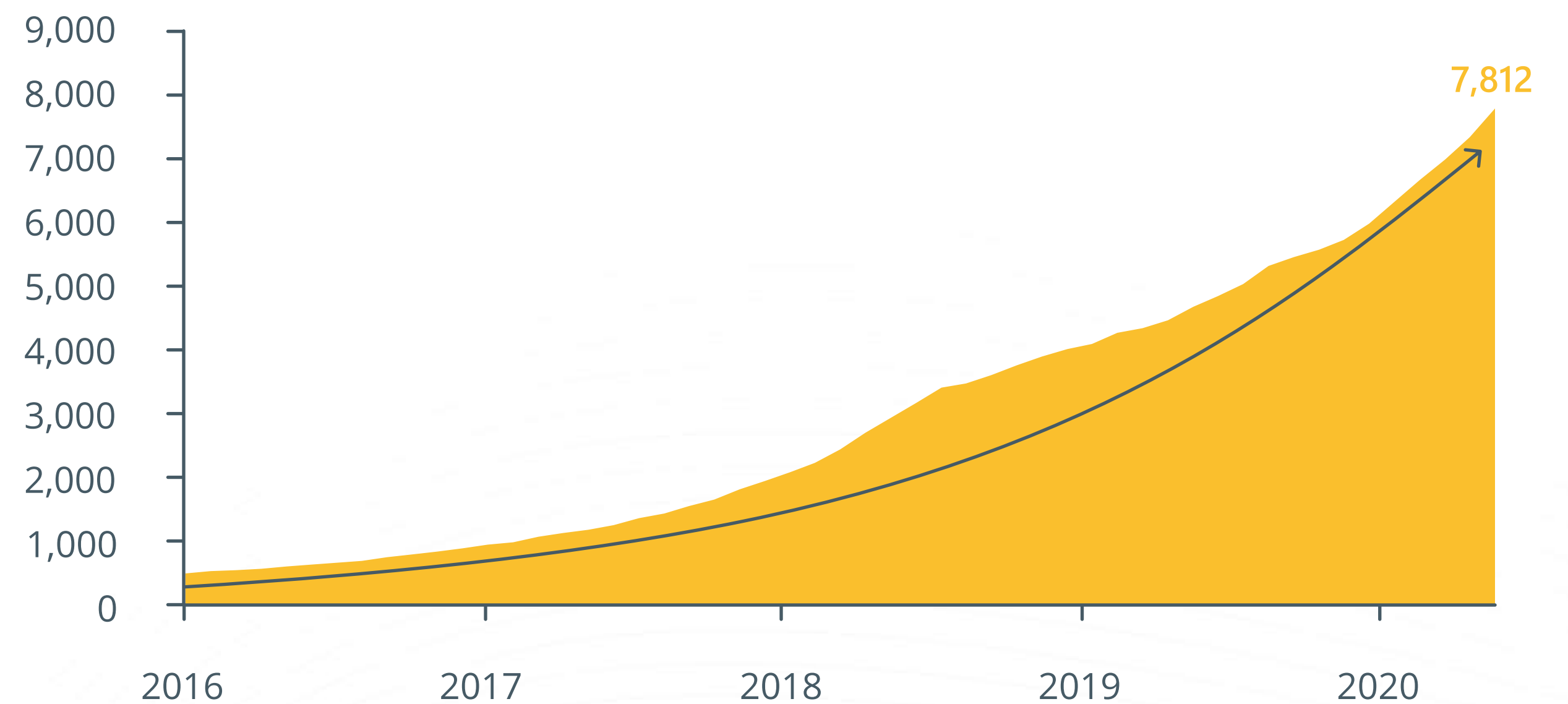
## Female share of interest in Bitcoin related searches



# More demand for bitcoin globally?

- The number of installed bitcoin ATMs around the world will surpass 8,000.
- **This is an increase of over 90% since the beginning of 2019, as the demand for buying bitcoin with cash increases.**
- This growing trend is likely to continue, as Coinstar, a company that has produced 3,500 bitcoin ATMs, plans massive expansion.
- Coinstar is looking to double its cash-to-bitcoin capable supermarket machines within the next year, which will push the total to well above 10,000 worldwide.
- **The company has seen a surge in usage of their ATMs lately, increasing 40% since February of this year.**

Number of Bitcoin ATMs worldwide

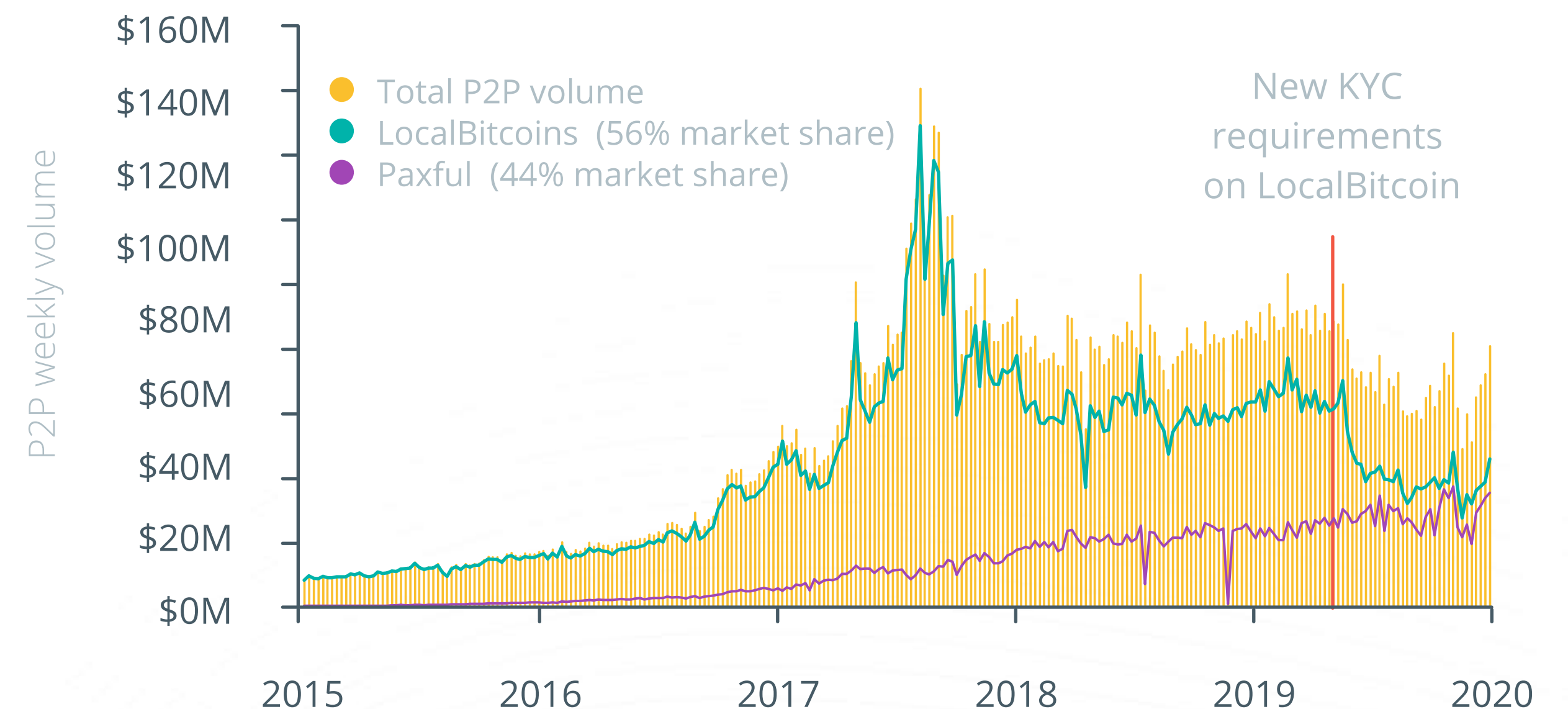


Source: Coin ATM Radar

# P2P bitcoin trading: Paxful is about to flip LocalBitcoins

- While LocalBitcoins has been the king of BTC peer-to-peer trading for several years, this is about to change.
- This is due to customers abandoning LocalBitcoins, especially after the platform changed its KYC/AML guidelines in September 2019.
- LocalBitcoins had between \$50 – 60 million in weekly volume before this, which almost halved in the months after the new verification rules.
- On the other hand, Paxful has been growing steadily, and is now only \$10 million behind LocalBitcoins in weekly volume.
- Paxful has since the beginning of 2018 gone from 10% market share to over 40% as of May 2020.**

P2P weekly volume in USD: LocalBitcoins & Paxful



Source: Coin Dance

# Network Activity



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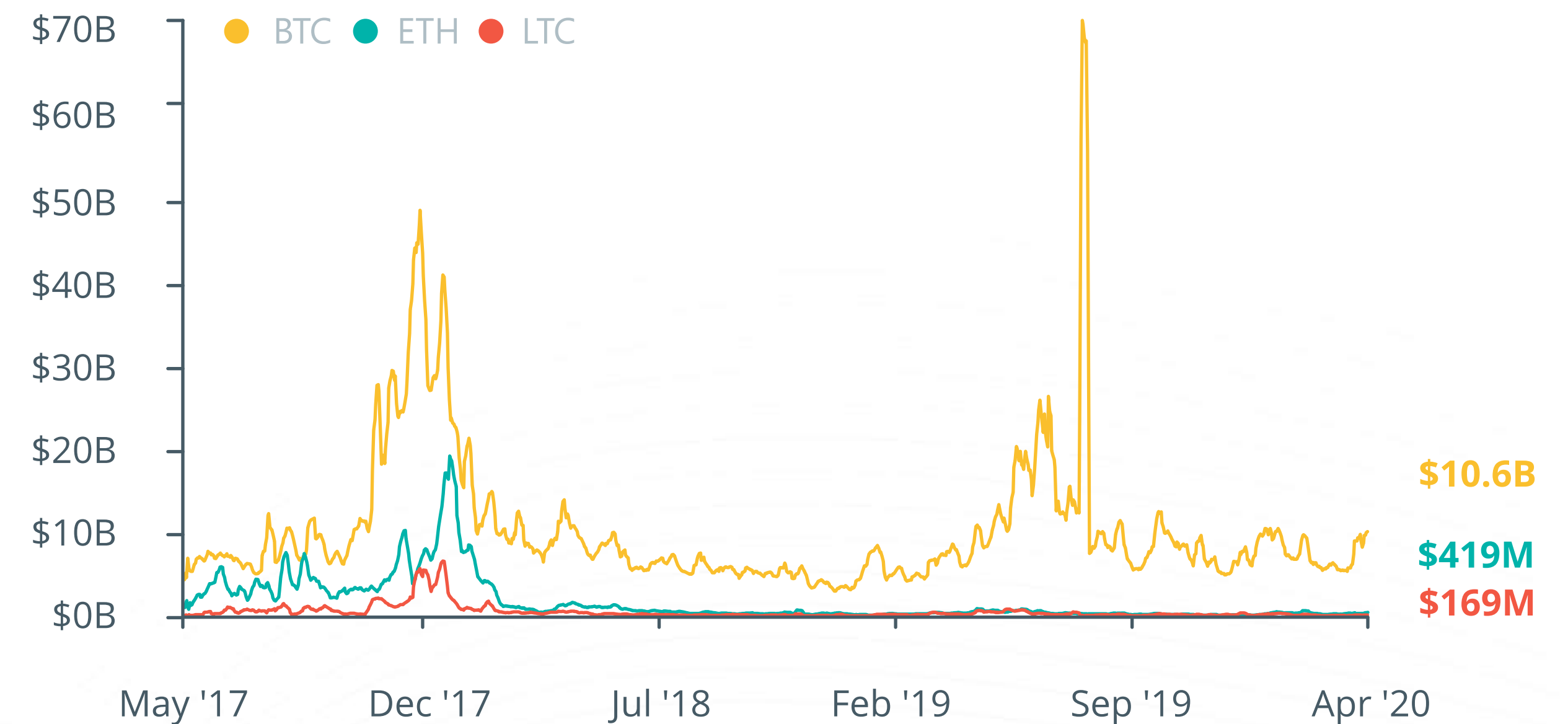


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# The Bitcoin network is processing over \$10 billion per day

- While there is a never-ending discussion of how cryptocurrencies are used, bitcoin is clearly the dominant player in terms of dollar value transacted.
- While ether (ETH) has more than double the amount of transactions compared to bitcoin, we see a completely different picture if we look at the amount of money being sent.
- Right now, BTC has a daily transaction volume (7-day average) of \$10 billion. Ether and Litecoin are both below \$500 million.
- This amounts to less than 6% of the daily volume on the bitcoin network, and truly confirms which cryptocurrency is the market leader.

## Transaction volume in USD



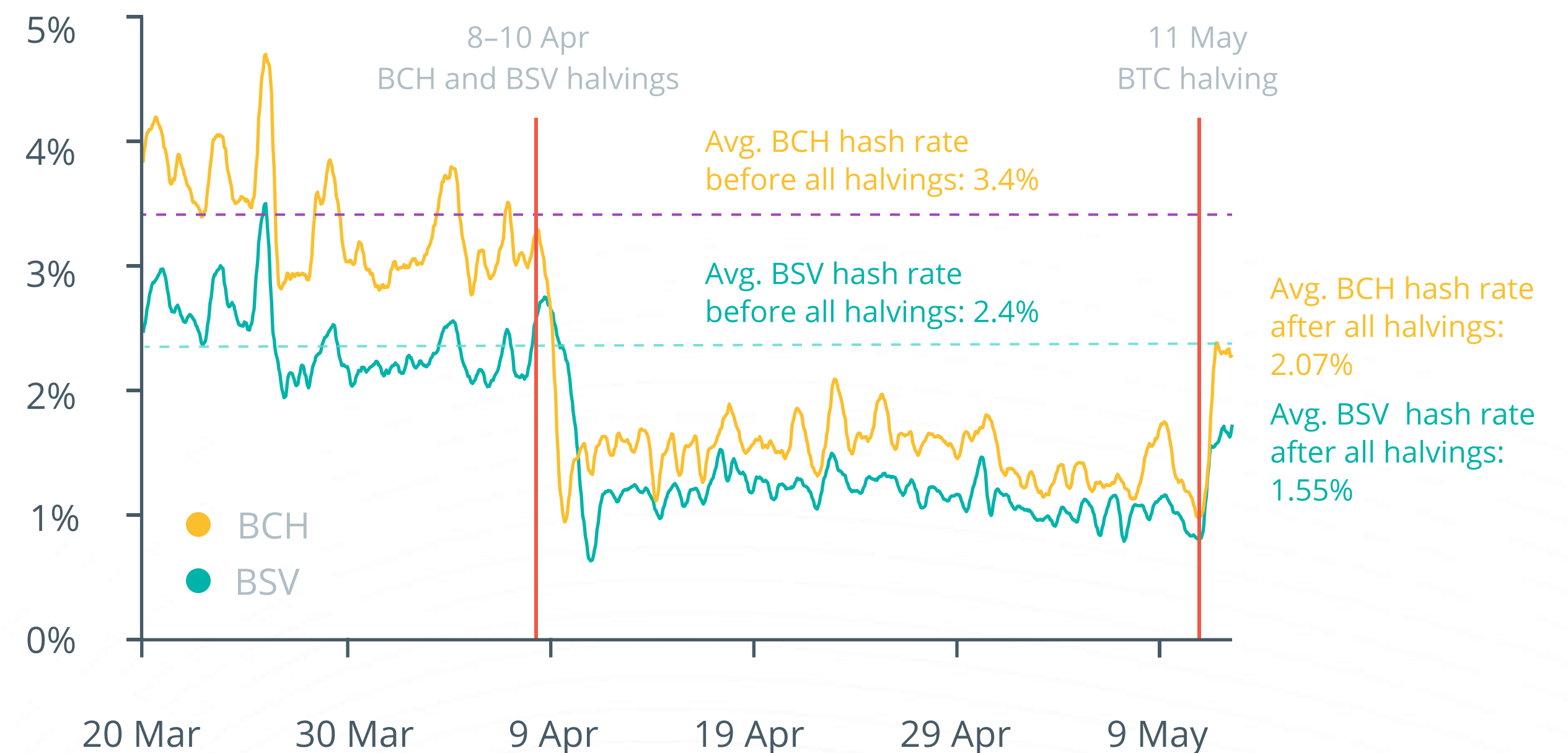
Source: Glassnode

# Bitcoin forks regain miners

And yet, relative hash rate shares are lower now than prior to all halvings

- As the miner subsidies on BTC halved this week, the bitcoin forks have regained some of their relative hash rates.
- However, the initial data following the halving indicates that the fork protocols have lost significant shares of the total SHA-256 hash rate:
  - Bitcoin Cash held an average relative hash rate of 3.4% prior to all halvings. Following the halvings, this relative hash rate shrank to 2.07%, a **40% reduction**.
  - Bitcoin SV held an average relative hash rate of 2.39% prior to all halvings. Following the halvings, this relative hash rate was reduced to 1.55%, a **35% reduction**.
- In the period between the fork halvings and the bitcoin halving, the forks held even lower shares of the relative total hash rate at 1.49% (BCH) and 1.15% (BSV).
- Moreover, the BCH hash rate has dropped from an average of 3.61 EH/S prior to all halvings to 2.64 EH/S post all halvings. BSV has fallen from 2.58 EH/S to 1.99 EH/S.

## BCH and BSV shares of total SHA-256 hash rate



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