

Advancing Within 2019 Range

- Bitcoin, Gold Set for 2020 Growth on Fixed Supply, More Adoption
- Consolidating Bitcoin Set to Revisit 2019's Upper Bound in 2020
- Advancing Gold Prices Set to Be a Top Bitcoin Driver in 2020
- Bitcoin Demand, Adoption, Declining Volatility and Future

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Data and outlook as of January 6, charts as of NY morning Jan. 7

Learn more about Bloomberg Indices

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BI COMD (the commodity dashboard)

Note - Click on graphics to get to the Bloomberg terminal

Bitcoin, Gold Set for 2020 Growth on Fixed Supply, More Adoption

Performance: Bloomberg Galaxy Crypto Index (BGCI)

December -8.9%, 2019 +7.1%

Bitcoin December: -2.2%, 2019 +94.8%

(Bloomberg Intelligence) -- The fact that a store-of-value asset with fixed supply and increasing adoption is more likely to appreciate in price will keep Bitcoin supported in 2020, in our view, while the primary trends of 2019 that favored the first-born cryptocurrency vs. rivals should persist. We expect movements in gold -- which appears as a nascent bull market -- to remain a proxy for Bitcoin. The broader crypto market is at risk of more mean reversion of the parabolic 2017 rally and depends on advancing Bitcoin for buoyancy. Our takeaway is straightforward: Bitcoin is winning the adoption race, notably as a store-of-value in an environment that favors independent quasi-currencies.

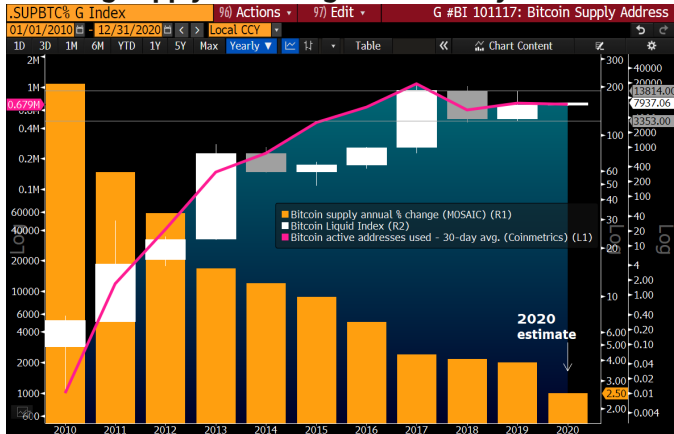
Volatility should continue to decline, as we expect \$6,000 to mark this year's key support and \$10,000 to hold resistance.

Advancing Bitcoin vs. Market

Consolidating Bitcoin Set to Revisit 2019's Upper Bound in 2020.

Time-correcting Bitcoin is more likely to migrate toward the top of its 2019 range in 2020, in our view. Last year's principal trends -- the first-born crypto gaining adoption and most rivals falling behind -- is set to continue. In 2020, Bitcoin supply should increase about 2.5%, an all-time low on the way to zero growth.

Declining Supply, Increasing Demand Buoy Bitcoin

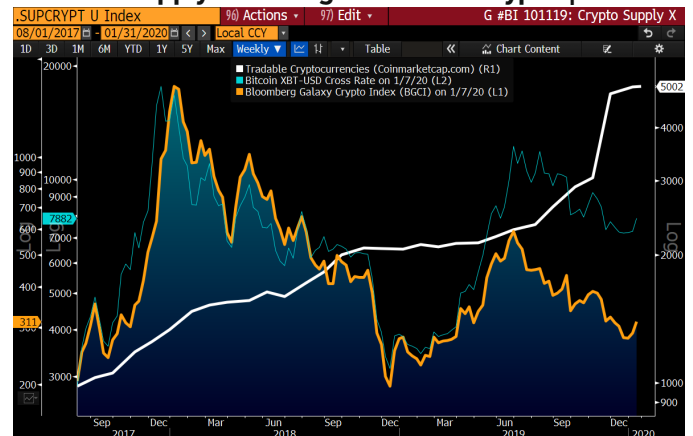


Bitcoin Set to Appreciate Within 2019 Range. Another year stuck in a trading range is likely for Bitcoin, yet with a greater propensity for a gain, in our view. Prices are more likely to edge toward 2019's high of about \$14,000, though they probably won't stay below the trough at just above \$3,300. Our graphic depicts Bitcoin set to remain within the previous year's range for a third time. A primary metric for the price of the first-born crypto -- addresses used from Coinmetrics -- has stabilized, indicating similar for prices.

A good measure of demand, the 30-day average of addresses is equivalent to the Bitcoin price just above \$7,000 when scaled vs. the 2019 range. Our estimate of the annual increase in supply from Mosaic is about 2.5% for 2020 and below 2% in 2021. At about 18.1 million coins at the end of 2019, the limit of 21-million is rapidly approaching.

Broad Market Unfavorable on Supply and Demand. Just too many crypto-assets competing for adoption will keep broad market prices biased to the downside, in our view. A future of appreciating prices for cryptocurrencies is unlikely until rapidly increasing supply is curtailed. In 2019, the number of tradable crypto assets listed on Coinmarketcap.com increased by about 3,000 -- the most ever. Our graphic depicts the stall in new coins at the end of 2018 coinciding with a bottom in the MVIS CryptoCompare Digital Assets 100 Small-Cap Index.

Parabolic Supply Is Holding Back Broad Cryptos



Despite the Bitcoin price almost doubling in 2019, the Bloomberg Galaxy Crypto Index (BGCI) advanced only 7.1% as tradable coins approached 5,000. At the beginning of the parabolic rally year of 2017, there were about 600 coins. Bitcoin is 30% of the BGCI and the primary reason the index advanced last year.

More of the Same Outperformance for Bitcoin. Bitcoin should again outshine most crypto assets in 2020 as the unique and appreciating digital version of gold. We see little to reverse the primary trends of 2019, with most cryptocurrencies lagging behind and depending on advancing Bitcoin for support. Despite being designed as a "peer-to-peer electronic cash system," Bitcoin -- like gold -- is gaining traction mostly as a store-of-value. Our graphic depicts Bitcoin advancing about 90% in the past year, vs. about 10% for the Bloomberg Galaxy Crypto Index (BGCI). Bitcoin is the main reason for the positive BGCI performance.

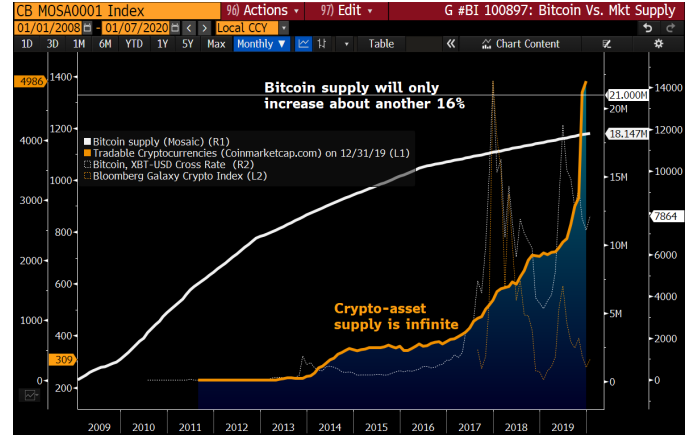
Representing the broader crypto market excluding Bitcoin, the CryptoCompare Digital Assets 100 Mid and Small Cap Indexes are down about 10% and 30%, respectively, over the same time period.

Bitcoin Store-of-Value Attributes Gaining Traction

Name	1 Mth % Change	3 Mth % Change	YTD % Change	11 Yr % Change	2 Yr % Change
▼ Bloomberg Galaxy Crypto Index					
Bloomberg Galaxy Crypto Index (BGCI)	0.2	-15.2	11.1	7.9	-81.2
▼ USD Cross					
Bitcoin (BTC)	7.1	-4.1	10.1	96.7	-53.0
Bitcoin Cash (BCH)	15.5	3.5	18.4	49.8	
Litecoin (LTC)	1.1	-21.6	9.3	18.9	
Monero (XMR)	7.1	2.1	28.6	6.3	
EOS (EOS)	5.3	-12.3	8.3	-0.7	
Ethereum Classic (ETC)	26.6	2.1	8.2	-5.7	
Ethereum (ETH)	-4.1	-21.1	10.2	-5.9	
Dash (DASH)	7.0	-22.8	33.4	-33.2	
Ripple (XRP)	-5.5	-23.2	10.9	-42.0	
Zcash (ZEC)	2.5	-14.6	15.0	-47.6	
▼ MVIS CryptoCompare Indices					
▼ Single Asset Indices					
Bitcoin OTC (BTC)	5.9	-4.3	10.0	96.5	
Bitcoin (BTC)	6.3	-4.6	9.7	95.2	-51.6
Bitcoin Cash (BCH)	13.8	1.8	17.8	52.5	-86.1
Litecoin (LTC)	0.2	-22.6	9.2	19.6	-81.1
NEO (NEO)	9.7	27.2	10.4	15.8	-89.4
Monero (XMR)	6.7	0.9	28.9	8.3	-84.1
Ethereum (ETH)	-3.8	-21.8	9.6	-6.8	-84.8
Ethereum Classic (ETC)	25.1	2.5	8.1	-8.2	-85.0
Dash (DASH)	4.3	-24.3	32.3	-31.7	-95.0
Ripple (XRP)	-5.4	-24.1	10.7	-42.4	-91.6
Zcash (ZEC)	10.1	-15.5	14.4	-47.5	-94.3
NEM (XEM)	-4.9	-15.5	4.8	-48.5	-97.9
Iota (MIOTA)	-4.6	-31.5	21.7	-49.1	-95.1
▼ Multi-Asset Indices					
Digital Assets 100 Large Cap	4.3	-7.5	9.8	48.4	-73.2
Digital Assets 100	4.1	-7.2	9.6	42.9	-76.1
Digital Assets 5	1.1	-14.9	10.6	16.1	-78.7
Digital Assets 10	1.0	-14.4	10.3	8.5	-80.8
Digital Assets 25	2.5	-8.7	10.9	0.8	-86.2
Digital Assets 100 Mid Cap	4.1	3.7	7.4	-15.2	-95.1
Digital Assets 100 Small Cap	-8.0	-14.4	4.2	-36.2	-95.0

Supply Near Peak, Demand Increase Favors Bitcoin. A primary factor supporting Bitcoin's price advance is a limited supply. It's the opposite for the broad crypto market. Increasing adoption is the other side of the demand vs. supply balance, and the first-born crypto is winning as it evolves into a digital version of gold. Plenty can go wrong with a nascent asset, but unless the basic premises reverse -- mass adoption and fixed supply -- there's a higher probability to sustain Bitcoin price appreciation vs. depreciation.

Bitcoin Nearing 21 Million Supply Limit



The balance is the opposite for the broad market. Our graphic depicts the parabolically increasing number of tradable so-called "cryptocurrencies" on Coinmarketcap.com. Continued underperformance of the broader market, as measured by the Bloomberg Galaxy Crypto Index, notably vs. the benchmark Bitcoin, should be expected in such a well-supplied environment.

Bitcoin, Tether Winning the Crypto Shuffle. Bitcoin and Tether are the primary crypto assets that have succeeded since 2017 and we expect each to continue gaining adoption. Compared to five years ago, our graphic depicts only Bitcoin, Ethereum, XRP, Litecoin and Stellar still among the top 10 so-called cryptocurrencies listed on Coinmarketcap.com in early December. Tether, the primary stable coin has advanced the most in terms of market cap and stands to replace XRP in the No. 3 spot, if the trend continues. The widening adoption of stable coins exposes the fallacy of most of the highly speculative crypto assets masquerading as currencies.

Trend-Is-Your Friend -- Tether to Overtake XRP

Top Ten Cryptocurrencies By Market Capitalization							
	2013	2014	2015	2016	2017	2018	2019
1	Bitcoin	Bitcoin	Bitcoin	Bitcoin	Bitcoin	Bitcoin	Bitcoin
2	Litecoin	XRP	XRP	Ethereum	XRP	XRP	Ethereum
3	XRP	PayCoin	Litecoin	XRP	Ethereum	Ethereum	XRP
4	Omni	Litecoin	Ethereum	Litecoin	Bitcoin Cash	EOS	Tether
5	Peercoin	BitShares	Dash	Monero	Cardano	Stellar	Bitcoin Cash
6	Nxt	MaidSafeCoin	Dogecoin	Ethereum Classic	Litecoin	Tether	Litecoin
7	Namecoin	Stellar	Peercoin	Dash	IOTA	Litecoin	EOS
8	Quark	Dogecoin	BitShares	MaidSafeCoin	NEM	Bitcoin Cash	Binance Coin
9	BitShares PTS	Nxt	Stellar	NEM	Dash	Bitcoin SV	Bitcoin SV
10	WorldCoin	Peercoin	MaidSafeCoin	Augur	Stellar	TRON	Stellar
Total	66	506	562	644	1335	2070	4900
Change		+440	+56	+82	+691	+735	+2830
Bitcoin avg. price	\$189	\$525	\$273	\$566	\$3,952	\$7,643	\$7,350
% Chg.	+2177%	+178%	-48%	+107%	+598%	+93%	-4%

Sources: Bloomberg Intelligence, Coinmarketcap.com. End of the year snapshots, 2019 (as of Dec. 11)

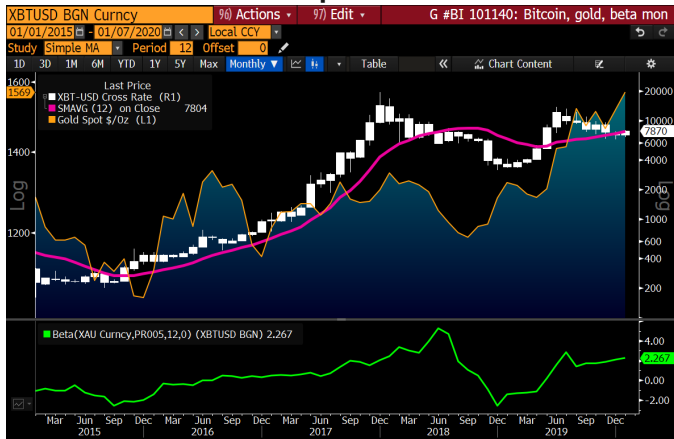
Indicating maturation, the average price of Bitcoin in 2019 is about the same as 2018. Next year, we expect appreciation. A primary headwind for the broader market is supply -- almost 3,000 new coins were listed in 2019.

Steady Primary Companions

Advancing Gold Prices Set to Be a Top Bitcoin Driver in 2020. Gold prices will keep climbing in 2020 and so should Bitcoin, in our view. The digital version of the metal is in the maturing process of consolidating the rapid price appreciation of its youth. Most of our indicators show Bitcoin more likely to continue trading within a range, with a greater propensity to advance with gold.

Digital Gold on Solid Footing With the Metal. A primary driver for Bitcoin in 2020 should be advancing gold prices, in our view. If the precious quasi-currency gives up its bull run, so should its digital doppelganger; but simply sustaining the appreciation bias of 2019 is more likely. There may be a greater potential for the trend to accelerate. Our graphic depicts the month-end gold price breaking out to new seven-year highs and Bitcoin set to follow. The 12-month Bitcoin-to-gold beta at just over positive 2x compares with a similar -- yet negative -- measure when both markets bottomed in 2015.

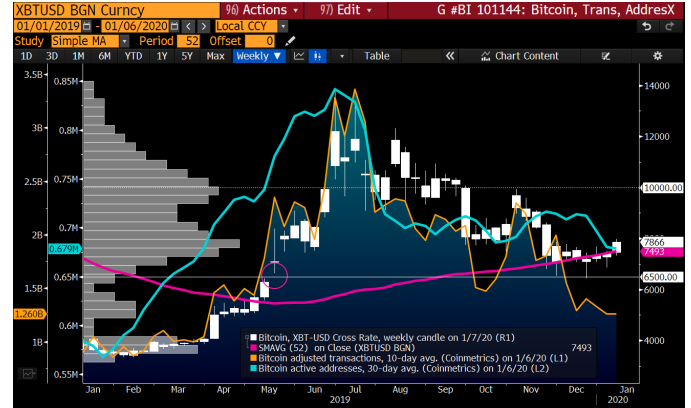
Bitcoin-to-Gold Relationship on the Rise



Bitcoin's initial reaction to the U.S. airstrike that killed one of Iran's most powerful generals was a good test of our premise that the first-born crypto is maturing toward a digital version of gold. Both quasi-currencies rallied, but with a Bitcoin-to-gold beta closer to 4x.

Bitcoin Marking Time Near Its Sweet Spot. Bitcoin's price appears just about right in early January, using last year as a guide and based on our key demand indicators. The first-born crypto is in the sweet spot of the bell curve of 2019 traded prices and hovering at its 52-week mean and 10-day average of active addresses used from Coinmetrics. Of primary concern is the drop in adjusted transactions. This highly correlated price metric is about equivalent to Bitcoin closer to \$5,000, vs. about \$7,500 on Jan. 6 -- the rough average price since 2017.

Bitcoin Hovering on the Apex of Its Bell Curve



A seven-year high in the gold price in early January is a primary Bitcoin price support factor, which we expect to be more enduring. On a quarterly basis since January 2013, Bitcoin is about 0.93 correlated to the 10-day average of transactions and 0.70 linked to the 30-day average of addresses.

Gold and Bitcoin Just Regaining Lost Ground. The process of retracing previous declines is set to continue for gold and Bitcoin, in our view. Up almost 100% this year, the spry quasi-currency at just above \$7,000 on Dec. 20 could double again and only revisit the 2019 peak, which is well below the all-time high near \$20,000. With supply diminishing, the trend in increasing adoption likely has to reverse for a meaningful price decline. Our graphic depicts Bitcoin essentially doing a time correction. It took about four years to breach the previous peak from 2013. Natural maturation portends a more-enduring consolidation period.

2019 Recoveries Are From Firm Foundations



To stop gold's recovery, bullish forces that have been brewing for a few years would likely need to reverse. Some combination of sustained dollar strength and/or depressed stock-market volatility should be needed to halt the metal's advance.

Bitcoin Increasingly Acting Like Digital Gold. Bitcoins' ever-more inverse relationship with the U.S. dollar indicates the maturation process of the new quasi-currency toward a digital version of gold. Our graphic depicts the greatest-for-longest Bitcoin-to-dollar negative 52-week correlation in our database since 2010. This measure of the relationship of alternative currency to the dollar is about the same as for gold. We expect a big test for dollar-denominated Bitcoin appreciation will be when the U.S. trade-weighted broad dollar eventually peaks.

Increasingly Negative Correlation to the Dollar



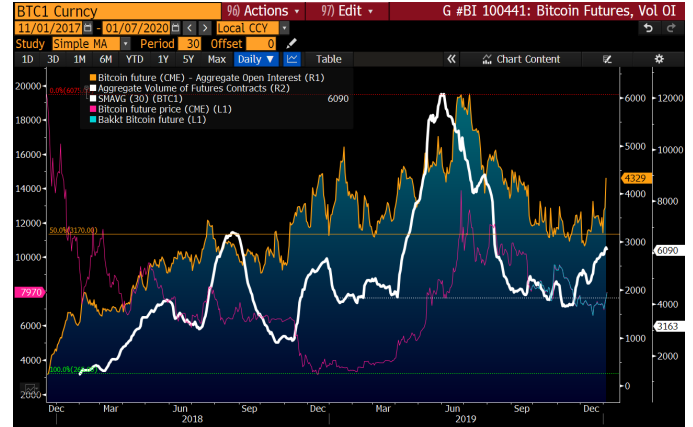
As with gold, a peak greenback should be a mighty tailwind for Bitcoin. Our graphic depicts the Bitcoin price peaking in 2018, at about the same time the dollar bottomed, and the crypto backing away from resistance this year as the dollar stretched to all-time highs.

Bitcoin Adoption & Futures

Bitcoin Demand, Adoption, Declining Volatility and Futures. The stair-step pattern of advancing Bitcoin futures volume and open interest is sustainable, supporting a price foundation and pressuring volatility, in our view. Futures trading represents mainstream adoption, which is a primary metric for the world's benchmark digital store-of value, quasi-currency with limited supply.

Bitcoin: Futures, Adoption and the Mainstream. Similar to the Bitcoin price, futures volume and open interest are essentially in a holding pattern that tilts toward appreciation, in our view. Increasing futures participation in the first crypto is an indication of maturation and institutional involvement. Lower volatility and a strengthening price foundation are our primary expectations. Increasing adoption is a key metric for the independent crypto that is more store-of-value than quasi-currency with limited supply. Futures represent migration toward the mainstream, and Bitcoin supply will only advance about another 16% to its total of 21 million coins.

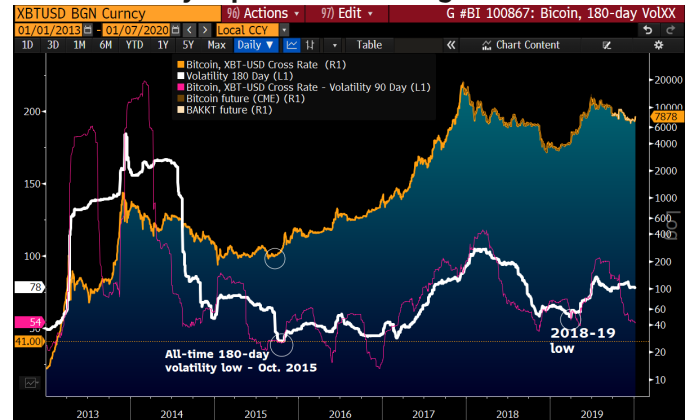
Upward Bias; Bitcoin Futures Volume, Open Interest



Our graphic depicts open interest returning to the halfway mark since trading began on the CME in December 2017. Bakkt futures began trading last year and options on CME futures are slated for January.

Futures Key to Declining Bitcoin Volatility. Bitcoin's 180-day volatility should extend the 2019 low in 2020, in our view. Last year's trough in volatility occurred at the beginning of April, just as prices began to recover. This is a primary reason we follow the 180-day measure: Its all-time low in October 2015 (about 40%) marked the beginning of the Bitcoin bull market that peaked about 5,000% higher in 2017. That parabolic rally set the stage for the current consolidation phase, with increasing participation (futures) supporting the trend in declining volatility.

Lower Volatility Expected in Maturing Bitcoin



Increasing volatility typically coincides with advancing prices, but most of the parabolic percentage gains should be past in maturing Bitcoin. We expect the first-born crypto to continue evolving into a digital version of gold, with the metal's volatility at about 12% on Dec. 6 vs. 80% for Bitcoin.

Wide-Adoption Winner Tether and Its Implications. The rapidly increasing market cap of Tether is widening the disparity between Bitcoin and the most speculative digital assets (alt-coins). Stable coins such as Tether expose the fallacy of many so-called cryptocurrencies and enhance the value of Bitcoin in its progression as the crypto-market equivalent of gold. Our graphic depicts the advancing market cap of Tether and Bitcoin in a favorable position at its upward sloping 52-week mean. Contrarily, the Bloomberg Galaxy Crypto Index is mired below the 25% recovery mark of the bear market.

Broad Bear Market vs. Bitcoin, Tether Advancement



The primary stable coin and fourth-ranked crypto asset at the start of December, according to Coinmarketcap, Tether has advanced from about 16 at the end of 2017 on an almost 8% decline in the Chinese yuan and 80% retreat in the Bloomberg Galaxy Crypto Index.

{CRYPT} Page on the Bloomberg Terminal (8am NY, Jan 7)

Cryptocurrency Monitor									
Index	Last	Net Chg	% Chg	Open	Yest Close	2D Chart	30D Rng	Time	
1) BGCI Bloomberg Galaxy	309.61	-0.12	-0.04%	313.63	309.73			07:43	
Bid/Ask Data Network Data (Supplied by Mosaic) Base USD									
Coins	Last	Net Chg	% Chg	Bid	Ask	2D Chart	30D Rng	Time	
11) Bitcoin	7873.10	+297.17	3.92%	7872.00	7874.20			07:43	
12) Bitcoin Cash	239.55	+2.35	0.99%	238.83	240.28			07:43	
13) Dash	55.934	-0.456	-0.81%	55.803	56.065			07:43	
14) EOS	2.7803	-0.0282	-1.00%	2.7790	2.7816			07:43	
15) Ethereum	141.363	-0.337	-0.24%	141.310	141.415			07:43	
16) Ethereum Classic	4.850	-0.075	-1.52%	4.847	4.852			07:43	
17) Litecoin	45.165	+0.082	0.18%	45.158	45.178			07:43	
18) Monero	57.283	+0.411	0.72%	57.222	57.345			07:43	
19) XRP	0.2119	-0.0065	-2.98%	0.2118	0.2119			07:43	
20) Zcash	31.929	-0.365	-1.13%	31.885	31.974			07:43	
Futures	Last	Net Chg	Volume	Open	Settle	2D Chart	30D Rng	Time	
21) CME Bitcoin	7965	+350	4021	7725	7615			07:42	

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- 325 Daily Bitcoin: XRP's Epic 12% Rally is Bullish for Ethereum Price; Here's Why WE9 07:43
- 44 Inside Bitcoins: Bitcoin Price Prediction: BTC/USD Sails Through Crucial Levels; Can \$8,000 Be Con... NS1 07:41
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