

The Bitcoin Gold Standard

- Stronger Foundation for Bitcoin's Case as Crypto Version of Gold
- Bitcoin Futures Point to Upward Price Bias, Lower Volatility
- Buyers Below, Sellers Above; Bitcoin Caged by \$8,000-\$12,000
- The Broader Crypto-Asset Market Should Continue to Fade Away

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Data and outlook as of November 5

Learn more about Bloomberg Indices

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[BI COMD](#) (the commodity dashboard)

Note - Click on graphics to get to the Bloomberg terminal

Stronger Foundation for Bitcoin's Case as Crypto Version of Gold

Performance: Bloomberg Galaxy Cypto Index (BGCI)
 October +10.6%, 2019 +54.8% thru November 5
Bitcoin - October: +11.5%, 2019 +155.7% thru November 5

(Bloomberg Intelligence) -- October's dip provides a good price-support level for Bitcoin, and we also think subsequent recovery momentum will prevail into year-end, as our fundamental, technical, on-chain and futures gauges indicate an upward bias. The first-born crypto should overcome \$10,000 resistance and keep to a \$8,000-\$12,000 range for an extended period. We expect plenty of responsive and new buyers to surface on dips, as well as hangover sellers from the 2017 rally as Bitcoin matures into a digital version of gold. Volatility should continue the broad decline since peaking with prices almost two years ago.

The rest of the crypto market is another story. Others should continue to piggyback on Bitcoin, with little hope of further advancement absent the same from the crypto leader.

Supportive Bitcoin Onchain

On-Chain Indicators Narrow the Bitcoin Cage to \$8,000-\$10,000. The bear-market retracement phase of Bitcoin will continue for an extended period, in our view. Excitement will come when Bitcoin sets new highs, which we don't foresee in the near term. On-chain indicators point favorably and toward further Bitcoin maturity, which means the parabolic days and the correction are done.

Just Bear-Market Retracement for Now



Like Gold, Bitcoin's Trajectory Is Upward. Fundamental and technical indicators point to further upside for Bitcoin and gold. Both quasi-currencies are retracing bear markets (2018 for Bitcoin, 2013 for gold). The midpoint (about \$10,000) of last year's Bitcoin range has become this year's most widely traded approximate price. Showing comfort at the median from the big downdraft period and above its mean (about \$7,500) is a bullish indication. We expect Bitcoin to surpass the \$10,000 hurdle into year-end. Gold has already passed its 2013 midpoint (about \$1,440). New highs should be on the horizon.

Similar bullish factors for gold -- plunging global bond yields and increasing stock-market volatility -- are expected to sustain Bitcoin's upward bias.

Bitcoin On-Chain Indicators -- Up Within a Range. Primary on-chain Bitcoin price indicators point to support below the market and a more-moderate recovery. Dips should find responsive buyers while rallies entice sellers. Our primary on-chain gauges from Coinmetrics -- transaction totals and active addresses used -- point to the beginning-of-November level of about \$9,200 as the midpoint of a market stuck within a range. On an auto-scale basis since 1H18, the 10-day average of transactions signals a Bitcoin price of about \$10,000. Less robust as a short-term indicator but a valuable signal of last year's decline and this year's recovery, the 30-day average of addresses used points to Bitcoin at about \$8,000.

Near the Middle of Upward-Biased Range



Quarterly since 2013, the 10-day average of transactions has a 0.97 correlation with the Bitcoin price. The 30-day average correlation of addresses used is 0.83.

Buyers Below, Sellers Above; Bitcoin Caged by \$8,000-\$12,000. The worst of this year's Bitcoin price correction is over, but further upside is also limited, in our view. The first-born crypto should find more of a responsive-traders market within a \$8,000-\$12,000 range to year-end. Bitcoin's maturation toward a digital version of gold, plus increasing institutional interest and a favorable macroeconomic environment for independent quasi-currencies, should keep a bid below the market. Hangover selling from 2017's price surge should limit rallies. Our primary on-chain indicators -- transactions and active addresses from Coinmetrics -- point to an upwardly biased market stuck within a range.

We expect the broader market, as measured by the Bloomberg Galaxy Crypto Index, to have little chance of further advancement absent a higher Bitcoin price.

Layers of Support Below, Good Resistance Above



Bitcoin Futures Positive Tilt

Bitcoin Futures Point to Upward Price Bias, Lower Volatility. Good support in Bitcoin-futures volume and open interest portends similar for the crypto's price, in our view. The bull-to-bear market recovery is over and so is its retracement, resulting in an upwardly biased range. The premium in Bitcoin futures indicates positively tilted institutional interest, with additional support from Bakkt futures.

Futures Volume, Open Interest Revisit Support. Bitcoin-futures analysis shows an upwardly biased market stuck in a range. CME-traded volume and open interest have dipped into support zones within uptrends. Indicating the initial bear-to-bull flip is over, both measures have pulled back from records. It should be a matter of time to revisit the highs in volume and open interest, notably with the advent of options trading next year. Prices are less likely to make new highs in the near term, but futures are accelerating Bitcoin's maturation and should continue to pressure volatility.

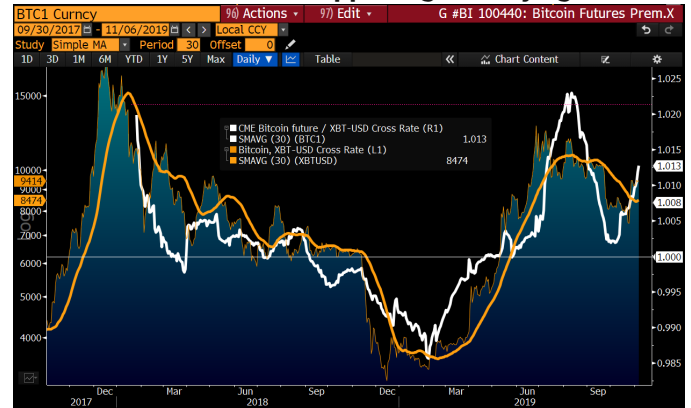
Price Consolidation Likely, Volume Spike Done



Indicating increasing institutional demand and underlying support, the futures' price premium remains positive. Comparisons with past Bitcoin recoveries should be tempered by the rapid-maturity factor and a market that's more likely to trade akin to gold.

Futures Comfortable With Advancing Bitcoin Price. The premium in the Bitcoin futures price is supporting the market and indicates more institutional buy-and-hold interest. In August, the 30-day average of the CME-traded Bitcoin futures vs. the Bloomberg-disseminated price reached the highest premium ever. Our graphic depicts futures averaging about 1% above the Bloomberg price (XBTUSD). Near the bottom of the bear market in February, futures reached a discount of about 1%.

Bitcoin Futures Premium Supporting Underlying

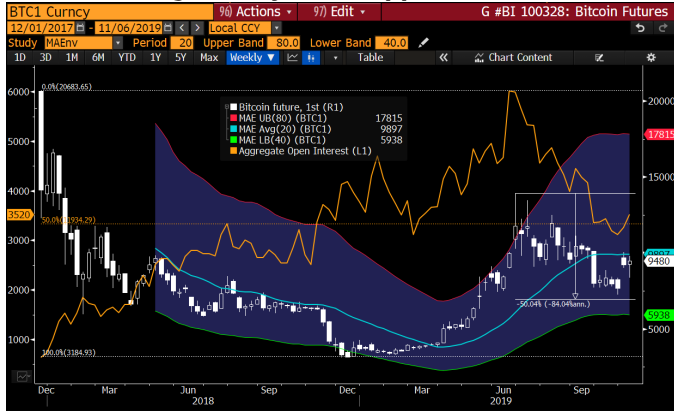


The 30-day averages of the Bitcoin price and the futures premium/discount demonstrate similar patterns. Our graphic auto-scales these measures. End-of-day prices can vary, but we find the 30-day average sufficiently filters out the noise. CME Bitcoin futures settle to the CF Bitcoin Reference Rate, which aggregates trading activity across major spot exchanges.

Retracement Support to Buoy Bitcoin. Approaching the 50% decline mark from this year's peak, Bitcoin will find good price support, in our view. On a futures closing basis, a 50% loss is about \$6,900 vs. the 2019 high of \$13,885 in

June. Our graphic depicts futures open interest returning to its halfway mark since trading began on the CME in December 2017. Open interest peaked about the same time as Bitcoin's price.

Bitcoin Backing Into Layers of Support



The 20-week moving average has been a good price guide. Bitcoin bottomed just below the 40% discount to this mean in December. A similar discount now would be about \$5,900.

Gold Getting Antsy to Exit Its Cage. Gold is poised to exit its narrowing cage soon, with the path of least resistance tilted higher, in our view. Essentially pivoting on \$1,500 an ounce since Aug. 7 has resulted in the metal's 40-day Bollinger Bands compressing to the narrowest since June, just before the breakout above \$1,300. The bull is getting close to having rested sufficiently to take its next step higher, if history is a guide.

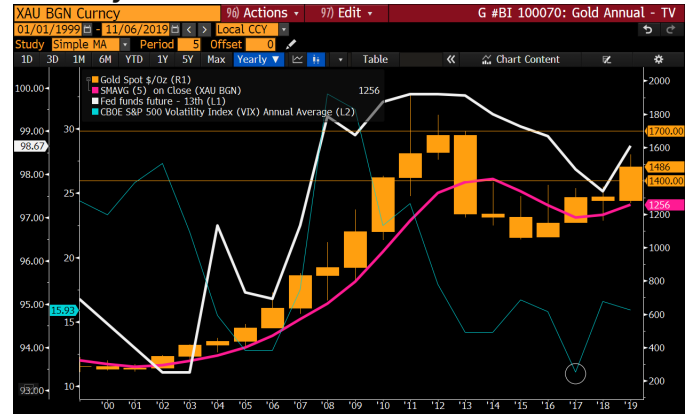
Gold Stair-Step Pattern Set for Next Step



Since gold's first close above \$1,500 this year, the Federal Reserve has commenced an easing cycle, bond yields have declined, stock-market volatility has increased, total known exchange-traded holdings of the metal have steadily gained and elevated managed money net-long positions have declined. The high since Aug. 7 has been \$1,557; \$1,459 is the low. These levels mark the first good resistance and support.

Lucky 13 Guiding Gold Toward \$1,700 Resistance. Gold prices have strong tailwinds from declining rates and increasing stock-market volatility. Our graphic depicts the metal in the process of retracing the big 2013 plunge, which began about \$1,700 an ounce. Gold has recovered above the key resistance around \$1,400 since the decline six years ago that ended 12 successive years of gains. The Fed shifting to ease, as depicted by the increasing one-year-out Fed funds future and the CBOE S&P 500 Volatility Index (VIX) recovering from life-of-index lows about two years ago are strong forces for advancing gold prices.

2019 May Be About Retracement of 2013



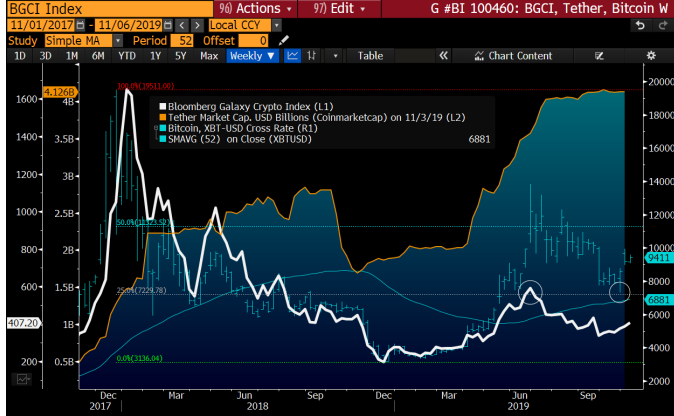
Primary forces to reverse the metal recovery would be stock-market volatility rolling over and staying very weak and sustained strength in the dollar. Both are unlikely, in our view.

Broad Market Extended Hangover

The Broader Crypto-Asset Market Should Continue to Fade Away. An extended hangover is occurring in the broad crypto market as Bitcoin further distances itself from the pack. Tether's success and the trend toward crypto stability -- a necessary element for any currency -- is indicative of the primary issue with most crypto assets, which are mostly overhyped, speculative digital instruments.

Bitcoin Tailwinds vs. Broad-Market Headwinds. Bitcoin is on track to overcome the midpoint of 2018's decline, but we don't foresee similar for the broader crypto market. Our graphic depicts the Bloomberg Galaxy Crypto Index (BGCI) mired below the 25% recovery mark of the bear market. Emphasizing the key issues with most cryptos -- rampant speculation and excessive volatility -- the market capitalization of the primary stable coin, Tether, continues to advance. According to Coinmarketcap, Tether's market cap has jumped to about \$4.1 billion from less than \$1 billion at the end of 2017.

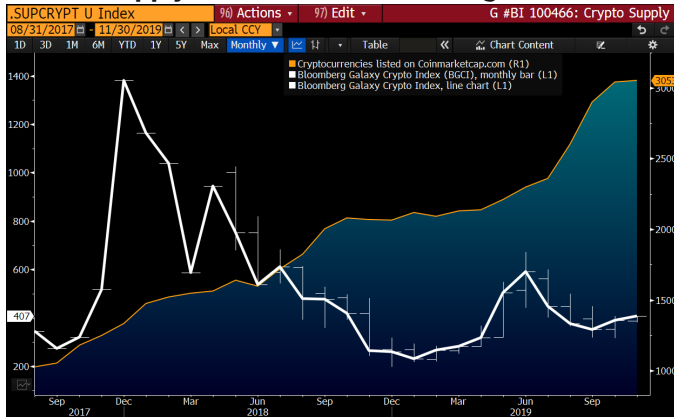
Broad Bear Market vs. Bitcoin, Tether Advancement



Tether is controversial, but the bottom line is that it's the go-to for transactions among crypto assets. Like Bitcoin, Tether has won the battle of market adoption. Bitcoin is limited to 30% of the BGCI.

Most Crypto Assets Are Just Fading Away. Broad crypto-market prices have little chance of sustained upside, in our view. This year's recovery is piggybacking on Bitcoin, which is distinguishing itself as a digital version of gold. Our graphic of the rapidly increasing amount of tradable crypto assets listed on Coinmarketcap depicts a similar parabolic pace as 2017. The Bloomberg Galaxy Crypto Index (BGCI) should remain in a subdued performance pattern that corresponds with most markets faced with such rapidly increasing supply. The number of cryptos traded is more symbolic of the primary issues facing the broad market, likely in a sustained hangover from the speculative frenzy of 2017.

Massive Supply and Continued Price Hangover



We think Bitcoin would need to revisit all-time highs for the BGCI to extend above its June apex.

{CRYPT} Page on the Bloomberg Terminal (3am NY, Nov. 6)

Cryptocurrency Monitor									
Index	Last	Net Chg	% Chg	Open	Yest Close	2D Chart	30D Rng	Time	
BGCI Bloomberg Galaxy	406.82	+3.56	0.88%	401.66	403.26			02:52	
Coins									
11 Bitcoin	9400.86	+43.80	0.47%	9399.41	9402.30			02:52	
12 Bitcoin Cash	304.06	+9.99	3.40%	302.99	305.13			02:52	
13 Dash	74.665	-0.126	-0.17%	74.540	74.789			02:52	
14 EOS	3.6460	+0.0041	0.11%	3.6439	3.6480			02:52	
15 Ethereum	193.240	+2.837	1.49%	193.185	193.310			02:52	
16 Ethereum Classic	5.147	+0.103	2.04%	5.150	5.151			02:52	
17 Litecoin	63.578	+0.318	0.50%	63.470	63.686			02:52	
18 Monero	63.950	+0.728	1.15%	63.870	64.030			02:52	
19 XRP	0.3020	+0.0001	0.03%	0.3017	0.3023			02:52	
20 Zcash	39.350	+0.336	0.86%	39.290	39.410			02:52	
Futures									
21 CME Bitcoin	9470	+50		9405	9420			02:51	

{BI COMD} Cryptos, Under Data Library (5pm NY, Oct 2)

Name	% Change Day	% Change	WTD % Change	MTD % Change	1 Mth % Change	3 Mth % Change	YTD % Change	1 Yr % Change	2 Yr % Change
Bloomberg Galaxy Crypto Index									
Bloomberg Galaxy Crypto Index (BGCI)	0.8	5.0	4.3	14.7	-14.5	56.0	-13.5	18.8	
USD Cross									
Bitcoin (BTC)	0.4	2.0	2.2	14.3	-19.3	155.7	46.3	31.8	
Litecoin (LTC)	0.5	9.2	8.9	10.5	-31.3	115.4	15.8		
Bitcoin Cash (BCH)	3.4	10.4	7.8	30.4	-9.7	99.5	-50.6		
Ethereum (ETH)	1.3	4.6	6.3	7.5	-14.7	48.3	-10.7		
EOS (EOS)	0.0	8.4	12.3	14.3	-12.4	42.7	-35.9		
Monero (XMR)	1.2	4.9	8.0	13.3	-30.1	40.5	-43.1		
Ethereum Classic (ETC)	2.0	5.0	7.0	8.5	-13.0	1.2	-47.6		
Dash (DASH)	-0.3	3.8	4.3	4.7	-28.6	-6.7	-56.1		
Ripple (XRP)	0.0	3.6	2.3	9.7	-2.6	-12.7	-44.1		
Zcash (ZEC)	0.5	3.3	3.7	4.5	-37.6	-32.0	-69.7		
MVIS CryptoCompare Indices									
Single Asset Indices									
Bitcoin OTC (BTC)	0.5	2.4	1.7	14.6	-19.6	155.5	46.4		
Bitcoin (BTC)	0.3	2.3	1.1	14.3	-20.4	145.5	45.5	36.1	
Litecoin (LTC)	0.1	10.0	8.5	10.8	-33.0	109.4	19.7	17.5	
Bitcoin Cash (BCH)	3.0	10.4	7.7	35.6	-11.5	94.9	-29.0	-31.4	
NEO (NEO)	0.6	7.1	7.1	50.3	-2.8	46.1	-31.8	-56.4	
Ethereum (ETH)	1.3	6.7	5.2	8.3	-16.2	43.4	-8.0	-34.2	
Monero (XMR)	0.8	4.5	6.9	10.0	-31.8	34.7	-42.4	-36.7	
Ethereum Classic (ETC)	2.0	5.6	6.4	10.6	-14.2	-1.7	-46.4	-64.6	
Dash (DASH)	1.8	4.9	4.6	6.7	-28.6	-3.7	-54.7	-71.7	
Ripple (XRP)	-0.1	4.1	2.6	17.9	-4.3	-16.4	-42.6	48.5	
Iota (MIOTA)	2.1	3.4	4.0	4.0	-1.0	-24.6	-45.7	-22.1	
Zcash (ZEC)	2.1	4.4	3.5	4.0	-38.8	-33.3	-70.4	-83.1	
NEM (XEM)	1.1	6.0	6.5	7.8	-32.1	-34.3	-55.6	-75.8	
Multi-Asset Indices									
Digital Assets 5	0.8	5.2	3.7	14.3	-16.2	61.0	-3.4	4.2	
Digital Assets 10	0.8	5.6	4.5	15.8	-16.2	53.1	-9.6	-0.8	
Digital Assets 25	0.5	6.0	5.8	8.6	-23.9	39.6	-21.6	1.6	
Digital Assets 100	0.6	3.5	2.5	15.0	-19.0	85.9	8.8	2.1	
Digital Assets 100 Small Cap	-2.5	1.8	3.3	4.1	-35.9	-14.3	-57.0	-52.4	
Digital Assets 100 Mid Cap	4.8	6.4	5.6	26.2	-15.3	2.6	-51.0	-41.9	
Digital Assets 100 Large Cap	0.5	3.3	2.3	14.8	-18.5	93.5	14.6	5.4	
MVIS IP owned by Van Eck, distributed by..									
Bitwise Crypto Indices									
Multi-Asset Indices									
Bitwise Hold 10 Large Cap Crypto In..	0.8	5.2	3.7	14.3	-16.2	61.0	-3.4	4.2	
Bitwise 20 Mid Cap Crypto Index	1.5	5.6	5.7	21.9	-15.8	-8.0	-47.0	-44.7	
Bitwise 70 Small Cap Crypto Index	1.5	5.0	6.5	12.9	-24.6	-15.1	-53.8	-62.6	
Bitwise 100 Total Market Crypto Ind..	-0.4	2.9	2.3	14.2	-19.7	85.4	9.2	9.3	
Bitwise IP Owned by Bitwise Asset Manag..									
BTC Cross									
Ethereum (ETH)	1.3		3.9	-1.8	5.7	-42.1	-39.1		
Ripple (XRP)	0.0		-6.4	-3.2	12.7	-68.2	-64.3		
Litecoin (LTC)	0.0		6.6	1.6	-15.0	-15.7	-20.7		
Bitcoin Cash (BCH)	3.1		5.3	19.7	11.8	-20.8	-66.1		
Dash (DASH)	-0.6		2.0	-7.1	-11.5	-63.5	-70.0		
Ethereum Classic (ETC)	1.5		5.1	-5.1	8.3	-60.3	-64.0		
EOS (EOS)	0.0		10.5	4.5	9.2	-43.9	-56.0		
Monero (XMR)	0.6		5.6	-3.3	-13.4	-45.1	-61.1		
Zcash (ZEC)	0.2		1.5	-8.8	-22.6	-73.4	-79.2		

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