

# RIVEMONT

## Rivemont - Week 374

*February 17th, 2025*

*Rivemont is the portfolio manager responsible for the investment decisions of the Rivemont Crypto Fund.*

---

Inflation in the United States was stronger than expected in January, reaching 3% year-on-year, according to the Bureau of Labor Statistics. This increase caused a slight decline in Bitcoin's price compared to seven days ago. Economists had expected inflation to be at 2.9%, and this surprise led markets to reconsider the possibility of short-term Federal Reserve (Fed) rate cuts. Zach Pandl, head of research at Grayscale, believes this data complicates the prospect of imminent monetary easing. Core inflation, which excludes volatile energy and food prices, also rose to 3.3% in January, up from 3.2% in December. This increase reinforces analysts' concerns that the Fed may have to keep rates high for longer. Some attribute this rise in part to the "January effect," a seasonal phenomenon where many companies adjust their prices at the beginning of the

year. Despite this potential distortion, annualized inflation stands at 5.5%, a record since April 2023, which could even reignite speculation about a rate hike.

Abu Dhabi's sovereign wealth fund, Mubadala Investment Company, recently invested \$436 million in BlackRock's Bitcoin ETF. This acquisition, made in the fourth quarter of last year, was disclosed in a quarterly report submitted to the Securities and Exchange Commission (SEC). The purchase involves 8.2 million shares of the iShares Bitcoin Trust ETF, a Nasdaq-listed product, marking a significant entry for Mubadala into this type of investment. No similar investment had been reported in the previous quarter. This investment comes as the Donald Trump administration considers creating a strategic cryptocurrency reserve, which could include Bitcoin. Some experts see Mubadala's decision as a sign of growing global competition for accumulating digital assets. According to Steven Lubka, an executive at Swan, other countries have already begun increasing their exposure to Bitcoin. Governments such as those of the United States, China, the United Kingdom, and El Salvador already hold Bitcoin reserves, although these assets largely come from seizures related to criminal activities. Abu Dhabi is increasingly positioning itself as a key player in the cryptocurrency sector in the Middle East. Last year, the city launched the Blockchain Center, an initiative aimed at fostering a dynamic ecosystem for startups, businesses, and academic institutions related to blockchain. This development is part of a broader trend of crypto adoption by various states, although the recognition of Bitcoin as a strategic asset varies by jurisdiction.

British bank Barclays recently revealed a \$131 million investment in BlackRock's Bitcoin ETF, iShares Bitcoin Trust (IBIT). This acquisition, made in the fourth quarter of 2024, represents 2,473,064 ETF shares, according to a document filed with the U.S. Securities and Exchange Commission (SEC). This move aligns with a growing trend of cryptocurrency-related product adoption by major financial institutions, similar to Goldman Sachs and JP Morgan, which have also increased their exposure to Bitcoin ETFs in recent months. Institutional interest in these products has been reinforced by the SEC's approval of Bitcoin ETFs, allowing institutional investors to gain Bitcoin exposure without directly holding it. This enables them to avoid certain risks

related to volatility and regulatory concerns. For instance, Goldman Sachs saw its Bitcoin ETF holdings surge by 121% in the fourth quarter, reaching \$1.57 billion, with a significant portion in IBIT. Meanwhile, JPMorgan also increased its exposure to Bitcoin-related funds. The beginning of 2025 has seen massive inflows into Bitcoin ETFs, reaching \$5 billion in January, according to Farside Investors. BlackRock dominated the market with \$3.2 billion in net inflows into IBIT, followed by Fidelity's Wise Origin Bitcoin Fund (FBTC), which recorded \$1.3 billion. This level of institutional investment reflects a growing interest in cryptocurrencies as a distinct asset class.

Coinbase has set its sights on dethroning Tether as the leading stablecoin issuer by making USDC the global reference. During its fourth-quarter earnings presentation, CEO Brian Armstrong described this goal as an "ambitious challenge" that will push the company out of its comfort zone. Currently, USDC has a market capitalization of \$56 billion, far behind USDT, which dominates the market with \$142 billion. To achieve its goal, Coinbase plans to accelerate USDC adoption by multiplying partnerships and promoting its integration into various use cases, notably via Base, its own scalability solution on Ethereum. The rise of stablecoins is also influenced by the regulatory context in the United States. A proposed bill called the GENIUS Act aims to regulate these assets by requiring regular audits of the reserves backing them. If this framework were to be adopted, it could benefit USDC, which is perceived as more compliant with regulatory requirements than USDT. Furthermore, institutions like JPMorgan believe that Tether may need to adjust the composition of its reserves to comply with these new rules, notably by reducing its exposure to Bitcoin and other non-compliant assets.

Coinbase has signed a major partnership with the Aston Martin Aramco Formula 1 team, becoming its official sponsor for the 2025 season. What sets this agreement apart is that it was entirely paid in USDC, the stablecoin issued by Circle. According to Gary Sun, Coinbase's vice president of marketing, Aston Martin deliberately chose to be compensated in USDC due to the advantages it offers, including fast transactions and reduced costs. Additionally, the team will join Coinbase as a privileged institutional client, expanding beyond a mere marketing partnership. The presence of cryptocurrencies in Formula 1 is not

new. Major industry players like Crypto.com have already made significant investments in this sector, with multi-year sponsorship deals, notably for the Miami Grand Prix. Several teams have also signed partnerships with blockchain companies, such as Red Bull Racing, Mercedes-AMG Petronas, and McLaren Racing, which have leveraged NFTs and other cryptographic innovations to boost fan engagement. Coinbase's initiative also highlights the growing adoption of stablecoins in sports and entertainment. By enabling fast and transparent payments, stablecoins like USDC are becoming an increasingly attractive alternative for companies looking to avoid the constraints of traditional payments. This movement could strengthen USDC against its main competitor, USDT, and contribute to its widespread adoption on the global stage.



The Ethereum developer community is divided as two major network upgrades loom. One of the key points of contention is the introduction of the EVM Object Format (EOF), a new format designed to optimize smart contract execution by better separating code and data. EOF aims to improve speed and reduce transaction costs while minimizing validation errors. However, during a developer call on February 13, the Geth team, which maintains Ethereum's primary client, expressed its opposition to integrating EOF into the Fusaka update, arguing that its benefits were minor compared to its complexity.

Despite this resistance, the upgrades are moving forward. Pectra, the first upcoming improvement, will be deployed on the Holesky and Sepolia testnets on February 24 and March 5, respectively, before being integrated into the mainnet on April 8. In response to ongoing disagreements, Tim Beiko, protocol lead at the Ethereum Foundation, proposed a more flexible timeline for Fusaka: new improvement proposals can be submitted until March 13, a consensus must be reached by March 27, and the final list of modifications will be set on April 10. The Geth team's opposition to EOF also raises questions about Ethereum's development speed. Some developers advocate for a more deliberate process, selecting proposals based on the network's long-term goals. Others, like Roman Krasiuk, a developer at Reth, emphasize the need to maintain a steady pace to ensure innovation and the rapid adoption of improvements.

According to Bitwise, Ethereum is currently experiencing one of its most significant undervaluation phases in years. Since late 2022, ETH has underperformed compared to Bitcoin, causing the ETH/BTC ratio to drop by 47% over the past year. Currently, 1 ETH equals 0.029 BTC, a historically low level. For Andre Dragosch, head of research at Bitwise Europe, this situation does not accurately reflect Ethereum's fundamentals, which continue to show strong on-chain adoption and activity. Ethereum's underperformance can be attributed to several factors. The rise of artificial intelligence sectors, meme coins, and real-world asset tokenization has diverted investor interest toward blockchains with lower transaction fees. Additionally, the development of Layer 2 scaling solutions has spread activity across multiple ecosystems, reducing the value captured directly by Ethereum's base layer. Furthermore, ETH's frequent use as a trading pair in crypto markets exposes it to constant downward pressures from arbitrage activities. Despite these challenges, Bitwise highlights that historical trends favor an Ethereum rebound. ETH has outperformed BTC in February seven times in the past eight years. So far this year, Bitcoin has gained 3.72%, while Ethereum has dropped 20%. Moreover, while BTC recently hit a new record of \$109,000, ETH is still struggling to regain its all-time high of \$4,891.70 from November 2021.

Bitcoin and gold are benefiting from renewed interest as the weakening U.S.

dollar drives investors toward alternative safe-haven assets. Over the past month, the dollar index has declined by 2.13%, while gold has surged by 7.29%, reaching a record high of \$2,920 per ounce. Bitcoin, on the other hand, has experienced more volatility, peaking at \$108,000 on January 20 before falling below \$100,000. This trend is partly due to reduced investments in U.S. government bonds, particularly by countries like China and Japan, which are among the largest foreign holders of U.S. debt. According to André Dragosch, head of research at Bitwise Europe, investors are gradually shifting away from U.S. Treasuries in favor of gold and Bitcoin. He noted that net central bank gold purchases in Q4 2024 reached their highest level in at least a decade. The growing demand for gold is also reflected in rising COMEX stock levels, an indicator of increasing interest from U.S. investors. Meanwhile, the use of the U.S. dollar in SWIFT transactions has risen, but its share in global reserves has declined, signaling a gradual loss of confidence in the dollar as a safe-haven asset. The drop in 10-year U.S. bond yields, from 4.79% to 4.5%, has further reinforced this trend. Dragosch pointed out that the historical correlation between gold and real U.S. yields has broken down since 2022, marking a fundamental shift in the perception of government bonds as safe assets. Additionally, some central banks are beginning to explore Bitcoin. A foreign institution reportedly consulted Bitwise in the U.S. about investing a portion of its Treasury reserves into spot Bitcoin ETFs, while the Czech National Bank is also considering this possibility.

According to Bernstein, Bitcoin is entering a new bull market phase driven by several favorable catalysts. After being propelled by the approval of spot Bitcoin ETFs and Donald Trump's electoral victory, the next wave of growth could be fueled by the establishment of a national Bitcoin reserve and the integration of crypto companies into a U.S. sovereign wealth fund. These initiatives, supported by the Crypto Task Force led by David Sacks, aim to strengthen the role of digital assets in the U.S. economy. Among the proposed scenarios, Bernstein suggests that this Bitcoin reserve could be funded by the Federal Reserve or the U.S. Treasury, either by issuing debt or by selling part of the country's gold reserves. Additionally, the \$20 billion in Bitcoin seized by the U.S. government could be added to this reserve, potentially triggering a global race among nations to accumulate crypto as strategic assets. Bernstein believes

that the convergence of institutional players, banks, and soon nation-states makes Bitcoin a serious competitor to gold. With a current market capitalization of \$2 trillion, still far from the \$18 trillion in global gold reserves, the digital asset presents asymmetric growth potential. If adoption continues to accelerate, Bitcoin could gradually establish itself as a top-tier strategic asset on a global scale.

*The presented information is as of February 17th, 2025, unless otherwise indicated and is provided for information purposes only. The information comes from sources that we believe are reliable, but not guaranteed. This statement does not provide financial, legal or tax advice. Rivemont Investments are not responsible for any errors or omissions in the information or for any loss or damage suffered.*

---

////////////////////////////////////

**Valérie Marquis**

19 rue Le Royer Ouest, suite 300  
Montreal, Québec, H2Y 1W4  
Tel: 819-246-8800  
[valerie.marquis@rivemont.ca](mailto:valerie.marquis@rivemont.ca)

////////////////////////////////////

[www.rivemont.ca](http://www.rivemont.ca)

**Martin Lalonde**

160, boul. de l'Hôpital, suite 202  
Gatineau, Quebec, J8T 8J1  
Tel: 819-246-8800  
[martin.lalonde@rivemont.ca](mailto:martin.lalonde@rivemont.ca)

---

[Aimez-nous sur Facebook / Like us on Facebook](#)

---

*Copyright © 2025 Rivemont, all rights reserved.*

Want to change how you receive these emails?

You can [update your preferences](#) or [unsubscribe from this list](#).

