

# RIVEMONT

## Rivemont - Weekly Update #182

*June 9th, 2021*

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

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We mentioned last week that we had managed to avoid the worst of the correction for investors in the [Rivemont Crypto Fund](#). We can now quantify those results. Indeed, the Fund was down 4.1% during the month of May, compared to a 35.5% decline in bitcoin for the same period. The Fund also greatly outperformed our benchmark, the *Barclay Cryptocurrency Index*.

In this regard, it is impossible to ignore the results of all of Rivemont's alternative strategies recently. You may have seen the infographic in the last few weeks during our advertising campaign. If not, here are the results of some of our strategies:



A first has just occurred in the history of bitcoin. After a legislation bill was announced at the *Bitcoin 2021* conference in Miami over the weekend, the President of El Salvador today confirmed it following a strong majority vote in the Senate. It's a done deal: bitcoin is now legal tender in the country.

Making bitcoin a legal tender is not just symbolic, quite the contrary. All businesses will now have to accept BTC as a payment currency if the customer wants to use it. The latter will however have the choice to use wallets that convert crypto payments into fiat currency. In addition, this law will remove any capital gains tax on the digital currency when it increases in value versus traditional currencies. Bitcoin is no longer an asset after all, it is a currency.

El Salvador is definitely looking to become a global hub for the cryptocurrency industry. In fact, the law states that any crypto entrepreneur will get permanent residency automatically, as long as they invest at least 3 bitcoins in the national economy. In addition, it is one of the few countries in the world that does not have property taxes.

President Nayib Bukele justified his plan as an effort to boost financial inclusion in a country where a scant 30% of citizens have access to financial

services. A reminder of how useful cryptocurrencies can be in less developed countries.

This is a fascinating experiment that many countries with the same economic challenges will follow with interest. Already, a member of parliament from Paraguay has called for a similar policy for his country. Most importantly, it has taken bitcoin barely a decade to go from being a fringe idea to a legal tender. What a recognition of this revolution, both monetary and technological. After the corporations, are we seeing a new round of adoption, this time by countries? When will we see central banks with bitcoin reserves?

Former U.S. President Donald Trump is moving in the opposite direction. In an interview with Fox Business this week, he said he sees bitcoin as a fraud that affects the value of the US dollar. His thinking is simplistic and succinct. "Bitcoin, it looks like a scam. I don't like it because it's a currency that competes with the dollar. [I want] the dollar to be the world's currency." He argues.

Joe Biden's new presidential entourage, however, does not share this position, at least not entirely. Indeed, Tim Wu, the U.S. president's technology advisor and antitrust expert, has the bulk of his wealth in cryptocurrencies. In public financial papers, he is found to have between \$1M and \$5M in bitcoin, as well as between \$100,000 and \$250,000 in Filecoin.

Despite the ambivalence on the markets, the adoption of digital currencies is not slowing down, quite the contrary. This week, for example, the San Jose Sharks became the first team to accept cryptocurrency payments for ticket purchases and box rentals. On the Netherland side, employees at Domino's pizzeria can now choose to be paid in bitcoins. Every week, new steps forward for the recognition of virtual currencies are observed.

We recently shared with you that MicroStrategy and its founder Michael Saylor were preparing to issue corporate bonds to purchase additional bitcoins. While the company was planning to issue \$400M in bonds, it increased that threshold to \$500M this week. The reason? An institutional interest to the tune of \$1.6B.

It must be said that with an interest rate of 6.125% a coupon, there are few bonds with such a return in the current market.

There is a lot to read about the cryptocurrency market, notably in this weekly newsletter, which we try to make as relevant and informative as possible. Among the recent ones that have caught our interest regarding bitcoin's current place in the macroeconomic picture, we warmly suggest [this research report](#) from Goldman Sachs. In addition to offering an interesting analysis of bitcoin's place in relation to other investment vehicles, the paper also presents a series of insightful interviews with various players on the opposite end of the spectrum of the cryptocurrency value proposition.

On the technical side of the picture, the [symmetrical triangle we were observing as recently as last week](#) has been broken to the downside, leading to a further bearish push in prices. Support between \$30k and \$32k has held, however. The sample remains thin, but the passage of the El Salvador bill in addition to rising inflation data in China have fueled a rebound over the past twelve hours. Additionally, [on-chain data](#) shows that bitcoin whales have taken advantage of this drop to make massive purchases. We note the purchase of 3,706 BTC for an average price of \$33,157.

If you are a fan of technical analysis finally, we notice that since the highs near \$65,000, the price of bitcoin follows a near perfect classic Elliott wave structure. Without going into the details (which you can, however, [read here](#)), we now appear to be in the 5<sup>th</sup> and final wave of the correction. This last wave could result in a simple retest of the \$30,000 support (experienced yesterday), or in the worst case scenario, go all the way down to the \$23,000 mark. Either way, however, if the pattern were to be followed, we would be in the final moments before a reversal that could result in a further gradual sustained rise in prices. Let's hope today's price action is the first manifestation of that.

Rivemont Investments, manager of the Rivemont Crypto Fund.

*The presented information is as of June 9th, 2021, unless otherwise indicated*

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