

RIVEMONT

Rivemont - Weekly Update #196

September 15th, 2021

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

The week that ended yesterday for the Rivemont Crypto Fund was one of timid recovery on the markets following the sudden drop on September 7th. The bullish technical picture remains intact, however, with a golden cross emerging today for bitcoin. While we'll come back to what prices are telling us in the 2nd half of this letter as is the tradition, let's first talk about the fundamental expression of the current cryptocurrency market. We sometimes stick our noses too close to the prices to see the giant steps the industry has taken. Let's address them.

El Salvador became the first country last week to make bitcoin legal tender. All

merchants are now required to accept the cryptocurrency as a payment method. Panama at the same time introduced a bill to also accept bitcoin as legal tender, though without making it mandatory. The most recent echoes now suggest that Ukraine could be the next country to join the parade. President Zelensky is an avowed supporter of digital currencies and has reportedly already sent his initial instructions to make Ukraine a crypto-friendly nation.

According to geopolitical expert Vyacheslav Evgenyev, the plan is to make Bitcoin legal tender by the start of 2023 and create a “dual-currency country” where Bitcoin sits alongside the fiat hryvnia before potentially being phased in as the dominant financial structure. “Ukraine is a natural fit for such a plan,” the expert said. “The people of the Ukraine are not only prepared for a financial revolution, they are also used to it and expect it.”

The effects of such a migration on traditional financial players should not be underestimated, as well as the potential savings for citizens receiving international money transfers where existing financial structures make them difficult. Consider Western Union transfers, which charge a 12.5% fee and take days to arrive to the recipient. In 2020, El Salvador received nearly \$6 billion in remittances, which represented about 23% of its gross domestic product. Some 70% of the Salvadoran population receives such remittances. President Nayib Bukele estimates that money service providers such as Western Union and MoneyGram will lose \$400 million a year in remittance fees as a result of the country's adoption of bitcoin.

[This website](#) gathers the number of times media outlets have announced the death of bitcoin. The count now stands at 429. However, one would have to be fooled not to admit that the network is, on the contrary, more alive than ever. Proof being, the 700,000th block on the chain was discovered on Saturday. The 600,000th had been mined on October 18th, 2019 when the price was less than \$8,000. At the time of writing, the total supply is 18,816,562 BTC, or 89.6% of all bitcoins that will ever be created. Bitcoin was programmed to be a self-regulating market with a hard-coded monetary policy that does not depend on any outside parties. Unlike the United States Federal Reserve, for example,

which can affect the size and growth rate of the money supply at will, Bitcoin maintains a hard cap on supply and cannot be created without the massive energy input of miners.

One user highlighted this milestone with a very apropos quote from the late Hal Finney:



Documenting Bitcoin @DocumentingBTC

The 700,000th #Bitcoin ₿ block.

"Every day that goes by and #Bitcoin ₿ hasn't collapsed due to legal or technical problems, that brings new information to the market. It increases the chance of #Bitcoin ₿ 's eventual success and justifies a higher price."

— Hal Finney

[Traduire le Tweet](#)

Blockchain	
Block Height	700,000
Money Supply	18,812,410.25 BTC
Percentage Issued	89.58%
UTX0 Set Size	75,262,969
Block Time, Prior Year	10:03
Chain Size	413.1 GB
OP_RETURN Data	2.6 GB

10:13 AM · 11 sept. 2021 · Twitter for iPhone

It should also be remembered that miners approved the network's first major update in four years late last spring. The latter, dubbed "taproot," will enhance the privacy and efficiency of transactions and, most importantly, unlock the potential of smart contracts, a key feature of its blockchain technology. Its implementation is scheduled for next November.

Then, in practice, the incredible innovation that allows the transfer of huge amounts of money almost instantly and at a very low price. Data collected on the blockchain on Monday night shows a transaction to the tune of two billion dollars processed for 0.00001713 BTC, the equivalent of \$0.78. According to BitInfoChart, the average transaction fee on the blockchain layer one is 0.000058 BTC (\$2.67). This is a consistent low over the past two months.

Coinbase last month announced that it was investing \$500M of its reserve cash in a diverse portfolio of cryptocurrencies. In addition, 10% of net quarterly revenue will be added to it. During the announcement, CEO Brian Armstrong emphasized holding Ether, proof-of-stake assets and DeFi tokens. Today, the U.S. company, faced with higher-than-originally-estimated demand for its junk bonds, increased the sale amount by a third, from \$1.5 billion to \$2 billion. Meanwhile, MicroStrategy continues in its likely quest to become the largest holder of BTC, having made an additional purchase of 5,050 BTC at an average price of \$48,099. This is a purchase of approximately \$240M.

Not all projects enjoy the same decentralized governance, yet the core element of digital currency technology. The project that has turned the heads of many investors recently is Solana, another smart contract platform promising superior technology. While we will not analyze the technology here, let's highlight yesterday's events. Indeed, after the discovery of a bug, the blockchain was completely stopped by its developers for almost a full day. Stopping a blockchain? That sends a message of complete centralization for a project that prides itself on being "decentralized and unstoppable" on its very web homepage. A price correction continues for the token. Will this exodus result in a return of the fold to ETH, by far the largest smart contract network?

Let's turn to the technical picture where, as we mentioned at the beginning of the letter, the price of bitcoin is drawing a golden cross today. This technical pattern occurs when the 50-day moving average intersects the 200-day moving average upwards. While some critics claim, and rightly so, that this is a lagging indicator, it has nevertheless often led to price surges.

Here is the current picture:



In comparison, here is the most recent golden cross drawn from May 20th, 2020:



Then the one from April 22nd, 2019:



No indicator is infallible, however. The golden cross from February 18th, 2020 had been stopped short by the COVID-19 crisis and subsequent March price drop.

After regaining the important resistance at \$47,000, bitcoin is currently in true recovery mode. Resistance at \$48,000 and \$50,000 can clearly be drawn. Most importantly, however, it has successfully defended the 200-day moving average, after forming what may look like a local double bottom. The bigger picture, however, is clearer than ever, with a supply shock looking increasingly inevitable. We've been mentioning frequently over the past few months the increasingly thin supply of bitcoin available for purchase on exchanges. This

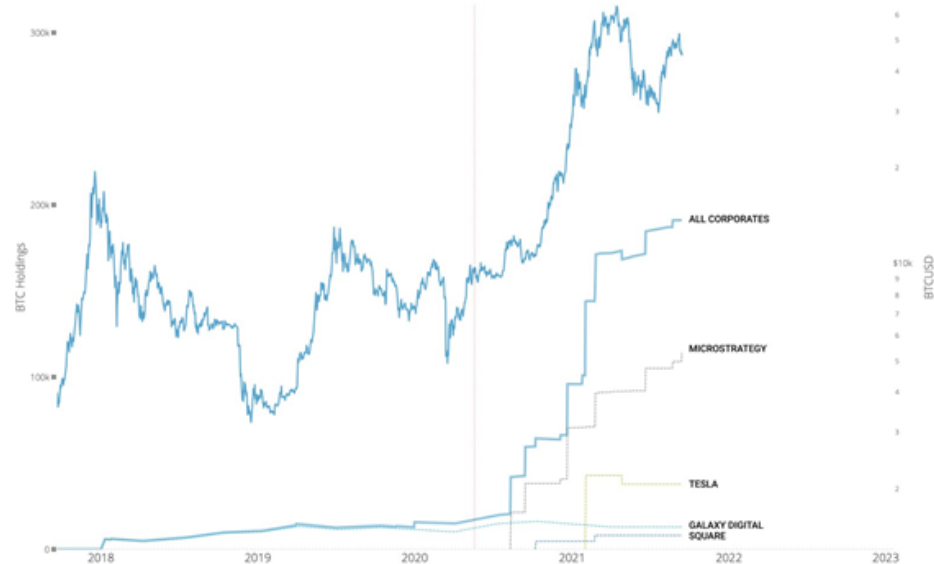
threshold is now reaching outright critical levels:



Meanwhile, bitcoin reserves held by corporations are reaching record highs. Demand is rising and supply is falling, both because of market trends and because of bitcoin's intrinsic code.

Bitcoin Held by Public Companies

source: charts.woobull.com / @woonomic



Cathie Wood, CEO of Ark Invest, mentioned this factor at the SALT conference on Monday. Her price prediction depends on whether companies continue to diversify their balance sheets into bitcoin, the biggest cryptocurrency by market value, and whether institutional investors begin to allocate 5% of their funds to it. If that happens, "we believe that the price will be tenfold of where it is today," she said. "So instead of \$45,000, over \$500,000."

In short, it would be surprising if we had seen the highs of the current bull run.

Monthly results for the three Rivemont advised funds for August are now available. You can check out the performance of not only the Rivemont Crypto Fund, but also the Rivemont Alpha fund and the Rivemont MicroCap Fund [under this page](#).

Rivemont Investments, manager of the Rivemont Crypto Fund.

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