

# RIVEMONT

## Rivemont - Weekly Update #204

*November 9th, 2021*

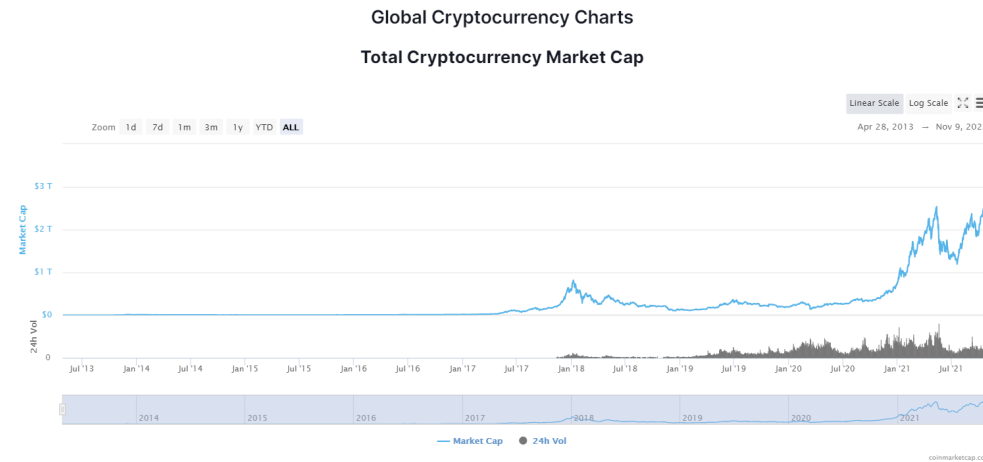
*Rivemont is the portfolio manager responsible for the investment decisions of the Rivemont Crypto Fund.*

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Work obligations for the author of these lines in the morning tomorrow lead us to send you our weekly letter immediately following the close of the week for the fund rather than on the following day. The bitcoin price is in the discovery zone after surpassing its record high yesterday and this is certainly not an inopportune time to do so!

The majority of the high-cap cryptocurrencies, led by bitcoin once again, are up in early November. It must be said that historically, this penultimate month of the year has always been particularly positive for the crypto markets. This new surge has for the first time ever briefly pushed the total cryptocurrency market

capitalization over the \$3 trillion mark. Need we remind you that it was only last January that the trillion mark was smashed for the 1<sup>st</sup> time?



This push comes shortly after Barry Silbert, the CEO of Digital Currency Group (DCG), tweeted that he was expecting a "big week" for crypto. Is this just a hunch or is there good news on the horizon? DCG, which is the parent company of Grayscale Investments and Genesis Trading, is among a dozen other companies hoping to get approval for an exchange-traded fund backed by actual bitcoin rather than bitcoin futures. The SEC's next decision deadline for this is November 14<sup>th</sup>. Most analysts agree, however, that it is highly unlikely that such a fund will be accepted so soon after those on futures contracts.

While the bullish waves of bitcoin's previous four-year cycles have mostly been fueled by retail investors, it is institutional money that now seems to be feeding the rise. According to a recent CoinShares report, there has already been more institutional money invested in digital assets in 2021 than in all of 2020. As of Friday, the current count of digital asset inflows at crypto asset managers has reached \$8.9 billion after 12 consecutive weeks of growth. With seven weeks left in the year, that's already \$2.2 billion more than the total invested in 2020.

With a capitalization of 1.2 trillion for bitcoin alone, the asset now surpasses

Tesla and Facebook. Comparing bitcoin's market value to those of companies, it would now rank as the sixth most valuable asset, behind Microsoft, Apple, Alphabet, Google's parent company, Saudi Aramco and Amazon. In fact, bitcoin's capitalization is already worth more than the total value of many fiat currencies. In February, the asset surpassed the Russian ruble. Bitcoin's market capitalization also briefly surpassed the Swiss franc in October.

Publicly embracing bitcoin also seems to be in vogue right now. After the mayor of Miami announced last week that his next paycheck was going to be in bitcoin, his counterpart Scott Conger of the city of Jackson in Tennessee did the same. However, on the municipal side, nothing beats the support of the mayor of the world's financial capital, New York. That's exactly what newly elected Eric Adams brought on Sunday.



Apple CEO Tim Cook said he personally owns cryptocurrencies today after being asked at the DealBook conference if he owns bitcoin or ethereum. "Yes. I think it's reasonable to own them as part of a diversified portfolio" Cook told

Andrew Ross Sorkin in a recorded interview. "I'm not giving any investment advice to anyone, by the way." Cook said he has been interested in cryptocurrencies "for a while" and has been researching the topic.

Interesting development in the implementation of cryptocurrencies in the operation of social networks. The giant Reddit plans to convert users' karma points into ERC-20 tokens (thus based on the Ethereum chain). Reddit's partnership with Off-chain Labs' Arbitrum network will allow the creation of a separate blockchain instance, which will be used to store users' reputation points. In addition to the reputation system and karma point tokenization, Reddit is developing its own non-fungible token (NFT) platform. This platform will allow forum users to display their creative skills and earn money by creating content.

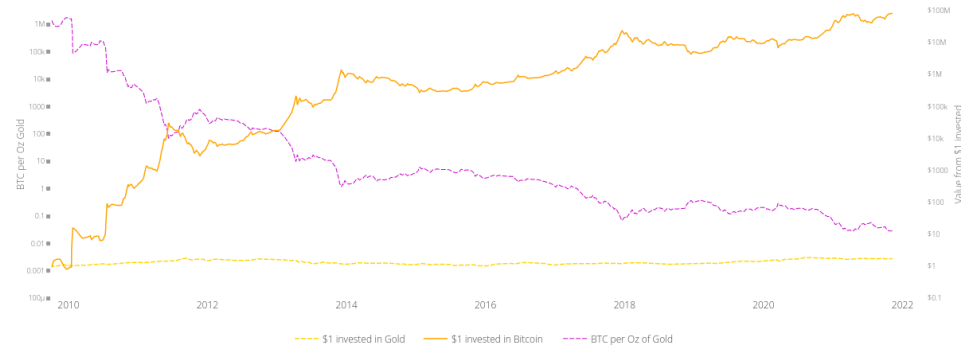
There is no more exciting price action than when an asset hits its all-time high price. All investors are then in the profit zone (at least relative to their most recent purchase) and with no further resistance, prices enter the true discovery zone. This is all happening now as Glassnode noted in its weekly report on Monday that bitcoin balances on exchanges have continued to fall, again, while bitcoin's mining rate could reach new highs before the end of the year. On the Ether side, also in the discovery zone following its all-time highs, the most recent data shows that the network has been burning more tokens than it has issued for at least a week. This dynamic follows the London Hard Fork, which introduced a mechanism to burn a large portion of transaction fees, measured in ether, instead of sending them to miners. Burning means that ether is permanently removed from the circulating supply.

In an inflationary environment, bitcoin's appeal over gold as a hedge was reinforced overnight, with its market capitalization reaching 10.7 percent of gold's one. Parallels are often drawn between the two assets. Yet, in terms of returns, there is no doubt that bitcoin has been stealing gold's slice of the pie for a good decade.

## Bitcoin vs Gold over 12.1 years

Bitcoin:\$88,927,000 | Gold:\$1.75

source: charts.woobull.com / @woonomic



This chart tracks Gold vs Bitcoin performance from a \$1 investment on 6 Oct 2009 when Bitcoin first had a market price. I humbly dedicate this chart to @PeterSchiff in honour of his tireless promotion of Bitcoin to his audience of gold bugs, we are forever grateful.

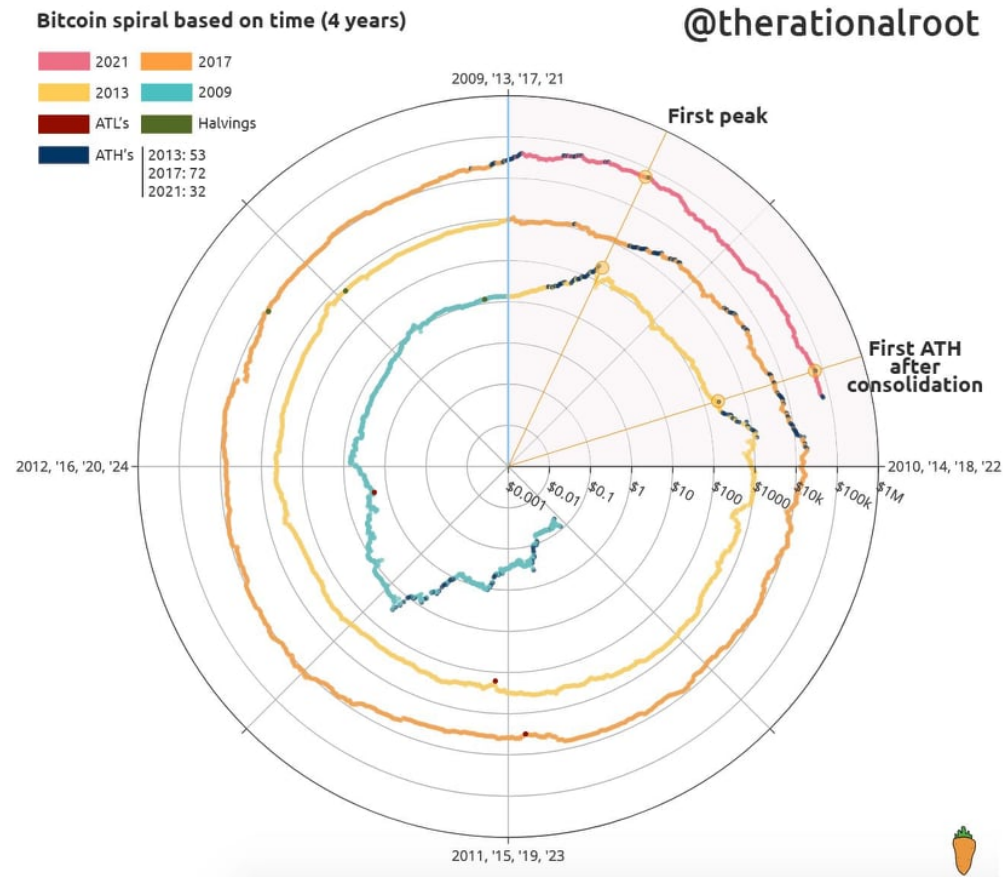
"\$70k bitcoin coming up," SkyBridge Capital CEO Anthony Scaramucci claimed today, suggesting he was still a buyer in the market. "The big institutional demand is finally here. They are trying to get into the market before 2022."

The most recent Kraken exchange analysis, meanwhile, claims we'll attain a peak of \$96,000 per bitcoin by the end of this year. That's in line with the stack-to-flow model, which predicts a price of around \$135,000. "At the current pace, 4Q is trending most similarly to 4Q2017 with a correlation of 0.88. It should be noted that 4Q2017 went on to become Bitcoin's third best 4Q on record with a return of +220%," Kraken wrote. "Assuming BTC continues to follow in the footsteps of 4Q2017, we could expect BTC to rally even higher into month end. For some context, a +220% in 4Q2021 would imply a price of \$96,355 for BTC."

Kraken believes, however, that this quarterly high could be the top of this cycle. Nonetheless, if this ends up being the case, we should not necessarily expect a subsequent pullback as violent as in the past. Looking at the cost at which each bitcoin has changed hands, analyst Willy Woo concluded that the \$50,000 to \$60,000 area is more than solid as support.

"Bitcoin as a trillion-dollar asset class is now cemented; it's hard to see it falling below that area," he commented on Monday.

We often emphasize the power of bitcoin because of the predictability of its very code; its issuance being entirely known and predictable. It is clear that despite the volatility over the years, the price has been able to maintain this same steady and inversely proportional progression of price versus bitcoins issued as a reward for mining a block. This is particularly well illustrated by this spiral with circles showing a power-of-ten progression of the price of bitcoin. Given this picture, it is difficult to see the \$100,000 mark not as a remote possibility, but rather as a near-certainty, with only the date unknown at this point.



Rivemont Investments, manager of the Rivemont Crypto Fund.

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