

RIVEMONT

Rivemont - Weekly Update #255

November 2nd, 2022

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

A consolidation week is coming to an end in the cryptocurrency markets. While the price of bitcoin failed to break through its resistance at \$21,000, it continues to find buyers above \$20,000. Our overweight in ETH, representing two-thirds of the Fund currently, will have helped to beat the bitcoin index for the week. As it has been the case many times in recent months, however, all speculators are holding their breath today. Indeed, the next interest rate hike in the U.S. will be announced by the Fed mid-afternoon. These macroeconomic decisions may once again dictate the direction of prices.

It already seems unanimous that the central bank will raise the rate by 75

points. It is therefore the message that will come with the announcement of this increase that will be analyzed from all angles. Many players expect a slowdown in hikes to follow. “The market is very fixated on the fact there’s going to be 75 in November, 50 [basis points] in December, 25 on Feb. 1 and then probably another 25 in March,” said Julian Emanuel, head of equity, derivatives and quantitative strategy at Evercore ISI. “So in reality, the market already thinks this is happening, and from my point of view, there’s no way the outcome of his press conference is going to be more dovish than that.” Will any more aggressive stance result in downward pressure on the markets, or will confirmation of a slowdown plan to a terminal rate of 5% be seen as a pivot to revive the markets? This is without a doubt what is on everyone's mind today.

The completion of the acquisition of Twitter by Elon Musk has already caused a lot of ink to flow this week. The price of the billionaire's favorite token, Doge, has risen sharply in parallel. Musk is obviously not the only one to spend in this huge transaction. Binance has notably invested \$500 million in Musk's buyout, and is already creating an internal team that will use blockchain to help the company in its fight against bot accounts. In an interview, Zhao elaborated on other potential use cases for crypto on Twitter, saying that plans for a paid subscription could be “done very easily, globally, using cryptocurrencies as a means of payment”.

Vitalik Buterin also weighed in on the deal, essentially responding to Musk's plan to charge \$8 a month to get or keep his blue verification hook alongside his login. According to Buterin, the effectiveness of the new proposal will depend on "exactly how much due diligence is done to ensure that the blue hooks are who they claim to be." In short, if this approach becomes just a monetization method, it will greatly hurt the platform's anti-fraud efforts, not the other way around. He added that "if there are more actual checks, the outcome will be very different."

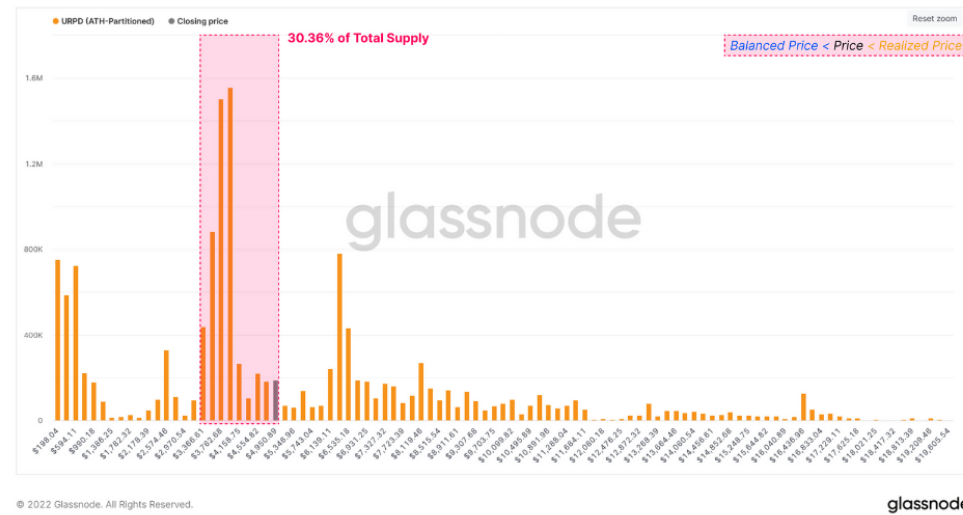
Has the crypto winter discouraged crypto investments from institutional investors? A survey conducted by investment giant Fidelity is encouraging on that front. The firm found that 58% of institutional investors were invested in

digital assets in the first half of 2022 - a 6% increase from the previous year. In addition, 74% of institutions said they plan to buy digital assets in the future, while 51% have a positive perception of digital assets, up from 45% in 2021. "While the markets have faced headwinds in recent months, we believe the fundamentals of digital assets remain strong and that the institutionalization of the market over the past few years has positioned it to withstand recent events," said Tom Jessop, president of Fidelity Digital Assets.

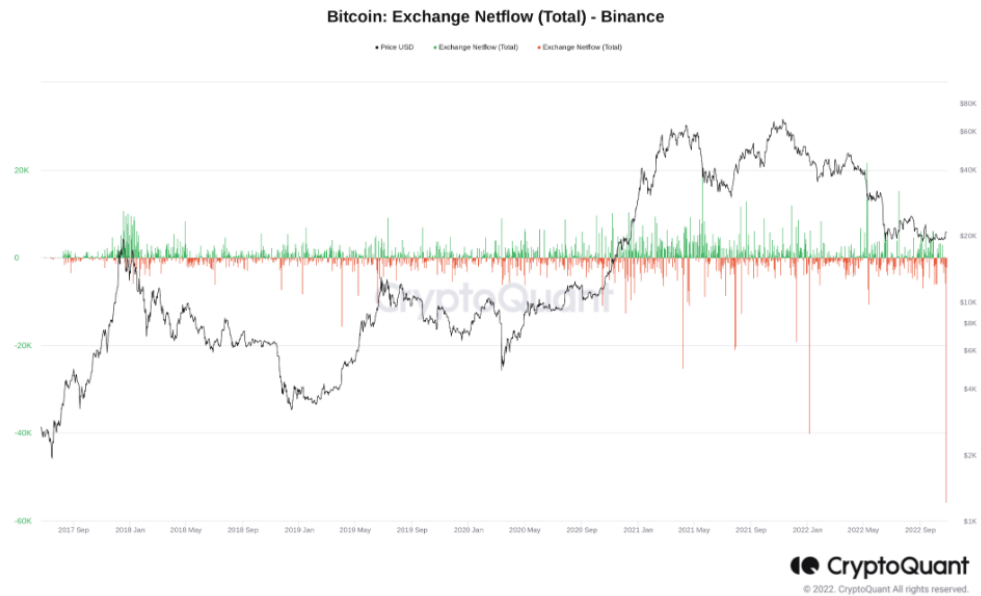
Was Celsius outright a Ponzi scheme? A New York judge has expanded the scope of the investigation in the Celsius Network bankruptcy, as the company's customers have requested inquiries into the crypto lender's business operations. At the hearing, U.S. Bankruptcy Court Judge Martin Glenn ordered the court-appointed examiner and Celsius' official committee of creditors to agree on who will conduct the investigation into the company's use of customer money. "We don't know if Celsius was a Ponzi scheme, but there were some red flags," Greg Pesce, the attorney for the creditors' committee, told the WSJ. "Let me be clear, we are looking into whether that is the case. We don't have an answer to that question."

Will \$20,000 for Bitcoin be able to act as new support towards an eventual exit from the bear market? The realized price distribution is beginning to suggest so. The realized price of bitcoin represents the average cost paid by buyers for their bitcoin holdings. If the bitcoin price is lower than a user's realized price, the user technically suffers an unrealized loss. The 2019 bear market shows that 30% of the total BTC supply was concentrated in the realized price range. In April 2019, the price erupted above the realized price, signaling the start of a new bull market.

Bitcoin: UTXO Realized Price Distribution (URPD) [02APR2019]

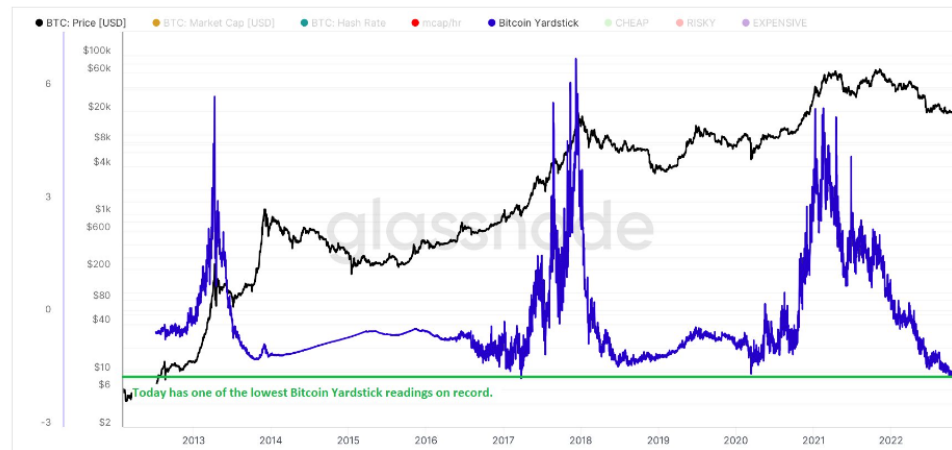


Looking at the current market and applying the same methodology, the realized price of bitcoin concentrates 20% of the supply between \$17,000 and \$22,000. While this suggests that more redistribution may be taking place, the consolidation is significant and highlights a resilient holder base.



Finally, going back to the argument developed in our most recent letter, only once before has BTC been such a good value relative to the hash rate - and that was well before even the historic high in 2017. The Bitcoin Yardstick measures the ratio of bitcoin's market capitalization to its hash rate - two fundamental metrics that, when compared to each other, offer key price insights. As creator Charles Edwards explains, the lower the value, the "cheaper" bitcoin is. In short, the higher the hash rate is applied to secure low-cost tokens. Currently, the Bitcoin network's hash rate is near historical highs, while the price is down about 75% from its last historical highs seen in November 2021. "Today, we are observing the second lowest reading for the Bitcoin Yardstick in the entire history of Bitcoin." Edwards adds that "this means that on a relative basis, bitcoin is extraordinarily cheap considering the amount of energy used on what is the most powerful computer network in the world."

Bitcoin Yardstick



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The fund is approximately 65% ETH, 30% BTC and 5% MATIC invested.

Rivemont Investments, manager of the Rivemont Crypto Fund.

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////////////////////////////////////
Valérie Marquis

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

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www.rivemont.ca

Martin Lalonde

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

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