

RIVEMONT

Rivemont - Weekly Update #271

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

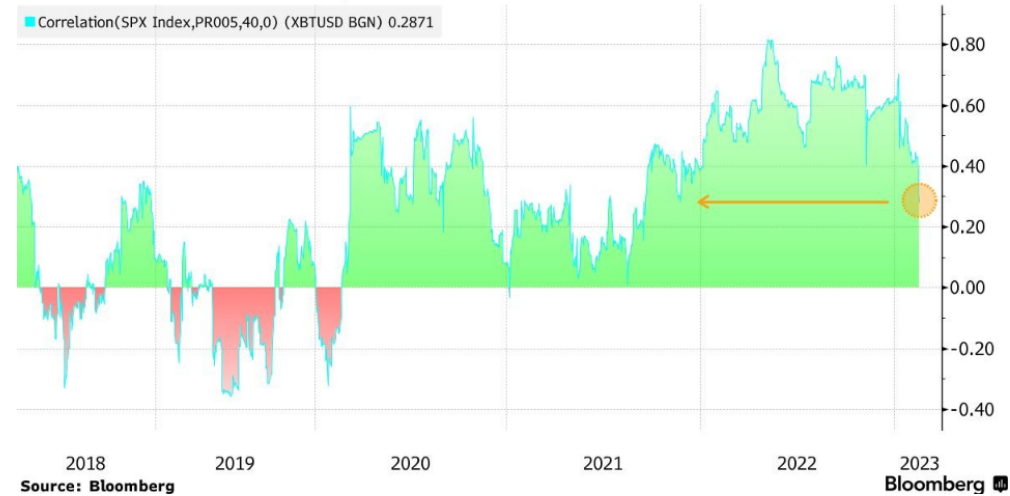
It was a rather neutral week for the cryptocurrency market, which actually represents a particularly positive signal. Indeed, this week of stability has paralleled a decline on the traditional markets, most notably yesterday's after the long weekend. Nevertheless, bitcoin remains above \$24,000, and it appears that it is only a short distance away from another test of the important \$25,200 resistance level. Breaching the latter could create fireworks.

It should be noted that while bitcoin's correlation with these same market indexes remains positive, it is in free fall and is currently at a level not seen since 2021. Needless to say, this trend is welcomed from the perspective of

wanting cryptocurrency to be its own independent asset class.

Ebbing Tie

Correlation between Bitcoin, S&P 500 stock index around lowest since 2021



Fourteen years ago, Satoshi Nakamoto published this message:

"A lot of people automatically dismiss e-currency as a lost cause because of all the companies that failed since the 1990's. I hope it's obvious it was only the centrally controlled nature of those systems that doomed them."

SATOSHI NAKAMOTO | FEBRUARY 15, 2009

Proof that history tends to rhyme. It's hard not to see the parallels with the

many bankruptcies of centralized industry players in 2022 and their effect on the value of various cryptocurrencies.

Sam Bankman-Fried's semi-freedom is clearly bothering many. In a handwritten missive filed with the court on Tuesday, a retired Connecticut police officer issued a criticism of the judge in charge of the criminal case against Sam Bankman-Fried. The criticism concerns the former billionaire's permission to await trial from his parents' comfortable California home. The letter represents the second recent correspondence from an individual, as Bankman-Fried's questionable behavior while out on bail has prosecutors calling for tighter restrictions. Thomas Morrissey, a former New Haven police detective, added a handwritten postscript to his initial letter dated Jan. 31, urging Judge Lewis Kaplan to reconsider his December decision to grant Bankman-Fried bail. In the newly revealed note to Kaplan, Morrissey wrote, "He continues to make a mockery of you and the judicial system," referring to SBF, the former FTX exchange chief who will face eight criminal charges in October for fraudulent activities in his then multi-billion dollar empire. Although Morrissey is a private citizen whose message will likely have little impact on the court proceedings, he concluded, "This is disrespectful! Please do your job!"

Hong Kong is reportedly considering lifting the ban on cryptocurrency exchanges. Hong Kong's regulator on Monday proposed a relaxation of rules banning retail investors from buying cryptocurrency tokens on licensed platforms. The ban has been the subject of debate in the city's legislature. Last year, lawmakers pushed the regulator to relax the rules, as investors were already using offshore and unregulated platforms such as FTX to make their trades. The government was behind the changes to the city's crypto licensing rules, with officials wanting to position Hong Kong as a financial hub for digital assets. Just last week, the city's central bank issued the world's first "tokenized" green bond, raising about \$100 million to invest in clean energy technologies and related projects.

Exchange Coinbase reported a slight increase in revenue from the previous

quarter, marking the end of a year in which the exchange's business model was hampered by falling digital asset prices. The company's sales totaled \$605 million in the fourth quarter, beating analyst expectations of about \$588 million in revenue, according to FactSet. However, that figure represents a significant drop of nearly 75 percent from the \$2.5 billion in revenue Coinbase reported for the same period a year earlier, when cryptocurrency prices were at their highest.

Celsius failed to record some 7,000 intercompany transfers worth billions of dollars before its bankruptcy. The lack of records could make it impossible to fully reconstruct the bankrupt cryptocurrency lender's claim, according to court documents. "Given the scarcity of records, it may not be possible to fully reconstruct the intercompany claim," the statement said. "If it were possible, it would be a time-consuming and costly forensic accounting exercise that would likely require hiring a forensic accounting firm to manually reconstruct each intercompany transaction, resulting in significant costs to the debtors' assets." After months of analysis, the best estimate of the total receivable held is \$3.5 billion, according to the filing.

Cryptocurrencies have found a new defendant in the person of Keanu Reeves. The actor, in a recent interview with Wired, says they are a great tool for trading and resource distribution. Reeves said, "I think the principle, the ideas behind an independent currency, are amazing," adding that "ignoring cryptocurrency, or the volatility of cryptocurrency, will only make it better in terms of protection."

According to blockchain analytics firm Glassnode, bitcoin is once again largely immobilized, with the number of dormant coins nearly reaching a new all-time high. The number of bitcoins that have not been moved in at least six months stands at 14.99 million, which is worth about \$370 billion at current prices. The all-time high is 15.029 million from last December. What does this mean? Certainly that the majority of investors have returned to a long-term investment horizon, favoring hodling. Glassnode added in the report that there is "a turning point in the cycle and a marked shift in investor behavior patterns."

According to Glassnode, dormant coins are becoming "less and less likely to be spent" after a 155-day holding period. The analytics firm notes in its report that such activity has been seen in previous bear markets, "potentially signaling a perception that the market is oversold" - meaning it could be ready for a rebound.

Meanwhile, the number of bitcoin whales, or wallet addresses holding 1,000 BTC or more, reached its lowest level since August 2019 on Sunday.

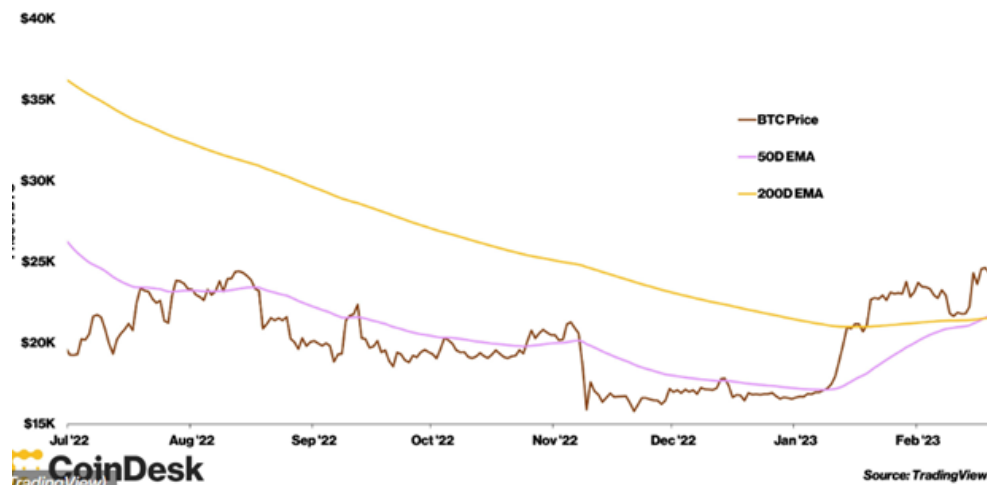


However, the number of small BTC investors, wallets holding more than one coin, has gradually increased over the past five years, with some declines, despite the dramatic changes in the price of the digital currency we've seen over that time. The number of wallets holding more than one BTC currently stands at 982,000, which is a solid increase from about 814,000 at this time last year, and 788,000 in February 2020.



Finally, it should be noted that bitcoin drew a rare golden cross over the weekend. This is a bullish indicator that occurs when an asset's 50-day moving average crosses above the 200-day moving average. Bitcoin's last golden cross occurred on February 18. Bitcoin has only had six other crossovers since 2015. The most recent one before this latest crossover occurred on August 14, 2021. Bitcoin's performance following such a cross has traditionally been strong, with average returns of 3.8% and 8.3% over seven and 30 days, respectively.

Bitcoin 50D/200D Golden Cross



In short, if the stock market can rebound from yesterday's drop and limit its downward pressure on the cryptocurrency market, it appears that a retest of the \$25,200 resistance may well succeed and allow for a continuation of the 2023 bull market.

Rivemont Investments, manager of the Rivemont Crypto Fund.

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