

RIVEMONT

Rivemont - Weekly Update #280

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

After bitcoin's spectacular rise in the first few months of 2023, it was certain that a profit-taking was bound to happen sooner or later. As we often like to point out, not all speculators trade the same timeframe! It is this type of pullback that we seem to have witnessed over the past weekend, with tokens moving from the impatient to the more patient. However, the bullish picture remains to this day intact.

Many technical indicators were already pointing to a short-term rebound. However, we have a strong one at the time of writing, courtesy of a new crisis in the U.S. banking sector. Indeed, another bank failure now seems all but

imminent, with shares of First Republic Bank (FRC) closing down over 50% yesterday. Bitcoin had a sudden surge of more than 2% after bankers working with First Republic Bank said they "expect a possible government receivership." Receivership is a tactic that allows creditors to recover funds that may not be repaid and helps struggling companies avoid bankruptcy. As of December 31, 2022, FRB was the 14th largest bank in the United States by consolidated assets, according to the Federal Reserve.

Why is news like this leading to a price increase for cryptocurrencies? Because the majority of analysts expect the government to step in again, demonstrating to the market that all U.S. bank deposits are implicitly guaranteed by the federal government. Such a position has a massively inflationary angle, which benefits safe havens such as bitcoin and gold. It is also particularly interesting to note that bitcoin's rise is currently paralleling a difficult day in the US stock market yesterday.

While many speculators had gone short recently, a chance of a short squeeze boosting this rise is also very real.

Binance US canceled its deal to acquire Voyager Digital's assets on Tuesday, reneging on a deal that had already been cleared by a bankruptcy court judge. In a statement posted on Twitter, Voyager called the termination of the roughly \$1.3 billion restructuring deal disappointing, saying it would "quickly return value to customers through direct distributions" instead. In a tweet, Binance.US attributed the termination to the "hostile and uncertain regulatory climate in the U.S." that has "introduced an unpredictable operating environment impacting the entire U.S. business community." Last year, Voyager was one of many cryptocurrency companies that suffered a collapse due to the rapid decline of Terra's LUNA and UST tokens. Last July, the cryptocurrency broker filed for Chapter 11 bankruptcy protection.

The U.S. regulatory climate has continued to spill ink over the past seven days. In July, Coinbase filed a petition with the Securities and Exchange Commission, imploring the agency to establish rules for the industry. Eight months later,

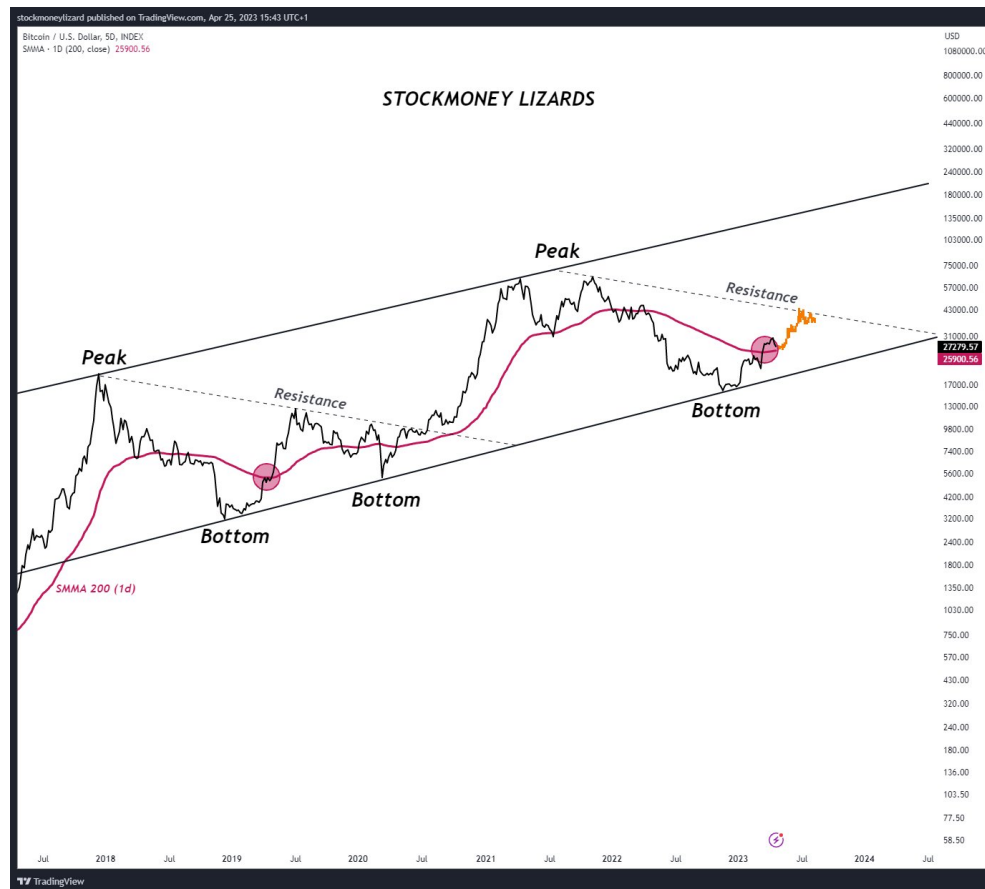
when it received no response, Coinbase went to federal court to force the SEC to respond to its petition. Then, on March 22, a "Wells Notice," a document notifying a company of impending legal action, was received by the cryptocurrency exchange. Paul Grewal, general counsel, said at the time that Coinbase would contest any legal action. "We will not go to court lightly," Grewal said, "Because we are absolutely convinced that the SEC is violating the law, we believe we have no choice but to take them to court."

Coinbase CEO Brian Armstrong is quick to claim that the SEC is engaging in "regulation by enforcement," meaning that instead of codifying rules to govern the emerging industry, the agencies are making their intentions known through costly lawsuits. The petition sent to the SEC as early as nine months ago argued that "The United States currently lacks a functioning market for digital asset securities due to the absence of a clear and workable regulatory regime. New rules facilitating the use of digital asset securities would allow for a more effective and efficient allocation of capital in the capital markets." Grewal said Coinbase is not necessarily looking for a positive response from the SEC to its July petition, but rather an approval or rejection so that Coinbase can have the legal ability to challenge the decision in court. "We just want to have our day in court," he said.

The rollout of financial technology in China continues apace, as public sector employees in the Chinese city of Changshu will begin receiving their salaries in digital currency from the central bank next month. According to the South China Morning Post, the new initiative will cover employees such as doctors, teachers and journalists. The city of Changshu has a population of more than 1.5 million. China's CBDC deployment extends to 26 different regions in 17 of the 23 provinces. Another report states that Changshu City has already promoted the use of digital yuan in certain situations, such as paying for public transportation, medical expenses, groceries, and utilities like gas and water. The developments in China coincide with Hong Kong's re-emergence as a potential location for digital asset players, especially amid a regulatory crackdown on cryptocurrencies in the U.S. that may push the industry overseas.

Surprise on-chain Monday as a whale that hadn't traded in 12 years moved 400 BTC, worth \$11M. Such moves are becoming more common: last week, a whale moved more than 279 BTC, or \$7.6 million, to new wallets after a decade of inactivity. In February, a former BTC address that hadn't moved in 11 years made a transaction moving \$9.6 million worth of cryptocurrency. The coins had appreciated 120,000,000% over the years, with the lucky investor first receiving bitcoin when it was worth \$8 a coin. Whales are by far the most successful investors: Bitcoin has risen more than 40,000 percent over the past 10 years. Research shows that those who invest in cryptocurrencies for the long term make the biggest profits, while inexperienced investors who buy and sell cryptocurrencies in the short term tend to lose. It is also this long-term trend that we are watching with particular interest. That's why the move above the 200-week moving average is of such importance to us.

Mirroring this position, financial news source Stockmoney Lizards also remained upbeat. "The bitcoin chart is easy to read. Very repetitive," he said of the 5-day BTC/USD time horizon. "The bear market has ended in 2022. BTC will continue to trend higher (with minor pullbacks)."



Finally note that this communication will not be published next week while its author enjoys a week of vacation. The next one will therefore follow on May 10th.

Rivemont Investments, manager of the Rivemont Crypto Fund.

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