

RIVEMONT

Rivemont - Weekly Update #278

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

Bitcoin broke through the technical resistance we've been writing about for a few letters this week, crossing the \$30,000 mark. The mother of all cryptocurrencies is thus trading at a level not seen in ten months. More importantly, bitcoin is painting a clear picture of a bullish push following the smashing of the 200-week moving average. All that is missing is a weekly close at these levels for all indicators to be in the green to speak of a true new bull market for the cryptocurrency industry.

Part of that answer could come as early as this morning with the release of March inflation data in the U.S. (not released at the time of writing). As

bitcoin's correlation with traditional assets gets weaker by the day, it will be interesting to see how the token trades depending on what data is published today.

Tyler and Cameron Winklevoss, founders of Gemini, have lent \$100 million from their own pockets to their cryptocurrency exchange. According to an April 10 report from Bloomberg, the Winklevoss twins made a \$100 million personal loan to Gemini after attempting to raise funds from outside investors. This news can really be seen in two ways. While it is disappointing that no investor saw an opportunity to enter the industry with this reputable exchange, it is reassuring that the founders themselves are sticking with their plan for a regulated U.S. exchange, despite recent accusations from two U.S. regulatory institutions. The loan was made while regulators were reviewing the Gemini exchange's operations. In January of this year, the U.S. Securities and Exchange Commission charged Gemini, along with Genesis Global Capital, with offering unregistered securities through the exchange's Earn program. The New York Department of Financial Services also reportedly began an investigation into the exchange, following reports that many Gemini users had claimed that the assets in their Earn accounts were protected by the FDIC. After the charges were announced, Tyler Winklevoss accused the SEC of creating a violation out of thin air, claiming that Gemini staff had been in talks with the regulator for more than a year prior to the enforcement action. The complaint is similar to one filed by cryptocurrency exchange Coinbase, whose general counsel said its staff met with SEC officials more than 30 times in nine months, but still face prosecution.

FTX's debtors claim hubris, incompetence and greed are to blame for the exchange's collapse. The latest update on the FTX estate reveals a series of unusual obstacles due to the company's lack of proper record keeping. The report released on April 9 is once again damning. John J. Ray III, who is overseeing the bankruptcy proceedings, wrote that the debtors "faced unusual obstacles due to the FTX Group's failure to maintain proper records and to perform controls in critical areas." It goes on to say that "In this regard, while FTX Group's failure is unprecedented in the never seen before amount of

damage it caused in a nascent industry, many of its root causes are familiar: hubris, incompetence and greed."

As the price of bitcoin has climbed back above \$30,000, MicroStrategy's bold investment seems to be paying off again. In an April 5 SEC filing, MicroStrategy reported that the company and its subsidiaries purchased about 1,045 bitcoins for about \$29.3 million between March 24 and April 4. In doing so, the company acquired about 140,000 bitcoins for a total cost of about \$4.17 billion and an average purchase price of about \$29,803 per bitcoin. In short, the company is back in the green. On Monday, the company's shares closed at \$312.78, marking a 7.82% increase on the day. Notably, the stock has grown a remarkable 40% in the past month.

The dog giveth and the dog taketh. These are certainly the consequences of speculating on meme's rather than serious projects. After DOGE got a spectacular boost after Elon Musk replaced Twitter's blue bird with the image of the Shiba Inu dog, now the return to the bird as the social giant's logo has... had exactly the opposite effect? Who could have predicted that? The token is currently trading 88% below its all-time high of \$0.73 reached in November 2021.

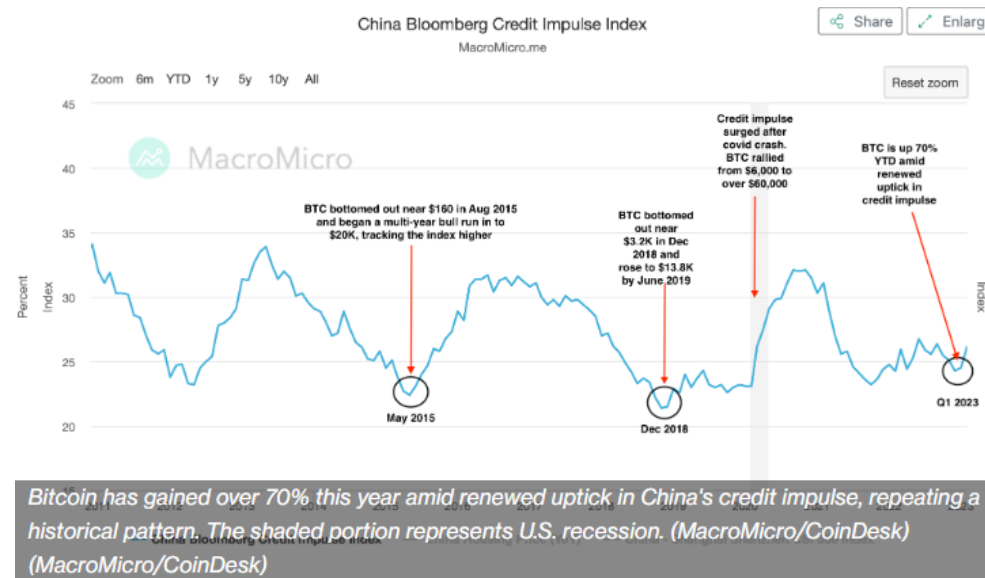
This Easter season, a real crypto Easter egg has been found on Apple-branded computers. According to blogger Andy Baio, a seemingly innocuous file named "simpledoc.pdf," which is embedded in Apple's macOS operating system, contains a copy of Bitcoin pseudo-founder Satoshi Nakamoto's original text from 2008. "While trying to fix my printer today, I discovered that a PDF copy of Satoshi Nakamoto's Bitcoin white paper apparently came with every copy of macOS since Mojave in 2018." Baio wrote on his blog. "I asked more than a dozen Mac user friends to confirm, and it was there for every single one of them."

While this discovery is enough to bring a smile to any sane person's face, the same should not have been expected from the self-proclaimed Satoshi Nakamoto despite countless evidence to the contrary. Indeed, Craig Wright

suggests that Apple may be infringing copyright by storing the bitcoin white paper. This is another frivolous lawsuit for the Australian computer scientist to ponder.

Could the *Hodlers* be behind a consistently thinner supply helping the current bullish push? At least that's what recent data suggests. Indeed, more than 53% of the coins ever minted have not moved in over two years. That means 10.2 million bitcoins have been on the sidelines for more than 24 months, or about \$309 billion worth of satoshis. In total, 19.3 million bitcoins have been mined since the cryptocurrency's inception. As Miguel Morel, managing director of Arkham Intelligence, mentions, "Coins have organically transferred from those with high-time and liquidity preference to those with low-time and liquidity preference," Morel said. "Through all the shake-ups, for every seller there's a buyer." One thing is certain, the more this trend continues, the closer we get to a supply shock, where there simply will not be enough liquidity left at the price levels bitcoin has reached so far to satisfy the influx of new buyers.

Does the Chinese credit pulse ring a bell? This indicator introduced by former Deutsche Bank economist Michael Biggs measures the evolution of new credit extended as a percentage of gross domestic product. While the U.S. Federal Reserve maintains its anti-liquidity stance, China no longer seems hesitant to expand credit, which is a positive sign for risky assets, including cryptocurrencies. Yet this indicator has historically shown a very strong correlation with bitcoin. "This tidal wave of liquidity will continue to propel risk assets and crypto," David Brickell, director of institutional sales at crypto liquidity network Paradigm, said in a newsletter early this month, noting China's recent liquidity injections.. MacroMicro/Coindesk shared this interesting chart to that effect:



Let's end this weekly communication by focusing on the Shanghai update of the Ethereum network. Indeed, this development that will allow the withdrawal of ETH tokens on the new proof-of-stake network is scheduled for 6:27 pm Eastern time today. With more than 18 million ETH - worth about \$34 billion - locked up on the Ethereum network about to be made available to validators, investors are understandably concerned about what this could mean for the price of the second-largest cryptocurrency by capitalization. Yet, we believe there is no need to panic. Indeed, only 115,200 withdrawal requests can be processed daily, which should help to spread out any selling pressure and thus facilitate the arrival of buyers' liquidity. In short, while there may be some temporary downward pressure, it should not manifest itself as a sharp and sudden dip. Furthermore, the majority of people with staked ETHs have been able to sell them without this update since they use third-party platforms that allow such trading.

According to a prediction by blockchain intelligence platform Glassnode in its April 11 report, only 170,000 of the total 18.1 million ETH put into play on the Beacon Chain will be unlocked in the first week of the Shanghai hard fork execution. This figure includes 100,000 ETH in rewards (\$190 million) and

70,000 ETH put into play (\$133 million). Glassnode explained that this prediction is based on the fact that only 253 depositors are waiting to get out of their bets and that mechanisms have been put in place to prevent a large amount of Ether from hitting the market at once. “Even in the extreme case where the maximum amount of rewards and stake are withdrawn and sold, the sell-side volume still falls within the range of the average weekly exchange inflow volume.” the report added.

Remember that these scenarios exclude the opposite trend that should also gradually manifest itself, that is to say that a larger part of investors will be interested in staking their ETH after a confirmation of the success of the update and the certainty that these tokens can be easily withdrawn at the time of their choice, which is not the case now.

In short, whatever happens, today will be a new historical page for the network and the industry in general!

Rivemont Investments, manager of the Rivemont Crypto Fund.

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