

RIVEMONT

Rivemont - Week 284

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

The price of bitcoin has been trading in an increasingly narrow consolidation channel over the past week. Bitcoin saw a drop below the \$27,000 mark during the day's trading in Asia, leading to a general decline in major cryptocurrencies as financial market traders reacted to poor inflation numbers in the UK. The UK's Consumer Prices Index core inflation rate came in at 6.8%, beating expectations and reaching its highest level since 1992, compared to forecasts of 6.2%. This means that core prices, excluding food, energy and tobacco, rose 6.8 percent last month, up from 6.2 percent in March. These figures, which were higher than expected for the third month in a row, have dampened hopes for an economic recovery and put additional pressure on the Bank of England to

continue raising interest rates in the coming months.

Nevertheless, bitcoin remains in its current channel, merely approaching support rather than resistance. There are no technical conclusions to be drawn from this recent price action at this time.

Since the announcement of its Recover service, Ledger has had a rough week to say the least. Eric Larchevêque, co-founder of Ledger, expressed his dismay on the CryptoCurrency subreddit, "What a horrible disaster. I'm devastated to come to this subreddit I created nine years ago and see images of burned Ledger devices, insults and a lot of anger. I'm honestly on the verge of tears," he said. Ledger Recover is an optional subscription service costing \$9.99 per month. Once you sign up, your recovery phrase is split into three encrypted fragments and entrusted to trusted third parties - Ledger, Coincover and a third provider. When you want to recover your recovery phrase, you must prove your identity using your passport or national ID. Users were concerned about having to trust three centralized entities, the risk of identity theft, as well as the possibility that their recovery phrase could be extracted from their hardware wallet, even if they haven't signed up for the service, via a so-called backdoor. Larchevêque explained that for him, this whole disaster is a total PR failure, but certainly not a technical one. He pointed out that the increasing difficulty of explaining the security model to customers, who have less and less technical knowledge, was making the task more and more difficult. It should be noted that the opinions expressed in his message are personal and do not represent Ledger's official position, as Larchevêque no longer holds an executive position in the company, currently being only a shareholder.

Nevertheless, Pascal Gauthier, Ledger's CEO, confirmed that the private recovery phrases of users who opt for Ledger's controversial new upgrade could, in theory, be turned over to governments if requisitioned. Gauthier admitted that while the new Recover upgrade could technically allow for the handover of users' recovery phrases to government entities, this would only be reserved for serious acts such as drug and terrorism-related crimes.

Eventually, following the outcry, the company postponed the release of its private key recovery service. "We have taken into account your feedback regarding Ledger Recover." Ledger CTO Charles Guillemet said on Twitter that the company had "decided to accelerate our open source roadmap to bring more verifiability to everything we do." A graphic he shared indicated that a white paper on the Recover protocol would be available in the coming days.

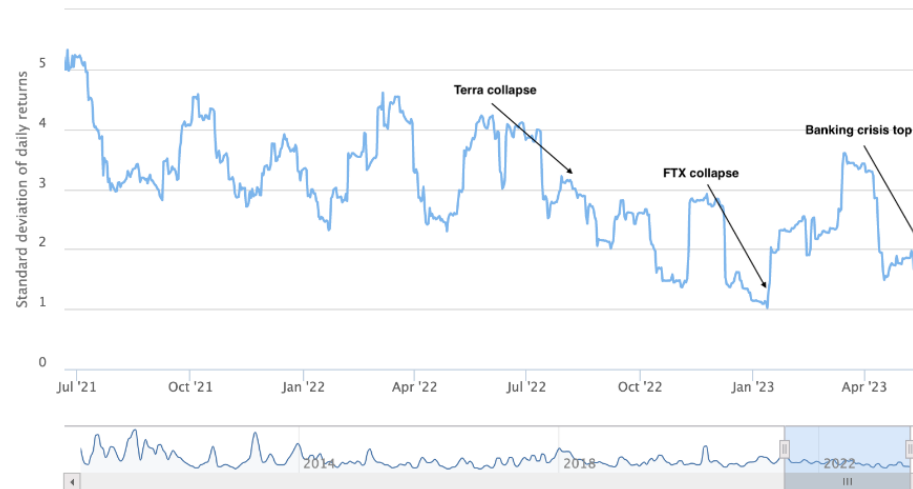
Coinbase this week accused the SEC of deliberately not responding to its request for clear rules for the cryptocurrency industry. The SEC has yet to respond to Coinbase's request for clarification and regulatory certainty for digital asset securities. Coinbase says the SEC has no plans to regulate the industry in the foreseeable future. Coinbase has filed a lawsuit seeking a mandamus, a legal order, to compel the SEC to respond to its request. The exchange believes that the SEC's decision may not be subject to appeal unless the mandamus is granted. Meanwhile, all remains nebulous in the United States. Just this week, former Commodities Futures Trading Commission Commissioner Dan Berkovitz said that Ether can be both a security and a commodity, which means it falls under the regulatory purview of two federal agencies. The continuing confusion over Ether's legal status stems from conflicting statements from the CFTC and SEC. While the CFTC considers Ether a commodity, the SEC has not assigned a specific category to the cryptocurrency. According to Berkovitz, the duality between commodity and security is possible because of the overlapping legal definitions. This creates a situation where both regulatory agencies could exercise jurisdiction over Ether. Some experts question the classification of Ether as a security, noting that it depends on the circumstances and the intent to sell.

Cryptocurrency exchange Gemini has accused Digital Currency Group (DCG) of failing to make a \$630 million payment that was due last week. The payment is related to a loan Gemini made to Genesis, the bankrupt cryptocurrency lender and DCG subsidiary. Gemini warned that if DCG fails to make the required payment or restructure its debt, the digital asset conglomerate would risk defaulting on its obligations. The parties involved, including Genesis, creditors and Gemini Trust, are currently working together to find a solution to the

problem, including considering a stay agreement and an independent reorganization plan. If no resolution is reached, Gemini plans to submit an amended plan of reorganization without DCG's agreement or participation.

The Securities Commission of Malaysia has ordered the closure of local operations of cryptocurrency exchange Huobi for non-compliance. Huobi allegedly operated without registration, which is contrary to Malaysian law. A public reprimand has been issued against Huobi and its founder, Leon Li. Li was instructed to cease local operations, cease communications with Malaysian investors, disable the website and remove the app. This action was taken due to concerns about the platform's compliance and investor protection. Malaysia is showing increasing interest in cryptocurrencies, having participated in central bank digital currency trials and considering recognizing Bitcoin as a legal tender.

The price of BTC has been fluctuating within a narrowing ascending triangle since May 11, defined by horizontal resistance around \$27,500 and ascending trendline support currently directly at the current price level. This channel is so thin that it appears imminent that a break of support or resistance is approaching. One of the main potential events that could generate this move will be the Federal Reserve's interest rate decision next month. Currently, the conflicting outlook for rising interest rates is likely the main factor driving sideways movement in stocks, including risk assets and cryptocurrencies. In fact, the price of BTC has experienced one of its least volatile periods since April, as historical volatility data shows.



The U.S. negotiations on raising the debt ceiling are also putting many speculators in wait-and-see mode. As Tim Frost, CEO of digital wealth management platform Yield App, mentions, "It feels like the cryptocurrency markets are stagnating. Right now, we just have existing liquidity moving in different directions, and only the true crypto enthusiasts and active traders are still participating."

With less than 12 months to go, Bitcoin's next halving is already sparking debate among market participants. Some argue that this event will lay the foundation for the next all-time high, in line with previous cycles. However, for analyst TechDev, the new BTC price peak is expected to arrive earlier than expected, in the second quarter of 2024. This has been described as his main time-based idea. A chart posted on Twitter shows the trajectory to the Q2 high, punctuated by resistance lines, Fibonacci retracement levels and the last all-time high in 2021. BTC/USD is expected to eventually reach around \$160,000.



In short, while the short-term action is currently very uncertain, the long term reminds us that it is the patient holders who have always benefited from bitcoin's returns and its four-year cycles.

Rivemont Investments, manager of the Rivemont Crypto Fund.

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