

RIVEMONT

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

Bitcoin: A Peer-to-Peer Electronic Cash System. Abstract. A purely peer-to-peer version of electronic cash would allow online payments to be sent directly from one party to another without going through a financial institution. Digital signatures provide part of the solution, but the main benefits are lost if a trusted third party is still required to prevent double-spending. We propose a solution to the double-spending problem using a peer-to-peer network.

Exactly 15 years ago yesterday, the still unknown Satoshi Nakamoto published the Bitcoin white paper. This marked the beginning of a financial revolution where technology finally allowed for direct financial transactions without the

need for a financial intermediary. On this significant anniversary, why not take the time to read or reread this historical document?

As we reach the finish line of Sam Bankman-Fried's trial, the case has continued to make headlines this week. During his testimony on Friday, SBF claimed that he had built FTX with the intention of selling it to Binance, the world's largest cryptocurrency exchange platform. He founded FTX in Hong Kong in 2019 with Gary Wang, his co-founder, specializing in margin trading, thus offering customers the opportunity to make substantial financial bets. Bankman-Fried believed that this specialization would attract Binance's attention for a potential acquisition. Although Binance expressed interest in purchasing FTX during the platform's collapse last November, the company eventually pulled out, citing issues "beyond our control or ability to assist". Bankman-Fried highlighted the initial challenges in attracting customers to FTX, but noted that word-of-mouth eventually helped the company become viable, generating up to \$20 million in revenue in 2019 and \$3 million per day in 2021.

During his testimony on Monday, Sam Bankman-Fried had numerous memory lapses, often responding with "I'm not sure" or "I don't remember" to the precise questions from U.S. Assistant Attorney Danielle Sassoon. These responses raised doubts about his credibility, especially when it came to discussing Alameda Research, a cryptocurrency trading firm he co-founded, and the rules governing his bankrupt trading firm in relation to other FTX customers. While he remained calm and composed under the direction of his attorney, Mark Cohen, his testimony became more succinct and less precise when the government began asking questions, highlighting a stark contrast with the more comprehensive and assured responses obtained by his lawyers earlier in the day. During cross-examination, Assistant U.S. Attorney Danielle Sassoon focused on Bankman-Fried's close relationship with the Bahamian government, where FTX was based, as well as on the use of Alameda subsidiaries to access banking services, which, according to prosecutors, gave Alameda inappropriate access to FTX user funds. Bankman-Fried continued to claim to have a foggy memory of the details of the past few years and stated that

his subordinates had told him to stop asking questions when he discovered the disappearance of \$8 billion. Closing arguments for the trial are scheduled for today, and the jury is expected to begin deliberations shortly thereafter, a process that could take several days given the complexity of the case.

VanEck, a global investment manager, recently amended its application for a spot Bitcoin exchange-traded fund (ETF), submitting it to the SEC. In this new version of the application, VanEck reveals that an anonymous investor acquired "Seed Creation Baskets" for the VanEck Bitcoin Trust in October, using Bitcoin to purchase 50,000 shares of the future ETF. The value of these Bitcoin holdings was determined by the MarketVector Bitcoin Benchmark Rate, an index serving as a reference price for Bitcoin. Scott Johnsson, a financial attorney and general partner at Van Buren Capital, noted that the wording used in VanEck's amended application is very similar to that in the recently amended BlackRock application for a spot Bitcoin ETF. This similarity is probably due to the fact that both companies are represented by the same law firm, Clifford Chance. However, VanEck's application suggests that the product launch will be done by directly incorporating Bitcoin, rather than using cash. Johnsson, however, cautions against reading too much into this amendment, highlighting that it could either indicate a real intention, or simply reflect somewhat negligent legal work. The amended application also mentions various factors that could influence the value of the ETF's shares, such as changes in the global supply of Bitcoin, general sentiment towards the sector, trading activity on exchange platforms, forks in the Bitcoin network, as well as increased competition from other forms of digital assets or payment services.

The confrontation between Gemini and Genesis takes a new turn with a lawsuit filed by Gemini against the digital asset lender Genesis, regarding the ownership of \$1.6 billion in shares of the Grayscale Bitcoin Trust. In a complaint filed Friday in the Southern District of New York Bankruptcy Court, the New York-based cryptocurrency exchange is seeking to regain control of the shares to repay customers of its Earn program, which allowed users to generate returns on their cryptocurrencies. However, following the collapse of the major cryptocurrency exchange FTX and the repercussions throughout the sector last

year, Genesis suspended withdrawals, leaving Earn program customers uncertain about their money. Gemini is striving to recover the money to satisfy its customers, claiming that the current value of the collateral is nearly \$1.6 billion, a sum that would fully cover the claims of all Earn program users. The problem, according to Gemini, lies in Genesis's attitude, which they accuse of seeking to divert value from Earn users to other creditor groups. Genesis is one of the many companies managed by the cryptocurrency giant Digital Currency Group (DCG), which also controls the Grayscale Bitcoin Trust, the world's largest Bitcoin fund. Genesis Global filed for bankruptcy in January and announced last month that it was winding down all its operations. Earlier this month, the New York Attorney General's office filed a lawsuit against DCG, its subsidiary Genesis Global Capital, and the cryptocurrency exchange platform Gemini Trust, accusing them of defrauding customers of \$1.1 billion. Gemini Trust was founded by cryptocurrency magnates Cameron and Tyler Winklevoss, and Cameron Winklevoss accuses DCG CEO Barry Silbert of using "bad faith tactics" to delay a resolution.

Mohamed El-Erian, Chief Economic Advisor at Allianz, highlights the emerging status of Bitcoin as a safe-haven asset, especially in a context where U.S. Treasury bonds are losing attractiveness following the conflict between Israel and Hamas. He believes investors are turning away from government bonds, long considered safe-haven assets, due to interest rate risks, and are instead looking towards assets like Bitcoin and stocks. This trend is illustrated by the increase in the yield of the 10-year U.S. Treasury bond, which has risen by 10 basis points since the Hamas attack on Israel on October 7, signaling a decrease in their price and an increased interest in other assets. During the same period, Bitcoin experienced a 23% increase. El-Erian points out the absence of a safety-seeking behavior from investors, which would normally be expected in a context of geopolitical tensions. He also highlights the increased volatility of the Treasury bond market this year, due to uncertainty related to Treasury bill auctions, economic concerns, federal debt, and the Federal Reserve's monetary policy.

The Bitcoin options market indicates that the cryptocurrency's price could

experience a significant increase once the \$36,000 threshold is reached, due to the recent positioning of market makers. Options are derivative contracts that provide the right, but not the obligation, to buy or sell an underlying asset at a predetermined price at a future date. Recently, the demand for call options at higher strike prices has increased, resulting in significant net exposure of market makers to short gamma above \$36,000. When market makers have a net short gamma position, they buy the underlying asset on the spot market as its value increases, in order to maintain an overall delta or market-neutral exposure. This hedging activity can often accelerate the rise in price, creating a "gamma squeeze," a phenomenon that likely played a role in Bitcoin's recent rapid rise from \$30,000 to \$35,000. Alex Thorn from Galaxy Digital notes that if BTCUSD rises between \$35,750 and \$36,000, market makers will need to buy \$20 million in BTC in the spot market for every 1% upward move, which could trigger a price explosion if we start to approach these levels. Unlike the current situation, at the beginning of the year, market makers were in a net long gamma position and bought low and sold high to keep their books neutral, contributing to the stagnation of volatility in the market.

Research firm Bernstein predicts that Bitcoin's price could climb up to \$150,000 by 2025, assuming that the U.S. SEC approves a Bitcoin exchange-traded fund (ETF) early in 2024. This prediction aligns with the growing optimism in the market, given the recent rise in Bitcoin and expectations of positive regulation. Bernstein, which had previously dismissed Bitcoin as an investment asset, now acknowledges its potential and emphasizes the importance of a Bitcoin ETF in opening up the cryptocurrency to traditional investors. The realization of this prediction would mark a spectacular turnaround for Bitcoin, after a significant period of decline. Bernstein also draws attention to the halving event scheduled for 2024, which is expected to contribute to the price increase by weeding out less efficient miners. However, the critical stance of SEC Chairman Gary Gensler towards cryptocurrencies and the industry remains a factor of uncertainty regarding the approval of a Bitcoin ETF.

In the short term, it is impressive to find so much buying liquidity at the current

level, without testing the important resistance levels possibly turned supports at \$32,500 and \$30,000. This price resilience once again occurs in a bearish U.S. stock market. The test towards the north is clearly a rise and close above \$35,000, which could easily lead to a new bullish price surge.

Rivemont Investments, manager of the Rivemont Crypto Fund.

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