RIVEMONT

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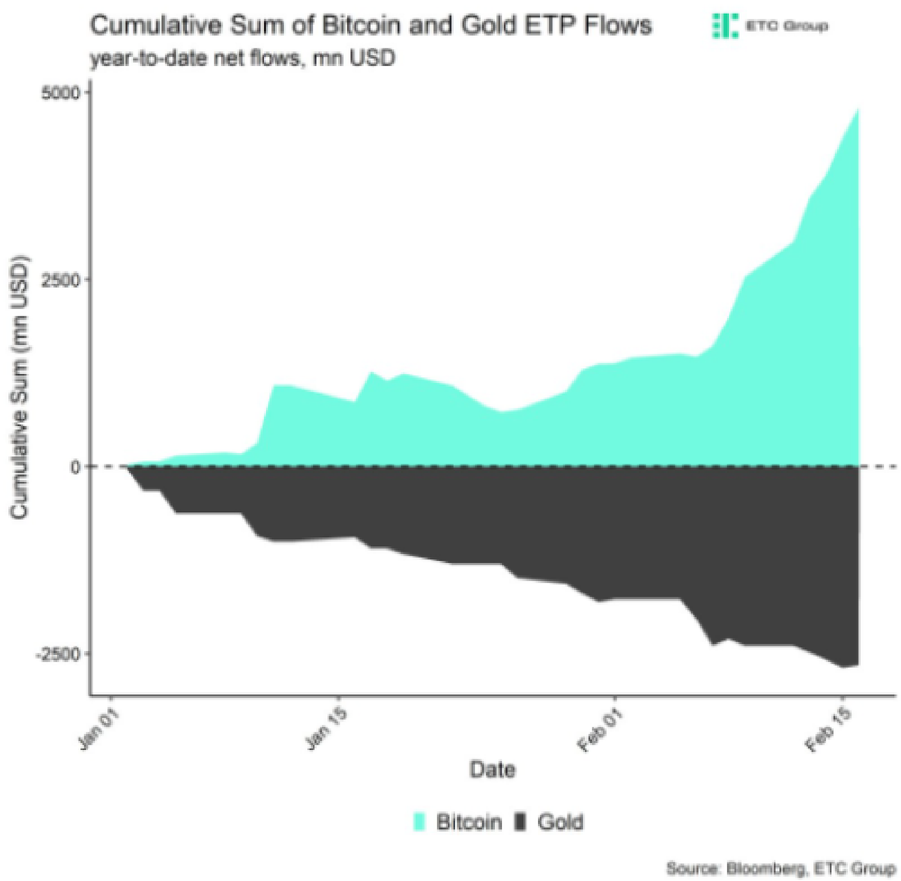
Rivemont is the portfolio manager responsible for the investment decisions of the Rivemont Crypto Fund.

The price of Bitcoin experienced a significant increase, reaching $53,000 yesterday before undergoing a sudden drop to $50,000 on some exchange platforms. This market volatility is attributed to both the sustained interest in bitcoin spot ETFs, but also to the weakness of risk assets yesterday in traditional markets. Moreover, the open interest for Bitcoin futures reached a peak over 26 months. On February 20, the open interest climbed to $22.69 billion, an unmatched value since November 2021, thus reflecting an increase of over 30% in 2023, alongside the 23% rise in Bitcoin since the start of the year. This increase in open interest demonstrates strengthened market activity and trader sentiment around Bitcoin.

Last week, major crypto funds recorded record inflows amounting to $2.45 billion in 2024, mainly attributable to Bitcoin spot ETFs, marking an unprecedented period for the year. These newly approved Bitcoin spot ETFs continue to attract significant interest, positioning the last week as a peak in terms of investments in the cryptocurrency sector, according to CoinShares data. The Jersey-based digital asset management revealed that the assets under management of the concerned funds reached $67 billion, the highest level since the peak of December 2021. CoinShares, which monitors institutional investor data, includes in its report funds such as Grayscale, 21Shares, and ProShares, now joined by ten Bitcoin spot ETFs traded on American exchanges. BlackRock, the world's largest asset manager, experienced the most significant fund inflows, with its iShares Bitcoin Trust collecting more than $1.6 billion.

The daily volume of VanEck's Bitcoin spot ETF, under the symbol HODL, exploded, exceeding $300 million, an increase of over 1000% compared to its most active day so far. This spectacular surge in volume is not attributed to a major institutional investment, but rather to 32,000 individual transactions, according to a senior Bloomberg ETF analyst, who shared this information on X. This increase comes just before the implementation of a fee reduction announced by VanEck for its Bitcoin spot ETF, just a week after the investment manager stated it would lower its fees. This recorded daily volume is ten times its previous best daily volume. Despite intense competition with products from BlackRock, Fidelity, and Grayscale dominating the market in terms of transaction volume, VanEck attempted to become more competitive by reducing its fees from 0.25% to 0.20%.

According to an analyst, the increase in fund inflows into Bitcoin ETFs could, in the long term, threaten gold's dominant position as the primary value reserve asset. Exchange-traded products focused on Bitcoin, including those recently authorized in the US, are attracting significant inflows that could challenge gold's status. André Dragosch, head of research at ETC Group, observes a growing divergence between global fund flows towards Bitcoin and those towards gold, indicating that Bitcoin could eventually dethrone gold as the main value reserve. This development is corroborated by a marked increase in net flows into Bitcoin ETFs and products since the beginning of February, in contrast to a slowdown in outgoing flows from Grayscale's converted GBTC fund. Meanwhile, gold-backed funds have seen their net outgoing flows increase since the start of the year. Ryze Labs analysts confirm this trend, noting a striking contrast between the outgoing flows of gold ETFs and the inflows into Bitcoin ETFs, consolidating Bitcoin's position as an attractive investment and a reliable safe-haven asset. Dragosch anticipates that this trend will continue in the long term, with potential for Bitcoin to disrupt gold as the main value reserve, even though the combined market capitalization of Bitcoin products remains significantly lower than that of gold derivatives.



According to Matt Hougan, Chief Investment Officer at Bitwise, the unprecedented success of Bitcoin ETFs has generated increasing demand that could propel the BTC price to unprecedented highs, potentially beyond $80,000 this year. The introduction of Bitcoin ETFs, considered as Bitcoin's IPO on the American market, has sparked keen interest from traditional finance, surpassing expectations. Bitwise, having launched its spot ETF BITB among nine others on January 10, performed particularly well, with significant inflows and recently crossing the $1 billion threshold in assets under management, positioning it alongside giants such as BlackRock, Fidelity, and Ark Invest's 21Shares. Hougan notes that, although ETFs are now available, access for some financial institutions remains limited, with a majority participation of individual investors so far. He specifies that institutional adoption is gradual, with each ETF undergoing a thorough evaluation process. The next Bitcoin mining reward halving, scheduled around April 20, should also influence BTC supply, thus supporting the price increase. Bitwise anticipates a rise in Bitcoin's price beyond $80,000, driven by inflows into spot ETFs and the expected supply contraction after this event. However, Hougan cautions against risk factors such as new regulations.

The recent authorization granted by a US bankruptcy judge to Genesis, a bankrupt cryptocurrency lender, to sell $1.6 billion worth of Grayscale Bitcoin Trust (GBTC) shares to repay its creditors, raises questions about the potential impact on Bitcoin's price. This news comes after a period when the massive sale of cryptocurrencies by Grayscale to its custodian, Coinbase, had led to a drop in BTC price. However, experts seem less concerned about the impact of this sale on the market, despite precedents. Genesis, a subsidiary of the Digital Currency Group (DCG), had frozen client withdrawals following its own exposure to FTX's bankruptcy in 2022, putting creditor repayment on hold. Experts, including James Seyffart from Bloomberg and Eric Balchunas, believe that while the sale by Genesis could exert downward pressure on Bitcoin's price, the impact could be moderated by the recent approval and success of spot Bitcoin ETFs. These products, launched on January 11, have been a resounding success, reflecting strong market demand for Bitcoin. The liquidity and resilience recently observed in Bitcoin are seen as signs of high market demand, thus minimizing concerns about the potential impact of Genesis's GBTC share sale. Nonetheless, this sale volume possibly contributes to the increased price volatility seen in recent days.

The CME Group will launch next month micro futures contracts on Bitcoin and Ethereum denominated in euros, in response to increasing demand in the derivatives market. Based in Chicago, this trading firm announced on Tuesday its intention to introduce these financial derivatives for the European market, following the success of their US dollar equivalents. Scheduled for March 18, subject to regulatory approval, these futures contracts represent a fraction of Bitcoin or Ethereum, namely a tenth of these cryptocurrencies respectively quoted at $51,538 for Bitcoin and $2,940 for Ethereum. The CME Group, the world's largest derivatives market, offers these "micro futures contracts" as an option with minimal fees and providing better liquidity, appealing to traders looking for alternatives to cryptocurrency ETFs. Giovanni Vicioso, global head of cryptocurrency products at CME Group, points out that 24% of the volume of Bitcoin and Ether futures contracts at CME Group comes from the Europe, Middle East, and Africa region since the beginning of the year, testifying to the growing interest in these financial tools for hedging crypto portfolios or speculating on market movements.

Circle, issuer of the US dollar-backed stablecoin USD Coin (USDC), announced the immediate cessation of support for its token on the Tron blockchain, citing the need to maintain trust, transparency, and security of USDC. In a blog post dated February 20, Circle specified that it would stop creating new USDC on Tron, while announcing a gradual cessation of support for this blockchain. However, the company will continue to allow USDC transfers from its Circle Mint customers to other blockchains until February 2025, recommending individual users and clients not affiliated with Circle to transfer their Tron-based USDC to an exchange platform, then move them to a blockchain still supported by USDC. This decision is part of the company's overall approach, including compliance and business organization aspects. Concurrently, Circle, which recently filed for an IPO in the United States, sees its stablecoin USDC positioned as the second in terms of market capitalization with nearly $28 billion, just behind Tether (USDT). In November 2023, Circle refuted allegations regarding its services to Tron's founder, Justin Sun, following accusations from an ethical group to US senators, criticizing Circle's integration into the Tron network, which has been mentioned in various international legal actions related to alleged criminal activities. The SEC also sued Sun and the Tron Foundation in March 2023 for unregistered securities offerings and manipulative business practices, allegations that Sun rejects.

In a recent interview with Bloomberg Television, Michael Saylor, co-founder and chairman of MicroStrategy, highlighted the appeal of recently approved Bitcoin spot ETFs for institutional funds, indicating a significant shift in capital investments. Saylor emphasized that these ETFs pave the way for the influx of institutional capital into the Bitcoin ecosystem, with demand exceeding the current supply. He described this phenomenon as a digital transformation of capital, where every day, hundreds of millions of dollars migrate from the traditional analog ecosystem to the digital economy. MicroStrategy, which holds more than 190,000 BTC worth approximately $10 billion, continues to systematically buy Bitcoin. Saylor, having sold $216 million worth of personal MicroStrategy call options to purchase more Bitcoin, considers this cryptocurrency as a superior exit strategy, positioning it alongside massive asset classes such as gold, the S&P index, and real estate as a store of value. He asserts that Bitcoin, technically superior to these asset classes, will continue to attract capital by standing out as a trillion-dollar asset class. For Saylor, selling Bitcoin to invest in less performing assets makes no sense, stating that Bitcoin is "the strongest asset" and there's no reason to sell the winner to buy losers.

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