

# RIVEMONT

## Rivemont - Week 342

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

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Bitcoin investors are hopeful for a promising July as Bitcoin ETFs saw \$124 million in inflows. Historically, Bitcoin has a median return of 9.6% in July and tends to rebound strongly. Since April, Bitcoin's price has fluctuated between \$59,000 and \$74,000, influenced by seasonal cycles such as profit-taking around tax season in April and May, and increased demand in December.

These seasonal cycles could boost Bitcoin prices after months of declines and stagnation. On the first day of July, U.S.-listed Bitcoin ETFs recorded nearly \$130 million in inflows, their highest level since early June after more than \$900 million in outflows for the month. QCP Capital noted that Bitcoin has a median return of 9.6% in July and tends to rebound strongly after a negative

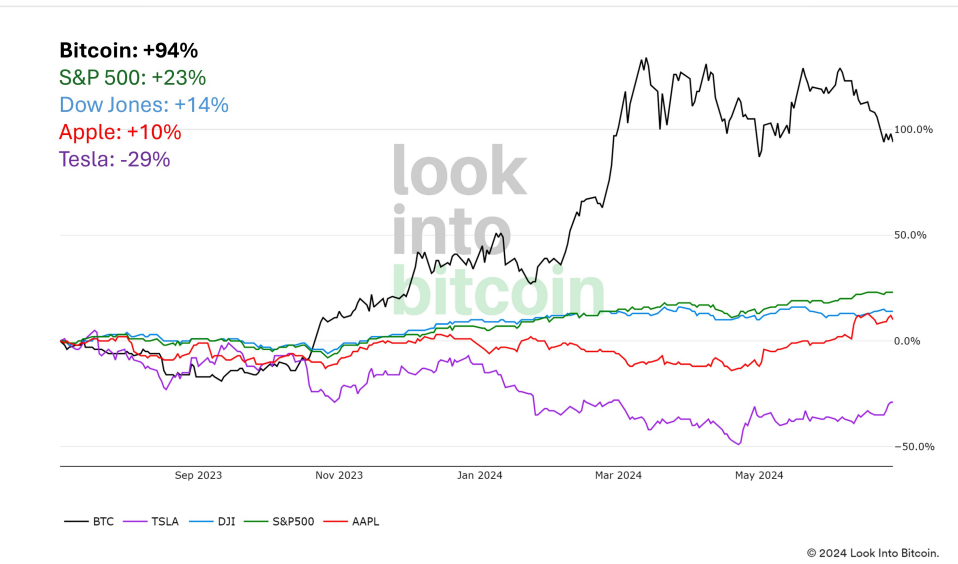
June (-9.85%). Many signs point to a bullish July, with inflows positioning for an increase in anticipation of the ETH spot ETF launch.

Meanwhile, the German and U.S. governments moved over \$100 million in Bitcoin early Monday, potentially impacting the market. In Germany, approximately \$94.94 million in Bitcoin was transferred from government-associated wallets to various destinations, including accounts on Bitstamp, Coinbase, and Kraken. A total of 1,500 BTC were moved, some to unknown wallets. This follows massive Bitcoin sales by Germany last month, likely contributing to the price drop. In the U.S., the government also made crypto moves on Monday, transferring 3,375 ETH worth \$11.75 million to an unknown address. The previous week, U.S. authorities moved 3,940 BTC worth \$248 million to a Coinbase Prime account. These funds were seized from Indian drug trafficker Banmeet Singh. Currently, the U.S. government holds over \$13.8 billion in cryptocurrencies, mainly in Bitcoin.

Over 50% of top U.S. hedge funds have exposed their portfolios to Bitcoin through newly launched exchange-traded funds (ETFs) in 2024, with BTC/USD outperforming major stocks and indexes. According to River, 13 of the top 25 U.S. hedge funds held Bitcoin ETFs by the end of Q1 2024. Among them, Millennium Management holds 27,263 BTC, about 2.5% of its total assets of \$67.7 billion. Other notable funds include Schonfeld Strategic Advisors and Point72 Asset Management. This growing Bitcoin adoption coincides with an increase in U.S. companies' cash reserves, reaching a record \$4.11 trillion in Q1 2024. Companies like Reddit, JPMorgan, and Wells Fargo have allocated a portion of their cash reserves to Bitcoin or Bitcoin ETFs, reflecting increased confidence in Bitcoin as a diversification and hedging asset against traditional market risks.

In 2024, Bitcoin has posted returns of around 94%, outperforming indices like the S&P 500 and the Dow Jones, as well as stocks like Apple and Tesla. However, Nvidia has outperformed Bitcoin with a rise of over 150% due to the artificial intelligence boom.

### Bitcoin Relative Growth



Ten years ago, venture capitalist Tim Draper won the U.S. Marshals Service (USMS) auction of 29,656 bitcoins seized from the infamous Silk Road online market. Draper's bid secured the entire batch, associated with illicit activities on Silk Road. The auction attracted 45 bidders who submitted 63 bids in total. Draper acquired the entire bitcoin stash for an undisclosed amount. At the time of the auction, the bitcoins were worth nearly \$19 million based on the market price of about \$640 per coin. Draper explained that Bitcoin frees people from operating in a modern market economy with weak currencies and can offer an alternative to those seeking protection against weakening national currencies. This investment has since increased 100-fold in value.

Selling pressure from Bitcoin miners, facing declining revenues, has finally eased, according to a CryptoQuant analyst. This reduction in selling pressure could indicate a bullish trend for Bitcoin and the overall market. Post-halving profitability decreases forced miners to sell Bitcoin to cover operational costs, affecting recent market declines. However, new data shows a significant reduction in Bitcoin transfers from miners' wallets, potentially supporting Bitcoin prices and triggering a market rally. Meanwhile, significant

developments in the mining industry include the successful IPO of UAE-based Phoenix, raising \$370 million. Phoenix segments its activities into Bitcoin mining, colocation hosting, and ASIC machine distribution, projecting total revenue of \$247 million for the fiscal year 2023.

Coinbase has filed a notice in its ongoing legal battle with the SEC, citing a recent ruling in favor of Binance. This decision by Judge Jackson dismissed the SEC's claim that secondary market transactions of the BNB token on Binance's platform constituted investment contracts. Coinbase argues that this decision highlights inconsistencies in how courts apply the Howey test to crypto assets, emphasizing the need for appellate review for clearer regulatory guidance. The Binance decision follows a precedent set by Ripple, where a court ruled that XRP was not a security when sold to the general public but could be considered a security when sold to institutional investors. These discrepancies leave market participants facing different rules depending on the jurisdiction, and Coinbase argues that liability should not depend on the court or judge assigned. Additionally, Coinbase has sued the SEC and FDIC for failing to comply with information requests regarding letters urging financial institutions to halt crypto-related activities.

Binance.US announced on Monday that it is ready to defend its position after a court allowed the SEC case against the crypto exchange to proceed. In a statement on social media, Binance.US expressed confidence in its legal stance and refuted allegations of securities violations. Binance.US emphasized its compliance with limited SEC guidance and criticized the SEC's "regulation by enforcement" approach. The company maintains a 1:1 reserve for all customer assets and has robust compliance and risk management programs. Despite the SEC's allegations of improper access to customer assets by global Binance employees, Binance.US remains confident that its position will be validated by the court and will continue to operate normally while introducing new features.

The U.S. Marshals Service (USMS), a division of the U.S. Department of Justice, has awarded Coinbase Prime a contract to manage and dispose of its cryptocurrency assets. This decision follows an earlier request for proposals and addresses the Asset Forfeiture Division's (AFD) need to manage large quantities

of popular cryptocurrencies classified as "Class 1" digital assets. Coinbase Prime will implement storage and liquidation techniques in compliance with Department and USMS policies. The contract, structured as an Indefinite Delivery/Indefinite Quantity (IDIQ) agreement, has an initial five-year ordering period, with a possible six-month extension. This partnership aims to integrate cryptocurrency management into federal law enforcement operations, reflecting the growing acceptance of digital assets by government processes. Coinbase already collaborates with various federal, state, and local agencies in the U.S. as well as international bodies.

Arthur Hayes, co-founder of BitMEX, argues in his latest blog post that Bitcoin is a superior safe-haven asset in the current inflationary era compared to gold, due to its independence from national controls. Hayes distinguishes between local and global economic cycles, asserting that we are currently in a local cycle characterized by inflationary pressures and geopolitical tensions. This inflationary period is driven by an emerging multipolar world order with countries like China, Brazil, and Russia playing more significant roles, leading to economic instability. Hayes explains that during these local cycles, authorities often resort to financial repression to fund major expenditures, resulting in inflation. Unlike gold, Bitcoin offers a decentralized and fast alternative through its cryptographic blockchain. He emphasizes that understanding these cycles is crucial for making informed investment decisions. Despite short-term volatility, Bitcoin has outperformed gold since its inception and continues to do so in the current inflationary context, serving as a more reliable store of value than traditional assets.

Bitcoin traders anticipate increased volatility in July, with uncertainties over Fed policy, economic activity, and inflation in the U.S. U.S. real GDP grew at an annual rate of 1.4% in Q1 2024, significantly lower than the 3.4% growth in the previous quarter. Additionally, May's personal consumption expenditures index showed a year-over-year increase of 2.6%, indicating potential economic cooling. This economic context could boost interest in Bitcoin and other digital assets as alternative investments, especially if traditional markets show signs of weakness. The Fed may also consider cutting interest rates this year, which could benefit risk assets, including Bitcoin. While some analysts predict

increased volatility in July, others foresee a period of consolidation and low volatility, citing the lack of major catalysts and the seasonality of the third quarter as key reasons.

Jack Dorsey, co-founder of Twitter and prominent Bitcoin advocate, recently shared his vision of Bitcoin's rise to global supremacy at an exclusive event in Tuscany. Dorsey is confident that Bitcoin, currently mainly used as a store of value, will become a dominant, permissionless currency in the West, used daily within 10 to 15 years. He envisions Bitcoin potentially replacing or complementing the U.S. dollar as the world's primary means of payment. Dorsey emphasized the importance of moving away from current dependence on the U.S. dollar and Chinese yuan, arguing that Bitcoin offers more control and autonomy to users. He also predicted that Bitcoin's price would exceed \$1 million by the end of the decade and mentioned that his company, Block, reinvests 10% of its gross profits from Bitcoin-related products and services to buy more of the cryptocurrency.

The Rivemont crypto fund remains 100% exposed to Bitcoin.

*The presented information is as of July 3rd, 2024, unless otherwise indicated and is provided for information purposes only. The information comes from sources that we believe are reliable, but not guaranteed. This statement does not provide financial, legal or tax advice. Rivemont Investments are not responsible for any errors or omissions in the information or for any loss or damage suffered.*

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**Valérie Marquis**

19 rue Le Royer Ouest, suite 300  
Montreal, Québec, H2Y 1W4  
Tel: 819-246-8800  
[valerie.marquis@rivemont.ca](mailto:valerie.marquis@rivemont.ca)

////////////////////////////////////  
[www.rivemont.ca](http://www.rivemont.ca)

**Martin Lalonde**

160, boul. de l'Hôpital, suite 202  
Gatineau, Quebec, J8T 8J1  
Tel: 819-246-8800  
[martin.lalonde@rivemont.ca](mailto:martin.lalonde@rivemont.ca)

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