

RIVEMONT

Rivemont - Week 352

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

Bitcoin continued to trade as a risk asset over the past week, dragged down by tech stocks before slightly rebounding alongside them at the start of the week.

Bitcoin's price first dropped on Friday to its lowest level in a month, following a disappointing U.S. jobs report. It fell to \$53,829, marking a nearly 5% decrease in 24 hours and an 8% drop over the week, according to CoinGecko data. This decline came after the U.S. Labor Department reported that the economy only added 142,000 jobs, below the forecast of 160,000, raising concerns about the health of the economy. The weak employment numbers led investors to sell off risk assets, including tech stocks and cryptocurrencies. The S&P 500 fell by 1%, and the Nasdaq dropped by nearly 2%. Ethereum's price also fell by nearly 4%.

Crypto funds saw massive outflows last week, with \$726 million withdrawn, according to CoinShares. This marks the largest weekly outflow since March, with Bitcoin ETFs being the hardest hit, losing \$643 million. Ethereum funds also suffered losses of \$98 million, mainly from the Grayscale Ethereum Trust, which was recently converted into a spot ETF. This bearish trend, primarily seen in the U.S., seems linked to investor concerns over potential interest rate decisions by the Federal Reserve. Bitcoin, currently priced around \$56,450, has dropped 3% over the past week, far from its March peak of \$73,737. However, in Europe, some crypto funds, such as those exposed to Solana, recorded positive inflows, with \$6.2 million invested in Solana funds last week.

On Monday, U.S. spot Bitcoin ETFs ended an eight-day streak of consecutive outflows, recording net inflows of \$28.72 million. Fidelity's FBTC ETF led the inflows with \$28.6 million, followed by Bitwise with \$21.99 million. Other funds like ARKB and BTCO also reported more modest inflows. However, these gains were partially offset by \$22.76 million in outflows from Grayscale's GBTC ETF and \$9.06 million from BlackRock's IBIT ETF. Despite this volatility, since their launch in January, the 12 U.S. spot Bitcoin ETFs have accumulated \$16.92 billion in net inflows. According to Matt Hougan, Chief Investment Officer at Bitwise, investment advisors are adopting Bitcoin ETFs faster than any other ETF in history.

QCP Capital analysts foresee significant volatility in the crypto market this week due to yesterday's debate between Donald Trump and Kamala Harris and the U.S. Consumer Price Index (CPI) report coming out on Wednesday. According to the QCP report, derivatives market positions continue to show a preference for put options. Market participants will be closely watching these events, as the outcome of the November presidential election could have significant repercussions for the cryptocurrency sector. A report by Gemini, founded by the Winklevoss twins, suggests that cryptocurrencies like Bitcoin will likely play a significant role in the upcoming U.S. presidential election. The report reveals that 73% of cryptocurrency holders in the U.S. consider candidates' positions on crypto regulation a factor that will influence their vote. Among them, 37% say it will have a significant impact on their decision. The study also highlights

growing concerns over regulatory uncertainty, which remains a major barrier for potential investors. In 2024, 38% of respondents cited regulatory concerns as a barrier to investing in crypto, compared to 28% in 2022. Nevertheless, cryptocurrency adoption continues to grow, with a slight increase in the number of holders and a decrease in the percentage of people with no exposure to crypto.

Bernstein analysts predict widely divergent scenarios for Bitcoin's price depending on the outcome of the U.S. presidential election. If Donald Trump wins, they estimate Bitcoin could reach between \$80,000 and \$90,000 by the end of the fourth quarter. Conversely, a victory for Kamala Harris could see Bitcoin drop to between \$30,000 and \$40,000, testing its current support level. The difference is explained by Trump's more favorable stance toward the cryptocurrency industry, with promises to make the U.S. a global leader in Bitcoin, including expanding mining and appointing crypto-friendly regulators. Harris, on the other hand, has not publicly addressed the topic. Bernstein analysts believe that the market has not yet priced in a favorable crypto scenario, which could unlock institutional flows and stimulate innovation if pro-crypto policies are implemented. Bernstein previously set a Bitcoin price target of \$200,000 by the end of 2025, \$500,000 by the end of 2029, and \$1 million by the end of 2033.

Investment firm VanEck announced the closure and liquidation of its Ethereum futures ETF (EFUT), just two months after launching its Ethereum spot ETF. This decision comes as Ethereum spot ETFs have recorded significant net outflows, totaling \$562.3 million. Since September 15, only a few days have seen positive inflows, while most days have experienced outflows. The VanEck Ethereum Strategy ETF, trading under the ticker ETHV on the CBOE, will cease trading on September 16. Shareholders who retain their shares until the liquidation date, expected around September 23, will receive a cash distribution equal to the net asset value of their holdings. VanEck cited factors such as performance, liquidity, and investor interest as key reasons for the closure. Other Ethereum ETFs, such as Grayscale's ETHE, are also facing challenges despite holding significant net assets.

Financial technology company tZERO has received approval from U.S. regulators, the Securities and Exchange Commission (SEC) and the Financial Industry Regulatory Authority (FINRA), to custody digital assets. This makes tZERO the second company to receive a specialized broker license for digital asset securities custody, following Prometheus last year. This advancement positions tZERO as a key player in regulatory innovation in the United States. The company aims to demonstrate how positive regulatory clarity can foster innovation and the commercialization of new products while integrating digital assets into a regulated infrastructure. This decision comes as the crypto industry and the SEC clash over the regulation of digital assets, with lawsuits filed against several major platforms for operating without proper registration.

Former Binance CEO Changpeng Zhao (CZ) is now permanently banned from managing or operating the cryptocurrency exchange Binance, according to terms of an agreement with U.S. authorities. While he retains his rights as the company's largest shareholder, CZ will no longer be involved in managing the business. This lifetime ban is part of the plea agreement Zhao agreed to after pleading guilty to money laundering and stepping down as CEO about 10 months ago. Zhao, who will serve his prison sentence until September 29, will still be able to monitor Binance's performance as a shareholder and retain the right to appoint new leadership if needed. After his resignation, Zhao expressed his intention to focus on passive investing in startups related to blockchain, artificial intelligence, and biotechnology, stating that he does not plan to lead a new company in the future.

Historically, September has been a challenging month for Bitcoin, often seeing declines similar to the "September Effect" observed on Wall Street. Since 2013, Bitcoin's price has dropped eight out of ten times in September, with an average decline of 5%. This month is widely recognized as the worst for the cryptocurrency, with more than an 8% drop already this year. However, this September weakness is often followed by a significant rebound in October, referred to as "Uptober." Since 2013, September's losses have been followed by an average 22% gain in October and a 46% gain in November. Despite this downward trend, improving fundamentals, such as future interest rate cuts by the Federal Reserve and growing institutional adoption, suggest a positive

outlook for Bitcoin in the short term.

Meanwhile, Michael Saylor remains optimistic. The co-founder of MicroStrategy predicts that Bitcoin's price could reach \$13 million per coin over 21 years. MicroStrategy, which holds over 1% of Bitcoin's total supply, has adopted a massive accumulation strategy, with Saylor viewing Bitcoin as the best long-term investment. He estimates that Bitcoin, which currently represents 0.1% of global capital, could reach 7%. Since MicroStrategy began buying Bitcoin in 2020, when its price was under \$12,000, the company's stock value has surged, providing investors with indirect exposure to cryptocurrency. Currently, MicroStrategy holds 226,500 Bitcoins, worth \$12.8 billion.

Before a potential sustained rally materializes, particularly with factors like future Fed rate cuts, Bitcoin may retrace to around \$54,000. A "CME gap" has formed at this level in Bitcoin futures contracts, which could act as a support zone before continuing an upward trend. CME gaps are created when Bitcoin futures markets close over the weekend, and these gaps are often filled by price movements in the following days or weeks.



Currently, a gap between \$54,000 and \$54,450 has been identified, which could indicate a return to this zone before surpassing the psychological resistance at \$60,000. Although this is not guaranteed, liquidation levels

suggest a high likelihood of a retest around \$53,500 to \$54,400 before a potential bullish breakout.

From our perspective, while we technically agree with the short-term challenges, we remain convinced that Bitcoin accumulation by long-term holders will eventually lead to a supply shock and a shift away from categorizing it as a risk asset. Instead, it could become a store of value similar to gold. With gold flirting with its historical highs, this is a trend we can only hope for!

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