

# RIVEMONT

## Rivemont - Week 353

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

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All eyes are on the Fed today, as a decision on the first rate cut in four years is expected. Analysts are divided on whether the cut will be a quarter or half a point, making this decision and its impact on the markets particularly interesting.

Let's start by sharing [this fresh article from La Presse \(French only\)](#), where journalist William Thériault interviewed the President of the firm, Martin Lalonde, about the place of cryptocurrencies in an investment portfolio. "Our thesis is that cryptocurrency will become digital gold," says Martin Lalonde. "It allows us to have a value: divisible, easily transportable, with the same value worldwide, it's perfect for people who don't trust their country's currency," says

Martin. “I think not having crypto right now is riskier than having it in the long term.”

Cryptocurrency market volatility is increasing ahead of the U.S. Federal Reserve's interest rate decision on Wednesday. QCP Capital analysts observe rising implied volatility in the options market, with a preference for put options, reflecting greater caution among traders. While Bitcoin's price has remained stable, the market anticipates a 50 basis point rate cut, which could intensify market fluctuations, especially for Bitcoin and Ether. The Bitfinex Alpha report also predicts high volatility this week, due to investor expectations surrounding the rate cut. Analysts suggest that a 25 basis point cut could maintain a moderately optimistic environment, while a 50 basis point cut could trigger either strong buying or profit-taking from cautious investors.

Last week, investment flows into Bitcoin exchange-traded funds (ETFs) rebounded significantly, particularly in the U.S., following a period of capital outflows. According to CoinShares, approximately \$436 million was invested in cryptocurrency funds after a total outflow of \$1.2 billion in previous weeks. This renewed interest in Bitcoin ETFs is mainly linked to expectations of a potential interest rate cut by the Federal Reserve, with some anticipating a 50 basis point reduction. Analysts believe this rise in Bitcoin investments could be further strengthened if the rate cut is confirmed, making risky assets like Bitcoin more attractive to investors. However, Ethereum-related funds continue to suffer, with \$19 million in withdrawals last week despite the recent approval of Ethereum ETFs by the SEC. Conversely, Solana has seen positive flows for the fourth consecutive week.

Ethereum (ETH) is at a three-and-a-half-year low against Bitcoin (BTC), a level not seen since April 2021. The ETH/BTC ratio has fallen below 0.04, marking a 53% decline since Ethereum's transition to proof-of-stake in September 2022. This persistent underperformance raises questions among analysts about whether Ethereum is nearing a bottom or if the decline will continue. While Bitcoin ETFs attract large inflows, Ethereum ETFs, particularly in the U.S., have experienced net outflows of \$581 million, worsening ETH's situation. However, some analysts, such as those at Hedgex, remain optimistic, noting

that Ethereum's current oversold conditions, as measured by the relative strength index, could precede a significant price increase, as has happened five times in Ethereum's history.

MicroStrategy recently acquired an additional 18,300 Bitcoins, worth approximately \$1.1 billion, between August and September 2023. This new purchase brings the company's total holdings to 244,800 Bitcoins, valued at \$14.14 billion. The company funded this operation by selling over 8 million shares. MicroStrategy, which began buying Bitcoin in 2020, now holds about 1% of Bitcoin's total market capitalization, solidifying its position as the largest institutional holder of the cryptocurrency. Since the start of this bold strategy in August 2020, when Bitcoin was priced around \$12,000, MicroStrategy's stock value has increased by more than 800%. The average purchase price of its Bitcoins is \$38,585 per coin, meaning the current value of Bitcoin reflects an increase of about 51% over that cost. Michael Saylor remains optimistic about Bitcoin's future, predicting that its capitalization will reach 7% of global capital in the coming years. The company also announced plans to raise \$700 million through a convertible bond offering to buy even more Bitcoin. The company plans to use these funds to repay \$500 million in existing debt related to secured notes maturing in 2028, before using the remainder to acquire more Bitcoin and fund general corporate activities.

Bhutan now holds more Bitcoin than El Salvador thanks to its mining operations, with over 13,000 BTC, valued at around \$750 million, according to Arkham Intelligence. This reserve, managed by Druk Holding & Investments (DHI), Bhutan's state investment arm, places the country in fourth place globally for government Bitcoin holdings, surpassing El Salvador, which holds 5,876 BTC. Since 2019, Bhutan has leveraged its abundant hydroelectric power to run eco-friendly mining farms. In addition to Bitcoin, DHI also holds cryptocurrencies such as 656 ETH, as well as smaller amounts of BNB, MATIC, and USDT. A previous investigation by Forbes revealed DHI's transactions with bankrupt crypto lenders BlockFi and Celsius, but the government clarified that it had not suffered any losses and that its mining operations have been ongoing since 2019. In 2023, Bhutan strengthened its mining ambitions through a strategic partnership with the Bitdeer company.

According to a report by Bernstein, brokerage platform Robinhood is well-positioned to benefit from the generational shift in financial preferences, as younger investors increasingly turn to cryptocurrencies and blockchain-based solutions. FINRA data shows that 48% of crypto holders are under 34, and 55% of Gen Z traders in the U.S. prefer investing in crypto. Robinhood, with 65% of its assets under custody coming from customers aged 43 and under, is particularly well-placed to capture this trend. By acquiring crypto exchange Bitstamp, Robinhood has expanded its crypto financial services offering, including staking, lending, and derivatives. The report also highlights that younger generations find the traditional banking system expensive and outdated, turning instead to decentralized finance (DeFi) and stablecoins, which offer faster and more cost-effective payment solutions, particularly for cross-border transactions. This generational shift could reshape future financial platforms like Robinhood, based on the preferences of Gen Z and Millennials.

Also according to Bernstein analysts, decentralized finance (DeFi) yields are set to make a comeback, driven by the prospect of U.S. interest rate cuts. With the possibility of a 25 or 50 basis point reduction by the Federal Reserve, DeFi yields could surpass 5%, outpacing those of U.S. dollar money market funds. This could reignite crypto credit markets and increase the value of digital assets. Analysts believe this trend could revive interest in DeFi and Ethereum after a period of slowdown. The total value locked in DeFi projects, while still far from its 2021 peak, has doubled from 2022 lows to \$77 billion. Stablecoins have also returned to high levels, at around \$178 billion. DeFi lending markets, such as Aave, are already showing signs of recovery, with yields ranging from 3.7% to 3.9%. Analysts expect the recovery in Ethereum lending markets to curb Ethereum's underperformance compared to Bitcoin.

Sam Bankman-Fried, co-founder and former CEO of FTX, has appealed his fraud conviction, arguing that he did not receive a fair trial. His lawyers claim that he was presumed guilty before being charged, especially by the media, federal prosecutors, and the judge. They also argue that FTX was not insolvent but faced a liquidity crisis due to illiquid investments. Bankman-Fried maintains that he had the funds to repay customers but that the platform's

mismanagement after its bankruptcy worsened the situation. His lawyers insist that FTX faced a liquidity crisis, not insolvency, and that Bankman-Fried did not steal client funds. FTX, once one of the largest cryptocurrency exchanges, collapsed in November 2022 due to mismanagement, with customer funds illegally used for risky investments by Alameda Research. Bankman-Fried was sentenced to 25 years in prison for fraud.

The decentralized prediction platform Polymarket has recorded nearly \$900 million in bets on the winner of the 2024 U.S. presidential election. Democratic candidate Kamala Harris leads with an estimated 50% chance of winning and a \$127 million bet. Republican candidate Donald Trump follows closely with a 49% chance and nearly \$144 million in bets. This surge in bets has greatly contributed to Polymarket's explosive growth, which saw its highest number of active users and record transaction volume in August.

According to Standard Chartered analyst Geoff Kendrick, Bitcoin's price could reach a new all-time high by the end of 2024, regardless of the outcome of the U.S. presidential election. Kendrick bases his prediction on positive factors such as the evolving regulation of digital assets and recent trends in U.S. Treasury markets. He also expects a seasonal rise in Bitcoin ETF inflows in October. While a Trump victory is seen as favorable for cryptocurrencies, a win for Kamala Harris might temporarily lower Bitcoin's price, although Kendrick expects the market to recover thanks to other positive drivers, such as continued regulatory reforms. Kendrick forecasts that Bitcoin could reach \$125,000 with a Trump win and \$75,000 with Harris.

According to Capriole Investments, Bitcoin's price could quickly reach \$64,000 thanks to favorable macroeconomic changes and the Federal Reserve's interest rate cut. In its monthly report, Capriole notes that Bitcoin is at a critical juncture, and the fourth quarter, historically strong for markets, could mark a return to bullish performance. Charles Edwards, founder of Capriole, expects a quick rise if the Fed adopts a more accommodating monetary policy after aggressively raising rates since late 2021.

Time	Q1	Q2	Q3	Q4
2024	+68.68%	-11.92%	-6.71%	
2023	+71.77%	+7.19%	-11.54%	+56.9%
2022	-1.46%	-56.2%	-2.57%	-14.75%
2021	+103.17%	-40.36%	+25.01%	+5.45%
2020	-10.83%	+42.33%	+17.97%	+168.02%
2019	+8.74%	+159.36%	-22.86%	-13.54%
2018	-49.7%	-7.71%	+3.61%	-42.16%
2017	+11.89%	+123.86%	+80.41%	+215.07%
2016	-3.06%	+62.06%	-9.41%	+58.17%
2015	-24.14%	+7.57%	-10.05%	+81.24%
2014	-37.42%	+40.43%	-39.74%	-16.7%
2013	+539.96%	-3.97%	+40.6%	+479.59%
Average	+56.47%	+26.89%	+5.39%	+88.84%
Median	+3.64%	+7.38%	-4.64%	+56.90%

Q3 is the worst time to be in Bitcoin.

Q4 is the best.

Although Bitcoin is still in a "lower lows" trend, breaking through \$64,000 could reverse this dynamic and push the price to new highs. The report also warns of potentially misleading "on-chain" indicators due to massive capital redistribution linked to the launch of Bitcoin ETFs and the Mt. Gox case. Despite this, Capriole remains optimistic in the medium term, predicting that the economic context and favorable seasonality for Bitcoin will drive significant gains in the coming months.

*The presented information is as of September 18th, 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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