

Bloomberg Crypto Outlook

Onward and Upward

- Bitcoin at \$100,000, \$5,000 Ethereum Is Path of Least Resistance
- Having Survived Correction, Crypto Assets Now Poised to Thrive
- Ethereum \$5,000: Can Anything Keep No. 2 Crypto From New Highs?
- DeFi Revolution: Advancing Ethereum, Cardano, Dollar Dominance

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Most data and outlook as of September 2, 2021

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BI COMD (the commodity dashboard)

Bitcoin at \$100,000, \$5,000 Ethereum Is Path of Least Resistance

Performance: Bloomberg Galaxy Crypto Index (BGCI)

August +25%, 2021 to September 3: +184%

Bitcoin August +13%, 2021 +71%

Ethereum August +36%, 2021 +415%

(Bloomberg Intelligence) -- Crypto-assets appear in a revived and refreshed bull market with the 2H benefit of a steep discount from previous highs at the start. Bitcoin has been a laggard amid the DeFi revolution led by Ethereum. The digital reserve asset in a world going that way and the building block of fintech is how we respectively view the No. 1 and No. 2 cryptos. Success breeds competition, as evidenced by Cardano advancing to No. 3, but so-called Ethereum-killers have a history of speculative excesses.

We see Ethereum on course toward \$5,000 and \$100,000 for Bitcoin. Portfolios of some combination of gold and bonds appear increasingly naked without some Bitcoin and Ethereum joining the mix. A macro risk-off decline is a primary threat for the crypto bull market.

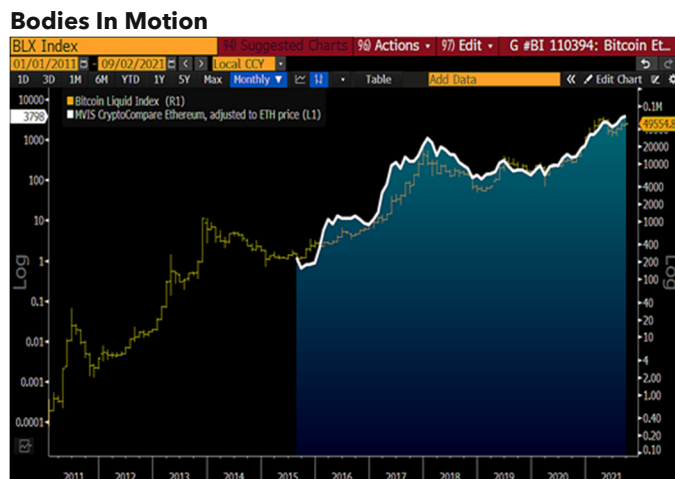
The Bulls are In Control

Having Survived Correction, Crypto Assets Now Poised to Thrive. After enduring a gut-wrenching correction, we see the crypto market more likely to resume its upward trajectory than drop below the 2Q lows. What could stop Bitcoin and Ethereum from achieving record highs in 2H may be the more elusive question. Increasing demand and adoption are facing diminishing supply.

What Stops Onward-and-Upward Trajectory? The crypto market may be just hype and speculation, or it could be a revolution in money and finance that's in early price-discovery days. Our bias is with the latter. Why complicate an enduring trend, notably in the aftermath of a sharp correction and with adoption still growing, as evidenced by a plethora of news stories? Fidelity and Franklin Templeton are two of the larger asset management firms adding digital-assets staff. The graphic depicts the upward trajectories of Bitcoin and Ethereum, of which our take is to avoid the lower-probability exercise of trying to pick peaks.

[Learn more about Bloomberg Indices](#)

Note - Click on graphics to get to the Bloomberg terminal



Simply staying the course is the more likely outcome, as we see it. Ethereum has joined Bitcoin with a supply trajectory that is in decline, by code. The first-born crypto is the store-of-value and the No. 2 is the DeFi building block.

Crypto-Assets Breaking Away vs. Equities

Up about 1,000% since the end of 2019, the Bloomberg Galaxy Crypto Index (BGCI) appears to have two major advantages vs. the S&P 500 -- cryptos reflect a potential revolution in money and finance and have had a major pull-back since their 2020 swoon. Our graphic depicts the equity market basically tracking quantitative easing as measured by the upward trajectory of G4 central bank balance sheets. Both indexes represent risk exposure, but unlike the S&P 500, the BGCI includes Bitcoin, which is well on its way to becoming the digital reserve asset in a world going that way.

BGCI - High Beta Performance at a Discount?



That upcoming digital store of value and the money of non-fungible tokens (NFTs) and the internet -- Ethereum -- make up 80% of the BGCI. To the extent that investing is about future opportunity, digital assets may represent the higher-beta potential.

'TINA' May Be Shining on Bitcoin and Gold. Gold and Bitcoin have high potential to continue advancing in price, notably if U.S. Treasury yields resume their enduring downward trajectories, following Japan and most of Europe. We believe the mantra "There is no alternative" -- or TINA -- that's been keeping the market afloat may be losing some luster to assets that are more likely to appreciate on the back of entrenched trends amid rising quantitative easing and debt-to-GDP levels. Our graphic depicts the Bitcoin-Gold-Bond index outperforming the S&P 500 since the end of 2015, notably from the start of 2020, along with the rapidly rising level of G4 central-bank balance sheets.

Bitcoin-Gold-Bonds; Advancing Alternatives?



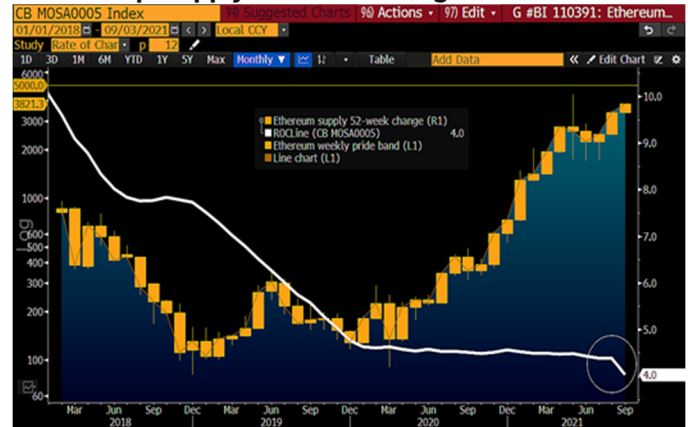
The Bitcoin-Gold-Bonds index includes the Grayscale Bitcoin Trust (GBTC), SPDR Gold Shares (GLD) and iShares 20+ T-Bond ETF (TLT). The index rebalances quarterly to equal weights.

Ethereum's Enduring Upper-hand

Ethereum \$5,000: Can Anything Keep No. 2 Crypto From New Highs? Ethereum appears well positioned for further price appreciation. To Sept. 2, the No. 2 crypto is at about a 10% discount from its peak and non-fungible tokens (NFTs) are increasing demand for what is becoming the money of the internet at the same time that incremental supply is dropping due to a recent upgrade.

Diminishing Supply Fuels Ethereum Upward Bias. The fact that Ethereum is the primary denominator for NFTs, which are gaining traction, is tilting the No. 2 crypto's demand vs. supply balance increasingly to the bullish side. Our graphic depicts the accelerating downward trajectory of new Ethereum supply, in the aftermath of the protocol change that began burning coins at the start of August. For the first time, the 52-week rate-of-change in the amount of new Ethereum coins vs. the total outstanding is on track to drop below 4%.

Demand Up, Supply Down and Rising Prices



Demand for the No. 2 crypto is less straightforward, but supply may dip below that of Bitcoin, which fell under 2% this year. According to Etherchain.org, about 170,000 ETH have been burned since the start of August to Sept. 2. This is about 40% of the average monthly supply of closer to 410,000 since August 2020.

Ethereum a Dime to Bitcoin's Dollar. Ethereum outperforming Bitcoin has been typical in crypto bull markets, and we see probabilities tilted toward staying the course since the 2019 bottom. The No. 2 crypto can be added to the list of proxies for the No. 1 to reach the \$100,000 threshold, by simply following. Our graphic depicts the Ethereum-to-Bitcoin price ratio approaching its 2021 high at about 0.08. Of note, this metric remains below its peak from 2018 at about 0.11. The overlay with the MVIS CryptoCompare Digital Assets 100 Index approaching its all-time high from earlier in 2021 shows further upside room in the ratio, if trend-is-your-friend patterns are a guide.

Trends Remain Friendly for Ethereum, Bitcoin



In addition to increasing demand and adoption, a key bullish Bitcoin guide is that 2021 is a post-supply-cut year, which have typically been the top performers.

NGU Technology Tilting Favorably for Ethereum. The phrase "number go up" (NGU) is used in cryptos to describe the diminishing supply schedule of Bitcoin, which supports its price, but NGU may better relate to Ethereum in the future. Due to its recent upgrade, the number of new No. 2 coins as a percent of current coins is likely to dip below that of Bitcoin, with the potential of going negative. If Ethereum's pace of 2021 price appreciation stays the same vs. Bitcoin, the market cap of No. 2 will flippen No. 1 toward the end of 2022. Our graphic shows a more realistic trajectory for such a crossover toward 2023, based on regression lines since the start of 2020.

A Long Road for Ethereum to Flippen Bitcoin



Bumps in the road should be expected, but Ethereum appears on an enduring path as the go-to platform for the crypto ecosystem and decentralization of finance akin to Amazon Inc. and e-commerce.

What Gets Bitcoin to \$100,000? Following Ethereum

Having corrected over 50% and formed good bases of support within what we view as enduring bull markets, probabilities are tilted toward Bitcoin and Ethereum resuming upward price trajectories. Our graphic depicts a simple, yet logical, way for Bitcoin to get toward \$100,000 by following the performance of No. 2. Ethereum (up about 300% in 2021 to Aug. 6), which we see as highly probable, especially after last year's supply cut. Post-halving years have seen the greatest appreciation, and 4x in 2021 would be quite tame for the the No. 1 crypto compared with 55x in 2013 and 15x in 2017.

Bitcoin May Just Follow Ethereum Toward \$100K



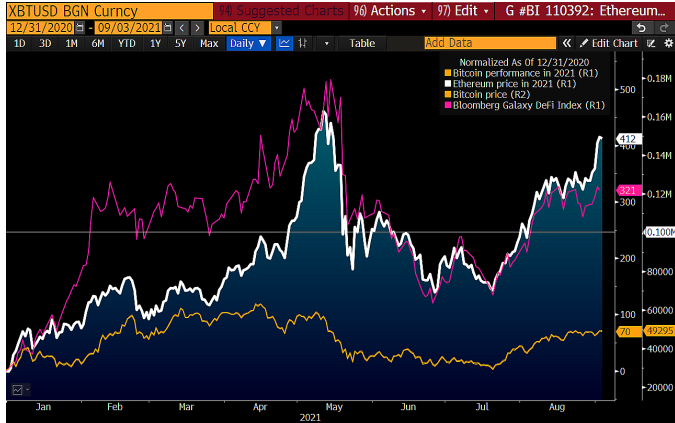
A question is whether supply-and-demand conditions have deteriorated since the start of 2021 and compared with Bitcoin's past. Our take is that underpinnings are bullish in a maturing environment.

DeFi Revolution and Dollar Dominance

DeFi Revolution: Advancing Ethereum, Cardano, Dollar Dominance. Up about 70% is not bad, but Bitcoin's 2021 performance to Sept. 2 compares with over 300% for the Bloomberg Galaxy DeFi Index, both of which we see more likely to continue appreciating into year end. Ethereum is the building block of DeFi, with competition rising from Cardano. The U.S. dollar is the foundation.

DeFi, ESG on Steroids? Advancing Ethereum. The August launch of the Bloomberg Galaxy Defi Index (BGDI) accentuates the rising demand for and adoption of Ethereum. Most of the index members are built on the Ethereum blockchain. No 1. in the BGDI (about 40%) is Uniswap, the decentralized exchange and No. 2 (about 20%) is Aave, the decentralized lending pool. Overlooked factors in recent U.S. congressional debates are the revolution that crypto-assets are leading in raising the living standards of the world's unbanked and the rampant free-market capitalism of digital assets. Dollar-linked coins are the most widely traded cryptos, as indicated by Tether -- an Ethereum token.

Bitcoin a Laggard vs. Ethereum, DeFi in 2021



Decentralized finance (DeFi) crypto applications use smart contracts on blockchains to offer financial services such as lending, market-making and insurance, without a central financial intermediary.

Ethereum Facilitating Digital Dollar Dominance.

Increasing dollar dominance, Bitcoin, Ethereum, DeFi and about 11,000 wannabes is the trend in crypto-assets. This is the progression of the past few years and makes sense based on patterns in revolutionary industries, as exemplified by e-commerce dominated by Amazon.com. Our graphic depicts the most significant development of 2021 that's not widely known: the trading dominance of stable coins tracking the dollar. With Tether (an Ethereum token) at the top, the world's most widely traded crypto-asset, two of the top cryptos listed on Coinmarketcap are digital dollars when sorted by volume.

Dollar, Bitcoin, Ethereum and Everything Else

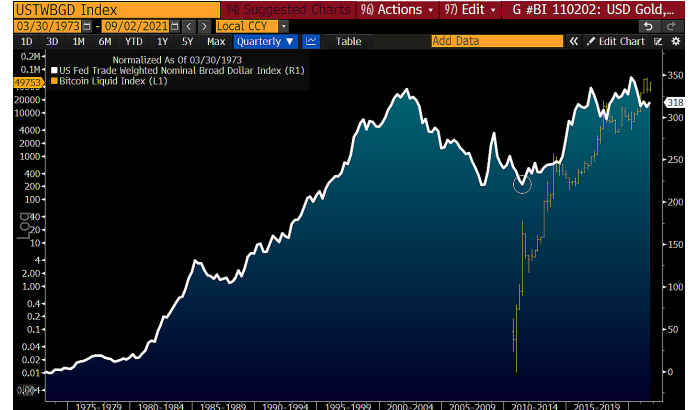
#	Name	Price	24h %	7d %	Market Cap	Volume(24h)
5	Tether USDT	\$1.00	-0.01%	-0.01%	\$65,772,201,318	\$84,661,680,948 84,638,125,023 USDT
1	Bitcoin BTC	\$49,543.12	-2.28%	-4.92%	\$932,604,456,505	\$39,330,230,763 793,036 BTC
2	Ethereum ETH	\$3,808.24	-1.53%	-21.75%	\$446,956,268,473	\$25,015,903,322 6,568,721 ETH
3	Cardano ADA	\$2.99	-5.15%	-17.37%	\$95,838,211,132	\$7,232,280,900 2,415,915,892 ADA
14	Binance USD BUSD	\$1	-0.00%	-0.02%	\$12,557,843,534	\$6,186,482,394 6,186,690,039 BUSD

Ethereum is a key part of building this infrastructure, where free markets have embraced the greenback as the primary global currency. Bitcoin is gaining accolades as the digital reserve asset in a world going that way.

Bitcoin the Reserve Asset and Dollar Currency

The dollar's more than 300% advance vs. peers since President Richard Nixon ended the gold peg in 1971 is evidence the greenback is the least-worst currency, but we believe Bitcoin represents the digital future. The first-born crypto may have solved the age-old problem of a global reserve asset that's easily transportable and transactionable, has 24/7 price discovery, is relatively scarce and is nobody's liability or project. Our graphic depicts the upward trajectory of the trade-weighted broad dollar, which has regained buoyancy with the advent of Bitcoin.

Free Markets, Digitalization and Bitcoin



It's not a spurious connection, as evidenced by the about \$110 billion market cap of digital-dollar crypto tokens, noted at Bretton Woods: The Realignment. We foresee a future of Bitcoin, the digital reserve asset, complementing the dollar reserve currency.

{CRYP} Page on the Bloomberg Terminal

Standard		Announcement		Cryptocurrency Monitor						
Index	Last	Net Chg	% Chg	Open	Yest Clo...	2D Chart	30D Rng	Time		
1) BGC Bloomberg Galaxy	2993.06	+69.14	2.36%	2967.88	2923.92			16:15		
● Bid/Ask Data		● Network Data (Supplied by Mosaic)							Base USD	
Coins	Last	Net Chg	% Chg	Circ Supply	Market Cap ↓	Coin Volume	USD Volume	Time		
11) Bitcoin	49520.09	+1247.59	2.58%	18.80M	931.21B	0.0229M	1132.88M	16:49		
12) Ethereum	3794.198	+64.158	1.72%	117.36M	445.30B	0.3243M	1225.83M	16:49		
13) XRP	1.2638	+0.0569	4.71%	50490.27M	63.81B	61.0235M	76.55M	16:49		
14) Litecoin	186.342	+6.197	3.44%	68.45M	12.75B	0.4656M	85.42M	16:49		
15) Bitcoin Cash	665.26	+22.14	3.44%	18.83M	12.53B	0.0444M	29.25M	16:49		
16) Ethereum Classic	67.742	+1.277	1.92%	129.61M	8.78B	0.6628M	45.28M	16:49		
17) Monero	302.775	+1.410	0.47%	17.99M	5.45B	0.0063M	1.91M	16:49		
18) EOS	5.2687	+0.0618	1.19%	933.15M	4.92B	5.1331M	27.11M	16:49		
19) Dash	243.052	+6.070	2.56%	10.32M	2.51B	0.0096M	2.30M	16:49		
20) Zcash	152.510	+3.178	2.13%	12.56M	1.92B	0.0168M	2.55M	16:49		
Futures	Last	Net Chg	Volume	Open	Settle	2D Chart	30D Rng	Time		
21) CME Bitcoin	49580	+1260	4770	48600	49375			16:45		
22) CME Ether	3813.50	+70.50	3389.00	3784.25	3803.75			16:44		
Cryptocurrency News More »										
41)	Andreessen Horowitz Lands Latham Partner for Crypto-Focused Job						BLW	11:13		
42)	Day-Trading Army Goes All-In on NFTs as Meme-Stock Mania Ebbs						BN	10:32		
43)	Crypto Accounts Yielding 7% Spur Scrutiny as States Warn of Risk						BN	07:00		
44)	Cryptonews: How To Run A Bitcoin Node For Free						WE9	16:43		
45)	AMB Crypto: SEC charges BitConnect Founder, execs with \$2B cryptocurrency fraud						WE6	16:33		
46)	Market Wrap: Bitcoin Enters September Slowdown; Cardano's ADA at New High						DES	16:29		
47)	Riot Blockchain Social Media Volume Rises: 3 Signals						BN	16:29		
48)	Cointelegraph: SBI reportedly looks to launch crypto fund in Japan by December						NS1	16:26		

(5pm NY, September 2)

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