

Bitcoin Brief

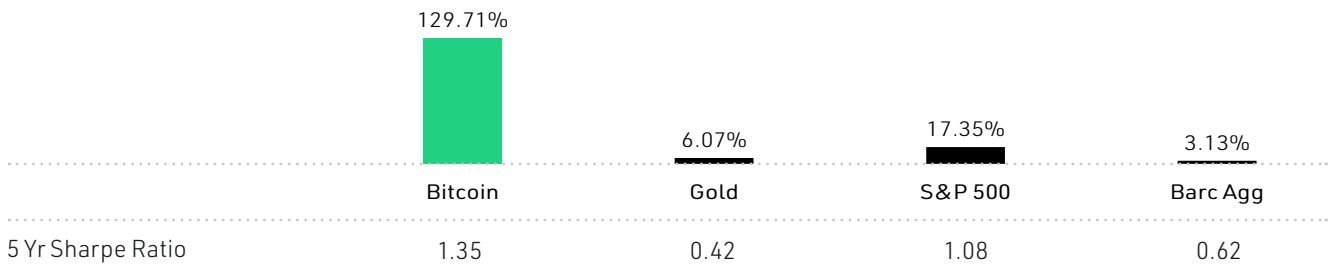
MARKET UPDATE

Bitcoin rebounded sharply in July, returning nearly 15% after three consecutive negative months. With the price rally coming off the heels of the much anticipated B Word conference on July 21st featuring Elon Musk, Jack Dorsey, and Cathie Wood, bitcoin moved from an intraday low under \$30K to back over \$40K, a level not seen since May 20th.

Many commentators and market participants pointed to short covering as the primary catalyst for this month's rally. However, new longs also entered the market in a meaningful way, perhaps thanks to positive sentiment as the U.S. took the lead in bitcoin mining from China, and energy concerns were lessened as over 50% of mining is now believed to be powered by renewable sources of energy.

In addition, over 50M shares (well over \$1.5B) of the Grayscale Bitcoin Trust (GBTC) started to come off "lock-up" on July 14th, a process that will continue through the end of August. Select accredited investors were able to subscribe directly with Grayscale at net asset value (NAV) but could not sell their shares into the secondary market for six months. Historically, spot bitcoin has rallied after these "unlocks" occur as relative value traders are forced to buy bitcoin in order to unwind arbitrage trades. Importantly, most investors purchase GBTC in the secondary market where it has historically traded at significant premiums or discounts to NAV. This dynamic has led to GBTC underperforming spot bitcoin by 80% over the trailing 12 months through 7/30/21.¹

5-YEAR ANNUALIZED RETURNS



HIGHLIGHTS

- Musk, Dorsey, Wood Square Off
- Bitcoin Back on Top
- The Reason to HODL is Clear

MARKET STATS

As of 7/31/21

BTC Price	\$41,335
BTC Market Cap	\$782B
% of BTC Total Supply in Circulation	89%
3M Average Daily Bitcoin Transactions	~220K

NOTEWORTHY HEADLINES

[U.S. Plans to Counter Ransomware Attacks Through Crypto Tracing](#)

[First Generally Available U.S. Credit Card to Offer Bitcoin Rewards](#)

[Can't Explain Bitcoin? Your Clients Will Find an Advisor Who Can](#)

[45% of Family Offices are Interested in Cryptocurrencies](#)

[71% of Institutional Investors Plan to Buy Digital Assets](#)

MUSK, DORSEY, WOOD SQUARE OFF

Bitcoin saw strong performance following "The B Word" conference, where most observers deemed comments by Musk, Dorsey, and Wood to be positive. Investors were most sensitive to comments by Musk, which were quite constructive after a barrage of tweets over recent months had investors questioning his commitment to bitcoin. While Tesla's \$1.5B ownership of bitcoin was revealed back in February, we learned that bitcoin was Musk's largest personal financial asset outside of his equity ownership of Tesla and SpaceX. Musk outlined potential concerns related to bitcoin mining's impact on the environment. However, Musk was clear that he believes bitcoin mining has transitioned to renewable energy in a meaningful way and, if he observes a continuing trend, Tesla will begin to accept bitcoin as a source of payment again.

BITCOIN BACK ON TOP

With BTC market capitalization back over \$780B, Bitcoin's value is again greater than all but six companies in the world.² With the exception of Aramco, each of the mega cap companies larger than bitcoin rely upon network-based business models. Like Apple, Microsoft, Google, Amazon, and Facebook before it, bitcoin's value and the utility a user derives from the Bitcoin network increases as more users join the network. Bitcoin usage, conservatively measured by addresses on the bitcoin blockchain, has grown over 10x since 2015,³ and with no sign of user growth abating, these network-based tech companies serve as the closest parallel to the value creation investors can expect with the world's first open-source monetary system.

One other way to measure bitcoin's significant scale is Bitcoin Dominance, which is defined as bitcoin's share of the total crypto industry market cap. Bitcoin Dominance progressed higher for most of July and ended the month at 48.5%, still off from its YTD peak of 72.6% but above its YTD low of 40%.

THE REASON TO HODL IS CLEAR

One of the bitcoin blockchain's many distinguishing features is transparency. Every network transaction is posted to the blockchain, enabling interesting analysis of investor behavior. For example, over 22% of all bitcoins have been held for more than 5 years. These buy-and-hold investors may have decided that simply being invested in bitcoin, regardless of its volatility, is more important than trying to tactically time the asset. The acronym HODL, while initially just a typo for "hold," has since been popularized to describe this long-term bitcoin strategy of "holding on for dear life."

So-called "HODLers" have benefited from bitcoin's remarkable price appreciation. As demonstrated by NYDIG's [Greg Cipolaro](#), bitcoin has returned an average of 136% per annum over 5-year rolling periods from Jan '11 - June '21, outperforming 12 major asset classes by a wide margin, well ahead of the second best performing asset, U.S. Equities,⁴ which returned an average of 9.7% per annum. Perhaps most interestingly, bitcoin's worst-case 5-year return over the period was +29%, better than the maximum return for 9 of 12 asset classes.⁵ For investors with a long-term horizon, the reason to "HODL" is clear.

PERFORMANCE

	1MO	3MO	YTD	1YR	3YR*	5YR*
Bitcoin	14.76%	-30.12%	36.70%	252.19%	72.85%	129.71%
Gold	2.49%	2.55%	-4.43%	-8.18%	14.01%	6.07%
S&P 500	2.38%	5.50%	17.99%	36.45%	18.16%	17.35%
Barclays Agg	1.12%	2.16%	-0.50%	-0.70%	5.73%	3.13%

*Returns greater than 1 year are annualized.

	5YR Standard Deviation	5YR Sharpe Ratio	5YR Correlation to BTC
Bitcoin	89.1%	1.35	-
Gold	13.4%	0.42	0.11
S&P 500	15.0%	1.08	0.23
Barclays Agg	3.3%	0.62	0.14

SOURCE FOR CHART AND TABLE: NYDIG, Bloomberg, last available data as of 7/30/21. Barclays Agg represents the Bloomberg Barclays US Aggregate Total Return Bond Index. Bitcoin returns based on month-end 4pm prices. Monthly bitcoin prices prior to October 2018 are based on Coinbase 4pm pricing. In October 2018, NYDIG began generating bitcoin prices in accordance with NYDIG Asset Management's valuation policy for its bitcoin funds. The monthly bitcoin prices used after October 2018 reflect 4pm prices determined in accordance with such valuation policy, which is the same valuation policy that is used for NYDIG's funds. As there are two different pricing sources for bitcoin reflected, the historical performance of bitcoin shown may be different if the bitcoin prices in accordance with NYDIG Asset Management's valuation policy were used for the entire period or if the Coinbase pricing were used for the entire period. Performance data quoted represents past performance of bitcoin. Past performance of bitcoin is not indicative of future results. Bitcoin has historically exhibited high price volatility relative to more traditional asset classes. The value of an investment in bitcoin or the funds could decline rapidly, including to zero.

END NOTES:

- 1) Source: Bloomberg
- 2) Source: Bloomberg as of 7/30/21
- 3) Source: Glassnode, cypto.com, NYDIG as of 6/30/21
- 4) U.S. Equities represented by CRSP 500 (1926 - 1988) and S&P 500 Total Return Index (1988 - Onward)
- 5) Source: NYDIG, Bloomberg, Center for Research in Security Prices. Monthly data from Jan '11 - June '21.

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