



Deep Dive Into Crypto

Danny Robushi, APEX MACRO Founder

June 9, 2024

"Bitcoin is an ark of encrypted energy to escape the currency flood." – Michael Saylor

"Bitcoin's network effect has taken over. It is the currency of the Internet." – Raoul Pal

"Bitcoin is a supermassive black hole that is sucking in everything around it and destroying it. This is the black hole of finance." - Raoul Pal

"Bitcoin is not just an investment. It's a revolution." – Anthony Pompliano

"Bitcoin is the best asset for saving and wealth preservation that humanity has ever had." – Jack Mallers

Bitcoin

Bitcoin price action moves in a log trend. After halvings, price tends to run up to ~2 standard deviations above that trend. Buying opportunities show up in the drawdowns when price falls 1-2 standard deviations below trend.



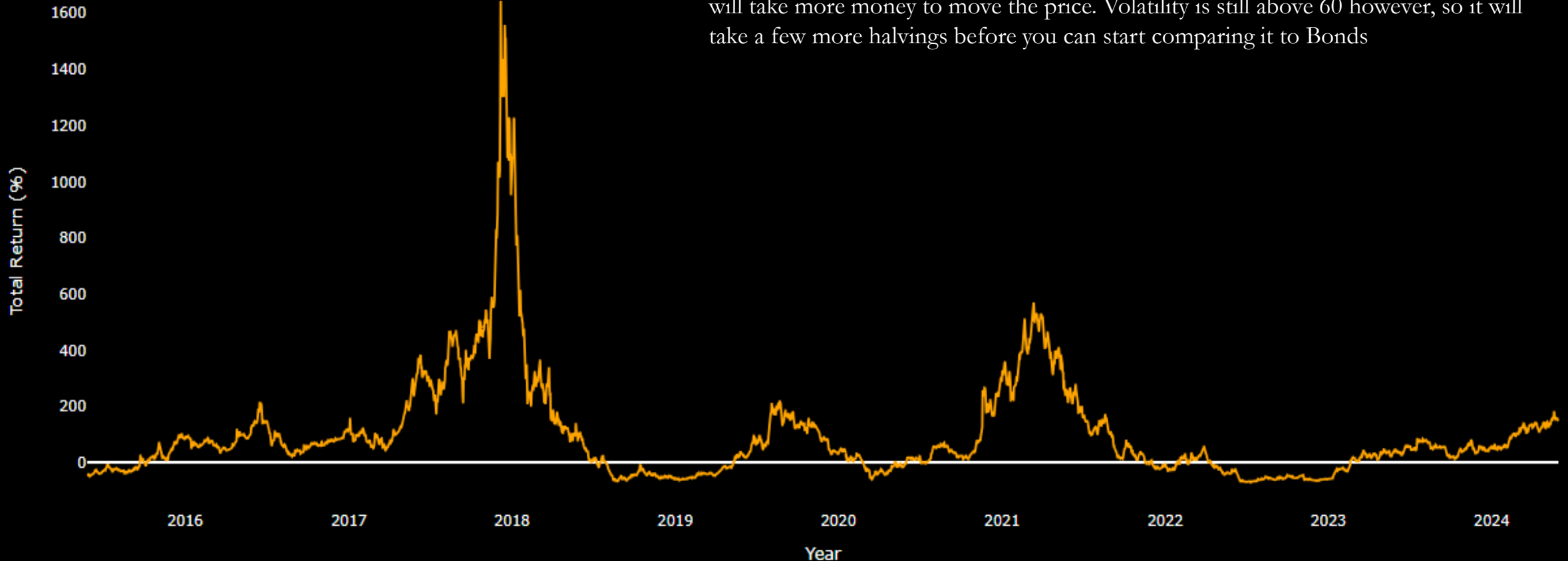
Return Since 2016

Since 2016 Bitcoin has returned over 15,000%. Ever dollar put into Bitcoin in 2016 would be worth \$154.39

Cumulative Return: 15439.06%



Rolling 1-Year Total Return for Bitcoin (BTC-USD)



Total 1 year return for BTC during the 2017 halving was 1600%. The return during the 2020 halving peaked at just over 600%. As the market cap gets larger the volatility and total return will fall causing Bitcoin to become more and more Bond like being that it will take more money to move the price. Volatility is still above 60 however, so it will take a few more halvings before you can start comparing it to Bonds

Bitcoin (BTC-USD)

The current consolidation range is between 60K and 73K. In terms of technical patterns, it is a bull flag with upside once 73K breaks. If the bull flag is negated and price breaks below 60K, we will be looking for the low 50,000's for support



Bitcoin (BTC-USD)

Zooming out, a break from that range could put next resistance in the mid \$80,000's





Drawdowns in Bitcoin are more of a feature than a bug. It is normal to consistently see 20-40% drawdowns in all parts of the cycle. After the peak of the cycle which tends to be 18 months after the halving takes place you get the larger 70—80% drawdown.

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Bitcoin





In looking at price action RSI will tell you when we are overbought or oversold. While not perfect you tend to get a pullback, albeit most of the time minor when you break above 85 on the daily RSI

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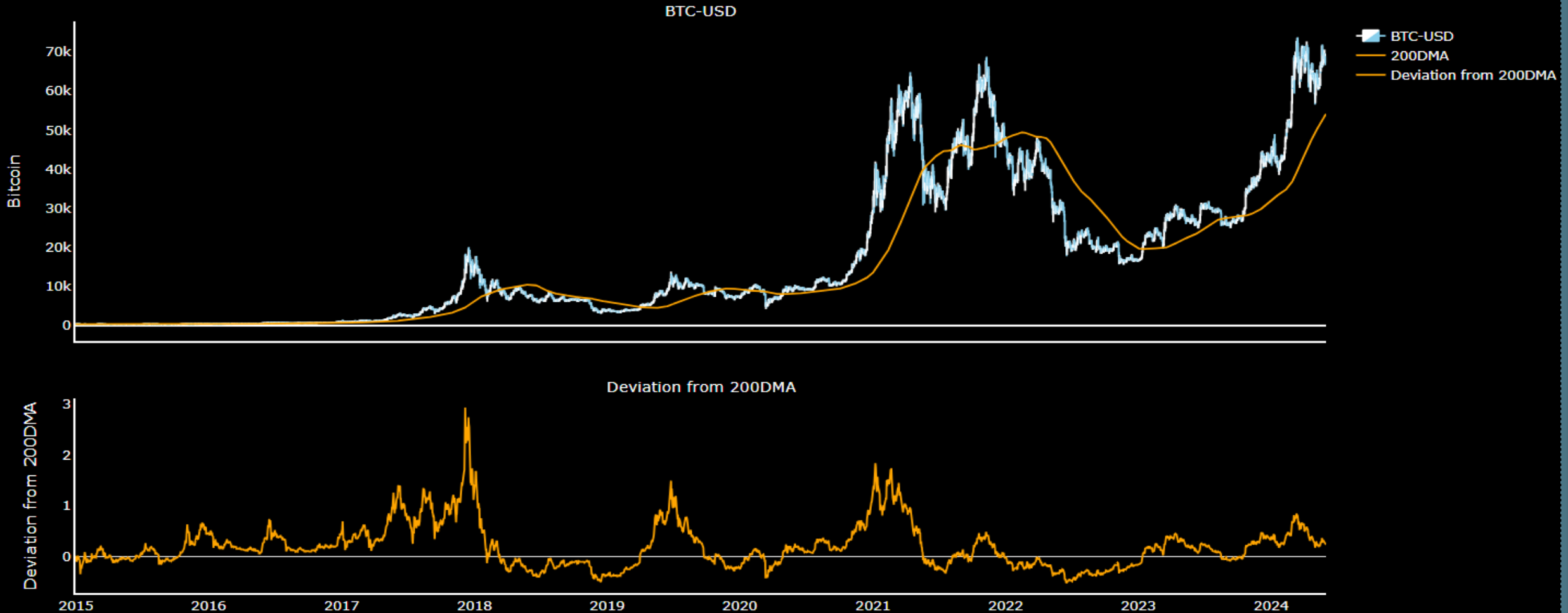
Bitcoin





Price can only stay deviated from its 200 DMA for so long. Most stocks fall back to earth once they reach 10-15% above their 200 DMA. Bitcoin during big rallies can get as much as 200-300% above its 200 DMA

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Bitcoin Seasonality

Bitcoin so far this year has deviated from seasonality. What has been consistent though is a large portion of returns come in the back half of the year, with a summer consolidation



Bitcoin Seasonality - Halving Years

Looking at seasonality in only halving years makes our last point even more prescient being that this is one. The last 2 halving years had most of its returns in October-December



S&P 500/BTC

In comparing Bitcoin to other assets since 2014, you find out that everything else has underperformed by 99%. While volatile, there has been nothing outside of crypto that has compared





Nasdaq/BTC

The Nasdaq has been the best performing index over the past decade, and we get the same result



GOLD/BTC

Ditto for Gold in terms of price action





BTC/Gold

Interestingly, with Gold recent breakout over \$2,000 an ounce, Bitcoin has not made an all time high yet priced in Gold. But, did priced in USD when it reached \$73,000

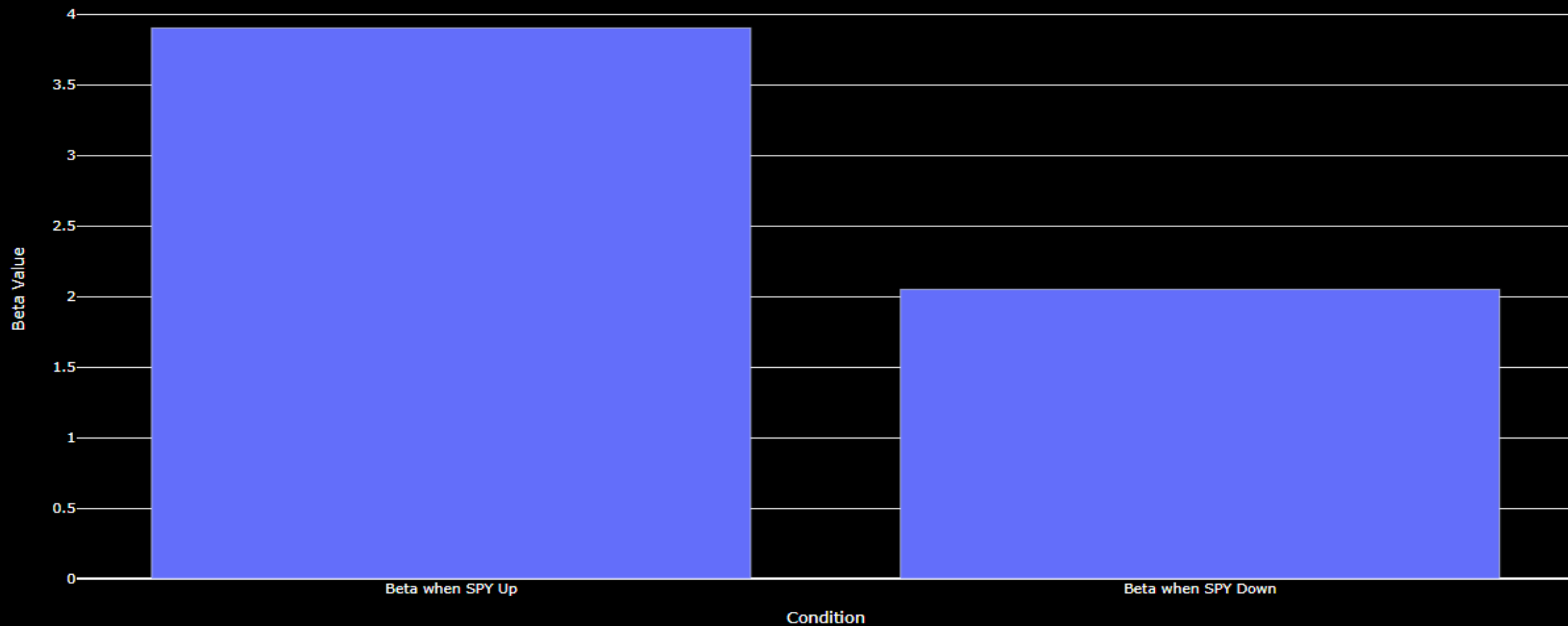




Looking at the Beta of Bitcoin relative to the S&P 500 over 10-day periods, it outperforms when the S&P 500 is up by almost 4X. But it is a horrible insurance policy. When the S&P 500 falls Bitcoin falls double the market

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10-Day Average Beta of BTC-USD when SPY is Up vs. Down

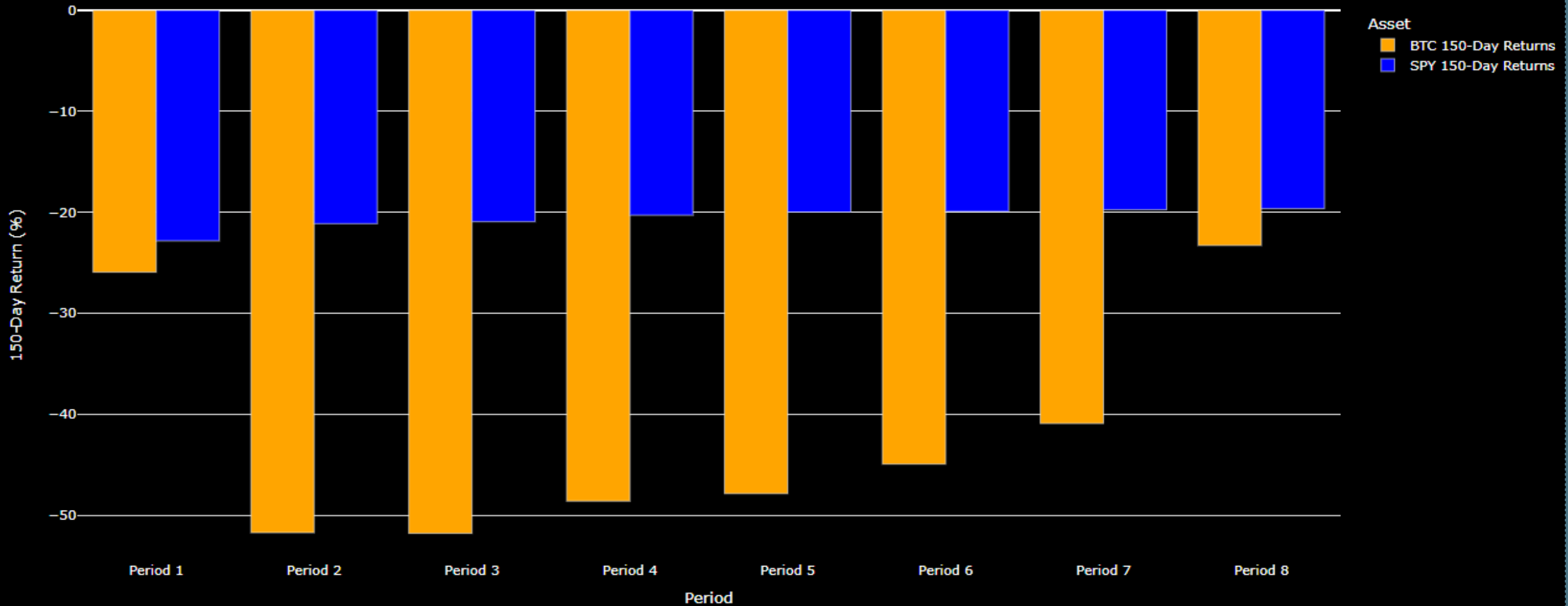




In looking at the S&P 500's 8 worst 150-day periods since 2019 and comparing it to Bitcoin, BTC had larger drawdowns in all 8, further reinforcing our point from the previous slide

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BTC and SPY 150-Day Returns During 15 Worst SPY 150-Day Return Periods Since 2019

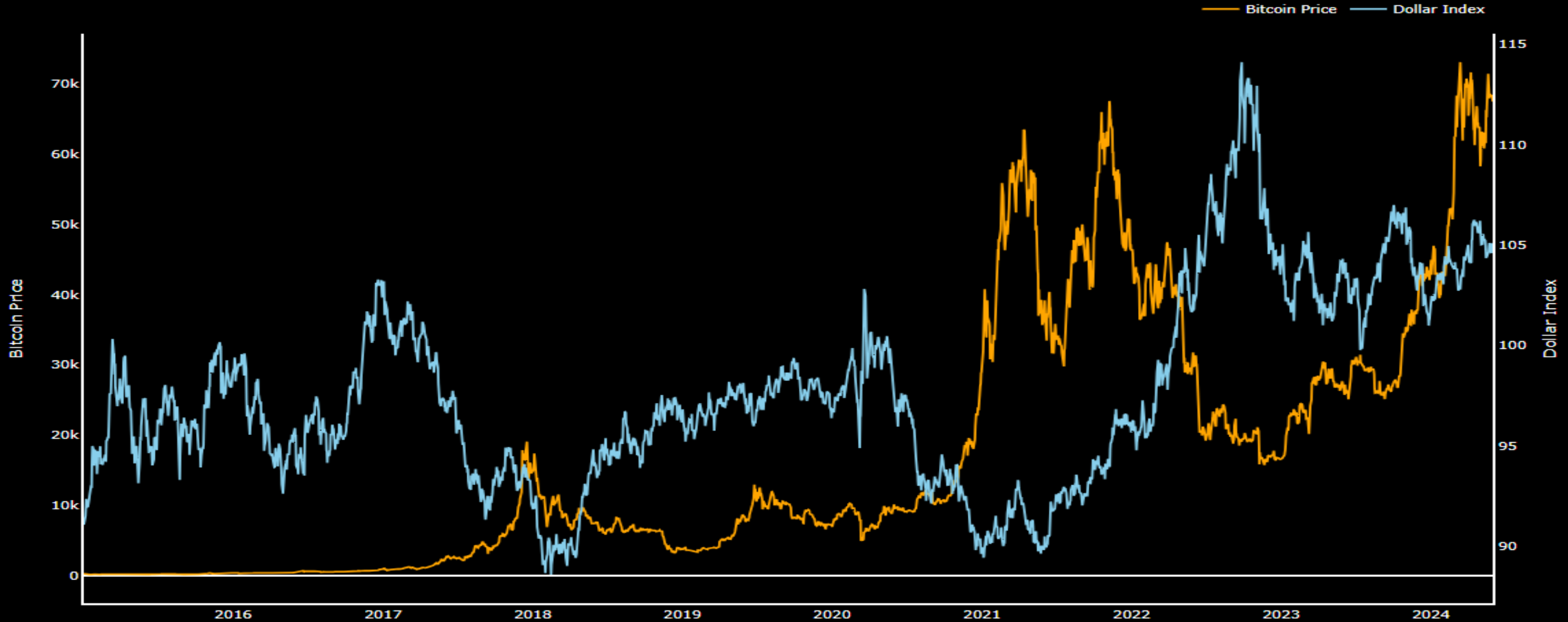




The majority of Bitcoin returns come in periods when the Dollar is falling. These periods coincide with lower interest rates and Central Bank intervention (Quantitative Easing)

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Bitcoin Price and Dollar Index

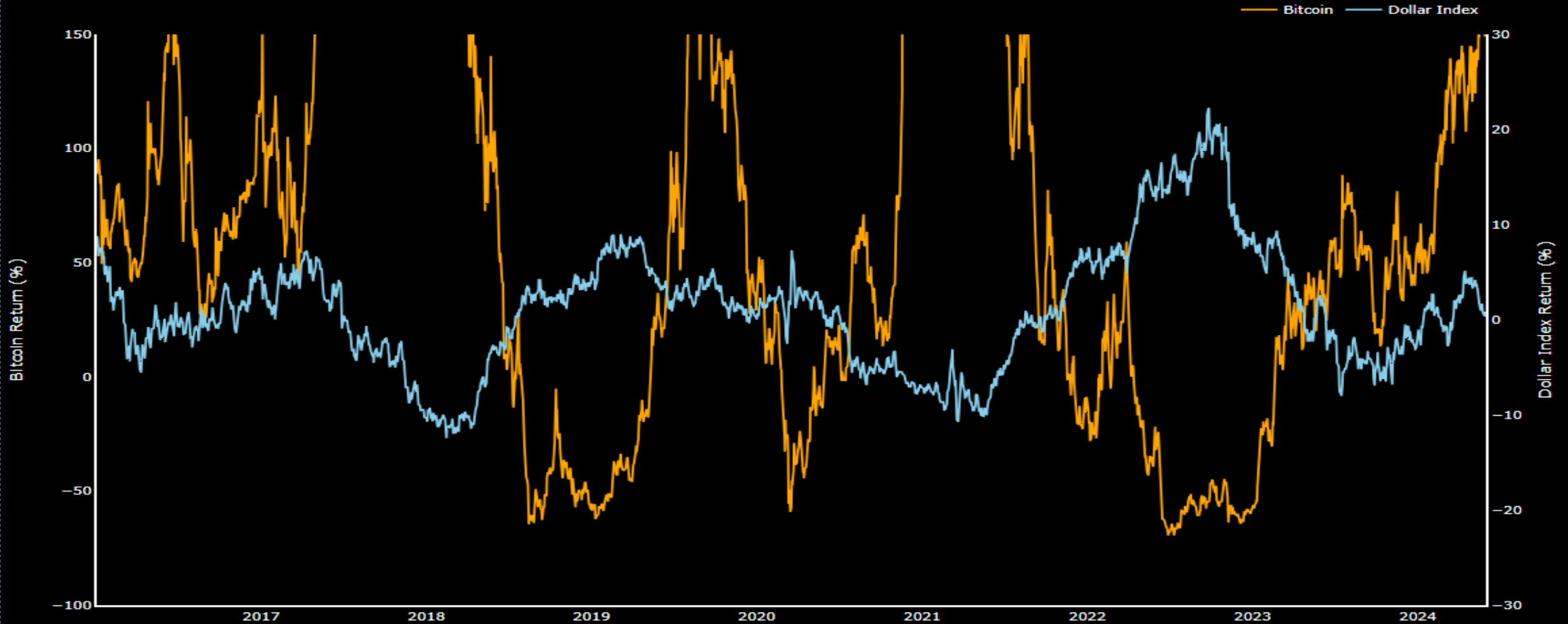




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This shows the same, just in percentage change terms

Rolling Returns for Bitcoin and Dollar Index





Yields and the Dollar are highly correlated. Investors move out of Dollars to Bonds pushing yields and the Dollar lower and when yields rise investors are selling Bonds to raise Dollars pushing yields and the Dollar higher/Asset prices lower

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Bitcoin Price and 10-Year Treasury Yield





This relationship is further shown in these next few slides. When the Central Bank is cutting rates, they are also providing liquidity to the economy/markets by creating Dollars and suppressing yields. Large amounts of liquidity ends up finding its way to crypto

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Bitcoin Price and Fed Funds Rate





The Fed is the lender of last resort and in times of crisis they engage in QE (buying assets). They Buy U.S. Treasuries, Mortgage-Backed Securities and in 2020 went all the way out on the risk curve to buy Investment Grade/High Yield Debt

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BTC & Fed Balance Sheet





This allows a refi-cycle to commence at lower yields and slows defaults. It also directs capital into Banks. As bank reserves move higher, Bitcoin is a beneficiary

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BTC & Reserves of Depository Institutions





M2 Money is total amount of dollars in savings and checking accounts. M2 jumped higher by over 40% in just 2020 from QE and the Government sending checks to households. Much of that money found its way to crypto

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Bitcoin and M2 Money Stock

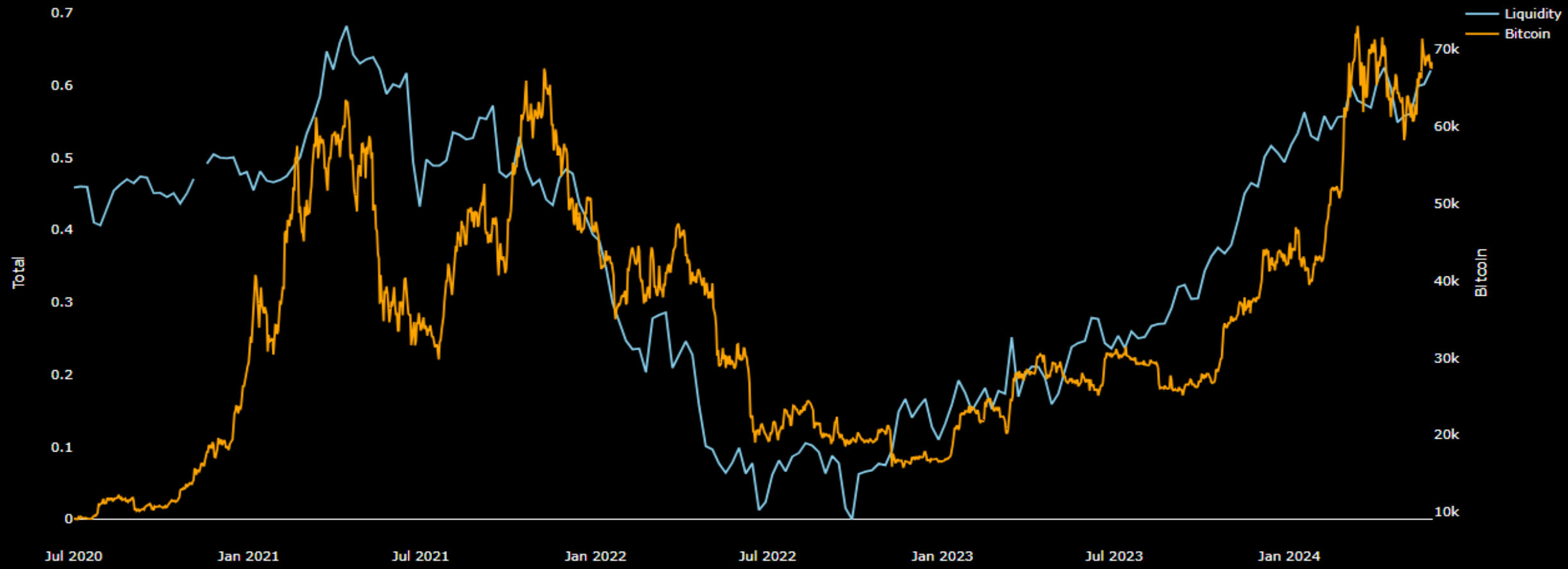




If you go back and look at the previous charts you will see the relationship between the Fed Balance sheet, Bank Reserves, M2 and BTC. But over the last year all 3 of those have turned lower while Bitcoin hit all time highs. As the Fed has engaged in QT, liquidity has been provided through drawdowns in the Feds Reverse Repo Facility and the Treasury General Account, propping up asset prices

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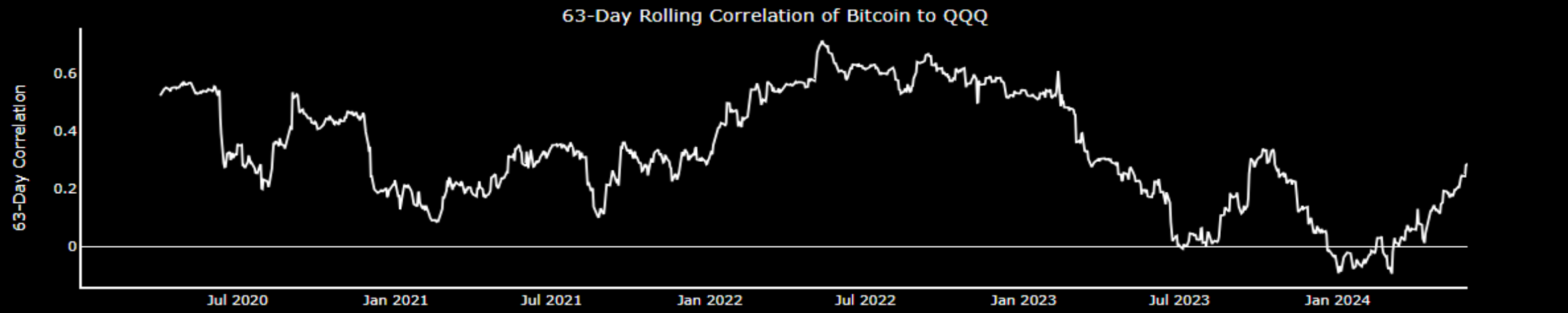
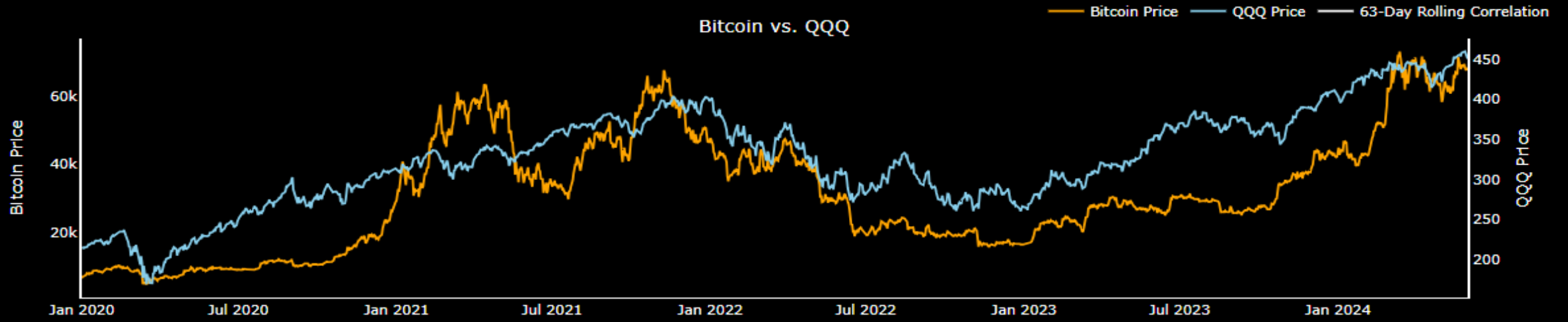
RRP + TGA (Inverse) & Bitcoin





Bitcoin has been highly correlated with Tech Stocks and that correlation is even higher if you look at the correlation between BTC and the 3X levered Nasdaq ETF TQQQ

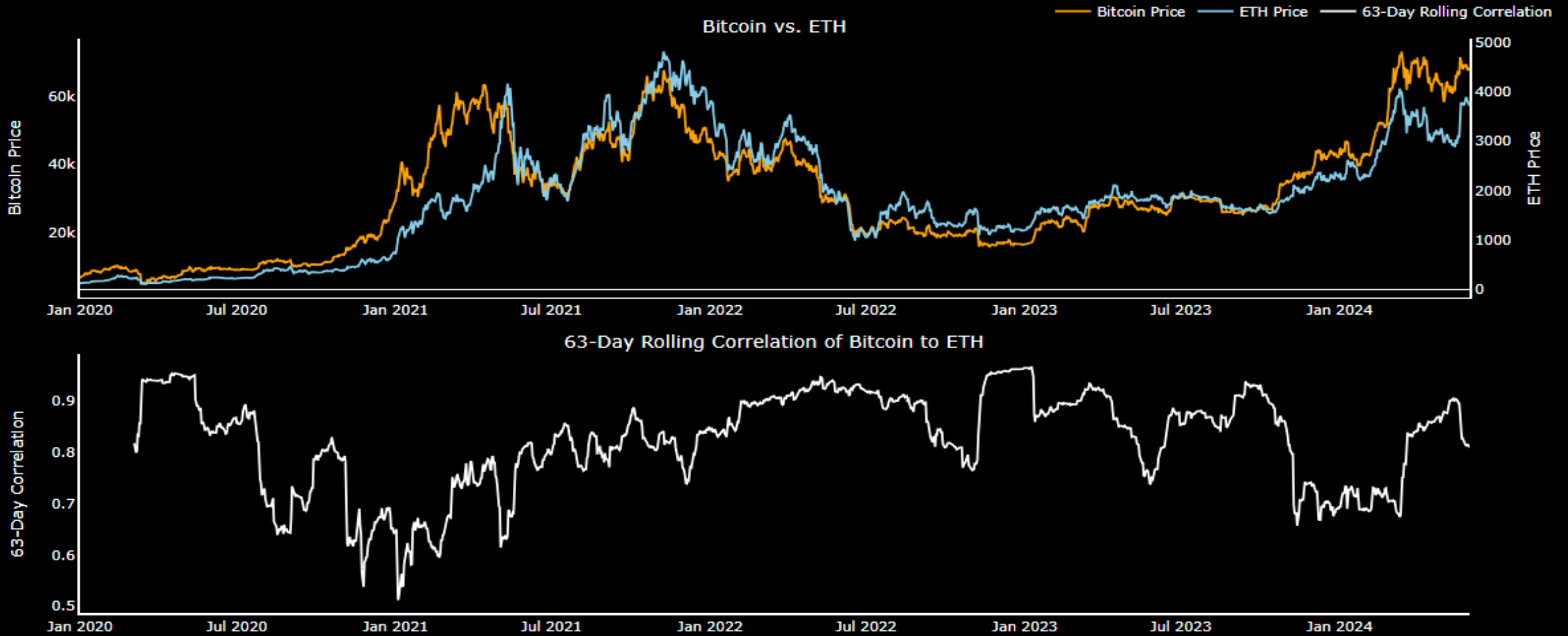
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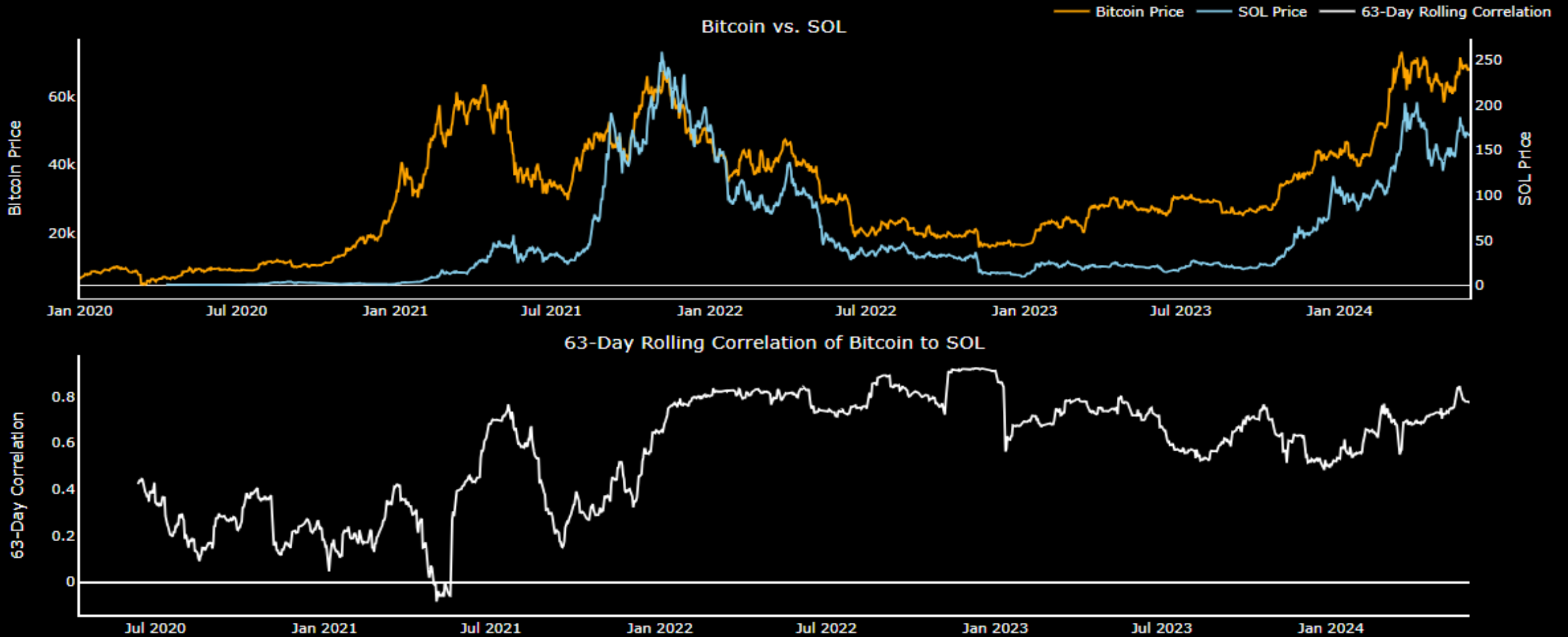




Not surprising is the high correlation between Bitcoin to Ethereum. It's consistently 70-90%

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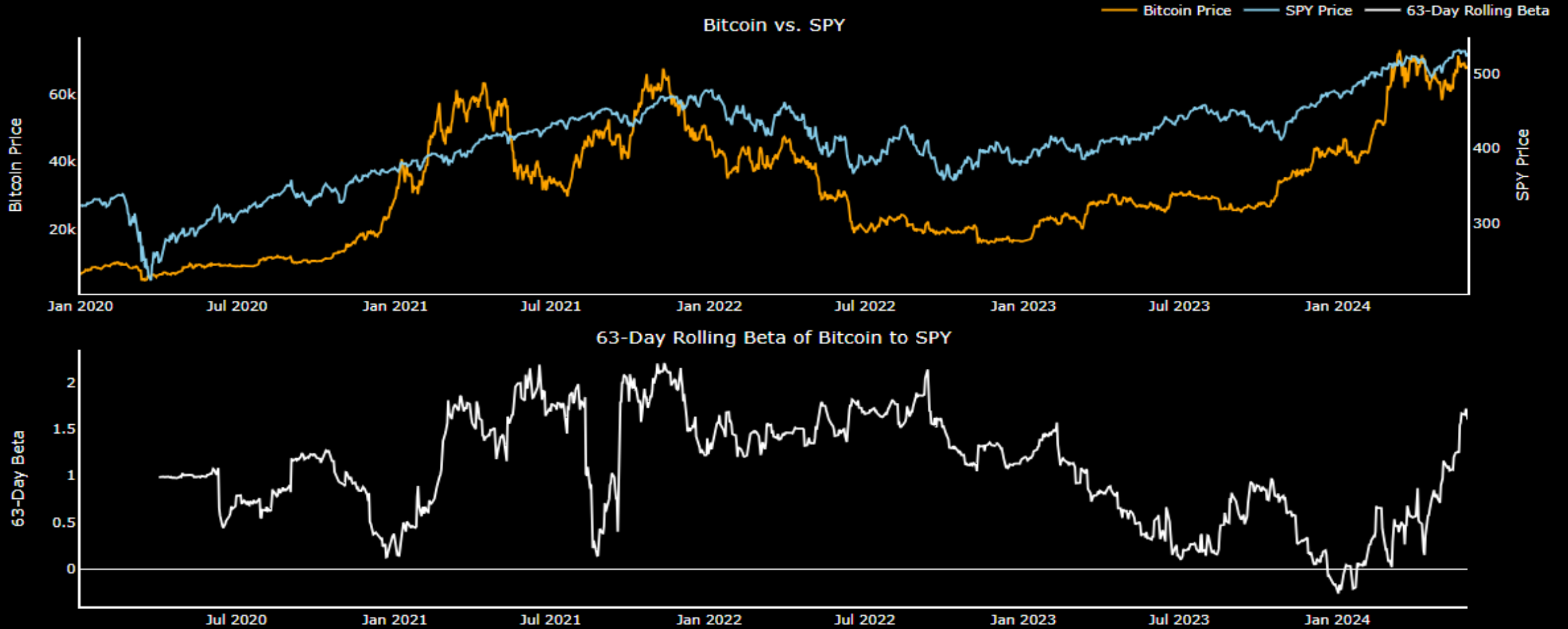






In looking at a longer-term chart of the beta of Bitcoin to the S&P 500, Bitcoin consistently move 1.5-2x the market over 63-day periods

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Over the long-term, Bitcoin has underperformed Ethereum but, has outperformed since late 2022. While both can move higher together, once that trend breaks lower Ethereum is likely to be the outperformer

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Bitcoin/Ethereum Ratio

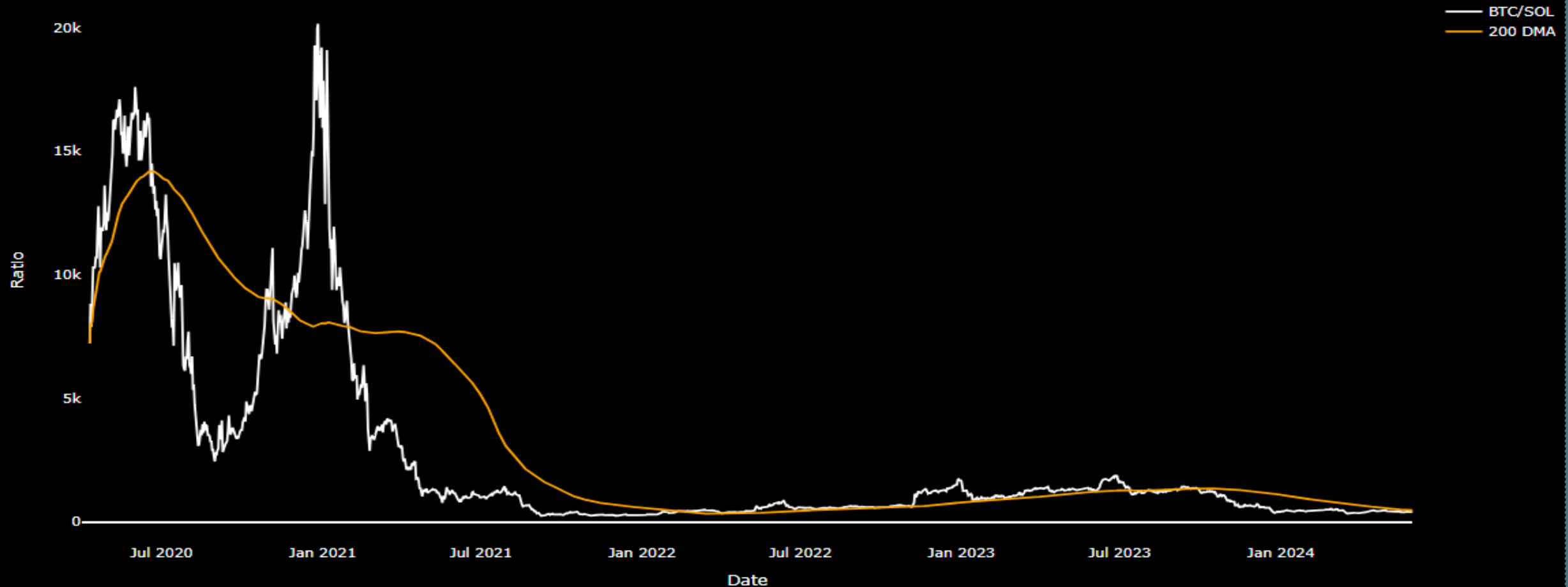




If we look at that same ratio chart but use Solana, we get a chart like the previous charts comparing Bitcoin to other assets. Solana has outperformed Bitcoin by ~90%

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Bitcoin/Solana Ratio





The red lines denote Bitcoin halvings. Looking at the time from halving to the peak of the cycle we get a period of time that lasts about 18 months

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Bitcoin & Bitcoin Halvings





Bitcoin has been tracking its 2020 cycle and if that continues through this cycle, you will see a peak price about \$400,000 (Not a price Prediction, just an observation)

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Bitcoin (Mar 2020 - Jan 2022) & Bitcoin Today

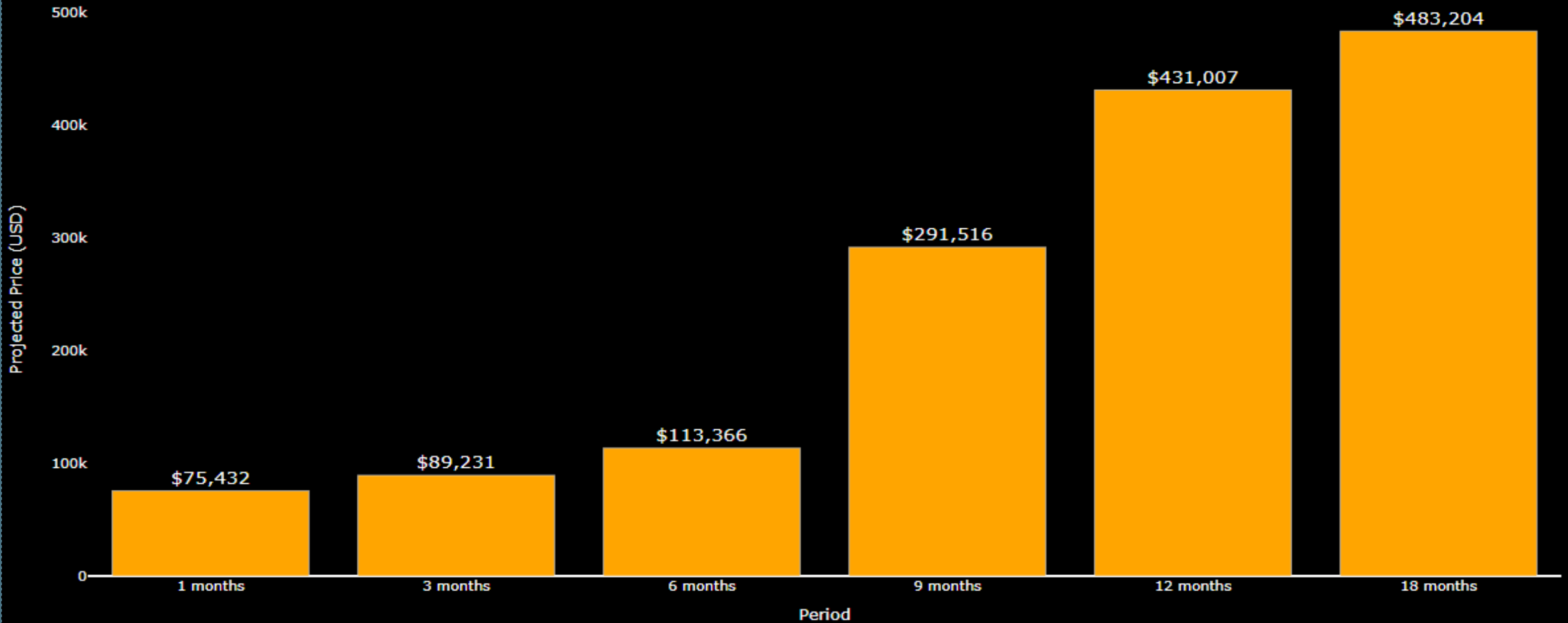




This shows the potential prices using the 2020 total returns in each time frame from the date of the halving

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Projected Bitcoin Prices Using 2020 Halving Returns

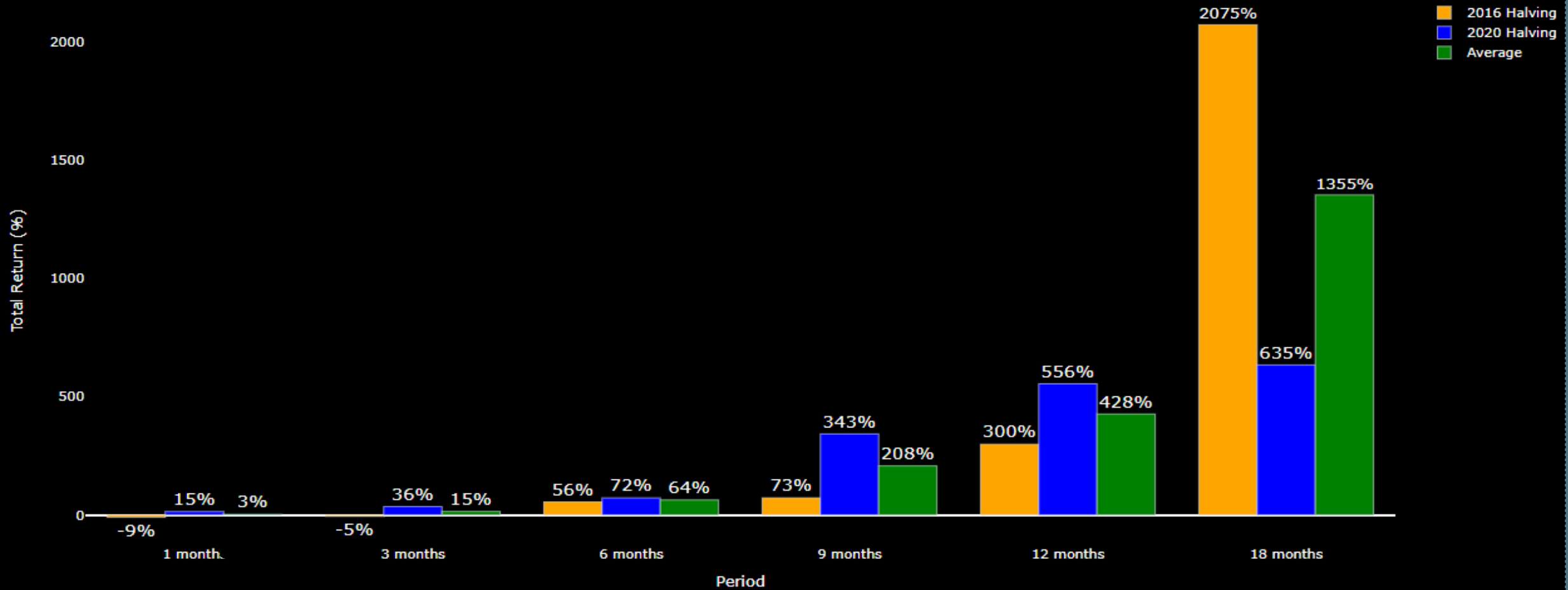




The returns each halving have been lower but the average over the last two, 18 months out is 1,355%

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Bitcoin Returns After Halving Events

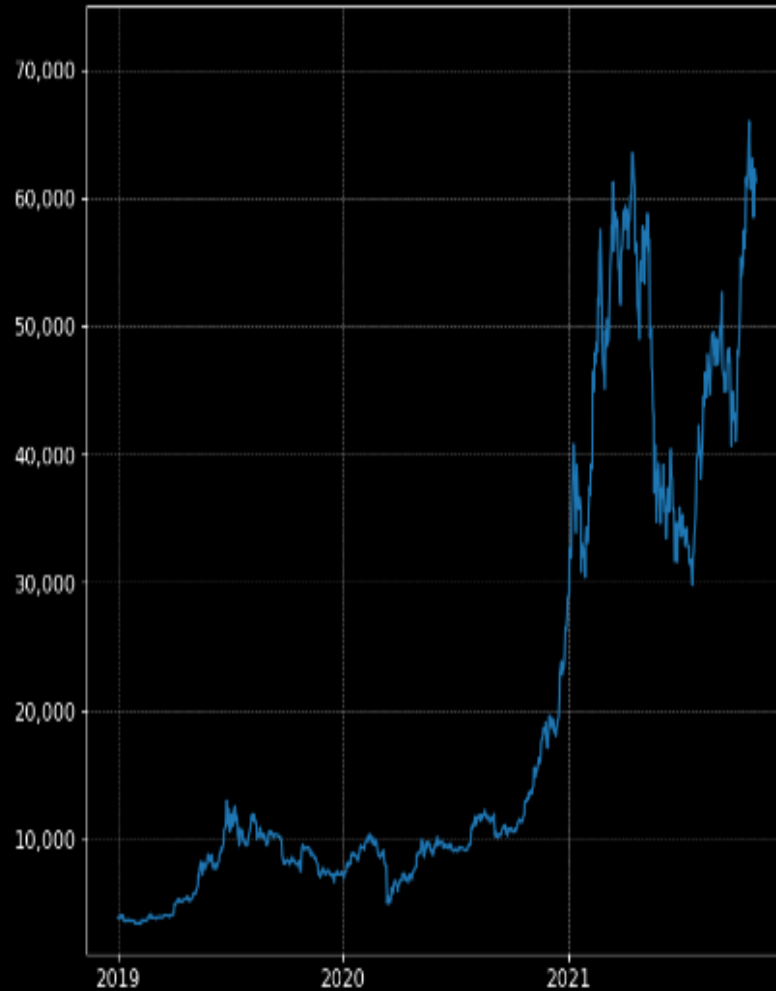




This shows you the type of price action we tend to see when Bitcoin starts moving. The first is the 2016 halving, second is the 2020 halving and you see a similar price pattern at the beginning of the 2024 halving

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Bitcoin Price by Halving

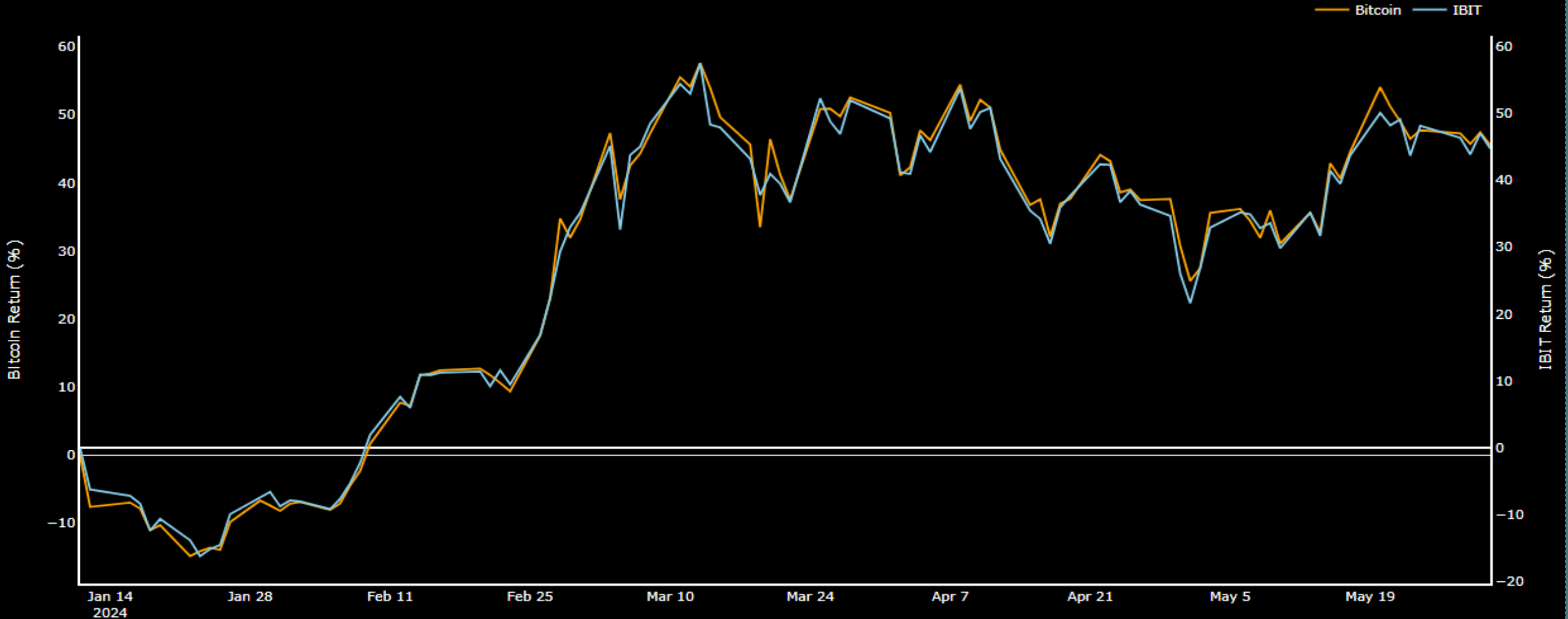




In getting exposure to Bitcoin, investors have used many different options that include direct exposure, futures, miners and equity proxies that hold Bitcoin on their balance sheet. So far, the spot ETF have tracked the underlying price really well. The worry in holding ETFs is always tracking error

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Bitcoin and Bitcoin ETF (IBIT)





Ethereum can be looked at in the same log trend Bitcoin is. Buying opportunities are 1 and 2 standard deviations below trend

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Ethereum





The Cumulative Return for Ethereum Since 2020 is 2,274%

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Return Since 2020

Cumulative Return: 2774.59%





Last Cycle, Ethereum peaked at almost 1,000% year-over-year return. In comparison, Bitcoin was up 600%

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Rolling 1-Year Total Return for Ethereum (ETH-USD)





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Current range is just over \$2,900-\$4,000

Ethereum (ETH-USD)





A break lower would lead to possible downside support at \$2,600. A move above its current range would send it to test previous all-time highs of \$4,800

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Ethereum (ETH-USD)





Drawdowns in Ethereum are similar to what is seen in Bitcoin. After cycle highs Bitcoin drawdowns are 70-80%, Ethereum sees drawdowns of almost 90%

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Ethereum





Relative Strength of 85 tends to Precede short term pullbacks in price, but does not necessarily interrupt trends in either direction

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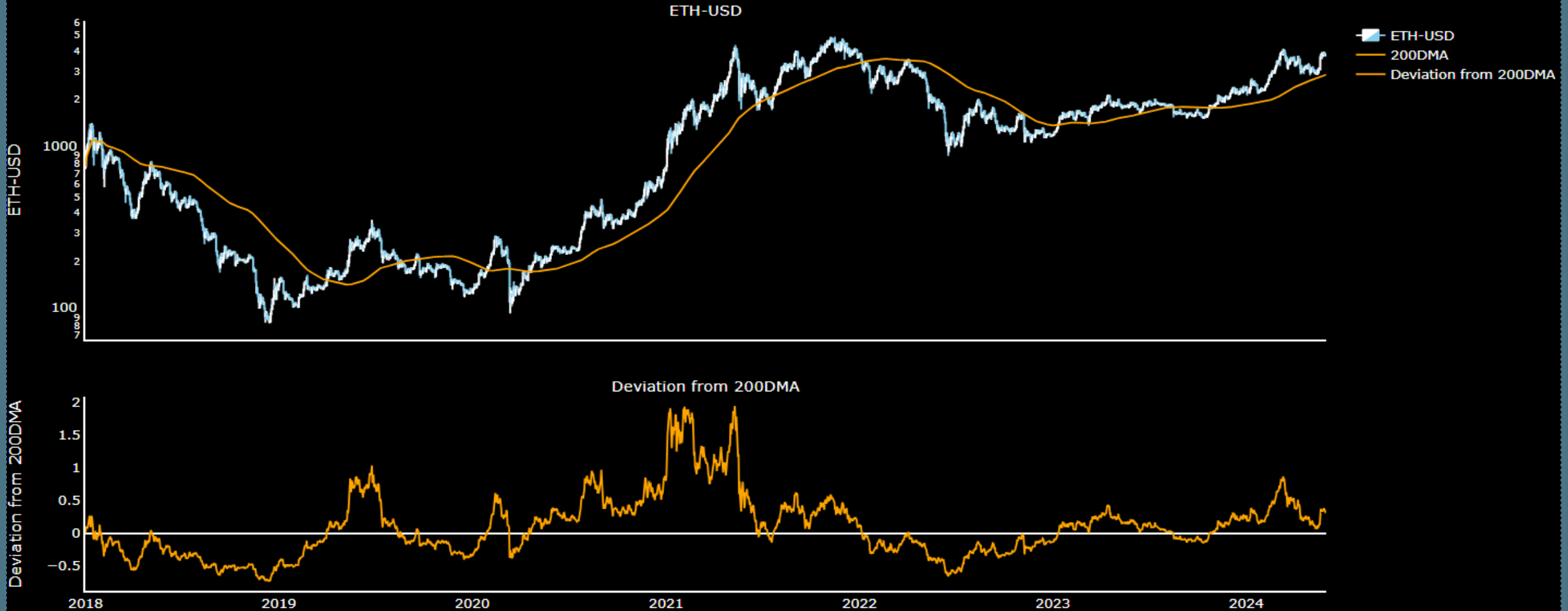
Ethereum





Deviations from Ethereum's 200 DMA can reach 200% mid cycle

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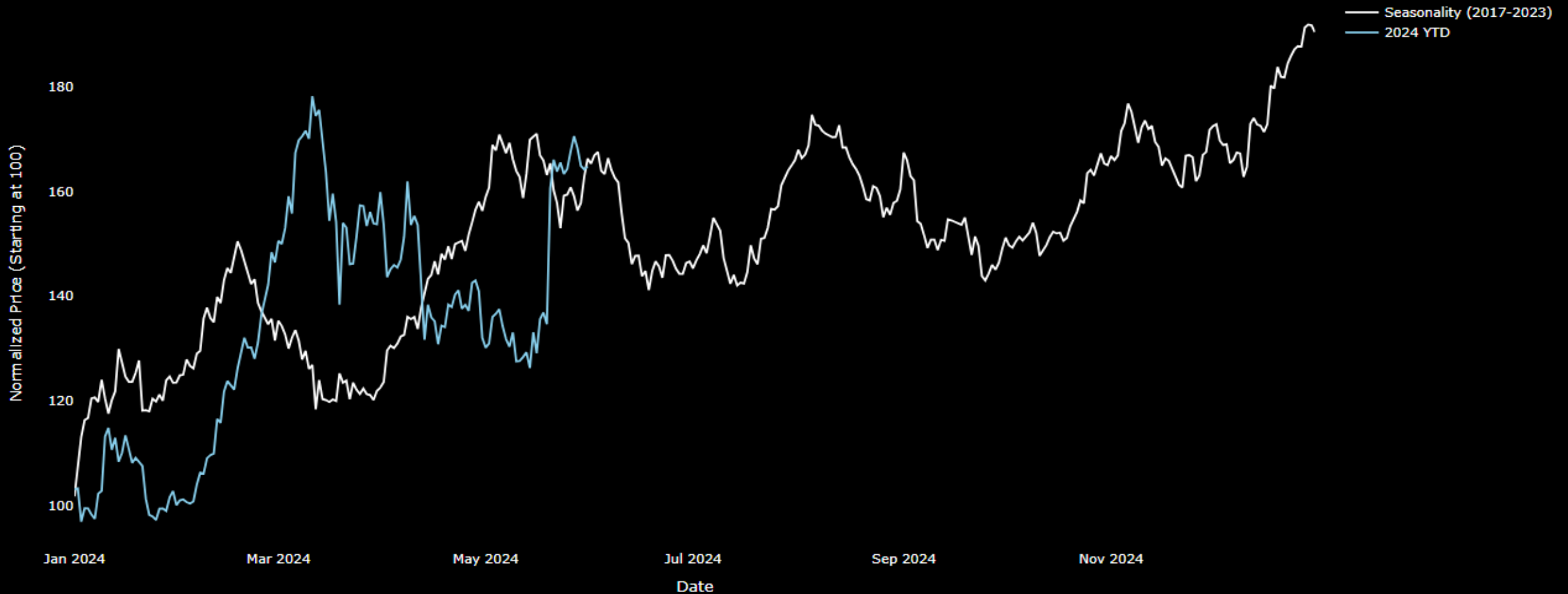




When looking at seasonality of Ethereum, we tend to see more deviations in price compared to Bitcoin. Bitcoin has most of its returns in the back half of the year where Ethereum sees series of higher highs and higher lows throughout the year

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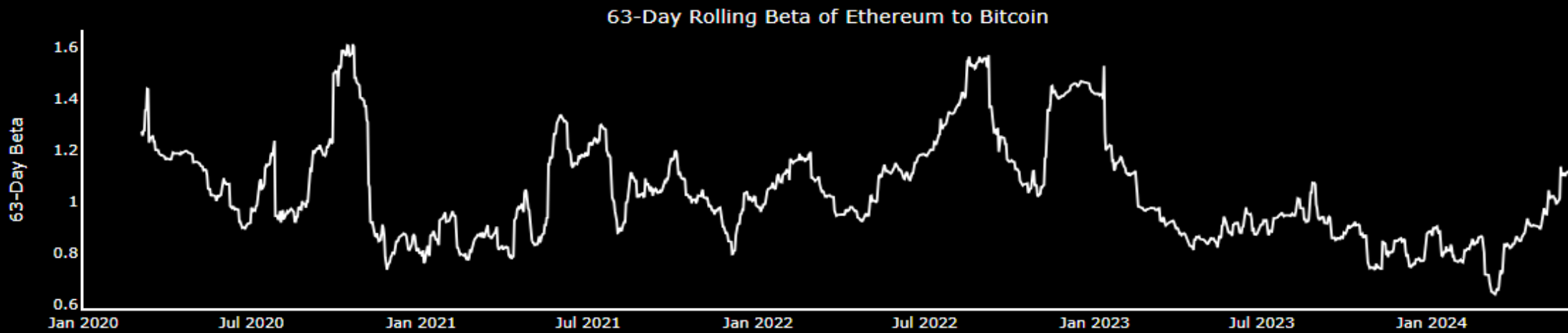
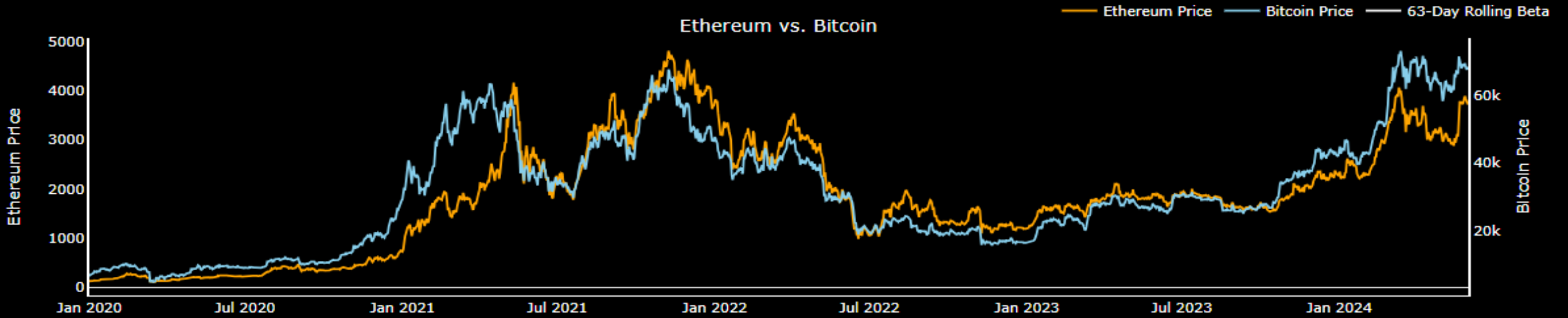
Ethereum Seasonality





Bitcoin moves more than the S&P 500 on both up days and down days.
Ethereum moves more than Bitcoin

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Ethereum tends to have periods where it outperforms Solana especially early in the cycle. But the overall trend vs. Solana is lower

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Ethereum/Solana Ratio





Regarding liquidity, the crypto space in general benefits from large amounts of money in the system. Ethereum ultimately outperforms Bitcoin on a price return basis

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ETH/BTC Ratio & Fed Balance Sheet





The Fed balance sheet expanding also creates more reserves in the banking system which has a correlation with both BTC and ETH

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ETH/BTC Ratio & Reserves of Depository Institutions





If Ethereum tracks last cycle it would reach prices of almost \$20,000

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Ethereum (Mar 2020 - Jan 2022) & Ethereum Today





The summer months last cycle saw a pullback in Ethereum. So far this year ETH is correlated to its path in 2021

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Ethereum (Jan 2021 - Jan 2022) & Ethereum Today

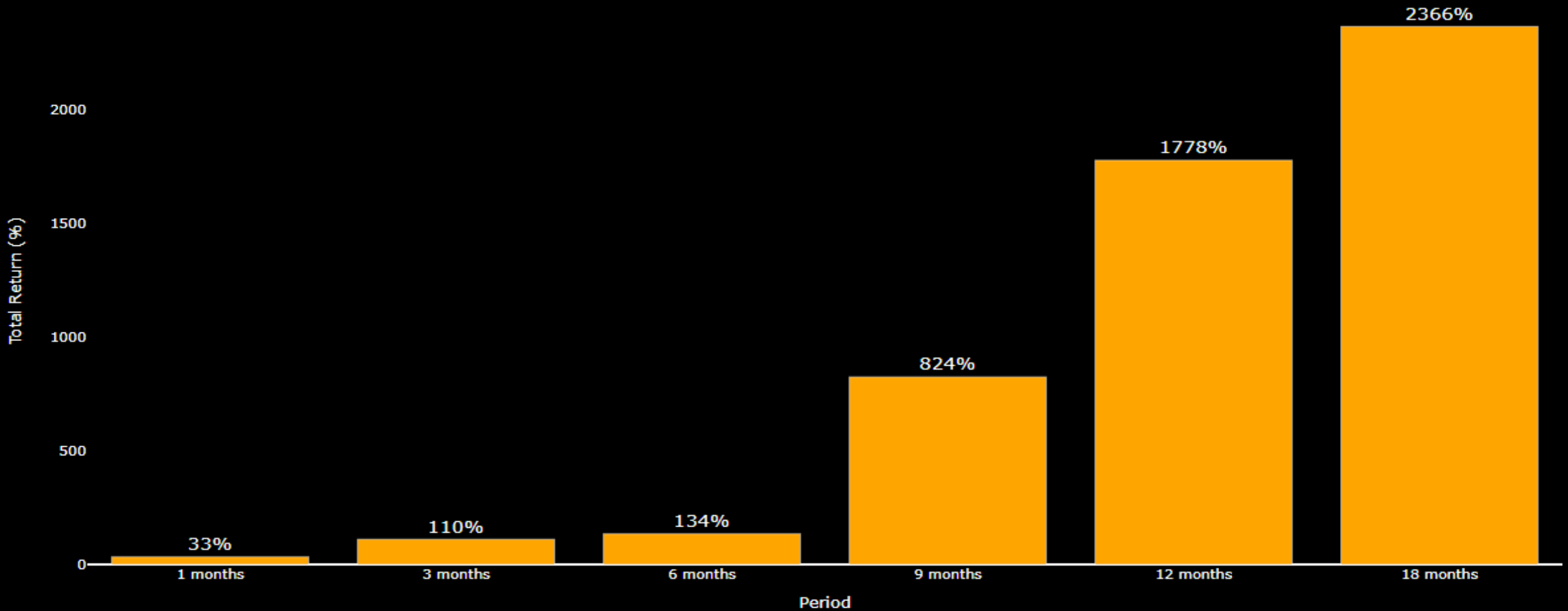




18 Months from the halving of 2020 ETH was up 2,366% and saw most of its returns between 9 and 18 months out

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Ethereum Returns After 2020 Halving Event





Solana can be grouped with BTC and ETH in terms of network effect and the log trend it trades in

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Solana



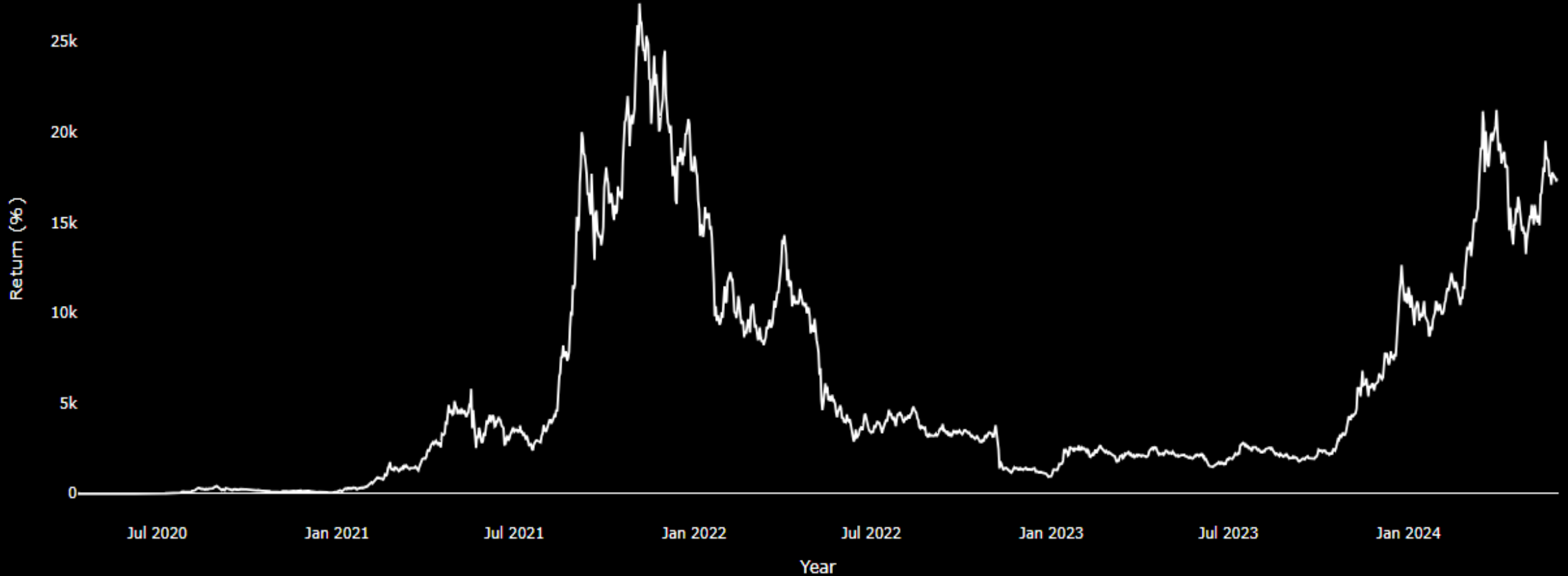


It is in the earlier stages of adoption which means it will have larger price returns but more volatility. It has returned over 17,000% since 2020

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Return Since 2020

Cumulative Return: 17325.25%

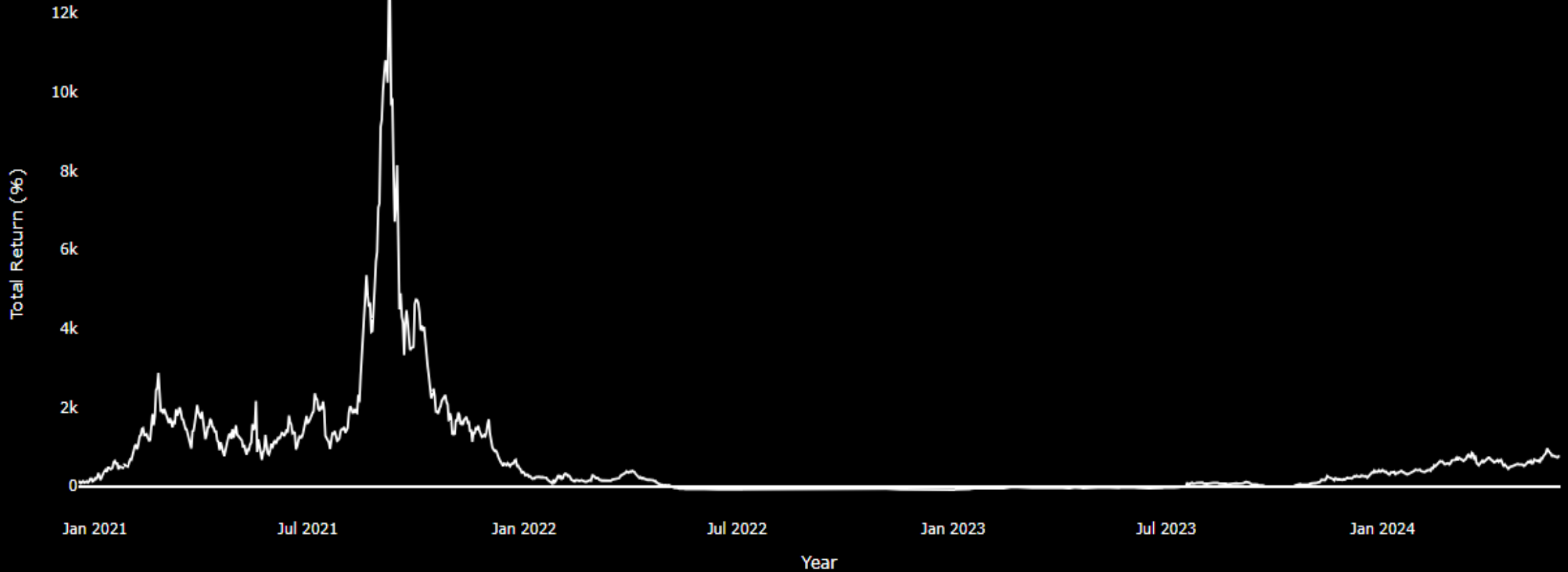




The year-over year return for Solana peaked at just over 12,000% in 2021

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Rolling 1-Year Total Return for Solana (SOL-USD)





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Current price range is \$195-\$121 with next resistance at \$250 if it breaks to the upside and support on the downside of ~\$125

Solana (SOL-USD)





Relative Strength of 85 is consistent with pullbacks in price

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Solana



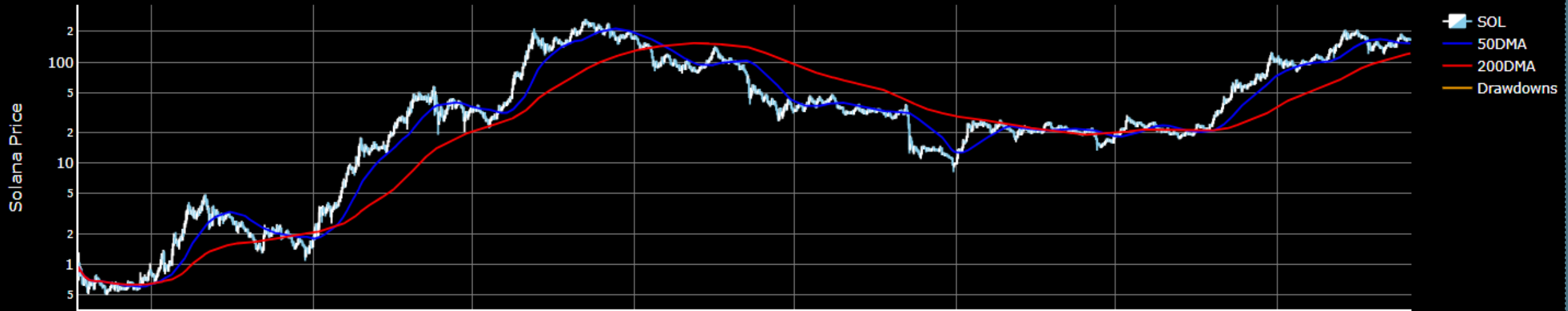


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Drawdowns in Solana are even larger than BTC or ETH with last cycle low ~95% below its peak

Solana

SOL



Drawdowns (%)

Drawdowns





Deviations from its 200 DMA have reach almost 300% mid cycle

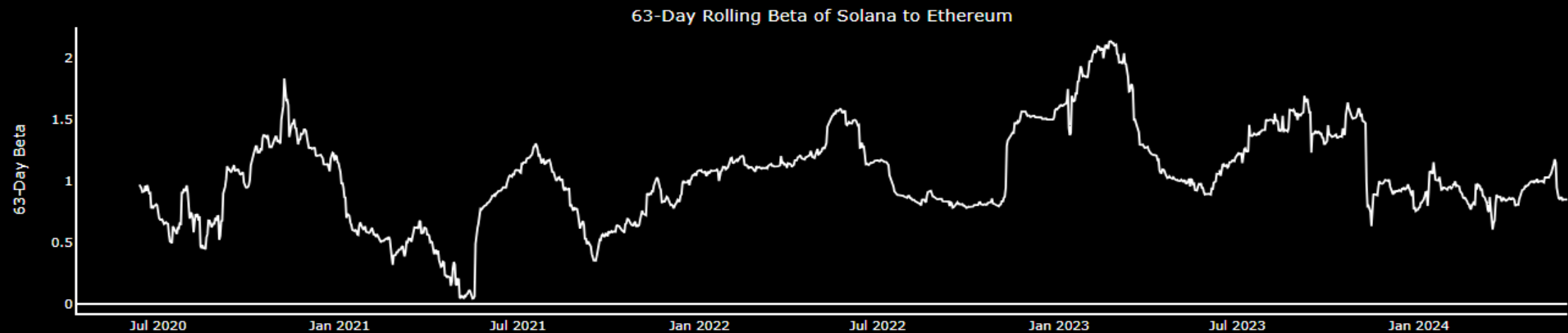
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The higher volatility and lower market cap as you go out the risk curve on crypto creates the multiples of return for each coin. Movements in $BTC > S\&P500$, $ETH > BTC$, $SOL > ETH$ both to the upside and downside

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Solana/Ethereum has been in an uptrend and will likely continue this trend throughout the cycle

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Solana/Ethereum Ratio

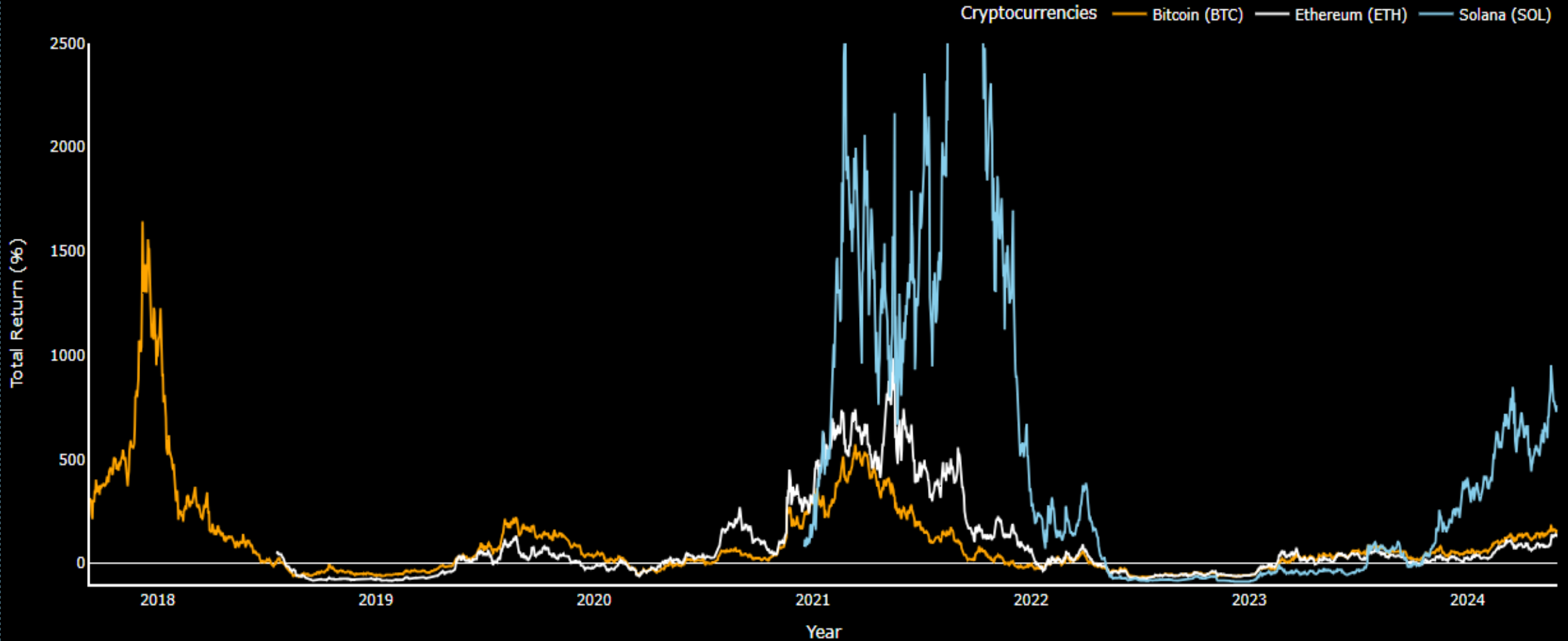




This depicts what we mean about going out the risk curve. Movements become more exponential as you take on more risk than Bitcoin. Risk in BTC > Equities, ETH > BTC, SOL > ETH

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Rolling 1-Year Total Return for Bitcoin (BTC), Ethereum (ETH), and Solana (SOL)





More risk however means higher price swings (volatility) both up and down. Knowing what you own is important as sitting through 40-50% even 90% drawdowns can shake you out of a position

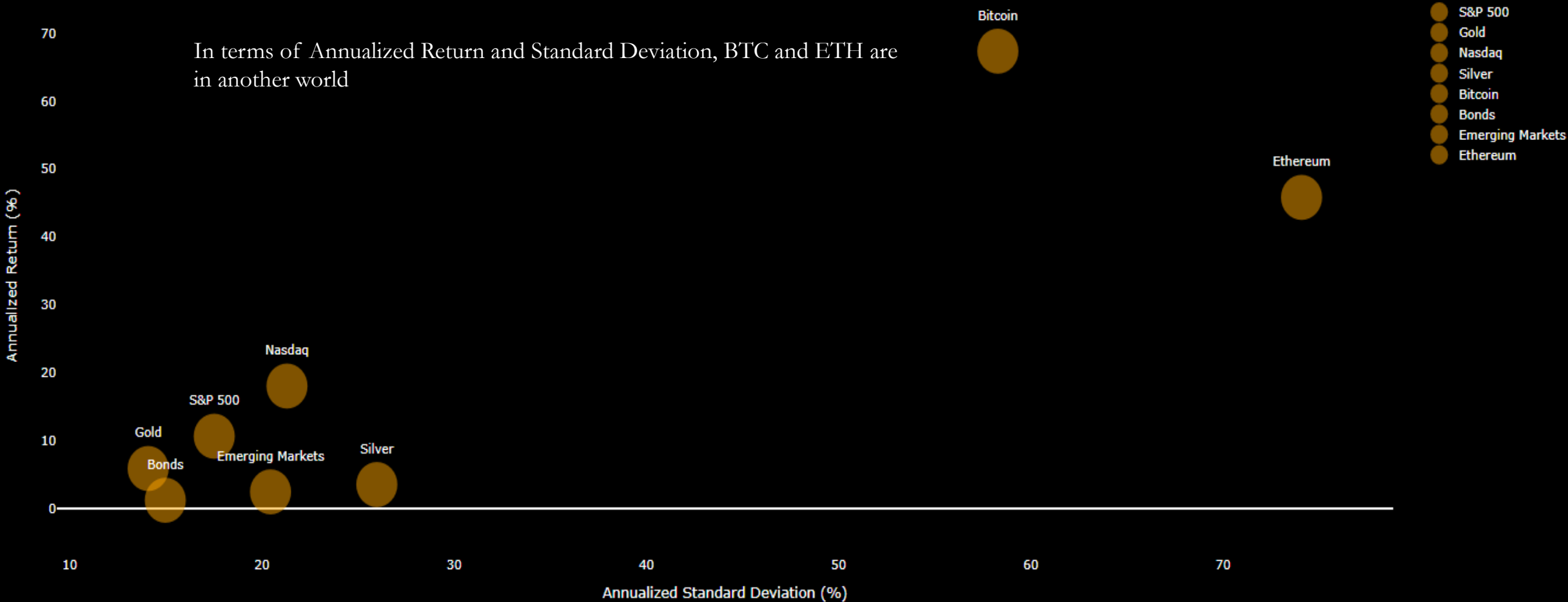
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Rolling 63-Day Historical Volatility of Cryptocurrencies



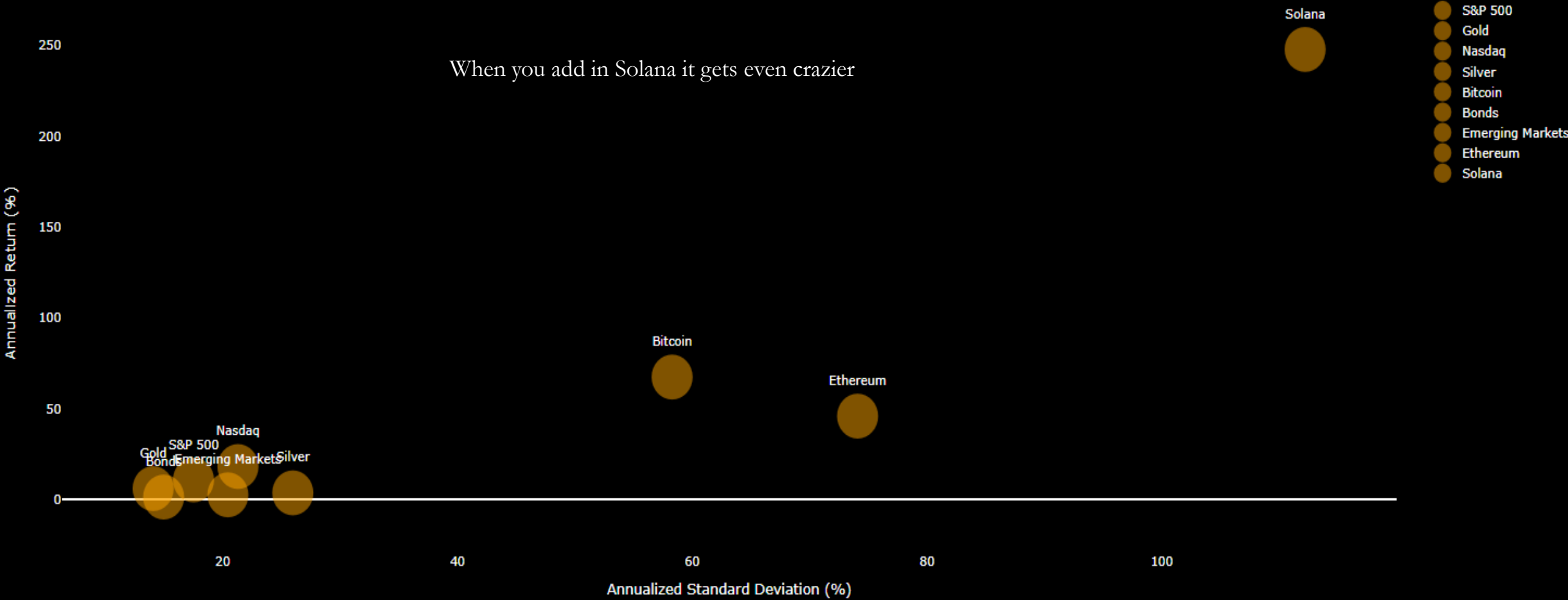


Asset Class Returns & Std. Deviation





Asset Class Returns & Std. Deviation





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