Industry Rollup

Bitcoin Suisse

July 2024

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Executive summary

Market Performance and Asset Correlations: June 2024 proved challenging for crypto assets, with Bitcoin and Ethereum declining 7.13% and 8.7% respectively, aligning with historical weakness for the month. Despite this, Ethereum has outperformed Bitcoin year-to-date. U.S. equities showed strength, particularly in the tech sector, with the S&P 500 up 3.53% and Nasdaq 100 up 6.18%. Gold continued its impressive run, backed by central bank demand and geopolitical uncertainties. Asset correlations remained low to moderate across asset classes, with Bitcoin further consolidating its position as a portfolio diversifier.

Crypto Market Dynamics: Supply overhangs from German government sales, Mt. Gox distributions, and post-halving miner capitulation pressured Bitcoin prices. However, consistent net positive flows into ETFs provided demand. The FTX bankruptcy proceedings may inject additional liquidity, potentially catalyzing positive sentiment. Ethereum faces several bullish catalysts, including spot ETFs, tokenization, regulatory improvements, and scaling solutions, yet sentiment remains low, suggesting potential upside.

Sector Performance and Notable Trends: A sector-wide selloff occurred, with the culture sector losing nearly 30% of its market cap. Memecoins displayed substantial volatility, while VC-backed projects continued to struggle. Tokenized assets remained relatively flat, with stablecoin supply matching market dynamics. Toncoin's ecosystem gained traction, entering the Top 10 by market cap.

Macroeconomic Indicators: The yield curve remains inverted, historically a predictor of recessions. With one of the longest inversions on record, economic concerns persist despite positive real yields and ongoing disinflation. Rate cuts are anticipated, but timing remains uncertain due to fluctuating expectations and economic indicators.

Bitcoin Cycle Analysis: Bitcoin's position just below its long-term logarithmic trendline suggests significant growth potential for this cycle. Current undervaluation metrics align with previous early bull run periods, indicating a favorable buying opportunity for long-term investors.

Emerging Trends and Innovations: Polymarket is gaining traction as a prediction market platform, reaching consecutive monthly volume ATHs and increasingly cited by mainstream media. Solana continues to impress with strong on-chain fundamentals, tech stack improvements, and institutional adoption signals. Major upgrades across key projects like Optimism, Celestia, and Solana have introduced enhanced features and improved scalability.

ETH flips BTC in YTD performance while AI carries US Equities

- On average, June is the second weakest month for Bitcoin (-0.35% avg.) and Ethereum (-7.44% avg.) only topped by September. With BTC down -7.13% and Ethereum down -8.7% MoM, June '24 was no outlier.

- After a period of indecisiveness, BTC lost a multi month range driven by German government selling of confiscated BTC (~50k BTC), Mt. Gox kicking off BTC distribution (~140k BTC) to its creditors and sustained post-halving miner capitulation.

- ETFs provided a source of demand with mostly consistent net positive flows. As the supply overhang resolves, we observe an uptick in exchange outflows while volatility starts to compress suggesting a potential 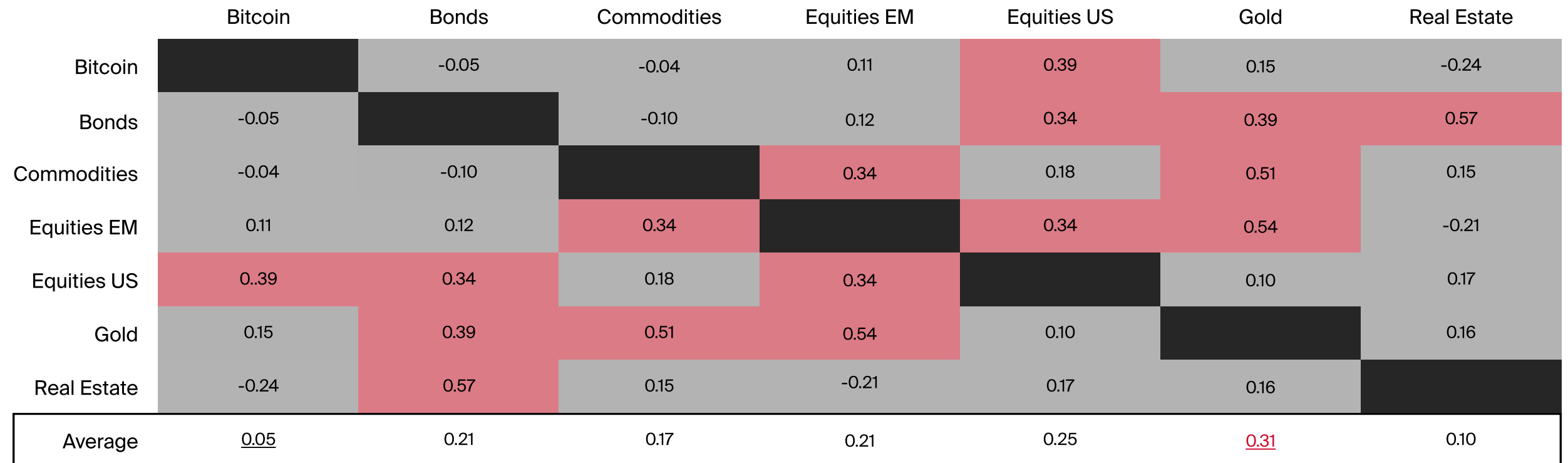accumulation range. Meanwhile, a major liquidation event reset markets with funding rates favoring upside. The FTX bankruptcy proceedings might catalyze additional positive sentiment as up to $16B in cash is up for distribution. Historically, July is a strong month for BTC and the upcoming liquidity injection by FTX's bankruptcy estate might be sufficient enough to overcompensate other selling venues.

- The rolling 1Y Sharpe decreased substantially on the digital asset side while gold, S&P and NASDAQ catches up. Yet both ETH and BTC remain in the lead.

- S&P performed strong, up 3.53% MoM and Nasdaq 100 up 6.18% MoM largely carried by NVIDIA which briefly became the most valuable company.

- Gold had an impressive run backed by resurging central bank demand. Geopolitical uncertainty and looming weakness surrounding the dollar served as a catalyst for traditional store of value assets.
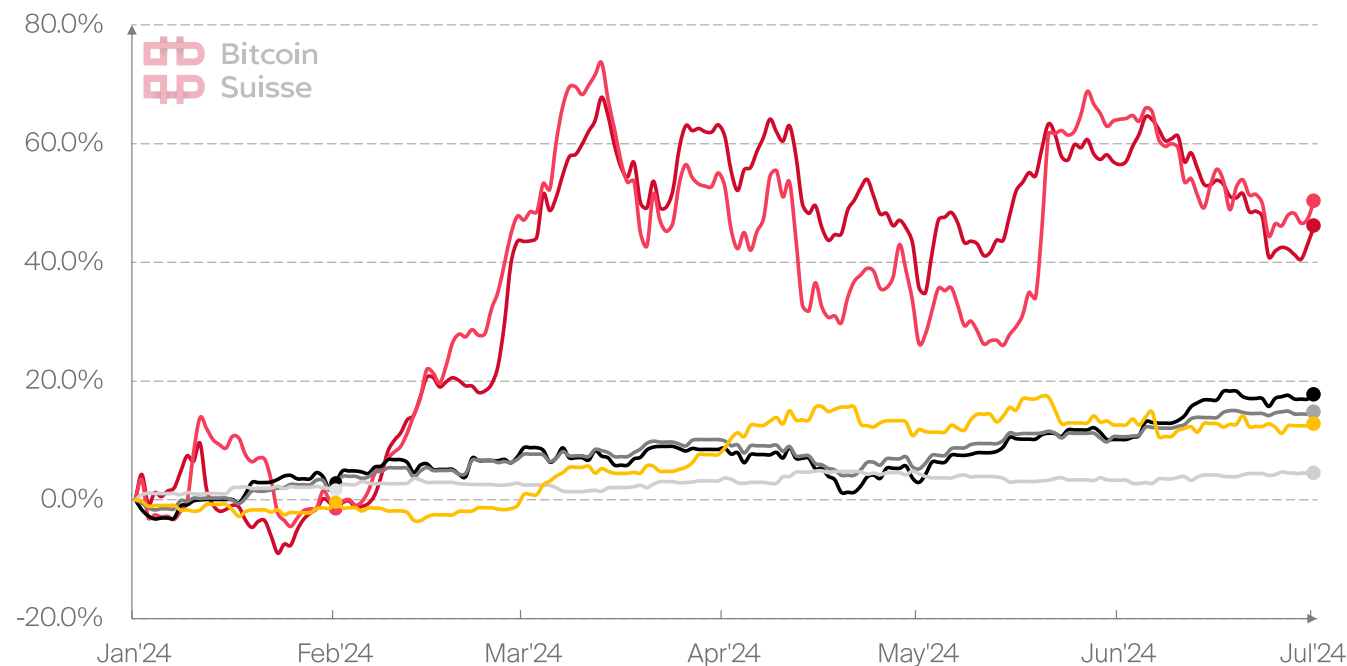
Monthly Returns April		Sharpe Ratio (Rolling 1Y)	
Bitcoin	+46.1%	Bitcoin	+2.40
Ethereum	+50.3%	Ethereum	+2.36
Gold	+12.8%	Gold	+1.66
NASDAQ 100	+17.7%	NASDAQ 100	+2.09
S&P 500	+14.8%	S&P 500	+2.34
U.S. Dollar Index	+4.5%		

The Sharpe Ratio is the average return relative to the standard deviation of returns over the specified rolling window, a higher Sharpe implies higher risk-adjusted returns. It is one of the key metrics in traditional finance to assess the risk-return profile, the performance relative to the underlying volatility of an asset. Sharpe Ratio is calculated based on the past 12 months of trading data taking into account price changes and potential dividends

Moderate to low correlations dominate in June across asset classes

	Bitcoin	Bonds	Commodities	Equities EM	Equities US	Gold	Real Estate
Bitcoin		-0.05	-0.04	0.11	0.39	0.15	-0.24
Bonds	-0.05		-0.10	0.12	0.34	0.39	0.57
Commodities	-0.04	-0.10		0.34	0.18	0.51	0.15
Equities EM	0.11	0.12	0.34		0.34	0.54	-0.21
Equities US	0..39	0.34	0.18	0.34		0.10	0.17
Gold	0.15	0.39	0.51	0.54	0.10		0.16
Real Estate	-0.24	0.57	0.15	-0.21	0.17	0.16	
Average	0.05	0.21	0.17	0.21	0.25	0.31	0.10

Low correlation (below +/- 0.3) █ Moderate correlation (between +/-0.3 - +/-0.6) █ High correlation (above +/-0.6)

To quantify the correlation between assets, the Pearson Correlation Coefficient is used to estimate the strength of the linear relationship between two price variables while +1 equals a perfect positive linear correlation, -1 equals a perfect negative linear correlation, and 0 equals no linear correlation. Asset classes represented by SPY for Equities, VBMFX for Bonds, VGSIX for Real Estate, GLD for Gold, GSG for Commodities, VEIEX for Emerging Markets.

Bitcoin reclaims crown of the least correlated asset class in June

- June displayed overall low to moderate correlation across all asset classes.

- Gold was the highest correlated asset class strongly contrasting previous months. Notably, gold outperformed bonds by ~100% since March '20 amid surging government spending.

- Interest payments on government debt recently flipped national defense expenses, another strong signal of fiscal takeover causing strain to US bonds. Typically accounting for 40% of traditional portfolios, bonds broke a 40-year uptrend leading to a substantial dent in performance.

- Bitcoin further consolidated in the low correlation range except moderate correlation to US Equities, amplifying its significance in diversified portfolios.

- Gold total return surpassing bonds across the semicentennial and the unparalleled performance of BTC across the decade likely changes portfolio construction for the years to come.
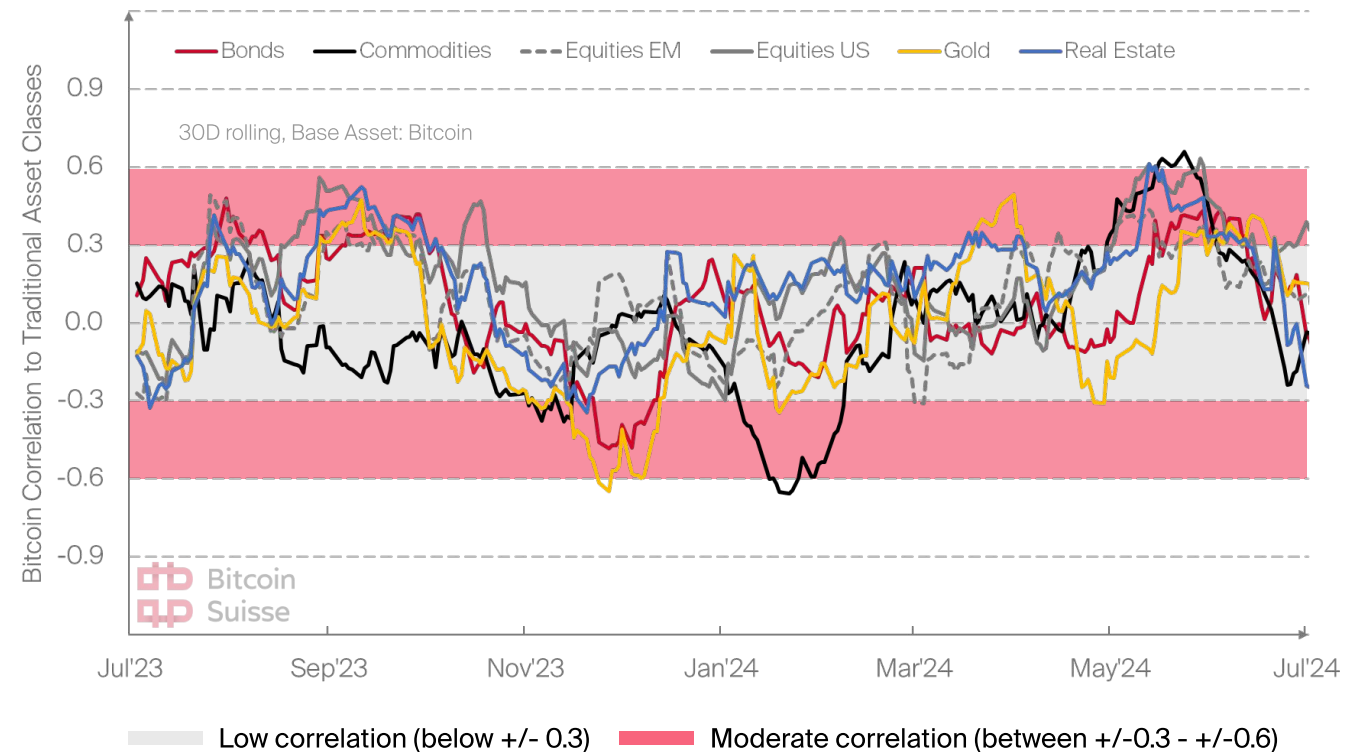
Bitcoin Correlation to Traditional Asset Classes — 30D rolling, Base Asset: Bitcoin

Legend: Bonds, Commodities, Equities EM, Equities US, Gold, Real Estate

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Low correlation (below +/- 0.3) · Moderate correlation (between +/-0.3 – +/-0.6)

To quantify the correlation between assets, the Pearson Correlation Coefficient is used to estimate the strength of the linear relationship between two price variables while +1 equals a perfect positive linear correlation, -1 equals a perfect negative linear correlation, and 0 equals no linear correlation. Asset classes represented by SPY for Equities, VBMFX for Bonds, VGSIX for Real Estate, GLD for Gold, GSG for Commodities, VEIEX for Emerging Markets.

Tokenized Assets remain flat within a broader market correction, suggesting a lack of new liquidity

- A sector-wide selloff occurred in June. Except tokenized assets, all sectors flashed weakness with the culture sector facing highest volatility. After a sustained period of upside, the culture sector lost almost 30% of its sector MCAP MoM.

- The Cryptocurrency sector closely followed BTC, which is dealing with large supply overhangs and distressed miners that flee into AI.

- Many catalysts for GPSCPs (General Purpose Smart Contract Platforms) and Ethereum in particular did not translate into positive performance yet. ETHE is trading at NAV and there is a strong likelihood that the upcoming ETH ETF is not sufficiently priced in. Tokenization on Ethereum gains traction in institutional sectors, potential regulatory improvements looming in Q4, and scaling solutions materializing with ~600M rollup transactions in Q2 (comp. to ~100M on Ethereum). On the supply side, ETH is increasingly locked up in contracts (40%) displaying its role as pristine collateral while exchange supply resides in a secular downtrend. Meanwhile, sentiment surrounding Ethereum is at the lowest point in '24 according to Kaiko. We expect the catalyst to sentiment jaw to close, most likely to the upside.

- Tokenization remains a key pillar of adoption with BlackRock's BUIDL, a tokenized treasury fund, crossing $500M and Goldman Sachs aiming to launch three tokenization projects by EoY. Within the Tokenized Asset sector however, Stablecoin supply was flat matching the rather reluctant market dynamics.
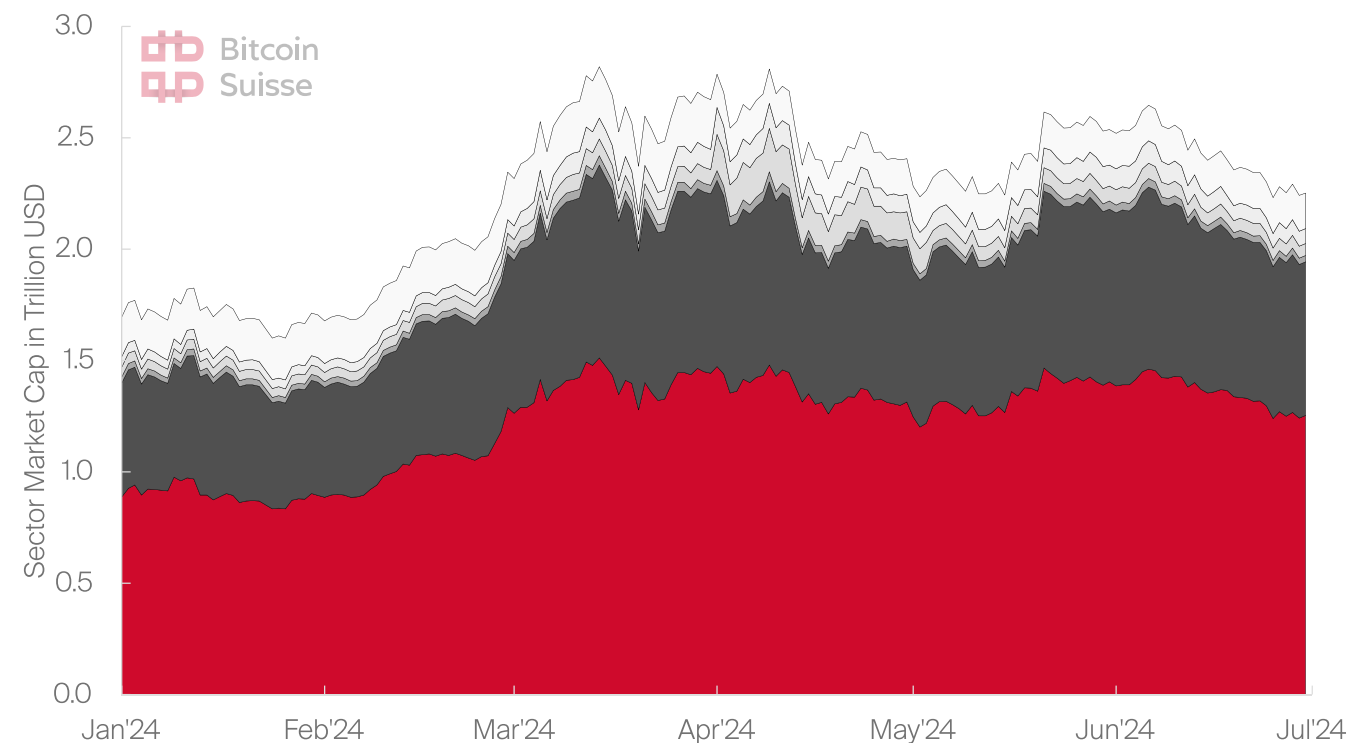
Sector Performance June (Data as of 30.06)
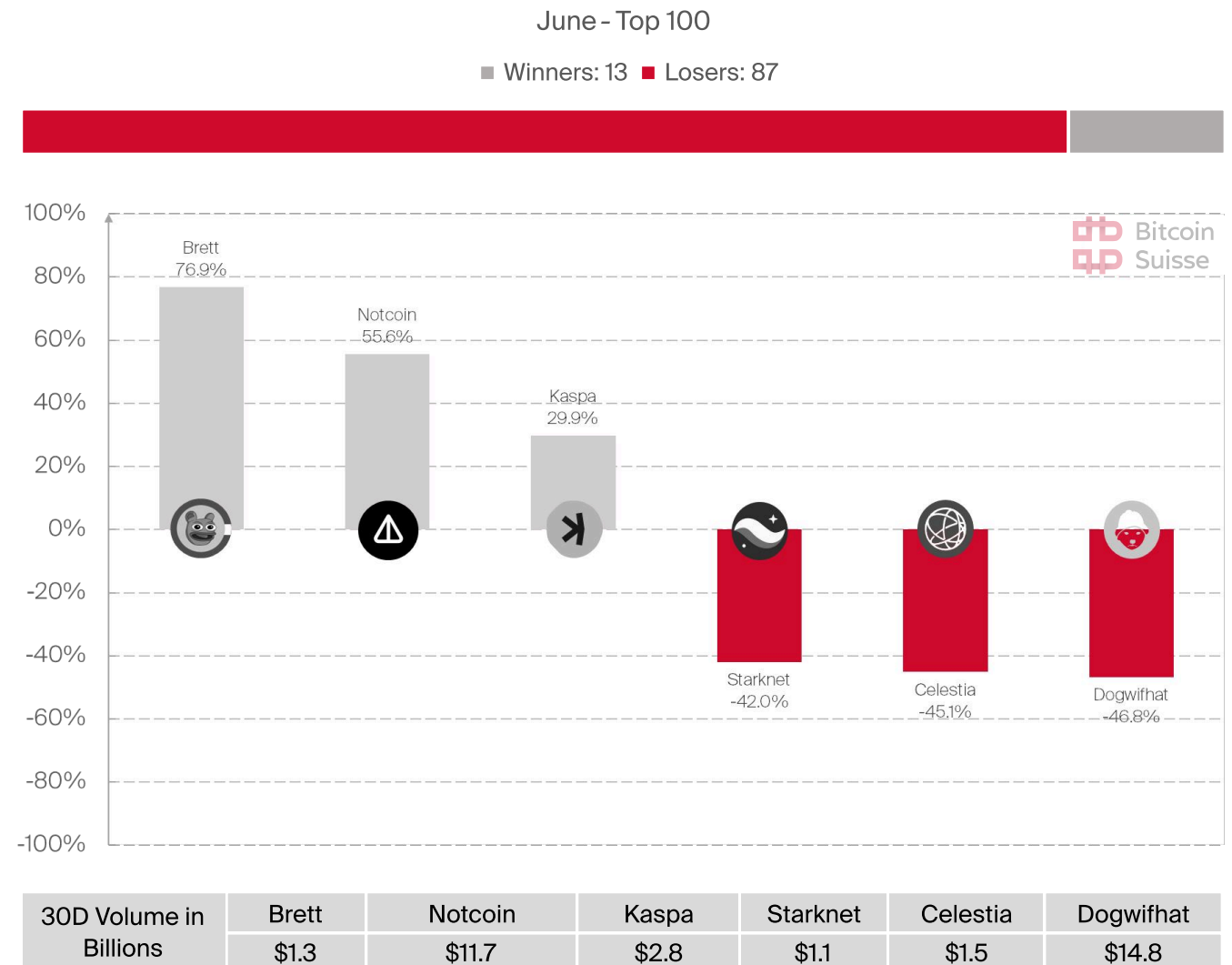
Cryptocurrency	-10.7%	
GPSCP	-11.1%	
DeFi	-21.5%	
Utility	-21.2%	
Culture	-28.8%	
Tokenized Assets	+0.1%	

Scan to access the
Bitcoin Suisse Global Crypto Taxonomy:

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Memecoins display substantial volatility while jaded sentiment wreaks havoc on VC backed projects

- June weighed heavy on most crypto assets with overall 87 losers and a mere 13 crypto assets coming out unscathed.

- Notcoin is closely related to the Toncoin ecosystem, which recently entered the Top 10 by MCAP somewhat unnoticed. A seamless integration into Telegram placed Toncoin among the most adopted L1s while boasting a higher growth rate than any other ecosystem. Notcoin reaped the benefits acting as a beta play to the mothership.

- Brett bagging the best monthly performance demonstrates how polarizing and volatile memecoins can trade, particularly since Dogwifhat sits diametrically opposed on the performance spectrum while stemming from the same sub-sector.

- Starknet, Celestia and Dogwifhat suffered the biggest drawdowns among the Top 100 by MCAP, approaching -50%.

- WIF's performance comes without major surprise after a stellar performance earlier this year, still up 2'600% YTD.

- Celestia's TIA had a remarkable run in Q4 '23 yet could not sustain its uptrend along with many peers in the GPSCP sector. While innovation within the tech stack such as Blobstream sets up Celestia for increased market share, investors act more conservative on the demand-side due to a major unlock (~90% of float) in October.

- STRK followed a similar trajectory to other recently launched low float/low liquidity/high FDV tokens despite solid tech. At the same time, Kaspa, a proxy asset for broad distribution mechanics, provided remarkable upside.

June - Top 100

■ Winners: 13 ■ Losers: 87

Brett 76.9%
Notcoin 55.6%
Kaspa 29.9%
Starknet -42.0%
Celestia -45.1%
Dogwifhat -46.8%

30D Volume in Billions	Brett	Notcoin	Kaspa	Starknet	Celestia	Dogwifhat
	$1.3	$11.7	$2.8	$1.1	$1.5	$14.8

A yield curve un-inversion is looming and historically, this is an omen of economic woes

- Despite positive real yields and ongoing disinflation in the US, the Federal Funds Rate has remained at a peak range of 5.25-5.5% for over a year. This indicates a cautious stance by the Federal Reserve, aiming to curb inflation while balancing economic growth. The persistence of such high rates highlights the Fed's commitment to controlling inflationary pressures.

- The belly of the US Treasury yield curve remains inverted, with the 10-year Treasury yield lower than the 2-year Treasury yield. This inversion reflects investors' expectations of future economic conditions, typically suggesting a downturn. Historically, yield curve inversions have been reliable predictors of upcoming recessions, indicating market sentiment that economic growth will slow down.

- In the past, such inversions have consistently preceded recessions, evident where periods of inversion (highlighted in red) are followed by recessions (marked in grey). This historical trend underscores the importance of the current inversion, as it aligns with previous instances that led to economic contractions. The correlation between inversions and recessions provides a critical signal with 90% of un-inversions leading to a recession, 10% of the un-inversions leading into an economic downturn.

- The current yield curve inversion, one of the longest on record, strongly suggests an impending recession. This prolonged inversion period reinforces concerns about economic stability and future growth prospects. While rate cuts are anticipated for late this year, fluctuating expectations and economic indicators mean they could be priced in sooner, the further they get priced out.


Legend: Recession · Inverted Yield Curve · FED Funds Rate · Yield Spread T10Y-T2Y · M2 Money Stock
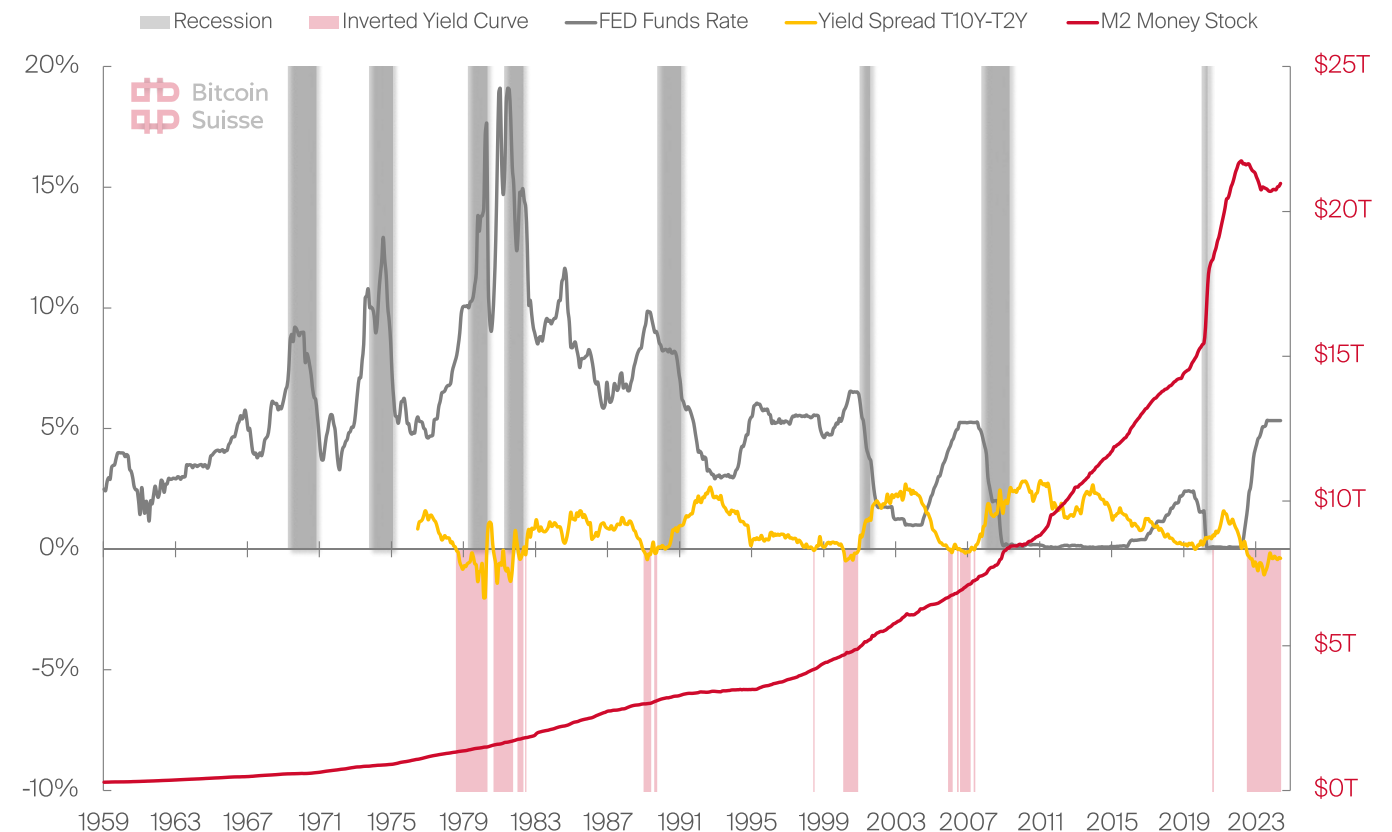
The cycle is not over, not yet, not soon

- **Current Valuation Position:** Bitcoin is currently positioned just below its long-term logarithmic trendline, indicating significant growth potential for this cycle. The trendline suggests that BTC has ample room to appreciate before reaching overvaluation levels, as it has not yet significantly extended from its trendline.

- **Accumulation Zone:** Historically, Bitcoin tends to return to an accumulation zone (green box) during bear markets. This zone has consistently provided a foundation for future price increases. Currently BTC is underextended and remains close to the accumulation zone, implying a strong base for potential upward movement.

- **Undervaluation Metrics:** Bitcoin's current price shows a general undervaluation compared to its long-term trendline. This degree of undervaluation aligns with previous early bull run periods such as the 2019 period, which saw similar discount levels. This historical pattern suggests a favorable buying opportunity for long-term investors, prior to the final bull run stage.

- **Future Growth Prospects:** Given the current position relative to the trendline and the historical undervaluation patterns, Bitcoin is poised for significant growth throughout this cycle. As it barely touches its trendline, there is considerable room for price appreciation, making the current period an optimal entry point for the current cycle, in the long run.

SOURCE: BITCOIN SUISSE, DATA: BTC INDEX, DATA AS OF 26.06.2024

Polymarket, a freedom preserving technology, about to cross the chasm

- Polymarket is going ballistic in liquidity, activity, mindshare and volumes hitting another consecutive monthly volume ATH in June of $110M. It might be the most important story in the entire industry potentially being the first application with broad PMF.

- Vitalik describes prediction markets as a "flagship social epistemic technology", rightfully so. They allow us to bet on outcomes of any event and might be the most exciting forecasting tool that is available to mankind, serving as a powerful tool for uncovering truth in an era of information control. By combining free market principles with free speech, they offer a mechanism to cut through misleading narratives and provide unbiased insights.

- As the US elections inch closer, Polymarket consistently indicated the possibility of a Democratic candidate replacement, even when other sources were less clear. It is now regularly cited by mainstream media for election probabilities, signaling increasing mainstream relevance. The seamless integration into public discourse further demonstrates the platform's strong PMF and that it's built on distributed systems is often overlooked because the product itself is so effective.

- While Polymarket raised $70M across two rounds recently, it is pulling these metrics without token or point incentives in overall sub-par market conditions for crypto assets.

Total Value Locked (TVL) / 30d% $47.63m | +69.7%

Trading Volume (30d) / 30d% $148.43m | +114.9%
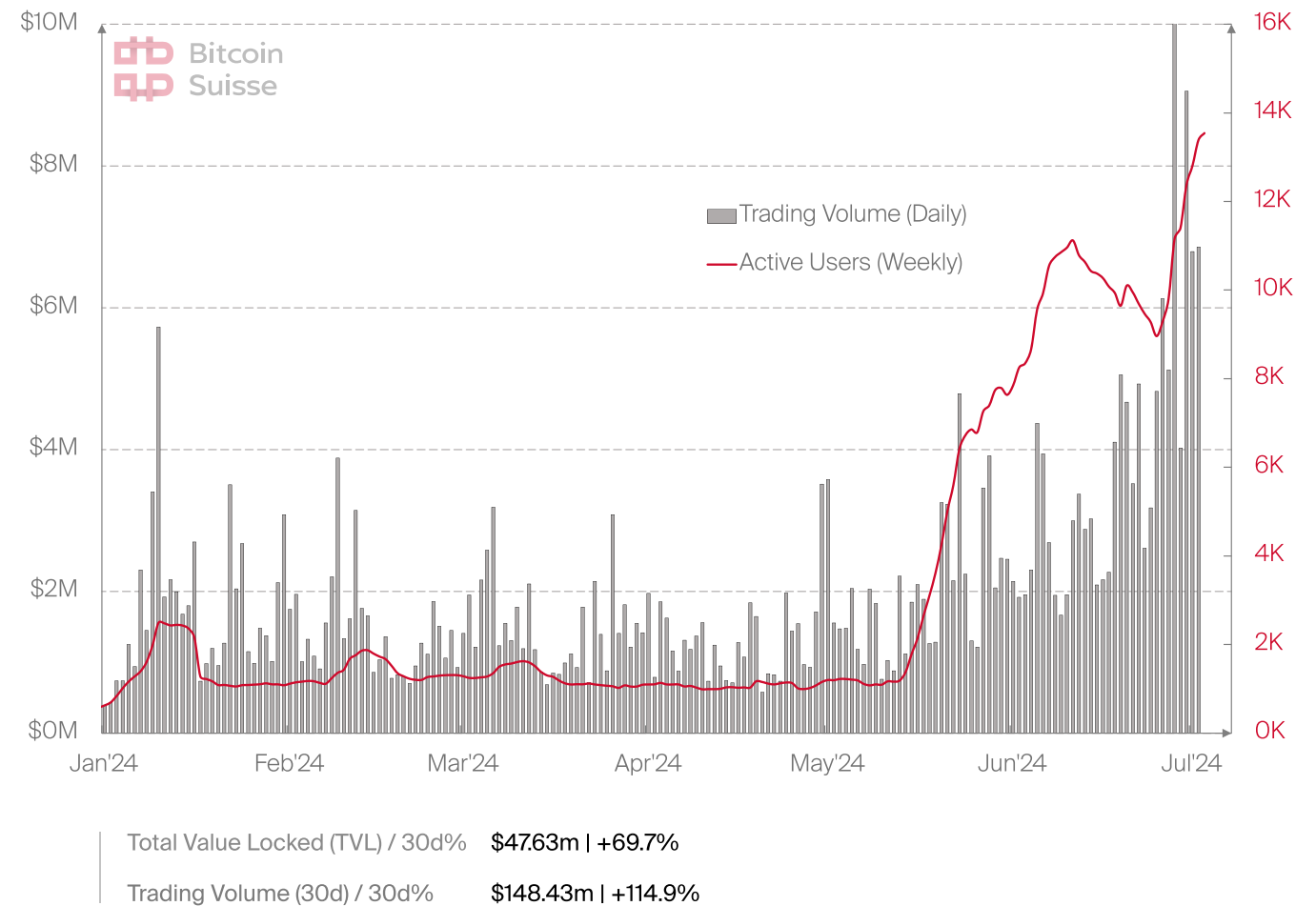
Solana excels across fundamental metrics, performance and tech stack improvements

- While memecoin activity tapers off, Solana manages to impress with strong on-chain fundamentals. As such, fees and P/E consistently range among top projects (FDV per fee ratio sits 80% lower than median, $260M in fees YTD) based on sustained activity and user retention.

- We expect positive cash flow and tangible profits to be key as we transition into a more institutional era, because the market appetite for revenue driven ventures is traditionally higher than for SoV assets.

- Alongside, major improvements enter Solana's tech stack with zk compression, Blinks and Actions as well as a new validator client Firedancer (find more context in Key Crypto Developments), that just built its first accepted block on testnet. Solana hit an almost two-year high in daily transactions after the launch of Blinks.

- More momentum stems from institutional adoption as VanEck officially filed for the first Solana ETF in the U.S. VanEck is vivid in moving early and argues that a CME futures product is not a mandatory requirement as surveillance-sharing agreements across listing exchanges might be sufficient to get approval.

- Notably, Solana managed to enter a highly curated basket of crypto assets, the STOXX Digital Asset Blue Chip Index, fueled by quality, activity, robustness and financial strength.
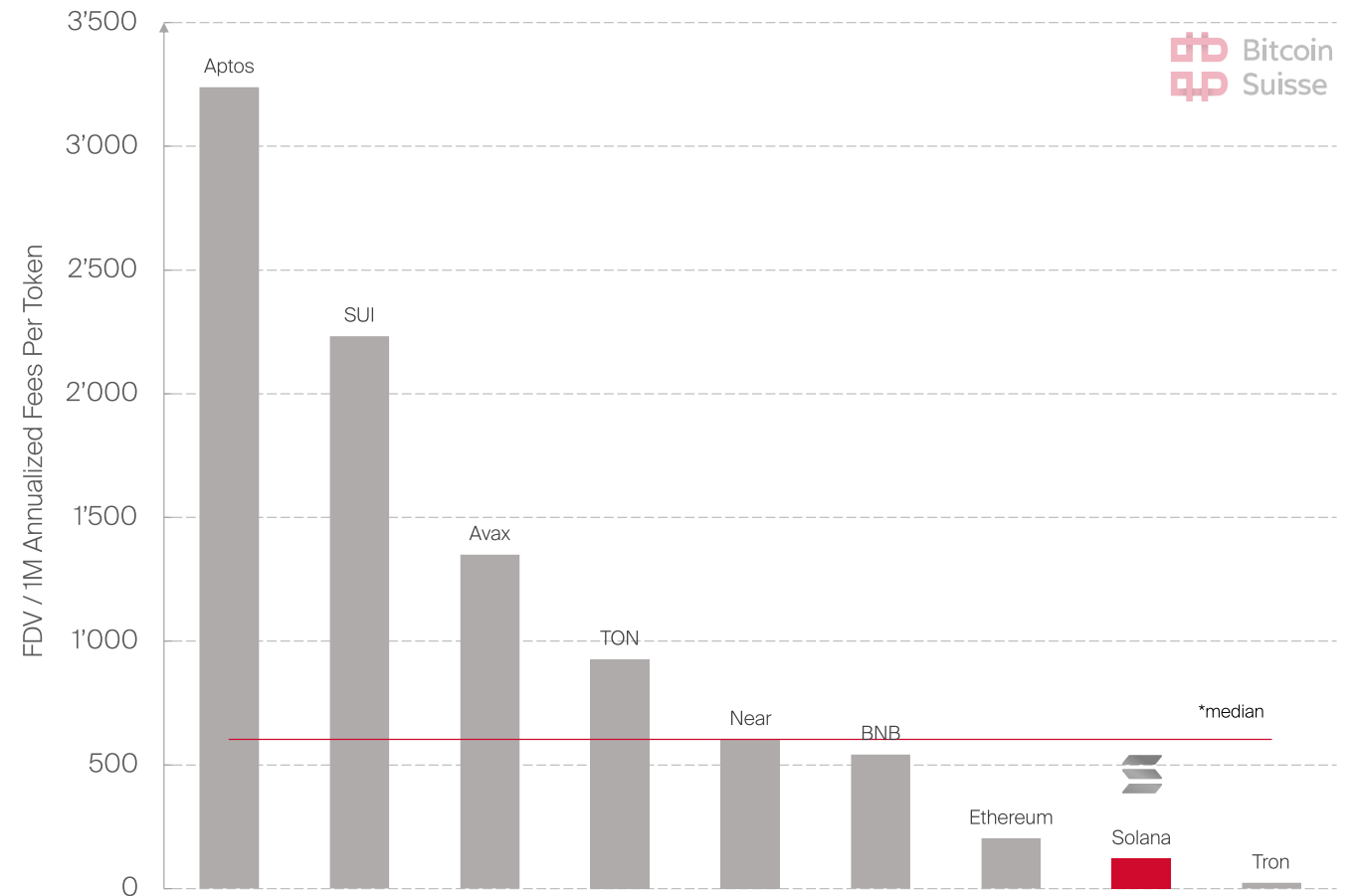
May and June saw a plethora of major upgrades for key projects such as Optimism, Solana and Celestia

Mina

- The Berkeley upgrade brought enhanced ZK programmability to Mina.
- Mina's zkApps key features include verifiable off-chain computation, scalability via recursive proving, and built-in privacy.
- All proofs from zkApps are aggregated into a single, reusable, composable "proof of everything", turning Mina into a universal proof layer.

Tezos

- The Paris upgrade introduced faster finality, a data availability layer for smart rollups, and major changes to Tezos proof-of-stake mechanism.
- A new "staker" role is now available alongside the delegator role. Unlike delegated XTZ, staked XTZ is frozen and slashable in case of misbehaviors of the respective baker. Rewards for stakers are double those of delegators.
- Paris also introduced adaptive issuance, meaning that the issuance rate is automatically adjusted by the protocol to target a staking ratio of 50%. The goal is to ensure minimum viable issuance.

Optimism

- A permissionless fault proof system is live on OP Mainnet, which becomes the first general-purpose optimistic rollup with a complete and functional proof system. Thanks to this upgrade, OP Mainnet users don't need to rely on any trusted third party for withdrawals to Ethereum.
- The Optimism Security Council retains the power to revert the system back to a permissioned state.
- To achieve Stage 2 decentralization, the last remaining "training wheels" to be removed relate to the rights of the Security Council and the fast upgradability of the contracts, preventing users from having a proper exit window in case of unwanted upgrades.

Polkadot

- Referendum 682 assigned to the Fellowship the responsibility to ratify the JAM protocol and develop a service enabling backwards compatibility with the relay chain (ensuring a seamless upgrade for the parachains), effectively indicating JAM as a preferred future direction for Polkadot 2.0.

Celestia

- Blobstream is now live on Ethereum, offering a permissionless, high-throughput data availability solution for rollups secured by cryptoeconomic guarantees provided by Celestia validators.
- Celestia data root commitments are continuously streamed to an onchain Ethereum light client, simplifying the deployment of Ethereum rollups posting data on Celestia, as they can read the commitments to data availability directly on Ethereum.
- Differently from alternative high-throughput solutions (e.g. based on committees), Blobstream offers cryptoeconomic security, as Celestia light nodes can make Celestia validators accountable via slashing.

Solana

- ZK compression is a new primitive on Solana allowing developers to reduce their state requirements and related costs without losing verifiability and composability. Applications requiring a high number of accounts can have them stored off-chain in a state tree, whose root is posted onchain. Accounts "compressed" in this way can only be accessed providing a ZK proof of their inclusion in the state tree. Data availability is ensured by posting all transaction data on the Solana ledger.
- Solana Actions and Blinks allow to interact with Solana through URLs, QR codes, or buttons + widgets sharable anywhere, meeting users where they are, e.g. on social media or on messaging apps, instead of requiring to visit dedicated frontends.

The next Ethereum upgrade, Pectra, includes ten improvements

EIP-7594: PeerDAS
- A first form of data availability sampling on Ethereum, allowing to increase the max blob gas by ~20x.
- High impact on scalability in accordance with the rollup-centric roadmap.

EIP-7692: EVM Object Format (EOFv1) Meta
- Bundle of 11 EIPs improving the EVM in terms of efficiency, security and developer experience (e.g. for L2 EVM experimentation).
- Useful for further EVM improvements.

EIP-7251: Increase the MAX_EFFECTIVE_BALANCE
- Allow effective balance higher than 32 ETH, enabling auto-compounding of staking rewards and consolidation of validators.
- This can lead to a massive reduction in the number of validators, reducing the load on the p2p network as required for further upgrades (e.g. single slot finality).

EIP-7002: Execution layer triggerable exits
- Trigger staking exits directly from the execution layer using 0x01 withdrawal credentials.
- Validator exits can be managed by smart contracts, and it is possible to reduce trust assumptions on staking pool operators.

EIP-6110: Supply validator deposits on chain
- Shift responsibility of including and validating the ETH staking deposits from the consensus layer to the execution layer.
- Faster inclusion, increased security (no need for proposer voting) and reduced complexity of consensus layer clients.

EIP-2537: Precompile for BLS12-381 curve operations
- Efficiently perform highly secure operations over the BLS12-381 curve, for instance for BLS signature verification.

EIP-2935: Save historical block hashes in state
- System contract storing the last 8192 block hashes.
- Required for Verkle and stateless execution.

EIP-7702: Set EOA account code for one transaction
- New transaction type attaching temporary code to an EOA, effectively turning it into a smart contract wallet for the duration of that transaction.
- Enables more programmability and flexibility as a short-term solution before the deployment of a complete solution on account abstraction.

EIP-7549: Move committee index outside attestation
- More efficient aggregation of attestations.

EIP-7685: General purpose execution layer requests
- More efficient and secure way to send requests from the execution to the consensus layer (as required for instance for EIP-7002).

Events in July and August

July

Monday, 01.07
- ASI Merger (FET, AGIX, OCEAN)

Wednesday, 03.07
- Japan Blockchain Week Summit (03.-05.07)

Friday, 05.07
- Coinbase Q2 2024 Earnings Call
- Blockchain Week Rome (05.-06.07)

Monday, 08.07
- Ethereum Community Conference (08.-11.07)

Thursday, 11.07
- Polkadot Decoded
- Modular Summit
- U.S. CPI and Core CPI

Friday, 12.07
- U.S. PPI and Core PPI

Monday, 15.07
- ASI Deployment (Expected)

Wednesday, 17.07
- Web3 Future 2024
- U.S. CPI Release

Monday, 22.07
- Bitcoin Conference (22.-23.07)

Thursday, 25.07
U.S. Advance GDP Q2 2024

Friday, 26.07
- U.S. Core PCE

Tuesday, 30.07
- FOMC Meeting

August

Thursday, 01.08
- U.S. Core CPI

Friday, 02.08
- U.S. Non-Farm Employment Change

Tuesday, 06.08
- Asia Blockchain Summit (06.-08.08)

Tuesday, 13.08
- Blockchain Futurist Conference (13.-14.08)

Wednesday, 14.08
- U.S. CPI Release
- U.S. Retail Sales Release

Monday, 19.08
- Web3 Summit (19.-21.08)

Tuesday, 20.08
- Bitfarms Q2 2024 Earnings Call

Wednesday, 21.08
- FOMC Meeting Minutes
- DAO Tokyo (21.-22.08)

Thursday, 22.08
- Coinfest Asia (22.-23.08)
- Jackson Hole Symposium (22.-24.08)

Friday, 23.08
- ETH Tokyo (23.-26.08)

Tuesday, 27.08
- Consumer Confidence Index (USD)

Wednesday, 28.08
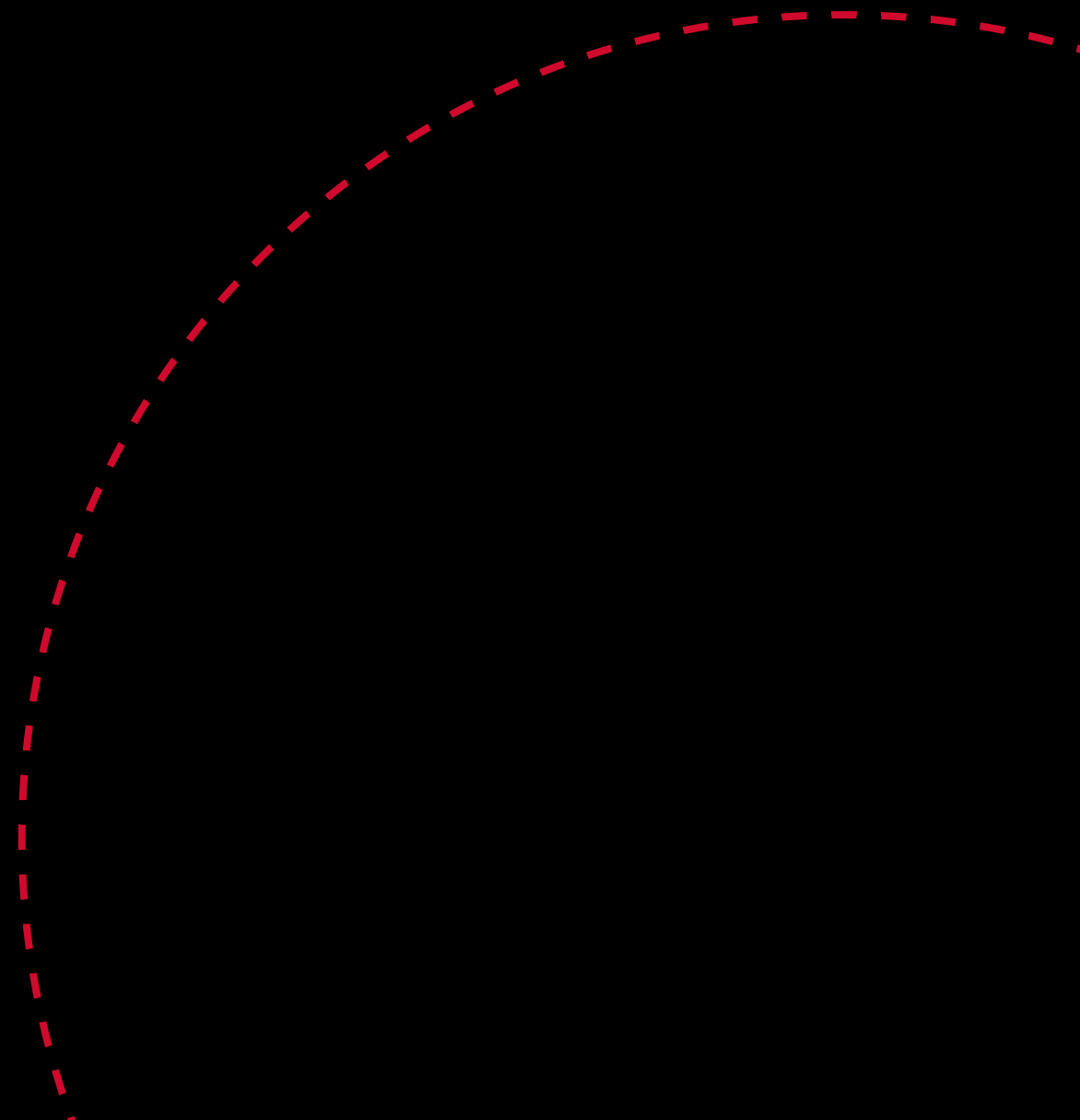- U.S. Core PCE
- Stacks - Nakamoto Activation Phase Start

Thursday, 29.08
- U.S. GDP Q2 Revision

■ Earnings, Economy

■ Conferences, TGEs, Upgrades