

# Tilting Positive for 2020

- It Should Be Just a Matter of Time Before Bitcoin Finds \$10,000
- Growing Adoption, Limited Supply Are Key Bitcoin-Price Tailwinds
- Got a View on Gold? Then You Should on Bitcoin
- Love It or Hate It, Tether Boosts Bitcoin as Crypto Standard
- Bitcoin Ending 2019 Near \$6,500 Support Tilts Favorably for 2020

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Data and outlook as of December 3

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**BI COMD** (the commodity dashboard)

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Note - Click on graphics to get to the Bloomberg terminal

## It Should Be Just a Matter of Time Before Bitcoin Finds \$10,000

**Performance: Bloomberg Galaxy Crypto Index (BGCI)**

November -17.4%, 2019 +17.3% thru December 3

**Bitcoin** November: -16.1%, 2019 +99.3% thru December 3

(Bloomberg Intelligence) -- Increasing adoption of Bitcoin, the digital quasi-currency with limited supply, tilts our price outlook on the first-born crypto favorably for 2020 and the next decade. This year was part of its transition toward the crypto-market version of gold. The maturation process should continue, notably as volatility declines. Like gold, Bitcoin is retracing a bear market, while most of its brethren (alt-coins) have increasing betas on the downside. For Bitcoin, we see \$6,500 as good support and \$10,000 as initial resistance in 2020.

Breaching resistance should be a matter of time, notably if gold continues to advance as expected. Most of our indicators suggest sustaining below \$6,500 is unlikely. A potential tailwind test for Bitcoin will be when the stalwart dollar finally peaks.

## Bitcoin Demand Up Vs. Supply

**Growing Adoption, Limited Supply Are Key Bitcoin-Price Tailwinds.** Our view on the Bitcoin price is similar to that of gold, expecting that both the old and new quasi-currency stores-of-value will continue appreciating. Unique and with limited supply, Bitcoin is winning the mass-adoption and market-depth race among crypto assets.

### Adoption and Limited Supply - Bitcoin Tailwinds



## Increasing Adoption, Limited Supply Support Price.

Bitcoin is winning the adoption race among crypto assets and is becoming increasingly scarce, which favors price appreciation. Plenty can go wrong with a nascent asset, but unless the basic premises reverse -- mass adoption and fixed supply -- there's a higher probability to sustain price appreciation vs. depreciation. The primary bearish factor -- Bitcoin's price has appreciated so far so fast -- remains the current price headwind. It took almost four years for the prior peak in 2013 to be surpassed.

Normal market maturation suggests surpassing the 2017 peak near \$20,000 will take longer. Bitcoin and Tether are winning the race of market depth. The primary stable coin represents many of the issues with most alt-coins -- they're too volatile to be considered currencies, which enhances the allure of Bitcoin.

**Got a View on Gold? Then You Should on Bitcoin.** Bitcoin trading will more closely mimic gold's, in our view. The metal has an upward bias. The 52-week beta of the crypto asset-to-gold is about 2x -- the highest since 2010. Both quasi-currencies are retracing bear markets and got a bit ahead of themselves in 2019. Gold stretched the most above its upward sloping 52-week mean in eight years. Bitcoin's relative richness was last comparable to its 2017 surge.

## Highest Bitcoin-to-Gold Beta Ever



The extent of back-and-fill is difficult to quantify, but we see greater potential for continued climbs in the long term. In addition, Bitcoin shares similar factors with advancing gold. Bitcoin is winning the mass-adoption race vs. crypto brethren and gaining attention as a store-of-value asset.

**Bitcoin Can Add to 2019 Doubling in 2020.** Bitcoin is capable of adding to its 2019 price appreciation of about 100% in 2020. A primary takeaway from our crypto-assets scoreboard is the outperformance of the first-born crypto vs. most others and compared with the Bloomberg Galaxy Crypto Index, up only about 20% this year. The process of Bitcoin differentiating itself as a scarce digital version of gold will continue, in our view. Bitcoin should stay at the forefront of adoption, while most others battle among the over 4,000 crypto assets listed on Coinmarketcap.com. Bitcoin supply is limited at 21 million; only about 17% more will be created.

In 2019 alone, the number of tradable crypto assets has more than doubled.

### Bitcoin vs. Everything Else Set for More in 2020

Name	1 Mth % Change	3 Mth % Change	YTD % Change	1 Yr % Change	2 Yr % Change	3 Yr % Change
<b>Bloomberg Galaxy Crypto Index</b>						
Bloomberg Galaxy Crypto Index (BGCI)	-21.1	-24.1	17.2	21.0	-45.8	
<b>USD Cross</b>						
Bitcoin (BTC)	-22.6	-31.8	98.8	88.7	-33.0	843.7
Ethereum (ETH)	-20.7	-18.5	13.7	36.3		
Ripple (XRP)	-26.0	-16.6	-36.5	-36.7		
Litecoin (LTC)	-26.7	-34.9	53.5	44.8		
Bitcoin Cash (BCH)	-26.6	-29.9	39.8	33.5		
Dash (DASH)	-29.2	-37.9	-35.4	-39.4		
Ethereum Classic (ETC)	-22.4	-43.9	-24.2	-17.3		
EOS (EOS)	-21.6	-20.6	6.0	2.9		
Monero (XMR)	-15.7	-28.7	17.7	-2.6		
Zcash (ZEC)	-27.8	-40.6	-52.4	-62.2		
<b>MVIS CryptoCompare Indices</b>						
<b>Single Asset Indices</b>						
Bitcoin (BTC)	-20.3	-31.5	91.2	89.1	-30.8	1,025.5
Bitcoin OTC (BTC)	-20.5	-31.5	98.5	90.8		
Ethereum (ETH)	-17.5	-17.6	11.0	42.5	-66.3	1,897.0
Ripple (XRP)	-23.5	-15.8	-38.5	-36.5	-9.8	3,247.8
Litecoin (LTC)	-21.1	-33.9	50.1	52.1	-50.7	1,088.6
Bitcoin Cash (BCH)	-22.1	-29.5	37.5	38.4	-78.6	
Dash (DASH)	-27.8	-37.7	-33.7	-35.9	-93.1	526.7
Ethereum Classic (ETC)	-20.2	-43.1	-25.7	-16.8	-86.6	386.3
Iota (MIOTA)	-25.3	-19.1	-45.5	-25.1	-85.3	
Monero (XMR)	-12.4	-29.2	12.9	-1.6	-71.3	563.8
ZCash (ZEC)	-26.4	-40.7	-53.0	-60.3	-91.5	-54.6
NEO (NEO)	-13.8	-2.6	17.6	26.0	-74.0	6,695.5
NEM (XEM)	-13.5	-28.2	-46.4	-52.2	-85.4	899.7
<b>Multi-Asset Indices</b>						
Digital Assets 5	-20.2	-24.4	22.1	31.0	-50.9	1,401.6
Digital Assets 10	-20.1	-24.1	15.8	22.5	-55.9	1,905.5
Digital Assets 25	-19.1	-29.7	6.5	11.4	-58.5	1,450.4
Digital Assets 100	-19.4	-27.8	44.9	48.2	-50.2	868.9
Digital Assets 100 Small Cap	-15.3	-28.6	-28.7	-33.5	-73.7	335.4
Digital Assets 100 Mid Cap	-13.4	-8.5	-16.5	-17.8	-77.8	878.7
Digital Assets 100 Large Cap	-19.7	-28.4	50.4	54.4	-48.1	887.3

(4pm NY, Dec. 3)

**Gold Greets Decade With Divergent Strength.** Gold prices are on a sound footing for further advancement in the coming year and decade, in our view. Nearing the end of this decade up about 30%, despite about the same in the trade-weighted broad dollar, is an indication of the divergent strength in the metal. Absent sustained and accelerated dollar and stock-market strength, the quasi-currency store-of-value is well-poised to shine. Typical market-mean-reversion risks favor the metal, with the greenback and U.S. equities ending the decade at all-time highs.

This gold recovery began with the first Federal Reserve rate hike in December 2015. At about the halfway mark of the 2011-15 decline, gold is simply retracing a bear market, for now. A new bull market will come when the dollar-denominated price exceeds \$1,900 an ounce. About \$1,400 is a good initial support.

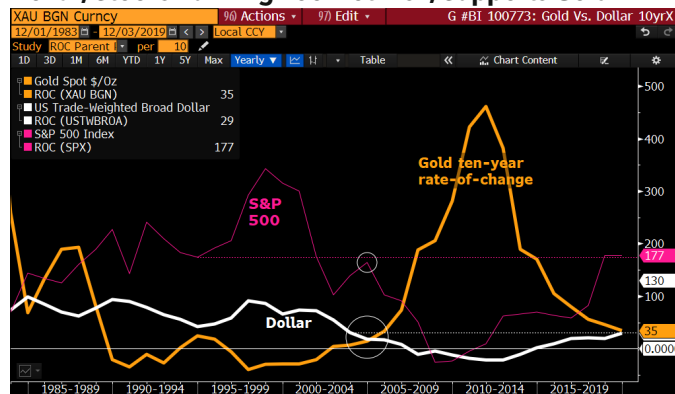
### Gold on Sound Footing, Despite Strong Dollar



### Gold In-Line for New Highs vs. Equities, Dollar.

Recovering gold prices this year are looking ahead to the potential for normalization in the rapidly advancing dollar and equity-price trends in the coming decade, in our view. On a 10-year rate-of-change basis, the S&P 500 and trade-weighted broad dollar are increasing at the fastest pace since the beginning of the millennium. The unsustainability of these trends in the third decade is a primary support factor for the dollar price of gold.

### Dollar, Stocks Running Too-Hot Risk, Supports Gold

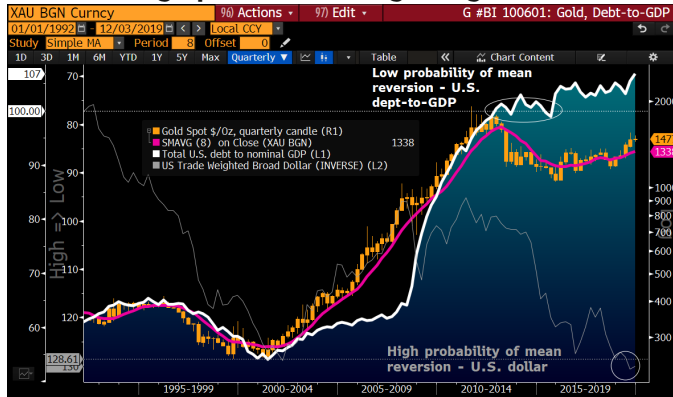


Unless the greenback and U.S. stocks are embarking on a new higher plateau, dollar-denominated gold is poised to take the all-time new highs baton.

**Gold's Foundation Is Solidifying.** The basis for a sustained structural gold bull market is firming, in our view. Currency debasement is a primary influence on advancing gold prices, yet the dollar-denominated price is appreciating despite all-time highs in the trade-weighted broad dollar. Divergent strength is our take-away as the global benchmark store-of-value looks forward to the potential for some greenback mean-reversion and the unlikelihood of a similar move in the percentage of steadily increasing U.S. debt-to-GDP.

Declining yields despite ballooning U.S. debt shifts the bond vigilante role toward gold. Our graphic depicts the metal appearing low vs. its typically strong relationship with the relative level of debt.

## Gold Catching Up to Debt/GDP, Ignoring the Dollar



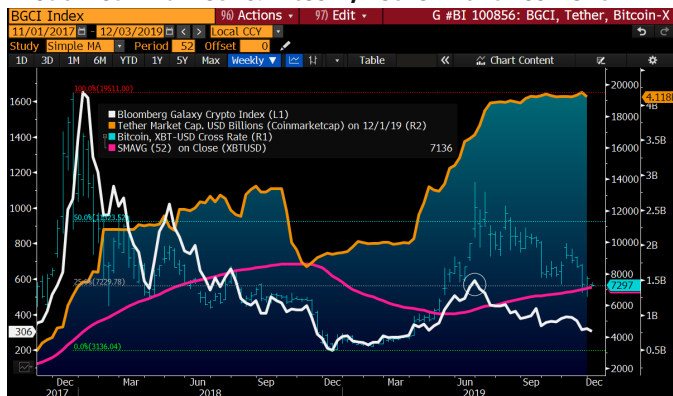
## Leaders Bitcoin and Tether

### Love It or Hate It, Tether Boosts Bitcoin as Crypto Standard.

There's little to dislodge Bitcoin and Tether as the crypto-asset leaders, in our opinion, with related market implications. The mass adoption of the Tether stable coin has negative ramifications for most crypto assets masquerading as currencies, and positive implications for a solitary digital equivalent of gold -- Bitcoin.

**Wide-Adoption Winner Tether and Its Implications.** The rapidly increasing market cap of Tether is widening the disparity between Bitcoin and the most speculative digital assets (alt-coins). Stable coins such as Tether expose the fallacy of many so-called cryptocurrencies and enhance the value of Bitcoin in its progression as the crypto-market equivalent of gold. Our graphic depicts the advancing market cap of Tether and Bitcoin in a favorable position at its upward sloping 52-week mean. Contrarily, the Bloomberg Galaxy Crypto Index is mired below the 25% recovery mark of the bear market.

## Broad Bear Market vs. Bitcoin, Tether Advancement



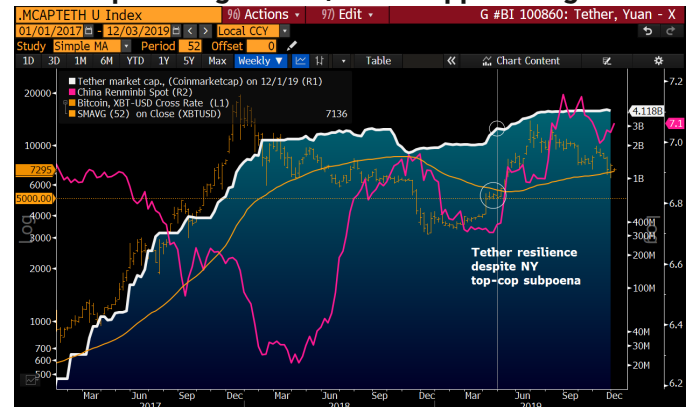
The primary stable coin and fourth-ranked crypto asset at the start of December, according to Coinmarketcap, Tether has advanced from about 16 at the end of 2017 on an almost 8% decline in the Chinese yuan and 80% retreat in the Bloomberg Galaxy Crypto Index.

# Bloomberg

## Tethering Appreciating Bitcoin, Depreciating Yuan.

Tether's transition this year beyond what many viewed as a systematic crypto-asset risk marks a key inflection point for the bottoming Bitcoin price, in our view. The resilience of the dominant stable coin -- despite negative allegations from New York's attorney general -- helped shift Bitcoin headwinds to tailwinds. Our graphic depicts what was \$5,000 Bitcoin resistance transitioning to support upon the attorney general's comments in April.

## Yuan Depreciating - Tether, Bitcoin Appreciating



Bitcoin, like gold, should keep gaining recognition as the standout independent store-of-value digital asset. Escalating trade tension, slowing Chinese economic growth, unrest in Hong Kong and the depreciating yuan are incentives for currency diversification.

## Positive Bitcoin Tilt in 2020

**Bitcoin Ending 2019 Near \$6,500 Support Tilts Favorably for 2020.** A primary factor supporting appreciation of the Bitcoin price next year is its potential to end 2019 near a good support zone. The Dec. 3 price of about \$7,300 is essentially the mean, median and mode this year. In 2020, we expect Bitcoin to migrate more toward 2019's high close of about \$12,730, as opposed to revisiting the \$3,360 low.

**Bitcoin Building a Base for Recovery.** Our Bitcoin technical and on-chain analysis shows the price on sound footings for 2020. The primary gauges from Coinmetrics -- transaction totals and active addresses used -- indicate the Dec. 3 price near \$7,300 is low. Steeper declines would be entering oversold territory, based on historical comparisons. Bitcoin has revisited its upward-sloping 52-week mean after stretching more than 100% above this level in June. It was the most overbought since the 2017 price surge.

Bitcoin's most widely traded price is about \$6,500 -- the peak of the bell curve -- since the consolidation period starting in June 2018. Sprinting above this level signaled an end to the bear market, and revisiting it portends an extended range-bound slog before a sustained bull market

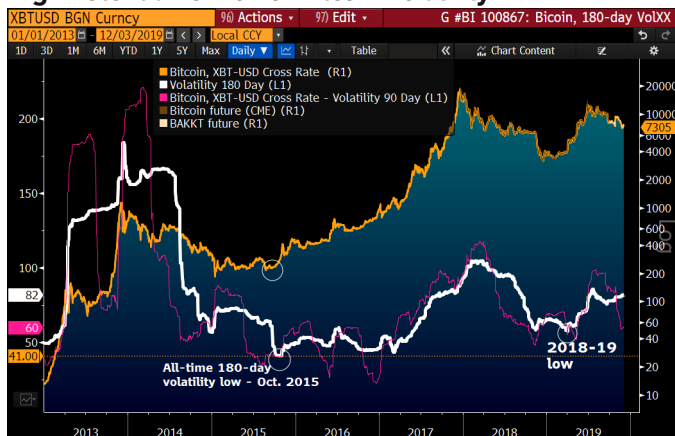
returns.

### Backing Into Layers of Support Below \$6,500



**Bitcoin Volatility Set to Decline With Futures.** Bitcoin price volatility should continue to decline in 2020, with the transition from a bear to a bull market apparently over. The all-time low in 180-day volatility (41% in October 2015) should be revisited next year. Our graphic depicts the significance of this measure and its previous bottom -- it marked the inception of the parabolic rally to the 2017 peak. Increasing institutional interest and vehicles for exposure -- futures, options, Bakkt -- are part of the maturity process. Prices appear to be increasingly caged, with \$6,000-\$12,000 marking the majority of the range's bell curve.

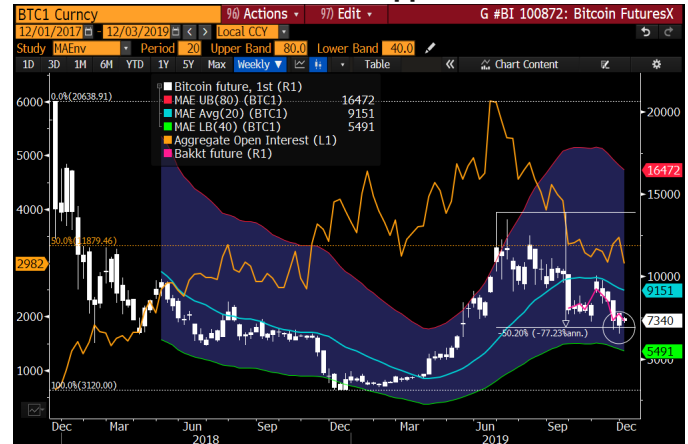
### High Potential for Lower Bitcoin Volatility



Rapidly rising prices once went hand-in-hand with higher volatility, but we think the parabolic-rally days are over, with Bitcoin turning more mainstream.

**Retracement Support to Buoy Bitcoin.** Bitcoin has declined to the 50% mark from this year's peak, which will limit further declines, in our view. Futures volume and open interest have also declined to levels where we expect stabilization and recovery. Our graphic depicts open interest returning to the halfway mark since trading began on the CME in December 2017. On a futures closing-price basis, a 50% loss is about \$6,900 vs. the 2019 high of \$13,885 in June.

### 50% Retracement and Bitcoin Support



Our graphic depicts the Bitcoin price nearing the bottom of the 20-week Bollinger Band just below \$6,000. November was the last time the market stretched to such an oversold condition, which was about \$4,000 at the time.

### {CRYPT} Page on the Bloomberg Terminal (4pm NY, Dec. 3)

Cryptocurrency Monitor									
Index	Last	Net Chg	% Chg	Open	Yest Close	2D Chart	30D Rng	Time	
BGCI Bloomberg Galaxy	305.57	-0.66	-0.22%	307.10	306.23			16:30	
Bid/Ask Data Network Data (Supplied by Mosaic)									
Coins	Last	Net Chg	% Chg	Bid	Ask	2D Chart	30D Rng	Time	
10 Bitcoin	7315.31	-4.05	-0.06%	7315.00	7315.63			16:39	
12 Bitcoin Cash	214.14	-0.57	-0.27%	212.65	215.63			16:39	
13 Dash	52.382	+0.257	0.49%	51.770	52.995			16:39	
14 EOS	2.7058	+0.0160	0.59%	2.7039	2.7077			16:39	
15 Ethereum	148.052	-0.623	-0.42%	148.045	148.060			16:39	
16 Ethereum Classic	3.854	-0.011	-0.28%	3.854	3.854			16:38	
17 Litecoin	45.331	-0.462	-1.01%	45.270	45.390			16:39	
18 Monero	53.577	-0.991	-1.82%	53.542	53.611			16:39	
19 XRP	0.2196	-0.0010	-0.45%	0.2195	0.2196			16:39	
20 Zcash	27.438	-0.425	-1.53%	27.411	27.465			16:39	
Futures	Last	Net Chg	Volume	Open	Settle	2D Chart	30D Rng	Time	
20 CME Bitcoin	7345	+10	1682	7370	7340			16:37	

Cryptocurrency News | More »

40 ✓ British Virgin Islands, Home to Crypto Expts, to Issue Own Coin BN 14:13

42 ✓ Nordea Wins Danish Court Battle to Ban Staff Trading in Bitcoin BN 06:37

43 ✓ Georgia Governor Picks Crypto CEO for Senate Seat, Defying Trump BN 12:02

44 Benzinga: Bitcoin, Ripple & BCH - American Wrap: 12/3/2019 BLG 16:35

45 Cointelegraph: Cointelegraph Launches Consulting Division To Drive Enterprise Blockchain Adoption, NSI 16:29

46 Finance Magnates: Student Loans App SoFi Granted BitLicense by New York Regulator NSB 16:28

47 Inside Bitcoins: Bitcoin Cash Price Prediction: BCH/USD Remains Above \$210 After Declining by Mor... NSI 16:25

48 Forbes: Prominent Investor Says Halving Won't Have a Big Impact on Bitcoin Price, Here's Why FOR 16:17

49 Bitcoin Falls 0.2% to \$7,307; CME Futures Unchanged BN 16:15



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