

Bitcoin Has Entered Stealth Phase of Bull Run

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OVERVIEW OF BULLISH SIGNALS

According to standard benchmarks on moving averages, Bitcoin is in a bull run. Not only the 50-day moving average has crossed over the 200-day moving average, Bitcoin's price has also crossed the 50-week moving average, a measure which has been described as significant by many experienced traders (figure 1).

Realized value, a metric first proposed by a researcher at Coin Metrics, also shows that the market has bottomed. Realized value is the weighted UTXO market cap for Bitcoin, or in other words, a measure of the value of all coins in circulation at the price they last moved, or in even simpler words: An approximation of what the entire market paid for their coins.

Bitcoin hash rate, active wallet address, transactions per day, etc – all have either surpassed all time highs or is approaching so. Many studies published on the network effects of Bitcoin, cryptocurrency, and Metcalfe's law found convincing correlations, especially in the long term. Recently published paper by *Peterson, 2019*, "Bitcoin Spreads Like A Virus", produced an updated correlation model between Bitcoin's active addresses to unique addresses, transaction activity to Bitcoin price – shown in Figure 3. Metcalfe value is derived as a combination of these measure of Bitcoin's network effects, and the Bitcoin's price is currently in agreement with Metcalfe's law.

Figure 1: Bitcoin is above 50-week moving average. This signal is historically extremely profitable.



Figure 2: Bitcoin is above realized value, a bullish on-chain signal (Source: Willy Woo)

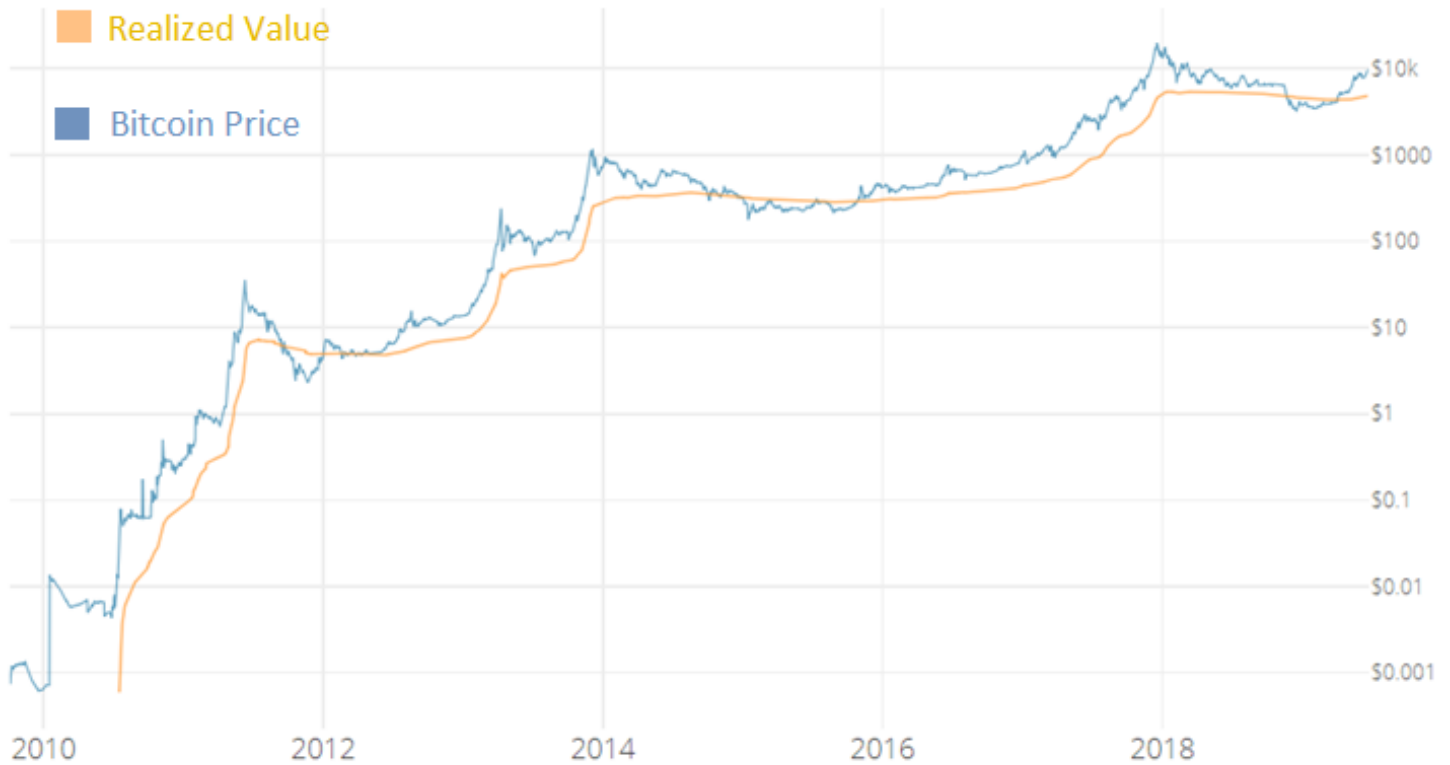
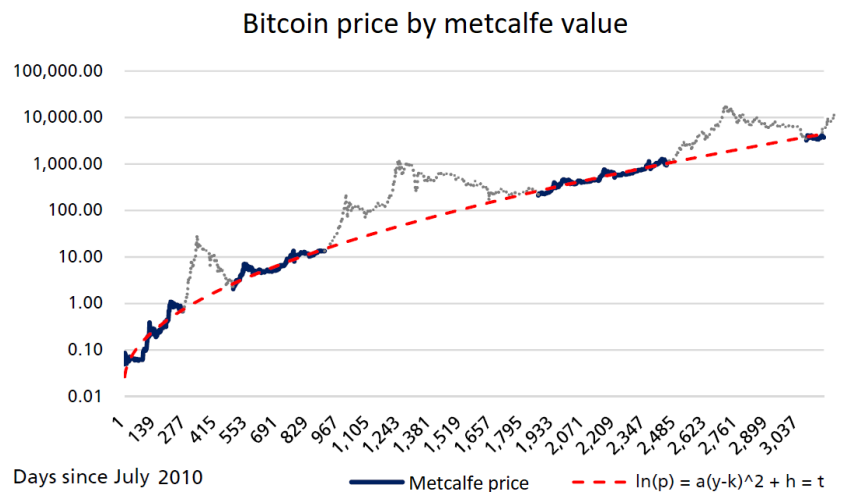


Figure 3: Bitcoin logarithmic evaluation by Metcalfe's Law. (Source: Peterson, 2019)

Bullish fundamentals are also supporting the current move. With the many exciting announcements released in the highly anticipated cryptocurrency conference: Consensus 2019. It seems that the cryptocurrency industry as whole is starting to notice wider business and enterprise acceptance.

Fiat on ramp has also been significantly improved. Not only hundreds of new exchanges have opened since the 2017 bull run, over 10 institutional exchanges are reported to start offering Bitcoin trading as soon as this year. Here is a list of notable institution backed cryptocurrency exchanges that is scheduled to launch this year:



Fidelity Digital Assets, ErisX(Backed by NASDAQ), Bakkt(Backed by Intercontinental Exchange), TD Ameritrade, Rakuten, ETrade, Decurrent (Backed by MUFG Bank), LMAX Digital, SBI Virtual Currencies, and BitMax(Backed by Line).

STEALTH PHASE

Bitcoin is clearly starting a new bull run as visible through various technical analysis (eg. Moving averages) and on-chain analysis (various on-chain data published by Willy Woo and David Puell). What is surprising however, or unsurprising, is how little the public knows about this. Less informed people still think Bitcoin was just a craze, or that it is still currently trending toward zero. What's more, data suggest that Bitcoin is currently going through the initial "stealth phase" of its bull run (green shade), as shown in figure 4 produced below. This means that Bitcoin's bull run has only just started and have ridiculously more room to grow before the next cycle top.

Figure 4. Logarithmic growth of Bitcoin price and its public interest.



This stealth phase is characterized by significant bitcoin growth however with minimal public attention. In fact, there are as much google searches for "Bitcoin" today at over 10,000\$ as in 2013 when Bitcoin was only at 1,000\$.

ON CURRENT BITCOIN DOMINANCE

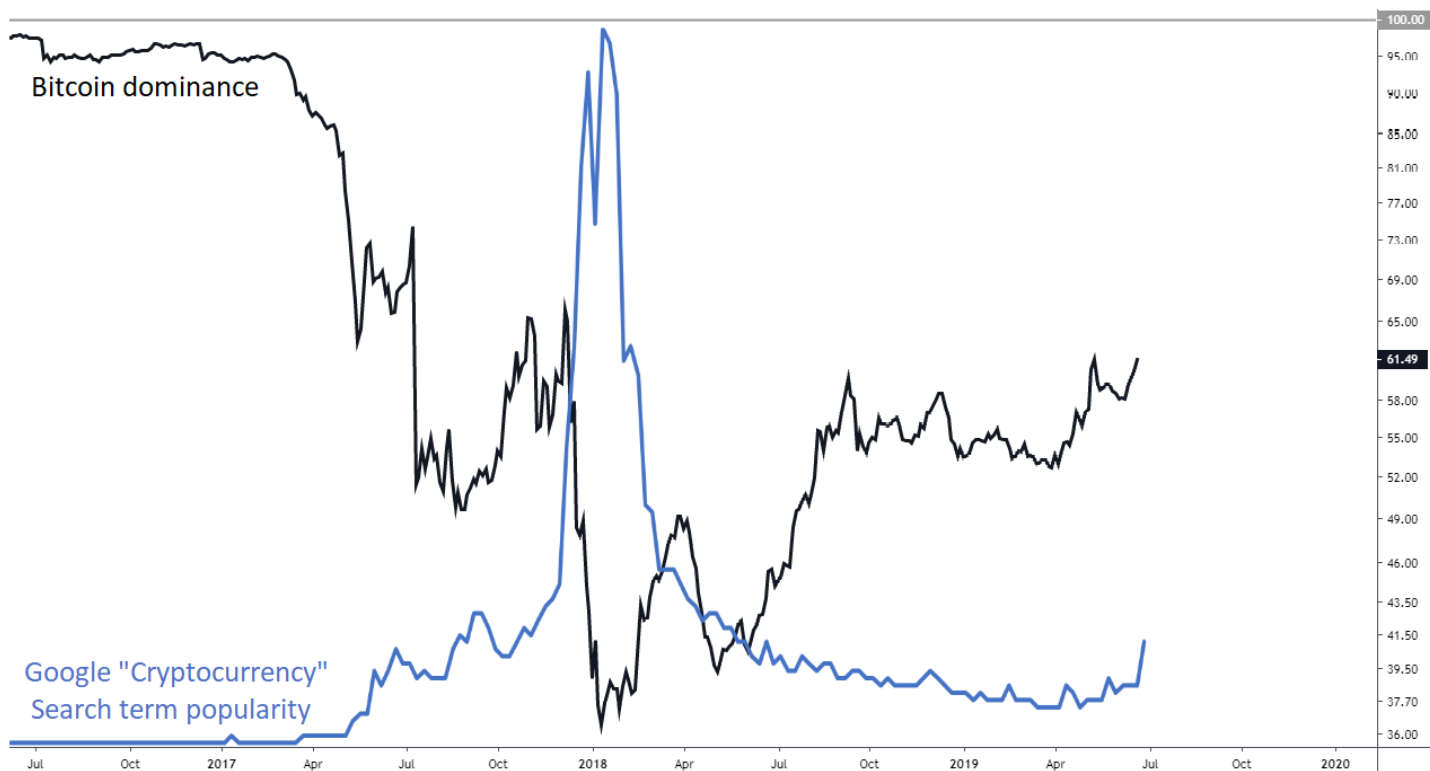
From historical data, Bitcoin dominance seems to inversely correlate with public interest. In the peak public awareness period of every cycle, Bitcoin has always experienced the final and sharpest linear growth. This final sharp growth is also historically paired with the explosive growth of alt coins and violent decline in Bitcoin dominance.

As seen in the figures 4 and 5, when the public finally began to realize that cryptocurrency was in a full-blown bull market, a significant amount of novice investors started to purchase Bitcoin and altcoins in the last few months of 2017.

Not only were there massive capital inflow, many investors who have already made significant gains from Bitcoin start to diversify into significantly riskier investments. The result was an immense surge of ICO participation and prices of alt coins such as Ethereum and XRP, this is when Bitcoin dominance started to fall significantly.

This inverse correlation between Bitcoin dominance and public interest hints that Bitcoin dominance will likely to remain high until cryptocurrency as whole start to see much higher public interest.

Figure 5: Inverse correlation between the popularity of the search term "Cryptocurrency" versus Bitcoin Dominance



Data suggest Bitcoin will continue to lead the current cryptocurrency industry bull market. When more public interest starts to pick up, it may be optional to diversify Bitcoin profits into other cryptocurrencies.

As the next wave of retail influx stars to surge, it will generate immense capital inflow and boost altcoins in a 2017-esque manner. Considering some investors will learn from previous cycle's mistakes, this cycle top should be less violent. Nonetheless, the event cycles have been predictable, and current evidence suggest that history will continue to rhyme like previous cycles.