

CS

CoinShares Bi-Weekly Digest

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Market Summary

Bitcoin and Ethereum are currently trading around \$64.5K and \$2.5K, respectively, after a ~4% rise early on Monday, attributed to low volumes on LMAX Digital despite weak fund flows in the previous week. Open interest has climbed 25% month-over-month. Concerns about the US government's potential sell-off of its Bitcoin holdings appear premature. The Supreme Court recently declined to hear an appeal on the Silk Road case (69.4K BTCs), and the government has made efforts to reach out to victims of the Bitfinex hack (119.8K BTCs). There has been no detected movement from government wallets, and any sell-off seems unlikely for now. Most attention is on the upcoming election, with Polymarket currently showing Former President Trump in the lead, having a 53.8% chance of winning, which has supported Bitcoin's price.

Trump is also launching his own crypto project, World Liberty Financial, with a token set to list for whitelist members on Tuesday, October 15th. Built on Ethereum, the project aims to offer borrowing and lending services. Some of the team who lead World Liberty Financial previously ran a project called Dough Finance, which was hacked. A similar event for World Liberty Financial could damage Trump's credibility if this were to occur. Trump has previously profited from NFT sales and has shown support for a Bitcoin Treasury reserve, and pro-crypto-and-Bitcoin-mining policies. He has also showed willingness to fire SEC Chairman Gensler, as well as supporting stablecoins to strengthen the US Dollar, ending Operation Chokepoint 2.0, and opposing CBDCs.

Uniswap has announced the development of a new L2 network powered by the OP Stack, aiming to offer fast block times (targeting 250 milliseconds, currently at 1 second) for fast transactions, improved market efficiency, and reduced losses from MEV. Unichain has partnered with Pyth for low-latency financial data, distinguishing itself from Chainlink. The Unichain testnet went live on Thursday, with the mainnet expected by year-end. This move aligns Uniswap with other DeFi platforms like Maker (NewChain), Aave (Aave Network), and Frax (Fraxchain), though Fraxchain is the only one currently live in production.

This week's macro data:

Tuesday - NY Empire State Manufacturing, Redbook YoY, Consumer Inflation Expectations

Wednesday - Export/Import Prices MoM & YoY

Thursday - Retail Sales, Initial Jobless Claims, Philly Fed Manufacturing Index, NAHB Housing Index,

Friday - Building Permits, Housing Starts

An Anatomy of Ethereum Usage

- On a transaction fee basis, 90+% of usage is with marketplaces. It's been a volatile shift as shown above — with gaming, phishing scams, and NFTs apps periodically dominating — but on-chain exchanges (often called DEXs), led far and away by Uniswap, have more or less been the dominant use case on Ethereum since summer 2020. Uniswap alone consistently captures a substantial share of Ethereum transaction fees — 15% in H1 2024. It's a testament to a core value Ethereum delivers, and its users place, on the ability to speculate freely on digital assets (like ETH, app tokens, and stablecoins).
- What we take from this table is something that the Ethereum community should be both proud of and concerned about. Ethereum has successfully grown to host a wide range of applications that users are willing to spend over a billions of dollars annually to access; a feat achieved in less than a decade that is worthy of celebration. The hard truth however is that these flows are highly concentrated into a few use cases centered around asset speculation, and the trend of demand for the Ethereum chain is declining.
- Read on [here](#).

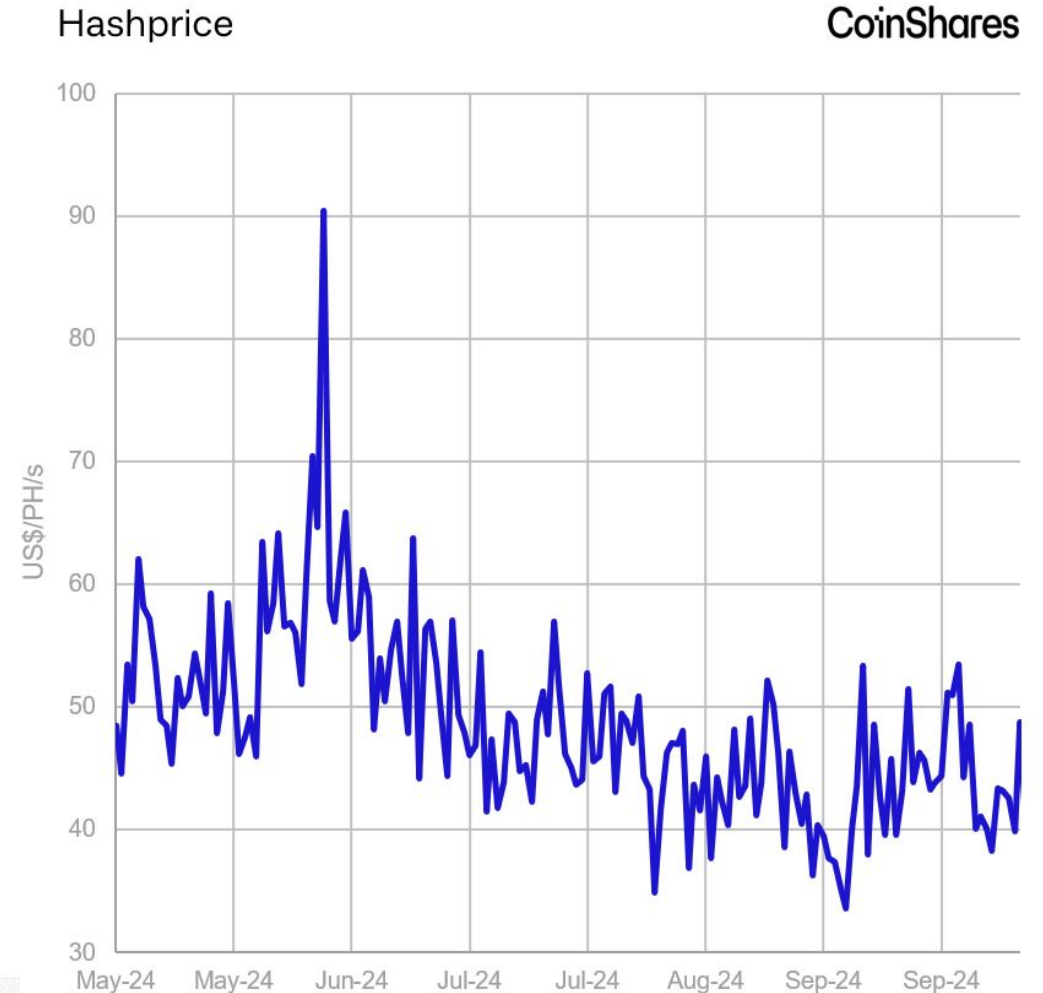
Ethereum Fee Spend by Year and Category

Rank	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
1	ETH Transfers \$1,359	ETH Transfers \$79,911	ETH Transfers \$7,397,689	ERC-20s \$42,476,294	ERC-20s \$13,078,493	ERC-20s \$86,320,839	DEXs \$2,460,281,005	DEXs \$717,763,885	DEXs \$706,663,775	DEXs \$512,813,339
2	Contract Management \$235	Contract Management \$24,408	ERC-20s \$5,231,215	ETH Transfers \$31,577,880	ETH Transfers \$7,403,913	DEXs \$84,532,766	ETH Transfers \$1,197,939,272	NFT Marketplaces \$495,363,253	Layer 2s \$247,970,119	ERC-20s \$159,404,641
3	Oracles \$88	ERC-20s \$14,821	DEXs \$3,387,367	DEXs \$10,694,992	Gaming apps \$3,347,245	Stablecoins \$56,739,426	ERC-20s \$1,181,396,412	ERC-20s \$358,004,202	ERC-20s \$223,535,410	ETH Transfers \$148,935,748
4	Gaming apps \$31	External Business Operations \$6,827	External Business Operations \$2,341,425	Contract Management \$8,617,555	Contract Management \$2,895,076	ETH Transfers \$53,232,614	Stablecoins \$906,876,150	ETH Transfers \$316,505,074	ETH Transfers \$164,970,184	Stablecoins \$129,397,576
5	External Business Operations \$13	Gambling apps \$2,319	Contract Management \$2,153,967	External Business Operations \$5,342,966	Stablecoins \$2,225,669	Phishing/Hacks \$27,128,742	NFT Marketplaces \$770,627,218	NFT Transfers \$277,260,301	NFT Marketplaces \$152,622,862	Layer 2s \$90,121,263
6	Gambling apps \$7	Bridges \$1,742	Digital Identity \$1,171,251	Stablecoins \$3,701,494	DEXs \$2,046,942	Contract Management \$18,060,535	NFT Transfers \$455,080,558	Stablecoins \$234,355,545	Stablecoins \$146,769,888	Contract Management \$89,360,349
7	ERC-20s \$0	Digital Identity \$1,595	NFT Transfers \$870,387	NFT Transfers \$3,033,198	Debt Marketplaces \$1,038,078	Oracles \$11,167,444	External Business Operations \$338,723,033	Contract Management \$201,082,074	Contract Management \$121,723,497	MEV \$86,252,201
8	Burn Addresses \$0	Phishing/Hacks \$791	Gambling apps \$333,408	Social apps \$2,978,022	NFT Transfers \$1,027,388	MEV \$9,963,127	Contract Management \$311,333,406	Layer 2s \$133,373,096	NFT Transfers \$78,761,428	Bridges \$68,495,957
Grand Total	\$0M	\$0M	\$26M	\$143M	\$46M	\$452M	\$9,824M	\$3,584M	\$2,364M	\$1,770M

Source: CoinShares

Blockchain Equities - Floor Hashprice

- Bitcoin mining economics is essentially driven by the bitcoin price, the bitcoin network hashrate (the sum of all hashing capacity of miners in the bitcoin network) and rewards per block. When we combine both drivers, we have the hashprice, which is the dollar value of each hash in the bitcoin network. When price goes up, the hashprice goes up. Conversely, when the bitcoin network hashrate grows, hashprice goes down, and vice-versa.
- At the bitcoin halving in April 2024, rewards per block dropped from 6.25 to 3.125 and, consequently, the hashprice also halved overnight. The halving supposedly cuts out less profitable miners, leading to a decrease in the network hashrate, improving economics to miners. However, despite a short-lived hashrate correction, it has since recovered and is near all-time highs.
- The hashprice, however, seems to have found a floor at US\$40 per PH/s, which could signify that mining economics do not have much downside to it and, as miners upgrade their fleets, their profitability is also likely to improve. If the bitcoin price rebounds, miners are likely to enjoy a short period of high profits until the network adjusts again, likely correcting the hashprice to current levels.



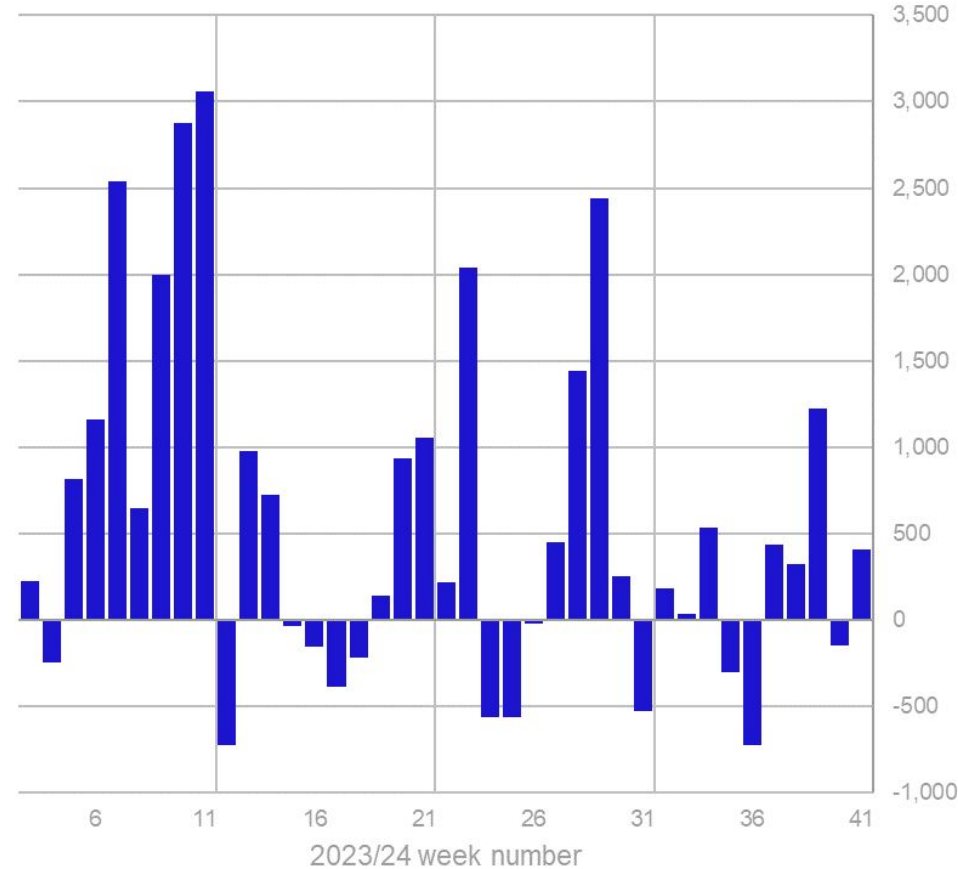
Source: Bloomberg, CoinShares, data available as of close 13 October 2024

CS Digital Asset Fund Flows

Political Shift to Republicans Drive \$407M Digital Asset Inflows

- Digital asset investment products saw inflows of US\$407m, as investor decisions have likely been more influenced by the upcoming US elections than by monetary policy outlooks.
- Bitcoin saw inflows totalling US\$419m, making it the primary beneficiary of recent political shifts.
- Blockchain equity ETFs saw one of the largest weekly inflows this year, totalling US\$34m, likely in response to recent Bitcoin price rises.

Weekly Crypto Asset Flows (US\$m) CoinShares



Source: Bloomberg, CoinShares, data available as of close 11 October 2024

Flows by Provider (US\$m)				
CoinShares	Week flows	MTD flows	YTD flows	AUM
iShares ETFs/USA	158	266	22,929	22,965
Grayscale Investments LLC/L	-65	-167	-19,690	19,854
Fidelity ETFs/USA	138	-9	9,999	11,351
21Shares AG	-3	-13	-9	3,025
ARK 21 Shares/USA	35	-162	2,562	3,013
CoinShares XBT	-4	-6	-411	2,659
Bitwise ETFs/USA	36	10	2,151	2,494
Purpose Investments Inc ETF:	4	11	-467	2,030
Other	108	276	6,883	19,263
Total	407	207	23,947	86,655

Flows by Asset (US\$m)				
CoinShares	Week flows	MTD flows	YTD flows	AUM
Bitcoin	419	204	22,390	69,982
Ethereum	-9.8	-35.0	726	9,905
Multi-asset	1.5	31.6	473	4,350
Solana	0.6	5.6	57	1,196
Binance	-	-1.0	-1	566
Litecoin	0.1	0.9	39	137
XRP	1.1	1.3	25	90
Short Bitcoin	-6.3	-3.5	43	79
Cardano	-	-0.1	13	48
Tron	0.2	0.2	1	47
Other	1.0	2.5	181	256
Total	407	207	23,947	86,655

Flows by Exchange Country (US\$m)				
CoinShares	Week flows	MTD flows	YTD flows	AUM
Australia	2.0	4.1	86	87
Brazil	-1.4	-0.3	214	892
Canada	4.8	21.8	-424	4,302
Hong Kong	-0.8	-2.6	329	378
Germany	0.8	-9.0	-356	3,608
Sweden	-3.9	-5.6	-358	2,680
Switzerland	-0.3	37.4	583	4,790
United States	406	163	23,858	65,457
Other	-0.3	-1.5	16	4,459
Total	407	207	23,947	86,655

Full report [here](#)

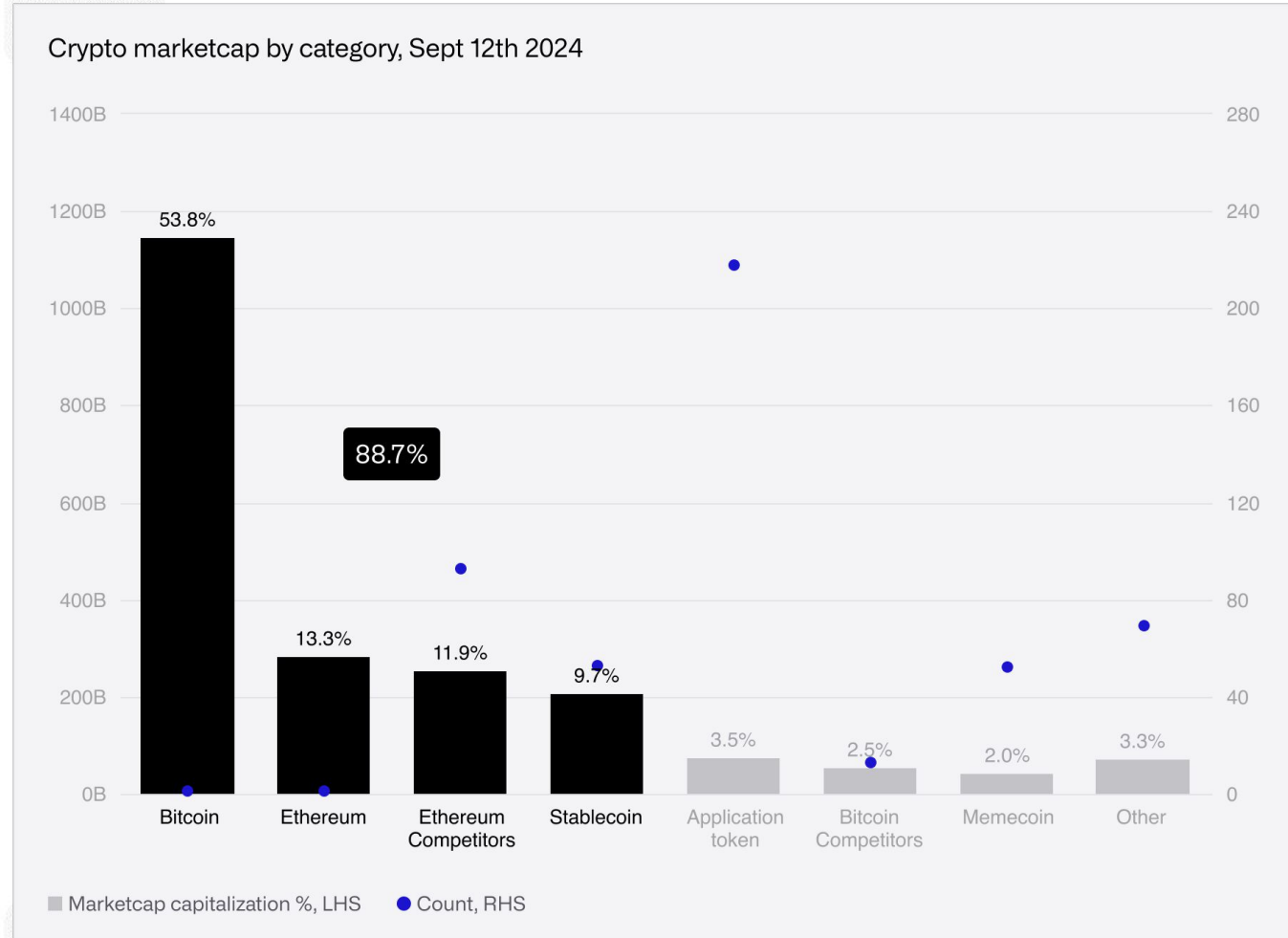
CS Bitcoin Fundamentals

Bitcoin and Ethereum make up around 70% of the market.

At 53%, Bitcoin alone is worth more than all other projects combined.

And at 13%, Ethereum is worth more than all of its direct competitors.

While there are at this point millions of crypto tokens and projects, the investment landscape is very concentrated.



Bitcoin in a Portfolio

A portfolio weighting of 4% achieves a Sharpe ratio of 1.05, a correlation fall of 5.1% and an increase in maximum drawdown increase of 0.9% when compared to a 60/40 equity/bond portfolio.

Various asset Classes Performance in a balanced portfolio (since 2017)								
CoinShares	60%/40%	4.0%	4.0%	4.0%	4.0%	Bitcoin	4.0%	4.0%
	benchmark (Equities/Bonds)	Bitcoin	(no rebalancing)	Ethereum	Gold	Mining Equities	CRB	REITs
annualised returns	9.7%	16.4%	26.0%	18.0%	9.9%	15.1%	9.5%	9.7%
max drawdown	20.9%	21.8%	44.0%	21.6%	20.4%	22.3%	20.2%	21.3%
volatility	10.9%	11.8%	27.6%	11.7%	10.6%	12.7%	10.5%	11.1%
correlation	-	94.9%	24.0%	93.5%	99.9%	93.2%	100.0%	99.9%
tracking error	-	3.7%	27.0%	4.1%	0.6%	4.7%	0.5%	0.6%
beta	-	1.03	0.65	1.01	0.97	1.09	0.96	1.02
Sharpe (vs cash)	0.52	1.05	0.81	1.19	0.55	0.87	0.52	0.51
Sortino	-	1.34	1.16	1.51	0.68	1.13	0.64	0.62

Source: Bloomberg, CoinShares, data available as of close 14 October 2024

- Data derived from a balanced 60/40 equity/bond portfolio, with an equal weight deduction to allocate to Bitcoin, Gold, HFRX Global, CRB, REITs Top 5 Crypto

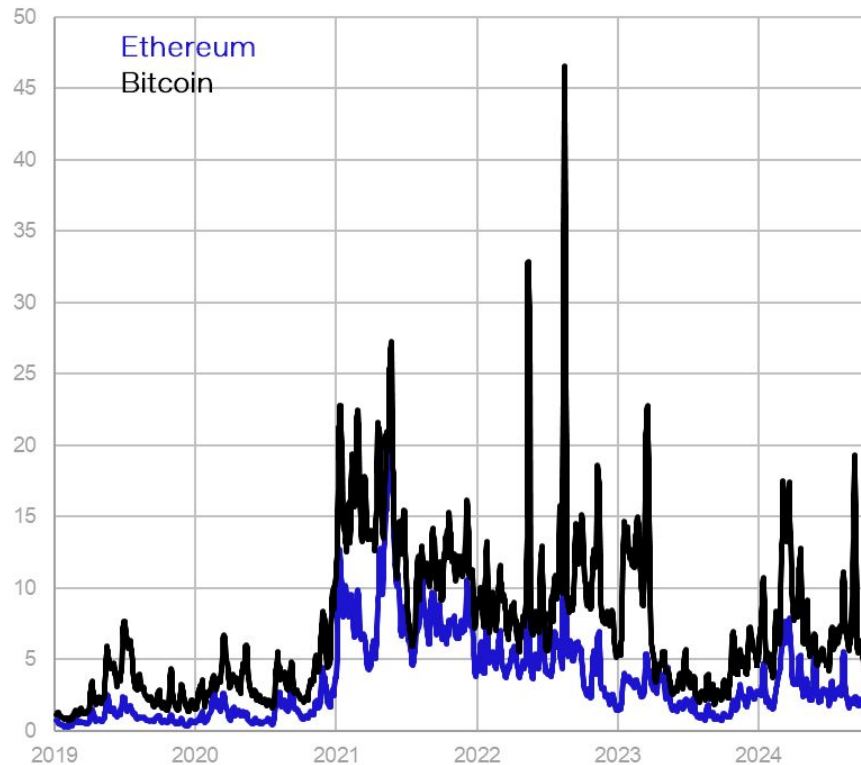
- S&P500, Bloomberg Total Return 7-10 year bond, XBTUSD, Gold, HFRXGL Index, CRB & REIT indices are used

- Rebalanced per calendar quarter

Crypto Volumes

The volumes between Bitcoin and Ethereum continue to diverge.

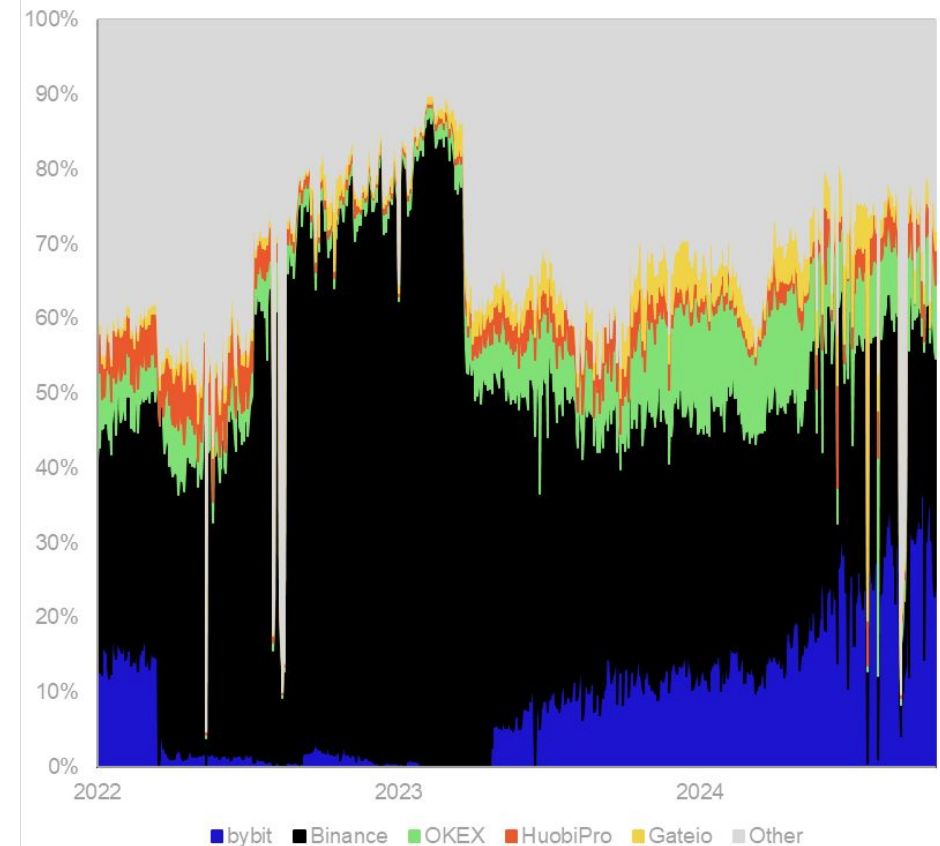
Trading volumes on trusted exchanges (7d DMA US\$bn) **CoinShares**



Source: Compass, CoinShares, data available as of close 12 October 2024

Binance continues to bleed market share with ByBit rapidly gaining market share.

Exchange Market Share of Bitcoin volumes **CoinShares**

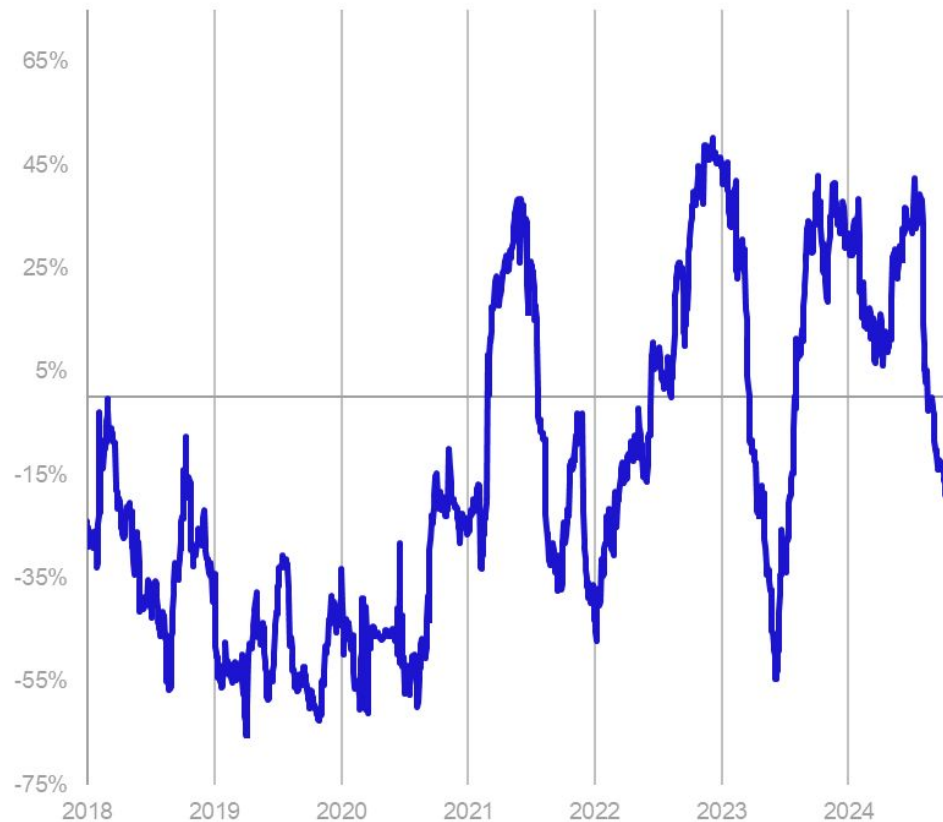


Source: Compass, CoinShares, data available as of close 12 October 2024

Market Correlations

Inflection points around monetary policy often lead to rises in correlation between some asset classes, with bitcoin and the Nasdaq correlation rising to 38%, while equity-bond correlation has turned negative for the first time on over a year. The S&P 500 and Bitcoin prices have risen above 50% for the first time since early 2023.

Equities vs Government Bonds correlation of daily returns (3m trail) **CoinShares**



Source: Bloomberg, CoinShares, data available as of close 14 October 2024

MSCI World & Nasdaq vs Bitcoin correlation of **CoinShares** daily returns (3m trail)

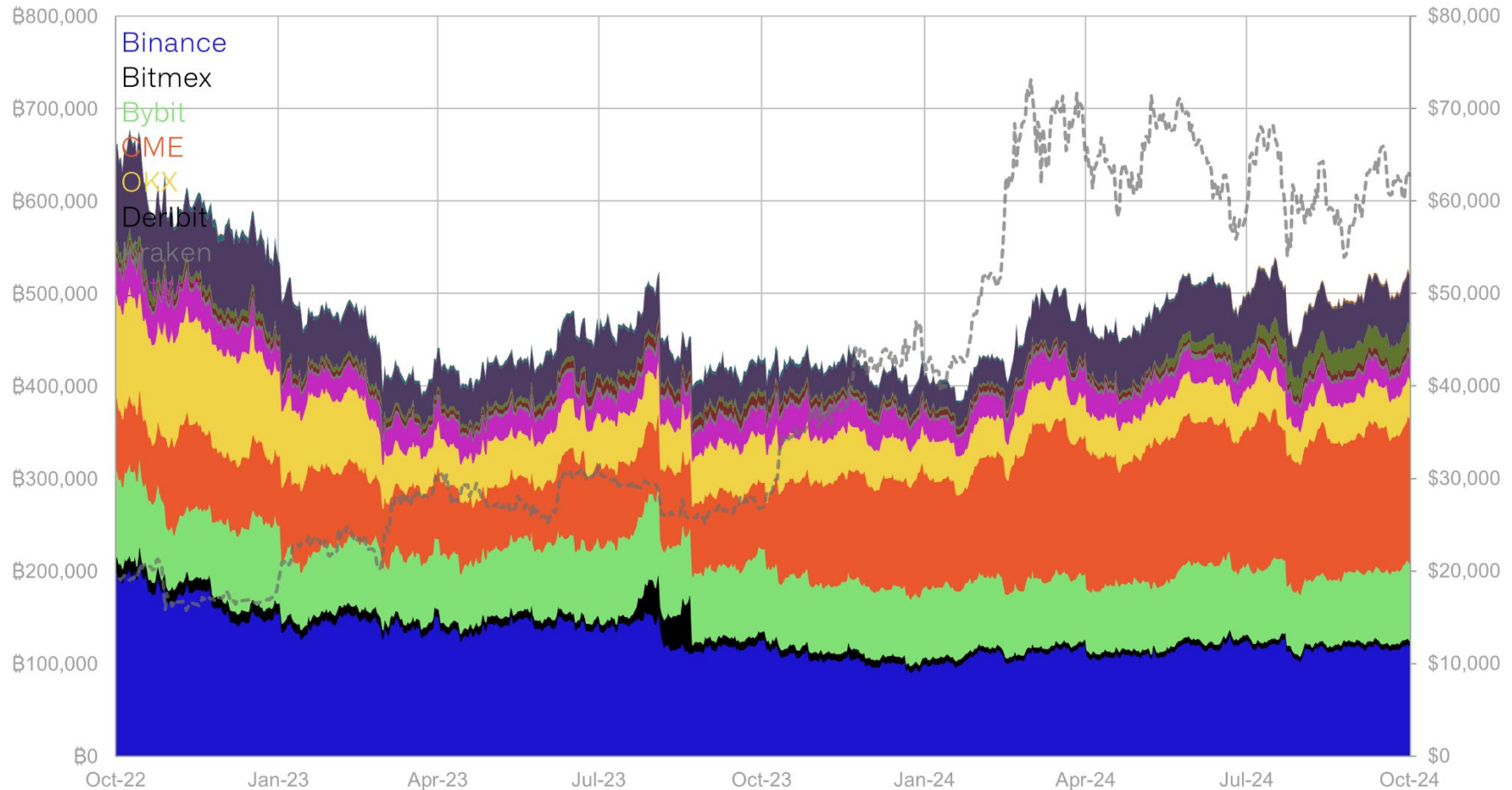


Source: Bloomberg, CoinShares, data available as of close 13 October 2024

CS Bitcoin Futures Overview

Bitcoin Futures Open Interest by Exchange (LHS) vs. Price (RHS)

CoinShares

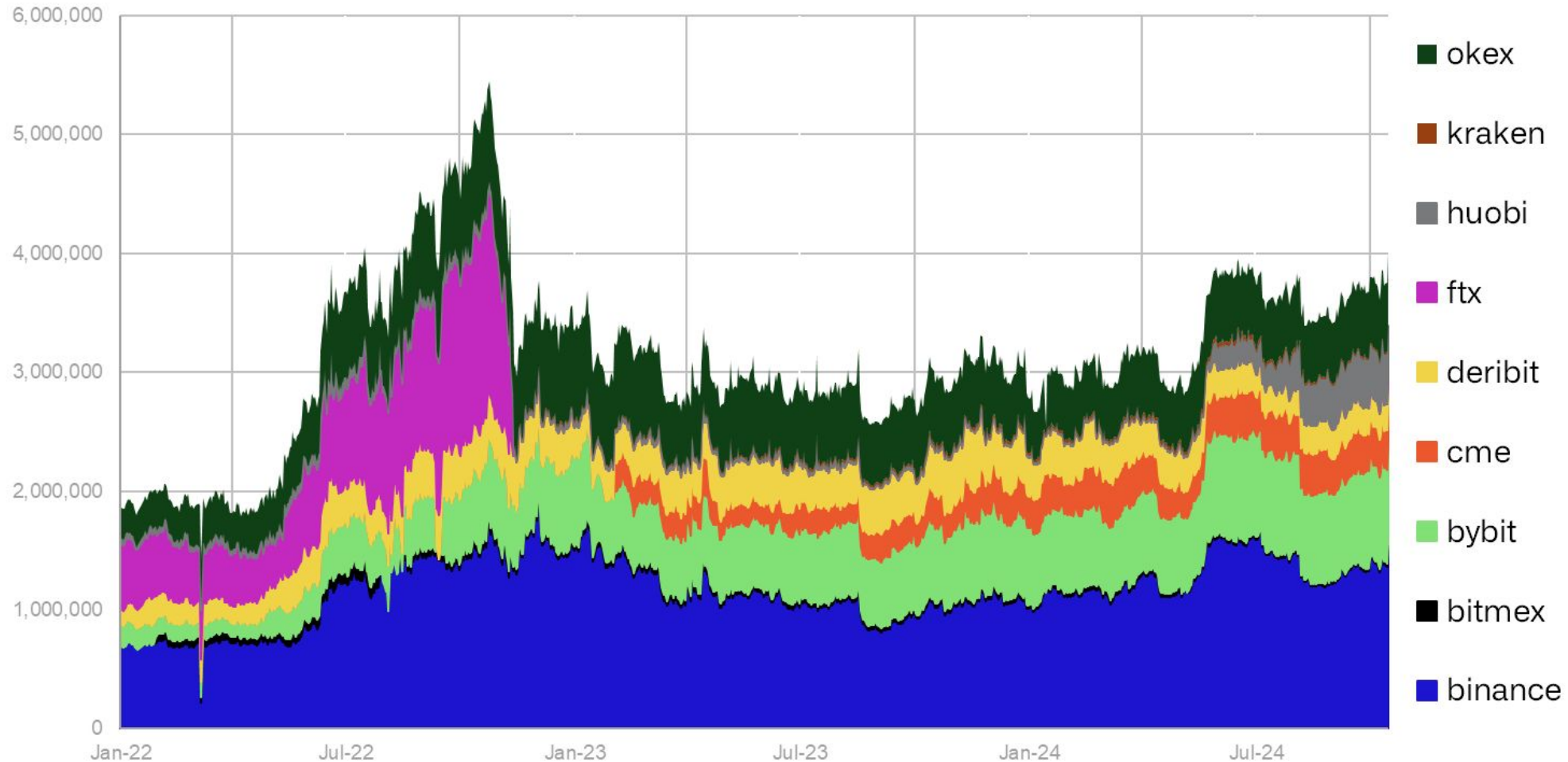


Source: Coinglass, Glassnode, CoinShares, data available as of close 13 October 2024

Ethereum Futures Overview

Ethereum Futures Open Interest by Exchange (ETH)

CoinShares

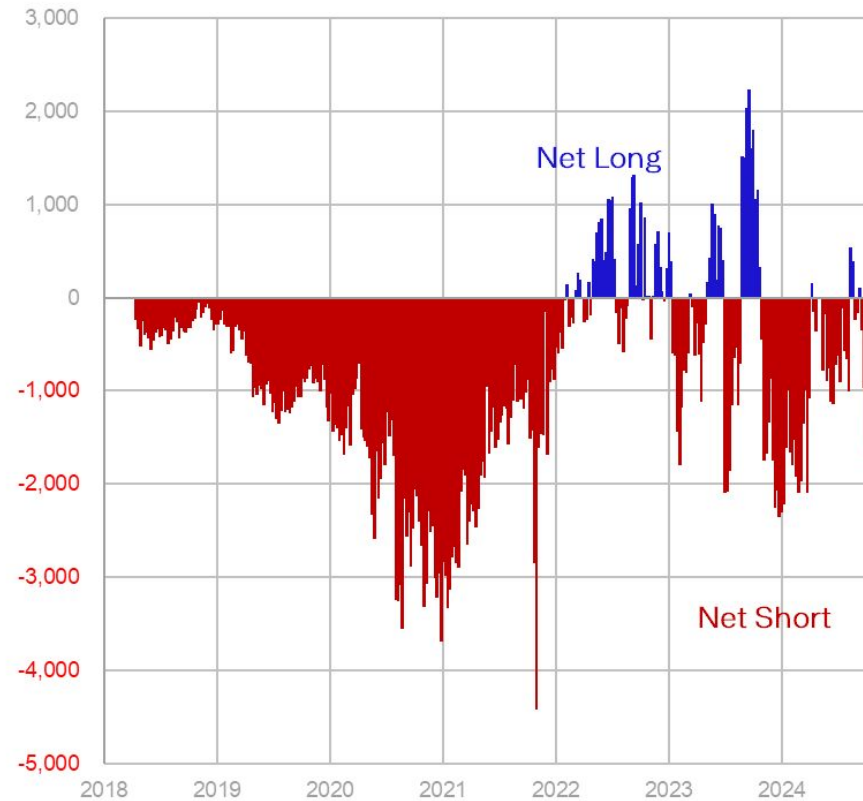


Source: Amberdata, CoinShares, data available as of close 14 October 2024

CFTC Bitcoin Futures

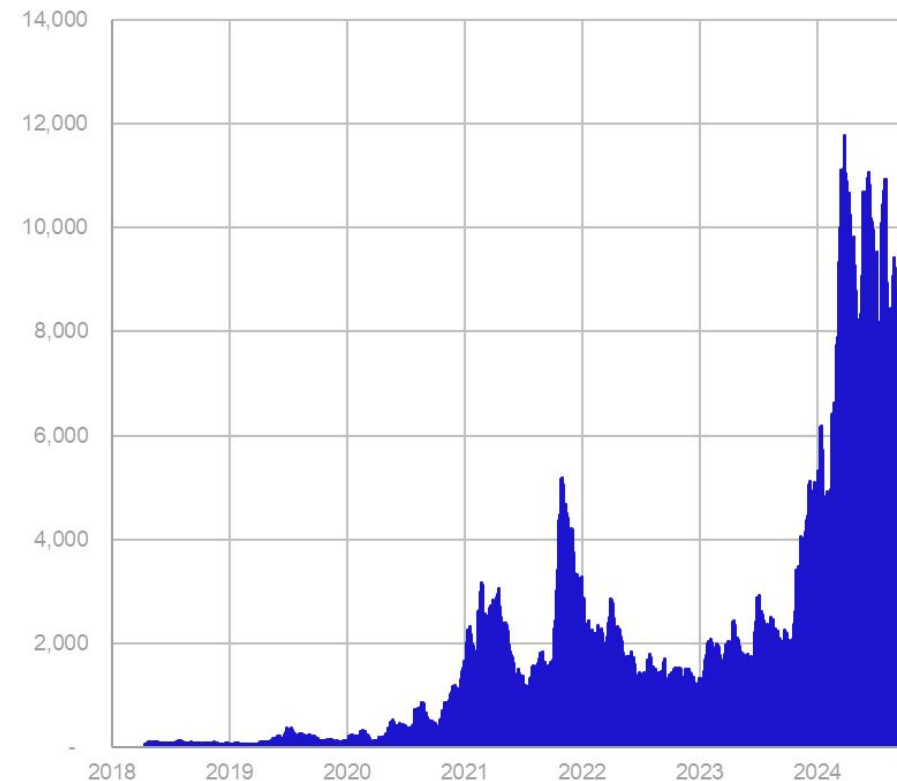
Recent price rises have seen investors move in to net short positions, typical in a more bullish market when investors are basis trading. Although the level of total futures outstanding hasn't risen much recently suggesting investors remain cautious.

CME Bitcoin Futures contracts net non-commercial outstanding **CoinShares**



Source: Bloomberg, CoinShares, data available as of close 14 October 2024

CME Bitcoin Futures contracts total outstanding (US\$m) **CoinShares**



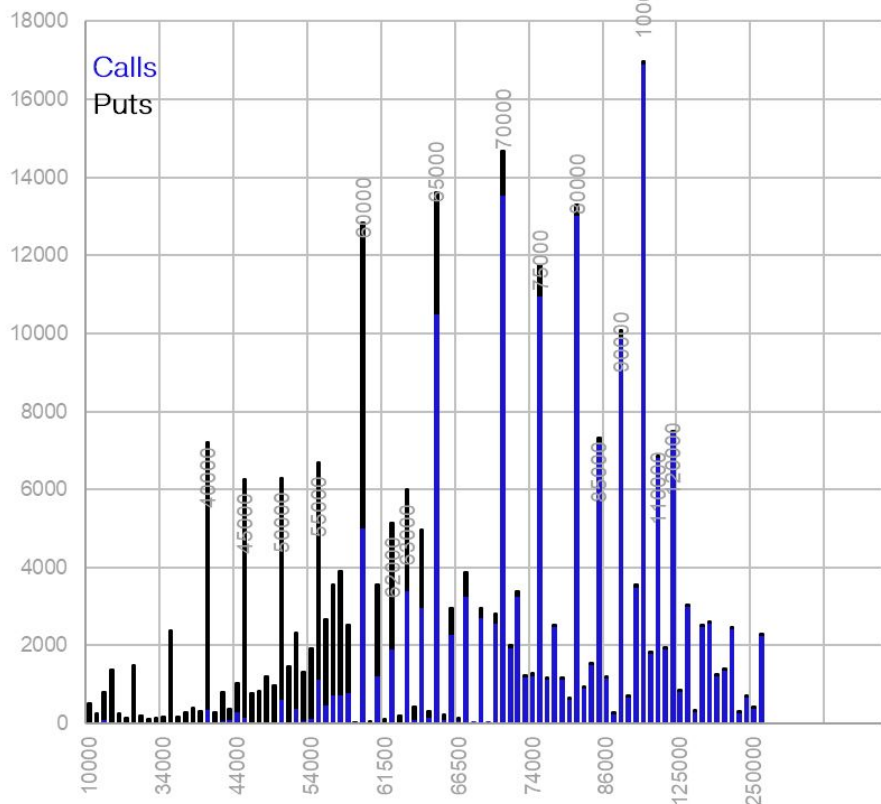
Source: Bloomberg, CoinShares, data available as of close 14 October 2024

Deribit Bitcoin Options

Deribit, the largest Bitcoin options exchange, is highlighting the largest notional calls have remained static at US\$100k versus largest puts which have risen back to US\$60k - denoting key psychological and technical levels for Bitcoin.

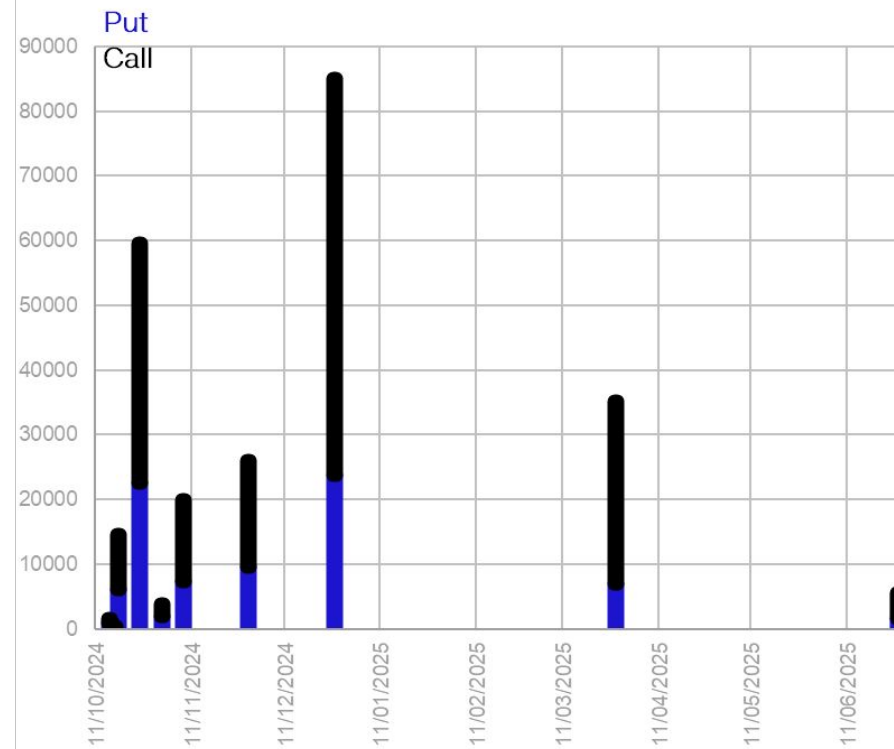
Meanwhile, open interest remains very focussed on the front month, with little past that point.

Bitcoin Open Interest by Strike (US\$m notional) CoinShares



Source: Deribit, CoinShares, data available as of close 14 October 2024

Open Interest by Expiry date - Notional US\$m CoinShares



Source: Deribit, CoinShares, data available as of close 14 October 2024

Active vs Passive Crypto Investors

Active funds have seen better performance on a risk adjusted basis since 2019, although remain a relatively small component of digital asset funds on an AuM basis.

Digital Asset Active vs Passive funds (price, aum weighted)



CoinShares

Digital Asset fund Performance & Risk

CoinShares	Passive	Active
1m	5.2%	2.0%
3m	-7.8%	-6.9%
6m	3.9%	-6.5%
1y	161%	85%
2Y	323%	134%
annualised returns (since 2019)	70%	63%
# actively trading	207	36
% actively trading (January)	99%	95%
assets under management (US\$m)	85,401	2,632
Average annual fee (%)	1.25	0.83
max drawdown	83.1%	38.1%
volatility	77.6%	40.2%
return dispersion (weighted)	3.2%	6.2%
sharpe	0.89	1.53

Source: Bloomberg, CoinShares as of close 14 Oct 2024

NB. actively trading funds only, there is survivorship bias, NAV data frequency very low of Actives

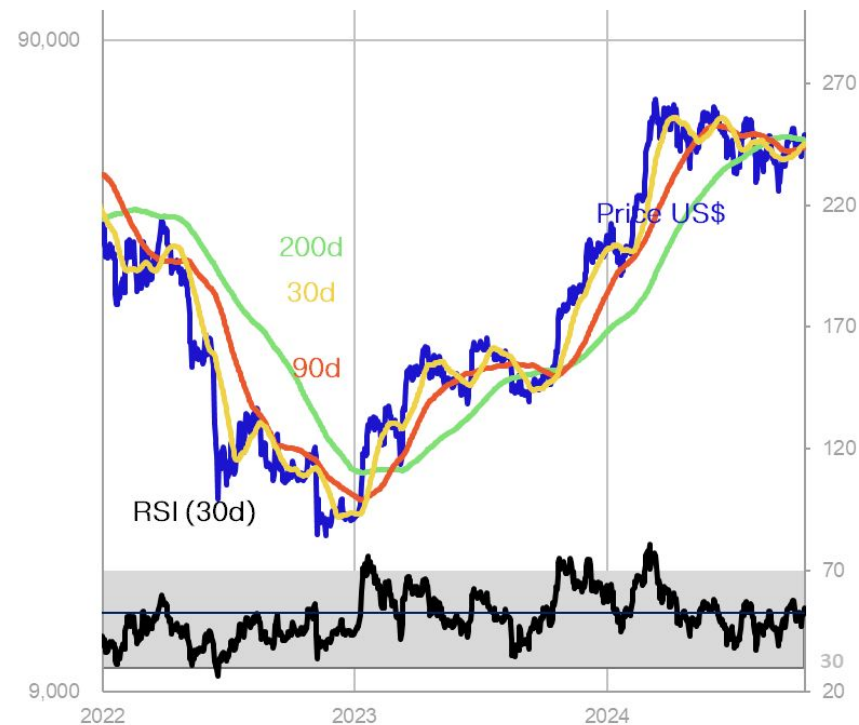
Source: Bloomberg, CoinShares as of close 14 Oct 2024

Technical/Value Indicators

Bitcoin according to the RSI measure is neither over or under sold at present

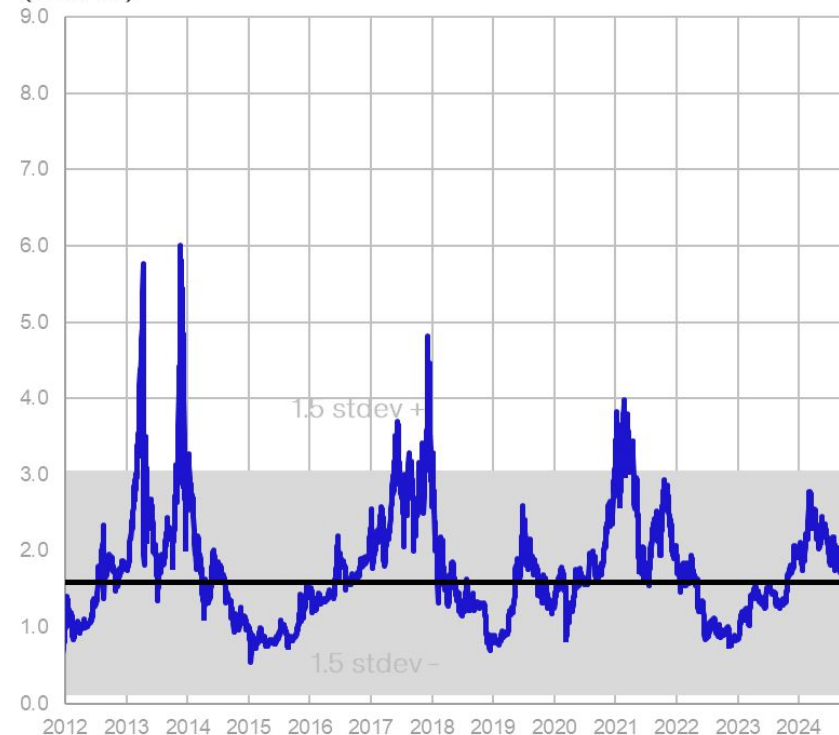
MVRV Value indicator has corrected significantly after the recent price corrections. More research on this indicator is available [here](#).

Bitcoin Moving averages and Relative Strength Index CoinShares



Source: Bloomberg, CoinShares, data available as of close 14 October 2024

Bitcoin Market Value / Realised Value (MVRV) CoinShares



Source: Glassnode, CoinShares, data available as of close 13 October 2024

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