

JANUARY 2024

# Research Roundup

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# Research Roundup

01. Recent Market Action

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02. Spot Bitcoin Exchange-Traded Products Have Arrived

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04. Checking Back in on Bitcoin Fees

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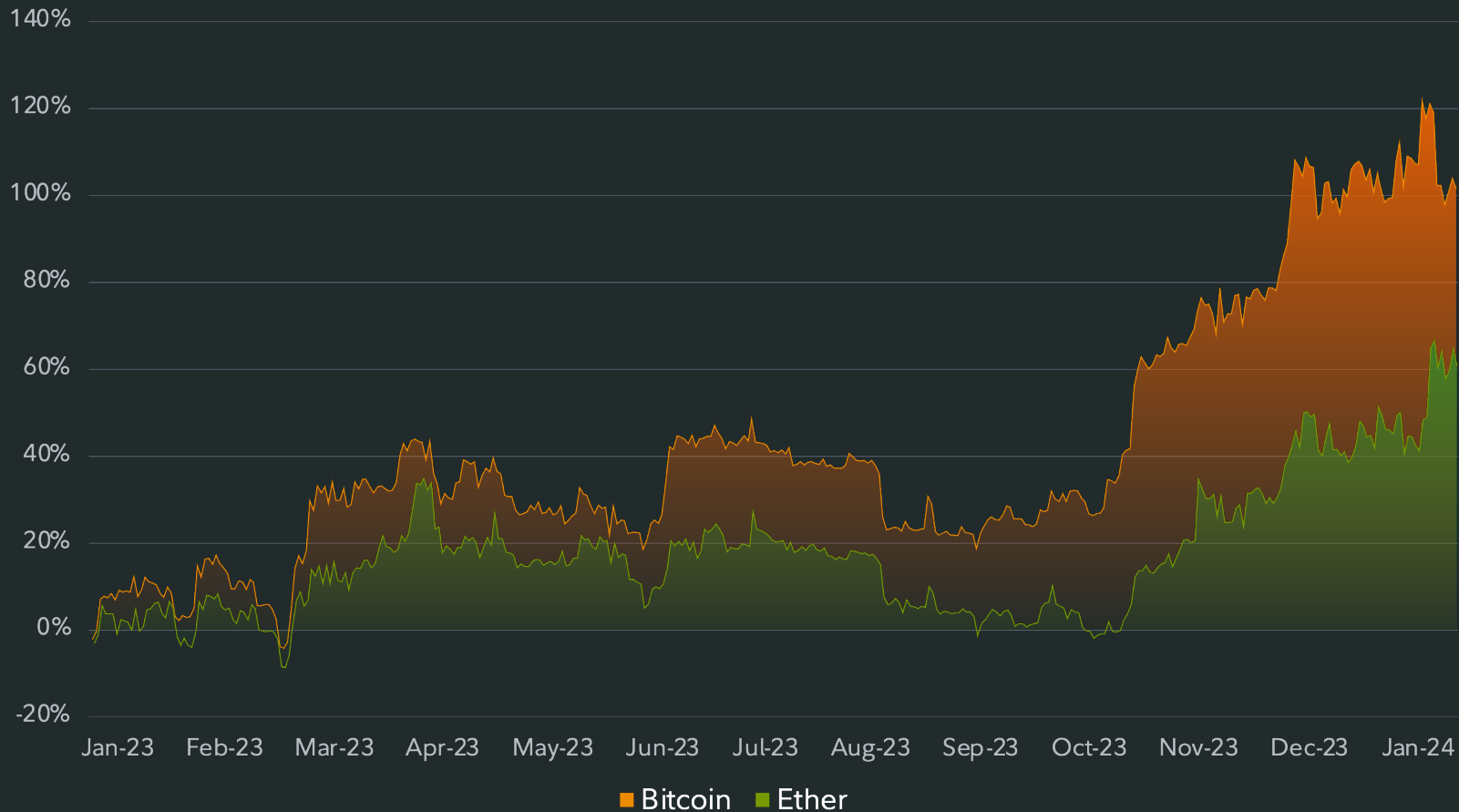
05. In Case You Missed It

# Recent Market Action

The background features a dark grey to black gradient. On the right side, there are stylized mountains rendered as a wireframe mesh. A large, solid green circle is positioned in the upper right corner. A network of thin grey lines connects various nodes, some of which are highlighted with small circles in yellow, blue, and orange. The overall aesthetic is modern and technological.

# Bitcoin and Ether Best Performing Assets

## 12-Month Bitcoin and Ether Returns Compared

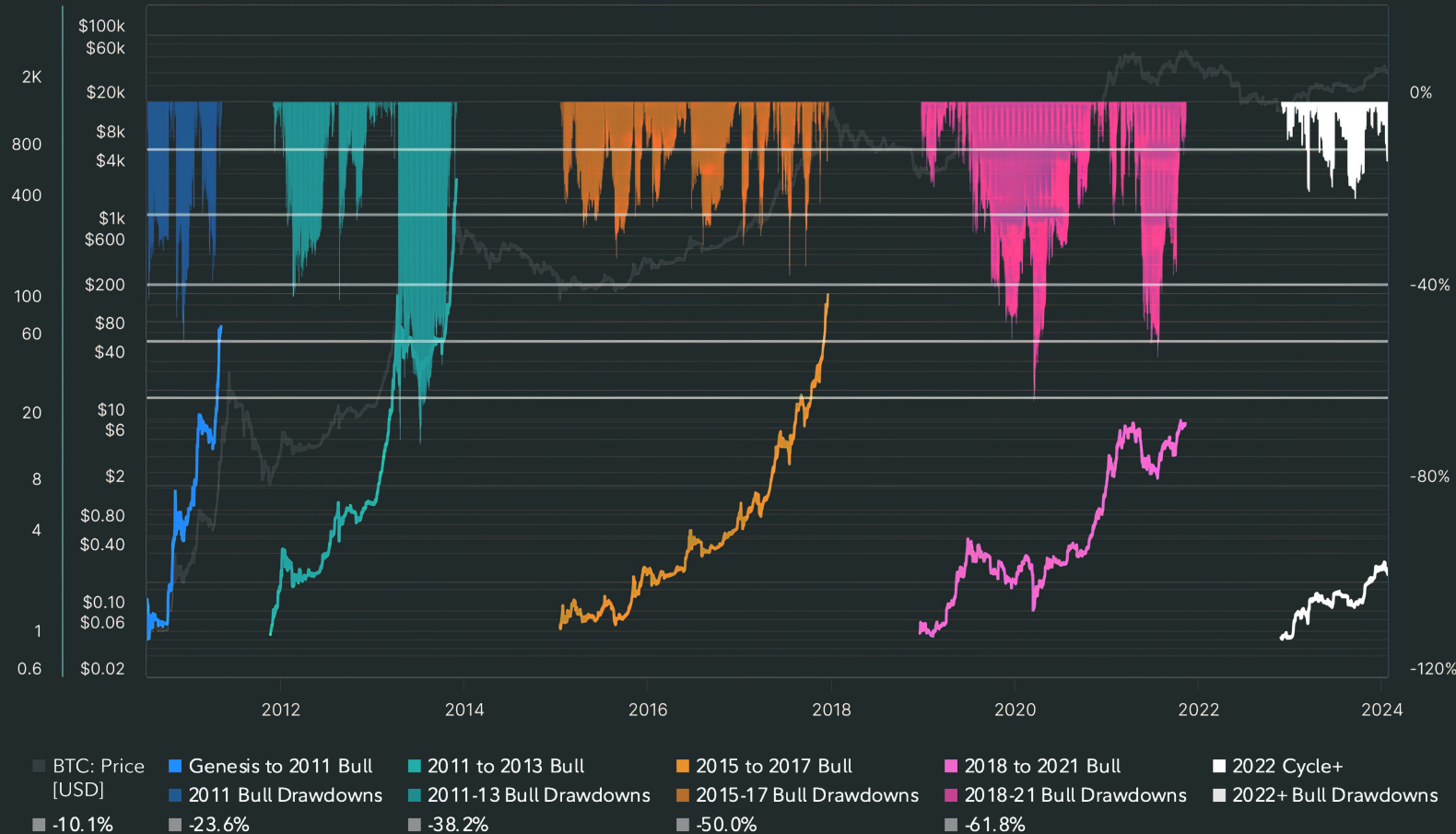


- 12-month returns are 102%+ for BTC and 61%+ for ETH.
- 1-month performance: 3% BTC and 15% ETH.
- BTC down ~17% from recent high after ETPs started trading.



# Current Drawdown in Context

## Bitcoin: Bull Market Correction Drawdowns

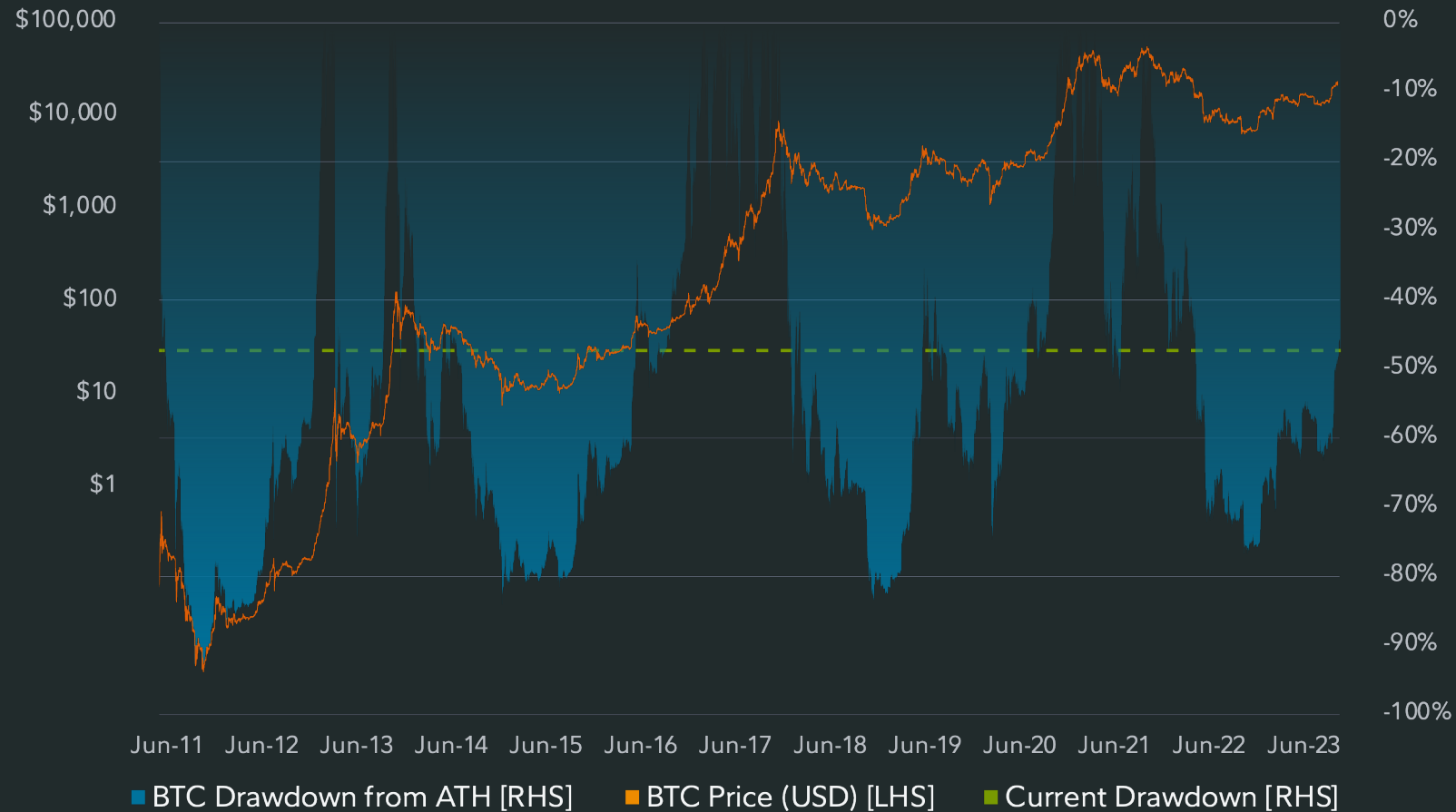


Source: Glassnode, 01/10/2024.

- Past bull markets experienced many significant drawdowns.
- The 2015-2017 bull run had regular ~20% drawdowns.
- 2018-2021 bull market had two severe drawdowns of 60% and 50%.
- Even in a bull market, price is primarily trading below all-time highs.

# Zooming Out

## Bitcoin Price and Drawdown from High



Source: Glassnode, 1/22/2024.

- Current drawdown is approximately 43% from last all-time high.
- While past is no indication of the future, it appears we continue to follow the same general cyclical pattern – at least so far.

# The Current Bear Market vs. Past

Bitcoin: Days to Return to All-Time Highs

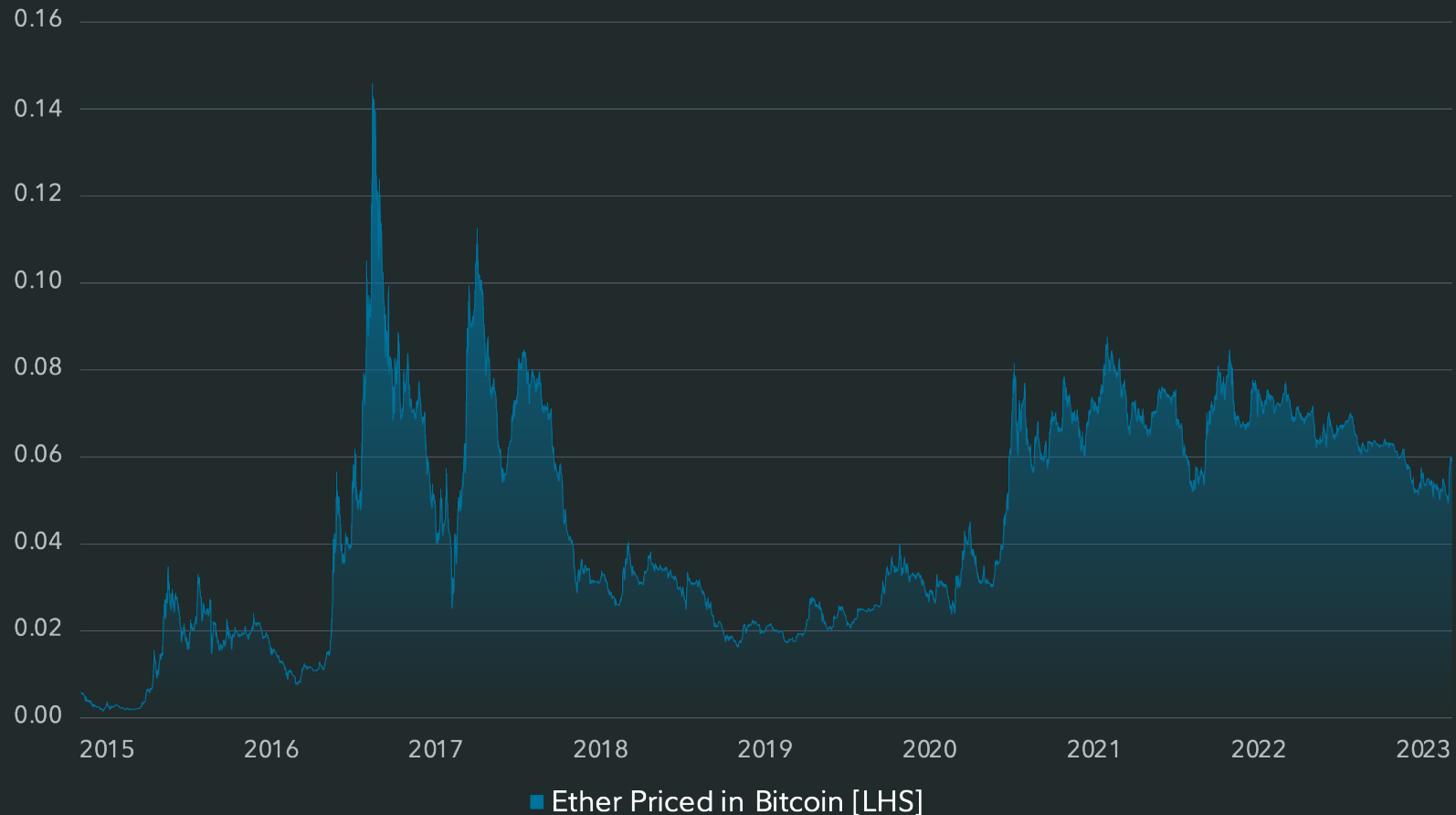


Source: Glassnode, 01/17/2024.

- Again, past is no indication of the future, but in a broad sense you can see we are still following the same bottoming and then climbing back out of the bear market.
- This also illustrates the recent rally may have been somewhat overextended, with some digestion of gains not surprising.

# Ether Price Action

## Ether Price in Bitcoin



- Recent positive price actions in ether and outperformance versus bitcoin occurred directly after Bitcoin ETPs were approved.
- We would still characterize ETH/BTC in a downtrend but...
- Looking ahead, we have another significant upgrade (Dencun) expected late Q1 or early Q2.

Q2

Spot Bitcoin Exchange-  
Traded Products  
Have Arrived!



# Spot ETPs Approved and Start Trading

First Few Days of Trading:

## VOLUME:

- Over \$21 billion in total trading volume after nine days (\$1.3 billion on day 9)

## FLOWS:

- Approximately \$0.8 billion in net positive flows total after nine days
- Over \$5 billion positive flows offset by \$4.4 billion in outflows from Grayscale Bitcoin Trust (GBTC), a closed trust that converted to an ETP

## AUM:

- Approximately \$25 billion in AUM
- Nearly \$5 billion among the “new” ETPs while GBTC still holds \$20 billion
- Over 118,000 BTC in new ETPs plus existing ~523,000 BTC held in GBTC

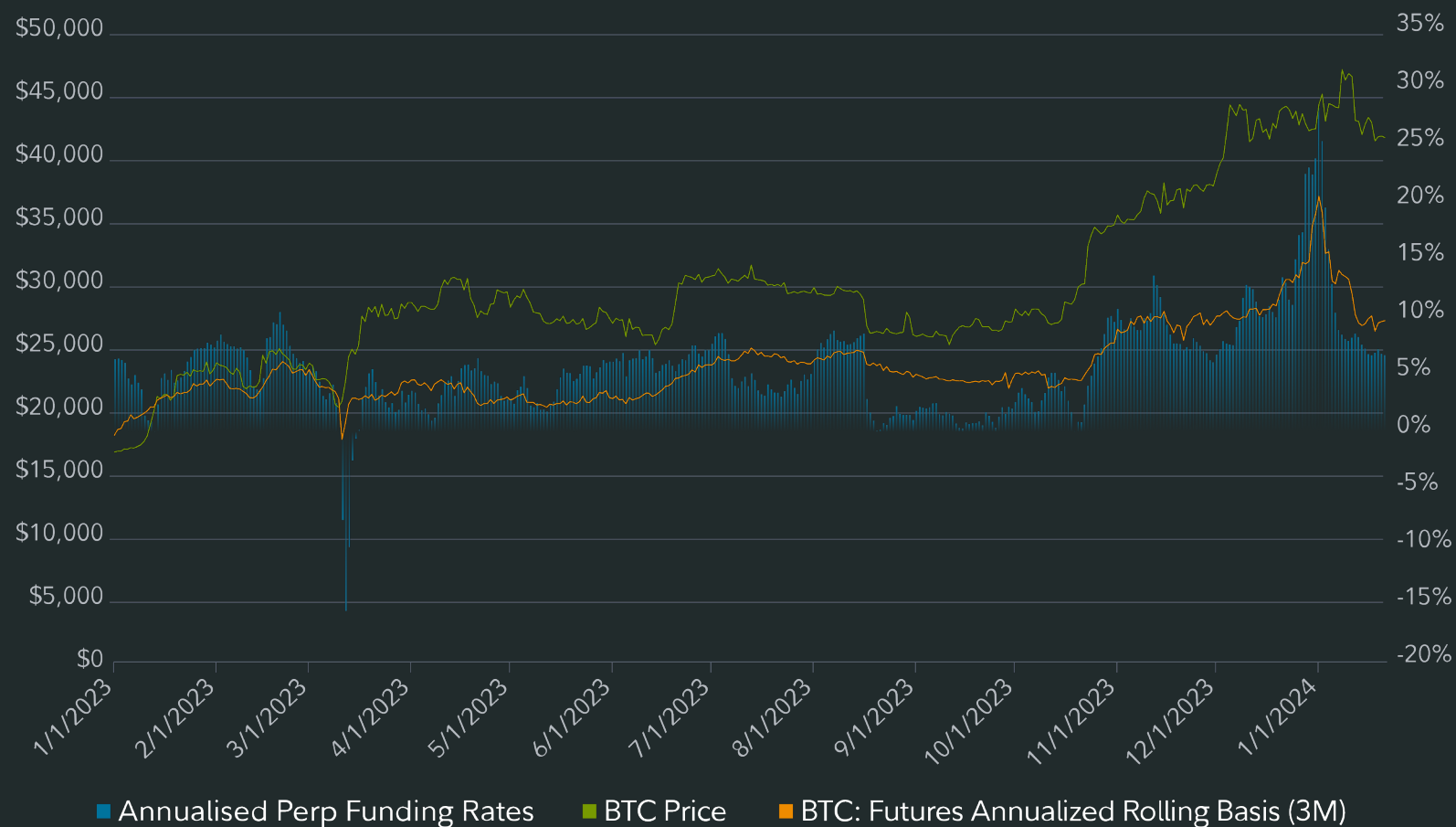
*Source: Bloomberg and [bitcointreasuries.net](https://www.bitcointreasuries.net) 1/22/2024.*

*Spot Bitcoin Exchange Traded Products are only offered through broker-dealers and are not available through Fidelity Digital Asset Services, LLC. Information provided in, and presentation of, this document are for informational and educational purposes only and are not a recommendation to take any particular action, or any action at all, nor an offer or solicitation to buy or sell any asset or service presented. It is not investment advice.*



# ETP Approval – Sell the News Event?

## Bitcoin Annualized Perpetual Funding Rates

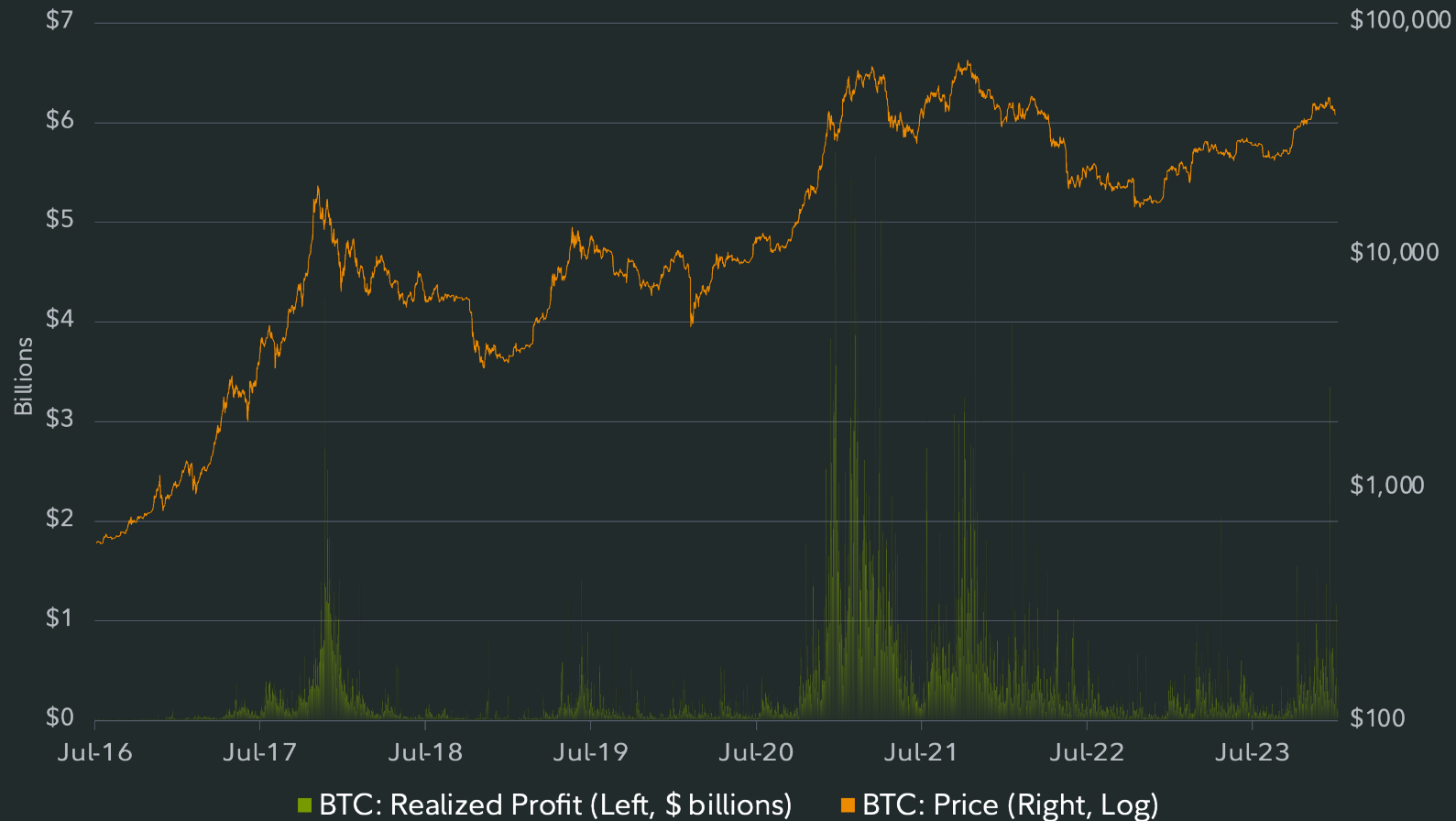


Source: Glassnode, 01/21/2024.

- We observed large increase in derivative open interest and spike in perpetual futures funding rates going into 2024.
- In our opinion, this was largely driven by ETP speculation as leveraged longs were willing to pay premium.
- This spike collapsed after approval but is still positive.

# So Who is Selling?

## Bitcoin Daily Realized Profit and Price

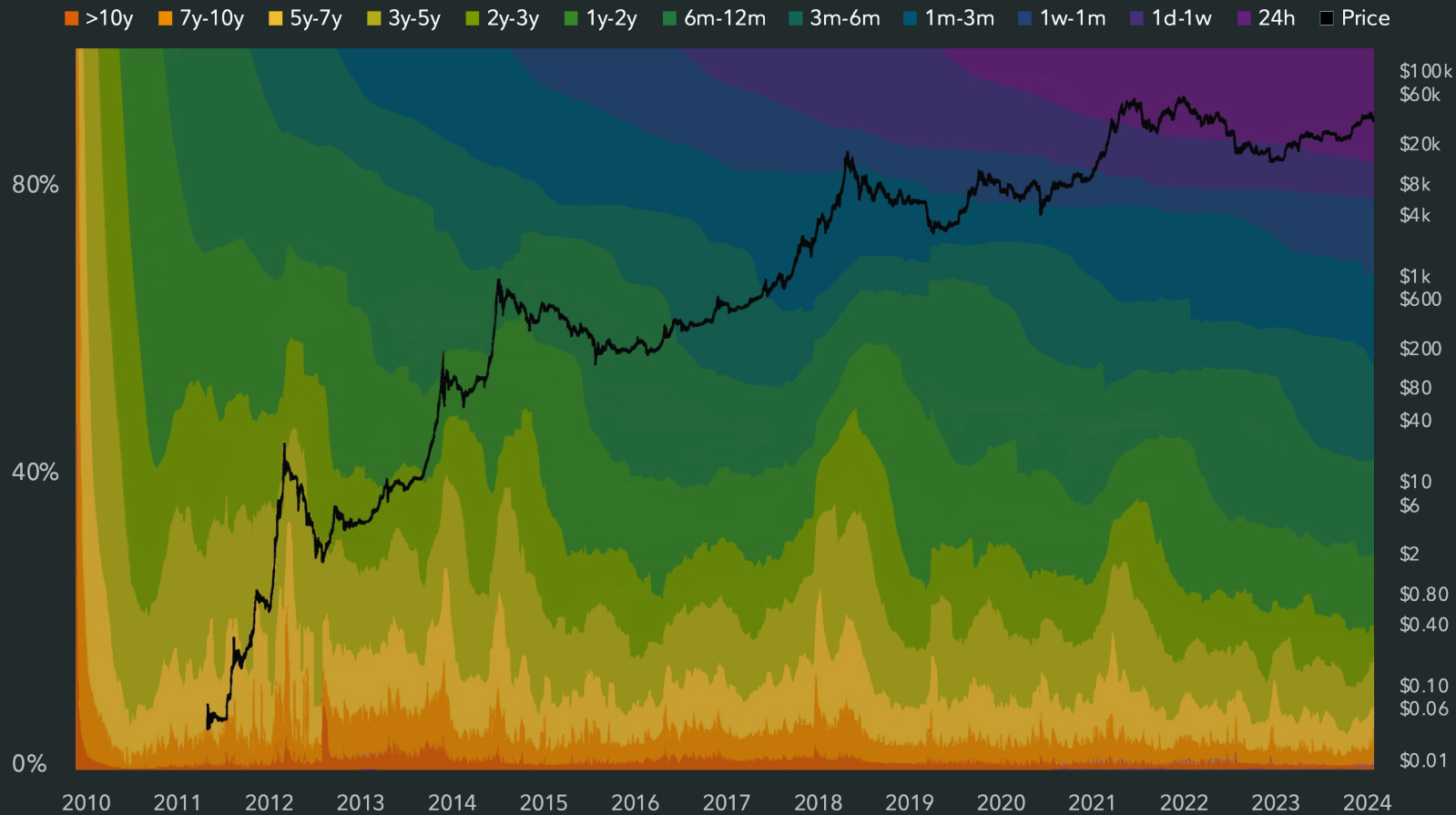


Source: Glassnode, 01/21/2024.

- There has of course been some profit taking after 2023's major rally of 160%+.
- The chart shows the total profit (in \$USD, left axis) of all moved coins whose price at last movement was lower than current movement (per day).
- Not surprising, but the next question is whether profit taking continues.

# So Who is Selling?

## Bitcoin HODL Waves Suggest Short-Term Traders

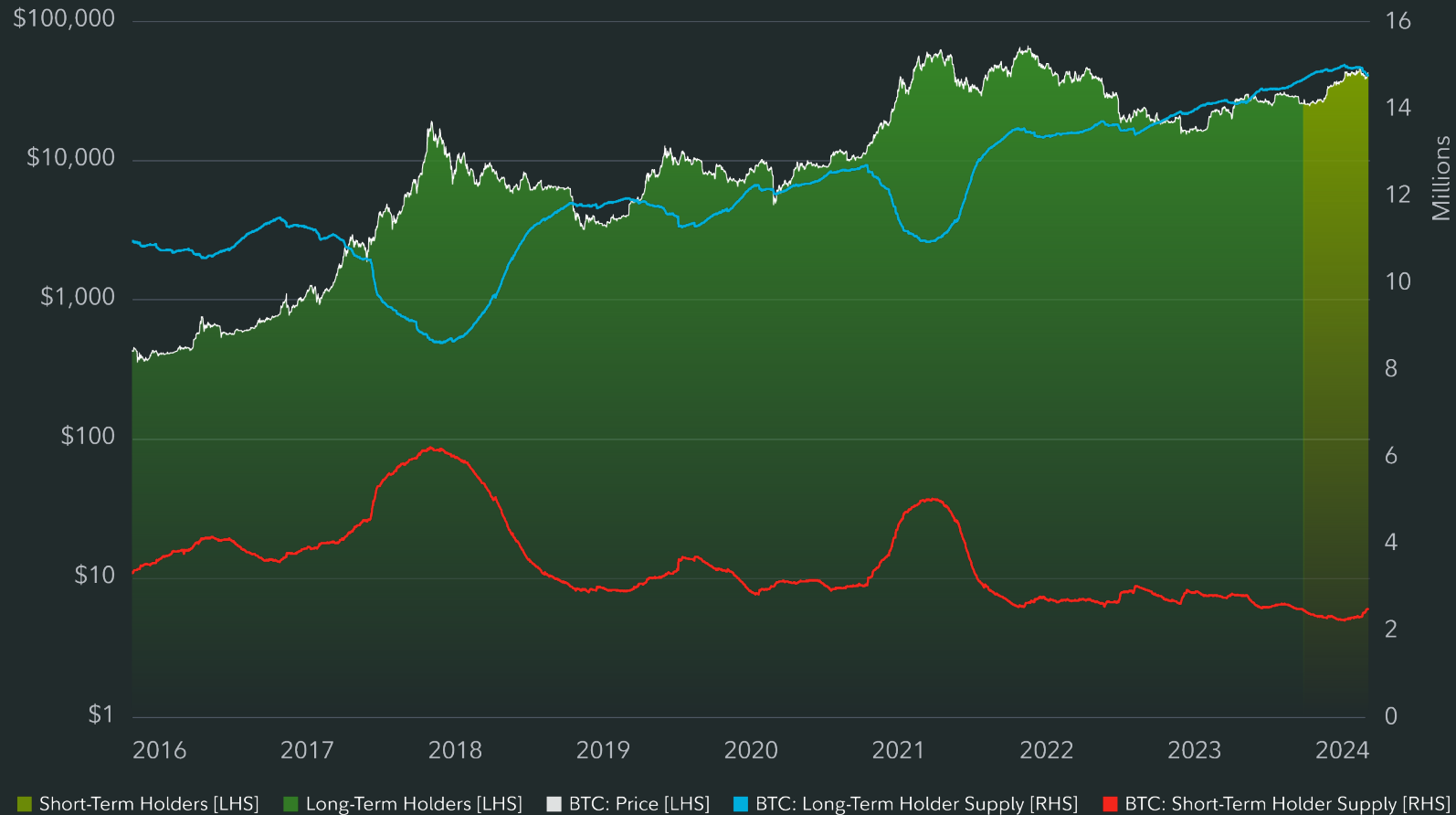


Source: Glassnode, 01/21/2024.

- Based on the previous futures chart, it appears some of the derivatives and leveraged longs sold.
- We have been monitoring long-term holders to see if the rally has induced them to sell – it has so far been minimal.
- This "HODL Wave" chart shows those who have held three months or fewer have moved coins the most.

# So Who is Selling?

## Bitcoin: Long/Short-Term Holder Threshold

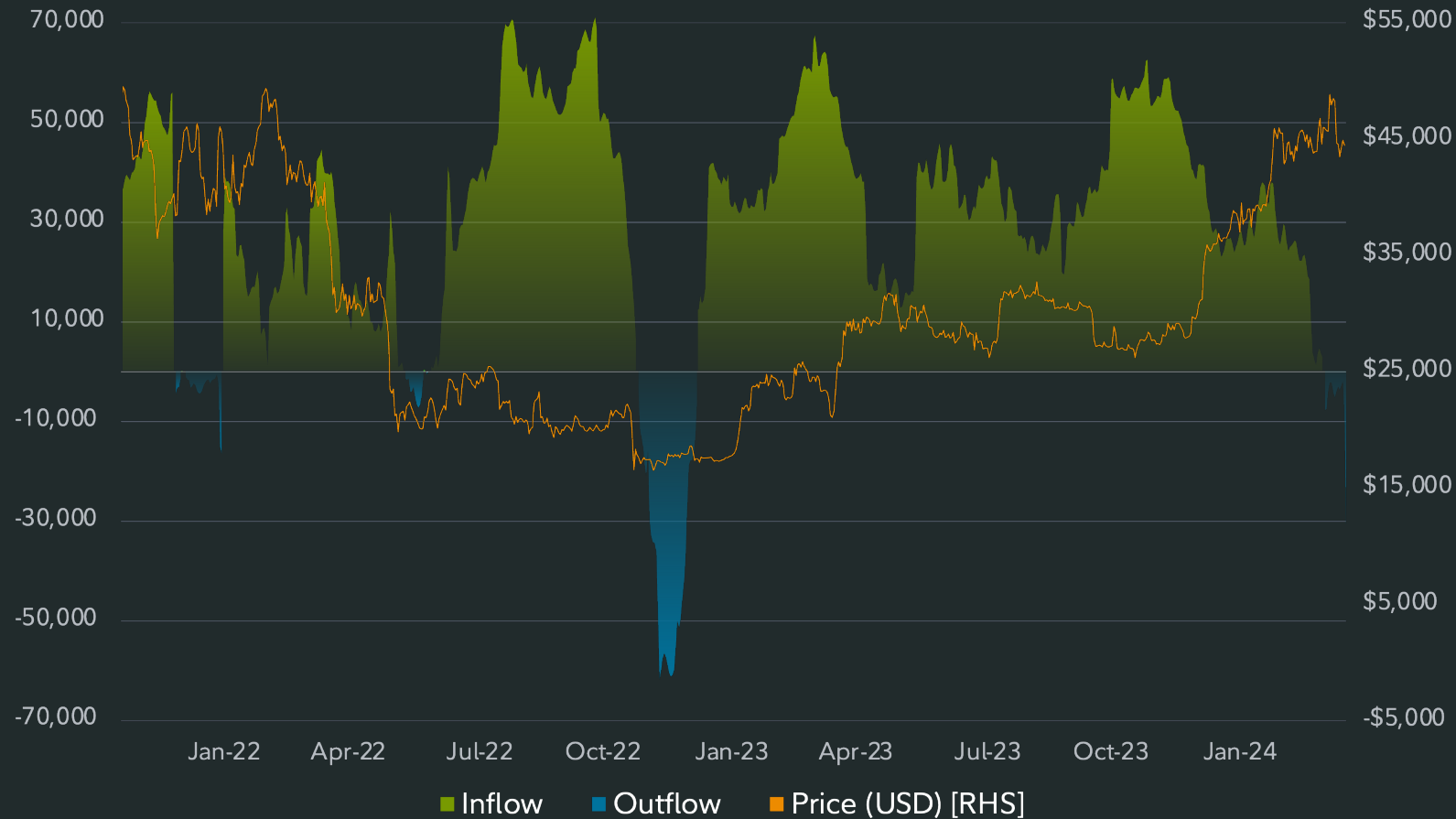


Source: Glassnode, 01/21/2024.

- This chart shows more clearly how coins move from older holders to newer holders in major rallies.
- The long-term holder supply (defined as >155 days) has only marginally declined in early 2024.
- This suggests to us that long-term holders continue to be patient.

# Long-Term Holders Expecting Volatility?

## Bitcoin: Hodler Net Position Change



Source: Glassnode, 01/17/2024.

- "Hodlers" began net selling during the last week of 2023.
- Large wallet (>100k BTC) bought around \$48k in 2021 and held through the bear market only to sell in January 2024 at \$49k.
- Other large wallets may be moving funds due to ETP demand.

# Signals Update

The background features a dark grey wireframe globe on the left, a network graph of interconnected nodes and lines on the right, and several colored circles (blue, orange, green) scattered across the scene. The text "Signals Update" is centered in a white serif font.



# Bitcoin Hash Rate Falls During Cold Storms

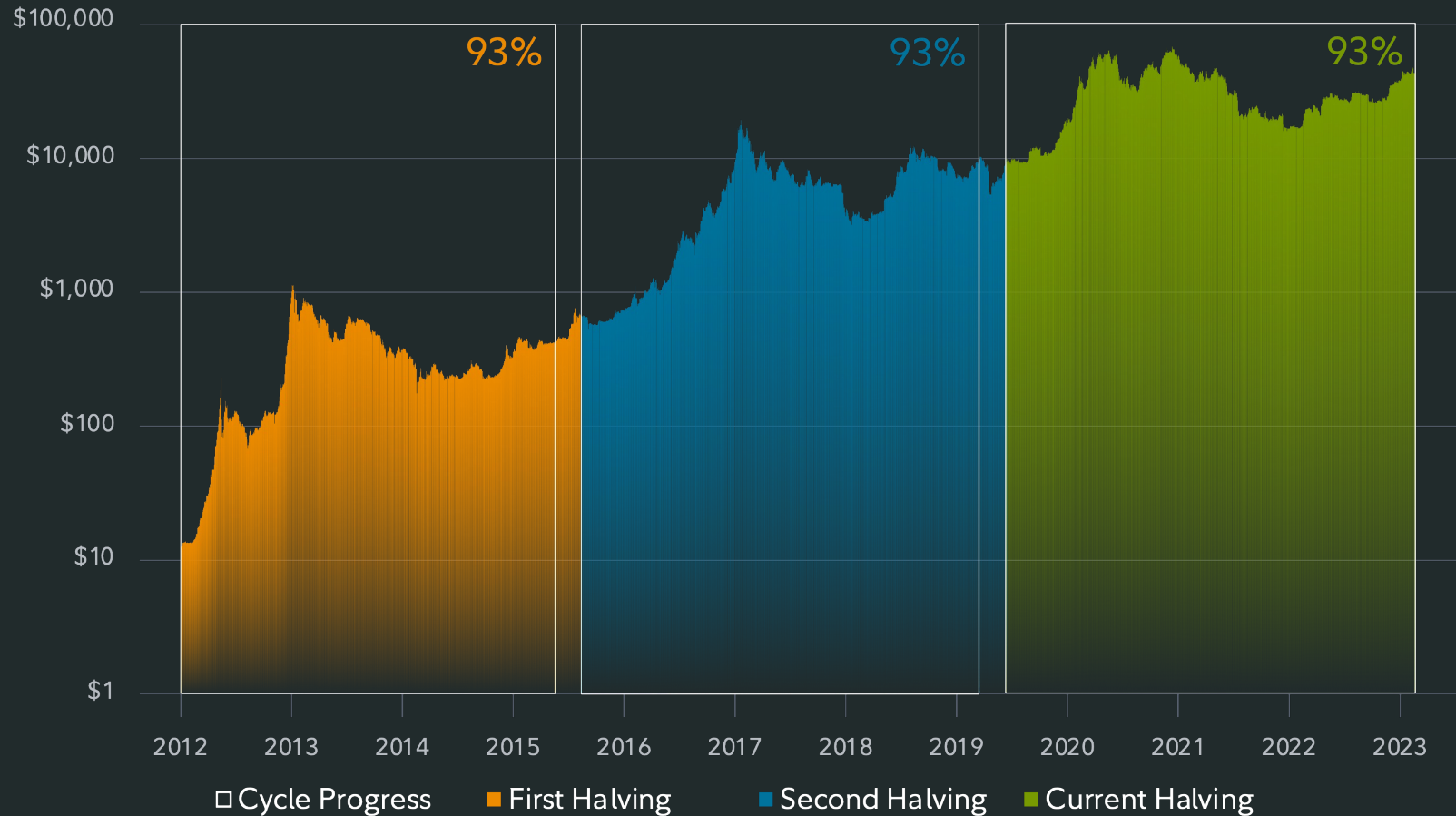
Bitcoin Price vs. Hash Rate



- Hash rate continues to trend higher heading into the Halving.
- Recent cold storms caused miners in Texas to shutdown.
- Total hash rate fell 34% mid-January.

# Halving to Come in April?

## Bitcoin Halving Cycle Compared

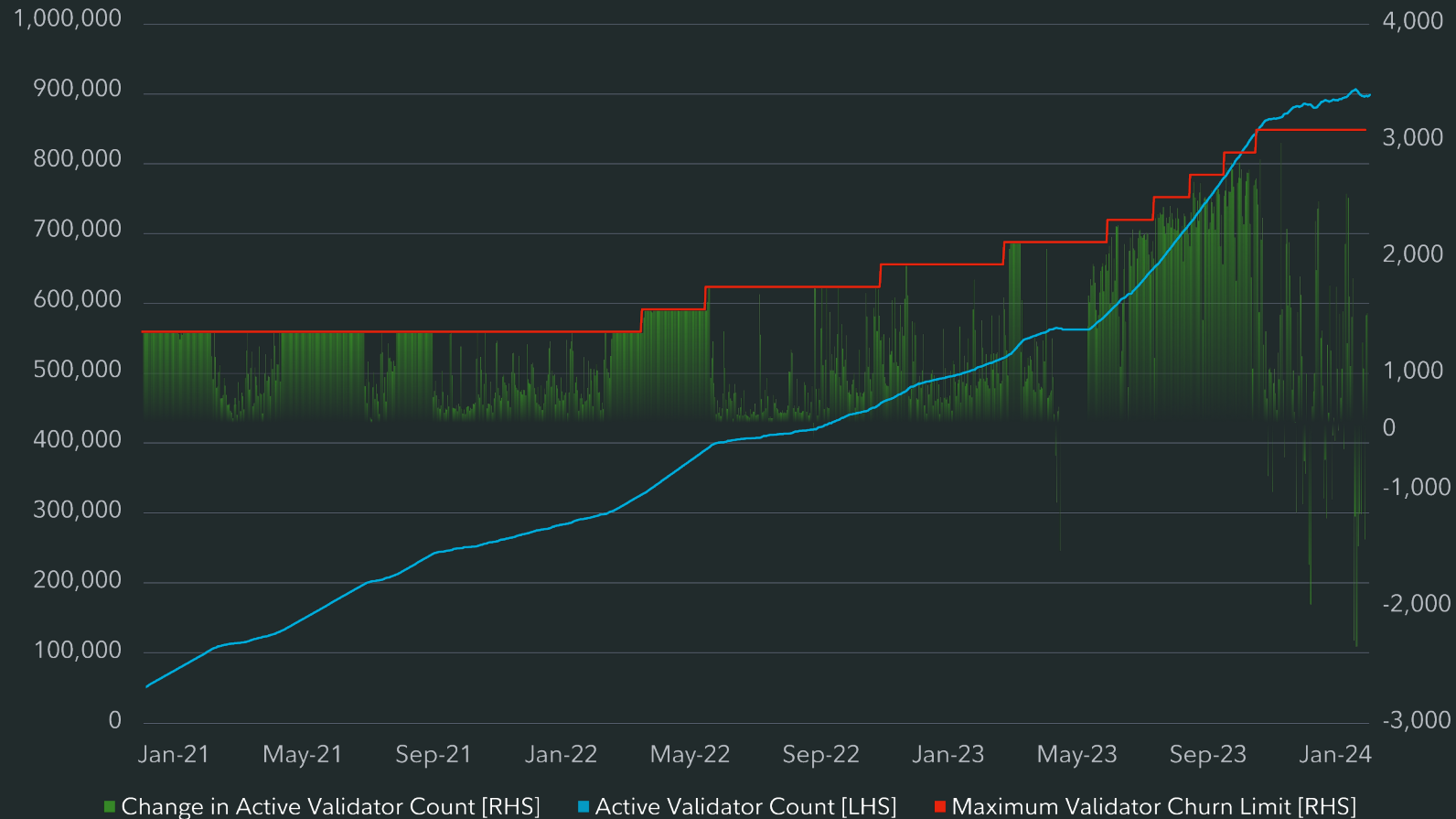


Source: Coin Metrics, 01/17/2024.

- Fewer than 100 days to the Halving.
- Current estimates point to mid-April.
- Weather may affect the estimate if hash rate does not recover.

# Slowing Validator Count and Increased Exit Queue

## Proof-of-Stake Change in Active Validators



- Validator Count down ~1% since its all-time high.
- Total Validator Count is up 60% since the Shapella upgrade in April 2023.
- Increased exits from centralized staking providers: Celsius (-37%) and Figment (-30%).

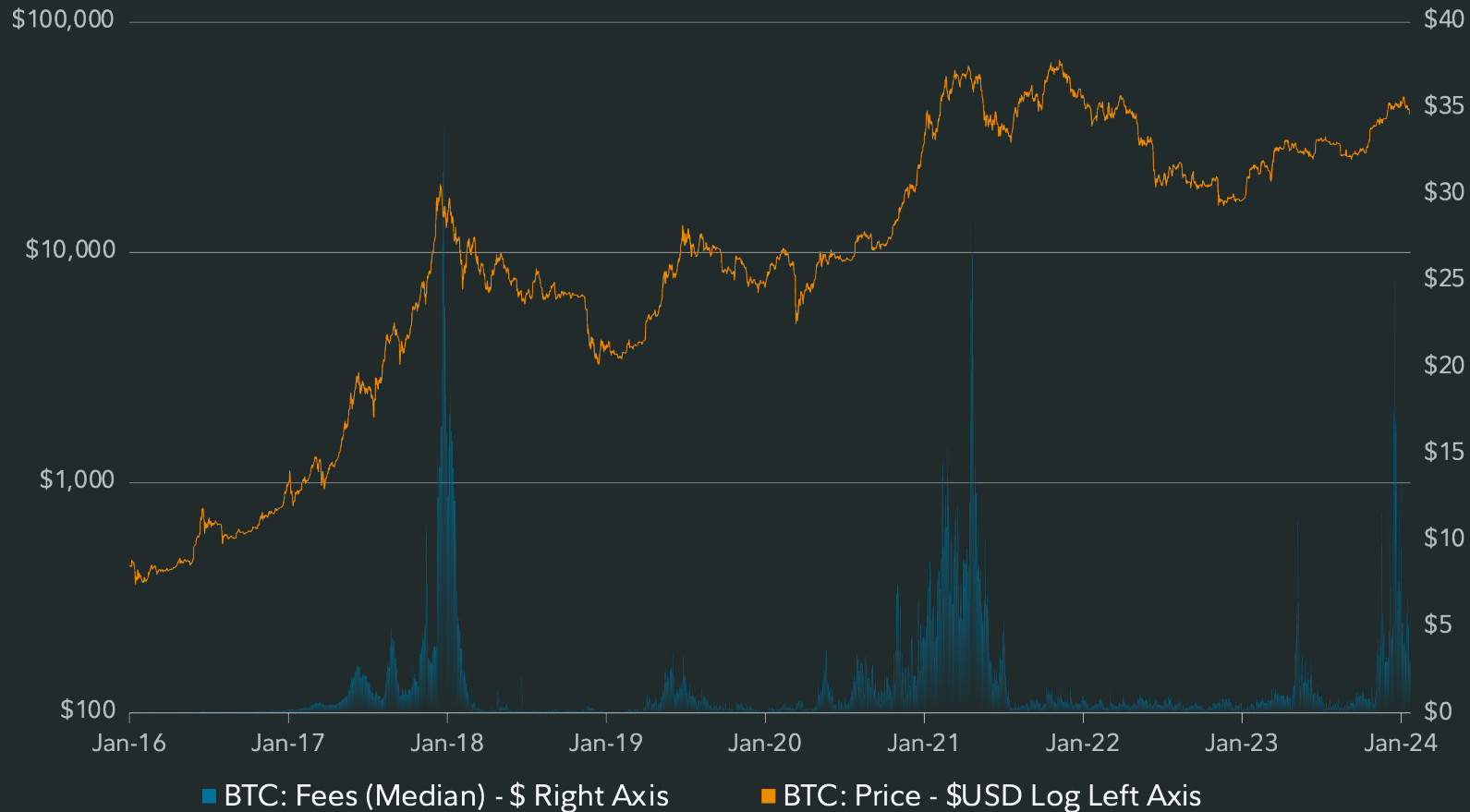
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# Checking Back In On Bitcoin Fees



# Bitcoin Fees Seem To Have Subsided

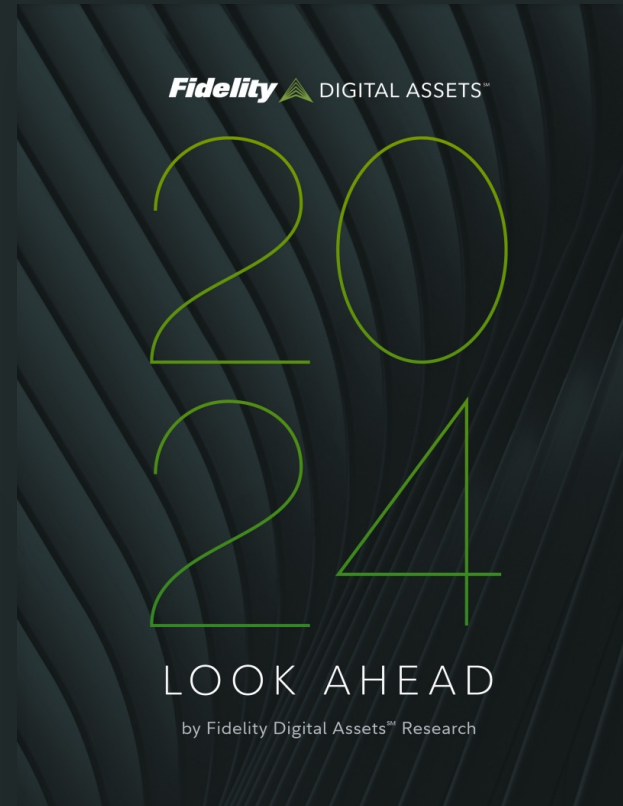
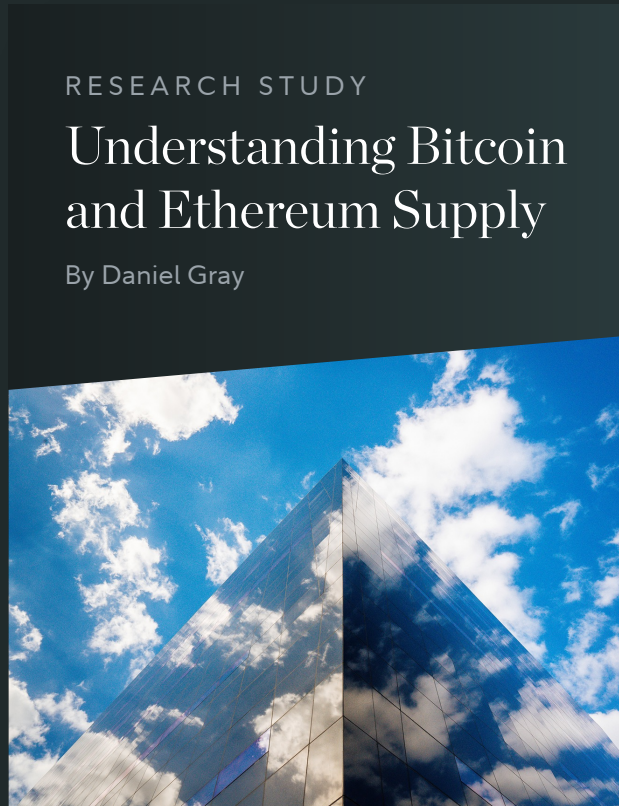
Bitcoin Median Transaction Fee (\$) and Price



Source: Glassnode, 1/21/2024.

- Bitcoin transaction fees are still relatively high compared to ultra-low norm.
- But fees have subsided considerably.
- Inscriptions have made up a considerable proportion of total transactions BUT only consume small amount of block space.

# In Case You Missed It



[fidelitydigitalassets.com/research-and-insights](https://fidelitydigitalassets.com/research-and-insights)



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