
PORTAL

ASSET MANAGEMENT

Portal Market Commentary – July 2024

Market Update

The Cryptocurrency and Digital Assets (“Crypto Assets”) markets were very choppy in July, initially falling and then rallying sharply before dropping again to close the month mostly unchanged. This consolidation must be taken in the context of the strong rally that started in Q4 2023 and continued into Q1 2024. We saw a

The market as represented by the CCI30 Index was up 1.3% and BTC was up 3.1%. An initial soft estimate for The Portal Digital Fund was down -1.5% whilst the Radiance Multi-Strategy Fund was down -3.5% for July.

Macro Outlook

macro headwind that emerged in early April was markets began repricing a scenario of higher-for-longer interest rates due to a still-strong economy and high inflation. This was in contrast to the prior view that there would be a rapid cut in rates. The fear now is that we are facing a recession, and this confirms that rates have been too high for too long, choking real growth.

Last week Federal Reserve Chair Jerome Powell signalled central bank officials are on course to cut interest rates in September unless inflation ticks up, citing risks of further labour-market weakening. However, he was careful not to “wed officials to a rate reduction should price data prove disappointing in the coming months.” Markets reacted favourably to this outlook and we believe QE will resume shortly.

On the crypto side, over the past month the markets have been weighed down primarily due to fears of a supply overhang as the German government liquidated its \$3bn position and the timeline of the \$9bn MtGox distributions was confirmed. In addition, continuing SEC investigations into Consensus and Uniswap created some uncertainty for certain protocols.

Bitcoin and Ethereum vs. Top 400 Tokens



	Q1 2024	Q2 2024	H1 2024
Bitcoin	+69%	-13%	+47%
Ethereum	+60%	-6%	+50%
Top 400 Average	+56%	-45%	-12%

Note: Top 400 Average is the simple average of performance across the top 400 tokens

Ethereum ETF's Launched

On July 23rd, Ethereum (ETH) ETFs were launched, setting the stage for substantial inflows and potential price surges similar to Bitcoin's earlier ETF success. Analysts project that these ETFs could substantially boost ETH's market performance in the following months, with projected inflows of US\$30 – US\$50 billion by the end of 2025.

Despite initial outflows from Grayscale's ETHE fund, the high volumes registered in the first days of Ethereum (ETH) ETF trading indicate strong market interest. However, optimism surrounding the launch quickly dissipated as outflows took over and there was a strong sell-off of ETH. As ETHE potentially runs out of Ether, the resulting inflows could drive ETH appreciation, mirroring Bitcoin's ETF-induced price rise after an initial two-week correction.

On their first day of trading, Farside reported there were net US\$107 million worth of inflows, despite outflows from the converted Grayscale Ethereum fund. BlackRock's iShare Ethereum Trust ETF (ETHA) led the way with US\$267 million of inflows, followed by the Bitwise Ethereum ETF (ETHW) which brought in US\$204 million. On day one, the inflows from the other seven ETFs exceeded the outflows from the Grayscale Ethereum trust (ETHE), which observed outflows of US\$484 millions.

This trend didn't last long. Every day since day one, spot Ethereum outflows have exceeded inflows. In total in the four days that the ETFs have traded the total net outflows have been US\$341.8 million, driven by ETHE which has observed over ~US\$1.5 billion in outflows in its first four days of trading.

This is a once off and once the supply overhang is out of the way we expect ETH to recover and surpass its previous highs.

Crypto and Politics - The Bitcoin Nashville Conference

In a notable intersection of politics and crypto, President Donald J. Trump addressed the Bitcoin Nashville conference on July 27, drawing considerable attention to the regulatory and market implications of

cryptocurrencies. Trump emphasized the need for the U.S. to create a national BTC reserve to maintain a competitive edge against global adversaries.

During the speech, Trump promised to change the country's crypto policy if he wins this year's presidential election. Trump stated that he would remove US Securities and Exchange Commission (SEC) Chair Gary Gensler on "day one" and would appoint a "Bitcoin and crypto presidential advisory council."

"The moment I'm sworn in, the persecution stops, and the weaponization ends against your industry," Trump explained. "I will appoint a new SEC chairman who believes that America should build the future, not block the future."

He argued that if the U.S. doesn't take the lead, other countries will, highlighting the strategic importance of Bitcoin in global finance. Additionally, Trump advocated for clearer regulatory frameworks to foster innovation and secure America's leadership in the crypto space. This announcement and Bitcoin Nashville drove momentum in the Bitcoin ecosystem, particularly benefiting Bitcoin Layer 2 solutions like Stacks, which successfully completed the Nakamoto upgrade this month as well.

The Shift from BTC & ETH into Altcoins – Solana's Ascent

The altcoin market experienced a strong rebound in July, reflecting renewed investor confidence. The distribution of over \$9 billion in Bitcoin (BTC) and Bitcoin Cash (BCH) to Mt. Gox creditors began, a decade after the exchange's collapse. Despite concerns about market impact, Bitcoin prices remained stable, hovering above \$65,000, supported by continuous inflows into BTC ETFs, demonstrating robust institutional interest.

Most notably, Solana (SOL) gained significant momentum in July, with decentralized exchange (DEX) volumes on the Solana network surpassing those on Ethereum and BNB Chain. This surge underscores Solana's growing dominance in the DeFi space, driven by its high transaction speeds and lower fees compared to its competitors.

Additionally, Hamilton Lane and Coinbase launched tokenized assets on Solana via Libre, marking a significant step in institutional adoption of Solana. Furthermore, Solana flipped BNB to become the fourth largest crypto asset by market cap, or third largest excluding the stablecoin USDT. WIF saw an extraordinary run in July, driven by the Solana ecosystem boom and WIF acting as a high beta play on the Solana ecosystem growth.

Portfolio Positioning

As stated in our recent newsletters, we remain bullish on the current market outlook and believe that we are facing the start of this

industry's third multi-year bull run. The fundamental difference in this cycle is that the institutions will continue to increase exposure as discussed above.

We continue to remain overweight the large cap tokens and wait for the opportunity to increase our altcoin exposure. As discussed previously, as the spot ETF catalysts play out, we intend to shift out of our substantial BTC and ETH position into altcoins and this market correction is the opportunity we have been waiting for. Both funds remain strategically positioned to take advantage of this in Q4 2024.

We believe that we are in the early phases of a new bull market cycle and expect altcoins to significantly outperform in the next phase of the cycle due to their more attractive risk reward profile with the backdrop of interest rate cuts later this year.

Conclusion

We reiterate our view from mid-2023 that this is the beginning of a multi-year secular bull market. This is **not** a cyclical bull market driven by changing interest rate expectations and sector rotation, but rather a secular bull market.

The approval of spot Ethereum ETFs is a landmark moment, elevating Ethereum to commodity status and opening new avenues for institutional investment. This move not only indicates Ethereum's legitimacy as an asset but also signals a significant shift in the regulatory landscape.

As traditional finance increasingly embraces Ethereum, driven by the endorsement of key financial leaders and major institutions like Blackrock, the potential for substantial inflows into ETH ETFs is high. While the market has yet to fully price in these developments, the stage is set for Ethereum to capture significant institutional interest.

Additionally, there has been a sharp swing in the US regulatory attitude towards Crypto Assets. We believe the combination of the Ethereum (ETH) ETF approval coupled with the passing of [FIT21](#) and the shifting sentiment in the political and regulatory landscape for crypto will have knock-on effects for the industry.

Declining supply, rising demand, political support, regulatory approval and the inevitable Fed pivot are all coinciding in 2024, as well as tail risks like multiple global wars and unlimited QE driving demand for the stability BTC represents. We further believe we are at the tipping point of a very rapid surge in the adoption of Crypto

Assets which is now underpinned by institutions and investors using and investing in this new asset class as per the headlines for July below.

Importantly we believe that from a regulatory perspective and investment diversification strategy, the safest way to invest is through a dedicated, regulated fund with independent administrators and a fully audited track record such as the Portal Digital Fund or the Radiance Multi-Strategy Fund.

Feel free to contact me should you have any enquiries.

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Notable Market and Regulatory Developments in July

- Spot Ethereum ETF debut sees over \$1 billion in trading volume
- Galaxy Digital Acquires Nearly \$1 Billion in Ethereum in CryptoManufaktur Deal
- BlackRock tokenized treasury fund BUIDL reaches \$500M
- SingularityNET to invest \$53 million to advance AGI, ASI with world's first modular supercomputer
- Ledger Unveils Tradelink: A Custodial Crypto Trading Platform Tailored for Institutions
- Grayscale launches decentralized AI fund amid AI crypto market growth
- Chainlink to handle on-chain NAV for Sygnum's \$50 million tokenized Matter Labs treasury
- Polygon launches upgraded ZK proving system Plonky3
- Goldman Sachs eyes tokenization projects for institutional clients by year-end
- UAE banks signal digital asset demand with Taurus, Zand collaboration
- Dubai Customs launches blockchain platform amid smart city effort for enhanced operations and transparency
- Russia contemplating permanently legalizing stablecoins for cross-border payments
- Hong Kong eyes stablecoin licensing regime to bolster crypto stability
- UK Law Commission sets roadmap to identifying legal status of DAOs.
- SEC Broker Enforcement, Treasury Broker Rule, and SCOTUS Broke Chevron

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