

PORTAL

ASSET MANAGEMENT

Portal Market Commentary – November 2024

Market Update

November was the turning point we have been waiting for since the start of the last crypto winter in 2022, almost three years ago. Cryptocurrency and Digital Asset (“Crypto Assets”) markets caught fire after the Trump re-election and the market as represented by the CCI30 Index was up +68% whilst BTC was up 37%. An initial soft estimate is The Portal Digital Fund was up 18% whilst the Radiance Multi-Strategy Fund was up 23% for October.

Strategy Update

Recently, we began allocating Radiance’s capital to a trading and yield strategy that compounds BTC ownership on a monthly basis. We do this via our unique option-premium extraction strategy that exploits BTC’s volatility and settles in BTC. This has a 23-month trading history and delivers an 8% yield per month, compounded. Radiance now targets a 7% monthly yield after fees to deliver growth in BTC holdings each month. The Fund also continues to have an exposure to alt-coins to ensure diversification and participation in the inevitable alt-season. The Bitcoin Extraction Strategy (BEST) continues to build holdings via low-risk yields even during BTC seasonal downturns.

Macro Outlook – Crypto Summer has Arrived!

November brought some much-needed reinvigoration to Crypto Asset markets as the incoming Trump Administration is seen as a catalyst for a positive and significant shift in US policy from antagonistic and historically punitive towards Cryptocurrencies and Digital Assets, to overwhelmingly supportive. Indeed, both the House of Representatives and the Senate now have more pro-crypto candidates than ever before.

Other significant developments in November include:

- Proposal for US strategic BTC reserve, which in time will be replicated by other sovereign states.

- Regulatory support in that Gary Gensler is to step down as SEC Chair in Jan 2025.
- More than two thirds of the US congress is now stacked with pro crypto congressman.
- BlackRock has called BTC a legitimate asset and encouraged corporates to assess its use as a financial asset on their balance sheet.
- BlackRock's CEO Larry Fink recently reaffirming his support for Bitcoin as a legitimate asset class during the company's third-quarter earnings call. According to him, BTC is not only a viable investment but also a rival to traditional commodities like gold.

United States Senator Cynthia Lummis, long known as the “Crypto Queen” of Capitol Hill, has thrown a financial curveball into the post-election buzz by announcing her intention to establish a strategic Bitcoin reserve in Q1 2025, less than 24 hours after Trumps win. This reserve will drive demand as Trump pledged to set up a Bitcoin Reserve, if he keeps [his promise](#). The [“Bitcoin Reserve Act”](#) aims to purchase 200,000 per year over a 5 year period, and the intent is to hold it in perpetuity.

Other positive market updates in terms of new investors coming into the Digital Asset ecosystem:

- Central banks hold gold. Zero hold Bitcoin. If a strategic Bitcoin reserve is created, there will be a cascade of followers.”
- Brazil's Chamber of Deputies introduced a bill to create a strategic Bitcoin reserve – proposing the establishment of the Sovereign Strategic Bitcoin Reserve, designed to diversify the financial assets of Brazil's National Treasury.
- German parliament member Joana Cotar said: *“Germany needs a Bitcoin strategy.”* She added: *“You can buy Bitcoin as a federal reserve, as a store of value to fight inflation.”*
- A UK pension scheme became the first in the country to invest in Bitcoin. The unnamed defined- benefit scheme invested 3% of its assets in Bitcoin.
- Vancouver Mayor Ken Sim revealed plans to incorporate Bitcoin into the city's investment portfolio, aiming to position the town as a crypto-friendly hub.
- MicroStrategy purchased another 55,500 BTC for \$5.4 billion between Nov. 18 and Nov. 24, according to an 8-K filing with the SEC on Nov. 25. The purchase represents the company's largest set of acquisitions to date. MicroStrategy now holds 386,700 BTC – worth ~\$37 billion.

So Where Are We in The Current Cycle

We have been focused on building out a framework to analyze where we are in the cycle in an attempt to predict when to add or reduce risk as appropriate but also to ensure our BTC trading strategy and portfolio tilt maximizes returns at various points in the cycle.

According to research by Real Visions Chief Crypto Analyst Jamie Coutts, a very important coincident indicator is the Global Money Supply M2, (GLM2), which is expected to peak in Q1 2026 with a monetary base north of \$127 trillion. What will likely follow is another contraction in the money supply, which, if it follows previous cycles, would infer a GLM2 of approximately \$118 trillion at the back end of 2026.

One key characteristic of previous bull markets is that Bitcoin consistently peaks ahead of GLM2. In the last three cycles, Bitcoin topped out anywhere from 222 days to 116 days before GLM2. In the most recent cycle, the gap was 142 days.

As a hedge against the global monetary system, Bitcoin is extremely sensitive to shifts in the aggregate money supply. It has a knack for detecting when the growth of global liquidity begins to slow, which has been a consistent feature across every previous Bitcoin cycle. I see no reason to deviate from this assumption for my forecast. For this model, I'll use an average lead time of 160 days.



Therefore, we believe that Bitcoin anticipates GLM2 peaks but typically bottoms out around the same time as GLM2. From this, we can create a framework to project the top of the next bull market and the subsequent low. His projections suggest a peak in Q3 2025, followed by a crypto winter and a cycle bottom in Q3 2026. We expect that this may be 'postponed' given the raft of new players expected to increase demand for Bitcoin in this space.

Although we tend to shy away from (Bitcoin) BTC price predictions, it is useful to take note of Ark Invest's Cathy Wood's projections for BTC's price growth based on various investor groups deploying capital are significant, with specific breakdowns:

1. **Corporate Treasuries:** If S&P 500 companies allocate 5% of their cash reserves to BTC, Ark estimates that Bitcoin's price could increase by approximately \$40,000.
2. **Institutional Investors:** If institutions like pension funds and insurance companies allocate 2.5% of their portfolios, BTC's price could rise by around \$200,000.
3. **Sovereign Wealth Funds:** Ark's projections indicate that even a small allocation from sovereign wealth funds could lead to a further substantial increase, although specific price targets vary.

Conclusion

Declining supply, rising demand, political support, regulatory approval and the now confirmed Fed pivot are all coinciding in Q4 2024. 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 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 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.

Feel free to contact me should you have any enquiries.

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