
PORTAL

ASSET MANAGEMENT

Portal Market Commentary – October 2024

Market Update

October was a relatively quiet and uneventful month as markets paused for direction for the US election. Cryptocurrency and Digital Assets (“Crypto Assets”) markets were generally unsettled with several rallies and corrections. The market as represented by the CCI30 Index was up +1% whilst BTC was up 7.4%. An initial soft estimate is The Portal Digital Fund was up 0.7% whilst the Radiance Multi-Strategy Fund was up 1% for October.

As stated in the last newsletter: *“We expect the market to break-out of this channel to the upside and achieve new sustained all-time highs with further liquidity in the form of interest rate cuts and QE expected.”* This happened with conviction as Bitcoin rallied 30% to new all-time highs of \$93,000 at the time of writing.

Macro Outlook – Crypto Summer has Arrived!

The incoming Trump Administration is a catalyst for a positive and significant shift in US policy towards Cryptocurrencies and Digital Assets from antagonistic and historically punitive, to supportive in both the House of Representatives and the Senate, which now have more pro-crypto candidates than ever before.

Operation Choke Point 2.0. is now over and the billions in fines levied by the Biden Administration will be overturned. This will fuel innovation, particularly in DeFi and which is now unencumbered to innovate freely and distribute revenues without the fear of repercussions from the SEC.

We expect Gensler to be removed from the SEC and regulatory support is expected by both houses. This means that important pending legislation such as the Market Structure Bill and Stablecoin Bill now have a much more secure and supportive passage through congress, which now consists of 219+ pro-crypto candidates and is the most pro-crypto congress ever. This will be pivotal in shaping future crypto regulation in a positive constructive manner.

The second catalyst is the expected persistent increase in 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. For reference, only 165,000 Bitcoin is mined per day. And the intent is to hold it in perpetuity.

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1 **SEC. 5. BITCOIN PURCHASE PROGRAM.**

2 (a) ESTABLISHMENT.—

3 (1) IN GENERAL.—The Secretary shall establish
4 a Bitcoin Purchase Program which shall—

5 (A) purchase not more than 200,000
6 Bitcoins per year over a 5-year period, for a
7 total acquisition of 1,000,000 Bitcoins;

What’s important to factor into the equation is that if the US government along with El Salvador ends up holding Bitcoin as a strategic asset, it will send a signal to the rest of the world. G20 countries will likely follow. As and when Bitcoin is seen as an alternative to central banks holding gold reserves it could create positive reflexivity and a true repricing relative to gold.

Last, but not least, a third catalyst is 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, Bitcoin is not only a viable investment but also a rival to traditional commodities like gold.

This will enable companies to follow MicroStrategy and Tesla who hold Bitcoin on their balance sheet. Recently, Michael Saylor announced his [21/21 plan for MicroStrategy](#) which entails raising \$42 billion in fresh capital for Bitcoin purchases over the next three years, according to its [Q3 2024 earnings release](#) on October 30, 2024. He tweeted we have a #Bitcoin President after the election results were revealed with the picture below.



So Where Are We in The Current Cycle

We have been focused on building out a framework to analyse where are we 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 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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