



31 August 2024

WisdomTree Crypto Monthly



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August 2024 Overview

WisdomTree published four crypto blogs in August 2024.

+ [Bitcoin mining update: August 2024](#)

Despite the challenges introduced by the bitcoin halving, bitcoin miners have performed well year to date as they have ramped up capacity and efficiency.

Published on 22 August 2024.

+ [Positioning across commodities & crypto amidst the sell-off](#)

A weak labour market report in the US has created volatility in financial markets, sparking concerns about a potential recession. This has impacted all asset classes, though to varying degrees. In this blog, we analyse how commodity and cryptocurrency markets have reacted and identify the opportunities this volatility presents for investors.

Published on 06 August 2024.

+ [Navigating the volatility of blockchain equity ETPs](#)

Blockchain equity portfolios employ various portfolio construction methods, facing tradeoffs due to liquidity and concentration issues. WisdomTree's balanced approach limits exposure to highly volatile digital asset miners, enhancing the risk-return profile while maintaining purity to the blockchain theme.

Published on 06 August 2024.

+ [What's Hot: A momentous week for Central Banks](#)

Last week was crucial for 3 of the world's major Central banks. We witnessed a cocktail of rigor and a constructive approach towards the expansionary turnaround of interest rates in the US, Japan and UK. As investors consider the impacts of rate cuts on traditional asset classes, we explore opportunities within crypto, mid and small cap equities and Japanese Yen.

Published on 05 August 2024.

Source: WisdomTree. 31 August 2024. Please click on a title to read the full blog.

Flows and AUM

Crypto ETPs domiciled in Europe

In USDm		AUM	1M Flows	YTD Flows
Bitcoin	Physical	4,048	-40	-332
Bitcoin	Synthetic	1,962	-7	-286
Ethereum	Physical	1,037	39	179
Ethereum	Synthetic	830	2	-101
Solana	Physical	1,098	-27	46
Crypto Basket	Physical	1,152	79	218
Other Single Coin	Physical	903	58	213
Cardano	Physical	49	1	12
Polkadot	Physical	31	1	26
Total		11,112	106	-25

Crypto ETFs domiciled in the U.S.

In USDm		AUM	1M Flows	YTD Flows
Bitcoin	Physical	53,773	64	17,769
Bitcoin	Synthetic	3,643	308	2,701
Ethereum	Physical	6,970	-38	-476
Ethereum	Synthetic	217	59	304
Total		64,603	393	20,298

Crypto ETPs domiciled in Rest of the World

In USDm		AUM	1M Flows	YTD Flows
Bitcoin	Physical	2,311	9	83
Bitcoin	Synthetic	129	-5	4
Ethereum	Physical	673	26	-90
Ethereum	Synthetic	71	1	5
Crypto Basket	Physical	13	0	-1
Total		3,196	32	1

Source: Bloomberg. 31 August 2024. Actively managed crypto ETPs and ETFs are excluded. 1M = One month. YTD = Year to Date.

Historical performance is not an indication of future performance and any investment may go down in value. Cryptocurrencies are a high-risk investment and may not be suitable for all types of investor. Cryptocurrencies can demonstrate higher volatility than other asset classes.

Bitcoin Tactical: Fundamental View (1/2)


Price to Number of Unique Addresses Ratio

Bitcoin is a network, and the value of any network is very much linked to the number of unique accounts (here: unique addresses) that it connects. This ratio is bearish when \$1 invested into bitcoin buys fewer unique addresses and bullish when it buys more unique addresses. For example, if the whole bitcoin network consisted of 10 unique addresses and if bitcoin price was \$1, the ratio would be 0.10. Then if bitcoin network grew to 20 unique addresses but its price remained \$1, ratio would be 0.05. This lower ratio would be a bullish signal as it would indicate that the same \$1 is buying a more valuable network.

Now: Neutral at 0.09  Change since last month: →	Most Bearish		Most Bullish	
	Date	26/05/2024	25/01/2024	
	Value	0.13	0.04	
	Bitcoin return over the next month	-10.6%	29.6%	

Per Cent of Entities in Profit

Per cent of entities in profit shows what per cent of entities on average bought bitcoin at lower prices than the current price. When there are more entities in profit, it is more likely that a portion of them will sell bitcoin to lock in profits. As such, high per cent of entities in profit is a bearish signal as it hints to supply increasing. On the other side, low per cent of entities in profit is a bullish signal as it implies bitcoin price correction which may be a good entry point.

Now: Bullish Neutral at 84%  Change since last month: ↑	Most Bearish		Most Bullish	
	Date	04/03/2024	22/01/2024	
	Value	99%	80%	
	Bitcoin return over the next month	2.1%	26.9%	


Source: Glassnode, WisdomTree. From 31 December 2023 to 31 August 2024. Daily data. ↑ = More bullish. ↓ = More bearish. → = No change.

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Bitcoin Tactical: Fundamental View (2/2)

Hash Rate, in Quintillion

Hash rate is the estimated computational power used for mining. The higher the hash rate, the more miners there are. When bitcoin price significantly exceeds the marginal cost of production, the number of miners increases as they can make money. It usually indicates that bitcoin is close to hitting its price ceiling which is a bearish signal. On the other side, when miners' marginal cost of production is higher than bitcoin price, miners capitulate (i.e. stop mining). This tends to be a clear signal that bitcoin price is hitting its bottom and that it is a good time to buy it.

Now: Bearish Neutral at 665  Change since last month: ↓	Most Bearish		Most Bullish		
	Date	11/08/2024	15/01/2024		
	Value	726	413		
	Bitcoin return over the next month	-	23.3%		

Illiquid Supply

Here illiquid supply shows the per cent of bitcoin that was last active more than one year ago. When this percent increases, it indicates reduced supply as there are fewer bitcoins in circulation. And when this percent decreases, it indicates increased supply as there are more bitcoins in circulation. Assuming demand remains the same, lower supply is bullish for bitcoin price and higher supply is bearish for bitcoin price.

Now: Bearish Neutral at 66%  Change since last month: →	Most Bearish		Most Bullish		
	Date	28/05/2024	07/01/2024		
	Value	65%	70%		
	Bitcoin return over the next month	-10.1%	-2.7%		

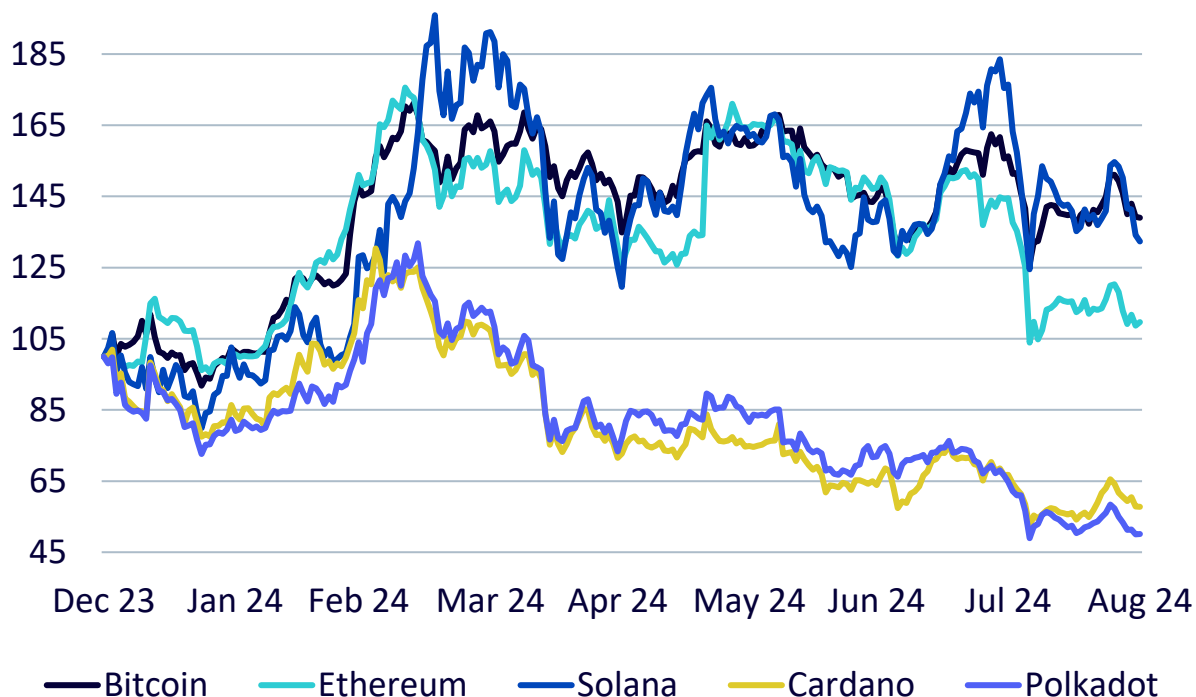
Source: Glassnode, WisdomTree. From 31 December 2023 to 31 August 2024. Daily data. ↑ = More bullish. ↓ = More bearish. → = No change.

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Performance: Single Coins

- + Year to date, bitcoin is leading performance while Solana is close second.
- + Out of crypto large caps, bitcoin continues to have the lowest volatility.

YTD Single Coin Performance



	Market Cap	1M	3M	YTD	1Y	Volatility
Bitcoin	\$1,310bn	-11%	-13%	39%	118%	39%
Ethereum	\$394bn	-24%	-33%	10%	48%	49%
Solana	\$83bn	-25%	-18%	32%	561%	61%
Cardano	\$14bn	-14%	-23%	-42%	33%	54%
Polkadot	\$8bn	-23%	-39%	-50%	-4%	52%

Source: WisdomTree. 31 August 2024. Volatility is calculated using 3-month daily USD returns and is annualised. YTD = Year to date. 1M = One month. 3M = Three months. 1Y = One year.

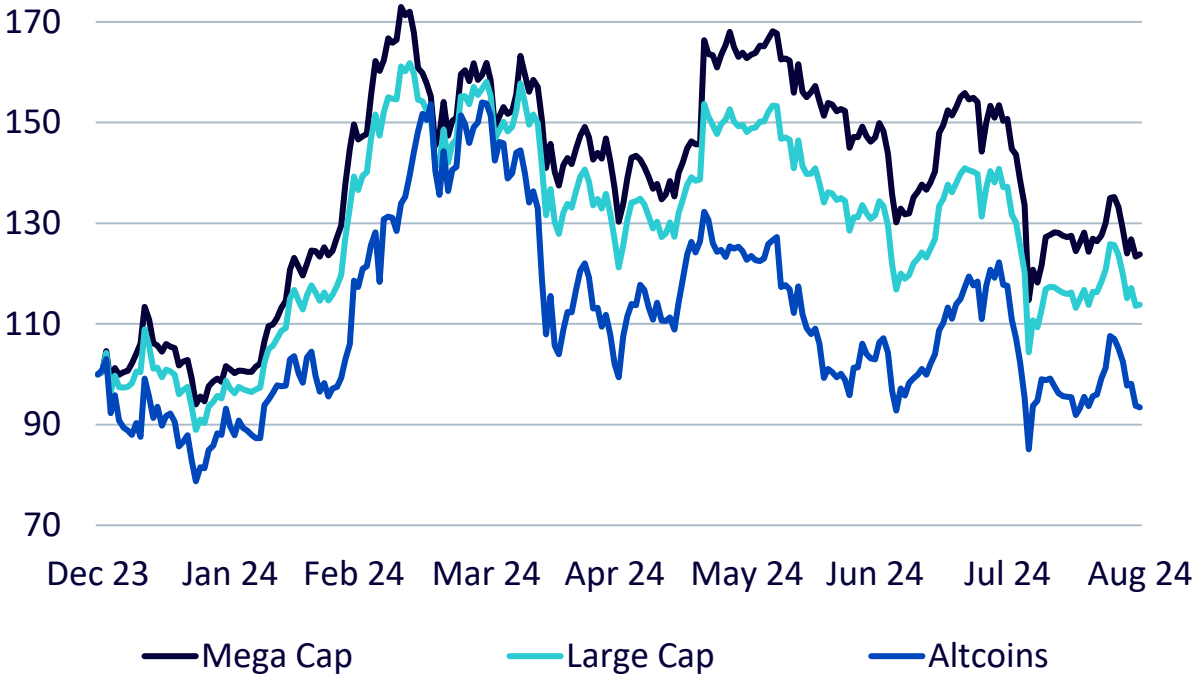
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Performance: Crypto Baskets

- + Year to date, mega cap exposure (50% bitcoin and 50% ether) is leading performance.
- + Altcoins have higher volatility than mega cap or large cap crypto baskets.

YTD Crypto Basket Performance



	1M	3M	YTD	1Y	Volatility
Mega Cap	-18%	-24%	24%	81%	43%
Large Cap	-17%	-23%	14%	93%	43%
Altcoins	-21%	-24%	-7%	139%	54%

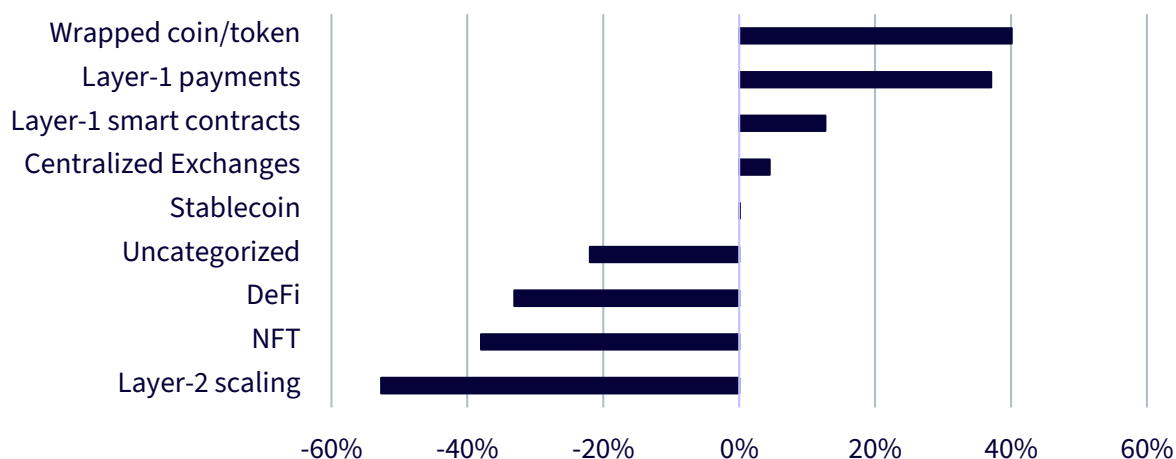
Source: WisdomTree. 31 August 2024. Volatility is calculated using 3-month daily USD returns and is annualised. YTD = Year to date. 1M = One month. 3M = Three months. 1Y = One year. Mega Cap = WisdomTree CF Crypto Mega Cap Equal Weight Index. Large Cap = WisdomTree CF Crypto Market Index. Altcoins = WisdomTree CF Crypto Altcoins Index.

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Performance: Sectors

- + Year to date, 2 sectors – wrapped coin/token and layer-1 payment – are leading performance.
- + Layer-2 scaling is key underperformer year to date.

YTD Sector Performance



Sector	1M	3M	YTD	1Y
Wrapped coin/token	-11%	-14%	40%	117%
Layer-1 payments	-11%	-14%	37%	108%
Layer-1 smart contracts	-19%	-27%	13%	76%
Centralized Exchanges	-3%	-13%	5%	34%
Stablecoin	0%	0%	0%	0%
Uncategorized	-13%	-40%	-22%	36%
DeFi	-18%	-38%	-33%	20%
NFT	-17%	-44%	-38%	38%
Layer-2 scaling	-18%	-43%	-53%	-16%

Source: WisdomTree. 31 August 2024.

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Correlations

- + Altcoins remain best suited for diversifying crypto mega cap portfolios.
- + Correlations between bitcoin and most traditional assets are around or below 20%.

Crypto vs. Crypto

	Bitcoin	Ethereum	Solana	Cardano	Polkadot	Mega Cap	Large Cap	Altcoins
Bitcoin	1.00							
Ethereum	0.88	1.00						
Solana	0.81	0.71	1.00					
Cardano	0.76	0.76	0.69	1.00				
Polkadot	0.76	0.75	0.78	0.80	1.00			
Mega Cap	0.96	0.98	0.77	0.78	0.78	1.00		
Large Cap	0.97	0.96	0.83	0.83	0.83	0.99	1.00	
Altcoins	0.87	0.82	0.95	0.86	0.88	0.86	0.92	1.00

Crypto vs. Traditional Assets

	Bitcoin	Equities	Small Caps	Treasuries	Corporates	High Yield	Commodities	Gold
Bitcoin	1.00							
Equities	0.18	1.00						
Small Caps	0.21	0.95	1.00					
Treasuries	0.10	0.21	0.23	1.00				
Corporates	0.11	0.48	0.50	0.87	1.00			
High Yield	0.17	0.80	0.82	0.45	0.75	1.00		
Commodities	0.13	0.42	0.45	0.11	0.20	0.40	1.00	
Gold	0.07	0.18	0.19	0.57	0.49	0.32	0.32	1.00

Source: WisdomTree, Bloomberg. 31 August 2024. Crypto vs. Crypto correlation is calculated using 3-month daily USD returns and is annualised. Crypto vs. Traditional Assets correlation is calculated for 31 December 2013 to 31 August 2024 period using weekly USD returns.

Mega Cap = WisdomTree CF Crypto Mega Cap Equal Weight Index. Large Cap = WisdomTree CF Crypto Market Index. Altcoins = WisdomTree CF Crypto Altcoins Index.

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Bitcoin in Multi-Asset Portfolio

- + Even small bitcoin allocations, regularly rebalanced, improve risk return profile.
- + Hypothetical portfolio characteristics:
 - + Weighting scheme: constant mix
 - + Start date: 31 December 2013
 - + Rebalance frequency: monthly
 - + Currency: USD
 - + Bitcoin allocation: the table below summarizes 4 example portfolios, for which 1 to 10% have been switched from 60/40 to bitcoin

	60/40 Global Portfolio	1% Bitcoin Portfolio	3% Bitcoin Portfolio	5% Bitcoin Portfolio	10% Bitcoin Portfolio	MSCI AC World	Bloomberg Multiverse	Bitcoin
Annualised Return	5.74%	6.39%	7.68%	8.97%	12.13%	8.91%	0.69%	50.64%
Volatility	8.84%	8.91%	9.19%	9.67%	11.47%	14.03%	5.04%	67.54%
Sharpe Ratio	0.48	0.55	0.67	0.77	0.93	0.53	-0.16	0.73
Beta	69%	71%	73%	75%	80%	100%	24%	178%

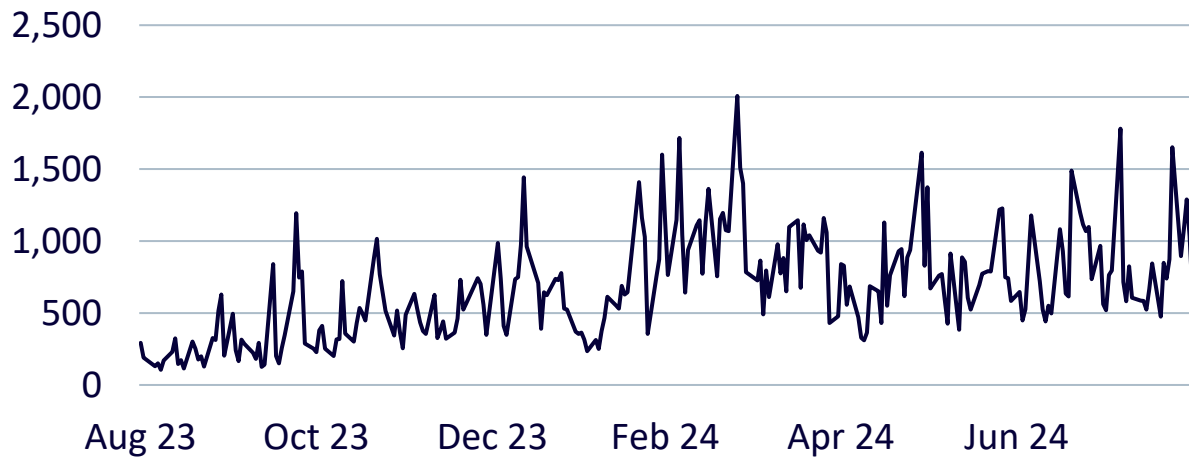
Source: Bloomberg, WisdomTree. From 31 December 2013 to 30 August 2024. In USD. Based on daily returns. The 60/40 Global Portfolio is composed of 60% MSCI All Country World and 40% Bloomberg Multiverse.

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Bitcoin CME Futures

- + No significant change in volume.
- + Continued high open interest indicates sustained buying interest.

Volume, in USDm



Open Interest, in USDm



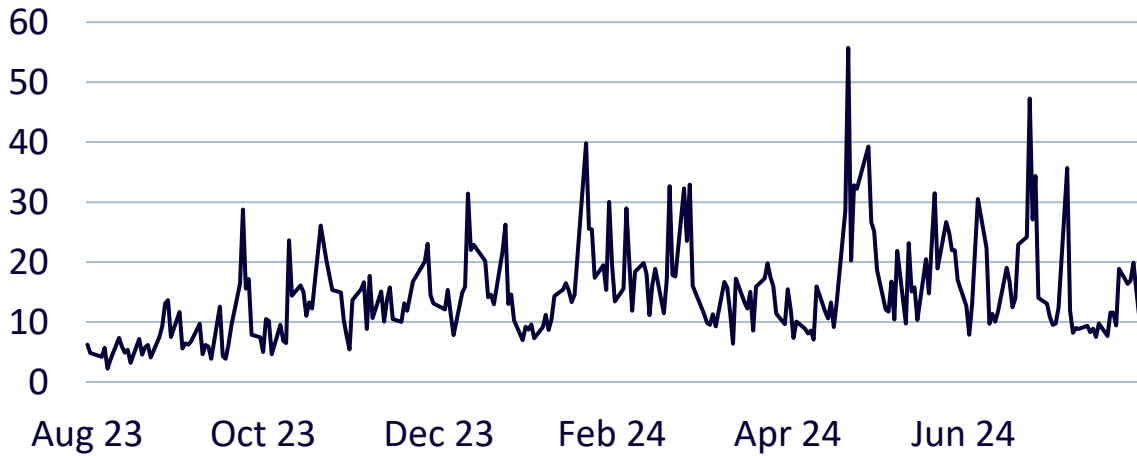
Source: WisdomTree. 31 August 2024.

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Ether CME Futures

+ No significant change in average volume or open interest

Volume, in USDm



Open Interest, in USDm



Source: WisdomTree. 31 August 2024.

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