



31 October 2024

# WisdomTree Crypto Monthly



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# October 2024 Overview

WisdomTree published four crypto blogs in October 2024.

+ [Is bitcoin a safe-haven asset in a geopolitically uncertain world?](#)

On a long-term basis, bitcoin offers investors an alternative store of value that is beyond the current economic and financial systems. While bitcoin's long and successful track record and lack of any relationship with geopolitical risks position it as a safe-haven asset, it is not a hedge against geopolitical events.

Bitcoin ETPs do not require investors to store private access keys or interact with the blockchain and crypto infrastructure.

Published on 24 October 2024.

+ [What's Hot: A breakout opportunity for bitcoin and bitcoin miners](#)

Bitcoin and bitcoin miners have recently performed strongly amid improving macro conditions and mining profitability, despite summertime volatility following the April 2024 halving. Optimism around a more favourable regulatory and policy environment ahead, driven by the upcoming US elections, could serve as a catalyst for a potential breakout to the upside for both bitcoin and bitcoin miners.

Published on 22 October 2024.

+ [Investing in bitcoin: Navigating volatility and transparency](#)

While bitcoin perpetual futures minimise the size of the day-one investment, investors are vulnerable to bitcoin volatility and frequent funding rate payments that can add up quickly.

For most investors with a positive bitcoin price outlook, bitcoin ETPs are more appropriate investment vehicles as they have full fee transparency.

Published on 15 October 2024.

+ [Why competition between blockchains is good for investors](#)

Both Solana and Ethereum are layer-1 platforms used to power decentralised applications. Solana is fast and cheap and ahead of Ethereum in terms of the number of daily transactions and active addresses. Ethereum is a crypto mega cap name that is the largest 'economic centre' in the decentralised blockchain space. As both Solana and Ethereum appear relatively well-balanced, Solana's price could benefit from a catch-up effect.

Published on 02 October 2024.

Source: WisdomTree. 31 October 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	5,011	26	-280
Bitcoin	Synthetic	2,400	-32	-331
Ethereum	Physical	1,116	-14	175
Ethereum	Synthetic	884	-20	-128
Solana	Physical	1,471	18	77
Crypto Basket	Physical	1,453	18	376
Other Single Coin	Physical	1,039	7	231
Cardano	Physical	48	-2	11
Polkadot	Physical	32	1	27
<b>Total</b>		<b>13,454</b>	<b>1</b>	<b>159</b>

### Crypto ETFs domiciled in the U.S.

In USDm		AUM	1M Flows	YTD Flows
Bitcoin	Physical	72,457	5,318	24,173
Bitcoin	Synthetic	5,012	404	3,166
Ethereum	Physical	7,335	30	-492
Ethereum	Synthetic	271	40	350
<b>Total</b>		<b>85,076</b>	<b>5,792</b>	<b>27,197</b>

### Crypto ETPs domiciled in Rest of the World


In USDm		AUM	1M Flows	YTD Flows
Bitcoin	Physical	2,673	-18	66
Bitcoin	Synthetic	132	3	5
Ethereum	Physical	705	2	-91
Ethereum	Synthetic	58	0	6
Crypto Basket	Physical	13	0	-1
<b>Total</b>		<b>3,580</b>	<b>-13</b>	<b>-15</b>

Source: Bloomberg, 31 October 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

## 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: <b>Neutral</b> 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: <b>Bearish</b> at 99%  Change since last month: ↓	Most Bearish		Most Bullish	
	Date	29/10/2024	22/01/2024	
	Value	100%	80%	
	Bitcoin return over the next month	--	26.9%	

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

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## 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: <b>Bearish Neutral</b> at 738  Change since last month: ↓	Most Bearish		Most Bullish	
	Date	30/10/2024	15/01/2024	
	Value	811	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: <b>Bearish</b> at 64%  Change since last month: ↓	Most Bearish		Most Bullish	
	Date	21/10/2024	07/01/2024	
	Value	64%	70%	
	Bitcoin return over the next month	--	-2.7%	

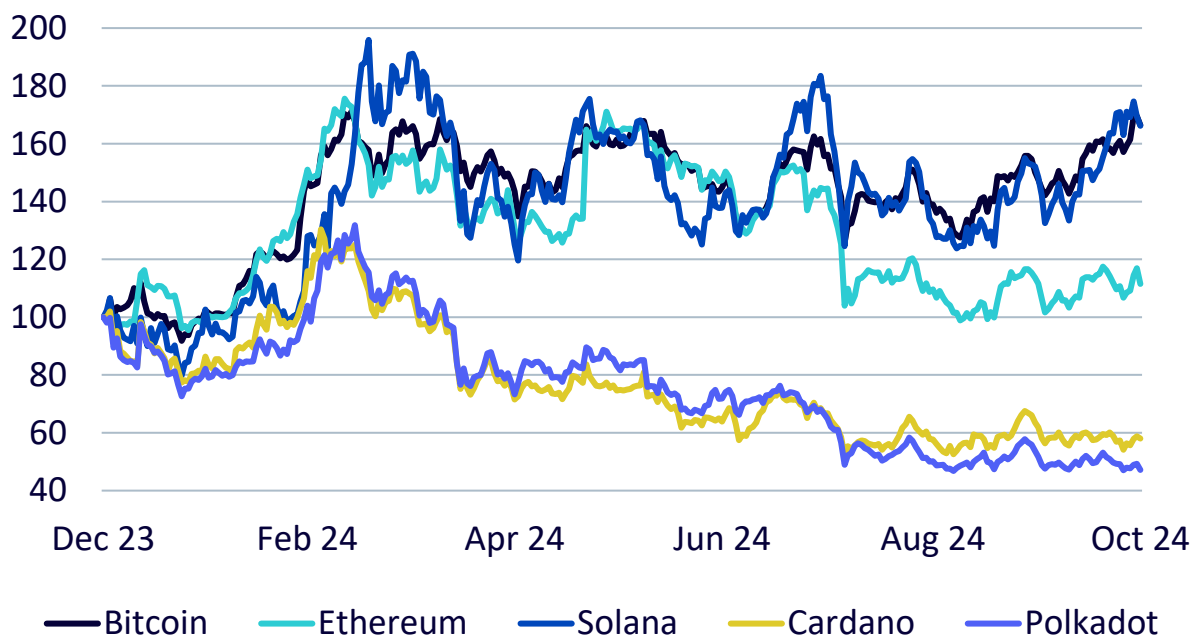
Source: Glassnode, WisdomTree. From 31 December 2023 to 31 October 2024. Daily data. ↑ = More bullish. ↓ = More bearish. → = No change.

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# Performance: Single Coins

- + Year to date, Solana and bitcoin are leading performance.
- + Out of crypto large caps, bitcoin continues to have the lowest volatility.

## YTD Single Coin Performance



	Market Cap	1M	3M	YTD	1Y	Volatility
Bitcoin	\$1.39tr	11%	7%	66%	106%	47%
Ethereum	\$303bn	-2%	-23%	12%	43%	60%
Solana	\$79bn	9%	-6%	66%	374%	71%
Cardano	\$12bn	-9%	-13%	-42%	21%	60%
Polkadot	\$6bn	-12%	-27%	-53%	-8%	59%

Source: WisdomTree, Messari. 31 October 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.

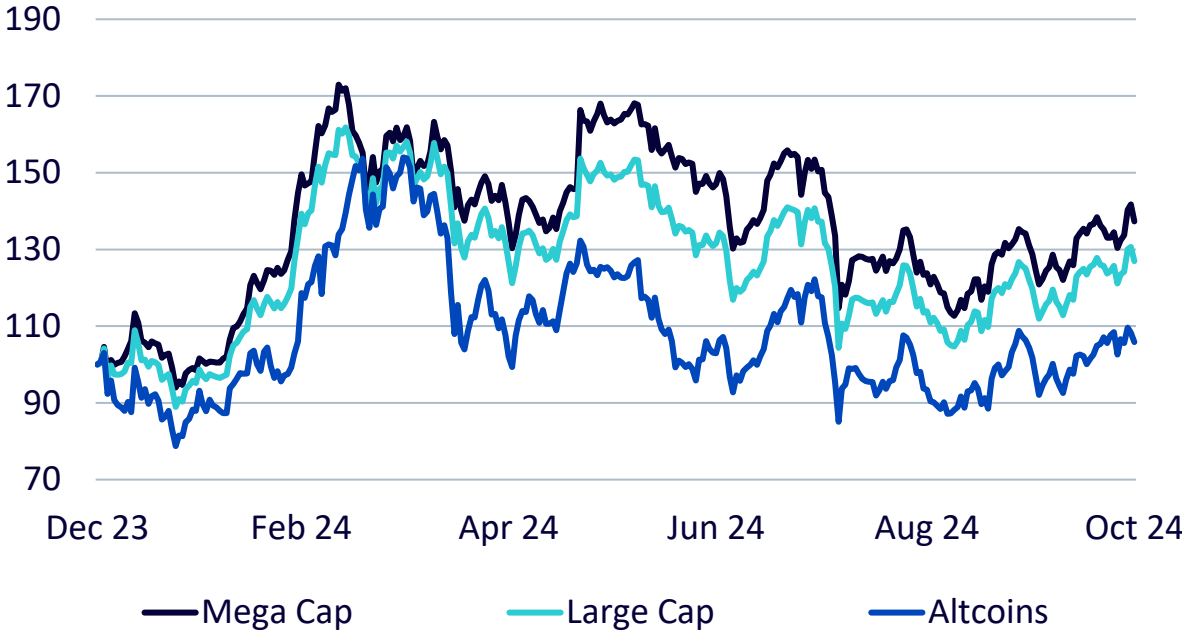
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# Performance: Crypto Baskets

- + 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	5%	-9%	37%	73%	52%
Large Cap	4%	-7%	27%	81%	52%
Altcoins	1%	-10%	6%	119%	62%

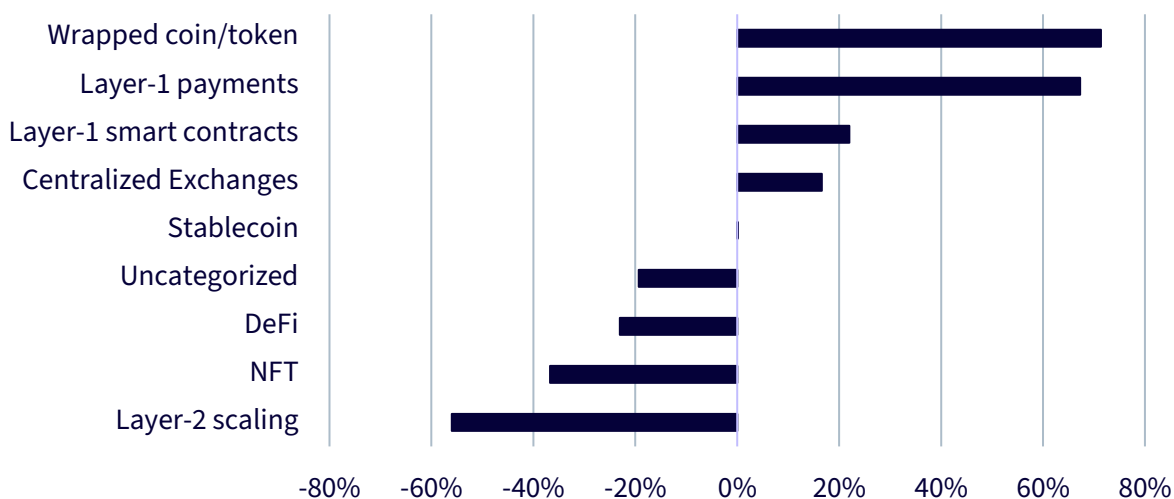
Source: WisdomTree. 31 October 2024. Volatility is calculated using 3-month daily USD returns and is annualised. YTD = Year to date. 1M = One month. 3M = Three months. 1Y = One year. Mega Cap = WisdomTree CF Crypto Mega Cap Equal Weight Index. Large Cap = WisdomTree CF Crypto Market Index. Altcoins =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

## YTD Sector Performance



Sector	1M	3M	YTD	1Y
Layer-2 scaling	-12%	-22%	-56%	-26%
NFT	-15%	-16%	-37%	14%
DeFi	-4%	-7%	-23%	21%
Uncategorized	-5%	-1%	-19%	16%
Stablecoin	0%	0%	0%	0%
Centralized Exchanges	4%	7%	17%	43%
Layer-1 smart contracts	0%	-12%	22%	77%
Layer-1 payments	9%	9%	67%	104%
Wrapped coin/token	10%	9%	71%	110%

Source: WisdomTree. 31 October 2024.

YTD = Year to date. 1M = One month. 3M = Three months. 1Y = One year.

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# Correlations

- + Solana has relatively low correlation with bitcoin.
- + 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	0.89	1.00						
Solana	0.79	0.70	1.00					
Cardano	0.80	0.75	0.75	1.00				
Polkadot	0.81	0.80	0.76	0.85	1.00			
Mega Cap	0.97	0.97	0.77	0.80	0.83	1.00		
Large Cap	0.97	0.95	0.83	0.84	0.87	0.99	1.00	
Altcoins	0.88	0.81	0.96	0.88	0.87	0.87	0.92	1.00

## Crypto vs. Traditional Assets

	Bitcoin	Equities	Small Caps	Treasuries	Corporates	High Yield	Commodities	Gold
Bitcoin	1.00							
Equities	0.19	1.00						
Small Caps	0.22	0.95	1.00					
Treasuries	0.10	0.21	0.23	1.00				
Corporates	0.12	0.48	0.50	0.87	1.00			
High Yield	0.17	0.79	0.81	0.45	0.75	1.00		
Commodities	0.13	0.42	0.44	0.10	0.19	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 October 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 October 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

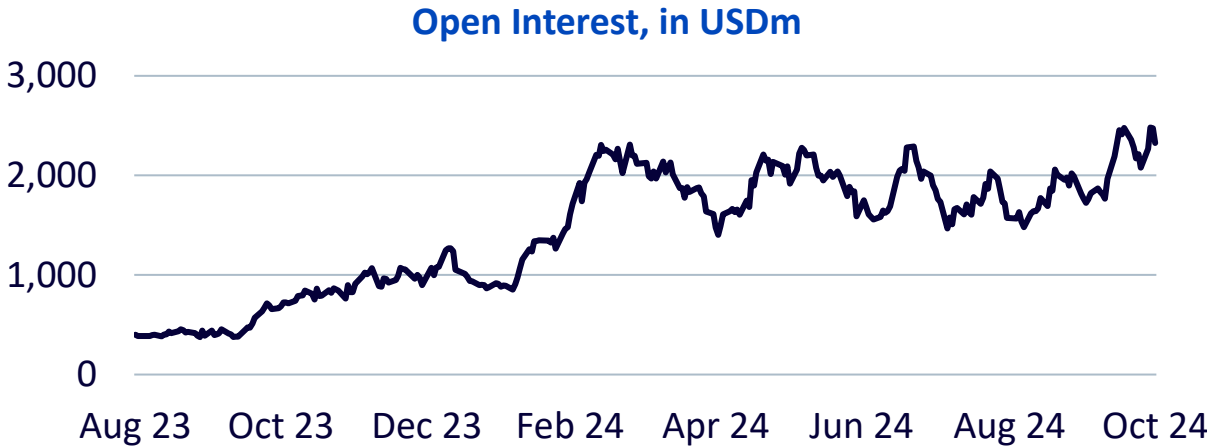
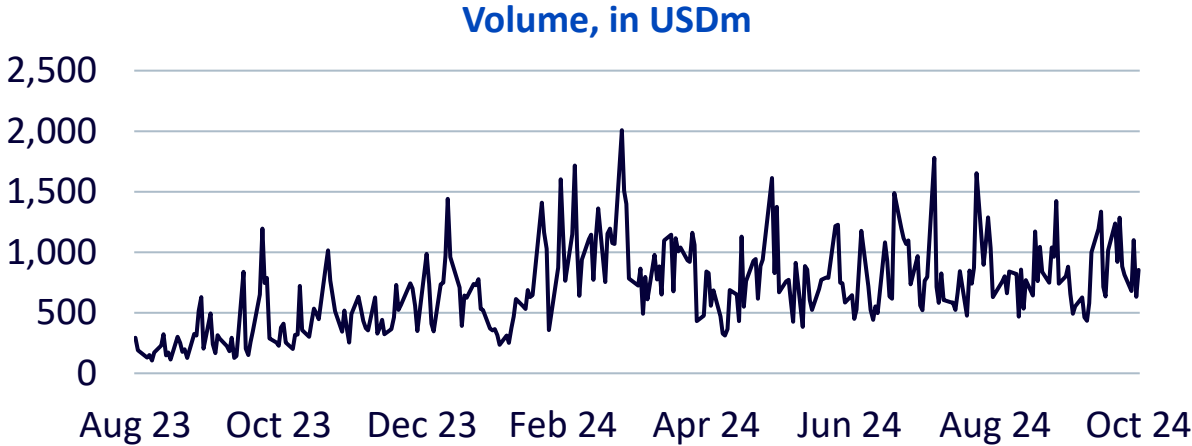
	60/40 Global Portfolio	1% Bitcoin Portfolio	3% Bitcoin Portfolio	5% Bitcoin Portfolio	10% Bitcoin Portfolio	MSCI AC World	Bloomberg Multiverse	Bitcoin
Annualised Return	5.59%	6.25%	7.55%	8.85%	12.06%	8.77%	0.53%	52.05%
Volatility	8.81%	8.87%	9.16%	9.63%	11.43%	13.97%	5.04%	67.24%
Sharpe Ratio	0.46	0.53	0.65	0.76	0.92	0.52	-0.20	0.75
Beta	70%	71%	73%	75%	80%	100%	24%	177%

Source: Bloomberg, WisdomTree. From 31 December 2013 to 31 October 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.

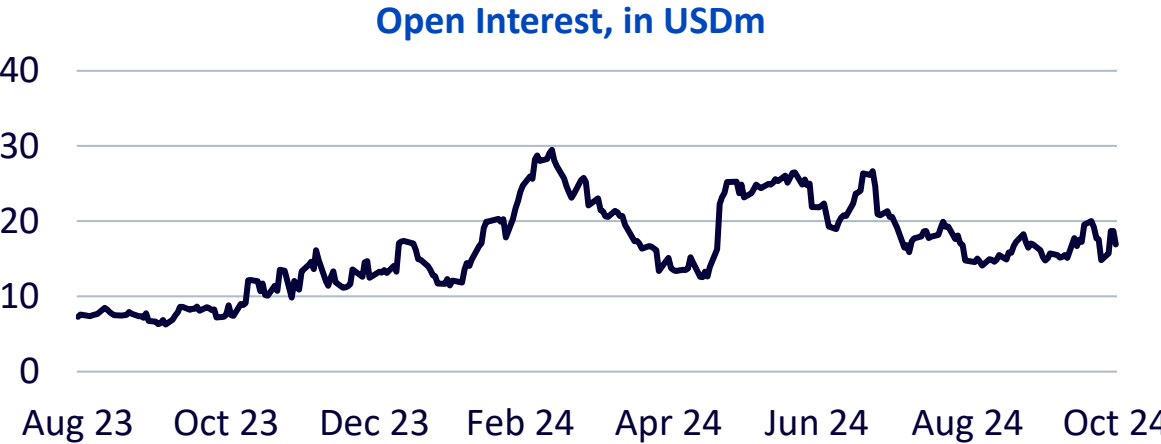
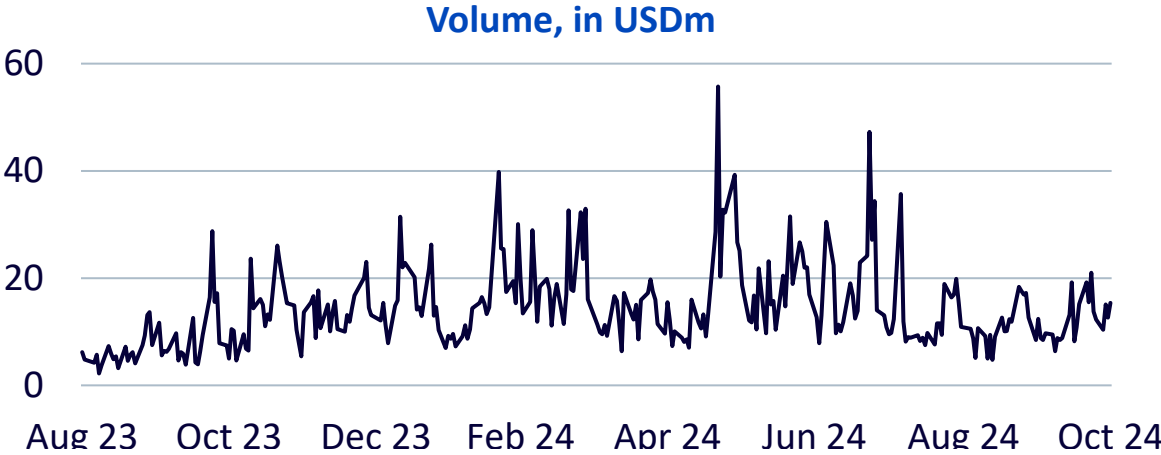


Source: WisdomTree. 31 October 2024.

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# Ether CME Futures

+ No significant change in volume or open interest



Source: WisdomTree. 31 October 2024.

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