



30 September 2024

# WisdomTree Crypto Monthly



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# September 2024 Overview

WisdomTree published six crypto blogs in September 2024.

+ [What's Hot: Market sentiment shifts positive for altcoins after rate cuts](#)

Recent U.S. Federal Reserve rate cuts have bolstered digital assets prices, with altcoins outperforming bitcoin and ethereum as investors shift toward riskier assets. Altcoins, with higher beta to bitcoin, could continue to benefit from a more accommodative interest rate environment, as investor risk appetite grows.

Published on 30 September 2024.

+ [August 2024 Crypto Basket Rebalance](#)

Crypto basket ETPs provide institutional investors with a strategic entry into the crypto market without the need to forecast the success of specific crypto assets. WisdomTree's thorough procedures once again allowed the successful completion of the crypto basket rebalance.

Published on 23 September 2024.

+ [Market Outlook: Our strongest investment ideas for the rest of 2024 and beyond](#)

The resilience of global economic growth had taken many by surprise. However, with visible signs of inflationary pressures waning and economies decelerating, most developed market central banks are now embarking on a journey of policy easing that is going to lead to a necessary rebalancing of investors' portfolios.

The WisdomTree Market Outlook provides insights across different asset classes that will help identify investment themes for the rest of 2024 and beyond.

Published on 18 September 2024.

Source: WisdomTree. 30 September 2024. Please click on a title to read the full blog.

+ [Crypto Outlook: Institutionalisation is underway](#)

Several key trends are converging that collectively paint a promising outlook for the cryptocurrency market in the second half of 2024. Specifically, if increased institutional demand, reduced supply, and a more accommodative interest rate environment converge, the crypto market may see significant tailwinds that jolt it into the next bull market by the end of the year.

Published on 16 September 2024.

+ [Why cryptocurrency allocation could be the most important investment decision in an investment portfolio right now](#)

Successful portfolio management is the result of a series of good decisions. However, some decisions are more rewarding than others. Looking back, including a small allocation to Bitcoin in a multi asset portfolio would have been one of the most successful decisions for a manager. Such an investment decision would have led to additional 1% of return for each 1% of extra risk. And yet, professional investors spend their time discussing less impactful parts of their portfolios.

Published on 11 September 2024.

+ [Shattering the competitive equilibrium: Is bitcoin the new crossbow?](#)

Disruptive technologies are called disruptive because they do not leave economic actors with a real choice. The choice is always to get on the train or die. Cryptocurrencies are on the verge of asking such a question to multi-asset managers. Historically, a neutral allocation in cryptocurrencies could add 1.3% annual return to a standardised 60/40 portfolio, with only marginal added risk. How long can asset managers turn down this potential opportunity?

Published on 03 September 2024.

Source: WisdomTree. 30 September 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	4,578	17	-307
Bitcoin	Synthetic	2,202	-13	-298
Ethereum	Physical	1,130	10	191
Ethereum	Synthetic	895	-6	-107
Solana	Physical	1,327	19	58
Crypto Basket	Physical	1,362	141	359
Other Single Coin	Physical	1,082	13	224
Cardano	Physical	58	0	13
Polkadot	Physical	36	0	26
<b>Total</b>		<b>12,670</b>	<b>181</b>	<b>159</b>

## Crypto ETFs domiciled in the U.S.

In USDm		AUM	1M Flows	YTD Flows
Bitcoin	Physical	61,208	848	18,794
Bitcoin	Synthetic	4,204	50	2,782
Ethereum	Physical	7,442	-41	-521
Ethereum	Synthetic	241	13	310
<b>Total</b>		<b>73,097</b>	<b>870</b>	<b>21,365</b>

## Crypto ETPs domiciled in Rest of the World

In USDm		AUM	1M Flows	YTD Flows
Bitcoin	Physical	2,506	-36	53
Bitcoin	Synthetic	128	-2	2
Ethereum	Physical	704	-4	-94
Ethereum	Synthetic	58	1	6
Crypto Basket	Physical	13	0	-1
<b>Total</b>		<b>3,410</b>	<b>-40</b>	<b>-34</b>

Source: Bloomberg. 30 September 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>Neutral</b> at 90%  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 30 September 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>Neutral</b> at 601  Change since last month: ↑	Most Bearish		Most Bullish	
	Date	02/09/2024	15/01/2024	
	Value	746	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 Neutral</b> 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 30 September 2024. Daily data. ↑ = More bullish. ↓ = More bearish. → = No change.

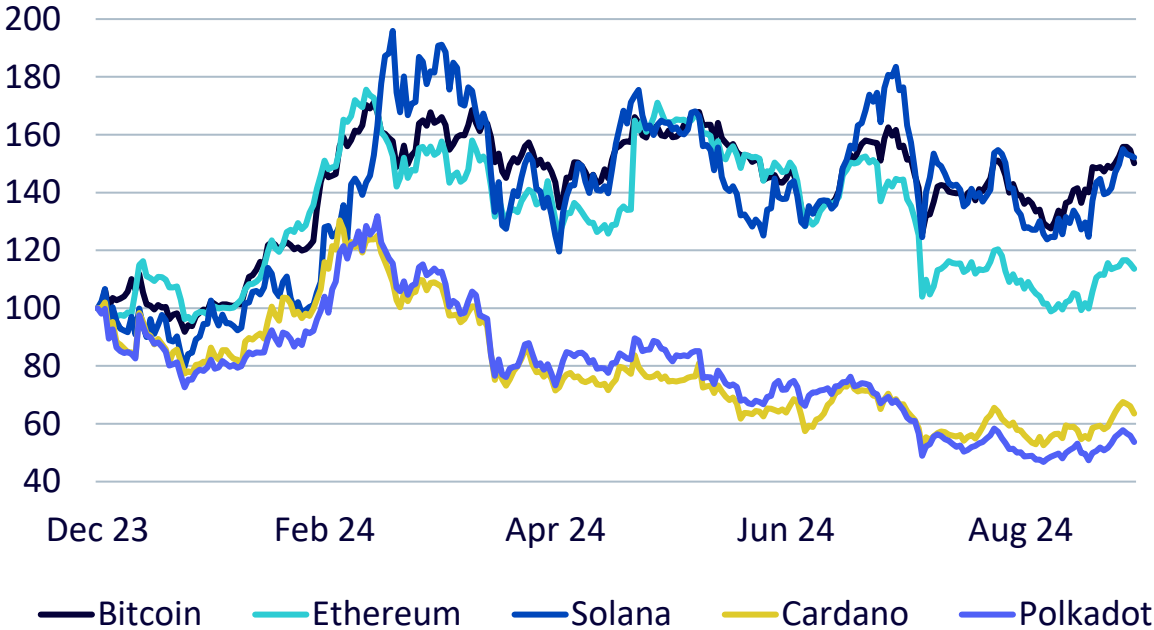
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# Performance: Single Coins

- + Year to date, Solana is leading performance while bitcoin 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	\$1.3tr	8%	4%	50%	137%	50%
Ethereum	\$320bn	4%	-23%	14%	57%	61%
Solana	\$74bn	15%	10%	52%	673%	72%
Cardano	\$14bn	10%	0%	-36%	51%	65%
Polkadot	\$7bn	7%	-25%	-46%	12%	60%

Source: WisdomTree, Messari. 30 September 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.

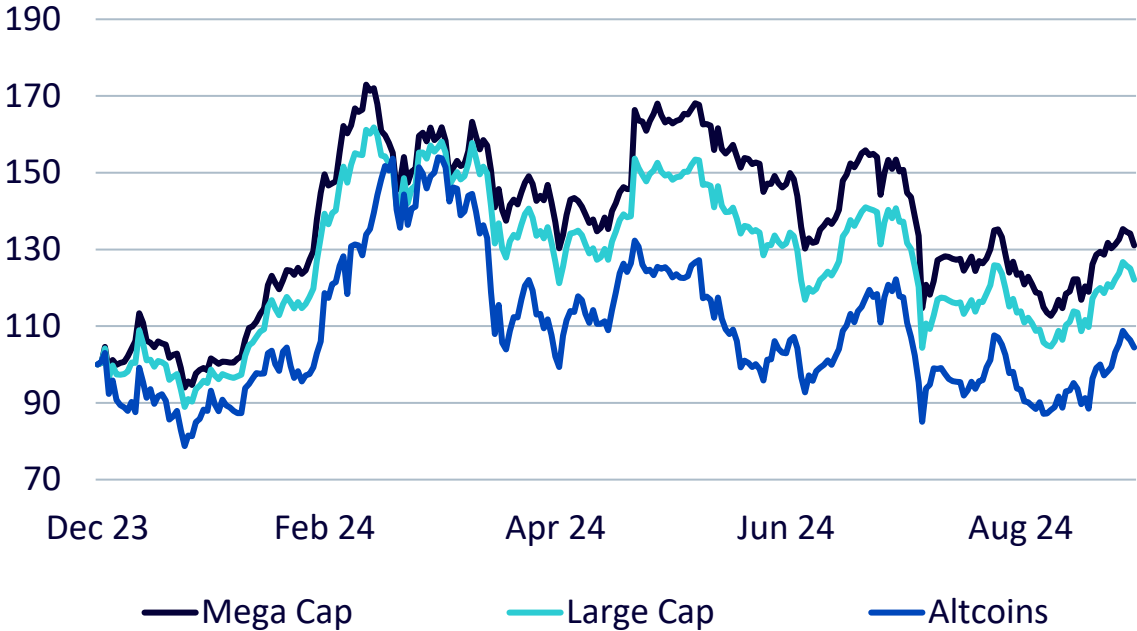
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# Performance: Crypto Baskets

- + 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	6%	-11%	31%	94%	54%
Large Cap	7%	-7%	22%	110%	54%
Altcoins	12%	1%	4%	176%	64%

Source: WisdomTree. 30 September 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.

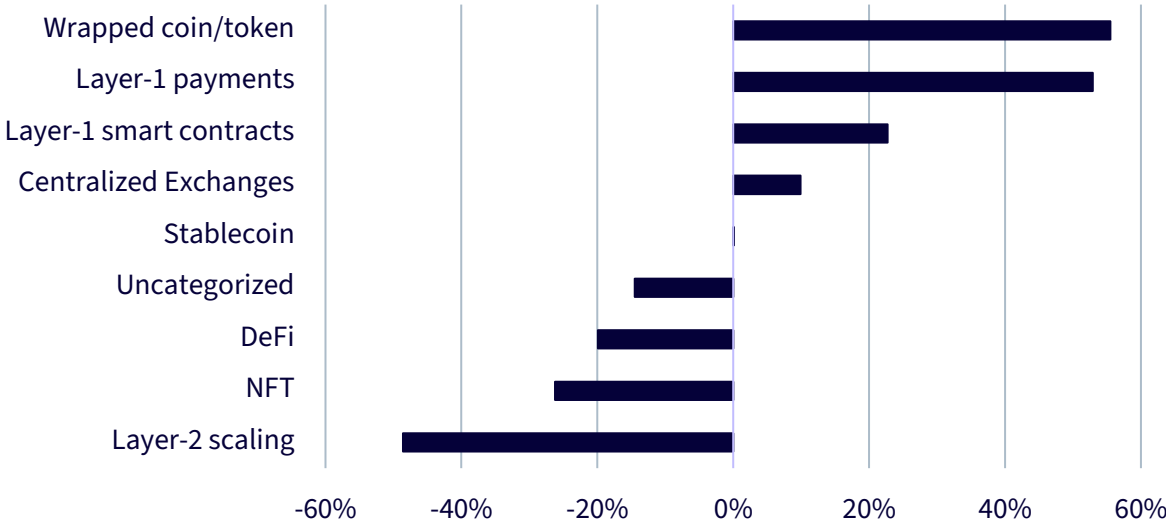
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# Performance: Sectors

- + 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
Layer-2 scaling	12%	-16%	-49%	-1%
NFT	20%	-9%	-26%	69%
DeFi	19%	-9%	-20%	39%
Uncategorized	22%	3%	-15%	46%
Stablecoin	0%	0%	0%	0%
Centralized Exchanges	6%	1%	10%	48%
Layer-1 smart contracts	9%	-11%	23%	96%
Layer-1 payments	11%	8%	53%	136%
Wrapped coin/token	11%	8%	56%	144%

Source: WisdomTree. 30 September 2024.

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

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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	0.89	1.00						
Solana	0.83	0.71	1.00					
Cardano	0.79	0.74	0.71	1.00				
Polkadot	0.81	0.76	0.77	0.81	1.00			
Mega Cap	0.97	0.97	0.79	0.79	0.81	1.00		
Large Cap	0.98	0.95	0.84	0.83	0.85	0.99	1.00	
Altcoins	0.90	0.82	0.96	0.86	0.87	0.88	0.93	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	0.09	0.21	0.23	1.00				
Corporates	0.11	0.48	0.49	0.87	1.00			
High Yield	0.17	0.79	0.81	0.45	0.75	1.00		
Commodities	0.13	0.43	0.45	0.10	0.20	0.40	1.00	
Gold	0.07	0.18	0.19	0.57	0.49	0.32	0.33	1.00

Source: WisdomTree, Bloomberg. 30 September 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 30 September 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	5.90%	6.55%	7.85%	9.13%	12.31%	9.07%	0.84%	51.24%
Volatility	8.83%	8.90%	9.18%	9.65%	11.46%	14.01%	5.04%	67.41%
Sharpe Ratio	0.49	0.56	0.69	0.79	0.94	0.55	-0.14	0.74
Beta	70%	71%	73%	75%	80%	100%	24%	178%

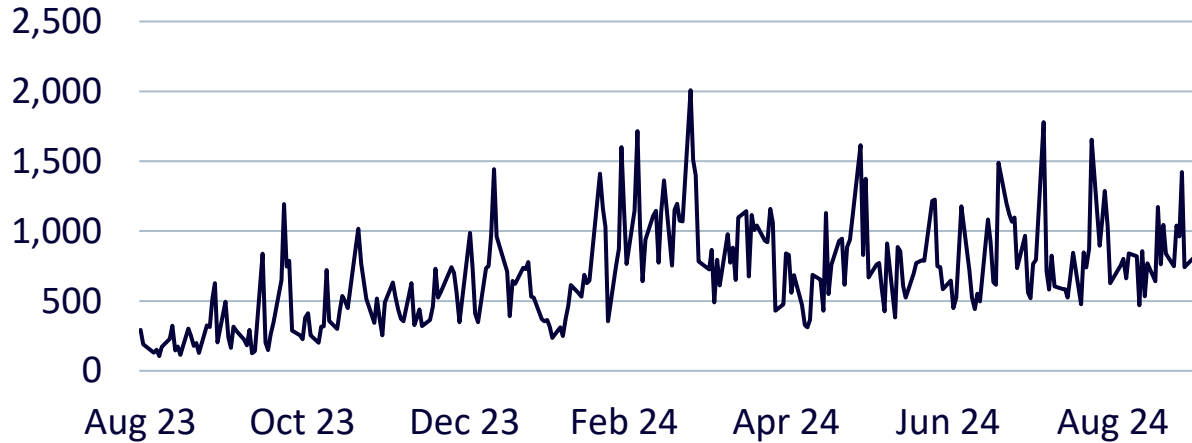
Source: Bloomberg, WisdomTree. From 31 December 2013 to 30 September 2024. In USD. Based on daily returns. The 60/40 Global Portfolio is composed of 60% MSCI All Country World and 40% Bloomberg Multiverse.

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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

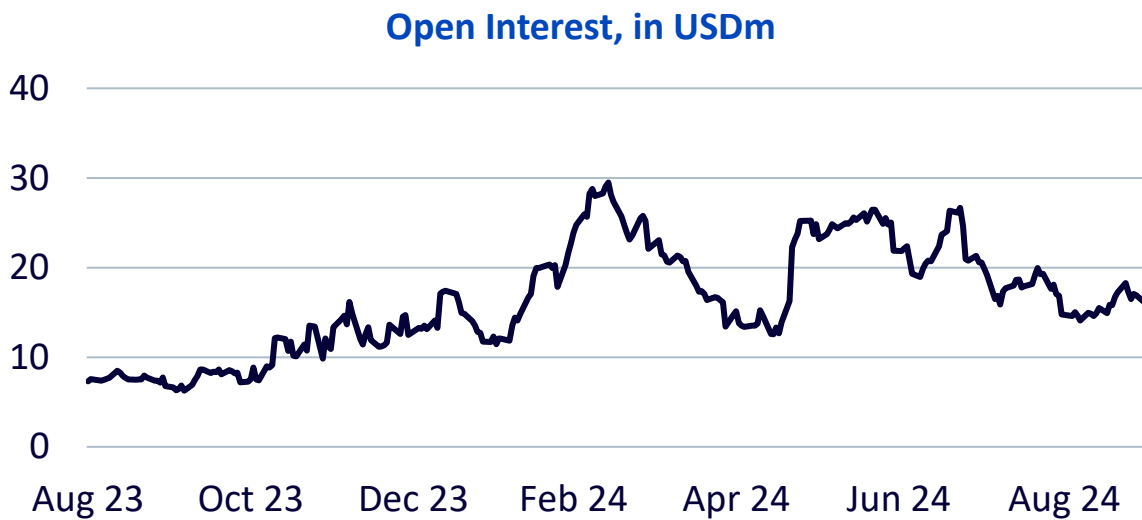
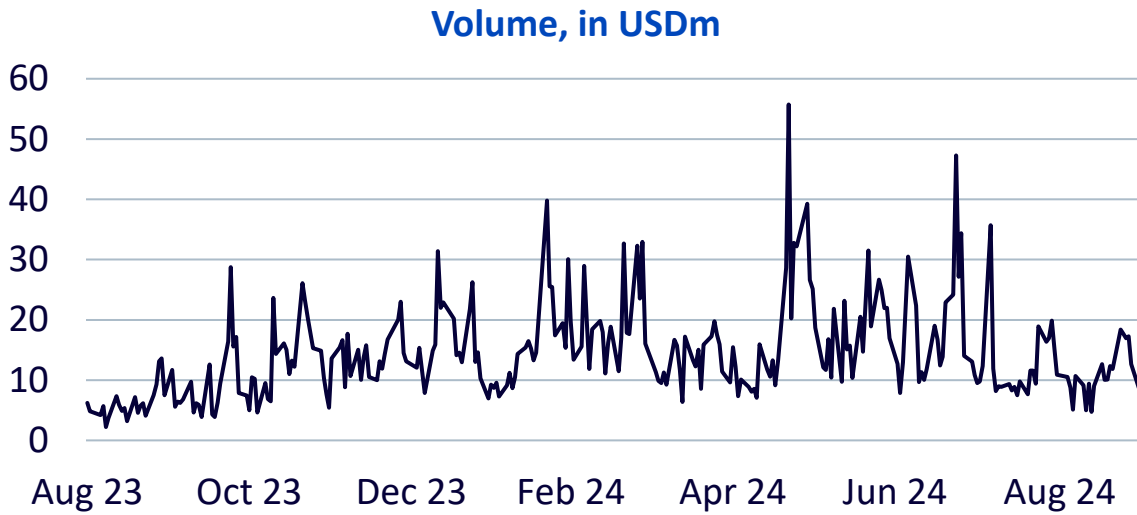


Source: WisdomTree. 30 September 2024.

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# Ether CME Futures

+ No significant change in volume or open interest



Source: WisdomTree. 30 September 2024.

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