



Arcane
Research



THE WEEKLY UPDATE
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Week 52





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Market Update

- 2019 in review:
 - Bitcoin up 85%, while ETH and XRP register negative YTD performance
 - Bitcoin outperforms all indexes, while Small Caps struggles
 - "Bitcoin, not blockchain" is the main takeaway from Google Trends
- Market sentiment bounces back – are investors turning bullish?
- Bakkt sets another daily volume record

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Valuation

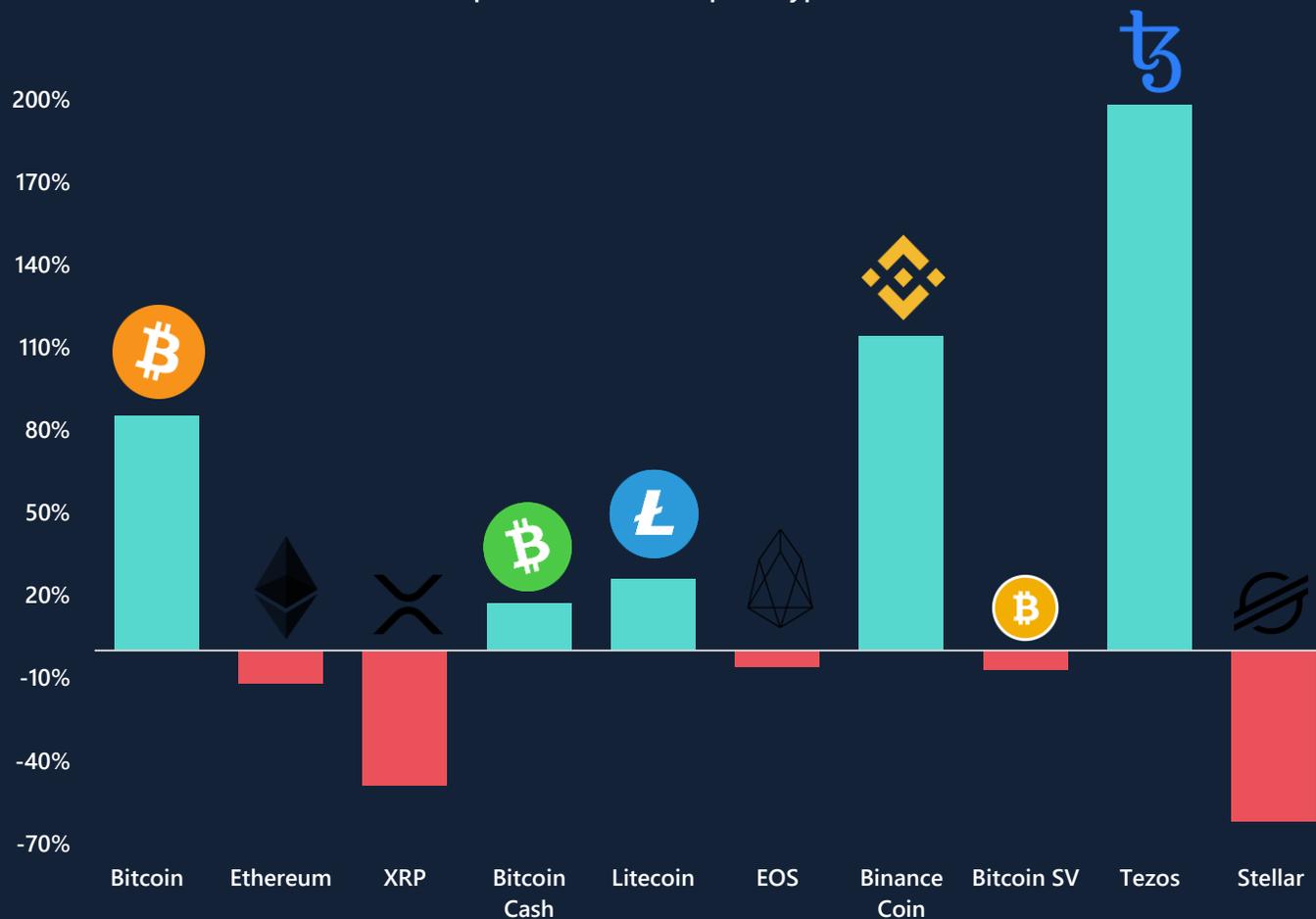
- Both \$6,000 and \$8,000 could be close for BTC over the next weeks
- Futures premiums are back up – CME more bullish than other platforms

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Blockchain Activity

- Bitcoin blockchain activity continues down
- Both numbers of transactions and active addresses are almost back to the same levels as where they started the year.

2019 performance for top 10 cryptocurrencies



THE NEWSROOM



'Japan's Amazon' Rakuten now allows users to convert loyalty points to crypto

Japan's equivalent to Amazon, e-commerce giant Rakuten, is now allowing users to convert their earned loyalty points to bitcoin (BTC), ether (ETH) and bitcoin cash (BCH) cryptocurrencies.



Crypto Firms Can Now Apply for a License in France

France's top financial regulator has published new rules regarding the licensing of digital asset service providers (DASPs) as well as guidelines for firms applying for the non-mandatory license and informing the regulator about internal cybersecurity practices.



The 2019 Crypto Highlights

A human year is roughly equal to 7 crypto years, and 2019 has not been an exception. Here are some of the highlights.

Market flat after mid-week pump

Top ten by market capitalization	Last	Last week	Last month	YTD
Bitcoin	7184.08	0.20%	-2.17%	85%
Ethereum	124.73	-2.41%	-17.78%	-13%
XRP	0.19	-1.15%	-15.42%	-49%
Bitcoin Cash	190.84	0.63%	-12.71%	16%
Litecoin	40.20	0.05%	-15.68%	25%
EOS	2.54	2.67%	-4.60%	-6%
Binance Coin	13.11	-2.85%	-16.00%	113%
Bitcoin SV	87.14	-1.92%	-18.95%	-7%
Tezos	1.37	-9.93%	14.05%	194%
Stellar	0.04	-1.49%	-23.20%	-62%

Best performing	Last	Last week	Last month	YTD
Hedgetrade	1.62	15.56%	158.70%	1146%
Ethereum Classic	4.48	15.04%	14.53%	-17%
Cosmos	4.59	8.64%	27.83%	-35%
Crypto.com Coin	0.04	7.27%	25.61%	142%
EOS	2.54	2.67%	-4.60%	-6%

Worst performing	Last	Last week	Last month	YTD
Centrality	0.09	-17.42%	-31.54%	260%
ABBC Coin	0.15	-14.88%	-18.01%	-58%
Tezos	1.37	-9.93%	14.05%	194%
Dash	39.04	-9.09%	-24.18%	-52%
Maker	419.09	-6.97%	-23.63%	-9%

Last week of top 50 by market capitalization

Source: cryptowat.ch

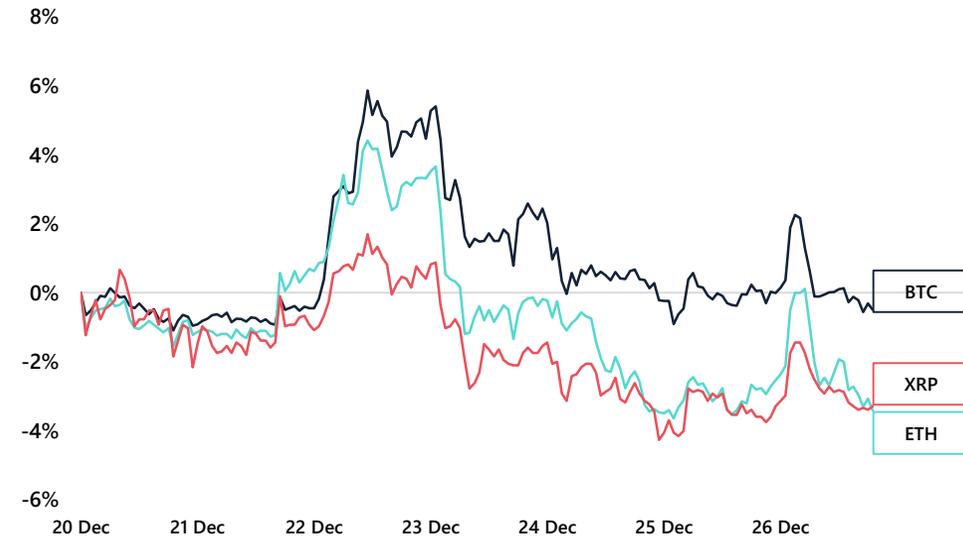
Bitcoin Correlation:

2019 in review: ETH correlation unchanged YTD, while gold correlation has increased by 0.2 from below 0.

90-day correlation (weekly change included)	ETH		XRP		GOLD		S&P500	
BTC	0.876	0.014	0.703	0.052	0.206	0.039	0.030	-0.082

Source: coinmetrics.io

Top 3: Percentage Change in Price Over the Last Week

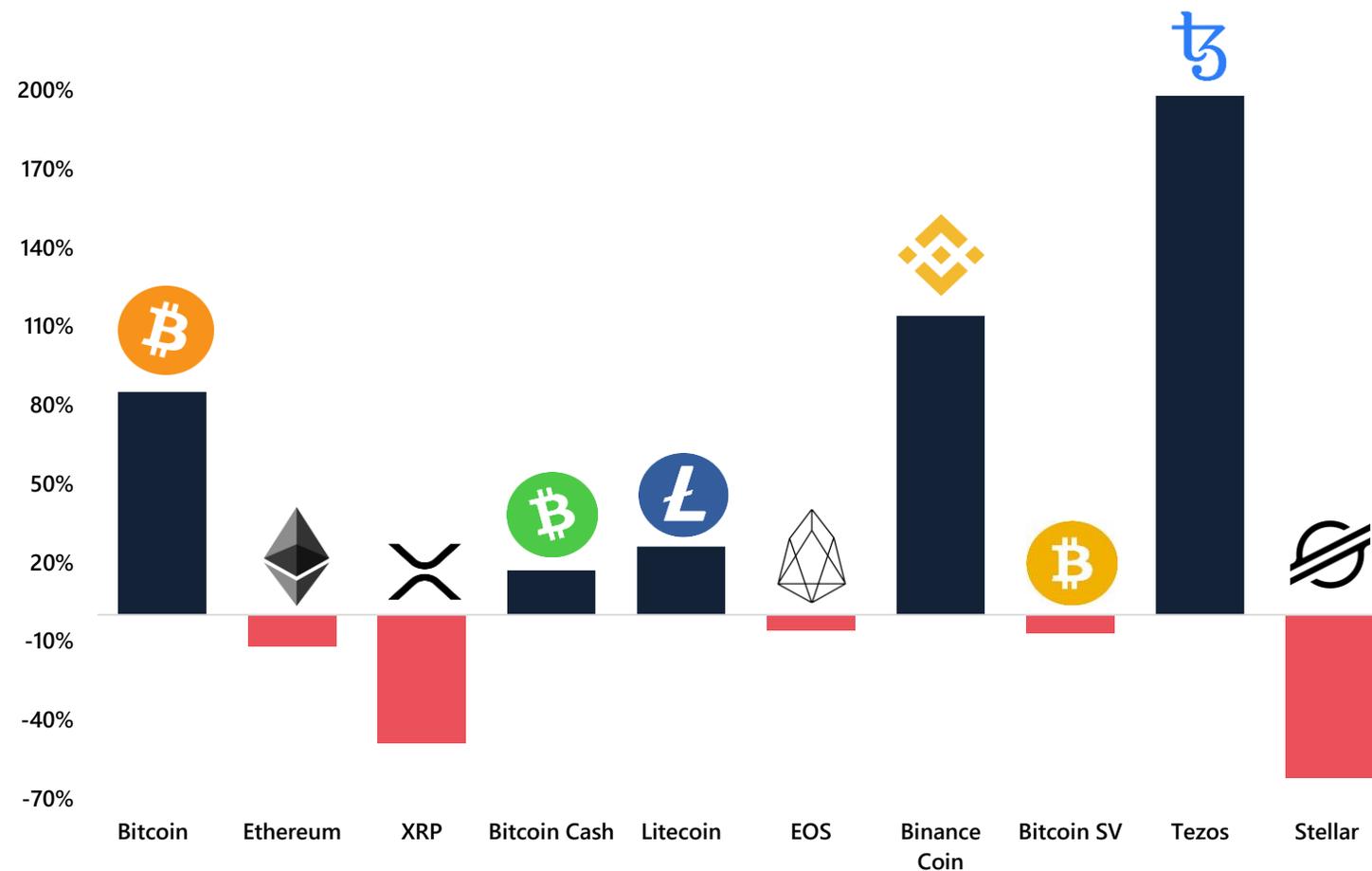


Source: cryptowat.ch

2019 in review: Mixed performance among the largest cryptos

- Looking back at 2019, there is only 5 out of the top 10 cryptocurrencies by market cap that have positive returns.
- Tezos is the only new cryptocurrency in the top 10, and is also the best performer with a yearly return of 198%.
- On the other hand, Stellar is down -62% in 2019 and is the worst performing crypto.
- **Bitcoin is the only crypto in the top 3 that has a positive return this year, up 85% since Jan 1.**
- ETH and XRP has decreased 12% and 49%, respectively.

2019 performance* for top 10 cryptocurrencies



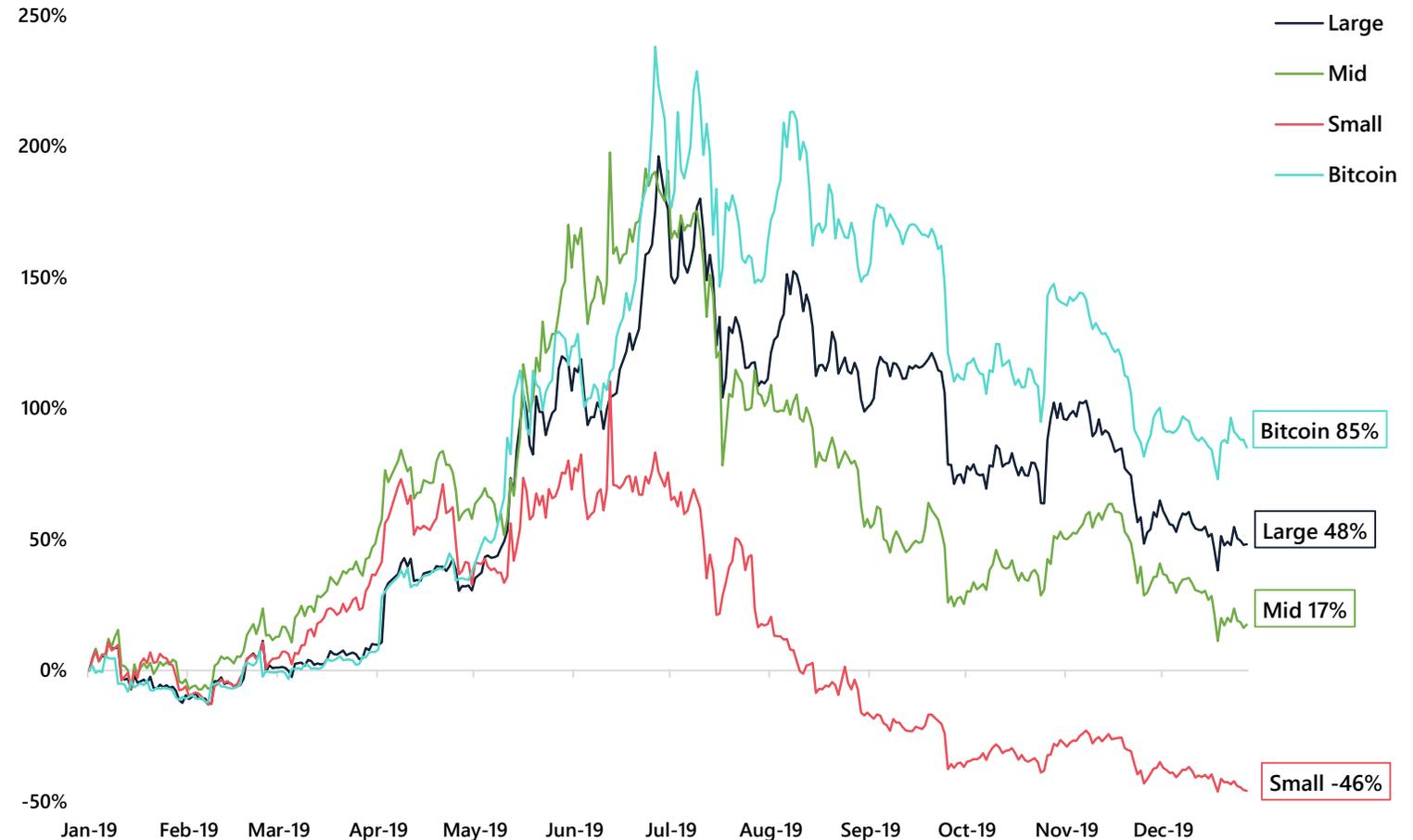
Source: Messari

*as of Dec 27

2019 in review: Bitcoin outperformed all indexes – Small Caps struggled

- When comparing the performance of the three indexes in 2019, a clear trend is identified.
- Bitcoin outperformed all indexes and is up 85% in 2019.
- **Small Caps had a positive start in 2019 but have been struggling since May and the index is down almost 50% YTD.**
- With a large amount of tokens without real value, old ICO's and dead projects in the market, one can expect this kind of decoupling from the overall market to continue.

2019 Performance* of Market Capitalization Weighted Indexes

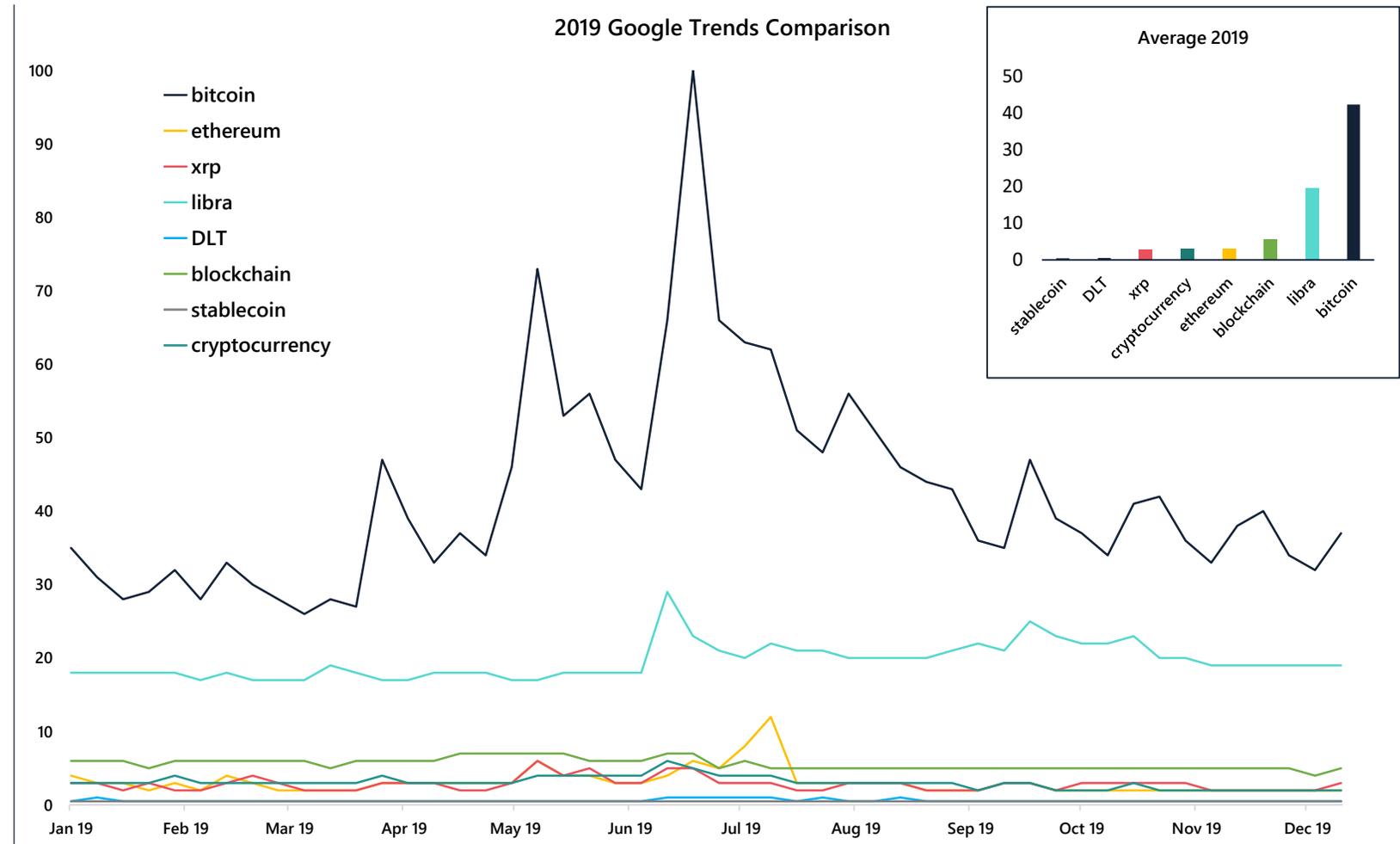


Source: Bletchleyindexes.com

*As of Dec 27

2019 in review: “Bitcoin, not blockchain” is the main takeaway from Google Trends

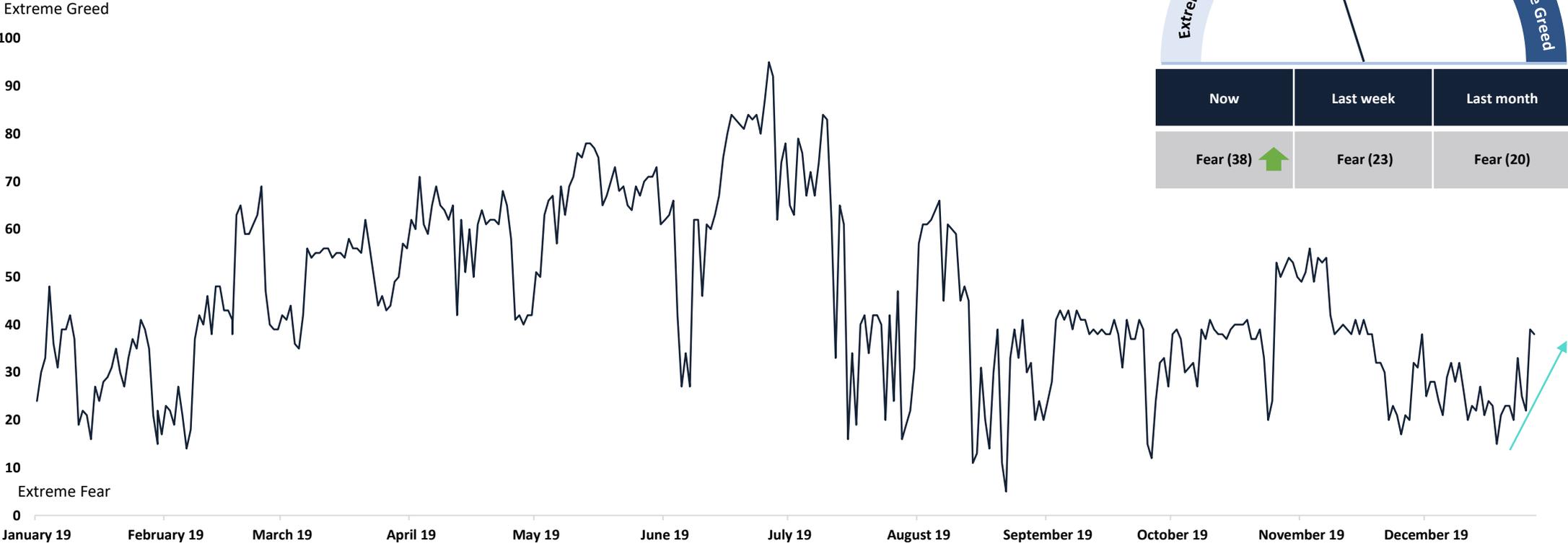
- Looking at Google searches in 2019, there is no doubt who rules the crypto space.
- Comparing searches on the largest cryptocurrencies in addition to terms like «blockchain», «cryptocurrency» and «stablecoin», **bitcoin is clearly the most search word.**
- The word “libra” comes second, but is most likely affected by non-crypto related searches, as the search term was around the 20-level even before Facebook announced their new stablecoin this summer.
- Except of a small period in July, all other search terms looks practically dead compared to bitcoin.
- These results undoubtedly show how the public is most interested in bitcoin, and strengthen the popular saying “**bitcoin, not blockchain**”.





Market sentiment recovers strongly

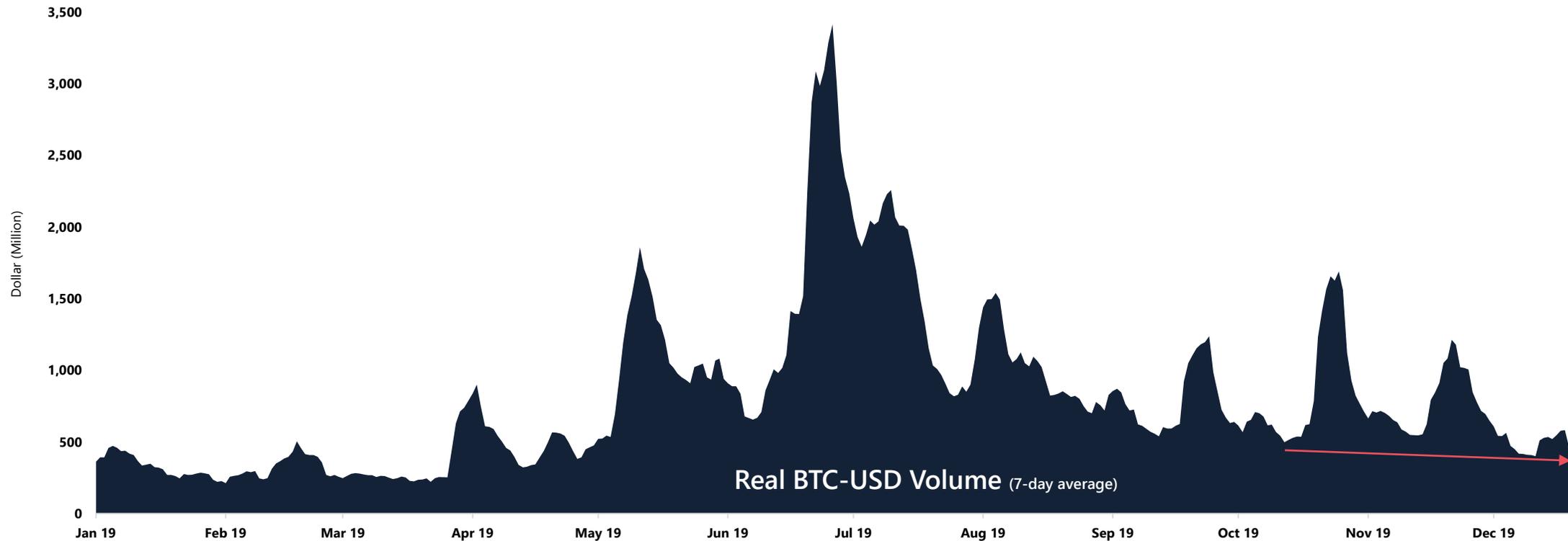
The Fear & Greed Index has recovered strongly over the past week, although price action has been mixed. This may be a signal of more investors turning bullish and could indicate that BTC is close to a bottom.



Source: alternative.me

Bitcoin volume is still **looking weak** after minimal bounce

The 7-day average real trading volume* went down to levels we haven't seen since May earlier this month. After a small bounce last week, the volume is still below the average levels we have seen over the last months. This may be related to the holiday period, as investors take some time of.



Source: cryptowat.ch

*as defined by Bitwise Asset Management. ItBit exchange excluded.

Small volatility spike for bitcoin – more to come?

- The 30-day bitcoin volatility had a little spike after the price went down to \$6,500 and up to \$7,600 over a short period of time.
- As discussed over the last weeks, a bounce in the volatility was expected. However, the spike was not that big, and more price action may be imminent as bitcoin has been hoovering around \$7,000 for over a month now.



BTC-USD Volatility (30-day average)

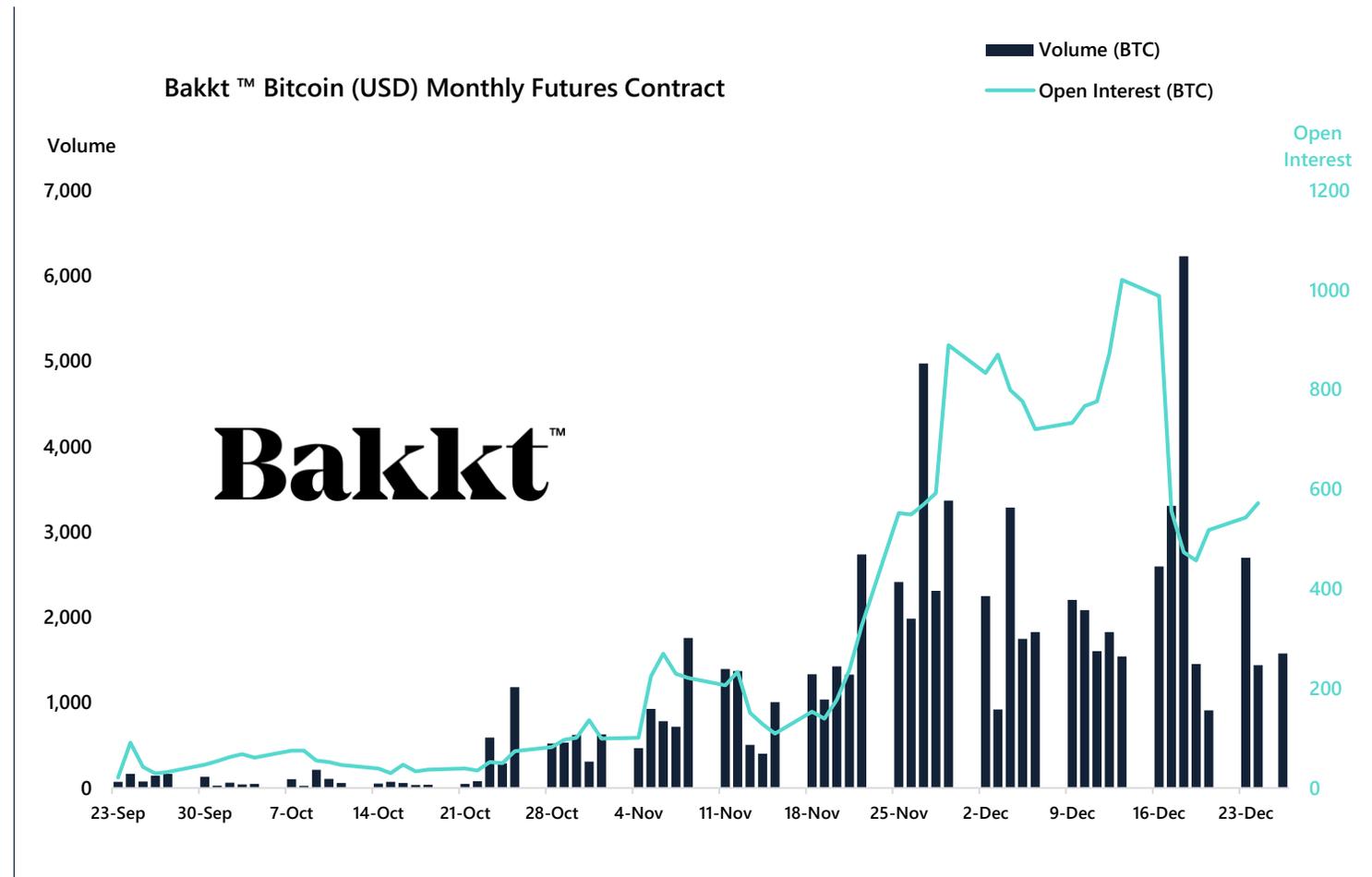
Source: cryptowat.ch

Another volume record on Bakkt – investor “sell-off” before expiry

Another week, another record on Bakkt. The total weekly volume ended at 14,486 BTC last week, but the open interest was cut in half.

- Last week's volume was 56.5% higher than the previous week, and close to the previous record of 15,046 BTC.
- A new daily volume record was set on Dec 18, with 6,226 BTC traded.
- Open interest ended went down over 50%, as the December contracts expired last week.
- Only 8 BTC contracts were held to expiry and delivered physically – down from 18 contracts in November.

No trades have been done for the daily BTC futures contracts over the last ten weeks.



Source: Intercontinental Exchange



VALUATION

What's next? Are we approaching \$6,000 or \$8,000?

- The last month has been mostly sideways price action for bitcoin, except two rounds dumps down below \$7,000.
- These two dumps have tested the support line in the descending channel that has been holding since July.
- If this channel continues to hold, we're likely to see a price move up below \$8,000 or down to the \$6,000 area.
- Some investors are seeing an end if this bear period, as a double bottom has been forming over the last month, hitting the \$6,500 level two times.
- Others are looking for the lower \$5,000 levels, and a touch of the 200-weekly moving average. This happened last winter in the lower \$3,000 area, and marked the end of the year-long bear market after the ATH in December 2017.



Futures premium rates back up

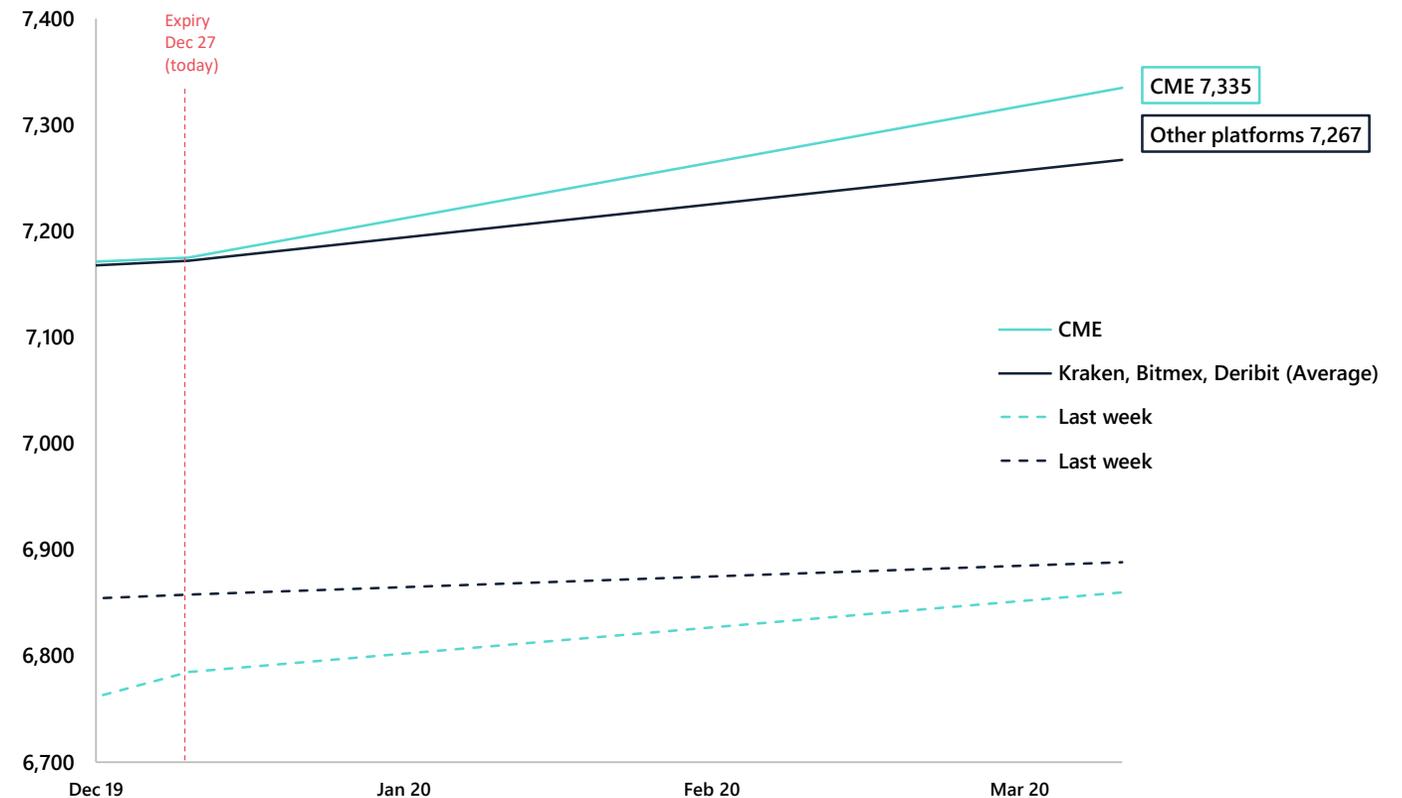
- After a week with a flattening forward curve, premium rates are now back the levels we're used to see them.
- Although price hasn't changed much week-to-week, there have been several spikes in the bitcoin price since last week.
- With the BTC pumping from \$6,500 to \$7,600, investors are turning more positive, even though the price fell down to the lower \$7,000 level again.
- The premium rates for the March 2020 contracts are now 2.3% on CME and only 1.4% for other platforms.

Premium rates for BTC contracts

	December 2019	March 2020
CME	0.06% ↓	2.29% ↑
Other platforms	0.08% ↑	1.39% ↑

*On BitMEX

BTC Futures Contracts Settlement Prices (Dec 27 – Mar 20)



Source: Kraken, CME, Bitmex, Deribit



BLOCKCHAIN ACTIVITY

Bitcoin blockchain activity continues down

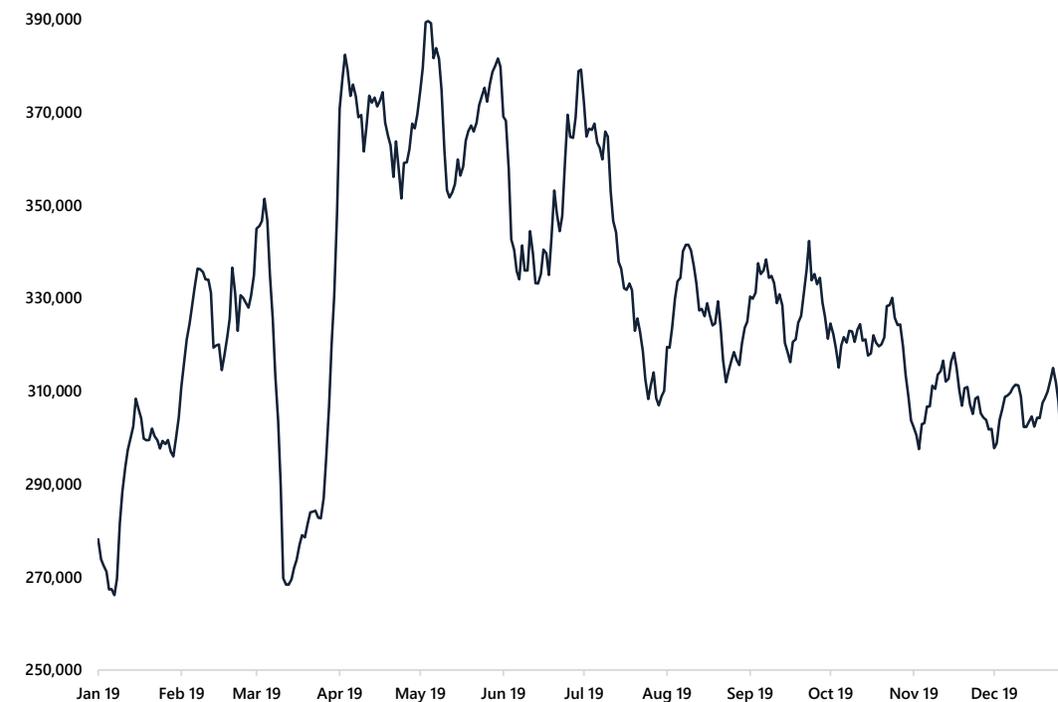
- The activity on the Bitcoin blockchain continues downwards this week.
- **Looking at yearly performance, both the number of transactions and active addresses is getting close to where they started the year.**
- Miner fees are now \$127,497 and is down almost 50% over the last month. Looking at yearly performance, miner fees are up 120%.

On-chain Bitcoin activity (7-day average)

	Last	Last week	Last month	YTD
Transactions value, transfers (bUSD)	\$3.483	-17.80%	-32.68%	55.84%
Transaction Count	294,473	-4.75%	-6.59%	7.43%
Miner Fees (USD)	\$127,497	-21.83%	-48.38%	120.56%
Active Addresses	639,301	-12.59%	-9.04%	15.24%

Source: Blockchain.info, Coin Metrics

Confirmed Transactions Per Day: 7 Day Average





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