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Analyst Retrospective August 2021



Price agnostic investors usurp majority of new Bitcoin supply

In our July analyst retrospective, Copper highlighted how market data had potentially cued a reversal of fortunes after month on month losses on the price of Bitcoin and all cryptocurrencies.

As the month ended, Bitcoin surged, testing the \$40k mark once again and hitting near \$43k. At the time of our last report, Bitcoin was at the \$33k mark. But have there been any fundamental changes to the market? Copper once again looks at the data.

Crypto soundings have been heavily focused on institutional adoption. And whilst it is valid that institutional appetite has increased, the data needs to be examined more closely.

Demand is very difficult to assess on an institutional scale. Still, one of the most respectable attributes of Bitcoin is the level of transparency when it comes to supply.

On-chain data reflects that small to medium investors have returned to accumulation ever since Bitcoin hit the \$35k mark at the end of May. The fact that the cryptocurrency dropped further to \$30k was, by on-chain metric standards, seen as a cost-averaging opportunity. Retail buyers accumulated more.

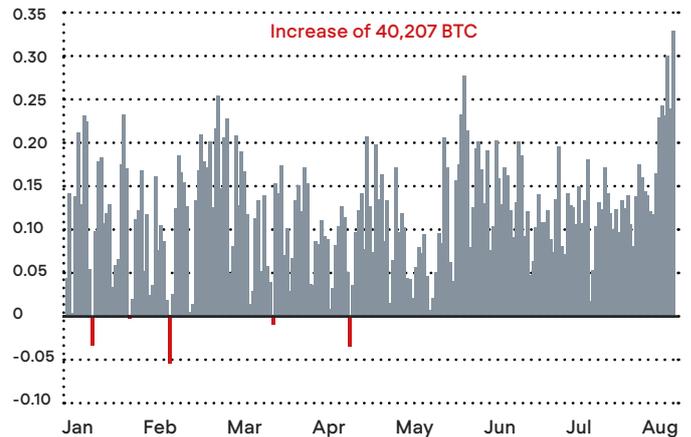
In this report, we look at 'entity' holdings. An entity is a metric designed by blockchain data firm Glassnode that represents a cluster of addresses that are likely to be the same owner. This gives a better indication of the long-term holders who normally custody their assets.

Since the start of this year, on-chain data shows that entity holding between 0 and 1 BTC increased by 137k Bitcoins, equivalent to 72% of newly mined supply. Meanwhile, miner balances have actually increased since the start of the year, meaning, not all mined Bitcoins have come to market.

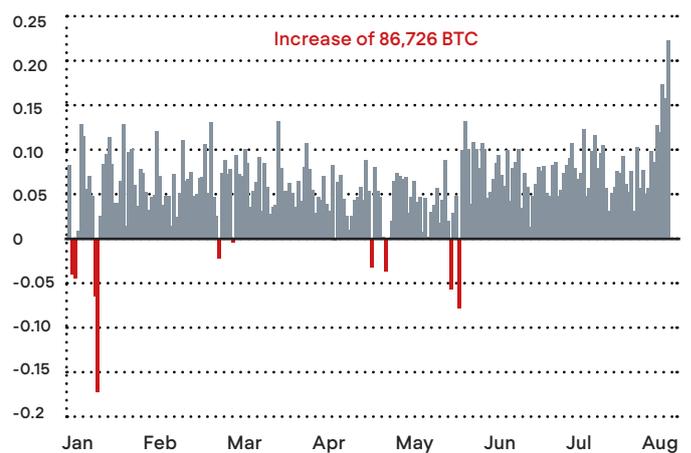
Now it may seem that we're speaking about small amounts of Bitcoin. But context is important. These small amounts of accumulated Bitcoin are more than triple Tesla's now infamous purchase. These investors have also accumulated more than MicroStrategies ballooned treasury of 105k Bitcoins.

There is a key point to further consider. The demand by these investors has been and remains very consistent.

1- 2021: Daily % change in Bitcoin entity holding 0.01-0.1 BTC



2- 2021: Daily % change in Bitcoin entity holding 0.1-1 BTC



In 2021 alone, entity holding between 0.01 and 0.1 BTC increased by over 40k Bitcoins. Between 0.1 and 1 BTC entity holdings saw a huge 86k increase. But more interesting is the fact that it was only on a few days of the year did these entity holdings decrease.

This category of investors is seemingly price agnostic. Since the end of 2013 when Bitcoin hit over \$1000 for the first time, these entity holdings never saw a month in decline. Since 2018, when Bitcoin met its top before declining from near \$20k to \$3k, entity holdings have grown by nearly 500k. Every month saw growth.

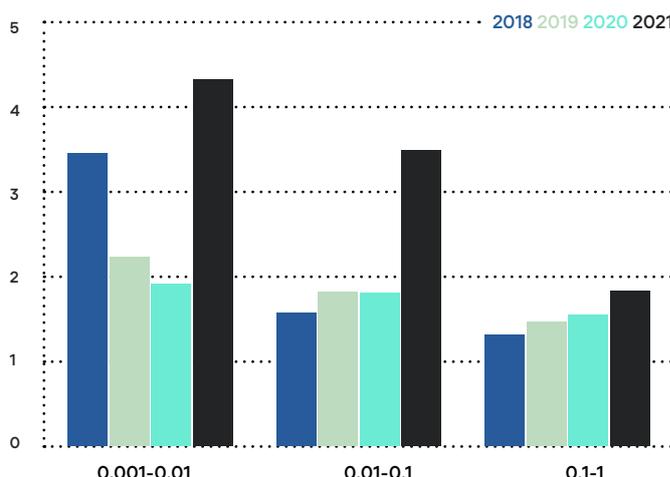
So linear is the growth of smaller investors that Copper did some simple extrapolation on how retail might chip away at the supply, Satoshi-by Satoshi.



3- 2021: 30-day moving average % change in entity holdings



4- Average monthly growth rate of entity holdings (%)



Average monthly growth rates for entity holdings have been fairly close year-on-year (see chart 4). And considering the consistent level of growth since 2018, Copper assessed the market supply should these levels continue and long-term investors remain price agnostic. After all, a near \$65k BTC didn't scare them off.

Should growth continue at this pace up until Bitcoin reaches its next miner reward halving, entity holdings could grow to nearly 1.7mn BTC from just under 1mn today. This would account for nearly 75% of new mined Bitcoin (see chart 5).

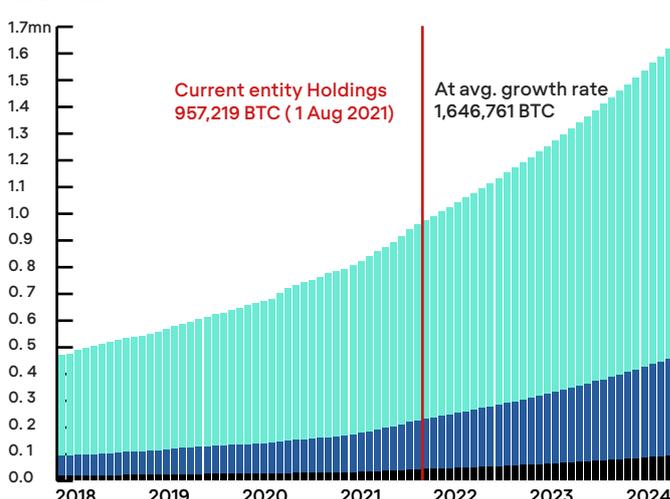
Of course, there will come a time when price will matter. But to date, this can't actually be seen by smaller investors. Growth has been particularly steady. And these entity holdings have increased more in the first seven months of 2021 than in all of 2020 already - at sky high prices (see chart 6).

This doesn't account for institutional buyers. And what also needs to be considered despite not having actual figures, is that there is Bitcoin sitting on exchanges that also represents retail investors are accumulating.

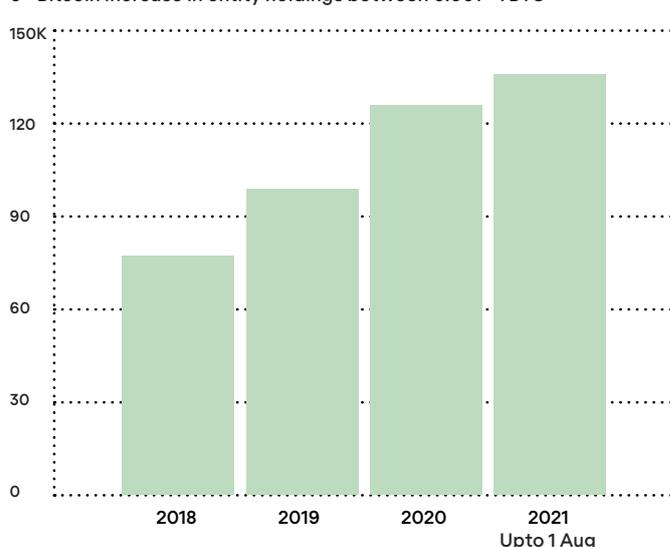
Small investors can make a big difference. Are these investors potentially new entrants attempting to gain a small slice of Bitcoin? Or perhaps traders rotating profits into Bitcoin?

Listening in on the crypto community can seem particularly obnoxious to proponents of the traditional investor class. Every dip is an opportunity no matter the losses. Hold on to bitcoin for life. The institutions are coming. But what's scarier is that so far, despite grandiose claims, they've been fairly accurate. One thing that time will test is the concept of "Stacking Sats". Maybe they know something. So far, the data supports it.

5- Entity holdings between 0.001-1BTC up to next est. reward halving



6 - Bitcoin increase in entity holdings between 0.001 - 1 BTC



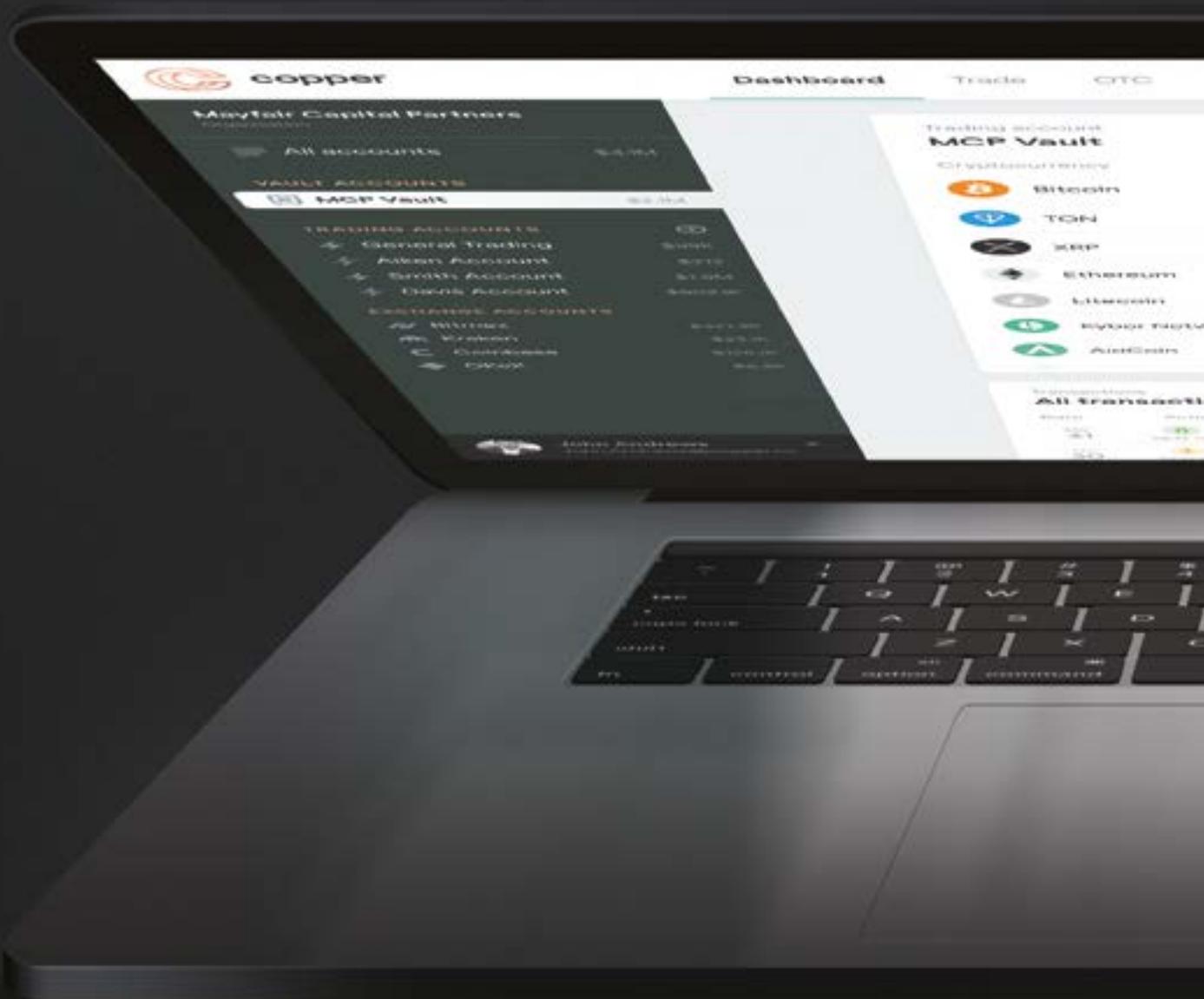


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