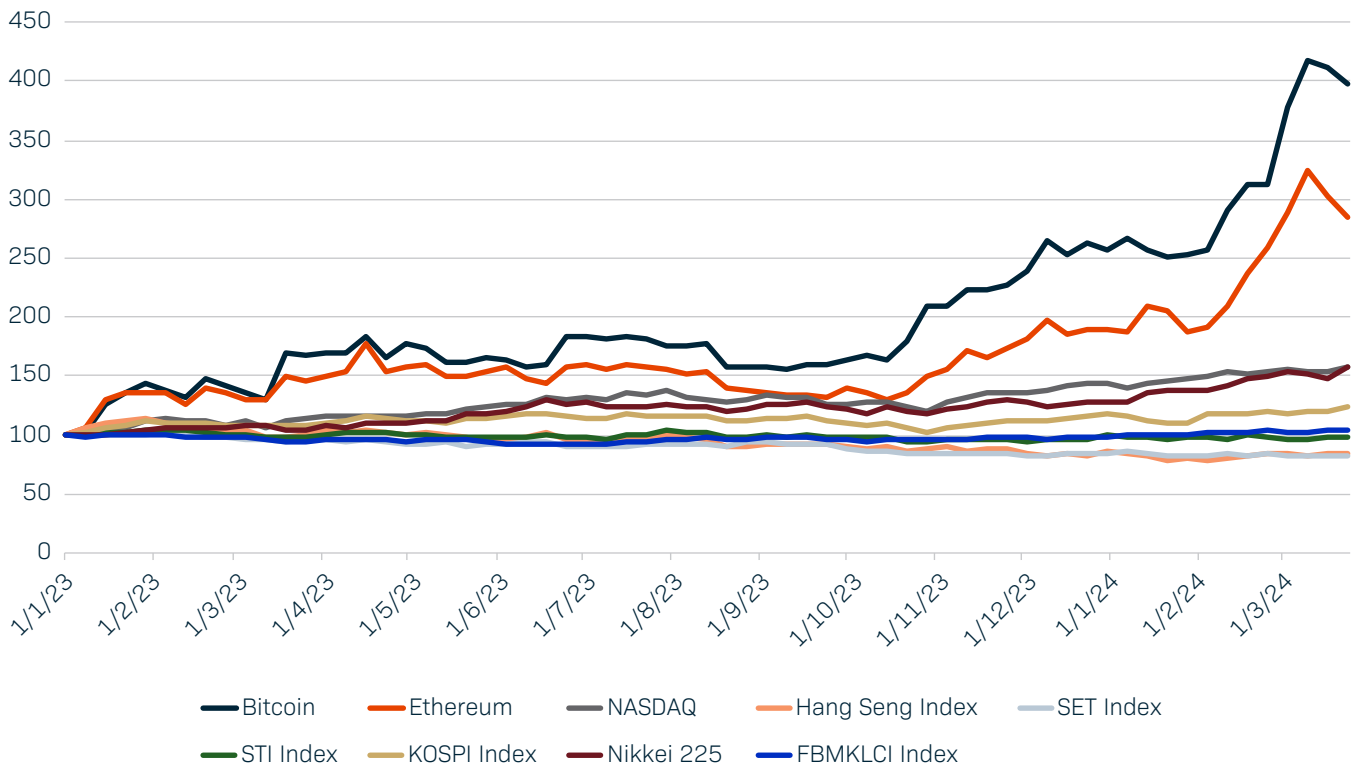


# FROM RECOVERY TO RECORD HIGH: THE 2023-2024 CRYPTOCURRENCY MILESTONES

In the fast-evolving world of cryptocurrency (crypto), the years of 2023 and 2024 have emerged as pivotal for the financial industry's growth and mainstream acceptance. The remarkable surge in Bitcoin, Ethereum and Solana prices reflect an increasing confidence among investors, leading to a redefined role for these assets in the global financial narrative. Critical developments, from Bitcoin ETF approvals to Ethereum's Dencun upgrade, highlight an era of heightened institutional adoption and technological evolution.

## ASSET PERFORMANCE IN 2023 AND 2024 YTD

**CRYPTO HAS OUTPERFORMED MAJOR EQUITY MARKETS IN ASIA PACIFIC AND GLOBALLY IN 2023 AND 2024 YTD (REBASED)**



The remarkable performance of Bitcoin and Ethereum since the beginning of 2023, significantly outpacing traditional equity assets, marks a notable shift in the financial landscape. This shift underscores the burgeoning role of crypto as viable components of investment portfolios, reflecting their recovery and growth dynamics that contrast with traditional market assets.

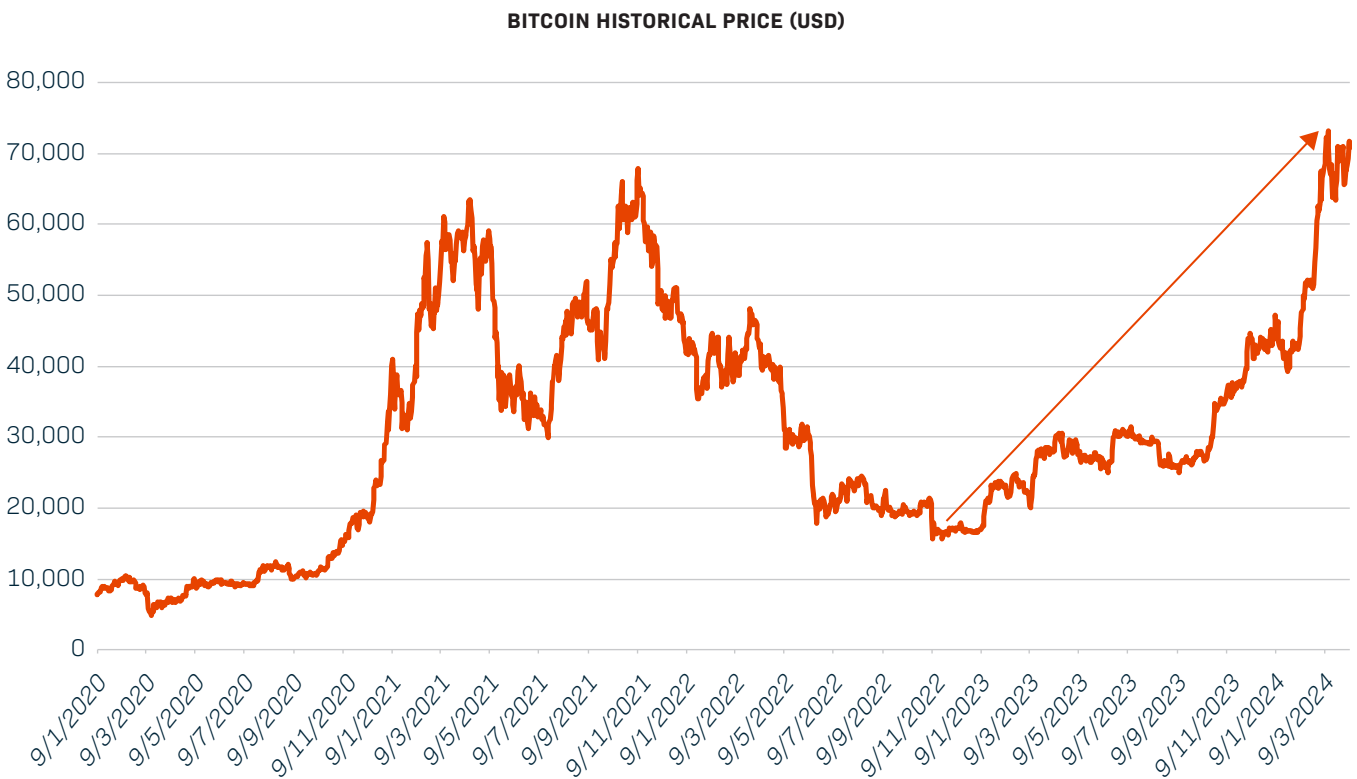
As of March 26, 2024, Bitcoin's surge of 347% and Ethereum's 296% increase from their respective 2022 bottom levels illustrate not just a rebound but a powerful momentum that carried Bitcoin to unprecedented heights by March 3, 2024. This milestone for Bitcoin signals a robust market confidence and a potential recalibration of its role in the broader financial ecosystem. The crypto's ability to achieve a new all-time high underscores its resilience and the increasing recognition of its value proposition among investors.

Conversely, Ethereum's journey presents a narrative of untapped potential. Despite its significant recovery, Ethereum remains about 34% shy of its historical peak in 2021. This gap suggests a room for growth and possibly indicates a cautious optimism among investors about Ethereum's future trajectory. It could also reflect the market's evolving understanding of Ethereum's underlying technology and its applications, from smart contracts to decentralized finance (DeFi) and beyond. The platform's transition to a proof-of-stake consensus mechanism through the Ethereum 2.0 upgrade might also play a crucial role in shaping its future value and utility.

The divergence in the recovery paths of Bitcoin and Ethereum highlights the dynamics within the crypto market. While Bitcoin demonstrates the qualities of a 'digital gold,' acting as a store of value and a hedge against inflation, Ethereum's platform-centric approach underscores its potential as a foundational technology for future digital infrastructure.

## THE MARKET RIDE: BITCOIN, ETHEREUM AND SOLANA'S PRICE SWINGS FROM 2020 TO 2024

### BITCOIN PRICE CHART



Starting in 2020, Bitcoin entered the year on the heels of blockchain technology's growing acceptance and a bullish sentiment reverberating through the crypto markets. The pandemic-induced monetary stimulus and the search for inflation hedges led investors to flock to Bitcoin, often labeled as 'digital gold.' Its first significant peak in late 2020 and early 2021 mirrored a spike in institutional adoption, where mainstream companies began to hold Bitcoin on their balance sheets.

However, Bitcoin's volatility became evident with a substantial drop mid-2021, triggered by concerns around energy consumption for mining activities and regulatory crackdowns. As the market corrected, Bitcoin began a seesaw of peaks and troughs throughout 2021 and into 2022, navigating through macroeconomic headwinds and geopolitical uncertainties.

The year 2023 witnessed Bitcoin recovering from its previous lows as regulatory clarity began to take shape and as the asset became more integrated into traditional finance, like through the introduction of Bitcoin futures ETFs in some regions. This rebound set the stage for a strong surge into 2024, approval of Bitcoin ETFs in the US, with the crypto space becoming more intertwined with the broader financial system.

## ETHEREUM PRICE CHART



Parallel to Bitcoin, Ethereum also saw significant growth in 2020 as the DeFi sector, most of which is built upon the Ethereum blockchain, gained traction. Ethereum's price reached new heights in 2021 as the network's utility expanded with the booming NFT market, further driving demand for ETH.

However, akin to Bitcoin, Ethereum was not immune to the market's downturn, facing declines as regulatory scrutiny intensified and as the blockchain faced scaling issues. Despite these challenges, Ethereum remained a cornerstone of the crypto industry, hosting a multitude of applications.

In 2023, after the successful upgrade to Ethereum 2.0 in 2022, transitioning to a proof-of-stake mechanism, the network addressed some of its scalability and energy consumption concerns, renewing investor interest. While it has not surpassed its all-time high from 2021, Ethereum's steady recovery in 2024 suggests investor optimism in its long-term value proposition as the backbone of decentralized applications.

## SOLANA PRICE CHART

SOLANA HISTORICAL PRICE (USD)



Solana's journey began with modest attention but swiftly gained momentum as the blockchain's capability for high-throughput and low-cost transactions attracted developers and projects. In 2021, the price soared, thanks in part to the rising tide of interest in DeFi and NFTs, areas where Solana positioned itself as a competitive player due to its scalability and faster transaction times compared to Ethereum.

At its peak in 2021, Solana was often touted as a potential 'Ethereum killer' due to its technical prowess. However, following the euphoria, the market corrected, and Solana was not spared. Its price declined, mirroring the broader crypto market trend, affected by issues ranging from network outages to the changing regulatory landscape that created uncertainty among investors.

Throughout 2022, the collapse of FTX and the controversy surrounding its founder, Sam Bankman-Fried, had reverberating impacts across the crypto world and Solana's ecosystem felt this acutely. FTX had been a significant player in the Solana landscape, with various intertwined investments and projects. The downfall of FTX raised questions about the liquidity and viability of projects within the Solana ecosystem and resulted in a temporary decline in investor confidence.

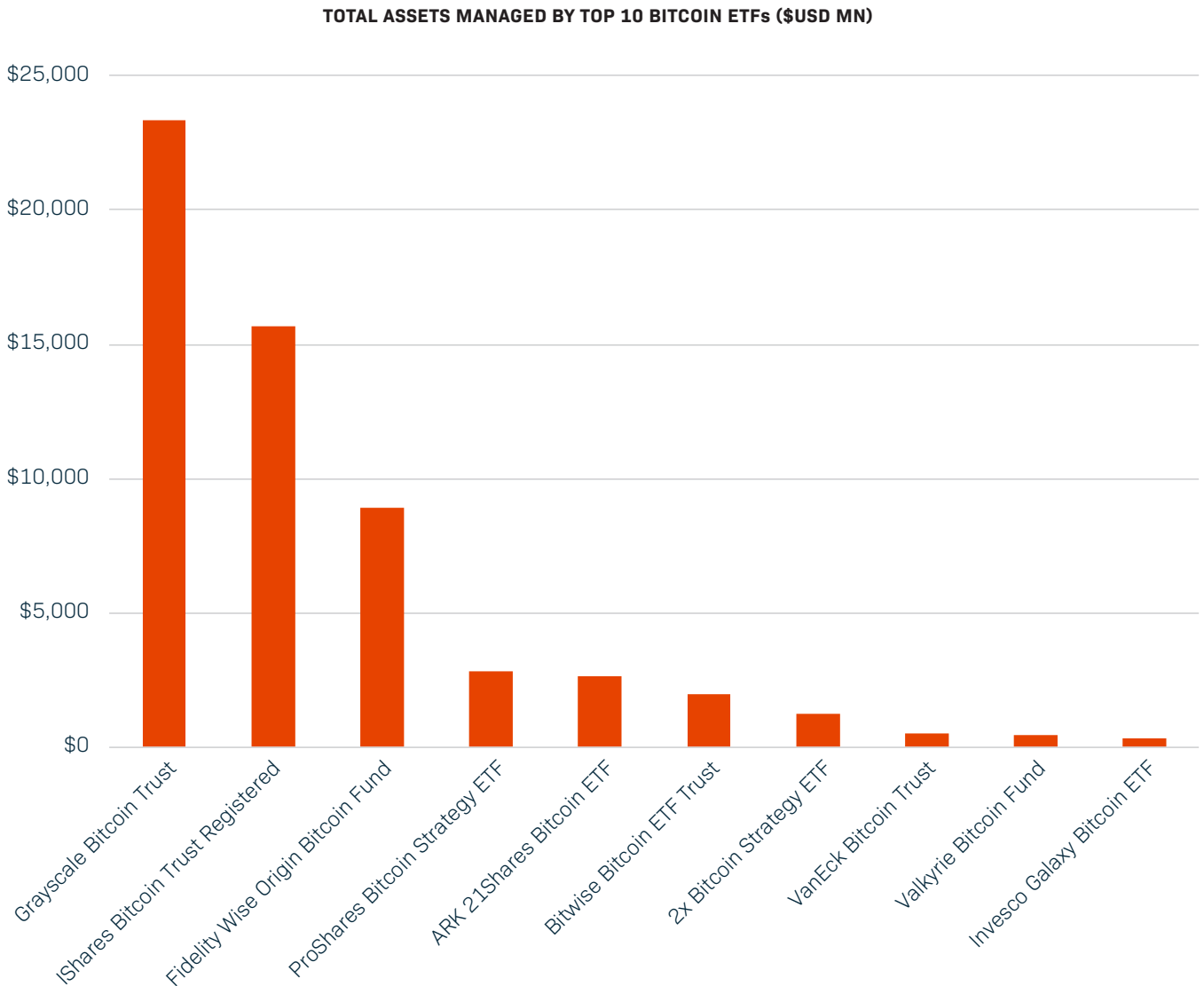
However, despite these external market shocks, the intrinsic qualities of Solana's technology—its speed and efficiency—continued to draw interest. As of March 26, 2024, the price of Solana has experienced a significant surge, increasing 22x from its lowest point in 2022.

The noticeable uptick in 2023 and 2024 indicates a resurgence in investor confidence. This could be attributed to several factors, including the recovery of the broader crypto market, successful upgrades to the Solana network and the integration of Solana in various blockchain applications, from gaming to finance.

This growth trajectory of Solana's price is closely tied to its business development. Key partnerships, ongoing network improvements, and an expanding ecosystem of dApps have all played a role. The adoption of Solana by major NFT platforms, growing interest in Solana-based DeFi projects and endorsements by influential figures in the crypto community likely contributed to the renewed interest and investment in Solana's token.

## BITCOIN ETF APPROVAL IN THE US IN 1Q24

### TOP 10 BITCOIN ETFs IN THE US



In January 2024, the financial market experienced a significant milestone with the approval of over 10 spot Bitcoin exchange-traded funds (ETFs) by the US Securities and Exchange Commission (SEC). This historic decision led to a dramatic increase in Bitcoin's price, which saw a surge from under \$30,000 in October to above \$45,000 in early January. The Bitcoin ETFs attracted tens of billions in investments, reflecting a robust confidence and interest from both institutional and retail investors in crypto. Although initially focused on Bitcoin, this move by the SEC has opened up the potential for other crypto ETFs, with Ethereum being a candidate. The approval of Bitcoin ETFs marks a pivotal moment in crypto's integration into mainstream financial markets, setting the stage for future developments in the sector.

**SELECTED CRYPTO EXPOSURE WITH EQUITY**



This chart demonstrated the listed companies that offer exposure to the crypto sector, categorized by their core activities in the crypto space. For those interested in crypto ETFs, there are options like the Grayscale Bitcoin Trust. Under crypto exchanges, Coinbase Global stands out as a heavyweight. Crypto mining is represented by companies such as Marathon Digital Holdings, showcasing a focus on infrastructure and coin generation. Lastly, companies holding crypto, like MicroStrategy, reflect indirect investment in crypto on their balance sheets, often seeing these assets as strategic investments or hedges against inflation. Each category and company within it highlight a different facet of engagement with crypto assets, providing equity investors various avenues to gain crypto market exposure.

## **BITCOIN HALVING EXPECTED IN APRIL 2024**

The upcoming Bitcoin halving event scheduled for April 2024, is indeed a topic of significant interest within the investment community, with anticipation building since 2023. As we highlighted in Volume 39 in November 2023, historical data post-halving presents an intriguing pattern: the previous two halvings, in July 2016 and May 2020, preceded substantial increases in Bitcoin's price, yielding returns of approximately 283% and 559%, respectively, over the following 12-month periods after halving.

These remarkable figures have not only cemented the halving event as a noteworthy phenomenon in the crypto space but also potentially explain the pre-halving surge in Bitcoin purchases during 2023. Investors, drawing on the past to inform their strategies, may have been accumulating Bitcoin in anticipation of potential gains post-halving, contributing to the price increase observed throughout 2023. This strategic positioning by investors underscores the halving event's influence and the weight historical performance can carry in investment decisions within the crypto market.

## **ETHEREUM DENCUN UPGRADE**

The Ethereum upgrade, known as Dencun, was completed on March 13, 2024 and marked a significant step forward in Ethereum's development, especially in the scalability and efficiency of the network. Dencun introduces several Ethereum Improvement Proposals (EIPs) aimed at enhancing the network's capabilities. (Source: Ethereum Foundation)

One of the key components of the Dencun upgrade is EIP-4844, also known as proto-danksharding. This proposal aims to significantly lower gas fees and increase network scalability by introducing a new transaction type capable of handling "blobs" of data. These blobs, temporarily stored on the Beacon Chain, are designed to enhance Ethereum's scalability by allowing for the efficient handling of large amounts of data, which is crucial for the operation of Layer 2 scaling solutions.

The Dencun upgrade is expected to bring several benefits to the Ethereum network, including enhanced scalability, reduced gas fees, enhanced security and improv cross-chain communication.

Dencun serves as a precursor to full Danksharding, which is the next significant step in Ethereum's development roadmap. Full Danksharding will introduce sharding technology to further increase the network's scalability by dividing Ethereum into multiple shards that can process transactions and smart contracts independently. This strategic division is designed to alleviate network congestion and reduce transaction fees, thereby enhancing Ethereum's appeal to users and developers alike.

The Dencun upgrade is a major milestone in the ongoing evolution towards Ethereum 2.0, reflecting Ethereum's commitment to continuous improvement and innovation.

In conclusion, reflecting on the transformative journey of crypto assets over the past two years, we see a landscape that has matured and diversified, propelled by innovative upgrades and regulatory milestones. Bitcoin and Ethereum have led this charge, showcasing the potential of crypto as both investments and technological disruptors. With the Bitcoin halving on the horizon and Ethereum's continuous upgrades, the stage is set for further advancements, promising a future where crypto and traditional markets increasingly converge.

## **INCREASING INTEREST IN CRYPTO-BACK FINANCING SERVICES**

The appetite for crypto-back financing is on an upward trajectory. EquitiesFirst is strategically positioned to meet this rising interest with a competitive suite of offerings.

- Attractive around 3.5% interest rates
- Favourable loan-to-value (LTV) ratios of +63%
- Borrower-friendly margin call mechanism: Margin call when the price of crypto drops more than 30% on a 3-day average basis. When this occurs, the borrower will have 5 days to top up either with crypto or cash. This compares with the automatic liquidation mechanism implemented by other crypto lenders when the coin price drops by 10-20%.
- Non-Recourse: The borrower's liability is limited to the crypto used for the transaction. EquitiesFirst forgoes the right to pursue repayment if the borrower opts to default on the loan obligation
- Non-Purpose: The borrower can use the loan proceeds from EquitiesFirst for any purpose
- EquitiesFirst stands out as a seasoned lender with a wide-ranging portfolio, offering loans against crypto and equity without being exclusively focused on crypto. This diversified approach mitigates the systemic risks commonly faced by solely crypto-focused lending entities. Compared to other emerging crypto lenders, EquitiesFirst also has a 21-year track record in lending and is regulated across multiple jurisdictions.



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