



DIGITAL FUTURE CAPITAL

Cryptocurrency Market Insights
October 2020



MESSAGE FROM OUR CEO, KRIS GORDON LINDAHL:

Having just turned 40, my darling wife gave me a most astonishing gift, a mint first edition of *The Great Gatsby* published in 1925. Happiness redefined. I still recall reading it for the first time when I was 16 and must admit have read it annually ever since. It has probably defined me more than any other book I have absorbed in the school of Life. To the extent that 3 years ago, I quit my career in the pursuit of the Green Light, and founded Digital Future Capital with an unrelenting belief in Gatsby's orgasmic future, where anything is possible as long as we dare to pursue our hopes and dreams in the spirit of a better tomorrow.

Last month, Digital Future Capital ("DFC") became the first Scottish Hedge Fund to gain Financial Conduct Authority ("FCA") authorisation, to launch a digital asset [crypto] investment fund. We have just made Scottish financial history! We have the Green Light, and to-morrow we shall run faster, and stretch out our arms farther, until Scotland paves the way for a more sustainable manifestation of Capitalism. Our singular objective is to lead this charge by clinching the no 1 global investment fund performance in our first commercial year – Molon Labe! Thereafter, leading by example through 100% sustainable investment models and hyper-active corporate social responsibility. All while delivering global market leading returns to our investors. So we beat on.

In these times of suffering we are witnessing generational and historical trauma being revealed and released with a vengeance. Interesting that the root of the word 'apocalypse' is the Greek word *apokalyphtien*, meaning "to reveal, disclose and uncover". The mission of DFC is quite simple, to aid one aspect of this generational healing, by democratising money and wealth, and we are starting by lowering the boundaries to the investment industry, and are also working tirelessly to help educate the public on the life-changing benefits of decentralised financial technology. Let us be clear about the technology, bitcoin is direct activism against the legacy financial system, and because it's decentralised it is politically unstoppable – a perfect storm - it's adoption is inevitable due to rampaging wealth inequalities by preferential access to wealth creation; thus it must constitute a percentage in every investors portfolio or remain overly-exposed to technological disruption. Third world countries provide magnificent scenario studies, for example in Nigeria 30% of the population now use BTC. Yet the leading adopters of the technology remain China and Russia, in their pursuit to emancipate from USD politics. With QE devaluing the supply of both GBP and USD, the technology's adoption is only likely to rapidly accelerate in the West in coming years as it lags the trend.

Our ethos at DFC is that Gatsby's Green Light comes alive through the philosophy of Ubuntu, a belief in community, equality, and compassion, in direct opposition to the norm of Western social Darwinism – which is why we support Blockchain. It is not about "who's best" – it is "I am because you are". We believe that wealth is a responsibility not a privilege, and that ruling classes must reconnect with what it means to be human. I will never forget once asking our Market Analyst, Sebastian, what he thought of our digital asset investment strategy, he said "it's perfect – but it's missing Love". The best feedback we ever got. With Love, Digital Future Capital.





CRYPTO NEWS HIGHLIGHTS (ARTICLE LINKS IN HEADER)

[Business Intelligence Firm Adopts Bitcoin](#)

Nasdaq listed company Microstrategy purchased near 17K Bitcoins (BTC) within 74 hours last month, at \$175 million total. The CEO of the billion-dollar company used to be a BTC sceptic but has recently become a BTC bull when his company purchased \$500 million worth of BTC this year as a corporate inflation hedge.

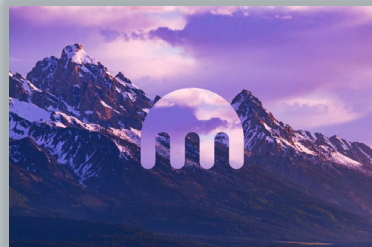
"Bitcoin Solves Cash Problems, Better Than Gold"



[Release the Kraken!](#)

Cryptocurrency trading platform Kraken has received a banking license recognised under federal law to operate as a bank in the U.S.

The company has outlined its plans to offer a number of cryptocurrency-focused financial services locally and globally. Kraken Financial is the first digital asset company in U.S. history to receive a bank charter recognised under federal and state law.



[Chinese First Mover Advantage on Digital Currency "Battlefield"](#)

Reported by Reuters this month, the article states the benefits of the digital currency – dubbed DCEP, for digital currency electric payment – would be the weakening of the dollar's role in international finance in favour of the yuan.

China Finance said that the ability to issue and control a digital currency would herald a new area of competition – a "new battlefield" between nations



[ECB Takes Major Step Toward Introducing a Digital Euro](#)

The European Central Bank will start experimenting with a digital version of the euro while holding a public consultation in a major step toward introducing the technology. "Our role is to secure trust in money. This means making sure the euro is fit for the digital age. We should be prepared to issue a digital euro, should the need arise", President Christine Lagarde























[Bitcoin Closes above \\$10,000 for a Record 63 Days Straight](#)

BTC continues to break new ground. According to data aggregated by Messari, on Sunday, 27 Sept., it broke another record – closing at \$10,793, thus making it 63 consecutive daily closes above the \$10,000 threshold. 180-day return volatility for the world's premier cryptocurrency has dropped nearly 50% in September, per Coin Metrics.





TOP 10 DIGITAL CURRENCY SUMMARY

#	NAME	PRICE	1M CHANGE		MARKET CAP ↓	24H VOLUME
1	 BTC Bitcoin	\$ 10,610	-3.50%		\$ 196.37B	\$ 15.67B
2	 ETH Ethereum	\$ 348.73	-16.47%		\$ 39.36B	\$ 8.21B
3	 USDT Tether	\$ 1.00	0.23%		\$ 15.57B	\$ 29.63B
4	 XRP XRP	\$ 0.241203	-9.79%		\$ 10.44B	\$ 1.18B
5	 BNB Binance Coin	\$ 28.90	25.39%		\$ 4.17B	\$ 748.81M
6	 BCH Bitcoin Cash	\$ 220.19	-12.36%		\$ 4.08B	\$ 1.38B
7 ↓	 DOT Polkadot	\$ 4.11	-29.74%		\$ 3.69B	\$ 129.22M
8 ↓	 LINK ChainLink	\$ 9.29	-32.46%		\$ 3.25B	\$ 866.59M
9 ↓	 LTC Litecoin	\$ 46.18	-15.91%		\$ 3.03B	\$ 882.23M
10	 CRO Crypto.com Chain Token	\$ 0.147550	-10.99%		\$ 3.02B	\$ 53.22M

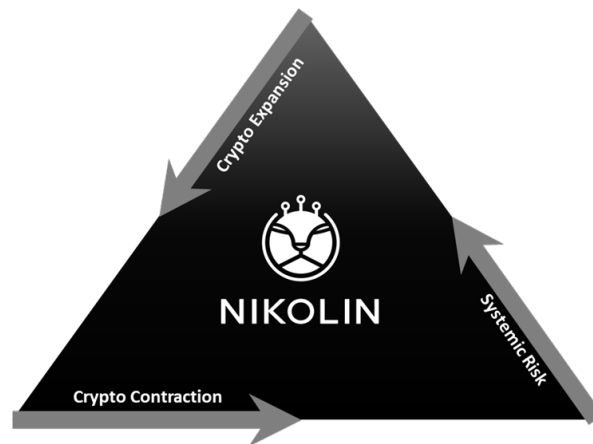
Source: coincodex.com (September 30th 2020)



NIKOLIN™ FORECAST: BITCOIN

DFC employ a proprietary Quantitative Algorithm, named Nikolin™, providing global market leading cryptocurrency forecasts.

It utilises a mathematical triangulation of both fundamental and technical analysis, in combination with statistical arbitrage.



Here we share select high-level Nikolin™ forecasts and analysis for Bitcoin, the largest digital currency by market capitalisation.

These forecasts are subject to the most recent market data and are **for educational purposes only**.

At the time of writing:

(Currently, our analysis is conducted on the Kraken exchange. Please be aware that prices may vary between exchanges).

Review of Past Monthly Insight (September)

Last month's medium term forecast executed with daily price action closing on a tight cluster a mere \$53 from forecast price level. Bitcoin consolidated for approximately a week before rallying into mid September reaching \$11,178, prior to heading downwards for a pro-longed accumulation period.

Short-term (1-3 weeks) – Bullish Consolidation / Bullish

Bitcoin is currently consolidating above the \$10k threshold, setting a record for consecutive days above the psychological price level while finding institutional support. Probability now favours a bullish rally in mid to late October as it continues to weather a barrage of bearish news,

Medium-term (1-3 Months) – Bullish

Should the short-term signal execute and Bitcoin continues to hold its critical technical support on downside attacks, we anticipate a rally towards \$12k in the medium-term. A break above \$10,900 and bullish momentum should accelerate rapidly.

Long-term (3-12 months) – Bullish

The fundamentals surrounding Bitcoin are exceptionally strong at the moment and we anticipate a major bull run towards all-time highs within the next 12 months.

Note: There is quite a strong possibility that Traditional Markets are due a large contraction in Q4 2020, where a potential for mass sell offs exists amid further economic fears, due to continued Covid concerns and the uncertainty of the Presidential election.



CURRENT MARKET SENTIMENT: FEAR

The Fear and Greed Index to the right is an apt indicator of market sentiment to gauge investment timing.

There are two simple assumptions:

Extreme fear (0), could indicate that investors are in a state of panic leading to oversold price conditions.

Extreme Greed (100), the market is likely in *Euphoria* leading to overbought conditions.

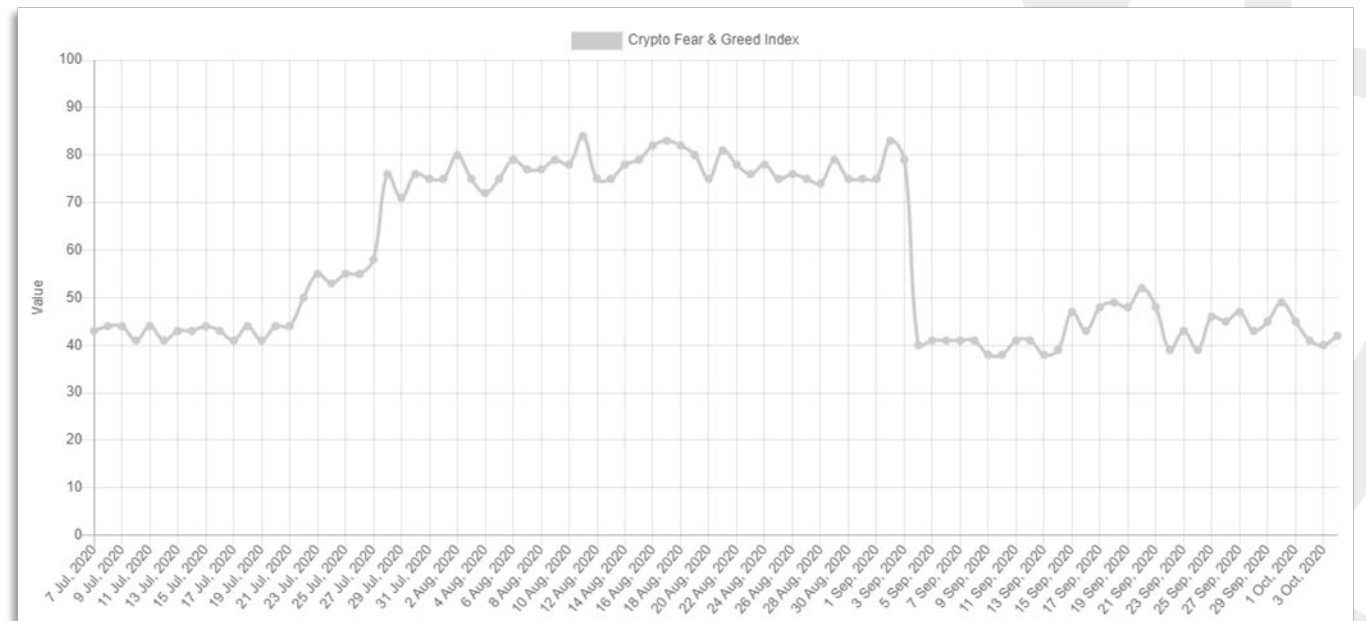
Analysis:

Following the sentiment from the US Equities market a large sell-off in stocks dragged the crypto markets down on the 2nd of September.

It is understandable that during this time of political and financial uncertainty, that many Crypto investors are quick to sell positions at first sight of panic on the Global Stage.

Meanwhile, new all time record of consecutive days closing above \$10,000 shows that Bitcoin remains resilient with increasing institutional adoption and we expect market sentiment to revert to Greed in the medium-term.

Data from Monday 28th Sept 2020



Source: alternative.me



CRYPTO LONGS VS. SHORTS

Analysis of the Bitcoin Long Vs Short positions is an indication where investors are placing their capital.

The Unrelenting Rise of DeFi!

BTC Longs outweigh Shorts 6.14 : 1

ETH Longs outweigh Shorts 18.87 : 1

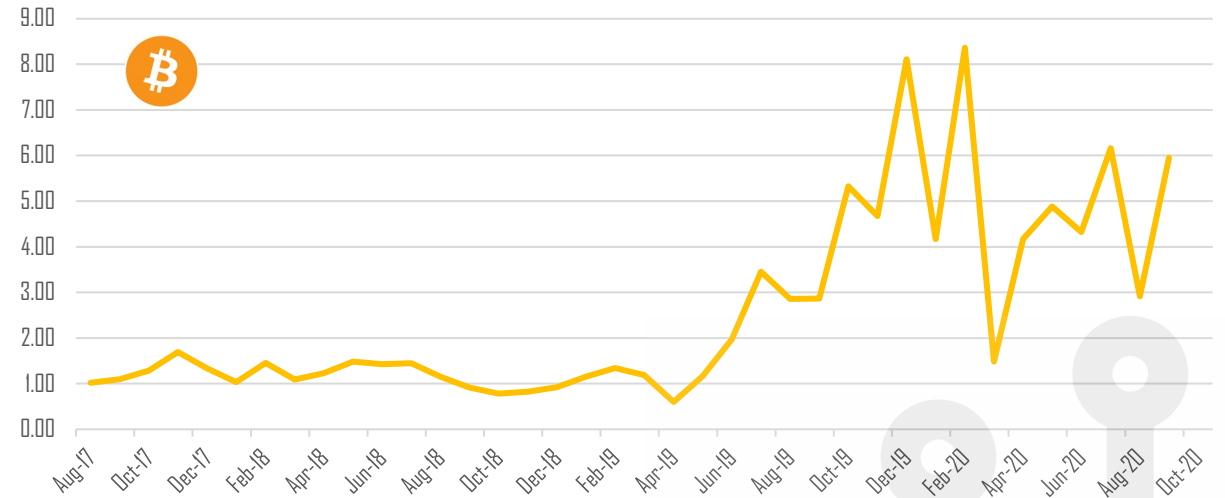
Despite ETH falling nearly 30% in September, there was not a large increase in Short Positions; as the digital asset's trend remains Bullish for investors with the 2.0 upgrade due soon.

Investors appear to have simply let the price come down to purchase new ETH at a largely discounted rate once the Fearful Market sentiment subsides.

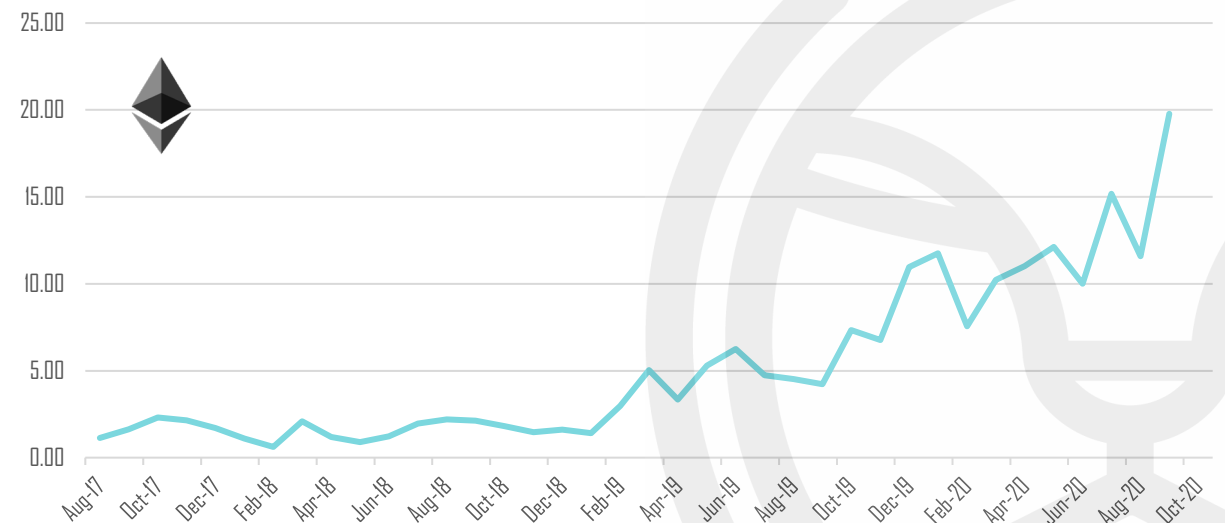
However, the much larger derivative market of Bitcoin saw a larger proportion of Short Positions driving the market downwards whilst the US market suffered technical weakness in September.

Data from Monday 28th Sept 2020
Data from TradingView symbol: BTCUSDLONGS, ETHUSDSHORTS, ETHUSDLONGS, BTCUSDSHORTS,

Bitcoin LvS Ratio



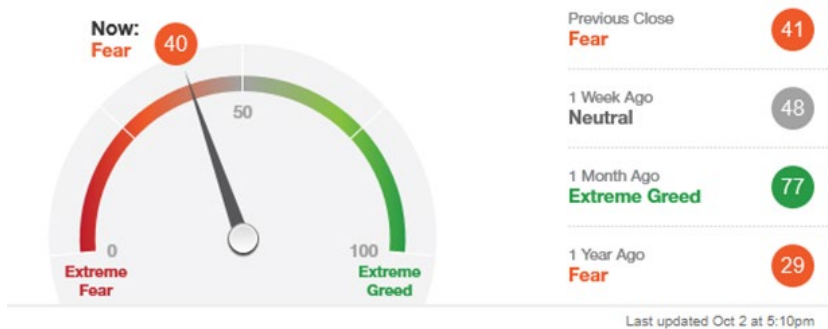
Ethereum LvS Ratio





TRADITIONAL STOCK MARKET OVERVIEW

Analysis of the Traditional Stock Market behaviour provides an indication of the state of the world economy and any correlations to crypto market price action.



A brief overview of the selected markets:

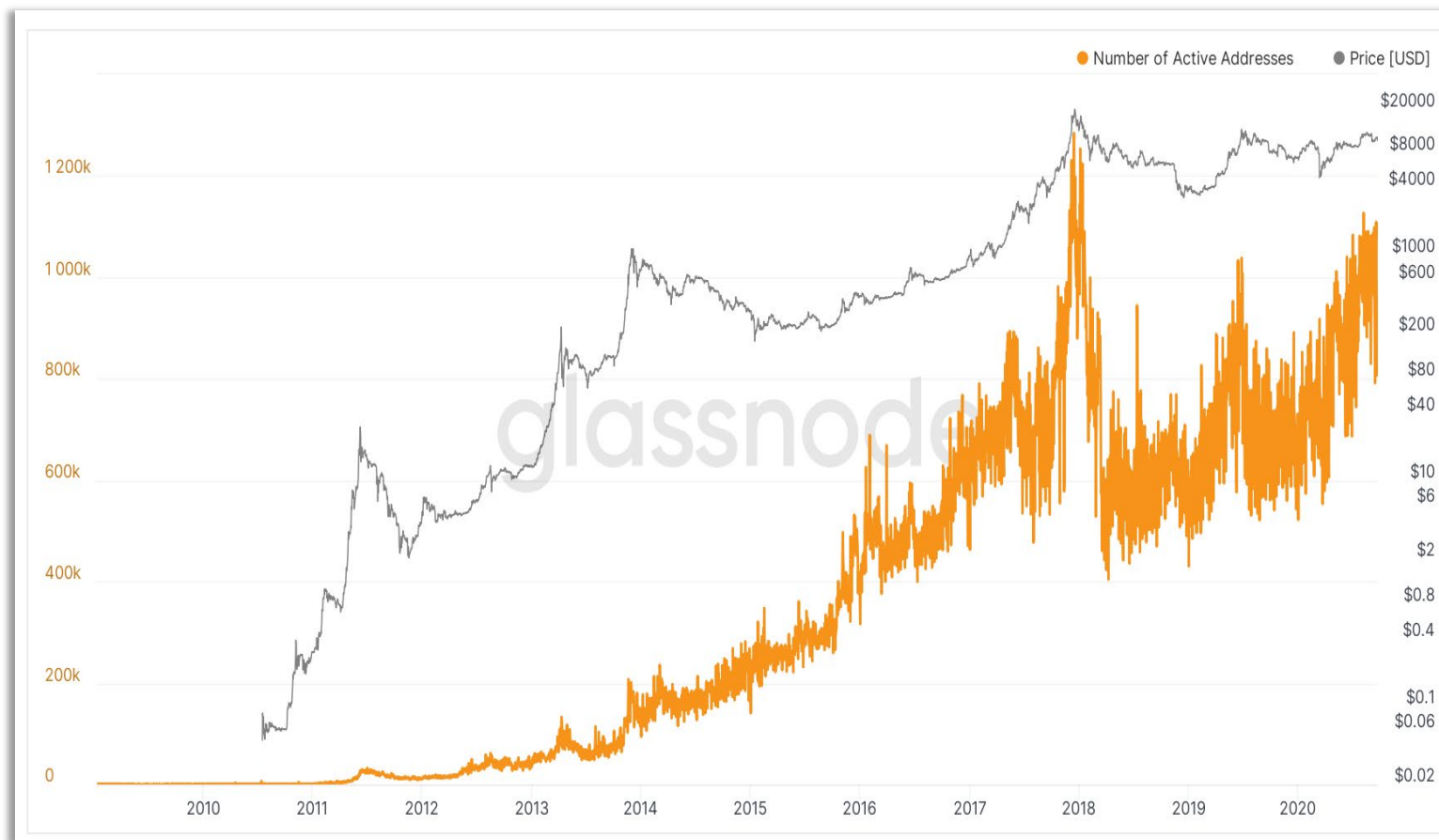
- **Gold (XAUUSD):** a historical “safe haven” asset – typically climbs during times of crisis.
- **Crude Oil (UKOIL):** Indicator of economic activity; fall in prices reduces the cost of production and sales for businesses.
- **FTSE100 (UKX):** UK macro economic business index.
- **S&P500 (SPX)** US macro economics business index.
- **SSE (000001):** Shanghai Stock Exchange – Chinese macro economics
- **JPX (NI225):** Japanese Exchange Group – Japanese macro economics

Source: [CNN Fear and Greed Index](#)

Market ID	Price	Comments	Summary
Gold/USD	1875.42	Since the 06 th August from a New All Time High of \$2075 per Troy Oz of Gold, we have observed a longer corrective period. Which as of Monday 28 th September, appears to be finished. New attempts at ATH to be expected moving forward.	Bullish
Brent Crude/USD	40.56	Oil Markets are being steadied by OPEC with choking back wells across the world to limit market supply. Don't expect any major developments until we understand what a post Covid-19 world looks like. Long Term Ranging with Inflation.	Consolidation
UKX	5927.9	The UK's FTSE100 has been muted in comparison to the US Index Post-Covid crash recovery, this is not necessarily a bad thing! A slow recovery is much more likely to be sustained than a rapid growth reaction (thanks to unlimited US dollars being printed)	Consolidation
SPX	3352.9	The S&P500 Index have shown the extent at which the US will go to, to keep a “healthy” stock market. Relentless Quantitative Easing and Low Interest Rates have forced US investors to seek anything with growth potential (US Govt. Yield Bonds have become worthless because the US Fed is committed to purchasing them). Expect this relief rally to continue into October and we should start to see the beginning of another larger downswing in the US markets in Q4.	Bullish
SSE	3217.5	China has been on a slightly different economic cycle – recovering first from Covid-19 after they got the initial wave of infection under control. China is technically leading Global Markets – looking to see this near term consolidation period finish before further expansion into 2021.	Consolidation
JPX	23511.62	Japan, flowing like water. Their economic recovery has been swift – in small, but sure steps every week. Looking to rally into October to meet a top resistance and consolidate into the Winter period.	Bullish



BEHIND THE BLOCKCHAIN: HOW MANY PEOPLE OWN BITCOIN?...



Data from On-Chain Analytics: [Glassnode](https://glassnode.com)

...Unfortunately, there is no real way to tell!!

The most common method of estimating the number of Bitcoin owners is to look at the amount held in different wallet addresses.

However, a single person can hold numerous wallets, inversely, an organisation (such as Digital Future Capital) may hold Bitcoin for multiple investors. Despite not being a direct translation to number of users, the number of **Active Wallets** is still a **valuable metric to observe**.

The growth rate of wallets follows the market activity and highlights the adoption curves with each market expansion cycle.

As of August 31st, there have been only 69 days in Bitcoins history where **more than a million active wallets** were observed.

3 of those days were in 2019, but summer of 2020, we observed 23 more!

2020 has seen the largest increase of BTC adoption!



BLOCKCHAIN BASICS: THE RISE OF CBDCs (CENTRAL BANK DIGITAL CURRENCIES)

A Central Bank Digital Currency (CBDC) is the digital form of a country's fiat currency. **Instead of printing money**, the central bank issues **electronic coins** backed by the **credit of the government**.

There are multitudes of benefits to CBDCs for example:

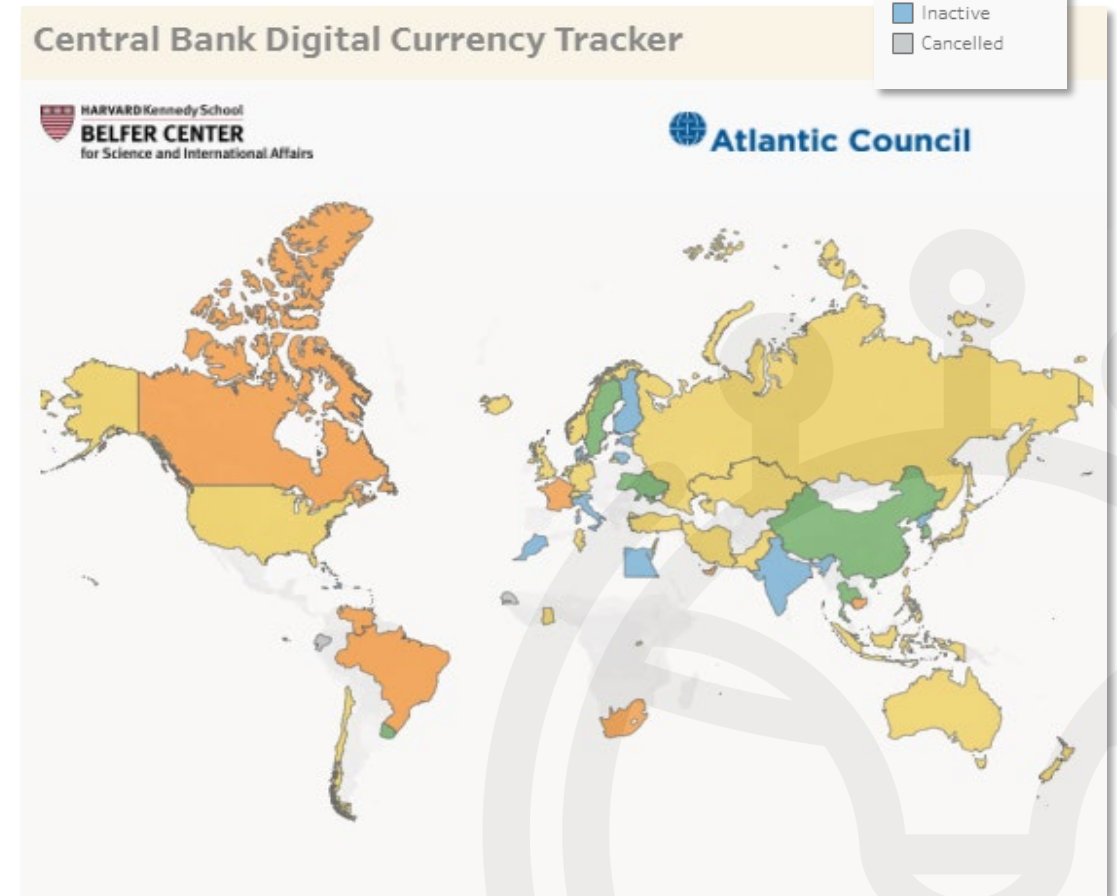
- Reduction in cost of handling, transferring and generating cash bills;
- Financial inclusion for the unbanked;
- Transparency of transfers to limit illicit activity; and
- Seamless monetary policy and flow of funds.

Central Banks have observed the incredible technological solutions presented by Blockchain FinTech, noting the lessons learned from the Blockchain pioneers of the first decade. Although there will be many obstacles to overcome before CBDCs are the de-facto currency method globally – the economies which invest in these first will gain first-mover advantage and challenge the supremacy of the elder cash/fiat technology and dominance of the USD.

Currently, China is leading the CBDC Arms Race successfully trialling a Digital Yuan in several metropolitan areas and working to become a cash free society. The only competitors currently in the field for live testing a CBDC are; Singapore, South Korea, Sweden, Thailand, Ukraine, Uruguay and The Bahamas (a woefully short list!).

However, the fundamental difference between Central Banks and Bitcoin remain, CBDC, like fiat, are controlled by a central source and can be created when required, where Bitcoin is decentralised and has fixed supply.

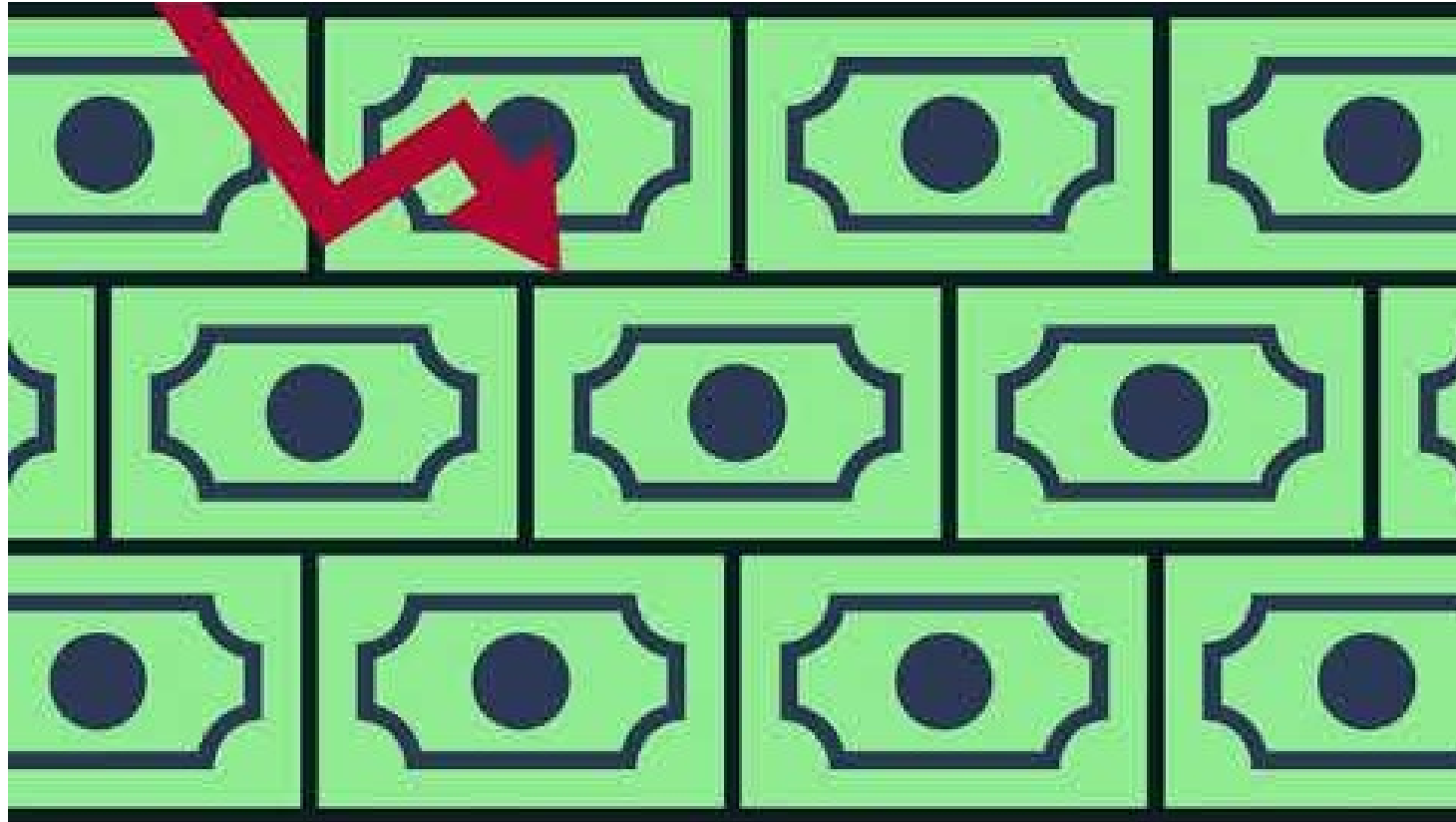
[Bitcoin, Be Your Own Bank.](#)



[Image Source](#)



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- Investing in cryptocurrency and technology companies involves considerable risk. To understand the risk you are exposed to, we recommend that you perform your own analyses and seek advice from an independent and approved financial advisor before deciding to take action. Investments also have tax consequences that you must take responsibility for investigating and living.
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