



## Research Report | 25.10.2023

# Bitcoin's price surge on solid foundation

**Bitcoin, the digital gold of the 21st century, has had a remarkable journey since its inception in 2009. While recent price gains have been driven in part by the euphoria surrounding potential ETF approvals in the US, there are compelling fundamental indicators that demonstrate the strength and resilience of the network.**

Recent speculation about a possible BlackRock ETF approval, as well as that of other submitted filings, has significantly fueled the bitcoin price as of late. There is a valid reason for this price movement. According to expert estimates, within the first two years after the launch of such an ETF, new capital to the tune of USD 50 billion to USD 150 billion could flow into bitcoin; a considerable amount compared to the market capitalization of USD 660 billion.

### Upcoming supply shock?

Furthermore, the actual supply of available bitcoins is less than one might think. It is estimated that millions of bitcoins are irretrievably lost, whether due to misplaced private keys, hardware problems, or deceased people who did not pass on their credentials. Experts estimate that between 4-6 million bitcoins have been lost in this way. This corresponds to 25% of the total bitcoin supply of 21 million.

In addition, the tradable Bitcoin supply on exchanges is limited, as many coins are stored in "cold storage"; according to data analysts from CoinGlass, only about 1.8 million bitcoins (about USD 60 billion) are currently available on exchanges. Moreover, this number is continuously decreasing. An increase in demand triggered by ETFs clearly has the potential to drive the bitcoin price higher. On top of that, the "halving" is imminent, which will further tighten supply by halving block rewards to miners.

### Focus on robust fundamentals

The hash rate is a key indicator of the security and robustness of the Bitcoin network. It denotes the overall performance of the network in hashes per second and indicates how much computing power

miners are investing into the network. An increasing hash rate demonstrates miners' continued confidence in Bitcoin, emphasizing the economic stability of the ecosystem while attesting to Bitcoin's robustness and resilience against potential attack vectors.

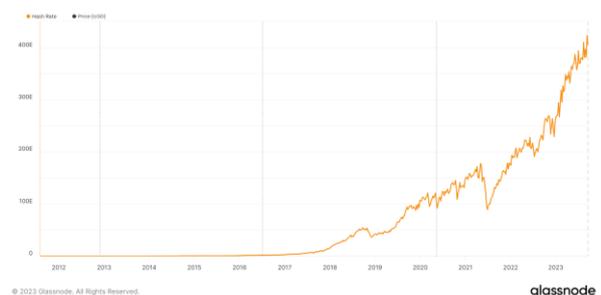


Figure 1: Average hash rate of the Bitcoin network / Source: Glassnode

Bitcoin's hash rate is currently at an all-time high, making the network the most secure decentralized system in the world.

### A growing and diverse user base

Another indicator of network growth is the increasing number of new wallet addresses. This suggests a growing user base and a broader adoption of Bitcoin.



Figure 2: Number of new Bitcoin addresses per day vs. price / Source: Glassnode



Almost 700,000 new wallets are created every day, which underscores the intensive use of the network. It is noteworthy that previous peaks in wallet openings have always correlated with bitcoin's price peaks. However, the current cycle shows a deviation from this pattern - a clear signal for Bitcoin's accelerated adoption curve.

An interesting aspect is the distribution of addresses. While wallets holding up to one bitcoin show a significant increase, addresses with 100 or more bitcoins seem to remain largely stable. This indicates a growing diversification and a broader base of Bitcoin users. This development strengthens the network by making it less susceptible to market-manipulating moves by large individual holders. The result is solid and broad-based support for Bitcoin, demonstrating long-term adoption and stability of the network.

Other strength indicators such as the number of nodes and the transaction volume of the Bitcoin network also show a positive trend and are either close to or already at an all-time high.

### **Summary and outlook**

Potential access through ETFs will undoubtedly boost bitcoin demand. But independent of this, the network's fundamentals also present themselves as strong. Bitcoin's ecosystem is on more solid ground than ever.

Given its robust fundamentals and accelerating adoption rate, bitcoin can further cement its firm place as the dominant digital asset. Against this backdrop, weighing bitcoin in a portfolio structure appears to be essential.