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Crypto boom: has the ship sailed already?

2024 was a year of dynamic developments for the crypto industry. The year was marked by institutional investors gaining easier access to Bitcoin on the world's largest capital market, the growing adoption of blockchain networks and the clear pro-crypto positioning of the new US president. We take a look ahead at 2025 and analyze what opportunities the digital asset class could hold for investors.

The impressive performance of the crypto market in 2024 raises the question of when would be a good time to enter. To assess this, we will examine the market situation and possible Bitcoin catalysts for 2025 before looking at the blockchain sector as a whole.

The elephant in the room

As a digital form of a store of value based on mathematics, cryptography and complete transparency, Bitcoin offers a robust alternative in an over-indebted world full of uncertainties and depreciating currencies. Thanks to its predictable properties and transparent structure, digital gold strikes a chord with the times and fulfills the need for security and trust in the financial sector.

The fact that Bitcoin has its finger on the pulse of the times is impressively demonstrated by the considerable inflow of capital since the introduction of US ETFs. Within just eleven months, these reached assets under management (AUM) of USD 120 billion – a level that gold ETFs have built up over their entire 20-year history. The obvious question is whether the ship has already sailed for investors after the price rise to USD 100,000. In 2025, the following catalysts are on the horizon:

1. Adoption in portfolios

The integration of Bitcoin into portfolios is still in its infancy. According to Citibank's latest "Global Family Office 2024 Survey", asset managers and family offices have so far hardly included the largest cryptocurrency by market capitalization in their portfolios. As a digital alternative to gold, Bitcoin has

a much lower valuation, with a market capitalization of around USD 2.1 trillion, compared to its physical counterpart, which is worth around USD 12 trillion.

2. Bitcoin on corporate balance sheets

Bitcoin is rarely used as a hedge against the devaluation of fiat currencies by companies. However, votes by large companies such as Microsoft and Amazon to include Bitcoin on their balance sheets and the removal of unfavorable accounting rules point to a future trend.

3. Pension funds and retirement savings

At the global level, pension funds and retirement savings have so far hardly invested in Bitcoin, mainly due to regulatory hurdles. However, it is only a matter of time before digital assets find their way into retirement portfolios. With Bitcoin ETFs already in some state pension funds, America is setting the tone again.

4. Bitcoin as a reserve currency for national states

The censorship-resistant and independent nature of Bitcoin has already sparked interest at the state level. Small states such as El Salvador and Bhutan are already relying heavily on Bitcoin, while countries such as Russia and the BRICS countries are considering similar approaches.

Since Trump's victory, there have also been discussions in the US about developing Bitcoin into a reserve currency. If the US were to actively decide to purchase Bitcoin, for example by passing the Lummis Bill, this could force other countries to follow suit due to the limited total supply.



5. Indirect flows through index funds

MicroStrategy's inclusion in the Nasdaq 100 shows how capital is indirectly flowing into Bitcoin. The company is using its capital inflows specifically for Bitcoin purchases. At the same time, crypto exchanges, mining companies and other industry players are increasingly being included in indices. As a result, passive index funds are automatically bringing new capital into the crypto sector.

The Trump effect

Trump's election will provide positive impetus for the crypto industry, particularly in the US. Targeted regulatory relief will generally promote the mining industry, crypto exchanges and blockchain companies and accelerate the integration of cryptocurrencies into traditional financial systems. In the medium term, this will not only have a significant impact on the growth of the industry, but will also put global pressure on other countries seeking to position themselves strategically in this market.

Discussions about Bitcoin reserves and the planned replacement of the crypto-hostile SEC Chair Gensler with the pro-crypto Paul Atkins will accelerate the integration of cryptocurrencies into the traditional financial system. This includes, in particular, the approval of ETFs. The increasing legal certainty will allow the entire trade and custody sector to flourish and will enable significant growth in a wide range of cryptocurrencies.

Blockchain boom: start of the exponential phase

Thanks to the new US administration, the already dynamic development of blockchain adoption is likely to pick up speed, creating a decisive basis for developments in 2025. The adoption of blockchain-based infrastructures for managing and transferring value is in a rapid growth phase and, according to the S-curve model, is entering the exponential phase. The number of active wallet addresses, a key indicator for blockchain users, and trading volumes on decentralized exchanges are currently reaching all-time highs and showing growth rates that exceed the speed of the internet boom at the time.

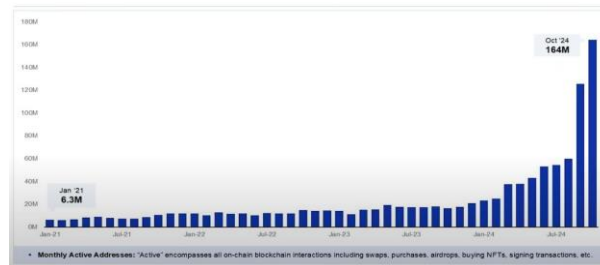


Figure 1: Monthly active blockchain addresses since 2021 / Source: 1RoundTable Partners

The path to a new financial age

The transfer and trading of values is increasingly being outsourced to blockchains because they offer a superior, faster and more secure technology compared to the traditional, multi-layered processing layer. Thanks to their speed, newer blockchains are significantly expanding the possibilities for end-customer applications. More and more transactions and trading processes are being carried out securely, efficiently and transparently via blockchains – often without the end customer even noticing.

A simple internet connection is all that is needed to participate in this new, efficient financial system – a milestone for the global financial sector. This transformation is made possible by public blockchain networks, which are superior to closed systems both technologically and in terms of decentralization.

Web 3 in portfolios: optimal opportunities for 2025

A diversified investment that covers both the blockchain infrastructure sector and applications can be seen as an interest in the new financial infrastructure. It represents a direct technology investment that encompasses a central part of digitalization – also known as Web 3.0.



Figure 2: Market capitalizations of Bitcoin, Ethereum and the total market / Source: Digital Asset Solutions



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The combination of exponential growth, favorable framework conditions and the early status as an asset class makes 2025 a key year for investments in this sector. The exceptional risk-return profile offers an attractive addition to strategic portfolio design.



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