

## Total Public Market Value (ex-BTC)

### 12-Month Performance (Normalized)



### 6-Month Performance (Normalized)



### 30-Day Performance (Normalized)



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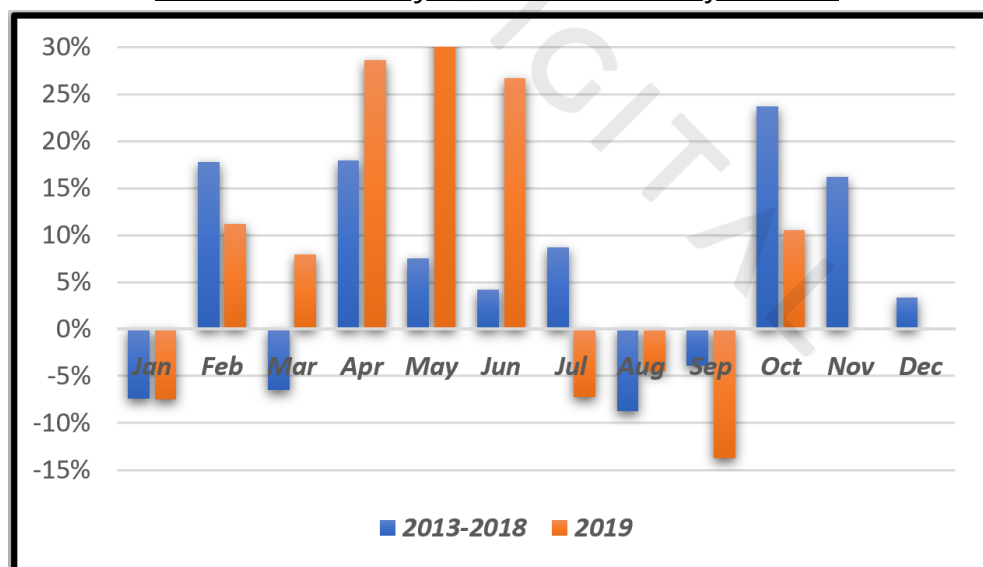


## Bitcoin Eyes Breakout Amid Global Risk-On Rally

- Bitcoin has held onto most of its gains, at least so far, from its +30% in the final days of October as key support levels for BTC during its summer consolidation appear to be new levels of resistance. On a shorter time horizon, a bullish pennant appears to be forming and could kick-start bitcoin's next rally if it breaks out meaningfully above \$9,600, which happens to coincide with its 100-day moving average.
- Stronger-than-expected Q3 earnings, improving economic data, and optimism on the U.S.-China trade front have added fuel to the fire powering U.S. stocks to fresh highs. The shift in rhetoric has also boosted demand for risk assets more broadly with global equity markets inching closer to record levels. However, we are apprehensive about the potential complacency festering among equity investors, evident in the VIX Index's recent drop to lows last seen before both major sell-offs earlier this year.
- Conversely, the safe haven trade that dominated this summer has begun to lose its steam, though any indication of further economic weakness could squash the renewed optimism for risk assets as quickly as it returned.

## Chart of the Week

### BTC Median Monthly Returns vs. 2019 Performance



\*May 2019 BTC price change was +60%



## Bitcoin Eyes Technical Breakout

Bitcoin has held onto most of its gains, at least so far, after rallying roughly 30% in the final days of October. Momentum indicators turned higher as the world's largest crypto asset broke through \$10,000 for the first time since late September but ran into a wall of resistance around \$10,500 before pulling back to its current level near \$9,400. **These same levels served as support for BTC throughout this summer's period of consolidation, indicating a key area of resistance in the near term.**

### BTCUSD Bullish Pennant (Hourly)



Bitcoin's price is currently sandwiched between its 100 and 200-day moving averages, so a sizable break above or below either trend line could make or break BTC's next short-term move. On a shorter time horizon, a bullish pennant appears to be forming, which could kick-start bitcoin's next rally if it can break out meaningfully above \$9,600. **Interestingly, several sentiment indicators also recovered with BTC's latest jump,** according to data from [The TIE](#).

### BTCUSD vs. 100-Day (Green) & 200-Day (Blue) SMAs

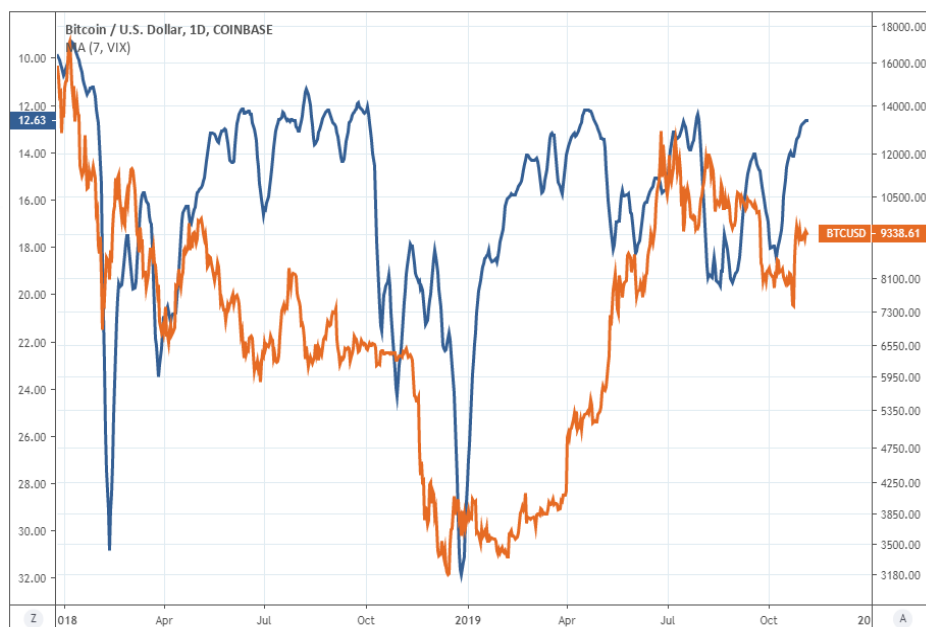




## Market Volatility Subsides

In our most recent Bitcoin Monthly Outlook, we discussed the “ideal” macroeconomic environment for bitcoin to thrive, notably declining market volatility, more accommodative central banks, and a backdrop of slowing – but not contracting – economic growth. Naturally, the next question is, what's the outlook for these indicators and risk assets more broadly? In general, **we have a bullish outlook for risk assets through year-end barring a dramatic shift in trade rhetoric between the U.S. and China.**

BTCUSD (Orange) vs. Inverted VIX Index (7-Day MA)



Concerns over slowing global growth and elevated recession fears may pull stocks back down to earth if economic data surprises to the downside but, as we noted last week, extreme pessimism among several investor types may indicate the market's recent run up still has legs. However, we are apprehensive about the potential complacency festering among investors as we head into the final two months of the year, highlighted in the **VIX Index's recent drop to lows last seen before both major sell-offs this year.**

S&P 500 (Green) vs. VIX Index (Blue)

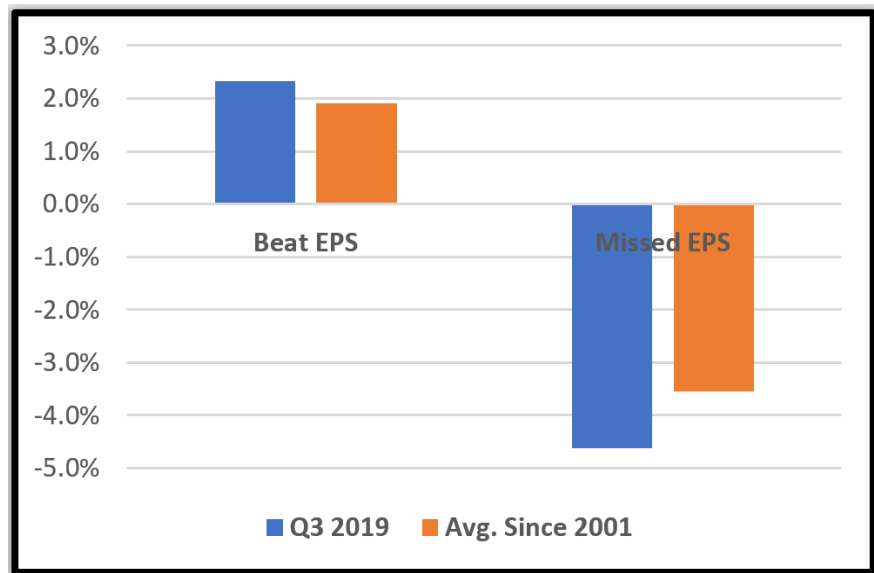




## Earnings Power Stock Gains

**Stronger-than-expected earnings have added fuel to the fire powering U.S. stocks to fresh all-time highs.** Over 75% of companies in the S&P 500 that have reported Q3 results have beat bottom line EPS forecasts, though it may be more a reflection of extreme analyst pessimism heading into this reporting season than strengthening fundamentals. Nonetheless, growing optimism among equity investors continues to push large-caps to new heights. Small-caps are also participating, though they still have a ways to go before retesting prior highs.

S&P 1500 Avg. Earnings Day Price Reaction



The above-average earnings day price reaction for stocks beating EPS expectations versus those falling short is also a **testament to the market's heightened focus on fundamentals**, especially in sectors like technology and consumer discretionary. The recent tech IPO flops (i.e. Uber, Lyft) and WeWork drama appears to be increasing investor aversion towards companies with a muddled path to future profitability.

S&P 500 (Green) vs. Russell 2000 (Normalized to May 2018)

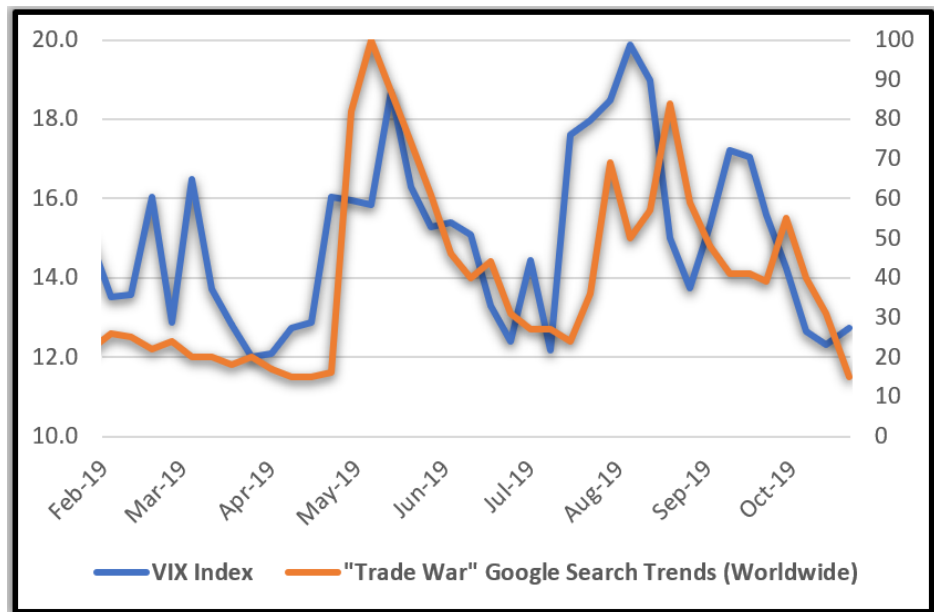




## Global Risk-On Move

The latest progress towards “phase 1” of a trade agreement between the world’s two largest economies has relieved some of the burden weighing on equity markets, but a lot can happen before pen hits the paper. Equity market volatility, for example, tends to rise during periods of heightened trade conflict. Still, global equity markets seem to be embracing the recent shift in rhetoric with **the MSCI All Country World Index less than 1% off its Jan. 2018 all-time high.**

“Trade War” Worldwide Google Trends vs. VIX Index



Notably, U.S. companies that make a **greater share of their revenue from the U.S. are also beating EPS estimates at a higher rate than those that generate more than 50% of their sales abroad**, according to data from the Bespoke Investment Group. The divergence isn’t much to worry about in the near term, but it does highlight the adverse effects of a stronger dollar, which pushes up the price of U.S. exports relative to foreign substitutes.

MSCI All Country World Index vs. 14-Day RSI & MACD (Bottom Panel).







## Incoming Economic Data Strengthens

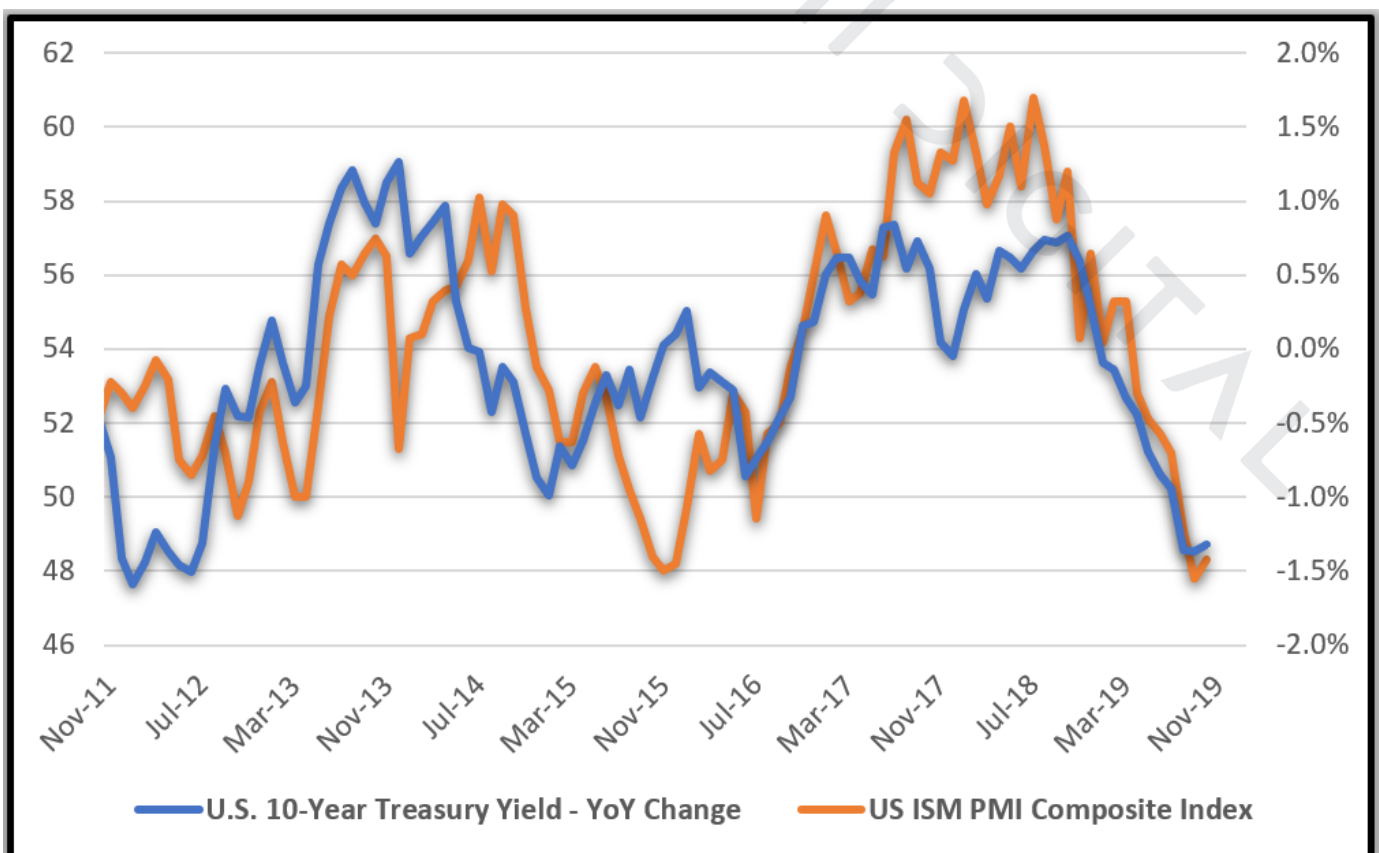
The latest risk-on move across markets has been **driven by a recovery in several key economic indicators, many of which pointed to a more ominous outlook for the global economy just a few months ago.** While elevated concerns over global growth are still warranted, the slight improvement in cyclical sectors like manufacturing – both in the U.S. and Germany – have calmed some fears that things may not be quite as dire as they were made out to be.

Germany Factor Orders vs. Manufacturing PMI



A strong U.S. jobs report last week also provided further reassurance the economy may not be completely doomed. Similarly, transportation stocks – railroads, air freight, trucking, marine shipping – are starting to stage a comeback, indicating broader optimism for domestic growth. **However, further weakness in the data could easily squash any renewed optimism, resulting in a pullback for risk assets.**

10-Year U.S. Treasury Yield YoY vs. U.S. ISM PMI





## Safe Haven Trade Loses Steam

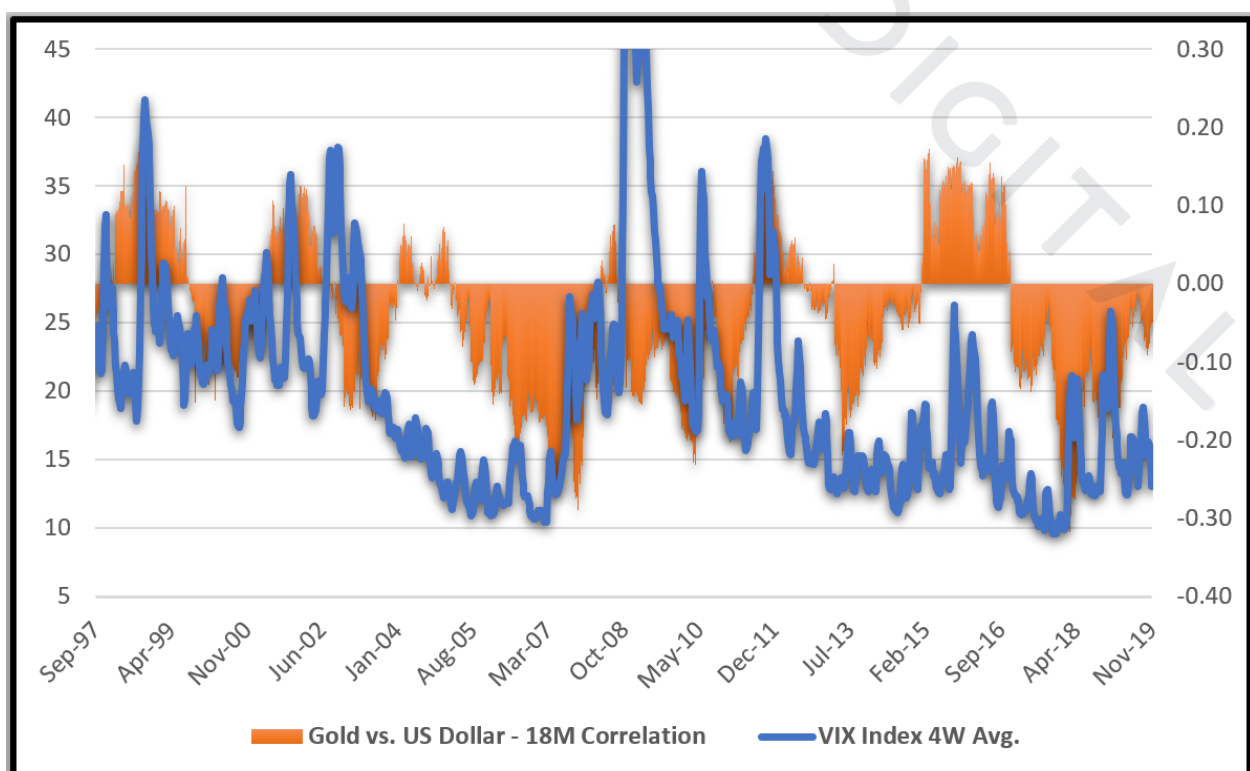
Growing pessimism regarding the global growth outlook coupled with a material shift towards looser monetary policies from the world's most influential central banks were key drivers behind this summer's rally in safe haven assets like gold and Treasury bonds. However, early signs of improving economic data, extended speculative positioning, and the latest recovery in demand for risk assets have stolen the wind from the safe haven trade with gold and bond prices rolling over from their late summer peak.

Gold, Long-Dated U.S. (Blue) & Global Treasuries (Green)



Gold usually trades opposite the U.S. dollar (i.e. weaker dollar, higher gold price), but the correlation between the two strengthened considerably between July and September, hitting its highest level since early 2015 when measured on a rolling 60-day basis (the below chart shows longer term trends). Typically, **gold and the dollar tend to rise together during periods of elevated market volatility as investors flock to safety**. The recent weakness in the greenback would bode well for gold should it continue, though the Fed's latest commentary suggests further rate cuts are far from a guarantee.

Gold & U.S. Dollar Index Correlation vs. VIX Index





## Crypto Asset Movers & Shakers

The crypto market was rather mixed this week following a highly volatile end to October with most large-cap names rising or falling by single digit percentages week-over-week. Small-caps did stage a bit of a comeback this week, evident in the 7% gain for the MVIS CryptoCompare Digital Assets Small-Cap Index compared to just 1% for its large-cap peer, though the small-cap segment is still drastically underperforming its larger counterpart on the year. XLM was one of the clear winners this week, **jumping more than 20% off the Stellar Development Foundation's announcement it would be burning half XLM's total supply**, much of which had been earmarked for giveaway programs. The team provided details behind its motivation for the move in a [post](#) on Monday, citing the "diminishing effects" of giveaways and airdrops and the foundation's desire to be "leaner". However, in our view, this doesn't tackle the primary issue most projects face, **which is growing the demand for native crypto asset**; supply is only part of the equation.

### Top Crypto Asset Returns

	7D	30D	90D	YTD
XLM	23.95%	40.78%	5.73%	-28.48%
MKR	7.57%	24.01%	14.14%	28.80%
EOS	6.65%	24.42%	-13.32%	37.81%
XMR	6.05%	14.19%	-34.51%	32.67%
LTC	5.87%	15.81%	-29.70%	101.08%
NEO	3.69%	55.59%	-0.26%	40.50%
XEM	3.04%	9.64%	-31.20%	-36.03%
DASH	2.43%	6.77%	-29.68%	-6.85%
ETC	2.19%	11.68%	-14.31%	-3.32%
ADA	2.12%	13.45%	-13.89%	4.06%
BCH	1.42%	32.93%	-13.01%	82.49%
BNB	-0.07%	36.79%	-29.57%	251.87%
XRP	-0.09%	17.39%	-2.25%	-17.33%
ETH	-0.69%	10.86%	-15.74%	37.06%
ZEC	-0.97%	8.38%	-37.00%	-33.93%
BTC	-0.97%	18.73%	-21.88%	144.80%
MIOTA	-1.28%	2.44%	0.96%	-20.99%
TRX	-9.63%	36.22%	-7.82%	1.14%

Data as of 11/05/19

The above table is powered by Digital Assets Data, a fintech company building a knowledge platform to manage data and deploy investment models.

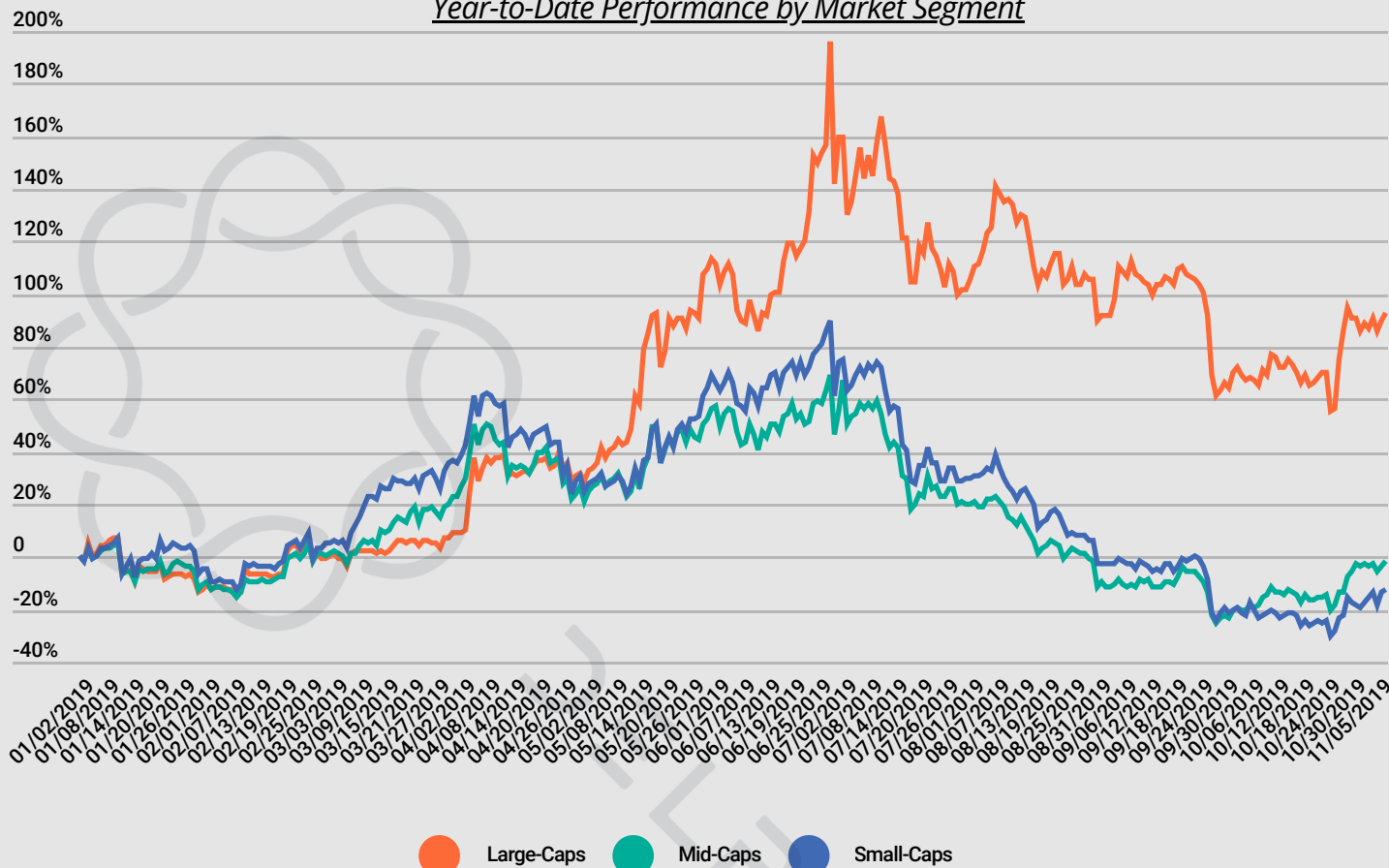




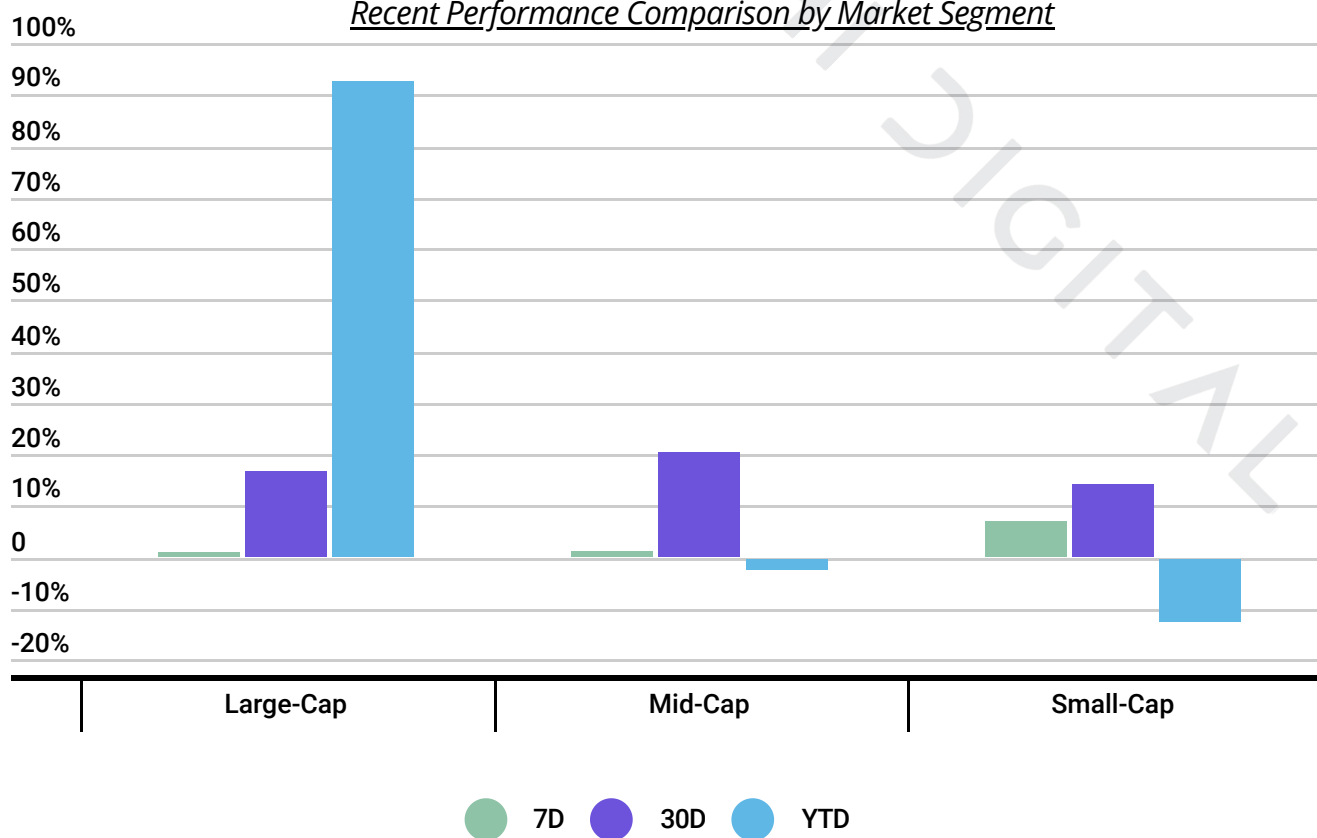


## All Segments Rally Back

Year-to-Date Performance by Market Segment



Recent Performance Comparison by Market Segment



\*See Source link below for detail on large, mid, and small-cap index constituents.

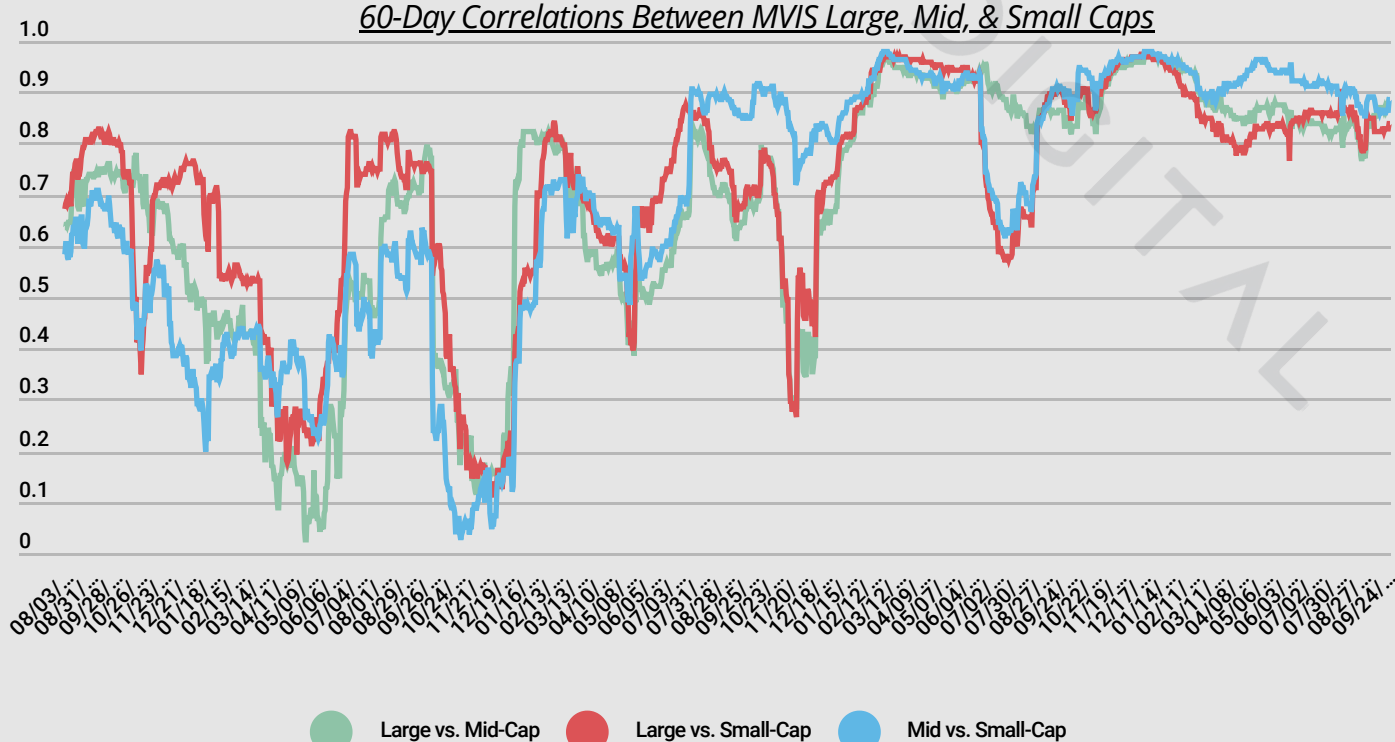


## Intra-Market Correlations

### 30-Day Correlations Between Top Crypto Assets

	ADA	BCH	BNB	BTC	DASH	EOS	ETC	ETH	LTC	MIOTA	MKR	NEO	TRX	XEM	XLM	XMR	XRP	ZEC
ADA	1.00	0.71	0.49	0.56	0.66	0.77	0.64	0.78	0.76	0.71	0.60	0.77	0.78	0.58	0.79	0.64	0.83	0.73
BCH	0.71	1.00	0.46	0.76	0.61	0.75	0.63	0.76	0.71	0.57	0.64	0.71	0.62	0.46	0.58	0.57	0.64	0.60
BNB	0.49	0.46	1.00	0.42	0.51	0.46	0.45	0.53	0.55	0.43	0.46	0.47	0.51	0.40	0.49	0.53	0.43	0.58
BTC	0.56	0.76	0.42	1.00	0.55	0.65	0.54	0.78	0.63	0.51	0.70	0.67	0.56	0.36	0.47	0.55	0.54	0.56
DASH	0.66	0.61	0.51	0.55	1.00	0.61	0.54	0.70	0.62	0.59	0.51	0.66	0.63	0.52	0.61	0.70	0.62	0.68
EOS	0.77	0.75	0.46	0.65	0.61	1.00	0.64	0.79	0.77	0.65	0.63	0.72	0.73	0.54	0.62	0.58	0.73	0.63
ETC	0.64	0.63	0.45	0.54	0.54	0.64	1.00	0.68	0.62	0.59	0.57	0.59	0.61	0.50	0.61	0.52	0.61	0.59
ETH	0.78	0.76	0.53	0.78	0.70	0.79	0.68	1.00	0.77	0.66	0.74	0.76	0.74	0.60	0.70	0.61	0.74	0.73
LTC	0.76	0.71	0.55	0.63	0.62	0.77	0.62	0.77	1.00	0.60	0.63	0.72	0.69	0.49	0.67	0.60	0.67	0.65
MIOTA	0.71	0.57	0.43	0.51	0.59	0.65	0.59	0.66	0.60	1.00	0.55	0.72	0.63	0.55	0.70	0.55	0.73	0.60
MKR	0.60	0.64	0.46	0.70	0.51	0.63	0.57	0.74	0.63	0.55	1.00	0.66	0.58	0.38	0.55	0.45	0.58	0.53
NEO	0.77	0.71	0.47	0.67	0.66	0.72	0.59	0.76	0.72	0.72	0.66	1.00	0.76	0.54	0.70	0.61	0.73	0.65
TRX	0.78	0.62	0.51	0.56	0.63	0.73	0.61	0.74	0.69	0.63	0.58	0.76	1.00	0.47	0.72	0.62	0.74	0.63
XEM	0.58	0.46	0.40	0.36	0.52	0.54	0.50	0.60	0.49	0.55	0.38	0.54	0.47	1.00	0.63	0.49	0.56	0.50
XLM	0.79	0.58	0.49	0.47	0.61	0.62	0.61	0.70	0.67	0.70	0.55	0.70	0.72	0.63	1.00	0.66	0.81	0.64
XMR	0.64	0.57	0.53	0.55	0.70	0.58	0.52	0.61	0.60	0.55	0.45	0.61	0.62	0.49	0.66	1.00	0.61	0.61
XRP	0.83	0.64	0.43	0.54	0.62	0.73	0.61	0.74	0.67	0.73	0.58	0.73	0.74	0.56	0.81	0.61	1.00	0.64
ZEC	0.73	0.60	0.58	0.56	0.68	0.63	0.59	0.73	0.65	0.60	0.53	0.65	0.63	0.50	0.64	0.61	0.64	1.00

### 60-Day Correlations Between MVIS Large, Mid, & Small Caps



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