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BLUECHAIN

Quarterly Report

Q3 - 2024

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EXECUTIVE SUMMARY - Q3

BLUE CHAIN PORTFOLIO PERFORMANCE

Despite a bearish market in Q3, the Blue Chain portfolio managed to achieve a modest 1% profit. This performance was primarily driven by slightly higher trading volumes, allowing us to offset broader market declines. On another note, the portfolio was affected by the arrest of Pavel Durov, which led to a sharp decline in the performance of TON, our previous key outperformer.

Our strategy of gradual accumulation continues to provide stability amidst market volatility. We remain vigilant in monitoring market conditions for strategic entry points, particularly as we anticipate potential macroeconomic shifts and increased institutional investment flows in Q4.

Blue Chain Structure Setup

The first step of the Blue Chain structure setup has been successfully completed, establishing the company with one shareholder. We have now begun the process of adding other shareholders one by one, in compliance with the second phase of the structure. Blue Chain Ltd., a Cayman-based investment/asset management company specializing in digital assets, is now operational.

Q3 MARKET SUMMARY

MARKET OVERVIEW

Global Crypto Market Cap and Bitcoin Dominance

Q3 saw a continuation of bearish sentiment across the cryptocurrency market. The global crypto market cap remained under pressure, with Bitcoin dominance rising to 56.8%, the highest since April 2021. The altcoin market underperformed significantly, as reflected in the drop of the Altcoin Season Index to 29.

Liquidity and Stablecoin Market Cap

Market liquidity continued to tighten, contributing to reduced trading volumes across most sectors. Meanwhile, the stablecoin market cap reached an all-time high of \$160 billion, showcasing a substantial amount of sideline liquidity that could be deployed once market conditions stabilize.

Sector Growth and Market Trends

Of the 52 tracked sectors, 19 experienced positive market cap growth in Q3. Leading sectors included TRON, Media, and Stablecoins, while the AI sector also recovered. However, DeFi and infrastructure-related projects faced significant losses, including:

Lending & Borrowing: -36.51%

Storage: -39.21%

Interoperability: -26.05%

Privacy: -30.75%

The market has shifted toward speculative sectors like AI, media, and meme coins, as interest in infrastructure projects waned throughout the quarter.

MARKET SENTIMENT

Bearish Sentiment Prevails

Market sentiment remained consistently bearish throughout Q3, with investor caution leading to reduced risk appetite. Fear and uncertainty were prevalent, as reflected in the sentiment indexes hovering in the neutral to fear range (between 26 and 63). Bitcoin's dominance continued to rise, signaling a preference for the relative safety of established cryptocurrencies.

Institutional Adoption and Changing Investor Profiles

Institutional interest in Bitcoin grew steadily in Q3. The rising number of institutional players, such as hedge funds and companies incorporating Bitcoin into their treasuries, has reinforced Bitcoin's position as a strategic asset. This trend, alongside growing speculation around its role as "Digital Gold," continues to decouple Bitcoin from its traditional four-year halving cycle.

MARKET PULSE

Bitcoin Long-Term Holders Growth Outpaces Short-Term Holders

Long-term Bitcoin holders increased throughout Q3, outpacing the growth of short-term holders as coins shifted to stronger hands. As prices corrected following the April rally, the August 5 crash marked the largest realized loss by short-term holders this year. Meanwhile, long-term holders continued accumulating, helping to stabilize Bitcoin's market base.

Hash Rate vs. Miner's Block Revenue

Bitcoin's hash rate climbed to record highs in Q3, reaching 692.28 exahash per second (EH/s) by September, despite declining miner revenues post-halving. This increase underscores the continued strength and resilience of the Bitcoin network, even as the economic viability of mining has been challenged.

Layer-1s: Ethereum Breakeven YTD, Despite Spot ETFs

Ethereum experienced volatility in Q3, erasing its YTD gains in early September but recovering to post a +14.61% YTD performance. Among other Layer-1s, Tron (TRX) emerged as the leading performer, gaining 21.51%. TON, however, saw the largest drawdown, largely due to the arrest of Telegram co-founder Pavel Durov, which negatively impacted market sentiment.

Layer-2s: Scroll Saw TVL Gains in Q3

Of the top Layer-2 networks, Scroll Network was the standout, seeing a 38.5% increase in TVL during Q3. This was driven by incentive programs for liquidity providers. Base Network overtook Arbitrum in terms of daily active addresses, buoyed by its "Onchain Summer" campaign, which significantly increased user engagement.

DeFi TVL Declines Amidst Bearish Conditions

DeFi TVL decreased by 21.4% from its yearly high, although YTD gains remained above 42%. Ethereum's DeFi market share shrank, while Tron saw an increase, largely due to USDT growth. Despite retaining the largest DeFi TVL, Lido experienced a market share reduction as new competitors gained ground.

RESEARCH INSIGHT

Post-FED Market Macro

In Q3, the Fed's 50-basis-point rate cut further solidified the dollar-bearish trend, leading Bitcoin to rebound from \$59.5K to \$61K. This development reflects broader macroeconomic influences on the crypto market, which is expected to see more inflows into Bitcoin and Ethereum ETFs in Q4. Historically, Bitcoin has performed strongly in Q4, with an average price increase of 90.33% over the last decade.

Q3: A Bearish Market

Q3 was defined by bearish conditions, driven by significant regulatory actions and macroeconomic challenges. The crackdown on crypto firms, including the SEC's enforcement actions against Binance and the fallout from the FTX collapse, placed additional pressure on the market. Gary Gensler, chair of the SEC, has emphasized the need for stricter compliance, pointing to numerous cases of fraud and mismanagement in the industry.

Political Influence and the U.S. Elections

The upcoming U.S. elections in November could significantly impact the regulatory landscape for cryptocurrencies. Donald Trump has made a dramatic shift, now positioning himself as a champion of the industry, advocating for policies that could make the U.S. the global crypto leader. His proposal to establish a national Bitcoin stockpile marks a stark contrast to the more cautious stance of Kamala Harris and the current administration, which has pursued a stricter regulatory approach.

With the industry spending an unprecedented \$119 million on political donations by September, the sector is actively working to influence the election outcome in favor of pro-crypto candidates. This investment in political capital is expected to shape regulatory policy for years to come, with the potential for either more relaxed or more stringent oversight depending on the election results.

Key Factors That Will Drive Q4 Performance

Macro-Economic Conditions: Broader economic trends, including inflation, recession risks, and Federal Reserve policies, will be critical in determining market performance in Q4.

The U.S. elections are likely to have a major impact on the market, particularly if pro-crypto candidates gain traction. Political clarity post-election may provide the market with the stability it has been seeking.

Institutional Inflows: The level of institutional investment in Bitcoin ETFs and other digital asset vehicles will be a key determinant of Bitcoin's price trajectory. Strong inflows could fuel a significant rally in Q4.

HOLDINGS:

COINS

ASSET	BALANCE	UNIT COST (\$)	TOTAL COST(\$)	MARKET VALUE	
BTC	1.31	53,985.20	70,642.47	64,570.75	84,494.22
USDT	60,219.31	1.00	60,219.31	1.00	60,213.28
ETH	6.34	2,802.13	17,759.80	2,637.81	16,718.35
TON	1,468.62	3.86	5,662.12	5.84	8,572.34
SOL	70.06	121.07	8,482.68	156.94	10,995.89
XRP	15,983.84	0.53	8,544.23	0.65	10,315.97
BNB	13.99	557.10	7,791.65	582.17	8,142.33
USDC	5,963.67	1.00	5,979.82	1.00	5,962.48
DOT	769.14	7.92	6,088.81	4.71	3,621.13
BRETT	30,796.17	0.14	4,463.97	0.10	2,988.46
NEAR	715.86	5.84	4,178.97	5.35	3,827.69
ADA	7,344.42	0.60	4,408.85	0.39	2,868.00
PEPE	218,565,150.39	0.00	1,877.69	0.00	2,445.74
DOGE	20,012.15	0.13	2,677.92	0.12	2,455.49
RNDR	278.51	7.28	2,028.87	6.65	1,852.96
KAS	10,795.00	0.13	1,427.58	0.16	1,748.79
FET	1,354.56	1.86	2,525.32	1.60	2,163.23
SHIB	91,306,168.27	0.00	2,033.78	0.00	1,711.99
BCH	3.75	355.22	1,330.46	348.04	1,303.57

ASSET	BALANCE	UNIT COST (\$)	TOTAL COST(\$)	MARKET VALUE	
 AVAX	44.70	42.70	1,908.98	28.87	1,290.60
 TRX	9,691.86	0.12	1,210.86	0.16	1,503.21
 GUSD	984.14	1.00	984.14	1.00	983.05
 ALPH	879.12	2.17	1,907.69	1.65	1,454.06
 OKB	21.98	53.25	1,170.47	41.84	919.69
 LTC	12.19	79.29	966.33	68.26	831.88
 UNI	183.84	9.57	1,759.30	7.52	1,381.75
 ATOM	100.37	7.92	795.08	4.99	501.03
 MNT	852.87	0.93	792.89	0.64	542.17
 LEO	149.87	5.38	806.14	5.90	883.65
 STX	357.42	2.41	859.88	1.94	694.47
 LINK	39.97	18.25	729.35	12.26	490.05
 ARB	789.21	1.06	832.91	0.64	504.86
 AR	18.98	38.17	724.47	23.54	446.81
 MATIC	794.35	0.97	772.85	0.42	329.73
 INJ	16.99	35.24	598.61	23.56	400.19
 SUI	529.77	1.71	903.92	1.78	942.99
 FIL	85.00	7.41	630.12	4.03	342.55
 API3	136.98	3.73	510.78	1.62	222.32

ASSET	BALANCE	UNIT COST (\$)	TOTAL COST(\$)	MARKET VALUE	
HBAR	4,922.58	0.10	477.09	0.06	298.41
DEGEN	42,957.00	0.01	491.56	0.00	202.16
WETH	0.10	3,541.52	350.61	2,636.25	260.99
GRT	1,600.00	0.26	422.77	0.19	303.36
RUNE	99.90	5.25	524.76	5.27	525.97
ETC	45.97	41.68	1,915.72	20.08	923.04
VET	11,220.00	0.04	437.81	0.03	287.46
FTM	499.58	0.92	457.24	0.70	347.61
FLOKI	1,598,660.00	0.00	302.13	0.00	261.22
XLM	2,787.73	0.16	454.28	0.10	285.46
OP	139.88	2.77	388.09	1.87	261.57
IMX	129.90	3.19	414.02	1.75	227.32
STORJ	826.99	0.61	501.77	0.43	355.03
RIO	399.67	2.26	902.05	1.32	528.37
APT	59.99	11.77	706.31	8.06	483.30
ELON	999,160,354.64	0.00	239.17	0.00	139.88
ICP	16.99	12.65	214.90	9.48	161.05
MANTA	133.39	2.94	392.69	0.92	122.39
WLD	59.94	5.22	312.78	2.01	120.66
TIA	20.01	13.97	279.42	6.04	120.83

ASSET	BALANCE	UNIT COST (\$)	TOTAL COST(\$)	MARKET VALUE	
GALA	11,993.99	0.04	529.40	0.02	283.78
RUNECOIN	53,954.20	0.01	709.26	0.00	20.82
MFER	3,696.30	0.08	304.41	0.01	49.53
VTHO	706.25	0.00	0.20	0.00	1.51
WOO	0.00	0.00	0.00	0.18	0.00
MAGIC	0.00	0.00	0.00	0.39	0.00
RDNT	0.00	0.00	0.00	0.08	0.00
TRB	0.00	0.00	0.00	72.23	0.00
ACE	0.00	0.00	0.00	0.00	0.00
UST	0.00	0.00	0.00	0.02	0.00
GMT	0.00	0.00	0.00	0.16	0.00
LUNA	0.85	0.00	0.00	0.44	0.38
LDO	0.00	0.00	0.00	1.34	0.00
BIGTIME	0.01	0.00	0.00	0.14	0.00
USD (GEMINI)	2,493.32	1.00	2,493.32	1.00	2,493.32
EURO (GEMINI)	229.93	1.12	256.73	1.12	256.73
MAS	10,000.00	0.02	233.00	0.02	233.00
				251,700.57	256,622.10

NFTs



CHROMIE SQUIGGLE #651

10,281.37

01

#5477: Checks

501.18



#2057: Checks

501.18

02

03

#12783: Opepen

474.81



#4435: Opepen

474.81

04

05

#28496: Karma

342.92



#4122: Karma

342.92

06

07

#6276: Glass Punk

213.66



#7823: Glass Punk

213.66

08

09

#312: Glass Punk

213.66



#-238577: OCM Genesis BTC

2502

10

Total Coins: \$ 256,622.10
Total NFTs: \$ 16,062.17
Total Digital Assets: \$ 272,684.27

CAPITAL

TOTAL CAPITAL	371,000.00	EXPOSURE (VS TOTAL CAPITAL)	72.60%
COLLECTED CAPITAL	358,790.56		
INVESTED	269,350.32		
EXP. RESERVE	8,969.76		
CASH	80,470.47		

SUMMARY BALANCE SHEET

Assets	Balance
Current Assets	362,124.50

Bank and Cash Accounts

\$89,440.23

101003	Treasury USD	80,470.47
101005	Provision For Management Fees	7,175.81
101006	Provision For Expense Ratio	1,793.95

Total Bank and Cash Accounts

\$89,440.23

Current Assets	272,684.27	
101008	Digital assets	269,934.22
103016	Other Debtors (Gemini)	2,750.05

Total Current Assets

272,684.27

LIABILITIES	00.00
Total LIABILITIES	00.00
EQUITY	362,124.50
Current Year Earnings	3,333.95
Capital	358,790.56
Total EQUITY	362,124.50

LIABILITIES + EQUITY

\$ 362,124.50