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Crypto Long/Short Trade Recommendation: AAVE/BSV

G. Belford

Recommendations for the above coins is presented below in a "top-down" approach.

Major/Alt Market Recap

Market Insight - Majors

As noted in my 9Nov20 LinkedIn commentary (reference below), BTC dominance is softening, currently 65.79% (coin360). ETH & BTC are leading the pack in terms of 7day price action whilst BCH flat and most majors are up ~ 4-6%. However, determining knock-on price action for the majors is hampered by numerous idiosyncratic news items (ex. BSV bug, BCH upcoming fork, LTC paypal news).

Market Insight - DeFi

Continuing to monitor BTC surge/knock-on Alt market impact (recall 2017 BTC spike/alt surge scenario). Recent (7d) positive price performance in this space, in particular on AAVE (+74.5%), YFI (+35.9%) & UNI (+14.0%). Appears funds re-entering this sector on the expectation of continued strong BTC px action with market participants interpreting previously post-block reward halving BTC px action (ie. Jul2016 BTC halving/2017 BTC px peak) **to again play out** (May2020 BTC halving/2021 expected BTC px action). Finally signals from Defipulse.com are very positive with TVL (Total Value Locked) across DeFi protocols currently at \$12.3bln, near an all-time-high & vs \$10.8bln (9Oct20).

DeFi Investment Highlight: AAVE

Background:

- AAVE is one of the largest DeFi projects and provider of decentralized lending & borrowing (ref: Defipulse.com, \$1.18bln locked)
- Oct20: raised \$25m from investors Blockchain Capital, Standard Crypto & Blockchain.com Ventures. The company noted the investment would help better serve growing Asian markets & put DeFi on the institutional radar.
- Aave has a competitive advantage in a crowded market due to the large total value of crypto locked in its protocol.
- The project allows customers to borrow/lend ~ 20 cryptocurrencies. Aave's product suite includes "flash loans". Borrowers via Aave also have flexible to alternate between fixed/variable rates.

Trade Recommendation: As a major project in DeFi space AAVE (Binance: AAVE/USDT: \$53.8, update 19Nov20 hit \$82.48, 1Dec20 \$76.23, 1Mar21 \$380.58) is poised to benefit from the macro scenario described above.

Major coin Investment Lowlight: BSV

Background (from internet):

- Bitcoin SV, or 'Satoshi's Vision,' is a full-node implementation of Bitcoin Cash (BCH) that forked from the BCH protocol (Nov18).
- BSV intends to restore the original vision set out by Satoshi Nakamoto's Bitcoin white paper by replacing every payment system worldwide with a better user experience, cheaper merchant cost, and more robust security.
- BSV increased the block size from 64 MB to 128 MB in an effort to increase scalability for on-chain transactions.
- BSV's roadmap consists of 4 pillars: stability, scalability, security, & safe instant transactions that require 0 confirmations.
- Project backers: nChain Chief Scientist C. Wright & CoinGeek founder C. Ayre.

Trade Recommendation: With declining liquidity (FTX recently removed BSV as a ALTPERP index component) and recent security issues (multisig script bug) I believe BSV (HitBtc: BSV/USDT: \$164, update 1Dec20 \$182.88, 1Mar21 \$179) is bound to run into headwinds and investors are advised to position from the short-side.

Trade Recommendations - Tail Risk

US Election Final Outcome: With Biden winning enough electoral college votes to clinch the presidency the path seems clear for Inauguration Day to occur as scheduled (20Jan21). In the interim however if lawsuits/etc were to hamper/stress the market we could see a rotation back into Gold/Yen/BTC & BTC-related coins at the expense of DeFi.

Reference:

Kairon Labs Trading – Monday 9Nov20 commentary (authored & posted by G. Belford)

<https://www.linkedin.com/company/19152538/admin/>

Notes:

Enjoyed studying published [retracted company name] research on several names including Algorand (Sep19) & Ren Project (Jun20). Currently gaining an understanding of projects that fall within [retracted company name] "Investment Thesis". For the major coins I have been and can follow the idiosyncratic developments and how to anticipate market changes (ex. BTC Hashrate, BTC Difficulty, ETH Istanbul hardfork/BTC CME futures expiry, ETH 2.0 Dec20 launch threshold). However for the Altcoins I rely more on technical analysis and due to liquidity issues would seek in some cases to position via indices (ex. FTX-ALTPERP).