

Bitcoin:

a tale of a new emerging asset class

News about Bitcoin Mining



Yahoo Finance

Will the Bitcoin Halving Create Overnight Millionaires?

15 hours ago



Cointelegraph

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1 day ago



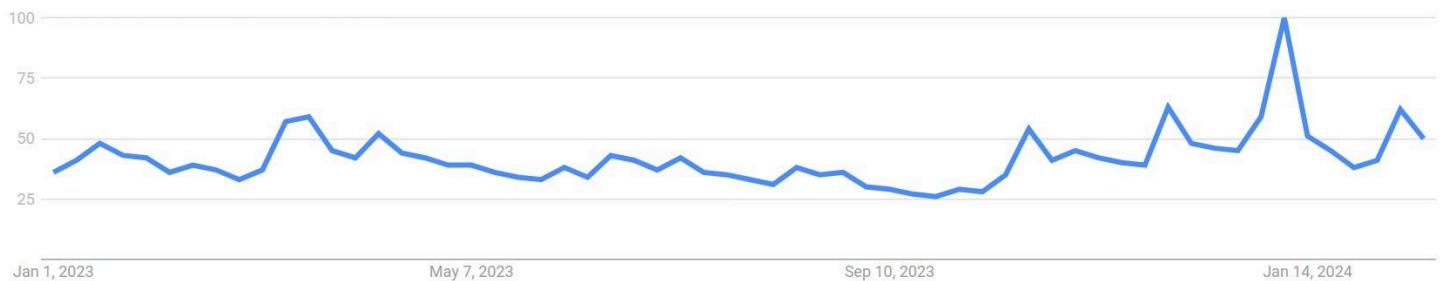
Blockworks

How the halving could impact bitcoin's price

1 day ago

Chances are that you're hearing about it again. In fact, the data speaks for itself. Bitcoin is Trending again.

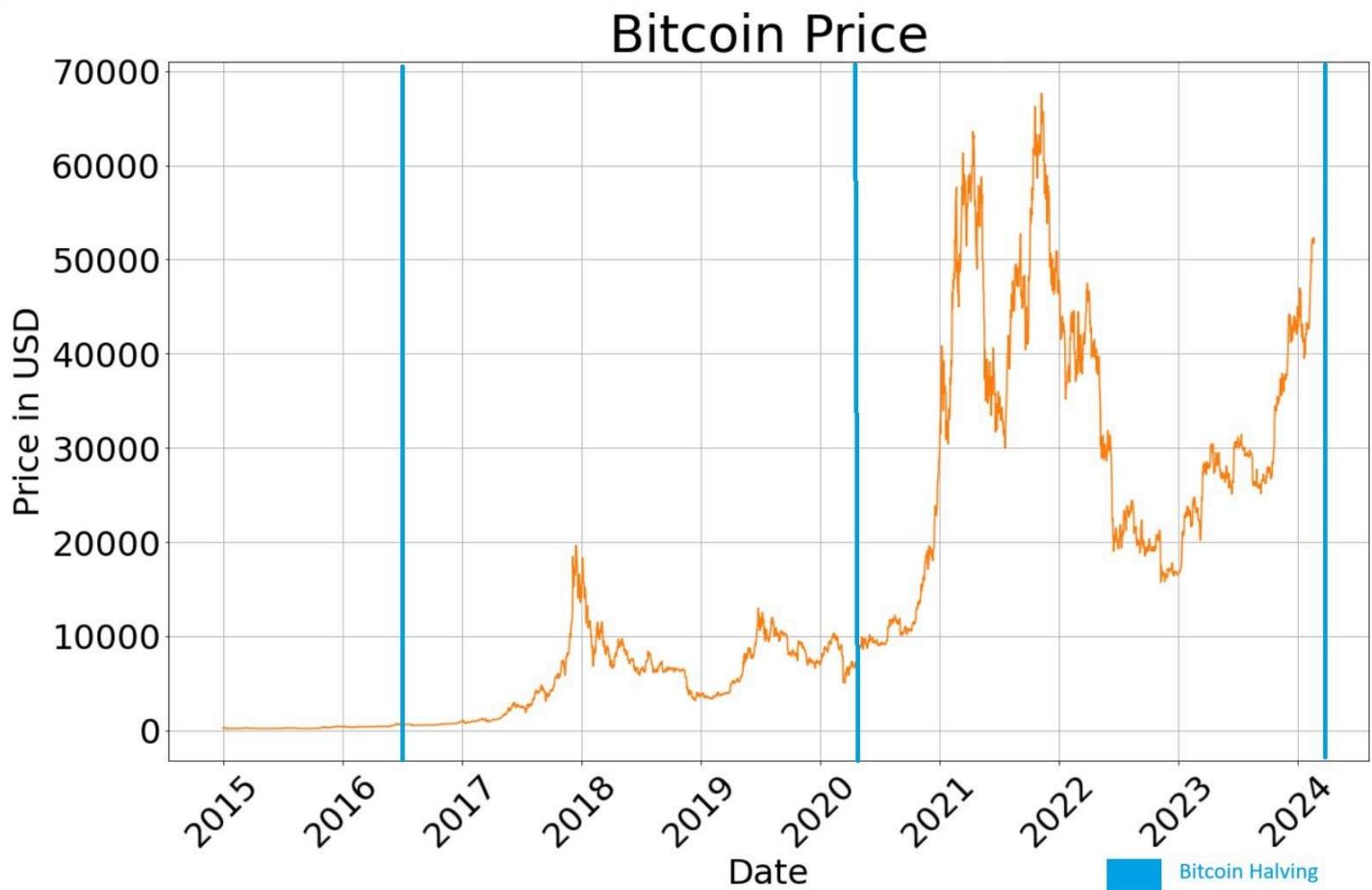
Bitcoin - Google Search Trends since January 2023



The Halving and Bitcoin Price

The halving means that the total supply of Bitcoin is reduced in half for each block that is mined. This means that the supply becomes constrained. Historically, the halving has been followed by a sharp uptake in price. The next halving is anticipated to occur in April 2024.

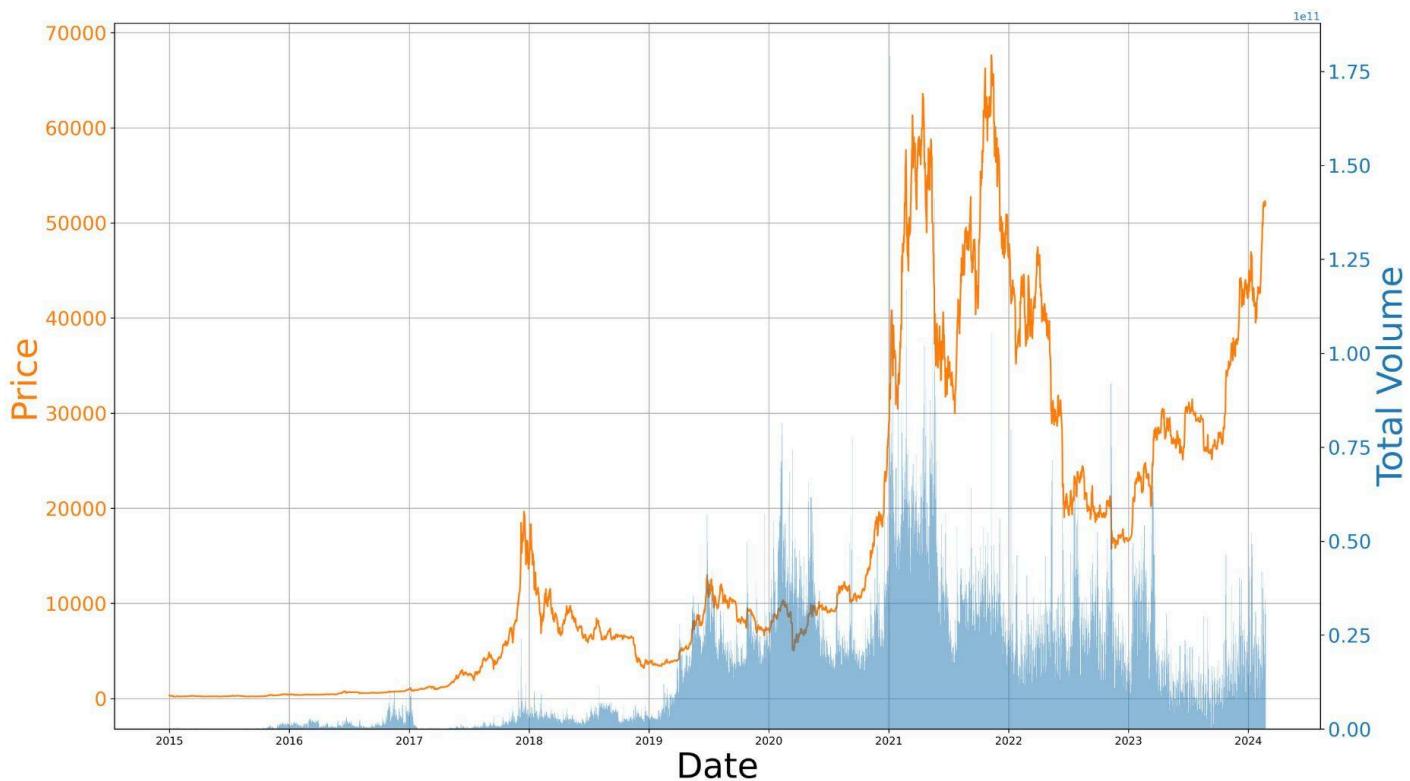
With the approval of Spot Bitcoin ETFs and the Halving event coming in April of this year, what kind of opportunities and risks exist in this asset class?



Trading volume

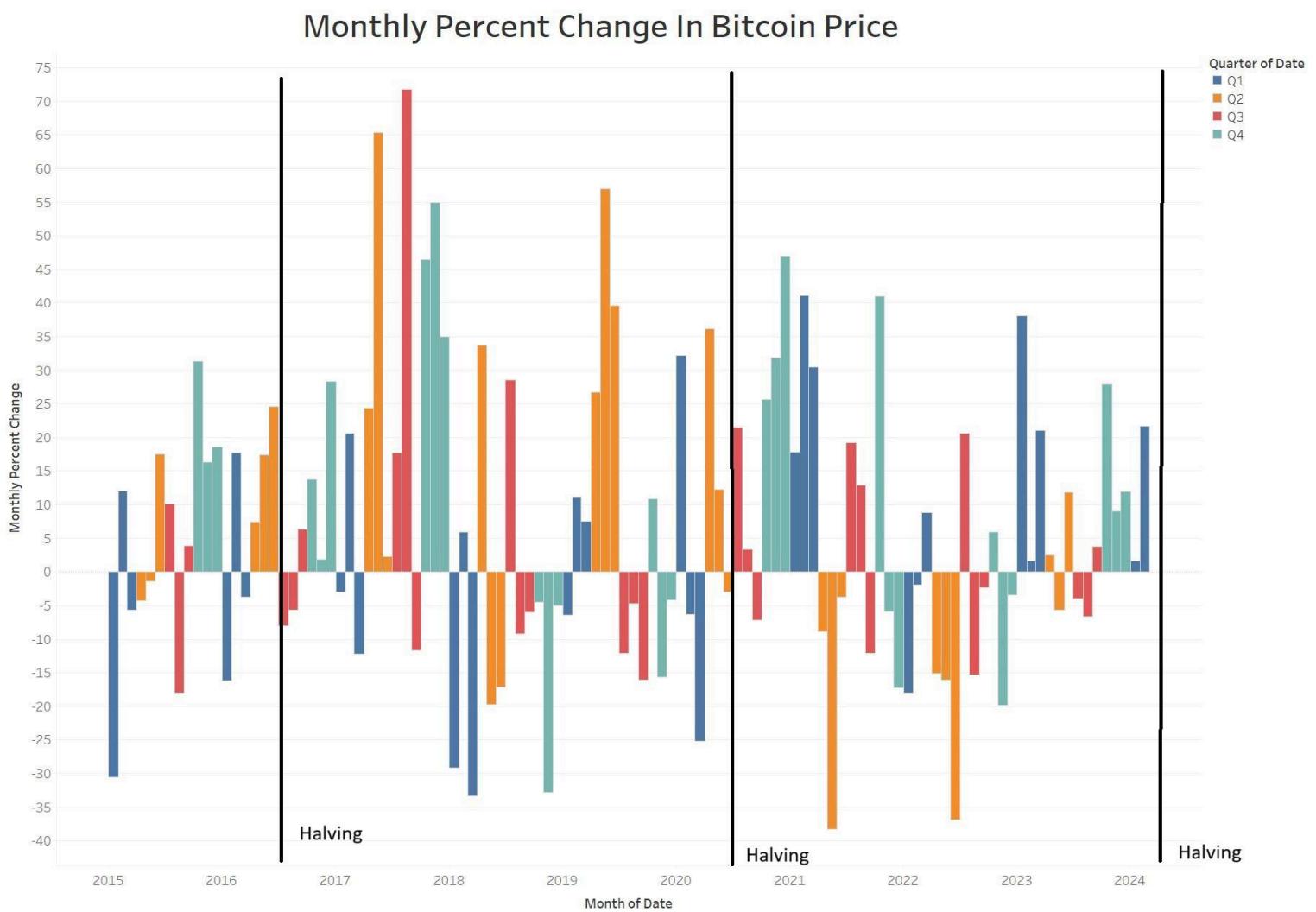
Trading volume signifies the total transactions for an asset within a specific timeframe. Despite Bitcoin's price following a general uptrend recently, trading volume has not approached all-time highs. This divergence may indicate a robust conviction among investors, who prefer to retain their holdings in anticipation of further price increases. Such behavior underscores the strength in investor sentiment, reflecting a collective expectation of future gains.

Bitcoin Price vs. Total Trading Volume



Can't afford a whole Bitcoin?

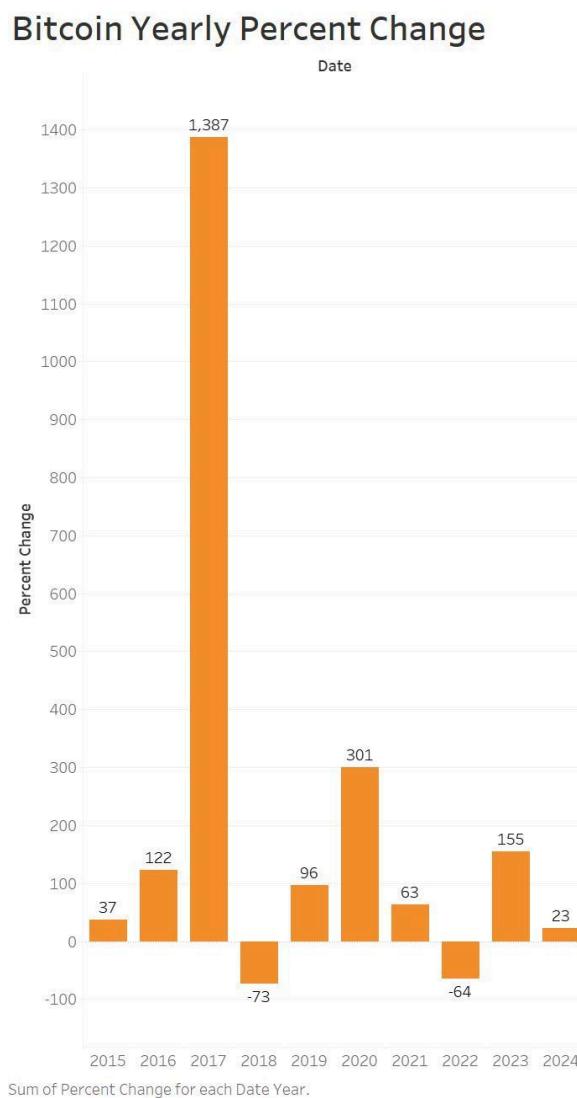
You don't have to. That's why percentages matter. So then how significantly is this asset class growing? The following shows the asset's monthly percent change, particularly around halving events, which historically precede significant price surges due to reduced supply. I noticed a decreasing percentage of monthly returns over time.



Date Month vs. Monthly Percent Change. Color shows details about Date Quarter.

That's Volatile, But is it?

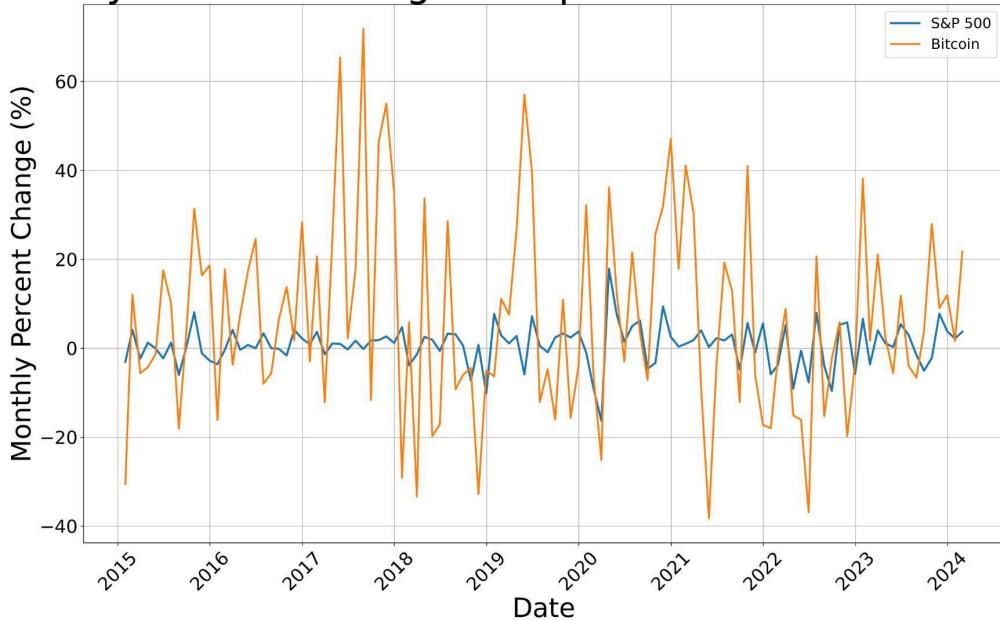
Although it can be dizzying to visualize its performance month-to-month, zooming out and looking at Bitcoin's Yearly Percent Change simplifies the story. Although the price seems astronomical, Bitcoin actually returned a lot more in its early days and the losses are becoming less heavy. This is expected as an asset class matures and stabilizes.



How these returns compare to the S&P 500

The S&P500 is a stock market index tracking the stock performance of 500 of the largest companies listed on stock exchanges in the United States. By overlaying these two different data sets we can compare not only highlights Bitcoin's elevated risk profile but also its appeal as a high-reward investment option amidst the conventional options.

Monthly Percent Change Comparison: S&P 500 vs. Bitcoin



The Emergence of New Cryptocurrency Projects

As Bitcoin evolves into a trillion-dollar asset class, investors are increasingly willing to embrace the risks associated with new, emerging crypto assets. Over time, these assets have expanded far beyond Bitcoin's scope in 2015. Although area charts may not offer the best visual comparisons, viewing them as a trend reveals the emergence of these new asset classes alongside Bitcoin's growth.

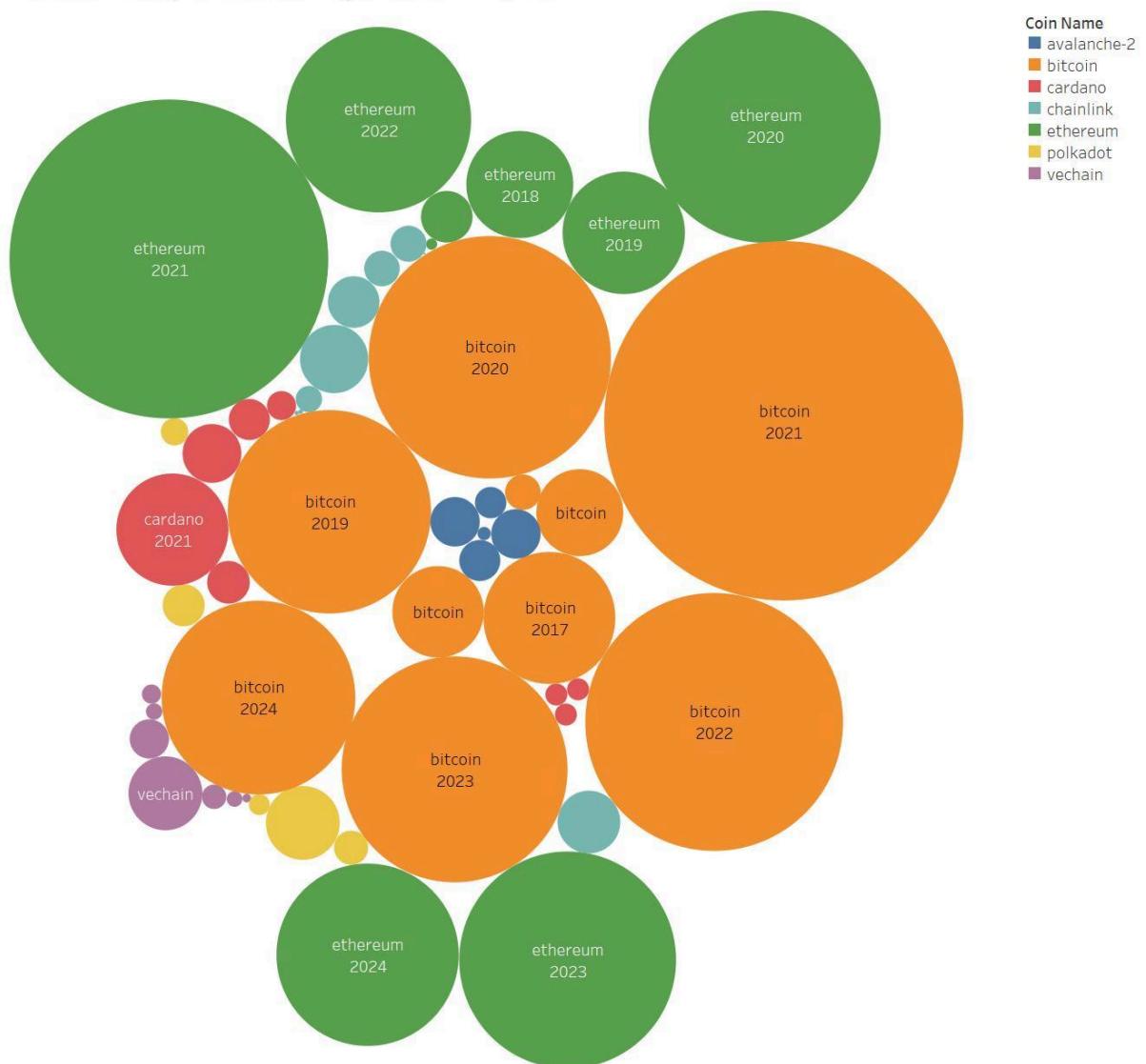


The total market cap is utilized to gauge the overall value of a project, reflecting its distribution across all issued coins. Hence, even if an individual coin's price is low, the project's market cap can be substantial, provided there is a significant number of tokens at that valuation.

Profits flowing into new projects?

I found this graphic particularly insightful as it illustrated the volume of money flowing into new projects. Whether it is investors cycling profits into higher risk projects, or new people looking for the next Bitcoin, these projects start trending higher and higher. This observation sparked my interest in comparing the percentage changes of these new ventures. These visualizations inspired me to look deeper into other altcoins.

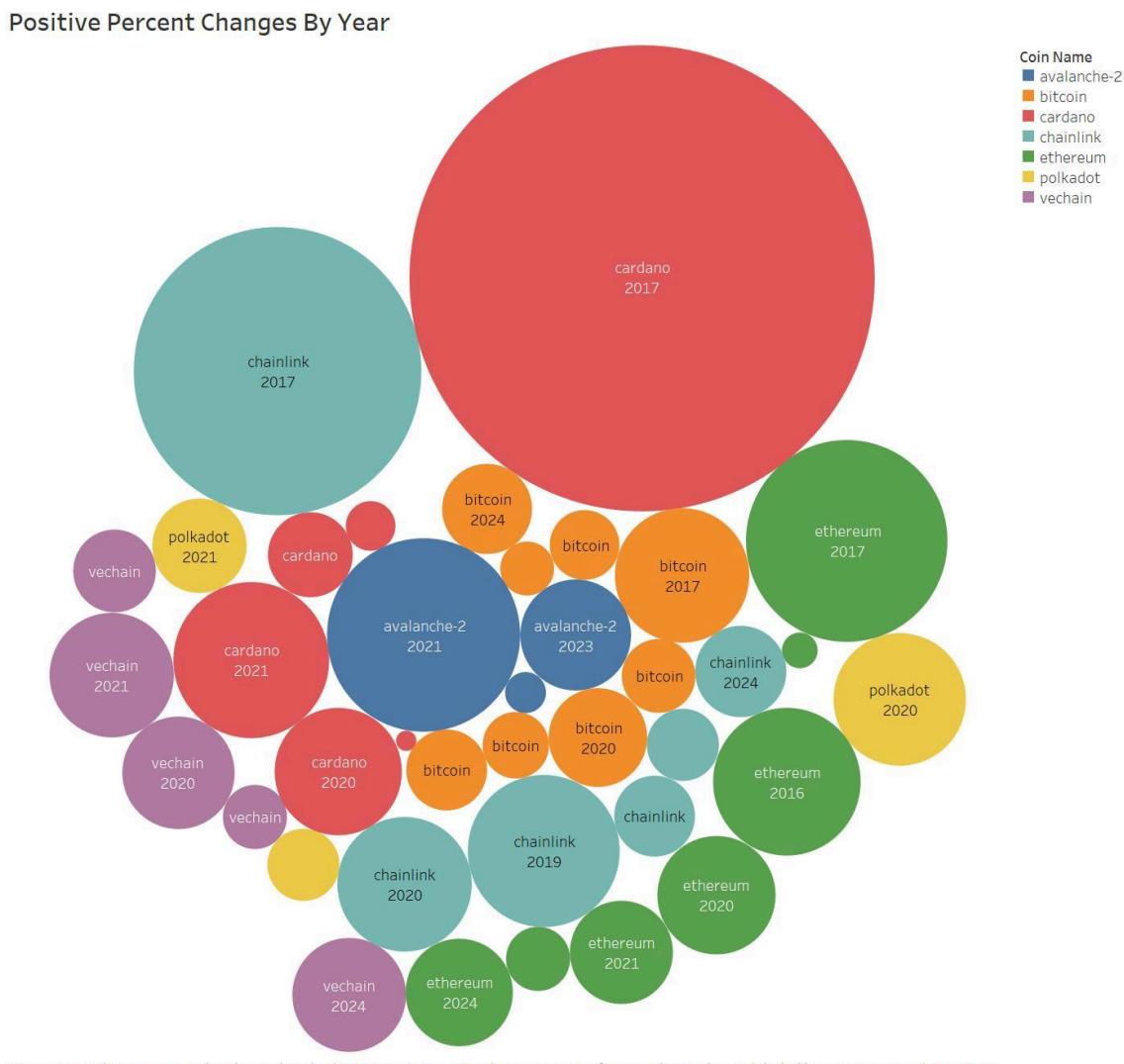
Max Volume Comparison Among Various Projects



Coin Name and Date Year. Color shows details about Coin Name. Size shows maximum of Total Volume. The marks are labeled by Coin Name and Date Year.

Altcoins on their good days

When it comes to overall asset performance we can refer back to an area chart again to see how other altcoins begin to dominate Bitcoin. This trend might appeal particularly to those more risk-averse investors, especially as Bitcoin evolves into a more stabilized and mature asset class. Altcoins could become increasingly attractive, gaining traction among a broader investor base.

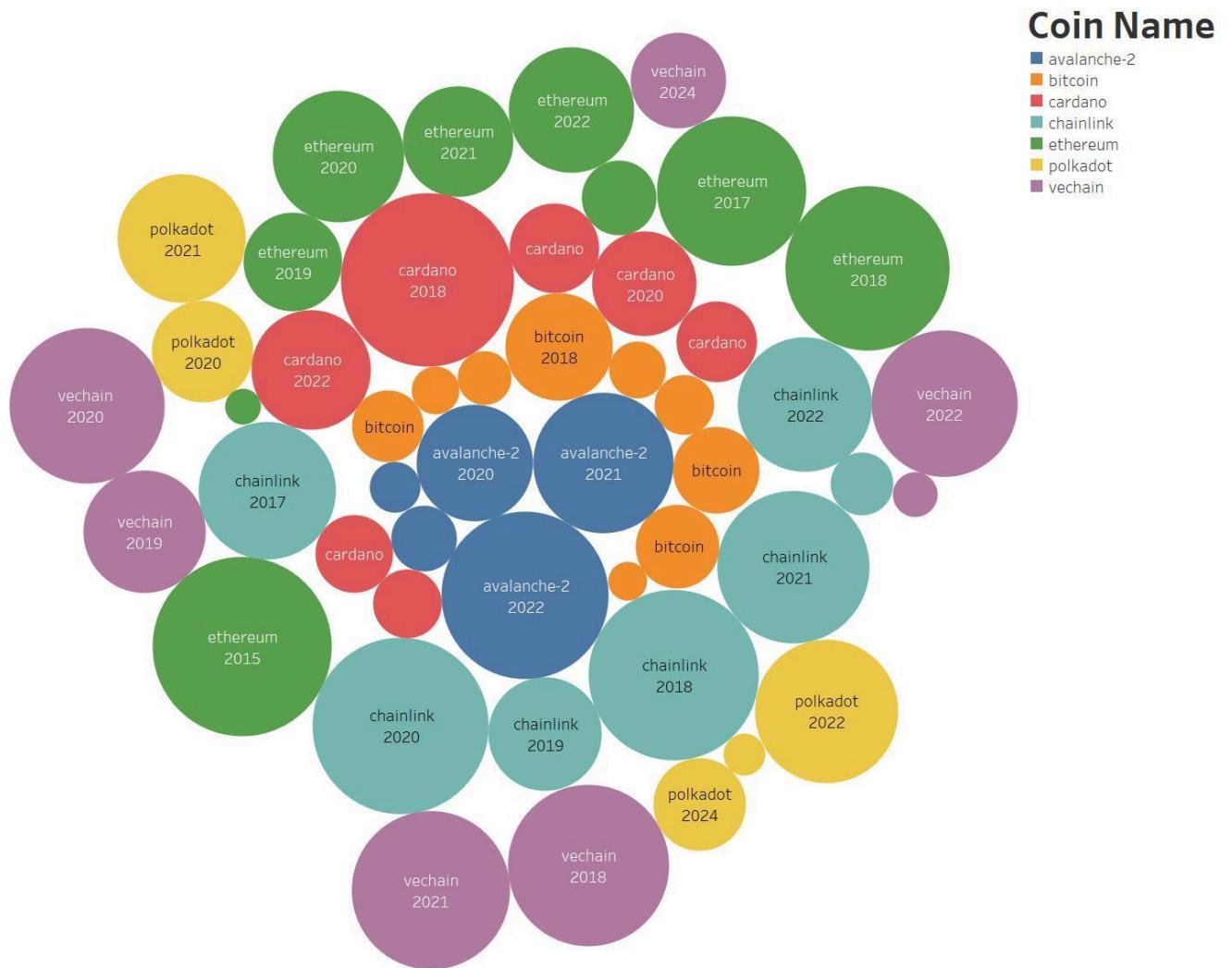


Coin Name and Date Year. Color shows details about Coin Name. Size shows average of Price. The marks are labeled by Coin Name and Date Year.

Altcoins on their bad days

With higher reward comes higher risk. Altcoins suffered much greater losses when compared to Bitcoin which is expected for speculative assets. The goal with this visualization is to present to the viewer that there is a noticeable difference in risk with altcoins compared to Bitcoin.

Average Yearly Losses

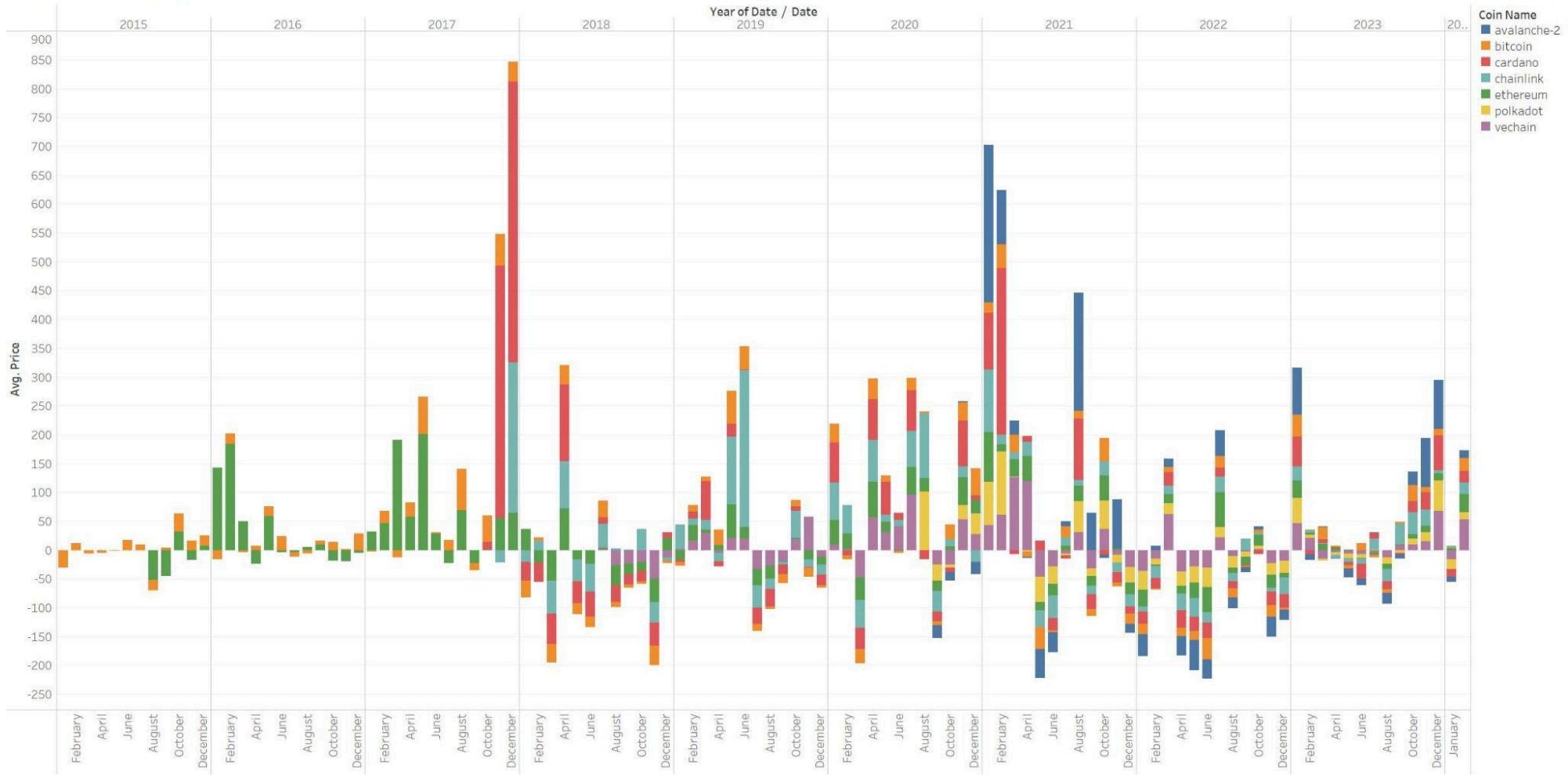


Coin Name and Date Year. Color shows details about Coin Name. Size shows details about average of Negative. The marks are labeled by Coin Name and Date Year. The view is filtered on Exclusions (Coin Name,YEAR(Date)), which keeps 49 members.

Beating and Losing to Bitcoin

My final graphic synthesizes all of our discoveries to answer the question: "With Bitcoin trending, what opportunities exist for me?" It reveals how Bitcoin's rise has spawned a new asset class of cryptocurrencies, catering to investors across the risk spectrum. This visualization builds on insights from previous area charts, demonstrating that altcoins present both higher risks and potential rewards. This graphic also gives another insight from the data! Altcoin performance is closely tied to Bitcoin's movements. It's rare to observe positive monthly returns in altcoins during Bitcoin's downtrends, underscoring Bitcoin's market dominance. Despite offering lower returns compared to these more speculative assets, Bitcoin's dominance is undeniable.

Percent Changes By Year



Average of Price for each Date Month broken down by Date Year. Color shows details about Coin Name.

The Data Tells the Story

Rather than relying on what others say, or what inferences we can speculate simply by looking at the price, we can see that through different metrics we can navigate this space a little more clearly. While historical patterns are not guaranteed to recur, having a model to guide your decisions is far preferable to operating under ignorance or being swayed by emotion when managing risk.

We learned that there tends to be an uptrend following Bitcoin halvings, and based on the total volume the market may have not yet reached its peak. We also see the importance of comparing percentage gains to truly measure opportunities for gains and losses. The data shows that Bitcoin, from its humble beginnings, has created a new asset class and more and more people are willing to expose themselves to its market dynamics in anticipation of a reward. Although Bitcoin's price has not experienced the massive run ups of its previous cycles, Bitcoin continues to dominate market sentiment. Its downward trends often lead to declines across altcoins, highlighting its pivotal role in the cryptocurrency ecosystem.

