



# The State of Digital Assets

Q1 2020

IN PARTNERSHIP WITH  The Tie

## A Message from eToro USA



**Guy Hirsch**  
Managing Director

The world is in the midst of a black swan event, and yet it is clear that the crypto industry can sustain and even thrive through it which is a remarkable achievement. We can now say with ever more confidence that the industry is resilient to boom and bust cycles, and even (or especially) during a pandemic continue to play a role in the vital necessity of decentralization. I believe the data shows a bullish case for the future, and we look forward to serving our role as a bridge to the future of finance.

### About eToro USA

eToro is a global, multi-asset trading platform with over 13 million registered users. At eToro, you can share your real track record, portfolio, and trades with the community, allowing users to engage with each other on trading ideas that are executed using real dollars. For those new to crypto trading, the community and educational resources introduce users to this new asset class and the risk profiles involved in it.

## A Message from The TIE TheTie



**Joshua Frank**  
Co-Founder & CEO

Q1 saw incredible highs and lows for digital assets. While cryptocurrencies flashed amidst macroeconomic uncertainty surrounding the coronavirus, this is the first time we have seen digital assets discussed as a serious alternative asset class in a macro context. We will look back at Q1 2020 as the beginning of the second generation for crypto.

### About The TIE

The TIE is an eToro research partner and the premier provider of alternative data for digital assets. The TIE offers trusted and transparent data solutions that power the leading cryptocurrency institutional investors and market participants. Among The TIE's offerings are the exclusive digital asset sentiment feed powered by the Twitter firehose and the first corporate actions feed for cryptocurrencies.

## Structure of the Report

The first section of the report covers the 15 coins that eToro supports for trading. Each coin has a summary page that shows key quarterly metrics and notable events/narratives discussed in the news over the quarter. Following this page is a short, data-driven piece, an in-depth story, or an interview, that expands on one of the events or narratives.

After the section discussing each coin, there is a contributor section. This brings together industry experts to share their perspectives, data, and experience on various topics that are most relevant to this quarter's activity.

Lastly, we interviewed leading CopyTraders from the eToro platform to let them share their unique perspectives on digital asset trading in Q1 2020 and their perspectives on the market.

## About the Data

Unless otherwise noted, all data is provided by The TIE. Throughout the report you will encounter a number of proprietary sentiment-driven metrics produced by The TIE. In the context of this report, sentiment is a measure between 0-100 of how positive or negative Twitter conversations are on a particular cryptocurrency over a given time interval. A score above 50 implies that conversations on an asset are positive and a score below 50 implies that they are negative.

Daily Sentiment Score is a normalized representation of investor emotion over a rolling 24 hours as compared to the previous 20 days.

Long-Term Sentiment Score is a normalized representation of investor emotion over a 50 day period as compared to the previous 200 days.

[Click here to learn more about The TIE's proprietary sentiment data.](#)

# Key Takeaways

## Cryptocurrency is Maturing

In the wake of COVID-19 and the surrounding macroeconomic uncertainty, conversations are increasing around cryptocurrencies as an alternative asset class and Bitcoin as a hedging asset. By the end of the quarter, investors' perceptions (Twitter-based sentiment) of Bitcoin and gold were more correlated than ever before, and mentions of COVID-19 surpassed those of the next Bitcoin halving in Bitcoin-related headlines.

## Cryptocurrency is Resilient

On March 12, 2020, digital assets experienced their worst price return day ever, with many assets selling-off by over 50%. However, the market bounced back quickly, erasing a significant percentage of the losses by the end of Q1. Despite the drop, 40% of assets ended Q1 with positive returns and 60% experienced an increase in tweet volume.

## The Crypto Market is Highly (but Not Perfectly) Correlated

Over Q1, nearly all cryptocurrencies experienced highly correlated daily price movement. With the exception of Dash, every coin hit its highest quarterly price between Feb 3, 2020 and Feb 19, 2020. Every asset dropped to its lowest point on Mar 13, 2020. However, over the first three months of 2020, digital asset returns varied drastically from -22% to 58%.

While individual cryptocurrencies are correlated with the rest of the digital asset market, every coin has its own narrative. Performance is heavily related to significant events and investor emotions surrounding that coin. There is a case to be made for diversifying digital asset holdings.

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## Bitcoin - Summary

**-11.41%** **\$6,374.16**  
as of March 31, 2020

**8,536,493**  
FOLLOWERS

**35.10%**  
INVESTORS

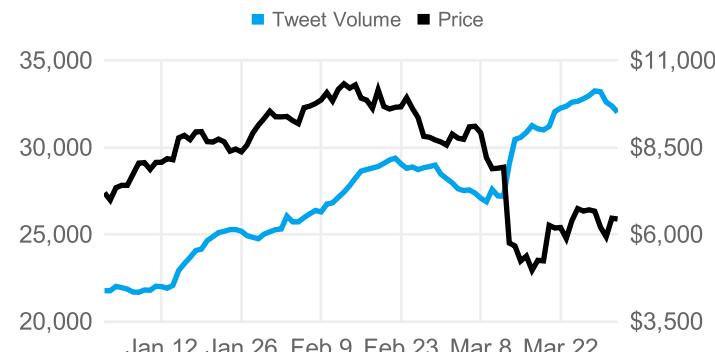
**97%**  
ARE LONG

Data on eToro Users as of April 1, 2020

### Bitcoin - Daily Sentiment vs. Price



### Bitcoin - Tweet Volume vs. Price



### QUARTERLY PRICE METRICS

Price Change vs. USD	<b>-11.41%</b>
Price Change vs. BTC	N/A
Open	<b>\$7,195 (1 BTC)</b>
Close	<b>\$6,374 (1 BTC)</b>
High	<b>\$10,458 (Feb 13)</b>
Low	<b>\$4,107 (Mar 13)</b>
Max Retracement from High	-61%
% of Days Positive vs. USD	48%
% of Days Positive vs. BTC	N/A

### QUARTERLY SENTIMENT METRICS

Tweet Volume Change	<b>+47%</b>
Avg. Tweet Volume	27,857
Max Tweet Volume	<b>58,332 (Mar 13)</b>
Min Tweet Volume	<b>18,418 (Jan 26)</b>
% of Days Positive Sentiment	60%
Most Positive Day	<b>81/100 (Jan 7)</b>
Most Negative Day	<b>19/100 (Mar 12)</b>

### NOTABLE NARRATIVES

#### The Aftermath of the March 12th Crash

Page 48: Sacha Ghebali of Kaiko discusses the ramifications of Bitcoin's flash crash on liquidity and trading

#### The Macro Narrative for Bitcoin is Far from Dead

Page 52: Kevin Kelly of Delphi Digital writes about Bitcoin in the face of growing macroeconomic uncertainty

#### The Upcoming Bitcoin Network Halving and Miner Profitability

Page 56: John Todaro from TradeBlock discuss decreasing hash rate and price pressure leading up to the halvening

## **Coronavirus has Become the Dominant Narrative for Bitcoin**

## The Halving

A “halving” is a pre-programmed, scheduled reduction in the inflation rate of an asset’s supply by 50%. Bitcoin’s next halving was its leading narrative from the end of 2019 into the beginning of 2020. This halving, which will take place on approximately May 13, 2020, had been a dominant narrative discussed by many in the digital asset space because, all things being equal, a reduction in new supply — combined with consistent demand and pressure on miners — would hypothetically lead to positive price movement for BTC.



## Coronavirus Takes the Stage

While the halving dominated early conversations in Q1, mentions of the coronavirus in cryptocurrency publications skyrocketed in early February and significantly eclipsed publicity around Bitcoin's halving.

## Relative Mentions in Crypto Publications: Coronavirus vs. The Halvening



# Bitcoin's Market Cap Dominance Remains High

## What is market cap dominance?

Market cap dominance represents an individual asset's share of the overall cryptocurrency market cap.

## The History of Bitcoin's Market Cap Dominance

On January 3, 2018, in the middle of the cryptocurrency boom, Bitcoin's market cap dominance dropped to an all-time low (38.34%, as investors looked to altcoins for potential gains). But by September 2019, Bitcoin surged, eclipsing the rest of the crypto market, with 70% market dominance.

## Q1 2020 Market Cap Dominance

Bitcoin began Q1 with a market cap dominance of 68.18% before dipping to a low of 60.97% on February 14. At the close of the quarter, Bitcoin represented 65% of the overall cryptocurrency market cap.



# In Depth: The Digital Gold Narrative for Bitcoin

*"The root problem with conventional currency is all the trust that's required to make it work. The central bank must be trusted not to debase the currency, but the history of fiat currencies is full of breaches of that trust. Banks must be trusted to hold our money and transfer it electronically, but they lend it out in waves of credit bubbles with barely a fraction in reserve."*

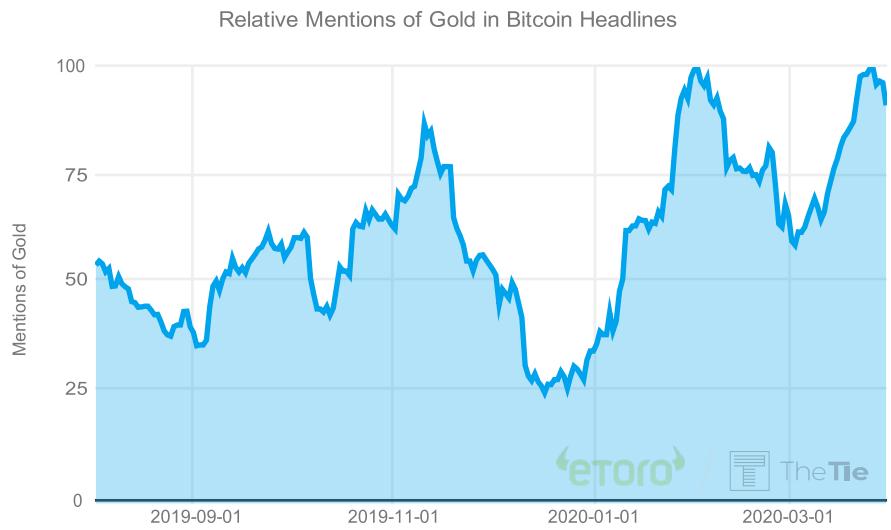
- Satoshi Nakamoto (February 2009)

## Born During the 2008-2009 Financial Crisis

Bitcoin was born during the last financial crisis at a time of massive bank bailouts, inflation, and central bank intervention. Q1 2020 was dominated by coronavirus, massive government stimulus packages, and slashes to interest rates. In this time of great macroeconomic uncertainty, Bitcoin's digital gold narrative has reached its apex.

## Mentions of Gold in Bitcoin Headlines Hit New Highs

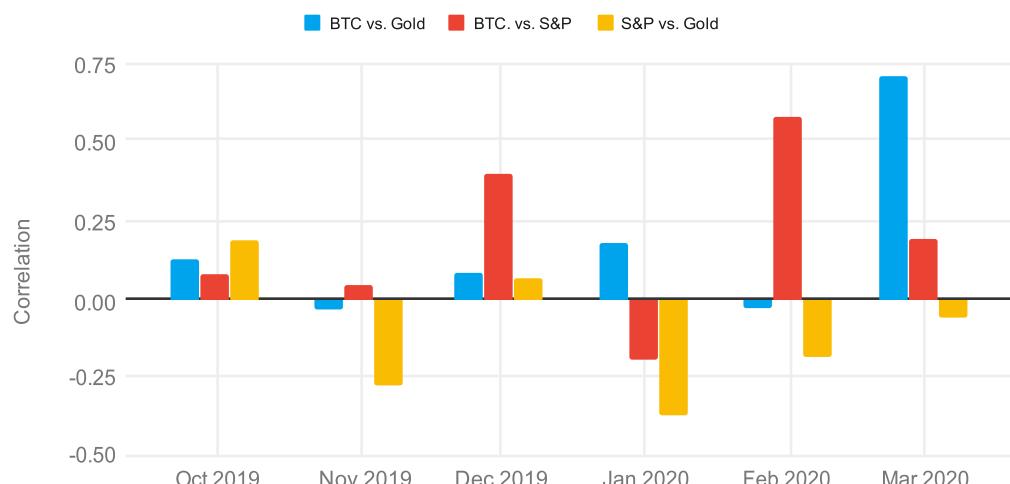
Relative and absolute mentions of gold in headlines discussing Bitcoin have reached all-time highs. The digital gold narrative saw serious momentum from mid-December to early February 2020. After falling at the beginning of the month, the digital gold narrative has once again drawn significant interest as the broader economy has faltered in the wake of coronavirus. Journalists' mentions of Bitcoin in relation to gold is nearing an all-time high.



## Sentiment Correlation: Bitcoin, Gold, and S&P 500

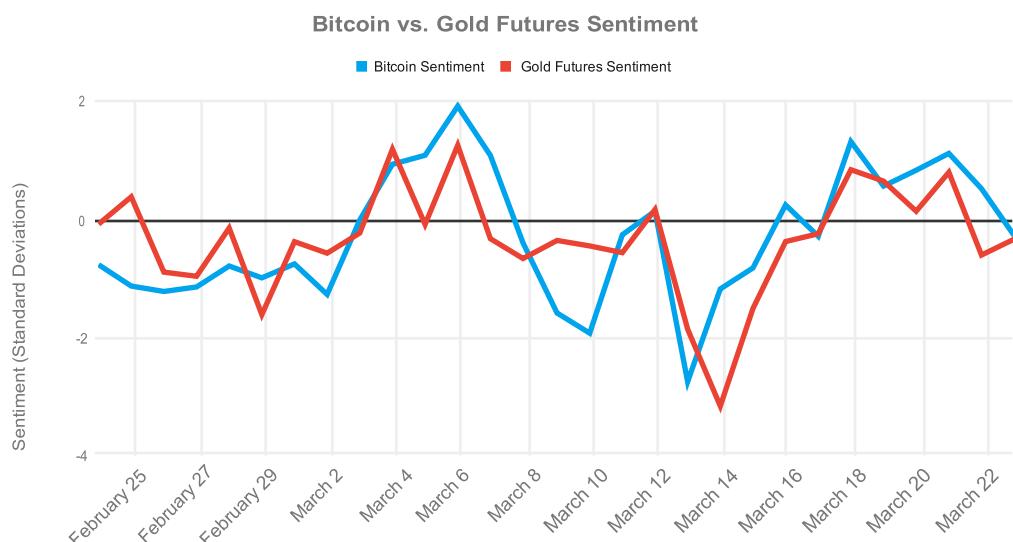
Over the last 12 months, investor sentiment between Bitcoin and the S&P 500 has generally been closer than that between Bitcoin and gold. In February 2020, Bitcoin and the S&P 500 achieved a sentiment correlation of  $r=.59$ . However, as the coronavirus started to dominate conversations, Bitcoin sentiment became significantly more correlated with gold than with the S&P 500. In March, the Bitcoin-gold correlation hit  $r=.72$ , which was the highest correlation between any pair of the three assets.

**Monthly Sentiment Correlations (Bitcoin, S&P 500 Futures, and Gold Futures)**



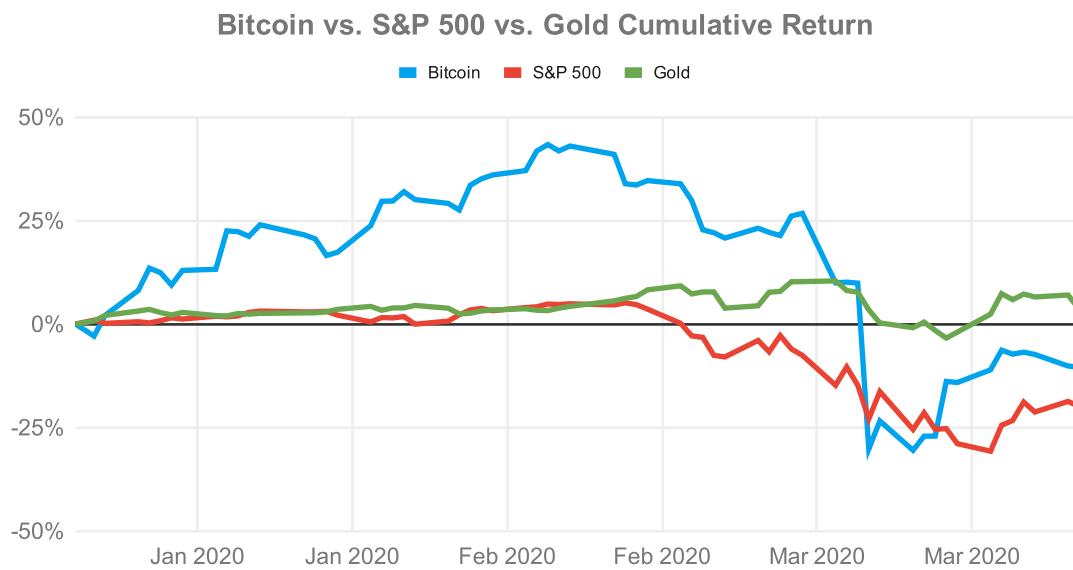
## Bitcoin and Gold Sentiment Highly Correlated in March 2020

Bitcoin and gold sentiment has been highly correlated since the beginning of March. The large changes in sentiment on both assets have occurred in unison or within close proximity.



## Bitcoin Outperforms S&P 500 in Q1 2020

Bitcoin significantly outperformed both the S&P 500 and gold between January and mid-March, before crashing from a 9.89% YTD return to a -30.17% YTD return in a single day on March 12, 2020. Bitcoin finished the quarter with a loss of -10.45%, but still outperformed the S&P 500, which ended the quarter down -19.92%. Despite outperforming gold for nearly the entire quarter, Bitcoin finished significantly below gold's positive 3.6% YTD return because of Bitcoin's drop on March 12.

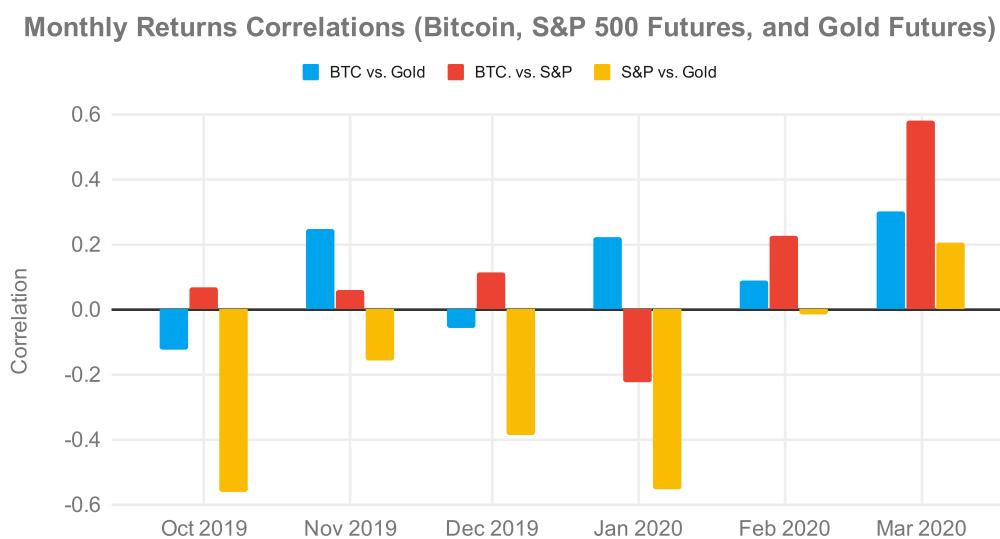


## Bitcoin and Gold Sentiment Became Highly Correlated

Between October 2019 and February 2020, gold and the S&P 500 had negative correlations with one another. Gold is typically viewed as a safe-haven asset during stock market sell-offs, as it is expected to have an inverse price correlation with the S&P (a perceived higher-risk asset). However, it is interesting to note that gold also faltered in March 2020 amidst the S&P 500's crash. For the first time over the last 6 months, we are witnessing a positive price correlation between gold and the S&P 500.

As we have seen the "Bitcoin as a Digital Gold" narrative begin to surge, it will be interesting to see how the asset class correlates over the next few months with gold and the S&P 500. If that narrative proves true, one would expect to see Bitcoin having a positive price correlation with gold and a more negative correlation with the S&P 500 during an economic downturn.

During the beginning of economic downturns, many investors may flock to cash and liquidate their holdings across the board, which might partially explain Bitcoin's crash alongside equities and gold on March 12.





## Bitcoin Cash - Summary

+6.25% \$217.47

as of March 31, 2020

827,722 FOLLOWERS

8.34% INVESTORS

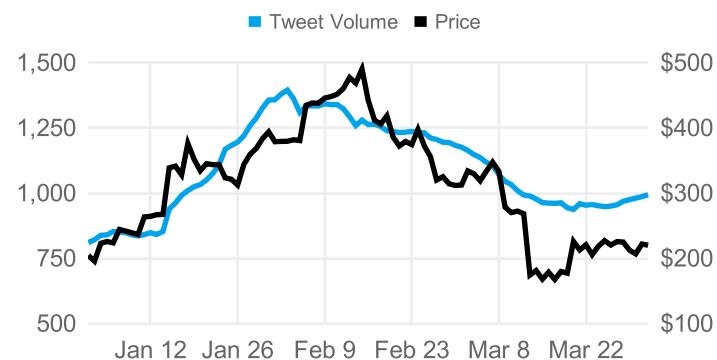
99% ARE LONG

Data on eToro Users as of April 1, 2020

### Bitcoin Cash - Daily Sentiment vs. Price



### Bitcoin Cash - Tweet Volume vs. Price



### QUARTERLY PRICE METRICS

Price Change vs. USD	+6.25%
Price Change vs. BTC	+19.94%
Open	\$204.67 (.0285 BTC)
Close	\$217.47 (.0341 BTC)
High	\$493.03 (Jan 14)
Low	\$139.22 (Mar 13)
Max Retracement from High	-72%
% of Days Positive vs. USD	48%
% of Days Positive vs. BTC	49%

### QUARTERLY SENTIMENT METRICS

Tweet Volume Change	+23%
Avg. Tweet Volume	1,109
Max Tweet Volume	2,309 (Jan 14)
Min Tweet Volume	649 (Jan 8)
% of Days Positive Sentiment	47%
Most Positive Day	78/100 (Feb 14)
Most Negative Day	16/100 (Jan 24)

### NOTABLE NARRATIVES

[BCH, BSV Block Halvings Will Force Miners to Bitcoin \(BTC\) — Report](#)

[Tether Launches Stablecoin Token on Bitcoin Cash via Simple Ledger Protocol](#)

[Bitcoin Cash Will Avoid Chain Split as Mining Tax Dies](#)

[Bitcoin Cash Sees no Blocks for 5 Hours, No Significant Backlog Due to Low Usage](#)

[US Judge Dismisses Bitcoin Cash 'Hijack' Lawsuit Against Bitmain, Kraken](#)

# Bitcoin Cash is Halving Too — Does Anyone Care?

## Bitcoin Cash Block Reward Reduction

Bitcoin Cash, the largest hard fork of Bitcoin by market cap, is experiencing its first halving (inflationary reduction) on April 8, 2020. Like Bitcoin, BCH will see its block reward drop from 12.5 to 6.25 coins per block.

## Unlike LTC, BCH Did Not Surge in the Weeks Before its Halving

Litecoin was one of the latest major altcoins to experience a halving. During the month leading up to Litecoin's halving (January 1, 2019 – August 5, 2019), the coin returned 176%, which was significantly better than other major altcoins (ETH 48%, XRP -15%, BCH 86%). However, Bitcoin Cash did not see any notable outperformance leading up to eight days before its halving (end of Q1 2020). This provides a counterexample to the theory that halvings have a significantly positive price impact on all coins.

### January 1, 2019 to 8 Days Before Litecoin Halving (208 Days)

Ethereum 48.06%  
XRP -14.82%  
**Bitcoin Cash 86.30%**  
Litecoin 176.09%

### September 4, 2019 to 8 Days Before Bitcoin Cash Halving (208 Days)

Ethereum -23.87%  
XRP -32.62%  
**Bitcoin Cash -25.32%**  
Litecoin -41.67%

Cumulative Returns (Jan 2019 - Present)





## Cardano - Summary

**-6.94%** **\$0.030553**

as of March 31, 2020

**317,553**

FOLLOWERS

**7.62%**

INVESTORS

**100%**

ARE LONG

Data on eToro Users as of April 1, 2020

### Cardano - Daily Sentiment vs. Price



### Cardano - Tweet Volume vs. Price



### QUARTERLY PRICE METRICS

Price Change vs. USD	<b>-6.94%</b>
Price Change vs. BTC	<b>+5.04%</b>
Open	<b>\$0.032832 (456 Sats)</b>
Close	<b>\$0.030553 (479 Sats)</b>
High	<b>\$0.072070 (Feb 13)</b>
Low	<b>\$0.019130 (Mar 13)</b>
Max Retracement from High	-73%
% of Days Positive vs. USD	48%
% of Days Positive vs. BTC	51%

### QUARTERLY SENTIMENT METRICS

Tweet Volume Change	<b>-7.46%</b>
Avg. Tweet Volume	453
Max Tweet Volume	1,040 (Jan 28)
Min Tweet Volume	248 (Mar 19)
% of Days Positive Sentiment	45%
Most Positive Day	83/100 (Jan 28)
Most Negative Day	25/100 (Jan 2)

### NOTABLE NARRATIVES

[IOHK Releases Cardano \(ADA\) Scaling Protocol Hydra, Reboots Byron Codebase](#)

[Cardano Community Outraged by Cardano Staking Cartel in Shelley Testnet](#)

[Cardano \(ADA\) Foundation Engages in Decentralized Computing Effort to Fight COVID-19](#)

[Fintech Think Tank Takes Legal Action Against Cardano Foundation](#)

[Cardano to Roll Out Commercial Infrastructure, Denies Coronavirus Delay](#)

# Cardano's Share of the Overall Crypto Market has Fallen 10x

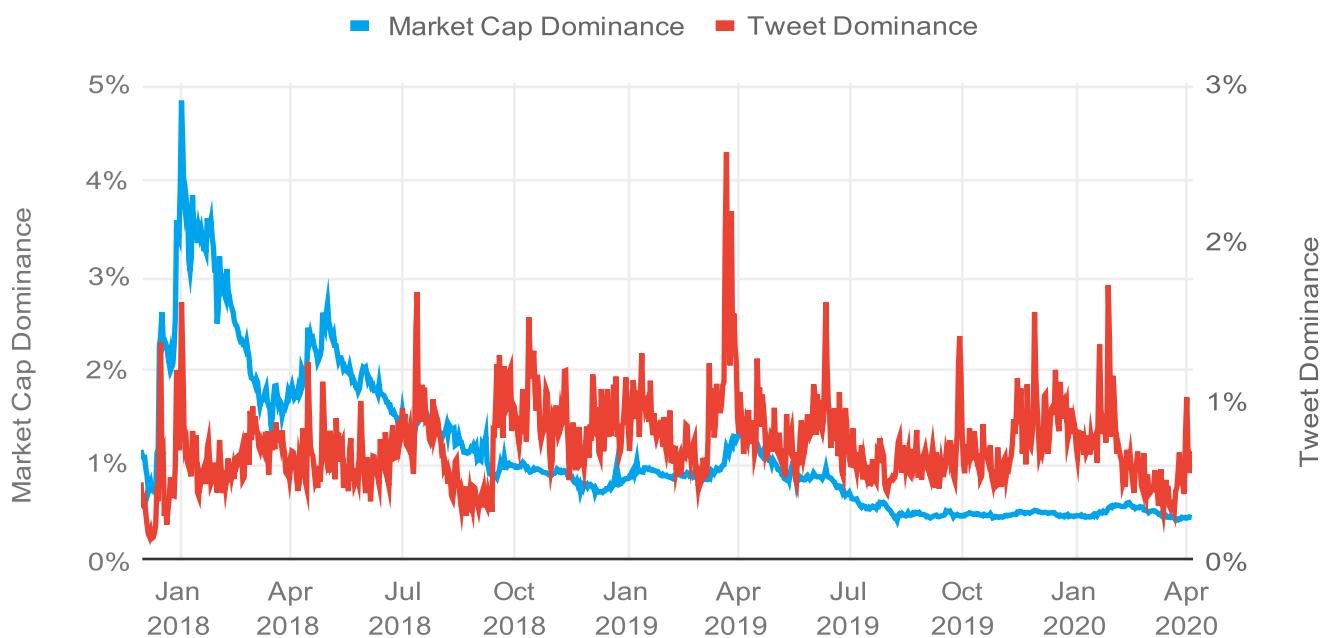
## Cardano's Market Cap Dominance Drops Significantly

On January 2, 2018, Cardano's market cap dominance hit an all-time high of 4.82%. On March 22, 2020, ADA hit its lowest point in at least three years as its market cap dominance fell to 0.41%, a drop of 91%.

Most of Cardano's drop occurred in 2018, though the asset still accounted for as much as 1.37% of the total digital asset market cap within the past year. That 52-week high was in the beginning of Q2 2019, following the launch of Cardano 1.5.

Although Cardano's market cap dominance has fallen, its share of crypto conversations on Twitter has remained mostly consistent since 2018 (averaging between 0.5–1.0% of tweets on a daily basis). The best individual days for ADA tweet volume occurred in March 2019, following the release of Cardano 1.5. On March 22, 2019 Cardano hit an all-time high tweet volume dominance of 2.56%.

**Cardano Market Cap Dominance vs. Tweet Dominance (Dec 2017 - Mar 2020)**





## Dash - Summary

+58.17% \$65.15

as of March 31, 2020

648,779 FOLLOWERS

8.53% INVESTORS

99% ARE LONG

Data on eToro Users as of April 1, 2020

### Dash - Daily Sentiment vs. Price



### Dash - Tweet Volume vs. Price



### QUARTERLY PRICE METRICS

Price Change vs. USD	<b>+58.17%</b>
Price Change vs. BTC	<b>+78.54%</b>
Open	<b>\$41.19 (.0057 BTC)</b>
Close	<b>\$65.15 (.0102 BTC)</b>
High	<b>\$140.70 (Jan 15)</b>
Low	<b>\$34.91 (Mar 13)</b>
Max Retracement from High	-75%
% of Days Positive vs. USD	48%
% of Days Positive vs. BTC	40%

### QUARTERLY SENTIMENT METRICS

Tweet Volume Change	<b>+60.97%</b>
Avg. Tweet Volume	232
Max Tweet Volume	891 (Jan 15)
Min Tweet Volume	108 (Jan 1)
% of Days Positive Sentiment	49%
Most Positive Day	82/100 (Jan 5)
Most Negative Day	23/100 (Feb 16)

### NOTABLE NARRATIVES

[Announcing the Release of Dash Platform v0.11](#)

[Crypto Rating Council Publishes Ratings for Cosmos, Dash, and Ethereum Classic](#)

[Bitcoin and Dash Spike Following Venezuela Internet Shutdown](#)

# The Prices of Digital Assets Were Highly Correlated

## Dash Daily Price Changes Were the Least Correlated

Among the fifteen assets available for trading on eToro US, Dash was the least correlated with other digital assets. More specifically, Dash and Tezos were the least correlated pair at  $r=.47$ . It is interesting to note that despite having the least correlated sentiment among any pair of digital assets, Dash and Tezos were the two best performing tokens, with Dash returning 58.17% over the quarter and Tezos returning 20%.

We believe that DASH may be the least correlated asset due to its surge in early January, after it was announced that the coin would be accepted in Burger Kings across Venezuela ([Link](#)).

**Q1 2020 Daily Price Change Correlations**

	BTC	ETH	BCH	XRP	DASH	LTC	ETC	ADA	MIOTA	XLM	EOS	NEO	TRON	ZEC	XTZ
BTC	1.00	0.91	0.88	0.85	0.58	0.87	0.72	0.90	0.79	0.85	0.88	0.91	0.89	0.75	0.80
ETH	0.91	1.00	0.89	0.92	0.58	0.93	0.74	0.92	0.77	0.90	0.89	0.94	0.92	0.75	0.85
BCH	0.88	0.89	1.00	0.86	0.60	0.91	0.84	0.89	0.74	0.85	0.91	0.86	0.90	0.80	0.70
XRP	0.85	0.92	0.86	1.00	0.54	0.87	0.72	0.89	0.75	0.92	0.86	0.91	0.90	0.70	0.76
DASH	0.58	0.58	0.60	0.54	1.00	0.58	0.66	0.59	0.56	0.56	0.60	0.58	0.62	0.84	0.47
LTC	0.87	0.93	0.91	0.87	0.58	1.00	0.80	0.91	0.71	0.86	0.91	0.88	0.90	0.76	0.78
ETC	0.72	0.74	0.84	0.72	0.66	0.80	1.00	0.82	0.66	0.77	0.81	0.72	0.79	0.82	0.58
ADA	0.90	0.92	0.89	0.89	0.59	0.91	0.82	1.00	0.82	0.90	0.89	0.91	0.93	0.78	0.80
MIOTA	0.79	0.77	0.74	0.75	0.56	0.71	0.66	0.82	1.00	0.76	0.74	0.79	0.79	0.66	0.66
XLM	0.85	0.90	0.85	0.92	0.56	0.86	0.77	0.90	0.76	1.00	0.82	0.89	0.87	0.77	0.78
EOS	0.88	0.89	0.91	0.86	0.60	0.91	0.81	0.89	0.74	0.82	1.00	0.89	0.90	0.76	0.72
NEO	0.91	0.94	0.86	0.91	0.58	0.88	0.72	0.91	0.79	0.89	0.89	1.00	0.93	0.76	0.82
TRON	0.89	0.92	0.90	0.90	0.62	0.90	0.79	0.93	0.79	0.87	0.90	0.93	1.00	0.76	0.75
ZEC	0.75	0.75	0.80	0.70	0.84	0.76	0.82	0.78	0.66	0.77	0.76	0.76	0.76	1.00	0.60
XTZ	0.80	0.85	0.70	0.76	0.47	0.78	0.58	0.80	0.66	0.78	0.72	0.82	0.75	0.60	1.00

## Large Cap Daily Price Change Correlations

Bitcoin experienced high daily price change correlations with the majority of the digital asset market. The correlation between Bitcoin and each of the other assets available for trading on eToro (other than Dash) was greater than  $r=.72$ . Bitcoin's daily price change was most correlated with Ethereum, NEO, and Bitcoin Cash. The largest correlation among any pair of coins was between NEO and Ethereum at  $r=.94$ .



## EOS - Summary

**-12.95%** \$2.22

as of March 31, 2020

**232,398**

FOLLOWERS

**6.01%**

INVESTORS

**99%**

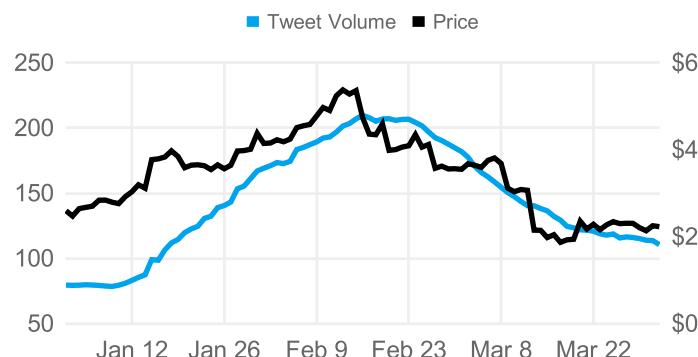
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Data on eToro Users as of April 1, 2020

### EOS - Daily Sentiment vs. Price



### EOS - Tweet Volume vs. Price



### QUARTERLY PRICE METRICS

Price Change vs. USD	<b>-13.95%</b>
Price Change vs. BTC	<b>-2.87%</b>
Open	\$2.58 (0.00036 BTC)
Close	\$2.22 (0.00035 BTC)
High	\$5.48 (Feb 13)
Low	\$1.46 (Mar 13)
Max Retracement from High	-73%
% of Days Positive vs. USD	42%
% of Days Positive vs. BTC	58%

### QUARTERLY SENTIMENT METRICS

Tweet Volume Change	<b>+39%</b>
Avg. Tweet Volume	148
Max Tweet Volume	322 (Feb 5)
Min Tweet Volume	71 (Jan 4)
% of Days Positive Sentiment	49%
Most Positive Day	91/100 (Jan 14)
Most Negative Day	31/100 (Feb 25)

### NOTABLE NARRATIVES

[Block.one Absorbs Team Behind Now-Defunct Block Producer EOS New York](#)

[EOS to Become More 'Community-Driven' as Block.One Seeks to Use Dfuse's Open-Source APIs](#)

[Block.one CEO Criticizes EOS Worker Proposal System](#)

[Coinbase, EOS Community Clash Over Supposed 'Degraded Performance'](#)

[Block.One Voice Social Network Beta Goes Live](#)

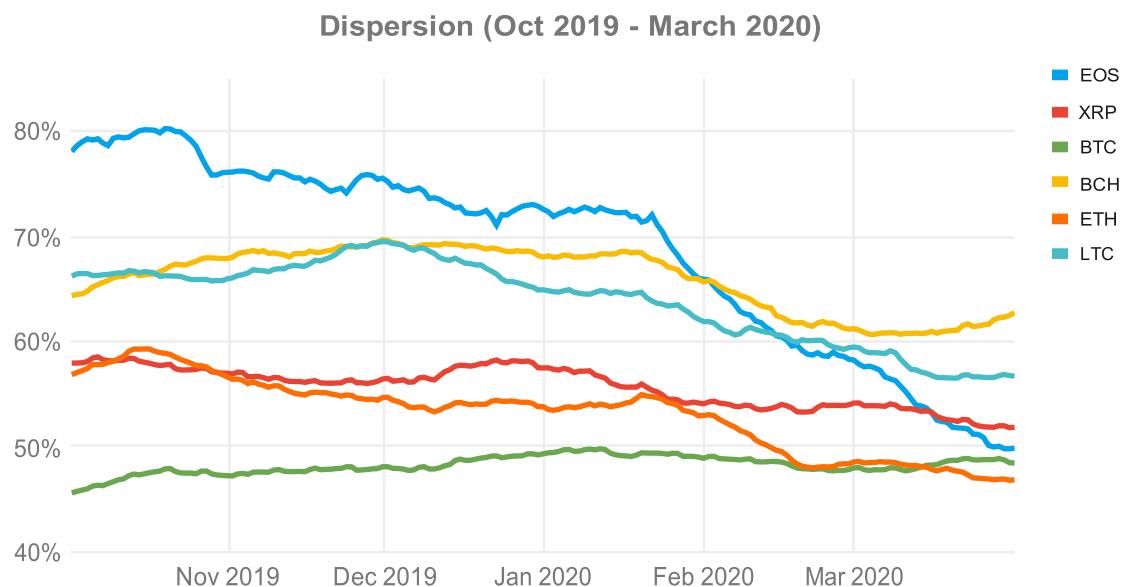
## EOS Tweets Are Increasingly Coming from the Same Accounts

### Dispersion

Dispersion measures the percentage of tweets on a particular asset that are coming from unique Twitter accounts. So, if Bitcoin's dispersion was 50%, that would mean 50% of tweets came from different Twitter users, or, on average, a Twitter user discussing Bitcoin tweeted two times in a day.

### EOS Dispersion Tanks

EOS had the largest percentage of its tweets coming from unique Twitter accounts when compared to the largest cryptocurrencies by market cap (Bitcoin, XRP, Bitcoin Cash, and Ethereum). However, over the course of Q1, EOS' dispersion dropped by 28 points from 78% to 50%, which suggests EOS conversation on Twitter became more centralized.





## Ethereum - Summary

**+3.05%** **\$133.59**  
as of March 31, 2020

**5,022,995**  
**FOLLOWERS**

**23.92%**  
**INVESTORS**

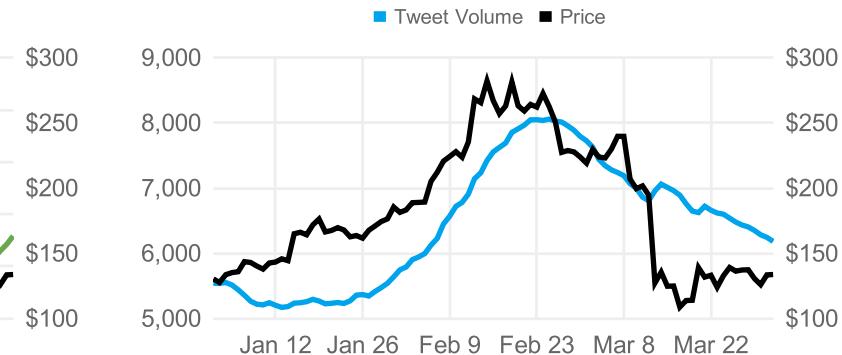
**99%**  
**ARE LONG**

Data on eToro Users as of April 1, 2020

### Ethereum - Daily Sentiment vs. Price



### Ethereum - Tweet Volume vs. Price



### QUARTERLY PRICE METRICS

Price Change vs. USD	<b>+3.05%</b>
Price Change vs. BTC	<b>+16.32%</b>
Open	<b>\$129.63 (.018 BTC)</b>
Close	<b>\$133.59 (.021 BTC)</b>
High	<b>\$287.12 (Feb 15)</b>
Low	<b>\$95.18 (Mar 13)</b>
Max Retracement from High	-67%
% of Days Positive vs. USD	42%
% of Days Positive vs. BTC	56%

### QUARTERLY SENTIMENT METRICS

Tweet Volume Change	<b>+11.56%</b>
Avg. Tweet Volume	<b>6,477</b>
Max Tweet Volume	<b>10,849 (Feb 12)</b>
Min Tweet Volume	<b>4,154 (Jan 11)</b>
% of Days Positive Sentiment	<b>57%</b>
Most Positive Day	<b>74/100 (Feb 12)</b>
Most Negative Day	<b>26/100 (Mar 12)</b>

### NOTABLE NARRATIVES

[Ethereum 2.0's Phase 0 Multiclient Testnets will Likely Go Live in April, Predicts Buterin](#)

[EY Launches Baseline Protocol, an Open Source Initiative for the Public Ethereum Blockchain](#)

[DeFi Giant MakerDAO Avoiding Shutdown in the Face of Tanking ETH - For Now](#)

[Citi Says it Recently 'Topped Up' its Equity Stake in Ethereum-based Trade Financing Platform Komgo](#)

[A New Ethereum 2.0 Audit has Highlighted Potential Security Vulnerabilities](#)

# **In Depth: Massive DeFi Growth Erased as ETH Crash Nearly Shuts Maker**

DeFi (decentralized finance) is a technological movement, leveraging cryptocurrency to provide universally accessible financial services. The DeFi community seeks to provide open financial alternatives for everything from savings, loans, insurance, trading, and more.

Today, nearly all of the leading DeFi applications (also known as dApps) are developed on top of the Ethereum blockchain, leveraging ETH's smart contract technology. Unlike traditional financial services, dApps are managed autonomously by code (rather than people) and are created to be global, permissionless, transparent, and interoperable.

## Total Value Locked in DeFi Jumps to ATH in February

According to DeFi Pulse ([Link](#)), total value locked in decentralized finance (DeFi) protocols nearly doubled from \$686M on January 1, 2020 to \$1.24B on February 14, 2020, before crashing and ending the quarter at \$552M.



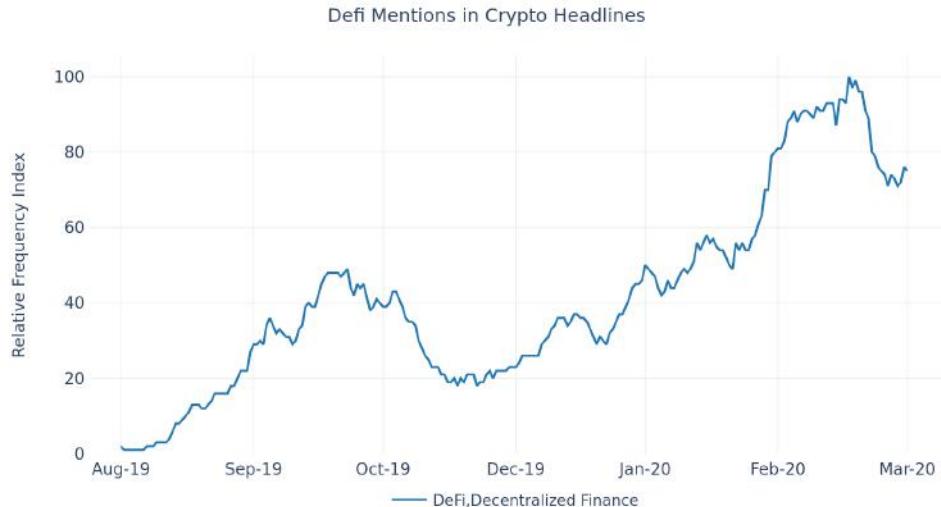
# DeFi Has Become a Large Part of the Ethereum Story

In Q1 2020, DeFi was the 6th most used word in Ethereum headlines behind Ethereum, ETH, Price, Bitcoin, BTC, and XRP.

The chart on the left displays the words most frequently used by journalists when discussing Ethereum in Q1.

## DeFi Mentions Hit Highs but Have Fallen

Mentions of DeFi by cryptocurrency journalists hit an all-time high in Q1. This peaked in late February 2020, but relative mentions have fallen since hitting those highs.



## Bloody Thursday Almost Forces MakerDAO Shutdown after ETH Crashes

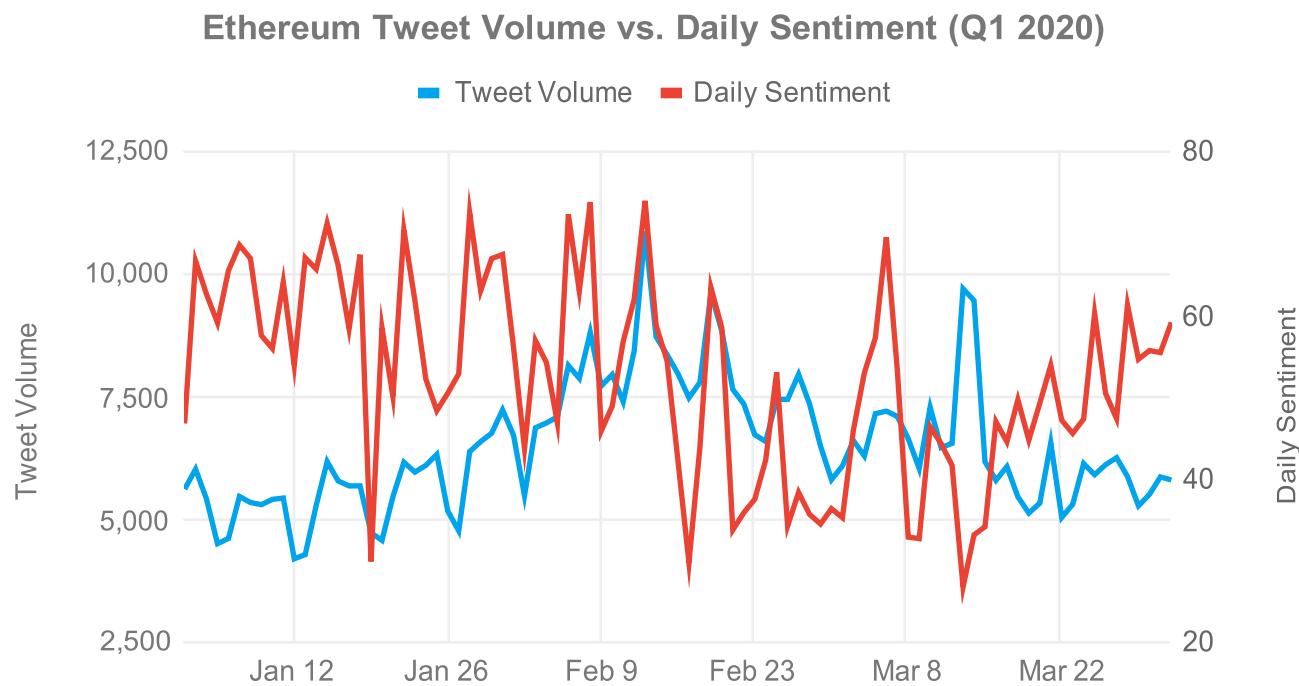
MakerDAO is the largest and most important DeFi dApp, accounting for more than 50% of the total value locked in DeFi. On March 12, as ETH crashed, some vaults that contained Ethereum used as collateral to mint DAI (the USD-pegged stablecoin developed by MakerDAO) became undercollateralized. Because the Ethereum price fed to MakerDAO via Oracle was below the vault's collateralization limit, the Ethereum held in the vaults became available for liquidation. Normally, in order to raise DAI to reimburse the liquidated vault's debt, Maker users will call contracts to start auctions for vaulted ETH.

As the price of Ethereum tumbled and transactions clogged the ETH network (spiking the price of ETH gas), a significant number of vaults became available for liquidation. Fearing further price slippage and the lack of ETH liquidity to absorb these liquidations, all but one Maker user halted their activity. As a result, one user continued to call contracts to trigger liquidations, bidding \$0 for the ETH with no competition for 40 minutes before other users came back online. Over that time frame, a significant number of vaults were liquidated with 0 DAI coming back into the system, bringing MakerDAO from a \$500K surplus to a \$4M debt.

As a result, the Maker team considered shutting down the network, triggering all ETH-collateralized Dai stablecoins in circulation to convert to the underlying ETH. If the shutdown would have occurred, the crypto market would have been flooded with an additional 2.4 million Ethereum tokens, as prices had already tumbled from \$200 to below \$125.

Maker was able to avoid a shutdown by conducting an auction of MKR tokens in exchange for Dai to cover the \$4.5MM in undercollateralized debt. But the event scared many participating in the DeFi ecosystem. Since the crash, total value locked in DeFi has fallen by over 50%, after hitting an all-time high in mid-February.

On the day of the crash, sentiment on Ethereum hit a quarterly low while tweet volume hit its second highest level since June 2019.





## Ethereum Classic - Summary

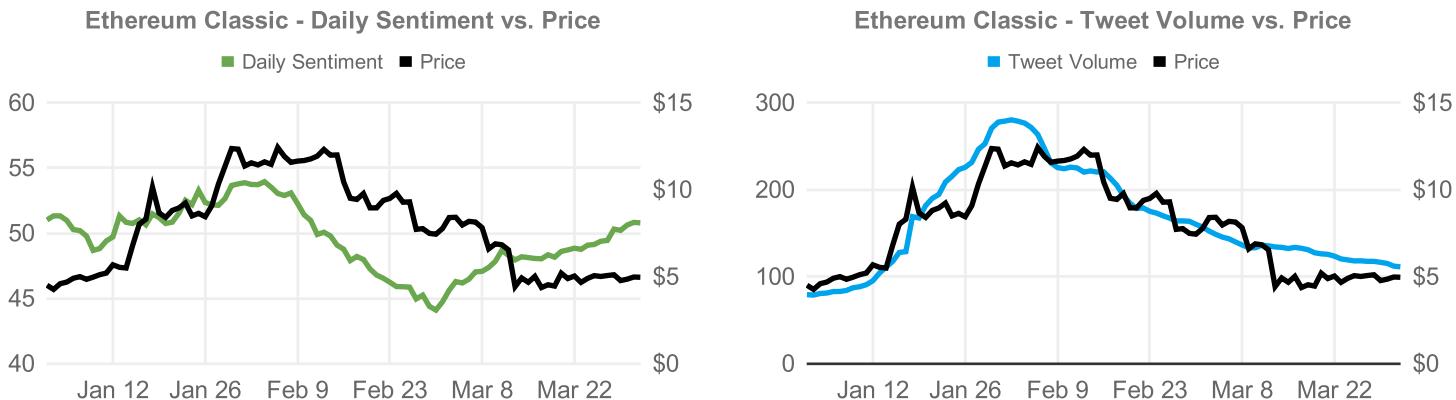
**+10.00%** **\$4.95**  
as of March 31, 2020

**641,262**  
**FOLLOWERS**

**7.32%**  
**INVESTORS**

**99%**  
**ARE LONG**

Data on eToro Users as of April 1, 2020



### QUARTERLY PRICE METRICS

Price Change vs. USD	<b>+10%</b>
Price Change vs. BTC	<b>+24.16%</b>
Open	<b>\$4.50 (.00063 BTC)</b>
Close	<b>\$4.95 (.00078 BTC)</b>
High	<b>\$13.15 (Feb 6)</b>
Low	<b>\$3.30 (Mar 13)</b>
Max Retracement from High	<b>-75%</b>
% of Days Positive vs. USD	<b>43%</b>
% of Days Positive vs. BTC	<b>51%</b>

### QUARTERLY SENTIMENT METRICS

Tweet Volume Change	<b>+40.3%</b>
Avg. Tweet Volume	<b>165</b>
Max Tweet Volume	<b>840 (Jan 17)</b>
Min Tweet Volume	<b>42 (Jan 2)</b>
% of Days Positive Sentiment	<b>45%</b>
Most Positive Day	<b>85/100 (Jan 12)</b>
Most Negative Day	<b>28/100 (Feb 26)</b>

### NOTABLE NARRATIVES

[Ethereum Classic Cooperative Director Rebuts Mismanagement Claims](#)

[Ethereum Classic Collective Board Member Resigns, Withdraws Funding Support](#)

[On Ethereum Classic Mining Rewards With The New Monetary Policy](#)

[Ethereum Classic Successfully Completes 'Agharta' Hard Fork](#)

# Ethereum Classic's Quarterly Performance Buoyed by Hard Fork

## Ethereum Classic Agharta Hard Fork

On January 12, Ethereum Classic completed its Agharta hard fork under Ethereum Classic Improvement Proposal (ECIP 1056). This hard fork enabled the Constantinople and St. Petersburg upgrades, which were previously made available on Ethereum (ETH)).

## Ethereum Classic Surges in January and Early February

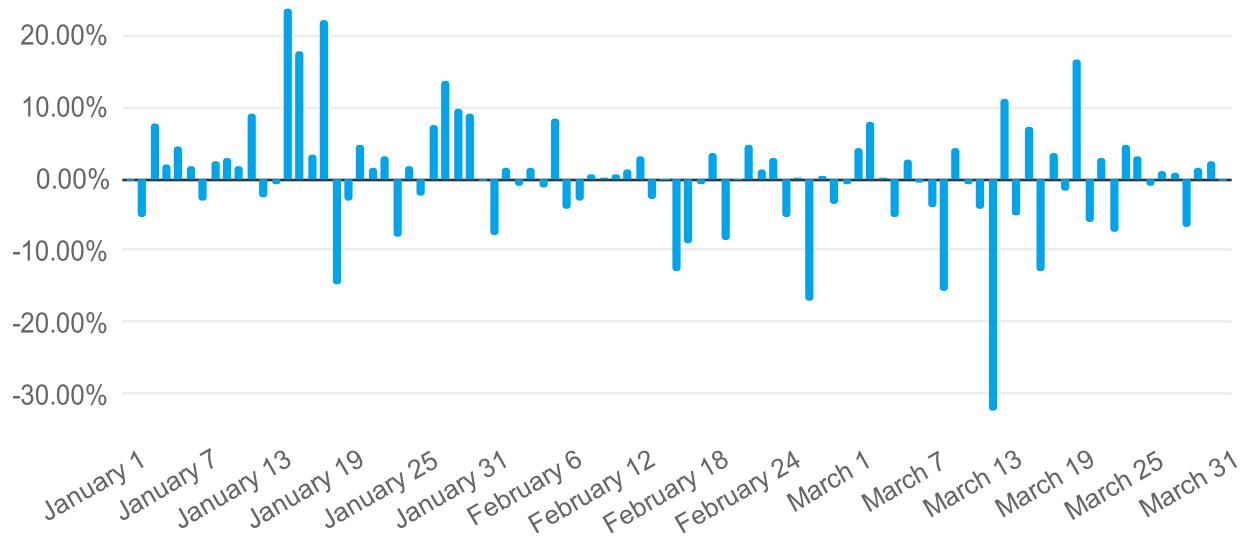
Following Ethereum Classic's hard fork, Ethereum Classic jumped by 168% in the proceeding 25 days, hitting a quarterly high of \$13.15 on February 6, 2020.

## First a Hard Fork, Then a Hard Crash

After hitting a high of \$13.15 25 days after the Agharta hard fork, Ethereum Classic saw a 75% decline over the next 36 days as the coin dropped back down to \$3.30 — its quarterly low.

Over the quarter, Ethereum Classic saw negative price movement in 52 of 91 days and negative sentiment in 51 of 91 days. ETC finished up 10%, buoyed in a large part by its strong performance in January and early February, following the Agharta hard fork.

**ETC Daily Returns (Q1 2020)**



**IOTA - Summary**

**-2.85%** **\$0.155487**

as of March 31, 2020

**170,352**

FOLLOWERS

**5.61%**

INVESTORS

**99%**

ARE LONG

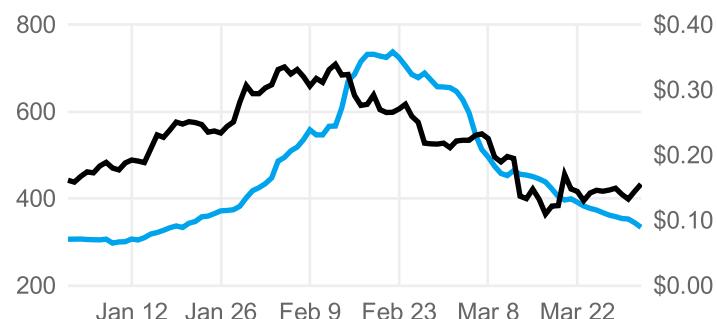
Data on eToro Users as of April 1, 2020

**IOTA - Daily Sentiment vs. Price**

Daily Sentiment ■ Price

**IOTA - Tweet Volume vs. Price**

Tweet Volume ■ Price

**QUARTERLY PRICE METRICS**

Price Change vs. USD	<b>-2.85%</b>
Price Change vs. BTC	<b>+9.66%</b>
Open	<b>\$0.160043 (2,224 Sats)</b>
Close	<b>\$0.155487 (2,493 Sats)</b>
High	<b>\$0.368646 (Feb 3)</b>
Low	<b>\$0.079620 (Mar 13)</b>
Max Retracement from High	<b>-78%</b>
% of Days Positive vs. USD	<b>47%</b>
% of Days Positive vs. BTC	<b>53%</b>

**QUARTERLY SENTIMENT METRICS**

Tweet Volume Change	<b>+8.95%</b>
Avg. Tweet Volume	<b>464</b>
Max Tweet Volume	<b>1,605 (Feb 14)</b>
Min Tweet Volume	<b>234 (Jan 12)</b>
% of Days Positive Sentiment	<b>57%</b>
Most Positive Day	<b>91/100 (Feb 11)</b>
Most Negative Day	<b>17/100 (Feb 14)</b>

**NOTABLE NARRATIVES**

[Trinity Attack Incident Part 1: Summary and Next Steps](#)

[Chrysalis \(Path towards IOTA 1.5\)](#)

[IOTA Founder Personally Refunding Hack Losses to 'Safeguard' Project's Remaining Reserves](#)

[Coordicide Alphanet Out Now](#)

[The IOTA and Eclipse Foundations Launch Tangle EE Working Group to Accelerate Commercial Adoption of IOTA](#)

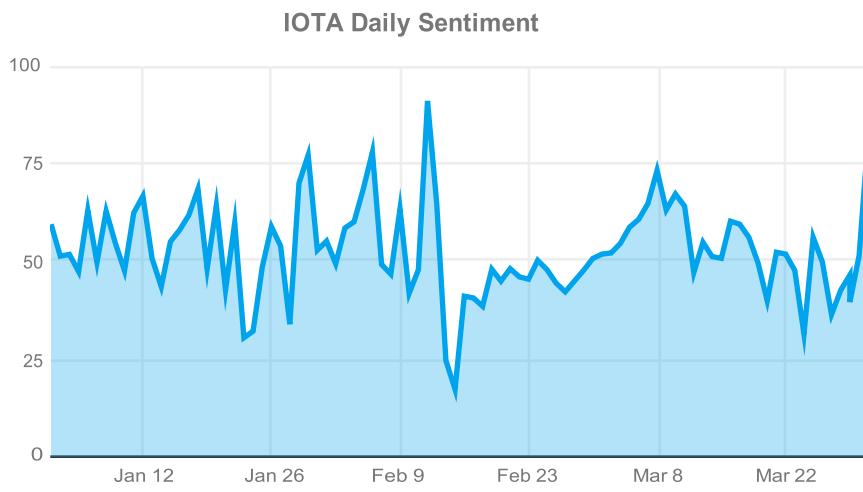
# In Depth: IOTA Sentiment in the Aftermath of the Trinity Hack

Over the first quarter of 2020, IOTA had the least correlated sentiment with any other digital asset available for trading on eToro. On February 12, IOTA announced that their Trinity Wallet had been hacked, causing an immediate decline in sentiment and a sustained drop in price through the middle of March. A day before the hack, IOTA had achieved its highest daily sentiment score (91/100 in nearly six months), but the coin quickly crashed down to a daily sentiment score of 17/100 in just three days.

- Daily Sentiment Score** measures how positive or negative investors have been about a particular asset over the past 24 hours vs. the previous 20 days. A sentiment score over 50 means that sentiment has become increasingly positive on an asset. Below 50 means that sentiment has turned negative.

## IOTA Sentiment Correlations Q1 2020

EOS	0.23
Bitcoin	0.22
Ethereum	0.19
Ethereum Classic	0.18
Bitcoin Cash	0.15
Stellar	0.15
Dash	0.14
Tezos	0.13
XRP	0.12
Litecoin	0.12
Cardano	0.05
ZCash	0.01
NEO	0.00
TRON	-0.16



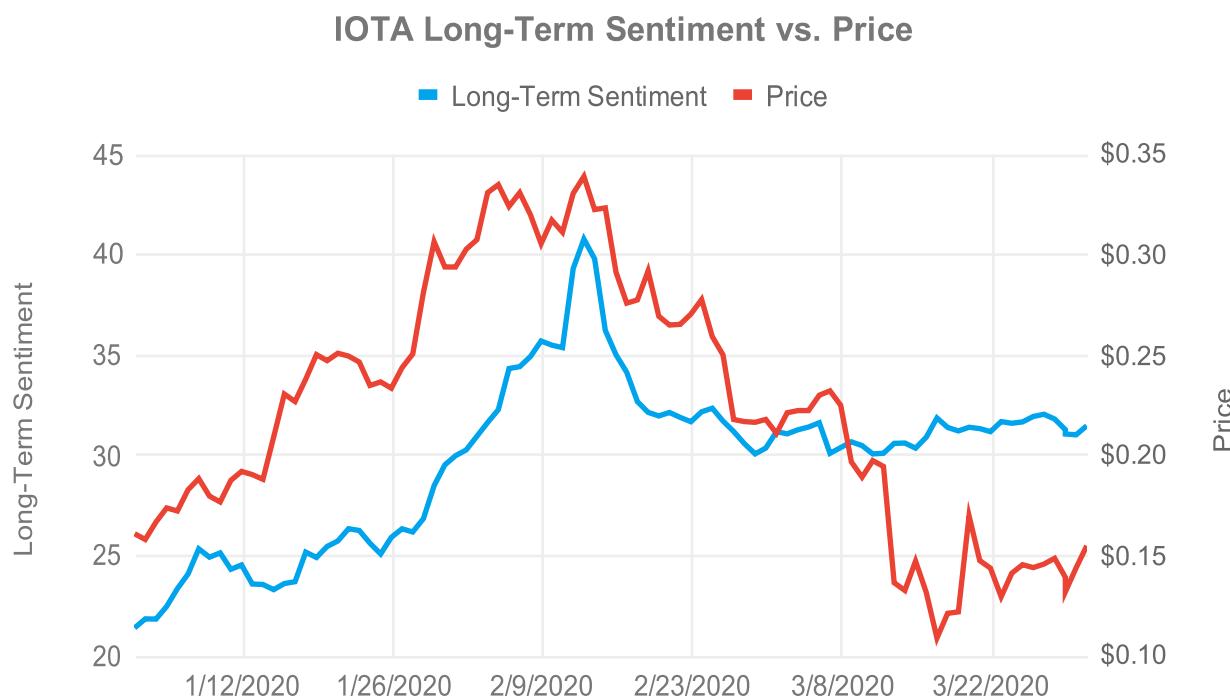
After crashing in February, IOTA sentiment largely stabilized, beginning in early March. IOTA sentiment rose significantly on March 7 after co-founder David Sønstebø pledged to pay back \$1.97M of his own money to victims of the hack. IOTA saw its most positive day since February 11 (one day prior to the Trinity hack), the final day of the quarter.

## Long-Term Perceptions of IOTA Also Falter

IOTA also experienced a significant decline in its long-term sentiment score, a measure comparing investors' perceptions of an asset over the last thirty days vs. the previous six months. Due to the long-term nature of the metric, a significant number of strongly positive or negative conversations over a period of multiple days are required to move long-term sentiment in a meaningful way.

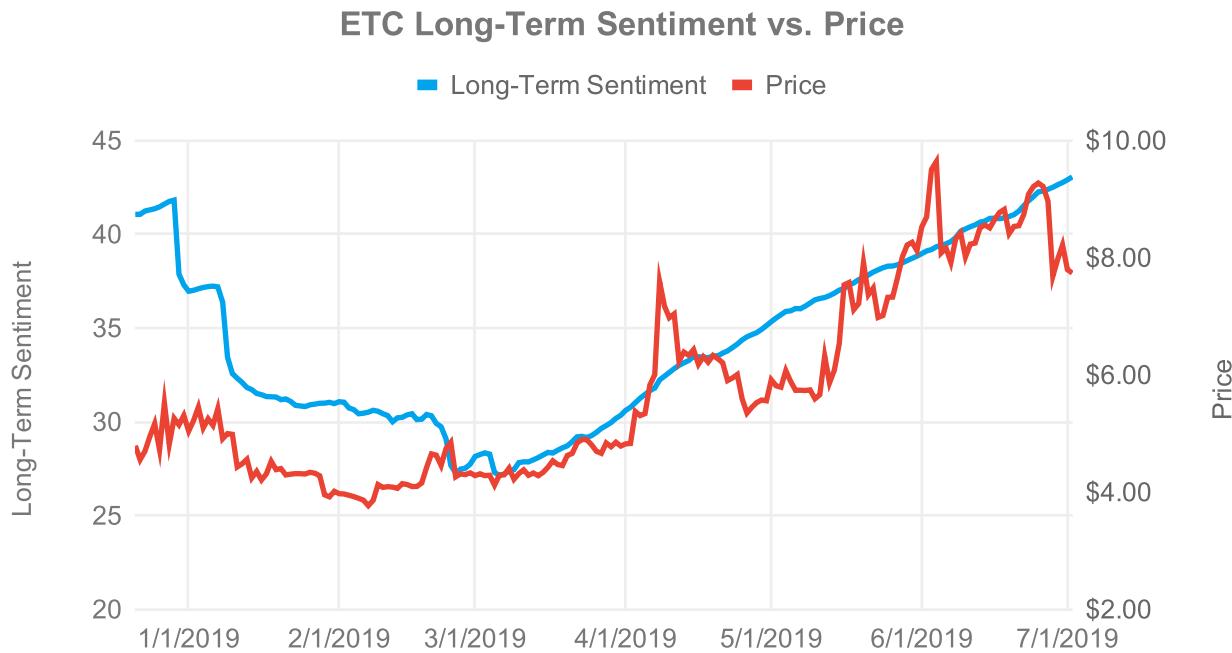
From January 1 to February 12, IOTA's long-term sentiment score increased from 21/100 to 41/100, as investors became increasingly optimistic about the coin. During that time, price more than doubled from \$0.16 to \$0.34. However, in the aftermath of the Trinity Hack, IOTA saw its long-term sentiment score fall from 41/100 down to 30/100 in the proceeding two weeks alongside price.

After David's Sønstebø announced his repayment to hack victims on March 7 and the re-launch of the IOTA mainnet on March 10, long-term sentiment largely stabilized for the duration of the quarter.



## Not All is Negative

While sentiment dipped for a few weeks following the IOTA hack, sentiment largely stabilized throughout the remainder of the quarter after IOTA's mainnet was relaunched. Significant long-term sentiment drops due to hacks have occurred before and coins have recovered. It took just over 4 months for the long-term sentiment of Ethereum Classic to rebound following the 51% attack on the coin on January 7, 2019.



It is interesting to note that despite IOTA having the least correlated sentiment with any other coin, coupled with the fact that it was hacked, it still managed to have the third most days with positive sentiment this past quarter — tied with Ethereum, but behind Stellar and Bitcoin.

	Pos Sen Days	Neg Sen Days
Stellar	61	30
Bitcoin	55	36
IOTA	52	39
Ethereum	52	39
Bitcoin Cash	47	44
XRP	47	44
NEO	47	44
Litecoin	46	45
Dash	45	46
EOS	45	46
ZCash	42	49
Tezos	42	49
Ethereum Classic	41	50
Cardano	41	50
TRON	41	50

# eToro Founders Series

## Dominik Schiener - IOTA



### **Co-Chairman of the Board of Directors & Founder of IOTA**

Dominik Schiener is the co-founder of the cryptocurrency IOTA, a disruptive technology that enables machines to store and send money frictionlessly between one another. In 2017, he co-founded the IOTA Foundation and established Germany's first nonprofit foundation that enables and fosters permissionless ecosystems powered by distributed ledgers.

### **What is IOTA and why should someone new to IOTA be interested in the project?**

IOTA was founded in 2015 with the idea of creating a distributed ledger protocol that is designed for the Internet of Things. Since the very beginning, we have done things differently, both with our technology (we use a Tangle), our adoption (we have a strong focus on enterprise-readiness) and our governance (we are a German non-profit foundation). We see IOTA as an essential digital infrastructure layer, enabling secure data and money transfers for machines and humans.

### **What is a Tangle and how is it different from a blockchain? What about IOTA and its architecture makes it uniquely deployable to solve real world problems?**

Because IOTA uses a DAG (Directed Acyclic Graph) instead of a blockchain, we do not have the same limitations and problems as other projects. We have a real solution to scalability, we have no miners or energy waste, and we have no transaction fees. This makes IOTA uniquely positioned to solve real world problems, and it is one of the main reasons why we've gained so much attention from startups and corporations so far.

### **What are the most exciting developments for IOTA in Q2 and throughout the rest of 2020?**

First of all, Chrysalis, which will bring forth a completely new and much improved experience for developers, node operators, and network users of IOTA. Second, the Coördicide testnet, which will show the world what the future of IOTA will look like, and what our roadmap for its launch on the mainnet looks like. And lastly, I think that by Q2, we will see a lot more adoption of IOTA with several product launches.

We are also making very exciting progress on smart contracts and tokenized assets for which we hope to release more alpha products soon.

## **What is Chrysalis and how does that play into the roadmap for IOTA?**

Chrysalis is what we call IOTA 1.5 — the upgrade of the IOTA protocol before the coordicide, which includes many improvements to scalability and usability in the IOTA network. We are introducing reusable signatures, UTXO (which will enable tokenized assets), atomic transactions, and several performance improvements. With these upgrades our primary objective is to make IOTA enterprise-ready and empower our ecosystem to develop market-ready solutions with IOTA.

## **Can you tell us about Coordicide and what the release of the alphanet a few weeks ago means. What are the major improvements that Coordicide brings?**

Coordicide will be the most major protocol and network upgrade today. We are essentially transitioning towards a new version of the consensus protocol of IOTA that will remove the bottlenecks of today (coordinator and scalability limitations) and be fully decentralized and scalable. You can read more about the Coordicide on our website ([Link](#)). We are working with several universities and researchers on Coordicide and are right now in the specification phase, where we're preparing a yellow paper for everyone to review.

The first alphanet already launched several weeks ago and we are right now preparing for the next major release which will increase value transfers and the actual consensus algorithm. Our goal is to have an incentivized testnet by the end of the Summer.

## **IOTA's Trinity Wallet was hacked on February 12. Can you tell us a bit more about the hack? How it happened, why it happened, and what IOTA has done to address this vulnerability moving forward?**

Essentially, a third-party integration into the Trinity wallet called Moonpay got hacked, which allowed an attacker to inject malicious code into Trinity and steal the seeds of users. The hacker was able to steal around \$2.2M worth of tokens until we stopped the attack by shutting down the coordinator and preventing further thefts.

Our team worked incredibly professionally and communicated transparently ([Link](#)) throughout the hack, allowing most Trinity users to eventually, safely transition their funds. This was certainly a big lesson for us and for the entire space. Security is not just about your own code, but also about others.

Since the Trinity incident, we've implemented several security measures and procedures for all of our open-source repositories and are now already working on the architecture of the new Trinity wallet, which, apart from a Rust core, will also include hardware security.

**What is working in a decentralized workplace like? How has the coronavirus impacted how IOTA functions and what are the implications, if any, for a cryptocurrency like IOTA both in terms of operability of the network and how all of the players in the IOTA ecosystem interact?**

The Foundation consists of 110 people that are distributed across 26 countries. Apart from shutting down the Berlin office at the beginning of March, we haven't really felt the impact on our work, as we've always been remote.

I think overall, this is a good time to reflect on our strategy and objectives and to make sure that we have a strong foundation with our technology to come out of this crisis stronger than before.

**What are some of the IOTA Foundation's most exciting partnerships and pilots, and what are the implications of those for consumers broadly and the IOTA network?**

I obviously can't speak about the most exciting ones, as they are still under NDA, but we've had many exciting announcements and collaborations over the past year, like, for example, Jaguar Land Rover (Car eWallet), Dell Technologies (Data Confidence Fabric), or STMicroelectronics. This year, we hope to launch more testbeds and real products that our community can download and use.

**Where else can listeners find out more about IOTA?**

You can follow us on Twitter ([Link](#)) or watch our YouTube videos ([Link](#)) to learn more about IOTA, our partners, and our technology.



## Litecoin - Summary

**-3.46%** \$39.90

as of March 31, 2020

**975,765**

FOLLOWERS

**14.51%**

INVESTORS

**99%**

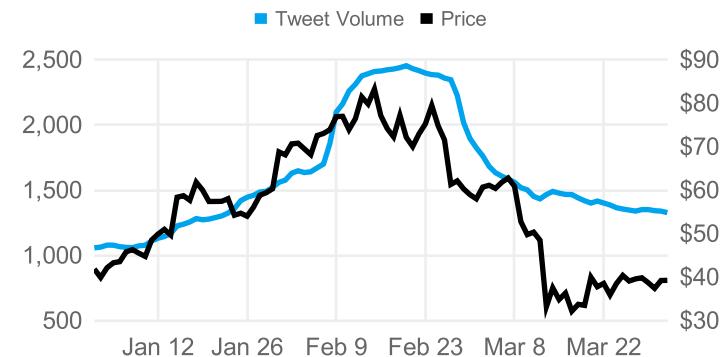
ARE LONG

Data on eToro Users as of April 1, 2020

### Litecoin - Daily Sentiment vs. Price



### Litecoin - Tweet Volume vs. Price



### QUARTERLY PRICE METRICS

Price Change vs. USD	<b>-3.46%</b>
Price Change vs. BTC	<b>8.97%</b>
Open	<b>\$41.33 (.0057 BTC)</b>
Close	<b>\$39.90 (.0063 BTC)</b>
High	<b>\$83.69 (Feb 13)</b>
Low	<b>\$25.57 (Mar 13)</b>
Max Retracement from High	<b>-69%</b>
% of Days Positive vs. USD	<b>43%</b>
% of Days Positive vs. BTC	<b>49%</b>

### QUARTERLY SENTIMENT METRICS

Tweet Volume Change	<b>+26%</b>
Avg. Tweet Volume	<b>1,635</b>
Max Tweet Volume	<b>6,276 (Feb 8)</b>
Min Tweet Volume	<b>955 (Jan 1)</b>
% of Days Positive Sentiment	<b>51%</b>
Most Positive Day	<b>84/100 (Jan 30)</b>
Most Negative Day	<b>22/100 (Mar 12)</b>

### NOTABLE NARRATIVES

[Developer Predicts Litecoin Mimblewimble Testnet Launch by September](#)

[Charlie Lee Proposes Voluntary Mining Reward Donations to Fund Litecoin Ecosystem.](#)

[Litecoin Foundation Partners With MeconCash, Enabling Fiat Withdrawal At Over 13,000 ATMs](#)

[Litecoin Foundation Partners With BlockFi To Provide Litecoin Users More Options](#)

## The Larger the Asset, the More Correlated its Sentiment

### Litecoin, Ethereum, and Bitcoin Daily Sentiment

Interestingly, Ethereum, Bitcoin, and Litecoin all had their least positive days on March 12, the day before “Black Thursday”, when crypto markets crashed. All three coins also experienced surges in tweet volume over the quarter, with Bitcoin jumping 47%, Ethereum 12%, and Litecoin 26%.

What is also interesting is that Bitcoin and Litecoin both experienced their quarterly highs on February 13, with Ethereum trailing just two days behind.

**Q1 2020 Daily Sentiment Correlations**

	BTC	ETH	BCH	XRP	DASH	LTC	ETC	ADA	MIOTA	XLM	EOS	NEO	TRON	ZEC	XTZ
<b>BTC</b>	1.00	0.68	0.46	0.43	0.34	0.61	0.18	0.05	0.22	0.23	0.23	0.30	0.23	0.25	0.28
<b>ETH</b>	0.68	1.00	0.37	0.55	0.42	0.53	0.24	0.32	0.19	0.23	0.20	0.30	0.21	0.31	0.33
<b>BCH</b>	0.46	0.37	1.00	0.30	0.30	0.41	0.10	0.00	0.15	0.30	0.24	0.39	0.13	0.16	0.20
<b>XRP</b>	0.43	0.55	0.30	1.00	0.34	0.48	0.09	0.28	0.12	0.25	0.27	0.29	0.12	0.27	0.39
<b>DASH</b>	0.34	0.42	0.30	0.34	1.00	0.22	0.40	0.11	0.14	0.09	0.31	0.37	0.17	0.11	0.19
<b>LTC</b>	0.61	0.53	0.41	0.48	0.22	1.00	0.08	0.16	0.12	0.17	0.23	0.16	0.03	0.31	0.09
<b>ETC</b>	0.18	0.24	0.10	0.09	0.40	0.08	1.00	0.13	0.18	0.04	0.13	0.28	-0.08	0.13	0.13
<b>ADA</b>	0.05	0.32	0.00	0.28	0.11	0.16	0.13	1.00	0.05	0.08	0.17	0.01	0.11	0.12	0.41
<b>MIOTA</b>	0.22	0.19	0.15	0.12	0.14	0.12	0.18	0.05	1.00	0.15	0.23	0.00	-0.16	0.01	0.13
<b>XLM</b>	0.23	0.23	0.30	0.25	0.09	0.17	0.04	0.08	0.15	1.00	0.18	0.35	0.31	0.12	0.23
<b>EOS</b>	0.23	0.20	0.24	0.27	0.31	0.23	0.13	0.17	0.23	0.18	1.00	0.20	0.06	0.07	0.22
<b>NEO</b>	0.30	0.30	0.39	0.29	0.37	0.16	0.28	0.01	0.00	0.35	0.20	1.00	0.16	0.29	0.23
<b>TRON</b>	0.23	0.21	0.13	0.12	0.17	0.03	-0.08	0.11	-0.16	0.31	0.06	0.16	1.00	0.06	0.21
<b>ZEC</b>	0.25	0.31	0.16	0.27	0.11	0.31	0.13	0.12	0.01	0.12	0.07	0.29	0.06	1.00	0.08
<b>XTZ</b>	0.28	0.33	0.20	0.39	0.19	0.09	0.13	0.41	0.13	0.23	0.22	0.23	0.21	0.08	1.00

### Large Cap Daily Sentiment Correlations

In Q1 2020, Bitcoin and Ethereum had the most correlated sentiment out of any digital currencies. Broadly speaking, the largest digital assets tended to have significantly more correlated sentiment than smaller altcoins. For example, Bitcoin’s sentiment was most correlated with Ethereum, Litecoin, Bitcoin cash, and XRP, while it was the least correlated with Cardano, Ethereum Classic, IOTA, and Stellar.

In other words, investors tend to be positive or negative about Bitcoin and Ethereum at similar times, while they may have the opposite opinion of an altcoin.



## NEO - Summary

**-21.66%** **\$6.80**

as of March 31, 2020

**287,486**

FOLLOWERS

**7.53%**

INVESTORS

**100%**

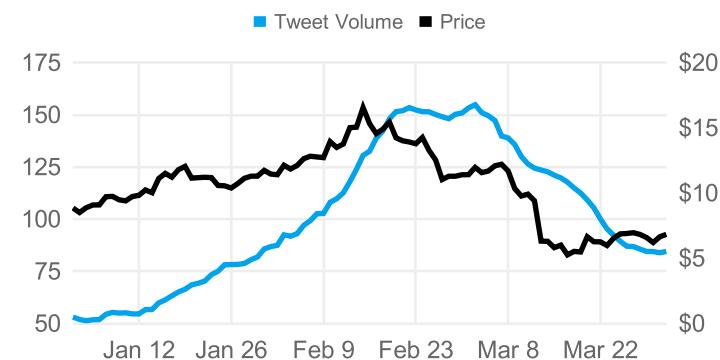
ARE LONG

Data on eToro Users as of April 1, 2020

### NEO - Daily Sentiment vs. Price



### NEO - Tweet Volume vs. Price



### QUARTERLY PRICE METRICS

Price Change vs. USD	<b>-21.66%</b>
Price Change vs. BTC	<b>-11.57%</b>
Open	<b>\$8.68 (0.00121 BTC)</b>
Close	<b>\$6.80 (0.00107 BTC)</b>
High	<b>\$16.74 (Feb 15)</b>
Low	<b>\$4.23 (Mar 13)</b>
Max Retracement from High	<b>-75%</b>
% of Days Positive vs. USD	<b>45%</b>
% of Days Positive vs. BTC	<b>46%</b>

### QUARTERLY SENTIMENT METRICS

Tweet Volume Change	<b>+59.15%</b>
Avg. Tweet Volume	<b>105</b>
Max Tweet Volume	<b>242 (Feb 14)</b>
Min Tweet Volume	<b>43 (Jan 3)</b>
% of Days Positive Sentiment	<b>52%</b>
Most Positive Day	<b>85/100 (Jan 6)</b>
Most Negative Day	<b>29/100 (Feb 22)</b>

### NOTABLE NARRATIVES

[NEO Releases \\$11 Million From Cold Wallet to Fund Itself Through 2020](#)

[NEO's Switcheo Exchange Will Build Zilliqa's Upcoming DEX](#)

[Racing Manager Developers Enter the NEO Arena](#)

# NEO's NVTweet Ratio™ Hits an All-Time Low

## NVTweet Ratio™

The NVTweet ratio compares a cryptocurrency's social conversation relative to its market cap. The NVTweet ratio looks at how many tweets a particular coin has per \$1M in market cap. The lower a coin's NVTweet ratio the more tweet volume it has per \$1M in market cap. (*NVTweet Ratio = Market Cap / 1M / 30Day Average Tweet Volume*)

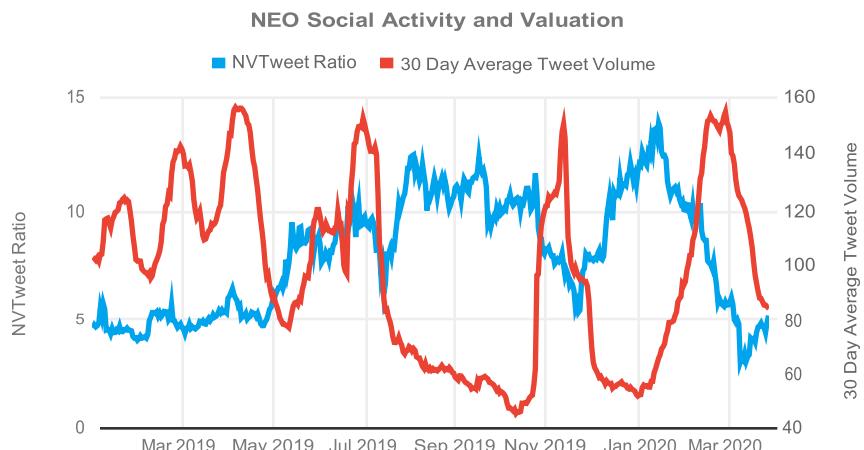
## Xi Announces China Should Seize the Opportunity to Adopt Blockchain

On October 25, 2019, Chinese president Xi Jinping said that the country needed to "seize the opportunity" to leverage blockchain technology ([Link](#)). Following that announcement, many digital assets based in China saw large immediate upwards price movement, including NEO, which saw its price grow by over 65% in three days. While NEO's price increased significantly, its Twitter activity skyrocketed even further, with its 30-day average tweet volume increasing by 171% in a matter of weeks.

In the month after the announcement, NEO's NVTweet ratio halved from 10.66 to 5.33, meaning the coin traded at a lower premium of its social activity. Following that month-long period, NEO's NVTweet ratio began a two-month ascent, as the asset's market cap fell much more slowly than its social activity. The asset hit an NVTweet ratio of 13.85 on January 17 — its highest measure since April 2018.

## Cryptos' Black Thursday

Over the first quarter of 2020, NEO saw its 30 day average tweet volume spike by 59%, while its price dropped by 22%. Immediately proceeding crypto's Black Thursday on March 12 (one of the largest sell-offs in the history of cryptocurrencies), NEO saw its NVTweet ratio hit an all-time low of 3.02. Between February 15 and March 13, the token experienced a 75% decline in price, as 30-day average twitter volume stayed constant, leading to a 75% decline in NEO's NVTweet ratio.





## Stellar - Summary

**-9.47%** **\$0.040846**  
as of March 31, 2020

**453,415**  
FOLLOWERS

**12.43%**  
INVESTORS

**100%**  
ARE LONG

Data on eToro Users as of April 1, 2020



### QUARTERLY PRICE METRICS

Price Change vs. USD	<b>-9.47%</b>
Price Change vs. BTC	<b>+2.19%</b>
Open	<b>\$0.045118 (627 Sats)</b>
Close	<b>\$0.040846 (641 Sats)</b>
High	<b>\$0.087270 (Feb 15)</b>
Low	<b>\$0.028492 (Mar 13)</b>
Max Retracement from High	-67%
% of Days Positive vs. USD	45%
% of Days Positive vs. BTC	48%

### QUARTERLY SENTIMENT METRICS

Tweet Volume Change	<b>-24.81%</b>
Avg. Tweet Volume	99
Max Tweet Volume	237 (Feb 12)
Min Tweet Volume	52 (Mar 14)
% of Days Positive Sentiment	67%
Most Positive Day	84/100 (Jan 17)
Most Negative Day	18/100 (Jan 21)

### NOTABLE NARRATIVES

[IoT App Nodle Moves From Stellar Blockchain to Polkadot](#)

[Grammy-Nominated Artist Akon to Launch Cryptocurrency on Stellar](#)

[German Bank to Offer Tokenized Securities Based on Stellar](#)

[Thai Stellar-Based Startup Lightnet Raises \\$31M to Replace SWIFT](#)

[Stellar Development Foundation Pockets 98 Percent of Newly Created XLM Tokens](#)

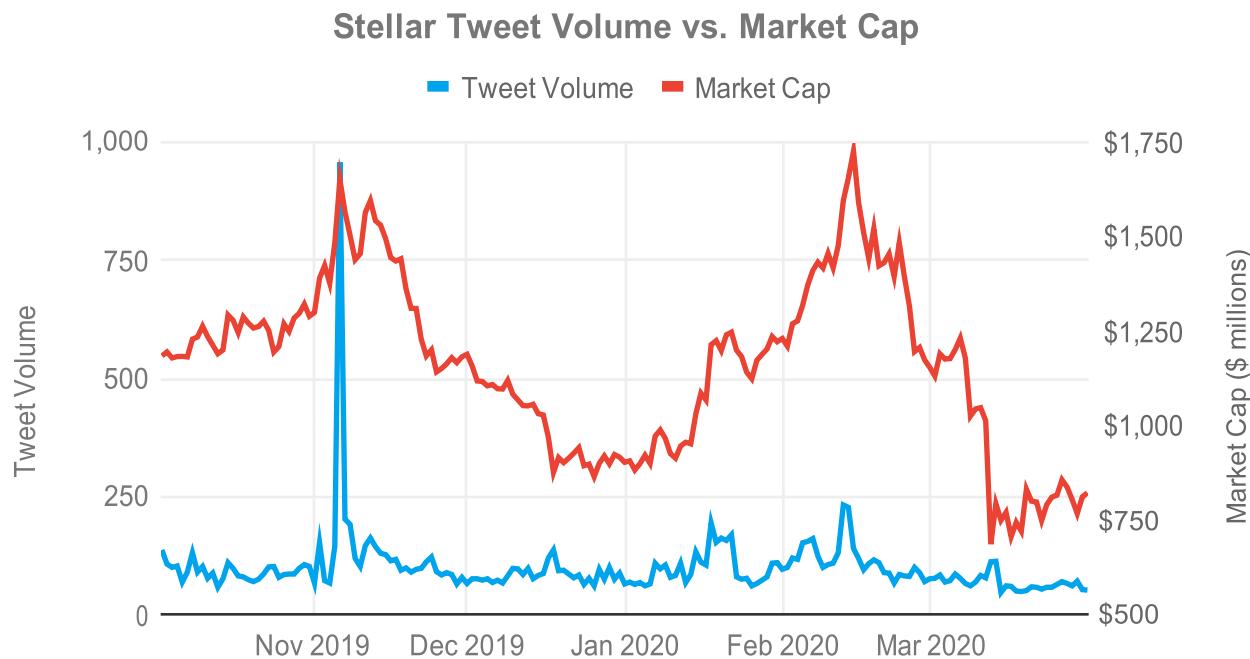
# A Not So Stellar Token Burn

## Stellar Burns Half the Supply of XLM

On November 4, 2019, the Stellar Development Foundation burned more than 50% of the supply of XLM. In a blog post, the SDF wrote that “in time and after a lot of thought, we’ve come to realise [our allocations of XML are] too large. SDF Stellar Development Foundation] can be leaner and do the work it was created to do, using fewer Lumens(...) So, we’ve decided to reduce our Lumen allocations.”

All things being equal, one would expect that a 50% reduction in supply would lead to a doubling in price. However, that was not the case for XLM, as price only rose by 20% in the immediate aftermath.

Despite the burn, XLM has fallen by 41% since November 4, and the buzz (a 12x increase in Twitter conversations) mostly fizzled out after two days. Over Q1 2020, XLM conversations declined by 25%, while the coin dropped by 9.5% vs. the USD.





## Tezos - Summary

+20% \$1.62  
as of March 31, 2020

84,561  
FOLLOWERS

2.34%  
INVESTORS

99%  
ARE LONG

Data on eToro Users as of April 1, 2020

### Tezos - Daily Sentiment vs. Price



### Tezos - Tweet Volume vs. Price



### QUARTERLY PRICE METRICS

Price Change vs. USD	+20%
Price Change vs. BTC	+35.45%
Open	\$1.35 (0.00019 BTC)
Close	\$1.62 (0.00025 BTC)
High	\$3.92 (Feb 19)
Low	\$1.02 (Mar 13)
Max Retracement from High	-74%
% of Days Positive vs. USD	51%
% of Days Positive vs. BTC	47%

### QUARTERLY SENTIMENT METRICS

Tweet Volume Change	-16.29%
Avg. Tweet Volume	391
Max Tweet Volume	1,760 (Feb 12)
Min Tweet Volume	129 (Jan 26)
% of Days Positive Sentiment	46%
Most Positive Day	85/100 (Feb 2)
Most Negative Day	29/100 (Mar 1)

### NOTABLE NARRATIVES

[Tezos Foundation had Over \\$600M in Assets as of January, 47% in Bitcoin](#)

[Tezos Grants \\$37 Million to Ecosystem Developers](#)

[Vertalo to Tokenize 22 Securities Worth \\$200M on Tezos Blockchain](#)

[Tezos to Join DeFi Movement with StakerDAO](#)

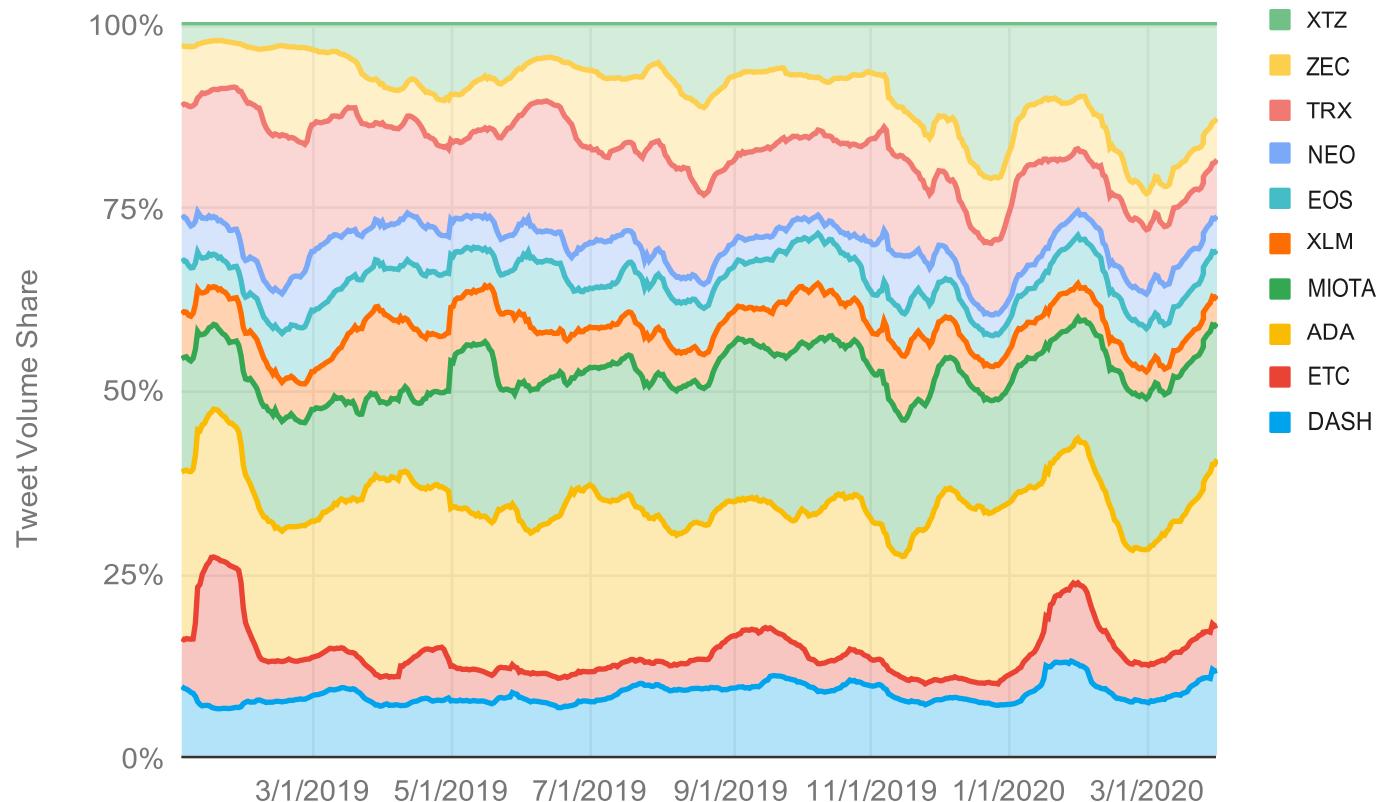
[Tezos Foundation to Settle All Class Action Lawsuits](#)

## Tezos Surges

Among the cryptocurrencies available for trading on eToro US, Tezos had the second best quarter, returning 20% vs. the US dollar and 35.45% vs. Bitcoin.

As Tezos has grown, so too has its share of conversations in the digital asset space. Among the mid-

**Mid-Cap Altcoin Tweet Volume Share**





**TRON - TRX**  
**-12.55%** \$0.011625  
as of March 31, 2020

**257,646**  
FOLLOWERS

**4.21%**  
INVESTORS

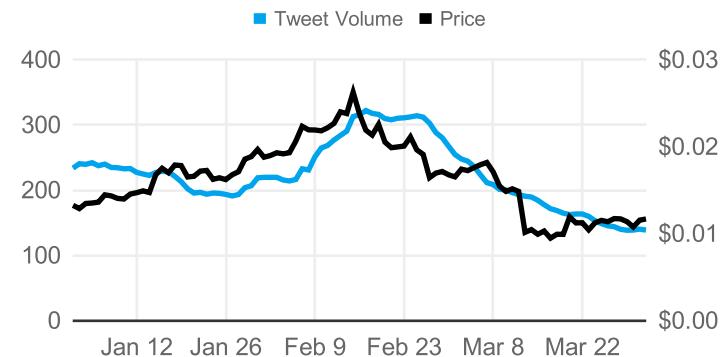
**99%**  
ARE LONG

Data on eToro Users as of April 1st 2020

#### TRON - Daily Sentiment vs. Price



#### TRON - Tweet Volume vs. Price



#### QUARTERLY PRICE METRICS

Price Change vs. USD	<b>-12.55%</b>
Price Change vs. BTC	<b>-1.30%</b>
Open	\$0.013294 (185 Sats)
Close	\$0.011625 (182 Sats)
High	\$0.026647 (Feb 14)
Low	\$0.007516 (Mar 13)
Max Retracement from High	-72%
% of Days Positive vs. USD	46%
% of Days Positive vs. BTC	52%

#### QUARTERLY SENTIMENT METRICS

Tweet Volume Change	<b>-41%</b>
Avg. Tweet Volume	211
Max Tweet Volume	593 (Feb 14)
Min Tweet Volume	103 (Mar 24)
% of Days Positive Sentiment	45%
Most Positive Day	84/100 (Feb 6)
Most Negative Day	29/100 (Feb 3)

#### NOTABLE NARRATIVES

[Tron Launches its Own MakerDAO-like Stablecoin System](#)

[Fired Employees' Harassment Suit Against Tron Will Move to Private Arbitration](#)

[Tron Executes Hostile Takeover of Steem, Exchanges Collude](#)

[Tron Founder Justin Sun Finally Met With Warren Buffett for Charity Lunch](#)

[Pornhub Adds Tether to its Payment Options via TRON Wallet](#)

# Justin Sun Dines with Buffett and Acquires Steemit

## Justin Sun Gets His Lunch with Warren Buffett

Originally scheduled for July 2019 and postponed for months, TRON founder Justin Sun finally had lunch with Warren Buffett — his reward for his record-breaking \$4.5M bid as part of a fundraiser for the Glide Foundation.

On February 6, when it was announced that the lunch had finally taken place, TRON experienced its second highest daily tweet volume of the quarter (554 tweets) as price jumped by as much as 13% within the day.

The initial announcement of Sun winning the auction on June 3, 2019 surged TRON's daily tweet volume to 1,131, its highest level since June 2018. While TRON saw some intraday upwards price movement on the day of the announcement, it ultimately closed down 12.6% on the day. TRON price fell 69.73% from the initial Warren Buffett announcement to the end of Q1 2020.



*Justin Sun pictured with Warren Buffett, eToro CEO Yoni Assia, Litecoin's Charlie Lee and others at charity lunch*

## Justin Sun's Shopping Spree Continues with Steemit Acquisition

On February 14, 2020, Justin Sun acquired Steemit, the largest decentralized blockchain-based social media and blogging platform, built on top of the Steem blockchain. This acquisition added to TRON's growing ecosystem, consisting of BitTorrent, the largest decentralized file-sharing system, and DLive, the largest decentralized live streaming platform.

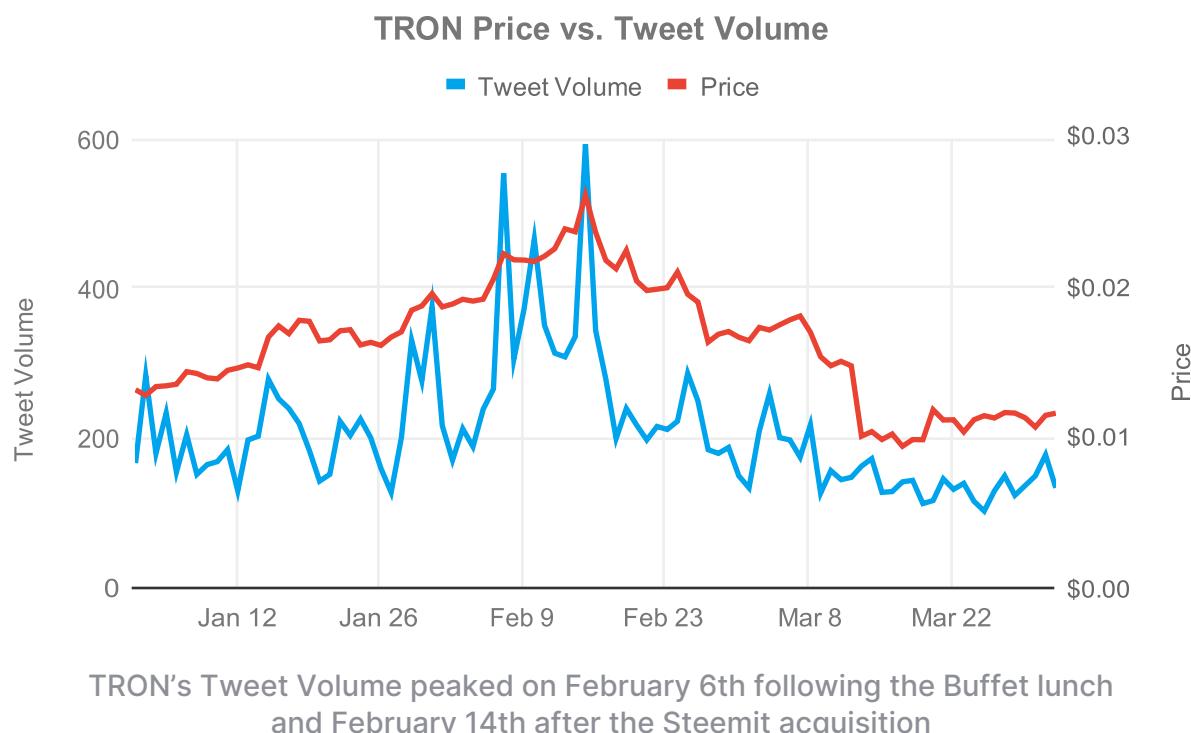
The initial announcement of the partnership generated significant buzz as tweet volume hit a quarterly high of 593 tweets. Price also rose to a quarterly high, surging 11.6% intraday.

Things quickly went south. As part of the Steemit acquisition, Justin Sun acquired a large number of Steem tokens. Concerned that TRON and Sun might centralize control over the network, the Steem community moved to implement a soft fork on February 24 to deactivate the voting power of the tokens controlled by Sun and TRON.

Sun responded by attempting a hostile takeover of the Steem network, with help from crypto exchanges Binance and Huobi, in an effort to maintain Sun's control of the network. While those exchanges ultimately backed down and apologized for their actions, the move by TRON left a sour taste in the mouths of members of the Steem community.

Members of the steem community responded by hard-forking the steem network and creating a new blockchain called Hive. They also produced a new decentralized blogging platform called [hive.io](https://hive.io). All of the tokens were ported over to the new network with the exception of those from the original development fund controlled by Steem (now owned by Sun).

The drama created by Sun largely landed negatively with digital asset investors. TRON saw a 56% drop following the Steemit acquisition (February 14). Prior to the acquisition, TRON had risen by 98% since the beginning of the quarter. Despite the high level of drama, TRON also saw by far the most significant decline in 30 day average tweet volume (-41% relative to any digital asset available for trading on eToro US). TRON ended the quarter with its lowest average tweet volume since 2017.





## XRP - Summary

**-9.51%** \$0.1746

as of March 31, 2020

**3,276,546**  
FOLLOWERS

**54.52%**  
INVESTORS

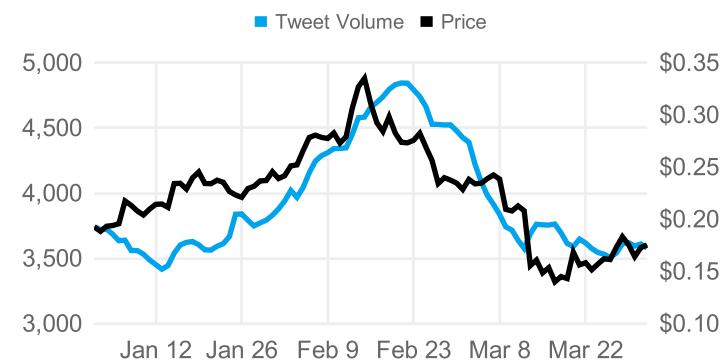
**100%**  
ARE LONG

Data on eToro Users as of April 1, 2020

### XRP - Daily Sentiment vs. Price



### XRP - Tweet Volume vs. Price



### QUARTERLY PRICE METRICS

Price Change vs. USD	<b>-9.51%</b>
Price Change vs. BTC	<b>+2.14%</b>
Open	<b>\$0.1929 (2,681 Sats)</b>
Close	<b>\$0.1746 (2,739 Sats)</b>
High	<b>\$0.3440 (Feb 15)</b>
Low	<b>\$0.1151 (Mar 13)</b>
Max Retracement from High	-67%
% of Days Positive vs. USD	46%
% of Days Positive vs. BTC	45%

### QUARTERLY SENTIMENT METRICS

Tweet Volume Change	<b>-4%</b>
Avg. Tweet Volume	3,915
Max Tweet Volume	7,864 (Feb 13)
Min Tweet Volume	2,596 (Mar 21)
% of Days Positive Sentiment	52%
Most Positive Day	83/100 (Jan 6)
Most Negative Day	27/100 (Feb 16)

### NOTABLE NARRATIVES

[Lawsuit Accuses Ripple CEO of Touting XRP While Silently Liquidating Holdings](#)

[MoneyGram Got Another \\$11M From Ripple to Use Its Cross-Border Payments Tech](#)

[Ripple Strengthens Presence in Asia with Fintech DeeMoney](#)

[Intermex is Not Using Ripple for its Mexican Remittances](#)

[Amended Lawsuit Against Ripple Now Offers Theory That XRP May Not Be a Security](#)

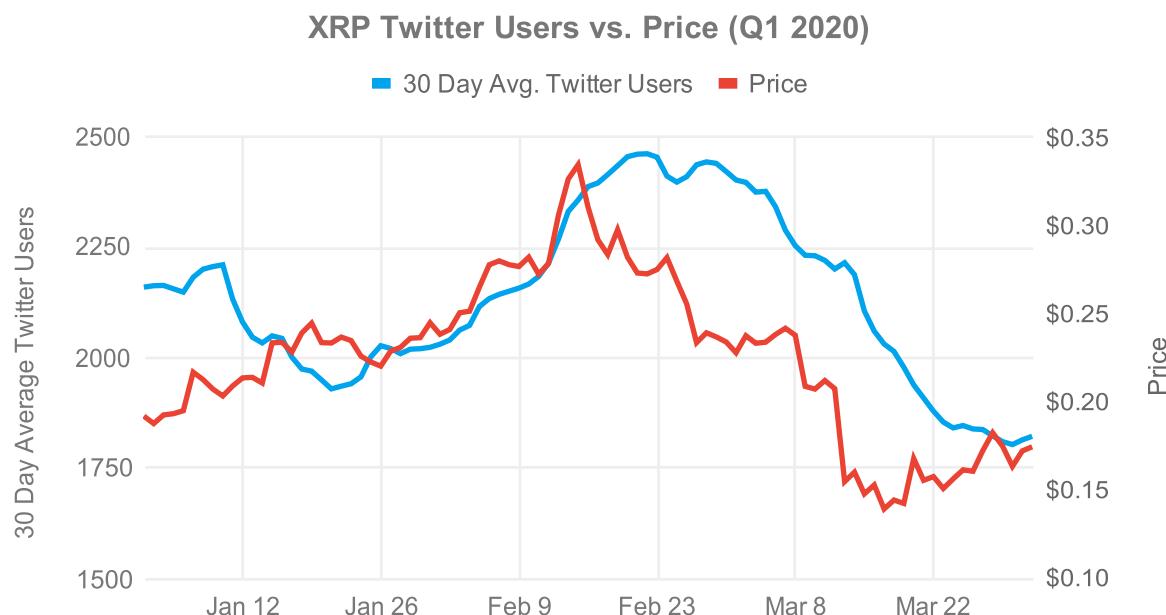
## XRP Army Can't Help Continued XRP Price Declines

### XRP Army Shrinks Modestly, Q over Q

Over the first quarter of 2020, the number of Twitter users discussing XRP fell by 16% and price declined by 9.51% (a relative 2.14% outperformance vs. Bitcoin). The number of Twitter users in the "XRP Army" (the name given to the cryptocurrency's supporters) has fallen by more than 50% since October 2018 and declined by over 82% since January 2018 highs. For comparison, the number of Twitter users discussing Bitcoin dropped by 58% from all-time highs.

### Liquidations of XRP Keep Ripple in the Green

Ripple's (the firm behind XRP) CEO, Brad Garlinghouse, spoke to the Financial Times ([Link](#)) in February, noting that the firm relied on XRP liquidations to stay cash-flow positive. While Ripple liquidated only \$13M worth of its XRP holdings in Q4 2019 (the least in three years), it sold over \$250M worth in Q3 of last year. It is not yet known how much XRP Ripple sold in Q1 2020.





## Zcash - Summary

+12.49% \$31.08

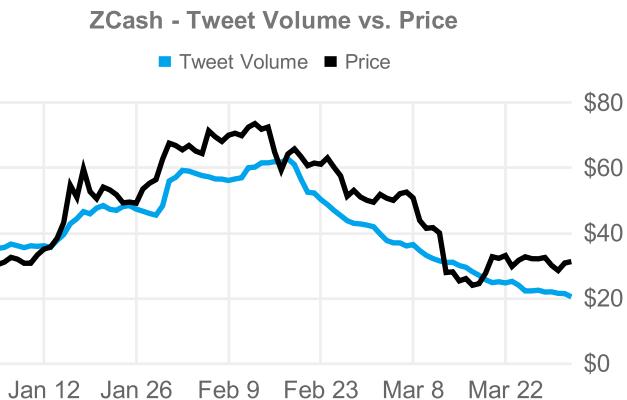
as of March 31, 2020

124,138 FOLLOWERS

1.67% INVESTORS

99% ARE LONG

Data on eToro Users as of April 1, 2020



### QUARTERLY PRICE METRICS

Price Change vs. USD	+12.49%
Price Change vs. BTC	+26.97%
Open	\$27.63 (0.00384 BTC)
Close	\$31.03 (0.00488 BTC)
High	\$75.64 (Feb 23)
Low	\$18.94 (Mar 13)
Max Retracement from High	-75%
% of Days Positive vs. USD	48%
% of Days Positive vs. BTC	42%

### QUARTERLY SENTIMENT METRICS

Tweet Volume Change	-29.9%
Avg. Tweet Volume	151
Max Tweet Volume	484 (Jan 30)
Min Tweet Volume	71 (Mar 24)
% of Days Positive Sentiment	46%
Most Positive Day	82/100 (Jan 5)
Most Negative Day	16/100 (Jan 15)

### NOTABLE NARRATIVES

[Zcash's Funding Vote and the Woes of Decentralized Governance](#)

[WATCH: Zcash Foundation Explains 'Compromise' Path to Funding ZEC Development](#)

[Zcash Reward-Distribution Vote Questioned as Only a Small Sample Took Part](#)

[Zcash Poised to Finally Have Private Transactions on Mobile with SDK Release](#)

[Introducing Heartwood](#)

# Privacy is a Growing Narrative in the Digital Asset Space

## Privacy Mentions Surged in Early Q1

In mid-January, mentions of privacy in digital asset headlines reached their apex. Zcash and Monero (both privacy focused digital assets) surged in price and Litecoin made progress on implementing Mimblewimble transactions for added privacy.

Zcash surged by 12.49% vs. USD over Q1 and 26.97% vs. Bitcoin. Litecoin, with its new focus on privacy, outperformed Bitcoin by 8.97%. Monero was up 4.61% on the quarter.

While larger privacy-focused altcoins surged, smaller privacy coins saw significant drop offs in the second half of the quarter. Horizen dropped by 33%, Grin by 52%, and Komodo by 28%.

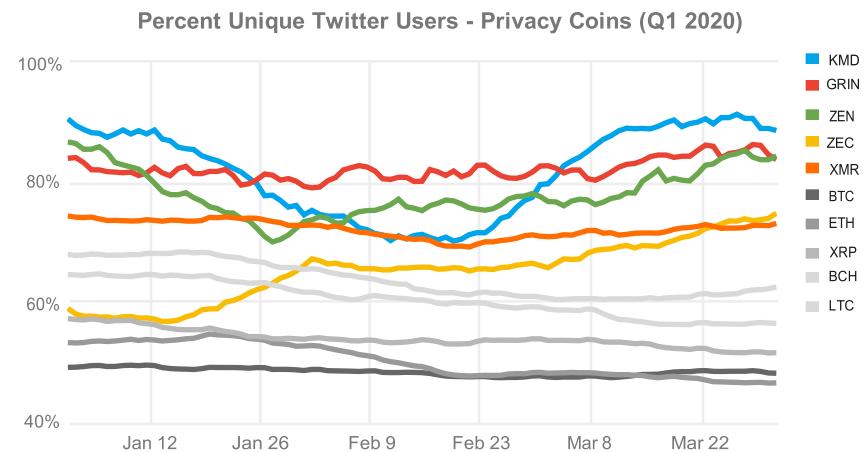


## Privacy Focused Coins Have Significantly More Decentralized Conversations

The largest privacy coins (ZEC, XMR, ZEN, GRIN, KMD) by market cap saw a significantly higher percentage of tweets coming from unique Twitter accounts than the largest cryptocurrencies by market cap. All privacy coins saw at least

73% of their tweets coming from unique Twitter accounts by the end of the quarter. In comparison, the highest percentage coming from a large cap cryptocurrency was bitcoin cash at just 62%.

The two largest privacy coins experienced very similar patterns, with Monero ending the quarter with 73% of tweets coming from unique accounts, and Zcash at 74%.



# Quarterly Contributors

The Quarterly Contributor Series covers three unique cryptocurrency narratives from the past quarter, written by leading experts in the field of digital assets. This quarter's contributors are Sacha Ghebali and Anastasia Melachrinos from Kaiko, Kevin Kelly from Delphi Digital, and John Todaro from TradeBlock.



## The Aftermath of the March 12th Crash

By: Sacha Ghebali and Anastasia Melachrinos



## The Macro Narrative for Bitcoin is Far from Dead

By: Kevin Kelly



## Bitcoin Mining and the Halving

By: John Todaro

# The Aftermath of the March 12th Crash

By: Sacha Ghebali & Anastasia Melachrinou



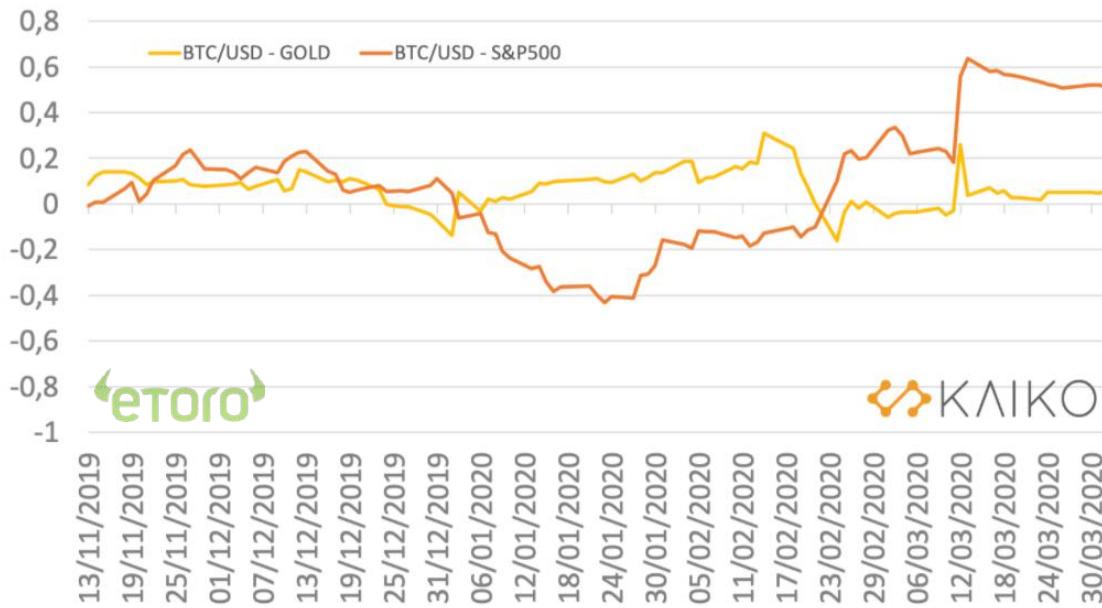
As crypto market infrastructure was put to the test when prices started plummeting on March 12, dislocations are reshaping the landscape and fueling rapid improvements of the crypto trading ecosystem.

## A Breach in the Safe-Haven Narrative

Bitcoin has been touted as a safe-haven asset for investors, as an asset that would hold its value and be uncorrelated to market collapse. However, the strong correlation between market returns and BTC/USD returns indicates that there can be a strong relation between the two after all. An explanation may be sought in the fundamental value that cryptocurrencies bring to the table: the promise of alternative or complementary financial infrastructure with unparalleled network effects.

This value is dependent on the minds and hands of smart engineers, investors, businessmen, and academics laying out the technical foundations. All these are being impacted by COVID-19, therefore potentially reducing the expected value being created. The question of how large this correction should be remains unanswered, but it presents a simple mechanism by which market returns can correlate with cryptocurrency returns.

## Bitcoin 1-Month Correlation to Gold and Stock Markets



## The Deadly Liquidation Spiral

The crypto-market crash, now referred to as “Black Thursday,” occurred in two phases on March 12. The first started around 10am and the second around 11pm UTC time.

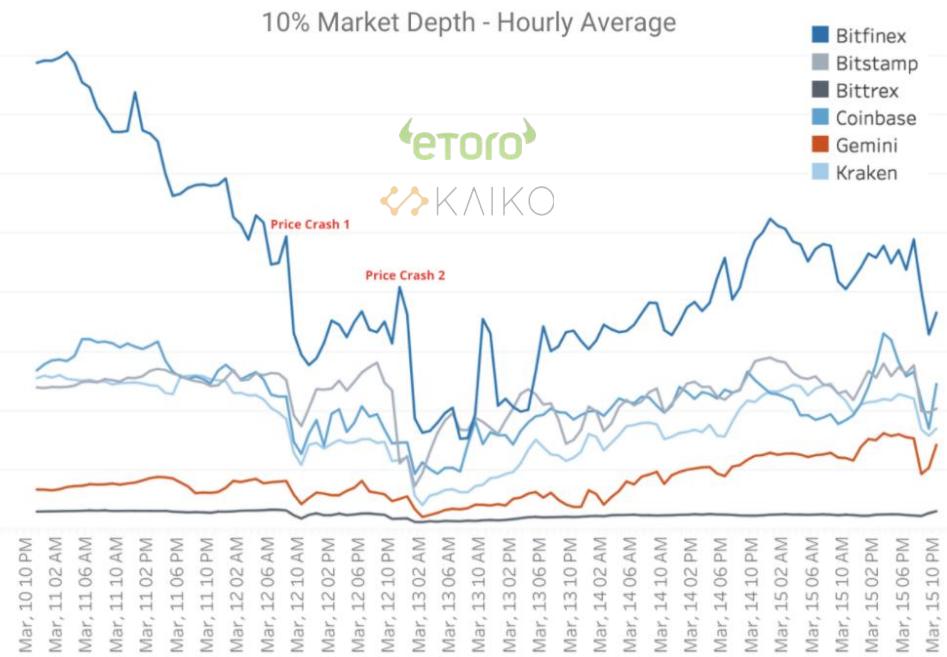
After an initial journey to rapid recovery following the first crash, prices began to fall without a recovery in liquidity levels. The combination of a lack of liquidity, falling prices, and a series of automatic liquidations coming from leveraged accounts made for an explosive mix that decimated the order books (cf. figure below showing how severely the market depth was impacted during the crash).



## Intense Trading and Infrastructure Response

The mechanisms at play described in the previous paragraph (rooted in automatic asset liquidation) are not unfamiliar to traditional markets, with the difference that unregulated markets do not necessarily have circuit-breakers in place to halt trading at times when investors need some slack to calmly gather their thoughts to effectively contribute to price discovery. Thus, the market crash has led to healthy — albeit sometimes heated — discussions on the responsibilities of exchanges and measures that should be taken on how to introduce circuit breakers to limit such instabilities.

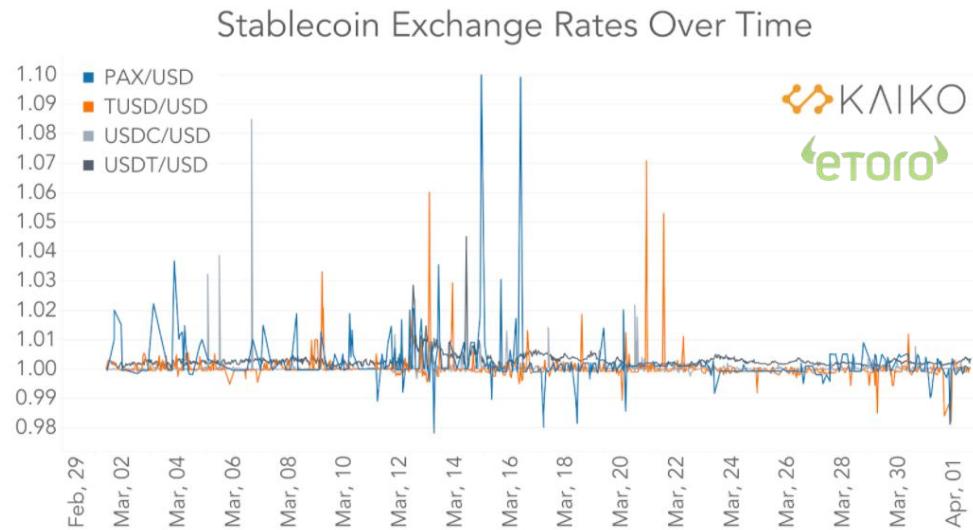
The intense trading activity that was generated on the day of the crash was an order of magnitude greater than usual. This presented challenges as all systems were being pushed to their limits to handle the sharp surge in activity, causing some exchanges to go under unexpected maintenance, which, in effect, acted as implicit circuit breakers.



## Stablecoin Stability Put to the Test

As many cryptocurrency traders know, it is wildly common for crypto traders to inject funds on exchanges in fiat currency, then store and make the capital flow in the form of stablecoins. This is because they are easier to transfer between or redeem from exchange platforms.

As the figure shows, the hourly exchange rates of stablecoins can deviate significantly from the equilibrium unit value of 1 USD. This comes as an effect of holders of stablecoins bearing some form of credit risk, which is contingent on the adequate backing or stabilization mechanism of the underlying currency.



## A Surge in Volatility Across the Board

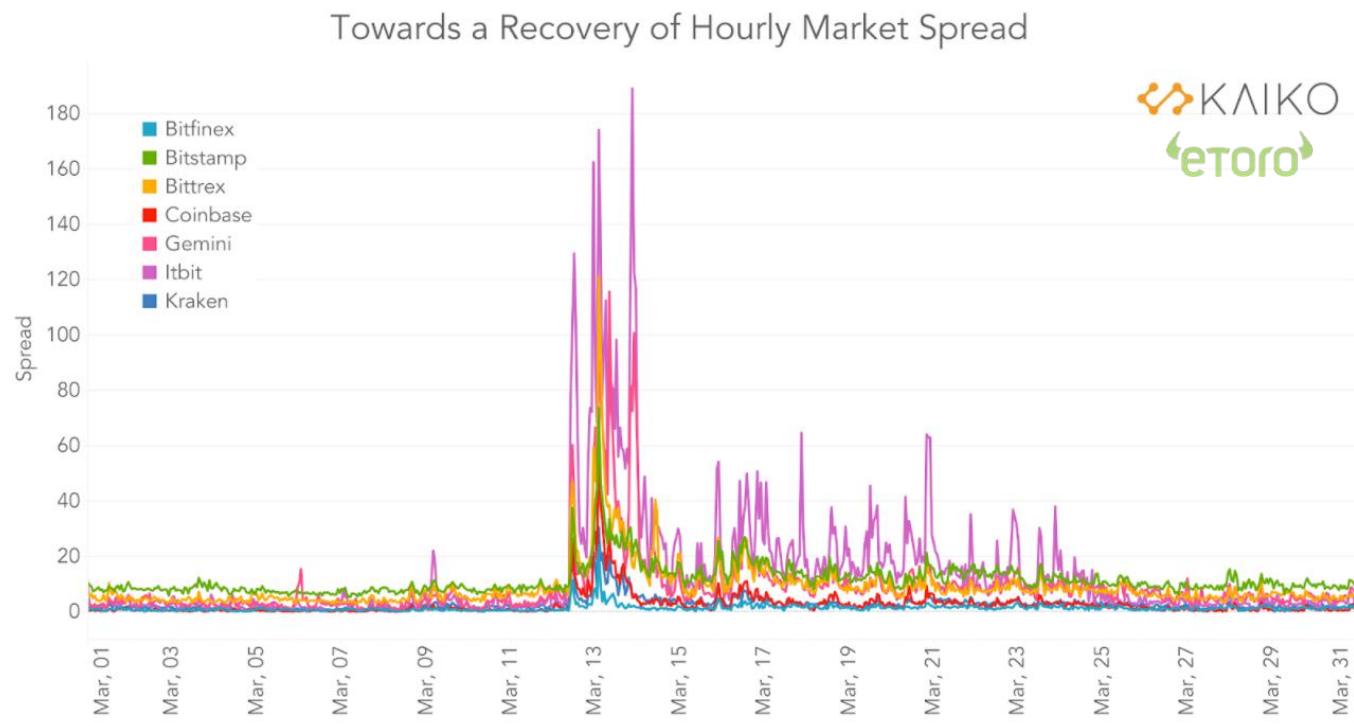
This will be a good year for high-frequency traders and market makers, both in traditional finance as well as crypto. The steep increase in volatility created myriad mispricing opportunities coming from investors' reaction time, as well as behavioral biases amplified by panic strikes. The intense fear among investors was reflected in the VIX index hitting levels it hadn't reached since the 2008 crisis.

The chart shows that the 30-day historical volatility of Bitcoin skyrocketed on March 12 to about three times the volatility of the S&P 500. It is to be noted that the current historical volatility of the S&P 500 has reached about twice the average volatility of Bitcoin in early 2020. Coincidentally, Black Thursday took place just as the historical volatility of the S&P 500 was about to touch that of Bitcoin.



## State of the Market and Recovery

During the crypto market crash, order book spreads saw a 10-fold increase. A first peak took place over the first part of the crash on March 12. Then the recovery started, but the second collapse hit harder. Spreads only started to recover to early-March levels toward the end of March, as shown on the average hourly spread in the figure below.



## Conclusion

The March 12 cryptocurrency market crash occurred in two successive steps. The second drop, precipitated by automatic liquidations, imparted a long-lasting effect on the market structure.

Correlations to gold and the stock market have soared, and markets are multiple times more volatile than a month ago.

As of the end of March, the spreads are only starting to recover to the early-March levels.

# The Macro Narrative for Bitcoin is Far from Dead

By: Kevin Kelly



We're on the verge of a major global recession. Financial markets are a bloodbath, policymakers in every corner of the world are racing to unload "stimulus" packages the likes of which we've never seen, yet Bitcoin is trading at the same level it was 18 months ago. What gives?

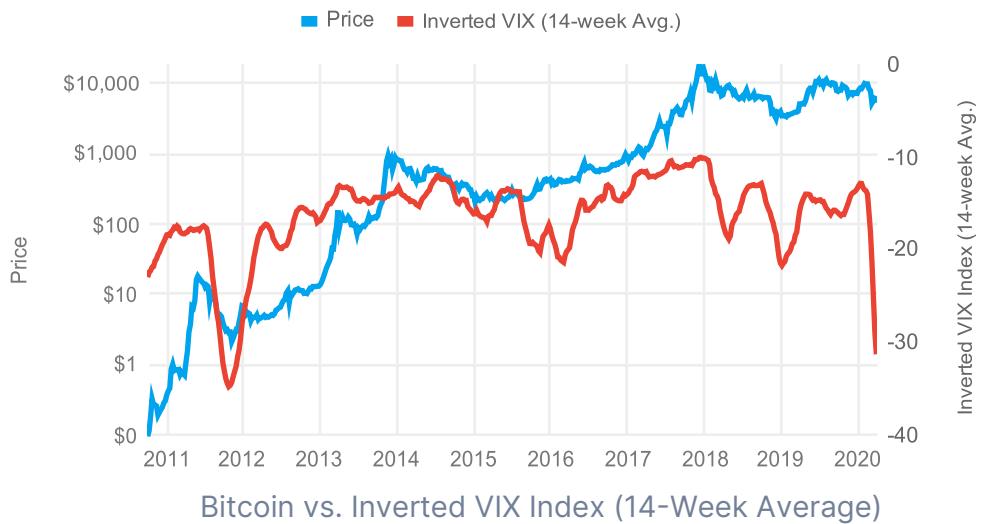
Bloodied and beaten, many investors have been left wandering aimlessly on the street as the fallout from COVID-19 worsens. The speed and severity of the virus' outbreak set off a chain reaction in financial markets, resulting in one of the worst quarters for asset prices since the financial crisis more than a decade ago. The depth of economic consequences is still largely unknown, but for those keeping score at home, here's a few truths about Q1 we do know.

The S&P 500 experienced its fastest 20% drop from an all-time high in its history, ending the longest bull market in history. Latin American equities lost more than 45% of their value in dollar terms. Oil prices collapsed 66% in Q1, marking the worst quarter for crude on record. Liquidity evaporated as volatility across asset classes blew out. The VIX Index (often called the "Fear Gauge") closed at a record high a couple weeks ago, surpassing even its 2008 peak. Long story short, unless you parked yourself in cash or U.S. Treasuries, odds are you left Q1 far worse than you entered it.

Like most assets, Bitcoin suffered a significant drawdown amidst all the market turmoil as investors shed risk and flocked to cash. The world's largest crypto asset experienced one of its fastest major corrections in March, dropping 50% at one point and pushing BTC's price below \$5k for the first time since April 2019 — several hundred million dollars' worth of sell liquidations ([Link](#)) certainly didn't help.



As we know, Bitcoin's track record is rather limited, but it's important to note we've seen BTC sell-off dramatically in prior periods of heightened market volatility.



Bitcoin's sizable drawdown has caused many to throw in the towel, citing its inability to serve as a true macro hedge (despite still outperforming risk assets by a considerable margin year-to-date, but I digress). Aren't these the exact conditions Bitcoin was built to thrive in? Well, yes and no.



For starters, there are few asset classes (or individual assets for that matter) that see their price appreciate in absolute terms during a liquidity crisis. The price of gold, for example, fell 30% between March and October 2008, as stocks cratered at the height of the financial crisis. Fast forward to a few weeks ago when we saw the precious metal drop ~15% at one point as the sell-off in equities began to accelerate.

Granted, that pales in comparison to BTC's price plunge, but that's to be expected. Bitcoin is far more volatile than gold, both on the upside and downside (if you want asymmetric return potential, it doesn't come free). In our view, **Bitcoin's performance following the aftermath is far more important than its sell-off going in, given the backdrop has never been more conducive for a non-sovereign, censorship resistant, provably scarce digital asset.**

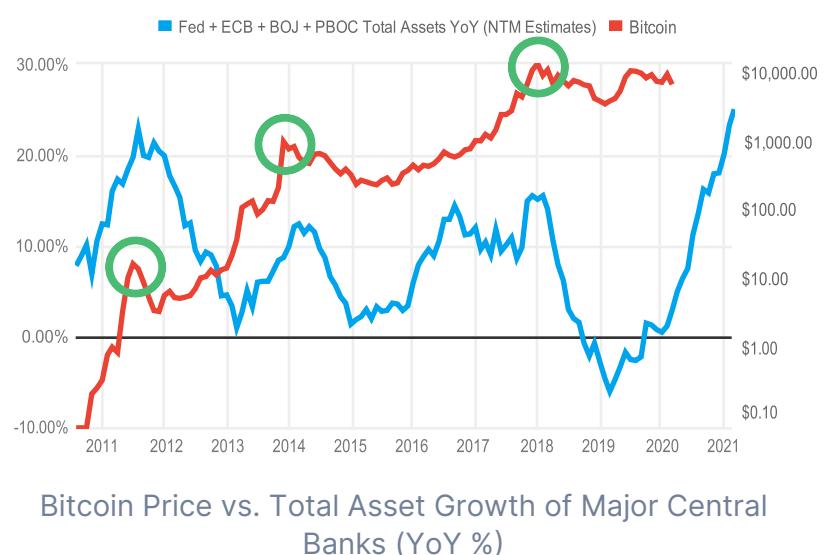
Policymakers have approved massive economic relief packages totaling more than \$10 trillion in both monetary and fiscal "stimulus" to combat the impact of COVID-19, as political leaders are forced to rip up the fiscal rulebook to save their economies from financial ruin. Similarly, major central banks stand armed and ready to soak up any excess debt issuance required to fund such aggressive fiscal spending in order to keep rates low and financial conditions at least somewhat accommodative.

The Federal Reserve's balance sheet, for example, is rapidly approaching \$6 trillion after breaching \$5 trillion for the first time in late March. The U.S. central bank also expanded its menu of asset purchases to include high-grade corporate debt amid rising concerns over corporate solvency. Across the Atlantic, the European Central Bank lifted its self-imposed limit on the amount of sovereign debt it can purchase from any single country, encouraging its members to spend more than they'd otherwise consider without such backstop. Likewise, the Bank of Japan — the poster child of quantitative easing — is showing no signs of slowing its seemingly indefinite asset purchase program. That doesn't include the People's Bank of China, the Bank of England, the Bank of Canada, the Reserve Bank of Australia, or the 60-rate cuts by global central banks in 2020 alone.

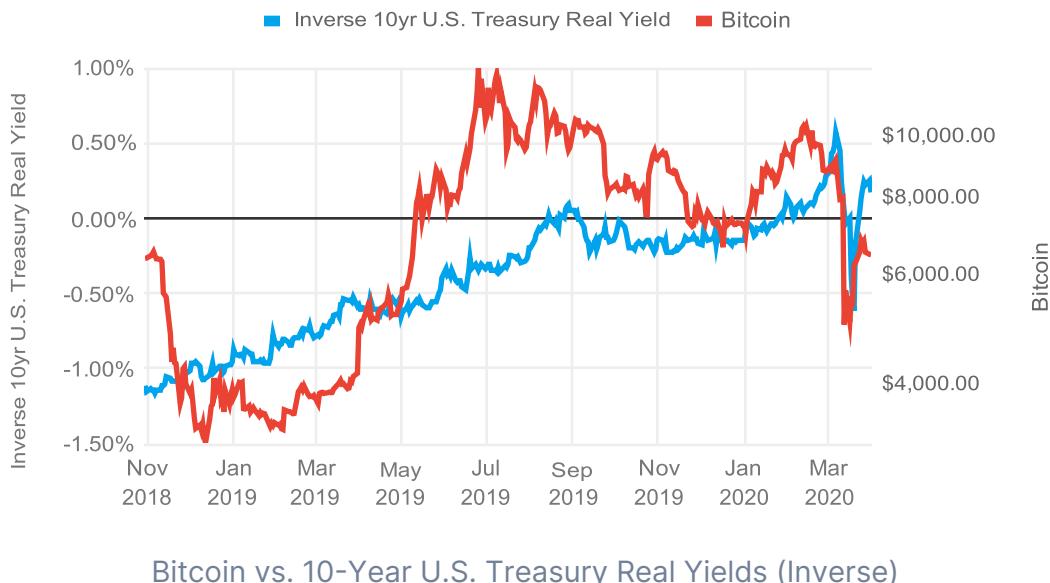
**The backdrop for massive debt monetization is set and it appears all the usual suspects are making their way to the stage.**

Historical precedent is quite limited given Bitcoin's relatively short lifespan, but it is notable that prior BTC cycles have tended to peak with major central bank balance sheet growth.

\* For NTM metric in chart: Next 12M estimates = 25% year-over-year total asset growth



Large-scale asset purchases and weakening growth expectations can keep a lid on historically low real rates, bolstering the investment case for non-income producing assets like Bitcoin or gold even further.



Finally, establishing “fundamental” indicators in crypto is as much an art form as it is a science, but we believe the sell-off in BTC has provided an attractive entry point for those with conviction in its long-term value proposition. For example, the market-value-to-realized-value ratio (MVRV), which compares the value of Bitcoin relative to the estimated cost paid for all coins in existence, dipped below one in March for the first time since early April 2019. Extreme values in this indicator have signaled prior peaks and troughs, usually following significant moves in BTC’s price.



# The Upcoming Bitcoin Network Halving and Miner Profitability

By: John Todaro



The Bitcoin network halving is a pre-set inflation adjustment in the network that occurs every four years. The next halving will occur at block height 630,000, or approximately mid-May 2020, which would see the new issuance supply of Bitcoin decline by 50%. As the new issuance supply of Bitcoin falls, the scarcity of the asset increases.

The prior two halvings, which occurred in 2012 and 2016, offer indicators for mining activity, including mining profitability, around the upcoming 2020 halving. The network hash rate is closely related to miners' profit margins. The hash rate increases as the number of resources, in aggregate, committed to securing the network through mining activities rises. As resources dedicated to mining rise over time, the network difficulty increases, which drives efficiency gains in mining activity and/or increased mining costs. As such, in order to maintain healthy profit margins for miners, a rising hash rate is typically needed to correspond with a rising Bitcoin price.



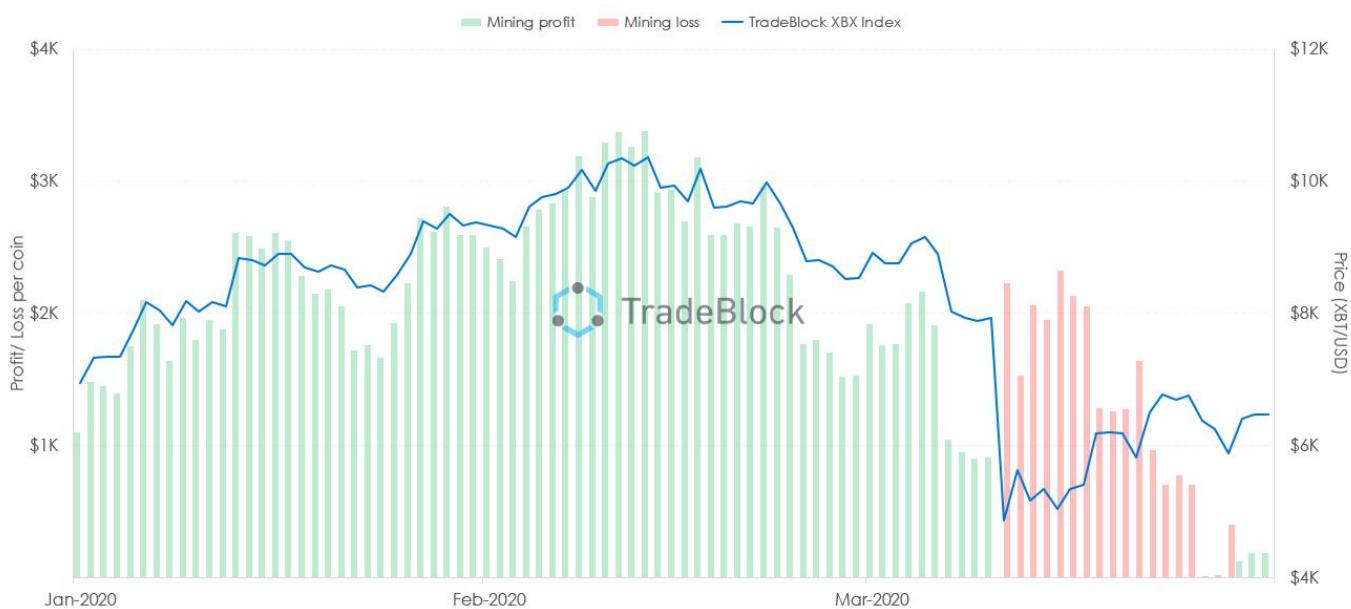
**Network Mining Difficulty** is a measure of how time consuming it is for miners to "find" new blocks. Unlike metals mining, the Bitcoin network is designed so that the same number of Bitcoin are mined every year, regardless of the mining resources committed. As firms dedicate more resources to mining Bitcoin, the difficulty rate adjusts to a higher level to ensure that miners still only mine one block approximately every ten minutes. Similarly, if miners dedicate fewer resources to mining, the difficulty rate adjusts lower to ensure the same new supply rate of Bitcoin.



We compare mining profit margins and breakevens between the 2012 and 2016 halvings and our projections for the 2020 halving, given the known hash rates around prior halvings and the estimated hash rate for the upcoming halving. In the past two halvings, the price of Bitcoin rose to levels higher than mining breakevens, allowing miners to maintain similar profit margins before and after the halvings, despite the 50% reduction in mining rewards.

Value	2012		2016		2020	
	Pre	Post	Pre	Post	Pre	Post
Pre/Post-Halving						
Hash Rate	16 TH/s	25 TH/s	1,250 PH/s	1,580 PH/s	110 EH/s	135 EH/s
Coinbase Reward (BTC)	50.00	25.00	25.00	12.50	12.50	6.25
Breakeven Cost (\$)	4.45	12.68	217.00	453.00	7,300.00	15,100.00
Bitcoin Market Price (\$)	9.50	13.50	420.00	680.00	6,300.00	N/A
Gross Profit (%)	53.16	6.07	48.33	33.38	-15.87	N/A

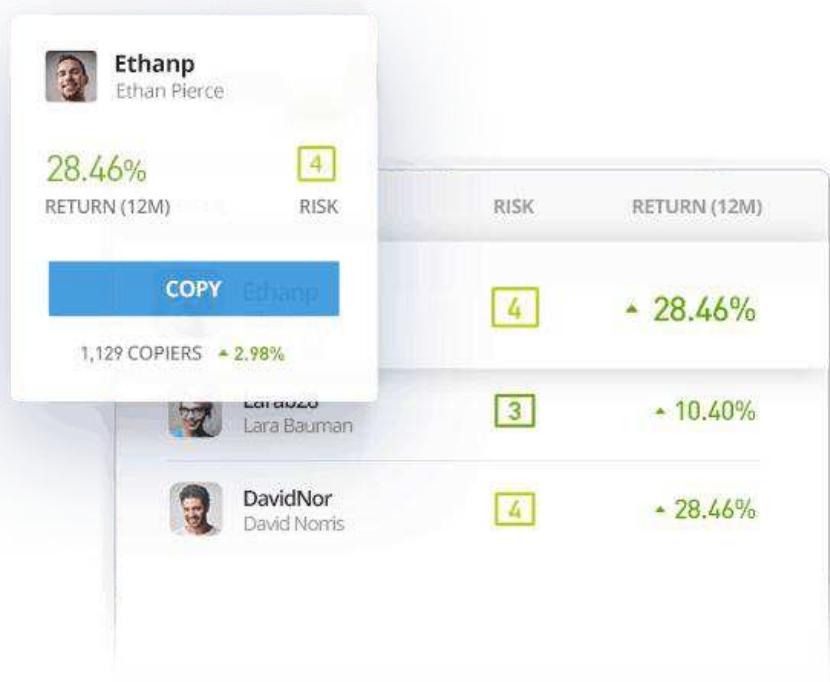
2020 has proven to be a turbulent year so far for financial markets. While Bitcoin miners maintained healthy profit margins in the beginning of the year, a COVID-19-inspired sell-off pushed mining profitability into the red. In response to a decreasing hash rate, the Bitcoin network difficulty declined in its second largest drop in history, allowing miners to move back into positive territory. As the quarter came to a close, Bitcoin prices recovered some losses suffered earlier in March, allowing miners to increase their profit margins. In the figure below we diagram estimated mining profitability over time alongside TradeBlock's XBX Bitcoin Index.



# eToro CopyTrader™ Spotlight

eToro's award-winning social trading features let users discuss trading strategy, practice with virtual funds, and even copy the trades of other users.

CopyTrader™ lets you automatically copy the trading actions of top traders on eToro. Simply browse through a list of traders to view their status, and when you find one or more you'd like to copy, just hit Copy. You'll be prompted to allocate funds to mirroring their portfolio and the trades they make. This all happens in real time — so you'll act like an experienced trader, without having to do the work of one.



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# eToro CopyTrader™ Spotlight

## Nicholas Merten - DataDash



Nicholas Merten is the founder of DataDash, the largest cryptocurrency YouTube channel, with over 330,000 subscribers.

eToro CopyTrader Profile: [NicholasMerten](#)

### **How did your portfolio allocation between different assets change over the quarter? Did your allocation to cryptocurrency change at all?**

I made a good call getting out of equities in October of 2018 — that's when I officially flipped bearish on equities. So, I haven't seen too much change, more than anything though, I am setting aside a cash reserve for basically the bottom in equities(...) it's a pretty wide time frame depending on how COVID-19 plays out.

I am not a short-term trader when it comes to crypto. I focus much more as a macro trader, swing trader, so my positions at a minimum are usually going to be held for a multitude of months to a couple of years.

### **Did you expect digital assets to trend downwards alongside equities?**

I think there is an easy explanation, which is why I wouldn't say they're directly correlated. As equities as a much broader market started to experience a correction I think we got to a point where people were now basically short on the ability to get positions in dollars(...) This was the worst sell-off we have ever seen in stock market history in the sense of the severity and pace of the sell-off and the increase in volatility. I think that's going to be reflected in just about any market. We saw in gold and silver, for example, a stark decline even though these are time-tested assets that hedge against market fear. So I think this was a broad demand for dollars at a time where there wasn't much available dollars on the market.

A lot of people forget when you're trading against a dollar pair and you sell a stock or sell Bitcoin, you're taking a net long position on the dollar. If an equity or Bitcoin drops 50% your dollar can now purchase twice as much of that asset so I think at the end of the day people didn't realize how much there was a lack of liquidity in the system.

## Was the “Bitcoin as a hedge against macroeconomic uncertainty” narrative proven false?

I don't think it was per se proven false(...) luckily we've regained very similarly to gold. At the end of the day I don't want to say I am too confident that it is a hedging asset, I think we're going to have to see that over the next two years and I think it's really going to come into fruition after the halving event.

If you talk about the trillions of dollars stored in currency markets, equity markets, property markets, and traditional bonds that are flowing out due to risk avoidance, you may see a fraction of that going to Bitcoin.

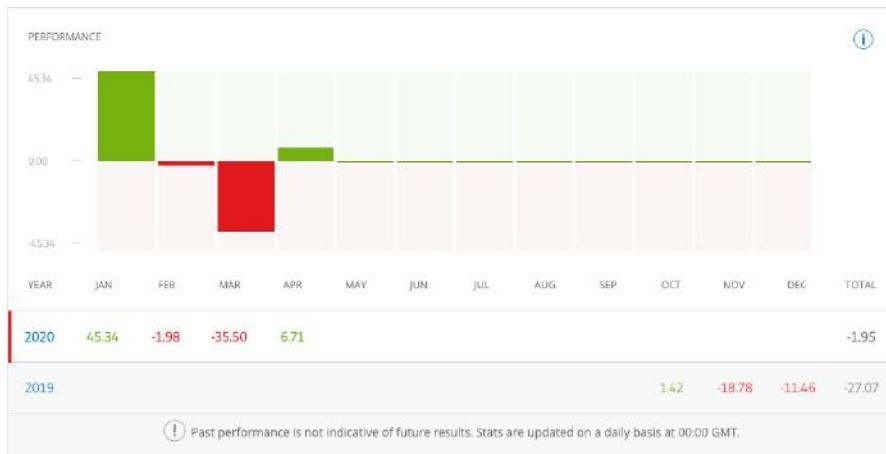
## What advice would you give to someone outside of cryptocurrency that is looking to learn more about this market?

I am someone who is actually quite different than most in saying that you don't have to fully, technically understand Bitcoin. I would assume that the vast majority of people investing in stocks don't look at the full books of every company that they invest in; they don't understand every single business practice, and that's the same with Bitcoin. You have to generally have a decent understanding I think if you want to invest in Bitcoin and digital assets. The key thing to understand is that these assets are limited in nature — they are traceable, they are transparent, and they are trustless to a large degree compared to traditional assets. Bitcoin has operated for the last ten years without a failure, never shutting down as a network, provides it to be a very reliable asset in that case.

## What were your best calls and biggest mistakes as a trader this quarter?

On some of my altcoin positions the biggest mistake I made was not having stops set on many of my positions that had gained over the last couple of months. We saw just as much of a bloodbath in the altcoin space as we did with Bitcoin.

I was planning on holding them for the longer term, but in reality at the end of the day it's better to take profits because you could see within just two weeks a lot of those gains get wiped away that you had built up over the past few months, and that's really just how crypto markets can move sometimes.



Nicholas Merten's CopyTrader Performance on eToro

# eToro CopyTrader™ Spotlight

## Bryce Paul and Aaron Malone - Crypto 101



Bryce Paul and Aaron Malone are the Co-Founders of Crypto 101, a top podcast for cryptocurrency beginners and experienced traders alike. They are also the co-authors of Crypto Revolution.

eToro CopyTrader Profiles: [crypto101\\_bryce](#) and [crypto101\\_aaron](#)

### **How did the macroeconomic climate this past quarter affect how you traded?**

**Bryce:** The macroeconomic climate really turned me risk-off. The entire economy has come to a little bit of a standstill. But what is really interesting is the VIX hit an all-time high... basically the price of insurance for your stock options. The fact that the price of insurance is so high means that nobody knows how to quantify the risk we've been exposed to and quantify the forward value of these companies. We don't know how bad the economy really is.

For me it is mostly cash is king until the VIX drops down to where it normally is between 15 and 22. In my opinion, crypto assets have been tightly correlated with other risk-on assets and I think that the whole safe-haven risk-off narrative right now is invalid. In the future, it will be that — it was born to be that — but right now it tracks very closely with other risk-on assets.

**Aaron:** The entire quarter has actually been phenomenal, when you look since January there have actually been a lot of coins that have gone up 2x, 3x, before the great collapse when PlusToken dumped all of their supply and knocked us down to \$3K–4K (Bitcoin prices). While it has been a rough year for holding, for trading this volatility has been phenomenal.

### **How did your portfolio allocation between different assets change over the quarter? Did your allocation to cryptocurrency change at all?**

**Aaron:** I'm actually more into crypto now than I was before. I was definitely in cash towards the beginning of this year and just slowly crept things in. I thought because we were above \$10K it was a bit too soon, and I've kind of just been dollar-cost averaging this whole way down.

**Bryce:** I like to set my sells at previous resistances to get the rebound. I didn't get as much sells as I would have liked, I've been in this industry for so long that I haven't put fresh cash in this market for a while. The first time I really thought about it was that Thursday, when I woke up and saw Bitcoin at \$3,800 and was like "you've got to be kidding me". I am so comfortable with my crypto exposure that I am just along to enjoy the ride. I picked up a lot of Dash on that fall, because of the Dash halving coming up in April. I converted a lot of Bitcoin into Dash.

One of the things I like to think about is the divergence between price and value. Price is what you pay, value is what you get. The networks have only gotten stronger and more liquidity behind them, everything has grown, but the price is the same that it has been for 3-4 years. It just goes to show that there is a divergence between price and value. When I see a value buy like that I have a hard time resisting.

### **Did you expect digital assets to trend downwards alongside equities? Was the "Bitcoin as a risk-off asset and a hedge against macroeconomic uncertainty" narrative proven false?**

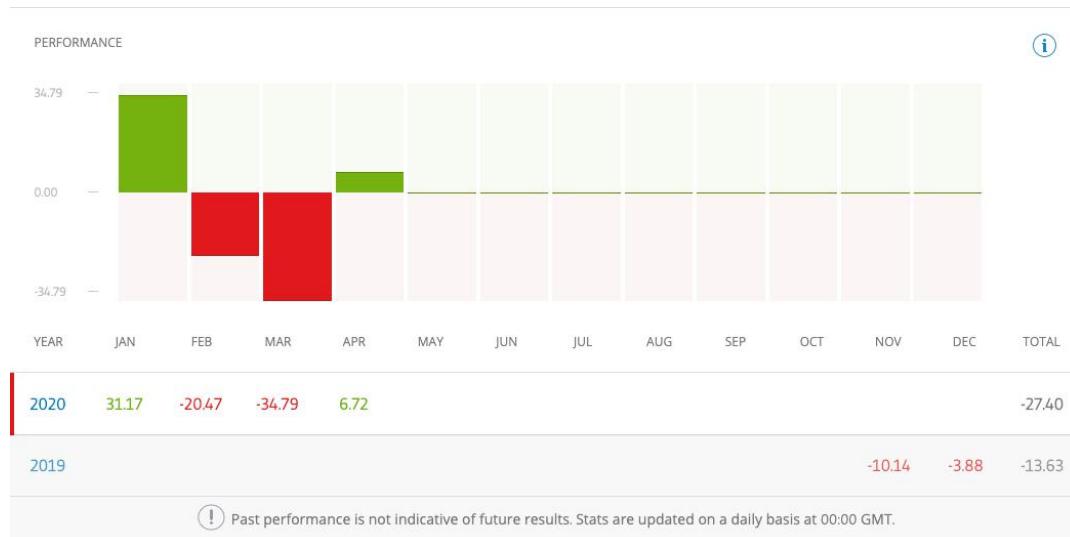
**Aaron:** I feel like that was a black swan event in and of itself. Just like the 40% rise was earlier last year when President Xi announced that China was going to be investing in blockchain, but what also happened that day was the CME closed. So, when these two events correlated, they just went on top of each other. A bunch of algorithms and FOMO just kicked in and shot things through the roof. The same thing happened on Bloody Thursday where you've got the stock market uncertainty, coronavirus stuff, and PlusToken which stole a bunch of tokens and had nothing invested in it and wanted to get out when the going is good, which triggered a series of events spiraling us down. But our faith didn't die whatsoever, if anything we were getting giddy, we were getting excited and we got on the phone with our grins growing bigger and bigger going "oh my god, I can't believe we have a chance to buy at these prices". This is the biggest fake news event of the year — that Bitcoin is not sustainable as a risk off asset. That's nonsense. It hasn't followed stocks and is largely decoupling itself. Bitcoin does not have to follow stocks; there are no earnings reports, customers, orders to fill. It exists outside of traditional macroeconomic conditions.

**Bryce:** When we were first started out no one compared it to another asset like the stock market, we compared it to the dollar. Now we're seeing the narrative take shape from currency and currency valuation analogs, to now asset analogs. We're seeing a complete overhaul in the narrative in crypto amidst all this stuff.

Crypto needs to prove itself, it needs to be around, and it needs to survive the coronavirus liquidity crisis that we are experiencing now. It is still in jeopardy. Right now everyone is selling everything to service their debt, pay their tax liability, and their rent. The economy is at the point of maximum selling. But crypto will survive, there are people that will never sell. Once we survive this pinch point and we move from panic sellers to long-term holders, Bitcoin will see great success in the near-term.

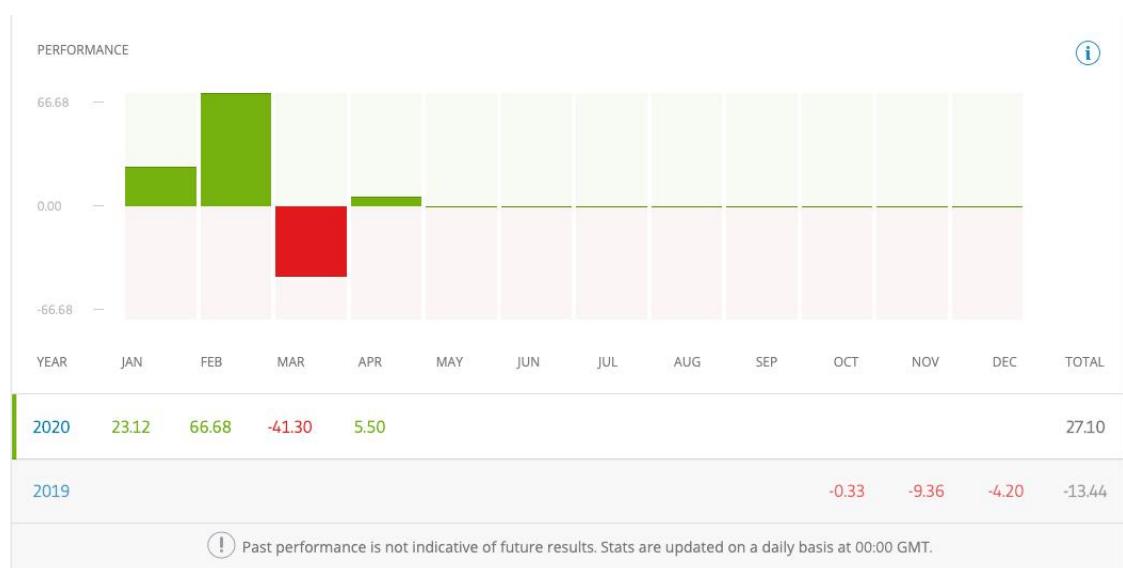
### What were your best calls and biggest mistakes as a trader this quarter?

**Aaron:** I took a loan against some of my crypto holdings and bought Bitcoin below \$4,000 and am up 30% once accounting for paying back that loan. Easily my best move this year. My worst trade was buying levered longs at \$8K leading up to the Bitcoin halving, and getting completely liquidated on Bloody Thursday. I am definitely out of levered trades and futures for the time being.



Aaron Malone's CopyTrader Performance on eToro

**Bryce:** My best trade: I put a big chunk of Bitcoin into Dash. My worst trade was not selling Tezos at \$4 when I bought in at \$1.20. I got burned for getting greedy. The worst trades are just not selling the short term swing highs.



Bryce Paul's CopyTrader Performance on eToro



# The State of Digital Assets

Q1 2020

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