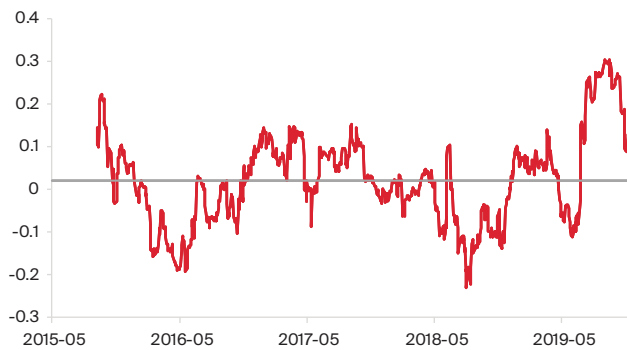


Bitcoin / Gold 90-Day Rolling Correlation



Source: Yahoo Finance, Bitcoin Suisse Research.

Bitcoin has a low correlation to both equities (with the S&P 500 as an example, top) as well as gold (GLD, bottom).

Since mid-2015, Bitcoin has shown a correlation of 0.096 to the S&P 500, and a correlation of 0.020 to gold while providing an overall return on investment of about 3'000 %. Thus, holding Bitcoin in a portfolio would have improved both diversification as well as risk-adjusted returns. This may also hold true in the coming years, especially if central banks continue their expansion of the monetary base and keep encouraging investments through their policies.

Conclusion

Bitcoin is stronger than ever, with fundamental metrics such as hashrate continuing to make all-time highs. The most anticipated event in 2020 is the block reward halving, which reduces the issuance to miners from 12.5 to 6.25 BTC per block. This has led to significant price rallies in the past, with beneficial effects to overall network security due to keeping miner profitability high and encouraging longer-term investing into mining equipment.

In order for network security to remain at current levels after the halvening in May 2020, either the price has to increase, or transaction fees need to make up for lost miner revenues. The Bitcoin competitors Bitcoin Cash and Bitcoin SV aim to solve this issue by increasing the block size, which enables more transactions and hence more fees in total which subsidize the network. Bitcoin's scaling approach is still focused on the development of second-layer solutions such as the Lightning Network; since fewer transactions would then need to be recorded directly on the blockchain, increasing fees would be tolerable.

Bitcoin also remains attractive as an investment – not only due to historical performance, but also due to its low correlation to other markets. Holding Bitcoin is in part also a bet on a future store of value – perhaps a more relevant use case than ever, with growing recession fears across the globe.