

RELAI BITCOIN REPORT

Quarterly Market Report

Q1 2024

Introduction

At Relai, we aim to let you take control of your future. Bitcoin is the tool to deliver that. It is a unique, emerging savings technology. Like the internet, it's on a path to revolutionize every aspect of our lives.

In the latest edition of the RELAI BITCOIN REPORT, our quarterly market report, we look at things that make us bullish about Bitcoin's future or things we think are worth pointing out to understand where we're heading

We hope you enjoy the report!

Disclaimer: None of this content constitutes investment advice.

Always conduct your own research before investing.

A graphic with the text "BITCOIN IS FREEDOM" in large, bold, white capital letters. The word "FREEDOM" is stylized, with the letters containing a landscape image of snow-capped mountains and a blue sky. The entire graphic is set against a dark blue background.

BITCOIN IS
FREEDOM

Executive Summary

This report delves into the constant growth of the Bitcoin network, especially focusing on the launch of Bitcoin spot ETFs in the U.S. This marks an important milestone for Bitcoin as a unique asset class which is increasingly valued in the traditional financial world.

In this report, we show that:

- Bitcoin spot ETFs have been launched, their AUM quickly surpassed that of silver
- Bitcoin stood out as the top-performing asset class of 2023
- The severity of BTC drawdowns is diminishing, suggesting a maturing market and growing investor confidence
- Declarations of Bitcoin's demise, have reached a ten-year low, highlighting increased faith in Bitcoin's longevity
- Bitcoin mining has achieved an all-time high in sustainability
- Retail investors, particularly "shrimps" who own less than 1 BTC, are increasingly purchasing Bitcoin
- Employing a cost-averaging strategy for Bitcoin investments continues to prove beneficial
- The Bitcoin network's hashrate has reached new all-time highs, reflecting strong security and miner commitment.
- The Lightning Network, enhancing Bitcoin's transaction efficiency, has seen remarkable growth, expanding by 1200% in just two years and improving Bitcoin's scalability and usability

Bottom line: The culmination of Bitcoin's exceptional price performance, its increased adoption by both institutional and retail investors, and significant technological advancements underline its evolving role as a cornerstone in the future financial ecosystem. Overall its increasingly recognized as a pivotal asset in diversified investment portfolios.

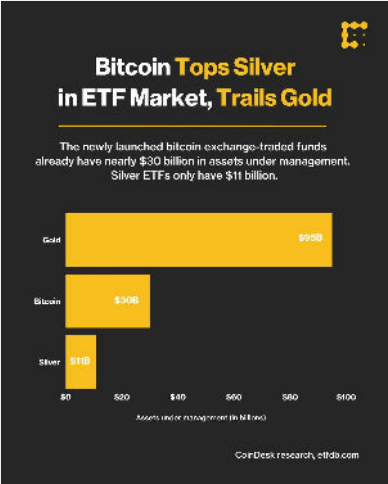
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Bitcoin Spot ETFs Launched, AUM Surpasses Silver

The recently launched Bitcoin ETFs have already accumulated nearly \$30 billion in assets under management, surpassing silver ETFs, which have around \$11 billion. This growth occurred immediately after the U.S. Securities and Exchange Commission approved the Bitcoin ETFs. Bitcoin now ranks second only to gold in the U.S. ETF market for commodities, with gold ETFs holding approximately \$95 billion. The transformation of the existing Grayscale Bitcoin Trust into an ETF contributed significantly to the high asset value of Bitcoin ETFs.

This signifies a milestone for Bitcoin but also for the ETF market, with the new Bitcoin ETFs experiencing a significant influx of investment shortly after their launch.



Source: [CoinDesk via X](#)

Issuer (Ticker)	Company	Filing Date	19b-4 Federal Register	Highest Act	Status	Exchange	Custodian	SEC Next Deadline	SEC Final Deadline
Grayscale Bitcoin Trust (Re-file/Conversion) (GBTC)	Grayscale	5/4/15	11/8/21	1933 Act	Lawsuit	NYSE	Coinbase	8/15/23	10/5/23
ARK 21Shares Bitcoin ETF (Re-filing) (ARKB)	21Shares & ARK	6/28/21	5/15/23	1933 Act	Unknown	CBOE	Coinbase	8/13/23	1/10/24
Shares Bitcoin Trust	BlackRock	6/15/23	7/19/23	1933 Act	Unknown	Nasdaq	Coinbase	9/2/23	3/15/24
Bitwise Bitcoin ETP Trust (Re-filing)	Bitwise	10/14/21	7/18/23	1933 Act	Unknown	NYSE	N/A	9/1/23	3/14/24
VanEck Bitcoin Trust (Re-filing)	VanEck	12/30/20	7/19/23	1933 Act	Unknown	CBOE	N/A	9/2/23	3/15/24
Wisdomtree Bitcoin Trust (Re-filing) (BTCW)	Wisdomtree	12/8/21	7/19/23	1933 Act	Unknown	CBOE	Wisdomtree?	9/2/23	3/15/24
Invesco Galaxy Bitcoin ETF (Re-filing)	Invesco & Galaxy	9/21/21	7/19/23	1933 Act	Unknown	CBOE	N/A	9/2/23	3/15/24
Wise Origin Bitcoin Trust (Re-filing)	Fidelity	3/24/21	7/19/23	1933 Act	Unknown	CBOE	Fidelity	9/2/23	3/15/24
Valkyrie Bitcoin Fund (Re-filing) (BRRR)	Valkyrie	1/22/21	7/21/23	1933 Act	Unknown	Nasdaq	N/A	9/4/23	3/19/24
Global X Bitcoin Trust (Re-filing)	Global X	7/21/21	8/26/23	1933 Act	Unknown	CBOE	N/A	10/10/23	4/22/24

Note: Dates are estimates and deadlines, so they may come earlier. * Denotes guesses but is fully dependent on Court opinion timing

Bloomberg

Source: [Will via X](#)

Bitcoin Is The Best Performing Asset Of 2023

Bitcoin has emerged as a standout performer in 2023, overshadowing traditional asset classes such as gold, equities, real estate, and bonds. In contrast to the challenges faced in the previous year, 2023 has proven favourable for Bitcoin. The world's most renowned cryptocurrency has staged a remarkable comeback, boasting a 154.37% surge in 2023 that contributed a substantial \$530 billion to its market capitalisation. Notably, only the stock of semiconductor giant, Nvidia, has outpaced bitcoin's performance, boasting a gain exceeding 240% in 2023.

Following a challenging year in 2022, Bitcoin made a remarkable recovery in 2023, showcasing impressive year-to-date (YTD) returns.

Bitcoin performance compared to major asset classes

Bitcoin has had periods of high performance and significant drawdowns

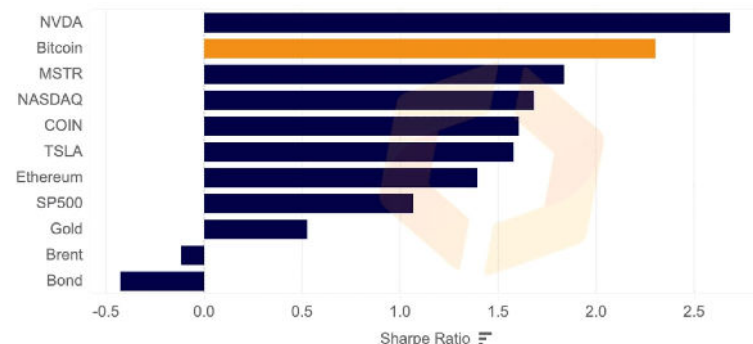
2013-2023

2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Cumulative	Annualized
BTC 5,516%	SPX 12%	BTC 37%	BTC 119%	BTC 1,300%	AGG 0%	BTC 92%	BTC 302%	BTC 58%	CMT 20%	BTC 156%	BTC 315.678%	BTC 124%
SPX 26%	AGG 5%	AGG 0%	HY 17%	EM 35%	HY -2%	SPX 29%	Gold 24%	CMT 30%	Gold 1%	SPX 25%	SPX 226%	SPX 13%
HY 6%	HY 2%	SPX -1%	EM 15%	SPX 18%	Gold -3%	EM 21%	SPX 15%	SPX 29%	HY -11%	HY 12%	HY 64%	HY 5%
AGG -1%	EM 1%	HY -4%	CMT 14%	Gold 14%	SPX -7%	Gold 18%	EM 14%	HY 5%	AGG -12%	Gold 12%	EM 35%	EM 3%
EM -3%	Gold -3%	Gold -11%	SPX 11%	HY 7%	CMT -9%	HY 14%	AGG 7%	EM 0%	EM -18%	EM 9%	Gold 18%	Gold 2%
CMT -9%	CMT -18%	EM -14%	Gold 7%	CMT 6%	EM -15%	CMT 10%	HY 7%	AGG -1%	SPX -20%	AGG 5%	AGG 17%	AGG 2%
Gold -29%	BTC -58%	CMT -25%	AGG 2%	AGG 3%	BTC -73%	AGG 8%	CMT -3%	Gold -6%	BTC -65%	CMT -2%	CMT -4%	CMT 0%



Risk-Adjusted Returns

Sharpe Ratio



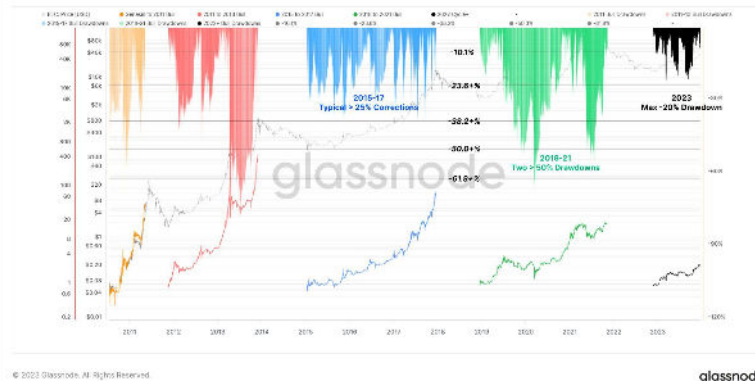
Source: Kaiko, Yahoo Finance, YTD through Nov 30, 2023.

BTC Drawdowns Are Getting Less Severe

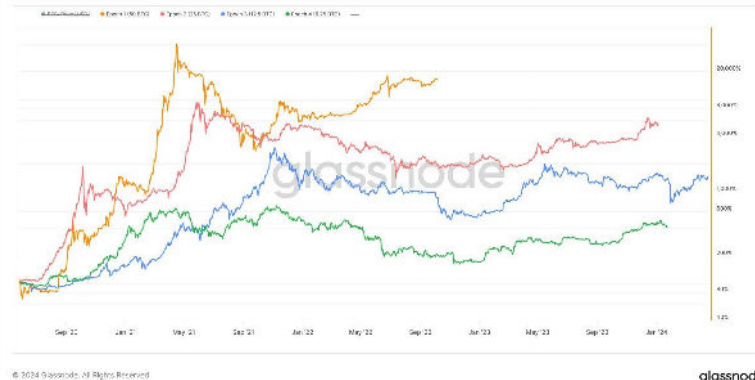
Evaluating the intensity of Bitcoin's bull market downturns over various cycles reveals a growing resilience in the current period. The most significant decline observed in this cycle has been limited to a mere -20.1%, which is considerably milder compared to past occurrences. This trend suggests that Bitcoin drawdowns are becoming less severe over time, indicating a possible maturation in the market's dynamics.

At present, the most substantial decrease is just -20.1%, which is significantly less severe when compared to previous historical trends.

Bitcoin: Bull Market Correction Drawdowns



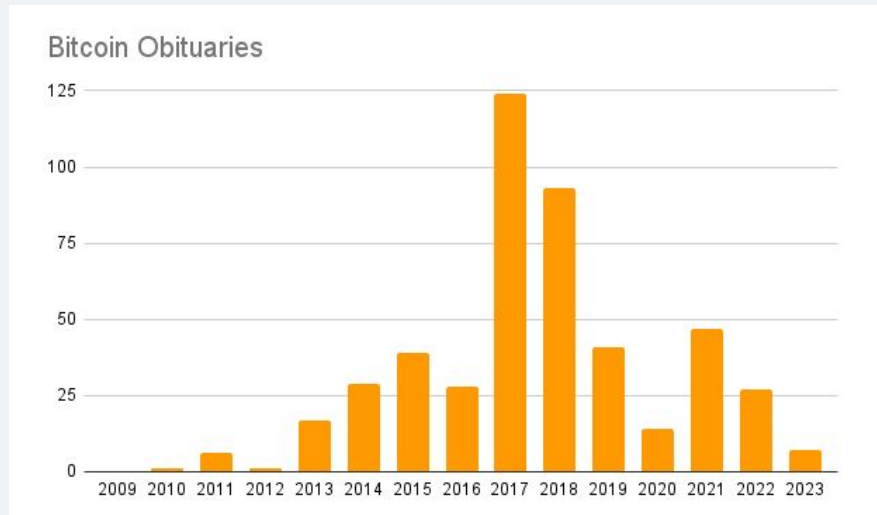
Bitcoin: Price Performance Since Halving



Bitcoin Obituaries Fall To Lowest Level In A Decade

We're in a bear market for "Bitcoin is dead" articles. In fact, in 2023, mainstream media declared Bitcoin "dead" only seven times, marking the lowest frequency of such declarations in a decade. Data from 99bitcoins' BTC obituaries tracker, showing a notable decrease in negative sentiments towards Bitcoin since its first declaration of 'death' in 2010. Notably, more than half of the 2023 obituaries occurred in January, amidst a challenging market period following the collapse of FTX. The year 2017 saw the highest number of Bitcoin obituaries at 124, despite Bitcoin reaching a then all-time high of \$20,000.

We're bullish on the death of "Bitcoin is dead" articles. The concept of "Bitcoin is dying" will soon become as absurd as the idea of the internet being a fad.

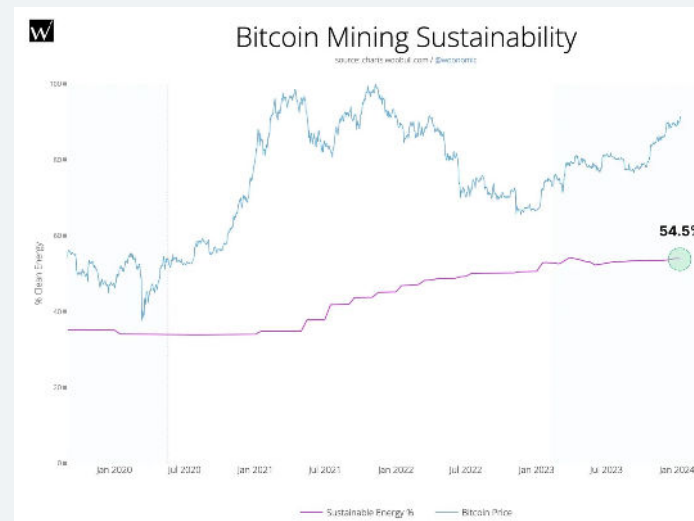
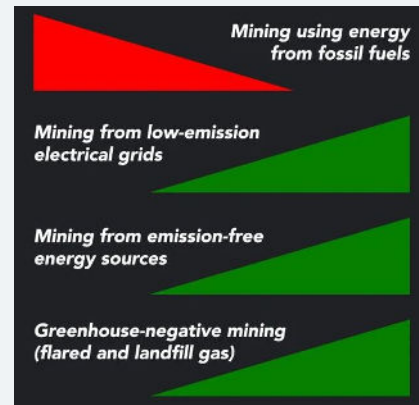


Source: [Jameson Lopp via X](#)

Bitcoin Mining Sustainability At ATH Of 54.5%

Bitcoin mining is increasingly adopting sustainable energy sources and innovative methods for a greener operation. The industry is shifting towards emission-free mining practices and utilizing cleaner energy, particularly in North America. A notable advancement is the use of off-grid methane, which not only powers mining but also helps reduce environmental hazards. Mining using energy from fossil fuels is down to just 45.5 percent, which puts emission-free mining at an ATH of 54.5%.

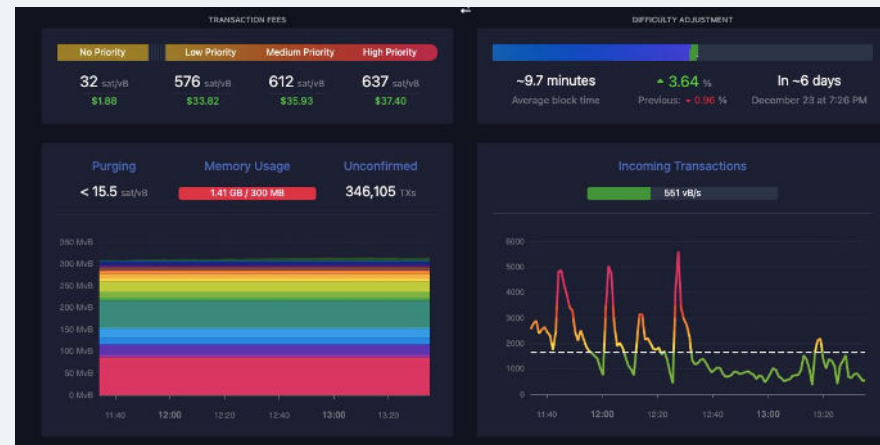
This transformation marks a significant step towards an environmentally friendly approach in Bitcoin mining. This trend is very likely to continue.



Bitcoin Network Fees Continue To Stay High

Bitcoin transaction fees have surged to a 20-month high, with average costs reaching nearly \$40 in late 2023, primarily due to the wave of Bitcoin Ordinals inscriptions. This increase in fees has sparked debate. While some were frustrated over the impact of Ordinals on fees, others argued that high transaction costs are inevitable and suggested that the future lies in layer-2 solutions like the Lightning Network. Miners are currently benefiting from the increased transaction fees, enjoying the best USD revenues in two years. This underscores the competitive nature of Bitcoin that values proof-of-work and competition over low transaction fees.

As the debate continues, the focus shifts towards innovation and adoption of layer-2 technologies to ensure Bitcoin's scalability and usability for future mass adoption.

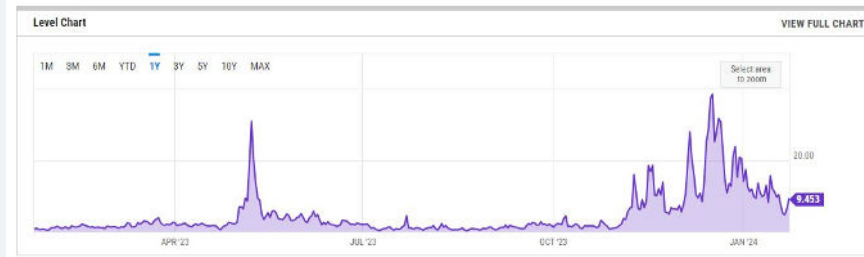


Source: mempool.space

Bitcoin Average Transaction Fee (1:BATF)

9.453 USD/tx for Jan 23 2024

Overview Interactive Chart



Source: ycharts.com

Shrimps (<1 BTC) Continue To Aggressively Buy Bitcoin

The distribution of coins is also the subject line for many Bitcoin critics, often mis-quoting large wallets as evidence for a heavy supply concentration held by a small handful of whales. But large wallets are often held by exchanges, containing the coins of many individual users. According to on-chain analysis company glassnode, the Shrimp Cohort (<1 BTC) continues to aggressively accumulate Bitcoin at a rate of +23.7K BTC / Month, bringing the total Shrimp supply to a value of 1.38M BTC.

An increasingly large proportion of supply is held by smaller entities representative of retail holders, with Shrimps (< 1BTC) and Crabs (< 10 BTC) absorbing a remarkable 2.25x more coins than were mined in 2022.

Bitcoin: Shrimp Net Position Change [Entities < 1 BTC]



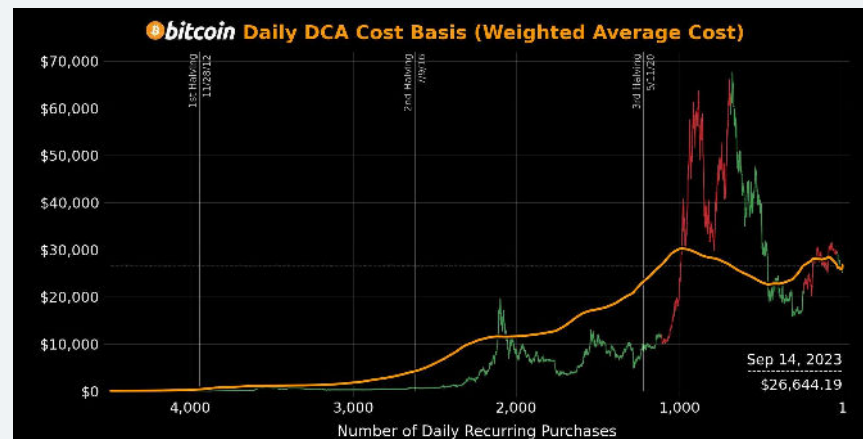
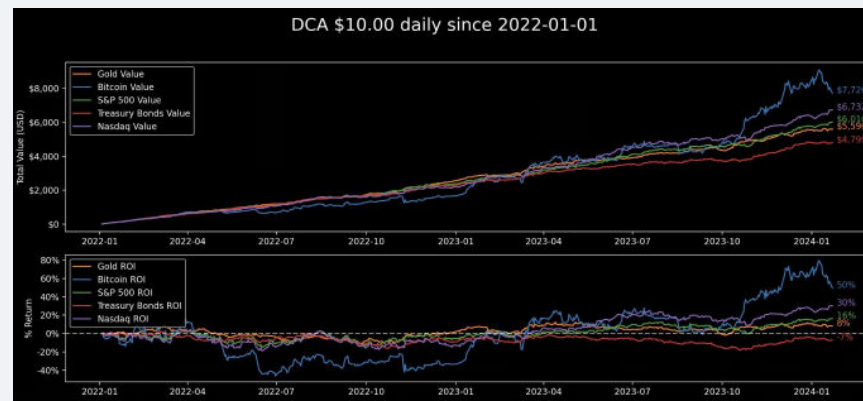
Bitcoin: Yearly Absorption Rates (Shrimp to Fish)



Cost-Averaging Continues To Be The Best Strategy For BTC Investors

Bitcoin investors who have consistently used the cost averaging strategy are now seeing profits, according to a recent analysis. Regardless of its price changes and is recommended as a wise approach to manage Bitcoin's volatility. At the end of 2023, every investor who continuously bought BTC was able to call their strategy a success, no matter when they started. Not all Bitcoin holders, however, are profitable, particularly those who purchased at the peak of \$69,000 in November 2021 and didn't continue to buy.

We see once again that cost averaging is the way to go for Bitcoin investors. Head to the Relai blog to learn more about cost averaging.

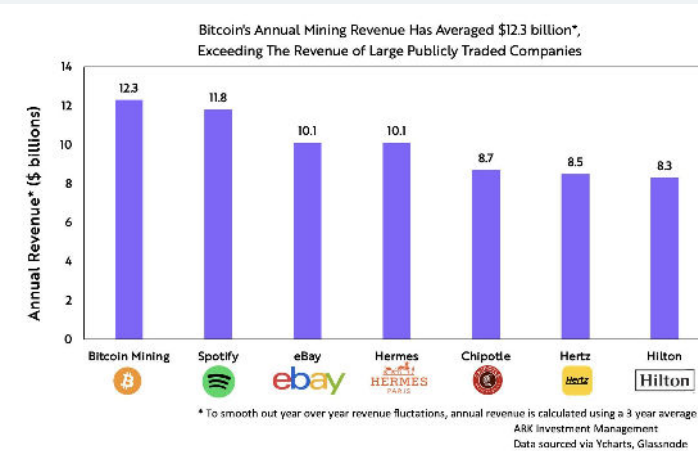
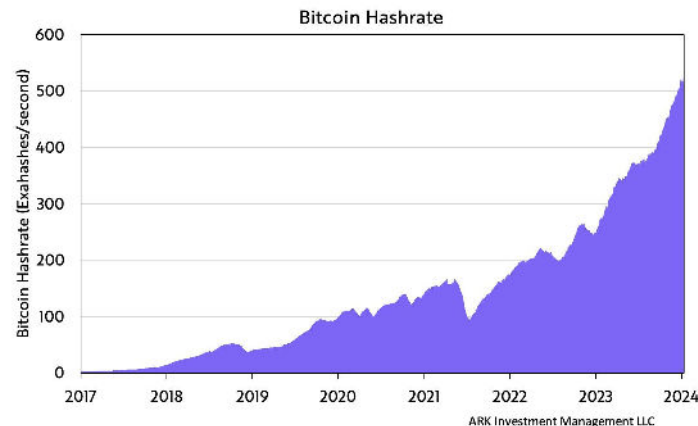


Source: [Dylan Le Clair via X](#)

Bitcoin Hashrate And Miner Revenue At All-Time-High

Bitcoin is backed by the most powerful computing network in the world. At 500 exahashes/second, the level of computational power dedicated to “backing” Bitcoin exceeds the combined capabilities of the world's largest computing networks. This computational power isn't centralized in one location or controlled by a single entity. It's distributed across a global network, ensuring decentralization and resilience against attacks or failures.

Bitcoin mining generates more annual revenue than some of the largest publicly traded companies in the world. Cumulative miner revenue is nearing \$60 billion. Spotify, eBay, Hermes, Chipotle, Hertz, and Hilton all generate less annual revenue than bitcoin miners.



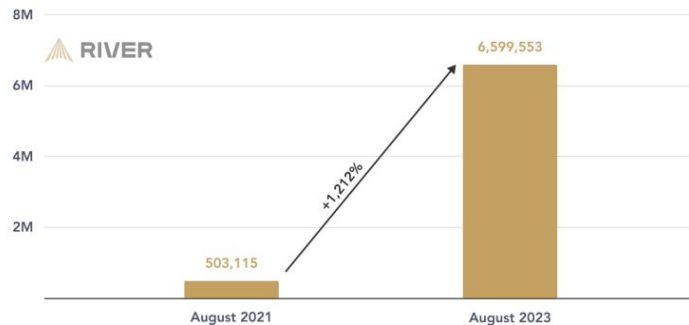
The Lightning Network Grew By 1200% In 2 Years

An in-depth [report by River](#) shows a significant acceleration in the number of users, transactions, and volume on the Lightning Network, with a notable 1212% increase in routed transactions since August 2021, reaching an estimated 6.6 million in August 2023. The average transaction size on the Lightning Network was about 44.7k satoshis (\$11.84), emphasizing the network's utility for low-value transactions, which are impractical on the Bitcoin blockchain due to high fees.

The report estimates between 279k and 1.116 million monthly active users, showcasing a global increase in Lightning adoption.

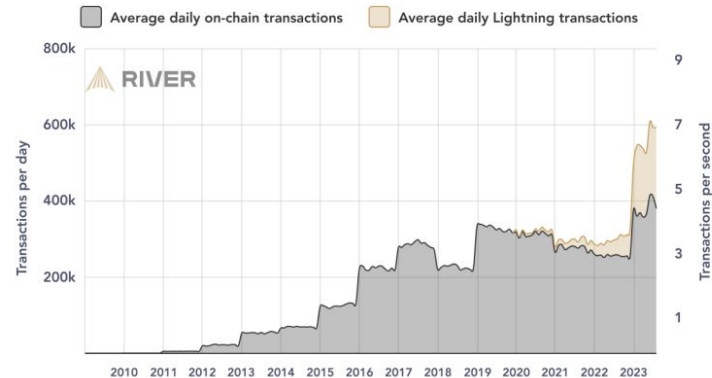
Estimated Growth in Routed Lightning Transactions

Lower bound estimates as private transactions are excluded



Methodology explained in River's 2023 Lightning Report

Lightning Is Increasing Bitcoin's Transactions Per Day



Glossary

Bitcoin Halving: The amount of new bitcoins rewarded to miners halved every four years, which is making BTC scarcer.

Bitcoin Hashrate: The total computational power that is dedicated to mining new bitcoins and securing the network. A higher hashrate indicates greater network security and a more competitive mining environment.

Counterparty Risk: The potential risk that one party in a transaction or agreement will default or fail to fulfill their obligations, leading to financial loss or other negative consequences for the other party involved.

Lightning Network: A scaling solution that allows for faster and cheaper Bitcoin transactions by enabling off-chain (layer-2) transactions that are settled periodically on the main Bitcoin blockchain.

Market Capitalization: Market capitalization, or market cap, is the total value of a company or asset, such as a stock or cryptocurrency. It is calculated by multiplying the current market price per unit by the total number in circulation.

Nostr: Nostr (Notes and Other Stuff Transmitted by Relays) is a sort of social network that doesn't rely on a central server. It allows people to exchange signed messages.

Ordinals: Ordinals (aka Bitcoin NFTs) allows users to send and receive optional extra data via the Bitcoin network. This data can be text, JPEGs, audio, or videos.

Self-Custody: The practice of holding and managing bitcoin without relying on third-party custodians. Individuals have full responsibility, including the management of private keys.

Taproot: An upgrade to the Bitcoin protocol that aims to enhance privacy, security, and flexibility of transactions on the network. It allows for more complex transaction types, including multi-signature transactions and smart contracts.

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