



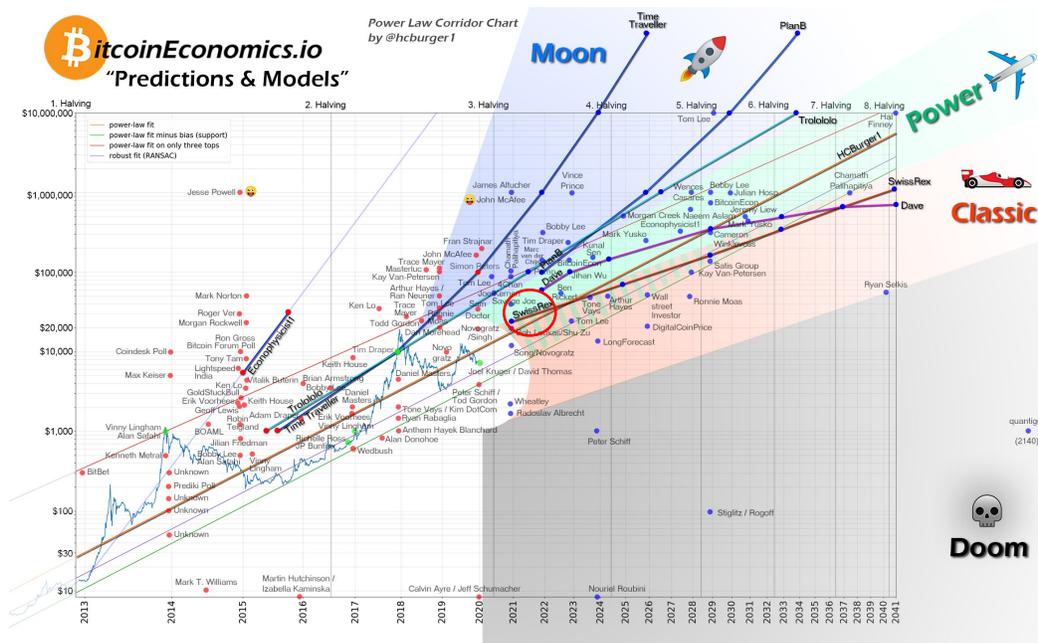
BITCOIN PREDICTION 2021

Crypto Research #12, December 2020

In December 2019 we predicted a Bitcoin price of USD 25'000 at the end of 2020, which was decreased to USD 20'000 in May due to an adjustment of the structure of the SwissRex Model. Since the Corona crisis had a large impact on monetary policy, we need to adjust money growth and real interest rates for 2021. Our Bitcoin forecast at the end of 2021 is USD 40'000.

Review

Our Bitcoin prediction is based on the SwissRex Model, which was released for the first time in December 2019¹. Then, we predicted a Bitcoin price of USD 25'000 at the end of 2020, which was slightly reduced to USD 20'000 in May due to the implementation of a more sophisticated model for the Bitcoin velocity. Since then, we estimate the velocity using real interest rates, the Bitcoin volatility and the Bitcoin supply growth. A few days before end of 2020, the Bitcoin price is very close to USD 20'000 and you can see from the chart below that we made one of the most precise Bitcoin forecasts at the time.



Source: twitter.com/BitcoinEcon/status/1216708857168265216/photo/1

¹ Crypto Research Reports on www.swissrexag.com

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Input variables

The input variables of the SwissRex Model are the following:

- 1) Circulating Bitcoin supply
- 2) Bitcoin velocity
 - Bitcoin supply growth
 - Bitcoin volatility
 - Global real interest rates
- 3) USD money supply M2²
- 4) USD velocity³

As we forecasted the input variables before the Corona crisis, we have to adjust US M2 money growth upwards and real interest rates downwards for 2021. We expect US M2 money growth of 1.5% per month and negative global real interest rates of -0.8% in 2021 and -1% in 2022.

Structure of the SwissRex Model

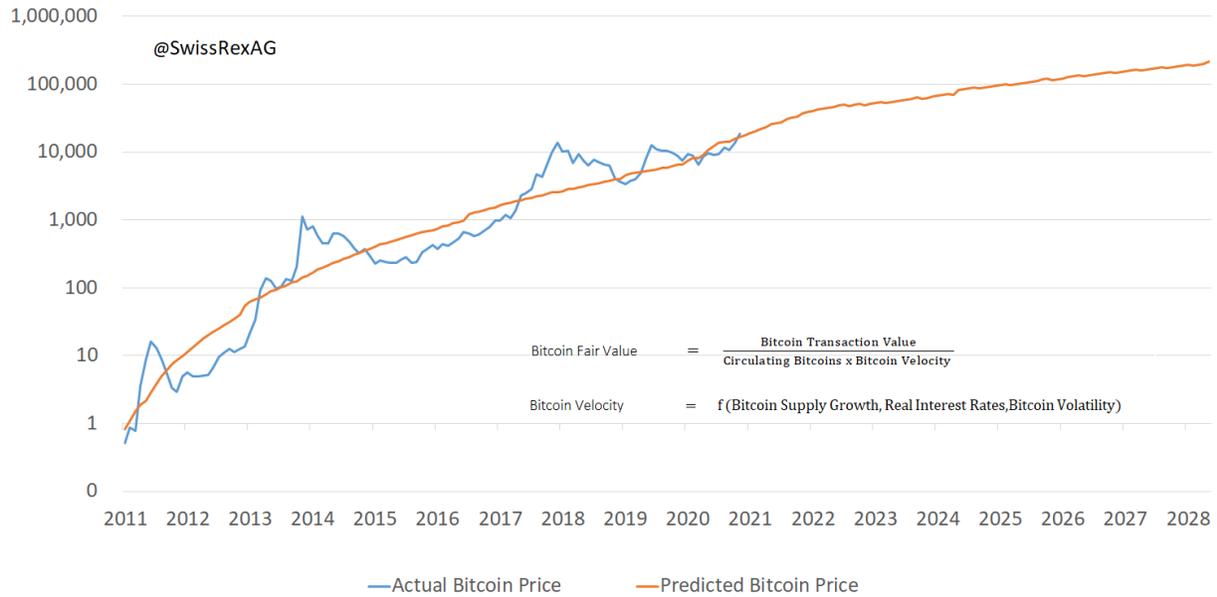
We see no reason to change the structure of the SwissRex Model and we use the same regression as in May 2020 to estimate the S-curve and hence the Bitcoin price.

Bitcoin Prediction

We predict a fair Bitcoin value of USD 40'000 at the end of 2021 and USD 80'000 after the next halving event in 2024 as shown in the logarithmic chart below.

² M2 includes coins and banknote circulation, bank deposits and money mutual funds

³ Proprietary calculations based not only on GDP, but also financial assets



Currently, monetary factors have a positive influence on our fair value for Bitcoin. Money printing increases the nominal transaction value worldwide - mainly financial transactions - and global negative real interest rates lead more and more institutional investors into the digital gold Bitcoin. The fair value increases steeply in 2021 and then flattens out in 2022-23. This is mainly the result of continued financial repression through negative real interest rates and then a projected normalization from 2022 on.

Sensitivity Analysis

Real interest rates	-1%	+1%
Bitcoin fair value in 2021 (USD)	230'000	20'000
Bitcoin fair value in 2024 (USD)	300'000	50'000
Monthly money growth	+0,5%	-0,5%
Bitcoin fair value in 2021 (USD)	42'000	36'000
Bitcoin fair value in 2024 (USD)	100'000	70'000



Summary

The Corona crisis resulted in more money printing by the central banks and a further decrease of real interest rates. Adjustments for these input variables leads to a slightly higher Bitcoin price forecast of USD 40'000 at the end of 2021 and USD 80'000 after the next halving event in 2024, as more and more investors are shifting into the digital gold Bitcoin to protect their assets from financial repression.

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