



BITCOIN: PREDICTION FOR 2022

Crypto Research #14, Dezember 2021

Since we last updated the SwissRex Model in August, real interest rates have decreased further. Adjusting for this input variable increases the fair value of Bitcoin from USD 75'000 to USD 80'000 at the end of 2022 and from USD 100'000 to USD 120'000 at the end of 2024. Bitcoin has not been this undervalued compared to our fair value since October 2020.

Track record

So far, our forecast for the Bitcoin price is among the most accurate compared to our peers this year again. We started 2021 with an end of year price target of USD 40'000 and increased it to USD 55'000 in August due to lower than expected real interest rates. A few days before the end of the year, the price of Bitcoin is USD 48'000.

SwissRex model

The basis of the SwissRex Model is a logarithmic growth curve reflecting Bitcoin adoption along an S-curve. An S-curve in logarithmic form is a logarithmic growth curve (see chart below). Changes in real interest rates, Bitcoin supply growth (reciprocal of Stock to Flow) and Bitcoin volatility lead to a shift of the logarithmic growth curve. As Bitcoin supply growth is given (in block time) a local change in the steepness of the curve is solely dependent on global real interest rates and Bitcoin volatility. The decrease in real interest rates in 2021 has led to a more pronounced local steepening of the curve than the last Halving in 2020, which shows that real interest rates will more and more dominate over Bitcoin supply growth.

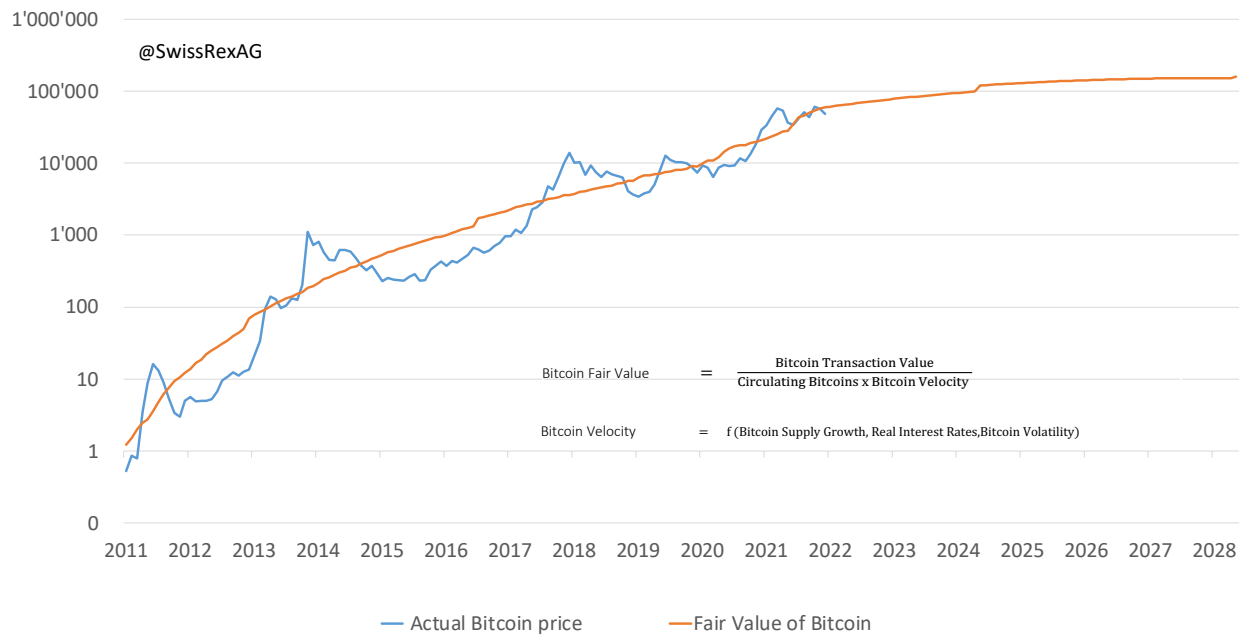
Global real interest rates have further decreased from -1.2% to -3% since our last update in August 2021. We expect them to stay low and base our fair value calculation on a steady normalization of global rates from current -3% to 1% by 2028 (see Crypto Research #12 for a sensitivity analysis).

Fair value and price prediction for 2022

Adjusting for lower real interest rates increases the fair value of Bitcoin from USD 75'000 to USD 80'000 at the end of 2022 and from USD 100'000 to USD 120'000 at the end of 2024. Bitcoin has not been this undervalued compared to our fair value since October 2020.

At the moment, we see great disappointment among the followers of PlanB's Stock to Flow model, whose Bitcoin price forecast was between USD 100'000 and USD 288'000 by the end of this year. As many of his followers have been liquidated in the current down swing, we think that the next upward movement will start soon. We can imagine that the Bitcoin price will reach the threshold of USD 100'000 in 2022, but based on our calculations this would then be the top rather than the new mean.

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