



FAIR BITCOIN VALUE

ADJUSTING FOR TIGHTER FINANCIAL CONDITIONS

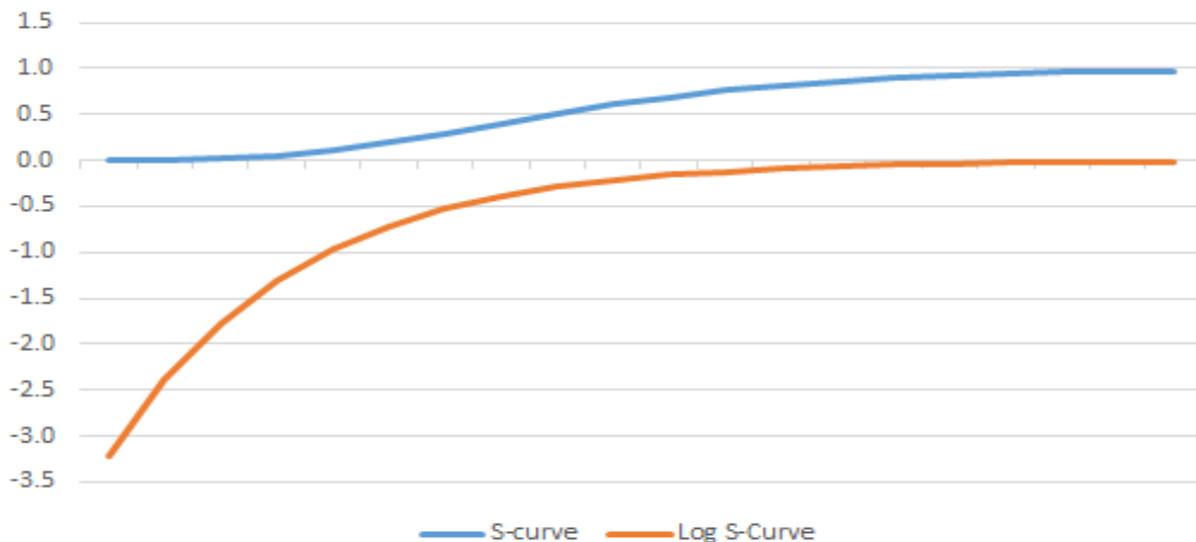
Crypto Research #15, July 2022

Since we last updated the SwissRex Model in December, financial conditions have tightened significantly. Central banks have started increasing interest rates and reducing money growth. Adjusting for these input variables decreases the fair value of Bitcoin from USD 80'000 to USD 55'000 at the end of 2022 and from USD 120'000 to USD 100'000 at the end of 2024.

SwissRex model

$$\text{Fair Bitcoin value} = \frac{\text{Demand}}{\text{Supply}} = \frac{\text{Adoption Rate} \times \text{global Transaction Volume}}{\text{mined Bitcoins} \times \text{Bitcoin Velocity}}$$

The basis of the SwissRex Model is that Bitcoin adopts along an S-curve like most new technologies. An S-curve in logarithmic form is a logarithmic growth curve (orange) which already has the shape of the Bitcoin price in logarithmic form.

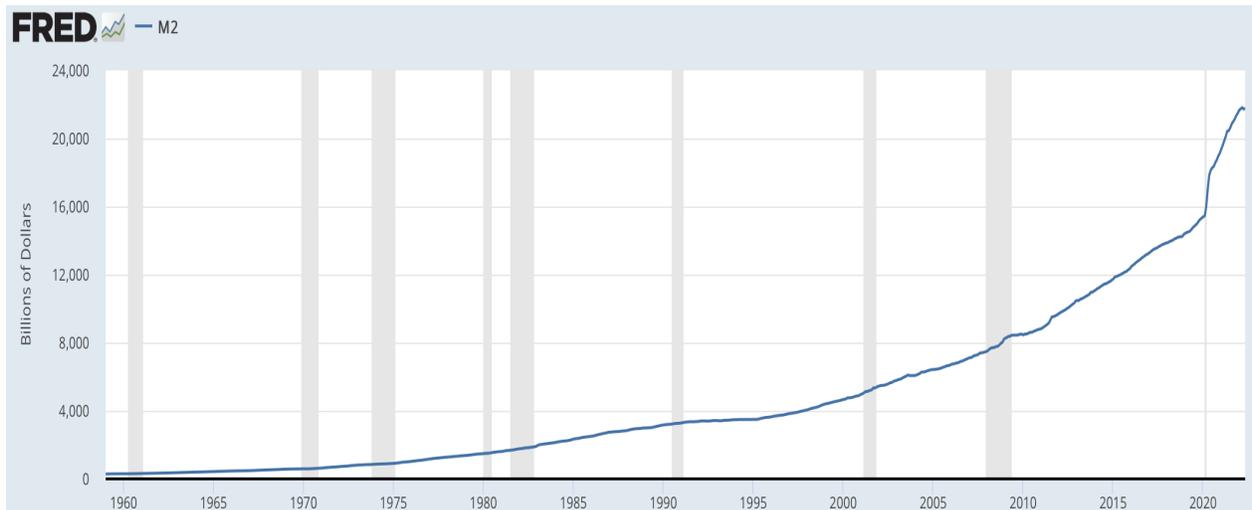




Changes in real interest rates, FIAT and Bitcoin supply growth and Bitcoin volatility are input variables and lead to a local shift of the logarithmic growth curve. As Bitcoin supply growth is given (in block time) a local change in the steepness of the curve is solely dependent on global real interest rates, FIAT money growth and Bitcoin volatility.

Due to quantitative tightening, global real interest rates have increased from about -3% to -1.5% since our last update, mainly driven by Euro zone and Emerging Markets. We assumed a normalization, but not to this extent. Going forward, we expect a steady normalization of global rates from current -1.5% to 1% by 2028.

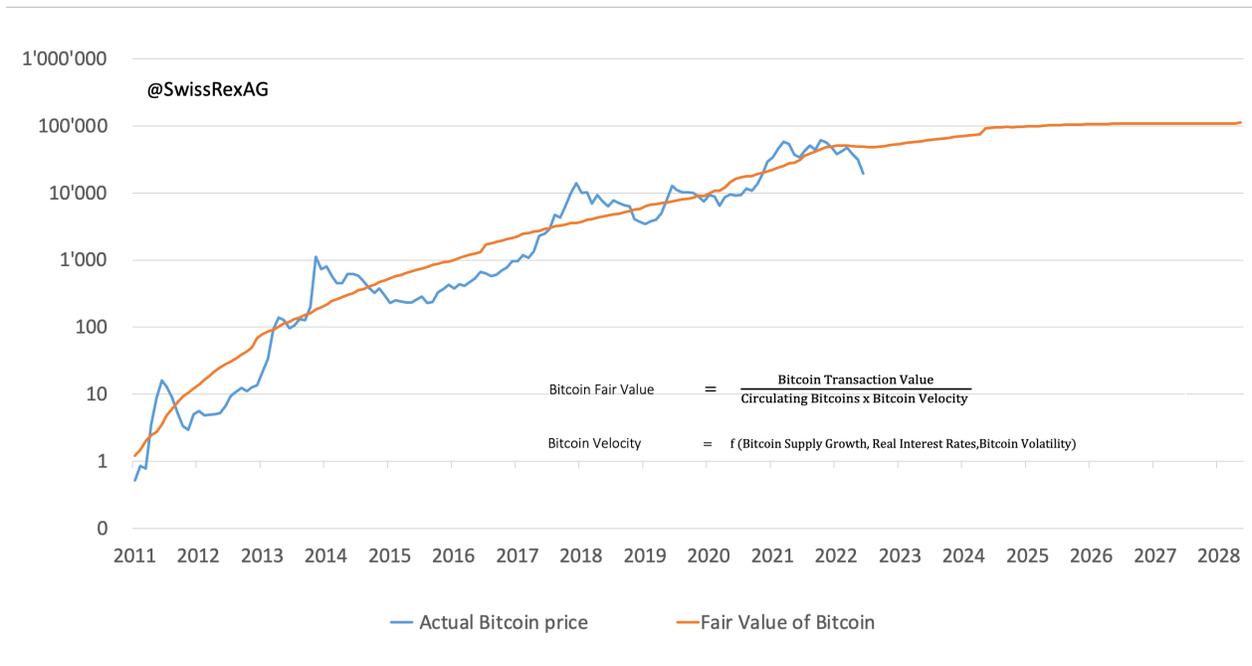
We also expect US M2 money growth to be flat for 2022.¹ But, as the chart below shows, it is extremely rare that the money supply can be kept stable without causing a recession. We therefore expect it to start rising again as early as next year at the long-term average of 6% per year.



Fair value and price prediction for 2022

Adjusting for higher real interest rates and flat money growth in 2022 decreases the fair value of Bitcoin from USD 80'000 to USD 55'000 at the end of 2022 and from USD 120'000 to USD 100'000 at the end of 2024.

¹ In Crypto Research 11 we explained why we take US M2 as proxy for global transaction volume.



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