

# Monthly Digital Assets Market Report

December 2022

BTCetc – ETC Group Physical Bitcoin	<b>BTCE</b>	SOLetc – ETC Group Physical Solana	<b>ESOL</b>
ETHetc – ETC Group Physical Ethereum	<b>ZETH</b>	ADAetc – ETC Group Physical Cardano	<b>RDAN</b>
LTCetc – ETC Group Physical Litecoin	<b>ELTC</b>	UNIetc – ETC Group Physical Uniswap	<b>USWA</b>
BCHetc – ETC Group Physical Bitcoin Cash	<b>BTCH</b>	AVAXetc – ETC Group Physical Avalanche	<b>EVAL</b>
DOTetc – ETC Group Physical Polkadot	<b>PLKA</b>	ATOMetc – ETC Group Physical Cosmos	<b>ATME</b>
XLMetc – ETC Group Physical Stellar	<b>STLR</b>	MATICetc – ETC Group Physical Polygon	<b>MTCE</b>
XTZetc – ETC Group Physical Tezos	<b>EXTZ</b>	XRPetc – ETC Group Physical XRP	<b>GXRP</b>
ETC Group Digital Assets and Blockchain Equity UCITS ETF	<b>KOIN</b>	ETC Group Global Metaverse UCITS ETF	<b>METR</b>

For Professional Clients Only. Capital at risk.

All data as of 30/11/2022

This report was written by, and is the opinion of, ETC Group.

## Key Takeaways

- Retail Bitcoin holders add at record pace in wake of FTX
- Mattel, Nike, Apple in metaverse push: Polygon users 4x in 2022
- Bullish Bitcoin halving upswing will coincide with macro easing

## Macro Outlook

### Retail Bitcoin holders add at record pace in wake of FTX

Retail Bitcoin holders have bought the crypto market price dip so aggressively that small holder numbers are now at all-time highs, according to Glassnode data.

Researchers discovered that those who hold fewer than 1 BTC in their wallets — so called ‘shrimps’ to distinguish their size from rich Bitcoin ‘whales’ — added 96,200 bitcoins worth \$1.55bn to their balances since the beginning of November.

Holders with less than 1 BTC now account for 6.2% of Bitcoin’s total supply.

Analysts also discovered that medium-sized entities — denoted ‘crabs’ under Glassnode terminology — with between 1 and 10 BTC in their wallets, also energetically bought as Bitcoin dipped to \$16k.

This cohort of investors added a total of 191,600 BTC across 30 days of market turmoil. “This is a convincing all-time high,” the on-chain data provider wrote, “eclipsing the 126,000 BTC/month reached in July 2022”.

The price of the world’s first cryptocurrency dived from \$21.3k on 5 November to \$15.8k on 10 November as the FTX collapse roiled markets. As we showed in previous2 Crypto Minutes, the balance of Bitcoin holders saw its largest one-day increase in history as prices plunged.

BTC being reallocated from over-leveraged traders to value-seeking retail is highly bullish for the ecosystem, because Bitcoin benefits from Metcalfe's Law: the network's utility grows as it is adopted more broadly.

Sources available upon request. **Please remember that digital assets can be highly volatile, and your capital is at risk. Past performance is not indicative of future performance.**

## Visa, Mattel, Nike, Apple in metaverse push: Polygon users 4x in 2022

The number of daily active Polygon wallets has 4x'd in the last five months, from an average of fewer than 200,000 to over 1 million.

Polygon is a Layer 2 scaling solution for Ethereum, which allows the underlying blockchain to process transactions near-instantly and with vastly reduced fees.

The blockchain-based portion of the creator economy is alive and well, even while crypto markets struggle for momentum and direction in the midst of Crypto Winter. Toymaking giant Mattel is the latest domino to fall, launching an expanded version of its NFT marketplace on the Flow blockchain this month. The \$6.3bn market cap Californian conglomerate owns the rights to popular brands including Barbie, Matchbox, UNO and Fisher Price.

Apple has now made its metaverse intentions quite clear, with a swathe of job postings picked up by Bloomberg. The tech giant is the world's most valuable company. And work on its highly secretive but hugely anticipated virtual reality/augmented reality headset continues.

In one job listing, Apple seeks developers for a "3D mixed reality world" that sounds very much like its own metaverse. In a second posting, Apple lays out its intentions to create a video service for the headset to feature "3D content that can be played in virtual reality. In May 2020 Apple acquired NextVR for a reported \$100m, a company which develops tech for producing and broadcasting events in VR.

ETC Group created Europe's first Metaverse ETF (METR) to allow investors exposure to this megatrend, pegged at a total \$13 trillion valuation by investment bank Citi.

Nike too has spied a major opportunity in NFTs, launching its Web3 platform .SWOOSH. It becomes one of a clutch of retail-focused platforms to partner with the Polygon blockchain to allow devoted creators to build and sell virtual trainers and clothing and unlock extra experiences using token incentives. ETC Group also offers a 100% physically backed exchange-traded product (MTCE)<sup>1</sup> which tracks the price of Polygon.

The sports brand joins Reddit, Starbucks, Instagram, Robinhood<sup>2</sup> and JP Morgan as users on Polygon have exploded upwards. It is particularly interesting to see this mainstream adoption and NFT innovation come amid the worst bear market in recent memory.

## Bullish Bitcoin halving upswing will coincide with macro easing

Signals from elsewhere in financial markets are posing bullish potential for Bitcoin. Firstly, one of the first altcoins, Litecoin, has witnessed a 38.5% gain over the last month and a half as traders make bets in advance of its upcoming August 2023 halving. By contrast, over the same period, crypto markets as a whole declined by 16.6%.

Proof of Work blockchains like Bitcoin and Litecoin have their block rewards for miners sliced in half once every four years. These events help to programmatically control inflation. Historically they have coincided with large upswings in the price of the underlying assets as their internal currencies become dramatically scarcer. Bitcoin's next halving is scheduled for April 2024.

And while the Federal Reserve continues on its doomed plan to raise US interest rates into a recession, there is no doubt that the central bank will be forced to cut just as aggressively by the second half of 2023.

Some analysts are expecting rate cuts in the region of 300 to 350 basis points (3% to 3.5%). Given a terminal interest rate high of 5%, that means we could end the year with US interest rates as low as 1.5%. These two narratives — of scarcer Bitcoin, and falling interest rates (which is bullish for assets further out on the risk curve) — will likely harmonise at precisely the same time.

Sources available upon request. **Please remember that digital assets can be highly volatile, and your capital is at risk.**

## Featured Products Performance

As of 31.10.2022

	1M	3M	6M	YTD	12M	SI
<b>BTCetc ETC Group Physical Bitcoin</b>	-16.41%	-16.04%	-46.61%	-63.50%	-70.97%	67.29%
<i>Bitcoin</i>	-16.27%	-15.61%	-46.07%	-62.82%	-70.38%	73.76%
<b>ETHetc ETC Group Physical Ethereum</b>	-17.39%	-18.22%	-33.76%	-65.03%	-72.67%	-66.57%
<i>Ether (Ethereum)</i>	-17.29%	-17.91%	-33.26%	-64.55%	-72.25%	-16.30%
<b>ETC Group Digital Assets and Blockchain Equity UCITS ETF</b>	-15.11%	-23.35%	-33.87%	-71.61%	-79.15%	-81.34%
<i>Solactive ETC Group Digital Assets and Blockchain Equity Index NTR</i>	-15.10%	-23.32%	-33.69%	-71.49%	-79.05%	-81.26%
<b>ETC Group Global Metaverse UCITS ETF</b>	5.53%	-3.45%	-4.64%	-13.86%	NA	-13.86%
<i>Solactive ETC Group Global Metaverse Index</i>	5.59%	-3.43%	-4.47%	-13.67%	-40.15%	-13.67%

**Please note that all performance figures are showing net data.** Source: Bloomberg / HANetf. Data as of 30/11/2022. Performance before inception is based on back tested data. Back testing is the process of evaluating an investment strategy by applying it to historical data to simulate what the performance of such strategy would have been. Back tested data does not represent actual performance and should not be interpreted as an indication of actual or future performance. Past performance for the index is in USD. Past performance is not an indicator for future results and should not be the sole factor of consideration when selecting a product. Investors should read the prospectus of the Issuer ("Prospectus") before investing and should refer to the section of the Prospectus entitled 'Risk Factors' for further details of risks associated with an investment in this product. When you invest in ETFs and ETCs, your capital is at risk.

## Featured Product Details

Visit the [BTCE Fund Page](#) for more information

Exchange	BBG Code	RIC	ISIN	Valoren	SEDOL	Currency	TER
Deutsche Boerse Xetra	BTCE GY	BTCE.DE	DE000A27Z304	-	BMWSLR9	USD	2.00%
SIX Swiss Exchange	BTCE SW	BTCEUSD.S	DE000A27Z304	55503260	BLB3S55	USD	2.00%
SIX Swiss Exchange	BTCEGBP SW	BTCEGBP.S	DE000A27Z304	55503260	BLB3S66	GBP	2.00%
SIX Swiss Exchange	BTCECHF SW	BTCECHF.S	DE000A27Z304	55503260	BLB3S77	CHF	2.00%
Euronext Paris	BTCEEUR:FP	BTCE.PA	DE000A27Z304	-	BN0ZB02	EUR	2.00%
Euronext Amsterdam	BTCEUSD:NA	BTCE.AS	DE000A27Z304	-	BN0ZB13	EUR	2.00%
CBOE	BTCEd I2	BTCEd.DXE	DE000A27Z304	-	BNM7CN6	EUR	2.00%

Visit the [ZETH Fund Page](#) for more information

Exchange	BBG Code	RIC	ISIN	Valoren	SEDOL	Currency	TER
Deutsche Boerse Xetra	ZETH GY	ZETH.DE	DE000A3GMKD7	-	BMV2RQ3	EUR	1.49%
SIX	ZETH SE	ZETHUSD.S	DE000A3GMKD7	110488627	BN0WR83	USD	1.49%
SIX	ZETHCHF SW	ZETHCHF.S	DE000A3GMKD7	110488627	BN0WRB6	CHF	1.49%
SIX	ZETHGBP SW	ZETHGBP.S	DE000A3GMKD7	110488627	BN0WR94	GBP	1.49%
Euronext Paris	ZETH FP	ZETH.PA	DE000A3GMKD7	-	BN0Z9Y2	EUR	1.49%
Euronext Amsterdam	ZETH NA	ZETH.AS	DE000A3GMKD7	-	BN0Z9Z3	USD	1.49%

Visit the [KOIN Fund Page](#) for more information

Exchange	BBG Code	RIC	ISIN	Valoren	SEDOL	Currency	TER
London Stock Exchange	KOIN LN	KOIN.L	IE00BMQ8YK98	-	BMBTJ46	USD	0.60%
London Stock Exchange	KOIP LN	KOIP.L	IE00BMQ8YK98	-	BN4MYX3	GBP	0.60%
Borsa Italiana	KOIN IM	KOIN.MI	IE00BMQ8YK98	-	BMXR829	EUR	0.60%
Deutsche Boerse Xetra	KO1N GY	KO1N.DE	IE00BMQ8YK98	-	BMXR807	EUR	0.60%
SIX	KOIN SW	KOIN.S	IE00BMQ8YK98	112518685	BMX8DD8	CHF	0.60%
Euronext Paris	KOIN FP	KOIN.PA	IE00BMQ8YK98	-	BMD2GJ7	EUR	0.60%

Visit the [METR Fund Page](#) for more information

Exchange	BBG Code	RIC	ISIN	SEDOL	Currency	TER
London Stock Exchange	METR LN	METR.L	IE000KDY1003	BMV7W41	BMV7W41	0.65%
London Stock Exchange	METP LN	METP.L	IE000KDY1003	BMV7ZZ3	BMV7ZZ3	0.65%
Deutsche Boerse Xetra	M37R GY	M37R.DE	IE000KDY1003	BMCDV18	BMCDV18	0.65%
Borsa Italiana	METR IM	METR.MI	IE000KDY1003	BMC DTZ8	EUR	0.65%



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As a company, we have launched the world's first centrally cleared Bitcoin exchange traded product on Deutsche Börse XETRA, the largest ETF trading venue in Europe, and have also launched Europe's first Metaverse ETF together with HANetf. Further information as well as regular digital assets research publications can be found on [www.etc-group.com](http://www.etc-group.com).



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  - ii. the carbon securities ETCs under the terms in the base prospectus approved by the UK Financial Conduct Authority ("FCA") and the relevant final terms of the carbon securities (together, "FCA Carbon ETC Prospectus"); and
  - iii. the carbon securities ETCs under the terms in the base prospectus approved by the Central Bank of Ireland ("CBI") and the final terms of the carbon securities (together, "CBI Carbon ETC Prospectus").

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