

# Caleb & Brown Crypto Brokerage

## Crypto Market Outlook

Q4 2024

### U.S. Election Cycle and Positive Implications for Crypto

The outcome of the upcoming U.S. election will significantly affect the outlook for crypto markets. The Republican candidate, Donald Trump, has pivoted to a more pro-crypto stance, advocating for deregulation and positioning the U.S. as a 'crypto capital'. His approach could include easing regulations and promoting institutional investment in digital assets.

In contrast, Kamala Harris, the Democratic candidate, has yet to clearly define her crypto stance. That said, the current Democratic administration—in which Harris serves as vice president—has failed to pass any substantial crypto legislation.

A Trump win would almost certainly spark a rally in crypto markets, marking the next phase of the bull market as we enter 2025. A Harris win could prolong the sideways price action. Ultimately, once the news settles and monetary policy starts easing, the market should react positively to the removal of election-related uncertainty.

#### BTC Snapshot

12-month high	\$73,400
12-month low	\$26,200
Price (19 Sep 2024)	\$62,400

#### Key Market Metrics

BTC Dominance	58.4%
ETH Price	\$2,426
Total Crypto Market Cap	\$2.25T
Alt-Coin Market Cap	\$1.02T

### Interest Rates and Macroeconomics

Macroeconomic conditions in 2024, particularly interest rates, are crucial for global liquidity and the crypto market. In September, the U.S. central bank cut rates by 50 basis points for the first time since 2020. According to the bank's [updated forecasts](#), an additional 150 basis points of rate cuts are expected by the end of next year.

Lower interest rates generally improve investors' appetite for cryptocurrencies and other relatively high-risk assets.

In addition to rate cuts, there is the potential for more government spending, especially in the U.S. National debt is no longer a political talking point, and both political parties will likely be keen to up their fiscal spending. This will likely mean more money printing, which will flow to riskier assets.

### Positive Regulatory Changes (U.S. & Global)

Regulatory landscapes are evolving, and many in the crypto industry are seeking clarity to build products without the risk of legal action. The U.S. has made some steps toward providing more clarity, particularly with the approval of spot ETFs for Bitcoin and Ethereum, with the latter looking increasingly likely as being classified as a commodity.

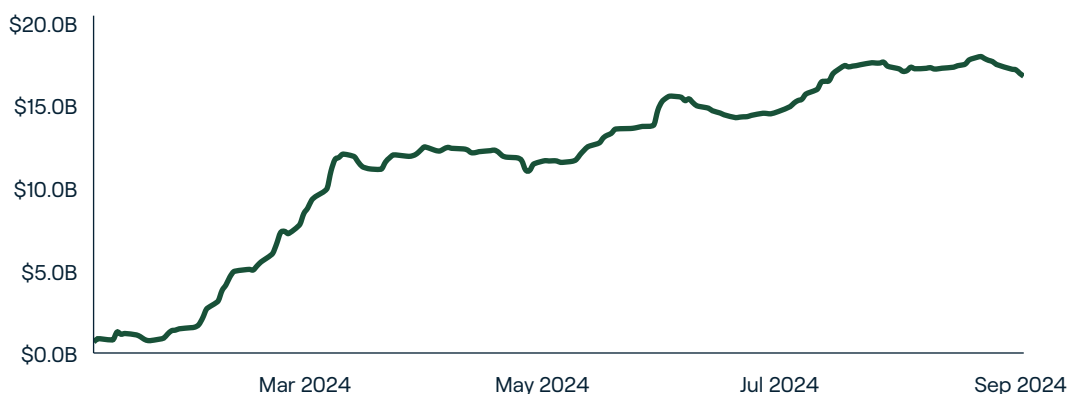
The U.S. Securities and Exchange Commission (SEC) has grown increasingly hostile to the crypto industry in recent years, adopting a regulation-by-enforcement approach. This means that instead of providing clear guidelines, the SEC takes legal action against companies on a case-by-case basis. This approach creates friction for the industry and is unlikely to change before the U.S. election.

While there is much focus on U.S. regulatory issues, there are positive developments globally. For example, the UAE has established the Virtual Asset Regulatory Authority (VARA) and offers no income or corporate taxes for digital asset companies. This has created a stable and positive environment for crypto builders and investors. Other countries (e.g. Singapore, Switzerland, Portugal) have pursued similar crypto-friendly regulations.

## Institutional Interest In BTC, ETH and Others

Institutional interest in cryptocurrencies surged at the beginning of 2024, driven by the historic approval of the [spot Bitcoin ETFs](#) in the U.S. Demand for these ETFs has overwhelmingly exceeded expectations, and accessibility will only continue to improve throughout 2025 as more wealth advisors presumably start offering the products to clients. The spot Ethereum ETF approvals were another highlight of 2024. While demand has been rather muted to date, the products only went live in late July.

US Spot BTC ETF Cumulative Net Flows



Other cryptocurrencies are unlikely to get their own spot ETFs in the U.S. any time soon, particularly if Harris wins the election. While it's technically possible that Solana (SOL) gets a spot ETF next year, launching in 2026 or 2027 seems more likely due to various reasons.

## Positive Year-To-Date Returns Despite Slower Q2 & Q3

Despite a strong Q1 in which BTC hit all-time highs, the crypto market has been rather stagnant for most of the year, with BTC trading between \$55,000 and \$73,000 for the vast majority of Q2 and Q3. Such low volatility and mixed price signals have stirred market uncertainty. Additionally, altcoins have underperformed BTC for most of the year, leaving BTC dominance currently sitting at three-year highs of 58.5%.

Historically, these quiet periods have often set the stage for a significant rally, particularly as market sentiment tends to shift positively toward the end of the year. August and September have historically been the worst-performing months for BTC so it comes as no surprise that market sentiment and price are down. However, historically, October and November have been the [best-performing months for BTC](#)\*. With macro events lining up this trend looks ready to continue with a very positive Q4 2024 which should continue well into 2025.

\*Past performance is not indicative or a guarantee of future performance.

## Geopolitics and War

Geopolitical tensions, conflicts, and wars can significantly impact the crypto market, with cryptocurrencies often viewed as a hedge against instability. These incidents can resemble black swan events (i.e. highly unpredictable occurrences that cause severe market reactions). When geopolitical crises take centre stage, investors tend to quickly sell cryptocurrencies and other high-risk assets to protect their capital amidst the uncertainty.

Geopolitical developments also influence regulatory decisions and crypto adoption more broadly. For example, countries facing economic sanctions, such as Russia, may turn to cryptocurrencies to facilitate international transactions. This scenario would diminish the effectiveness of economic sanctions imposed by countries like the U.S., giving them more reason to create stricter regulations on crypto.

**S&P 500, gold, and bitcoin through major geopolitical events**

Event	Date <sup>1</sup>	10D Return <sup>2</sup>			60D Return <sup>2</sup>		
		SPX	Gold	BTC	SPX	Gold	BTC
U.S.-Iran Escalation	Jan. 3, 2020	2%	0%	12%	-7%	6%	20%
COVID Outbreak	Mar. 11, 2020	-20%	-9%	-25%	2%	3%	21%
2020 U.S. Election Challenges	Nov. 3, 2020	7%	-1%	19%	12%	-1%	131%
Russia Invasion of Ukraine	Feb. 24, 2022	1%	2%	-6%	3%	9%	15%
U.S. Regional Banking Crisis	Mar. 9, 2023	-2%	10%	25%	4%	11%	32%
Yen Carry Trade Unwinding <sup>3</sup>	Aug. 5, 2024	2%	0%	0%	--	--	--

Source: BlackRock – Bitcoin, a Unique Diversifier, 2024