

Galaxy Fund Management Newsletter

MAY 2020 IN REVIEW

MARKET COMMENTARY

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In my [last commentary](#), I focused on several indications that the adoption of bitcoin and digital assets may be entering a new paradigm. Throughout May we continued to see an increased level of interest across every type of investor, from wealth channels to independent RIAs to institutions. The market remained range-bound, sustaining gains captured during April's rally as bitcoin finished higher with a price of \$9404.22 for an increase of 6.55%, while the Bloomberg Galaxy Crypto Index was up slightly to 374.02 for a gain of 0.16%.

May opened with a flurry of activity as one of the world's most successful macro investors, Paul Tudor Jones, made headlines by announcing his bitcoin investment and laying out his case for why it will have an important role in portfolios given the changing macro environment. This was a watershed moment for bitcoin in many ways, further underscoring its graduation from the world of "cypherpunks" and early adopters to that of sophisticated and professional investors. The Tudor Jones announcement was followed by bitcoin's third halving event, which highlighted its fixed supply in sharp contrast to unprecedented stimulus via the CARES Act. As the month progressed, markets rallied worldwide with local economies beginning to plan for reopening, sparking hope that a recovery was plausible in the near term.

As recovery news continues to bolster the markets and the greater economy, it is important to remember that macro risk still looms large. The Fed's rampant money printing may have left the headlines, but the future impact of recent monetary decisions on the greenback is not going away. Economic aid of this magnitude implemented in this broad a manner will likely affect our economy for many years to come. Additionally, it has yet to be seen whether added stimulus may be needed should the reopening falter and/or a second wave of this deadly pandemic resurfaces in the near term. No matter what happens, bitcoin will remain a non-sovereign, limited supply, and deflationary hard asset with growth potential.

During much of the first half of 2020, adopters of digital assets have focused on bitcoin's investment thesis from a macro perspective. In addition, we have spent an immense amount of time weighing bitcoin's value as digital gold and its role in a digitized society. However, I'd be remiss if I did not

address another of bitcoin’s long-standing narratives and how it may factor into the current state of our society.

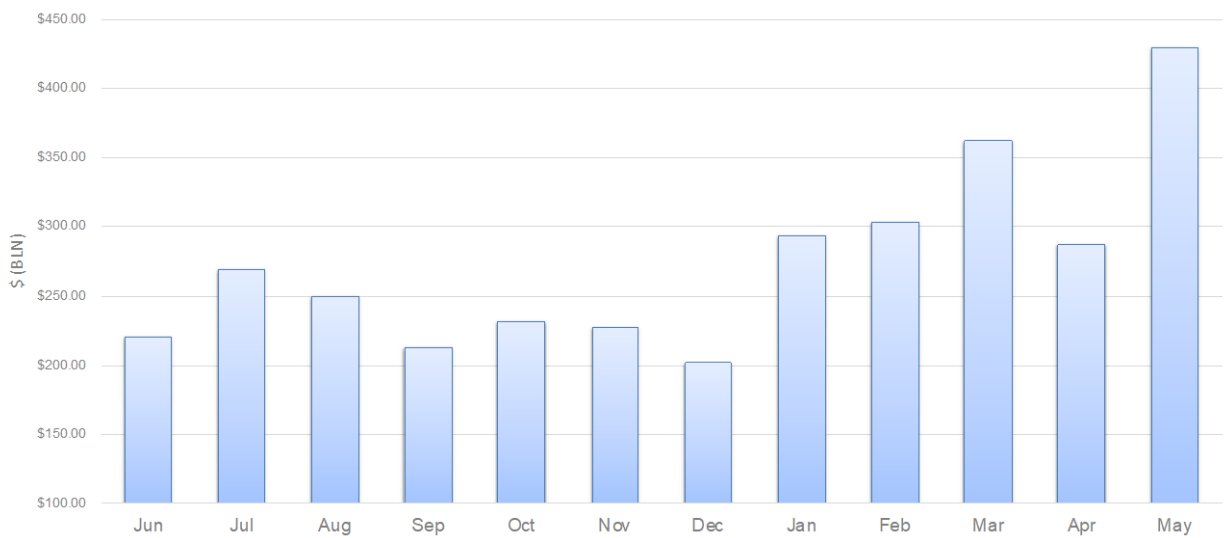
Our CEO Mike Novogratz has strong conviction in bitcoin from a macro perspective, but also for its role as a new form of social construct. Remember, bitcoin was founded on the premise that we cannot necessarily trust our financial system following the 2008 Crisis. Following the senseless and tragic death of George Floyd, our society was thrust into social unrest. Cities worldwide have seen protests calling for an end to systemic racism, with citizens demanding sweeping changes to systems politically, socially, legally, and economically. While the bitcoin narrative pales in comparison to that of racial equality, bitcoin’s decentralized nature points to the role it may play in the future. Bitcoin is founded on the premise of fairness, and it is not owned by any organization, altered by any opinion, or controlled by any governing body.

It has been stated that bitcoin may be a call on the future of our financial system. It may have a role in our new social construct as well.

INDUSTRY INSIGHTS

- May featured some of **the highest volumes on record for the BTC/USD pair** across all of spot, futures, and options. Monthly volume on futures contracts on BTC/USD totaled \$429 billion in May while monthly volume on spot trades totaled \$121 billion, after accounting for wash trading. Options remain a small but steadily growing segment of the market with \$3.7 billion traded in May. The futures market in particular saw huge growth from preceding months:

Monthly futures volumes, last 12 months



- Internet forum **Reddit** announced in mid-May that two subreddits, r/Cryptocurrency and r/FortNightBR, will each get their own cryptocurrencies. The tokens, MOON and BRICK respectively, will live as ERC-20 tokens on Ethereum and at launch will be used to purchase subreddit-specific apparel and participate in governance of the subreddit. They'll also be used to display reputation in the subreddit. Reddit has 330 million users in total.
- Facebook's** Calibra unit was rebranded as Novi at the end of May in a move likely structured to reduce the public's association between Facebook's wallet product and the Libra network itself. In October's hearings, Mark Zuckerberg faced criticism from senators about maligned Facebook's control over payment networks. The Novi announcement followed sweeping changes from April, which saw the Libra Association announce that Libra will offer stablecoins backed by single currencies rather than by a basket of currencies.

Data Point	5/29/2020	4/30/2020	Delta
BGCI	374.02	373.41	0.16%
Bitcoin	\$9402.22	\$8835.42	6.55%
Ethereum	\$219.95	\$211.50	3.94%
XRP	\$0.197	\$0.2161	-8.10%
EOS	\$2.60	\$2.84	-9.70%
Bitcoin Cash	\$237.85	\$253.57	-6.58%
Litecoin	\$44.51	\$47.11	-5.54%
Total Market Cap	\$262.4 BN	\$248.2 BN	N/A

SPECIAL ANNOUNCEMENT



Introducing FutureProof, GFM's new content program in partnership with the FT's Financial Advisor IQ. We'll cover all things digital assets for the modern financial advisor, and are kicking off with an exciting conversation between our own Steve Kurz and two top advisors. They'll discuss bitcoin's role in the portfolio and how they're approaching client conversations about the asset.

Kick-Off Webcast: Your Clients Are Ready for Bitcoin, Are You?

June 18 | 12:00 PM EST | [Register Now](#)

Sources: Skew data, Forbes, Facebook, Bloomberg

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