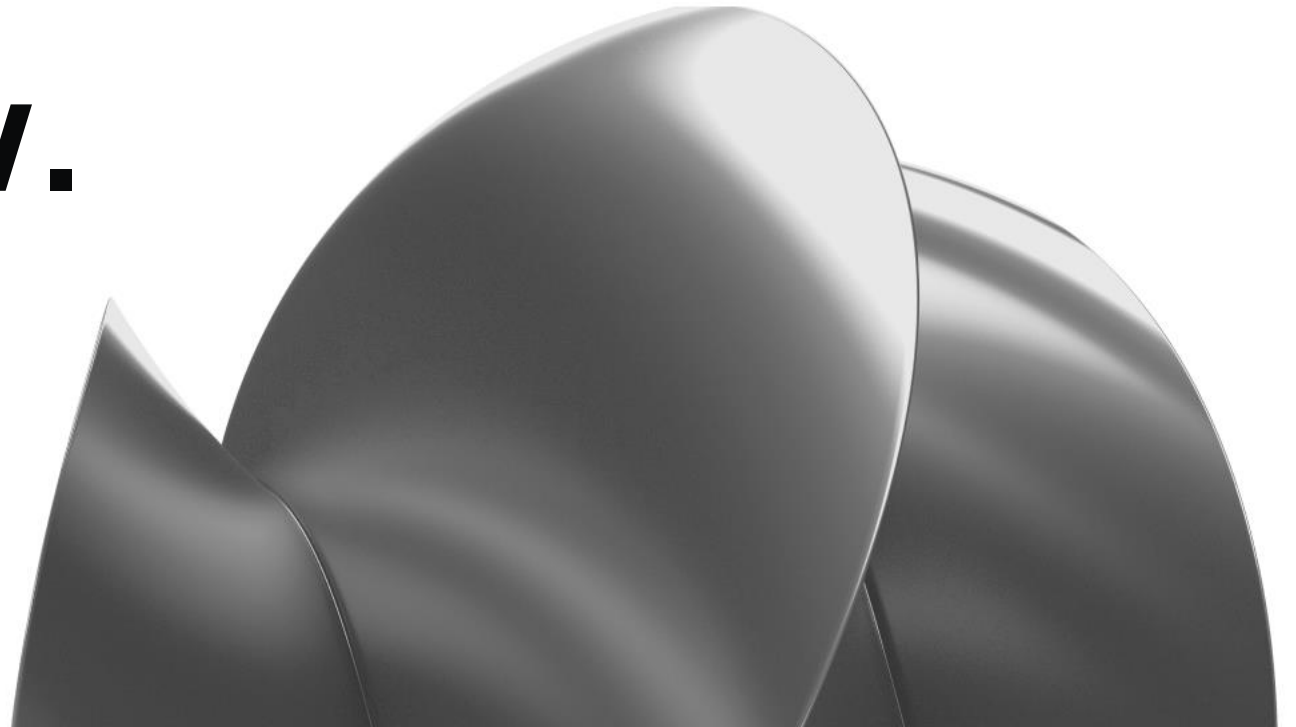




2024

Year in Review.





The headlines that defined 2024

Q1

BTC ETFs approved, most successful launch ever

| | |
|------------|--|
| 09/01/2024 | SEC's X account compromised to post fake spot bitcoin ETF approval |
| 10/01/2024 | SEC approves 11 spot bitcoin ETFs |
| 11/01/2024 | Elizabeth Warren slams SEC over decision to allow spot bitcoin ETFs |
| 22/01/2024 | FTX Sold About \$1B of Grayscale's Bitcoin ETF |
| 16/02/2024 | Genesis gets court approval to sell \$1.6 bln in crypto trust shares |
| 16/02/2024 | Celsius distributed \$2 billion of crypto to creditors |
| 23/02/2024 | Donald Trump's stance on Bitcoin is changing, says 'many people are embracing it' |
| 04/03/2024 | MicroStrategy proposes \$600 million convertible note offering |
| 05/03/2024 | Bitcoin investment vehicles amass over 1 million BTC, worth around \$67 billion |
| 05/03/2024 | New Bitcoin ATH |
| 11/03/2024 | Donald Trump says he has 'fun' with crypto, bitcoin is an 'additional form of currency' |
| 19/03/2024 | Japan's \$1.5 trillion government fund seeks info on illiquid assets including bitcoin for portfolio diversification |
| 28/03/2024 | FTX founder Sam Bankman-Fried to serve up to 24.25 years in prison |

Q2

Government selling, ETH ETF approval

| | |
|------------|---|
| 15/04/2024 | Hong Kong approves first batch of spot bitcoin, ether ETFs |
| 19/04/2024 | Bitcoin halving |
| 22/04/2024 | Mt. Gox creditors report bitcoin and bitcoin cash payment update on claims system |
| 25/04/2024 | Consensys sues SEC, challenging its approach to Ethereum and seeking court intervention |
| 25/04/2024 | Stripe to enable USDC payments starting this summer |
| 06/05/2024 | SEC issues Robinhood Crypto with Wells Notice, citing alleged securities violations |
| 08/05/2024 | Donald Trump says he'll accept crypto for campaign donations |
| 18/05/2024 | Gemini Earn to begin returning customers' crypto by end of month as court approves Genesis bankruptcy |
| 22/05/2024 | US House passes market structure bill to regulate the crypto industry |
| 23/05/2024 | SEC approves 8 Ethereum ETFs |
| 26/05/2024 | Donald Trump pledges to free Ross Ulbricht, stop CBDCs, and support self custody in speech |
| 31/05/2024 | Biden vetoes bill overturning SAB 121, says standard 'necessary' for crypto innovation |
| 19/06/2024 | German Government Moves \$425M BTC |
| 27/06/2024 | US Government Moves Millions in Bitcoin to Coinbase |

Q3

Gox distributions, rate cut, Trump doubling down

| | |
|------------|---|
| 03/07/2024 | EU crypto traders urged to convert non-compliant stablecoins to regulated ones as MiCA framework takes effect |
| 13/07/2024 | Attempted Trump assassination |
| 15/07/2024 | Trump's VP pick J.D. Vance owns over \$100,000 in bitcoin |
| 16/07/2024 | Mt. Gox moves billions of dollars in bitcoin ahead of anticipated payouts |
| 23/07/2024 | Biden announces withdrawal from Presidential Race |
| 27/07/2024 | Trump says he'll fire SEC Chair Gensler and create strategic bitcoin reserve if elected |
| 27/07/2024 | Kamala Harris's advisers reportedly reach out to crypto industry with 'responsible business' message |
| 02/08/2024 | Morgan Stanley to allow wealth advisors to pitch bitcoin ETFs |
| 02/08/2024 | Genesis completes bankruptcy restructuring, begins distributing \$4 billion in crypto and cash |
| 05/08/2024 | Yen-trade unwind, global market crash. |
| 24/08/2024 | Telegram founder and CEO Pavel Durov arrested in France |
| 12/09/2024 | Swift to test solutions interlinking fiat with various tokenized assets |
| 16/09/2024 | Donald Trump-backed World Liberty Financial debuts plans to sell WLFI token |
| 18/09/2024 | U.S. Federal Reserve Cuts Rates by 50bps |
| 24/09/2024 | China unleashes stimulus package |

Q4

Trump elected, MicroStrategy Aggression

| | |
|------------|---|
| 07/10/2024 | US bankruptcy judge approves FTX reorganization plan |
| 10/10/2024 | SEC charges Cumberland DRW with acting as 'unregistered dealer' in crypto transactions |
| 14/10/2024 | Vice President Kamala Harris vows to support a crypto regulatory framework in plan to support Black men |
| 18/10/2024 | SEC gives NYSE and Cboe the go-ahead to list options trading for multiple spot bitcoin ETFs |
| 30/10/2024 | MicroStrategy announces plan to raise \$42 billion to buy more bitcoin |
| 01/11/2024 | UBS launches tokenized money market investment fund on Ethereum |
| 06/11/2024 | Donald Trump defeats Kamala Harris in the US presidential election |
| 11/11/2024 | MicroStrategy acquires another 27,200 bitcoin |
| 18/11/2024 | MicroStrategy acquires another 51,780 bitcoin |
| 19/11/2024 | Bitcoin ETF options launch |
| 21/11/2024 | Gary Gensler announces SEC departure. |
| 24/11/2024 | Lutnick, Cantor Fitzgerald negotiated a 5% ownership stake in Tether |
| 25/11/2024 | MicroStrategy acquires another 55,500 bitcoin |



2024 – Crossing the Rubicon

Allow me to take a step back and reminisce. Two years ago, crypto became a global laughing stock after the industry's entire lending complex collapsed. Bitcoin was, by many, perceived as unownable in any serious portfolio and extremely risky. It took two small years from this to flip into the largest asset managers in the world offering Bitcoin products, Bitcoin ETFs representing 3.5% of all U.S. flows, and the coming U.S. president endorsing crypto while pursuing a Strategic Bitcoin Reserve.

We're wrapping up a momentous year. ETFs have ushered in absurd flows, and the train shows no sign of stopping. These ETFs needed less than a year to surpass the AUM of U.S. gold ETFs. Investors happily allocate parts of their portfolios to BTC, either in a well-reasoned diversified spice to enhance risk-adjusted returns or due to conviction of the implications of peer-to-peer scarcity. ETFs have played a massive role in facilitating BTC's upside in 2024 and have thus deservedly earned a spot as a topic we highlight in detail in this report.

Public company purchases of bitcoin have further elevated prices. MicroStrategy and peers have, together with ETFs, absorbed 4.3% of the circulating BTC supply in 2024 alone. Some purchases are made with leverage, and miners with income dependent on BTC's price may once again see their hands forced toward the sell button. Regarding MicroStrategy, risks are low for forced selling. With shareholders happily accepting dilution, the stage is set for more BTC purchases in 2025.

When we summarized last year, we deemed politics as a potential price mover throughout the year. However, Trump's endorsements have taken us by surprise. His involvement has taken a complete 180 from his 2019 stance and escalated throughout the year. At Bitcoin 2024, Trump promised that his administration would build a national bitcoin stockpile, that he would fire Gary Gensler, that he would make the U.S. the crypto capital of the world by fostering a pro-crypto regulatory environment, that he would support bitcoin miners and that he would pardon Ross Ulbricht.

Following Trump's courting of the industry, bitcoin moved intact with Trump's election odds throughout the year. After his election, bitcoin's rally and \$100k breakout formalized. A question we, and many others, had after the election was whether or not the promises would be held. The fact of the matter is that we don't know, but Trump's post-election actions suggest that he will put words into action. He continues to make favorable crypto comments, his administration is very pro-crypto, and he has made new crypto purchases post-election. This all points toward Trump aiming to pursue the promises made.

Expectations for Trump's presidency and its impact on the crypto market are huge. Prices have rallied, risk has been heavily rewarded, and we're seeing several signs of euphoria. It's highly likely that the market has delusional expectations for the pace of policy changes and will overprice the impact running into the inauguration. We expect the current rally to peak in mid-January before the inauguration and view that area as a natural area to reduce risk and realize profits for the short term.

Bitcoin's history is riddled with speculative peaks tied to major events: CME futures in 2017, Coinbase's listing in 2021, and El Salvador's adoption. Even the launch of BTC ETFs in 2024 saw a three-week selling spree before extraordinary supply absorption throttled markets higher.

All these news events have been monumental in pushing BTC to its current highs. ETFs would not have happened without the CME futures launch, and CME is now the dominant derivatives market in Bitcoin and its key source for price discovery. Coinbase went public and showcased the maturing crypto industry, allowing asset managers to get exposure to the crypto industry and being a testament to sound business models originating in the market. El Salvador's adoption was a pilot for other governments to follow and highlighted that adopting Bitcoin treasuries is not as far-fetched as once thought.

Policies are due to be the key market mover in 2025; a timeline for the progress of these policies is complicated to make on the spot. We expect the market to be attentive to U.S. policies throughout the year. SAB-121 will be overturned promptly, leading BNY Mellon and Goldman to launch crypto custody solutions, further engraining the institutional takeover of the market. We expect a more hands-off approach from the SEC after the removal of the crypto grinch and the industry to prosper in the U.S. However, we don't see this acting as a material price mover in the early stages of the year.

Bitcoin is entering an era where the four-year cycle playbook is less relevant. Halvings are becoming less material in their relative impact, and BTC adoption is happening at an institutional level. Bubbles and drawdowns are due to remain a common feature, but they emerge from new developments. Macro, policies, institutional offering expansions, and leverage are rigged to be the key forces ahead.

Strategic Bitcoin Reserves is the honeypot and the catalyst for a robust post-election recovery and new all-time highs to be met. Its implementation remains highly uncertain and involves congressional approval or an executive order leveraging the Exchange Stabilization Fund (ESF). The latter approach is the most easily attainable but would make enacting a 1 million BTC buying plan complex and mainly act as a means to stockpile current holdings. That in and of itself is very bullish; it telegraphs lower selling pressure and communicates BTC's validity as a national treasury asset.

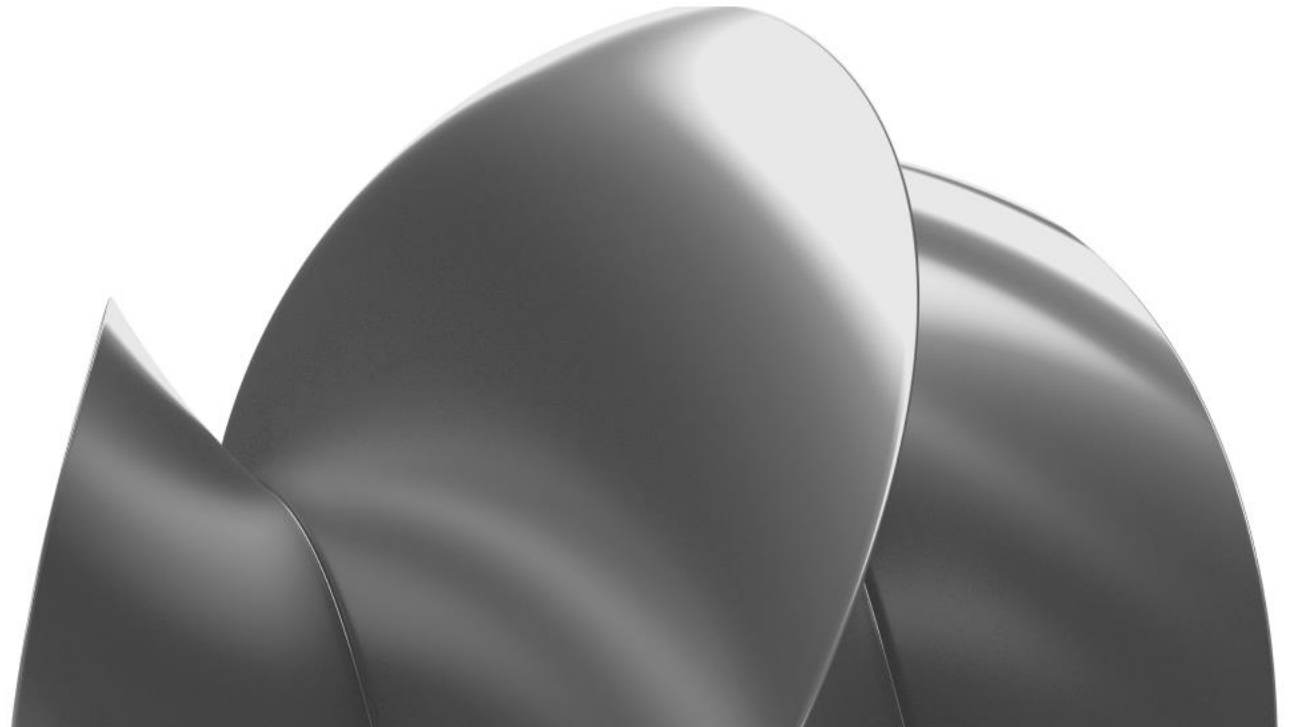
The Rubicon is already crossed, and the wheels are in motion. The global perception of BTC has changed with the chain of events in the past years. The world is more fractioned and tense than a few years ago. Assets have been seized from one global superpower, leading countries to stockpile gold and sell U.S. treasuries. Bitcoin reserves are a natural progression, allowing a country to cheaply hold onto sovereign assets that may promptly be used as payments for large global trade. You may not like it, but Bitcoin is a tremendous apolitical store of value that allows nations and individuals to secure self-sovereignty. We expect nation-state adoption of BTC to take off in 2025.



Vetle Lunde
Head of Research
vetle@k33.com
+47 416 07 190



2024 Market Brief





Six-digit **Bitcoin**, baby!

Bitcoin once again dwarfed traditional asset classes in 2024.

- Bitcoin's gains throughout the year stem from an overwhelmingly solid ETF launch, massive BTC purchases from corporations, and the future U.S. president courting the industry by promising a strategic U.S. BTC reserve.
- The year has generally been solid across asset classes. The S&P 500 and Nasdaq have rallied on the backdrop of potential productivity gains from AI, with valuations turning relatively heated.
- Gold has had a huge year, seeing an unusually high-interest environment surge. The growth follows central banks reacting to seized Russian assets after the Russian invasion of Ukraine.
- Gold is hoarded to secure sovereign checks and balances. Gold has certain benefits. It may be self-custodied while it's both durable and scarce.
Sound familiar?

YTD Performance

K33 RESEARCH



Source: Tradingview

2025 prediction: Bitcoin's current rally to peak near the inauguration in mid-January. Few Trump policies will be enacted on day 1.

We expect Biden's Sab-121 veto to be overturned promptly, enabling large banks to offer custody solutions for crypto. Other initiatives will likely be slower moving.



| 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|------------------------|-------------------------|-------------------------|-------------------------|------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|--------------------------|-------------------------|------------------------|
| Bitcoin 1,319.01% | Bitcoin 217.62% | Bitcoin 5,537.40% | U.S. REITs 30.38% | Bitcoin 33.74% | Bitcoin 123.31% | Bitcoin 1,414.10% | U.S. Bonds 0.01% | Bitcoin 93.95% | Bitcoin 308.17% | Bitcoin 57.52% | Commodities 21.23% | Bitcoin 156.89% | Bitcoin 140.7% |
| Gold 10.10% | EM Equities 18.63% | U.S. Equities 32.39% | U.S. Equities 13.69% | U.S. REITs 2.52% | Commodities 19.53% | EM Equities 37.75% | Gold -1.56% | U.S. Equities 31.49% | Gold 25.12% | U.S. REITs 49.06% | Gold -0.28% | U.S. Equities 26.29% | Gold 27.0% |
| U.S. REITs 8.69% | DM Equities 17.90% | DM Equities 23.29% | U.S. Bonds 5.97% | U.S. Equities 1.38% | U.S. Equities 11.96% | DM Equities 25.62% | U.S. Equities -4.38% | U.S. REITs 25.84% | EM Equities 18.69% | Commodities 42.60% | U.S. Bonds -13.01% | DM Equities 18.85% | U.S. Equities 23.8% |
| U.S. Bonds 7.84% | U.S. REITs 17.77% | U.S. REITs 2.47% | Gold -1.44% | U.S. Bonds 0.55% | EM Equities 11.60% | U.S. Equities 21.83% | U.S. REITs -4.57% | DM Equities 22.66% | U.S. Equities 18.40% | U.S. Equities 28.71% | DM Equities -14.01% | U.S. REITs 13.74% | U.S. REITs 4.8% |
| U.S. Equities 2.11% | U.S. Equities 16.00% | U.S. Bonds -2.02% | EM Equities -1.82% | DM Equities -0.39% | U.S. REITs 8.60% | Gold 13.53% | Commodities -11.18% | EM Equities 18.88% | DM Equities 8.28% | DM Equities 11.78% | U.S. Equities -18.11% | Gold 13.10% | EM Equities 3.3% |
| Commodities -2.39% | Gold 7.06% | EM Equities -2.27% | DM Equities 4.48% | Gold -10.41% | Gold 8.14% | Commodities 6.16% | DM Equities -13.36% | Gold 18.31% | U.S. Bonds 7.51% | U.S. Bonds -1.54% | EM Equities -19.74% | EM Equities 10.27% | DM Equities 0.3% |
| DM Equities -11.73% | U.S. Bonds 4.22% | Commodities -6.55% | Commodities -26.43% | EM Equities -14.60% | U.S. Bonds 2.65% | U.S. REITs 5.07% | EM Equities -14.24% | Commodities 12.94% | Commodities -7.53% | EM Equities -2.22% | U.S. REITs -24.51% | U.S. Bonds 5.53% | Commodities -0.7% |
| EM Equities -18.17% | Commodities 4.76% | Gold -28.28% | Bitcoin -57.74% | Commodities -26.68% | DM Equities 1.51% | U.S. Bonds 3.54% | Bitcoin -74.67% | U.S. Bonds 8.72% | U.S. REITs -7.57% | Gold -3.64% | Bitcoin -63.90% | Commodities -5.33% | U.S. Bonds -2.33% |

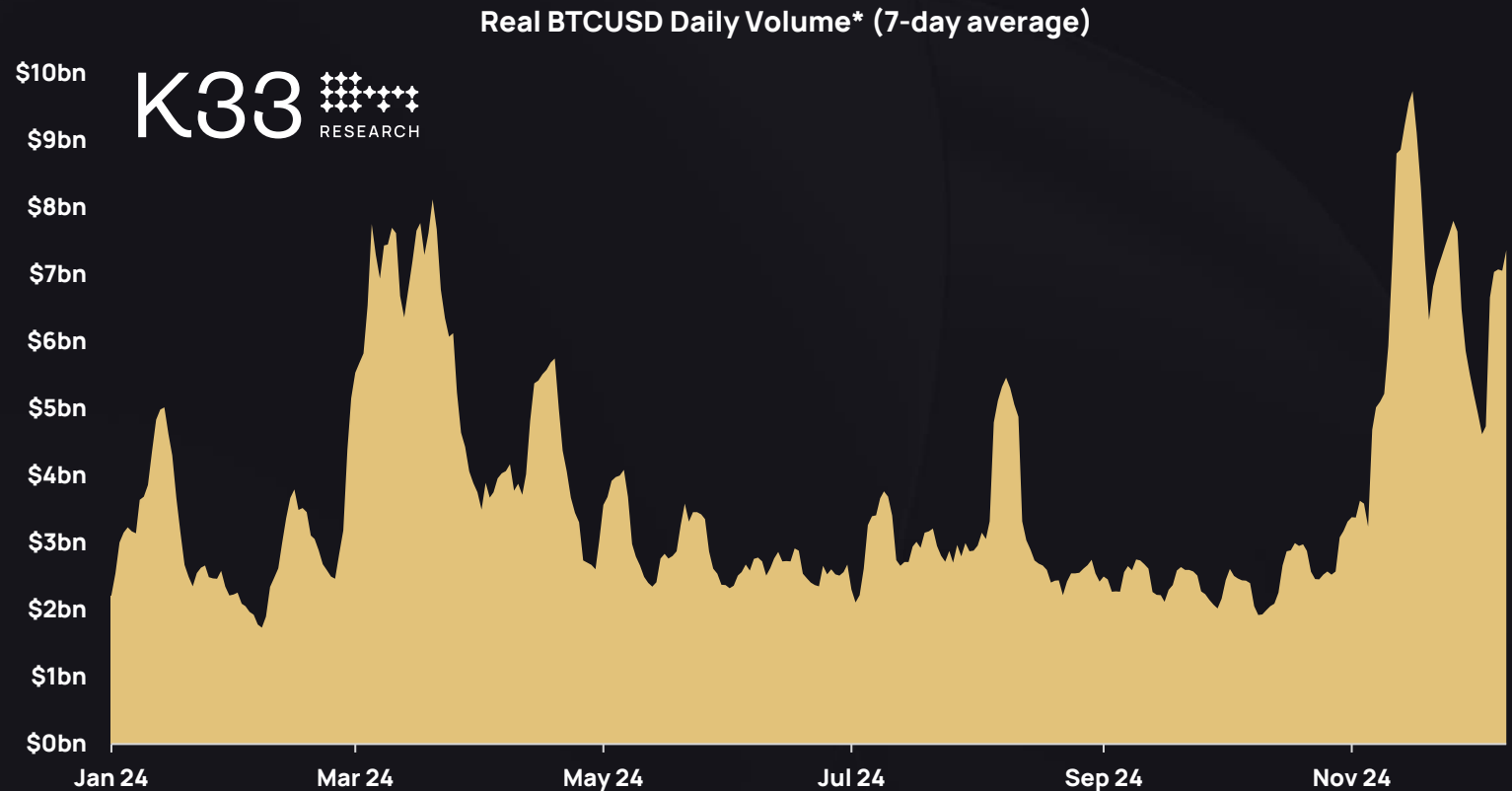
Source: K33 Research, Gold, MSCI U.S. REITs Total Gross Return Index, Bloomberg U.S. Aggregate Bond Index, S&P 500, DBIQ Optimum Yield Diversified Commodity Index, MSCI EAFE Gross Total Return USD Index, MSCI Emerging Markets Gross Total Return USD Index



Higher prices -> Higher activity

Trading volumes shot higher in 2024.

- Daily average spot market volumes in BTC reached \$3.7bn in 2024.
- May to October saw mostly docile conditions, with BTC trading in consolidation.
- Bitcoin volume saw five distinct peaks in 2024: the ETF launch, the March ATH breakout, the halving, the yen unwind, and the post-election rally.
- The two bullish quarters, Q1 and Q4, saw volumes stay materially high for a long time. Higher prices attracted new buyers and more willing sellers, naturally elevating volumes.



Source: Tradingview, Bitcoinity



Correlations relatively high, **poised** to grow further.

Bitcoin has been relatively correlated to equity indices throughout the year.

- Bitcoin's annual correlation to the S&P 500 is 0.38, whereas the yearly correlation to the Nasdaq is 0.31.
- That's an increase from 0.20 in 2023 but well below the 0.6 regime from 2022.
- Correlations between BTC and equities have moved in waves throughout the year. They were on a strong uptrend in Q1 before bitcoin independent price action in the wake of peaking ETF flows and the pre-halving rally.
- Correlations grew high throughout the summer amidst the consolidation, with one significant deviation in July during excess selling from governments and bankrupt estates and the first major Trump rally.
- Correlations peaked after the yen unwind and yield curve reversion but decreased after Trump's election.
- We expect correlations to be relatively high in 2025. With MSTR included in Nasdaq, BTC becomes a natural component in the index. Further, eventual rebalancing mechanics from funds invested in BTC ETFs will enhance structural correlations.

BTC 30-d correlations*



Source: Tradingview

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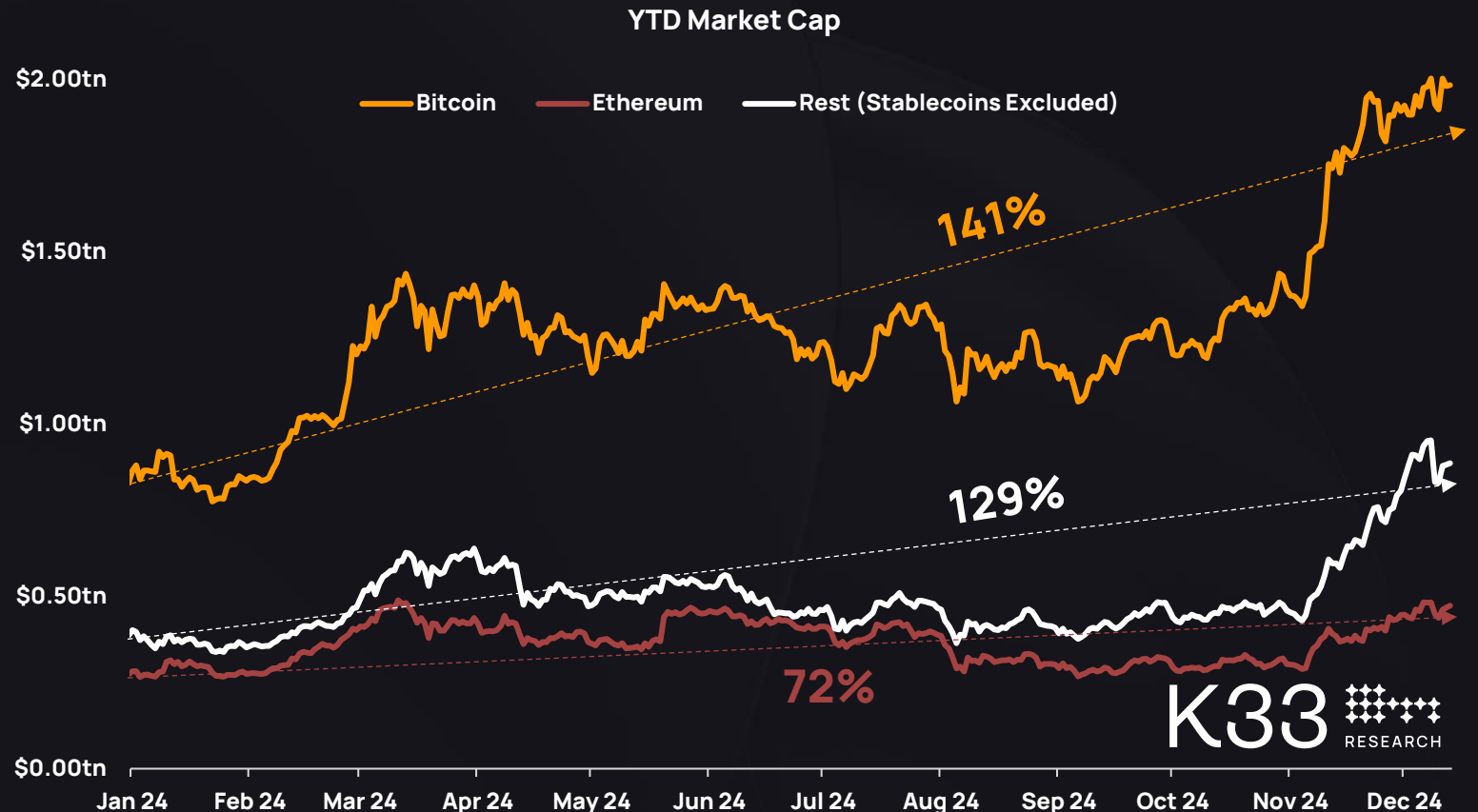
2025 prediction: Correlations to equities in 2025 will be higher than in 2024.



Bitcoin's year

2024 has been bitcoin's year – most altcoins have underperformed.

- Bitcoin's market cap grew by 139% in 2024 from \$828bn to \$1.98tn.
- Ethereum's market cap grew by 72% in 2024 from \$274bn to \$473bn.
- The rest of the altcoin market saw its market cap grow by 129% in 2024 from \$389bn to \$886bn, mainly fueled by SOL and memecoin strength.



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Source: Tradingview

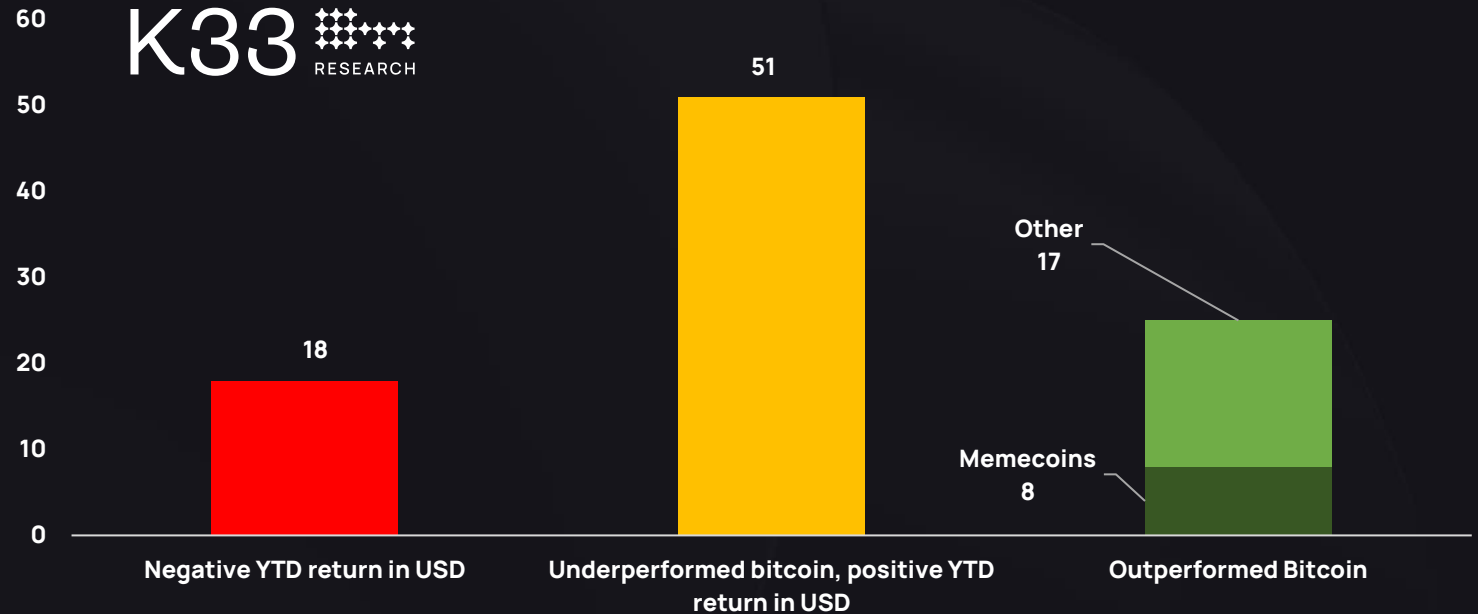


Bitcoin's year

2024 has been bitcoin's year – major alts struggles.

- Only 25 coins among the top 100 coins outperformed BTC in 2024.
- 51 coins underperformed BTC but saw positive YTD returns. Examples: ETH and SOL.
- 18 coins among the top 100 saw negative returns in 2024. The worst-performing coins? Layer-2s, ETH ecosystem.

YTD Performance: Top 100 Coins, Stablecoins Excluded



Source: Coinmarketcap

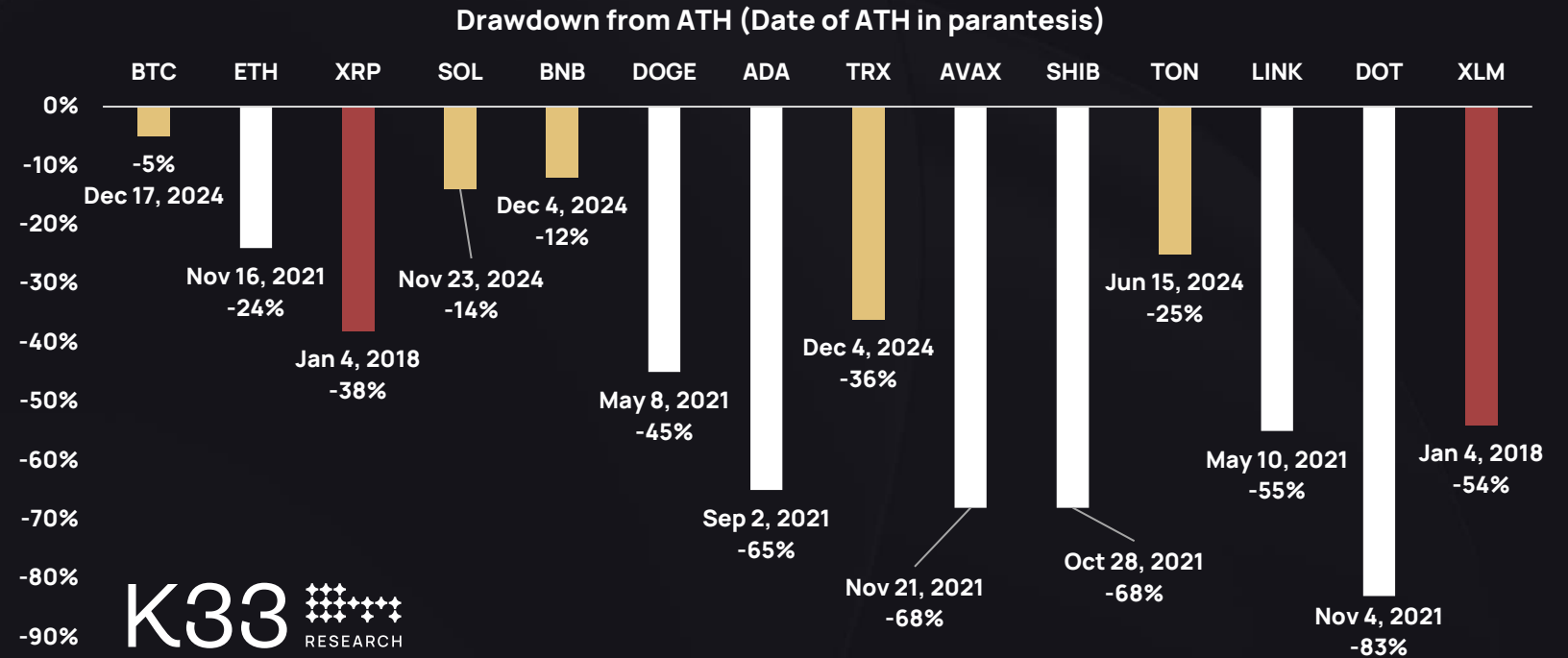
2025 prediction: Stronger times ahead for the ETH ecosystem following favorable regulatory environment.



Big altcoins have yet to reach all-time highs

Many altcoins trail well behind former all-time highs.

- Bitcoin, SOL, BNB, TRX, and TON all reached all-time highs in 2024.
- The all-time highs from 2021 in ETH, DOGE, ADA, AVAX, SHIB, LINK, and DOT remain untouched, with several of the mentioned coins trading more than 50% below their former all-time highs.
- Despite the recent rally in dino coins, neither XRP nor XLM reached all-time highs in 2021 and continue to lag behind their 2018 highs.

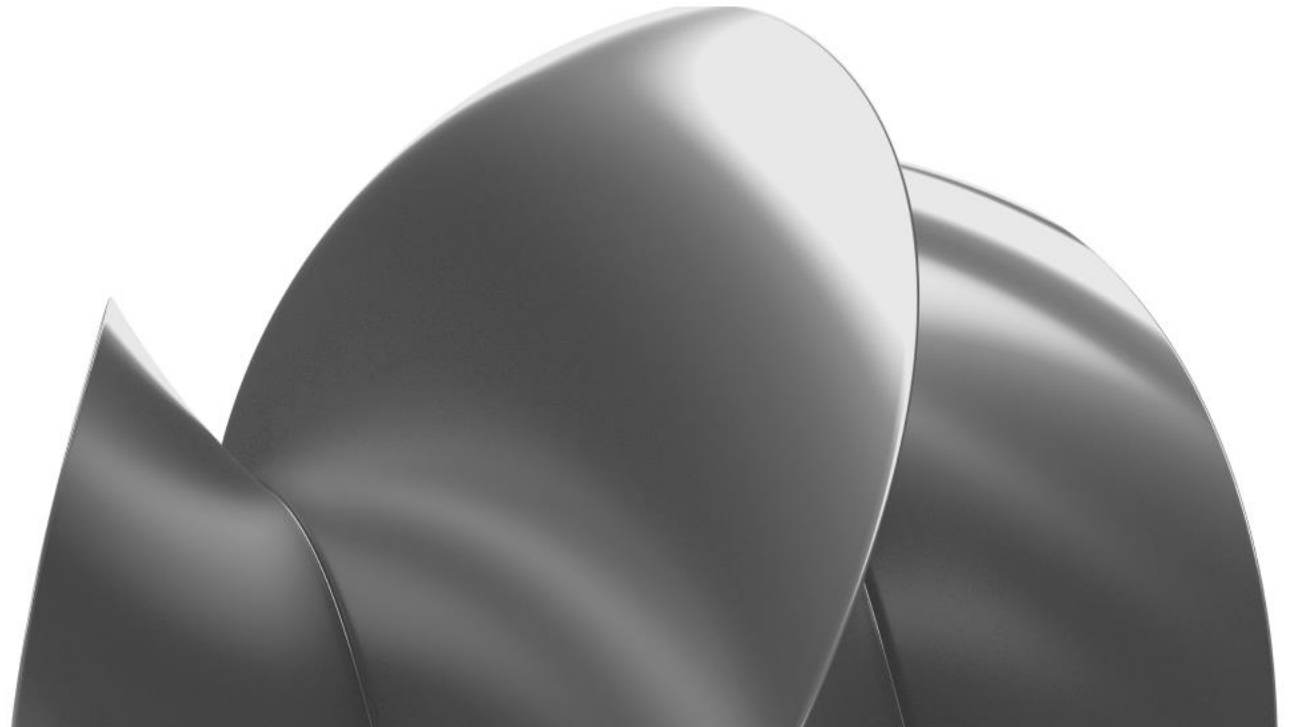


Source: Coinmarketcap

2025 prediction: The history in crypto market is filled with altcoins failing to return to former all-time highs, and we expect this observation to hold true onwards.



Supply?
Demand!

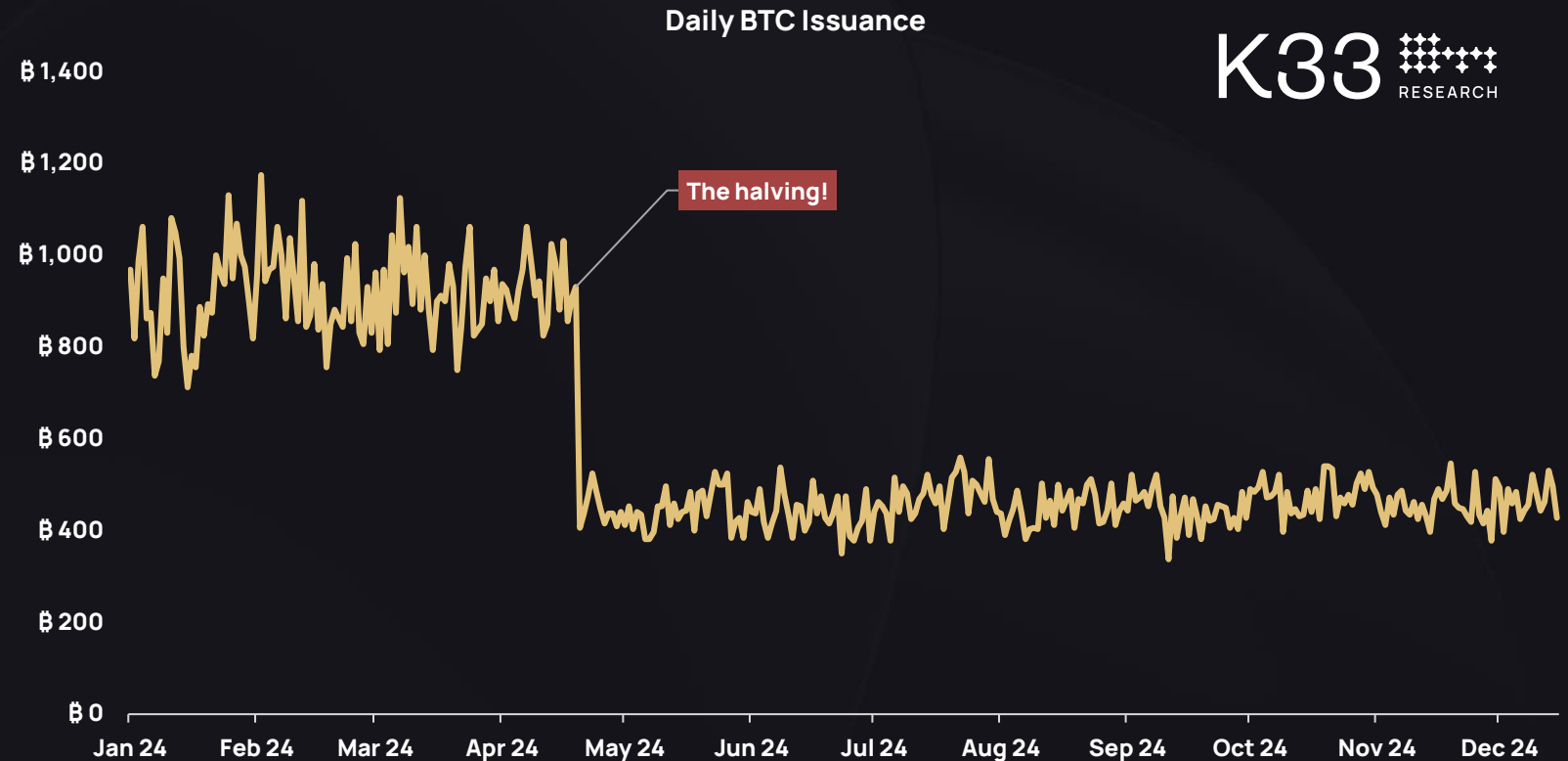




The 2024 halving

The quadrennial halving event occurred in April, reducing BTC's daily issuance from 900 to 450 BTC.

- On April 20, Bitcoin experienced its fourth halving.
- Total yearly issuance declined by 121,331 BTC from 337,489 BTC in 2023 to 216,158 BTC in 2024.
- In 2025, annual issuance will reach approximately 164,250 BTC, a decline of 51,908 BTC compared to 2024.
- The yearly issuance in 2025 will be lower than MicroStrategy's BTC purchases between November 1 and December 12, with an annual network inflation of 0.8%.
- The net impact relative to the circulating supply is declining for each halving.



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Source: Coinmetrics

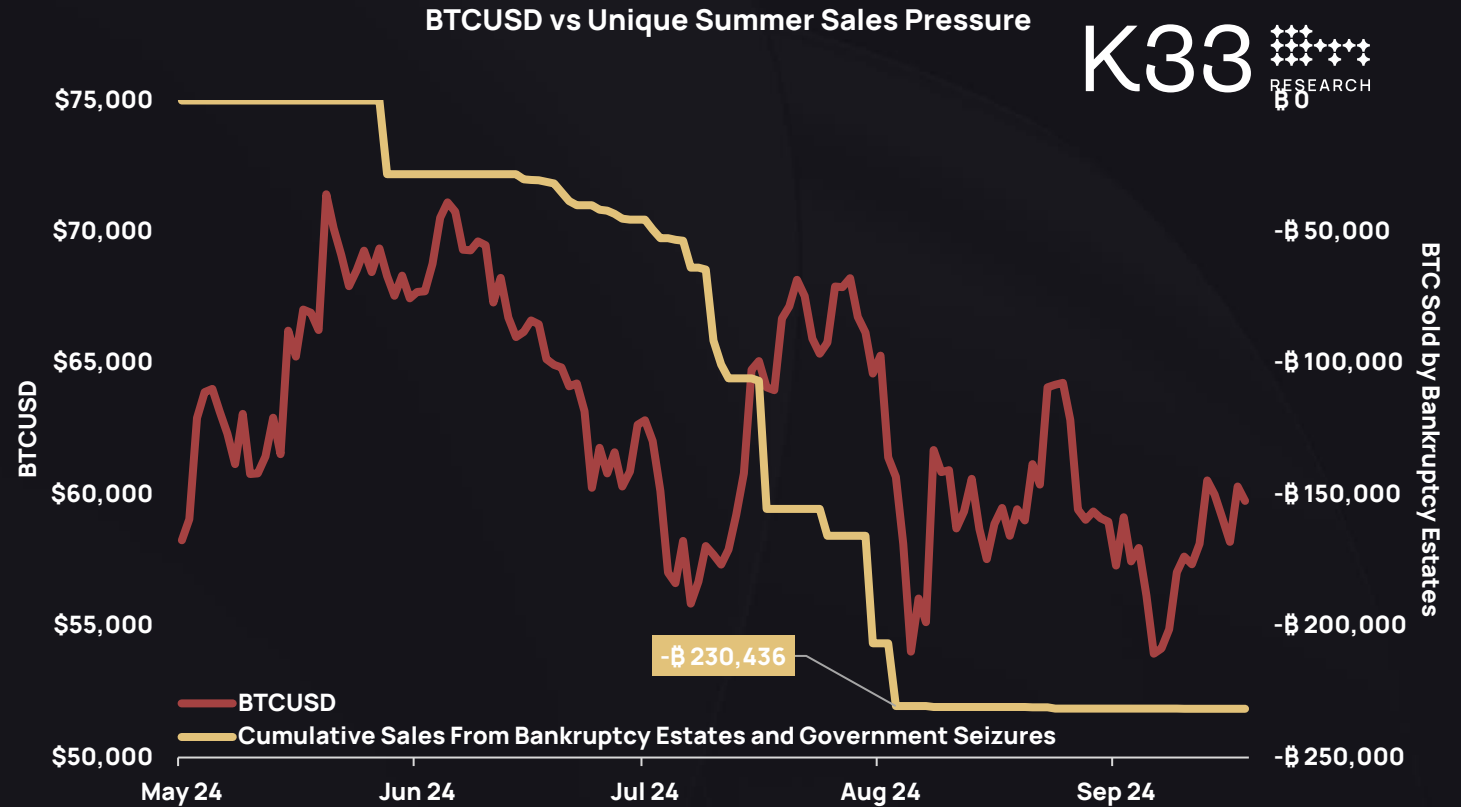
2025 prediction: The effect of Bitcoin halvings are due to moderate with time, and BTC's common 4-year cycle trend is due to face an end.



A summer of excess selling

Supply from past “fun” flooded the market during the summer, pausing the momentum.

- Throughout the summer, bitcoin endured unique selling pressure to the tune of 230,000 BTC, stemming from government agencies and bankruptcy estates.
- Bankruptcy estates from the 2022 collapse still impacted the market, with Genesis and Gemini selling in size.
- Further, the German government sold 50,000 worth of seized coins, extending the degree of excess selling pressure.
- Additionally, Mt. Gox creditors finally received their distributions from its 2014 bankruptcy, with some creditors likely selling their exposure.
- All in all, we find that approximately 230,000 BTC was absorbed from unique selling in a period where BTC maintained robust and steady price action.
- As we enter 2025, there are fewer clear sellers on the horizon. FTX creditors are due to receive their distributions in cash, potentially leading to net buying. The UK and U.S. governments may have funds to sell or transfer to creditors (Bitfinex).



2025 prediction: Seized coins (94,636 BTC) from the 2016 Bitfinex hack will be returned to Bitfinex who will sell 80% of the coins to buy and burn LEO over an 18-month period.

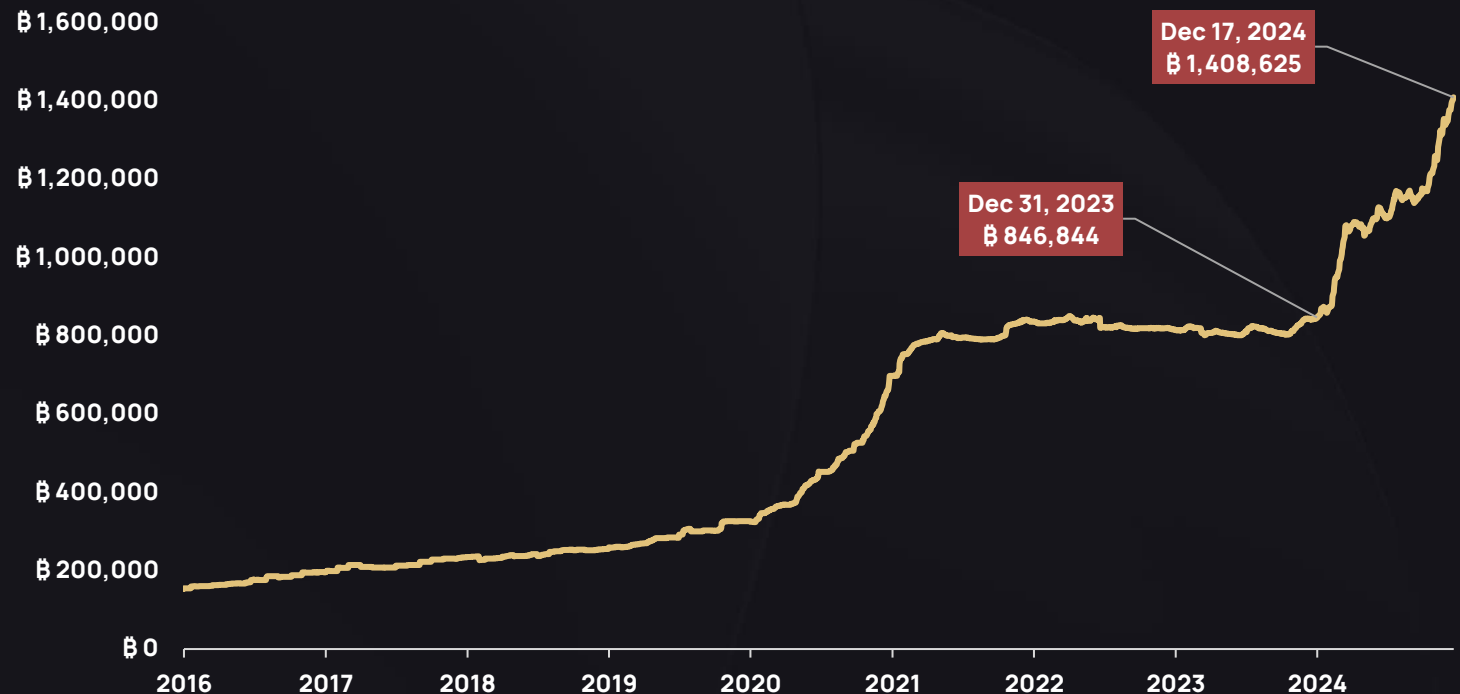


A year of never-ending ETF absorption

Bitcoin ETPs have added 561,781 BTC in 2024.

- Bitcoin investment vehicles currently hold 1,408,625 BTC in total, equivalent to 7% of the circulating supply.
- The majority of the growth in 2024 stems from U.S. spot ETFs, whereas the 2x leveraged long VolatilityShares ETF also contributed to raising exposure.
- Daily average net flows to Bitcoin ETPs in 2024 reached 1,605 BTC, with ETFs alone absorbing 259% of the average daily BTC issuance.
- Bitcoin ETFs saw 155 days of net inflows, with average inflows on a net inflow day sitting at 5,233 BTC vs. 93 days of net outflows with average outflows on a net outflow day sitting at 2,702 BTC.
- ETF owners have proven to be resilient. Significant outflows have not accompanied deep drawdowns. Generally, flows have signaled accumulation throughout the year.

Bitcoin Held by Investment Vehicles, ETPs and ETFs Globally



Source: K33 Research

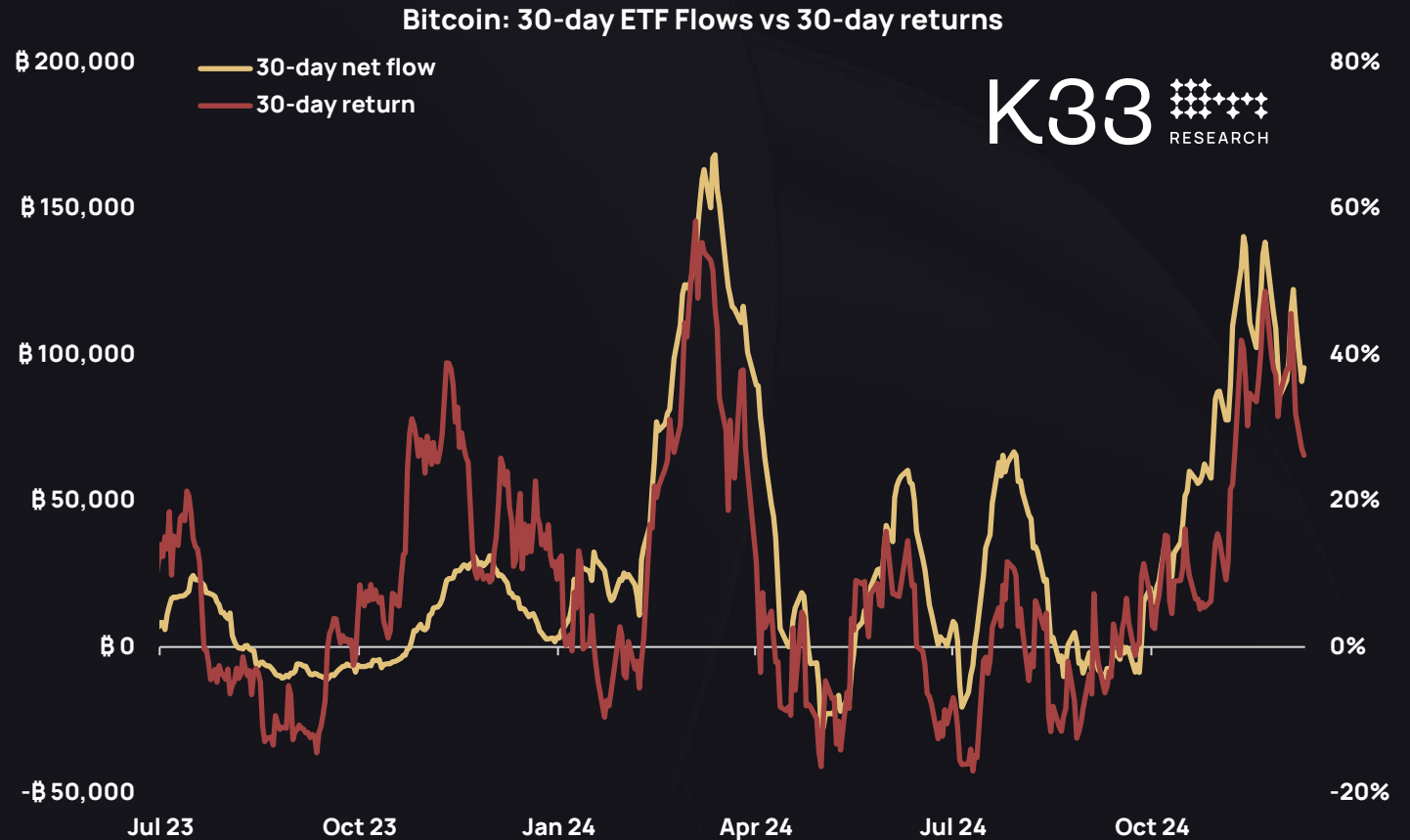
2025 prediction: Notional flows to BTC ETFs are going to be softer in 2025 than in 2024, but ETPs will end the year holding more than 1.7 million BTC.



And these flows matter

Bitcoin returns and ETF flows have moved hand in hand throughout the year.

- Lengthy durations of strong ETF flows have mapped closely with strong market performance and vice versa.
- 30-day returns in BTC have an R^2 of 0.83 with ETF flows, showing that ETF flows have been a material price mover.
- This relationship makes sense intuitively. ETF inflows reflect spot market absorption, i.e., buying pressure, whereas outflows reflect selling pressure.
- Further, it suggests that ETF traders are more inclined to rotate into BTC during solid market momentum.
- The flat to negative flows during the summer correspond with the period of excess selling, whereas the spiking flows in Q4 correspond with Trump's election and MicroStrategy's aggressive accumulation.



Source: K33 Research, Coinbase

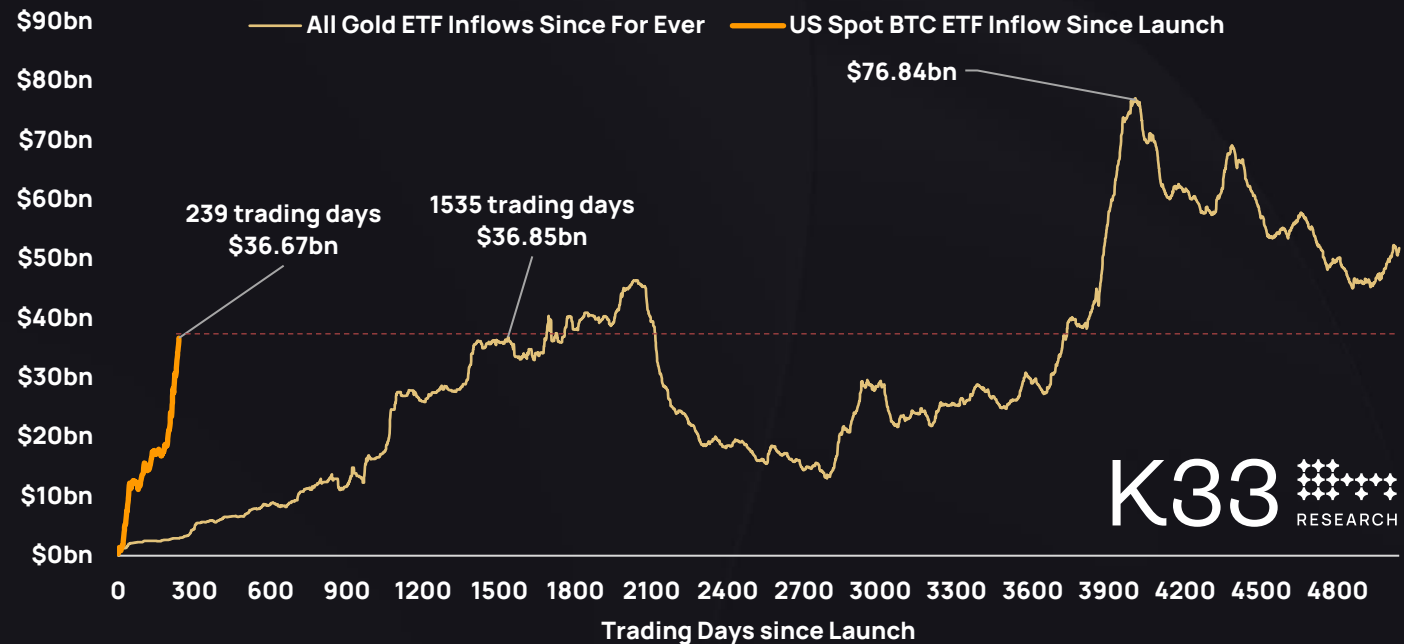


Strongest ETF launch category ever

U.S. spot Bitcoin ETFs have been the best ETF launch category ever – by a considerable margin.

- In its first 239 trading days, BTC ETFs have seen cumulative net inflows of \$36.7bn.
- To contextualize this growth, on a non-CPI adjusted basis, gold ETFs needed 1,535 trading days to reach a similar net inflow level.
- In non-inflation-adjusted terms, BTC ETFs have seen 6.4 times as rapid growth as gold ETFs.
- Cumulative gold ETFs peaked at a non-inflation-adjusted level of \$76.84bn in 2020, a level we expect BTC ETFs to surpass in 2026.

Cumulative Net Flows: U.S. Gold ETFs vs. U.S. Spot BTC ETFs



Source: ETF.com, K33 Research



2025 prediction: Cumulative bitcoin ETF flows to surpass cumulative gold ETF flows in 2026.

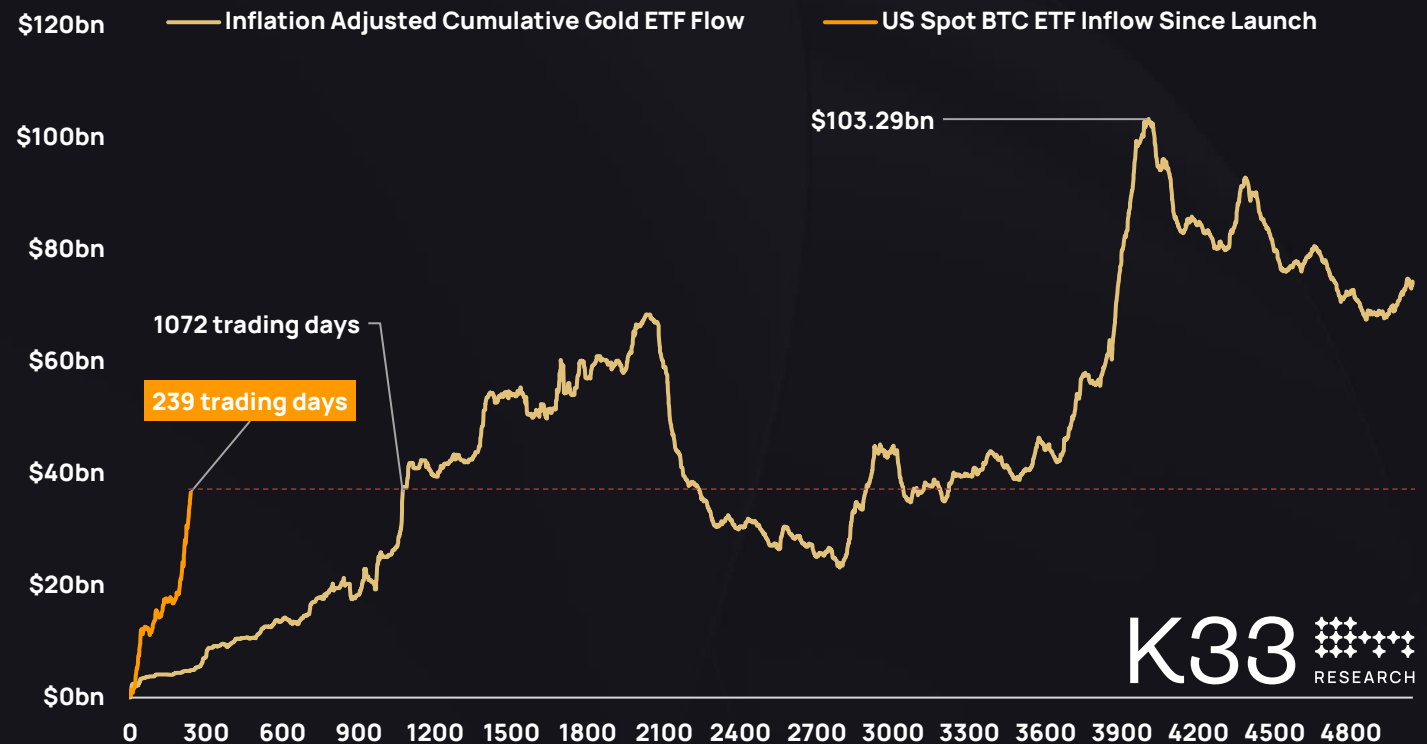


4.5x as fast as gold, adjusted for inflation

Bitcoin ETFs still crush gold ETFs on an inflation adjusted basis.

- Bitcoiners and gold bugs can agree that the dollar's purchasing power has weakened considerably since 2004. Inflation adjustments are needed to fairly assess cumulative flows in BTC ETFs vs. gold.
- In CPI-adjusted terms, BTC ETFs have grown 4.5 times as rapidly as gold ETFs.
- Inflation adjustments of flows offer a more honest comparison between the vehicles. Diminishing purchasing power is the core premise of either investment and using CPI as a proxy is helpful.
- While ETFs were a less common investment class when gold ETFs launched in 2004, their rapid growth is a testament to the pent-up demand for a simple regulated BTC vehicle.
- In inflation-adjusted terms, cumulative gold ETF flows peaked at \$103.3bn in 2020.

Cumulative Net Flows: Inflation Adjusted Gold Flows vs. BTC



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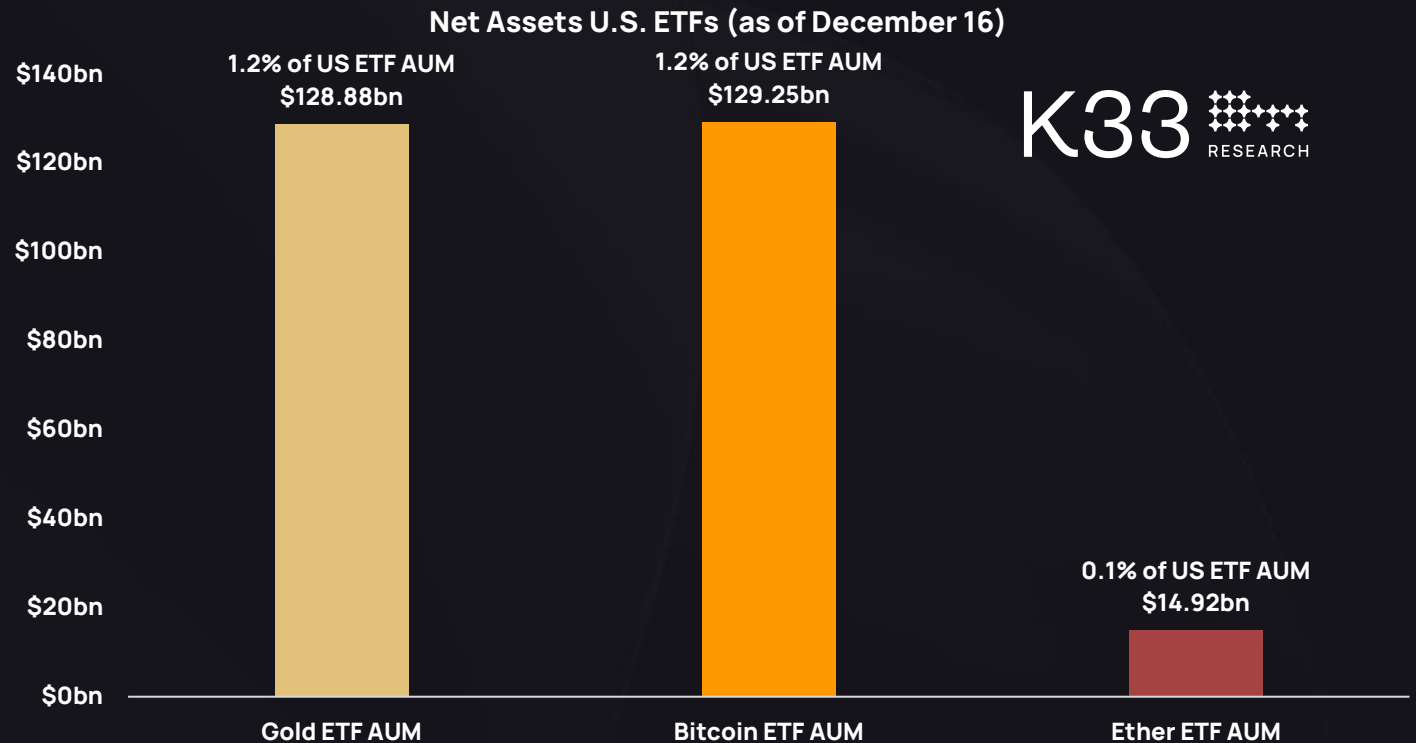
Source: ETF.com, K33 Research, BLS



Bitcoin ETF AUM has **surpassed** gold ETF

Bitcoin ETF AUM surpassed gold on December 16.

- Even more remarkably, U.S. bitcoin ETF AUM has flipped U.S. gold ETF AUM!
- Two factors explain the divergence in BTC's cumulative flows vs. gold and the AUM.
- First and foremost, BTC ETFs launched with a head start in AUM. Grayscale's BTC ETF held 619,200 BTC at launch, and while Grayscale has suffered outflows throughout the year, it still holds 251,000 BTC across its two products, representing 22.3% of BTC ETF AUM.
- Secondly, BTC's strong rally throughout the year has greatly benefitted early allocators. The average BTC entry price of flows throughout the year currently sits at \$69,000. In other words, the net inflow of 512,000 BTC this year sits with average returns of 46%, lifting AUM further.



Source: ETF.com, K33 Research

2025 prediction: Bitcoin ETFs will continue to outpace gold in 2025.



Surpassing a 20-year head start

Assets Under Management: Gold ETFs vs. BTC ETFs



Source: ETF.com, K33 Research

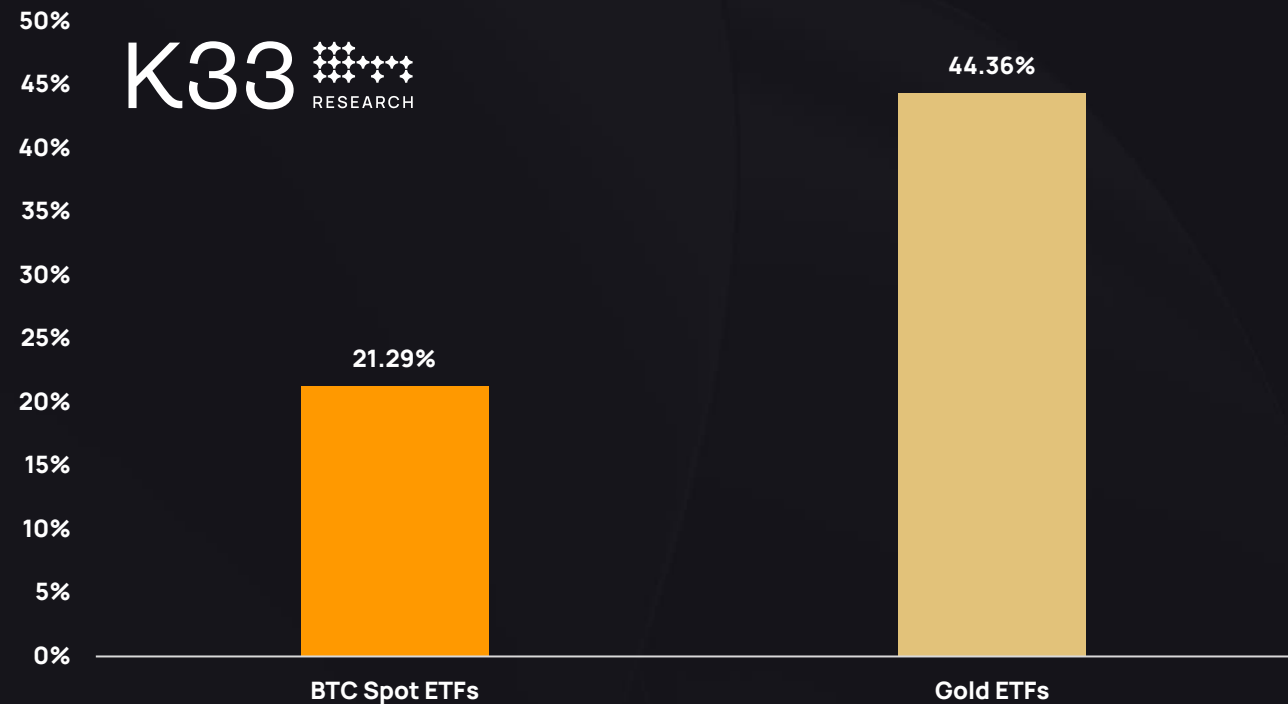


Still room to grow

While AUM has flipped gold, there's still solid room to grow.

- By the end of Q3 2024, only 21.3% of BTC ETF AUM were held by institutional owners (per 13F reporting).
- Gold ETFs, in contrast, had a solid 44.4% institutional ownership share.
- The 21.3% institutional ownership rate is low compared to gold, but very robust when considering that ETFs for this asset class emerged less than a year ago.
- While some funds and endowments have made BTC ETF allocations, such as Tudor Investments and Emory University, there are solid opportunities for institutional exposure to grow.
- As fund mandates evolve to allow BTC exposure, new broker-dealers greenlight the ETFs, and regulatory clarity strengthens, we anticipate the institutional ownership rate will grow.

Institutional Ownership as a percent of total AUM



Source: ETF.com, K33 Research

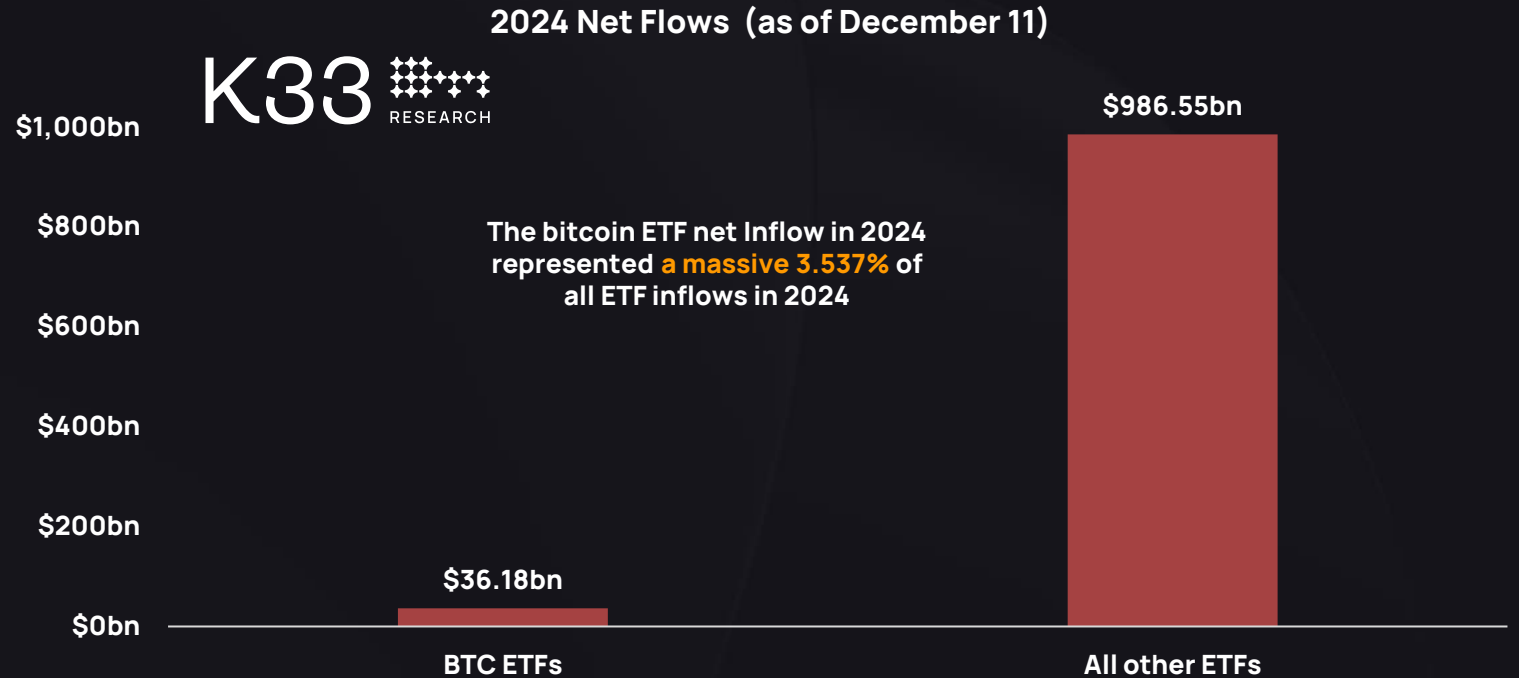
2025 prediction: Institutional ownership of BTC ETFs will grow to 30% by the end of 2025.



A truly remarkable launch

1 in 30 dollars being allocated to ETFs in 2024 was placed in BTC ETFs.

- Even more remarkably, bitcoin ETFs represented a staggering 3.5% of all inflows into U.S. ETFs in 2024. This is mind-blowingly big and unheard of for any ETF launch.
- Advisors in BTC ETFs have recommended weightings between 1-5%, and the 3.5% inflow suggests that investors are taking notice.
- Further, 1.2% of U.S. AUM sitting in BTC ETFs suggests that many cohorts are gradually buying BTC as a diversifier.
- However, according to 13F reports, we view it as likely that many hold a far more aggressive exposure than 1% and that the vast majority of investors still hold a 0% allocation.
- There are fundamentally sound reasons for BTC ETFs to grow further in 2025. Relatively few big funds currently diversify via BTC, and the enhanced portfolio performance of a moderate weighting in BTC is due to attract more hands, as illustrated on the next page.



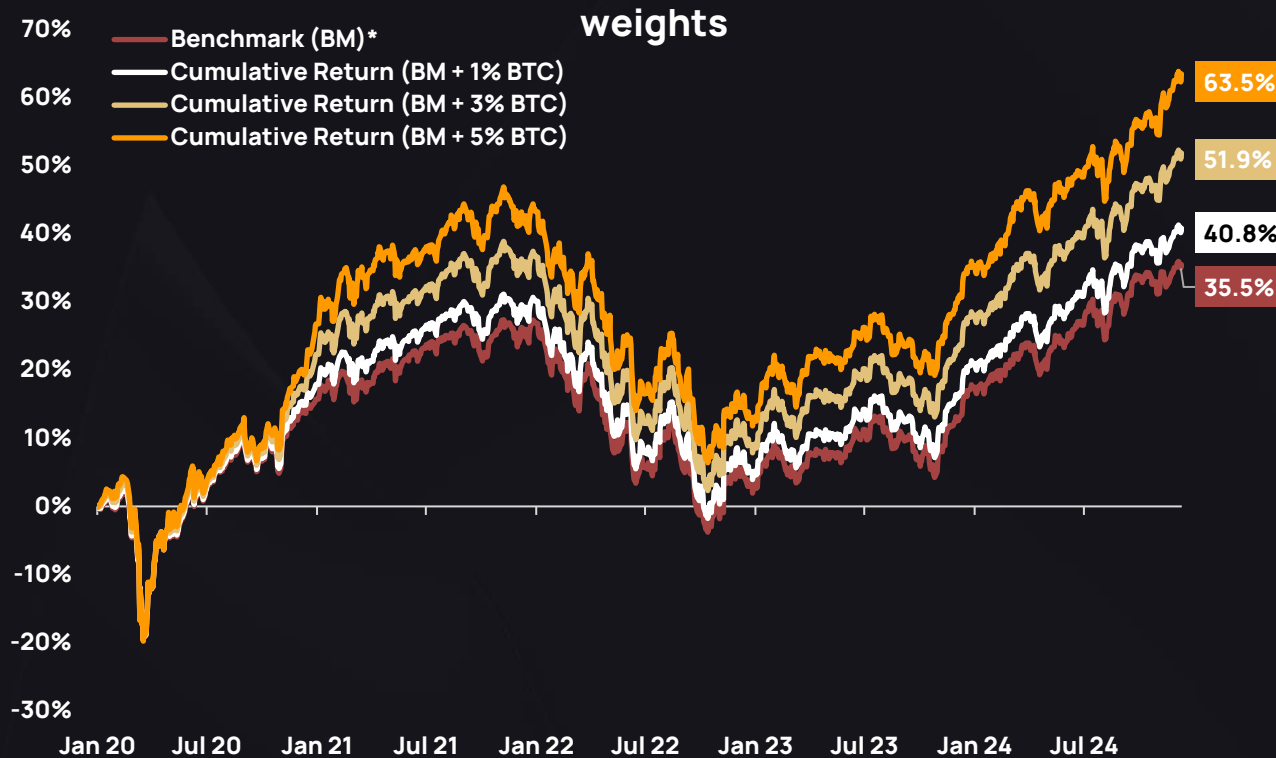
Source: ETF.com, K33 Research

2025 prediction: Bitcoin ETF inflows in 2025 will represent 2.5% the global ETF inflow



A little bitcoin goes a long way

2020-Today: Benchmark Portfolio vs Various BTC



- Investors who maintain a quarterly rebalancing strategy and incorporate some bitcoin into their holdings outperform in absolute returns and on a risk-adjusted basis.
- An investor maintaining a rebalanced 5% allocation to BTC since 2020 would have seen annualized returns of 10.9%, in contrast to the broad portfolio's annualized 6.9% performance.
- The BTC approach adds some risk to the return profile but outperforms strongly, even on a risk-adjusted basis.

| PORTFOLIO | Broad Exposure Portfolio | + 1% Bitcoin | + 3% Bitcoin | + 5% Bitcoin |
|---------------------------------|--------------------------|--------------|--------------|--------------|
| Cumulative Total Return (%) | 35.5% | 40.8% | 51.9% | 63.5% |
| Annualized Total Return (%) | 6.9% | 7.7% | 9.3% | 10.9% |
| Annualized Risk (% Std Dev) | 12.6% | 12.8% | 13.2% | 13.8% |
| Sharpe Ratio | 0.55 | 0.60 | 0.70 | 0.79 |
| Change in Annualized Return (%) | - | 0.8% | 2.4% | 4.0% |
| Change in Annualized Risk (%) | - | 0.2% | 0.6% | 1.2% |
| Ratio Improvement | - | 10% | 28% | 43% |

Source: Tradingview, iShares, Coinbase

*The Benchmark index consists of a 40% weighting in U.S. Aggregate Bonds (AGG), a 42% weighting in MSCI ACWI (MMW) and a 18% weighting in MSCI USA (MUN). Rebalancing is calculated on a quarterly basis. The 1% BTC allocation reduced bond allocation by .5% and equities by .5%, the 3% allocation reduces bond exposure by 1% and equity exposure by 2%, whereas the 5% allocation reduces bond exposure by 2.5% and equity exposure by 2.5%.



ETH ETFs are catching up after a suboptimal launch

By launching at a suboptimal period, ETH ETFs initially disappointed, but flows are picking up.

- ETH ETFs launched on July 22 but failed to attract flows in the following 3.5 months.
- The launch happened at a far less ideal moment for ETH amidst a choppy market environment, with soft volumes and weak activity in the broad crypto market.
- Few hands were present to absorb the immense pressure out of Grayscale's ETH trust, leading net exposure to trail below its launch figures until the U.S. election.
- Following the U.S. elections, flows have improved dramatically, with ETH ETFs now surpassing 3.6m ETH under management, rising by more than 800,000 ETH since the election.

U.S. ETH ETFs: Ether Holdings



Source: K33 Research

2025 prediction: Ethereum ETFs will introduce staking within the year, introducing yield to the ETFs attracting stronger flows.

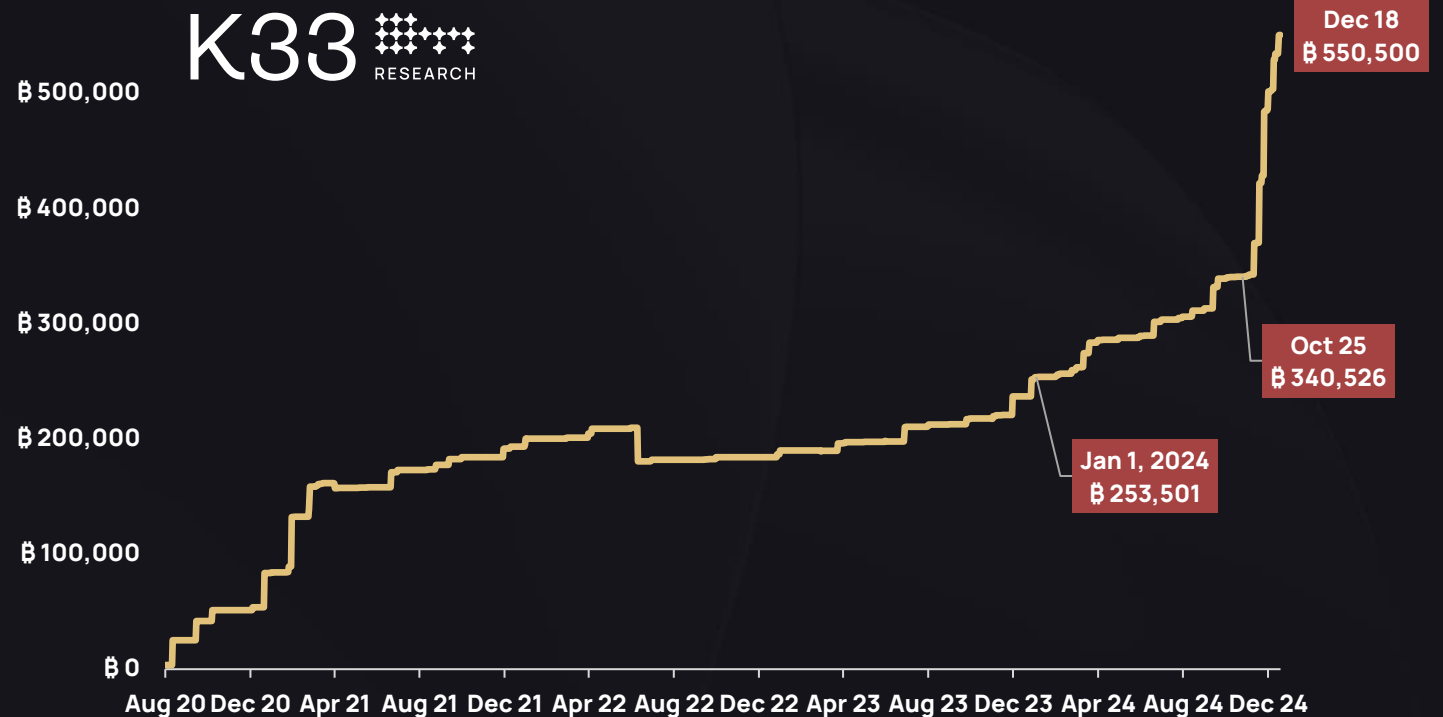


Public companies are hoarding coins

The year has also seen immense buying pressure from public companies.

- Alongside massive ETF flows throughout the year, public companies have entered with force.
- Public company bitcoin treasuries have surpassed 550,000 BTC, growing by 297,673 BTC in 2024.
- A vast contributor to the growth stems from MicroStrategy. The company has acquired a total of 249,845 BTC in 2024, with particularly aggressive accumulation taking place after the introduction of the 21/21 plan.
- The company aims to acquire \$42bn worth of BTC for \$21 billion in ATM sales and \$21 billion in senior note offerings. By December 16, the company had \$7.65bn left of its ATM to spend on BTC.
- Also, Bitcoin miners MARA and RIOT have acquired BTC via senior note offerings. This development is more concerning than other public companies acquiring BTC via debt. Miner income is already heavily tied to the price of BTC. Bitcoin treasuries exaggerate rather than diversify this impact, which may lead to forced selling in the future, similar to the forced selling in 2022.

Public Companies: Bitcoin Treasuries



Source: K33 Research

2025 prediction: MicroStrategy's \$21bn ATM will be drained by mid-January but the company will announce a new massive ATM in 2025.

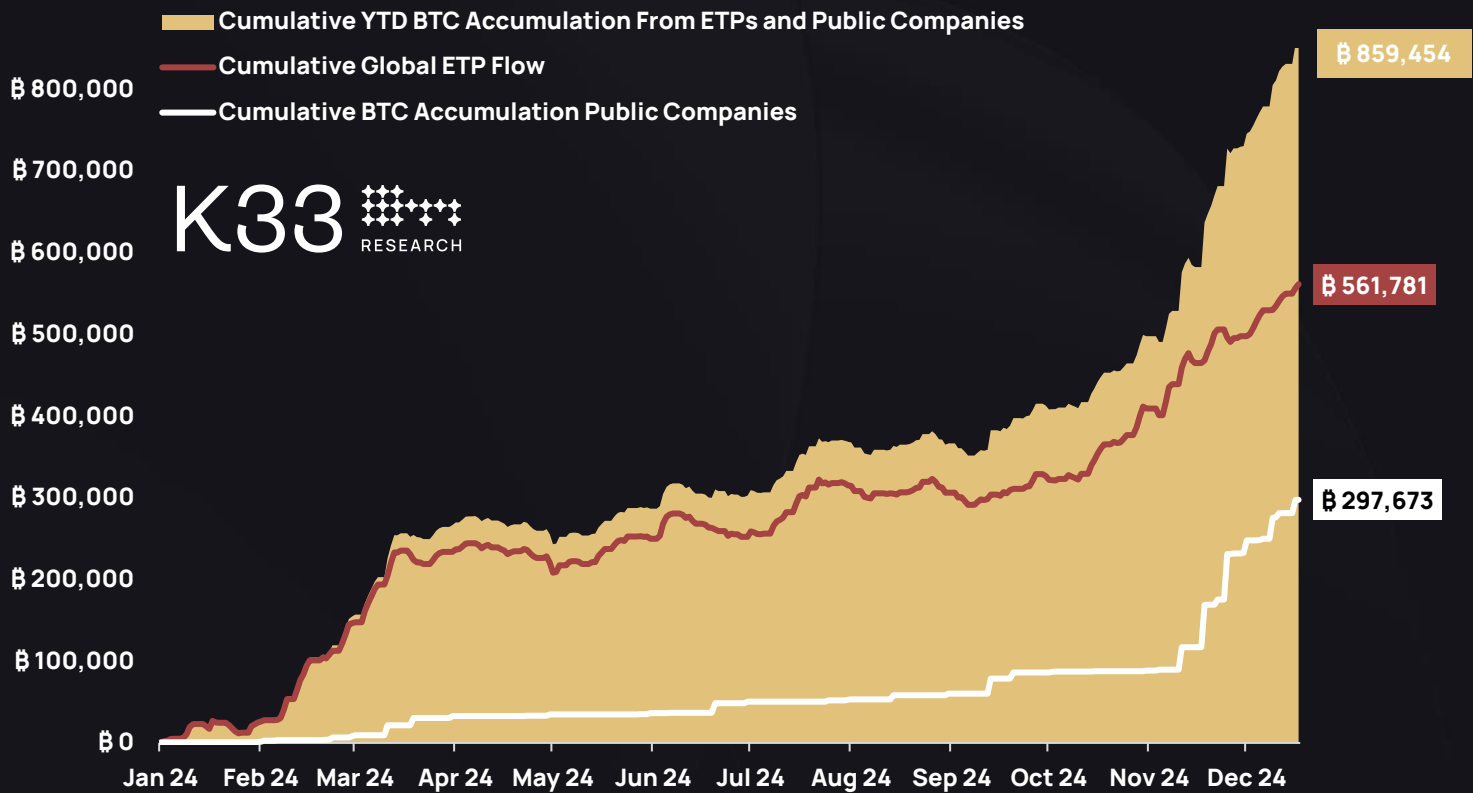


859,000 BTC absorbed by ETPs companies in 2024

4.3% of the BTC supply has been absorbed by ETPs and public companies in 2024.

- 859,454 BTC has been bought by ETPs and public companies in 2024.
- That's equivalent to 4.3% of BTC's circulating supply – **absorbed in one year**.
- This has materially impacted the market throughout the year, with BTC's most significant growth periods coinciding with periods of strong flows.
- Public company holdings are sticky and are unlikely to be sold for a while. MicroStrategy's recent ATM spree has effectively deleveraged its BTC holdings and is miles away from being forced into selling.
- ETF flows have proven in 2024 that they are predominantly sticky. Compared to periods of inflows, periods of outflows are short and moderate. We expect this trend to continue into 2025.

YTD BTC Absorption: ETPs and Public Companies



Source: K33 Research

2025 prediction: These entities are going to continue to be net absorbers of BTC.

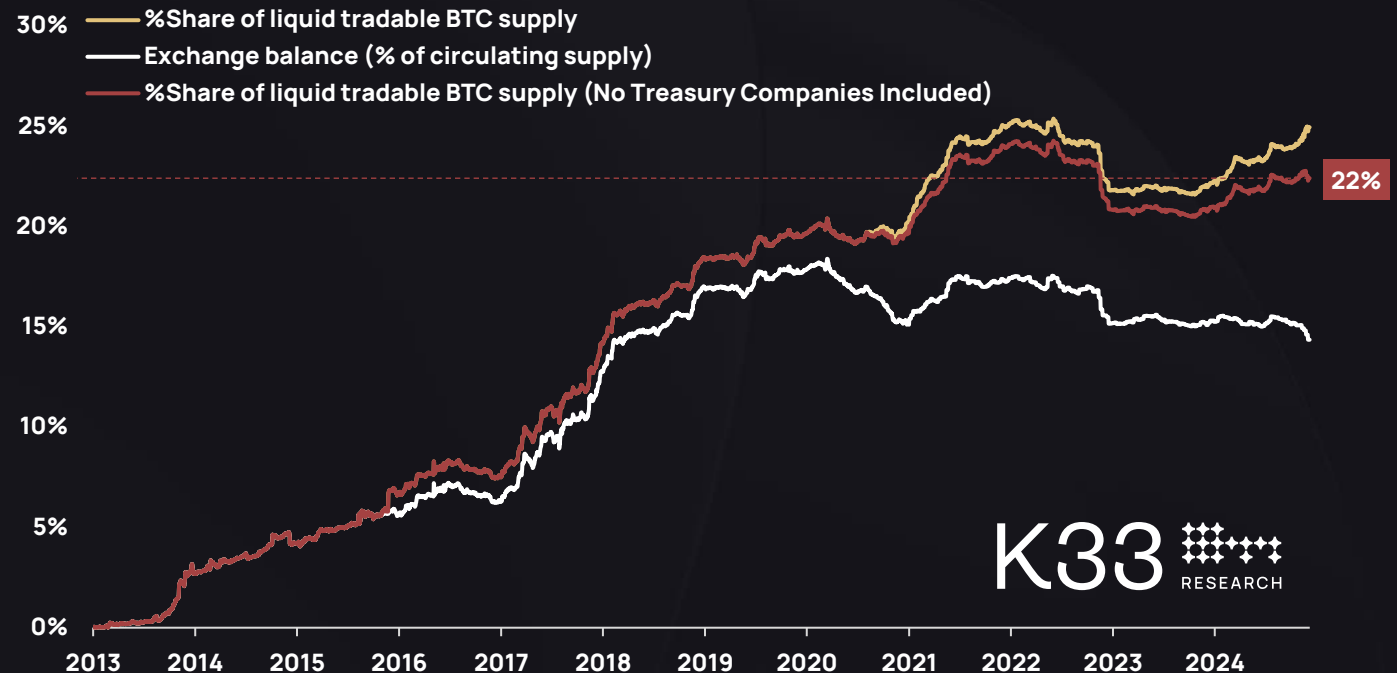


Market still **more liquid** than ever before

22% of BTC's circulating supply is available in the market.

- The advent of BTC ETFs has seen exchange balances decline faster.
- This does not mean that Bitcoin is scarcer than ever before. In fact, the liquid tradeable BTC supply is on an upward trend toward past cycle highs.
- 22% of Bitcoin's circulating supply is held by exchanges, ETPs, and tokenized BTC products.
- We expect ETFs to remain net buyers and that the liquid tradeable BTC proxy will grow throughout 2025.
- Still, for any investor its adamant to be aware that exchange balances only cover a part of the behemoth that is BTC's liquid market supply.

Bitcoin Liquidity: Exchange Balance vs "Liquid Tradeable BTC" proxy



Source: K33 Research

2025 prediction: Bitcoin's liquid supply will grow further in 2025.

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Strategic **bitcoin** reserve?

Trump winning the election caused BTC to rally in Q4 – will strategic bitcoin reserves be introduced?

- Enthusiasm for a crypto-friendly president, fairer regulation, and hopes of a U.S. Bitcoin reserve were the catalysts behind Bitcoin's \$100,000 breakout.
- Trump's most notable bitcoin promise lingers around a strategic bitcoin reserve. At Bitcoin 2024, he said that if he was elected president, the U.S. would keep all current bitcoin obtained via seizures.
- Senator Cynthia Lummis introduced the Bitcoin Act of 2024 at the same conference. The act proposes that 1,000,000 BTC will be bought by the U.S. treasury and Federal Reserve over a five-year period to be held for at least 20 years.
- If the strategic reserve is launched, it would undoubtedly be bullish for the market. Trumps proposed plan would shelter the market from expected selling pressure, whereas Lummis' plan would lead to a huge supply absorption, likely pulling prices much higher.
- If Lummis' plan is adopted, we expect other global superpowers to follow, formalizing BTC's role as digital gold and ushering in a new era of demand.
- However, the reserve plan must overcome hurdles, including approvals from various government bodies like Congress and the Federal Reserve, before it can be launched.
- Alternatively, Trump may seek to launch the reserve via an executive order, leveraging the Exchange Stabilization Fund (ESF). Without legislative backing, building a 1 million BTC reserve as proposed by Lummis might be a challenge, and for a long-term viable strategic reserve plan, Congressional involvement might be necessary.
- Regardless, the fact that this topic is even discussed, with moderate probabilities of happening within the first 100 days (Polymarket odds: 35%) just two years after the cataclysmic crypto collapse is beyond remarkable.

| Status quo | Hold reserves | Lummis Plan |
|-------------------|--|--|
| Sell seized funds | Keep seized funds | Buy 1 million BTC over the next 5 years. |
| Negative | Positive, supply kept from hitting the market. | Extremely bullish. Other states likely to follow. |

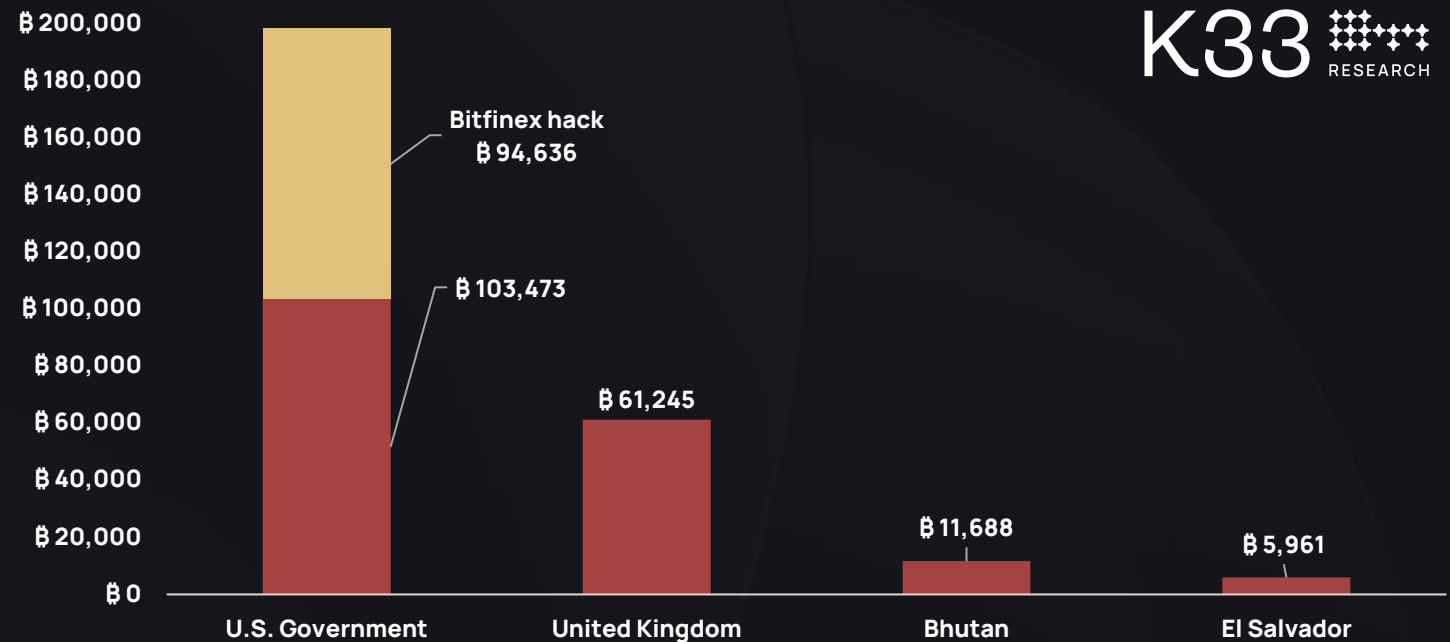


Current National **Bitcoin** Reserves

The United States currently holds 197,000 BTC – of which 94,636 BTC stems from the 2016 Bitfinex hack.

- The U.S. government will find it hard to hold onto all BTC, even if Trump introduces the reserve plan.
- 94,636 BTC of the current U.S. holdings stem from the 2016 Bitfinex hack. These funds were stolen from the platform (and its users) and are different from funds seized from the darknet markets.
- Other nation states holding BTC include Bhutan and El Salvador. El Salvador has been buying 1 BTC daily throughout the year, whereas Bhutan is mining BTC, utilizing its vast hydropower resources.
- The United Kingdom holds 61,425 BTC seized from a money laundering scheme. These funds might be sold, similar to the German government's sale earlier this year.
- Other countries are reported to hold crypto, but the sources behind this are less reliable, and in one instance (Ukraine), government holdings are attributed to public servants.

Known BTC holdings by various governments



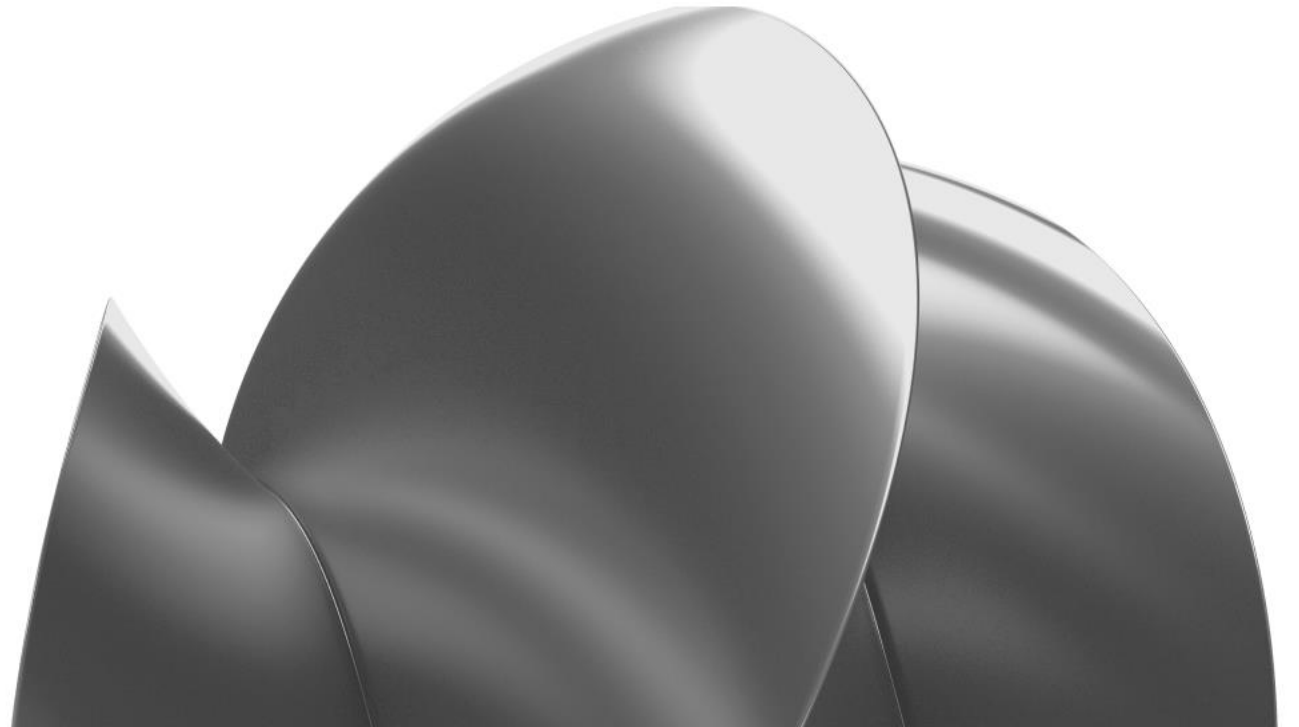
Source: Bitcointreasuries, Arkham

2025 prediction: The Bitfinex coins held by the U.S. Government following the 2022 seizure will be returned to Bitfinex and sold over an 18-month period to buy back LEO.

In terms of nation state adoption of BTC treasuries, the wheels are in motion and treasury strategies is poised to evolve from micronations to global superpowers.



Institutional derivatives takeover.





Leverage at **all-time highs**, in dollar terms

Open interest in Bitcoin derivatives crosses \$50bn.

- Open interest in BTC derivatives has surged in 2024.
- It peaked at \$53bn in November after opening the year at \$16bn.
- The all-time high of \$27bn from April 2021 has been shattered in 2024, with open interest sitting at nearly 2x former ATHs.

Bitcoin Futures and Perps: Open interest in USD



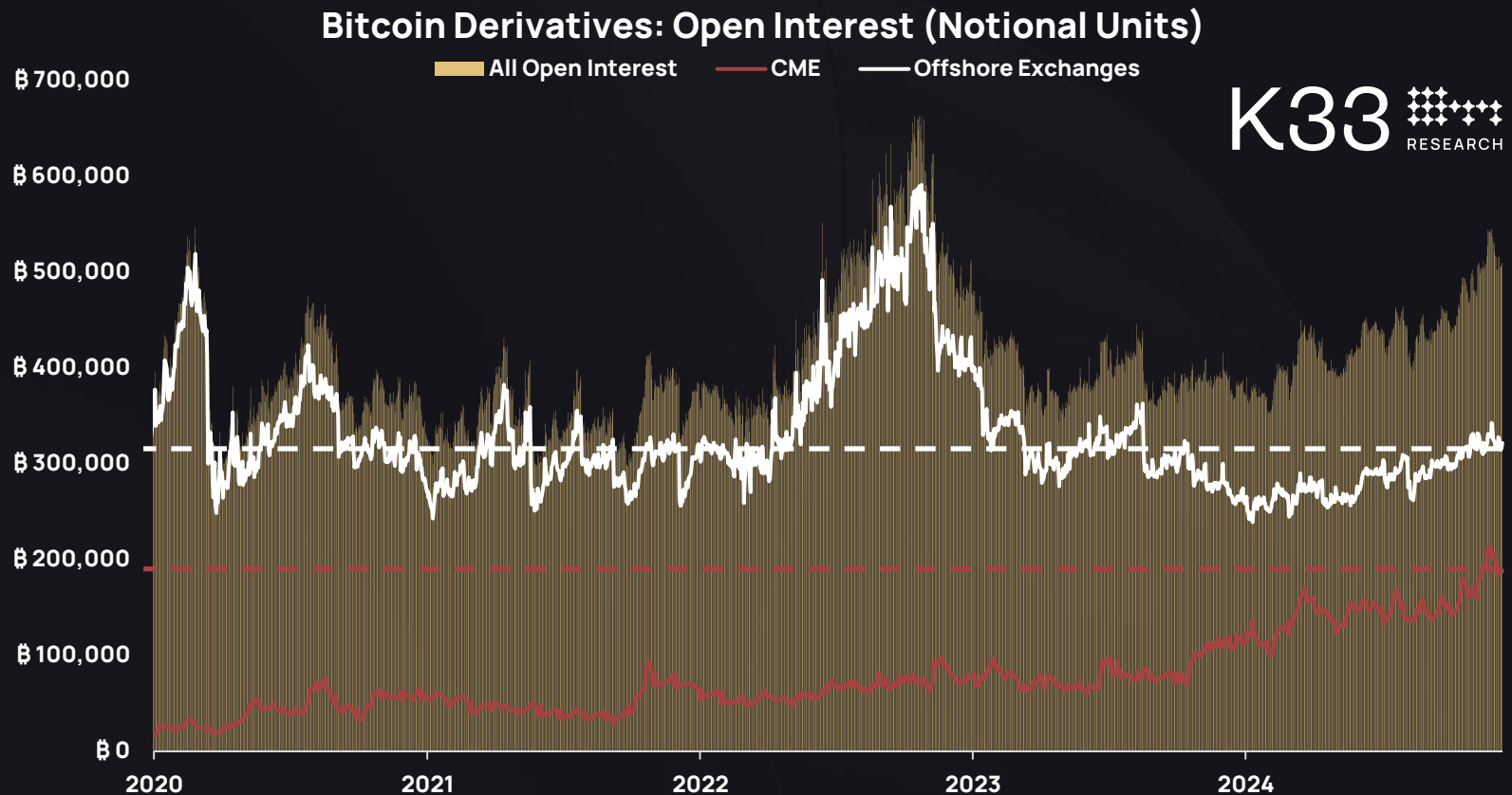
Source: Laevitas, CME



Notional open interest **softer**, and driven by CME

In notional terms, open interest is sitting below all-time highs.

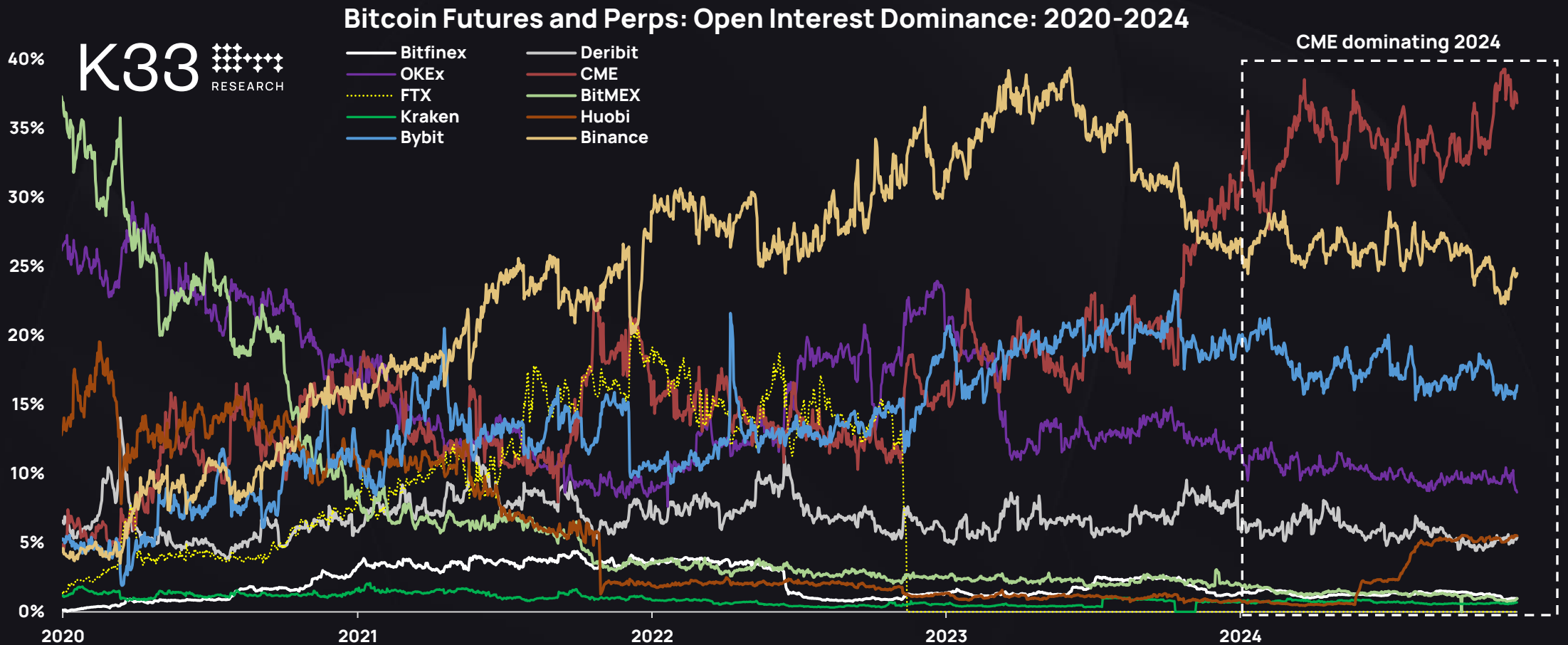
- Notional open interest currently sits above 500,000 BTC, near the February 2020 peak and slightly below the late 2022 peak.
- While global open interest is high, notional perp open interest is consistent with 2021 and 2022 levels.
- CME is pushing open interest higher in bitcoin. CME open interest is hovering near 200,000 BTC, twice as high as any OI reached before 2024.
- The surge in CME stems from significant demand to hold VolatilityShares 2x leveraged long ETF, in addition to authorized participants in ETFs actively using CME to hedge exposure.



Source: Laevitas, CME, Skew



CME has consistently been **the leader** in 2024



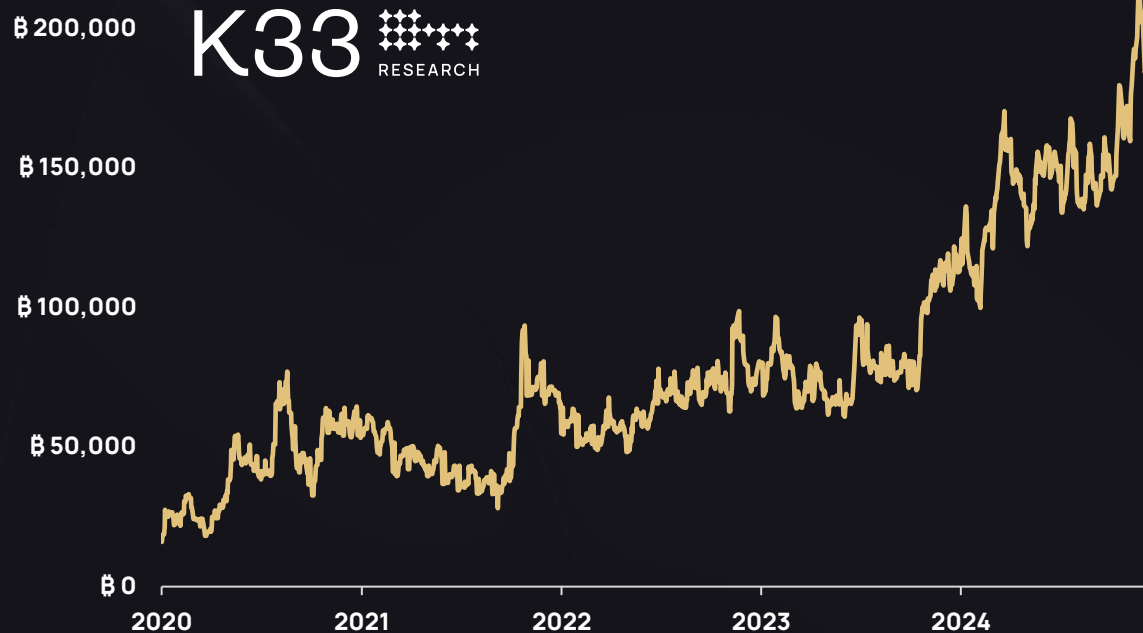


CME dominance: Institutional Bitcoin takeover

CME's dominating open interest throughout the year is a testament to the institutional takeover of Bitcoin in 2024.

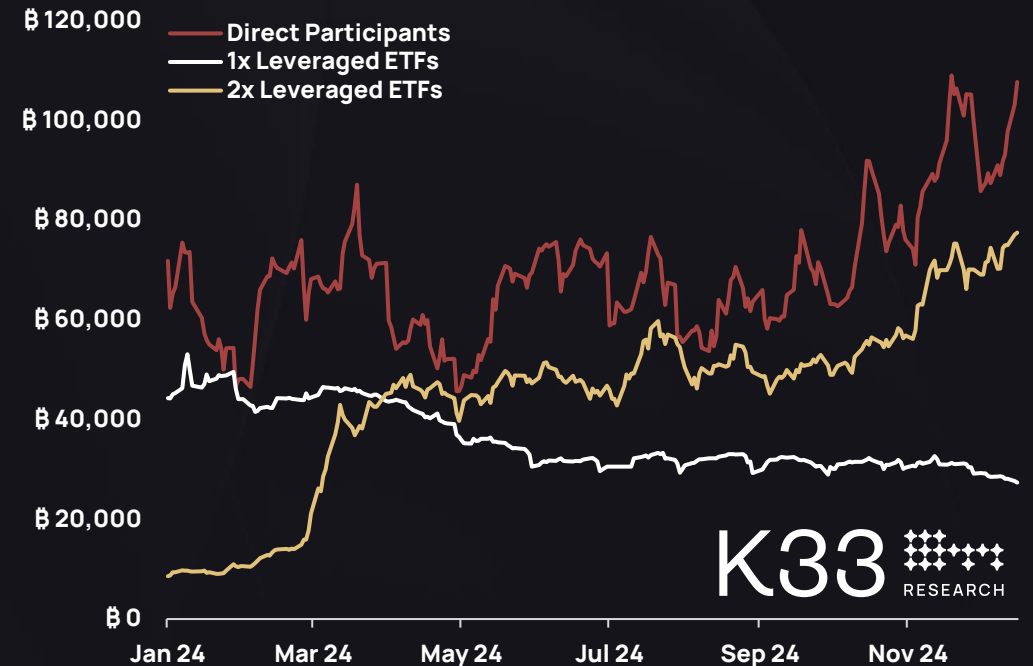
- CME has consistently been the largest BTC derivatives market in 2024, as measured by open interest.
- Activity in CME stems from active market participants (directional funds, basis traders, market makers) and BITX (2x leveraged BTC ETF). Regular futures ETFs have lost market share throughout the year.

CME, Bitcoin Futures: Notional Open Interest



Source: CME

CME: Open Interest by cohort



Source: CME, ProShares, VolatilityShares, Bitwise, Valkyrie, CSOP, Samsung, VanEck



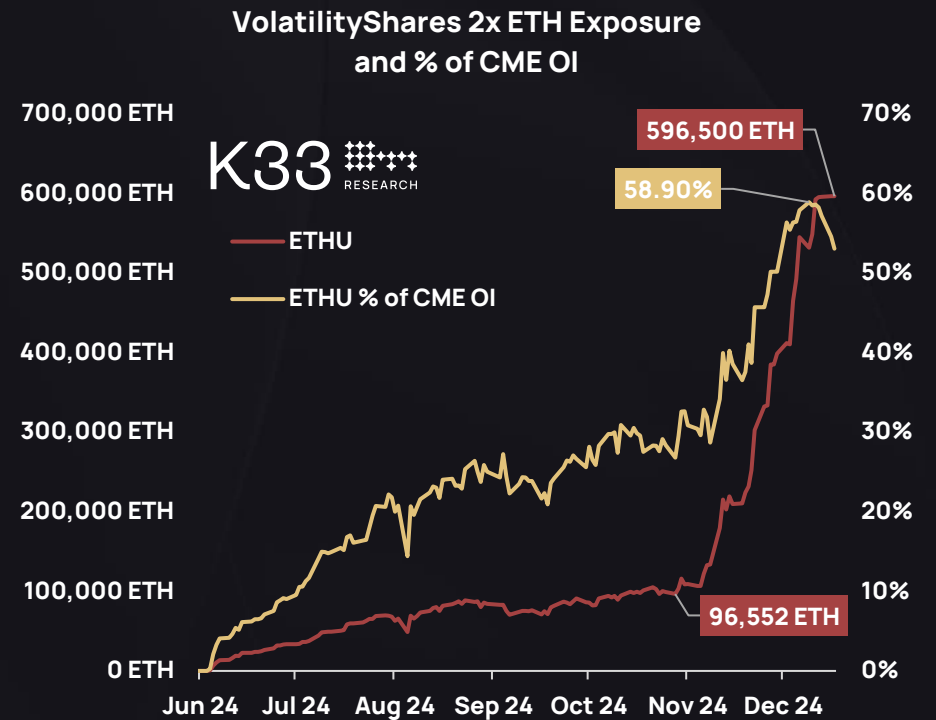
Ether open interest on a **vertical venture**

Ether open interest on CME stagnated for a majority of 2024, before ending the year at an absolute vertical trend.

- CME Ether open interest has crossed 1 million ETH, surging by nearly 700,000 ETH since October 31.
- The vast majority of the recent growth originates from VolatilityShares' leveraged ETH ETF, which currently holds more than 50% of all open interest on CME.



Source: CME



Source: CME, VolatilityShares

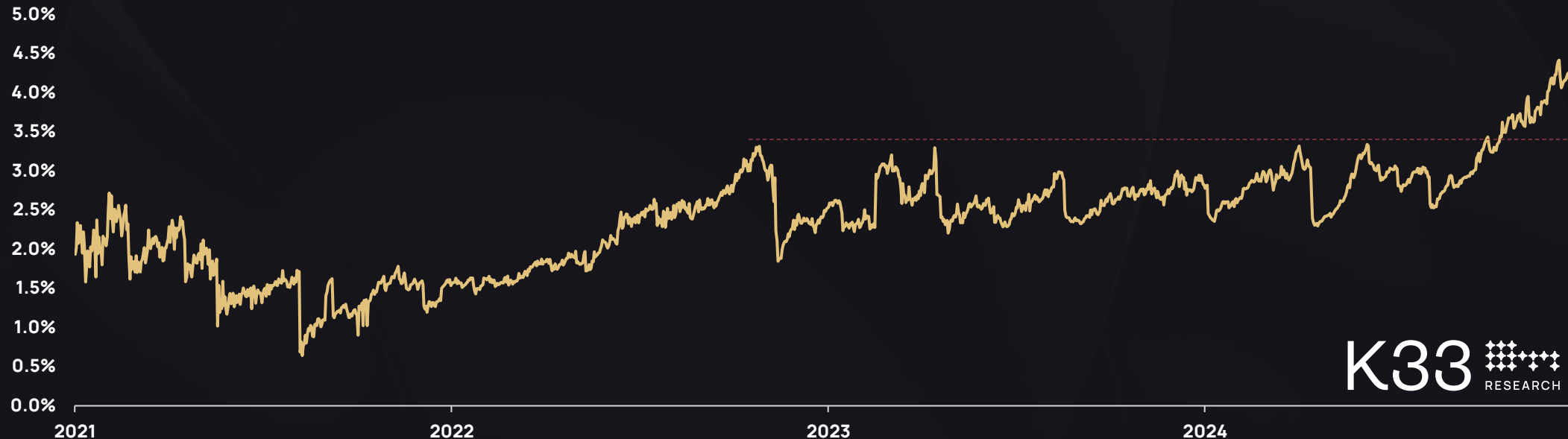


Altcoin leverage climbing heavily in Q4

Open interest in altcoin perps relative to the altcoin market cap has climbed to all-time highs in Q4 2024.

- Leverage is climbing in altcoin perps and surpassed the 2022 peak of 3.3% in Q4; it is currently sitting at 4.1%.
- The sharp incline in leverage in altcoins may stem from a myriad of factors, such as a proliferation of liquid staking protocols, [Ethena's rise](#), and growing demand to speculate in alts.

Open Interest Altcoin Perps, Relative to Altcoin Market Cap
(Open Interest divided by Total2 minus USDT and USDC market Cap)

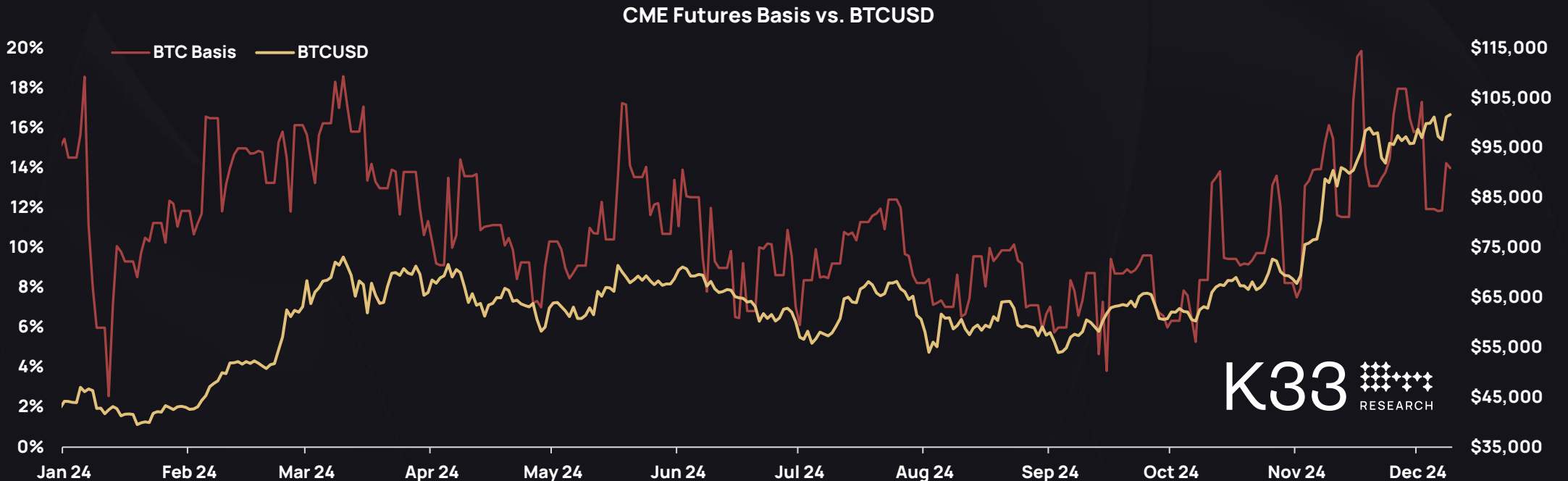




CME Basis reflects directional bias

CME premiums have been positive and high throughout most of the year, spiking alongside market peaks.

- CME traders have had a directionally strong year, evidenced by futures premiums typically following market direction. Both the Q1 and Q4 spikes saw the CME premium rise ahead of the rallies, whereas the drought throughout the summer saw the CME basis hover at moderate levels.
- **Takeaway:** Following the CME basis may give early directional insight.



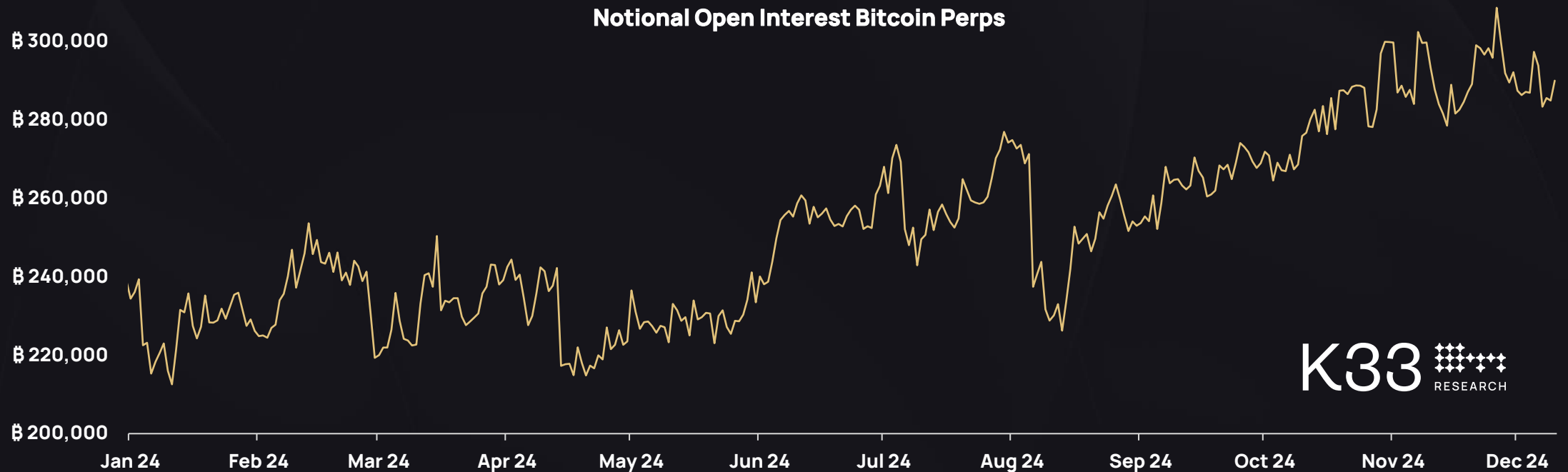
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Leverage is also spiking in perps

Leverage has also been climbing on the crypto native exchanges, evident by notional open interest surpassing 300,000 BTC in late November.

- Perps have seen growing activity in the latter half of 2024, pushing notional open interest to highs not seen since the summer of 2023.
- Leverage in perps has been volatile throughout the year, with several major squeezes on the way. Open interest fully reset to yearly opens during the August 5 crash and has since climbed. The first half of the growth followed a low funding rate regime. In contrast, the post-election rally saw eager long traders entering the market with vigor, leading to several liquidation cascades.

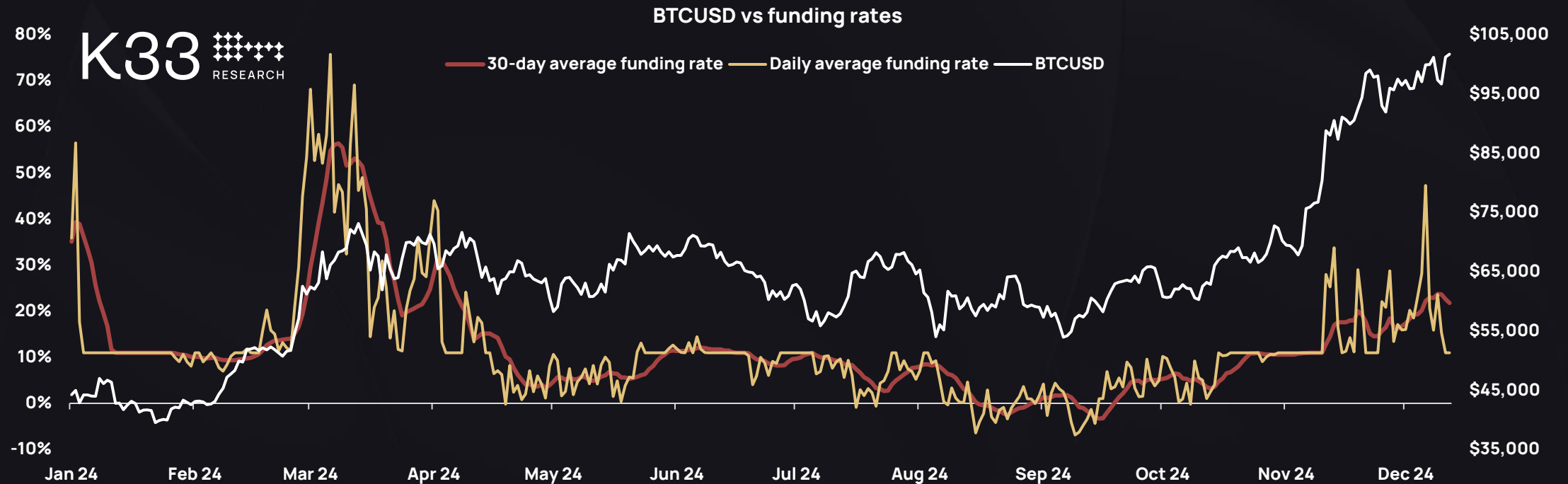




Be wary when perps are overeager

Funding rate peaks coincide with local tops.

- Once funding rates spike above 50% annualized, a good tip is to tone down directional exposure. Funding rates reached yearly peaks following BTCs all-time high breakout in March.
- After the August 5 crash, funding rates averaged negative levels for longer than a month. This is a rare observation, typically representing a good area to add risk.





CME vs. perp premiums: Our favorite metric

When perps rips and CME skips – that’s your queue to sell.

- The 2021 peaks and March 2024 saw funding rates grow well above CME premiums, signaling an overextended run. This has happened to a lesser extent in Q4 2024, suggesting the current rally still has legs to move higher.

Annualized CME Futures Basis Premium/Discount over Annualized Funding Rate



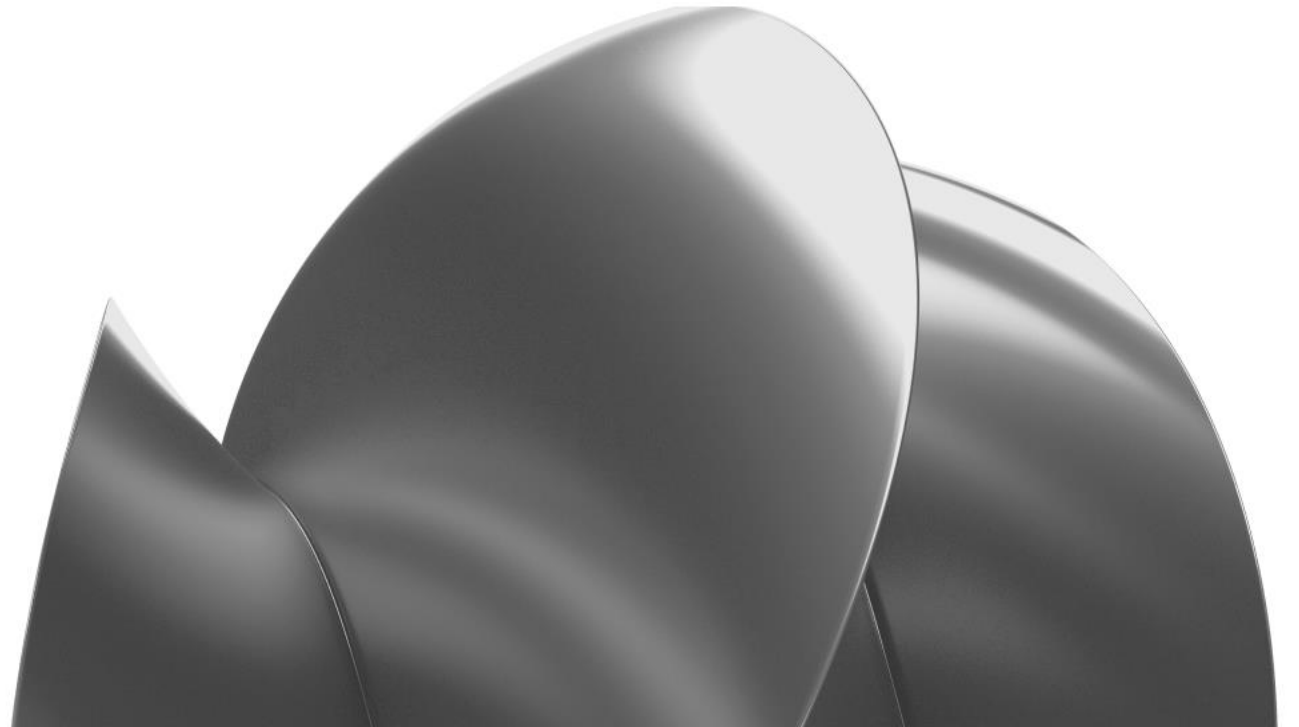
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The end of the 4-year cycle.





An early peak?

Could bitcoin peak already in January?

- The average duration from the first all-time high to the last all-time high of the past three cycles is 318 days.
- Bitcoin reached its first all-time of the cycle on March 5, 2024. Under the assumption that the average duration of the past cycles repeats, a final cycle all-time high could occur on January 17, 2025.
- This would match closely with Donald Trump's inauguration. Trump's election has been the catalyst behind the strong Q4 rally, and the inauguration would be a natural conclusion of the momentum, given the likelihood of political processes needing time to materialize.
- The market has often been overheated, going into huge news events. A Trump inauguration peak would reflect typical behavior, albeit an early peak in cycle standards.

| Year | Days from first ATH to cycle ATH |
|----------------------------------|----------------------------------|
| 2013 | 313 |
| 2017 | 297 |
| 2020-21 | 345 |
| Average | 318.3 |
| Day of first 2024 ATH | March 5, 2024 |
| Cycle peak, if past average hold | January 17, 2025 |

BTCUSD vs All-time highs



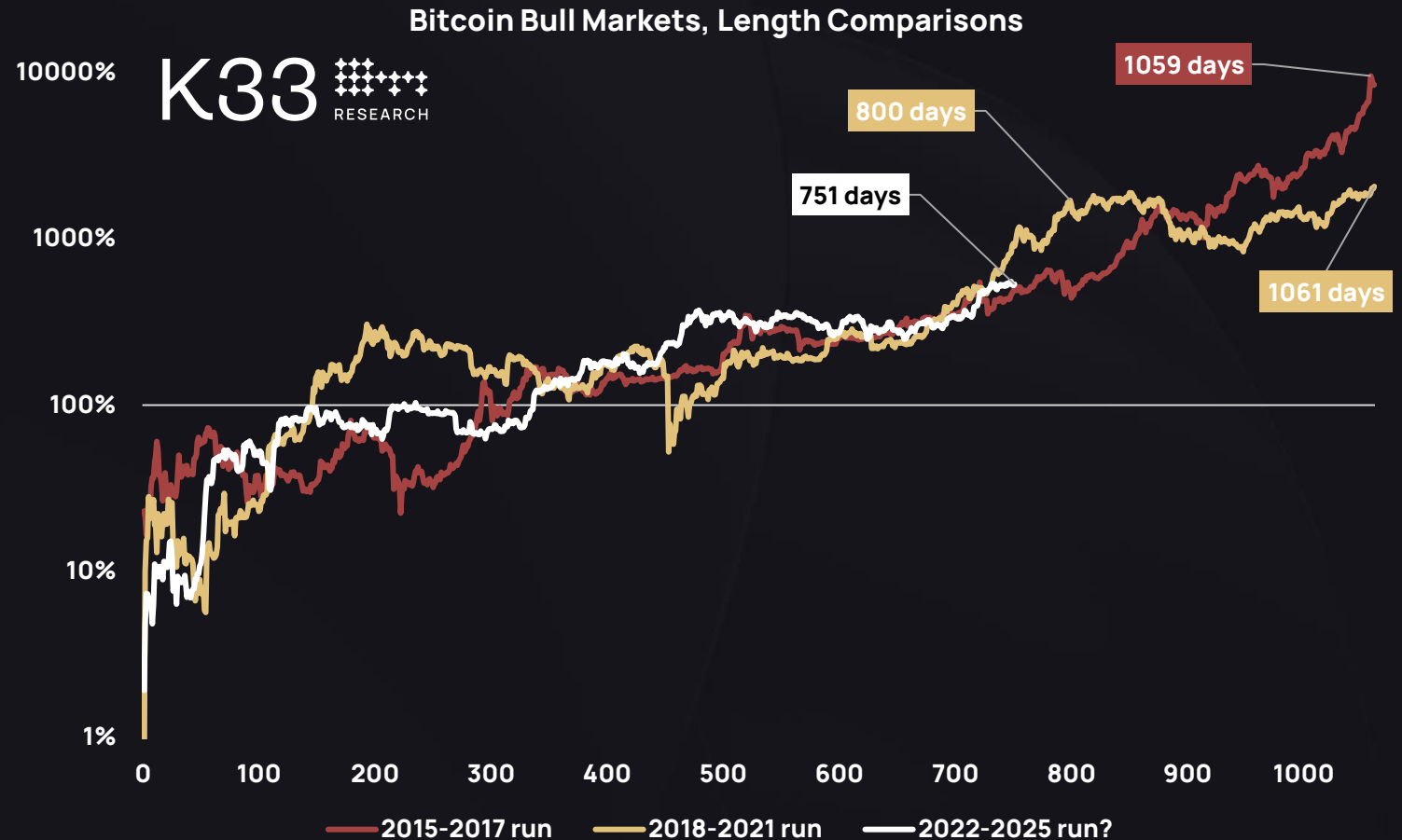
Source: Tradingview



A shorter cycle?

Could the cycle be shorter than past cycles?

- A global inauguration peak would not match past cycle lengths. The two former cycles lasted for 1060 days from trough to peak.
- If BTC were to peak in mid-January, the length of the rally would be “only” 800 days. While early, it would mirror 2021, where BTC’s pop to \$57,000 on February 21 marked the final wave of the most material growth during the 2020-2021 bull market.
- One should always be cautious following past cycle playbooks. Bitcoin has already deviated from its usual path by reaching new all-time highs before the halving in 2024 and a cycle low below the former cycle peak 2022.
- As discussed later, cycles are poised to become less pronounced as the impact of the halving declines. Structural developments such as product launches (ETFs), leverage (the 2022 collapse), and nation-state adoption are more tangible price movers ahead.



Source: Tradingview

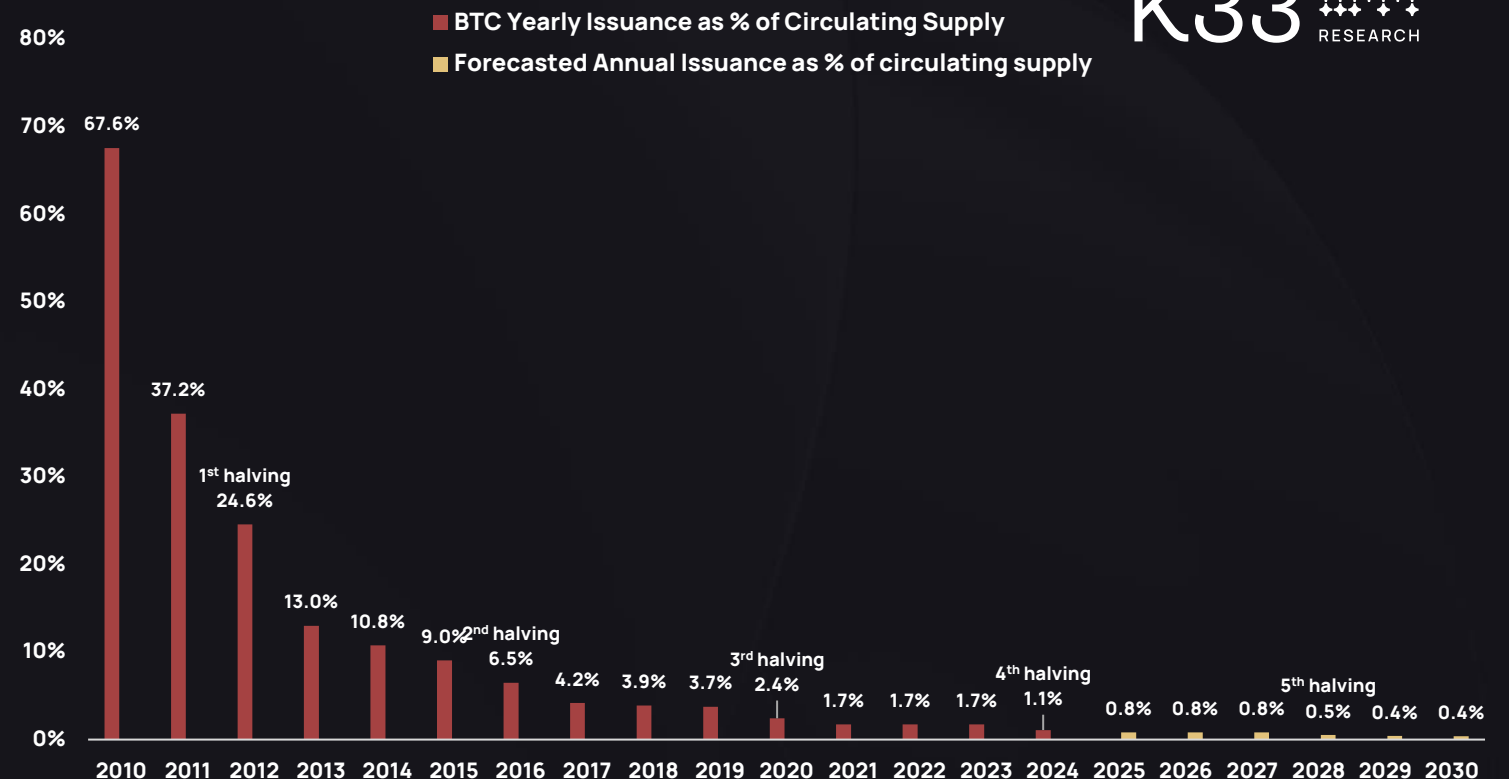


Or just an end to the 4-year cycle as a concept?

The impact of the halving gets smaller every 4-year cycle.

- Bitcoin faced its 4th halving in 2024, reducing daily issuance from 900 BTC to 450 BTC. 2024 will see BTC's circulating supply increase by 216,158 BTC, whereas 2025 will see an estimated annual issuance of 164,250 BTC.
- The yearly issuance in 2025 will be lower than MicroStrategy's BTC purchases between November 1 and December 12, with an annual network inflation of 0.8%.
- This begs the natural question, under the assumption of halving being a materially important price driver, is the 4-year cycle soon coming to a natural end?
- We think yes. Structural shifts in demand are due to be a bigger directional determinant than the potential supply shock trigger of bitcoin halvings.
- Onwards, other triggers are more likely to sway markets. Financialization (ETFs), grassroots adoption, company adoption, and nation-state adoption are likely to become materially more essential drivers.

Bitcoin Annual Issuance



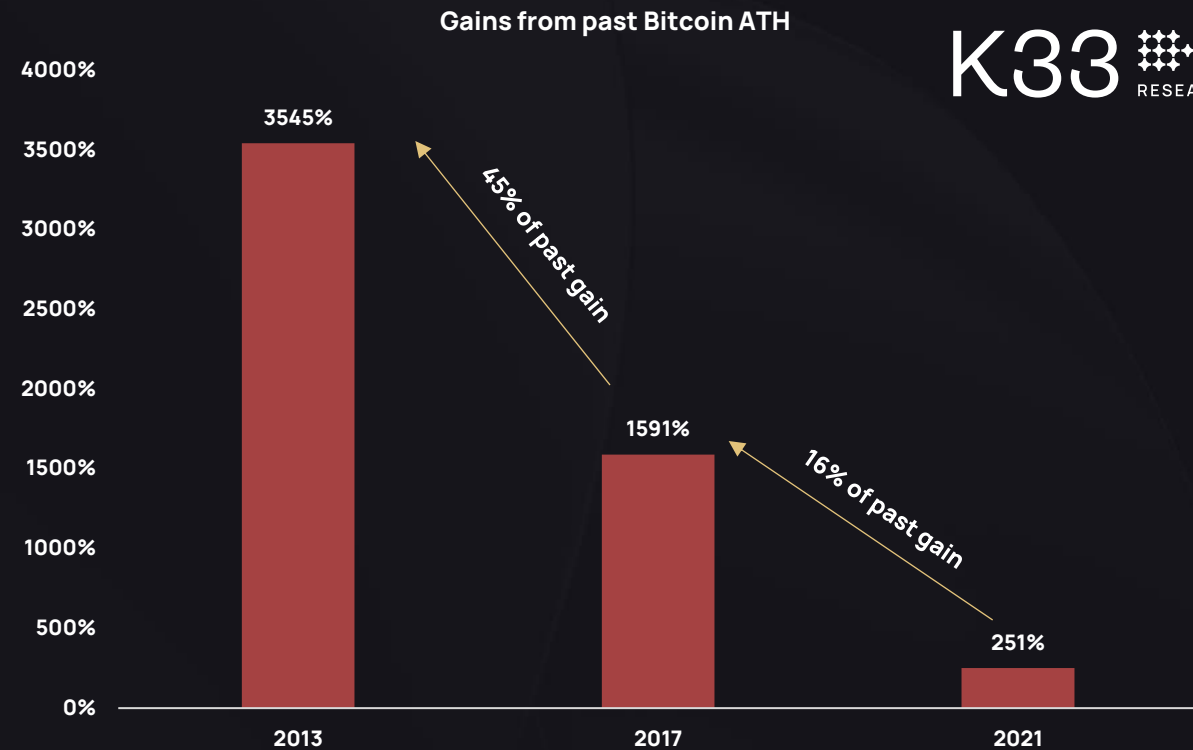
Source: Coinmetrics



Which level will be the top? Method 1

With bitcoin becoming bigger and bigger, rallies are getting softer and softer.

- BTC has seen diminishing returns each cycle. It takes more force to move a larger object, and the trajectory of declining returns is clear.
- Bitcoin saw a 251% return from its 2017 peak to the 2021 peak.
- This 251% peak return was only 15% the size of the 2017 peak return from its 2013 high, which was 45% the size of the 2013 peak return.
- 2021 was an odd year for several reasons. In hindsight, we know that FTX and other lenders rehypothecated Bitcoin. This rehypothecation introduced false liquidity to the market and false excess selling, potentially strangling BTC's upside.
- If we use the 45% reduction in peak return from 2013 to 2017 as a proxy for a potential BTC top in 2025, we land on a possible price target of \$146,000 for BTC in this cycle.



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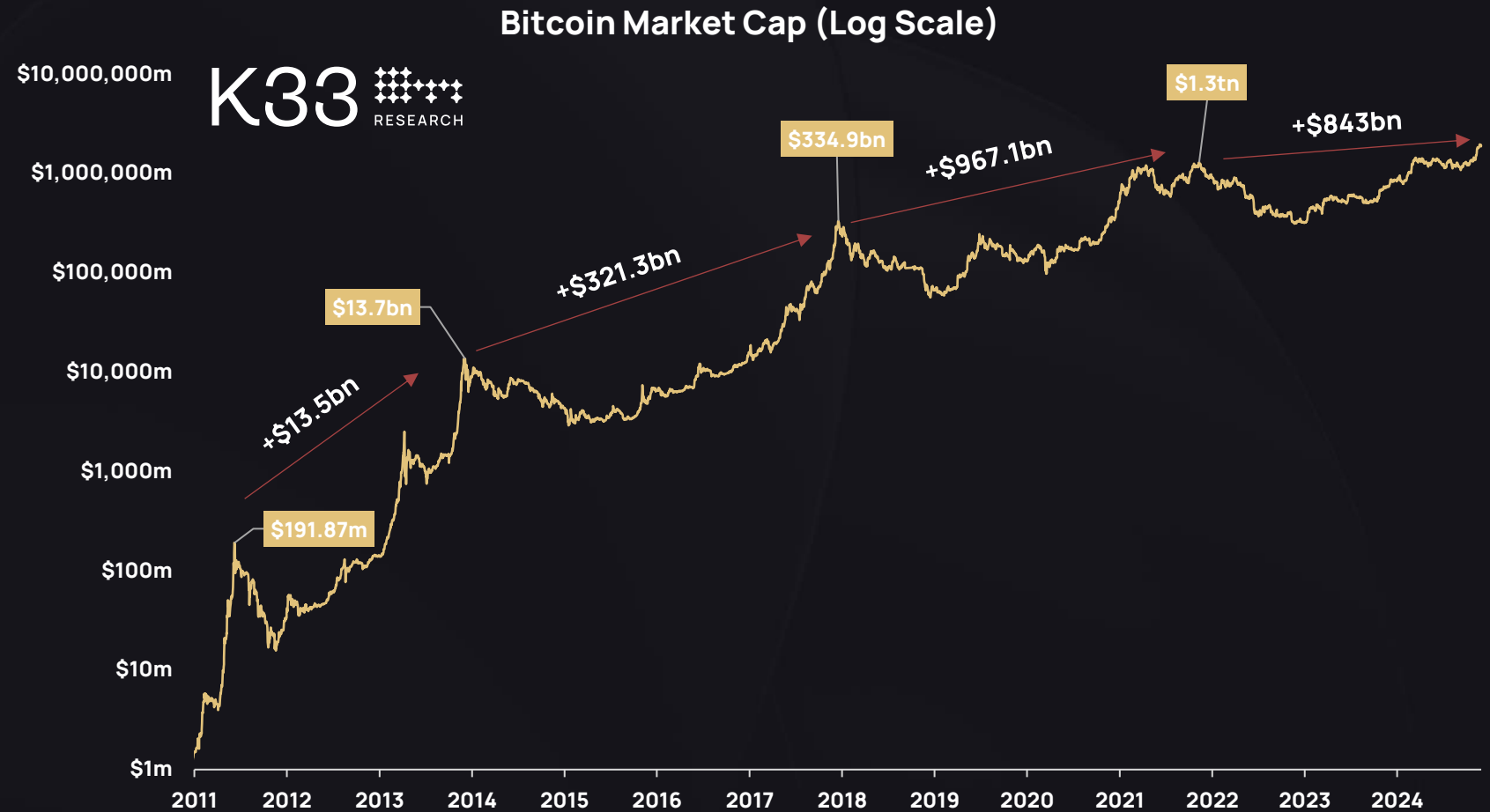
Source: Tradingview



Which level will be the top? Method 2

While returns are diminishing each cycle, absolute growth in market cap is pushing higher with each cycle.

- While returns diminish each cycle, absolute growth in market cap pushes higher with each cycle.
- The peak of the 2017 bull market saw Bitcoin's market cap grow by \$321.3bn compared to its 2013 peak.
- The 2021 peak saw Bitcoin's market cap grow by \$967.1bn compared to its 2017 peak.
- BTC's market cap has grown faster in each cycle than in the former. We expect the same to happen in this bull market.
- Bitcoin's current market cap peak is \$843bn higher than the 2021 peak.
- Under the assumption that Bitcoin's market cap growth reflects the 301% growth seen between 2017 and 2021, bitcoin's market cap should top at \$4.2tn.
- This would equate to a BTC peak of \$212,500.



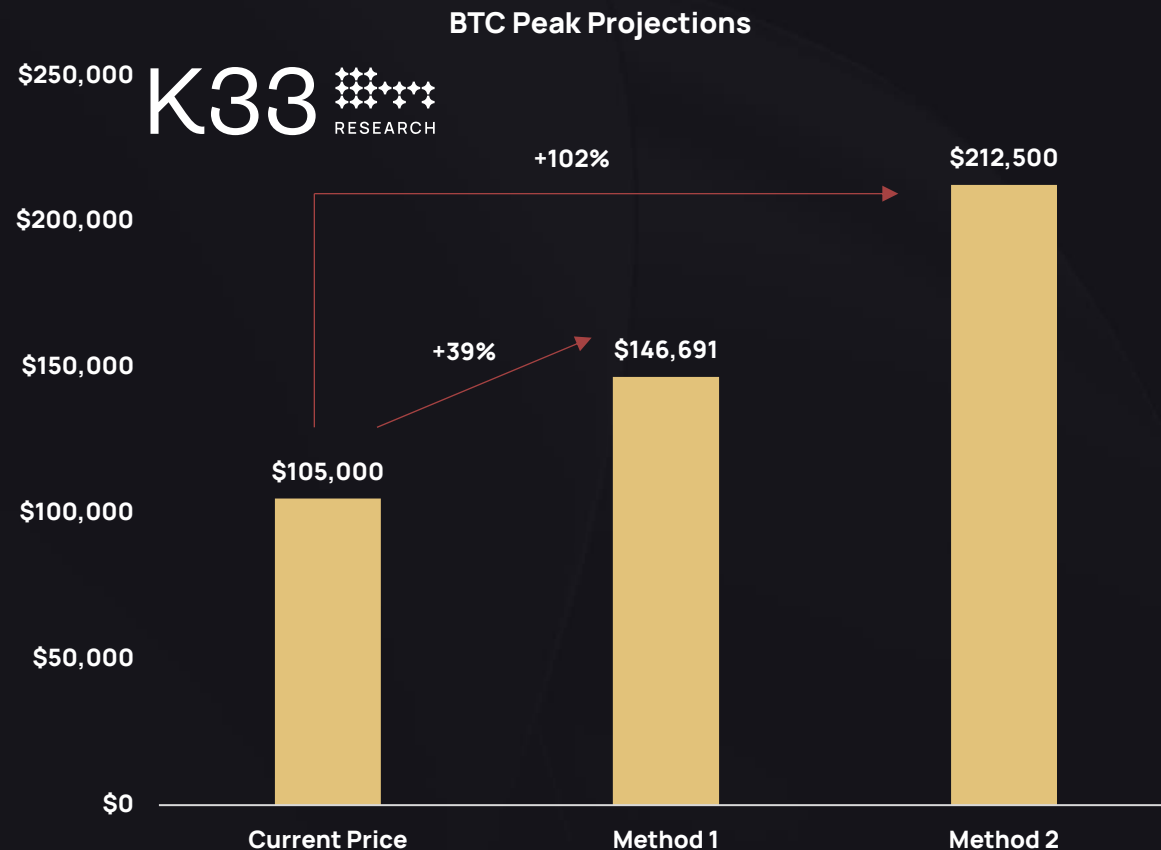
Source: Tradingview



An entirely unnecessary price estimation

Our back-of-the-envelope approach gives two potential highs for the cycle. However, they linger on the assumption that BTC remains as cyclical as it was in the past.

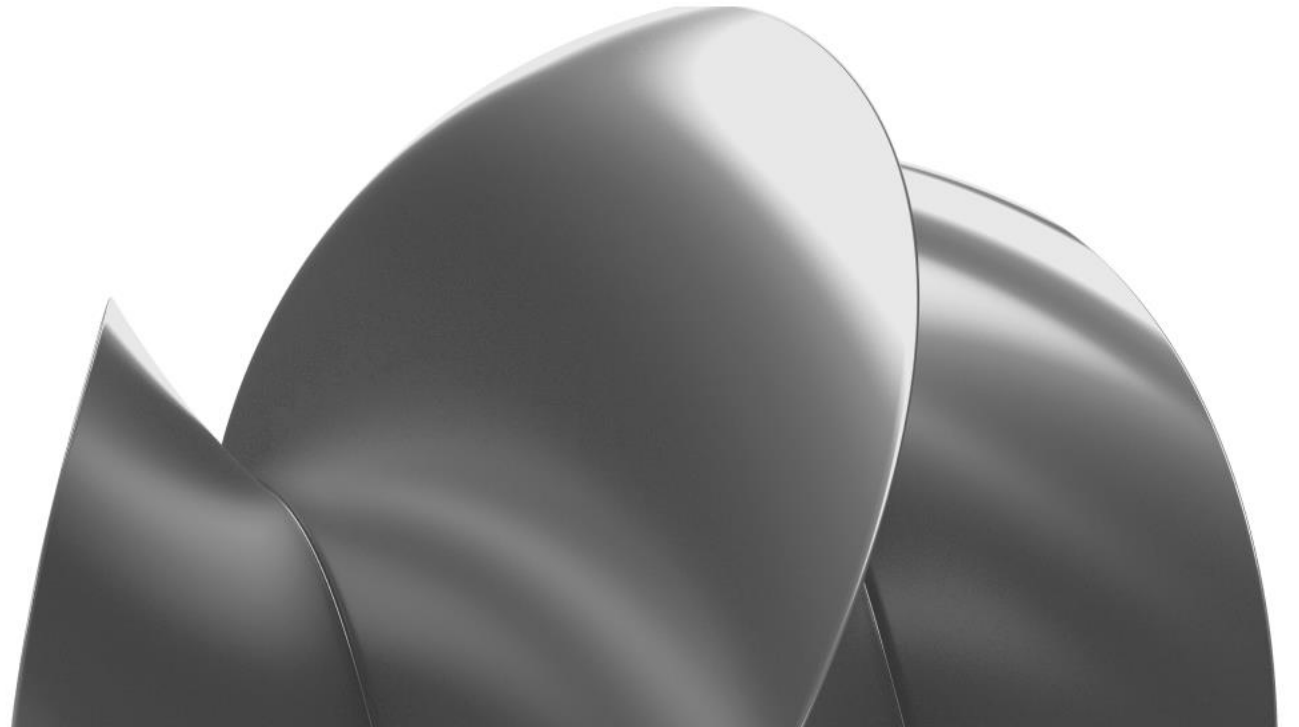
- If method 1 holds true, BTC has 39% more upside until its peak.
- If method 2 holds true, BTC has 102% more upside until its peak.
- These levels are well within reason but formed under naïve approaches and assumptions.
- In the potential event of U.S. strategic BTC reserves going live, we find the level of method 1 unreasonably low.
- Further, we emphasize that bitcoin has already evolved into a very different beast than it was in the past. Bitcoin as an investment opportunity is gaining steady, sticky and large flows. Rebalancing are due to soften volatility blows in either direction, and the supply effect from the halving is already negotiable.
- We believe 4-year cycles in bitcoin are coming to a natural end as a phenomenon. Macro, access, and state policies are due to soften volatility both up and down, with bitcoin's next major psychological target being, in our house view, an eventual flipping of gold.





Altcoins

A Shifting Market





Altcoins: A Shifting Market

- The altcoin market has changed. The appropriate window for holding any given altcoin has shortened, as extremely few have shown the capacity for extended runs.
- Since the bear market lows of 2022, very few altcoins have managed to thrive on a narrative and outperform for more than a few months.
- Stablecoin market cap has reached a new all-time high of over \$200bn while DeFi TVL has rallied 152% this year. However, this has been met with millions of new altcoins being launched each month. The inflow of capital is being dwarfed by a “proliferation of altcoins”.
- Nevertheless, the year has offered windows of opportunity and narratives with clear momentum – **there continue to be great altcoin trading opportunities.**

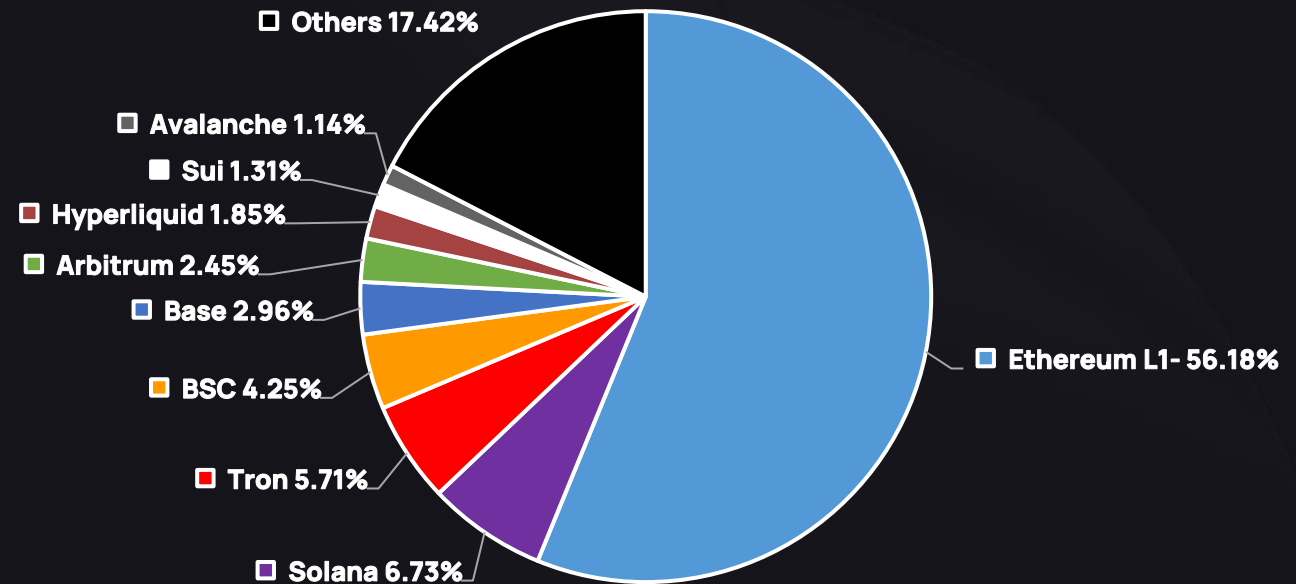


Chain wars

Solana continues leading “Ethereum challengers”, but there is fierce competition

- Solana dominated the L1 sector in 2023, and this strength largely continued through H1 2024.
- In H2, competitors such as Sui and Hyperliquid have started to chip away at Solana’s mindshare.
- Base has established itself as the leading Ethereum Layer 2, eclipsing both Arbitrum and Optimism since its launch in August 2023.
- Tron retains its place as the leading chain for stablecoin transfers.
- Binance Smart Chain continues occupying a top spot as its native currency, BNB, reached new all-time highs this month.
- Hyperliquid - a dedicated perp DEX L1 - released the largest airdrop in crypto history in Q4, valued at \$1.2bn. It has already secured a place as a top chain.
- Ethereum L1 leads DeFi in TVL terms, but has failed to capture the minds of retail in driving user activity.

DeFi TVL % by Chain



Source: DefiLlama

2025 prediction: Solana continues leading the alt-L1 space but SUI offers greater % gains in Q1. Base continues to dominate ETH L2s. Hyperliquid TVL enters the top 5. Monad launches mainnet and occupies a top spot among these competitors.

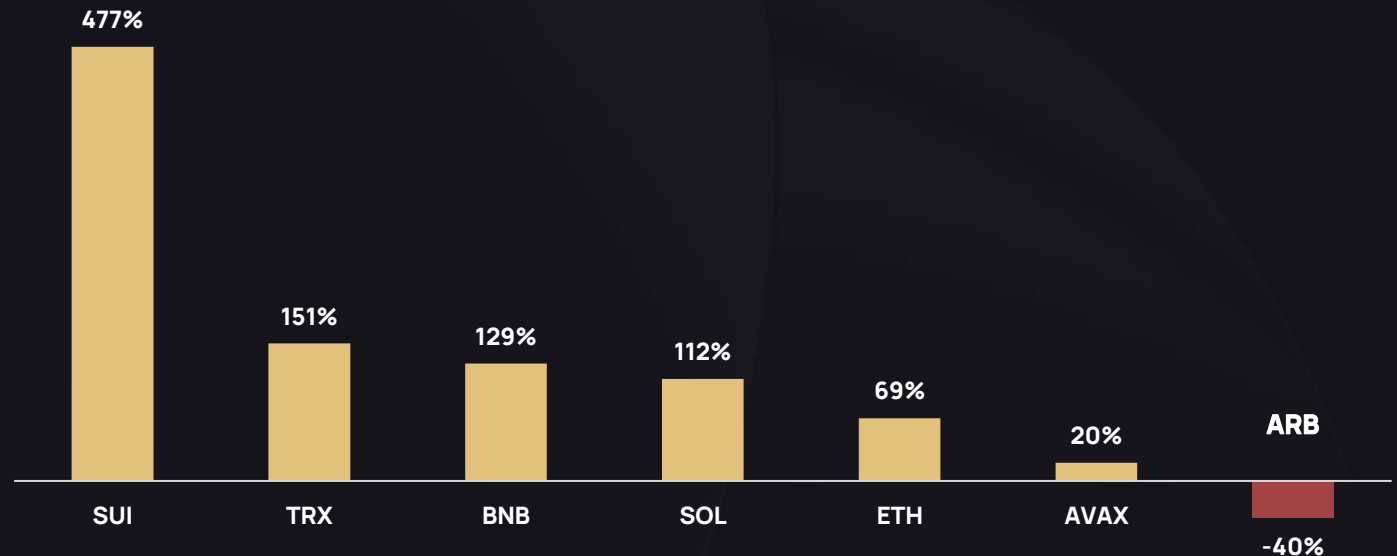


Chain wars

ETH lags, and that likely continues

- SOL outperformed in H1, but has given up ground to large cap competitors in the second half of the year.
- SUI is the leading “VC-backed” L1 competitor to take both mindshare and market share from SOL due to its huge rally this year.
- Hyperliquid’s HYPE has been “up-only” since its launch last month, but is not included in this overview of YTD returns since it is a fresh launch.
- BNB joined SOL in reaching new all-time highs – a rare feat for L1 tokens launched in previous cycles.
- TRX continues to solidify its core spot in the crypto ecosystem, largely relied upon for fast and cheap stablecoin transfers.
- ETH has lagged throughout the year, but leads DeFi in TVL terms as it is the preferred chain of “DeFi whales”. Outflows from Ethereum L1 largely go to Ethereum-aligned L2s, making Ethereum’s true dominance understated.
- Ethereum L2 tokens such as ARB dramatically underperformed.

Leading L1/L2 (by TVL) YTD Returns



Source: Cryptorank

2025 prediction: Solana continues leading the alt-L1 space but SUI offers greater % gains in Q1. Base continues to dominate ETH L2s. Hyperliquid TVL enters the top 5. Monad launches mainnet and occupies a top spot among these competitors.

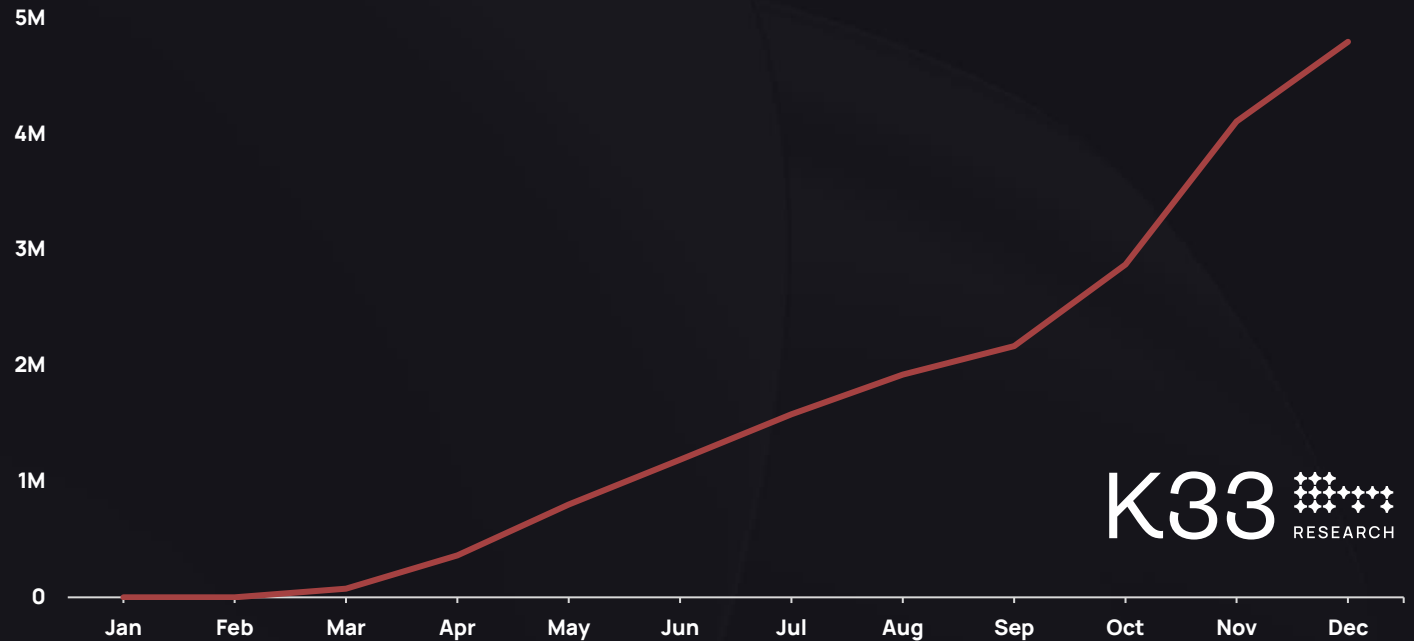


Memecoin mania

Pump.fun will not stop

- The altcoin market was largely dominated by memecoins for a majority of the year, with tech-based altcoins only showing strength in recent weeks.
- Solana was the leading chain for memecoin speculators, primarily driven by Pump.fun - a memecoin launchpad that lets users launch memecoins in just a few clicks.
- Since its launch in January, Pump.fun users have launched over 4.8 million memecoins, contributing to "altcoin proliferation" as the market becomes flooded with altcoins.
- Pump.fun has earned over 1.7 million SOL in revenue - around \$380 million at current prices.
- There is no sign that memecoin speculation will stop. Memecoin mania may continue, but tech-based tokens are far from dead.

Pump.fun Memecoin Launches



Source: Dune Analytics

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2025 prediction: The memecoin market reaches \$200bn market cap in Q1 (currently \$125bn), per CoinGecko data.

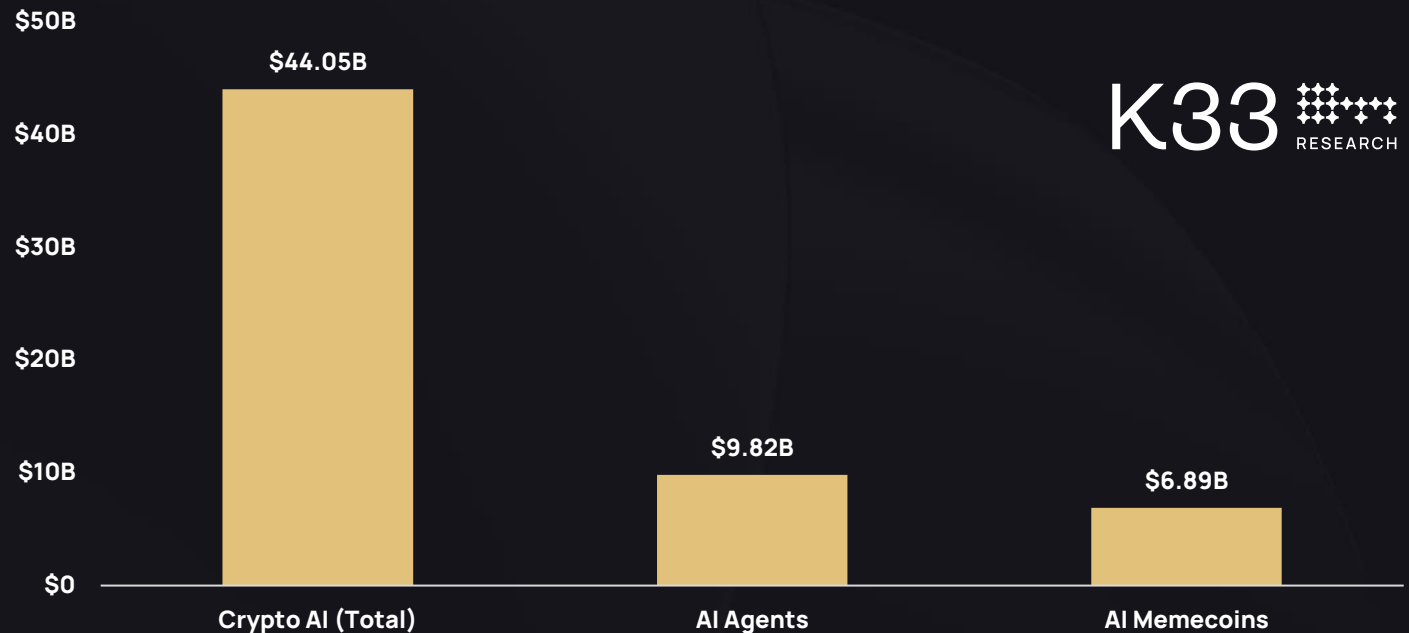


Crypto AI

More meme than tech for now

- Crypto AI has been met with scepticism, and understandably so. Nevertheless, it has been one of the few sectors that has seen sizeable growth along with memecoins in 2024.
- Crypto AI has not yet produced products adopted by users to the same scale as other crypto sectors such as DeFi.
- We have seen a surge in crypto AI due to the novelty of an “AI memecoin” subsector, which has now morphed into a more serious narrative producing some real tech in the form of “AI agents”.
- Crypto AI agents are born from a convergence of crypto, AI, and memes. These are (supposed to be) autonomous agents capable of executing a range of blockchain-based tasks, either on behalf of the agents themselves or for their users.
- AI agents were an offshoot of AI memes, and there remains some crossover between these categories. Nevertheless, this is set to be a major sector for growth in 2025.

Crypto AI Sector Market Caps (per CoinGecko)



Source: CoinGecko

2025 prediction: The market cap for AI agents and AI memecoins becomes a majority of the total crypto AI market.



DeFi comeback

Crypto utility is not dead - crypto tech comes roaring back

- Trump's election was great news for altcoins, particularly DeFi. DeFi tokens show strength after underperforming during a rough year marked by intense regulatory pressure.
- Since the beginning of the year, total DeFi TVL has rallied 152% to reach \$137bn. This coincides with stablecoin market cap reaching a new all-time high of \$204 billion.
- Falling interest rates create a favorable environment for DeFi due to attractive yield premiums and lowered capital costs, driving further ecosystem expansion as both retail and institutional investors are driven to take more risk.
- We have seen dramatically improved DeFi UX including better crypto wallets, on- and off-ramps, trading terminals, and even trading bots integrated into Web2 platforms.
- Increased adoption by both retail and institutions with the backdrop of a shifting regulatory regime means the future of DeFi has never been brighter.



Source: DefiLlama

2025 prediction: DeFi TVL reaches \$200bn in 2025.

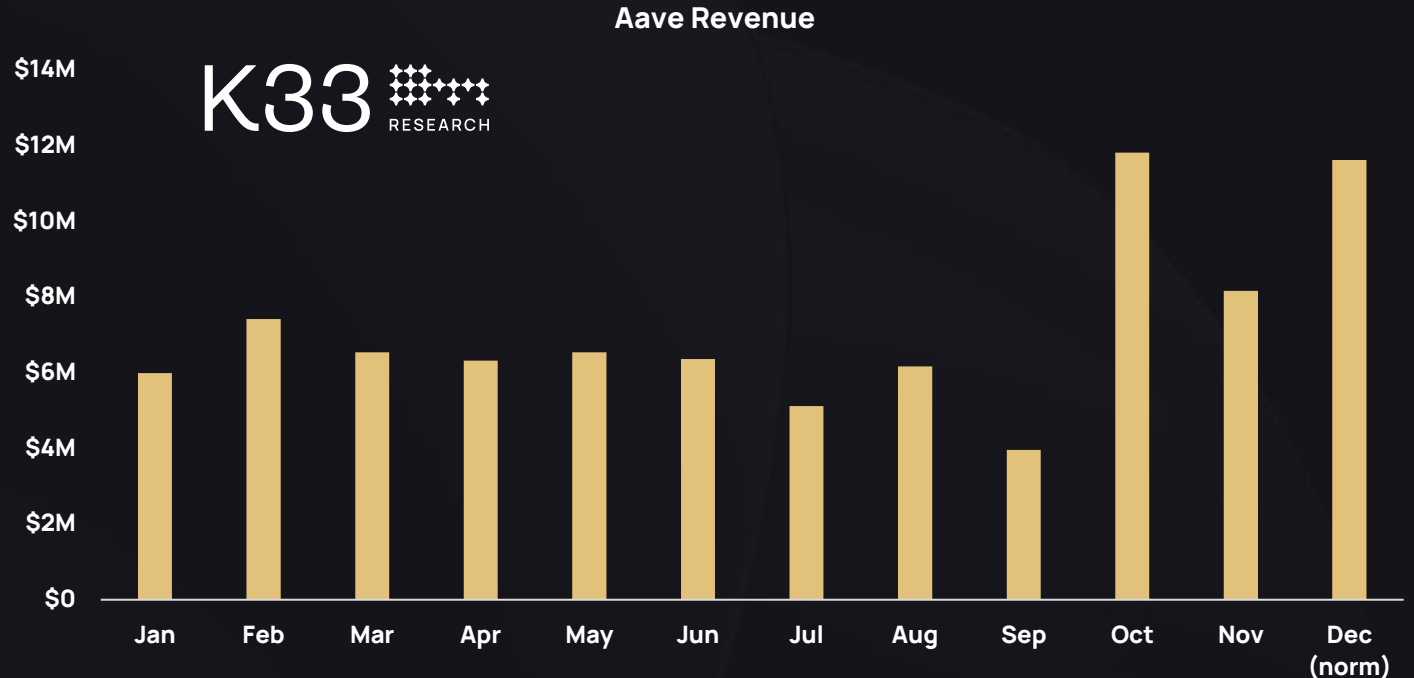
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DeFi comeback

DeFi has truly arrived

- Robust projects that weathered the bear market of 2022 continue to thrive. Aave, the leading DeFi lending protocol, is facing normalized Q4 revenue of \$31 million - a new record.
- With a favorable regulatory regime incoming, there is great optimism in the DeFi landscape. Trump's "World Liberty Financial" is itself built on top of Aave's Ethereum L1 instance.
- A "fee switch" narrative that would see Aave's native token - AAVE - accrue more value from protocol revenue has added fuel to the token's rally this year.
- DeFi and its tokens largely began as a game of pure speculation for on-chain traders. Now, some protocols have evolved into highly profitable and sustainable services.



Source: DefiLlama

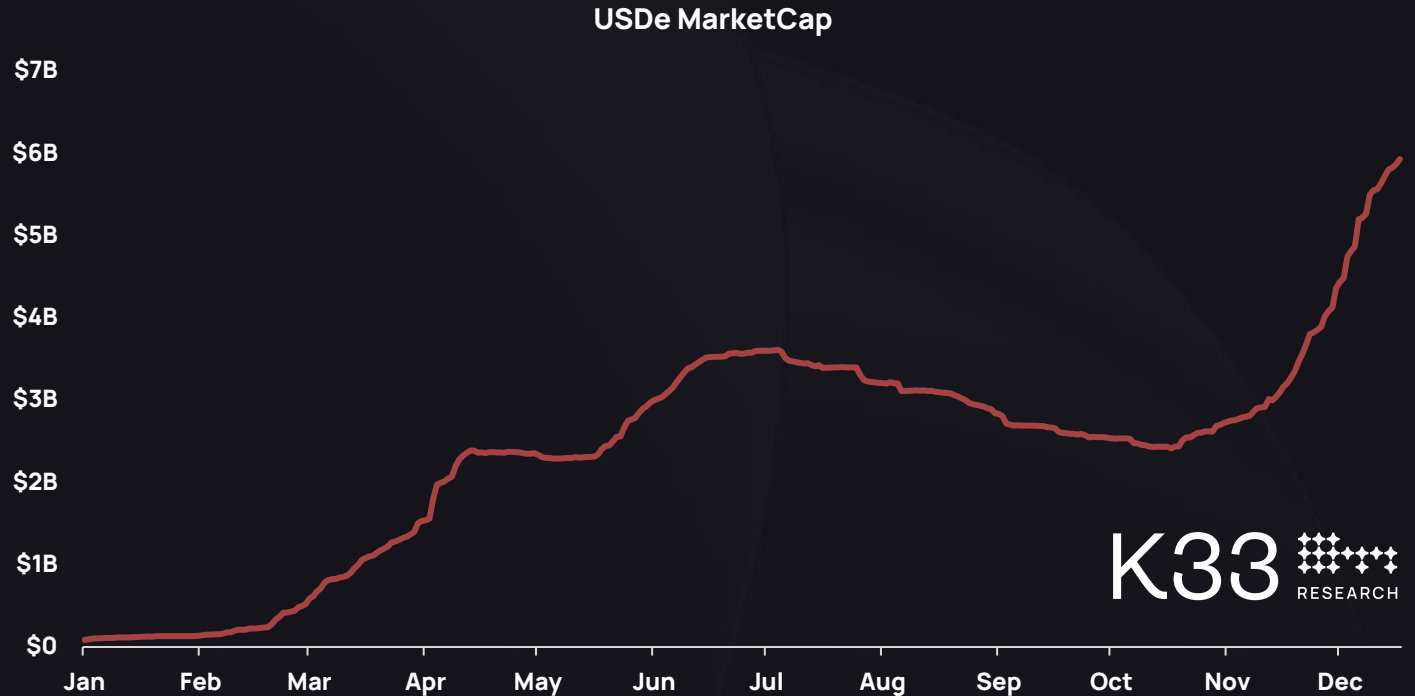
2025 prediction: Aave goes ahead with the fee switch.



DeFi comeback

“CeDeFi” has a place in DeFi’s future

- Ethena, a “centralized decentralized finance” (CeDeFi) project, has grown its yield-bearing synthetic dollar - USDe - to a remarkable \$6 billion market cap in just one year.
- The supply growth of USDe is largely driven by the attractive yields on offer for locking it up. These yields currently hover around 22%.
- We expect USDe supply growth to be the most important factor in Ethena’s native token – ENA – rising in price. ENA price will be reflexive in response to USDe supply (both ways).
- Trump’s World Liberty Financial, which is built using Aave, recently formed a strategic partnership with Ethena Labs. DeFi used to be worried about total shutdown in the U.S. – the favorable regulatory shift cannot be overstated.



Source: DefiLlama

2025 prediction: USDe supply reaches over \$10 billion.

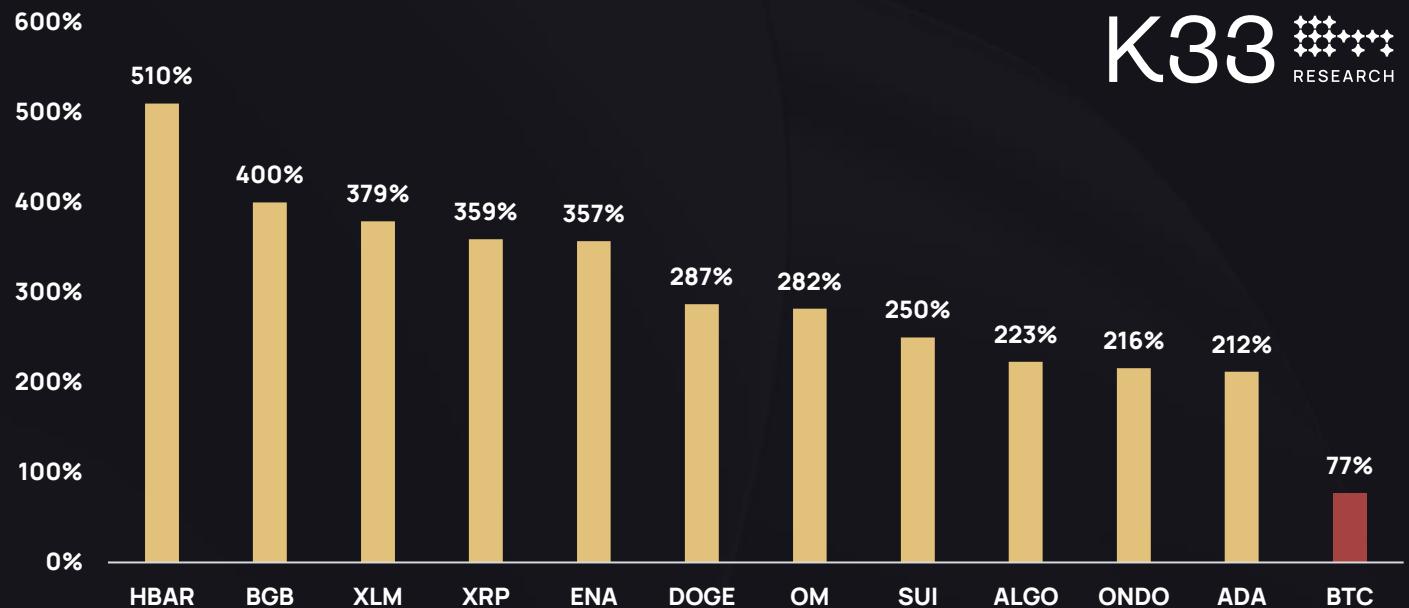


Alts heating up?

The wider altcoin market finally shows signs of life

- BTC dominance, although not a perfect measure, dropped sharply from 61.5% to 54% after a steady uptrend for two years, possibly driven by Trump's election win.
- According to the [altcoin index](#), the market briefly experienced an "altcoin season". However, altcoin seasons are typically short, with only 2 out of the previous 9 altcoin seasons lasting longer than one month according to the index.
- The altcoin market has changed. We now have a "proliferation of altcoins"; there are millions of new tokens being launched every month across Solana, the Ethereum ecosystem, and other chains.
- Although new capital is entering the market leading to expansion, capturing gains during alt seasons requires more thought and effort - particularly if deciding to go far out the risk curve.
- This cycle is marked by the acceptance of crypto by institutions across the board. While it will take some time, spot altcoin ETFs are expected in the future, with SOL the leading candidate for now.

Top 10 Performing Alts (last 90 days)



Source: Cryptorank



2025 prediction: Q1 brings another alt season but does not go beyond Q1. SOL is the first altcoin to trade in U.S. spot ETFs.



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