

Presto Original

Welcome to Trump's Presidential Term #2

Jan 21, 2025

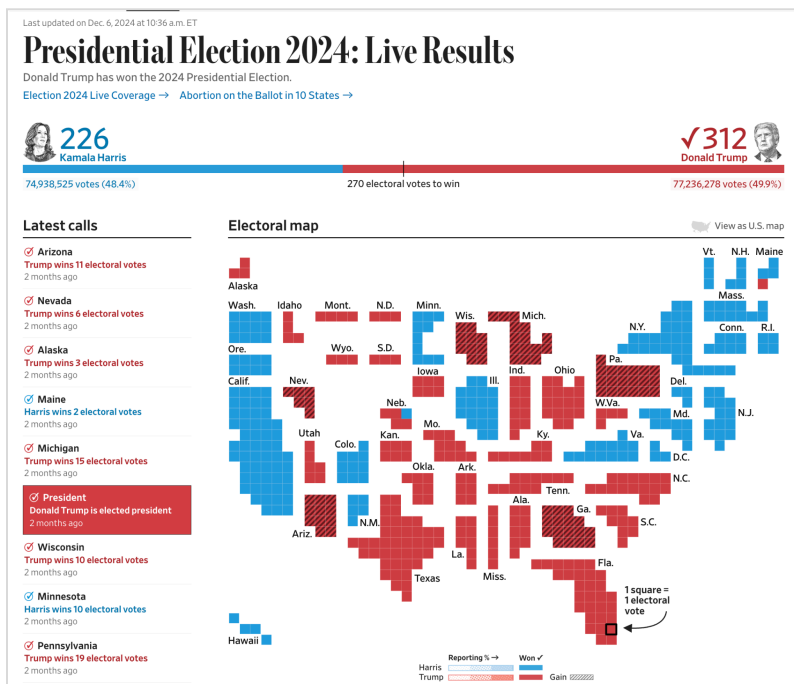
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Source: Wall Street Journal

Summary

- Price action leading up to Trump's second inauguration shows remarkable similarities to his first term, with correlation coefficients of 0.92 for BTC and 0.90 for total market cap over the 750-day period, suggesting strong historical patterns despite different market conditions.
 - The cryptocurrency market structure has fundamentally evolved since Trump's first term, with Bitcoin dominance dropping from 95.15% to 58.57%, reflecting a more mature and diverse ecosystem where attention and capital are spread across multiple assets.
 - Trump's second term policies appear more crypto-friendly, with anticipated regulatory easing and the stated goal of making the US "the crypto capital of the planet," though this must be balanced against broader macro risks including high bond yields and proposed fiscal policies.
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1. Introduction

As yesterday's inauguration marks the beginning of Trump's second term, we find ourselves at a pivotal moment in cryptocurrency market history. The landscape has undergone a remarkable transformation since 2017, shaped by waves of institutional adoption, technological advancement, and regulatory evolution.

Our analysis provides a unique perspective by examining market behaviours through the lens of presidential transitions, revealing both cyclical patterns and structural changes that characterize this dynamic sector. With the Federal Reserve maintaining a delicate balance between inflation control and economic stability, and bond yields sitting at notable levels, the crypto market faces a distinctly different macro environment than during Trump's first term. Early policy signals, particularly regarding digital asset regulation and economic initiatives, suggest significant potential changes ahead.

As we dissect these market dynamics, our research reveals compelling insights about the interplay between political transitions, market evolution, and the growing institutionalization of cryptocurrency markets, setting the stage for what could be a transformative period in digital asset history.

2. Historical Context & Price Action

2.1 What Is "The First 100 Days"?

The first 100 days of a U.S. presidential term has been viewed as a crucial period for establishing momentum and implementing key agenda items since Franklin D. Roosevelt took office during the Great Depression in 1933. During his initial months, FDR pushed through 15 major pieces of legislation that formed the foundation of the New Deal, setting a precedent for presidential effectiveness that successors have been measured against ever since. Modern presidents typically use this window to capitalise on their electoral mandate and public goodwill, as congressional cooperation tends to be highest and public approval ratings strongest during this honeymoon period. Presidents from Kennedy's rapid formation of the Peace Corps to Obama's passage of the American Recovery and Reinvestment Act have recognised these early days as a unique opportunity to shape their legislative and policy legacy before political capital begins to wane.

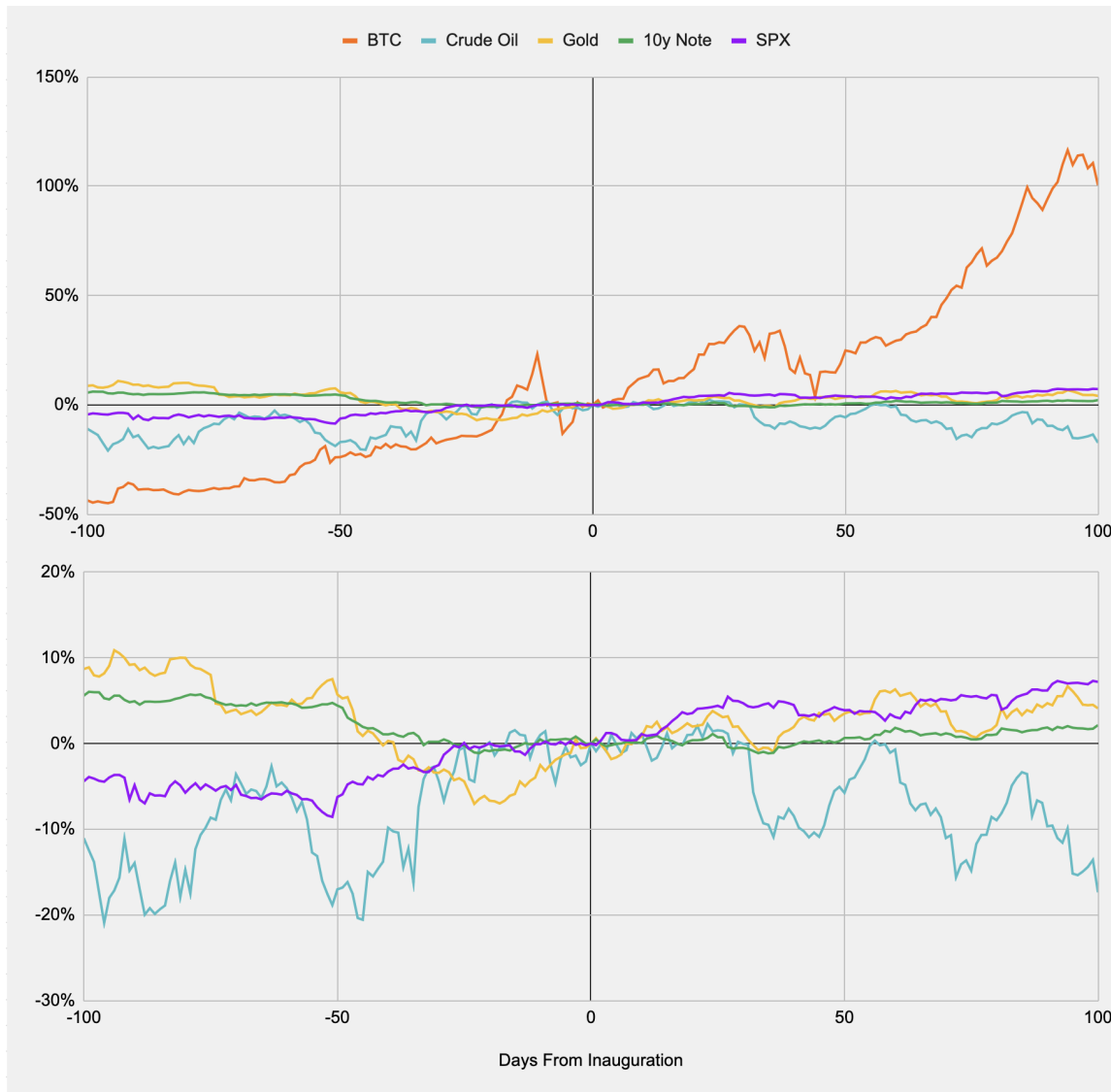
Here's a summary of Trump's first 100 days during his first presidential term:

- **Executive Actions:** Trump signed 24 executive orders, 22 presidential memoranda, and 28 bills in his first 100 days. Most notably, he implemented controversial travel bans affecting several Muslim-majority countries, pushed for increased immigration enforcement, and signed orders to roll back Obama-era regulations.
- **Cabinet Formation:** Trump assembled the largest Cabinet in presidential history (24 members), though confirmations were slower than previous administrations. Key appointments included Rex Tillerson as Secretary of State, James Mattis as Secretary of Defense, and Jeff Sessions as Attorney General.
- **Major Policy Initiatives:** His signature efforts included attempting to repeal the Affordable Care Act (which failed in Congress), ordering construction of a border wall with Mexico, withdrawing from the Trans-Pacific Partnership, and implementing significant changes in immigration enforcement. The administration also faced several legal challenges, particularly regarding the travel ban executive orders.
- **International Relations:** Early interactions with foreign leaders were mixed - including a contentious phone call with Australia's Prime Minister over refugees, meetings with China's President Xi Jinping about North Korea, and reaffirming relationships with allies like Japan while taking a harder stance on NATO contributions.
- **Staff Changes:** Several notable personnel changes occurred, including the resignation of National Security Advisor Michael Flynn after 24 days due to controversial communications with Russia, and bringing in H.R. McMaster as his replacement.

2.2 First vs Second Term Comparison

To set a foundation for our analysis, we start by simply examining price action around Trump's first Presidential term. In Figure 1, we show how asset prices performed leading up to and following Trump's first inauguration on 20th January 2017. The lower chart is the same as the upper one but removes BTC to allow for a better examination of other asset classes.

Figure 1: Asset Price Performance +/-100 Days From Trump's First Inauguration



Note: CME Futures except Gold which uses XAUUSD prices, Presto Research

We can observe a continuation of an upwards trend in risk assets via BTC and SPX, while other assets, in particular crude oil, show a slight trend reversal with the inauguration being the turning point. The upward trend in risk assets reflected optimism about Trump's pro-business agenda, particularly promises of corporate tax cuts, deregulation, and infrastructure spending. However, the reversal in oil, yields, and gold after the inauguration suggests some recalibration in

expectations by the market once implementation challenges became apparent - especially after the failed ACA repeal showed limits to his ability to rapidly enact major policy changes. The combination of executive orders focused on regulation rollback (positive for stocks) but difficulties with larger legislative initiatives created a mixed environment where growth expectations moderated (pressuring yields and oil) while policy uncertainty increased (supporting gold as a haven).

So what's different in Trump's second term?

The markets are bracing for what appears to be an ambitious and potentially disruptive first 100 days of Trump's second presidency, with particular focus on trade and fiscal policy. The cornerstone of early policy actions is expected to be an immediate 10% universal tariff implementation, which would raise the average tariff rate on Chinese goods from 13% to 23% - though market reaction has been notably more measured than during his first term, suggesting a degree of "muscle memory" in pricing such policy shifts.

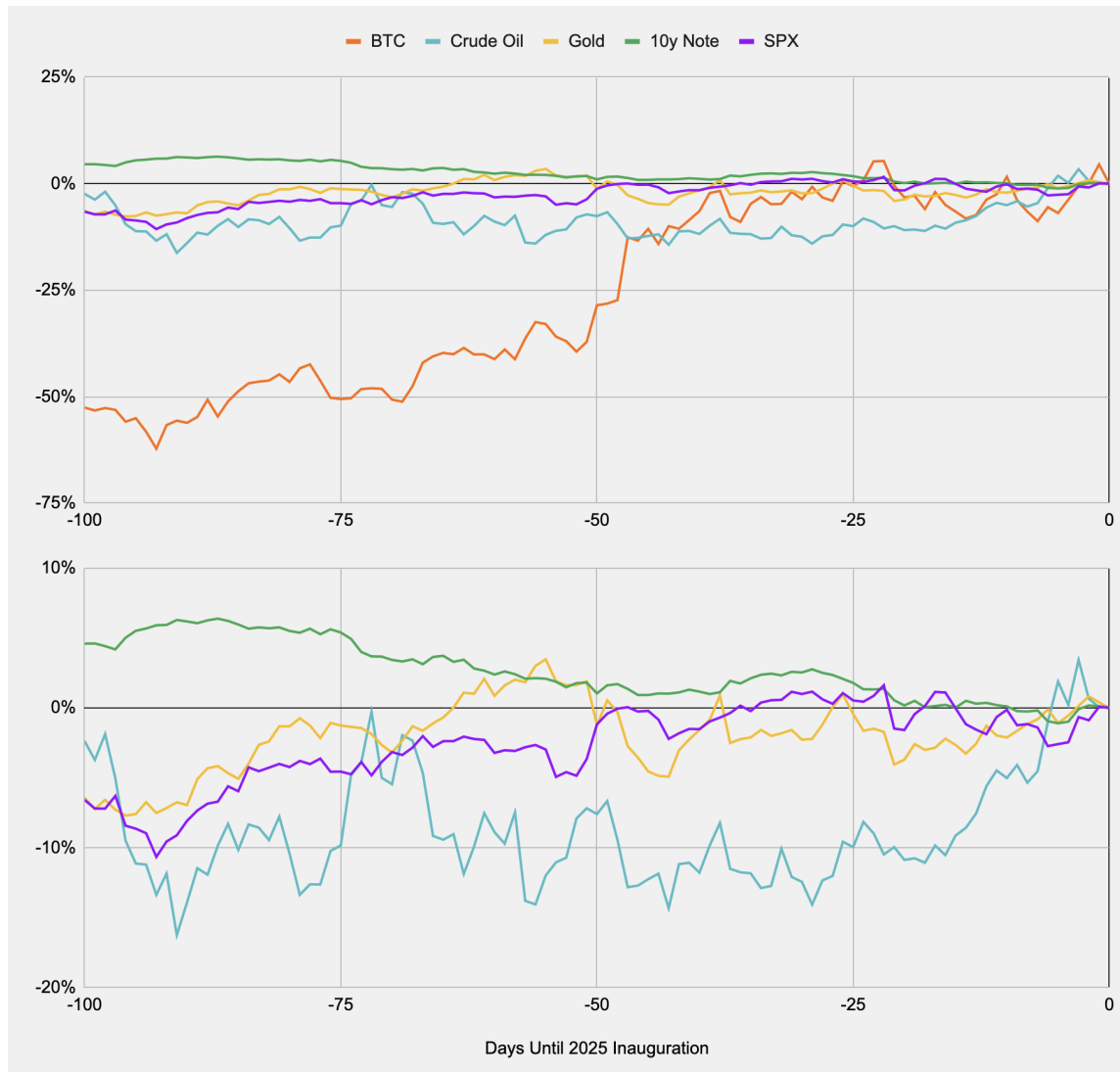
The broader policy agenda appears to be taking shape around three major themes: a hawkish stance on trade (particularly with China), significant fiscal expansion through tax cut extensions and new breaks (including elimination of taxes on tips, overtime, and Social Security payments), and a marked shift toward crypto-friendly regulation following Michael Barr's departure from the Fed. Market participants are particularly focused on the interplay between these policies and the current high-yield environment, where 10-year Treasury yields near 4.8% create a challenging backdrop for fiscal expansion.

The bond market appears especially concerned about the inflationary implications of combined tariff and fiscal policies, with some analysts warning of potential "debt spiral" risks. Adding another layer of complexity is the ambitious deficit reduction goal to 3% of GDP outlined by Treasury Secretary nominee Bessent - a target widely viewed as unrealistic given the proposed fiscal measures.

This policy mix has reinforced the "American exceptionalism" trade, with U.S. equities outperforming international stocks and the dollar strengthening, reminiscent of market behavior following the 2016 election.

In Figure 2, we take a look at price action heading into this current inauguration (i.e. a 2025 version of Figure 1):

Figure 2: Asset Price Performance -100 Days From Trump's Second Inauguration



Note: CME Futures except Gold which uses XAUUSD prices, Presto Research

Price action seems somewhat comparable - risk assets and crude are rising heading into the second inauguration while the 10y future grinds lower (yields higher). Given what we outlined earlier regarding what we can expect in the early days of Trump's second presidency, we'd likely see Bitcoin and crypto assets continue to rally given the anticipated regulatory easing and Trump's stated aim to make the US "the crypto capital of the planet." The S&P 500 would likely continue its outperformance vs international equities (following the "American exceptionalism" pattern from 2016), particularly benefiting from deregulation expectations and tax cut extensions. Gold appears positioned for gains despite dollar strength, with many banks projecting higher targets supported by geopolitical tensions and trade uncertainty. 10y yields would likely push higher from current 4.8% levels, driven by inflation concerns from tariffs and expansionary fiscal policy, while crude could see upward pressure from both increased economic activity and potential geopolitical premium.

2.3 Quick Glance At Term #2

Regulatory Landscape: A significant regulatory pivot appears imminent based on several key developments.

- Key Leadership Changes:
 - Michael Barr's departure as Federal Reserve's vice chair for supervision
 - Trump-appointed leaders already in place at FDIC and OCC
 - New Fed supervisory position to be filled
- Regulatory Stance Shift:
 - Biden administration regulators, including Barr, had maintained strict stance on cryptocurrency
 - Post-FTX collapse had led to viewing crypto assets as potentially destabilising
 - Current signals indicate move toward more permissive framework
 - Stated goal to make US "the crypto capital of the planet"

Economic Policy: Broader economic policies present complex implications for macro markets.

- Trade Policy:
 - Additional 10% tariff on Chinese goods planned for first day
 - Average tariff increase from 13% to 23%
 - Potential expansion to 25% tariff on Mexico
- Monetary Policy Context:
 - Fed has cut rates by full percentage point between September and December
 - Only two quarter-point cuts planned across eight meetings in 2025
 - Core inflation remains at 2.8%, above Fed's 2% target
 - Bond yields elevated at 4.8% (10-year Treasury)
- Fiscal Proposals:
 - Extension of 2017 tax cuts
 - New tax breaks proposed for tips, overtime, Social Security payments
 - Potential lifting of \$10,000 SALT deduction cap
- Fiscal Budget Impact:
 - Every 0.1% increase in borrowing costs adds over \$300 billion in interest expenses over a decade
 - Republican fiscal policies (tax cuts, tariffs) raising inflation concerns
 - Market pressure mounting regarding deficit reduction

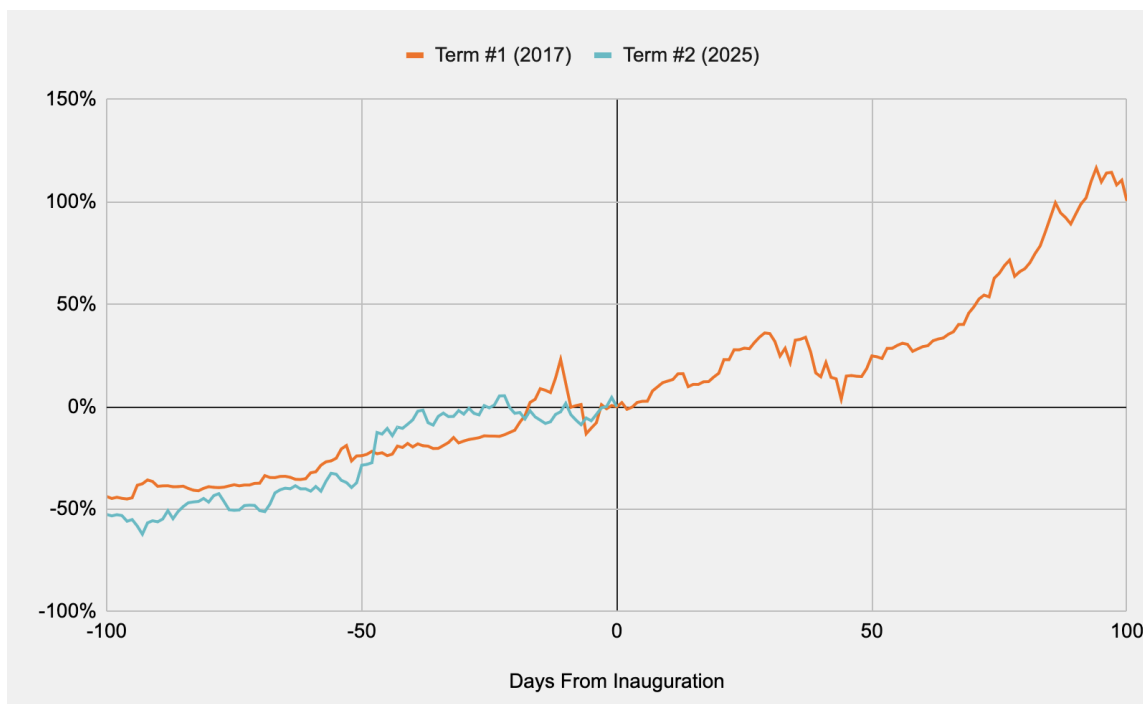
3. Zooming Into Bitcoin's Price Action

Now that we've set the foundation on the importance of the outset of a Presidential term, as well as what we can expect from a macro perspective, we hone our attention to BTC and its price action.

3.1 Term 1 versus Term 2: How Has BTC Been Performing?

In Figure 3, we overlay BTC performance in Figure 1 and Figure 2 to compare how the price action has been tracking:

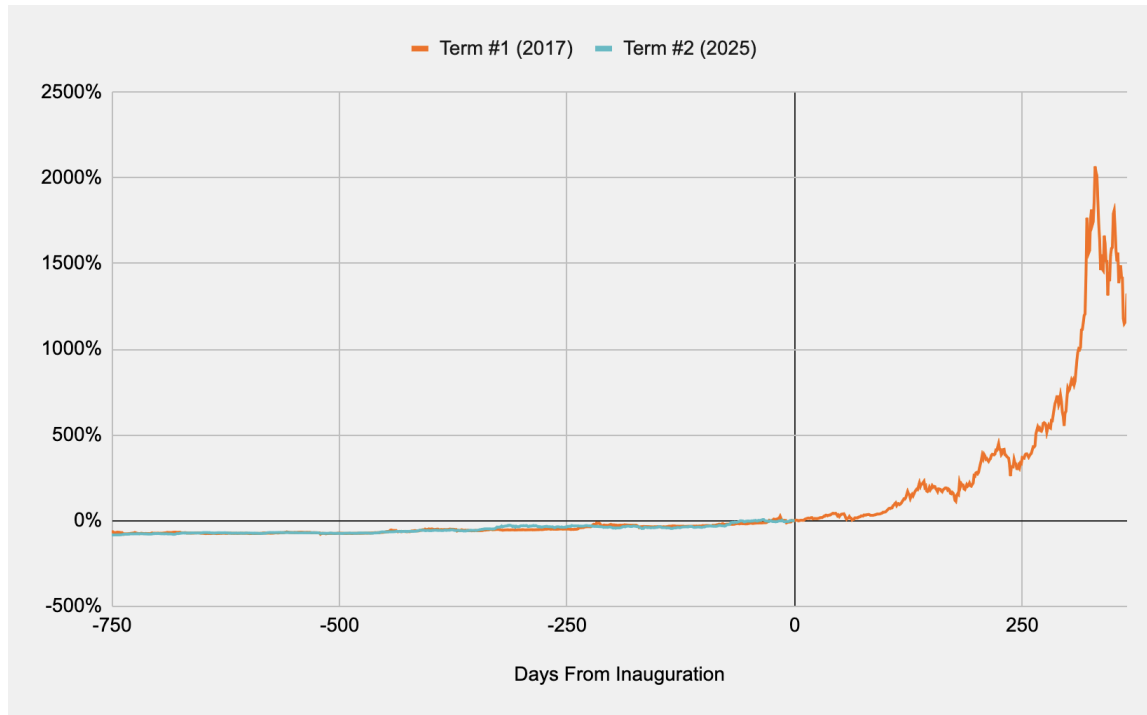
Figure 3: BTC Performance +/-100 Days of Trump's Inaugurations



Source: CME BTC Front Contract, Presto Research

Comparing the previous and current inauguration, we see 2025's is following quite nicely. But today, in early-2025, we're two years into the current bull market and have had some pretty "up only" price action since the post-FTX lows thanks to the bear market recovery as well as the institutional ETF tail winds that followed. So the question arises, is a 100 day lookback window too short to compare the price action? For example, what if leading up to the first inauguration, the bull cycle was just beginning, hence the positive returns that followed? And since we're 2 years into the current bull cycle, maybe we need to zoom out a bit more and see if the layering actually makes sense. Figure 4 extends the lookback period from -100 to -750 days, and extends the projection period to 365 days; this allows us to start the time series right around the FTX implosion whilst also seeing if the post-inauguration pump is short-lived or not.

Figure 4: BTC Performance -750 Days ~ +365 of Trump's Inaugurations



Source: CME BTC Front Contract, Presto Research

Seems pretty comparable? Given that a visual comparison is hard on long-time frame charts, we dig into the Figure 4 data a bit more in the following table:

Figure 5: Granular Comparison of BTC Leading Up To Trump's Inaugurations

	Term #1 (2017)	Term #2 (2025)
Inauguration Date	20Jan2017	20Jan2025
-750d	-65%	-84%
-500d	-73%	-74%
-365d	-54%	-59%
-100d	-29%	-38%
-50d	-16%	-4%
+50d	32%	-
+100d	52%	-
+365d	1326%	-
Correl(-750~0d)	0.92	
Correl(-365~0d)	0.74	
Correl(-100~0d)	0.65	

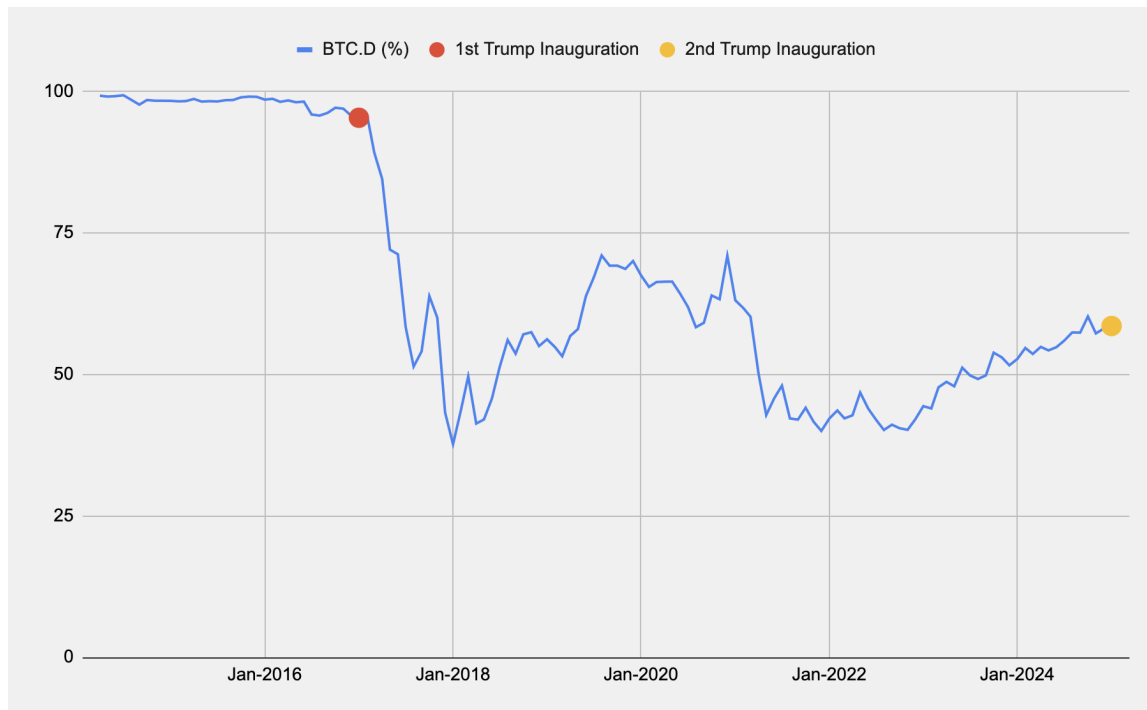
Source: Coinbase, Presto Research; Note, to normalise the data we fix the denominator to be the BTCUSD price on the date of the inauguration so the figure '-65%' for the -750d row does not mean the return was -65% if you bought BTC 750 days before the inauguration and held it until 20Jan2017.

The data reveals pretty notable similarities in return patterns across multiple timeframes and the correlations are particularly noteworthy. If we were to project BTC prices using Term #1 results in the table, the corresponding price targets would be \$133,708, \$154,260, and \$1,447,711 for +50d, +100d, and +365d respectively (11Mar2025, 30Apr2025, and 20Jan2026).

3.2 Market Structure Evolution: BTC Dominance Analysis

One critical difference to raise is the maturity of the industry and hence the market dynamics. BTC dominance, the market share of BTC ($\text{BTC_market_cap} / \text{Total_crypto_market_cap}$), is a convenient representation of how the crypto market has evolved over time as it shows the rise of altcoins and, in more recent years, illustrates the continuous flux between Bitcoin, crypto's perceived safe haven, and the altcoin market.

Figure 6: BTC Dominance Over Time



Source: TradingView, Presto Research

Market dynamics, as far as we can tell from Figure 6, are distinctly unlike: a BTC dominance of 95.15% on the day of the first inauguration versus 58.57% today on the second. Back in 2017 when BTC dominated the industry, there was considerably less dilution of attention or narratives, which is synonymous to flow of capital: BTC was crypto and crypto was BTC. Clearly a fundamentally different market we are in. For added reference, ETH's market cap was still below \$1B when Trump was first inaugurated.

3.3 Total Market Capitalisation

Given this distinct difference in market mechanisms explored in §3.2, we recreate the table in Figure 5 and instead use the total crypto market cap instead of BTC prices to see if this tells a different story.

Figure 7: Comparison of Total Crypto Market Cap Leading Up To Trump’s Inaugurations

	Term #1 (2017)	Term #2 (2025)
Inauguration Date	20Jan2017	20Jan2025
-750d	-71%	-78%
-500d	-76%	-70%
-365d	-59%	-54%
-100d	-31%	-37%
-50d	-18%	-1%
+50d	34%	-
+100d	73%	-
+365d	3537%	-
Correl(-750~0d)	0.90	
Correl(-365~0d)	0.68	
Correl(-100~0d)	0.66	

Source: TradingView, Presto Research

Despite the difference in market dynamics that BTC's dominance suggests, total market cap comparisons remain pretty supportive and the price action and industry growth remains pretty similar leading up to both inaugurations. This data suggests that while the internal composition of the crypto market has dramatically shifted, the overall market's behaviour patterns show remarkable consistency. The maintenance of strong correlations in growth patterns, despite vastly different market structures, points to:

- Persistent macro influence on overall crypto asset valuations
- Evolved but fundamentally similar market psychology
- Continued dominance of key market drivers despite structural changes

The evolution in market structure is particularly relevant when considering the anticipated policy shifts. Trump-appointed leaders at both the FDIC and OCC, coupled with a new supervisory position to be filled at the Fed, provide multiple avenues through which cryptocurrency regulation could become more permissive in a way that was not possible during the first term due to limited institutional frameworks. Performing a similar projection to before, the corresponding total market cap targets would be \$4.60T, \$5.94T, and \$124.96T for +50d, +100d, and +365d respectively (compared to \$3.44T today).

4. Final Word

The intersection of historical price patterns, evolving market structures, and shifting policy landscapes creates a compelling narrative for cryptocurrency markets entering Trump's second term. While past performance patterns show remarkable similarities, with correlation coefficients above 0.90 for extended periods, the matured market structure and potentially supportive regulatory environment suggest we're entering uncharted territory. The combination of institutional adoption, reduced Bitcoin dominance (from 95.15% to 58.57%), and a more nuanced understanding of crypto assets by policymakers points to a market that, while rhyming with history, may write its own unique chapter. This evolution occurs against a complex macro backdrop, where 10-year Treasury yields at 4.8% and ambitious fiscal policies, including the planned 10% universal tariff implementation, create both opportunities and challenges. The anticipated regulatory easing, coupled with Trump-appointed leaders at key institutions like the FDIC and OCC, suggests a framework more conducive to crypto innovation than during the first term, though investors should remain mindful of the broader economic implications of proposed policy shifts.

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