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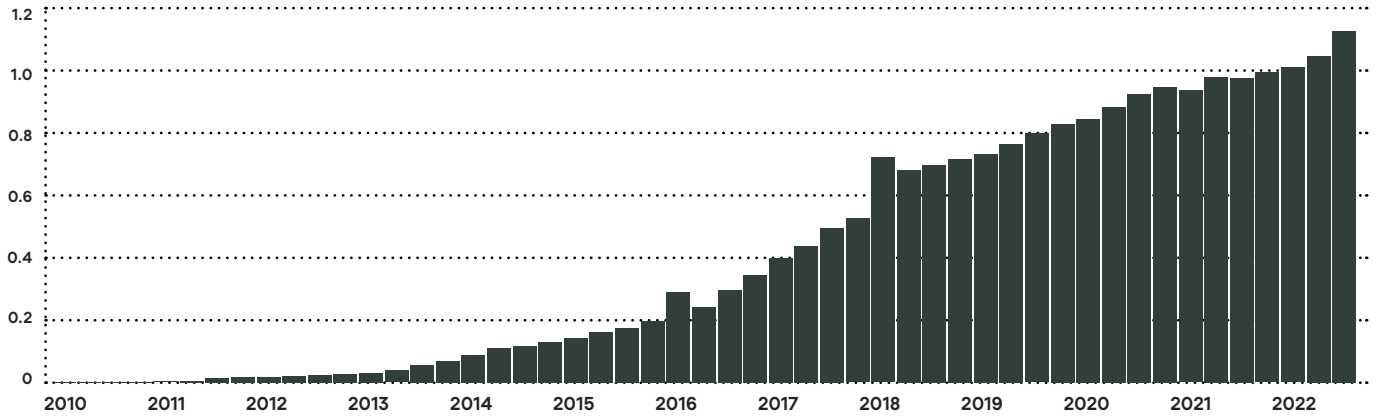
Analyst Retrospective

Bitcoin's single constant

July 2022

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Quarterly starting balance of Bitcoin addresses holding up to 1BTC (mn)



Across major on-chain data analytic providers, Copper has counted between 800-1000 different metrics looking at Bitcoin alone. Attempting to make heads or tails out of these data points is an arduous task that generally leads to a great deal of correlation across different metrics. Only one single dataset has been consistent, and it is those investors who are looking to accumulate at least 1 Bitcoin. This year alone, this investor segment has usurped 75% of the newly minted supply.

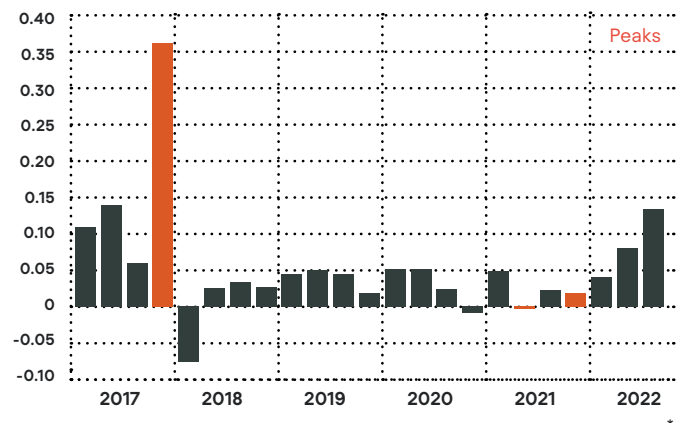
When prices tank, it's easy to forget that there are always the equal number of buyers and sellers. What changes is who is more enthusiastic. As it stands, crypto markets have been roiled by back-to-back systemic problems from stablecoin blow-ups to insolvent broker/dealers.

How do investors decide in such markets? The answer isn't very straightforward. If examining the supply dynamics of Bitcoin, for example, appearances would indicate markets are discounting the cryptocurrency heavily. Looking at demand, bearish tones continue to linger. An investment thesis will all depend on what exactly investors are looking at and believe to be true depending on time frames.

Old adage holds

In the midst of extreme volatility, small retail investors continue to hold the line buying into the cryptoasset in tiny amounts. These addresses have now accumulated 6% of the total circulating supply. It might not seem like much, but in the grand scheme of things it's important to look at the trend which is not swayed by massive price drops. In fact, since 2017, only three quarters out of 23 have seen a decrease in average daily growth giving true meaning to 'stacking sats' (see chart).

Average daily growth rate in addresses holding up to 1 BTC (%) (Quarterly)



Up to 1 BTC addresses - % of new annual supply minted by miners



Most interestingly is that, at least so far, despite the price crash from its near \$70k high, investors continue to buy in. This is the opposite of what happened in 2017-18.

With Bitcoin dipping below \$20k, these addresses have kicked off July with the third largest daily growth.

Notably, with Bitcoin's mining reward being halved since 2017, the increase in holdings this year account for 75% of the new supply. This is just one group of small retail investors who show no sign of stopping their portfolio growth to at least a single Bitcoin. And there are other groups to look at.



Sharp return

Although more susceptible to selling, investors holding 1-10 Bitcoins follow a similar constant growth path (see chart). These addresses spent the better part of 2021's bull market actually selling.

But they've come back in grand style with an increase of 147k Bitcoins since the start of the year, and by nearly 200k since a little over a year ago when they began accumulating once again.

Combined, investors holding between 0 and 10 BTC have accumulated over 275k Bitcoins in 2022 (see chart). That equates to a 47% difference versus Bitcoin's mined this year.

Sell-off reversal for some

Glassnode, an on-chain data provider, and the source of most of our underlying data in this report, has provided data that clusters multiple addresses as 'entities'. So far in this report we've looked at pure address holdings.

Looking at the group of investors holding between 10-100 BTC, both as single addresses and as entities, show an interesting reversal (see chart). These entities have accumulated an additional 98k Bitcoins this year with investments pouring in when the cryptocurrency was around \$40k. They haven't stopped despite the crash.

The increase comes on the back of a selling Bitcoin in 2021. The amount isn't what's important to focus on as retail clients have acquired more Bitcoin. But what is important is the trend.

Clearly there is enough demand to more than offset new market supply. Which begs the question: what's going on with the price of Bitcoin?

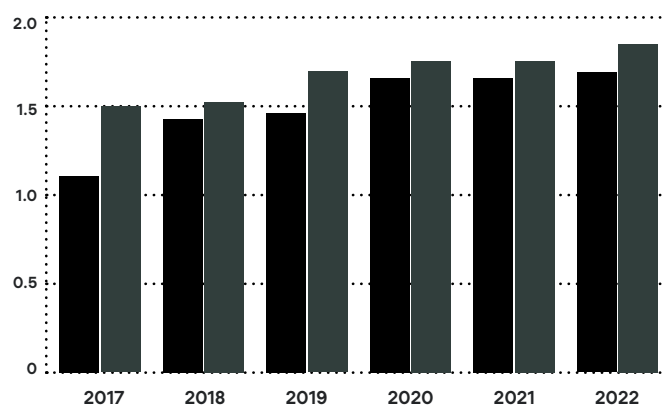
Spotting more trends

Spot market reserves have continued their decent according to data by Cryptoquant. They are at levels now not seen since August 2017, just before markets rallied to Bitcoin's near \$20k high at the time. The latest dip has seen large withdrawals (see chart).

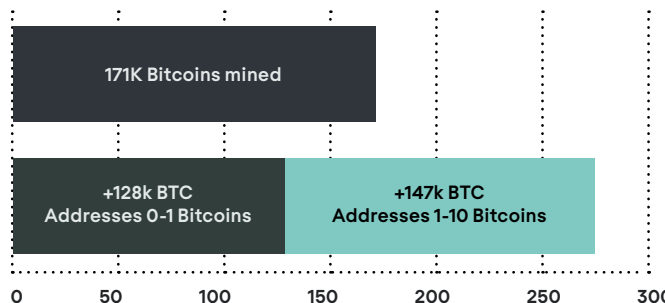
Of course there are a key differences. First and foremost, the supply back then was increasing on exchanges. And the Bitcoin reward was double at 12.5BTC per block compared to today's 6.25BTC.

In 2021, Copper published a report titled "Spot markets in driving seat" ([read here](#)). But why is that an important dynamic to look at?

Min and Max holdings of addresses with 1-10 BTC (mn)



2022 Bitcoin new supply versus increase in holdings from 0-10BTC



10-100 BTC Entity holdings (mn)



Spot market Bitcoin reserves drop below trendline (mn BTC)





Although they remain fairly uncorrelated, stablecoins parked on spot markets have developed a similar trend to price (see chart).

Unlike with stablecoin reserves, Copper backtested correlation to stablecoin issuance and market dynamics. While the results don't give any clear indication of price direction, clustered high correlations do show markets are going to make larger moves in either direction (see chart).

With exchange reserves on spot markets dwindling, and small consistent retail investors continuing to buy the dip, the potential upside at this point is clear.

Whether or not Bitcoin will rally up or further down is a good a guess as any considering a great deal of outside factors that have also come into play (i.e correlations to equities, response to Fed rate hikes, etc).

But for long-term investors, there is plenty of information that will keep them on a positive note. Contrary to previous bear markets, the supply and demand dynamics have changed in opposing directions.

Stepn back a second

Crypto remains retail-driven. This is why Copper's research team took a look at what might be happening in the grand scheme of things.

Sats add up and every Bitcoin removed from the market does make a fundamental difference –if ever so slightly. However, this might only have rippling effects in the long-run.

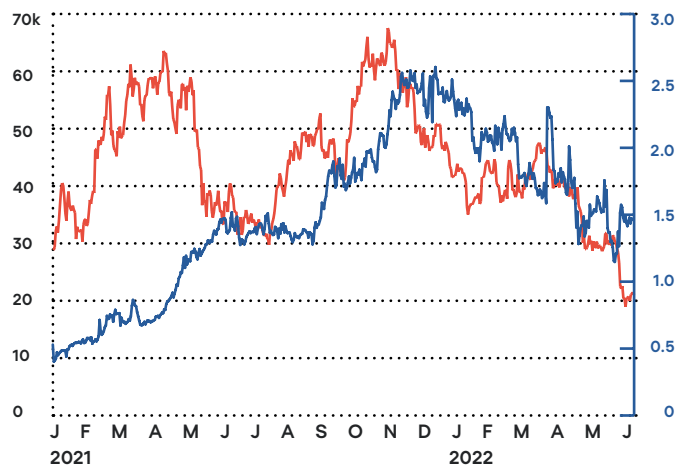
With just a little over 1mn Bitcoin on spot markets, it becomes increasingly difficult to be bearish. At what supply level point do markets really take notice and react? On the other hand, this also means that not enough investors have been convinced just yet.

Wrap-up

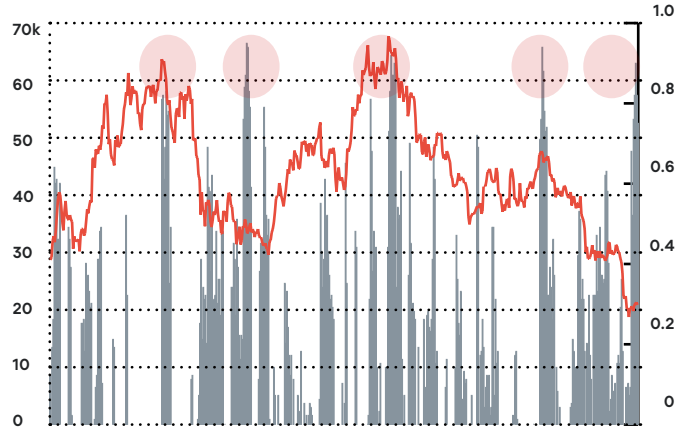
2021-22 has given analysts a great deal of information going through multiple corrections, both bearish and bullish. During this latest market downturn, investors holding between 0-1 BTC have had three back-to-back all-time-highs in their Bitcoin accumulation (see chart). To date, the added value at the time of moving the Bitcoin on-chain, this cohort has surpassed all previous years (see table).

Given such resolve, and a block reward halving coming up in less than 18-months time, these small retail investors, at current accumulation rates will surpass new supply. Perhaps markets will take more notice then?

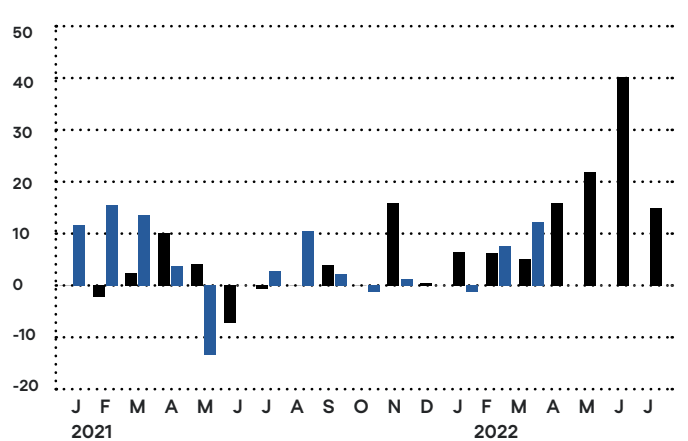
BTC Price vs. Stablecoins on Spot Market (bn)



5-Day rolling correlation between BTC price and stablecoin issuance



0-1BTC Addresses: # of Bitcoin change in bull and bear market cycles (k)



0-1BTC addresses breakdown

Year	implied Cost (\$)	# of BTC	Avg. daily growth %
2017	2,535,251,784	331,313	0.1674
2018	(38,470,913)	4,551	0.0023
2019	789,834,120	109,702	0.0383
2020	608,687,244	93,592	0.0289
2021	3,443,217,659	73,139	0.0207
2022-to-date	4,075,687,714	129,403	0.0632



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