

Dispatch #13 -2021

April 30th, 2021

The top story this week is the Square + Ark Invest’s view on the bitcoin network’s potential role in the global transition to renewable energy. The Dispatch is not entirely sold on this rose-tinted view, but since it’s a Bitcoin-leaning weekly, this story gets the lead! However, there are far more interesting stories like Kanye West’s sneakers selling for a record \$1.8m at auction. Items discussed include:

- Kayne’s sneakers sell for a record \$1.8m at auction
- Elevated Buffet Indicator
- Tesla sells 10% of its Bitcoin holdings
- Fidelity’s Timmer turns cautious near term
- NFL’s Sean Culkin to take full 2021 salary in Bitcoin
- Gaming company Nexon buys US\$100m of Bitcoin
- Bitcoin School: 90% of daily volume is by traders - no sign of a long-term top

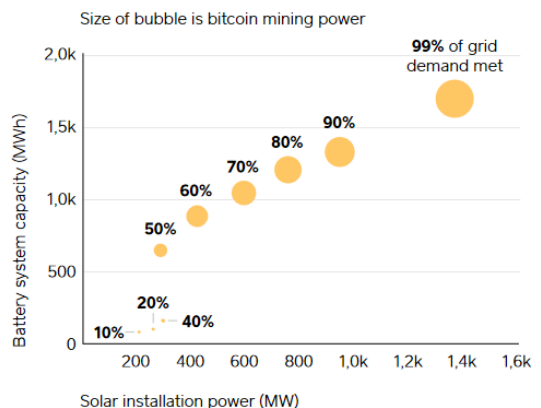
Square + Ark suggests Bitcoin can accelerate a clean energy future

Square (the payment company) and Ark Invest (the ETF manager) published a short 5-page study arguing that Bitcoin can accelerate the transition to a renewable energy society.

We should be clear about the facts: The Bitcoin network uses a large amount of energy for transaction processing & securing the blockchain (aka mining). The annual energy usage is equal to that of a medium-sized nation as estimated by [University of Cambridge](#), and this fact is widely acknowledged as accurate.

The bitcoin network’s energy demand could become a positive force for the transition to a renewable energy future, the study claims. The

Bitcoin mining could encourage investment in solar systems, enabling renewables to generate a higher percentage of grid power with no change in the cost of electricity



interruptible power demand (they can reduce power demand for short periods) of bitcoin transaction processors (miners) is the basis for the report’s positive view. This should work in a network where the transaction processing power – hash power – is geographically distributed. When consumer power demand peaks in the US, miners in North America can reduce power consumption for a few hours, while miners in other geographies continue to operate normally.

In general, Ark Invest research skews to big picture visions with limited details on how we arrive at the end goal. This recent study is no different, in the Dispatch’s view. Please decide for yourself by reading the quick [five page](#) document

Kanye West’s sneaker sell for \$1.8m



Kanye West's Yeezys just sold for a record-breaking \$1.8 million

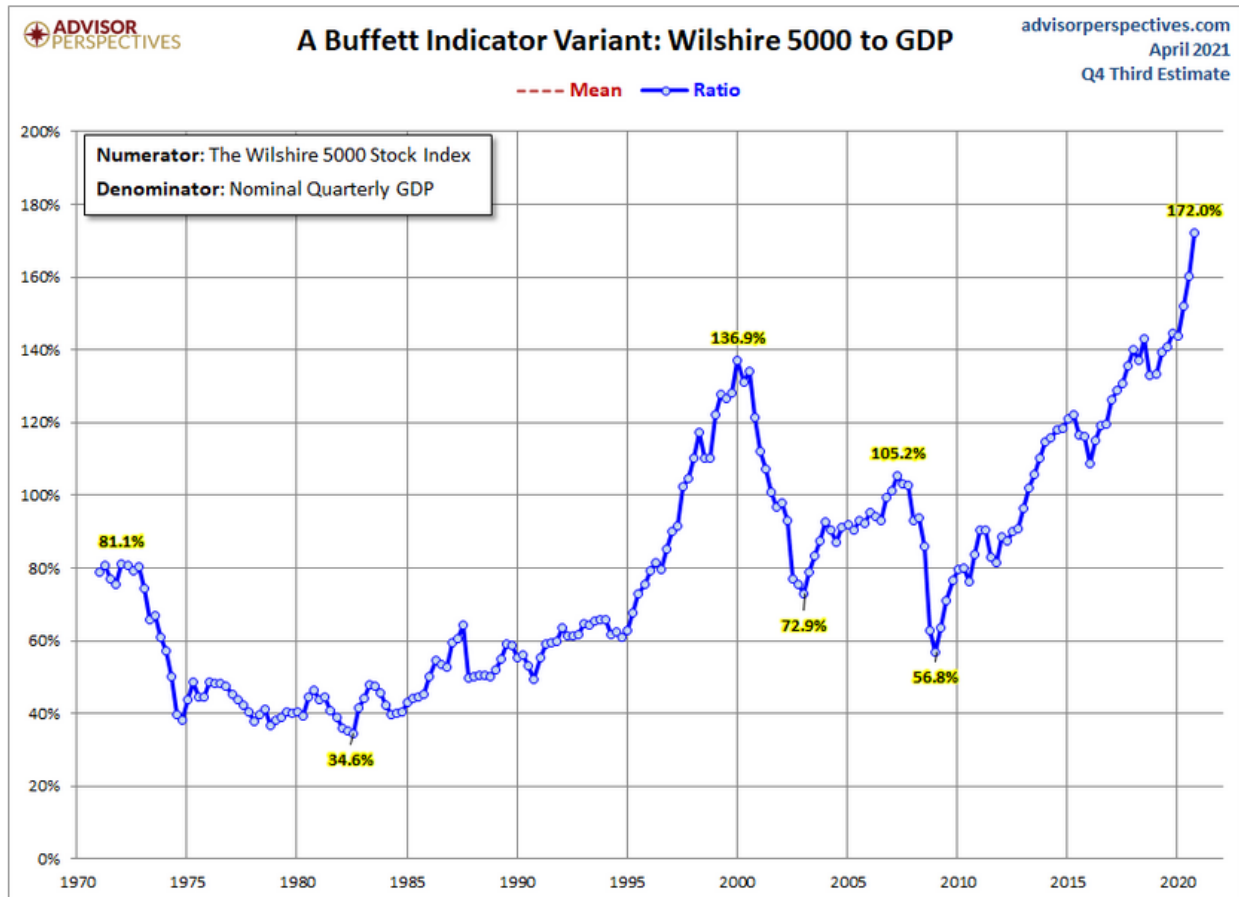
At auction, the winning bid, like the \$69m bid for the [Beeple NFT](#), was from a fund. This time it was a fractional sneaker-ownership fund. It’s a wonderful game to go out with a high bid on a consumer product that has no market price, and you don’t have to mark-to-market. We will only see if the emperor has clothes if financial markets someday return to normal valuations. We are early in the central bank money-printing game, so “normal” could be years away. Until then, better pick up those used sneakers! More details in this [CNN article](#).

This brings us to one of the often repeated lines in the Dispatch: In US\$ terms, most things are rising rapidly in value. It is precisely this inflation of value, as global central banks “print” more currency, that drives greater adoption of a verifiably scarce asset like Bitcoin. Bitcoin is not government tender, but it may prove to be a far better store of value than OECD currencies just as it has over the past decade.

Elevated Buffet Indicator (Market Cap to GDP ratio)

Sticking to the theme of excess valuations/price, it’s worth mentioning the elevated level of the well-debated Buffet Index. The valid knock on the ratio is that US companies derive a far greater share of profits from overseas markets than they have in decades prior. However, we

know that 136% was excessive in the year 2000, and the current of 172% may prove to be similarly excessive.



More details on this measure in this [Advisor Perspectives](#) article.

Tesla sold 10% of its Bitcoin holding.

[Dispatch #4](#) flagged Tesla’s \$1.5bn purchase in February and, subsequently, Elon Musk articulated that the company did not intend to trade Bitcoin. Instead, the company **sold \$272m worth of Bitcoin and booked a gain/profit of \$101m** in 1Q21. This [Fortune article](#) provides a few more details. The ever-promotional Musk said **Tesla was proving Bitcoin’s liquidity** with the sale (see tweet below), which rings hollow when others like MicroStrategy have traded \$500m - \$1bn Bitcoin in a few days. What’s Musk trying to prove by trading \$272m? Source: [Twitter](#)



Dave Portnoy @stoolpresidente · Apr 26

So am I understanding this correctly? @elonmusk buys #bitcoin ₿. Then he pumps it. It goes up. Then he dumps it and make a fortune. Listen I own 1 #Bitcoin ₿ but #bitcoin ₿ is exactly who we thought it was. Just don't be last 1 #HODLing the bag.

2.4K
2K
20.7K



Elon Musk ✓
@elonmusk

Replying to @stoolpresidente

No, you do not. I have not sold any of my Bitcoin. Tesla sold 10% of its holdings essentially to prove liquidity of Bitcoin as an alternative to holding cash on balance sheet.

Fidelity's Jurrien Timmer turns cautious short-term

Last week, [Dispatch #12](#) flagged Timmer's bullish long-term view on Bitcoin. This week, he threw out this tweet expressing a cautious near-term view.



Jurrien Timmer ✓ @TimmerFidelity · Apr 27

Bitcoin: While I have a favorable outlook over the long-term, BTC seems to be tracking ahead of both the supply/demand curve as well as gold's price discovery roadmap from the 1970s. Time for consolidation, in my view.

Bitcoin S2F & Gold 1970's
Source: Bloomberg, FMRCo. Monthly Data.

Year	Bitcoin Price	S2F Model Price	Gold 1970's Price
2010	16		
2011	3		
2013	1,137		
2014	160		
2017	19,511		
2019	3,915		
2021	68,143		
2023	579,204		
2025	592,024		
2028	812,421		

Data source: FMRCo, Bloomberg, Haver Analytics, FactSet. Data as of April 25, 2021. Past performance is no guarantee of future results.

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As the above Buffet Indicator illustrates, assets with intrinsic value (e.g. stocks) can **swing wildly away from long-term fundamentals**. With a monetary asset like Bitcoin, that swing can be even wider, as we have seen previously. In 2017, **the move from \$10K to \$20K took place in ~ 17 days!**

Crypto adoption corner!

1. **NFL tight-end Sean Culkin of the Kansas City Chiefs to take entire 2021 salary in Bitcoin.** Culkin is not a marquee name but **this announcement will likely propagate well beyond his 14,900 twitter followers**. Since the tweet below, his Twitter following has risen from 10.9K to 14.9K, a 37% jump in one week. Announcements like these will be subtle, but vital to the growing the network effect of bitcoin. Source: [Twitter post](#)



2. **Tokyo-listed Nexon announced \$100m Bitcoin purchase this week** for \$58,226/coin. This is less than 2% of the company’s cash reserves, which is a sensible allocation in the Dispatch’s view. Part of the company’s statement on the purchase is shown below. The full statement is [here](#).

“Our purchase of bitcoin reflects a disciplined strategy for protecting shareholder value and for maintaining the purchasing power of our cash assets,” said Owen Mahoney, President and CEO of Nexon. “In the current economic environment, we believe bitcoin offers long-term stability and liquidity while maintaining the value of our cash for future investments.”

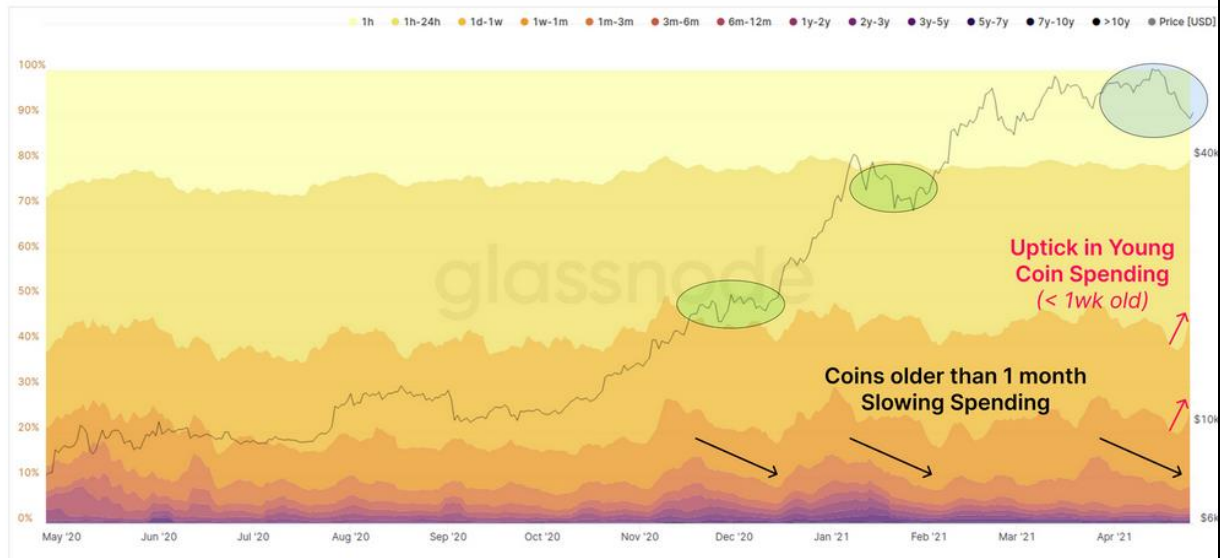
Bitcoin School

90% of Bitcoin traded daily is less than a month old

The open blockchain provides precise tracking of each Bitcoin. For example, if a Bitcoin traded today last moved 10 days ago, then that Bitcoin would fall into the 1 week – 1 month (1w – 1m) color band in the chart below. Other observations may startle you.

- ~ 60% of the Bitcoin traded each day is 24hrs or younger
- Over 90% of Bitcoin traded is 1 month or younger

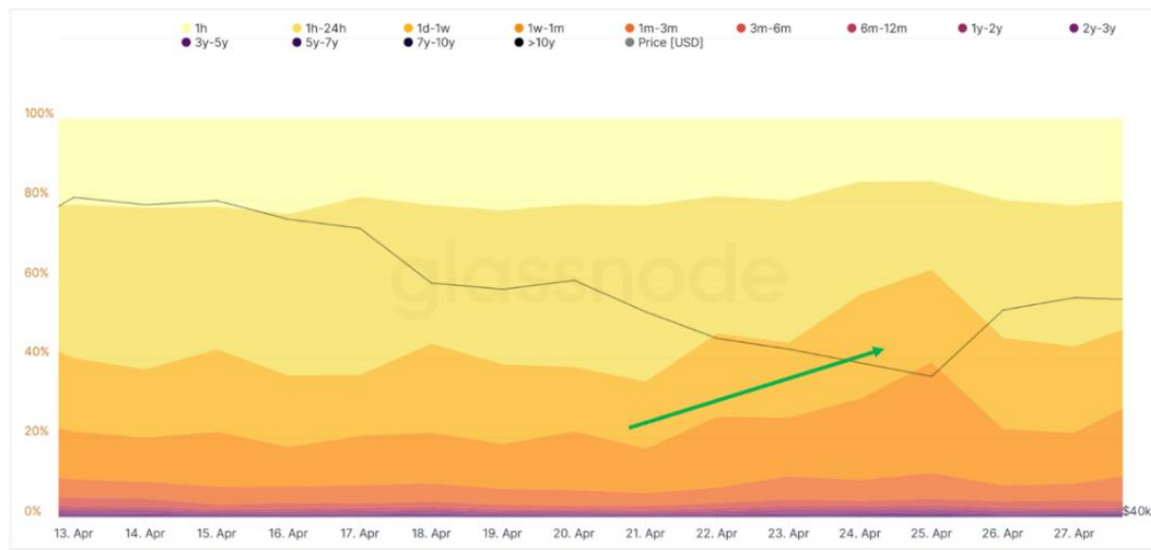
Bitcoin: Spent Output Age Bands (7DMA)



This granularity provides intelligence on who's selling, which matters to gauge the durability of the current rally. We know from long-term price peaks, like in December 2017, that we see rising numbers of older coins sold at the end of the rally. However, **over the past 10 days we have ONLY seen an uptick in younger coins moving**, as both charts illustrate.

- This insight suggest that we are not at a long-term price peak.

Bitcoin: Spent Output Age Bands



Source for both of the above charts: [Glassnode](https://glassnode.com)

Stay safe and do reach out if you have any questions or comments about the material in this Dispatch.

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