



Bitcoin Suisse

OUTLOOK 2025

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Authors



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Dominic Weibel is heading the research team at Bitcoin Suisse AG as of early 2024, after joining the department in 2022. Prior to his transition into digital assets, he was a research fellow and PhD student at the Technical University of Kaiserslautern in the field of materials science. Captivated by the transformative potential of distributed ledger technologies and their impact on society, he dedicated his focus to this emerging field and has been an active contributor to the crypto ecosystem since 2017.



Denis Oevermann
Investment Analyst /
Crypto Researcher

Denis Oevermann is an Investment Analyst and Crypto Researcher at Bitcoin Suisse since 2022. He has more than 7 years of experience in crypto, with prior publications on crypto asset valuation and quantitative DeFi valuations. He has a background in Economics and Finance, holding a Master of Finance degree in Asset Management and Quantitative Finance from the University of Amsterdam.



Wolfgang Vitale
Crypto Protocol Expert

Wolfgang Vitale joined Bitcoin Suisse AG to develop and share knowledge on technical developments regarding crypto protocols and token economics. His career spans academia and industry in different fields, having worked as a postdoctoral researcher at EPFL in nanotechnology and as an R&D project leader at Hitachi in power semiconductor devices.



Matteo Sansonetti
Junior Portfolio Manager

Matteo Sansonetti joined Bitcoin Suisse in February 2024 to conduct research for his master's thesis on futures strategies and Bitcoin option pricing models. In September 2024, he transitioned to the role of Junior Portfolio Manager within the Invest & Advice team. Matteo holds a Master's degree in Financial Engineering from EPFL and has a strong engineering background.



Preface ↙

The U.S. elections catalyzed what might be the largest paradigm shift in digital asset history. They marked a seismic transformation in the regulatory landscape, with the world's largest economy pivoting from tight restrictive oversight to institutional embrace. Talk about a plot twist, the dramatic rebound from Operation Chokepoint 2.0's debanking initiatives to discussions of a national strategic Bitcoin reserve heavily signals a fundamental realignment of government stance toward digital assets - this goes way beyond a Bitcoin ETF or BlackRock's courtship with crypto assets.

Crypto PACs deployed >\$130M in election spending, securing bipartisan victories and establishing what is unmistakably the most pro-crypto Congress in history. We deem the upcoming era to be crypto's equivalent of the late 90s internet boom, when regulatory breathing room and accommodative frameworks unleashed a wave of innovation. As with any political promises however, talk is cheap, and we will monitor closely if the new administration indeed walks the talk.

With shattered ETF records and institutional entries at unparalleled pace, legacy players are not just dipping their toes anymore; they're diving headfirst into everything digital assets. Yet, the evolving landscape extends far beyond traditional finance. New verticals such as DePIN, DeSci, and DeAI are emerging not as mere narratives but as solutions to tangible challenges. Polymarket crossed

the chasm, while developments in on-chain privacy and institutional-grade DeFi provides even more reasons to be excited about the next wave of adoption.

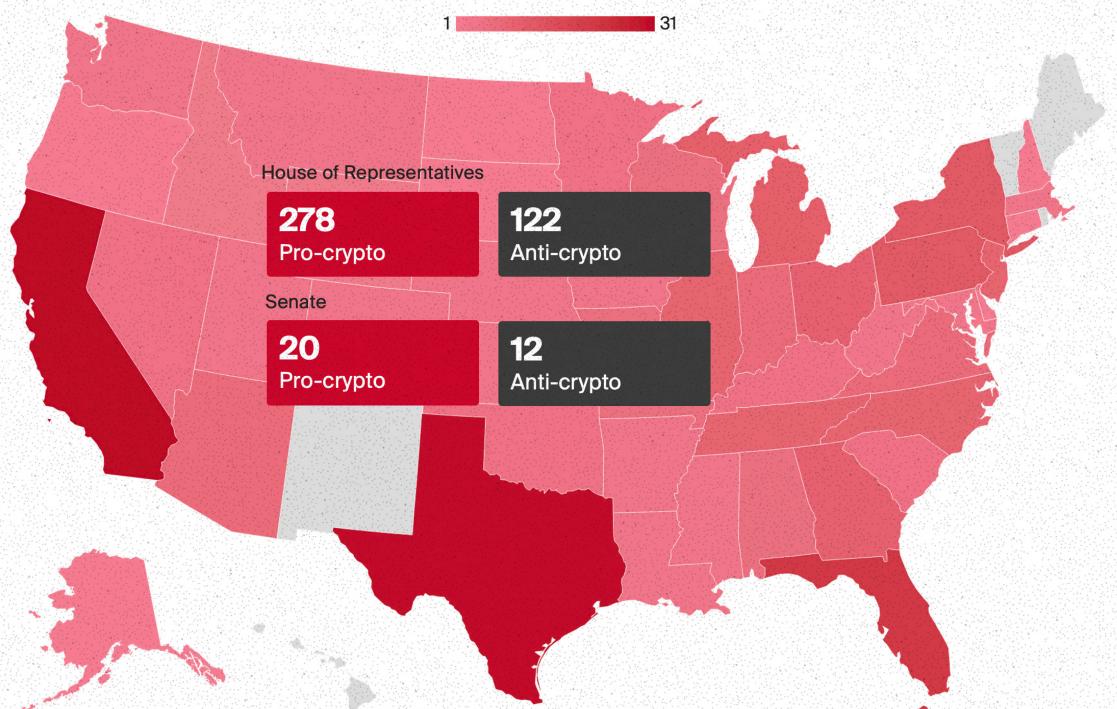
Translating the above into more actionable substance, the Outlook 2025 predictions aim to cover the breadth of the crypto market and range from improving macroeconomic conditions and liquidity, which are pivotal in sustaining the ongoing crypto cycle, to Bitcoin's projected journey to new all-time highs. Further key themes include Bitcoin's emergence as a strategic reserve asset, Ethereum's increasing institutional adoption through staking dynamics, and the deemed resurgence of altcoins and NFTs. There is plenty to unpack.

Before we take you through the weeds of our analysis, I would like to extend my deepest gratitude to Denis Oevermann, Wolfgang Vitale, and Matteo Sansonetti for their exceptional research efforts that made this report possible.

To our valued readers and friends; as we wrap up another remarkable year in crypto, we are grateful for your continued trust and engagement with our research. While the holiday season calls for some well-deserved rest, you might want to keep one eye open: all signs suggest that 2025 holds more fireworks.

Dominic Weibel / Head of Research

Elected pro-crypto candidates in the U.S.



SOURCE: BITCOIN SUISSE, DATA: STANDWITHCRYPTO.ORG, DATA AS OF 02.12.2024

01

Macro conditions will fundamentally ease and support a soft landing

The U.S. yield curve has remained inverted for over 24 months, marking one of the longest such periods on record. While the 2y10y spread has recently normalized, the 3m10y curve remains deeply inverted, signaling ongoing market disequilibrium. BTC has demonstrated significant sensitivity to these shifts, as evidenced by a sharp \$9'000 intraday drop (-15%) in August when the 2y10y curve un-inverted temporarily. As the short end of the curve moves toward normalization, further volatility is expected, creating potential short-term buying opportunities. However, downside risks appear limited, supported by bullish sentiment and stabilizing economic conditions, provided major recession risks are avoided.

\$9'000

Intraday drop for BTC upon the 2y10y yield curve un-inversion

32bps

Remaining inversion of 3m10y

Based on historical patterns and the duration of the 2y10y inversion, the 3m10y spread is likely to un-invert around year-end, with the Federal Reserve's December 18th FOMC meeting possibly acting as a major catalyst. This normalization aligns with improving financial conditions, as indicated by the declining NFCI (National Financial Conditions Index), which now reflects "normal" levels, down from tightened, elevated levels throughout 2023. Reduced usage of emergency liquidity tools, such as the Bank Term Funding Program (BTFFP), further supports the view of easing conditions. Meanwhile, global net liquidity is showing gradual improvement, offering encouragement for market stability, though current growth levels remain significantly below their 2021 peaks. Sustained growth in liquidity will be critical to maintain upward momentum in crypto markets, particularly as the second half of the bull cycle unfolds.

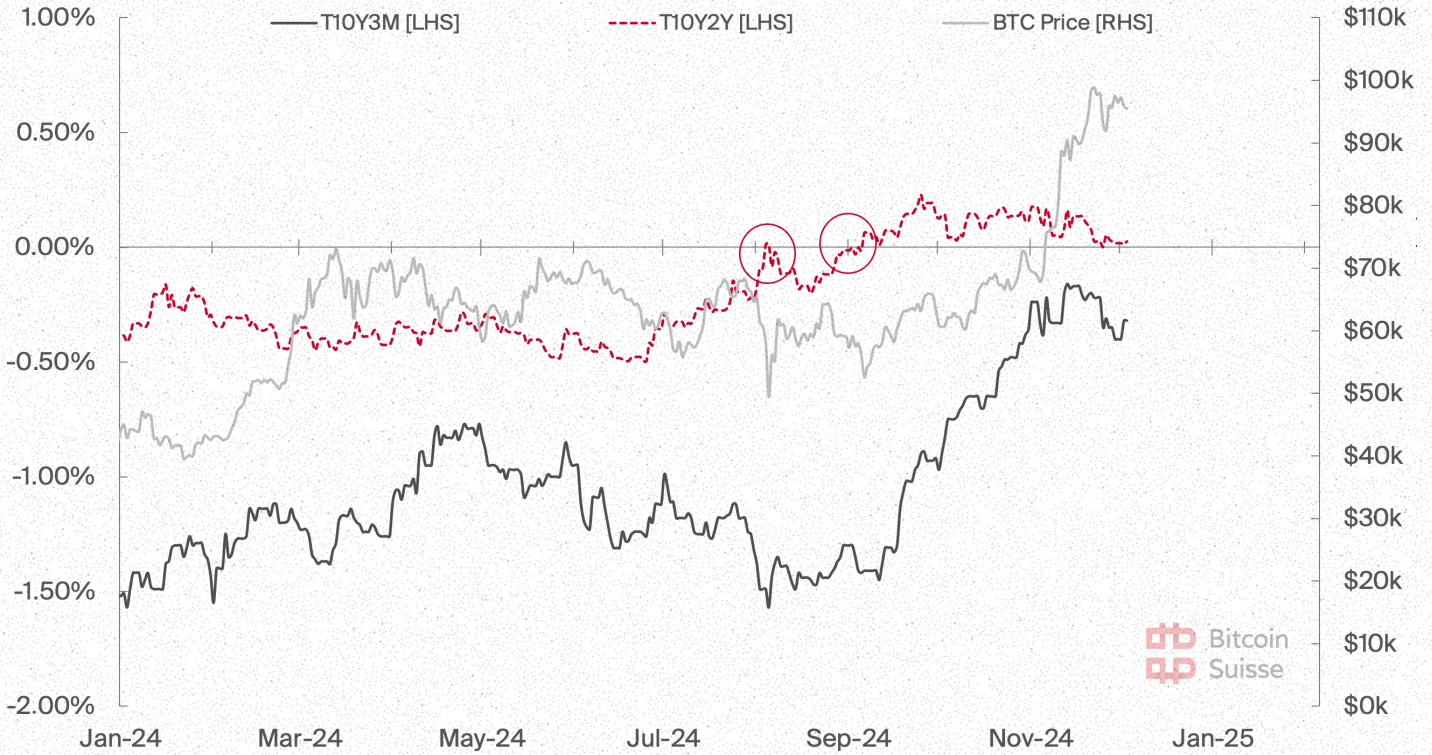
Liquidity dynamics have so far been primarily driven by fiscal measures, while monetary liquidity has lagged behind. However, a regime shift is underway post-election, with macroeconomic policies moving away from demand-side stimulus toward supply-side economic strategies. The new approach, focused on deregulation, targeted tax cuts, and reduced financing costs for businesses, aims to promote long-term productivity and job creation. This strategic pivot is expected to ease inflationary pressures while creating a more stable environment for economic growth. Additionally, increased U.S. oil production to stabilize reserves and energy costs could reinforce disinflationary trends and benefit energy-reliant sectors, indirectly supporting broader markets. This in turn enables monetary conditions and interest rates to ease further.

The evolving macroeconomic backdrop underscores the transition to a more sustainable growth model, as supply-side measures replace the top-down demand-driven strategies of recent years. This strategic shift, combined with improving liquidity and stabilizing financial conditions, positions the crypto market for continued upside. BTC and other major crypto assets are poised to benefit from these tailwinds, with improving macro conditions potentially driving even stronger performance and unlocking significant opportunities for growth in the ongoing bull cycle.



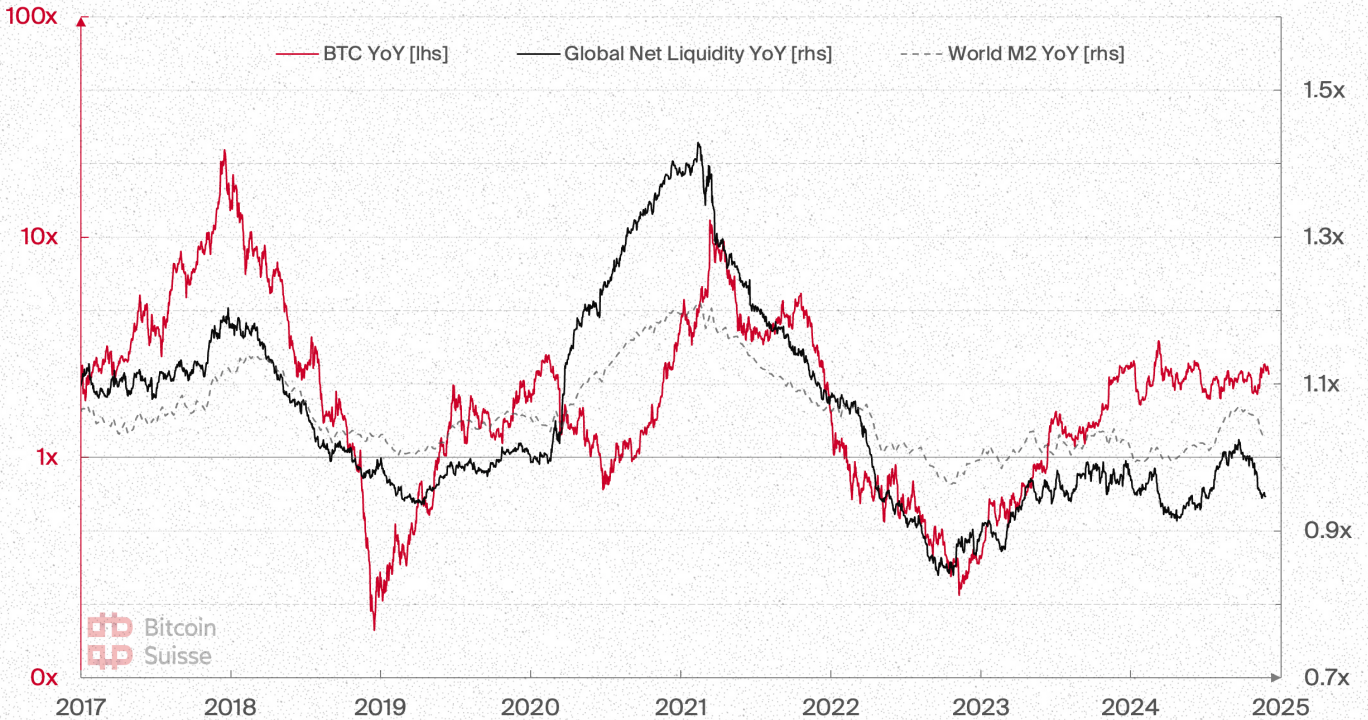
Global net liquidity is improving but still significantly below its 2021 peaks.

Yield spreads and yield curve normalization impact



SOURCE: BITCOIN SUISSE, DATA: FEDERAL RESERVE BANK OF ST. LOUIS, TVC, TRADINGVIEW, DATA AS OF NOVEMBER 29, 2024

Global net liquidity and global M2 money



GLOBAL NET LIQUIDITY: IS THE ENTIRETY OF GLOBAL CENTRAL BANKS' ASSET PURCHASES AND BALANCE SHEET EXPANSIONS AND THUS, A MAJOR DRIVER OF AVAILABLE LIQUIDITY TO FINANCIAL MARKETS. CONTRACTIONS IN GLOBAL NET LIQUIDITY COINCIDE WITH FINANCIAL MARKET DOWNTURNS, WHILE LIQUIDITY EXPANSIONS FUEL GENERAL ECONOMIC GROWTH AND UPTRENDS IN ASSET PRICES.

SOURCE: BITCOIN SUISSE, DATA: BTC INDEX, FRED, FEDERAL RESERVE, TRADINGVIEW, DATA AS OF NOVEMBER 29, 2024

02 BTC emerges as strategic reserve asset in the U.S. with other sovereigns to follow suit

Bitcoin is on the cusp of becoming structural to global reserve strategies. As the world navigates increasing fiscal uncertainty, geopolitical fragmentation, and a shifting monetary order, we project that Bitcoin will emerge as a primary asset in national reserves, transforming the way nations hedge against risk and assert economic sovereignty by diversifying public funds. Record central bank gold purchases and growing sovereign experimentation with Bitcoin strongly signal that reserve asset diversification is becoming increasingly relevant.

1M BTC

Target allocation of Lummis' Bitcoin Act

\$36T

U.S. National Debt

\$153T

U.S. National Debt Projection by 2054

With the upcoming Trump administration, we observe growing momentum in the U.S. for adoption of Bitcoin as a strategic reserve asset. The Lummis Bitcoin Act, proposing acquisition of 1M BTC, represents a watershed moment, potentially positioning the U.S. as the dominant nation-state holder with approximately 5% network ownership, in dollar terms roughly on par with its current stake in global gold reserves. The U.S. government's existing 200k BTC holdings from law enforcement seizures could serve as a springboard for a broader reserve strategy and provide operational precedent. Beyond federal initiatives, momentum is tapering down to the state level. While states like Florida and Pennsylvania are pursuing ambitious direct Bitcoin acquisition strategies for their treasuries, others such as Michigan and Wisconsin are taking a more measured approach through Bitcoin-related ETFs and trusts. Public and private sector adoption metrics continue to grow alongside, with institutions adding significant volumes of Bitcoin to their balance sheets, underscoring its growing role in treasury management.

On a global scale, Bitcoin's increasing prominence as a reserve asset is tangible. In our assessment, its surpassing of the British pound to become the 5th largest currency and its rise to the 7th largest global asset are pivotal milestones. Geopolitically, Bitcoin's neutral nature is becoming increasingly attractive, as demonstrated by Russia's and China's recent recognition of Bitcoin as property.

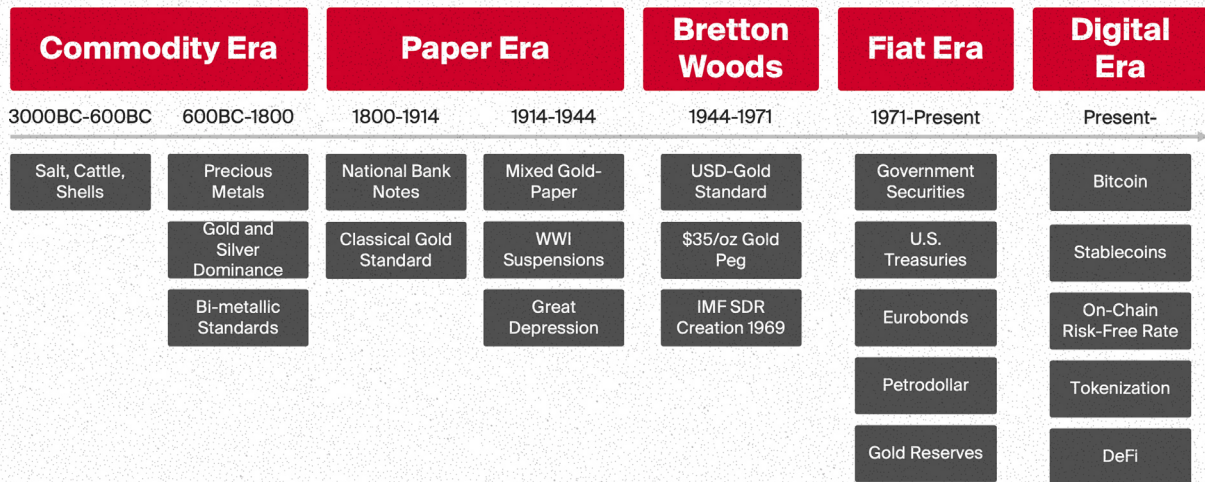
As a hedge against potential dollar instability and as a force supporting dollar supremacy, Bitcoin is increasingly perceived as panacea to the most pressing financial obstacles. With major fiat currencies shedding >70% of their purchasing power since 2000, the case for a hard monetary anchor is increasingly apparent. It furthermore provides crucial optionality to address mounting sovereign debt challenges. With U.S. federal debt at a record \$36T projected to reach \$153T by 2054, Bitcoin's CAGR could provide governments with a powerful tool to offset debt.

Bitcoin, the U.S. could thus strengthen fiscal resilience while countering de-dollarization efforts by adversarial powers. Legislative and bipartisan interest, particularly considering evolving monetary conditions, points to a future where Bitcoin takes its place alongside gold as a central pillar of strategic reserves.

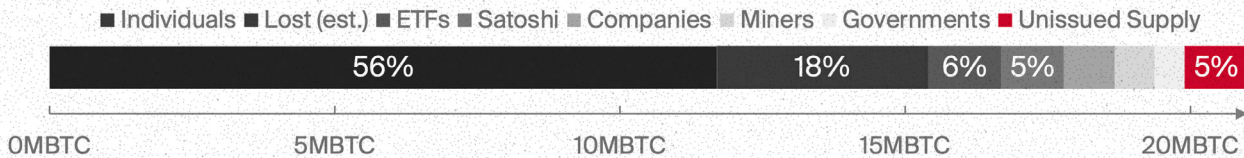
The impact of Bitcoin achieving reserve asset status is difficult to quantify but would likely trigger a profound transformation in global monetary dynamics. Just as gold surged in the decade following Nixon's disman-

tling of the Bretton Woods system in 1971, Bitcoin could experience similar monetary repricing as it transitions from a controversial fringe asset to a state-embraced reserve asset. A reserve asset status would likely create snowball effects as sovereigns race to accumulate holdings, fundamentally altering Bitcoin's market dynamics and potentially disrupting traditional four-year cycle patterns in the years ahead. The key variables remain timing and implementation strategy rather than directional uncertainty.

History of global reserve assets



Bitcoin supply distribution



SOURCE: BITCOIN SUISSE, DATA: BITCOINTREASURIES, RIVER DATA AS OF 06.12.2024

“ Bitcoin could help shore the U.S. dollar as the world reserve currency and serve as a reserve that could be used to reduce the national debt significantly. - Senator Cynthia Lummis

BTC will trade above \$180'000 approaching new all-time highs

0.2%

Bitcoin's share of total global financial assets market capitalization

50x

BTC performance to reach 10% of global financial assets

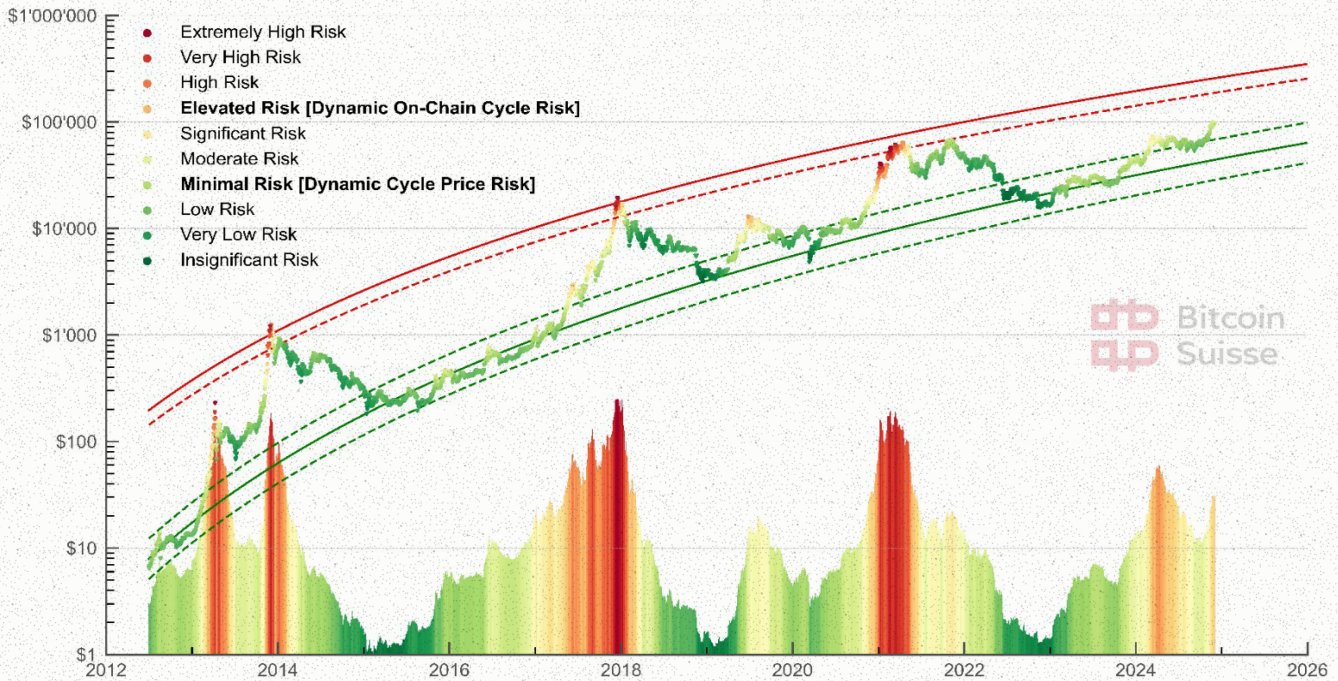
As we move into 2025, we continue to observe the unfolding of Bitcoin's market dynamics, aligned with our cycle peak prediction first issued in November 2023. Our models predict that Bitcoin will reach cycle peak valuations in the range of \$180,000 to \$200,000 throughout 2025. This projection, derived from Bitcoin Suisse's Dynamic Cycle Risk and Dynamic On-Chain Cycle Risk models, as well as aggregated growth projections, highlights that BTC is on track to set new all-time highs next year.

At the start of 2024, Bitcoin's price entered a phase of increased risk, marked by elevated Dynamic Cycle Risks. However, from a cycle perspective, the models did not signal an ideal moment for profit-taking. Over the year, BTC consolidated within the high \$50,000 to high \$60,000 range, and while prices have risen significantly to approach \$100,000, risk metrics suggest a substantially more stable price environment compared to earlier in the year.

The Dynamic On-Chain Cycle Risk rose to high levels as Bitcoin reached a nominal all-time high of approximately \$73,000 earlier this year. Adjusted for inflation, this price still lagged more than 5% behind the 2021 all-time high of \$67,000. While the on-chain risk remains elevated, it has not reached levels that justify profit-taking. Notably, long-term holders (LTHs) have shown selling pressure, but this has been more than offset by institutional buyers, particularly Bitcoin ETFs, which have consistently absorbed multiple times the daily BTC mining issuance since their inception. Bitcoin, accounting for just 0.2% of global financial assets, is dwarfed by traditional asset classes such as real estate, bonds, and gold. However, increased institutional adoption—and potentially imminent adoption by nation-states, particularly through significant moves by major players like the U.S.—could drastically alter its trajectory, disrupting traditional markets and accelerating Bitcoin's exponential growth. With current global assets totaling \$910 trillion, if Bitcoin were to capture even a 5% to 10% share of these assets, holding all else equal and disregarding the substantial nominal growth expected in global assets over time, this would represent an overall growth of 25 to 50 times from current levels—implying a price of \$2.5 million to \$5 million per BTC.

Such a scenario, while substantial, appears to be a stepping-stone for longer-term projections, such as Michael Saylor's prediction of Bitcoin reaching approximately \$13 million per BTC by 2045. In the short term, however, such adoption could ignite a 'supercycle,' pushing valuations beyond \$300,000 during this cycle, aligning with the upper bounds of current trendline projections.

Bitcoin Suisse's Bitcoin Dynamic Cycle Risk and Dynamic On-Chain Cycle Risk



PRICE COLOR-DOT PLOTTED WITH THE BITCOIN DYNAMIC CYCLE RISK METRIC BY BITCOIN SUISSE

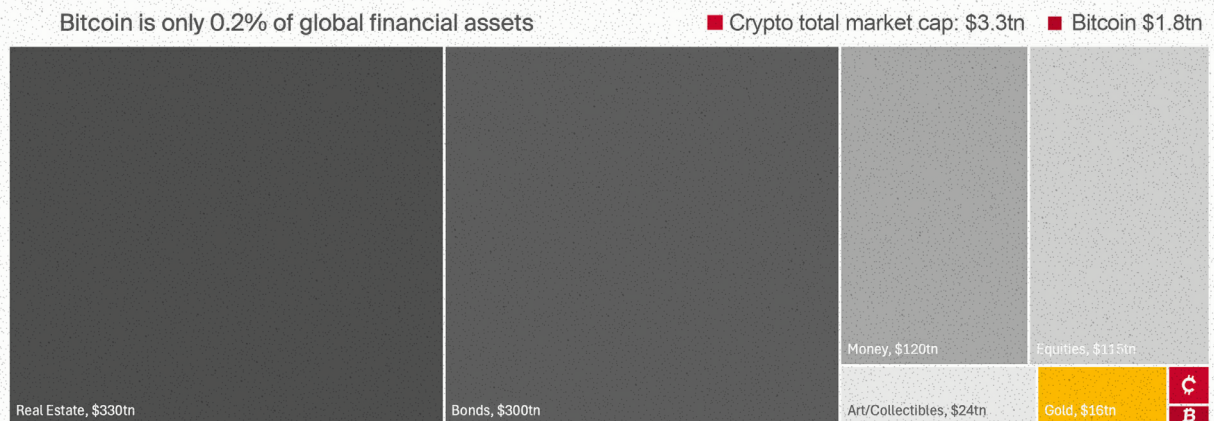
BOTTOM OSCILLATOR CREATED FROM THE BITCOIN DYNAMIC CYCLE ON-CHAIN RISK METRIC BY BITCOIN SUISSE

BITCOIN DYNAMIC CYCLE RISK METRIC: THE BITCOIN DYNAMIC CYCLE RISK METRIC IS BITCOIN SUISSE'S PROPRIETARY TOOL FOR EVALUATING THE RELATIVE RISK OF BITCOIN'S PRICE LEVELS BY ANALYZING KEY FACTORS SUCH AS MOMENTUM, TREND STRENGTH, AND INTER-CRYPTO CYCLE DYNAMICS. IT ADAPTS TO MARKET CONDITIONS, MAINTAINING STABLE RISK DURING MODERATE PRICE INCREASES WHILE DECREASING RISK DURING SIDWAYS OR DECLINING MOVEMENTS.

BITCOIN DYNAMIC CYCLE ON-CHAIN RISK METRIC: THE BITCOIN DYNAMIC CYCLE ON-CHAIN RISK METRIC IS BITCOIN SUISSE'S PROPRIETARY TOOL FOR ASSESSING THE RELATIVE RISK OF BITCOIN'S ON-CHAIN ACTIVITY BY ANALYZING A MULTITUDE OF INDIVIDUALLY OPTIMIZED AND ADJUSTED ON-CHAIN RISK METRICS. EACH METRIC IS SPECIFICALLY DESIGNED TO INCORPORATE INTER-CYCLE DYNAMICS AND IS CAPABLE OF INDEPENDENTLY SIGNALING MARKET TOPS AND BOTTOMS. THE DYNAMIC CYCLE ON-CHAIN RISK METRIC ADAPTS DYNAMICALLY TO MARKET CONDITIONS, WITH RISK DECREASING DURING PERIODS OF SUBDUED ACTIVITY AND INCREASING DURING HEIGHTENED ON-CHAIN ACTIVITY.

SOURCE: BITCOIN SUISSE, DATA: BITCOIN SUISSE, DATA AS OF NOVEMBER 29, 2024

BTC and crypto compared to global financial assets market capitalization



SOURCE: BITCOIN SUISSE, DATA: COINGECKO, BERNSTEIN ANALYSIS, DATA AS OF NOVEMBER 29, 2024

04

Bitcoin volatility to drop below major tech equities signaling institutional-grade asset maturation

Since its inception, one of Bitcoin's defining characteristics has been its notable volatility, which has consistently declined over time, and we hold the view that new investment products could help shrink it further. The approval of the first spot Bitcoin ETF, combined with the regulatory green light for listed options tied to it, attracted new capital to the Bitcoin ecosystem, strengthening its infrastructure and expanding the range of investment opportunities. Since late summer, Bitcoin ETFs have consistently accounted for approximately 5-10% of spot Bitcoin's average daily trading volume.

Among the key drivers compressing Bitcoin's volatility we count institutional adoption yielding substantial yet consistent demand-side flows, larger market capitalization creating price inertia, systematic portfolio rebalancing flows from asset allocators, sophisticated hedge fund strategies dampening extreme moves and overall increased asset class maturity.

Additionally, the options market plays a significant role in this trend. Historically, options markets have been shown to reduce the underlying asset's volatility over the medium to long term due to the combined effects of hedging activity and liquidity enhancement.

Professional investors could leverage the newly created market to amplify Bitcoin's inherent volatility. By strategically deploying trading techniques, they have the potential to exacerbate volatility in the short term.

We believe that ongoing regulatory advancements surrounding Bitcoin will accelerate its maturation among established asset classes. With sustained compression of volatility going forward, we project Bitcoin to corroborate its position as digital gold and potentially achieve volatility levels below those of high-tech stocks.

The reduction in Bitcoin's volatility will likely enhance its risk-adjusted performance. Over the past year, Bitcoin has coupled high returns with dramatic volatility, negatively impacting metrics like the Sharpe ratio. Since 2017, Bitcoin's absolute return has been approximately 7'000%, with a Sharpe ratio of 1.108. For comparison, Tesla's return over the same period was about 2'000%, with a Sharpe ratio of 1.101, while Nvidia achieved a return of 5'600% with a Sharpe ratio of 1.996.

Bitcoin's declining volatility comes with double-edged sword dynamics, whereby the asset's increasing maturity manifests in enhanced stability metrics and institutional viability while simultaneously diminishing the asymmetric return potential that historically characterized the asset class.

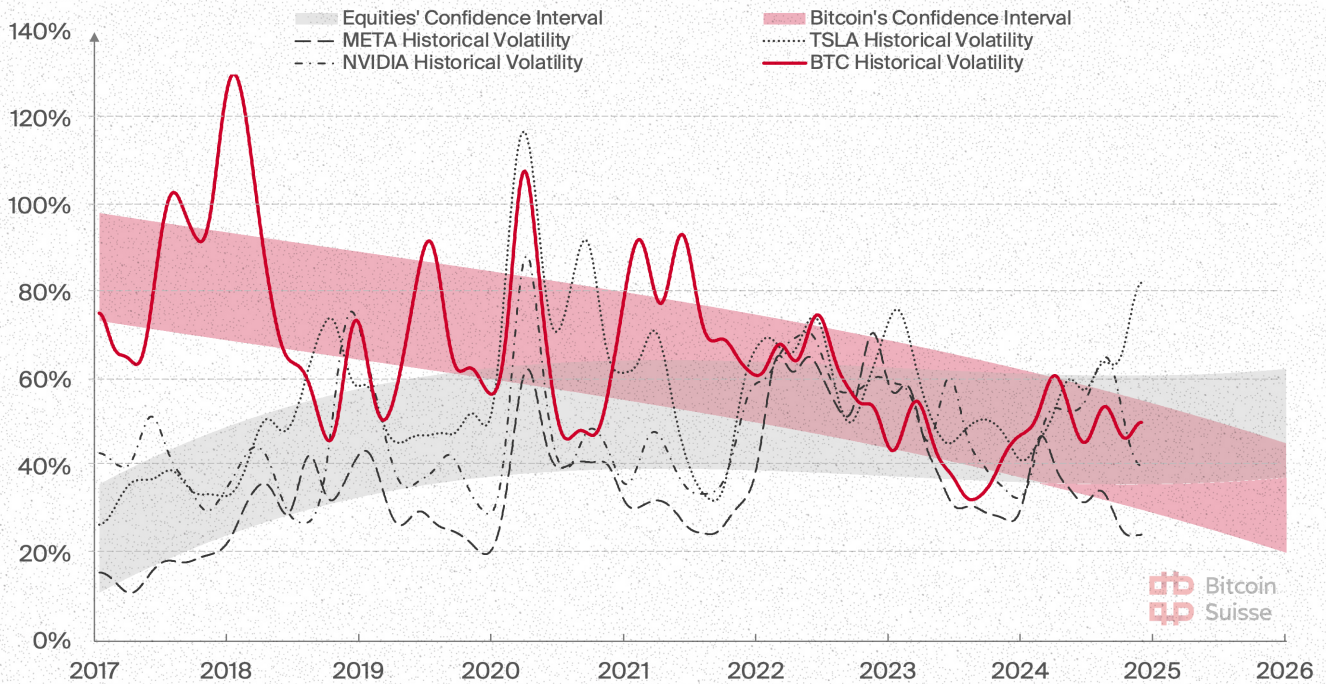
51.22%

Average 30D volatility of Bitcoin in 2024

46.78%

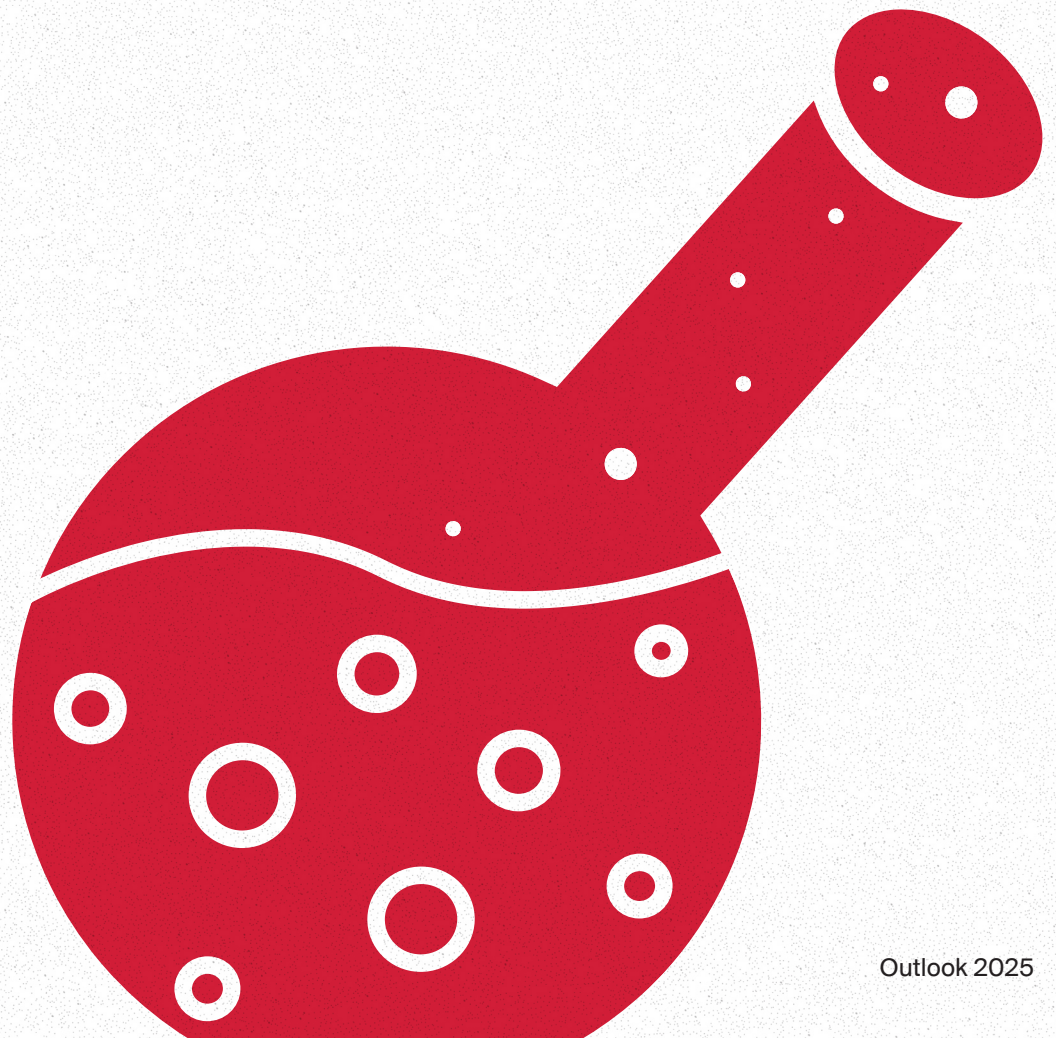
Projected average 30D volatility of Bitcoin in 2025

Volatility projection for BTC and selected equities



THE GRAPH ILLUSTRATES THE 30-DAY ROLLING VOLATILITY OF FOUR ASSETS: BTC (BITCOIN), META, TESLA, AND NVIDIA. GAUSSIAN SMOOTHING WITH A SIGMA VALUE OF 30 HAS BEEN APPLIED TO REDUCE NOISE. THE SHADED BANDS REPRESENT CONFIDENCE INTERVALS FOR BITCOIN AND THE AVERAGE OF SELECTED EQUITIES. DIFFERENT QUANTILES HAVE BEEN APPLIED TO ENSURE COHERENCE. BITCOIN'S CONFIDENCE INTERVAL IS BASED ON THE 80TH PERCENTILE, WHILE THE TRADFI STOCK COLLECTION USES THE 95TH PERCENTILE. THE HIGHER PREDICTABILITY OF THE TRADFI STOCK PANEL IS ATTRIBUTED TO THE DIVERSIFICATION EFFECT.

SOURCE: BITCOIN SUISSE, DATA: INVESTING.COM, DATA AS OF 01.12.2024



05

Financial giants to launch institutional rollups on Ethereum

Institutions are entering the crypto industry at an unprecedented pace. Stripe made its largest ever acquisition with blockchain payments company Bridge, Blackrock dethroned Grayscale in AUM in the blink of an eye. 13 out of 22 major global financial institutions are looking into tokenization, a market projected to reach \$16tn by 2030. BTC ETFs are adopted faster than any other ETF in history, and Swift launched a pilot for tokenized fund settlement among countless other developments.

In our view, conditions are prime for institutional players to take the next logical step and deepen their blockchain integrations with a full-fledged rollup implementation on Ethereum.

Ethereum provides uncontested uptime, security, credible neutrality, and decentralization. It remains the platform of choice for institutional on-chain use-cases such as stablecoins or tokenization. BlackRock for instance launched its tokenized fund BUIDL, while Visa announced its Tokenized Asset Platform VTAP with live pilots expected in 2025.

Structurally, EIP4844 was a broad success, flushing rollup transaction costs into sub-cent territory, and elevating daily rollup transactions to 30M. Base, Arbitrum, and Optimism recorded the largest inflows YTD across the industry and extended their TVL by >60%. Alongside, there are major interoperability improvements in the pipeline, allowing these entities to frictionlessly tap into the most capital heavy smart contract ecosystem.

Aside from market expansion, efficiency benefits, and the overall first mover advantage, institutions could enter novel revenue streams from sequencing (MEV, transaction fees). Given institutional activity and trading volumes, sequencer revenue could yield substantial returns. Suitable benchmarks are established rollups, that are driving up to \$80M in annual revenue.

A proprietary rollup furthermore grants institutions complete control over latency, consensus rules, token standards, and execution environment, while enabling built-in compliance features like mandatory KYC or AML checks, blacklisting capabilities, and automated regulatory reporting at the protocol level.

ETF tokenization and payment related opportunities could further complement sequencer revenue streams. Cross border payments, cost, short settlement windows, built-in FX capabilities through DeFi integrations, B2B payments, programmable payment schedules or real-time treasury operations create a watertight case. Equity and ETF wrappers could moreover allow emerging market entries as 90% of the world's population remains unbrokered. With BUIDL and other institutional funds recently accessing DeFi through Elixir's deUSD protocol, the writings are on the wall.

Finally, there is a history of private blockchain experiments, and they clearly failed to materialize. Rollups on Ethereum thus demonstrate the natural progression creating a vertically integrated stack where institutions control both the infrastructure layer and the financial products layer running atop. The benefits are self-evident: 2025 will be the year of institutional rollups.

\$13.21B

Total RWA value (excl. Stablecoins)

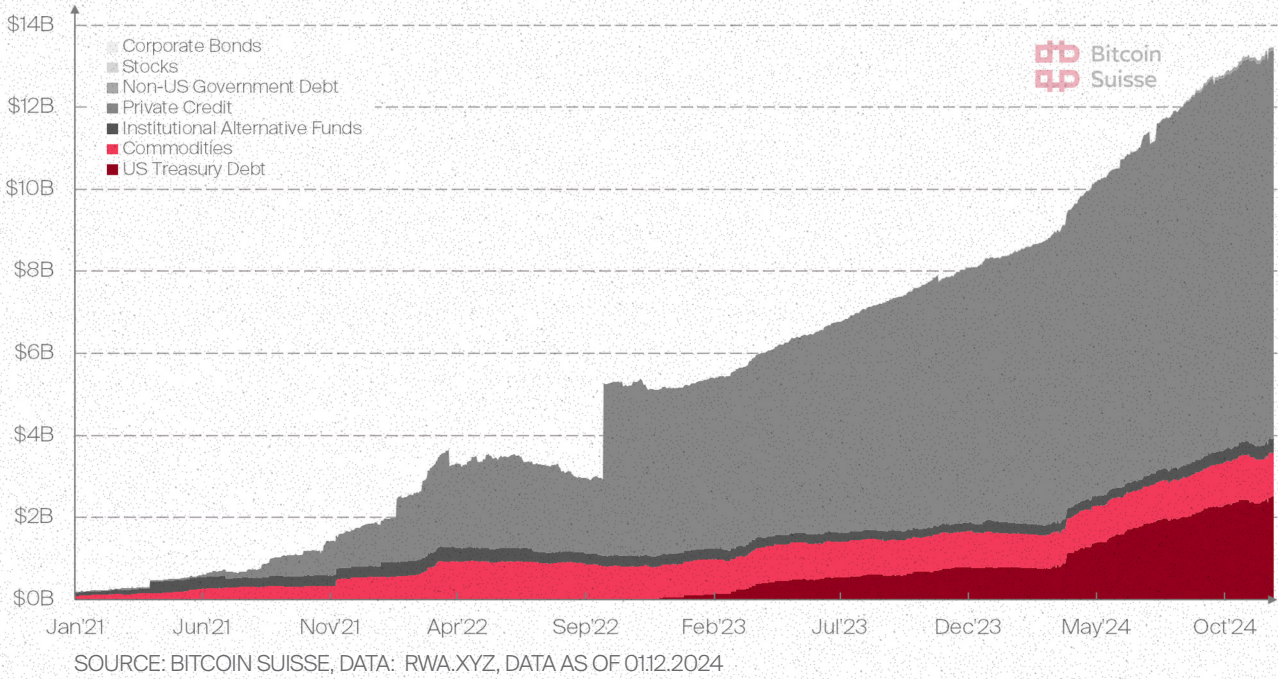
78.5%

Ethereum's RWA Market Share (excl. Stablecoins)

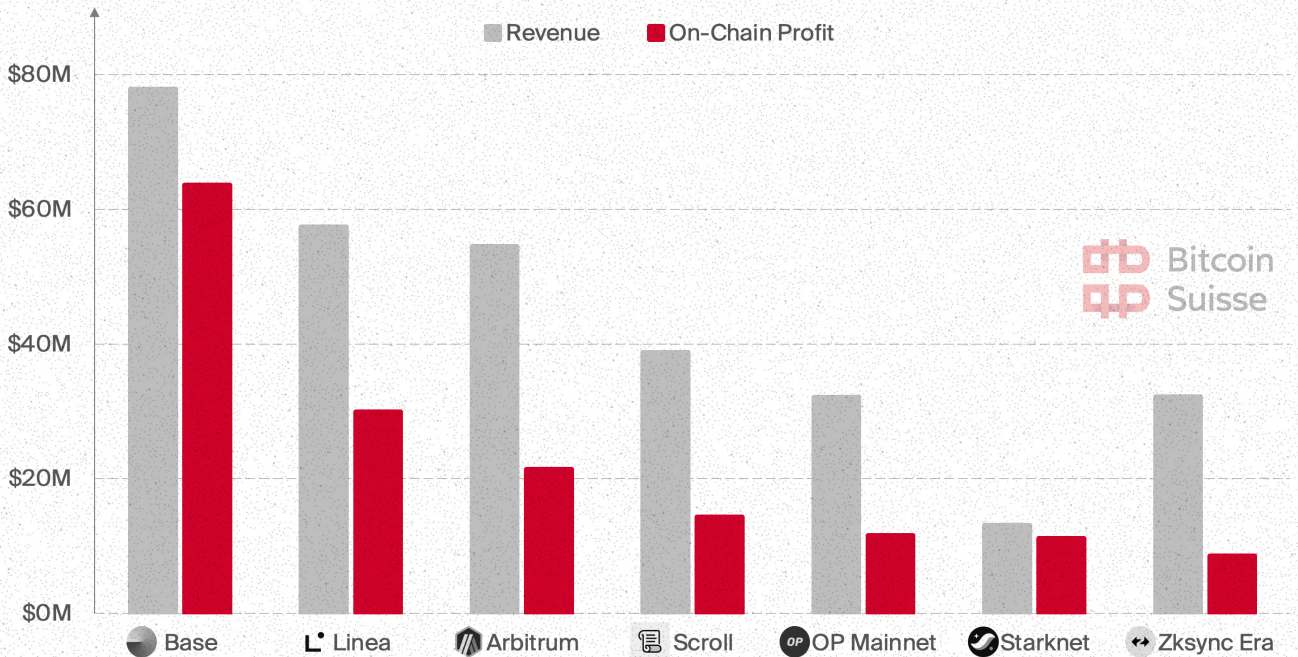
\$63.56M

On-Chain Profit of Base (1Y)

Tokenized RWA across sectors excluding stablecoins



Revenue and on-chain profits of top performing rollups (1Y)



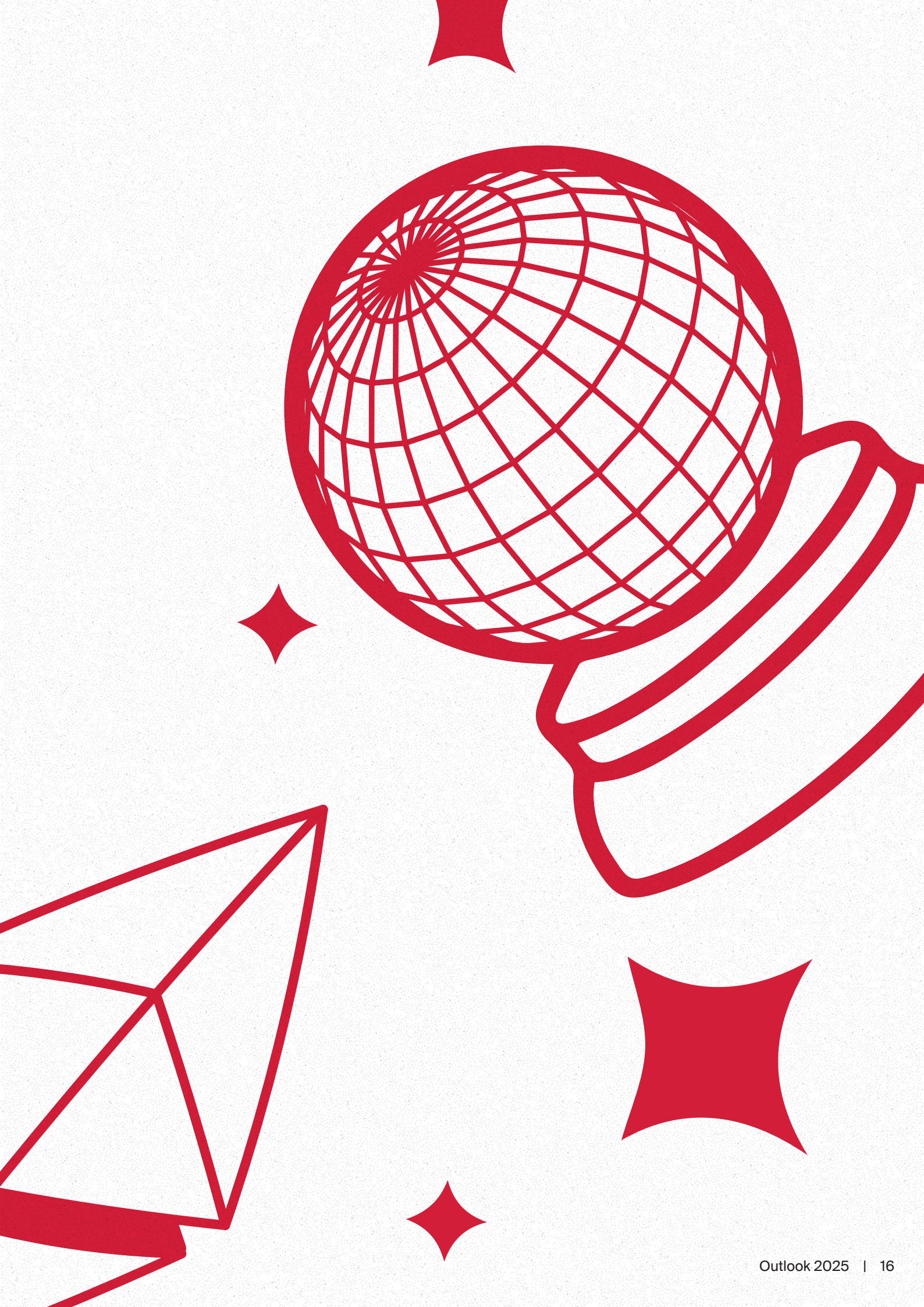
ON-CHAIN PROFIT MEASURES ROLLUP PROFITABILITY BY COMPARING GAS FEE REVENUE AGAINST COSTS FOR DATA AND PROOF POSTING ON ETHEREUM. PROFITABILITY INCREASES THROUGH HIGH BLOCKSPACE DEMAND THAT ENABLES PREMIUM PRICING, OR WHEN OPERATORS RAISE THE BASE FEE SCALAR

SOURCE: BITCOIN SUISSE, DATA: ARTEMIS, DATA AS OF 01:12.2024

Institutional crypto adoption

	Crypto Trading/ Custody	Private Crypto Funds	Crypto ETPs	Crypto-Enabled Payments	Tokenization
Bank of America	✓				
BlackRock	✓	✓	✓		✓
BNY Mellon	✓		✓		✓
CBOE	✓				
Charles Schwab	✓		✓		
Citi	✓			✓	✓
CME	✓				
Deutsche Bank	✓				✓
Deutsche Börse	✓				
Fidelity	✓	✓	✓		✓
Franklin Templeton	✓	✓	✓		✓
Golman Sachs	✓		✓		✓
HSBC	✓				✓
Interactive Brokers	✓		✓		
JPMorgan Chase	✓	✓	✓	✓	✓
London Stock Exchange	✓				
MasterCard				✓	
Morgan Stanley		✓	✓		
PayPal	✓			✓	✓
Société Générale	✓				✓
UBS	✓				✓
Visa	✓		✓	✓	✓

“ Conditions are prime for institutional players to take the next logical step and deepen their blockchain integrations with a full-fledged rollup implementation on Ethereum.



ETH staking ETFs will elevate market cap adjusted flows above BTC

While Bitcoin ETFs shattered records with \$32B in net flows and IBIT now approaching \$50B in AUM in just 225 trading days, we project a structural shift of flows into ETH ETFs in the post-election environment. Despite relative underperformance since ETF inception, fundamentals indicate an increasingly compelling risk-reward proposition amid surging institutional engagement. November catalyzed an inflection point in ETH ETF capital flows as they turned net positive for the first time since their July launch, with a single day in November recording \$332.9M exceeding Bitcoin's \$320M. Recent flows moreover managed to catch up with Bitcoin on a market cap adjusted basis.

\$733.6M

Cumulative ETH ETF Net Flows

2.1%

Supply of ETH in ETFs

28.35%

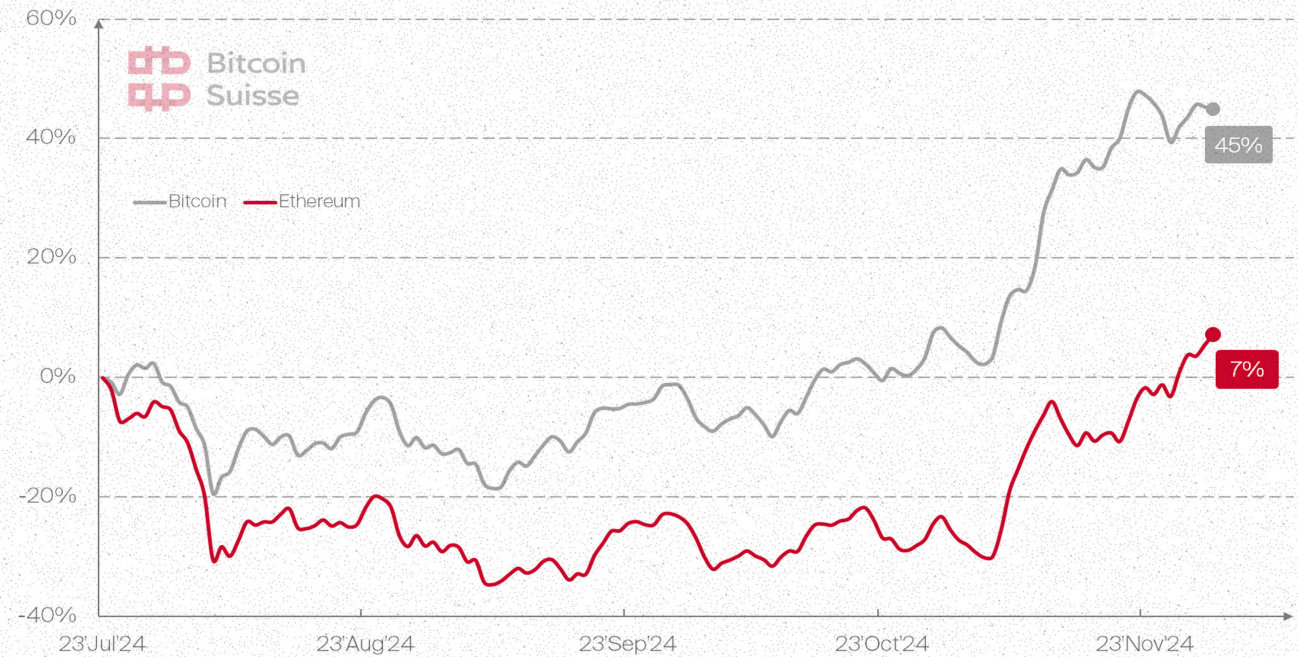
ETH Staking Ratio

In our view, ETH's relative underperformance since its ETF approval reflects initial institutional preference for Bitcoin's established narrative and superior mindshare, compounded by regulatory headwinds around staking yields in ETH ETFs. Regulatory uncertainty and opportunity cost based on inaccessible staking rewards hence substantially constrained institutional capital flows. This delta, however, sets the stage for significant rebound potential once these bottlenecks dissolve. Under the new Trump administration, we expect a swift approval for ETH staking in ETFs, eventually unlocking a 3-4% yield, which strongly caters to institutional allocators and is particularly compelling in a declining rate environment. We project that staking yields will disproportionately benefit Ethereum and emerge as the primary catalyst for sustained constructive flows into ETH ETFs. Strategic acquisitions of staking providers furthermore indicate that players such as Bitwise wisely prepare for such outcomes.

Aside from ETH staking ETFs, we project approval of additional crypto ETFs in 2025, including SOL and XRP, potentially sparking a broader discussion on L1 classification as commodities. Yet, ETH's unique position as a regulated, yield-bearing asset with proven institutional adoption will likely remain unchallenged. Compared to Bitcoin, the asset rests in the early stage of its institutional adoption life cycle. With institutional capital currently confined to rotate between just two major crypto assets, ETH's supply dynamics strongly point to the upside. More than 70% of ETH supply has remained dormant in the past twelve months, alongside record-high staking participation rates.

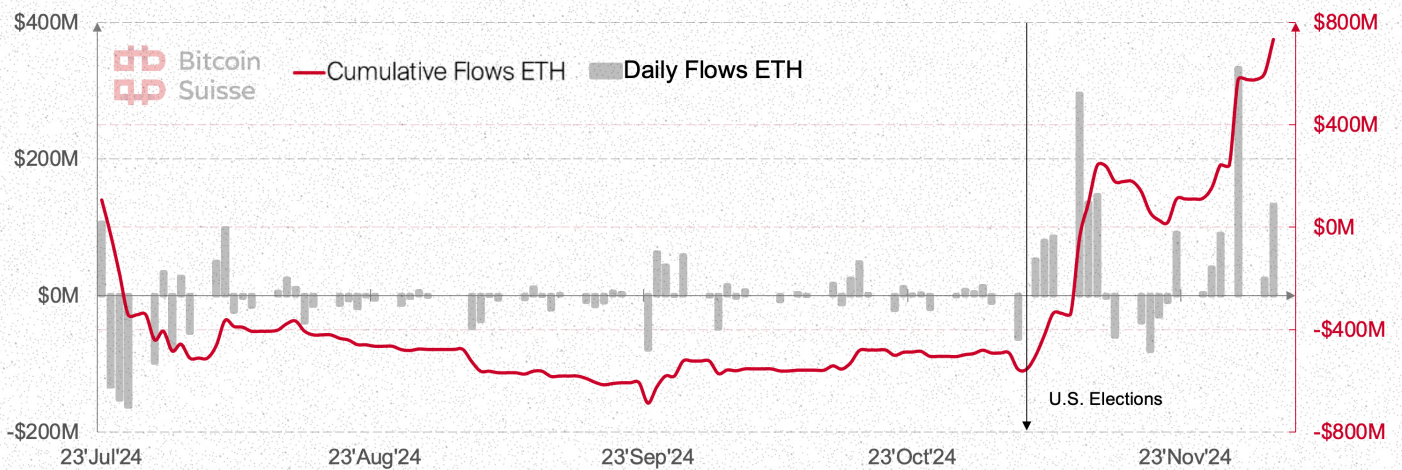
In a nutshell, we project a post-election inflow reversal as the next wave of institutional crypto allocation becomes yield driven. The confluence of regulatory tailwinds, yield potential, and favorable supply dynamics positions ETH ETFs for market cap adjusted flows above BTC in 2025.

Performance since ETH ETF launch



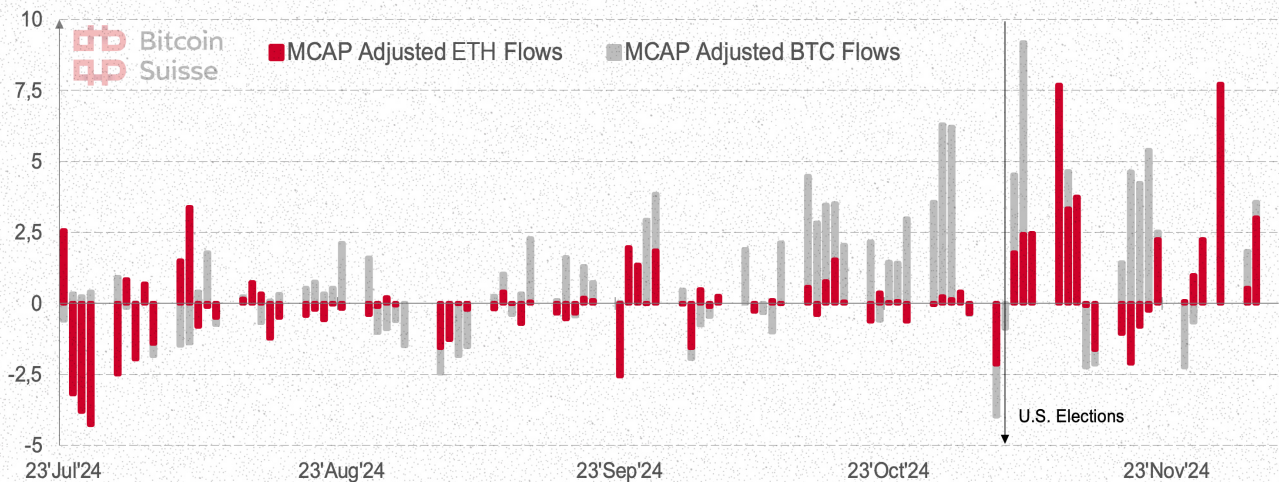
SOURCE: BITCOIN SUISSE, DATA: COINGECKO, DATA AS OF 01.12.2024

ETH ETF net cumulative and daily flows



SOURCE: BITCOIN SUISSE, DATA: FARSSIDE, DATA AS OF 12.03.2024

Market cap adjusted flows of ETH and BTC ETFs



SOURCE: BITCOIN SUISSE, DATA: COINGECKO, FARSSIDE, DATA AS OF 03.12.2024

07 BTC dominance peaks throughout turn of the year

60%

BTC dominance peak for this cycle

<45%

BTC dominance target during 2025 altcoin season

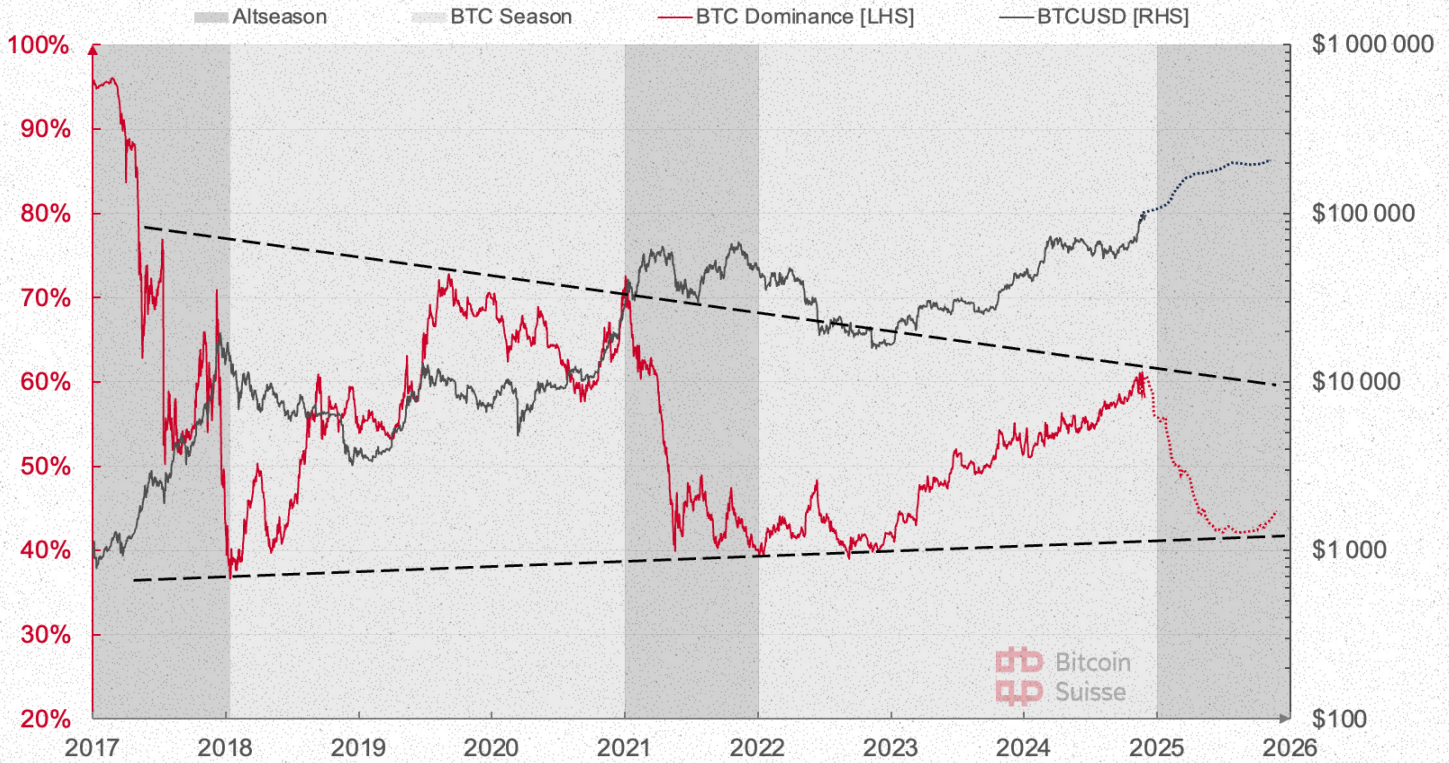
Bitcoin dominance is projected to reach its cycle peak as the market transitions into 2025, marking a critical turning point in the crypto market's structure. While BTC will continue to grow in absolute terms, its dominance will decline during the bull cycle's final phases as capital rotates into altcoins. This pattern aligns with Bitcoin's halving-driven market cycles, where dominance surges early before receding as altcoins take center stage during the final bull run phase.

Ethereum (ETH) and Solana (SOL) stand out as key assets poised to outperform Bitcoin in their respective BTC trading pairs during this period. Unlike most altcoins, which trend toward zero against BTC over time despite holding steady in USD valuations, ETH and SOL behave as oscillators, maintaining relative strength against Bitcoin. Their resilience reflects their increasing importance within the broader crypto ecosystem, providing an alternative growth trajectory alongside Bitcoin.

The anticipated decline in BTC dominance aligns with historical trends and broader macroeconomic dynamics, including liquidity cycles, halving progressions, and the typical easing of market sentiment during post-halving and post-election years. As liquidity strengthens the case for higher-risk assets, capital rotation into altcoins will amplify their outperformance. This structural shift underscores the heightened role of altcoins during the latter stages of the cycle, where their relative returns are expected to surpass BTC's.

While Bitcoin will continue to deliver strong returns, the lion's share of gains is expected to emerge from altcoins. This reflects a maturing market structure where capital increasingly targets higher-risk opportunities during peak bullishness. As BTC dominance retreats, altcoins will claim a larger share of the market, prompting investors to reevaluate portfolio strategies for the final phases of this bull market. Following this phase, BTC dominance is expected to reset, laying the foundation for the next cycle.

BTC dominance trend



SOURCE: BITCOIN SUISSE, DATA: CRYPTOCAP, BTC INDEX, DATA AS OF NOVEMBER 29, 2024

ETH and SOL versus BTC cyclicity



SOURCE: BITCOIN SUISSE, DATA: BINANCE, TRADINGVIEW, DATA AS OF NOVEMBER 29, 2024

08 ETH's monetary policy anchors, accelerating its path to money

Despite strong arguments in favor of modifying ETH's monetary policy, there will be no changes to the issuance rate of staking rewards in 2025, and there will be no consensus on a change to be included in the hard fork expected in 2026. During 2024, multiple Ethereum researchers argued against the sustainability of the staking economics and proposed new issuance curves setting an upper bound on the staking ratio or mechanisms to stabilize it around a target value. These proposals address the risk of drifting towards excessive staking ratios, causing unnecessary inflation and stress on the network. In extreme scenarios, ETH might be replaced as money by a single dominant LST having unacceptable influence on Ethereum.

We believe it is crucial for ETH to keep its role as credibly neutral money for global settlement, thus we share the concerns about a high staking ratio. However, there is pushback grounded on the same goal of achieving moneyness, as any change to the issuance might reduce its perception as sound money (especially in contrast with Bitcoin's unchanged monetary policy).

While ETH already had changes in issuance, most notably with the introduction of staking, the importance of preserving its moneyness became more apparent in 2024, arguably because of the rise of competitors such as Celestia or Solana. While competitors can rapidly push optimizations on specific verticals, making new coins accepted as money is way harder.

The critical impact of this decision and the need for alignment on how to achieve moneyness make it unlikely for the Ethereum community to find consensus on a change by the end of 2025. We further believe that even with ETH staking ETF approvals we will not see staking ratios comparable to those seen on most proof of stake chains. Our base case of staking ratio growth is comparable to the one seen last year (+18%), leading to a staking ratio of ~33% in 2025. Relatively low ratios and validator consolidation post EIP-7251 will further reduce the urgency of a change.

In our view, the consolidation of ETH's monetary policy in 2025 will have a positive effect on ETH valuation and serves as a differentiator to other platforms. At the same time, we don't exclude a change further down the line, with more time for achieving the required social consensus to agree on the "endgame" of staking economics.

“ Anyone can create money; the problem is to get it accepted. – Minsky

+0.17%

YoY supply change ETH

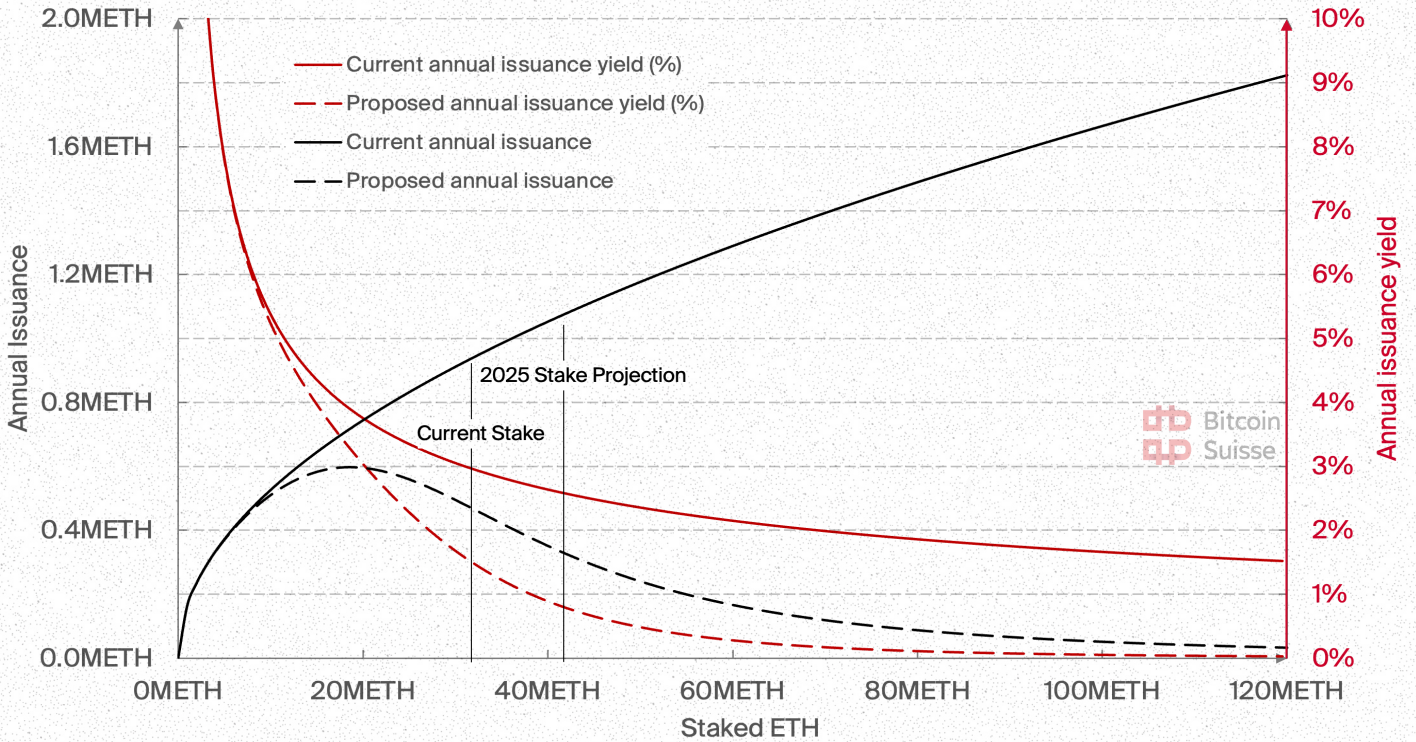
+1.17%

YoY supply change BTC

+4.42%

YoY supply change SOL

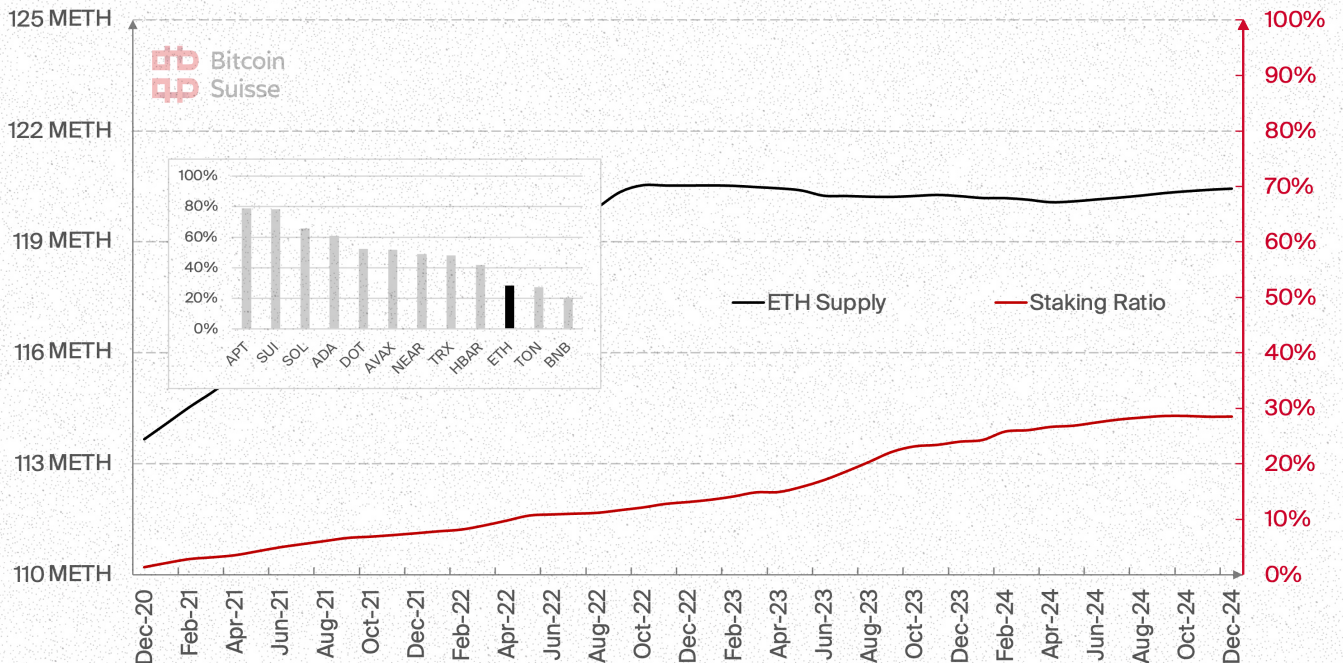
Example of proposed change in issuance curve and issuance yield



THE ISSUANCE YIELD IS LOWER THAN THE STAKING YIELD AS IT DOES NOT INCLUDE TRANSACTION FEES AND MEV.

SOURCE: BITCOIN SUISSE, DATA: ETHEREUM DOCS, A. ELWSSON, "PRACTICAL ENDGAME ON ISSUANCE POLICY" - ETHRESEARCH, DATA AS OF 03.12.2025

ETH total supply and staking ratio over time



INSET: STAKING RATIO FOR MAIN PROOF OF STAKE NETWORKS

SOURCE: BITCOIN SUISSE, DATA: BEACONCHA.IN, COINMETRICS, STAKINGREWARDS, DATA AS OF 01.12.2024

Altcoin season will peak in H1 2025 as market cap soars 5x

Altcoin season is set to emerge as the crypto market enters a critical phase in 2025. Historically, these shifts occur after extended periods of Bitcoin dominance during bear markets, where altcoins underperform sustainably, as highlighted in the chart's dark grey areas. However, an impending market rotation will drive capital, mainly from BTC, into altcoins, marking the beginning of a decisive and significant altcoin season.

5x

Potential increase in total crypto market capitalization in 2025

Up to 10x

Potential increase in altcoin market capitalization in 2025

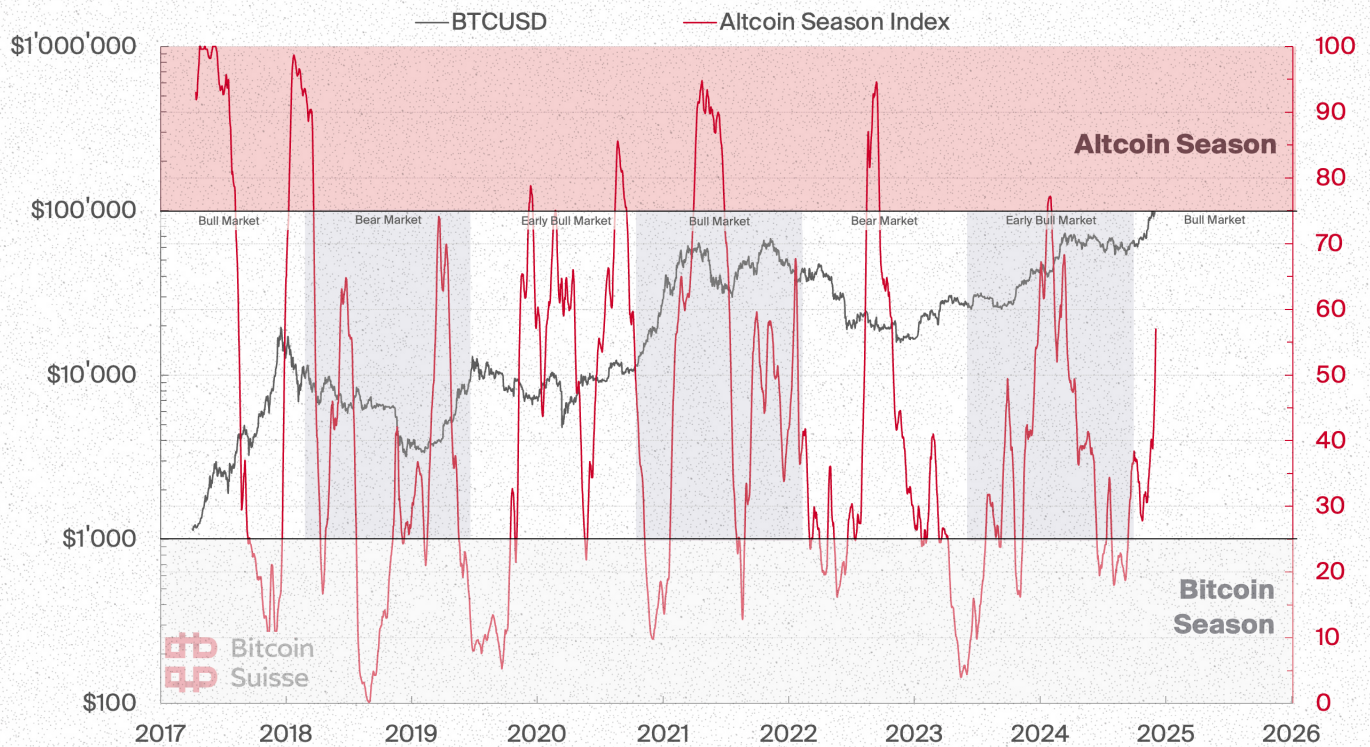
The most explosive altcoin seasons have consistently coincided with Bitcoin's final bull runs, typically as BTC claims its final cycle peak. This cycle appears no different. With Bitcoin projected to approach a \$4 trillion market cap, its dominance is expected to decline, creating ideal conditions for altcoins to outperform. The current trajectory suggests that the first half of 2025 will witness the strongest and most pronounced altcoin season of this cycle, fueled by capital rotation and heightened risk appetite as BTC consolidates near its peak valuations.

Using Bitcoin and Ethereum market cap targets as benchmarks, the scale of potential altcoin performance becomes clear. Bitcoin's anticipated \$4 trillion market cap and Ethereum's \$1 to \$1.5 trillion market cap leave approximately \$10 trillion allocated to altcoins, assuming a total crypto market cap of around \$15 trillion at this cycle peak. With the current TOTAL3 market cap at just \$1 trillion, this points to an up to 10x growth potential for the aggregate altcoin market as the cycle matures.

The convergence of Bitcoin's peak valuations, Ethereum's expansion, and the anticipated capital rotation into altcoins underpins the case for a deep altcoin season in H1 2025. This period will present significant opportunities for outsized returns, with select assets poised for exponential growth. As market dominance shifts, active positioning and diversified exposure to altcoins will be essential for capturing the full upside of this high-growth phase in the crypto cycle.

“The most explosive altcoin seasons have consistently coincided with Bitcoin's final bull runs.”

Altcoin Season Index pointing to outsized altcoin returns in the near-term



ALTCOIN SEASON INDEX: THE ALTCOIN SEASON INDEX MEASURES WHETHER THE TOP 50 CRYPTO ASSETS (EXCLUDING STABLECOINS) ARE OUTPERFORMING BITCOIN OVER A SET PERIOD, WITH VALUES ABOVE 75 SIGNALING AN ALTSEASON AND BELOW 25 INDICATING BITCOIN DOMINANCE

TOTAL3: TOTAL CRYPTO MARKET CAP EXCLUDING THE MARKET CAPITALIZATION OF BTC AND ETH, ESSENTIALLY THE MARKET CAP OF ALL ALTCOINS.

SOURCE: BITCOIN SUISSE, DATA: CRPYOTCAP, COINANK, DATA AS OF NOVEMBER 29, 2024

Market cap projections for BTC, ETH and Altcoins point to multiples ahead

	Current Market Cap	Cycle Prediction Market Cap
BTC	\$1.8tn	~\$4tn
ETH	\$0.4tn	~\$1.5tn
Altcoin	\$1.1tn	~\$10tn
Total Crypto	\$3.3tn	~\$15tn

SOURCE: BITCOIN SUISSE, DATA: CRPYOTCAP, COINANK, DATA AS OF NOVEMBER 29, 2024

Solana solidifies market position as premiere general purpose smart contract platform

In 2024, Solana emerged as a strong competitor to Ethereum in terms of real economic value (REV: transaction fees + MEV tips) and recognition among founders, investors and users. We expect this trend to continue in 2025 thanks to fundamental improvements that will allow Solana to prevail in an increasingly competitive environment.

Thanks to fast iteration cycles, a strong core of developers and alignment on value proposition and optimization strategies, Solana is now in a prime position to strengthen its network effects. However, next year it will face fierce competition from Ethereum and other existing (e.g. Aptos, Sui) and new

(e.g. Monad, MegaETH) general purpose smart contract platforms (GPSCPs). We expect that providing high throughput and low fees will not be a meaningful differentiator, thus it will be crucial to accompany the efforts to “increase bandwidth, reduce latency” with improvements on fundamental aspects. The most anticipated upgrade for 2025 is Firedancer reaching the required maturity to make Solana a more robust multi-client network. Firedancer’s codebase will be independent of Agave, effectively reducing the likelihood of cascading client incidents, meaning that validators can easily switch without waiting for the issue to be solved. Firedancer is already live on mainnet in a non-voting configuration, allowing the team to acquire data and test new features and optimizations.

Further fundamental developments will center around several key areas. State growth mitigation will be addressed through increased adoption of state compression techniques. The handling of state contention will improve through global adoption of the central transaction scheduler. We can expect to see more zk-rollups emerging, leveraging recently introduced dedicated syscalls. Token economics will see improvements through the redistribution of priority fees to stakers (SIMD-0123), alongside ongoing discussions about reduced issuance. Scalability will be enhanced through asynchronous execution, building upon progress in hardware capabilities. Censorship resistance will be strengthened through the implementation of multiple concurrent leaders. Finally, progress continues on developing a verifying full node client with lower hardware requirements (Mithril).

While we don’t expect to see all these improvements fully realized in 2025, the partial shift from a “move fast and break things” approach to more focus on strategic fundamental improvements involving independent teams makes us confident on the sustainable success of Solana as a premiere GPSCP. This will manifest in Solana maintaining its place as a platform of choice for DeFi and DePIN founders, and becoming more attractive for institutional tokenized asset issuers, which is crucial for fully realizing the potential of a permissionless, global state machine synchronized at the speed of light.

40%

(Solana REV) / (Ethereum + rollups REV),
Last year

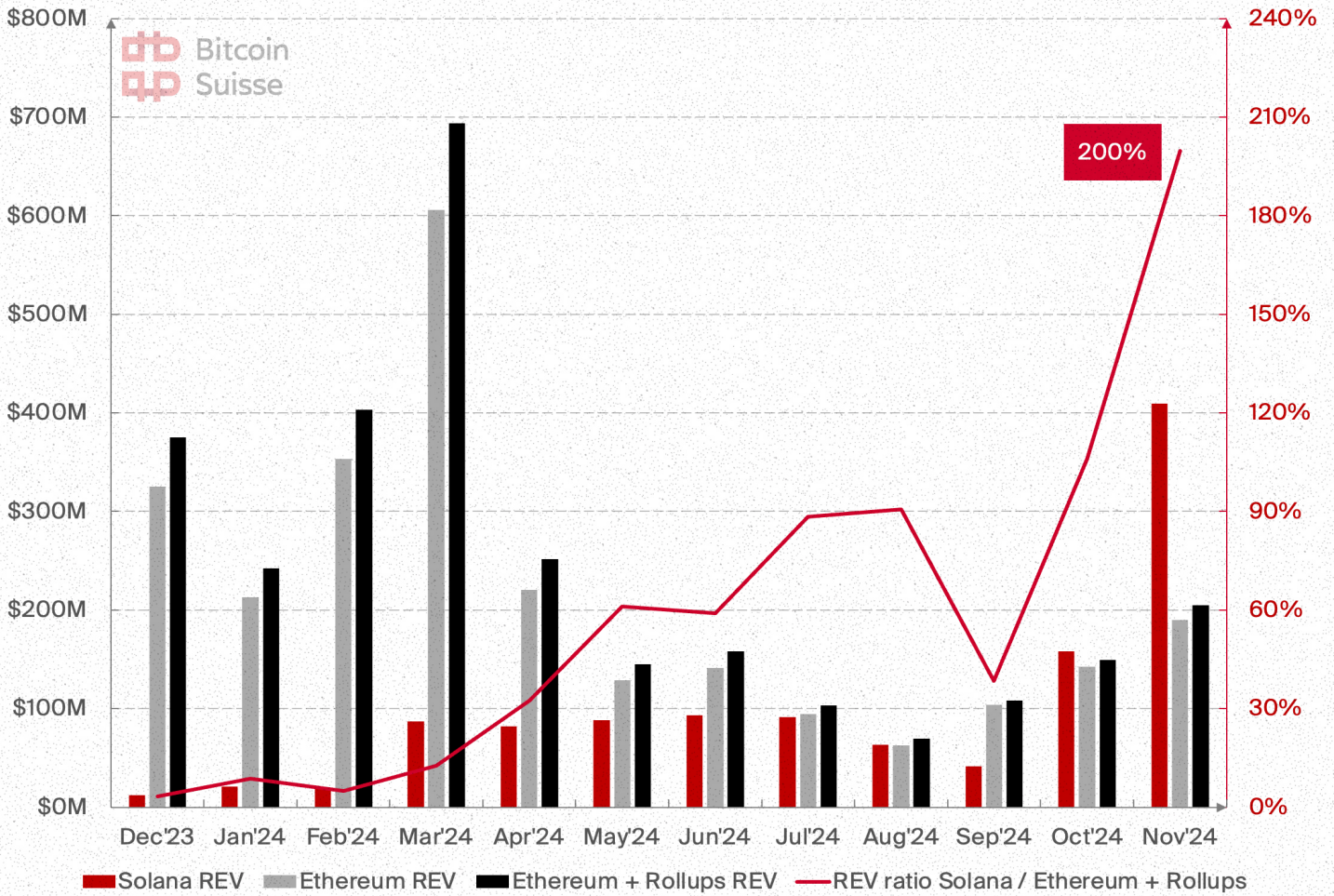
108%

(Solana REV) / (Ethereum + rollups REV),
Last 6 months

200%

(Solana REV) / (Ethereum + rollups REV),
Last month (November '24)

Real monthly economic value for Solana and Ethereum



SOURCE: BITCOIN SUISSE, DATA: BLOCKWORKS RESEARCH, ARTEMIS, DATA AS OF 01.12.2024



11

Wealth effects will catalyze NFT momentum in the last cycle innings

In recent years, expectations have met gravity as the NFT markets have gone through deep correction territory. We project a reversal of this trend in the late stages of this cycle fueled by industry-wide wealth effects and capital rotation. While most collections will remain muted, we believe premier collections like CryptoPunks or Fidenza are establishing themselves as crypto's social identifiers and fine high-end digital art, generative art in particular. With blockchains, generative art found a matching canvas that provides provable scarcity, on-chain provenance and validates why permanent, non-fungible and ownable digital content can be valuable. Pudgy Penguins, the second-largest NFT project by MCAP, recently gained traction fueled by the anticipated release of their PENGU ecosystem token. Amid a prevailing crypto zeitgeist clearly leaning into memecoins, PENGU's memetics may catch markets by surprise. Moreover, being crypto's biggest breakout consumer brand, their parent company's launch of Abstract chain could further accelerate this momentum.

Increased volumes in November and recent collection performance appear to be early signs of a sustained trend. With Magic Eden, we experienced a first valuation event of a major NFT platform and with OpenSea, there potentially is another one in the pipeline. Both likely yield increased stickiness and liquidity around NFT markets. Based on these catalysts, we anticipate a significant appreciation of relevant collections. As we've seen in the previous cycle, NFTs tend to lag in performance until market euphoria hits extended levels. Accompanying late-stage wealth effects will therefore likely reinduce a new wave of demand into highly scarce collections.

We project that early Artblocks collections emerge as natural beneficiaries of this momentum. They combine historically significant on-chain generative art, established artist recognition, proven collector demand, and genuine scarcity. Moreover, these collections maintained considerable price floors throughout the bear market and are positioned to benefit from this next phase of market maturity, particularly pieces representing pivotal moments in digital art history. A demographic shift towards digital natives might fuel this momentum in the cycles ahead.

\$8.43B

NFT Market Cap

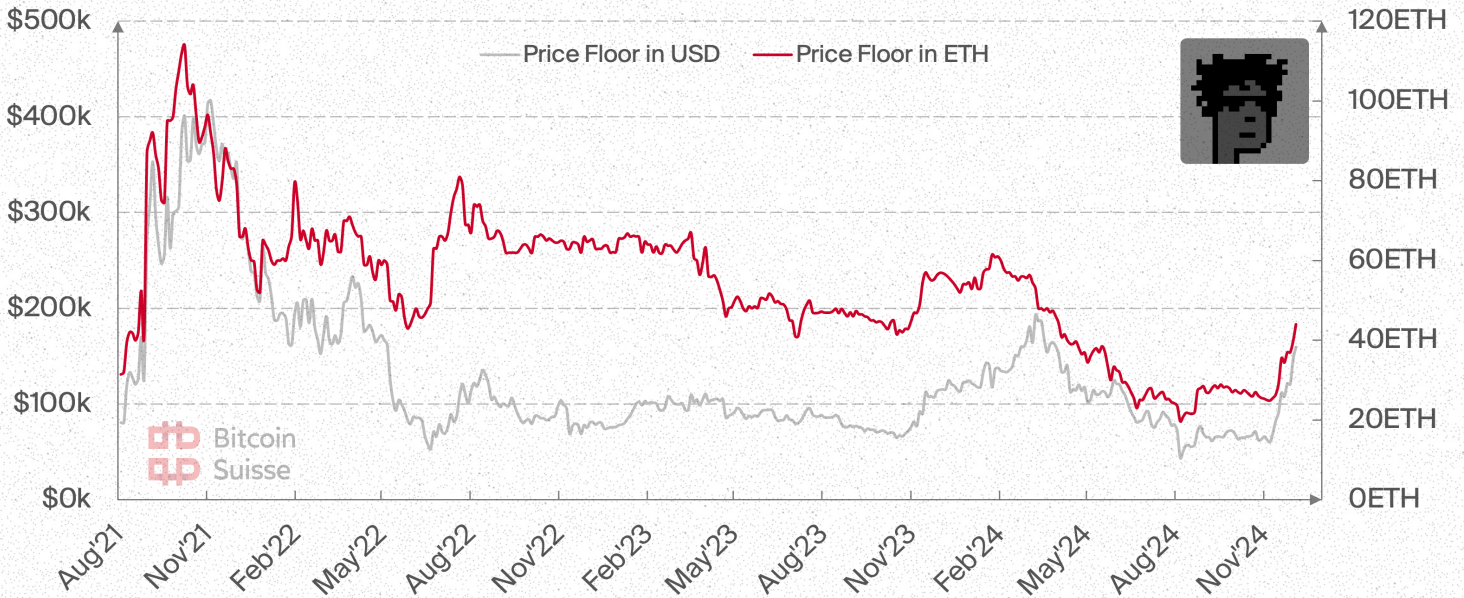
\$5.16B

1Y NFT Trading Volume

+30.4%

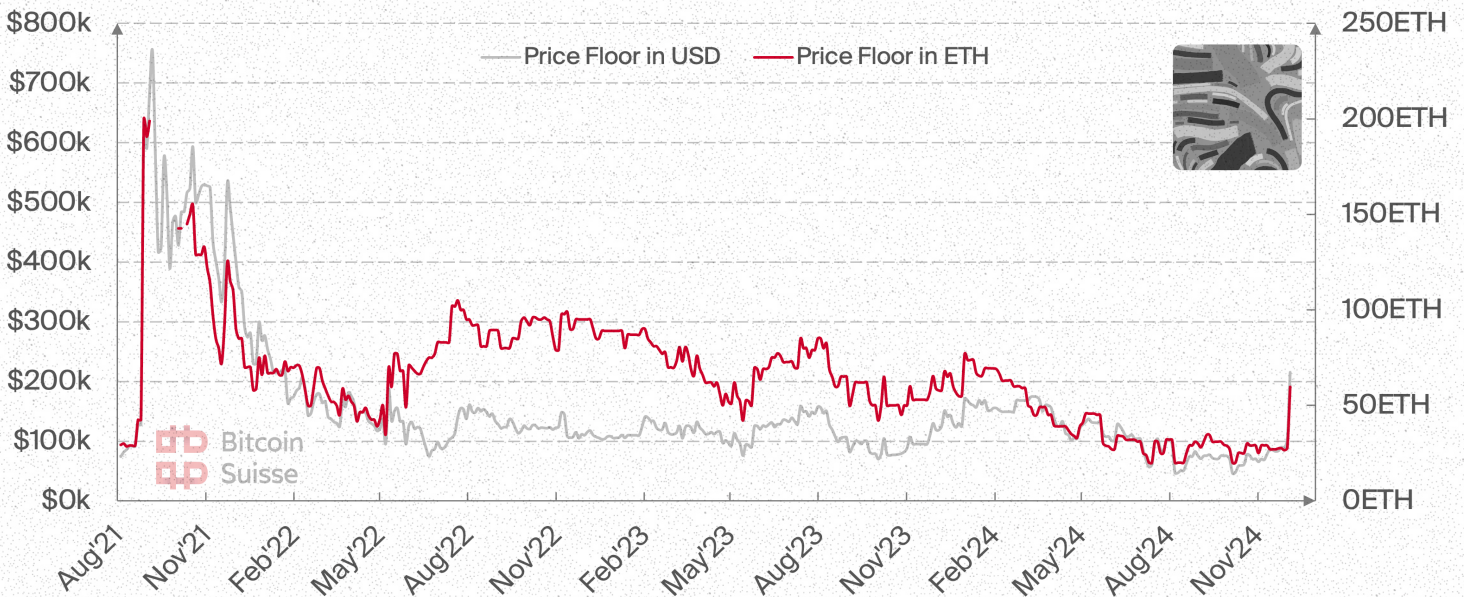
1Y Bitwise Blue-Chip NFT Index Fund Performance

Historical performance of CryptoPunks denominated in ETH and USD



SOURCE: BITCOIN SUISSE, DATA: NFTPRICEFLOOR, DATA AS OF 01.12.2024

Historical performance of Fidenza's denominated in ETH and USD



SOURCE: BITCOIN SUISSE, DATA: NFTPRICEFLOOR, DATA AS OF 01.12.2024

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