

CRYPTOOUTLOOK

Bitcoin Dominance Explained



Important Information:

This publication will provide you with information about services of FiCAS AG and Bitcoin Capital AG and a product issued by Bitcoin Capital AG and managed by FiCAS AG that is not simple and can be difficult to understand. The information given in this publication with respect to said services and the product is advertising. The potential use of the information by you does not constitute an investment advisory, investment brokerage or any other kind of contract with FiCAS AG and/or Bitcoin Capital AG. Anyone interested in investing in the product advertised in this publication should carefully read the prospectus [<https://bitcoincapital.com/prospect>] and the key information document [<https://bitcoincapital.com/kid>] before making an investment decision to fully understand the potential risks and rewards of the decision to invest in the securities. FiCAS AG and Bitcoin Capital AG do not guarantee the accuracy, timeliness or completeness of the information contained in this publication. The approval of the Prospectus by the Liechtenstein Financial Supervisory Authority should not be construed as an endorsement of the securities offered.

Nothing in this publication constitutes investment, legal, accounting, or tax advice or a representation that any investment product is suitable for or appropriate to your investment objectives, financial situation, and particular needs, or otherwise constitutes a personal recommendation to you. This publication does not purport to identify or suggest all the risks or material considerations which may be associated with any investment products. If you are in doubt as to any information in respect of any investment product, please consult your own financial, legal and/or tax advisers. Any assumptions, data, projections, forecasts or estimates contained in this publication are forward-looking statements and reflect subjective estimates and assumptions concerning circumstances and events that have not yet taken place. Accordingly, there can be no assurance or guarantee that any projected or forecasted results will be attained. Actual results may vary from such projections and forecasts. Past performance is not necessarily indicative of future performance, and such variations may be material. Information in this publication is confidential. Distribution of this publication to any person other than the original recipient is prohibited. This publication may only be distributed in countries where its distribution is legally permitted. This information is not directed to any person or legal entity in any jurisdiction where by reason of that person's nationality, residence or net worth, or by reason of that legal entity's incorporation, otherwise, would be prohibited. The investment product described in this publication is only intended for retail, professional, and institutional investors in Switzerland, Liechtenstein, and the European Union (except Hungary).



Bitcoin has always been the pioneer of the entire crypto movement and still today it takes a central role in the movement of all cryptocurrencies with its dominance. Therefore, it is important to know how the price development of Bitcoin affects the other cryptocurrencies.

We would like to offer you the opportunity to delve further into the subject area. Enjoy reading our guest contribution.

Best regards,

A handwritten signature in black ink that reads "Ali Mizani Oskui". The signature is written in a cursive, flowing style.

Ali Mizani Oskui
Founder and CEO of FiCAS AG



Bitcoin Dominance Explained

To this day, there is still a lot of tribal infighting within crypto markets. While so-called Bitcoin maximalists are only focused on Bitcoin as the coin to rule all other coins long-term, other investors broadly diversify over a set of crypto assets as they believe the future will consist of a multi-blockchain world.

As of now, over 12,000 crypto-assets exist according to Coinmarketcap. With more coming online almost every day, Bitcoin seems nowhere near to making everything else obsolete. But while there are plenty of alternatives to Bitcoin, the mother of all cryptocurrencies still makes up a significant amount of the overall market capitalization.

When looking at Bitcoin's market share, crypto traders usually refer to a popular expression called Bitcoin Dominance. This expression captures Bitcoin's market capitalization in comparison to the crypto market's total market capitalization. So, if the total market cap of all cryptocurrencies were to stand at \$1 trillion and Bitcoin's market capitalization is \$600 billion, Bitcoin's dominance would be at 60%. It is this simple metric – used by various traders and Ficas alike – that helps gauge Bitcoin's current weight on crypto markets. – Guest contribution by Daniel Jungen and Pascal Hügli

Bitcoin's dominance over time

Exactly how much of the total crypto market is currently represented by Bitcoin is shown in the graph below. As we can see, Bitcoin makes up about 42.5% of the global crypto market's \$2.11 trillion market cap. Historically, this is just a few percentage points shy of its all-time low of 32.8% reached in January 2018. We will have more to say on this later.



Figure 1: Total Market Capitalization Dominance, %% Source: www.tradingview.com/markets/cryptocurrencies/global-charts/

While Bitcoin's dominance is fluctuating, looking at the trendline we can assess that the overall dominance has been in decline ever since. Back in 2013, Bitcoin had a market dominance of around 94% because almost no alternative coins, also referred to as altcoins, existed. This dramatically changed in 2017, when Ethereum's gradual price increase kicked off the so-called ICO boom that led to the rise of thousands of crypto coins and tokens. In March of 2017, Bitcoin's dominance stood around 85% before it plunged to as low as 38% in just less than four months.

After an intermittent increase to over 62% by mid-December, Bitcoin's dominance fell through the roof to its all-time low of 32.8%, thereby ushering in the crypto bear market of 2018. During this bear market that lasted more than two years, Bitcoin's dominance started to recover, hitting a temporary top at the beginning of January 2021 of just over 71%.

Since the beginning of this year, we have again seen a sharp decrease in Bitcoin's dominance. Back in May, it reached a temporary low of under 40%, then the Bitcoin dominance increased to around 48% by the end of August, before another decline set in again to around 40% end of October.

The relevance of Bitcoin's dominance for investors

As already said, structurally, Bitcoin's dominance has been in a steady decline since the birth of altcoins. Over the years, the crypto-asset ecosystem has proliferated with many different projects capturing some of its total market capitalizations. With Ethereum, a second crypto network has established itself alongside Bitcoin. With a dominance of almost 20%, Ethereum's coin Ether has captured almost 1/5th of the total market capitalization in the crypto space. Another domain are stablecoins, whose dominance is around 6% of crypto's total market cap.

So, while – from a macro perspective – Bitcoin's dominance is bound to be in continuous decline given the crypto markets will grow more diversified, it is the intermediate fluctuations that should be of interest to a crypto investor. After all, the ebbs and flows of Bitcoin's dominance can tell us a lot about the market, its current phase, and how investors need to position themselves respectively.

It's a matter of fact that crypto markets are still highly correlated to Bitcoin. When the mother of all cryptocurrencies moves in either direction, altcoins – which again stands for alternative coins and tokens besides Bitcoin – can be affected heavily, positively or negatively.

Because altcoins still heavily react to Bitcoin's price movements and its changing dominance, Bitcoin's dominance ratio can be used as a tool to gauge the crypto market's current sentiment. Most of the time, altcoins trade either in a down- or an uptrend against Bitcoin. It's only when Bitcoin's dominance increases while Bitcoin's price is stable or when Bitcoin's dominance decreases, and its price also decreases that the prices of altcoins remain rather stable.

When Bitcoin's dominance increases, altcoins usually lose market share and therefore value vis-à-vis Bitcoin. Such a scenario is often encountered after Bitcoin has gone through a consolidation phase and is entering the early stages of a bull phase. As the past has shown so far, it is usually Bitcoin that sets off to a rally first, with altcoins following soon after.

Bitcoin's dominance also increases sharply when Bitcoin's price is taking a hit and altcoins are sold even harder. When this happens, an investor should not be holding Bitcoin and most certainly have no exposure to altcoins but should be in stablecoins instead. Obviously, timing the market is easier said than done. Nevertheless, looking at the Bitcoin dominance can be one tool to help with the timing. Usually, such a market situation happens after Bitcoin has seen a fast run-up or has potentially even hit its local blow-off market top.

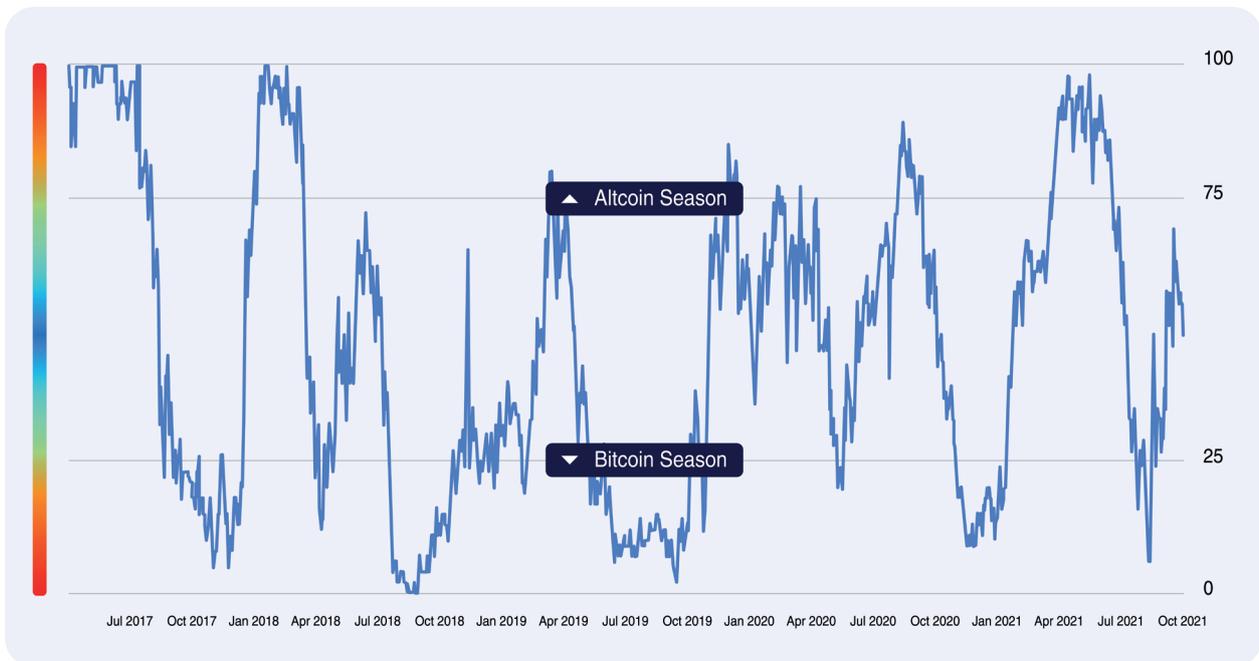


The lure of altcoin season

It's usually when Bitcoin dominance decreases, while at the same time Bitcoin's price increases or at least stays stable that things start moving fast in the crypto markets. The more Bitcoin is showing strength and its price increases, indicating a proper bull phase, the higher the chances are that altcoin season is about to begin. While there is no clear-cut definition, the beginning of an altcoin season can be seen to coincide with the fact that at least 75% of the top 50 altcoins have performed better than Bitcoin over the last 90 days.

An altcoin rally has historically always followed Bitcoin's initial price pump, setting off a bull cycle. After Bitcoin's price increase, the top contenders among the many different altcoins have started to outperform as well. With Bitcoin's dominance decreasing further, more and more altcoins start to outperform Bitcoin until almost 100% of all crypto assets – including the so-called shitcoins – increase in value in Bitcoin terms. At this point in time, Bitcoin's dominance usually nears its all-time low, indicating that the temporary overall market top might be near, and profits should be taken off the table.

As an investor, keeping a close eye on Bitcoin's dominance ratio is a must as it is a helpful indicator to properly assess the current market sentiment. A simple rule of thumb says that during a Bitcoin season, the time when Bitcoin's dominance is on a constant uptick, an investor should be in Bitcoin. Once an altcoin season commences, investors should move some of their assets into altcoins on time to profit from Bitcoin's temporary decrease in dominance and altcoin's rise in value.



A historical index keeping track of Bitcoin as well as altcoin seasons. Below the bottom line the markets have entered a potential Bitcoin season. Above the top line, the markets have entered a potential altcoin season.

Source: <https://www.blockchaincenter.net/altcoin-season-index/>

Bitcoin dominance: What to make of it?

Historically, taking heed of Bitcoin's dominance has paid out rather well. This time around, Bitcoin's dominance is once again sitting at the critical support level of 42%. Because October, November, and December have in the past been rather positive months for the crypto markets, some expect Bitcoin's dominance to further decrease through the next weeks. This should obviously boost the prices of altcoins, provided that Bitcoin's price is not falling off of a cliff itself. Once Bitcoin's dominance is near its historical all-time low of 32,8%, investors are advised to trade cautiously and potentially take profits.

The question is: Will Bitcoin's dominance ratio remain a good market indicator to gauge the market's overall sentiment? Or will its predictive power wane as different crypto assets become more established and potentially decouple in correlation from Bitcoin? After all, it might be the case that Bitcoin does not compete with crypto assets like Tether (stablecoins) or Ethereum (smart contract platforms) and people might gradually grasp this.

Some would argue that the Bitcoin dominance metric is fundamentally broken as it compares apples to oranges since current dominance charts usually compare the market cap of Bitcoin with all other sorts of crypto assets that are not really comparable to Bitcoin. The more crypto markets mature, the more bulk charts like that of Bitcoin's dominance will have to be broken down further into different categories as shown here. For Bitcoin,

this means that it needs to be compared to other proof of work coins attempting to be money. Among them are Litecoin, Bitcoin Cash, Dash, and more. When this index – also referred to as the real Bitcoin dominance index – is taken into account, Bitcoin’s dominance ratio is actually at over 93%.

Interestingly enough, some researchers second the statement that Bitcoin’s real dominance is actually a lot higher than the usual Bitcoin dominance chart suggests. They state that the dominance index does not factor in market liquidity, which is generally lower for large amounts of altcoins to be sold. So, selling one altcoin for \$10 is no problem but selling millions of dollars of this coin for this price can be difficult. Because standard dominance charts merely consider market capitalization and leave out market liquidity, they are inherently meaningless, so these researchers argue.

When looking at dominance charts this way, it becomes clear that they are not beyond all doubt. That being said, investors can still derive valuable information from fluctuations in Bitcoin’s dominance. But, as the crypto markets mature, such simple metrics have to regularly be reassessed to ensure that their informational value and ability to indicate future market movements are still trustworthy.

Bitcoin versus altcoin movements:

BITCOIN DOMINANCE	BITCOIN	ALTCOINS
Increases ▲	Increases ▲	Decreases ▼
Increases ▲	Decreases ▼	Decreases Fast (Dump) ▼
Increases ▲	Stable ▬	Stable (Accumulation Phase) ▬
Decreases ▼	Increases ▲	Increases Fast (Altcoin Season) ▲
Decreases ▼	Decreases ▼	Stable ▬
Decreases ▼	Stable ▬	Increases ▲

Source: <https://www.youtube.com/watch?v=kcc1qoX4qGw>

Disclaimer

The opinions expressed above are those of the authors. They do not purport to reflect the opinions or views of FICAS AG and/or Bitcoin Capital AG or its members. The designations employed in this publication and the presentation of material therein do not imply the expression of any opinion whatsoever on the part of FICAS AG and/or Bitcoin Capital AG.

FiCAS as Corporate Treasury Asset Partner

At FiCAS, we have deep knowledge and experience when it comes to actively managing crypto assets making us the right partner for any treasury department. FiCAS was founded in 2019 and manages the allocation of the assets of the exchange-traded products (ETP) issued by Bitcoin Capital AG. We have in-depth financial and crypto knowledge that allows the company to actively manage the ETPs 24/7.

This is FiCAS



Ali Mizani Oskui
Founder and Board Member



Dr. Mattia L. Rattaggi
Chairman



Dr. Daniel Diemers
Board Member



Sanjeev Karkhanis
Board Member



Marcel Niederberger
Head of Operations



Olga Vögeli
Head of Risk Control



Roger Suter
Head of Sales



Darko Novakovic
Head of Marketing and
Communications



Hadi Nemati
Head of Research



Sibylle Haller
Executive Assistant



Christian Ulrich
Financial Product Developer



Rolf Schmied
Head of Finance



Introducing 15 FiCAS Active Crypto ETP

15 FiCAS Active Crypto ETP is the world's first actively managed exchange-traded product (ETP) featuring cryptocurrencies as the underlying asset class. The investment product allows retail and institutional investors in Switzerland, Liechtenstein, and in the European Union (excluding Hungary) to invest in digital assets as safely and easily as buying ordinary shares. The product is issued by Bitcoin Capital AG and managed by FiCAS AG, the Swiss based crypto investments management boutique. Its investment objective is to increase the Net Asset Value of its ETP by trading Bitcoin against carefully selected altcoins (top 15 coins) and moving to Fiat when this is deemed the best option. The allocation is discretionary and based on in-depth investment research, technical and fundamental analysis, proprietary algorithms and artificial intelligence applications. 15 FiCAS Active Crypto ETP provides investors access to a diversified, discretionary managed and liquid crypto portfolio. 15 FiCAS Active Crypto ETP is actively risk managed and operates in a regulated and secure environment.

ISIN	CH 0548689600	Min Trade Size	1 Unit
Valor	54868960	Maturity	Open End
Product Ticker	BTCA	Legal Form	Exchange-Traded Product
Listing	SIX Swiss Exchange, Börse Stuttgart, Vienna Stock Exchange	Strategy type	Discretionary
Base Currency	CHF	Management Fee	2% p.a.
Underlying	Top 15 digital assets	Performance Fee (absolute)	20% above High Watermark
Domicile	Switzerland	Issuer	Bitcoin Capital AG
Launch Date	15.07.2020	Asset Manager	FiCAS AG
Issue Price	100 CHF	Custodians	For risk management reasons, 7 different
Denomination	1 Unit	Administrator	CAIAC Fund Management AG

Pioneering Active Management in Crypto



Active Management

In contrast to passive ETPs, our experienced team of cryptocurrencies experts actively fine-tune allocations 24/7 according to in-depth investment research and analysis.



Outstanding Accessibility

15 FiCAS Active Crypto ETP is listed on the SIX Swiss Exchange, Börse Stuttgart, and Vienna Stock Exchange.



Remarkable Liquidity

Investors can easily trade any quantity of 15 FiCAS Active Crypto ETP during the trading hours at the indicated price (NAV).



Fully Regulated

15 FiCAS Active Crypto ETP can be bought, sold, and held in CHF, USD, and EUR. It is listed on the Swiss Exchange SIX, Börse Stuttgart, and Vienna Stock Exchange and is fully regulated.



Sound Risk Management

15 FiCAS Active Crypto ETP is actively managed 24/7. The underlying crypto assets are held with seven different custodians and exposed to crypto exchanges for trading purposes only.



Transparent Fees

There are no hidden fees when investing in 15 FiCAS Active Crypto ETP. The only fees that occur are 2% management fee p.a. and a performance fee (absolute) of 20% above High Watermark.

How to Invest

You can buy 15 FiCAS Active Crypto ETP directly through your bank and broker just as you would buy ordinary shares. You can buy any quantity during the exchange trading hours of SIX Swiss Exchange, Börse Stuttgart and Vienna Stock Exchange. An ETP is a fully collateralized debt instrument that can be incrementally issued without limitation. New ETPs will be issued at market price or close to it.



Many roads lead to crypto,
but none as quickly as
Bitcoin Capital's.

This is Bitcoin Capital



Dr. Luca Schenk
Chairman



Christine Schmid
Board Member



Ali Mizani Oskui
Board Member



Dr. Mattia L. Rattaggi
Board Member



Marcel Niederberger
Board Member



Sibylle Haller
Executive Assistant



Olga Vögeli
Head of Risk Control



Roger Suter
Head of Sales



Alexander Graf Strachwitz
Relationship Manager



Darko Novakovic
**Head of Marketing and
Communications**



Ride the Crypto Wave with Bitcoin Capital

Bitcoin Capital provides you with the products and infrastructure to actively participate in the crypto market. Bitcoin Capital offers investment managers a quick process to launch their own actively managed exchange-traded product (ETP) that...



...enables crypto trading strategies

- Actively managed 24/7 trading styles be it discretionary, algorithmic or mixed
- Dealing with any digital asset accepted as underlying by the trading venue
- SIX Swiss Exchange currently accepts the top 15 crypto currencies by market cap



...in an unique ETP

- Access to investors in the EU and Switzerland due to listing on different exchange
- Accessible through bank and brokers like any traditional securities in a fully regulated environment
- Tradable with deep liquidity (market maker)
- Safe keeping of assets with Swiss digital banks and the largest crypto custodians



...with institutional-grade standard

- Best practice governance set-up and partnering with best-in-class service providers
- Longest experience as issuer of the world's first actively managed exchange-traded product
- Managed issuer risk: the collateral agent sells the securities and reimburses the investors in case of default of the issuer

Your Way to Your own Crypto Products



Build

We help you to:

- Define the trading, managing, and other requirements
- Determine the implementation parameters of your ETP
- Finish the pre and post-filing process



Launch

We assist you with:

- Preparing your Go to Market
- Bringing your investment strategy to life
- Listing the ETP on the wished exchange(s)



Manage

We accompany you:

- While you manage the assets based on your investment strategy
- We take care of all other ETP operations

Your ETP opens many doors



Exchange

- SIX
- Börse Stuttgart
- Börse München
- Börse Berlin
- Tradegate
- Lang & Schwarz
- Wiener Börse
- ...more to follow



Broker

- Swissquote
- TradeDirect
- Cornertrader
- comdirect
- Flatex
- Saxo
- DB maxblue
- ... and many more



Financial Data Provider

- Bloomberg
- Morningstar
- Factset
- SIX Financial Information
- Finanzen.net
- Wallstreet-online
- ... and many more

Business Partners



Disclaimer

The information contained in this document is provided for information purposes only. It does not constitute any offer, recommendation, solicitation, or advice to any person to enter into any transaction or adopt any investment, trading, or hedging strategy, nor does it constitute any prediction of likely future movement in prices or any representation that any such future development will not occur or not. Users of this document should seek advice regarding the appropriateness of investing in any cryptocurrency, cryptoasset, financial instrument, or investment strategy referred to on this document and should understand that statements regarding future prospects may not be realized. Projections, estimates, and opinions are subject to change without notice.

Bitcoin Capital AG and/or FiCAS AG accept no liability and will not be liable for any loss or damage arising directly or indirectly (including special, incidental or consequential loss or damage) from the use of this document, howsoever arising, and including any loss, damage or expense arising from, but not limited to, any defect, error, imperfection, fault, mistake or inaccuracy contained in this document, its contents or associated services, or due to any unavailability of the document or any part thereof or due to any contents or associated services.



FICAS AG | BITCOIN CAPITAL AG

Gubelstrasse 24 – 6300 Zug – Switzerland

www.ficas.com | www.bitcoincapital.com