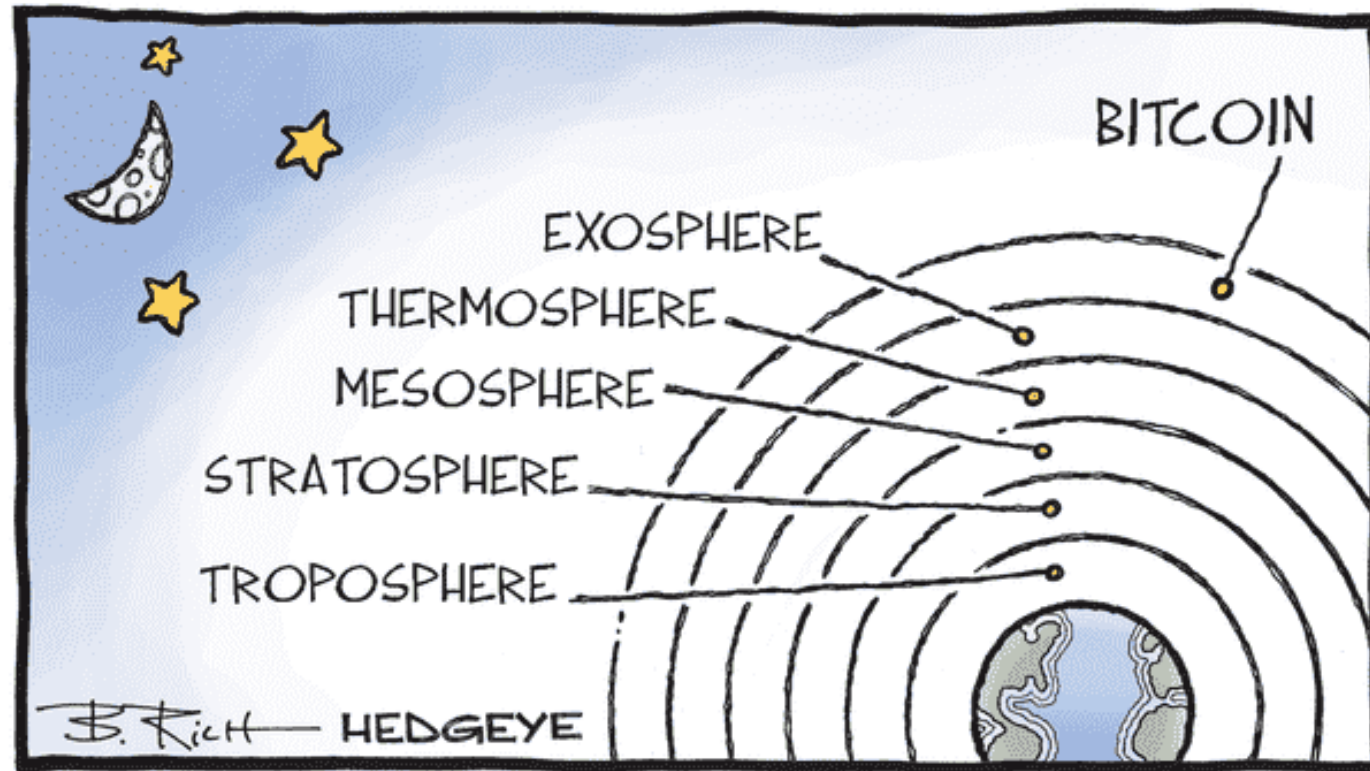


HEDGEYE



# Hard Money Crypto

A Look at the Stock to Flow argument for Bitcoin



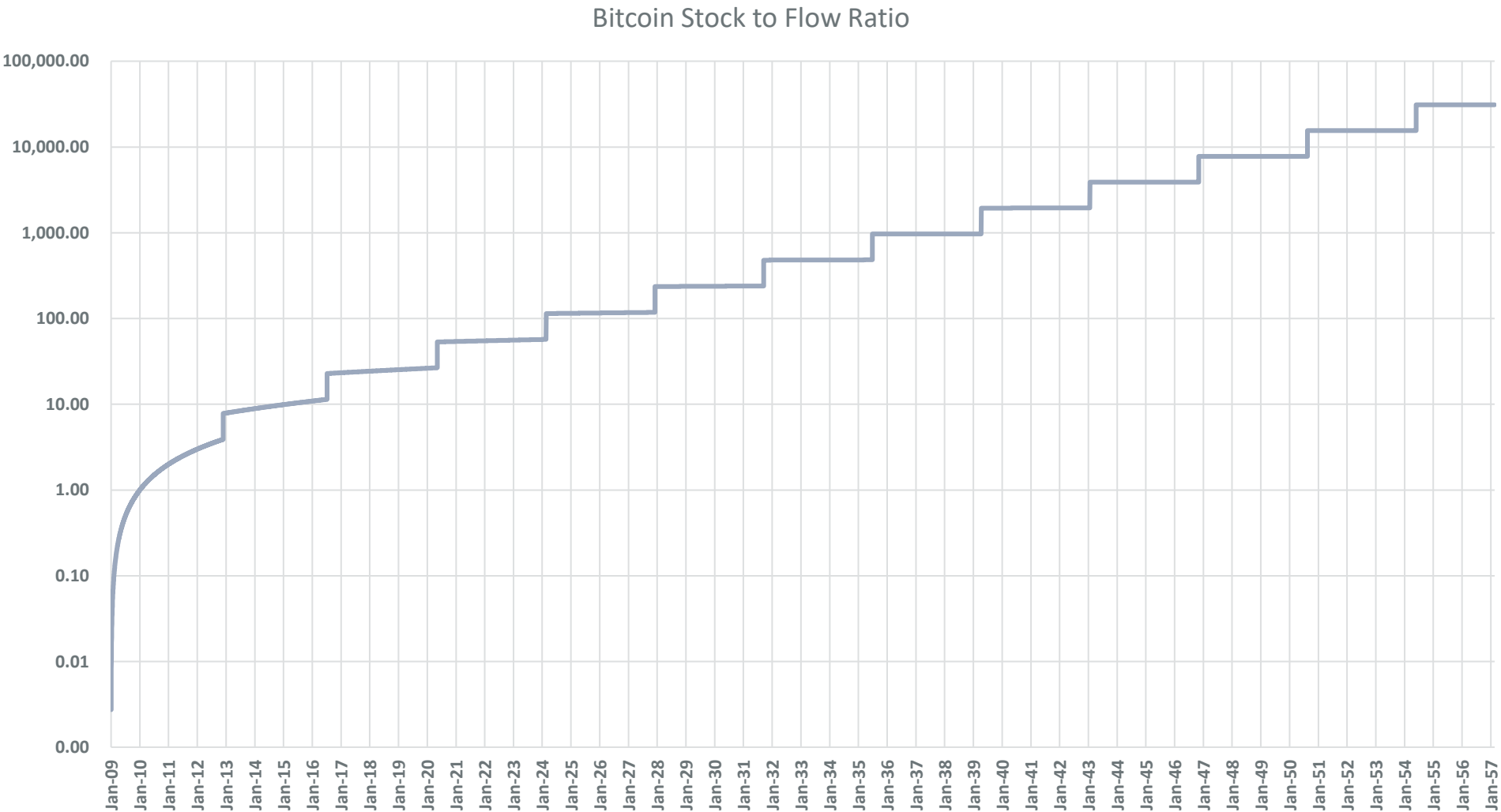
## Hedgeye Risk Management

Deck created by:

Josh Steiner, CFA

Drago Malesevic, CFA

# Bitcoin Stock to Flow Ratio (Inception – 2057)



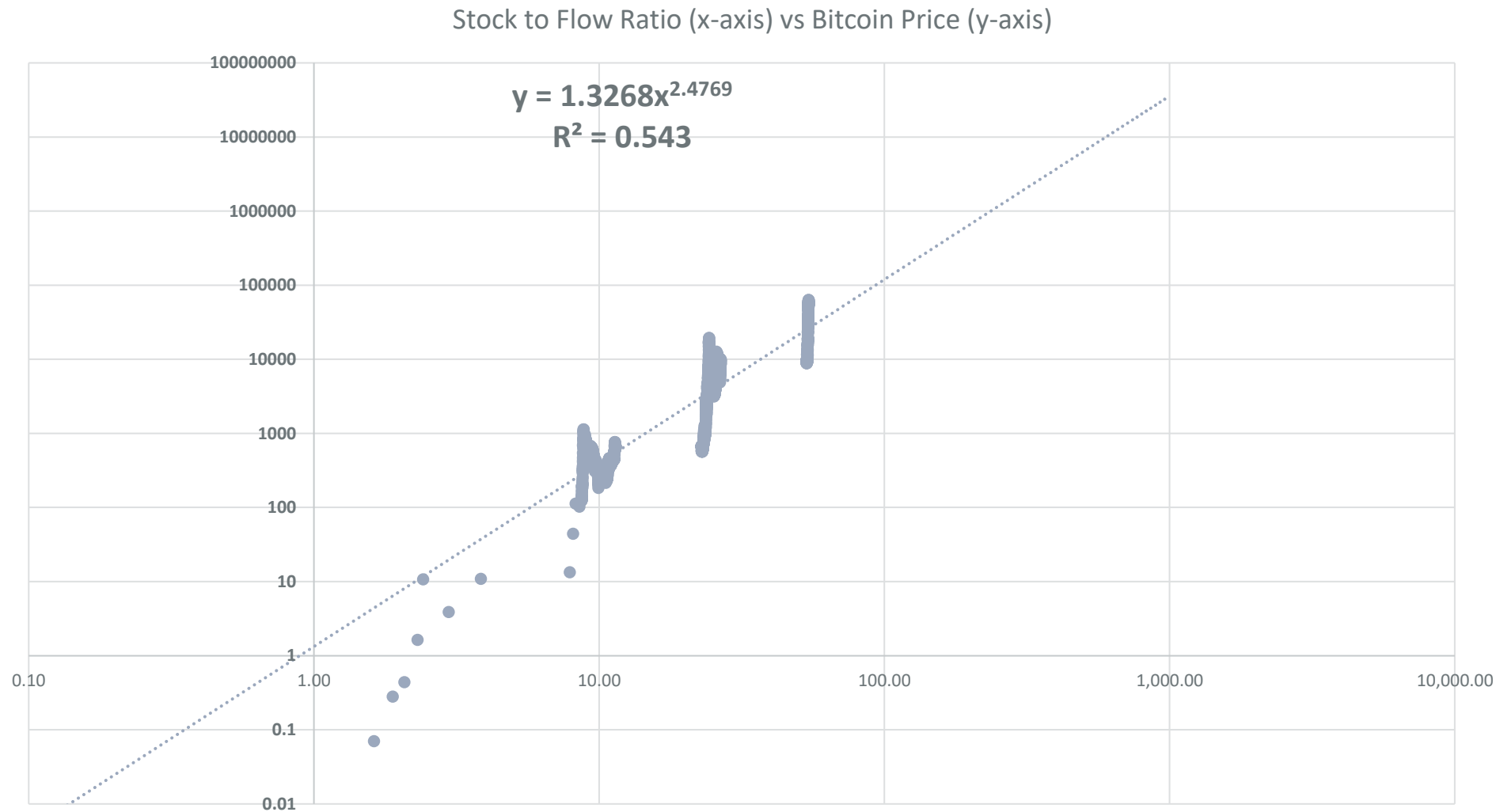
The ratio of outstanding Bitcoins to annualized new flow (newly mined coins) can be expressed as a multiple called Stock to Flow.

For context, Gold’s Stock to Flow ratio is approximately ~72x (roughly 2.75 tons are mined annually vs ~200k tons mined throughout history). It has had this same ratio for decades.

US residential real estate’s Stock to Flow ratio is approximately 93x (roughly 1.5M total housing starts to 140M total housing units). It has had this same ratio for decades.

Bitcoin’s Stock to Flow ratio is currently ~54x (344k annually mined coins vs 18.6M o/s), but what’s remarkable is that it is poised to increase 10-fold every ~12 years. By 2036 the Stock to Flow ratio should be approximately 1,000x and by 2048 it should be approximately 10,000x.

# Bitcoin Stock to Flow Ratio vs Price

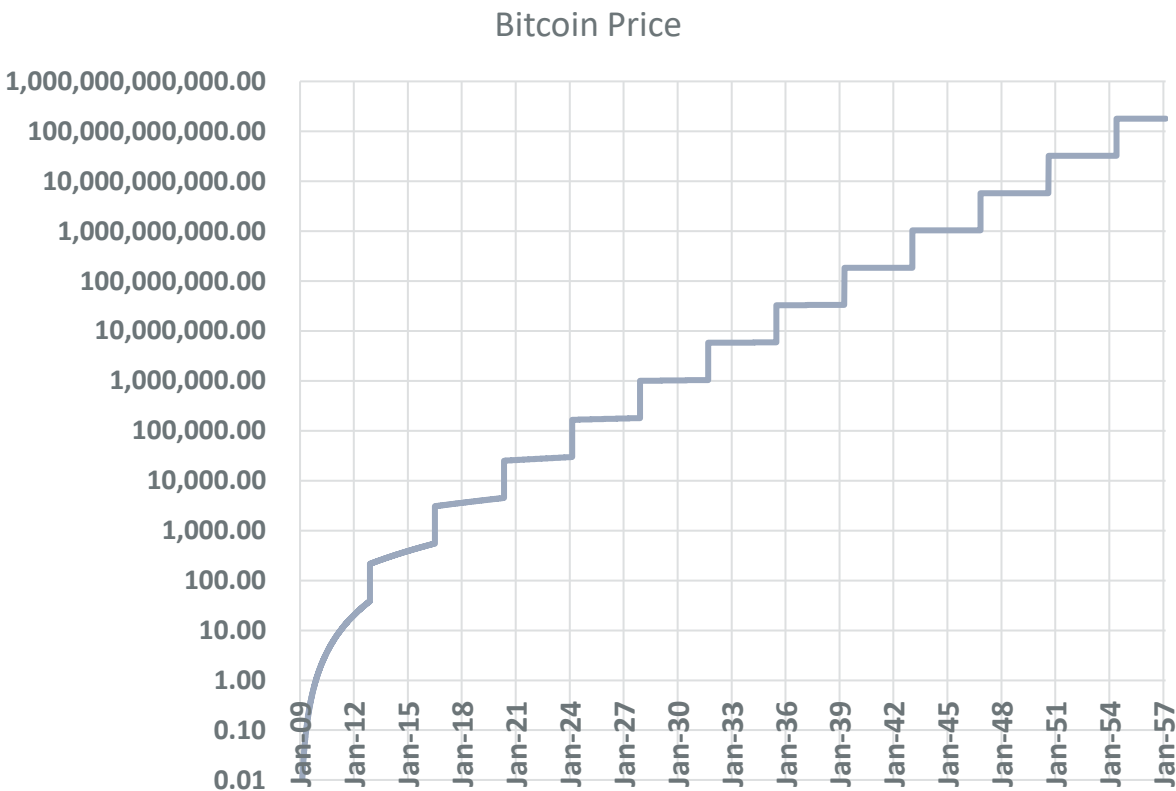
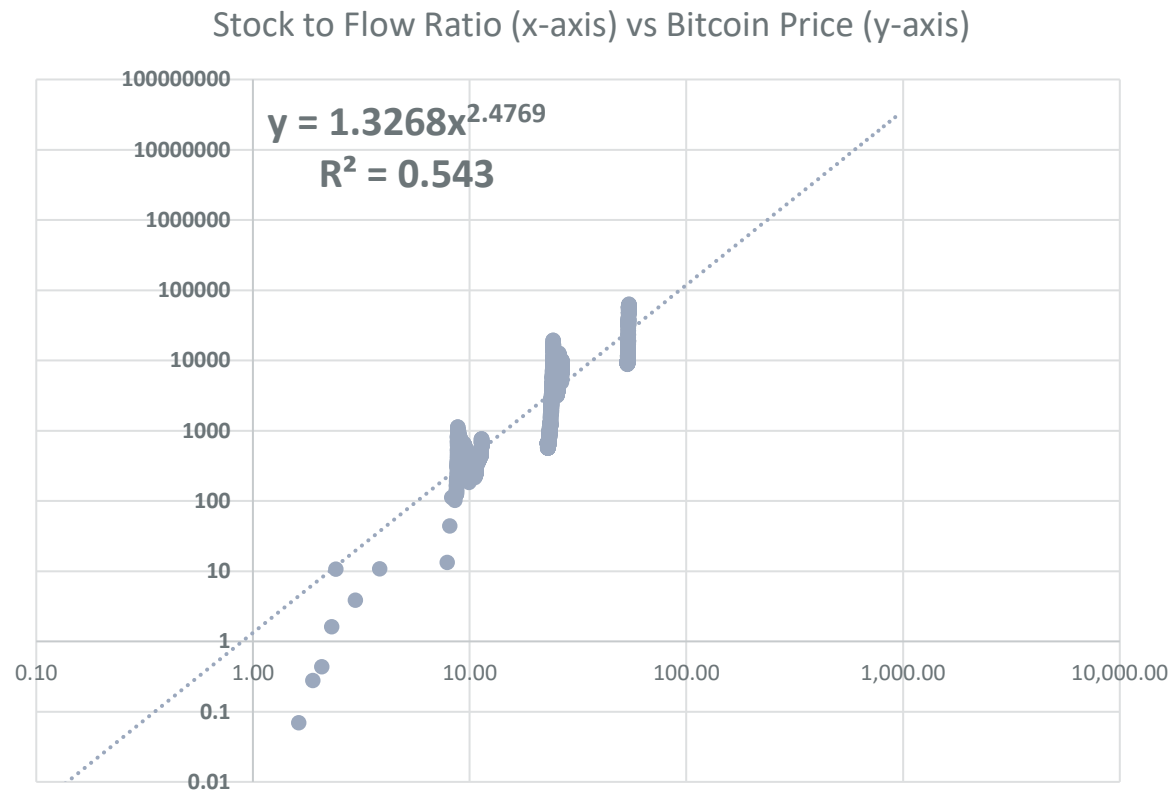


This chart reflects the relationship between the Stock to Flow ratio (x-axis) and USD price (y-axis).

The power regression line indicates that, thus far, for every 10-fold increase in Bitcoin's Stock to Flow ratio, Bitcoin's price has risen ~1,000-fold.

That function has shown only modest decay even as the numbers have grown exponentially larger.

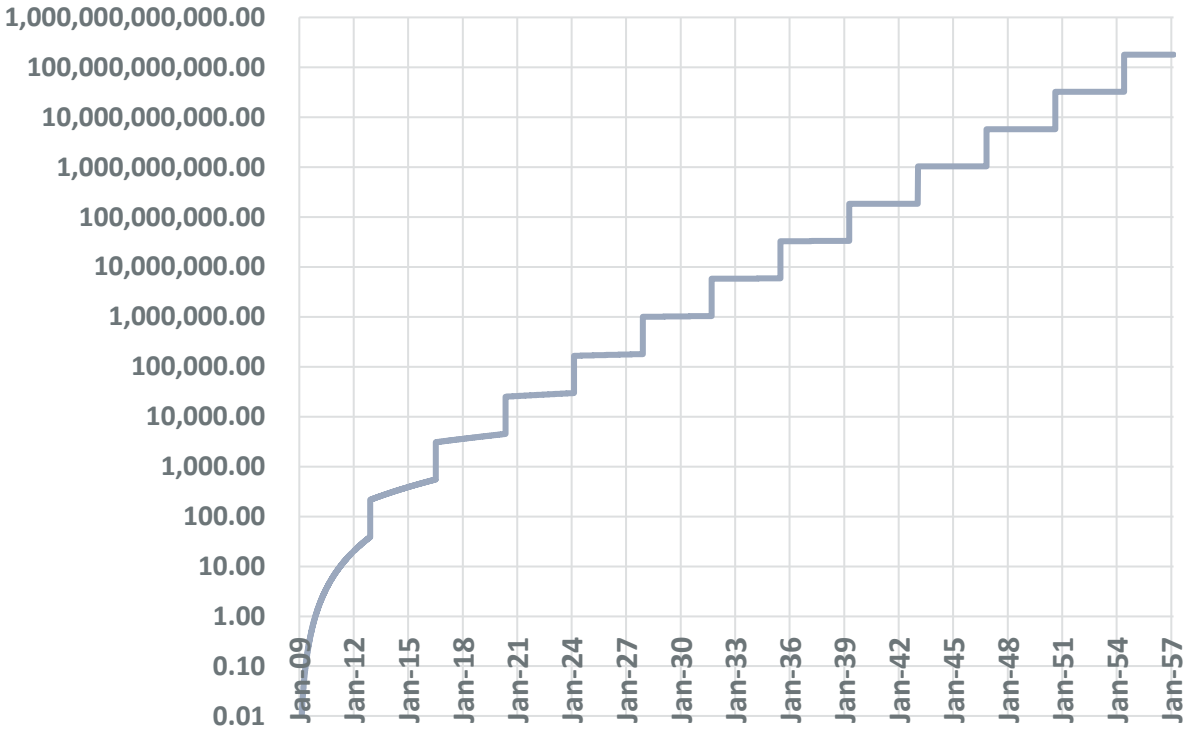
# Bitcoin Stock to Flow Ratio vs Price



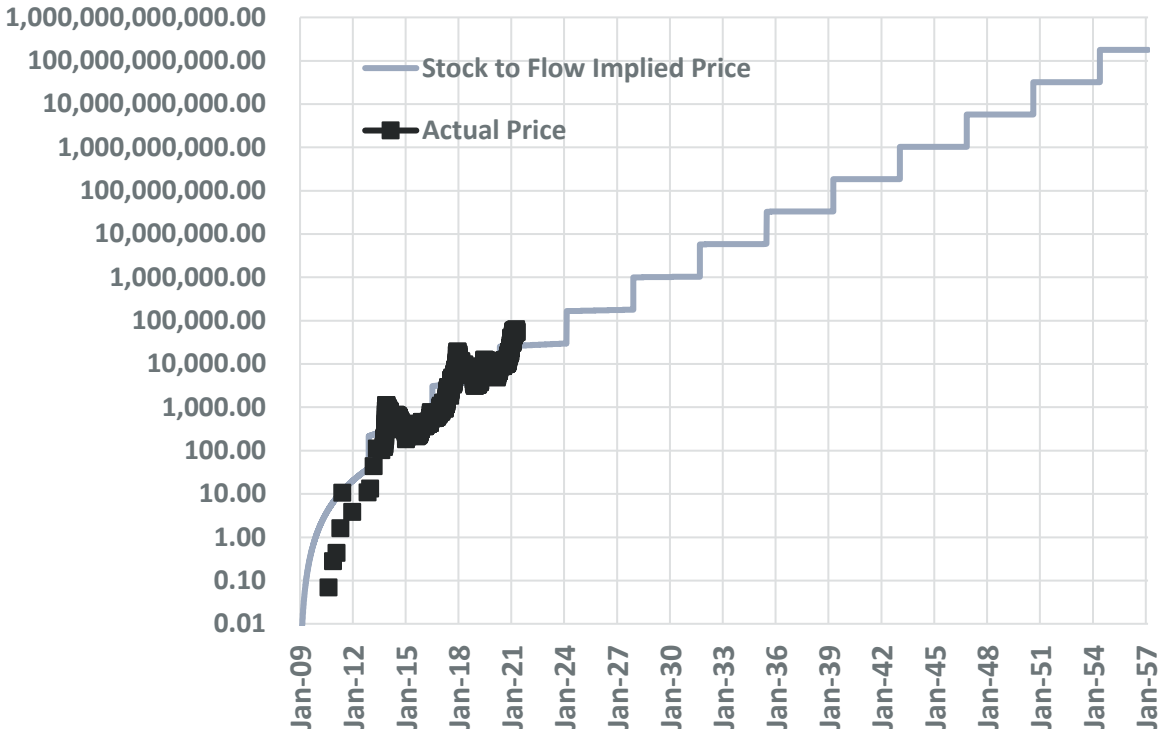
Applying the power regression relationship ( $y = 1.3268x^{2.4769}$ ) to the Stock to Flow ratio progression, we can see the theoretical progression of Bitcoin's price in the chart to the right. It suggests the price could reach as high as \$1 Million per Bitcoin by the late 2020s and \$10 Million per BTC by the 2030s.

# Bitcoin Stock to Flow Ratio vs Price

Bitcoin Price – Theoretical Progression



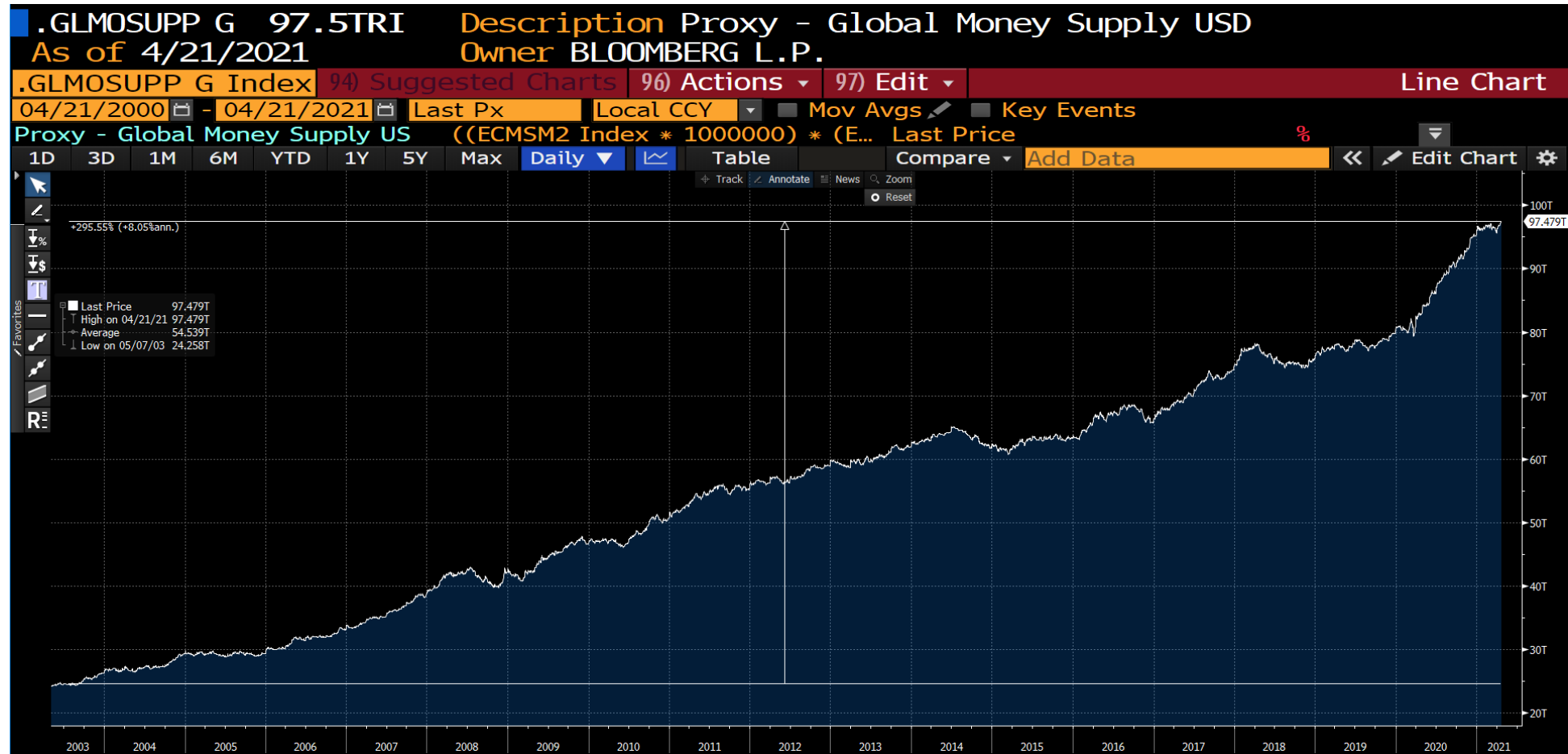
Bitcoin Price – Actual vs Theoretical



In the chart on the right we overlay the actual Bitcoin price on top of the Theoretical Progression line.

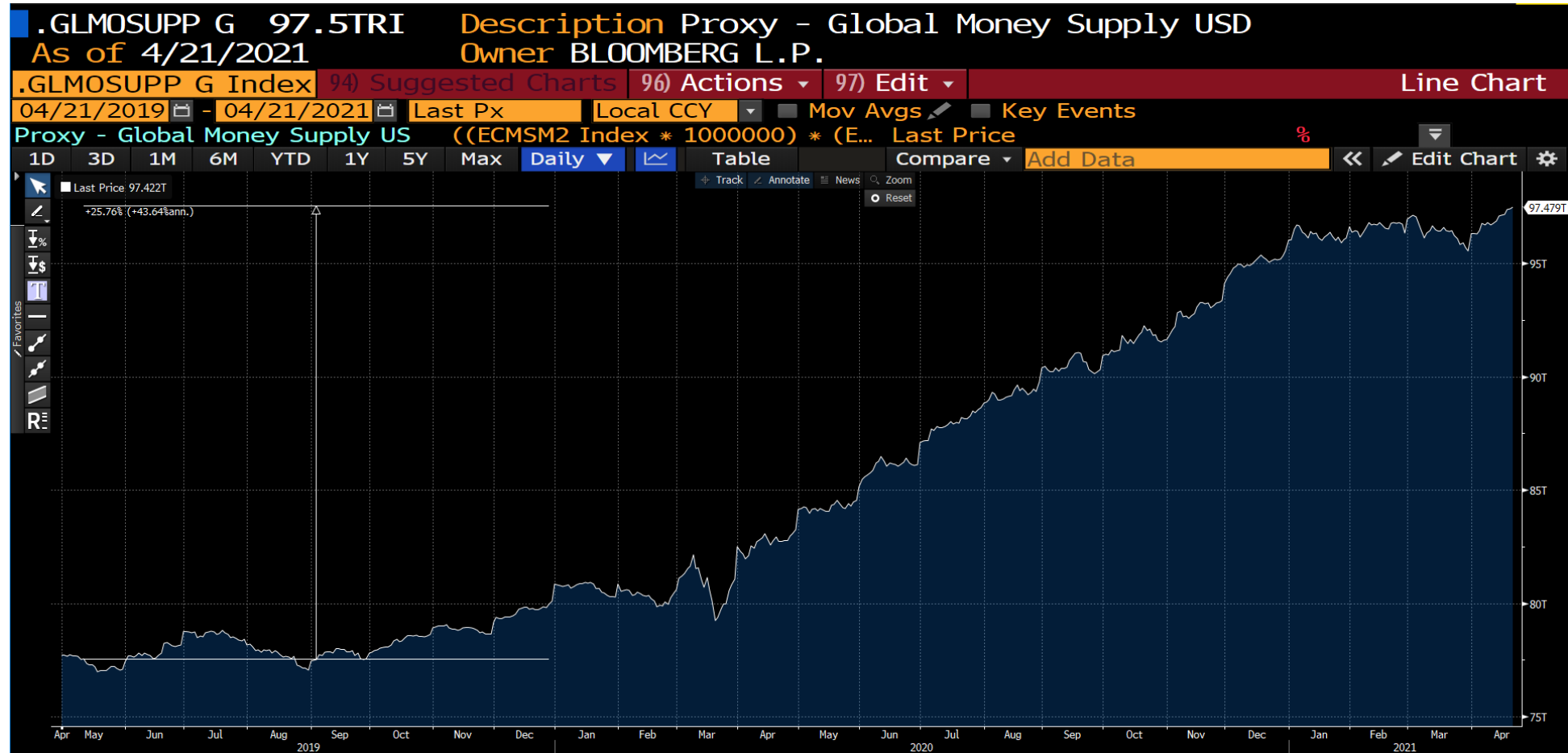
# Soft Money Debasement (2003-2021)

The Global Money Supply has risen +295% from 2003 to 2021. (CAGR = 7.9%)



# Soft Money Debasement (2019-2021)

And in just the last two years, the Global Money Supply has risen +25% from \$77.5 Trillion to \$97.5 Trillion. (CAGR = 11.8%)

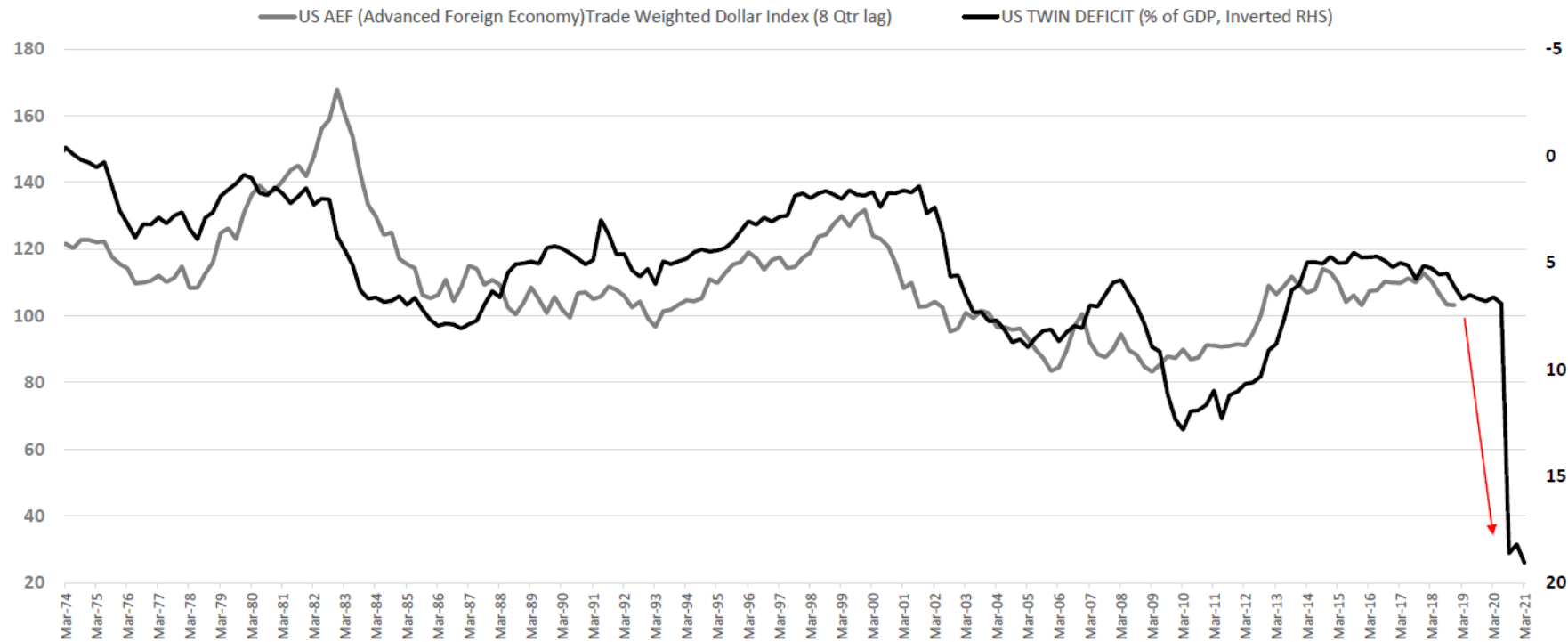


# Soft Money Debasement (Looking Ahead)

And this slide from our Q2 Macro Themes deck suggests the pace of monetary debasement is poised to accelerate meaningfully in the years ahead.

## Reflationary Policy ↔ Weak \$USD Policy

It's not just the domestic reflation agenda that benefits from a weaker dollar. A global reflationary impulse sufficient to drive a durable, Global Quad 2 handoff is a lot easier with the \$USD on the back foot.



Data Source: Bloomberg

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# Our Research Process is REPEATABLE

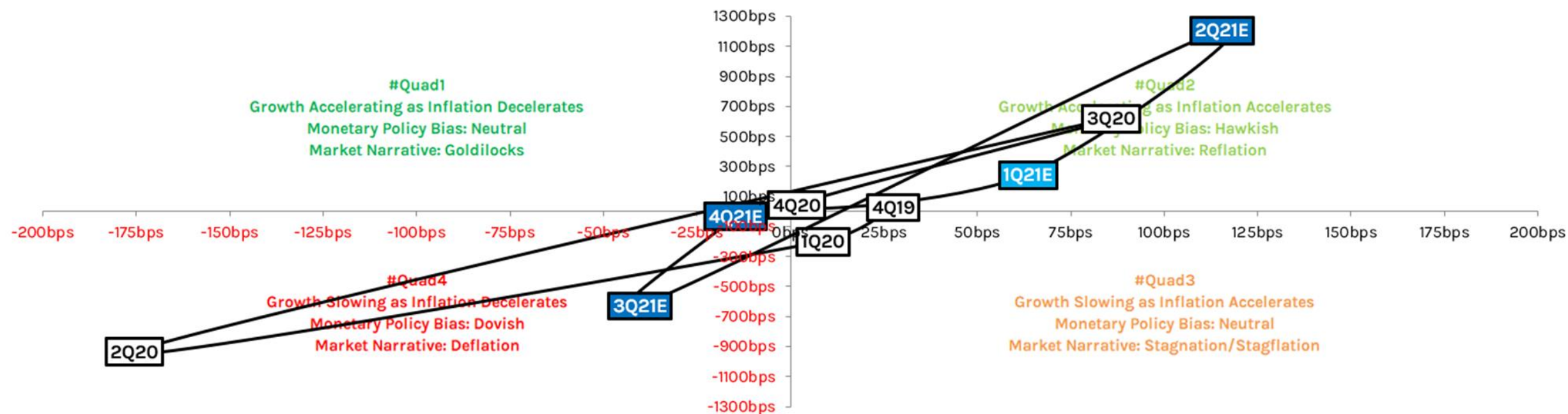
The Macro Show

June 18, 2021

United States	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20	3Q20	4Q20	← Actuals   Estimates →	1Q21E	2Q21E	3Q21E	4Q21E
Real GDP QoQ SAAR	3.80%	2.70%	2.10%	1.30%	2.90%	1.50%	2.60%	2.40%	-5.00%	-31.40%	33.40%	4.30%	Real GDP QoQ SAAR	3.27%	7.36%	6.14%	2.99%
Real GDP YoY	3.08%	3.33%	3.12%	2.48%	2.27%	1.96%	2.08%	2.34%	0.32%	-9.03%	-2.85%	-2.39%	Real GDP YoY	-0.33%	11.61%	5.21%	5.01%
2yr Comparative Base Effects	1.92%	1.80%	1.98%	2.39%	2.57%	2.75%	2.74%	2.59%	2.67%	2.64%	2.60%	2.41%	2yr Comparative Base Effects	1.29%	-3.53%	-0.39%	-0.05%
Headline CPI YoY	2.21%	2.71%	2.64%	2.20%	1.64%	1.81%	1.76%	2.03%	2.12%	0.36%	1.22%	1.24%	Headline CPI YoY	1.88%	3.08%	2.72%	2.58%
2yr Comparative Base Effects	1.81%	1.48%	1.54%	1.96%	2.38%	2.31%	2.30%	2.16%	1.93%	2.26%	2.20%	2.12%	2yr Comparative Base Effects	1.88%	1.09%	1.49%	1.64%

## United States

◆ x-axis: First Difference of YoY Headline CPI;  
y-axis: First Difference of YoY Real GDP



Data Source: Bloomberg. Light Blue box = Hedgeye Nowcast Model estimate. Dark Blue boxes = Hedgeye Comparative Base Effects Model estimates.

© Hedgeye Risk Management

Updated: 4/6/2021

# Highest/Lowest Expected Values By Quad Regime

## Quad 1: Goldilocks

### Best Asset Classes:

Equities, Credit, Commodities, FX

### Worst Asset Classes:

Fixed Income, USD

### Best Equity Sectors:

Tech, Consumer Discretionary, Materials, Industrials, Telecom

### Worst Equity Sectors:

Utilities, REITS, Consumer Staples, Financials, Energy

### Best Equity Style Factors:

High Beta, Momentum, Leverage, Secular Growth, Mid Caps

### Worst Equity Style Factors:

Low Beta, Defensives, Value, Dividend Yield, Small Caps

### Best Fixed Income Sectors:

BDCs, Convertibles, HY Credit, EM \$ Debt, Leveraged Loans

### Worst Fixed Income Sectors:

TIPS, Short Duration Treasuries, MBS, Treasury Belly, Long Bond

## Quad 2: Reflation

### Best Asset Classes:

Commodities, Equities, Credit, FX

### Worst Asset Classes:

Fixed Income, USD

### Best Equity Sectors:

Tech, Consumer Discretionary, Industrials, Energy, Financials

### Worst Equity Sectors:

Telecom, Utilities, REITS, Consumer Staples, Health Care

### Best Equity Style Factors:

Secular Growth, High Beta, Small Caps, Cyclical Growth, Momentum

### Worst Equity Style Factors:

Low Beta, Dividend Yield, Value, Defensives, Size

### Best Fixed Income Sectors:

Convertibles, BDCs, Preferreds, Leveraged Loans, HY Credit

### Worst Fixed Income Sectors:

Long Bond, Treasury Belly, Munis, MBS, IG Credit

## Quad 3: Stagflation

### Best Asset Classes:

Gold, Commodities, Fixed Income

### Worst Asset Classes:

Credit

### Best Equity Sectors:

Utilities, Tech, Energy, Industrials, Consumer Discretionary

### Worst Equity Sectors:

Financials, REITS, Materials, Telecom, Consumer Staples

### Best Equity Style Factors:

Secular Growth, Momentum, Mid Caps, Low Beta, Quality

### Worst Equity Style Factors:

Small Caps, Dividend Yield, Value, Defensives, Size

### Best Fixed Income Sectors:

Munis, EM \$ Debt, Long Bond, TIPS, Treasury Belly

### Worst Fixed Income Sectors:

BDCs, Preferreds, Convertibles, Leveraged Loans, HY Credit

## Quad 4: Deflation

### Best Asset Classes:

Fixed Income, Gold, USD

### Worst Asset Classes:

Commodities, Equities, Credit, FX

### Best Equity Sectors:

Consumer Staples, Utilities, REITS, Health Care, Telecom

### Worst Equity Sectors:

Energy, Tech, Industrials, Financials, Materials

### Best Equity Style Factors:

Low Beta, Dividend Yield, Quality, Defensives, Value

### Worst Equity Style Factors:

High Beta, Momentum, Leverage, Secular Growth, Cyclical Growth

### Best Fixed Income Sectors:

Long Bond, Treasury Belly, IG Credit, Munis, MBS

### Worst Fixed Income Sectors:

Preferreds, EM Local Currency, BDCs, Leveraged Loans, TIPS