

While for most, July 4th is time for the fireworks, barbecues and well-deserved reprieve from work; it also marks the midpoint in the year and thus sets the perfect time to reflect on the performance of crypto assets...

This is a sneak-peak of our upcoming Semi-annual Digital Assets Report that will focus on the top one hundred crypto assets by market cap. In the upcoming Report, we take a deep dive into the changing correlations amongst the top one hundred assets as we believe identifying which assets will strictly follow the bitcoin's lead in the current bull run and which exhibit negative correlations (valuable diversifiers) will be one of the keys to successful portfolio management.

In this preview, we examine at some of the trends exhibited by the top ten cryptocurrencies.

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After two years of bearish sentiment, there is a strong indication that the bulls have returned. Over the past six months, bitcoin has rallied from just above the \$3,000 mark to over \$13,000 before retrieving to \$11,000.

However, despite its comeback, bitcoin hasn't been the best performing asset even amongst the top ten cryptocurrencies. Its been the year of BNB. The market has mostly ignored the negatives such as the 7,000 BTC hack and CZ's inadequate response to it (proposal to roll back the Bitcoin network) as well as the fact that

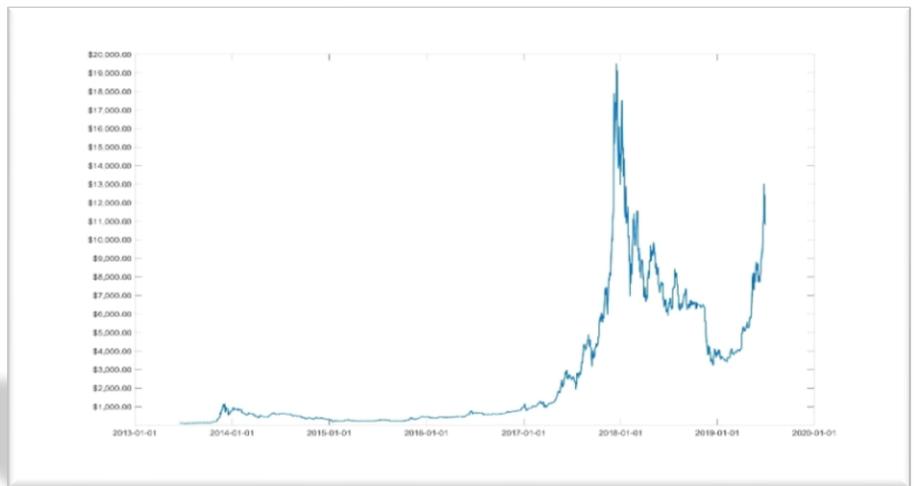


Figure 1. Bitcoin market cap.

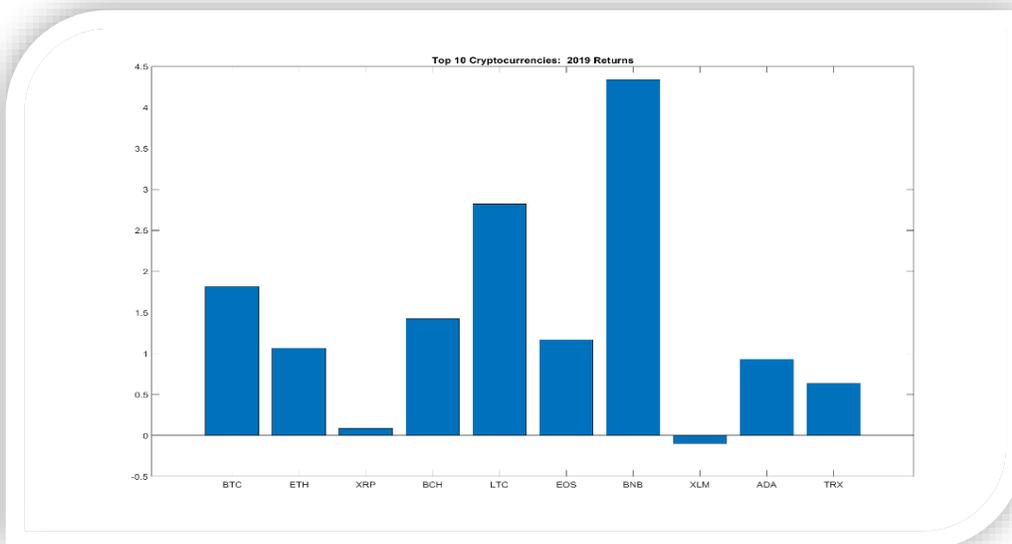


Figure 2. Top Ten Cryptocurrencies 2019 Returns.

Binance still operates in murky waters when it comes to regulation; and yet, it has responded with extreme enthusiasm to the Binance Launchpad (IEO Platform), its DEX plans and the U.S. market expansion.

**Correlations**

Crypto markets are highly correlated, and most coins follow the bitcoin’s lead. This latest bull run has exhibited a steady increase in bitcoin’s market cap dominance, unprecedented in recent times signified by the emergence of hundreds of altcoins. Over the past several months, the trend has been towards a decoupling of correlations between BTC and other cryptocurrencies.

We expect only Top 20, Top 50 coins maximum to benefit from the bull run whilst most of the altcoins losing all of its value in the coming months.

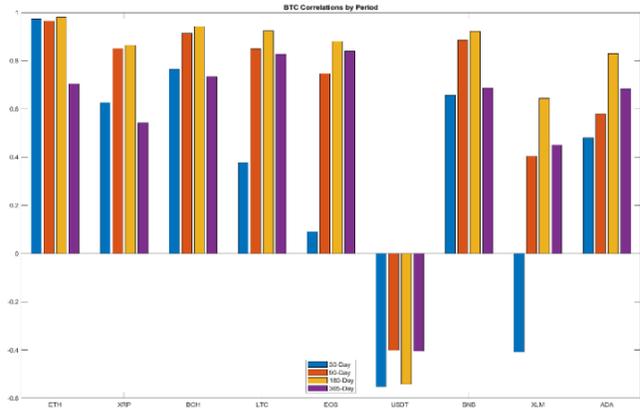


Figure 3. Top Ten Cryptocurrencies: Correlations with bitcoin.

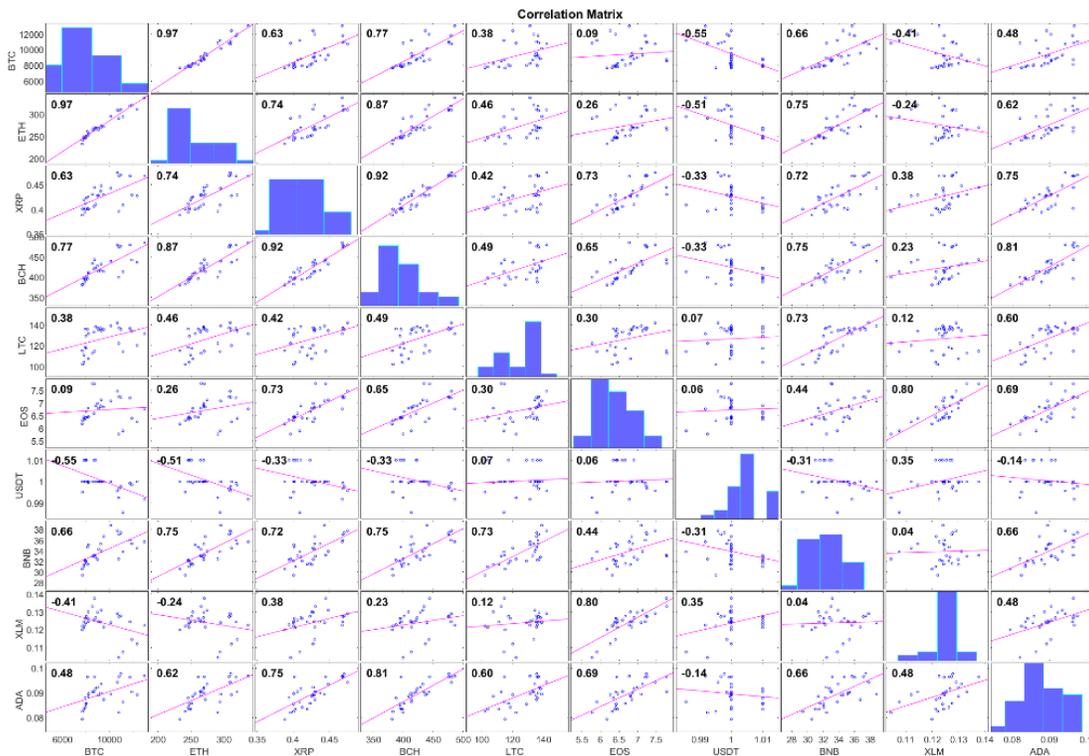


Figure 4. Top Ten Cryptocurrencies Correlation Matrix June 2019.

**Volatility<sup>1</sup>**

During the bear trend, the crypto markets experienced unprecedented low volatility. For weeks and months, the price of major assets was moving within a narrow band. However, more recently, this trend was broken, and we expect to experience even greater volatility in the coming months. Aside from USDT, over the past six months, assets in the top ten have exhibited similar volatility, but in the last thirty days, bitcoin has experienced the most up and down gyrations with the rest of the market following its lead.

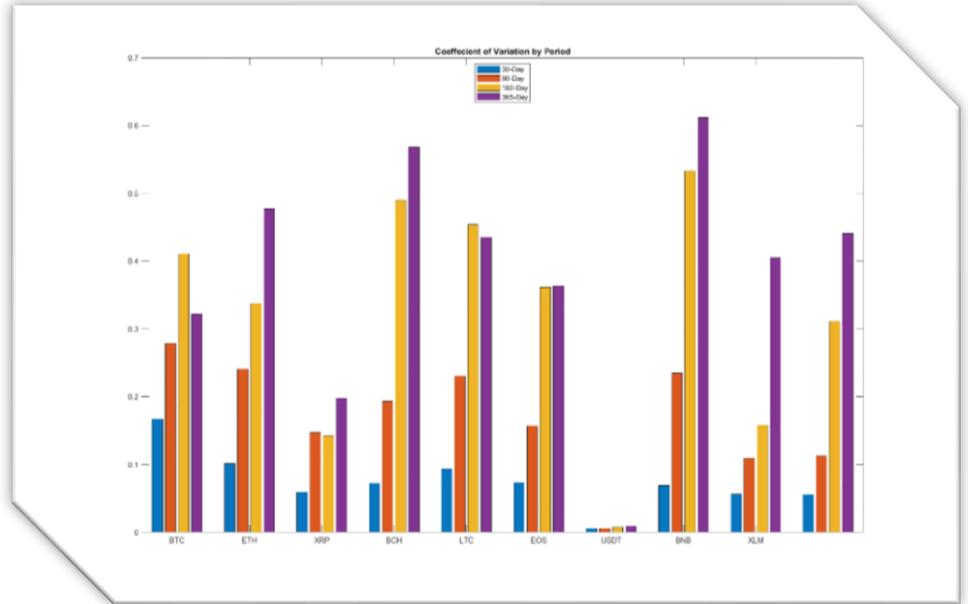


Figure 5. Top Ten Cryptocurrencies Coefficient of Variation.

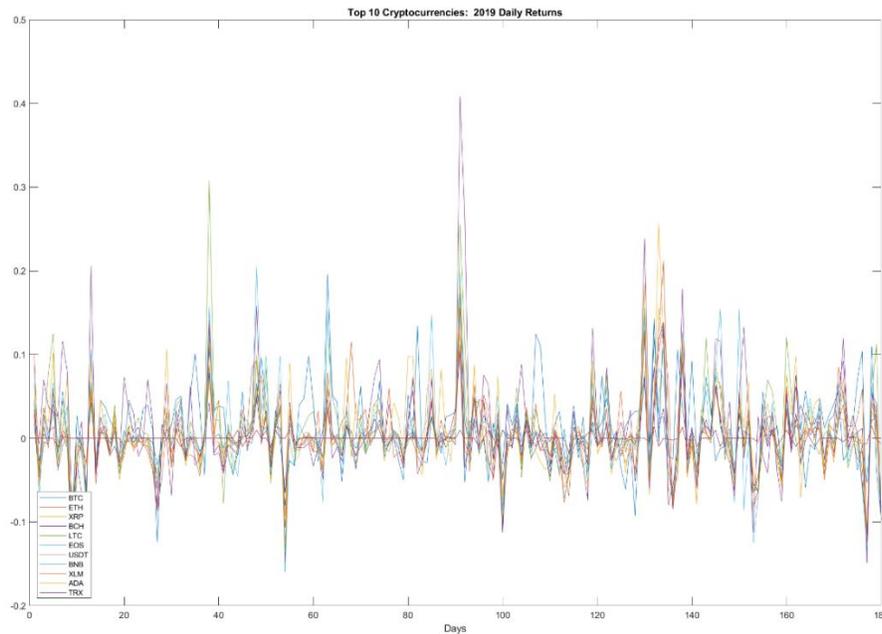


Figure 6. Top Ten Cryptocurrencies Daily Returns.

<sup>1</sup> Coefficient of Variation - also known as relative standard deviation (RSD), is a standardized measure of dispersion of a probability distribution or frequency distribution.  $CV = \frac{\sigma}{\mu}$

Efficient Frontier<sup>2</sup>

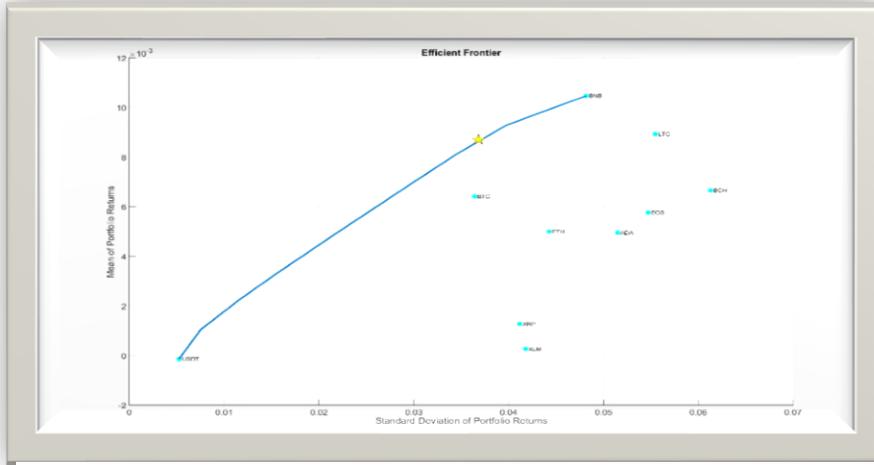


Figure 7. Efficient Frontier Top Ten Cryptocurrencies (based on 2019 performance).

Without getting deep into financial theory, here we construct a couple of optimal portfolios constituent of the top ten cryptocurrencies.

We find that the portfolio should be split just between just two assets: 56.4% BNB and 43.6% BTC. Despite the fact that LTC provided better returns in 2019 (see Figure 1), it's not included in the portfolio as its volatility is much higher than that of BTC and the extra return is not enough to make up for the

much higher risk.

And if we extend our data to the twelve trailing months, then the only change is in the proportion between the two assets, - BNB drops slightly to 60.7% and BTC increases to 39.3%.

These past months have not been kind to most cryptocurrencies.

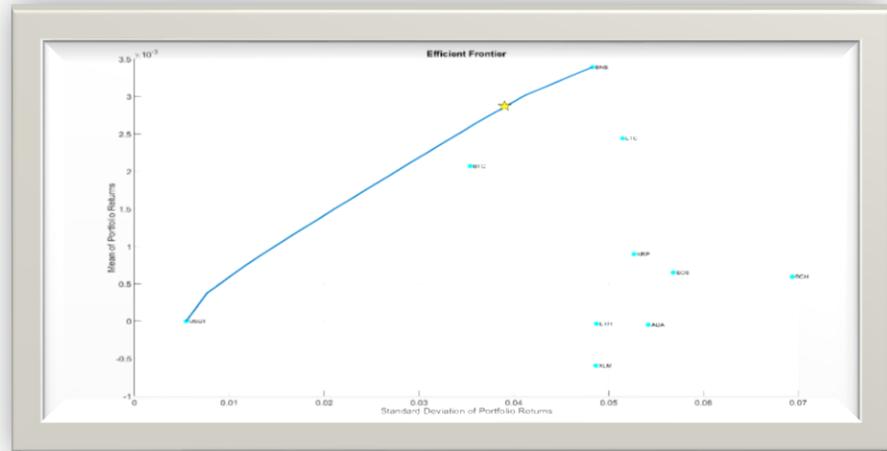


Figure 8. Efficient Frontier Top Ten Cryptocurrencies (12 months trailing).

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To help companies realize blockchain's potential and determine whether there is a place for this technology within the company's business model and business processes, we conduct 3-day Design Sprints during which our team works closely with the company's team.



During the workshop:

- We'll explore blockchain's history, the type of problems it was designed to solve and the evolution of this technology
- The most prominent use-cases of blockchain technology
- Use-cases in company's industry/vertical
- Explore how it could be used to solve problems the company is facing

In addition, if the company later on decides to move forward with the proposed solution, we have the resources to assist in its implementation.

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