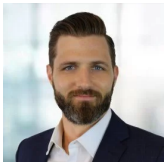


## Storm-Driven Claims, Political Shifts, and Seasonality Point to Bullish Crypto Setup for Late October



**Sean Farrell** AC

HEAD OF CRYPTO STRATEGY

### Key Takeaways

- **No Landing:** Stronger economic data has led to a rally in the DXY and real yields, weighing on crypto over the past week.
- **Claims Data Likely Softens:** Real yields and the dollar could find a ceiling in the near term as incoming jobs data softens due to recent natural disasters.
- **Bullish Election Trend:** Prediction markets have decidedly swung in Trump's favor over the past couple of weeks. Nate Silver's model still shows a slight margin of victory for Harris, but Trump has gained in swing states over the past week.
- **Positive Seasonality:** Most of Bitcoin's historical October outperformance has come in the back half of the month.
- **Core Strategy:** As year-end approaches, we remain optimistic about the crypto outlook. With hard landing risks fading after the Fed's dovish but reassuring stance, we believe now is the time to take calculated risks in one's crypto portfolio. Our focus remains on the majors, with selective exposure to altcoins like HNT, MKR, STX, BNB, and CORE. As a reminder, our Core Strategy allocation model, along with crypto equity baskets and trade recommendations, is included at the end of each note.

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## Market Increases Probability of ‘No Landing’

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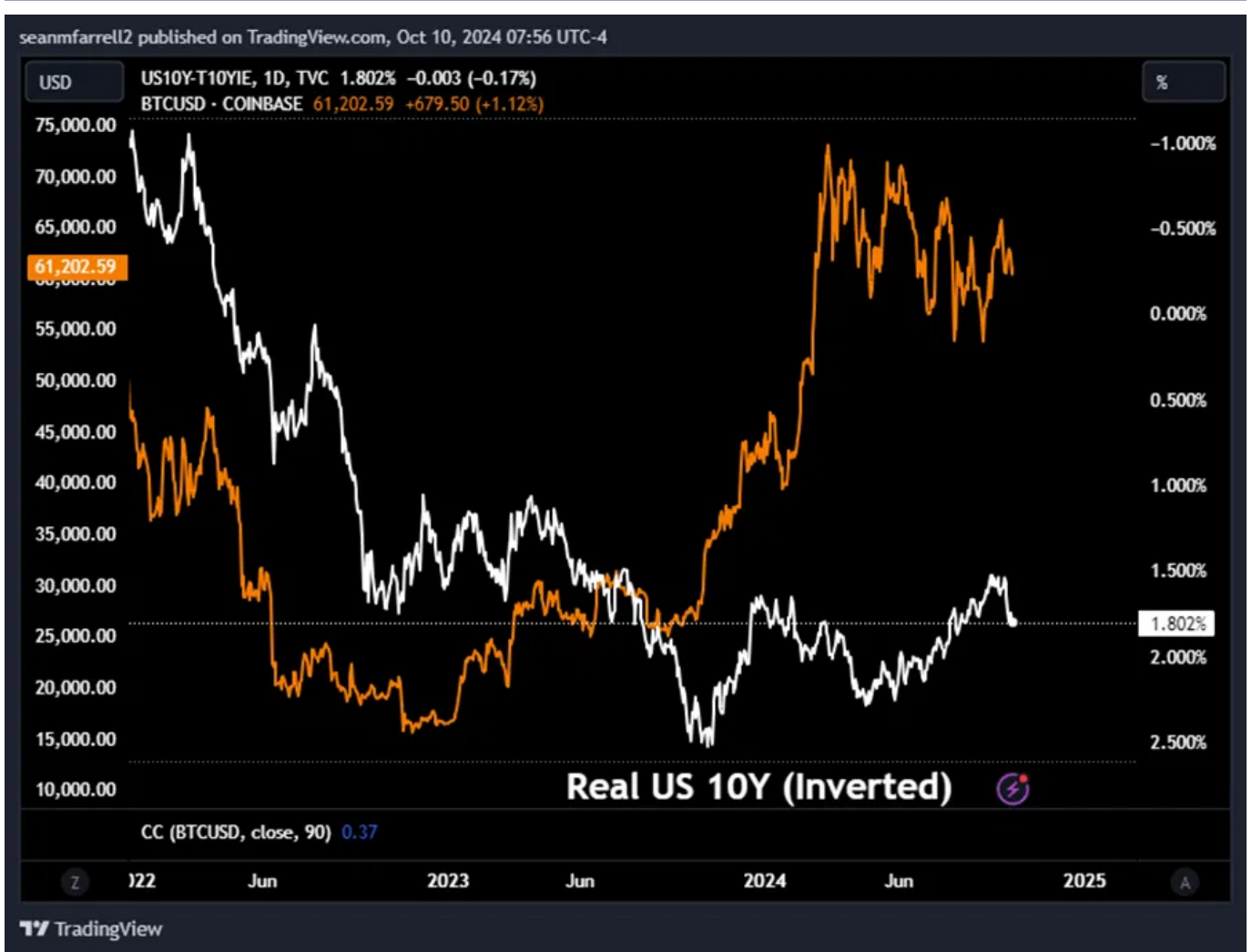
Over the past week, a series of stronger-than-expected economic data releases have significantly impacted market sentiment:

1. **Robust ISM Services PMI:** The ISM Services Purchasing Managers’ Index came in at 54.9, significantly above the forecasted 51.7.
2. **Strong Non-Farm Payrolls (NFP):** The economy added 254,000 jobs, surpassing the expected 140,000.
3. **FOMC Minutes Indicate Divergence:** The FOMC minutes revealed non-consensus at the September meeting regarding whether to cut rates by 25 or 50 basis points.
4. **Inflation Slightly Hotter Than Expected:** Core CPI registered at 3.3%, marginally above the forecasted 3.2%.

These data points have led to the following market reaction:

1. **Pricing Out a ‘Hard Landing’:** The risk of a hard economic landing is being reduced in market expectations, which is generally positive for near-term crypto prices.
2. **Pricing In a ‘No Landing’ Scenario:** The market is increasingly considering a ‘no landing’ scenario, where the economy avoids a downturn but rates remain in restrictive territory.

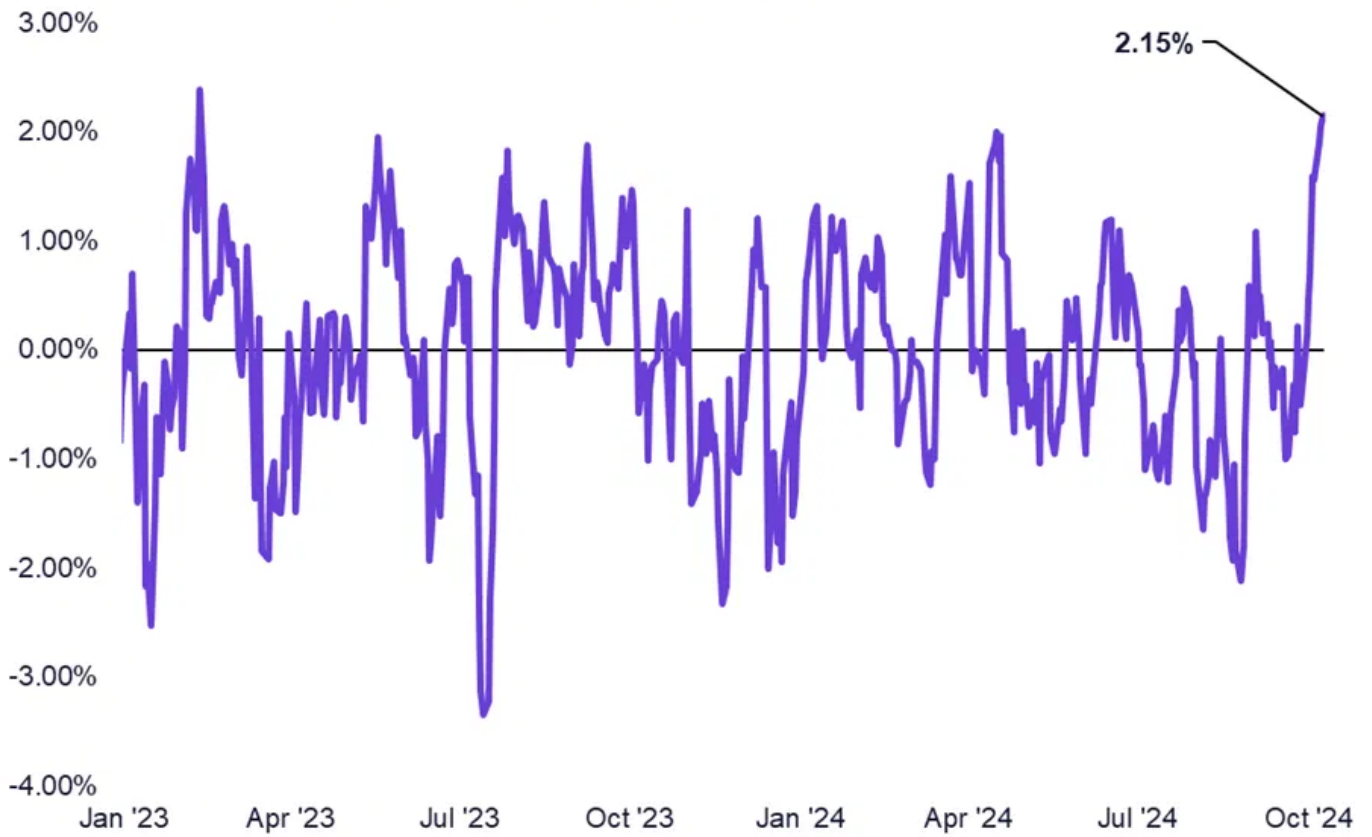
As a result, we’ve observed a sharp rise in real yields, a violent rally in the DXY, and a hawkish shift in rate expectations as Fed funds futures are now pricing an 80% probability of a 25-basis point rate cut at the next FOMC meeting, with a 20% probability of no cut.



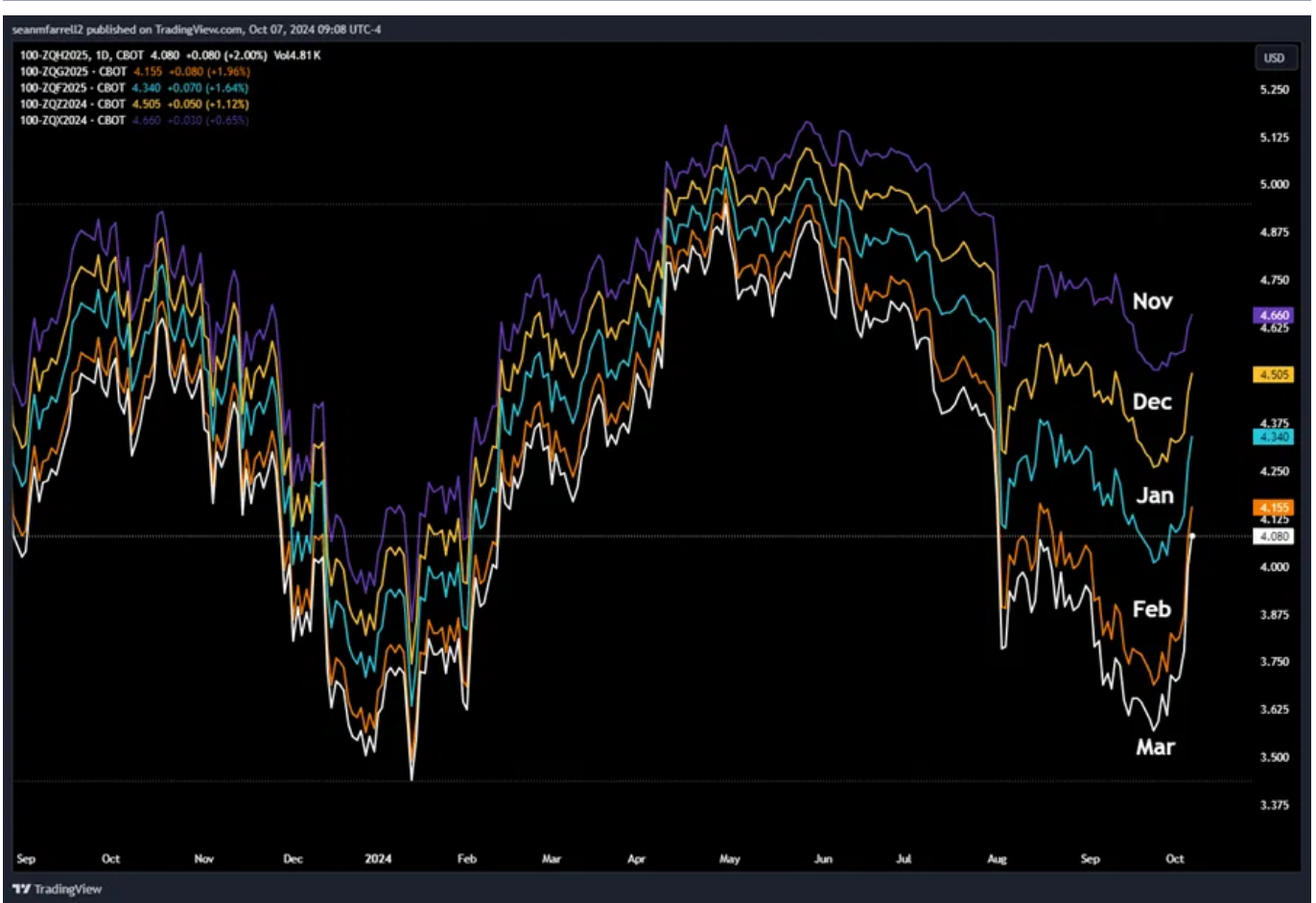
Source: TradingView



DXY Rolling 7-Day % Change (Trading Days)

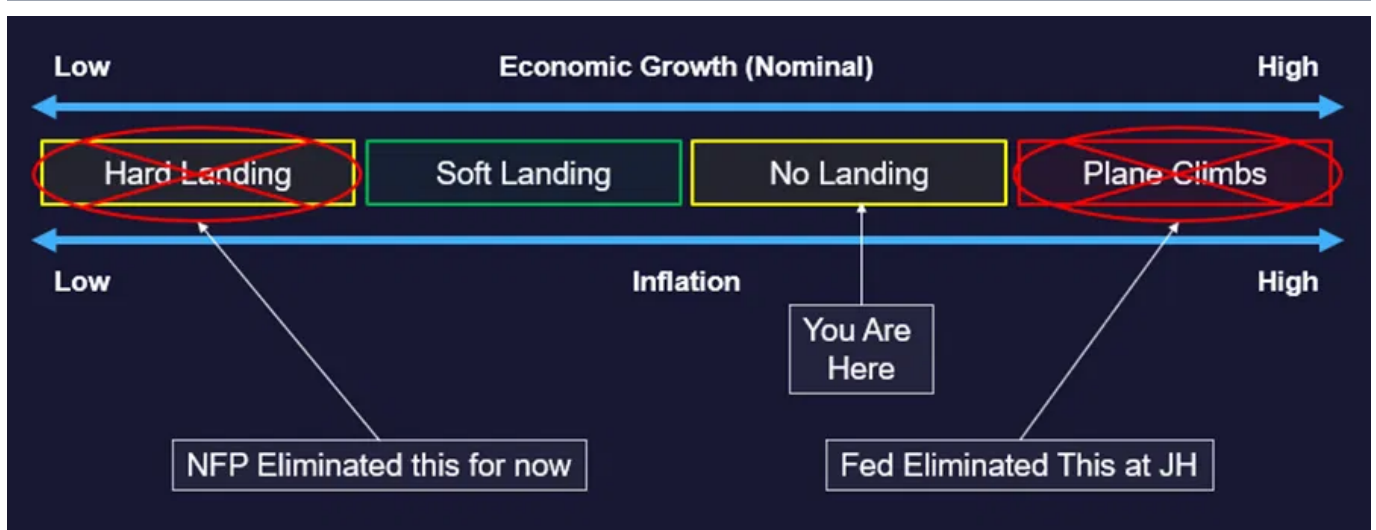


Source: Fundstrat



Source: TradingView

On our “Bitcoin and the Plane” map, we are likely squarely in the ‘no landing’ box, bringing added uncertainty to crypto prices. However, we have reasons to believe that the current crypto market weakness may reverse in the latter half of this month.



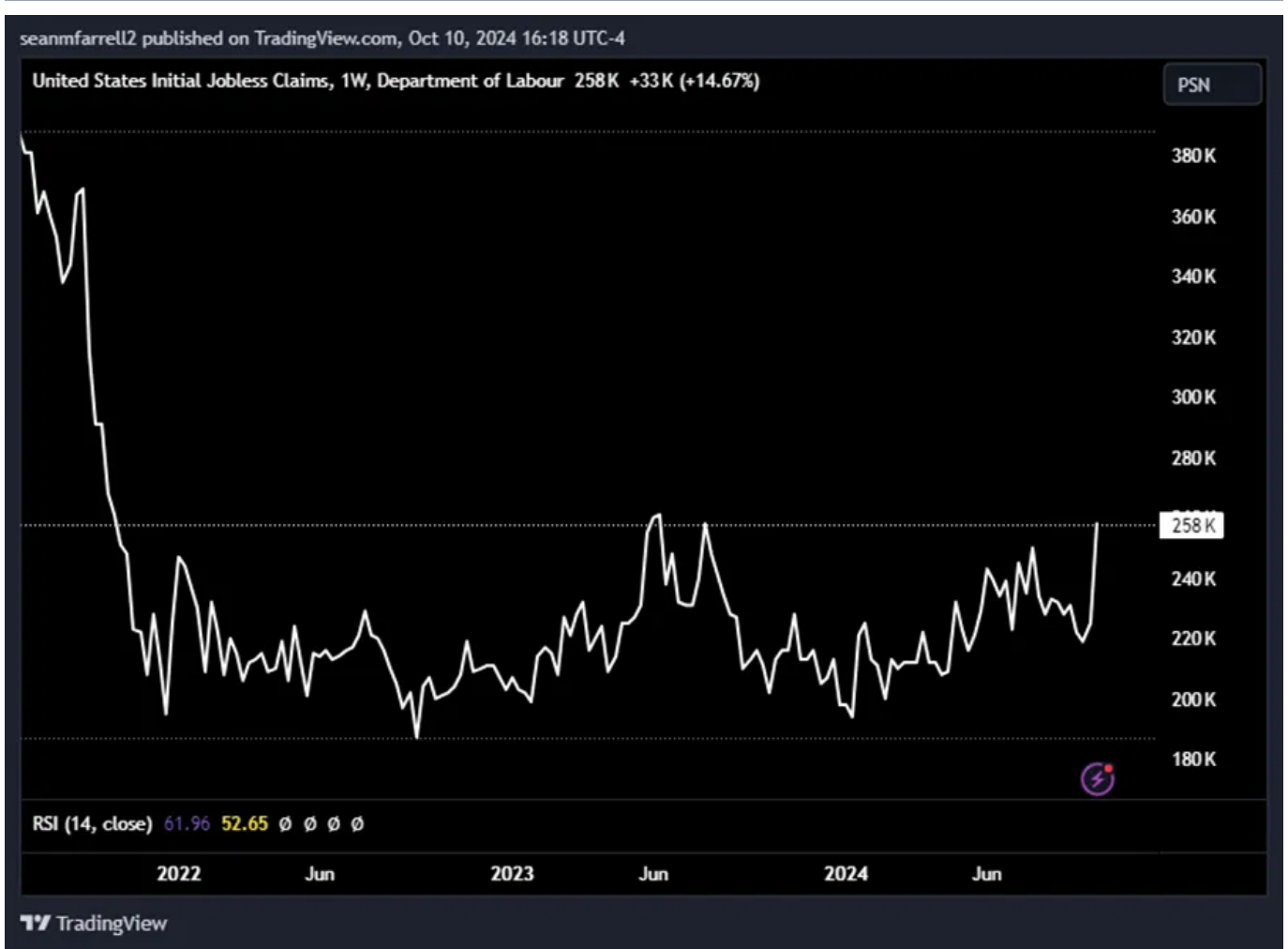
Source: Fundstrat

## Potential Softening in Jobless Claims Due to Storms

We think it is possible that we see continued weakness in jobless claims. On Thursday, alongside the slightly hotter CPI data, jobless claims reached their highest level since last summer.

It's possible that recent hurricanes in the Southeast are contributing to this increase, and if so, we might expect this trend to continue affecting jobs data in the near term.

While the market may consider this a transitory event and potentially look through it, we believe it could help cap rates and the dollar in the near term.



Source: TradingView

In addition to the potential softening in jobless claims, we are considering two other variables that may contribute to a bullish outlook for the latter half of this month – positive seasonality and Trump’s resurgent poll numbers.

## Positive Seasonality Favors Back Half of October

Since 2013, Bitcoin has posted negative returns in October only twice, with the last occurrence in 2018, cementing this month as the crypto market’s favorite. However, many investors are dismayed about this October’s lackluster start.

BTC Composite Performance (Since 2016)

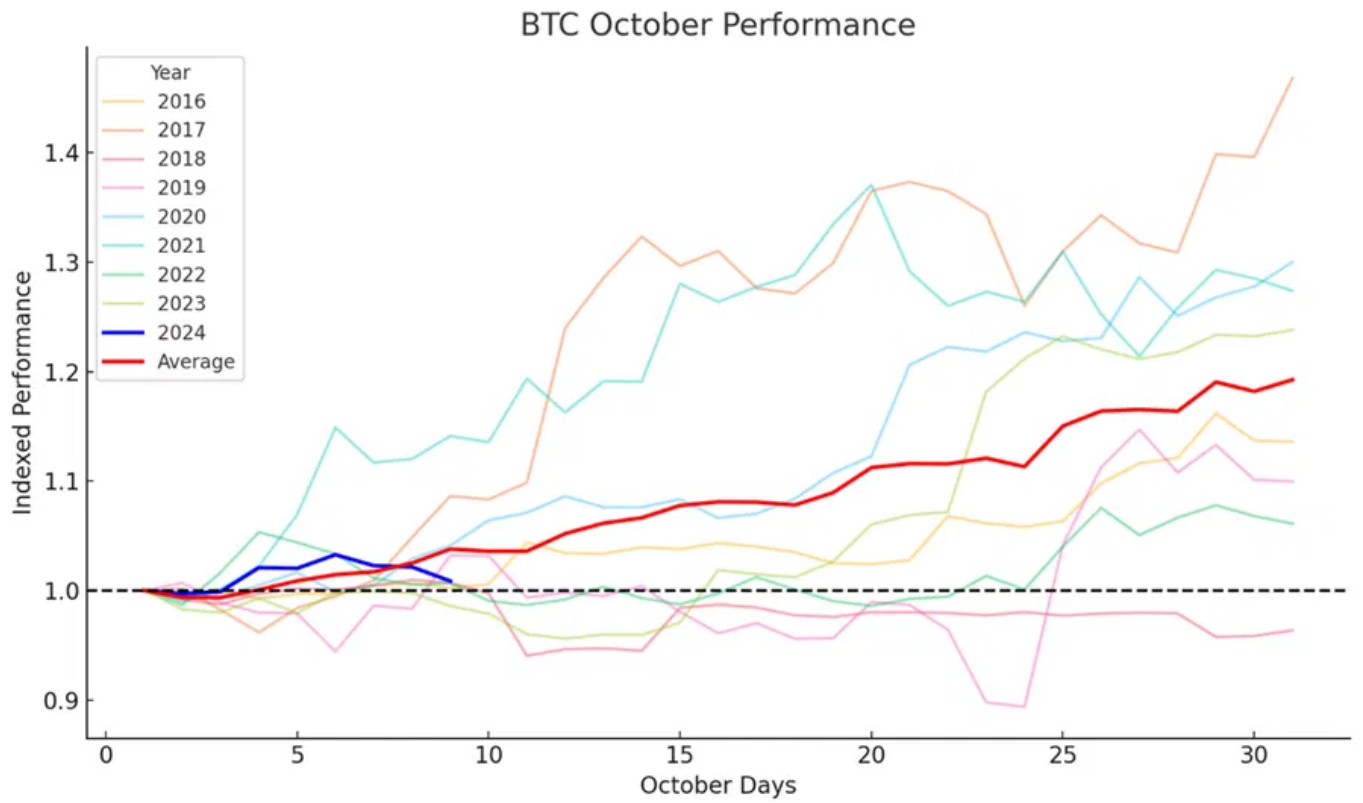


Source: Fundstrat

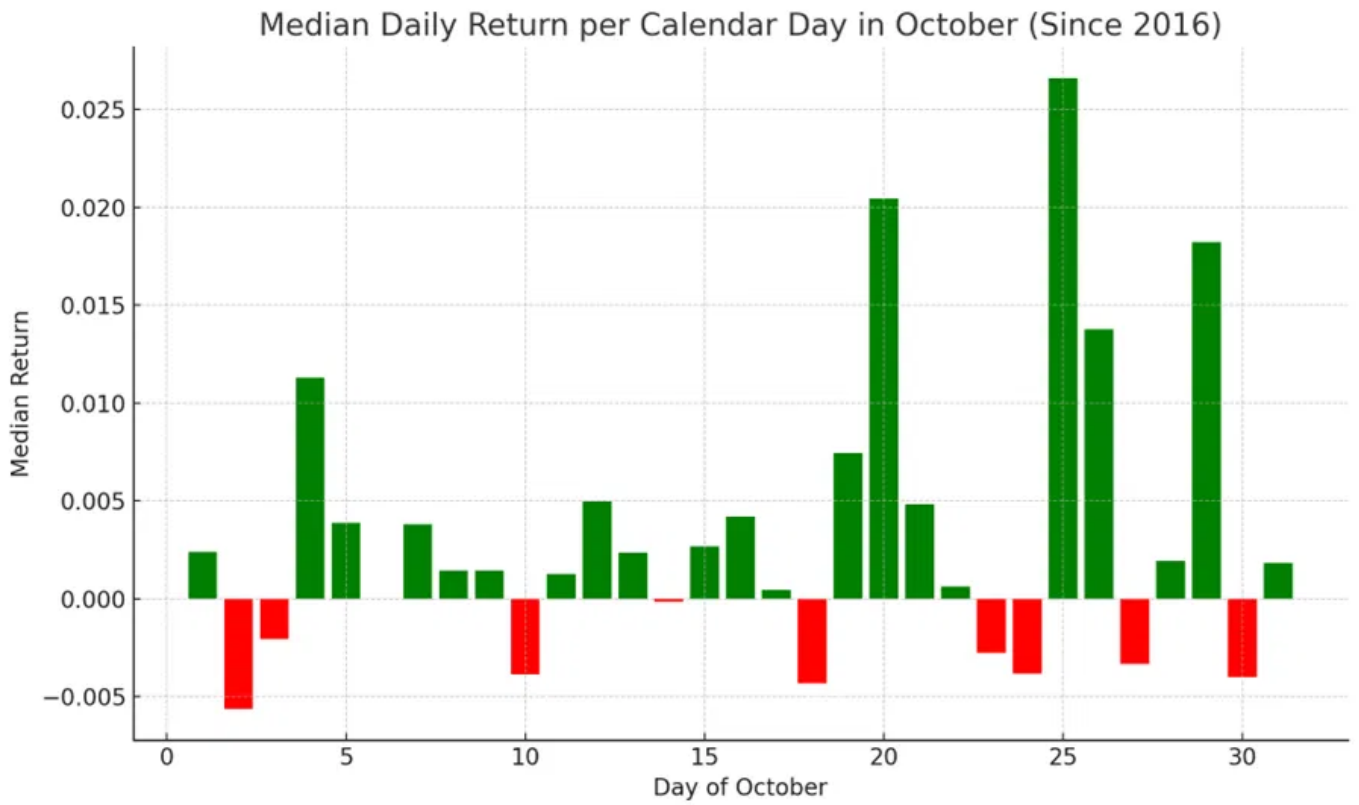
However, historical data suggests that October’s seasonal strength in crypto markets is typically weighted toward the latter half of the month. Average and median returns during this period far exceed those of the first half and win ratios—the frequency of positive returns—are generally higher as well.

For investors who consider seasonality an important factor, this provides support for continued optimism.

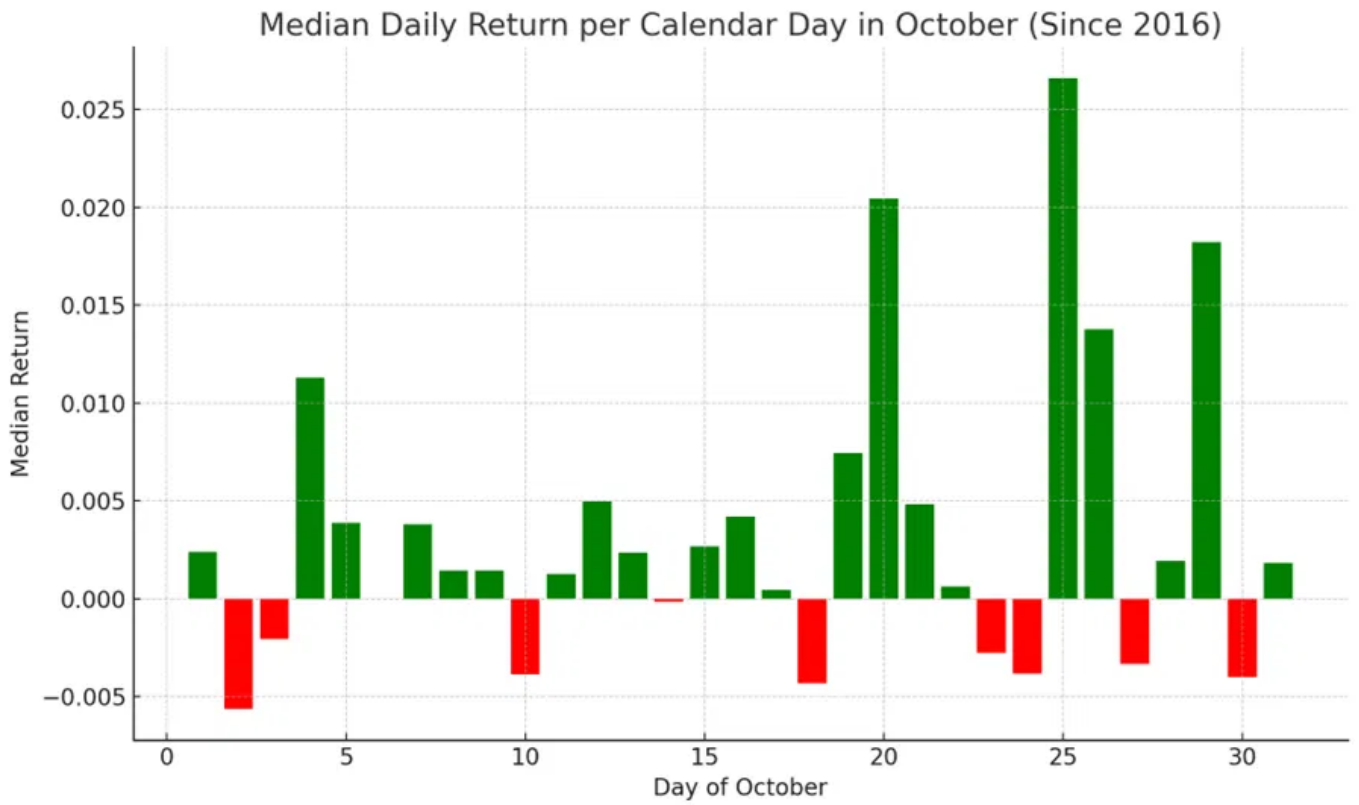




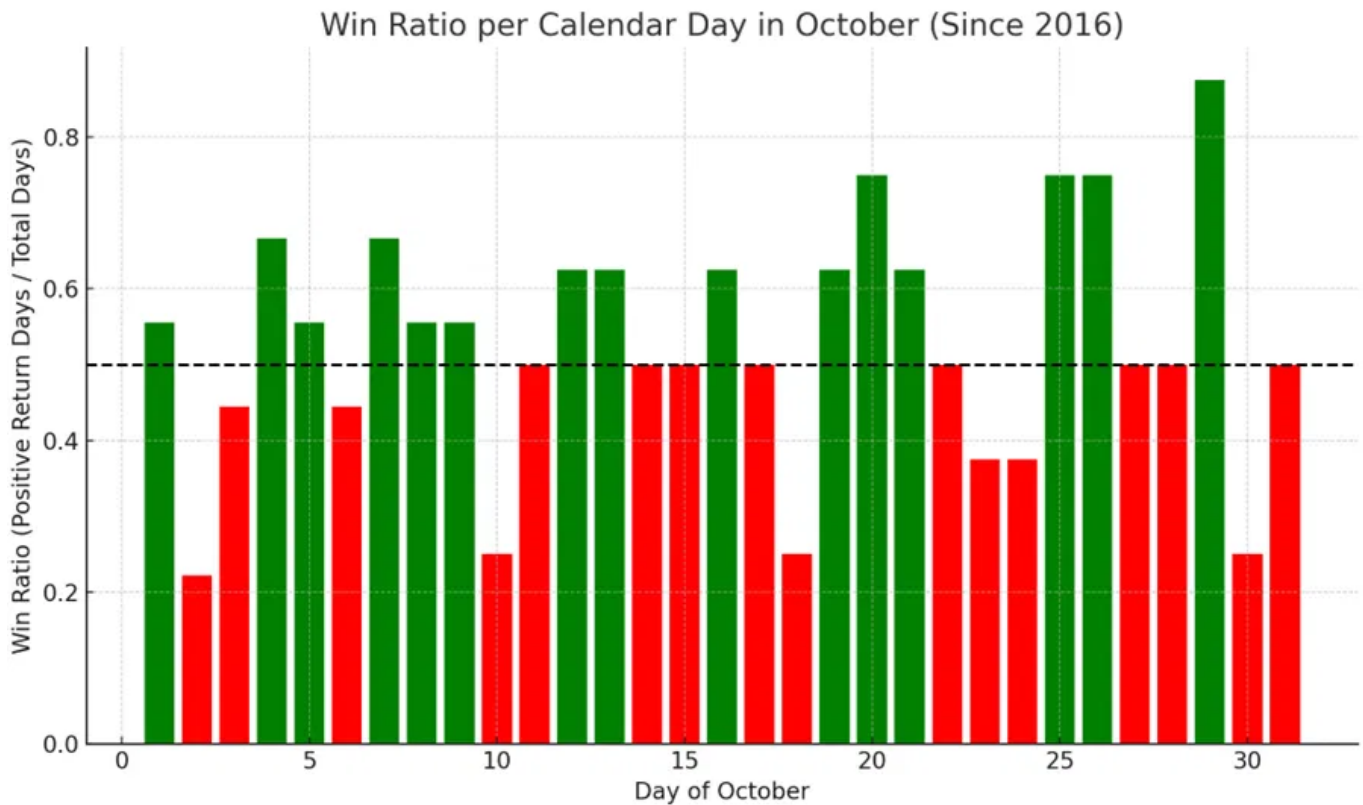
Source: TradingView



Source: Fundstrat



Source: Fundstrat



Source: Fundstrat

While seasonality alone shouldn't dictate investment decisions, it remains a factor worth respecting. Markets are complex systems influenced by a multitude of variables, and sometimes, trusting correlative measures alongside causal ones can be beneficial when making allocation choices.

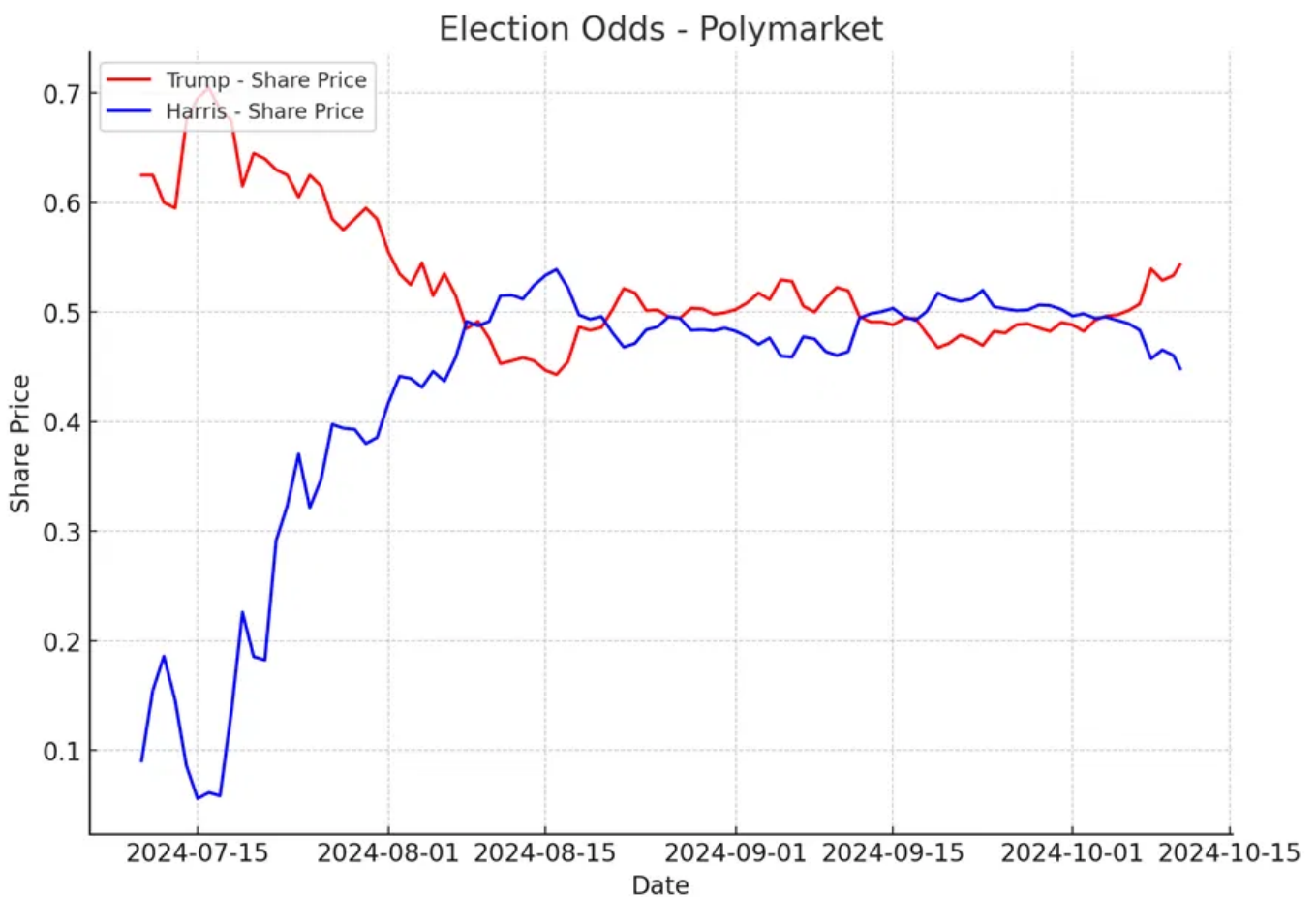
## Momentum Gaining for Trump

For all intents and purposes, the presidential race is still a virtual coin flip. However, in markets, it is the trend that matters, and right now, the trend appears to have shifted in pro-crypto candidate Trump's favor.

Recall our longer-term view that while there is unlikely to be a sustained discount to crypto prices due to Harris, there should be a Trump premium considered for crypto prices.

Over the past two weeks, both prediction markets and polls have shown increased momentum for the Trump campaign:

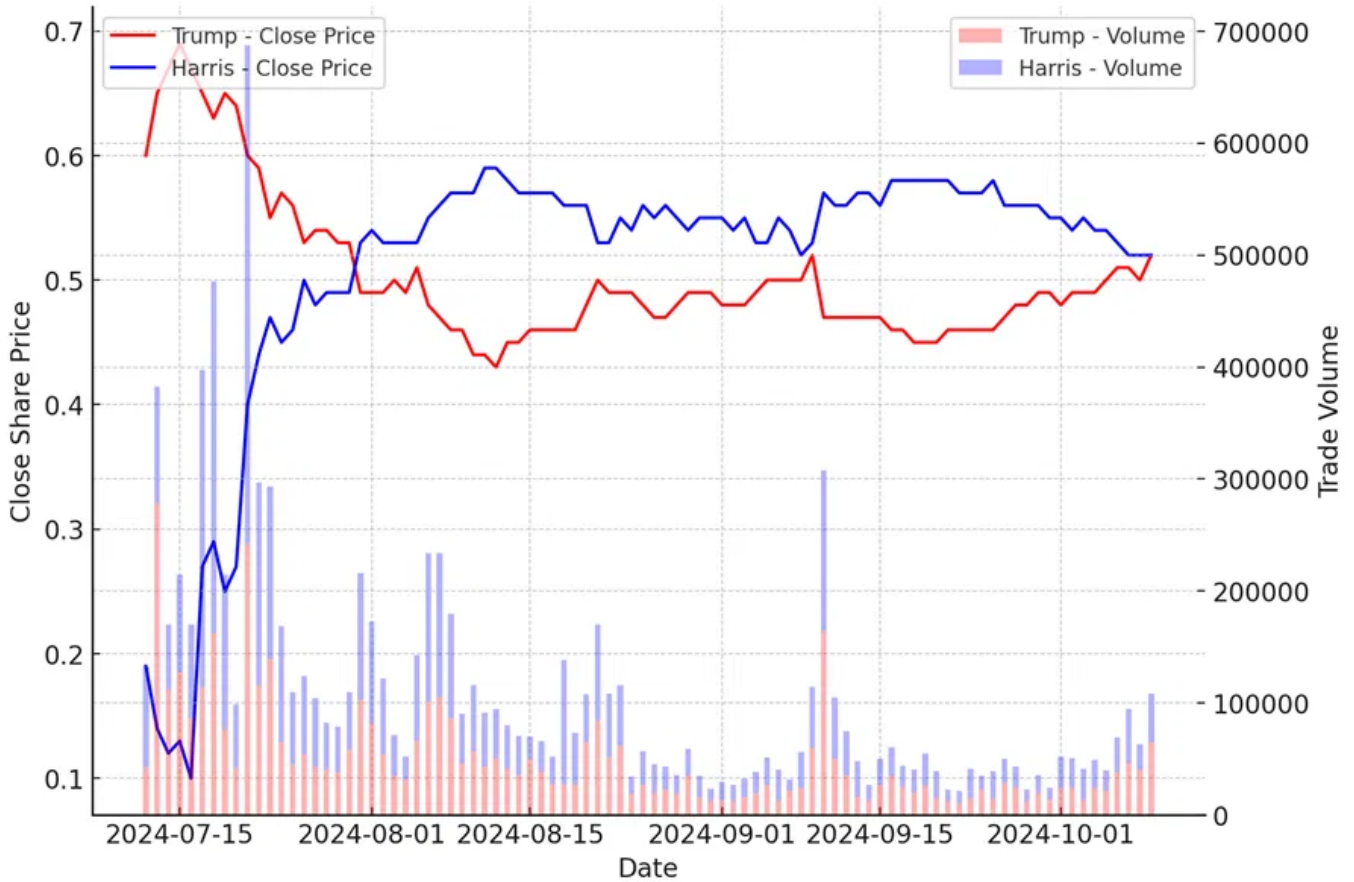
1. **Polymarket:** While we view this platform as slightly biased toward Trump due to the crypto-native bent of the average user, it shows Trump in a resounding lead.
2. **PredictIt:** Considered less biased in our view, PredictIt has also seen a rally in Trump's odds, now sitting even with Harris.
3. **Nate Silver:** Silver, which many, including our own Tom Lee, view as the gold standard in election prediction, has shown Trump gaining ground in all key battleground states over the past seven days. While his analysis still shows Harris in the lead, it's the momentum that markets and Trump-sensitive assets will likely care about over the next few weeks.



Source: Polymarket, Fundstrat



### Election Odds - PredictIt



Source: PredictIt, Fundstrat

Contest	Harris	Trump	Margin	Change from last week	Change from last month
National	49.3%	46.1%	D+ 3.2	R+ 0.4	D+ 0.9
Pennsylvania	48.8%	47.6%	D+ 1.2	R+ 0.1	D+ 0.9
Michigan	48.6%	47.2%	D+ 1.4	R+ 0.6	Even
Wisconsin	49.0%	47.5%	D+ 1.5	R+ 0.6	R+ 0.7
North Carolina	47.9%	48.6%	R+ 0.7	R+ 0.3	D+ 0.5
Georgia	47.9%	48.8%	R+ 0.9	D+ 0.1	R+ 0.7
Arizona	47.4%	48.7%	R+ 1.3	Even	D+ 0.5
Nevada	49.1%	47.3%	D+ 1.8	R+ 0.1	D+ 1.3

Source: Nate Silver

We have observed that GEO Group (\$GEO) and Fannie Mae Preferred Stock (\$FNMAS)—two of the market’s favorite Trump-related trades—have rallied over 10% since Trump’s odds bottomed on PredictIt in late September.

If one assumes that Trump’s odds remain strong leading into the election, it’s plausible that crypto may play catch-up to these Trump-related equity names.



Source: TradingView

## Core Strategy





As year-end approaches, we remain optimistic about the crypto outlook. With hard landing risks fading after the Fed’s dovish but reassuring stance, we believe now is the time to take calculated risks in one’s crypto portfolio. Our focus remains on the majors, with selective exposure to altcoins like HNT, MKR, STX, BNB, and CORE. As a reminder, our Core Strategy allocation model, along with crypto equity baskets and trade recommendations, is included at the end of each note.

## Core Strategy Portfolio - October 10, 2024

### Last Rebalance

Asset	Date	Weight	Date Added	Price When Added	Current Price
BTC	9/26/24	55.0%	1/16/23	21,188	59,686
SOL	9/26/24	15.0%	1/16/23	24	137
ETH	9/26/24	5.0%	1/16/23	1,577	2,364
HNT	9/26/24	2.5%	9/5/24	4.50	6.39
STX	9/26/24	5.0%	11/30/23	0.69	1.63
MKR	9/26/24	2.5%	5/21/24	3,087	1,347
BNB	9/26/24	5.0%	9/19/24	567	559
CORE	9/26/24	5.0%	9/26/24	1.12	0.88
USDC	9/26/24	5.0%	1/16/23	1.00	1.00

### Returns

	Since Inception	YTD
BTC	186%	35%
ETH	52%	0%
<b>Core Strategy</b>	<b>156%</b>	<b>36%</b>







## Crypto Equities - October 10, 2024

Asset	Status	Date Added	Date Closed	Return Since Added	YTD Return
<b>Levered Proxies / ETP Arbitrage</b>					
ETHE	Closed	6/22/23	3/13/24	242%	62%
MSTR	Open	5/2/24		62%	62%
ETHE	Closed	5/20/24	7/22/24	13%	13%
SMLR	Open	7/18/24		-23%	-23%
<b>Average</b>				<b>74%</b>	<b>29%</b>
<b>Crypto Financial Services</b>					
COIN	Open	6/30/23		130%	-12%
HOOD	Open	6/6/24		11%	11%
<b>Average</b>				<b>70%</b>	<b>0%</b>
<b>Mining</b>					
MARA	Open	6/30/23		10%	-46%
RIOT	Open	6/30/23		-35%	-56%
WGMI	Open	6/30/23		35%	-16%
CLSK	Open	4/5/24		-44%	-44%
<b>Average</b>				<b>-9%</b>	<b>-41%</b>
<b>Mining + HPC</b>					
WULF	Open	6/6/24		22%	22%
IREN	Open	6/6/24		-29%	-29%
CORZ	Open	6/6/24		52%	52%
BTDR	Open	6/6/24		-6%	-6%
BTBT	Open	6/6/24		5%	5%
HUT	Open	6/6/24		6%	6%
HIVE	Open	6/6/24		-2%	-2%
<b>Average</b>				<b>7%</b>	<b>7%</b>



### Total Crypto Equities

<b>Average</b>	<b>27%</b>	<b>0%</b>
<b>Median</b>	<b>10%</b>	<b>-2%</b>

Tickers in this report: #BTC, #XRP, #SOL, #ETH, #HNT, #STX, #MKR, #BNB, #CORE, \$MSTR, \$SMLR, \$COIN, \$HOOD, \$MARA, \$RIOT, \$WGMI, \$CLSK, \$WULF, \$IREN, \$CORZ, \$BTDR, \$BTBT, \$HUT, \$HIVE

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