

# Etherbridge Reports The Perfect Storm

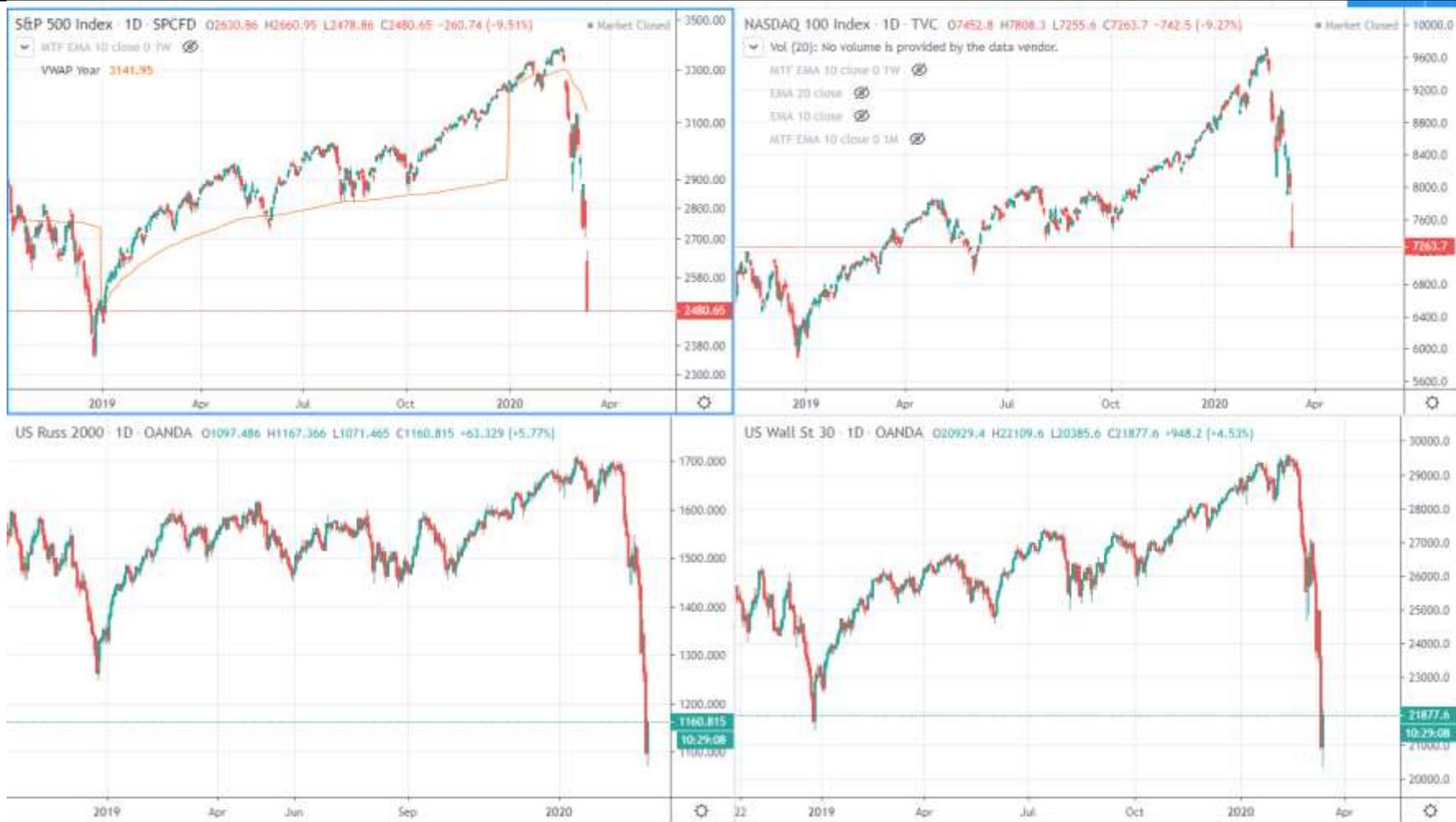


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# Simple framework for understanding Covid-19

1. Covid-19 has officially been labelled a pandemic by the world health organisation. They have signalled that the only way to deal with it is through social distancing and limits to gatherings. This will have significant effects on growth prospects going forward.
2. The virus is bringing major economies with solid healthcare systems to a grinding halt. There is also a chance that authorities are not adequately vocalising the seriousness of the virus in order to try protect financial markets.
3. When economies slow down their greatness weaknesses go on display. The slow down will expose those with too much debt or lack of liquidity.

# US equities



# Asia and Europe



# Commodities, BTC and ETH



# Bond yields collapsing



# No asset is immune to the Liquidity crunch.

- We are currently experiencing a liquidity crisis.
- People are attempting to sell assets for cash. Rational actors are lowering the prices they are willing to sell assets as their priority is liquidity over everything else.
- Liquid store of value assets and safe haven assets are not immune.
- As the 2008 crisis ensued gold too sold off. As investors sold off liquid assets and ran to cash.
- It was only when the Fed made their intentions clear about how they would handle the crisis that safe havens like gold really took off.



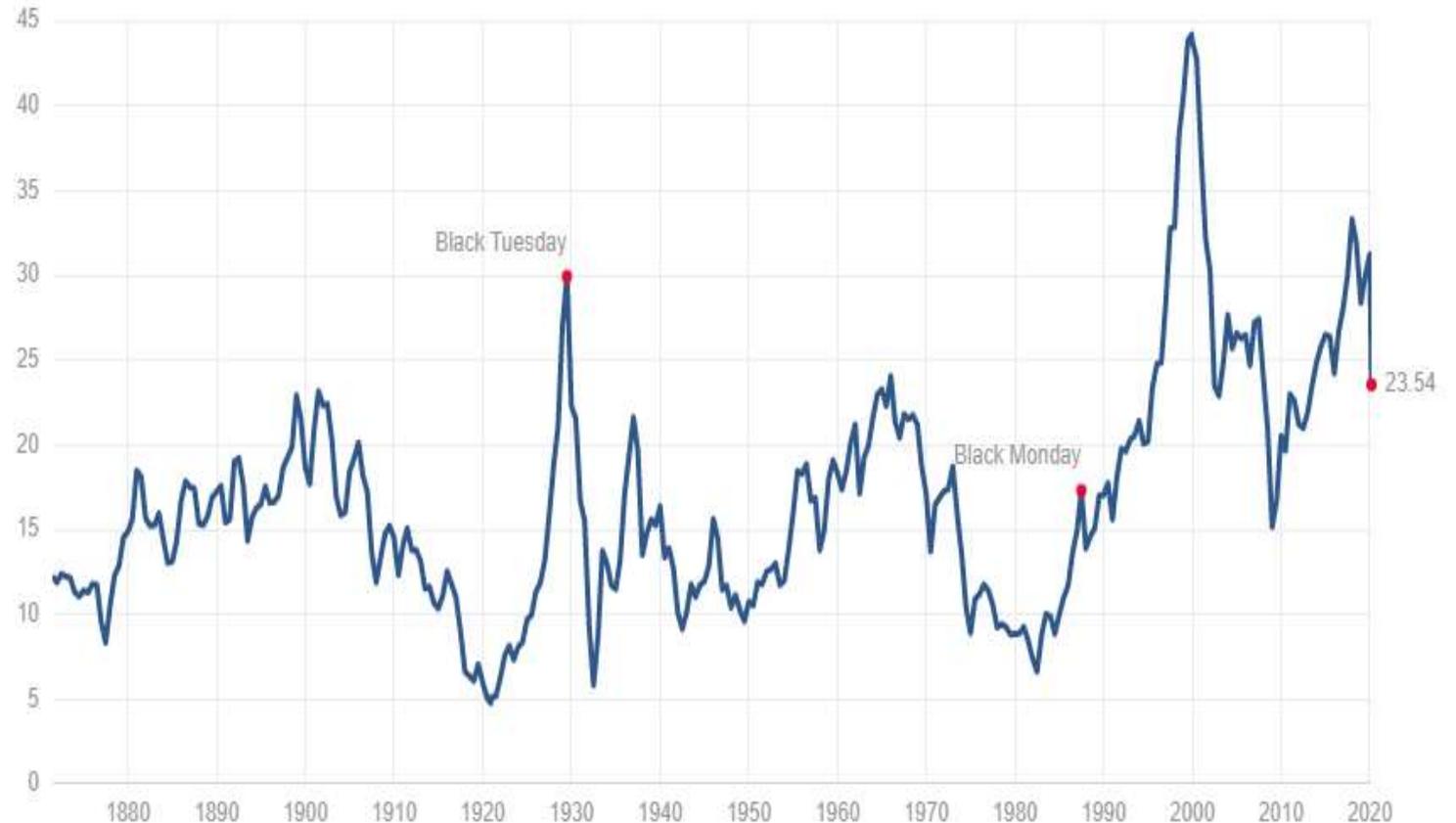
# Our thesis remains unchanged

- Our thesis has always been that Bitcoin and cryptoassets serve as a **hedge against fiat debasement**.
- We have always stated that it is not the recession that will make bitcoin, but rather central banks and governments policy decisions as result of a recession that will make bitcoin.
- Before the coronavirus global financial markets **WERE NOT** healthy and the developing world has been dealing with the problem of **deflation**.
- The coronavirus has created a liquidity crisis that does not favour assets in the short term, BTC like gold is by no means immune to this.
- Central banks will not be able to create the amount of stimulus the economy requires. This will cause them to “push on a string” and search for experimental ways to get citizens spending. This puts them at risk of loosing control of inflation over the long term.
- Interest rates cant be lowered much more as they are already near or below zero all over the developed world.
- Already the Fed has promised \$1,5 trillion in QE. This money will find its way into short term lending and fill the gap that has been created by fears around the coronavirus.

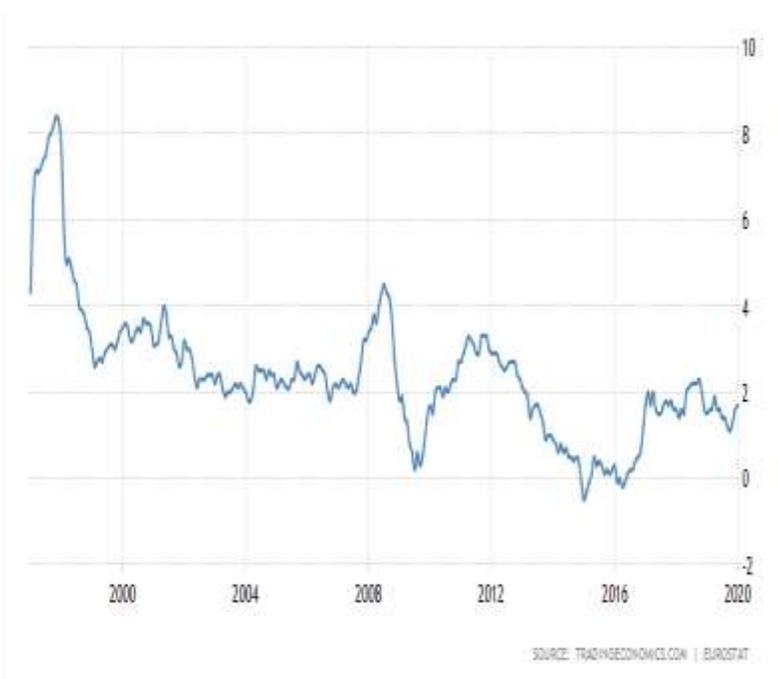
# Valuations weren't looking pretty

This is the Cyclically adjusted PE ratio of the US stock market.

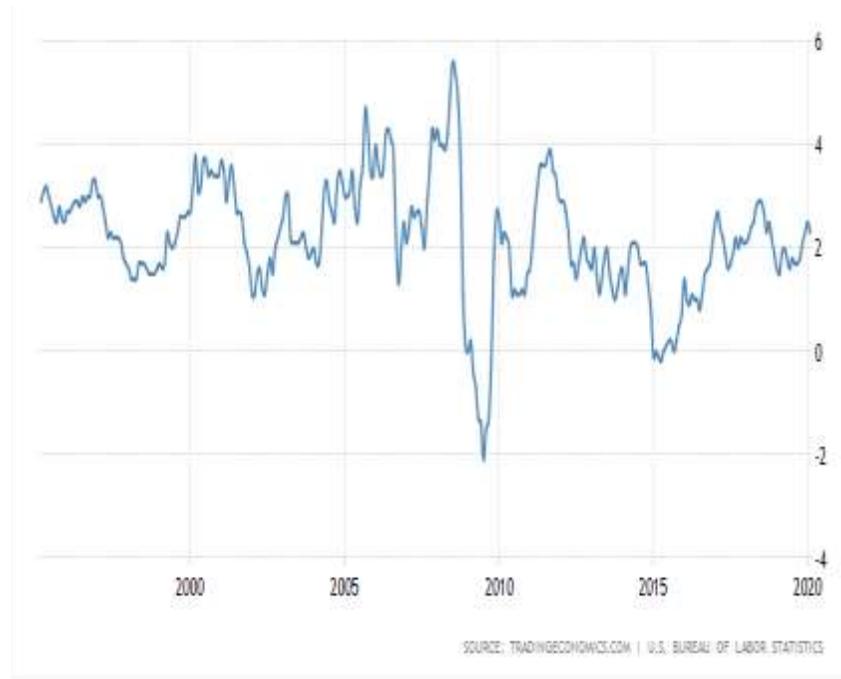
- US equities prior to the crisis were trading at multiples only seen before in 1929 and the dotcom bubble.
- Clearly there is a lot more room for these multiples to compress further.



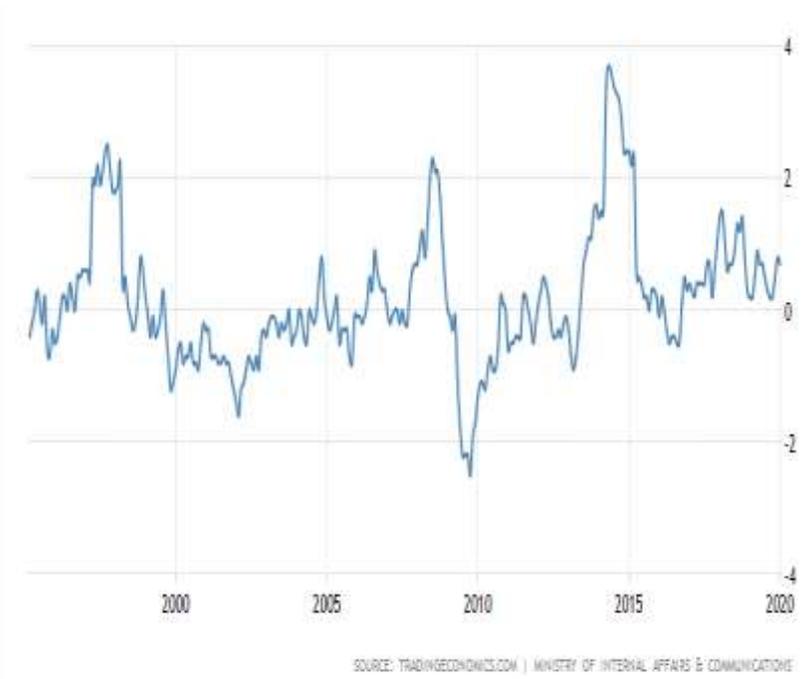
# Deflation is a thing



Europe inflation

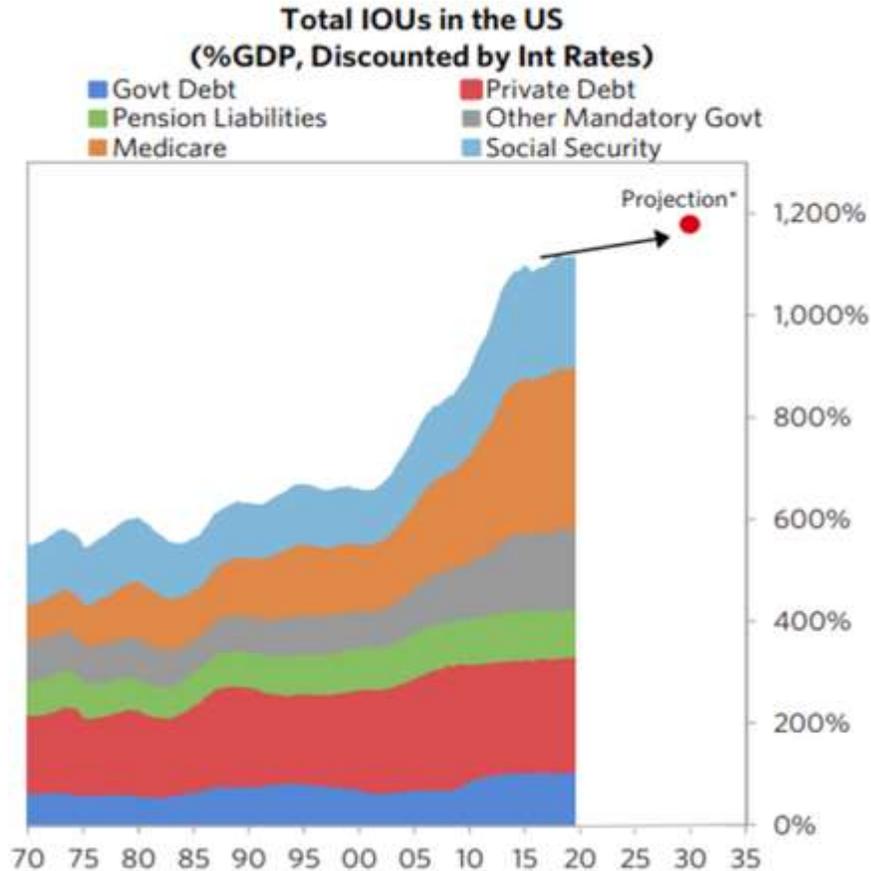


USA inflation



Japan inflation

# Debt leaves little room for growth going forward



Total debt liabilities as a percentage of GDP



# The perfect storm for BTC to become a mainstream asset

1. Our faith in central banks and monetary policy is about to get its **biggest stress test** since the great depression.
2. The Bitcoin halving occurs in May and takes BTC's inflation rate from 3,8% down to 1,75%. This will be the first time that BTC has a **lower inflation rate than USD**.
3. Baby boomers are about to retire and will learn that their pensions are by no means guaranteed. This will **harm the trust** individuals have in the financial system.
4. Central banks will have no choice but to **print money and expand their balance sheet**. This could even result in a MMT style monetary system.
5. Oil prices and oil price manipulation will dampen growth prospects.
6. There is **no end date to coronavirus implications**.
7. There will be a tug of war between socialists and capitalists which will push geopolitical conversations to their extremes.
8. Gold exposure is more difficult for the average person to acquire than BTC is.
9. China is now in prime position to displace America as a world superpower. This strengthens the need for an uncondemnable and unseizable asset like BTC as we enter the age of authoritarian global leadership.

# Conclusion

There are currently two experiments going on in the world of finance. The first is that of monetary intervention by central banks in a situation they have never experienced before. The second is that of a decentralized alternative financial system, one that is not at the mercy of our government and central bank overlords.

As an investor we need to ask ourselves what happens when the first experiment fails, do I really want to be net long that system ? Clearly the answer is no. Our advice remains the same, everyone should add cryptoassets as a complement to their existing portfolio, **especially in times like this**. We recommend allocations of 1 to 5% depending on your attitude toward risk.

Bitcoin remains a speculative hedge against fiat inflation. Our conviction on Bitcoin and cryptoassets remains intact.

**Now is Bitcoins time to shine.**

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