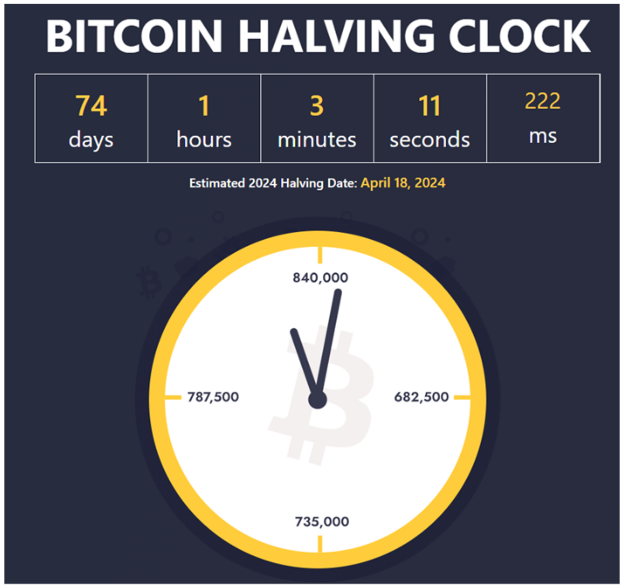
The halving event and Bitcoin cycles demystified

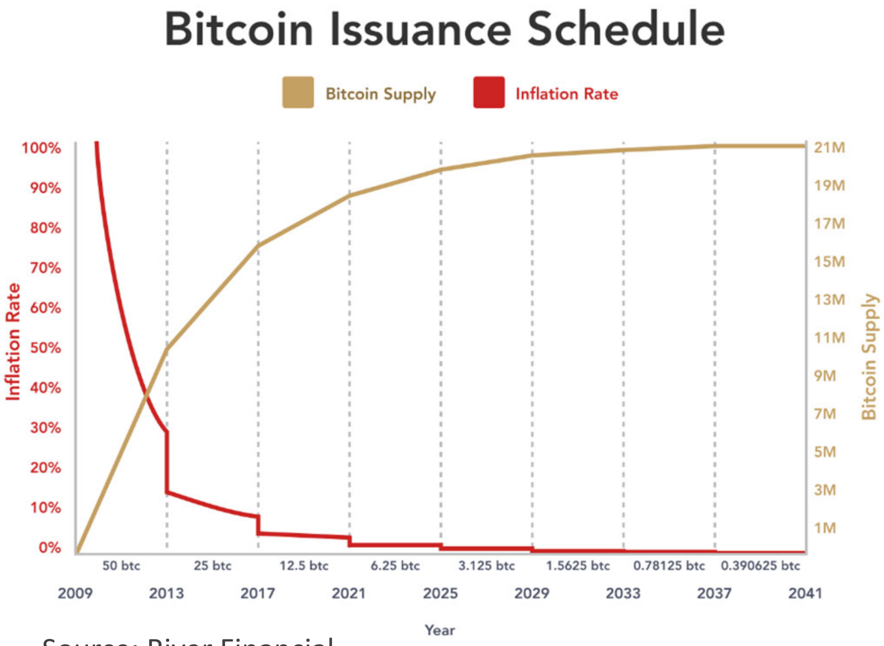
Bitcoin (BTC) is minted or brought into creation through mining, which is done by computers that confirm Bitcoin transactions and secure the encrypted historical record of transactions known as the blockchain. When miners discover a new block, they are rewarded 6.25 BTC as compensation. For every 210,000 blocks, the reward for mining falls by one-half. The rate of ledger verification is estimated to occur roughly every ten minutes. Because this entire process is very formulaic, an estimate for the completion time of 210,000 blocks to the reduction in miner compensation can be estimated to be about four years.

The reduced compensation per block causes the new supply of bitcoin in the market to decrease constantly. Bitcoin's overall supply is capped at 21MM units, which is thought to occur around 2140 at the 34th halving. This is the inherent deflationary nature of Bitcoin in that its supply falls, raising its price relative to competitive stores of value.

Bitcoin has a built-in inflation component because of miner operators who, after receiving compensation for validating the blockchain ledger, must pay operating costs, primarily electricity, in the form of local money. So, a portion of BTC mined is sold on the market or in arm's length exchanges. So, miners are a source of constant selling on the market. Roughly every four years, the impact of miner-driven selling will presumably fall.

Many debated valuation models, including stock-to-flow, tie halving events to changes in BTC price. But many other models include network size, price sensitivity to stocks (primarily a levered 2x NASDAQ index), interest rates, and credit spreads. Models that forecast demand according to Zipf's law for natural buyers and recently approved ETF products continue to be developed. The summary is that following BTC halving events and subject to other influencing factors, the price expands in a somewhat predetermined pattern.





Source: River Financial

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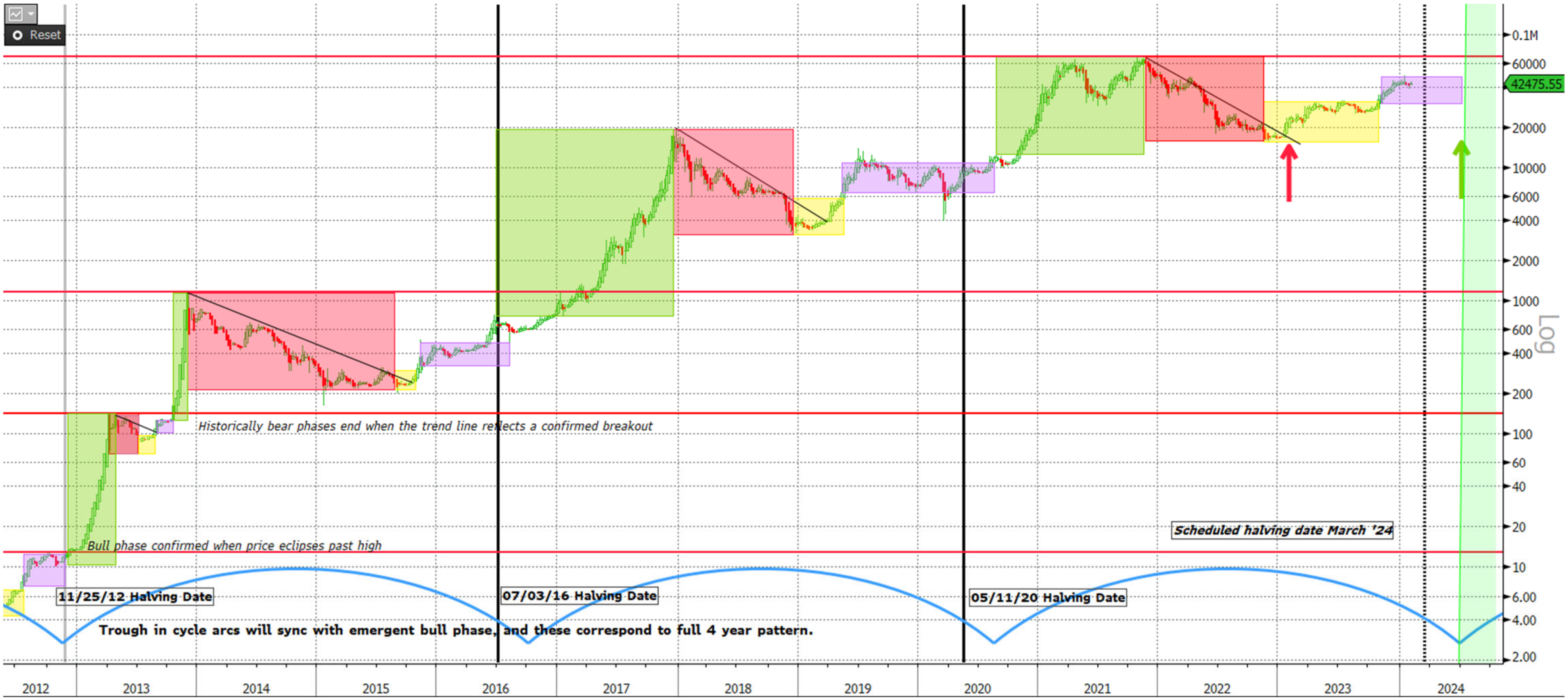
Halving cycle stages: most likely in an expansion stage…



1. *Bull phase: correlated with halving events, officially confirmed when BTC price eclipses old highs*
2. *Bear phase: price falls and breaks the prior support line that confirmed a bull market*
3. *Accumulation phase: Begins at the bear cycle low and concludes on a confirmed test and break out of the resistance line from the bear market*
4. *Expansion phase: includes a halving event, which initiates a new cycle. Volatility expands, and the price consolidates, officially ending on a successful break out of the consolidation zone.*

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Crypto Corner: Crypto Token Return Quilt

Cryptocurrency Rank

Asset Class	2017	2018	2019	2020	2021	2022	2023	2024	10Y Cumulative	10Y Annualized
Chainlink			(41.8)	510.4	68.1	(72.0)	174.4	17.8	656.73	32.45
Tron		(56.4)	(32.1)	99.2	186.0	(28.5)	96.5	9.4	274.14	32.45
Bitcoin	1257.0	(71.3)	94.0	297.2	63.7	(64.8)	156.0	0.8	1888.74	14.58
Ethereum	8541.8	(81.4)	(4.5)	456.8	413.3	(67.6)	91.1	(0.3)	10064.36	63.06
Galaxy Crypto Index	566.9	(81.1)	7.1	276.7	153.4	(70.2)	139.6	(1.9)	990.33	109.01
Solana				0.0	9542.8	(94.1)	962.8	(5.4)	10406.11	31.62
Litecoin	4849.1	(86.2)	36.5	198.4	18.3	(52.9)	5.3	(7.0)	5010.38	124.32
Tezos		(63.6)	193.9	49.6	110.9	(84.4)	42.3	(7.8)	240.87	37.10
DeFi Index				0.0	155.6	(78.5)	57.5	(11.5)	123.06	(5.14)
Dogecoin				130.0	3372.0	(58.9)	27.4	(13.3)	3457.22	(5.23)
Dash	398.7	(91.8)	(48.2)	133.4	38.1	(68.6)	(24.0)	(14.3)	323.34	105.07
Cardano		(49.8)	(19.0)	431.9	644.3	(81.2)	140.2	(14.6)	1051.84	(21.80)
Stellar		(75.6)	(60.2)	176.8	106.4	(73.7)	82.4	(14.7)	141.44	29.82
Cosmos			(4.1)	32.0	429.6	(73.2)	15.9	(16.1)	384.04	(19.08)
Ripple	945.2	(81.0)	(47.0)	11.6	250.5	(59.2)	81.3	(16.3)	1084.97	9.74
Eos	307.4	(65.0)	(1.8)	(1.8)	16.9	(71.8)	(0.8)	(17.0)	166.05	12.41
Polkadot				25.9	224.8	(84.1)	94.2	(17.7)	243.13	(11.60)
Uniswap				7.6	275.9	(70.0)	47.2	(18.0)	242.69	0.81

	2017	2018	2019	2020	2021	2022	2023	2024	10Y Cumulative	10Y Annualized
Highest Return	8541.8	(49.8)	193.9	510.4	9542.8	(28.5)	962.8	17.8	10406.11	124.32
Lowest Return	307.4	(91.8)	(60.2)	(1.8)	16.9	(94.1)	(24.0)	(18.0)	123.06	(21.80)
% Asset Classes Positive	39%	0%	22%	83%	100%	0%	89%	17%	100%	67%

- In 2024, Chainlink ranks at the top of the performance ranks for the following tokens.
- The color scaling for the highest returns at the bottom of the chart consistently aligns with approximate 4-year halving cycles.
- The percent of positive performing tokens per year strongly correlates with the end of bear and bull cycles at extremes.
- A new bull phase, by using these analysis definitions, would necessitate a breakout from ~$68,000 BTC/USD.
- Using ranking and percent positive ratios in this manner is not a recommendation. Still, it can be an additional source of evidence for investors to understand where BTC sits in its four-stage cycle.

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Any historical index performance results are provided exclusively for comparison purposes only, so as to provide general comparative information to assist in determining whether the performance of a specific investment and/or investment allocation meets, or continues to meet, an individual investment objective(s).

Any blended manager portfolio data results reflect hypothetical, back-tested results and, as such, have inherent limitations, including: (1) the portfolio results do not reflect actual trading using client assets, but were achieved by means of the retroactive application of each of the referenced managers, certain aspects of which may have been designed with the benefit of hindsight; (2) back tested performance may not reflect the impact that any material market or economic factors might have had on the manager's creation of or changes to the hypothetical portfolio if the portfolio had been used during the period to actually manage client assets; and (3) actual clients may have experienced investment results during the corresponding time periods that were materially different from those portrayed in the portfolio.

Asset-based fees quoted are those earned by PlainsCapital Bank only, and do not include any embedded fees within the proposed funds themselves, which are deducted directly from each fund's net asset value. Any associated commissions are also passed through directly to the account.

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