

Bitwise®

The Year Ahead: 10 *Crypto* Predictions for 2024

bitwiseinvestments.com 12-2023

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Entering the Mainstream Era of Crypto

2023 was a great year for crypto. Prices recovered from their 2022 lows, with major crypto assets like Bitcoin and Solana rising 128% and 495% respectively year to date. Crypto equities zoomed up 138%.¹ And some of the largest financial institutions in the world, including BlackRock, Fidelity, and Franklin Templeton, made massive commitments to the market.

But we see even brighter things ahead.

We recently gathered the Bitwise brain trust to gaze into 2024. Our take: We believe we are on the cusp of crypto's "Mainstream Era"—the moment crypto steps out of the shadows and establishes its place in the real world, for the long term. What specifically are we excited about in 2024? In the following pages, we lay out our top predictions for what we expect in the year ahead.

Please note: As with all predictions, these are not guarantees, but represent our best informed estimate. The future is complex and conditional, and whether these pan out exactly as written will depend on many complicated factors. Nothing that follows is investment advice.

(1) Source: Bitwise Asset Management. Data as of November 30, 2023. Note: "Crypto equities" are represented by constituents of the Bitwise Crypto Innovators 30 Total Return Index (XBITQG), an equity index that provides focused exposure to companies that are building the future of the crypto asset-enabled decentralized economy.

Bitcoin will trade above \$80,000, setting a new all-time high.

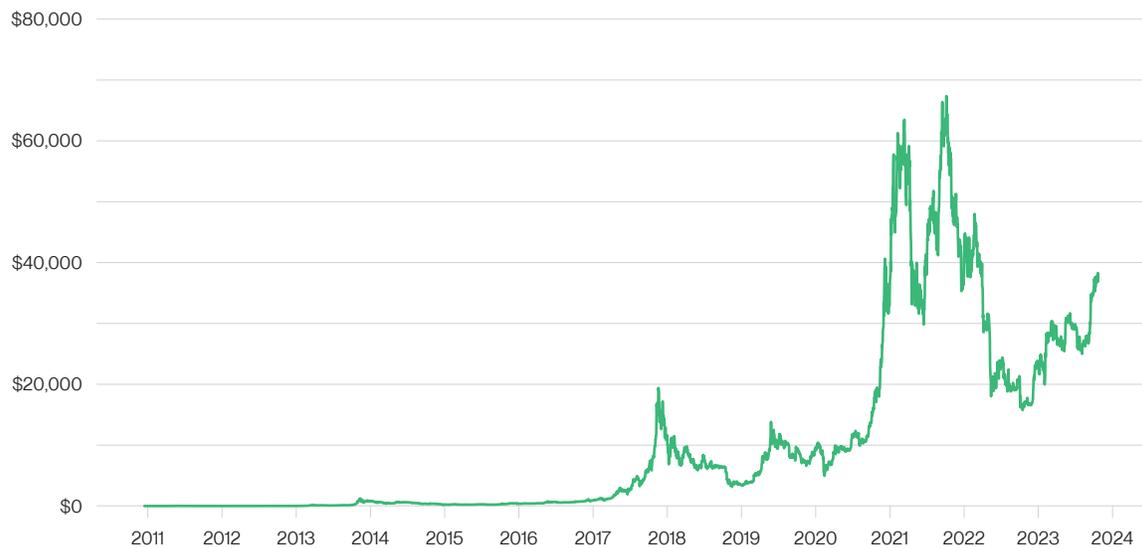
Bitcoin outperformed all major asset classes in 2023, rising 128% while the S&P 500 returned 21%, gold returned 12%, and bonds returned 2%.² We expect that trend to continue in 2024, with bitcoin trading above \$80,000 and setting a new all-time high.

There are two major catalysts that will help get us there.

The launch of a spot bitcoin ETF (anticipated in early 2024) is expected to usher in a wave of new capital from retail and institutional investors, causing demand for bitcoin to rise. Meanwhile, the supply of new bitcoin being produced each year will be cut in half following the next bitcoin halving in April or May 2024. At current prices, that's equivalent to a \$6.2 billion reduction in new bitcoin entering the market each year.

More demand? Less supply? You do the math.

Bitcoin Price Since 2011



Source: Bitwise Asset Management. Data as of November 30, 2023.

(2) Source: Bitwise Asset Management and Bloomberg. Data as of November 30, 2023.

Spot bitcoin ETFs will be approved, and collectively they will be the most successful ETF launch of all time.

Bloomberg's ETF analysts say there is a 90% chance that a spot bitcoin ETF will be approved in early 2024. Those are pretty good odds!

Of course, a spot bitcoin ETF has to do more than just launch. If an ETF is going to impact the market in a major way, it must gather significant assets.

Our internal studies suggest spot bitcoin ETFs could capture 1% of the \$7.2 trillion U.S. ETF market, or \$72 billion, within five years.

The amazing thing is, we're on the lower side of public estimates.

Projected AUM of Spot Bitcoin ETFs

Company	Projection
 CryptoQuant	\$155 billion
 Bloomberg Intelligence	\$100 billion
 Galaxy Digital	\$80 billion
 AllianceBernstein	\$75 billion
 Bitwise	\$72 billion
 Apollo Crypto	\$65 billion
 NYDIG	\$30 billion
 Matrixport	\$24 billion

Source: Bitwise Asset Management.

Note: Predictions from different sources may be based on different assumptions, such as time frame, and were published at different times over the past six months.

Coinbase’s revenue will double, beating Wall Street expectations by at least 10x.

Wall Street expects Coinbase’s revenues to grow 9% year over year, from \$2.8 billion to \$3.1 billion. That’s way too conservative. We think they’ll double, at least.

Here are the three things Wall Street is missing.

First, the bull market. Bitcoin is up 128% this year.³ Historically, Coinbase’s trading volumes spike in bull markets, and we expect to see that again.

Second, the innovation. Coinbase has launched a wide range of new products—from perpetual futures to U.S.-regulated futures contracts, a new Layer 2 blockchain (Base), and on-chain identity—all of which are showing real traction.

Third, the ETFs. Coinbase is positioned to be the primary custodian for most bitcoin ETFs, providing another catalyst for the firm.⁴

If we’re right about crypto prices in 2024, a doubling of revenue should be within reach.

Coinbase Annual Revenue Since 2018

	2018	2019	2020	2021	2022	2023 (est.)	2024 Wall Street Estimate	2024 Bitwise Estimate
Revenue (USD millions)	\$520	\$534	\$1,277	\$7,839	\$3,194	\$2,845	\$3,100	\$5,690+
Year-Over-Year Change (%)	—	+3%	+139%	+514%	-59%	-11%	+9%	+100%

Source: Bitwise Asset Management with data from Bloomberg and Reuters. Data as of November 30, 2023.

Note: 2023 and 2024 based on Wall Street analysts’ estimates via Bloomberg.

(3) Source: Bitwise Asset Management. Data as of November 30, 2023.

(4) As of November 27, 2023, nine of the twelve spot bitcoin ETF applicants have named Coinbase as the primary custodian in their S-1 filings with the SEC.

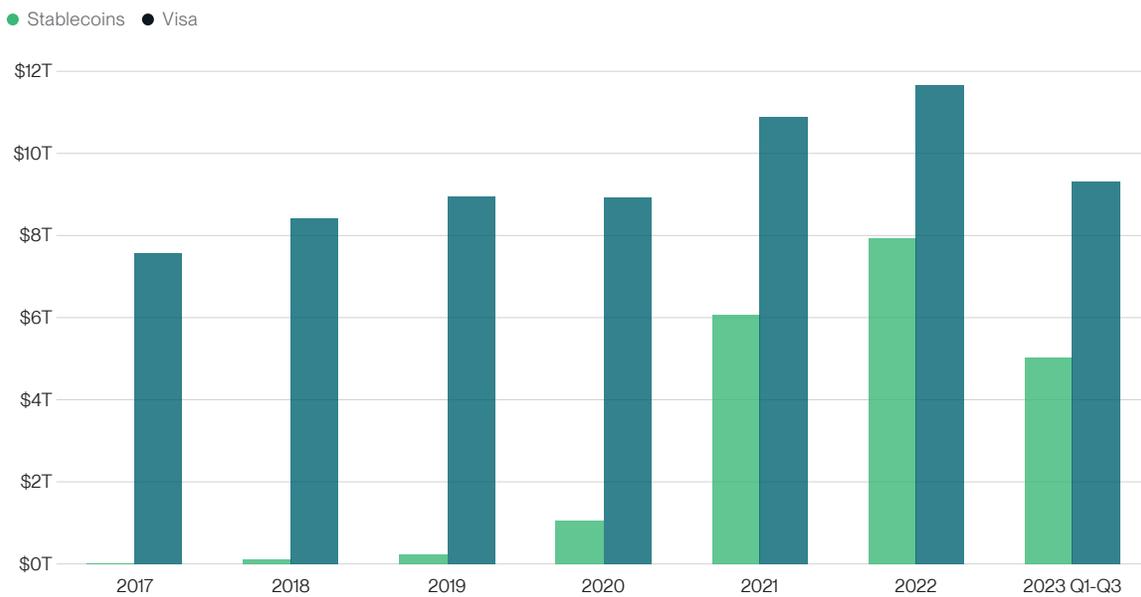
More money will settle using stablecoins than using Visa.

Stablecoins are one of crypto’s “killer apps,” growing from effectively zero to a \$137 billion market in the past four years.⁵

With the crypto bull market returning—and the use of stablecoins rapidly expanding into payments and remittances—we think 2024 will be another major year of growth.

How major? We predict stablecoins will settle more volume than Visa. That might sound crazy, but they’re already closer than you’d think.

Visa Payments Volume vs. Stablecoin Volume (2017 to 2023)



Source: Bitwise Asset Management with data from Coin Metrics and Visa. Data as of September 30, 2023.

(5) Source: The Block, Coin Metrics, and DeFi Llama. Data as of November 30, 2023. The size of the stablecoin market is measured by total stablecoin AUM.

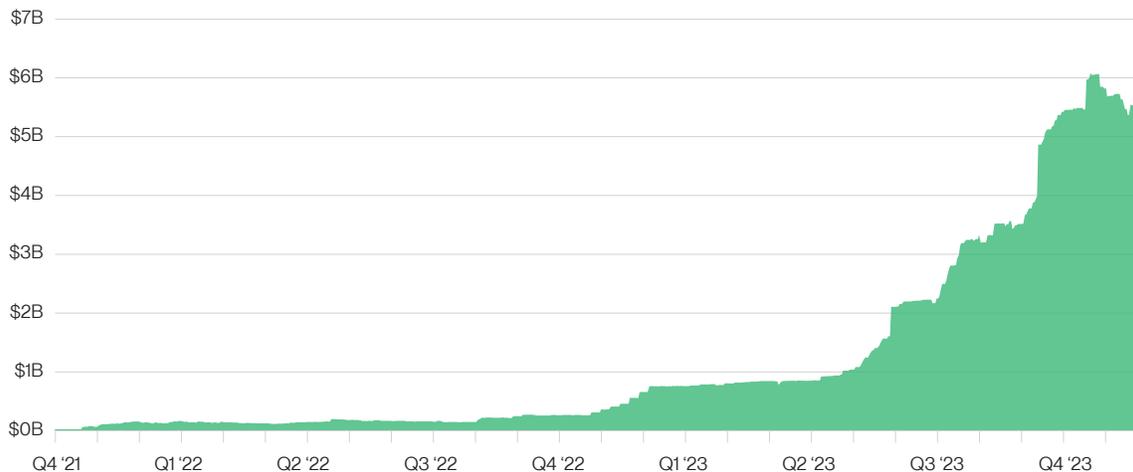
J.P. Morgan will tokenize a fund and launch it on-chain as Wall Street gears up to tokenize real-world assets.

More than \$5.5 billion of real-world assets (commodities, equity, real estate, and more) has been tokenized on blockchains. The Global Financial Markets Association (GFMA) projects that number will grow to \$16 trillion by 2030.⁶

Enter the world's largest bank, J.P. Morgan. They've been exploring blockchain technology for years, and recently tested tokenized portfolios on the Avalanche blockchain. Those tests allowed them to automate a significant amount of the steps involved in the portfolio management process, including subscriptions, redemptions, rebalancing, and more.

Launching a tokenized fund in 2024 would allow J.P. Morgan to take advantage of the efficiencies on-chain assets can offer while entering a market whose growth is exploding.

Total Value Locked in Tokenized Real-World Assets (RWAs)



Source: Bitwise Asset Management with data from Blockworks Research and DeFi Llama. Data as of November 30, 2023.

(6) Global Financial Markets Association, "Impact of Distributed Ledger Technology in Global Capital Markets," May 2023. Available at <https://www.gfma.org/wp-content/uploads/2023/05/impact-of-dlt-on-global-capital-markets-full-report.pdf>.

Ethereum revenue will more than double to \$5 billion as users flock to crypto applications.

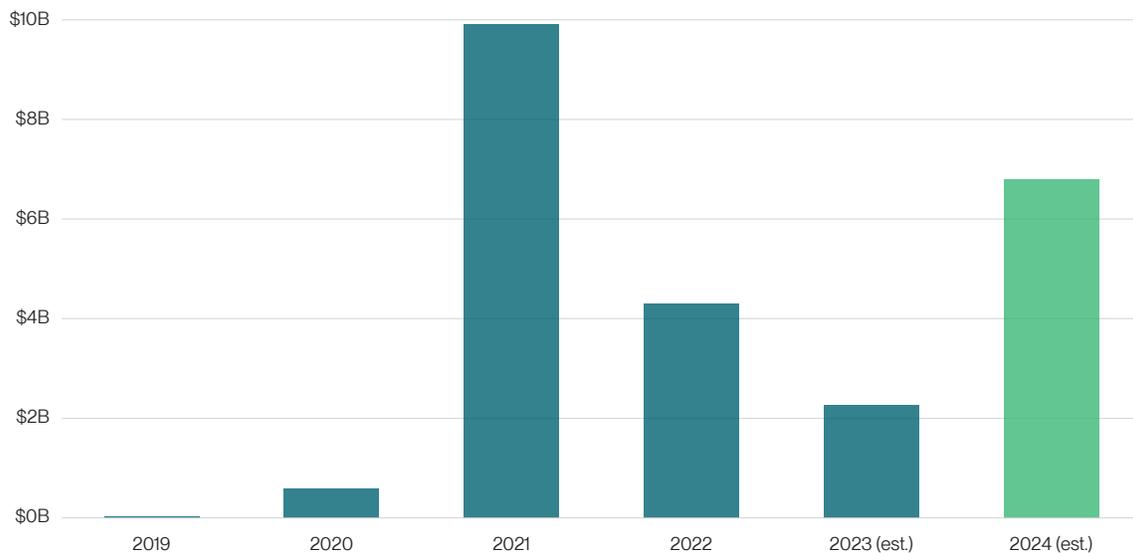
One common criticism of blockchains is that they don't have cash flow.

But the critics are wrong.

It's true that Bitcoin doesn't generate cash flow in a traditional sense—but blockchains like Ethereum do. Ethereum functions like a global supercomputer, hosting thousands of crypto applications that people use every day. And in order to use those applications, you have to pay a fee using the Ethereum crypto asset. That's cash flow.

In 2023, users will pay ~\$2.3 billion in fees to use the Ethereum network. We think that will at least double in 2024 as crypto apps go mainstream, making Ethereum one of the fastest-growing large-scale tech platforms in the world.

Ethereum Annual Revenue Since 2019



Source: Bitwise Asset Management with data from Token Terminal. Data as of November 30, 2023.
 Note: 2023 revenue is annualized based on year-to-date data. 2024 revenue is based on Bitwise estimates.

Taylor Swift will launch NFTs to connect with fans in new ways.

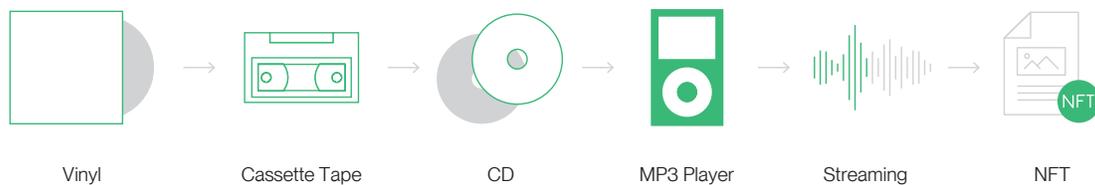
Taylor Swift—arguably the most popular artist in the world—has a reputation for innovation and uniquely engaging with her fans. She's also a staunch believer in artists owning and monetizing their music.

NFTs line up perfectly with that reputation and those principles. They provide a new medium for music artists to interact with fans, from offering exclusive access to concerts, experiences, and new music to providing fans partial ownership in their music through royalties. Major bands and artists, ranging from Snoop Dogg and Eminem to Kings of Leon and The Chainsmokers, have already embraced NFTs in one way or another.

One possibility? Spotify—where Swift was the most-streamed artist in 2023 with more than 26 billion streams—is experimenting with token-gated playlists that require listeners to own a particular NFT in order to listen.

Taylor Swift NFTs? Doesn't get more mainstream than that.

The Evolution of Popular Music Formats



Inspired by "How Music NFTs Can Reshape the Music Industry," available at <https://chain.link/education-hub/music-nfts>.

AI assistants will start using crypto to pay for things online, affirming crypto as “the native currency of the internet.”

The biggest technological developments of our generation have come from combining multiple breakthroughs. “The personal computer + the internet.” “A phone + a camera + GPS.” And so on.

The same will be true for the technology of the future.

The emergence of semi-autonomous AI “agents”—digital assistants that you can direct to carry out specific tasks, like changing a flight or ordering new headphones if yours break—promises to be a defining theme of 2024 and beyond. But without the ability to easily transact in the world, AI agents will have limited capabilities. That’s where crypto fits in.

We think AI agents will prefer digitally native money, like bitcoin or stablecoins. And we think that starts happening at a small scale in 2024.

More than \$100 million will be staked in prediction markets, which will emerge as a new “killer app” for crypto.

Want to bet on the presidential election? The pace of global warming? Or even the probability that a spot bitcoin ETF will be approved by January 15, 2024? You can. Just use Polymarket, a decentralized prediction market.

Prediction markets have existed for years. Crypto takes them to the next level by making them borderless and permissionless, and by automating functions like determining winners and losers and making payouts.

We think decentralized prediction markets will emerge as a new “killer app” for crypto, becoming a primary venue for both event-based and more traditional sports-related wagering.

(As a side note: As of December 4, the market for a spot bitcoin ETF approval by January 15 suggests a 73% chance of “yes” and 27% chance of “no.”)⁷

Value Staked in Crypto-based Prediction Markets Since June 2020



Source: Bitwise Asset Management with data from The Block and DeFi Llama. Data as of November 30, 2023.

(7) Source: Polymarket’s “Bitcoin ETF approved by Jan 15?” prediction market. Data as of December 4, 2023.

A major upgrade to the Ethereum blockchain will drive the average transaction cost below \$0.01, paving the way for more mainstream uses.

A lot of people think the approval of a spot bitcoin ETF (assuming it happens) will be the biggest development in crypto in 2024.

Another candidate is “EIP-4844,” the technical name for a pending upgrade of the Ethereum blockchain.

The primary goal of EIP-4844 is to help reduce the average transaction cost on Ethereum. Right now, the average fee per transaction on low-cost Layer 2 blockchains is ~\$0.14. This upgrade could push that below \$0.01.

A 90%+ reduction in the cost to use Ethereum will radically increase the types of activities individuals can feasibly participate in on the network. All of a sudden, major product ideas like micropayments, social media, and large-scale gaming would become possible.

We think EIP-4844 will pave the way for the first truly mainstream applications in crypto. That's a big deal.

Average Fee Per Transaction on Ethereum and Ethereum Layer 2 Blockchains

Network	Average Fee Per Transaction
 Ethereum	\$4.86
 Optimism	\$0.21
 Arbitrum	\$0.18
 Base	\$0.15
 Polygon	\$0.02

Source: Bitwise Asset Management with data from Token Terminal. Data from January 1, 2023 to November 30, 2023.

1 in 4 financial advisors will allocate to crypto in client accounts by the end of 2024.

An astonishingly low number of financial advisors currently allocate to crypto in client accounts. Maybe it's because they don't believe in crypto as an asset class. Or maybe they simply can't access bitcoin until an ETF arrives.

But if crypto's rise from the ashes of 2022 proved anything, it's that crypto is here to stay. The largest financial institutions in the world clearly believe that; we think it's only a matter of time before the majority of financial advisors agree.

And if our prediction that a spot bitcoin ETF will go live early next year is accurate, then every financial advisor in America will soon be able to allocate to bitcoin in a couple of mouse clicks.

As the old hurdles fade into the background, more and more advisors will allocate to crypto in clients' accounts. We think at least 1 in 4 financial advisors will do so by the end of 2024.

Bitwise's 2023 Predictions

Last November, the Bitwise Research team gazed into the future and made 10 predictions for 2023. At the time, FTX had just imploded, bitcoin was trading below \$20,000, and the mood in crypto was dark. But we were bullish. Here's a look at how those predictions played out.

Prediction & Recap	Grade
<p>1. The crypto market recovery will be U-shaped, not V-shaped.</p> <p>The crypto market recovered in 2023—it didn't happen in a straight line, but the total crypto market cap grew by 100% and returned to early 2022 levels.</p>	A
<p>2. Crypto's original promise of (effectively) free and (extremely) fast transactions will finally become reality in 2023.</p> <p>Layer 2 solutions (like Arbitrum and Optimism) experienced record growth in 2023. However, the EIP-4844 technical upgrade that we predicted would slash transaction costs by more than 100x got pushed to 2024.</p>	C
<p>3. Coinbase's market capitalization will increase 100% from year-end 2022 levels.</p> <p>The market cap of Coinbase—the largest U.S.-based crypto exchange—increased by more than 300% in 2023.</p>	A
<p>4. The amount of staked ETH will rise after the “Shanghai Upgrade”—which finally allows staked ETH withdrawals—by 50% or more.</p> <p>Following the successful deployment of the Shanghai Upgrade in April, the amount of staked ETH has increased by 81%.</p>	A
<p>5. ETH will be deflationary in 2023, with total circulating supply declining by at least 1%.</p> <p>ETH was deflationary in 2023, but the total circulating supply declined by less than 1%.</p>	B

6. Crypto's correlation with the equity markets will fall sharply, dropping below 0.5 (and possibly down to 0.25).

A

Crypto's correlation with equity markets plunged in 2023, falling to 0.23.

7. At least one significant piece of crypto legislation will pass the U.S. Congress in 2023.

F

The crypto industry had some monumental regulatory wins in 2023, but no significant pieces of crypto legislation were passed.

8. USDC will surpass USDT (Tether) as the world's largest stablecoin.

F

This one was way off—USDT's market share soared from 50% to 70%, while USDC's market share fell from 32% to 19%.

9. A crypto unicorn—a firm that previously raised money at a \$1+ billion valuation—will fail this year.

A

The publicly traded crypto bank Silvergate—once valued above \$5 billion—failed in March 2023 following a waterfall of withdrawals and increased regulatory scrutiny.

10. Uniswap will trade more volume than Coinbase in Q4 2023.

Grade
Pending

Uniswap processed more trading volume than Coinbase in Q1 and Q2 2023, while Coinbase took the lead in Q3. Q4 is still up for grabs, but it's a close race—Coinbase has processed \$91.5 billion while Uniswap is at \$88.5 billion through the first week of December.

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