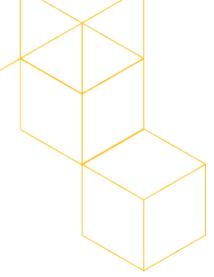


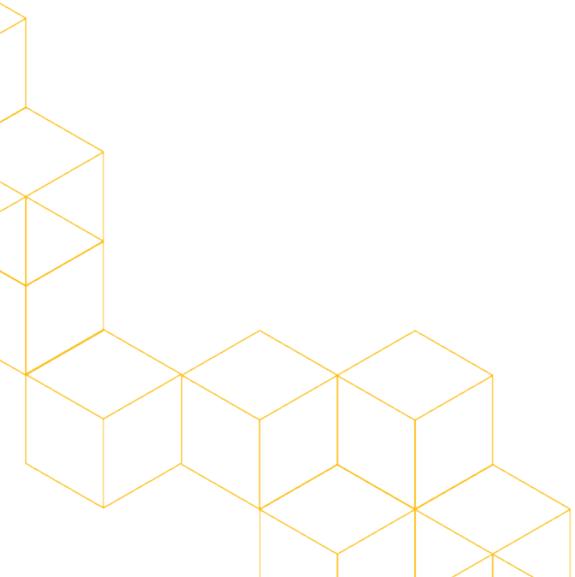
CoinDesk Monthly Review

May 2020





Introductory note



Bitcoin's monthly returns continue to outpace other assets, but its volatility hasn't shown steady declines, as stocks, bonds and gold have. Meanwhile, market activity is picking up: spot exchange volumes probed historic highs in May and bitcoin options markets passed a milestone and didn't look back. Several assets outperformed bitcoin, including a couple of use-specific crypto tokens that topped crypto returns for the month.

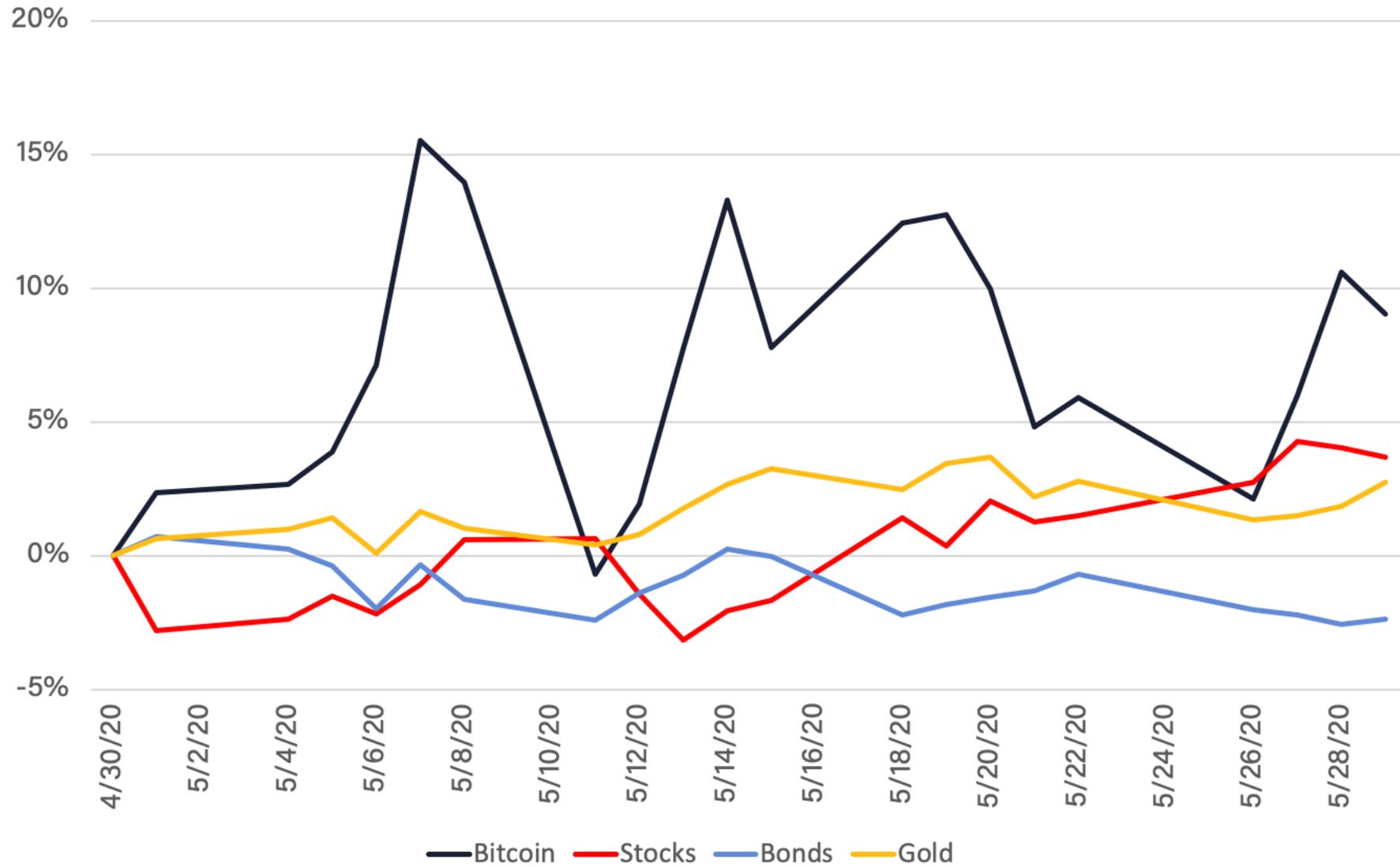


Returns, volume, volatility and correlations

- Bitcoin, macro assets returns
- Bitcoin, macro assets volatility
- Bitcoin, macro assets correlations
- Crypto market dollar volumes
- Crypto assets returns

The bitcoin price went up by 9% in the month of May, more than double U.S. stock market gains, which were 3.7% for the same period. Bonds were down 2.4% and gold was up 2.7%.

Returns



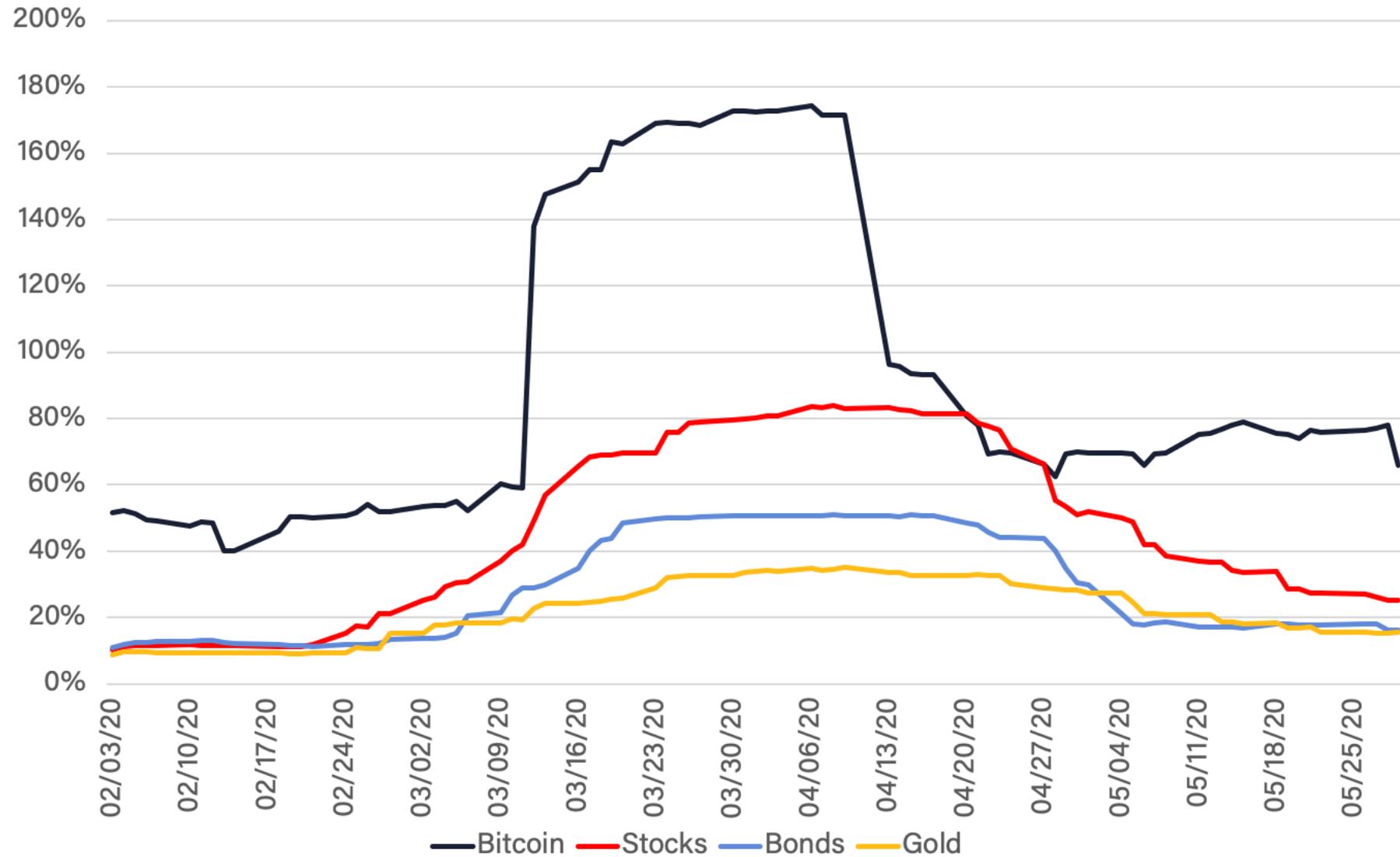
Source: [Coin Metrics](#), [FactSet](#); stocks = S&P 500, Bonds = iShares Barclays 20+ Yr Treas. Bond, Gold = SPDR Gold Trust. Data through 5/29.



Bitcoin & Macro Assets 30d Historical Volatility

Like stocks, bonds and gold, bitcoin's volatility remains elevated above what was normal until March 12's market turmoil. Still, while those assets have seen volatility continually declining, bitcoin's volatility saw increases in May.

Volatility

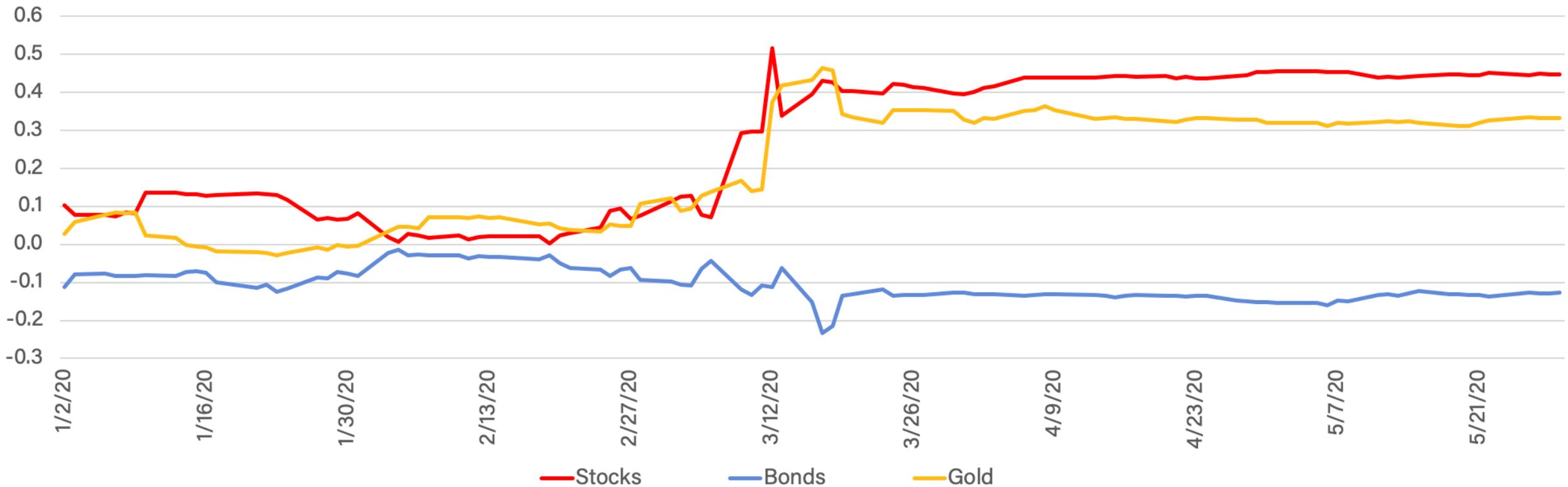


Source: [Coin Metrics](#), [FactSet](#); stocks = S&P 500, Bonds = iShares Barclays 20+ Yr Treas. Bond, Gold = SPDR Gold Trust. Data through 5/29.

Correlations

90-day positive correlations with stocks and gold remained elevated through the month of May at levels of weak statistical significance. May brought a public endorsement of bitcoin's potential as a hedge against inflation. That didn't change bitcoin into a safe-haven asset overnight. Correlation shows the blue-chip crypto's narrative remains muddled between risk-on and risk-off approaches.

Bitcoin & Macro Assets 90d Correlations

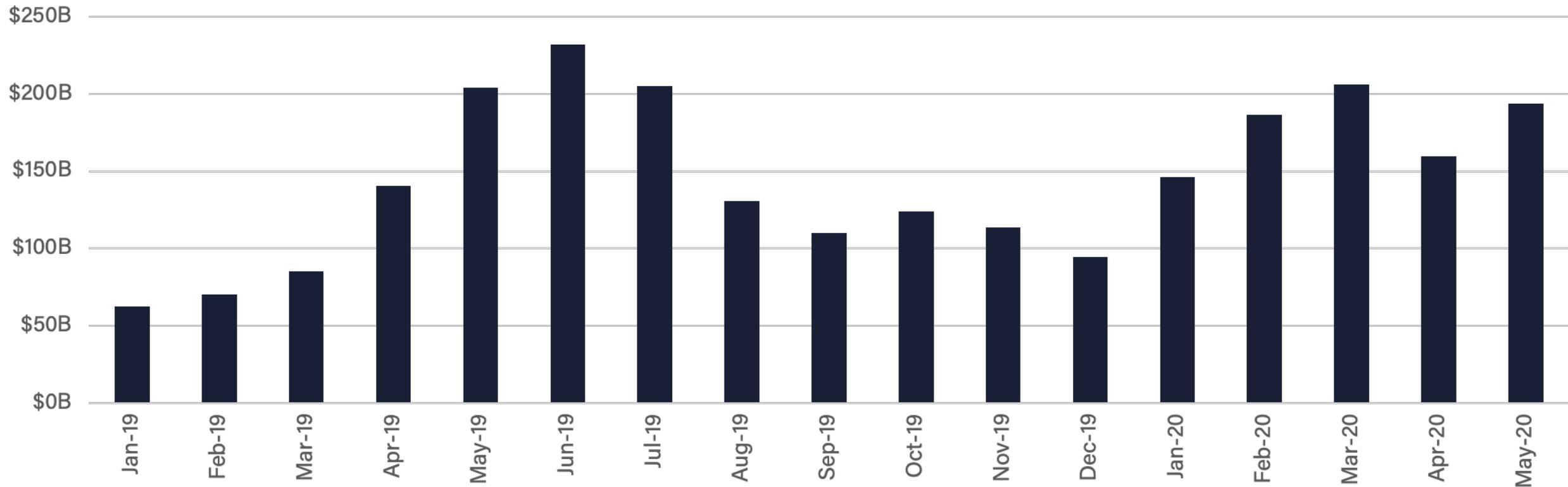


Source: [CoinDesk Bitcoin Price Index](#), [FactSet](#); Stocks = S&P 500, Bonds = iShares Barclays 20+ Yr Treas. Bond, Gold = SPDR Gold Trust; data through 5/29

Exchange volume

The dollar volume of crypto asset trading on crypto spot exchanges approached old highs of \$200 billion in the month of May. This chart includes exchanges with a high granularity of trade data and full history according to Nomics' exchange transparency rating criteria. This metric of the crypto asset category's trading activity and investability went from \$159.6 billion in April to \$193.6 billion in May, but hasn't yet reached highs (\$232B in June) set in the price run-up that occurred this time last year.

Crypto Asset Category Verifiable Monthly Dollar Volume on Spot Exchanges

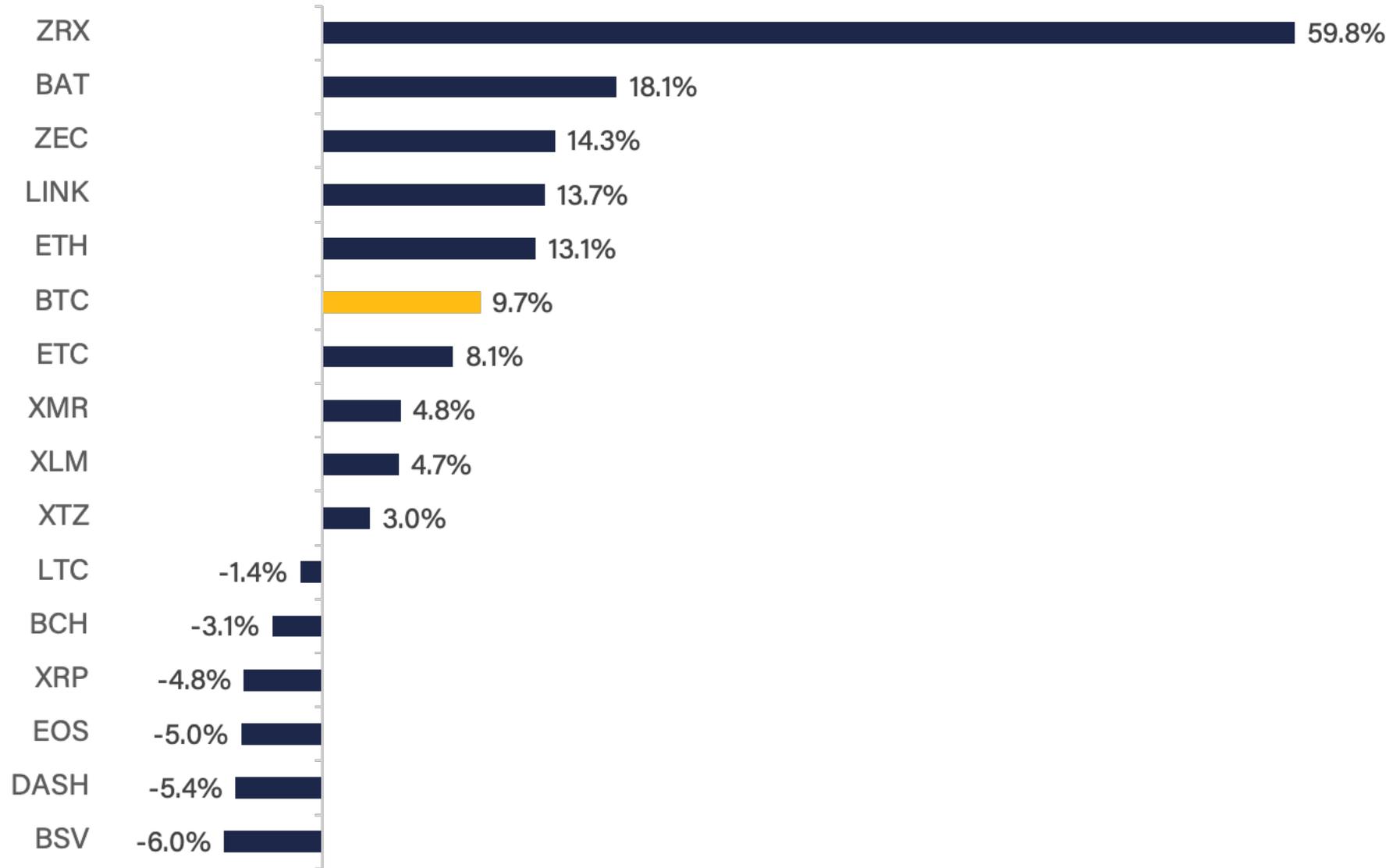


Source: [Nomics Transparent Volume](#)

The ZRX token from 0x, a project at the forefront of the fast-evolving landscape for decentralized exchanges (DEXs), surged 67% in May to become the month's top-performing digital asset. Basic Attention Token (BAT), a currency for micro-payments on the Brave browser, had the second-best performance. They were two of five that outperformed bitcoin in May.

Returns on crypto assets

Top Crypto Assets Monthly Returns



Source: [Nomics](#). "Top crypto assets" are those that together make up 99% of verifiable dollar volume each quarter over the two most recent consecutive quarters. Stablecoins on that list are not shown on this chart. Bradley Keoun and Omkar Godbole contributed copy for this slide.

The bitcoin halving

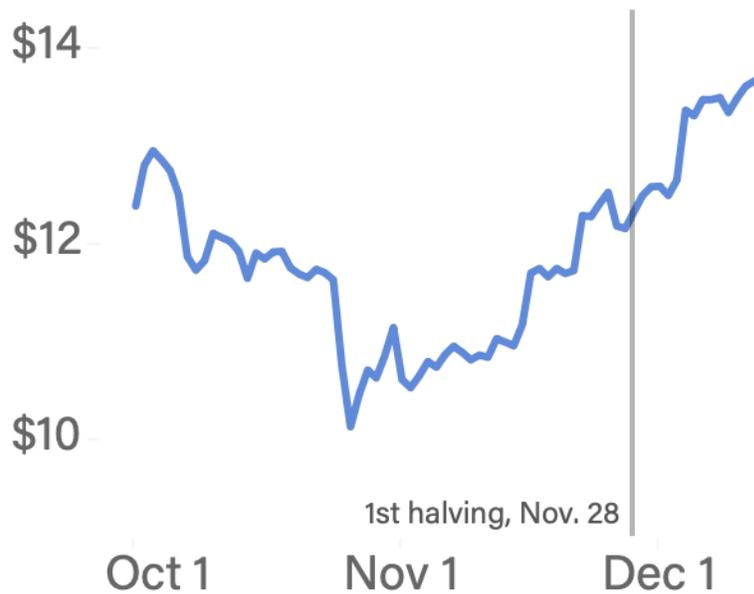
- Price across all 3 halvings
- Hashrate across all 3 halvings

Bitcoin's third halving: price

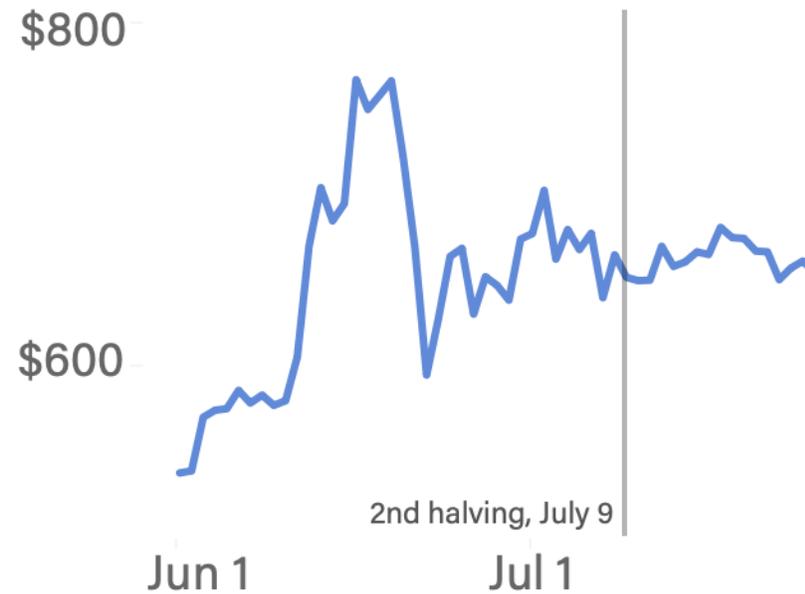
Since the beginning of May, the bitcoin price has fluctuated between \$8,500 and \$10,000. Some expected the reduction in selling pressure resulting from fewer new bitcoins being mined to have a positive effect on the price. So far, the price impact of bitcoin's third halving mirrors that of bitcoin's second halving in July 2016, where prices also did not see any significant gains in the following weeks. Of the three bitcoin halvings, only the first in November 2012 saw large price gains shortly after the reward reduction.

Bitcoin Price Before & After 3 Halving Events

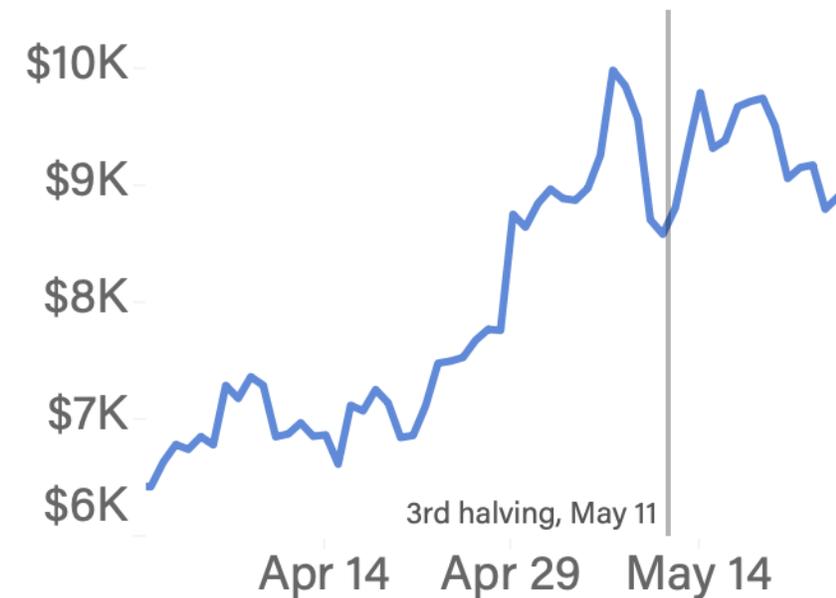
1st halving (2012)



2nd halving (2016)



3rd halving (2020)



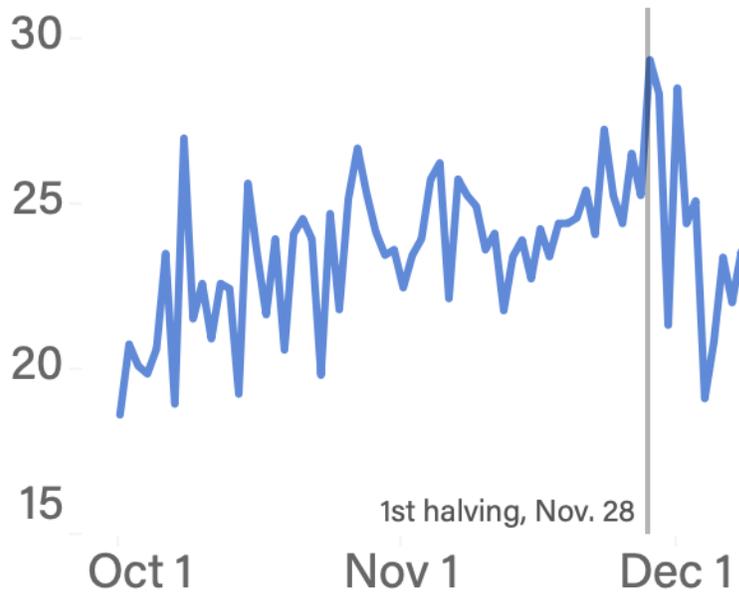
Source: [Coin Metrics](#)

Bitcoin's third halving: hashrate

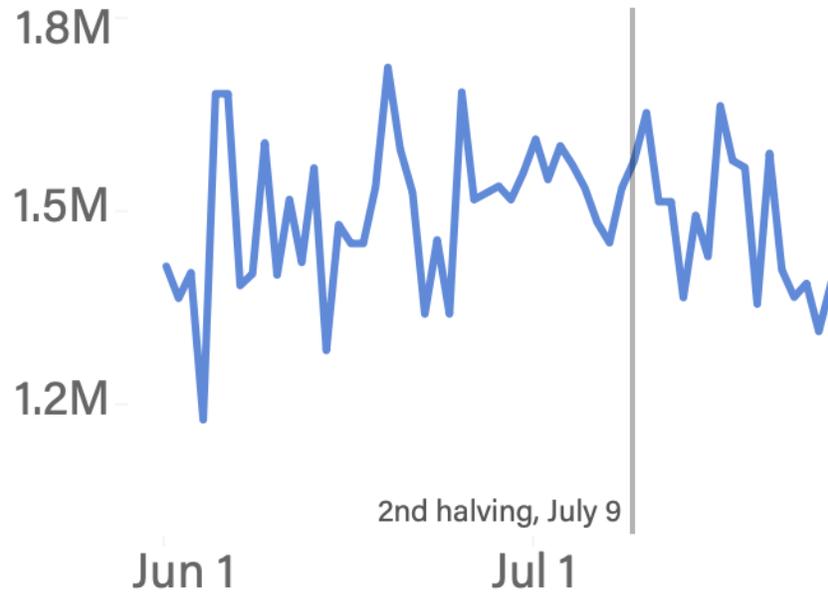
On May 10, the amount of computational energy dedicated to mining bitcoin, also called the hashrate, hit a two-month peak. The hashrate then dipped slightly on May 11 when bitcoin experienced its third halving event and reached a two-month low, less than a week later. Since May 17, hashrate has rebounded though is not yet back to pre-halving levels. CoinDesk Research was talking live at Consensus: Distributed with three North American miners as the event took place. Watch that video [here](#).

Bitcoin Hashrate (TH/s), Before & After 3 Halving Events

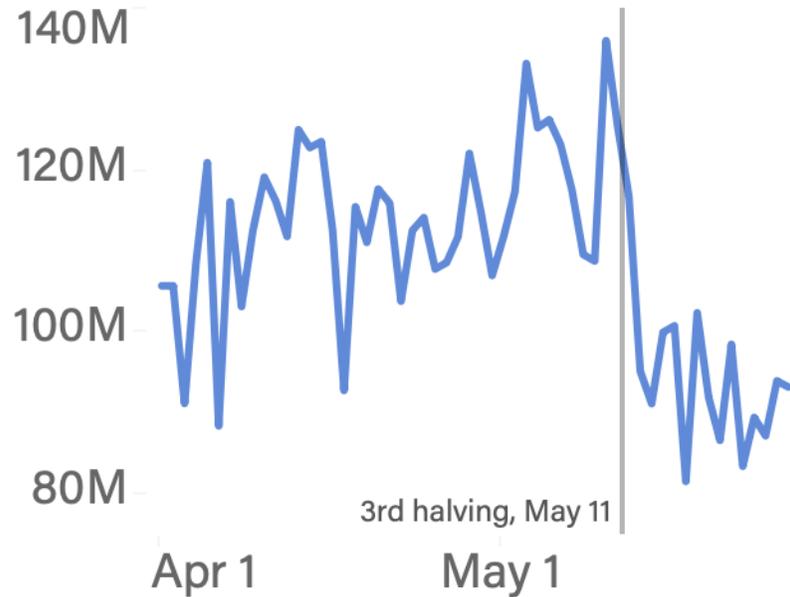
1st halving (2012)



2nd halving (2016)



3rd halving (2020)



Source: [Coin Metrics](#)

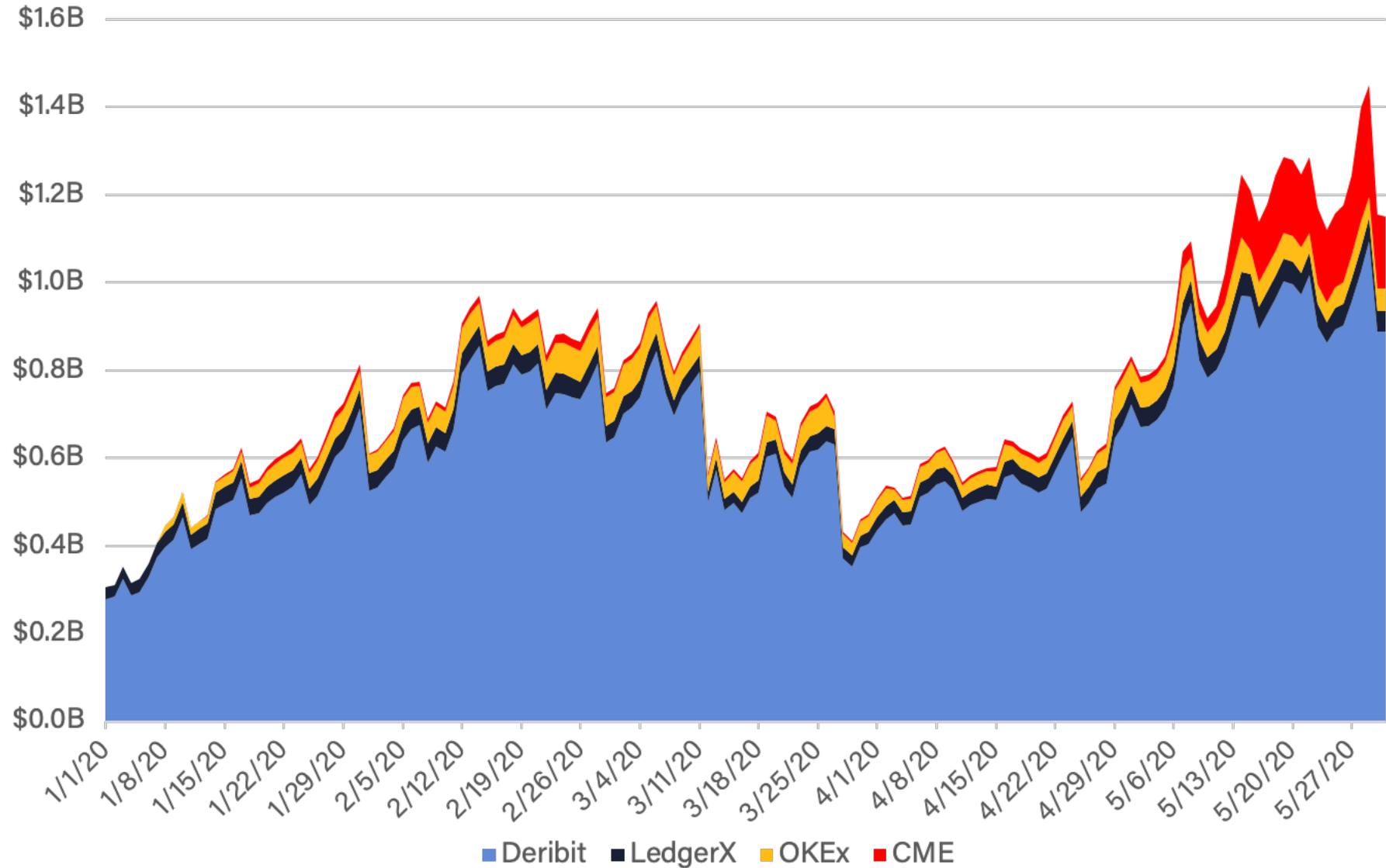
Bitcoin options come of age

- Bitcoin options markets OI
- Bitcoin min. price probability

Options markets are crucial gauges of market sentiment in established markets. Crypto assets reached a milestone in May, as open interest in bitcoin options markets crossed \$1 billion and continued to grow. Deribit, a Panama-based exchange, continues to dominate the options market. The regulated CME bitcoin options market grew by more than 10X in May, to a monthly average of \$115.4 million in daily open interest.

Options open interest crossed \$1B

Bitcoin Options Markets Daily Open Interest

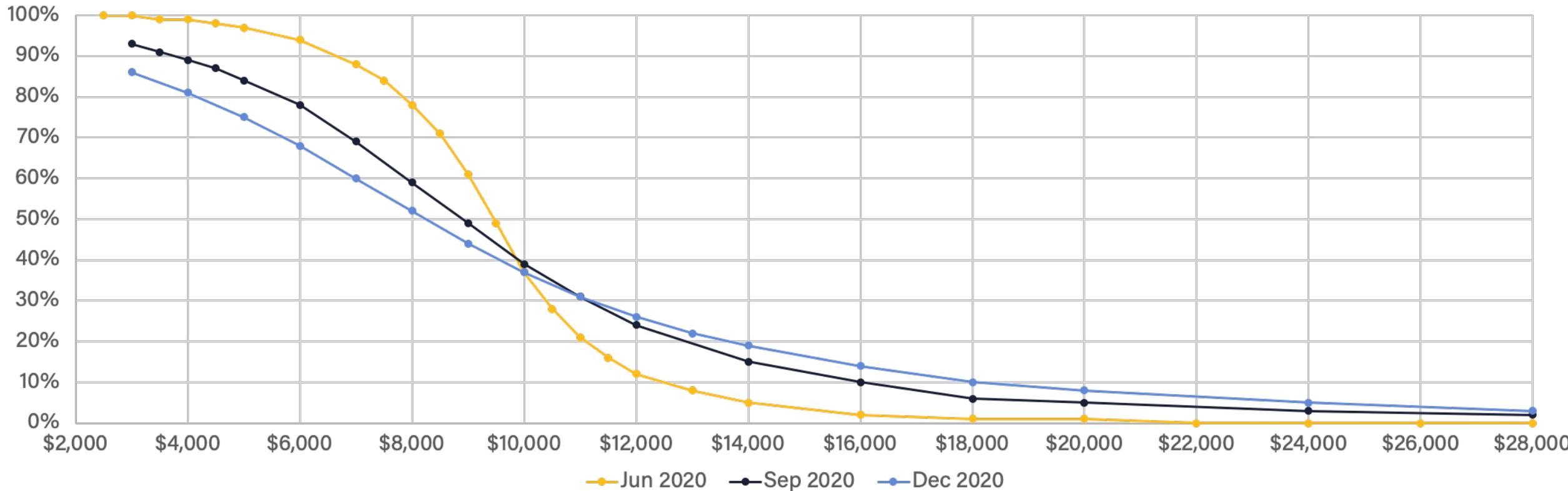


Source: [skew](#). Bakkt options markets open interest is excluded, due to insignificant size.

Options: what bitcoin options markets predict

Options markets provide a useful insight into market sentiment around specific price points for an underlying asset. In bitcoin's case, they now assign a near-50/50 probability that bitcoin can maintain its recent price levels through the next month.

Probability Assigned by Options Markets per Bitcoin Minimum Price



Source: [skew](#). Risk-neutral probability via Black-Scholes formula.

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