

How to play the next 12 months in Bitcoin?

Over the **next 6-12 months** there are potentially a number of events which **could be bullish** for the price of Bitcoin. Below we outline these events and propose **three ways investors can use structured products** to position themselves depending on their risk appetite:

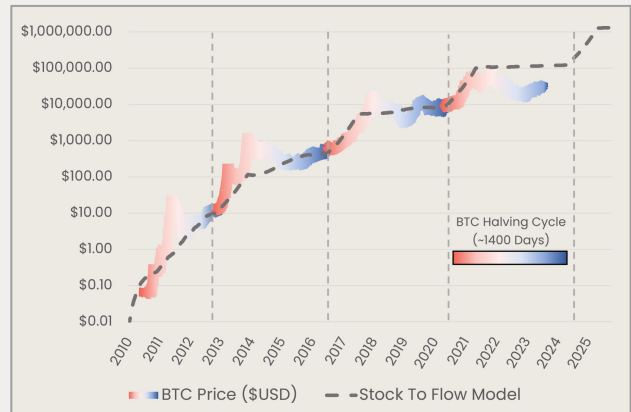
1. **Conservative:** Principal Protection with Bullish Participation
2. **Optimistic:** Bitcoin Discount Note
3. **Aggressive:** Participation Note on Bitcoin

Upcoming Events

1. BTC Halving (April 2024):

The BTC halving is one of the most anticipated crypto events for 2024. The halving cycle occurs every 4 years and is where miners (those that validate the blockchain transactions) rewards halve. In early 2024 miners rewards will reduce from 6.25 to 3.125. The effect of prior halvings has generally seen medium to long-term price appreciation in the lead, and following, due to anticipated reduced supply. The simple premise being that with less mining rewards there will be a reduced supply of Bitcoin that miners will need to sell on market this is also known as Stock to Flow.

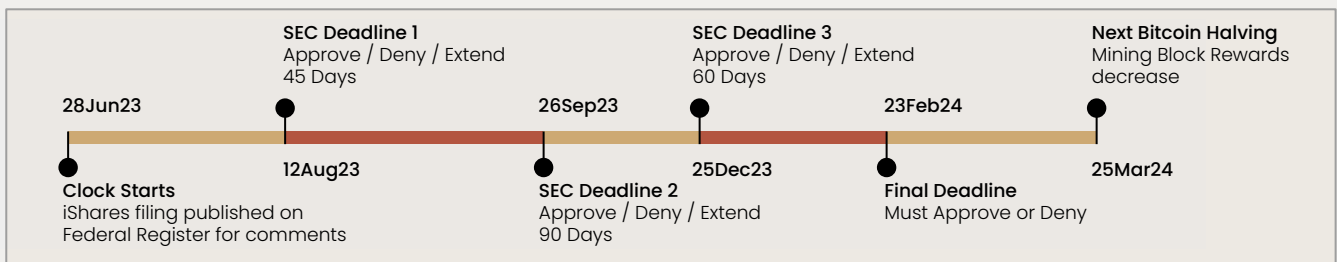
Stock to Flow Model



2. Spot ETF in the US (H2 2023)

There are now a number of spot ETF applications in the US which will need to be considered by the SEC this year. While Spot ETF applications have been rejected in the past, this time BlackRock have applied who are a and is the largest and most successful TradFi asset manager to apply. Their success rate is 576 ETFs approved, with only 1 disapproved. An approval would be a watershed moment for the legitimacy of digital assets in the US.

Key Events for BTC



3. End of Central Bank Hiking Cycle (Q4 2023)

The Fed has raised interest rates by 5 percentage points since March 2022 to bring down the highest U.S. inflation in four decades. Last month Fed policymakers opted to forego a rate increase to give themselves time to assess the still-developing effects of the previous hikes. Consensus suggests we are coming to an end of the hiking cycle as inflation starts to fall globally as noted by the the 3% June print in the US. If Central Banks decide to pause or even cut rates one would expect to see a bid for risk assets with digital assets and technology stocks benefitting.

4. Ripple and the SEC (Q4 2023)

Last week saw a court rule that that XRP token in itself is not a security, however, its sale can be classified as such under specific circumstances. This complicates the regulation of cryptocurrencies and opens all assets to scrutiny, irrespective of the SEC’s label for the crypto. Final conclusions on this case are still to be made however if ultimately favourable for Ripple the entire digital assets industry will be buoyed following recent targeting of digital asset projects and firms by the SEC.

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90% Principal Protected Notes with Bullish Participation (Conservative)

Product Description

This product allows investors to participate in the potential upside performance of BTC with 90% protection of their capital. The investor will participate in 65% of BTC's upside price appreciation from the Initial Spot Level until the Cap Level. The maximum loss for this investment is 10% of capital invested.

Example Terms

Initial Fixing Price	\$30,000
Capital Protection Level	90%
Strike Level	100%
Cap Level	200%
Upside/Downside Participation	65%/100%
Maturity (Months)	12
Cap type	Capped

Risk Profile

1. May suit investors who expect the underlying price of BTC to be above the Initial Fixing Level at expiry.
2. Maximum loss for this product is 10% of the initial investment amount.
3. The payout amount is not linked to the value of BTC at any time other than the observation dates.

About Zerocap

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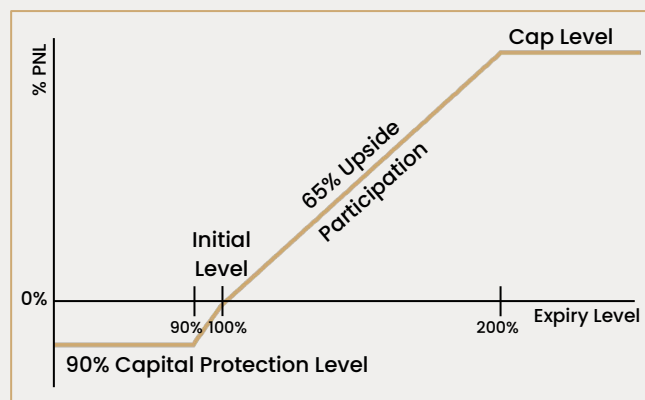
Terms

Min. Investment	\$50,000
Currency	USD
Settlement Type	Cash Settled
Underlying	Bitcoin

Payoff At Maturity:

- 1) IF BTC ABOVE 30,000: $100\% + 65\% \times \text{Min}(\text{Cap Level} - 1, \text{Final} / \text{Initial} - 1)$
- 2) IF BTC BELOW 30,000: $\text{Max}(90\%, \text{Final} / \text{Initial})$

Payout Graph



Max Return = 65%, Max Loss = -10%

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Bitcoin Discount Note (Optimistic)

Product Description

Investors that view the next 12 months as positive for Bitcoin may be suited to the BTC Discount Note.

Discount notes are an instrument that allow investors to enter a long position in the underlying asset for less than its current price if the Expiry Price is below the Cap Price. The maximum return for this instrument is limited to a predetermined price (Cap Price).

Example Levels

Current BTC Market Price	\$30,000
Discount to Current Market Price	10%
Purchase Price if below Cap Price	\$27,000
Cap Price (25% above Current Market Price)	\$37,500
Return if above Cap Price	39%

Risk Profile

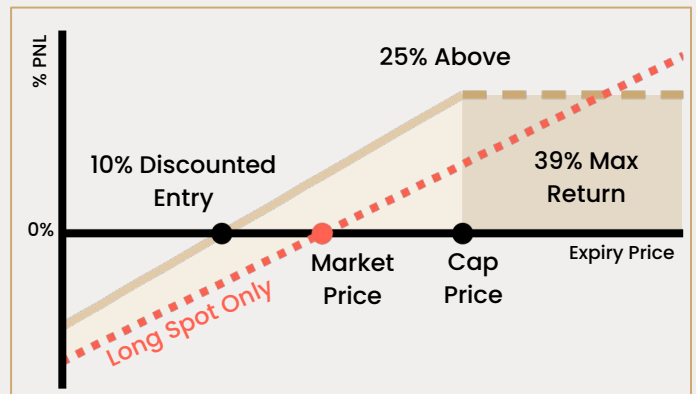
1. May suit investors with a stable to moderately bullish view on BTC.
2. May not suit investors who think a major bull run in BTC is likely before expiry.
3. May not suit investors who think BTC will fall significantly before expiry.
4. Maximum loss for this product is the initial investment amount.

Terms

Min. Investment	\$50,000
Currency	USD
Expiry	28 June 2024
OTC Fee	1.0%

Payoff At Maturity:

- 1) IF BTC ABOVE 37,500: on 28 June 24, you **earn 39%** in USD.
- 2) IF BTC BELOW 37,500: on 28 June 24 you **buy BTC** at 10% below its current price today.



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Bitcoin Bull Call Spread (Bullish)

Product Description

Bull Call Spread involve taking a position with leveraged upside exposure to the underlying. The product earns maximum return if the underlying expires at or above the Cap Price at maturity. The maximum loss of this investment is the initial investment amount.

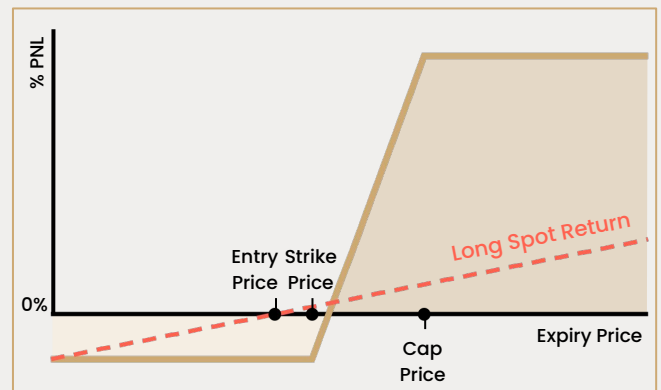
Example Terms

Initial Fixing Price	\$30,000
Strike Price	\$35,000
Cap Price	\$50,000
Investment (USD)	\$100,000
Notional Size (BTC)	45
Maturity (Months)	6
Cap type	Capped
Max Payout	\$675,000

Terms

Min. Investment	\$50,000
Currency	USD
Settlement Type	Cash Settled
Underlying	Bitcoin

Payout Graph



Max Return = 575%, Max Loss = -100%

Payout Formula

$$\text{Payout} = \text{Notional Size} \times [\text{Max}(0, \text{Final Fixing Price} - \text{Strike Price}) - \text{Max}(0, \text{Final Fixing Price} - \text{Cap Price})]$$

Risk Profile

1. May suit investors who expect the underlying price of BTC to be significantly above the Strike Price at expiry.
2. Maximum loss for this product is the entire investment amount.
3. The payout amount is not linked to the value of BTC at any time other than the observation dates.

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