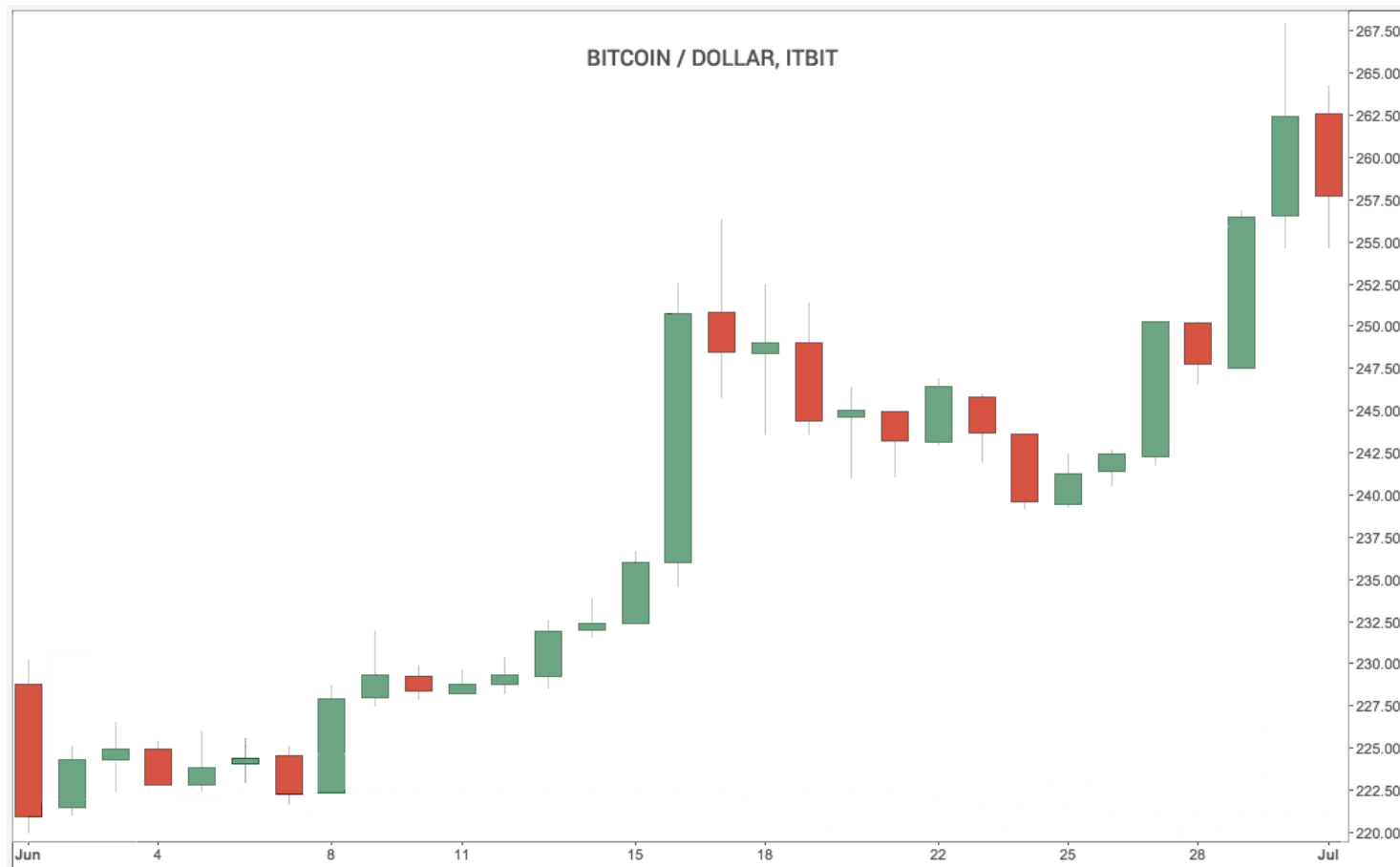




Bitcoin Market Report

July 2015

BITCOIN PRICE AT A GLANCE: JUNE 2015



BITCOIN PRICE AT A GLANCE: 2015 YEAR-TO-DATE



The month of June opened with New York releasing the final BitLicense, creating a regulatory framework for digital currency companies that want to operate in the state. Interestingly, Canada's Senate Panel communicated an opposing view on digital currency regulation later in the month, deciding to use a "light touch" for now. The contrasting stances in New York and Canada highlight how far from a consensus global governments are on digital currency regulation.

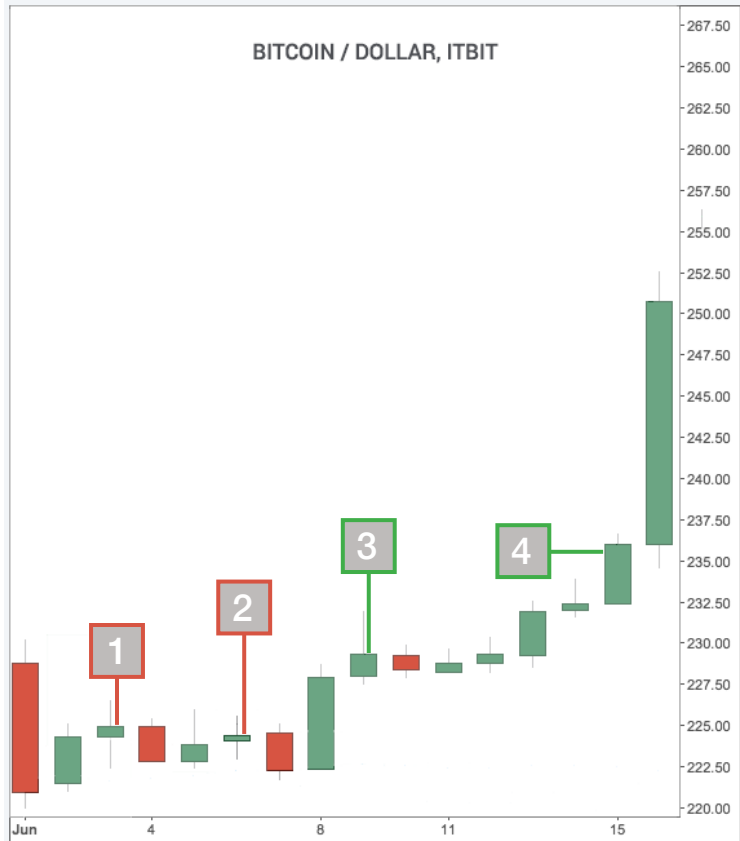
From a macro perspective, bitcoin traders were fixated on the crisis in Greece and the freefall of the Shanghai Stock Exchange (SSE). Negotiations between the Greek government and EU went from having a clear resolution to Greece becoming the first developed nation to miss a payment to the IMF.

Greece is now on the verge of default and being ejected from the European Union.

With regards to the Shanghai Stock Exchange: what a difference a month makes. Last month, we cited the rise in the SSE as was one of the key reasons for the fall in the price of bitcoin. This trend reversed in June as the Shanghai plummeted roughly 20%.

On a more positive note, June also saw growing enthusiasm for blockchains among large companies and financial institutions. Overstock announced the issuance of a corporate bond on the Bitcoin blockchain while Nasdaq revealed additional plans to utilize blockchain technology. Barclays and Citi also announced they have been experimenting with blockchains.

BITCOIN MARKET MOVING EVENTS IN JUNE



1

JUNE 3

- Final Bitlicense Approved

price unchanged

2

JUNE 6

- Overstock Issues "Digital Corporate Bond" on Bitcoin Blockchain

price unchanged

3

JUNE 9

- Blockstream Releases First Open Source Code for Sidechains AND Australian Banks Westpac and ANZ join CBA in trialling Ripple

0.65% price increase

4

JUNE 16

- Santander Report: Blockchain Tech Can Save Banks \$20 billion

1.66% price increase

BITCOIN MARKET MOVING EVENTS IN JUNE

5 JUNE 16-JUNE 30

- Greek crisis begins to escalate AND Shanghai Composite Index begins its freefall

14% price increase

6 JUNE 19

- Canadian Senate Panel Calls for “light Touch” on Bitcoin Regulation June 19

price unchanged

7 JUNE 22

- Barclays trials Blockchain

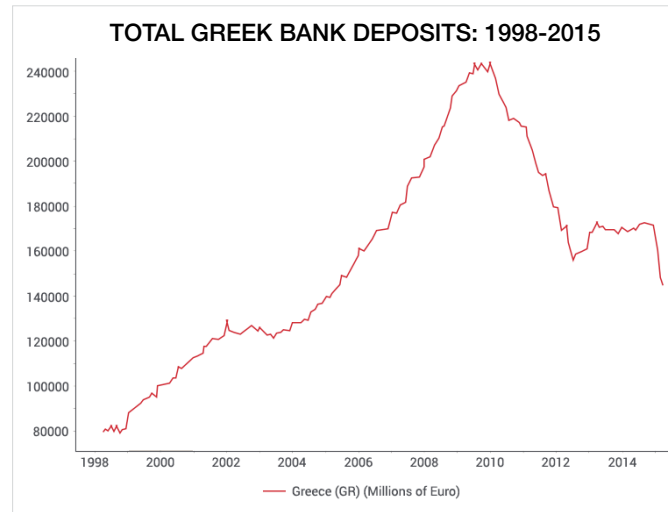
1.5% price increase



KEY BITCOIN MACRO TRENDS

Greek Exit May Trigger Significant Diversification and Speculation Across EU

The ongoing crisis in Greece has been a key driver in the rise of the bitcoin price. The chart below shows that Greek bank deposits have fallen to their lowest level in 11 years.



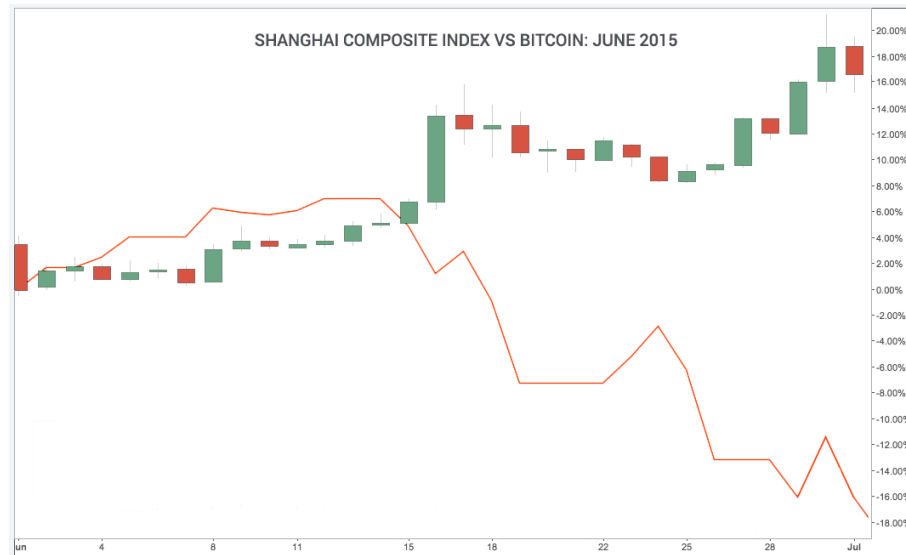
Euros have been steadily flowing out of Greek banks since December and according to data from the European Central Bank, deposits fell another 3.7 billion euros to 135.7 billion euros at the end of May. Simply put, both Greek citizens and banks are running out of cash.

If Greece is kicked out of the Eurozone, EU citizens may join the Greeks in diversifying their portfolios to better protect their assets. Gold and USD are traditional staples when there is a flight to safety. However, bitcoin should see increased demand under this scenario as well.

KEY BITCOIN MACRO TRENDS

Weakness in the Shanghai Bodes Well for Bitcoin

The negative correlation between the price of bitcoin and Shanghai Composite Index was talked about in length in the June itBit Bitcoin Market Report. True to form, over the last month, the Shanghai has fallen over 20% while bitcoin is up 15%. The chart below compares bitcoin and the Shanghai Composite in the month of June.



At the end of June, sensing the intense downward momentum in the Shanghai, the PBOC took drastic action. They cut interest rates for a fourth time, cut the reserve ratio for a third time and reduced the one-year deposit rate in an effort to restore investor confidence. These moves have had little impact thus far as the Shanghai has continued its descent. The question for bitcoin traders is now whether this downward move continues or if the correction is over.

KEY BITCOIN MACRO TRENDS

Is the USD Ready to Move Higher?

The positive economic numbers out of the US continue to suggest a rate increase will occur before year's end. This has continued to buoy the US dollar along with global economic uncertainty particularly out of the Eurozone. This is important to bitcoin traders as USD strength puts downward pressure on the price of bitcoin as well as all other commodities.

US DOLLAR INDEX: PAST YEAR

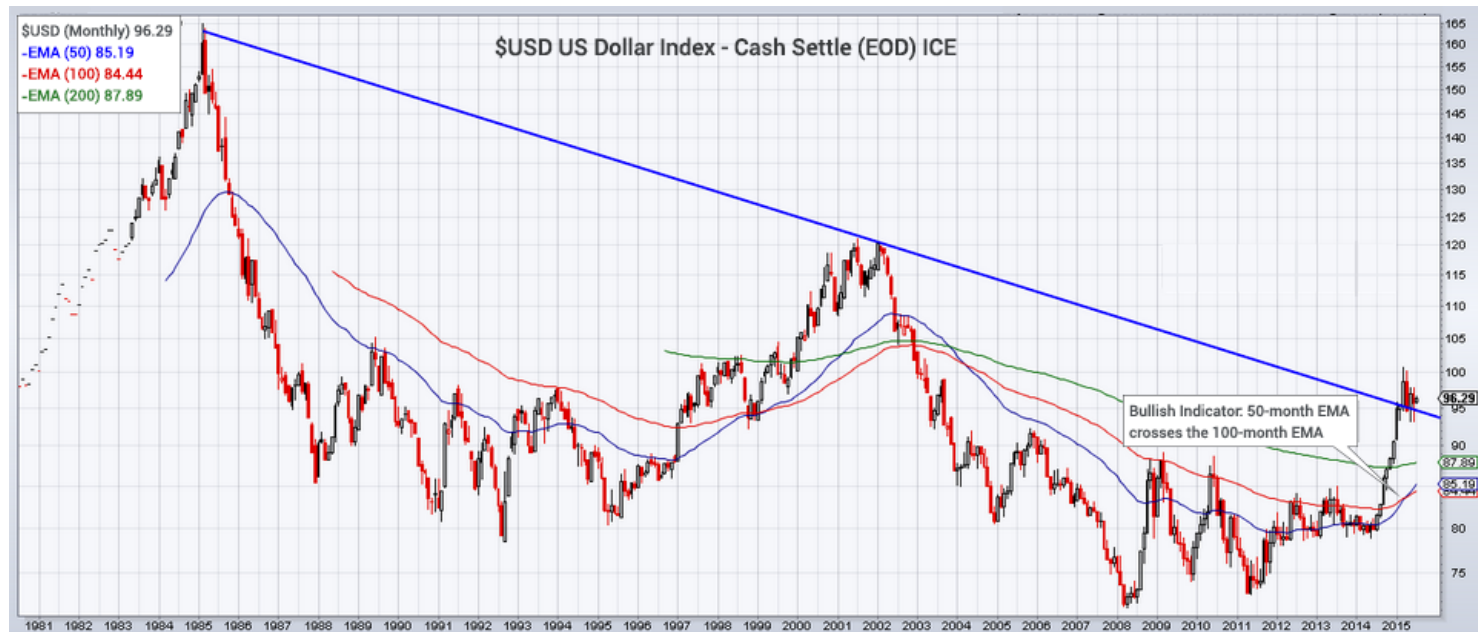


The one-year chart shows that the USD has been in an uptrend.

KEY BITCOIN MACRO TRENDS

Looking at the 35-year chart, it is apparent that the USD has broken above major resistance and continues to consolidate above this resistance. Broken resistance now becomes support and at the same time the 50-month Exponential Moving Average (EMA) has crossed above the 100-month EMA. This is another bullish indicator and something bitcoin traders must watch.

US DOLLAR INDEX: 35-YEAR CHART



THREE THINGS TO WATCH IN JULY

- 1 Greek Exit:** What is the endgame in Greece? How will the fallout impact the bitcoin market?
- 2 Uncertainty in the Chinese Markets:** Is this an ugly correction within a longer term uptrend or will the Chinese markets continue to nosedive? If money continues to flow out of the Shanghai will it pile back into bitcoin?
- 3 Impact of a Strong USD:** The dollar looks ready to push higher. How much downward pressure will this place on the price of bitcoin?



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