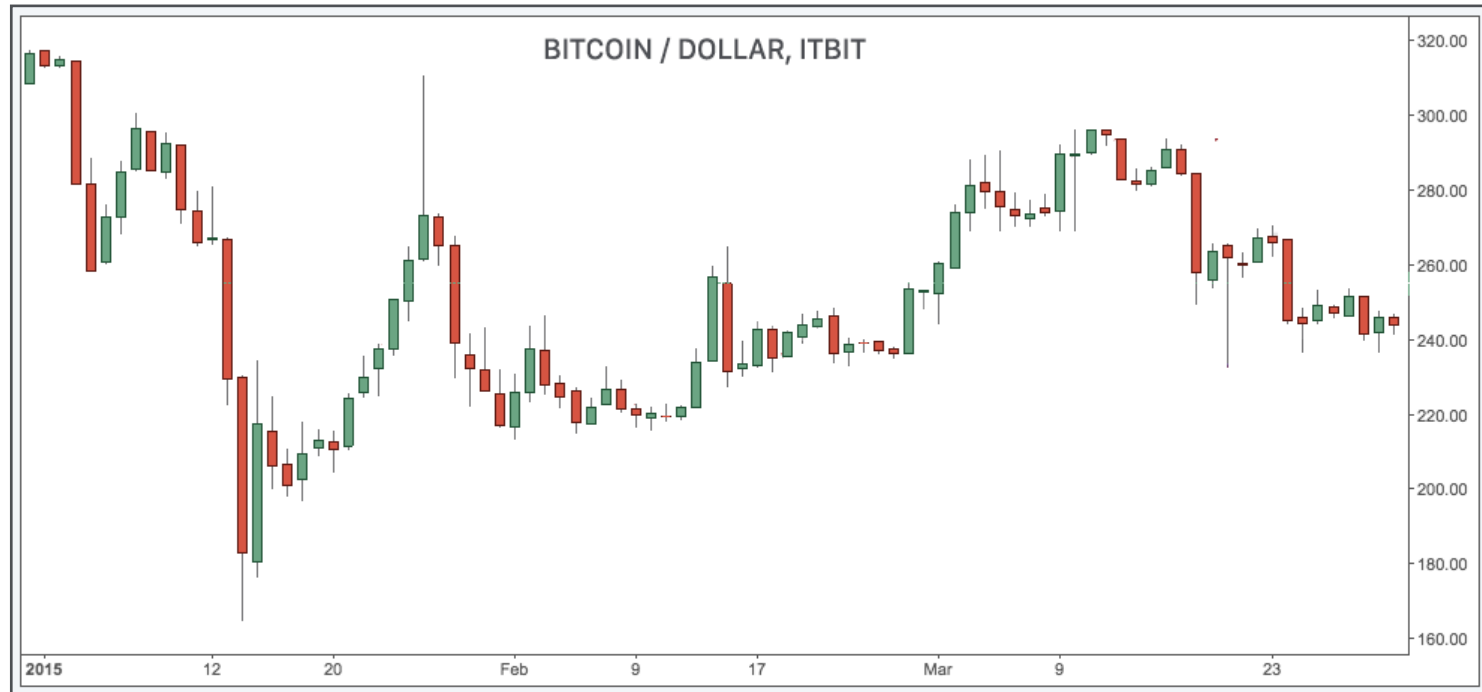


itBit

Market Report

Bitcoin Price Analysis
Q1 2015

BITCOIN PRICE AT A GLANCE - Q1 2015

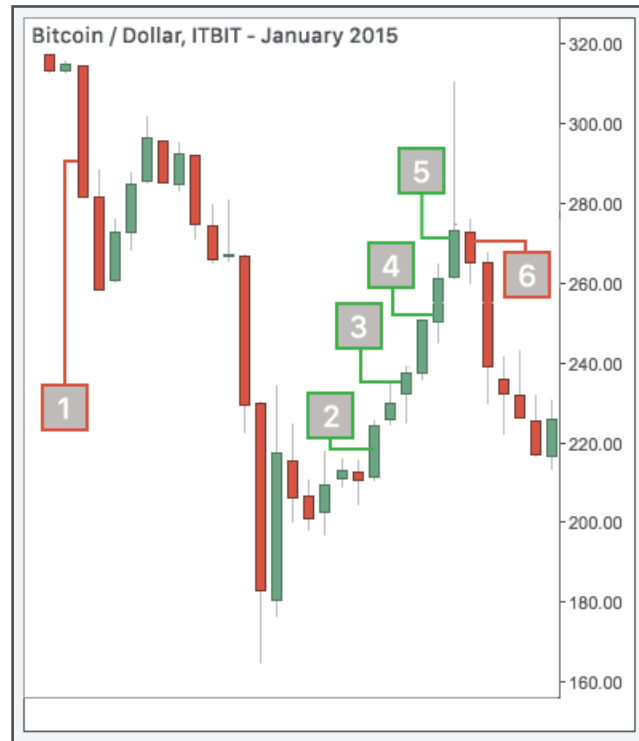


2015 has been a challenging year for bitcoin thus far. January saw one of the major exchanges, Bitstamp, get hacked for a loss of approximately \$5 million USD. This triggered a price drop reminiscent of the days following the fall of Mt. Gox. Mixed in among the quarter's influx of negative events have been promising developments related to regulation that could bode well for the long-term sustainability of bitcoin.

BITCOIN MARKET MOVING EVENTS IN Q1

Historically, bitcoin price has been driven by sentiment influenced heavily by both news events and technical analysis. This is natural as bitcoin continues towards price discovery and fair market value. The following pages highlight the key events of the first quarter and analyze the resulting impact on the bitcoin market.

JANUARY 2015



1 JANUARY 5

- Bitstamp is hacked, losing ~\$5 million USD in customer funds.
- Vault of Satoshi, Canada's largest bitcoin exchange, announces closure.

40% price decrease over 9 days as details slowly became public

2 JANUARY 20

- Coinbase raises \$75 million from investors including DFJ, USAA, NYSE, BBVA and former Citigroup CEO Vikram Pandit.

3 JANUARY 23

- European Central Bank (ECB) announces QE3.

4 JANUARY 25

- Michael Casey and Paul Vigna of the Wall Street Journal publish book on Bitcoin titled *The Age of Cryptocurrency*.
- Winklevoss twins announce plans for the Gemini exchange.

5 JANUARY 26

- Coinbase announces that it is the first "regulated" US bitcoin exchange.

31% price increase over 5 days

6 JANUARY 27

- Backlash over Coinbase exchange announcement.

22% price correction over 5 days

FEBRUARY 2015



7 FEBRUARY 9

- Mycoin is hacked, losing ~\$8.1 million USD in customer funds. The exchange is also exposed as a Ponzi Scheme.

4% price decrease over 3 days

8 FEBRUARY 15

- Bitcoin exchange BTER is hacked, losing \$1.75 million USD in customer funds.

9% price decrease over 2 days

9 FEBRUARY 19

- Stripe begins accepting bitcoin for payments.

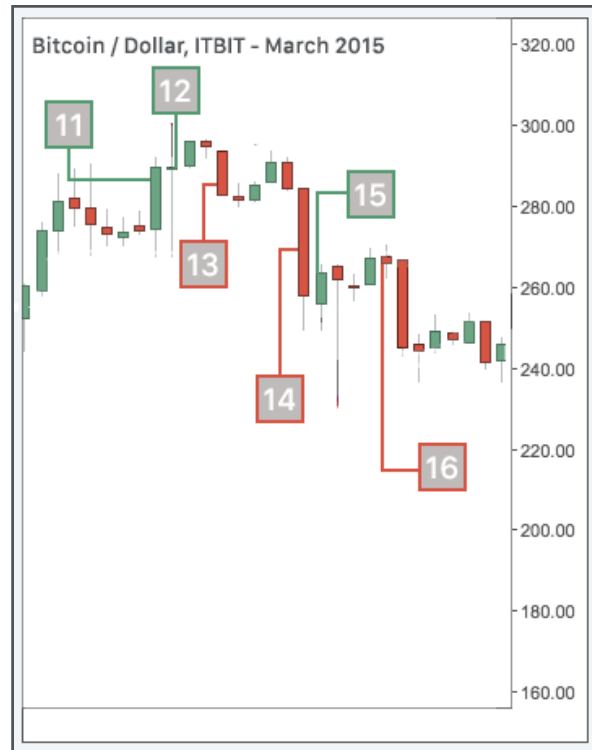
5% price increase over 3 days

10 FEBRUARY 27

- Barry Silbert announces that the Bitcoin Investment Trust (BIT) will be publicly traded.

20% price increase over 3 days

MARCH 2015



11 MARCH 9

- Japanese e-commerce giant Rakuten announces that it will begin accepting bitcoin.

12 MARCH 10

- Goldman Sachs issues report titled *The Future of Finance* featuring Bitcoin.
- Blythe Masters, former executive at JP Morgan Chase, named CEO of Digital Assets Holdings LLC.

8% increase over 3 days

13 MARCH 13

- 21 inc. raises \$116 million USD, the largest funding round ever for a Bitcoin company.

14 MARCH 18

- Coinapult is hacked and 150 bitcoins are stolen.

13% decrease over 7 days

15 MARCH 19

- UK government announces it will start regulating bitcoin.

6% price increase over 4 days

16 MARCH 23

- Evo Market is hacked and \$12 million USD is stolen.

10% price decrease over 7 days

KEY BITCOIN MACRO TREND: STRENGTH OF THE USD

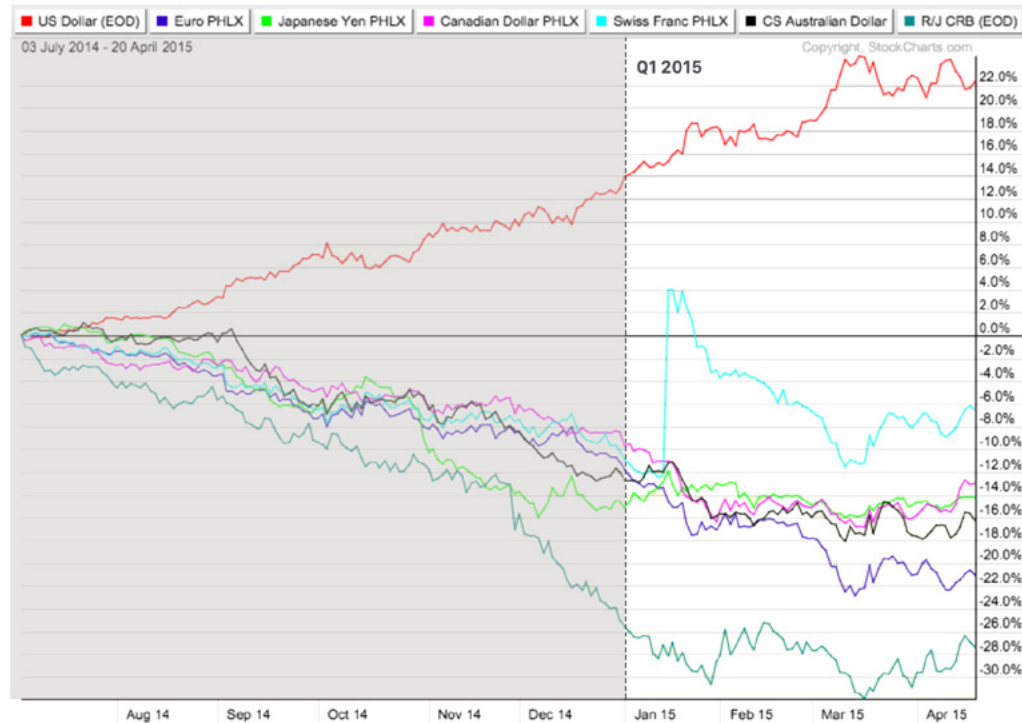


One of the major stories thus far in 2015 has been the USD and its massive uptrend since July 2014. This move is due in large part to an improving US economy and a perception that the Federal Reserve will be raising interest rates in the near future. The USD has broken a 30-year downtrend and a reversal of this importance is something that should be respected. A major slide in USD should not be expected in the near-term.



The strength of the USD has had an impact on the price of bitcoin. This should come as no surprise as all major currencies and commodities have been impacted by the dollar's strength. The chart above compares the price of bitcoin to the USD over the last 12 months.

PerfChart: \$USD, \$XEU, \$XJY, \$CDW, \$XSF, \$FXA, \$CRB



The USD and commodities also have a negative correlation. The chart above compares the USD against other major currencies (Yen, Euro, Aussie Dollar, Canadian dollar and Swiss Franc) and the CRB¹ over the last 200 days. It should come as no surprise that the currencies and CRB are all down during the USD price surge. If the dollar uptrend carries on, currency and commodity prices, including bitcoin, will continue to be impacted.

1. The CRB index comprises a basket of commodities including Aluminum, Cocoa, Coffee, Copper, Corn, Cotton, Crude Oil, Gold, Heating Oil, Lean Hogs, Live Cattle, Natural Gas, Nickel, Orange Juice, Silver, Soybeans, Sugar, Unleaded Gas and Wheat.

LOOKING AHEAD TO Q2 2015: FIVE THINGS TO WATCH

- 1 USD Strength:** A decrease in USD strength would be a welcome respite for bitcoin traders. Ongoing USD strength will serve as a headwind for the bitcoin price.
- 2 Consolidation:** A lower bitcoin price will continue to put pressure on Bitcoin companies across the industry. As margins get squeezed, there should be more consolidation in the space.
- 3 Regulation:** Increased regulation across the globe means more transparency. This will be beneficial for the industry both in the short-term and long-term. Another positive to keep an eye on: the final BitLicense is due out in Q2.
- 4 Consumer and Investor Adoption:** Merchant adoption has put downward pressure on the price of bitcoin. This is because merchants quickly sell out of bitcoin and into fiat. Will Q2 see more consumers and investors enter the space, drive up demand and help support the bitcoin price?
- 5 Wall Street:** How will Wall Street's growing presence and influence in the bitcoin space impact the price of bitcoin?



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