

# BCH Fork Squeezes BTC Mining Margins

## WEEKLY RECAP

- Total market cap. reached \$121bn (a 34.6% decrease), and 7 day trading volume surged 6% for top 100 crypto

## WEEK AHEAD

- 30 Nov:** Last trade date of CME Bitcoin Futures
- 1 Dec:** XLM to launch lightning network

## THOUGHTS OF THE WEEK

The crypto market continues its bearish trend, pushed on by the mining war between BCH ABC and BCH SV, with BTC slumping to a new yearly low of US\$ 3585. This slumping BTC price contributes to the bearish momentum of the crypto mining industry. Recently crypto mining firm Gigawatt filed for bankruptcy with its liabilities being 1,000 times higher than its assets.

Shrinking mining profitability no doubt contributed to Gigawatt's bankruptcy. As noted in our Chart of the Week, total miner revenue at one point dropped to US\$ 6.18mn in the wake of the BCH hard fork. This leads to the exit of BTC miners, and a subsequent 4.3% drop in the BTC hash rate and 24% drop in the BTC energy consumption. Some mining pools have also fallen victim to the bearish market, with the BTCC Pool ceasing operations after November. The exit of miners and mining pools will likely lead to further centralization of BTC mining.

We are noticing a significant increase in the quantity of mining equipment being put up for sale by crypto miners. Given the slumping BTC price and rising electricity costs in the Chinese regions of Xinjiang and Inner Mongolia the margins for profitable mining are becoming increasingly slim. The declining BTC price pushes machines towards and past their "shutdown BTC prices", such as an estimated US\$4,643/BTC for the Antminer T9. The current weak demand for mining equipment further forces many miners to sell equipment at significant discounts in the secondary market.

Furthermore, the withdrawal of governmental subsidies will likely severely hurt mining profitability in a number of regions. The Norwegian government recently announced the withdrawal of electricity subsidies for BTC mining facilities, which means mining facilities will need to pay 16.58 øre (~US\$0.02) per kilowatt next year, as opposed to the current rate of 0.48 øre per kilowatt.

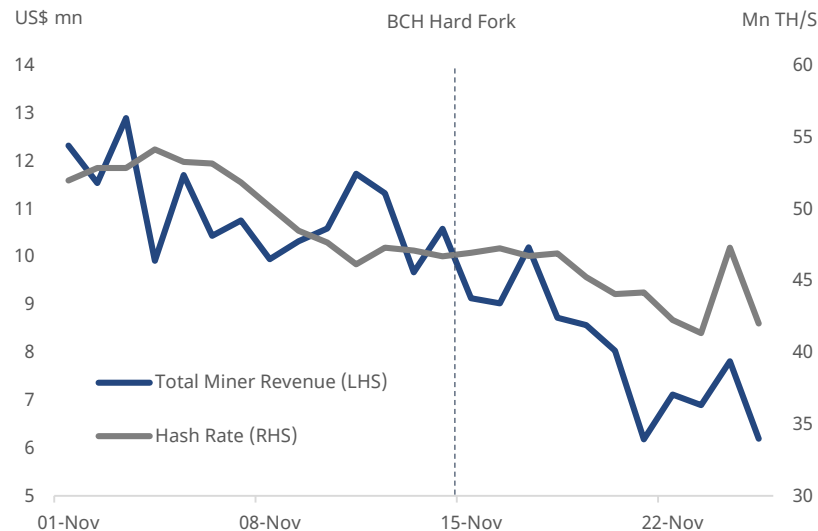
Crypto mining firms began to consider IPOs for fundraising purposes under the bearish 2018 market. For example, Bitmain, Ebang International and Canaan filed IPO applications in Hong Kong this year, with Canaan's application having recently lapsed. We believe the remaining applications may face a similar fate, unless they can properly address Hong Kong Exchanges and Clearing's concerns regarding the business prospects and profitability of crypto mining.

## TOP CRYPTO PERFORMANCE SUMMARY

Name	Price	7D%	Vol.	7D%	Mkt Cap.	% Total Mkt
BTC	\$3,768.79	-32.64%	35.15bn	8.08%	65.55bn	54.11%
XRP	\$0.35	-31.43%	5.53bn	21.92%	13.99bn	11.56%
ETH	\$107.90	-38.62%	13.74bn	10.08%	11.16bn	9.21%
BCH	\$171.74	-55.84%	0.66bn	-84.44%	3.00bn	2.48%
EOS	\$3.16	-31.40%	5.69bn	-0.37%	2.86bn	2.36%
XLM	\$0.14	-42.00%	0.68bn	16.74%	2.77bn	2.29%
USDT	\$0.98	-0.72%	26.01bn	16.79%	1.77bn	1.46%
XMR	\$56.02	-37.58%	0.12bn	-14.43%	0.93bn	0.77%
ADA	\$0.04	-42.50%	0.21bn	5.05%	0.92bn	0.76%
DASH	\$87.85	-35.00%	0.98bn	-4.63%	0.74bn	0.61%

## CHART OF THE WEEK

Total Miner Revenue and Hash Rate in BTC Mining (November 2018)



## TOP CRYPTO NEWS AT A GLANCE

**Bitcoin Cash SV draws further centralization criticism with its blockchain organization:** Crypto exchange Kraken considers Bitcoin Cash SV as extremely high risk investment and it does not meet Kraken's listing requirement.

**The SIX Swiss Exchange launches world's first multi-crypto based exchange-traded product (ETP) next week:** This ETP will be listed under index HODL and will track BTC, XRP, ETH, BCH and LTC.

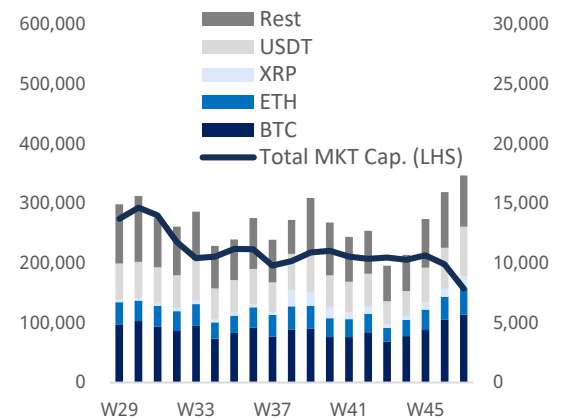
**BBVA and Banco Santander joins the E.U. International Association for Trusted Blockchain Applications (IATBA):** IATBA will be launched in the first financial quarter of 2019 and it aims to develop E.U. blockchain regulation.

**The launch of the Bakkt digital asset platform will be postponed to 24 Jan 2019:** Bakkt is in the process of securing insurance of hot wallets within the Bakkt Warehouse architecture.

## NETWORK FUNDAMENTALS

	BTC	ETH
<b>Hashrate</b>	41,578,428 TH/s (-8.1%)	218,412 GH/s (-8.0%)
<b># Wallet Users</b>	30,818,219 (+1.2%)	47,899,710 (+1.6%)
<b>Top 3 Miners</b>	BTC.com (19%) AntPool (13%) SlushPool (11%)	Ethermine (26%) SparkPool (22%) F2 Pool (12%)

## MARKET CAP & TRADING VOL. (US\$ MN)



Please see important disclosure on next page.

# STANDARD KEPLER

WEEKLY SUMMARY | 19 – 25 NOVEMBER

## DISCLAIMER

**Abbreviations:** ABC: Adjustable Blocksize Cap; ADA: Cardano; BBVA: Banco Bilbao Vizcaya Argentaria, S.A.; BCH: Bitcoin Cash; BCH ABC: Bitcoin ABC; BCH SV: Bitcoin Satoshi Vision; bn: billion; BTC: Bitcoin; CME: CME Group Inc.; crypto: cryptocurrencies; ETH: Ethereum; ETP: Exchange-traded product; E.U.: The European Union; HODL: Amun Crypto Basket Index ETP; IATBA: International Association for Trusted Blockchain Applications; LTC: Litecoin; Market Cap: Market Capitalization; mn: million; Nov: November; TH/S: Tera Hash per second; Trading Vol.: Trading Volume; US\$: United States Dollars; USDT: USD Tether; XLM: Stellar Lumens; XMR: Monero; XRP: Ripple

**Chart of The Week:** Sources: Blockchain.com, Standard Kepler Research

**Market Cap & Trading Vol.:** Sources: Coinmarketcap, Standard Kepler Research  
The horizontal axis represents the week number in 2018. For instance, W29 indicates the twenty ninth week in 2018. The primary vertical axis represents total market capitalization; and the secondary vertical axis represents total trading volume.

**Network Fundamentals:** Sources: Blockchain.com, Blocktrail, Etherchain.org, Etherscan.io, Standard Kepler Research

**Thought of The Week:** Sources: Aftenposten, Bitcoinist.com, Blockcast.it, Blockchain.com, Bloomberg, CCN, Coindesk, Coinmarketcap, Cointelegraph, Digiconimist.net, F2Pool, Gigawatt, Jinse, Standard Kepler Research, The Stock Exchange of Hong Kong Limited

**Top Crypto News At a Glance:** Sources: Blockcast.it, CCN, Coindesk, Cointelegraph, Standard Kepler Research

**Top Crypto Performance Summary:** Sources: Coinmarketcap, Standard Kepler Research  
BCH refers to Bitcoin ABC

**Week Ahead:** Sources: Cryptocalendar.pro, Standard Kepler Research

**Weekly Recap:** Sources: Coinmarketcap, Standard Kepler Research

Past performance does not guarantee future results.

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The price of Bitcoin and other cryptocurrencies are highly volatile in nature. It is suggested that clients should perform their own due diligence and consult a fully qualified independent professional financial adviser before making any investments in cryptocurrencies.

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Unless otherwise stated, all data is as of November 25, 2018 or as of most recently available.

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