



# The Case for Bitcoin at \$70,000 by Mid-2021

## A Midwest stalwart will prosper from Americans' changing behavior

By Juan Villaverde with Bruce Ng



Stock-to-flow analysis (S2F) focuses on the broad shape of future prices.

Although it's based on a different

methodology than the one used by the *Weiss Cryptocurrency* cycles model, it is widely respected in the crypto world.

And it now points to a ferocious rally over the next 12 months or so.

S2F is based on the common-sense notion that the scarcer a commodity is, the more valuable it becomes.

It measures scarcity by comparing annual production to the amount available for buying and selling (circulating supply).

Gold has an S2F of 62 — the number of years of current production required to match global above-ground holdings.

By contrast, it takes only 22 years of current silver production to equal above-ground supplies.

The relative lesser scarcity of silver is a key factor that

makes silver less valuable than gold.

After the May 2020 halving, 6.25 new Bitcoin are now being created every 10 minutes.

That means it would take an estimated 56 years for new mintage to match Bitcoin's circulating supply.

Notice how close that is to the S2F number for gold?

It makes sense because Bitcoin is fast becoming a major rival to gold as a safe-haven investment.

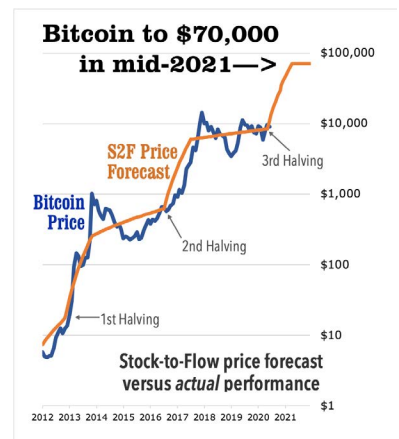
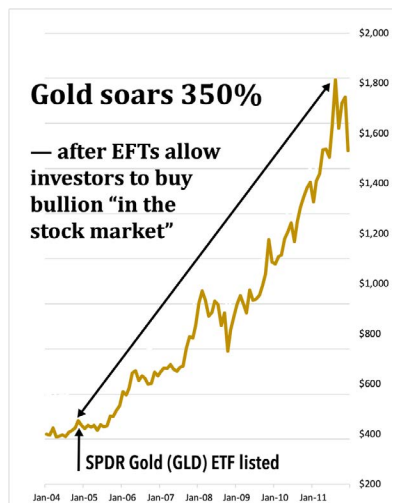
(In the chart below, the "halving" refers to the 50% cut in the rate at which new Bitcoins are created. This occurs roughly every four years.

Historically, halvings have been harbingers of explosive price gains over the next 12 to 18 months.)

As you can see from the chart, previous S2F predictions line up quite well with Bitcoin's actual

price performance. Now, based on the history of the halving, current S2F analysis says Bitcoin should reach \$70,000 by — sometime around mid-2021.

Even if it turns out to be only half right, you could still triple your money.



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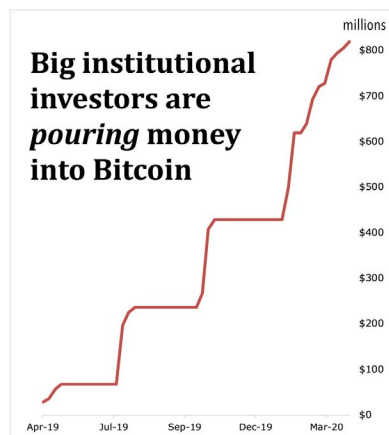
S2F is an economic model. But there are also two powerful fundamental reasons Bitcoin is destined to go far higher than it is today.

## Reason No. 1: Floodgates are Now Open for Big Institutional Investors to Pour into Bitcoin

Why pay attention to what hedge funds, university endowments, pension funds and other big-foot institutional investors are doing?

Because that's where the big money is. And Bitcoin is one of the only cryptocurrencies big and liquid enough to absorb institutional-sized capital inflows.

There's just one problem: Few institutional investors have permission from regulators to buy cryptocurrencies. But almost all of them can buy common stocks.



And, now, an SEC-registered closed-end fund is opening the door for all these institutions to invest in crypto.

[Grayscale Bitcoin Trust](#) (OTC: GBTC) shares — each equivalent to 0.00095891 BTC

— trade freely over-the-counter, so *anyone* can buy them.

This is a very big deal. It reminds us of what happened to gold prices after the first gold exchange-traded funds (ETFs) opened the door for investors to buy bullion in the stock market.

Gold prices quadrupled in seven years.

Look for even bigger gains as GBTC opens the floodgates for anyone to buy Bitcoin “in the stock market.”

Roughly 88% of GBTC shareholders are big banks, hedge funds and big-foot professional investors. That makes money flowing into it one

of the best indicators of institutional interest in cryptocurrencies

The image to the left shows the weekly flow of funds into Grayscale Bitcoin Trust from April 2019 to March 2020.

Between the third quarter of 2019 and the first quarter of 2020, the amount invested more than doubled from \$388.9 million to \$818.5 million.

This is further confirmed by anecdotal reports the “smart money” on Wall Street is finally starting to pour money into crypto.

For example, legendary trader and Forbes 400 billionaire Paul Tudor Jones recently told CNBC he's putting 1% to 2% of his assets in Bitcoin.

Based on the size of his hedge fund (Tudor BVI — with \$21 billion in assets under management) that comes to a whopping \$210 million to \$420 million.

The second powerful reason Bitcoin has almost nowhere to go but up is wanton money-printing by the Federal Reserve ...

## Reason No. 2: QE Infinity

In the wake of pandemic panic, the Fed turned on the fire hoses. It printed an astounding \$2.9 trillion in new paper money in just 13 weeks.

That works out to about \$22 million a minute. Round-the-clock. Evenings, weekends and holidays included!

Of course, all that money must be spent to get it into circulation. In the old days, the Fed would buy government bonds with its freshly printed cash.

But, now, the flood of money has become so vast, the government bond market was no longer big enough to absorb it. So, the Fed turned to buying corporate bonds. And, more recently, junk bonds!

Partly as a result, America has now become a place where a fake \$20 bill can get you *killed*. (Remember, the chain of events that led to the murder of George Floyd — and nationwide riots — began when a convenience store clerk refused a suspicious \$20 bank note he tried to buy cigarettes with.)

Yet, when 20 people meet behind closed doors in the Federal Reserve's marble-columned building and dole out trillions of freshly printed dollars to politically well-connected companies ... the government calls that "monetary policy."

**Words can scarcely describe how morally depraved this is.**

As shootings and chaos sweep across the nation, the Fed is pumping more and more freshly printed money into big, badly managed corporations. (It reminds us of Emperor Nero playing his lyre while Rome burned to ground around him!)

Nearly 46 million Americans have filed for unemployment benefits in just three months. Tens of thousands of businesses closed their doors, many of them forever.

But, if you're a giant corporation with an army of lobbyists, you get all kinds of money thrown your way. The Fed says this must be done, because of a "liquidity" crisis.

Give us a break! Do words no longer have any meaning?

What deadbeat company cannot claim to have a "temporary liquidity crisis."

In a truly free market, collective buying and selling decisions of the masses dictate which businesses thrive and which go under — not a bunch of unelected central bank bureaucrats.

Buying the debt of big, politically connected companies (that would be insolvent if not for endless bailouts) does not create new jobs. Nor does it generate the billions in earnings lost to pandemic lockdowns.

All this does is create zombie companies and a permanent underclass — folks the political bosses in Washington consider unworthy to feast at Fed's trough of trillions.

**Some say only gold can restore honest money. They're wrong! The world needs Bitcoin.**

A century ago, every paper dollar issued in the U.S. was redeemable on demand for gold (or silver). But the politicians eventually found a way to scrap the gold standard.

If they did it once, they can surely do it again. That leaves cryptocurrencies as the only honest alternative to the morally bankrupt monetary system we have today.

And that's because crypto assets like Bitcoin aren't centrally controlled.

You may have heard it said that "miners" mint new supplies of Bitcoin. But miners are, by and large, just regular people like you and me. All you need is some computer gear and an internet connection and — voilà — you're now part of the group that gets to mint new money.

But Bitcoin miners don't set monetary policy. That's up to the *entire* community of people who use Bitcoin.

This is why it's so damn hard to change even the tiniest detail of how Bitcoin operates. The overwhelming majority of users must agree. Or nothing happens.

- But would an overwhelming majority of U.S. dollar users agree to the Fed bailing out failing companies in 2008 — while letting millions of homeowners get foreclosed on?
- Would they have voted to pour trillions into big, badly run companies — while 47 million ordinary Americans, who lost their jobs to pandemic panic, got left holding the bag?

Hell no!

**Sadly, nothing about our monetary system reflects the will of the majority. Or even benefits the majority, in the long run.**

This is exactly the problem that true cryptocurrencies like Bitcoin resolve. Because they bring democracy to money.

This is key, because it's the utter absence of democracy in the monetary system that ultimately does the most damage to Western economies.

The Framers of the American Constitution wrote ...

*No state shall ... coin money, emit bills of credit, make anything but gold and silver a tender in payment of debts ..... not because they were "gold bugs" or lovers of precious metals. It's just that*

they had no rose-colored illusions about human nature.

They understood giving any person or group central control over money would eventually doom the Republic. And back then, gold and silver were the only non-centrally controlled monies available.

But what if America's constitutional convention were held today? It's very likely the Founding Fathers would also make Bitcoin primary legal tender.

This is why Bitcoin (and perhaps a few other crypto assets) are going to be the future of money. The Fed and other central banks are destroying the world's major paper currencies — and no power on earth can stop them.

And to make big money as an investor, you absolutely have to be on the right side of history.

Never lose sight of this. Make certain you have some Bitcoin (and other top Weiss-rated cryptos) safely salted away in your savings.

## Kiss Near-Zero Interest Rates Goodbye!

Federal Reserve Chair Jerome Powell recently said he intends to hold U.S. interest rates near zero at least until 2023. The hell with that!

With crypto lending platform Nexo ...

- You can earn 8% on USDC deposits. USDC is a stablecoin linked to the U.S. dollar, so it normally fluctuates very little in price.
- You can withdraw your funds any time you want without penalties.
- Deposits are insured up to [\\$100 million](#) against hacks.
- Nexo is licensed in over [200 countries](#), including the United States).

Like other blockchain platforms, Nexo is essentially a crypto version of a traditional centralized bank. It offers savers interest-bearing crypto deposits then lends these coins out to borrowers at higher rates.

But traditional banks are heavily regulated. By contrast, lending and borrowing on the blockchain is usually regulated mainly by the impersonal forces of the free market.

This has both positives and negatives. Less government regulation means lower operating costs and higher yields on your crypto deposits. But this may also come with a somewhat higher risk of bank failure.

Please bear in mind that *Weiss Ratings Crypto Investor* does not recommend or make referrals to brokerage firms, crypto exchanges or lending platforms. (Aside from trading accounts we ourselves may have, we have no business relationships with any that we cover.)

This information on Nexo is provided purely for educational purposes. We hope you can use it to determine the best way for you to hold and trade crypto assets.

If you're game, here are the steps to take ...

### Step 1: How to Set up an Account

- Sign up at <https://platform.nexo.io/>, link [here](#). You will be sent a confirmation email. Please confirm it.
- Then, complete your ID verification [here](#). There are three levels of verifications.

**A No Verification level account** is sufficient to start earning 8% crypto interest here. And it is also the quickest and easiest account to open.

(The drawback is that you won't be able to withdraw any fiat currency from your Nexo account, but you can withdraw crypto up to the equivalent of \$2,000 a month.)

Verification Level	Requirements	Crypto Deposit Limit	Crypto Withdrawal Limit	Bank Withdrawal Limit
No Verification	Nothing	None	\$20,000	\$0/month
Basic	Name, address and mobile phone number*	None	\$100,000	\$0/month
Advanced	An official piece of ID	None	None	\$200,000/month

**WARNING:** Submitting your mobile phone number can expose you to SIM hacks, so we

recommend 2-Factor Authentication instead.

- Turn on 2-Factor Authentication (2FA) [here](#). Remember that 2FA adds security by requiring something you know (your password) and something you have (your Google Authenticator key) in order to access your account.

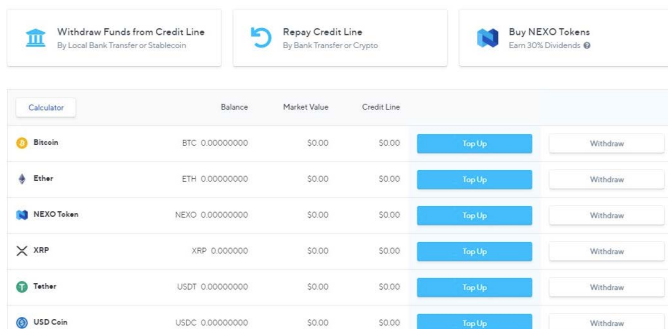
## Step 2: Deposit Crypto and Earn Interest

We recommend depositing USDC stablecoins to earn interest. USDC is the world's second-largest stablecoin. It's pegged 1-to-1 to the U.S. dollar — which means there is at least \$1 on deposit for every USDC issued. Moreover, these accounts are audited by at least five accounting firms, whose reports can be seen [here](#).

You can buy USDC on leading crypto exchanges such as Coinbase, Binance and Kraken. (Nexo will also accept Euro deposits, but this requires Advanced-level registration, and is beyond the scope of this report.)

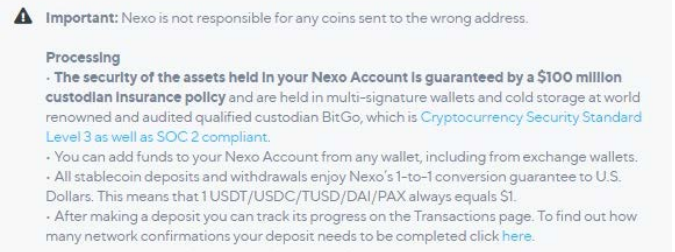
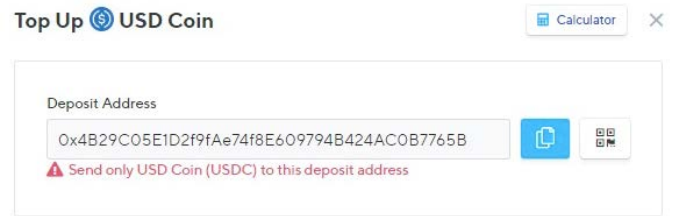
As usual, everything starts from the Dashboard, so ...

- Go [there](#), and you will see the image below.



- Deposit USDC, by clicking on **Top Up**, on the **USD Coin**. Then you will see the following screen:
- Copy the Nexo's USDC deposit address. Make sure this is where you send your USDC stablecoins — from whichever digital wallet they originate from.
- Make sure to **double-check all the**

**characters** of the address *before* hitting send.



- The deposited amount should then show up on your USDC balance as in the image below.



- Interest automatically starts accumulating the moment your deposit arrives. No need to toggle a button or activate any features.
- The image above shows that an interest of 0.0105 USDC on a 50 USDC deposit was generated after one day. This corresponds to an 8% annual percentage yield, or APY, as advertised.

It's really as simple as that! Feel free to use [this](#) handy interest calculator to calculate your yields.

There are some features in Nexo that we don't recommend you utilize. For example, in addition to earning interest on your deposits, you can also withdraw a fraction of your deposit as a loan. We do *not* recommend this because Nexo charges 11.9% interest.

That may be less than you would pay to borrow U.S. dollars on your Visa or Mastercard, but it's still exorbitant. Nexo also has its own tokens available, and promises to pay out 30% of its net income in the form of "crypto dividends" to Nexo coin holders. (Coin owners are also entitled to a discounted interest rate if they borrow from the platform.)

However, Nexo is presently *not* among the top Weiss-rated cryptocurrencies. So we do *not* recommend owning them.

## Crypto Portfolio Update

We urged you to buy **Chainlink (LINK, Weiss Liquidity/Availability Grade “B”)** in [our previous issue](#), published June 26, when LINK closed at \$4.68. As we write, it’s well above \$8 and climbing. So, you’re now sitting on a blistering 78% gain — in just one month. Nice going!

Plus, there’s more to come. Chainlink, you recall, provides real-world data — like prices, temperature, exchange rates, interest rates, trading volume and thousands of other information streams — that smart contracts require to function.

And smart contracts are red-hot. Because of this, LINK is one of the few crypto platforms (after Bitcoin and Ethereum) with robust adoption and fast-growing usage.

And adoption and usage are among the most important indicators the Weiss Cryptocurrency Ratings uses to identify the most promising cryptos to invest in.

Our target price for LINK is \$20; this ride is just getting started.

### **Tezos (XTZ, Weiss Tech/Adoption Grade “B-”) — up 145%**

Right now, XTZ is the only crypto in our portfolio that *already* allows staking. (Staking, you recall, is the process that allows token-holders of Proof-of-Stake cryptos to participate in validating new transactions and share the reward for doing so.)

The rewards for staking Tezos are roughly equivalent to a 5% annual yield. That may not seem very big, but in today’s near-zero interest world, it’s a major reason investors covet this coin.

But there’s also a second factor at work: Staked coins are locked up on the blockchain. That means they’re no longer available for buying and selling. In other words, staking represents a subtraction

to circulating supply — which is also generally bullish for prices, going forward.

### **Cardano (ADA, Weiss Tech/Adoption Grade “B+”) — up 134%**

Shelley — the upgrade to decentralize the network and enable token holders to stake their coins — continues to roll out.

Right now, initial rewards for staking are forecast to exceed a 10% annual return (as shown in this calculator). Investors are so starved for income that a lot of them are going to pile into Cardano just for that double-digit yield.

So keep your eye on two upcoming dates that could easily have market-moving impacts: July 29, when Shelley finally goes live, and Aug. 18, when earning of staking rewards will commence. So, hold on to your coins.

### **Bitcoin (BTC, Weiss Tech/Adoption Grade “A”) — up 6.5%**

Compared to Chainlink, Tezos and Cardano, the King of Crypto has been a relative laggard.

But we believe in this case, that’s more due to size. Bitcoin is so big it usually takes major inflows of new money from the general public or big, institutional investors like Paul Tudor Jones and Grayscale outside the crypto world to really move prices.

The institutional money is already flowing. Plus, we think it’s only a matter of time before the Fed’s flagrant debasement of the U.S. dollar sends ordinary investors piling into Bitcoin — simply because it’s beyond the control of government to manipulate or control.

When that happens, it’s going to be like 2017 all over again, when Bitcoin shot up from \$1,000 to \$20,000. So, please hold your position.

### **Ethereum (ETH, Weiss Tech/Adoption Grade “A”) — up 13%**

One reason we’re bullish is because Ethereum’s the world’s No. 1 platform for smart contracts. And smart contracts are among the hottest apps in the crypto world.

One reason we're bullish is the approach of ETH v 2.0. This is a major upgrade that will convert Ethereum from a Proof-of-Work crypto to a Proof-of-Stake crypto.

This will open the door to staking and unleash the same bullish influences we saw at work in connection with Tezos and Cardano.

The only problem is how long we have to wait for ETH v 2.0 to go live. And, when it comes to upgrading itself, Ethereum is often so slow it makes a 150-pound tortoise look like a speed demon by comparison.

Even so, we recommend you hang on to your coins. The gains ahead are truly going to be worth waiting for.

## Stock Portfolio Update

Tech stocks have been on fire, so much so that the rally has reached the point too-far-too-fast. The Nasdaq has outperformed the S&P 500 so dramatically that it will soon run into an inescapable reversion to the mean reality.



That tells me that it is time to take more of our tech chips off the table. I want you to sell these six stocks right away: Booz Allen Hamilton, DocuSign, Jack Henry & Associates, Facebook, Visa and Nvidia. Here's what to do:

**Order 1: Sell ALL shares Booz Allen Hamilton (NYSE: BAH, Rated "B+") at**

**the market**

**Order 2: Sell ALL shares DocuSign Inc. (Nasdaq: DOCU, Rated "D") at the market.**

**Order 3: Sell ALL shares Jack Henry & Associates (Nasdaq: JKHY, Rated "B") at the market**

**Order 4: Sell ALL shares Facebook (Nasdaq: FB, Rated "B-") at the market.**

**Order 5: Sell ALL shares Visa Inc. (NYSE: V, Rated "B") at the market.**

**Order 6: Sell ALL Nvidia Corp. (Nasdaq: NVDA, Rated "C+") at the market.**

That leaves us with two stocks, the only ones that are not overvalued and dominant enough that they can withstand the pandemic recession.

**Amazon.com (AMZN):** Amazon is one of those "never sell" stocks, and the coronavirus pandemic has only reinforced its already gigantic economic moat. Online retailing was already taking market share from brick-and-mortar stores, and that trend has accelerated this year.

At the end of 2019, e-commerce accounted for 11.4% of retail sales and that number will ultimately reach over 30%. Amazon stock appears expensive because of its high share price, but there is still much, much more room to run. Continue to hold.

**Microsoft (MSFT):** Microsoft reported \$1.48 per share of profits on \$38 billion of sales, well above the \$1.38 and \$36.6 billion that Wall Street was expecting.

FY20 Q4	GAAP results	
	(billions, except per share, GM% and OI%)	Growth
Productivity and Business Processes	\$11.8	6%
Intelligent Cloud	\$13.4	17%
More Personal Computing	\$12.9	14%
Revenue	\$38.0	13%
Gross margin	\$25.7	10%
Gross margin percentage	68%	(2) pts
Operating income	\$13.4	8%
Operating income percentage	35%	(2) pts
Net income	\$11.2	(15)%
Diluted earnings per share	\$1.46	(15)%

Three items stood out to me:

13% year-over-year increase in revenue which is outstanding considering the coronavirus-fueled recession

Profit margin increased by 2% to a super envious 68%

15% year-over-year increase in profits to \$11.2 billion

Lastly, your account was credited with a 51 cent-per-share dividend on June 11. Continue to hold.

## Weiss Ratings Crypto Investor Portfolio

Recommendations	Reco Date	\$ Cost	Current Quote (\$) as of 07/23/20	Total % Gain
<b>Crypto Positions</b>				
Cardano (ADA/USD) **	9/12/18	\$0.05368758	\$0.12470100	149.8%
EOS (EOS/USD)	9/12/18	\$5.39210000	Sold 6/26 (-54.01%)	
Holo (XHOT/USD)	11/19/18	\$0.00060100	Sold 6/26 (-7.65%)	
Bitcoin (BTC/USD)*	4/26/19	\$8,629.30	\$9,532.21	17.4%
Fantom (FTM/USD)	8/7/19	\$0.02205500	Sold 6/26 (-71.15%)	
Ethereum (ETH/USD)***	8/7/19	\$206.04	\$276.77	28.9%
Tezos (XTZ/USD)	11/27/19	\$1.25753900	\$3.10	146.5%
<b>Chainlink (LINK/USD)</b>	<b>6/26/20</b>	<b>\$4.72</b>	<b>\$7.98</b>	<b>58.6%</b>
<b>Stock Positions</b>				
Nvidia (NVDA)	10/19/18	\$229.17	Sell @ market	
DocuSign (DOCU)	12/28/18	\$40.50	Sell @ market	
Facebook (FB)	7/12/19	\$204.87	Sell @ market	
Amazon.com (AMZN)	8/30/19	\$1,776.29	\$3,099.91	74.5%
Microsoft Corp. (MSFT)	10/2/19	\$134.65	\$211.75	58.8%
Mercury Systems (MRCY)	11/1/19	\$74.60	Sold 6/26 (+2.06%)	
Alibaba (BABA)	11/27/19	\$200.82	Sold 6/26 (+7.49%)	
Walt Disney Co. (DIS)	1/3/20	\$146.48	Sold 6/26 (-25.59%)	
Prologis (PLD)	1/31/2020	\$92.88	Sold 6/26 (-0.31%)	
Visa (V)	2/28/2020	\$181.76	Sell @ market	
Copart (CPRT)	2/28/2020	\$84.48	Sold 6/26 (-3.93%)	
Booz Allen Hamilton Holding Company (BAH)	4/24/2020	\$75.86	Sell @ market	
Jack Henry & Associates (JKHY)	5/22/2020	\$186.55	Sell @ market	

\* Bitcoin's \$ Cost and Total % Gain columns reflect average of initial purchase 4/26/19 (\$5,217.25) and subsequent buys 8/7/19 (\$11,901.45), 8/30/19 (\$9,584.37), 10/2/19 (\$8,266.70), 11/1/19 (\$9255.15), 4/24/20, (7,550.90)

\*\*\* Ethereum \$ Cost and Total % Gain columns reflect average of initial purchase 8/7/19 (\$224.51) and subsequent buy 4/24/20 (\$187.57).

\*\* Cardano \$ Cost and Total % Gain columns reflect average of initial purchase 9/12/18 (\$0.06840000) and subsequent buy 11/27/19 (\$0.03897516).

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