Bitcoin's Four-Year Cycle

The 2025 Reality Check

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Today's Discussion

Market Analysis

- Bitcoin's four-year cycle dynamics
- The 2025 selloff catalysts
- Rising energy costs impact
- Collapse of the basis trade

Forward Outlook

- Institutional vs. miner influence
- Digital Asset Trusts reality check
- Macro policy implications
- 2026 investment opportunities

Bitcoin's Four-Year Cycle & the 2025 Selloff

Bitcoin's four-year cycle remains fundamentally driven by **miner behavior,** the need to sell BTC to fund electricity costs, capital expenditures, and manage balance-sheet risk.

Historically, miners sell in coordination: once selling pressure begins, few want to be the last to de-risk, leading to cascading supply.

💡 **Key Insight: The 2025 selloff occurred earlier than expected due to rising energy costs and collapse of the basis trade**

Bitcoin Four-Year Cycles

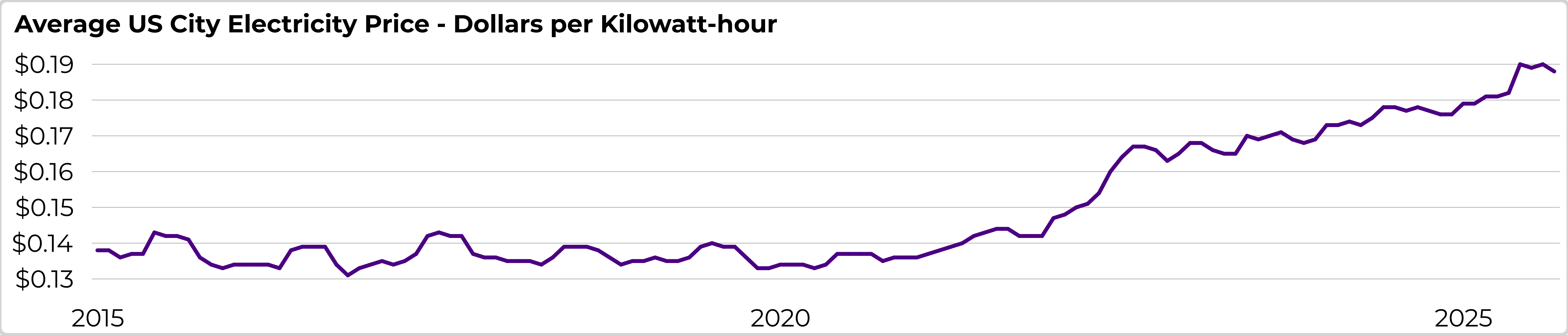
2011	**2012**	**2013**	**2014**
1473%	186%	5507%	-58%
2015	**2016**	**2017**	**2018**
35%	125%	1331%	-73%
2019	**2020**	**2021**	**2022**
95%	301%	66%	-65%
2023	**2024**	**2025**	**2026***
126%	121%	-6%	8%

Source: CoinGlass

Catalyst One: Rising Energy Costs

Sharp increase in electricity costs driven by rapid expansion of AI data centers forced Bitcoin miners to liquidate holdings earlier than historical norms.

- Large miners benefit from fixed-rate contracts or operate as energy intermediaries
- Majority of small and mid-sized miners exposed to variable pricing
- Energy rates rose meaningfully over summer, triggering widespread miner capitulation

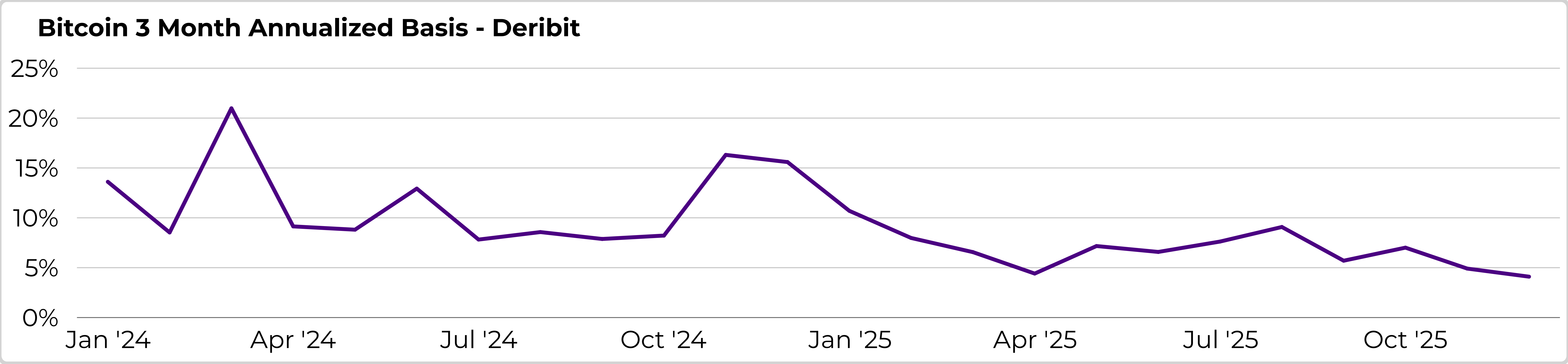


Source: Federal Reserve Bank of St. Louis

Catalyst Two: Collapse of the Basis Trade

Bitcoin futures historically traded at elevated premiums due to fragmented markets. Following the launch of Bitcoin ETFs two years ago, market efficiency improved substantially.

- Compression of futures-spot spread rendered basis trade unattractive
- Traders unwound positions by selling ETF exposure
- ETF outflows applied additional downward pressure on BTC prices



Source: CoinGlass

Is the Four-Year Cycle Broken?

Some argue the cycle is broken:

- No traditional blow-off top
- Institutional participation via ETFs
- Rise of Digital Asset Trusts
- Global monetary expansion

What dampened the peak:

- Overweighted M2 correlation
- Underweighted basis trade collapse
- Surge in gold demand
- Weak consumer spending
- Binance disruption (Oct 10)

Steven's View:

The cycle remains intact. Bitcoin peaked in October at ~$126K, consistent with prior timing.

Historical Pattern

Peaks: Nov 2021, Dec 2017, Dec 2013 → 9 months mean reversion → new ATH ~1 year later

Are Miners Still Relevant?

The claim that ETFs and DATs will eliminate miner influence is not true—at least not this cycle. Behavior matters as much as availability.

Retail Investor Behavior

- BTC down ~6% YoY
- Equities up 20% YTD
- Gold up 70%+
- Tax-loss harvesting candidate

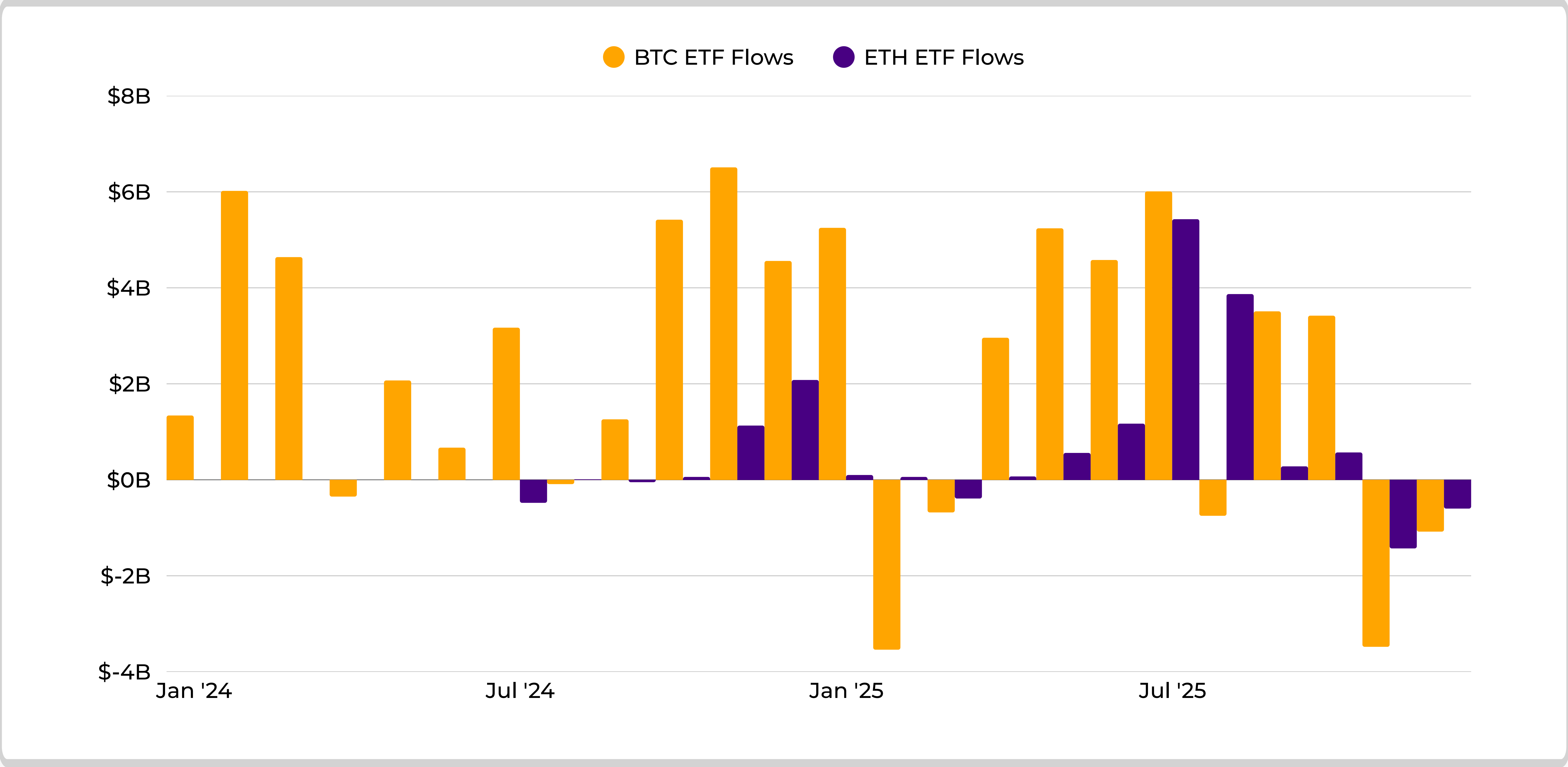
Retail won't re-enter quickly when holding losses while markets rise

Financial Advisor Constraints

- Set allocations delayed
- Rebalancing postponed
- Need to understand underperformance
- Capital stays sidelined

Smart money is waiting for the right entry point

Monthly Net Flows for BTC & ETH US Spot ETFs



Source: Bloomberg

Digital Asset Trusts: The Reality Check

DATs reveal the true state of the market. Think of them as expensive, closed-end funds.

Structural Issues

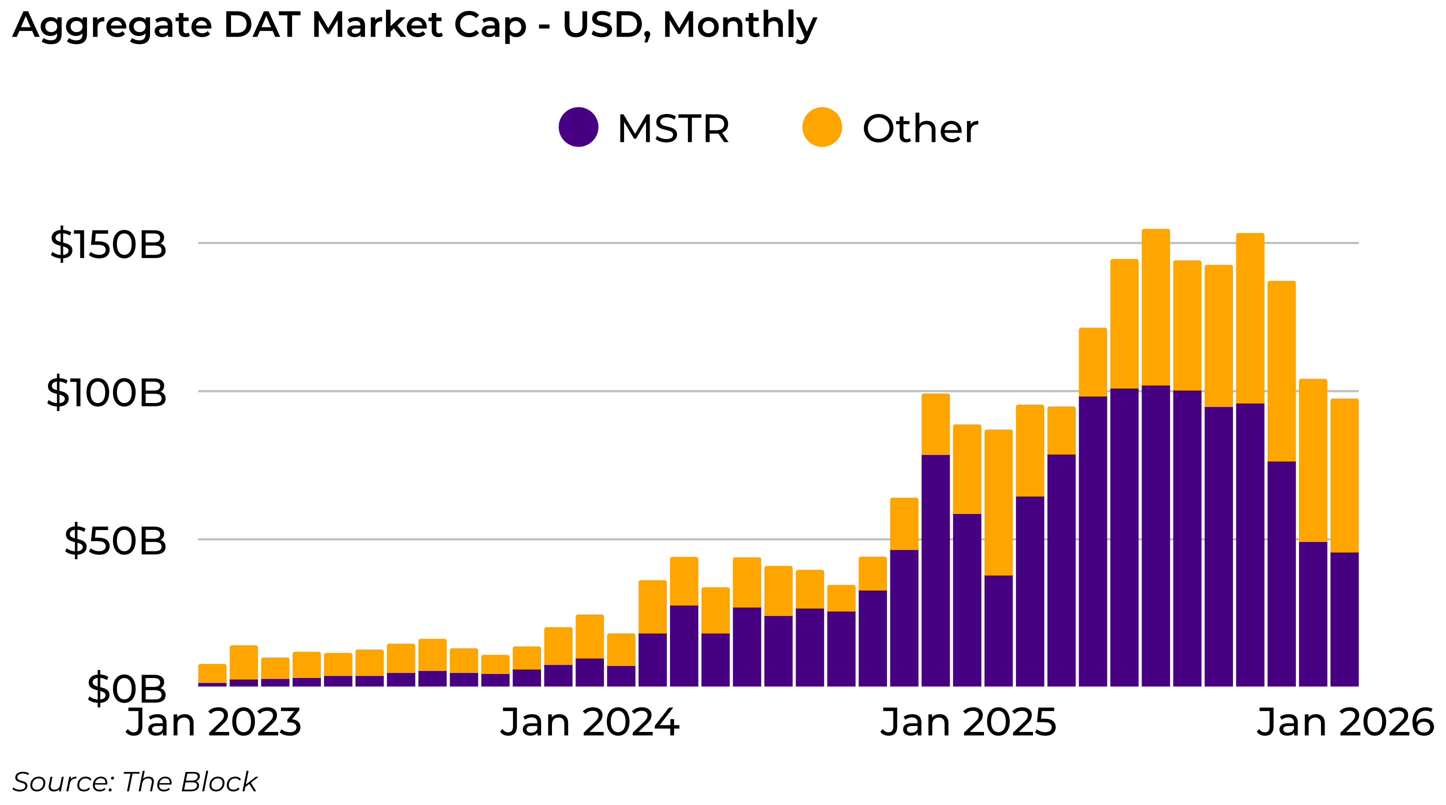
Weak financials: Unprofitable firms, strained balance sheets

PIPE dynamics: Hedge funds sell immediately after issuance

Supply/demand: DATs trade at ~50% discount to NAV

Treasury bleed: Operating losses drain crypto holdings

Expensive Economics



Like buying a crypto ETF that loses 10%+ day one and charges 5%+ annually

Macro Backdrop & Policy Implications

🇺🇸 US: Dovish Shift

Playing catch-up on rate cuts. New Fed Chair in 2026 may not achieve intended market impact by summer, setting stage for next cycle.

🇯🇵 Japan: Tightening

Historical pattern: BOJ rate hikes → Bitcoin price declines

🌍 Rest of World: Dovish

Likely to maintain or adopt dovish policies amid slow growth and recession fears.

Economic Context

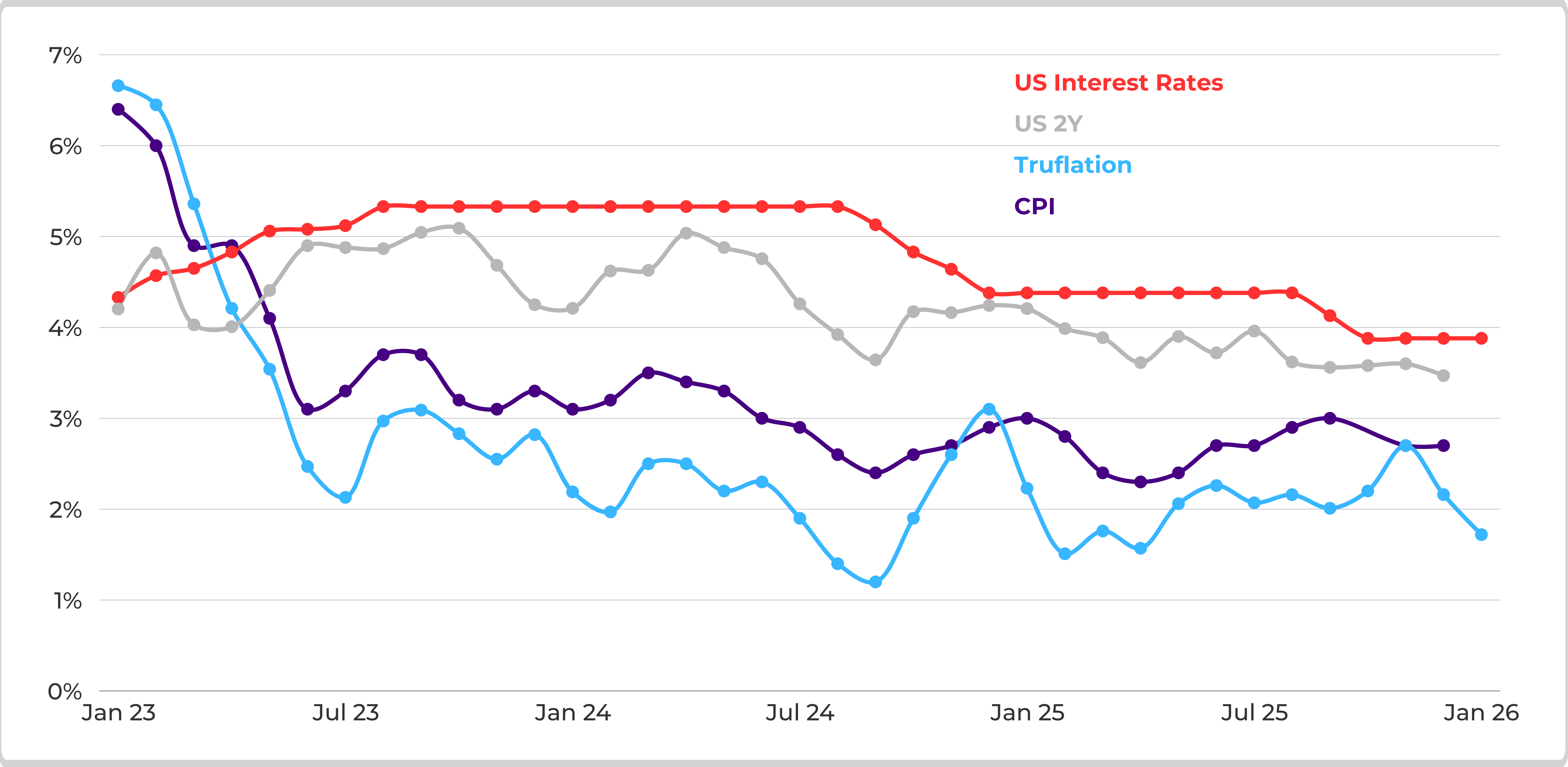
Rationale for dovish policies:

- Slow global growth
- Recessionary pressures
- Need to inject liquidity

The reality:

- Liquidity supports banks & investors
- Population struggles continue
- Years of high inflation, low growth

US Interest Rates and Inflation Metrics



Source: FRED, Truflation.com, CME

Drawdowns, Halvings & the Path Forward

Expected: 50–55% peak-to-trough decline. BTC down ~30%. Gradual 6–9 month decline reasonable.

Halving Cycle Dynamics

Diminishing impact: Smaller marginal gains each halving

Forced sellers: Miners structurally influential

Volatility: Both extremes moderating

Pattern: Cycles follow predictable timing

Expected Timeline

Q1-Q2 2026
Continued gradual decline

Mid-Late Summer 2026
Cyclical trough formation

Q4 2026
Recovery phase begins

What Investors Should Watch in 2026

Financial Infrastructure

XRPL emerging as dominant financial-services rail

Hedera (HBAR) leading enterprise infrastructure

Expect upside divergence from BTC

Privacy Assets

Litecoin with optional privacy features

Monero, Canton gaining users

Underappreciated as privacy concerns rise

Tokenization Platforms

ETH, SOL remain leaders

SUI, SEI, INJ moving up adoption curve

Meaningful upside potential

Stablecoin Growth

Total supply: ~$300B+

USDT, USDC, USDE, RLUSD expanding

Payments infrastructure maturing

Bottom Line: Bitcoin remains dominant macro driver, but expect meaningful short-term divergences as blockchain businesses mature

Questions?

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