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Crypto Markets at a Turning Point

We stand at the threshold of a *uniquely uncertain* season in crypto history.

Unique, because Bitcoin's November-December plunge lasted longer than anticipated ... and created a yawning gap with Ethereum. Indeed, nothing like this has *ever* occurred before in such a late stage of crypto's four-year bullish cycle.

That means we're in uncharted waters — with little or no technical history to guide us.

It's also an uncertain season, because the Federal Reserve abruptly reversed course and declared war on inflation.

Instead of endless money-printing and near-zero interest rates, we are now promised a slowing of the printing press and higher interest rates via tapering. Sharply decreasing liquidity could choke off new fund flows into crypto ... and possibly even encourage outflows.

Because of all this, market sentiment has shifted drastically. The indifferent bullishness of early 2021 is long gone. Investors are now ruled by nervousness and caution ...

That's why I'm about to shine a spotlight on both the crypto cycles and the real-world impact of Fed tapering. Because closer examination reveals a far more optimistic range of outcomes than today's nervous, edgy markets would have you believe.

Let's start with the cycles ...

Navigating Uncharted Waters

After topping out on Nov. 8, Bitcoin started correcting, making new closing lows, week after week, for over a month!

Nov. 8 also marked what our timing model calls an 80-day-cycle correction. In a bull market, these usually last 20 days or less — which would have led us to expect a final low around Nov. 28.

But what *actually* happened?

Well, as I write, Bitcoin's lowest daily close was Dec. 13. That's 34 days of almost non-stop selling!

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This is quite rare. In the last five years, Bitcoin has only done this twice: Dec. 16, 2017 and April 14, 2021.

And interestingly, both those dates *also* coincided with 320-day-cycle tops. The last multiyear bull market ended in December 2017. April 2021 marked the end of the first phase of the current multiyear bull market.

What does this mean?

Essentially, it's strong — not definitive, but strong — evidence Nov. 8 was also a 320-day-cycle top. If that's confirmed, then we can say that this bull market is on pause for the foreseeable future.

Does that mean we should now expect the kind of 80% crash crypto markets are notorious for?

Not exactly.

What people typically fail to realize about these infamous crypto market crashes ... is that the bulk of the selling normally takes place within the first three to four weeks of establishing the top.

The rest of the time, prices trade mostly sideways — with both high upside and downside volatility.

Also, those big, 80% crashes usually occur after prices have gone parabolic. It's almost a counter-reaction to prices previously going too far too fast.

But *nothing* of the sort is true today. Consider the facts:

- **Five weeks into this correction, Bitcoin is down only about 30%.** If an 80% crash were in the works, it would've happened already. Instead, we got a 30% fall over five weeks — which is actually a rather quiet sell-off in crypto.
- **There was no parabolic blow-off top.** As I said, these 80% crashes take place after prices go up by several hundred percent in a month or two. This didn't take place this time around, so we really shouldn't expect a disproportionate correction.

On the one hand, it's disappointing the blow-off top we were so greatly anticipating failed to occur when we thought it would.

On the other hand, no blow-off top likely means we also won't see the kind of ferocious selling that usually follows a final 320-day-cycle top.

This is why our Crypto Timing Model shifted the trend for Bitcoin to NEUTRAL.

However, a NEUTRAL trend does *not* rule out any future rallies — even robust ones.

It merely means they will likely be followed by more or less equally robust declines. So that net movement at the end of the period is minor.

For this reason, a NEUTRAL market is hardly a hostile environment for making money in crypto. Indeed, many traders consider it ideal.

Meanwhile ...

Ethereum's Trend Is Still BULLISH

Ethereum's recent price path could scarcely have been more different from Bitcoin's.

And it's keeping hope alive that altcoins might still have enough gas left in the tank for one more powerful rally — before joining Bitcoin in sideways trading.

I say that because the present action bears an uncanny similarity to a series of events from the late stages of the 2017 bull market.

Back then, Ethereum topped out alongside Bitcoin on Dec. 16. Then, it initially fell “in sympathy” with it. But it broke no significant support levels and bounced back almost immediately.

Here's the interesting part: When Bitcoin began its “relief rally” on Dec. 30, Ethereum really blasted off. It shot right past its December high, doubling in just a couple of weeks. And it didn't hit its peak until mid-January 2018.

Most altcoins followed in Ethereum's wake. They broke to record highs between mid-December and mid-January, even though Bitcoin was *mostly going down* during this period.

Ethereum and Bitcoin December 2017 – February 2018

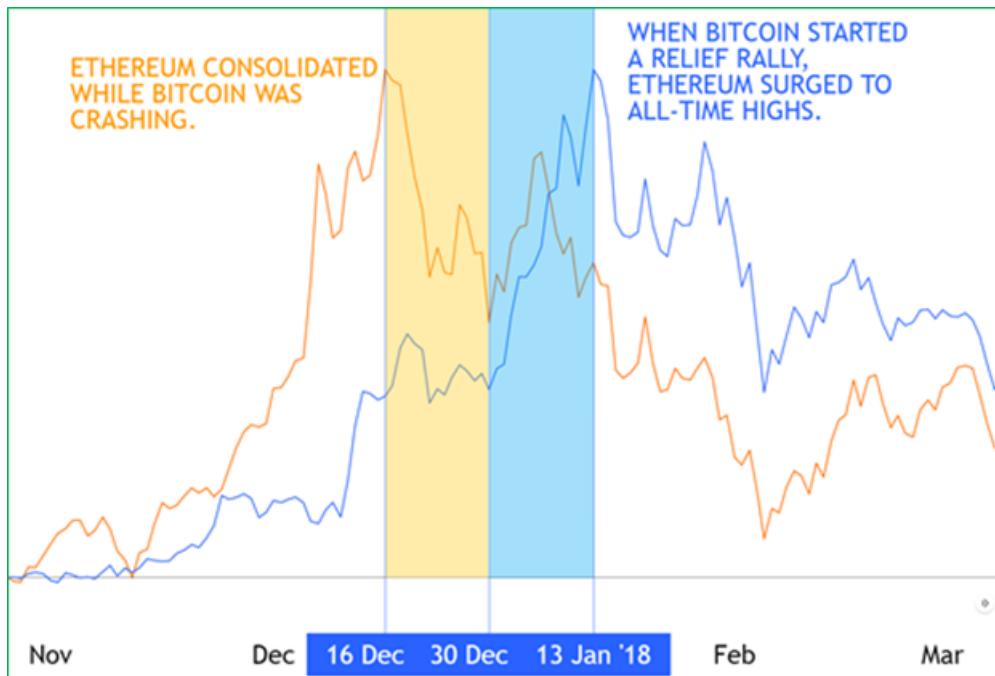


Figure 1. Click to enlarge.

Observe the yellow rectangle on the left. While the **orange line** (BTC) mostly falls, the **blue line** (ETH) is moving mostly sideways.

Then, in the blue rectangle to the right, the **orange line** (BTC) stages a modest rally, while the **blue line** (ETH) goes bonkers.

We're seeing similarities to this price action now. Specifically, we could now be at or near a moment similar to Dec. 30, 2017 — where the yellow and blue rectangles meet.

This is when Ethereum ignores Bitcoin completely, surges past its all-time high and drags most of the altcoins up with it.

Could we see another rally like this now? Yes, it remains a distinct possibility.

That said, we're still very much in uncharted territory. Which means the best approach is caution.

Let the market speak first and establish a direction. Then, we can decide what to do next.

Fed Tapering Takes on New Urgency

Until late November, the official White House line on U.S. inflation was: "It's *only* transitory." But of course, everyone — including voters — could see record-high gas prices, nearly empty store shelves and sharply higher food prices.

In mid-December, the latest figures for wholesale inflation showed prices up a whopping 6.8% over the past 12 months. That's the highest reading since records have been kept.

This huge jump would eventually filter into retail prices paid by shoppers over the next few weeks — and nobody can stop it.

Clearly, something had to be done. So ...

- Fed Chair Jerome Powell reversed himself, admitting that maybe inflation isn't "transitory" after all.
- Then, the Fed announced it would taper even faster and more aggressively than anticipated.
- One Fed watcher on Wall Street called for three interest rate hikes starting as early as next month.
- Bitcoin fell out of bed.

The market now anticipates the Fed will slam the brakes on money printing.

I cannot make this any clearer: The market's sentiment has drastically shifted in the wake of the Fed's aggressive rhetoric. Wounded by Bitcoin's 30%-plus decline, traders and investors are on "pins and needles" as they try to figure how the market will react.

We'd be fools to ignore this. Fevered speculation over Fed tapering is going to be the key market-moving force for the next few weeks. Or even months.

That said ...

Tapering Is a Short-Term Concern

That's because the public — and most elected officials — don't realize how profoundly the economy is addicted to easy money.

The developed world is now utterly dependent on a constant flow of cheap credit. So dependent, that any *serious* attempt to wean itself off risks economic ruin on a cosmic scale ... far beyond most politicians' ability to stomach.

China is a great example of this. Remember real estate giant [Evergrande's fiasco](#) — now a confirmed default?

For a while, it seemed Beijing would heed calls to reduce its decades-long practice of propping up real estate markets with cheap abundant credit.

China's top officials are notoriously well-protected from popular disapproval by the iron grip the Communist Party keeps on daily life.

But even so, by last week, the heads of the People's Bank of China were *already* blinking and backtracking. Instead of the expected monetary tightening, they actually [eased off](#) a wee bit.

If even Beijing's big bosses cannot resist pressure to ease — after gazing into the debt-deflation abyss — you can be *sure* Western politicians will be *similarly* unable to resist.

This is precisely why all the brouhaha about Fed tapering will be just a short- to medium-term concern. Long-term, the high priests of global finance are simply bluffing.

They cannot embark on a serious taper without triggering a tsunami of defaults for every junk-rated corporate borrower under the sun.

Decades of near-zero interest rates have left the world effectively short on the U.S. dollar.

Make the dollar stronger, and legions of companies, households and even governments are effectively bankrupt.

No matter what they say, no matter what they do, the Federal Reserve, The Bank of England, The European Central Bank and others simply cannot stop printing money for any significant length of time.

If they do, the entire house of cards that comprises the global financial system ... starts tearing itself apart at the seams.

Oh, they can talk tough, these central bankers. They can promise that "something" will be done to stop inflation. They can certainly scare the pants off investors in crypto and stocks.

But in the long run, every tapering contains the seeds of its own demise. The negative consequences of trying to halt the orgy of funny money will eventually cause the Fed (and other central banks) to unleash new, vastly larger rounds of freshly printed cash.

This isn't speculation, by the way, it's basically a summary of what happened between February and March 2020.

Will History Repeat? Absolutely

Sooner or later, central bankers will blink ... and a new wave of money-printing will begin. This is the never-ending cycle the modern world finds itself trapped in.

And nothing will drive crypto prices to the moon faster, than great swathes of ordinary people losing confidence in their paper currency.

When that happens — and it's going to be sooner than you think — Bitcoin (and other top Weiss-rated cryptos) are going to be your financial rock and shield — in a world gone mad.

Never forget this.

Weiss Crypto Investor Update

Ethereum (ETH, Tech/Adoption Grade “A”): Up 1,848% and Holding Strong



Ethereum was the world's first smart-contract platform, and it's still No. 1 in adoption and usage.

It supports more stablecoins — cryptos pegged to a fiat currency like the U.S. dollar — than any other blockchain. That's a key reason it hosted over \$1 trillion in transactions last year. (Even more than Bitcoin!)

And now the non-fungible token (NFT) craze is bringing in even more fresh business. Despite the November-December malaise in the crypto markets, venture capitalists have pumped \$4 billion of fresh capital into 120 crypto projects.

Most of the money is going to build on Ethereum and its Layer-2 solutions — with the majority using NFTs.

Each NFT is “a unique digital certificate, registered in a blockchain, that is used to record the ownership of an asset such as an artwork or a collectible.”

A couple weeks ago, an NFT designating a plot of virtual land in one metaverse — a hypothesized iteration of the internet that supports 3-D virtual environments through computers and virtual and augmented reality devices — sold for a record \$2.4 million. And prices are rising sharply. JPMorgan predicts NFT sales will grow strongly in the next 12 months.

Considering that even Facebook shifted its focus to the metaverse, it's easy to see how important NFTs are becoming the leading edge of crypto.

And the vast number of NFTs live on Ethereum blockchain. So, investors piling into them are naturally bullish for ETH.

But the overloaded Ethereum network causes sky-high transaction fees, which make life miserable for average investors just trying to get a trade done on the Ethereum blockchain.

Even with high fees, however, Ethereum remains the most secure, censorship-resistant, smart-contract blockchain in the world.

That's a key reason you're up more than 18-to-1 ... if you followed our initial “buy” recommendation on ETH.

Recommendation: Hold for even larger gains, going forward.

Polkadot (DOT, Tech/Adoption Grade “B”): Not Too Late to Scoop Up a Bargain



Polkadot is a decentralized exchange (DEX) that allows you to trade synthetic assets like crypto, stocks, commodities, forex, etc.

But unlike traditional trading channels, there's no broker, banker, market-maker or custodian standing in the middle of every transaction and taking a slice out of it.

However, DOT got hammered along with Bitcoin in the November-December crypto correction. And because of this, you can now scoop it up at roughly a 30% discount off our original recommendation.

That's an excellent idea, by the way, if you don't already own it. Otherwise, please hold your position.

Cardano (ADA, Tech/Adoption Grade “B-”): 2,340% Gains — and Only Just Getting Warmed Up



Two of Cardano's founders were also co-founders of Ethereum. And their ambition has long been to knock Ethereum off its perch as the world's No. 1 smart-contract platform.

Ethereum's previously mentioned sky-high transaction fees have created an environment where Ethereum alternatives are in demand. And considering these alternatives and Layer-2 solutions have outperformed in this volatile market, there's clearly is a healthy market for what Cardano is offering.

Last month, Cardano's daily active addresses shot up fourfold. The number of monthly transactions also rose 75.8% to 4.62 million, an all-time high.

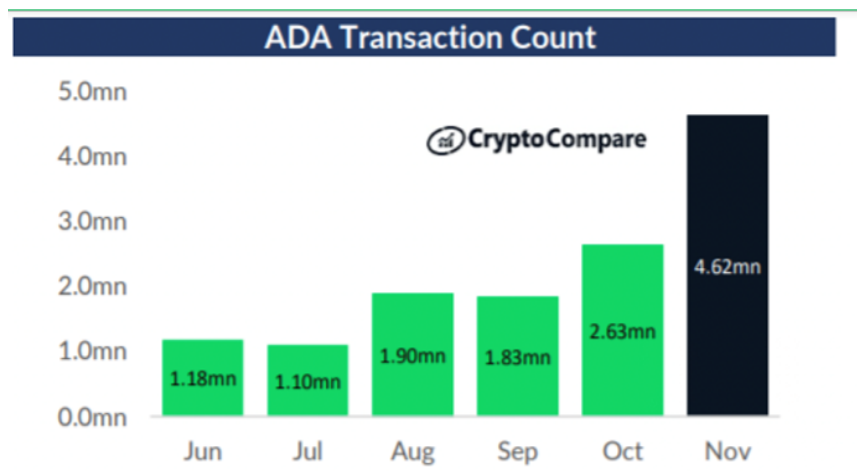


Figure 2: Source: ambcrypto.com

So far, so good. These are all reasons why Cardano is up more than 2,000% since we first recommended it. **Hold on for even greater gains going forward.**

Chainlink ([LINK](#), Tech/Adoption Grade “B+”): Still Up 321%, Despite a Difficult Month

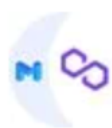


Chainlink is the No. 1 supplier of the real-world information streams — asset prices, interest rates, exchange rates, etc. — that smart contracts need to function.

Smart contracts and decentralized finance (DeFi) are the vanguards of the cryptocurrency revolution today. Chainlink occupies the sweet spot where they intersect.

LINK, however, has been hit rather hard by the November-December correction. But this is only temporary. In due course, we expect it to come back stronger than ever. **Our recommendation: hold.**

Polygon ([MATIC](#), Tech/Adoption Grade “B-”): A Bright Spot in a Mostly Down Market



Like Cardano, Polygon aims to solve one of the biggest problems in crypto: the chronically overloaded Ethereum network — which has been driving investors crazy with slow processing and sky-high transaction fees.

MATIC runs on top of Ethereum (that is, Layer-2), with only summaries of transactions actually settling on Ethereum’s (Layer-1) blockchain. This enables it to scale far beyond anything Ethereum itself can do.

The growth potential here is enormous, and MATIC is fast becoming the biggest and most well-known Ethereum Layer-2 solution. That’s also a key reason it’s up a healthy 30% over the last 30 days, even as Bitcoin dragged crypto prices lower.

Moreover, that relative strength could easily translate into even more significant upside, when the correction finally ends. **Please hold your position.**

Aave ([AAVE](#), Tech/Adoption Grade “B”): Oversold and Undervalued



DeFi blue-chip AAVE is one of the best decentralized, non-custodial blockchain lenders and borrowers in crypto.

Depositors provide liquidity to the platform, which is locked up in smart contracts and earns a passive crypto yield in return.

These funds are then available for users to borrow at honest, market-driven interest rates — that are beyond the long arm of governments or global central banks to manipulate or corrupt.

However, DeFi-related coins have not fared very well during the current crypto correction. And Aave is presently the poorest performing position in our model portfolio.

As I write, it's extremely oversold and undervalued. And ripe for a price rebound. But with investors fixated on Fed tapering, that may still be a bit down the road. So, please be patient. And hold.

Monero (XMR) and Zcash (ZEC): Up 32% and 75%, Respectively



XMR and ZEC are basically encrypted versions of Bitcoin. XMR encrypts every transaction by default. With ZEC, you can choose whether to encrypt or not.

ZCash is up 5% since our last issue a month ago. That's a laudable performance in light of the month-long crypto correction. Monero, however, is down about 45%.

Much of this decline appears to be related to discovery of a bug in XMR's multi-signature wallet. (As the name suggests, multi-signature wallets are designed for transactions that require more than one sign off to authorize.)

The bug could reportedly compromise customer funds if they transacted with untrusted parties. But non-multisignature transactions were not affected.

This is a minor matter and likely would have had little noticeable impact on XMR in less unsettled crypto market climate. Our guidance: continue to hold for the long term.

Coinbase Global (Nasdaq: COIN): Gearing Up for the Metaverse



Right now, the lion's share of Coinbase's revenue comes from trading fees. But the crypto world is changing at breakneck speed, and the company is already positioning itself for a future in which that will no longer be the case.

About 12% of Americans presently use crypto in one form or another. Worldwide, the number is about 200 million. But if the cryptocurrency revolution follows a similar growth curve as the adoption of the internet, there will be 1 billion users by 2026. Maybe even sooner.

And the biggest chunk of this meteoric growth is likely going to be metaverse-related.

Most folks regard the metaverse as synonymous with immersive online gaming. Or virtual reality. Or Web3. But it's going to be much more than that. **In fact, there will be a whole world of interconnected metaverses.**

Coinbase is already developing the verifiable, NFT-based, digital identity you will need to access, navigate and interact with this brave new world.

At minimum, it is expected to include:

- Avatars that reflect who you are and how you're seen by other metaverse inhabitants — including bots.
- The metadata that governs what you do, where you can go and what you can access.
- An encrypted connection to one more digital wallet.
- A trustless means of verifying you really are who you say you are.

Hang on to your shares of stock. This is going to be a majestic, mind-expanding and profitable ride.

Weiss Crypto Investor Portfolio Table

Average Open Gain: +467.7%

Recommendation	Reco Date	\$ Cost	Current Quote (\$ as of 12/21/21	Total % Gain
Crypto Positions				
Cardano (ADA/USD) **	9/12/18	\$0.05	\$1.79	3480.00%
Bitcoin (BTC/USD)*	4/26/19	\$8,629.30	\$46,926.16	443.80%
Ethereum (ETH/USD)***	8/7/19	\$206.04	\$3,937.32	1810.95%
Chainlink (LINK/USD)	6/26/20	\$4.72	\$18.80	298.31%
Monero (XMR)	1/29/21	\$141.94	\$188.82	33.03%
Zcash (ZEC)	1/29/21	\$86.78	\$156.19	79.98%
AAVE (AAVE)	3/26/21	\$355.61	\$180.79	-49.16%
Polygon (MATIC)	5/29/21	\$1.69	\$2.14	26.63%
Polkadot (DOT)	11/24/21	\$38.50	\$24.12	-37.35%
Stock Positions				
Grayscale BTC Trust (GBTC)	3/26/21	\$49.84	\$34.37	-31.0%
Grayscale BTC Trust (GBTC)	5/13/21	\$37.40	\$34.37	-8.1%
Grayscale Ethereum Trust (ETHE)	6/8/21	\$24.85	\$33.33	34.1%
Coinbase (COIN)	9/13/21	\$241.00	\$238.05	-1.2%
Globant (NYSE: GLOB)	11/24/21	Buy @ \$240.03 or less		
* 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 buys on 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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