

The Bitcoin Trend Indicator

Navigate the Crypto Seasons

Bitcoin or cash? What if there was a signal that conveyed the presence of a price trend?

The Bitcoin Trend Indicator (BTI), by CoinDesk Indices, is a daily signal which conveys the presence, direction, and strength of the current price trend of bitcoin. BTI seeks to help navigate the 'crypto seasons' by providing outcome-driven investment products that aim to unlock new sources of return, help manage risk, and improve overall efficiency to reduce potential costs.

The ABCs of BTI

- **A** signal in long-only dynamic allocation strategies
- **B**roadcasts one of five possible daily values, with each value corresponding to an indicated direction and strength of trend in the price
- **C**alculated daily, derived from historical daily levels of the CoinDesk Bitcoin Price Index (XBX), using historical price information and a non-discretionary methodology

The BTI signals one of five values every day at 4:00 p.m. ET.

Bitcoin Trend Indicator	Indication
1	Significant uptrend
0.5	Uptrend
0	Neutral
-0.5	Downtrend
-1	Significant Downtrend

The chart below shows a back-test of the BTI over a five-year historical period, identifying long-term uptrends and downtrends in the price of bitcoin.

The Bitcoin Trend Indicator

The CoinDesk Bitcoin Price Index (XBX) is color-coded by the value of the Bitcoin Trend Indicator



This series shows the historical daily value of the Bitcoin Trend Indicator (BTI) represented by the color of the CoinDesk Bitcoin Price Index (XBX) as shown in the legend.

Source: CoinDesk Indices.

The research-driven construction

A hypothetical long-only implementation

Hypothetical BTI-driven performance

The Bitcoin Trend Indicator is used to allocate between Bitcoin and cash

- A widely-used technique known as Moving Average Crossovers
- Recent short-term price averages are compared to recent long-term price averages
- If the short-term average is greater than the long-term average, the asset is considered to be in an uptrend
- Uses four crossover windows, ranging from very short term (2-day vs 10-day) to medium term (20-day vs 80-day)
- To maximize the information from more recent observations, price averages will be exponentially weighted

We now use the Bitcoin Trend Indicator to implement a hypothetical long-only strategy that allocates between bitcoin and a risk-free asset (“cash”). The objective of this strategy is to maintain exposure to bitcoin proportionate to the strength of the Bitcoin Trend Indicator, varying from 100% bitcoin to 100% cash. We can observe that the portfolio of bitcoin and cash, as informed by the Bitcoin Trend Indicator has reduced drawdowns during “crypto winters” while still participating in price uptrends.



The hypothetical performance series shown here represent a passive long position in Bitcoin as referenced by the CoinDesk Bitcoin Price Index (XBX) and a dynamic strategy that allocates between Bitcoin and a zero-yield, risk-free asset, the allocation to Bitcoin being proportional to the value of the Bitcoin Trend Indicator. The strategy is rebalanced weekly and is shown gross of transaction costs and fees. Past performance is no guarantee of future results.

Source: CoinDesk Indices.

Be informed. Visit coindeskmarkets.com/bti to view the current signal and for additional information contact a CoinDesk Indices specialist at sales@coindesk-indices.com.

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