

# Bitcoin Puell Multiple and Stablecoin Supply Ratio

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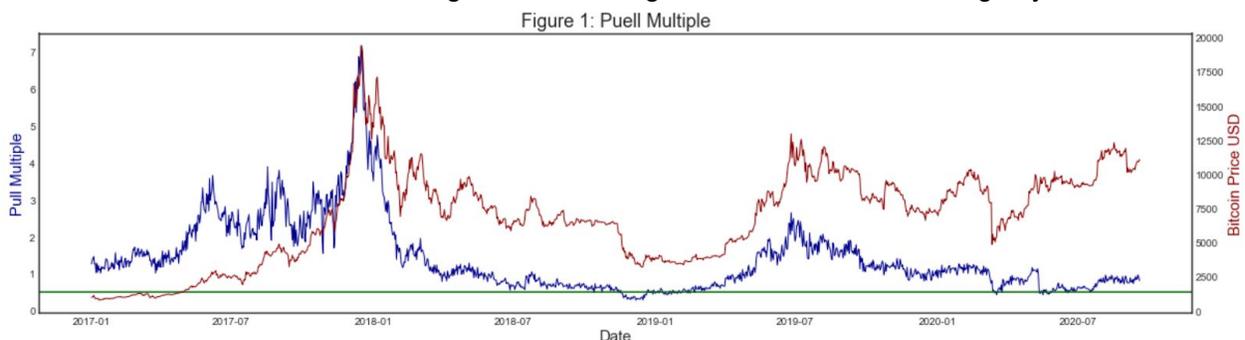
RedBlock would like to thank [Cryptoquant.com](https://cryptoquant.com) for their support in providing us with real time on-chain and market data.

## Bitcoin Puell Multiple

The Bitcoin Puell Multiple represents the ratio of the daily value of the issued coin in USD divided by the 365 days moving average of the daily value of issued coins in USD. According to Cryptoquant, Puell Multiple can be interpreted as an answer to the question, "if all mined bitcoins were sold immediately in the market, how profitable [are] mining pools... compared to the last historical one year?". This metric predicts market cycles, which helps traders to take long positions. The formula is represented below:

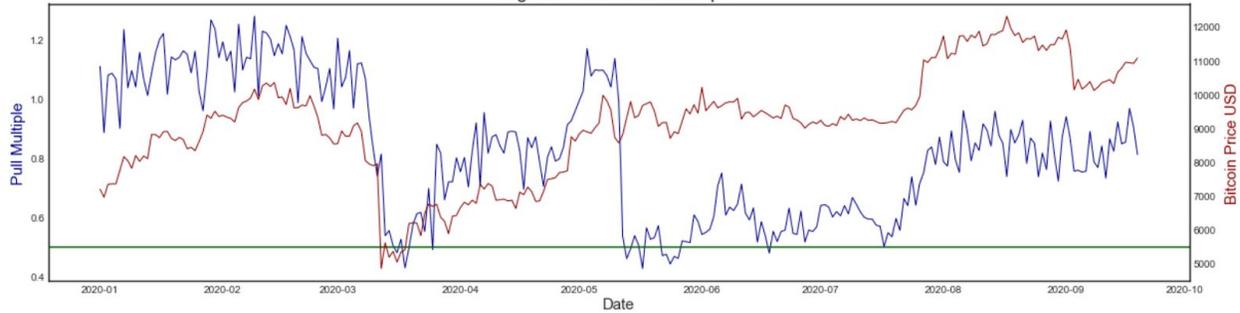
$$\text{Puell Multiple} = \frac{\text{Daily Issued Coin Value in USD}}{\text{Daily Issued Coin Value in USD (365 Days Moving Average)}}$$

We set the upper threshold as 4 and the lower threshold as 0.5 for spotting market tops and bottoms. The red line indicates strong sell, while the green line indicates a strong buy.



As shown in Figure 1, the Puell Multiple finds Bitcoin's local tops or bottoms. The use of the Puell Multiple indicator may have helped investors to prevent the 2017 Bitcoin crash since the indicators passed the upper threshold during the crash in mid-December of 2017. During that crash, Bitcoin's price plummeted 84% from the record high of nearly \$20,000 to record lows around \$3,200 in mid-December 2018, with the Puell Multiple hitting a low of 0.30.

Figure 2: 2020 Puell Multiple

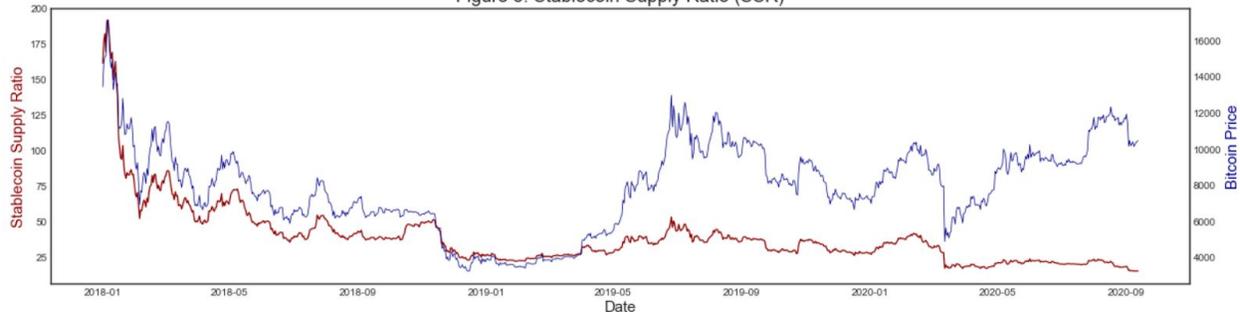


According to Figure 2, 2020 has been a positive year for Bitcoin. The Puell Multiple slipped to 0.41 on March 16 and on May 14, it fell to the lowest level since January 17, 2019. Also, the indicator has been stable from 0.41 to 1.3 throughout the year. Before Bitcoin broke the \$10,000 barrier in June 2020, the Puell Multiple was located at the 0.40 level.

### Stablecoin Supply Ratio

Stablecoins are an important part of the cryptocurrency market as a fiat currency like the USD in the regulated market. The stablecoin supply ratio (SSR) represents the ratio between the injection of capital in Bitcoin and the capital flowing into stablecoins. For example, a low Bitcoin price allows stablecoin owners to purchase more of the BTC supply in exchanges. The more the supply in stablecoin markets, the more the potential buying pressure for major cryptocurrencies like BTC and ETH. On the other hand, less supply in stablecoin markets may indicate a slowdown in buying pressure, which may result in potential bearish moments.

Figure 3: Stablecoin Supply Ratio (SSR)



As shown in Figure 3, if SSR is low, it means that there may be a potential bullish sentiment, and if the value is high, there may be a bearish sentiment. The formula is represented below:

$$SSR = \frac{BTC\ Supply}{\frac{Sum\ of\ Stablecoins\ (Stablecoin\ Supply * Stablecoin\ Price)}{BTC\ Price}} = \frac{BTC\ Market\ Cap}{Stablecoins\ Market\ Cap\ in\ BTC}$$

After Bitcoin's plummet of 62%, from \$10,236 to \$3,868 in March 2020, Bitcoin's Stablecoin Supply

Ratio has been stable in its all-time low. Since the 2020 data for SSR has been inaccurate with the recent increases of Bitcoin's price in March and July of 2020, it is unclear how this indicator will play out at the end of 2020 and beyond.

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Source: Data collected from CryptoQuant and Bitstamp exchange website.