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How Dogecoin Became Hotter Than Bitcoin

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ANALYST INSIGHT

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How Dogecoin Became Hotter Than Bitcoin

Like all cryptocurrencies, dogecoin is a digital currency that can be bought and sold like an investment and spent like money. Believe it or not, dogecoin was originally created at least in part as a lighthearted joke for crypto enthusiasts and it was named from a once popular meme. Despite this unusual origin, dogecoin has exploded in popularity, rising by approximately 20,000% over the last six months, moving from US$0.0025 to US$0.7133. Unlike bitcoin, which has a finite amount of the digital currency in rotation, set at 21 million, dogecoin has 129 billion coins in circulation and will continue to make more available to mine each year: mining is the process through which transactions between users are verified and added to the blockchain public ledger. It is also responsible for introducing new coins into the existing circulating supply and is one of the key elements that allow cryptocurrencies to work as a peer-to-peer decentralized network. The seemly unlimited supply of dogecoin is part of the reason this coin is currently only valued around US$0.514 as of May 10, 2021, compared to bitcoin which is worth around US$ 57,400. As popularity in cryptos rise and become more acceptable as a currency for purchasing goods, dogecoin doesn't have much mainstream real-world applications. However, it has a few niche markets, including using dogecoin to tip online artists.

How did it Start?

Software engineers Billy Marcus and Jackson Palmer created Dogecoin in late 2013. Plamer branded the cryptocurrency's logo using a meme popular at the time that featured a Shiba Inu dog. It was really started to poke fun at Bitcoin. However, in the early days, a community of enthusiasts arranged publicity stunts to raise dogecoins profile, raising funds to send the Jamaican Bobsleigh team to the 2014 Olympics and sponsoring a NASCAR driver. Today dogecoin has become increasingly popular, having exploded in value and gained more than 5,000% in 2021. Among its boosters is Telsa CEO Elon Musk, who called dogecoin his favorite cryptocurrency. Musk also named dogecoin the "people's crypto" and promised to plant a physical dogecoin token on the moon. However, dogecoin lost more than a third of its price on Sunday, after Musk called it a 'hustle' during his guest-host spot.

How does it work?

Dogecoin runs on blockchain technology, similarly to Bitcoin and Ethereum. Blockchain is a distributed, secure digital ledger that stores all transactions made using decentralized digital currency. All holders carry an identical copy of the dogecoin blockchain ledger, which is updated constantly with all new transactions and like other cryptocurrencies, dogecoin's blockchain network uses cryptography to keep all transactions secure. Note, however, that while dogecoin may be used for payments and purchases, it is not a very effective store of value. This is because there is no lifetime cap on the number of dogecoins that may be created which makes it highly inflationary, by design.

Why is dogecoin so popular?

Its popularity soared as a result of the mainstream adoption of bitcoin and other cryptocurrencies and with the support of Elon Musk and his 50 million followers, his tweets can send the crypto surging. Dogecoin has also enjoyed something of a cult status on the internet messaging board, Reddit, a social news aggregation and discussion website. Whether or not it's a smart investment remains an active question. Since there is no limit on the number of dogecoins that can exist, and millions of new dogecoins are released onto the markets periodically, there is very little incentive to hold the cryptocurrency over long periods. Bitcoin continues to rise in value because of the system's lifetime cap on the number of coins that can be created but is still subject to extreme volatility, as is the case with dogecoin, it could crumble without warning, but its rise this year has been nothing short of stunning. Cryptocurrencies are now giving those that may not previously have been considered by traditional banks another financing option and banks may need to consider how to utilize the technology behind cryptocurrencies if they do not want to be left behind. Investors and institutions are left asking themselves, could cryptocurrency be the future of banks? While this is a difficult question to answer, perhaps a middle ground needs to be found wherein banks are able to harness the blockchain technology in such a way that cryptos are regulated and new cryptocurrencies need to consider and appreciate the importance of traditional banking. Buying and selling cryptos is becoming increasingly mainstream and important hires are being made in the space which indicates a growing acceptance of this relatively new asset class. Investors who are in a position to take on the risk associated with cryptos will not only benefit from portfolio diversification but also increase their overall potential returns.

LOCAL EQUITIES MARKET

For the week ended Friday, our local stock market increased week-over-week. The JSE Combined Index increased by 5.02%, the Main Market Index improved by 5.27%, the JSE All Jamaican Composite Index grew by 0.21%, the JSE Junior Market Index improved by 1.93%, and the JSE USD Equities Index improved by 1.04%.

During the week, Main Event Entertainment Group was the largest gainer, rising by 33.90% to close at J$4.70. The biggest loser was MARGARITAVILLE (TURKS) LIMITED which fell by 25.65% to close at J$15.51.

Year to Date, The Junior Market Index (+22.72% YTD) continues to outpace its Main Market counterpart (+8.57% YTD.)

As of Friday May 7th, 2021, the overall Market activity resulted from trading in 47 stocks of which 26 advanced, 16 declined and 5 traded firm.
Market volume amounted to 9,057,061 units valued at over $95,375,441.05. WIGTON WINDFARM LIMITED ORDINARY SHARES was the volume leader with 2,136,722 units (23.59%) followed by SAGICOR SELECT FUNDS LIMITED - FINANCIAL with 1,137,294 units (12.56%) and RADIO JAMAICA LIMITED with 959,460 units (10.59%).

Revisiting relevant news during the week:

Electrical lighting company FosRich Company Limited during its first quarter period ended March 31 increased revenues to $549.2 million, 22 per cent more than the $448.8 million earned during the same period last year.
https://www.jamaicaobserver.com/business-observer/fosrich-grows-revenues-by-22-per-cent-during-first-quarter_220603?profile=1056

Food manufacturing and shipping conglomerate Jamaica Producers Group (JPG) and investment company Eppley are diversifying into the water production business, partnering with French construction and engineering company, Vinci Construction Grand Projects (VCGP).
https://www.jamaicaobserver.com/business-report/jamaica-producers-eppley-join-forces-with-french-construction-company-on-major-water-project-special-purpose-vehicle-formed-to-execute-a-15-million-gallons-of-water-per-day-treatment-plant-in-st-catherine_220917?profile=1056

Following the recent purchase of a 10 per cent stake in production and entertainment company Main Event Limited, Supreme Ventures Limited (SVL) said it will be leveraging growth from this transaction through the establishment of a production company.
https://www.jamaicaobserver.com/business-report/svl-and-main-event-partner-to-establish-production-company-this-as-companies-seek-to-benefit-from-activities-in-lucrative-entertainment-industry_220858?profile=1056

After a seven-year hiatus, Guardian Holdings Limited (GHL) this week relisted on the Jamaica Stock Exchange (JSE) with 232 million ordinary share units valued at a market capitalisation of approximately $135 billion.

https://www.jamaicaobserver.com/business-report/guardian-holdings-limited-relists-with-jse-after-7-years_220860?profile=1056

Index	07/05/2021	30/04/2021	31/12/2020	Week/Week	Year-to-Date
JSE Main Market	429,532.30	408,023.02	395,614.93	5.27%	8.57%
JSE Junior Market	3,243.93	3,182.36	2,643.38	1.93%	22.72%
JSE Combined Market	430,207.64	409,648.36	392,435.92	5.02%	9.62%
JSE USD Equities Market	211.74	209.56	186.3	1.04%	13.66%

INTERNATIONAL DEVELOPMENTS

Hiring was a huge letdown in April, with nonfarm payrolls increasing by a much less than expected 266,000.
The unemployment rate rose to 6.1%, the Labor Department said.
Dow Jones estimates had been for 1 million new jobs and an unemployment rate of 5.8%.

https://www.cnbc.com/2021/05/07/jobs-report-april-2021.html

Rising asset prices are posing increasing threats to the financial system, the Federal Reserve warned in a report Thursday.
Fed Governor Lael Brainard said the situation bears watching and points up the importance of making sure the system has proper safeguards.
"Asset prices may be vulnerable to significant declines should risk appetite fall," the central bank said.
https://www.cnbc.com/2021/05/06/fed-warns-of-possible-significant-declines-in-stocks-as-valuations-climb.html

Dogecoin falls as much as 29.5%, dropping to 49 cents, during Elon Musk's SNL debut.
During the frenzied sell-off, Robinhood experienced an outage in its crypto trading.
https://www.cnbc.com/2021/05/08/dogecoin-price-plummets-as-elon-musk-hosts-saturday-night-live-.html

The U.S. trade imbalance jumped to a record $74.4 billion in March. The deficit with China increased 22%, while the shortfall with Mexico rose 23.5%. Surging demand for foreign-made goods is pushing the shortfall.
https://www.cnbc.com/2021/05/04/us-trade-deficit-surges-to-new-record-shortfall-with-china-rises.html

Top Things to Watch This Week:

1. **Inflation:** Wednesday's consumer price index figures for April get top billing on the U.S. economic calendar this week amid concerns among investors that rising price pressures could prompt the Fed to start scaling back monetary support measures sooner. **While inflation is on the rise, Fed policymakers have repeatedly said the increase is due to temporary factors.**

2. **Fed Speakers:** Some investors have become skeptical of the Fed's assurances that any inflation resulting from the government's massive economic stimulus programs will be transitory, with prices for everything from raw materials to real estate already showing big gains. Several Fed speakers are on the calendar in the coming days, including Vice Chairman Richard Clarida, who is due to speak shortly after Wednesday's inflation figures are released.

3. **UK GDP:** The UK is to release data on first quarter GDP on Wednesday which is expected to confirm that the recovery from the pandemic is already underway. While growth over the whole period is expected to have contracted the monthly figures for March may show a sharp increase as the vaccination rollout allowed pandemic restrictions to be eased.

4. **Stocks tug of war:** While some tech stocks got a boost Friday in the wake of the disappointing jobs report, some portfolio managers say that blow-out earnings from several large tech companies over the last few weeks are not enough to keep making outsized bets on the sector. Instead, those fund managers say that they are continuing to rotate into value and cyclical stocks

Index	07/05/2021	30/04/2021	31/12/2020	Week/Week	Year-to-Date
Dow Jones	34,777.76	33,874.85	30,606.48	2.67%	13.63%
S&P 500	4,232.60	4,181.17	3,756.07	1.23%	12.69%
NASDAQ 100	13,719.63	13,860.76	12,888.28	-1.02%	6.45%
FTSE 100	7,129.71	6,969.81	6,460.52	2.29%	10.36%
Euro Stoxx 50	4,034.25	3,974.74	3,552.64	1.50%	13.56%

Local Economic Conditions

Local Foreign Exchange Market

- Our local currency appreciated by 1.42% against the U.S. Dollar week on week to settle at $152.15 as at close of trade Friday, relative to $154.31 per US$1.00 at the end of the prior week. Year to date, the Jamaican dollar has depreciated by approximately 6.25%.

Interest Rates and Inflation

- Since the onset of the pandemic in March 2020, market volatility has declined significantly. Notwithstanding, the BOJ maintains its position; supportive of the wider economy and continues to hold the policy rate at 0.50%.

- At this rate, based on its assessment, the BOJ notes that inflation will generally continue to remain within the target of 4.0% to 6.0% over the next two years.

- As at March 2021, point-to-point was recorded at 5.2%.

- Barita's Collective Investment Schemes ("CIS") offer the opportunity for investors to remain invested in the market at this delicate stage of the market cycle; moreover, there is a diversification benefit and opportunity to have a professional portfolio manager make the best-in-class professional judgements on your behalf.

- The F.X. Growth Fund, which is benchmarked against the S&P 500, has increased by 1.80% year to date.

- As at April 21st, 2021, the Capital Growth Fund has delivered a YTD return of 8.35% relative to the JSE Combined and Main Market Indices which posted returns of 9.62% and 8.57%, respectively.

- The FX Bond Portfolio remains an attractive fixed-income portfolio, particularly when viewed within the context of global interest rates which have declined significantly as central banks maintain low policy rates to drive the economic recovery.

Currency Pair	07/05/2021	30/04/2021	31/12/2020	Week/Week	Year-to-Date
JMD: USD	152.1512	154.3078	142.6493	1.42%	-6.25%
JMD:CAD	126.0834	125.1917	111.4117	-0.71%	-11.64%
JMD:GBP	212.9546	212.4030	193.6657	-0.26%	-9.06%

"The individual investor should act consistently as an investor and not as a speculator."

— Ben Graham

Unit Trust Performance

- Year to Date, The Money Market Fund has increased by 1.78%, the FX Bond Portfolio has increased by 0.31%, the F.X. Growth Portfolio increased by 1.80%, the Real Estate Portfolio has decreased by 5.03% and the Capital Growth Fund has grown by 8.35%.

Unit Trust

Unit Trust Fund	06/05/2021	29/04/2021	Week/Week Return	Year-to-Date Return	1 Year Return	Yield
Capital Growth	91.9594	90.4338	1.69%	8.35%	21.22%	-
Money Market	15.0384	15.0018	0.24%	1.78%	3.04%	1.60%
Income Portfolio	100.0000	1000.0000	0.00%	-	-	2.31%
FX Bond Portfolio (US$)	1.3604	1.3556	0.35%	0.31%	8.16%	2.23%
Real Estate Portfolio	5541.3392	5,812.2530	-4.66%	-5.03%	-15.34%	-
FX Growth Portfolio	1.0165	1.0267	-0.99%	1.80%	19.12%	-

"There are at least three significant reasons we resist contemplating our personal financial goals: it can be stress-inducing, we dislike numbers, it is socially taboo, and we are slaves to "right now."

– Daniel Crosby, Personal Benchmark: Integrating Behavioral Finance and Investment Management

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Equities

Stock Ticket	Stock Information (As at May 7, 2021)	Analyst Outlook
WISYNCO Wisynco Group Ltd	P/E: 22.81x P/B: 4.02x Price: J$15.97 Div Yield: 1.13%	**OVERWEIGHT** The local fiscal support to both households and businesses was instrumental in maintaining individuals' consumption capacity, particularly those furloughed and made redundant, which supported the demand for consumer staples distributed by manufacturers and distributors Wisynco. We expect that with continued fiscal support through either direct household support or government spend on projects to stimulate employment, Wisynco's business will thrive in this environment.
LASM Lasco Manufacturing	P/E: 17.16x P/B: 2.81x Price: J$5.09 Div Yield: 1.19%	**OVERWEIGHT** The local fiscal support to both households and businesses was instrumental in maintaining individuals' consumption capacity, particularly those furloughed and made redundant, which supported the demand for consumer staples distributed by manufacturers and distributors LASM. We expect that with continued fiscal support through either direct household support or government spend on projects to stimulate employment, LASM's business will thrive in this environment. Given that more restrictive curtailment measures do not seem likely, LASM is likely to perform better than in the April - June quarter. The national curfew measures were particularly restrictive and, therefore, negatively impacted LASM's revenue growth.
LASD Lasco Distributors	P/E: 15.23x P/B: 2.16x Price: J$4.00 Div Yield: 1.28%	**OVERWEIGHT** The local fiscal support to both households and businesses was instrumental in maintaining individuals' consumption capacity, particularly those who were furloughed and made redundant, which supported the demand for consumer staples distributed by manufacturers and distributors as LASD. We expect that with continued fiscal support through either direct household support or government spend on projects to stimulate employment, LASD's business will thrive in this environment.

Ratings Definitions

OVERWEIGHT/BUY
Exposure to this asset should be between 5% and 10% of your total portfolio

MARKETWEIGHT/HOLD
Exposure to the asset should be equal to 5% of your total portfolio

UNDERWEIGHT
Reduce exposure in your portfolio to less than 5% for this particular asset

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Stock Ticker	Stock Information (As at May 7, 2021)	Analyst Outlook
SEP Seprod Limited	P/E: 18.04x P/B: 3.07x Price: J$70.70 Div Yield: 0.42%	**OVERWEIGHT** Seprod has undergone significant structural changes within the last 5-years aimed at improving the underlying performance of the company. Within this period, particular emphasis has been placed on optimizing the distribution, warehousing and logistics capabilities of the company. This gradual, multi-year, improvement was accomplished through reinvestment within the organization coupled with strategic acquisitions aimed at increasing the distribution reach and quality of the company. Another major change was the closure of the Group's loss-making sugar division; a move that enhanced shareholder value. These changes have positioned Seprod to deliver robust growth through an expansive product mix and access to consumer markets both locally and regionally.
PROVENJMD Proven Investments Limited	P/E: 19.28x P/B: 1.23x Price: $38.60 Div Yield: 3.21%	**OVERWEIGHT** Given the current economic environment, characterized by low interest rates and increased uncertainty, PIL has shifted from the carry trade business to more private equity and real estate ventures, thereby allowing for diversification benefits to be realized - particularly as it relates to the "spreading" of risk. Given the business model of PIL wherein capital is used to acquire strategic assets, this APO is expected and should make the stock accessible to a wider pool of investors. At present, only a small subset of listed companies pursue private equity investments which makes PIL an attractive security for investors who want the liquidity the stock market provides as well as exposure to non-listed companies that can provide value.

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PROVENUS Proven Investments Limited	P/E: 18.84x P/B: 1.20x Price: US$0.26 Div Yield: 2.98%	**OVERWEIGHT** Given the current economic environment, characterized by low interest rates and increased uncertainty, PIL has shifted from the carry trade business to more private equity and real estate ventures, thereby allowing for diversification benefits to be realized - particularly as it relates to the "spreading" of risk. Given the business model of PIL wherein capital is used to acquire strategic assets, this APO is expected and should make the stock accessible to a wider pool of investors. At present, only a small subset of listed companies pursue private equity investments which makes PIL an attractive security for investors who want the liquidity the stock market provides as well as exposure to non-listed companies that can provide value.
SCIJMD Sygnus Credit Investments	P/E: 22.53x P/B: 0.49x Price: J$14.60 Div Yield: 2.46%	**OVERWEIGHT** Sygnus provides funding to Mid-Size firms within the lending market, which is considered to have a higher risk and generally overlooked by providers of traditional financing forms. This provides a largely untapped/under-tapped niche market within the Caribbean lending space for Sygnus, a few direct competitors. The flexibility in the financing terms offered by the Company is a clear advantage to borrowers, and it allows SCI to manage its credit risk to generate double-digit risk-adjusted returns on investments, which, consequently, bolsters shareholder value.
SCIUSD Sygnus Credit Investments	P/E: 33.11x P/B: 0.65x Price: US$0.15 Div Yield: 1.67%	**OVERWEIGHT** Sygnus provides funding to Mid-Size firms within the lending market, which is considered to have a higher risk and generally overlooked by providers of traditional financing forms. This provides a largely untapped/under-tapped niche market within the Caribbean lending space for Sygnus, a few direct competitors. The flexibility in the financing terms offered by the Company is a clear advantage to borrowers, and it allows SCI to manage its credit risk to generate double-digit risk-adjusted returns on investments, which, consequently, bolsters shareholder value.

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CCC Caribbean Cement Company	P/E: 23.87x P/B: 5.85x Price: J$89.75 Div Yield: 0.00%	**OVERWEIGHT** Despite the COVID-19 induced economic setback which predominantly materialized in Q2 of 2020, the construction industry has rebounded significantly (7.0% in Q3 2020 and 6.2% in Q4 2020), ahead of many other industries and well ahead of the overall economy. This strong growth over the last two reported quarters has been a significant tailwind for Caribbean Cement and the company has consequently seen a significant increase in the demand for its product, well in excess of previous years. On the heels of what has been a great year for the company, management expects demand to increase further, fuelled by upcoming government projects that will require substantial cement deposits. The recent government budget lends to this expectation as one of the main components of the government's SERVE Programme is infrastructure development. With that said, the company is positioning itself to meet this demand while maintaining its more efficient cost structure which was displayed in 2020.
LAB The Limners and Bards Limited	P/E: 18.53x P/B: 5.70x Price: J$2.78 Div Yield: 2.66%	**OVERWEIGHT** The Lab provides a unique opportunity for investors to get exposure to the first and only advertising and film production company listed on the Jamaica Stock Exchange (JSE). The Lab's business model is built on providing innovative solutions to clients. Throughout the pandemic, the company has repositioned its business to meet the demand of clients who needed digital solutions. Consequently, while many industries and companies faltered in 2020, The Lab reported strong top and bottom-line growth of 44.30% and 34.13%, respectively. This growth has continued into 2021, reflecting significant double-digit growth in two of the company's three operating segments. Against the backdrop of a strong, stable business model coupled with robust financial performance, we have issued an OVERWEIGHT recommendation for The Limners and Bards Limited.

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CPFV Eppley Caribbean Property Fund SCC	P/E: 28.37x P/B: 3.63x Price: J$42.25 Div Yield: 6.39%	**OVERWEIGHT** Since Eppley became the investment manager of the fund, there has been a material improvement both in the fund's country exposure as well as the type of real estate structures. This has led to a steady increase in the total square feet of property held within the portfolio and an increase in Net Asset Value (NAV). The Fund's pivot, under the management of Eppley, towards Jamaican assets, especially in the industrial space is expected to have a positive material impact on the company's long-term performance. This expectation reflects the Manufacturing and Distribution (M&D) and construction industries that have shown material resilience throughout the COVID-19 pandemic. As such, the continued focus on improving value to shareholders through divesting away from Barbados and retail properties will act as a positive tailwind for the long-term performance of CPFV.

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