

## Consumer Morsel

# Tales from the Crypto

29 June 2022

### Key talking points

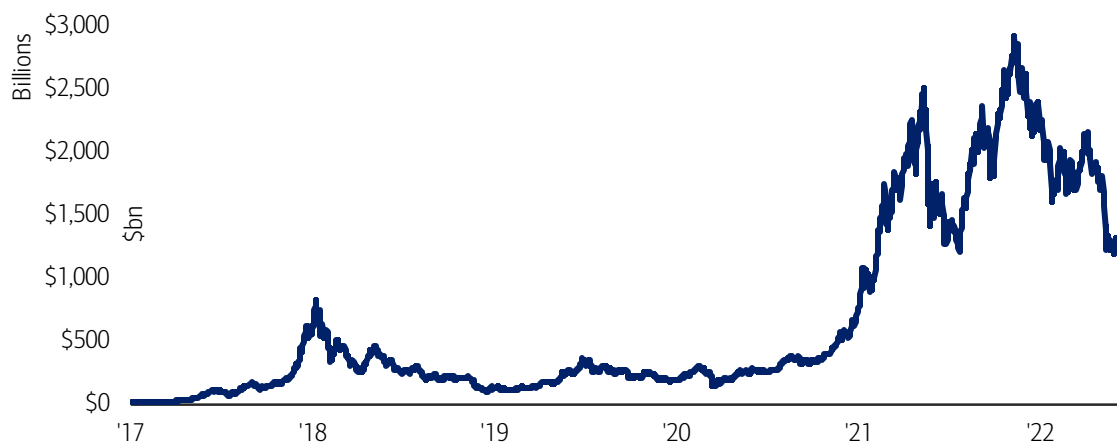
- Crypto markets have been rocked by sharp declines in the prices of digital currencies and the collapse of certain stablecoins. The total crypto market capitalization has fallen below \$1 trillion, from a peak of close to \$3 trillion in November 2021.
- We have used anonymized and aggregated Bank of America data to understand the impact of this decline on US consumers, as well as a proprietary Bank of America survey to determine consumers’ ongoing appetite for crypto given the decline<sup>1</sup>.
- Anonymized Bank of America internal customer data shows a sharp, greater than 50%, decline in the number of active crypto users from the peak of over 1 million users in November 2021 to below 500,000 in May. Bank of America data does not tell us what investments customers made on these crypto platforms, only that they interacted with them.
- The Bank of America survey of the US general population found that sentiment towards crypto currencies soured between April and June, with a rise from 21% to 30% in those saying they haven’t invested and have no plans to do so.
- Ultimately, crypto assets comprise less than 1% of overall US household financial assets<sup>2</sup>. The Bank of America survey suggests relatively few people view crypto assets as a reliable long-term investment.

### A Grave decline in Crypto

The recent risk-off sentiment in global markets has been reflected in sharp drops in many digital currencies and crypto assets. Exhibit 1 shows the total dollar market value of all crypto currencies – from a market cap around three trillion dollars in November 2021 the current estimate is less than \$1 trillion. The digital currency ‘poster child’ Bitcoin has fallen from an all-time high of c\$68,000 in November 2021, to below \$21,000 as of close 28th June. Certain digital assets have done worse and attracted headlines – notably some stablecoins such as the algorithmic stablecoin TerraUSD which collapsed. Exchanges where digital currencies are traded have also suffered.

#### Exhibit 1: Total crypto currency market capitalization (Billion \$)

The market capitalization of crypto currencies has fallen markedly recently from a peak of almost \$3 trillion in November 2021 to less than \$1 trillion



Source: Coinmarketcap.com (Exhibit shows total market cap of all crypto assets, including stablecoins and tokens)

<sup>1</sup> Note that the surveys and the analysis of anonymized Bank of America internal customer data in this report are focused on crypto currencies. This is not an analysis or commentary on the broader uses of blockchain technology.

<sup>2</sup> Total household financial assets estimated by the Board of Governors of the Federal Reserve System.

How will the decline in crypto currency prices impact the American consumer? In our view, there are two important points to make upfront. First, not all of the total market capitalization of digital assets is held by the ‘retail’ investor, so any impact will likely be a fraction of the total drop in market cap seen in Exhibit 1. Second, the size of the crypto market, despite its growth, is still very small - less than 1% in relation to overall US household financial assets. In Q1 2022, US households held \$112 trillion of financial assets, making the drop in crypto assets a rather second order concern to the broader market moves we have been seeing.

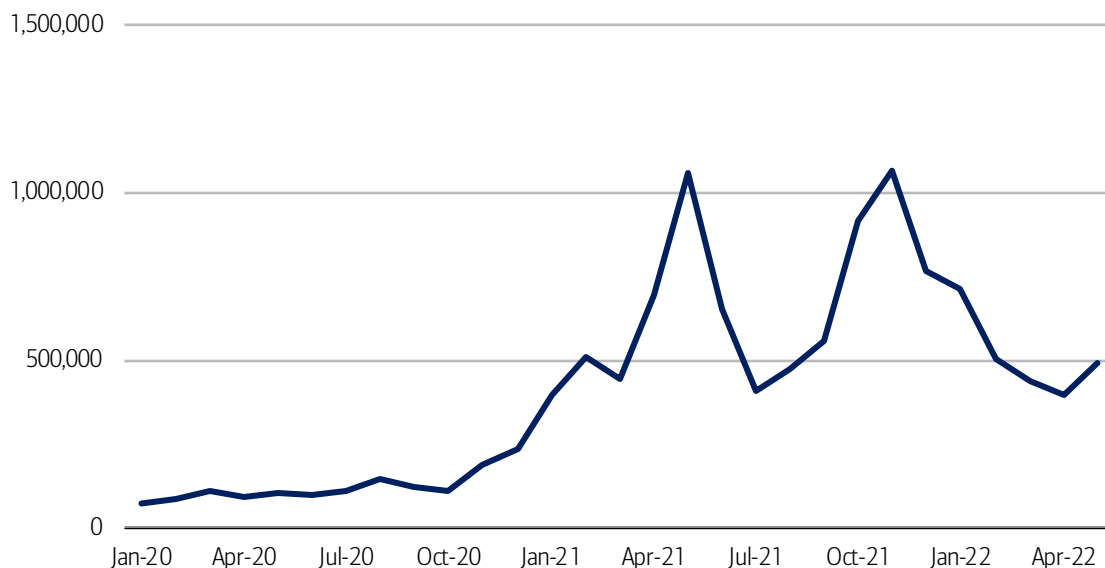
## First time lucky?

We have examined aggregated and anonymized Bank of America internal customer data to gauge the potential impact of the declines in crypto markets across consumers. To do this we look at the number of customers who have made investments in crypto assets by sending or receiving a payment to or from a crypto platform in the current month. We define these as ‘active users’<sup>3</sup>. To be clear – our data indicates which customers interacted with crypto platforms, but does not show what specific transactions customers make on the platforms or if the clients make investments from sources outside of Bank of America.

According to our data, active users have declined by more than 50% from the peak of around 1 million in November 2021, which coincided with the peak in Bitcoin’s valuation, to less than 500,000 active users in May. This decline began long before the most recent sell-off in crypto currencies. Exhibit 2, which shows Bank of America aggregated customer numbers who are active users, demonstrates that the decline in active users has been ongoing for some time – notwithstanding a small tick up in May.

### Exhibit 2: Bank of America active crypto users

Active crypto users in Bank of America aggregated and anonymized customer data have declined sharply from the peaks of over 1 million recorded in November 2021 to under 500,000 in May



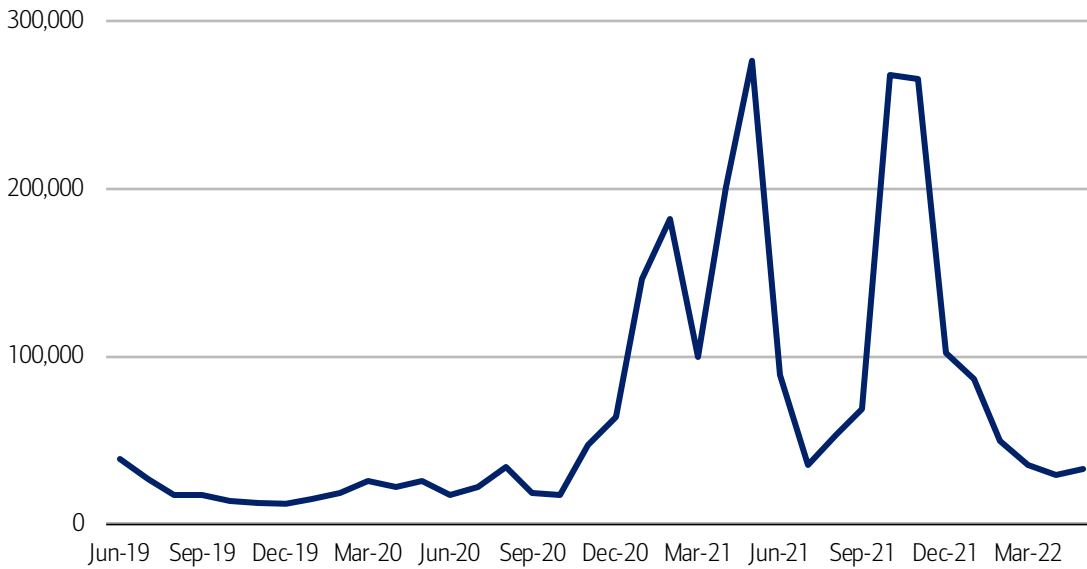
Source: Bank of America Internal Data

We also found that ‘first time’ users, customers who made a transaction with a crypto platform having not made one previously have also fallen very sharply. Exhibit 3 shows that there were only around 33,000 clients who transacted in crypto for the first time in May, an 87% decline vs the c267,000 first time users in October 2021.

<sup>3</sup> Not all of these transactions with crypto platforms will necessarily be in crypto currencies – for example NFT transactions may also be captured, though these are likely to be relatively small.

### Exhibit 3: Bank of America first time active crypto users

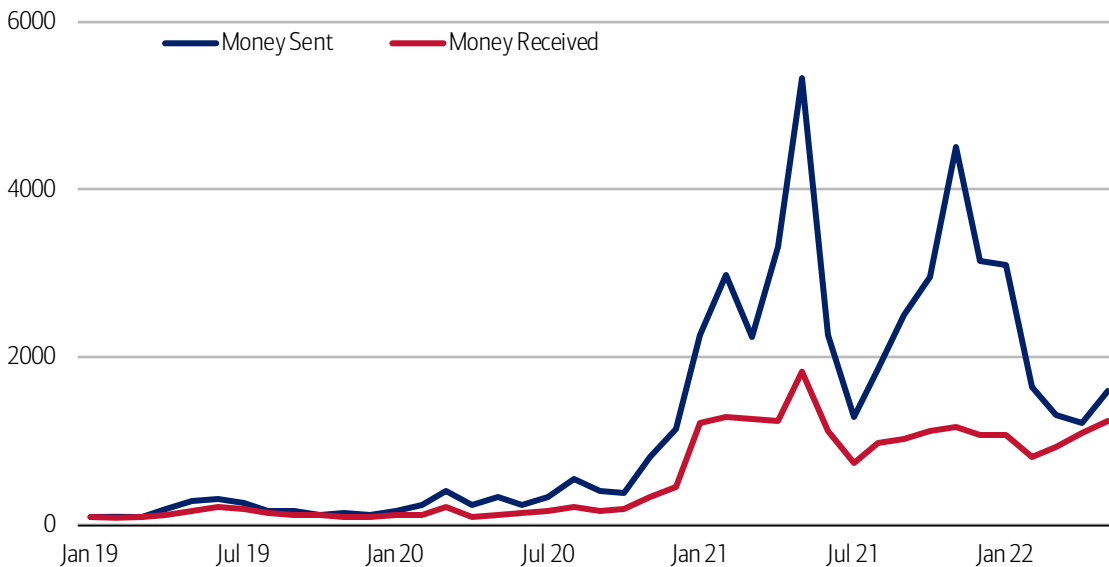
First time crypto users in Bank of America aggregated and anonymized customer data have declined sharply, falling from c267,000 in October 2021 to c33,000 new users in May 2022.



Source: Bank of America Internal Data

### Exhibit 4: Bank of America crypto inflows and outflows (January 2019=100)

Outflows to crypto platforms have fallen sharply



Source: Bank of America Internal Data

Our data also shows that outflows to crypto platforms have fallen sharply as well and are now broadly equal to inflows, indicating that consumers are pulling back on their net investment into crypto platforms. In dollar terms outflows peaked around \$2.9 billion in late 2021, before dropping back to around \$1 billion in May 2022.

Bank of America aggregated and anonymized data also shows that for one-third (35%) of clients conducting crypto transactions, the data only shows a single transaction. These transactions are typically smaller amounts and only represent 5% of the dollar value of crypto transactions. And two-thirds (69%) of clients who transacted crypto during pandemic era have since stopped transacting (YTD 2022).

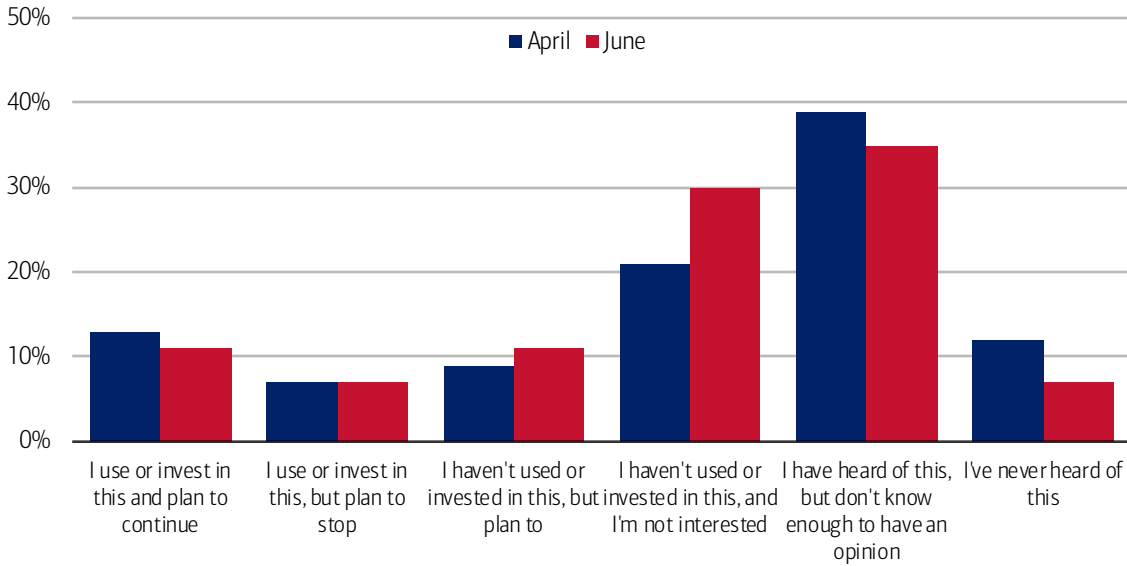
## Our Survey Says

Bank of America has been running several surveys of the general US population to track their attitudes to crypto and the most recent findings give interesting insight into how sentiment has been changing given developments. The survey was run in both April and June and had a sample size of just over 1000 people in each wave.

As Exhibit 5 illustrates, almost 70% of the population have not invested in or are not interested in investing in crypto currencies. In addition, the recent declines in crypto valuations and negative headlines appear to be having an impact, as there was a jump between April and June in the proportion of survey respondents saying they haven't invested in crypto and are not interested in doing so, as well as a decline in the proportion of the population who indicated that they use or invest in cryptocurrency and plan to continue.

### Exhibit 5: % responses to survey question, 'Do you currently, or plan to, invest in cryptocurrency?' (April and June survey waves, n=1005)

There has been a big rise in those saying they plan to stop investing in crypto

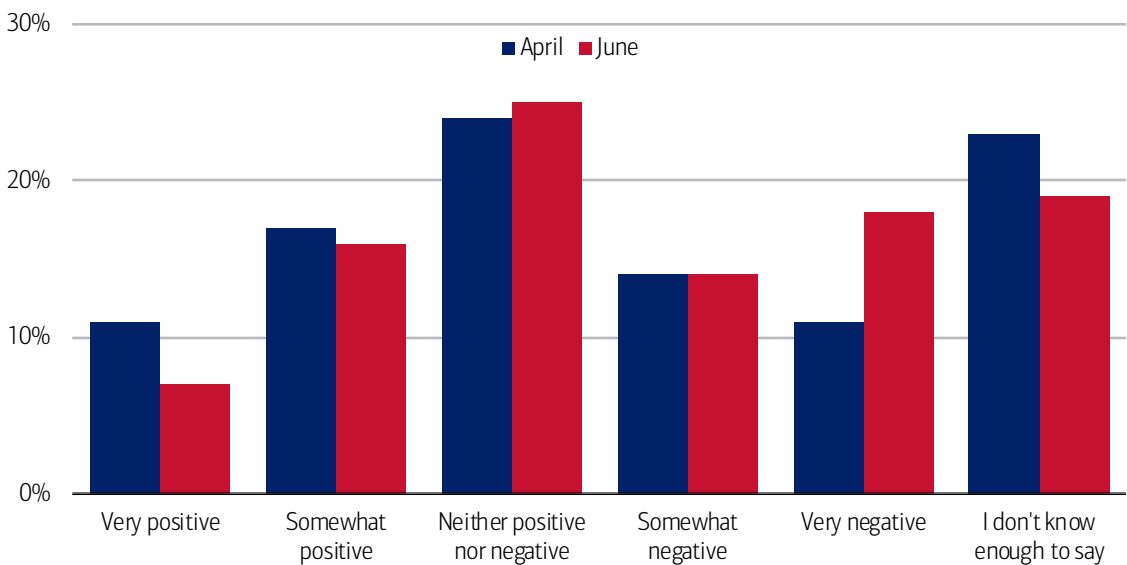


Source: Bank of America

On general sentiment to crypto currency the survey also shows a souring in attitudes. Exhibit 6 shows a jump in respondents who had 'very negative' reactions to crypto currency and a decline in those who are either very or somewhat positive.

### Exhibit 6: % responses to Bank of America survey question, 'which statement best describes your reaction to cryptocurrency?'

Between April and June survey's respondents became much more negative on crypto



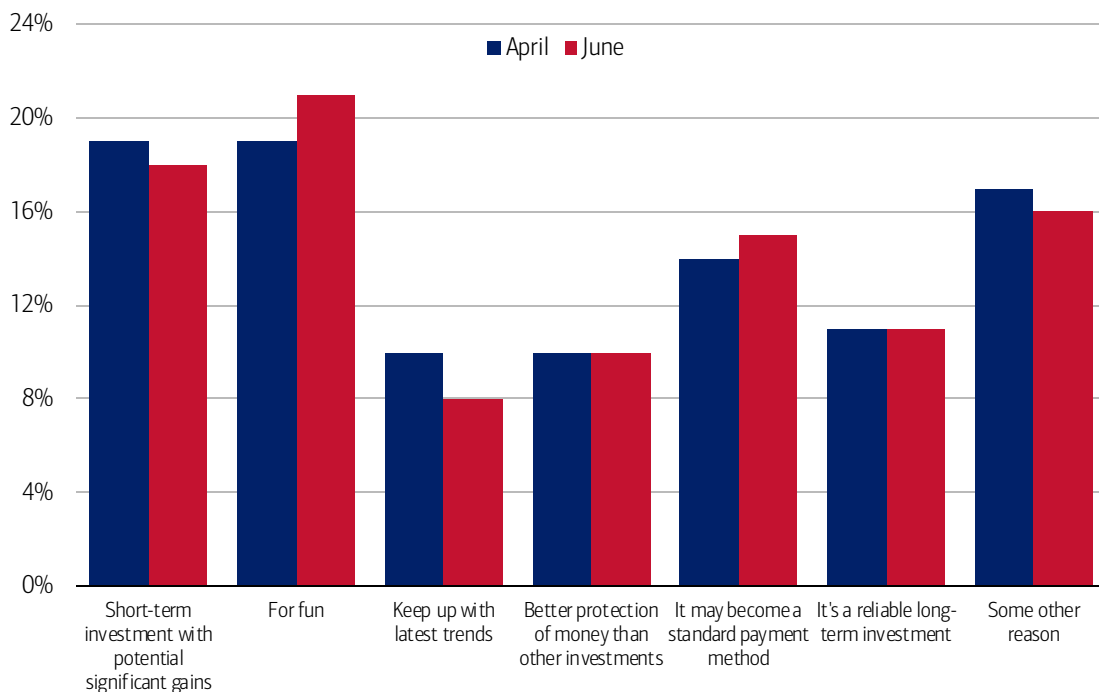
Source: Bank of America

It appears therefore that many consumers have not participated in crypto markets and if anything their inclination towards doing so has waned over the last few months, no doubt partly in response to the volatility and sharp declines in some digital assets.

There are, though, clearly some US consumers who remain actively engaged in these markets. Of those with experience in investing in crypto, Exhibit 7 shows what underlines their interest in these markets. Interestingly a fairly large and rising proportion of these respondents say they have done it ‘for fun’ or to ‘keep up with latest trends’. Relatively few say they view it as a reliable long-term investment.

**Exhibit 7: % responses to Bank of America survey question, ‘In what ways have you used or invested in or plan to use or invest in cryptocurrency?’**

Users of crypto do so for a variety of reasons. A significant proportion invest ‘for fun’ or ‘to keep up with the latest trends’

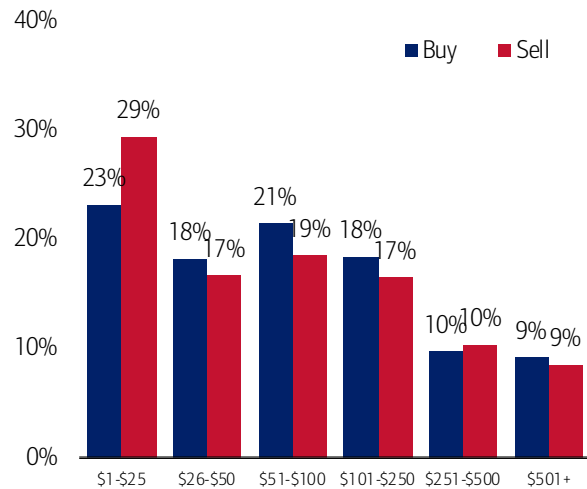


Source: Bank of America

These survey results are consistent with a separate survey of **current and prospective crypto and digital asset users** recently published by BofA Global Research. This survey found that most participants trade relatively small amounts when they buy and sell crypto assets. Moreover, for many their crypto investments form a relatively modest percentage of their total investments.

**Exhibit 8: Most commonly transacted denominations in response to BofA Global Research survey of current prospective users**

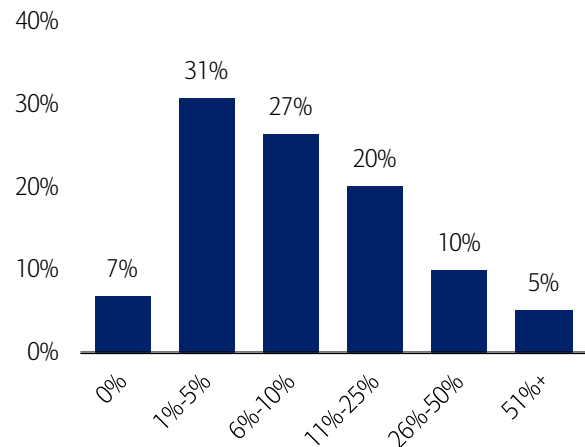
Many survey participants made low value transactions



Source: BofA Global Research

**Exhibit 9: % of total financial investments held in crypto according to responses from BofA Global Research survey of current prospective users**

Respondents generally tend to hold a relatively small share of their financial assets in crypto



Source: BofA Global Research

**Consumer impact looks minor**

Overall it appears the Bank of America survey of the general population accords closely to observations from aggregated and anonymized Bank of America customer data. Only a subset of consumers appear to be engaged with crypto markets and between April and June there has clearly been some deterioration in sentiment towards these markets amongst the general population according to the Bank of America survey.

Whether these trends continue of course is another question. It is striking that active users of crypto peaked in our data at the very time Bitcoin reached its highs last year. If crypto markets recover then perhaps there will be a re-engagement in them amongst the public. It is too early to be sure on this, but the drops seen in these markets may make some more wary of them in the future.

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## Methodology

Selected Bank of America (“BAC”) transaction data is used to inform the macroeconomic views expressed in this report and should be considered in the context of other economic indicators and publicly available information. In certain instances, the data may provide directional and/or predictive value. The data used is not comprehensive; it is based on aggregated and anonymized selections of Bank of America data and may reflect a degree of selection bias and limitations on the data available.

Bank of America active crypto users data describes customers making a transfer (Automated Clearing House, ACH, or debit/credit card payments) to a crypto platform in the current month. First-time user describes customers making a transfer with no previous history of interaction with crypto platform. Data is aggregated and anonymized.

Additional information about the methodology used to aggregate the data is available upon request.

The propriety Bank of America survey is an omnibus survey, with wave 1 in April 2022 and wave 2 in June 2022. The sample size of the general population was 1005. The survey was conducted by Ipsos.

Global Research survey referenced in Exhibit 5 and 6 was a survey of crypto/digital asset **users and prospective users** conducted in June 2022. The survey included responses from 1,013 users / prospective users of cryptocurrency / digital asset exchanges in the US, with respondents demographically diversified. 58% of respondents stated they currently own crypto/digital assets, while 42% said they do not currently own crypto/digital assets, but that they plan to buy some in the next six months.

# Disclosures

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