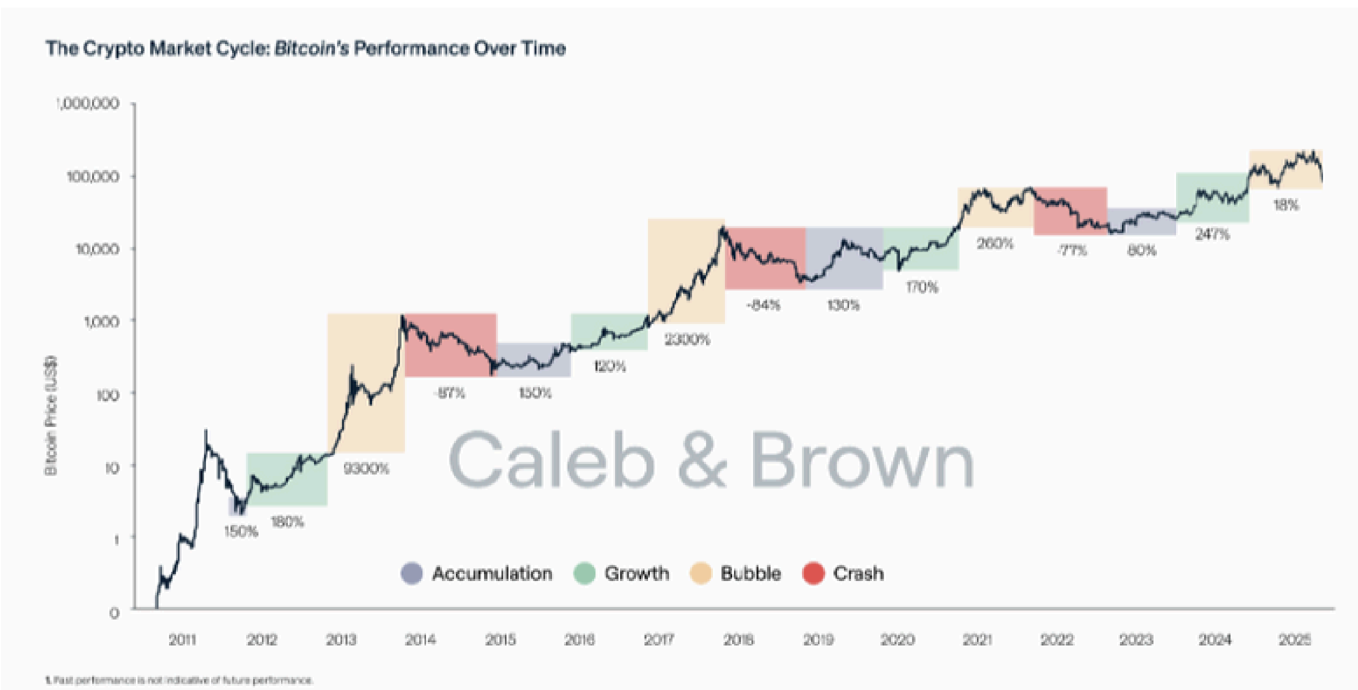
Memo to: Riversiders
From: Peter Chen
Re: Bitcoin's four-year cycle
Date: January 29th, 2026

Since November 2024, Bitcoin has traded within a range of around $80K to $125K. Bitcoin entered 2025 with high expectations but ended down 6.2% on the year. At the same time, other assets like precious metals as well as U.S. and non-U.S. equities were up big (see our Q4 2025 Market Update). What gives?

<u>Fear of the four year cycle</u>

In the past, Bitcoin has followed a familiar boom and bust cycle: 3 years of exponential growth followed by a year-long crash. This pattern has repeated itself three times now. 2011-2013, 2015-2017, 2019-2021 were all in the green, while 2014, 2018, and 2022 saw brutal crashes of over 80% from peak to trough.



The four year cycle (source)

The four year cycle is top of mind for crypto natives. No one wants to be left holding the bag before an 80% crash. Managing crypto market cycles is a big part of our investment strategy for Riverside.

This dynamic goes a long way toward explaining how Bitcoin traded in 2025. Whales who accumulated their Bitcoin many years ago unloaded billions of dollars of coins to front run what they feared to be an impending bear market. This crypto was eagerly snapped up by institutional investors, ETFs, digital asset treasury companies (DATs), and others who are focused less on trying to time market cycles and more on securing a long-term allocation to crypto for their portfolios.

There was none of the euphoric exponential price appreciation that typically characterizes the third year of a crypto bull market (+9300% in 2013, +2300% in 2017, and +260% in 2021). Disciplined sellers stepped in whenever the price seemed poised to break out above $120-125K, while buyers defended the $80K line during the height of the trade war in April following Liberation Day. **This felt different from what I experienced in 2017 and 2021**, which was driven in large part by retail and felt like a roller coaster, featuring steep ascents with occasional stomach-churning drops.

Why is Bitcoin cyclical?

So will the four-year cycle hold this time?

To answer this question, we need to understand why the four-year cycle exists in the first place: Bitcoin halving events. After it first launched, Bitcoin had a high inflation rate in excess of 100% per year. Bitcoin is programmed to halve its inflation rate every four years.

It makes sense that the early Bitcoin halving events led to price increases because they meaningfully reduced the inflation rate. The amount of new Bitcoin being emitted per year was reduced from 30% to about 15% in 2012 and from 9% to 4.5% in 2016. But the inflation rate of Bitcoin became so low that subsequent halving events in 2020 and 2024 should not have materially impacted the price.

What drives Bitcoin prices

Our view is that crypto returns are based more on global liquidity and, to a lesser extent, investor psychology, than predetermined cycles. Before 2020, Bitcoin was too small and traded according to its own idiosyncratic factors, such as the halving events. Bitcoin since 2020 is best understood as a risk asset that is highly correlated with stocks. It tends to trade as a levered, high-beta asset to the NASDAQ, outperforming tech stocks on the way up but underperforming when tech stocks are down.

Bitcoin crashed in March 2020 due to COVID and subsequently went on a historic bull run through the end of 2021 due to unprecedented government stimulus and easy monetary policies, along with stocks and risk assets around the world.

What ended the 2020-21 bull market? It wasn't the dictates of the four year cycle, but the Fed hiking interest rates. The NASDAQ fell over 33%, while Bitcoin plummeted over 80% from its November 2021 peak. The timing just happened to match up with the typical four year cycle. Since 2023 to present day, the cumulative return of the NASDAQ is about 135%, and 450% for Bitcoin. On a multi-year time horizon, Bitcoin is still acting as levered beta.

NASDAQ v. Bitcoin correlation (source)

Recapping 2025

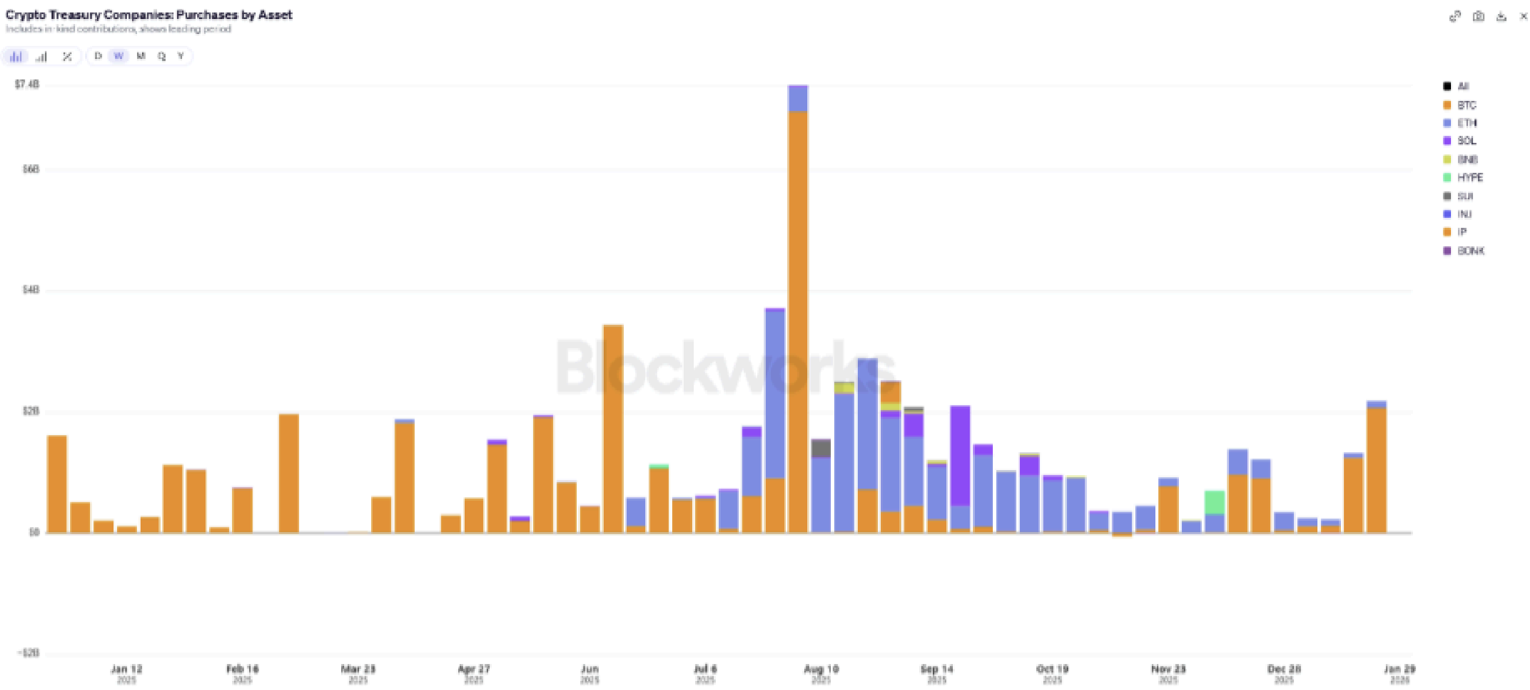
So what happened in 2025 that caused Bitcoin to decouple from stocks? Idiosyncratic factors specific to crypto as an asset class:

1. The four year cycle

As discussed above, the narrative of a four year cycle is deeply ingrained in many crypto investors, since it's happened three times and appears on the cusp of repeating for a fourth time. If enough people believe in it, it can become a self-fulfilling prophecy.

2. 10/10/25 liquidation cascade

October 2025 saw Bitcoin hitting all time highs followed a few days later by a $19 billion global liquidation cascade, the biggest of all time. What happened was a perfect storm: a combination of investors going long using leverage, renewed trade fears, illiquidity on a Friday evening, and technical glitches at Binance, the world's biggest crypto exchange. This reversed momentum in the crypto markets and removed a lot of liquidity and retail interest.



Crypto purchases by DATs (source)

3. Unwinding of the DAT trade

Digital asset treasury companies (DATs) buying crypto peaked in the summer months and declined dramatically in Q4, removing a key source of demand. As DAT stocks fell, they could no longer raise money by issuing more stock to buy crypto.

Today, the biggest DATs like Microstrategy and Bitmine are still able to buy billions of dollars of crypto, but at a slower pace than last year. Smaller DATs have had to stop buying or even sold crypto to buy back their stock. This reflexive loop is working against crypto prices, a discussed in our Q2 2025 investor letter.

2026: this time it's different?

A typical four-year cycle would call for an 80% drop and a year-long bear market in 2026. Is that what's in store? After all, Bitcoin is already 35% off its all-time high of $126K set in October 2025, upward momentum is gone, and the timing seems to coincide with previous cycles.

Our base case is: (1) a bear market will be shallower than previous ones and (2) Bitcoin resumes its correlation with stocks. We are unlikely to repeat 2022, which saw a very fast tightening cycle by the Fed and washed out a lot of leverage that had built up. We are headed into an easing cycle in 2026. There is also less leverage in the system, with no centralized lenders or FTX to sell their coins at the lows.

We are also unlikely to repeat another year decoupled from the NASDAQ. Whether tech stocks and risk assets move up or down, Bitcoin performance should converge, as it has tended to do since 2020. Many of the idiosyncratic factors that held back Bitcoin in 2025 will be in the rearview mirror in 2026. Fears of the four-year cycle will eventually give way to excitement over a new bull market, while the 10/10/25 cleansed a lot of leverage from the system and the DAT trade has mostly unwound.

Whatever happens, our asset allocation to mostly Bitcoin and stablecoins allows us to stay nimble. We are poised to capture upside while maintaining dry powder to buy when true bargains present themselves.