

Key Takeaways

- Despite external bearish pressures, Bitcoin remains within the 2021 price range
- Weekly timeframe indicators suggest significant price volatility contraction
- Price holding below the 20-week moving average suggests a bearish sentiment

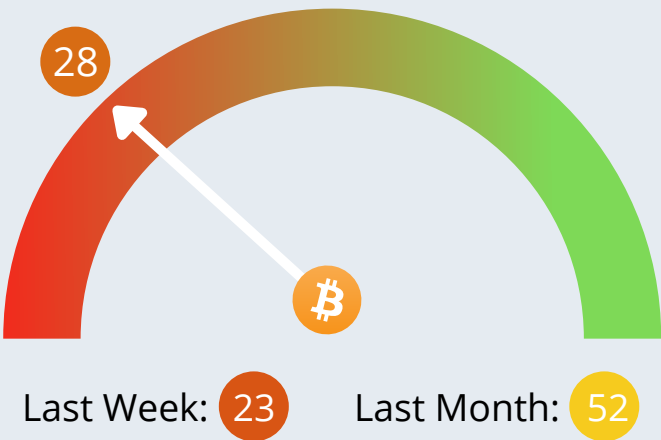
Weekly Thoughts

More choppy price action over the past week for Bitcoin prices, with continued contraction of high timeframe volatility. Historically, an extended period of contracting volatility has led to an explosive expansion in volatility. The 30-day rolling volatility is nearing levels not seen since October 2020, prior to the multi-month bullish rally. Unlike October 2020, price continues to hold below the 20-week moving average (MA) at \$41,300, suggestive of a bearish resolution in this case. Technical price bias will remain bearish until breaking above this key MA, which has acted as a high timeframe sentiment litmus test over the past 10 years. Furthermore, since 2014, all bear market lows have found support at the 200-week moving average, which has continued to climb in recent months and now sits at \$21,800.

Bitcoin’s monthly average hash rate continues to soar, reaching all-time highs week-over-week, indicating continued deployment of ASICs to the network. This suggests miners continue to find profitable rates for electricity relative to costs. There are also three new ASICs with increased efficiency set for release in July this year, which will likely continue to push hash rate higher. Although many variables determine mining profitability, even with electricity costs at 5 cents per kilowatt hour, 2016 and 2017 ASIC models are still profitable in the current network environment and Bitcoin price.

Bitcoin Fear and Greed Index

Multifactorial Market Sentiment Analysis



Please see important disclosures on last page.

Bitcoin Monthly Average Hashrate



Crypto	Ticker	Price (\$)	Returns (%)					M Cap (bn)	Annualized			
			1 week	1 month	3 month	YTD	1 year		Issuance (%)	Stake Yield (%)	Volatility	Sharpe
Bitcoin	BTC	38682.99	0.37	2.59	-0.23	-16.41	-32.48	735.03	1.77	N/A	0.73	-0.22
Ethereum	ETH	2819.91	-0.69	2.89	0.59	-23.66	-18.28	338.46	4.13*	N/A*	0.96	0.44
Binance Coin	BNB	387.70	-0.74	2.57	0.68	-24.31	-42.83	63.19	0.00	7.12	1.00	0.01
Solana	SOL	88.12	-2.77	3.06	-20.74	-48.68	89.37	29.17	4.46	5.44	1.36	1.21
Terra	LUNA	83.59	1.57	6.83	59.93	-2.31	383.66	28.76	1.14	5.66	1.71	1.80
Avalanche	AVAX	58.30	-2.01	0.92	-21.55	-47.37	60.33	15.46	5.29	9.02	1.44	1.21
Polkadot	DOT	15.02	-3.68	1.96	-24.47	-44.49	-60.33	14.60	8.09	13.99	1.28	0.00
Polygon	MATIC	1.08	-2.27	3.97	-34.79	-57.43	35.06	8.43	4.44	6.22	1.58	0.94
Tron	TRX	0.07	-5.58	6.25	11.34	-11.25	-49.43	6.79	1.72	4.83	0.99	-0.13
Cosmos	ATOM	17.73	-2.45	-1.78	-39.23	-45.82	-23.62	5.02	10.53	15.66	1.47	0.63
Algorand	ALGO	0.59	-2.17	3.48	-39.17	-64.54	-59.06	3.95	3.11	7.17	1.30	0.07
Fantom	FTM	0.77	-2.03	12.07	-62.88	-65.83	8.04	1.96	8.38	5.82	1.73	0.85
Dash	DASH	89.17	-0.94	5.01	-8.30	-33.32	-74.01	0.95	2.85	5.99	1.19	-0.39
Zilliqa	ZIL	0.07	-4.84	-3.32	52.98	-6.57	-67.06	0.89	11.28	13.95	1.79	0.16

Bitcoin 30-Day Rolling Volatility



Bitcoin Weekly Moving Averages



Key Takeaways

- The Fed is expected to continue raising rates and begin QT
- QT previously occurred in 2017 during a stable rate environment
- The unemployment rate will be released Friday, exp 3.5%

Macro Commentary

The Federal Open Markets Committee will begin a two day meeting Tuesday with decisions announced by Wednesday afternoon. The Fed is expected to raise rates by 50 basis points Wednesday, in addition to considering more hikes as soon as June, as well as larger hikes to 75 basis points. Further, the Fed is expected to announce their strategy on quantitative tightening by reducing their \$9 trillion balance sheet, primarily purchased over the last two years as a response to the economy's challenges due to Covid.

There will be three consecutive months of FOMC meetings starting in May allowing officials to efficiently respond to decisions and impact, if any, the meeting prior. The Fed have signaled a more aggressive response to the current inflationary conditions not only with rate increases, but with the speed allowed for redemptions that will take place as government sponsored agencies and mortgages mature over the next year.

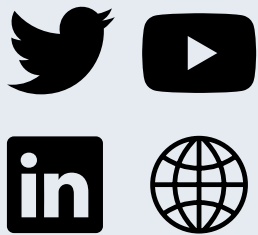
Quantitative tightening (QT), or a decrease of central bank liquidity in the economy, last occurred in 2017 as the Fed began to reduce the balance sheet in a passive manner allowing only \$10 billion per month initially, then scaling higher to \$50 billion per month over the year, all during a pause in raising rates. Total reduction was \$800 billion through 2019. This time, rate hikes are currently priced in through next year, and initial runoff amounts will start at \$95 billion per month with increases expected soon after. A total of \$600 billion would be allowed to runoff this year, then \$1 trillion next, with strategists calling for a total of \$3 trillion in reductions by 2025. Fed Chairman Jerome Powell indicated in March that balance sheet reductions would equal to a 25 basis point increase in rates this year alone.

Investors will be looking towards the unemployment rate to be released Friday with the current survey indicating another improvement to 3.5% from 3.6% last month. CPI and PPI will be released next week.

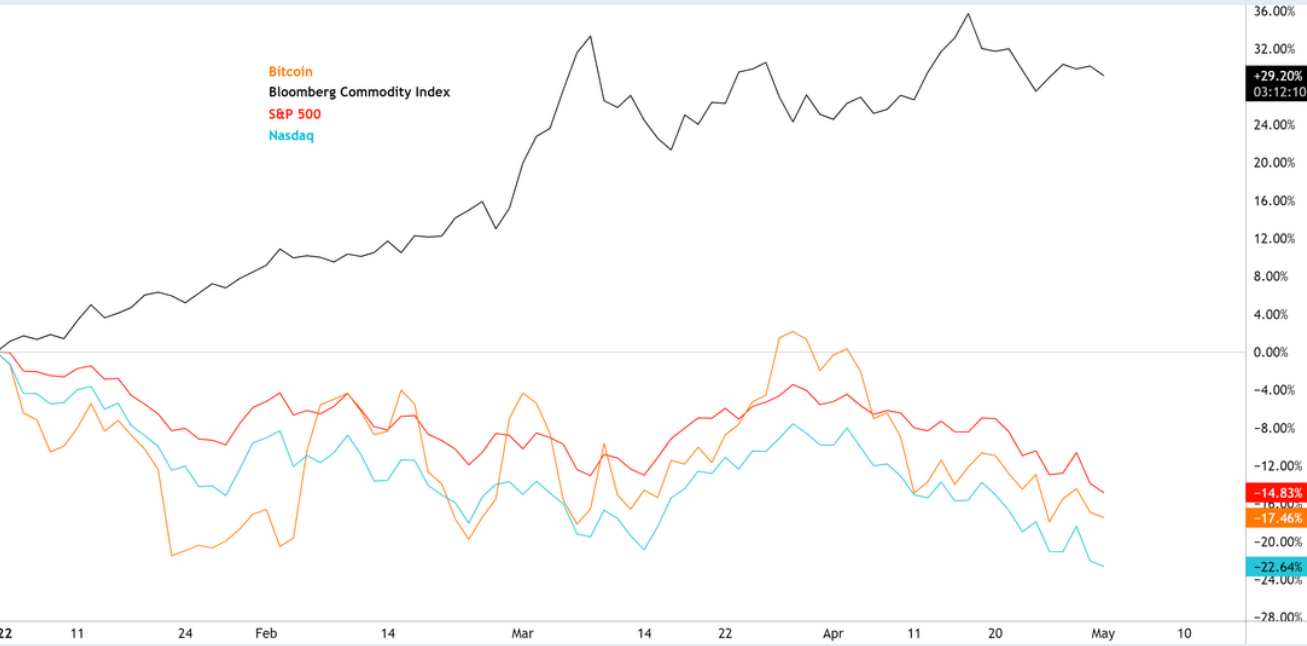
Authors:

Steven McClurg, CIO  
Bill Cannon, Portfolio Manager  
Sean Rooney, VP Research and Trading  
Josh Olszewicz, Head of Research

Please see important disclosures on next page.



Indices	Ticker	Price (\$)	Returns (%)				
			1 week	1 month	3 month	YTD	1 year
S&P 500	SPX	4131	-3.27	-9.11	-6.77	-13.31	-1.18
Nasdaq 100	NDX	12854	-3.76	-13.50	-11.07	-21.23	-7.26
Russell 2000	RUT	1864	-3.95	-10.86	-5.30	-16.98	-17.75
Dow Jones Ind.	DJI	32977	-2.47	-5.29	-5.03	-9.25	-2.65
Commodities							
Crude Oil	CL1	100.80	2.20	-2.80	14.32	33.56	56.23
Brent Crude	BRN00	103.44	1.04	-4.15	15.89	32.79	52.94
Natural Gas	NG00	7.51	10.24	29.99	53.17	109.58	154.29
Unleaded Gas	RB00	3.38	5.00	5.52	32.21	52.56	60.70
Gold	GC00	1856.00	-2.25	-4.16	3.26	1.41	3.52
Silver	SI00	22.15	-6.52	-10.11	-1.42	-5.16	-18.07
Copper	HG00	4.24	-5.19	-11.24	-1.87	-4.82	-6.22
Corn	C00	801.75	0.53	7.01	28.33	35.40	17.89
Wheat	W00	1060.50	-1.12	4.82	39.36	37.68	47.19
Bloomberg Commodity Index	BCOM	127.66	0.65	1.67	18.36	28.73	40.34
Bitcoin	BTC	38682.99	0.37	2.59	-0.23	-16.41	-32.48



News Review

- [Morgan Stanley Says Wholesale Banks Can Thrive in a More Regulated Crypto Market](#)
- [Former Jefferies Prime Broker Executives Start Crypto Exchange for Institutional Investors](#)
- [Goldman Sachs Offers Its First Bitcoin-Backed Loan in Crypto Push](#)
- [The Lightning Network, Which Enables Small and Instant Transactions, Is Bringing Payments Back to Bitcoin](#)
- [How THNDR Games Is Bringing Play-to-Earn to Bitcoin with Emphasis on Mobile Gaming](#)
- [Crypto Becomes Lifeline for Russian Emigrés Opposing Putin's War in Ukraine](#)
- [Riot Blockchain to Develop 1GW of Bitcoin Mining Capacity in Texas](#)
- ['Putting a stake in the ground,' Fort Worth Becomes First U.S. City to Mine Bitcoin](#)
- [Kraken Receives UAE License to Operate as a Regulated Crypto Exchange](#)
- [Cuba Approves Cryptocurrency Services, Requires Central Bank License](#)
- [Central African Republic Adopts Bitcoin as Legal Currency, the Second Country to do so After El Salvador](#)
- [Europe's Lawmakers Set to Advance Discussion of Controversial Crypto AML Rules](#)
- [U.S. Lawmakers Reintroduce Bill to Give CFTC Crypto Spot Market Oversight](#)
- [The Beijing Olympics Was the Coming Out Party for China's Digital Yuan. What Comes Next?](#)



Stablecoins

A sector of cryptocurrencies which attempt to peg value to an external reference, such as USD or EUR. A stablecoin’s exchange market rate, or price, can differ from the centralized stablecoin issuer's redemption rate. The three main types of stablecoins include; fiat-backed, crypto-backed, and algorithmic.

Origins & Purpose

Tether (USDT) was initially created in 2014 to act as a potential hedge against market volatility, as well as increasing the transferability and convertibility of fiat currencies to cryptocurrencies. Tether’s usage and supply grew substantially throughout the 2017 Bitcoin bull run, which significantly increased adoption of USDT trading pairs on crypto exchanges. Tether has also seen increasing use as an international remittance vehicle and general peer-to-peer method of exchange. As scrutiny increased over Tether's reserves, competing projects like Circle’s USD Coin (USDC) arose with a focus on increased transparency.

Today, most fiat-backed stablecoins, including Tether, release monthly reserve attestations. In 2021, stablecoin's saw a second wave of growth, increasing in total supply by over 35x, thanks to significant uses in Decentralized Finance (DeFi) for loan and yield generation. In recent weeks, circulating supplies of crypto and fiat-backed stablecoins have decreased slightly.

Fiat-Backed

The two largest stablecoins by circulating supply, USDT and USDC, are both backed by USD reserves and/or USD equivalents held in third-party financial institutions. Issuing these types of stablecoins directly from the servicer also requires KYC/AML compliance and minimum capital requirements. Although these types of stablecoins saw price volatility in earlier years, briefly losing the targeted market rate of \$1, USDT and USDC remained extremely stable throughout 2021 and 2022. Gemini USD (GUSD) however, has remained much more volatile relative to its fiat-backed peers.

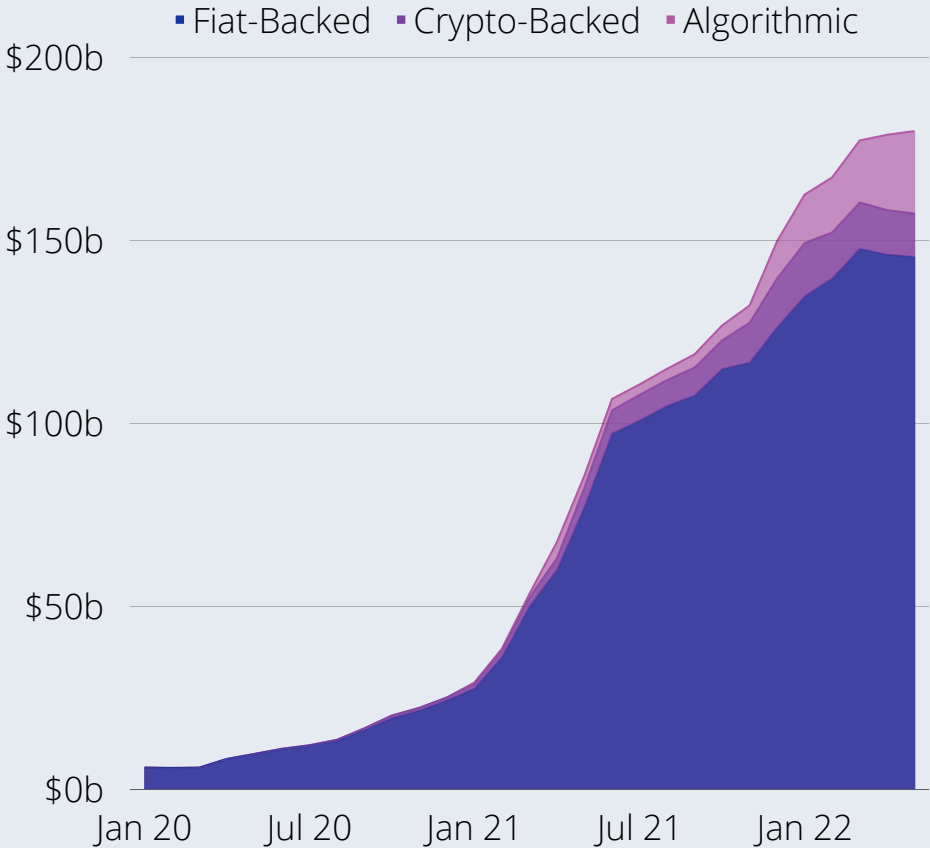
Crypto-Backed

Crypto-collateralized stablecoins require on-chain management with the use of smart contracts, which also allows for 100% transparency of reserves and collateralization levels. Most crypto-backed stablecoins do not have KYC/AML or minimum capital requirements for initialization but do require overcollateralization of loans to buffer against market volatility. If these loans fall below the required collateralization level, they are liquidated. Initially, only single-collateral ETH loans were available on MakerDAO (DAI). Multi-collateral loans were introduced on the platform in November 2019 to further protect users from extreme downside volatility of the underlying assets.

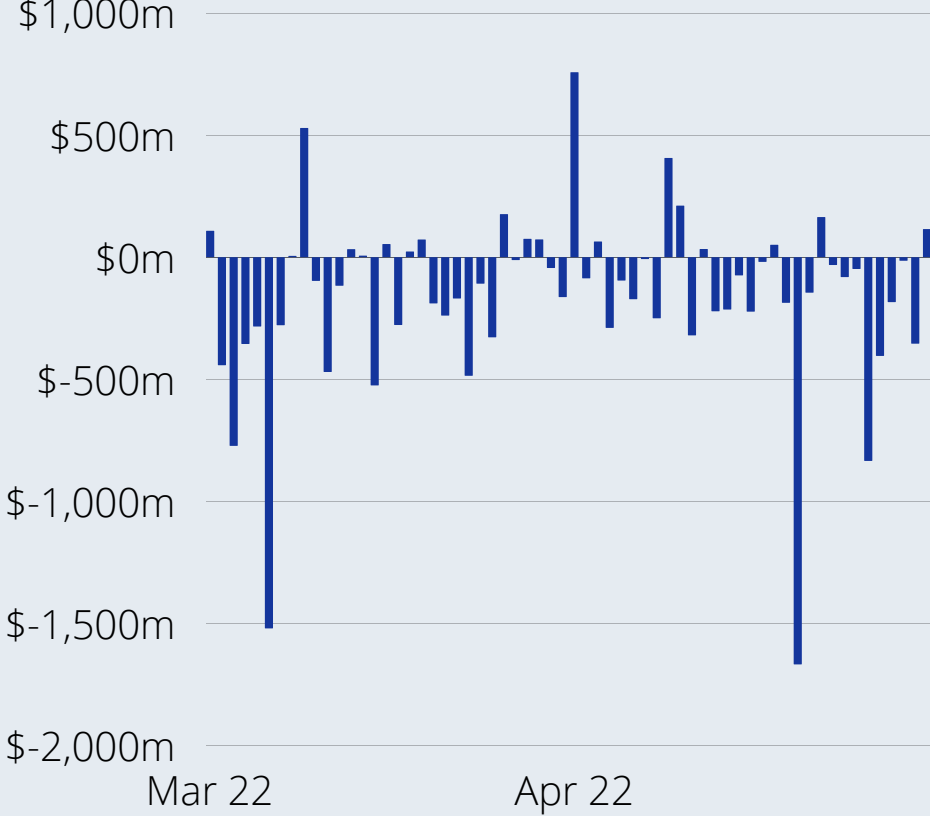
Algorithmic

Of all stablecoin types, algorithmic or seigniorage-style stablecoins have had the most difficulty maintaining a \$1 peg, historically. This stablecoin type does not require collateral and is managed on-chain via smart contracts. Algorithmic stablecoins will increase or decrease the circulating supply to maintain stablecoin value.

Stablecoin Circulating Supply








Stablecoin Net Exchange Flow







	Fiat-Backed	Ticker	Supply (\$, bn)	Launch	Chain
	Tether	USDT	83.17	Sept '14	Multi
	Circle	USDC	49.35	Sept '18	Multi
	Binance	BUSD	17.69	Sept '19	Multi
	TrueUSD	TUSD	1.37	Jan '18	Multi
	Paxos	USDP	0.94	Sept '18	ETH, BSC
	Huobi	HUSD	0.31	Nov '18	ETH, SOL
	Gemini	GUSD	0.21	Sept '18	ETH

Crypto-Backed

	MakerDAO	DAI	8.41	Dec '17	Multi
	Abracadabra	MIM	2.81	May '21	Multi
	Liquity	LUSD	0.49	Apr '21	ETH
	Synthetix	sUSD	0.13	Dec '18	ETH, FTM
	mStable	mUSD	0.04	May '20	ETH

Algorithmic

	TerraUSD	UST	18.27	Sept '20	Multi
	Frax	FRAX	2.70	Dec '20	Multi
	Neutrino	USDN	0.95	Oct '19	Multi
	Fei USD	FEI	0.55	Dec '20	ETH



# Weekly Market Review - May 2nd, 2022

Weekly Thoughts: Source: Valkyrie Investments, Inc.

Stablecoins, Origins & Purpose, Fiat-Backed, Crypto-Backed, Algorithmic: Valkyrie Investments, Inc., Tether Operations, CoinMetrics, Circle, and Paxos

Macro Commentary: Source: Valkyrie Investments, Inc.

Coin Prices, Market Capitalizations, and Returns: Source: Valkyrie Investments, Inc., TradingView, Messari. All returns represent total return for stated period. Coin Logos: Source: cryptologos.cc

Annualized Issuance, Staking Yield, Volatility, and Sharpe Ratio: Source: Valkyrie Investments, Inc., Messari, StakingRewards.com. \*ETH's EIP-1559 token burn and ETH-2 staking not included.

Bitcoin Fear and Greed Index Source: Valkyrie Investments, Inc., alternative.me and represents a multifactorial sentiment analysis index of volatility, market momentum and volume, social media, bitcoin market cap dominance, and Google trends

Bitcoin Monthly Average Hashrate, Bitcoin 30-Day Rolling Volatility: Source: Valkyrie Investments, Inc., CoinMetrics

Bitcoin Weekly Moving Averages: Source: Valkyrie Investments, Inc., TradingView - INDEX:BTCUSD

Stablecoin Circulating Supply: Source: Valkyrie Investments, CoinMetrics, The Block, and CoinGecko

Stablecoin Net Exchange Flow: Source: Valkyrie Investments, Inc., Nansen and represent wallet inflows and outflows of Tether, USD Coin, Binance USD, PAX, and Huobi USD through crypto exchanges, including but not limited to; Binance, Curve.fi, AnySwap, Crypto.com, Uniswap, Hop Protocol, OKEx, Kucoin, dYdX, Coinbase, Kraken, Huobi, FTX, Gemini, FTX US, CoinList, SushiSwap, Gate.io, Balancer, BitMEX, Bitfinex, Bittrex, Binance US, Bitstamp, BlockFi, Paxos, Celsius, Alameda OTC, Poloniex, HitBTC, Bancor, Kyber, and ShibaSwap.

List and examples shown in the Stablecoin table are non-exhaustive, intended for illustrative purposes only. Chain data sourced from CoinMarketCap. "Multi" description can include Ethereum, Solana, Binance Smart Chain, Algorand, Tron, Fantom, Polygon, Avalanche, Arbitrum, Secret, Terra, Moonriver, Velas, and Harmony. Coin Logos: Source: cryptologos.cc

"Indicies" prices and returns: Source: Valkyrie Investments, Inc., MarketWatch. "S&P 500" provided by Standard & Poor's and is a stock market index tracking the performance of 500 large companies listed on stock exchanges in the United States, "Nasdaq 100" provided by NASDAQ OMX Group and includes 100 of the largest domestic and international non-financial companies listed on the Nasdaq Stock Market based on market capitalization. "Russell 2000" provided by FTSE Russell and is a small-cap stock market index that makes up the smallest 2,000 stocks in the Russell 3000 Index. "Dow Jones Ind." provided by S&P Dow Jones Indices and is a price-weighted measurement stock market index of 30 prominent companies listed on stock exchanges in the United States. "Gold" provided by NYMEX - CME Group and is a continuous futures product. All returns represent total return for stated period.

"Commodities" prices and returns: Source: Valkyrie Investments, Inc., Wall Street Journal. Bloomberg Commodity Index provided by Bloomberg and tracks prices of futures contracts on physical commodities on the commodity markets. All returns represent total return for stated period.

**Past performance is not indicative of future results. Investments may be speculative, illiquid and there is a risk of total loss.** There is no guarantee that any specific outcome will be achieved. This is not an offer to buy or sell securities. We do not offer legal, tax or financial advice. Information is purported to be as of the time period provided therein. Charts/graphs are for illustrative purposes only.

Cautionary Statement Concerning Forward-Looking Statements:  
This document contains forward-looking statements. In addition, from time to time, we or our representatives may make forward-looking statements orally or in writing. We base these forward-looking statements on our expectations and projections about future events, which we derive from the information currently available to us. Such forward-looking statements relate to future events or our future performance, including: our financial performance and projections; our growth in revenue and earnings; and our business prospects and opportunities. You can identify forward-looking statements by those that are not historical in nature, particularly those that use terminology such as “may,” “should,” “expects,” “anticipates,” “contemplates,” “estimates,” “believes,” “plans,” “projected,” “predicts,” “potential,” or “hopes” or the negative of these or similar terms. In evaluating these forward-looking statements, you should consider various factors, including: our ability to change the direction of the Company; our ability to keep pace with new technology and changing market needs; and the competitive environment of our business. These and other factors may cause our actual results to differ materially from any forward-looking statement. Forward-looking statements are only predictions. The forward-looking events discussed in this document and other statements made from time to time by us or our representatives, may not occur, and actual events and results may differ materially and are subject to risks, uncertainties and assumptions about us. We are not obligated to publicly update or revise any forward-looking statement, whether as a result of uncertainties and assumptions, the forward-looking events discussed in this document and other statements made from time to time by us or our representatives might not occur.