

Key Takeaways

- Bitcoin has now closed in the red for eight straight weeks
- Technicals for Bitcoin are suggestive of potentially oversold conditions
- Bitcoin hash rate continues to rise and has remained price agnostic thus far

Weekly Thoughts

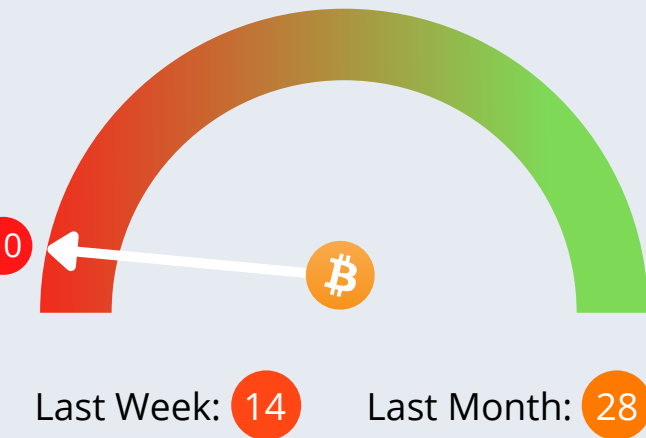
Bitcoin and global equities markets have now closed negative for eight straight weeks in an unprecedented stretch of continued bearish price action. Sentiment has ticked lower week over week, now matching both the Q4 2018 low and March 2020 low according to Alternative.me. Despite price grinding lower, Bitcoin continues to hold near the 2021 price range, from \$30,000 to \$60,000.

Although technicals reveal a bearish bias, with prices below both the 20-week moving average and the 200-day moving average, price has now approached historic gauges for potentially oversold conditions. Since 2013, the zone between the 2-year moving average and 200-week moving average has held as a longer term price support. The 200-week moving average currently sits at \$22,000. Other than March 2020, price bottoms have formed in this area over the course of multiple months, suggestive of bearish exhaustion and gradual accumulation.

Bitcoin’s monthly average hash rate continues to hold near all-time highs, remaining price agnostic thus far. This suggests miners continue to find profitable electricity rates relative to costs. Many variables determine mining profitability, including; Bitcoin price, network difficulty, block reward, and transaction fees.

Bitcoin Fear and Greed Index

Multifactorial Market Sentiment Analysis



Please see important disclosures on last page.

Bitcoin Monthly Average Hashrate



Bitcoin 30-Day Rolling Volatility



Bitcoin Moving Averages



Crypto	Ticker	Price (\$)	Returns (%)					M Cap (bn)	Annualized			
			1 week	1 month	3 month	YTD	1 year		Issuance (%)	Stake Yield (%)	Volatility	Sharpe
Bitcoin	BTC	30232.81	-0.36	-19.90	-21.17	-34.75	-22.44	574.36	1.77	N/A	0.71	0.01
Ethereum	ETH	2051.64	0.47	-24.80	-22.27	-44.22	-22.66	247.88	4.13*	N/A*	0.89	0.16
Binance Coin	BNB	326.60	2.76	-13.09	-12.42	-35.87	-5.28	53.54	0.00	7.12	0.92	0.39
Solana	SOL	52.99	0.10	-37.88	-39.20	-69.08	67.38	17.83	4.46	5.44	1.31	0.84
Polkadot	DOT	10.28	2.04	-28.49	-37.51	-61.04	-55.39	10.25	8.09	13.99	1.23	-0.07
Avalanche	AVAX	31.58	-1.15	-45.01	-57.90	-71.33	61.38	8.44	5.29	9.02	1.42	1.02
Tron	TRX	0.08	-2.52	21.55	21.06	0.88	-1.75	7.27	1.72	4.83	0.94	0.48
Polygon	MATIC	0.68	1.04	-33.88	-53.32	-72.93	-60.94	5.43	4.44	6.22	1.42	0.09
Near	NEAR	6.29	0.22	-39.54	-30.45	-56.49	94.97	4.35	4.74	10.22	1.59	1.23
Cosmos	ATOM	11.83	4.09	-33.55	-52.23	-63.36	-18.39	3.40	10.53	15.66	1.40	0.59
Algorand	ALGO	0.44	-0.44	-22.56	-45.71	-73.44	-55.17	3.00	3.11	7.17	1.27	0.08
Fantom	FTM	0.48	13.44	-27.95	-69.42	-78.06	43.25	1.26	8.38	5.82	1.71	0.95
Helium	HNT	8.19	-0.13	-33.73	-64.84	-78.38	-39.46	0.96	Variable	Variable	1.28	-0.02
Zilliqa	ZIL	0.06	-3.49	-22.44	36.23	-25.48	-49.10	0.71	11.28	13.95	1.78	0.39

Key Takeaways

- Several big name retailers missed earnings expectations last week
- Market volatility is likely here to stay in the near term
- This week will be busy with daily economic indicator releases

Macro Commentary

Fears of recession are becoming reality as the inflation story turned to big name retailers missing earnings expectations last week pushing strategists to call for a sign of initial support at current levels. Market volatility looks to remain in the near term ahead of economic indicators released this week, including new home sales and the personal-consumption expenditures (PCE) index. Investors are focusing on all data to try and see where a bottom could form ahead of what could be a drawn out period of higher than desired inflation and stifled growth.

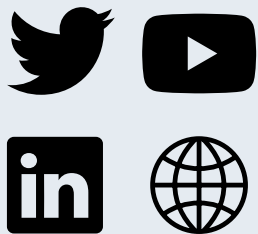
The S&P 500 index was down 20% year to date for part of Friday following retailer earnings earlier in the week. A strong Friday afternoon rally managed to keep levels slightly down for the week, which carried through the weekend. The S&P 500 recovered to about 16% year to date. The Nasdaq Composite behaved similarly with a dip mid-Thursday before a rally weekend eve. With the index at the 11,500 level, it is down about 26% year to date. Ten-year treasury yield reached 3% mid-Wednesday before turning notably lower to the 2.77% level for the week. Crude oil futures followed general market movement lower Wednesday through Thursday to the \$106 level as demand would soften in a downturn. But the late Thursday rally proved strong and is now approaching \$114 per barrel after the weekend. Using the Euro as an example, the US dollar has strengthened this year to levels not seen in decades. What seemed like a move to parity with the dollar last week, the Euro moved off lows, trending higher to \$1.07 per Euro.

The new week is busy with daily economic indicator releases. Following the third straight month of weaker existing-home sales due to rising mortgage rates and record level of home prices last week, new home sales Tuesday are expected to follow in similar manner with expectations at 750k, down from 763k last month. The PCE index is the Fed's preferred inflation gauge and Friday's release looks to continue the historically high levels at an expected 6.2% year over year, down from 6.6% last month. Personal income and spending look to decline slightly month over month as well, which could provide more color ahead of the next Fed meeting mid-June.

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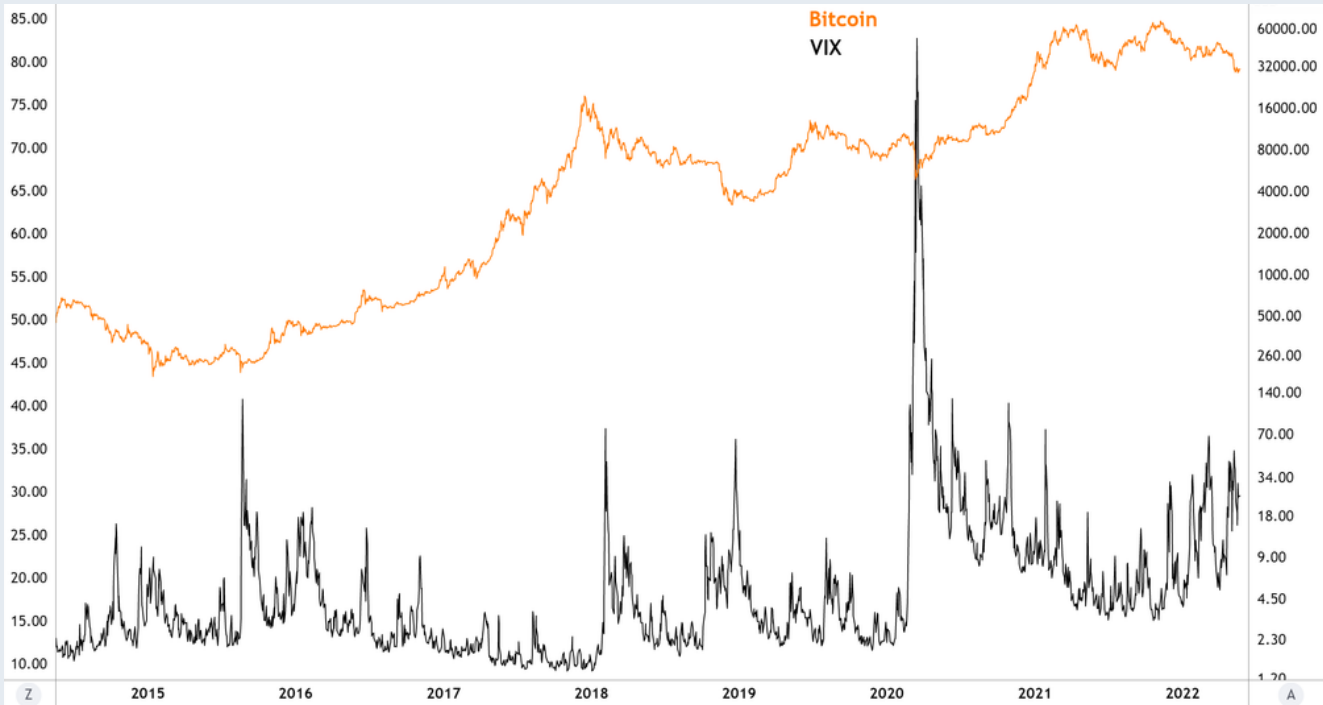
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Please see important disclosures on next page.



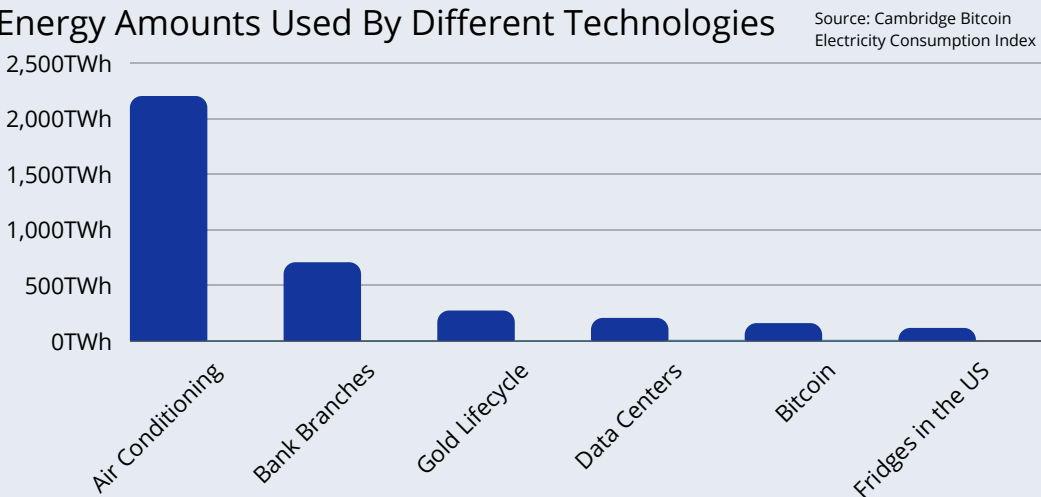
Weekly Market Review - May 23rd, 2022

Indices	Ticker	Price (\$)	Returns (%)				
			1 week	1 month	3 month	YTD	1 year
S&P 500	SPX	3901	-3.05	-8.67	-10.29	-18.14	-6.12
Nasdaq 100	NDX	11835	-4.45	-11.39	-15.52	-27.48	-11.75
Russell 2000	RUT	1773	-1.08	-8.63	-11.75	-21.02	-19.95
Dow Jones Ind.	DJI	31261	-2.90	-7.54	-8.27	-13.97	-8.61
Commodities							
Crude Oil	CL1	110.65	-2.84	12.19	20.73	46.67	67.59
Brent Crude	BRN00	113.00	-0.92	10.35	16.06	44.88	65.16
Natural Gas	NG00	8.10	0.28	18.73	81.99	125.55	173.45
Unleaded Gas	RB00	3.80	-5.29	17.93	41.81	71.37	79.06
Gold	GC00	1852.80	1.63	-2.43	-2.52	1.21	-1.54
Silver	SI00	21.90	1.25	-7.55	-8.54	-6.17	-21.38
Copper	HG00	4.32	2.92	-3.34	-4.10	-2.94	-4.50
Corn	C00	782.00	-3.15	-1.82	19.59	32.15	19.00
Wheat	W00	1189.00	-4.69	10.89	48.58	54.37	79.54
Bloomberg Commodity Index	BCOM	131	2.09	1.52	17.35	32.09	44.12
Bitcoin	BTC	30232.81	-0.36	-19.90	-21.17	-34.75	-22.44



News Review

- [Coinbase: Crypto and the Climate](#)
PoW has attractive features for the electrical grid:
 - energy consumption with a steady base load and a highly predictable demand
 - an interruptible load, with the ability to switch off at a moment's notice
 - can be located very close to the energy source



- [Bitcoin Mining – an \(Un\)surprising Resurgence? New Data Confirms the Growing Dominance of US Miners](#)
- [Texas Bitcoin Miners Periodically Turn Off to Conserve Power for the Grid](#)
- [Bitcoin Mining Company Mawson to Develop New Site in Texas](#)
- [The City of Mobile, Alabama has Approved Its First Bitcoin Mining Project, Hosting Miners in a Modified, Air-Cooled Shipping Container](#)
- [Hoseki to Launch Open Beta for Bitcoin Proof of Assets Product](#)
- [Robinhood Launching DeFi Wallet to Rival Ethereum's Metamask](#)
- [Bitcoin Gaming Studio Pnkfrg Raises \\$3 Million for Mobile Games](#)

Stablecoin Origins & Purpose

Stablecoins are a sector of cryptocurrencies which attempt to peg value to \$1, typically using an external reference, such as USD or EUR. The main types of stablecoins include; fiat-backed, crypto-backed, algorithmic, or hybrid collateralization.

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. 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.

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.

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.

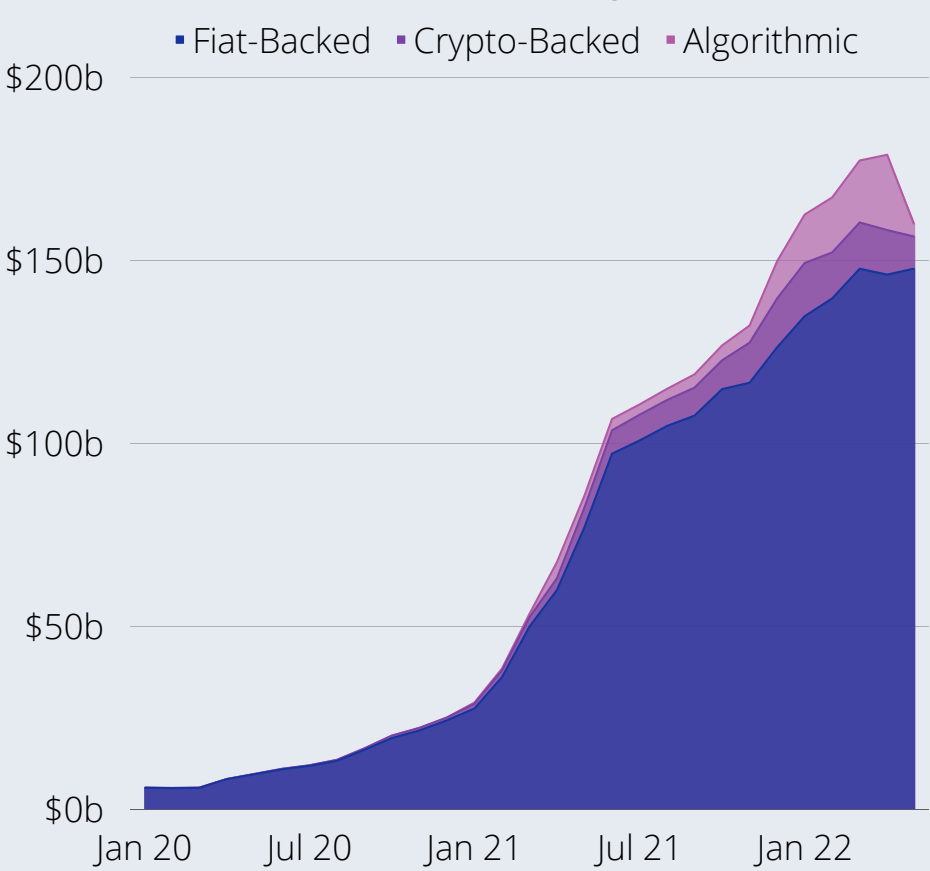
Algorithmic

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 are managed on-chain via smart contracts. Algorithmic stablecoins will increase or decrease the circulating supply to maintain stablecoin value.

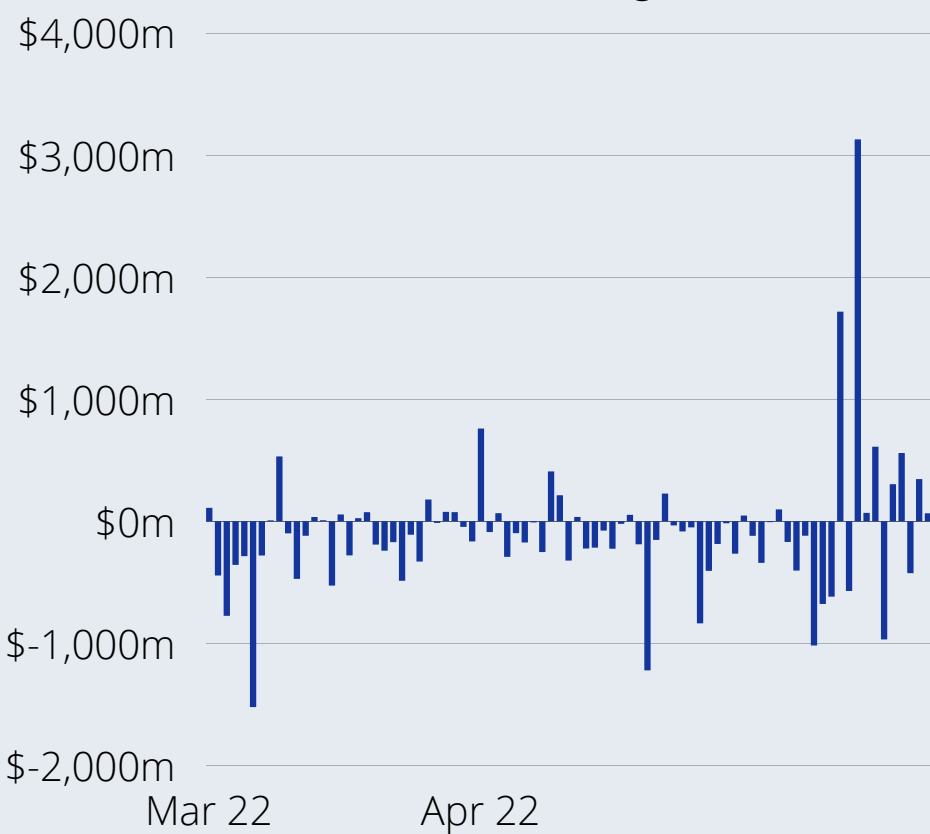
Terra and UST De-pegging Event

In early May, as digital asset prices turned increasingly bearish, the UST \$1 peg for Terra’s algorithmic stablecoin began to slip below \$1. Theoretically, in this scenario, UST is burned (sent to an irretrievable address) and LUNA is minted in order to correct the UST target price of \$1. The Terra and UST ecosystem had minted nearly 20 billion tokens over the past few months, in large part due to the 20% APY incentives on Terra’s lending and borrowing platform, Anchor Protocol. As destabilization of the equilibrium began, UST selling pressure far outpaced the ability of Terra to course correct the peg price. Terra had prepared for this possibility occurring and had acquired over \$3 billion in a mixture of USDC, USDT, Bitcoin, and Avalanche in recent weeks to act as an additional backstop in the event of a de-pegging death spiral. Unfortunately, even these reserves have been unable to hold UST near the \$1 price as a greater amount of UST was exiting the ecosystem while the Terra price was also decreasing.

Stablecoin Circulating Supply








Stablecoin Net Exchange Flow







	Fiat-Backed	Ticker	Supply (\$, bn)	Launch	Chain
	Tether	USDT	73.19	Sept '14	Multi
	Circle	USDC	53.14	Sept '18	Multi
	Binance	BUSD	18.56	Sept '19	Multi
	TrueUSD	TUSD	1.22	Jan '18	Multi
	Paxos	USDP	0.94	Sept '18	ETH, BSC
	Huobi	HUSD	0.32	Nov '18	ETH, SOL
	Gemini	GUSD	0.24	Sept '18	ETH

Crypto-Backed

	MakerDAO	DAI	6.52	Dec '17	Multi
	Abracadabra	MIM	1.87	May '21	Multi
	Liquity	LUSD	0.33	Apr '21	ETH
	Synthetix	sUSD	0.09	Dec '18	ETH, FTM
	mStable	mUSD	0.06	May '20	ETH

Algorithmic

	Frax	FRAX	1.41	Dec '20	Multi
	Neutrino	USDN	0.85	Oct '19	Multi
	TerraUSD	UST	0.70*	Sept '20	Multi
	Fei USD	FEI	0.54	Dec '20	ETH



Weekly Market Review - May 23rd, 2022

Weekly Thoughts: Source: Valkyrie Investments, Inc.

Stablecoin Origins & Purpose, Fiat-Backed, Crypto-Backed, Algorithmic, Terra and UST De-pegging Event: 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.

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