

Key Takeaways

- Digital asset markets continue dealing with fallout from the Terra & UST collapse
- Several crypto firms have announced layoffs, distress, and restructuring
- Technicals dating back to Bitcoin's inception show price reaching key levels

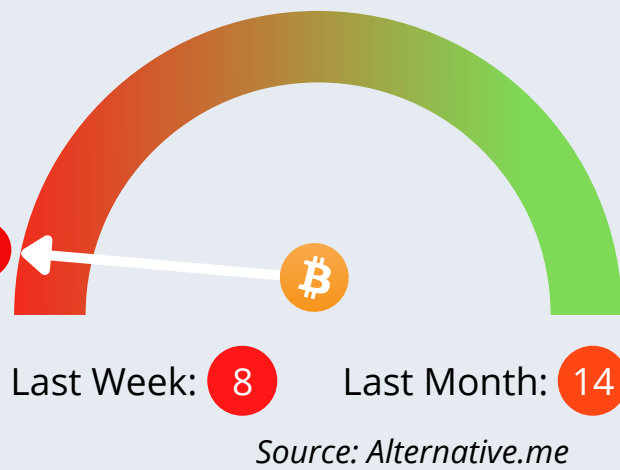
On-Chain Commentary

Fear in the markets may have reached an intermediate crescendo over the past week; crypto lender Celsius shuttered withdrawals and announced a restructuring plan, crypto companies Voyager and BlockFi have admitted duress and successfully obtained lines of credit with crypto exchange FTX. Crypto firm Three Arrows Capital, which had hedge fund, venture capital, treasury management, and OTC desk capabilities was also allegedly forcibly liquidated by several lenders and potentially owes millions more. On-chain evidence also shows Bitcoin moving out of several miner wallets to crypto exchanges, indicative of selling behaviors. This broad unraveling of liquidity and credit initially stemmed from both the multi-billion dollar collapse of the Terra blockchain and UST stablecoin in May, as well as an increasingly hawkish Fed and strong digital asset correlations to traditional markets.

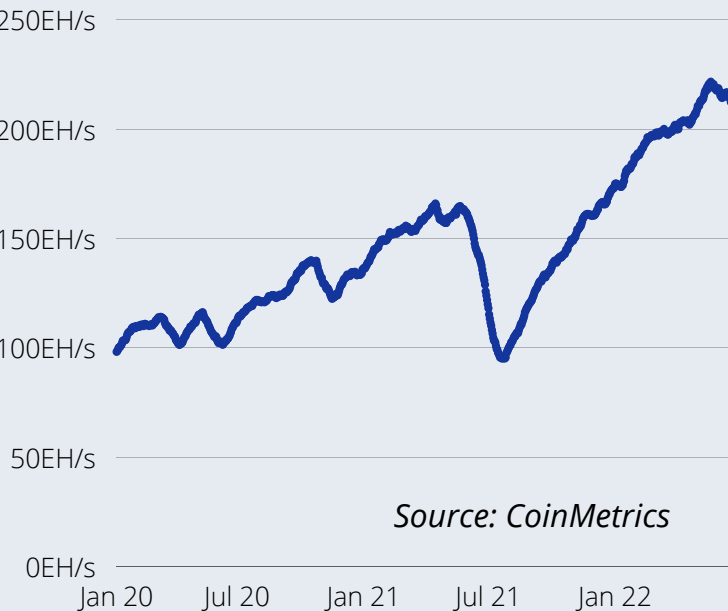
On a technical basis, Bitcoin has fallen below the 200-week moving average for only the fourth time ever, and has tested the previous cycle’s all-time high at \$19,000 for the first time ever. Additionally, the current price is also below Bitcoin’s realized price, or aggregate average price of all coins moved on-chain, at \$22,600. Historically, both the 200-week moving average and the realized price have acted as an accumulation zone for market participants in prior bear markets. Bitcoin’s weekly Relative Strength Index (RSI) is also currently sitting at or near all-time lows.

Bitcoin Fear and Greed Index

Multifactorial Market Sentiment Analysis

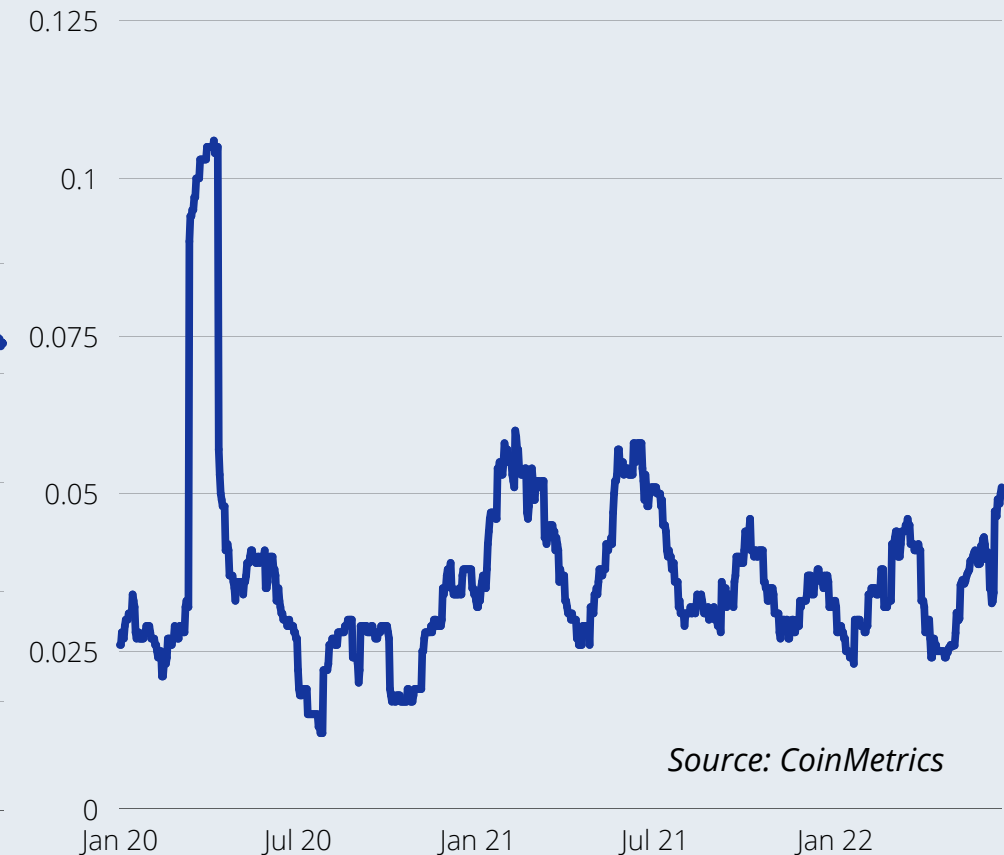


Bitcoin Monthly Average Hashrate



Crypto	Ticker	Price (\$)	Returns (%)						Annualized			
			1 week	1 month	3 month	YTD	1 year	M Cap (bn)	Issuance (%)	Stake Yield (%)	Volatility	Sharpe
Bitcoin	BTC	21054.08	4.02	-32.72	-49.54	-54.62	-32.35	407.86	1.77	N/A	0.70	-0.50
Ethereum	ETH	1147.62	2.94	-40.23	-60.95	-68.73	-38.48	140.65	4.13*	N/A*	0.87	-0.38
Binance Coin	BNB	220.90	4.51	-29.97	-44.45	-56.71	-17.02	36.67	0.00	6.40	0.84	-0.15
Solana	SOL	36.90	11.24	-16.85	-57.95	-77.95	42.92	13.03	3.91	5.24	1.24	0.59
Polkadot	DOT	8.02	7.79	-21.76	-59.93	-70.56	-48.41	8.00	8.19	14.82	1.17	-0.16
Tron	TRX	0.06	6.27	-22.69	3.11	-16.31	21.13	6.02	0.85	3.15	0.91	0.36
Avalanche	AVAX	17.60	11.58	-31.67	-78.54	-82.29	61.12	5.07	6.21	9.23	1.40	0.94
Polygon	MATIC	0.43	14.84	-33.28	-70.74	-82.73	-59.80	3.53	4.76	10.52	1.26	-0.35
Near	NEAR	3.55	9.90	-39.43	-67.41	-76.96	64.48	2.60	2.93	8.04	1.57	0.96
Algorand	ALGO	0.33	6.27	-18.69	-59.59	-80.71	-55.67	2.30	3.92	7.98	1.24	-0.17
Cosmos	ATOM	6.94	4.27	-31.63	-74.83	-76.62	-25.89	2.02	11.74	18.92	1.38	0.29
Helium	HNT	10.89	-0.95	18.05	-55.73	-70.40	4.90	1.33	Variable	6.16	1.34	0.58
Fantom	FTM	0.27	16.20	-30.21	-77.85	-86.59	19.85	0.72	6.60	16.99	1.67	0.77
Zilliqa	ZIL	0.04	21.93	-24.23	-8.06	-46.78	-42.46	0.54	5.60	14.70	1.74	0.13

Bitcoin 30-Day Rolling Volatility



Bitcoin Moving Averages



## Key Takeaways

- The Fed continues to fight inflation via aggressive rate hikes
- Terminal rate expectations have moved nearer to 4%
- Recession inevitabilities & sustained inflation remain likely in near term

## Macro Commentary

Equities are positive Tuesday morning after a welcomed extended holiday weekend following a brutal week for markets. The FOMC raised interest rates by 75 basis points which many strategists expected last Wednesday moving the inflation strategy process from a bit passive to more aggressive. After a brief relief rally post announcement, equities turned lower and rates grew volatile, swinging from a high level of 3.5% down to 3.2% by Thursday before settling close to 3.25%. Current yield curve has moved lower since last week, but still notably higher than a month ago. S&P 500 index trended lower through the week, losing about 200 points before settling around 3,675 Friday afternoon. Markets anticipate another 50-75 basis points at the next FOMC meeting in July, and 50 more basis points in September as well. Terminal rate expectations also moved higher to about 3.9% by mid-2023, up from 3% last month. Some banks are calling for a terminal rate over 4% based on current market conditions and what they think is needed to slow inflation.

Growth prospects are being reevaluated during this time as well, with Goldman Sachs calling for a 30% probability of entering a recession over the next year, an update from 15% before the recent economic activity. With gas prices reaching historical highs and grocery bills trending higher, little relief is anticipated in the near term. While housing starts trended lower last week, initial jobless claims remained unchanged at historical lows, with another lower expected indication this week. The University of Michigan sentiment will be released Friday which is expected to sustain downward movement close to a 50 level reading, down from about 70 at the beginning of the year. Unfortunately, this too is at a historic low, with previous levels in the high 50s reached during the credit crisis and early 80s.

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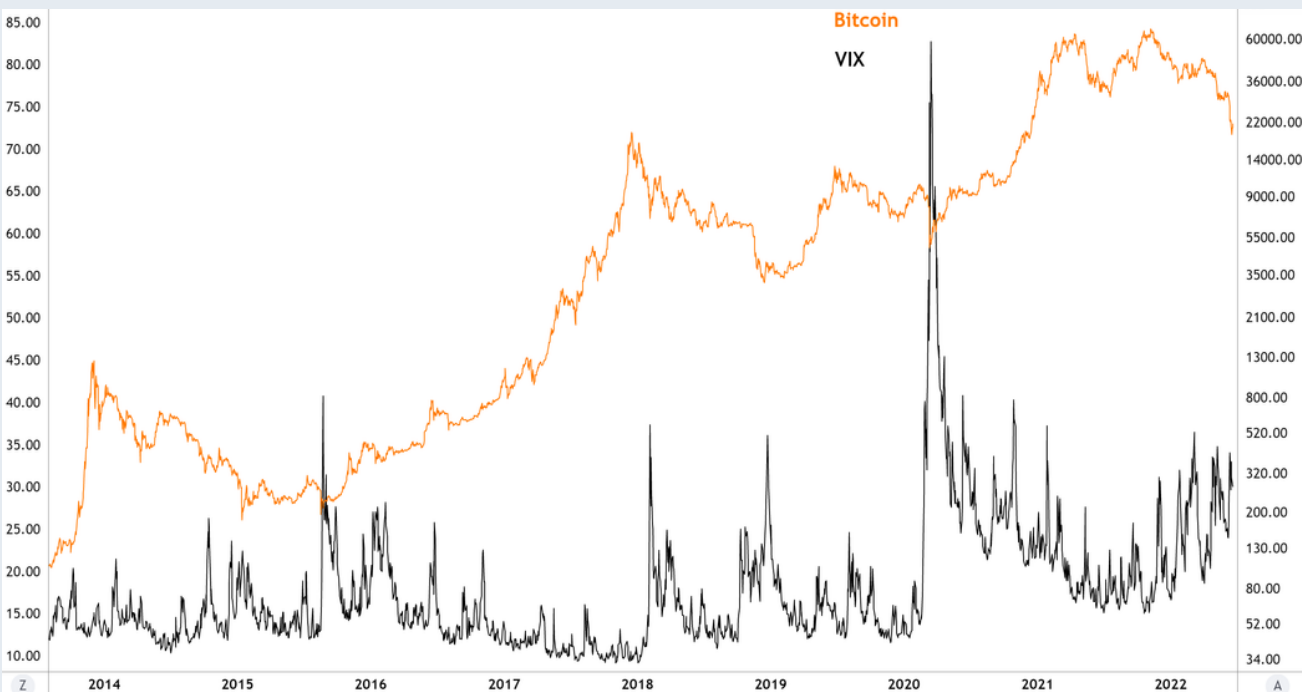
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# Weekly Market Review - June 21st, 2022

Indices	Ticker	Price (\$)	Returns (%)				
			1 week	1 month	3 month	YTD	1 year
S&P 500	SPX	3674	-5.79	-5.81	-17.66	-22.90	-11.80
Nasdaq 100	NDX	11265	-4.79	-4.81	-21.87	-30.97	-19.81
Russell 2000	RUT	1665	-7.48	-6.07	-20.15	-25.81	-25.56
Dow Jones Ind.	DJI	29888	-4.79	-4.39	-14.00	-17.75	-10.22

Commodities							
Crude Oil	CL1	109.69	-9.36	-0.81	-2.58	45.38	49.22
Brent Crude	BRN00	112.96	-7.68	-0.45	-2.96	44.93	51.02
Natural Gas	NG00	6.67	-22.99	-24.32	34.04	86.04	108.72
Unleaded Gas	RB00	3.76	-6.21	2.60	11.43	69.91	71.80
Gold	GC00	1841.60	1.18	-0.56	-4.86	0.61	3.26
Silver	SI00	21.61	2.81	-0.76	-14.95	-7.47	-16.87
Copper	HG00	3.97	-5.36	-8.40	-15.47	-10.87	-4.85
Corn	C00	732.50	-4.37	-6.81	-3.20	23.63	31.27
Wheat	W00	1033.75	-3.18	-13.37	-7.43	34.21	55.16
Bloomberg Commodity Index	BCOM	126.78	-6.39	-2.88	2.77	27.84	39.42
Bitcoin	BTC	21054.08	4.02	-32.72	-49.54	-54.62	-32.35



Source: TradingView

## News Review

- [Deloitte and NYDIG Announce Alliance to Provide Banking for All With Bitcoin](#)
- [JPMorgan Wants to Bring Trillions of Dollars of Tokenized Assets to DeFi](#)
- [Elon Musk Sees Logic for Twitter as a Crypto Payments Platform](#)
- [Why Bitcoin Mining is Taking Off in the Lone Star State - Infrastructure, Incentives, and Policy](#)
- [Bitcoin Miners' Exchange Flow Reaches 7-Month High as BTC Price Falls](#)
- [Bitcoin Miner CleanSpark Takes Advantage of Bear Market to Acquire Mining Rig Contracts](#)
- [Circle Announces a Fully-reserved, Euro-Backed Stablecoin, Euro Coin \(EUROC\)](#)
- [Tether Prepares Full Audit to Improve USDT Reserves Transparency](#)
- [Bitso Processed \\$1B in Crypto Remittances Between Mexico and the US so far in 2022](#)
- [Solana's New Gas Fees Won't Make the Network 'Expensive,' Says Co-Founder](#)
- [Three Arrows Capital Confirms Heavy Losses From LUNA's Collapse, Exploring Potential Options: Report](#)
- [Digital Currency Prime Broker Genesis Mitigated Losses With a 'Large Counterparty,' CEO Says](#)
- [How Crypto Lender Celsius' Overheated and Resulted in Firm Hiring Restructuring Attorneys](#)



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.

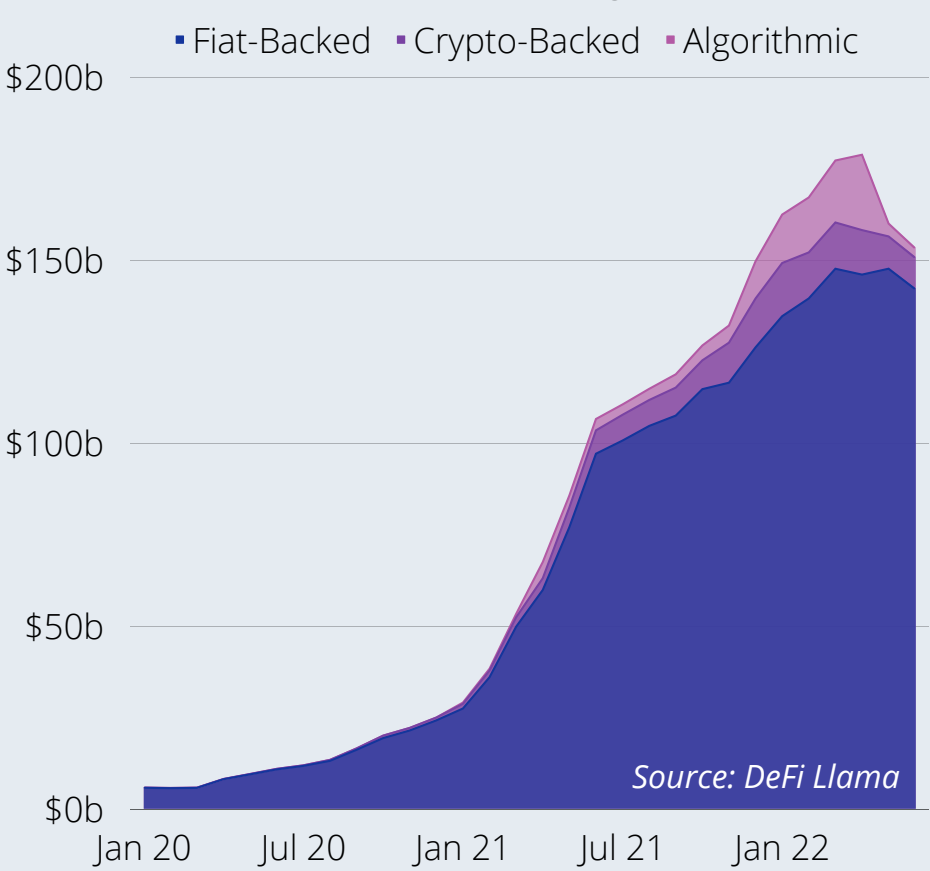
Algorithmic

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 were 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	67.45	Sept '14	Multi
	Circle	USDC	55.04	Sept '18	Multi
	Binance	BUSD	17.17	Sept '19	Multi
	TrueUSD	TUSD	1.24	Jan '18	Multi
	Paxos	USDP	0.88	Sept '18	ETH, BSC
	Huobi	HUSD	0.29	Nov '18	ETH, SOL
	Gemini	GUSD	0.18	Sept '18	ETH

Crypto-Backed					
	MakerDAO	DAI	6.30	Dec '17	Multi
	Abracadabra	MIM	1.95	May '21	Multi
	Liquity	LUSD	0.16	Apr '21	ETH
	Synthetix	sUSD	0.15	Dec '18	ETH, FTM
	mStable	mUSD	0.05	May '20	ETH

Algorithmic					
	Frax	FRAX	1.43	Dec '20	Multi
	Neutrino	USDN	0.78	Oct '19	Multi
	Fei USD	FEI	0.39	Dec '20	ETH
	TerraUSD	UST	0.00*	Sept '20	Multi



# Weekly Market Review - June 21st, 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, DeFi Llama

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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