

Key Takeaways

- Leverage continues to unwind with crypto lenders liquidating collateral to cash
- Technicals dating back to Bitcoin's inception show price maintaining key levels
- Industrial Bitcoin miners in Texas are curtailing use over grid concerns

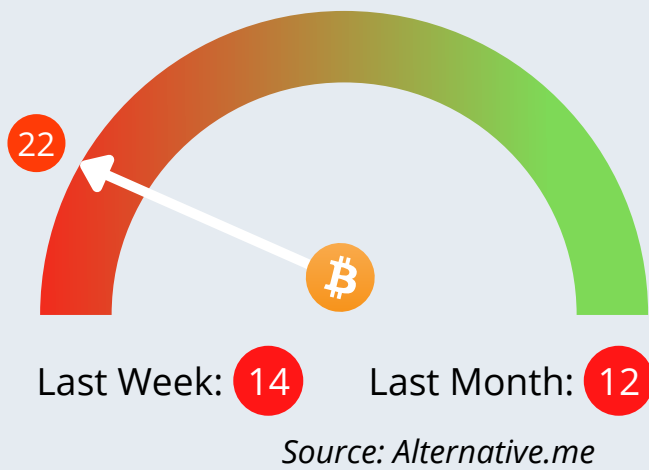
On-Chain Commentary

The unwinding of leverage in the digital asset ecosystem continues. Last week, crypto lender Celsius fully repaid the \$41.2 million debt owed to a MakerDAO loan, unlocking nearly 22,000 in wrapped Bitcoin (wBTC). On-chain evidence suggests Celsius and crypto lender Nexo have begun liquidating substantial amounts of Bitcoin and Ethereum via centralized exchanges. Celsius associated wallets continue to hold 10,000 wBTC and 410,000 staked Ethereum (stETH), as well as other mixed digital assets. Nexo associated wallets continue to hold 88,000 stETH and other mixed digital assets. Nexo’s co-founder, Antoni Trenchev, has previously denied insolvency rumors. Nexo has also hired Citibank to advise on potential acquisitions, including troubled crypto lender Vaultd. However, broader custody concerns continue, as Bitcoin held on centralized exchange associated wallets have dropped below four-year lows, according to Glassnode.

On a technical basis, the Bitcoin price continues to hold near the 200-week moving average, 2018 all-time high, and realized price, or aggregate average price of all coins moved on-chain. Historically, these areas have acted as an accumulation zone in prior bear markets. Bitcoin’s hash rate decline may accelerate this week as all industrial miners located in Texas have curtailed power use in response to concerns over grid stability during an ongoing heat wave.

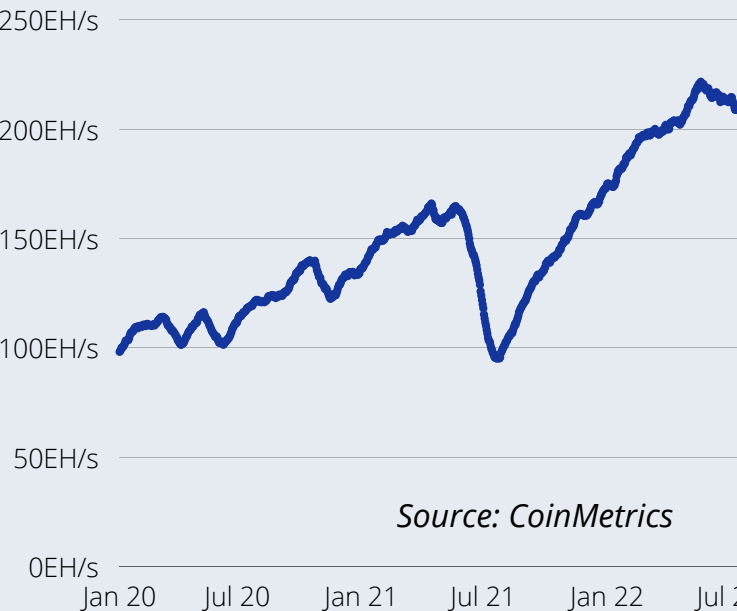
Bitcoin Fear and Greed Index

Multifactorial Market Sentiment Analysis



Please see important disclosures on last page.

Bitcoin Monthly Average Hashrate



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.

Weekly Market Review - July 11th, 2022

Crypto	Ticker	Price (\$)	Returns (%)					M Cap (bn)	Annualized			
			1 week	1 month	3 month	YTD	1 year		Issuance (%)	Stake Yield (%)	Volatility	Sharpe
Bitcoin	BTC	20509.93	-1.98	2.20	-48.34	-56.66	-40.38	389.92	1.77	N/A	0.68	-0.46
Ethereum	ETH	1146.39	-2.22	6.63	-61.70	-69.25	-46.72	138.63	4.13*	N/A*	0.84	-0.37
Binance Coin	BNB	231.33	-1.36	5.33	-41.53	-55.42	-28.18	37.77	0.00	6.40	0.80	-0.05
Solana	SOL	35.47	-4.22	4.16	-64.76	-79.64	9.07	12.13	3.91	5.24	1.21	0.65
Polkadot	DOT	6.80	-0.92	-3.85	-60.58	-75.34	-56.18	6.70	8.19	14.82	1.13	-0.08
Tron	TRX	0.07	-2.80	1.21	11.89	-15.64	5.81	6.07	0.85	3.15	0.86	0.55
Avalanche	AVAX	18.50	-4.63	7.39	-75.53	-82.08	46.71	5.17	6.21	9.23	1.39	1.03
Polygon	MATIC	0.56	0.35	19.13	-57.17	-77.56	-45.06	4.59	4.76	10.52	1.27	0.12
Cosmos	ATOM	8.89	3.39	19.72	-62.09	-69.96	-35.64	2.60	12.05	19.29	1.35	0.33
Near	NEAR	3.43	-3.60	1.74	-78.89	-78.28	60.61	2.49	2.93	8.04	1.56	1.09
Algorand	ALGO	0.30	-2.17	-3.77	-56.44	-82.50	-66.12	2.11	3.92	7.98	1.22	-0.22
Helium	HNT	9.12	-3.16	-3.71	-55.28	-75.87	-29.47	1.10	Variable	6.16	1.32	0.38
Fantom	FTM	0.26	-2.52	3.02	-76.91	-87.67	11.90	0.66	6.60	16.99	1.64	0.93
Zilliqa	ZIL	0.04	-4.29	-3.02	-65.88	-51.79	-49.02	0.49	5.60	14.70	1.73	0.29

Bitcoin 30-Day Rolling Volatility



Bitcoin Moving Averages



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.

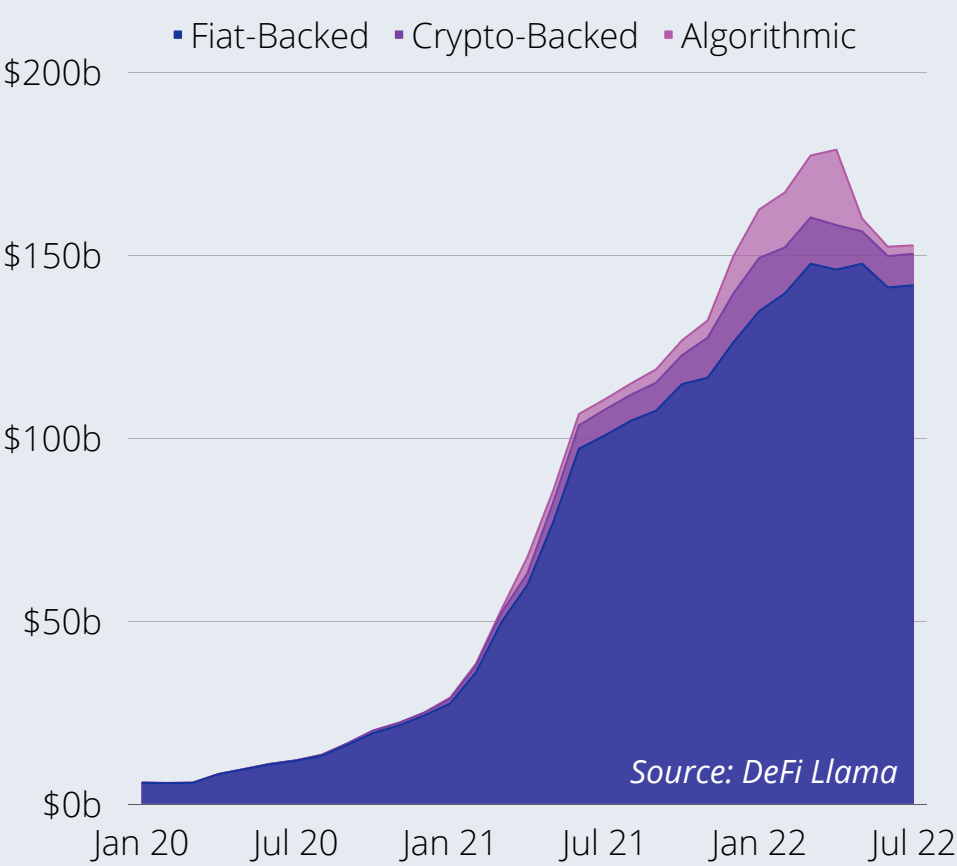
Algorithmic

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.

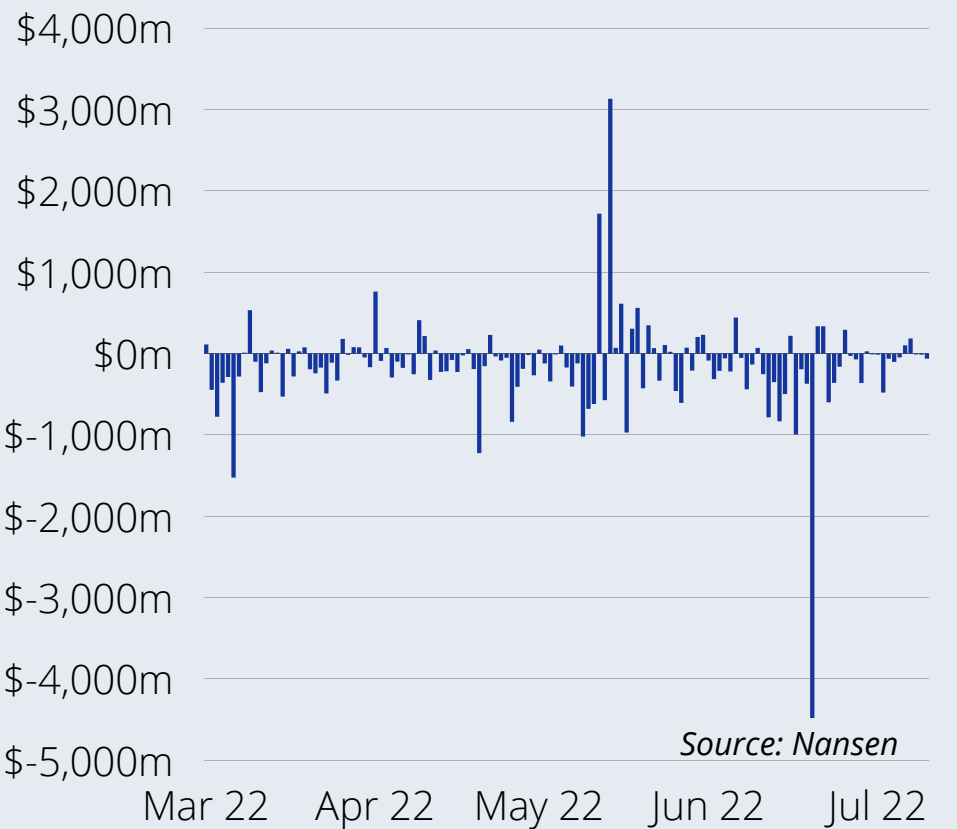
Tether Redemptions & Reserves

Tether has now experienced about \$19 billion in redemptions, approximately 20% from the peak, since the Terra and UST algorithmic stablecoin implosion in mid-May. Based on asset holdings from March 31st, 2022, the \$4 billion balance in cash and bank deposits, the almost \$7 billion balance in money markets, could have been used for those redemptions. On July 1st, the company released an assurance of holdings report from an independent accounting firm and announced a further reduction of commercial paper by 58%, to \$8.5 billion, which could have all been used for redemptions. A further \$5 billion in Tether’s commercial paper holdings are set to expire on July 31st. The July 1st report also revealed an increase in money market funds and U.S. treasury bills from \$34.5 billion to \$39.2 billion. Tether has also reduced exposure to secured loans by \$1 billion and denied any exposure to crypto firm Three Arrows Capital.

Stablecoin Circulating Supply



Stablecoin Net Exchange Flow



	Fiat-Backed	Ticker	Supply (\$, bn)	Launch	Chain
	Tether	USDT	66.47	Sept '14	Multi
	Circle	USDC	54.71	Sept '18	Multi
	Binance	BUSD	18.05	Sept '19	Multi
	TrueUSD	TUSD	1.25	Jan '18	Multi
	Paxos	USDP	0.85	Sept '18	ETH, BSC
	Huobi	HUSD	0.19	Nov '18	ETH, SOL
	Gemini	GUSD	0.18	Sept '18	ETH

Crypto-Backed					
	MakerDAO	DAI	6.46	Dec '17	Multi
	Abracadabra	MIM	1.81	May '21	Multi
	Liquity	LUSD	0.17	Apr '21	ETH
	Synthetix	sUSD	0.15	Dec '18	ETH, FTM
	mStable	mUSD	0.05	May '20	ETH

Algorithmic					
	Frax	FRAX	1.37	Dec '20	Multi
	Neutrino	USDN	0.76	Oct '19	Multi
	Fei USD	FEI	0.20	Dec '20	ETH
	TerraUSD	UST	0.00*	Sept '20	Multi



### Key Takeaways

- Recession likelihood continues to increase based on key metrics
- CPI, PPI, and corporate earnings will help illuminate recession probability
- Unemployment numbers will be released Friday, exp. 3.6%, unchanged

### Macro Commentary

Recent economic data, which has historically correlated as an inflationary indicator, suggests a pivot in pricing behavior is occurring. However, the complete scope of expectations will be better understood after CPI and PPI are released later this week, as well as the beginning of corporate earnings season.

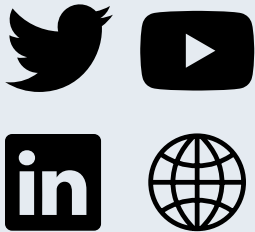
Brent oil futures prices dropped briefly below \$100 a barrel Wednesday before rising above the mark by the weekend. Price was around \$114 during the holiday weekend before the decline. As a result of rising inventories at major consumer outlets like Target and Walmart, WSJ reported shipping freight rates are starting to decline as well, with contracts renegotiated and reduced about 20%, in line with current trend expectations. Friday's unemployment rate remained at 3.6% from last month, while change in non-farm payrolls added 372k jobs last month, demonstrating strength in the labor market despite macro fundamentals weakening. Year over year CPI expectations are currently surveyed at 8.8%, slightly higher than 8.6%. Core CPI, excluding energy and food, looks to decline to 5.7%, from 6% last month. Month over month CPI looks to rise just slightly to 1.1% from 1%, with core declining to 0.5% from 0.6%.

Fed funds futures are currently pricing in another 75 basis point hike at the end of the month, which would add to the 150 basis points raised this year. If 75 basis points is confirmed at the conclusion of meetings this month, futures suggest an additional 100-125 basis points to go, which would bring rates to the 3.5-4.0% target rate. Meanwhile, the 2/10 treasury yield spread has dropped below -8 basis points, one of the lowest points historically. The front end of the curve has notably risen about 20 basis points over the last week, which could be viewed as a precursor to a recessionary period. The 10 year treasury yield alone rose to about 3.1% Friday after a low of 2.75% Wednesday. Monday pushed the yield lower to the 3% level. The shortened week had equities trend higher with the S&P 500 finishing the week at the 3,900 level, up from 3,750 Tuesday.

### Authors:

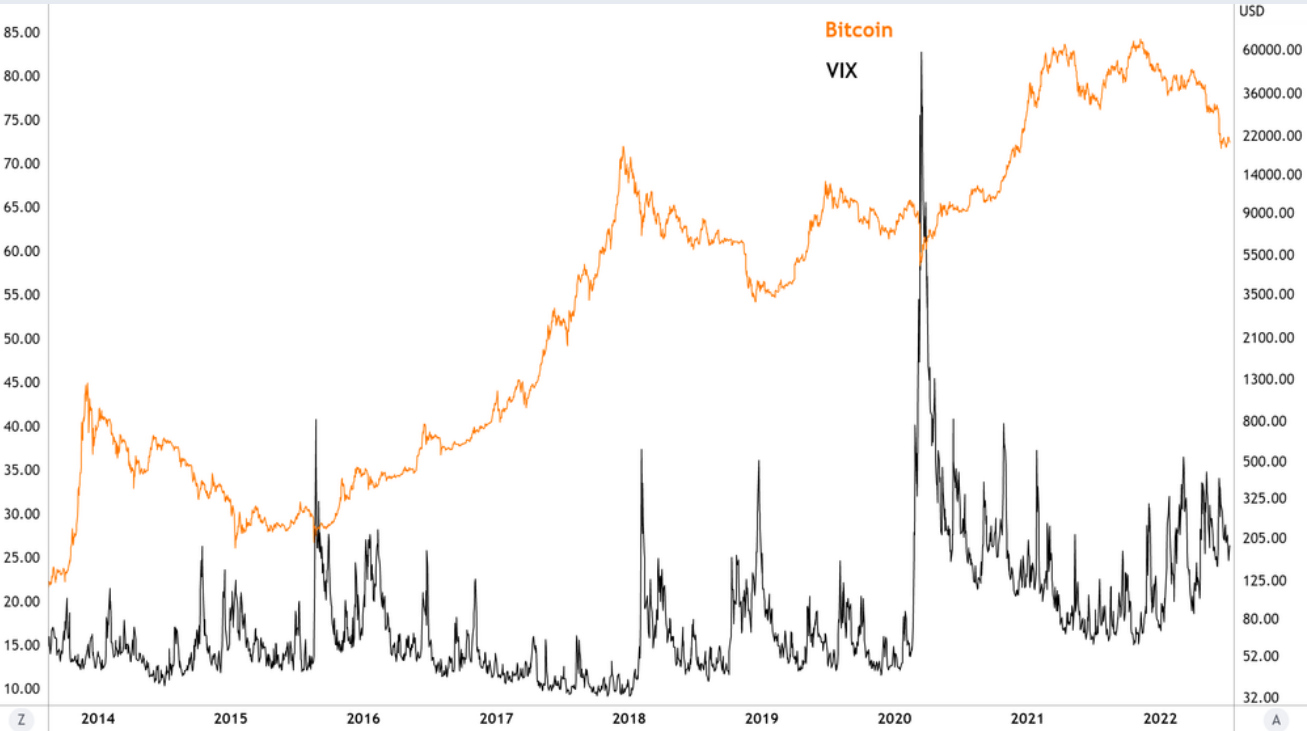
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Please see important disclosures on next page.



Indices	Ticker	Price (\$)	Returns (%)				
			1 week	1 month	3 month	YTD	1 year
S&P 500	SPX	3899	1.94	-0.04	-13.12	-18.19	-10.76
Nasdaq 100	NDX	12125	4.66	2.48	-15.37	-25.70	-18.21
Russell 2000	RUT	1769	2.41	-1.72	-11.29	-21.20	-22.40
Dow Jones Ind.	DJI	31388	0.77	-0.17	-9.74	-13.76	-10.13

Commodities							
Crude Oil	CL1	101.17	-6.74	-16.42	6.27	34.05	36.34
Brent Crude	BRN00	103.94	-8.69	-15.06	4.61	33.29	38.15
Natural Gas	NG00	6.41	14.54	-25.93	-4.11	78.99	71.54
Unleaded Gas	RB00	3.37	-8.05	-16.03	11.63	52.10	47.76
Gold	GC00	1732.60	-4.43	-4.81	-11.49	-5.35	-4.11
Silver	SI00	19.14	-3.60	-8.94	-24.20	-18.03	-27.21
Copper	HG00	3.46	-4.10	-17.50	-25.16	-22.31	-19.95
Corn	C00	642.50	5.85	-16.12	-15.96	8.44	20.88
Wheat	W00	901.75	7.22	-15.55	-16.54	17.07	40.84
Bloomberg Commodity Index	BCOM	116.59	-0.46	-13.81	-7.66	17.70	24.84
Bitcoin	BTC	20509.93	-1.98	2.20	-48.34	-56.66	-40.38



Source: TradingView

### News Review

- Meta to Shutter Novi Crypto Payments Wallet in September, Ending Libra Saga
- El Salvador's Bitcoin Wallet Chivo Scores \$52M in Commission-Free Remittances in 2022
- Argentines Flock to Stablecoins Amid Resignation of Economy Minister
- Ledger Hardware Wallet Integrates with the FTX Exchange Swap Functionality
- BIS Calls for Global Collaboration with Central Bank Digital Currency (CBDC) Designs
- Fed's Brainard Says Crypto Needs Regulation Now Before It Becomes So Big That It Threatens Financial System
- MakerDAO Approves \$100 Million Stablecoin Loan Vault for 151-year-old US Bank
- Crypto Lender Nexo Starts Process to Potentially Acquire Troubled Crypto Lender Vault
- Crypto Broker Voyager's Marketing on Safety of Customer Accounts Draws FDIC Scrutiny
- Crypto Exchange Blockchain.com Faces \$270M Hit on Loans to Three Arrows Capital
- Lawsuit Accuses Troubled Crypto Lender Celsius Network of Fraud
- Vault Issues Letter to Its Creditors, Disclosing \$70 million Shortfall
- Stablecoin Issuer Tether Discloses Celsius Network's Loan Liquidation Process



# Weekly Market Review - July 11th, 2022

Weekly Thoughts: Source: Valkyrie Investments, Inc.

Stablecoin Origins & Purpose, Fiat-Backed, Crypto-Backed, Algorithmic, Tether Redemptions & Reserves: 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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