

Key Takeaways

- Digital asset firm M&A talks ramp up as the industry cleanses contagion
- Technicals dating back to Bitcoin's inception show price maintaining key levels
- Hash rate drops as industrial Bitcoin miners in Texas have curtailed power use

On-Chain Commentary

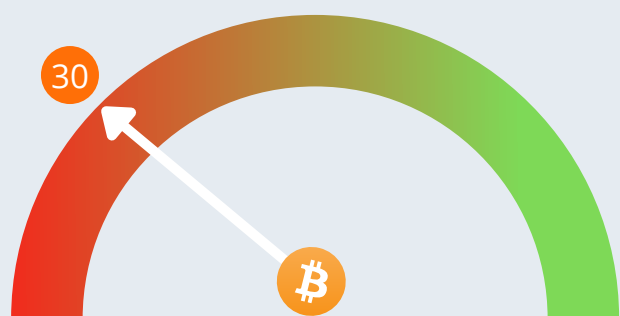
Restructuring, layoffs, and talks of mergers and acquisitions continued for several digital asset firms over the past week, as many are still in the midst of dealing with connections to a mixture of Celsius, Voyager, or Three Arrows Capital. Sam Bankman-Fried's FTX exchange is simultaneously raising a new fundraising round at the previous valuation, attempting to buy the South Korean exchange Bithumb, and offering deals to troubled crypto lenders BlockFi and Voyager.

On a technical basis, Bitcoin and Ethereum continue to hold at or near their respective 200-week moving averages, previous all-time highs, and realized price, or aggregate average price of all coins moved on-chain. Historically, both the 200-week moving average and realized price have acted as a multi-month accumulation zone on Bitcoin and Ethereum for market participants in prior bear markets.

Bitcoin's hash rate decline continues to accelerate, as most industrial miners located in Texas have continuously curtailed power use in response to concerns over grid stability during the summer heat. Additionally, the least cost-efficient miners are the most likely to reduce hash rate as mining profitability declines. Many variables determine mining profitability, including Bitcoin price, network difficulty, block reward, and transaction fees.

Bitcoin Fear and Greed Index

Multifactorial Market Sentiment Analysis



Last Week: 20 Last Month: 14

Source: Alternative.me

Bitcoin Monthly Average Hashrate



Source: CoinMetrics

Crypto	Ticker	Price (\$)	Returns (%)					Annualized				
			1 week	1 month	3 month	YTD	1 year	M Cap (bn)	Issuance (%)	Stake Yield (%)	Volatility	Sharpe
Bitcoin	BTC	22050.19	-3.55	8.99	-46.14	-53.77	-38.52	416.11	1.77	N/A	0.69	-0.40
Ethereum	ETH	1541.14	-5.30	41.43	-49.67	-59.21	-30.97	184.17	4.13*	N/A*	0.87	-0.08
Binance Coin	BNB	256.83	-2.60	15.98	-37.10	-50.91	-15.95	41.09	0.00	5.06	0.79	0.11
Solana	SOL	39.15	-5.69	14.61	-61.73	-77.60	36.86	13.37	4.11	5.44	1.21	0.80
Polkadot	DOT	7.15	-5.26	-0.61	-61.27	-74.50	-48.96	6.93	8.20	14.83	1.12	0.04
Polygon	MATIC	0.84	-6.82	70.48	-39.48	-67.89	-12.83	6.57	2.13	5.67	1.28	0.51
Avalanche	AVAX	22.52	-7.99	29.05	-69.97	-78.46	94.79	6.22	5.46	9.08	1.41	1.21
Tron	TRX	0.07	-3.16	-0.12	-0.64	-16.74	12.14	5.99	0.85	3.15	0.86	0.60
Near	NEAR	4.14	-7.36	20.70	-71.78	-74.24	94.03	3.00	4.80	11.55	1.56	1.18
Cosmos	ATOM	9.46	-7.54	21.76	-58.39	-69.45	-19.60	2.64	12.28	19.48	1.35	0.55
Algorand	ALGO	0.33	-5.05	2.65	-54.10	-81.34	-63.71	2.25	3.92	7.98	1.22	-0.10
Helium	HNT	9.01	-3.81	-5.2	-48.57	-76.25	-25.77	1.09	Variable	6.16	1.31	0.47
Fantom	FTM	0.33	-11.37	26.11	-70.47	-84.91	59.92	0.81	6.60	16.99	1.65	1.15
Zilliqa	ZIL	0.04	-4.27	-2.14	-63.27	-51.35	-48.83	0.50	5.50	15.03	1.73	0.36

Bitcoin 30-Day Rolling Volatility



Source: CoinMetrics

Bitcoin Moving Averages



Source: TradingView

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.

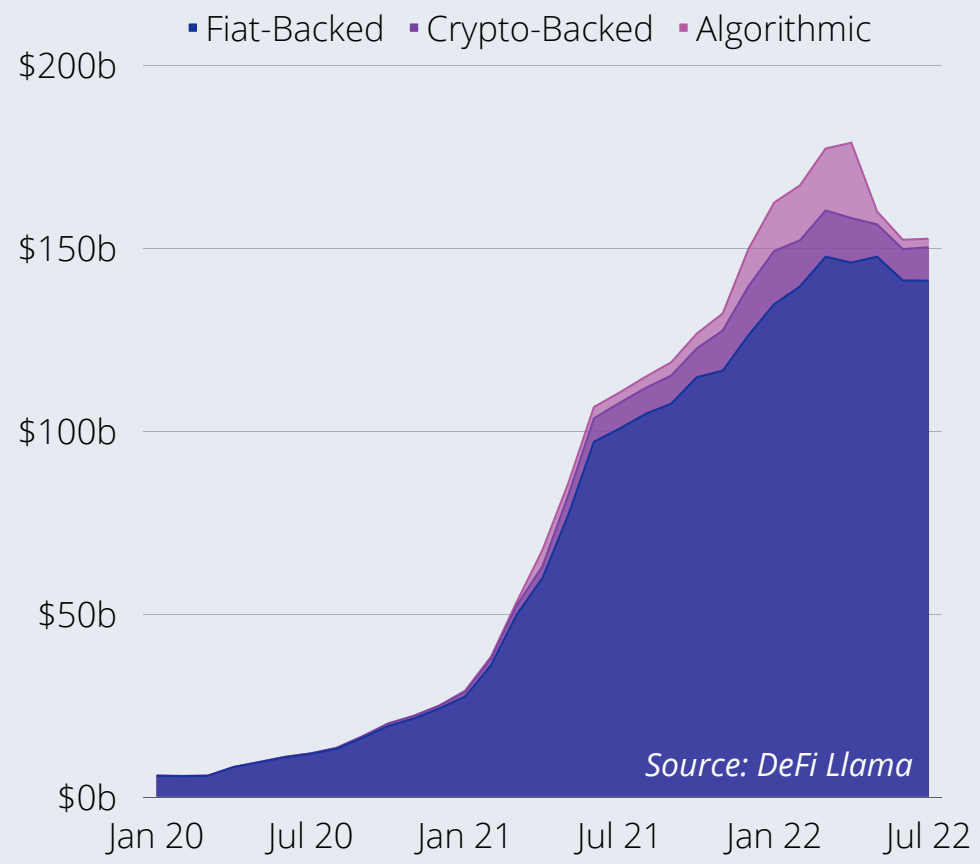
Algorithmic

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.

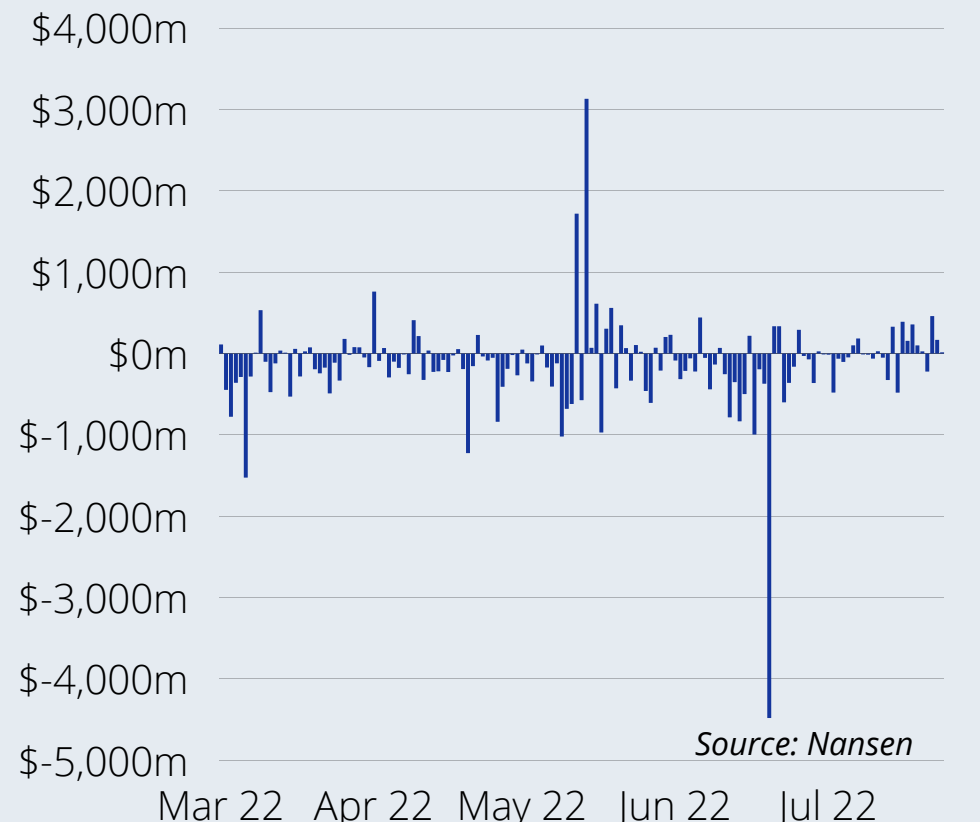
Tether Redemptions & Reserves

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	66.30	Sept '14	Multi
	Circle	USDC	54.33	Sept '18	Multi
	Binance	BUSD	18.01	Sept '19	Multi
	TrueUSD	TUSD	1.23	Jan '18	Multi
	Paxos	USDP	0.87	Sept '18	ETH, BSC
	Huobi	HUSD	0.18	Nov '18	ETH, SOL
	Gemini	GUSD	0.16	Sept '18	ETH
Crypto-Backed					
	MakerDAO	DAI	6.95	Dec '17	Multi
	Abracadabra	MIM	1.81	May '21	Multi
	Liquity	LUSD	0.17	Apr '21	ETH
	Synthetix	sUSD	0.16	Dec '18	ETH, FTM
	mStable	mUSD	0.05	May '20	ETH
Algorithmic					
	Frax	FRAX	1.41	Dec '20	Multi
	Neutrino	USDN	0.73	Oct '19	Multi
	Fei USD	FEI	0.20	Dec '20	ETH
	TerraUSD	UST	0.00*	Sept '20	Multi

Key Takeaways

- The FOMC meeting this week will likely include a 75bp rate hike
- Price volatility is likely to continue in most sectors throughout the week
- Macro indications point to the possibility of recessionary conditions

Macro Commentary

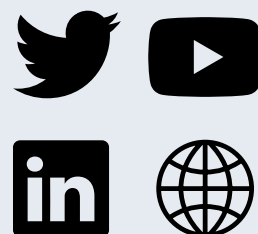
Investors await the conclusion of this week's Federal Open Market Committee (FOMC) two-day meeting with a rate decision expected Wednesday afternoon. Futures have priced in a 75 basis point hike with some Fed committee members conveying this message over the past couple weeks, but a 100 basis point hike is not out of the question with the Fed's next scheduled meeting in September. Fed officials will have a full month's slate of economic indicators to consider, with the labor market relatively resilient despite the detrimental effect of inflation across the economy. There may be a faint light at the end of the tunnel with futures markets pointing toward a rise in rates above 3% by year end, with a pivot anticipated by June 2024 towards the 2.5% level. With most commodities turning lower over the last couple months, corporate earnings showing some weakness due to the current economic environment, and consumer sentiment rising off historic lows, perhaps an end is near, with some obstacles to navigate before arrival.

Interest rates have been a fluid story this month with notable yield curve movements week to week. The 2/10 treasury yield spread declined below -20 again after improving slightly earlier in the week. Current yield curve confirms the trend with the front end moving higher, then quickly shaping lower starting at the 1 year point of the curve. The 10 year treasury yield alone has experienced volatile weekly moves as well, jumping close to 3.1% midweek, before declining near 2.75% by Friday afternoon. Equities turned positive through the week following a decline Monday afternoon near the 3800 level for the S&P 500, then seeing a print above 4000 before settling slightly lower. Finally, Brent oil futures remained in range last week despite headlines coming from the on-going Ukrainian-Russian war. Futures ranged between about \$102 and \$108 a barrel, with a gradual trend lower over the last 30 days.

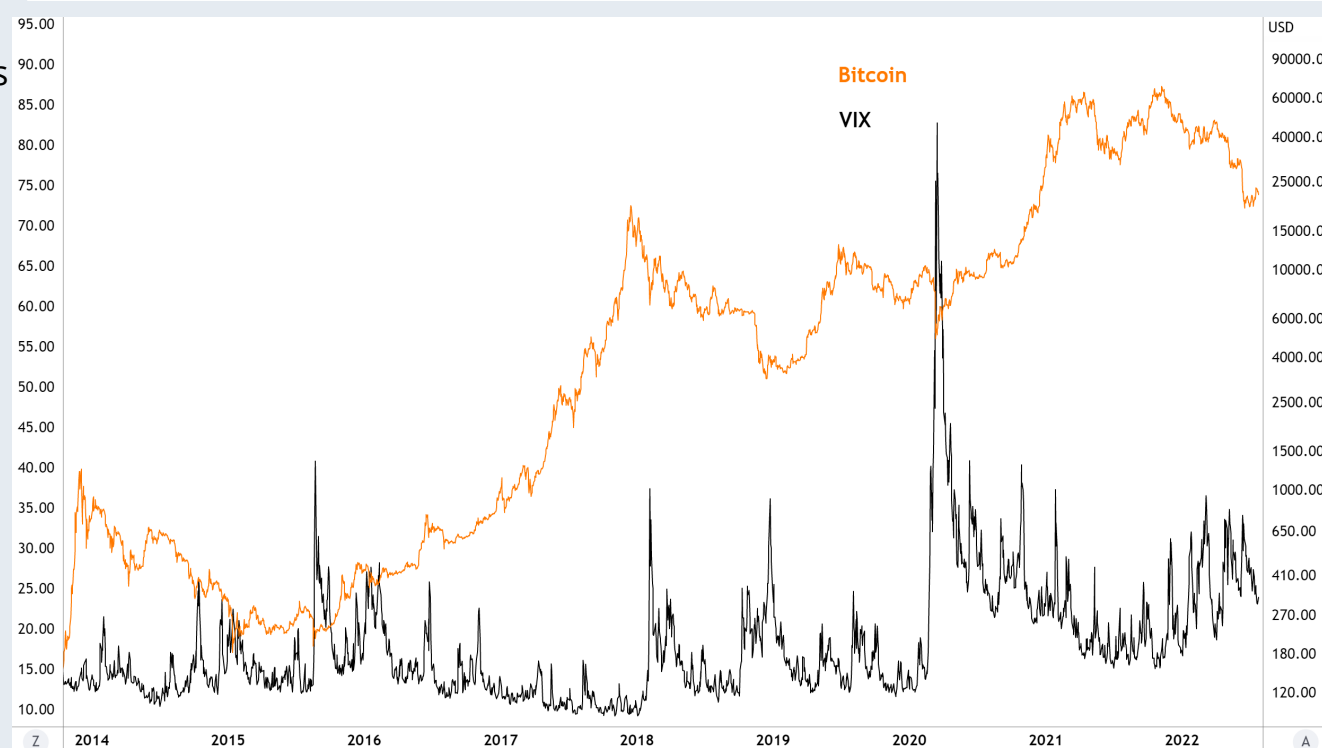
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Please see important disclosures on next page.



Indices	Ticker	Price (\$)	Returns (%)				
			1 week	1 month	3 month	YTD	1 year
S&P 500	SPX	3961	2.55	1.28	-7.26	-16.88	-10.20
Nasdaq 100	NDX	12396	3.45	2.40	-7.19	-24.04	-17.97
Russell 2000	RUT	1806	3.58	2.33	-6.89	-19.53	-18.23
Dow Jones Ind.	DJI	31899	1.95	1.27	-5.66	-12.22	-9.02
Commodities							
Crude Oil	CL1	96.38	-5.55	-12.20	-2.24	27.79	33.58
Brent Crude	BRN00	99.65	-5.71	-10.39	-2.67	27.85	33.21
Natural Gas	NG00	8.32	13.55	30.45	22.26	132.35	104.54
Unleaded Gas	RB00	3.07	-5.63	-18.16	-4.65	38.48	34.47
Gold	GC00	1723.20	0.94	-5.53	-9.26	-5.86	-4.12
Silver	SI00	18.49	-0.75	-12.62	-21.95	-20.79	-26.72
Copper	HG00	3.36	1.60	-10.19	-24.78	-24.46	-26.62
Corn	C00	578.75	-5.05	-11.30	-27.43	-2.32	6.05
Wheat	W00	782.00	-3.19	-14.88	-27.07	1.53	15.42
Bloomberg Commodity Index	BCOM	117.44	3.50	-3.19	-8.98	18.43	22.74
Bitcoin	BTC	22050.19	-3.55	8.99	-46.14	-53.77	-38.52



Source: TradingView

News Review

- [Russian Activists Turn to Crypto for Donations to Aid Ukraine Refugees](#)
- [Ukraine Devalues Hryvnia Currency by 25% Against U.S. Dollar](#)
- [Texas's Summer is Bitcoin Mining's Winter - Mining Difficulty Drops as Texas Heat Rises](#)
- [Tesla's Musk Remains Open to Buying More Bitcoin After Selling in Q2 to Raise Cash](#)
- [Ex-Coinbase Manager Arrested in US Crypto Insider-Trading Case](#)
- [SEC Enforcement Head Asks Congress for More Resources to Tackle Crypto Issues](#)
- [Stablecoins Would Get Federal Rules Under Emerging House Deal](#)
- [Stablecoin Provider Circle Eyes Public Listing in Q4 This Year: CFO](#)
- [Sam Bankman-Fried Turns \\$2 Trillion Crypto Rout Into Buying Opportunity](#)
- [Christie's Launches Venture Fund, Makes First Investment in Web3 Company](#)
- [Fedi Raises \\$4 Million to Scale Bitcoin Custody With Fedimint](#)
- [Blockchain Security Startup Raises \\$90 Million Despite Crypto Winter](#)
- [Blockchain Infrastructure Firm Blockdaemon Snaps Up Wallet Security Startup Sepior](#)
- [Crypto Lender Genesis Lent \\$2.36 Billion to Three Arrows Capital](#)



Weekly Market Review - July 25th, 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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