

Key Takeaways

- Custody fears continue as more smaller exchanges halt customer withdrawals
- Technicals dating back to Bitcoin's inception show price maintaining key levels
- Industrial Bitcoin miners have sold significant portions of their Bitcoin reserves

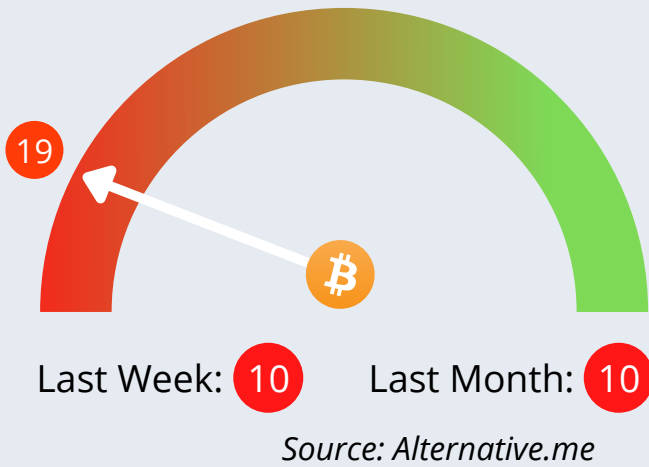
On-Chain Commentary

Crypto prices made an attempt to stabilize last week, in the face of continued layoff announcements from many companies in the digital asset industry. More details have emerged surrounding the business practices of crypto firm Three Arrows Capital, which continues the bankruptcy and liquidation process. Troubled crypto lender Voyager, as well as several other smaller lenders and exchanges, such as CoinFLEX, Babel Finance, Vauld, and CoinLoan, have all limited or halted customer withdrawals. Concerns over exchange custody risks remain broadly evident based on the further decline of Bitcoin held on exchange balances, which have dropped to near a four-year low, according to Glassnode.

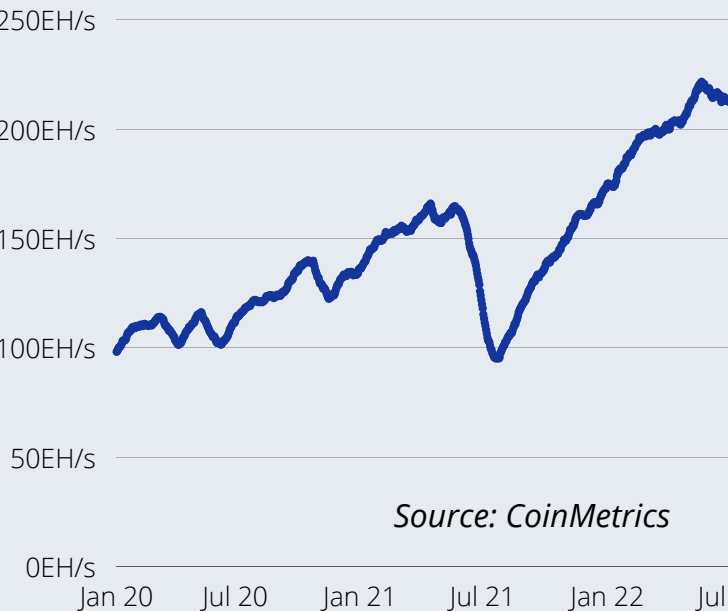
On a technical basis, Bitcoin continues to hold near the 200-week moving average, 2018 all-time high, and realized price, or aggregate average price of all coins moved on-chain. Historically, both the 200-week moving average and realized price have acted as an accumulation zone on Bitcoin for market participants in prior bear markets. Bitcoin’s hash rate decline appears to have slowed but does suggest some miners are no longer maintaining profitability relative to costs. Additionally, many industrial miners, such as Core Scientific, have had to increase the sale of their Bitcoin reserves in recent months, based on company disclosures, to pay operating expenses, fund growth, retire debt, and maintain liquidity.

Bitcoin Fear and Greed Index

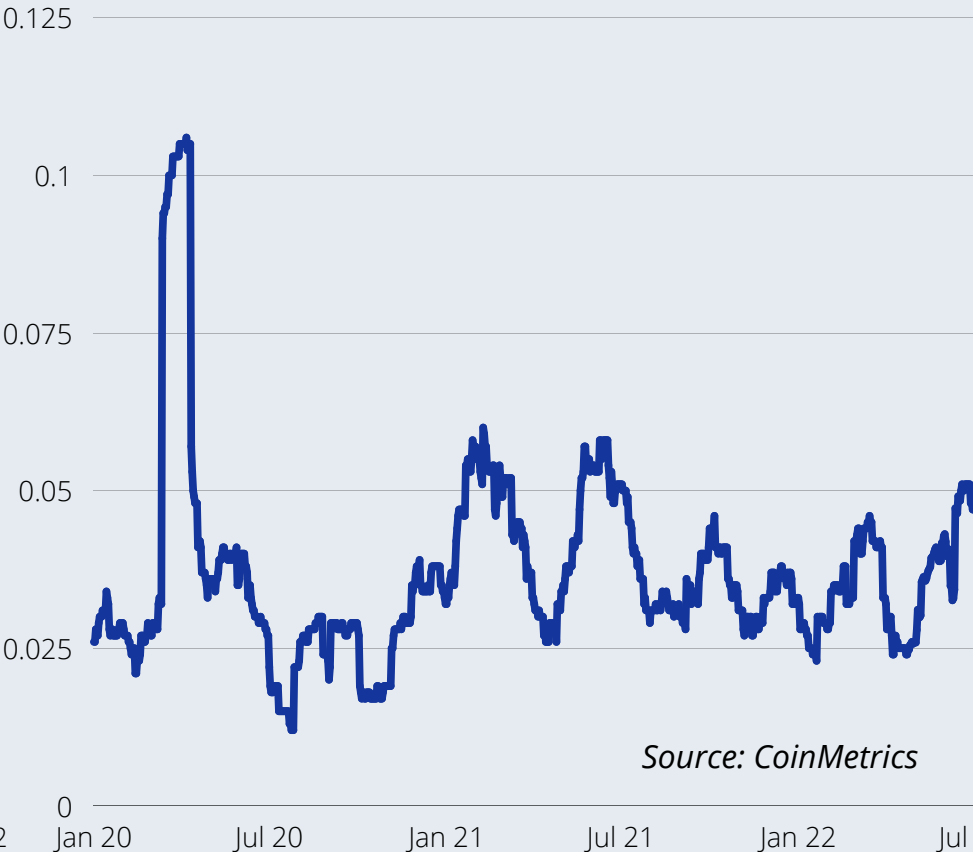
Multifactorial Market Sentiment Analysis



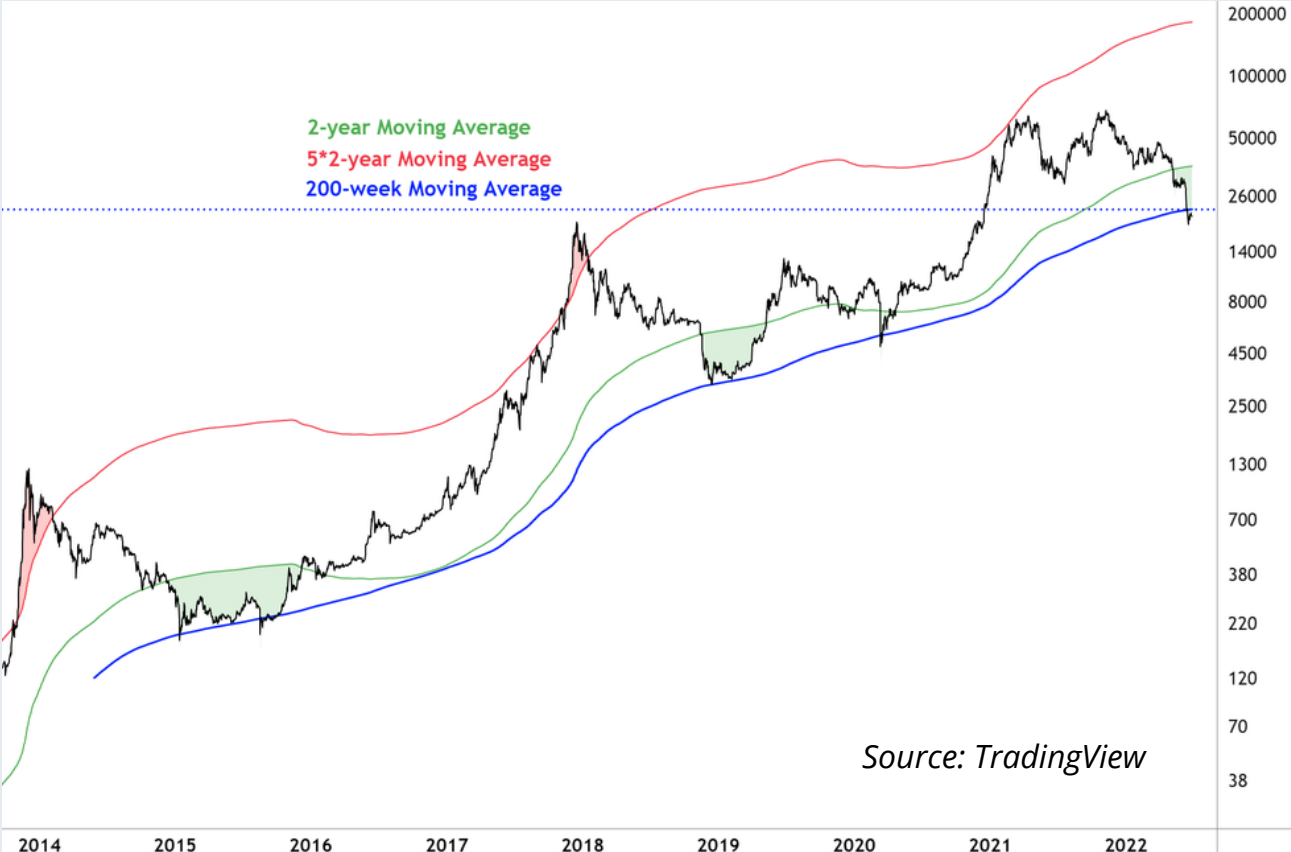
Bitcoin Monthly Average Hashrate



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	19748.02	1.17	-2.08	-57.11	-58.58	-42.08	372.50	1.77	N/A	0.68	-0.56
Ethereum	ETH	1118.89	2.39	2.67	-67.75	-70.39	-50.00	133.40	4.13*	N/A*	0.85	-0.46
Binance Coin	BNB	228.13	2.92	2.55	-49.29	-56.57	-25.44	36.79	0.00	6.40	0.80	0.00
Solana	SOL	34.57	0.73	-0.13	-73.52	-80.53	2.02	11.53	3.91	5.24	1.22	0.60
Polkadot	DOT	6.84	-1.87	-4.89	-69.10	-75.59	-55.87	6.63	8.19	14.82	1.14	-0.09
Tron	TRX	0.07	0.63	2.94	-3.34	-14.13	3.75	6.18	0.85	3.15	0.86	0.49
Avalanche	AVAX	17.29	2.16	-0.01	-81.31	-83.29	41.10	4.81	6.21	9.23	1.39	1.00
Polygon	MATIC	0.51	8.68	4.16	-68.51	-80.38	-54.47	4.01	4.76	10.52	1.27	-0.01
Cosmos	ATOM	8.74	5.72	13.01	-70.80	-71.67	-36.91	2.45	12.05	19.29	1.36	0.49
Near	NEAR	3.40	0.44	0.08	-79.30	-78.68	49.76	2.43	2.93	8.04	1.56	1.07
Algorand	ALGO	0.31	-1.73	-3.40	-63.55	-82.44	-65.14	2.12	3.92	7.98	1.22	-0.16
Helium	HNT	9.19	-0.82	-3.46	-62.85	-75.81	-29.55	1.1	Variable	6.16	1.32	0.39
Fantom	FTM	0.26	-2.30	-0.28	-82.66	-88.07	9.15	0.64	6.60	16.99	1.64	0.91
Zilliqa	ZIL	0.04	-0.71	-1.47	-68.99	-50.82	-51.62	0.50	5.60	14.70	1.73	0.26

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.

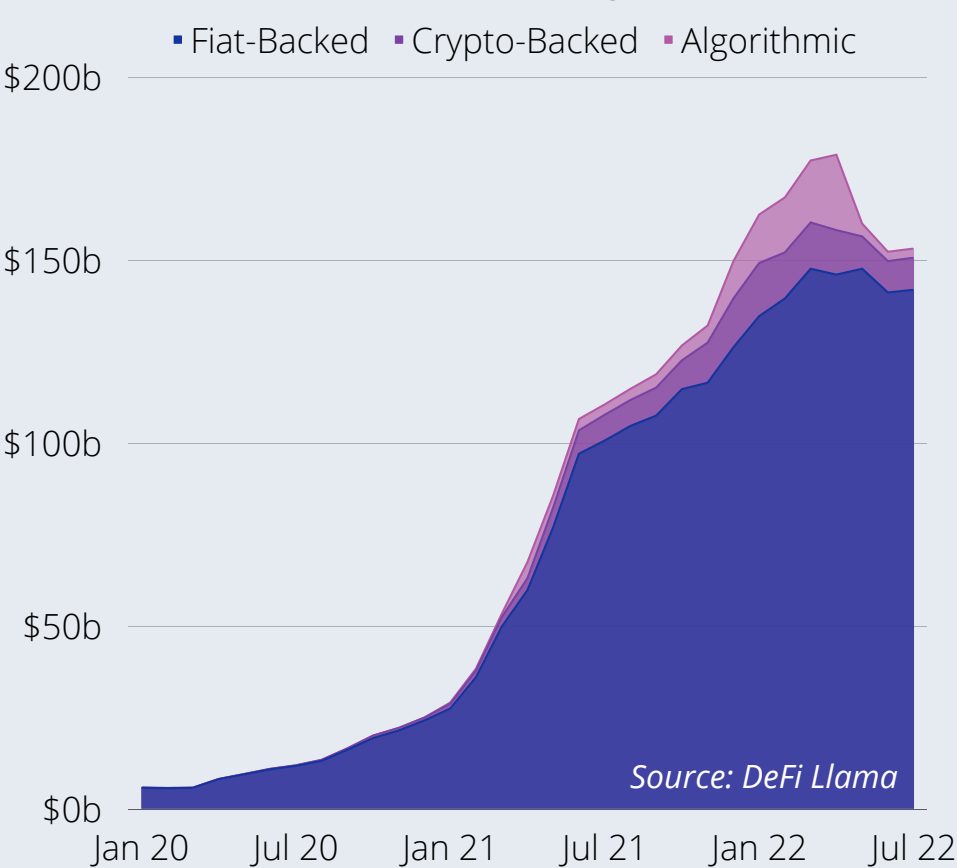
Algorithmic

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.

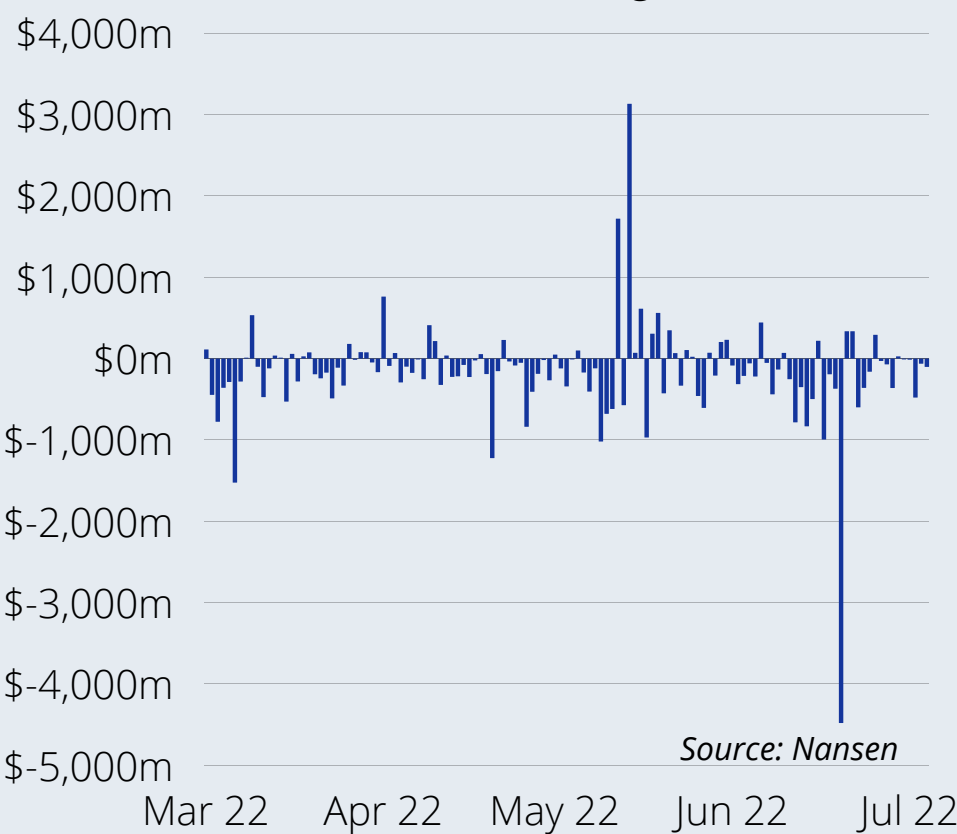
Tether Redemptions & Reserves








Tether has now experienced about \$18 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	66.58	Sept '14	Multi
	Circle	USDC	55.03	Sept '18	Multi
	Binance	BUSD	17.76	Sept '19	Multi
	TrueUSD	TUSD	1.25	Jan '18	Multi
	Paxos	USDP	0.85	Sept '18	ETH, BSC
	Huobi	HUSD	0.20	Nov '18	ETH, SOL
	Gemini	GUSD	0.17	Sept '18	ETH

Crypto-Backed

	MakerDAO	DAI	6.46	Dec '17	Multi
	Abracadabra	MIM	1.98	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	1.37	Dec '20	Multi
	Neutrino	USDN	0.76	Oct '19	Multi
	Fei USD	FEI	0.36	Dec '20	ETH
	TerraUSD	UST	0.00*	Sept '20	Multi

Key Takeaways

- Recession likelihood continues to increase based on key metrics
- Red hot commodities prices may begin to cool with falling demand
- Unemployment numbers will be released Friday, exp. 3.6%, unchanged

Macro Commentary

Investors remain wary of the effect of expanding inflation over the broader economy, as some data suggests recession is inevitable and has already arrived. The probability of a recession in the next twelve months is 0% percent in next 12 months, 3% recession in next 18 months, and 98.5% in the next 24 months, per an article by Bloomberg. Economic worries in Europe are causing the currency to scale down to parity against the US dollar, something not seen in 20 years. One possible bright spot could be seen with some notable commodity prices turning lower quarter to quarter, with oil, natural gas, wheat, lumber, and corn looking to stabilize the current unbalanced supply picture.

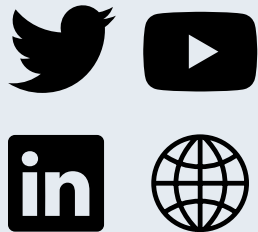
Equities trended lower through the week, with the S&P 500 index seeing a week low at 3,750 before settling closer to 3,825 Friday afternoon. Tuesday morning had the index grind higher towards 3,800 after opening just below 3,750. Flight to safety had the 10 year reach the 2.8% level for the first time in two months. This move made the 10 year yield lower than the 2 year yield, an inversion observed as a recession indicator. The yield curve has flattened between the 2 and 10 year, and rises for the 20 and 30 year points on the curve. Finally, Brent oil futures also turned lower due to rising inflation worries causing less demand. Futures hit a low of about \$102 per barrel Tuesday, after reaching a high last week just above \$120.

Focus this week will be on the unemployment rate released this Friday, currently surveyed to remain unchanged at 3.6%. Next FOMC meeting is at the end of the month.

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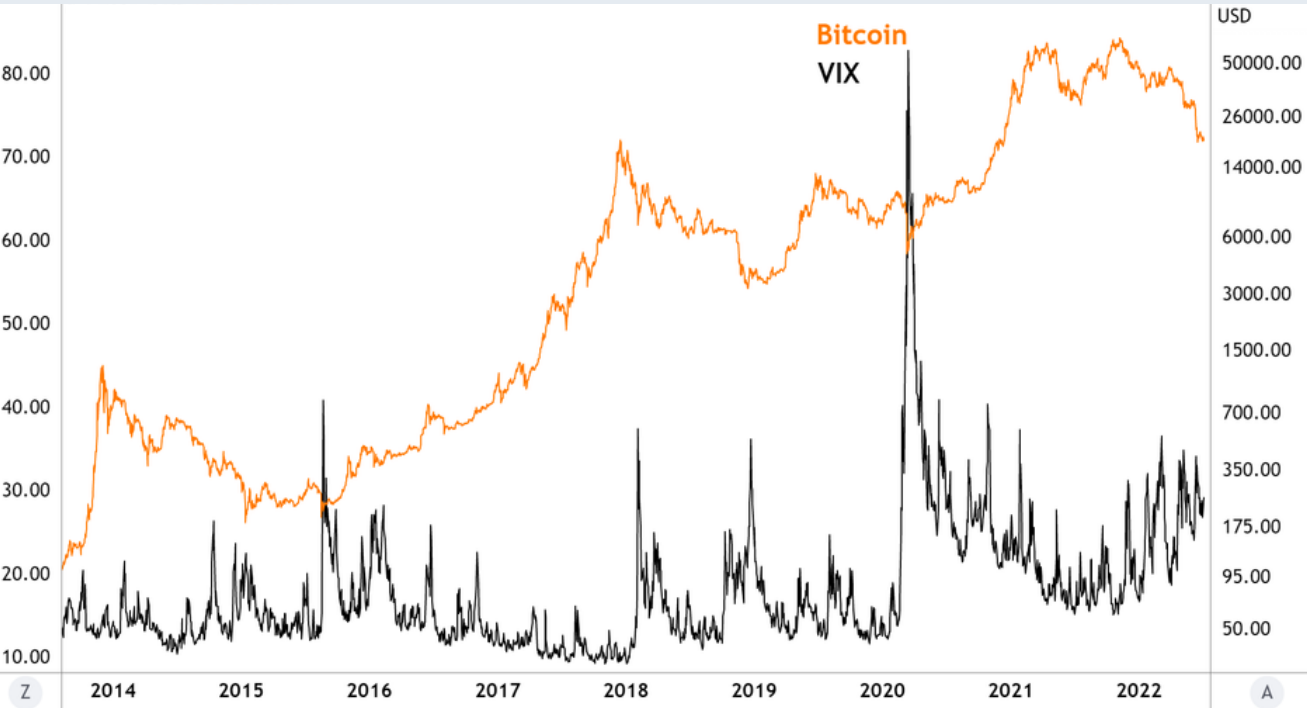
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Weekly Market Review - July 5th, 2022

Indices	Ticker	Price (\$)	Returns (%)				
			1 week	1 month	3 month	YTD	1 year
S&P 500	SPX	3825	-2.21	-6.89	-15.85	-19.74	-12.11
Nasdaq 100	NDX	11585	-4.30	-7.67	-22.04	-29.01	-21.33
Russell 2000	RUT	1727	-2.15	-8.25	-17.38	-23.05	-25.07
Dow Jones Ind.	DJI	31097	-1.28	-5.48	-10.69	-14.42	-10.60

Commodities							
Crude Oil	CL1	108.84	-0.89	-8.84	4.99	44.25	44.71
Brent Crude	BRN00	112.19	-1.61	-7.31	6.13	43.91	49.69
Natural Gas	NG00	5.43	-14.98	-41.74	-5.95	51.52	46.89
Unleaded Gas	RB00	3.66	-2.44	-13.54	14.19	65.10	59.14
Gold	GC00	1801.80	-1.29	-2.35	-7.04	-1.63	0.72
Silver	SI00	19.71	-6.85	-10.75	-19.99	-15.59	-25.87
Copper	HG00	3.48	-7.01	-21.26	-27.09	-21.79	-18.45
Corn	C00	605.50	-7.20	-18.51	-19.19	2.19	4.67
Wheat	W00	841.75	-8.38	-23.27	-16.80	9.28	29.25
Bloomberg Commodity Index	BCOM	116.09	-4.72	-14.84	-7.56	17.05	22.22
Bitcoin	BTC	19748.02	1.17	-2.08	-57.11	-58.58	-42.08



Source: TradingView

News Review

- [Bitcoin Mining: Investment Cycles - Coinbase Research](#)
 - A period of rapid credit expansion from 2020 through 2021 followed by rising capital costs observed in 2022, has accelerated the negative impacts to Bitcoin miners in light of declining prices.
- [The Crypto Crash Spooked Investors - but People Living in War Zones Say It's Still a Lifeline](#)
- [Nubank Now Allows 53 Million Brazilians to Buy Bitcoin](#)
- [New York Community Bank to Hold Assets Backing Circle's USDC](#)
- [Ethereum Finishes Gray Glacier Hard Fork to Push the 'Difficulty Bomb' to September](#)
- [Bitcoin App Developer Trust Machines Hires Coinbase, BNY Mellon Veterans](#)
- [Blockchain Analytics Firm Kaiko Raises \\$53M Series B Led by Eight Roads Amid Bear Market](#)
- [Citadel Securities' Business Head Nazarali Leaves for Joint Crypto Venture With Virtu](#)
- [Crypto Hedge Fund Three Arrows Capital Gets Liquidation Order in Singapore](#)
- [Singapore Central Bank Censures Three Arrows Capital for Alleged Misleading and False Disclosures](#)
- [Genesis Faces 'Hundreds of Millions' in Losses as 3AC Exposure Swamps Crypto Lenders: Sources](#)
- [Voyager Digital Suspends Withdrawals, Deposits and Trading](#)



Weekly Market Review - July 5th, 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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