

### Key Takeaways

- Strong bullish rallies in tradfi have help pushed digital assets higher
- 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

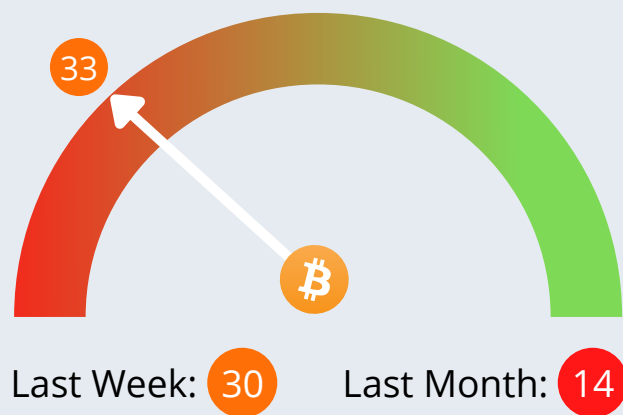
Digital asset markets were buoyed over the past week thanks to strong bullish rallies in both the S&P 500 and Nasdaq Composite. The Composite closed +12.3% in July, one of the best months on record. Although lower timeframe rolling correlations between digital assets and tradfi markets have declined slightly, higher timeframe rolling correlations continue to push all-time highs.

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 market lows. The likelihood of a mean reversion attempt to each coin’s 200-day moving average continues to increase as long as no lower price lows beyond the June and July lows are achieved over the next few weeks.

Bitcoin’s hash rate has continued to drift lower in recent weeks, as most industrial miners located in Texas have continuously curtailed power use in response to concerns over grid stability during the summer heat. Forecasts from the National Weather Service expect continued historic heat for Texas throughout August.

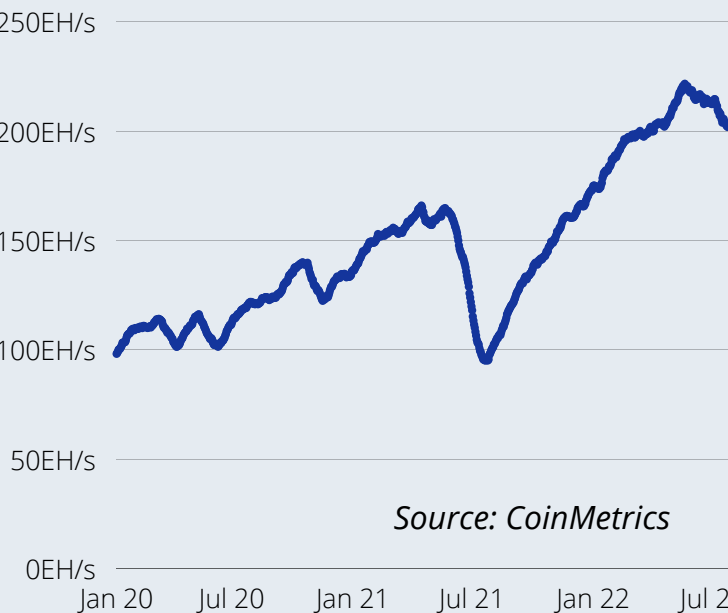
### Bitcoin Fear and Greed Index

Multifactorial Market Sentiment Analysis



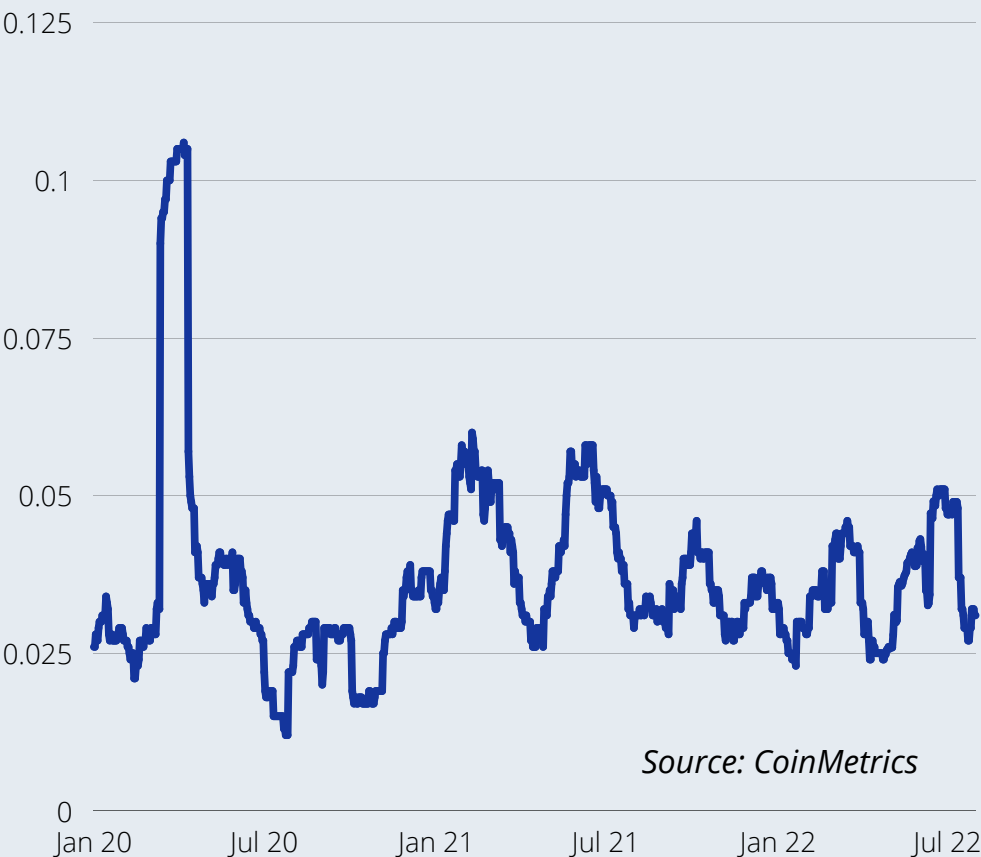
Source: Alternative.me

### Bitcoin Monthly Average Hashrate



Source: CoinMetrics

### 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.

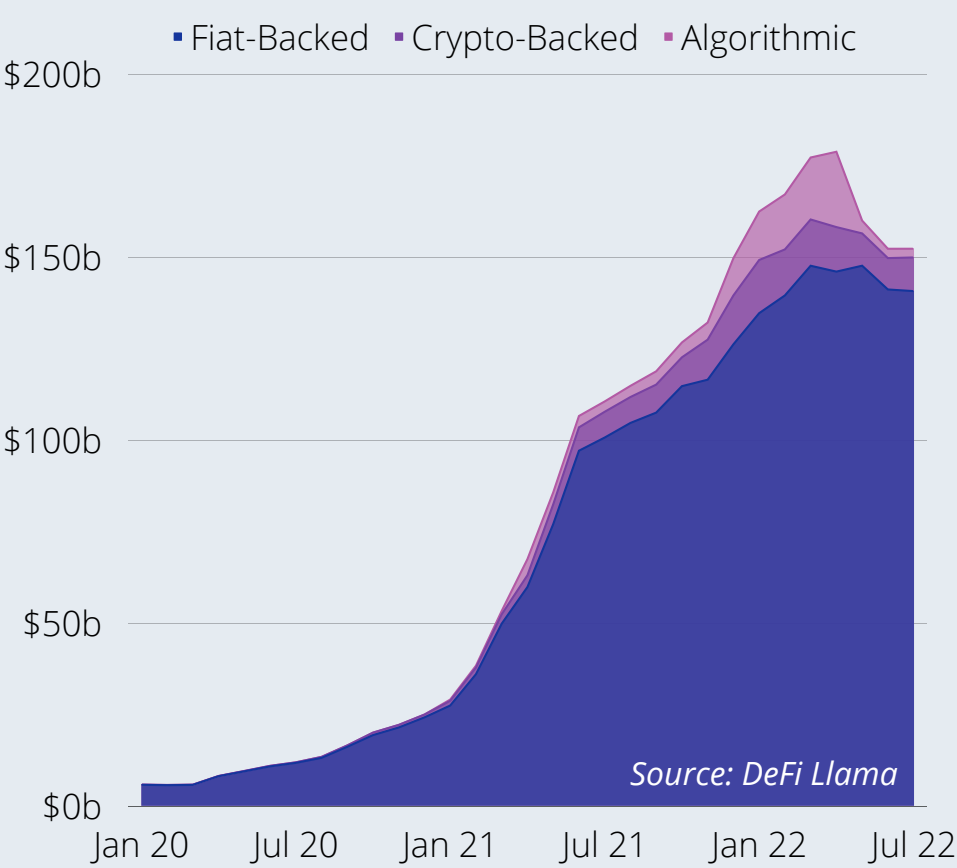
Algorithmic

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.

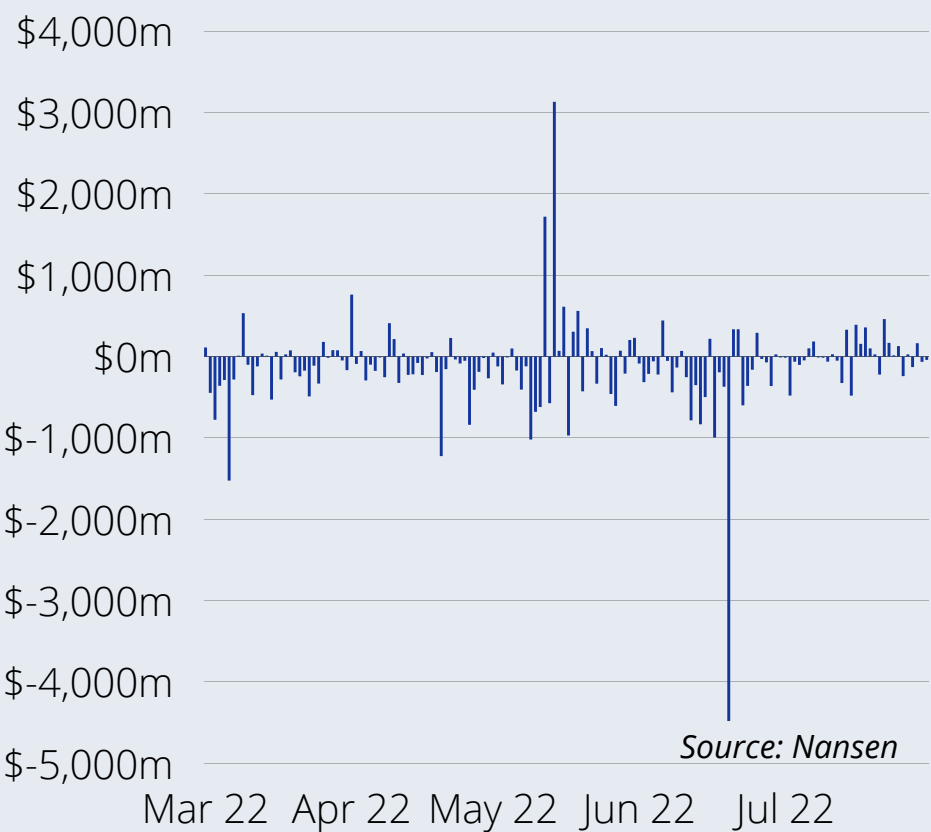
Tether Redemptions & Reserves

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	66.65	Sept '14	Multi
	Circle	USDC	53.63	Sept '18	Multi
	Binance	BUSD	18.00	Sept '19	Multi
	TrueUSD	TUSD	1.22	Jan '18	Multi
	Paxos	USDP	0.87	Sept '18	ETH, BSC
	Gemini	GUSD	0.17	Sept '18	ETH
	Huobi	HUSD	0.16	Nov '18	ETH, SOL

Crypto-Backed					
	MakerDAO	DAI	6.98	Dec '17	Multi
	Abracadabra	MIM	1.81	May '21	Multi
	Synthetix	sUSD	0.19	Dec '18	ETH, FTM
	Liquity	LUSD	0.17	Apr '21	ETH
	mStable	mUSD	0.05	May '20	ETH

Algorithmic					
	Frax	FRAX	1.47	Dec '20	Multi
	Neutrino	USDN	0.72	Oct '19	Multi
	Fei USD	FEI	0.20	Dec '20	ETH
	TerraUSD	UST	0.00*	Sept '20	Multi



### Key Takeaways

- Market sentiment rises after 75bp hike and negative GDP print
- The Fed is unlikely to pivot unless they succumb to political pressures
- Macro indications point to the possibility of recessionary conditions

### Macro Commentary

Many investors were waiting for the Fed to make the first move last week with markets moving higher after the 75 basis point rate hike. The next FOMC meeting is scheduled for September, with the possibility of an additional 75 basis point hike. Gross Domestic Product (GDP) numbers were also released last week, showing two consecutive declines over the past two quarters, a commonly accepted indicator of a recessionary period.

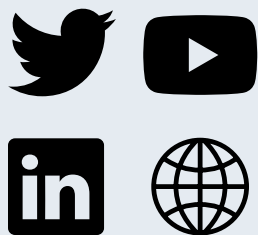
Investors likely saw this combination of rate hike and GDP numbers as positive, because a declining economy may force the Fed to pivot their hiking strategy sooner rather than later. However, the Fed is likely less concerned with recessionary conditions and more focused on their dual mandate of inflation and unemployment. Inflation remains historically very elevated, despite the ongoing hiking regime, and unemployment sits at 3.6%. Until inflation begins to tick significantly lower or unemployment moves above 5%, the Fed is likely to continue with successive rate hikes. Another important factor for a Fed pivot is the potential of mounting political pressures for a more dovish Fed as we approach midterm elections later this year.

Markets also likely rose higher over the past week as traders were taking risk off the table before their August vacations. Taking risk off during a bear market means short-covering, hence the dramatic rise in indices at the end of the month. Nevertheless, the unholy union of recession and inflation are likely to continue throughout the entirety of 2022 with legacy markets melting lower, especially in the absence of a Fed pivot towards November.

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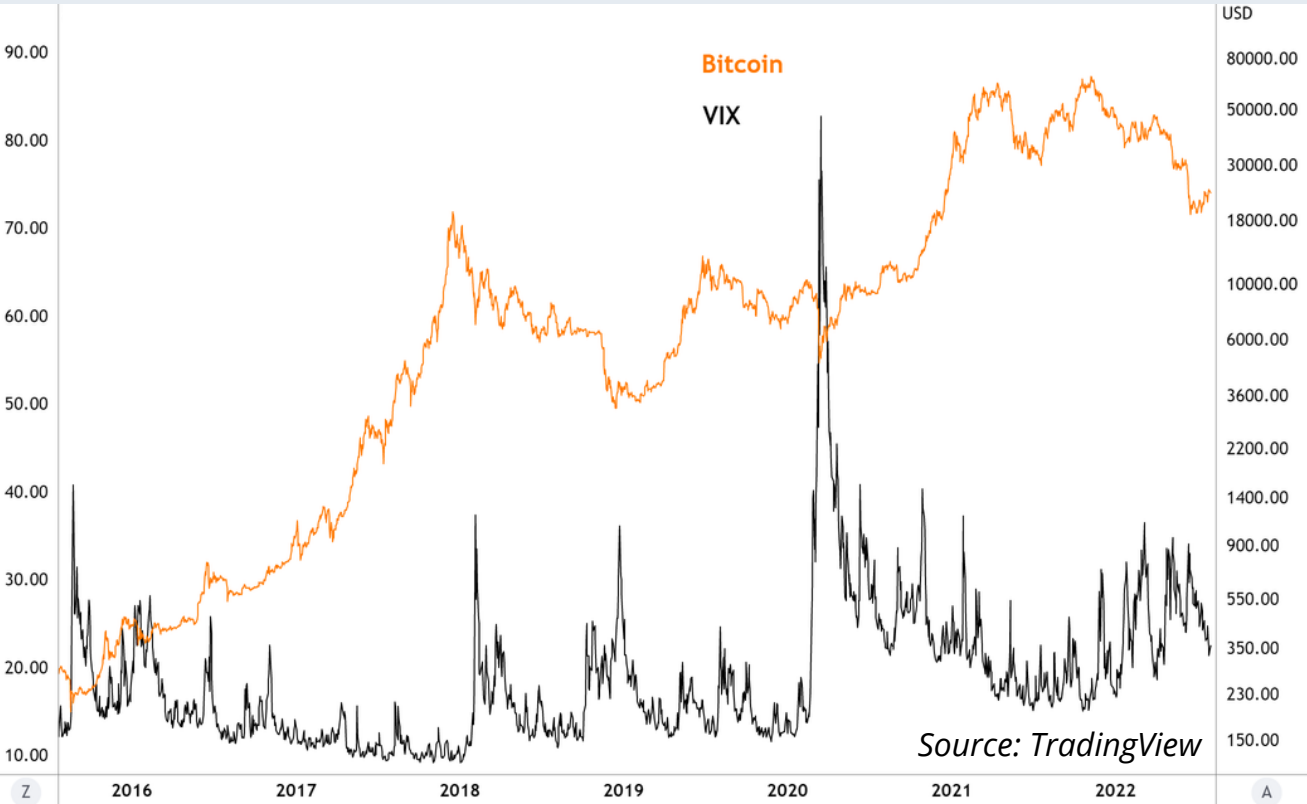
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# Weekly Market Review - August 1st, 2022

Indices	Ticker	Price (\$)	Returns (%)				
			1 week	1 month	3 month	YTD	1 year
S&P 500	SPX	4130	4.26	7.97	-0.04	-13.34	-6.03
Nasdaq 100	NDX	12947	4.45	11.76	0.72	-20.66	-13.45
Russell 2000	RUT	1885	4.34	9.11	1.13	-16.04	-15.32
Dow Jones Ind.	DJI	32845	2.97	5.62	-0.40	-9.61	-5.98

Commodities							
Crude Oil	CL1	95.56	-0.92	-11.87	-9.04	26.69	33.70
Brent Crude	BRN00	101.45	1.49	-10.85	-5.73	30.15	38.50
Natural Gas	NG00	7.89	-8.54	40.95	3.51	120.09	99.57
Unleaded Gas	RB00	3.04	-1.96	-16.89	-12.58	37.48	33.71
Gold	GC00	1784.50	3.86	-1.53	-4.19	-2.48	-1.76
Silver	SI00	20.37	11.13	2.62	-10.18	-12.76	-20.03
Copper	HG00	3.58	6.34	-0.93	-16.42	-19.74	-19.24
Corn	C00	604.25	3.78	-0.45	-24.87	1.98	8.09
Wheat	W00	788.50	2.47	-6.24	-25.10	2.37	7.87
Bloomberg Commodity Index	BCOM	119.73	2.75	2.22	-7.53	20.73	24.36
Bitcoin	BTC	23304.63	5.69	18.01	-39.13	-50.25	-41.19



### News Review

- [Stablecoin Issuer Tether: We No Longer Hold Commercial Paper in Our Reserves](#)
- [Core Scientific Signs Hosted Mining Deal Worth \\$50 Million per Year](#)
- [American Luxury Jewelry and Specialty Retailer Tiffany's Reveals First NFTs—at \\$51,000 Each](#)
- [Crypto Exchange FTX Gets Green Light to Operate Fully in Dubai](#)
- [Led by Exchanges, Crypto Industry Lobbying Grew 17% in Q2 Despite Bear Market](#)
- [House Lawmakers Prep Bipartisan Stablecoin Bill to Unveil Next Week](#)
- [State of California Ends Ban on Digital Asset Campaign Donations](#)
- [House Lawmakers Prep Bipartisan Stablecoin Bill to Unveil Next Week](#)
- [Two Soccer Teams Transfer a South American Player Using USDC, But There's Collateral Damage](#)
- [Barclays Expected to Invest 'Millions of Dollars' in Crypto Custody Firm Copper](#)
- [Crypto Hardware Wallet Maker Ledger Eyes Fresh \\$100M Raise](#)
- [Tether, Bitfinex and Hypercore Launch Hlepunch, a Platform for Fully Encrypted Peer-to-Peer Applications](#)
- [Crypto Lender Babel Finance Lost Over \\$280 Million in Proprietary Trading with Customer Funds](#)
- [Voyager Rejects Alameda Buyout Offer, as it 'Harms Customers'](#)



# Weekly Market Review - August 1st, 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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