

Key Takeaways

- Continued Fed hawkishness provides a strong macro headwind
- Ethereum's upcoming protocol change will reduce yearly inflation to near 0%
- Technicals dating back to Bitcoin's inception show price maintaining key levels

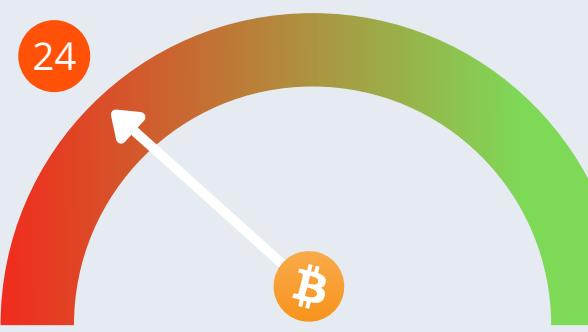
On-Chain Commentary

Digital asset markets continue to wrestle with the polar opposites of the potential for a continuously hawkish fed and upcoming Ethereum protocol Merge. Prices had been quiet over the past week until Powell's comments at Jackson Hole when markets dipped sharply South, with bearish sentiment continuing over the weekend. Counter to the likelihood of continued rate hikes in the US, we have Ethereum's Proof-of-Work to Proof-of-Stake transition, currently scheduled around mid-September. This change, although signaling a risk of increased chain centralization in the future, also represents a significant reduction in Ethereum's yearly inflation schedule from approximately 4% to nearly 0%. Dubbed a "triple halving", Ethereum's successful transition may be the catalyst needed for digital asset markets to decouple from legacy finance in Q4.

Despite extremely volatile conditions for both Bitcoin and Ethereum over the past few weeks, both continue to hold at or near their respective 200-week moving average, previous 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 a multi-month accumulation zone on Bitcoin for market participants in prior bear market lows.

Bitcoin Fear and Greed Index

Multifactorial Market Sentiment Analysis



Last Week: 42

Source: Alternative.me

Bitcoin Monthly Average Hashrate

250EH/s

200EH/s

150EH/s

100EH/s

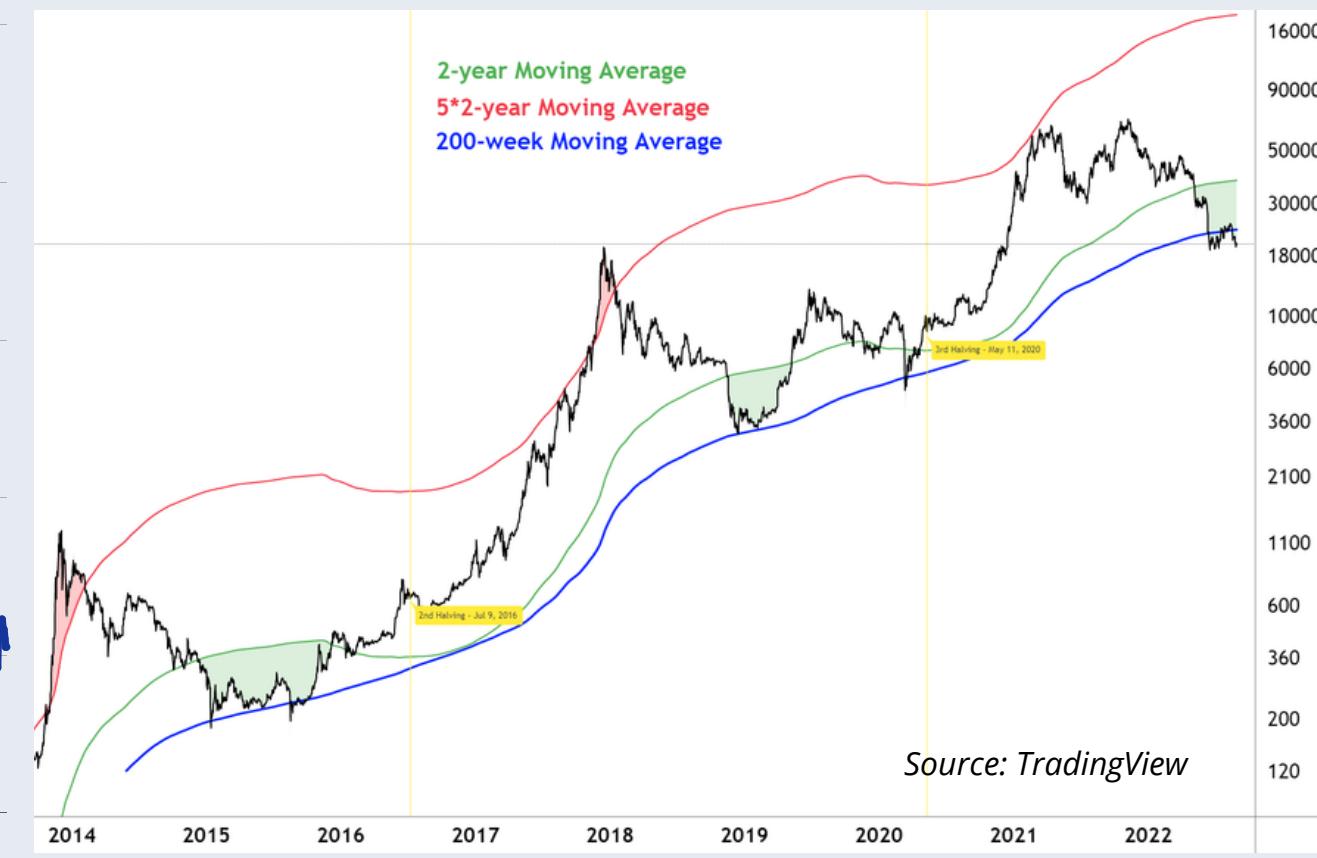
50EH/s

0EH/s

Source: CoinMetrics

Bitcoin 30-Day Rolling Volatility

Source: CoinMetrics

Bitcoin Moving Averages

Source: TradingView

Weekly Market Review - August 29th, 2022

Key Takeaways

- DeFi projects are actively adjusting protocols via decentralized governance mechanisms
- Compound Finance passed a proposed revamp & redesign to decrease liquidation risk & fees
- Several DeFi projects are moving away from inflationary token economics

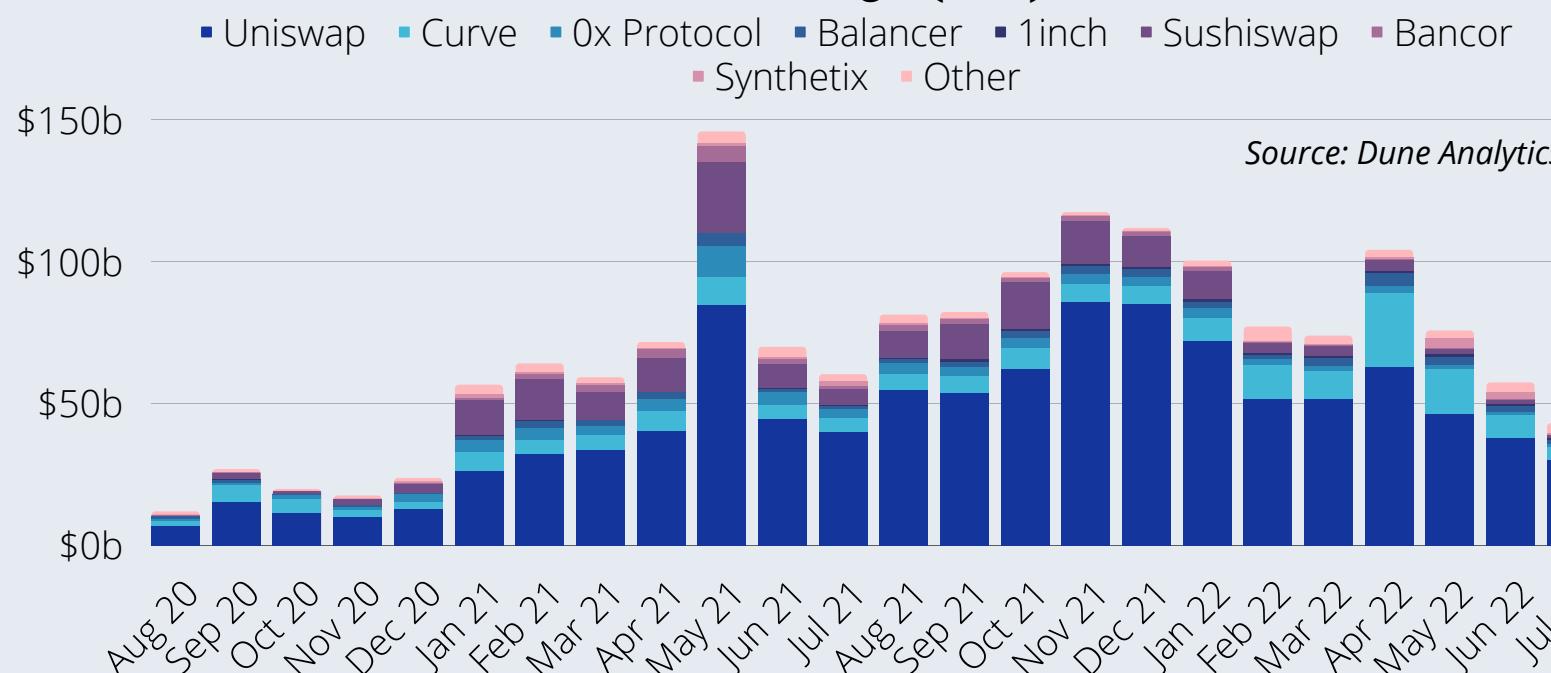
Decentralized Finance (DeFi) Commentary

Recently, several projects in the DeFi ecosystem have passed or proposed significant governance changes which increase ease of use and decrease token emissions.

Lending protocol Compound Finance (COMP) passed a proposal to redesign its risk management and liquidation engine. According to their team, the streamlined version of the protocol will emphasize security, capital efficiency, and user experience while removing complexity. In Compound III, interest isn't earned on collateral but you'll be able to borrow more with less risk of liquidation, lower liquidation penalties, and lower transaction fees. The biggest change is the move away from a pooled risk model where users can borrow any asset and collateral is constantly rehypothecated, to a single borrowable asset per deployment of Compound III. The Compound community continues to prioritize security and simplicity with successive code deployments.

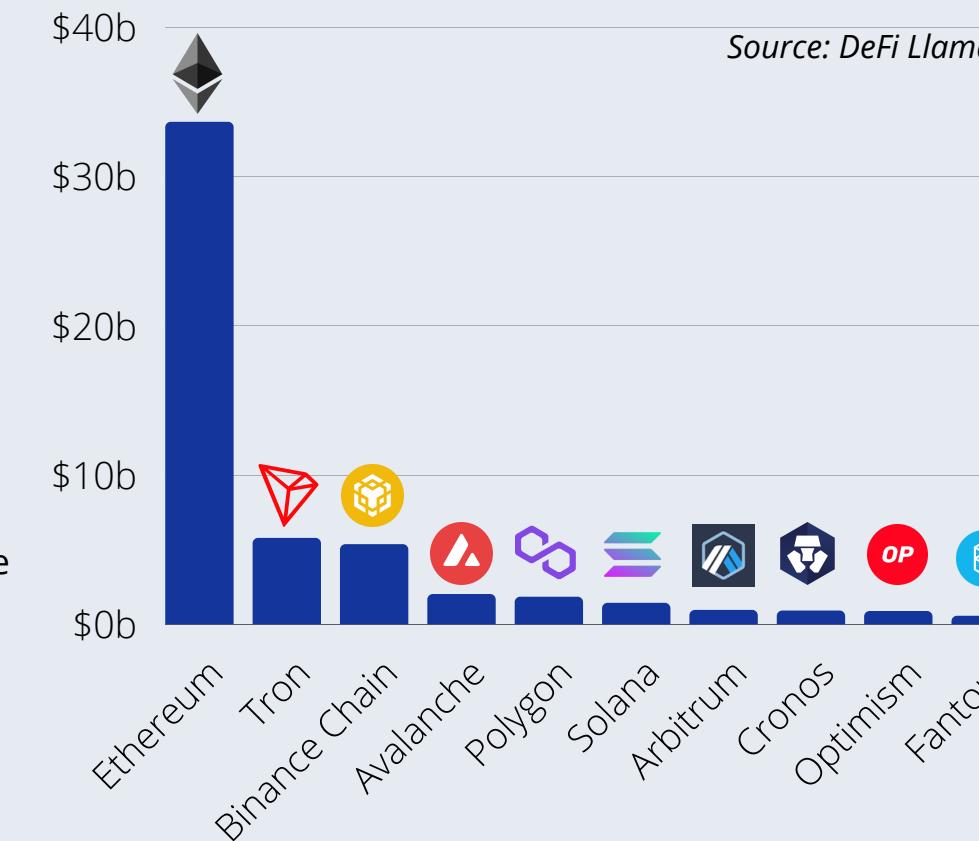
Founder of derivatives protocol Synthetix (SNX), Kain Warwick, published a proposal (SIP-276) advocating for the capping of the SNX supply at 300 million tokens in 10 weeks time. Other DeFi protocols are currently in the process of adjusting token emissions. Lending and borrowing protocol Aave (AAVE) and decentralized exchange Uniswap (UNI) have already abandoned many of their inflationary rewards while Compound is reducing their rewards by 50% and decentralized exchange Sushiswap (SUSHI) is expected to do the same next year.

Decentralized Exchange (DEX) Volume



Please see important disclosures on last page.

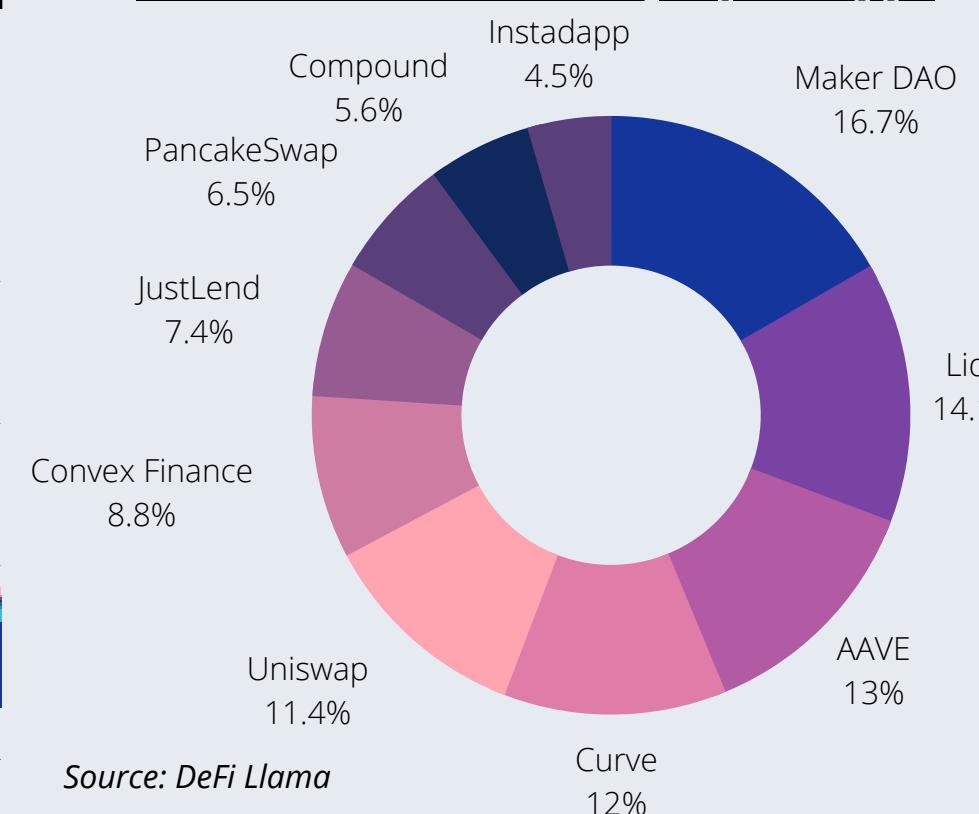
DeFi Total Value Locked, Top 10 Chains



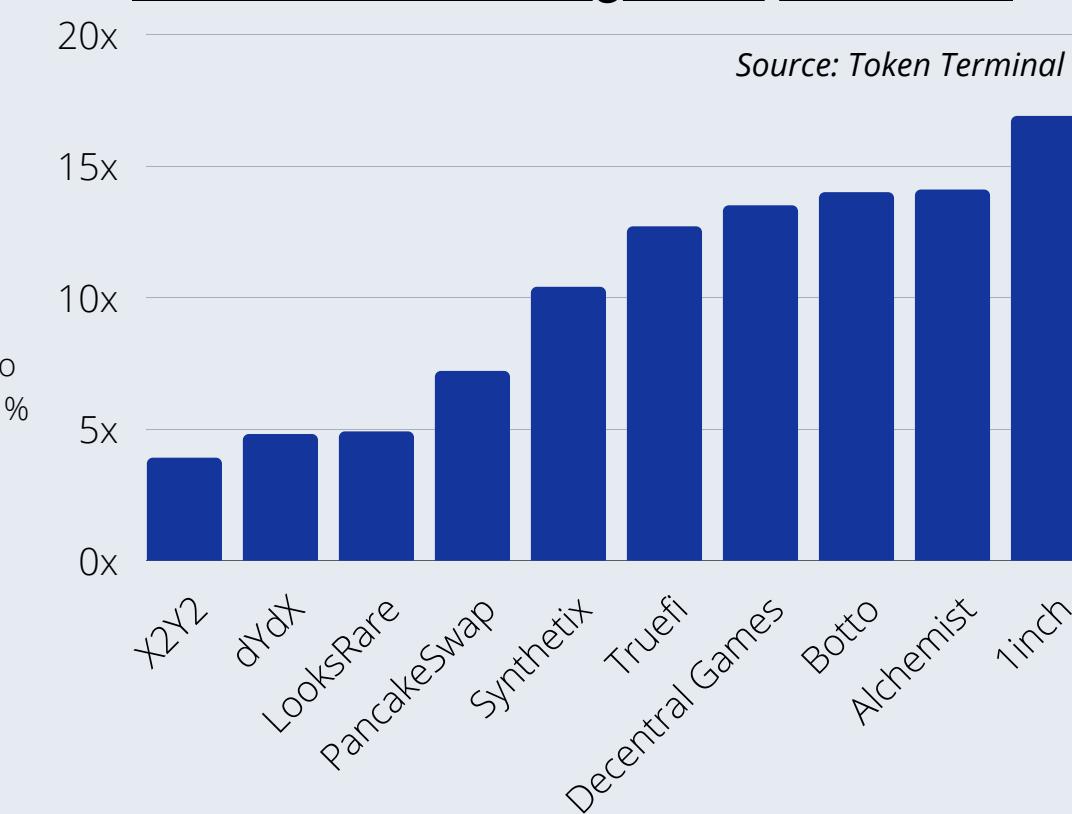
Top Protocol Revenue, Past Week



DeFi Total Value Locked, Top 10 Apps



Lowest Price to Earnings Ratio, Past Week



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.

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

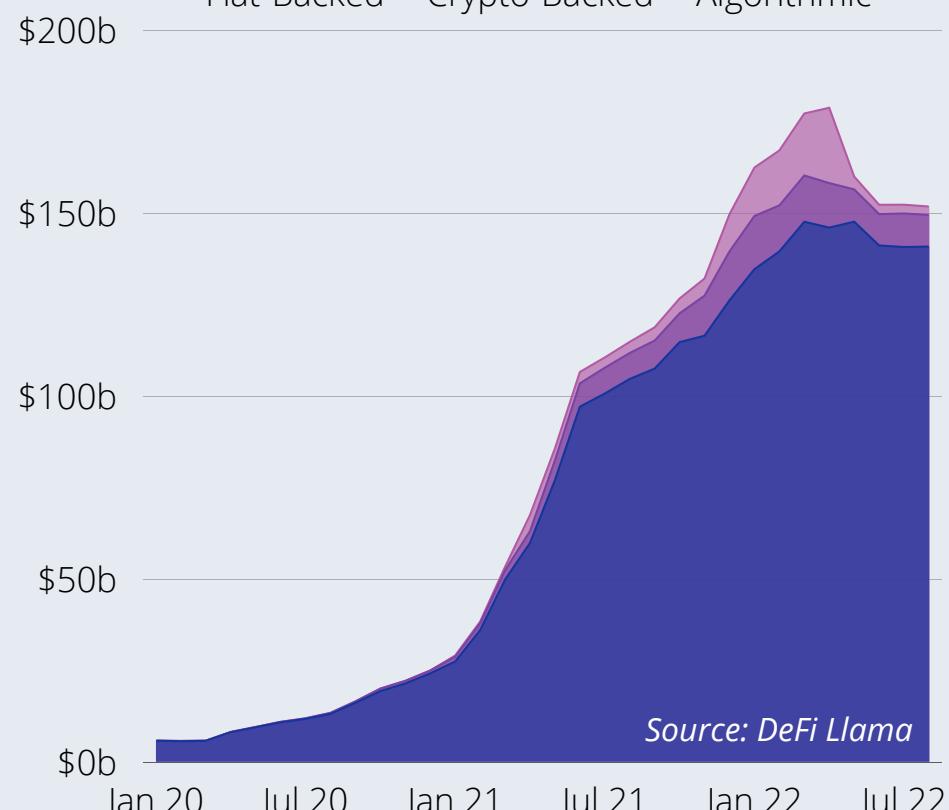
Of all stablecoin types, algorithmic or seigniorage-style stablecoins have had the most difficulty maintaining a \$1 peg, historically. This stablecoin type does not require collateral and are managed on-chain via smart contracts. Algorithmic stablecoins will increase or decrease the circulating supply 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. Earlier this year, Tether saw increasing scrutiny regarding the components of its reserve holdings, including a nearly 25% slice of commercial paper. Going forward, Tether will be replacing the MHA Cayman accounting firm with BDO Italia and will publish monthly attestations of stablecoin reserves. According to the latest attestation of reserves, commercial paper holdings have declined to 12% of the total reserves. Tether has said they plan to reduce these holdings to zero by the end of the year, as well as plans for a full audit through BDO Italia.

Stablecoin Circulating Supply

- Fiat-Backed
- Crypto-Backed
- Algorithmic

**Stablecoin Net Exchange Flow****Fiat-Backed**

		Ticker	Supply (\$, bn)	Launch	Chain
	Tether	USDT	67.55	Sept '14	Multi
	Circle	USDC	51.52	Sept '18	Multi
	Binance	BUSD	19.27	Sept '19	Multi
	TrueUSD	TUSD	1.07	Jan '18	Multi
	Paxos	USDP	0.95	Sept '18	ETH, BSC
	Gemini	GUSD	0.32	Sept '18	ETH
	Huobi	HUSD	0.16	Nov '18	ETH, SOL

Crypto-Backed

	MakerDAO	DAI	6.50	Dec '17	Multi
	Abracadabra	MIM	1.81	May '21	Multi
	Liquity	LUSD	0.19	Apr '21	ETH
	Synthetix	sUSD	0.16	Dec '18	ETH, FTM
	mStable	mUSD	0.05	May '20	ETH

Algorithmic

	Frax	FRAX	1.50	Dec '20	Multi
	Neutrino	USDN	0.67	Oct '19	Multi
	Fei USD	FEI	0.13	Dec '20	ETH
	TerraUSD	UST	0.00*	Sept '20	Multi

Weekly Market Review - August 29th, 2022

Key Takeaways

- Markets reacted violently to Fed Chairman Powell's hawkish comments
- Terminal rate probability currently sits at 4.00%
- The 2/10 treasury yield curve continues to point towards a recession

Traditional Market Commentary

Investors reacted Friday to Fed Chairman Powell's sustained hawkish comments, which reinforced the current strategy of cooling inflation with higher interest rates and additional rate hikes. With the resilient labor market and corporate growth prospects slightly dampened, the economy looks accommodative for more Fed action using tough medicine. Markets immediately turned lower after Powell's speech, concluding an anxious week where strategists were hopeful the current rate hike process was near an end. Probability of a 75 basis point hike rose almost 20 points from the beginning of the week, and more startling, almost 50 points since the end of July. Terminal rate looks hovers at 4%, currently expected to be reached at the end of winter. Interest rates jumped higher with the front end of the US yield curve rising about 15-20 basis points, while the 10 year treasury moved higher as well to the 3.1% level. The recessionary forward metric of the 2/10 yield spread maintained the -30 basis point level through the week, still demonstrating another stress point in the current economy. Unemployment rate will be released this Friday with current expectations at 3.5% or unchanged from last month. Changes in non-farm payrolls will also be released this week, with lower expectations.

Looking across the ocean, Europe and the UK are preparing for what could be a literal and figurative cold winter with energy sourcing worries still tied to Russia. These immediate and very serious concerns are contributing to growing recessionary worries. European bond yields are also expected to rise in order to dampen inflation. Compared to the United States, Europe has less room for comfort. Euro currency is still hovering around parity, and following the CPI equivalent released Wednesday, more color on the current inflation situation will be discovered.

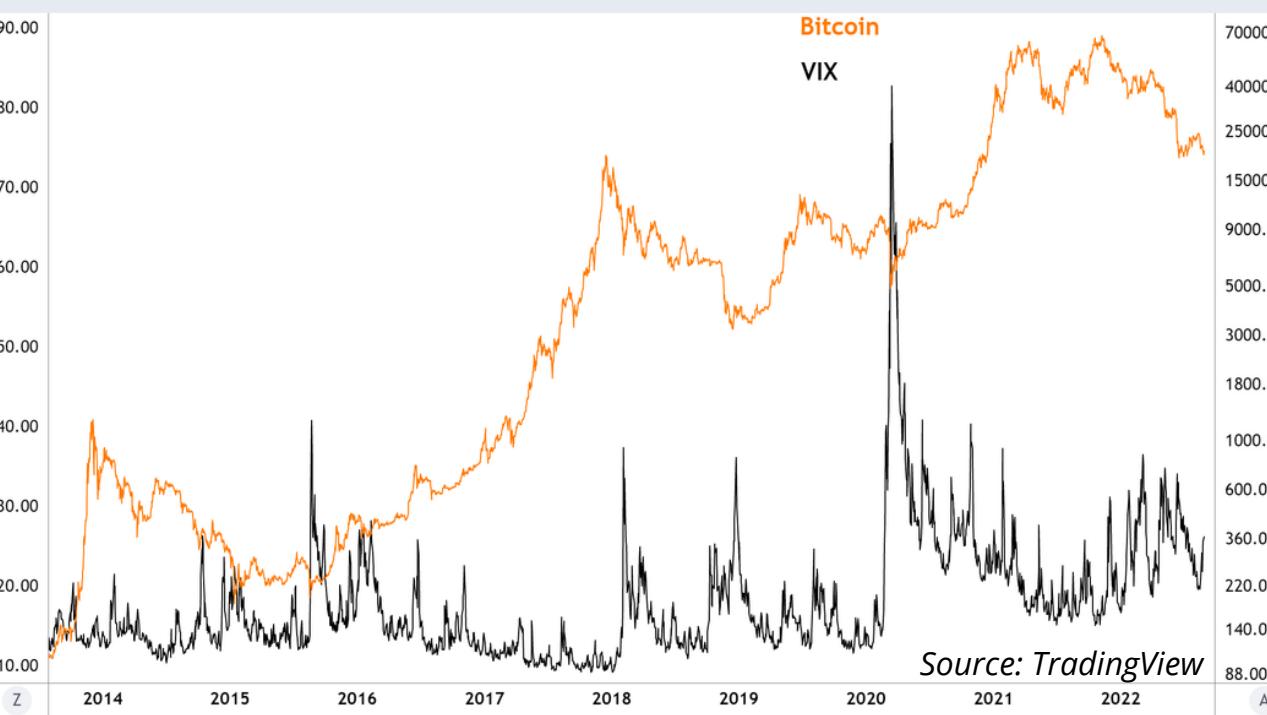
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Please see important disclosures on next page.

Indices	Ticker	Price (\$)	Returns (%)				
			1 week	1 month	3 month	YTD	1 year
S&P 500	SPX	4057	-4.04	-1.76	-2.42	-14.87	-10.02
Nasdaq 100	NDX	12605	-4.82	-2.65	-0.60	-22.76	-18.32
Russell 2000	RUT	1899	-2.94	0.77	0.63	-15.39	-16.57
Dow Jones Ind.	DJI	32283	-4.22	-1.71	-2.80	-11.16	-8.95
Commodities							
Crude Oil	CL1	93.98	3.65	-0.10	-18.33	24.56	35.91
Brent Crude	BRN00	99.99	3.41	0.06	-15.05	28.29	38.66
Natural Gas	NG00	9.05	-7.24	10.23	3.96	152.24	109.75
Unleaded Gas	RB00	2.63	-8.74	-12.19	-32.70	18.57	22.23
Gold	GC00	1747.90	-0.09	-2.29	-5.54	-4.50	-3.56
Silver	SI00	18.50	-1.99	-9.00	-16.37	-20.72	-22.90
Copper	HG00	3.61	-1.16	2.29	-16.44	-19.01	-17.50
Corn	C00	674.00	7.37	10.31	-13.17	13.76	24.01
Wheat	W00	809.75	2.92	1.28	-30.01	5.13	11.88
Bloomberg Commodity Index	BCOM	124.27	1.59	1.98	-7.20	25.28	28.94
Bitcoin	BTC	20026.04	3.04	-13.58	-36.49	-56.41	-58.73



News Review

[Wall Street Giant DTCC Launches Private Blockchain Platform to Settle Trades More Quickly](#)

[Most of the Responses to Joe Biden's Crypto Executive Order are Due Next Week](#)

[Coin Center: How Does Tornado Cash Work?](#)

- User initiates deposit into smart contract
- Deposit note is generated in user's wallet and on deposit
- Deposit held in escrow for at least 7 days
- User can then reclaim mixed tokens using deposit note

[U.S Congressman Tom Emmer \(R-Minn.\) Challenges OFAC Sanction of Tornado Cash "Technology is Neutral and the Expectation of Privacy is Normal"](#)

[Tether Holds Firm on Decision Not To Freeze Tornado Cash Addresses, Awaits Law Enforcement Instruction](#)

[Tether Says Audit Is Still Months Away Despite Recently Hiring Auditor BDO Italia](#)

[Bitcoin's Lightning Network Shines for its Practicality](#)

[Coinbase CEO Says Exchange Is Cutting Costs, Focusing on Subscriptions](#)

[Coinbase Adds Support for Liquid Staking Derivative Coinbase Wrapped Staked ETH \(cbETH\)](#)

[Latin American Crypto Firm Ripio Launches Prepaid Crypto Card in Brazil](#)

[These Bored Apes Will Melt in Your Mouth: M&M's Releases NFT-Inspired Candy](#)

[Snoop Dogg and Eminem to Bring Bored Ape NFTs to VMAs In 'Otherside' Metaverse Performance](#)



Weekly Market Review - August 29th, 2022

On-Chain Commentary, Decentralized Finance (DeFi) Commentary, Traditional Market 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 Origins & Purpose, Fiat-Backed, Crypto-Backed, Algorithmic, Tether Redemptions & Reserves: Valkyrie Investments, Inc., Tether Operations, CoinMetrics, Circle, and Paxos

Stablecoin Circulating Supply: Source: Valkyrie Investments, DeFi Llama - list and examples shown are non-exhaustive, intended for illustrative purposes only.

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

DeFi Total Value Locked, Top 10 Chains, DeFi Total Value Locked: Source: Valkyrie Investments, DeFi Llama - list and examples shown are non-exhaustive, intended for illustrative purposes only.

Top Protocol Revenue, Past Week, Lowest Price to Earnings Ratio, Past Week: Source: Valkyrie Investments, Token Terminal - list and examples shown are non-exhaustive, intended for illustrative purposes only.

Decentralized Exchange (DEX) Volume: Source: Valkyrie Investments, Dune Analytics - Defined as total reported volume for the specified DEX in the specified time period. "Other" category includes the following DEXs: airswap, Bancor Network, clipper, DDEX, DefiPlaza, DFX Finance, DODO, dYdX, Gnosis Protocol, IDEX, Indexed Finance, Kyber, LINKSWAP, Loopring, mStable, Oasis, PowerIndex, Shell, xSigma

"Indices" 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.

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. There is no guarantee that any specific outcome will be achieved. This is not an offer to buy or sell securities. We do not offer legal, tax or financial advice. Information is purported to be as of the time period provided therein. Charts/graphs are for illustrative purposes only.

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This document contains forward-looking statements. In addition, from time to time, we or our representatives may make forward-looking statements orally or in writing. We base these forward-looking statements on our expectations and projections about future events, which we derive from the information currently available to us. Such forward-looking statements relate to future events or our future performance, including: our financial performance and projections; our growth in revenue and earnings; and our business prospects and opportunities. You can identify forward-looking statements by those that are not historical in nature, particularly those that use terminology such as "may," "should," "expects," "anticipates," "contemplates," "estimates," "believes," "plans," "projected," "predicts," "potential," or "hopes" or the negative of these or similar terms. In evaluating these forward-looking statements, you should consider various factors, including: our ability to change the direction of the Company; our ability to keep pace with new technology and changing market needs; and the competitive environment of our business. These and other factors may cause our actual results to differ materially from any forward-looking statement. Forward-looking statements are only predictions. The forward-looking events discussed in this document and other statements made from time to time by us or our representatives, may not occur, and actual events and results may differ materially and are subject to risks, uncertainties and assumptions about us. We are not obligated to publicly update or revise any forward-looking statement, whether as a result of uncertainties and assumptions, the forward-looking events discussed in this document and other statements made from time to time by us or our representatives might not occur.