

Key Takeaways

- Ethereum continues to show strong trading interest into the protocol merge
- Proof-of-Stake is a common consensus mechanism for other blockchains
- Technicals dating back to Bitcoin's inception show price maintaining key levels

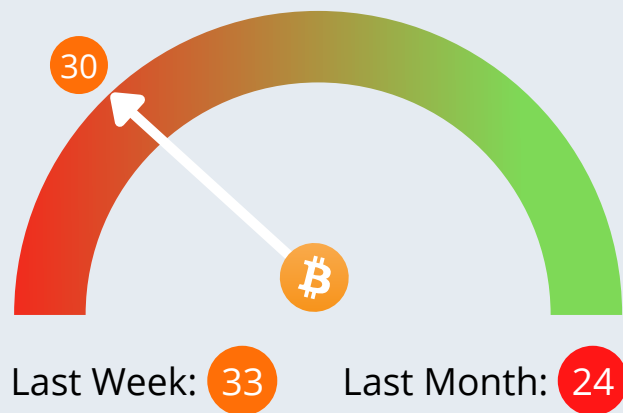
On-Chain Commentary

Ethereum fever continues to sweep through the digital asset futures and options markets as the blockchain marches toward one of the largest protocol changes to date. Now several years in the making, the consensus shift from Proof-of-Work (PoW) to Proof-of-Stake (PoS) means the chain will no longer require miners, in the form of GPUs, to confirm blocks. Instead, entities or users with 32 Ethereum can participate as a validator to confirm transactions. Individuals with less than 32 Ethereum can also pool resources to participate as a validator. This form of PoS consensus already exists on several Ethereum competitors and although blockchain throughput will theoretically increase, further layer 1 scalability measures will not be added to the network until later on in the roadmap.

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

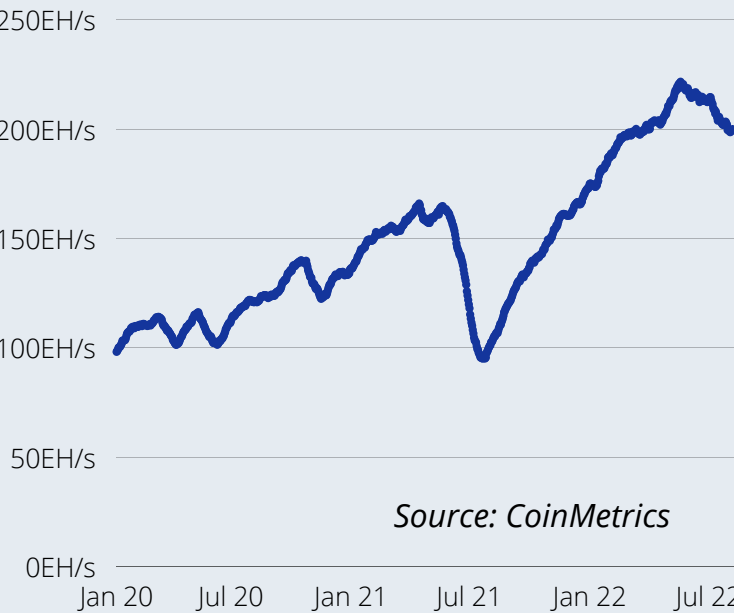
Bitcoin Fear and Greed Index

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.

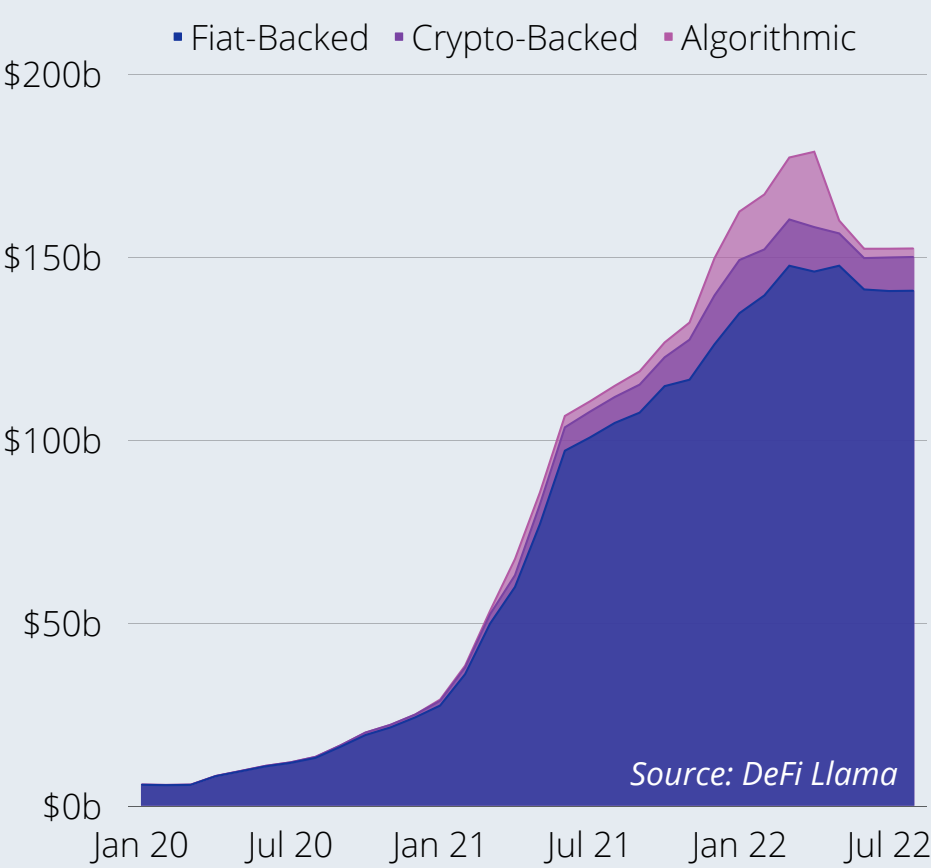
Algorithmic

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.

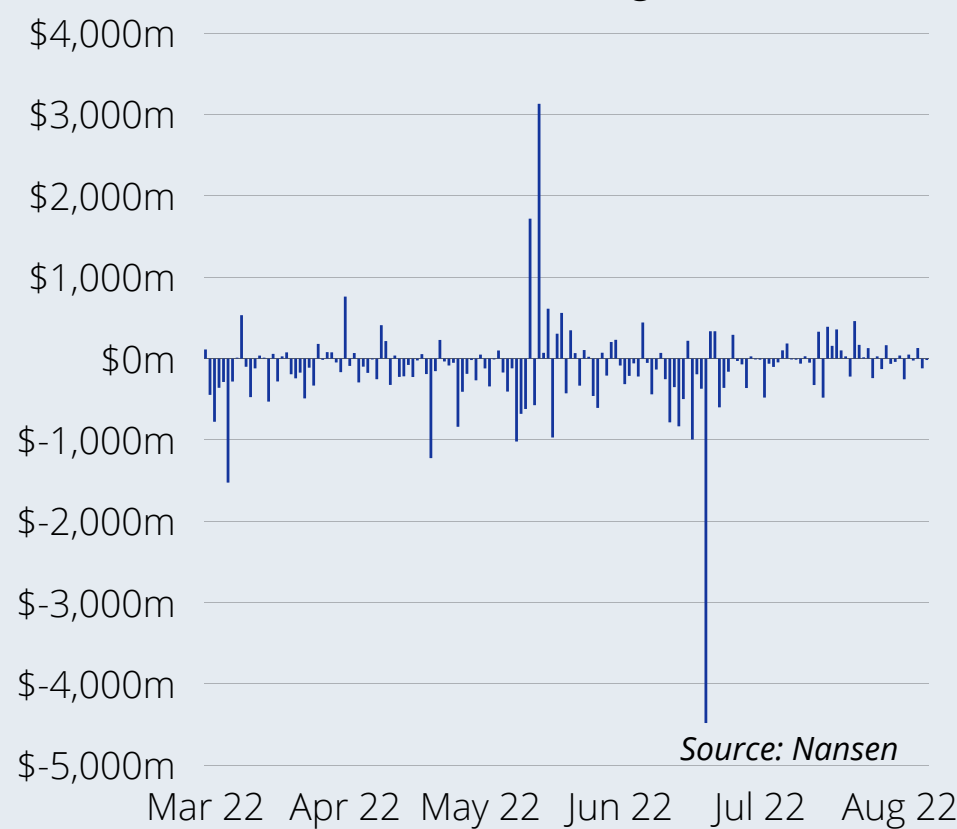
Tether Redemptions & Reserves








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	66.93	Sept '14	Multi
	Circle	USDC	53.52	Sept '18	Multi
	Binance	BUSD	17.87	Sept '19	Multi
	TrueUSD	TUSD	1.24	Jan '18	Multi
	Paxos	USDP	0.86	Sept '18	ETH, BSC
	Gemini	GUSD	0.20	Sept '18	ETH
	Huobi	HUSD	0.16	Nov '18	ETH, SOL

Crypto-Backed

	MakerDAO	DAI	7.03	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	1.43	Dec '20	Multi
	Neutrino	USDN	0.70	Oct '19	Multi
	Fei USD	FEI	0.18	Dec '20	ETH
	TerraUSD	UST	0.00*	Sept '20	Multi

Key Takeaways

- The US unemployment rate is now at its lowest level since 1969
- A 75bp hike at the September FOMC meeting carries a 70% probability
- The CPI print on Wednesday is expected to decrease to 8.7% from 9.1%

Macro Commentary

Investors waited patiently for Friday's release of the unemployment rate, which improved to 3.5% from 3.6%, coupled with a surprising non-farm payrolls rise to 528k. The unemployment rate is at its lowest level since 1969, supporting claims by recession deniers that the robust labor market is at a good place despite the current challenges in the economy. Conversely, the 2/10 treasury yield spread continued to trend lower, as it moved from about -25 basis points last week to below -40 entering the weekend. Traditionally a forward looking recessionary indicator, current trend line points lower in the near term, with the spread tightening almost 200 basis points since March 2021. The yield curve has moved dramatically quarter to date, with the front end of the curve now over 100 basis points higher while the back end down about 25. Traders have priced in almost 70% probability of another 75 basis point hike at the next FOMC meeting in September.

The US Senate passed the \$430 billion Inflation Reduction Act Sunday which focuses on healthcare policies, tax legislation, and climate investment. The most notable provision was a 15% minimum tax on corporations that earn over \$1 billion a year. Obviously this could hurt company projections which benefited from a lower tax environment over the next decade, not to mention pivot midterm election outcomes. Escalating tensions between China and Taiwan have some concerns on the spillover effect on the economy, with possible supply chain as well as diplomatic issues similar to the on-going Ukrainian-Russian situation.

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Please see important disclosures on next page.



Weekly Market Review - August 8th, 2022

Macro Commentary Continued

Summer sizzle will continue with more economic releases this week. The consumer price index is expected to decrease to 8.7% from 9.1% last month, with the core CPI, excluding food and energy, to rise to 6.1% from 5.9%, an interesting read considering the only expected rise of the month. Month over month CPI is projected to decrease to 0.2% from 1.3% last month, with the core declining as well. Thursday has the producer price index expected to decline to 10.4% from 11.3%, closing the week with Friday's University of Michigan consumer sentiment continuing to come off historical lows to 52.5 from 51.5. Brent oil futures are approaching pre-war levels near the \$90 per barrel levels, easing some pain from consumers on summer vacation. Wheat shipments resumed from Ukraine after a near 6 month halt providing relief to many countries dependent on the major food staple. With recession and inflation indications on a better trajectory, markets are still cautious, with the fall anticipated to bring more volatility as the economic situation becomes clearer.

Indices	Ticker	Price (\$)	Returns (%)				
			1 week	1 month	3 month	YTD	1 year
S&P 500	SPX	4145	0.36	6.30	0.53	-13.03	-6.57
Nasdaq 100	NDX	13207	2.01	8.92	4.05	-19.07	-12.59
Russell 2000	RUT	1921	1.94	8.62	4.47	-14.41	-14.50
Dow Jones Ind.	DJI	32803	-0.13	4.68	-0.29	-9.73	-6.83
Commodities							
Crude Oil	CL1	88.30	-6.14	-14.68	-13.72	17.04	32.10
Brent Crude	BRN00	94.41	-5.52	-11.28	-10.30	21.13	36.40
Natural Gas	NG00	7.64	-6.88	19.22	7.42	113.23	89.38
Unleaded Gas	RB00	2.88	-3.85	-16.44	-20.31	30.06	28.46
Gold	GC00	1798.70	0.53	3.85	-2.97	-1.75	3.89
Silver	SI00	20.30	-0.20	6.54	-6.78	-13.10	-13.44
Copper	HG00	3.55	0.79	3.91	-15.25	-20.20	-17.09
Corn	C00	602.25	-1.43	-3.95	-22.06	1.65	8.61
Wheat	W00	765.50	-4.25	-10.49	-29.79	-0.62	7.55
Bloomberg Commodity Index	BCOM	116.68	-4.23	0.66	-10.49	17.65	23.23
Bitcoin	BTC	23872.27	4.43	3.84	-19.52	-48.63	-44.77

News Review

- [BlackRock to Offer Crypto for Institutional Investors Through Coinbase Prime](#)
- [Voyager Digital Is Cleared to Return \\$270 Million to Customers](#)
- [Bitcoin Brokerage River Financial Drops Fees for Recurring Trades](#)
- [Unicorn Magic Eden expanding to become an NFT listing aggregator for Ethereum too](#)
- [CFTC Would Become Primary Crypto Regulator Under New Senate Committee Plan](#)
- [Microstrategy Faces Impairment Charges of \\$917 Million as Saylor Steps Aside](#)
- [Chileans Moving Assets to Stablecoins Amidst Economic Turmoil in South America's Steadiest Economy](#)
- [Canaan Believes Mining Expansion On-Track Despite "Crypto Winter"](#)
- [The Central Bank Digital Currency \(CBDC\) Revolution Rises, Just Not Quite How Expected](#)
- [Crypto VC Activity already at \\$18.3 Billion YTD, Already 3x 2020 Totals](#)
- [Binance Labs Starting a \\$7.5 Billion VC Arm](#)
- [Poor Infrastructure Security Leads to Nomad's Blockchain Bridge Hack for Nearly \\$200 Million](#)
- [Ethereum Overtakes Bitcoin in Options Market for the First Time](#)
- [Solana Hack Blamed on Slope Mobile Wallet Exploit](#)



Weekly Market Review - August 8th, 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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