

Key Takeaways

- Ethereum's upcoming protocol change will reduce yearly inflation to near 0%
- Bullish expectations for ETH continue, along with ETH-related tokens
- To better serve users, projects are moving their ecosystems multi-chain

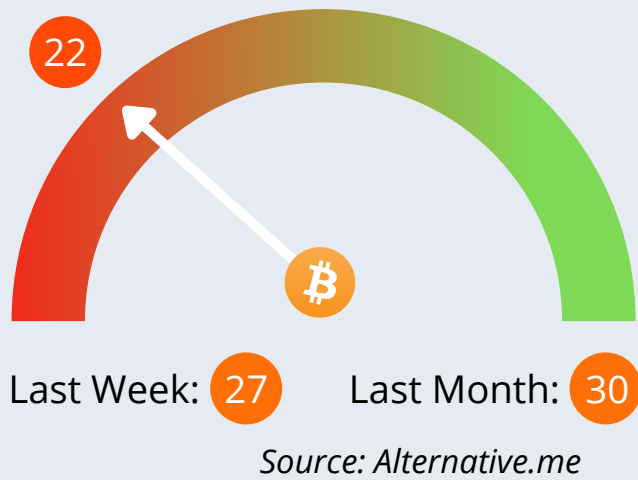
On-Chain Commentary

Digital asset market activity has been generally muted over the past week, leading into the long Labor Day weekend. The upcoming Ethereum protocol shift from Proof-of-Work to Proof-of-Stake, and associated reduction in token issuance, is now slated for September 14th. Many traders have increasingly begun positioning themselves bullish for the event, hence the strong bid and associated rise in the ETH/BTC pair and many associated Ethereum tokens such as Polygon and Chainlink. Ethereum Classic, which arose out of a contentious hard fork in 2016, has also seen significant appreciation over the past week. However, this coin and ecosystem have minimal on-chain activity and almost zero DeFi presence, suggesting the move to be purely associated with speculation and hedging behaviors.

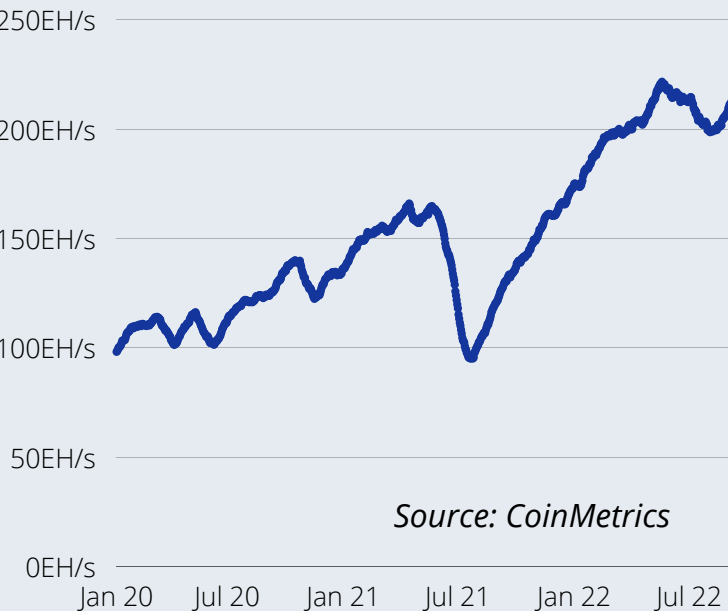
On the flip side, the purpose-built blockchain Helium recently announced a vote to move from their native chain onto the Solana blockchain. This news has not been welcomed by the community, as price has fallen nearly 50% since the proposal was released on August 30th. Earlier this year, popular DeFi derivatives exchange also announced their fourth iteration will be deployed on the Cosmos blockchain. We may continue to see this type of multi-chain partnership and absorption of smaller, less-reliable blockchains, with the rise of increasingly scalable Layer 1 blockchain technologies, such as Ethereum, Binance Smart Chain, Solana, Polkadot, Avalanche, and Cosmos.

Bitcoin Fear and Greed Index

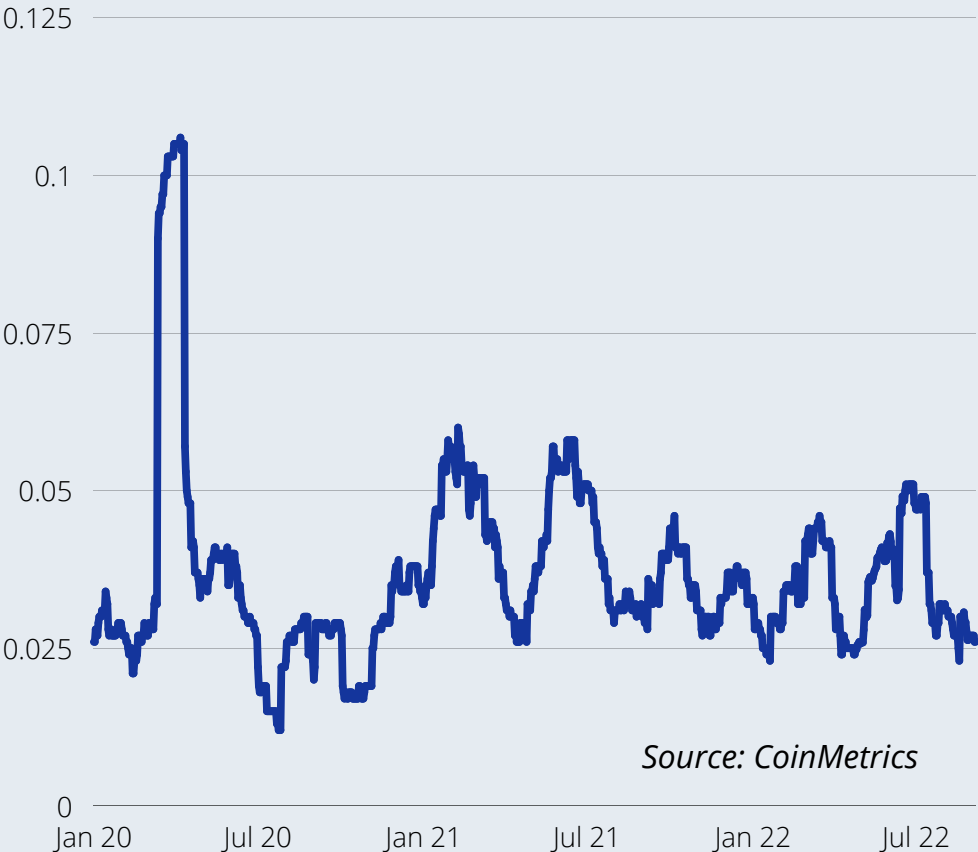
Multifactorial Market Sentiment Analysis



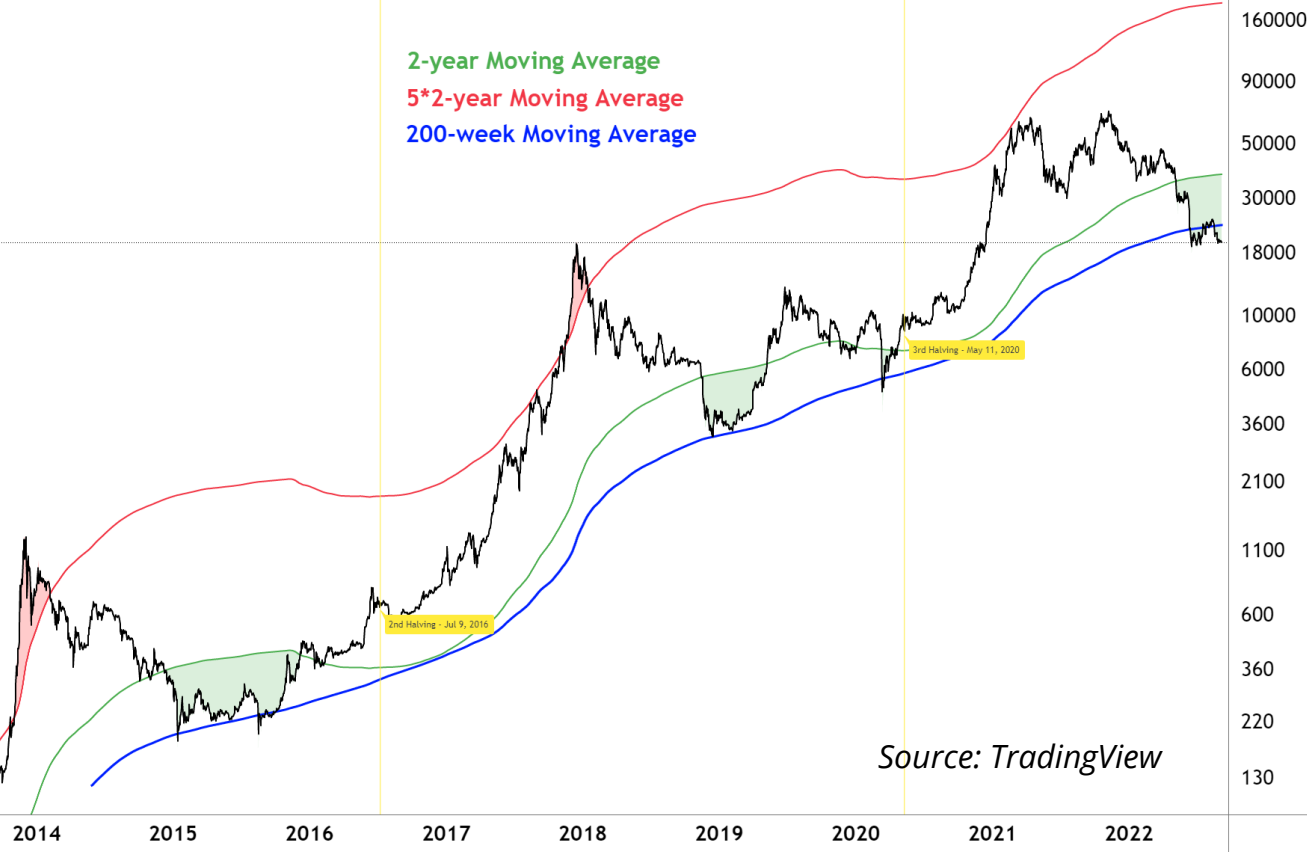
Bitcoin Monthly Average Hashrate



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	19901.42	-0.76	-1.00	-36.19	-57.04	-62.33	380.01	1.77	N/A	0.68	-1.08
⬛	Ethereum	ETH	1654.87	5.27	6.91	-8.26	-54.77	-57.68	203.26	4.13*	N/A*	0.88	-0.63
🟡	Binance Coin	BNB	281.13	0.65	0.54	-3.07	-45.15	-43.43	45.30	0.00	4.55	0.78	-0.42
🟢	Solana	SOL	32.86	2.22	4.35	-16.40	-80.67	-80.00	11.49	4.58	5.88	1.12	-0.78
🟡	Polkadot	DOT	7.54	2.62	7.57	-17.96	-71.64	-77.99	8.42	7.30	13.93	1.09	-0.75
🟡	Polygon	MATIC	0.90	-0.78	6.73	44.16	-64.86	-46.01	7.76	5.64	13.61	1.25	0.06
🔴	Tron	TRX	0.06	0.2	0.26	-22.03	-15.48	-38.63	5.89	1.25	3.55	0.83	-0.15
🔴	Avalanche	AVAX	19.94	4.72	4.01	-18.92	-81.82	-57.75	5.86	4.93	8.55	1.28	-0.05
⬛	Cosmos	ATOM	12.58	-4.68	5.14	35.40	-61.70	-50.51	3.56	12.78	17.87	1.34	0.22
⬛	Near	NEAR	4.39	4.43	1.33	-14.66	-69.92	-26.79	3.44	4.76	10.61	1.50	0.50
⬛	Algorand	ALGO	0.30	-3.5	4.48	-24.32	-81.82	-79.35	2.08	3.39	7.45	1.20	-0.53
🟡	Fantom	FTM	0.27	-2.12	-2.09	-23.67	-88.12	-80.82	0.68	3.79	14.18	1.54	-0.10
🟢	Zilliqa	ZIL	0.04	-1.28	-0.42	-26.88	-51.48	-72.36	0.48	5.06	12.17	1.71	-0.07
🟡	Helium	HNT	3.80	-14.7	-28.76	-64.23	-90.24	-84.87	0.46	Variable	6.16	1.23	-0.80

Key Takeaways

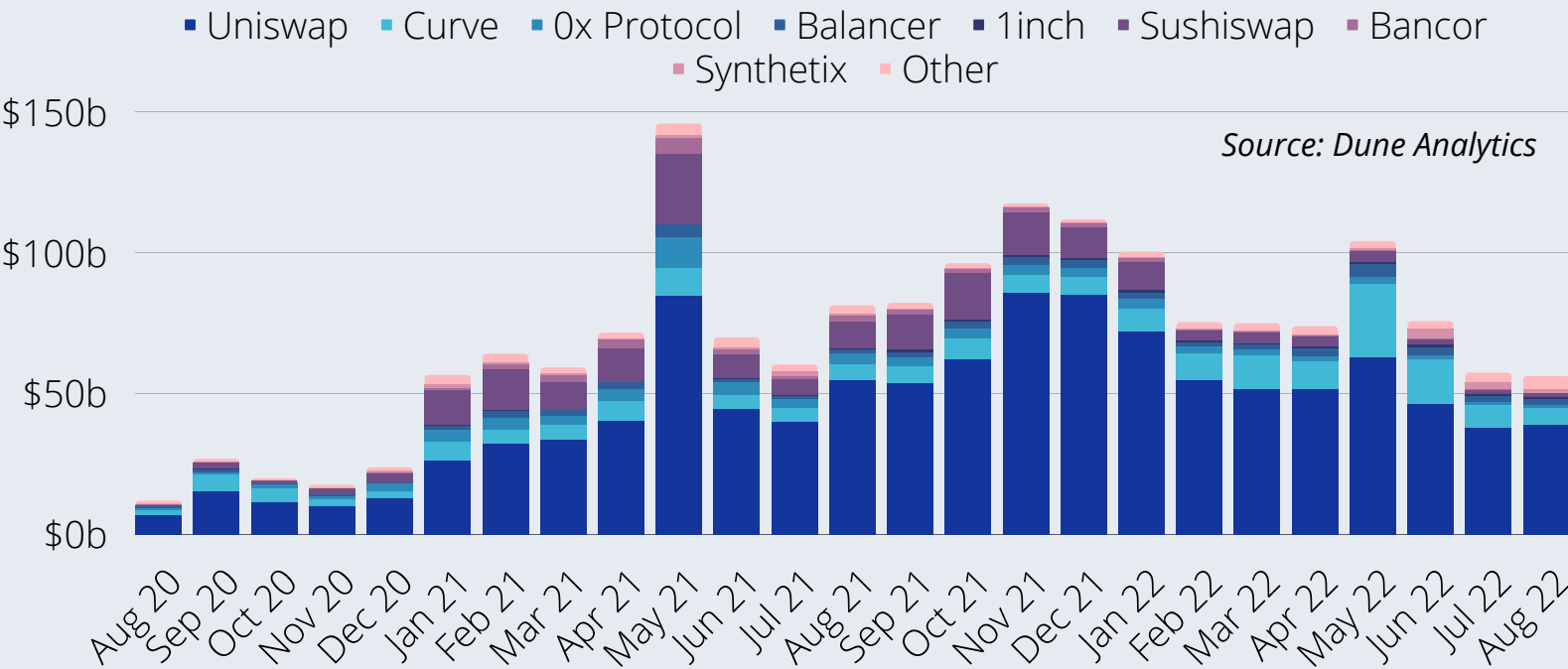
- Ethereum miners will likely launch an ETH Proof-of-Work (ETHW) chain after the Merge
- In anticipation, many traders have been hoarding ETH to receive the free ETHW airdrop
- Despite wanting to collect the airdrop, most believe the ETHW chain will be short lived

Decentralized Finance (DeFi) Commentary

Ethereum's Bellatrix upgrade was recently activated on the Beacon chain, which signals the start of ETH's transition to Proof-of-Stake. As the merge approaches, many are anticipating a group of ETH miners will be launching a Proof-of-Work fork (ETHW) which would allow them to keep mining and securing a network for some degree of mining profitability.

On-chain data suggests many market participants are looking to take advantage of this opportunity. ETH has had a net outflow from exchanges of over 1.21 million coins (\$2.01 billion as of today's price) in the past 60 days. Many believe this is a repositioning of coins out of exchanges and into wallets in order to maximize the amount of airdrop tokens participants will receive as many exchanges may not provide users with the airdropped tokens from their ETH holdings. Borrow rates on DeFi platforms like Aave are soaring to recent highs as market participants are holding as much ETH in their wallet as possible to maximize their potential airdrop. As of this writing, the variable borrow rate on Aave is 47.19% and climbing. ETHW debuted on several exchanges last month ahead of the possible fork/airdrop at around \$30 per token, rallied over 300%, and has now traded back to \$43.54 as of this writing. Many forked chains are short lived but a few receive zombie status, like Ethereum Classic or Bitcoin Cash. There are some supporters of ETHW who claim to have teams of developers working to keep the new chain up and running, while others have labeled the fork as a way to make a quick buck.

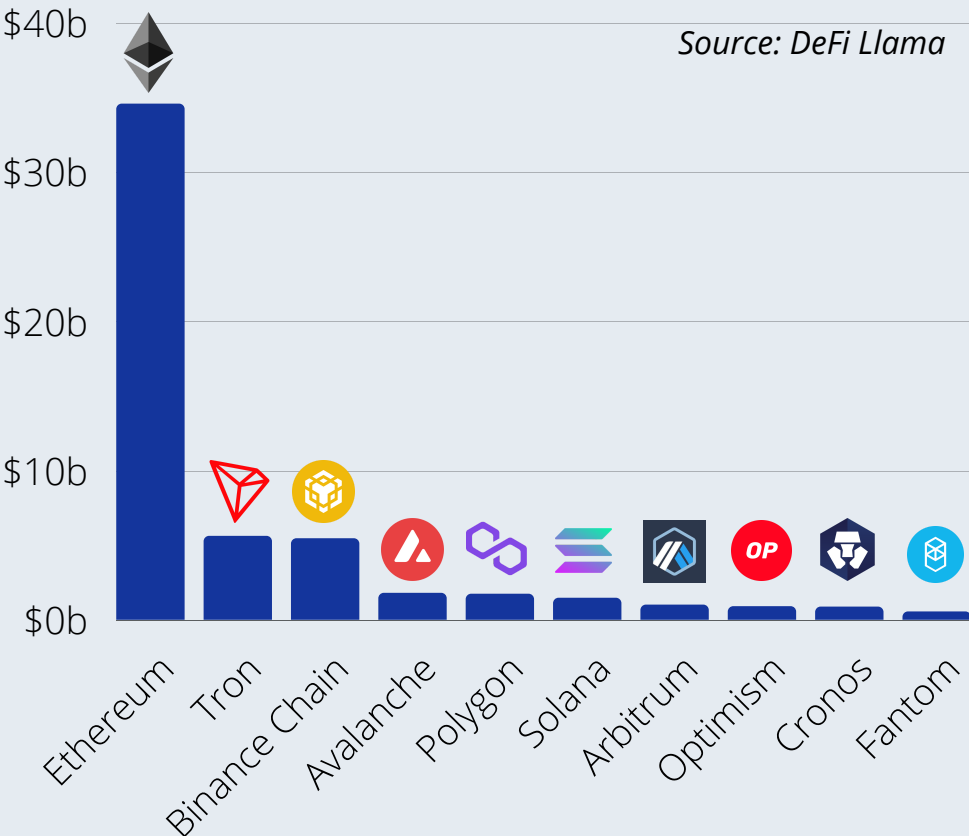
Decentralized Exchange (DEX) Volume



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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.

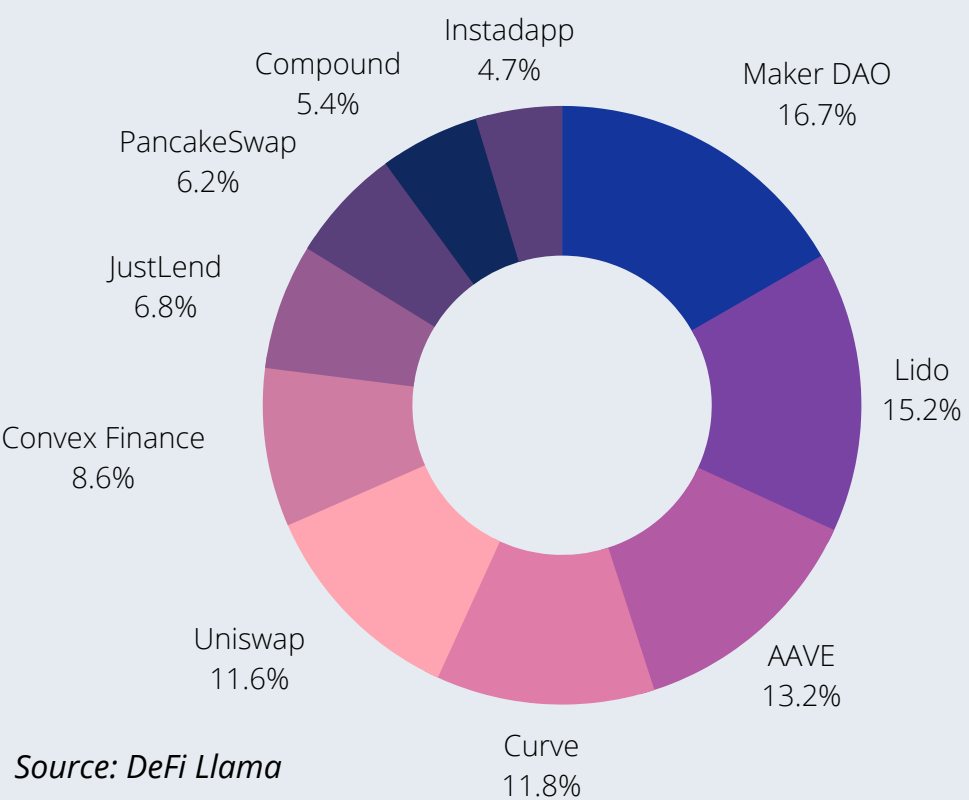
DeFi Total Value Locked, Top 10 Chains



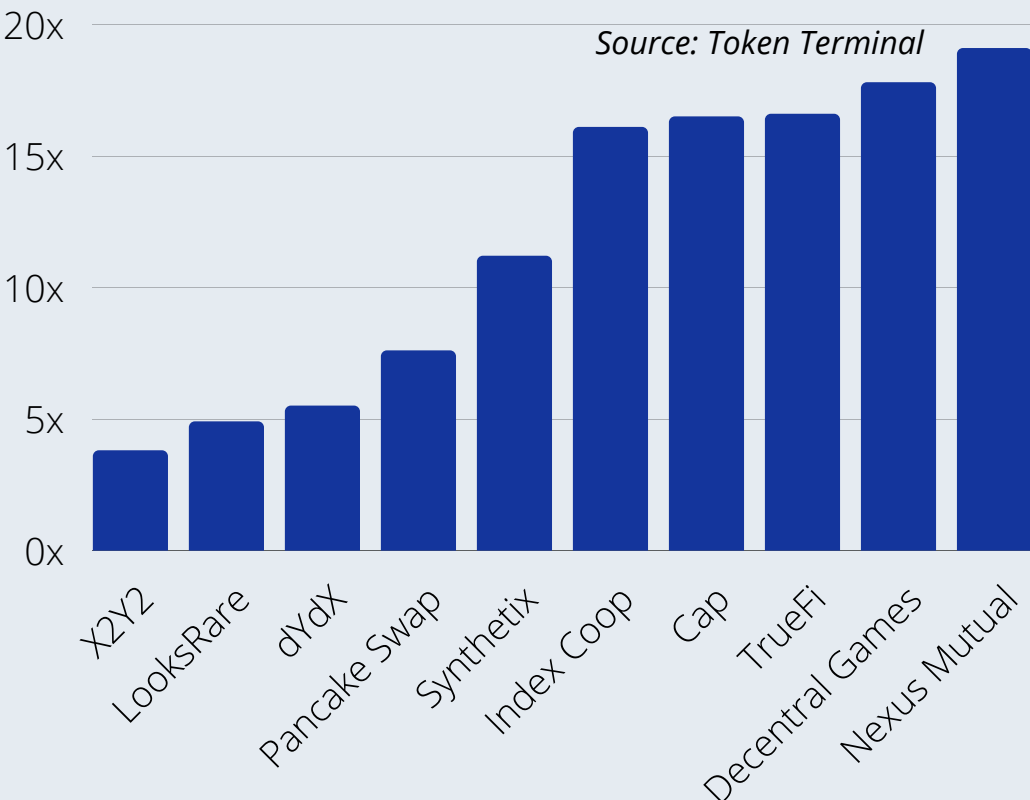
Top Protocol Revenue, Past Week



DeFi Total Value Locked, Top 10 Apps



Lowest Price to Earnings Ratio, Past Week



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.

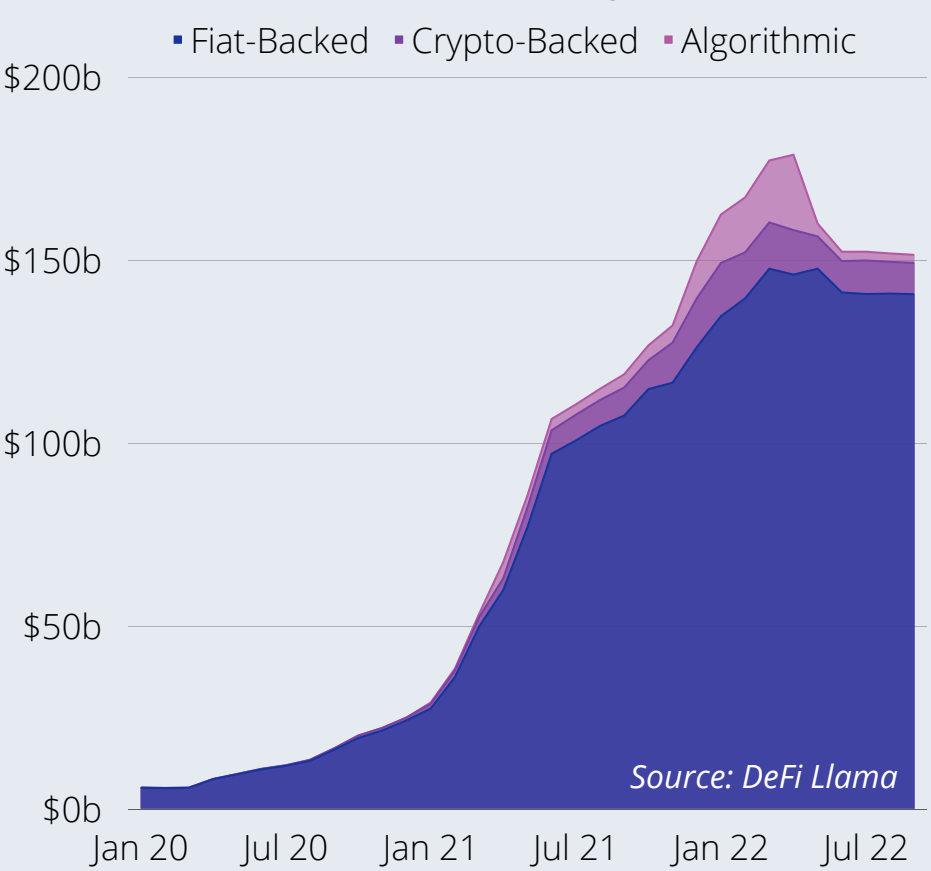
Algorithmic

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.

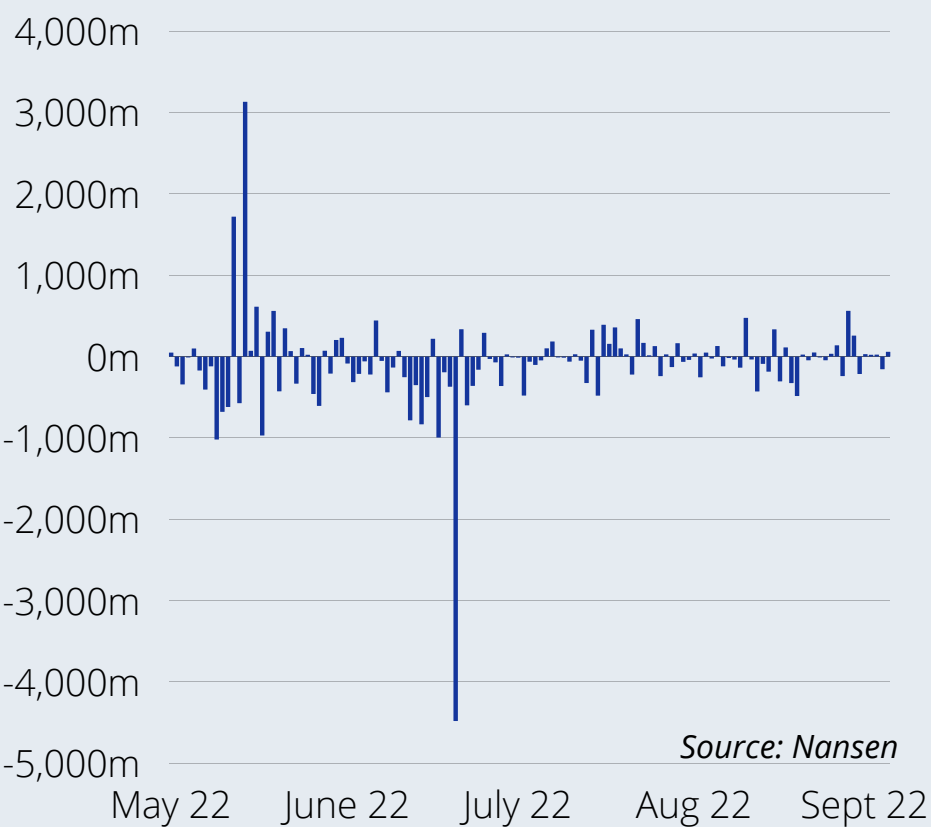
Tether Redemptions & Reserves

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 it’s 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



Stablecoin Net Exchange Flow



Fiat-Backed		Ticker	Supply (\$, bn)	Launch	Chain
	Tether	USDT	67.55	Sept '14	Multi
	Circle	USDC	51.12	Sept '18	Multi
	Binance	BUSD	19.47	Sept '19	Multi
	TrueUSD	TUSD	1.06	Jan '18	Multi
	Paxos	USDP	0.96	Sept '18	ETH, BSC
	Gemini	GUSD	0.34	Sept '18	ETH
	Huobi	HUSD	0.16	Nov '18	ETH, SOL

Crypto-Backed

	MakerDAO	DAI	6.41	Dec '17	Multi
	Abracadabra	MIM	1.81	May '21	Multi
	Liquity	LUSD	0.17	Apr '21	ETH
	Synthetix	sUSD	0.14	Dec '18	ETH, FTM
	mStable	mUSD	0.05	May '20	ETH

Algorithmic

	Frax	FRAX	1.48	Dec '20	Multi
	Neutrino	USDN	0.64	Oct '19	Multi
	Fei USD	FEI	0.09	Dec '20	ETH
	TerraUSD	UST	0.00*	Sept '20	Multi

Key Takeaways

- Probability of a 75bp hike at the next FOMC meeting continues to rise
- The 2/10 treasury yield curve continues to point towards a recession
- Winter months may further stress energy markets, at home and abroad

Traditional Market Commentary

Markets continued to digest the hawkish comments given by Fed Chairman Powell the week prior, as interest rates moved higher with the back end of the yield curve stretching over 20 basis points week to week. Probability of a 75 basis point hike at the next FOMC meeting in three weeks rose to over 70%, after a brief respite motioning towards only a 50 basis point hike. One optimistic metric that has climbed from historical lows is the 2/10 treasury yield spread, moving from around -35 and climbing over -20 through the weekend. The recessionary indicator reached a low close to -50 basis points early last month, which accurately depicted the environment at that time. As planned months ago, the quantitative tightening strategy proceeded ahead raising the monthly runoff total to \$95 billion, trying to make a dent in the ~\$9 trillion balance sheet mainly accumulated over the last two years. Equities trended lower ahead of the long weekend given the pessimistic outlook.

The unemployment rate rose to 3.7% from 3.5%, marking the first move higher since the January reading at 4%. While somewhat welcomed by investors as a possible result of recent rate hikes, the labor market remains relatively robust as the economic tightening measures continue to find some points of progress.

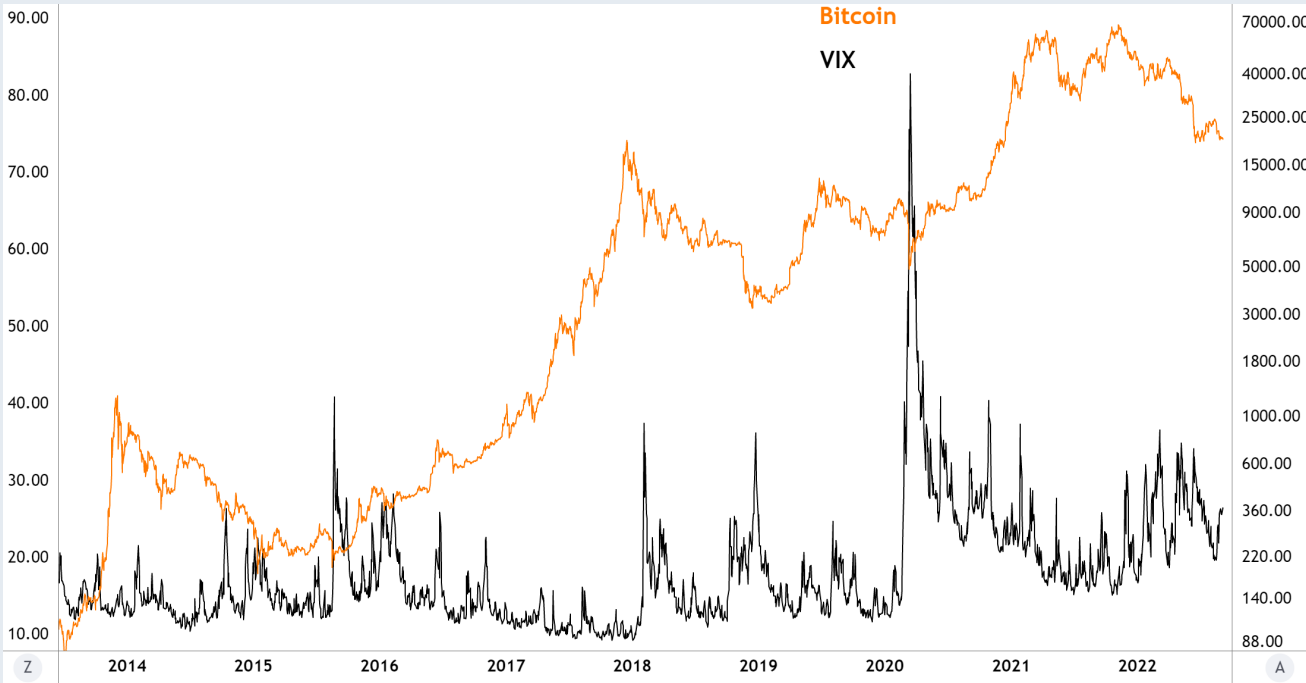
Now that summer is officially over, the change of seasons might bring unwelcomed challenges both stateside and abroad. Stress is being seen in debt issued by companies with lower credit profiles, as refinancing becomes an issue in the current interest rate environment. Bankruptcy filings are beginning to trend higher for both corporate and individuals here in the US. Meanwhile, the ECB and Bank of Canada meet this week to try and gain more control on their current inflation situation with similar style hikes between 50-75 basis points. Investors here in the US look ahead to the next CPI reading released next week which may continue lower after pivoting last month. But main concern is planning around the Russian shut down of the Nord Stream natural gas pipeline to Europe with winter now months away. Higher energy prices could reverberate across the globe pending a viable solution.

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Indices	Ticker	Price (\$)	Returns (%)				
			1 week	1 month	3 month	YTD	1 year
S&P 500	SPX	3924	-3.29	-5.33	-4.49	-17.66	-13.48
Nasdaq 100	NDX	12098	-4.02	-8.40	-3.58	-25.87	-22.71
Russell 2000	RUT	1809	-4.74	-5.83	-3.89	-19.40	-21.04
Dow Jones Ind.	DJI	31318	-2.99	-4.53	-4.81	-13.81	-11.45
Commodities							
Crude Oil	CL1	87.58	-9.59	-3.15	-26.52	16.29	27.09
Brent Crude	BRN00	94.11	-4.42	-2.52	-22.23	20.73	31.53
Natural Gas	NG00	8.43	-8.94	10.16	-9.64	135.00	79.56
Unleaded Gas	RB00	2.48	-8.59	-14.10	-41.26	12.17	15.92
Gold	GC00	1718.00	-1.79	-4.84	-6.82	-6.14	-6.11
Silver	SI00	18.09	-2.45	-12.48	-18.11	-22.54	-27.04
Copper	HG00	3.45	-4.01	-3.62	-21.93	-22.47	-20.29
Corn	C00	665.50	-2.56	9.50	-10.43	12.32	27.31
Wheat	W00	814.50	-3.29	4.22	-25.75	5.74	12.00
Bloomberg Commodity Index	BCOM	118.55	-5.62	1.07	-13.02	19.55	22.08
Bitcoin	BTC	19901.42	-0.76	-1.00	-36.19	-57.04	-62.33



Source: TradingView

News Review

- [CME Group Announces Launch of Euro-denominated Bitcoin and Ether Futures](#)
- [BlackRock Taps Kraken's CF Benchmarks to Power its Bitcoin Offering](#)
- [DeFi Protocol Curve Potentially Launching crvUSD Stablecoin as Early as Next Month](#)
- [How Stablecoins Became a Powerful Force in Crypto with the CEO of Circle, Jeremy Allaire](#)
- [Binance to Convert Users' Competitor Stablecoins Into its Own Stablecoin, BUSD](#)
- [Argentina Province Allows Millions to Pay Taxes Using Stablecoins](#)
- [California Assembly Passes Crypto Regulation Bill That Requires Bank-Issued Stablecoins](#)
- [Peruvians Are Buying Crypto to Hedge Against Inflation and Political Instability](#)
- [Ticketmaster Chooses Dapper Labs Flow Blockchain for NFT Tickets](#)
- [FIFA Launches NFT Platform on Algorand in Run-Up to World Cup](#)
- [CTO of Tether and Bifinex, Paolo Ardoino, Talks Holepunch and the Future of P2P Technology](#)
- [Defunct Crypto Exchange Mt. Gox to Set Creditor Repayment Date 'in Due Course'](#)
- [DeFi Giant Aave Stops Loaning Ether Ahead of the Merge](#)



Weekly Market Review - September 6th, 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

"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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