

## Key Takeaways

- The UK financial system required Bank of England's intervention last week
- S&P 500 continues to push year lows, with further rate hikes expected
- MoM jobs numbers will be released this week, expected mainly unchanged

## Traditional Market Commentary

Strong storms rattled markets last week as investors were still breaking down the repetitive hawkish comments by the Fed. The Bank of England also moved world markets Wednesday as it intervened in buying government debt in steps to stabilize its economy after tax reductions were announced. Worry that uncertainty would spread to pension funds then prompted immediate action. Inflation remains rampant not only in the UK, but throughout Europe, in what seems like a never-ending battle. The British Pound finished higher for the week close to 1.11 after seeing a historical low near 1.04 the week prior and before BoE action last week. The Euro currency remained below parity still, holding the 98 cent level.

The S&P 500 reached year to date lows below 3600 as the index finished down just lower than 5% for the third quarter, and down about 25% for the year. Volatility in interest rates remained active as the yield curve dipped lower in the body of the curve 20 bp and more. After reaching a year to date high, close to 4%, the 10 year treasury retreated back to safety below 3.7% by Friday. Fed fund action currently pricing in another 75 bp hike at the next meeting early November, then another hike to the 4.25-4.5% terminal rate level for the entire 2023 year.

Labor markets will take the spotlight this week with the monthly unemployment rate released Friday, in addition to non-farm payrolls. Unemployment is currently surveyed to remain unchanged, with non-farm payrolls declining to 265k from 315k. Initial jobless claims remain at historical lows with University of Michigan consumer sentiment improving slightly, but still holding at historical lows as well. Investors look ahead to the last quarter of the year, hopeful more transparency and priced in expectations will motivate markets higher looking ahead to a brighter 2023.

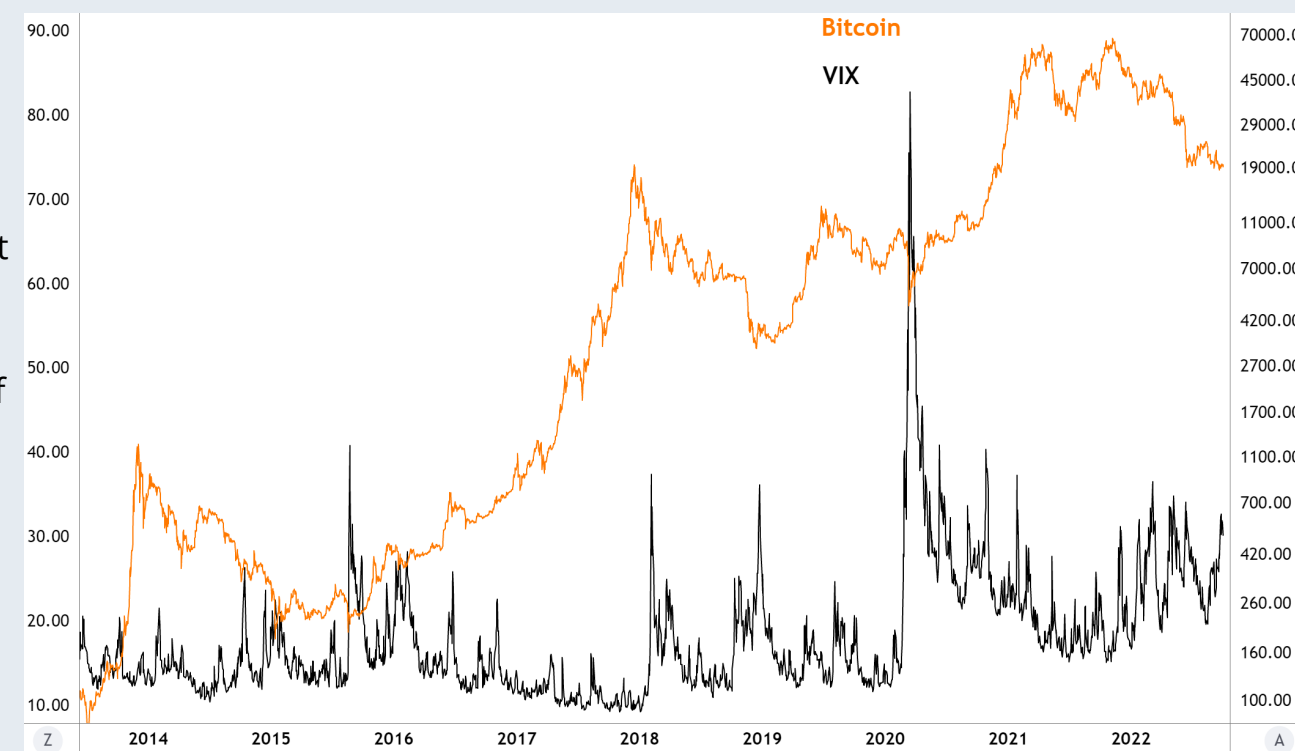
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Indices	Ticker	Price (\$)	Returns (%)				
			1 week	1 month	3 month	YTD	1 year
S&P 500	SPX	3585	-2.91	-8.63	-6.27	-24.77	-17.71
Nasdaq 100	NDX	10971	-3.01	-9.32	-5.30	-32.77	-25.83
Russell 2000	RUT	1664	-0.89	-8.01	-3.65	-25.86	-25.74
Dow Jones Ind.	DJI	28725	-2.92	-8.28	-7.63	-20.95	-16.32
Commodities							
Crude Oil	CL1	83.30	-0.12	-4.53	-23.20	10.40	7.35
Brent Crude	BRN00	88.79	7.34	-6.76	-22.00	13.87	9.20
Natural Gas	NG00	6.48	-7.83	-27.14	15.85	80.89	11.62
Unleaded Gas	RB00	2.47	8.00	0.46	-32.63	11.43	6.94
Gold	GC00	1674.30	2.76	-2.80	-7.67	-8.56	-5.45
Silver	SI00	19.81	8.04	10.64	-0.20	-15.16	-12.71
Copper	HG00	3.38	2.75	-0.49	-6.32	-24.14	-20.13
Corn	C00	686.00	3.00	3.27	13.01	15.78	26.80
Wheat	W00	933.75	8.89	15.38	11.03	21.23	23.43
Bloomberg Commodity Index	BCOM	112.57	0.15	-5.49	-3.89	13.51	11.50
Bitcoin	BTC	19268.50	1.53	-0.37	-4.26	-58.13	-59.88



Source: TradingView

## News Review

- [Developers Can Now Issue Assets Like Stablecoins on Bitcoin and the Lightning Network](#)
- [Bitcoin Rapid Payment Service Strike raises \\$90M, Takes Aim at Visa](#)
- [SWIFT Partners With Crypto Data Provider Chainlink on Cross-Chain Protocol in TradFi Play](#)
- [Deribit Raises Funds from Existing Investors at \\$400 Million Valuation](#)
- [London-Based Asset Manager Fasanara Capital Establishes \\$350M Crypto VC Fund](#)
- [Russia Plans to Use Digital Rouble in Settlements with China, Says Lawmaker](#)
- [Robinhood Releases Beta Version of Polygon-Based Web3 Wallet to 10,000 Users](#)
- [Crypto Exchange FTX Is Moving Its US Headquarters From Chicago to Miami](#)
- [Decentralized Exchange Developer Uniswap Labs Eyes Over \\$100 million in New Funding](#)
- [Pantera Capital Seeking \\$1.25 Billion for Second Blockchain Fund](#)
- [Paradigm Leads \\$11.8M Funding Round Into Web3 Firewall Blowfish](#)
- [Warner Music Group and OpenSea Join Forces to Expand Web3 Opportunities for Artists](#)
- [Instagram Introduces the Ability to Directly Showcase NFTs on Platform](#)
- [Universal Studios Planning Halloween-Themed NFT Scavenger Hunts](#)

### Key Takeaways

- In the face of tradfi volatility globally, Bitcoin remains relatively stable
- Both Bitcoin & Ethereum see growing interest in network consensus participation
- Technicals for most digital assets show a potential continued consolidation

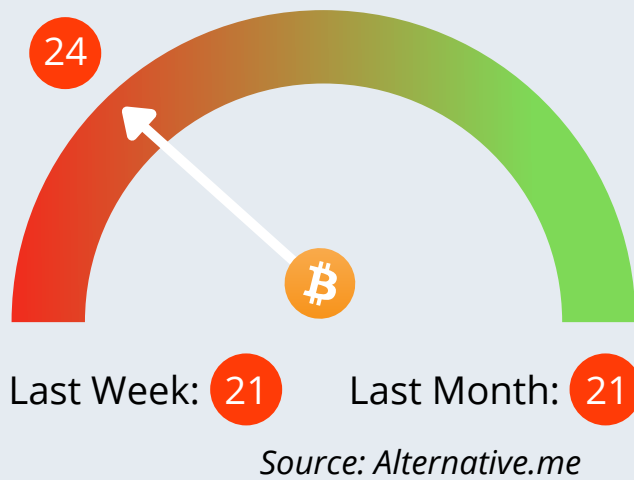
### On-Chain Commentary

Bitcoin continues to hold strong in the face of troublesome concerns in the forex and bond markets, fueled by a strengthening US dollar and questionable domestic policies. Unlike arbitrary monetary policies of nation states, Bitcoin is programmed with a strict monetary policy, confirming transactions roughly every 10 minutes with a 50% decline in issuance roughly every four years. Bitcoin’s Proof-of-Work hash rate also reached another new all-time high this week, a signal suggesting miners continue to build out previously planned and paid for infrastructure, are able to source cheap electricity, and remain confident in the longer term prospects of profitability. Technicals for Bitcoin remain suggestive of a potential mean reversion attempt throughout the quarter, so long as the current lows continue to hold.

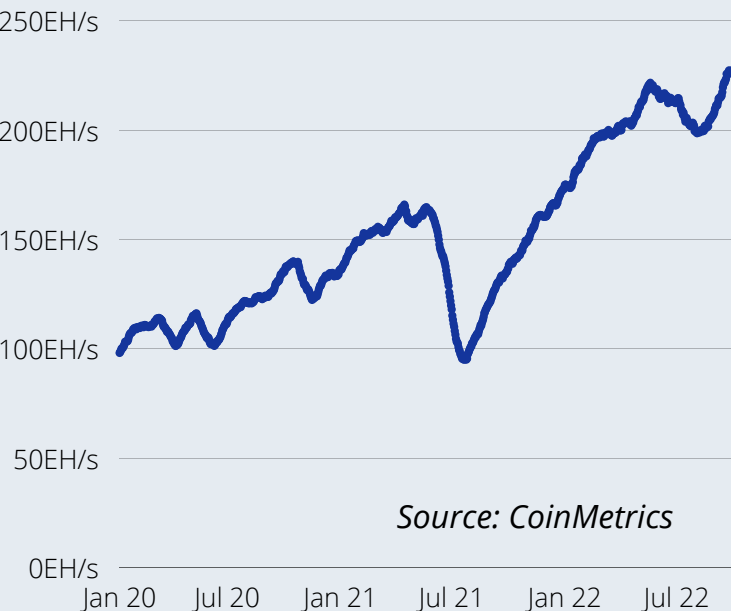
Ethereum’s Proof-of-Stake consensus mechanism also continues to see growth, with 84,300 validators representing 14.1 million ETH being staked. Any related staked ETH and associated staking rewards will remain locked in the protocol until the code to unlock them is written and added to the protocol, which carries an estimated development time of six to 12 months. Although the network issuance can tip into deflationary territory thanks to a transaction fee burning mechanism, muted on-chain activity over the past few months has kept token burning and issuance mainly at par. Technicals for Ethereum suggest a non-specific consolidation and accumulation process with an attempt for higher highs throughout the quarter.

### Bitcoin Fear and Greed Index

Multifactorial Market Sentiment Analysis

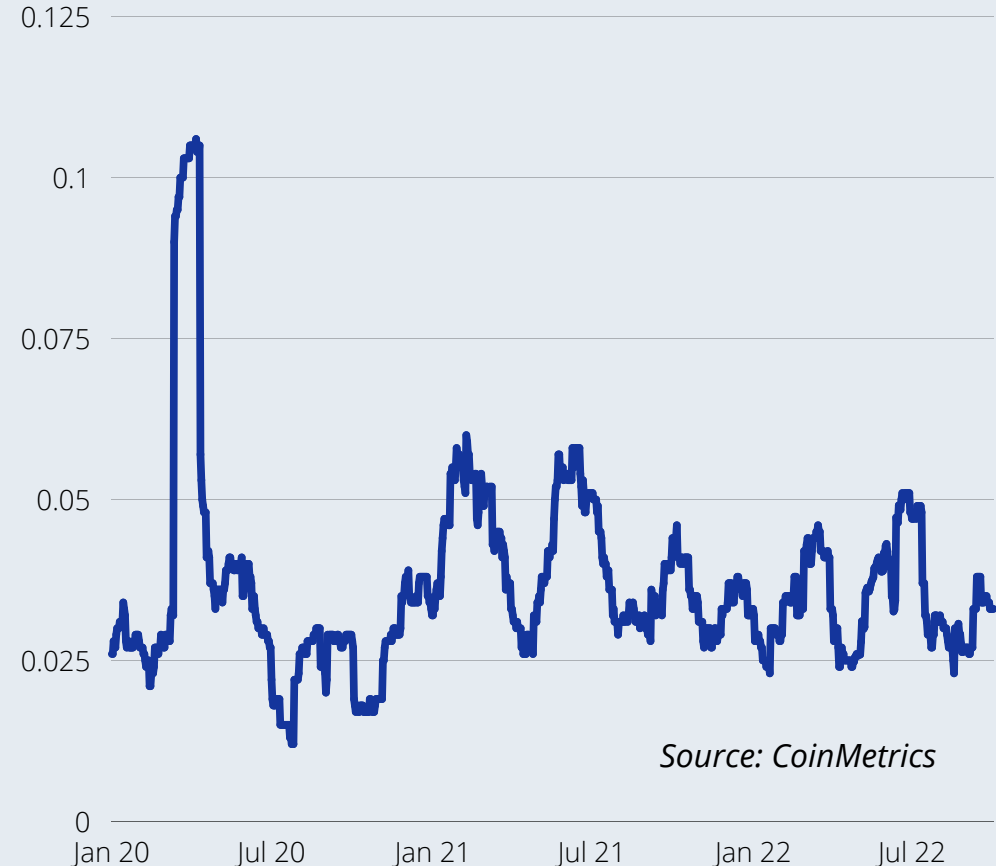


### Bitcoin Monthly Average Hashrate



Crypto	Ticker	Price (\$)	Returns (%)					M Cap (bn)	Annualized			
			1 week	1 month	3 month	YTD	1 year		Issuance (%)	Stake Yield (%)	Volatility	Sharpe
Bitcoin	BTC	19268.50	1.53	-0.37	-4.26	-58.13	-59.88	370.92	1.77	N/A	0.67	-0.92
Ethereum	ETH	1303.34	3.48	-0.66	14.78	-64.09	-61.40	161.88	0.13	5.15	0.86	-0.53
Binance Coin	BNB	286.00	0.60	0.49	23.79	-44.09	-33.56	46.17	0.00	4.55	0.75	-0.01
Solana	SOL	32.59	2.64	-1.08	-10.35	-80.65	-81.00	11.69	4.58	5.88	1.08	-0.82
Polkadot	DOT	6.26	2.80	0.00	-11.68	-76.29	-80.30	7.10	7.30	13.93	1.02	-0.98
Polygon	MATIC	0.78	3.67	1.67	61.10	-68.70	-40.41	6.91	5.64	13.61	1.22	0.26
Tron	TRX	0.06	0.65	-0.06	-8.86	-18.89	-35.64	5.65	1.25	3.55	0.74	-0.16
Avalanche	AVAX	16.79	2.36	-1.63	-5.46	-84.54	-75.38	5.01	4.93	8.55	1.18	-0.53
Cosmos	ATOM	12.40	5.32	-3.10	44.43	-61.08	-67.43	3.61	12.78	17.87	1.21	-0.19
Near	NEAR	3.48	0.53	-1.74	-0.62	-76.25	-55.76	2.80	4.76	10.61	1.38	0.12
Algorand	ALGO	0.35	-1.06	-0.78	9.76	-78.88	-82.34	2.43	3.39	7.45	0.98	-1.10
Helium	HNT	4.92	3.32	-6.39	-47.68	-86.91	-77.10	0.63	3.79	14.18	1.46	-0.39
Fantom	FTM	0.22	1.65	-1.64	-16.19	-90.16	-84.91	0.56	Variable	6.16	1.39	-0.28
Zilliqa	ZIL	0.03	2.32	-0.41	-21.52	-58.12	-68.76	0.42	5.06	12.17	1.68	0.04

### Bitcoin 30-Day Rolling Volatility



### Bitcoin Moving Averages



### Key Takeaways

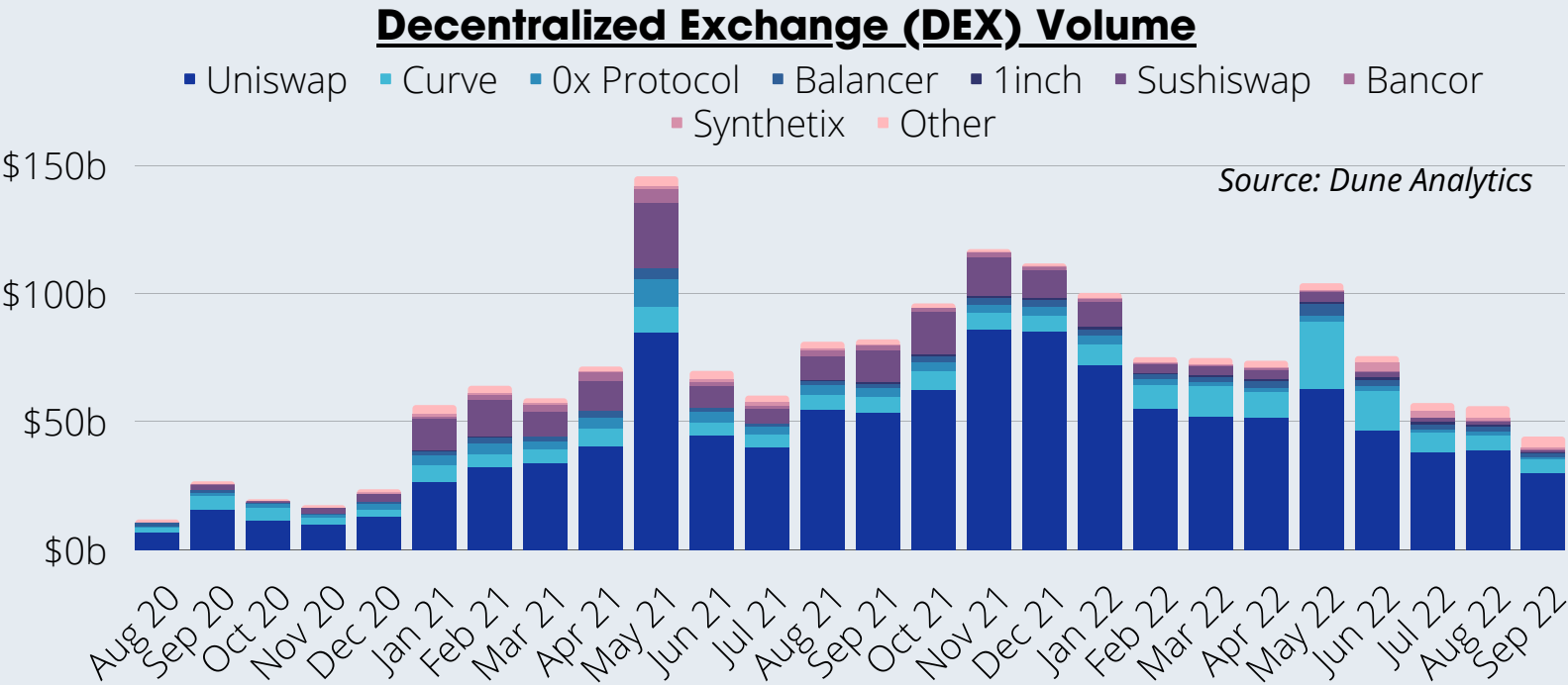
- Capabilities of DeFi continue to pique the interest of institutions of traditional finance
- Central banks globally continue to explore the benefits and distribution of CBDCs
- SWIFT has begun working with the Chainlink protocol to develop a digital asset one-stop shop

### Decentralized Finance (DeFi) Commentary

Over the past week, traditional finance players continue to show interest in the new world of Decentralized Finance. France’s central bank announced exploration of the benefits for a central bank digital currency (CBDC). Banque de France’s Governor stated, “a wholesale CBDC could significantly contribute to improving cross-border and cross-country payments” and also mentioned the potential for improved CBDC liquidity management via DeFi, using automated market makers. The governor also pointed to the development of “Project Jura” who recently completed a CBDC pilot by the French and Swiss central banks in collaboration with the Bank of International Settlements Innovation Hub. France’s efforts reflect the work of the ECB, who currently are carrying out a public inquiry to determine the feasibility of digitizing the euro which experts expect could launch in 2026.

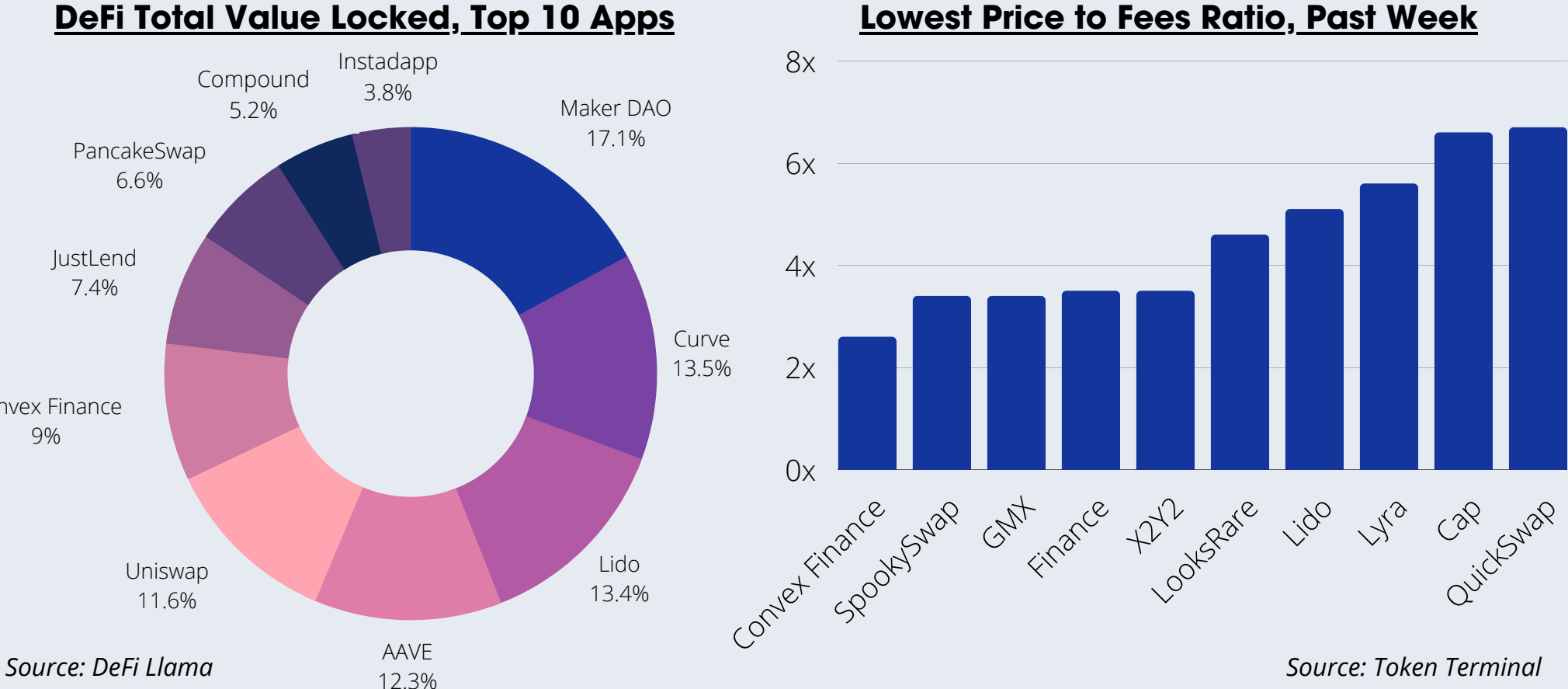
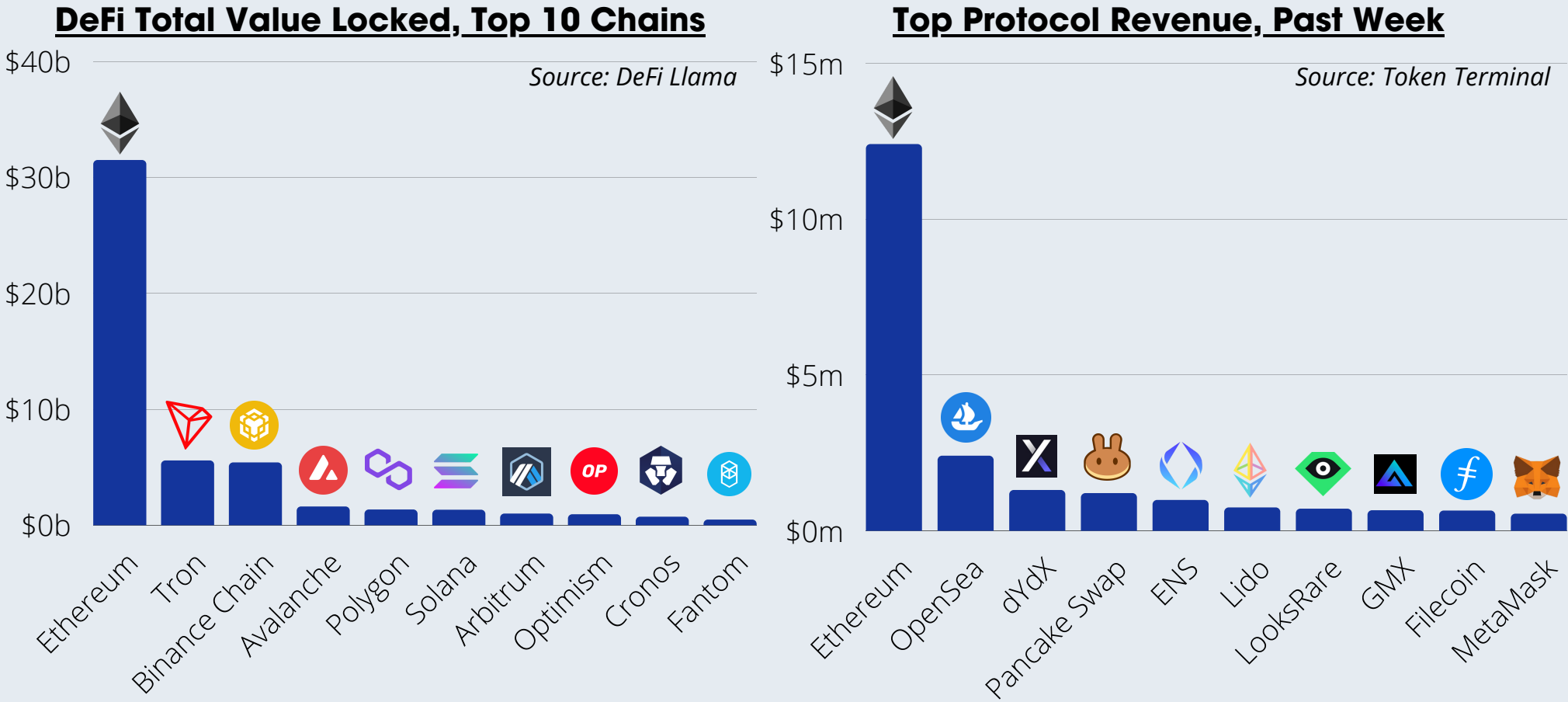
SWIFT, the interbank messaging system for cross border payments, announced a proof of concept project with Chainlink, a protocol that connects off-chain data sources to on-chain smart contracts. SWIFT’s Strategic Director, Jonathan Ehrenfeld Sole, pointed to increased demand from institutional investors for digital asset data and instruments. Chainlink can also help with interoperability and ease of access, a common concern for investors in traditional finance.

Finally, Telefonica, a multinational telecom company based in Madrid Spain, enabled payments with cryptocurrencies like BTC, ETH, and USDC. These efforts are in addition to their partnership with Qualcomm Technologies to advance its “extended reality” ecosystem and bring the metaverse to life. The firm has also built and released its own NFT marketplace integrated with Metamask.



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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.

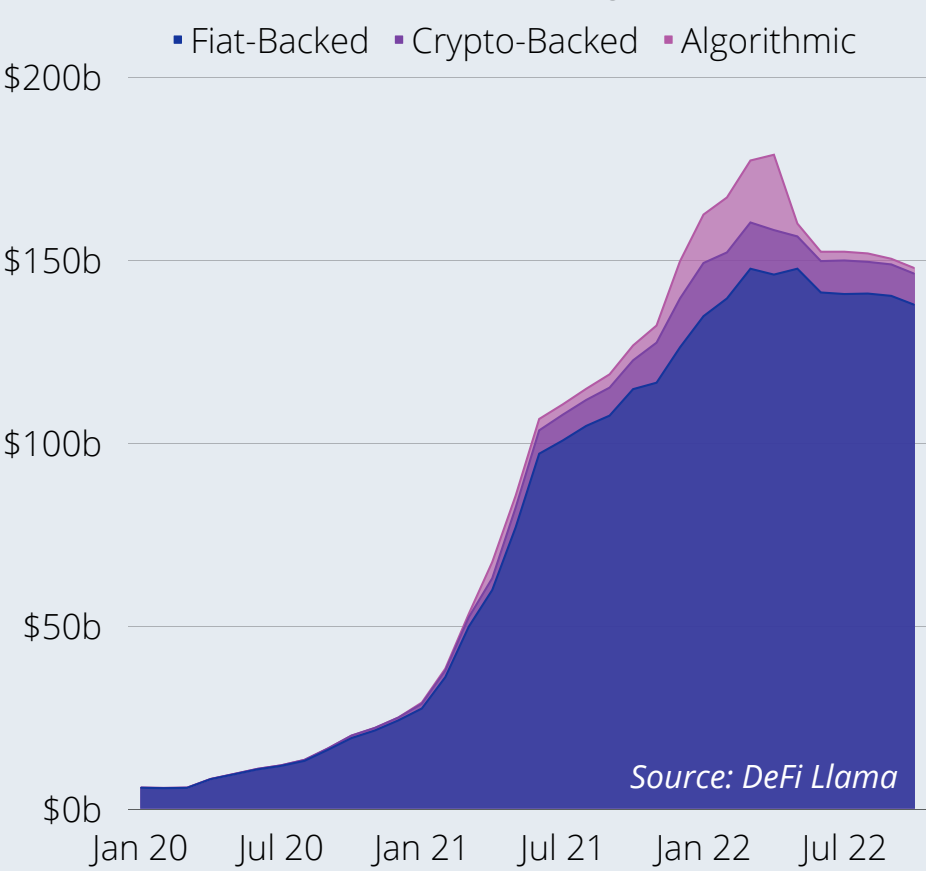
Algorithmic

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 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. As of September 30th, the Tether reserves now hold 58% US Treasury Bills, per Paolo Ardoino, Tether's CTO.

Stablecoin Circulating Supply








Stablecoin Net Exchange Flow







	Fiat-Backed	Ticker	Supply (\$, bn)	Launch	Chain
	<b>Tether</b>	USDT	67.95	Sept '14	Multi
	<b>Circle</b>	USDC	46.68	Sept '18	Multi
	<b>Binance</b>	BUSD	20.91	Sept '19	Multi
	<b>Paxos</b>	USDP	0.91	Sept '18	ETH, BSC
	<b>TrueUSD</b>	TUSD	0.88	Jan '18	Multi
	<b>Gemini</b>	GUSD	0.33	Sept '18	ETH
	<b>Huobi</b>	HUSD	0.16	Nov '18	ETH, SOL

Crypto-Backed

	<b>MakerDAO</b>	DAI	6.36	Dec '17	Multi
	<b>Abracadabra</b>	MIM	1.81	May '21	Multi
	<b>Liquity</b>	LUSD	0.17	Apr '21	ETH
	<b>Synthetix</b>	sUSD	0.14	Dec '18	ETH, FTM
	<b>mStable</b>	mUSD	0.05	May '20	ETH

Algorithmic

	<b>Frax</b>	FRAX	1.36	Dec '20	Multi
	<b>Neutrino</b>	USDN	0.12	Oct '19	Multi
	<b>Fei USD</b>	FEI	0.06	Dec '20	ETH
	<b>TerraUSD</b>	UST	0.00*	Sept '20	Multi



# Weekly Market Review - October 3rd, 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 staking rewards values are representative of the network post-Proof-of-Stake transition.

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 Fees 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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