

Key Takeaways

- Optimistic rallies continue as sentiment shifts towards a less hawkish Fed
- Earnings season has been most punishing towards the tech sector
- The Fed may soon adjust a new normal for inflation targets above 2.0%

Traditional Market Commentary

Optimism may be slowly spreading. Markets experienced a rally reacting to indications that the Fed's strategy in raising rates to tame inflation may be slowing down and even coming to a close. As the FOMC begins their two day meeting this week with futures indicating another 75 bp priced in, investors patiently await communication from the Fed on forward guidance, and perhaps details on data they are observing. Following the potential 75 bp hikes in November and December, a smaller hike of 25 bp is expected in February. Rates will have reached the initial terminal rate conveyed this past spring near the range of 5.00%.

Recent corporate earnings may shed some light on signals the Fed is tracking on economic growth. Popular tech companies, Meta, Google, Microsoft, and Amazon all experienced recent challenges in revenue as consumers have reduced their spend to venture to new products and services. Turning to financials, Credit Suisse is going through challenges that the Fed may see as a result of a constricting economy this year. A product of the Fed rate hikes, while hurtful to particular companies and sectors, might be a positive signal telling the Fed rate hikes are working. Consumers have already been hit with rising living costs and higher rates on mortgages and rent. Could the new "normal" on pricing, and perhaps interest rates, be more elevated than accepted?

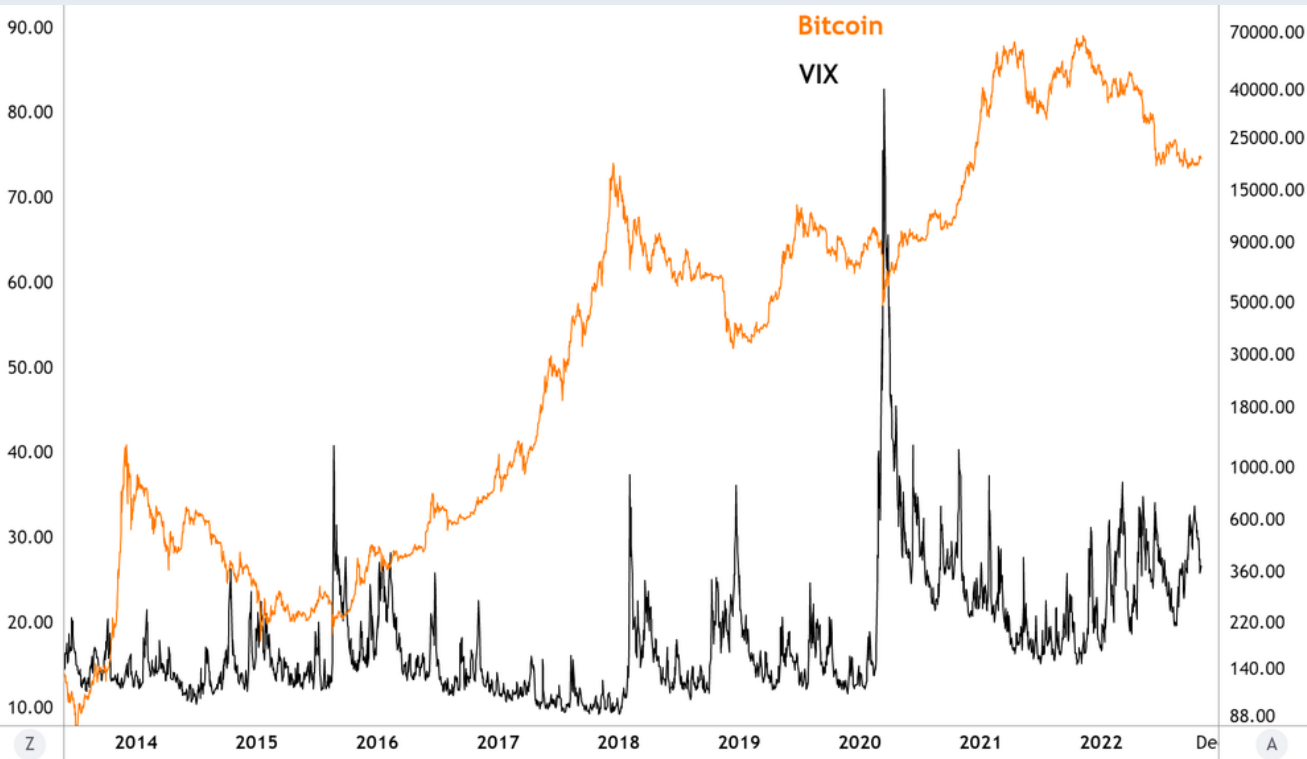
The Fed had more economic indicators last week, led by the Fed's preferred inflationary metric, the personal consumption expenditure (PCE) index. While the PCE data came in relatively unchanged, markets reacted positively. Additionally, a third quarter GDP print came in higher than expected to a positive 2.6%, up from the two negative quarters this year so far, which had traditionally been known as a recessionary period. Are definitions and guidance changing for recessionary and inflationary measurement? Wednesday's discussion could determine defining next steps for the years to come.

Authors:
Steven McClurg, CIO
Bill Cannon, Portfolio Manager
Sean Rooney, VP Research and Trading
Josh Olszewicz, Head of Research
Kyle Lazernik, DeFi Analyst



Please see important disclosures on last page.

| Indices | Ticker | Price (\$) | Returns (%) | | | | |
|---------------------------|--------|------------|-------------|---------|---------|--------|--------|
| | | | 1 week | 1 month | 3 month | YTD | 1 year |
| S&P 500 | SPX | 3901 | 2.73 | 6.05 | -5.28 | -18.15 | -15.45 |
| Nasdaq 100 | NDX | 11546 | 1.01 | 2.82 | -10.78 | -29.25 | -27.41 |
| Russell 2000 | RUT | 1846 | 5.46 | 8.08 | -1.93 | -17.74 | -21.68 |
| Dow Jones Ind. | DJI | 32861 | 4.32 | 11.43 | 0.19 | -9.57 | -8.50 |
| Commodities | | | | | | | |
| Crude Oil | CL1 | 86.58 | 1.99 | 3.84 | -8.00 | 14.70 | 3.24 |
| Brent Crude | BRN00 | 92.56 | 1.17 | 4.35 | -7.38 | 18.76 | 9.47 |
| Natural Gas | NG00 | 6.45 | 24.78 | -0.92 | -21.43 | 79.80 | 20.98 |
| Unleaded Gas | RB00 | 2.50 | 0.18 | -0.30 | -16.30 | 13.24 | 4.19 |
| Gold | GC00 | 1639.70 | -0.87 | -4.02 | -8.33 | -10.41 | -8.63 |
| Silver | SI00 | 19.01 | -0.94 | -8.43 | -6.52 | -18.60 | -21.20 |
| Copper | HG00 | 3.37 | -1.70 | -1.17 | -4.38 | -24.29 | -23.08 |
| Corn | C00 | 695.00 | 1.94 | 2.09 | 13.75 | 17.30 | 20.03 |
| Wheat | W00 | 875.00 | 4.29 | -4.08 | 9.44 | 13.60 | 9.61 |
| Bloomberg Commodity Index | BCOM | 112.5 | 1.10 | 0.90 | -7.67 | 13.43 | 8.83 |
| Bitcoin | BTC | 20626.29 | -0.71 | 5.48 | -11.44 | -55.40 | -66.70 |



Source: TradingView

News Review

- [Young Workers Want Cryptocurrency in 401\(k\)s](#)
- [JPMorgan Exploring Applications of Digital Identity](#)
- [CashApp Integrates Bitcoin's Lightning Network](#)
- [Wall Street Courts Crypto Custody, But With Fingers Crossed](#)
- [Digital Bank Revolut to Allow Customers to Make Purchases With Crypto Balances](#)
- [Western Union May be Planning to Expand its Digital Offerings Far Beyond Remittances](#)
- [Google Introduces Cloud-Based Blockchain Node Service for Ethereum](#)
- [Crypto Exchange Binance, Musk's co-investor, to Help Twitter With Blockchain](#)
- [NEAR Protocol to Wind Down Its Terra-Like Algorithmic Stablecoin](#)
- [Crypto Exchange Huobi to Delist HUSD Fiat-Backed Stablecoin](#)
- [MakerDAO Moves Ahead with \\$1.6 billion in Coinbase Custody](#)
- [Circle Partners with Axelar on Cross-Chain Initiative for USDC](#)
- [Reddit Launched Its Own NFT Marketplace in July. It Already Has More Users Than OpenSea](#)

Key Takeaways

- Satoshi Nakamoto released the Bitcoin white paper 14 years ago today
- The decentralized network has had nearly 100% uptime since launching in 2009
- Bitcoin and other digital assets have begun experiencing upside volatility

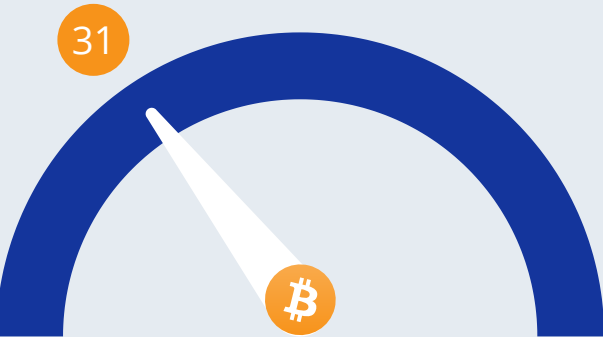
On-Chain Commentary

The Bitcoin white paper was released 14 years ago today and has led to a paradigm shift in the idea of digital cash, giving birth to an entirely new financial industry. Never before had the world seen a large scale, decentralized, trustless, open source, programmable money with an immutable ledger, fixed supply, and strict monetary policy. The Bitcoin network has had 99.98% uptime since going live on January 3, 2009 and according to Glassnode, the network has cleared \$14 trillion in transfer volume this year alone, rivaling major credit card processors.

Bitcoin price volatility increased slightly over the past week, as other Layer 1 blockchains such as Ethereum have also awoken from their slumber. Bitcoin continues to signal a holding pattern within the current range and may find a further spike in volatility around this week's FOMC meeting. Any forward guidance from Jerome Powell regarding the December meeting rate hike or terminal Fed funds rate will likely be seen as a bullish release for digital assets. Bitcoin price technicals on weekly Bollinger Bands continue to show a significant volatility squeeze with essentially a neutral bias. A weekly price close above the 20-week moving average (MA), now at \$20,700, would tip the bias in a bullish direction. Conversely, Ethereum and Binance Coin have already violently broken to the upside over the past week, despite similar volatility contractions. Strongly bullish leading activity from non-Bitcoin digital assets has historically eventually spilled over into Bitcoin prices as well.

Bitcoin Fear and Greed Index

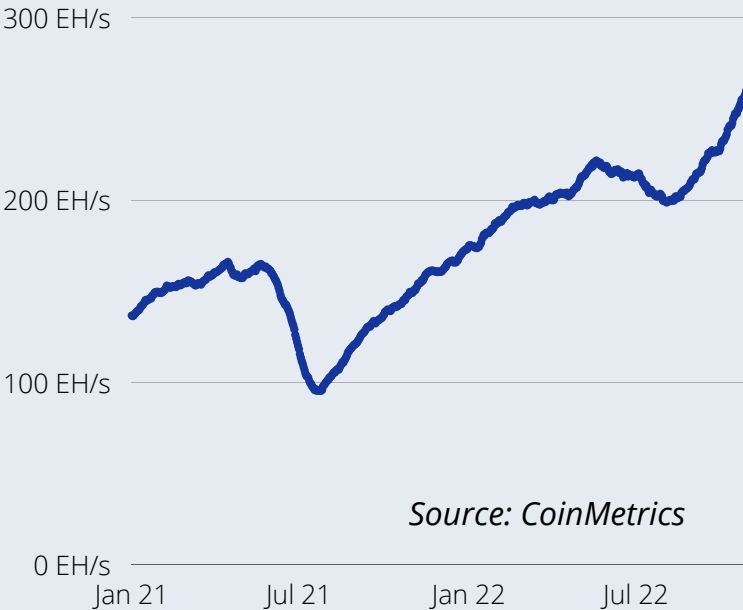
Multifactorial Market Sentiment Analysis



Last Week: 22 Last Month: 20

Source: Alternative.me

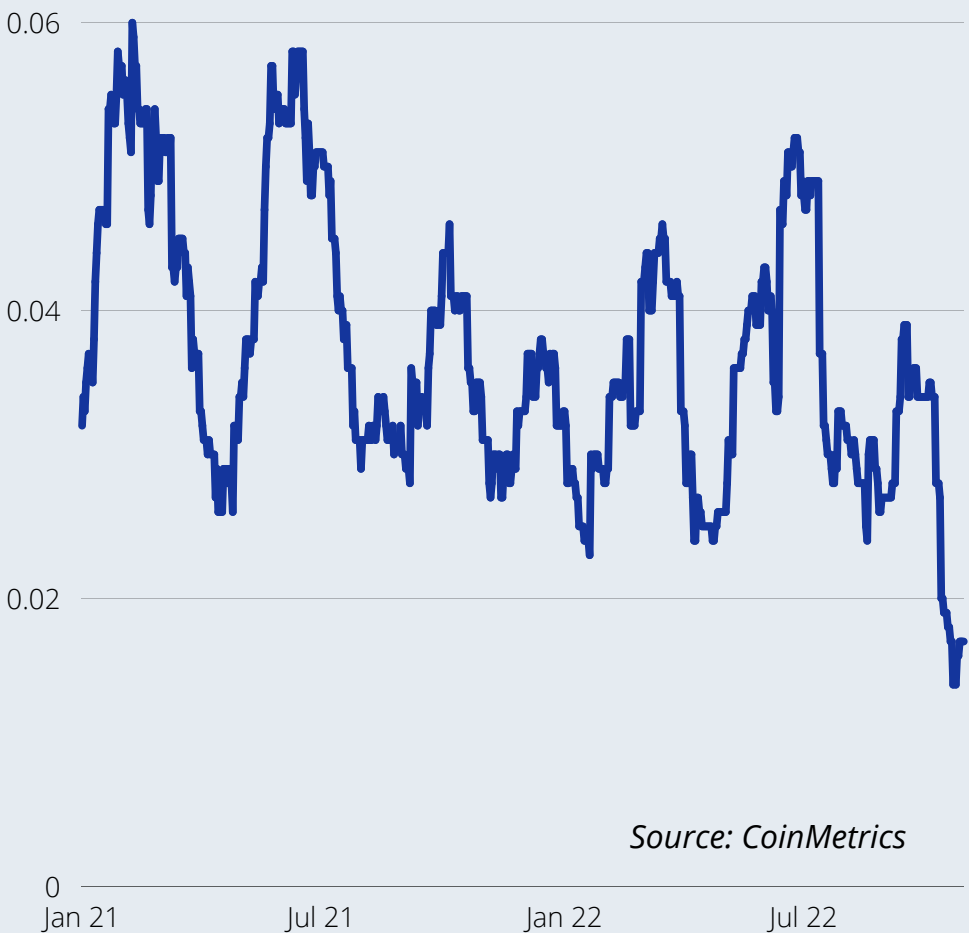
Bitcoin Monthly Average Hashrate



Source: CoinMetrics

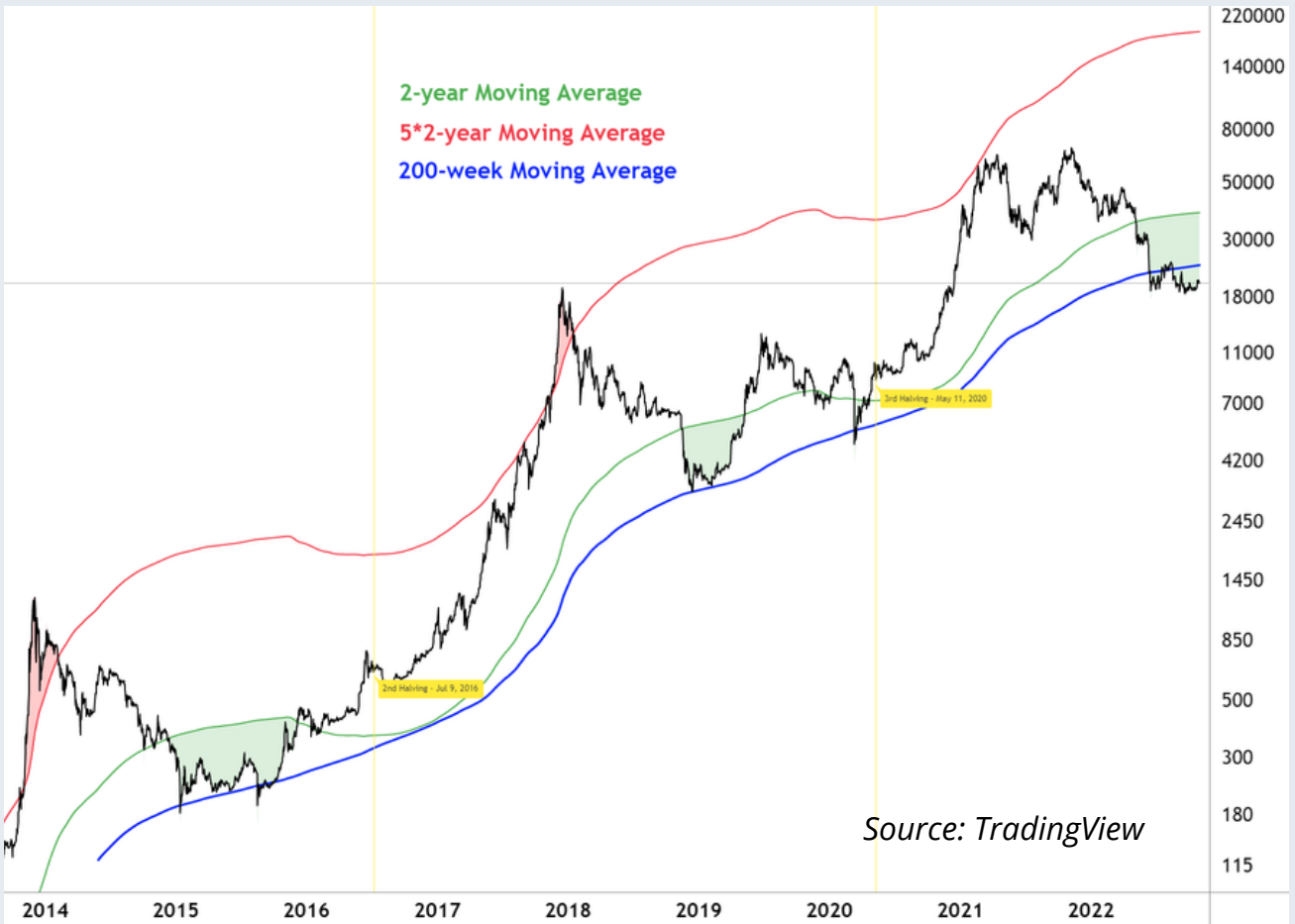
| Crypto | Ticker | Price (\$) | Returns (%) | | | | | M Cap (bn) | Annualized | | | |
|--------------|--------|------------|-------------|---------|---------|--------|--------|------------|--------------|-----------------|------------|--------|
| | | | 1 week | 1 month | 3 month | YTD | 1 year | | Issuance (%) | Stake Yield (%) | Volatility | Sharpe |
| Bitcoin | BTC | 20626.29 | -0.71 | 5.48 | -11.44 | -55.40 | -66.70 | 395.60 | 1.75 | N/A | 0.64 | -1.47 |
| Ethereum | ETH | 1595.87 | 0.56 | 20.36 | -1.96 | -56.50 | -63.04 | 195.67 | 0.54 | 4.81 | 0.84 | -0.91 |
| Binance Coin | BNB | 324.43 | 5.52 | 15.45 | 16.06 | -35.77 | -37.78 | 52.60 | 0.00 | 3.75 | 0.73 | -0.48 |
| Solana | SOL | 33.41 | 1.42 | 0.43 | -19.82 | -80.35 | -82.95 | 11.98 | 2.80 | 3.22 | 1.05 | -1.34 |
| Polygon | MATIC | 0.91 | 1.10 | 17.10 | 2.24 | -63.95 | -51.30 | 7.96 | 3.18 | 6.99 | 1.18 | 0.08 |
| Polkadot | DOT | 6.70 | 0.76 | 5.63 | -18.37 | -74.95 | -84.38 | 7.56 | 8.06 | 14.01 | 0.98 | -1.54 |
| Tron | TRX | 0.06 | -0.35 | 2.55 | -10.38 | -16.76 | -37.80 | 5.79 | 2.03 | 3.59 | 0.73 | -0.26 |
| Avalanche | AVAX | 19.10 | 6.03 | 12.09 | -18.20 | -82.40 | -69.09 | 5.76 | 5.90 | 8.40 | 1.17 | -0.59 |
| Cosmos | ATOM | 14.07 | 1.29 | 7.62 | 34.81 | -56.78 | -62.42 | 4.01 | 13.01 | 18.90 | 1.20 | -0.26 |
| Near | NEAR | 3.12 | 0.50 | -12.92 | -27.40 | -78.79 | -69.98 | 2.55 | 6.19 | 10.50 | 1.35 | -0.23 |
| Algorand | ALGO | 0.36 | -0.25 | 0.99 | 4.29 | -78.50 | -80.41 | 2.52 | 4.06 | 6.67 | 0.95 | -1.40 |
| Fantom | FTM | 0.24 | 2.19 | 7.46 | -28.35 | -89.11 | -90.81 | 0.62 | 3.07 | 6.40 | 1.37 | -1.11 |
| Zilliqa | ZIL | 0.03 | 0.96 | -0.60 | -26.48 | -57.74 | -69.19 | 0.42 | 4.84 | 11.92 | 1.67 | -0.13 |

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.

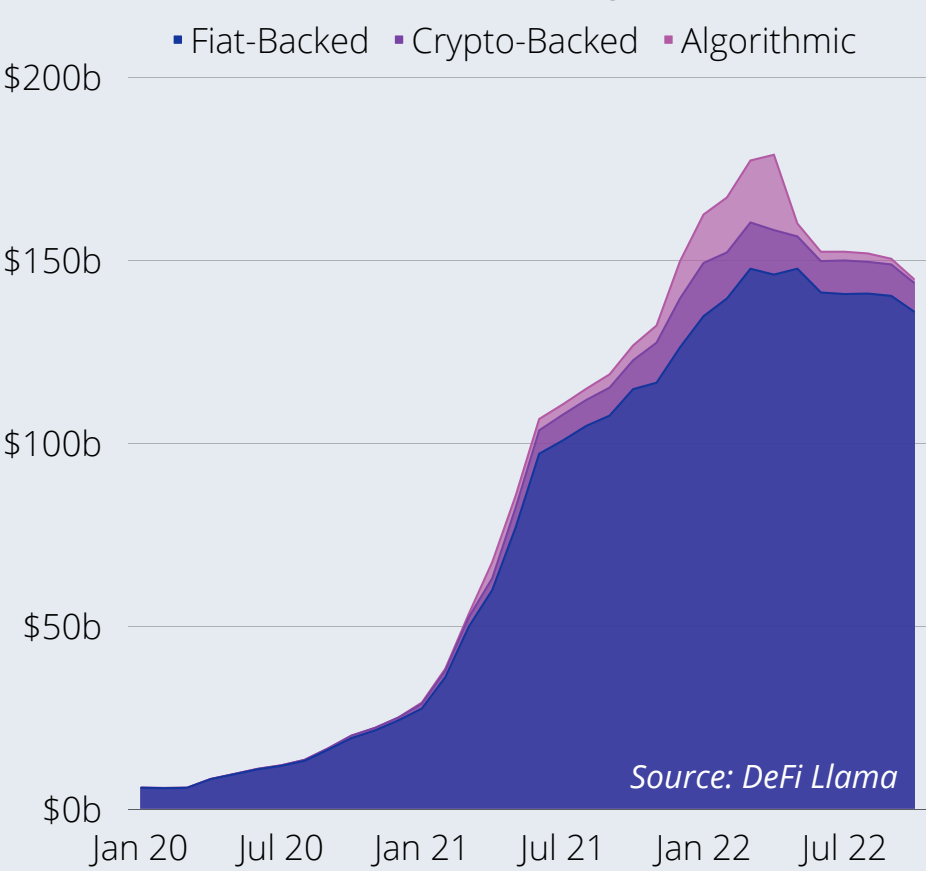
Algorithmic

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.

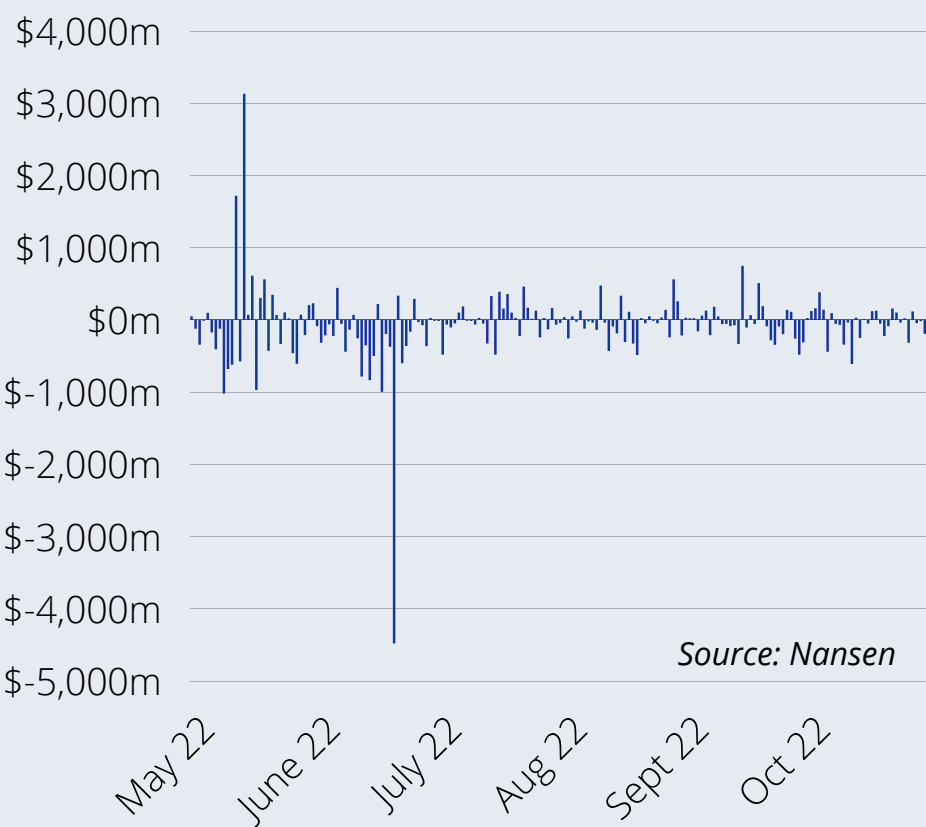
Tether Redemptions & Reserves

Tether 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 |
|---|----------------|--------|-----------------|----------|----------|
|  | Tether | USDT | 69.42 | Sept '14 | Multi |
|  | Circle | USDC | 42.86 | Sept '18 | Multi |
|  | Binance | BUSD | 21.40 | Sept '19 | Multi |
|  | Paxos | USDP | 0.89 | Sept '18 | ETH, BSC |
|  | TrueUSD | TUSD | 0.82 | Jan '18 | Multi |
|  | Gemini | GUSD | 0.48 | Sept '18 | ETH |
|  | Huobi | HUSD | 0.08 | Nov '18 | ETH, SOL |

Crypto-Backed

| | | | | | |
|---|--------------------|------|------|---------|----------|
|  | MakerDAO | DAI | 5.73 | Dec '17 | Multi |
|  | Abracadabra | MIM | 1.81 | May '21 | Multi |
|  | Liquity | LUSD | 0.18 | Apr '21 | ETH |
|  | Synthetix | sUSD | 0.13 | Dec '18 | ETH, FTM |
|  | mStable | mUSD | 0.05 | May '20 | ETH |

Algorithmic

| | | | | | |
|---|-----------------|------|-------|----------|-------|
|  | Frax | FRAX | 1.22 | Dec '20 | Multi |
|  | Neutrino | USDN | 0.11 | Oct '19 | Multi |
|  | Fei USD | FEI | 0.06 | Dec '20 | ETH |
|  | TerraUSD | UST | 0.00* | Sept '20 | Multi |



Weekly Market Review - October 31st, 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

"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.

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.

Cautionary Statement Concerning Forward-Looking Statements:
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.