

Key Takeaways

- MoM CPI print decline, but Fed remains hawkish on terminal rates
- Treasury yield curves continue to indicate recessionary conditions
- US midterms remain undecided but suggestive of mild gridlock

Traditional Market Commentary

The latest inflationary indications released last week provided some relief for investors hoping for a more passive rate hike strategy in the near term, as CPI dipped lower, giving cause for a notable rally late in the week. Almost all CPI indications declined, with the monthly non-core print the only one to remain unchanged. Equity markets moved higher as the S&P 500 finished up 5% for the week, closing near the 4000 level. The US yield curve began a notable transformation with the 3-year to 10-year range declining almost 40bp, as the 20-year and 30-year moving only 30 bp. The 2/10 year treasury spread, a traditional recessionary metric, remained below -50 bp with a brief breach above -50 bp following the CPI release, then returning lower, confirming interest rates will still be a barometer of a healthy economy.

Investors now look forward to the next FOMC meeting mid-December, ironically the day after the November CPI release. Current futures markets are pricing in a 50 bp hike, followed by 25 bp hikes at each February and March meetings, landing at the terminal rate of 4.75-5.00%. Fed board members have remained hawkish at recent speaking events asking investors to remain cautious as one optimistic print does not provide enough evidence that a pivot point is near.

The US midterm elections did not provide any substantial change as the anticipated red-wave, or Republican party sweep of congress, was mute. At this moment, the Senate remains under democratic control with the house looking to flip Republican, with a slim advantage. The mild gridlock could be a positive for markets as strategists hope for less government spending over the next two years. As the holiday season begins next week, markets will finally see how the consumers behave during this time of giving, not to mention holiday travel expected to be at normal pre-Covid levels.

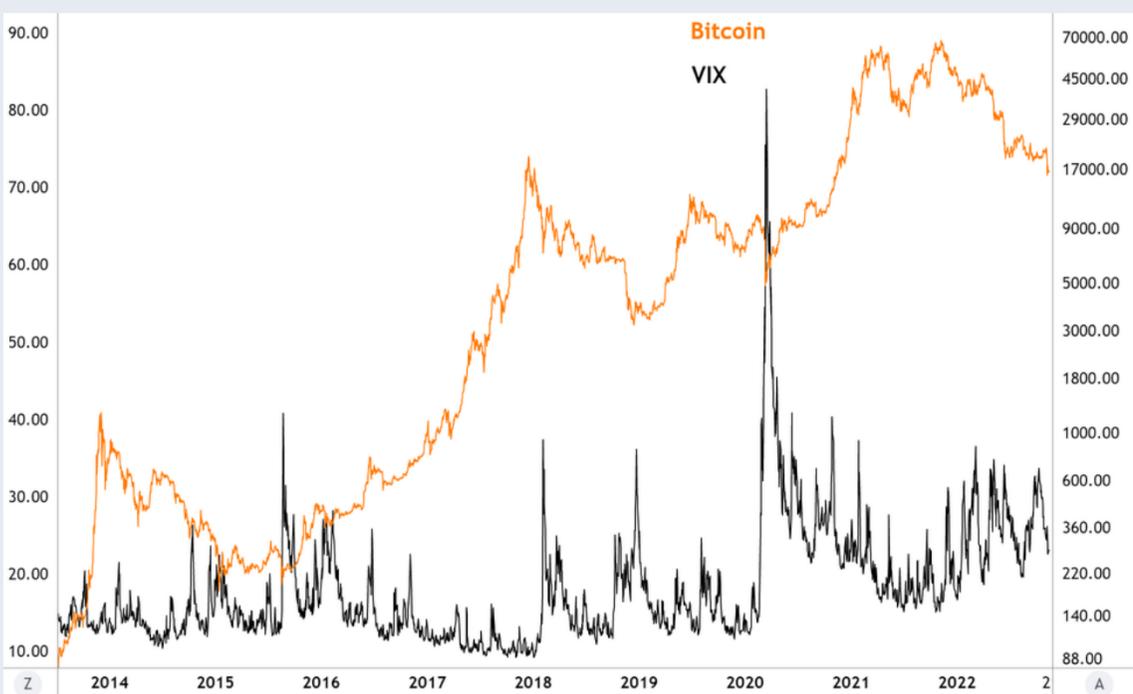
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Please see important disclosures on last page.

Indices	Ticker	Price (\$)	Returns (%)				
			1 week	1 month	3 month	YTD	1 year
S&P 500	SPX	3992	4.89	8.56	-7.08	-16.22	-14.73
Nasdaq 100	NDX	11817	7.65	6.82	-13.54	-27.59	-27.01
Russell 2000	RUT	1882	4.03	8.47	-6.86	-16.15	-21.58
Dow Jones Ind.	DJI	33747	2.81	11.80	-0.49	-7.13	-6.48
Commodities							
Crude Oil	CL1	87.95	-4.34	2.62	0.03	16.50	8.59
Brent Crude	BRN00	94.97	-3.02	3.25	1.60	21.85	15.58
Natural Gas	NG00	6.61	-6.00	10.65	-24.81	84.79	29.03
Unleaded Gas	RB00	2.60	-2.57	0.06	-11.11	17.29	11.30
Gold	GCO0	1766.80	5.40	6.72	-1.58	-3.47	-5.24
Silver	SI00	21.72	4.42	16.75	7.37	-7.02	-13.59
Copper	HG00	3.84	6.75	12.78	6.65	-13.82	-12.87
Corn	CO0	654.25	-3.15	-4.17	4.35	10.42	13.59
Wheat	W00	810.75	-4.34	-5.62	1.44	5.26	-1.99
Bloomberg Commodity Index	BCOM	117.59	0.08	3.45	-4.57	18.55	14.37
Bitcoin	BTC	16531.88	1.42	-19.33	-31.40	-64.23	-74.33



Source: TradingView

News Review

- [Coinbase: Our Approach to Transparency, Risk Management, and Consumer Protection](#)
- [Kraken: Proof of Reserve Audits Increase Transparency](#)
- [Binance: Proof of Reserves Snapshot](#)
- [Gemini: Exchange Built on Trust, Safety, and Compliance](#)
- [Crypto.com Commits to Proof-of-reserves After Halting Certain Deposits and Withdrawals](#)
- [FTX Tapped Into Customer Accounts to Fund Risky Bets, Setting Up Its Downfall](#)
- [US SEC Investigates Crypto Platform FTX](#)
- [Manhattan US Attorney's Office Investigates FTX Downfall](#)
- [Untangling the Knotty Empire of Bankman-Fried and FTX](#)
- [Sam Bankman-Fried's FTX Empire Faces US Probe Into Client Funds, Lending](#)
- [Crypto Crash Intensifies Amid Downfall Of Industry's 'White Knight' Bankman-Fried](#)
- [FTX's Bankman-Fried Quietly Invested More than \\$500 Million in Sequoia and Other VCs](#)
- [Crypto Exchange Kraken Freezes Accounts Related to FTX and Alameda](#)
- [Tether Freezes \\$46M of USDT Held by FTX Following Law-Enforcement Request](#)
- [Stablecoin Paxos Ordered by US Officials to Freeze \\$19M in Crypto Tied to FTX](#)
- [Oil and Gas Giant Shell Signs Two-year Sponsorship With Bitcoin Magazine](#)

Key Takeaways

- FTX and Alameda announced insolvency, filed for chapter 11 bankruptcy
- The remaining exchanges have issued statements on compliance and regulation
- Recent events heighten the need for further accountability and transparency

On-Chain Commentary

Although not all of the details have emerged, FTX and Alameda were likely trading and commingling customer assets with hedge fund and venture investments. A majority of reserves looked to have been held in illiquid assets or their own FTX exchange token, FTT. In response, most major US and international exchanges, including Coinbase, Binance, Kraken, and Gemini, have issued statements highlighting compliance and regulatory regimens, and/or have given blockchain-based proof of reserves (PoR). Binance CEO CZ and Ethereum co-founder Vitalik Buterin have further plans to implement a decentralized PoR protocol using Merkle Tree algorithms.

In the current environment, it is imperative for digital asset related companies to create their own system or guideline process, similar to traditional institutions in financial services, treasury management, counterparty risk, financial reporting, and regular audit strategy given by established, well-known reputable US firms. Daily reporting is necessary for all balance sheet assets. This can be done almost instantaneously as reporting from financial institutions in this sector are established and verified. Digital exchanges could engage with US equity or fixed income exchanges or trading platforms and require transaction information from both parties to be posted along with information on exchanges used, in addition to insurance requirements. All of this can use a blockchain process to keep details decentralized while providing additional accountability and transparency.

Bitcoin Fear and Greed Index

Multifactorial Market Sentiment Analysis

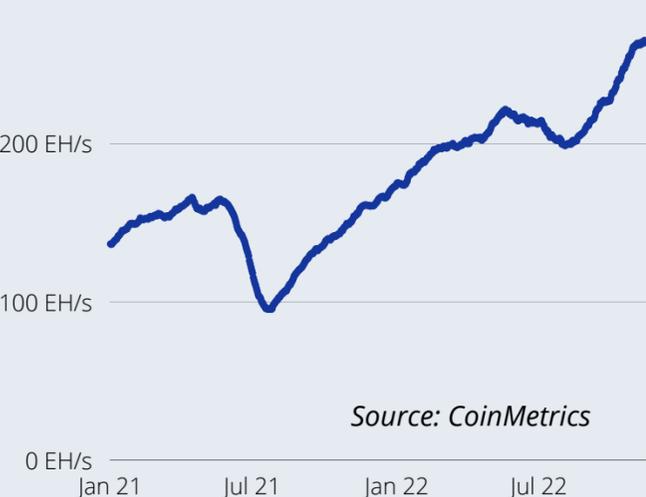


Last Week: 33 Last Month: 24

Source: Alternative.me

Bitcoin Monthly Average Hashrate

300 EH/s



Source: CoinMetrics

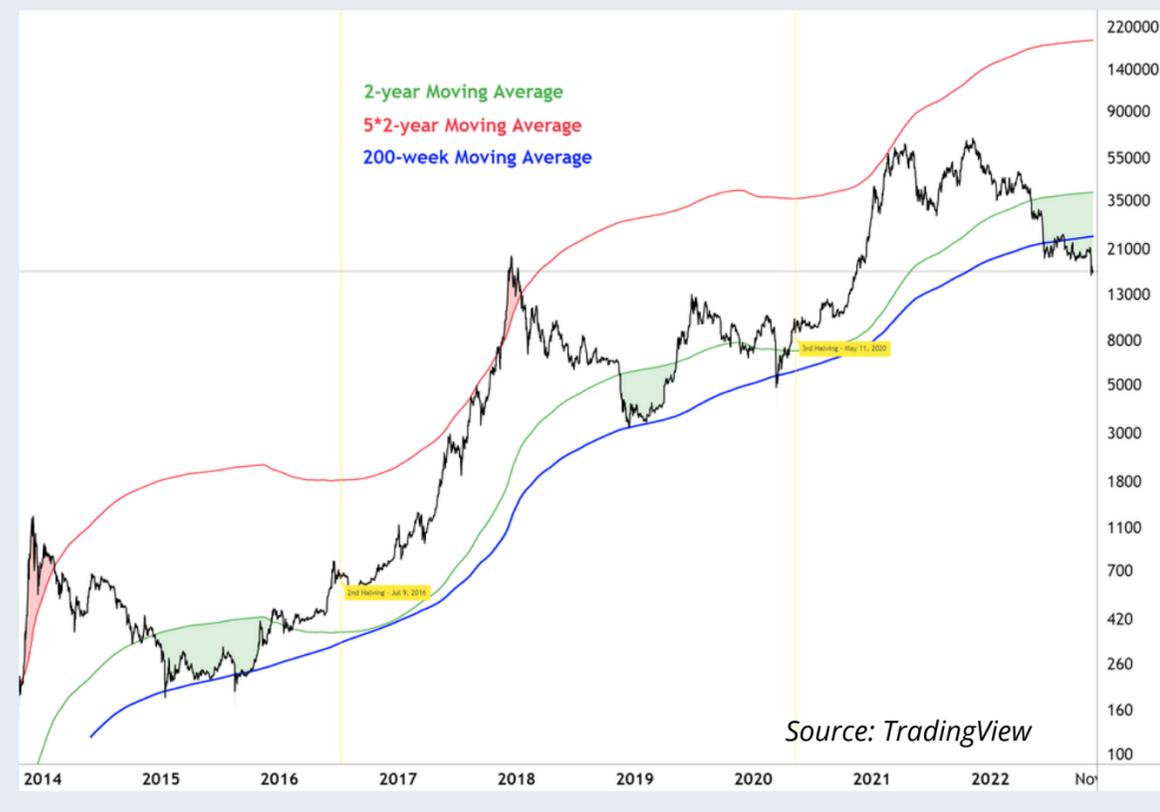
Crypto	Ticker	Price (\$)	Returns (%)					M Cap (bn)	Annualized			
			1 week	1 month	3 month	YTD	1 year		Issuance (%)	Stake Yield (%)	Volatility	Sharpe
Bitcoin	BTC	16531.88	1.42	-19.33	-31.40	-64.23	-74.33	317.53	1.75	N/A	0.67	-1.69
Ethereum	ETH	1244.69	2.00	-20.86	-34.46	-66.14	-73.20	152.32	0.16	4.65	0.89	-1.01
Binance Coin	BNB	280.30	1.48	-13.94	-12.27	-45.24	-56.86	44.84	0.00	4.13	0.75	-0.81
Polygon	MATIC	0.92	3.72	1.88	-3.26	-63.59	-47.48	8.04	3.20	7.32	1.28	0.14
Polkadot	DOT	5.69	-0.71	-14.15	-35.23	-78.66	-87.92	6.46	8.06	14.01	0.98	-1.62
Solana	SOL	14.08	6.99	-56.76	-67.78	-91.71	-94.17	5.10	4.53	5.80	1.18	-1.83
Tron	TRX	0.05	-2.37	-21.56	-27.93	-34.10	-55.66	4.58	0.85	3.15	0.73	-0.83
Avalanche	AVAX	13.10	0.67	-32.13	-53.04	-88.05	-86.58	3.93	5.60	8.76	1.19	-1.06
Cosmos	ATOM	10.27	1.00	-28.24	-9.88	-68.32	-68.39	2.94	13.28	20.54	1.23	-0.33
Algorand	ALGO	0.25	-2.89	-29.22	-28.97	-84.69	-87.76	1.80	4.05	6.72	0.95	-1.02
Near	NEAR	1.94	-0.19	-37.44	-64.02	-86.80	-82.69	1.61	6.33	10.74	1.35	-0.67
Fantom	FTM	0.18	-0.89	-25.19	-51.86	-92.06	-93.17	0.46	2.96	6.69	1.40	-1.17
Zilliqa	ZIL	0.02	-1.69	-33.68	-55.18	-72.43	-79.70	0.28	4.79	11.72	1.69	-0.30

Bitcoin 30-Day Rolling Volatility



Source: CoinMetrics

Bitcoin Moving Averages



Source: TradingView

Coin Spotlight: Polygon (MATIC)

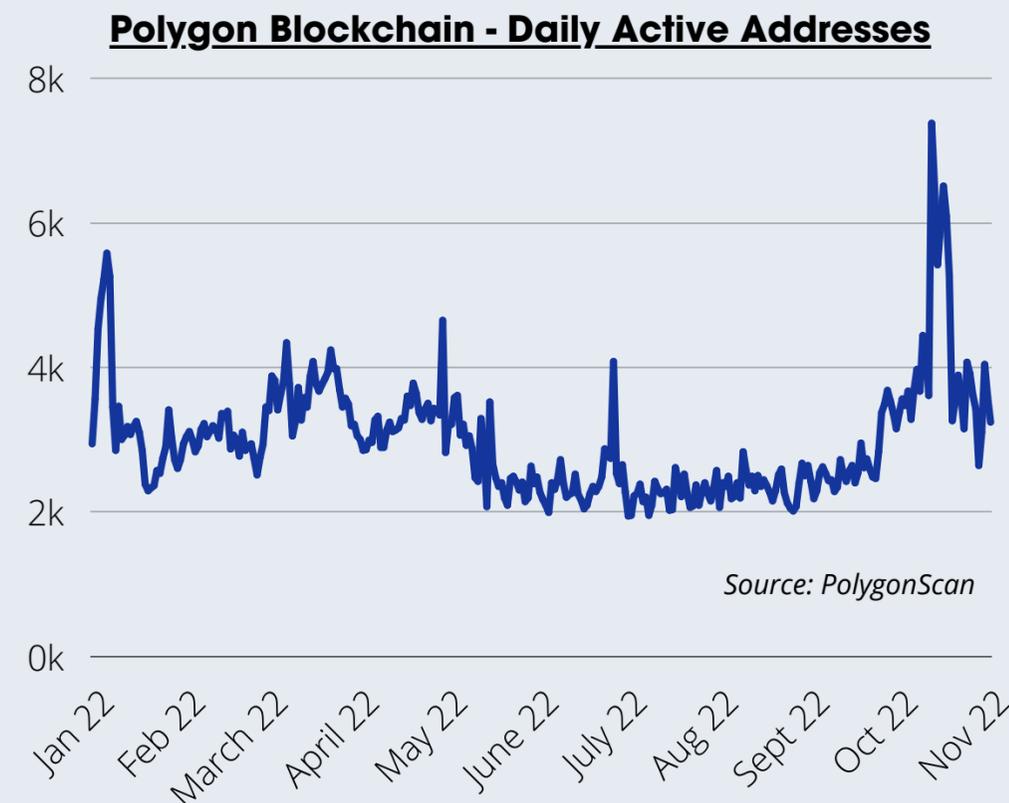
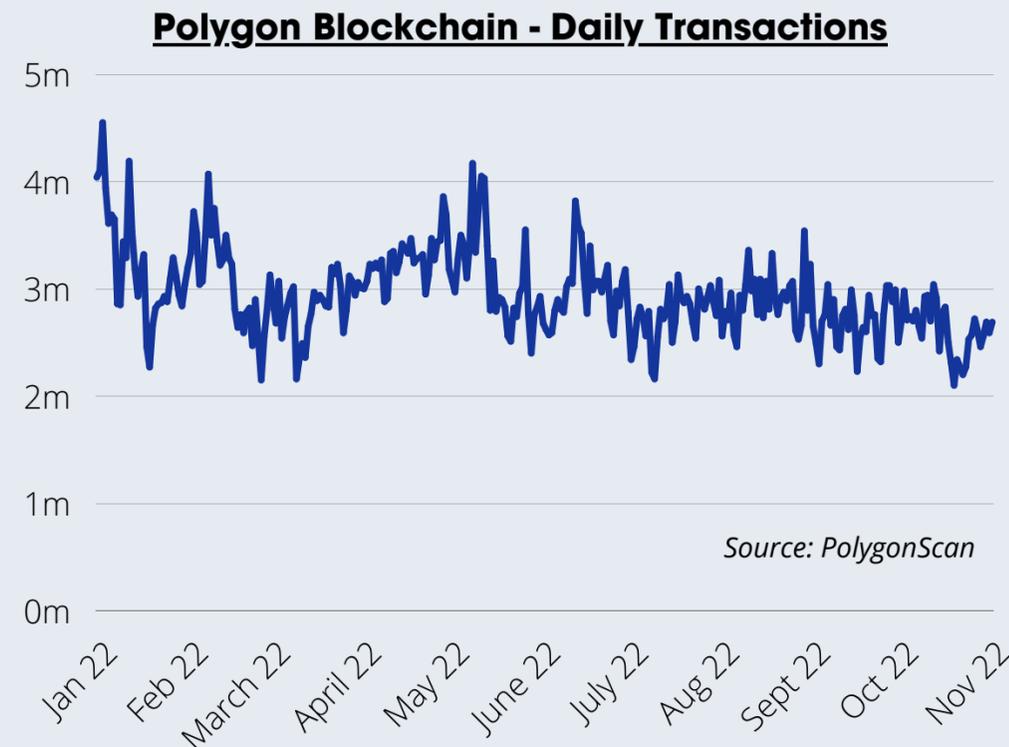
Polygon is a blockchain ecosystem focused on scaling infrastructure, offering a suite of layer 2 solutions and sidechain technologies. The chain was first ideated as the ERC-20 token, MATIC Network, on Ethereum in 2017 and became an independent proof-of-stake blockchain in June 2020.

The chain achieves scalability via sidechains, bridges and rollups. The Plasma protocol implementation allows for transactions to execute and validate off-chain, in sidechain environments, while anchoring on top of Ethereum. Bridges allow for the frictionless transfer between sidechains and the main chain. Finally, rollups function in a similar manner to sidechains, offering transaction execution outside of the main Ethereum chain, but relying on layer 1 security for data storage. Sidechains offer high scalability and lower fees, but are potentially less secure than rollups.

Over the past year, Polygon has gained strong interest for the first generation of Web3 applications thanks to average transaction fees of <\$0.01 and high transaction throughput with the potential for millions of transactions per second. Most of the partnerships have been focused on non-fungible token (NFT) integrations through various social media platforms. The Polygon blockchain appears to have successfully been able to bridge several corporate entities into Web3 by providing utility for consumers.

Despite fluctuations in price, Polygon is one of the few blockchains that has continued to experience sustained on-chain activity, with transactions exceeding two million per day throughout the entire year. This suggests a use case for the Polygon blockchain has emerged beyond pure market speculation.

Announced	Partnership	Purpose
Oct 2021	DraftKings	NFT marketplace
Nov 2021	Ticketmaster/NFL	NFT integration
Jan 2022	Adidas and Prada	NFT integration
March 2022	Adobe	NFT integration on Behance
April 2022	Stripe	USDC payment gateway
May 2022	Meta	NFT integration pilot
July 2022	Flipkart	NFT mint
July 2022	Reddit	NFT marketplace
July 2022	Disney	Accelerator program for AR, NFT and AI experiences
July 2022	Mercedes Benz	Support for decentralized data-sharing platform on Acentrik
Sept 2022	Starbucks	Starbucks Odyssey mobile app web3 experience
Nov 2022	Meta	NFT integration completed
Nov 2022	Nike	NFT marketplace





Weekly Market Review - November 14th, 2022

"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.

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

Coin Spotlight: Polygon (MATIC): Source: Valkyrie Investments, Inc., Infura

Polygon Blockchain - Daily Transactions, Daily Active Addresses: Source: Valkyrie Investments, Inc., PolygonScan

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