

Key Takeaways

- Inflation has begun to fall but remains well above the Fed's 2% target
- The Fed announced a 50 bp rate hike last week, w/smaller hikes expected
- PCE and housing data released this week are expected to move lower

Traditional Market Commentary

Once again, markets experienced volatility following a FOMC rate decision when the message remains the same on what needs to be done to combat the persistent inflation problem here in the US. The Fed raised rates 50 bp Wednesday, as expected, following the November CPI YoY print of 7.3%, down from 7.7% the previous month. All related CPI metrics dropped as well. Equities dropped post decision with the S&P 500 dropping almost 100 points by Thursday morning, then continued to slide through the week dropping a total of almost 300 points to the 3850 level by the weekend. The front end of the yield curve also dropped about 10-15 bp with the back end starting at the 10-year remained almost unchanged. Looking ahead, again, more of the same, as futures are pricing in two more hikes early 2023, with the February 1st meeting looking like 25-50 bp, then only a 25 bp hike March 22nd, which will meet the current terminal rate of 4.75-5.00%. By late 2023, yields look to drop towards the 4.5% level.

The holidays have arrived but investors seem weary on what may come this New Year. Financial firms have painted dim pictures for 2023 as they see the Fed not convinced enough work has been done. Focus turns to housing this week with indicators beginning to be released Tuesday with Housing Starts, Existing Home Sales Wednesday, then New Home Sales Friday, all looking lower perhaps as expected due to the higher rate environment settling in. The personal consumption expenditures release, the Fed's preferred inflationary metric, will be released Friday as well, with surveys looking lower than last month. As investors begin to write down their New Year's resolutions already, one good thought to note is that a good amount of work has been done already with economic indicators providing evidence that encouraging growth may begin later in 2023. Santa's gift might be one that provides a better light in guiding through what could be a turbulent but productive New Year.

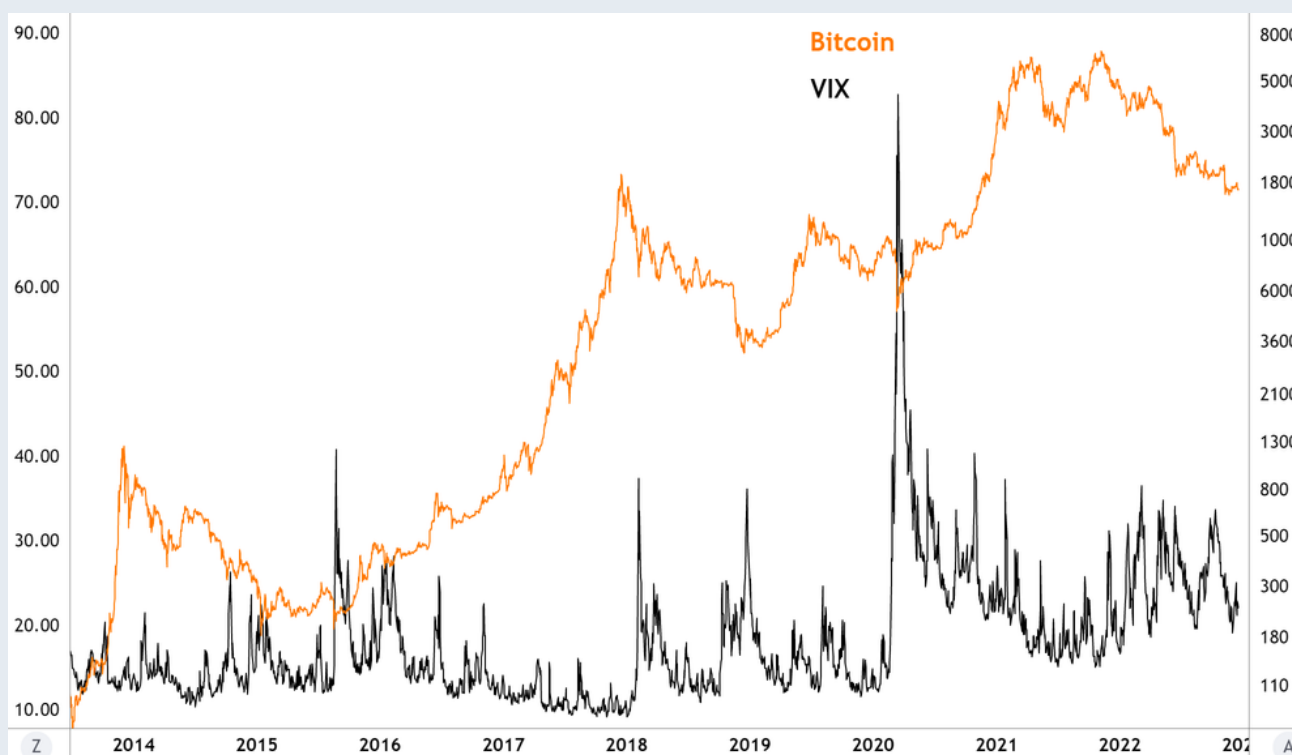
Authors:

Steven McClurg, CIO
 Bill Cannon, Portfolio Manager
 Sean Rooney, VP Research and Trading
 Josh Olszewicz, Head of Research



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Indices	Ticker	Price (\$)	Returns (%)				
			1 week	1 month	3 month	YTD	1 year
S&P 500	SPX	3854	-3.45	-2.46	-1.21	-19.21	-15.66
Nasdaq 100	NDX	11231	-3.95	-2.68	-5.93	-31.10	-28.05
Russell 2000	RUT	1763	-3.03	-4.12	-2.73	-21.46	-17.59
Dow Jones Ind.	DJI	32875	-3.26	-2.38	6.05	-9.47	-5.82
Commodities							
Crude Oil	CL1	75.58	3.11	-5.22	-11.43	0.16	10.06
Brent Crude	BRN00	80.21	2.87	-8.58	-12.50	2.99	11.36
Natural Gas	NG00	6.05	-7.20	-15.51	-23.09	68.68	57.74
Unleaded Gas	RB00	2.17	4.25	-11.16	-11.87	-1.93	3.30
Gold	GCO0	1801.50	0.48	3.27	6.92	-1.58	0.56
Silver	SI00	23.44	-0.30	11.04	19.71	0.39	5.25
Copper	HG00	3.79	-0.41	5.88	7.55	-15.00	-11.93
Corn	CO0	649.00	-0.88	-2.15	-4.28	9.54	9.77
Wheat	W00	752.00	-0.36	-8.07	-9.32	-2.37	-3.31
Bloomberg Commodity Index	BCOM	112.03	-0.62	-2.86	-4.14	12.97	17.46
Bitcoin	BTC	16651.54	-0.54	-3.00	-14.77	-63.97	-64.46



Source: TradingView

News Review

- [Banks Face First Global Cryptocurrency Rules in Wake of FTX Collapse](#)
- [Signature Bank to Reduce Crypto-Tied Deposits by as Much as \\$10 Billion](#)
- [Goldman Sachs on Hunt for Bargain Crypto Firms After FTX Fiasco](#)
- [Bernstein Says Saving Grayscale Will Come at a Cost for Digital Currency Group](#)
- [Bitcoin Lightning company Strike enables payments to 3 African countries; Nigeria, Kenya and Ghana](#)
- [Nigeria Pushes CBDC Usage With New ATM Cash Withdrawal Limits](#)
- [Ethereum Developers Target March 2023 for Release of Staked Ether](#)
- [Coinbase Takes a Swipe at Tether, Tells Customers to Switch to USDC Stablecoin](#)
- [Tether Launches Offshore Chinese Yuan \(CNH\) on Tron](#)
- [Starbucks Sees 'Unprecedented Interest' as Polygon NFT Rewards Platform Launches](#)
- [Reddit Collectible Avatar NFT Minting Hits All-Time High](#)
- [\\$1.3T Asset Manager Exploring Use Cases for NFTs](#)
- [CME Group & CF Benchmarks Launches New DeFi Reference Rates & Real-Time Indices for AAVE, Curve, and Synthetix](#)
- [Blockchain Data Provider Chainlink Launches Staking of Its Native Token LINK](#)

Key Takeaways

- 2022 was marred by fake yields, significant leverage, and rehypothecation
- Bitcoin & other digital assets continue to function, unperturbed by 2022's events
- Use cases should continue to expand & strengthen throughout 2023 & beyond

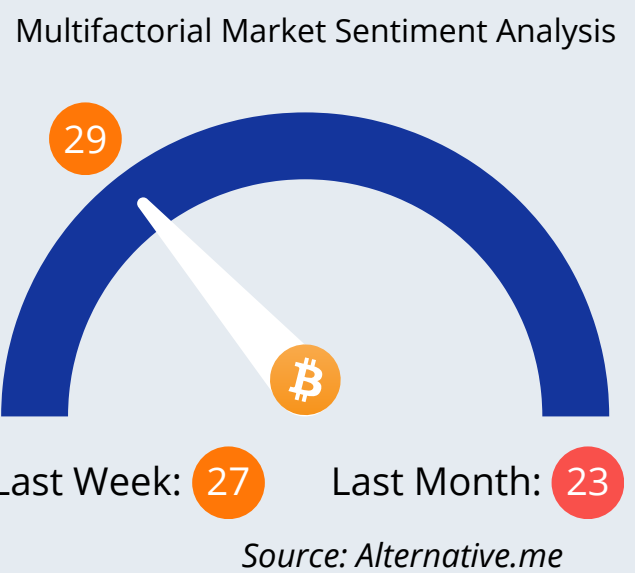
On-Chain Commentary

As we close out the year, one filled with human malfeasance and wrong doing, we are continually reminded of why decentralization is needed and is essential to the growth of the industry. The contraction of liquidity revealed significant leverage and rehypothecation by centralized entities, all of whom promised too-good-to-be-true yields in order to lure in unsuspecting investors and customers. Nevertheless, Bitcoin blocks continue to confirm, smart contracts in DeFi continue to compute, and digital asset fundamentals remain unscathed. The anti-fragility of the ecosystem is a feature, not a bug. If Bitcoin relied on centralized players to succeed, it would have dissolved many years ago, but instead has continued to thrive since inception in 2009.

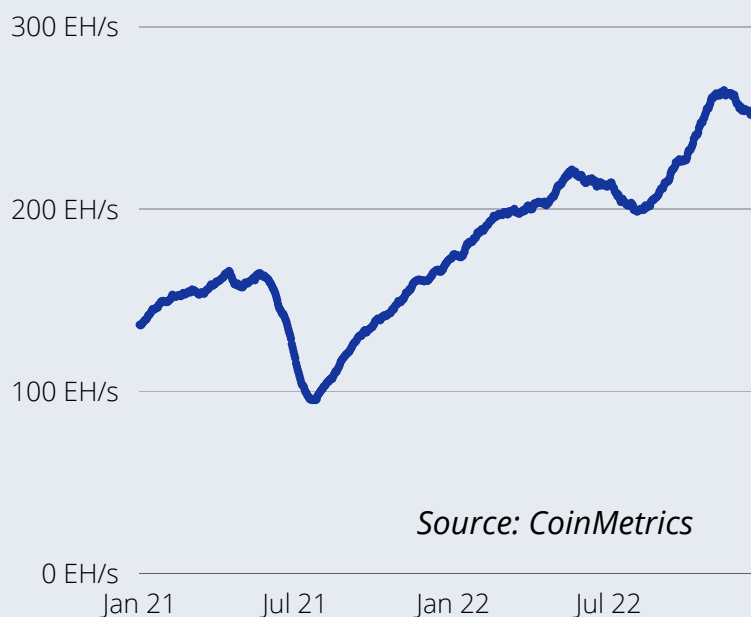
Price action over the course of the year has been largely dictated by the unveiling, unraveling, and unwinding of several large-scale Ponzi schemes. Trend metrics in 2022 on most digital assets have starkly reversed course from 2020 and 2021 when many on both Main Street and Wall Street began inquiring about, accessing, and purchasing digital assets for the first time. Thanks to that previous explosive growth, we have continued to see the financial powerhouses of JPMorgan, UBS, Goldman Sachs, BNY Mellon, Fidelity and Blackrock become more comfortable with the idea of offering, custodizing, or participating in digital asset transactions. In the next year, we expect to see continued strengthening of digital assets in the realm of banking, payments, and investing.

Crypto	Ticker	Price (\$)	Returns (%)					M Cap (bn)	Annualized			
			1 week	1 month	3 month	YTD	1 year		Issuance (%)	Stake Yield (%)	Volatility	Sharpe
Bitcoin	BTC	16651.54	-0.54	-3.00	-14.77	-63.97	-64.46	320.34	1.75	N/A	0.66	-1.42
Ethereum	ETH	1176.21	-0.63	-9.16	-14.53	-68.00	-70.31	143.94	0.16	4.10	0.88	-0.92
Binance Coin	BNB	245.60	-2.19	-18.30	-9.77	-52.02	-54.03	39.29	0.00	3.62	0.73	-0.54
Polygon	MATIC	0.78	-3.69	-16.17	2.22	-69.01	-64.97	6.84	2.74	6.24	1.24	-0.11
Polkadot	DOT	4.59	-1.39	-16.08	-28.09	-82.78	-82.00	5.27	7.59	14.49	0.96	-1.37
Tron	TRX	0.05	-0.21	-1.75	-10.94	-28.63	-33.24	4.95	2.04	3.58	0.70	-0.53
Solana	SOL	12.11	-2.02	-14.48	-62.96	-92.87	-93.38	4.44	5.78	7.37	1.17	-1.78
Avalanche	AVAX	11.86	-0.55	-9.77	-31.42	-89.17	-89.77	3.69	5.40	8.22	1.15	-1.20
Cosmos	ATOM	8.82	-0.39	-15.96	-43.53	-72.79	-61.91	2.53	13.27	19.25	1.21	-0.38
Algorand	ALGO	0.18	-3.72	-26.91	-42.97	-89.09	-86.86	1.29	4.06	7.36	1.00	-1.47
Near	NEAR	1.34	-1.91	-22.35	-67.02	-90.91	-84.09	1.13	0.03	9.64	1.33	-0.64
Fantom	FTM	0.21	0.29	-15.79	-10.67	-90.85	-85.51	0.57	-1.80	1.93	1.35	-0.83
Zilliqa	ZIL	0.02	-2.31	-21.21	-43.92	-75.62	-71.08	0.29	4.71	11.08	1.69	-0.12

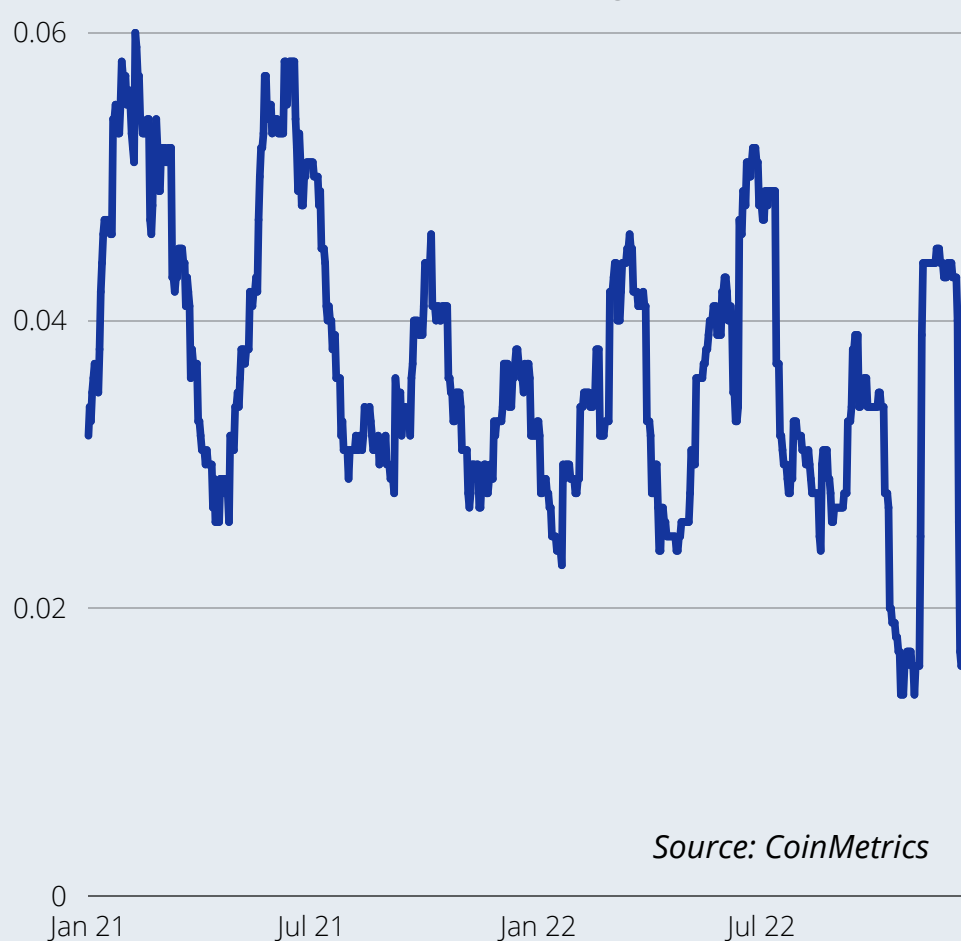
Bitcoin Fear and Greed Index



Bitcoin Monthly Average Hashrate



Bitcoin 30-Day Rolling Volatility



Bitcoin Moving Averages



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Weekly Market Review - December 19th, 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

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