

Key Takeaways

- The unemployment rate continues to sit at historic lows
- Fed Fund futures continue to suggest a terminal rate near 5.0%
- December's CPI print is released on Thursday, exp 6.5% YoY

Traditional Market Commentary

Markets welcomed some fresh air to start the year with a robust jobs number Friday as the unemployment rate declined slightly to 3.5% from November's revised 3.6%. Equities moved higher suggesting the aggressive rate hike strategy to tame inflation could be slowing. Fed fund futures are currently pricing in a total of only 50-75 basis points to reach a terminal rate closer to 5%, a level the Fed is likely to maintain through 2023. Fed officials remain hawkish offering comments that suggest a higher rate environment are necessary until more convincing signs in the economy portend otherwise. Interest rates have reacted positively as well with the belly of the curve surrounding the 10-year treasury diving lower about 30 basis points week over week, while the very front end of the curve followed market sentiment and remained higher.

Corporate earnings season begins soon with anxiety around what the holidays really brought in this year. Economic indicators continue to roll in with Thursday's CPI print currently expected to decrease to 6.5% from 7.1% year over year, with core CPI, excluding food and energy, also expected to trend lower to 5.7% from 6.0%. The only potential curve ball this time around is the month-over-month core CPI print, which is expected to rise slightly to 0.3% from 0.2%, which could result in drama if numbers come in hotter than expected. Initial jobless claims maintain their historically low level near the 200k mark, which could feed a rise in the Michigan consumer sentiment index, released on Friday. The Fed is currently postured to curb any dovish enthusiasm this time of the year. A slip in possible pivot sentiment could lead to detrimental consequences looking forward and tear down the substantial progress made over the past 12 months.

Authors:

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



Chart 1: YoY Inflation Projections Continue Declining

CPI & inflation projections have begun to approach the terminal FFR

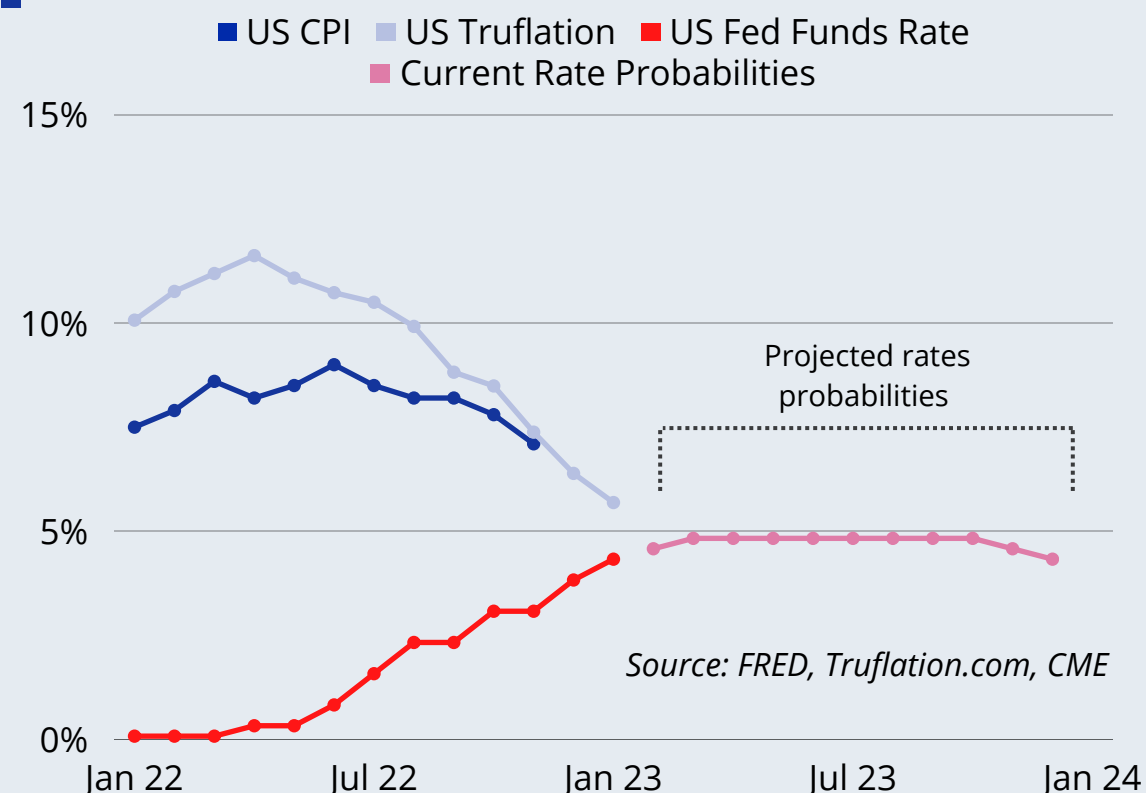


Chart 3: Average Hourly Earnings Continue Trending Lower

Despite the seeming tight labor market, earnings are on the decline

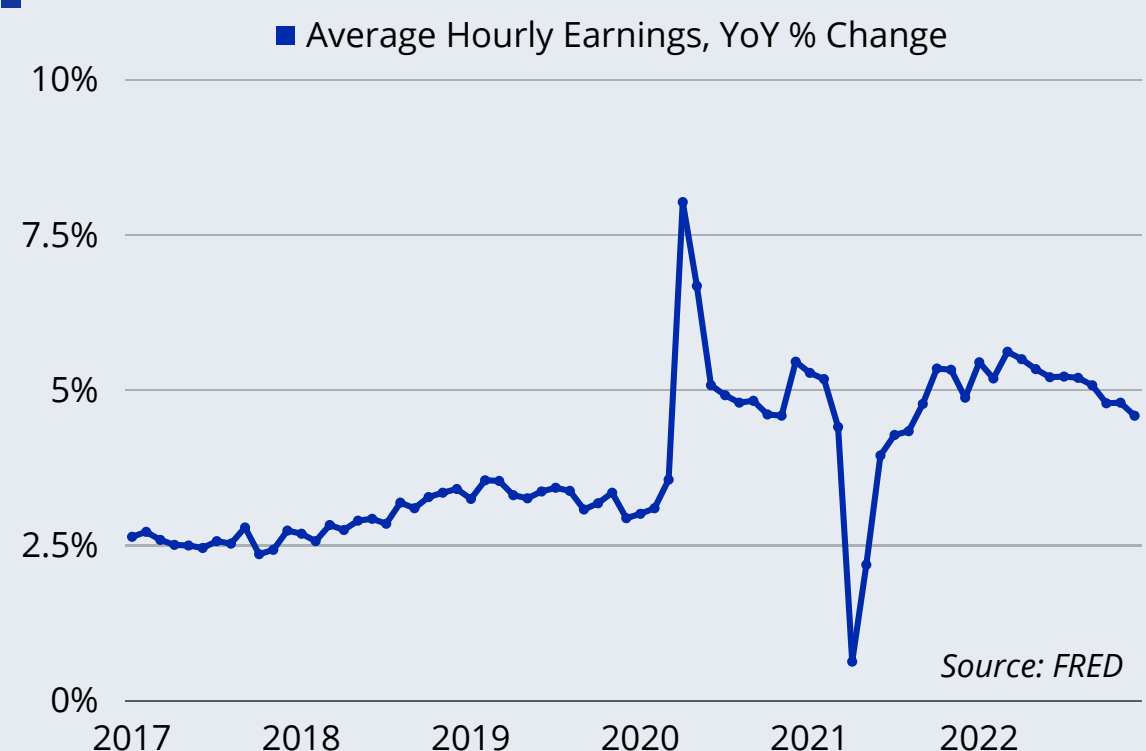


Chart 2: Unemployment Remains at Historically Low Levels

Unemployment suggests an ongoing tight labor market

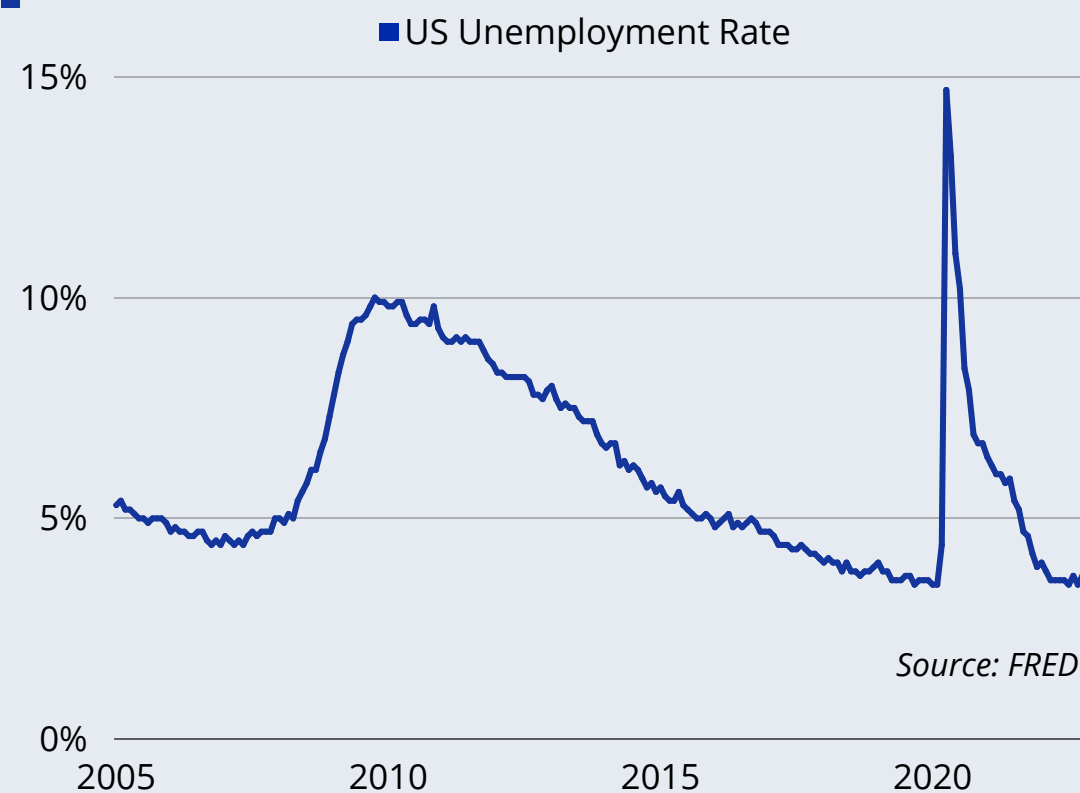
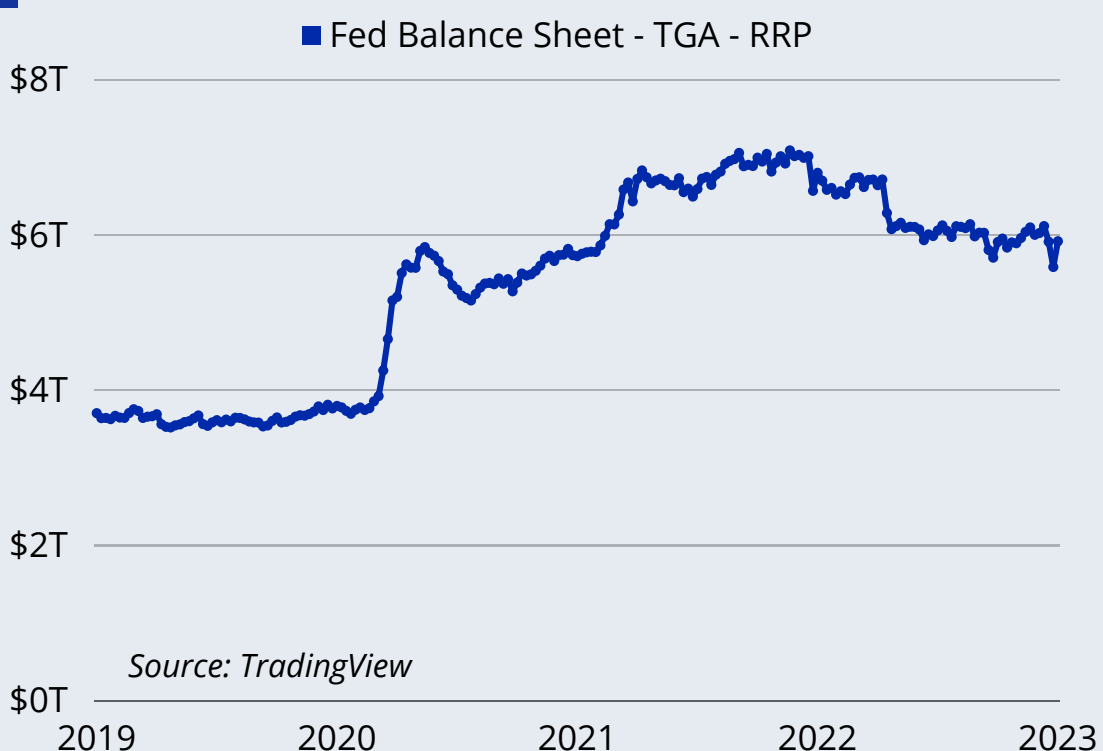


Chart 4: Fed Liquidity Estimation Has Been Rising Recently

Total Fed liquidity has declined from peak but is on the rise again



Key Takeaways

- Bear market relief rallies continue on many smaller market cap coins
- BTC and ETH remain in bearish trend territory, which may change in Q1
- The ETH/BTC pair may see high volatility throughout the year thanks to event-driven supply unlocks of Mt. Gox BTC coins and ETH validators

On-Chain Commentary

Bear market blues continue for many digital asset companies as staff reduction announcements remain a near daily occurrence. Although Bitcoin volatility remains relatively quiet, several lower market cap coins, such as Binance Coin, Cardano, Polygon, Litecoin, Polkadot, Uniswap, Avalanche, Atom, and Near, have all posted double digit percent gains over the past few days. Solana, the network with close ties to Sam Bankman-Fried and FTX, has climbed nearly 65% over the past week. These significant weekly relief rallies come after yearly performances pushed -60% to -90%.

Prices relative to the 200-day moving average (DMA) remain a strong litmus test for trend and sentiment. As Bitcoin and Ethereum have slowly crept higher over the past week, their respective 200-DMA's Nevertheless show a gradual decline. Despite both sitting convincingly in bearish territory, a potential trend shift throughout Q1 is not out of the question. Trends for Bitcoin and Ethereum would flip bullish with prices above \$19,500 and \$1400, respectively.

In terms of the relative ETH/BTC pair, two important upcoming events in 2023 may possibly have an impact on price. Redemptions of customer's Mt. Gox coins, a Bitcoin exchange shuttered in 2014, will likely occur in late Q3. According to creditor statements and chain analysis, there are 142,000 coins (or 0.675% of the total circulating supply) for potential redemption, no word on the total percentage which have been claimed via repayment registration. All of these coins hold at least a 22,000% profit at current price levels.

For Ethereum, the proof-of-stake validator coins and associated rewards may also begin to become unlocked in the latter half of this year. The testnet period for this process is set to begin in February. Currently, both coins sent to create validators and proof-of-stake rewards have no process for redemption, which has a one-sided effect on circulating supply. These coins account for 16.69 million ETH or 13.52% of the total issued supply and are unlikely to be redeemed in a vast quantity but some redemptions to cash will occur.

Chart 5: Aggregate Miner Positions Suggest HODLing

Bitcoin miners have flipped from net sellers to accumulating BTC

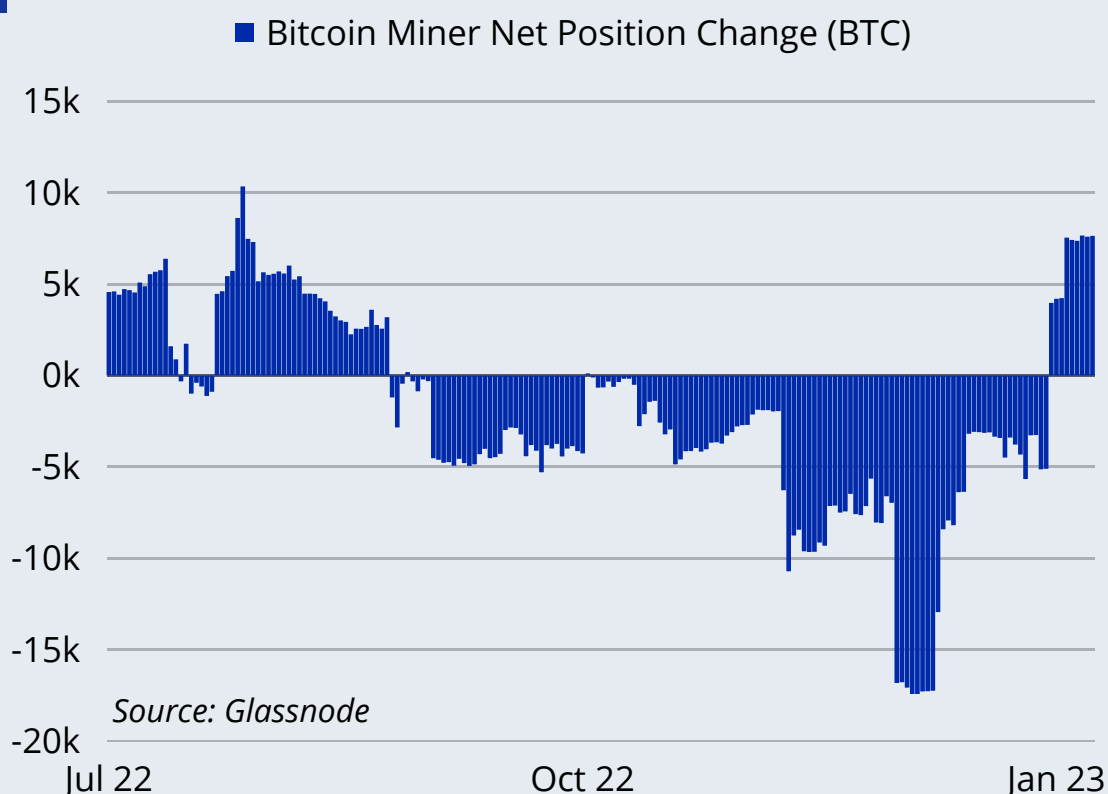


Chart 7: Bitcoin 30-Day Rolling Volatility Drifts Lower

Bitcoin price volatility sits near historic multi-year lows

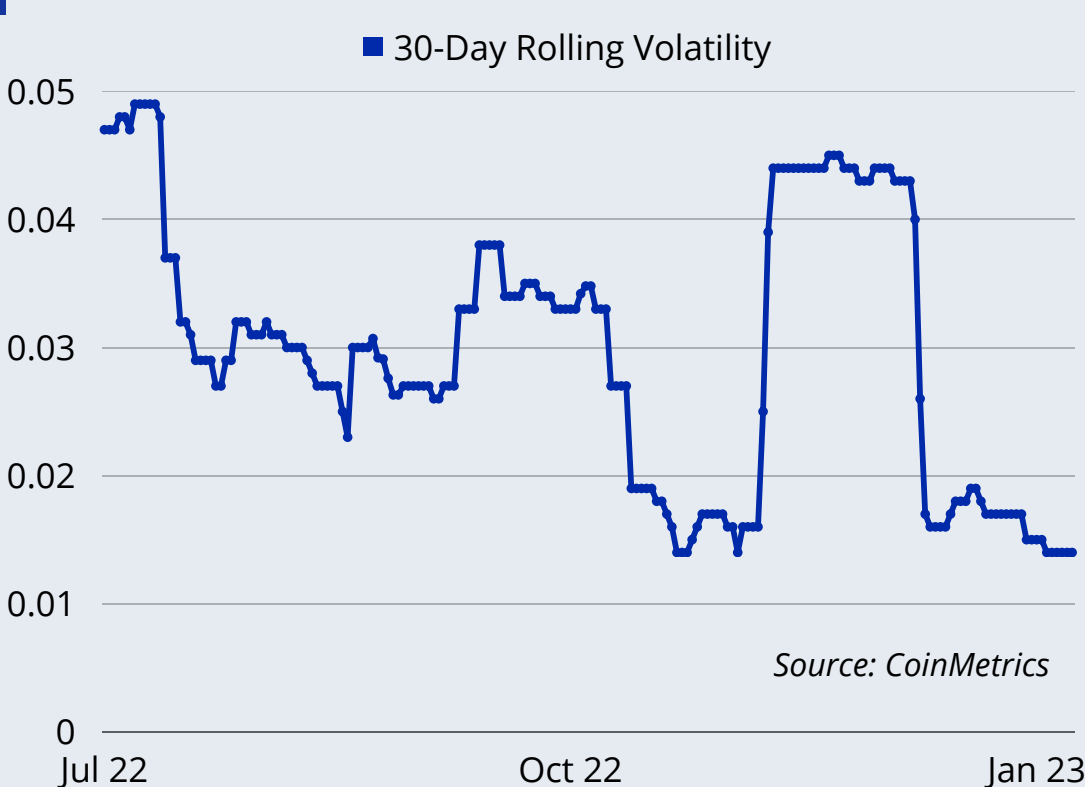


Chart 6: Bitcoin Network Hash Rate Stabilizing at Lows

Bitcoin proof-of-work hashrate, monthly average

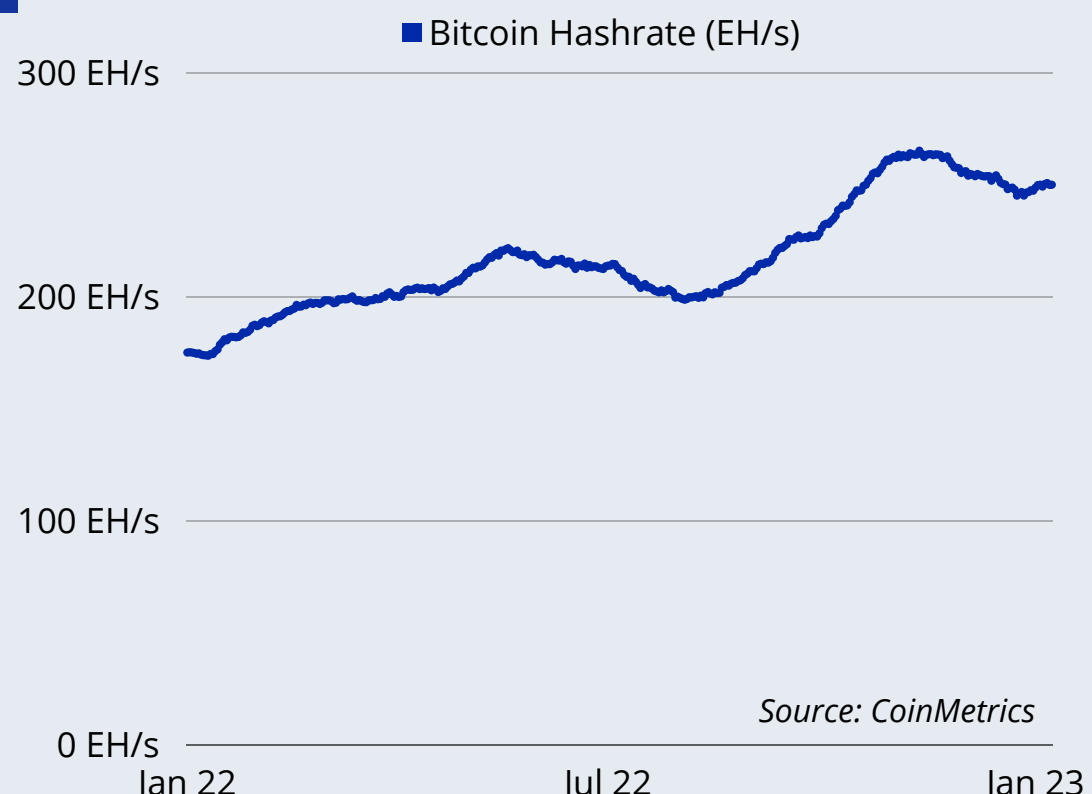
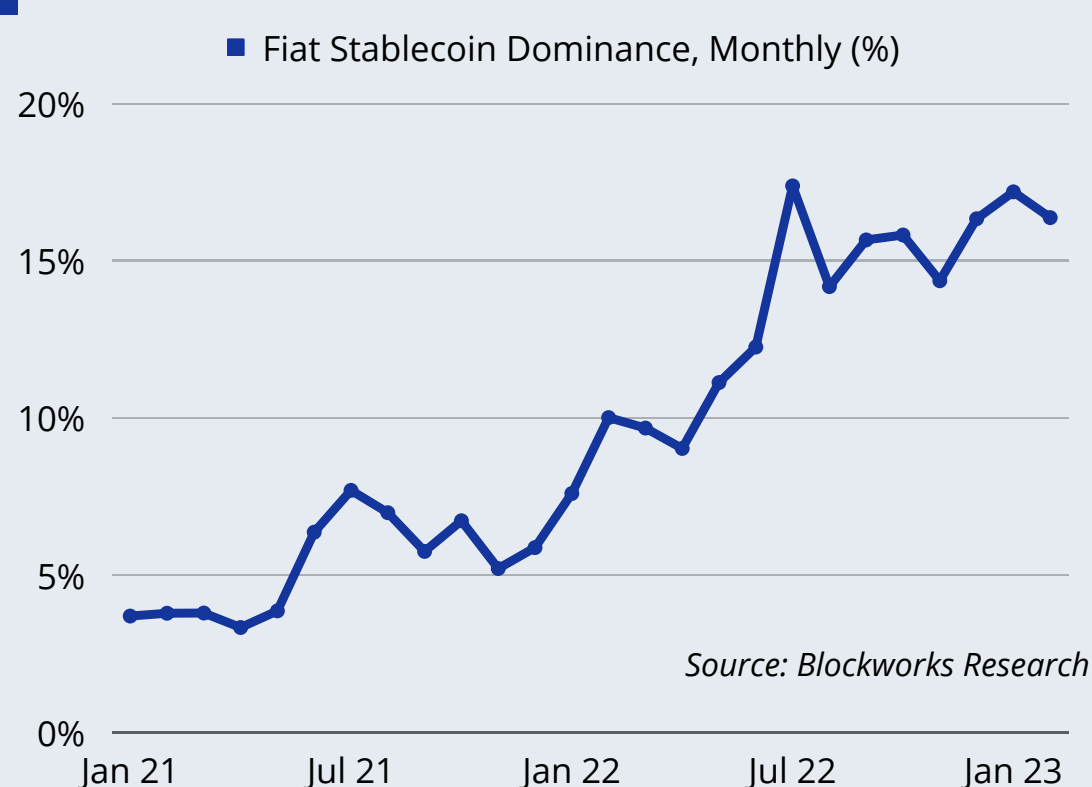


Chart 8: Stablecoin Dominance Showing Slight Weakness

Fiat stablecoin market cap relative to total digital asset market cap



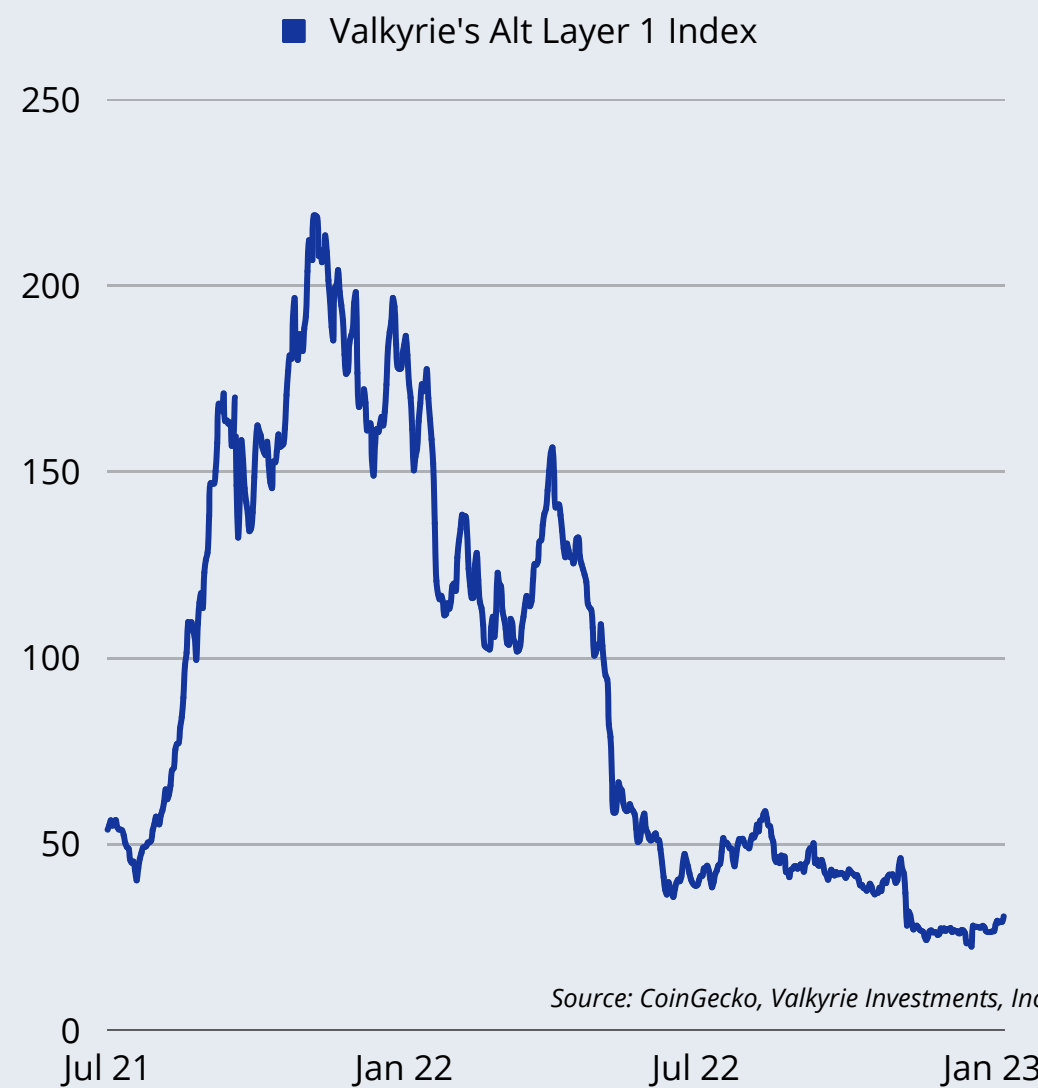
Crypto	Ticker	Price (\$)	Returns (%)					Annualized				
			1 week	1 month	3 month	YTD	1 year	M Cap (bn)	Issuance (%)	Stake Yield (%)	Volatility	Sharpe
Bitcoin	BTC	17377.99	1.55	5.15	-9.16	5.12	-58.31	334.65	1.84	N/A	0.64	-1.32
Ethereum	ETH	1343.10	4.13	12.41	4.12	12.37	-56.41	164.36	0.01	3.87	0.86	-0.88
Binance Coin	BNB	281.90	2.58	14.64	3.83	14.55	-34.41	45.09	0.00	2.53	0.73	-0.75
Polygon	MATIC	0.87	4.05	15.30	7.64	15.30	-55.93	7.63	2.94	6.63	1.19	-0.40
Solana	SOL	16.83	16.63	68.98	-47.31	68.81	-88.16	6.23	4.61	4.42	1.17	-1.74
Polkadot	DOT	5.00	3.72	16.35	-20.02	16.14	-79.14	5.77	7.44	14.65	0.92	-1.57
Tron	TRX	0.06	1.93	1.40	-11.60	1.69	-15.47	5.08	2.05	3.58	0.68	-0.23
Avalanche	AVAX	12.54	3.83	15.07	-22.52	15.11	-85.04	3.91	5.52	8.10	1.10	-1.53
Cosmos	ATOM	11.26	6.81	20.44	-9.45	20.40	-68.60	3.22	16.17	21.57	1.14	-0.55
Near	NEAR	1.71	4.13	36.37	-46.78	36.32	-87.62	1.44	5.16	9.62	1.22	-1.38

Valkyrie's Alt Layer 1 Index		30.64	15.02	14.95	-24.38	15.02	-80.11
-------------------------------------	--	-------	-------	-------	--------	-------	--------

TradFi Indices		Ticker	Price	1 week	1 month	3 month	YTD	1 year
S&P 500	SPX	3895	1.45	-1.00	7.02	1.45	-16.72	
Nasdaq 100	NDX	11040	0.92	-4.52	0.01	0.92	-29.19	
Russell 2000	RUT	1792	1.79	-0.21	5.33	1.79	-17.75	
Dow Jones Ind.	DJI	33630	1.46	0.46	14.79	1.46	-7.18	

Commodities		Ticker	Price	1 week	1 month	3 month	YTD	1 year
Crude Oil	CL1	76.15	-5.39	3.92	-16.13	-5.39	-2.87	
Brent Crude	BRN00	80.91	-5.83	3.69	-15.79	-5.92	-0.12	
Natural Gas	NG00	3.50	-14.19	-46.32	-46.31	-14.14	-9.27	
Unleaded Gas	RB00	2.31	-7.35	11.18	-11.09	-7.35	1.69	
Gold	GC00	1882.00	2.84	4.96	12.30	2.82	4.47	
Copper	HG00	3.99	4.70	5.06	16.35	4.70	-8.54	
Wheat	W00	741.00	-6.32	-1.82	-20.66	-6.32	-2.66	

Bloomberg Commodity Index	BCOM	109.57	-2.87	-1.93	-6.46	-2.87	8.19
----------------------------------	------	--------	-------	-------	-------	-------	------



News Review

- [New York Attorney General Sues Former Celsius CEO for Defrauding Crypto Investors](#)
- [Judge Rules Celsius Earn Account Funds Belong to Estate, Not Users](#)
- [US DOJ Announces Seizure of 55M Robinhood Shares](#)
- [FTX Faces Uphill Task To Sell LedgerX, Other Businesses](#)
- [Silvergate Stock Down 40% Following Diem Write-Off, Job Cuts](#)
- [Three Arrows Capital Founders Subpoenaed via Twitter](#)
- [BlackRock Lends Money to Bankrupt Bitcoin Miner Core Scientific](#)
- [New York-based Bank Exits Crypto After Tumultuous Year](#)
- [Crypto Lender Genesis Lays Off 30% of Staff](#)
- [Crypto Exchange Huobi Says It Will Cut Staff by 20%](#)
- [NFT Platform SuperRare Cuts 30% of Staff, Citing Bear Market](#)
- [Digital Asset Manager Osprey Funds Lays Off Staff as Crypto Winter Fallout Continues](#)
- [Mt. Gox Repayment Registration Deadline Moved to March 2023](#)



Weekly Market Review - January 9th, 2023

Traditional Market Commentary, On-Chain Commentary: Source: Valkyrie Investments, Inc.

Chart 1: YoY Inflation Projections Continue Declining: Source: Valkyrie Investments, Inc., FRED, Truflation.com, CME

Chart 2: Unemployment Remains at Historically Low Levels & Chart 3: Average Hourly Earnings Continue Trending Lower: Source: Valkyrie Investments, Inc., FRED

Chart 4: Fed Liquidity Estimation Has Been Rising Recently: Source: Valkyrie Investments, Inc., TradingView

Chart 5: Aggregate Miner Positions Suggest HODLing: Source: Valkyrie Investments, Inc., Glassnode

Chart 6: Bitcoin Network Hash Rate Stabilizing at Lows & Chart 7: Bitcoin 30-Day Rolling Volatility Grinds Lower: Source: Valkyrie Investments, Inc., CoinMetrics

Chart 8: Stablecoin Dominance Showing Slight Weakness: Source: Valkyrie Investments, Inc., Blockworks Research
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

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.

"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.

Valkyrie's Alternative Layer 1 Index: Source: Valkyrie Investments, Inc., CoinGecko. Includes Layer 1 protocols traded on at least 2 of the following 4 U.S. exchanges: Coinbase, Gemini, Kraken, or Binance US. Excludes BTC, ETH, stablecoins, and exchange tokens. Weightings using year 2020 MCAP (FDV), value struck at 8PM EST daily, rebalanced quarterly.

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.