

Key Takeaways

- The SEC has proposed a rule change affecting crypto custodians for RIAs
- Further SEC enforcement actions against Terraform Labs & Do Kwon
- Technical setups point towards bullish continuation despite macro headwinds

On-Chain Commentary

More regulatory news came from the SEC last week, which some view as progress towards additional regulatory clarity for digital assets while others have questioned the potential for SEC overreach. A new SEC proposal would safeguard digital assets by requiring RIAs to use regulated qualified custodians for investments. This would separate the current exchange and custodian relationship which is common among centralized exchanges in digital assets. Decentralized exchanges already function in a non-custodial manner, meaning user assets are held within an investors wallet, allowing for participation in trading activities via smart contracts.

The SEC also charged Terraform Labs and Do Kwon with defrauding investors after the multi-billion dollar Ponzi scheme collapsed mid last year. In the suit, the SEC also takes aim at wrapped assets, which may fall under the security umbrella and would have a substantial impact on the entire DeFi ecosystem as well as wrapped liquid staking derivatives such as stETH. Wrapping assets, which usually occurs through smart contracts, increases interoperability between blockchains and allows for additional composability.

After the flurry of regulatory news, of which Bitcoin is likely to be the least affected, most digital assets continue to hold above their respective 200-day moving averages. Bitcoin's price support stands at \$20,000 where the 200-day moving and psychological support reside, with overhead resistance at \$25,000, the current 200-week moving average. Bitcoin has never been held this far below the 200-week moving average for extended periods of time. If an upside breakout occurs, Fibonacci extensions suggest an eventual move towards the \$30,000 level. Ethereum holds a similar technical setup with support at \$1,400 and resistance at \$2,000, with a potential upside target of \$2,500.

Macro headwinds are stirring again with the rising potential for a 50 bp hike during the next FOMC meeting on March 22nd. A 25 bp hike currently holds a 75% probability according to the CME. The Fed will also have a CPI print on March 14th to consider before the meeting, which will likely tip the scales in one direction or the other. Although digital asset correlations with traditional finance has been waning in recent weeks, a 50 bp hike or higher terminal rate will likely not be considered a bullish data point for investors with a risk-on appetite.

Chart 1: Bitcoin Moving Average Sandwich

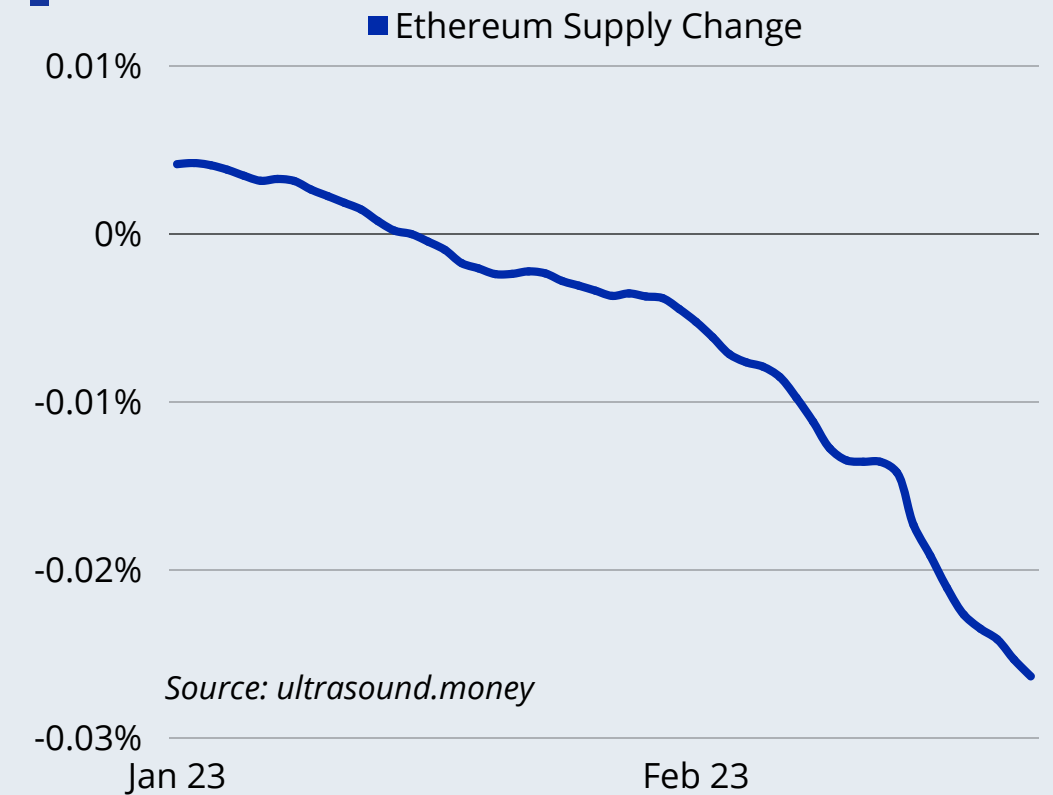
Bitcoin price with key moving averages



Source: TradingView

Chart 2: Ethereum's Token Burning Mechanism Increasing

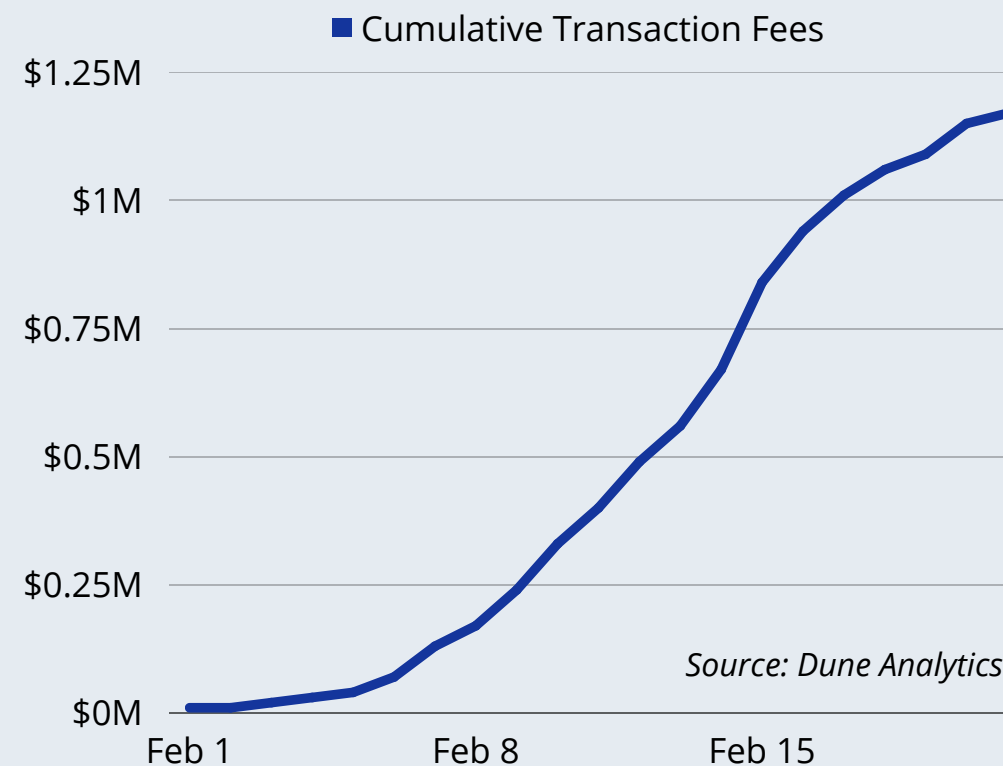
Transaction fee burn mechanism on ETH decreases supply



Source: ultrasound.money

Chart 3: Bitcoin NFT Transaction Fees Exceed \$1M

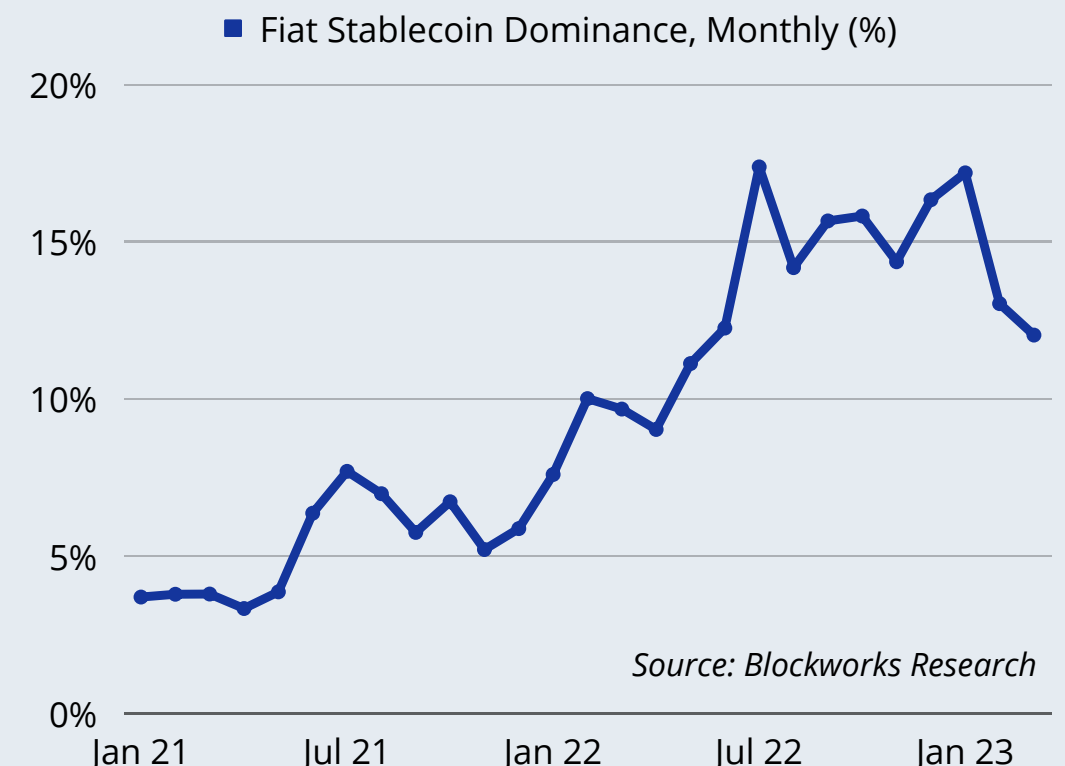
Cumulative fees spent transcribing inscriptions



Source: Dune Analytics

Chart 4: Stablecoin Dominance Continues to Fall

Fiat stablecoin mcap relative to total digital asset mcap



Source: Blockworks Research



Weekly Market Review - February 21st, 2023

Returns (%)

Annualized (%)

News Review

Crypto	Ticker	Price (\$)	1 week	1 month	3 month	YTD	1 year	M Cap (bn)	Issuance	Stake Yield
Bitcoin	BTC	24687.87	1.67	6.74	52.38	49.34	-35.70	476.42	1.74	N/A
Ethereum	ETH	1675.58	-0.28	5.69	47.21	40.19	-36.11	205.05	0.01	3.88
Binance Coin	BNB	313.80	0.74	0.54	17.79	27.46	-17.66	49.55	0.00	2.66
Polygon	MATIC	1.40	-5.61	25.77	64.24	84.17	-7.73	12.19	2.40	5.16
Solana	SOL	25.20	1.49	5.31	102.74	152.76	-72.23	9.53	4.40	4.24
Polkadot	DOT	7.30	-2.09	16.46	38.41	69.52	-56.83	8.46	7.50	14.31
Tron	TRX	0.07	0.23	13.44	39.20	29.80	13.44	6.46	2.05	3.94
Avalanche	AVAX	20.31	2.42	2.58	64.58	86.48	-73.75	6.40	5.52	9.11
Cosmos	ATOM	13.89	-1.77	3.95	45.67	48.55	-46.79	3.98	16.67	22.15
Near	NEAR	2.55	-1.04	9.86	57.06	103.46	-72.56	2.20	5.16	9.62
Valkyrie's Alt Layer 1 Index		48.80	19.35	20.69	94.1	83.22	-52.75			



- [SEC Charges Terraform & CEO Do Kwon with Defrauding Investors](#)
- [SEC Proposes Enhanced Safeguarding Rule for RIAs](#)
- [CME Group to Launch Event Contracts on Bitcoin Futures on March 13](#)
- [Credit Suisse Leads \\$65 Million Series B in Digital Asset Firm Taurus](#)
- [Siemens Issues First Digital Bond on Blockchain](#)
- [CFTC on Pending Crypto Regulations, "We're Very Busy, Stay Tuned"](#)
- [Interactive Brokers Launches Cryptocurrency Trading in Hong Kong](#)

■ Valkyrie's Alt Layer 1 Index

TradFi Indices

S&P 500	SPX	4044	-2.36	0.59	2.37	5.32	-7.02
Nasdaq 100	NDX	12228	-2.18	3.01	5.86	11.80	-12.70
Russell 2000	RUT	1946	0.27	2.94	5.83	10.51	-3.13
Dow Jones Ind.	DJI	33510	-2.06	-0.27	-0.48	1.18	-1.59

Commodities

Crude Oil	CL1	76.86	-2.91	-5.83	-3.61	-4.53	-16.15
Brent Crude	BRN00	83.61	-2.53	-5.20	-4.81	-2.81	-14.16
Natural Gas	NG00	2.17	-10.63	-32.69	-69.72	-46.85	-51.24
Unleaded Gas	RB00	2.64	5.28	-1.60	8.15	5.72	-1.25
Gold	GC00	1850.70	-0.72	-4.21	6.09	1.13	-2.63
Copper	HG00	4.21	3.88	-0.90	17.84	10.47	-6.51
Wheat	W00	775.50	-1.87	7.48	-5.17	-1.93	-3.03
Bloomberg Commodity Index	BCOM	107.64	-0.85	-4.32	-6.66	-4.57	-3.56



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

Chart 1: Bitcoin Moving Average Sandwich: Source: Valkyrie Investments, Inc., TradingView

Chart 2: Ethereum's Token Burning Mechanism Increasing: Source: Valkyrie Investments, Inc., ultrasound.money

Chart 3: Bitcoin NFT Transaction Fees Exceed \$1M: Source: Valkyrie Investments, Inc., Dune Analytics - @Dataalways

Chart 4: Stablecoin Dominance Continues to Fall: 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

Annualized Issuance and Staking Yield: Source: Valkyrie Investments, Inc., 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 2050 MCAP (FDV), value struck at 8PM EST daily, rebalanced quarterly.

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