

Key Takeaways

- The magnitude of the next Fed rate hike has clouded the near term view for risk
- Bitcoin and Ethereum remain neutral to bullish near the upper range
- Coinbase released a Layer 2 scaling network, Base, for the next billion users

On-Chain Commentary

Potential macro headwinds continue to dominate conversations in relation to risk assets. Strong economic data and a leveling off of inflation may move the Fed to a higher than initially expected rate hike at the March meeting. This in turn may also bring the terminal rate above 5%. PCE was released last week, coming in slightly hotter than expected. The next CPI print will be released March 14th with more jobs data released in the interim. Markets are currently pricing in a 50 bp hike around 25%, which continued to rise last week after several Fed governors discussed the 'higher for longer' stance in financial news outlets.

Meanwhile, digital assets continue to recover from the significant drawdown of 2022. After all of the deleveraging and unraveling of fraud in 2022, Bitcoin price has recently returned to a 9-month high. Overhead resistance remains at the 200-weekly moving average and yearly pivot, \$25,000 and \$26,500, respectively. The bearish trend has emerged from the downward channel and finally breached the daily Ichimoku Cloud for the first time since November 2021. Although the current range suggests a neutral sentiment, this is the first legitimate chance for an extended bullish continuation rally in over a year. Price support sits near the middle of the multi-month range around \$20,000.

Ethereum has also held the \$1,000 to \$2,000 range for a similar time period. The technical outlook is also similar to Bitcoin, currently neutral with bullish breakout potential above \$1,900. A majority of the volume in the current range is bimodal and has occurred at \$1,580 and \$1,270, on average. Despite the circulating supply continuing to decline, thanks to a transaction fee burning mechanism implemented in August 2021, and ongoing ETH inflows sent to the staking contract, price remains unphased. Potential regulatory uncertainty, along with forced selling associated with the now defunct crypto lenders in 2022 may be to blame. There is also some degree of uncertainty surrounding the timing of the staking unlocking mechanism, which may or may not be included in the March protocol upgrade.

Coinbase also released a Layer 2 network, Base, on the Ethereum chain using Optimism scaling technology, furthering the Ethereum narrative. In a blog post, Coinbase outlines the hope that this new chain will help onboard the next billion users into web3.

Chart 1: Bitcoin Moving Average Sandwich

Bitcoin price with key moving averages

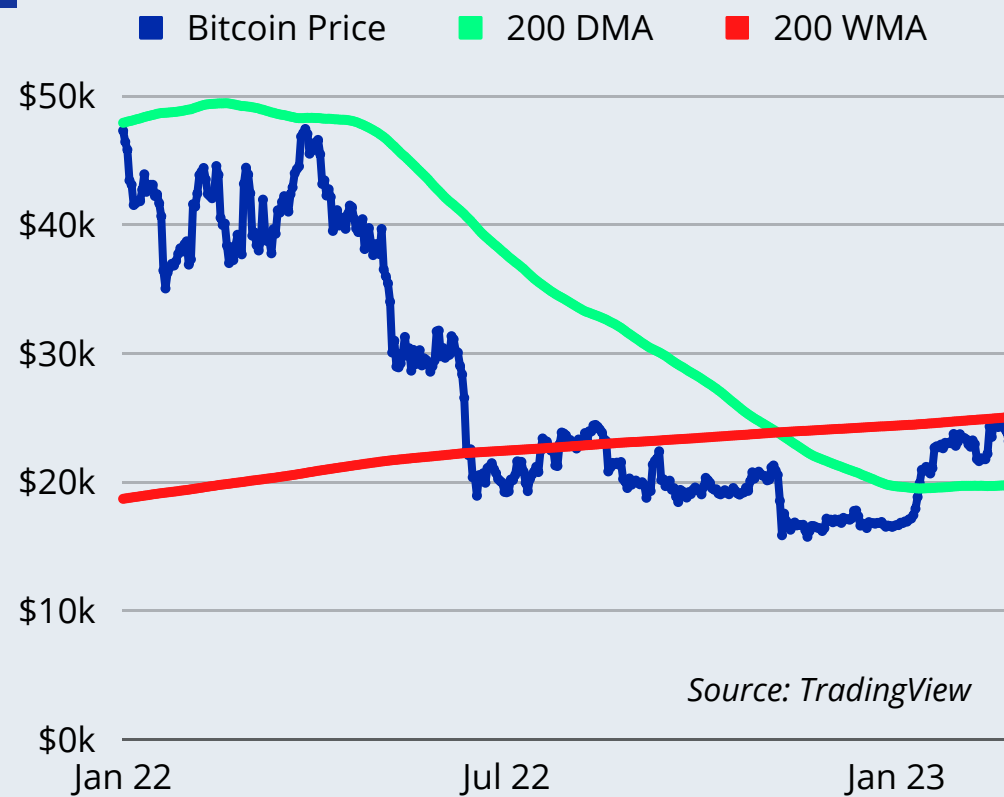


Chart 3: Ethereum Staking Inflows Continue

Stakers have added >150k ETH per day on average YTD

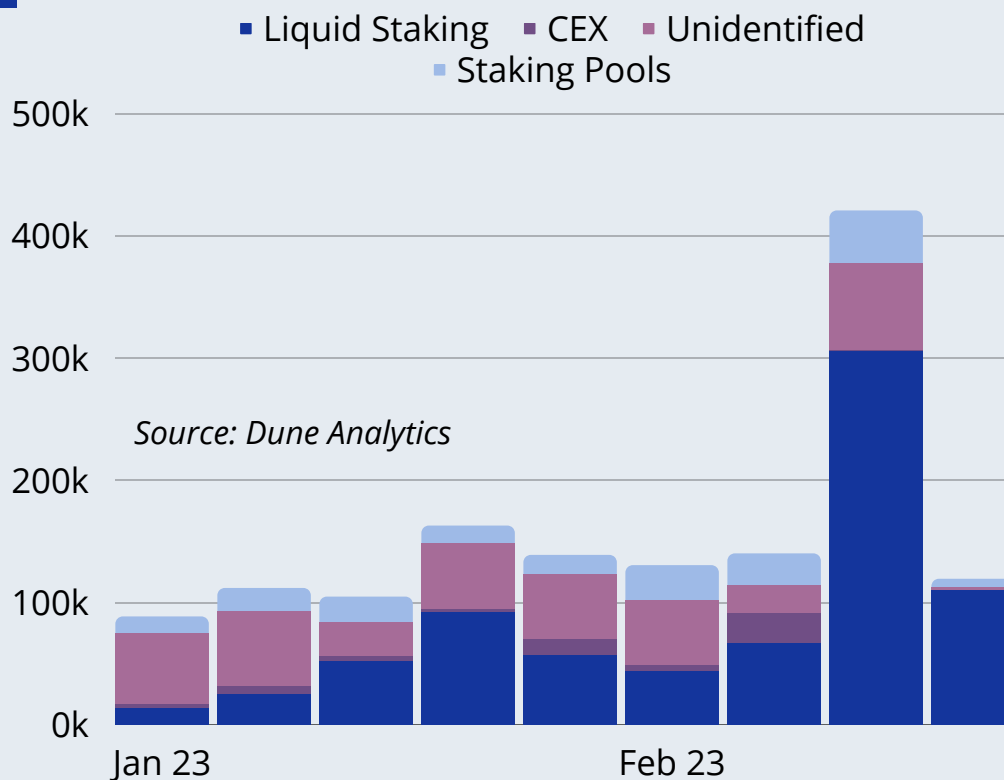


Chart 2: Ethereum's Token Burning Mechanism Increasing

ETH chain has burned 2.5k ETH per day on average YTD

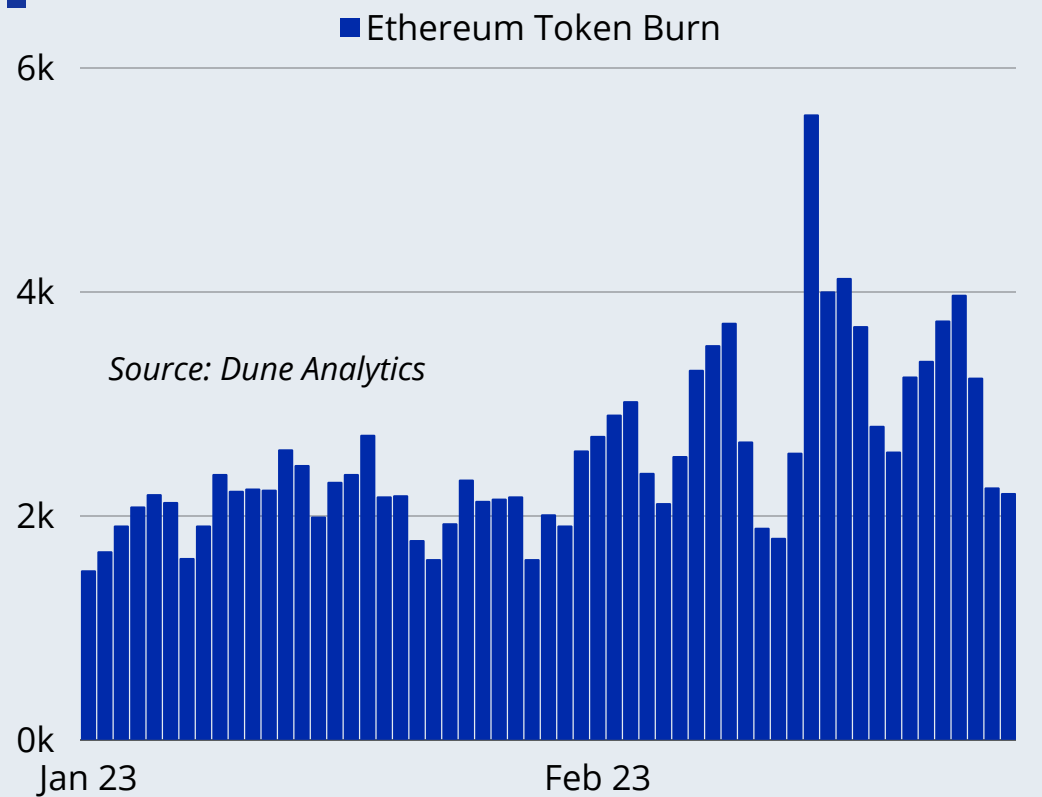
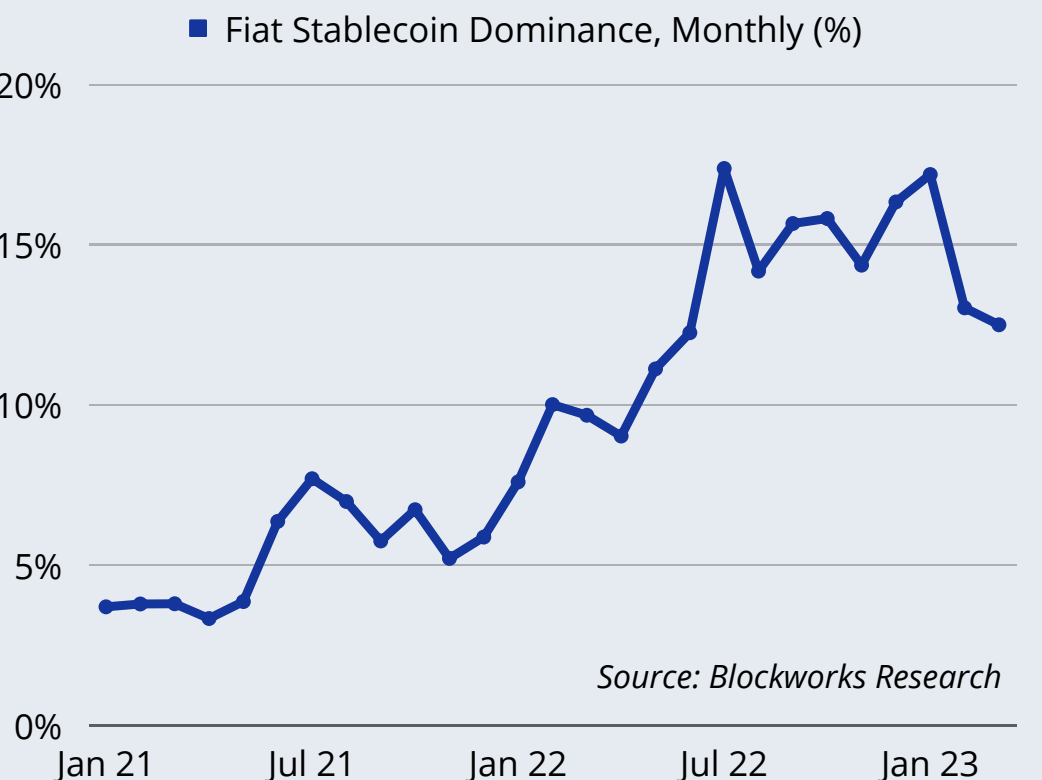


Chart 4: Stablecoin Dominance Continues to Fall

Fiat stablecoin mcap relative to total digital asset mcap



Crypto	Ticker	Price (\$)	Returns (%)					M Cap (bn)	Annualized (%)	
			1 week	1 month	3 month	YTD	1 year		Issuance	Stake Yield
Bitcoin	BTC	23784.35	0.95	2.83	46.76	43.87	-39.24	459.11	1.74	N/A
Ethereum	ETH	1657.38	0.96	4.54	41.99	38.66	-40.40	202.82	0.01	3.88
Binance Coin	BNB	307.10	-0.52	-1.60	4.67	24.74	-17.87	48.49	0.00	2.66
Polygon	MATIC	1.28	-0.39	15.05	55.54	68.47	-15.82	11.15	2.40	5.16
Solana	SOL	23.20	-0.34	-3.05	74.04	132.70	-74.31	8.78	4.40	4.24
Polkadot	DOT	6.74	0.67	7.48	31.24	56.44	-62.63	7.82	7.50	14.31
Tron	TRX	0.07	-0.34	11.28	30.74	27.34	16.42	6.33	2.05	3.94
Avalanche	AVAX	18.53	0.51	-6.44	48.83	70.08	-77.37	6.02	5.52	9.11
Cosmos	ATOM	13.04	0.52	-2.44	32.25	39.42	-56.42	3.73	16.67	22.15
Near	NEAR	2.39	0.61	2.89	50.40	90.55	-73.79	2.06	5.16	9.62
Valkyrie's Alt Layer 1 Index		43.59	-9.01	-0.63	69.79	63.63	-58.76			

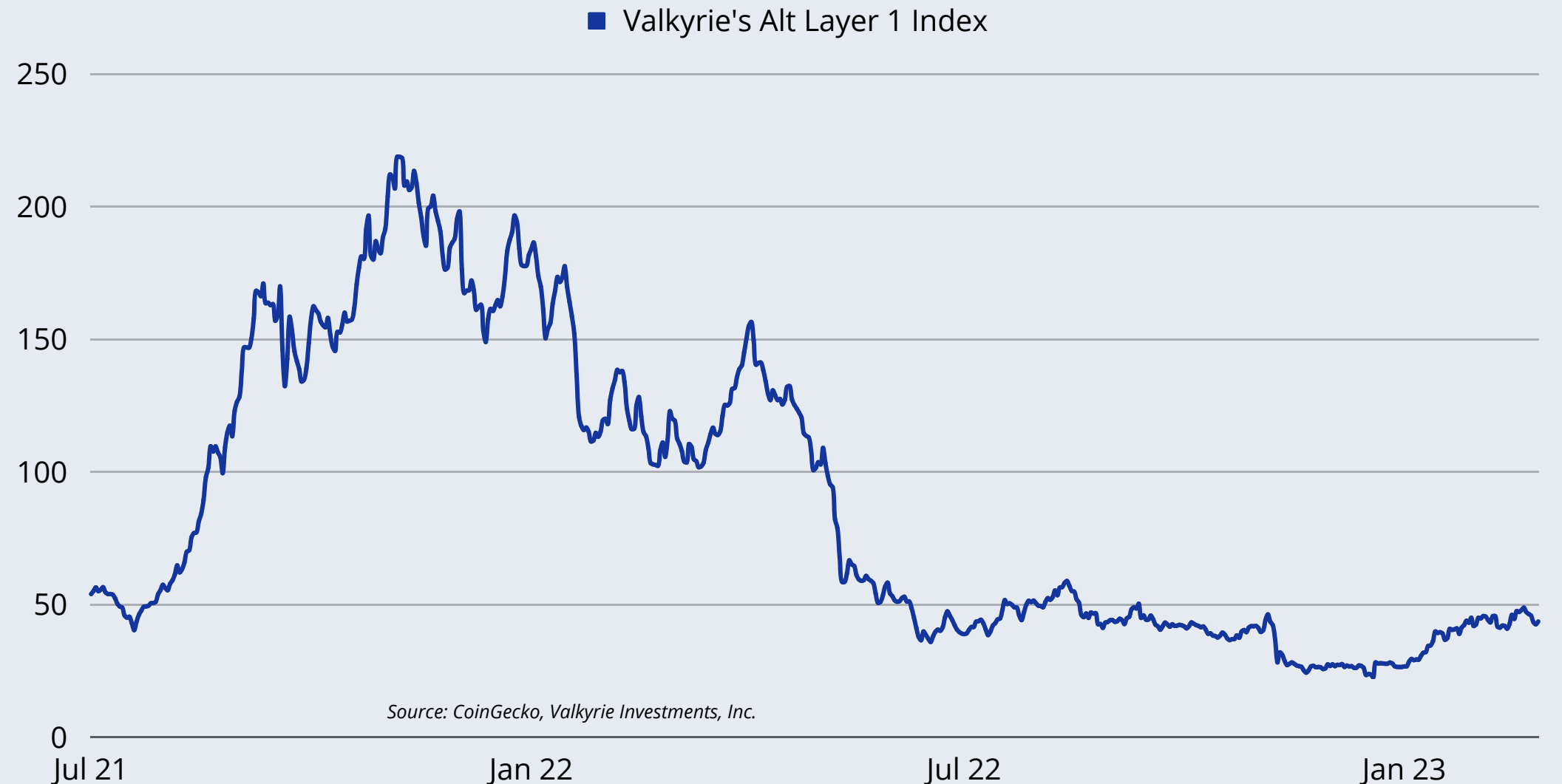
TradFi Indices							
S&P 500	SPX	3970	-2.67	-2.47	-1.39	3.40	-9.46
Nasdaq 100	NDX	11969	-3.14	-1.62	1.82	9.41	-15.64
Russell 2000	RUT	1890	-2.87	-1.10	1.14	7.34	-7.37
Dow Jones Ind.	DJI	32816	-2.99	-3.42	-4.45	-1.00	-3.65

Commodities							
Crude Oil	CL1	76.10	-0.30	-2.20	-0.57	-5.48	-20.58
Brent Crude	BRN00	82.51	-1.55	-2.52	-0.88	-4.05	-15.91
Natural Gas	NG00	2.50	10.65	-6.85	-65.85	-38.64	-43.39
Unleaded Gas	RB00	2.57	7.21	2.91	15.25	3.08	-12.34
Gold	GC00	1815.40	-1.93	-5.57	4.05	-0.79	-4.97
Copper	HG00	3.96	-4.03	-5.35	10.20	3.68	-12.10
Wheat	W00	719.75	-7.22	-4.32	-7.75	-9.04	-23.03

Bloomberg Commodity Index							
	BCOM	105.46	-1.01	-5.52	-8.23	-6.52	-6.18

News Review

- [Gary Gensler on Meeting With SBF and His Crypto Crackdown](#)
- [Scrutiny of Major Crypto Institutions is Intensifying](#)
- [DB - Bitcoin Could Potentially Become The 21st Century Gold](#)
- [German Banks Scrambling to Provide Crypto Services](#)
- [Lightning Network Growth Is Organic, Coming From Real-world Adoption](#)
- [Coinbase Launches Layer 2 Ethereum Network Base](#)
- [Inside GBTC's \\$7 Billion Sunken Treasure](#)



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., Dune Analytics - @hildobby

Chart 3: Ethereum Staking Inflows Continue: Source: Valkyrie Investments, Inc., Dune Analytics - @hildobby

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.

Authors:

Steven McClurg, CIO

Bill Cannon, Portfolio Manager

Sean Rooney, VP Research and Trading

Josh Olszewicz, Head of Research



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.