

### Key Takeaways

- Bitcoin vastly outperformed the S&P 500 and Nasdaq 100 in Q1
- Bullish continuation based on technicals remain a possibility into Q2
- Since the SVB collapse, USDC has had \$10B in outflows, USDT \$8B of inflows

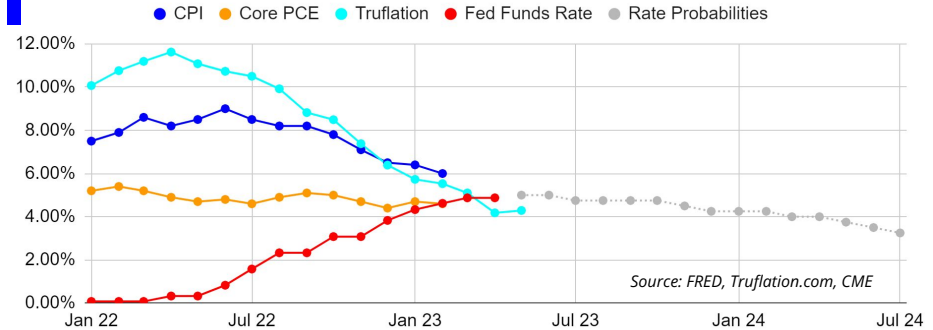
### On-Chain Commentary

Another quarter comes to a close and in true form, Bitcoin saw dramatic quarter-over-quarter price movement. Historically, the relative price action seen by Bitcoin has closely followed three-month cycles, with very few quarters ending with less than a 10% price change. Since 2013, Q2 and Q4 have held the most positive performance with Q1 and Q3 experiencing the most negative periods. This historical pattern makes Q1 2023's strong positive performance slightly unusual. Bitcoin has also rarely had back to back positive quarters when Q1 closed above +15%. Nevertheless, Q2 has historically been the best performing quarter for all cryptocurrencies.

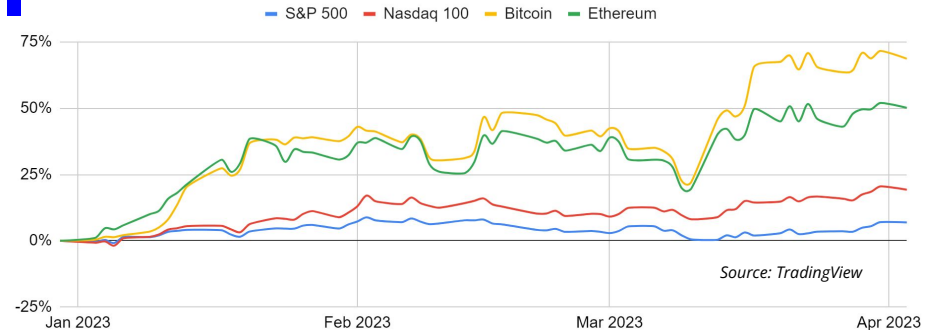
The Bitcoin and Ethereum price continued to hold relatively flat throughout last week in the face of low time frame technical chart patterns suggesting reversal attempts. After a multi-month consolidation, Bitcoin remains in range expansion territory with a bullish target in the \$30,000 range. Ethereum remains within a multi-month range and carries at range expansion target in the \$2,500 range. If further bullish rallies fail to materialize, technical support for Bitcoin and Ethereum based on high timeframe moving averages, sits near the \$25,000 range and the \$1,500 range, respectively.

Reverberations from the Silicon Valley Bank fiasco continue for Circle's USDC. Despite the stablecoin being fully backed by short-dated US treasury and cash, USDC has seen over \$10B in outflows since March 10th. According to Circle's website, the reserves are custodied by The Bank of New York Mellon and managed by Blackrock. Tether has gained just over \$8.0B in the same time period. Tether's dominance relative to the entire stablecoin circulating supply now sits at 61%, which should continue to grow as BUSD will only be redeemed and not issued.

**Chart 1: Rate Probabilities Suggest One More 25 bp Hike Before a Series of Cuts**  
Real-time inflation projections remain below the current Fed funds rate and PCE



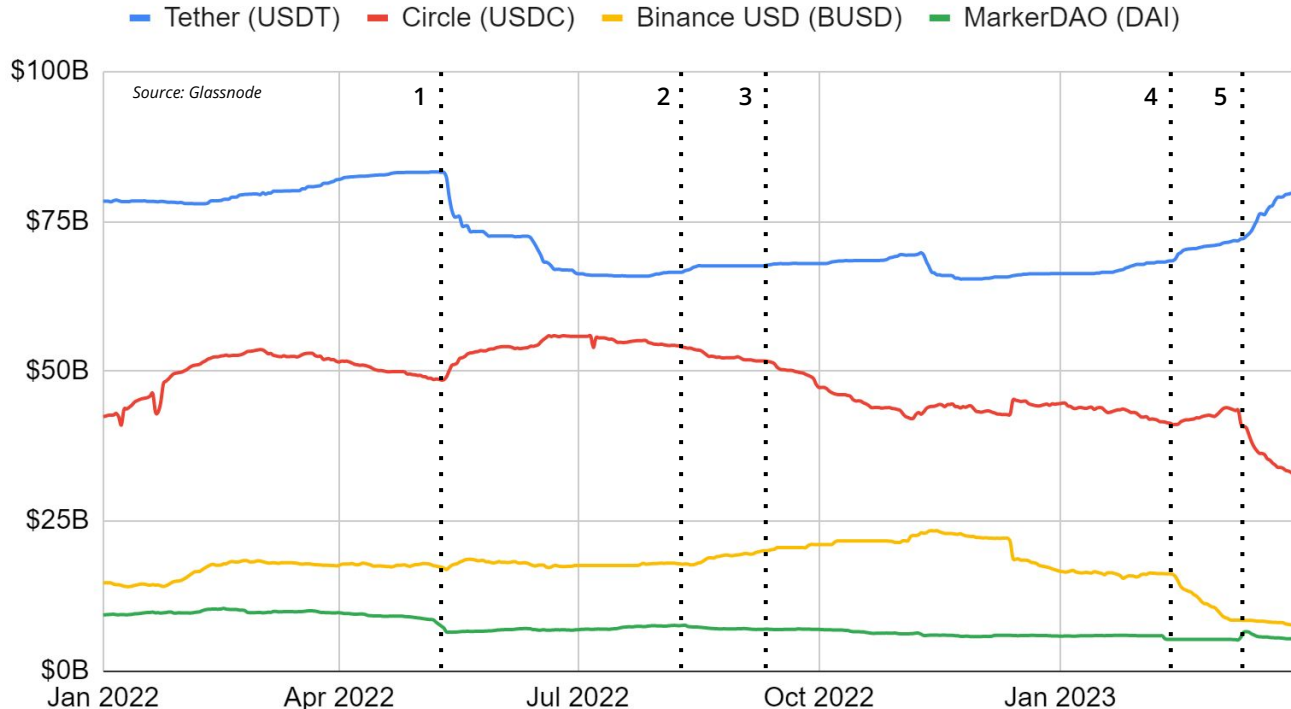
**Chart 2: Bitcoin Closes a Strong Q1 and Outperforms Ethereum**  
Bitcoin has its strongest Q1 in two-years with a strong lead against the S&P & Nasdaq



**Chart 3: The Aggregate Stablecoin Circulating Supply Remains Above \$130B Despite Volatility Events Since January 2022**

Tether (USDT) is the oldest stablecoin and remains the largest by circulating supply. Despite a multitude of past issues, including but not limited to; a period of time with fractional reserves in 2018, opaqueness of reserves, bank location of reserves and transparency reports of those reserves, Tether continues to maintain a large lead against the competition. Tether's offshore management has also likely helped the stablecoin grow during a time of tightening regulatory environment in the US. Despite USDC now being fully backed by reserves again, the stablecoin has seen swift outflows after March 10th, following the \$3.3B in reserves which were temporarily in limbo at Silicon Valley Bank.

### Key Events



1 - May 7th, 2022

Algorithmic stablecoin TerraUSD (UST) begins to collapse and quickly crashes to \$0. Investors cautiously redeem USDT and flee to the perceived safety of USDC.

2 - August 8th, 2022

US Treasury sanctions virtual currency mixer Tornado Cash, Circle then freezes USDC associated with Tornado Cash. USDT does not freeze any addresses.

3 - September 5th, 2022

Binance announces auto-conversion of USDC, USDP and TUSD on the exchange to BUSD.

4 - February 12th, 2023

BUSD issuer Paxos receives Wells notice from SEC and NYDFS orders issuer to stop minting BUSD.

5 - March 10th, 2023

Circle confirms \$3.3B of USDC's cash reserve are stuck at Silicon Valley Bank. The funds were recovered after the FDIC made all depositors at the bank whole.

<u>Digital Assets</u>	Ticker	Price (\$)	Returns (%)					M Cap (B)
			1 week	1 month	3 month	YTD	1 year	
Bitcoin	BTC	28290.60	0.36	-0.65	69.74	71.13	-38.27	547.02
Ethereum	ETH	1810.43	0.83	-0.65	49.16	51.47	-47.45	218.08
Polygon	MATIC	1.11	1.19	-0.81	42.18	46.31	-32.99	10.07
Solana	SOL	20.51	-0.05	-3.16	81.67	105.72	-84.52	7.91
Polkadot	DOT	6.36	1.52	0.25	41.59	47.65	-71.86	7.46
Avalanche	AVAX	17.33	0.35	-2.13	55.35	59.09	-82.00	5.65
Near Protocol	NEAR	1.92	0.16	-3.75	46.46	53.84	-57.02	1.67
Zilliqa	ZIL	0.03	-3.47	3.07	81.66	88.71	-82.05	0.48
Valkyrie L1 Index		39.92	2.28	-6.68	50.89	49.85	-72.47	

<u>TradFi Indices</u>							
S&P 500	SPX	4109.31	3.48	1.57	7.03	7.03	-9.60
Nasdaq 100	NDX	13181.35	3.25	7.25	20.49	20.49	-11.30
Russell 2000	RUT	1802.48	3.89	-6.52	2.34	2.34	-13.80
Dow Jones Ind.	DJI	33274.15	3.22	-0.35	0.38	0.38	-4.43

## News Review

[US Government Sold Nearly 10,000 BTC Confiscated from Silk Road on March 14, Intends to Sell a Further 41,500 in Four Batches](#)

[Fresh OCC 'Fintech Office' Tasked With Keeping Up With Crypto](#)

[SEC's Gensler Seeks \\$2.4B in Funding to Chase Down Crypto 'Misconduct'](#)

[US Digital Asset Exchange Bittrex Closes Down, Citing Regulatory Environment](#)

[MicroStrategy Acquires Almost 6,500 More BTC at an Average Price of \\$23k](#)

Valkyrie Alternative Layer 1 Index



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

Chart 1: Rate Probabilities Suggest One More 25 bp Hike Before a Series of Cuts : Source: Valkyrie Investments, Inc., FRED, Truflation.com, CME

Chart 2: Bitcoin Closes a Strong Q1 and Outperforms Ethereum: Source: Valkyrie Investments, Inc., TradingView

Chart 3: The Aggregate Stablecoin Circulating Supply Remains Above \$130B Despite Volatility Events Since January 2022: Source: Valkyrie Investments, Inc., TradingView

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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