

Key Takeaways

- CPI continues to decline but remains well above the Fed's 2% target
- Ordinal NFT minting on Bitcoin has slowed slightly over the past week
- Bitcoin experienced a rare 8-day consecutive price decline last week

Macro & On-chain Commentary

US CPI data released last week continues to show a deflationary trend. Real-time CPI estimates also suggest the potential for a sub 2% inflation print some time in Q4, assuming the current rate of change continues throughout the summer. Nevertheless, Fed governor's remain hawkish, continuing to float the possibility for further rate hikes, leaving no room for rate cuts towards the end of the year. Although other inflationary metrics like PCE remain sticky, the risk for turning a soft landing into a harder landing remains very real. Hikes beyond the current level would place further strains on credit, and likely push even more funds away from regional bank balance sheets and into money market funds.

Digital asset on-chain activity has seen a relief from the crescendo of NFT related transactions on the Bitcoin blockchain. The initial salvo of excited minters has given way to developing newer methods for issuing these NFTs with a better user experience and less user friction. Although the mini-mania has abated for now, the market seems primed for further congestion in the future, especially during a more bullish period. Several exchanges listed these new NFT projects last week and a price [tracking site](#) for these NFTs currently reports an aggregate market cap of \$501 million. Most of this value is held by Ordi at \$342 million.

Bitcoin's price last week saw an 8-day consecutive decline, a rare feat only occurring on three other occasions since 2010. This decline may have been related to growing regulatory pressures and uncertainty, as well as the exodus of two prominent market makers Jump & Jane Street. Last year saw a nearly 30% decline over an 8-day period during the Luna and UST stablecoin death spiral. March 2014 also experienced an 8-day consecutive decline totalling 12% following the closure of the Mt. Gox exchange.

Please see important disclosures on last page. 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.

Chart 1: For the First Time, Rates Have Now Firmly Exceeded CPI

Rate probabilities continue to suggest the Fed is unlikely to continue raising rates

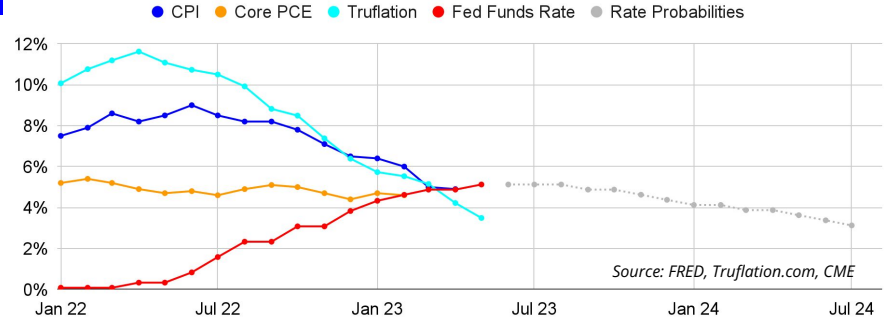


Chart 2: The Frenzy of Bitcoin On-chain Activity Has Declined From the Peak

Bitcoin NFT minting has slowed over the past week after fees reached multi-year highs

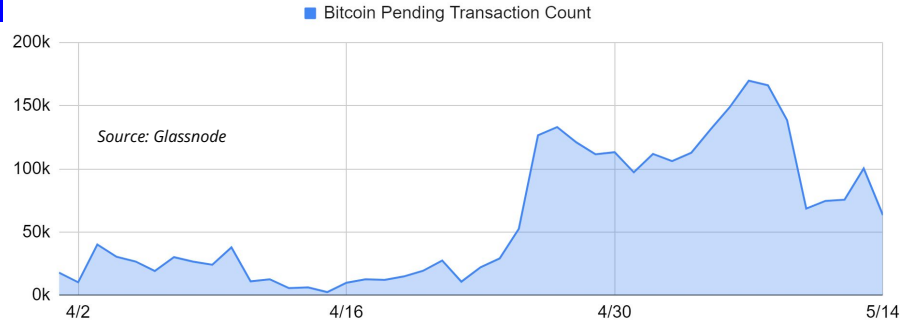


Chart 3: Bitcoin's Two Month Consolidation Period Ends With Bearish Breakdown Attempt

High timeframe trend metrics, such as the 200WMA, 20WMA, and 200DMA continue to hold bullish. However, the previous two month consolidation period has ended with the formation of a bearish Head and Shoulders reversal pattern. The hallmarks of the pattern include an extreme high flanked but two, often equal, lower highs. On Friday, price attempted to break further South but found support near the 200WMA, after US markets closed. The reversal pattern remains a possibility until price makes a higher high above the right shoulder at \$29,700. Price may find the next support near the outer bound diagonal of the multi-month pitchfork, similar to mid-March. Key moving averages also reside in this zone, adding confluence to support in the area.



Weekly Market Review – May 15th, 2023

Returns (%)

<u>Digital Assets</u>	Ticker	Price (\$)	1 week	1 month	3 month	YTD	1 year	M Cap (B)
Bitcoin	BTC	27378.40	1.65	-6.37	25.65	65.61	-8.87	530.43
Ethereum	ETH	1824.39	1.34	-2.41	21.12	52.64	-11.15	224.33
Solana	SOL	21.35	1.91	-6.15	2.64	114.14	-59.04	8.45
Polygon	MATIC	0.87	0.70	-11.81	-26.92	14.25	26.61	8.01
Polkadot	DOT	5.37	0.41	-8.66	-12.41	24.69	-52.25	6.36
Avalanche	AVAX	15.23	1.33	-10.94	-13.67	39.80	-55.04	5.07
Near Protocol	NEAR	1.67	0.66	-13.69	-23.59	33.68	-62.65	1.51
Zilliqa	ZIL	0.02	0.67	-14.16	-17.38	52.01	-54.09	0.38
Valkyrie L1 Index		36.72	-7.36	-23.11	-10.20	37.86	-44.89	

News Review

[Bitcoin Addresses Holding 1 BTC Or More Reach One Million](#)

[Jane Street, Jump Pull Back Crypto Trading Over US Regulatory Uncertainty](#)

[Stablecoin Issuer Tether Boosts T-Bill Holdings, Cuts Banks Exposure](#)

[Stablecoin Issuer Circle Cites US Default Risk as It Rebalances Treasury Holdings](#)

[China CBDC: Jiangsu City Leverages Logistics Hub Status To Promote E-CNY In Belt & Road Trade](#)

TradFi Indices

S&P 500	SPX	4124.08	-0.29	-0.33	0.82	7.41	2.49
Nasdaq 100	NDX	13340.18	0.61	1.99	8.41	21.94	7.69
Russell 2000	RUT	1740.85	-1.08	-2.26	-9.27	-1.16	-2.89
Dow Jones Ind.	DJI	33300.62	-1.11	-1.73	-1.68	0.46	3.43

Valkyrie Alternative Layer 1 Index



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

Chart 1: For the First Time, Rates Have Now Firmly Exceeded CPI: Source: Valkyrie Investments, Inc., FRED, Truflation.com, CME

Chart 2: The Frenzy of Bitcoin On-chain Activity Has Declined From the Peak: Source: Valkyrie Investments, Inc., Glassnode

Chart 3: Bitcoin's Two Month Consolidation Period Ends With Bearish Breakdown Attempt: 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.

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.

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