

Key Takeaways

- The Fed is expected to raise interest rates 25bp at Wednesday's FOMC
- Banking turmoil continues with the collapse of First Republic Bank
- Despite the downturn in price, Bitcoin's on-chain activity has hit ATHs

Macro Commentary

The Fed is expected to raise rates by 25bp this week, with probabilities indicating that this will likely be the last hike before entering a "higher for longer" stage of the hiking cycle, holding rates at the 5.00%-5.25% level for several months. Fed Chairman Powell's language during the press conference will be heavily scrutinized for any forward guidance. Despite real-time inflation estimates and headline CPI continuing to decline aggressively, core PCE remains stable, and unemployment remains at multi-year lows.

Additionally, Chairman Powell will need to address the collapse of First Republic Bank (FRB) and how the aggressive hiking cycle may have contributed to its failure. While FRB's proximity to Silicon Valley Bank (SVB) likely caused a significant deposit reduction, the bank's inability to access the newly created BTFP may also have played a role. Though \$30B from GSIBs and FHLB advances provided aid, FRB's significant exposure to now unprofitable interest-only mortgages issued during a low rate environment contributed to FRB's demise. It's also important to note that FRB's failure cannot be attributed to digital asset businesses, which was the popular narrative in the failures of Signature and Silvergate. JPMorgan has purchased FRB's assets and will absorb all current deposits.

Leaders in the banking industry, the US Treasury Department, and President Biden have assured the public that this is an isolated crisis and that the banking industry remains well-capitalized and resilient. Similar reassurances were given after the collapses of SVB, Signature, and Silvergate. However, concerns remain about potential regional banking turmoil and losses related to commercial real estate exposure.

Chart 1: The Fed is Likely to Continue Raising Rates This Week

Rate probabilities continue to suggest a terminal rate of 5.00%-5.25%

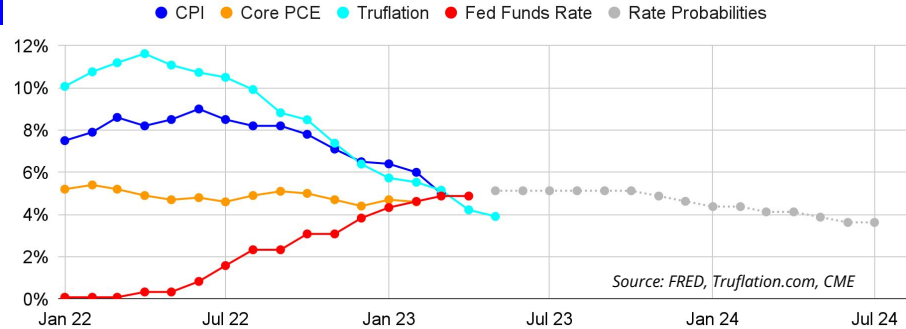


Chart 2: Three of the Top Four Largest Bank Failures Have Occurred This Year

Based on the top 22 bank failures by total assets at time of closure since 1984

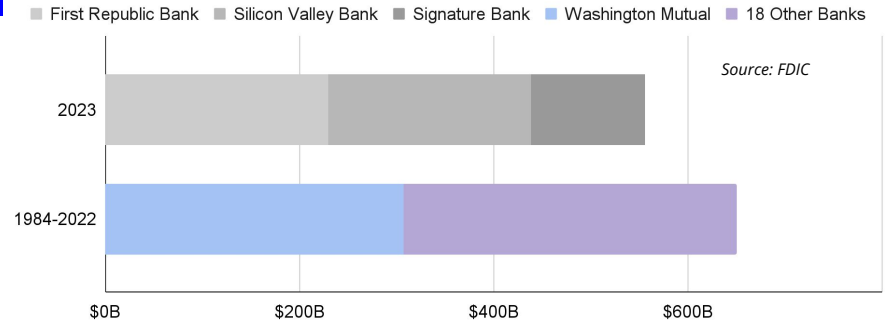
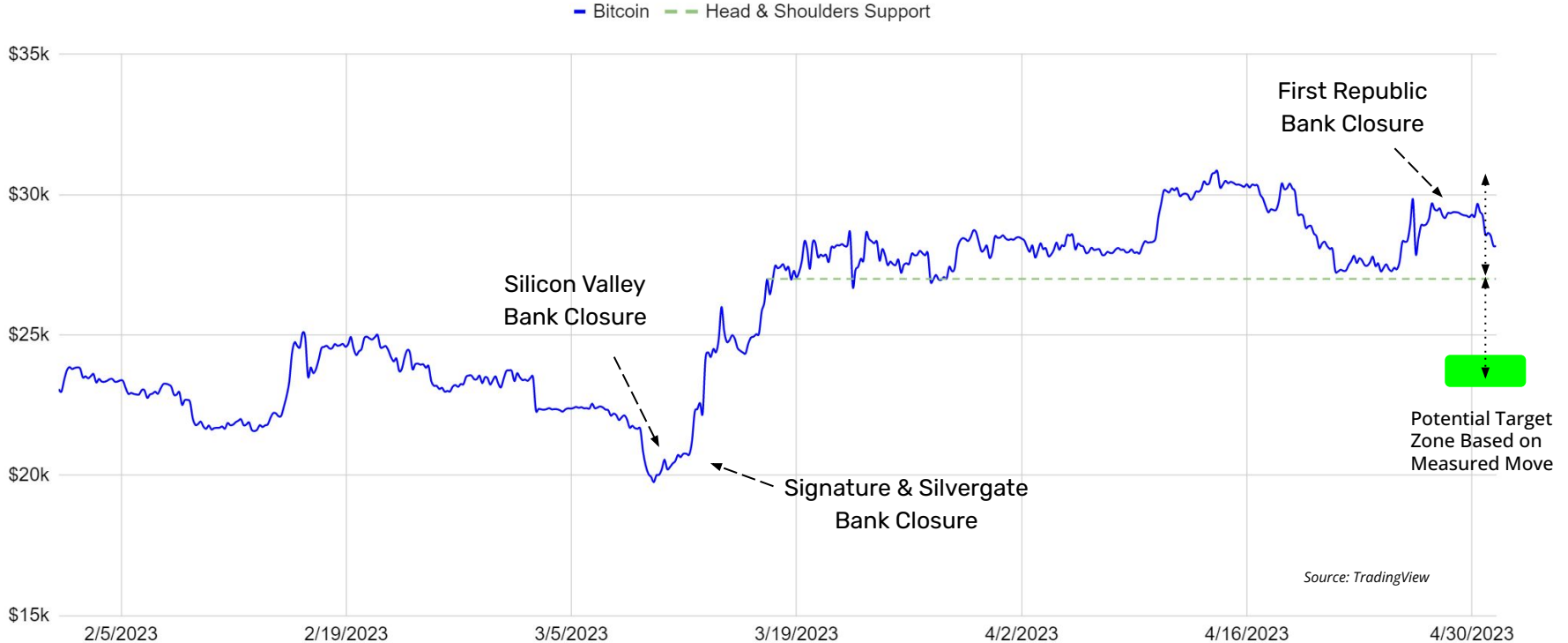


Chart 3: Bitcoin's Weekend Rejection of \$30k May Portend a Deeper Retracement

High timeframe trend metrics remain firmly bullish, a near term reversal chart pattern has emerged. Although not classically meeting the textbook criteria of a head and shoulders, price action since March 19th has painted an extreme high with flanking lower highs. If price breaches below the neckline, a suggested target zone of \$24k is possible based on the measured depth of the pattern extended below the neckline. The 20-week moving average also resides at \$23.5k, adding confluence to support in the zone.



Digital Assets	Ticker	Price (\$)	Returns (%)					M Cap (B)
			1 week	1 month	3 month	YTD	1 year	
Bitcoin	BTC	28148.22	-3.74	-3.74	23.26	70.27	-25.22	544.99
Ethereum	ETH	1831.86	-2.01	-2.01	16.96	53.26	-32.81	220.54
Polygon	MATIC	0.95	-2.95	-2.95	-12.41	25.73	-7.83	8.81
Solana	SOL	21.86	-3.91	-3.91	-8.76	119.26	-74.14	8.60
Polkadot	DOT	5.69	-3.26	-3.26	-8.09	32.06	-60.78	6.71
Avalanche	AVAX	16.85	-1.43	-1.43	-14.60	54.73	-70.44	5.54
Near Protocol	NEAR	1.83	-5.73	-5.73	-20.93	46.00	-59.21	1.63
Zilliqa	ZIL	0.03	-4.83	-4.83	0.98	68.54	-63.01	0.42
Valkyrie L1 Index		42.00	3.11	5.23	0.24	57.69	-58.64	

TradFi Indices							
S&P 500	SPX	4169.48	0.87	1.46	2.43	8.59	0.91
Nasdaq 100	NDX	13245.99	1.89	0.49	8.87	21.08	3.04
Russell 2000	RUT	1768.99	-1.26	-1.86	-7.45	0.44	-5.10
Dow Jones Ind.	DJI	34098.16	0.86	2.48	0.35	2.87	3.40

News Review

[Republicans' Stablecoin Bill Draft Would Expand States' Powers](#)

[Lightning Network Proves More Efficient Than Credit Card Processors](#)

[Neobank Introduces Soulbound NFTs For Wallet Holders' KYC Information](#)

[Hong Kong Security Regulator To Issue Crypto License Guidelines In May](#)

[China's Changshu City To Pay Civil Servant Salaries In Digital Yuan](#)

Valkyrie Alternative Layer 1 Index



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

Chart 1: The Fed is Likely to Continue Raising Rates This Week: Source: Valkyrie Investments, Inc., FRED, Truflation.com, CME

Chart 2: Three of the Top Four Largest Bank Failures Have Occurred This Year: Source: Valkyrie Investments, Inc., TradingView

Chart 3: Bitcoin's Weekend Rejection of \$30k May Portend a Deeper Retracement 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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