

### Key Takeaways

- Tentative debt ceiling deal reached, congressional approval next step
- Specifics on digital assets appear to have been removed from the bill
- A 25bp Fed hike & declining liquidity may further strain regional banks

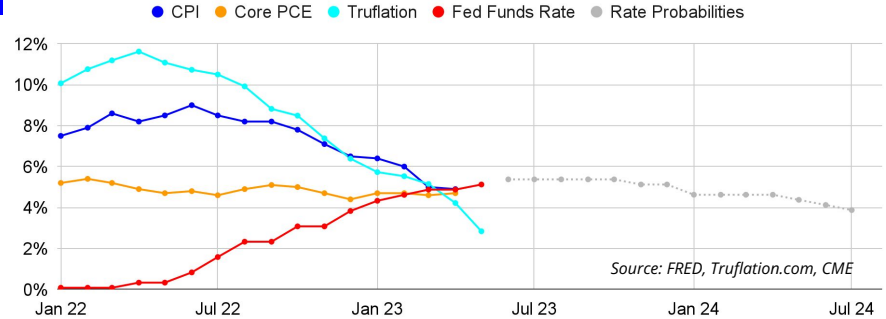
### Macro & On-chain Commentary

During the extended holiday weekend, President Biden and House Speaker Kevin McCarthy reached a potential agreement on the debt ceiling. With neither side seemingly happy with the deal, a long renegotiation process on the specifics is now in the works. The preliminary agreement involves increasing the ceiling for the next two years, imposing a cap on non-defense spending during this period, reclaiming some unutilized COVID funds, reducing IRS expenses, and resuming student loan payments slightly earlier. Notably, although President Biden discussed digital assets extensively during initial negotiations, the proposed deal does not mention the 30% excise tax on Bitcoin miners or changes to the "wash-trading" rule. If the deal passes, the US Treasury will then be able to refill the coffers to the targeted \$500 billion level, which may continue to remove liquidity from the system and act as an additional headwind for risk assets.

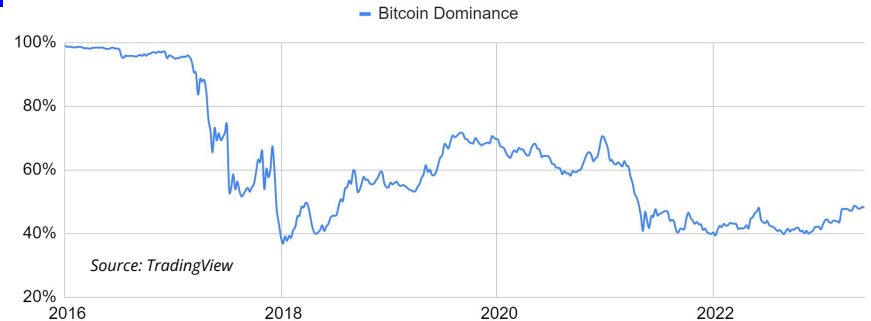
While most markets were closed over the weekend, the 24/7 digital asset markets remained open and moved up sharply when the deal was announced. Bitcoin and Ethereum closed the day with gains of +4.5% and +4.3% respectively, marking their largest single-day increases since early May. Long-term implications of a mounting debt burden and an increasing debt-to-GDP ratio will likely lead to prolonged periods of high inflation and a shift towards hard assets. However, the near-term liquidity reduction is likely yet to be felt by the digital asset ecosystem. To counter bearish headwinds for digital assets, further liquidity strains on regional banks may also bring additional banking failures. With the Fed set to raise rates another 25bp in two weeks, deposit outflows into money market accounts are unlikely to cease anytime soon. Any additional stressors within the banking sector may further solidify Bitcoin's position as a safe haven asset for those seeking alternatives.

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: Real-time Inflation Estimates Below 3% as Core PCE Remains Sticky**  
Recent economic data and Fedspeak has raised the odds for another 25bp hike

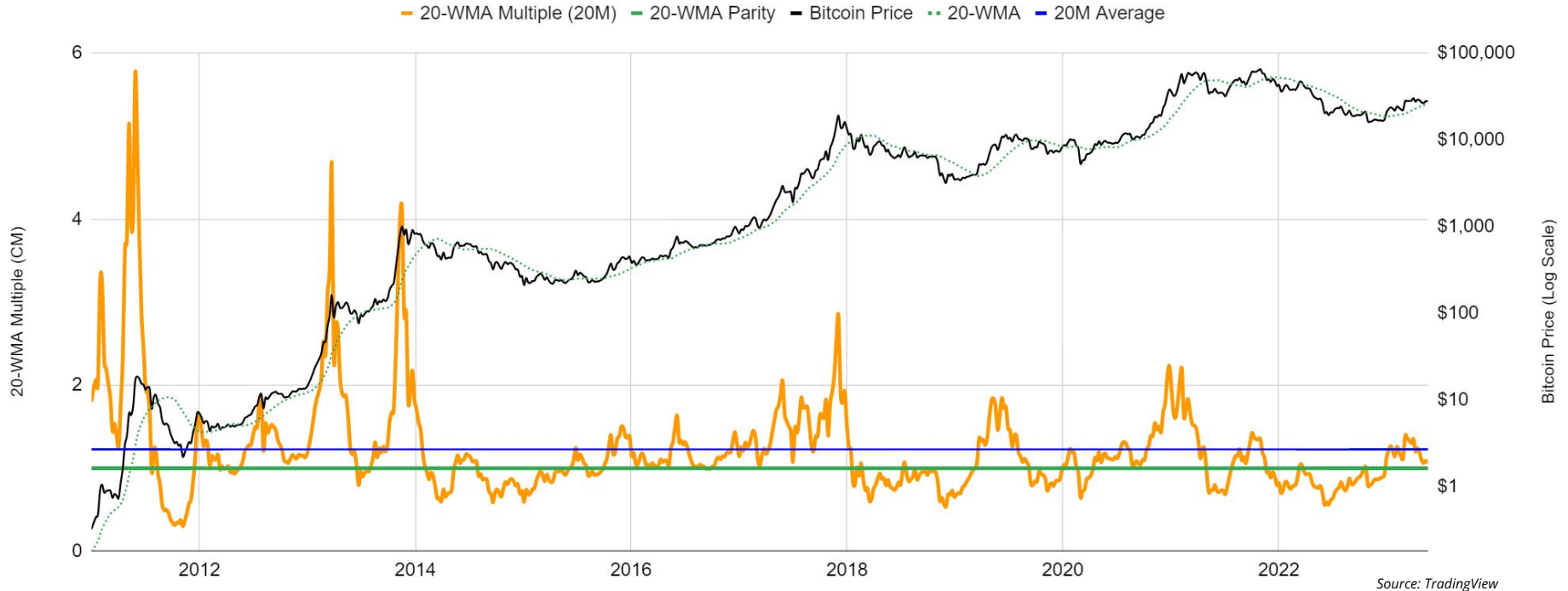


**Chart 2: Bitcoin Dominance Holds at Multi-Month Highs as US Regulations Ramp Up**  
Ratio of Bitcoin's market cap relative to the cumulative market cap of all digital assets



### Chart 3: Bitcoin's 20-Week Moving Average Has Largely Dictated the Macro Trend Since Inception

Historically, Bitcoin's price relative to the 20-week moving (20WMA) average has provided a strong litmus test for long term trends. Price has also mean reverted to this level during most multi-month bullish or bearish trends. Price relative to this key moving average can also be used as an oscillator to assess overbought and oversold conditions. Currently, price is just above the 20WMA after overshooting the moving average in March and holds below the average 20WMA multiple since inception. A price 2x the 20WMA has historically marked extremely overbought conditions while a multiple value of 0.75 has marked oversold conditions.



# Weekly Market Review – May 30th, 2023

## Returns (%)

<u>Digital Assets</u>	Ticker	Price (\$)	1 week	1 month	3 month	YTD	1 year	M Cap (B)
Bitcoin	BTC	27701.37	-1.31	-5.27	19.69	67.56	-5.93	537.08
Ethereum	ETH	1904.18	-0.25	1.86	18.60	59.31	5.13	228.98
Solana	SOL	21.28	2.21	-6.46	-2.79	113.44	-52.66	8.44
Polygon	MATIC	0.90	-4.68	-8.66	-25.00	18.34	49.75	8.32
Polkadot	DOT	5.45	-0.96	-7.32	-14.15	26.51	-45.40	6.48
Avalanche	AVAX	14.46	-3.11	-15.44	-15.41	32.74	-44.69	4.97
Near Protocol	NEAR	1.61	-3.60	-16.94	-27.73	28.64	-64.06	1.46
Zilliqa	ZIL	0.02	-1.18	-17.07	-25.40	46.86	-52.02	0.37
Valkyrie L1 Index		37.06	3.25	-12.51	-10.36	39.13	-34.76	

## News Review

[Beijing Releases Web3 White Paper, Highlights Challenges In Talent, Rules](#)

[Deutsche Digital Assets Launches Physically Backed Multi-Asset Crypto ETP on German Exchange](#)

[Strike Expands Bitcoin Payments To 65 Countries, Moves Global Headquarters To El Salvador](#)

[Solana Blockchain Integrates ChatGPT Plugin, Launches Ai Accelerator](#)

[TRM Labs: Crypto Hacks Down 70% In Q1 2023](#)

## TradFi Indices

S&P 500	SPX	4205.45	0.31	0.90	5.61	9.53	1.14
Nasdaq 100	NDX	14298.41	3.59	7.95	19.46	30.70	12.75
Russell 2000	RUT	1773.02	-0.04	0.23	-6.21	0.67	-6.08
Dow Jones Ind.	DJI	33093.34	-1.00	-2.95	0.84	-0.16	-0.36

Valkyrie Alternative Layer 1 Index



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

Chart 1: Real-time Inflation Estimates Below 3% as Core PCE Remains Sticky: Source: Valkyrie Investments, Inc., FRED, Truflation.com, CME

Chart 2: Bitcoin Dominance Holds at Multi-Month Highs as US Regulations Ramp Up: Source: Valkyrie Investments, Inc., TradingView

Chart 3: Bitcoin's 20-Week Moving Average Has Largely Dictated the Macro Trend Since Inception: 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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