



Weathering the Storm – May 3rd, 2022

All things considered, bitcoin and ether have weathered a significant macro storm. We discuss the moves that have occurred since the high in November, and its resilience since.

KEY TAKEAWAYS

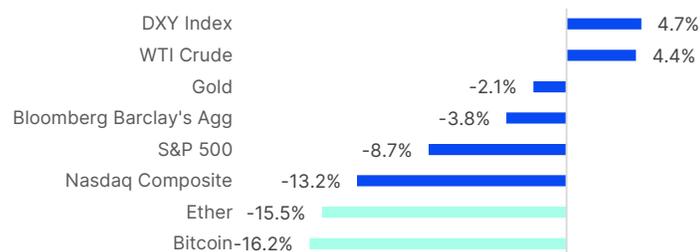
- + Concerns over a growth slowdown were partially validated last week as the first-print of US Q1 GDP came in at -1.4% versus 1% expected; however, bitcoin again outperformed the Nasdaq in a volatile week
- + Markets look to Wednesday's Fed meeting for a "sell the rumor, buy the news" event similar to what occurred in January and March: bitcoin and ether rallied an average 18.5% and 28.5% in the two weeks following
- + The Crypto Fear & Greed Index remains in "extreme fear", an attractive opportunity for long-term investors
- + Long-term holders are unfazed by market volatility with supply held reaching all-time-highs

THE BIRD'S EYE VIEW

Market volatility continued through month-end as concerns over a potential slowdown in US growth were somewhat validated with a -1.4% first estimate of Q1 GDP. Digital assets, which have had rising correlations to equities, whipsawed along for the ride with a rally on Thursday but a decline on Friday. This was a tough end for a tough April:

TOTAL RETURN: APRIL

Source: Bloomberg, Eaglebrook Advisors



But for the second time in two weeks bitcoin outperformed the Nasdaq in a down market. And on a YTD basis, bitcoin has also outperformed (-17.3% vs. -21.0%). While equities rolled over into new yearly lows on Friday the 29th, bitcoin and ether remain 9% and 18.9% higher than late January (pg 3).

So bitcoin and ether have held up well despite an incredibly tough environment. When considering that the bear market began now six months ago with a peak on November 9th, meaningful moves have occurred over the macro landscape:

- + 2yr Treasury Yield +2.30% from 0.42% to 2.72%
- + 10yr Treasury Yield +1.50% from 1.43% to 2.93%
- + YC inversion at the end of March
- + Nasdaq Composite -22.1%, worst start of year since 1970
- + Russell 2000 -22.8%
- + Barclay's Agg -10.1%
- + DXY Index +9.6%, highest since December 2002

Even so, this macro volatility has not stopped bitcoin and ether from becoming part of the conversation for asset allocation decisions. While broader price volatility has remained, global adoption has continued, lightning network has made bitcoin a soon to be medium of exchange, investors have received more accessibility and greater regulatory clarity, long-term holding trends have strengthened, and ETH's merge becomes ever closer to fruition. There is a lot to be excited about when it comes to crypto.

So when all is said and done and markets sort themselves out (and hopefully soon), this weathering of the storm will prove to hesitant investors that digital assets are viable in long-term portfolios and attractive substitutes for existing allocations in equities and fixed income.

As price near term has remained hostage to correlations and market headlines, we believe this is for now small symptoms of growing investor popularity rather than a longer-term trend.

Interestingly, the market rallied after the first two FOMC meetings of this year, with a "sell the rumor, buy the news" event occurring as digital assets lead the charge. We'll see if this meeting can serve as a catalyst for near-term upside, similar to what occurred in both the January and March FOMC meetings:

FOMC Announcement	Gain/Loss After 14 Days			
	Bitcoin	Ether	SPX Index	Nasdaq Composite
1/26/2022	22.4%	33.9%	5.5%	7.0%
3/16/2022	14.6%	23.1%	5.6%	7.5%
5/4/2022	--	--	--	--

Source: Bloomberg, Eaglebrook Advisors

On page two, we discuss the Crypto Fear & Greed Index, as well as comment on long-term holder supply reaching new all-time-highs.



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OPPORTUNITY IN EXTREME FEAR

Like the traditional Fear & Greed Index, the Crypto Fear & Greed Index provides investors with an understanding of current market sentiment, often used as a contrarian indicator for long-term investors.

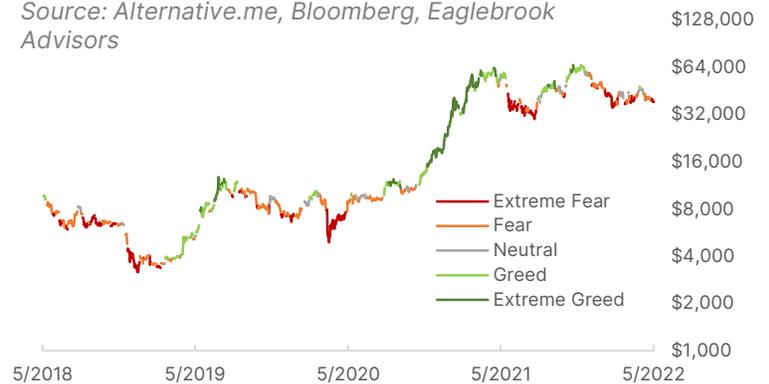
The Crypto Fear & Greed Index is a multifactorial index built by alternative.me, and considers volatility (25%), momentum/volume (25%), social posts (15%), bitcoin dominance (10%), surveys (15%), and search trends (10%).

Currently, the crypto fear index is in “Extreme Fear” with a reading of 22 at Sunday’s close.

When color-coding bitcoin’s price by Crypto Fear & Greed Index, we see that these periods have historically been attractive for long-term position building.

BTC PRICE AND FEAR & GREED INDEX

Source: Alternative.me, Bloomberg, Eaglebrook Advisors



LONG TERM HOLDERS ACCUMULATE

Those holding bitcoin long term – as defined by Glassnode as bitcoin that has been held for longer than 155 days, have been unfazed by market volatility.

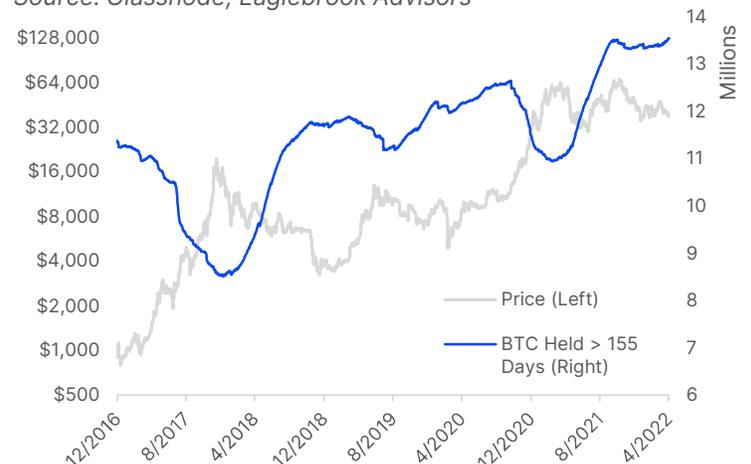
In fact, these numbers have reached all-time-highs of 13,549,822. The number has increased by 213,115 btc, since the beginning of this year, or \$8.2 billion USD (in a down market) as of Sunday’s close.

So through broader macro volatility, and generally negative market sentiment and price action, long-term holders are uninterested in selling or even moving their bitcoin.

Over time, the number of bitcoin held long term has risen – this illustrates greater accumulation, longer holding periods, and increased scarcity.

BTC SUPPLY HELD LONG TERM

Source: Glassnode, Eaglebrook Advisors





KEY MARKET DATA

As of April's Close, 4/30/2022

Market Capitalization	2018	2019	2020	2021	2022 YTD
Bitcoin Market Cap (mlns)	\$65,307	\$130,517	\$538,811	\$876,370	\$717,638
Ether Market Cap (mlns)	\$13,886	\$14,141	\$84,171	\$433,423	\$323,849
Total Crypto Market Cap (mlns)	\$122,177	\$186,105	\$766,003	\$2,250,184	\$1,717,289
Bitcoin Dominance %	53.5%	70.1%	70.3%	38.9%	41.8%
Ethereum Dominance %	11.4%	7.6%	11.0%	19.3%	18.9%

Source: Glassnode, TradingView, Eaglebrook Advisors

Bitcoin	2018	2019	2020	2021	2022 YTD
Supply (mlns)	17.5	18.1	18.6	18.9	19.0
Market Price	\$3,674	\$7,158	\$28,996	\$46,334	\$38,335
Realized Price	\$4,556	\$5,587	\$9,206	\$24,480	\$24,523
Realized Value (mlns)	\$79,524	\$101,309	\$171,112	\$463,063	\$466,599
Market Value / Realized Value	0.82	1.29	3.15	1.89	1.54
Hash Rate	40.5 EH/S	94.3 EH/S	153 EH/S	179.2 EH/S	220.5 EH/S
Transfer Volume (USD, mlns)	\$2,127,287	\$1,893,560	\$2,327,727	\$13,106,605	\$4,886,595
Avg Daily Transfer Volume (USD, mlns)	\$5,828	\$5,188	\$6,360	\$35,909	\$40,722
Avg Transaction Value (USD)	\$26,518	\$18,073	\$21,266	\$138,824	\$160,036

Source: Glassnode¹, Bloomberg, Eaglebrook Advisors

	Level	WTD%	MTD%	QTD%	YTD%	1 Year%	3 Year%	5 Year%	% off 52Wk High	90D Annualized Vol.
Bitcoin	\$38,335	-3.0%	-16.2%	-16.2%	-17.3%	-32.5%	631.9%	2727.0%	-43.4%	53.0%
Ether	\$2,790	-5.1%	-15.5%	-15.5%	-24.4%	1.0%	1683.4%	3401.3%	-41.9%	59.9%
S&P 500	4,132	-3.3%	-8.7%	-8.7%	-12.9%	0.2%	47.5%	89.6%	-13.9%	22.0%
Nasdaq Composite	12,335	-3.9%	-13.2%	-13.2%	-21.0%	-11.1%	56.5%	114.2%	-23.2%	31.2%
Bloomberg Barclay's Agg	2,131	0.0%	-3.8%	-3.8%	-9.5%	-8.5%	1.1%	6.1%	-10.7%	6.5%
Gold	\$1,897	-1.8%	-2.1%	-2.1%	3.7%	7.2%	47.8%	49.6%	-7.5%	14.9%
DXY Index	\$103	1.7%	4.7%	4.7%	7.6%	12.8%	5.6%	3.9%	-0.6%	6.8%
WTI Crude	\$105	1.6%	4.4%	4.4%	36.0%	64.7%	63.8%	112.2%	-15.4%	56.0%

Source: Bloomberg, Eaglebrook Advisors

"Tantrum Table"

Asset	High Since 9/30/21	Max Drawdown	Low Date	Rally from Low	YTD Price % Change
ARK Innovation	11/1/2021	-62.3%	4/29/2022	0.0%	-50.2%
Ishares MSCI USA Momentum	11/3/2021	-24.2%	4/29/2022	0.0%	-19.2%
Invesco S&P 500 High Beta	11/8/2021	-18.9%	4/26/2022	0.3%	-14.9%
Ishares Russell 2000 Value	11/8/2021	-15.9%	4/29/2022	0.0%	-10.4%
Ishares Russell 2000 Growth	11/8/2021	-31.4%	4/29/2022	0.0%	-23.4%
Ishares Core U.S. Aggregate	11/9/2021	-10.8%	4/29/2022	0.0%	-9.8%
Bitcoin	11/9/2021	-47.8%	1/23/2022	9.0%	-17.3%
Ether	11/9/2021	-50.8%	1/27/2022	18.9%	-24.4%
Us Breakeven 30 Year	4/21/2022	-0.56	2/18/2022	0.47	0.21
Us Breakeven 10 Year	4/21/2022	-0.67	1/21/2022	0.57	0.34
Us Breakeven 5 Year	3/25/2022	-1.04	12/20/2021	0.66	0.44
Gold Spot \$/Oz	3/8/2022	-8.0%	4/27/2022	0.6%	3.7%
Invesco Nasdaq 100	11/19/2021	-22.5%	4/29/2022	0.0%	-21.3%
S&P 500 Info Tech Index	12/27/2021	-21.1%	4/26/2022	1.1%	-18.9%
S&P 500 Index	1/3/2022	-13.9%	4/29/2022	0.0%	-13.3%

Source: Bloomberg, Eaglebrook Advisors



DISCLOSURES

Realized Price, Source: Glassnode. Realized Price is the Realized Cap divided by the current supply. Realized Capitalization, Source: Glassnode. Realized Cap values different part of the supplies at different prices (instead of using the current daily close). Specifically, it is computed by valuing each UTXO by the price when it was last moved. Market Cap / Realized Cap, Source: Glassnode. Market Value to Realized Value (MVRV) is the ratio between market cap and realized cap. It gives an indication of when the traded price is below a "fair value". Hash Rate, Source: Glassnode: The average estimated number of hashes per second produced by the miners in the network. Total Transfer Volume, Source: Glassnode. Data is change-adjusted, annual sum: The total amount of coins transferred on-chain, adjusted by change volume. Only successful transfers are counted. Avg Daily Transfer Volume, Source: Glassnode. Data is change-adjusted, daily average: The total amount of coins transferred on-chain, adjusted by change volume. Only successful transfers are counted. Avg Transaction Value, Source: Glassnode. The mean value of a transfer, adjusted by change volume. Only successful transfers are counted.

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Volatility Risk: Digital currency is a speculative and volatile investment asset. Investors should be prepared for volatile market swings and prolonged bear markets. Digital currency can have higher volatility than other traditional investments such as stocks and bonds and market movements can be difficult to predict.

Economic Risk: The economic risk associated with digital currency is in the lack of widespread or continuing digital currency adoption. The market and investors could decide that digital currency should not be valued at the current market capitalization due to a variety of factors.

Regulatory Risk: Digital currency could be banned or highly regulated by governments that would deter investors from buying or holding digital currency.

Technical Risk: Digital currency is a dynamic network with a codebase that is updated to add new security and functionality features. The updated code that is merged by the core developers could potentially have an error that threatens the security or functionality of the digital currency network.

Cybersecurity Risk: Digital currency exchanges and wallets have been hacked and digital currency has been stolen in the past. This is a potential risk that clients must be comfortable with when investing and holding digital currency. Theft is less likely when holding digital currency at a qualified custodian in offline systems (cold storage) with institutional security and controls.

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