



*Risk assets rallied last week with a slight change in negative perspectives; whether there is more to uncover with overleveraged crypto market participants, we're encouraged by news of support for Voyager and BlockFi*

### KEY TAKEAWAYS

- + A positive week for risk assets, with bitcoin +3.8% and ether +9.4%, alongside the S&P 500 and the Nasdaq Composite's gain of 6.4% and 7.5%, respectively
- + Whether or not the dust has settled with overleveraged crypto market participants, we're encouraged by FTX's support for Voyager and BlockFi
- + We point out that a decline in inflation expectations in this environment is likely positive for bitcoin and provide forward returns for various levels of Crypto Fear and Greed Index levels on page 2

### THE BIRD'S EYE VIEW

Last week, market participants experienced a change from the norm as risk assets rallied on a feeling of relief as inflation expectations eased throughout the week.

With concerns over the Fed's ability to curtail four-decade high inflation taking much of investors' focus, Fed Chair Powell's commitment in the Senate Banking Committee alongside some weakness in commodities and a revision "to the good side" on University of Michigan's inflation expectations survey all provided reason for positivity.

Further support came on Friday, as St. Louis Fed President James Bullard (one of the more hawkish Fed officials) said worries over a recession are "overblown."

Naturally, this combination of a recommitment by Chair Powell, some signs that inflation is easing, and the possibility of soft-landing resulted in a strong week for risk assets, with Friday as the best one-day performance (+3.1%) for the S&P 500 since May of 2020. On the week, bitcoin rallied 3.8% and ether rallied 9.4% versus the S&P 500's gain of 6.4% and the Nasdaq Composite's of 7.5%.

While digital assets have bounced quite well from their closing lows on June 18<sup>th</sup> (bitcoin +20.3% and ether +38.1% as of Sunday's close) concerns related to Celsius, Three Arrows Capital (3AC), and centralized lending in general have likely caused some investor hesitation to "jump back in" given the chance there is "more to uncover."

But whether or not the "dust has settled", some encouraging news crossed the tape last week. FTX, a well-known digital asset exchange led by Sam Bankman-Fried, has offered Voyager Digital a \$500 million line of credit as the firm awaits the unlikely repayment of a ~\$670 million loan from 3AC. FTX has also offered BlockFi a \$250 million line of credit to help stabilize the balance sheets of these large crypto lenders.

We've also heard on Monday of this week that Goldman Sachs is interested in brokering a \$2 billion fundraise to purchase

Celsius assets if the firm were to go bankrupt.

So, one of the most prominent crypto exchanges and one of the most prominent traditional financial institutions have found opportunity amidst the declines of these overleveraged institutions. To us, it's unlikely this would occur if crypto were, in fact, "dead."

And with inflation expectations easing a bit last week (we do note that May's PCE deflator report comes Thursday the 30<sup>th</sup>), some risk-appetite has returned. The growth and tech-heavy Nasdaq Composite, ARK Innovation, and large-cap high-beta factor have rallied 9.0%, 25.3%, and 9.5% from their respective lows, which we track on pg. 3.

Time will tell whether this is a bear market bounce or the beginning of a "not all that bad rally." But as we've mentioned in the past, we expect the bottom in digital assets to occur at a similar time to the bottom in equities.

For now, investors can utilize bitcoin's \$20,000 as psychological support, with a closing low reference of \$17,785, as well as ether's psychological support of \$1,000 versus its closing low of \$881.

### INFLATION & HIKE EXPECTATIONS

Several metrics that track inflation and inflation expectations have moved lower in recent weeks, such as weakness in commodity futures (crude -11.9%, wheat -15.5%, copper -17.9% from June highs, for instance) and US breakevens (2yr -66bps, 5yr -32bps, 10yr -21bps from June highs). Last week, we also saw final revisions for Umich's inflation expectations survey miss initial estimates (5-10yr Ahead 3.1% vs. 3.3%, and 1yr Ahead 5.3% vs. 5.4%). This has been cited by some as a reason for the broader risk-asset rally last week.

But are declining inflation expectations ultimately good or bad for bitcoin? We continue on pg. 2.



## Moving Along – June 28<sup>th</sup>, 2022

### INFLATION & HIKE EXPECTATIONS (cont.)

First, we've recently explained why we believe bitcoin is a better protector against monetary inflation than price inflation, given its hard-coded fixed supply structure of 21 million coins.

But another question is if price inflation expectations retreat meaningfully, how do we expect bitcoin to perform? To us, rampant price inflation seen in the United States and developed markets today (which has driven interest rates recently higher) and the view that the Fed and global central banks are unable to tighten correctly (which has led to calls for a hard-landing) are leading culprits for the reduction in risk-appetite across the board (which has included bitcoin and digital assets.)

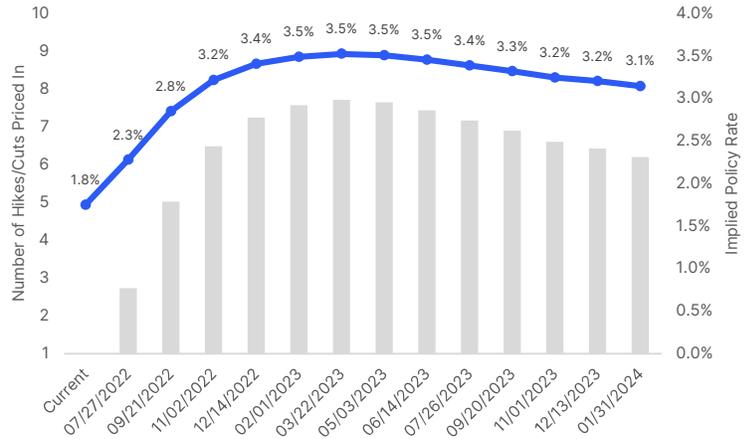
If both inflation expectations and inflation were to ease, the Fed can step back from one of the most aggressive tightening policies in quite some time. This can bring a resurgence in risk-appetite, which is likely to include investment in the emerging digital asset class.

We believe bitcoin's returns are driven by longer-term secular trends towards digitalization, technology, changing investor preferences, populism, and demographics, as illustrated through the many years of adoption and positive price returns through low inflationary periods.

As we know, ultra-low interest rates over the last decade have supported appetite into growthier risk-assets. The implied rate for February 2023 has declined from 3.9% to 3.5% in recent weeks, and interest rate probabilities illustrate expected cuts from the Fed in 2023.

### IMPLIED US POLICY RATE

Source: Bloomberg, Eaglebrook Advisors



Date	US Headline CPI %	Bitcoin Price Performance	Rampant US Price Inflation?
2022: Avg CPI vs. Bitcoin YTD	8.2%	-53.8%	Yes
2021	7.0%	59.8%	May - Dec
2020	1.4%	305.1%	No
2019	2.3%	94.8%	No
2018	1.9%	-73.8%	No
2017	2.1%	1,375.1%	No
2016	2.1%	120.3%	No
2015	0.7%	36.2%	No
2014	0.8%	-57.5%	No
2013	1.5%	5,428.4%	No
2012	1.7%	217.9%	No
2011	3.0%	1,316.7%	No

Source: Bloomberg, Eaglebrook Advisors

### CRYPTO FEAR & GREED INDEX

Last week we discussed bitcoin's large deviation from its longer-term trend through 1) its distance from its 200D moving average, and 2) the market value to realized value multiple, both of which are at levels that have occurred very few times in bitcoin's history.

This week, we revisit the Crypto Fear & Greed Index, which provides investors with an understanding of current market sentiment and is often used as a contrarian indicator for long-term investors.

Currently, the crypto-index is in "Extreme Fear." To the right, we see that these periods have historically been attractive for long-term position building.

We can also see the difference between short and long-term performance. Average forward 3-month returns are the largest for periods that read "extreme greed," while 12- and 18-month returns are better in "extreme fear" (we also note that neutral does well in most periods).

#### Stay Tuned,

Joseph Orsini, CFA, Vice President of Research

### BITCOIN PRICE AND FEAR & GREED INDEX

Source: Alternative.me, Bloomberg, Eaglebrook Advisors



Source: Alternative.me, Bloomberg, Eaglebrook Advisors



# KEY MARKET DATA

As of Sunday, 6/26/2022

Market Capitalization	2018	2019	2020	2021	2022 YTD
<b>Bitcoin Market Cap</b> (mlns)	\$65,307	\$130,517	\$538,811	\$876,370	\$401,345
<b>Ether Market Cap</b> (mlns)	\$13,886	\$14,141	\$84,171	\$433,423	\$142,780
<b>Total Crypto Market Cap</b> (mlns)	\$122,177	\$186,105	\$766,003	\$2,250,184	\$912,054
<b>Bitcoin Dominance %</b>	53.5%	70.1%	70.3%	38.9%	44.0%
<b>Ethereum Dominance %</b>	11.4%	7.6%	11.0%	19.3%	15.7%

Source: Glassnode, TradingView, Eaglebrook Advisors

Bitcoin	2018	2019	2020	2021	2022 YTD
<b>Supply</b> (mlns)	17.5	18.1	18.6	18.9	19.1
<b>Market Price</b>	\$3,674	\$7,158	\$28,996	\$46,334	\$21,392
<b>Realized Price</b>	\$4,556	\$5,587	\$9,206	\$24,480	\$22,491
<b>Realized Value</b> (mlns)	\$79,524	\$101,309	\$171,112	\$463,063	\$429,092
<b>Market Value / Realized Value</b>	0.82	1.29	3.15	1.89	0.94
<b>Hash Rate</b>	40.5 EH/S	94.3 EH/S	153 EH/S	179.2 EH/S	203 EH/S
<b>Transfer Volume</b> (USD, mlns)	\$2,127,287	\$1,893,560	\$2,327,727	\$13,106,605	\$8,635,273
<b>Avg Daily Transfer Volume</b> (USD, mlns)	\$5,828	\$5,188	\$6,360	\$35,909	\$48,787
<b>Avg Transaction Value</b> (USD)	\$26,518	\$18,073	\$21,266	\$138,824	\$189,816

 Source: Glassnode<sup>1</sup>, Bloomberg, Eaglebrook Advisors

	Level	Last Week%	MTD%	QTD%	YTD%	1 Year%	3 Year%	5 Year%	% off 52Wk High	90D Annualized Vol.
<b>Bitcoin</b>	\$21,392	3.8%	-32.7%	-53.3%	-53.8%	-31.7%	68.0%	811.4%	-68.4%	67.5%
<b>Ether</b>	\$1,247	9.4%	-36.1%	-62.2%	-66.2%	-29.4%	269.7%	388.9%	-74.0%	87.8%
<b>S&amp;P 500</b>	3,912	6.4%	-5.2%	-13.3%	-17.3%	-7.3%	41.1%	75.3%	-18.4%	27.6%
<b>Nasdaq Composite</b>	11,608	7.5%	-3.9%	-18.2%	-25.5%	-18.6%	50.6%	95.0%	-27.7%	37.0%
<b>Bloomberg Barclays Agg</b>	2,098	0.6%	-2.2%	-5.3%	-10.9%	-10.5%	-3.1%	3.1%	-12.1%	7.9%
<b>Gold Spot \$/Oz</b>	\$1,827	-0.7%	-0.6%	-5.7%	-0.1%	2.6%	29.7%	46.8%	-10.9%	16.1%
<b>DXY Index</b>	\$104	-0.5%	2.4%	6.0%	8.9%	13.4%	8.3%	6.9%	-1.3%	8.5%
<b>WTI Crude</b>	\$109	-0.1%	-4.5%	9.2%	42.2%	47.4%	84.4%	152.4%	-11.5%	59.7%

Source: Bloomberg, Eaglebrook Advisors

## "Tantrum Table"

Asset	High Since 9/30/21	Max Drawdown	Low Close Date	Rally From Low	YTD Price % Change
ARK Innovation	11/1/2021	-70.8%	6/13/2022	25.3%	-51.5%
Ishares MSCI USA Momentum	11/3/2021	-32.8%	6/17/2022	5.3%	-24.6%
Invesco S&P 500 High Beta	11/8/2021	-30.9%	6/16/2022	9.5%	-20.8%
Ishares Russell 2000 Value	11/8/2021	-24.0%	6/16/2022	4.1%	-15.7%
Ishares Russell 2000 Growth	11/8/2021	-40.7%	6/16/2022	10.2%	-27.0%
Barclays US Aggregate Index	11/9/2021	-13.3%	6/14/2022	2.0%	-10.9%
Bitcoin	11/9/2021	-73.7%	6/18/2022	20.3%	-53.8%
Ether	11/9/2021	-81.2%	6/18/2022	38.1%	-66.2%
Us Breakeven 30 Year	4/21/2022	-0.56	2/18/2022	0.33	0.07
Us Breakeven 10 Year	4/21/2022	-0.51	6/23/2022	0.05	-0.02
Us Breakeven 5 Year	3/25/2022	-0.98	6/22/2022	0.09	-0.07
Us Breakeven 2 Year	3/25/2022	-1.26	6/23/2022	0.07	0.53
Gold Spot \$/Oz	3/8/2022	-11.8%	6/14/2022	1.0%	-0.1%
Nasdaq Composite Index	11/19/2021	-33.7%	6/16/2022	9.0%	-25.8%
S&P 500 Info Tech Index	12/27/2021	-30.7%	6/16/2022	8.3%	-23.7%
S&P 500 Index	1/3/2022	-23.6%	6/16/2022	6.7%	-17.9%

Source: Bloomberg, Eaglebrook Advisors



## DISCLOSURES

<sup>1</sup>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.

The indexes presented are unmanaged portfolios of specified securities and the performance shown is gross of fees which do not reflect any initial or ongoing expenses. Indexes cannot be invested in directly. Returns for digital assets may differ significantly from the returns of indexes which hold securities. Returns are for the time periods shown.

**BGN, Bloomberg Generic Price:** A real-time composite based on quotes from multiple contributors that provides a market indication of where assets are priced. BGN uses both executable and indicative pricing, depending on the type of quotes available in the marketplace at the time of pricing. This methodology is used for bitcoin and ether.

The S&P 500 Index is an unmanaged value-weighted index of 500 common stocks that is generally considered representative of the U.S. stock market.

The NASDAQ Composite Index is a broad-based capitalization-weighted index of stocks in all three NASDAQ tiers: Global Select, Global Market and Capital Market.

The Bloomberg US Aggregate Bond Index is a broad-based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, MBS (agency fixed-rate pass-throughs), ABS and CMBS (agency and non-agency).

The ICE U.S. Dollar Index is a geometrically-averaged calculation of six currencies weighted against the U.S. dollar.

The Gold Spot price is quoted as US Dollars per Troy Ounce.

Bloomberg's spot crude oil price indications use benchmark WTI crude at Cushing, OK ; and other U.S. crude oil grades trade on a price spread differential to WTI, Cushing.

The Volatility Index (VIX) shows the market's expectations of 30-day volatility. It is constructed using the implied volatilities of a wide range of S&P 500 index options. The VIX is a widely used measure of market risk.

ARK Innovation ETF is an actively managed exchange-traded fund incorporated in the USA. The Fund will invest in equity securities of companies relevant to the theme of disruptive innovation. Relevant themes are those that rely on or benefit from the development of new products or services in scientific research relating to Genomics Revolution, Web x.0, and Industrial Innovation.

iShares MSCI USA Momentum Factor ETF is an exchange traded fund incorporated in the USA. The Fund seeks to track the performance of an index that measures the performance of U.S. large and mid capitalization stocks exhibiting relatively higher momentum characteristics, before fees and expenses.

Invesco S&P 500 High Beta ETF is an exchange-traded fund incorporated in the USA. The Fund tracks the S&P500 High Beta Index which consists of the 100 stocks from the S&P500 with the highest sensitivity to market movements, or beta, over the past year. The index is designed for investors initiating a bullish strategy or making a directional bet. The Fund is rebalanced quarterly.

iShares Russell 2000 Value ETF is an exchange-traded fund incorporated in the USA. The ETF tracks the performance of the Russell 2000 Value index and holds small cap US equities focused on low price to book ratios and lower forecasted growth. Its investments are primarily focused in the consumer discretionary, financial and industrial sectors. The ETF uses a representative sampling approach.

iShares Russell 2000 Growth ETF is an exchange-traded fund incorporated in the USA. The ETF tracks the performance of the Russell 2000 Growth Index and invests in over 1000 small cap US equities across all sectors. The ETF weights its holdings using a representative sampling indexing strategy, generally investing at least 90% of its assets in the underlying index.

**US Breakeven Rates:** The rates are United States breakeven inflation rates. They are calculated by subtracting the real yield of the inflation linked maturity curve from the yield of the closest nominal Treasury maturity. The result is the implied inflation rate for the term of the stated maturity.

Standard and Poor's 500 Information Technology Index is a capitalization-weighted index. The index was developed with a base level of 10 for the 1941-43 base period.

For more information, please see our Form ADV Disclosures and Privacy Policy on our website.

## Questions? Get in Touch:

**Joe Orsini, CFA**  
**Vice President of Research**  
jorsini@eaglebrookadvisors.com