



Joseph Orsini, CFA, CMT
Vice President of Research

The market's response to "hawkish" comments by Fed Chair Powell at the annual Jackson Hole Symposium reminds investors that "Fedspeak" can be "perceived" in a variety of ways

KEY TAKEAWAYS

- + Participants viewed Fed Chair Powell's Jackson Hole speech as "hawkish," driving markets lower on Friday as he reiterated his strong stance in combatting four-decade high inflation
- + While the market now prices in "higher for longer" policy rates through 2023, the speech given by Powell was nothing new in comparison to prior comments
- + The US Government illustrates its continued willingness to spend with plans for a new student-debt relief program; bitcoin finds a well-needed catalyst
- + We discuss growing government spending and compare bitcoin's supply growth to that of US M2 on page 2

THE BIRD'S EYE VIEW

The widely anticipated Jackson Hole Symposium did not disappoint investors looking for volatility, with much of the week a "sideshow" in preparation for Fed Chair Powell's Friday morning "main event" presentation to global central bankers and market participants around the world.

In a short and succinct eight-minute speech, Chair Powell was direct in his and the Fed's intention to combat four-decade high inflation, saying "we must keep at it until the job is done."

This gave bears, traders, and skeptics a catalyst to sell risk-assets after the strong bounce from the mid-June lows and "panic period."

As expected, crypto "maintained character," and faced the brunt of macro selling pressure. On Friday alone, bitcoin declined -4.6% and ether lost -8.9% while the S&P 500 and the Nasdaq Composite fell -3.4% and -3.9%. Bitcoin and ether closed the week at \$19,989 and \$1,483, respectively.

But the comments made by Fed Chair Powell are "nothing new" when compared to both his and other Fed member's recent statements. Since pivoting from "transitory," Fed Chair Powell has reiterated numerous times his intention to reduce inflation.

Most recently in the July FOMC meeting, Powell claimed, "we are highly attentive to inflation risks and determined to take the measures necessary to return inflation to our 2% longer run goal." He also iterated that the Committee "anticipate[s] that ongoing increases... will be appropriate."

So, what changed that led to a rollover nearly immediately after Powell's Jackson Hole speech on Friday morning? Well, a different "perception" and an opportunity for a "trader's trade."

With the growing narrative that a "slowing economy" will lead to a "Fed-pivot," many added exposure to risk-assets in preparation of "less tight than expected" financial conditions.

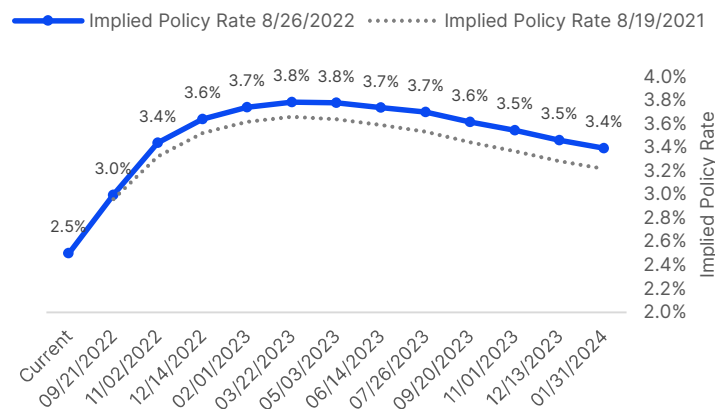
And while this outcome certainly has the potential to occur, Powell's "keep at it" comment was an easy catalyst for near-

term downside pressure, particularly in the notoriously-slow weeks of late August.

Now, peak policy expectations have moved back to 3.8% for the February/March 2023 period, with the expected cut priced in for November rather than September:

IMPLIED US POLICY RATE

Source: Bloomberg, Eaglebrook Advisors. As of 8/26/2022.



While last week's events remind investors how tied risk assets are to the path and process of normalization, it's important to remember that volatility is not unusual as participants digest various ebbs and flows around policy expectations that occur on a week-to-week and even day-to-day basis.

Decades and decades of market history has illustrated that "this too shall pass" and that long-term investors are often rewarded for maintaining conviction through times of uncertainty. Last [week](#), we discussed "recency bias," the ability for perception to change quickly, and attractive valuations for long-term investors as reasons to practice patience.

This week, we discuss a catalyst in the student-loan relief program (spend, spend, spend) and update our bitcoin supply increase versus that of US M2 on page 2.



SPEND, SPEND, SPEND

Following the \$430 billion “Inflation Reduction Act” signed on August 16th, the US administration now seeks to provide student-loan debt relief between \$10,000 and \$20,000 per federal borrower.

As we often discuss, a rapidly growing “willingness to spend” is a catalyst for bitcoin, given:

- + The impact on money supply versus bitcoin’s hard-coded scarcity
- + The impact on fiscal deficit, which decreases the attractiveness of the dollar
- + The impact of adoption from populism, in which “half of the country” often does not agree with the “what, where, and why” of these packages passed by party-line votes (we also point out bitcoin was created during the taxpayer corporate bailouts in 2009)

Even further, the US administration appears to believe political gain is worth the risk of further price inflation (\$10,000 less to pay on student loans = \$10,000 more to spend).

These types of decisions strengthen the argument for an alternative and complementary store of value away from the US dollar.

BITCOIN SUPPLY VS. M2 SUPPLY

Perhaps a better way to understand the significance of bitcoin’s hard-coded, fixed supply structure is a comparison against the US’s M2 money supply, which includes cash, checking, savings, money-market, and other time deposits.

Key drivers of growth in US fiat supply include expansionary fiscal policy, quantitative easing, lower interest rates, and changes to reserve ratios, all of which are ultimately subject to the decisions made by policymakers.

On the other hand, bitcoin’s circulating supply is driven by the “halving,” or the scheduled and immutable 50% reduction in new issuance every four years.

This hard-coded supply structure of bitcoin leads to a meaningful difference in supply growth than that of M2. Since the beginning of 2020:

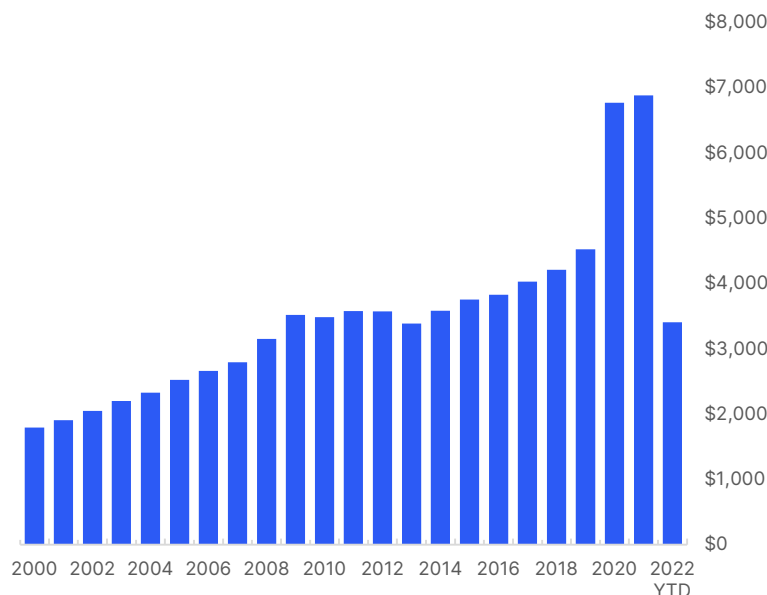
- + US M2 supply has risen 41.7%
- + Bitcoin’s supply has risen just 5.5%

As time progresses, it’s likely a simple, objective, hard-coded supply structure becomes increasingly attractive to the uncertain and subjective supply of fiat currency.

Stay Tuned,
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Vice President of Research

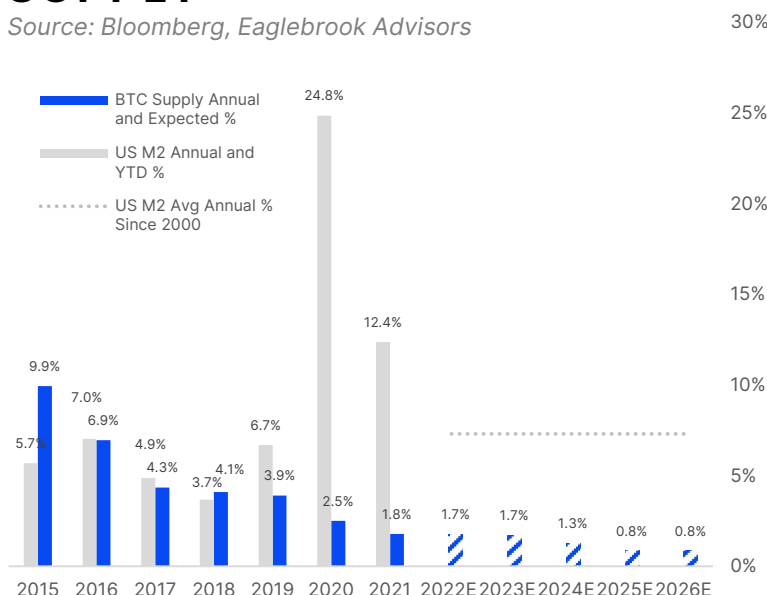
US GOVERNMENT EXPENDITURE, BILLIONS

Source: Bloomberg, Eaglebrook Advisors



BITCOIN VS. US M2 SUPPLY

Source: Bloomberg, Eaglebrook Advisors





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KEY MARKET DATA

As of Sunday, 8/28/2022

Market Capitalization	2018	2019	2020	2021	2022 YTD
Bitcoin Market Cap (mlns)	\$65,307	\$130,517	\$538,811	\$876,370	\$375,999
Ether Market Cap (mlns)	\$13,886	\$14,141	\$84,171	\$433,423	\$171,669
Total Crypto Market Cap (mlns)	\$122,177	\$186,105	\$766,003	\$2,250,184	\$962,764
Bitcoin Dominance %	53.5%	70.1%	70.3%	38.9%	39.1%
Ethereum Dominance %	11.4%	7.6%	11.0%	19.3%	17.8%

Source: Glassnode, TradingView, Eaglebrook Advisors

Bitcoin	2018	2019	2020	2021	2022 YTD
Supply (mlns)	17.5	18.1	18.6	18.9	19.1
Market Price	\$3,674	\$7,158	\$28,996	\$46,334	\$19,989
Realized Price	\$4,556	\$5,587	\$9,206	\$24,480	\$21,634
Realized Value (mlns)	\$79,524	\$101,309	\$171,112	\$463,063	\$413,976
Market Value / Realized Value	0.82	1.29	3.15	1.89	0.91
Hash Rate	40.5 EH/S	94.3 EH/S	153 EH/S	179.2 EH/S	224.5 EH/S
Transfer Volume (USD, mlns)	\$2,127,287	\$1,893,560	\$2,327,727	\$13,106,605	\$12,009,346
Avg Daily Transfer Volume (USD, mlns)	\$5,828	\$5,188	\$6,360	\$35,909	\$50,039
Avg Transaction Value (USD)	\$26,518	\$18,073	\$21,266	\$138,824	\$196,045

Source: Glassnode¹, Bloomberg, Eaglebrook Advisors

	Level	WTD%	MTD%	QTD%	YTD%	1 Year%	3 Year%	5 Year%	% off 52Wk High	90D Annualized Vol.
Bitcoin	\$19,989	-6.9%	-16.0%	6.7%	-56.9%	-59.0%	106.7%	360.6%	-70.5%	68.0%
Ether	\$1,483	-8.3%	-13.8%	46.8%	-59.8%	-54.2%	764.1%	326.1%	-69.1%	101.0%
S&P 500	4,058	-4.0%	-1.6%	7.5%	-14.0%	-8.7%	47.5%	81.3%	-15.4%	27.3%
Nasdaq Composite	12,142	-4.4%	-1.9%	10.2%	-22.0%	-19.1%	58.6%	102.7%	-24.4%	35.7%
Bloomberg Barclays Agg	2,119	-0.4%	-2.0%	0.4%	-10.0%	-10.8%	-5.2%	3.6%	-11.1%	7.8%
Gold Spot \$/Oz	\$1,738	-0.5%	-1.6%	-3.8%	-5.0%	-4.4%	12.9%	32.7%	-15.2%	13.6%
DXY Index	\$108.8	0.6%	2.7%	3.9%	13.7%	17.4%	10.8%	18.0%	-0.2%	9.2%
WTI Crude	\$93.1	2.5%	-5.6%	-12.0%	20.9%	35.4%	66.8%	99.8%	-24.8%	45.3%

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	17.1%	-54.7%
Ishares MSCI USA Momentum	11/3/2021	-32.8%	6/17/2022	10.9%	-20.5%
Invesco S&P 500 High Beta	11/8/2021	-30.9%	6/16/2022	16.2%	-16.0%
Ishares Russell 2000 Value	11/8/2021	-24.0%	6/16/2022	11.0%	-10.1%
Ishares Russell 2000 Growth	11/8/2021	-40.7%	6/16/2022	20.5%	-20.1%
Barclays US Aggregate Index	11/9/2021	-13.3%	6/14/2022	3.0%	-10.0%
Bitcoin	11/9/2021	-73.7%	6/18/2022	12.4%	-56.9%
Ether	11/9/2021	-81.2%	6/18/2022	64.3%	-59.8%
Us Breakeven 30 Year	4/21/2022	-0.51	7/21/2022	0.22	0.00
Us Breakeven 10 Year	4/21/2022	-0.74	7/6/2022	0.29	-0.01
Us Breakeven 5 Year	3/25/2022	-1.23	7/6/2022	0.30	-0.11
Us Breakeven 2 Year	3/25/2022	-2.26	8/19/2022	0.07	-0.48
Gold Spot \$/Oz	3/8/2022	-17.3%	7/20/2022	2.4%	-5.0%
Nasdaq Composite Index	11/19/2021	-33.7%	6/16/2022	14.0%	-22.4%
S&P 500 Info Tech Index	12/27/2021	-30.7%	6/16/2022	13.5%	-20.0%
S&P 500 Index	1/3/2022	-23.6%	6/16/2022	10.7%	-14.9%

Source: Bloomberg, Eaglebrook Advisors



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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.

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.

The MSCI Em (Emerging Markets) Index is a free-float weighted equity index that captures large and mid cap representation across Emerging Markets (EM) countries. The index covers approximately 85% of the free float-adjusted market capitalization in each country.

The MSCI EAFE Index is a free-float weighted equity index. The index was developed with a base value of 100 as of December 31, 1969. The MSCI EAFE region covers DM countries in Europe, Australasia, Israel, and the Far East

The MSCI US REIT Index is a price-only index, which MSCI began calculating on June 20, 2005. Previously, this index (then known as the Morgan Stanley REIT Index) was calculated and maintained by the AMEX. The AMEX began calculating the index with a base level of 200, as of December 30, 1994.

Bloomberg Commodity Index (BCOM) is calculated on an excess return basis and reflects commodity futures price movements. The index rebalances annually weighted 2/3 by trading volume and 1/3 by world production and weight-caps are applied at the commodity, sector and group level for diversification. Roll period typically occurs from 6th-10th business day based on the roll schedule.

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.

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Questions? Get in Touch:

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