

KEY TAKEAWAYS

- Macro pressure: Middle East risk and energy inflation keep the Fed on hold.
- Extreme fear: BTC sentiment index remains at historic stress levels.
- Stablecoin surge: Rising dominance signals flight to safety & sidelined capital.

DIGITAL ASSET COMMENTARY

War in the Middle East continues to escalate, framed around the looming threat of Iran's nuclear program. A prolonged closure of the Strait of Hormuz could disrupt global oil flows, pushing energy prices higher and reigniting inflation. Further escalation, including potential U.S. boots on the ground, would add another layer of geopolitical risk. Markets are already pricing in no rate cut at the upcoming FOMC meeting on 3/18, with the first cut not expected until July. An energy-driven inflation spike would reinforce that stance and likely sustain elevated volatility. Additionally, despite stellar earnings from NVDA last week, the stock has continued to move lower, a potential "news failure" signal, suggesting more turbulence ahead in tech names.

The BTC Fear & Greed Index from Alternative.me remains in extended extreme fear. Operating since 2018, the index incorporates volatility, momentum, volume, social sentiment, BTC dominance, and Google Trends data. Current readings are comparable to, or worse than, prior stress periods, including the 2018 bear market lows, the COVID crash, the 2022 deleveraging cycle and FTX collapse, and the volatility surrounding the Liberation Day tariffs. While sentiment alone does not signal a reversal, historically prolonged extreme fear has often preceded renewed accumulation.

Stablecoin dominance, the percentage of total crypto market capitalization held in stablecoins such as Tether (USDT) and USD Coin (USDC), is also offering short-term insight. Rising dominance typically reflects a crypto "flight to safety," with capital rotating out of volatile assets into dollar-pegged tokens amid risk-off conditions. Conversely, falling dominance suggests capital redeployment into risk assets. As stablecoin dominance approaches the 2022 bear market peak near 16%, the growing in-ecosystem cash balance could represent sidelined buying power, potentially swinging the pendulum back toward directional long exposure if sentiment and macro conditions stabilize.

For educational purposes only. Past performance is not indicative of future results. Investments may be speculative, illiquid and there is a total risk of loss of principal. There is no guarantee that any specific outcome will be achieved.

CHART 1: BITCOIN SENTIMENT GAUGE REMAINS FEARFUL

Sentiment remains pinned below 15 on the Fear and Greed Index

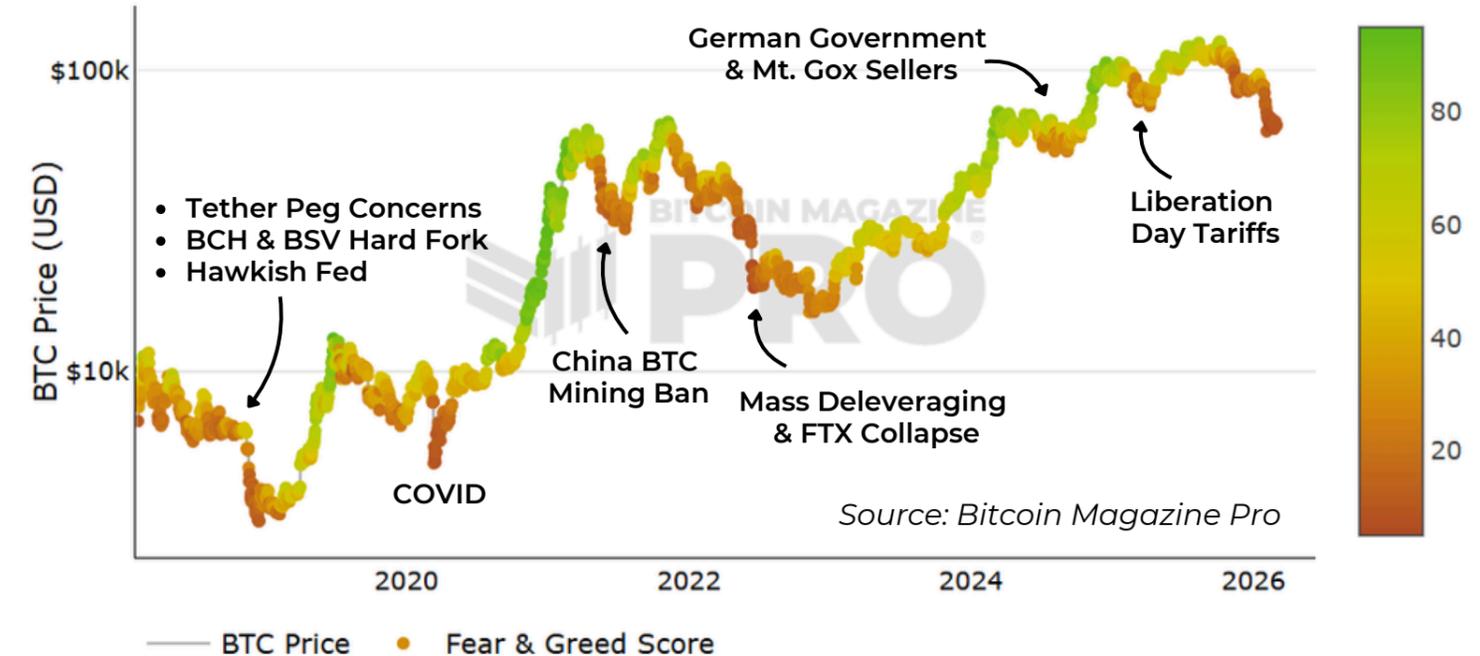


CHART 2: STABLECOIN DOMINANCE NEARS 2022 HIGHS

Crypto flight to safety in stablecoins hints at price consolidation ahead

