

## KEY TAKEAWAYS

- Fed Funds Futures now price out most 2026 rate cuts ahead of the FOMC meeting.
- Tensions near the Strait of Hormuz are keeping oil near \$100.
- MicroStrategy bought \$1.57B in BTC last week as ETFs saw \$760M of inflows.

## DIGITAL ASSET COMMENTARY

Stagflationary concerns are rising as the risks of energy-driven inflation and higher unemployment begin to mount. This week's meeting of the FOMC is likely to leave little room for additional rate adjustments in the near term. Fed Funds Futures reflect this view, with the market pricing out nearly all remaining rate-cut odds for the year.

Meanwhile, the war in the Middle East continues despite messaging from the current administration suggesting the conflict is nearing resolution. Transit through the Strait of Hormuz remains under heavy scrutiny, with only a trickle of shipping activity. This disruption is contributing to global oil and petrochemical shortages that cannot be easily resolved through policy measures alone. Although several governments have tapped strategic petroleum reserves to ease price pressures, oil continues to hover near \$100 per barrel, the US 10-year Treasury yield sits around 4.25%, and the VIX remains elevated near 25. With significant uncertainty surrounding developments in the Middle East, equities will likely face persistent headwinds that could make a sustained rally difficult in the near term.

Despite the global uncertainty, BTC appears to be attempting to form a bottom, supported largely by buying from MSTR and continued ETF inflows. If the company's Strategy Stretch Preferred Stock (STRC) trades above its \$100 par value, it signals that investors are willing to pay a premium, allowing Strategy to issue new shares near that level and raise more capital per share. The proceeds are then used to purchase additional BTC.

STRC is designed to keep its price anchored near \$100 by adjusting its dividend yield. If the share price falls below \$100, the company raises the dividend to attract buyers; if the price rises above \$100, the dividend is lowered to reduce demand. In the current environment, the 11.5% variable yield, paid monthly, has proven highly attractive to investors. Last week, strong trading volume above the \$100 level allowed Strategy to issue new shares and purchase \$1.18B worth of Bitcoin. An additional at-the-money equity offering added \$396M, bringing total BTC purchases for the week to \$1.57B.

Across all preferred share programs, MSTR now has roughly \$10B of preferred equity outstanding. This continued accumulation, combined with strong ETF demand of \$760M in net inflows last week, appears to have helped stabilize BTC despite the challenging macro backdrop.

*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.*

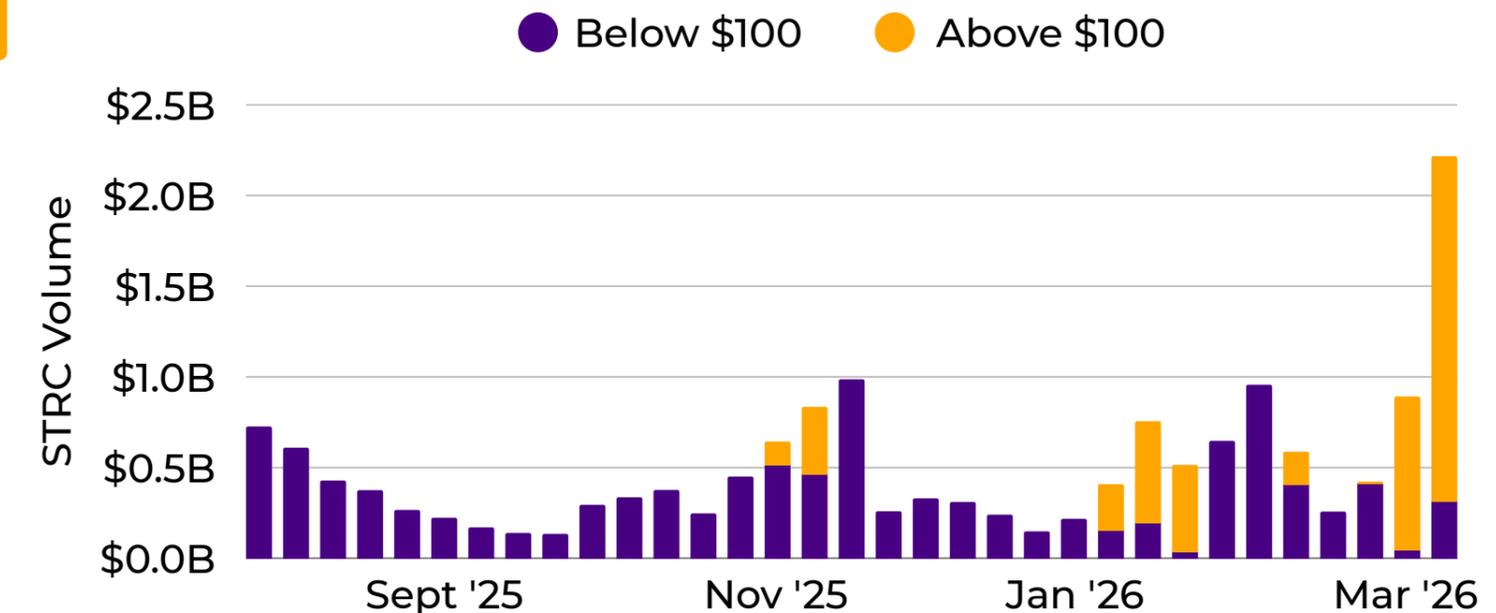
## CHART 1: GOLD VS BITCOIN RATIO

XAU/BTC appears to be cooling off after the multi-month parabolic rise.



## CHART 2: VOLUME OF MSTR PREFERRED EQUITY STRC

STRC volume above \$100 allows for capital raise & BTC purchases by MSTR



Source: bitcoinquant.co