

## KEY TAKEAWAYS

- War and oil keep inflation risks elevated; markets lean cautiously risk-on.
- BTC remains bearish with potential downside before a true bottom forms.
- Early alt strength emerging, led by AI tokens and HYPE.

## DIGITAL ASSET COMMENTARY

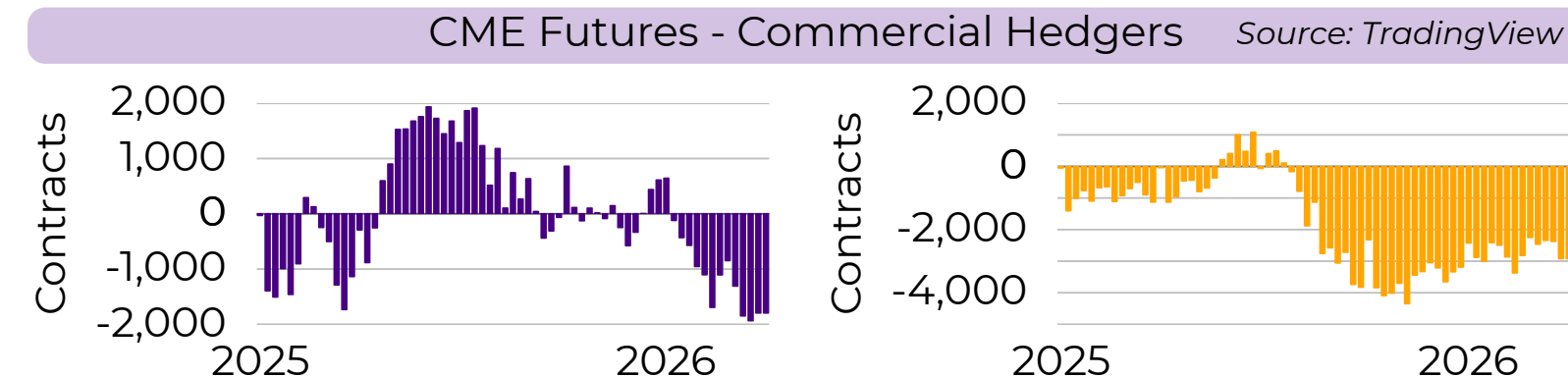
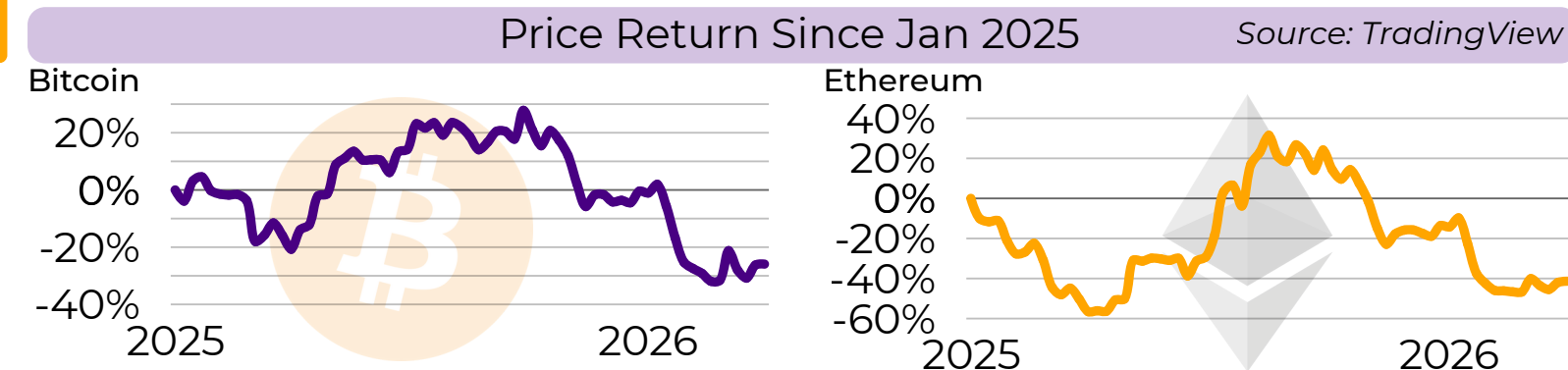
Narratives and headlines surrounding the Middle East conflict continue to shift daily amid a dense fog of war, keeping markets highly reactive and sentiment fragile. The national average for a gallon of regular gasoline exceeded \$4 this week for the first time since August 2022, reinforcing inflationary pressure concerns. Oil remains above \$100 alongside escalating operations in the region, although there are signs of limited cargo ship passage through the Strait of Hormuz. Meanwhile, the US Dollar Index, VIX, and MOVE all opened lower, with risk assets bid higher since the Asian session began on Sunday, suggesting a tentative risk-on tone despite macro uncertainty.

Technicals for BTC and the broader crypto market remain bearish. With price stuck in the current range, a third drive down in BTC toward \$50k (IBIT around \$30) would likely produce a large daily bullish divergence and push the Market Value vs. Realized Value (MVRV) Z-Score into deep value territory. Historically, readings below 0 have aligned with bear market bottoms, though these periods are typically prolonged, averaging around 230 days outside of the COVID V-bottom. The duration of prior drawdowns supports this view, implying that a full recovery in the near term would be faster than historical norms. While one could argue that institutional access via ETFs may dampen both the severity and duration of drawdowns, that remains unproven. A more immediate headwind is the positioning in BTC CME futures, where commercial hedgers—historically directionally accurate—remain net short, a stance that has yet to shift.

Although most altcoins remain closely tied to BTC's direction, early signs of dispersion are emerging. Select AI-related tokens such as TAO, FET, and OCEAN are beginning to show relative strength, alongside continued momentum in the Hyperliquid DEX token, HYPE.

## CHART 1: BTC & ETH CME FUTURES POSITIONING

The typically directionally correct commercial hedgers remain net short.



## CHART 2: BTC BEAR MARKET DRAWDOWN COMPARISON

Previous bear markets had a deeper drawdown of longer duration.



Source: TradingView

Duration of Drawdown, Days