

KEY TAKEAWAYS

- Macro tight: Rate cuts on hold; energy prices remain elevated
- Crypto testing: Range-bound, nearing upside breakout, some alt coin strength
- Flows vs. miners: Institutional inflows up; miner profitability pressured

DIGITAL ASSET COMMENTARY

Markets are currently pricing in a pause on rate adjustments for the foreseeable future. A headline CPI print of 3.3% has reversed months of disinflationary progress, largely driven by renewed geopolitical tensions in the Middle East. Weekend negotiations to end the conflict broke down, prompting President Trump to threaten a blockade in the Strait. As long as this critical shipping lane remains disrupted, oil and broader petrochemical prices are likely to stay elevated.

Despite these macro headwinds, crypto appears to be stabilizing. BTC and ETH have held their respective ranges for nearly 70 days and are beginning to test a potential breakout to the upside. AI-themed altcoins (TAO, FET, NEAR, OCEAN), along with Hyperliquid's HYPE and privacy-focused ZEC, have demonstrated relative strength versus BTC. The market remains in a conditional, "if-this-then-that" state; however, a shift to higher highs would mark a meaningful change in tone following the broad breakdown in October. Until that confirmation, bearish continuation remains the base case.

Institutional flows into BTC and ETH are beginning to recover. US spot ETF inflows have reached \$816M for BTC and \$187M for ETH, complemented by a \$1B BTC purchase from Saylor's MSTR and a \$156M ETH purchase from Tom Lee's BMNR. Meanwhile, BTC miners remain well-hedged according to CME futures CoT data, with prices hovering near estimated average production costs.

Across the mining sector, firms continue to diversify away from BTC and toward AI and high-performance computing (HPC) data center initiatives. The 30-day & 60-day moving averages of BTC network hash rate indicate a decline, suggesting less efficient miners are exiting as profitability compresses. The Puell Multiple, a measure of miner revenue relative to its one-year average, also sits at multi-month lows, reflecting ongoing pressure on hash price.

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CHART 1: INFLATION AND YIELDS RISE ON OIL SHOCK

CPI now at multi-month highs & 2-year yield overtakes the Fed funds rate.

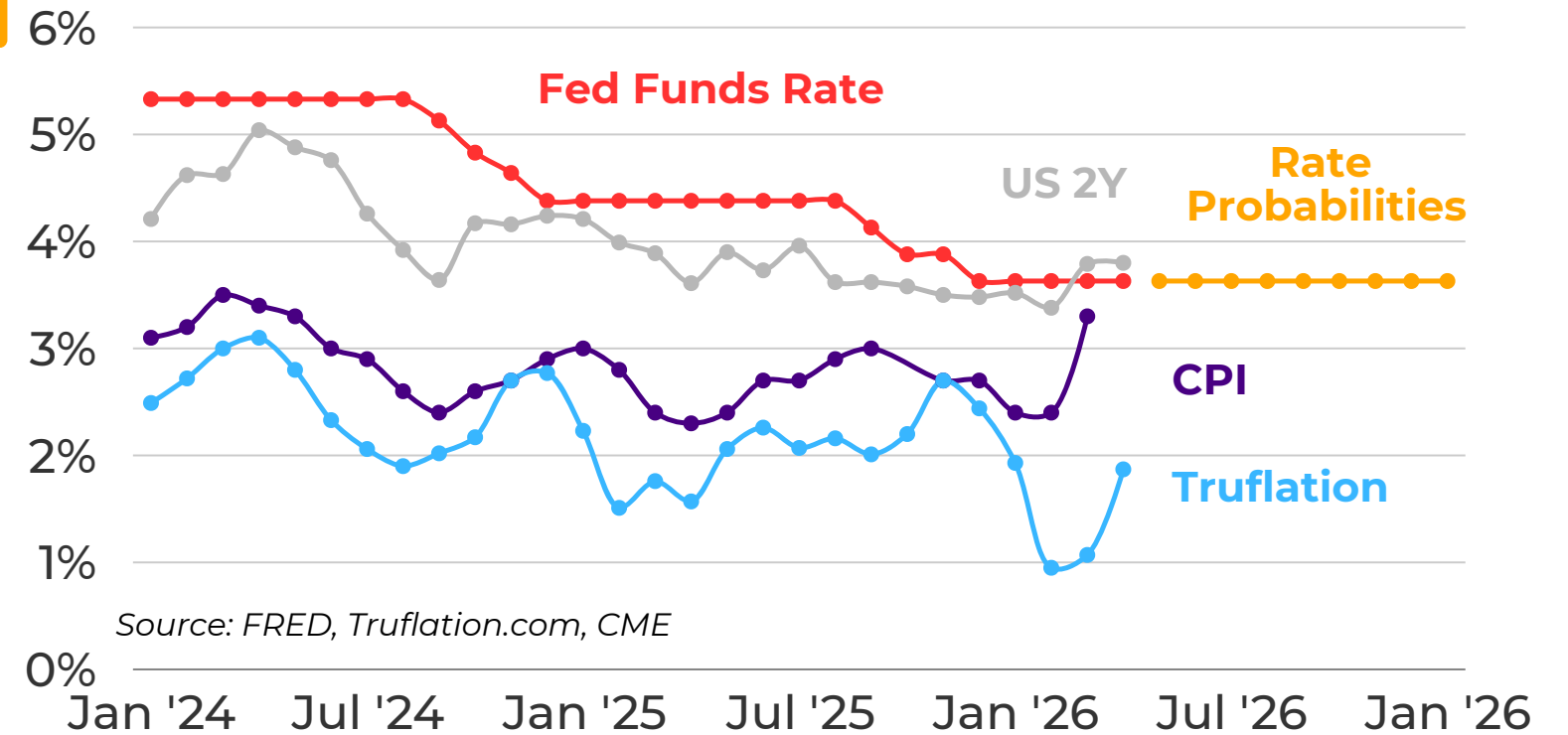


CHART 2: BTC PUELL MULTIPLE - BTC MINER REVENUE

Relative value of mined BTC over the past year continues to decline.

