



DIGITAL ASSETS

**DECODED**

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**GALAXY**

FUND MANAGEMENT



# MARKET COMMENTARY



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Digital assets fell in September as macro concerns led to a broad sell-off across global markets. Last week, Fed officials indicated their readiness to begin tapering — the process of slowly pulling back the stimulus provided during the pandemic — signaling they might raise rates at a faster-than-expected pace. Concerns over Evergrande’s debt crisis created a spillover into US equity (S&P 500 down 4.8% and NASDAQ down 7% the past 30 days) and crypto markets (BTC down 2% and ETH down 12% respectively the past 30 days), which caused a sell-off and subsequent liquidations (totaled \$1.3B).

The asset class responded to growing sentiment that regulatory pressure may lead to uncertain outcomes. Crypto markets jumped on Federal Reserve Chairman Jerome Powell’s comments that he does not intend to ban cryptocurrencies, but he does think stablecoins need greater regulatory oversight. In addition, Texas announced that digital

assets would be recognized under commercial law in the state. Abroad, China continued its crackdown to “ban” digital assets yet again, stating that any crypto-related transaction would be illegal in the country. Over the past six months, China’s crypto crackdown set off a chain reaction in the mining world, drastically shifting where crypto mining will take place from here on out. Experts believe the changes will improve bitcoin’s carbon footprint.<sup>1</sup>

Despite short-term price slides, digital asset adoption marched on. El Salvador officially launched bitcoin as a legal tender in the country. President Bukele announced that roughly 40% (just under three million) of its citizens use Chivo, the country’s official bitcoin wallet. Additionally, at month-end, it was confirmed that bitcoin mining is underway in El Salvador using the country’s geothermal volcanic energy source.

1) Source: [CNBC.com](https://www.cnbc.com)



Japan-based SBI holdings announced a plan to launch a crypto fund later this year. Union Investment, a Germany-based asset manager with \$500B in AUM, declared plans to seek bitcoin exposure. On the regulatory front, the Ukrainian parliament is working to pass laws to legalize digital assets. While the Ukrainian president does not object to the bill's fundamental principles, he opposes the idea of creating a new watchdog agency. Their parliament is working to place digital assets under the purview of an existing agency. The delay reflects the pragmatic search for the most practical implementation of a digital asset regulatory regime rather than reversing the nation's forward-looking stance on crypto.

Stateside, we saw positive developments across the traditional and crypto asset sectors. Mastercard purchased crypto data and intelligence firm Ciphertrace. Among traditional firms, movie theater chain AMC announced it will accept bitcoin, Ethereum, and Litecoin payments. Paul Tudor Jones' firm, Tudor Group, is reportedly working on a Digital Disruption Fund skewed toward crypto. Franklin Templeton announced it is prepping for a Blockchain Fund launch. And MicroStrategy, led by bitcoin bull Michael Saylor, announced an additional purchase of nearly \$250 million bitcoin, bringing their total investment to exceed \$3 billion. Within the crypto sector, Coinbase announced it will offer crypto futures and derivatives, and FTX announced plans to launch an NFT marketplace for US-based customers.



**DESPITE SHORT-TERM  
PRICE SLIDES,  
DIGITAL ASSET  
ADOPTION  
MARCHED ON.**





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