MEAN, MEDIAN, MODE

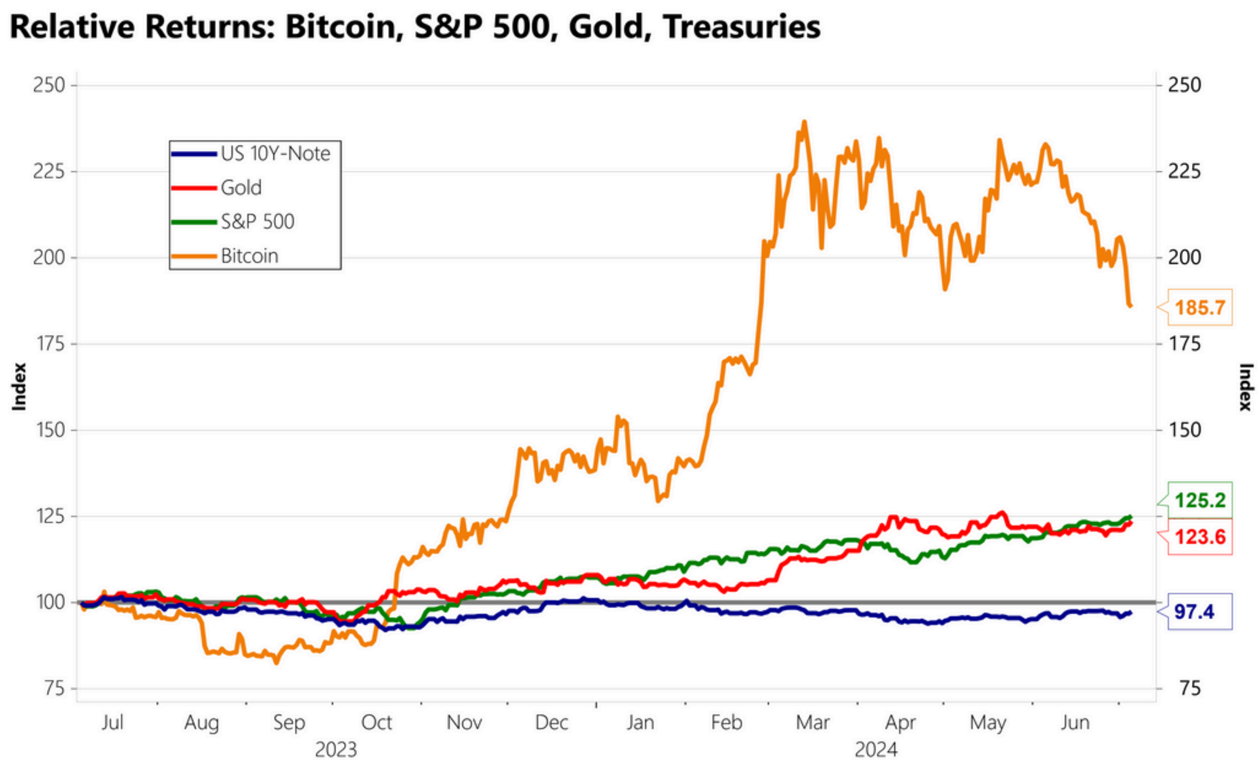
BITCOIN

MARKET SUMMARY

- Bitcoin bounced about 12% after touching $53,500 on July 5th. A bullish divergence on the daily price and RSI reading (higher momentum on the $53,500 low versus the June 24th low of $58,400) has us treating the July 5th level as a **swing point**.
- Bitcoin has been in a short-term countertrend bear market, objectively, since March after a 6-month parabolic move. Our base case is that it has ended.
- Tragic events over the weekend caused bitcoin to recapture the bullish trendline it had lost on July 4th—a significant price development.

BITCOIN PRICE	REALIZED PRICE	MVRV	STH REALIZED PRICE	STH MVRV	200-week MA	WEEKLY RSI	TBL LIQUIDITY
$60,000	$30,813	1.92	$63,448	0.91	$36,900	51	COMING SOON

EARLY BEAR	MID BEAR	EARLY BEAR	EARLY BULL	MID BULL	LATE BULL



Source: The Bitcoin Layer, Macrobond, S&P Global, LBMA, CME Group, Macrobond

BITCOIN NARRATIVES

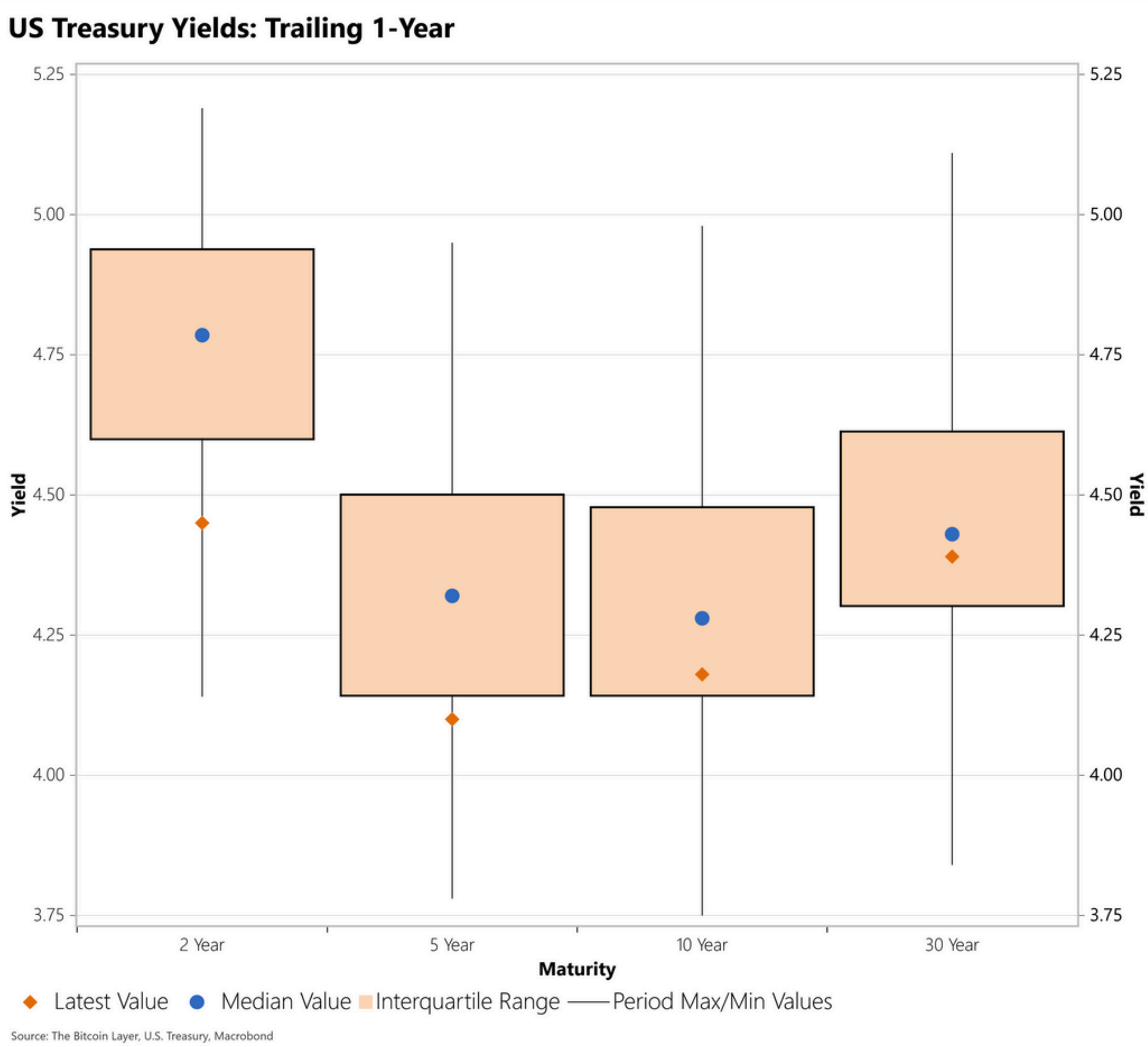
- Bitcoin formally exited a bear market with the SEC's defeat in Fall 2023.
- We believe Bitcoin exited its early bull phase once it broke to all-time highs earlier this year.
- Bitcoin is in a mid-bull phase of its cycle, and we believe large gains will arrive by the end of 2025. A price below ~$38,000 would violate this narrative.

US RATES

MARKET SUMMARY

- US Treasuries put in very loud bull moves this week across the curve. A bull steepening of the curve generally happens when the yield on 2s falls significantly on the pricing-in of rate cuts, while 10s fall in yield—albeit less so than 2s—due to a slowdown in growth or the pricing-in of a recession; this appears to be the current trade.
- Ten-year yields exhibit strength anytime they rise above 4.33%, and this week closed materially below any weekly close since March.
- Any fall toward 4% or lower (18 basis points away) would signal a recession is arriving.

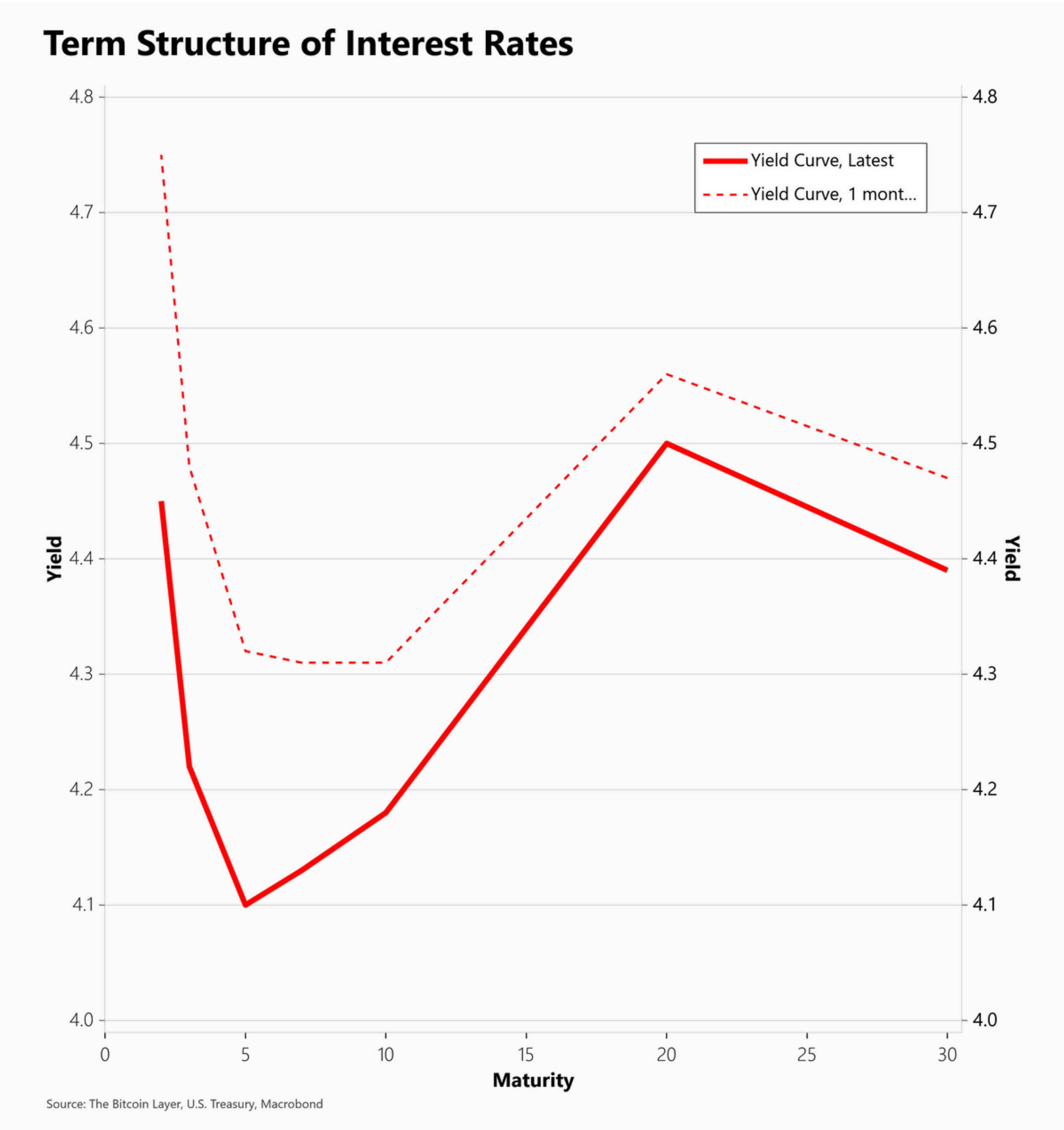
	2024-07-12	2024-07-05	2024-06-28	2024-06-21	2024-06-14	2024-06-07	2024-05-31	2024-05-24
2 Year	4.45	4.60	4.71	4.70	4.67	4.87	4.89	4.93
5 Year	4.10	4.22	4.33	4.26	4.22	4.46	4.52	4.53
10 Year	4.18	4.28	4.36	4.25	4.20	4.43	4.51	4.46
30 Year	4.39	4.47	4.51	4.39	4.34	4.55	4.65	4.57



US RATES

US RATES NARRATIVES

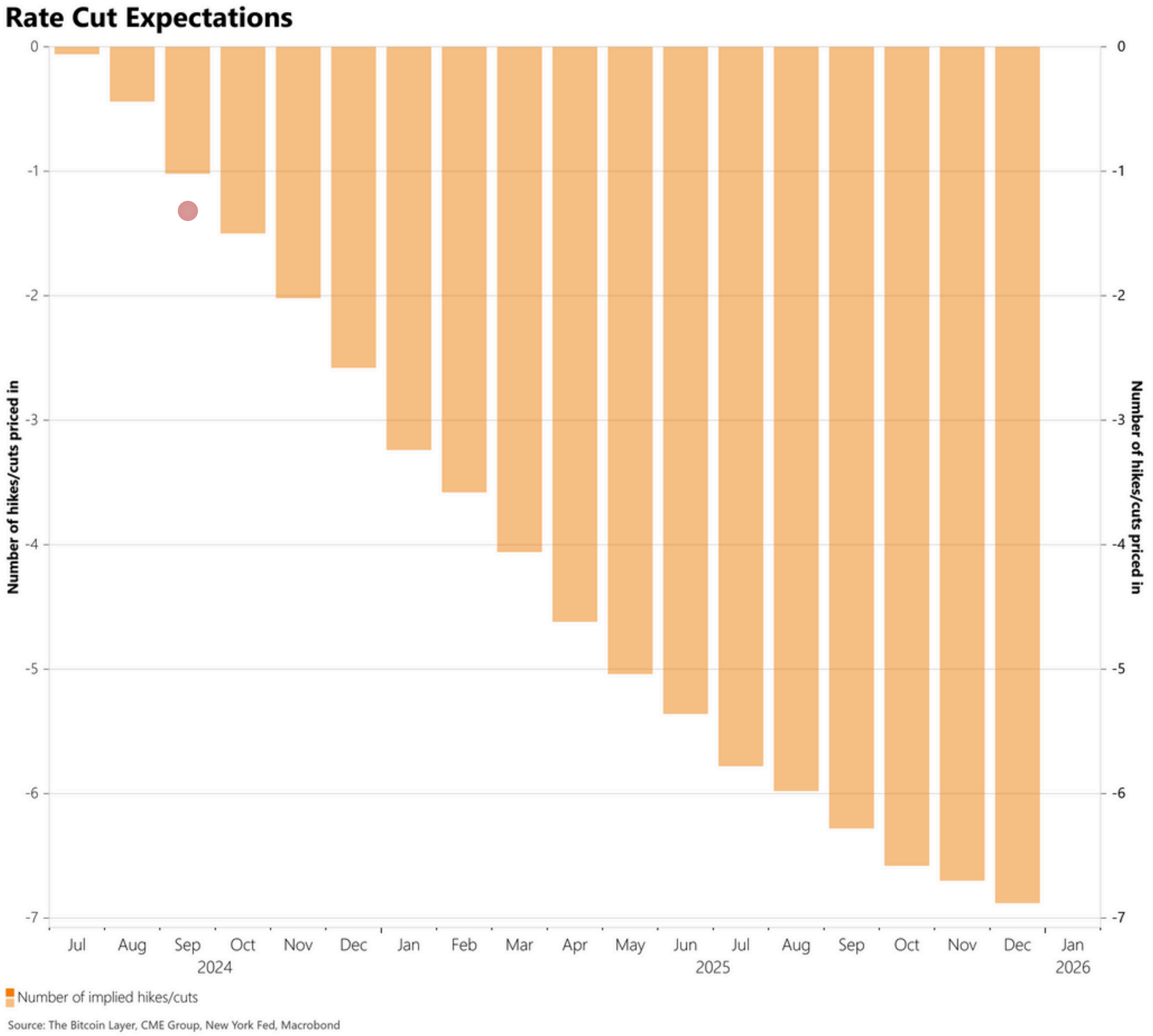
- Bulls and bears are currently in a tug of war–while bears believe that astronomical deficits and stubborn inflation warrant a much steeper yield curve and 10-year Treasury yields closer to 5%, bulls believe that a recession will bring the entire curve back down below 4%.
- Right now, the **bulls are in the lead, and that lead increased after Thursday's slowing CPI**.
- The five- to 20-year part of the curve has steepened quite a bit, but now the two-year part of the curve will rally the hardest (yields will come down the most). The decline in two-year yields will eventually re-steepen the entire yield curve.
- Said differently, we can expect the lowest point on the yield curve to switch from 5s to 2s over the coming months.



FEDERAL RESERVE

MARKET PRICING

- Our view: the Fed is all but locked in for a **September rate cut**.
- Market is pricing a 90%+ probability that the first rate cut will take place at the September meeting, followed by another in December. One percent of cuts are expected by March 2025.



FED NARRATIVES

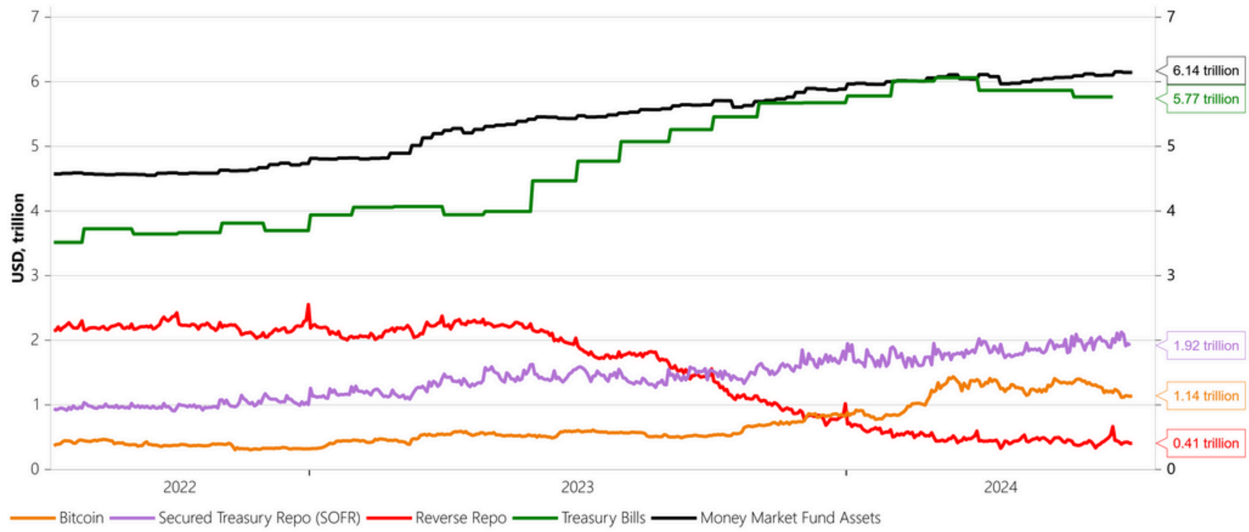
- Inflation trending toward 2% is important, but not as important as financial stability, leaving us to believe that rates are heading up to 2% lower over the next year to attempt a soft landing.
- The Fed's balance of risks has changed over the past two months with a slowing labor market and economy. The risk of a recession on the horizon is heightened, and the Fed must respond there. The risk of runaway inflation has disappeared. Easing is on its way, but the Fed will claim it is not yet easing, just becoming "less restrictive."

MONEY MARKETS

MONEY MARKETS COMMENTARY

- We are focused on the growth in SOFR volumes. This suggests a significant dependence on repo by primary dealers.
- T-bill supply has been steady. If it rises as expected, this should support liquidity.

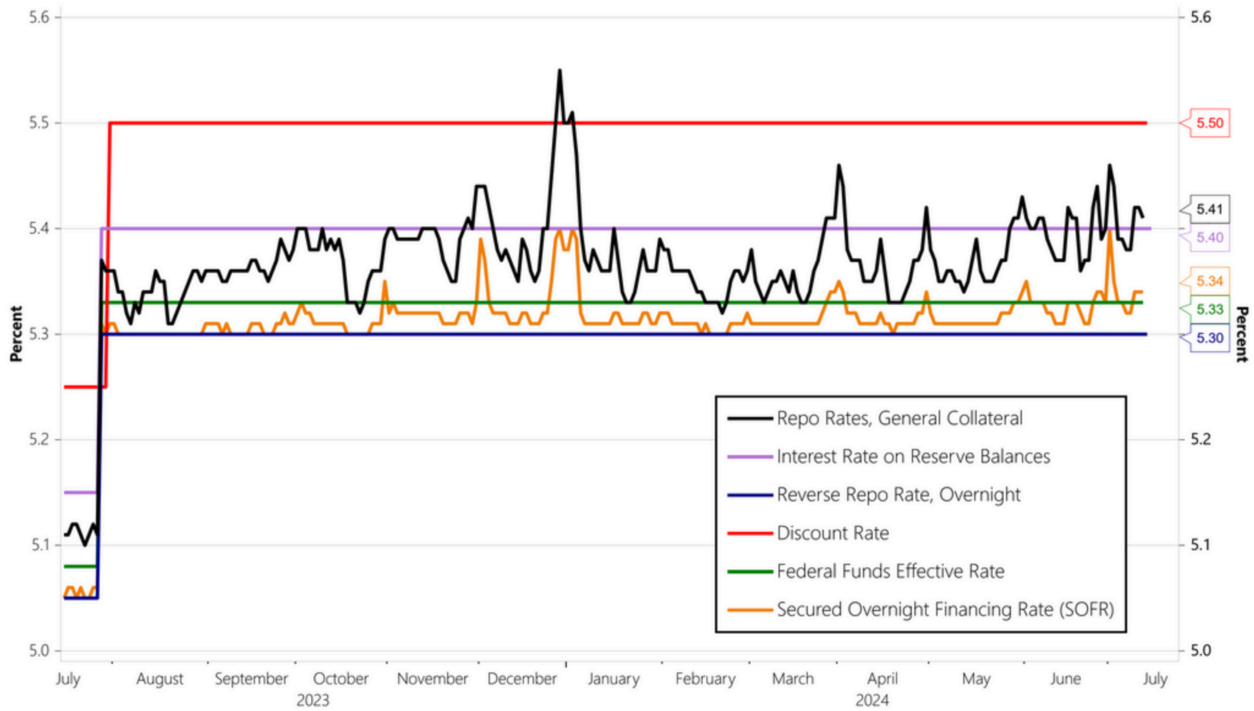
MONEY MARKETS MONITOR



REPO RATES

- SOFR spiked for quarter end but has since calmed.
- Elevated repo rates relative to the Fed's policy corridor would suggest reserve scarcity.

FED POLICY RATE CORRIDOR



US ECONOMY

BUSINESS SURVEYS

- Both ISM manufacturing and services surveys suggest the US economy is already in contraction; this puts us firmly on recession watch.
- Prices have stopped their brief reacceleration. Inflation worries have cooled. Falling shelter costs should present a drag on all US inflation and allow us to avoid inflation readings anywhere near 4%.

		Jun-24	May-24	Apr-24	Mar-24	Feb-24	Jan-24
ISM MANUFACTURING	ISM Manufacturing Total	48.5	48.7	49.2	50.3	47.8	49.1
	Prices	52.1	57.0	60.9	55.8	52.5	52.9
	New Orders	49.3	45.4	49.1	51.4	49.2	52.5
ISM SERVICES	ISM Services Total	48.8	53.8	49.4	51.4	52.6	53.4
	Prices	56.3	58.1	59.2	53.4	58.6	64.0
	New Orders	47.3	54.1	52.2	54.4	56.1	55.0

LABOR MARKET

- Our US economic outlook is increasingly bearish.
- Unemployment at 4.1% is over half a percent higher than the trough—generally a horrible sign for the economy.

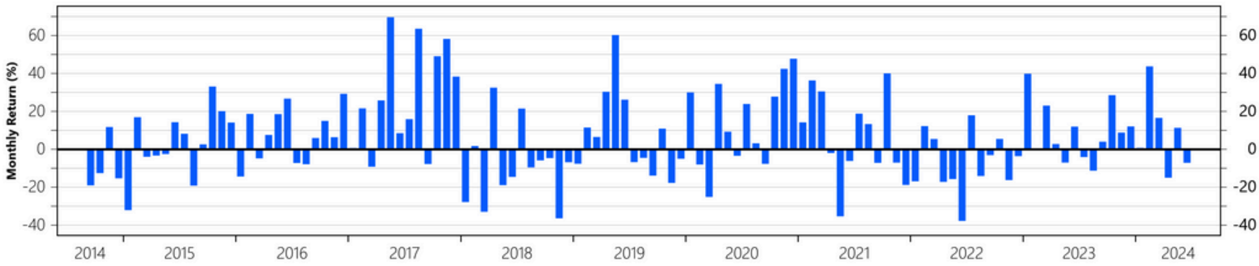
		Jun-24	May-24	Apr-24	Mar-24	Feb-24	Jan-24
LABOR MARKET	Unemployment Rate	4.10%	4.00%	3.90%	3.80%	3.90%	3.70%
	Initial Jobless Claims	239,000	229,000	232,000	222,000	210,000	213,000
	Continuing Jobless Claims	1.85 million	1.81 million	1.79 million	1.81 million	1.80 million	1.80 million
	JOLTS Job Openings	-	8.14 million	7.92 million	8.36 million	8.81 million	8.75 million
	JOLTS Hires	-	6.43 million	5.88 million	5.10 million	4.86 million	5.52 million
	JOLTS Quits	-	3.46 million	3.45 million	3.41 million	3.53 million	3.45 million
	ISM Services Employment	46.1	47.1	45.9	48.5	48.0	50.5
	ISM Manufacturing Employment	49.3	51.1	48.6	47.4	45.9	47.1

WHAT WE ARE WATCHING

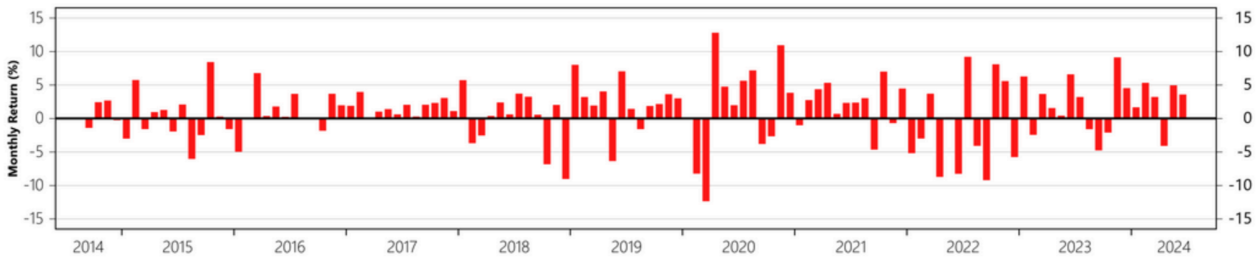
- Consumers are hanging in there but are on watch for a significant slowdown if the labor market continues to cool. Delinquency rates have been alarming. We are also sensing early signs of a US housing problem, with increases in inventories and price drops.

RETURN ANALYSIS

Bitcoin Trailing 10-Year Monthly Returns

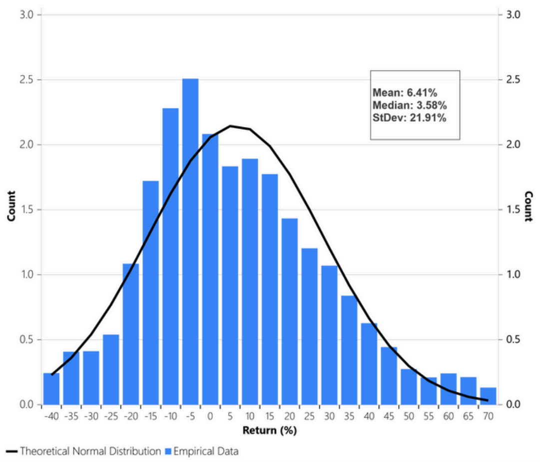


S&P 500 Trailing 10-Year Monthly Returns



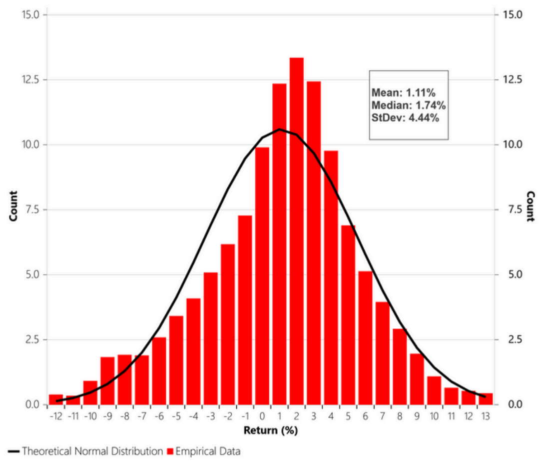
Bitcoin Monthly Return Distribution

Past 10 Years



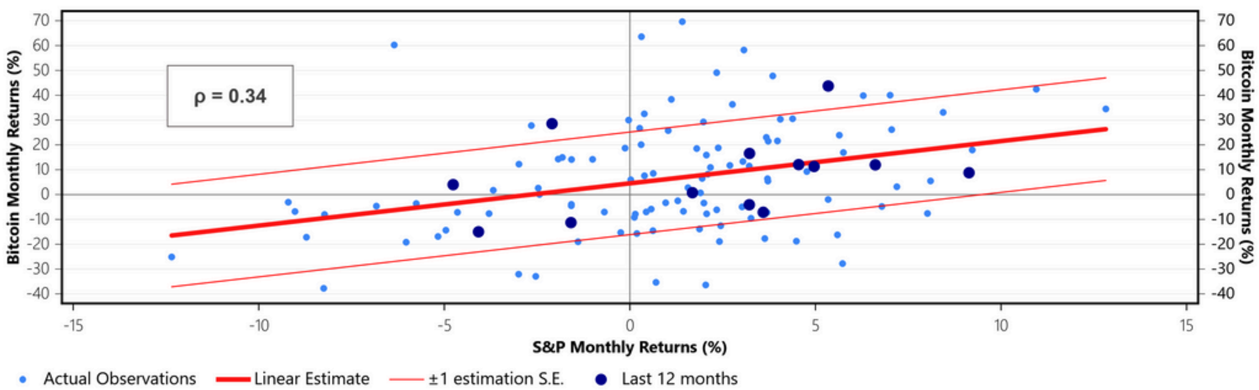
S&P 500 Monthly Return Distribution

Past 10 Years

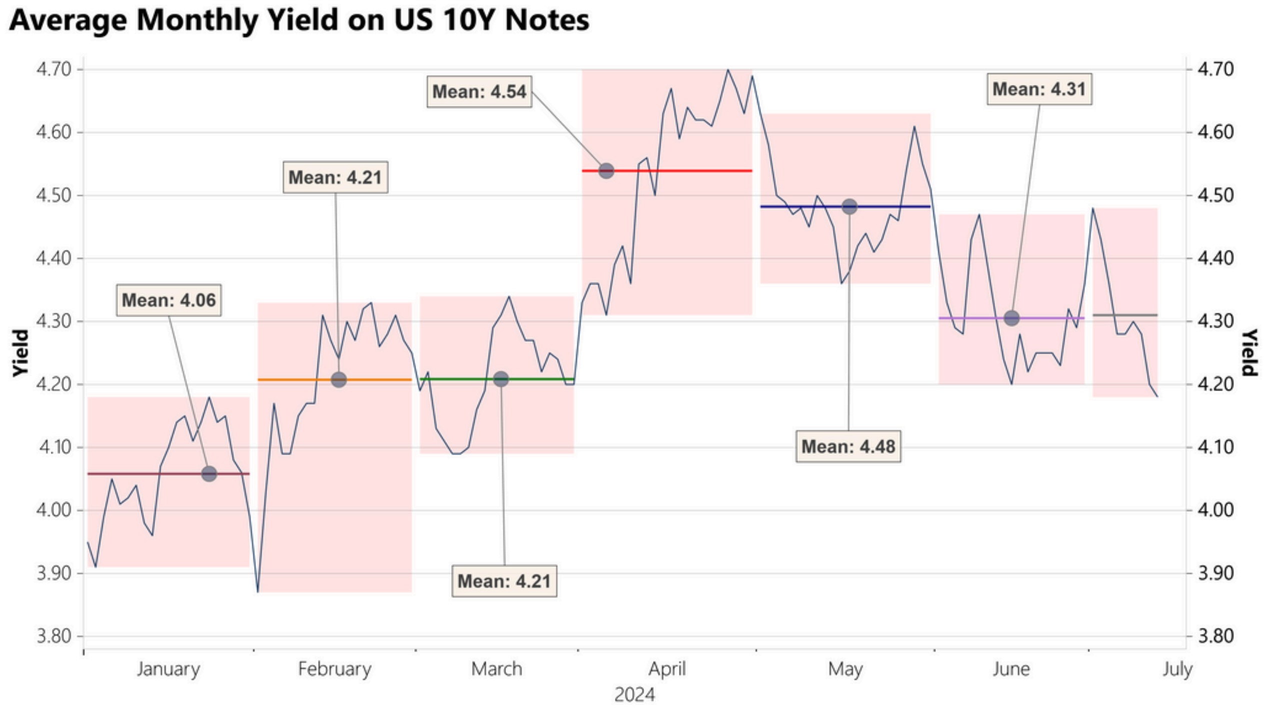


Monthly Returns Regression

BTC Monthly Returns = α + β(S&P Monthly Returns) + ε



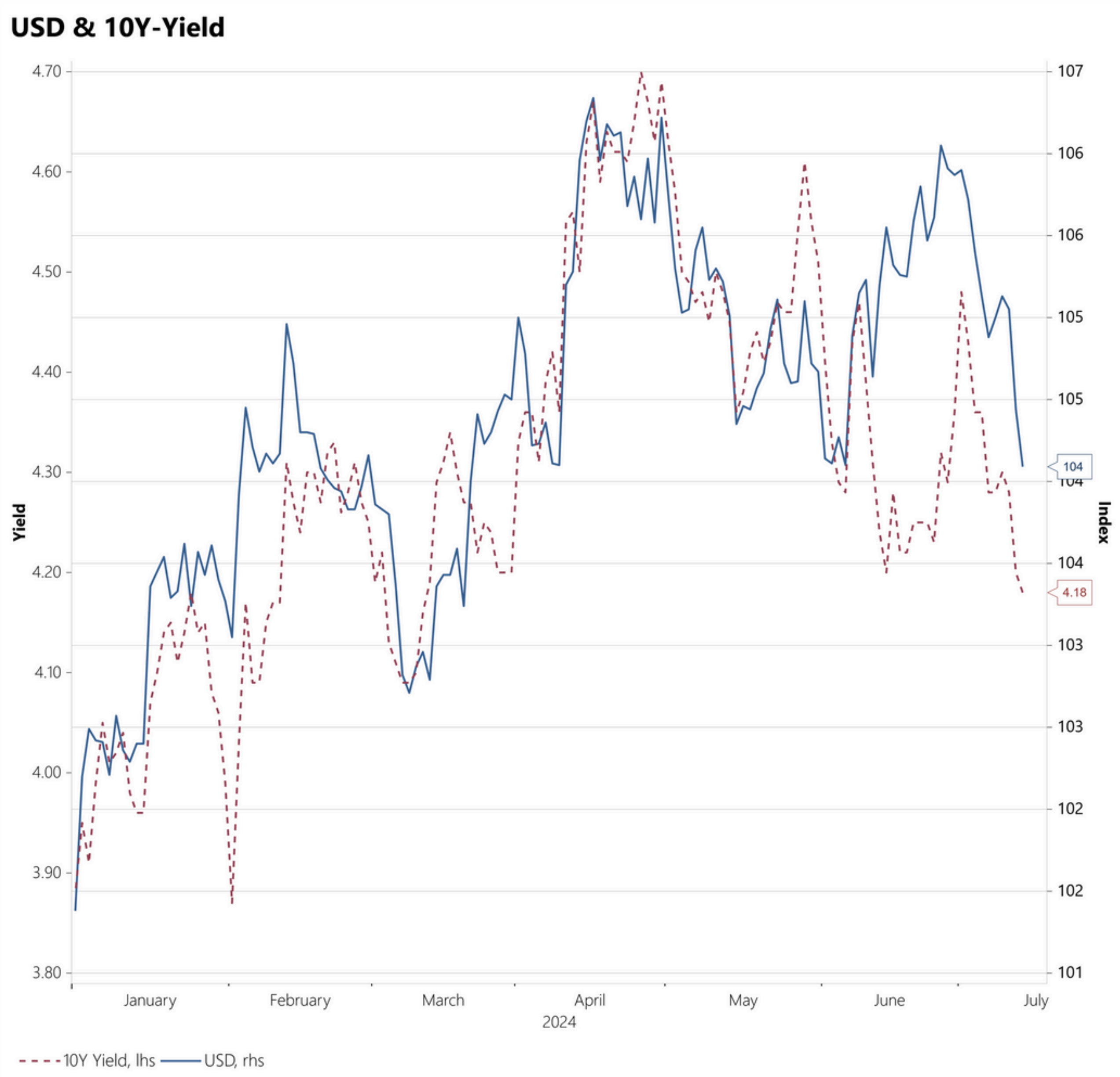
CHARTS OF THE WEEK



- Ten-year Treasuries have momentum now, closing the week below 4.20%. With a long-term trend giving way, bulls might shift from dip buying to momentum buying.
- We believe and have observed how quickly rates readjust to new fundamentals. There is a **high likelihood this readjustment began after Thursday's cool CPI**.

- The 2s10s yield curve appears to have broken out over Thursday and Friday, steepening by seven basis points over the two-day period.
- Steepenings precede cuts, as well as recessions. A large steepening would be a bad sign for the labor market, as it implies rate cuts responding to a recession.

CHARTS OF THE WEEK



- Yields and the dollar tend to move together. Falling yields have also sent the dollar lower, which is a big easing of global financial conditions.
- This could mean **supportive liquidity, especially with higher collateral values (higher Treasury prices as yields fall) throughout the system, as well as less intrusive dollar debt servicing costs.**