

Total Public Market Value (ex-BTC)

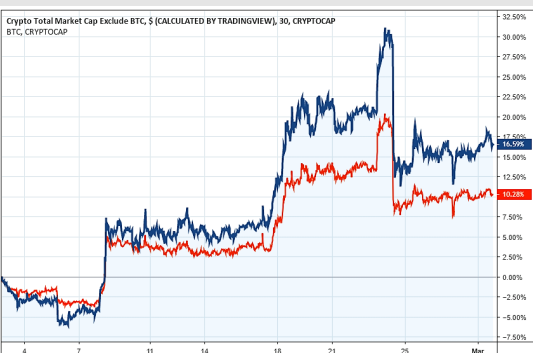
12-Month Performance (Normalized)



6-Month Performance (Normalized)



30-Day Performance (Normalized)

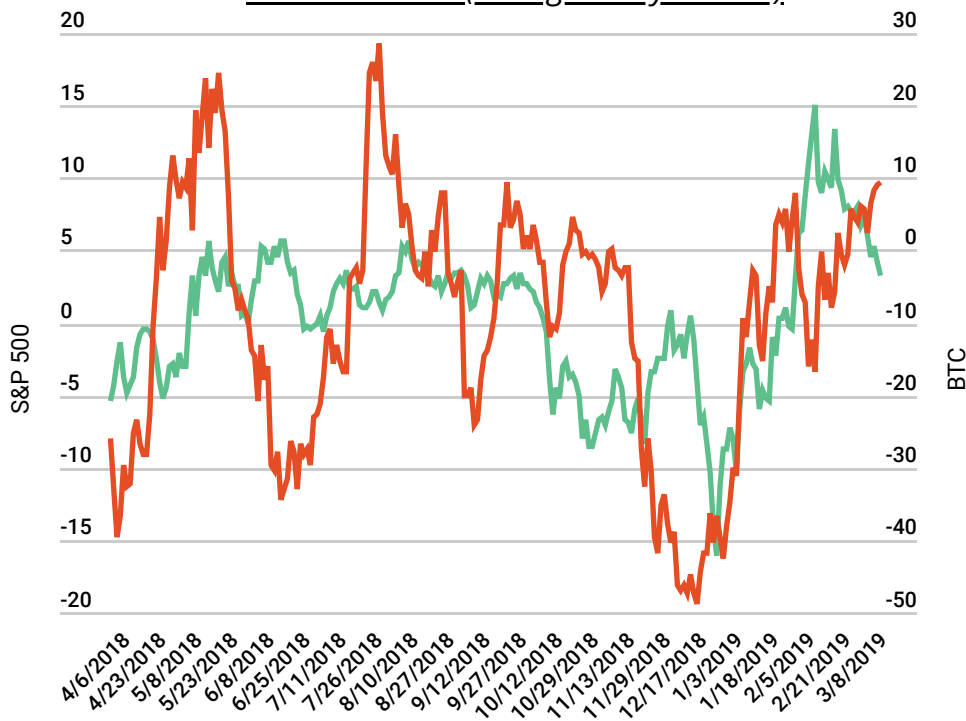


Overcoming Recency Bias in the Face of Pessimism

- Bitcoin's returns are abysmal compared to traditional asset classes over the last 12 months. Recency bias has many questioning the value proposition of BTC, but those dismissing it would be wise to revisit its relative performance over a slightly longer time horizon.
- The highly volatile nature of crypto assets coupled with their uncorrelated nature to traditional asset classes can provide significant portfolio allocation benefits, but position sizing is critical when evaluating a potential allocation to bitcoin (or crypto more broadly).
- Intra-market correlations between crypto assets are still trading near all-time highs, but we continue to see signs of modest dispersion emerge.

Chart of the Week

BTC vs. S&P 500 (Rolling 30-Day Returns)





10-Year Anniversary of Market Bottom

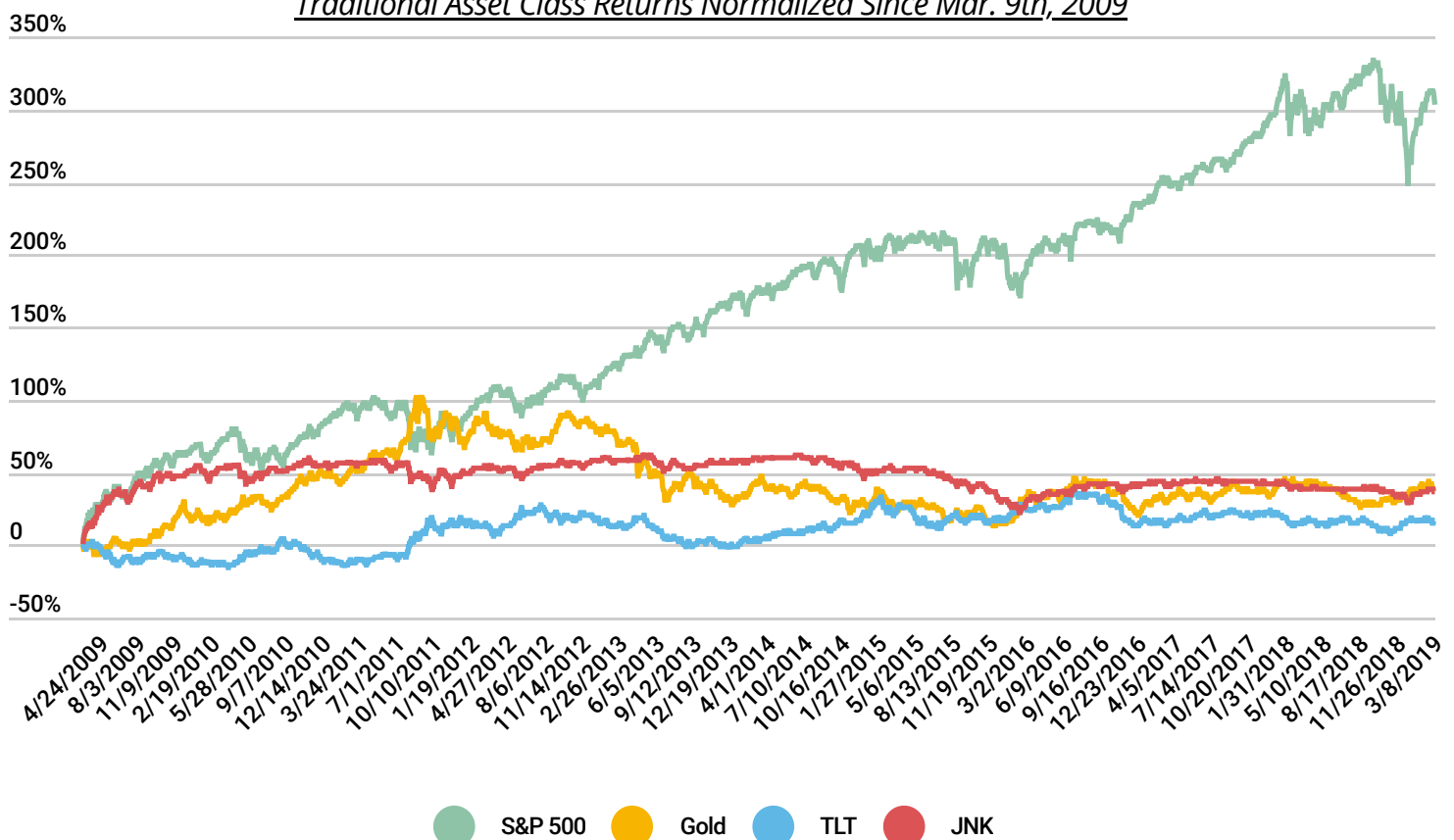
This weekend marks the 10-year anniversary of the stock market's bottom in March 2009 following the Great Financial Crisis. On this day ten years ago, the market was still in freefall. Financial publications were asking "how low can stocks go?" but no one knew if a bottom was anywhere in sight. Just when the world felt like it was crashing down and the only place equity prices could go was lower, stocks found a bottom, and rallied over 20% in just two weeks. And just like that the long road to recovery began.

Many market pundits consider this the start of one of the longest bull market runs in history. But it wasn't until late-March 2013 before the S&P 500 would make a new all-time high, surpassing its prior 2007 peak. We know the story since then: the market continued to trend higher and higher, touching new all-time highs along the way.

The events surrounding 2008 left many people rattled and spiteful. As a result, a lot of them did not come back to the equity market for years. In fact, some may never come back at all. But eventually those beaten down by this great crash started to wade back in as the market trended back towards its pre-crisis levels.

Trillions of dollars of wealth have been created since the market broke to a new all-time high six years ago. But those who saw the opportunity early on, in the darkest of days, were rewarded handsomely at a time when most others were running for the hills. Investing is a long-term game. It's important to keep that in mind the next time a "Bitcoin is Dead" headline flashes across the screen.

Traditional Asset Class Returns Normalized Since Mar. 9th, 2009



* TLT is the iShares 20+ Year Treasury Bond ETF

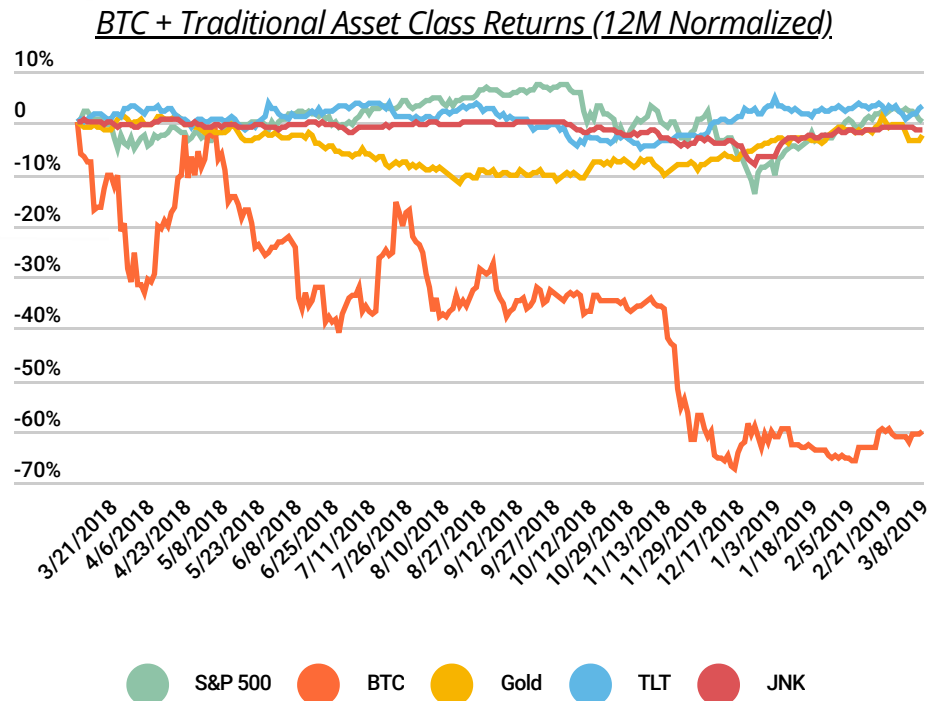
** JNK is the SPDR Blmbg Barclays High Yield Bd ETF



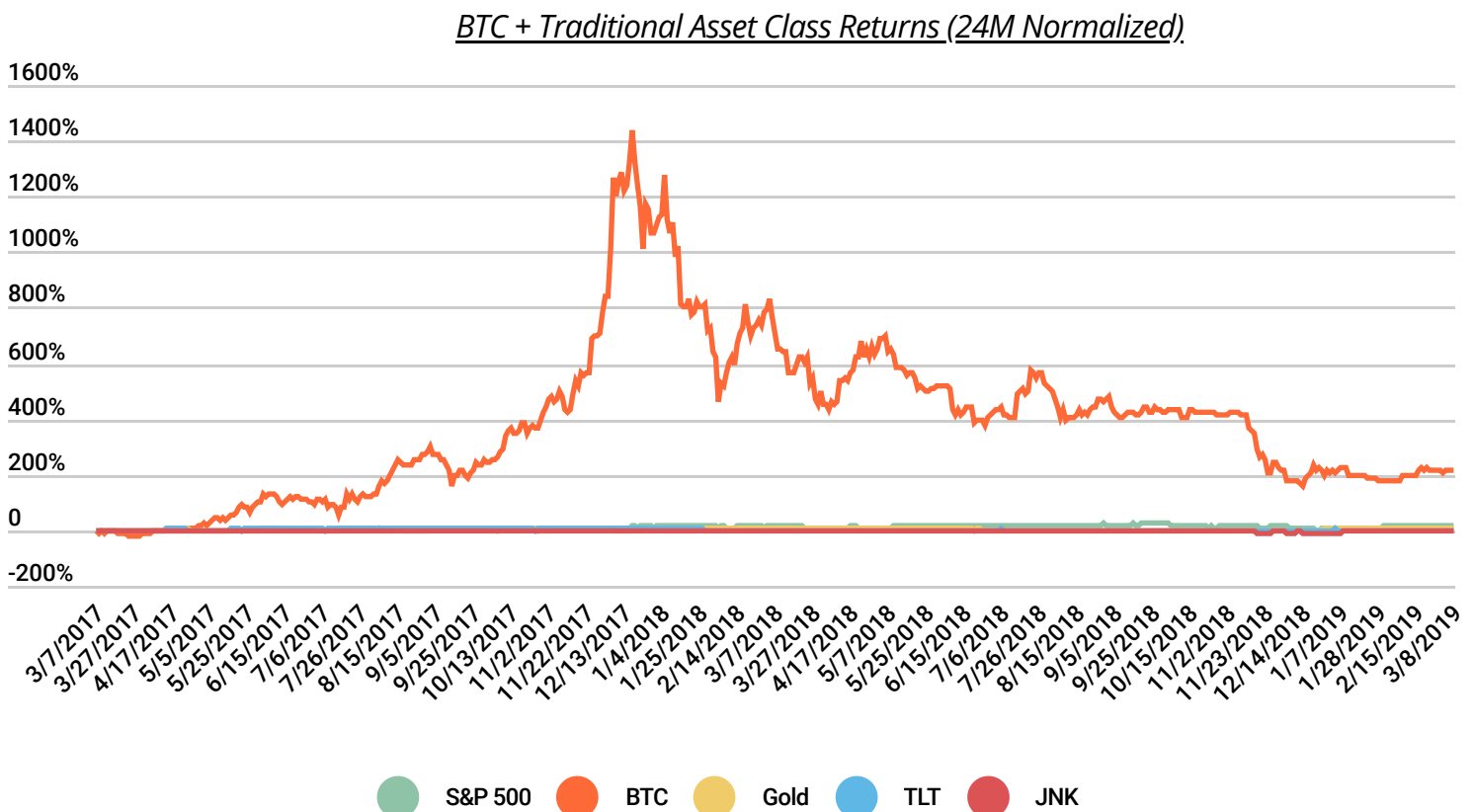
Time Horizon Matters...A Lot

Last week, we discussed the potential Bitcoin has as an option on digital gold because, unless you live in a country experiencing hyperinflation (i.e. Venezuela), BTC still has a ways to go before it can claim this title.

It's easy to see how people can downplay the digital gold narrative. Preserving one's purchasing power is key to being a long-term store-of-value asset.



However, it is also important to remember time horizon matters...a lot. Even after an ~80% drawdown from its all-time high in December 2017, bitcoin has still outperformed other major asset classes at least ten fold if we look back over the last 24 months.



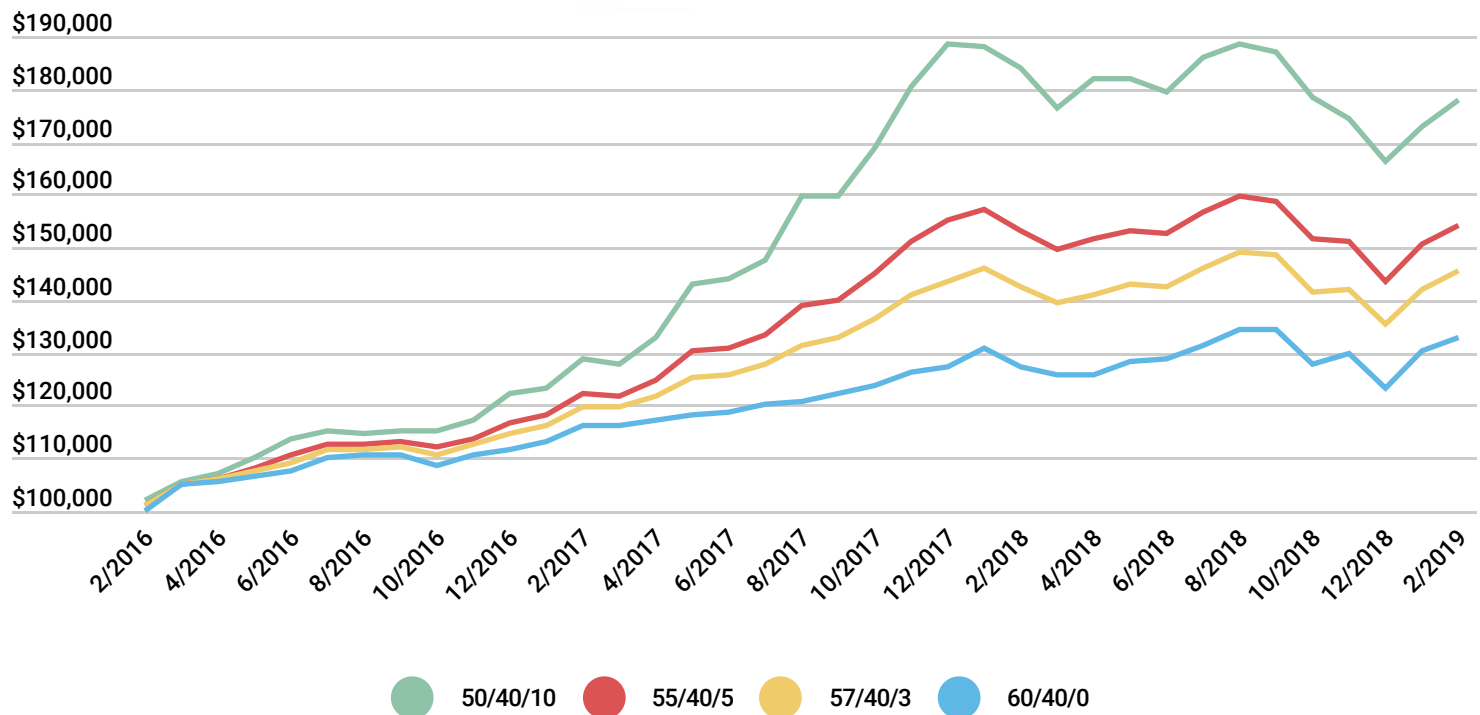
*SPY represents the SPDR S&P 500 ETF



Positioning Also Matters...A Lot

Even a small portfolio allocation to bitcoin produced tremendous results over the last few years. This seems obvious given hindsight is always 20/20, but it's notable the position size of this allocation was even more important to maximizing a portfolio's risk-return profile.

Growth of Portfolios Incl. BTC (3 Years)



* 55/40/5 is portfolio with 55, 40, and 5% allocations to Vanguard Total Stock Market Index, Total Bond Market Index, and BTC, respectively.

A traditional 60/40 portfolio (60% stocks, 40% bonds) has produced pretty strong results over the last three years, with an inflation-adjusted compound annual growth rate (CAGR) of 7.6%. Using this as a base portfolio, we can see the larger the BTC position, the better the overall returns for this period.

| Metric | 50/40/10 | 55/40/5 | 57/40/3 | 60/40/0 |
|-------------------------|-----------|-----------|-----------|-----------|
| CAGR (inflation adj.) | 18.14% | 12.84% | 10.72% | 7.55% |
| Sharpe Ratio | 1.67 | 1.68 | 1.58 | 1.22 |
| Volatility (annualized) | 10.90% | 7.91% | 7.20% | 6.93% |
| Max. Drawdown | -11.87% | -10.01% | -9.27% | -8.16% |
| Starting Value | \$100,000 | \$100,000 | \$100,000 | \$100,000 |
| Ending Value | \$177,640 | \$154,187 | \$145,434 | \$132,962 |

However, if your goal is to maximize risk-adjusted returns, it is notable that a 5% allocation to BTC produced a slightly better outcome than a portfolio with a 10% weight to BTC. Although its overall returns were lower, its volatility was substantially lower as well. These examples are obviously a bit extreme as most people wouldn't have allocated even a few percentage points to bitcoin three years ago, but it helps demonstrate how sizing a position is critical when evaluating a potential allocation to a highly volatile asset.

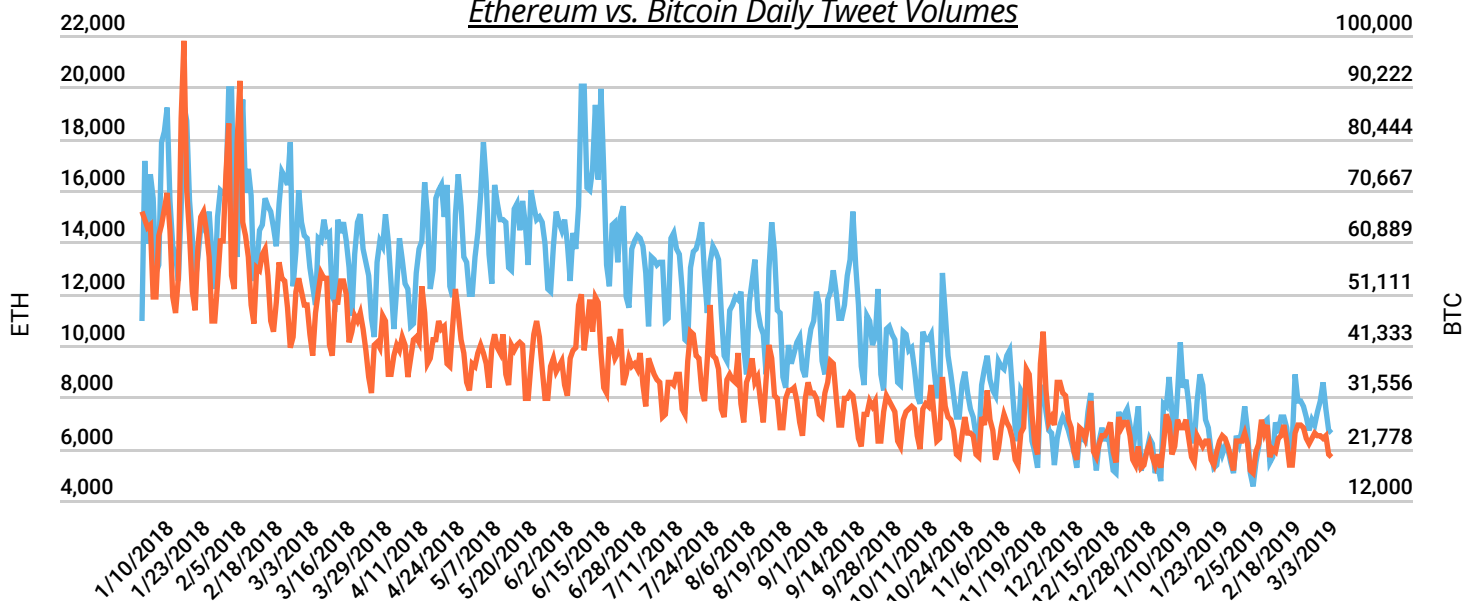


Ethereum Twitter Discussions Fall with Bitcoin

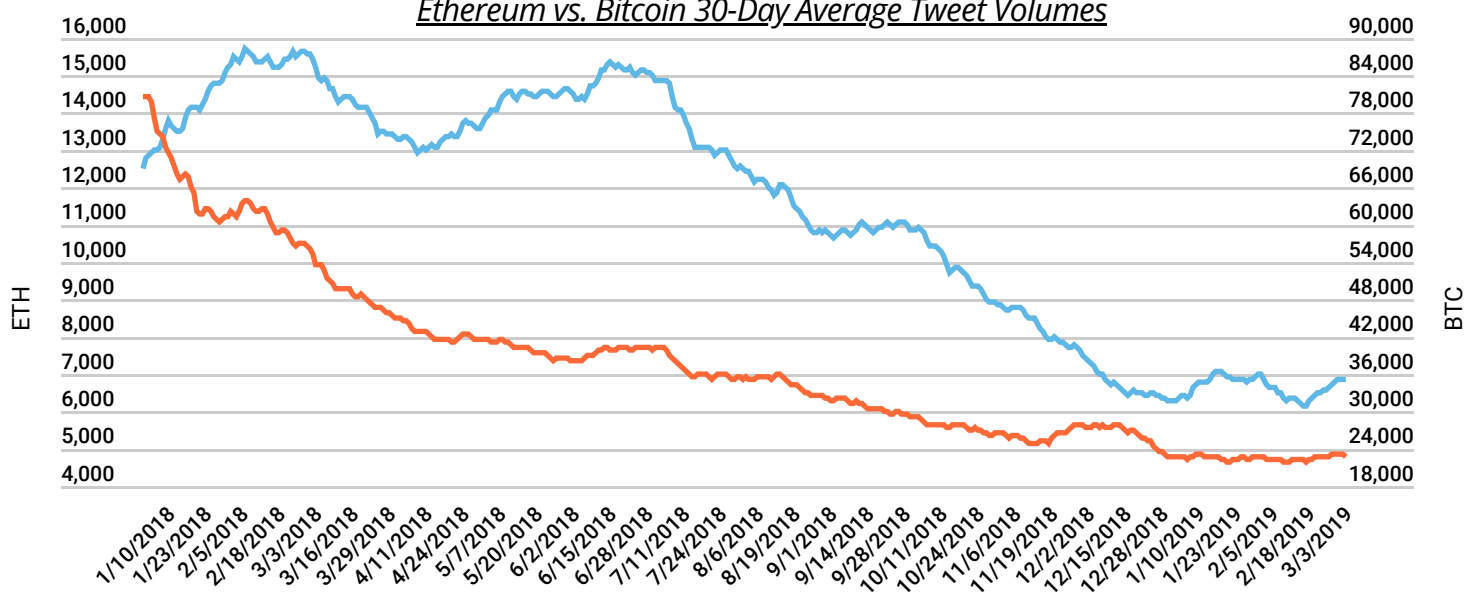
We released our 'Entering the Ethereum' report this week, which included some interesting short-term sentiment analysis. A trend we didn't include, but find notable, is the trend in conversations around Ethereum versus Bitcoin. While the latter saw a very rapid rise and decline in late 2017 - early 2018, Ethereum tweet volumes remained relatively consistent through mid 2018, before free-falling beginning in June, according to sentiment analysis conducted by TheTie.io.

Ethereum tweet volumes have decreased less than conversations around Bitcoin, but have still fallen 66% from their all time high. Bitcoin tweet volumes are currently 85% down from their highs. The more rapid rise and fall of Bitcoin conversations is even more evident when looking at 30 day average tweet volumes. We can see Ethereum conversations on Twitter rising or at least staying constant until July 2018 before crashing.

Ethereum vs. Bitcoin Daily Tweet Volumes



Ethereum vs. Bitcoin 30-Day Average Tweet Volumes



● ETH ● BTC

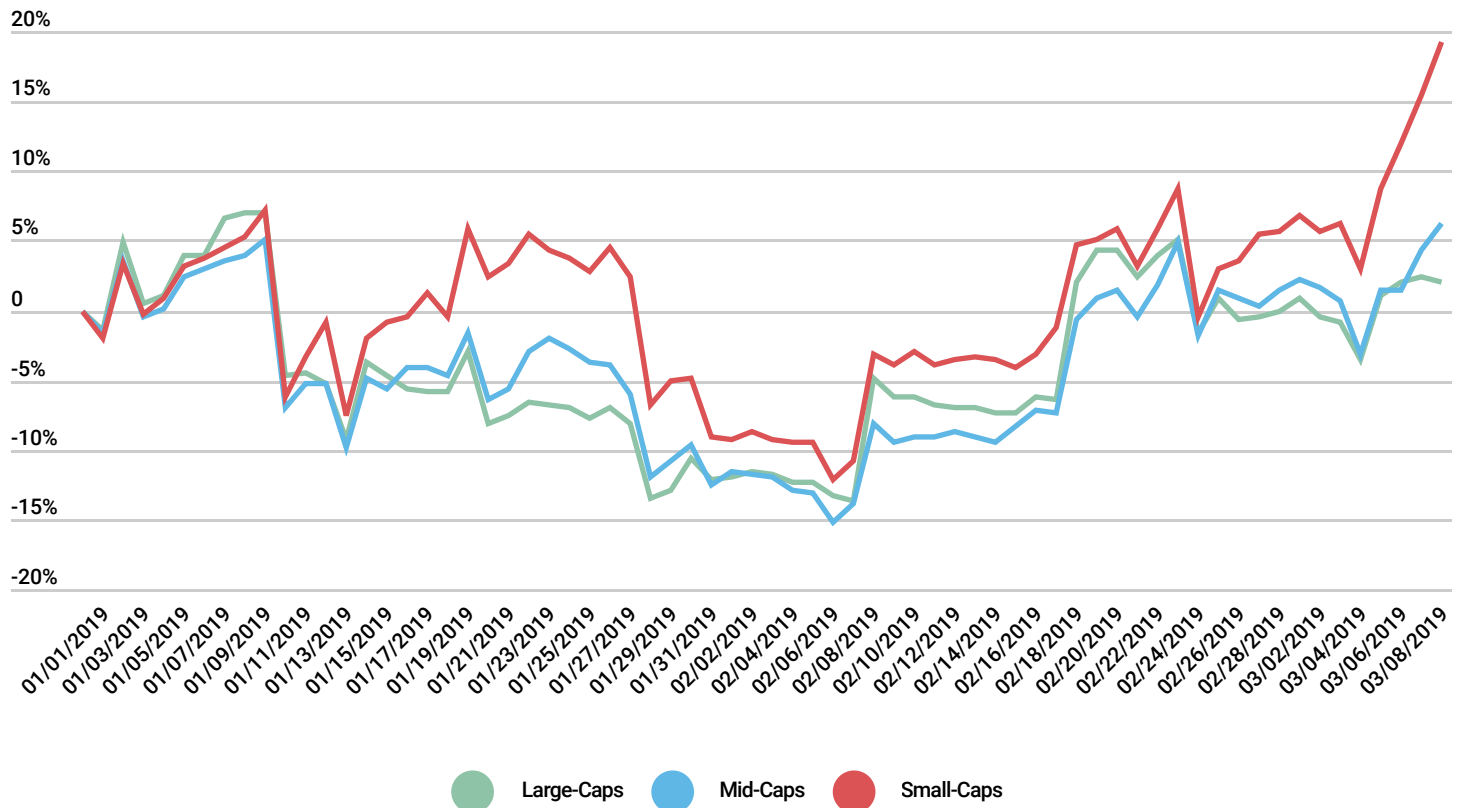




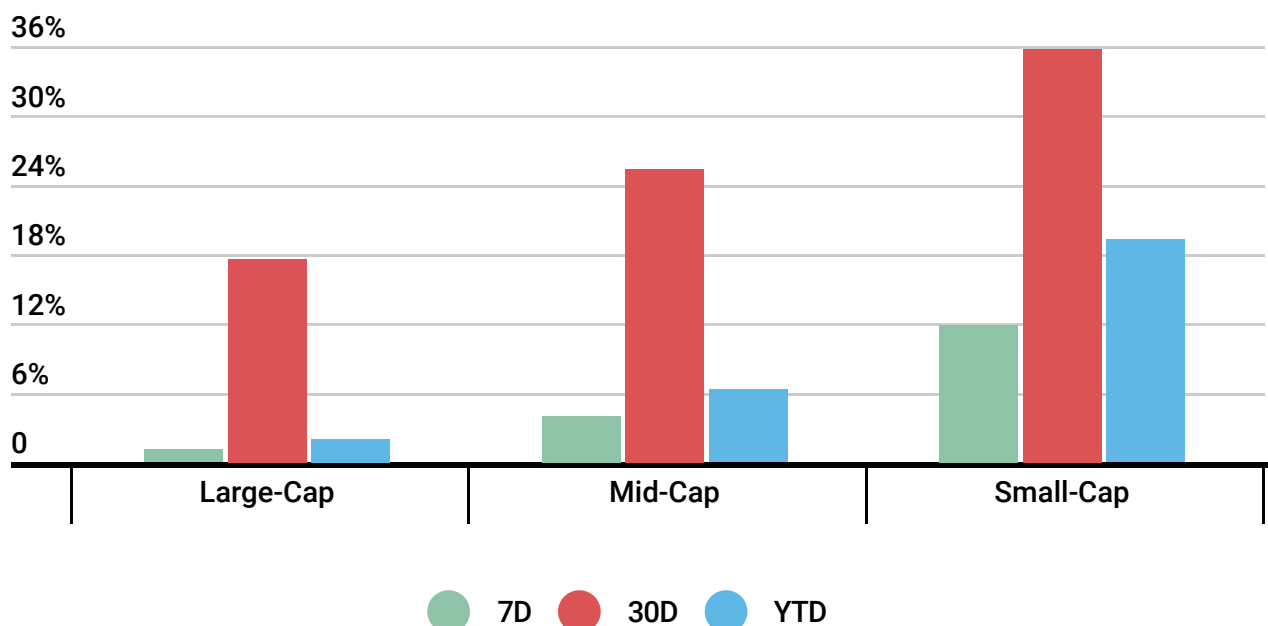
Small Caps Break Away

Crypto asset prices pushed higher this week, led once again by small-caps. Bitcoin has lagged the rest of the crypto market the last few weeks as multiple smaller, more volatile names have surged. All market segments (tracked by MVIS) are in positive territory year-to-date. It is still too early to tell if this is just another false rally or if it has legs, but the outperformance of alternative crypto assets may be a sign a risk-on sentiment is creeping back into this market.

Year-to-Date Performance by Market Segment



Recent Performance Comparison by Market Segment



*See Appendix for detail on large, mid, and small-cap index constituents.



Correlations Easing or Head Fake?

Intra-market correlations between crypto assets are still trading near all-time highs, but we continue to see signs of modest dispersion emerge. The rolling 60-day correlation between large- and small-caps dipped below 0.90 for the first time in four months. Similar to the market's recent rebound, it is still too early to tell if this is just another head fake. Either way, it is a trend we continue to monitor closely.



*See Appendix for detail on large, mid, and small-cap index constituents.



Crypto Asset Movers & Shakers

Despite the recent outperformance of smaller crypto assets, there were some notable gains this week among the largest names. Binance coin ripped another +40% week-over-week, putting its year-to-date gain north of 120%. Litecoin (LTC) also had another breakout week, up 17% , as the fourth largest crypto asset's continues to lead much of the market.

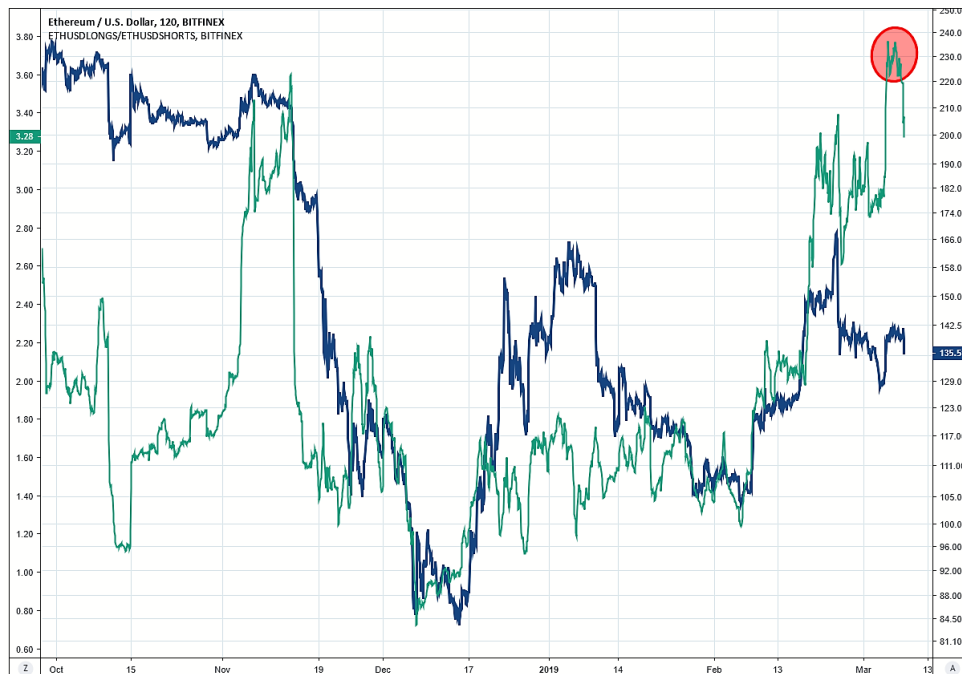
Two of the only names in the black last week, NEO and BSV, found themselves in the red this time around, with the latter falling nearly 10%. TRON took a breather while NEM, one of the worst performers the last few months, also continues to struggle.

| Top Crypto Asset Returns | | | | |
|--------------------------|-------|--------|--------|--------|
| Ticker | 7D | 30D | 90D | YTD |
| BNB | 45.1% | 104.9% | 130.9% | 124.2% |
| LTC | 16.8% | 58.9% | 81.3% | 74.4% |
| EOS | 8.9% | 58.8% | 71.8% | 47.1% |
| XMR | 2.3% | 17.8% | -2.2% | 9.3% |
| BTC | 1.1% | 12.5% | 3.8% | 4.1% |
| DASH | 1.0% | 25.5% | 7.8% | 6.2% |
| ETH | -0.2% | 28.2% | 34.5% | 3.3% |
| ADA | -0.2% | 13.6% | 26.2% | 5.2% |
| ETC | -0.2% | 10.2% | 7.2% | -14.5% |
| XLM | -0.6% | 6.1% | -36.5% | -23.5% |
| IOTA | -0.9% | 13.6% | 9.5% | -20.5% |
| XRP | -0.9% | 4.7% | -6.4% | -10.3% |
| BCH | -1.3% | 11.5% | 1.5% | -12.3% |
| TRON | -1.7% | -5.7% | 72.0% | 27.5% |
| ZEC | -3.2% | 5.6% | -23.1% | -9.7% |
| NEO | -3.4% | 25.9% | 26.3% | 17.4% |
| NEM | -4.5% | 7.2% | -44.7% | -34.3% |
| BSV | -9.8% | 5.6% | -22.0% | -20.8% |

*Returns in USD

Data as of 03/08/19

ETH Long/Short Ratio vs. Price



As we've noted, we actively monitor trader positioning for some of the largest crypto assets. The ratio of margin long positions to short positions on Bitfinex hit its highest level since September 2018. ETH was trading at ~\$250 at the time, but fell to ~\$210 over the following four weeks.

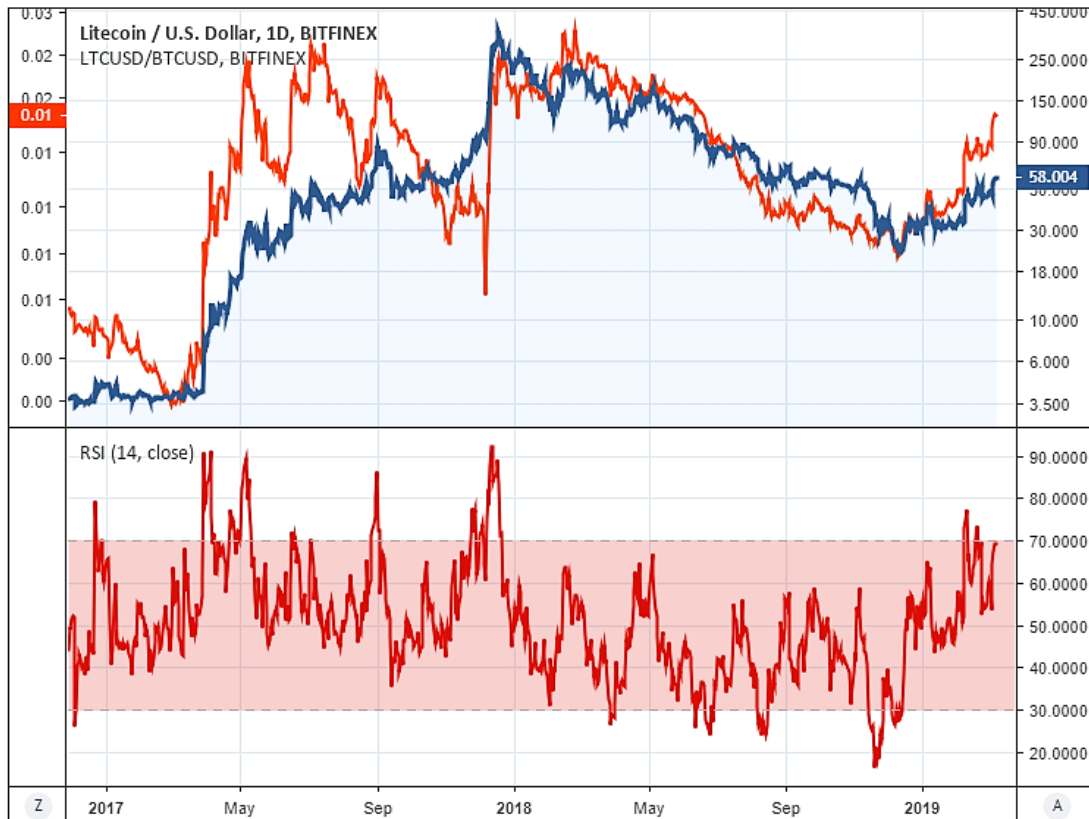
Short positions (measured in ETH) are at the lowest level in four months.



Crypto Asset Movers & Shakers

The rapid rise in Litecoin (LTC) has not faltered in recent weeks as the fourth largest crypto asset is currently trading at its highest level in five months (~\$58). While we do not have a favorable opinion on LTC long-term, price momentum can be a strong driver of short-term returns in this market. LTC recently breached overbought levels on its 14-day RSI, but its relative strength has shown little signs of weakness since.

LTC Jumps Higher as 14-Day RSI Hovers Near 70



LTC vs. Long/Shorts Ratio

Interestingly, its long/short ratio (tracked by Bitfinex) has declined during LTC's most recent price jump this week. The indicator is currently well below its six-month average, sitting near levels that previously preceded a jump in LTC's price. Its recent outperformance may be an early sign risk-on sentiment is creeping back into the crypto market.

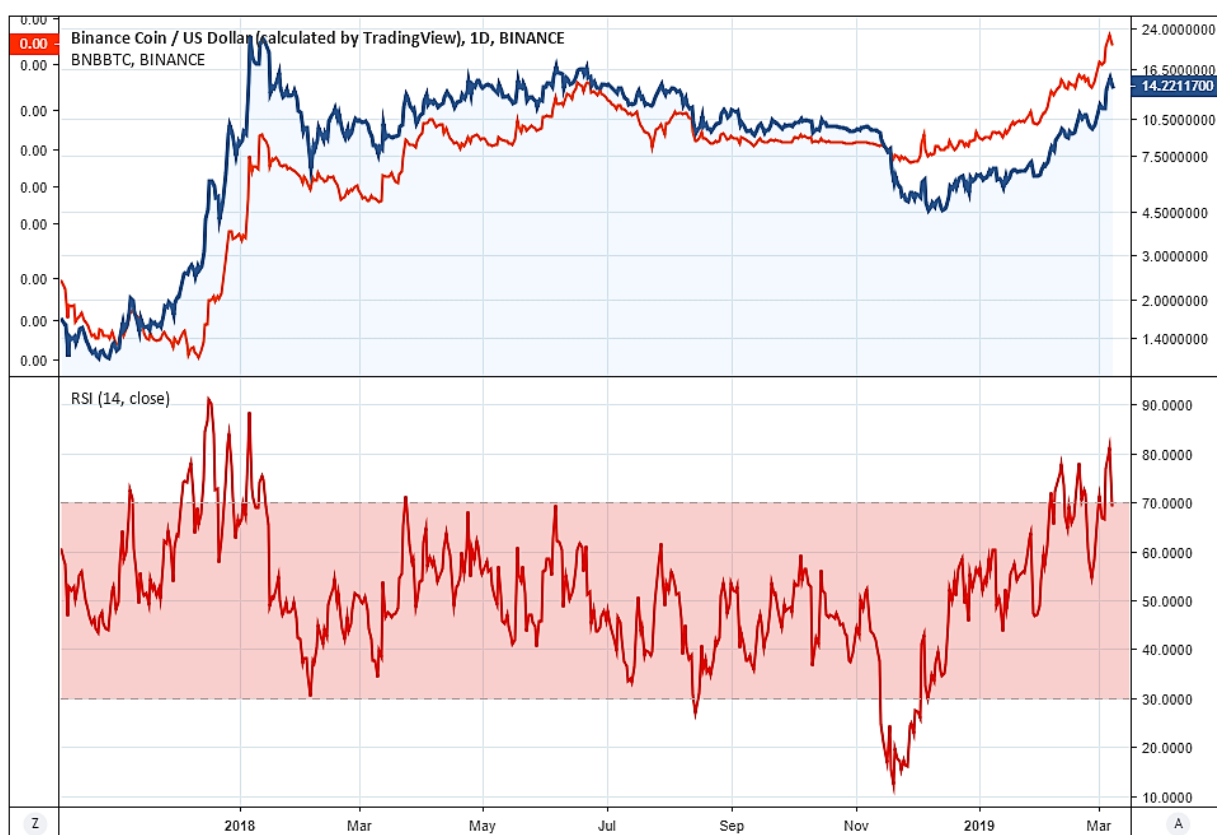




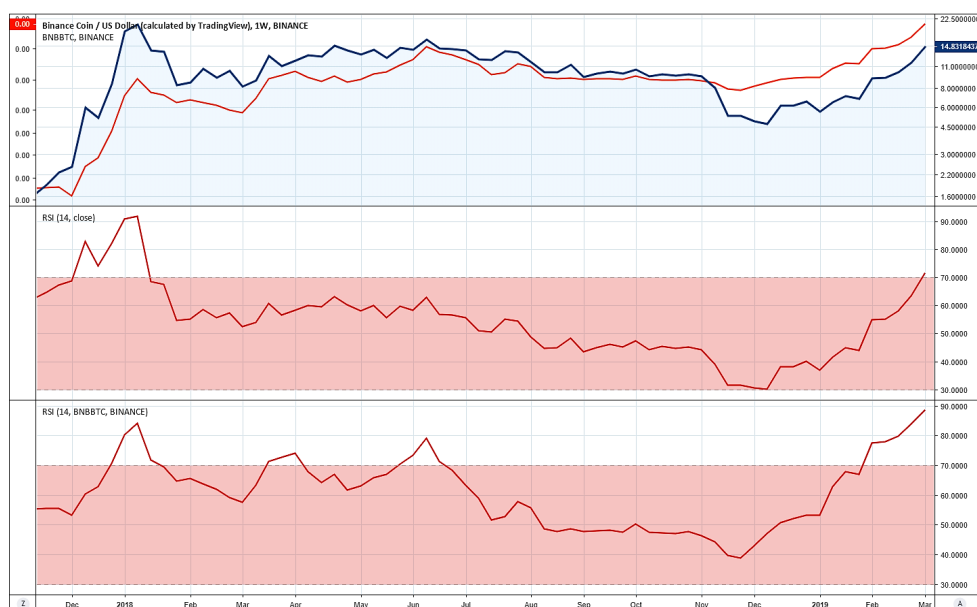
Crypto Asset Movers & Shakers

Binance Coin (BNB) has grabbed the attention of anyone who follows the crypto market as its price refuses to show any signs of weakness whatsoever. BNB broke to its highest level (in USD) since June 2018 earlier this week and has more than doubled year-to-date. Momentum certainly seems to be on its side too.

Binance Coin vs. 14-Day RSI



Binance Coin (BNB) vs. 14-Week RSI

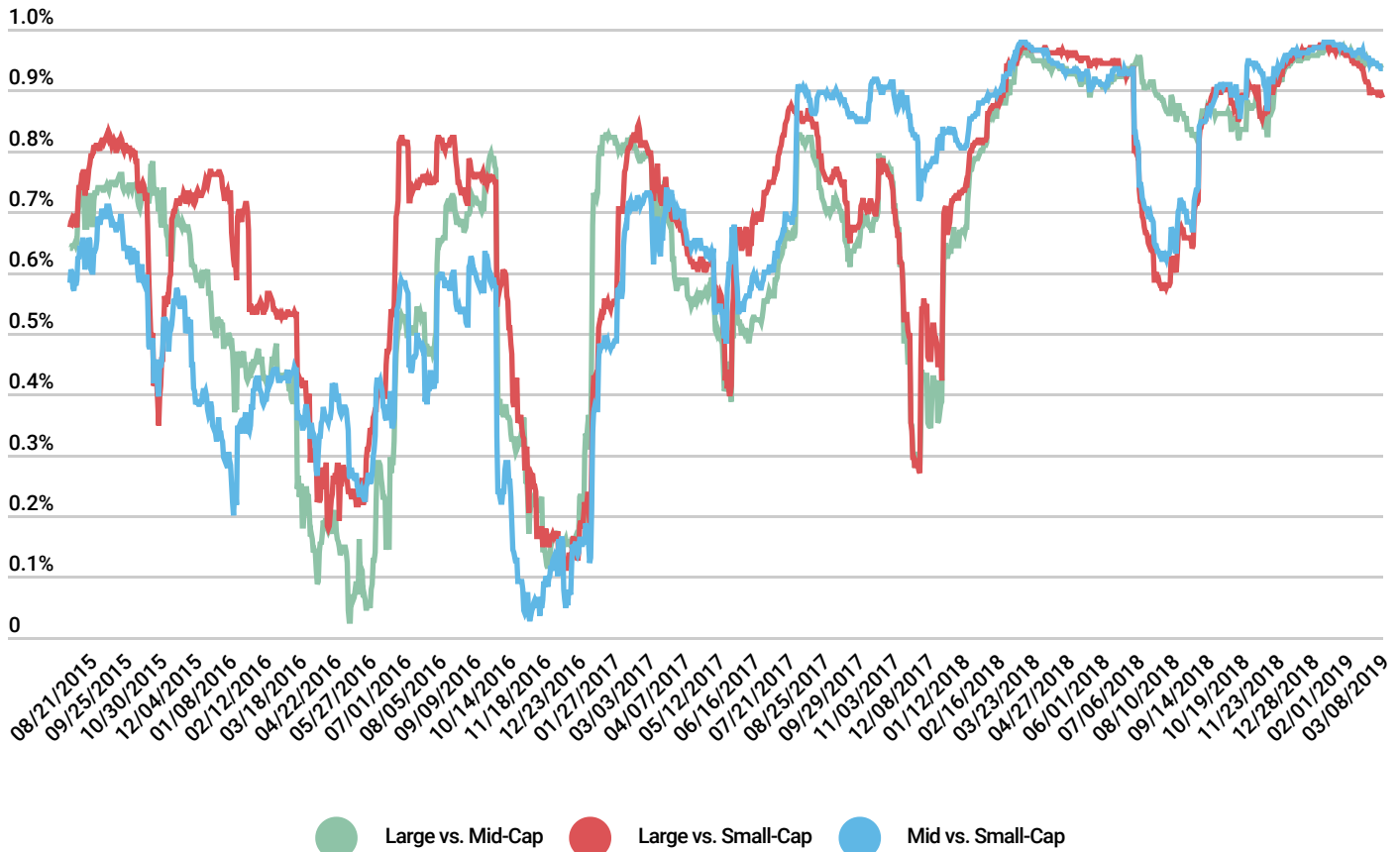


One indicator we are watching closely is the 14-week RSI on BNB, which just broke above 70 for the first time since December 2017. When measured against BTC, the 14-week RSI is now at its highest level on record, closing in on 90. The last time this measure broke above 70 (relative to BTC) BNB significantly underperformed BTC in the following 30 days.

Appendix



60-Day Correlations Between Large, Mid, & Small Caps

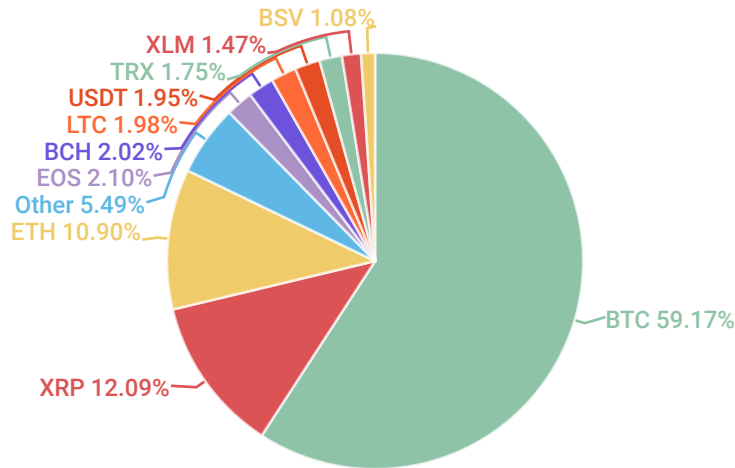


| | BTC | XRP | ETH | EOS | XLM | LTC | BCH | TRON | ADA | XMR | IOTA | BNB | DASH | NEM | ETC | NEO | ZEC | BSV | |
|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|
| BTC | 1.00 | 0.85 | 0.92 | 0.91 | 0.87 | 0.87 | 0.93 | 0.57 | 0.94 | 0.92 | 0.91 | 0.64 | 0.89 | 0.72 | 0.86 | 0.86 | 0.91 | 0.72 | BTC |
| XRP | 0.85 | 1.00 | 0.82 | 0.77 | 0.81 | 0.73 | 0.86 | 0.54 | 0.86 | 0.76 | 0.84 | 0.49 | 0.78 | 0.68 | 0.76 | 0.75 | 0.80 | 0.75 | XRP |
| ETH | 0.92 | 0.82 | 1.00 | 0.89 | 0.81 | 0.83 | 0.91 | 0.58 | 0.90 | 0.84 | 0.89 | 0.62 | 0.83 | 0.71 | 0.82 | 0.85 | 0.87 | 0.73 | ETH |
| EOS | 0.91 | 0.77 | 0.89 | 1.00 | 0.79 | 0.83 | 0.91 | 0.54 | 0.89 | 0.83 | 0.88 | 0.64 | 0.84 | 0.65 | 0.79 | 0.80 | 0.86 | 0.66 | EOS |
| XLM | 0.87 | 0.81 | 0.81 | 0.79 | 1.00 | 0.74 | 0.83 | 0.56 | 0.85 | 0.80 | 0.82 | 0.58 | 0.77 | 0.77 | 0.78 | 0.78 | 0.80 | 0.69 | XLM |
| LTC | 0.87 | 0.73 | 0.83 | 0.83 | 0.74 | 1.00 | 0.82 | 0.50 | 0.84 | 0.80 | 0.78 | 0.64 | 0.73 | 0.57 | 0.73 | 0.74 | 0.77 | 0.63 | LTC |
| BCH | 0.93 | 0.86 | 0.91 | 0.91 | 0.83 | 0.82 | 1.00 | 0.54 | 0.88 | 0.83 | 0.90 | 0.57 | 0.82 | 0.69 | 0.83 | 0.78 | 0.85 | 0.80 | BCH |
| TRON | 0.57 | 0.54 | 0.58 | 0.54 | 0.56 | 0.50 | 0.54 | 1.00 | 0.65 | 0.55 | 0.55 | 0.51 | 0.49 | 0.53 | 0.47 | 0.63 | 0.56 | 0.42 | TRON |
| ADA | 0.94 | 0.86 | 0.90 | 0.89 | 0.85 | 0.84 | 0.88 | 0.65 | 1.00 | 0.88 | 0.89 | 0.64 | 0.89 | 0.72 | 0.84 | 0.86 | 0.88 | 0.71 | ADA |
| XMR | 0.92 | 0.76 | 0.84 | 0.83 | 0.80 | 0.80 | 0.83 | 0.55 | 0.88 | 1.00 | 0.84 | 0.64 | 0.83 | 0.66 | 0.83 | 0.81 | 0.84 | 0.65 | XMR |
| IOTA | 0.91 | 0.84 | 0.89 | 0.88 | 0.82 | 0.78 | 0.90 | 0.55 | 0.89 | 0.84 | 1.00 | 0.58 | 0.86 | 0.76 | 0.85 | 0.80 | 0.88 | 0.71 | IOTA |
| BNB | 0.64 | 0.49 | 0.62 | 0.64 | 0.58 | 0.64 | 0.57 | 0.51 | 0.64 | 0.64 | 0.58 | 1.00 | 0.60 | 0.40 | 0.59 | 0.60 | 0.59 | 0.41 | BNB |
| DASH | 0.89 | 0.78 | 0.83 | 0.84 | 0.77 | 0.73 | 0.82 | 0.49 | 0.89 | 0.83 | 0.86 | 0.60 | 1.00 | 0.66 | 0.79 | 0.80 | 0.89 | 0.67 | DASH |
| NEM | 0.72 | 0.68 | 0.71 | 0.65 | 0.77 | 0.57 | 0.69 | 0.53 | 0.72 | 0.66 | 0.76 | 0.40 | 0.66 | 1.00 | 0.73 | 0.71 | 0.72 | 0.61 | NEM |
| ETC | 0.86 | 0.76 | 0.82 | 0.79 | 0.78 | 0.73 | 0.83 | 0.47 | 0.84 | 0.83 | 0.85 | 0.59 | 0.79 | 0.73 | 1.00 | 0.76 | 0.82 | 0.70 | ETC |
| NEO | 0.86 | 0.75 | 0.85 | 0.80 | 0.78 | 0.74 | 0.78 | 0.63 | 0.86 | 0.81 | 0.80 | 0.60 | 0.80 | 0.71 | 0.76 | 1.00 | 0.87 | 0.62 | NEO |
| ZEC | 0.91 | 0.80 | 0.87 | 0.86 | 0.80 | 0.77 | 0.85 | 0.56 | 0.88 | 0.84 | 0.88 | 0.59 | 0.89 | 0.72 | 0.82 | 0.87 | 1.00 | 0.69 | ZEC |
| BSV | 0.72 | 0.75 | 0.73 | 0.66 | 0.69 | 0.63 | 0.80 | 0.42 | 0.71 | 0.65 | 0.71 | 0.41 | 0.67 | 0.61 | 0.70 | 0.62 | 0.69 | 1.00 | BSV |

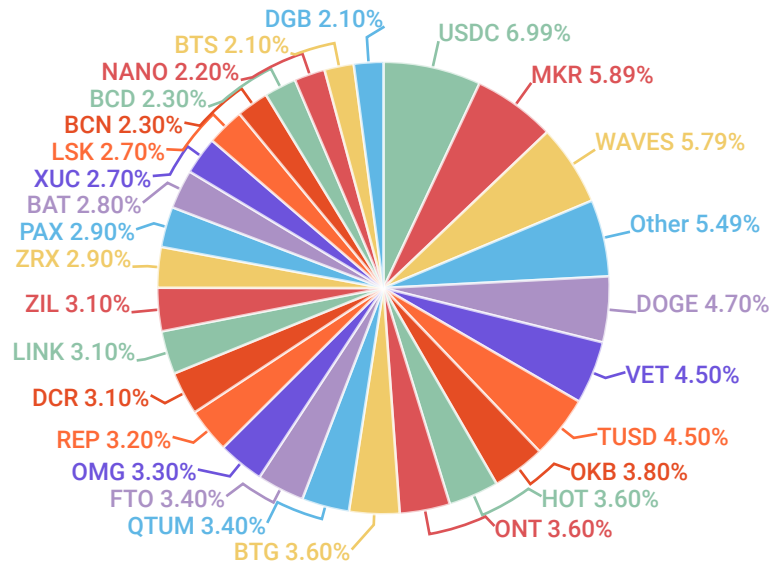
Appendix



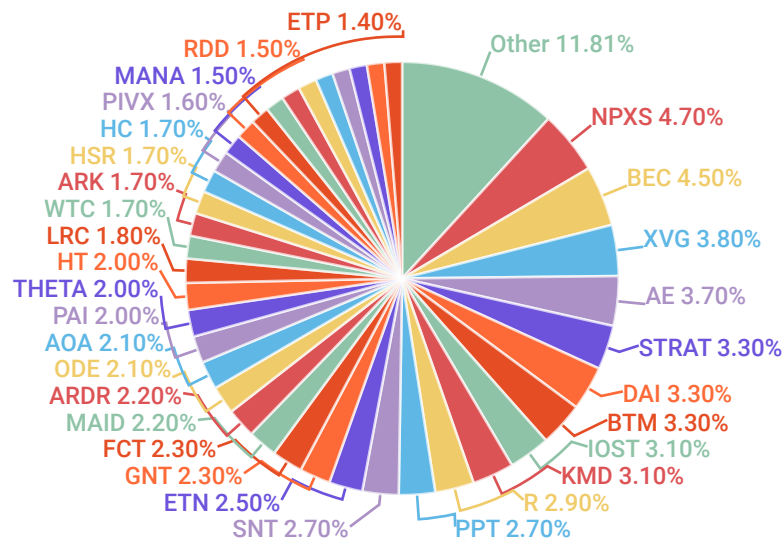
MVIS CryptoCompare Digital Assets 100 Large-Cap Index



MVIS CryptoCompare Digital Assets 100 Mid-Cap Index



MVIS CryptoCompare Digital Assets 100 Small-Cap Index





DELPHI DIGITAL

85 Broad Street
New York, NY, 10004
www.delphidigital.io

All content in this report represents the opinions of the Research Team. The Team has obtained all information herein from sources they believe to be accurate and reliable. However, such information is presented “as is,” without warranty of any kind – whether expressed or implied. This document is for informational purposes only and is not intended as an official confirmation of any transaction. All market prices, data and other information are not warranted as to completeness or accuracy, are based upon selected public market data, reflect prevailing conditions, and Research’s views as of this date, all of which are accordingly subject to change without notice. Research has no obligation to continue offering reports regarding the project. Reports are prepared as of the date(s) indicated and may become unreliable because of subsequent market or economic circumstances. Any investment involves substantial risks, including, but not limited to, pricing volatility, inadequate liquidity, and the potential complete loss of principal. The information contained in this document may include, or incorporate by reference, forward-looking statements, which would include any statements that are not statements of historical fact. These forward-looking statements may turn out to be wrong and can be affected by inaccurate assumptions or by known or unknown risks, uncertainties and other factors, most of which are beyond control. Investors should conduct independent due diligence, with assistance from professional financial, legal and tax experts, on topics discussed in this document and develop a stand-alone judgment of the relevant markets prior to making any investment decision.