

Total Public Market Value (ex-BTC)

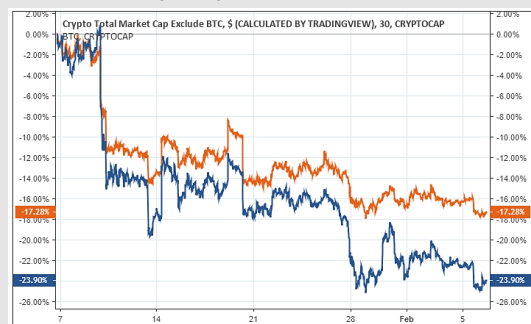
12-Month Performance (Normalized)



6-Month Performance



30-Day Performance

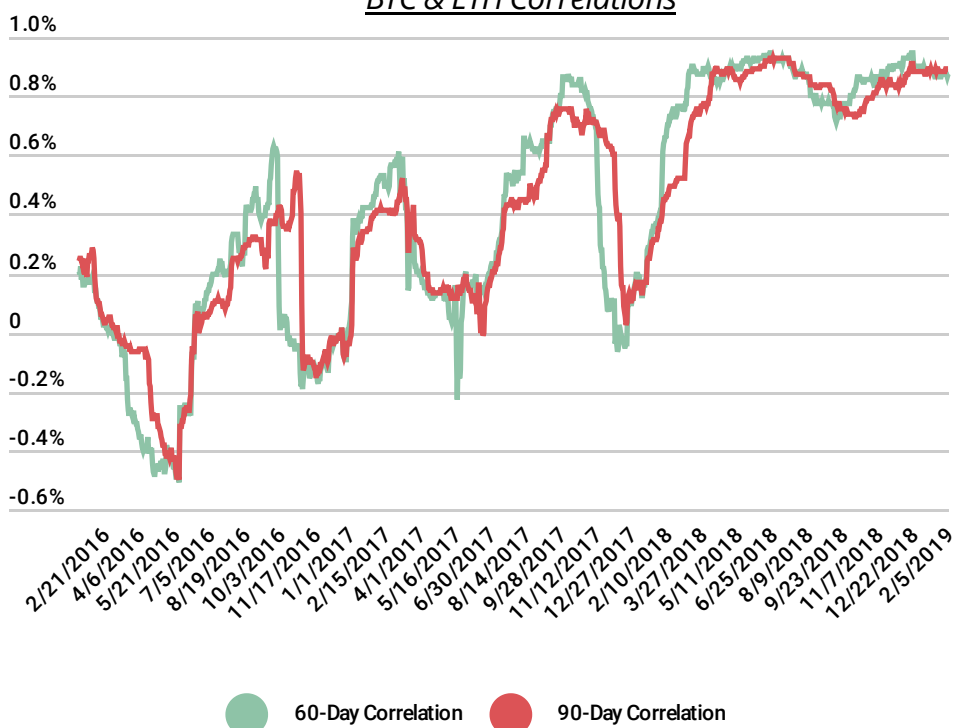


Correlations Elevated as Crypto Remains in a Rut

- Correlations between crypto assets are near all-time highs as widespread weakness continues to plague most of the market. Bitcoin and other crypto assets tend to outperform as intra-market correlations fall, often a result of less distress among market participants.
- Surprisingly, larger crypto assets (referred to as "large-caps") are underperforming smaller peers year-to-date despite the broad market weakness. Small-caps are typically more volatile than their larger peers, most notably bitcoin, but the nearly 20% drop in ETH since the new year is dragging on large-cap performance.
- Crypto couldn't escape the broad sell off in risk assets in Q4, erasing \$100 billion of total market value in the final three months of 2018. Despite the modest rebound in traditional asset classes recently, crypto asset prices remain relatively suppressed.

Chart of the Week

BTC & ETH Correlations

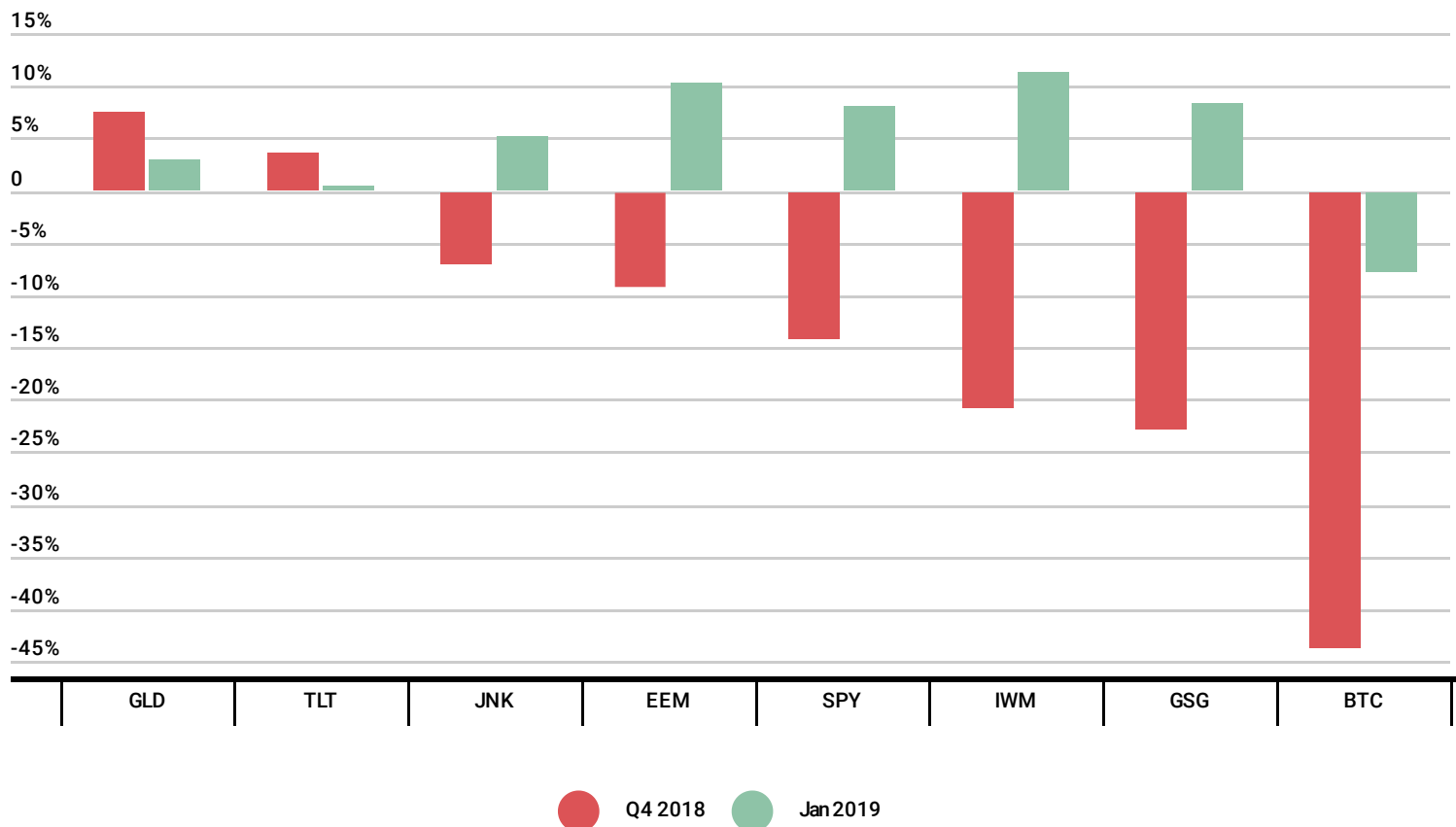




January Picked Up Where Q4 Left Off

Risk assets are coming off one of their worst Q4's in recent memory as everything from stocks to crypto sold off considerably heading into year-end. Bitcoin was no exception, falling 43% over the same period. Last year's struggles continued into the new year with crypto assets losing an additional \$10 billion in value in January despite a modest rebound in more traditional risky asset classes.

Q4 2018 vs. Jan 2019 Asset Class Returns



Ticker Legend

One of the appeals of crypto assets is the portfolio diversification benefits they offer. Bitcoin, for example, historically has had little to no correlation with most traditional asset classes (stocks, bonds, commodities, etc.). An interesting trend we've noticed, which we'll be expanding upon in another report soon, is the tendency of BTC to move more in-line with stocks when equity markets struggle, exemplified by the Q4 sell off and subsequent divergence between the rebound in stocks and the continued decline in BTC.

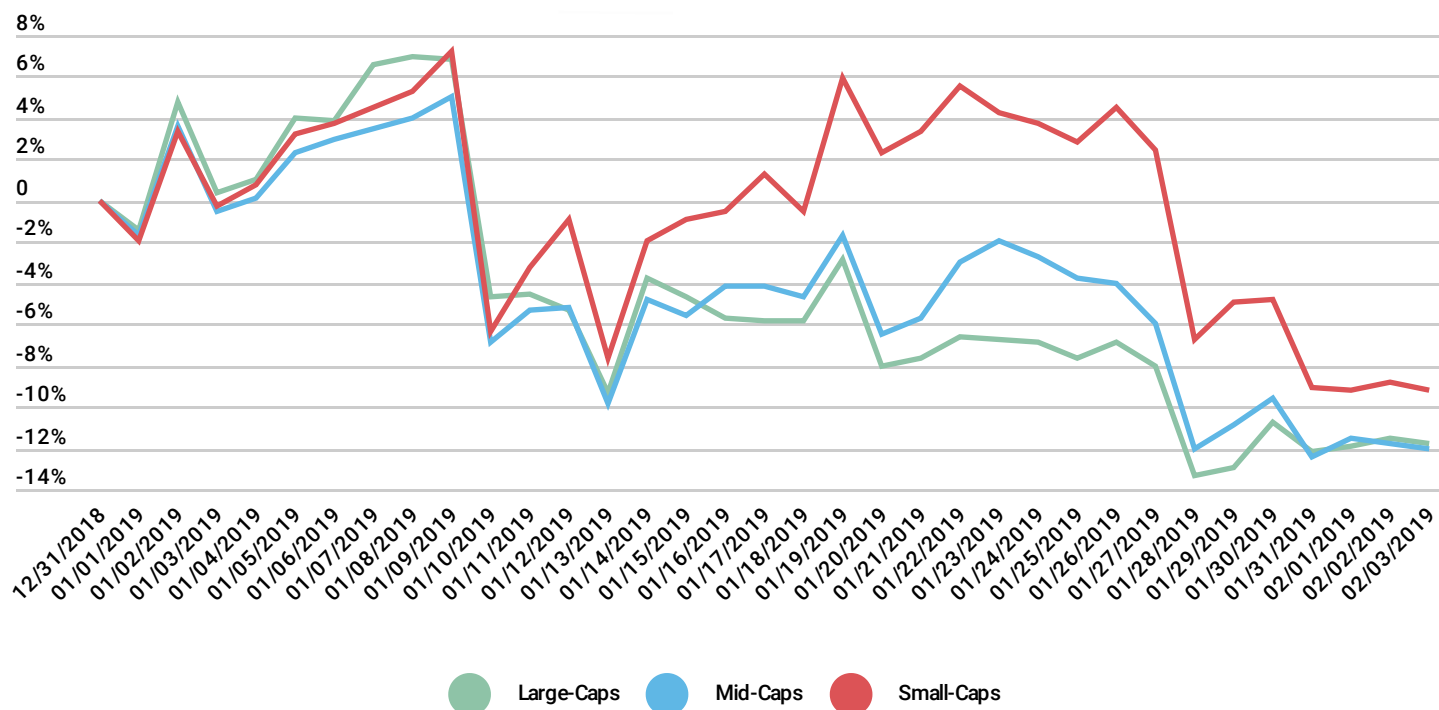
Ticker	Name
JNK	SPDR® Bloomberg Barclays High Yield Bond ETF
SPY	SPDR® S&P 500® ETF
EEM	iShares MSCI Emerging Markets ETF
IWM	iShares Russell 2000 ETF
GSG	iShares S&P GSCI Commodity-Indexed Trust
TLT	iShares 20+ Year Treasury Bond ETF
BTC	Bitcoin (USD)
GLD	SPDR® Gold Shares ETF



January Picked Up Where Q4 Left Off

Weakness continues to plague crypto assets, evident in the valuation decline across multiple segments of the market. Interestingly, small-cap names have outperformed larger peers in the early stages of 2019 despite the broad market slide, though the ~20% drop in ETH deserves a good chunk of the blame.

Year-to-Date Performance by Market Segment



Many of the top crypto assets saw even greater declines than BTC in the first month of 2019 with NEM, XLM, and BSV all taking significant hits since the start of the year. The market is still struggling to find its footing after its most recent leg down in November, which saw many valuations get slashed in half or worse in a matter of a few weeks.

There are some bright spots among the top crypto names, however, led by the most recent run up in BNB. TRON has also outperformed the broad market significantly over the last several weeks leading up to the BitTorrent (BTT) token sale on January 28th. Investors participating in the sale were able to purchase BTT using both BNB or TRON (see next page for more detail on BTT performance).

Top Crypto Asset Returns				
Ticker	7D	30D	90D	YTD
BNB	14.3%	17.0%	-27.4%	15.3%
LTC	9.3%	-2.4%	-39.0%	11.9%
EOS	6.7%	-11.1%	-58.1%	-6.6%
BCH	5.9%	-25.7%	-81.0%	-21.1%
XRP	1.8%	-15.5%	-45.3%	-14.9%
NEO	1.6%	-9.6%	-58.3%	-5.8%
ETH	1.2%	-30.7%	-50.6%	-19.2%
TRON	0.6%	21.4%	10.8%	43.7%
BTC	-0.3%	-10.0%	-46.5%	-7.6%
ETC	-1.5%	-24.3%	-60.6%	-23.0%
DASH	-1.6%	-16.9%	-60.7%	-15.2%
ZEC	-1.8%	-16.5%	-62.9%	-14.2%
XMR	-1.8%	-14.3%	-62.1%	-7.4%
IOTA	-1.8%	-31.6%	-51.0%	-29.1%
ADA	-2.4%	-15.3%	-53.2%	-7.8%
BSV	-3.1%	-28.8%	N/A	-25.8%
XLM	-9.3%	-30.1%	-70.0%	-29.3%
NEM	-19.3%	-40.0%	-60.3%	-39.5%

*Returns in USD

Data as of 02/05/19



Crypto Asset Breakouts

As previously mentioned, Binance Coin (BNB) and TRON (TRX) have both seen sizable gains in recent weeks, bucking the trend of the broader market.

Binance Coin (BNB) vs. USD, BTC



TRON (TRX) vs. USD, BTC



Part of this divergence from the general weakness of the crypto market can be attributed to the BitTorrent (BTT) token sale, which took place early last week. BTT price has jumped significantly since and is currently one of the most heavily traded tokens on Binance.

BitTorrent (BTT) Price vs. BNB, BTC





As we've stated before, while we are not big proponents of using technical analysis on most crypto assets given their limited liquidity and primary investor base, we do monitor a few key indicators across the largest names. Momentum, for example, can be a strong catalyst in a market where near-term price movements are often driven by sentiment rather than fundamentals.

Looking at the price action in BNB we see the recent move higher was sizable and fairly rapid. This has driven the token's 14-day relative strength index (RSI) above 70, the typical level at which one would consider an asset to be overbought. It's important to note, however, that a break above 70 does not necessarily mean a steep pullback is on the horizon.

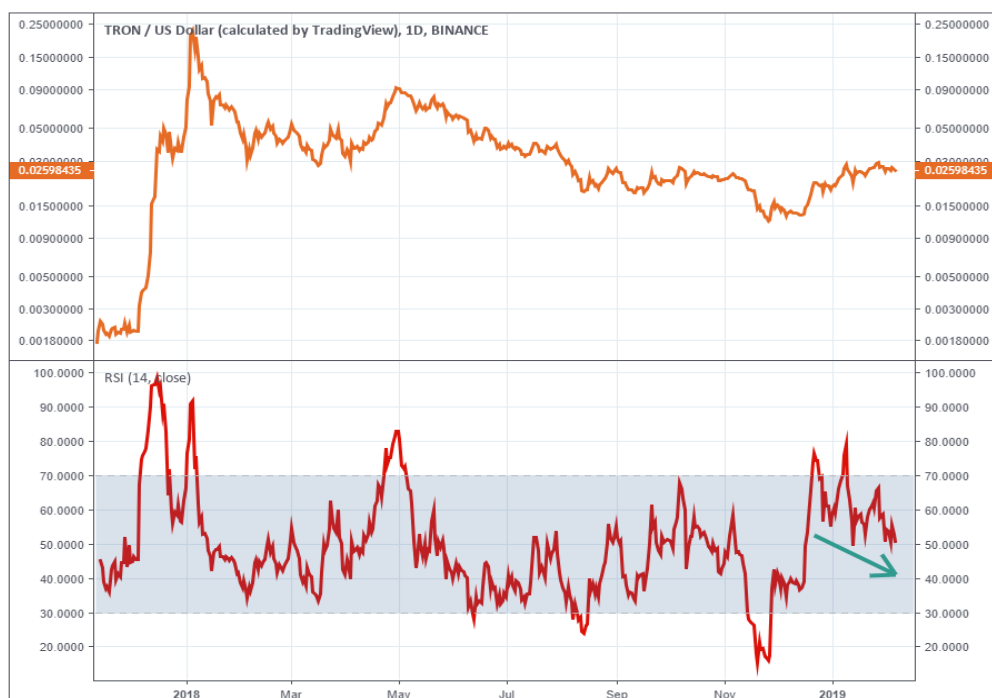
BNB Momentum (14-Day RSI)



While it is likely BNB's price appreciation will moderate in the near-term, we are also monitoring the trend in RSI to see if the recent strength can lead to further gains. A break above 70 in March 2018, for example, occurred in the middle of a four month-long rally for BNB, which finally peaked in early June.

TRX Price Momentum (14-Day RSI)

TRON, on the other hand, appears to be rolling over a bit after its recent price run up. Again, the initial break above 70 on its RSI did not indicate it was time to run for the hills, but the recent downward trend in the momentum indicator does suggest further weakness in the near-term.

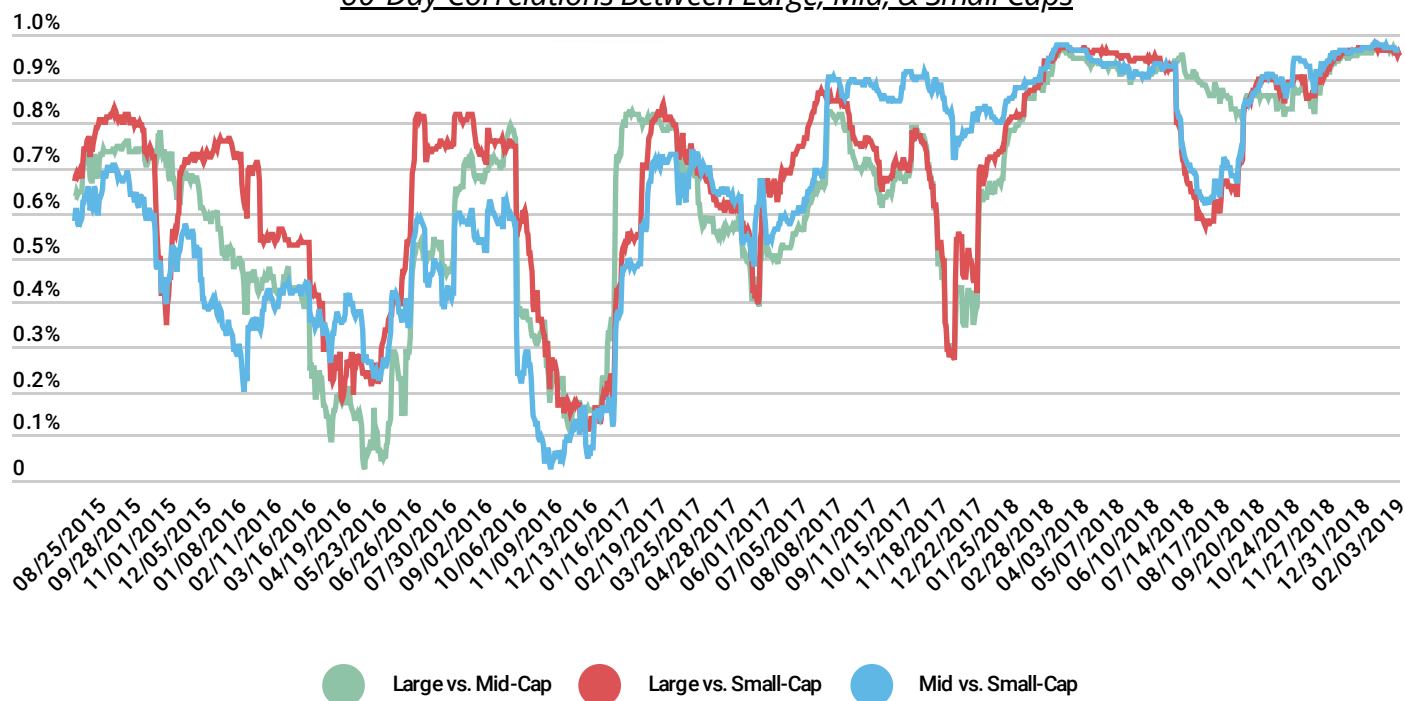




Correlations Remain Near All-Time Highs

Intra-market correlations between crypto assets are currently near all-time highs. Periods characterized by extremely strong positive correlations tend to occur when prices are falling as most crypto assets sell off considerably at the same time.

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



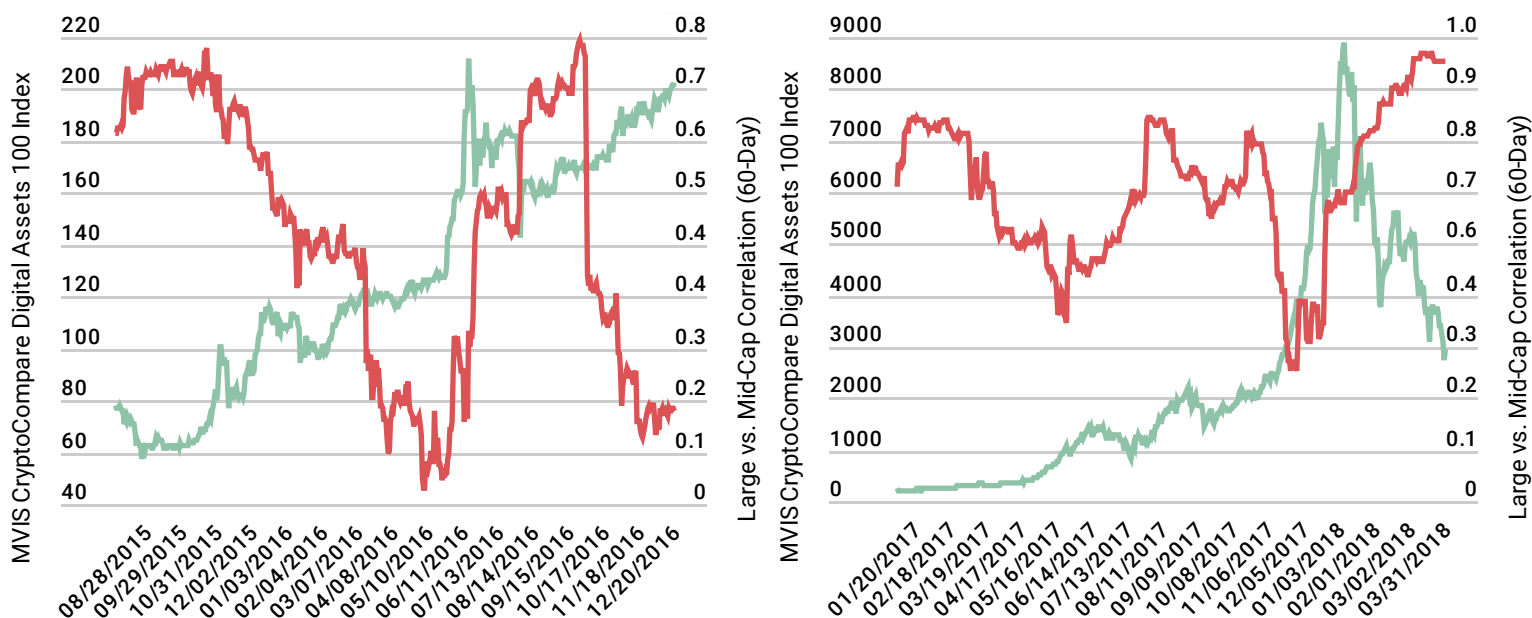
This trend is evident in the 60-day correlations between many of the largest crypto assets. Aside from a few notable pairs, an overwhelming majority of these names have a very strong correlation with each other.

60-Day Correlations																			
	BTC	XRP	ETH	EOS	XLM	LTC	BCH	TRON	ADA	XMR	IOTA	BNB	DASH	NEM	ETC	NEO	ZEC	BSV	
BTC	1.00	0.87	0.86	0.88	0.93	0.88	0.77	0.58	0.89	0.94	0.72	0.79	0.89	0.81	0.74	0.88	0.93	0.76	BTC
XRP	0.87	1.00	0.85	0.83	0.90	0.79	0.63	0.55	0.86	0.85	0.70	0.71	0.73	0.79	0.71	0.86	0.84	0.63	XRP
ETH	0.86	0.85	1.00	0.84	0.87	0.83	0.69	0.62	0.88	0.88	0.73	0.73	0.79	0.79	0.78	0.89	0.89	0.70	ETH
EOS	0.88	0.83	0.84	1.00	0.87	0.86	0.59	0.56	0.88	0.83	0.69	0.78	0.76	0.71	0.71	0.86	0.83	0.60	EOS
XLM	0.93	0.90	0.87	0.87	1.00	0.83	0.71	0.61	0.89	0.89	0.73	0.77	0.82	0.84	0.71	0.87	0.89	0.73	XLM
LTC	0.88	0.79	0.83	0.86	0.83	1.00	0.64	0.58	0.87	0.84	0.66	0.75	0.75	0.72	0.66	0.88	0.85	0.70	LTC
BCH	0.77	0.63	0.69	0.59	0.71	0.64	1.00	0.55	0.70	0.76	0.67	0.51	0.80	0.71	0.61	0.58	0.74	0.89	BCH
TRON	0.58	0.55	0.62	0.56	0.61	0.58	0.55	1.00	0.73	0.59	0.46	0.62	0.46	0.68	0.50	0.65	0.57	0.51	TRON
ADA	0.89	0.86	0.88	0.88	0.89	0.87	0.70	0.73	1.00	0.88	0.71	0.76	0.78	0.82	0.72	0.89	0.85	0.72	ADA
XMR	0.94	0.85	0.88	0.83	0.89	0.84	0.76	0.59	0.88	1.00	0.73	0.71	0.88	0.81	0.73	0.87	0.93	0.77	XMR
IOTA	0.72	0.70	0.73	0.69	0.73	0.66	0.67	0.46	0.71	0.73	1.00	0.56	0.73	0.66	0.62	0.63	0.73	0.64	IOTA
BNB	0.79	0.71	0.73	0.78	0.77	0.75	0.51	0.62	0.76	0.71	0.56	1.00	0.58	0.64	0.60	0.75	0.72	0.55	BNB
DASH	0.89	0.73	0.79	0.76	0.82	0.75	0.80	0.46	0.78	0.88	0.73	0.58	1.00	0.73	0.67	0.74	0.89	0.78	DASH
NEM	0.81	0.79	0.79	0.71	0.84	0.72	0.71	0.68	0.82	0.81	0.66	0.64	0.73	1.00	0.75	0.80	0.81	0.75	NEM
ETC	0.74	0.71	0.78	0.71	0.71	0.66	0.61	0.50	0.72	0.73	0.62	0.60	0.67	0.75	1.00	0.77	0.75	0.60	ETC
NEO	0.88	0.86	0.89	0.86	0.87	0.88	0.58	0.65	0.89	0.87	0.63	0.75	0.74	0.80	0.77	1.00	0.89	0.60	NEO
ZEC	0.93	0.84	0.89	0.83	0.89	0.85	0.74	0.57	0.85	0.93	0.73	0.72	0.89	0.81	0.75	0.89	1.00	0.79	ZEC
BSV	0.76	0.63	0.70	0.60	0.73	0.70	0.89	0.51	0.72	0.77	0.64	0.55	0.78	0.75	0.60	0.60	0.79	1.00	BSV



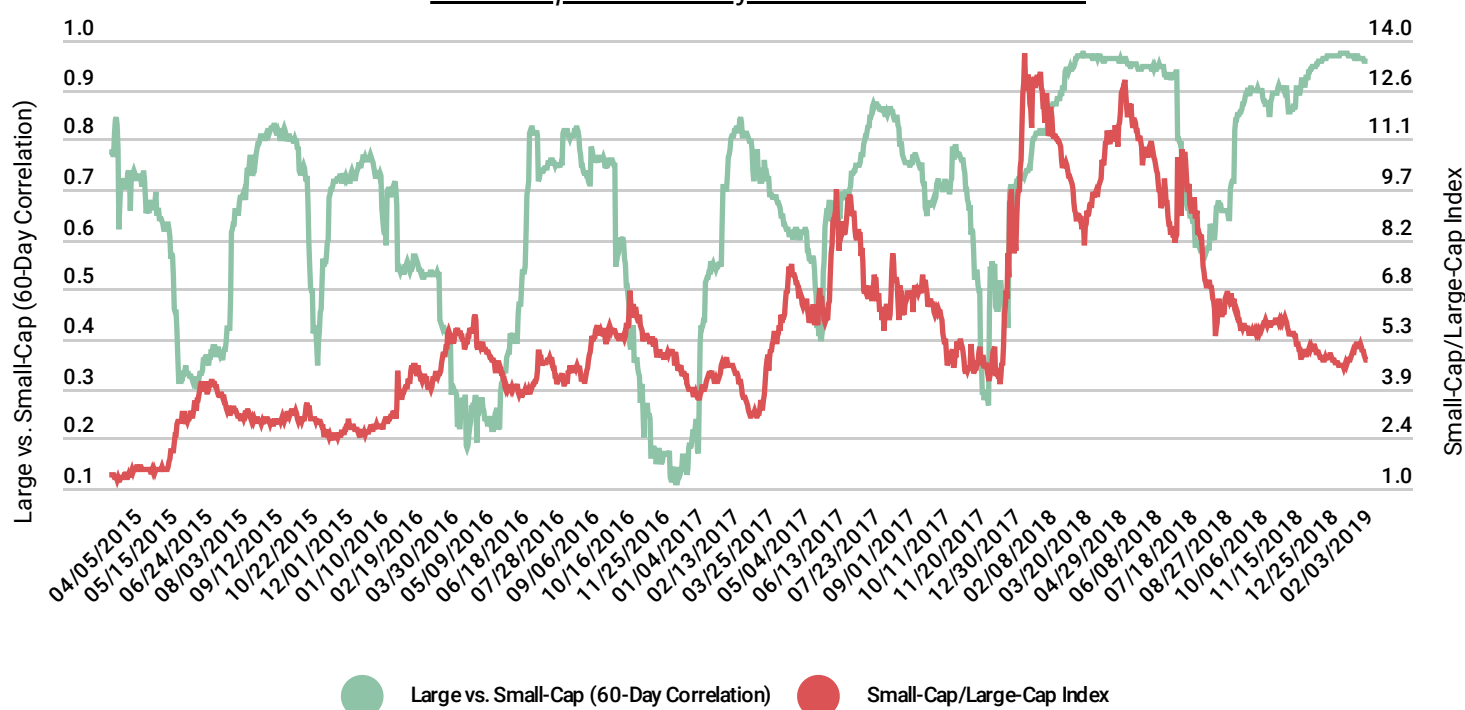
Crypto assets as a whole tend to perform much better during periods of falling intra-market correlations. The charts below, for example, show the performance of the MVIS CryptoCompare Digital Assets 100 Index, which tracks the performance of the 100 largest digital assets, compared to the correlation between its large-cap and mid-cap index equivalents.

Correlations & Performance (Jul 2015 - Mar 2018)



If correlations start to decline and dispersion of returns increases, smaller crypto assets may be poised to outperform as they historically have a higher beta to large-caps than mid-cap peers.

Small -Cap Relative Performance vs. Correlations



**See Appendix for MVIS index weights*



Final Thoughts

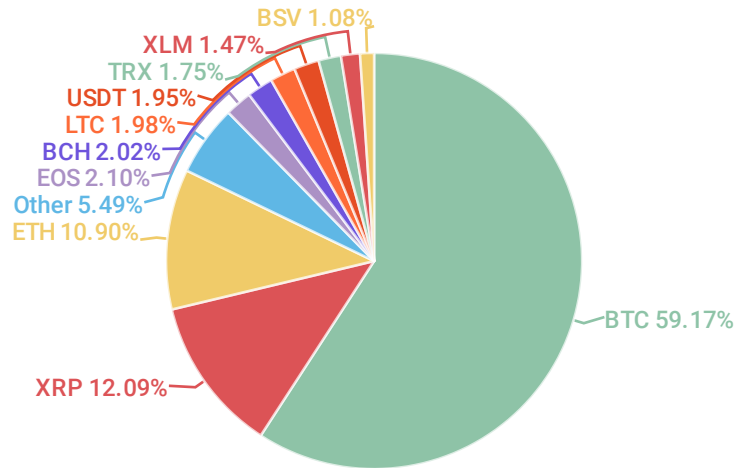
The crypto market has failed to catch much of a bid despite the recent rebound in traditional risk assets. As a result, we are a bit more cautionary on the near-term outlook for crypto assets, especially if heightened volatility and uncertainty in other asset classes remains elevated. The spill over from another equity market sell-off could pressure crypto prices even further. While there are more than a few names bucking the broader downward price trend (i.e. Binance Coin), another steep decline for this market will likely take some of these recent outperformers with it.

We are watching the relationships among crypto assets very closely as a decline in intra-market correlations typically coincides with better performance for the market overall. These conditions also present greater opportunities for active managers given the greater dispersion in returns. If correlations do begin to fall from their current levels, smaller crypto assets ("small caps") may be poised to outperform given their higher beta to large-cap peers.

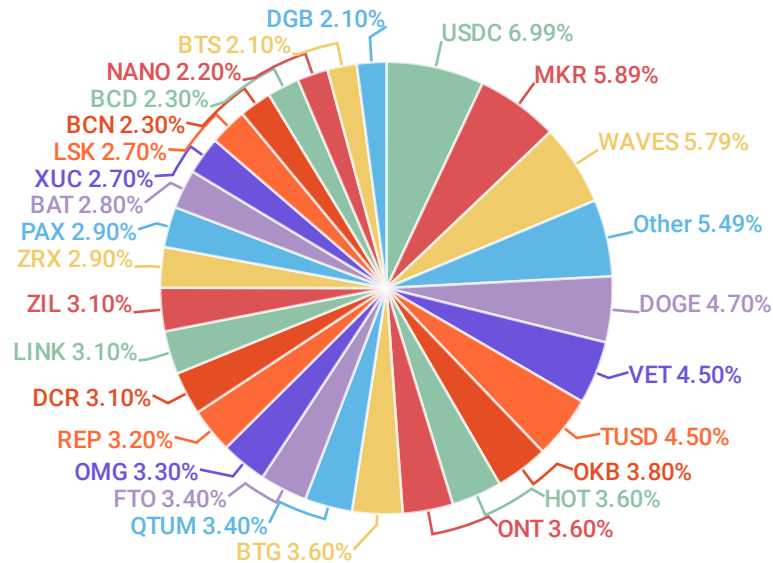
Appendix



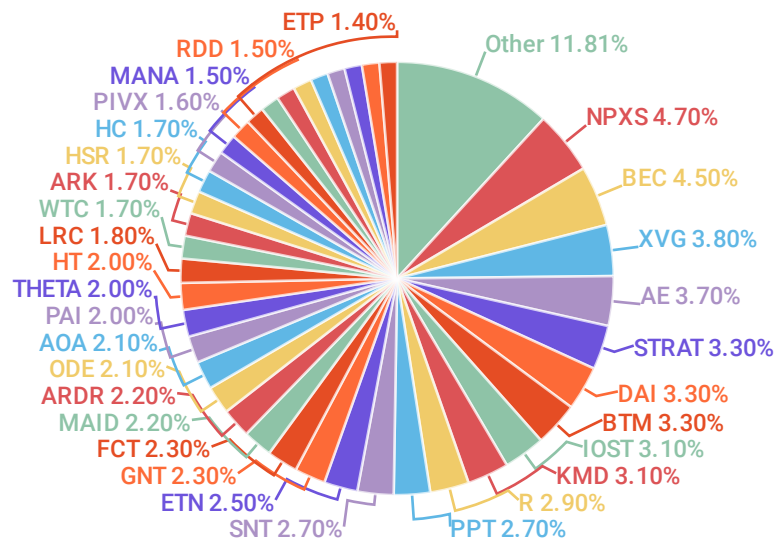
MVIS CryptoCompare Digital Assets 100 Large-Cap Index



MVIS CryptoCompare Digital Assets 100 Mid-Cap Index



MVIS CryptoCompare Digital Assets 100 Small-Cap Index





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