DBS

Crypto Digest

Capital Management & Capital Deepening

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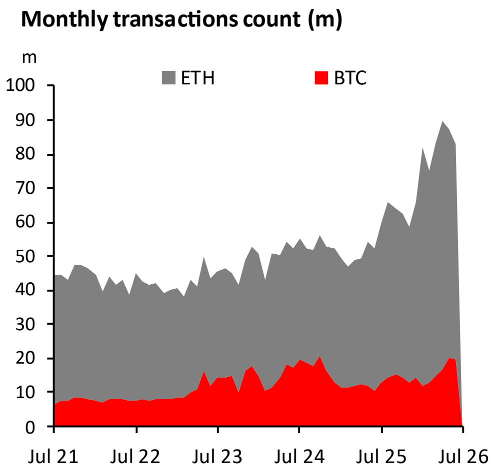
- *Crypto prices saw high volatility due to a hawkish Fed and concerns over DATCOs.*
- *Strategy announced a new capital management regime allowing Bitcoin sales.*
- *Equity and commodity trading are coming on-chain, deepening tokenized markets.*

Transactions are still near record highs despite lower prices



Source: Coinmetrics, DBS

Crypto markets saw high volatility, driven by both macro and idiosyncratic factors. From mid-June, Bitcoin and Ethereum declined by up to 14% and 17%, respectively, before recovering towards their recent peaks. Gold also saw a drawdown of around 9% in the same period, underscoring similar macro factors at work. In contrast, the S&P 500 and Nasdaq recorded more modest declines of 2% and 4% respectively. The sharp correction in cryptocurrencies and gold seems correlated with reduced worries about "debasement" risks, after new Fed Chair Warsh underscored a unanimous commitment to price stability under his leadership.

An idiosyncratic factor for markets is the announcement of an active balance sheet management plan by a major Digital Asset Treasury Company (DATCO), Strategy. The company authorised a Bitcoin monetisation programme, which allows it to sell up to USD1.25 billion of Bitcoins to shore up its USD reserves. Furthermore, it unveiled a share buyback programme of up to USD2 billion, split evenly between preferred and common stock. In short, Strategy can now sell Bitcoin to fund share buybacks, dividends, interest expenses, or replenish its USD reserves. This adds complexity to its capital management mandate to raise capital for Bitcoin purchases. Management has indicated that Bitcoin sales would only be pursued when they are more advantageous than share issuance or other capital markets transactions.

A US discount broker announced that it is launching its own Layer-2 blockchain compatible with Ethereum, which will be utilized for its tokenized equity and commodity perps trading business. It describes its chain as AI-native, purpose-built for real-world assets, and permissionless. Anyone could deploy contracts on-chain, while users can also interact with self-custody wallets independently. Tokenized capital markets are set to grow deeper.

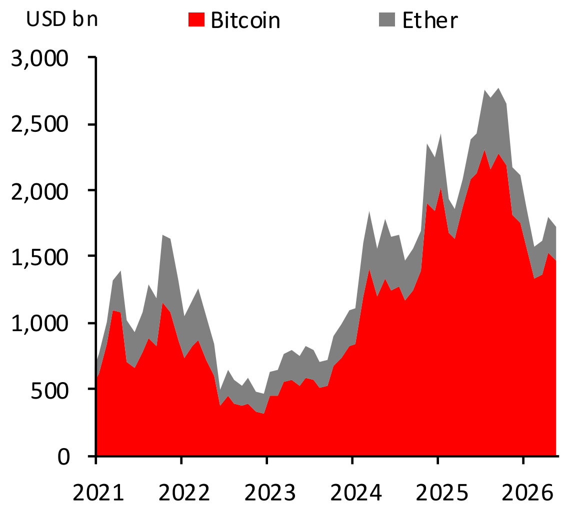
ASSET MARKET RETURNS

Market prices, capitalization, and returns

Market metrics (in USD)	Bitcoin	Ether	S&P500	Gold
Price*	63,620	1,787	7,483	4,122
Market capitalization (trn)	1.3	0.2	0.0	27.7
Monthly return (%)	8.7%	14.0%	-0.2%	2.9%
Year-to-date return(%)	-27.3%	-39.8%	9.3%	-4.6%
1Y return (%)	-45.1%	-51.7%	18.0%	25.3%
5Y return (%)	52.2%	-29.8%	70.3%	127.2%

Source: Bloomberg, Coinmetrics, DBS *As of 05 Jul 26

Cryptocurrencies Market Capitalization



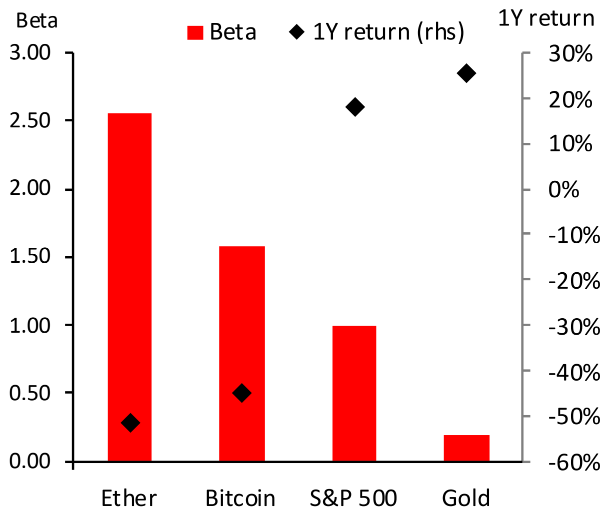
Source: Coinmetrics, DBS

Crypto 5Y return correlations

	Bitcoin	Ether	S&P500	Gold
Bitcoin		0.86	0.53	0.15
Ethereum	0.86		0.57	-0.03
S&P500	0.53	0.57		0.19
Gold	0.15	-0.03	0.19	

Source: Bloomberg, DBS

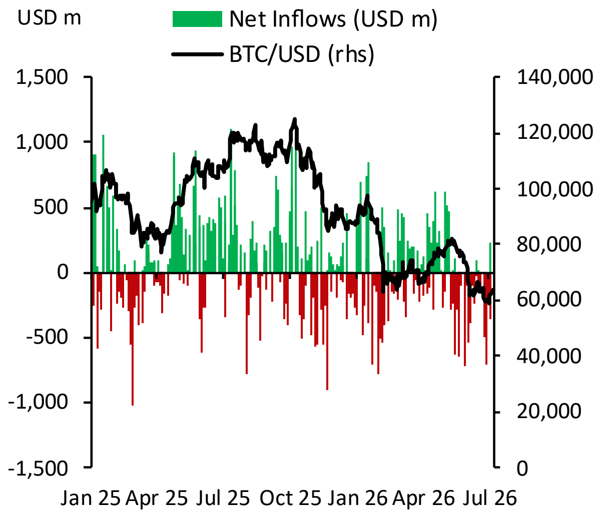
5Y CAPM betas vs 1Y spot return (%)



Source: Coinmetrics, Bloomberg, DBS

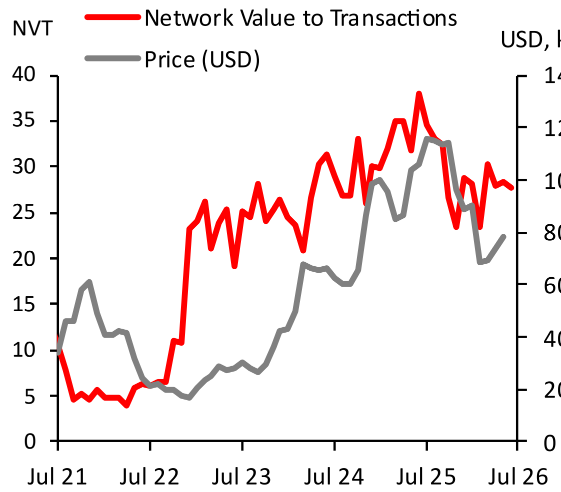
FLOWS & NETWORK METRICS

BTC: US-listed ETF daily net inflows and price



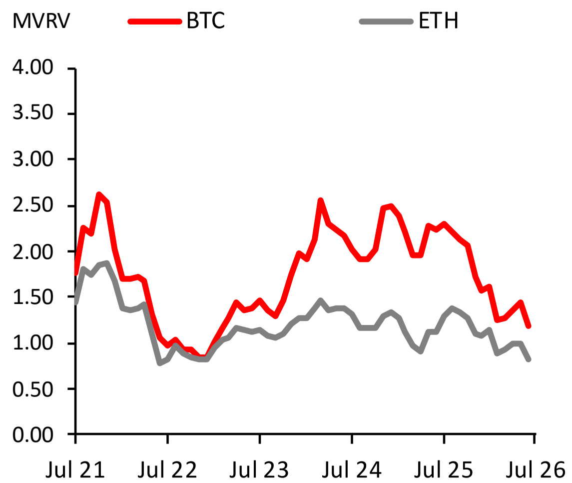
Source: Bloomberg, DBS

BTC: Network value to transaction volumes



Source: Coinmetrics, DBS

Market value to Realizedvalue ratio



Source: Coinmetrics, Blockchain.com, DBS

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