

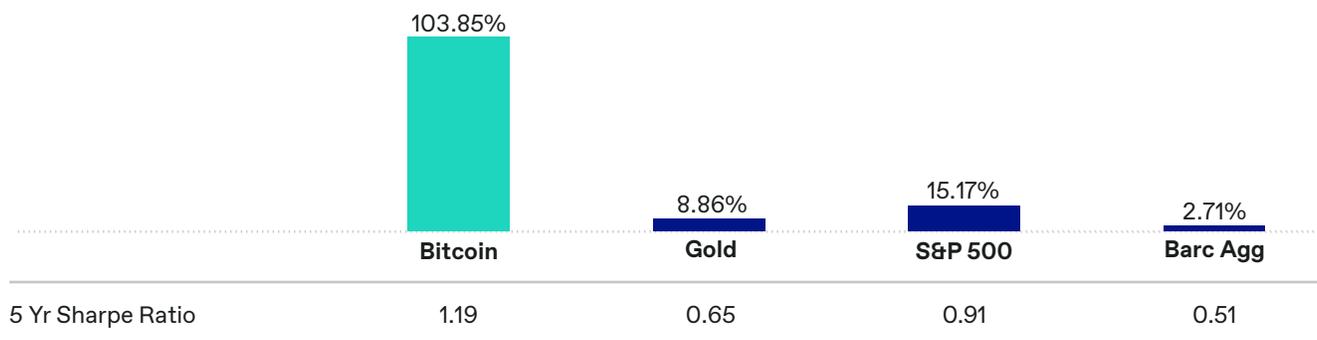
Bitcoin Brief

MARKET UPDATE

February was another challenging month for risk assets, with investor attention fixated first on central bank tightening and then on the largest ground war in Europe since World War II. The S&P 500 was down nearly 3% for the month. But unlike January in which bitcoin joined risk assets into negative territory, bitcoin was up nearly 9% in February. Bitcoin closed the month at \$41,928, up over 18% from its last 4:00 PM ET low during this most recent drawdown.

The macro environment and ongoing conflict highlight a tension in bitcoin market dynamics. On one hand, one might expect that a non-state-issued form of money, such as bitcoin or gold, would outperform equities and credit when geopolitical concerns, political disorder, and unprecedented economic sanctions act as a headwind to traditional markets. On the other hand, bitcoin is still a novel technology with many use cases to be delivered in the future. From that lens, one might expect bitcoin to behave like a liquid venture capital investment and be highly correlated to risk assets. With global tensions at extraordinary levels and Fed Chairman Powell anticipating a series of quarter-percentage-point interest rate hikes in the near-term, investors will have ample opportunity to evaluate both potential drivers of bitcoin's future performance.

5 Year Annualized Return



HIGHLIGHTS.

- Market Update
- Crypto's Role Amidst the Ukrainian Conflict
- Russians Aren't Buying Crypto en Masse (Yet)

MARKET STATS.

As of 2/28/22

BTC Price	\$41,928
BTC Market Cap	\$820B
% of BTC Total Supply in Circulation	90%
3M Average Daily Bitcoin Transactions	~254K

NOTEWORTHY HEADLINES.

[U.S. Asks Crypto Exchanges to Block Select Russian Customers](#)

[Ukrainian Central Bank Suspends Electronic Cash Transfers, Bolstering the Use Case for Crypto](#)

[Indian Finance Minister Says RBI Is on Board With New Crypto Rules](#)

[Bitcoin Miners Shut Down in Texas Ahead of Storm](#)

[KPMG in Canada Adds Bitcoin and Ethereum to its Treasury](#)

Crypto's Role Amidst the Ukrainian Conflict

The societal benefits of digital assets have been on display in Ukraine, a country of 42M people¹ that ranks 4th in global crypto adoption.² Here are a few examples of how digital assets have been a resource during this difficult time:

Rapid Donations: The Ukrainian government posted Bitcoin and Ethereum addresses on its official Twitter account and requested donations. In just seven days, over 113,000 digital asset donations were sent directly to the government or an NGO providing support to the military. The total value of all donations as of March 4th was \$57M.³ Digital assets like bitcoin allow individuals all over the world to seamlessly send funds directly to a cause they support without the risk of interference.

Medium of Exchange: The National Bank of Ukraine suspended the foreign exchange market, limited cash withdrawals, and prohibited the use of fiat currencies via digital platforms like Venmo or PayPal.⁴ In this environment, citizens are turning to bitcoin to make everyday purchases. For example, two journalists from the Danish newspaper Ekstra Bladet used bitcoin to pay for a car upon arriving in Ukraine to cover the war.⁵

Sanctions Enforcement: Many of the world's largest crypto exchanges, such as Coinbase and Binance, have acceded to

the requests of the Biden administration and blocked the accounts of customers targeted by sanctions.⁶ With these fiat ramps closed, it becomes very difficult for the selected leaders, oligarchs, and institutions to avoid sanctions with crypto. Ordinary Russians who have not been sanctioned are still able to utilize these exchanges.

Russians Aren't Buying Crypto en Masse (Yet)

Several media outlets have theorized that bitcoin's upward price pressure was driven by Russian citizens hoping to avoid sanctions implemented by western governments. In the immediate term, this lacks evidence. While the volume of cryptocurrency trading has increased in Russia, the level is still much too small to have had a significant impact on price. Since the invasion began through March 4th, the bitcoin / ruble pair has traded about \$62M in volume on Binance (Russia's dominant crypto exchange), while the market cap of bitcoin has increased by \$75B. These are not comparable numbers.

There are reasons to believe that Russia, a country of 149 million people,¹ may buy crypto en masse if the current state of war and sanctions persist. With the ruble losing ~25% of its value over the last several weeks, Russian citizens may desire a store of value that can't be debased or confiscated by the government.

Performance	1MO	3MO	YTD	1YR	3YR*	5YR*
Bitcoin	8.96%	-27.04%	-8.59%	-9.35%	122.56%	103.85%
Gold	6.22%	7.58%	4.36%	10.09%	13.28%	8.86%
S&P 500	-2.99%	-3.89%	-8.01%	16.39%	18.24%	15.17%
Barclays Agg	-1.12%	-3.49%	-3.25%	-2.64%	3.30%	2.71%

*Returns greater than 1 year are annualized.

	5YR Standard Deviation	5YR Sharpe Ratio	5YR Correlation to BTC
Bitcoin	91.7%	1.19	-
Gold	12.7%	0.65	0.13
S&P 500	15.8%	0.91	0.26
Barclays Agg	3.3%	0.51	0.18

Sources:

NYDIG, Bloomberg as of 2/28/22, unless noted otherwise. All prices are 4:00 pm ET prices on the last business day of each month. Barclays Agg represents the Bloomberg US Aggregate Total Return Bond Index. Bitcoin returns based on month-end 4pm prices. Monthly bitcoin prices prior to October 2018 are based on Coinbase 4pm pricing. In October 2018, NYDIG began generating bitcoin prices in accordance with NYDIG Asset Management's valuation policy for its bitcoin funds. The monthly bitcoin prices used after October 2018 reflect 4pm prices determined in accordance with such valuation policy, which is the same valuation policy that is used for NYDIG's funds. As there are two different pricing sources for bitcoin reflected, the historical performance of bitcoin shown may be different if the bitcoin prices in accordance with NYDIG Asset Management's valuation policy were used for the entire period or if the Coinbase pricing were used for the entire period. Performance data quoted represents past performance of bitcoin. Past performance of bitcoin is not indicative of future results. Bitcoin has historically exhibited high price volatility relative to more traditional asset classes. The value of an investment in bitcoin or the funds could decline rapidly, including to zero.

¹The Economist, [World in Figures](#) as of 1/31/22. ²Crypto Adoption Ranking sourced from Chainalysis' [2021 Global Crypto Adoption Index](#). ³Elliptic data as of 3/4/22. ⁴CNBC, [Ukrainian Central Bank Suspends Electronic Cash Transfers ...](#), (Feb 24, 2022). ⁵CoinCodeCap, [Danish Reporters in Ukraine Buy Used Car with Bitcoin](#), (Feb 26, 2022). ⁶Bloomberg, [U.S. Prods Exchanges to Thwart Crypto Use by Sanctioned Russians](#), (Feb 28, 2022). ⁷NYDIG data as of 3/4/22.

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