

Around the block

Monthly cryptocurrency and blockchain related highlights from the Truist Investment Advisory Group

June 2, 2022

Off the block

- Arguably the most notable event in crypto this month was the collapse of the TerraUSD stablecoin, which added to the volatility of digital assets. Our recent [Portfolio Perspective](#) commentary has more detail on TerraUSD.
- The collapse of TerraUSD (UST) generated heightened regulatory interest. The Federal Reserve (Fed) released a new paper titled: *Retail CBDC and U.S. Monetary Policy Implementation: A Stylized Balance Sheet Analysis*. It examines the potential monetary policy impact of a retail CBDC (central bank digital currency) on the Fed, commercial banks, and U.S. households.
- The U.S. has become the world leader in bitcoin mining as its global share has increased from 3.4% in early 2020 to roughly 37.8% today. After China’s mining “ban” in 2021, its global mining share fell from its peak of over 70% to an official 0% in a few months. Some undetected mining likely continues.
- The relatively inexpensive energy costs have led to this seismic shift towards U.S. mining activity, where the state of Georgia holds a commanding lead of 31% mining share.

Investing in speculative investments, like those related to cryptocurrency, involves a high degree of risk and is not suitable for all investors.



Industry developments

- Software company and prominent bitcoin holder, MicroStrategy’s (MSTR), market capitalization is now \$2.9 billion versus the value of its bitcoin holdings of \$4.1 billion.
- FTX, a large crypto trading exchange, is reportedly in partnership talks with large financial institutions to further integrate crypto derivatives in traditional markets.

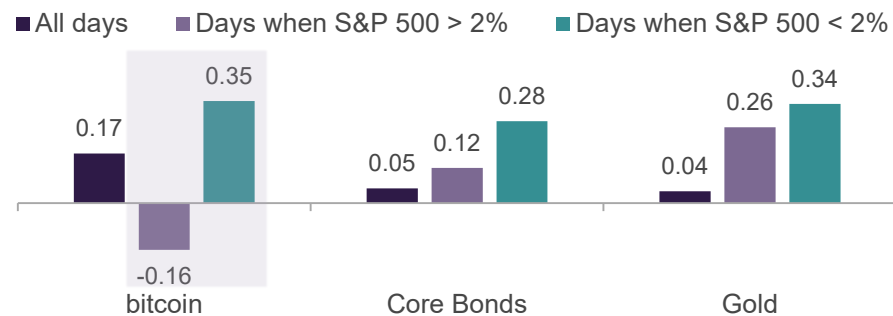
Regulatory developments

- Senators Lummis (R) and Gillibrand (D) announced their bi-partisan digital asset legislation bill will be released on June 7 providing jurisdictional clarity.
- Republican senators introduced draft legislation prohibiting app store transactions conducted in China’s digital yuan.

Chart of the month – bitcoin not a diversifier on down days

It is not uncommon to see assets become more correlated and diversification benefits diminish during volatile periods. Bitcoin in particular exhibits negative correlation during days when the S&P 500 is up 2% or more; yet the correlation spikes when the S&P 500 declines by 2% or more. This refutes the case for bitcoin as a diversifying asset in times of stress while furthering its case as a risk asset.

Correlations with S&P 500



Data sources: Truist IAG, FactSet, CoinMetrics; Based on daily returns (May 2017 - April 2022)

Investment and Insurance Products:

- Are Not FDIC or any other Government Agency Insured
- Are Not Bank Guaranteed
- May Lose Value

Wealth

Performance monitor (5/31/22)

Crypto and traditional indices

Bitcoin/Ethereum	Composition	1 Mo	YTD	1 Yr
CMBI Bitcoin		-17.5%	-31.1%	-13.8%
CMBI Ethereum		-30.4%	-46.6%	-25.3%
CMBI Btc/Eth		-22.3%	-37.1%	-18.0%
Diversified Baskets				
CMBI 10 Cap Wgt	cap w eight	-24.4%	-43.0%	-27.4%
CMBI 10 Even Wgt	equal w eight	-39.0%	-57.4%	-50.8%
CMBI ex-bitcoin	CMBI 10 - BTC	-32.5%	-54.7%	-40.9%
MVIS CryptoCompare DA 10	30% coin cap	-29.9%	-48.4%	-35.3%
MVIS CryptoCompare DA 25	20% coin cap	-32.9%	-55.2%	-41.9%
MVIS Sector Leaders				
Smart Contracts		-41.9%	-62.1%	-44.9%
DeFi		-22.9%	-62.8%	-74.8%
Media and Entertainment		-45.1%	-76.9%	-56.4%
Infrastructure		-42.5%	-71.0%	-75.8%
Equities				
NYSE Factset Global Blockchain	digital equities	-19.3%	-56.3%	-58.7%
MVIS Global Digital Assets Equity	digital equities	-26.5%	-60.3%	-68.3%
S&P 500		0.2%	-12.8%	-0.3%
MSCI World ex USA		0.8%	-10.3%	-9.0%
MSCI EM		0.4%	-11.8%	-19.8%
Fixed Income				
Bloomberg US Agg Bond		0.6%	-8.9%	-8.2%
Bloomberg US Treasury US TIPS		-1.0%	-5.9%	-1.4%
Commodities				
Bloomberg Commodity		1.5%	32.7%	41.9%
SPDR® Gold Shares		-3.8%	0.9%	-3.6%

Data sources: Truist IAG, Morningstar, Coin Metrics, Messari
See disclosures for more on index definitions and methodology.



Crypto assets month in review

May extended the ongoing crypto bear market with broad-based indices all down double digits. Continued volatility in public equity markets, hawkish Federal Reserve policy, mixed macroeconomic data and limited regulatory progress fueled the drawdown across all crypto sectors.

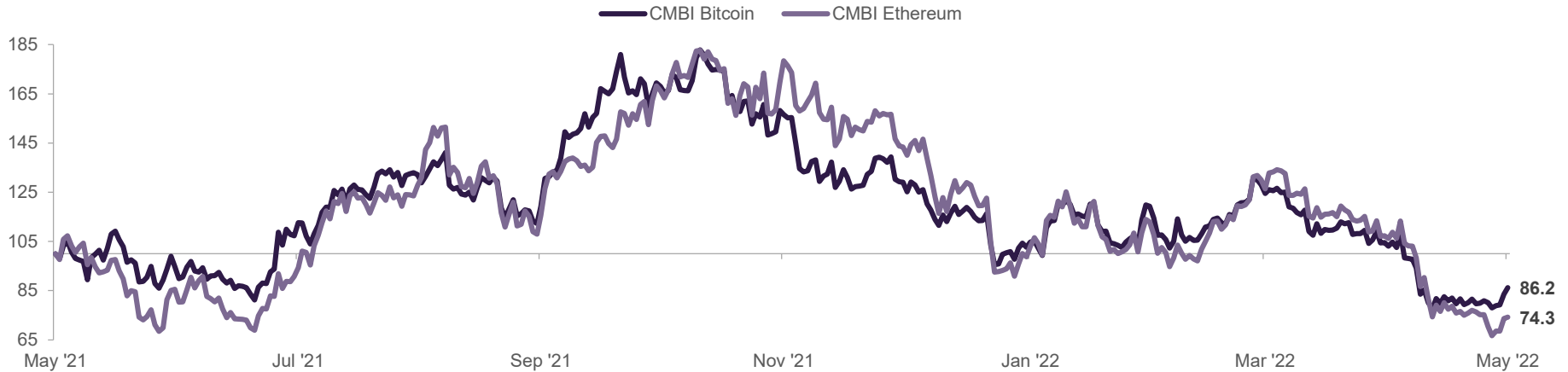
Additionally, the collapse of the Terra blockchain protocol impacted other stablecoins including Tether (USDT), the largest stablecoin by market capitalization, which temporarily lost its \$1 peg causing investors to shift nearly \$10 billion in assets to coins such as the USDC stablecoin. Stablecoin regulations remain a top Washington priority.

Notable callouts for the month:

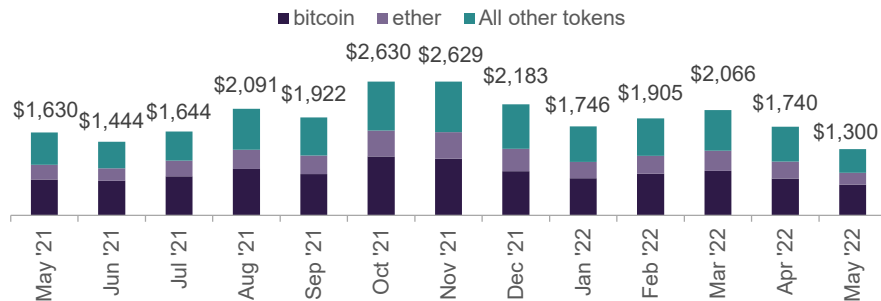
- Bitcoin’s dominance spiked from roughly 41% of the entire digital asset ecosystem, pre-Terra collapse, to its 49% dominant position today performing relatively better than many other coins/tokens.
- Among diversified baskets, particular weakness was observed in the CMBI (Coin Metrics Bletchley Indices) even-weighted segment due to its heavier weighting towards smaller, more volatile tokens.
- The decentralized finance (DeFi) sector held up relatively better than other sectors and was led by decentralized lending protocols Maker and Aave.

Cryptocurrency ecosystem snapshot as of 5/31/22

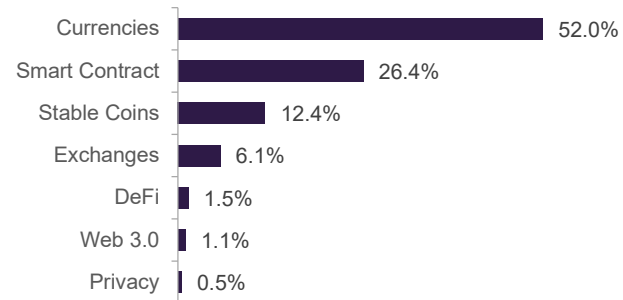
Bitcoin and ether 1-year indexed returns (5/31/2022)



Cryptocurrency aggregate market cap (billions) with bitcoin and ethereum dominance



Cryptocurrency ecosystem sector composition

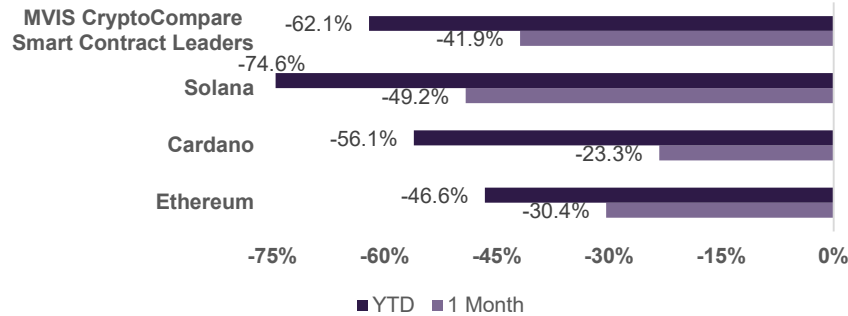


Data sources: Truist IAG, CoinMetrics, Messari

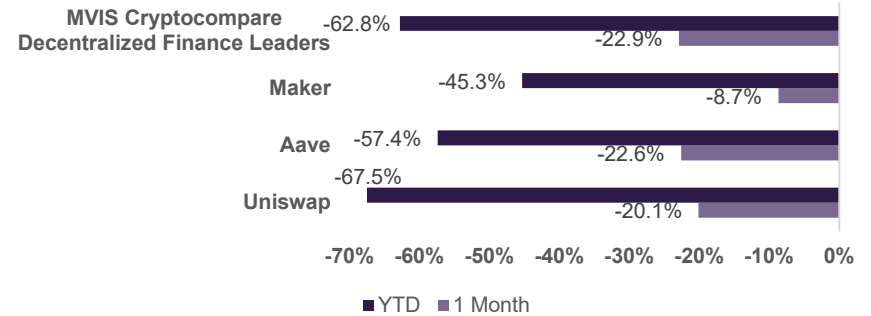
Key crypto sectors 5/31/22

Differentiating between crypto sectors provides industry perspective similar to sectors within the S&P 500.

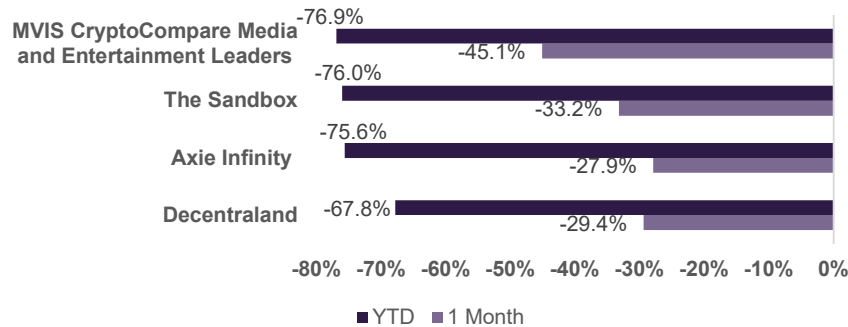
Smart contract index and top 3 tokens



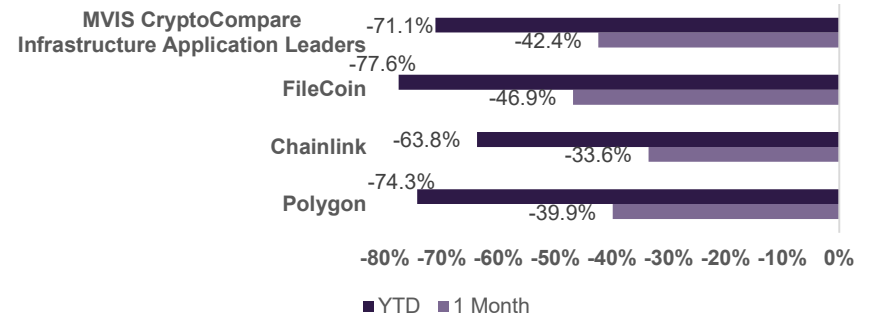
DeFi index and top 3 tokens



Metaverse index and top 3 tokens



Infrastructure index and top 3 tokens



Data sources: Truist IAG, MVIS CryptoCompare, Messari, Morningstar. Data as of 05/31/22.

See disclosures for more on index definitions and methodology.

May 2022 top 25 tokens by market cap

Top 25 cryptocurrencies and top five stablecoins:
93% of total crypto market cap

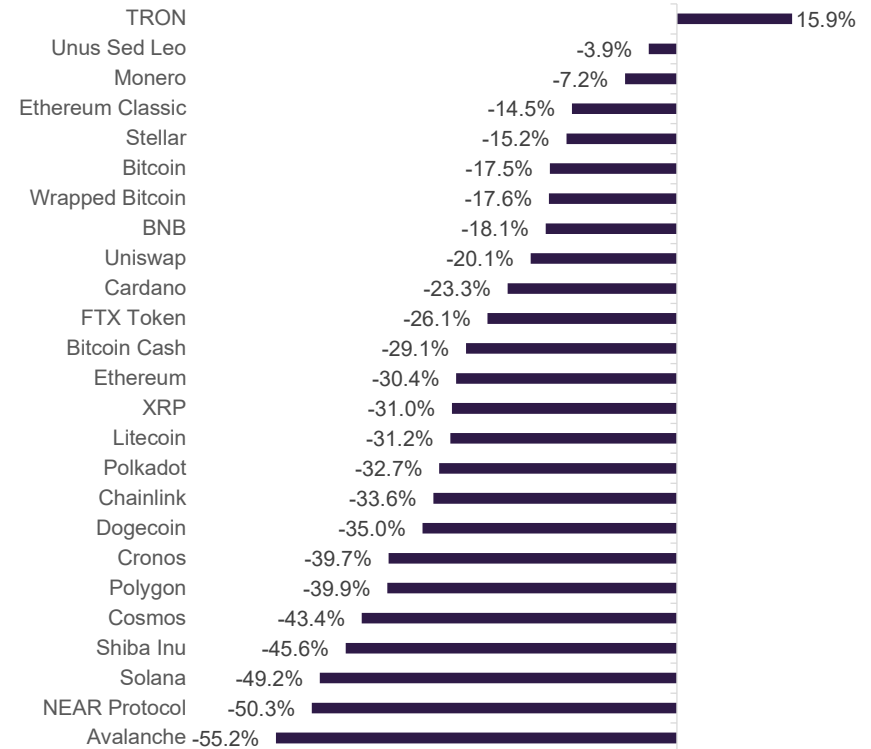
Rank	Name	Symbol	Sector	Mkt Cap (\$billions)	Mkt Cap Dominance	Cumulative Mkt Cap Dominance
1	Bitcoin	BTC	Currencies	\$ 603.6	46.6%	46.6%
2	Ethereum	ETH	Smart Contract Platforms	\$ 235.1	18.2%	64.8%
3	BNB	BNB	Centralized Exchanges	\$ 52.0	4.0%	68.8%
4	Cardano	ADA	Smart Contract Platforms	\$ 20.4	1.6%	70.4%
5	XRP	XRP	Currencies	\$ 20.3	1.6%	72.0%
6	Solana	SOL	Smart Contract Platforms	\$ 15.4	1.2%	73.2%
7	Dogecoin	DOGE	Currencies	\$ 11.4	0.9%	74.0%
8	Polkadot	DOT	Smart Contract Platforms	\$ 10.1	0.8%	74.8%
9	Wrapped Bitcoin	WBTC		\$ 8.7	0.7%	75.5%
10	TRON	TRX	Smart Contract Platforms	\$ 7.7	0.6%	76.1%
11	Avalanche	AVAX	Smart Contract Platforms	\$ 7.1	0.6%	76.6%
12	Shiba Inu	SHIB		\$ 6.4	0.5%	77.1%
13	Polygon	MATIC	Scaling	\$ 5.2	0.4%	77.5%
14	Unus Sed Leo	LEO	Centralized Exchanges	\$ 5.1	0.4%	77.9%
15	Litecoin	LTC	Currencies	\$ 4.8	0.4%	78.3%
16	Cronos	CRO	Payment Platforms	\$ 4.8	0.4%	78.7%
17	NEAR Protocol	NEAR	Smart Contract Platforms	\$ 4.1	0.3%	79.0%
18	Uniswap	UNI	Decentralized Exchanges	\$ 4.1	0.3%	79.3%
19	FTX Token	FTT	Centralized Exchanges	\$ 3.9	0.3%	79.6%
20	Bitcoin Cash	BCH	Currencies	\$ 3.8	0.3%	79.9%
21	Stellar	XLM	Currencies	\$ 3.7	0.3%	80.2%
22	Monero	XMR	Currencies	\$ 3.6	0.3%	80.5%
23	Chainlink	LINK	Data Management	\$ 3.5	0.3%	80.7%
24	Ethereum Classic	ETC	Smart Contract Platforms	\$ 3.2	0.2%	81.0%
25	Cosmos	ATOM	Smart Contract Platforms	\$ 2.9	0.2%	81.2%

Top 5 Stablecoins

Tether	USDT	Stablecoins	\$ 72.5	5.6%	5.6%
USD Coin	USDC	Stablecoins	\$ 53.8	4.2%	9.8%
Binance USD	BUSD	Stablecoins	\$ 18.0	1.4%	11.1%
Dai	DAI	Stablecoins	\$ 6.7	0.5%	11.7%
FRAX	FRAX	Stablecoins	\$ 1.4	0.1%	11.8%

Top 25 May 2022 Performance Rankings

Top 25 Tokens MTD Returns (5/31/22)



Data sources: Truist IAG, Messari

Digital glossary

Digital technologies

Cryptocurrency refers to cryptographic currencies like bitcoin and alternative coins or 'altcoins', launched after the success of bitcoin. This category of digital assets is designed to work as a medium of exchange, store of value, or to power applications.

Token is a subset of cryptocurrencies. Tokens are units of value issued by platforms built on top of existing blockchains.

Bitcoin was the first system of global, decentralized, scarce, digital money as initially introduced in a white paper titled Bitcoin: A Peer-to-Peer Electronic Cash System by Satoshi Nakamoto.

Ethereum is a decentralized, public blockchain network that supports composable smart contracts which can support decentralized applications as well as peer-to-peer transfers. "ether" is the native cryptocurrency of the Ethereum network.

Stablecoins are the tokens designed to track the value of an off-chain asset, such as a fiat money or exchange traded commodity, most commonly U.S. dollars.

Smart contract is a software, typically carried on a decentralized public blockchain, that can execute or enforce pre-determined actions or agreements without the intervention of a centralized intermediary.

DeFi means decentralized finance; a peer-to-peer software-based network of protocols that can be used to facilitate traditional financial services like borrowing, lending, trading derivatives, insurance and more through non-custodial smart contracts carried on public blockchain networks.

NFT means non-fungible tokens. For example, money (or a single unit of bitcoin) is fungible—each one unit is considered equal to any other unit of identical size. Conversely, artwork is not fungible—no two paintings are identical. Non-fungible tokens represent unique digital property, whether a collectible, artwork, intellectual property, or something else.

Metaverse is a network of 3D virtual worlds focused on social connection. This can include virtual reality, augmented reality, and the digital economy.

Central Bank Digital Currency (CBDC) is a digital version of a government-issued fiat currency that's managed by a central bank.

Web 3.0 is the third generation of the internet where technologies such as machine learning, decentralized ledgers, and artificial intelligence allow for a transparent environment that does not rely on central entities to manage and distribute content.

Data sources: Truist IAG, Galaxy Digital

Digital glossary

Digital technology concepts

Digital asset is any digital asset built using blockchain technology, including cryptocurrencies, stablecoins, non-fungible digital collectibles (NFTs) and security tokens.

Exchanges are platforms where you can buy and sell cryptocurrencies. Notable exchanges include Coinbase and Binance.

Decentralization is the process of removing intermediaries in a process and pushing power over a system out to the edges of the system, or to the users as a collective.

Public ledger is a transparent, distributed digital record of transactions that can be downloaded by anyone around the world.

Blockchain means a cryptographically secure digital ledger that maintains a record of all transactions that occur on the network and follows a consensus protocol for confirming new blocks to be added to the blockchain.

Block is a batch of confirmed transactions on the digital ledger. Blocks are added to an existing blockchain as transactions occur on the network. Miners are rewarded for “mining” a new block and sometimes awarded a token.

Mining is the process by which new blocks are created, and thus new transactions are added to the blockchain. The term “miner” typically refers to an entity that participates in block production on a Proof of Work network, whereas “validator” typically refers to an entity that participates in block production on a Proof of Stake network.

Double spend means the act of spending the same coin twice. If money can be double spent, it cannot function properly as it loses its scarcity and counterparties cannot trust that they alone have received payment. Solving the double-spend problem without the use of a central intermediary had never been accomplished until Bitcoin.

Address is a payment instruction for a digital asset. When receiving a payment, the recipient communicates their address to the payer, and the payer can send funds to that address.

Wallet is a tool that stores public and private keys and enables the user to use those keys to interact with a blockchain network. Wallets can be software, hardware, or physical (paper, metal, etc.).

Cold storage means the storage of private keys in any fashion that is disconnected from the internet. Common cold storage examples include offline computers, USB drives, or paper records.

Private key in asymmetric cryptography is a piece of data held in secret by an entity. It is used to compute digital signatures upon other data that can be verified by a third-party cheaply simply by knowing the public key.

Public keys are used with digital signatures to validate that the holder of a cryptocurrency coin did legitimately authorize the transfer of that coin to a new address or entity.

Fork is an event in open source software development when part of a community breaks away by making changes to the software.

Data sources: Truist IAG, Galaxy Digital

Disclosures

Advisory managed account programs entail risks, including possible loss of principal and may not be suitable for all investors. Please speak to your advisor to request a firm brochure which includes program details, including risks, fees and expenses.

Truist Wealth is a name used by Truist Financial Corporation. Banking products and services, including loans, deposit accounts, trust and investment management services provided by Truist Bank, Member FDIC. Securities, brokerage accounts, insurance/annuities offered by Truist Investment Services, Inc. member FINRA, SIPC, and a licensed insurance agency where applicable. Life insurance products offered by referral to Truist Insurance Holdings, Inc. and affiliates. Investment advisory services offered by Truist Advisory Services, Inc., Sterling Capital Management, LLC, and affiliated SEC registered investment advisers. Sterling Capital Funds advised by Sterling Capital Management, LLC.

While this information is believed to be accurate, Truist Financial Corporation, including its affiliates, does not guarantee the accuracy, completeness or timeliness of, or otherwise endorse these analyses or market data.

The opinions and information contained herein have been obtained or derived from sources believed to be reliable, but Truist Financial Corporation makes no representation or guarantee as to their timeliness, accuracy or completeness or for their fitness for any particular purpose. The information contained herein does not purport to be a complete analysis of any security, company, or industry involved. This material is not to be construed as an offer to sell or a solicitation of an offer to buy any security.

Opinions and information expressed herein are subject to change without notice. TIS and/or its affiliates, including your Advisor, may have issued materials that are inconsistent with or may reach different conclusions than those represented in this commentary, and all opinions and information are believed to be reflective of judgments and opinions as of the date that material was originally published. TIS is under no obligation to ensure that other materials are brought to the attention of any recipient of this commentary.

Comments regarding tax implications are informational only. Truist and its representatives do not provide tax or legal advice. You should consult your individual tax or legal professional before taking any action that may have tax or legal consequences.

Investments involve risk and an investor may incur either profits or losses. Past performance should not be taken as an indication or guarantee of future performance.

TIS/TAS shall accept no liability for any loss arising from the use of this material, nor shall TIS/TAS treat any recipient of this material as a customer or client simply by virtue of the receipt of this material.

The information herein is for persons residing in the United States of America only and is not intended for any person in any other jurisdiction.

The information contained in this material is produced and copyrighted by Truist Financial Corporation and any unauthorized use, duplication, redistribution or disclosure is prohibited by law.

TIS/TAS's officers, employees, agents and/or affiliates may have positions in securities, options, rights, or warrants mentioned or discussed in this material.

Nothing in the commentary shall be considered a solicitation to buy or an offer to sell a security, or any other product or service, to any person in any jurisdiction where such offer, solicitation, purchase or sale would be unlawful under the laws of such jurisdiction. Please note that it is not possible to invest directly into an index.

Neither MV Index Solutions GmbH nor any of its licensors makes any warranties or representations, express or implied, to the user with respect of any of the data contained herein. The data is provided for informational purposes only, and the Company shall not be responsible or liable for the accuracy, usefulness or availability of any information transmitted or made available through it. The MVIS® indices are protected through various intellectual property rights and unfair competition and misappropriation laws. In particular, Van Eck Associates Corporation has registered the 'MVIS' trademark. You require a license to launch any product whose performance is linked to the value of a particular MVIS® index and for all use of the MVIS® name or name of the MVIS® index in the marketing of the product.

Disclosures

Investments into crypto currencies and/or digital assets are subject to material and high risk including the risk of total loss. The calculated prices may not be achieved by investors as the calculated price is based on prices from different trading platforms. Furthermore, an investment into crypto currencies and/or digital assets may become illiquid depending on the trading platform or investment product used for the specific investment. Investors should carefully review all risk factors disclosed by the relevant trading platform or in the product documents of relevant investment products.

Asset classes are represented by the following indexes. An investment cannot be made directly into an index.

U.S. Large Cap Equity is represented by the S&P 500 Index which is an unmanaged index comprised of 500 widely-held securities considered to be representative of the stock market in general.

Emerging Markets is represented by the MSCI Emerging Markets Index captures large and mid cap representation across 24 Emerging Markets (EM) countries. With 1,125 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

The MSCI World ex USA Index captures large and mid cap representation across 22 of 23 Developed Markets (DM) countries--excluding the United States. With 910 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

U.S. Core Taxable Bonds are represented by the Bloomberg U.S. Aggregate Bond Index is a broad-based flagship benchmark that measures the investment grade, U.S. dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, MBS (agency fixed-rate and hybrid ARM pass-throughs), ABS and CMBS (agency and non-agency).

The Bloomberg Barclays US Treasury Inflation-Linked Bond Index measures the performance of the US Treasury Inflation Protected Securities (TIPS) market. Federal Reserve holdings of US TIPS are excluded from the index.

Commodities are represented by the Bloomberg Commodity Index which is a composition of futures contracts on physical commodities. It currently includes a diversified mix of commodities in five sectors including energy, agriculture, industrial metals, precious metals and livestock. The weightings of the commodities are calculated in accordance with rules that ensure that the relative proportion of each of the underlying individual commodities reflects its global economic significance and market liquidity.

The Coin Metrics Bletchley Index **(CMBI) Bitcoin** is a cryptoasset benchmark designed to measure the performance an investor would expect from purchasing and holding Bitcoin. The benchmark represents a market aggregate USD value for Bitcoin. It aggregates data from the major global BTC/USD markets that conform to the Coin Metrics Market Selection Framework.

The Coin Metrics Bletchley Index **(CMBI) Ethereum** is a cryptoasset benchmark designed to measure the performance an investor would expect from purchasing and holding Ether. The benchmark represents a market aggregate USD value for Ether. It aggregates data from the major global ETH/USD markets that conform to the Coin Metrics Market Selection Framework.

The Coin Metrics Bletchley Index **(CMBI) Bitcoin and Ethereum** is a cryptoasset benchmark designed to measure the performance of a portfolio of Bitcoin and Ethereum, weighted by their free float market capitalization. It aggregates data from the major global BTC/USD and ETH/USD markets that conform to the Coin Metrics Market Selection Framework.

The **CMBI 10** is designed to measure the performance an investor would expect from investing in a diversified basket of crypto assets, weighted by their free float market capitalization. The 10 largest crypto assets, defined by an asset's expected 10 year future market capitalization, are selected as the index constituents.

The **CMBI 10 Even** offers an alternative to the CMBI 10 market cap weighted indexes. Even weighting strategies reflect the performance an investor would expect from investing an equal amount in a diversified basket of the largest crypto assets. Equal weighting is one of the oldest and best known methods of factor investing and aims to overcome weighting concentrating an index too heavily in a few large assets.

Disclosures

The **CMBI 10 Excluding Bitcoin** is designed to measure the performance an investor would expect from investing in a diversified basket of the largest non-Bitcoin crypto assets, weighted by their free float market capitalization. As Bitcoin is often an investor's first exposure to crypto assets, the CMBI10EX was designed to provide a simple mechanism to diversify into other large cap crypto assets. The same constituents as the CMBI10, with the exception of Bitcoin, are selected as the index constituents.

The MVIS CryptoCompare Smart Contract Leaders Index is designed to track the performance of the largest and most liquid smart contract assets, and is an investable subset of MVIS CryptoCompare Smart Contract Index.

The MVIS CryptoCompare Decentralized Finance Leaders Index is designed to track the performance of the largest and most liquid decentralized finance assets, and is an investable subset of MVIS CryptoCompare Decentralized Finance Index.

The MVIS CryptoCompare Media and Entertainment Leaders Index is designed to track the performance of the largest and most liquid media & entertainment assets, and is an investable subset of MVIS CryptoCompare Media & Entertainment Index.

The MVIS CryptoCompare Infrastructure Application Leaders Index is designed to track the performance of the largest and most liquid infrastructure application assets, and is an investable subset of MVIS CryptoCompare Infrastructure Application Index.

The MVIS Global Digital Assets Equity Index tracks the performance of the largest and most liquid companies in the digital assets industry. This is a modified market cap-weighted index, and only includes companies that generate at least 50% of their revenue from digital asset services and products, such as exchanges, payment gateways, mining operations, software services, equipment and technology, digital asset infrastructure, or the facilitation of commerce with the use of digital assets. MVDAPP covers at least 90% of the investable universe.

© 2022 Truist Financial Corporation. Truist, the Truist logo and Truist purple are service marks of Truist Financial Corporation

CN2022-4694982.X EXP 06-2023