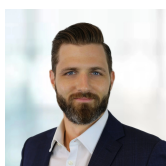


MONDAY'S STRATEGY FILING COULD PROVIDE A PATH TOWARD A TACTICAL LOW, BROADER RISK MARKETS FINALLY SHOW SIGNS OF STRESS



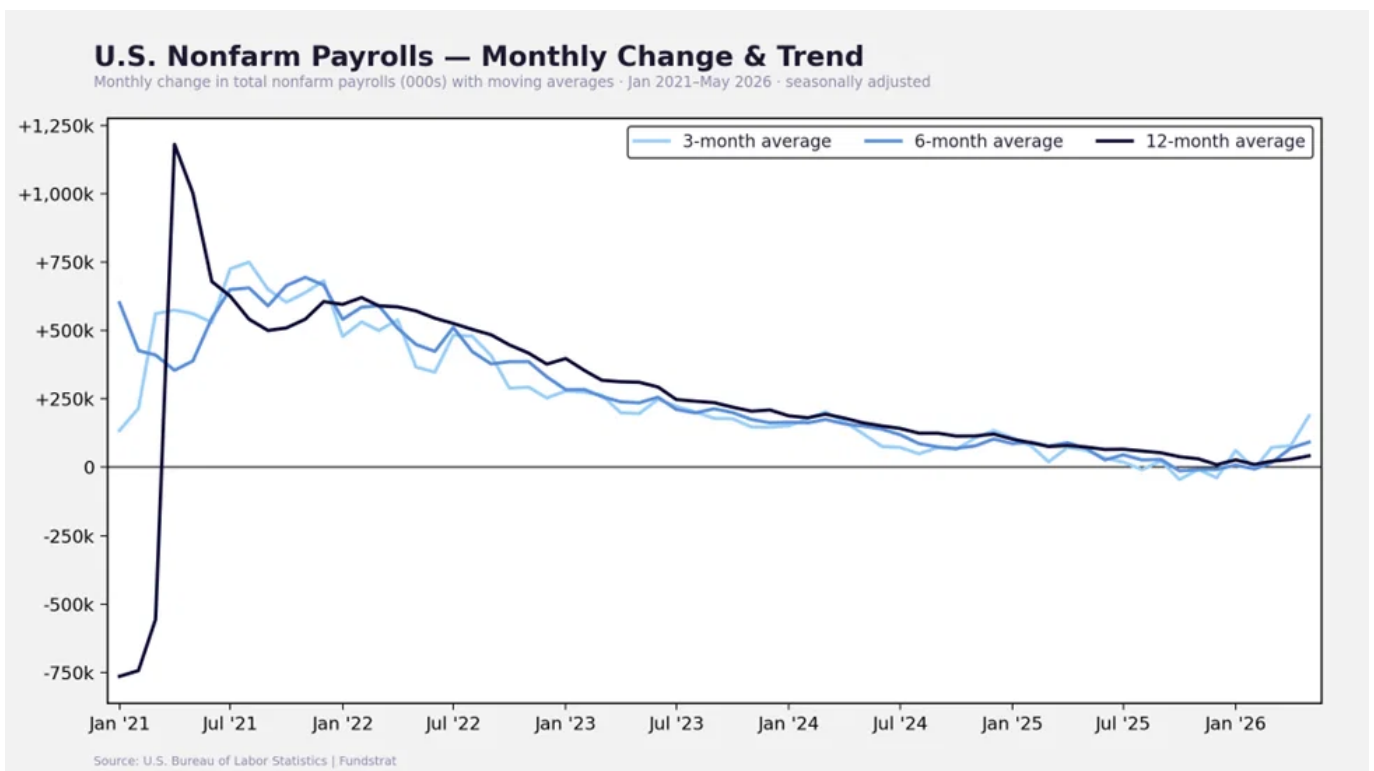
Sean Farrell ^{AC}

HEAD OF DIGITAL ASSET STRATEGY

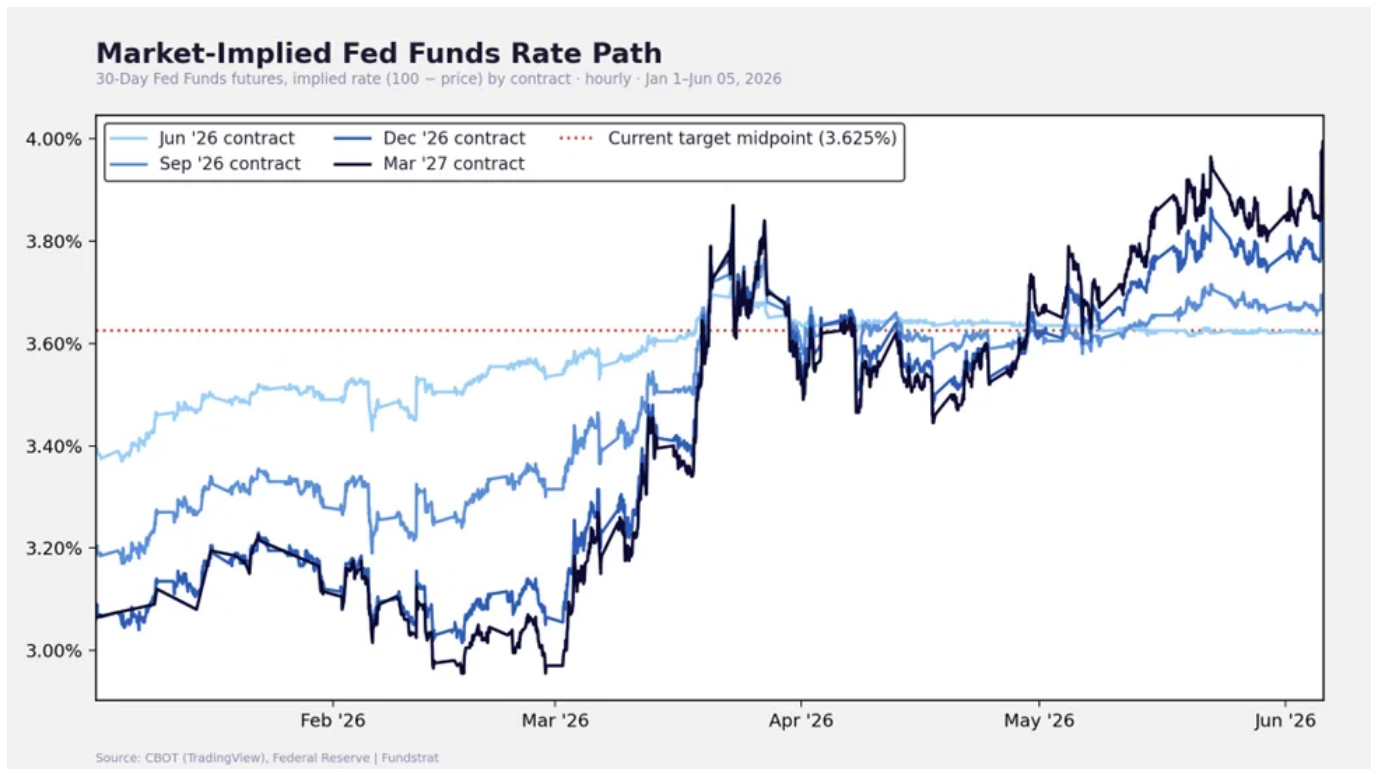


- **Crypto Selloff Continues as Other Risk Assets Finally Join the Decline:** Crypto remained under pressure today. Unlike earlier in the week, however, today's weakness was not isolated to crypto. Technology stocks also sold off sharply following stronger-than-expected labor market data, with broader risk assets finally beginning to consolidate.

- **Jobs Report Reinforces Hawkish Rate Expectations:** Nonfarm payrolls came in meaningfully above expectations, pushing both 3-month and 6-month employment trends higher. Combined with recent inflation data, the report complicates the outlook for a Warsh-led Fed and increases the likelihood of continued hawkish rhetoric. While actual rate hikes remain unlikely in my view, markets continue to price a more restrictive policy path. Fed Funds futures now imply a non-zero probability of hikes by September, which remains a headwind for liquidity-sensitive assets.



Source: BLS, Fundstrat



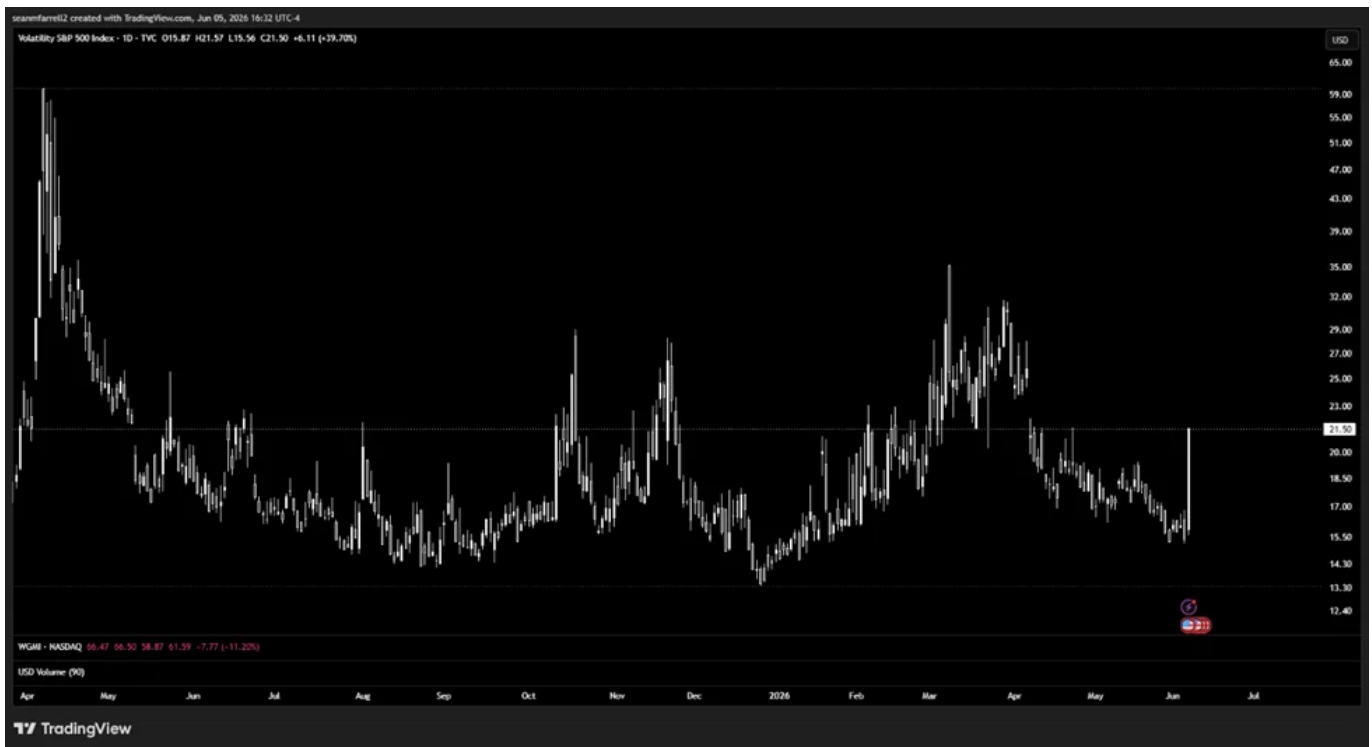
Source: TradingView, Fundstrat

- **Capitulation Signals Continue to Build, But Remain Mixed:** One notable development is that forced deleveraging across perpetual futures markets has now reached levels comparable to the October drawdown on a weekly basis. This suggests meaningful leverage has been flushed from the system. At the same time, the character of the selloff remains different from prior capitulatory events. We have yet to see the type of violent downside wick, volatility spike, or volume surge that has historically accompanied many durable, tradable lows. While signs of capitulation are certainly emerging, the evidence remains less conclusive than what we observed during February's selloff.



Source: velo.xyz

- **Risk Backdrop Counterintuitively Becoming More Favorable:** One of the reservations I highlighted yesterday was the lack of broader market stress. Prior crypto washouts in October, November, and February occurred with the VIX above 20. Yesterday's selloff occurred with the VIX below 16. Today, however, the VIX closed above 21 as fear finally began to spread beyond crypto and into broader risk markets. While uncomfortable in the near term, this may actually improve the setup for crypto if broader positioning becomes less complacent and some fear is priced into equities.



- **Strategy Remains the Most Important Variable:** Despite growing signs of stress elsewhere, STRC remains the key issue. The preferred traded as low as ~90.5 before recovering modestly into the close, but remains well below par. In my view, the market remains focused on reserve coverage and Strategy's ability to continue supporting the preferred structure. Monday's filing is therefore shaping up to be one of the most important catalysts for crypto markets in recent months. If Strategy demonstrates meaningful common stock issuance and/or BTC sales, replenishes the USD reserve, and extends dividend coverage materially, it could go a long way toward restoring confidence in both STRC and BTC demand expectations.



- **Still Cautious on Miners Despite the Drawdown:** While the mining complex has already experienced significant weakness, I remain cautious about becoming overly aggressive. The AI complex is showing signs of fatigue, Broadcom's earnings disappointed relative to elevated expectations, and equal-weight equities continue to outperform market-cap-weighted indices, suggesting some degree of rotation may be underway. Given the increasing correlation between miners and AI infrastructure names, I continue to believe the group may face additional consolidation before offering a more compelling entry point.
- **Bottom Line:** Capitulation signals are becoming more convincing, broader risk markets are finally showing signs of stress, and Monday's Strategy filing could provide a path toward a tactical low. However, until we have more clarity around STRC and reserve dynamics, I continue to favor patience over heroically stepping in front of the selloff. If Strategy delivers a strong filing Monday morning, the resulting bounce could be significant. If not, the market may need additional time to find its footing.

Tickers in this video: #BTC #HYPE \$STRC \$MSTR

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