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Digital Assets - Comments

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MINER SELLOFF LOOKS INCREASINGLY EXHAUSTED, TRUMP'S CLARITY MEETING COULD DRIVE HEADLINE RISK

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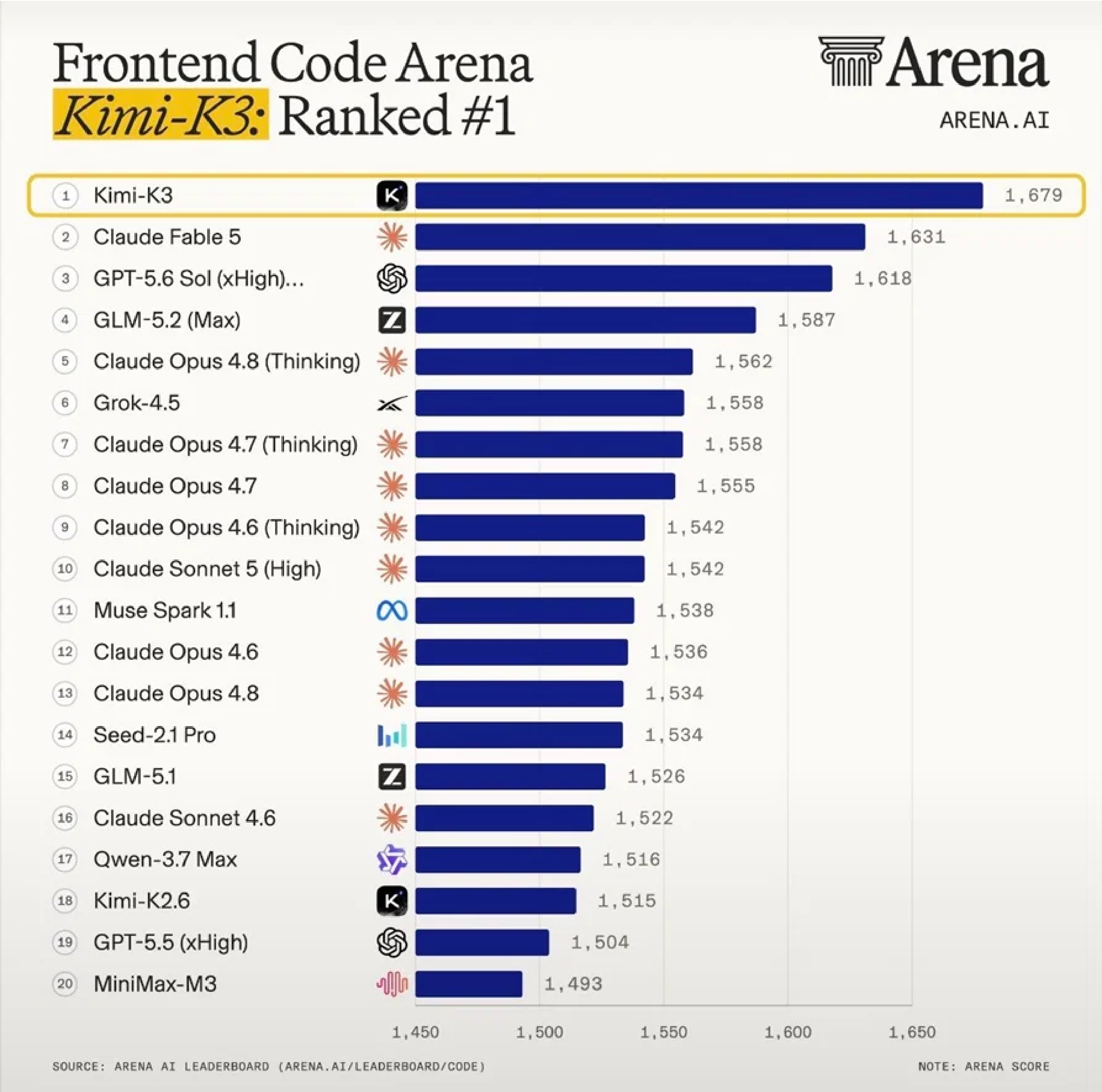
The AI Complex Faces Another Efficiency Scare

The biggest development today was the accelerating selloff across AI infrastructure beneficiaries, including the miners held within our crypto equities portfolio. While the broader rotation out of AI CapEx receivers has been underway for several weeks, today's move was likely catalyzed by Chinese AI startup Moonshot releasing its new open-weight model, Kimi K3. Ahead of launch, the model was expected to outperform Claude Opus 4.8. Early benchmark results have been even stronger, with certain rankings placing it ahead of Fable and GPT-5.6.



Source: Arena.ai

The market's concern is not simply that another capable model has emerged, but rather that it appears to have achieved those results with meaningfully greater efficiency. Moonshot claims K3 delivers roughly a 2.5x improvement in scaling efficiency versus its prior generation. If models require less compute to achieve comparable intelligence, investors naturally begin questioning how much incremental spending hyperscalers ultimately need to make on GPUs, networking, power infrastructure, and data centers. That concern was reflected across the entire AI CapEx receiver complex today.

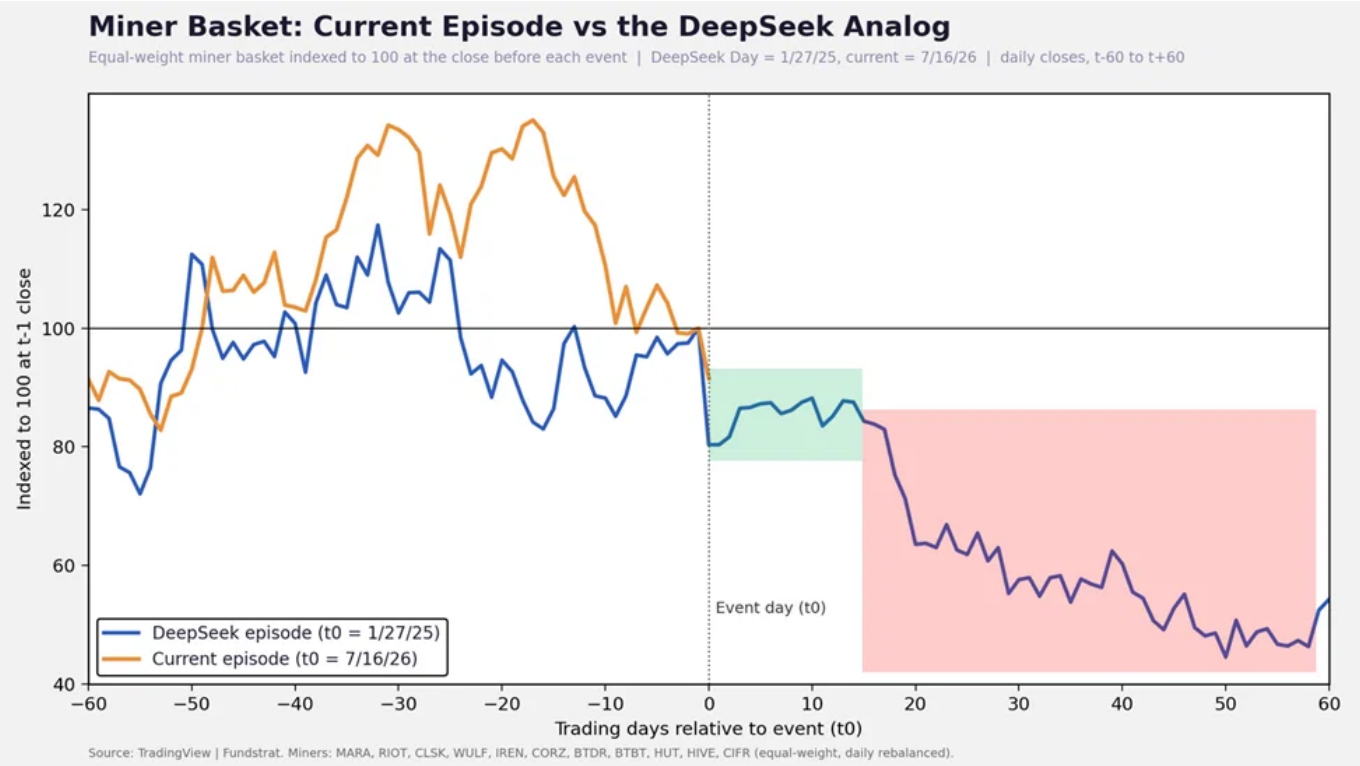
> Kimi K3 is built on Kimi Delta Attention (KDA) and Attention Residuals (AttnRes), two architectural updates designed to improve how information flows across sequence length and model depth. We have also scaled up Mixture of Experts (MoE) sparsity, effectively activating 16 out of 896 experts when paired with a Stable LatentMoE framework. Together with refined training and data recipes, these structural changes yield an approximate 2.5× improvement in overall scaling efficiency compared to Kimi K2, allowing the model to convert compute into intelligence more effectively.

Source: Moonshot

We've Seen This Movie Before

That said, I think investors should be careful about extrapolating today's reaction too far. We've seen a remarkably similar setup before.

When DeepSeek released its highly efficient open-weight model in January 2025, AI infrastructure beneficiaries sold off sharply as investors questioned whether improving model efficiency would structurally reduce demand for AI hardware. However, those stocks subsequently staged a violent tactical rebound before eventually rolling over several weeks later. Importantly, I think that later weakness was driven primarily by the broader tariff-induced macro selloff rather than the DeepSeek announcement itself. In other words, the market's initial reaction to greater AI efficiency ultimately proved much more severe than the underlying fundamentals justified.

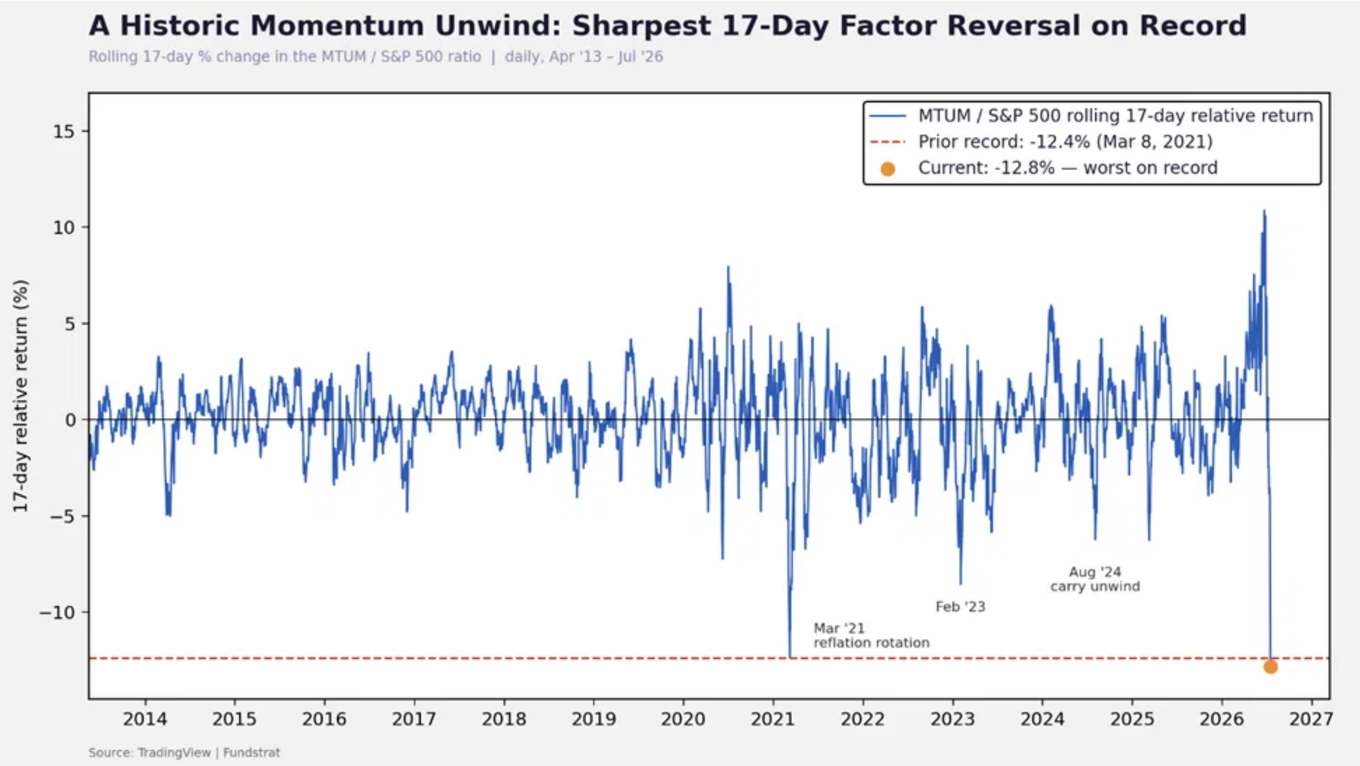


My base case remains that improving model efficiency ultimately expands, rather than contracts, aggregate demand for compute. Lower inference costs reduce the cost of intelligence, allowing entirely new applications to become economically viable. As I often describe it, when you expand the number of lanes on a highway, more traffic eventually shows up. While efficiency gains may reduce compute requirements for any individual task, they also broaden adoption and create new sources of demand that can ultimately offset much of those savings.

That is not to say AI infrastructure spending will continue compounding at today's pace indefinitely. At some point, hyperscaler CapEx growth will almost certainly mature as the market becomes more saturated and returns on incremental investment begin to normalize. The AI CapEx "music" will eventually stop. I simply would not extrapolate today’s news as an indicator of the music stopping.

Positioning Also Suggests the Selloff Is Becoming Exhausted

Beyond the fundamental debate, today's price action also appears consistent with a broader momentum unwind that has been unfolding across the AI complex for several weeks. The rolling 17-day decline in BlackRock's Momentum Factor ETF (relative to SPX) has now surpassed the unwind experienced during March 2021, making it one of the sharpest momentum reversals on record. Historically, these unwinds have generally occurred within broader bull markets and have often been followed by constructive forward returns over the subsequent 1-2 month periods. The lone exception was the tariff-driven correction during early 2025, when macro conditions deteriorated materially.



Credit markets provide another reason for cautious optimism. Despite today's sharp selloff in AI infrastructure equities, neither investment-grade nor high-yield credit spreads widened meaningfully. Because credit markets often deteriorate before equities during periods of genuine financial stress, the relative stability in spreads suggests today's move may have reflected positioning and multiple compression more than a material reassessment of long-term fundamentals.

Source: Bloomberg

Source: Bloomberg

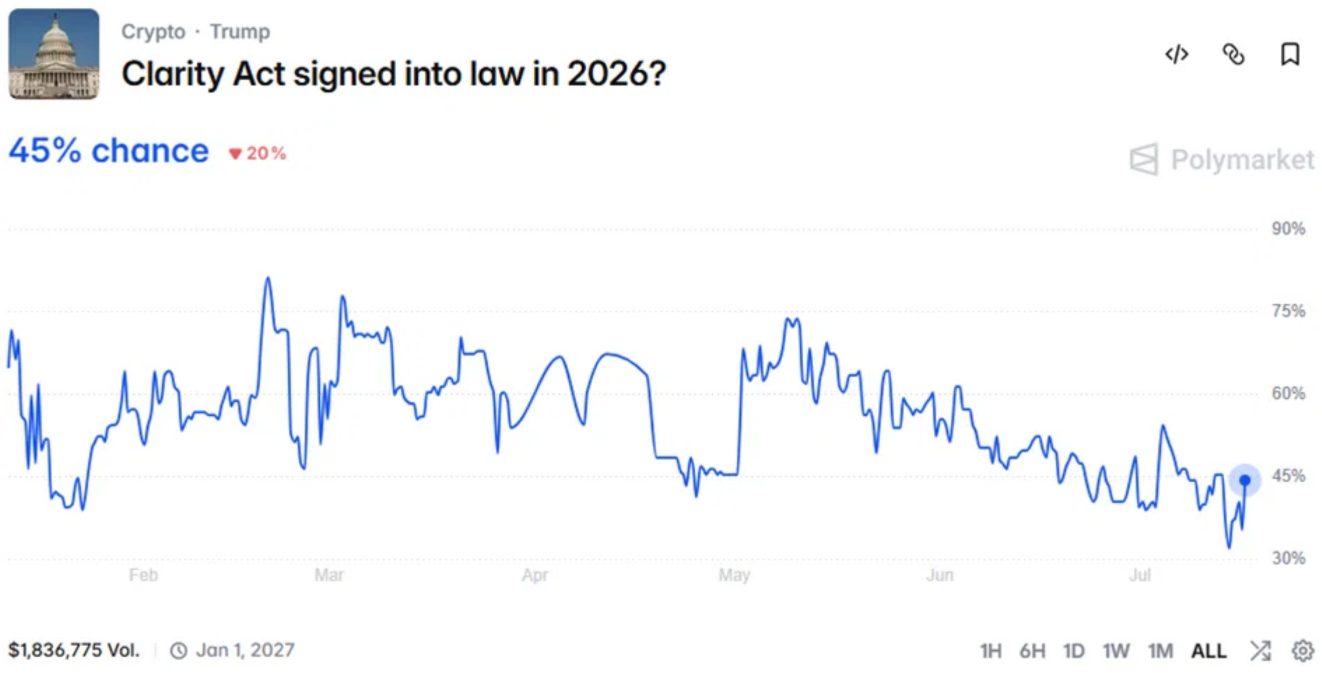
A Tactical Bounce Looks Increasingly Plausible

Taken together, I think the ingredients for a tactical rebound are beginning to come into place. The historical precedent following DeepSeek, an increasingly washed-out momentum backdrop, and resilient credit markets all suggest the recent selloff may be becoming overextended.

That said, I am not yet increasing exposure to the miners. While I think the tactical risk-reward has improved meaningfully, I would still prefer to see evidence that selling pressure is beginning to exhaust itself before becoming more aggressive. For now, I think the appropriate takeaway is to expect a bounce rather than assume today's selloff marks the beginning of a structurally weaker environment for AI infrastructure demand.

Clarity Remains the Primary Crypto Catalyst

Turning back to crypto, President Trump met with several Senators today to discuss the remaining ethics provisions within the Clarity Act, which continue to represent the primary obstacle to passage. Prediction markets responded positively, with implied odds moving from roughly 40% to 45%. While I continue to have reservations about the quality of price discovery in that market, the move is nevertheless directionally encouraging.



My own view remains largely unchanged. I continue to think the probability of passage is slightly better than a coin flip. At this point, the remaining disagreement appears to be political rather than policy-related. If lawmakers can ultimately reach agreement on the ethics language, I think the path toward passage remains intact. President Trump is also scheduled to speak this evening. While the speech is not expected to focus on crypto, it would not surprise me if he referenced today's meeting or highlighted progress on the legislation, which could provide another incremental catalyst for sentiment.

Bottom Line

Today's selloff in AI infrastructure appears to have been driven by a familiar concern. Rapidly improving model efficiency will ultimately reduce demand for compute. History suggests investors should be cautious about drawing that conclusion. Following DeepSeek, the market initially reacted in much the same way before AI infrastructure beneficiaries staged a sharp recovery. While I fully expect the AI infrastructure investment cycle to mature eventually, I do not believe today's announcement marks that inflection point. Instead, I think the combination of an extreme momentum unwind, resilient credit markets, and historical precedent argues for an increasing probability of a tactical bounce.

Within crypto, I continue to view the Clarity Act as the most important near-term catalyst. My base case remains that the odds of legislation passing are slightly better than a coinflip. Taken together, I think that we could see a near-term bounce in miners and the tactical opportunity for crypto is still alive.

Crypto Equities Portfolio - July 16, 2026

Ticker	Date of Latest Rebalance	Weight at Latest Rebalance	Subsector/Theme	Subsector/Theme	Current Price	30-Day Return	90-Day Return	YTD Return
MSTR	7/6/26	1.0%	DAT	BTC	94.03	-23%	-44%	-38%
PURR	7/6/26	4.0%	DAT	HYPE	6.78	-32%	6%	55%
COIN	7/6/26	1.0%	Financial Services	Super App	160.49	-5%	-22%	-29%
HOOD	7/6/26	3.0%	Financial Services	Super App	106.02	10%	17%	-6%
BTGO	7/6/26	2.0%	Financial Services	Infrastructure	4.88	-10%	-56%	-66%
GLXY	7/6/26	4.0%	Financial Services	AI Compute	22.31	-33%	-14%	-0%
CLSK	7/6/26	1.0%	BTC Mining	AI Compute	12.90	-25%	8%	27%
WULF	7/6/26	1.0%	BTC Mining	AI Compute	17.98	-36%	-13%	56%
IREN	7/6/26	1.0%	BTC Mining	AI Compute	34.83	-41%	-28%	-8%
BTDR	7/6/26	1.0%	BTC Mining	AI Compute	11.24	-38%	-13%	0%
HUT	7/6/26	1.0%	BTC Mining	AI Compute	91.91	-24%	23%	100%
HIVE	7/6/26	1.0%	BTC Mining	AI Compute	2.88	-29%	15%	12%
KEEL	7/6/26	1.0%	BTC Mining	AI Compute	3.94	-34%	37%	67%
CORZ	7/6/26	1.0%	BTC Mining	AI Compute	21.02	-25%	6%	44%
CIFR	7/6/26	1.0%	BTC Mining	AI Compute	17.72	-32%	-9%	20%
RIOT	7/6/26	1.0%	BTC Mining	AI Compute	18.82	-31%	4%	49%
MARA	7/6/26	1.0%	BTC Mining	AI Compute	11.42	-21%	-2%	27%
GSOL	7/6/26	4.0%	Spot Token	SOL	5.71	3%	-14%	-37%
ETHA	7/6/26	8.0%	Spot Token	ETH	14.13	4%	-23%	-37%
BITB	7/6/26	17.0%	Spot Token	BTC	34.88	-2%	-17%	-27%
Cash	7/6/26	45.0%	Cash	Cash	1.00	0%	0%	0%

Returns

	Since Portfolio Inception (6/22/23)	YTD
BTC	113%	-27%
ETH	-4%	-40%
S&P 500	72%	10%
Crypto Equities Portfolio	**230%**	**-2%**

Source: Bloomberg, Artemis, Fundstrat

Core Strategy Portfolio - July 16, 2026								
Ticker	Latest Rebalance	Last Rebalance Weight	Token Class	Sector	Current Price	30-Day Return	90-Day Return	YTD Return
BTC	7/6/26	37.0%	BTC	Currency	64,043	-2%	-17%	-27%
ETH	7/6/26	8.0%	Alt. Major	SCP	1,871	4%	-23%	-37%
SOL	7/6/26	5.0%	Alt. Major	SCP	76	3%	-15%	-39%
HYPE	7/6/26	5.0%	Altcoin	DeFi	62	-16%	38%	142%
USDC	7/6/26	45.0%	Stablecoin	Cash	1.00	0%	0%	0%

Returns	ITD (1/16/2023)	YTD
BTC	207%	-27%
ETH	21%	-39%
S&P 500	88%	10%
Core Strategy Portfolio	**185%**	**-8%**

Source: Bloomberg, Artemis, Fundstrat

Tickers in this video: $SPX

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