Digital Assets - Comments

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SENATE PASSING CLARITY BY RECESS UNLIKELY BUT SIGNS OF PROGRESS EMERGE, HYPE WEAKNESS LIKELY TIED TO TECH SELLOFF, SK HYNIX MISS COULD PORTEND LOCAL BOTTOM IN MINERS

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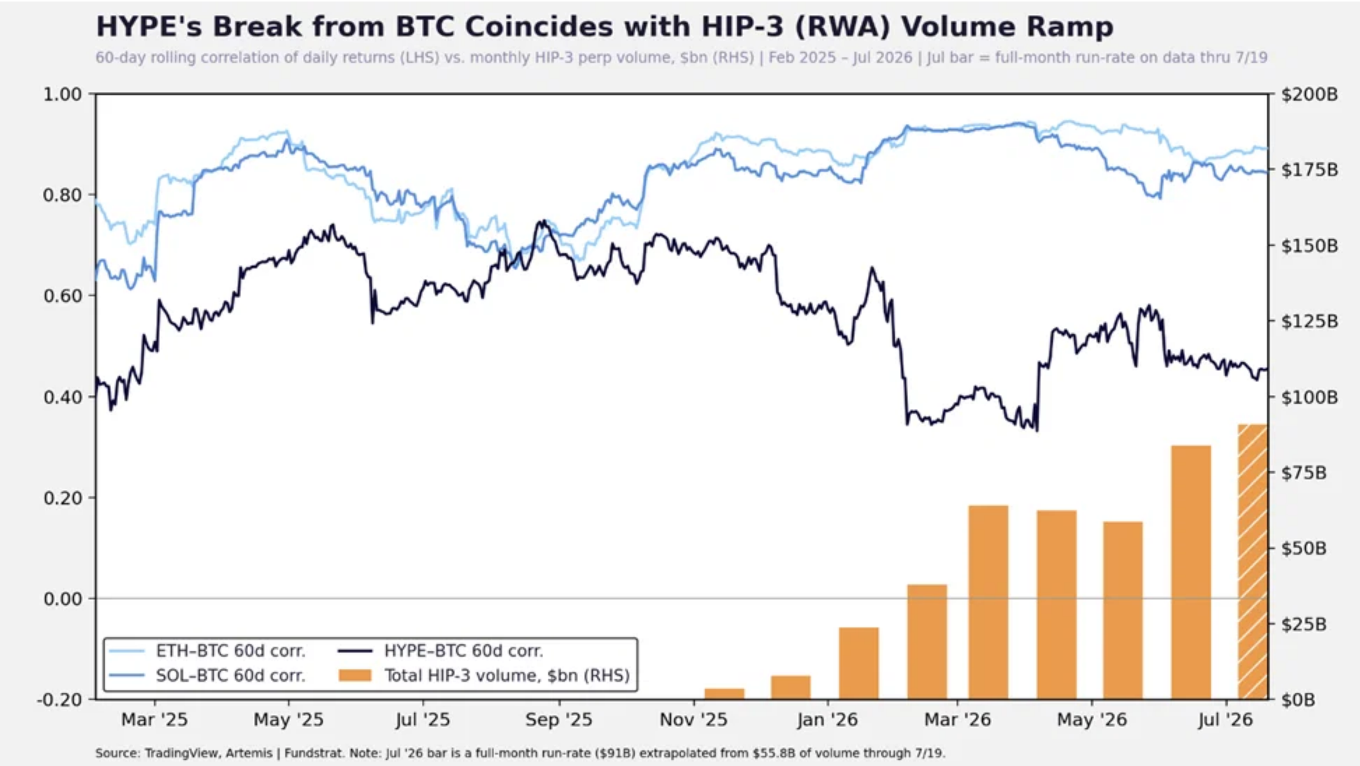
Incremental Progress on Clarity: While the probability of the Clarity Act passing before the Senate's August recess remains low, today brought a couple of incremental developments that could ultimately help move negotiations forward.

Senate Minority Leader Chuck Schumer reportedly submitted names to the White House for upcoming SEC and CFTC vacancies, potentially creating another point of negotiation between Democrats and the administration.

More importantly, whispers from DC, and I want to emphasize that these remain unconfirmed, suggest Senators Tillis (R), Lummis (R), and Gallego (D) are working on revised ethics language that would preserve federal DOJ enforcement while giving state attorneys general the ability to challenge a failure to enforce the law. The proposal would also reportedly eliminate the sunset provision, require blind trusts, and establish timelines for divestitures.

While these reports remain unconfirmed and none of this guarantees a deal, they suggest bipartisan negotiations remain active and that a compromise is still being pursued. As I stated yesterday, an agreement on the ethics provisions and at least one vote before the August recess would likely produce some positive price action, although I suspect any initial rally would be tactical in nature.

Hyperliquid Underperformance Likely Tied to Tech Selloff: HYPE has underperformed over the past several weeks, but I believe the weakness is better explained by recent declines in the AI infrastructure complex than by deterioration in Hyperliquid's underlying business. Following the launch of HIP-3 markets, a meaningful share of trading activity has shifted toward equities and commodities, making Hyperliquid increasingly exposed to price action in those markets rather than purely crypto beta. As AI infrastructure names have sold off, lower USD trading volumes and collateral-related selling have likely weighed on HYPE. While there have also been reports of potential selling from early investors, I suspect those flows are secondary to the broader shift in market activity.



Source: Hyperliquid

Potential Catalyst Worth Watching: One particularly interesting development surfaced on Hyperliquid's testnet, where a feature labeled "STARS" appears to support permissioned HIP-3 markets (Shout-out to Rajiv from Framework for the find). If ultimately implemented, this could allow Hyperliquid to offer regulated perpetual futures to KYC'd participants while maintaining its existing permissionless markets. Although still highly speculative, such a structure could open the protocol up to regulated US traders without compromising users of its permissionless markets. It may also create opportunities for liquidity incentives or future airdrop programs if permissioned markets are eventually launched. This is all highly speculative at this point, but in my view, worth putting on one’s radar.

SK Hynix Earnings Miss + Hyperscaler Earnings Could Mark Lows for Miners: Tomorrow brings one of the most consequential days of the quarter, with the FOMC decision, Microsoft, Meta, and Robinhood earnings, followed by additional crypto and hyperscaler earnings later in the week. My base case remains another hawkish hold from Fed Chair Warsh, but there is a non-zero probability for a surprise in either direction here. This is something we will read and react to.

On the AI infrastructure side, SK Hynix reported results that fell short of consensus expectations, but the stock has recovered much of its initial post-earnings decline. While one earnings report does not establish a trend, the market's reaction may suggest investors have already discounted a meaningful amount of bad news across the AI infrastructure complex. The group has experienced a sharp derating over the past several weeks amid concerns that hyperscalers may moderate capital spending or that improving model efficiency could reduce infrastructure demand.

That leaves the risk/reward looking increasingly balanced. If Microsoft and Meta simply reaffirm existing capital expenditure plans, or better yet raise guidance as Google recently did, the market may begin to conclude that recent weakness in AI infrastructure beneficiaries was overdone. In that scenario, I think the conditions are beginning to line up for at least a tactical rebound across the AI infrastructure trade, including the mining cohort within our Crypto Equities Portfolio.

Source: Hyperliquid

Tickers in this video: #HYPE $MSFT $META $HOOD

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