Digital Assets - Comments

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BTC SHORT COVERING DRIVES A STRONG BOUNCE, 1ST PERCENTILE REALIZED VOL SUGGESTS BTC OVERDUE FOR SIGNIFICANT MOVE

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Short Covering Helps BTC Finally Join the Rally

Today was an interesting tape. Major equity indices traded lower, while AI CapEx beneficiaries and precious metals performed well, bonds continued to sell off, and crypto broadly rallied. Perhaps most notably, BTC finally participated after lagging many of the recent leaders.

A meaningful portion of today's move appears to have been driven by short covering. Perpetual futures open interest rose substantially into Friday evening, reaching its highest level in USD terms since early June and its highest level in coin-denominated terms since Q4 2025. Since Friday, coin-denominated open interest has declined roughly 8% alongside rising BTC prices, suggesting a meaningful amount of short exposure was taken off.

Source: velo.xyz

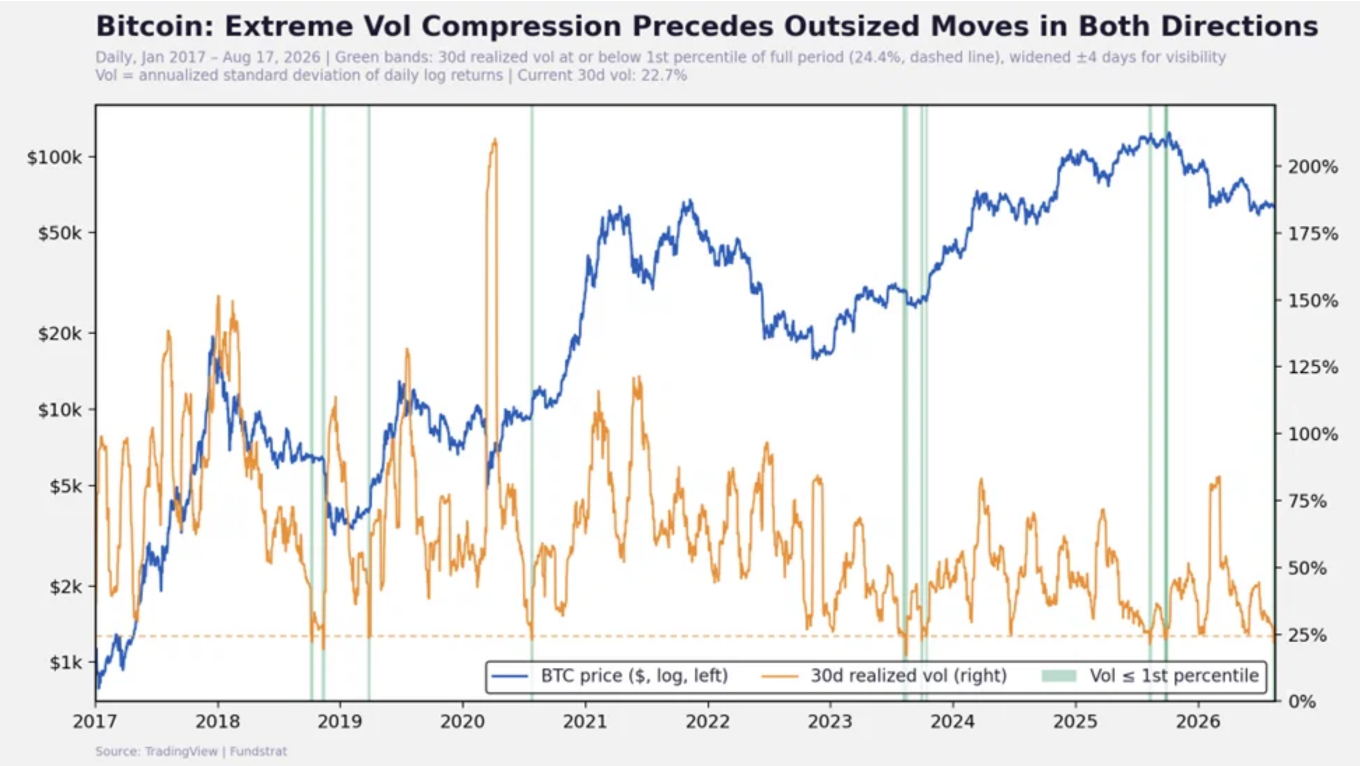
There is still plenty of leverage in the system, while funding rates remain only modestly positive, so I do not think positioning provides a particularly strong directional signal from here. We have also seen similar short-covering rallies in early June and early July. Both experienced some continuation before eventually rolling over. A similar outcome remains my base case here, although today's price action was certainly constructive.

Low Realized Volatility Suggests a Larger Move Is Coming

The amount of leverage that has accumulated against the backdrop of exceptionally low liquidity, volume, and realized volatility is interesting.

BTC's 30-day realized volatility is currently around the 1st percentile of its historical distribution. Periods of similarly extreme volatility compression have generally preceded much larger moves over the ensuing months. Importantly, those moves have occurred in both directions, so this is not necessarily a bearish/bullish signal.

The typical magnitude of historical moves is notable. Looking across prior observations, the median absolute move over the subsequent 60 days has been roughly 30%.



BTC Forward Returns: All 1st-Percentile Vol Compression Episodes

Independent episodes (≥30 days apart) where 30d realized vol ≤ 1st percentile of 2017-present distribution (24.4%)
Forward returns from episode close | Max DD = largest decline within 90 days | Median absolute move = median of |returns| | *window in progress

Episode	BTC price	30d vol	Fwd 30d	Fwd 60d	Fwd 90d	Max DD (90d)
Oct 07, 2018	$6,573	23.8%	-1.9%	-47.7%	-42.2%	-51.6%
Nov 10, 2018	$6,349	19.5%	-46.3%	-37.0%	-42.9%	-49.9%
Mar 26, 2019	$3,921	23.6%	+30.9%	+105.8%	+181.3%	+0.0%
Jul 24, 2020	$9,552	22.9%	+22.0%	+10.3%	+36.0%	+0.0%
Aug 06, 2023	$29,040	24.1%	-11.2%	-5.6%	+20.8%	-13.4%
Sep 30, 2023	$26,968	22.5%	+27.9%	+40.4%	+56.0%	-0.8%
Aug 09, 2025	$116,479	21.3%	-3.8%	+5.9%	-11.3%	-13.0%
Sep 24, 2025	$113,346	23.1%	-2.0%	-23.4%	-22.8%	-25.3%
Aug 13, 2026 (current)	$63,422	22.3%	—	—	—	-0.9%*
Median (8 prior)			**-2.0%**	**+0.2%**	**+4.8%**	**-13.2%**
Median absolute move			**16.6%**	**30.2%**	**39.1%**	**13.2%**
Win ratio (% positive)			**38% (3/8)**	**50% (4/8)**	**50% (4/8)**	n/a

Source: TradingView | Fundstrat

White House Meeting Adds Some Regulatory Headline Risk

The SEC meeting scheduled for last Friday, which was expected to consider whether to propose a tailored offering regime for certain crypto-based investment contracts, was postponed due to scheduling conflicts.

The next regulatory catalyst moves to Wednesday, when the President, CFTC Chair Mike Selig, and several crypto executives are reportedly expected to meet at the White House. One thing I will be watching is whether the meeting produces any movement around the ethics provisions that continue to hold up Clarity (current odds of passage on Polymarket = 20%).

Stick With the Leaders for Now

Despite today's strong move in the majors, my broader views have not changed materially. I would continue leaning into the areas that have demonstrated relative strength over recent sessions, including HYPE, FIGR, HOOD, and increasingly the miners.

The major caveat remains real yields. Long-end yields continued moving higher today, and I am skeptical that broader risk assets (crypto complex included) can ignore that tightening impulse indefinitely. If real yields continue rising, they could be the pin prick that ultimately breaks crypto out of this low-volatility regime.

Portfolios

Crypto Equities Portfolio - August 17, 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	8/12/26	1.0%	DAT	BTC	97.68	3%	-41%	-36%
PURR	8/12/26	6.0%	DAT	HYPE	7.15	7%	-8%	101%
COIN	8/12/26	1.0%	Financial Services	Super App	150.55	-4%	-22%	-33%
HOOD	8/12/26	2.5%	Financial Services	Super App	96.25	-4%	30%	-15%
BTGO	8/12/26	1.0%	Financial Services	Infrastructure	5.55	17%	-32%	-62%
GLXY	8/12/26	3.5%	Financial Services	AI Compute	21.87	1%	-21%	-2%
FIGR	8/12/26	2.0%	Crypto-Enabled Services	Tokenization	35.76	18%	18%	18%
CLSK	8/12/26	1.5%	BTC Mining	AI Compute	12.40	-5%	-16%	23%
WULF	8/12/26	1.5%	BTC Mining	AI Compute	17.60	-3%	-18%	53%
IREN	8/12/26	1.5%	BTC Mining	AI Compute	44.90	34%	-6%	19%
BTDR	8/12/26	1.5%	BTC Mining	AI Compute	9.39	-13%	-27%	-16%
HUT	8/12/26	1.5%	BTC Mining	AI Compute	88.04	-4%	-6%	92%
HIVE	8/12/26	1.5%	BTC Mining	AI Compute	3.07	8%	-8%	19%
KEEL	8/12/26	1.5%	BTC Mining	AI Compute	3.77	-5%	-10%	60%
CORZ	8/12/26	1.5%	BTC Mining	AI Compute	20.13	-4%	-12%	38%
CIFR	8/12/26	1.5%	BTC Mining	AI Compute	18.50	5%	-2%	25%
RIOT	8/12/26	1.5%	BTC Mining	AI Compute	20.04	10%	-12%	58%
MARA	8/12/26	1.5%	BTC Mining	AI Compute	9.72	-9%	-22%	8%
GSOL	8/12/26	3.5%	Spot Token	SOL	5.74	1%	-9%	-37%
ETHA	8/12/26	7.0%	Spot Token	ETH	14.40	4%	-10%	-36%
BITB	8/12/26	16.0%	Spot Token	BTC	34.90	0%	-16%	-27%
Cash	8/12/26	40.0%	Cash	Cash	1.00	0%	0%	0%

Returns

	Since Portfolio Inception (6/22/23)	YTD
BTC	112%	-27%
ETH	0%	-37%
S&P 500	77%	13%
Crypto Equities Portfolio	232%	-1%

Source: Artemis, Fundstrat, Bloomberg

Core Strategy Portfolio - August 17, 2026								
Ticker	Latest Rebalance	Last Rebalance Weight	Token Class	Sector	Current Price	30-Day Return	90-Day Return	YTD Return
BTC	8/5/26	*40.0%*	*BTC*	*Currency*	64,239	*-1%*	*-16%*	*-27%*
ETH	8/5/26	*8.0%*	*Alt. Major*	*SCP*	1,902	*2%*	*-10%*	*-36%*
SOL	8/5/26	*5.0%*	*Alt. Major*	*SCP*	76	*0%*	*-10%*	*-39%*
HYPE	8/5/26	*7.0%*	*Altcoin*	*DeFi*	59	*-2%*	*23%*	*132%*
USDC	8/5/26	*40.0%*	*Stablecoin*	*Cash*	1.00	*0%*	*0%*	*-0%*

Returns	ITD (1/16/2023)	YTD
BTC	*208%*	*-27%*
ETH	*23%*	*-39%*
S&P 500	*94%*	*13%*
Core Strategy Portfolio	***185%***	***-8%***

Source: Artemis, Fundstrat, Bloomberg

Tickers in this video: #HYPE $FIGR $HOOD #BTC

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