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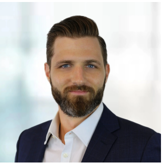
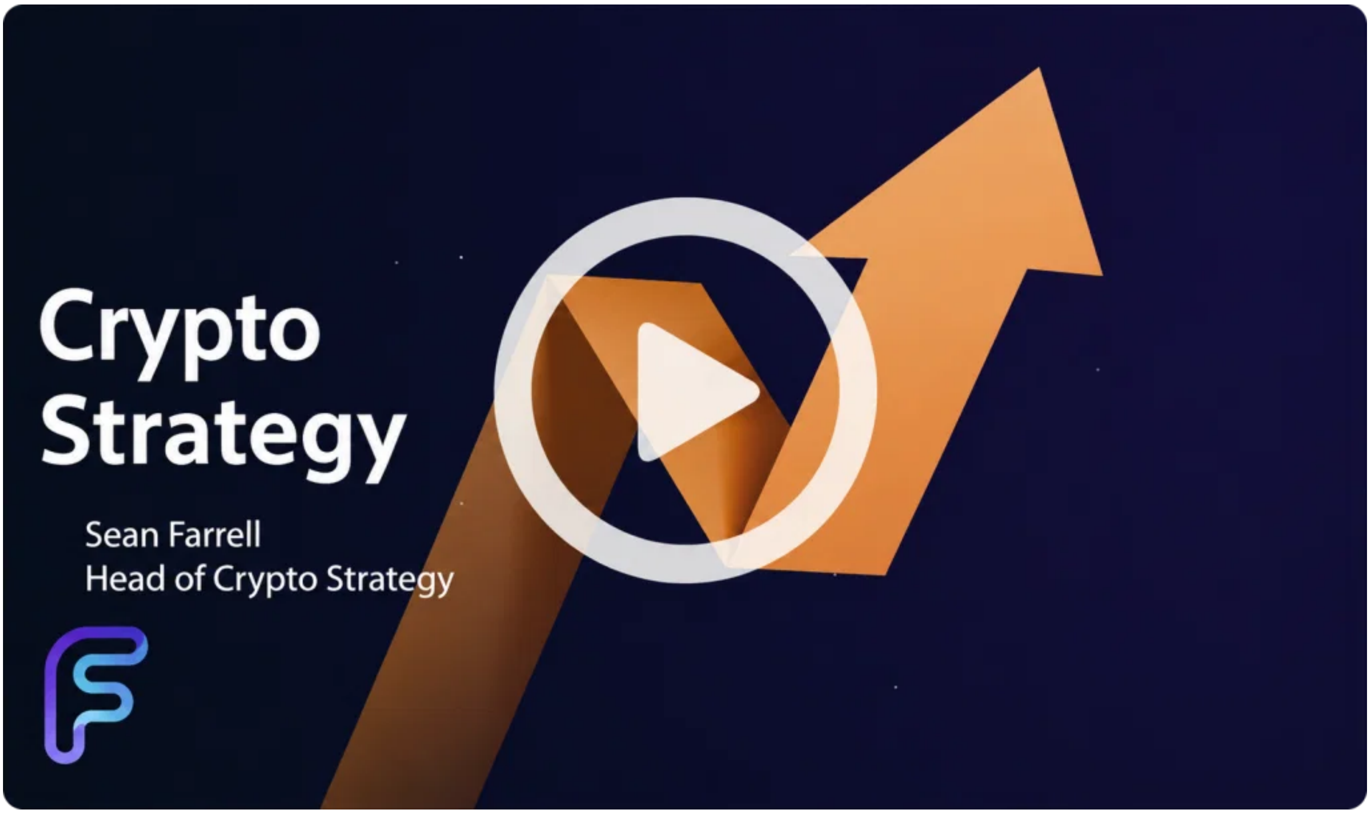
Digital Assets - Comments

August 19, 2026

TREASURY SIGNALS WILLINGNESS TO ENGAGE IN YCC-LITE, COULD PROVIDE TAILWIND INTO YE, HYPE/PURR LEAD ON NEWS OF U.S. REGULATORY PROGRESS



Sean Farrell AC
HEAD OF DIGITAL ASSET STRATEGY



Treasury Buybacks Spark a Major Crypto Rally

Crypto finally delivered the volatility we have been waiting for. BTC rallied roughly 7%, ETH gained close to 20% at one point, and HYPE was up more than 20%,

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following Monday's discussion that BTC realized volatility had fallen to roughly the 1st percentile of its historical distribution.

The primary catalyst was the Treasury's announcement that it would increase the size of nominal long-end liquidity support buybacks beginning September 9th and running through the next QRA in November.

A couple weeks back, I talked about how the relentless rise in real yields could contribute to downside volatility in the near term, but possibly set the stage for the next 2-3x in BTC and ETH. In my view, the rise in real yields is due to a number of factors. Abroad, global inflation is driving a selloff in foreign sovereign debt that bleeds into domestic yields. At home, sticky inflation, strong growth, a rising risk premium tied to monetary policy uncertainty, persistent fiscal imbalances, and an increasing supply of private debt from the AI compute buildout are all pushing in the same direction.

The need to stem the bond selloff over the medium term could eventually lead to more overt coordinated intervention from the Treasury and Fed, with the Fed holding short rates steady and maintaining the maturity profile of its balance sheet, while the Treasury increases issuance of bills relative to coupons and potentially increases direct buybacks of longer-term Treasuries.

In aggregate, this would amount to something resembling a Treasury-led Operation Twist and what I would consider "soft" yield curve control. The objective would be to suppress longer-term financing costs by shifting duration away from the market, but the trade-off would likely be easier financial conditions and greater liquidity growth. In my view, that type of financial repression would ultimately be a tailwind for BTC.

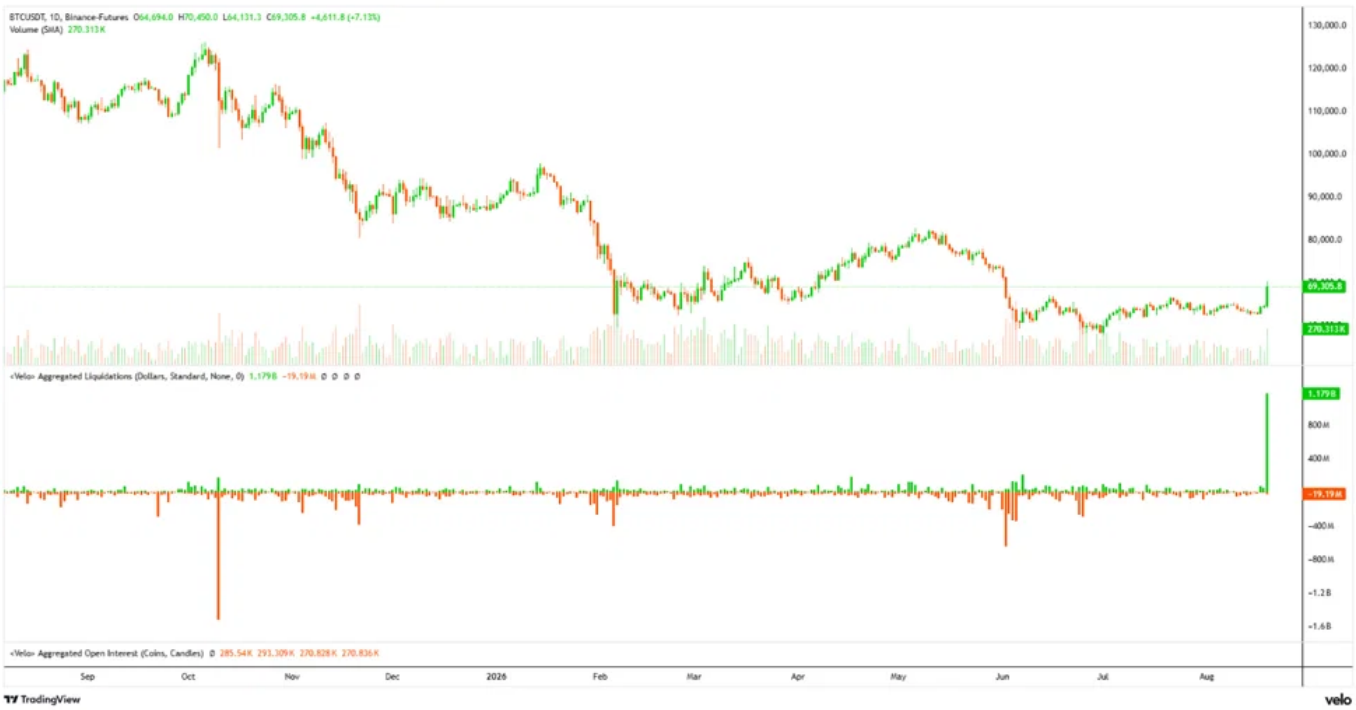
Today's action from the Treasury, announcing an increase in long-end Treasury buybacks, is what I would view as a potential precursor to this dynamic. The immediate mechanical impact from these buybacks is relatively marginal. But I think the more important takeaway is less about the magnitude of today's announcement and more about the SIGNAL it sends.

Treasury is demonstrating that it is aware of the pressure building in the long end and is willing to take incremental steps to improve market liquidity before that pressure develops into a broader financial accident. Importantly, this is occurring with equities still near all-time highs and broader financial conditions relatively loose (save for yields). If long-term yields continue rising and begin creating more meaningful problems for risk assets, the economy, or financing the AI buildout, today's announcement suggests policymakers may be increasingly willing to respond.

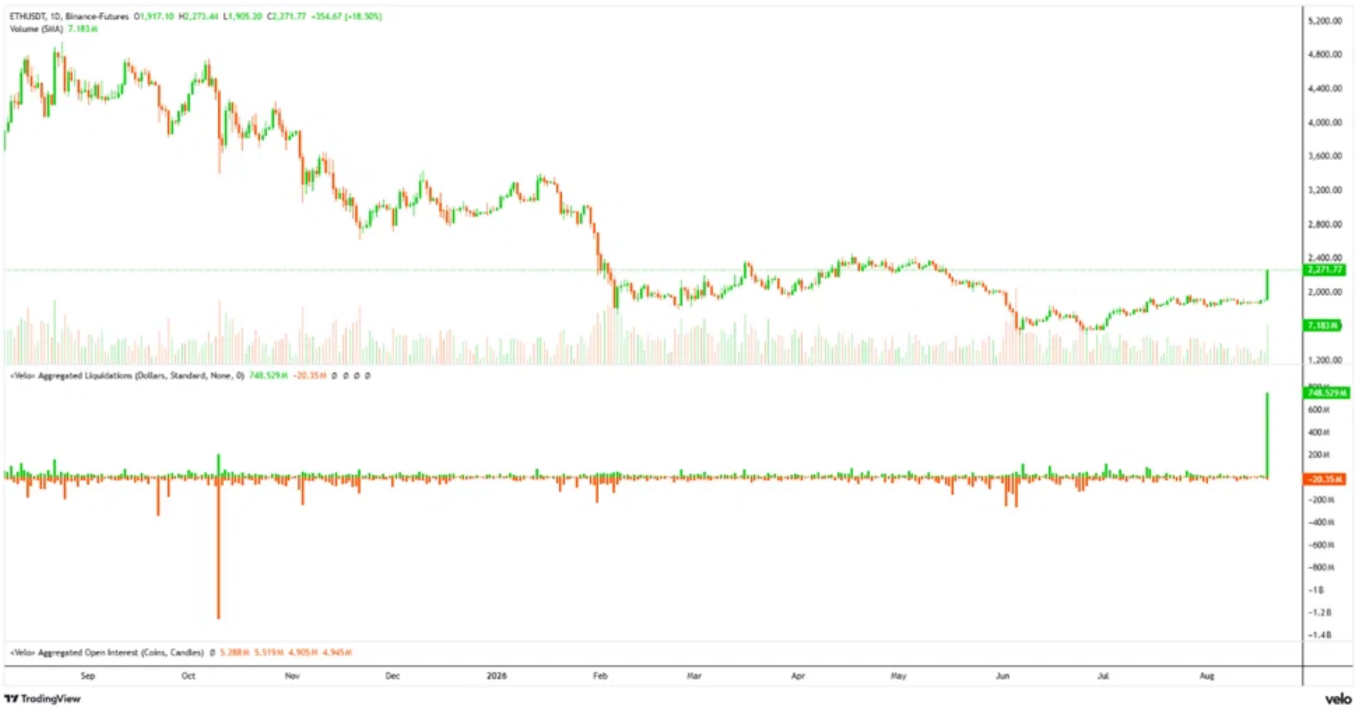
Short Liquidations Added Fuel to the Move

As expected given the amount of leverage we highlighted earlier this week, today's initial move triggered an enormous unwind in short positioning.

Across venues, BTC saw roughly $1.2B of short liquidations, while ETH experienced approximately $800M as of the latest reading. In some ways, today's move looks like the inverse of the deleveraging event we saw in October.

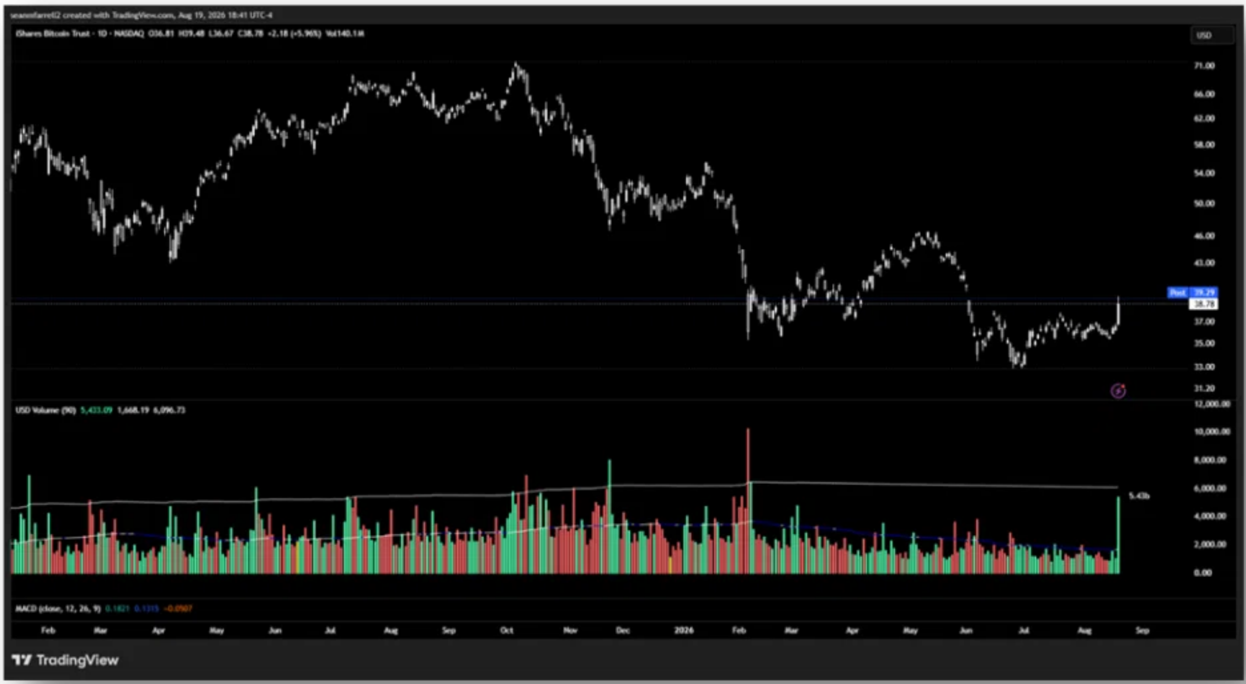


Source: Velo

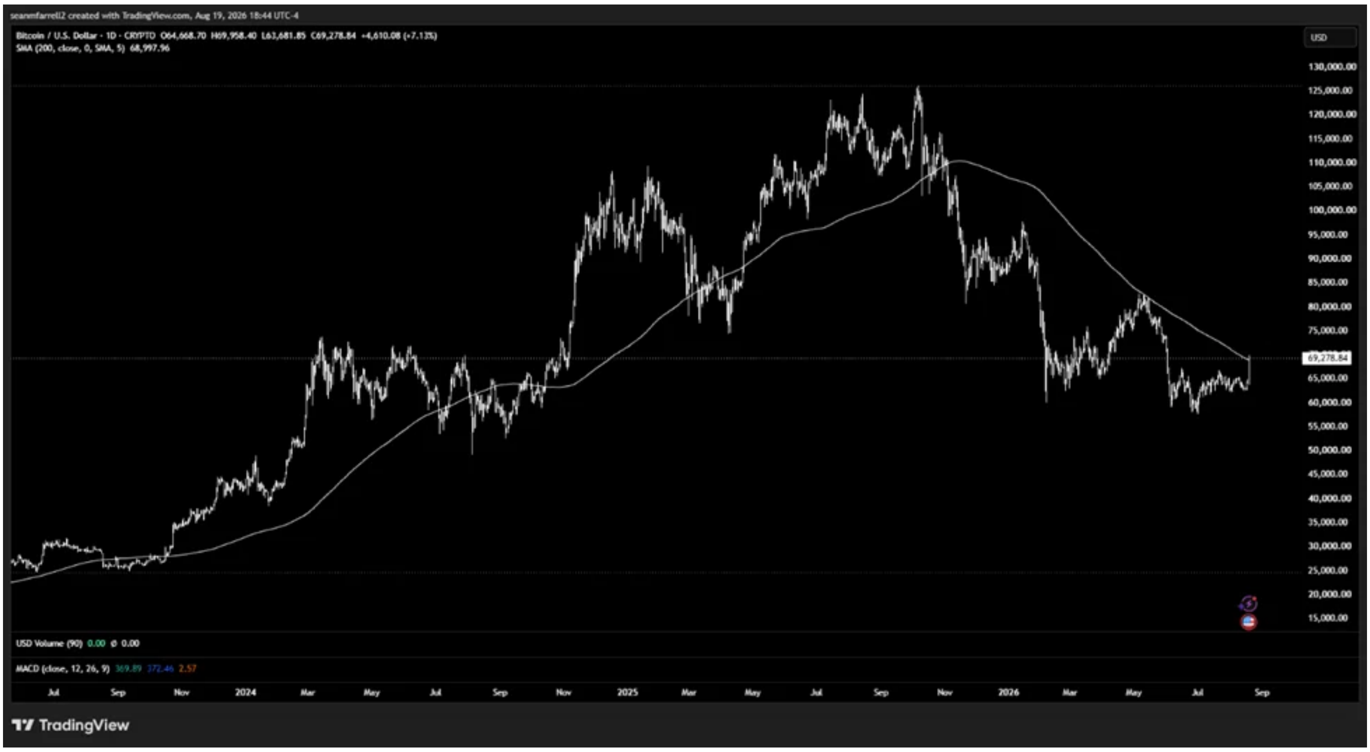


Source: Velo

There were also encouraging signs that the rally extended beyond crypto-native leverage. IBIT traded roughly $5.5B of volume, its highest since February 5th, suggesting meaningful participation from traditional market investors.



BTC is also testing its 200-day moving average. I hesitate to put too much emphasis on a single technical level, but a sustained move above the 200-day could begin registering with trend-following strategies and potentially generate another source of incremental demand. CME activity over the next several sessions will therefore be important to watch.



Hyperliquid Gets an Idiosyncratic U.S. Catalyst

HYPE was one of the strongest performers in the token portfolio today, and importantly, there was an idiosyncratic catalyst layered on top of the broader crypto rally.

Following today's White House meeting with crypto executives and CFTC Chair Mike Selig, President Trump indicated during his press conference that regulators are working toward bringing Hyperliquid into the U.S.

That is notable given the developments we have been tracking over the past several weeks. Hyperliquid-affiliated policy advocates have been engaging with regulators around a potential pathway for offering compliant perpetual futures to U.S.

participants, potentially through permissioned markets without requiring the broader permissionless platform to adopt KYC.

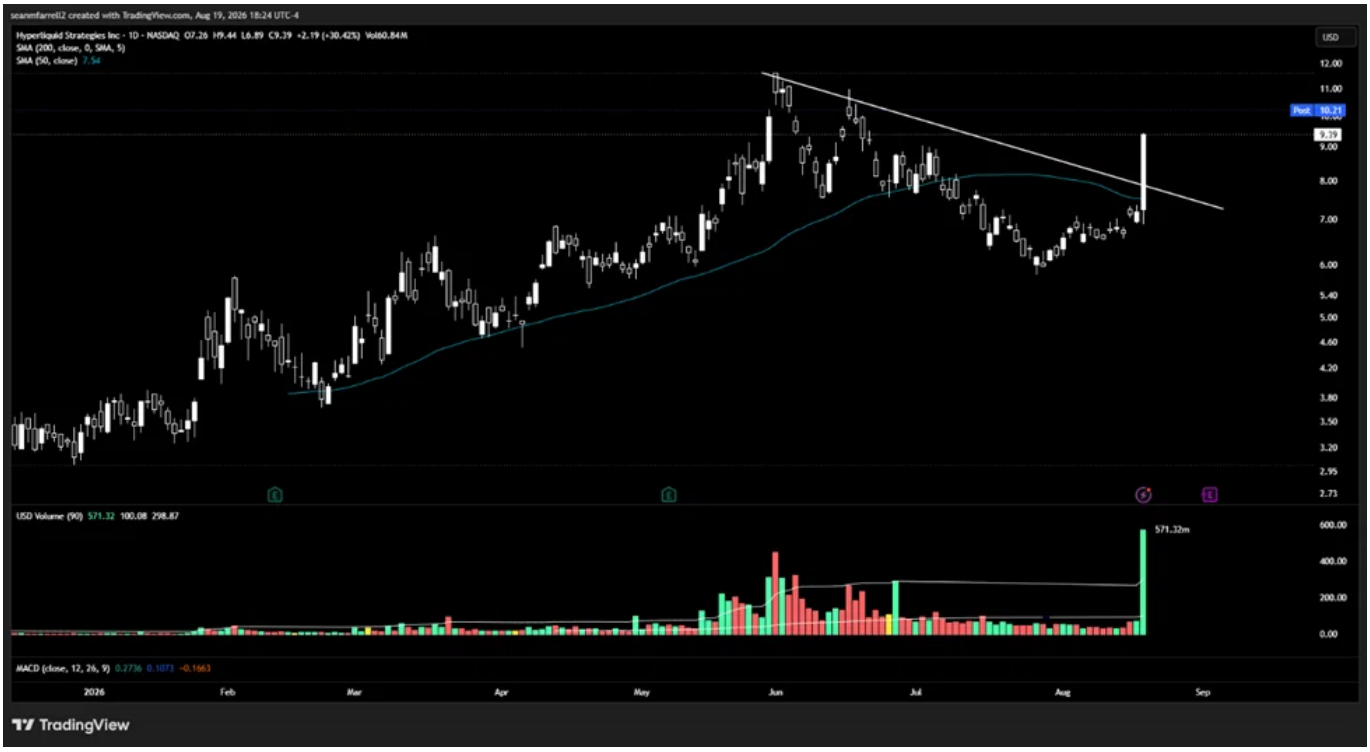
There are still plenty of details to work through, but today's comments make that potential pathway meaningfully more tangible. If Hyperliquid can access U.S. users while preserving activity across its existing permissionless markets, I think there is a credible path toward another leg of fundamental growth.

I Wouldn't Be Too Quick to Fade the HYPE Move

HYPE rallied to roughly $72 on record activity, while Hyperliquid Strategies gained roughly 40% including after-hours trading.

Normally, I would be cautious chasing or holding through a 20%+ event-driven candle. However, I think there is an important reflexive dynamic worth considering here.

Hyperliquid Strategies traded roughly $570M of volume today. Given that liquidity, it is reasonable to suspect the company may have accessed its ATM, potentially raising meaningful capital that can subsequently be deployed into additional HYPE purchases.



If that occurred, today's rally could actually strengthen the DAT capital markets flywheel rather than simply represent an event-driven move that should immediately be faded. For that reason, I would not be particularly quick to take profits in HYPE or Hyperliquid Strategies following today's move.

Bottom Line

There was a lot to like about today's price action. We finally got the volatility expansion that the exceptionally compressed realized-volatility regime suggested was coming, and the initial move was decisively higher. Short covering undoubtedly amplified the rally, but strong IBIT volumes and the potential for trend-following flows provide reasons to think we could see some continuation here.

More importantly, Treasury's announcement provides an early indication that policymakers are willing to respond to pressure in the long end even before that pressure develops into a broader financial accident. Rising real yields can create near-term pain for crypto, but eventually they increase the probability of the type of intervention or financial repression that is structurally bullish for BTC. Layer on increasingly tangible U.S. regulatory optionality for Hyperliquid, and I think today's developments provide enough to build on that I would not be particularly eager to take risk off following the move.

In terms of portfolio changes, I am not inclined to make any changes here. I find it challenging to chase a move that could very well see some mean-reverting consolidation over the next several sessions. But for those already allocated, I think it makes sense to let this develop rather than immediately fade the rally.

Portfolios

Crypto Equities Portfolio - August 19, 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	104.25	7%	-37%	-31%
PURR	8/12/26	6.0%	DAT	HYPE	9.39	33%	11%	164%
COIN	8/12/26	1.0%	Financial Services	Super App	160.20	-0%	-17%	-29%
HOOD	8/12/26	2.5%	Financial Services	Super App	95.77	-4%	26%	-15%
BTGO	8/12/26	1.0%	Financial Services	Infrastructure	6.25	24%	-19%	-57%
GLXY	8/12/26	3.5%	Financial Services	AI Compute	21.90	-7%	-26%	-2%
FIGR	8/12/26	2.0%	Crypto-Enabled Services	Tokenization	36.85	21%	21%	21%
CLSK	8/12/26	1.5%	BTC Mining	AI Compute	11.67	-19%	-26%	15%
WULF	8/12/26	1.5%	BTC Mining	AI Compute	15.50	-18%	-32%	35%
IREN	8/12/26	1.5%	BTC Mining	AI Compute	42.84	7%	-26%	13%
BTDR	8/12/26	1.5%	BTC Mining	AI Compute	9.63	-15%	-35%	-14%
HUT	8/12/26	1.5%	BTC Mining	AI Compute	82.08	-19%	-22%	79%
HIVE	8/12/26	1.5%	BTC Mining	AI Compute	2.82	-9%	-27%	9%
KEEL	8/12/26	1.5%	BTC Mining	AI Compute	3.25	-25%	-30%	38%
CORZ	8/12/26	1.5%	BTC Mining	AI Compute	18.72	-16%	-25%	29%
CIFR	8/12/26	1.5%	BTC Mining	AI Compute	15.89	-23%	-26%	8%
RIOT	8/12/26	1.5%	BTC Mining	AI Compute	19.38	-3%	-21%	53%
MARA	8/12/26	1.5%	BTC Mining	AI Compute	9.65	-17%	-29%	7%
GSOL	8/12/26	3.5%	Spot Token	SOL	6.25	7%	-5%	-31%
ETHA	8/12/26	7.0%	Spot Token	ETH	15.88	11%	-2%	-29%
BITB	8/12/26	16.0%	Spot Token	BTC	37.16	5%	-12%	-22%
Cash	8/12/26	40.0%	Cash	Cash	1.00	0%	0%	0%

Returns	Since Portfolio Inception (6/22/23)	YTD
BTC	112%	-22%
ETH	0%	-37%
S&P 500	76%	13%
Crypto Equities Portfolio	**243%**	**2%**

Source: Artemis, Fundstrat, Bloomberg

Core Strategy Portfolio - August 19, 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*	69,397	*5%*	*-12%*	*-22%*
ETH	8/5/26	*8.0%*	*Alt. Major*	*SCP*	2,276	*11%*	*-1%*	*-29%*
SOL	8/5/26	*5.0%*	*Alt. Major*	*SCP*	86	*6%*	*-6%*	*-34%*
HYPE	8/5/26	*7.0%*	*Altcoin*	*DeFi*	72	*10%*	*18%*	*171%*
USDC	8/5/26	*40.0%*	*Stablecoin*	*Cash*	1.00	*0%*	*0%*	*-0%*

Returns	ITD (1/16/2023)	YTD
BTC	*229%*	*-22%*
ETH	*36%*	*-39%*
S&P 500	*93%*	*13%*
Core Strategy Portfolio	***205%***	***-1%***

Source: Artemis, Fundstrat, Bloomberg

Tickers in this video: #BTC #ETH #HYPE #PURR $IBIT

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