Digital Assets - Comments

August 26, 2026

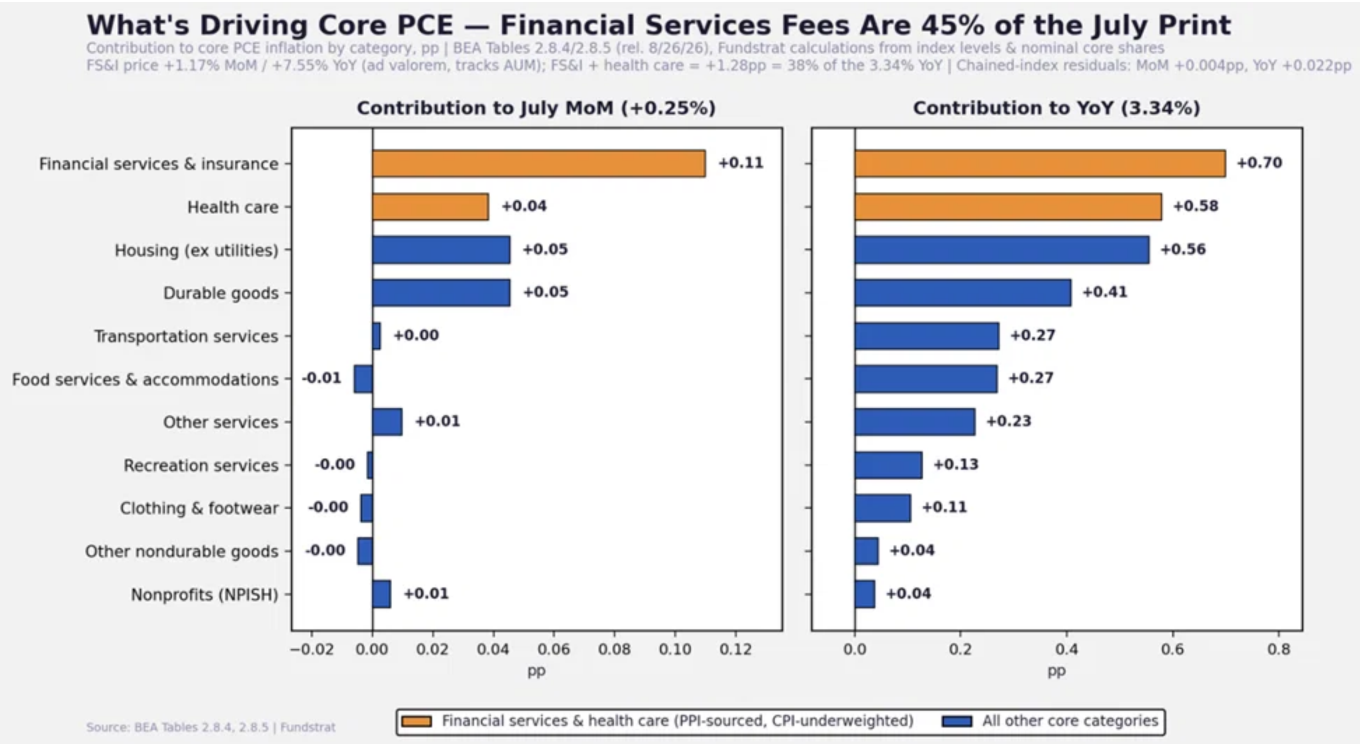
ADDING RISK AS POST-SQUEEZE FOLLOW-THROUGH REMAINS CONSTRUCTIVE, ZEC/CYPH ADDED TO MODEL PORTFOLIOS (PORTFOLIO REBALANCE)

Sean Farrell AC

HEAD OF DIGITAL ASSET STRATEGY

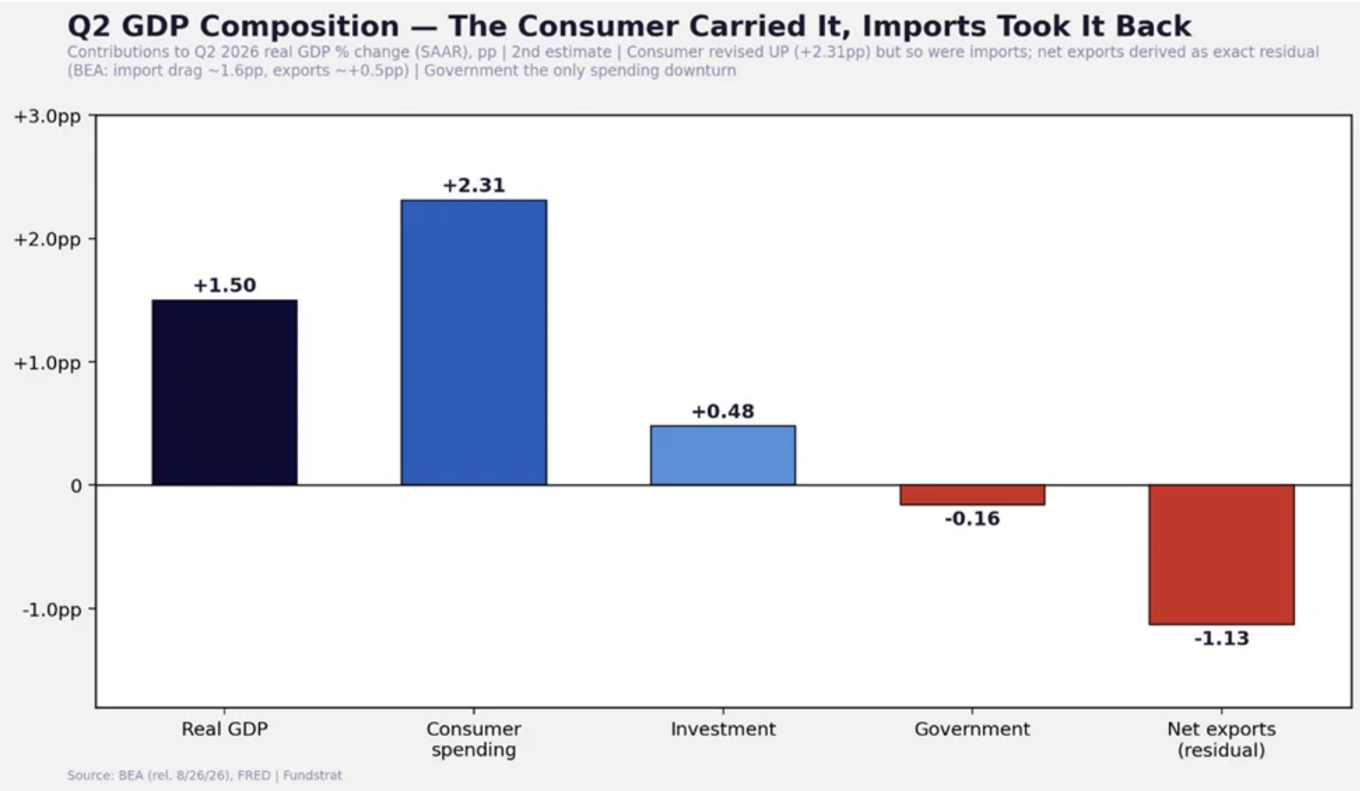
Hotter PCE Does Little to Change the Macro View

Core PCE came in slightly hotter than expected today, continuing to show a somewhat less constructive inflation picture than core CPI. Part of that divergence reflects differences in composition, with today's PCE reading receiving a meaningful contribution from financial services and insurance costs, including portfolio management fees that have risen alongside asset prices and AUM.



There is certainly an argument that the Fed should look through some of this inflation given its composition. That said, I don't think we can completely dismiss an inflationary component simply because we don't particularly like where it is coming from. If financial services were contributing meaningfully to disinflation, we would probably view that as constructive.

Thus, I would characterize today's inflation data as not great, not terrible, and unlikely to meaningfully change the Fed's near-term posture (on hold for foreseeable future). Real GDP also came in below 2% at roughly 1.5%, although much of the weakness was attributable to net exports, while underlying consumer spending remained relatively robust.

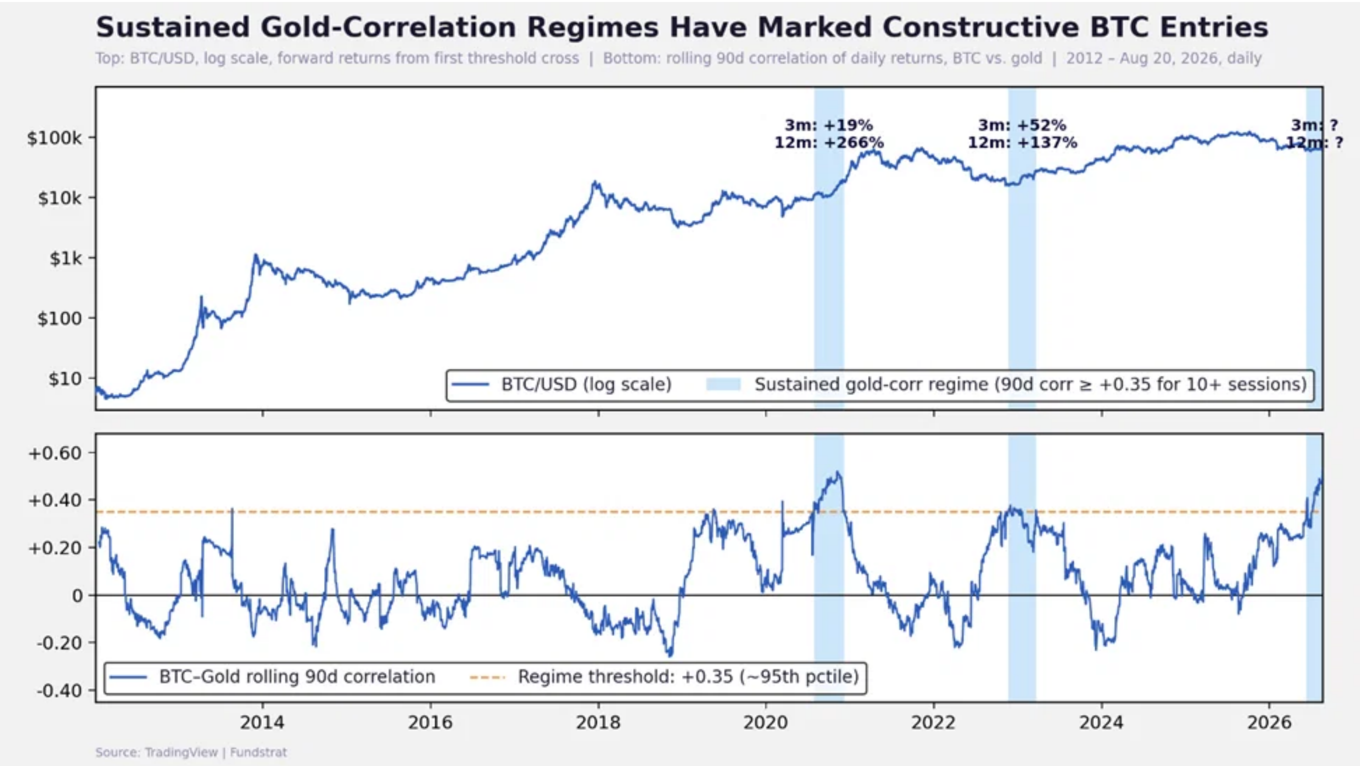


Taken together, I continue to view the economy as operating in something resembling a "run-it-hot" regime. Growth remains reasonably healthy beneath some noisy headline components, inflation remains above target, and given the fiscal backdrop, policymakers do not appear particularly incentivized to engineer a significant slowdown.

That remains consistent with the broader framework discussed in yesterday's webinar. We have an economy running relatively hot alongside an increasingly activist Treasury and the potential for some degree of financial repression. I continue to think that is ultimately a constructive regime for crypto.

Additional Bottoming Signals Continue to Accumulate

One additional chart from yesterday's webinar that I think is worth highlighting is the relationship between BTC and gold.



The 90-day BTC/gold correlation recently reached an all-time high. Part of this likely reflects the changing composition of BTC's investor base and the increasing tendency for institutional investors to treat BTC as a form of "digital gold."

More interestingly, however, previous durable increases in BTC/gold correlation occurred around the early stages of prior bull-market cycles, including 2019 into 2020 and 2022 into 2023.

I would not use this indicator in isolation, but it adds to the growing list of bottoming signals we discussed yesterday and further supports the view that the lows for this cycle are likely behind us.

Overbought Does Not Necessarily Mean the Rally Is Over

The obvious tactical question is whether the recent move has gone too far, too fast.

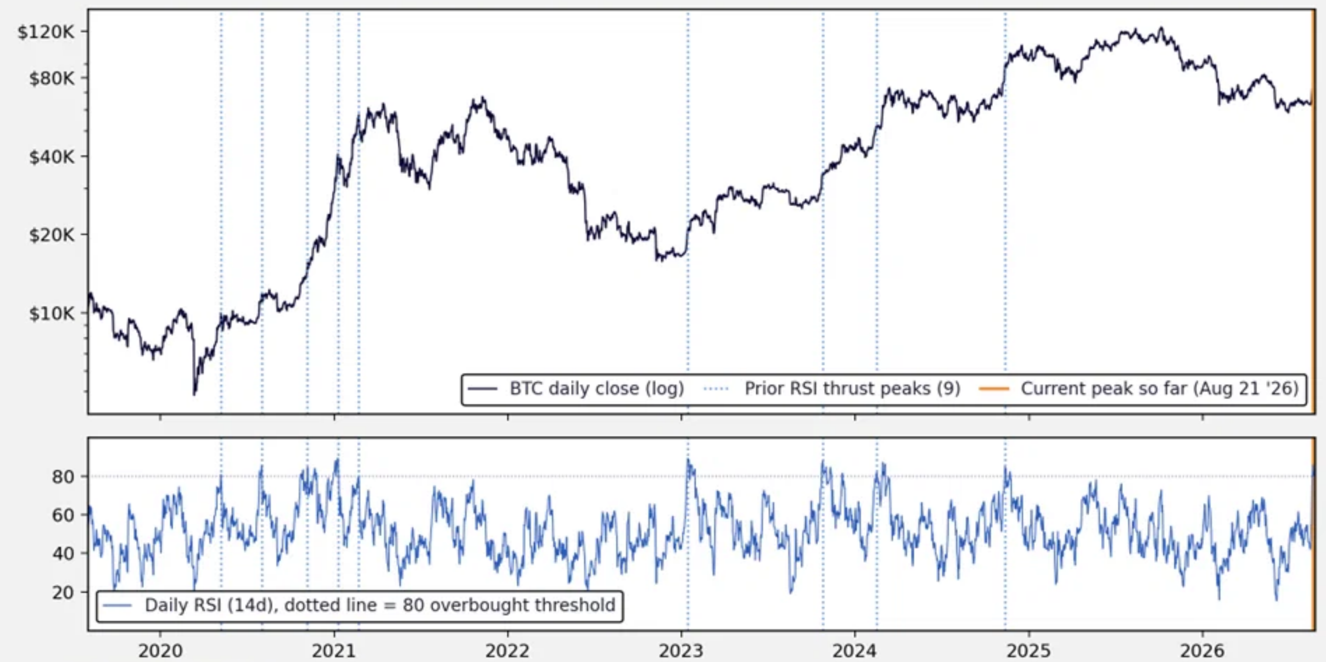
As discussed yesterday, the initial rally off the lows was catalyzed by a significant short squeeze. Importantly, however, spot flows subsequently followed that derivatives-led move, which is generally what you want to see if a rally is going to prove durable.

BTC has also become quite overbought on traditional momentum measures. I don't typically use RSI heavily in my process, but I went back and looked at previous instances since 2020 when BTC's short-term RSI moved above 80.

The historical pattern is fairly intuitive. Following these extreme momentum thrusts, BTC has often consolidated over the subsequent 5-10 days. However, that has generally been followed by further upside rather than an immediate reversal of the broader trend. Roughly 50 days after prior observations, BTC was higher approximately 78% of the time, with a median return of roughly 7%.

Bitcoin: Daily RSI Overbought Thrusts

Daily close & 14-day RSI, Aug 2019 – Aug 2026 | Episodes marked at the RSI peak of each >80 thrust | From peak: median -0.6% 5d, +14% 40d fwd (78% positive)



Source: TradingView | Fundstrat

Bitcoin: Forward Returns From the RSI Peak of Each Overbought Episode

Returns measured from the day daily RSI peaks within each >80 episode (vs. first touch), Aug 2019 – Aug 2026 | Current episode peak so far: RSI 86.0 on Aug 21 '26

RSI peak date	Peak RSI	BTC price	5d	10d	20d	30d	40d	50d	60d
May 7 '20	80.9	$10,002	-11.8%	-3.3%	-7.9%	-3.3%	-4.7%	-8.5%	-6.5%
Aug 1 '20	85.5	$11,813	-0.3%	-3.6%	-2.4%	-1.3%	-12.4%	-7.5%	-8.8%
Nov 5 '20	84.6	$15,610	-1.9%	+2.3%	+20.0%	+22.7%	+24.5%	+58.3%	+105.2%
Jan 8 '21	89.3	$40,659	-8.0%	-9.9%	-17.7%	-4.4%	+28.3%	+13.5%	+35.1%
Feb 21 '21	80.3	$57,492	-19.4%	-12.4%	+6.4%	-5.4%	+2.6%	+4.1%	-10.1%
Jan 14 '23	89.2	$20,959	+0.6%	+8.0%	+11.8%	+4.0%	+14.2%	+7.0%	+16.3%
Oct 25 '23	87.8	$34,499	-0.0%	+1.7%	+3.1%	+9.3%	+21.8%	+24.7%	+24.7%
Feb 16 '24	81.8	$52,177	-0.6%	+4.4%	+28.1%	+31.0%	+33.1%	+32.1%	+22.3%
Nov 11 '24	84.6	$88,704	+2.1%	+10.9%	+9.6%	+14.1%	+9.6%	+5.3%	+6.8%
Aug 21 '26	**86.0**	**$78,319**	**in progress**	—	—	—	—	—	—
Median			**-0.6%**	**+1.7%**	**+6.4%**	**+4.0%**	**+14.2%**	**+7.0%**	**+16.3%**
Average			**-4.4%**	**-0.2%**	**+5.7%**	**+7.4%**	**+13.0%**	**+14.3%**	**+20.5%**
Win ratio			**22%**	**56%**	**67%**	**56%**	**78%**	**78%**	**67%**

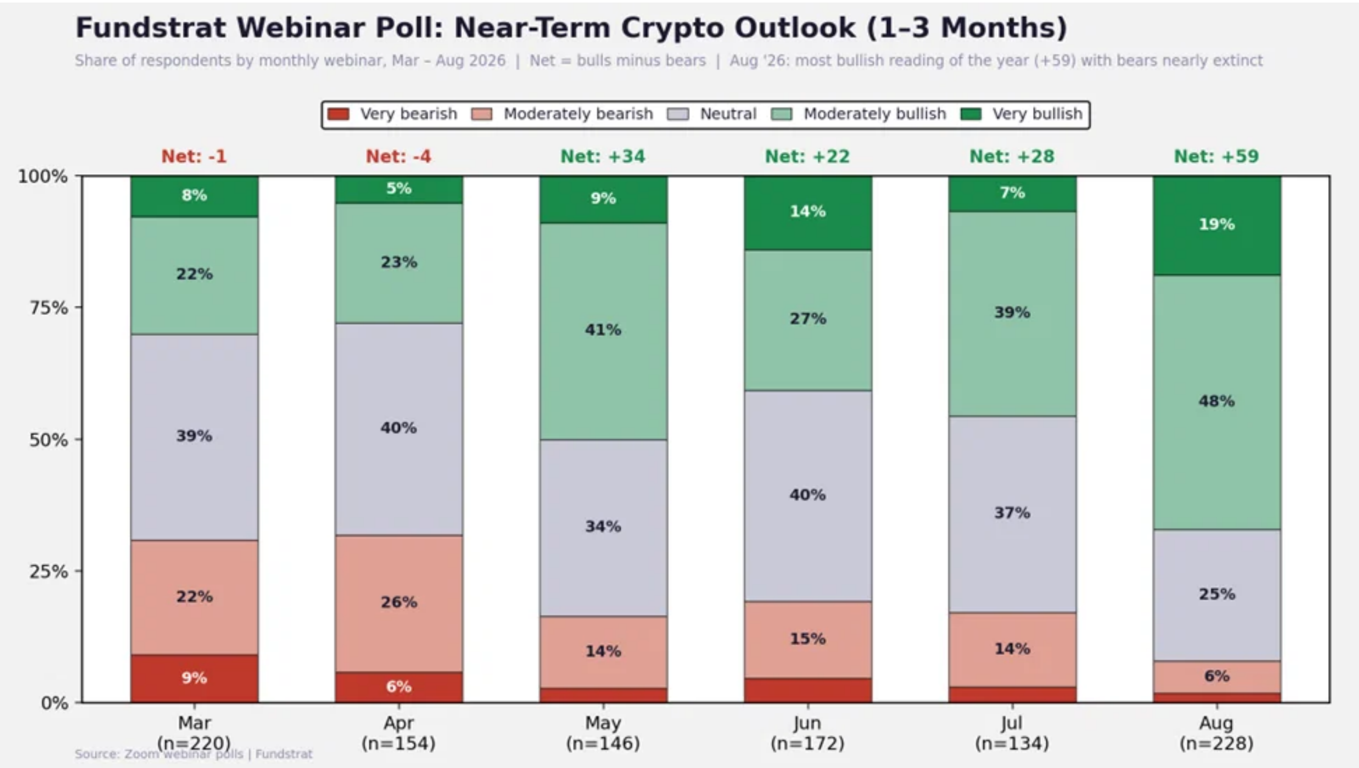
Source: TradingView | Fundstrat

Thus, I continue to think some consolidation would be healthy. but an overbought reading by itself is not a particularly compelling reason to reduce exposure if we are indeed entering a new regime.

Sentiment Has Moved Faster Than Positioning

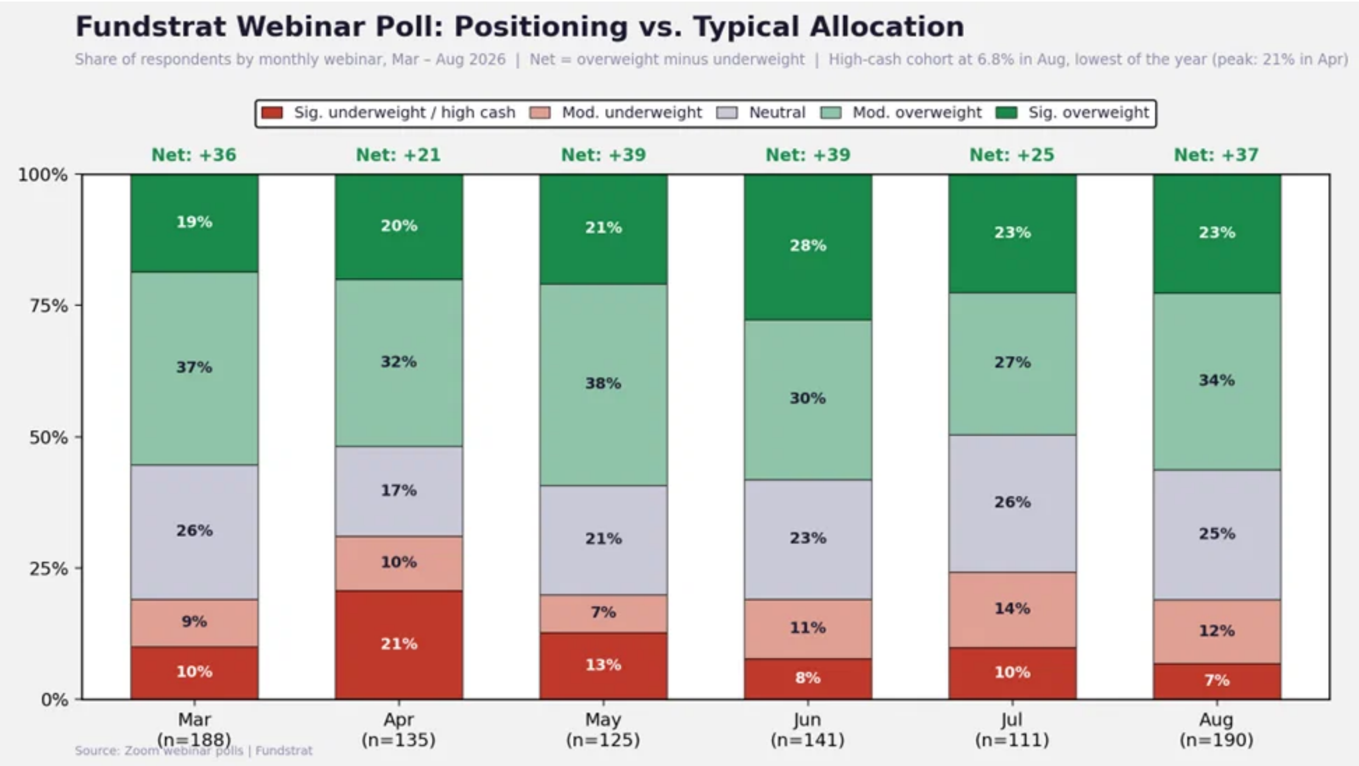
Our investor survey from yesterday's webinar also produced an interesting result.

Sentiment has understandably improved dramatically. Net bulls increased from 28 in July to 59 in August, with 48% of respondents moderately bullish over the next one to three months and another 19% very bullish.



At first glance, that might look somewhat concerning from a contrarian perspective.

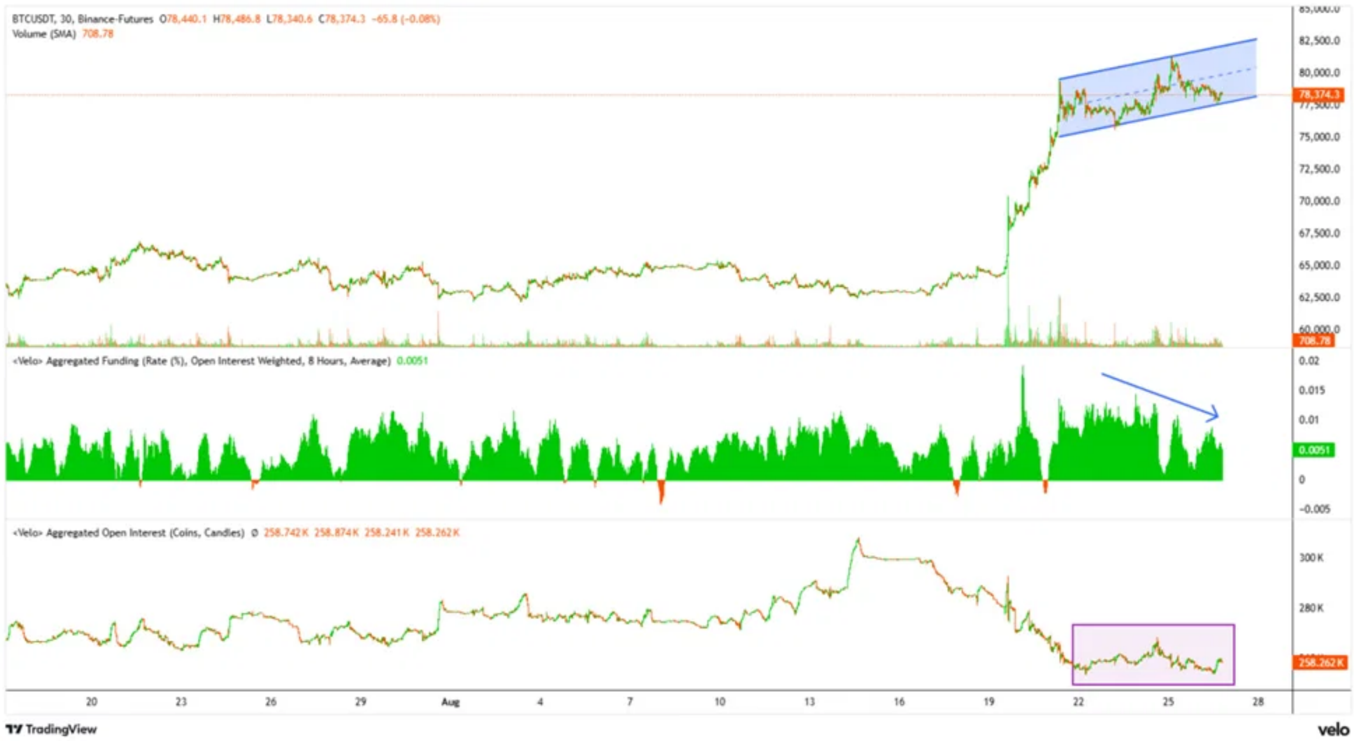
However, actual positioning has not increased nearly as aggressively. Net overweights rose from 25 to only 37 over the same period. In other words, investors appear to have changed their minds faster than they have changed their portfolios.



An important caveat here is that the respondents may be influenced by my work and thus some of the data might be skewed as a result. However, anecdotally, these results mirror the takeaways from many of the conversations I am having. Plenty of investors appear to be shifting their sentiment in a bullish direction but are waiting for a pullback toward the mid-$70Ks in BTC before adding exposure.

That pullback could certainly happen, particularly with another potential volatility catalyst ahead in Jackson Hole. But when a large portion of the market is waiting for the same entry, there is always a risk that the market simply does not provide it.

For now, the internals remain constructive. BTC is trading near the top of its recent range without a meaningful increase in open interest, while funding rates have actually moderated. In other words, we are not seeing the type of aggressive leveraged chasing that would normally make me more concerned about the sustainability of the move.



Source: velo.xyz

Adding Risk, Including ZEC

Against that backdrop, I added another 5% of risk to both model portfolios today, bringing cash allocations down to 35%, our most aggressive positioning since the last bull market.

Within the Token Portfolio, we added 3% distributed across the majors and initiated a position in ZEC.

I have discussed the Zcash thesis periodically over the past several months:

- **Bitcoin-like scarcity with optional privacy**: Zcash mirrors BTC's fixed 21M supply and proof-of-work design, but adds opt-in shielded transactions via zero-knowledge proofs. Users can transact privately or transparently, with selective disclosure.
- **Growing demand for financial privacy**: Aggressive wealth/capital taxation proposals, expanding financial surveillance regimes, and AI-enhanced monitoring may push financial privacy from an abstract value to a top-of-mind concern, creating real demand for private stores of wealth.

- **"Cypherpunk rebellion" rotation**: Some Bitcoin OGs are uncomfortable with BTC's institutionalization (MSTR, BlackRock) and are diversifying into assets closer to the original cypherpunk ethos. Given ZEC's small(er) market cap, even modest rotation could drive a sharp rerating.
- **Regulatory edge over other privacy coins**: Because privacy is opt-in (unlike Monero's mandatory privacy), ZEC retains better access to exchange listings, liquidity, and institutional infrastructure.
- **Emerging network effects**: The share of ZEC held in shielded pools has expanded materially, suggesting genuine privacy demand, not just speculation. Since anonymity strengthens as the shielded pool grows, adoption is potentially reflexive.
- **Resolved bug:** In May, a researcher discovered a flaw in the Orchard shielded pool's ZK circuit, present since its 2022 launch, that could theoretically have allowed undetectable counterfeiting of ZEC. The fix was an emergency patch that corrected the circuit within days, and the flawed pool has since been permanently sealed, with all exiting funds passing through an accounting checkpoint that quarantines any counterfeit supply. The new pool is formally verified and uses quantum-recoverable notes, both rare in production. The speed and rigor of the response provide some credibility for the developer community.

Further, the technical setup has continued to improve. ZEC/BTC recently broke to a new high before pulling back to retest its prior breakout level. Assuming that relative-strength breakout holds, I think this is an attractive point to begin building a position.

CYPH Offers an Interesting Leveraged Expression of the ZEC Thesis

Within the Crypto Equities Portfolio, we are also initiating a small position in Cypherpunk Technologies (CYPH), a Zcash DAT.

As a DAT, CYPH provides a higher-beta equity expression of ZEC. However, I think the more interesting wrinkle is the company's recently launched Zcash mining operation.

Cypherpunk currently controls roughly 18% of Zcash network hash rate. Given the significantly lower level of competition relative to Bitcoin mining, the economics appear potentially attractive. Based on current estimates, the operation could produce roughly 7,800 ZEC per month. At a ZEC price of $800, that would translate to ~$6M of monthly gross mining revenue.

We do not yet have enough information to confidently estimate margins and will get a much better sense of the economics following the next earnings report. But even assuming relatively modest margins, the mining operation could become a meaningful source of earnings for a company with an enterprise value of ~$485M. I would also note that I would otherwise be reluctant to add the name to the portfolio here, given it is trading at an mNAV multiple of ~1.8x. However, the mining operations provide ample rationale for the premium to its ZEC holdings.

That gives CYPH an interesting two-part thesis. It is both leveraged exposure to further ZEC appreciation (typical DAT), plus a potentially meaningful cash-generating mining business.

This is a volatile small-cap name, so size accordingly. But if ZEC continues making new highs and the mining economics prove durable, I think there is reflexive upside here.

Bottom Line

Yesterday, I laid out the case that the market has likely made its lows and that the broader macro regime is beginning to turn more favorable for crypto. Today's data and price action did little to change that view.

I still think some consolidation following the recent move would be healthy, and I am not suggesting investors indiscriminately chase risk here. But the combination of strong spot follow-through, relatively contained leverage, improving longer-term market internals, and a macro backdrop that is becoming more supportive makes me increasingly comfortable adding exposure incrementally.

Accordingly, we added another 5% of risk across the model portfolios today, taking cash down to 35%. The portfolio opportunity is also broadening beyond the idiosyncratic winners that carried us through the weaker liquidity regime (HYPE, PURR, miners, etc), with the majors and select higher-beta opportunities like ZEC increasingly attractive as well.

Crypto Equities Portfolio - August 26, 2026									
Ticker	**Date of Latest Rebalance**	**Weight at Latest Rebalance**	**Subsector/Theme**	**Subsector/Theme**	**Current Price**	**30-Day Return**	**90-Day Return**	**YTD Return**	**Change from Prior Rebalance**
MSTR	8/26/26	1.0%	DAT	BTC	123.19	25%	-19%	-19%	0%
PURR	8/26/26	6.0%	DAT	HYPE	11.56	82%	35%	225%	0%
CYPH	8/26/26	2.0%	DAT	ZEC	1.63	0%	0%	0%	2%
COIN	8/26/26	1.0%	Financial Services	Super App	181.78	9%	-0%	-20%	0%
HOOD	8/26/26	2.5%	Financial Services	Super App	108.54	13%	28%	-4%	0%
BTGO	8/26/26	1.0%	Financial Services	Infrastructure	7.02	36%	16%	-52%	0%
GLXY	8/26/26	3.5%	Financial Services	AI Compute	24.64	9%	-18%	10%	0%
FIGR	8/26/26	2.0%	Crypto-Enabled Services	Tokenization	37.08	29%	29%	22%	0%
CLSK	8/26/26	1.5%	BTC Mining	AI Compute	12.18	-13%	-33%	20%	0%
WULF	8/26/26	1.5%	BTC Mining	AI Compute	15.97	-11%	-39%	39%	0%
IREN	8/26/26	1.5%	BTC Mining	AI Compute	39.58	9%	-38%	5%	0%
BTDR	8/26/26	1.5%	BTC Mining	AI Compute	10.67	-6%	-42%	-5%	0%
HUT	8/26/26	1.5%	BTC Mining	AI Compute	85.00	-19%	-32%	85%	0%
HIVE	8/26/26	1.5%	BTC Mining	AI Compute	2.87	-3%	-36%	11%	0%
KEEL	8/26/26	1.5%	BTC Mining	AI Compute	3.36	-17%	-40%	43%	0%
CORZ	8/26/26	1.5%	BTC Mining	AI Compute	17.42	-16%	-37%	20%	0%
CIFR	8/26/26	1.5%	BTC Mining	AI Compute	16.02	-26%	-35%	9%	0%
RIOT	8/26/26	1.5%	BTC Mining	AI Compute	20.61	-6%	-26%	63%	0%
MARA	8/26/26	1.5%	BTC Mining	AI Compute	11.22	-5%	-20%	25%	0%
GSOL	8/26/26	4.5%	Spot Token	SOL	7.35	28%	20%	-19%	1%
ETHA	8/26/26	8.0%	Spot Token	ETH	18.65	27%	23%	-17%	1%
BITB	8/26/26	17.0%	Spot Token	BTC	42.59	21%	7%	-10%	1%
Cash	8/26/26	35.0%	Cash	Cash	1.00	0%	0%	0%	-5%

Returns	Since Portfolio Inception (6/22/23)	YTD
BTC	163%	-10%
ETH	33%	-16%
S&P 500	75%	12%
Crypto Equities Portfolio	**270%**	**10%**

Source: Bloomberg, Artemis, Fundstrat

Core Strategy Portfolio - August 26, 2026									
Ticker	Latest Rebalance	Last Rebalance Weight	Token Class	Sector	Current Price	30-Day Return	90-Day Return	YTD Return	Change
BTC	8/26/26	41.0%	BTC	Currency	78,786	24%	7%	-10%	1.0%
ETH	8/26/26	9.0%	Alt. Major	SCP	2,492	32%	24%	-16%	1.0%
SOL	8/26/26	6.0%	Alt. Major	SCP	98	32%	19%	-21%	1.0%
HYPE	8/26/26	7.0%	Altcoin	DeFi	82	45%	32%	221%	0.0%
ZEC	8/26/26	2.0%	Altcoin	Currency	792.73	66%	45%	55%	2.0%
USDC	8/26/26	35.0%	Stablecoin	Cash	1.00	0%	0%	0%	-5.0%

Returns	ITD (1/16/2023)	YTD
BTC	278%	-10%
ETH	60%	-16%
S&P 500	91%	12%
Core Strategy Portfolio	**230%**	**7%**

Source: Bloomberg, Artemis, Fundstrat

Tickers in this video: #BTC #ZEC #HYPE #PURR $MSTR $CYPH

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