



CUMBERLAND

A DRW COMPANY

PUBLISHED AUGUST 2022

Market Pulse: The State of Crypto Investing in 2022

Key findings and takeaways
from the annual Cumberland
counterparty mid-year survey



FOREWORD

Crypto, like any emergent technology, is best suited to those who are willing to not only accept but embrace uncertainty. Once a year, Cumberland likes to reach out to our counterparties to conduct a survey about where they see the market going. It's always extremely instructive; our counterparty base includes every different type of market participant from the crypto landscape, including crypto funds, asset managers, protocols, exchanges, and so on.

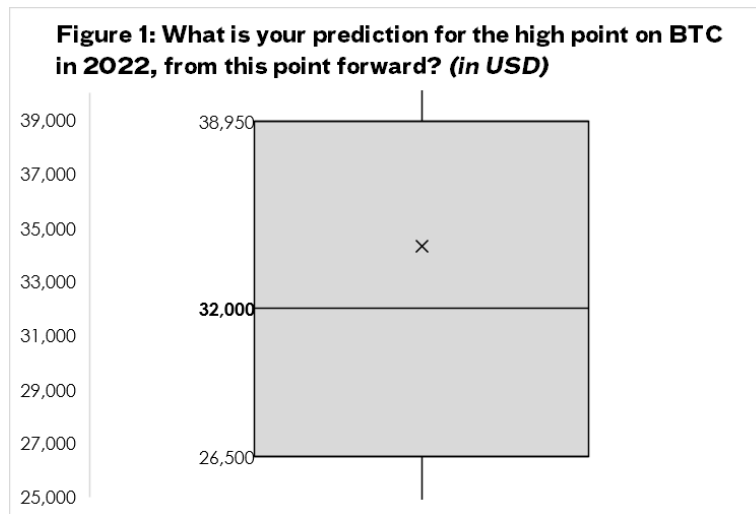
The results of the survey were fascinating, some expected and some surprising. Some of the high-level observations, which we will dive into below:

- Even in the wake of a severe selloff, the average respondent was still high-conviction bullish.
- Most participants agree that the Fed is the most important driver of crypto markets.
- Recent market turbulence has many traders leaning away from alts and towards Bitcoin.
- Traders are overwhelmingly moving towards options as a yield enhancement tool following the collapse of yields in DeFi

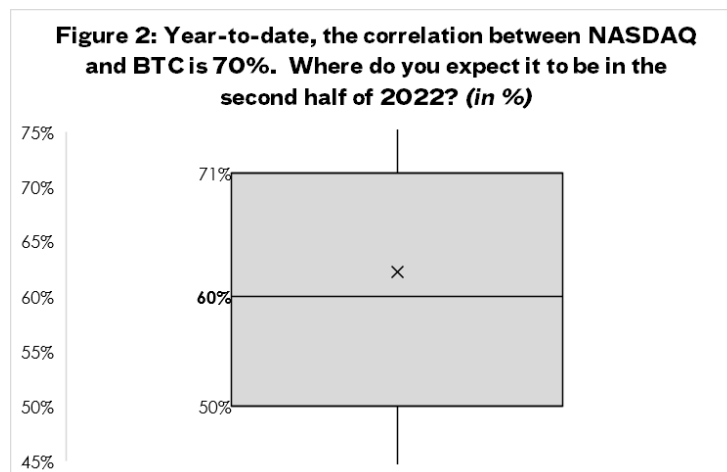
For context, the timing of this survey is important to note. When it was sent out, BTC was \$20,000 and ETH was \$1,100. Our respondents were bullish, but the performance of the market in the past two weeks was even more exuberant. You can't plan these things, and volatility is a fact of the life we've chosen.

Trend 1: Not Completely Out of the Woods Yet, But Optimism for the Future

It's fascinating that even following a severe selloff, at a moment when the market motto had been risk-off everything, the average respondent was still extremely bullish. The median response predicted a 40% rally in BTC, and 69% of respondents thought that BTC would be higher before the end of the year. Most respondents did not think we were out of the woods yet, with the median guessing that the low for the year would be around 16,000, but excitement about upside prevailed, with the median guess for high-water-mark coming in at \$32,000, which represented nearly a 60% rally from current levels. Even in a bear market, the direction is not surprising. After all, most of us are in crypto because we believe in Bitcoin; if we didn't have a bullish streak, we'd probably still be trading FX.

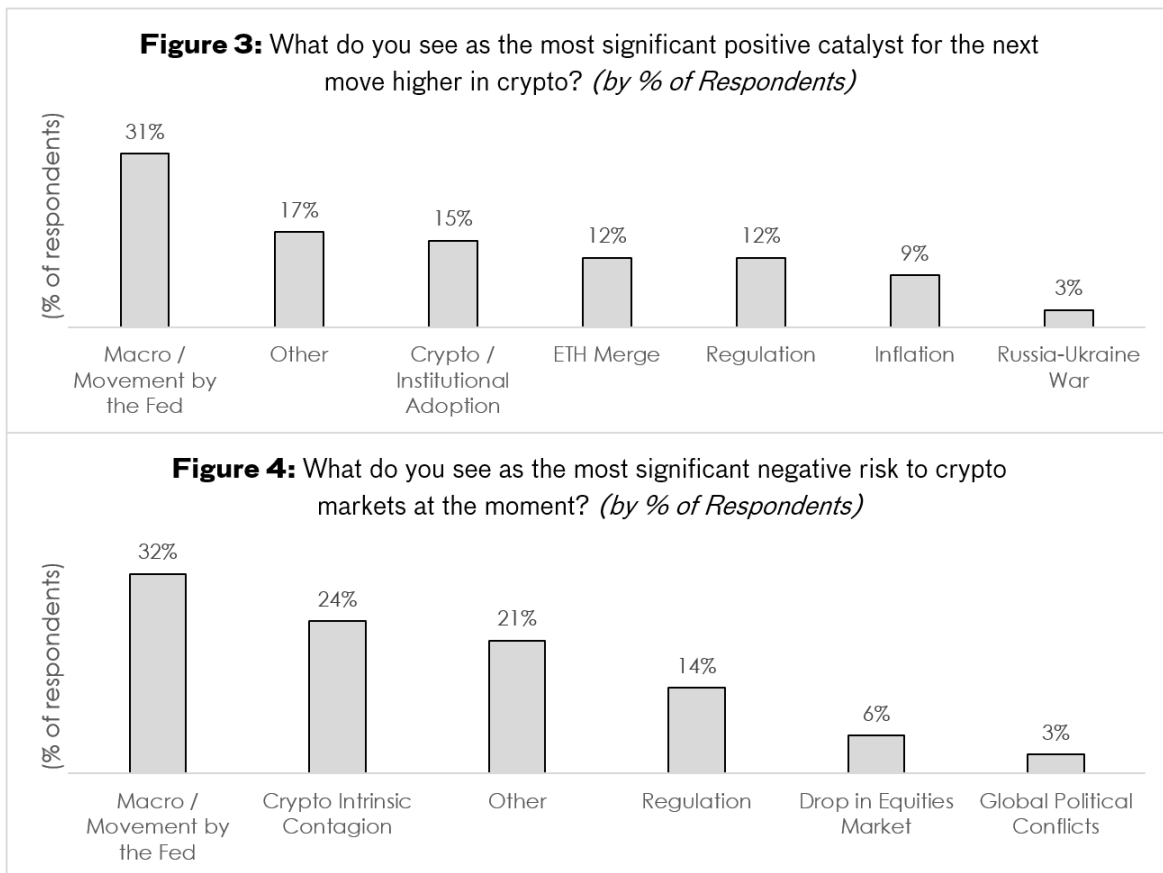


The magnitude, though, was a bit surprising. After all, the median response was only predicting a 4% rally in NASDAQ, while predicting a 60% correlation between NASDAQ and BTC. Again, there's a heavy self-selection component here, so it's not surprising that our bullish respondents were more bullish on BTC than equities, but crypto markets this year have been dominated by equities. It is, of course, possible for this correlation to break down, and it does seem people are expecting it to decrease. However, it still will be difficult to get a sharp rally in BTC without also seeing a significant bounce in equities.



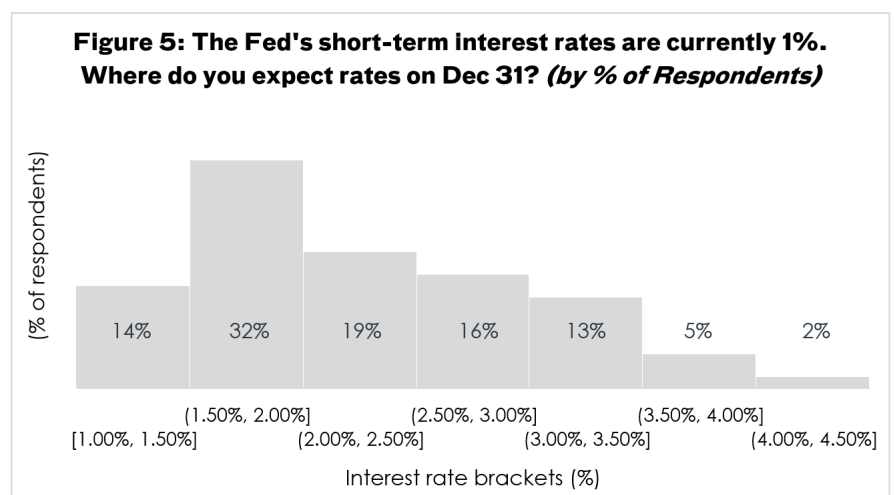
Trend 2: All Eyes on the Fed

It's very striking that the most common response for both positive and negative catalysts is movement by the Fed with 31% of all respondents cited it as a potential positive catalyst, and 32% cited it as a potential negative catalyst.



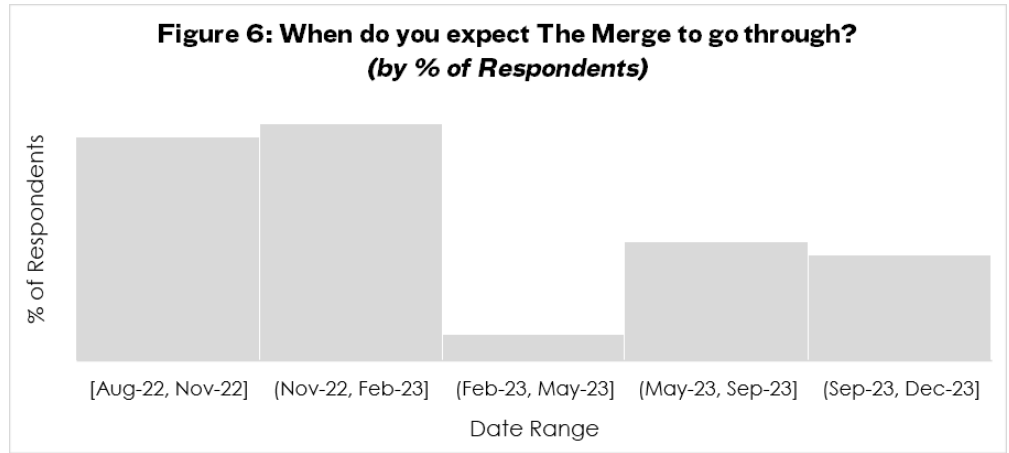
This seems paradoxical, but a view emerges. Rate hikes during this cycle have not been a surprise, and have been communicated very well to the market. At this point, the forward markets are confidently predicting a 3.5% rate at the end of the year.

However, the survey respondents surprisingly forecast a lower rate, closer to 2.5%. If the Fed does indeed blink, and backs off increasing rates at its projected pace, the market would likely take it as a positive catalyst. (In our view, this isn't that outlandish; the shape of the forward curve is already predicting a chance at rate cuts in 2023).



Trend 3: Getting Ready for the Merge

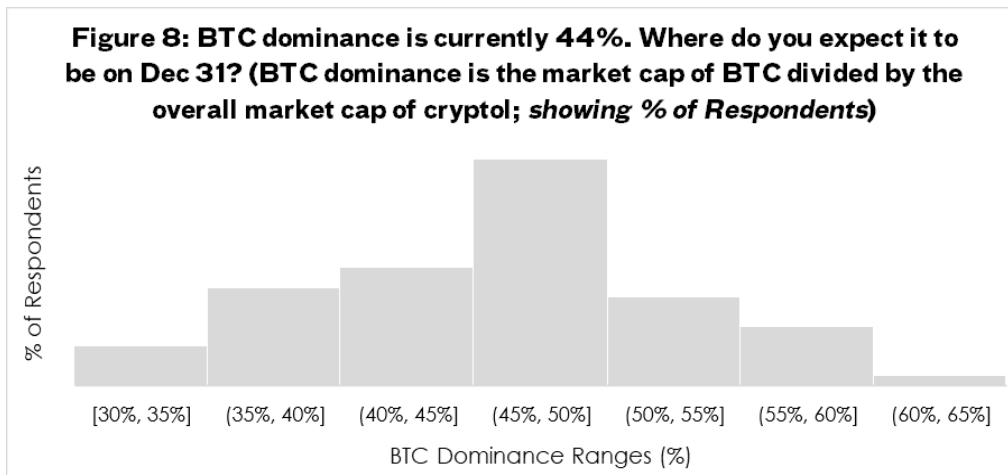
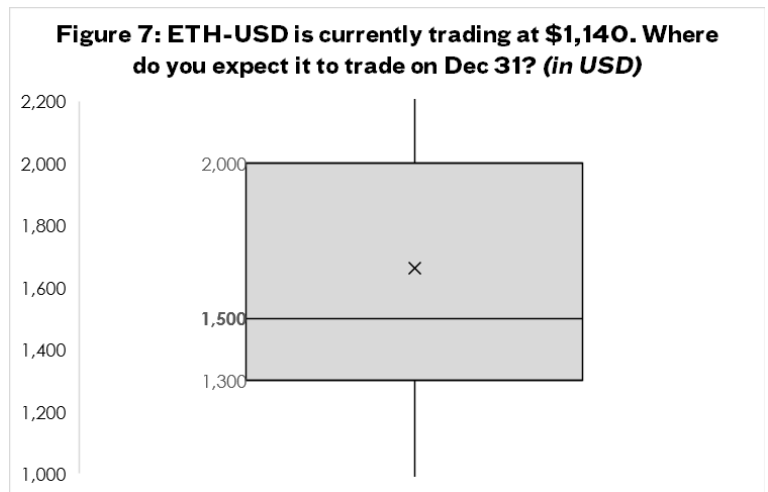
Another popular response for a positive market catalyst is the Ethereum Merge, with the median of respondents guessing that it would happen in December 2022. Unfortunately, the results of the survey predate when a new date was recently announced for the Goerli Testnet merge indicating that the merge comes earlier in the year. Indeed, Cumberland's Research team expects the mainnet merge as early as September.



Since the Goerli dates were announced, ETH/BTC has rallied from .055 to .07. Respondents in this survey were not as bullish on ETH as they were on BTC; the median guess for ETH's end-of-year price was 1500, which combines with the median BTC prediction of 28k to lay out a .052 ETH-BTC price.

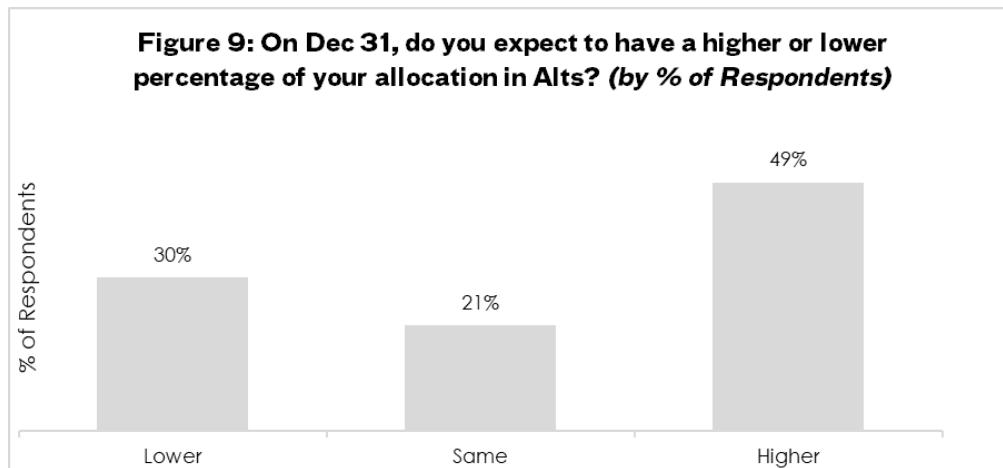
Trend 4: Bullish on Crypto; Bearish on ETH & ALTs

Again, seeing crypto bulls in a crypto survey is not that surprising. However, it was a somewhat surprising to see this bearishness on ETH-BTC, and on alts in general. The median respondent thought that BTC dominance would rise, from 44% to 49%.

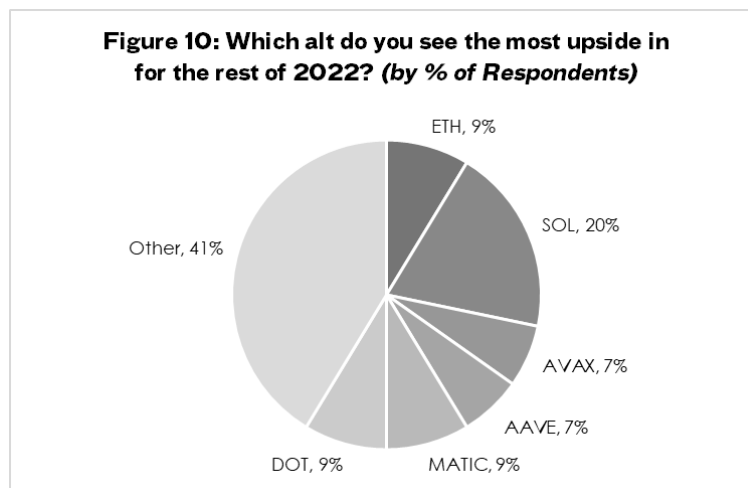




There was also a very mixed response to the question “do you expect to have a higher or lower allocation to alts?” with only 49% saying “Higher”; again, a surprising result given the inherent bullishness of the group surveyed.



The most popular alt selected was SOL, followed by MATIC, DOT, AVAX, and AAVE.



Trend 5: Middling DeFi Enthusiasm Begets Strong Options Demand

Respondents thought that TVL in DeFi would go up, but the convictions remained relatively quiet. The median prediction was a 23% increase, which means respondents thought TVL would drop in ETH terms, since the median ETH prediction was +36%. This isn't necessarily inconsistent, since a lot of the TVL in DeFi is locked in stablecoins. Participants expect the ETH yield to be around 5%, which is in-line with our research team's predictions (Link: "[Valuing Ethereum into the Merge](#)" by Cumberland).

One striking statistic is that nearly 60% of all respondents said that the failure of UST makes them more likely to use options strategies to generate yield.

We've seen a similar sentiment in practice as well: at the beginning of the year, only options specialists were asking Cumberland to trade options products. Now, we are seeing interest from across the spectrum, including funds, treasuries, and even exchanges.

Figure 11: The DeFiLlama DeFi TVL index is currently \$75.26b. Where do you expect this to be on Dec 31? (in USD billions)

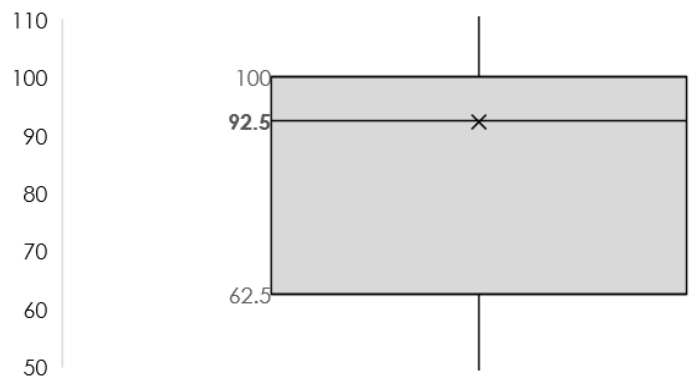
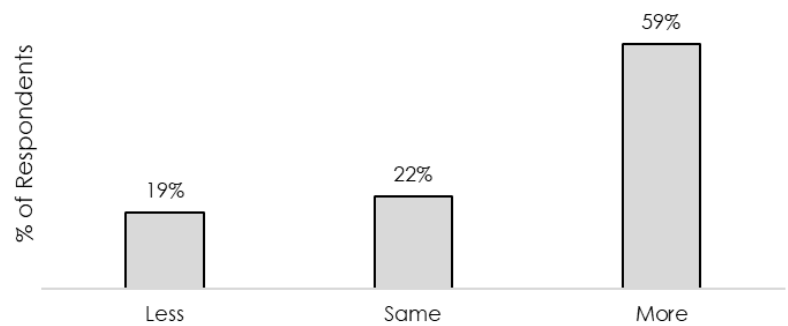


Figure 12: After the failure of UST, are you more or less likely to use option strategies to generate yield? (by % of Respondents)



Connect With Us

If you'd like further color on the survey or would like to discuss any of the results with the Cumberland team, please reach out to rm@cumberland.io to schedule a conversation, or reach out on Telegram.

Trend 6: Plenty of Dry Powder Available

It's all well and good that crypto participants are bullish, but if funds are fully deployed, it doesn't mean much. Fortunately for price prospects, the median respondent had 50% of their investment capital in either cash or stablecoins.

This may be a bit lower after the rally last week, but it absolutely demonstrates a good deal of dry powder. And nearly two-thirds of respondents said they would have a higher percentage of overall allocation deployed by the end of the year.

Trend 7: What about NFTs? Leave Them to Retail

Our respondents didn't seem to have much of a view on the floors of CryptoPunk or Bored Ape prices, showing a pretty tight distribution of responses right around current prices. This can be used as a bit of evidence that institutions are not that focused on NFTs, but are neither bullish or bearish, instead recognizing them as a largely retail phenomenon – even the very expensive ones.

Figure 13: What percentage of your investment capital is currently in cash or stables? (% Allocated)

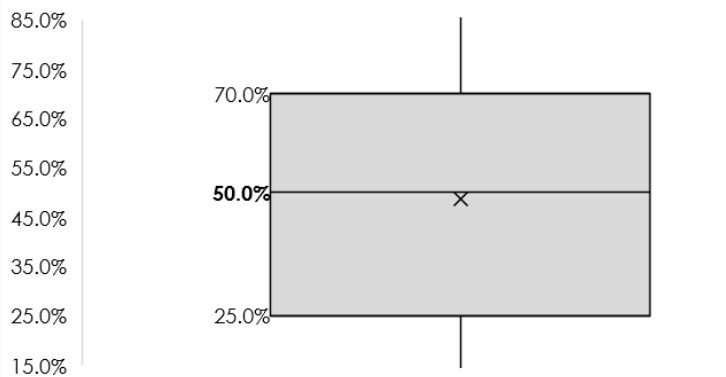


Figure 14: On Dec 31, do you expect to have a higher or lower percentage of your allocation deployed? (by % of Respondents)

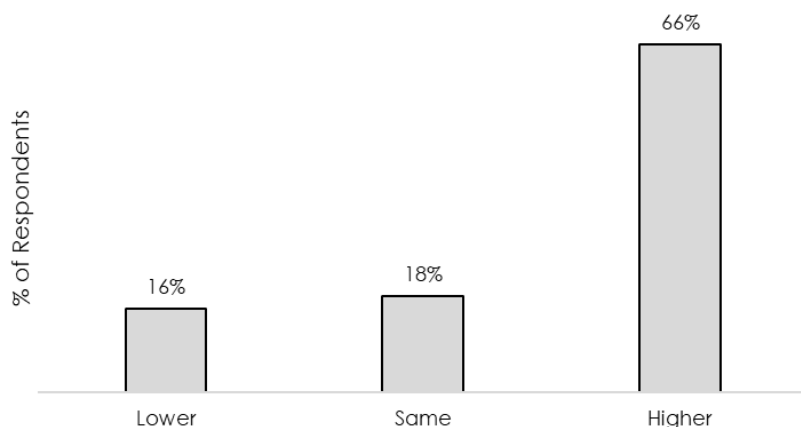


Figure 15: The floor for CryptoPunk NFTs is currently 75.85 ETH (from LarvaLabs, creator). Where do you expect this to be on Dec 31? (in ETH)

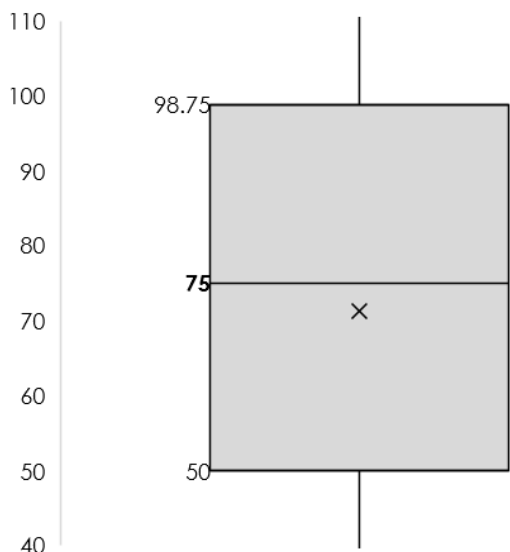
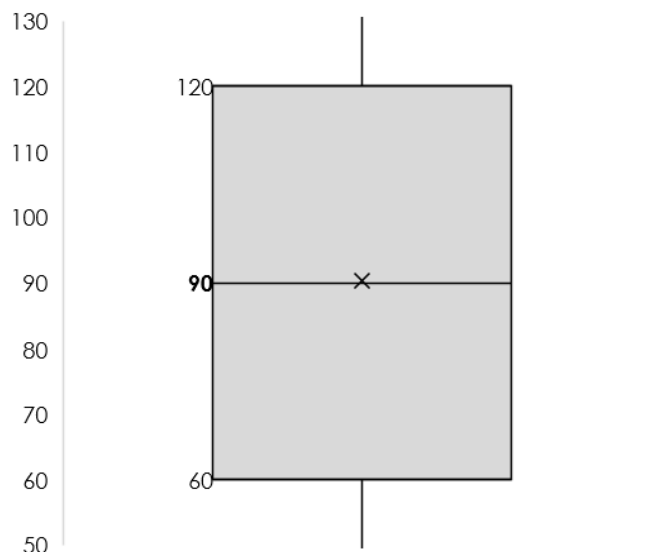


Figure 16: The floor for Bored Ape NFTs is currently 99.99 ETH on OpenSea. Where do you expect this to be on Dec 31? (in ETH)



APPENDIX

Complete Survey Results

1. BTC-USD is currently trading at \$20,000. Where do you expect it to trade on December 31, 2022?

	Value	% Change
Mean	27,041	35%
Median	28,000	40%
10%ile	15,000	-25%
90%ile	40,000	100%
SD	10,959	55%

2. What is your prediction for the low point on BTC in 2022, from this point forward?

	Value	% Change
Mean	15,161	-24%
Median	16,000	-20%
10%ile	10,100	-50%
90%ile	18,000	-10%
SD	3,024	15%

3. What is your prediction for the high print on BTC in 2022, from this point forward?

	Value	% Change
Mean	32,659	63%
Median	32,000	60%
10%ile	23,400	17%
90%ile	43,600	118%
SD	12,827	64%

4. NASDAQ is currently trading at \$11,500. Where do you expect it to trade at on Dec 31?

	Value	% Change
Mean	11,705	2%
Median	12,000	4%
10%ile	9,455	-18%
90%ile	14,000	22%
SD	2,028	18%

APPENDIX

Complete Survey Results

5. Year-to-date, the correlation between NASDAQ and BTC is 70%. Where do you expect it to be in the second half of 2022?

	Expectation %
Mean	63%
Median	60%
10%ile	50%
90%ile	80%
SD	14%

6. The Fed's short-term interest rates are currently 1%. Where do you expect rates on Dec 31?

	Expectation %
Mean	2.4%
Median	2.3%
10%ile	1.5%
90%ile	3.3%
SD	0.8%

7. BTC dominance is currently 44%. Where do you expect it to be on Dec 31? (BTC dominance is the market cap of BTC divided by the overall market cap of crypto)

	Expected Dominance (%)
Mean	48%
Median	49%
10%ile	39%
90%ile	56%
SD	7%

8. What do you see as the most significant positive catalyst for the next move higher in crypto?

Catalyst	% of Responses
Macro / Movement by the Fed	31%
Crypto / Institutional Adoption	15%
Regulation	12%
Inflation	9%
Russia-Ukraine War	3%
ETH Merge	12%

APPENDIX

Complete Survey Results

9. What do you see as the most significant negative risk to crypto markets at the moment?

Catalyst	% of Responses
Macro / Movement by the Fed	32%
Crypto Intrinsic Contagion	24%
Regulation	14%
Drop in Equities Market	6%
Global Political Conflicts	3%
Other	21%

10. ETH-USD is currently trading at \$1,140. Where do you expect it to trade on Dec 31?

	Expectation (in USD)
Mean	1,605
Median	1,500
10%ile	980
90%ile	2,500
SD	723

11. When do you expect The Merge to go through?

	Expected Date
Mean	2/10/2023
Median	12/15/2022
10%ile	9/15/2022
90%ile	10/15/2023

12. What do you expect ETH staking yield to be post-merge? (Staking yield only, ignore deflation)

	Expectation (in %)
Mean	5%
Median	5%
10%ile	3%
90%ile	8%
SD	2%

APPENDIX

Complete Survey Results

13. The DeFiLlama Defi TVL index is currently \$75.26b. Where do you expect this to be on Dec 31?

	Expectation (in USD billions)
Mean	89.55
Median	92.50
10%ile	50.00
90%ile	150.00
SD	35.91

14. After the failure of UST, are you more or less likely to use option strategies to generate yield?

	% of Responses
Less	19%
Same	22%
More	59%

15. What percentage of your investment capital is currently in cash or stables?

	Allocation %
Mean	48%
Median	50%
10%ile	20%
90%ile	80%
SD	27%

16. On Dec 31, do you expect to have a higher or lower percentage of your allocation deployed?

	% of Responses
Lower	16%
Same	18%
Higher	66%

APPENDIX

Complete Survey Results

17. Of the capital you have that is not in cash or stables, what percentage is in liquid coins (as opposed to private deals)?

	Allocation %
Mean	76%
Median	90%
10%ile	20%
90%ile	100%
SD	31%

18. On Dec 31, do you expect to have a higher or lower percentage of your allocation in liquid coins, compared to private deals?

	% of Responses
Lower	18%
Same	21%
Higher	62%

19. Of your allocation in liquid coins, what percentage is in Alts? (Anything besides BTC and ETH)

	Allocation %
Mean	23%
Median	15%
10%ile	0%
90%ile	50%
SD	24%

20. On Dec 31, do you expect to have a higher or lower percentage of your allocation in Alts?

	% of Responses
Lower	30%
Same	21%
Higher	49%

APPENDIX

Complete Survey Results

21. Have recent developments in crypto (high correlation to stocks, UST failure, -60% retracement in BTC) changed your core investment approach?

	% of Responses
Yes	41%
No	59%

22. By what percentage do you expect to grow or reduce your team's headcount from now until the end of 2022?

	Headcount Change %
Mean	15%
Median	0%
10%ile	0%
90%ile	27%

23. Do you expect to see another major stablecoin depeg in 2022?

	% of Responses
Yes	26%
No	74%

24. Which alt do you see the most upside in for the rest of 2022?

	% of Responses
SOL	20%
ETH	9%
MATIC	9%
DOT	9%
AVAX	7%
AAVE	7%
Other	41%

APPENDIX

Complete Survey Results

25. The floor for CryptoPunk NFTs is currently 75.85 ETH (from LarvaLabs, creator). Where do you expect this to be on Dec 31?

	Expectation (in ETH)
Mean	72
Median	75
10%ile	40
90%ile	100
SD	26

26. The floor for Bored Ape NFTs is currently 99.99 ETH on OpenSea. Where do you expect this to be on Dec 31?

	Expectation (in ETH)
Mean	91
Median	90
10%ile	50
90%ile	136
SD	35

For more information, please contact your local Relationship Manager:

Paul Kremsky, Singapore, pkremsky@cumberland.io

Matt Connelly, Chicago, mconnelly@cumberland.io

Nathalie Ngo, Toronto, nngo@cumberland.io

Aaron Armstrong, London, aarmstrong@cumberland.io

Alex Williams, London, atwilliams@cumberland.io

Daniel Kim, Singapore, dkim@cumberland.io

Wilson Huang, Greenwich, whuang@cumberland.io

Disclaimer

The information (“Information”) provided by Cumberland DRW LLC and its affiliated or related companies (collectively, “Cumberland”), either in this document or otherwise, is for informational purposes only and is provided without charge. Cumberland is a principal trading firm; it is not and does not act as a fiduciary or adviser, or in any similar capacity, in providing the Information, and the Information may not be relied upon as investment, financial, legal, tax, regulatory, or any other type of advice. The Information has not been prepared or tailored to address, and may not be suitable or appropriate for the particular financial needs, circumstances, or requirements of any person, and it should not be the basis for making any investment or transaction decision. THE INFORMATION IS NOT A RECOMMENDATION TO ENGAGE IN ANY TRANSACTION.

If any person elects to enter into transactions with Cumberland, whether as a result of the Information or otherwise, Cumberland will enter into such transactions as principal only and will act solely in its own best interests, which may be adverse to the interests of such person. Before entering into any such transaction, you should conduct your own research and obtain your own advice as to whether the transaction is appropriate for your specific circumstances. In addition, any person wishing to enter into transactions with Cumberland must satisfy Cumberland’s eligibility requirements. Cumberland may be subject to certain conflicts of interest in connection with the provision of the Information. For example, Cumberland may, but does not necessarily, hold or control positions in the cryptoasset(s) discussed in the Information, and transactions entered into by Cumberland could affect the relevant markets in ways that are adverse to a counterparty of Cumberland. Cumberland may engage in transactions in a manner inconsistent with the views expressed in the Information.

Cumberland makes no representations or warranties (express or implied) regarding, nor shall it have any responsibility or liability for the accuracy, adequacy, timeliness, or completeness of, the Information, and no representation is made or is to be implied that the Information will remain unchanged. Cumberland undertakes no duty to amend, correct, update, or otherwise supplement the Information.

The virtual currency industry is subject to a range of risks, including but not limited to: price volatility, limited liquidity, limited and incomplete information regarding certain instruments, products, or cryptoassets, and a still emerging and evolving regulatory environment. The past performance of any instruments, products, or cryptoassets addressed in the Information is not a guide to future performance, nor is it a reliable indicator of future results or performance. Investing in virtual currencies involves significant risks and is not appropriate for many investors, including those without significant investment experience and capacity to assume significant risks.

Cumberland SG Pte. Ltd. is exempted by the Monetary Authority of Singapore (“MAS”) from holding a license to provide digital payment token (“DPT”) services. Please note that you may not be able to recover all the money or DPTs you paid to a DPT service provider if the DPT service provider’s business fails. You should not transact in a DPT if you are not familiar with the DPT. This includes how the DPT is created, and how the DPT you intend to transact is transferred or held by your DPT service provider. You should be aware that the value of DPTs may fluctuate greatly. You should buy DPTs only if you are prepared to accept the risk of losing all of the money you put into such tokens. You should be aware that your DPT service provider, as part of its licence to provide DPT services, may offer services related to DPTs which are promoted as having a stable value, commonly known as “stablecoin.”



CUMBERLAND
A DRW COMPANY

WWW.CUMBERLAND.IO