



DIGITAL ASSETS

**DECODED**

AUGUST 2021 IN REVIEW



**GALAXY**  
FUND MANAGEMENT



# MARKET COMMENTARY



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Digital assets rallied across the board in August as the market saw a boost spanning bitcoin, Ethereum, and rapidly developing sectors – mostly decentralized finance (DeFi) and non-fungible tokens (NFTs).

Sentiment swung back and forth in the early part of the month as digital assets took center stage on Capitol Hill. The asset class became a hotly contested part of the new infrastructure bill. For nearly two days, senators on the house floor debated amendments focused on the tax treatment for consensus mechanisms in the digital asset ecosystem. Ultimately, the provision did not make it to the bill, but many view this debate as a net positive. Crypto showed that it's ready for tax clarity while signaling it can find a loud, clear, and informative political voice on a grand stage. This activity came against the backdrop of elected officials signaling they are not interested in smothering this burgeoning asset class and its next wave of innovation via taxes.

The market rallied as we saw a unified voice emerge supporting an asset class ready to take its next steps into the mainstream. Performance across the asset class was positive throughout August with Ethereum achieving the highest price percentage increase across the crypto industry.

OpenSea, the largest marketplace for non-fungible tokens (NFTs), recorded a \$3.4B transaction volume in August, more than ten times their July figure.<sup>1</sup> This increase shows unprecedented interest in NFTs – digital assets with a unique digital fingerprint that cannot be replicated. As growing attention and demand increases the value of NFT collections, it also elevates Ethereum, Solana, and other smart contract blockchains that can host NFTs.

1) Source: [MarketWatch.com](https://www.marketwatch.com)



## NOTABLE NEWS

- Ethereum upgrade EIP 1559 was completed on August 5th, making transactions on the network more efficient. Following the upgrade, a deflationary feature activated, triggering a portion of transaction fee results in ETH to burn. We saw nearly \$500M transaction fees burned in the month following the update.<sup>2</sup>
- SEC Commissioner Gary Gensler signaled a possible approval of an ETF based on regulated Bitcoin Futures 40 act products. This news received mixed reviews from both the digital asset market and the ETF community.
- The crypto-friendly compromise amendment regarding how to best tax crypto to help pay for the Infrastructure Bill failed to make it into the final version of the Senate. Congressman Tom Emmer (MN) stated the House of Representatives “must consider amendments that exempt entities that don’t conduct crypto transactions and keep blockchain software development, cryptocurrency mining, and more in the United States.” This statement was a net positive, demonstrating ways crypto will be approached with thought and nuance as it emerges on the regulatory frontier.
- Neuberger Berman granted its commodity-focused funds the ability to invest in bitcoin and Ethereum Futures.
- Robinhood reported crypto now represents 41% of their revenue.<sup>3</sup>

<sup>2</sup>) Source: [Decrypt.co](https://decrypt.co)

<sup>3</sup>) Source: [CoinDesk.com](https://coindesk.com)



**PERFORMANCE ACROSS THE ASSET CLASS WAS POSITIVE THROUGHOUT AUGUST WITH ETHEREUM ACHIEVING THE HIGHEST PRICE PERCENTAGE INCREASE ACROSS THE CRYPTO INDUSTRY.**



- Coinbase teamed up with Japanese bank MUFG to launch a crypto exchange in the country.
- Coinbase and Circle announced a consolidation of Stablecoin USDC reserves into cash and US treasuries.
- US-based banking conglomerate Citigroup offers bitcoin futures trading for some institutional clients.



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