

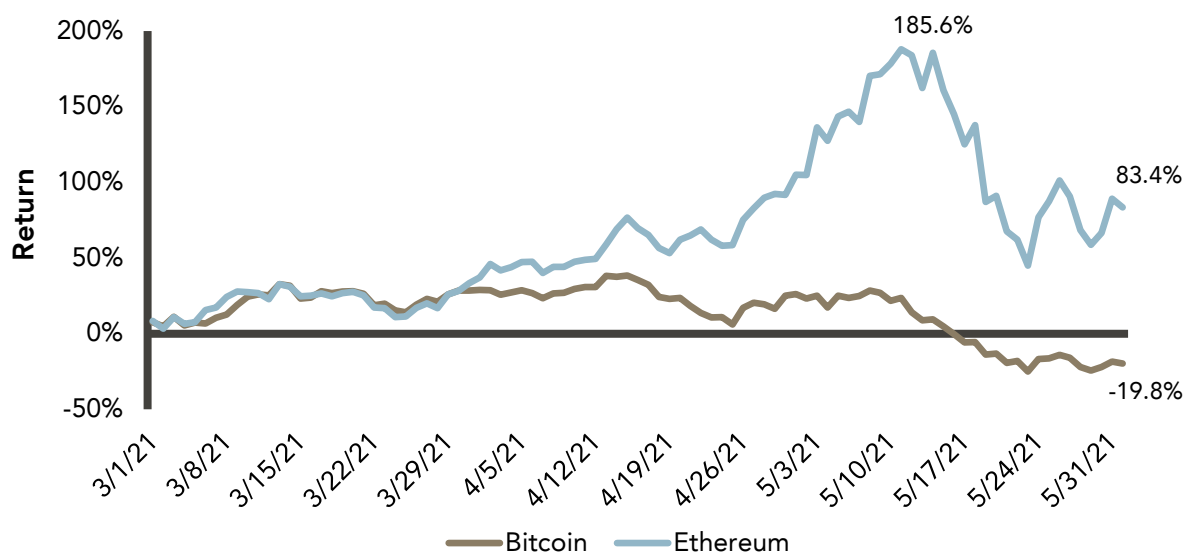
# Chart of the Week

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## Volatility in Crypto

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Bitcoin prices have fallen over the last three months, while Ethereum, the second largest cryptocurrency, is up meaningfully



Sources: CoinDesk, Bloomberg

Bitcoin has been under pressure over the past month while Ethereum has held up relatively well, resulting in a large discrepancy in returns between the two largest cryptocurrencies. After a surge in prices from late 2020 through early 2021, a number of factors have weighed on Bitcoin more recently. China reiterated its restrictions on cryptocurrencies and proposed punishments for companies involved in mining Bitcoin in the Inner Mongolia region. Mining rigs have a large energy footprint and have since been banned in order to lower China's overall energy consumption. China accounts for more than 65% of the world's total Bitcoin mining due to its cheap energy costs. Elon Musk, a prominent voice in the crypto space, also announced that Tesla would no longer accept Bitcoin as a form of payment due to environmental concerns.

Ethereum also dropped in May, but is still up 83% since March, a stark difference from the -19.8% return of Bitcoin. Ethereum has benefited from increased interest in the underlying technology. Decentralized finance focuses on using Ethereum-enabled smart contracts to optimize transactions. The rise of non-fungible tokens or NFTs has also contributed to Ethereum's gains. NFTs are digital assets, secured by the Ethereum blockchain, that represent unique ownership of virtual items like art and sports memorabilia. NFT trading volumes in the first quarter of 2021 were up 15X quarter-over-quarter.<sup>1</sup>

Cryptoassets are an emerging asset class and this level of volatility should be expected. We recommend interested investors remain diligent and only pursue investments that are appropriate for their risk tolerances. ▀

<sup>1</sup>CoinDesk, Nonfungible.com

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