Key Takeaways
Market Pulse is a compilation of key charts and insights by Binance Research, shedding light on the state of crypto

Market Overview
Q1 was a strong quarter for crypto. Total crypto market capitalization increased by 49.4% QoQ even amidst an uncertain macro environment.

Layer 1s
Blockchain activity bounced back well in Q1. From a price perspective, Bitcoin had a great quarter, while attention was also on Ethereum ahead of the Shanghai Upgrade.

DeFi
Q1 marked a recovery period for DeFi as TVL increased 27.1% QoQ, ending the quarter at US$49.7B.

NFTs
NFT sales increased 67% QoQ in Q1, largely driven by increased activity on Blur. However, performance fell 16% QoQ, as measured by the NFT-500 index.

Gaming
The gaming landscape was led by BNB Chain, Ethereum, and Polygon, with more than 67% market share (by number of games).
Market Overview
Crypto Market Overview

Market capitalization increased in Q1

- Crypto market capitalization increased by 49.4% in Q1 2023.
- Despite growing macroeconomic uncertainty and turmoil in the banking sector, the crypto market exhibited resilience in Q1. This comes as Bitcoin broke the $28,000 ceiling in March, a level not seen since June 2022.

Crypto Fear and Greed Index

Index rose significantly, suggesting positive sentiment

The Crypto Fear and Greed Index, which measures market sentiment, reached a high of 68 points, a level not seen since Nov 2021, indicating positive sentiment.

This is a stark contrast to last year, when the index remained largely in the “fear” zone throughout 2022.

+37 points in Q1

Crypto Unicorn Index
Number of coins with >US$1B market cap rose in Q1


+45.9% QoQ

- The number of coins with a market cap >US$1B increased from 37 in Q4 to 54 in Q1.
- This comes alongside a general recovery in the crypto market in Q1. This metric is now back in line with the range in Q3 2022 (post-Terra’s fall), although still significantly lower when compared to the start of last year.

Performance of Largest Coins by Market Cap
Top 3 coins held their spot in 2021, 2022 and YTD

+52.1% average performance in Q1

- BTC, ETH, and BNB remain the top 3 coins by market capitalization in 2023, excluding stablecoins.

- Compared to 2022, SOL has staged a recovery and erased most of its post-FTX losses, while TRX has fallen off the top 10 coins by market cap.
BTC dominance increased


+6% share for BTC

- BTC was the biggest gainer in Q1 as the narrative of it as a store of value gained steam amidst an uncertain macro environment.
- Most other large-cap coins generally maintained market share during the quarter.
Layer 1s
Monthly Transactions by Chain

Up across the board - BNB Chain was the top gainer in Q1


QoQ Change:
ETH (+3%); BNB (+22%); AVAX (+17%); SOL (+16%)

- Activity tracked lower across the sample set, with an avg. ~14% increase across all 4 L1s in Q1.
- While Solana saw the largest % decline in transaction count in Q4-22, it has since bounced back in line with the cohort.
Average Daily Active Addresses by Chain

BNB Chain - the outlier

Only BNB Chain showed an increase in Q1

- Average daily active addresses for BNB Chain rose 24%, while they fell 2% for Ethereum. Avalanche and Solana saw 15% and 28% declines, respectively.
- BNB Chain active addresses have increased for two consecutive quarters, while the other three L1s have all declined in the last six months.

@ethereum leads, @BNBChain a close 2nd

- @BNBChain (+5% QoQ) and @avalancheavax (+10% QoQ) saw the strongest Q1 growth.
- @ethereum continues to lead with over 3M followers, with @BNBChain very close behind.
- On a monthly basis, Ethereum has been losing followers for two months, while the other three L1s in our cohort steadily increased.

BTC: Grayscale Bitcoin Trust ("GBTC") Premium

GBTC discount improved across Q1

Discount to NAV:
- End of 2022: -45.2%
- End of Q1-23: -36.7%

- After hitting their all-time highest discount of 48.9% vs. Net Asset Value ("NAV") in Dec-22, things have improved.
- Recent reports from hearings of the case between the U.S. SEC and Grayscale were received positively by traders, possibly contributing to a narrowing of GBTC discount in recent weeks.

BTC: Bitcoin Balance on Exchanges vs. Price

Balance and Price both increased in Q1


A strong first quarter for the largest crypto

- Bitcoin price rose ~72% in Q1, reaching levels last observed in June 2022.
- Bitcoin balance on exchanges steadied, rising 0.5% across the quarter. This compares to an 11% contraction in Q4 and a 20% fall in 2022. With the continued interest in self-custody and ongoing innovation in the wallet space, this number may continue to fall further.
Average fees (US$):
- Q4-22: **2.7**
- Q1-23: **4.8**

- Having declined ~88% between Q1 and Q4 of 2022, average transaction fees on Ethereum have since bounced back and rose 92% across Q1 2023.

- Generally more favorable market conditions, alongside continued growth in the Ethereum ecosystem (Arbitrum, Optimism, Polygon zkEVM, zkSync Era, etc.), have led to increased block space demand and, thus, higher fees.
ETH: Staked ETH Statistics

~15.1% of all ETH in circulation has been staked


18.1M+ ETH is staked

- Q1 saw a 13.6% increase in the amount of ETH staked, with a notable increase of ~1M ETH in Feb, likely contributed by the successful Zhejiang and Sepolia testnets.
- The Shanghai hard fork, which enabled staked ETH withdrawals, went live on April 12.

Amount of Staked ETH

BNB Chain: Average Transaction Fee

Users paid an average of $0.25 transaction fees in Q1.

- +13% QoQ average fees in Q1.
  - Average transaction fees bounced back a little from a Q4 average of $0.23.
  - The increase is in line with increased network activity for BNB Chain in Q1, as illustrated by data on transactions (Slide 11) and addresses (Slide 12).

BNB Chain: Top dApps by TVL
DEXes and lending remain the largest verticals

PancakeSwap remained the dominant dApp

- PancakeSwap continues to lead, despite the entrance of Uniswap onto BNB Chain a few weeks ago (Uniswap has yet to break into the top 10 DEXes on BNB Chain).
- With PancakeSwap announcing their v3 in early April, it will be interesting to see how TVL evolves.
- Aave is currently deliberating a proposal to launch on BNB Chain - this may provide some competition for the leading lending dApp, Venus.
DeFi
DeFi Total Value Locked

Slight recovery in DeFi TVL in Q1

DeFi TVL

+27.1% QoQ

- DeFi TVL bottomed in Dec 2022 but has since recovered to just slightly below the US$50B mark.
- Nonetheless, DeFi TVL has largely remained range-bound during the quarter.

Market Share by TVL
Layer 2s showed signs of growth

Defi TVL Market Share by Chain

L2s in the spotlight

- Top spots continued to be held by Ethereum, BNB Chain, and Tron, with minimal changes in TVL market share during the quarter.

- Layer 2s such as Arbitrum (+2%) and Optimism (+0.5%) have notched some gains, likely contributed by interest in the space following Arbitrum’s $ARB airdrop.

Source: DeFi Llama, Binance Research. Data as of 31 Mar 2023.
Lido extended its lead over other DeFi dApps

Top 10 DeFi dApps

- **Lido** saw the largest absolute gain, with TVL increasing from US$5.9B to $11.0B QoQ. This is likely contributed by increased demand for liquid staking leading up to the Shapella upgrade.

DEX/CEX Trading Volume
DEX/CEX ratio was slightly higher at the end of Q1

- +0.2% (absolute) in Q1
  - Following the spike in Nov 2022 due to a CEX fallout, the DEX/CEX ratio has generally normalized and trended down.
  - The increase in March could have been contributed by the temporary USDC depeg as traders swapped their USDC holdings on DEXes.

Note: DEX - Decentralized Exchanges | CEX - Centralized Exchanges
USDT gained market share post recent market events

- USDT has extended its lead as the largest stablecoin in the market and currently has over 60% of stablecoin market share.
- USDT has seen capital inflow and has absorbed market share from both USDC and BUSD following the unwinding of BUSD and the temporary USDC depeg.

Source: DeFi Llama, Binance Research. Data as of 31 Mar 2023.
Total Funds Lost Due to Hacks
Amount loss due to hacks declined in Q1

Losses resulting from DeFi hacks totaled US$252M in Q1

- The Euler Finance hack (US$197M) accounted for the bulk of the funds exploited in the quarter. Importantly, most of the funds have since been recovered.

*Values do not include recovered funds. Actual loss due to hacks may be lower.
NFTs
Total NFT Sales
Sales rose briefly to start 2023


Q1 sales +67% QoQ

- NFT sales picked up moderately at the start of 2023.
- The rise in NFT sales coincided with broader market trends and other sector catalysts, such as the $BLUR token launch.
Number of Unique Buyers
Traders returned to the market

Q1 total number of unique buyers +64% QoQ

- The quarterly unique buyers metric has risen for the first time in 12 months.
- In February, there was a noteworthy spike around the $BLUR token launch date.
NFT Sales Volume by Blockchain

Ethereum lost market share while other L1s gained

NFT Sales by Chain

Ethereum market share fell 7% in Q1

- Ethereum remained the strongest blockchain in terms of NFT sales. However, it lost NFT market share to other L1s in Q1 2023.

- Following a weak Q4, NFT sales for Solana and Immutable X increased by 2% each in Q1. Sales in other L1s also increased by 3%.

Total NFT Transactions

Transaction activity rose significantly in Q1

Q1 Transactions increased +56% QoQ

- After a year-long downtrend throughout 2022, transaction activity spiked in Q1 of 2023.
- This was largely contributed by increased activity on the Blur marketplace in light of its $BLUR airdrop.

A relatively subdued Q1 for NFT performance

-16% QoQ drop in the NFT-500 index in Q1

- Despite other on-chain NFT metrics showing positive signs, the NFT-500 price index told a different story.

- Following a brief bounce at the start of the year, the NFT-500 price index has been on a general decline.
Price Performance by Sectors

Metaverse NFTs outperformed in Q1

As other NFT sectors fell, Metaverse NFTs rose

- After underperforming for three straight quarters, Metaverse NFTs finally found some relief in comparison to other sectors, as they were the only NFT sector to have risen in terms of QoQ performance.
Blur NFT marketplace continues to gain market share

By Volume

By Users (Last 30 Days)

New entrant, Blur, dominates in terms of volume

- After releasing the $BLUR token in February, Blur has not only maintained top market share but also has grown in market share since Q4 2022.
- OpenSea remained the platform with the most active user base. OpenSea has also recently rolled out its OpenSea Pro aggregator.
Gaming
Games by Chain

BNB Chain leads with the greatest number of games

The gaming landscape was led by the top three players

- BNB Chain, Ethereum, and Polygon accounted for over 67% of all games.

Games by Status
Gaming is still in its early days

With only ~28% of games live, most games are still under development

- Compared to the previous quarter, there has been a slight increase in games in different stages of development (+0.6%), as well as in cancelled games (+1.5%).

Games by Device
Most blockchain games are on Web and Mobile

Web3 Games by Device

As of now, web-based and mobile games are head-to-head

- Mobile games (Android + iOS) are leading by a small margin. Considering the large mobile gaming market in Asia and high crypto adoption for the region, we are not surprised.
- Console games are clearly lagging behind.

Games by Genre
Entertainment across the board

Action-oriented games are leading

- Action, Adventure, and Strategy are the categories with the greatest number of games, possibly indicating that developers see these verticals with the most potential.

- Educational and Escape games lag behind.

Top 5 Games by Active Users in the Past 30 Days

Alien Worlds had the most active users

Alien Worlds led in terms of active users

- Alien Worlds is an NFT Metaverse that is available on WAX, Ethereum, and BNB Chain.
- Iskra is a blockchain gaming hub that brings together gamers and game studios. The Iskra platform allows gamers to explore and enjoy blockchain games and create their own community.

Top 5 Gaming Tokens by Market Cap
The Otherside maintains its leadership position

Gaming Tokens by Market Cap (Last 30 Days)

- Out of the top 5 games by market cap, 3 are Metaverse-related projects.
- As compared to Q4, Gala Games has dropped out of the top 5 spots, while WEMIX PLAY debuted on the leaderboard.

Source: DeGame, Binance Research. Data as of 4 Apr 2023.
About Binance Research

Binance Research is the research arm of Binance, the world's leading cryptocurrency exchange. The team is committed to delivering objective, independent, and comprehensive analysis and aims to be the thought leader in the crypto space. Our analysts publish insightful thought pieces regularly on topics related but not limited to, the crypto ecosystem, blockchain technologies, and the latest market themes.

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