Q2 State of Crypto: Market Pulse
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**Key Takeaways**

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

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**Market Overview**

Q2 was a modest quarter for crypto. Total crypto market capitalization rose by 0.4% QoQ despite an uncertain macroeconomic and regulatory environment.

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**Layer 1s**

Blockchain activity bounced back in Q2. From a price perspective, Bitcoin had a great quarter, while Avalanche outperformed in daily transactions and unique addresses.

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**DeFi**

Q2 marked a period of decline for DeFi as Total Value Locked ("TVL") fell 11.2% QoQ, ending the quarter at US$44.2B.

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**NFTs**

NFT sales fell 23% QoQ in Q2, which was in tandem with the declining price performance (-19%), as measured by the NFT-500 index.

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**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 marginally in Q2

Global Crypto Market Capitalization

- Crypto market capitalization (“market cap”) increased by 0.4% in Q2 2023.
- Despite regulatory uncertainties, the crypto market remained relatively resilient, with a flurry of ‘spot Bitcoin ETF’ applications from traditional institutions such as Blackrock. As a result, Bitcoin shattered the $30,000 ceiling in June, reaching its highest level for the year.

The Crypto Fear & Greed Index, which measures market sentiment, reached a high of 69 points on April 17 and ended the quarter at 56 points, indicating positive sentiment.

This is a stark contrast to Q1, when the index was hovering around the “neutral” zone, dipping into “fear” for a period of time.

Crypto Unicorn Index
Number of coins with a market cap >US$1B fell in Q2

-25.9 % QoQ

- The number of coins with a market cap >US$1B decreased from 54 in Q1 to 40 in Q2.
- This came as the SEC cracked down on certain altcoins, labeling them as ‘unregistered securities’. As a result, investors have shunned many of these tokens, causing an overall plunge in their market capitalization.

## Performance of Largest Coins by Market Cap

The top 3 coins held their spot in 2021, 2022 and YTD


Note: Table excludes stablecoins

### Price Performance of the Top 10 Coins (2017 to YTD)

<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>Bitcoin</td>
<td>1317.08%</td>
<td>-72.39%</td>
<td>92.48%</td>
<td>308.91%</td>
<td>59.70%</td>
<td>-84.42%</td>
</tr>
<tr>
<td>XRP</td>
<td>34096.50%</td>
<td>-81.11%</td>
<td>-2.99%</td>
<td>478.27%</td>
<td>397.84%</td>
<td>-68.17%</td>
</tr>
<tr>
<td>Ethereum</td>
<td>8782.28%</td>
<td>-81.94%</td>
<td>-45.46%</td>
<td>24.75%</td>
<td>BNB</td>
<td>1298.62%</td>
</tr>
<tr>
<td>Bitcoin Cash</td>
<td>451.97%</td>
<td>-83.21%</td>
<td>26.19%</td>
<td>217.76%</td>
<td>Solana</td>
<td>10682.40%</td>
</tr>
<tr>
<td>Cardano</td>
<td>3405%</td>
<td>-66.60%</td>
<td>37.44%</td>
<td>186.93%</td>
<td>Cardano</td>
<td>520.39%</td>
</tr>
<tr>
<td>Stellar</td>
<td>5019.14%</td>
<td>-73.92%</td>
<td>1.34%</td>
<td>73.63%</td>
<td>XRP</td>
<td>231.18%</td>
</tr>
<tr>
<td>IOTA</td>
<td>877.49%</td>
<td>-56.35%</td>
<td>130.73%</td>
<td>452.24%</td>
<td>Cardano</td>
<td>523.19%</td>
</tr>
<tr>
<td>NEAR</td>
<td>29079.31%</td>
<td>3.84%</td>
<td>9.60%</td>
<td>100.23%</td>
<td>BNB</td>
<td>3408.97%</td>
</tr>
<tr>
<td>Tezos</td>
<td>9377.84%</td>
<td>-57.00%</td>
<td>194.10%</td>
<td>542.13%</td>
<td>Polkadot</td>
<td>197.82%</td>
</tr>
<tr>
<td>Chainlink</td>
<td>-94.15%</td>
<td>-60.09%</td>
<td>72.34%</td>
<td>Dogecoin</td>
<td>3389.64%</td>
<td>-54.24%</td>
</tr>
</tbody>
</table>

### +34% average performance in Q2

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

- Year-to-date, BTC, ETH, LTC, and SOL have exhibited the strongest recoveries, as LTC climbed the ranks and gained interest with its **upcoming halving on August 2**.
BTC dominance increased

+5.4% share for BTC

- BTC was the biggest gainer in Q2 as traditional institutions applied for spot Bitcoin ETFs.
- Most other large-cap coins generally maintained market share during the quarter, while those in the ‘Others’ category suffered a decline of 4.4%.
Layer 1s
Up across the board: AVAX was the top gainer in Q2

QoQ Change:
ETH (-4%); BNB (+5%); AVAX (+176%); SOL (-1%)

- Activity tracked higher across the sample set, with an average ~44% increase across all 4 L1s in Q2.
- This was fuelled by the surge in transaction activity on Avalanche, while Ethereum saw the largest percentage decline in transaction count for the quarter.
Average Daily Active Addresses by Chain

Avalanche: the outlier


BNB Chain and Avalanche showed increases in Q2

- Average daily active addresses on Avalanche rose 109% and 50% on BNB Chain, while falling 18% for Ethereum and 69% on Solana.

- BNB Chain active addresses have increased for three consecutive quarters, while Ethereum and Solana have declined in the last nine months.

@ethereum leads, with @BNBChain a close 2nd

- @BNBChain (+3% QoQ) and @avax (+6% QoQ) saw the strongest Q2 growth.
- @ethereum continued to lead with over 3M followers, with @BNBChain very close behind.
- On a monthly basis, @ethereum has lagged in its follower count, while the other three L1s in our cohort have steadily increased, as @avax has gained momentum with its follower count.
BTC: Grayscale Bitcoin Trust (“GBTC”) Premium

The GBTC discount improved over Q2

Discount to NAV:
- End of Q1-23: -36.7%
- End of Q2-23: -30.2%

- The GBTC discount has narrowed to its lowest since July 2022 after hovering at over 40% for the year.
- This came as Blackrock filed for a spot Bitcoin ETF, raising optimism that the SEC may approve and potentially convert GBTC’s trust structure into an ETF.

BTC: Bitcoin Balance on Exchanges vs. Price

Price increased while balance decreased in Q2

Continued growth in the second quarter for the largest crypto

- Bitcoin’s price rose ~7% in Q1, breaking past $30,000.
- Bitcoin’s balance on exchanges fell by 4.2% across the quarter, compared to the increase of 0.5% observed in Q1. Against the rising demand for self-custody and the emergence of new wallet infrastructures, this number may potentially fall further in the future.

BTC Balances on Exchanges vs. BTC Price

Average fees (US$):
- Q1-23: 4.8
- Q2-23: 8.8

- Average transaction fees on Ethereum have risen by 82% across Q2 2023, peaking at $27.60 on May 5, 2023.

- This spike was largely driven by the emergence of memecoins such as PEPE, driving a frenzy of on-chain transactions to capitalize on this short-lived momentum.

ETH: Staked ETH Statistics

~20% of all ETH in circulation has been staked

Source: Dune Analytics, Binance Research. Data as of 30 June 2023.

~25.9M ETH is staked

- Q2 saw a 43.7% increase in the amount of ETH staked, with a notable increase of ~3.8M ETH in May, likely contributed by the successful Shapella upgrade on April 12. This enabled staked ETH withdrawals, encouraging investors to deposit and generate yield.
BNB Chain: Average Transaction Fee
Users paid an average of $0.21 for transaction fees in Q2


-43.2% QoQ average fees in Q2

- Average transaction fees fell from a Q1 average of $0.25. Despite the rise in activity for BNB Chain in Q2, the decrease can be attributed to the recent community proposal, which sought to reduce transaction costs from 5 Gwei to 3 Gwei. The network has also unveiled its layer-2 rollup, opBNB, which is currently in the testnet phase.
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 (Uniswap has ~US$14.7M in TVL).
- Notable developments include PancakeSwap V3, which introduced ‘concentrated liquidity’ in April to enhance the capital efficiency of its liquidity pools; Venus Protocol has also looked into investing US$20M in RWAs by collateralizing VAI via a proposal from Credix, generating yield for its users.

Top 10 dApps on BNB Chain (by TVL)

1. PancakeSwap
2. Venus
3. Coinwind
4. Apesa Finance
5. PhilSale
6. Biswap
7. Radiant
8. UniCrypt
9. Theras
10. Stargate

DeFi
DeFi TVL fell in Q2


-11.2% QoQ

- DeFi TVL fell to US$44.2B in June 2023, down from the peak of US$50B observed in February.
- Nonetheless, DeFi TVL has largely remained above the previous low in December 2022.
Market Share by TVL
Tron showed signs of growth


Tron in the spotlight

- Top spots continued to be held by Ethereum, Tron, and BNB Chain, with changes in TVL market share during the quarter.
- Notably, Tron notched the most gains (+1.9%), followed by Arbitrum (+0.3%).
Top DeFi dApps by TVL
Lido extended its lead over other DeFi dApps


<table>
<thead>
<tr>
<th>Rank</th>
<th>DeFi dApp</th>
<th>TVL (US$B)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Lido</td>
<td>14.9</td>
</tr>
<tr>
<td>2</td>
<td>MakerDAO</td>
<td>6.3</td>
</tr>
<tr>
<td>3</td>
<td>AAVE</td>
<td>6.0</td>
</tr>
<tr>
<td>4</td>
<td>Uniswap</td>
<td>4.1</td>
</tr>
<tr>
<td>5</td>
<td>Curve Finance</td>
<td>3.9</td>
</tr>
<tr>
<td>6</td>
<td>JustLend</td>
<td>3.7</td>
</tr>
<tr>
<td>7</td>
<td>Convex Finance</td>
<td>3.1</td>
</tr>
<tr>
<td>8</td>
<td>Instadapp</td>
<td>2.2</td>
</tr>
<tr>
<td>9</td>
<td>Compound Finance</td>
<td>2.0</td>
</tr>
<tr>
<td>10</td>
<td>Rocket Pool</td>
<td>1.9</td>
</tr>
</tbody>
</table>

**Lido consolidates its lead**

- Lido saw the largest absolute gain, with TVL increasing from US$11.0B to US$14.9 QoQ. This is likely due to the increased demand for liquid staking after the Shapella upgrade.

- Rival LSD protocol RocketPool has also inched into the rankings, edging out PancakeSwap.
DEX/CEX Trading Volume
The DEX/CEX ratio was slightly higher at the end of Q2

+4.0% (absolute) in Q2

- The DEX/CEX ratio has risen sharply, reaching a peak of 22.0% in May 2023, likely driven by the memecoin frenzy with significant trading happening on-chain.

- This has normalized but still remains high, closing at 16.8% at the end of June, against declining CEX volumes as users opt for self-custody solutions.
USDT gained market share following recent market events

- **USDT** has extended its lead as the largest stablecoin in the market and currently has over 60% of the stablecoin market share.
- USDT has also seen capital inflow and absorbed market share from both USDC and BUSD as the SEC expands its crackdowns, driving users away from the stablecoins.

Source: DeFi Llama, Binance Research. Data as of 30 June 2023.
The amount lost due to hacks **declined** in Q2.

Losses resulting from DeFi hacks totaled **US$144M** in Q2.

- The Atomic Wallet incident (US$100M) accounted for the bulk of the funds exploited in the quarter as the private keys were compromised. Unfortunately, the majority of the funds have yet to be recovered.
NFTs
Total NFT Sales
Sales fell in Q2 but stabilized through the quarter

NFT Sales by Month

Q2 sales -23.0% QoQ

- NFT sales plunged in Q2 2023 as notable collectors such as ‘MachiBigBrother’ and ‘Franklinisbored’ sold their BAYCs, causing floor prices to fall. Azukis had also suffered from the Elementals debacle, where the collection looked similar to the originals. This caused a crash in the floor prices, leading to a cascading effect across the space.

Number of Unique Buyers
Traders reeling from the NFT market

Q2 total number of unique buyers -61% QoQ

- The quarterly unique buyers metric has fallen compared to the initial spike in Q1 arising from the $BLUR airdrop.
- This came as NFT activities have remained relatively muted across marketplaces.

NFT Sales Volume by Blockchain

Ethereum & Solana lost market share as BNB & other L1s gained

Ethereum market share fell 17% in Q2

- Ethereum remained the strongest blockchain in terms of NFT sales. However, it lost NFT market share to other L1s, alongside Solana (-3.2%), in Q2.

- ImmutableX and Flow remained flat QoQ, while NFT sales on BNB Chain rose by 2.4%. Sales in other L1s also increased by 17.9%.

Total NFT Transactions

Transaction activity rose significantly in Q2

NFT Number of Transactions by Month

Q2 Transactions increased +27% QoQ

- Transaction activity continued to climb in Q2 of 2023, reaching a peak of 9.9M transactions in April 2023.
- This was largely contributed by the increased volatility resulting from huge sales by notable collectors.

A relatively lackluster Q2 for NFT performance

-19% QoQ drop in the NFT-500 index in Q2

- In tandem with the general NFT market decline, the NFT-500 price index extended a double-digit fall as the prices of blue-chip collections tumbled.
- Following a brief bounce at the start of the year, the NFT-500 price index has been on a general decline.

Note: The Nansen NFT-500 is a broad market index tracking the market activity of NFTs issued on the Ethereum blockchain. Index points can be represented as what US$1000 invested on January 1 would now be worth. This broadly reflects the combined market cap (in ETH).
Price Performance by Sector

Metaverse NFTs fell sharply in Q2

As other NFT sectors fell, Metaverse NFTs tumbled

- The prices across the different sectors fell, with Art NFTs having the lowest decline. Despite an initial relief observed in Q1, Metaverse NFTs tumbled over the quarter as interest gradually waned.

Note: Blue Chip-10 consists of ten notable and classic NFTs organized by their market capitalization. Social-100 tracks the top 100 Social NFT collections by market capitalization. The Gaming-50 index tracks 50 Gaming NFT collections ranked by market capitalization. Art-20 tracks the top 20 art collections by market capitalization. Metaverse-20 index tracks the top 20 Metaverse NFT collections by market capitalization.
The Blur NFT marketplace continues to **gain** market share

**By Volume**

- Blur dominates in terms of volume
- The majority of NFT trading volume happened on Blur, with its incentive scheme through $BLUR tokens. The marketplace had also launched its NFT lending product, Blend, which has gained significant volume.

**By Users (Last 30 Days)**

- OpenSea remained the platform with the most active user base following the launch of its OpenSea Pro aggregator.
Gaming
Games by Chain
BNB Chain leads with the most 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 their alpha stage (+1%), presale stage (+0.6%), and beta stage (+0.5%).

Games by Device
Most blockchain games are on Web and Windows

As of now, web-based games are leading

- Web games (Web + Windows) are leading by a significant margin, overtaking mobile games (Android + iOS). Since web games can be supported on all platforms, this enables a wider outreach for teams to encourage user adoption.

- Console games are clearly lagging behind.

Source: PlayToEarn.net, Binance Research. Data as of 30 June 2023.
Games by Genre
Entertainment across the board


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

- Educational and Escape games lag behind.
Top 5 Games by Active Users in the Past 30 Days
Iskra had the most active users


Iskra led in terms of active users

- 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.

- Alien Worlds is an NFT Metaverse that is available on WAX, Ethereum, and BNB Chain.
Top 5 Gaming Tokens by Market Cap
The Otherside maintains its leadership position

Gaming Tokens by Market Cap (Last 30 Days)

- The Sandbox ($SAND)
- The Otherside ($SOTH)
- Decentraland ($MANA)
- Axie Infinity ($AXS)
- WEMIX PLAY ($WEMIX)


Metaverse tokens stand out

- Out of the top five games by market cap, three are Metaverse-related projects.
- As compared to Q1, The Sandbox has overtaken the Otherside, to clinch the top spot, while WEMIX PLAY gained market capitalization, up from US$316.4M previously.
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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He is passionate about data analytics, particularly in areas like DeFi and RWAs.
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