Contents

01 Key Takeaways
02 Market Overview
03 Layer 1s
04 DeFi
05 NFTs
06 GameFi
07 About Binance Research
Key Takeaways

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

Market Overview
Crypto market capitalization decreased by 15.9% QoQ in Q4 but there are signs of a pick-up in early 2023.

Layer 1s
Blockchain activity generally trended lower in Q4. Solana saw the highest quarterly decline when compared to Ethereum, BNB Chain, and Avalanche.

DeFi
Q4 marked another quarter of further decline as DeFi TVL fell -27% QoQ, ending the quarter at US$39.1B.

NFTs
NFTs fell -10% QoQ in Q4 but on a full-year basis, NFT sales in 2022 increased by >10% vs. 2021 as a result of strong sales in the first half of 2022.

GameFi
The gaming landscape is led by BNB Chain, Ethereum, and Polygon, with more than 80% market share (by number of games).
Market Overview
Crypto Market Overview

Market capitalization decreased slightly in Q4

-15.9% QoQ

- Since Q3, crypto market capitalization has decreased by 15.9% in Q4.
- At the time of writing in January 2023, crypto market capitalization has picked up slightly. It remains to be seen if this is temporary or represents the start of a sustained turnaround.

Source: Coinmarketcap, Binance Research. Data as of 10 Jan 2023.
Crypto Fear and Greed Index

Index notched higher but still indicates “fear”

Source: Coinglass, Binance Research. Data as of 8 Jan 2023.

+6 points in Q4

- Sentiments have generally been in the “fear” zone throughout the whole of this year.
- The Fear and Greed Index indicated a slight improvement in sentiments over Q4 (End-Dec = 26 vs. End-Sep = 20).
The number of coins with a market cap more than US$1B fell from 51 to 37 in Q4.

November experienced a significant drop with a 24% decrease as the FTX collapse caused ripple effects in the market.

Performance of Largest Coins by Market Cap

Top 3 coins held their spot in 2021, 2022 and YTD

-62.2% average performance in 2022

- BTC, ETH, and BNB remain the top 3 coins by market capitalization in 2022, excluding stablecoins.
- TRX, LTC, and BNB witnessed the lowest drawdowns in 2022 among the top 10 coins.

<table>
<thead>
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<th>2017</th>
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<th>2021</th>
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<td>130.73%</td>
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<td>5.64%</td>
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<td>-60.09%</td>
<td>72.34%</td>
<td>3389.64%</td>
<td>-54.24%</td>
<td>23.51%</td>
</tr>
</tbody>
</table>

Note: Table excludes stablecoins
BTC and ETH increased, while others were mostly stagnant

Source: Coinmarketcap, Binance Research. Data as of 8 Jan 2023.

+1% share for BTC and ETH in Q4

- BTC regained slight dominance after falling in Q3
- BNB, XRP, ADA, and MATIC were relatively stable while other tokens saw a slight decrease (-1%) in market share.
Layer 1s
Monthly Transactions by Chain

Declines across the board - Solana fell the most in Q4

QoQ Change:
ETH (-6%); BNB (-10%); AVAX (-20%); SOL (-26%)

- Activity tracked lower across the sample set, with an avg. ~15% decline across all 4 L1s in Q4.
- Across 2022, Avalanche monthly transaction activity saw the highest decline (-83%), relative to Ethereum (-13%), BNB Chain (-50%) and Solana (-52%).

Average Daily Active Addresses by Chain
Daily active addresses were mixed across the sample set

- Ethereum and BNB Chain stabilized
  - Average daily active addresses for Ethereum and BNB Chain fell ~1% across QoQ compared to -25% for Avalanche and -37% for Solana.
  - This is in line with the general slowdown in activity across Q4, as shown in the previous slide.

Followers continue to increase across the board

@ethereum leads, @BNBChain a close 2\textsuperscript{nd}

- @BNBChain and @avalancheavax saw the strongest Q4 growth (+8% QoQ).
- @ethereum continues to lead with over 3M followers, with @BNBChain quickly catching up.
- It is encouraging to see social media growth across the sample set. Note that data only includes official blockchain accounts and not dApps - which would push figures even higher.

BTC: Grayscale Bitcoin Trust ("GBTC") Premium
GBTC discount continues to widen

Grayscale BTC Premium Rate (%)

Discount to NAV at end of 2022: -45.2%

- Shares of GBTC hit their all-time highest discount of 48.8% vs. Net Asset Value ("NAV") in Dec-22.
- Recent news events related to DCG has led to some trader repositioning and a slight bounce.

The Bitcoin price failed to find a catalyst across Q4 and fell further. This was partially impacted by the sell pressure from Bitcoin miners; many of whom fell into / came close to bankruptcy across Q4.

Bitcoin balance on exchanges also continue to fall (down 7% in Q4 and 16% in 2022). With the recent uptick in interest self-custody, this number may continue to fall further.
Average Ethereum fees stayed stagnant through Q4.

- Average transaction fees in Q4 were US$2.70 vs. US$2.61 in Q3, US$12.50 in Q2, and US$23.3 in Q1. Across 2022, this was a 88% decline.

- This is indicative of (i) a decline in blockspace demand as a result of reduced activity on Ethereum, (ii) Layer-2 solutions like Arbitrum and Optimism seeing an increased amount of activity.

ETH: Staked ETH Statistics
~13.3% of all ETH in circulation has been staked

- 15.9+M ETH staked
  - The amount of staked ETH has continued to increase MoM despite withdrawals having not been enabled yet. The upcoming Shanghai Upgrade (est. in Feb/March) will enable these and it will be interesting to monitor whether this leads to a net negative or net positive impact on ETH price.
  - ETH staking yield is currently around 4+%.
Users paid an average of $0.23 transaction fees in Q4.

-8% QoQ average fees in Q4

- Average transaction fees continued to decline, Q4 average being $0.23 vs. $0.25 in Q3, and $0.30 in Q2.

- The decline corresponds to reduced network activity in Q4, as illustrated in the previous slides.
BNB Chain: Top dApps by TVL
DEXes and lending remain the largest verticals

Top 10 dApps on BNB Chain (by TVL)


Top 5 dApps held their spots

- No changes in the top 5 dApps compared to Q3. PancakeSwap continues to dominate the BNB Chain dApp landscape.
- New entrants to the Top 10 dApps (compared to Q3) are DxSale and Wombex Finance.
DeFi
DeFi Total Value Locked

Q4 marked a further decline in TVL across DeFi

Source: Defi Llama, Binance Research. Data as of 31 Dec 2022.

- Q4 saw a -27% fall in DeFi TVL, ending the quarter at US$39.1B.
- A challenging market environment continues to weigh on overall sentiment.
Ethereum gained whilst Avalanche and L1s with low TVL fell.

Defi TVL Market Share by Chain

Flight to Quality in Q4

- Ethereum ended Q4 with ~60% market share, an increase of +2.4% from Q3.
- BNB Chain / Tron also gained +0.5% market share in Q4, with each chain having around 10% of market share.
- Avalanche and L1s with low TVL (“Others”) lost market share in Q4, falling -1% and -3.5%, respectively.
Top DeFi dApps by TVL

Lido overtakes MakerDAO as the top DeFi dApp by TVL

After a successful Merge in Q3, Lido has overtaken MakerDAO as the dApp with the most TVL

Other notable changes in the dApp TVL rankings, include:

- Curve’s TVL fell below that of Lido and AAVE.
- PancakeSwap grew in TVL QoQ to surpass JustLend.

Source: DeFi Llama, Binance Research. Data as of 12 Jan 2023.
DEX/CEX Trading Volume

After the CEX fallout, DEX/CEX ratio was higher in Q4

**DEX to CEX Ratio (%)**


- DEX/CEX ratio up ~4.6% (absolute) in Q4
  - This has largely coincided with the CEX fallout in November.
  - Concerns of a centralized contagion likely contributed to a shift towards DEX alternatives in Q4.
Stablecoin Market Share
USDT continues to lead the stablecoin market

Stablecoin Market Share (By Market Cap)

2022 saw a consolidation of market share among the top stablecoins

- USDT gained +2.5% QoQ in Q4, whereas market share for the rest of the coins declined slightly/remained stagnant QoQ.
- On a full-year basis, USDT, USDC, and BUSD gained market share in 2022. Combined market share of these three coins increased from 81.3% at the end of 2021 to 91.7% at the end of 2022.

Source: DeFi Llama, Binance Research. Data as of 31 Dec 2022.
Total Funds Lost Due to Hacks

Q4 marked the quarter with the greatest losses of 2022

Losses resulting from DeFi hacks totalled ~US$1.2B in Q4

- October was the month with the greatest magnitude of lost funds during 2022.
- October included multiple notable events such as the Mango Market and the Moola Market exploits.

Source: DefiLlama, Binance Research. Data as of 31 Dec 2022.
NFTs
Total NFT Sales
Sales fell in Q4 but showed signs of stabilization


Q4 sales +17% QoQ

- NFT sales picked up moderately from Oct to Dec and ended the quarter with a ~17% QoQ growth.
- On a full year basis, NFT sales in 2022 increased by >10% vs. 2021, contributed by strong sales in the first half of 2022.
Number of Unique Buyers

Traders continue to exit the market

Q4 average number of daily buyers -19% QoQ

- Unique buyers metric has more than halved compared to its high early in the year.
- The overall decline is unsurprising considering market conditions. Traders and investors are less likely to deploy capital further down the risk curve.

Source: CryptoSlam, Binance Research, Data as of 9 Jan 2023.
NFT Sales Volume by Blockchain

Ethereum regains market share at the expense of Solana


Ethereum +20% market share in Q4

- Ethereum remains the strongest blockchain in terms of NFT sales, with a 81% market share at the end of Q4.
- Following a strong Q3, NFT sales for Solana declined by 14% in Q4, likely contributed by challenges facing the Solana ecosystem.
Total NFT Transactions
Transaction activity remains muted


- Q4 Transactions declined -25% QoQ
  - Some relief in December as the number of NFT transactions increased by 13% MoM. It remains to be seen if this is the start of a trend reversal.
A relatively subdued Q4 for NFT performance

Nansen, Binance Research. Data as of 10 Jan 2023.

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 reflect combined market cap (in ETH).

-4% QoQ drop in the NFT-500 index in Q4

- On a full year basis, NFTs fell ~23% in 2022 vs. 2021 in ETH-denominated terms.
- Since its lows in December, the NFT-500 price index has gained ~11% on a year-to-date basis at the time of writing.
Games and Art NFTs did relatively better than other sectors in Q4 2022.

- GameFi NFTs such as Creepz and generative art collections such as Chromie Squiggle saw higher activity and floor prices in the latter part of Q4.
- Metaverse NFTs continue to underperform for the third consecutive quarter.
Social NFTs dominate the NFT market

NFT Market Share Split (By Market Cap)

Note: Social NFTs include profile pictures, access and membership, utility, and others.

Social NFTs represent the largest category by market capitalization

- Social NFTs enable users to network, interact and socialise. They include profile pictures (e.g. Cryptopunks), membership (e.g. proof-of-attendance), and utility (e.g. Ethereum name service).
NFT Marketplaces Market Share
Blur overtook OpenSea in transaction volume

- Blur's volume growth was driven by upcoming token airdrop. It remains to be seen if they will be able to hold on to the top spot.
- Looking at user metrics in the form of unique active wallets, OpenSea remained the top NFT marketplace by a large margin in December 2022.

Source: Dune Analytics, DappRadar, Binance Research. Data as of 31 Dec 2022.
GameFi
Games by Chain

BNB Chain leads with the greatest number of games

The gaming landscape is led by the top three players

- BNB Chain, Ethereum, and Polygon account for more than 80% of all games.

Games by Status

GameFi is still in its early days

Web3 Games by Status

- Live: 30.1%
- Development: 20.7%
- Beta: 16.7%
- Presale: 12.5%
- Alpha: 11.5%
- Cancelled: 8.4%

With only ~30% of games live, most games are still under development

- Only a small percentage of projects have been cancelled and there are many projects in Development, Beta, or Alpha stages.

Games by Device
Most blockchain games are on Web and Mobile

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

- Mobile games (Android + iOS) are leading by a small margin. Considering a 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 Past 30 Days

Alien Worlds holds top spot

Alien Worlds led in terms of past 30 days users

- Alien Worlds is an NFT Metaverse that is available on WAX, Ethereum, and BNB Chain. The metaversal currency (Trilium) incentivises explorers to play games and must be staked by users to participate in governance.

Top 5 Games by Market Cap in Past 30 Days

The Otherside maintains its leadership position

Out of the top 5 games by market cap, 3 are Metaverse-related projects.

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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