

Monthly Market Insights

March 2023



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Key Takeaways

- ❖ February proved to be a recovery period for the industry with a healthy momentum observed for both DeFi and the NFT space. Crypto enjoyed an upswing as investors regained an appetite for risk, outside of traditional asset classes.
- ❖ The Ordinal Inscription on Bitcoin brought waves of discussion to the community, essentially dividing users on the utility of the blockchain. Nonetheless, it is heartening to witness it evolve and embrace new demands for block space.
- ❖ Ethereum's Shanghai Upgrade in March has dominated the headlines, as it will allow ETH stakers to remove their staked ETH. A snapshot of the current Liquid Staking Derivative ("LSD") landscape reveals Lido's consistent market dominance but also the emergence of new innovative protocols in the ecosystem.
- ❖ Dominance of Ethereum in DeFi still remains although total value locked ("TVL") continues to increase across the top blockchains such as BNB Chain and Tron. Meanwhile, the Layer-2 narrative is in full swing, with leading optimistic roll ups, Optimism and Arbitrum gaining significant traction.
- ❖ While NFT trading volume has increased due to the highly anticipated Blur airdrop, it remains to be seen how trading volume will look when airdrop incentives taper. Separately, the NFT lending landscape has hit all-time highs in its demand and TVL, and looks to be gaining ground as holders seek ways to unlock liquidity of their assets.
- ❖ In terms of returns, several coins have exhibited strong price actions, largely driven by idiosyncratic factors specific to each chain. We go into more details in this report.

Crypto Market Performance

Crypto markets buoyed in February, with Bitcoin breaking the \$25,000 ceiling for the first time since August 2022 despite worse than expected inflation data from the US CPI release on February 14. Markets also appear to have largely absorbed regulatory fears as investors move past these concerns and rotate back into digital assets. Average crypto market cap has also seen consecutive double digit growth rates since the start of the year.

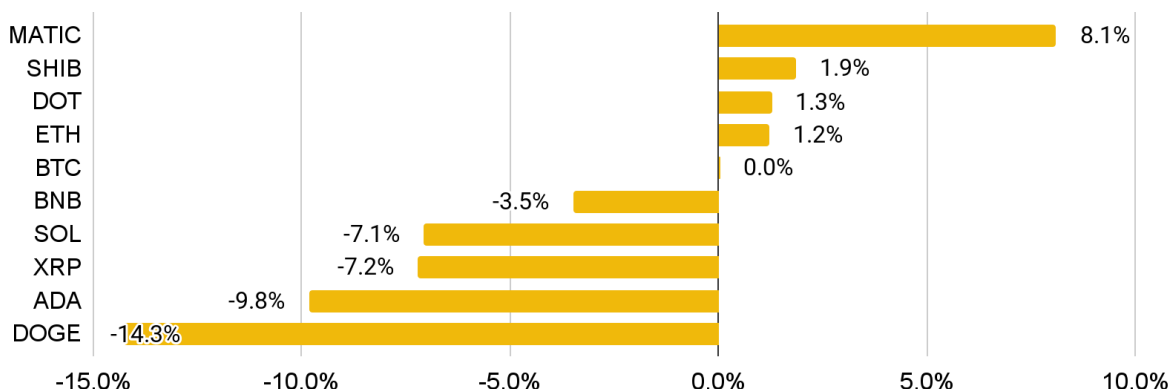
Figure 1: Monthly Crypto Market Capitalization increased 3.4% in February

Monthly Change in Crypto Market Cap (%)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2023	30.4	3.4										
2022	-22.6	-0.3	25.3	-18.1	-25.2	-31.7	21.8	-11.4	-2.1	7.2	-18.0	-4.5
2021	33.9	39.6	31.1	11.4	-25.7	-5.9	12.5	25.2	-9.9	42.9	-1.0	-15.0
2020	35.4	-5.5	-27.7	38.8	10.0	-4.5	25.9	13.7	-7.6	14.6	37.5	39.7
2019	-11.6	12.3	11.1	17.1	55.5	30.8	-22.5	-6.5	-13.7	14.8	-14.7	-7.9
2018	-10.2	-9.0	-42.9	67.9	-26.2	-23.4	18.1	-22.9	-1.7	-8.4	-32.1	-5.5

Source: CoinMarketCap
As of 28 Feb 2023

Figure 2: Monthly Performance of the Top 10 coins by Market Capitalization



Source: CoinMarketCap
As of 28 Feb 2023

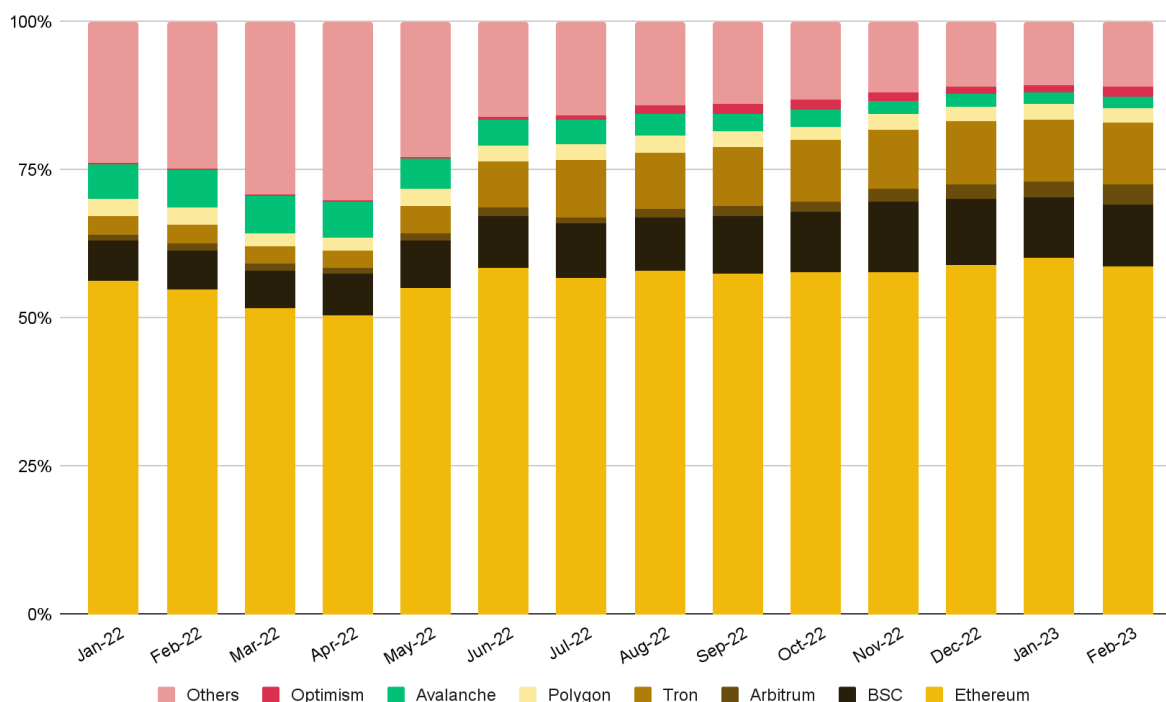
In descending order of performance:

- ❖ Notably, MATIC has enjoyed strong momentum with a 8.1% spike in its price given its steady development in the ecosystem. This came as Polygon announced the beta launch of its zkEVM mainnet for March 27. Apart from that, Polygon continues to make strides in its business development by venturing into institutional and permissioned DeFi - more specifically through tokenized bonds issued by Siemens and the onset of Clearpool Prime, an institutional credit platform. While Polygon has implemented a 20% layoff, co-founder Sandeep [highlighted](#) that it still has a healthy treasury to navigate these uncertain times.
- ❖ Meanwhile, SHIB enjoyed an impressive price rejuvenation after mid-February, with dog-related meme coins significantly outperforming the market. The price action came after Twitter CEO Elon Musk [tweeted](#) a photo of his dog posing as the new head of Twitter.
- ❖ This was followed by DOT with a 1.3% rise, likely due to recent projects and collaborations on its platform. This includes companies such as Sony Network Communications and Toyota who have looked to explore web3 opportunities with Astar Network.
- ❖ All eyes are fixed on ETH ahead of the Shanghai upgrade, as its price remained range bound between \$1,500 and \$1,700 throughout February. What lies ahead suggests plausible event risks from the withdrawals of ETH, unlocking selling pressure and creating a temporary price turbulence.

Decentralized Finance (“DeFi”)

The DeFi market showed signs of resilience in February as TVL rose by 6.09% on a month-on-month (“MoM”) basis, exceeding US\$50B. Ethereum (53.05%), Tron (9.56%) and BNB Chain (9.37%) retained the top spots in terms of TVL share as the composition remained generally unchanged.

Figure 3: TVL share of Top Blockchains

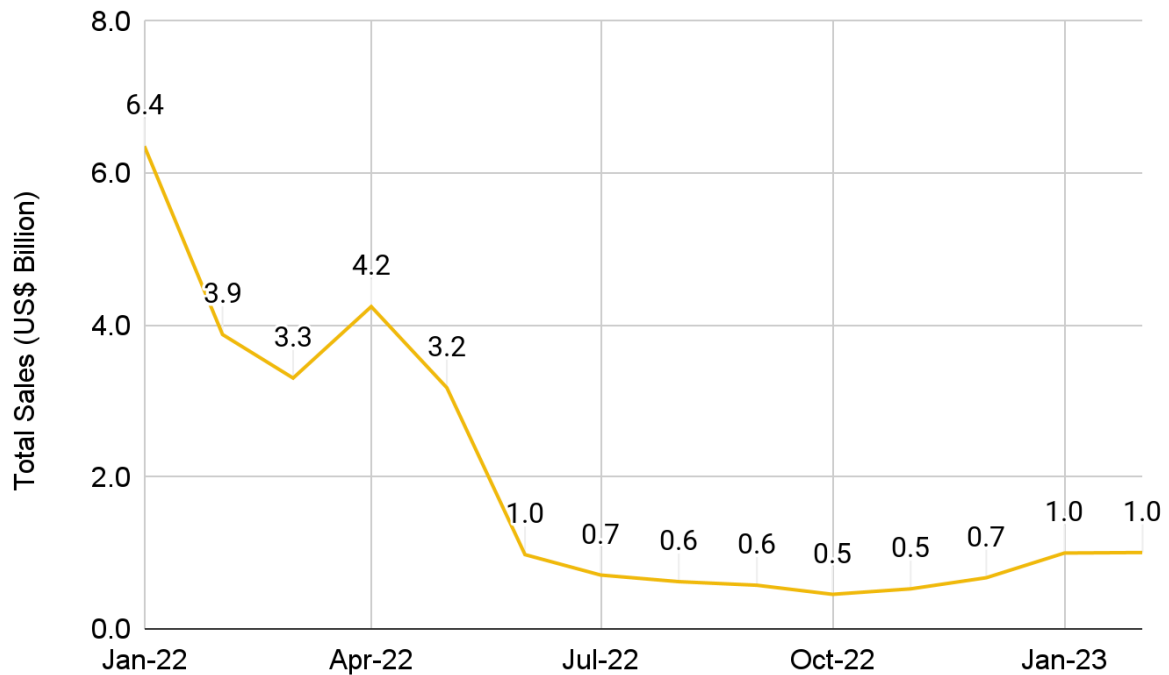


Source: DeFiLlama
As of 28 Feb 2023

Interestingly, L2 roll up solutions continue to outperform with Arbitrum leading the pack at a 46.67% increase, followed by Optimism at 44.83% MoM. The rise in Optimism TVL can be widely attributed to the “Optimism Quests” in January. Meanwhile, Arbitrum buoyed on by the growth of its DEXes, including all-time highs in trading fee revenue from GMX and a rise in percentage of total SushiSwap trading volume on the chain. The chain is currently the 4th largest by TVL in the DeFi space.

Non-Fungible Token (“NFT”)

Figure 4 : Monthly Trading Volume for NFTs



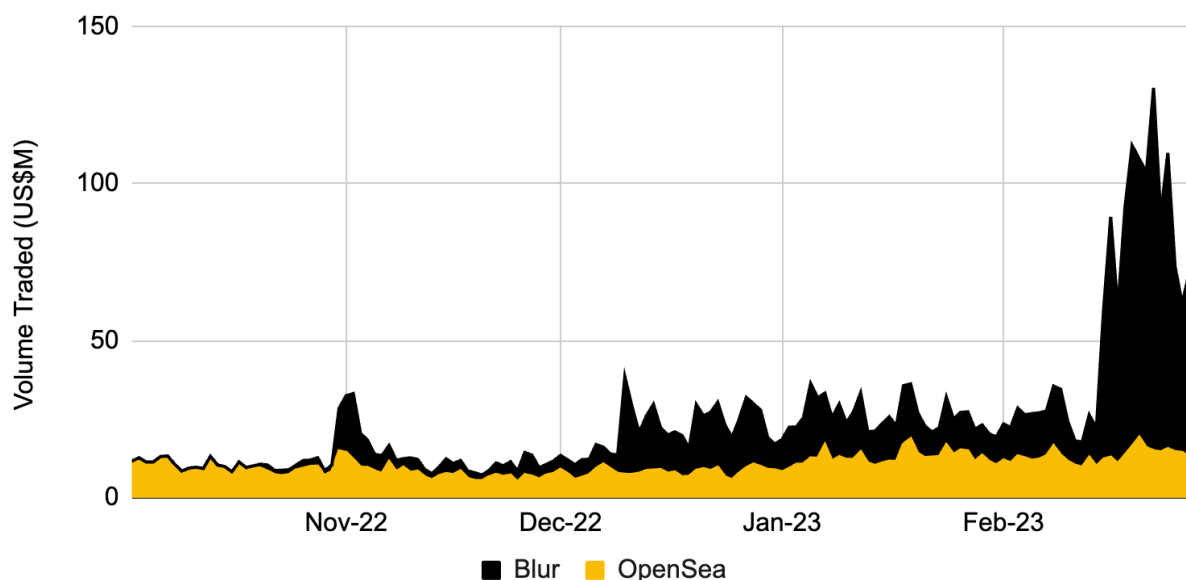
Source: Cryptoslam
As of 28 Feb 2023

Hints of possible recovery in the NFT market emerged following new developments in infrastructure and launches by notable collections such as Yuga Labs and Moonbirds since January. Daily trades rose significantly and are likely driven by the BLUR airdrop on February 14.

Charts of the Month

Blur overtakes OpenSea to be the #1 NFT Marketplace

Figure 5: Daily Trading Volume (US\$M) on OpenSea and Blur



Source: Dune Analytics (@hildobby)
As of 28 Feb 2023

Blur has risen to the #1 NFT aggregator by volume since its launch in October 2022. It rivals OpenSea as a NFT marketplace, introducing advanced features such as rarity sniping, sophisticated UI/UX, aggregation function, which appeal to more professional market participants. We should also note that while Blur recorded significantly higher volumes than OpenSea, it sees less unique traders - a sign of large deal sizes and/or more frequent trades per active trader.

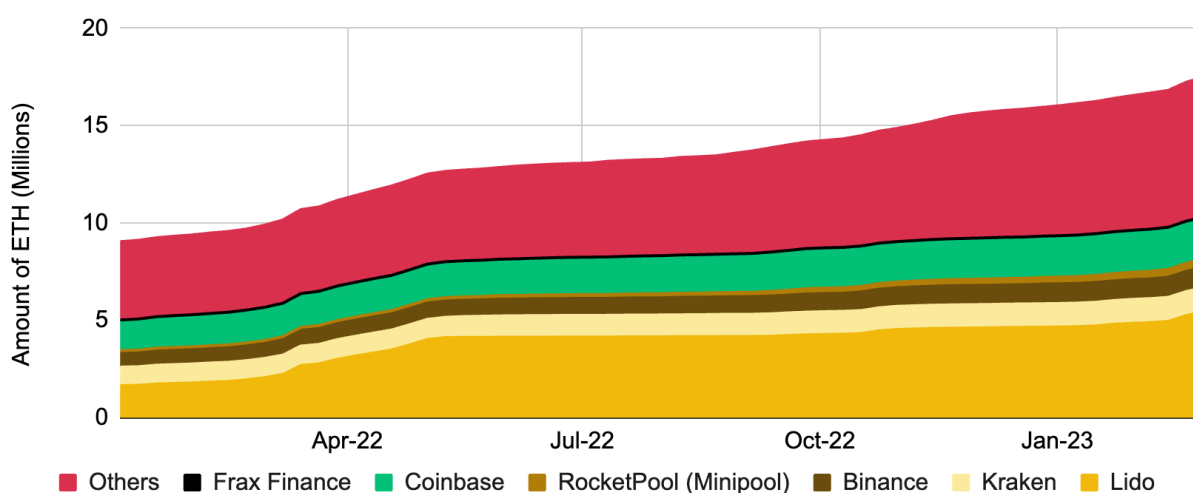
Competition between NFT market players escalated after an announcement from Blur that urged creators to block trading of their collections on OpenSea. More specifically, Blur specified in the blog post that they would enforce full creator royalties (usually ranging between 5-10%) for collections that refrained from listing on OpenSea, granting issuers much more revenue as compared to what they would earn under Blur's minimum creator royalty rate (currently at 0.5%). Blur's blog post appeared to be a retaliation against OpenSea's [blacklisting policy](#) from November of last year. Soon after Blur's announcement, OpenSea eliminated its 2.5% marketplace fee and cut mandatory creator royalty fees on NFT trades to 0.5% (although

buyers can choose to pay a larger percentage). Moving forward, as Blur intends to distribute another 300m \$BLUR tokens in Season 2, it will be interesting to observe if the protocol can generate organic growth and maintain a competitive foothold against OpenSea.

Ultimately, this war for supremacy poses a crucial concern - whether these growth initiatives are healthy for creators or if it merely perpetuates the speculative behavior in trading NFTs.

ETH staking adoption hits new high

Figure 6: ETH Staking Landscape



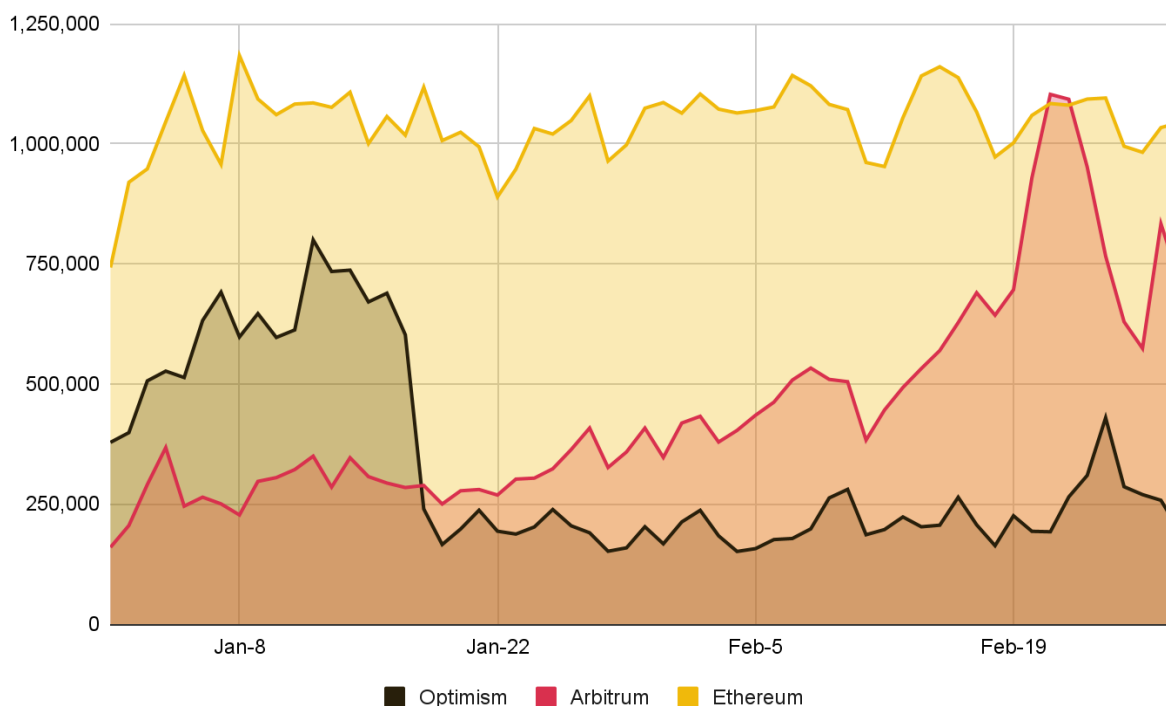
Source: Dune Analytics (@hildobby)
As of 28 Feb 2023

The Liquid Staking Derivative (“LSD”) war intensified in February, ahead of the Shanghai upgrade expected in early April. Market leader, Lido has gradually witnessed a declining market share following concerns of a centralisation risk (~30% of all ETH staked) as emerging protocols such as Rocketpool and Frax Finance have risen in dominance. Meanwhile, a regulatory overhang looms over the scene as staking services have emerged as a legal concern in the United States.

Nonetheless, the Shanghai upgrade will unlock the potential of LSDs in driving Ethereum activities. The seamless process to deposit and withdraw staked ETH marks an exciting and major milestone for the ecosystem. To learn more about the landscape, check out our report on the [Shanghai Upgrade](#).

Layer 2s in the spotlight

Figure 7: Monthly Transactions By Chain



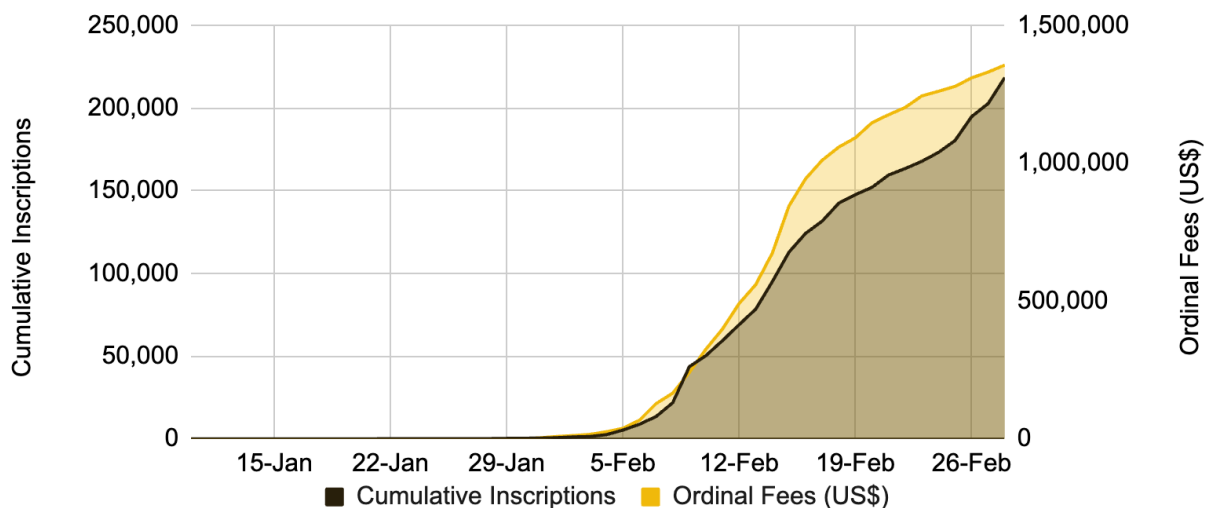
Source: Block Explorers
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Daily transactions on Arbitrum skyrocketed to an all time high as its daily transaction volume nears that of the Ethereum mainnet. Apart from the growth of leading protocols such as GMX, Uniswap and Sushi on Arbitrum, a new DEX called Camelot has generated significant interest. Its TVL has burgeoned nearly 240% over the past month with its native token, GRAIL soaring 520% since 1 February. There have also been speculations of a possible Arbitrum airdrop, which would directly incentivize activity and drive adoption if indeed true.

While Arbitrum remains the dominant Layer 2 platform (by number of transactions) today, the upcoming release of zkEVM on Polygon, which uses zero-knowledge cryptography may potentially attract developers and users away.

Bitcoin NFTs take off

Figure 8: Ordinal Inscription on Bitcoin Blockchain



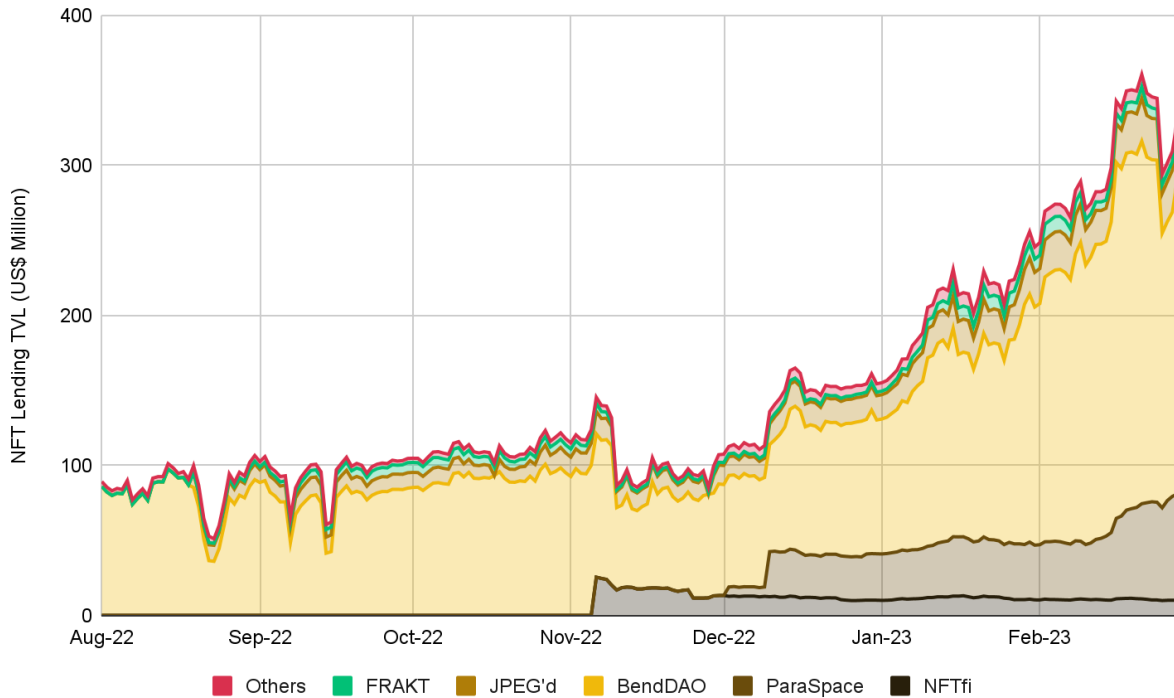
Source: Dune Analytics (@dataalways)
As of 28 Feb 2023

Despite push backs from “Bitcoin Maxis”, Ordinal Inscriptions have surged since January with more than 200,000 inscriptions to date. This has impacted transaction fees and significantly increased average block size on the Bitcoin blockchain, as blocks larger than 3 MB have become a regular phenomenon. Recently, Yuga Labs has announced that it will debut the “TwelveFold” collection, consisting of 300 generative art NFTs minted on the Ordinals protocol. Indeed, new projects have also sought to enhance interoperability by having these inscribed NFTs to be accessible on the Ethereum mainnet and transacted on NFT marketplaces such as OpenSea.

This is a noteworthy development for the Bitcoin blockchain as it ushers in a new wave of utility, apart from payments on the Lightning Network. It also seeks to incentivise miners to secure the network with higher mining revenue from this increase in demand. It is exciting to witness the growth of the ecosystem, alongside renewed interest in Stacks, a layer 2 for smart contracts focussed on Bitcoin.

NFT lending market trends upwards

Figure 9: NFT Lending Landscape



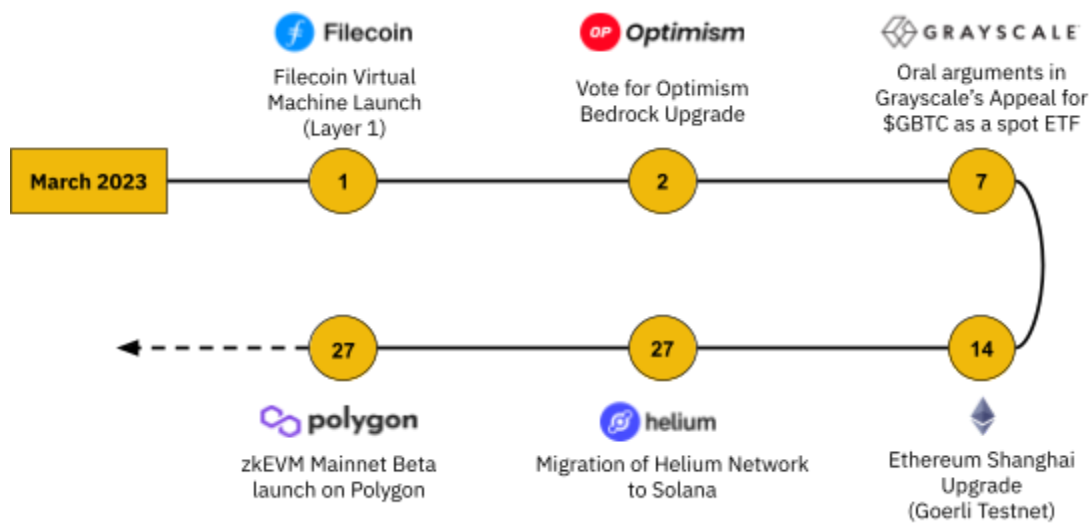
Source: DefiLlama
As of 28 Feb 2023

NFT lending has witnessed a resurgence in TVL with BendDAO enjoying a record month of loans generated since the start of 2023. Blue chip NFT collections such as BAYC and MAYC have driven most of the lending and borrowing activity on BendDAO, with the number of collateralized Azukis spiking significantly over the past month. These trends clearly indicate the rising demand for users to unlock liquidity of their NFTs without having to sell their assets.

Upcoming Events and Token Unlocks

In this section, we have summarized notable events and upcoming token unlocks for the month. We hope this would be helpful for you to monitor key developments in the space and keep track of unlock events that may have an impact on your holdings.

Figure 10: Notable events in March 2023



Source: Binance Research

Figure 11: Largest Token Unlocks in US\$ terms

PROJECT	TOKEN	UNLOCK IN US\$ EQUIVALENT	% OF SUPPLY	UNLOCK DATE
ApeCoin	\$APE	\$203.0 M	4.06%	17 Mar
BitDAO	\$BIT	\$107.8 M	1.95%	15 Mar
APT	\$APT	\$58.8 M	0.45%	12 Mar
dYdX	\$DYDX	\$20.2 M	0.65%	14 Mar
ImmutableX	\$IMX	\$17.9 M	0.90%	25 Mar
Monbeam	\$GLMR	\$4.1 M	0.97%	11 Mar

Source: Twitter (@top7ico), TokenUnlocks, Binance Research

New Binance Research Reports

Check out our latest publications over the past month by clicking on the following images. Interested to read more of such analysis? Be sure to visit us at our [website](#).



Real World Assets: The Bridge Between TradFi and DeFi

A deep dive into the world of real world assets



Ethereum's Shanghai Upgrade: By the Charts

An analysis of the upcoming Ethereum's Shanghai Upgrade



A Guide to Fundamental Analysis in Crypto

Crypto Fundamental Analysis 101

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- 3) <https://decrypt.co/121638/opensea-drops-fees-royalty-protections-blur-rises>
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- 5) <https://dune.com/hildobby>
- 6) <https://dune.com/dataalways>
- 7) <https://dune.com/jhackworth/olxb>

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Jie Xuan (“JX”) is currently working for Binance as Macro Researcher. Prior to joining Binance, he worked as a Global Investment Specialist with J.P. Morgan and had prior Equity Research experiences at various fund houses. JX is a CFA charterholder. He has been involved in the cryptocurrency space since 2017.



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Colin Chan, Macro Research Intern

Colin is currently an intern with Binance on the Macro Research team. Prior to joining Binance, he interned as a Trader with Genesis Global Trading. Additionally, Colin has had experience as a data analyst, spending time with Paypal’s Enterprise Architecture Team and Graticule Asset Management Asia’s Digital Assets Team. He was also a Solidity developer at Morpheus Labs. Colin is currently an undergraduate at the National University of Singapore, where he is studying Business and Computing (Information Systems). His interests primarily lie in DeFi and quantitative analysis.

Mac Naggar, Macro Research Intern



Mac is currently an intern with Binance on the Macro Research team. Prior to joining Binance, he worked as a Web3 Product Manager for HSBC. Additionally, Mac has had experience on the trading side, spending time with Morgan Stanley's Fixed Income Division, Algorand's Capital Markets Team, and CrossTower's Digital Assets Trading Desk. Mac is a recent graduate of Cornell University and now is pursuing a Master of Science in Blockchain & Digital currencies at the University of Nicosia. His sector interests primarily lie in DLT Design & Interoperability, DeFi, and Institutional Adoption.

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