

Monthly Market Insights

June 2023



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Key Takeaways

- ◆ Against broader macroeconomic uncertainties from US debt ceiling discussions, crypto markets declined in price and activity as the total market capitalization fell by 5.5% month-on-month. However, the majors – BTC and ETH – remained relatively resilient through this period with new developments (e.g., Ordinals and BRC-20 flourishing on the Bitcoin Network).
- ◆ Meme coins had a strong run in early May, with weekly trading volume hitting a record high of US\$2.7B. However, trading volume has since declined, exhibiting signs of trend normalization. From a price performance perspective, several meme coins ended the month in the red.
- ◆ Bitcoin’s BRC-20 tokens were extremely popular in May and helped daily Inscriptions reach new highs. Text-based Inscriptions dominated, making up over 90% of the market, while image-based “Bitcoin NFT” Inscriptions slowed down.
- ◆ Rising transaction costs on Ethereum paved the way for a record high of 9.49K ETH in Layer-2 data publishing fees in May. While Arbitrum continues to be the leading contributor, zkEVMs are certainly picking up pace with zkSync Era overtaking Optimism in fee collections for the first time.
- ◆ Tether’s USDT showed no signs of slowing down and continued to gain market share in May. USDT maintained a comfortable lead over USDC as the top stablecoin with a market capitalization of US\$83.1B.
- ◆ LSDfi protocols have gained significant traction in recent weeks. Total value locked (“TVL”) in LSDfi protocols experienced a 2.5x surge compared to the previous month as the narrative gained steam.

2

Crypto Market Performance

May spelled an interesting period for crypto, with a mixture of macroeconomic news and developments in the space. BTC and ETH traded within a range of US\$26,000 to US\$28,000 and US\$1,750 to US\$1,900, respectively. These developments came as markets were gripped with fear throughout the month due to uncertainties over the US debt ceiling until May 28.

Nonetheless, positive regulatory developments were observed in Asia. Beijing released a whitepaper for Web3 innovation and development, opening up to blockchain technologies. Hong Kong announced that it will also permit retail trading of cryptocurrencies as early as the latter half of the year, with the government accepting applications from exchanges starting June 1.

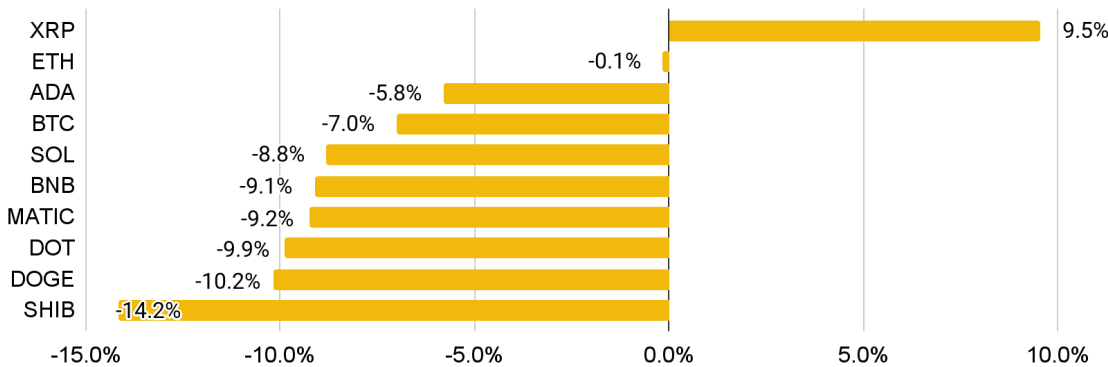
Figure 1: Monthly crypto market capitalization decreased by 6.0% in May

Monthly Change in Crypto Market Cap (%)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2023	30.4	3.4	9.3	3.2	-6.0							
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 31 May 2023

Figure 2: Monthly price performance of the top 10 coins by market capitalization



Source: CoinMarketCap
As of 31 May 2023

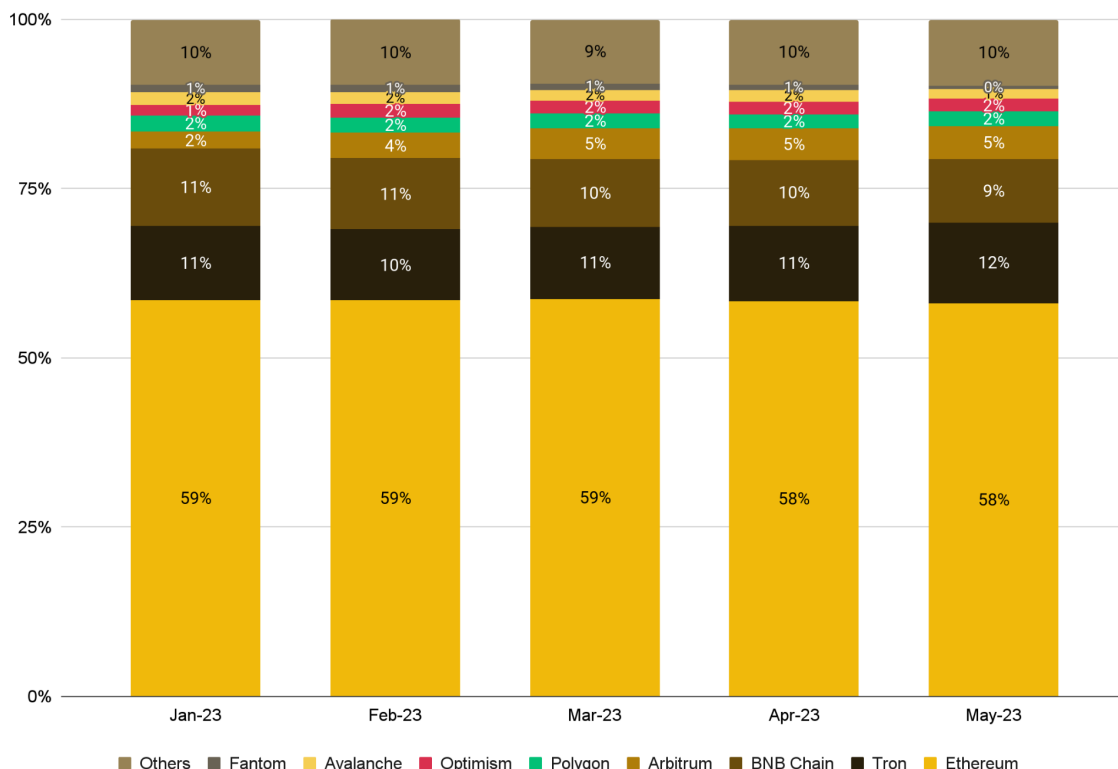
In descending order of performance:

- ◆ XRP was a strong outperformer this month as a potentially favorable ruling in its lawsuit with the SEC ignited hope amongst investors. This came as the US District Court [denied](#) the regulator's motion to seal the controversial Hinman Speech documents from the public. In addition, Ripple has also been expanding its capabilities with the [Ripple CBDC Platform](#) to enable central banks, governments, and financial institutions to issue their own digital currency; the acquisition of crypto custody firm [Metaco for US\\$250M](#), which focuses on digital assets infrastructure; and the buyout of [Pantera's minority stake](#) in crypto exchange Bitstamp.
- ◆ Despite SOL's fall in price, the network has witnessed a recent surge in monthly active users for May as it soared to a [new high of 3.6M](#). Although the number of transactions and DEX volumes appear to remain relatively flat, it would be interesting to see if the launch of its Android phone - Solana Saga - will onboard a new wave of user activity to revitalize the chain.
- ◆ MATIC beholds an interesting narrative. Transaction activity on [Polygon PoS](#) has greatly decreased but skyrocketed on its scaling solution, [Polygon zkEVM](#). This came as Polygon's co-founder Sandeep Nailwal [tweeted hints of a potential airdrop](#), attracting speculative users, which caused the TVL to rise briefly.
- ◆ DOGE and SHIB suffered the steepest declines among the top 10 coins in May. Despite the meme coin frenzy during the month, DOGE and SHIB were unsheltered from broader market declines. During the month, daily transaction volumes on Dogecoin reached all-time highs after the introduction of DRC-20 tokens, although it remains to be seen if such activity will be sustainable.

2.1 Decentralized Finance (“DeFi”)

DeFi markets fell by 3.4% month-on-month (“MoM”) to US\$47.9B. Ethereum (58.1%), Tron (11.9%), and BNB Chain (9.3%) retained the top spots as the composition remained generally unchanged.

Figure 3: TVL share of top blockchains

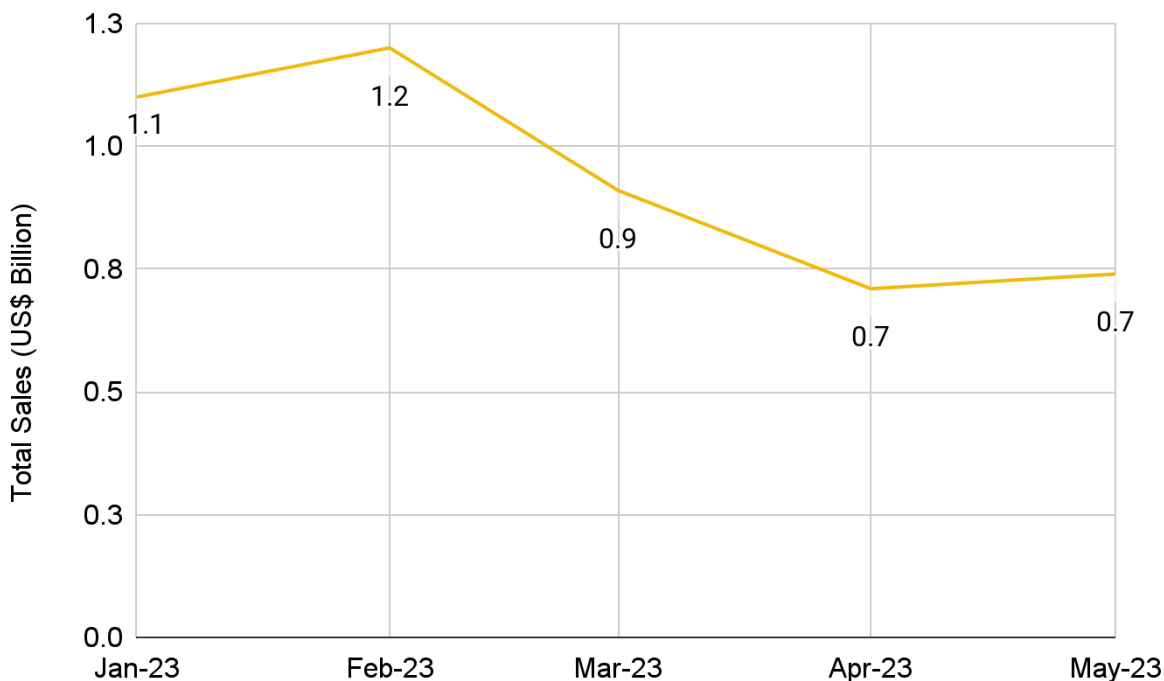


Source: DeFiLlama
As of 31 May 2023

TVL on Ethereum had a slight decline to US\$27.9B, as this was part of a wider pullback in on-chain liquidity. In particular, Avalanche suffered a nearly 14% fall, while Fantom faced the steepest drop with a loss of more than one-third of its TVL. This came amid [rumors](#) that the Multichain team was arrested as the Chinese authorities seized control of a wallet containing over US\$1.6B. As [35%](#) of Fantom’s TVL was locked in Multichain, this has raised red flags amongst users on the chain, with the Fantom Foundation [withdrawing](#) MULTI tokens from SushiSwap amidst the uncertainty.

2.2 Non-Fungible Token (“NFT”)

Figure 4: Monthly trading volume for NFTs



Source: Cryptoslam
As of 31 May 2023

NFT trading volume rose slightly compared to April, ending the month at just over US\$740M. Additionally, the total number of buyers and sellers has reached an all-time high for the year (1.67M), as the total number of transactions soared to 8.92M for the month. In particular, notable events included Musk’s [tweet](#) on May 10, which referenced the Milady Maker collection, and Pudgy Penguins, which debuted its highly anticipated [Pudgy Toys collection](#) on Amazon. These garnered significant interest and led to a huge spike in trading volume for both projects.

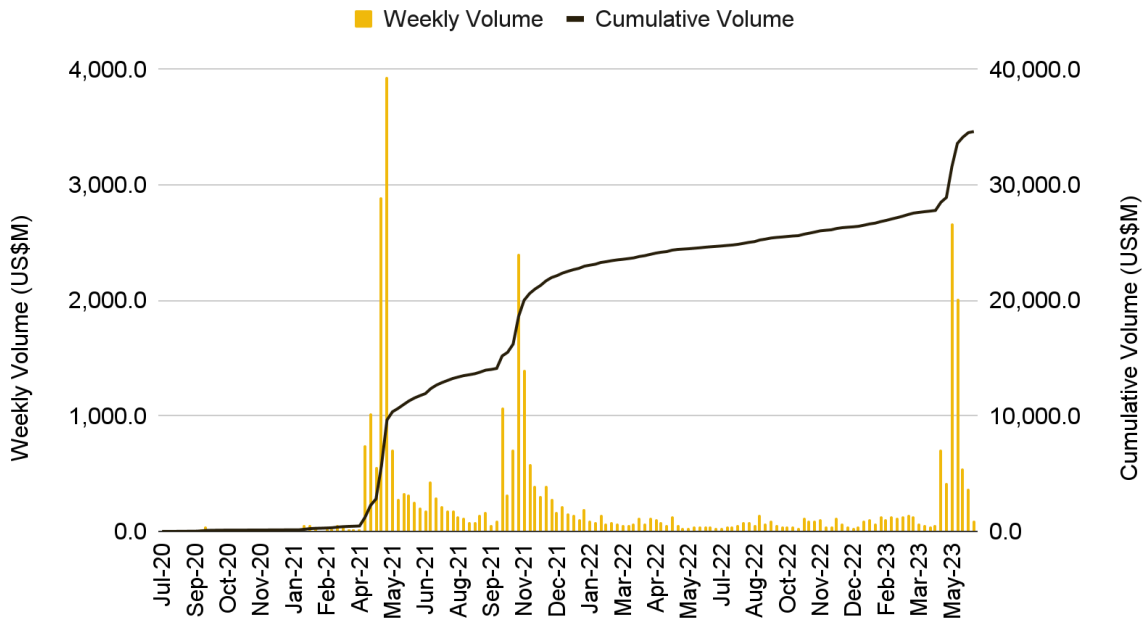
Meanwhile, Nansen’s [NFT-500 index](#) extended its decline as the floor prices for notable NFT collections fell. For instance, it was observed that [large sellers sold 350 Doodles, 190 MAYC, and 149 Milady overnight](#) on the BLUR platform to farm the rewards. Other possible reasons included a rotation of traders from NFTs to participate in the meme coin frenzy as they sold their NFTs.

3

Charts of the Month

Meme coins in the spotlight

Figure 5: The trading volume of meme coins surged in early May but has since fallen



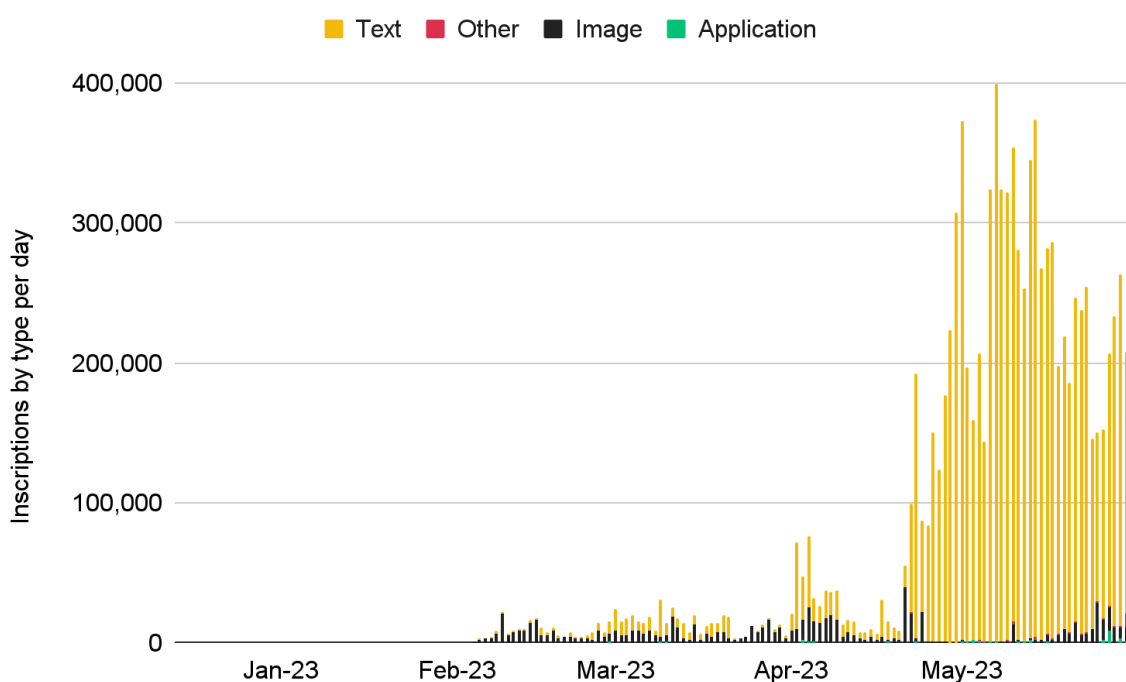
Source: Dune Analytics (@j1002)
As of 31 May 2023

Meme coins, or cryptocurrencies inspired by memes, saw exponential growth in the early weeks of May. **Weekly trading volume exceeded US\$2B for two consecutive weeks**, a 20x increase compared to the weekly average of US\$50M to US\$100M in the first few months of 2023.

Given their lack of inherent utility, meme coins tend to be highly speculative and volatile. From a price performance standpoint, most meme coins have declined in the past few weeks. Moreover, referring to the historical data in Figure 5, it is evident that the hype tends to be relatively short-lived and comes in waves. Since the high in early May, the trading volume of meme coins has normalized slightly, returning to the usual trend.

BRC-20 token mania was a key storyline in May

Figure 6: Daily Bitcoin Incriptions spiked through May; the majority of these were text-based, i.e., BRC-20 token-related



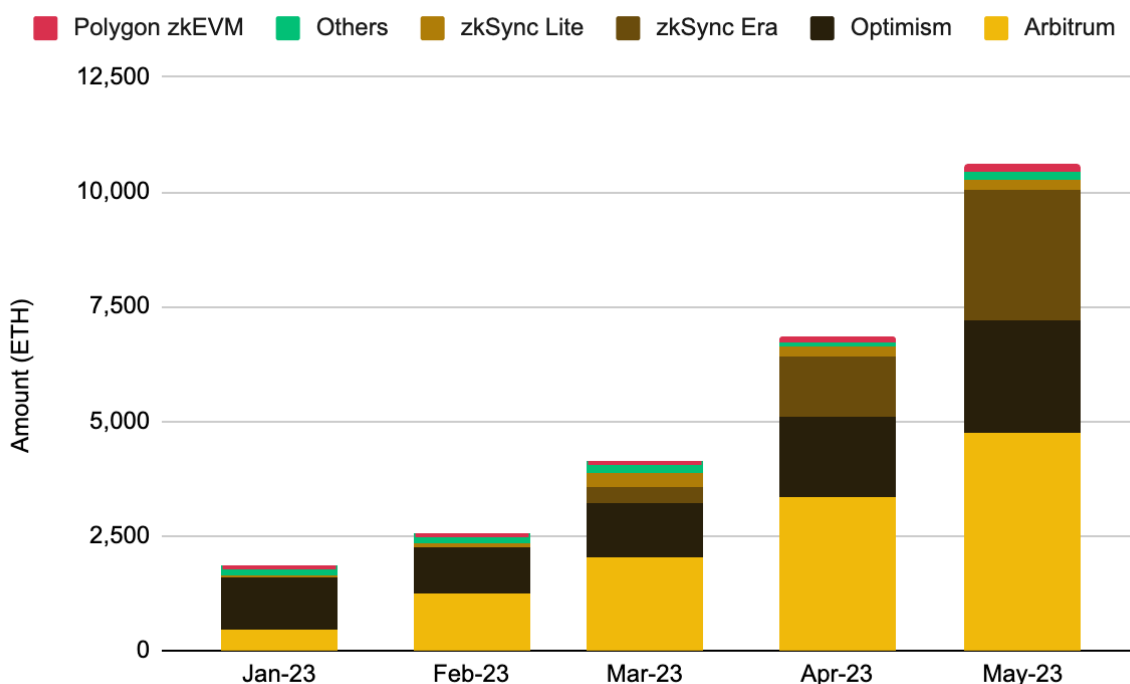
Source: Dune Analytics (@dgtl_assets)
As of 31 May 2023

Remember, BRC-20 tokens were first conceptualized on March 9, 2023, while Incriptions have been available since December 2022. **In February, images were the dominant Inscription type in the market.** This was when the Ordinals buzz began and Bitcoin NFT collections started popping up. Now, if we look **at the second half of April into May, we see a notable change.** Text-based Incriptions (primarily related to BRC-20 tokens) have been extremely dominant and have essentially crowded out any other media type. In fact, between the **start of April and the end of May, image-based Incriptions decreased their market dominance from 58% to 8%, while text-based Incriptions increased from 41% to over 90%.**

Additionally, the **number of daily Incriptions (depicted by the height of the bar charts) increased multiple times the amount we saw from January to early April.** April 23, 2023, marked the first time we saw over 100K Incriptions in one day, and this only accelerated, with May seeing multiple days of 300K+ Incriptions daily. This demonstrates the immense popularity and amount of buzz that BRC-20 tokens have been able to generate since their conception. While these **numbers have slowed slightly since the frenzy of early May, they are still significantly higher than we observed in the first quarter.** Make sure to check out our new report, [BRC-20 Tokens: A Primer](#), to get a more detailed view of these innovations in the Bitcoin ecosystem.

Layer-2 data fees are on the rise

Figure 7: Ethereum Layer-2 mainnet data publishing fees reached a new high during May



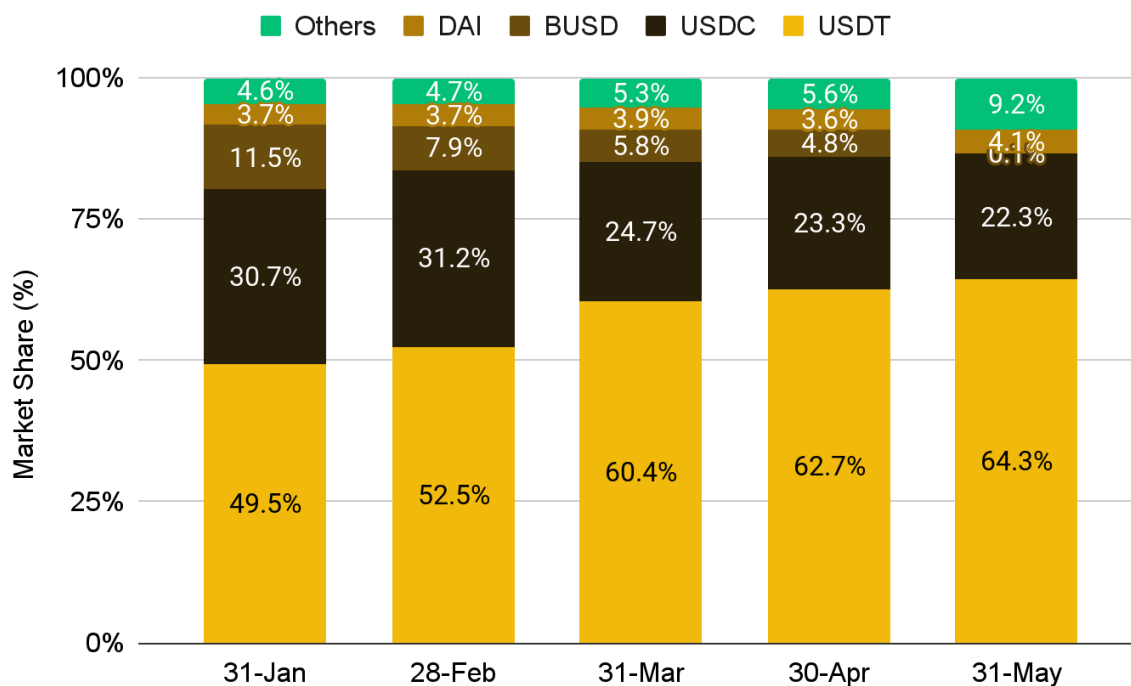
Source: The Block
As of 31 May 2023

Ethereum Layer-2 (“L2”) networks ascended to a new high in the month of May, with data publishing fees yielding a record 10.6K ETH for the first time and up ~489% since the start of the year. Data fees refer to the cost of publishing data and security proofs back to the Ethereum mainnet. Ethereum has recently seen a rise in transaction fees, likely attributed to the recent demand for meme coins, and it is no surprise that activity turned toward L2 scaling solutions given their affordability in executing transactions.

Arbitrum continues to lead the way in the L2 space, contributing ~45.5% (4.81K ETH) of total L2 data fees. While optimistic rollups continue to be the preferred choice, this month also saw recently launched zkEVMs gain traction against their optimistic rollup counterparts. **With 2.85K ETH in data fees and a 118.8% MoM increase in May, zkSync Era surpassed Optimism to secure second place.** This is certainly a notable development for zkEVMs and zkSync Era in particular, considering that Optimism has maintained a top spot in fee collections in recent history. Conversely, Polygon zkEVM hasn’t attained the same magnitude in numbers, accounting for just ~1.1% of total data fees. One potential driver may be the speculation of token airdrops for rival zkEVMs, though this should only play an intermittent role. **Ultimately, the peak in data fees represents an important milestone for the L2 ecosystem and a growing trend toward its underlying adoption.**

USDT continues gaining ground

Figure 8: USDT market share hits a new high for the year



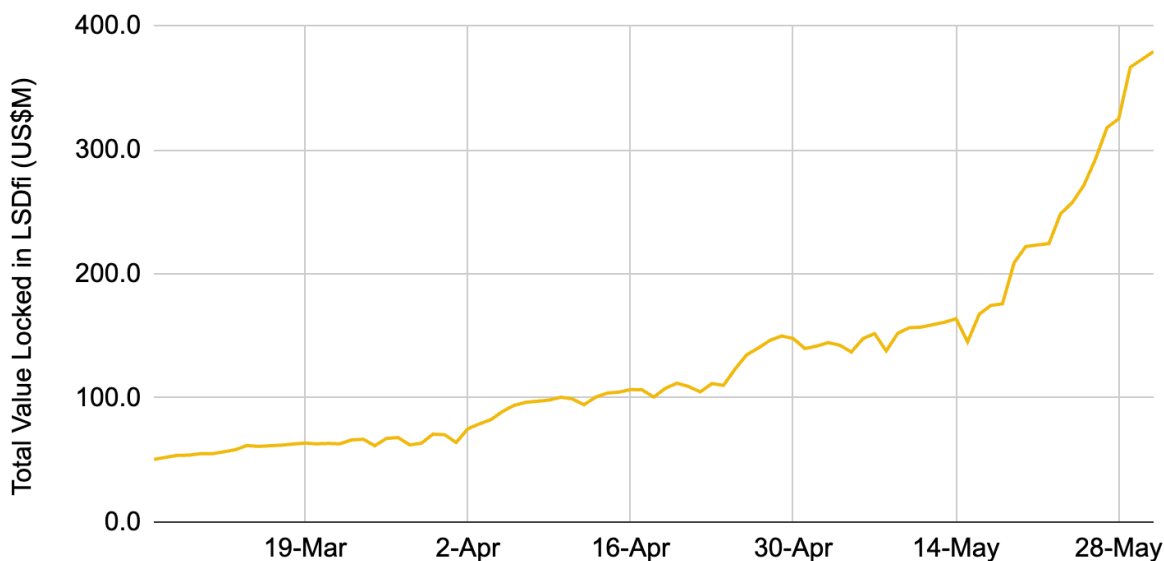
Source: DeFi Llama
As of 31 May 2023

Tether's USDT stablecoin had yet another strong month, growing market share by 1.6% MoM in May. **Market share is now 64.3%, a level not seen since April 2021.** This dominance has come at the expense of other stablecoins, which have shown steady declines in market share. USDC has failed to regain traction after its depegging event in March; BUSD's market share has steadily fallen following the cessation of its issuance in February; and DAI's market capitalization has been relatively range-bound.

Zooming out, total stablecoin market capitalization has declined approximately 1% MoM and about 6% year-to-date, signaling a liquidity reduction in the market. Muted market sentiment and the discontinuation of operations by a few large banks may have contributed to these trends.

The LSDfi narrative takes off

Figure 9: LSDfi protocols have gained traction in recent weeks



Source: Dune Analytics (@defimochi)

As of 31 May 2023

LSDfi refers to DeFi protocols built on liquid staking derivatives (“LSD”). As a recap, LSDs are tokens issued by liquid staking platforms (e.g., stETH, rETH, wBETH, etc.). By offering additional yield-generating opportunities, LSDfi protocols allow LSD holders to put their assets to work and maximize yield.

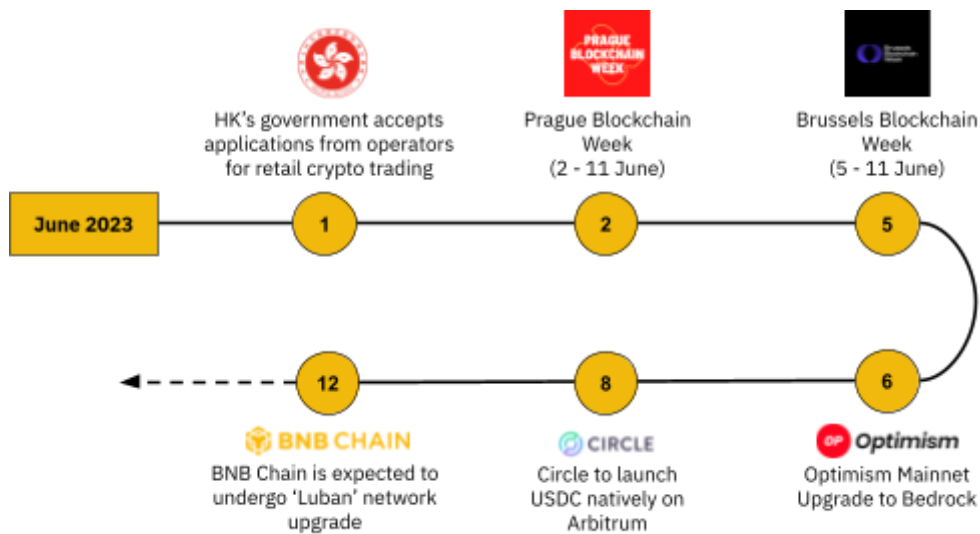
LSDfi protocols experienced a rapid increase in TVL over the past few weeks as the narrative gained steam. As of May 31, 2023, TVL in top LSDfi protocols approached the US\$400M mark and experienced a 2.5x surge on a MoM basis. Such growth is unsurprising when one considers that there are over US\$18B of LSD tokens on Ethereum and only around US\$400M TVL in LSDfi protocols (~2% penetration).

Nonetheless, it is crucial to note that LSDfi is a relatively young market, and participants should conduct thorough due diligence. Most recently, LSDfi protocol unshETH suffered a US\$375K exploit after one of the private keys for its deployer contracts was compromised.

4 Upcoming Events and Token Unlocks

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

Figure 10: Notable events in June 2023



Source: Binance Research

Figure 11: Largest token unlocks in US\$ terms

PROJECT	TOKEN	UNLOCK IN US\$ EQUIVALENT	% OF SUPPLY	UNLOCK DATE
Optimism	\$OP	\$626.2M	9.00%	1 June
Blur	\$BLUR	\$102.5M	6.53%	15 June
Linch	\$1INCH	\$99.3M	16.65%	2 June
BitDAO	\$BIT	\$96.0M	1.95%	15 June
Hedera	\$HBAR	\$67.3M	2.55%	1 June
Sui	\$SUI	\$66.9M	0.61%	3 June
ApeCoin	\$APE	\$50.9M	1.56%	17 June
APT	\$APT	\$38.4M	0.45%	12 June
Ronin	\$RON	\$16.0M	1.46%	27 June
ImmutableX	\$IMX	\$13.9M	0.90%	17 June
dYdX	\$DYDX	\$13.7M	0.65%	6 June

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

References

<https://defillama.com/>

<https://coinmarketcap.com/>

<https://www.cryptoslam.io/>

<https://token.unlocks.app/>

New Binance Research Reports



The zkEVM World: An Overview of zkSync

A closer look at zkSync and the growing zkEVM ecosystem



Institutional Custody in Crypto

A detailed study of the institutional custody landscape



BRC-20 Tokens: A Primer

A close look at the BRC-20 market, including their origins, market outlook, effects on Bitcoin's metrics, and much more



Data Insights: Lending

A data-driven analysis of the growing DeFi lending market

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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Macro Researcher

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.



Moulik Nagesh

Macro Researcher

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Resources



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