

Monthly Market Insights

July 2023



Table of Contents

Key Takeaways	2
Crypto Market Performance	3
Decentralized Finance (“DeFi”)	5
Non-Fungible Token (“NFT”)	6
Charts of the Month	7
Bitcoin dominance surges to multi-year high	7
USDT’s market share unaffected by depeg event	8
zkSync Era charges ahead	9
LSDfi still on an upward trajectory	10
Upcoming Events and Token Unlocks	11
References	12
New Binance Research Reports	13
About Binance Research	14
Resources	16

1

Key Takeaways

- ◆ Crypto markets picked up in June as the ‘institutions are coming’ narrative drove performance. Specifically, several notable traditional finance firms have filed for a spot Bitcoin ETF, fueling positive sentiment.
- ◆ Bitcoin dominance reached 58% of the total crypto market, marking its highest level since April 2021. Recent regulatory developments in the US, alongside the surge of Bitcoin spot ETF filings, have likely contributed to this move.
- ◆ USDT’s depegging event in June has not harmed its dominance. USDT’s market share has even increased on a month-on-month (“MoM”) basis, hitting a high of 65.1%.
- ◆ zkSync Era made remarkable strides in June by establishing several record highs, including an 88.9% MoM surge in TVL and surpassing its “Optimistic” competitors in Ethereum mainnet data publishing fees, thereby accentuating its influence in the Layer-2 (“L2”) sector.
- ◆ Cumulative TVL in top LSDfi protocols crossed the US\$600M mark and has increased over 66% on an MoM basis. The potential for staked ETH growth and the relatively low penetration of LSDfi serve as structural tailwinds for the sector.

2

Crypto Market Performance

The crypto market recovered slightly in June, with overall crypto market capitalization growing by 3.3%. This increase was largely fueled by BTC’s rally as the world’s largest asset manager, Blackrock, applied for a spot Bitcoin ETF. This wave of optimism pushed the two majors – BTC and ETH – past the US\$30,000 and US\$1,900 ceilings, respectively. In contrast, several altcoins experienced a sell-off in the early half of the month after being listed as securities by the Securities and Exchange Commission (“SEC”).

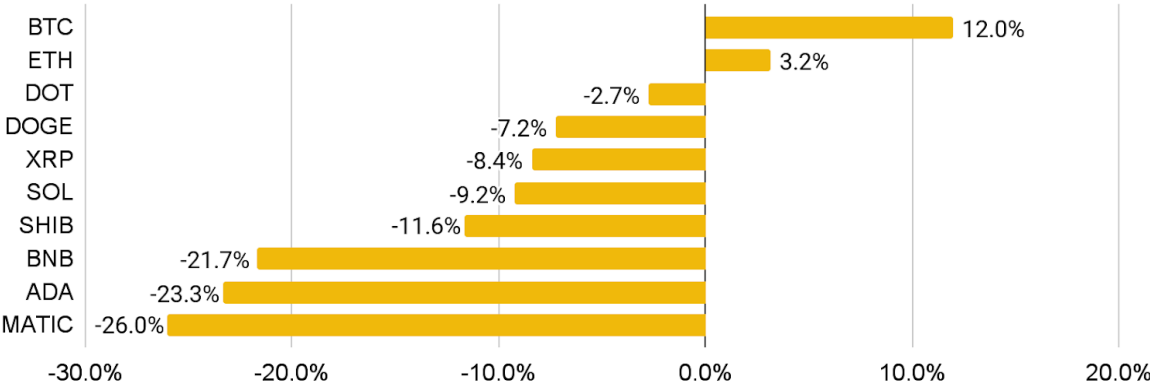
Figure 1: Monthly crypto market capitalization increased by 3.3% in June

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	3.3						
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 30 June 2023

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



Source: CoinMarketCap
As of 30 June 2023

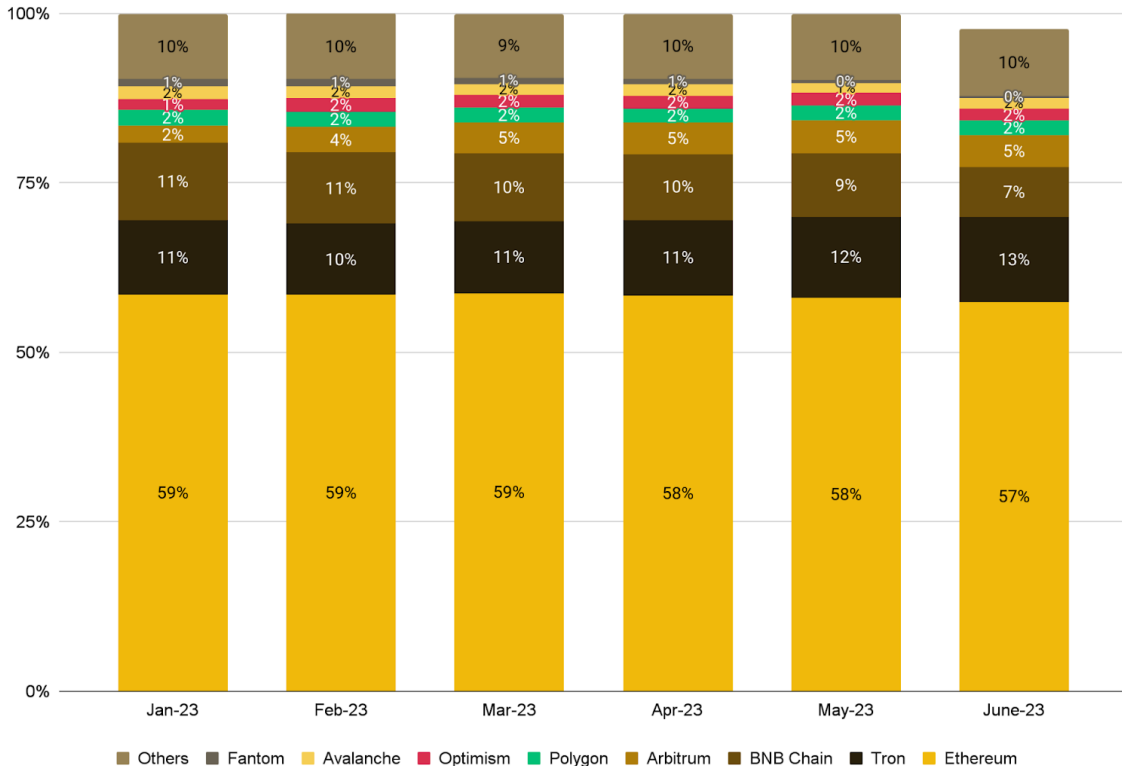
In descending order of performance:

- ◆ BTC and ETH were the relative outperformers for June, as the SEC remained silent in classifying these two tokens as securities. Following this, Blackrock's surprise filing for a US spot Bitcoin ETF sparked a flurry of applications from other traditional institutions. These included asset management giants Fidelity Investments and Wisdom Tree, investment management companies Invesco and VanEck, alongside Cathie Wood's ARK Invest. The move sparked confidence and optimism in the maturing Bitcoin market, perceived as a sign to legitimize the industry.
- ◆ XRP declined following the bullish momentum observed in the previous months. Nonetheless, the token continues to hold momentum as the release of the Hinman documents marked a turning point in the SEC case against Ripple, implicating the SEC's credibility. Speculation remains rife that the case will be settled with a positive ruling. Nonetheless, Ripple Labs continues to make strides in its expansion plans, as it most recently obtained an in-principle approval of a Major Payment Institution ("MPI") license to offer regulated digital asset products and services in Singapore. This approval came as the company partnered with Colombia's Central Bank to pilot use cases for a central bank digital currency ("CBDC").
- ◆ Altcoins plunged following the SEC's lawsuit, which labeled certain tokens as securities. These included SOL, ADA, and MATIC, which were subsequently delisted from Robinhood amidst regulatory concerns. Attempting to regain investors' confidence, the Foundations of these tokens released statements to address the SEC's allegations.

2.1 Decentralized Finance (“DeFi”)

DeFi markets fell by 7.7% month-on-month (“MoM”) to US\$44.2B. Ethereum (57.4%), Tron (12.6%), and BNB Chain (7.4%) retained the top spots as the composition remained generally unchanged.

Figure 3: TVL share of top blockchains



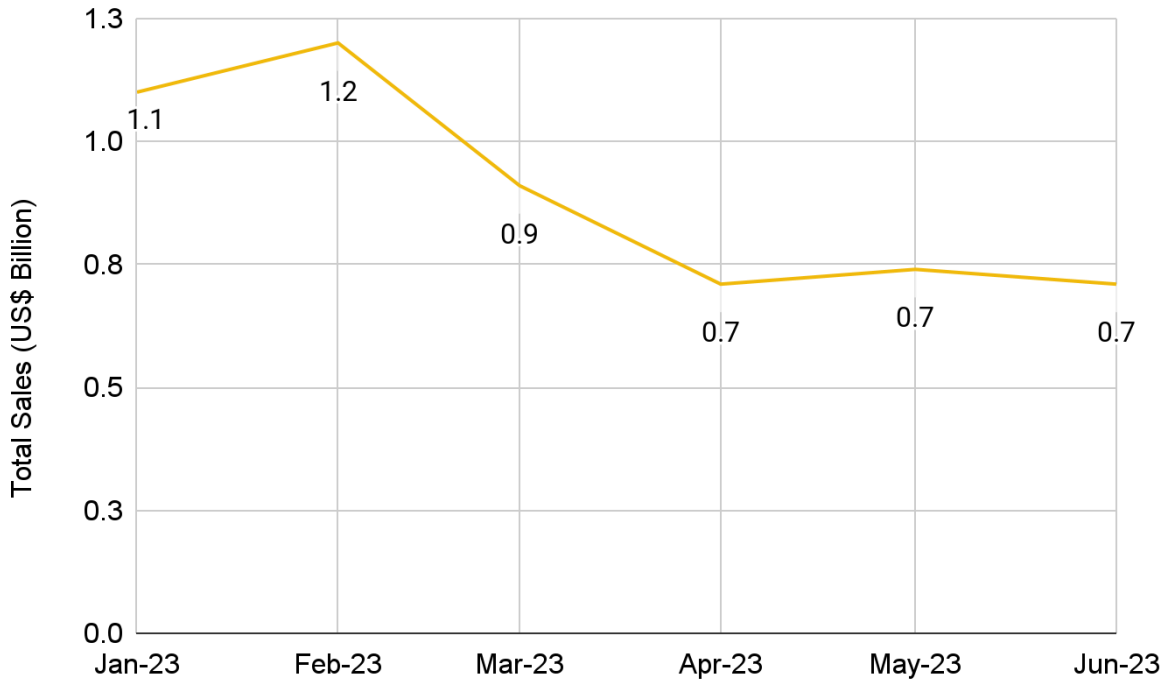
Source: DeFiLlama
As of 30 June 2023

TVL on Ethereum declined to US\$26.0B amidst a challenging macro environment. This regression in liquidity was observed across all major chains. However, we note the movement of liquidity into on-chain protocols for activities such as staking and lending. For instance, a renewed interest can be seen in Lido, as TVL rose by 11.0% while AAVE had an 8.8% increase over the past month.

2.2

Non-Fungible Token (“NFT”)

Figure 4: Monthly trading volume for NFTs



Source: Cryptoslam
As of 30 June 2023

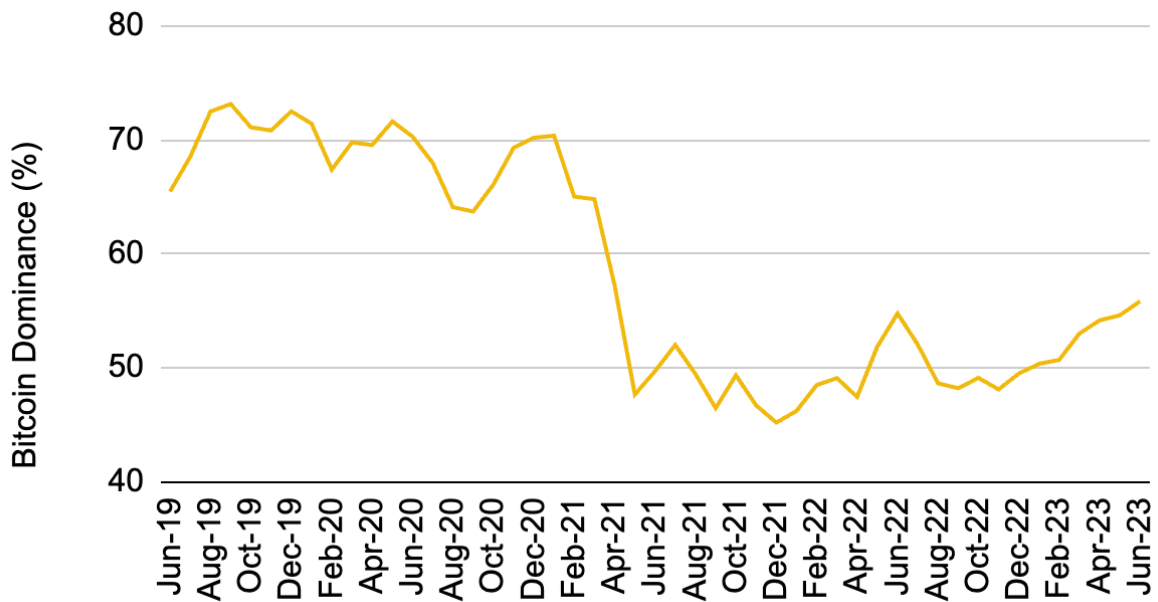
NFT trading volume dipped to a new low as waning activity and interest plagued the industry. This decrease came as the total number of unique buyers and sellers fell to its lowest level for the year. Meanwhile, [Nansen’s NFT-500 index](#) tumbled as the floor prices for notable NFT collections fell. In particular, Azuki witnessed considerable declines following the drop of its Azuki Elementals collection, which bore a similar resemblance to the original Azukis. An [internal legal conflict](#) ensued as the community banded together to demand the creators refund the US\$38M received from the mint. Elsewhere, the floor prices of Bored Ape Yacht Club (“BAYC”) NFTs also recently slipped below 30 ETH as whale ‘Machi Big Brother’ offloaded more than 50 Bored Apes.

These sudden price collapses created knock-on effects for the NFT lending scene, causing [protocols to incur bad debts](#). For instance, BendDAO suffered a [loss of 18.96 ETH](#), and the team has [proposed](#) to use the DAO treasury to absorb these liabilities.

Charts of the Month

Bitcoin dominance surges to multi-year high

Figure 5: Bitcoin market dominance breached 58% last week, its highest level since April 2021



Source: Coin Metrics
As of 30 June 2023

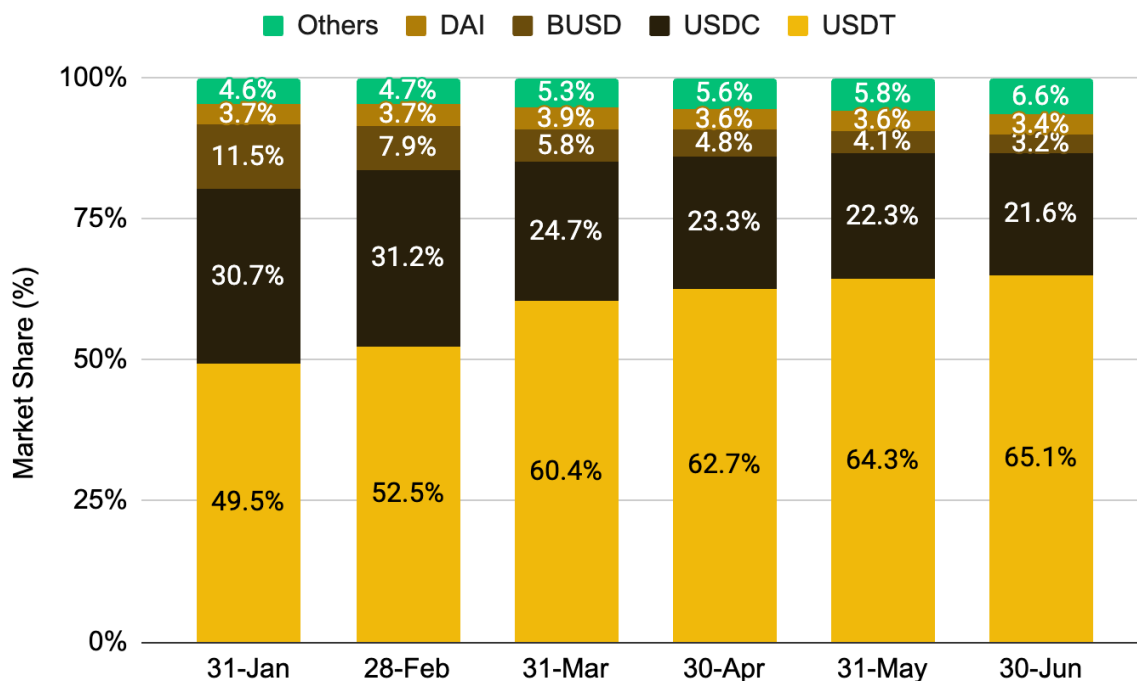
Bitcoin's dominance, i.e., its relative percentage of the total crypto market, hit its highest level since April 2021 in the last week of June.

As the largest and first cryptocurrency, Bitcoin has always boasted significant market dominance. However, this level started falling in spring 2021 as alternative tokens with smaller market caps were bid up. Nonetheless, it never fell below 40% of the total market, with the mid-40s level of December 2021 marking its lowest point. 2022 saw Bitcoin's market dominance oscillate in the 45–55% range. Since November 2022, it has steadily risen and now looks to be breaking the oscillation pattern we have observed since mid-2021.

A number of recent stories have likely impacted this latest development. On the one hand, the increased regulatory scrutiny in the US has led to pressure on many alternative crypto assets. This pressure likely impacted the movement of capital from altcoins into Bitcoin. On the other hand, there is also increased institutional adoption. A number of prominent TradFi asset managers, including BlackRock and Fidelity, have filed for spot Bitcoin ETFs in recent weeks, which the market may have construed as a bullish signal.

USDT's market share unaffected by depeg event

Figure 6: Market share of USDT continued to rise in June



Source: DeFi Llama
As of 30 June 2023

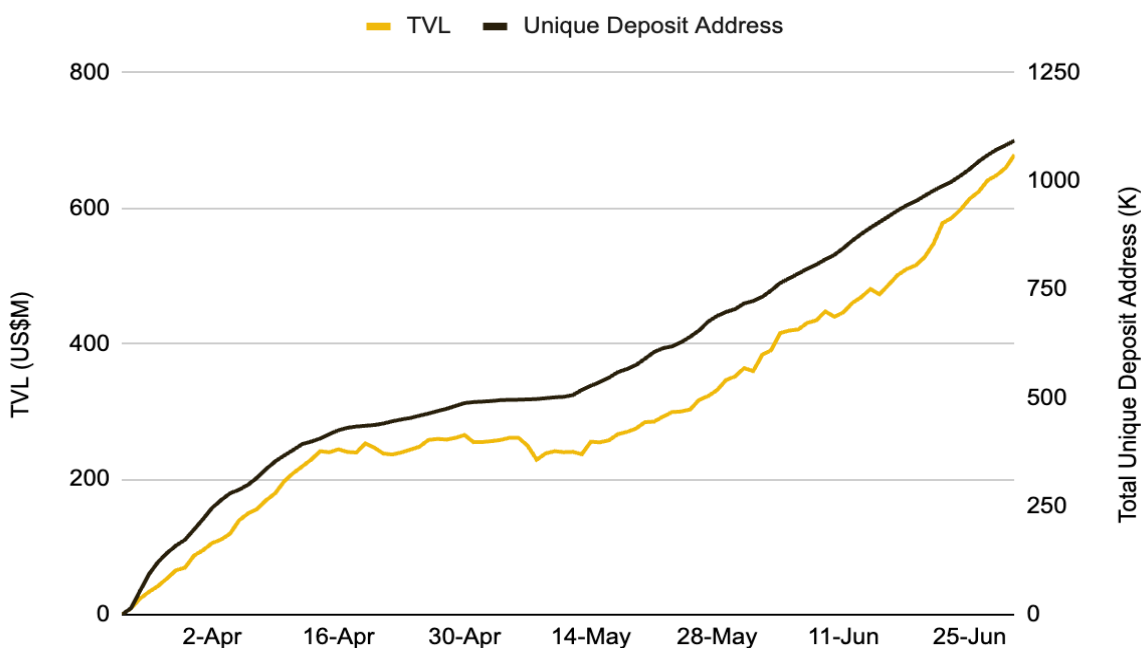
Tether's USDT experienced a slight depeg of 0.4% on June 15 as its price hit an intraday low of \$0.996. Concerns were raised as traders cited the imbalance in Curve's 3pool, with USDT making up more than 70% of the pool at one point, indicating selling pressure. Curve's 3pool is a stablecoin liquidity pool consisting of USDT, USDC, and DAI. At balance, the supply of the three stablecoins should be equal-weighted, though it is not unusual to see some fluctuations.

Nonetheless, USDT has since re-established its peg, and its weightage in Curve's 3pool has normalized to historical trading ranges. Additionally, USDT's dominance has even increased on an MoM basis, with its market share hitting a high of 65.1%. Traders seem to have shrugged off the depegging event, and Tether CTO Paolo Ardoino [tweeted](#) that the attack was "a good stress test."

It will be interesting to see how the stablecoin landscape looks in the coming months – will Tether's dominance continue on its upward trajectory?

zkSync Era charges ahead

Figure 7: zkSync Era achieved unprecedented heights in June, witnessing an 88.9% MoM growth in TVL



Source: Dune Analytics (@makaineko)
As of 30 June 2023

June saw an impressive capital influx into Matter Labs' zkSync Era, a solution that utilizes zero-knowledge ("ZK") rollups to enhance Ethereum's scalability. While other ZK rollups, such as StarkNet and Polygon zkEVM, also observed notable activity, zkSync Era made headlines by setting multiple record highs throughout the month.

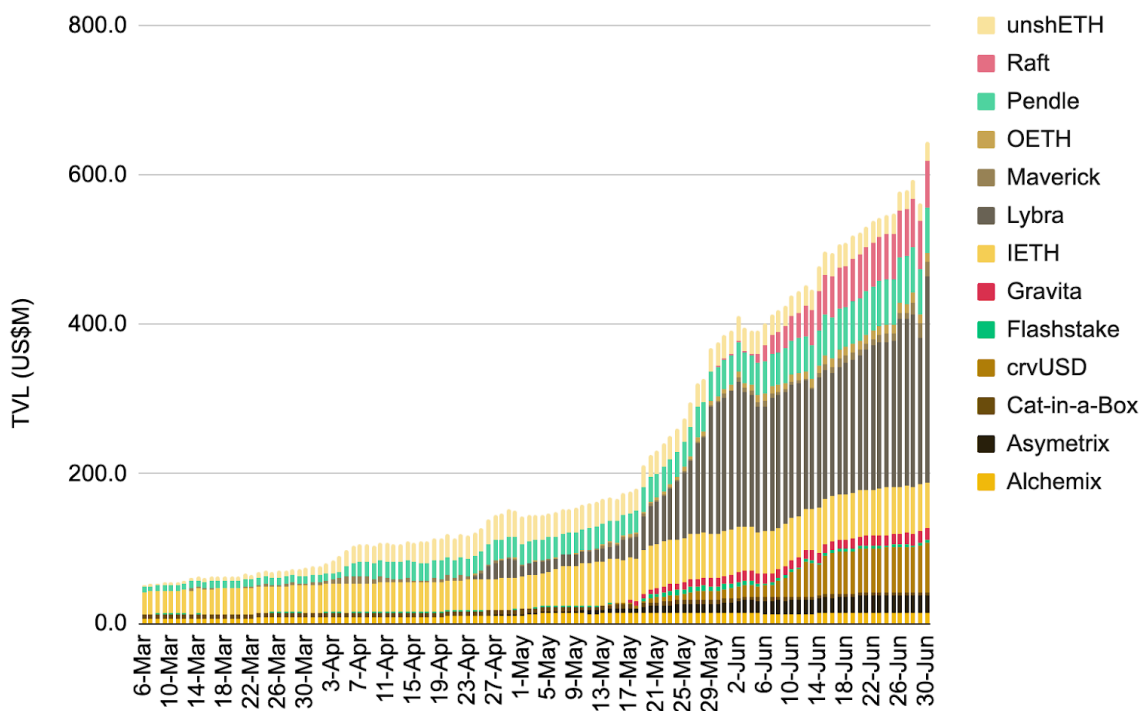
In a remarkable surge, the total value locked in zkSync Era increased to over US\$675M, marking an 88.9% MoM growth from under US\$360M at the start of June. With an average of over 15K daily active addresses, this accomplishment secured zkSync Era's position as the third largest rollup by TVL, trailing only Arbitrum and Optimism. Concurrently, the platform saw a significant 51.1% MoM increase in unique deposit addresses, exceeding a cumulative total of 1M.

Meanwhile, zkSync Era outstripped both Arbitrum and Optimism in Ethereum mainnet data publishing fees, posting a figure of 2.09K ETH compared to Arbitrum's 1.67K ETH. The momentum in this space appears poised to continue, especially with the recent announcement of zkStack, which is a modular software stack that empowers developers to build ZK-powered hyperchains (zkSync's version of Layer-3s).

For more updates on zkSync and the wider L2 ecosystem, check out our recent report: [The Layer-2 Evolution: Superchains, L3s, and More](#).

LSDfi still on an upward trajectory

Figure 8: TVL in LSDfi protocols exceed US\$600M



Source: Dune Analytics (@defimochi)

As of 30 June 2023

LSDfi protocols continued to experience a rapid increase in TVL, benefiting from the adoption of liquid staking. As the narrative gained steam, cumulative TVL in top LSDfi protocols crossed the US\$600M mark and has increased over 66% on an MoM basis. As highlighted in our [recent report](#), the potential for staked ETH growth and the relatively low penetration of LSDfi serve as structural tailwinds for the sector.

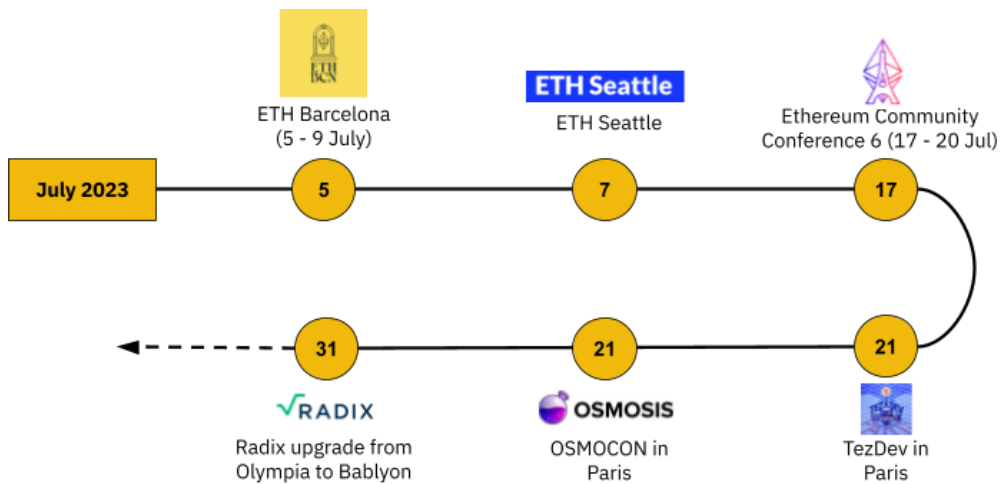
Participants in the space include a mix of legacy DeFi protocols that have integrated liquid staking tokens (“LSTs”) and relatively new players focusing on LSDfi. Lybra is the market leader in LSDfi, and its rise to the top has been rapid, considering that the project only went live on its mainnet in April. Nonetheless, given the rapidly changing landscape and fast pace of growth, it remains to be seen how the playing field will evolve in the coming months.

For more data-driven insights, check out our latest [report on liquid staking and LSDfi](#).

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.

Figure 9: Notable events in July 2023



Source: Binance Research

Figure 10: Largest token unlocks in US\$ terms

PROJECT	TOKEN	UNLOCK IN US\$ EQUIVALENT	% OF SUPPLY	UNLOCK DATE
APTOS	SAPT	\$37.1M	0.45%	12 Jul
ApeCoin	SAPE	\$34.5M	1.56%	17 Jul
Optimism	SOP	\$32.9M	0.56%	12 Jul
Axiom	\$AXS	\$22.0M	1.27%	22 Jul
ImmutableX	\$IMX	\$13.8M	0.90%	15 Jul
dYdX	\$DYDX	\$13.0M	0.65%	4 Jul
flow	\$FLOW	\$5.0M	0.70%	16 Jul
SPACE ID	\$ID	\$4.5M	0.76%	22 Jul
SingularityNET	\$AGIX	\$2.6M	0.50%	28 Jul
	\$NYM	\$2.5M	1.25%	8 Jul

Source: TokenUnlocks, Binance Research

References

<https://defillama.com/>

<https://coinmarketcap.com/>

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

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

<https://dune.com/>

<https://www.theblock.pro/>

New Binance Research Reports



Data Insights: Liquid Staking and LSDfi Heat Up

A data-driven analysis of the liquid staking and LSDfi market.



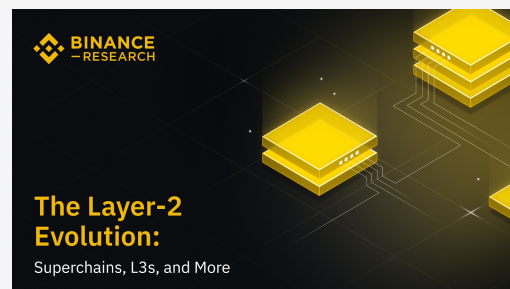
Institutional Crypto Outlook Survey

A study of institutional clients' attitudes, preferences, adoption, and motivations toward cryptocurrency investments.



Navigating Crypto: Industry Map

An overview of different verticals in crypto.



The Layer-2 Evolution: Superchains, L3s, and More

A deep dive into the Layer-2 evolution, discussing the Superchain, L3s, and more.

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 research topics, including but not limited to the crypto ecosystem, blockchain technologies, and the latest market themes.



Jie Xuan Chua

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

Moulik is a Macro Researcher at Binance, having been involved in the cryptocurrency space since 2017. Prior to joining Binance, he has experience spanning cross-functional roles in Web3 and Silicon Valley-based tech companies. With a background in co-founding start-ups and a BSc in Economics from the London School of Economics & Political Science (“LSE”), Moulik brings a comprehensive perspective to the industry.



Shivam Sharma

Macro Researcher

Shivam is currently working for Binance as Macro Researcher. Prior to joining Binance, he worked as an Investment Banking Associate / Analyst at Bank of America on the Debt Capital Markets desk, specializing in European Financial Institutions. Shivam holds a BSc in Economics from the London School of Economics & Political Science (“LSE”) and has been involved in the cryptocurrency space since 2017.



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.

Resources



Read more [here](#)



Share your feedback [here](#)

General Disclosure: This material is prepared by Binance Research and is not intended to be relied upon as a forecast or investment advice and is not a recommendation, offer, or solicitation to buy or sell any securities or cryptocurrencies or to adopt any investment strategy. The use of terminology and the views expressed are intended to promote understanding and the responsible development of the sector and should not be interpreted as definitive legal views or those of Binance. The opinions expressed are as of the date shown above and are the opinions of the writer; they may change as subsequent conditions vary. The information and opinions contained in this material are derived from proprietary and non-proprietary sources deemed by Binance Research to be reliable, are not necessarily all-inclusive, and are not guaranteed as to accuracy. As such, no warranty of accuracy or reliability is given, and no responsibility arising in any other way for errors and omissions (including responsibility to any person by reason of negligence) is accepted by Binance. This material may contain 'forward-looking' information that is not purely historical in nature. Such information may include, among other things, projections and forecasts. There is no guarantee that any forecasts made will come to pass. Reliance upon information in this material is at the sole discretion of the reader. This material is intended for information purposes only and does not constitute investment advice or an offer or solicitation to purchase or sell in any securities, cryptocurrencies, or any investment strategy, nor shall any securities or cryptocurrency be offered or sold to any person in any jurisdiction in which an offer, solicitation, purchase, or sale would be unlawful under the laws of such jurisdiction. Investment involves risks.