

June 2023

Crypto Market Roundup

The Digital Investor



Table of Contents

TL;DR	2
Introduction	3
Macro	4
Technical Outlook	5
Bitcoin	6
Litecoin	6
Ethereum	6
Cardano	6
Tezos	6
Avalanche	6
Polkadot	7
Solana	7
Chainlink	7
Uniswap	7
Synthetix	7
Aave	8
Yearn Finance	8
Ape Coin	8
Conclusion	9

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TL;DR

- The total crypto market cap shrank by 5.6% in May, with Bitcoin's rally cooling down.
- Activities of major crypto marketmakers, Jane Street and Jump Crypto, declined due to regulatory crackdowns on cryptocurrencies, resulting in thin order books and low exchange liquidity.
- The debt ceiling deal between Democrats and Republicans to suspend the US debt ceiling until 2025 positively impacted equities and cryptocurrencies.
- Market participants await inflation data and Fed minutes in June, which could increase market volatility.
- The rising Bitcoin hash rate indicates increased competition among miners, making the network more secure and competitive.
- Litecoin experienced a surge in on-chain activity and record transactions as the upcoming halving event nears.
- While on-chain revenues for Tezos declined, the total settlement value stayed the same. The launch of decentralized finance (DeFi) protocols could be the key to attracting more users and liquidity.
- Avalanche network stablecoin's liquidity increased significantly, aided by Ava Labs' AvaCloud solution, while blockchain gaming growth remained modest.
- Aave is close to deploy its V3 protocol on the Base network. It faced temporary issues on Polygon but continues to remain in high demand as a leading lending protocol.
- The Apecoin community continues to face inflation concerns due to monthly token unlocks and declining NFT activity.
- Decentraland's 30-day average in-game purchase value experienced an increase, but the marketplace activity continues to decline.



Introduction

Welcome to June edition of the Digital Investor, where we bring you the most important highlights and updates from the cryptocurrency markets for May 2023. The total crypto market capitalization declined slightly in May. Bitcoin's rally subsided due to reduced risk in the banking sector and regulatory crackdowns, while Ethereum reached a new milestone, with the total ETH staked reaching an all-time high. Big names like Solana, Uniswap, Aave, and Synthetix made significant strides amidst challenges of a liquidity-starved month. Implementations from Chainlink, which connect Web 2 companies to Web 3, were a considerable development accompanied by Coinbase joining its network of oracle node operators. Metaverse coins, too, showed a lackluster performance, with the market trending lower overall.

Table 1: Coins Performance as on 30th May 2023

Coin	1M	3M	YTD	1Y	30D Beta over BTC
BTC	-3.8%	21.9%	70.5%	-4.3%	1.00
ETH	1.3%	19.3%	60.1%	5.6%	0.98
ADA	-5.1%	9.1%	56.1%	-20.4%	0.79
LTC	2.2%	-2.4%	30.6%	44.0%	1.10
XLM	-6.2%	2.0%	25.1%	-32.3%	0.38
LINK	-5.9%	-7.9%	18.9%	-1.2%	0.91
UNI	-6.9%	-20.9%	-0.5%	3.9%	0.83
SNX	1.7%	-10.7%	73.1%	-4.4%	1.48
YFI	-18.6%	-26.6%	31.3%	-10.3%	0.95
DOT	-7.4%	-13.3%	27.7%	-44.8%	0.97
AAVE	-4.2%	-11.1%	32.9%	-27.6%	1.13
XTZ	-8.6%	-18.5%	29.5%	-53.3%	0.86
SOL	-10.8%	-4.8%	108.9%	-53.7%	1.09
AVAX	-15.0%	-12.8%	36.8%	-43.0%	1.04
MATIC	-5.6%	-21.2%	24.3%	57.1%	0.99
MANA	-11.3%	-22.1%	64.4%	-49.8%	1.15
ENJIN	-12.8%	-25.7%	42.6%	-44.0%	0.99
APE	-17.8%	-33.8%	-8.8%	-46.8%	0.70

Source: SEBA Bank

Macro

The total crypto market cap declined by 5.6% in May. Bitcoin, which was seen as a haven during periods of turbulence in traditional banking, saw its rally subside as the risk in the banking sector reduced. Additionally, the withdrawal of significant market makers Jane Street and Jump Crypto due to regulatory crackdowns on cryptocurrencies led to thin order books and low exchange liquidity levels. This lack of liquidity magnified the impact of even minor sell-offs in the past month. Towards the end of the month, the focus shifted to the debt ceiling issue, and both equities and cryptocurrencies rallied after a deal was reached between Democrats and Republicans to suspend the US debt ceiling until 2025, with non-defence spending capped at 1%. In June, market participants eagerly await the release of CPI data on June 13th and FOMC minutes on June 14th, which could potentially increase market volatility. The market has already factored in an immediate contraction in liquidity and the possibility of a pause or reversal in rate hikes by the end of the year or early 2024. Strong indications of decelerating US inflation, robust corporate earnings, and a not-so-tight labour market decreased the likelihood of an 11th consecutive rate hike in June to 24% last week, down from 55% the previous week.

The US Securities and Exchange Commission (SEC) recently filed 13 charges against Binance and its founder Changpeng Zhao, accusing them of violating securities laws. The charges include operating unregistered exchanges, misrepresenting trading controls, and engaging in manipulative trading. The SEC alleges that Binance allowed high-value US customers to trade secretly and exerted control over its US affiliate, Binance.US. Additionally, the SEC classified coins like SOL, ADA, MATIC, FIL, ATOM, SAND, MANA, ALGO, AXS, and COTI as securities, raising concerns about regulatory uncertainty within the community. This uncertainty has caused a significant drop in the prices of Bitcoin (BTC) and Ethereum (ETH) by 4% each within 24 hours, while Binance Coin (BNB) dropped by 8%. Despite these fluctuations, the crypto industry will endure and overcome these challenges.

Technical Outlook

According to a trend-based analysis, the technical outlook for Bitcoin, Ethereum, and Chainlink in June is bullish.

Table 2: Technical Outlook

Ticker	Price(USD) as on 6 th June 2023	Support (USD)	Resistance (USD)	Spot to 50DMA	Spot to 100DMA	Spot to 200DMA	Overall
BTC	25,798.22	24,000.00	30,500.00	0.98	1.03	1.21	Bullish
ETH	1,817.59	1,425.00	2,150.00	1.00	1.06	1.20	Bullish
LTC	87.68	70.00	103.50	1.02	1.02	1.08	Neutral
ADA	0.35	0.30	0.45	0.97	1.01	1.08	Neutral
DOT	5.09	4.50	7.00	0.94	0.91	0.94	Bearish
AVAX	14.15	14.20	21.30	0.87	0.85	0.91	Bearish
XLM	0.09	0.08	0.11	0.95	0.96	1.00	Neutral
XTZ	0.86	0.80	1.25	0.95	0.88	0.92	Bearish
SOL	20.10	17.00	26.00	0.95	0.96	1.07	Neutral
MATIC	0.83	0.75	1.18	0.93	0.85	0.89	Bearish
ATOM	10.10	8.50	13.30	0.97	0.93	0.94	Neutral
AAVE	60.35	55.00	84.00	0.98	0.93	0.97	Neutral
LINK	6.08	5.60	8.50	1.01	0.99	1.03	Bullish
UNI	4.72	3.90	6.50	0.97	0.90	0.89	Bearish
YFI	6,020.24	6,500.00	10,000.00	1.01	0.95	1.06	Bearish
SNX	2.25	1.85	3.00	0.97	0.91	1.04	Neutral
MANA	0.46	0.40	0.71	0.90	0.84	0.89	Bearish
ENJ	0.32	0.28	0.48	0.89	0.83	0.90	Neutral
APE	2.96	3.00	4.80	0.85	0.77	0.75	Bearish

Source: SEBA Bank

Bitcoin

Despite a modest price action since March, the Bitcoin hash rate increased, making the network more secure and competitive. The rising hash rate, which measures the computational power securing the network, indicates the constant battle among miners to mine Bitcoin in the most cost-efficient manner. As the hash rate rises, less efficient miners are gradually eliminated from the network, making it more secure and competitive.

The Biden Administration has abandoned its proposal to impose a 30% tax on all Bitcoin miners in the United States. However, Bitcoin Inscriptions, which garnered significant attention in recent weeks, has experienced a substantial decline of 73% in trading volume since its peak. The reduced revenue for miners may lead to selling pressure on Bitcoin.

Litecoin

Litecoin's on-chain activity surged since introducing the LTC-20, a fork of the BRC-20 token standard on Bitcoin. Last week, the network recorded the highest number of transactions. Furthermore, the upcoming halving event on August 2nd and the consistent increase in hash rate provide positive indicators for Litecoin. Gate.io's offering of LTC trading in Hong Kong further expands its market presence.

Ethereum

The amount of Ether staked in the Ethereum beacon chain has reached an all-time high of 19.3 million Ether, with a median Annual Percentage Yield (APY) of 6.1%. Additionally, approximately 92,000 validators are waiting to deposit Ether into the staking contract to earn yield. Upgrades such as Cancun and Deneb are progressing as scheduled, including a review of the block confirmation rule to reduce the confirmation time to one minute potentially. However, Ethereum faced an incident last week where blocks failed to finalize, causing temporary concerns in the web3 community. Despite this incident, transaction processing usually continued, and patches were released to address the affected clients. Such incidents serve as a reminder of the experimental nature of blockchain technology and highlight the ongoing work on Ethereum's upgrades, emphasizing the importance of client diversity and robust stress testing.

Cardano

Cardano recently launched its L2 protocol, Hydra Head, which is expected to improve transaction speed on the network. However, the volume of non-fungible tokens (NFTs) on Cardano has been relatively low, and Bitcoin recently surpassed Cardano in terms of NFT adoption and activity.

Tezos

Tezos daily on-chain revenue declined meaningfully, from USD 1,500 in February to USD 100-USD 400. However, the daily settlement value on-chain remains at USD 1 million, with around 100,000 daily transactions. Launching borrowing and lending protocols could greatly benefit the decentralized finance (DeFi) ecosystem on the Tezos network, attracting more users and liquidity.

Avalanche

Stablecoin liquidity on the Avalanche network has increased by nearly USD 100 million over the past two weeks. The introduction of Ava Labs' AvaCloud solution has the potential to expedite the deployment of Subnets on the network. While blockchain gaming continues to be a focus, significant growth in activity has yet to materialize. The liquidity injection on Avalanche has mainly come through Stargate Finance, a LayerZero protocol. However, this liquidity may exit the ecosystem following an anticipated airdrop.

Polkadot

The addition of USDT support by Binance has increased liquidity on the Polkadot network. Furthermore, the upcoming launch of Uniswap V3 on Polkadot via Moonbeam could enhance the network's capabilities.

Solana

Solana has attracted several projects, including Hivemapper, Render network, and Helium, which have migrated to its network. Notably, the compression of NFTs on Solana allows for the cost-efficient minting of one million NFTs for just USD 110. The recent launch of the Saga Phone and the availability of the Firedancer validator client are factored into the market. However, DeFi on Solana has shown little to no improvement, and the number of active developers has decreased by half since December 2022. The liquidation of FTX holdings, involving up to 70 million SOL tokens, could take several years to complete.

Chainlink

Implementing Chainlink Functions enables the seamless integration of Web 2 applications into the Web 3 ecosystem, currently supported on Ethereum and Polygon testnet. This implementation is expected to generate increased demand for the LINK token. Additionally, the introduction of off-chain reporting promotes the decentralization of nodes, with the recent launch of Verifiable Random Function (VRF) on Arbitrum. Chainlink VRF has already processed over 15.8 million request transactions, providing verifiable randomness to over 6.3K smart contracts across multiple blockchains. Recently, Coinbase joined notable entities such as Swisscom, Deutsche Telekom, and Associated Press in actively running Chainlink nodes. On the not-so-positive side, there has been no significant increase in the staking of LINK by users, indicating a relatively low demand for the token at the moment.

Uniswap

Uniswap has expanded its reach to platforms like Fantom, Linea, Base, and Ontology VM. Daily active users increased from 40-50K in April to 70K in May 2023, with around 200K daily transactions. The Uniswap wallet attracted 20K users within the first two weeks of launch. The fee switch remains a hot topic with conflicting opinions. Low liquidity has led to declining revenue and reduced on-chain volumes. Uniswap's treasury balance was reduced by USD 1 billion from Feb to May 2023. In addition, holdings across address categories with native units are declining. Despite these challenges, Uniswap continues to explore new growth opportunities, expand its network compatibility, and engage with the community through platforms like Uniswap Agora – a communication platform that connects community members and delegates.

Synthetic

Synthetic has been experiencing notable developments and increased trading volume, surpassing GMX. Additionally, Synthetic has recently launched seven new perpetual contracts, with pending support for oracles. User activity within Synthetic is primarily driven by Optimism reward farming, contributing to engagement and participation on the platform.

Aave

Aave is exploring the deployment of its V3 protocol on the emerging Base network supported by Coinbase. The proposal is currently in a temperature check phase, seeking community feedback. Despite market conditions, Aave continues to be in high demand as a leading lending protocol. Recently, users faced a temporary issue with approximately USD 120 million of funds on Polygon due to a strategy bug. However, user funds are secure, and Aave's governance is actively working towards resolving the issue.

Yearn Finance

Yearn Finance is actively involved in Alliance 4626, contributing to developing the ERC-4626 tokenized vault standard. This standard will be implemented in Yearn's V3, enhancing the platform's functionality. There is ongoing speculation surrounding yETH, which is a positive factor for the token upon its launch. However, the launch of yETH (Yearn's liquid staking derivative product) is experiencing delays beyond initial expectations. The market remains uncertain about the level of composability the product will have with other LSD products, which may impact its adoption and integration.

Ape Coin

The current APY (Annual Percentage Yield) for the APE token is 41%, but the number of staked APE has stalled. Apecoin DAO has announced the launch of the Ape accelerator, aimed at incubating NFT projects that utilize Ape Coin. A small concern regarding Apecoin arises from the fact that 15.6 million Ape tokens will enter circulation every month from February 2023 onwards for a duration of three years due to token unlocks. It is also worth noting that Ape Coin exhibits highly centralized tokenomics due to the nature of the token's airdrop that was carried out at launch. Overall, NFT activity is declining, contributing to a negative sentiment surrounding the token.

Conclusion

May 2023 proved to be a month of contrasting trends in the cryptocurrency market. While Bitcoin faced challenges with a decline in its rally, the broader landscape showcased resilience and growth. In the upcoming months, the regulatory landscape is expected to play a crucial role in shaping the overall trajectory of the cryptocurrency market. One notable development is the US Securities and Exchange Commission (SEC) targeting multiple institutions, including Binance, the largest cryptocurrency exchange. While the regulatory landscape gradually becomes clearer, staying informed about the ongoing advancements within the crypto community is equally essential. We are enthusiastic about the promising future of cryptocurrencies and the abundant opportunities they offer in terms of financial inclusion, decentralization, and the potential of Web 3.

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