

August 2023

July's Blockchain Marvel

The Digital Investor



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TL;DR

- July saw transformative developments in global macros, DeFi, and NFTs
- IMF raised GDP growth estimates for 2023, with reduced inflation, offering hope
- US Fed and ECB took action to control inflation
- Polygon 2.0 aims to democratize DeFi and scalability with POL native asset
- Coinbase launched Base Mainnet, an Ethereum L2 network, targeting a billion users
- Aave's GHO stablecoin prioritizes decentralization and flexibility
- DeFi TVL remains stable, with DEX trading volumes rising
- EigenLayer expands re-staking opportunities with community-driven governance
- Bitcoin's blockchain reached 20 million Ordinal inscriptions, impacting NFT sales
- July major news covering new project launches, government initiatives, and market trends in the crypto space
- Overall, the crypto space shows promise and innovation, shaping the digital future



Introduction

Welcome to our monthly roundup of the most significant updates shaping the world of economics, blockchain technology, and decentralized finance (DeFi). July has been filled with remarkable achievements, innovative proposals, and pivotal moments that have impacted the global economy and crypto space alike.

In this article, we take you on a captivating journey through the significant events and breakthroughs unfolding over the past month. We begin by exploring the latest economic forecasts provided by the International Monetary Fund (IMF), providing a glimmer of hope amidst ongoing challenges. With updates on inflation control measures taken by the US Federal Reserve and the European Central Bank (ECB), we delve into how these decisions shape the economic landscape.

Our exploration then ventures into the exciting world of blockchain technology with updates on Polygon POS's visionary upgrade, Polygon 2.0. Discover how the new native asset, POL, aims to revolutionize decentralized finance by providing seamless scalability and user experience.

Next, we unveil Coinbase's groundbreaking Ethereum Layer 2 (L2) network, Base Mainnet, which seeks to bring a billion users into the cryptoeconomy. Explore the features that make Base a dream come true for developers and learn how it fosters a thriving ecosystem of innovation and open collaboration.

Transitioning to the realm of stablecoins, we uncover the innovative features of GHO, Aave Protocol's cutting-edge algorithmic stablecoin. Embodying transparency, flexibility, and community governance, GHO is poised to reshape the stablecoin landscape and drive further adoption of DeFi solutions.

The journey then leads us into the captivating world of DeFi, where we witness the resilience of the ecosystem as it maintains a stable total-value locked (TVL). Discover the rise of decentralized exchanges (DEX) and how Tron and Arbitrum thrive in the DeFi space, with a special commentary on derivatives market.

Moving on, we delve into the re-staking narrative brought forth by EigenLayer. With increased caps on Liquid Staking Tokens (LSTs), users are offered expanded opportunities to re-stake their assets securely while ensuring community-driven governance.

We also take a moment to celebrate Bitcoin's monumental achievement, surpassing 20 million Ordinal inscriptions and securing its spot as a major player in the NFT sales ranking. While there may have been fluctuations in the NFT market, we explore the vitality of other blockchains like Ethereum and BNB Chain, which continue to rise.

To conclude our journey, we highlight major news from July, including the launch of Worldcoin's digital passport, the rise of crypto trading telegram bots, and the US Government's introduction of FedNow, an instant payment infrastructure. From Ripple's claims of victory to CBDC developments in Russia and NASDAQ's BTC ETF applications, this roundup covers it all.

Join us as we navigate through the significant developments that have shaped July and discover the transformative potential that lies ahead. As the world of finance and blockchain continues to evolve, stay tuned for more exciting updates and revolutionary milestones that will undoubtedly shape the future of our global economy and decentralized technologies.

Macro

Navigating Challenges and Seizing Opportunities

In the latest update on the global economy by the International Monetary Fund (IMF) in July 2023, it appears that growth is losing steam. The projections indicate a decline from 3.5 percent in 2022 to 3.0 percent in both 2023 and 2024. While the forecast for 2023 has been slightly upgraded by 0.2 percentage points, it's still below the historical average.

Advanced economies seem to be leading the slowdown, with weaker manufacturing and other factors offsetting the positive contributions from stronger services activity. On the other hand, emerging markets and developing economies show a more stable growth outlook, although there are differences across regions.

World trade growth is also expected to take a hit, declining from 5.2 percent in 2022 to 2.0 percent in 2023 before bouncing back to 3.7 percent in 2024. This decline is attributed to changes in global demand, the stronger US dollar, and increased trade barriers.

The forecasts are based on certain assumptions, including fuel and nonfuel commodity prices, and interest rates. The report highlights the need to closely monitor these factors, as well as the strategies implemented by major central banks.

Inflation is expected to cool down, but not as quickly as desired. Global headline inflation is projected to decrease from 8.7 percent in 2022 to 6.8 percent in 2023 and 5.2 percent in 2024, largely driven by falling international commodity prices and gradual monetary policy tightening. However, core inflation remains more persistent, particularly in advanced economies, which have seen upward revisions to their forecasts.

Overall, the report calls for careful monitoring of economic conditions and adapting strategies to navigate the uncertainties and regional variations in the global economic landscape. It's a challenging time for the world economy, and proactive measures will be key to finding a smooth path forward.

Layer 1

Polygon POS

Polygon 2.0 is an ambitious upgrade proposal for the Polygon network, aiming to create the Value Layer of the Internet. This vision seeks to democratize access to the global economy through decentralized finance, digital ownership, and innovative coordination mechanisms.

The upgrade proposes a complete reimagining of Polygon, encompassing its protocol architecture, tokenomics, and governance. By adopting a network of ZK-powered L2 chains unified through a cross-chain coordination protocol, Polygon 2.0 aims to achieve unlimited scalability and unified liquidity, making the entire network feel like a seamless user experience.

The most significant aspect of Polygon 2.0 is the introduction of POL, the new native asset of the Polygon network. POL is designed as a hyperproductive token, empowering validators to validate multiple chains and perform various roles on a single chain. This incentivizes validators, enhances ecosystem security, and offers infinite scalability for Polygon's growth.

Moreover, POL introduces a frictionless user experience by eliminating the need for users and developers to hold or stake tokens to use the network. It aims to provide a seamless and efficient environment for all participants.

To ensure ongoing support for the Polygon ecosystem, POL proposes continuous token emission to fund the Community Treasury. This self-sustaining ecosystem fund will support essential activities like protocol development, research, grants, and adoption incentives.

Polygon 2.0's governance process is community-driven, ensuring that the Polygon community retains control over the protocol's evolution. By involving various stakeholders, developers, and validators in the decision-making process, Polygon 2.0 aims to align the network's growth with the collective interests of its users.

In conclusion, Polygon 2.0 is a visionary proposal to create the Value Layer of the Internet. By combining innovative upgrades with a solid community-driven approach, Polygon aims to fulfill its mission of democratizing access to the global economy through decentralized value creation and exchange. As the upgrade progresses, Polygon users and enthusiasts eagerly anticipate the network's transformation into a more robust and inclusive platform for the future of the decentralized web.

Layer 2

The world of blockchain and cryptocurrencies is rapidly evolving, and the demand for decentralized applications (dApps) is skyrocketing. However, to truly bring the benefits of the cryptoeconomy to billions of users, we need dApps that are easier, cheaper, and safer to use. This is where Base comes into play.

Base: Empowering Developers in the Decentralized Future

Base sounds like an ambitious and promising project in the blockchain space designed to be one of the top places for developers to build on the blockchain. What sets Base apart is its focus on security, scalability, and interoperability. Built on the solid foundation of Ethereum, Base provides the confidence developers need to power their dApps with ease.

Security and scalability are the bedrock of Base. Leveraging the underlying security of Ethereum and following Coinbase's best practices, developers can trust that their applications will be safeguarded against potential threats. Base offers full EVM equivalence, ensuring developers can enjoy the same capabilities and functionalities while saving on costs. This means a fraction of the expenses associated with Ethereum L1.

But Base doesn't stop there. It takes interoperability to the next level. Acting as a bridge, Base provides easy and secure access to Ethereum L1, other L2s, and even other L1 ecosystems like Solana. Developers can start on Base but are encouraged to explore other chains, as Base supports as many chains as possible across Coinbase products.

Empowering developers is at the heart of Base's mission. With seamless Coinbase product integrations, easy fiat onramps, and powerful acquisition tools, developers can tap into Coinbase's vast ecosystem, which boasts over 110 million verified users and access to USD 80 billion in assets.

Open source is the guiding principle behind Base's development. Decentralization, permissionlessness, and openness are paramount. Base aims to create a standard, modular, rollup agnostic Superchain powered by Optimism. By joining Optimism as a Core Dev on the open-source OP Stack, Base ensures that this toolkit remains a public good accessible to all developers. Anyone with the vision of contributing to the cryptoeconomy's growth is welcome to participate.

The progress of Base has been impressive. Its mainnet is open for early builders to deploy their products ahead of the upcoming general availability in early August. Base has diligently completed launch criteria, ensuring a secure and reliable experience for both developers and users.

Here's where the support for OP Stack comes in. OP Stack is the driving force behind Base's modular approach. The OP Stack toolkit allows for rapid development of Layer 2 networks by decoupling blockchain functions and assembling them through APIs. This means that developers can build Layer 2 networks quickly and efficiently, avoiding the complexity and cost of developing a Layer 1 network.

With OP Stack, Base can be a part of a unified ecosystem of Layer 2 networks. The vision of a Superchain powered by OP Stack promises a future where different Layer 2 networks are interconnected, providing seamless experiences for users and developers alike.

In conclusion, Base is another gift to the blockchain world. It empowers developers to create safer, cheaper, and more accessible dApps. By building on Ethereum Layer 2 and supporting the OP Stack, Base embraces the vision of a connected and decentralized future, inviting billions of users into the thriving crypto economy.

Stablecoin

In the ever-evolving world of decentralized finance (DeFi), stablecoins play a crucial role in providing a stable value amid the volatility of cryptocurrencies. Among these stablecoins, GHO (pronounced “go”) stands out as a remarkable innovation within the Aave Protocol. Aave, a prominent DeFi protocol, has launched its cutting-edge algorithmic stablecoin, GHO, on the Ethereum mainnet. GHO is a decentralized and over-collateralized asset backed by diverse digital assets, including ETH and AAVE tokens. Unlike centralized stablecoins, GHO prioritizes transparency, and all transactions are executed through secure smart contracts, making the reserves verifiable on-chain. Developed to be the first decentralized, overcollateralized stablecoin, GHO offers many advantages to users and the broader DeFi ecosystem.

The Decentralized Stablecoin Revolution

Decentralization and transparency are fundamental tenets of the crypto ethos, and GHO embodies these principles through its design and operation. Unlike traditional stablecoins, GHO doesn’t rely on a single issuer, ensuring users enjoy a censorship-resistant and transparent experience. With Aave Governance holding the reins, community-driven decisions regarding GHO, Facilitators, and interest rates are the norm, granting users a powerful voice.

Multi-Collateral Backing: Unparalleled Flexibility

One of GHO’s groundbreaking features is its multi-collateral backing. Users can mint GHO by supplying a diverse range of assets to the Aave Protocol. This approach offers unparalleled flexibility and control over their exposure to market fluctuations. By accommodating various types of collateral, GHO enhances user security and provides a multi-faceted stablecoin experience.

Interest-Earning Collateral: A Win-Win Proposition

Supplying collateral to the Aave Protocol takes on a new dimension with GHO. Not only does it allow users to borrow the stablecoin, but it also earns them interest simultaneously. This unique setup reduces the net interest users pay on borrowed positions, creating a win-win proposition for all participants.

Trustless Minting with Facilitators

GHO introduces a new concept known as Facilitators. These entities, approved by the Aave DAO, can trustlessly mint and burn GHO tokens. Facilitators operate with various strategies, adding diversity and innovation to the GHO generation. Trustless minting enhances the stability and security of GHO, instilling confidence in its users.

The AAVE Advantage: Discounts for Stakers

The Aave Protocol’s native token, AAVE, is integrated with GHO to provide an additional incentive for staking. Users who stake AAVE in the Aave Protocol’s Safety Module are rewarded with a discount on the GHO borrowing rate. This mechanism encourages AAVE holders to secure the protocol while benefitting from lower borrowing costs—a virtuous cycle of value creation.

Looking Ahead: GHO’s Promising Future

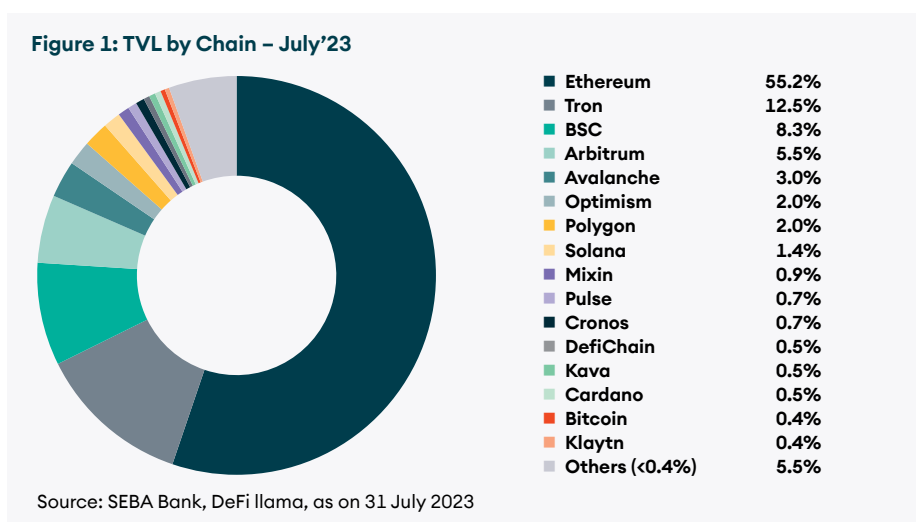
As the DeFi ecosystem matures, stablecoins like GHO are set to become pivotal players. Its potential to operate on Layer 2 solutions, synergies with the Aave Protocol ecosystem, and the possibility of additional Facilitators all contribute to GHO’s bright future. With the crypto landscape expanding, GHO is designed to be a strong competitor stablecoin trying to bridge the gap between traditional finance and decentralized technologies.

Simply put, GHO represents a landmark achievement in the DeFi space—a decentralized, overcollateralized stablecoin that prioritizes transparency, flexibility, and community governance. Empowering users with interest-earning collateral and trustless minting, GHO embraces the decentralized ethos at its core. As the crypto ecosystem evolves, GHO is well-positioned to reshape the stablecoin landscape and drive further adoption of DeFi solutions, proving itself to be a game-changer in decentralized finance.

Decentralized Finance (DeFi)

After some traditional banks like Signature, First Republic and Silicon Valley Bank went bust early in 2023, DeFi enjoyed the much-needed supremacy and has maintained a stable total-value locked (TVL). At the time of writing, TVL stands at approximately USD 46.8 billion, of which Ethereum enjoys the center seat with around USD 25.8 billion in TVL. An increase in DeFi adoption can also be studied with primary decentralized exchange (DEX) to centralized exchange (CEX) trading volumes. The year 2023 started with a DEX to CEX ratio at approx. 9.62%, reached a significant 16.3% in July; this migration of users is mainly attributed to negative sentiments towards centralized entities.

The image below shows that Tron stands second in TVL, and other Layer 2 solutions are maintaining solid positions in the DeFi ecosystem, especially Arbitrum, which has seen 2x growth in the past six months, reaching approximately TVL of USD 2.5 billion, thereby becoming fourth largest protocol by TVL.

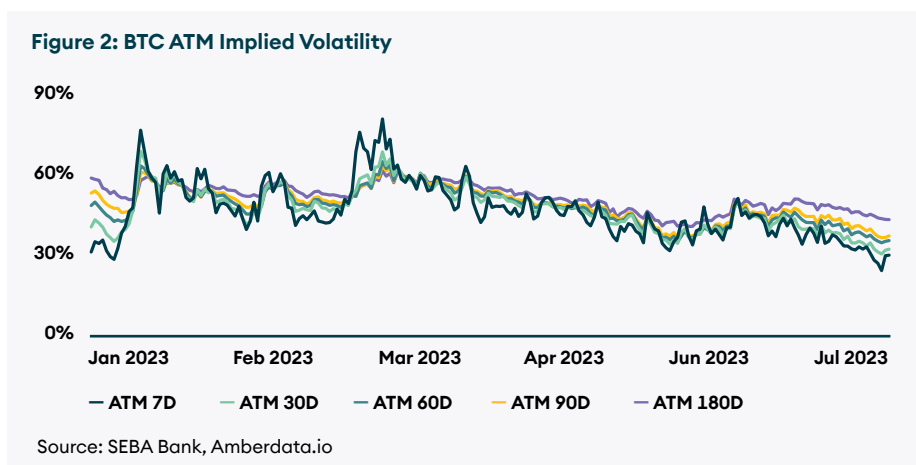


Derivatives

In this market overview penned by Dennis Ehlert, derivatives trader at SEBA Bank AG, we delve into the July crypto landscape, exploring decreased volatility, shifts in market sentiment, and key highlights impacting BTC and Ethereum options. Let's take a closer look at some key highlights from the month.

Bitcoin's Implied Volatilities Reach New Lows

BTC's implied volatilities hit all-time lows across different expiration dates. The 1-month ATM (At-the-Money) volatility briefly touched 30% before the end of the month. While short-term volatilities were more sensitive to BTC's spot price movements, longer-dated options remained relatively stable, decreasing only by 4%-points to 44%. This steepening term structure provided opportunities for those selling volatility.



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Decrease in Realized Volatility

Actual price movements, or realized volatility, for BTC fell sharply, reaching new lows at 22% on a 30-day rolling basis. This drop in realized volatility resulted in an increased volatility risk premium, which reached 12% by the end of July. The higher risk premium means that implied volatilities still had room to decrease further.

Optimism Wanes in the Market

At the start of the month, there was overall optimism in the market, with implied volatilities for call options trading at a premium compared to put options. However, as the month progressed, the "Ripple Effect" that contributed to this optimism faded, leading to a shift in sentiment. Skews across Deltas (option moneyness levels) moved in favor of put options, indicating a stronger demand for downside protection and a decline in overall market optimism.

Ethereum Follows a Similar Pattern

Ethereum's options market showed similar behavior to BTC's, with implied volatilities also reaching new all-time lows. Front-end expiries saw the most significant corrections, with the 7-day ATM implied volatilities decreasing by 11%-points to 29%. However, longer-dated expiries were more resilient, ending the month only 3%-points lower at 44%. The 1-month ATM implied volatility for ETH also drifted lower, ending up at 32%, closely aligning with the 1-month ETH spot market volatility.

Ethereum Skew Shows a Shift in Sentiment

As the month progressed, the Ethereum skew, which measures the difference in implied volatilities between call and put options, traded at a 2%-volatility premium for put options compared to call options. This shift in sentiment after weeks of relatively flat trading indicates a decline in optimism among investors.

In conclusion July's crypto market saw decreased volatility and mixed sentiment. BTC and Ethereum's implied volatilities reached all-time lows, providing opportunities for volatility sellers. The market's overall optimism waned, leading to increased demand for downside protection. As the market dynamics continue to evolve, investors must stay vigilant and adapt their strategies accordingly.

The Re-staking narrative

Hello, Degen calling! Have you heard of EigenLayer? It's the hot new DeFi platform that's trying to change the game in the Ethereum world. Let's break it down for you in simple terms:

Pooled Security via Restaking

EigenLayer lets Ethereum validators use their staked ETH to secure new modules (protocols) on the platform. These modules set extra rules to keep validators on their toes, but don't worry, they get rewarded for it! This means better security for everyone!

But that's not all – EigenLayer goes beyond regular smart contracts. It opens doors to virtual machines, consensus protocols, and more. It's like the ultimate innovation playground!

Open Marketplace for Governance

Gone are the days of boring governance! With EigenLayer, validators get to choose which modules they want to play with. It's like picking your favorite toppings for a pizza – yummy incentives all around!

Why You'll choose EigenLayer

Better Security for New Modules: Newbies get a boost from the powerful Ethereum validators. It's like having a big brother watching your back!

Cost-Effective

Validators can reuse their staked ETH for different services, saving them money. Smart choices, smart gains!

More Trust

With more restaked ETH, there's more trust in the system. It's a tough nut to crack for attackers!

More Rewards

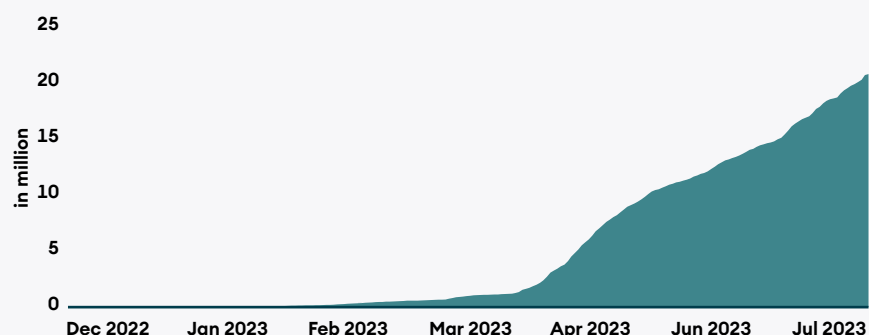
EigenLayer offers extra rewards for ETH stakers. More money, more fun!

So, there you have it, folks – EigenLayer is the cool kid on the DeFi block, shaking up security and governance in style. With pooled security and an open marketplace, it's taking DeFi to a whole new level.

NFTs

Bitcoin's blockchain reached a remarkable milestone last week, surpassing 20 million Ordinal inscriptions, a testament to the platform's growing prominence (as shown in the chart below). These Ordinal inscriptions, which allow users to attach information to individual satoshis, have been instrumental in making Bitcoin a top player in the NFT sales ranking, consistently securing the second spot week after week. The impact of this achievement has been nothing short of extraordinary.

Figure 3: Ordinals Total Inscriptions



Source: SEBA Bank, @dgtl_assets, Dune Analytics, as on 31 July 2023

While there has been a recent dip in Bitcoin-based NFT sales, with a 35.22% decline in the past seven days, it's essential to recognize that market dynamics can be dynamic and ever-changing. NFT markets are known for their unpredictability and are subject to fluctuations. This temporary setback doesn't diminish the significant role that Bitcoin's NFT sales have played in the overall blockchain ecosystem.

Even amidst the dip in sales, it's crucial to celebrate the successes of other blockchains, like Ethereum and BNB Chain, which have experienced a rise in NFT sales of approximately 17%. This demonstrates the thriving diversity and vitality of the NFT market.

Additionally, we should acknowledge the resilience of the blockchain community as they continue to innovate and explore new possibilities for NFTs and other blockchain-based applications. Bitcoin's journey to this milestone has been a testament to the power of community collaboration and technological advancements, such as the Taproot upgrade, which facilitated Ordinal inscriptions.

As we move forward, it's important to remember that the blockchain and NFT space constantly evolves. While there may be occasional dips, the potential for growth and progress remains strong. The future of Bitcoin's NFT sales is uncertain, but with the ingenuity and creativity of the community, there's no doubt that it holds tremendous promise.

News Of the Month

[Worldcoin launches digital passport](#)

[Crypto trading telegram bots are making waves](#)

[US Govt launches FedNow, instant payment infrastructure](#)

[Ripple claims a partial win](#)

[CBDC in Russia](#)

[NASDAQ resubmits BTC ETF applications](#)

[Coinbase Faces SEC Probe on Crypto Listings](#)

[Ethereum developers announce date for Goerli testnet merger](#)

[Tesla Sells 75% of Its Bitcoin Purchases](#)

Conclusion

July has been a whirlwind month of transformative developments in economics, DeFi, and NFTs. From the IMF's cautiously optimistic economic forecasts to the groundbreaking upgrades in blockchain technology, we've witnessed a dynamic landscape of innovation and progress.

Polygon 2.0's ambitious vision for a seamless decentralized future, Coinbase's Base Mainnet opening doors for a billion users, and GHO's revolutionary stablecoin model are just some of the highlights showcasing the potential of decentralized technologies.

The DeFi ecosystem's resilience and growth, coupled with Bitcoin's monumental milestone in the NFT space, demonstrate the ever-evolving nature of blockchain technologies.

As we continue this captivating journey of exploration, it's clear that the future holds exciting possibilities for our global economy and the decentralized world. With ongoing advancements, collaborations, and community-driven initiatives, we eagerly await the next chapter of transformative developments that will shape our digital future.

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