



Monthly Market Insights

September 2023



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Key Takeaways

- ◆ August was a relatively dismal month, with a sudden pullback in prices observed in the middle of it. Yet, the recent favorable U.S. court ruling on Grayscale's lawsuit renewed investors' confidence, spurring much-needed respite. The win will likely influence the Securities and Exchange Commission's ("SEC") future decisions for spot Bitcoin ETFs, institutionalizing the digital assets sector and introducing it to mainstream adoption.
- ◆ SocialFi saw a new entrant with friend.tech emerging on the scene and allowing users to tokenize and trade X (formerly Twitter) profiles. While metrics experienced a significant rise mid-month, with over 500K transactions on a single day, things have since slowed down quite a bit. The entrance of notable non-crypto personalities is likely to be a key factor to monitor.
- ◆ In an increasingly saturated and competitive L2 landscape, Base has emerged as a clear leader among the latest additions to the L2 ecosystem, Linea and Mantle. We attribute its success to a highly visible marketing campaign, memecoin trading, and a surge in interest in the decentralized social network, friend.tech.
- ◆ The increase in the DAI Savings Rate has been helpful in driving demand for DAI. As one of the highest-yielding stablecoins today, DAI supply has increased by about 19% from the trough, with 5.3B units in circulation.
- ◆ EigenLayer's TVL surged to US\$245.2M, an increase of over 200%, following its cap raise in liquid restaking, highlighting strong market demand for restaking products and the protocol's expanding role in the sector.

Crypto Market Performance

Crypto markets whipsawed throughout August as total market capitalization fell sharply between August 17 and 18. Traders suffered US\$1B of [losses in liquidation](#) amidst a sell-off as liquidity has noticeably thinned over the past months. This was juxtaposed with the ongoing macroeconomic uncertainties, as financial markets were in jitters over the turbulent Chinese economy and braced for the annual Jackson Hole meeting. It saw Fed Chair Powell call inflation [“too high”](#) and caution that the Fed was “prepared to raise rates further.” As a result, markets have adopted a risk-aversion mindset as yields have climbed. Nonetheless, a wave of optimism washed out these uncertainties at the end of the month as Grayscale prevailed in its lawsuit, raising the prospects of a successful ETF conversion for the Grayscale Bitcoin Trust (“GBTC”).

Figure 1: Monthly crypto market capitalization decreased by 8.8% in August

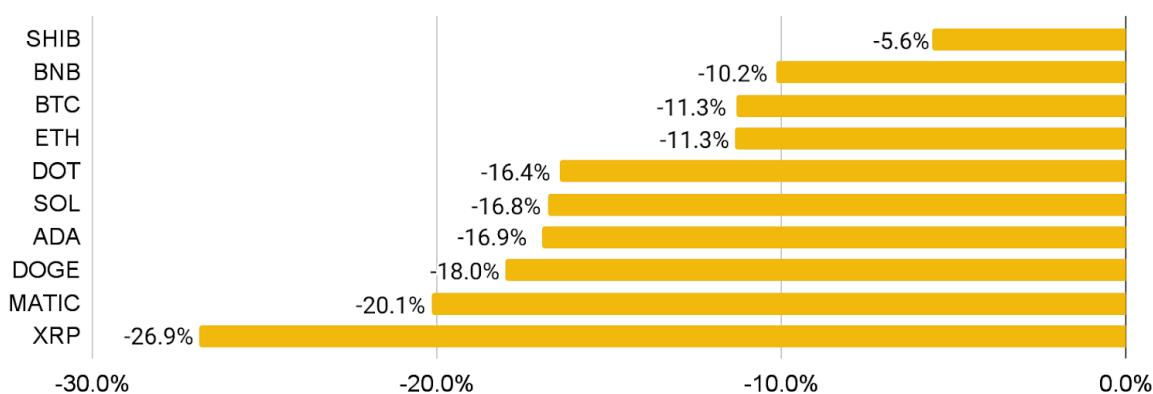
Monthly Change in Crypto Market Cap (%)

	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	1.0	-8.8				
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 August 31, 2023

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



Source: CoinMarketCap

As of August 31, 2023

In descending order of performance:

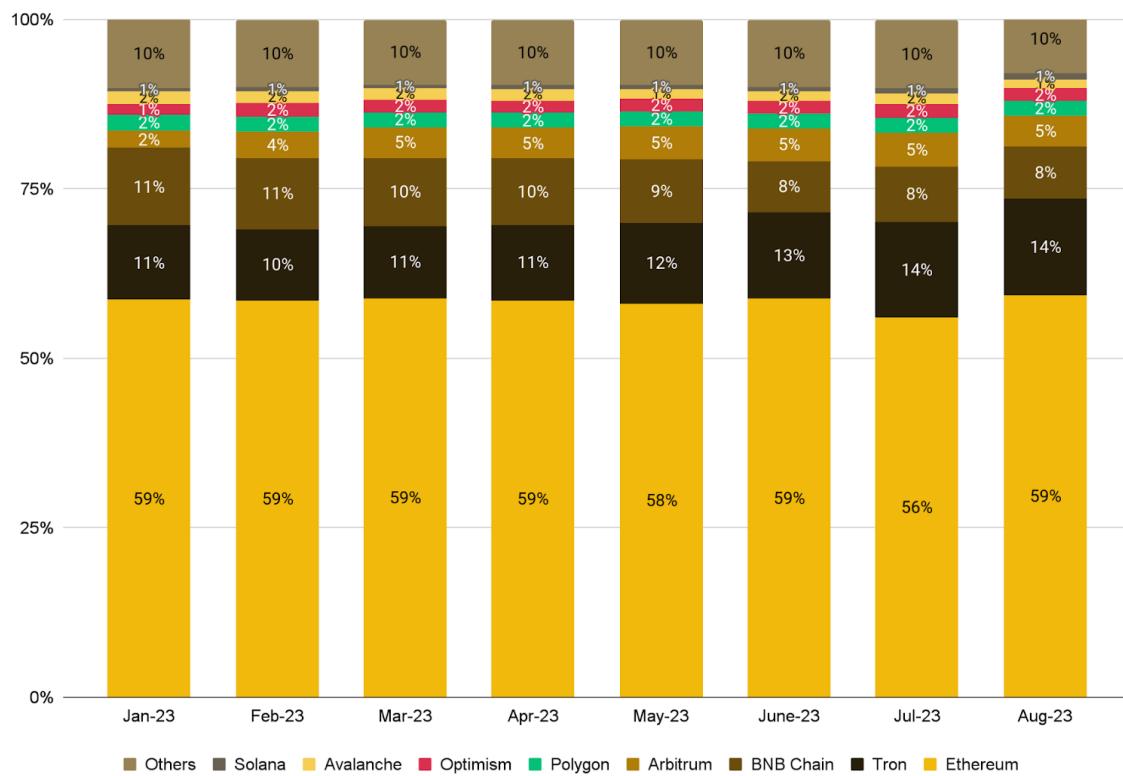
- ◆ All of the top 10 coins ended the month in the red. Memecoins were not spared, as DOGE extended an 18.0% decline while SHIB dropped by 5.6% month-on-month (“MoM”). This was further aggravated as some members of the team behind the popular memecoin PEPE [sold their stake and abandoned](#) the project. The announcement created much fear and uncertainty amongst the memecoins. Nonetheless, SHIB remained relatively resilient amidst this downfall as it launched its Layer 2 chain, Shibarium, on August 16. Despite a botched mainnet launch as issues surfaced on the chain’s bridge, the network is now [“live and operating well”](#), expanding its ecosystem.
- ◆ The price of BTC and ETH fell in tandem by 11.3% on an MoM basis. They were largely rejuvenated on August 29 as the U.S. Court of Appeals for the D.C. Circuit [ruled in favor of Grayscale](#) in its pursuit to convert GBTC to an ETF. It claimed that the SEC was wrong to reject its application, labeling it [“arbitrary and capricious”](#). While this does not guarantee the eventual conversion, it places pressure on the agency to revisit the introduction of spot bitcoin ETFs in the U.S. As a result of this ruling, both digital assets soared nearly 5% as GBTC’s discount narrowed to a yearly low of 17%.
- ◆ Following Ripple Lab’s partial victory in its lawsuit with the U.S. Securities and Exchange Commission (“SEC”), XRP’s momentum waned as the agency filed for an interlocutory appeal to challenge the decision. The token erased most of its gains through the last week of the month, as altcoins such as SOL and MATIC were particularly hit with double-digit declines.

2.1

Decentralized Finance (“DeFi”)

DeFi markets fell by 5.5% MoM to US\$38.6B. Ethereum (59.4%), Tron (14.2%), and BNB Chain (7.7%) retained the top spots as the composition remained generally unchanged.

Figure 3: TVL share of top blockchains



Source: DeFiLlama

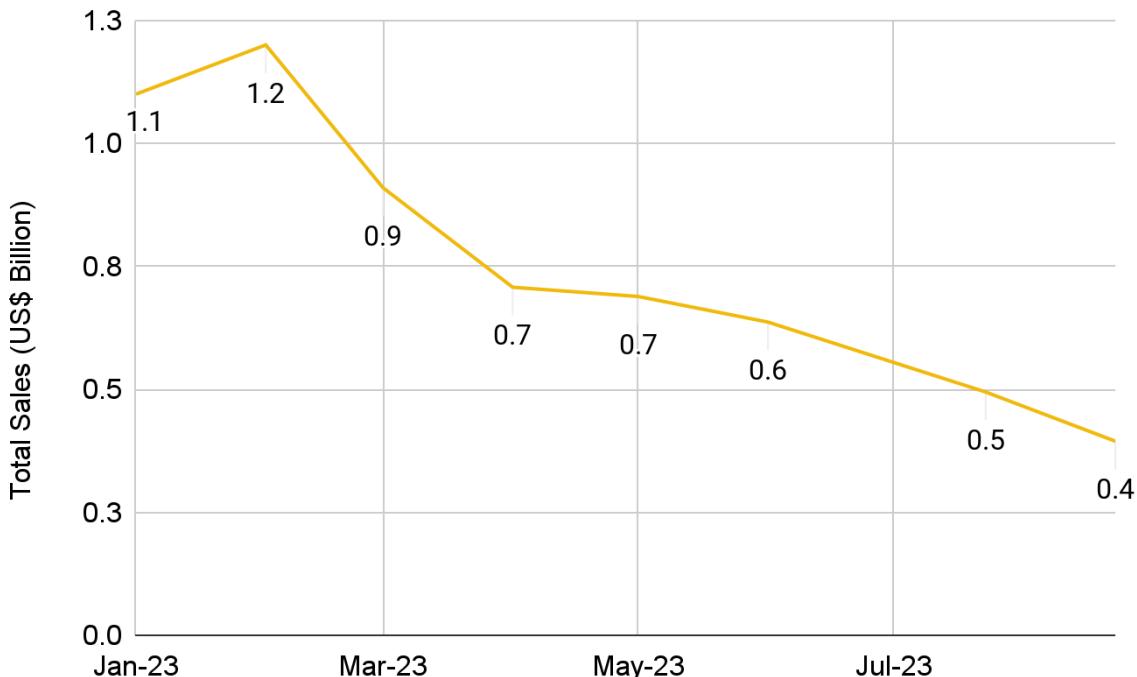
As of August 31, 2023

DeFi TVL continued to extend its decline for the year with minor changes to the market composition. This was attributed to the general fall in TVL across the chains, with Ethereum at -2.1% and roll-up solutions, Arbitrum and Optimism, suffering a steep drop of 14.6% and 19.8%, respectively. Meanwhile, TVL on BNB Chain fell by 13.0% after an orderly [liquidation of US\\$60M worth of BNB](#) on the lending protocol, Venus. The position was initially created in October 2022 following an [exploit](#) affecting the native cross-chain bridge between BNB Beacon Chain and BNB Smart Chain.

2.2

Non-Fungible Token (“NFT”)

Figure 4: Monthly trading volume for NFTs



Source: Cryptoslam

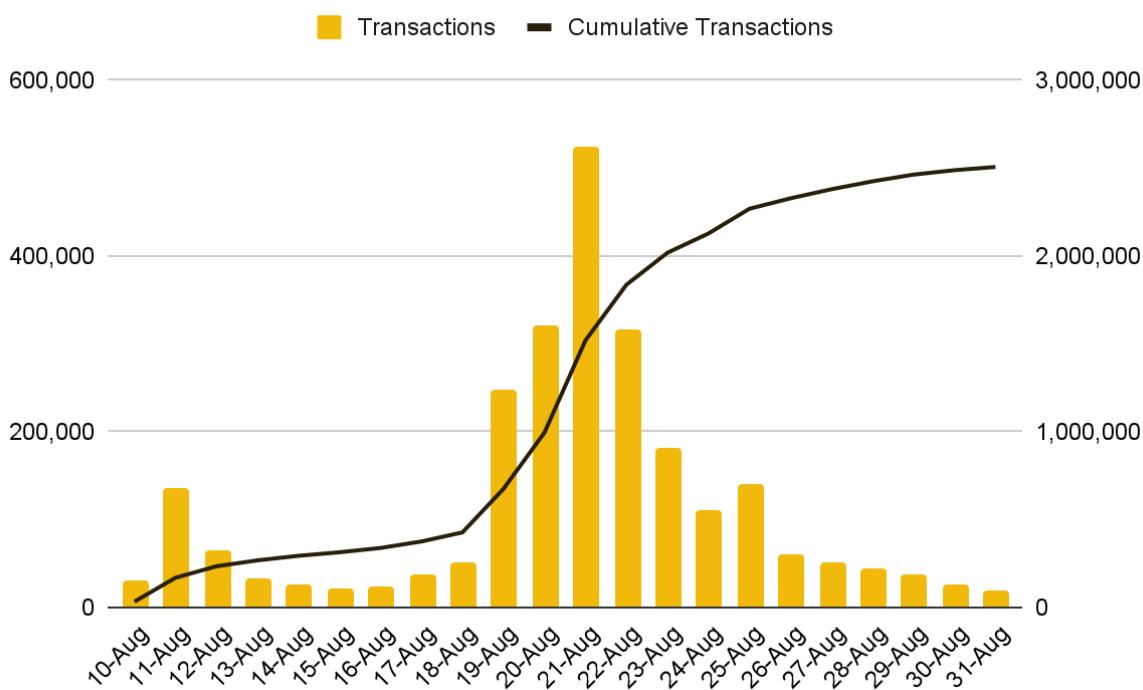
As of August 31, 2023

The NFT market experienced a significant downturn and continues to struggle with all-time lows in volume for the year. [Nansen's NFT-500 index](#) revealed a 55% decline for 2023, and the [Blue-Chip-10 index](#) dipped 49% on a year-to-date (“YTD”) basis. In the meantime, the NFT marketplace war continues to heat up as Rarible will support creator royalties and stop aggregating orders from OpenSea, LooksRare, and X2Y2 from September 30. This followed as [OpenSea sunsetted](#) its royalty enforcement tool and made creator fees optional. It sparked a public outcry, drawing flak from the Bored Ape Yacht Club (“BAYC”) creator, Yuga Labs. Yuga Labs [denounced the move](#) and aimed to cut ties with OpenSea’s Seaport by February 2024.

Charts of the Month

Friend.tech Buzz Slows Down

Figure 5: After peaking at over 520K on August 21, friend.tech's daily transactions have significantly slowed down



Source: Dune Analytics (@cryptokoryo)

As of August 31, 2023

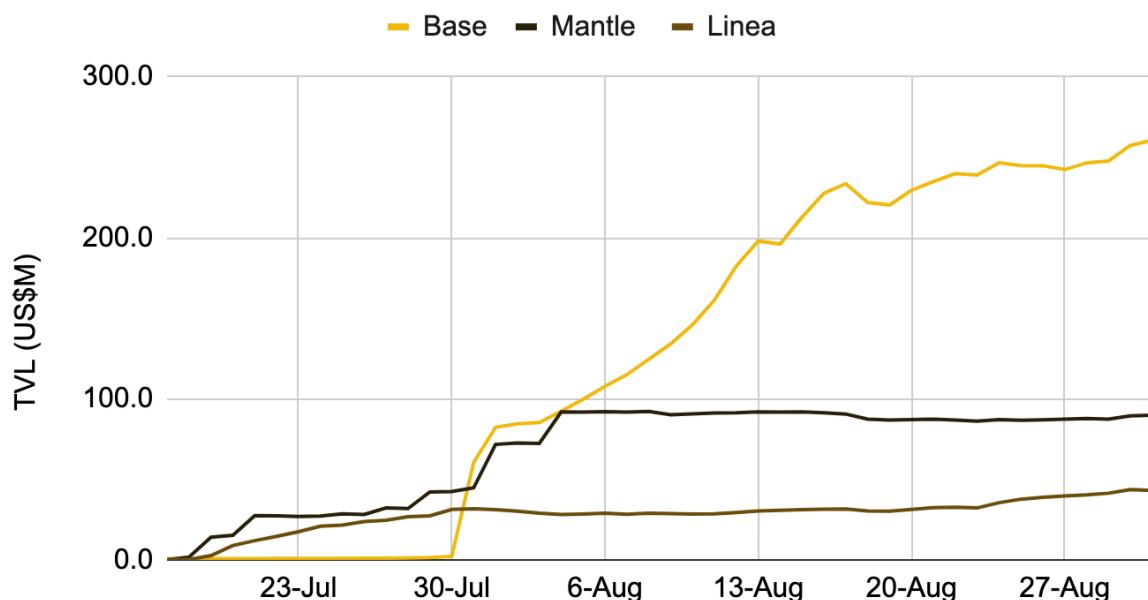
Since launching on August 10, friend.tech has experienced a significant drop in daily transactions after peaking at around 525K mid-month. The decentralized social media dApp, which launched on the new Base L2, allows users to tokenize and trade X (formerly Twitter) profiles. A 10% fee applies to all trades, 5% of which goes to the “Subject,” i.e., the profile being traded, while the remaining 5% goes to the protocol. Friend.tech has been able to generate over US\$8.5M in fees across roughly 2.5M cumulative transactions so far.

Initially, by buying a “Key,” i.e., the tokenized version of a Twitter profile, the user would gain access to a private chat with the Subject. Since then, friend.tech has also introduced new features, including allowing Subjects to send pictures to their Key holders. However, since the initial buzz, metrics have trended down. Fees are down over 95% from over US\$1.6M on August 21 to US\$78K by the end of the month.

While friend.tech has already attracted a few notable non-crypto personalities, this will likely be a key factor going forward if they are to regain some of their earlier volume.

The Progress of New L2s

Figure 6: Base has the highest TVL across recently launched L2s



Source: L2Beat

As of August 31, 2023

Hot on the heels of Mantle's mainnet launch in July, Base and Linea came onto their mainnets in August with much fanfare as the L2 summer heated up.

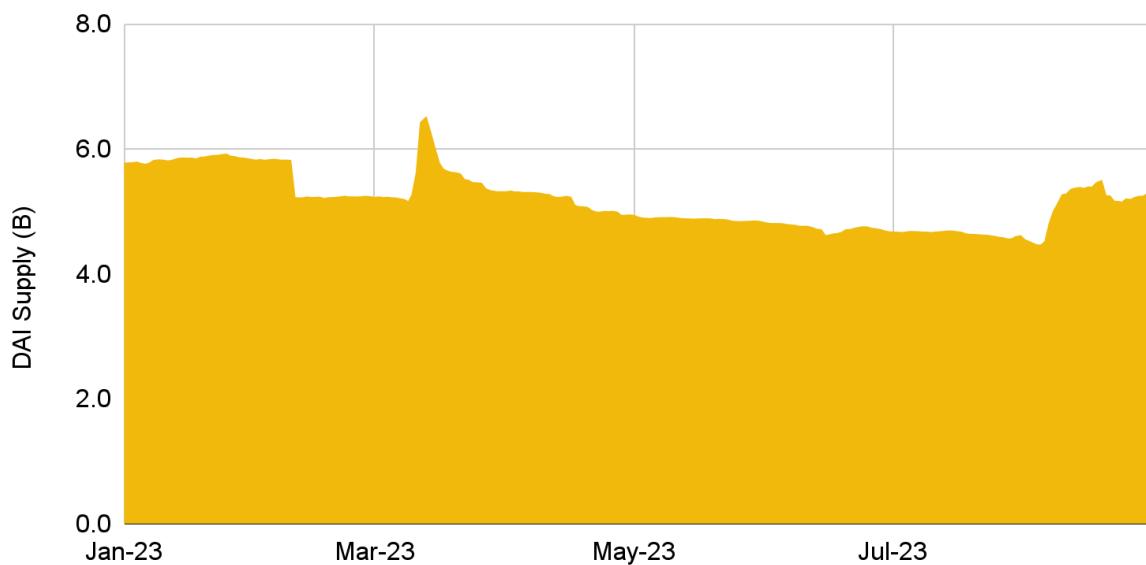
Despite being a new kid on the block, Base has seen strong adoption, overshadowing Mantle and Linea in on-chain metrics. In particular, the TVL of Base is more than two times and six times that of Mantle and Linea, respectively, as of August 31, 2023. The rapid growth of the network has been driven by Base's marketing campaign dubbed "Onchain Summer", transactions related to memecoin trading, and activity generated by the decentralized social network, friend.tech.

BitDAO's Mantle had a strong start, but growth has slowed since the beginning of August, with TVL plateauing at around US\$89M. However, with a US\$3.69B war chest (according to Nansen as of August 31, 2023), Mantle has one of the largest treasuries to bootstrap growth. In particular, it has established a US\$200M ecosystem fund to support ecosystem development, and it would be interesting to watch further innovations unfold.

Linea is a zkEVM rollup developed by the creator of Metamask, Consensys. In comparison to Base and Mantle, the activity and adoption of Linea have been relatively subdued. TVL for the network stands at around US\$40M. Nonetheless, considering that Linea has only gone live on its mainnet recently, on August 16, it is too early to judge the progress of the L2.

DAI Savings Rate Receives a Boost

Figure 7: Supply of DAI rebounded after the initiation of the Enhanced DAI Savings Rate



Source: Makerburn

As of August 31, 2023

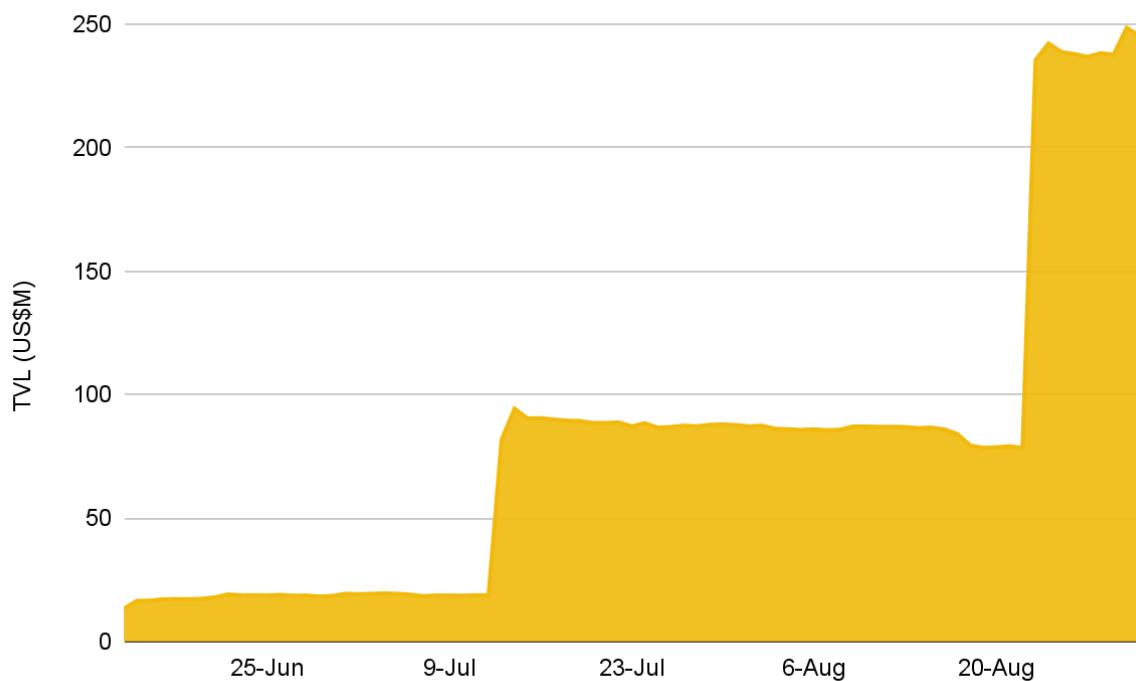
MakerDAO initiated the Enhanced DAI Savings Rate (“EDSR”) on August 7, 2023, which is a mechanism that temporarily increases the DAI Savings Rate (“DSR”) available to users through a multiplier. The multiplier is determined by the utilization of the DAI Savings Rate contract (i.e., the amount of DAI in the DAI Savings Rate contract relative to the total DAI supply).

Raising the DSR from 3.19% to 8% stimulated the growth of DAI by increasing its demand as holders were incentivized to deposit DAI into the DSR contract. Even though a subsequent proposal was passed to reduce the DSR from 8% to 5%, DAI remains one of the highest-yielding stablecoins in the market.

Just before the launch of EDSR, DAI’s supply fell below 4.5B in August for the first time since May 2021. This is a stark decline from its peak of 10.3B in February 2022. However, the initiation of EDSR has been instrumental in turning things around as demand for DAI picked up. While still a far cry from its bull market peak, DAI supply has increased by about 19% from the bottom, and there are about 5.3B units of DAI today.

EigenLayer Takes the Next Step

Figure 8: EigenLayer's TVL has soared to US\$245.2M, marking an increase of over 200% after raising its liquid restaking cap



Source: DeFiLlama

As of August 31, 2023

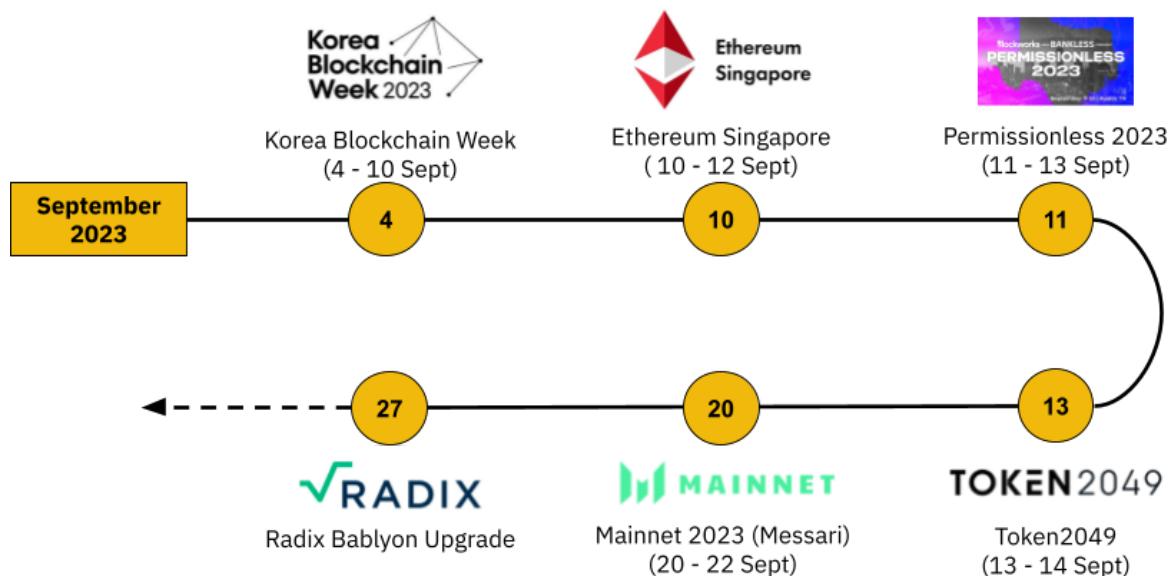
EigenLayer, an Ethereum restaking protocol, has experienced a significant surge in its TVL, growing by over 200% from US\$78.5M to US\$245.2M in just a matter of hours. This rapid ascent was primarily triggered by the protocol's decision to expand its liquid restaking cap to 100K ETH, highlighting the strong market demand for restaking products. The cap increase is a strategic move in EigenLayer's ongoing effort to sustain controlled growth, with any future changes to the staking limit requiring approval from EigenLayer's multi-signature governance system. While the cap increase served as the main catalyst for growth, several notable developments occurred in August.

EigenLayer released a series of NFTs called EigenWorlds. Although the specific utility of these NFTs has not been disclosed, their introduction has sparked speculation and driven interest in the platform. Adding further momentum, Stader introduced a new DeFi primitive in the form of Liquid Restaked Tokens ("LRTs"). Stader's rsETH represents LSTs that have been restaked through EigenLayer, adding another layer to the growing use cases for restaking. With these developments, EigenLayer appears well-positioned to lead further innovations in the emerging restaking sector.

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 September 2023



Source: Binance Research

Figure 10: Largest token unlocks in US\$ terms

PROJECT	TOKEN	UNLOCK IN US\$ EQUIVALENT	% OF SUPPLY	UNLOCK DATE
	SHBAR	\$61.78M	3.48%	1 Sept
	SAPE	\$57.25M	11.02%	17 Sept
	SOP	\$32.61M	3.03%	30 Sept
	\$APT	\$24.99M	1.99%	12 Sept
	\$SUI	\$17.16M	4.37%	3 Sept
	SDYDX	\$13.82M	3.76%	26 Sept
	\$IMX	\$10.11M	1.61%	9 Sept
	\$ID	\$3.38M	6.46%	22 Sept
	\$YGG	\$3.22M	6.71%	27 Sept
	\$FLOW	\$3.16M	0.70%	16 Sept

Source: TokenUnlocks, Binance Research

References

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<https://dune.com/>

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<https://pro.nansen.ai/>

New Binance Research Reports



Ethereum: Beyond The Merge

A deep dive into Ethereum's roadmap



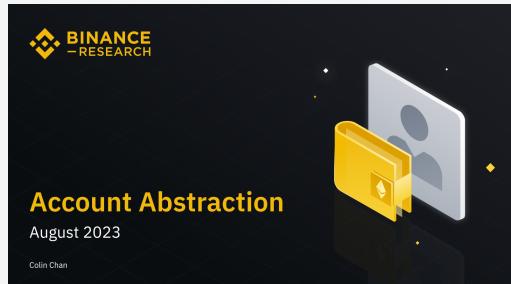
Emerging Stablecoins: Latest Developments

A review of the evolving stablecoin landscape



Ethereum's Rollups are Centralized. A Look Into Decentralized Sequencers

A deep dive into the world of decentralized, shared sequencing solutions



Account Abstraction

August 2023

Colin Chan

A Primer on Account Abstraction

An introduction to account abstraction

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 a Macro Researcher. Prior to joining Binance, he worked as a Global Investment Specialist with J.P. Morgan and had prior Equity Research experience 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 had 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).



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Resources



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