



Monthly Market Insights

January 2024



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Key Takeaways

- ◆ The crypto market underwent a robust surge in December, marked by a 15% increase in total market capitalization. This was largely fueled by heightened anticipation surrounding the potential approval of the first spot Bitcoin ETF in January. Among the top 10 coins, alternative Layer-1 coins, such as AVAX, SOL, and ADA, led the way with monthly gains of 84%, 71%, and 60%, respectively.
- ◆ Stablecoin transfer volumes experienced a significant rise in December, reaching US\$1.2T. While Ethereum and Tron remain dominant in this sector with a combined contribution of US\$740.3B, Solana has shown impressive growth, leaping from US\$86.2B to US\$297.3B, marking a month-on-month (“MoM”) growth of 244.9%.
- ◆ Inscriptions, first popularized on Bitcoin, have expanded to various EVM-compatible chains, totaling over 491.9M to date. This trend has sparked significant transaction activity, with Polygon leading at 168.3M inscriptions, followed by Avalanche and BNB Chain at 115.4M and 95.5M, respectively.
- ◆ Following an increase in deposit caps of liquid staking tokens (“LSTs”) on EigenLayer, the restaking protocol witnessed a surge in the TVL of LSTs from around US\$250M to US\$1.1B. This rise indicates a strong demand for restaking as ETH and LST holders look for yield-generating opportunities.
- ◆ The launch of Layer-2s that provide native yield, such as Blast (technically just a multi-signature contract at this point) and Manta Pacific, have seen a fair bit of traction, as the number of depositors and amount of assets bridged into the networks have been on the rise.

Crypto Market Performance

The crypto market witnessed robust growth in December, marked by a 15% increase in total market capitalization. This surge was largely fueled by the heightened anticipation of the first US spot Bitcoin ETF approval in January. The market maintained a strong uptrend throughout most of the month, with a single notable dip of nearly 8% on December 11. This decline followed the [news](#) of BTC inscriptions being listed in the US National Vulnerability Database on December 10. Subsequently, the market entered a consolidation phase, predominantly trending upward. The general consensus among market participants is cautiously optimistic regarding the SEC's decision. This optimism persists despite several last-minute amendments submitted by ETF applicants. With a decision expected in the first two weeks of January, the outcome and the market's reaction remains to be seen.

Figure 1: Monthly crypto market capitalization increased by 15% in December

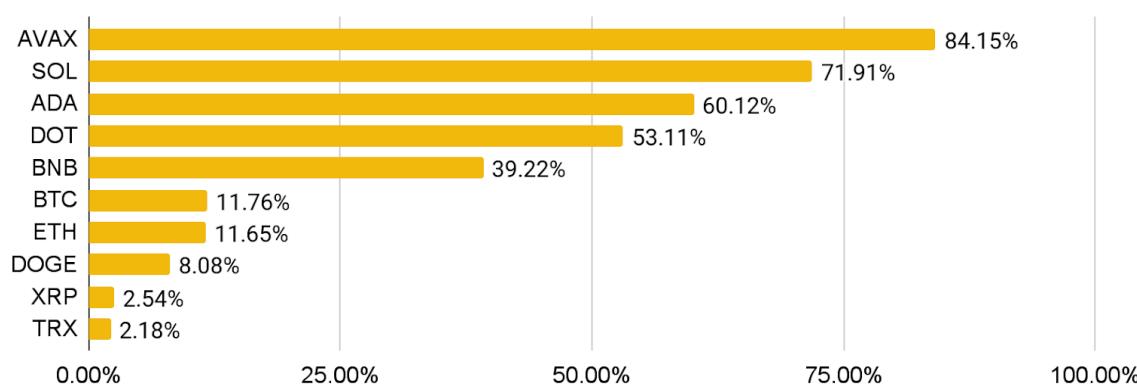
Monthly Change in Crypto Market Cap (%)

	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	2.6	19.0	11.0	15.2
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 December 31, 2023

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



Source: CoinMarketCap

As of December 31, 2023

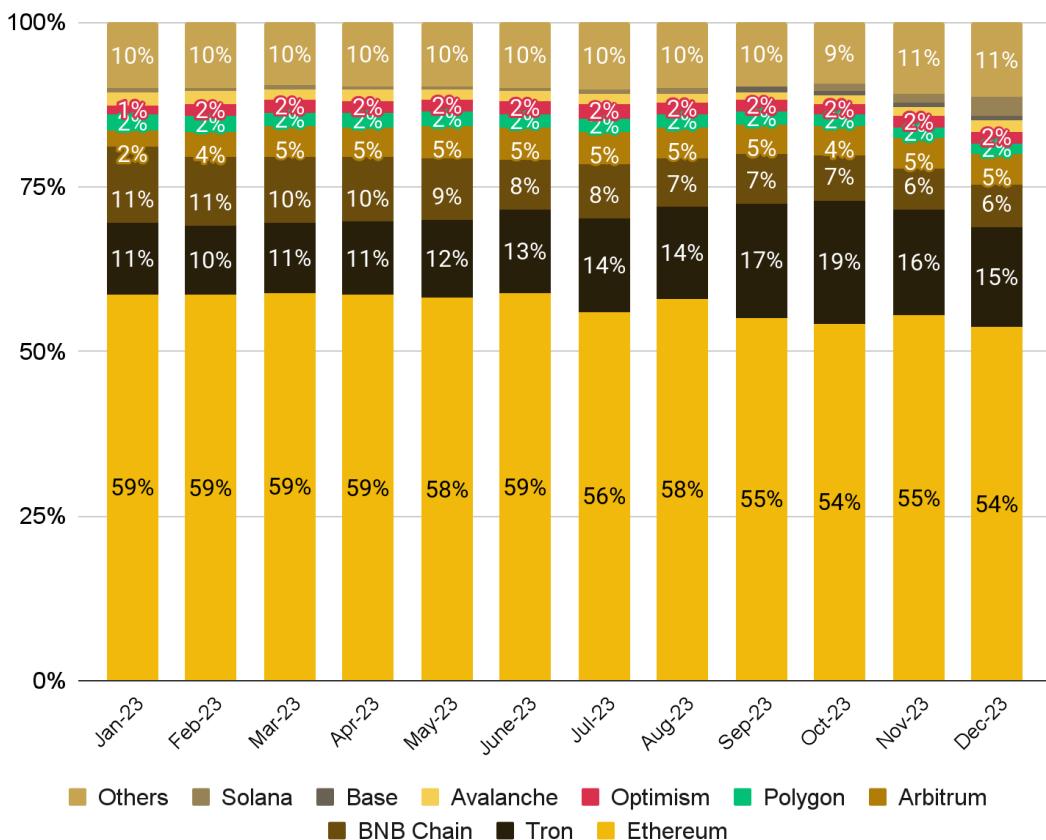
In descending order of performance:

- ◆ Every coin within the top 10 ended December in positive territory, with alternative Layer-1 (“L1”) coins such as AVAX, SOL, and ADA leading the charge. These coins witnessed significant month-on-month (“MoM”) gains of 84%, 71%, and 60%, respectively. The surge in interest for L1 coins was driven by Solana’s remarkable performance over recent months, thus shifting the market focus toward these so-called “Ethereum Killer” coins. Factors such as airdrop farming, meme coin frenzy, and bearish sentiment surrounding Ethereum also contributed to this trend. Additionally, the fundamental aspects of these L1 networks have seen improvements. Solana, previously criticized for its frequent outages, only experienced [one outage](#) this year in February, contributing to its renewed appeal.
- ◆ DOT and BNB also showcased strong performance, ending the month with gains of 53% and 39%, respectively. Notably, BNB broke through its previous stagnation, emerging as the fifth-best performer among the top 10 coins. This surge in BNB’s value can be attributed to Binance’s increased activity around Launchpool events, with three new Launchpools taking place in December. These Launchpool events allow users to receive new token rewards by staking BNB and other stablecoins, consequently contributing to the demand for BNB.
- ◆ Both BTC and ETH ended the month with modest gains under 12%. Meanwhile, at the lower end of the spectrum, XRP and TRX lagged behind their peers with gains of around 2%.

2.1

Decentralized Finance (“DeFi”)

Figure 3: TVL share of top blockchains



Source: DeFiLlama

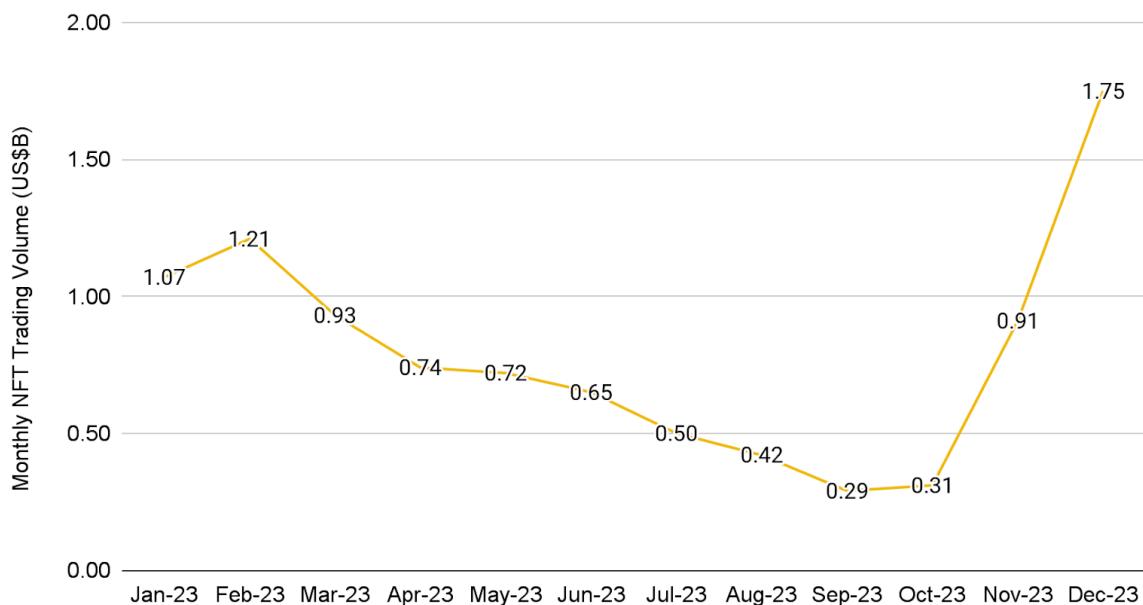
As of December 31, 2023

December witnessed an expansion in the DeFi sector, with TVL sustaining its uptrend from November, registering a 15.2% MoM increase. All top 10 chains ended the month in positive territory, although Solana witnessed the strongest growth at 115% MoM gains. Activity on Solana is accelerated by the launch of Jito Finance’s highly anticipated JTO airdrop and BONK memecoin trading, among others. Other notable gainers include Base and Avalanche, recording increases of 53.87% and 60.70%, respectively. Seamless protocol, the first native lending protocol on Base, is now the second-largest protocol on Base in terms of TVL, recording a growth of close to 2000% after announcing the SEAM token airdrop. Other lending protocols also saw increased adoption, with AAVE, JustLend, and Compound recording MoM gains of 13.88%, 7.15%, and 4.22%, respectively.

2.2

Non-Fungible Token (“NFT”)

Figure 4: Monthly NFT trading volume



Source: CryptoSlam

As of December 31, 2023

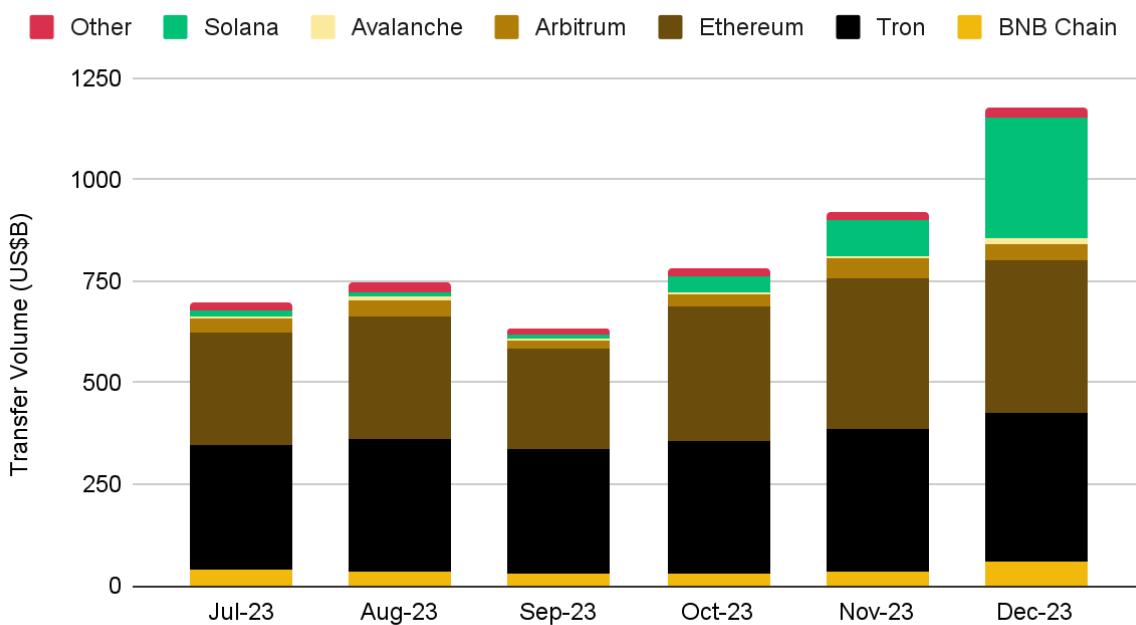
The overall NFT market in December notched positive gains. Total sales volume exceeded US\$1.7B, recording the third consecutive month of growth for NFTs and a MoM increase of 77.17%. Growth was mainly driven by increased activity seen on the Bitcoin and Solana networks, which saw USD sales volume grow by 125.63% and 378.90%, respectively. The Ordinals narrative continues its strong momentum. Regarding collection rankings, \$SATS, \$RATS, and \$MICE BRC-20 NFTs took up the top five spots for 30D trading volume. In terms of marketplaces, both Magic Eden and OKX recorded notable growth in trading volume of 382% and 89%, respectively.

Moving forward, competition among blockchains looks to intensify. Newer NFT-focused blockchains are coming into the spotlight, with the Frame network recently announcing its latest fundraise as well as its L2 mainnet launch in January, where creator royalties will be enshrined at the network level. RARI Foundation has also revealed its Layer 3 blockchain, RARI Chain, which will also have royalties embedded at the node level.

Charts of the Month

Solana at Forefront of Stablecoin Spike

Figure 5: Stablecoin transfer volumes are up in December, increasing to nearly US\$1.2T, with Solana's market share rising to a yearly high of 25.2%



Source: Artemis, Binance Research

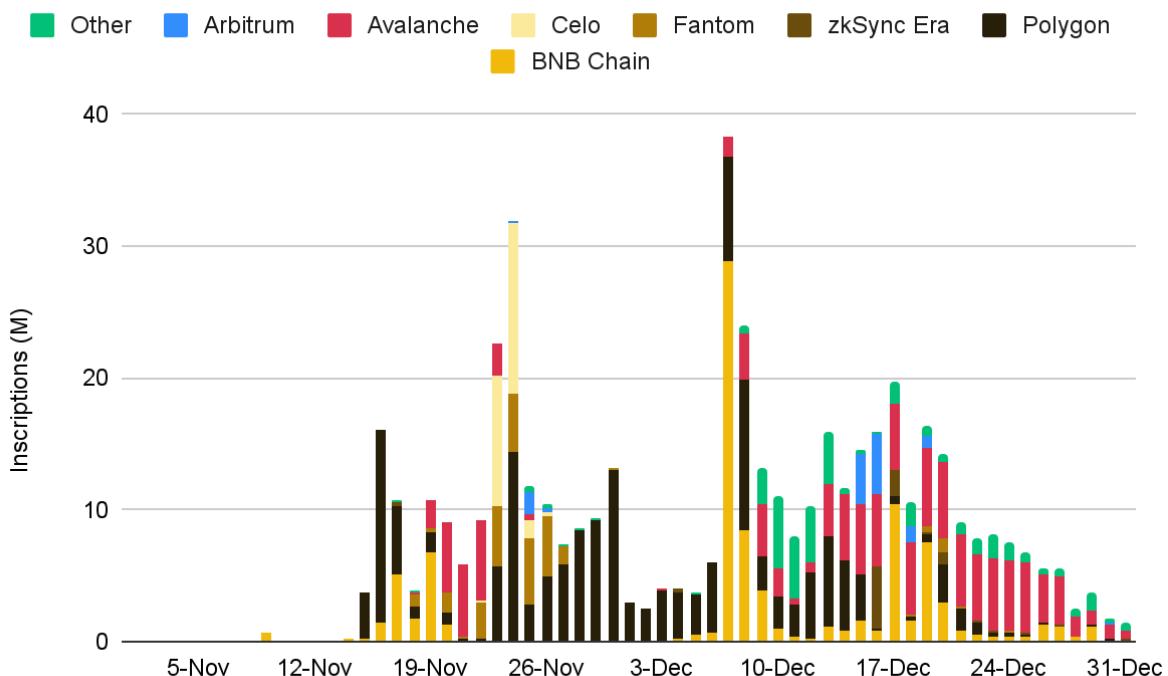
As of December 31, 2023

Stablecoin transfer volumes continued their upward trajectory, increasing from US\$920.6B to US\$1.2T in December. The increase is evident across nearly all major networks, mirroring the broader trends of capital influx observed in recent months. This rise also led to significant shifts in market dominance. Ethereum and Tron remain the frontrunners in stablecoin activity, accounting for a hefty total of US\$740.3B. However, Solana has made notable leaps, jumping from US\$86.2B to US\$297.3B, which reflects an MoM growth of 244.9%.

This shift can primarily be linked to recent market interest in the Solana ecosystem. The network experienced considerable capital inflows last month, setting new records in trading volumes on its decentralized exchanges (“DEXes”). This growth was largely due to the marketing efforts and airdrops from various ecosystem projects, along with the emergence of memecoins. These factors increased the liquidity for existing users and drew a wave of new users, aided by Solana’s points incentive mechanism. With such a surge in activity, stablecoins are a natural beneficiary of the network’s growth. Going forward, it will be interesting to see whether Solana can sustain this trend.

Inscriptions Frenzy Hits EVM-Compatible Chains

Figure 6: Inscriptions spread across several EVM-compatible chains, accumulating over 491.9M, with Polygon witnessing the highest activity at 168.3M



Source: Dune Analytics (@hildobby), Binance Research

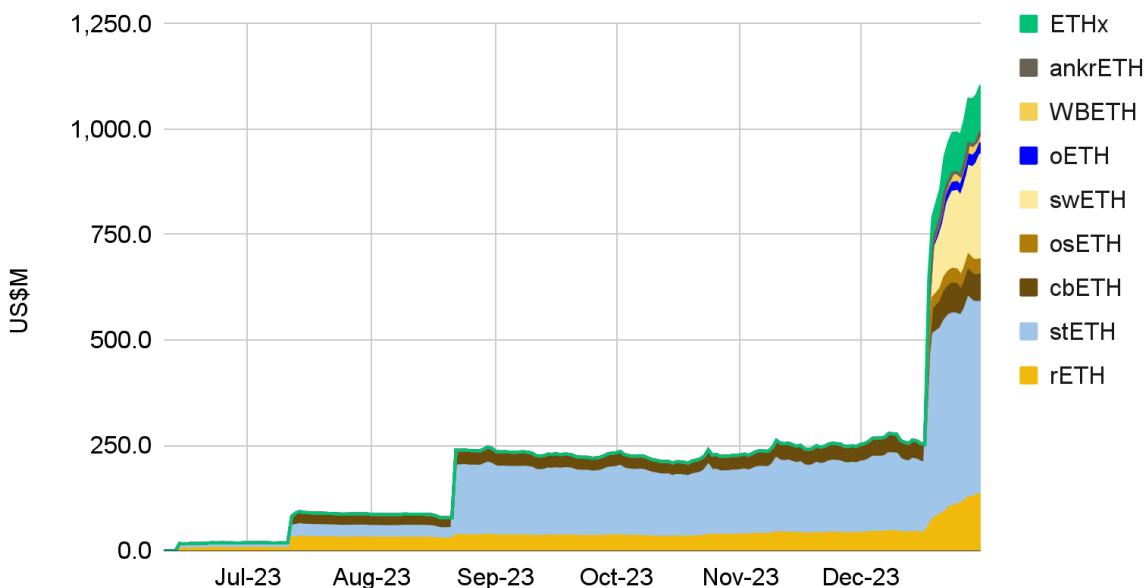
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Initially emerging on Bitcoin due to its lack of smart contract capabilities, inscriptions refer to various forms of data, typically metadata of tokens or NFTs, written to blockchains. After gaining popularity on Bitcoin, we are now seeing inscriptions spread to a range of EVM-compatible chains, despite these networks already possessing native fungible and non-fungible token functionality. This shift triggered considerable transaction activity, likely motivated by market speculation, as traders sought to replicate the success of BRC-20 tokens on these chains. Notably, Polygon experienced the highest activity with 168.3M inscriptions to date, followed by Avalanche at 115.4M and BNB Chain at 95.5M.

Besides causing spikes in daily transactions, inscriptions have also contributed to rising fees and longer transaction processing times. For instance, transaction costs on Avalanche jumped tenfold as inscriptions briefly accounted for over 30% of its gas usage. Networks such as Arbitrum and zkSync Era also set new records in transactions per second (“TPS”), reaching 59.0 and 62.1, respectively. However, both networks observed partial outages, inadvertently turning the inscription trend into an unplanned stress test for these blockchains. Ultimately, the question of whether this trend on EVM-compatible chains can sustain itself and prove practically useful is still open, making its long-term viability a matter worth monitoring.

Demand for Restaking Remains Strong

Figure 7: TVL of liquid staking tokens on EigenLayer spiked in December



Source: Dune Analytics (@21co), Binance Research

As of December 31, 2023

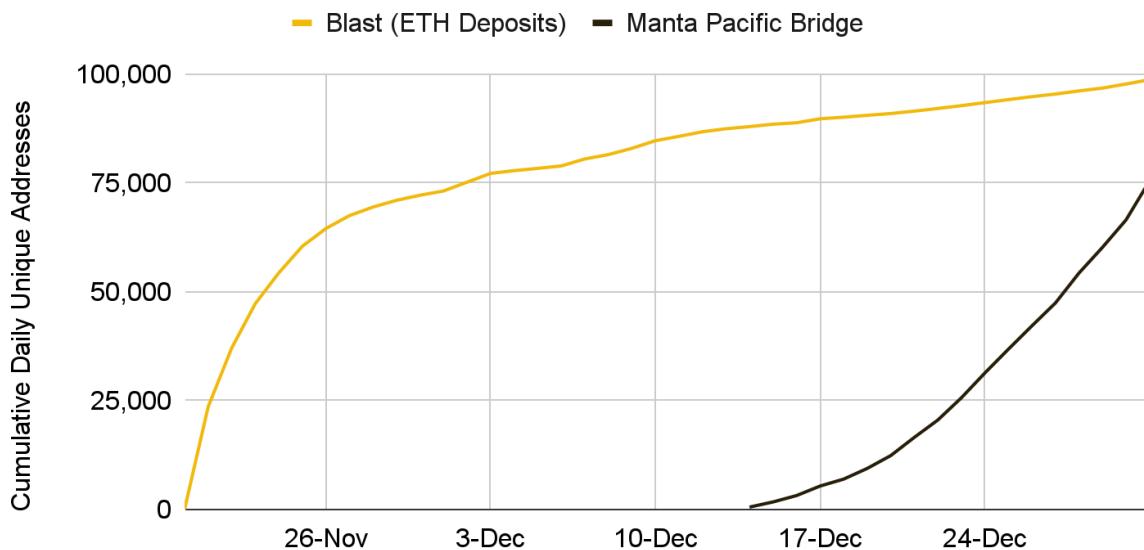
EigenLayer is a restaking primitive launched in June 2023. Restaking enables holders of ETH or liquid staking tokens (“LSTs”) to use their staked assets to secure additional networks beyond Ethereum. This allows restakers to earn additional yield without committing additional capital.

The TVL of LSTs on EigenLayer surged in December from around US\$250M to US\$1.1B at the end of the month. This came after a decision by the protocol to raise its deposit caps for LSTs from under 120K ETH to 500K ETH on December 18. Additionally, the acceptance of six new LSTs, such as Binance’s WBETH, Swell’s swETH, Stakewise’s osETH, Stader’s ETHx, Origin’s OETH, and Ankr’s ankrETH, also increased the accessibility of the protocol. The surge in demand for staking on EigenLayer may also be contributed by restakers who are positioning to earn potential airdrops in the future, although this remains speculative.

The surge in TVL on EigenLayer indicates strong demand for restaking as ETH and LST holders look for more yield-generating opportunities. Nonetheless, it is key to understand that restaking does come with risks, such as smart contract risk and slashing risk, among others. Users should conduct thorough due diligence before interacting with the protocol.

Blockchains Offering Native Yields Capture Interest

Figure 8: The number of depositors into Blast and Manta Pacific has been on the rise



Source: Dune Analytics (@hashed_official), Binance Research
As of December 31, 2023

Blast is an upcoming Ethereum Layer-2 (“L2”) that aims to provide native yield for depositors of ETH and stablecoins. This means assets bridged to the Blast network would automatically generate yield for the users without further action. Blast’s yield is sourced from participation in on-chain activities such as ETH staking and MakerDAO’s on-chain treasury bill protocol.

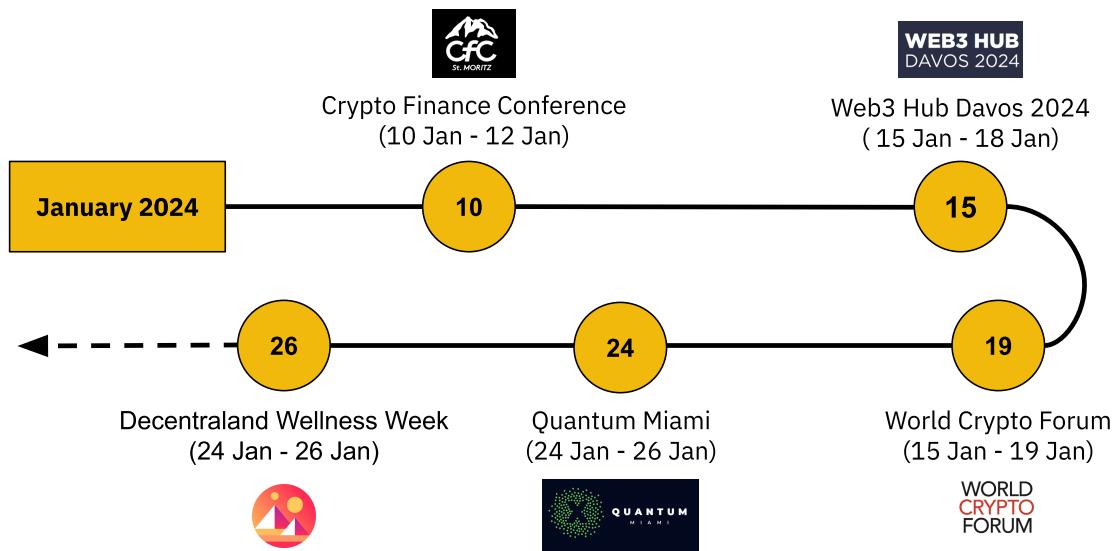
Since the introduction of its early access phase in November 2023, Blast has seen its TVL grow to north of US\$1B and currently has over 90K deposit addresses. Note that the Blast L2 mainnet is not live yet, and funds sent to Blast go to a multi-signature wallet and will be locked until February 2024, when its mainnet is estimated to launch.

Separately, another L2, Manta Pacific, recently announced the launch of Manta New Paradigm, which also provides users with native yield-bearing ETH and stablecoins. Given that the Manta Pacific L2 is already live, users can deploy their assets to ecosystem projects and thus interact with different projects while also earning a base yield. Additionally, Manta New Paradigm also offers additional incentives to incentivize usage. There are currently more than US\$600M bridged and more than 75K users who have deposited ETH on Manta New Paradigm.

Upcoming Events and Token Unlocks

In this section, we have summarized notable events and upcoming token unlocks for the month. We hope this will help monitor key developments in the space and keep track of unlock events.

Figure 9: Notable events in January 2024



Source: Binance Research

Figure 10: Largest token unlocks in US\$ terms

PROJECT	TOKEN	UNLOCK IN US\$ EQUIVALENT	% OF SUPPLY	UNLOCK DATE
APTES	\$APTE	\$234.76M	8.08%	12 Jan
Injective Protocol	\$INJ	\$132.26M	4.35%	21 Jan
Optimism	\$OP	\$88.42M	2.65%	30 Jan
Axie Infinity	\$AXS	\$30.08M	2.54%	18 Jan
sui	\$SUI	\$26.95M	3.14%	3 Jan
ApeCoin	\$APE	\$25.43M	4.23%	17 Jan
Space ID	\$ID	\$15.62M	12.37%	22 Jan
CyberConnect	\$CYBER	\$8.55M	8.51%	14 Jan
Yield Guild Games	\$YGG	\$6.99M	5.94%	27 Jan
GALXE	\$GAL	\$6.79M	3.34%	5 Jan

Source: TokenUnlocks, Binance Research

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An introduction to on-chain gaming

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, and he has 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.



Brian Chen

Macro Research Intern

Brian is currently working for Binance as a Macro Research intern. Prior to joining Binance, he worked as a DeFi researcher at a financial service startup and a Web3 education organization. He holds a Master of Finance degree from the University of California, Irvine (“UCI”) and has been involved in the cryptocurrency space since 2021.



Jin Ming Neo

Macro Research Intern

Jin Ming is currently an intern with Binance on the Macro Research team. Prior to joining Binance, he had experience working in several family offices as an investment analyst intern. He was also part of the Coinbase Community Analyst Program, working closely with the crypto intelligence team. Jin Ming is currently an undergraduate at Singapore Management University, studying Business with a major in Finance.

Resources



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