CoinGecko Q1 2022 Cryptocurrency Report

Quarterly Report
Q1 2022
FULL REPORT

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Analysts: Win Win Benjamin Hor Shaun Lee Dillon Yap Weng Dee Zheng Kai Zhong

CoinGecko
Founders’ Note

What a quarter it has been! Crypto markets got off to a rocky start in 2022 but managed to weather high inflation, Russia’s invasion of Ukraine, and a Fed rate hike within a single quarter. In the last few weeks, it rallied to close pretty much back where it started the year, at $2.2 trillion total market capitalization. These movements mirrored those in TradFi markets, as growth and tech stocks recovered after suffering significant losses. All major cryptocurrencies moved in lockstep with the overall crypto market, with only a few exceptions - LUNA, ETC, FTT and WAVES bucking the trend this quarter to close in the green.

Compared to the exuberance of Q1 2021, volumes on crypto markets have visibly shrunk as traders took on a wait-and-see approach. There has been a ~23% decline in trading volumes Q-o-Q. On the other hand, NFT platforms actually witnessed growth in trading volume compared to last quarter as traders rotated out from tokens into NFTs as the market dipped.

Global uncertainties also drove a shift into stablecoins, with significant market cap gains (+$23B) this quarter. The biggest winner though was UST growing by >60%, fueled by the fever dreams of LUNAtics, and continued 20% yield on Anchor Protocol. We take a quick dive into UST in this report to help you better understand the forces at play.

For Ethereum, we move closer to Eth2.0, as the successful merge of the Kiln testnet marked an important milestone towards this goal. Positive momentum for Ethereum, particularly as the price of ETH recovers, drove significant growth in Ethereum staking, with 9% of total supply now staked.

Similar to the rest of the market, DeFi endured a rocky first quarter in 2022. The year started with the collapse of Wonderland, and many Ohm-forks either didn’t survive the quarter or are down bad. This was followed by the departure of prominent DeFi contributor Andre Cronje, sending shockwaves across the industry and his associated projects into a tailspin. However, there were also several bright spots as DeFi continues to move across alt chains, and prominent existing protocols receiving upgrades, bringing expanded features to users.

The segment which received the most attention this quarter was arguably cross-chain bridges. Much hyped launches of Stargate (LayerZero) and Thorchain contrasted against large exploits on Wormhole and Ronin Bridge. We provide a quick overview in this report and examine the challenges that lie ahead.

For NFTs, the acquisition of CryptoPunks and Meebits by Yuga Labs was probably the largest blockbuster news this quarter. BAYC rounded out the quarter with an epic airdrop of APE tokens, possibly kicking off a new trend of blue-chip NFT collections issuing fungible tokens as they expand their utility. Finally, Move-to-Earn games rose to the spotlight late in Q1 as well, quickly climbing the charts and into wider consciousness.

With continued geopolitical and macroeconomic uncertainties, expect more choppy waters ahead. At the same time, it’s never been a better time to ignore the noise and BUIDL before the next bull run hits. We continue to work hard and look forward to seeing what’s in store for crypto for the rest of 2022.
MARKET LANDSCAPE
**Q1 2022 Spot Market Overview**

Crypto markets took a dip in Q1 2022, before recovering to end where it started

Top 30 Market Cap & Spot Trading Volume (Oct 2021 – Mar 2022)

- **Top 30 crypto market capitalization** continued to bleed since hitting all-time highs in Nov 2021. By the time it hit the bottom on 23rd Jan, the Top 30 coins had **shed over $1 trillion** from its peak.

- Top 30 market cap closed out the quarter at pretty much where it started at ~$1.9T.

- Relative market share of Top 30 Coins remained largely similar, with BTC at 47% and ETH at 21.4%.

- In Q1 2022, FTM, OKB, and UNI fell out of the Top 30 while FTT, ETC, and WAVES broke in.

- Spot trading volumes have visibly shrunk since May 2021 but remained relatively steady throughout Q1 2022.

**Source:** CoinGecko
Of the top 5 cryptocurrencies, only BTC and XRP managed to finish off Q1 above water.

SOL and BNB took the biggest hits in terms of returns, while BTC and XRP showed resilience.

The biggest gainer within the Top 10 was LUNA (+24.1%), now ranked #6 and rapidly closing in on XRP and Solana. Besides LUNA, BTC and XRP, all other Top 10 tokens suffered losses in Q1.

Within the Top 30, the only other gainers were ETC (+45.7%), FTT (+33.6%) and WAVES (+256.1%).

Source: CoinGecko
Terra continued its ascent, while the Move-To-Earn narrative starts to blossom

While DeFi tokens underperformed just as they had in the previous quarter, LUNA managed to achieve a new all-time-high. Breaking past $100, LUNA recorded a 24% price increase in the past quarter, on top of the 121% rise in Q4 2021.

We believe that this price action was largely driven by the Luna Foundation Guard (LFG) and its decision to acquire BTC as a reserve asset for the Terra stablecoin, UST. As more BTC was acquired, the backing for UST became more solid, driving further adoption and by extension, increasing the demand for LUNA.

While most CEX tokens enjoyed positive gains towards the end of 2021, FTT was the sole exception, suffering a 25% drawdown. However, it rebounded by 34% as the other top CEX tokens faltered. On the other hand, Bitfinex's LEO token extended its gains, rising by another 61% in Q1, thanks to the recovery of 94,000 BTC that was stolen in 2016.

While the Play-To-Earn movement seems to have slowed down in 2022, a new trend is starting to make waves across the crypto space: Move-To-Earn. STEPN is one of the first few games to embrace this concept, allowing users to earn tokens from walking and jogging.

GMT, the governance token of STEPN, has exceeded expectations, increasing by 140x within a month of its launch. The massive success of STEPN has clearly shown the rising popularity of Move-To-Earn, increasing traction for similar projects such as Genopets and Wirtual.

Source: CoinGecko

* Trading and price tracking of GMT started on March 9th, 2022.
Q1 2022 Top 5 Stablecoins Overview

Bearish lull in markets fueled further growth in stablecoins

In contrast with the rest of the crypto market, the market cap of top 5 stablecoins grew by 13%. The top 5 order remain unchanged since 2021.

Stablecoin market share continued to increase likely owing to investors derisking in the midst of geopolitical and macroeconomic uncertainties.

Tether still retains its lead, though growth has slowed greatly compared to USDC, BUSD and UST. Growth of Dai has also slowed significantly compared to its peers.

UST experienced the strongest growth, though it is USDC that has gained the most in terms of absolute market cap. (see later section for a deep dive into UST)

Source: CoinGecko
High correlation between crypto and equities in Q1 2022

In Q1 2022, the Top 30 crypto market cap and the S&P500 had a high correlation of 0.72. This was in contrast to the low correlation of 0.30 in Q4 2021.

According to data from CoinMetrics, correlation between Bitcoin and S&P500 reached a high of 0.56 on 31 Mar 2022, indicating moderate correlation. The increase has ignited debate on Bitcoin's safe-haven "digital gold" narrative.

Bitcoin's correlation with traditional financial markets started increasing when the Covid-19 pandemic began, and could be explained by the increased mainstream exposure to crypto during the 2020-2021 bull run. Newer investors likely perceive the crypto asset class to be risky, similar to growth stocks.

The market cap of the Top 30 cryptocurrencies also moved in line with Bitcoin, with a 0.96 correlation in Q1 2022 – an increase from 0.92 in Q4 2021.

Source: CoinGecko
A quarter filled with major milestones for crypto

**Q1 2022 Notable Events Timeline**

- **21 Jan** Solana’s 6th Network Outage
- **27 Jan** Wonderland’s 0xsifu ousted as QuadrigaCX co-founder
- **2 Feb** Wormhole hacked for $320m
- **8 Feb** 94,000 Bitcoin related to 2016 Bitfinex hack seized
- **23 Feb** Luna Foundation Guard raised $1B for a Bitcoin Reserve
- **14 Mar** Yuga Labs acquired Cryptopunks & Meebits NFT collection
- **14 Mar** Successful test of the ETH Merge on Klin Testnet
- **9 Mar** Biden issued US executive order on crypto
- **7 Mar** Andre Cronje quit DeFi
- **24 Feb** Putin declared war on Ukraine
- **16 Mar** Dubai granted Binance a virtual asset license
- **16 Mar** Bored Ape Yacht Club launched ApeCoin
- **23 Mar** Ronin Bridge exploited for $625m
- **29 Mar** MacroStrategy bought more BTC with $205m loan
- **31 Mar** EU approved rules targeting transfers to unhosted wallets
BITCOIN ANALYSIS
Price action of Bitcoin throughout Q1 2022 was rather muted. BTC bounced between the $36k to $45k range, and gave a return of 1.6% by the end of the quarter.

BTC hit a yearly low of $35,180 briefly before rebounding to reclaim the $36,000 level.

Some noteworthy events affecting BTC in Q1 2022:

- **War in Ukraine** caused BTC to slump
- **El Salvador** delayed the sale of their Bitcoin bonds
- **MicroStrategy** took a loan to finance its purchase of Bitcoin
- **LFG Foundation** formed to purchase BTC. The BTC is set to be used as a reserve to back Terra USD (UST)
- **Federal reserve** announced rate hikes

Source: CoinGecko
Bitcoin Mining Hash Rate

Bitcoin hash rate trended upwards, hitting All Time High of 248m TH/s

Bitcoin's total hash rate experienced volatility that bounced between 160m TH/s and 220m TH/s, but trended upwards overall despite price dips and geopolitical complications. It even hit a new all-time high of 248m TH/s on 12 Feb.

Overall hash rate decreased 3.5% to 200m TH/s vs. the start of the year, but this is still higher than the ATH in Dec 2021 (182m TH/s) - a testament to the network's resilience.

Kazakhstan, the second largest Bitcoin mining country last year, experienced a countrywide internet blackout in January and has mulled over a 10x increase in miner tax. Countries like Kosovo and Georgia have also stopped crypto mining to combat energy crises. EU recently decided to also not pass a ban against Bitcoin mining.

Source: https://www.blockchain.com/charts/hash-rate
Gold outperformed Bitcoin as investors rotated into commodities

Bitcoin has remained rather stagnant, climbing just 1.6%, compared to Gold and Oil which posted significant gains towards the end of the quarter. This can be attributed to the war in Ukraine that has prompted investors to seek haven in commodities.

Other asset classes, the S&P500, NASDAQ, DXY and TLT either remained largely flat, or took losses in Q1 2022.

While it suffered a dip during the start of the war, Bitcoin had subsequently rebounded. This was in-line with the behavior of US equities.
### Market Capitalization: Bitcoin vs. Gold vs. Top 5 S&P500 Stocks

Bitcoin's market cap has now surpassed Meta (Facebook)

<table>
<thead>
<tr>
<th>Assets (Market Cap)</th>
<th>Bitcoin's ratio to respective assets</th>
<th>Q-o-Q Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bitcoin</td>
<td>7.0%</td>
<td>(+7.3%)</td>
</tr>
<tr>
<td>Gold</td>
<td>29.8%</td>
<td>(-0.3%)</td>
</tr>
<tr>
<td>Apple (AAPL)</td>
<td>36.8%</td>
<td>(-6.7%)</td>
</tr>
<tr>
<td>Microsoft Corp. (MSFT)</td>
<td>46.0%</td>
<td>(-2.1%)</td>
</tr>
<tr>
<td>Alphabet (GOOGL)</td>
<td>51.8%</td>
<td>(-1.2%)</td>
</tr>
<tr>
<td>Amazon (AMZN)</td>
<td>139.5%</td>
<td>(-6%)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Source: <em>Yahoo Finance</em></th>
</tr>
</thead>
<tbody>
<tr>
<td><em>Data snapshot taken on 1 April 2022</em></td>
</tr>
</tbody>
</table>
ETHEREUM ANALYSIS
ETH tumbled to intra-year low before rallying back to end Q1 above $3k

ETH Price and Spot Trading Volume (Oct 2021 – Mar 2022)

Downward momentum on ETH price from the previous year continued, sending it tumbling over 35% to a low of $2,407 amidst macroeconomic concerns. However the recent resurgence saw ETH price rallying to $3,283 to end the quarter.

Trading volumes visibly spiked to $28-$29B during the downturn in late January as traders flocked to salvage their positions, with another spike recording up to $30B in trading volume after Russia’s invasion of Ukraine on 24 Feb.

Notable events:
- 14 Mar - The Merge was successfully completed on Kiln testnet which helped stoke the mid-March surge.
- 18 Mar - Newly proposed Ethereum token standard to standardize yield bearing tokens and vaults, ERC-4626, was finalized.

Source: CoinGecko

ETH Price return in Q1 2022

-10.9%

Trading Vol.

Q4 2021 Price Return +22%

Q1 2022 Price Return -11%

Russia invades Ukraine

The Merge testnet completion

$3,013

$3,283

$2,407

$3,686

$0 $10B $20B $30B $40B $50B $60B $70B $80B $90B $100B

ETH Price


Trading Vol.

$3,013

$3,283

$2,407

$3,686

$0 $10B $20B $30B $40B $50B $60B $70B $80B $90B $100B

ETH Price

Source: CoinGecko
**Roadmap to Eth2.0**

Eth2.0 renamed to “Consensus Layer” and completed The Merge on testnet

<table>
<thead>
<tr>
<th>Year</th>
<th>Event</th>
<th>Date</th>
</tr>
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<tbody>
<tr>
<td>2020</td>
<td>Beacon Chain</td>
<td>1 December 2020</td>
</tr>
<tr>
<td>2020</td>
<td>London Hard Fork</td>
<td>5 August 2021</td>
</tr>
<tr>
<td>2021</td>
<td>Altair Upgrade</td>
<td>27 October 2021</td>
</tr>
<tr>
<td>2021</td>
<td>Arrow Glacier Hard Fork</td>
<td>9 December 2021</td>
</tr>
<tr>
<td>2022</td>
<td>The Great Renaming</td>
<td>24 January 2022</td>
</tr>
<tr>
<td>2022</td>
<td>The Merge</td>
<td>~Q2 2022</td>
</tr>
<tr>
<td>2023</td>
<td>Shard Chains</td>
<td>~2023</td>
</tr>
</tbody>
</table>

- **The Great Renaming**
  - Eth1.0 and Eth2.0 renamed to “execution layer” and “consensus layer” respectively.

- **The Merge**
  - Merging of Ethereum Mainnet with the Beacon Chain
  - Ethereum will start running on the Proof-of-Stake (PoS) consensus algorithm instead of Proof-of-Work (PoW)
  - Staked ETH will be unlocked after the merge, allowing withdrawal

- **Difficulty Bomb**
  - ~June 2022
  - Mechanism to make mining unprofitable, disincentivizing miners from keeping the PoW network live after the transition to PoS

- **Shard Chains**
  - Enable shard chains, which will allow splitting of transactions across them to increase the network throughput
  - Enable dApp development to allow smart contract function on the merged network

Source: [https://ethereum.org/en/](https://ethereum.org/en/)
Ethereum Consensus Layer (formerly Eth 2.0) Staking

ETH staking spiked after successful testing of The Merge; Kraken & LIDO lead staking services

The Merge is estimated to reduce daily ETH emissions from 12,000 ETH to 1,280 ETH, a 90% reduction equivalent to a triple halving in Bitcoin terms.

Despite a dip in ETH price within the same period, total staked ETH for consensus layer saw strong upward momentum (+25%) in Q1 2022.

The successful Kiln testnet merge on March 14 ushered a spike in staked ETH.

At 11 million staked ETH by end-Q1 2022, this represents ~9% of total ETH supply.

Kraken (9.4%) and Lido (8.8%) still led as the Top 2 ETH staking services by validator count, far ahead of the pack with a combined dominance of ~18%.

The Merge is estimated to reduce daily ETH emissions from 12,000 ETH to 1,280 ETH, a 90% reduction equivalent to a triple halving in Bitcoin terms.

Source: Dune Analytics (@hagaetc)
THE RISE OF UST
UST Remained The Dominant Decentralized Stablecoin

Since overtaking DAI's position as the 4th largest stablecoin in December, Terra USD (UST) continues to go from strength-to-strength to be the dominant decentralized stablecoin.

In Q1 2022, UST saw its market cap increase by 61% reaching $16.3b. DAI's market cap meanwhile only saw a marginal increase of 3%.

With more focus turning towards decentralized stablecoins, issuers have seen sharp increases in their usage. FRAX appears to be benefiting from this interest. The partially collateralized stablecoin saw its market cap increase by 49% in Q1 2022 reaching $2.7b.
Why is UST Adoption Mooning?

UST has launched to the moon but there are doubts about its sustainability

1. Anchor is a lending platform on Terra where users can borrow and lend UST. The primary reason for UST’s strong adoption is due to Anchor’s high lending interest rates of 20%, backed by a protocol-guaranteed yield reserve. As of 1 April 2022, there is $12B worth of UST deposited onto Anchor alone.

2. Terra has been expanding UST to other chains like Solana, Avalanche, and Polygon, usually through native DeFi partnerships and collaborations.

3. Terra ecosystem has been growing, all of which rely on UST as the primary medium of exchange. At the close of the quarter there was $32B TVL in the network, representing a 51.6% increase from Q4 2021. Other protocols that have garnered significant interest lately include Astroport (DEX), Mars (borrowing/lending), and Prism (tokenized yield).

However, there are doubts...

Detractors are doubtful about UST’s sustainability, both from an adoption and functional perspective. So much so, that two prominent CT whales made a bet against Do Kwon (Terra’s founder) that LUNA’s price will be below $88 by 13 March 2023. Many believe that its adoption rate is highly inflated by Anchor and will spiral down due to its unsustainable yield. The functional aspect are criticisms on how UST maintains its peg via its reflexive relationship with LUNA.
LFG have begun purchasing BTC to protect UST peg during stressful conditions

The Luna Foundation Guard (LFG) has emerged to become one of the largest holders of BTC, just behind Tesla and MicroStrategy.

Proceeds from the sale are used to purchase BTC in order to establish a UST Reserve dominated in Bitcoin. This reserve will be used to protect the peg of UST in stressful market conditions.

The foundation has since increased its reserves to $3 billion and it’s set to be used to gradually purchase BTC.
DEFI ANALYSIS
Q1 2022 DeFi Overview

DeFi remains relatively steady during these uncertain times

<table>
<thead>
<tr>
<th>DeFi Market Cap</th>
<th>DeFi Share of Market (DeFi/Global Market Cap)</th>
</tr>
</thead>
<tbody>
<tr>
<td>$300B</td>
<td>8.0%</td>
</tr>
<tr>
<td>$250B</td>
<td>7.0%</td>
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<tr>
<td>$200B</td>
<td>6.0%</td>
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<tr>
<td>$150B</td>
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<tr>
<td>$100B</td>
<td>4.0%</td>
</tr>
<tr>
<td>$50B</td>
<td>3.0%</td>
</tr>
<tr>
<td>$0B</td>
<td>2.0%</td>
</tr>
</tbody>
</table>

DeFi Market Cap and DeFi Share of Overall Market (Oct 2021 – Mar 2022)

The DeFi market cap slightly decreased from $150 to $141 billion at the end of Q1 2022. These levels were last seen in mid-October of last year, before the Q4 2021 run-up.

This is a stark contrast compared to the previous quarter, which saw a 29% increase to $150B at the end of 2021.

Yet, DeFi’s share of market has remained fairly unchanged at 6.3%, even though global market cap shrunk by ~3%.

In Q1 2022, some of the biggest winners in DeFi included multichain bridges and decentralized perpetuals. On the other hand, rebase tokens such as Olympus DAO and its various forks seems to have lost much of its former glory.

Source: CoinGecko
*DeFi market cap does not include Stargate due to insufficient data.
Altchains continued to gain ground as Terra led the way

Multi-chain Total Value Locked (TVL) Breakdown (Oct 2021 – Mar 2022)

-14.1% Decrease in Multi-chain DeFi TVL since 1st January 2022

As we enter 2022, altchains continued to eat away at Ethereum’s dominance over TVL. Even as overall TVL has reduced by 9% to $177 billion, Ethereum’s share of TVL is now 54%, down from 61% in Dec 2021.

BSC is still the dominant EVM network, but Avalanche is now neck-and-neck, likely due to the impending release of subnets and the recently-held Avalanche Summit.

Other EVM-chains seem to have retained their market share, even Fantom despite the departure of Andre Cronje.

One of the stars of 2021, Terra has continued its momentum into 2022, its share of overall TVL increasing to 10%. Solana, however, has seen a decline. TVL of DefiChain has been growing steadily, crossing $1 billion as DeFi for Bitcoin is starting to gain more traction.

Source: DefiLlama

*Monthly TVL is calculated by taking the average TVL on daily basis for each month.
As DeFi’s core segments continue to weaken, more niche products are starting to bloom.

In Q1 2022, though DEXes, oracles and lending platforms continue to dominate DeFi, each segment has experienced a decrease in market cap of up to 17%. Cumulatively, these three segments accounted for more than 80% of the DeFi market cap.

While yield aggregators were certainly one of the biggest hits of 2021, the sector is off to a much slower start in 2022. The biggest loser in Q1 2022, yield aggregators saw a decrease of 25%, or approximately $1.2 billion in market cap lost.

However, more nascent spaces in the DeFi ecosystem saw a vast improvement. Both derivatives and asset management protocols saw an increase in market cap, with the latter doubling their market cap compared to the previous quarter, though their share of market remains small. GMX and Tenset were the largest gainers from each category, respectively.
CROSS-CHAIN BRIDGES
Cross-chain Bridges Landscape

Cross-chain Bridges have emerged as DeFi TVL fragments away to altchains

From 98% in Jan 2021 to 58% in March 2022, Ethereum’s dominance over DeFi TVL has very quickly been diluted across multiple altchains.

This fragmentation of TVL has coincided with the rise of DeFi protocols across altchains, driving the demand from users to move assets across different chains.

While significant number of crypto users are probably using CEXes such as Binance or FTX to move assets cross-chain, decentralized cross-chain bridges have also emerged to meet this demand.

While early bridges started with point-to-point bridges between specific chains, e.g. Avalanche bridge and Binance bridge, more generalized solutions have also emerged, e.g. Thorchain, Stargate, Connext.

Source: 1kx Network, Daniel Berenzon
TVL Locked in Bridges

TVL have grown significantly, but also accompanied by hacks

Examining Ethereum bridges alone, TVL has grown by roughly 10x since Apr 2021 from $2.1B to $21.6B in Mar 2022.

However there has been growing pains at the same time as decentralized bridges have been plagued by hacks (>$1B in 2022 alone thus far), notably:

1. Ronin Bridge: $600M
2. Wormhole: $325M
3. Meter.io: $4.3M
4. Multichain: $1.9M

On the back of that, new bridge architectures promising greater security have also emerged.

Source: eliasimos from Dune Analytics
# Bridging Mechanisms

Mechanisms now emerging promising better security than existing “validators” model

<table>
<thead>
<tr>
<th>Mechanism</th>
<th>Examples</th>
<th>How They Work</th>
<th>Risks / Challenges</th>
</tr>
</thead>
</table>
| **External Validators & Federations** | ![Wormhole](https://example.com/wormhole.png) | - Functions similar to a DEX, where there are liquidity pools on source and destination chains.  
  - Relies on bonded validators to verify that input tokens has been locked into a pool, before minting the output tokens on the destination chain (lock-mint-burn-redeem).  
  - Synthetic / intermediary token typically used as counterparty in each liquidity pool, e.g. wormhole-tokens or RUNE. | - Requires ample liquidity of synthetic / intermediary tokens locked into pools to work, particularly to hold value.  
  - Risk of re-org on source chain may invalidate a token being locked-in to the bridge.  
  - Risk of mischief from validators if potential rewards > slashing penalties. |
| **Light Client & Relays**        | ![Stargate](https://example.com/stargate.png) | - An interchain communication layer with pools of tokens (not liquidity pools) on multiple chains.  
  - Doesn't require the use of synthetic / intermediary tokens.  
  - Uses a set of actors (say oracles and a set of relayers) to monitor activities on source chain (e.g. user deposited a token to a bridge), and communicate these actions via proofs of block headers to a light client on the destination chain for further action (allow user to withdraw token from bridge). | - Slow / takes time for transfers to occur due to oracles waiting for finality.  
  - Requires clients, oracles, relayers to be deployed on every source / destination chain.  
  - Risk of collusion between oracles and relayers. |
| **Liquidity Networks**           | ![Connex](https://example.com/connex.png) | - An off-chain, peer-to-peer network of nodes (broadly known as “routers”) which holds inventory of tokens on both source and destination chains.  
  - Users trades against routers to sell tokens on source chain for tokens on destination chain, and through locking and dispute mechanisms, ensuring that routers can’t run away with tokens.  
  - Only requires user and router to confirm transactions on-chain. | - Dependent on network of routers to have inventory of tokens to be bridged.  
  - Only useful for bridging assets, but not designed to handle other cross-chain interactions such as sending cross-chain messages, contract calls, etc. |

Source: 1kx Network, Daniel Berenzon
NON-FUNGIBLE TOKENS (NFTs)
### Trading Volume across Top 7 Chains

NFT summer saw some resurgence in January 2022 but slowly tapered off.

**Top 7 Chains for NFT Trading Volume (Oct 2021 – Mar 2022)**

**Trading Volume Increase from Q4 2021 to Q1 2022:** 17.9%

- **Ethereum** is still the dominant chain, commanding 85% of the market share by the end of March.
- Avalanche saw the **biggest volume increase** (6,610.6%) while Ronin suffered the **biggest loss** (94.2%) in the quarter.

Interest in NFTs saw a spike in Jan 2022 which coincided with widespread market correction. This is likely because NFTs are priced in native network tokens, which became cheaper in USD terms.

Another possible reason is because market participants have no interest in trading under poor market conditions and divert their time and attention into NFTs. Volumes fell accordingly as the market rallied in the latter half of Q1.

Source: Cryptoslam
NFT Platform Trading Volumes

OpenSea still remains on top despite increasing competition

Top 5 General NFT Marketplaces (Oct 2021 – Mar 2022)

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</thead>
<tbody>
<tr>
<td>$8B</td>
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Trading volume increase from Q4 2021 to Q1 2022: 101.3%

OpenSea’s dominance was briefly at risk in January 2022, when a new competitor, LooksRare, executed a vampire attack by airdropping OpenSea users with $LOOKS. By the end of the month, LooksRare had roughly half the trading volume of OpenSea.

However, that was short-lived as most of the traders were taking advantage of LooksRare’s incentive program which rewarded buyers/sellers with $LOOKS. At the end of Q1, the gap widened and OpenSea was 6.7x bigger.

Despite the early back and forth, Magic Eden has surpassed Solanart to become the dominant Solana NFT marketplace. Time will tell whether this lasts as OpenSea will integrate Solana NFTs in April 2022.

Source: Dapp Radar and r@chen8 from Dune Analytics

*OpenSea volumes includes Ethereum and Polygon

**A different data source is used for this slide compared to the previous slide.
NFT Trends

Bored Ape Yacht Club is undeniably the trend-setter in the space

Nike acquiring RTKFT in December 2021 was impressive as it validated the value proposition of NFTs as a brand, in spite of its decentralized nature. However, Nike is a traditional corporation which is quite different from a native Web3 NFT-based community. Yuga Labs, the founders behind Bored Ape Yacht Club (BAYC), acquired the commercial and licensing rights for CryptoPunks and Meebits, ushering in a new era where NFT projects can expand their brand and utility through the acquisition of other NFT projects. Notably, weeks after its acquisition, Yuga Labs went on to raise $450M at a valuation of $4B. Expect to see more NFT-related M&As in the future.

Expectations have evolved over the months. JPEGs alone no longer suffice as owners expect more utility and token drops. Many projects recognize this, including BAYC who has teased the launch of their $APE token as far back as October 2021. Finally, in March 2022, the $APE token was airdropped to all BAYC and MAYC holders. Details of token utility have not been disclosed yet but Yuga Labs has said that it would be integral to their upcoming gaming metaverse, the Otherside.

There are very few collectibles that have their own marketplaces, other than CryptoPunks. Usually, it is GameFi NFT assets that build out their own platforms like Aavegotchi, Axie Infinity, and TreasureDAO. However, there are growing examples of asset-specific NFT marketplaces such as Solana Monkey business and Taiyo Robotics. There is also speculation that Yuga Labs will be building out their own marketplace, all of which will be transacted in $APE.
EXCHANGES
Q1 2022 Top 10 Cryptocurrency Exchanges

Total spot trading volume took a dip to an average $1.26T monthly volume in Q1 2022

The DEX:CEX ratio has increased slightly from 11.8% in December 2021 to 12.8% towards the end of March 2022.

Trading volume peaked in Nov 2021 and continued to decline in the subsequent months before having a bit of a rebound in March 2022 as the market recovered.

February's trading volume of $1.1T was lower than any month in 2021.

Overall, Q1 2022 spot trading volume across the top 10 centralized and decentralized exchanges declined from $6.08 trillion to $3.79 trillion compared to Q4 2021.

Source: CoinGecko
Q1 2022 Top 10 Centralized Exchanges (CEX)

CEX trading volumes plunged in Q1 2022

Top 10 CEX Total Trading Volume Decline from Q4 2021 to Q1 2022

Top 10 centralized exchanges recorded a total of $3.31 trillion in spot trading volume in Q1 2022. This was a sharp decline from Q4 2021, with February recording the lowest volume in the year so far.

Binance's market share in Q1 2022 rebounded slightly to 46.5% as the exchange successfully obtained their license to operate in the Middle East.

Huobi's market share shrank by nearly 40% since the end of Q4 2021, ending the quarter with only a 4.3% share by volume among the top-10 CEXs, due to its exit from China.

Source: CoinGecko
Q1 2022 Top 10 Decentralized Exchanges (DEX)

DEX trading volumes had a decent start but declined by the end of the quarter

Top 10 DEXs recorded a total of $472.8 billion in spot trading volume in Q1 2022.

DEXs trading volume in Q1 started off strong with $190B in volume before plummeting, ending the quarter with $144B in trading volume.

Uniswap cemented its position as the top DEX (V2 and V3 combined), with 54% market share by the end of Q1 2022.

In contrast, the next 3 largest DEXs, Pancakeswap, Sushiswap and Trader Joe all saw significant declines in market share. On the other hand, Serum saw significant gains this quarter.
BTC perperitals experienced stagnant volume in Q1 2022

Aggregate Monthly Bitcoin Perpetual Trading Volume Dominance (Oct 2021 – Mar 2022)

Trading volume for Bitcoin perperitals across the top-10 derivatives exchanges decreased by $200 billion in Q1 2022.

Trading volume in Q1 2022 has remained stagnant at $1.2 trillion, in line with volumes in Q4 2021. This could be due to the market moving sideways during this period.

Since the start of the last quarter, OKX has quietly netted an additional 4.92% in market share, pulling slightly ahead of FTX in Q1 2022.

Meanwhile, Binance is slowly losing its dominance in the market, dropping by 7% in market share since December 2021.
Q1 2022 Derivatives Exchanges – Bitcoin Perpetual Swaps Open Interest

Gate.io surged to capture market share at the expense of Bybit and FTX

Open interest (OI) across the top-10 derivatives exchanges recorded a total of $1.07 trillion in Q1 2022. This was a notable -12% decline from Q4 2021.

Throughout the quarter, the same top 4 exchanges dominated approximately 75% of open interest.

Binance retained the largest share of open interest (32.4%) among the exchanges ($121 billion).

Gate.io continued its growth momentum from Q4 2021, and now has 15% of Bitcoin perpetuals open interest. This market share came at the expense of Bybit and FTX. Both saw their market shares decline in Q1 2022.
Once liquidated, twice shy – traders learn from choppy price action

As Bitcoin’s second run in late November 2021 came to a premature end, funding rates decreased across the board, bringing them closer to neutral levels. While Bitcoin continued to weaken into late January, the crash from $42k to $35k resulted in funding rates going largely negative for about a week until Bitcoin surged back above $40k in early February.

In less than 2 weeks, Bitcoin once again fell below $40k and bottomed at $35k. However, negative funding rates were much smaller, ranging around -0.02%, compared to -0.05% earlier.

It is possible that traders expected another reversal like the previous one and decided against hedging their positions.
Q1 2022 Performance of GBTC and $BITO

GBTC & BITO maintain AUM in price downturn; GBTC trades at a huge discount (>20%) to NAV

The AUM of GBTC has maintained at around $30B throughout the quarter, dipping to $22B at its lowest during the BTC price downturn. BITO experienced a mild growth of +12% in the same period and never dipped below $0.9B.

BITO remained by far the most popular and dominant Bitcoin ETF, with SPBC being a distant second with only ~$110m AUM, followed by Valkyrie's BTF with ~$36m AUM.

GBTC was plagued by a constant deviation from its NAV and traded at a deep discount that was >20% throughout the entire quarter, reaching as high as 30% at one point.

BITO on the other hand maintained close to its NAV and never deviated more than 0.33% - a far cry from GBTC's case.

GBTC filed an application to convert into an ETF which should help close the gap to its NAV. The SEC is due to rule on the application by 6 July.

Source: YCharts
GeckoCon - The Decentralized Future, brings together thought leaders and innovators from across the globe in a virtual conference that explores the advent of Web3. Join us, as we take a deep dive into topics on the Creative Economy, Finance, Governance, and Business.

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V2 of the CoinGecko Mobile App is here! We are excited to share with you the changes and improvements we have made to the app, including:

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- An improved user experience that aims to deliver what matters to you clearly.
- Multitude of performance improvements that brings about a snappier & lighter app experience.

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- **Donut Chart for Portfolio Holdings**
- **Candlestick chart**
- **Support for 20+ languages!**
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CoinGecko Q1 2022 Cryptocurrency Report