2023 Q3 Crypto Industry Report

FULL REPORT

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Founders’ Note

A large market drawdown in the middle of August dissected a slow grinding Q3 into two halves. With liquidity thin on exchanges, BTC fell from ~$29,000 to ~$26,000 in a single day on August 17, dragging down the total crypto market cap from $1.2T to $1.1T. With no actual significant market news that day, it felt like traders were packing it in for the rest of summer. Volumes on CEXes have fallen by 20.2% this quarter compared to Q2.

Despite it being a pretty eventful three months, the crypto market was absent any momentum. Bullish developments, such as Ripple's and Grayscale's victories in court against the SEC, were balanced out by bearish news, such as DoJ charges against Tornado Cash's co-founders, SEC charges against HEX and Pulsechain, and the start of SBF's trial. Uncertainty surrounding Curve co-founder Michael Egorov’s onchain loans caused significant anxiety within DeFi, while NFTs also experienced a further collapse in trading volume and floor prices as a chastening bear market continues.

Two projects garnered the most attention in Q3 - the first being Base, the Coinbase Layer 2 built on Optimism’s OP Stack that launched in August. While degens found their way on to the chain ahead of its official launch to speculate on memecoins, the team rolled out an impressive launch campaign dubbed “Onchain Summer” with a strong line up of partners to attract and retain users on the chain. While Base definitely benefited from having the full might and resources of Coinbase behind it, it has set the bar on how a new chain launch should be staged. By the end of Q3, the number of daily on-chain transactions on Base now rivals Ethereum mainnet, Arbitrum and Optimism. Elsewhere, Sui did well with the Web3 game Sui 1892 driving on-chain activities, but other new chains launched during the quarter such as Mantle, Linea, Sei, and Shibarium, have thus far struggled for traction amongst users, though hope springs eternal.

While BASE’s launch was tightly choreographed, crypto’s success stories tend to come from unexpected places. The second project sharing the spotlight during Q3 was friend.tech, which launched without much fanfare on BASE on September 8. The SocialFi platform combines private chatrooms for influencers with tradable ‘keys’ that not only give access to said chatrooms, but also appreciate in value as demand increases. Friend.tech’s early success has also managed to attract influencers outside of crypto to try out the platform, a sign perhaps that it could expand beyond the crypto community. At the moment early trading volume for keys has receded, but the dapp is still recording healthy activity. While it’s probably too early to call friend.tech the killer app for BASE, it has definitely been a key contributor of BASE’s post-launch success thus far.

Despite the general apathy surrounding CT these days, it is perhaps surprising that the integration between DeFi and TradFi has never been closer. Real-World Assets (RWA) got a shot in the arm this year with the introduction of on-chain US Treasury Bills. The terms “blockchain” and “tokenization” are being mentioned with increasing frequency by Wall Street giants, while new solutions such as Chainlink CCIP are helping bridge the gap between both worlds. Meanwhile, the surprise approval of futures contract-based Ether ETFs in the US gave prices a jolt during the last week of September. Just as it feels like the degens may be checking out, TradFi seems to have finally wrapped their heads around blockchains and are ready to climb onboard.

Heading into the final quarter of 2023, it is clearer to us than ever before that crypto needs to chart its own path into the future. The influence of macroeconomic developments over the market has largely receded, and crypto has returned to being uncorrelated to US equities. With the tech hype cycle having rotated to AI, it becomes more imperative for the industry to build dapps that can showcase the relevance and usefulness of crypto and blockchains to an even larger set of users. As we attempt to shake off the stupor of the bear market, let us continue to build.
MARKET LANDSCAPE
2023 Q3 Overall Crypto Market Overview

After a strong rally in 2023 H1, total crypto market cap saw a decline of 10% in 2023 Q3, but is still +35% year-to-date.

Total crypto market cap saw a decline of almost 10% in 2023 Q3, or $119.1B in absolute terms. Since the local top on April 17, total crypto market cap has declined by 16.3%.

After volume fell off in late-March, it has slowly continued to decline. Average daily trading volume in 2023 Q3 sat at $39.1B, a decline of 11.5% compared to Q2.

Within the Top 30, notable moves include SOL climbing from #10 to #7, and TUSD from #23 to #19. LTC fell from #9 to #14, AVAX dropped from #15 to #22, and BUSD further slid from #18 to #27 as Binance announces support for the stablecoin will be phased out by February 2024.

Meanwhile, HBAR and FIL reentered the Top 30 at #29 and #30 respectively after falling out last quarter, while LDO and ICP fell out.
Relative dominance of the Top 8 Coins remain unchanged in 2023 Q3

While total crypto market cap saw a ~10% decline, the dominance of the Top 8 coins has remained relatively unchanged in Q3.

'Majors' BTC and ETH both saw their dominance drop slightly by 0.8% in 2023 Q3.

The top gainer was USDT with a +0.7% change in dominance, followed by 'Others' with a +0.5% change as altcoins saw a small bounce this quarter.
Only XRP, SOL, LINK and MKR were in the green in 2023 Q3, with MKR doing particularly well, while the P2E segment continued to bleed significantly.

Within the Top 5 cryptos, BTC, ETH and BNB declined in line with the overall market. On the flip side, Ripple’s partial victory in court against the SEC, and increasingly positive sentiments surrounding Solana almost a year after FTX’s collapse, helped push prices of XRP and SOL higher this quarter.

On the back of +85% gain in Q3, MKR successfully broke into the Top 5 DeFi tokens, a continuation of its Q2 climb of +21%. The strong performance came with the execution of its Endgame plan, which included a growing accumulation of T-bills in its treasury.

LINK came second in terms of performance (+30%), as investors grow bullish with the launch of Chainlink CCIP and a slew of successful pilots with TradFi firms. Meanwhile the other 3 DeFi tokens saw declines.

UNI (-15%) and LDO (-17%) again saw double digit losses, while AAVE (-4%) remains relatively resilient compared to both DeFi tokens and other sectors.

Within the Top 5 exchange tokens, BNB (-11%) and CRO (-10%) fell in line with the overall market decline, while LEO (-7%), OKB (-4%), and WBT (-2%) stayed relatively resilient compared to the overall crypto market fall of ~10%.

The play-to-earn sector continues to bleed by double digits in 2023 Q3, with GALA taking the largest loss at -42% and other tokens seeing ~20%+ declines.

Source: CoinGecko
2023 Q3 Top 15 Stablecoins Overview

USDT increased its market share to 69% amidst continued stablecoin outflows

Top 15 Stablecoins Market Cap Breakdown (Jan – Sep 2023)

- USDT: $83.3B (-26.6M (-0.03%))
- USDC: $25.1B (-2.26B (-8.3%))
- DAI: $3.8B (-$0.52B (-11.9%))
- TUSD: $3.4B (+$0.39B (+12.8%))
- BUSD: $2.3B (-$1.87B (-45.3%))

Top 15 Stablecoins Market Cap Change in 2023 Q3

- USDT market cap remained flat in 2023 Q3, however it saw a +2.6% gain in stablecoin market share. USDC saw the largest absolute losses at -$2.3B (-8.3%) while BUSD saw the largest percentage decline (-45.3%).

- USDT (+12.8%) was the only gainer within the Top 5 with a $0.39B increase in market cap.

- Within the Top 15, notable new entrants to include FDUSD (+55.8% or $0.15B), CRVUSD (+1.8% or $2.2M) and PayPal’s PYUSD (+113.2% or $50.1M) at #9, #13, and #15 respectively; all were launched some time within Q3. Meanwhile, FRAX (-33.2% or $0.33B), USDP (-50.7% or $0.50B), and GUSD (-46.8% or $0.27B) saw the largest losses.
2023 Q3 Total Crypto Market Cap & Bitcoin vs. S&P 500

From being moderately negative (-0.54) in Q2, correlation between total crypto market cap and S&P500 turned moderately positive (0.52) in Q3 after both markets similarly declined.

After a lengthy rally across the first two quarters of the year, the S&P500 stumbled in Q3, closing 3.8% down. With crypto also experiencing a down quarter, the bitcoin-S&P500 correlation was a moderate 0.43, while total crypto market cap–S&P500 correlation was at 0.52.

Despite returning to a moderately positive correlation score in Q3, the sequence of market movements throughout the quarter don’t really provide evidence of much relation between both markets.

Correlation between total crypto market cap and bitcoin returned to 0.98 in Q3 after the lower than usual score of 0.84 in Q2. BTC remains the bellweather asset for crypto during the bear market.

In terms of volatility, the overall crypto market was 2.63x more volatile than the S&P500 in Q3, with an annualized volatility of 28.4% vs 10.8%.

Source: CoinGecko, MarketWatch
2023 Q3 Notable Events Timeline

Q3 saw several wins for the industry, with Ripple's lawsuit victory followed by Grayscale's victory, and also had several other notable highlights – Base launch, Telegram Bots & Friend.Tech Hype

- Multichain bridge exploited for more than $125M
- Judge Ruled Ripple Sales of XRP were not securities
- Chainlink CCIP launched; Mantle L2 launched
- Telegram Bots reached $100M market cap
- Curve Finance suffered reentrancy attack, $70M loss; Base launched “unofficially”
- Grayscale won appeal for SEC to review its case to convert its Bitcoin Trust (GBTC) into spot BTC ETF
- Shibarium launched
- Linea and SEI launched
- Sam Bankman-Fried jailed; Friend.tech launched
- Base officially launched
- Litecoin underwent its third halving
- Metamask introduced off-ramping (USD, EUR, GBP)
- FTX liquidation approved & CoinEX exploited for $70M
- Mixin Network exploited for $200M (Biggest exploit in Q3)
- Pudgy Penguins announced sale of its toys in Walmart outlets
- Binance exited Russia; Ethereum Holesky Testnet launched
BITCOIN ANALYSIS
2023 Q3 Bitcoin Price vs. Trading Volume

Bitcoin hit its yearly high of $31,446 in July but closed Q3 11.5% down q-o-q; however YTD it is still up +63.1%

Following the announcement of Blackrock’s spot ETF filing, BTC went on to make another yearly-high of $31,446 on July 14, marking a 89.3% gain YTD.

However, it has since declined to end Q3 at $26,969, a -11.5% decrease from where it started the quarter.

The leg down in mid-August coincided with reports that SpaceX has sold off some of its bitcoin holdings, as well as Chinese property giant Evergrande filing for bankruptcy.

Notable events for bitcoin in Q3 include SEC postponing all spot BTC ETF decisions to October, as well as Grayscale winning their case against the SEC to review its decision to convert GBTC to a post ETF.

Average trading volume in 2023 Q3 stood at $11.0B, down 20.6% from last quarter.
2023 Q3 Bitcoin Mining Hash Rate
In the run-up to Bitcoin’s halving next year, total hashrate and mining difficulty continue to make ATHs throughout 2023 as miners continue to expand capacity.

**Mining hash rate continues to climb,** increasing by 17% QoQ, as well as **hitting another ATH of 506m TH/s** on September 15. Mining difficulty consequently continues to climb, exceeding 50 trillion for the first time ever on June 13 and ending Q3 at ~57T.

After a bumper Q2, **miner revenue has moderated slightly** in Q3 as transaction fees come down. Earlier spike in fees came from Ordinals, whose momentum has faded.

**Mining developments:**
- Vanguard purchases another 6.6M and 2.7M shares of Marathon Digital and Riot Blockchain respectively, bringing its total investment in bitcoin miners to $560M.
- Core Scientific purchases another 27k ASIC miners; Stronghold another 2k.
- Oman launches a ~$350M bitcoin mining facility; Kuwait bans bitcoin mining and crypto altogether.

Source: Blockchain.com
2023 Q3 Bitcoin vs. Major Asset Classes Price Returns

Extended production cuts has sent prices of crude oil flying, while also stoking inflation fears; meanwhile the Fed’s aggressive rate hikes have caused the TLT to collapse and DXY to rise.

All assets saw declines except for crude oil (+29%) and DXY (+3%), with TLT (-14%) and BTC (-12%) seeing the largest losses.

Crude oil prices rebounded strongly in 2023 Q3 upon fears of tight supply as Russia and Saudi Arabia have extended production cuts until end of year, triggering fears of a rebound in global inflation.

The US Fed’s aggressive rate hikes have sent yields of US Treasury bills soaring, with long duration bonds particularly impacted. As of Sep 30, the TLT is down 38% since the start of 2022. Higher yields have also resulted in a stronger US dollar, hence the appreciation in the DXY.
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Monthly cap of 10,000 calls & a 30 calls/min rate limit.

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ETHEREUM ANALYSIS
2023 Q3 Ethereum Price vs. Trading Volume

Price of ETH fell by -13.6% in 2023 Q3, its first quarter in 2023 to close in the red; YTD ETH is still up by 39.6%

ETH closed 2023 Q3 at $1,671, representing a -13.6% decrease during the quarter.

It started the quarter at $1,934 and edged downwards throughout the quarter. This coincided with the broader market downturn. Despite an overall increase in staked ETH, this did not stave off a selloff.

ETH daily trading volume was at an average of $211 billion in 2023 Q3, down -5.4% from $223 billion in 2023 Q2.

Meanwhile, the Ethereum Foundation proposed EIP-7154 to reduce the number of validators added each epoch given the overwhelming growth of ETH staking which is posing challenges to the network.

Ethereum’s Layer-2 projects have had a busy quarter, with multiple being launched: Mantle Network, Linea, Base, and Shibarium.
2023 Q3 Ethereum Consensus Layer Staking
ETH staking sees growth slow (+14.5%) in 2023 Q3; Lido is still leading the way while Coinbase, and Binance lose market share

Total staked ETH hit 27.3 mil by the end of 2023 Q3, a gain of 3.5 mil QoQ. Total staked ETH climbed at a slower rate compared to 2023 Q2, where 5.6 mil were staked.

Lido remained the dominant staking provider, with 32.2% of all staked ETH, a slight increase from 31.9% in Q2.

Figment has emerged as the third largest staking provider after adding 441k ETH, an increase of 50.8% QoQ.

Exchanges, such as Coinbase and Binance continued to lose market share to competitors. Meanwhile, Kraken outflows have finally ceased after shutting its US staking service.

Source: Dune Analytics (@hildobby)
ETH experienced its first inflationary quarter in 2023, as activity drops across the blockchain; The Ethereum network added ~ 850 ETH to circulation in 2023 Q3

2023 Q3 saw over 199k ETH burned, while 200k were emitted. This resulted in ~850 ETH being added to circulation, the first quarter ETH has been inflationary since the start of the year.

Most of the ETH burned this quarter occurred in July. The largest one-day burn occurred on July 5, where 5.2k ETH was burned. This is a far cry from the yearly peak of 14.6k ETH burned on May 5.

Uniswap remained the dominant ETH burner in Q3, burning 19.5k ETH. However, this is a -88.4% drop from Q2’s burn of 97.5k ETH.

Layer 2 networks such as zkSync and Arbitrum also continued to be among the top burners of ETH, evidence that a constant stream of users are bridging ETH to these networks.
New Blockchains In 2023

Sui was dominant amongst new blockchains, accounting for 91% of all transactions between May – September 2023.

Blockchain Transactions (May – Sep 2023)

- **Sui**
  - Transactions: 802M
  - Transactions since May 2023: 802M
  - Majority of activity in July
  - Sui 8192, a puzzle game
  - Sui vs. Base: 802M vs. 2.8M
  - Polygon zkEVM: 6M

**Source:** Etherscan, Artemis
Bot Wars

Memecoin Season in Q2 gave rise to various Telegram and Discord Bots in Q3, from DEX Trading Bots to Contract Creation Bots; Trading bots amassed $3.2B in volume since the start of 2023.

Trading Volume of Top 5 Bots (Jan – Sep 2023)

Bot Wars arrived in 2023 Q3, with trading bots being the most prominent. Bot trading volume in Q3 totaled $1.9B, contributing to 61.1% of all trading volume in 2023.

Maestro is the leading bot, capturing 58.7% share of the trading volume in Q3. Notably, Maestro is the oldest Telegram bot, having been in operation since July 2022.

Coming in second, Unibot stands out as the first bot to launch its own native token. This enabled revenue sharing for token holders, sparking the narrative of "revenue-sharing bots". Banana Gun had slowly been capturing market share, following the launch of its token in September.

Various types of revenue-sharing bots have since entered the market, including chat summary bots like Paal AI & contract creation bots like EspressoBot and SaintBot.

Trading Volume of Maestro and Wagie Bot is derived from their revenue earned.

Source: Dune Analytics (@whale_hunter)
Friend.tech and the Return of (3,3)
A new decentralized SocialFi application called Friend.tech came to town, allowing users to have direct engagement with creators.

The confirmation of an upcoming airdrop attracted waves of speculators to the platform. Every Friday, users on the platform receive points, which are believed to be connected to the airdrop. This gave rise to (3,3), where speculators purchase each other's keys to prop up the value of their own keys, thus securing a larger point allocation for themselves.

Since its inception on August 10, 2023, Friend.tech has managed to amass 49.0M in Total Value Locked (TVL) with 298.8k users by the end of September 2023.

Friend.tech’s SocialFi platform, backed by Paradigm, offers users the opportunity to purchase “keys”, granting access to private chatrooms with influencers. Additionally, it allows speculators to engage in trading of these “keys”. Beyond chat, friend.tech have since introduced additional features such as photo-sharing and credit card onboarding.

**TVL refers to the Total Value of Keys Minted (bought) minus Keys Redeemed (sold)**

Since 10-Aug-23, $7.9M TVL and $16.9M Trading Volume had been recorded.
Track DEXes and real-time cryptocurrency prices.

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- 2.1M+ POOLS

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2023 Q3 DeFi Overview

Although DeFi market cap saw little progress in July, the sector proved its resilience once more after the August plunge, clawing back market share towards September’s end.

DeFi market cap saw a small decline in 2023 Q3, falling by another 4.9% from $48B in 2023 Q2 to $46B in 2023 Q3. Interestingly, DeFi has outperformed the overall crypto market in Q3, as the global crypto market cap saw a larger loss of 9.6%.

Although DeFi market cap has remained close to $50B since the start of July, the sell-off on Aug 17 resulted in a 6.3% decrease from $46B to $43B, in line with the overall market.

The market cap continued to dip after that, hitting a quarterly low of $41B, before a market-wide recovery towards the end of September pushed it back to $46B.

This time around, DeFi moved higher relative to the market, increasing its dominance to a quarterly high of 4.1%, as attention shifts to protocols involved in RWAs. Maker (MKR), which has repeatedly added RWAs to its holdings, rose by 85% from $830 to $1,533.
**2023 Q3 DeFi Multichain Market Share**

As TVL continues to descend, Ethereum maintained its dominance throughout 2023 Q3, while the newly launched Base network is quickly catching up to other Layer-2s.

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**Multi-chain Total Value Locked (TVL) Breakdown (Jan – Sep 2023)**

<table>
<thead>
<tr>
<th>Month</th>
<th>Total TVL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jan-23</td>
<td>$55B</td>
</tr>
<tr>
<td>Feb-23</td>
<td>$62B</td>
</tr>
<tr>
<td>Mar-23</td>
<td>$63B</td>
</tr>
<tr>
<td>Apr-23</td>
<td>$68B</td>
</tr>
<tr>
<td>May-23</td>
<td>$66B</td>
</tr>
<tr>
<td>Jun-23</td>
<td>$64B</td>
</tr>
<tr>
<td>Jul-23</td>
<td>$66B</td>
</tr>
<tr>
<td>Aug-23</td>
<td>$61B</td>
</tr>
<tr>
<td>Sep-23</td>
<td>$59B</td>
</tr>
</tbody>
</table>

**Market Share**

- **Ethereum**: 65%
- **Tron**: 10%
- **Others**: 8%
- **BSC**: 7%
- **Arbitrum**: 7%
- **Polygon**: 7%
- **Avalanche**: 7%
- **Solana**: 7%
- **Base**: 6%
- **Mixin**: 6%
- **Cronos**: 6%

---

Although July showed slivers of hope for an on-chain recovery, overall multichain TVL resumed its descent from $64B to $59B due to weakened markets and stablecoins leaving the ecosystem. Despite losing close to $3.4B in August, Ethereum has largely retained its 70% share of TVL in 2023 Q3.

While other L1s such as BNB Smart Chain, Polygon and Avalanche collectively lost over $984M in TVL, Tron and Solana have seen positive inflows in 2023 Q3. The Solana ecosystem had regained attention following recent integrations with Shopify and Visa, pushing its TVL higher by 18.7%, from $438M to $520M.

After its mainnet launch in late July 2023, Base network has quickly risen through the ranks, accumulating $370M of TVL, in just over 2 months. Base is currently the ninth largest network, behind other L2s such as Arbitrum and Optimism, which both experienced further outflows in 2023 Q3.

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Source: [DefiLlama](https://defillama.com)

*Monthly TVL is calculated by taking the average TVL daily for each month.*
2023 Q3 DeFi Ecosystem Overview

Most segments within DeFi actually suffered badly over Q3, with the exception of Oracles and RWAs which posted strong performances of +33.9% and +7.1% respectively.

Under the surface, most sectors lost significant amounts of their market cap, as DEXs became the top losers of 2023 Q3, ceding 14.4% of its market share from $9.3B to $8.0B. Liquid staking protocols also gave back some gains from previous quarters, losing $654M in market cap as the hype over LSTs slowly receded.

Interestingly, much of the overall deficit was covered by the 33.9% increase in the oracles market cap from $4.0B to $5.4B, led by Tellor’s recent 4.8x price surge from $10.99 to $52.94 over the past quarter.

Real World Assets (RWAs) also ended the quarter in the green, rising by 7.1% from $523M to $560M as more users turn to capture higher yields from TradFi. Along with the market cap increase of RWA protocols, such as Centrifuge & Domani Protocol by 20.2% and 90.2% respectively, various tokenized assets have already made their way on-chain (see slide 28).

Source: CoinGecko
## 2023 Q3 Cross-chain Bridge Liquidity

Most cross-chain protocols experienced heavy outflows following the closure of Multichain as mega exploit spooks users.

<table>
<thead>
<tr>
<th>Bridges</th>
<th>2023 Q3</th>
<th>2023 Q2</th>
<th>QoQ % Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>WBTC</td>
<td>$4.4B</td>
<td>$4.8B</td>
<td>▼ 8.7%</td>
</tr>
<tr>
<td>JustCryptos</td>
<td>$3.1B</td>
<td>$3.6B</td>
<td>▼ 14.1%</td>
</tr>
<tr>
<td>Stargate</td>
<td>$389M</td>
<td>$402M</td>
<td>▼ 3.1%</td>
</tr>
<tr>
<td>Portal</td>
<td>$322M</td>
<td>$371M</td>
<td>▼ 13.2%</td>
</tr>
<tr>
<td>hBTC</td>
<td>$242M</td>
<td>$272M</td>
<td>▼ 11.2%</td>
</tr>
<tr>
<td>Orbit Bridge</td>
<td>$118M</td>
<td>$125M</td>
<td>▼ 5.2%</td>
</tr>
<tr>
<td>Multichain</td>
<td>$115M</td>
<td>$1.3B</td>
<td>▼ 91.2%</td>
</tr>
<tr>
<td>Synapse</td>
<td>$110M</td>
<td>$179M</td>
<td>▼ 38.4%</td>
</tr>
<tr>
<td>Axelar</td>
<td>$96M</td>
<td>$87M</td>
<td>▲ 10.4%</td>
</tr>
<tr>
<td>Celer cBridge</td>
<td>$88M</td>
<td>$110M</td>
<td>▼ 20.3%</td>
</tr>
<tr>
<td>Poly Network</td>
<td>$85M</td>
<td>$272M</td>
<td>▼ 68.6%</td>
</tr>
<tr>
<td>Hop Protocol</td>
<td>$59M</td>
<td>$71M</td>
<td>▼ 16.5%</td>
</tr>
</tbody>
</table>

From the price of BTC falling by 11.5% in 2023 Q3, we can deduce that the WBTC bridge is still experiencing net inflows, as its TVL fell by a lesser percentage. In comparison, hBTC’s TVL reduced in line with the price drop, showing minimal change in the number of tokens held.

Multichain is no longer in the top 3 following its closure on July 14, as the platform’s TVL has plummeted by 91.2% from $1.3B in 2023 Q2 to just $115M in 2023 Q3.

Poly Network was exploited yet again on July 2 as hackers were able to steal $4.4M worth of tokens, which caused its TVL to drop by 68.6%.

Q3 has also not been kind to Synapse after one of the protocol’s major liquidity providers, Nima Capital, sold over $3.7M worth of SYN tokens and removed liquidity. Its TVL immediately plunged by 19.1% to $114M and has fallen further to $110M by end-September.

As the only gainer of 2023 Q3, Axelar’s TVL rose by 10.4% from $87M to $96M, after the launch of its Interchain Token Service (ITS) on July 18 as well as their integration with dYdX v4.

Source: DeFiLlama
Real-World Assets (RWAs) in DeFi
From tokenized US treasuries to private credit, the RWA sector continues to flourish as more financial products and luxury items are making their way on-chain through institutions.

### Treasuries & Securities
- Protocols such as OpenEden, Ondo Finance and Backed Finance offer exposure to yields from treasuries and selected securities through structured products.
- More recently, KKR, Hamilton Lane and UBS have also begun offering tokenized funds on Ethereum, Avalanche and Polygon, through tokenization platforms such as Securitize.

<table>
<thead>
<tr>
<th>OpenEden</th>
<th>PAX Gold</th>
<th>RealT</th>
<th>Centrifuge</th>
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</thead>
<tbody>
<tr>
<td>Backed Finance</td>
<td>Tether Gold</td>
<td>Propy</td>
<td>Courtyard</td>
</tr>
<tr>
<td>Securitize</td>
<td>Aurus</td>
<td>Landshare</td>
<td>Americana</td>
</tr>
</tbody>
</table>

### Commodities
- Tokenized gold such as PAXG by Paxos and XAUT by Tether have been a mainstay of crypto since 2019, backed by physical gold held in vaults.
- While tokenized commodities are still largely focused on precious metals, there are now tokenized diamonds as well as talks of tokenized uranium.

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</table>

### Real Estate
- Tokenized real estate allows users to own fractions of a certain property, providing exposure to capital appreciation and rental income.
- Property management is handled by the protocol or outsourced to third-parties, and rental incomes can easily be distributed directly to token holders.

<table>
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### Private Credit
- Unlike over-collateralized loans in DeFi, private credit protocols allow institutions to obtain unsecured loans.
- Users can earn interest from providing capital to isolated lending pool, used for underwriting loans which are assessed by the protocol/pool owner.
- Pool owners/delegates are responsible for negotiating loan terms and facilitating liquidations in the event of a default.

<table>
<thead>
<tr>
<th>Centrifuge</th>
<th>Maple Finance</th>
</tr>
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<td>Courtyard</td>
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</table>

### Collectibles
- The concept of digital ownership and scarcity has extended well into the real world with tokenized versions of physical art, watches and even rare wines.
- Backed by a physical item which is authenticated and properly stored, the tokens can be burnt to redeem the underlying asset, which will be shipped to token holders.
Tokenized Treasuries Market Share

With traditional institutions piling in, tokenized T-bills have been the largest driver of on-chain RWA assets this year, with over $665M worth of T-bill tokens issued on-chain.

As the RWA sector continues to grow in 2023, tokenized US treasury bills have surged in popularity, increasing its market cap by 5.84x from $114M in 2023 January to $665M by the end of September.

With traditional financial institutions leading the charge this year, the number of projects offering these products have tripled, with Franklin Templeton controlling 46.6% of the total market share.

Although newer protocols such as OpenEden and Backed Finance continue to gain traction, appetite for Treasury yields have also breathed new life into older protocols. Since its pivot into RWAs in February 2023, Ondo Finance, which was launched in 2021, has issued over $178M worth of tokenized T-bills.

Stellar currently holds 48% of the total market cap as Franklin Templeton and Wisdomtree’s preferred network. The other major network for RWAs is predictably Ethereum, which has 49% share of market cap. Other chains include Polygon and Solana.
Established in 2018, Bitget serves over 20 million users in more than 100 countries and regions.

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NON-FUNGIBLE TOKENS (NFTs)
2023 Q3 NFT Trading Volume across Top 8 Chains

NFT Trading Volume decreased by 55.6% in Q3 compared to Q2, with dwindling interest in NFTs across the board

Top 8 Chains for NFT Trading Volume (Jan – Sep 2023)

NFT trading volumes have decreased by 55.6% from $3.67B in 2023 Q2 to $1.63B in 2023 Q3.

Despite trading volume dwindling, Ethereum maintained its dominance of 83.2% of the NFT market in Q3.

Bitcoin comes in second, capturing 5.6% of the NFT market in Q3. However, its market share has dwindled since its peak in May, only slightly regaining ground in September.

In contrast, ImmutableX NFTs have maintained their trading volume above $20 million per month, enabling them to capture 3.9% of the NFT market in Q3 from 2.1% in Q2.

This is mainly attributable to the trading card game Gods Unchained, which launched on the Epic Games Store in June and had their in-game marketplace roll-out in August.
2023 Q3 NFT Platform Trading Volumes
Blur maintained its position as the dominant NFT marketplace; Tensorswap overtakes Magic Eden in Solana Trading Volume; OKX becomes dominant Ordinals Marketplace

In Q3, Blur maintained its position as the leading NFT marketplace, capturing 56.1% of trading volume. Blur has announced its season 2 airdrop scheduled for November 20, 2023, encouraging airdrop farmers to maximize their potential allocation.

Within the realm of Solana NFTs, Tensorswap, often dubbed the 'Blur of Solana', has overtaken Magic Eden in terms of Solana NFT market share, capturing 57.1% of Solana trading volume in Q3 from 46.8% in Q2.

In the Bitcoin Ordinals space, OKX has rapidly increased its market share to be the dominant Ordinals marketplace, capturing 50.1% of Ordinals trading volume in Q3 from 4.9% in Q2. This gain came at the expense of Magic Eden and Unisat.
Compared to trading, NFT lending volume only declined by 11.2% in Q3, as traders used Blend’s Buy Now, Pay Later (BNPL) to purchase cheaper Azukis while farmers offered more loans to farm airdrop.

The Azuki collections, made up 77.4% of all collateral for loans on Blend in Q3, equating to $9.0B in borrowed funds. This is a significant increase from Q2 where it was only ~30%. The plummeting floor prices of the Azuki collections, due to controversy surrounding the launch of Elementals, attracted both traders & airdrop farmers. Traders rushed to purchase cheaper NFTs using Blur’s Buy Now Pay Later (BNPL), while farmers offered loans through Blend (which are unlikely to execute), using this to farm activity.

Blend maintained its position as the leading NFT lending platform, capturing $284M or 95.8% of NFT lending volume in September 2023. This can be attributed to the promise of its season 2 token airdrop, where allocation can be earned through active use of the platform.

NFT lending across the top 6 NFT lending platforms experienced a decline of 11.2%, decreasing from $1.37B in Q2 to $1.22B in Q3.

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2023 Q3 Notable NFT Events

Despite a quiet NFT market, there were still notable NFT projects in Q3 which had their fair share of hype, as well as drama.

**PFPs**

**Pudgy Penguins in the Real and Virtual World**
- A core thrust of the Pudgy Penguins project has been the monetization of their IP of cute pengus in various forms, including toys.
- The project achieved a notable milestone in 2023 Q3 when its soft toys are now being sold in over 2000 Walmarts in the US.
- The project also announced plans to launch Project Overpass, an IP licensing marketplace, which would reduce the time taken for Pudgy Penguins holders to license their pengus from weeks to minutes.
- Pudgy Penguins also launched Pudgy World, a metaverse where holders can interact, customize their experience, and enjoy various mini-games.

**Bring On The Memes**
- Memes have rose once again in the NFT space, with Sproto Gremlins gaining significant attention.
- Sproto Gremlins is an NFT project created by the same team behind the memecoin HarryPotterObamaSonic10Inu.

**Art**

**Collectors Gonna Collect**
- In Q3, there were a few art collections that stood out among the rest, including Winds of Yawanawa & Sam Spratt’s The Monument Game.
- Winds of Yawanawa represents a collaboration between the Brazilian Indigenous Yawanawa community and Refik Anadol Studio. It features 1000 unique AI Data Paintings created using weather data from the tribe’s village and the works of young Yawanawa artists.
- Sam Spratt’s The Monument Game is an experiment in participatory art, allowing collection holders to place an “observation” on the painting, leaving a digital varnish.

**Games**

**GameFi Resurrection?**
- Krafton, publisher of GTA, announced OVERDARE (previously known as Project Migaloo), a mobile-based, AI-enhanced content creation platform.
- Konami Group Corporation announced Project Zircon, a social, story-based RPG game and a new marketplace called Resela.
- Yuga Labs’ Legend of The Mara launched.
- Notable GameFi Mints in Q3 2023 include:
  1. Zynga’s SugarTown Oras
  2. Mittaria Genesis
  3. Kart Party
  4. Alpha Gate – Space Nation
  5. ZTX Genesis Homes ($13M seed funding)

**Governance**

**Nouns DAO Forks**
- The popular Nouns DAO forked after a disgruntled portion of holders successfully called for a vote to fork and ragequit the project.
- Under the rage-quit rules which were put in place end-2022, the forkers were able to leave with more than half of the DAO’s $50 million treasury.

**RWA NFTs**

**Pokemon (Cards) On-Chain**
- Pokemon TCG Cards are now available on-chain, thanks to Courtyard.io, who safekeeps the cards and issue a tradeable NFT to the owner.
NFT prices at your fingertips
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EXCHANGES
2023 Q3 Top Crypto Exchanges Trading Volume

Trading volume across top crypto spot and derivative exchanges fell by -23.9% from 2023 Q2; majority of losses coming from perps, with CEXes particularly badly hit

Top Crypto Exchanges Trading Volume Decrease in 2023 Q3

Top crypto exchanges closed out 2023 Q3 with an -23.9% decrease in total trading volume from 2023 Q2 to 2023 Q3. Total trading volume stands at $6.7T for the entire quarter. Spot CEXes (-20.1%) declined less than spot DEXes (-31.2%), and spot markets (-21.2%) held up better than perpetual markets (-24.5%).

Derivatives trading volume still made up the bulk of total trading volume with a 81.8% share.

The ratio of CEX : DEX spot trading volume jumped to 91.4% in Q3 from 90.2% in Q2. This is in line with the drop in DEX spot trading volume.

CEX:DEX derivatives trading volume ratio climbed to 98.5% from 98.1%, with derivatives volume on DEXes falling -41.2% during the quarter.
Amongst spot centralized exchanges, Binance's dominance dropped below 50.0% in 2023 Q3, while HTX leapfrogs to become the third largest exchange.

Top 10 Spot CEX Trading Volume Breakdown (Jan – Sep 2023)

- **Binance**: $0.7T (64%)
- **Upbit**: $0.8T (66%)
- **HTX**: $0.9T (61%)
- **Coinbase**: $0.6T (54%)
- **Bybit**: $0.4T (54%)
- **OKX**: $0.4T (53%)
- **MEXC**: $0.4T (49%)
- **Gate**: $0.4T (50%)
- **Bitget**: $0.3T (44%)

**Total Trading Volume ($ Trillion)**

**Market Share**

- **Jan-23**: 64%
- **Feb-23**: 66%
- **Mar-23**: 61%
- **Apr-23**: 54%
- **May-23**: 54%
- **Jun-23**: 53%
- **Jul-23**: 49%
- **Aug-23**: 50%
- **Sep-23**: 44%

Source: CoinGecko

Top 10 spot CEXes **recorded $1.12T in spot trading volume** in 2023 Q3, representing a **20.1% decrease QoQ**.

It has been a turbulent quarter for Binance, **exiting multiple markets, and losing its top executives**. This has impacted its market share, which is now at a yearly-low of **44% in September**, down from 66% in February. The last time its market share dipped below 50% was in June 2022.

**HTX (Huobi) has regained its spot near the top**, with Kucoin being edged out.

HTX saw an increase in Q3 trading volume of $35.3B, a gain of 86.9%. Upbit and Bybit were the only other gainers, with 4.6% and 6.9% respectively.
2023 Q3 Top 10 Spot Decentralized Exchanges (DEX) Trading Volume

DEX trading volumes decreased by -31.2% in 2023 Q3, with Sushi losing its spot in the top 10.

**Top 10 DEXs Total Trading Volume Decrease in 2023 Q3**

-31.2%

Top 10 DEXs recorded a total of $105 billion in spot trading volume in 2023 Q3, representing a 31.2% drop QoQ.

**THORchain saw volumes climb sharply in 2023 Q3, with a 113% gain or $1.27B. However it has come under the spotlight for a surge in illicit transfers through the network. The FTX hacker, and North Korean Lazarus group have been prominent users of the platform.**

**Sushi**, which has been a mainstay of DEXs since its launch in 2020, dropped out of the top 10 in 2023 Q3.

Orca has managed to take Sushi's spot, ending September with a 1% market share.

**Source:** CoinGecko
2023 Q3 Spot DEX Trading Volume Breakdown by Chain

Ethereum remained the most popular chain for DEX trading with 65% share of DEX trading volume, while Polygon and Fantom lost significant market share.

Ethereum captured $67.1 billion of DEX trading volume in 2023 Q3. This is a drop of -22.8% from 2023 Q2, where Ethereum had $86.8 billion in trading volume. However, its share of trading volume amongst all chains has increased from 59% in Q2 to 65% in Q3.

Arbitrum remains at #2 in terms of DEX trading volume ahead of BSC, though its lead has been decreasing throughout Q3.

Fantom has been edged out of the top 10 by newcomer Base. It saw a mere $6.3 million in trading volume in September, after its main bridge, Multichain ceased operations after an exploit in July.

Polygon has dropped from #4 to #7, only hanging on to 2% market share in September after its volume fell by -45.6% QoQ. In comparison, zkSync, THORChain, and Solana increased their share in Q3.

Source: CoinGecko
2023 Q3 Top 10 Centralized Perpetual Exchanges Trading Volume

It’s the same bad news for Binance with perpetuals, as its market share how now fallen below 50.0% in Q3, amidst a broader decline in volume across the Top 10 exchanges.

Trading volume across Top 10 centralized perpetual exchanges fell from $7.1T to $5.4T between 2023 Q2 to Q3. Volumes have been on a steady decline since the start of Q3, hitting the yearly low in September.

Binance lost its grip on having >50% market share amongst Top 10 centralized perpetual exchanges for the first time since April 2021, with Bybit surging.

HTX had a relatively good quarter while KuCoin declined further, with HTX now nudging slightly ahead in ranking.

Elsewhere, the launch of Coinbase’s International Perpetuals Exchange is a dark horse to crack the Top 10, having recently received approval for retail trading.

Source: CoinGecko
Bybit has taken the lead from Binance, after doubling their OI in end-June that was mostly sustained throughout Q3. Bybit saw a >2x increase in OI from ~$4B to ~$11B at the end of June, which resulted in a spike in overall OI. While their OI also dipped together with the rest of their competitors in mid-August to $10B where it sits now, Bybit has taken the lead in OI from Binance.

Binance's OI declined the most amongst Top 10 centralized perpetual exchanges in Q3, falling from ~$9B to ~$7B by the end of the quarter. The decline in OI mirrors the decrease in their trading volume.
2023 Q3 Decentralized Perpetual Protocols Trading Volume

Decentralized perpetual protocols saw greater declines in Q3 volume compared to their centralized peers; Kwenta has squeezed ahead of GMX to be the #2 protocol by volume.

Trading volumes across Top 6 decentralized perpetual protocols saw a precipitous slide from $140B to $82B between 2023 Q2 to Q3.

All protocols saw significant declines, with Level Finance suffering the most.

As volumes faded, dYdX recaptured market share from its competitors, and now has 77% market share in September. Even compared against centralized perpetual exchanges, it would be the ninth largest perpetual trading venue by volume.

GMX, the previous second largest decentralized perpetual protocol by volume, has now been overtaken by Kwenta despite rolling out its V2 upgrade. GMX's fading volume mirrors that of DEXes on Arbitrum, perhaps signs of airdrop farmers leaving the chain.
2023 Q3 Decentralized Perpetual Protocols Open Interest

However OI on these protocols have largely held steady, signaling that traders are still actively taking positions.

Top 6 Decentralized Perpetual Protocols Open Interest (Jan 2023 – Sep 2023)

-4.4%
Top 6 Decentralized Perpetual Protocols OI Decrease from 1 Jul 2023 to 30 Sep 2023

Surprisingly despite the significant decrease in trading volume, OI on decentralized perpetual protocols remained resilient. OI remains at $582M on September 30, compared to $609M on July 1.

From a market share perspective, there were some changes at the margin. Gains Network’s share of OI has shrank from 9% to 3%, while dYdX and Kwenta increased their share of OI from 52% to 56%, and 16% to 18% respectively.

By the end of 2023 September, OI on Top 6 decentralized perpetual protocols is only 2% the size of OI on Top 10 centralized perpetual exchanges.

Source: CoinGecko, Dune Analytics (@gmx-io, @gunboats, @unionepro, @levelfinance)
CoinGecko Chains Page

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