

Q3 2024

Quarterly investment outlook

Sectors & use cases

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1. Highlights

- Token supply and demand trends are dominating the major tokens currently, with the launch of, and fresh demand for, ETFs in the US, as well as concern about supply from bankruptcy estates and governments.
- The news on the US political and regulatory front is increasingly positive, with no action letters from the SEC in long-standing lawsuits recently, and rulings that have substantially reduced the risk of proof-of-stake cryptocurrencies being classed as securities.
- Solana continues to stand out with transaction and revenue growth, however, a lot of this is fuelled by memecoins on Solana.
- The market places a premium on real user traction – such as Telegram-related tokens' (such as Toncoin and Notcoin) access to a 900m user base or the genuine demand growth for rendering services.
- An exception to this is the Layer 2 scalability sector, where strong transaction volume growth has not translated into positive performance for the tokens as a lot of value leaks to projects with no token, new token launches in the sector, and dilution from large unlocks.
- Despite the "hot narratives" of SocialFi and AI, the token prices of these projects are struggling as the market remains unconvinced that the right business models have been found to fuel significant user traction.
- The trend for RWA tokenisation, however, attracts high valuations for related projects as a substantial push and investment by large institutions raise hopes of breakthrough user growth.



2. Trends and drivers

Protocol Layer

Layer 1 blockchain

Token supply and demand trends have overtaken fundamentals such as user growth or innovation and upgrades as the main drivers for the major cryptocurrencies. ETF launches, approvals and filings for further launches are bringing fresh demand from new types of investors. Meanwhile, government agencies selling seized crypto has created supply pressure. Distributions by bankruptcy estates contribute to the market supply (Genesis, Mt Gox) or create potential demand (FTX distributing cash that is likely to be reinvested in the market).

The regulatory clarity on the tokens of proof-of-stake blockchains has increased substantially, reducing the risk for alternative Layer 1 crypto assets.

Bitcoin flows

- The presence of hedge funds among the holders of the Bitcoin ETFs caused confusion over how much of the inflows were market-neutral arbitrage trades. Tracking hedge funds' short open interest on the CME vs the in- and outflows from the ETFs suggests that about a third of the initial inflows were arbitrage positions. At the same time, periods of net outflows correspond to periods of declining open interest, suggesting that most, if not all, of the outflows were due to closing arbitrage positions and not due to selling by the new investors who entered the market after the ETF launch. Meanwhile, the recent bout of inflows does not correspond to any increase in hedge fund short futures positions, suggesting that the recent inflows are a fresh wave of buying by new investors or adding to positions after the recent correction (buying the dip).
- ETF issuers, most importantly the largest issuer, BlackRock, have been indicating that a number of their large institutional clients (including sovereign wealth funds, insurers) are preparing allocations to crypto via the Bitcoin ETFs.
- In terms of future supply trends, the unexpected sudden sale of billions worth of Bitcoin by the German government has been completed, and an analysis of the Mt Gox distributions and statements by some of the largest claims holders suggest that substantial selling pressure is not likely to result.
- The recent correction also led to miner capitulation, exacerbating the supply pressure. Miners, in fact, sold 30 percent more Bitcoin in June than the entire Bitcoin position of the German government (which they liquidated over the past month). However, miner selling was exhausted by the end of June, and since then, miner reserves have been increasing.
- Renewed pro-Bitcoin statements by key opinion leaders such as BlackRock CEO Larry Fink are likely to support demand as they underscore the legitimacy of investing in the asset and also highlight its store of value characteristics in the face of global instability.
- Public companies' treasuries are also gradually increasing their Bitcoin holdings.

Bitcoin Cash

- It is worth highlighting that Mt Gox creditors will be receiving an equal number of Bitcoin Cash tokens as Bitcoin tokens due to the 2017 hard fork that distributed Bitcoin Cash to all Bitcoin holders. Bitcoin Cash has gradually lost prominence over time, underperforming Bitcoin by -97 percent since 2017, and it is quite likely that the Mt Gox Bitcoin Cash distributions will create substantial supply pressure.

Ethereum ETFs

- The newly approved Ethereum spot ETFs started trading in the US, with negative cumulative net flows over the first three days, and the Ether vs Bitcoin price remains close to recent lows. The market will continue to watch the net flows closely, and with Ethereum lacking other strong drivers currently, initial disappointment or a positive surprise are likely to set the short term direction for Ether.
- Inflows are expected to ramp up gradually, and there are good reasons to expect that these will build up to strong net inflows over time. However, the immediate flows are hard to predict, as they are affected by numerous factors, such as the success of the issuers' marketing campaigns, the lack of a staking yield for the ETFs, potential arbitrage inflows or recycling of spot positions. The lack of indications from ETF issuers about short-term demand pressure could be a sign that the initial inflows may not be strong. The market's median expectation for the first month is USD 500m of net inflows.
- Meanwhile, Ethereum continues to lack other positive drivers as it has been inflationary again since April, the next major upgrade is some time away, and its exact content is still being debated, and the strong increase in Ethereum-based Layer 2 transaction volume has not translated into any increase in transactions on Ethereum itself.

Further possible ETFs in the US

- Two issuers have filed to launch Solana ETFs. However, the hurdles to approval are substantial, and while they may fall away over time if the US political and regulatory landscape continues shifting towards a more pro-crypto stance, it is unlikely that Solana ETF filings would provide the impetus for such a shift. For now, BlackRock has given no indication that they would be interested or would see demand – despite rumours in the market about an impending BlackRock filing that cannot be traced back to any BlackRock source, only to speculation by market participants.

Layer 1 crypto assets are not likely to be classed as securities in the US

- The increasing regulatory clarity is an important development for the Layer 1 sector. There have been numerous recent developments on this front: a further ruling by a federal judge that the BNB token was not a security when traded in the secondary market, using the precedent of the similar XRP ruling last year; further statements by the head of the CFTC as well as the language of the FIT-21 crypto bill suggesting that various crypto assets should be deemed commodities; the SEC dropping its investigation into Ethereum's proof-of-stake version; and the important precedent of the Ethereum ETFs having been approved as commodity ETFs.
- Although there is no final decision enshrined in law, the probability of a negative outcome has receded.

Solana's continued user growth

- As transaction volumes and platform revenues drifted lower in the last few months, with the correction and consolidation ongoing since mid-March, Solana stands out, bucking the trend with continued growth in revenues (up more than 50 percent Q2/Q1), growth in ecosystem projects and fees earned by projects built on Solana.
- Solana's market share of the revenues earned by blockchain platforms continues to grow, as does Solana's market share in DEX transaction volume.
- A lot of Solana's growth is fuelled currently by memecoins and celebrity coins, including via the pump.fun memecoin issuance platform, which has seen exponential growth in the last few months.

Bitcoin ecosystem growth

- Network activity on Bitcoin also continues increasing, and transaction fee revenues average approximately double the rate this year vs last year.
- After Bitcoin-native startups emerging as a significant category in the crypto venture capital space since early 2023 and with very bullish predictions about the future opportunity in the Bitcoin DeFi ecosystem, a continued trajectory of growth is expected.

The rise of Toncoin

- The highly scalable blockchain originally created by social media app Telegram has seen extraordinary growth in user numbers this year, and the token's market capitalisation tripled, making it the 6th largest Layer 1 crypto asset.
- Transaction volumes increased almost tenfold year-to-date and active addresses grew twentyfold.
- Integration with one of the leading social media applications in the world (with over 900 million users) supports continued growth, with the popularity of trading bots, tap-to-earn minigames, and Telegram's ad revenue sharing with creators using Toncoin all contributing.
- In a vote of confidence, Tether has recently launched on the network, and Pantera announced a significant investment in Toncoin in May.
- Despite Toncoin's prominence and continued fast user growth, the token is hindered by not being listed on major crypto exchanges such as Binance or Coinbase, resulting in low traded volumes and poor liquidity. Toncoin ownership is also highly concentrated, with the top ten addresses holding almost two-thirds of the outstanding supply.

Sector-specific chains

- Application sectors supported by powerful narratives give rise to sector-specific chains that adapt their features to serve a specific use case. These chains can see fast growth and excellent token performance on the back of positive trends for the sector they specialise in serving. Recent examples are chains built to serve real-world asset tokenisation or AI.
- DeFi protocol MANTRA recently pivoted to supporting RWA tokenisation with a specialist chain and a host of RWA-specific features. The token price increased almost 25x year-to-date and 2x in the last three weeks.
- Although use cases that gain traction create real needs for infrastructure, there is a risk that some projects attach themselves to hyped labels without creating real value.

Layer 2 scalability solutions

The Layer 2 sector has been consistently the worst performer this year, underperforming the market by –75 percent year-to-date and dropping almost –50 percent since the end of Q1.

Although underperformers can experience a sharp rebound when the market breaks out of its current consolidation range to the upside, the factors that have contributed to the underperformance remain in place.

Tremendous user growth

- The sector's underperformance is despite phenomenal growth in transaction volumes since the Ethereum upgrade in March, lowering the costs for Layer 2s. Ethereum Layer 2 transaction volume has more than tripled since then.
- One reason is that a lot of the growth came from small projects such as Arbitrum-based gaming specialist Layer 3 Xai, which now accounts for more than 40 percent of all Ethereum Layer 2 transactions.
- Nonetheless, leading protocols such as Arbitrum have also seen good user growth.
- There is a trend for layers upon layers, escalating scalability and lowering costs exponentially (Layer 3s, Layer 4s). This has already catalysed excellent user growth; however, each layer adds more complexity and creates additional opportunities for vulnerabilities.

Value accrual

- However, a lot of the value generated accrues to projects without a token, such as Base, which has been capturing a lot of market share and has one of the strongest growth trends. Base's revenues accrue to Coinbase and by this, Base's success is cannibalising the value in the Layer 2 crypto sector.
- The token models also mostly lack mechanisms that connect the tokens' fundamental value to the revenues of the protocols – although this may change in future.

Tokenomics:

- One major factor holding back the sector is the remaining pipeline of large token unlocks and numerous new token launches in the sector, which absorb a lot of the demand that otherwise might have led to price performance.
- For example, large unlocks for the highly successful new gaming Layer 3 Xai have contributed to a very poor performance for the token despite its tremendous user growth.

Polygon

- The token of leading Ethereum Layer 2 Polygon has also performed poorly, in part due to negative sentiment, as only a portion of its full suite of scalability solutions benefited from the last Ethereum upgrade.
- However, Polygon is implementing a major upgrade of the network, due to go live in September, which may be a catalyst for the token.

Bitcoin L2 ecosystem

- One of the bright spots in the Layer 2 landscape is the growth of the Bitcoin Layer 2 ecosystem.
- Although the technical challenges are significant, as Bitcoin was not designed at the outset to support an ecosystem of applications and use cases, the market is increasingly alert to the opportunity (including crypto venture capital, which tended to overlook Bitcoin-related projects in the past).
- As a result, the pace of innovation remains brisk, and some of the Ethereum Layer 2 protocols are also expanding to the Bitcoin network. For example, Starknet has recently implemented zero-knowledge proofs on the Bitcoin network, becoming the first protocol to settle transactions on both Ethereum and Bitcoin.
- There is demand for avenues to earn additional yield on Bitcoin holdings (including demand from miners), demand from use cases to rely on the gold-plated security of Bitcoin and opportunities from mobilising long-term Bitcoin holdings.
- The resulting growth in transaction volume and revenues earned by miners also resolves questions around Bitcoin's very long-term sustainability, as miner rewards of newly created Bitcoin eventually tend to zero.
- The SEC's recent no action letter ending their investigation in the largest Layer 2 Stacks removed an additional obstacle.

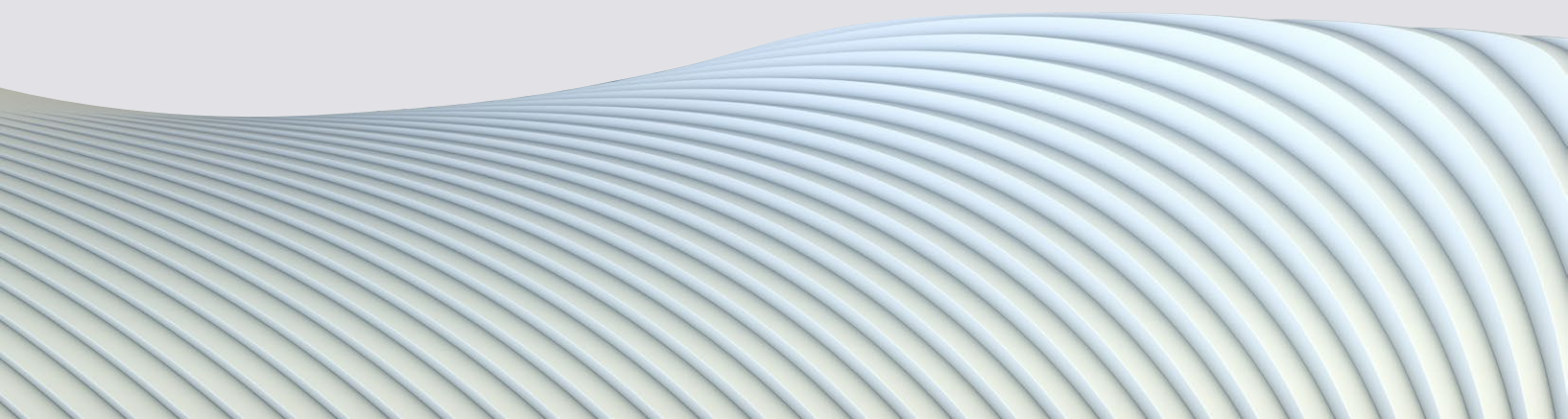
Layer 0 interoperability solutions

With the proliferation of Layer 1 and Layer 2 networks, onchain liquidity has become more fragmented. This emphasises the need for solutions to efficient crosschain communication and transactions between blockchain ecosystems.

Interoperability protocols have been out of favour recently, in part due to the lack of strong narratives for the largest projects. Cosmos boasts a large and fast-growing ecosystem, but its token does not capture value from this growth, while Polkadot has had a lot less traction so far.

However, new token launches in the sector were relatively well received, with LayerZero holding its value, unlike recent Layer 2 launches such as ZKsync or Starknet.

Innovation in the sector remains strong and likely to provide catalysts. Internet Computer's recent focus on AI and interoperability has led to a surge in the token price, and Chainlink's interoperability protocol is getting good traction while the project continues to launch innovative solutions such as a crosschain business environment for traditional financial institutions to conduct tokenisation trials.



Application Layer – Emergent use cases

Web3 infrastructure

DEPIN AI ORACLES DATA SERVICES IDENTITY SOLUTIONS

The market revalued the DEPIN subsector over last year and the beginning of this year, with the growth opportunity for decentralised physical infrastructure networks becoming one of the hottest narratives. Projects sourcing decentralised computing resources saw the greatest interest, with token prices appreciating 10–30x from the beginning of 2023 to the Q1 highs. Since then, the sector has been trading with a high beta to the crypto market, with many tokens losing half of their value as the crypto market consolidated.

The steep Q2 losses mean that the sector can recover sharply as the crypto bull market resumes. This is especially true for projects addressing the fast-growing rendering market. The growth of AI continues to add to the demand, and new AI generative models like text-to-video and sketch-to-3D need even more computational power than LLMs. Aggregate demand for these services is expected to keep growing steeply over the next several years. However, after the substantial price gains since early 2023, the market needs to see evidence of strong actual user growth for the projects to drive the DEPIN sector.

Where evidence of real user traction emerges, the token price can move up fast – such as the token of decentralised telecom project Helium. Its low-cost mobile service offering has attracted customers in the US fast since its launch last December. After subscribers exceeded 100,000 about two weeks ago, the token rallied 60 percent. Leading DEPIN project Render’s migration to Solana could also provide a catalyst for similar growth through lower fees, faster processing and future-proof scalability.

Similar to DEPIN, the emerging AI narrative led to spectacular price appreciation for tokens in the decentralised AI subsector, followed by a sharp selloff since Q1. The selloff has been more than a price correction, as the market started questioning whether decentralised AI protocols have found the right operating models yet to allow them to capture substantial user growth. In addition, Bittensor (the largest crypto AI project until recently) experienced a severe security breach. As three AI projects announced their merger, creating the largest crypto AI protocol, the market’s reaction has so far been cautious.

The services of the oracle subsector are an important necessity for real-world asset tokenisation and the RWA tokenisation trend is likely to support this sector.

Web3 consumer applications

DECENTRALISED SOCIAL STREAMING

Although the “SocialFi” narrative has gained a lot of traction recently, the token prices of projects in this subsector suggest that the market is not convinced.

Even though the rationale for decentralised social media always made sense, it is extremely difficult to get user traction. For context, Donald Trump’s Truth Social only has 2 million users (vs 3.5 billion Facebook users) nearly three years after launch – despite Trump’s popularity with a large part of the US public and despite the censorship drive on the major social media platforms that preceded its launch. For a decentralised social media project starting from scratch, it is very hard to get to user numbers with serious network effects.

Although decentralised social media protocol Farcaster has seen a very sharp growth in user numbers after adding new features at the beginning of the year, total users are below 300,000 for now, according to the project’s website, with criticisms of the project suggesting that a large percent of those are bots. Although Farcaster just had a successful raise from prominent VCs at a USD 1bn valuation, and the Farcaster airdrop is highly anticipated, the token prices of other decentralised social media or SocialFi projects suggest that the market is not anticipating high and sustained user traction. DeSo’s token is down over –50 percent year-to-date, and friend.tech’s token has lost 85 percent of its value since its May launch.

However, decentralised streaming is benefiting from the DEPIN and AI trends, with the tokens of projects such as THETA and Livepeer up 50–100 percent year-to-date. DEPIN project THETA has launched a hybrid edge and cloud computing platform recently to back its video streaming offering and announced a September launch for the mobile version, while Livepeer announced plans to expand to AI video generation. However, these are advances to the backend of streaming services, while the consumer-facing frontends face similar difficulties to decentralised social media platforms as well as apparent regulatory challenges. After the SEC’s win in a lawsuit against LBRY (the backend of crypto-based YouTube competitor Odyssey), decentralised data storage protocol Arweave recently acquired the platform, aiming to integrate Odyssey’s seven million users into the Arweave network.

So far, the greatest user traction has been achieved by Singapore-based decentralised social infrastructure platform UXLINK, exceeding 10 million users. Although the user growth is eye-catching and suggests the project has a chance of a real breakthrough for Web3 consumer mass adoption, its recently launched token is held back by a supply overhang exceeding 90 percent of the total supply, with most of it distributed or unlocked over the next 12 months.

Blockchain-based gaming

The gaming sector got a narrative boost from two recent trends: the success of Telegram’s minigames and the launch of sector-specific Layer 3 protocols such as Xai and Proof of Play, creating the very cheap and highly scalable infrastructure necessary for blockchain-based gaming.

Telegram’s Hamster Kombat – already the third fastest-growing app in history, surpassing 200 million users within a couple of months – is soon to launch its token, while Telegram’s tap-to-earn Notcoin has gained over 40 percent since its May launch, bucking the trend of airdrops losing value after listing. Although Notcoin itself is a memecoin, its use as a payment currency across the Telegram network supports its USD 1.5bn market capitalisation.

Despite these developments and despite the continued bullish predictions for the growth of blockchain-based gaming, the sector has been the worst performer year-to-date. However, major developers such as Sony continue committing to the crypto space, crypto gaming studios keep focusing on improving gameplay mechanics, and the advances in infrastructure create the scalability necessary for gaming projects. Against this backdrop, the sector’s sustained underperformance creates the opportunity for strong performance.

Decentralised metaverse applications

The metaverse sector benefited from a narrative hype during the previous bull market however, both the centralised and the decentralised versions of the metaverse have so far failed to deliver on the promise of a multitude of real-world applications. The opportunity from the next generation of online shopping, entertainment, coworking, education and so on remains, but it continues to be hindered by the technology not being sufficiently engaging to attract and retain users.

Meanwhile, it is mostly gaming projects that explore the metaverse, and the decentralised metaverse sector has a high correlation with the gaming sector.

Stablecoins

Stablecoins are still primarily used in crypto market transactions, and changes in stablecoin market capitalisation tend to signal net inflows or outflows into or out of the crypto market. As \$ stablecoin market capitalisation has grown by USD 35bn this year, this suggests net inflows into the spot markets at double the rate of the USD 17bn net inflows into the newly launched ETFs.

The use of stablecoins in real-world transactions is only a relatively small share of the total stablecoin volume, although their use has increased significantly in countries with high inflation and monetary instability, as well as in cross-border payments by both individuals and corporations.

Stablecoins have been gaining favour with governments, not least as they create demand for government debt, and stablecoin regulation is increasingly being enacted around the world. Regulation, however, tends to restrict decentralised and algorithmic stablecoins and favour those issued by centralised entities, with strict requirements for transparency, the types of reserves, and where the reserves are held. In addition, recent BIS guidance gives preferential treatment in terms of balance sheet reserve requirements to stablecoins issued on private blockchains.

For now, both EU crypto rules under MiCA and the proposals for US stablecoin regulation are less restrictive than the new BIS rules, which are intended to take effect in 2026. In fact, after the MiCA stablecoin rules went live on 30 June, Circle (the issuer of USD Coin) became the first MiCA-compliant stablecoin issuer, receiving the appropriate licence in France.

Meanwhile, the capitalisation of yield-bearing stablecoins has been increasing but remains only a small portion of the stablecoin capitalisation. They are also not used in the same way as the leading stablecoins, either within the crypto market or in real-world payments.

3. News review

Protocol Layer

Layer 1 blockchains

- Bitcoin faced a supply glut in the market due to Mt Gox's repayment plan to creditors and the German government's sale of nearly 50,000 seized Bitcoin. Bitcoin transactions rose by a third last quarter, driven mostly by the new Runes token standard.
- The SEC approved several US spot Ethereum ETFs, which will start trading in July, while Hong Kong's spot Bitcoin and Ether ETFs have been trading with limited flows since April.
- Solana's network activity increased by 40 percent in monthly active users and 13 percent in transactions, while VanEck and 21Shares filed for a US spot Solana ETF.
- The tremendous growth of Telegram's Ton blockchain saw its market cap double to USD 18bn, with USD 1bn in assets locked and a 13-fold increase in active users. RWA-focused Mantra Chain also surged 16-fold since the start of the year, driven by the strong tokenisation narrative and several strategic partnerships.
- AI-linked Injective expanded into the GameFi sector, MultiversX (formally Elrond) launched its blockchain-as-a-service solution, and the Internet Computer introduced a new wallet credential feature.
- Several new high-performance blockchains were recently announced, including BlockDAG, Supra, Zchains, Chromia and the payment-focused BNVK chain.

Layer 2 scalability solutions

- Layer 2 transaction activity more than doubled, driven by the Layer 3 gaming-focused solutions on Arbitrum like Proof of Play and Xai, making transactions 20x higher than Ethereum's. Excluding Layer 3s, quarterly Layer 2 transactions increased by 24 percent, with Base and Arbitrum leading in market share.
- Layer 2 gas expenditure dropped by 94 percent last quarter after Ethereum's successful DenCun upgrade.
- The total value locked across Layer 2s increased substantially, primarily driven by token airdrops from zkSync Era and BLAST, and Linea Finance's and Scroll's upcoming airdrops. Matter Labs launched a new multi-chain framework, Elastic Chain, with an upcoming airdrop.

- The founder of Bitcoin Layer 2 protocol Rootstock released plans for the BitVM framework to improve Layer and sidechain solutions without major changes to Bitcoin's underlying code.
- Bitcoin's lightning network saw a 12.5 percent increase in payment channel capacity, with a major Latin American bank integrating the protocol for its 100 million customers.
- Grayscale launched a new investment trust product based on the Bitcoin Layer 2 solution Stacks, allowing accredited investors to access its token.

Layer 0 interoperability solutions

- Chainlink and DTCC launched a pilot to bring fund data on-chain via Chainlink's Cross-Chain Interoperability Protocol (CCIP) and introduced its new Digital Asset Sandbox to develop on-chain capital markets.
- Cosmos launched its Valence protocol to improve its interchain ecosystem and announced Cardano's IBC integration to improve interoperability.
- The Polkadot community approved a USD 65m fund to improve the scalability and interoperability of its core infrastructure.
- LayerZero launched on Solana to improve its cross-chain messaging across several major networks, but their recent token airdrop faced controversy due to a mandatory donation requirement for claiming the tokens.

Application Layer – DeFi

DeFi lending

- DeFi lending grew last quarter, with the total outstanding debt on Ethereum lending platforms increasing by 36.2 percent and market leader Aave's debt rising by 40 percent. However, token prices did not match this growth.
- Aave announced its V4 protocol roadmap, including new developments for its stablecoin GHO and plans to launch on the Aptos mainnet.
- Decentralised lending protocol Morpho launched on the Base Layer 2 to improve its yield management offering.
- A new Bitcoin lending project, Zest Protocol, raised fresh funding led by billionaire Tim Draper.
- MakerDAO will invest USD 1bn of its reserves into tokenised treasury products, drawing interest from BlackRock, Ondo Finance and Superstate.

Liquid staking/restaking

- Liquid staking now leads in assets locked across all DeFi subsectors, with restaking and liquid staking rising to fifth and sixth place. Despite token price declines, liquid restaking protocols saw a 172 percent increase to USD 13bn, and restaking grew 37 percent to USD 18.7bn.
- The highly anticipated EIGEN token from leading restaking protocol EigenLayer was introduced and is expected to launch this year.
- Newcomer restaking protocol Symbiotic, aiming to compete with EigenLayer, raised fresh funding and quickly gathered over USD 230m within hours of launch, tripling to USD 1bn in assets locked after increasing its deposit limit.
- Bitcoin staking solutions are expanding with pSTAKE Finance launching its testnet, Nomic DAO integrating with Babylon staking protocol and Lorenzo Protocol announcing its upcoming token airdrop.
- The SEC's lawsuit against MetaMask targeted staking services Lido Finance and Rocket Pool, causing their tokens to drop 20 percent. The lawsuit followed after MetaMask launched its pooled staking service for wallet users.
- Lido Finance implemented a new distributed validator module to further its decentralisation efforts.

Decentralised exchanges

- DEX traded volumes increased by 15.7 percent last quarter, with Uniswap capturing nearly half of the sector's market share, while the DEX to CEX spot trading ratio grew by nearly 50 percent, now capturing 14.3 percent of the entire crypto markets spot traded volumes.
- Solana-based DEXs are quickly catching up to Ethereum-based DEX volumes, with over 80 percent of new tokens launching on Solana. This also led to Raydium's market share increasing by 130 percent, and now accounts for nearly 20 percent of all DEX traded volumes.
- The newly announced ONI DEX launched its multi-chain exchange on GALA Chain, Binance Smart Chain, and Ethereum, while SphereX launched its testnet in late June.
- The upcoming Swiss-based CVEX raised fresh funding and is expected to launch its exchange this summer.
- dYdX released its 5.0.0 upgrade with new features and support for Raydium.
- Solana's Zeta Markets unlocked 10 percent of its token supply through an airdrop and announced plans to build the chain's first Layer 2 scaling network.

Tokenisation / asset creation protocols

- Tokenised US treasuries increased by 58 percent to USD 1.76bn, primarily led by BlackRock's BUIDL fund and Ondo Finance.
- Ondo Finance saw significant growth with new product launches and partnerships. Its yield-bearing products now total nearly half a billion in assets, with its token value doubling last quarter and increasing six-fold year-to-date.
- Several RWA protocols announced new developments, including Maple Finance's loan platform, Centrifuge's funding round, Untangled Finance's private credit pool, PropyKey's real estate platform launch on Base and Swarm Market's tokenised gold offering.
- Real estate platform BlockSquare announced the tokenisation of USD 100m in properties and the launch of its new marketplace for trading real estate tokens.
- Crypto startup Hamilton launched tokenised US treasury bonds on several Bitcoin Layer 2 networks.
- New protocols were announced, including the launch of reinsurance protocol Re and the upcoming private credit protocol Ziveo, which will launch at the end of July.

Decentralised finance – other

ASSET MANAGEMENT INSURANCE PAYMENTS PREDICTION MARKETS

- Polymarket surpassed USD 100m in monthly trading volume in June, driven by interest in the US presidential election and the UEFA EURO championship. The Presidential Election Winner 2024 market holds over USD 200m in bets across 17 individual markets.
- Decentralised exchange PancakeSwap launched a new prediction market platform on the Layer 2 Arbitrum.
- Athena Ins introduced its new decentralised insurance protocol to cover DeFi risks such as hacking, smart contract vulnerabilities and stablecoin instability.
- Yearn Finance introduced a new staking and yield offering together with Pendle Finance.

Application Layer – Emergent use cases

Web3 infrastructure

DEPIN AI ORACLES DATA SERVICES IDENTITY SOLUTIONS

- The newly launched AI computing protocol AO, which leverages Arweave’s data storage layer, quickly gathered over USD 158m in deposits.
- Chainlink competitor Pyth Network launched a new data solution to strengthen its oracle services in Solana’s DeFi ecosystem.
- The first phase of SingularityNET, Fetch.ai and Ocean Protocol’s token merger went live, creating the new ASI token.
- After expanding its network coverage in Mexico, Helium surpassed 100,000 mobile subscribers, while its HNT token rallied 40 percent last week.
- Infrastructure protocol Peaq launched its new token and announced its upcoming mainnet, which is expected to launch this year.
- Several DePIN protocols announced new developments, including Theta Network’s hybrid computing platform for AI and rendering applications, IoTeX’s modularity upgrade, Livepeer’s improved AI capabilities, and newcomer Aethir launched on Ethereum, enabling enterprises and miners to use idle GPU resources via their GPU-as-a-Service.
- Decentralised AI infrastructure Raiinmaker raised fresh funding and announced its upcoming token CCOIN through an airdrop.
- Decentralised computing network Golem moved over USD 100m of Ether to exchanges, leading to speculation about their intent to sell.

Web3 consumer applications

DECENTRALISED SOCIAL STREAMING

- The new SocialFi platform UXLINK raised fresh funding, teamed up with Binance and announced an upcoming airdrop after registering over 10 million users.
- The fast-growing SocialFi game Fantasy.top saw over USD 54m in card trading volume by gamifying popular crypto influencers’ activity on Twitter.
- Friend.tech launched its native token FRIEND along with new features like social clubs and chat rooms, although the spike in activity was followed by significant outflows.
- SolChat, a decentralised communication platform on Solana, launched its new wallet streaming feature, allowing users to broadcast live content directly from their wallet applications.

Blockchain-based gaming

- Blockchain gaming captured 28 percent of all Dapp activity and recorded its best investment quarter since Q3 2022, with a 314 percent increase from the previous quarter.
- Telegram’s Notcoin launched a gaming accelerator after the success of its minigames tap-to-earn mining model, attracting over 30 million users.
- Ethlas introduced a new “SkillFi” gaming model for its Battle Showdown game, rewarding players based on their competitive skills.
- The Ronin network launched a zero-knowledge testnet to scale its gaming ecosystem together with Polygon.
- Studio 369 launched its new MCG token on the Ethereum and Immutable zkEVM network to improve the in-game economy for its MetalCore game.

Decentralised metaverse applications

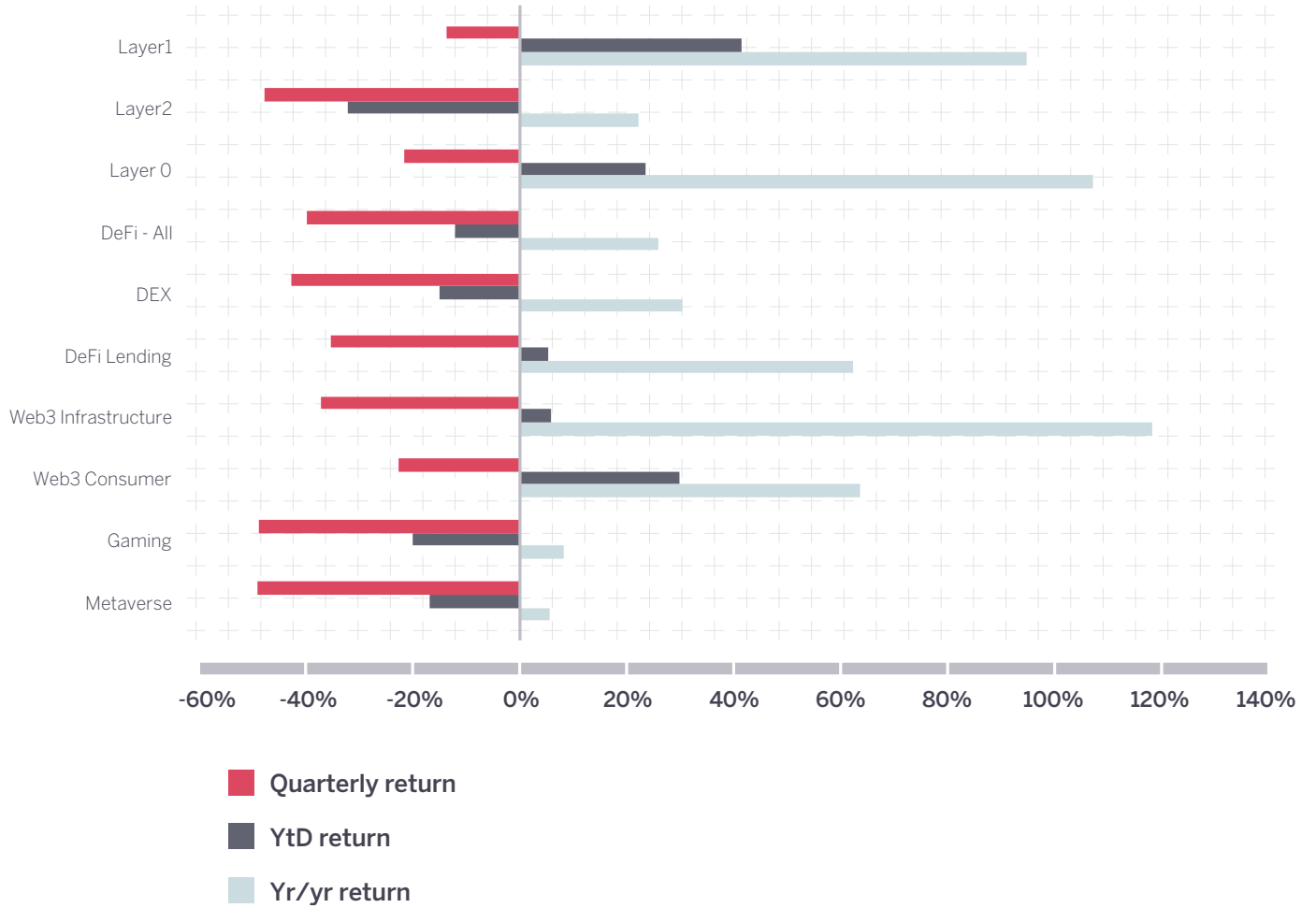
- The world’s largest regional theme park company, Six Flags, launched the first virtual theme park experience on the Roblox platform.
- Animoca Brands led a fresh funding round for The Sandbox with a USD 1bn valuation to further develop its metaverse ecosystem.

\$ Stablecoins

- The total stablecoin supply increased by 15 percent for the third consecutive quarter, with Tether’s market cap rising 8.8 percent and now accounting for nearly 70 percent of the market share.
- Several new stablecoins were announced, including Hermetica’s and Paxos’ yield-bearing stablecoins USDH and Lift Dollar, Ampleforth and Asymmetry Finance’s algorithmic stablecoin afUSD and Ripple’s upcoming stablecoin RLUSD on Ethereum and XRPL.
- USDC issuer Circle became the first stablecoin company to achieve MiCA compliance with an e-money licence from France.
- Tether went live on the Ton blockchain and halted issuance on EOS and Algorand.
- The fourth-largest stablecoin, First Digital USD, launched on the Sui blockchain network.

4. Charts

Sector performance



References

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