

Monthly Market Insights

October 2023



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Key Takeaways

- ◆ The crypto market remained largely unperturbed in September, with the total market capitalization showing negligible fluctuations. Events such as the FTX asset liquidation announcement and the FOMC meeting briefly ruffled the overall calm, but the market quickly absorbed the shocks and regained stability. Telegram's integration of the TON wallet, which fueled a notable rally in the TON coin's value, appears to be the highlight of the month.
- ◆ Account abstraction ("AA") adoption is on the rise, with over 2.3M successful ERC-4377 smart account transactions across 870K+ unique AA accounts. Ethereum's Layer-2s ("L2s") have been central to the growth, with the majority of transactions taking place on Polygon, Optimism, and Arbitrum.
- ◆ September marked the 18th month of consecutive decline in stablecoin market capitalization, as the metric hit a new low of US\$123.8B, a level not seen since September 2021. USDT and DAI bucked the trend, as both stablecoins saw slight increases in market capitalization despite the challenging environment.
- ◆ Uniswap's appetite for gas remains insatiable, solidifying its top spot in ETH gas consumption over the last 30 days. L2s have also seen significant activity due to renewed interest in the space, reaffirming the increasingly important role of L2s in advancing blockchain scalability. 30D transaction volume on the zkSync Era mainnet crossed 30.58M, surpassing Ethereum. Arbitrum is also seeing healthy traction in usage, and we believe this can be attributed to the relaunch of its highly anticipated campaign, Arbitrum Odyssey.
- ◆ The DeFi perpetuals market composition witnessed notable shifts in September, with ApolloX emerging as a significant player after showcasing over 450% month-on-month ("MoM") growth in trading volume market share. This development highlights a changing landscape where ApolloX, among others, is challenging the dominance of established protocols like dYdX and GMX.

Crypto Market Performance

The crypto market, in the absence of significant narratives or catalysts, has largely meandered sideways throughout September. The total market capitalization increased by a slight 2.6%. Two distinct periods of pronounced volatility emerged: firstly between September 11 and 12, and then from September 19 to 21. The downturn on September 11, a 3% drop in market capitalization, can be traced back to the [announcement of FTX](#) liquidating its crypto holdings. However, the market quickly digested the news and rebounded. Following the FOMC meeting on September 20, hints of more rate hikes, coupled with the continued rise of the US dollar index and Treasury yields, further impacted the markets.

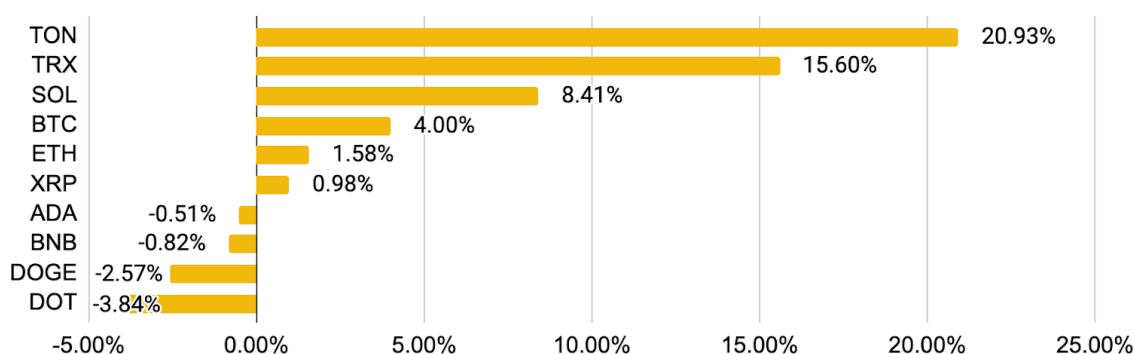
Figure 1: Monthly crypto market capitalization increased by 2.6% in September

Monthly Change in Crypto Market Cap (%)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2023	30.4	3.4	9.3	3.2	-6.0	3.3	1.0	-8.8	2.6			
2022	-22.6	-0.3	25.3	-18.1	-25.2	-31.7	21.8	-11.4	-2.1	7.2	-18.0	-4.5
2021	33.9	39.6	31.1	11.4	-25.7	-5.9	12.5	25.2	-9.9	42.9	-1.0	-15.0
2020	35.4	-5.5	-27.7	38.8	10.0	-4.5	25.9	13.7	-7.6	14.6	37.5	39.7
2019	-11.6	12.3	11.1	17.1	55.5	30.8	-22.5	-6.5	-13.7	14.8	-14.7	-7.9
2018	-10.2	-9.0	-42.9	67.9	-26.2	-23.4	18.1	-22.9	-1.7	-8.4	-32.1	-5.5

Source: CoinMarketCap
As of September 30, 2023

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



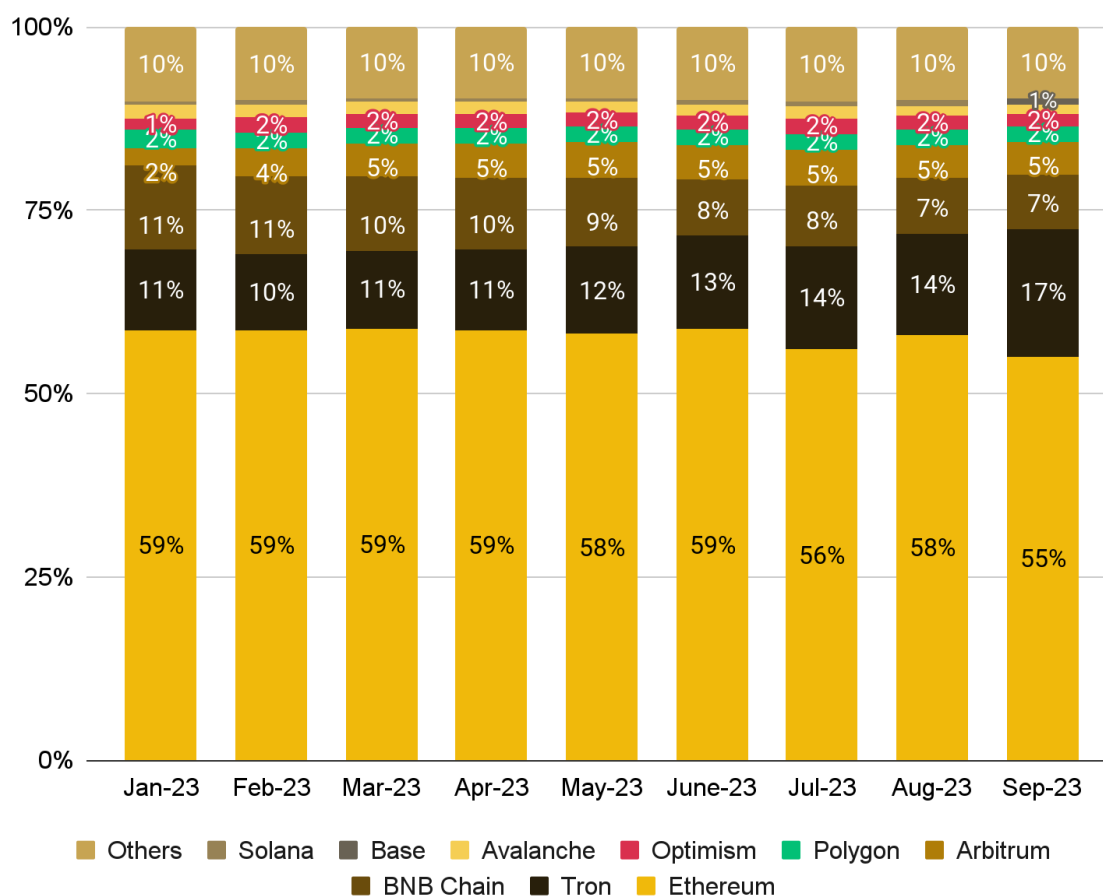
Source: CoinMarketCap
As of September 30, 2023

In descending order of performance:

- ◆ Most of the top 10 coins ended the month in green. Notably, TON and TRX defied the trend, demonstrating impressive gains of over 20% and 15% on a MoM basis, respectively. TON's rally can be attributed to Telegram's [recent announcement](#) on integrating the TON crypto wallet and supporting a TON-based Web3 ecosystem, as highlighted at Token2049. Given Telegram's staggering 800 million user base, this partnership stokes the flame of potential mass adoption, catalyzing the public's speculation and anticipation. While TRX's price surge lacks a direct news catalyst, it's worth noting that the Tron network witnessed the second highest 30D TVL increase among the top 10 blockchains, gaining over 25%, even as most major networks saw diminishing TVL.
- ◆ SOL seemed to pick up its earlier momentum, garnered since June, closing the month with a 8.4% increase. Meanwhile, BTC and ETH displayed resilience, with their prices largely mirroring the market's broader sentiment. Notably, data from [Ultra Sound Money](#) indicates that ETH supply reverted to an inflationary trend in early September.
- ◆ XRP, ADA, and BNB have been oscillating throughout September without a clear direction, closing the month without significant price changes. On the other hand, DOT bore the brunt of the bearish sentiment, with a decline of 3.84% for the month.

Decentralized Finance (“DeFi”)

Figure 3: TVL share of top blockchains



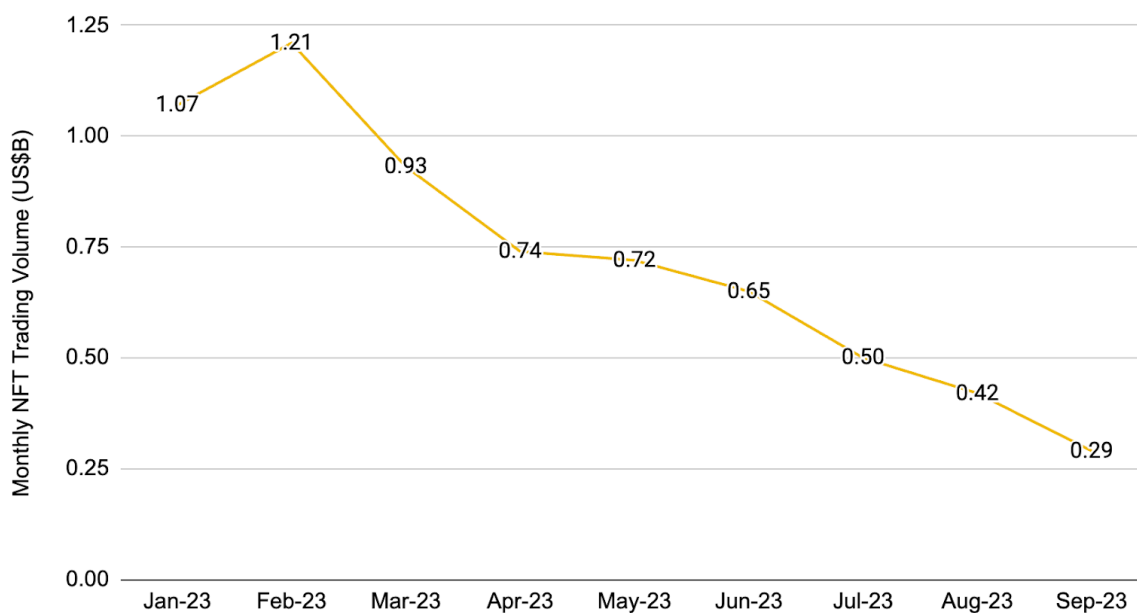
Source: DeFiLlama

As of September 30, 2023

Overall, DeFi TVL recorded a decrease of 0.36% MoM, extending its downtrend for the seventh consecutive month. Following its launch in August, Base has steadily risen through the ranks to capture a market share of 0.91% in September, despite facing a brief outage earlier in the month. Mixin network TVL recorded a significant decline of more than 60% due to a US\$200M exploit that contributed to the overall decrease in DeFi TVL. Notably, Tron had a strong performance in September, as TVL increased by 25% MoM, driven mainly by a surge in activity on lending protocol JustLend.

Non-Fungible Token (“NFT”)

Figure 4: Monthly NFT trading volume



Source: CryptoSlam

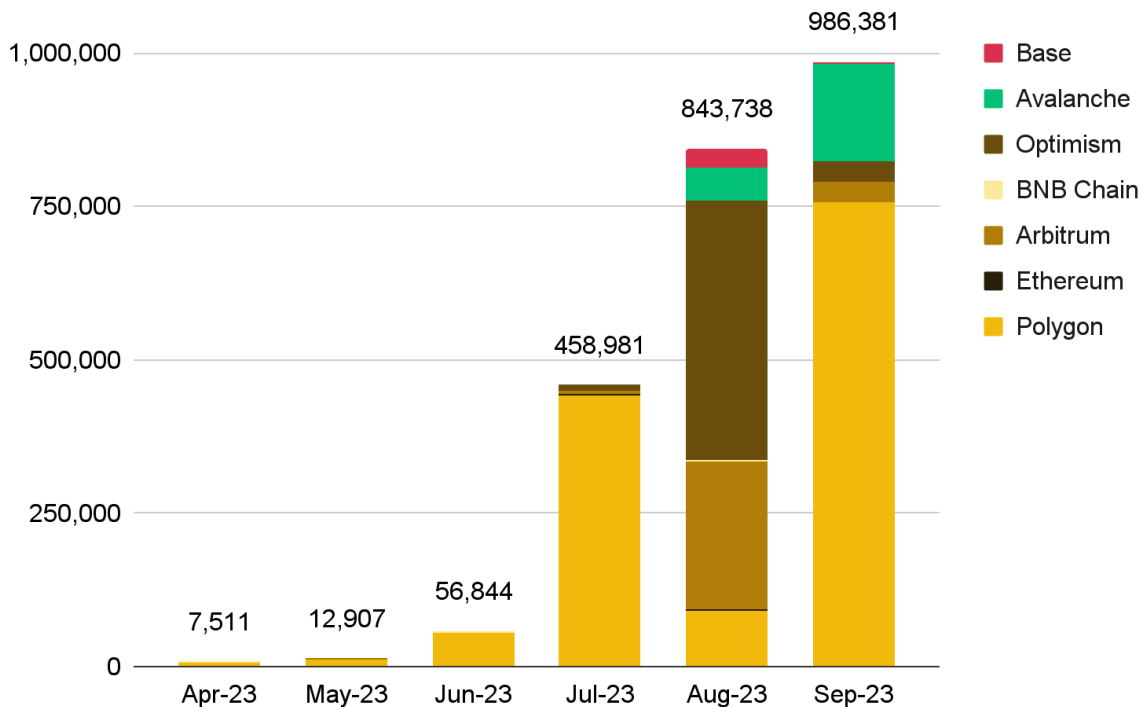
As of September 30, 2023

The NFT market extended its decline in September as total monthly trading volume fell to a new low for the year at US\$0.29B. With floor prices of NFTs remaining under pressure, the number of profitable NFT owners over the last 30 days stands at just 7%, according to data from NFTGo. [Nansen's NFT-500 index](#) revealed a 58% decline on a year-to-date (“YTD”) basis, and the [Blue-Chip-10 index](#) dipped 53% YTD, dragged down by the relatively poor performance of profile picture NFTs, which have the highest market capitalization by category. Overall, NFTs have continued to have a tough year, with categories tracked by Nansen being down between 43% and 70% YTD.

Charts of the Month

Account Abstraction (“AA”) Adoption on the Rise

Figure 5: Total ERC-4337 smart account transactions have been growing month-by-month



Source: Dune Analytics (@niftytable)
As of September 30, 2023

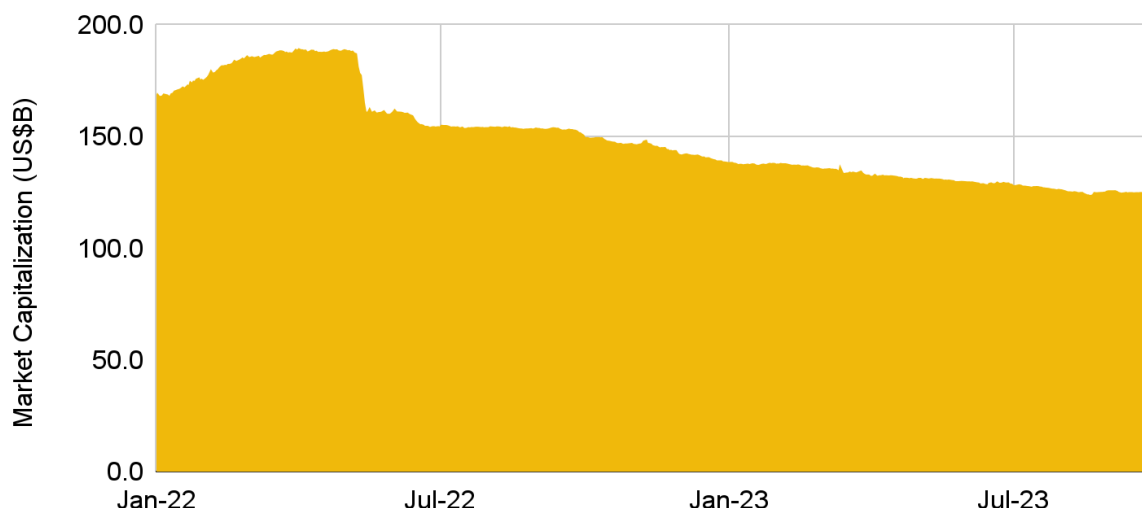
Since ERC-4337 was first deployed in March 2023, adoption has slowly risen, with significant growth observed in the last two months. ERC-4337 introduced account abstraction (“AA”) to Ethereum and other EVM-compatible chains (more details in our recent report, [A Primer on Account Abstraction](#)).

Data shows over 870K unique AA accounts, with more than 2.3M successful smart account transactions completed. The majority of this activity has been driven by L2s, with over half of the transactions taking place on Polygon, 20% on Optimism, and 12% on Arbitrum.

A significant amount of these transactions on Polygon and Optimism have been led by CyberConnect, a decentralized social network where all accounts are ERC-4337 smart accounts. Learn-to-earn dApp Capx and watch-to-earn platform FanTV have also been prominent drivers of recent AA activity on Polygon specifically.

Stablecoin Market Capitalization Hits a New Low

Figure 6: The market capitalization of stablecoins has been on a downtrend



Source: DeFiLlama
As of September 30, 2023

Having peaked prior to the collapse of TerraUSD in May 2022, the market capitalization of stablecoins has been on a continued decline. September marked the 18th month of consecutive decline, as market capitalization hit an end-of-month low of US\$123.8B, a level not seen since September 2021.

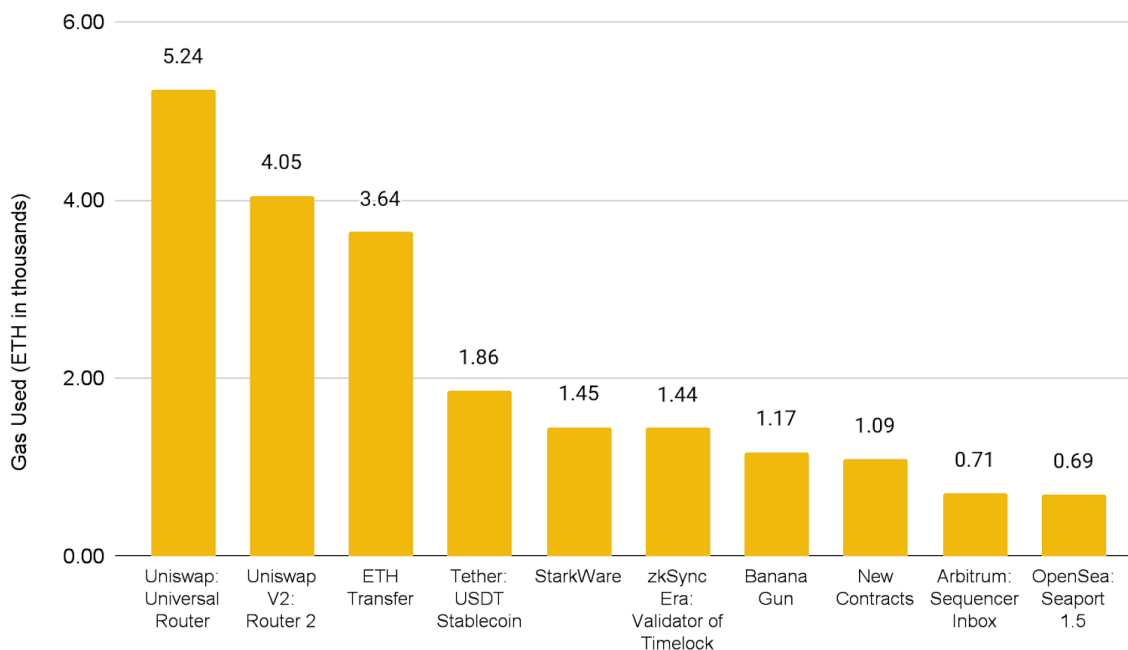
Against the backdrop of elevated interest rates, yields of traditional assets such as Treasury bills and bonds have risen and exceeded stablecoin yields in most areas of DeFi today. Additionally, high interest rates have also contributed to a risk-off environment. The combination of these factors may have driven investors to allocate capital to other non-crypto instruments, resulting in reduced liquidity in the space.

Looking under the hood, USDT has managed to maintain its leadership position with a 67.2% market share. Notably, its market capitalization has also inched higher by US\$334.7M, or 0.4% MoM, despite the challenging environment. Additionally, DAI has seen positive growth following the initiation of the Enhanced DAI Savings Rate (“DSR”) in August. The third-largest stablecoin by market capitalization witnessed an increase of US\$283.4M, or 5.4% MoM, in market capitalization throughout September.

Despite the contraction in stablecoin market capitalization, stablecoins continue to play a fundamental role in the crypto ecosystem. We have also seen the emergence of new players in the past few months. For more details, check out our report, [Emerging Stablecoins: Latest Developments](#).

A Look at Ethereum Gas Guzzlers

Figure 7: Top gas guzzlers over the last 30 days on Ethereum



Source: The Block

As of September 30, 2023

Uniswap continues to take the top spot as the protocol consuming the most gas on Ethereum. Although we are still far from the trading volumes seen during DeFi Summer 2021, Uniswap remains the preferred DEX for many, taking up more than 50% of the total DEX trading volume.

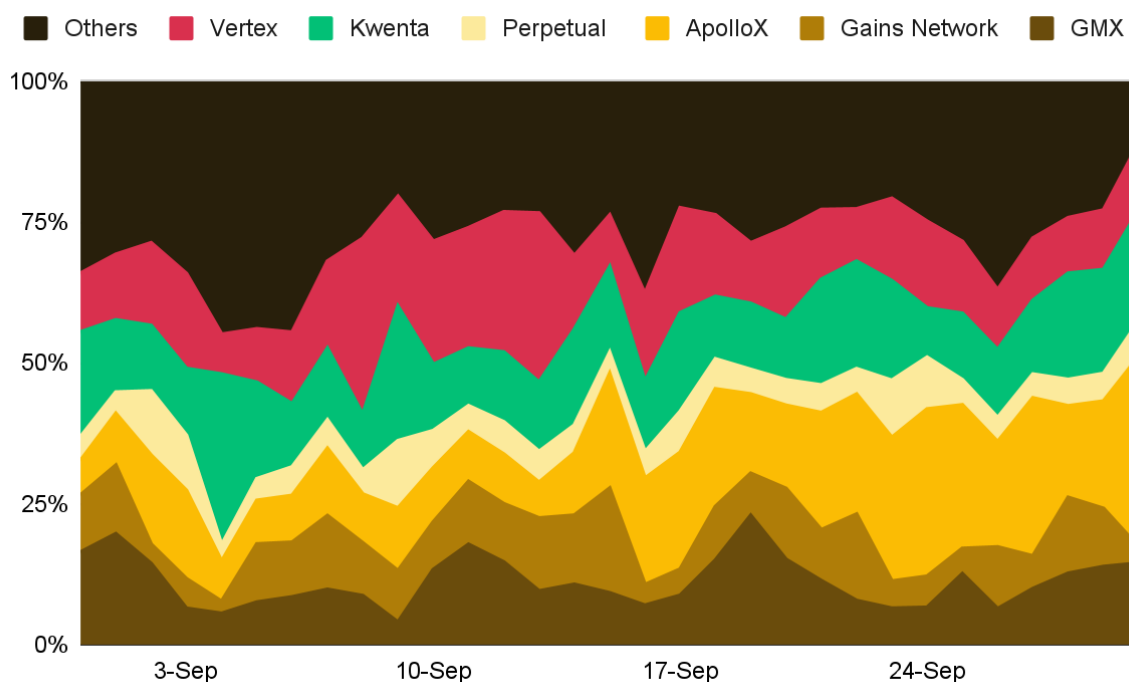
Coming in at fourth place are transactions related to USDT, which remains the largest stablecoin in the market today. Its wide availability and deep liquidity across different venues have contributed to its leadership in the stablecoin space. It is unsurprising to see it as one of the top gas guzzlers, considering the role that stablecoins play in facilitating trades and payments.

[Competition in the Telegram bot space](#) remains strong. With the launch of its own token, Banana Gun has risen in rank and is one of the top gas guzzlers on Ethereum. Banana Gun also boasts an active community, with the second highest daily active users, and has facilitated over US\$269M in [lifetime trading volume](#).

Arbitrum is also seeing healthy usage this month, which can be attributed to the relaunch of its highly anticipated Arbitrum Odyssey, among other factors.

DeFi Perpetuals Exhibit Market Shifts

Figure 8: DeFi perpetuals experienced notable shifts throughout September, with projects such as ApolloX gaining traction, showcasing over 450% MoM growth in its trading volume market share



Note: dYdX is excluded in this comparison

Source: Dune Analytics (@shogun)

As of September 30, 2023

Since our [DeFi derivatives report](#) in early August, the landscape of the perpetuals market has undergone notable shifts. Historically, protocols like dYdX, GMX, and Gains Network were the dominant forces, capturing the lion's share of trading activities. However, starting in September, the dynamics began to change, with both newcomers and established players, notably ApolloX, making significant strides.

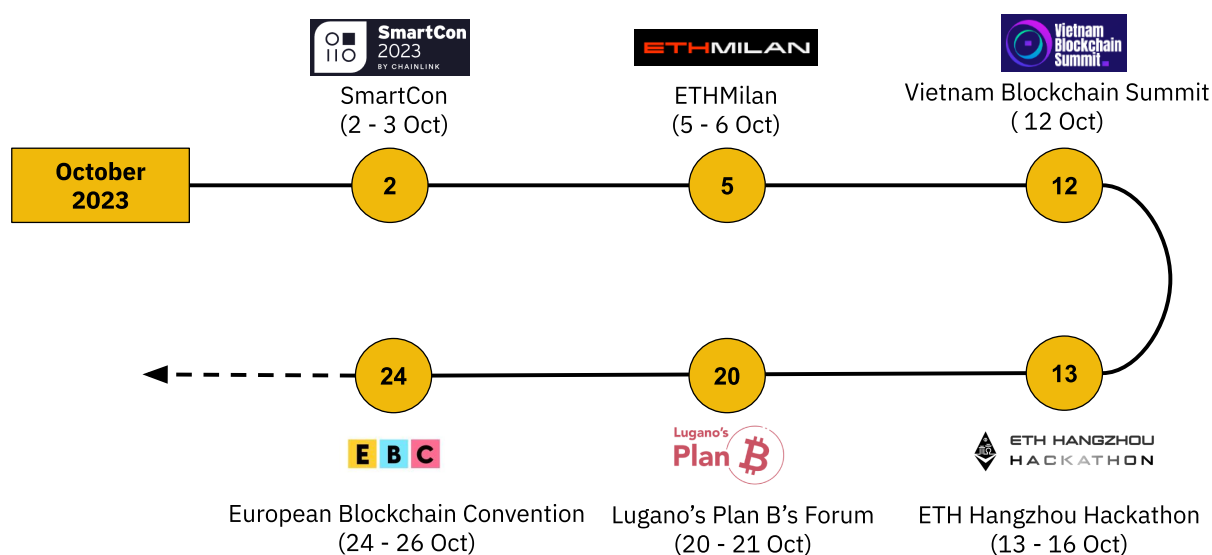
Primarily operating on the BNB chain, ApolloX, an on-chain perpetual exchange, has seen a surge in its trading volume and market share. This uptick can be credited to their newly introduced 'Degen Mode,' featured in their v2 iteration, which permits up to 500x leverage on pairs like BTC/USD and ETH/USD. Combined with zero slippage and zero opening fees, this feature has propelled ApolloX into the spotlight, registering the highest trading volume on multiple days in September, outpacing GMX and others.

Emerging players such as HMX and Vertex Protocol have also carved out their niches. With distinct offerings like HMX's liquidity rehypothecation and cross-margin multi-collateral trading, they're drawing traders' attention. As GMX v2 struggles to maintain the platform's earlier appeal, protocols that emphasize innovation and novel features are steadily chipping away at its market share.

Upcoming Events and Token Unlocks

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

Figure 9: Notable events in October 2023



Source: Binance Research

Figure 10: Largest token unlocks in US\$ terms

PROJECT	TOKEN	UNLOCK IN US\$ EQUIVALENT	% OF SUPPLY	UNLOCK DATE
Axie Infinity	\$AXS	\$71.54M	11.50%	20 Oct
Optimism	\$OP	\$34.06M	3.03%	30 Oct
Aptos	\$APT	\$25.63M	1.91%	12 Oct
ApeCoin	\$APE	\$20.13M	4.23%	17 Oct
Sui	\$SUI	\$17.22M	4.02%	3 Oct
ImmutableX	\$IMX	\$11.05M	1.55%	7 Oct
CyberConnect	\$CYBER	\$6.80M	11.43%	15 Oct
dYdX	\$DYDX	\$4.34M	1.23%	3 Oct
SPACE ID	\$ID	\$3.94M	6.46%	22 Oct
flow	\$FLOW	\$3.40M	0.70%	16 Oct

Source: TokenUnlocks, Binance Research

References

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<https://l2beat.com/>

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

New Binance Research Reports



Oracle-Less: Challenging the Status Quo

An exploration of oracle-less protocols



The OP Stack: What's New?

A look at the growing OP Stack ecosystem



Navigating Crypto: Industry Map

An overview of different verticals in crypto



Monthly Market Insights: September 2023

A summary of the most important market developments, interesting charts and upcoming events

About Binance Research

Binance Research is the research arm of Binance, the world's leading cryptocurrency exchange. The team is committed to delivering objective, independent, and comprehensive analysis and aims to be the thought leader in the crypto space. Our analysts publish insightful thought pieces regularly on research topics, including but not limited to the crypto ecosystem, blockchain technologies, and the latest market themes.



Jie Xuan Chua

Macro Researcher

Jie Xuan (“JX”) is currently working for Binance as a Macro Researcher. Prior to joining Binance, he worked as a Global Investment Specialist with J.P. Morgan and had prior Equity Research experience at various fund houses. JX is a CFA charterholder. He has been involved in the cryptocurrency space since 2017.



Moulik Nagesh

Macro Researcher

Moulik is a Macro Researcher at Binance, having been involved in the cryptocurrency space since 2017. Prior to joining Binance, he had experience spanning cross-functional roles in Web3 and Silicon Valley-based tech companies. With a background in co-founding start-ups and a BSc in Economics from the London School of Economics & Political Science (“LSE”), Moulik brings a comprehensive perspective to the industry.



Shivam Sharma

Macro Researcher

Shivam is currently working for Binance as Macro Researcher. Prior to joining Binance, he worked as an Investment Banking Associate / Analyst at Bank of America on the Debt Capital Markets desk, specializing in European Financial Institutions. Shivam holds a BSc in Economics from the London School of Economics & Political Science (“LSE”) and has been involved in the cryptocurrency space since 2017.



Brian Chen

Macro Research Intern

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



Jin Ming Neo

Macro Research Intern

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

Resources



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