



CRYPTO MARKET ANALYSIS

APRIL 2024 EDITION





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Key Takeaways

TRANSACTION FEES TO SHAPE BITCOIN'S FUTURE

- Bitcoin needs **layer-2 solutions to cross its all-time high**. With the reduction of block rewards post-halving, miners are less motivated to secure the network. Future halvings may, thus, make mining economically unviable.
- Without miner security, Bitcoin's price may not rise. Thus, **transaction fees on Bitcoin's Layer 2 solutions could help BTC positively**.

USDT'S DOMINANCE CHALLENGED

- USDe, introduced by Ethena, **has become the fastest-growing USD-denominated asset** in crypto history, hitting \$1.5B in under 75 days.
- This swift rise has caused a minor dip in USDT dominance, **decreasing from around 71% to 69%**.

AMERICA LOVES SHIBA INU

- Shiba Inu claimed the number two spot - closely following behind Bitcoin, as the **most popular cryptocurrency among Americans in April**.
- This surge in interest can be partly attributed to the **Shibarium UI update launched by the Shiba Inu team** on 18 April. This update aimed to improve user experience, providing a boost to SHIB in the short term.

ETHEREUM LOSES TO SOLANA

- Solana is making significant strides in the DeFi space, with its market share surging from a mere **5% in October to almost 23%, at the time of writing**.
- Meanwhile, **Ethereum's dominance has been waning**, dropping from 29.7% in January.

BTCFI DOMINATES APRIL CONVERSATIONS

- The Runes protocol, newly launched on the Bitcoin blockchain, **has challenged the BRC20 standard**.
- Right after the halving, there was a notable surge in Rune creation activity on the Bitcoin network. **This drove up transaction fees to unprecedented levels**.

GAMING TOKENS DEFY EXPECTATIONS

- Despite the cryptocurrency market's downturn amid the Iran-Israel conflict, **gaming tokens showed resilience**, thriving independently.
- Among them, **Axie Infinity shined brightly**, with its Smooth Love Potion (SLP) tokens gaining significant traction. As of 21 April, the game boasted an impressive average monthly player count of 358,861.

NFT MARKET SEES HOPE

- Most NFT marketplaces saw decreased volume last month, but Magic Eden stood out with a strong **\$22.09 million in trading over 30 days**.



Overall Market Performance

- April witnessed an unexpected turn of events in the cryptocurrency market. Despite predictions of a sustained bull run following the Bitcoin halving, **the month was shaped by extreme volatility.** Just a day before the halving, the total crypto market cap sat 28.49% below its record high of \$3 trillion.
- **Three crucial macroeconomic factors** emerged as the driving force behind the volatile market movements.

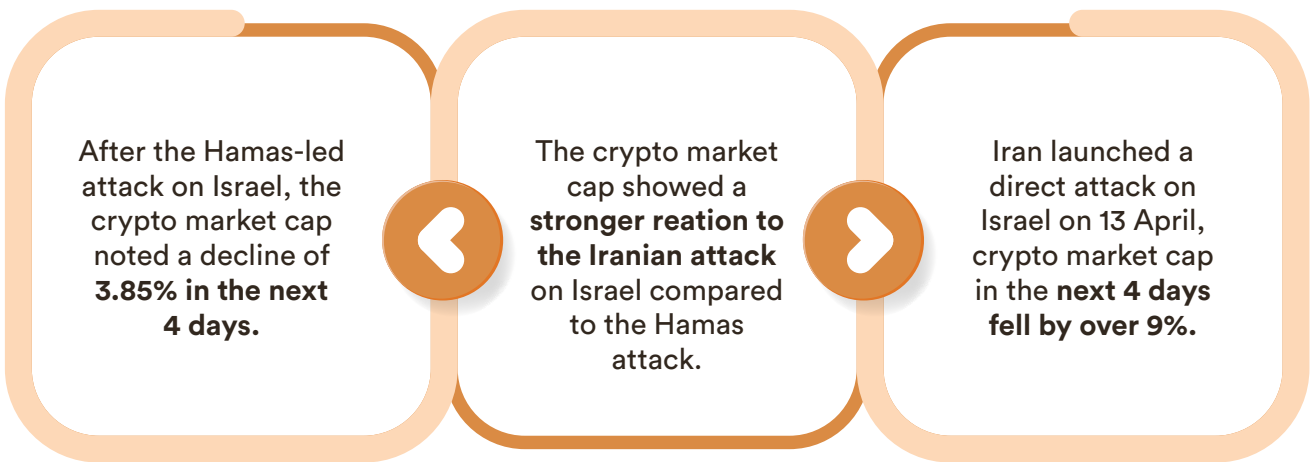
ISRAEL & IRAN CONFLICT

- On 13 April, Iran launched a direct attack on Israel for the first time in history, prompting fears of World War III. The broader market faced an immediate impact - **From 11-14 April, the crypto market cap dived 18.67%.** Stocks and bonds fell, while oil and gold surged.
- As of 21 April, the geopolitical tensions were rife. Israel pledged to “exact a price” from Iran in response to missile and drone attacks. **The US seems to be supporting**

Israel, indirectly, while Russia has warned the Jewish nation against any escalation.

- On the back of the Middle East conflict, traders can expect bond prices to fall further, and the cost of credit will rise for companies. Because of the reduced profitability of the corporate sector and heightened uncertainty, **the crypto market is likely to continue its downtrend in May after a brief hike.**

Figure 1: How recent geopolitical tensions have impacted the crypto market



STICKY INFLATION - NO RATE CUTS FOR NOW

- On a year-over-year (YoY) basis, inflation rose by a **stronger-than-expected 3.5% in March.** In April, Jerome Powell indicated that the Fed might maintain steady interest rates to control inflation, citing the lack of additional progress on slowing down inflation.
- Hence, the probability of

a rate cut for June went from **71% in the first week of April to 50% in the second week, to now 25%,** according to Greg Magadini, Director of Derivatives at Amberdata. This news sparked a sell-off in the crypto market, shaking investors’ confidence.

OIL PRICES HELP THE CRYPTO MARKET

- Oil prices and escalating

tensions in the Middle East surged on 19 April. This triggered some investors to **seek shelter in cryptocurrencies,** seen as a potential hedge against inflation.

- As a result, the total market value of cryptocurrencies **jumped by 4.92% shortly after Israel’s retaliation,** reflecting a temporary boost in investors’ optimism.



A Look At The DeFi Market

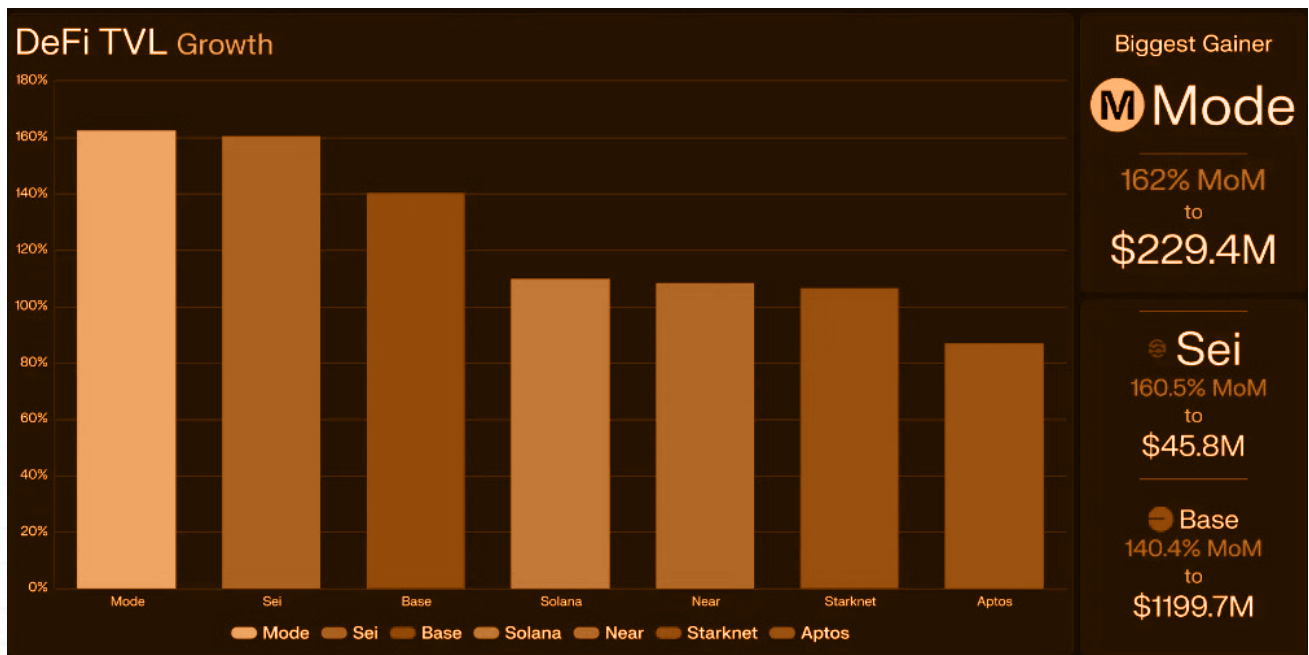
- The total value locked (TVL) in DeFi saw a significant jump from \$81.44 billion on 1 March to \$94.41 billion on 1 April. This increase was mainly due to **rising asset**

prices and the growing popularity of liquid restaking.

- DeFi's TVL growth wasn't evenly distributed, though.

The biggest gainer in the first quarter of 2024 was the **Ethereum L2 platform MODE**, which saw a 162% month-on-month (MoM) increase.

Figure 2: DeFi protocols with their TVL share



Source: Messari

Solana's DeFi scene saw boom in the first quarter, with daily active addresses surging by **45% compared to the previous quarter**. This surge can be attributed, at least in part, to the popularity of memecoin trading on the Solana blockchain. In January, Ethereum's DEX market share was 29.7%, and it has been declining since then. Conversely, Solana's **DEX market share has grown from 5% in October to nearly 23%, at the time of writing.**

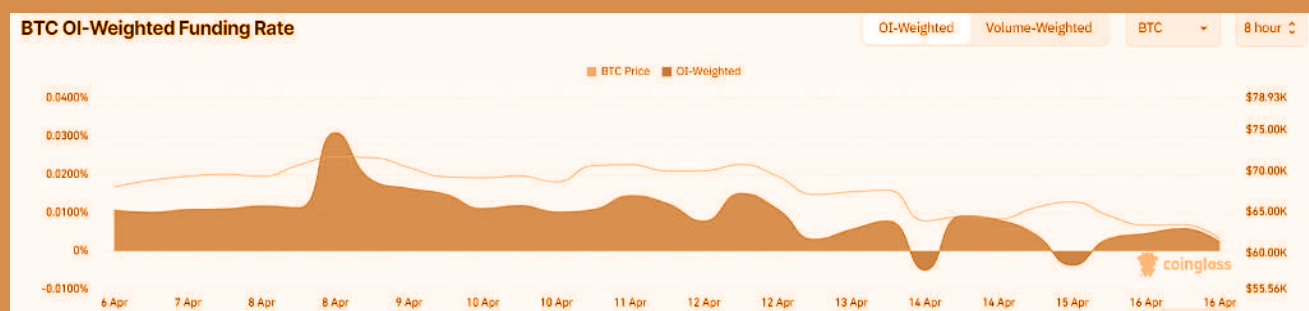


Bitcoin Market – In-Depth Analysis

- Bitcoin underwent its fourth successful halving on 19 April 2024. Just nine hours before the halving, **\$1.92 million flowed into long positions, indicating bullish bets** on Bitcoin's future price. This sentiment was further reflected in the positive funding rate, where long holders paid a premium to short holders.

- Despite ongoing geopolitical tensions, the overall market atmosphere leaned positive. Following the halving, **retail investors adopted a HODLing strategy**, contributing to an initial market upswing.

Figure 3: BTC OI-Weighted Funding Rate remained positive after 15 April



Source: Coinglass

- Hodlers with at least 0.1% of supply bought the dip, adding **19,760 BTC (>\$1.2B) to their holdings**. A lot of opportunistic buying took place within the range of \$60K-62K.

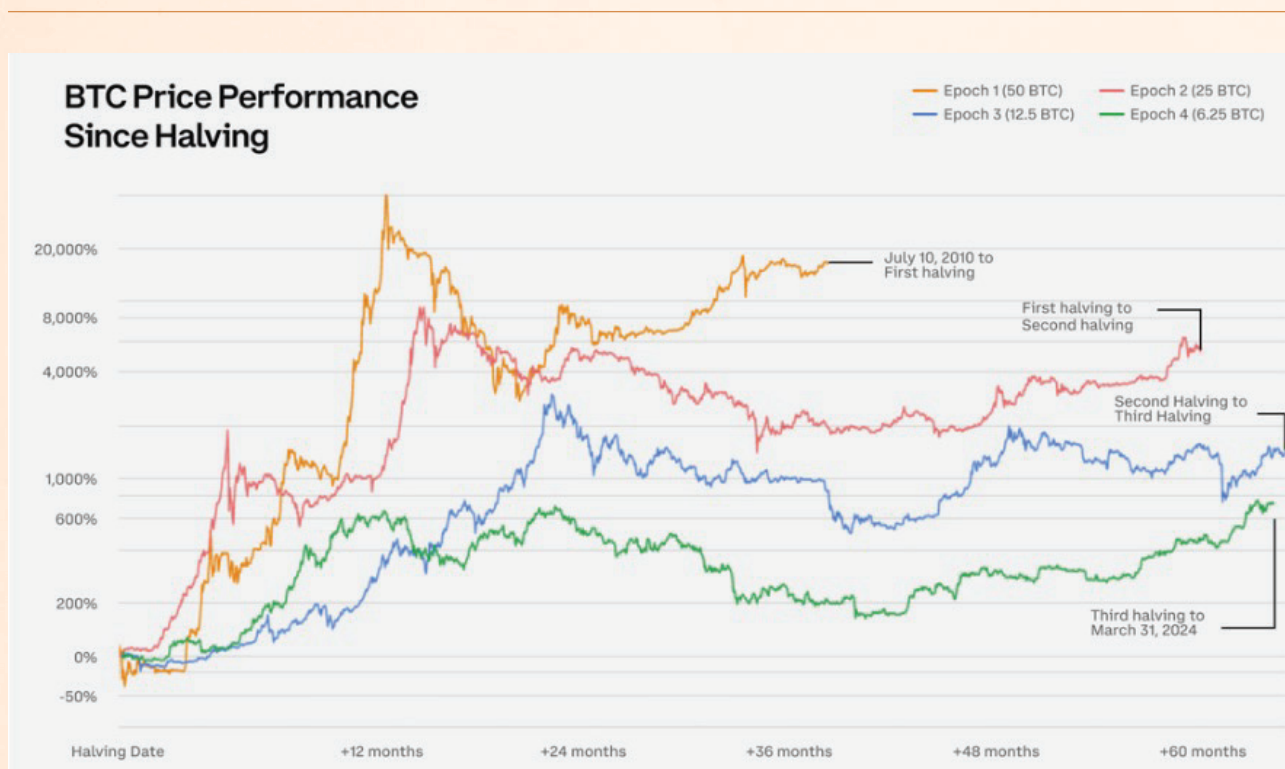
- If crypto fails to receive ETF boosts, **Bitcoin might reverse its upward trend and start mirroring the stock market's downturn**. This unexpected shift could disappoint those who viewed Bitcoin as digital gold. Thus, initiating a sell pressure.



What To Expect In The Next Few Months

- Sharp price increases followed past Bitcoin halvings. BTC saw significant gains within 12 months of the first three halvings: **over 1000% after the first, 200% after the second, and over 600% after the third.**
- A substantial increase in BTC's value can surely be expected in the next six months. However, claims of **Bitcoin crossing \$100k by 2024 end remain questionable.**

Figure 4: Impact of past three halvings on Bitcoin



Source: Glassnode

- **Investments through BTC ETFs** will have a bigger impact on price compared to the halving event. Consider this - Daily miner Bitcoin issuance has been competing with high purchases of Bitcoin ETFs.
- For instance, while miners are adding approximately 900 BTC to the market daily, **Bitcoin ETFs are adding far more.** Thus, significantly influencing supply levels and market liquidity.





The BTC ETF Swings

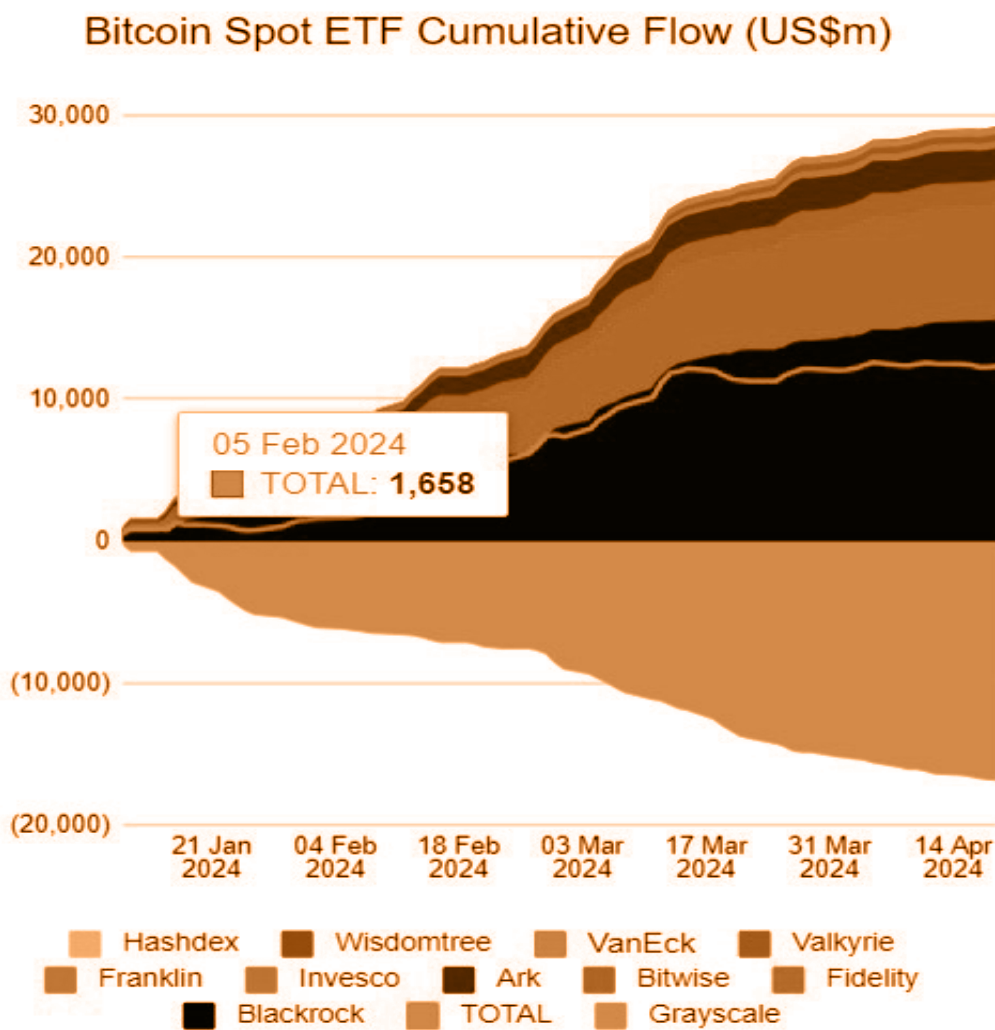
- Bitcoin ETFs registered a minor outflow of \$4.3 million on 18 April, marking the **fifth consecutive trading day of outflows**. However, this outflow was the smallest among the previous five

trading days, potentially signaling a change in investor sentiment.

- Bitcoin ETFs have brought in about \$27 billion so far. **Grayscale's GBTC has**

been the dominant player, accounting for a substantial portion of the total inflow. However, it also registered massive outflows last month.

Figure 5: The chart shows how BTC ETF growth saturated in April



Source: Farside Investors

- Well, the cumulative inflow experienced steady growth from January to mid-March 2024. A more rapid increase followed this in the second half of March. **Even so, the**

growth slowed down in April.

- A few experts speculate there might be a **Bitcoin options ETF within a year,**

which could push the asset's prices up. But some roadblocks from regulators like the SEC need to be cleared first.



Rise Of BTCFi

- After the Taproot upgrade on the network, Bitcoin's programmability has increased. The upgrade introduced smart contract capabilities that, eventually, **gave birth to DeFi on Bitcoin (BTCFi)**. This allowed developers to create Inscriptions, Runes, and BRC20 tokens on the blockchain.

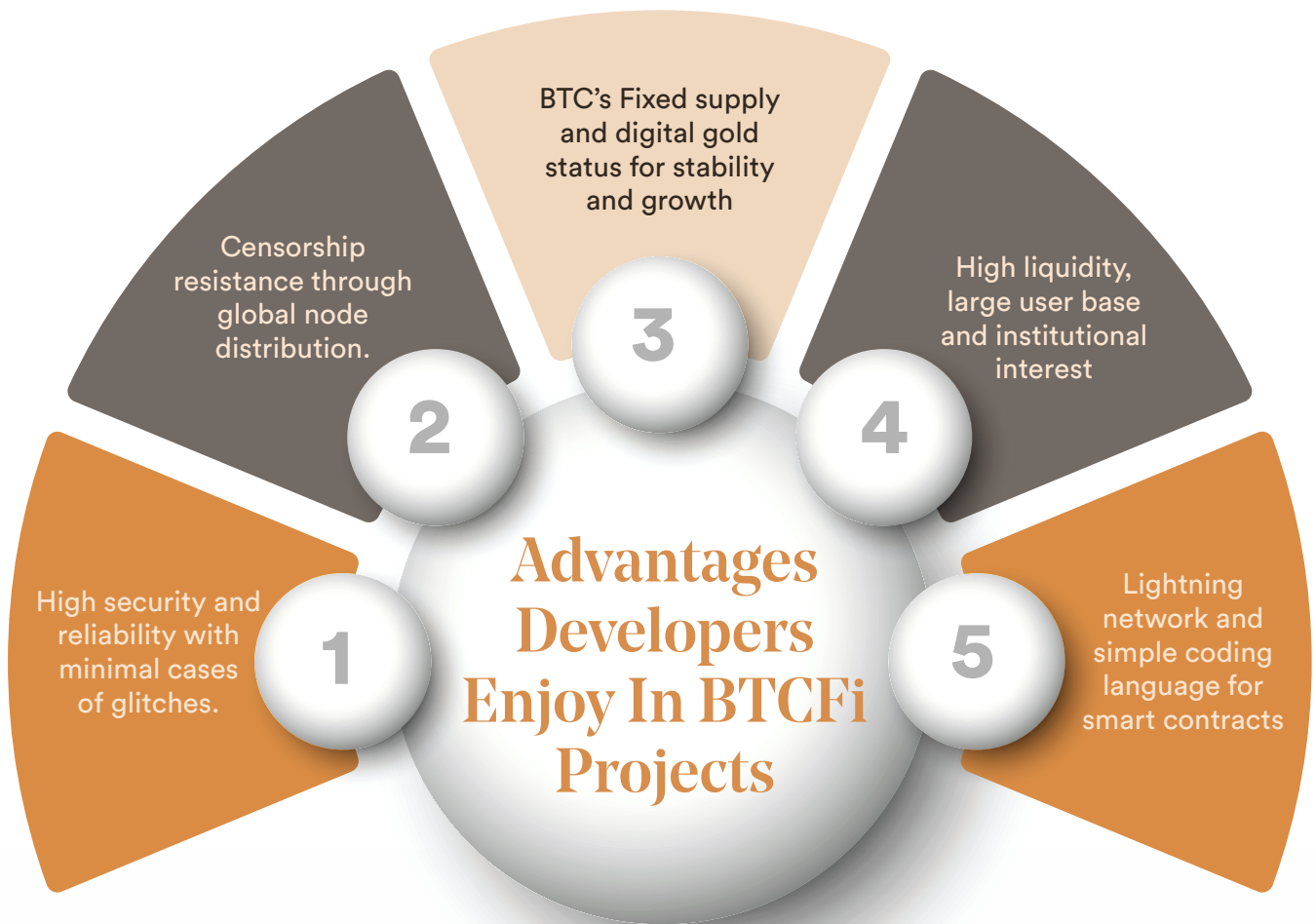
- **Runes was launched at the back of the halving event.** It is a new token standard that aims to resolve the scalability issues associated with the BRC20 standard.

- Right after its debut, **there was a significant increase in Rune creation activity** on the Bitcoin network, which led to higher transaction fees.

- **Immediately after the halving, each block within the block heights 840000 and 840014 saw an average reward of 21.74 BTC**, with approximately 18.62 BTC coming from transaction fees.

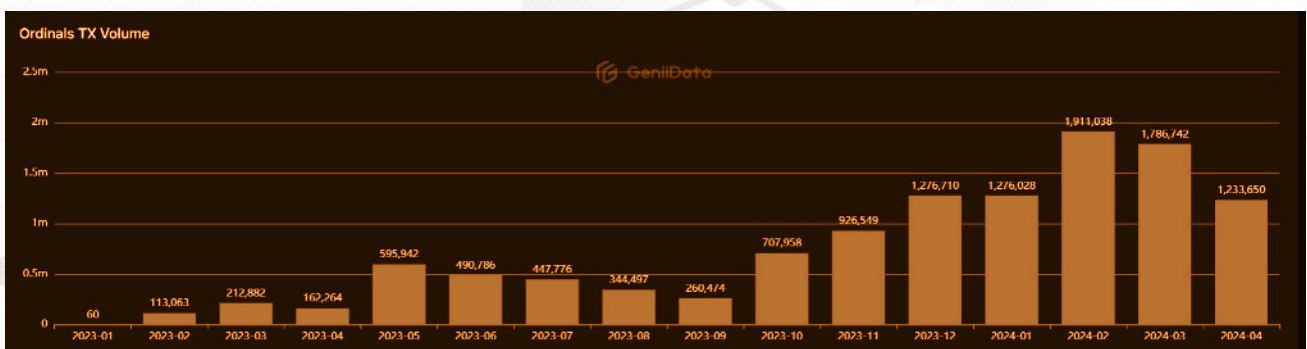
- Runes and Ordinals are alike because they both let developers create and mint tokens on the blockchain. The big difference is that Ordinals are used to create NFTs (kind of like one-of-a-kind items), while Runes can be used to create fungible tokens. **About 3544 Runes were etched as of 21 April, with a count of 57051 holders.**

- The first Runes project to mint was **Casey Rodamor's own UNCOMMON•GOODS**, which was announced well in advance of the halving. As of 25 April, the project had started getting a lot of traction.



In April, there was a drop in Ordinals transaction volume from 1,786,742 to 1,233,650. This followed a peak of 1,911,038 transactions in February 2024. This shift suggests that investors' focus has been moving towards the Runes protocol recently.

Figure 6: The chart presents fluctuations in Ordinals transactions volume



Source: GeniiData



Altcoins' Overview

- As compared to March, there was less demand for leverage in the Ethereum futures market in April. In the past six months, it was the first time that the **ETH OI-Weighted Funding Rate turned negative on 13 April**, signalling the dominance of bearish sentiment among derivatives traders.

- In the initial weeks of April, the **Total Value Locked on Solana experienced a decline**, yet it regained strength as the month progressed.

- Among the 114 protocols hosted on the Solana blockchain, **Edgevana, a liquid staking platform, recorded the most significant one-month increase, soaring by an impressive 588%**.

- The impact of the Bitcoin halving was predominantly evident in the prices of memecoins. Following the halving, many memecoins experienced double-digit gains within a day, **with notable examples such as BONK surging by as much as 50%**.

- Despite the cryptocurrency market downturn amid the Iran-Israel conflict, gaming tokens thrived independently. Notably, **Axie Infinity stood out, largely due to the appeal of its Smooth Love Potion (SLP) tokens**. As of April 21, it boasted an average monthly player count of 358,861.

- In April, AI tokens tracked Bitcoin's price closely. **Near Protocol and The Graph stood out for their strong on-chain activity**, particularly in terms of volume and daily engagement.



Key Developments in Ethereum

- In April, the Total Value Locked on the Ethereum blockchain stayed relatively high. Lido, a liquid staking platform, held **\$29.765 billion**, making up a significant portion of Ethereum's TVL, despite experiencing a -9.96% 30-day change.
- The SEC has until late May to finish reviewing an Ethereum ETF, but there's speculation it could be delayed. **Initially, ETH prices dropped, but they gained momentum after April 19**, partly attributed to optimism around the potential approval of an ether-backed ETF by the SEC.
- Development activity on the Ethereum blockchain saw a notable decline, but it rebounded in April, surpassing its previous peak in October 2023.
- 21 April saw a plunge in Ethereum's "Gas used" metric, reflecting **lower network activity and fewer NFT mints**.

Figure 7: Gas used on Ethereum declined significantly on 21 April



Source: Santiment



Ethereum's Staking Challenge

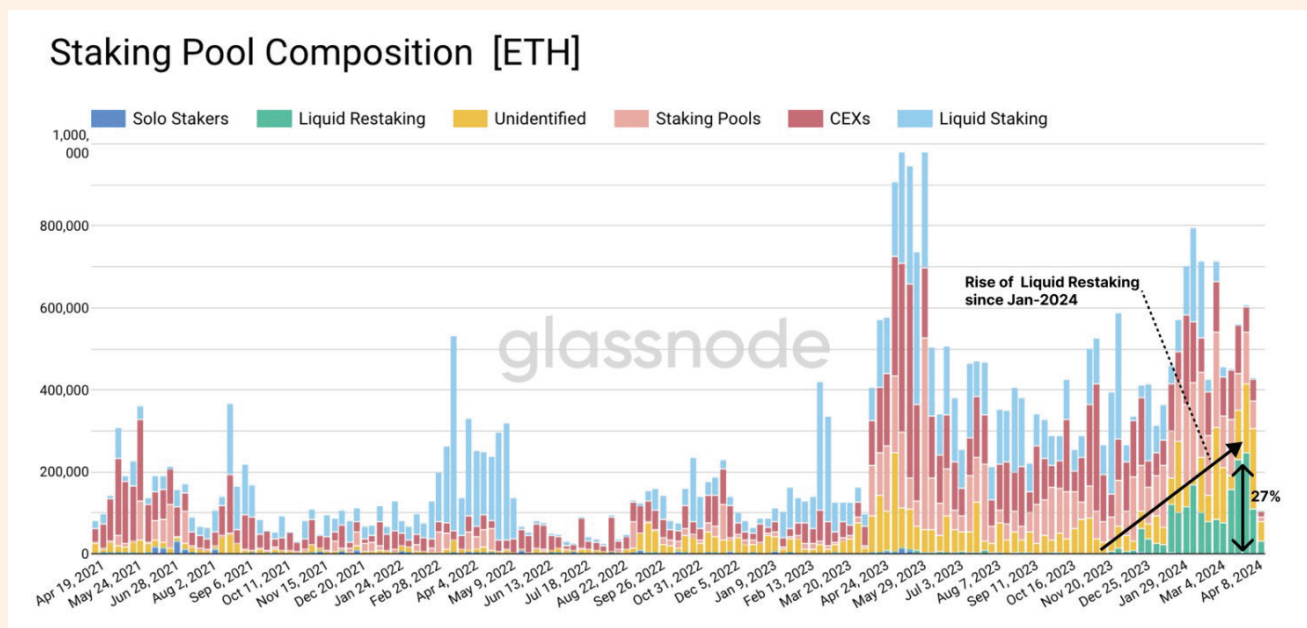
- Liquid Staking, Restaking, and Liquid Restaking saw huge demand in the past few months, thanks to their newly introduced yield opportunities. **Of the total ETH supply, 11% is held in**

Liquid Staking Tokens and 2.2% in Liquid Restaking Tokens.

- Researchers at the Ethereum Foundation have raised concerns that as staking

derivatives become more common, Ethereum might lose its role as money and see changes in how the network is governed.

Figure 8: Liquid restaking has been on a gradual ascent since Jan 2024



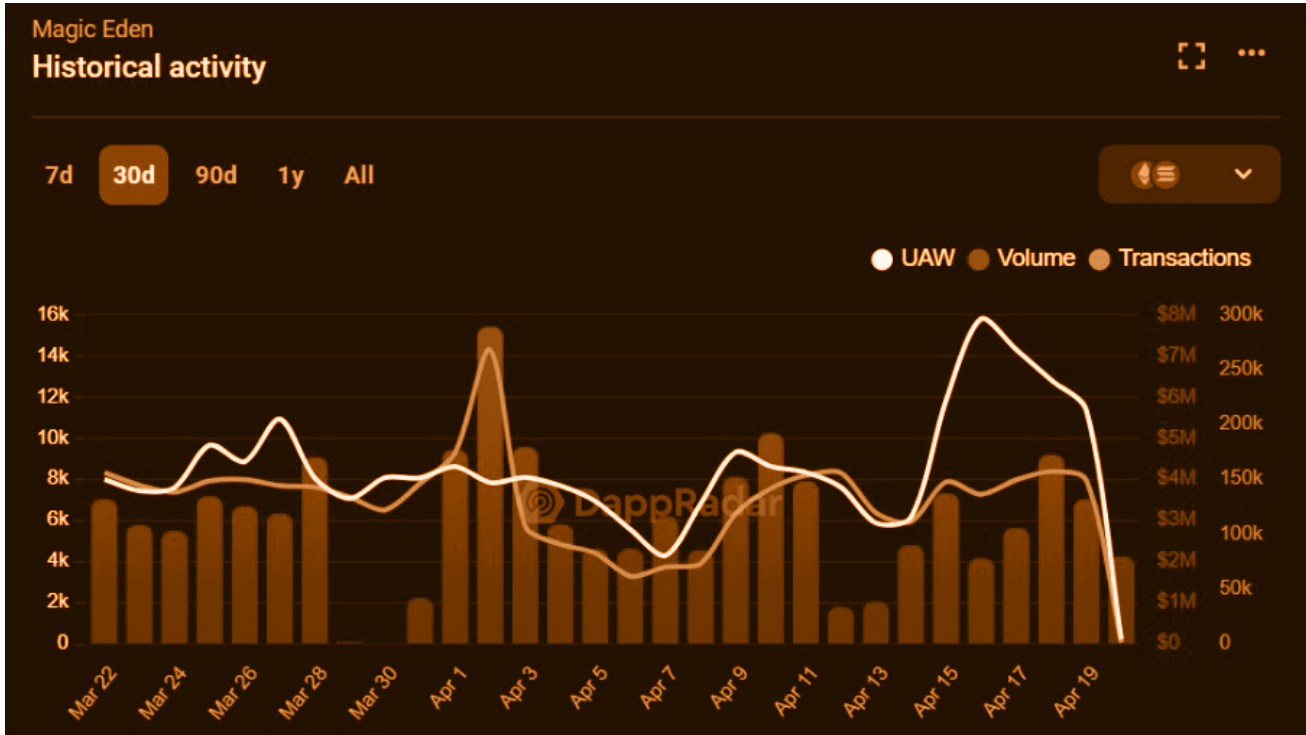
Source: Glassnode

Staking on Eigenlayer has surged since the protocol's launch, with the TVL now over 14.2M ETH. Eigenlayer's locked value is mostly made up of regular staked Ethereum (over 61.1%). **The rest comes from liquid staking tokens, with Lido's stETH being the most popular (21.5%).** The Ethereum Foundation is planning to reduce yearly token creation to deter new stakers and slow growth.



NFT Market's Outlook

Figure 9: The dominance of the Magic Eden marketplace in the NFT sector



Throughout April, **Magic Eden remained the top NFT marketplace, boasting a volume of \$22.09 million.** On average, there were more sellers than buyers. Unique Active Wallets numbered 8,610 on 1 April but dropped to 212 by 21 April.

- In the past month, the **Bitcoin blockchain recorded the highest sales volume of \$471,512,354**, with 71,556 buyers – a 67.31% increase. Sellers also increased but by only 57%. Overall, there were more unique buyers than unique sellers.

- On the contrary, **Ethereum experienced a 61.52% decrease in sales volume**, while buyers slightly outnumbered sellers by 0.24%.

- **Top NFT Collectible Sales in April came from CryptoPunks at 320 ETH.**

The gas fees spent on the same was 13.4093 GWEI. Though still in the top six for sales volume, Bored Ape Yacht Club (BAYC) saw a drop in buyer activity with only 287 participating in the past month.



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PLEASE NOTE -

This report analyzes data till 21 April. It aims to provide comprehensive insights into market developments. All data presented is intended for informational and educational purposes. It's crucial to note that no investment decisions should be made solely based on the information contained within this report. Ultimately, individuals are responsible for their own investment decisions and should conduct thorough research and analysis before making any financial commitments.



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Manisha Mishra has been working as a Head of Research for AMBCrypto. Armed with a Master's in Mass Communication and a keen eye for detail, her expertise lies in analyzing blockchain technologies and their tokenomics. She has been involved in the crypto space since 2019.

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