



CRYPTO MARKET ANALYSIS

MAY 2024 EDITION





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Key Takeaways

SURVEY REVEALS INVESTORS WANT MEMECOINS

- According to a global survey conducted by AMBCrypto, there has been rising investor interest in memecoins. 53.7% of respondents said they will **prefer memecoins over Bitcoin in their portfolios**.
- This trend was reflected in the market performance after **Solana-based memecoins notably outpaced Ethereum ones**. However, Ethereum-based PEPE achieved a new all-time high.

BITCOIN ON ITS WAY TO \$100K

- A remarkable 67.3% of respondents believe the king coin will see a staggering price **increase of over 80% by the end of the year**.
- 51.3% believe **options on spot Bitcoin ETFs will be available soon**, potentially within a year and this will drive up Bitcoin's prices even further.

LAYER 3 GETS MORE TRACTION IN MAY

- China, Hong Kong, and South Korea are leading the **global charge in swiftly embracing Layer 3 technology**, outpacing Western counterparts in adoption rates.
- With the full scale adoption of Layer 3, **blockchains will become as accessible and intuitive** as the mobile applications we use daily.

SOCIALFI DOMINATES CONVERSATIONS

- With the **release of the Fantasy.Top game** in May, the crypto community has started to talk about Social DeFi again.
- Base, a **layer 2 platform on Ethereum**, is leading SocialFi with a huge 46% share of all transactions.

GAMING TOKENS TAKE A MAJOR HIT

- Gaming projects like Echleon Prime and Saga witnessed substantial drops in market capitalization. However, the likes of **The Sandbox, and Axie Infinity exhibited more resilience**.
- According to some experts, From 2023 to 2030, blockchain gaming is **expected to grow by 68.3% every year**.

ETH-BTC CORRELATION WEAKENS

- ETH futures open interest stayed flat throughout May while options **open interest skyrocketed by 50%**.
- As per the on-chain metrics, the ETH/BTC ratio has been weakening, suggesting a **potential shift in investor sentiment towards Bitcoin**.

NFT MARKET LOSES MOMENTUM

- Blur emerged as the **dominant force in the NFT marketplace over the past month**. However, the overall trading volume of NFTs declined considerably.
- In the gaming NFT sector, **Guild of Guardians Avatars held the top spot** with a trading volume of \$11.82 million over the last 30 days.



AMBCrypto's Bitcoin Price Prediction Survey

- From 31 December 2020 to 7 May 2024, Gold appreciated by approximately 22.32% whereas Bitcoin, within the same timeframe, noted a surge of 119.64%. The

king coin's impressive performance has led some analysts to believe that Bitcoin will cross \$100,000 by 2024-end.

- However, to cut through

market noise and gauge sentiment, AMBCrypto reached out to 557 individuals, including crypto analysts, traders, investors, and experts from across the globe.

TOP 4 SURPRISING FINDINGS FROM THE SURVEY

- Contrary to expectations, 53.7% of respondents said they will choose memecoins over Bitcoin while 46.3% said they will prefer Bitcoin over memecoins.
- A large portion of investors, about 36.8%, have invested in memecoins. AI tokens attracted 25.5% of investors, DeFi tokens 21%,

and gaming tokens 15.4%. Surprisingly, despite these options, the majority, 65.5%, actually chose to invest in Bitcoin.

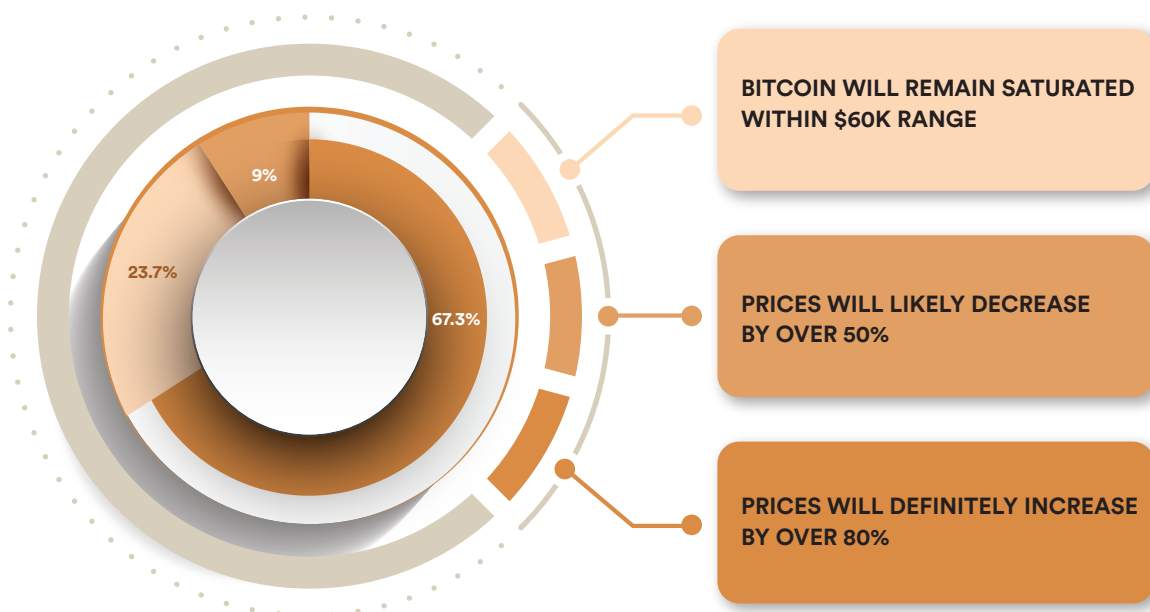
- A significant number of traders are drawn to the emerging domain of Bitcoin NFTs. The survey revealed 57.8% of market participants want to invest in Bitcoin NFTs over Ethereum NFTs, as compared to the 11.8% who think NFTs are suitable with

the Ethereum blockchain solely.

- Investors are divided on whether Bitcoin will replace gold as a store of value. 49.9% believe Bitcoin will eventually take over, but in the distant future. Around a third (31.2%) think Bitcoin is already displacing gold. However, a significant portion (18.9%) believe Bitcoin will never replace gold.

Figure 1: What respondents think about Bitcoin's year-end potential

Bitcoin's Dec 2024 Forecast





Despite a recent sell-off and outflows from Bitcoin ETFs in early May, a majority (67.3%) of respondents are optimistic about Bitcoin's price, **expecting it to rise by over 80% by end of 2024**. Only a small minority (9%) believe a significant drop (of around 50%) can be expected.

AMBCRYPTO FACT-CHECKS MARKET SENTIMENT

- To see if Bitcoin's price can really hike by 80%, AMBCrypto looked into the on-chain metrics. We found

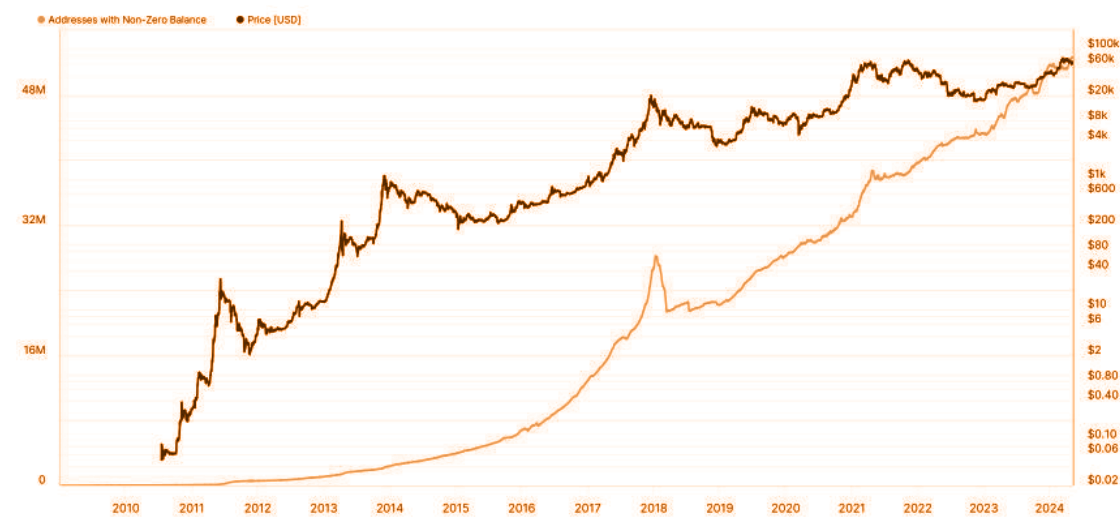
that **addresses with non-zero balances hit an all-time-high**.

- These are unique holders with a significant amount of Bitcoin in their portfolios.

This metric revealed that Bitcoin's long-term network adoption is at its highest point in history too. This **will translate into a price hike in the coming months**.

Figure 2: Number of Addresses with a Non-Zero Balance at their all-time-high

Bitcoin: Number of Addresses with a Non-Zero Balance



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- Meanwhile, after 19 April, exchange inflows have fallen by a greater margin - The metric reached its **lowest level in a year on 5 May**.
- Investors are moving their **Bitcoin off exchanges and into personal wallets**. This simply indicates bullish sentiment.
- More than half of the

sampled traders (**51.3%**) **believe options on spot Bitcoin ETFs will be available soon**, potentially within a year. This development could unlock new opportunities for investors. Thus, helping the price in a positive way.

- According to the survey, the factor that is most likely to influence Bitcoin's price

trajectory in the **next month is institutional investment (BTC ETF flows)**.

- This was chosen by **61.2% of the respondents, over other factors** like geopolitical issues, inflation, and regulatory changes.



Figure 3: Investors reveal their investing strategy post Bitcoin halving

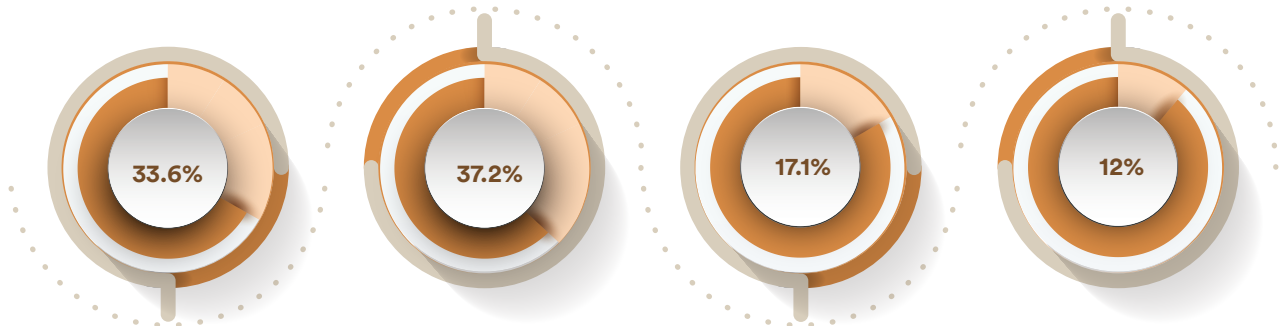
Investment Strategy Post Halving

INCREASED BITCOIN EXPOSURE

A significant number of investors have increased their BTC holdings post halving with the hope of a price rally.

SOLD ALL OF BTC AND EXITED

A small section of respondents sold all of their BTC and exited the market.



MAINTAIN CURRENT BTC HOLDINGS

33.6% of the respondents have resorted to HODLing and maintained their Bitcoin balance after the halving.

SOLD SOME OF THEIR BTC HOLDING

17.1% of investors preferred to sell some of their Bitcoin holdings and invested the returns into other crypto assets.

- Cost was the most important factor for a majority of investors when choosing BTC ETFs. **Over a third, around 36.4% respondents prioritized lower fees (expense ratio).** Brand's reputation and track record of the ETF provider, were key factors to only 29.3% of respondents.
- Approximately 29.6% of investors cited liquidity as the primary factor influencing their decision regarding Bitcoin ETFs. **25.5% of those surveyed said they don't invest in Bitcoin ETFs at all.** This suggests that a significant portion of the market is waiting on the sidelines for now.
- Survey respondents were geographically dispersed across various continents. **Asia had the highest representation with 30.9%, followed by Africa (23.5%), North America (19.7%), and Europe (18.9%).** Australia and South America contributed a smaller portion, at 3.9% and 3.1%, respectively.



Bitcoin's June Outlook

SURGE IN TRANSACTION FEE TO BE EXPECTED

- The **adoption of Bitcoin's Runes and the emergence of BTCFi** are garnering significant attention, with investors eager to capitalize on this growing trend.
- After the halving, the transaction fee spiked to a level of \$128. However, throughout early May, it remained relatively subdued. Now, with the increasing popularity of Bitcoin layer 2 solutions, **analysts anticipate a potential rise in transaction fees to around \$28** come June.

DELAY IN RETURN OF GLOBAL LIQUIDITY

- With the upcoming June FOMC meeting and no indications of rate cuts on the horizon, the **return of global liquidity could potentially be delayed**.
- A delayed return of global liquidity will aggravate market uncertainty, leading investors to seek alternative assets like Bitcoin. In such a case, **BTC market could see higher demand directly or through its ETFs**.

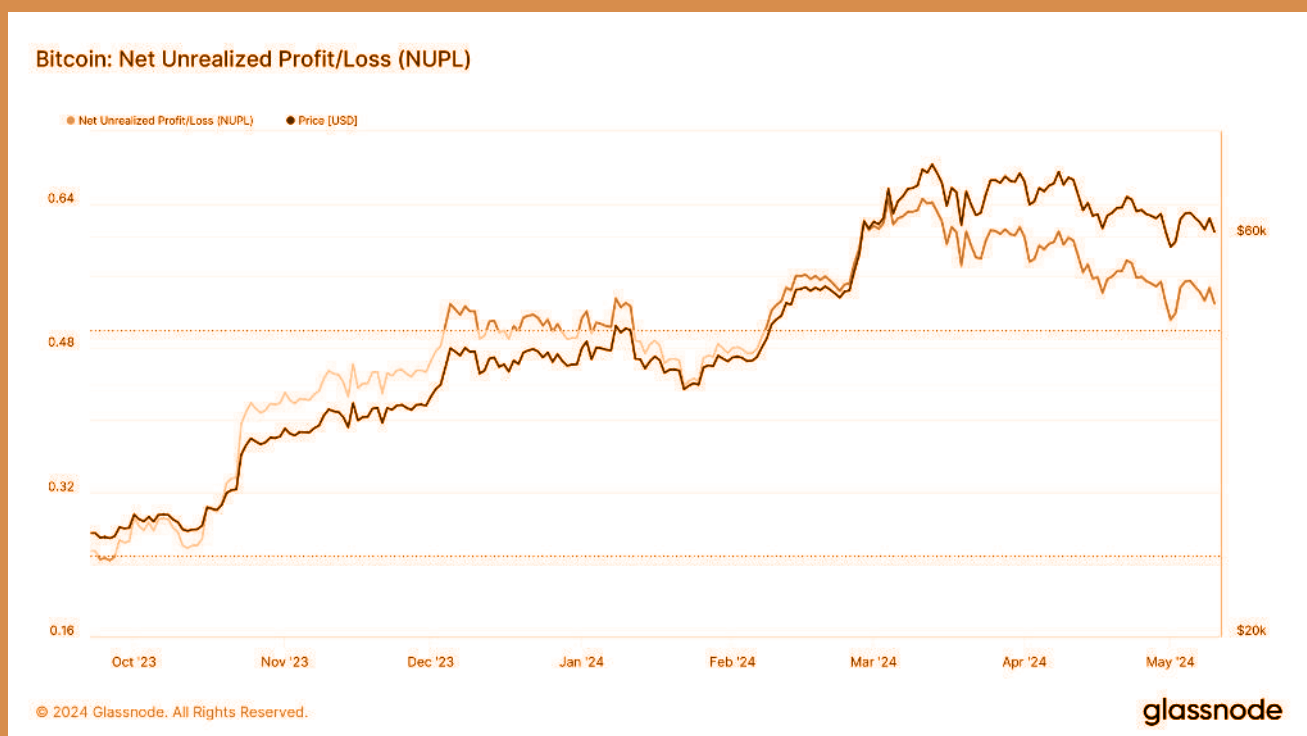
BITCOIN DISTRIBUTION TO INCREASE TOWARDS MONTH-END

- There are expectations of a price rise by the end of 2024 and the metrics support it too. However, it is important to note that the **short-term outlook of the king coin isn't pleasant**.
- The Net Unrealized Profit/Loss (NUPL) metric **revealed that we are in the 'belief-denial' phase**. It refers to a period following a price drop where some investors reject the possibility of a downturn. On 10 May, the metric stood above 0.5, signifying that the unrealized profit held by investors exceeded 50% of the asset market cap value.
- However, according to AMBCrypto's examination, **NUPL is likely to go below \$0.5 by June end** or maybe starting July.



- This will see the market entering a phase of ‘optimism and anxiety,’ one where **some traders will sell their holdings and cut losses**. Thus, the coins will be distributed from old investors to new ones.

Figure 4: NUPL moving southwards into the territory of ‘Optimism-Anxiety’



- Rising geopolitical tensions and sticky inflation **can keep Bitcoin range-bound for the next few months**, wherein \$60k will act as a good liquidity zone for traders to enter and exit trades.

- However, if outflows from Bitcoin ETFs continue to exceed inflows, **this \$60k key level could turn into a resistance**, acting as a barrier to price hikes.



Layer 3 - Fastest Moving Narrative

- April saw a dramatic rise in Layer 3 discussions within the crypto space. However, the market for Layer 3 is still relatively young and lacks significant presence.
- According to L2 Beat, an on-chain analytics platform, there are currently approximately 11 Layer 3 projects in existence.
- While Layer 3 is generating excitement in China, Hong Kong, and South Korea, according to an executive at zk.Link Nova (A layer 3 project), Western markets remain focused on Layer 1 marketing. This could be delaying broader Layer 3 adoption despite its potential benefits.

How L3 is Different?

LET'S UNDERSTAND THIS THROUGH AN ANALOGY IN THE WORLD OF BLOCKCHAINS, THINK OF LAYERS LIKE FLOORS IN A BUILDING.

LAYER 1 IS THE FOUNDATION

This is the core layer, like the concrete and raw materials that hold everything up. It handles the most basic tasks, ensuring security and record-keeping.

LAYER 2 ADDS EFFICIENCY

Imagine adding elevators to the building. Layer 2 speeds up transactions happening within the blockchain, similar to how elevators take people quickly between floors.

LAYER 3 IS THE APPLICATION FLOOR

Layer 3 uses the security of the ground floor (Layer 1) and the efficiency of the high-speed elevator (Layer 2) to create applications that are user-friendly.





Mainstream Needs L3

Layer 2 solutions are locked in a constant battle against **high fees, limited scalability, and a lack of interoperability**. Their architecture creates a ceiling for what they can achieve. This is where Layer 3 enters the scene, offering a breakthrough path forward.

LOW TRANSACTIONS COSTS

- Layer 3 networks process some of the transactions and operations off-chain. This **reduces congestion on the network**, which in turn heavily reduces the transaction fees.
- For instance, the Xai network, a gaming platform on Web3, utilizes Arbitrum's Layer 3 to enhance scalability and decrease costs by **processing most of the operations off-chain**.

ALLOWS LAYMEN TO INTERACT WITH BLOCKCHAIN

- Layer 3 infrastructure facilitates the creation of **user-friendly applications** with advanced features.
- Thus, enhancing accessibility for non-technical users. Unlike Layer 1 and Layer 2, which are developer-centric, Layer 3 **enables everyday individuals to interact with blockchain technology**.

ENABLES DIFFERENT BLOCKCHAINS TO WORK TOGETHER

- Layer 3 networks make it possible for different blockchains to collaborate. They allow transactions and **data to move freely across different platforms**.
- Layer 3 also **improves capital efficiency** by using the locked capital on Layer 1 and Layer 2.



Dominance Of SocialFi

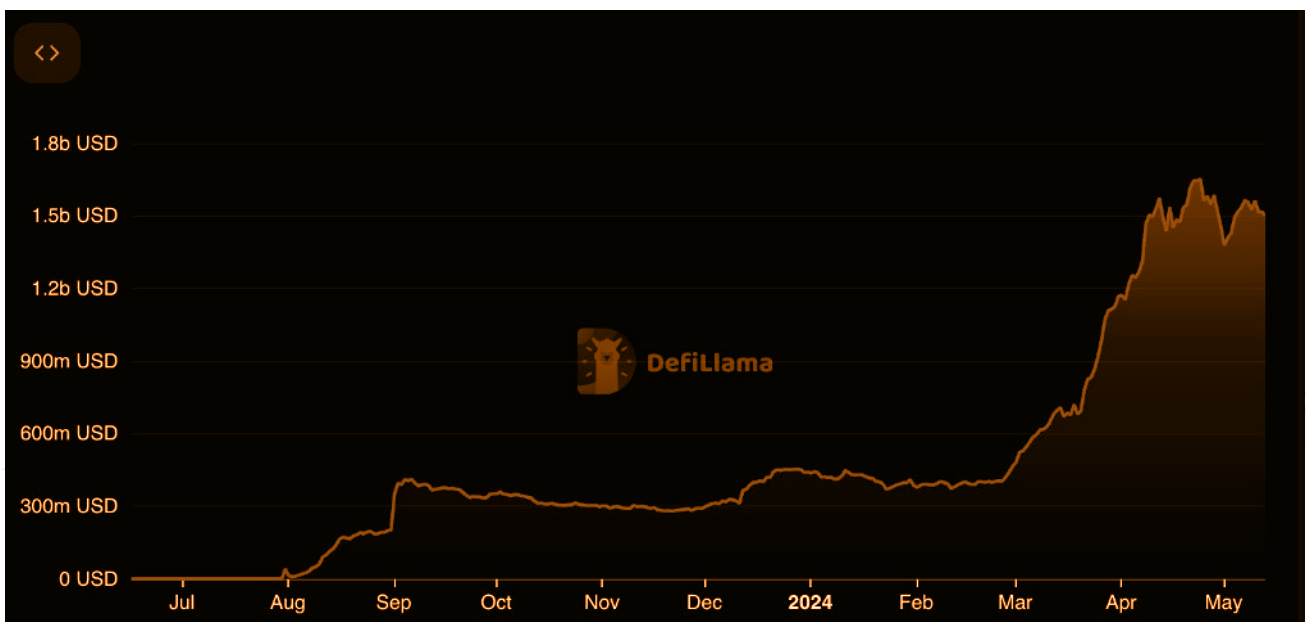
- SocialFi merges social media and DeFi, giving users full control of their content as well as their data. Unlike Web2 platforms, **there are no central authorities governing SocialFi networks**. Content creators enjoy greater freedom and various monetization opportunities.
- Base, an Ethereum layer

2, has been dominating **SocialFi with a whopping 46% of all transactions**, outshining competitors like BNB Chain and Polygon. Base was also responsible for 60% of total Layer 2 revenue, significantly ahead of other chains.

- The overall growth of Base has been partly fueled by Friend.

Tech, a leading creator tokenization platform, which recently launched its version 2. This dApp also demonstrated strong financial performance, boasting a Total Value Locked (TVL) of **approximately \$11.89 million on 13 May**.

Figure 5: Chart showcasing a steady rise in the TVL of Base Chain



Source: DefiLlama



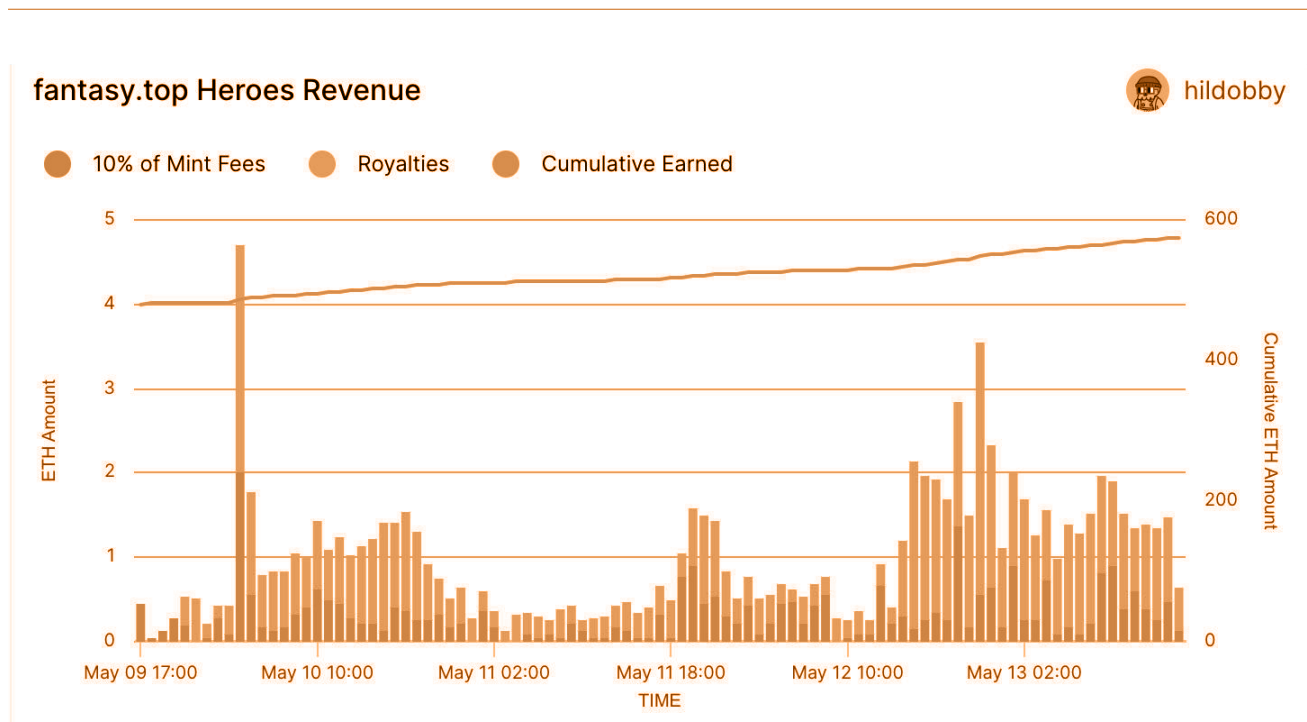
Popular SocialFi Project

Crypto enthusiasts are buzzing about a new challenger in the SocialFi arena: Fantasy.Top. Built on the Blast layer-2 network, **this app is aiming to dethrone Friend.Tech** as the most efficient platform for crypto SocialFi users.

This game is already getting adoption on a massive scale -

- Over the past week, it **attracted over 21,500 users and facilitated a whopping \$41 million in trading volume.** This activity generated \$1.223 million in marketplace fees, showcasing the platform's early potential.
- Influencers (heroes in the game) in Fantasy.top **earned \$1.6 million on 13 May.** This indicated that users are finding the gaming concept quite interesting and are actively participating.

Figure 6: Influencers have enjoyed consistent earnings since launch



Source: *flipside*



A Look At Altcoins

While the overall crypto market faced a major sell-off in May, DeFi defied the trend. The **TVL in all DeFi protocols has risen notably since hitting a low point of \$73 billion on 25 February 2024**. As of 14 May, it stood at a robust \$90.63 billion.

MEMECOINS MOON DESPITE MARKET LULL

- After a wild first quarter where tokens like WIF saw explosive growth, memecoins remained a hot topic in Q2. **However, Solana-based memecoins significantly outperformed their Ethereum counterparts.**
- The rally in the second week of May coincided with the rise of GameStop's stock. Investors, motivated by GameStop's gains, likely saw memecoins as an opportunity for high returns. This speculation fueled a rally, with **PEPE reaching an all-time high on 14 May**. Its trading volume also jumped by 245% within 24 hours.

Figure 7: PEPE's exponential growth in May following GameStop revival



Source: TradingView



GAMING TOKENS SLOW DOWN

- The gaming token market tumbled from 1-14 May. While some projects, like Echleon Prime and Saga, saw significant market cap declines, established names like **FLOKI, The Sandbox, and Axie Infinity** fared better, recording smaller losses.

- Between 2023 and 2030, **blockchain gaming is forecasted to expand by 68.3% annually**. In contrast, the broader online gaming industry is anticipated to grow by just 13.4% over the same period.

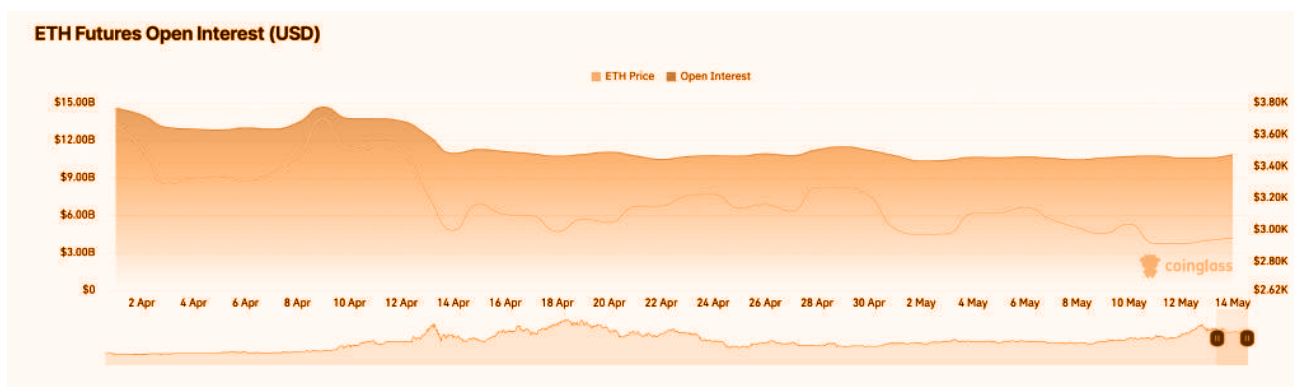
ETHEREUM'S DERIVATIVES MARKET REGISTERS HIGH VOLUME

- Ethereum's derivatives market registered a surge in activity, with **options open interest skyrocketing by 50% to record levels**.

- This significant hike indicated **growing participation from traders and institutional investors** in Ethereum's financial instruments.

- **ETH futures open interest stayed flat throughout May**. It highlighted traders' preference for flexibility of options over the predetermined nature of futures contracts.

Figure 8: ETH Futures Open Interest remains almost stagnant for the majority of May



Source: Coinglass



- Ethereum has taken a harder hit than Bitcoin in this market cycle, **experiencing a steeper decline of 44% at its deepest point**. This is more than double the drawdown of Bitcoin, which sat at -21%.

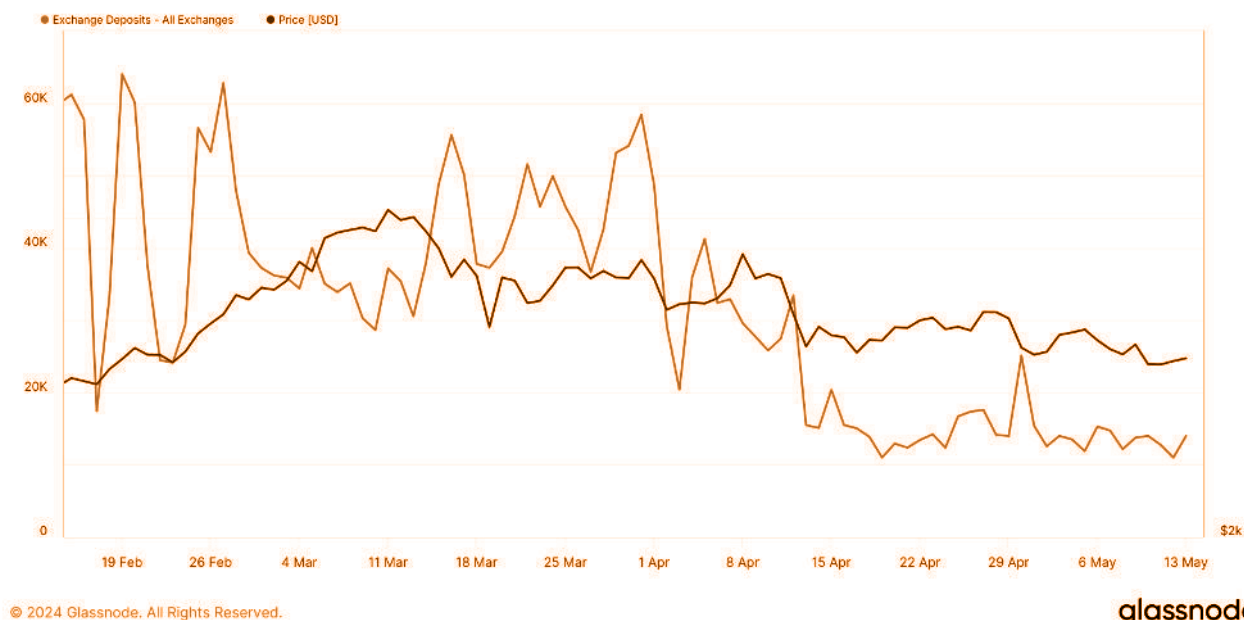
- This underperformance was further reflected in the **weakening ETH/BTC ratio, suggesting a potential shift** in investor sentiment towards Bitcoin.

- **Ethereum deposits on exchanges have been significantly lower** since the end of March and remained subdued throughout May. This reveals that users have been moving their ETH holdings to personal wallets.

- A majority of them have also been **participating in DeFi protocols that offer staking rewards**. It could be taken as a bullish sign for the king alt in the long run.

Figure 9: Ethereum's exchange deposits declines gradually post 31 March

Ethereum: Number of Transfers to Exchanges - All Exchanges



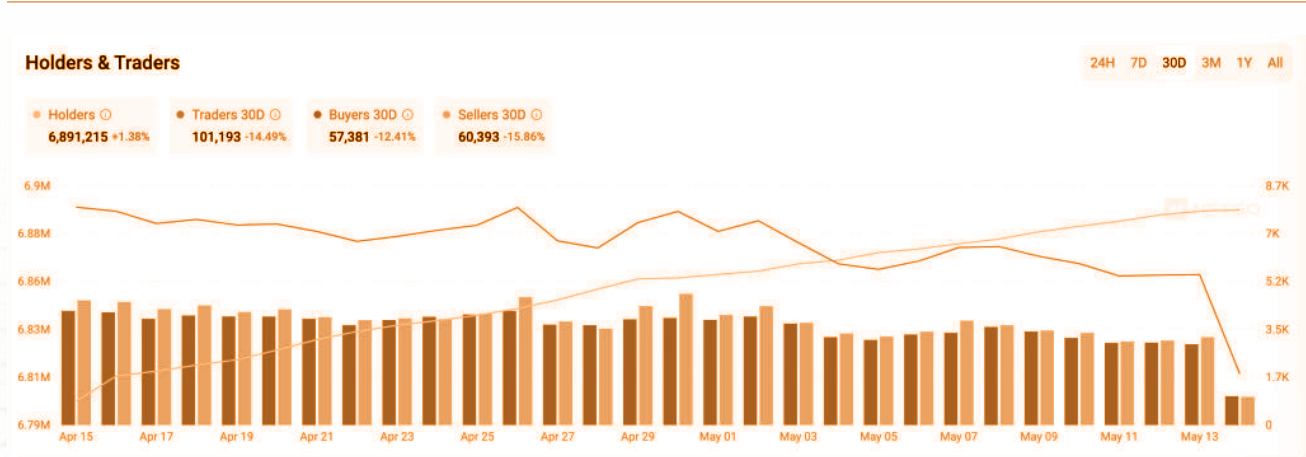
Source: glassnode



State of NFT Market

- Blur emerged as the **dominant force in the NFT marketplace over the past month**, processing a staggering \$494.6 million in trading volume.
- This represented a significant surge, with the number of traders on Blur **skyrocketing by 119.8% to reach 84.36k within the last 30 days**. Meanwhile, Magic Eden, the second-place contender, saw a much smaller volume of \$72.32 million during the same period.
- Pudgy Penguins continued to dominate the NFT collectible scene, with a higher number of buyers compared to sellers. Meanwhile, in the **gaming NFT sector, Guild of Guardians Avatars held the top spot**. It had a trading volume of \$11.82 million within the past 30 days.
- The global NFT market saw its **traders count decline by 14.49% in the past month while holders' count steadily increased**. Short-term traders who entered the market hoping for quick flips have been leaving. As per analysts, they've been driven out after being disappointed by the market's recent price action.

Figure 10: Traders' count slumps after 13 May while number of holders rise



Source: NFTGo



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PLEASE NOTE -

Please note - This report analyzes data till 20 May. 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.



ABOUT AUTHOR -

Manisha Mishra is working as 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 part of the crypto space since 2019.

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About AMBCrypto

Established in 2018, AMBCrypto cuts through crypto noise. Their passionate journalists and team of blockchain enthusiasts deliver breaking news, in-depth analyses, and expert breakdowns on the many stories in the evolving crypto world. They simplify complex technical episodes and events, while also empowering users with clear insights.

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