

# QUARTERLY REPORT ON THE CRYPTOCURRENCY MARKET Q1/2023

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# FOREWORD

In the first quarter of this year, cryptocurrencies have seen relatively interesting price appreciation, even though events caused by the collapse of crypto giants are reverberating in the background of the market. However, the crypto market and its players are also plagued by other issues - namely regulatory ones. The actions of US regulators in recent months are more reminiscent of a constantly hungry beast hunting its prey than an institution defending the interests of consumers.

Evidence of this trend can be seen, for example, in the fact that US customers of the Kraken exchange were recently deprived of the opportunity to participate in perhaps the least risky investment option in the world of cryptocurrencies - staking. The phenomenon, which has been used for several years by investors to gain an almost risk-free appreciation of their crypto assets, has suddenly become abhorrent to regulators. The situation is not helped by the ongoing „dispute“ between various US regulators, such as the SEC and the CFTC, over which crypto assets fall into the category of securities and which into the category of commodities.

The fact that 14 years after Bitcoin's inception, even the world's most advanced economy is still unclear on such fundamental issues, keeping thousands of companies and, most importantly, their hundreds of millions of customers in legal limbo, is just a sad memento of the fatal failure of regulators. Sadly, regulators in many other countries are in a similar position. A glimmer of hope for regulatory certainty in our reality could be the European MiCA, whose approval by Parliament has been postponed until April this year.

However, while some failures of regulators are hurting cryptocurrencies, their other failure, specifically in the banking sector, is benefiting cryptocurrencies. The collapsing banking giants have unnerved almost everyone who holds money in banks. Silicon Valley Bank and Credit Suisse are likely just the first banks whose problems we will be reading about in the headlines this year. In light of the riskiness of ordinary bank deposits, many people have begun to realize the benefits of independence from third parties that offer cryptocurrencies. This, too, could contribute to Bitcoin's long-awaited decorrelation with traditional financial markets. However, the road towards this may still be a long one.

**David Stancel, MSc.**  
Chief Investment Officer

# SUMMARY

- Bitcoin opened the new calendar year at \$16,500 and closed it at \$28,400 with a first-quarter appreciation of +72%.
- The South American nation of Brazil, with a population of more than 200 million, has passed a law that defines cryptocurrencies as one of the country's legal payment methods.
- Everything is almost ready: Ethereum expects the Shanghai update this April.
- Bitcoin, the most popular cryptocurrency, celebrated its fourteenth birthday earlier this year.
- US and European banks are in huge trouble. Some of the major banks have not been able to cope with the turbulent times.
- The security of the Bitcoin network continues to grow. Bitcoin's network hashrate has reached record highs.
- Music streaming platform Spotify is expanding its presence in the Web3 space with the integration of Web3 wallets.
- In the past quarter, Fumbi introduced a new product called **Advanced Portfolios**, which allows anyone to create their own diversified portfolio.

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# MARKET OVERVIEW - FIRST QUARTER 2023

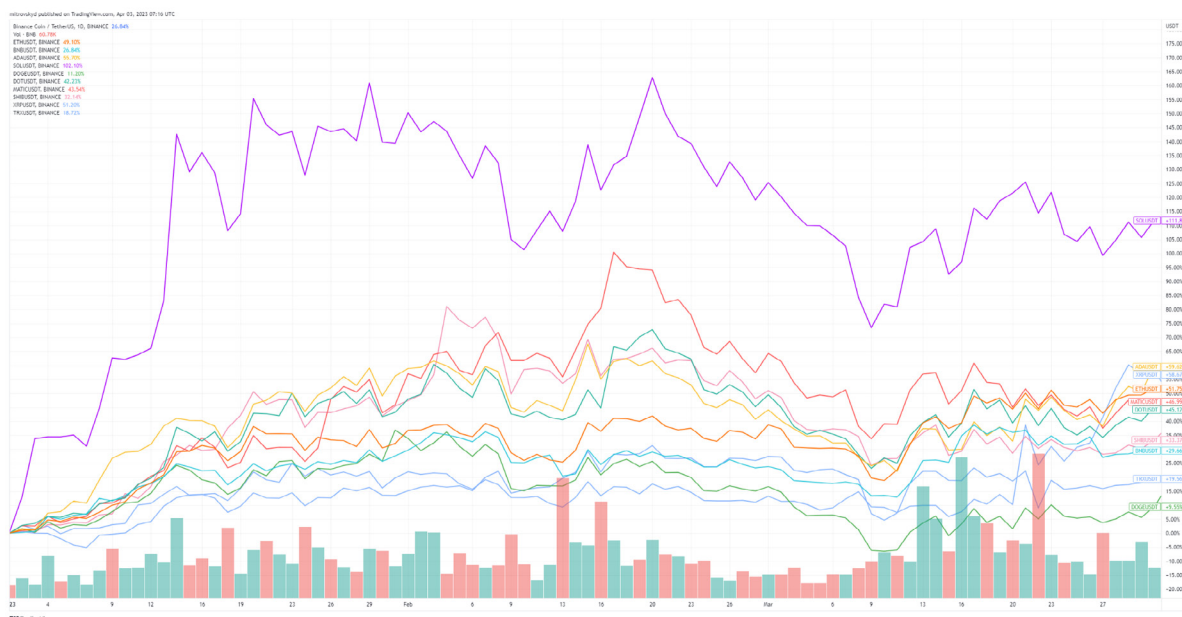
## Bitcoin Price Development



Source: TradingView

The opening quarter of 2023 was marked by bullish sentiment and significant price growth in the cryptocurrency sector. Although Bitcoin opened the new calendar year at just \$16,500, a month later, its price was already in the range of \$22,800 to \$23,200. During the first quarter, Bitcoin's price rose by a total of 72% to a final value of \$28,400 as of March 31, 2023. Bitcoin reached its three-month high on March 30, when it traded as high as \$28,800.

## Price Development of the Top 10 Altcoins



Source: Tradingview

Of the top 10 altcoins (from which stablecoins were excluded), Solana (SOL) was the best-performing cryptocurrency during the first quarter, rising 111% in three months. Solana's price increase comes after recovering from the FTX cryptocurrency crash, when it was revealed that Alameda Research had a huge amount of illiquid SOL tokens on its balance sheet, causing Solana to plummet by more than 70%.

Cryptocurrencies Cardano (ADA) and Ripple (XRP) also did very well in the opening quarter, rising by almost 60%. Dogecoin (DOGE) fared the worst among the cryptocurrencies tracked, rising by almost 10%.

## Evolution of Cryptocurrency Market Capitalization

### TOTAL MARKET CAP - Q1/2023



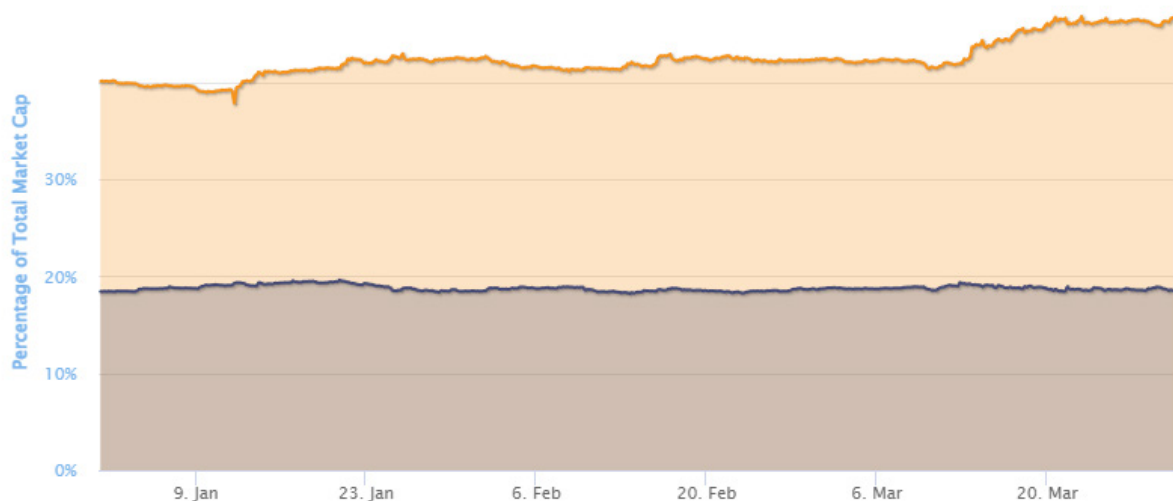
Source: Coinmarketcap

The cryptocurrency market capitalization was \$795 billion at the beginning of the third quarter. The market capitalization increased significantly after the new year and once again broke the important threshold of one trillion dollars. At the end of the first quarter, the market capitalization was \$1.17 trillion.



## Evolution of Market Dominance

### Bitcoin & Ethereum Dominance



Source: Coinmarketcap

Bitcoin and Ethereum continue to be the strongest and most popular cryptocurrencies on the market. Bitcoin's dominance has increased by over 6% since the beginning of the year, currently hovering around 46.3%. Ethereum, the largest smart contract platform, has increased its dominance by 0.3% over the past three months to 18.7%. Bitcoin and Ethereum cryptocurrencies represent up to 65% of the total market capitalization of the cryptocurrency market.

# HIGHLIGHTS FROM THE CRYPTO WORLD

## Brazil Adopts Important Crypto Law

One of the countries where Bitcoin and others are becoming increasingly popular is Brazil. This is evidenced by the fact that Brazil's federal legal authority legalized the use of cryptocurrencies as one of the country's payment methods at the end of the last calendar year.

However, legalizing cryptocurrencies as one of the legal payment methods in a country does not mean that Bitcoin becomes the national currency and legal tender, as is the case, for example, in El Salvador or the Central African Republic. In this case, the adopted law will include cryptocurrencies in the definition of legal payment methods in the country. However, digital assets will be considered securities, which will fall under the supervision of the Brazilian Securities and Exchange Commission.

However, it still needs to be made clear which federal agency will oversee cryptocurrencies that are not considered securities. The bill also includes a provision requiring crypto exchanges operating in the country to distinguish which assets belong to users and which are owned by the exchanges. The law also establishes a licensing regime for virtual asset service providers and specifies penalties for cryptocurrency fraud.

The law passed at the end of 2022 was signed by the now ex-president Jair Bolsonaro. The law will enter into force 180 days after the president's signature, probably during June 2023.

## Ethereum Shanghai Update Coming in April

The Ethereum Shanghai Upgrade is the next major upgrade to the Ethereum network that the developers decided to work on after a successful update called The Merge.

The Shanghai update was originally intended to include several other eagerly awaited updates, including proto-danksharding, a simplified data sampling process that would make transactions on Ethereum's second layer (L2) significantly cheaper and faster. However, proto-danksharding was eventually dropped from this update.

Although the Ethereum Shanghai upgrade includes many improvements, its most important part will be **EIP-4895: Beacon Chain Push Withdrawals as Operations**.

This proposal essentially gives validators the ability to select a staked ETH that has been inserted into the Beacon Chain from December 2020 until now. Ultimately, EIP-4895 intends to provide additional liquidity to long-term ETH stakers as they will be able to withdraw their ETH from the staking contract after over two years.

In addition to EIP-4895, the update will include several other changes in the form of Ethereum Improvement Proposals (EIPs):

- EIP-3860: Limit and Meter Initcode - The proposal limits the maximum size of the initcode parameter to 49152. This essentially addresses cases related to the lack of gas fees when interacting on the Ethereum network.
- EIP-3855: Instruction PUSH0 - This EIP introduces new instructions for the Ethereum Virtual Machine (EVM) to help reduce the size and optimize smart contract codes.
- EIP-3651: Warm COINBASE - This design makes it cheaper to build blocks and allows separation between the block producer and block proposer. This will reduce gas fees for network participants and traders using block producers to execute their transactions on Ethereum will no longer have to pay for failed transactions.

Changing how staking works on the network will certainly affect investor interactions on the Ethereum network. Some investors are expected to realize their profits over time, while others will move their ETH from on-chain staking to so-called liquid staking.

## Postponement of the Approval of the MiCA Regulatory Framework

The final vote on the long-awaited Markets in Crypto Assets (MiCA) regulatory framework in the European Union has been postponed to April 2023. This is the second time the vote has been postponed, the first being from November 2022 to February 2023.

The postponement of the vote is due to a technical problem related to the fact that it has still not been possible to translate the official 400-page document on the regulatory framework into all 24 official languages. Legal documents such as the MiCA, which are drafted in English, must comply with EU regulations and be published in all 24 official languages of the Union.

The first delay in November 2022, which postponed the final vote to February, was also due to translation problems. The delay in the final vote means that European financial regulators have to wait longer to draft implementing rules for the legislation. Once MiCA receives official approval, financial regulators have 12 to 18 months to develop technical standards.

The MiCA legislation was approved by a European Parliament committee in October 2022, almost two years after it was first introduced in September 2020. The importance of the regulation grew during the turbulent end of 2022 when the collapse of the FTX crypto exchange shook the entire crypto ecosystem. Appropriate regulation should help prevent similar failures in the future.

## Genesis Global Declared Bankruptcy

One of the most popular and largest crypto lending companies, Genesis Global, a subsidiary of venture capital fund Digital Currency Group, was forced to declare bankruptcy in the second half of January. The company's downfall was likely a chain reaction to the November crash of crypto exchange FTX, which ran into liquidity problems and took several well-known crypto companies down with it.

On November 16, Genesis Global announced a temporary suspension of withdrawals and the creation of any new loans on its platform. In explaining its decision, the company cited high market turbulence related to the FTX collapse, which resulted in the launch of a huge amount of withdrawals that Genesis said exceeded its current liquidity.

Gemini crypto exchange co-founder Cameron Winklevoss wrote several open letters via social media during December and January calling for Digital Currency Group founder Billy Silbert to step down from his position. The reason is said to be a dispute regarding Genesis allegedly owing \$900 million to Gemini, which the crypto exchange loaned to Genesis specifically through the Gemini Earn program. DCG's management has called this claim false and misleading.

However, in early February, a deal in principle was reportedly reached between Genesis Global, Digital Currency Group and its creditors, which include crypto exchange Gemini. According to a published press release, DCG will exchange \$1.1 billion in debt securities for convertible preferred stock to be issued as part of Genesis' bankruptcy plan. DCG will also refinance its existing 2023 term loans through new term loans issued in two tranches (one dollar-denominated, the other bitcoin-denominated) totaling approximately \$500 million.

In addition, the agreement requires Digital Currency Group to contribute its equity interest in Genesis Global Trading (the trading arm of Genesis) to Genesis Global Holdco (the cryptocurrency lending business that declared bankruptcy on January 19), effectively combining all of the Genesis entities into a single holding company.

## Bitcoin Celebrated Its Fourteenth Birthday

In early January, the Bitcoin market unit celebrated its 14th birthday. Fourteen years ago, on January 13, Bitcoin's anonymous founder Satoshi Nakamoto mined the first-ever bitcoin block, still referred to today as the „genesis block“ or „block 0.“

The first block in the Bitcoin network was created roughly two months after Nakamoto published a paper on Bitcoin on October 31, 2008, detailing the power of the new decentralized monetary system. The first bitcoin block was mined on January 3, 2009, at exactly 2:15 PM EST and the reward for mining it was 50 BTC. Since its inception, Bitcoin has grown massively to become the most significant cryptocurrency on the market, with a market capitalization of more than \$540 billion.

Satoshi Nakamoto inserted a message into the code of the first bitcoin block that read, „*The Times 03/ Jan/2009 Chancellor on brink of second bailout for banks.*“ This short link comes directly from the headline of an article published in the London Times on January 3, 2009, detailing the banks being bailed out by the British government. Although Nakamoto never clarified the exact meaning of this message, many have interpreted it as a reference to why Nakamoto developed bitcoin: to weed out the banks and intermediaries, whom he considered corrupt and unreliable, and set out to create a currency that users themselves would control.

After the collapse of several banks in the United States in March, Nakamoto's message seems very timely and timeless.

# CRYPTOCURRENCIES AND THE WORLD OF TRADITIONAL FINANCE

## US Banks in Huge Trouble

Chaos, panic and uncertainty. This is a simple way of describing the November banking crisis in the United States and Europe. Following massive interest rate increases by the Fed, several major US banks ran into trouble. The uncertainty in the banking sector subsequently spread from overseas to Europe and tested the stability of several European institutions.

The first bank to run into trouble was the US-based Silvergate, which was known for its pro-crypto orientation and business relationships with several crypto companies, including Coinbase and Paxos. Silvergate first delayed releasing a comprehensive 10-K report to the US Securities and Exchange Commission (SEC), which spooked investors and shareholders of the bank. The company became embroiled in a liquidity crisis, and, in agreement with the Federal Deposit Insurance Corporation („FDIC“), the bank announced that it was ceasing operations.

A few days later, however, the US banking sector was dealt a much bigger and more significant blow. Overall, the 16th largest US bank, Silicon Valley Bank, with more than \$200 billion in assets, was scrutinized by US regulators, who concluded that the bank needed to be shut down altogether. The collapse of Silicon Valley Bank is the biggest banking meltdown in the US since the collapse of Washington Mutual in 2008.

However, the spread of the financial contagion continued. Just days after Silicon Valley Bank's collapse, everyone was shocked by the news that New York-based Signature Bank, with a large real estate lending business, closed its doors on Sunday after regulators said the bank's continued operations could threaten the stability of the entire financial system. Signature Bank was worth more than \$110 billion in assets, and its closure marks the third-largest drop in the US banking system in history.

Other banks have also run into trouble. Dozens of regional banks suspended trading in the following days as their share prices fell by tens of percent. Regional bank Western Alliance saw its shares drop by more than 50%, while First Republic Bank's shares fell by as much as 64%. First Republic Bank was the next bank to be shut, and it wasn't far from following its predecessors from Silicon Valley or Signature Bank. Fortunately, other US banks have stepped in to help First Republic Bank. In total, eleven of the largest US banks announced a \$30 billion rescue package for First Republic Bank to prevent the bank from failing and becoming the third failed bank that week.

Less than a week after the collapse of Silicon Valley Bank, the financial contagion has spread to Europe. Shares of several European banks fluctuated significantly during the trading days, and the market situation was uncertain. However, the well-known Swiss bank Credit Suisse, which manages assets of more than EUR 1.5 billion, was in big trouble.

On Sunday, 19.3.2023, the largest Swiss bank, UBS, intervened and proceeded to acquire its long-time rival Credit Suisse as part of a rescue plan. At a joint press conference, representatives of both banks, along with representatives of the government, the Swiss central bank and regulatory authorities, agreed that UBS would take over Credit Suisse for about \$2 billion. In addition, the Swiss central bank will provide up to 100 billion francs (EUR 102 billion) as insurance to boost liquidity. The bank takeover by UBS represents one of the largest transactions of its kind in the history of the banking sector.

Uncertainty in the banking sector has driven up the prices of alternative assets used to protect holdings. Bitcoin has risen more than 30% since March 10 in response to the banking crisis, and gold has risen above \$2,000 for the first time since early 2022.

## The Direction of the Fed's Monetary Policy Is Questionable

The Federal Reserve (Fed) continued its tight monetary policy during the first quarter in an attempt to tame inflation to the central bank's inflation-targeting level.

In February, the Fed raised the benchmark interest rate by 25 basis points to a range of 4.5 - 4.75%. During the March meeting, the Fed planned to raise the rate by as much as 50 basis points. However, the situation has changed significantly under the influence of the banking situation, and the Fed has had to adjust its decisions regarding the continuation of its tight policy.

The banking crisis resulted in probabilistic changes regarding the future direction of monetary policy. While in early March, the Fed was expected to raise rates by 50 basis points, the situation turned sharply after the collapse of the three US banks. The Fed finally moved to raise interest rates by just 25 basis points in March, and the magic word pivot, or, more precisely, a change in the direction of the Fed's monetary policy, is being bandied about more and more frequently in public and on social media. Some experts think that we will see interest rate cuts later this year, while others do not see the Fed's direction as rosy yet.

## SEC Hunts Crypto Companies

The US Securities and Exchange Commission (SEC) conducted a record number of enforcement actions in the cryptocurrency sector last year, according to consultancy Cornerstone Research. The increase in cases and charges against crypto firms and projects during 2022 increased by as much as 50% compared to 2021.

The company's report showed that during 2022, the SEC filed a total of 30 actions against entities in the cryptocurrency world - opening 24 lawsuits in US federal courts and opening six administrative proceedings. The number of lawsuits increased 71% year-over-year.

Of the 30 law enforcement crackdowns on crypto companies or projects, nearly half (14) reportedly involved initial coin offerings (ICOs), with as many as 57% (8) of them involving fraud allegations.

Among the most significant charges brought by the Commission were charges against BlockFi for allegedly failing to register bids and sales of its retail cryptocurrency loan product in February 2022, as well as formal charges against FTX founder and former CEO Sam Bankman-Fried, who was indicted on fraud charges in December.

## ON-CHAIN DATA

### BTC - Balance on Exchanges



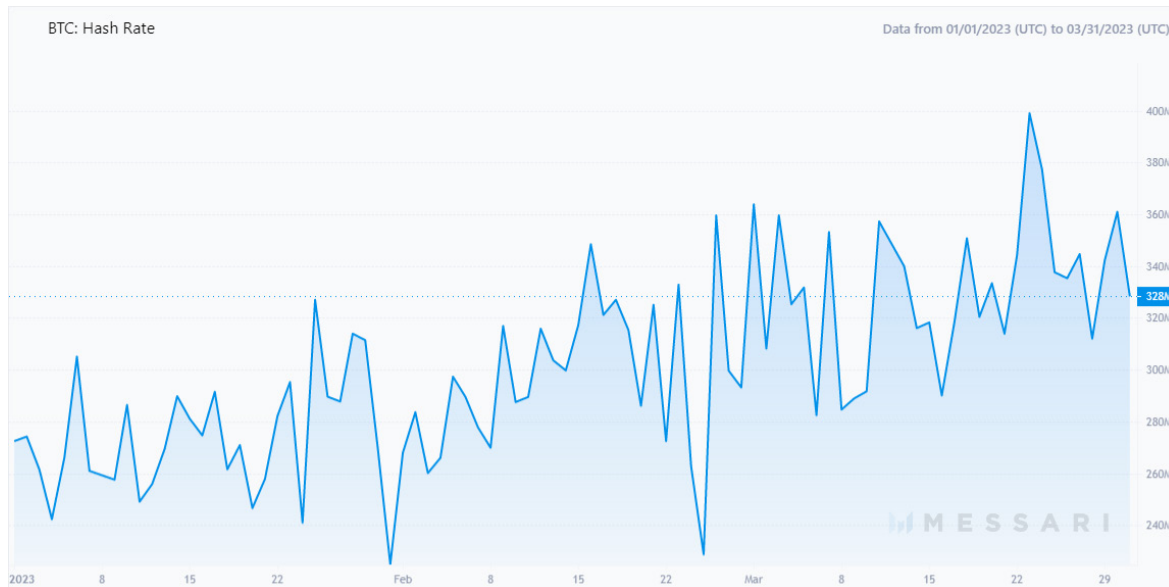
Source: Coinglass

The total number of Bitcoins on exchanges fell slightly during the first quarter. An interesting change in the trend was observed around March 13 in the middle of the banking crisis, where the main cause of the change can be considered to be the decline in confidence in the banking sector (the collapse of SVB and Signature bank) or the efforts of traders to create a so-called „synthetic“ stablecoin using BTC.

The depeg (deviation from the peg value) of the USDC stablecoin was also associated with the SVB crash, which may have also caused a flow of BTC to exchanges to create a „synthetic stablecoin“. Anyone can create a synthetic stablecoin by opening a short position using their BTC as collateral. The essence of this contract is that the profit is accounted for in BTC. If a trader wants to hedge against a fall in the price of BTC below a certain level (e.g. €25,000), he opens a short position with a leverage of 1x on that price (€25,000). If the price of bitcoin does start to fall, the trader will receive BTC at the dollar value of his loss.

At the moment, however, the further development of the balance sheet on the stock exchanges is difficult to predict. There are several arguments for increasing flows to the exchanges. One of them is undoubtedly the macroeconomic situation and the reduction in liquidity in the markets. However, another argument is exactly the opposite, namely that traders are beginning to ‚leverage‘ themselves while speculating on further price increases.

## BTC - Hash Rate

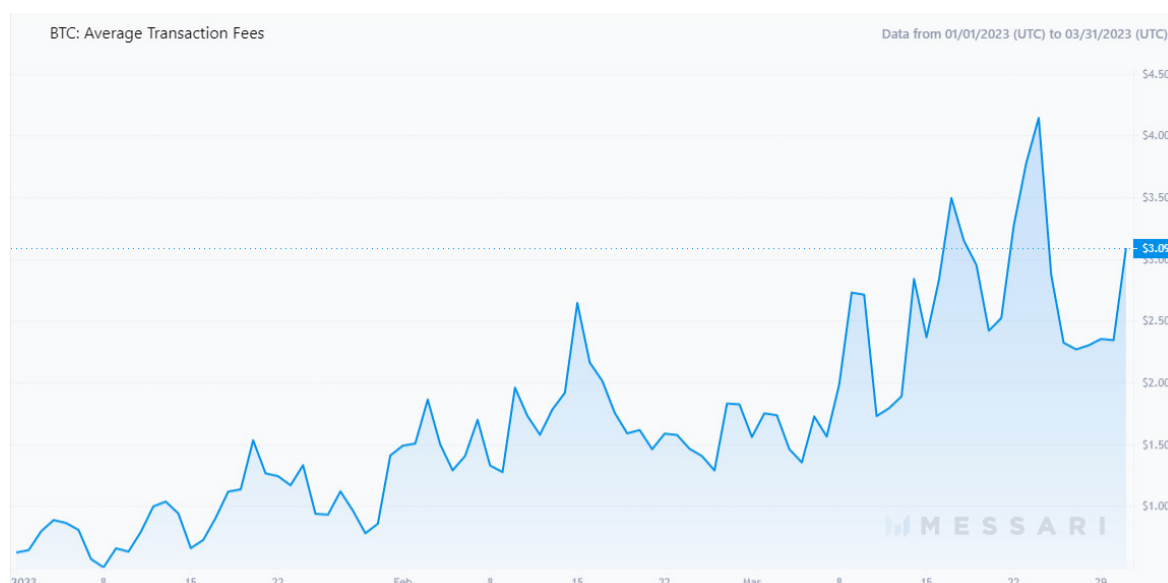


Source: Messari

The overall computing power of the Bitcoin network continued to trend upward in the first quarter, indicating miners' interest in securing and maintaining the Bitcoin network. Miners' profitability also grew during the first three months of 2023, which is obviously seen as a positive factor. The bitcoin hashrate rose from 269 EH/s to 328 EH/s, an increase of more than 21%, even though the cryptocurrency market is still officially in a bearish phase.



## BTC - Average Transaction Fee



Source: Messari

Transaction fees on Bitcoin have been rising since the beginning of the year. During this period, the biggest influence on the growth of these fees has been the craze associated with the NFTs on Bitcoin referred to as „Ordinals“, but of course, also the ever-growing user base in countries such as Nigeria, whose national currency is in big trouble.

Nigeria is one of the first countries to try CBDC's app. The Nigerian government has stated its goal is to create a cashless economy in Nigeria. To date, the populace has opposed this government decision. Even in some cities like Warri and Benin, people have set bank branches on fire. This happened because the populace became dissatisfied with the withdrawal of the unfettered ability to withdraw their money into a cash form. This is because, as of January 9, 2023, the government of Nigeria has set the limit for daily cash withdrawal at 100,000 nairas (about \$218) for individuals and 500,000 nairas (about \$1,087) for corporations.

Another interesting fact is that Nigeria is one of the countries where Bitcoin adoption is growing despite the fact that it was banned by law in 2021. It will be interesting to see how the government or the people of Nigeria will deal with this development in the future.

## BTC - Average Block Size



Source: Messari

The average block size on the Bitcoin blockchain has ranged from 1 to 2.5 MB over the past three months. A significant increase in block space take-up was triggered in early February when the euphoria around BTC Ordinals and the ability to embed images or videos as inscriptions directly into the smallest units of Bitcoin, referred to as satoshi, began.

Many users have started embedding entire JPEG images into satoshis, which are more memory intensive and take up more block space. We can see from the chart that the average block size started to range from 2.1 to 2.6 MB in February and March. However, in the future, we can expect that ordinals will start to be emitted on a different technology than the first layer. One such technology may be, for example, the Taro or RGB protocol.

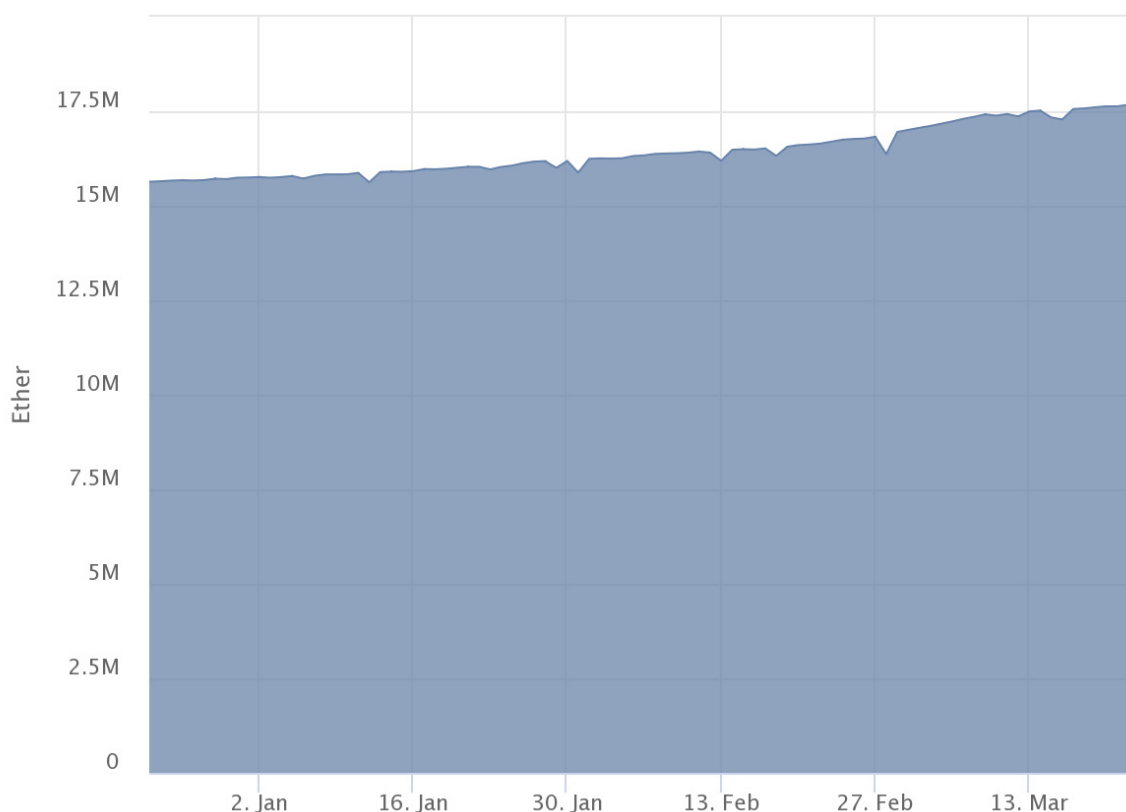
## ETH - Daily Active Addresses



Source: Etherscan

The graph of active addresses on the Ethereum network shows the daily number of unique addresses active on the network as either a sender or a receiver. The number of such addresses was mostly in the range of 300 to 500 thousand daily active addresses in the first quarter.

## ETH - Number of Staked ETH

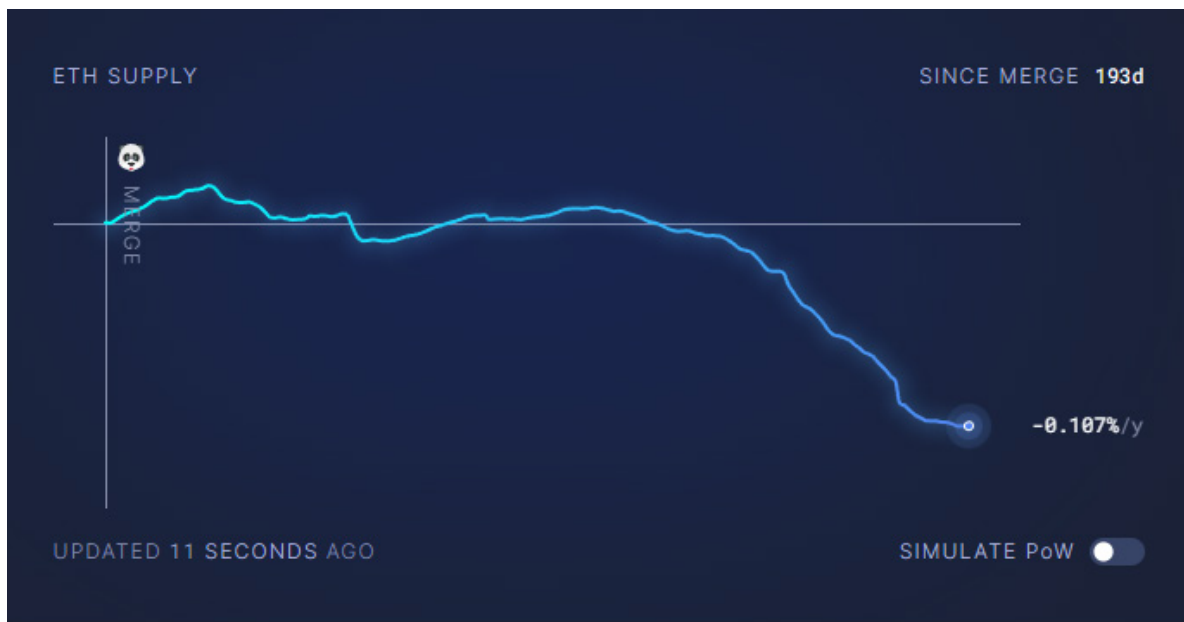


Source: BeaconScan

More than 2 million new ethers were pledged during the first quarter, with a total of up to 17.67 million ETH embedded in the stack. The figure of 17.67 million ETH represents 14.4% of the total stock of 122 million ETH in circulation.

While the growing number of staked ETHs can be interpreted as a promising sign for Ethereum's security and decentralization, it remains questionable how validators will behave after the upcoming Shanghai update, which is scheduled for April 12. This update will allow the withdrawal of ETH from a deposit contract, which will directly enable validators to withdraw their staked Ether and perform any other activity with it, including selling it or moving it to other forms of staking.

## ETH - Current Stock



Source: [Ultrasound.money](https://ultrasound.money)

Ethereum's (ETH) circulating stock has decreased -0.107% since The Merge update, when the Ethereum network switched to the Proof-of-Stake consensus algorithm. In absolute terms, this number represents a burn of 68,380 ETH with a market value of \$123 million. In total, 336,420 new ETH have been minted since the update, with 404,820 ETH burned in transaction fees. There are currently 120,452,470 ETH in circulation, with a total market capitalization of \$212 billion.

## DEFI

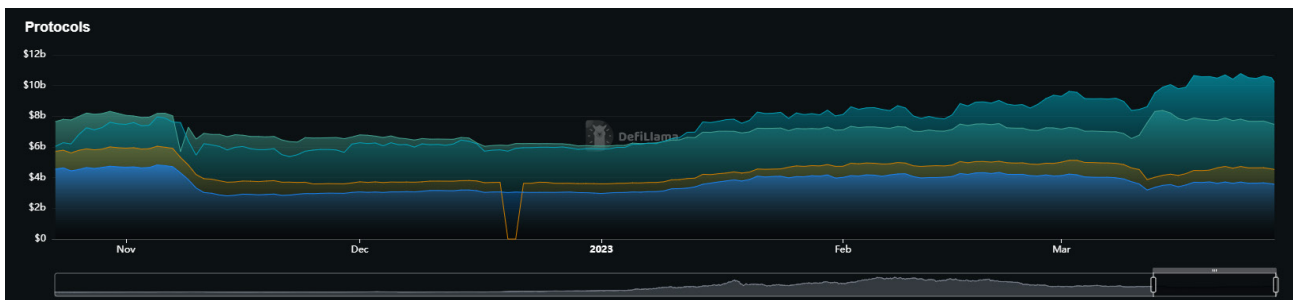
### Total Value Locked (TVL)

Since 2017, DeFi has been steadily evolving and leaving a growing footprint in the emerging world of the new decentralized Web 3.0. Activity in this space grew significantly during the first quarter, mainly due to the challenges faced by banking entities in the Americas but also in Europe. Following the collapse of a number of banks, confidence in the traditional financial system has been severely eroded, causing capital to flow into the decentralized finance sector, where everyone has their own funds in their own hands.



Source: DefiLlama

As we can see in the chart, the total value locked (TVL) of assets in decentralized funding protocols has increased by almost 30% since the beginning of the new year (11 billion in absolute terms). Protocols belonging to the Liquid Staking Derivatives (LSD) category that eliminate barriers to entry in staking and allow users to stake their coins easily and securely are gaining particular prominence and increasing popularity. Additionally, during March, the stored value in the Aave lending protocol increased significantly, probably influenced by the adverse events in the banking sector.



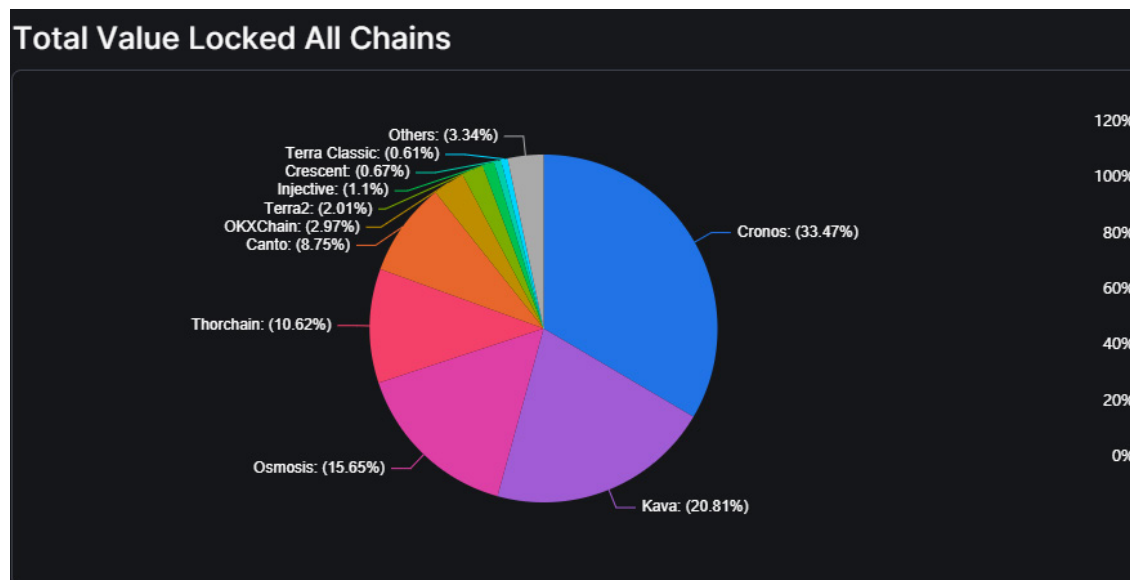
Source: DefiLlama

There was a so-called „flipping“ among protocols in the DeFi sector earlier this year. A liquid staking-focused protocol called Lido took the top spot in terms of total locked value (TVL), dethroning the Maker lending protocol, which is, among other things, the issuer of the crypto-collateralized stablecoin DAI, from the top spot after almost a year.

The current locked-in value in the Lido Protocol is USD 10.21 billion. This is followed by the Maker, Curve and Convex Finance protocols, which hold \$7.51 billion, \$4.54 billion and \$3.6 billion, respectively.

## Selection From DeFi - Cosmos

Cosmos is a blockchain project aimed at creating an ecosystem of parallel blockchains that will be able to communicate with each other. In particular, Cosmos seeks to solve scalability and interoperability issues, which sets it apart from most other blockchain platforms. In a way, Cosmos acts as a zero-layer blockchain that provides a building environment for other blockchains.

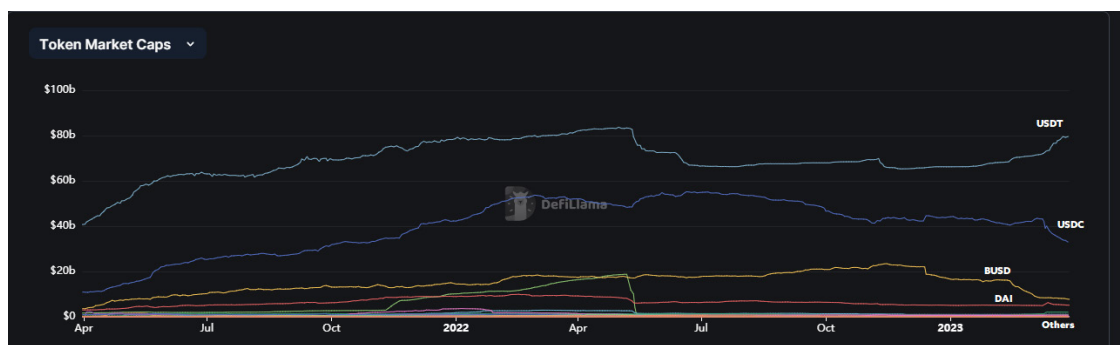


Source: DefiLlama

Currently, the largest ecosystem built on Cosmos is Cronos, which has a total locked-in asset value of \$370 million. According to the DefiLlama website, there are 96 protocols operating on it in total, where the largest protocol is VVS Finance, with a total locked-in value of \$188 million. It is a fork of the most popular decentralized exchange Uniswap, but VVS Finance operates on only one chain, which is Cronos.

The first-layer blockchain called Osmosis has seen significant popularity, especially over the past few months, and its ecosystem has started to grow significantly. In addition to its own native decentralized exchange called Osmosis Dex, several other protocols have emerged, such as a lending-focused credit protocol called Mars or Kado, which focuses on providing payment infrastructure services. In aggregate, however, the largest amount of funds is deposited in Osmosis Dex (\$163 million), accounting for up to 94% of the \$172 million deposited in the Osmosis ecosystem.

## Stablecoiny a DeFi



Source: Defillama

Tether (USDT) remains the largest stablecoin in the cryptocurrency sector, with a market capitalization of close to \$80 billion. Tether's capitalization grew by almost 20% during the last quarter, mainly due to the problems of stablecoins BUSD, USDC or Dai.

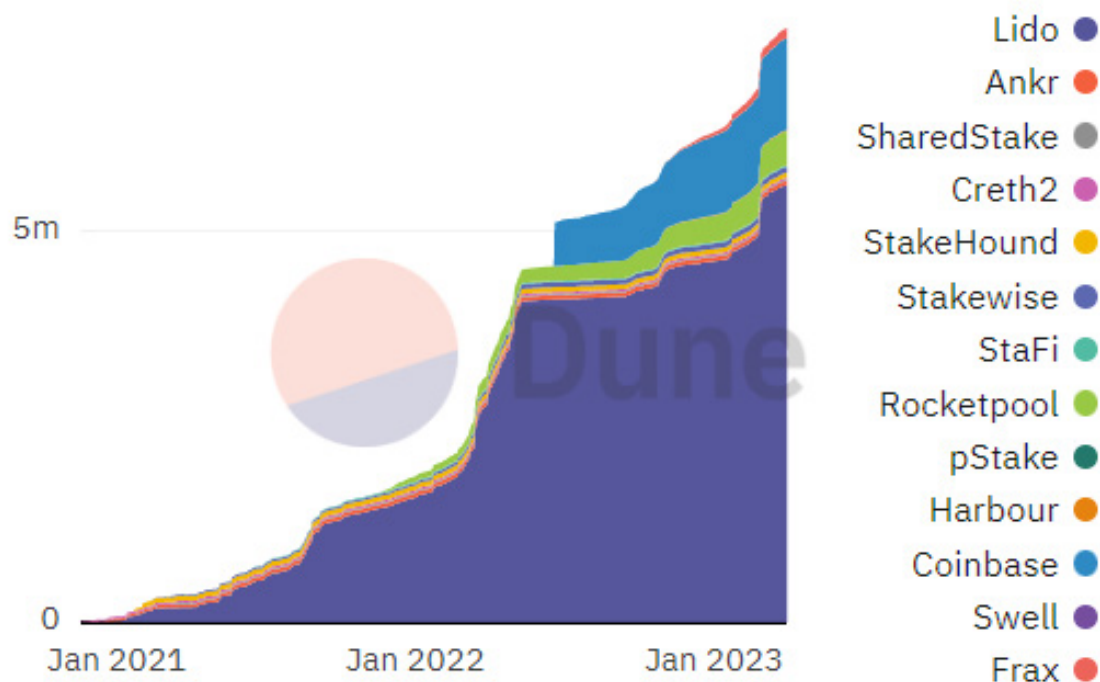
In late February, the BUSD stablecoin came under fire from the US Securities and Exchange Commission (SEC). The reason for this is said to be the fact that the SEC has designated stablecoin BUSD as an unregistered security. BUSD is a stablecoin issued by Paxos, but it carries Binance's branding and is an important part of the Binance Smart Chain, a smart contract platform created by Binance, the largest crypto exchange.

Stablecoins USDC and DAI experienced very rough moments in the first half of March. After the Silicon Valley Bank crash, USDC, in particular, went through a major stress test. Circle, the issuer of USDC, was found to have more than \$3.3 billion of cash on deposit at Silicon Valley Bank, representing roughly 8% of the market capitalization of the USDC stablecoin. Concerned, there was high selling pressure on the USDC stablecoin, which was reflected in its depeg (deviation from the peg), and the USDC price fell from \$1 to approximately \$0.86.

However, the situation calmed down after a while. This was aided by the fact that SVB, in agreement with the FDIC (Deposit Insurance Corporation), guaranteed the repayment of deposits for all its clients. As a result, Circle did not lose any funds, and the USDC stablecoin regained its price equilibrium. However, its capitalization has since fallen by almost USD 10 billion (-23.93% of its original market capitalization). USDC's current market capitalization is \$32.9 billion.



## The Popularity of Liquid Staking Is Growing



Source: Dune analytics

Liquid staking derivatives (LSDs) have caught the attention of many investors in recent months. They have gained popularity because of the liquidity of staked ETH that is associated with this type of asset. In September 2022, the Ethereum foundation came up with a network upgrade called „Beacon Chain“, which functioned as a separate network until the next upgrade called „The Merge“. Although the Beacon Chain network was not used for any transactions, potential validators could start locking 32 ETH there in order to become a validator once the network went to proof-of-stake.

Of course, 32 ETH is not an insignificant amount, and there is a liquidity problem. LSDs came up with a solution to the liquidity problem. LSDs allow participating in the network validation with, e.g. even 0.1 ETH. Compared to staked ETH, other Ethereum protocols, such as Lido, issue a token that represents staked ETH, which the user can further manipulate. For example, it can be re-staked, exchanged for another token, or used as collateral for loans and continue to collect interest on the originally staked ETH. The most prominent protocols that issue such LSDs are Lido (stETH) and Rocket Pool (rETH), but also exchanges such as Coinbase (cbETH) or Binance (bETH).

Increasing interest in these types of assets can be expected in the future, as regulators have already realized. So far, only Coinbase is considered an OFAC-compliant provider of such LSDs. This allows it to charge up to a 25% fee for de-staking assets. Based on the chart, we can conclude that interest in cbETH is growing despite the fee amount.

## Coinbase Launches Its Own Second-Layer Scaling Solution

In February this year, Coinbase also announced a second layer of the Ethereum network called Base. The Base network was created in collaboration with the already existing second layer, Optimism. The base will offer a secure, inexpensive and developer-friendly way to create decentralized applications for everyone.

Through Base, Coinbase users will be able to start interacting with Ethereum-based networks (Ethereum L1s), other second layers, and other interoperable blockchains. It could be said that Base will provide a kind of bridge between the world of traditional finance and the world of cryptocurrencies. The advantage of this second layer will be, for example, the easy creation of „gateways“ for people who do not yet have cryptocurrencies but are interested in procuring them via their credit card.

The network will go through 3 stages of development over the next two years in order to reach a sufficient level of decentralization. The first two stages of development are due to take place in 2023 and the third in 2024. Coinbase has also created a fund for this ecosystem to support the development of new projects. Currently, the testnet is still running, i.e. applications are still being sent out if there is interest in developing on this network. Although the number of all applications has not been made public, more than 18 thousand applications have already been made on this network in the first week. There were roughly 55 thousand smart contracts deployed.

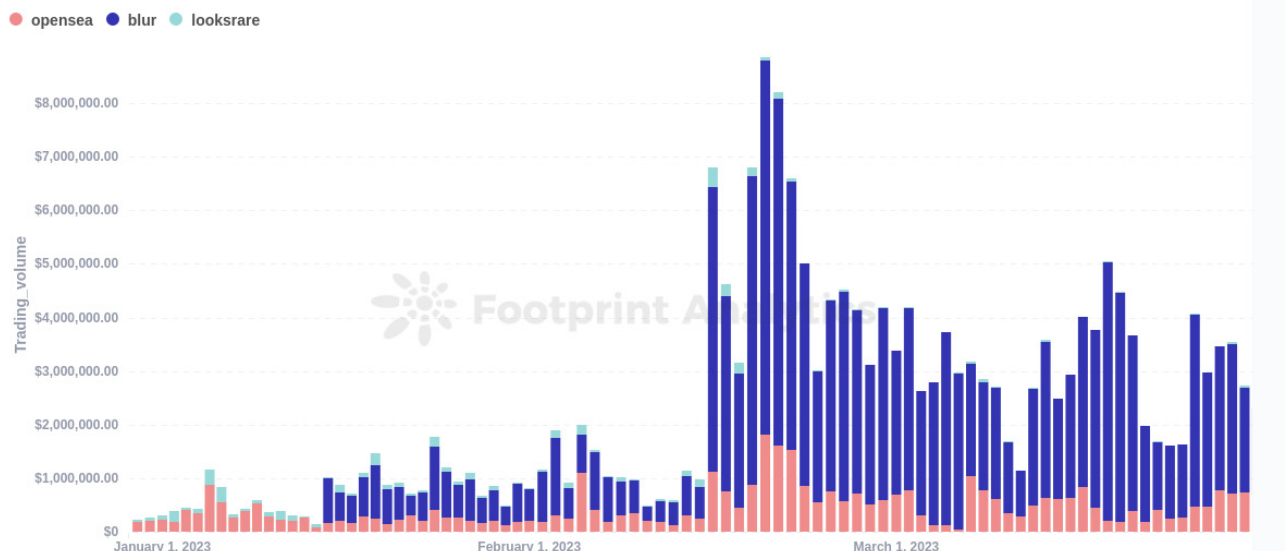
## Arbitrum Airdrop

In March, the long-awaited airdrop of a second-layer scaling token solution built on top of Ethereum called Arbitrum occurred. A total of up to \$1.2 billion in \$ARB tokens were redistributed among the more than 600,000 wallets that were eligible to receive tokens.

Any user who performed various activities in the Arbitrum network (swaps, asset bridging, etc.) and completed all the necessary tasks was marked as „eligible“ and could participate in receiving tokens. Each eligible user could earn a minimum of \$625 ARB tokens (current value of roughly \$700) and a maximum of \$10,250 ARB tokens (current value of over \$11,000).

# NFT & METaverse

## Comparison of the Largest NFT Marketplaces



Source: Footprint Analytics

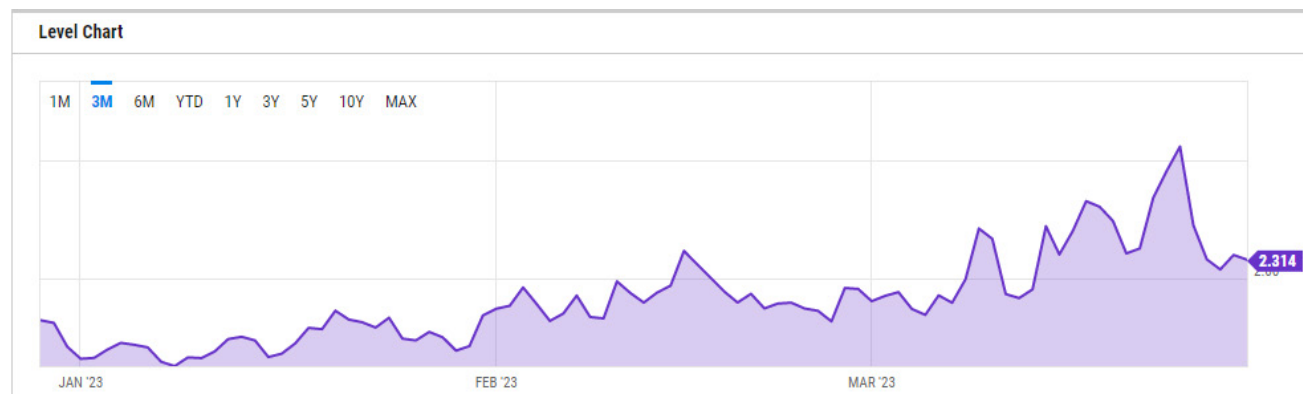
The largest volumes were recorded by the Blur exchange, which has been experiencing a huge boom since January this year. The NFT marketplace blur.io is aimed at traders with very low fees and the opportunity to get airdrop in the form of mystery box bonuses. It is the exchange behind the „Paradigm“ fund, one of the world’s largest crypto funds. Traded volume on the exchange went from around \$1 million to around \$8.5 million in February, making Blur the most used NFT marketplace.

The second largest marketplace is Looks Rare, which continues to hold static daily traded volume at about the same level as Blur. OpenSea is currently only the third most used NFT marketplace, with a still respectable traded volume of over \$0.5 million.

Not to mention the fact that OpenSea has been the NFT marketplace that collects the highest royalties since January 2021, or its users have been collecting the highest royalties among all NFT marketplaces, with the exception of about three weeks, when the aforementioned Blur marketplace held the top spot.

## NFTs Are Expanding Into Bitcoin

The Ordinals protocol allows you to associate certain data with each satoshi (the smallest unit of Bitcoin), effectively creating an NFT on Bitcoin. This allows images, videos or inscriptions to be written directly to the smallest monetary unit, satoshi, within transactions on Bitcoin, essentially creating a specific kind of non-negotiable tokens on Bitcoin (NFTs), which are referred to as *inscriptions*.



Source: [ycharts](#)

In the chart, we can see the effect of this coining in the form of high growth in transaction fees. The emergence of ordinals has outraged Bitcoin enthusiasts, especially in terms of filling blocks with what they see as „meaningless transactions“. On the other hand, however, it pleased NFT enthusiasts who wanted to be among the first NFT owners on Bitcoin.

However, the new innovation of Bitcoin has its advantages and disadvantages. On the one hand, NFTs on Bitcoin stimulate a lot of interactions on the Bitcoin blockchain, which is a positive for the network as a whole. There is an associated increase in transaction fees, but there is a bright and dark side to this - higher fees for miners on the network who are able to get more out of their activity.

If mining is profitable, miners have no reason to abandon Bitcoin, increasing security and eliminating the risk of a 51% attack. On the other hand, higher network fees reduce the use of Bitcoin for common payment purposes, such as paying for lunch or shopping. In this case, however, there are alternatives, such as the Lightning Network, that allow fast and secure payments via Bitcoin with virtually no fees.

However, opponents of Ordinals do not consider NFTs on Bitcoin to be beneficial. One of the reasons is that images or videos significantly clutter up the block space, which means that fewer transactions enter the block, which fills up the mempool and delays other transactions, and it also significantly increases the size of the blockchain as a whole. This may create barriers to entry for new full nodes in the future that will need to verify the entire history of the blockchain, which may grow significantly in size.

## Yugalabs NFTs on Bitcoin

Ordinals also caught the attention of the creators of NFT collections, such as Bored Ape Yacht Club or CryptoPunks, which are among the rarest of all collections. Yuga Labs decided to release one collection on Bitcoin as well, called „TwelveFold“. The collection has characters that reflect a visual allegory for data cartography on the Bitcoin blockchain, using 3D graphics with hand-drawn elements. The auction began on March 5 and ended on March 6. The auction sold 288 pieces of ordinals, with 2.2501 BTC as the lowest bid making the list.

Yuga Labs will distribute the remaining 12 units as part of their philanthropic programs or as rewards for the founders. With this collection, Yuga Labs has raised approximately \$16.5 million in BTC. Along with the auction, however, there was also a large wave of controversy associated with the bidding process. In case anyone was interested, the only way to be included in the „order book“ was to send their bid directly to the Yuga Labs wallet. This solution was not to the liking of the creator of the collection himself (Casey Rodarmor), who endured considerable criticism on Twitter about Yuga Labs, which could have easily stolen resources and manipulated the outcome of the auction.

## Spotify Tests Web3 Wallet Integration

Music streaming platform Spotify is expanding its presence in the Web3 space by testing tokenisation-based music playlists.

In the second half of November, Overlord, a well-known company focused on the gaming space in the sector, announced that it would be partnering with Spotify. As part of the collaboration, owners of NFTs from a collection called Creepz will be able to access Overlord's community-managed song content, which owners of those NFTs can specifically access through their own Web3 wallets. Playlists can only be unlocked by those who use Android and are from the United States, United Kingdom, Germany, Australia or New Zealand.

Spotify entered the Web3 space back in May 2022, when it began experimenting with NFT galleries on music interpr t profiles. Users were able to view NFTs of music interpr s, where they were then redirected to OpenSea's NFT marketplace, where they could purchase the artists' NFTs directly.

## Meta Is Discontinuing Support for NFTs

Meta Platforms, the parent company of Facebook, Instagram and Whatsapp, announced in March the end of the integration of non-interchangeable tokens (NFTs) on its platforms.

In justifying the decision, Stephane Kasriel, Meta's head of business and financial services, said the shutdown will allow the company to „focus on other ways to support creators, people and businesses“.



Source: Twitter

Furthermore, Kasriel said that Meta will not abandon its mission to help creators connect with their fans but will focus on other products like Instagram Reels and other monetization opportunities on the platforms. He also added that Meta will continue to work with content creators in the NFTs and Web3 space.

## We Are Adding a New Product - Advanced Portfolios

As part of the expansion of the Fumbi product portfolio, we introduced a new product in early March - Advanced Portfolios.

With this new feature, clients will be able to build their portfolios with variable ratios for individual assets but will also have access to investment templates created by the Fumbi team. These templates focus on different areas and ecosystems within the cryptocurrency world, giving our clients a wide range of options to choose from.

Creating your own investment portfolio has several advantages. First, it allows you to tailor your investments based on your own preferences. For example, you can choose to invest in potentially fast-growing assets if you want to maximize your returns or in more conservative assets if you're looking for stability.

Furthermore, creating your own portfolio allows you to diversify your investments across different types of cryptocurrencies from a sector and industry perspective, which can help spread risk and manage volatility.

In Fumbi Advanced Portfolios, you'll be able to choose from nearly 50 cryptocurrencies to start. From these cryptocurrencies, you can build portfolios with assets and ratios according to your preferences.

Conditions for the creation of custom portfolios:

- Minimum investment: 50 €.
- Minimum number of assets in the portfolio: 2.
- Maximum number of assets in the portfolio: 10.
- Initially, it will only be possible to invest in Fumbi Advanced Portfolios through Fumbi Credits.

More about the new product and predefined templates can be found at [this link](#).

## Quarterly Update of Fumbi Products

In early March, our Fumbi experts once again conducted a regular quarterly update of our Fumbi Index Portfolio. However, in addition to updating this flagship product, for the first time, we also updated a new product called Advanced Portfolios.

The quarterly update is a very important and necessary process during which our experts actively examine current trends and review the overall market situation to optimise our products' return-risk profile. During this event, individual cryptoassets are analyzed, new ones are added, and assets that no longer meet our selection criteria are removed.

Fumbi typically updates its portfolios quarterly to reflect the current market situation as accurately as possible. The March update to our products will bring several new assets and enhancements to help investors achieve their investment goals.

Information on what assets we have added and removed within the Fumbi Index Portfolio and Advanced Portfolios products can be found on our blog or directly at [this link](#).

## **Invest Regularly With the New Automatic Deposit Feature**

Investing in cryptocurrencies such as Bitcoin or Ethereum or in a cryptocurrency portfolio is already a popular choice for any progressive investor. However, market timing and volatility make it difficult for investors to decide when to buy and when to sell. Fumbi now brings a new feature that solves this problem for you.

You can now invest in Fumbi products via the Automatic Deposit feature. With this enhancement, you invest a fixed amount of money in a specific asset or portfolio on a regular basis, spreading your initial investment over time across multiple entry points, eliminating the risk of buying at the very top.

When it comes to investing in cryptocurrencies, investing regularly through an Automatic Deposit can be a particularly useful strategy. The cryptocurrency market is known for its high volatility, and prices can fluctuate quickly. Therefore, it is wise to reduce your risk and invest regular amounts over time, reducing the overall risk of your investment and not having to stress about short-term price movements in the market.

## **We Have Completed Our Eighth Successful Audit**

At the end of January, our company successfully passed the eighth independent inspection of cryptocurrency wallets. As part of the audit, SGS compared the remaining values of 40 cryptocurrencies in the database with their actual values stored in the wallets.

The audit reconfirmed that the status of the wallets where clients' funds are safely deposited corresponds to the accurate values indicated in the user profiles.

Thanks to independent audits, our users can be sure that they will always get their cryptocurrencies or money because we have actually bought and stored the cryptocurrencies safely. Security and reliability are the cornerstones of how Fumbi operates. It is in these uncertain and challenging times that Fumbi has once again proven itself to be a reliable partner in the cryptocurrency industry and that when you purchase cryptocurrencies through Fumbi, you have the assurance that the cryptocurrencies are safely stored and in your direct possession outside of our company's balance sheet.

## **Fumbi Won the Superbrands Slovakia Award Again**

Fumbi has won the SuperBrands Slovakia award for the second year in a row.

The International Superbrands Programme is the most respected independent global authority on brand evaluation. Each year, it selects the top brands from all brands operating in the market based on business performance and public opinion research. These are then judged by an expert Brand Council panel of business, communications, marketing and media experts.

For the second year in a row, our company has been included in the company of the best brands. Fumbi has been on the market since 2018, and in that time, it has gained thousands of satisfied clients not only in Slovakia but also abroad. In total, we have more than 115,000 users and have earned the trust of both small and large clients.



# INVEST IN CRYPTOCURRENCIES WITH FUMBI

Take advantage of the potential of cryptocurrencies and invest with us simply, safely, efficiently and in a few clicks. We bring crypto to the general public with just a small deposit and in a way that minimizes all possible risks. Since 2018, over 115,000 users already rely on us. **You can invest from as little as €50.**

## Fumbi Product Portfolio

- Fumbi Index Portfolio**  
 Our most popular product, the Fumbi Index Portfolio, currently consists of over 20 top proven cryptocurrencies. The sophisticated Fumbi Algorithm within it tracks the growth of the entire cryptocurrency market.
- Advanced Portfolios**  
 Creating portfolios is now easier. With Advanced Portfolios, you'll have access to over 50 cryptocurrencies and templates created by our team that focus on different areas within the world of crypto. In addition, you'll be able to build custom portfolios with different ratios of cryptocurrencies that match your investment strategy.
- Staking Portfolio**  
 In the Staking Portfolio, you will find 10 cryptocurrencies that we will stake for you. These cryptocurrencies have a lower market capitalization than Bitcoin and, therefore, can be more volatile. However, with higher risk comes the possibility of higher
- Fumbi Custom**  
 With Custom, we bring everyone the opportunity to invest in the cryptocurrency of their choice. Choose your preferred cryptocurrency and invest in it easily, conveniently and safely.
- Bitcoin and Gold**  
 Fumbi's unique Bitcoin and Gold product tracks the value of Bitcoin and the PAX Gold cryptocurrency, which is backed by real gold. The algorithm splits your finances in a 50:50 ratio. It intelligently buys up the cryptocurrency that has fallen and sells the one that has risen. This combination makes it easy and stress-free to save for your future.
- Fumbi Business**  
 Valuate your company's assets safely with the first company in Slovakia to bring a sophisticated cryptocurrency investment tool to legal entities.
- Employee Program**  
 Through Fumbi, you can bring a unique benefit to your company's employees - they can automatically receive a portion of their paycheck in the form of crypto to their own secure Fumbi account. Your employees choose what portion of their paycheck they will receive in the form of cryptocurrency in the Fumbi Index Portfolio product. Thanks to you, they won't have to make deposits, and the amount will be credited to their account automatically every month.
- Custody**  
 Have you purchased cryptocurrencies and wonder how to store them as safely as possible? Take advantage of a first-class cryptocurrency safekeeping option with Fumbi. We work with market leaders to keep your crypto safe at all times.

[www.fumbi.network](https://www.fumbi.network)

