The logo graphic consists of several parallel diagonal lines of varying lengths, colored in shades of green and white, arranged to suggest an upward-pointing arrow or a stylized 'M' shape.

# FUMBI

CLOSER TO CRYPTO

# QUARTERLY REPORT ON THE CRYPTOCURRENCY MARKET Q3/2022

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# PREFACE

The summer months are historically considered quieter and usually a bit duller in the cryptocurrency market. Nevertheless, during the last three months, several important events have taken place in the crypto market that significantly influenced the behaviour and mindset of investors in the market.

The most attention during the third quarter was clearly earned by the long-awaited update on the Ethereum network called The Merge, the essence of which was the migration of the Ethereum network to a new consensus model called Proof-of-Stake. Thanks to the new consensus algorithm, the Ethereum network reduced its energy consumption by up to 99.9% and set the stage for future updates aimed at improving the scalability of Ethereum.

The August ban on the privacy-focused protocol called Tornado Cash in the United States resonated strongly among the crypto community. Tornado Cash, used to anonymise transactions in order to preserve privacy, has been outlawed by government authorities and US residents face hefty fines and even imprisonment for its use. Crypto enthusiasts see the ban on the use of this decentralised application as a profound infringement on the privacy and sovereignty of crypto users, and they are calling for the lifting of this ban.

In the field of institutional adoption, BlackRock, the world's largest asset manager, has entered the world of cryptocurrencies. Blackrock has decided to create its own Bitcoin trust, which will be focused on investments by institutions. However, not all institutions saw things rosy with Bitcoin this quarter. Tesla decided to sell 75% of its Bitcoin reserves due to the company's declining profits. However, it turns out that Tesla and Elon Musk's influence on the cryptocurrency market is not nearly as strong as it was in the past. Tesla's sell-off had almost no effect on the BTC price.

However, crypto asset prices continued to correlate with the poor macroeconomic situation in the third quarter. Inflation in the US and Europe continues to plague central bankers, who are forced to take action to tame inflation even at the cost of a possible recession. In September, the Federal Reserve again raised its key interest rate by 0.75% to a range of 3.00-3.25%, the highest level since 2008.

The price level of most cryptocurrencies is currently in a very attractive price zone. Therefore it would not be surprising to see a number of large players from the traditional financial sector enter the market during this period. Bitcoin and Ethereum can be expected to continue to be the most popular destinations for new capital. However, more exotic assets will also increasingly come into investors' sights.

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

# HIGHLIGHTS

- The summer months were marked by lower volatility in the cryptocurrency market. Bitcoin rose by 0.4 % in the third quarter, while Ethereum rose by 25 %.
- The Ethereum network has successfully migrated to the Proof-of-Stake consensus algorithm. It should bring lower energy consumption to the network, as well as set the stage for further scalability upgrades not possible under proof-of-work.
- Tesla sold 75% of its bitcoin reserves. The reason for the sale was said to be financial uncertainty related to the blockade of the Shanghai manufacturing plant due to the COVID-19 pandemic, as well as production problems at other plants.
- Meta has decided to expand in the field of non-fungible tokens (NFTS) and has integrated them on its social network Instagram. Sharing digital art has never been easier.
- The third quarter showed that crypto projects achieved record funding during the first half of the year. They raised more than they did in the entire calendar year of 2021.
- Huntingdon Valley Bank was the first regulated bank in the U.S. to take out a loan through the decentralised protocol Maker. Maker and Huntingdon Valley Bank have thus become pioneers in connecting the traditional financial world with DeFi.
- The Japanese government was the first in the world to issue its own NFTs. Through them, it rewarded the work of local authorities for solving various problems using digital technologies.
- Fumbi has introduced a new product called **Fumbi Staking Portfolio**. In it, you can find up to 10 cryptocurrencies operating on the Proof-of-Stake consensus algorithm that can generate you a 5-7% annual reward in cryptocurrencies.
- Our experts have created a product in which employers in companies in Slovakia can bring a unique benefit to their employees - pay them part of their salary automatically in the form of cryptocurrencies to their own secured Fumbi account.

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# MARKET OVERVIEW

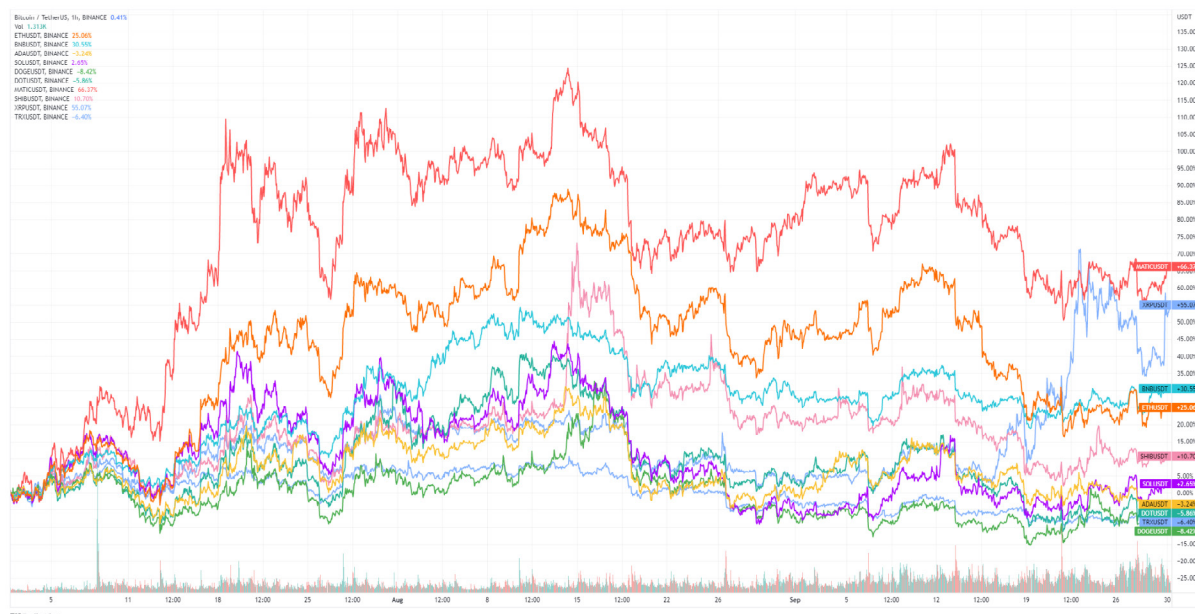
## BTC Price Action in Q3



Source: Messari

The summer months in the crypto market were marked by lower volatility than is usually seen in other quarters. The price of Bitcoin has mostly oscillated between \$18,000 and \$25,000 during these months. Bitcoin opened the third quarter at \$19,366 and closed it at \$19,444 with a gain of 0.4%. Bitcoin reached its three-month low on 21 September, trading at \$18,157. Bitcoin reached its three-month high on 15 August, trading at \$25,200.

## Top 10 Altcoins Price Actions in Q3



Source: Tradingview

Among the top 10 altcoins (stablecoins excluded), Polygon (MATIC) was the best-performing cryptocurrency during the past quarter, rising by 63% over three months. Cryptocurrencies Ethereum and BNB also performed well, rising by 25% and 30%, respectively. The worst performer among the altcoins was the meme cryptocurrency Dogecoin, which fell by 8.42%. Overall, six of the top 10 altcoins were in profit in the third quarter.

## Crypto Market in Q3 - Total Market Capitalization

### TOTAL MARKET CAP



Source: [Coinmarketcap](#)

The cryptocurrency market capitalisation was \$889 billion at the beginning of the third quarter. The market cap temporarily rose above the psychologically important \$1 billion mark, but it declined again in the second half of September. Over the past three months, the market has risen by 5.96%, and the total market cap has climbed to \$942 billion as of 31 September.

## The Evolution of Bitcoin's Dominance in Q3

### BTC DOMINANCE



Source: [Coinmarketcap](#)

Bitcoin's dominance in the cryptocurrency market is determined by the ratio of Bitcoin's market capitalisation to the market capitalisation of all existing cryptocurrencies. Tracking this indicator can be used to identify a number of developments in the cryptocurrency market. Bitcoin's dominance fell from 43.22% to 39.42% during the third quarter. You can read more about the application of the Bitcoin dominance indicator in practice in our blog post focusing on [basic crypto metrics from the world of cryptocurrencies](#).

## THE MOST NOTABLE EVENTS IN Q3

### Ethereum Transition to Proof-of-Stake

On Wednesday, 15 September 2022, the long-awaited transition of the Ethereum network from the consensus algorithm Proof-of-Work to a new model called Proof-of-Stake successfully took place. The Merge is Ethereum's most significant milestone, modifying the way consensus is achieved in the Ethereum network.

The new consensus model eliminates the need for energy-intensive mining and instead secures the network using staked ETH coins. Thus, the Ethereum network now does not have to rely on miners and their mining machines to validate transactions and produce new blocks, but it does rely on validators. Eliminating miners in the network should reduce the network's energy consumption by up to 99.9%, making Ethereum an environmentally friendly blockchain. In addition, this update sets the stage for future updates aimed at improving Ethereum's scalability.

However, The Merge does not yet directly solve Ethereum's scalability problem, as it is an update aimed at changing the consensus mechanism, not solving network capacity issues. This means that this update will not result in a reduction of transaction fees on the Ethereum network. Increased scalability and, thus, a possible reduction in fees will be provided through the implementation of sharding, which is expected to be deployed sometime in 2023.

The Merge, however, brings with it an interesting adjustment related to the issuance of new ETH coins. While the Proof-of-Work mechanism was daily mined about 12,000-13,000 new ETHs, Proof-of-Stake has fixed the daily issuance of new ETHs at 1,600. Thus, Ethereum will become a much rarer asset over time. By implementing the burning mechanism that was part of EIP-1559, with an increased volume of transactions compared to the average, there may be a situation where more ethers are burned per day than enters the circulation through staking. Therefore, Ethereum has the potential to become a deflationary asset.

The next major milestone in the Ethereum network will be the introduction of sharding, which is expected to increase the scalability of the Ethereum network by up to 100,000 transactions per second. However, its implementation is scheduled for 2023.

### Introducing Zero-Knowledge Scaling Solutions on Ethereum

During the third quarter, several projects announced the launch of their own Layer-2 scaling solutions aimed at improving the user experience when interacting with DeFi applications using Zero-Knowledge technology.

So-called Zero-Knowledge Rollups, also known as ZK-Rollups, process transactions and data off-chain (outside of the Ethereum mainnet) and use cryptographic proofs called ZK-SNARKS (Zero-Knowledge - Succinct Non-Interactive Argument of Knowledge") that can prove to the Ethereum mainnet that transactions have been processed without having to provide it with all the data to do so. When using ZK-Rollups, Ethereum only needs to verify the cryptographic proofs themselves and not the entire transaction data, freeing up space on the block in a significant way. Rollups also allow transactions to be bundled together, which allows users to split gas fees.

One of the most anticipated Zero-Knowledge projects compatible with the Ethereum network is ZkSync. ZkSync boasts speeds of up to 2,000 transactions per second. Currently, ZkSync is in the testing phase, but Matter Labs, the company behind its development, has announced that its launch on the Ethereum mainnet is expected later this year.

In July, a new ZK-Rollup called Scroll came into play. According to its developers, it will be fully compatible with the Ethereum Virtual Machine (EVM), making it very easy and simple for any application to migrate to it. The team behind the Scroll project announced this quarter the launch of the Scroll test network, which it is developing in collaboration with the Ethereum Foundation.

Polygon, a scaling solution built on top of the Ethereum network, also announced the launch of its own ZK-Rollup. Back in August 2021, Polygon acquired a decentralised ZK-Rollup called Hermez Network for \$250 million. A year later, Polygon announced that it was working on its own ZK-Rollup called Polygon Hermez, which would work alongside its Proof-of-Stake Matic chain. Last month, Polygon rebranded Polygon Hermez to Polygon zkEVM, which would head to mainnet in early 2023.

## Tesla Has Sold off Most of Its Bitcoins

Tesla, one of the world's largest electric vehicle producers, sold 75% of its bitcoin reserves during the past quarter, which it acquired back in January 2021 for a total of \$1.5 billion, according to a filing with the U.S. Securities and Exchange Commission.

According to published financial statements, Tesla has held its bitcoins untouched since their purchase. The company's only intervention in its bitcoin reserves was made two months after the purchase when Tesla decided to sell off 10% of its reserves to demonstrate the liquidity of Bitcoin as an alternative to holding cash on its balance sheet. According to its first-quarter financial report, Tesla had \$1.261 billion worth of Bitcoin on its balance sheet at the end of March.

However, the sale of 75% of bitcoin reserves worth \$936 million is no longer related to demonstrating Bitcoin's liquidity. Tesla endured a very challenging second quarter of this year, during which the company's profits fell by 32% from the record levels seen earlier this year. The decline in the company's earnings was mainly attributable to problems with the COVID-19 pandemic in China due to the closure of the Shanghai plant as well as production problems at other plants.

The company did not state at what price it sold the bitcoins, nor did it state whether it made a loss on the trade. However, based on Bitcoin's price performance in the second quarter, it is safe to assume that Tesla sold its bitcoins somewhere in the price range between \$46,000 and \$19,000. However, analysts assume that Tesla sold bitcoins around the \$29,000 price level, which would mean that Tesla sold bitcoins at a loss, as it acquired its bitcoins somewhere in the price range of \$32,000 to \$33,000 per bitcoin.

*"The reason we sold a bunch of our bitcoin holdings was that we were uncertain as to when the Covid lockdowns in China would alleviate, so it was important for us to maximise our cash position,"* Musk said in an earnings call on Wednesday. *"This should not be taken as some verdict on bitcoin,"* he said, adding that Tesla is open to increasing its crypto holdings in the future.

## Iran Used Cryptocurrencies for Import Payments

Iran, which has been struggling with economic sanctions for decades, placed its first international order in early August to import goods into the country via cryptocurrencies. The order included payment for \$10 million of goods in crypto.

Although it is unclear what cryptocurrency Iran used as a payment method or what goods were involved, it appears that Iran plans to use cryptocurrencies for import payments in the future. Alireza Peyman-Pak, chairman of Iran's Trade Development Organisation, published a post on the social network Twitter in which he declared that by the end of September, the use of cryptocurrencies and smart contracts would be widely used in foreign trade with target countries.

In addition, Iran's Minister of Industry, Mines and Trade, Reza Fatemi Amin, announced at the end of August at an automotive industry exhibition in Tehran that the government had passed a comprehensive and detailed law regarding the regulation of the use of cryptocurrencies for trading. This law, created between the Ministry of Industry and the Central Bank of Iran, will reportedly allow entities in the country to pay for imports using cryptocurrencies. The law will apply not only to Iranian financial institutions and industry leaders but also to local businesses.

In the past, the United States has imposed an almost complete economic embargo on Iran, including bans on imports of goods from the oil, banking and shipping sectors. Until February 2022, Iran was the most sanctioned country in the world, but that top spot went to Russia after the invasion of Ukraine.

## Banning the Use of Tornado Cash in the United States

Tornado Cash is a privacy-focused protocol running on the Ethereum network that aims to anonymize transactions. The essence of the protocol is to mask the details of the sender and receiver of crypto transactions in order to preserve anonymity and privacy. However, this application is not only used by crypto users who want to remain anonymous. Over time, hackers have also started to use it more and more, laundering stolen and dirty money through it.

In early August, the U.S. Treasury Department outlawed the use of the Tornado Cash app in the United States, directly prohibiting U.S. residents from any interactions related to the app. In a statement, the Office of Foreign Assets Control (OFAC), along with the Treasury Department's agency, called Tornado Cash a „significant threat to national security.“

However, this decision has sparked a negative reaction from many members of the crypto community, who see it as a government overreach that goes against the fundamental values of privacy and autonomy. Some even fear that it could set a precedent that would cause other privacy protocols to soon find themselves in the crosshairs of government institutions.

In the first half of September, after more than a month, the US Treasury Department broke its silence on the case. In its latest statement, the Treasury Department outlined how users who used the app before it was banned will be able to get their funds back. According to the released news, individuals who deposited funds into Tornado Cash prior to August 8 - the date the Treasury Department banned US citizens from interacting with the tool - will be able to apply to OFAC (Office of Foreign Assets Control) for a special licence that, if granted, will allow them to access and withdraw funds.

Additionally, the US Treasury Department has also responded to the redistribution of smaller amounts originating from Tornado Cash after 8 August to various Ethereum addresses. Among the recipients of the funds were various celebrities, such as Logan Paul and Jimmy Fallon. However, according to available information, individuals who received small amounts of Tornado Cash-affiliated funds without consent will not face criminal prosecution.

## Meta Integrates NFTs

Meta, formerly known as Facebook, has decided to expand in the field of non-fungible tokens (NFTs).

In early August, the company that runs social networks such as Facebook, Instagram and Whatsapp announced the integration of non-fungible tokens (NFTs) on one of the world's most popular social networks called Instagram. The new functionalities will allow artists and collectors to share their digital artworks directly through the Instagram app.

The integration of NFTs on Instagram is made possible by linking the platform with the most popular crypto wallets on the market, including Metamask, Trust Wallet and Coinbase Wallet. Most recently, Dapper Wallet has joined these wallets, allowing artists to share their digital art created on the FLOW blockchain. In addition to the Flow blockchain, Instagram also supports digital art created on Ethereum and Polygon.

To share digital art, you need to connect your digital wallet to Instagram via a web browser. Users can then share their digital collections as posts and stories or share them with other users in a private message.

## Solana Unveils Its Own Mobile Phone

One of the leading cryptocurrency projects, Solana, headed by Anatoly Yakovenko, unveiled its own Android smartphone called Solana Saga over the summer.

The smartphone will feature a Qualcomm Snapdragon 8+ Gen 1 processor, a 6.67-inch OLED display, 12GB of RAM and 512GB of internal storage. In addition, the new smartphone will showcase a wide range of capabilities using a new software suite called Solana Mobile Stack.

The Solana Mobile Stack software suite will reportedly consist of three components - the mobile wallet adapter, Seed Vault and Solana Pay. The first mentioned component will be used to connect the hardware wallet to the phone, while the Seed Vault will be used to store private keys and seeds outside the application layer. Solana Pay will have the same function as Google Pay or Apple Pay on mobile phones today - it will allow the user to pay with cryptocurrencies virtually anywhere and anytime.

The price of this mobile device will be around \$1,000. In the case of pre-orders, buyers will be entitled to a refund of \$100 of the deposit paid in advance. Furthermore, buyers who have pre-ordered the phone may be eligible for a Saga Pass, a non-fungible token (NFT) created to mark the first batch of mobile devices from Solana.

## CRYPTOCURRENCIES AND THE WORLD OF TRADITIONAL FINANCE

### Record Funding for Crypto Companies

A research report from analyst firm Messari, created in cooperation with fundraising database Dove Metrics, revealed record funding for crypto projects in the year's first half. According to the report, projects stemming from the cryptocurrency sector reached funding of up to \$30.3 billion in the year's first half. This is a truly remarkable figure, as in the entire year of 2021, when a huge number of new players were entering the cryptocurrency sector, and asset prices were rising to gigantic values, crypto projects managed to raise only \$19 billion cumulatively.

According to the report, \$30.3 billion in capital was raised through 1,199 investment rounds. As much as one-third of the funds, totalling \$10.2 billion, went to the CeFi sector, which is associated with investments in cryptocurrency exchanges or lending companies. Almost 9.7 billion was invested in crypto infrastructure, which is associated with investments in smart contract platforms, mining companies or asset custody projects. In addition, \$8.6 billion was invested in projects from the Web3 and NFTs sector, while the Decentralised Finance (DeFi) sector managed to raise only \$1.8 billion.

Within the framework of investments in the CeFi sector, most funds were invested in the development of cryptocurrency exchanges in the total amount of \$3.2 billion. Projects focused on crypto payments received 1.5 billion, and lending companies collected a total of \$895 million. In the NFTs sector, 365 investment rounds were closed, of which 212 were focused on projects built on the Ethereum blockchain. In terms of allocated capital, however, Ethereum lost its dominance, as projects built on alternative blockchains managed to raise up to \$3.5 billion, whereas projects on the Ethereum network raised only \$2.8 billion.

Investments in DeFi have been made through 195 investment rounds, with as many as 115 of them targeting Ethereum-based projects. Projects on the Ethereum network have raised up to \$1.3 billion in total, while projects on alternative smart contract platforms have only raised \$502 million.

Among crypto infrastructure projects, investments in smart contract platforms dominated. Almost \$3.6 billion of the \$9.7 billion invested in the crypto infrastructure sector was invested into smart contract platforms. Investments in the mining sector were \$1.3 billion, and \$1.2 billion was invested in data platforms.

## BlackRock Enters the World of Cryptocurrencies

BlackRock, the world's largest asset manager with more than \$10 trillion in assets under management, announced in August the launch of its own private Bitcoin Trust.

The creation of the Bitcoin Trust, according to company executives, is in response to the ever-growing demand from institutional investors who want to own Bitcoin in these uncertain times. Most institutional investors know that Bitcoin has lost more than 70% of its value reached in November 2021, which they see as a huge investment opportunity.

The new Bitcoin Trust will initially focus only on the Bitcoin cryptocurrency, but several analysts believe that BlackRock could eventually expand its focus to the Ethereum cryptocurrency as well. The new way in which consensus is reached on the Ethereum network has reduced the energy cost of the Ethereum network by up to 99.9% and may very likely appeal to the very institutional investors who have been avoiding investing in Bitcoin and Ethereum due to their high energy intensity.

Even a few years back, BlackRock CEO Larry Fink criticised Bitcoin, referring to it as a „*money laundering tool*“ in an interview. Today, everything seems to be completely different and Larry has changed his rhetoric 180 degrees in recent months.

## Inflation Continues to Plague Europe and America

Rising costs of food, energy, fuel and other consumer goods continue to plague people in Europe and the United States.

Inflation in the euro area, measured by the consumer price index (CPI), reached a new record high of 9.1% in August. The year-on-year inflation rate was above expectations in August, with a Reuters poll of economists predicting inflation of 9%. Inflation in the euro area rose for the twelfth consecutive month in August and is now at its highest level since 2000.

Slovakia's annual inflation rate is up to 14%, the highest since June 2000, with food, energy and housing prices rising the most in August.

However, high inflation rates are not only a concern for European countries. In the United States, inflation is at 8.3% according to August statistics, down from the 8.5% inflation recorded in July and the 9.1% recorded back in June. The Federal Reserve (Fed) responded to the inflation problems at the end of September by raising interest rates again by 75 basis points (0.75%) to a range of 3.00%-3.25%.

## Interesting Fact - the Euro and the Dollar Have Reached Parity

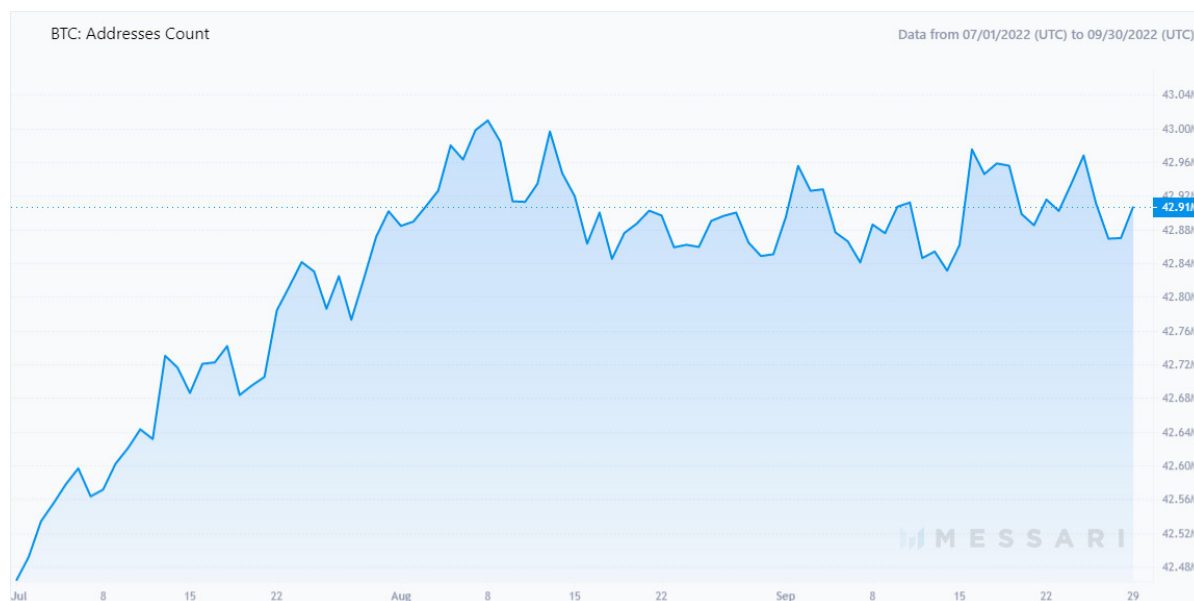
During the summer months, Europeans encountered something that most of them had probably never experienced before. The euro currency slipped towards parity with the US dollar in mid-July. This means that one euro was equal to one US dollar.

Before that, the last time the euro was below the value of one dollar was back in November 2002, when the common currency project was still practically in its infancy. Since then, the euro has appreciated and traded at more than one dollar for almost 20 years.

The depreciation of the euro has been influenced by a number of factors, including the effects of the COVID-19 pandemic, the war in Ukraine and its economic consequences, and the high inflation rates in the euro area countries. Currently, the exchange rate in the EUR/USD currency pair is at 0.97, meaning that one euro equals \$0.97.

## ON-CHAIN DATA

### BTC - Address Count



Source: Messari

The addresses count in the Bitcoin network tracks all unique addresses on the Bitcoin network that have a non-zero balance. At the beginning of the third quarter, there were a total of 42,354,488 non-zero addresses on the Bitcoin network, with the number increasing by 1.31% over the third quarter to a final value of 42,907,126. This means that the number of addresses holding at least some bitcoins in the Bitcoin network is still growing, which may indicate that more and more investors own Bitcoin despite the bear market.

## BTC - Addresses with Balance Greater than 1 BTC



Source: Messari

The metric of addresses with a balance greater than 1 BTC tracks the total number of unique addresses on the Bitcoin network with a balance of more than 1 BTC during the reporting period. Users in the Bitcoin network who own at least one bitcoin are known as wholecoiners. The number of such addresses has increased by almost 3.45% over the past three months to 904,615 addresses, signalling that investor interest in owning at least one whole Bitcoin continues to grow. A significant increase in this metric was seen especially during July, when Bitcoin traded predominantly in the \$19,000-21,000\$ price range.

## BTC - 1 Year Active Supply

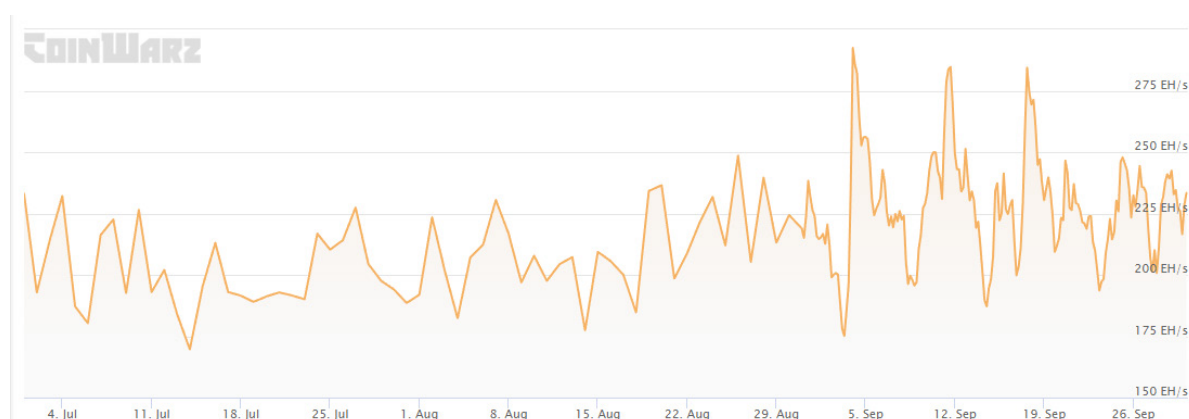


Source: Messari

The 1 Year Active Supply metric tracks the sum of unique native units that transacted at least once in the trailing one year up to the end of that interval. Native units that transacted more than once are only counted once.

The trend in the number of unique bitcoins that have been active over the past year continued to decline in the third quarter. In practice, this means that of the 19,164,000 BTC in circulation, just over 6.5 million unique BTC have been used in transactions over the past year, which is approximately 34% of the current circulation supply, while other bitcoins continue to be idle at their addresses.

## BTC - Hash rate



Source: CoinWarz

According to CoinWarz, the current computing power of the Bitcoin network is approximately 233 EH/s. Despite the declining price of Bitcoin, it can be observed that more and more miners are getting involved in mining, which is pushing the overall hash rate of the network upwards. During this quarter, specifically on September 4, we saw the highest hash rate of the Bitcoin network in its history so far, where the network hash rate reached 292 EH/s.

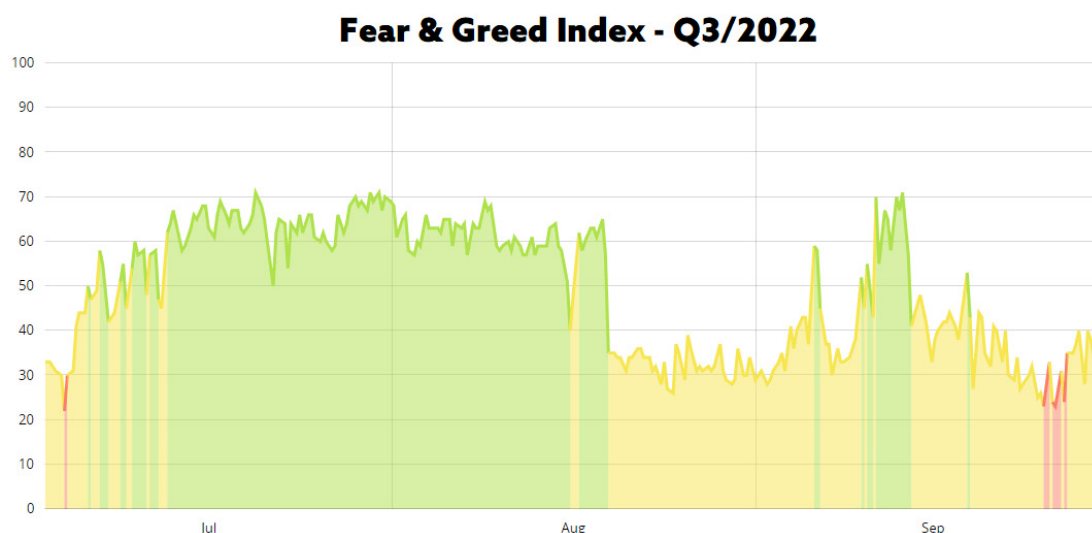
## BTC - Number of Bitcoins on Exchanges



Source: Coinglass

The number of bitcoins held in exchange wallets rose by 1.44% to 2.11 million BTC during the third quarter, according to the Coinglass. However, this is only a short-term trend that corresponds with the development of the BTC price. In the long term, we are still seeing an outflow of bitcoins from exchanges. This is a positive signal as investors move their BTC from exchanges to their private wallets for long-term holding. In addition, there is less BTC available for trading on the exchanges, which may, at some point, cause a supply shock that will be reflected in a price pump.

## Market - Fear & Greed Index



Source: Btctools

During the third quarter, the Fear & Greed Index fluctuated significantly. The lowest value of the index was reached on July 4, when the index reached a value of 22 points. From July 12 until August 15, the index was in a greed phase, with Bitcoin predominantly trading in the \$22,000 to \$24,000 price range during that period. However, under the influence of macroeconomic uncertainty, the situation in the cryptocurrency market gradually deteriorated, which was reflected in the index values. The index closed the third quarter at 27 points in the fear zone. However, the fear band has historically proven to be a good entry point for investors.

## ETH - Address Count



Source: Messari

As on Bitcoin Network, the total number of addresses in the Ethereum network tracking addresses with a non-zero balance. During the third quarter, this metric continued to grow, with the number of such addresses increasing by more than three million over the past quarter to a final value of 86.78 million addresses. The big attraction of owning at least some ETH for users was an update called The Merge, which garnered attention from the crypto community around the world.

## ETH - Average Transaction Fees

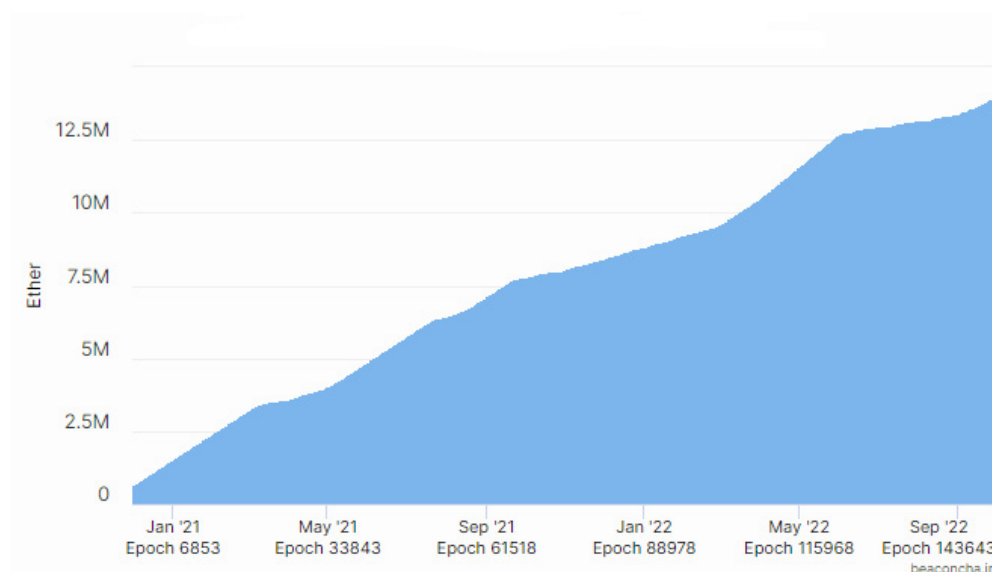


Source: Messari

Each transaction and computation on the Ethereum network is associated with the payment of a fee by the processor of the transaction. The amount of the fee is usually variable, which varies depending on the current demand on the network or the amount of the so-called priority fee, which represents a reward directly to the verifier for verifying your transaction earlier.

During the third quarter, average transaction fees on the Ethereum network fluctuated between \$1 and \$5. The low transaction fees are a response to the current market situation where users' interactions with DeFi or NFTs are much lower. Thus, the network processes far fewer transactions and is not overwhelmed. So if you are planning to interact with DeFi or buy some interesting NFTs, now is the right time.

## ETH - Total Number of ETH Staked



Source: [beaconcha.in](https://beaconcha.in)

Since the Ethereum network has migrated to the Proof-of-Stake consensus model, it no longer needs miners to operate, who have been responsible for processing transactions and producing blocks until now. The miners have been replaced by so-called validators, who stake their ETH coins and take care of the smooth and secure operation of the network via validator nodes.

In total, up to 13.9 million ethers out of a total circulating supply of 122 million are currently staked on the Ethereum network, according to [beaconcha.in](https://beaconcha.in). The number of ETH staked has increased by 7.75% since July 1. The staking ratio (number of ETH staked/circulating supply of ETH) is at 11.9%. The total number of validators in the Ethereum network is 437,452 as of the end of September.

## DEFI

### Total Value Locked in DeFi (TVL)



Source: DefiPulse

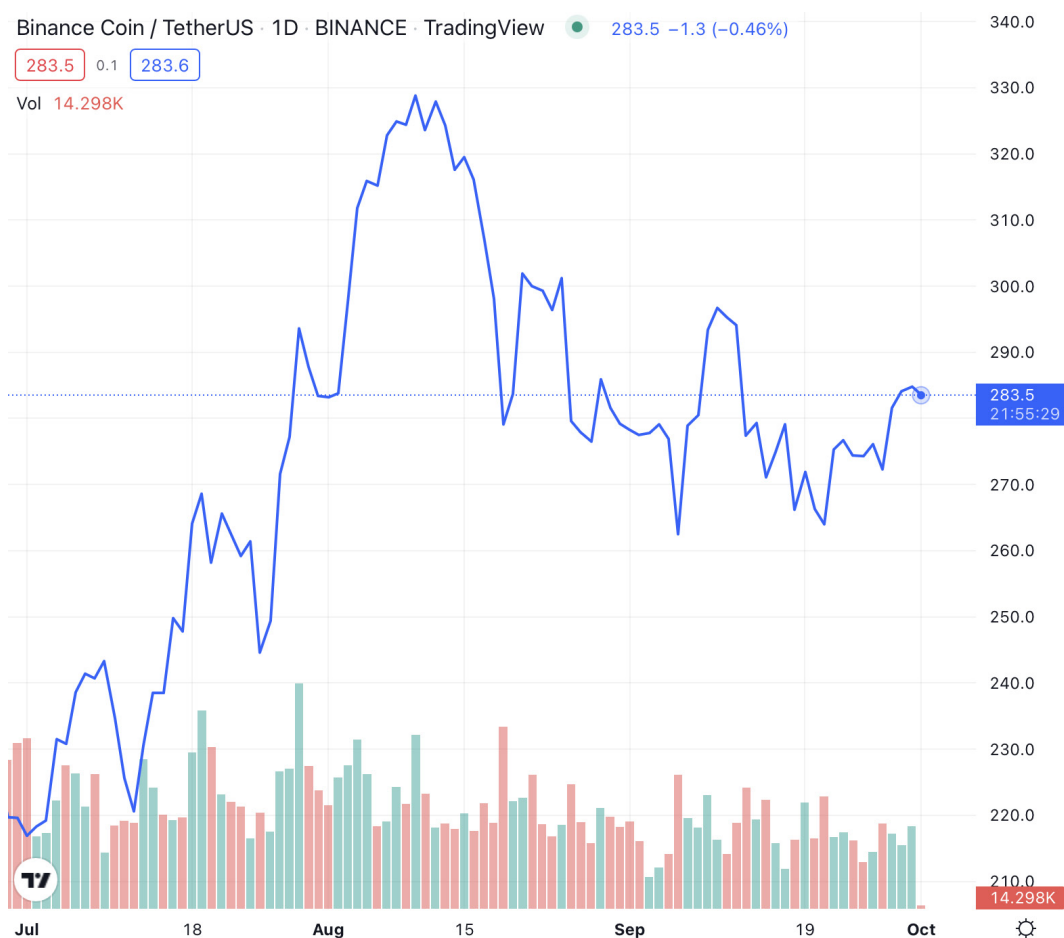
The total locked-in value (TVL) in various sectors on the Ethereum network is currently around \$27 billion. We ended Q3 at a slightly lower TVL value than we started, but we have seen TVLs rise to around 36 billion over the summer months.

However, it is important to add that TVL is currently at almost the lowest levels for the whole of 2022, which we started at \$82 billion. This is due to a number of factors, but mainly the current economic situation in the world and the sentiment in the DeFi sector, which is still recovering from the events that took place in the past months, when investors' confidence was greatly affected by the events that kicked off the collapse of the Terra project and their algorithmic stablecoin.

It is not entirely clear what the TVL forecast for the next months is, as there are several variables at play, such as price developments in the larger financial markets, the (un) stabilisation of the current economic situation, and also how investors will behave after the Ethereum Merge.

The largest proportion of the entire DeFi TVL on the Ethereum network is made up of well-known lending platforms such as MakerDAO, AAVE, Curve and Compound.

## DeFi Pick - BNB



Source: TradingView

BNB is a cryptocurrency we recently added to the Fumbi Index Portfolio, so let's take a closer look at it. BNB performed strongly in Q3 when it saw an increase of around 30%. With a ranking of #5 on CoinMarketCap, it is one of the most popular tokens that was created in 2017, 11 days before the opening of the cryptocurrency exchange Binance. Apart from trading and paying fees on the Binance exchange, this token has a wide range of other uses. It serves as a native token on the BNB Chain and BNB Smart Chain blockchains - BNB Smart Chain is the 3rd most used blockchain in terms of TVL. It is used as the main underlying asset when trading on the Binance decentralised exchange to pay transaction fees in decentralised applications that are included in the BNB ecosystem.





















Similar to the Ethereum network, many projects are being created on the BNB Smart Chain, like decentralised exchanges, the NFT market, DeFi apps and many more.

Another common use of BNB coin is to pay for NFTs, goods, and services during online purchases or even in a brick-and-mortar store via Binance Card and Binance Pay. The BNB token is also used, for example, to book hotels and flights via Travala, to participate in the pre-sale of new tokens via Binance Launchpad, to make donations to charitable causes via Binance Charity, or last but not least, to profit from the BNB staking itself.

## Stablecoins - Market Cap

There were no significant changes in the stablecoin ecosystem in Q3. Something that could shuffle the cards is the move by Binance, the largest cryptocurrency exchange, which announced that it cancelled support for three stablecoins, including USDC, Pax Dollar (USDP) and TrueUSD (TUSD). BUSD auto-conversion will be launched from the end of September, automatically converting these stablecoins. After the conversion, Binance users will only be able to use BUSD. Binance will also remove all trading pairs of these stablecoins and close open trades with these pairs.

Binance's CEO, Changpeng Zhao, wrote on Twitter that this is a move that will increase liquidity and capital efficiency, as Binance will be able to offer the best prices and the smallest difference when filling larger orders in the event of higher volatility. It remains to be seen what the effect of this strategic move will be, as, in addition to increasing capital efficiency, the move could also mean an increase in BUSD's % share in the stablecoin sector at the expense of threatening Circle's rival USDC stablecoin.

# ▲	Name	Price	1h %	24h %	7d %	Market Cap ⓘ	Volume(24h) ⓘ	Circulating Supply ⓘ	Last 7 Days
3	 Tether USDT	\$1.00	▲ 0.00%	▲ 0.01%	▲ 0.01%	\$67,964,334,729	\$51,037,347,250 51,031,243,603 USDT	67,956,206,753 USDT	
4	 USD Coin USDC	\$1.00	▼ 0.01%	▼ 0.02%	▲ 0.02%	\$47,666,742,909	\$4,108,617,651 4,108,552,352 USDC	47,665,985,333 USDC	
7	 Binance USD BUSD	\$1.00	▼ 0.02%	▼ 0.05%	▼ 0.02%	\$21,043,545,044	\$6,562,186,172 6,561,775,974 BUSD	21,042,229,623 BUSD	
12	 Dai DAI	\$0.9999	▲ 0.00%	▲ 0.01%	▲ 0.09%	\$6,868,977,133	\$444,414,302 444,451,583 DAI	6,869,553,360 DAI	
51	 Pax Dollar USDP	\$1.00	▲ 0.06%	▲ 0.14%	▲ 0.14%	\$946,277,639	\$80,416,420 80,362,482 USDP	945,642,940 USDP	
53	 TrueUSD TUSD	\$0.9998	▼ 0.01%	▼ 0.01%	▲ 0.00%	\$879,726,284	\$66,401,006 66,413,651 TUSD	879,893,819 TUSD	
58	 USDD USDD	\$1.00	▼ 0.00%	▼ 0.01%	▲ 0.11%	\$748,396,648	\$67,318,141 67,309,524 USDD	748,300,850 USDD	
63	 Neutrino USD USDN	\$0.9663	▼ 0.06%	▲ 0.27%	▲ 0.83%	\$657,332,838	\$1,783,009 1,845,216 USDN	680,266,294 USDN	
82	 Fei USD FEI	\$0.994	▲ 0.09%	▲ 0.46%	▼ 0.06%	\$422,425,844	\$712,218 716,551 FEI	424,996,178 FEI	
105	 TerraClassicUSD USTC	\$0.03153	▲ 0.13%	▲ 2.84%	▼ 1.52%	\$309,535,645	\$18,904,947 599,493,686 USTC	9,815,666,901 USTC	

Source: [Coinmarketcap](https://coinmarketcap.com)

## Tether Takes a Step Towards Transparency

Despite the fact that Tether cryptocurrency is the largest stablecoin on the market, many of us are still waiting for an official audit of the company. In response to the criticism that echoed in an article from The Wall Street Journal in late August, they have begun taking steps that will hopefully finally lead to a successful audit.

Tether has been promising an audit since 2017, but even at the current juncture, CTO Paolo Ardoino could not specify an exact date by which the firm would be audited, adding that „things are moving slower than we would like.“

In lieu of an audit, Tether has released financial snapshots that are signed off by BDO Italia, which reportedly has „unrestricted access to information about the company“.

## Attack on Nomad Bridge

Cross-chain bridge is a protocol that allows different blockchains to communicate with each other. Bridges connect blockchains and allow users to transfer assets, tokens, and smart contract information across blockchain platforms.

Nomad enables the transfer of tokens between Ethereum, Avalanche, Evmos, Milkomeda C1, and Moonbeam. We've seen multiple attacks on Bridges in the past that have cost users millions. In this case, hackers managed to steal 100 WBTC, which they then immediately exchanged for WETH and ETH. Over the next few hours, Nomad's wallet balance was reduced from >\$190 million to \$165,000. A few days later, the hacker returned 1,885 ETH (~\$3.2 million) to Nomad.

The cause of the attack was a vulnerability in the smart contract that did not sufficiently validate transaction inputs. Thousands of addresses were involved in the attack and were able to copy and paste the attacker's original transaction data and add their own addresses. Fortunately, some of these addresses said they acted as white hackers and returned the money. After this incident, Nomad announced up to a 10% reward for those who return more than 90% of the funds they stole. These hackers will be treated as white hat hackers and can keep the rest funds, and Nomad will take no further legal action against those who have returned the funds.

## Maker and Huntingdon Valley Bank (HVB) Have Become Pioneers in Connecting the Traditional Financial World With DeFi

Maker - one of the most popular decentralised autonomous organisations (DAOs) behind the creation of the DAI stablecoin - has announced its first-ever collaboration with a regulated bank in the US. By providing a \$100 million loan for Huntingdon Valley Bank's activities, the line between the traditional financial world and that of cryptocurrency is thinning.

Back in March, HVB submitted an application to join MakerDAO with the aim of receiving funding to support the growth of existing businesses and investments. In return, MakerDAO will be able to diversify the risks of its counterparties and generate returns on its DAI holdings through HVB's bond managers.

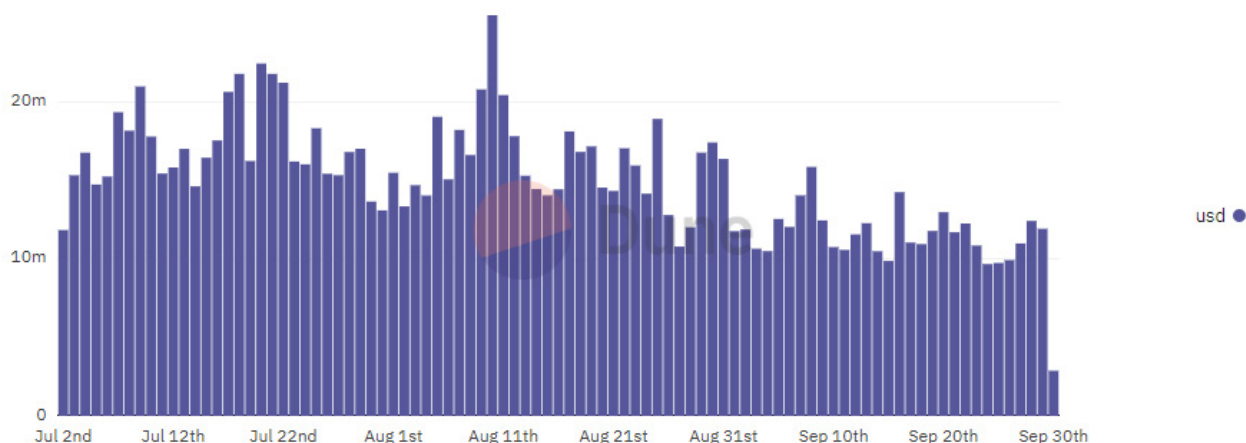
The collaboration will operate through the RWA Master Participation Trust, providing access to DAI funding. The move is seen by many as strategic and innovative, especially at a time when interest rates on crypto loans are low compared to rising rates in traditional finance due to lower interest, which Maker can benefit from. The very fact that they were able to partner with a financial institution is a positive for Maker in the long run, especially after months where we've seen failures such as the fall of Terra's algorithmic stablecoin UST, followed by other issues that have not been good for the reputation of the DeFi sector.

# NFT & METaverse

## Trading Volume on the OpenSea Platform

OpenSea daily volume (Ethereum)




















@rchen8



Source: Dune Analytics

The daily trading volume of NFTs on the OpenSea platform is currently at its lows, within a steady range of \$10-20 million. We've been seeing this phenomenon for a while now, along with the current outgoing investor interest and enthusiasm for innovation in the areas of Metaverse or GameFi - which makes sense in the current economic situation. It has been a several-fold decrease since the beginning of 2022. The following months will probably be similar until enough new investors with interest in this market return or until a new cycle is sparked by innovations in this sphere.

## The Largest NFT Collections of Today

1	 <b>CryptoPunks</b> 	1M ETH -	6	 <b>Azuki</b> 	Floor: 9.97 ETH
2	 <b>Bored Ape Yacht Club</b> 	669K ETH Floor: 82.49 ETH	7	 <b>CLONE X – X TAKASHI MURAKAM</b>	Floor: 6.75 ETH
3	 <b>Mutant Ape Yacht Club</b> 	454K ETH Floor: 15.77 ETH	8	 <b>Moonbirds</b> 	Floor: 10.39 ETH
4	 <b>Otherdeed for Otherside</b> 	348K ETH Floor: 1.64 ETH	9	 <b>Decentraland</b> 	Floor: 1.75 ETH
5	 <b>Art Blocks Curated</b> 	313K ETH -	10	 <b>The Sandbox</b> 	Floor: 1.54 ETH

Source: OpenSea

After the extreme interest in NFTs in 2021, interest kept weakening, which is still ongoing. The days of thousands of NFTs being created every day and then sold for a few ETH are long gone. The very concept of NFTs and the possibility of owning a unique object on the blockchain has not tired many investors, and the highest quality pieces that have value to admirers are still popular - whether it be art, music, photography, collectable cards, or objects from virtual worlds.

The ranking of the top NFT collections ranked by trading volume is still led by CryptoPunks and both Ape Yacht Club collections. Also popular are in-game NFTs like Otherdeed - each NFT is a unique key to land in Otherside. Also at the forefront are pieces from the Art Blocks Curated collection, which contains the best in terms of both art and technical aspects from the Art Blocks portfolio. Entries are submitted by individual artists or collaborators and approved by a curatorial board before publication.

## The Japanese Government Issued Its Own NFTs

Japan encourages innovation and also regulates cryptocurrencies as trading assets. Recently, the government came up with an initiative where it issued NFTs as a form of appreciation for the work of local authorities that have come up with creative solutions to problems using digital technology.

The awards were presented by the Cabinet Secretariat, a government agency headed by Chief Cabinet Secretary Hirokazu Matsuno, during the „Summer Digi Denkoshien 2022“ ceremony.

Seven mayors were recognised for their cities' ideas focused on the digital economy. Among them was the mayor of Sakata in Yamagata Prefecture, whose administration proposed using electric vehicles for local deliveries. The NFT award was also given to Maebashi for their idea of a platform that uses mobile devices' cameras to track traffic conditions changes in real-time.

Ethereum-based proof-of-attendance NFTs were issued through Hazama Base. This means that the assets are non-transferable and, therefore, cannot be sold on the secondary market.

## **Sandbox Partners With Renault**

Automotive manufacturer Renault and metaverse game The Sandbox have launched a collaboration to create a Renault brand presence in the virtual world and enable Renault to expand its customer base. In addition to creating a brand presence in the metaverse, the collaboration will look at creating automotive-related activities to best present the company's products to virtual customers and combine cars with digital assets in The Sandbox.

## **FIFA to Unveil NFT Collection Ahead of World Cup**

FIFA will launch the FIFA+ Collect NFTs platform on the Algorand blockchain at the end of September, where fans will be able to own NFTs to commemorate many important football moments.

This innovative move by FIFA is a way to democratise the ownership of football experiences and create an opportunity for fans to interact with their favourite players. FIFA has not yet released full details on when the NFT collections will be available. However, the organisation plans to include the release of NFTs during the 2022 World Cup in Qatar in November.

# FUMBI

## Fumbi Index Portfolio Quarterly Update - September 2022

In the third quarter of this calendar year, our team of knowledgeable professionals conducted a regular update of the assets in our flagship product, the Fumbi Index Portfolio. In the current challenging situation in the cryptocurrency market, it is very important to actively analyze the market and keep track of the latest developments in the cryptocurrency world that can generate high returns for investors in the future.

During the June update, we added the following asset to the portfolio:

- **Binance Coin (BNB)** – BNB is the native cryptocurrency of the Binance exchange, which was originally created as an ERC-20 token on the Ethereum blockchain, but currently operates on the Binance Chain (BC) and Binance Smart Chain (BSC) blockchains.

As part of the portfolio update, we are also removing crypto assets that no longer meet our strict selection criteria. In addition, we have decided to exclude some crypto assets due to the fact that they have experienced low activity or low market returns relative to competitors in recent months.

During the June update, the following assets were delisted from our portfolio:

- **Axie Infinity (AXS)**
- **Maker (MKR)**

Fumbi's experts will continue to actively monitor the cryptocurrency market to bring you only the best from it.

## Fumbi Staking Portfolio

In early September, Fumbi expanded its product portfolio with a new product called Fumbi Staking Portfolio.

The new staking portfolio features up to 10 cryptocurrencies operating on the Proof-of-Stake consensus algorithm, generating staking returns directly in cryptocurrencies for our investors. These cryptocurrencies have a lower market capitalization than Bitcoin, and they may be more volatile than Bitcoin.

However, the reward for undergoing higher volatility is the opportunity to generate higher returns as well as collecting staking rewards of 5-7% per annum directly in the cryptocurrencies that are part of the portfolio. With this product, our clients pay no entry or annual fee, and the staking reward is credited to their accounts on a weekly basis.

The Fumbi Staking Portfolio product offers clients a great way to put their cryptocurrencies to work even during downturns in the cryptocurrency market.

## Fumbi Employee Program

Fumbi has decided to expand in the area of cryptocurrency adoption by Slovak companies. Therefore, our experts have created a product where employers in companies in Slovakia can bring their employees a unique benefit - to pay them part of their salary automatically in the form of cryptocurrencies to their own secure Fumbi account.

Fumbi offers employees of companies who join this program the opportunity to directly choose what portion of their salary they will receive in the form of cryptocurrencies into the Fumbi Index Portfolio product.

Employees will benefit from our most popular product, with which they invest in an entire portfolio of the most popular cryptocurrencies. The funds in this product are managed by the sophisticated Fumbi Algorithm, which tracks the value of the entire market rather than relying on individual crypto assets.

Setting up an employee program is free and very easy to use. With it, you can bring a unique benefit to your employees and improve your company's position against your competitors.

## **Seventh Independent Audit of Fumbi Wallets**

Fumbi successfully completed its seventh independent audit of cryptocurrency wallets during the third quarter. SGS compared the remaining values of 30 cryptocurrencies in the database with their actual values stored on the wallets.

The audit of Fumbi wallets reconfirmed that the state of the wallets where our clients' funds are stored corresponds to the values indicated in the user profiles. Thanks to regular and independent audits, our clients can always be sure that they will get to their cryptocurrencies, which we have actually purchased for them and stored safely.

The audit certified the values of all cryptocurrencies in the Fumbi Custom Choice and Fumbi Index Portfolio products, which we update regularly, as well as the cryptocurrency PAX Gold, which is found in the Fumbi Bitcoin and Gold product. In total, all 30 cryptocurrencies you can invest in at Fumbi have been audited.

Security and reliability are our most important pillars, which is why we make sure that we only work with the best on the market. You can count on the fact that the cryptocurrencies you purchase through Fumbi are directly owned by you and do not appear on our company's balance sheet.

## Fumbi on ChainCamp

In the first half of September, Fumbi participated in the third annual community conference from the Bitcoin world called ChainCamp. The conference took place in Ostrava in the DOV arena and is the largest Bitcoin conference in the Czech Republic and Slovakia.

Our company Fumbi, which focuses on easy and safe investment in cryptocurrencies, was a silver partner of the conference. The conference also featured our CEO Juraj Forgács as a speaker, who gave a presentation on Bitcoin as a geopolitical necessity and peace in the world.



## INVEST IN CRYPTOCURRENCIES WITH FUMBI

Capitalize on the potential of cryptocurrencies and invest with us easily, safely, and in just a few clicks. We bring crypto to the general public with the possibility of small deposits and minimization of all possible risks. Since 2018, over 100,000 users have relied on us. **Start investing from 50€.**

### Fumbi Product Portfolio

- [Fumbi Index Portfolio](#)**  
Our most popular Fumbi Index Portfolio product currently consists of more than 20 top proven cryptocurrencies. The sophisticated Fumbi Algorithm mirrors the growth of the entire cryptocurrency market.
- [Fumbi Custom](#)**  
With Fumbi Custom, we bring everyone the opportunity to invest in a cryptocurrency of their choice. Choose your preferred cryptocurrency and invest in it easily, comfortably, and safely.
- [Fumbi Bitcoin and Gold](#)**  
The world-unique product Fumbi Bitcoin and Gold monitors the value of Bitcoin and cryptocurrency PAX Gold, backed by real gold. The algorithm divides your finances in a 50:50 ratio. It intelligently buys the cryptocurrency that has fallen and sells the one that has risen. Thanks to this combination, you can save for your future easily and stress-free.
- [Fumbi Staking Portfolio](#)**  
In the Fumbi Staking Portfolio you will find 10 cryptocurrencies that we will stack for you. These cryptocurrencies have a lower market capitalisation than Bitcoin and, therefore, can be more volatile. However, with higher risk comes the possibility of higher profit.
- [Fumbi Business Custom](#)**  
Appreciate your company's assets safely with the first company in Slovakia that also brings a sophisticated tool for investing in cryptocurrencies to legal entities.
- [Fumbi 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 will choose what portion of their paycheck they will receive in the form of cryptocurrencies in the Fumbi Index Portfolio.
- [Fumbi Custody](#)**  
Have you purchased cryptocurrencies, and are you thinking about how to store them as safely as possible? Take advantage of the first-class cryptocurrency storage with Fumbi. We employ the world's safest cryptocurrency storage solutions to keep your crypto safe at all times.

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