



DIGITAL ASSETS

DECODED

MAY 2022 IN REVIEW



GALAXY

FUND MANAGEMENT



MARKET COMMENTARY



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MACRO

Looking back on May, it's clear that digital assets face extreme pressure as volatility grips the asset class in a challenging market environment.

The macro picture continues its negative trajectory amidst rising inflation, higher interest rates, and rising commodities prices. Risk assets persistently sell off as investor concerns remain heightened amidst uncertain market conditions and slowing growth and economic development. After record growth in 2022, VC crypto investments declined 38% in May.¹

However, crypto-focused projects continue raising funds despite the current risk-averse market. Venture capitalists seem to trust in the long-term viability of cryptocurrency and blockchain technology.

On the crypto protocol side, Ethereum's Ropsten – a test network used before official releases on Ethereum's main network – is going through 'The Merge' transition in early June. This will allow Ethereum developers to work on any risks/bugs before changing to a proof-of-stake (PoS) consensus mechanism on Ethereum's main network. The Merge refers to Ethereum's highly anticipated upgrade from a proof-of-work consensus mechanism to PoS – cutting Ethereum's energy expenditure by ~99.5%.² Despite the drop in bitcoin's price, the Bitcoin network set new all-time highs in May for hash rate, network capacity, and network difficulty – remaining well-positioned as the most secure blockchain in the world.



**CRYPTO-FOCUSED
PROJECTS CONTINUE
RAISING FUNDS
DESPITE THE CURRENT
RISK-AVERSE MARKET.**





NOTABLE NEWS

- Algorithmic stablecoin Terra/Luna lost its peg in May, erasing nearly \$60B of the total value, putting pressure on the entire digital asset ecosystem as contagion from Terra/Luna's rapid decline sent shockwaves through the asset class.

Read more about it from Galaxy Digital's Research Team [here](#).

- Solana raised \$100 million to support South Korean crypto projects focused on DeFi, GameFi, & NFTs.
- Binance launched a \$500M fund to drive Web3 adoption.
- Ex-Wall Street execs secure funding for young crypto firm, Cloudwall Capital. The fundraising was \$6.3M.
- DeFi lending platform AvaxFI secures VC funding from Zen Capital, a Web3-focused venture capital fund, and Pantera LP.
- Metaverse attracts over \$177M of investment from South Korea's Digital New Deal.
- Crypto.com's Cronos launches a \$100M accelerator for DeFi and Web3.
- NFT game Illuvium raised \$72M in digital land sales.
- The Graph granted \$12.5M in 'first-ever' effort to drive Web3 standards to Messari.
- Famed investor Alan Howard joins a \$11 million seed round for metaverse developer Atmos Labs and also invests \$7.6M in Polygon-based Web3 data startup, Navigate.
- WAX Blockchain raised \$10M in a push for GameFi and NFT market.
- Huobi Global launches a \$1B investment arm focused on DeFi and Web3.



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1) DoveMetrics, 2022.

2) [Ethereum Foundation Blog](#), 2021.

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