

580 million crypto owners

A new report estimates more than 7% of the global population owns crypto. Interoperability protocols increasingly receive funding, but total crypto funding fell further in Q4. In Trending Topics, we look at the timeline for the Ethereum Dencun upgrade, which is well into the testing stage.

This Week's Main News

New report – 580 million crypto owners

According to a new report by Crypto.com, the global number of crypto owners increased from 432 million to 580 million in 2023.

51% of crypto owners hold bitcoin, while the corresponding number for Ether is 21%. 42% of crypto owners are 'pure altcoiners', holding neither bitcoin nor Ether.

Interoperability project raises \$23 million

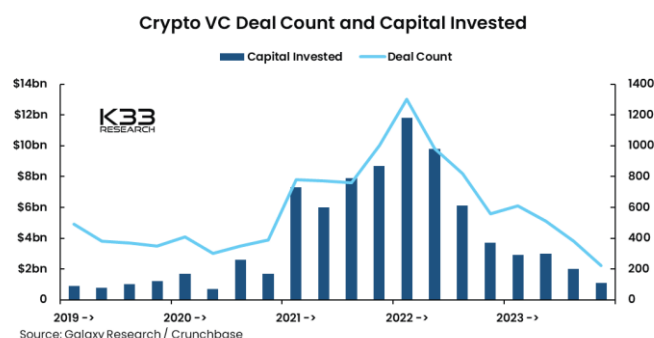
Polymer Labs, which is building a layer 2 network to provide better interoperability between rollups, has raised \$23 million in a Series A funding round. Coinbase Ventures was among the investors in the round led by Blockchain Capital, Maven 11, and Distributed Global.

Interoperability projects are an increasing trend as the problem of splitting liquidity with current layer 2 solutions has become more apparent.

This week, Polygon announced the planned introduction in February of an aggregator that sources liquidity from multiple blockchains simultaneously. We have not yet been able to decipher whether this new aggregator is just another blockchain with multiple bridges or if Polygon is onto something potentially groundbreaking in terms of unifying liquidity.

VC deals were down also in Q4

VC deals in crypto have been on a steady decline since the peak in Q1 2022, and Q4 of 2023 didn't reverse the trend. Total capital invested declined to \$1.1 billion in Q4, compared to \$2 billion in Q3 and \$12 billion at the peak in Q1 2022.



Grayscale selling dominated the last week's spot ETF action

The U.S. spot Bitcoin ETFs have now been trading for two full weeks. In total, over the first ten days of trading, the net inflow to the spot ETFs is 15,000 bitcoin (~\$600 million at current prices), but the last week has seen consistent net outflows, with Grayscale's outflows outranking the inflows to the other 'newborn' spot ETFs. See [this X thread](#) for continuously updated ETF flows.

In a sentence

- [Nexo seeking \\$3B in damages from the Republic of Bulgaria](#)
- [Tornado Cash developers raise over \\$350K for legal defense with support from Snowden](#)
- [Some Mt. Gox creditors have received letter about impending repayments](#)
- [Bitcoin-based NFT 'Genesis Cat' sells for \\$254K in Sotheby's auction](#)
- [Terraform Labs declares bankruptcy in Delaware](#)

Trending Topics

Ethereum's Dencun upgrade is live on testnet

The coming Ethereum upgrade, Dencun, went live on the Goerli testnet on January 18. The Dencun upgrade introduces nine improvements (9 EIPs), most importantly a concept called "proto-danksharding", which makes it cheaper for rollups to post data to Ethereum.

Currently, data posted by rollups to Ethereum lives forever on-chain, even though not needed, as the rollup only needs the data available for a shorter time. It's in this landscape that new solutions such as Celestia and Avail deliver increased efficiency.

With the new upgrade, rollup data will not have to live forever on the Ethereum blockchain, meaning rollups can use the Ethereum network more cheaply for data availability.

As precisely put in an article by [Blockworks](#):

Dencun's concept of "blobs" is a key component of the upgrade, and refers to a large piece of data that is not directly included in an Ethereum block but is instead referenced by the block.

By including extra data for transactions, Ethereum will better serve rollups that use mainnet for data availability. Rollups are expected to see around a 90% cost savings, which they will pass on to users in the form of cheaper transactions.

Even though the data in blobs is stored off-chain, the integrity and availability of this data are still

maintained. Blobs are designed to be cryptographically secure, ensuring that the data they reference is immutable and verifiable.

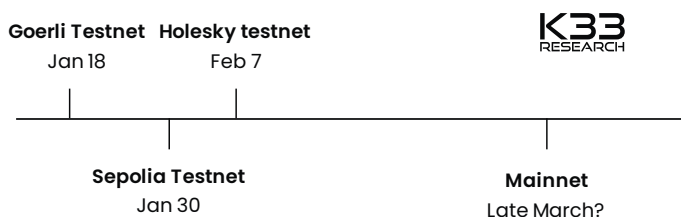
The Goerli launch is just the first of three testnet launches before Dencun goes live on the Ethereum mainnet. If everything goes according to plan, the Dencun upgrade will go live on the Sepolia testnet on January 30 and the Holesky testnet on February 7. A launch date for the Ethereum mainnet has not yet been set, but the best guess would be in the latter half of March if everything progresses well.

So, what are these test networks, and why are there many? We can start by saying that the Holesky testnet will replace the Goerli testnet, but we are now in an interim phase where both are operating. Once the transition phase is over, there will be two main testnets, Sepolia and Holesky.

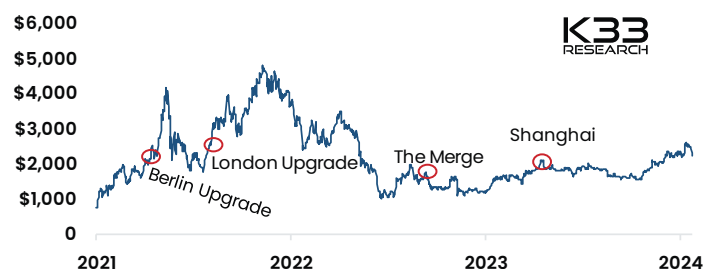
Holesky will be the general testnet intended for app developers and is supposed to operate as close to the Ethereum mainnet in terms of range of activity as possible.

The Sepolia testnet is primarily aimed at testing core Ethereum protocol upgrades and is a less 'blossoming' environment. This makes the Sepolia network the best place to test Ethereum protocol upgrades in a controlled manner, whereas Holesky is a test run much closer to the real Ethereum mainnet.

Ethereum Dencun Upgrade Timeline



Ether price and previous Ethereum upgrades



Recommended Reading

From our analysts

- **A toxic gift that keeps on giving:** Bitcoin has tumbled from \$49,000 at the peak of the ETF launch to \$40,000 currently. Why has this happened? In this week's Ahead of the Curve, we examined the factors pushing bitcoin down and discuss how long it can last.
- **The Cross-Chain Comeback:** THORChain has come back from both hacks and a brutal bear market, only to print record swap volumes in Q4 '23 and Q1 '24. RUNE offers decent exposure to THORChain, but there is another play in the THORChain ecosystem that Navigating Narratives finds particularly intriguing...

Long read

- **My Long-Term Investment Case for Bitcoin:** There are short-term factors like the new U.S. ETFs and the upcoming Bitcoin halving. But the longer-term case rests on larger macro factors. K33 CEO Torbjørn Bull Jenssen lays out his case for Bitcoin in Coindesk.