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Monthly Outlook

The Great Ethereum vs Solana Debate

July 21, 2024

- **Lately, there's been an expansion of institutional interest from BTC to undervalued tokens like ETH and SOL, as their beta to the rest of the crypto complex has climbed.**
- **This market shift has been amplified by the overwhelming media coverage on stablecoins and the tokenization of real world assets.**
- **We think near-term price action for both ETH and SOL will be influenced by technical factors like corporate demand and potential spot ETF approvals over fundamentals.**

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Institutional investors have been anchored on BTC for most of this cycle as evidenced by bitcoin's 63% dominance of the total crypto market cap. However, market attention has started to pivot back to select tokens including ETH and SOL, in part because these look undervalued in the context of BTC making new all-time-highs. For the coming quarter, the price action for these tokens could be influenced by several factors, in our view: (1) the potential approval of new single-name spot ETFs by the SEC, (2) the high probability of staking being integrated into ETF investment vehicles, and (3) a rise in institutional capital flowing from sources such as corporate treasuries.

Nevertheless, the crypto community often frames the debate between Ethereum and Solana as an "either/or" investment choice: fast or faster, modular or monolithic. But we believe the narratives and investment cases for ETH vs SOL are becoming more differentiated and not necessarily mutually exclusive. For example, ETH is increasingly being used by institutional players as a proxy for the larger real world assets (RWA) theme – spanning stablecoins, payments and tokenization more broadly. Solana's investment thesis centers on the network's edge in speed, user engagement and revenue generation compared to competitors. While its activity has been dominated by memecoin trading, it has gained traction in other areas as well.

In the short term (3Q25), we think market momentum for both tokens will be driven more by technicals (i.e. supply vs demand factors) than fundamentals, amid positive market conditions, while the upcoming technical upgrades for both networks seem less relevant.

A false dichotomy?

The debate between Ethereum (ETH) and Solana (SOL) has long been a focal point for many institutional investors evaluating blockchain platforms for investment and/or operational use. The discussion has been divisive for both camps. Many traditional institutional players cite Ethereum's security guarantees and decentralization as some of the key advantages that make ETH an infrastructure play for the burgeoning **tokenized real world assets (RWA) theme**. The latter camp argues that Solana's faster transaction speeds and lower costs make it a **superior alternative**. The advent of Ethereum layer-2 scaling solutions (L2s) has only added greater complexity to the discussion.

Table 1. Comparison of Ethereum vs Solana network metrics

Metric	Ethereum	Ethereum L2s	Solana
Transactions per second (Average) [a]	15 TPS	10-100 TPS (varies)	4,300 TPS
Transaction time (Average)	~10-20 seconds	200ms - 10 seconds (varies)	~400 ms
Transaction fee (Average) [b]	~$1.40	<$0.01-$0.05 (varies)	~$0.01
Total value locked [c]	$62.4B	$7.5B	$8.7B
Consensus mechanism	Proof of Stake (PoS)	Varies (Inherits L1 PoS)	Proof of History + Delegated PoS
No. of nodes	12,228	N/A	2,919
No. of developers	10,955 (EVM Stack)		3,756 (SVM Stack)

[a] Average transactions per second are calculated from January 1, 2025 to June 30, 2025.
[b] Average transaction fees per second are calculated from January 1, 2025 to June 30, 2025.
[c] Total value locked (TVL) as of June 30, 2025.
Sources: Allium, DeFiLlama, Electric Capital, Etherscan and Coinbase.

We think these arguments are something of a false dichotomy, not because the differences between the technologies aren't real or important but because the reasons for having exposure to ETH, SOL or both at any given time are more sensitive to market conditions.

Wen alt szn?

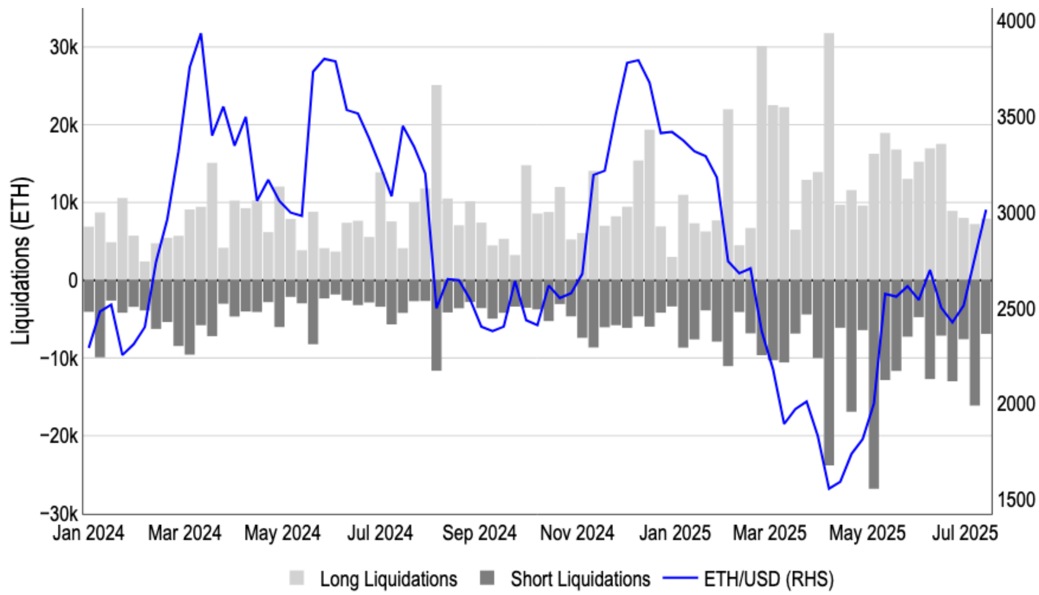
A notable characteristic differentiating the current crypto cycle from its predecessors has been the absence of an altcoin season. In our view, many retail investors were burnt by losses from trading memecoins and longer tail altcoins over the last year, leaving them with either **a dearth of capital for**

new altcoin purchases or a hesitancy to re-enter the market. Consequently, the price action left many institutional investors with a large-cap bias, even though there's been a selection of altcoins that have done better than ETH and SOL more recently.

ETH's turnaround

This bias may have also contributed to the ETH liquidations in early May, when many short ETH futures positions were unwound. Chart 1 shows that around US$897M (ETH 374k) of ETH shorts were liquidated in May, compared to only $575M in April and $467M in March. That led to a technically-driven surge that highlighted the massive offsides positioning in ETH, triggering short covering and subsequent regrossing. The result is that this has also started to limit ETH's employment as a funding currency against longer tail altcoins, which had been a strategy employed by many market players during the previous 12-18 months.

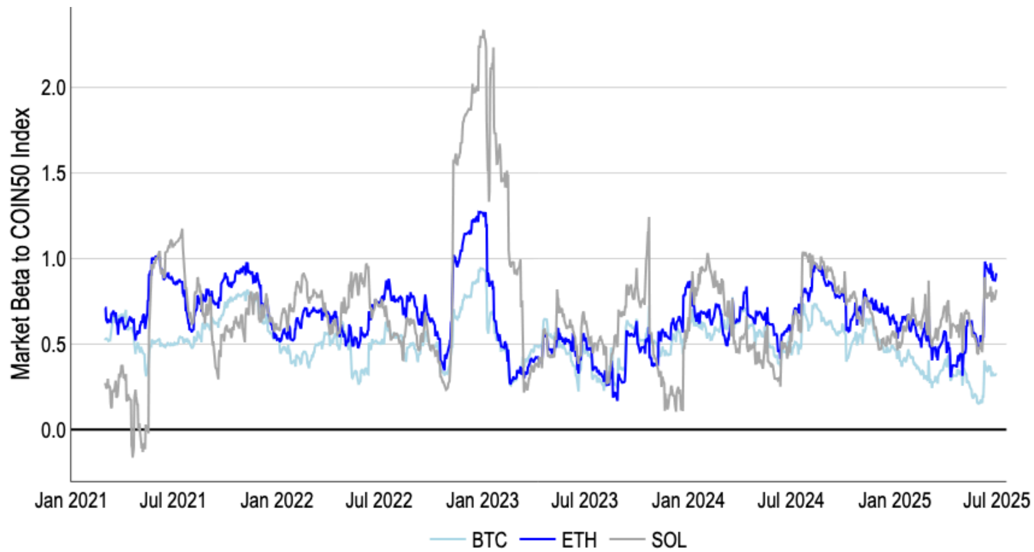
Chart 1. Short ETH futures liquidations picked up in May



Sources: Glassnode and Coinbase.

Indeed, ETH's beta to crypto markets (proxied by the COIN50 index encompassing the top 50 crypto assets by market cap) climbed back to near 1 in mid-June. (ETH's beta has since moderated to 0.92 in July albeit that's still above 0.81 for SOL and 0.32 for BTC). In other words, ETH returns are currently moving in tandem with the performance of the broader crypto market. See Chart 2. Consequently, **we think this makes ETH attractive to use in barbell strategies against tokens further out the risk curve,** as those long ETH positions can help anchor riskier exposure to tokens with more asymmetric upside.

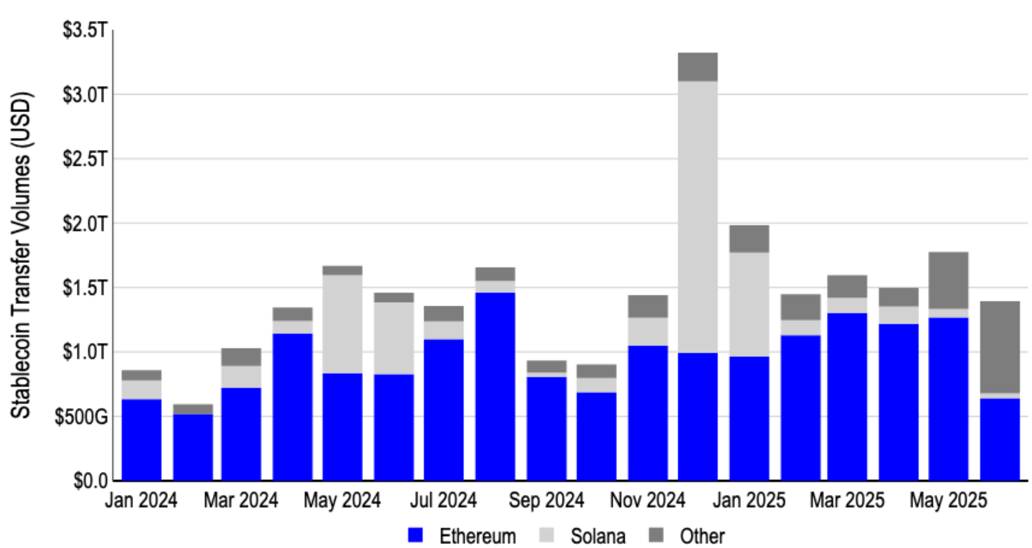
Chart 2. ETH's beta to the crypto market is very close to 1



Sources: Bloomberg, CoinMetrics and Coinbase.

Meanwhile, we think proposed upgrades like [EIP-9698] (to raise Ethereum's gas limit from 36M to 3.6B) and [EIP-7983] (to put a cap on the maximum gas that each transaction can use) are only having a modest impact on ETH performance. These changes are designed to boost the network's transaction throughput and make block execution more efficient. Instead, increased institutional investor interest in tokenized equities and RWA is driving demand for infrastructure tokens, as investors speculate on the platforms where these assets may live.

Chart 3. Stablecoin transfer volumes (USD) by network

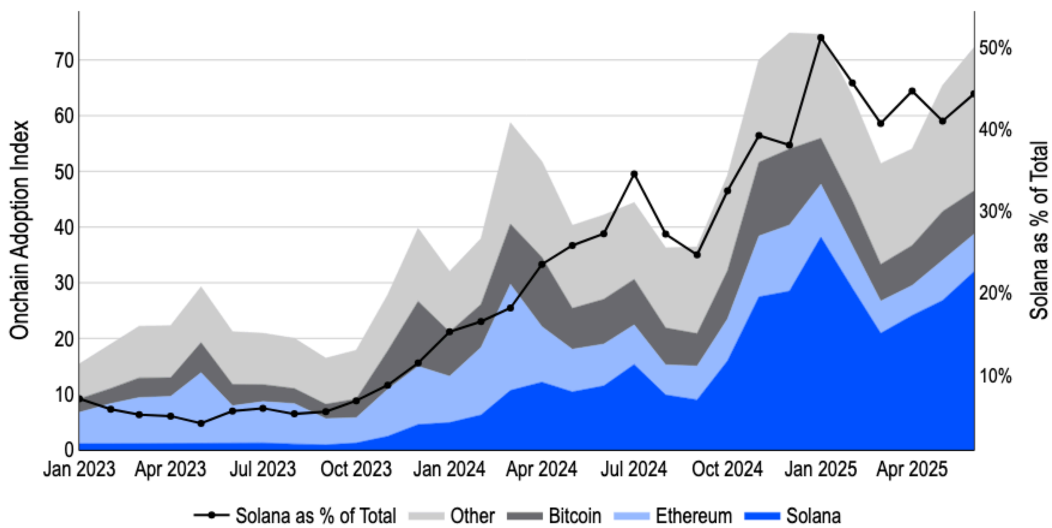


Sources: Allium and Coinbase.

SOL searching

On the other hand, Ethereum's share of onchain activity has been in decline since late 2Q24, while Solana now owns a 44% share of all meaningful blockchain activity, according to the latest Dune Index data. Chart 4 shows this index data compiled by **tracking consolidated blockchain adoption** from combining three key metrics: transaction fees (45% weight), USD transfer volumes (45% weight), and the number of transactions (10% weight). Fees and transfers are weighted higher since they are more indicative of meaningful activity compared to transaction counts. This provides compelling evidence of a fundamental shift in blockchain adoption patterns over the last 12 months.

Chart 4. A consolidated view of onchain adoption

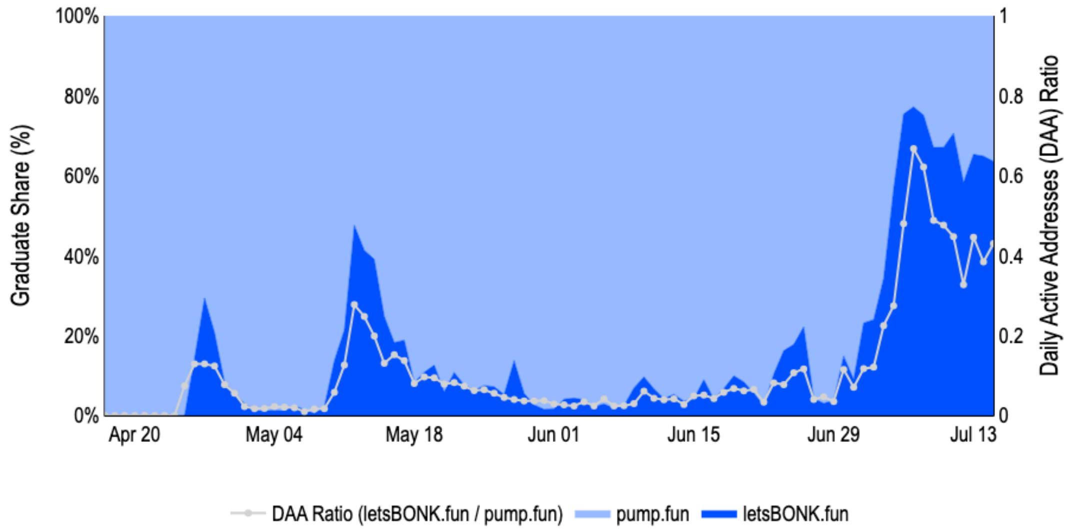


Index based on three key metrics: transaction fees (45% weight), USD transfer volumes (45% weight), transaction count (10%). Sources: Dune and Coinbase.

Of course, a lot of that Solana activity has been driven by memecoin trading, particularly after the launch of pump.fun in January 2024, becoming a major driver behind Solana's expansion. The challenge for Solana is that the appetite for memecoins may have peaked in early 2025, though we expect the sector to maintain a fixed place among speculators. Investors also have more ways to express a view on the memecoin sector than being long SOL – particularly following the PUMP ICO (July 12) and the growth of the letsBONK.fun launchpad (where over 60% of "graduated" memecoins now originate.)

That said, we believe that battle-testing Solana's capacity to manage substantial transaction volumes may enable it to achieve product-market fit with other sectors of the growing crypto ecosystem in the future. Indeed, Solana recently launched the Solana Attestation Service as a KYC/AML layer to serve capital market opportunities, while the Solana Foundation released a white paper in May titled "Tokenized Equities on Solana: A New Paradigm for Capital Markets."

Chart 5. Share of "graduated" tokens and active address comparison



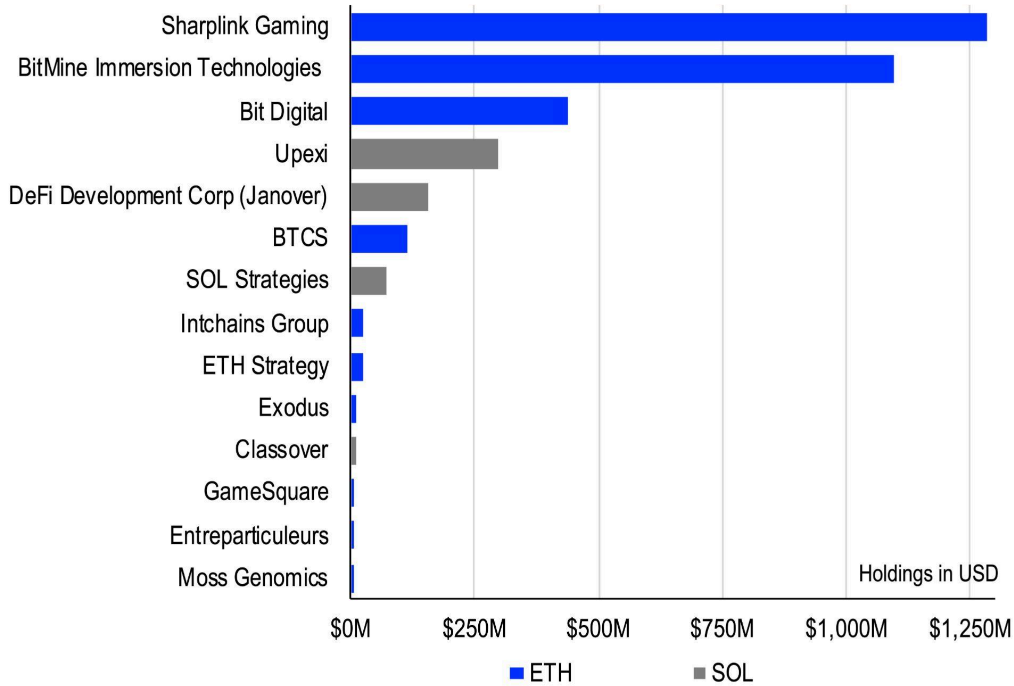
Sources: Dune (@adam_tehc) and Coinbase.

However, for now, we expect the SOL price to be driven more by technical factors like the growing demand from corporate treasury vehicles and flows from US-based spot SOL ETFs, which we believe may be approved as early as this quarter. (The REX-Osprey Solana + Staking ETF was not a formal SEC approved product, while the SEC teased a new framework that may reduce approval times for future ETFs.) Similar to our comment on Ethereum, there are some meaningful upgrades that may be coming like Solana's Alpenglow proposal – a transformative upgrade that would replace the current consensus mechanism, speeding consensus up with local timers and an offchain voting mechanism. This is aimed at improving network performance and cutting validator costs. However, we do not believe that such developments are behind the SOL price moves at the moment.

Corporate demand

Corporate treasury vehicles have significantly increased their crypto holdings in 2025, adding over 825k ETH ($3.0B as of July 18) and 2.95M SOL ($531M) across 14 dedicated buying entities. See Chart 6. Additionally, many of these companies have committed to staking their ETH and SOL to earn yield and some are even locking up their supply via DeFi integration, reflecting a fundamental shift from speculative trading to strategic asset allocation. Indeed, the preference for ETH and SOL in these vehicles has partly been due to their yield generation potential, further amplified by the media coverage on stablecoins and tokenized securities. Per our previous monthly outlook, we think corporate balance sheets will remain key drivers of demand for the crypto market in 2H25.

Chart 6. Top ETH and SOL corporate treasury vehicles



Data as of July 18, 2025.
Sources: Filings, The Block, CoinDesk, CoinTelegraph, Lookonchain and Coinbase.

Conclusions

While institutional investors have favored BTC for most of this cycle, there's a growing pivot towards select altcoins like ETH and SOL, which appear undervalued in relative terms. ETH is increasingly seen as a proxy for the burgeoning real-world assets theme, benefiting from progress on Capitol Hill with the passage of the GENIUS Act. That said, we see both ETH and SOL being supported by institutional interest and their beta to the rest of the crypto complex. Solana, despite a moderation in its memecoin-driven activity, is demonstrating its capacity for high transaction volumes and exploring new sectors. Ultimately, we think the price action for both tokens will largely be influenced by technical factors over fundamentals in the near term.

Disclaimer

Note: Although the term "stablecoin" is commonly used, there is no guarantee that the asset will maintain a stable value in relation to the value of the reference asset when traded on secondary markets or that the reserve of assets, if there is one, will be adequate to satisfy all redemptions.