From Chaos To Clarity:

2024 Crypto Market Review & 2025 Forecasts

Presto Research

Summary

Our 2024 market review presents a dynamic tapestry for the crypto market, with memecoins dominating as top performers while VC-backed tokens saw underperformance. It also demonstrates that Real World Assets (RWA) emerged as a key theme, hinting at the transformative trends expected to shape 2025.

Presto Research's theses proved prescient, anticipating several of the year's defining trends, including the underperformance of low float / high FDV tokens, importance of the Bitcoin Strategic Reserve, and the post-election bull market, among others. These trends, still unfolding, merit ongoing attention as we look forward to the next phase of the market cycle.

Our 2025 forecasts reflect a maturing industry poised for growth and innovation. Key themes include Bitcoin's adoption as a store of value at both sovereign and corporate levels, the U.S. solidifying its position as the global crypto hub, and broader industry consolidation. We anticipate continued advancements in major smart contract platforms – particularly EVM-compatible chains, Solana, and DAG-based networks – while Ethereum stages a comeback. DEXs are expected to capture a larger share of trading volume, whereas NFT trading volumes may rebound, transitioning into more sustainable cultural and economic applications.

Highlighted 2025 predictions from Presto Research include:

- BTC hitting $210,000
- Total crypto market capitalization expanding to $7.5 trillion
- ETH/BTC ratio rebounding to 0.05 as Ethereum addresses UX challenges
- Solana surging to $1,000
- Stablecoin market cap reaching $300bn
- DEX trading volume surpassing 20% of CEX volumes
- A new EVM L1 reaching a $20 billion market capitalization with $10 billion TVL
- A nation-state or a S&P 500 company adopting BTC as treasury
- Liquid crypto hedge funds outperforming crypto VCs
- ...and many more!

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Contents

Section 1:
Introduction

“There are decades where nothing happens; and there are weeks where decades happen.*” If there’s a quote that perfectly captures how the crypto industry unfolded in 2024, it’s hard to find a better one. This year has been packed with industry-defining moments – spot Bitcoin/Ether ETF listings, IBIT options debut, the Red sweep paving the way for a 180-degree turn in U.S. crypto policy, the Bitcoin Strategic Reserve bill, MicroStrategy’s parabolic share performance, the prediction market take-off, Solana’s and stablecoins’ comeback, the memecoin craze. The list goes on.

While many of these milestones happened in the U.S., their ripple effects have been felt globally, underscoring the U.S.’s thought leadership in the crypto space. Numerous countries continue to benchmark their crypto policies against the U.S.; one need only recall how swiftly Hong Kong followed up with its own spot crypto ETF listings just months after the U.S.

Against this backdrop, Presto Research is excited to present *From Chaos to Clarity: 2024 Crypto Market Review & 2025 Forecasts,* our inaugural annual publication that reviews the key crypto market trends and themes of 2024 while offering a forward-looking outlook for 2025.

* The quote is commonly attributed to Vladimir Lenin, but there is no evidence that he ever spoke or wrote these words.

The report is split into two parts: the first half reviews this year’s best and worst-performing crypto assets and highlights key investment theses explored across our 221 publications. The second half features a collection of 2025 predictions, with each member of the Presto Research team contributing two to four unique forecasts. Given the diverse expertise and backgrounds of our team, these predictions offer a range of perspectives on the 2025 crypto market, presented unfiltered to provide readers with multiple viewpoints. We hope these insights serve as food for thought as you formulate your own views. There’s something here for everyone (hopefully).

As the crypto industry transitions from chaos to clarity, we hope this report serves as both a guide and a source of inspiration for navigating the opportunities and challenges ahead, whether you’re an investor, a builder, or simply a curious observer. Let’s dive in.

Figure 1 **Charting the Path to 2025**

Section 2: 2024 Review

2.1. Best & Worst Performers

Asset prices in well-functioning markets distills the collective wisdom of the crowd into a dynamic signal, capturing narratives, themes, and trends. Reviewing the best and worst performers in a thriving marketplace is, therefore, an insightful way to reflect on the past. That's exactly what we've done in the analysis below.

A few points to note on our methodology. First, we have limited our universe to three centralized exchanges, namely Binance, Bybit, and OKX. Second, we further broke down the universe into 'New Listing (i.e. listed in 2024)' and 'Incumbent (i.e. listed in 2023 or before).' Third, from each of these six sub-universes, we screened for five best and worst performers. The full results are summarized below [Fig. 2, 3].

It should be noted that this approach does not capture trends in major assets like BTC or ETH, as smaller market-cap assets tend to exhibit more extreme performances. Instead, the analysis aims to uncover sector themes or individual projects that may otherwise be overlooked. With this caveat in mind, our findings point to three key trends: 'VC Coin' underperformance, the memecoin craze, the RWA buzz, and the rise of DEXs.

Figure 2 **Top 5 Best & Worst Performers from 2024 New Listings (all figures as of Nov 29th)**

Binance

	Symbol	YTD Return	Category	Listing MC (US$ mn)	Current MC (US$ mn)	Inflation	MC/FDV
BEST	NEIRO	+369.5%	Meme	151	711	0.0%	99.9%
	PNUT	+177.3%	Meme	391	1,080	0.0%	99.9%
	WIF	+94.8%	Meme	1,550	3,010	0.0%	100.0%
	JUP	+56.1%	DEX	892	1,390	0.0%	13.5%
	TURBO	+48.1%	Meme	298	448	0.0%	94.6%
WORST	AEVO	-86.7%	DeFi	354	386	78.0%	89.6%
	PDA	-85.0%	Gaming	182	29	3.5%	86.0%
	PORTAL	-84.6%	Gaming	405	136	22.5%	36.8%
	W	-79.6%	Infra	2,350	756	20.5%	27.5%
	REZ	-71.3%	DeFi	174	77	6.8%	16.8%

Bybit

	Symbol	YTD Return	Category	Listing MC (US$ mn)	Current MC (US$ mn)	Inflation	MC/FDV
BEST	POPCAT	+410.9%	Meme	242.80	12,500.00	0.0%	100.0%
	AIOZ	+400.1%	AI	183.20	887.80	0.0%	100.0%
	ONDO	+357.8%	RWA	283.70	1,600.00	1.7%	13.9%
	DRIFT	+354.6%	DEX	57.80	340.40	9.4%	26.0%
	TAI	+327.4%	AI	15.70	110.20	17.2%	43.9%
WORST	RUBY	-99.0%	Infra	5.30	0.08	10.3%	27.0%
	BBL	-98.2%	Social	8.80	1.10	22.1%	30.4%
	AEG	-97.3%	Gaming	6.00	1.40	18.2%	21.0%
	LENDS	-97.2%	DeFi	8.30	0.90	30.4%	40.6%
	DEFI	-97.2%	DeFi	28.10	4.40	26.5%	31.1%

OKX

	Symbol	YTD Return	Category	Listing MC (US$ mn)	Current MC (US$ mn)	Inflation	MC/FDV
BEST	BONK	+293.8%	Meme	652	3,200	6.8%	81.2%
	UXLINK	+171.8%	Social	36	98	0.0%	17.0%
	PNUT	+158.5%	Meme	391	1,080	0.0%	99.9%
	DEGEN	+132.6%	Meme	96	349	20.0%	46.4%
	JTO	+111.2%	DeFi	192	454	14.2%	13.1%
WORST	GPT	-90.6%	AI	55	9	8.0%	17.5%
	VENOM	-90.4%	DeFi	1,270	127	0.8%	23.9%
	AEVO	-85.5%	DeFi	354	386	78.0%	89.6%
	W	-80.0%	Infra	2,340	715	9.5%	27.5%
	ULTI	-76.8%	Gaming	96	52	21.9%	38.2%

Top Performer Profile - Overall

	YTD Return	Listing MC (US$ mn)	Current MC (US$ mn)	Inflation	MC/FDV
Average	+231.0%	362	1,817	4.6%	63.3%
Median	+177.3%	243	888	0.0%	81.2%

Bottom Performer Profile - Overall

	YTD Return	Listing MC (US$ mn)	Current MC (US$ mn)	Inflation	MC/FDV
Average	-93.4%	281.82	87.03	22.2%	33.1%
Median	-97.2%	8.80	1.40	21.9%	30.4%

Top Performer Profile - Memecoin

	YTD Return	Listing MC (US$ mn)	Current MC (US$ mn)	Inflation	MC/FDV
Average	+210.7%	471	2,797	3.4%	90.2%
Median	+167.9%	345	1,080	0.0%	99.9%

Source: Binance, Bybit, OKX, CoinGecko, Coinmarketcap, Token Terminal, Presto Research

Figure 3 Top 5 Best & Worst Performers from Incumbents (all figures as of Nov 29th)

Binance

	Symbol	YTD Return	Category	MC on 1/1/24 (US$ mn)	Current MC (US$ mn)	Inflation	MC/FDV
BEST	OM	+6,272.5%	RWA	45	3,280	13.9%	-
	PEPE	+1,197.2%	Meme	593	7,700	0.0%	100.0%
	FLOKI	+484.2%	Meme	349	2,050	0.0%	96.1%
	PEOPLE	+334.0%	Meme	68	295	0.0%	100.0%
	DOGE	+320.7%	Meme	13,100	56,500	3.4%	-
WORST	RDNT	-78.0%	DeFi	133	93	50.0%	78.0%
	ACE	-73.0%	Gaming	213	106	14.1%	27.7%
	1000SATS	-70.6%	BTC Eco	1,720	505	0.0%	100.0%
	IRIS	-66.7%	Infra	48	17	4.7%	76.0%
	FXS	-66.2%	DeFi	688	260	8.8%	85.3%

Bybit

	Symbol	YTD Return	Category	MC on 1/1/24 (US$ mn)	Current MC (US$ mn)	Inflation	MC/FDV
BEST	PEPE	+1,201.8%	Meme	593	7,700	0.0%	100.0%
	FLOKI	+485.8%	Meme	349	2,050	0.0%	96.1%
	APEX	+434.5%	DEX	18	88	0.0%	4.8%
	VELO	+389.7%	DeFi	31	135	14.4%	24.6%
	PEOPLE	+334.2%	Meme	68	295	0.0%	100.0%
WORST	TOMI	-99.3%	DAO	-	-	-	-
	GRAPE	-98.7%	NFT	-	-	-	-
	VEXT	-98.6%	Social	-	-	-	-
	CTT	-97.9%	Marketing	9	1	18.7%	26.2%
	5IRE	-97.6%	DeFi	198	5	15.4%	51.9%

OKX

	Symbol	YTD Return	Category	MC on 1/1/24 (US$ mn)	Current MC (US$ mn)	Inflation	MC/FDV
BEST	OM	+6,118.2%	RWA	45	3,280	13.9%	-
	TURBO	+1,724.8%	Meme	25	448	0.0%	94.6%
	PEPE	+1,231.3%	Meme	593	7,700	0.0%	100.0%
	FLOKI	+487.6%	Meme	349	2,050	0.0%	96.1%
	PEOPLE	+338.1%	Meme	68	295	0.0%	100.0%
WORST	LBR	-92.6%	DeFi	28	7	44.3%	68.4%
	SSWP	-83.4%	DEX	25	5	6.0%	88.4%
	KP3R	-78.4%	DeFi	48	10	0.0%	100.0%
	RDNT	-78.2%	DeFi	133	93	50.0%	78.0%
	ARTY	-77.0%	Gaming	20	10	48.6%	88.2%

Top Performer Profile - Overall

	YTD Return	MC on 1/1/24 (US$ mn)	Current MC (US$ mn)	Inflation	MC/FDV
Average	+1,423.6%	1,104	6,258	3.0%	84.4%
Median	+485.8%	298	2,050	0.0%	98.1%

Bottom Performer Profile - Overall

	YTD Return	MC on 1/1/24 (US$ mn)	Current MC (US$ mn)	Inflation	MC/FDV
Average	-83.7%	272	92	21.7%	72.3%
Median	-78.4%	90	14	14.7%	78.0%

Top Performer Profile - Memecoin

	YTD Return	MC on 1/1/24 (US$ mn)	Current MC (US$ mn)	Inflation	MC/FDV
Average	+740.0%	1,493	7,917	0.3%	98.3%
Median	+338.1%	349	2,050	0.0%	100.0%

Source: Binance, Bybit, OKX, CoinGecko, Coinmarketcap, Token Terminal, Presto Research

2.1.1. 'VC Coin' (a.k.a. Low Float / High FDV) Underperformance

A quick glance at the table reveals that poor performers tend to exhibit high inflation (22% median for new listings and 15% median for incumbents) and low float (30% median for new listings and 78% for incumbents). This trend has uniquely characterized the 2024 crypto market. While the adverse effects of large token unlocks have always been considered a risk, this year they became a dominant narrative, one that all market participants – exchanges, builders, and investors – have become acutely aware of.

This shift represents a healthy development and a sign of market maturation in our view. The mere introduction of a newly minted asset, no matter how shiny it appears or how well-backed it is by flashy VC names, no longer guarantees that retail investors will blindly chase it. Instead, it signals that the strategy of exploiting informationally disadvantaged retail investors as exit liquidity on centralized exchanges is losing its effectiveness. Such tactics, a cheap shot often employed by sub-par VCs, have persisted for far too long. More on this later under "2.2.5. Is FDV a Meme?"

2.1.2. The Memecoin Craze

As retail investors increasingly perceive VC coins to be "rigged" against them, many have flocked to what they consider a more level playing field: memecoins. This shift has been the main driver of the unprecedented boom in the memecoin sector. The prominence of memecoins across all six tables of top performers underscores their impact.

This trend can be seen as a reflex to the first point above, because memecoins are typically characterized by low inflation and/or high float – traits that directly oppose those of VC coins. Regardless of whether memecoins are truly "fair," this narrative has been powerful enough to mobilize retail investors en masse in a way no other narrative could. As a result, memecoins have solidified their position as the defining feature of the 2024 crypto market.

2.1.3. RWA Beats Memecoin

One name that completely dwarfed others in terms of price performance this year is Mantra (OM). Even PEPE (+1,231%), the best-performing memecoin in our universe, doesn't come close to matching OM's explosive return (+6,118%). Mantra advertises itself as "a purpose-built RWA Layer 1 Blockchain, capable of adherence to real-world regulatory requirements" by enabling "compliance with accessible on-ramp and off-ramp protocols for fiat, equities, and tokenized RWAs." OM serves as the governance token for MANTRA DAO, providing access to rewards programs tied to key initiatives and ecosystem developments.

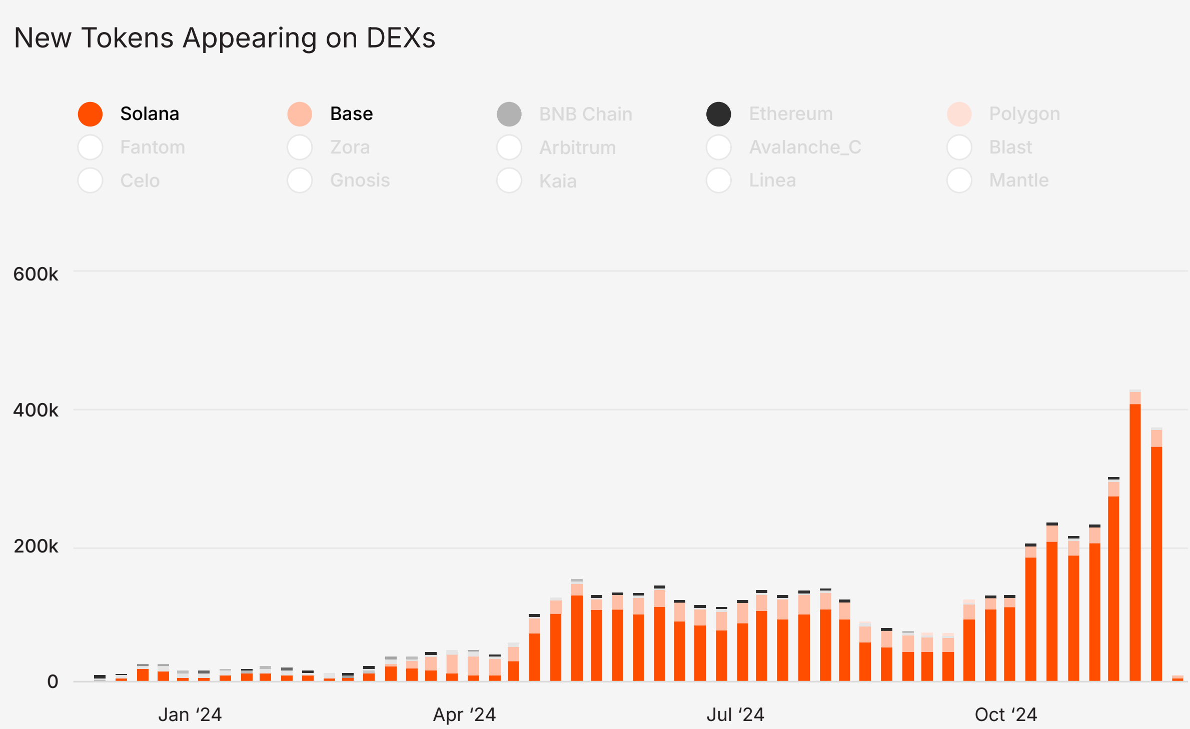
Without getting into the weeds on the project's prospects, its remarkable performance underscores the market's burgeoning enthusiasm for the RWA theme – and suggests that retail investors see its potential as rivaling, if not surpassing, the allure of memecoins.

2.1.4. Early Gains Move to DEXs

It is interesting to note that the top performers' returns are higher for incumbents than for new listings. This may seem counterintuitive, given that new listings are historically associated with the start of hype cycles. However, it reflects an important new trend this year: the growing role of DEXs as the preferred venue for early price discovery before assets are listed on CEXs.

Thanks to the improving functionalities and UI/UX of DEXs, many projects have opted to list their assets on DEXs first. As a result, the steepest upward price movements often occur on DEXs, leaving CEXs to capture only the later stages of the run. In the early days of crypto markets, CEXs were the undisputed venues for liquidity provisioning. The landscape has shifted, however, with the rise of DEXs like Hyperliquid and Raydium, alongside apps like Moonshot and Pump.fun, driving this trend. More on this later under "3.5.1. Gold Rush to DEXs."

Figure 4 **New Generation Prefer DEXs**



Source: DUNE Analytics - Updated Dec 2, 2024

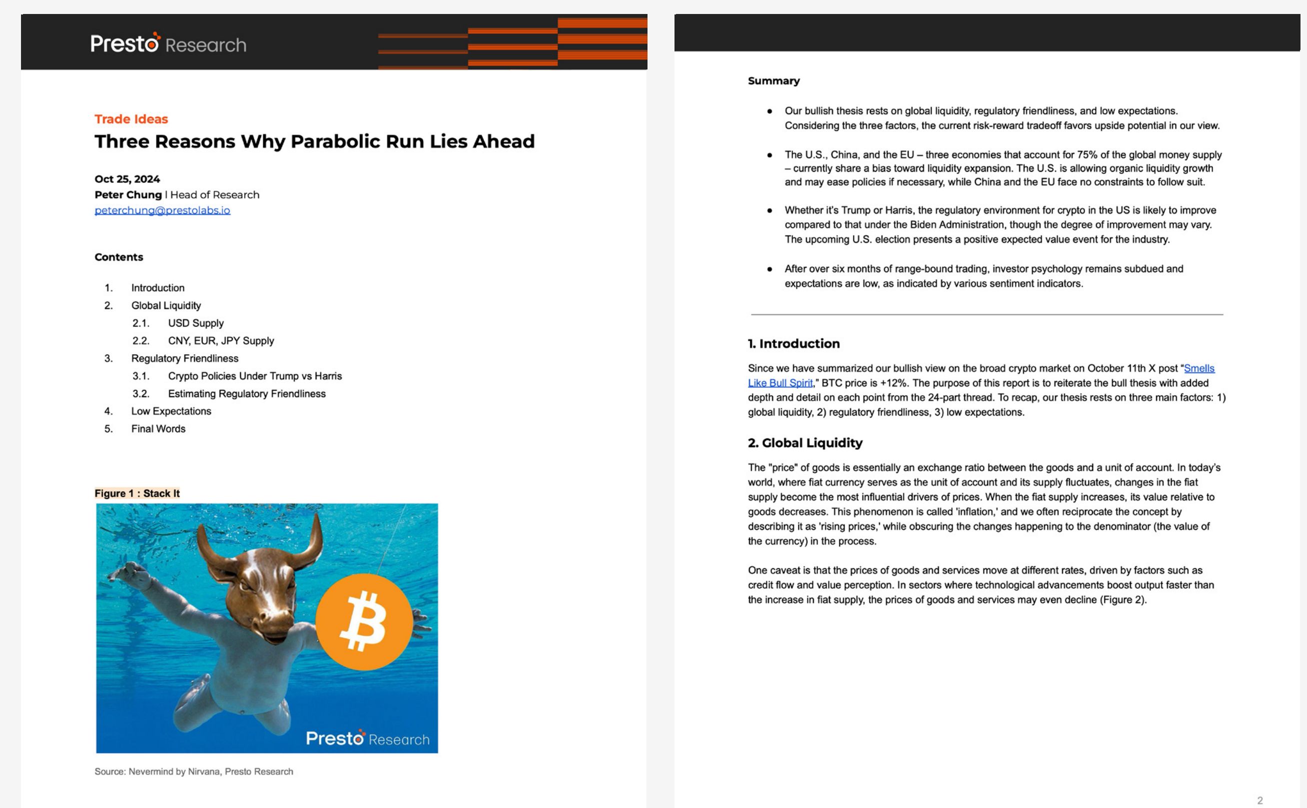
2.2. Presto's Investment Thesis Review

Many of the investment thesis we have explored this year turned out to be pertinent throughout the year. In this section, we reflect on five research articles that have particularly aged well.

2.2.1. Three Reasons Why Parabolic Run Lies Ahead

We articulated our bullish view on the broad digital asset market via an October 11th X post titled "Three Reasons Why Parabolic Run Lies Ahead" and subsequently re-iterated the view backed with additional data on Oct 25th article. The bull thesis rested on global liquidity, regulatory friendliness, and low expectations. BTC is +67% since then, as the macro and political events played out in the way envisioned in the thesis.

Figure 5 **Pulling The Trigger**



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Trade Ideas

Three Reasons Why Parabolic Run Lies Ahead

Oct 25, 2024
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Contents

1. Introduction
2. Global Liquidity
   2.1. USD Supply
   2.2. CNY, EUR, JPY Supply
3. Regulatory Friendliness
   3.1. Crypto Policies Under Trump vs Harris
   3.2. Estimating Regulatory Friendliness
4. Low Expectations
5. Final Words

Figure 1 : Stack It

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Source: Nevermind by Nirvana, Presto Research

Summary

- Our bullish thesis rests on global liquidity, regulatory friendliness, and low expectations. Considering the three factors, the current risk-reward tradeoff favors upside potential in our view.
- The U.S., China, and the EU – three economies that account for 75% of the global money supply – currently share a bias toward liquidity expansion. The U.S. is allowing organic liquidity growth and may ease policies if necessary, while China and the EU face no constraints to follow suit.
- Whether it's Trump or Harris, the regulatory environment for crypto in the US is likely to improve compared to that under the Biden Administration, though the degree of improvement may vary. The upcoming U.S. election presents a positive expected value event for the industry.
- After over six months of range-bound trading, investor psychology remains subdued and expectations are low, as indicated by various sentiment indicators.

1. Introduction

Since we have summarized our bullish view on the broad crypto market on October 11th X post "Smells Like Bull Spirit," BTC price is +12%. The purpose of this report is to reiterate the bull thesis with added depth and detail on each point from the 24-part thread. To recap, our thesis rests on three main factors: 1) global liquidity, 2) regulatory friendliness, 3) low expectations.

2. Global Liquidity

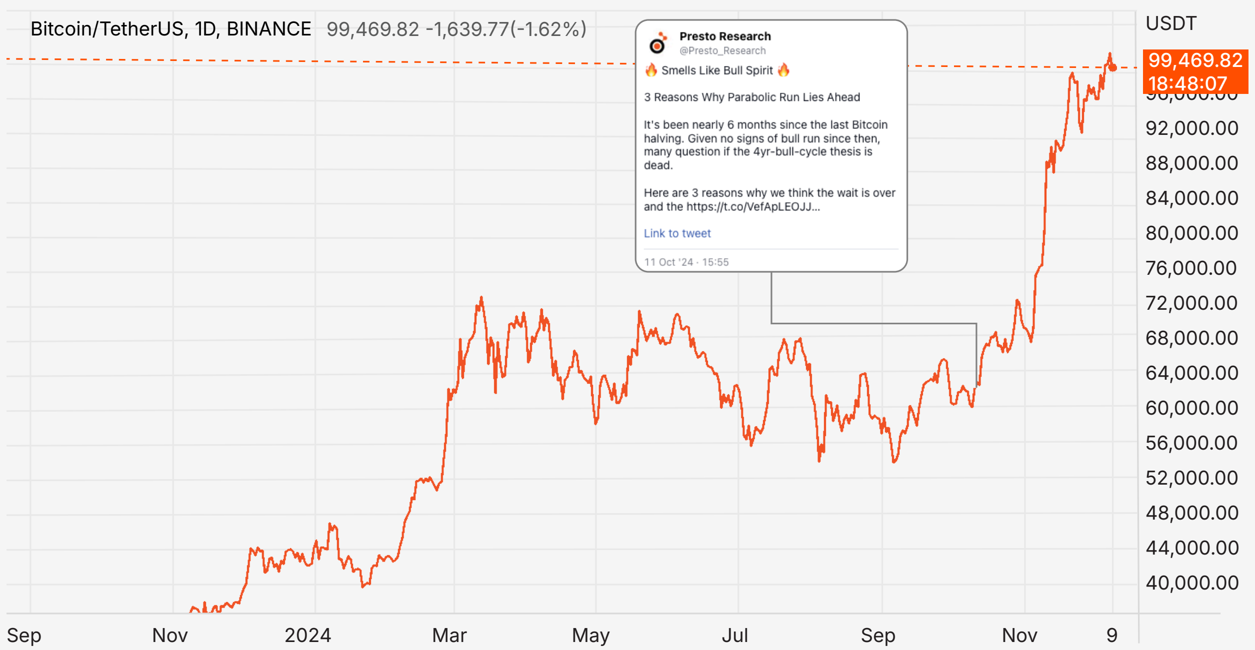
The "price" of goods is essentially an exchange ratio between the goods and a unit of account. In today's world, where fiat currency serves as the unit of account and its supply fluctuates, changes in the fiat supply become the most influential drivers of prices. When the fiat supply increases, its value relative to goods decreases. This phenomenon is called 'inflation,' and we often reciprocate the concept by describing it as 'rising prices,' while obscuring the changes happening to the denominator (the value of the currency) in the process.

One caveat is that the prices of goods and services move at different rates, driven by factors such as credit flow and value perception. In sectors where technological advancements boost output faster than the increase in fiat supply, the prices of goods and services may even decline (Figure 2).

2

Source: Presto Research

Figure 6 **Parabolic Run in The Making...**



Source: TradingView, Presto Research

While our thesis still holds, we believe it is important to monitor the market for any signs of near-term exuberance as the BTC price enters an unchartered territory and expectations build up. Figure 7 summarizes useful metrics in this regard and where they stand at the moment. The list is by no means meant to be exhaustive.

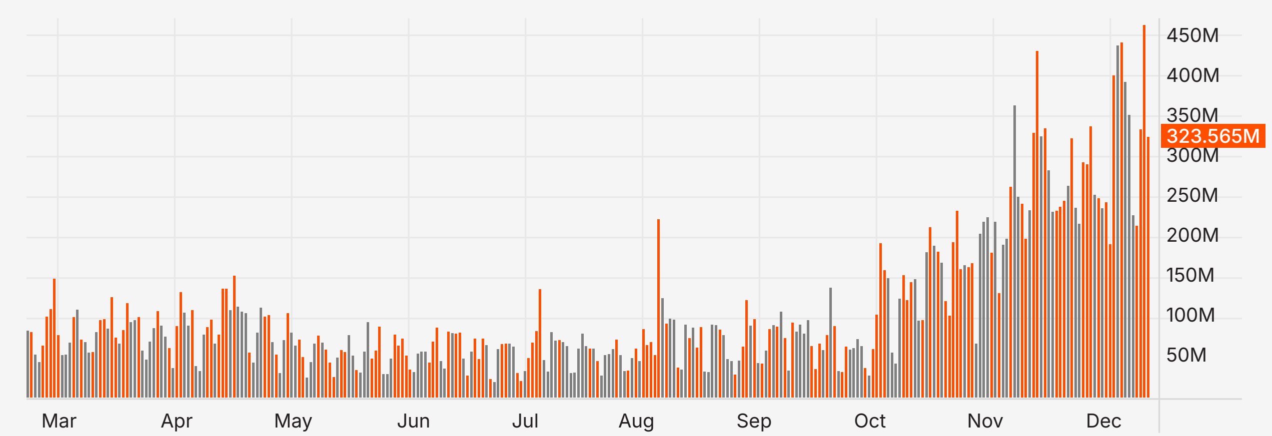
Figure 7 **What 'Froth' Indicators Are Saying**

Indicators	Source	Comment
Altcoin Dominance	TradingView	Total crypto market cap excluding top 10 dominance stands at 10.3% vs 5yr high of 19% in Jan '22 and low of 6% in Dec '20.
Coinbase App ranking	@COINAppRankBot	62nd as of Nov 26th vs 8th on Nov 13th.
Google Search Trend	Google	54 during Nov 24-30 period vs 100 in May 2021 and 21 during Oct 13-19 '24 period.
Bitcoin LT Holder Supply	Bitcoin Magazine, Glassnode, etc.	Since mid-Sept, LT supply (155 days) decreased by over 1M BTCs ($75bn worth).
MV/RV Ratio	Bitcoin Magazine, Glassnode, etc.	2.69 (as of Nov 24th) vs 5yr high of 3.96 in Feb '21 and low of 0.75 in Nov '22.

Source: Presto Research

Although the kimchi premium was mentioned as one of the metrics in the original X post, we believe it is no longer as reliable a froth indicator as before. The recent proliferation of USD stablecoins on Korean exchanges enables price discrepancies to be arbitraged away more effectively. This is well-articulated in Min's X post.

Figure 8 **USDT Trading Volume on Bithumb**

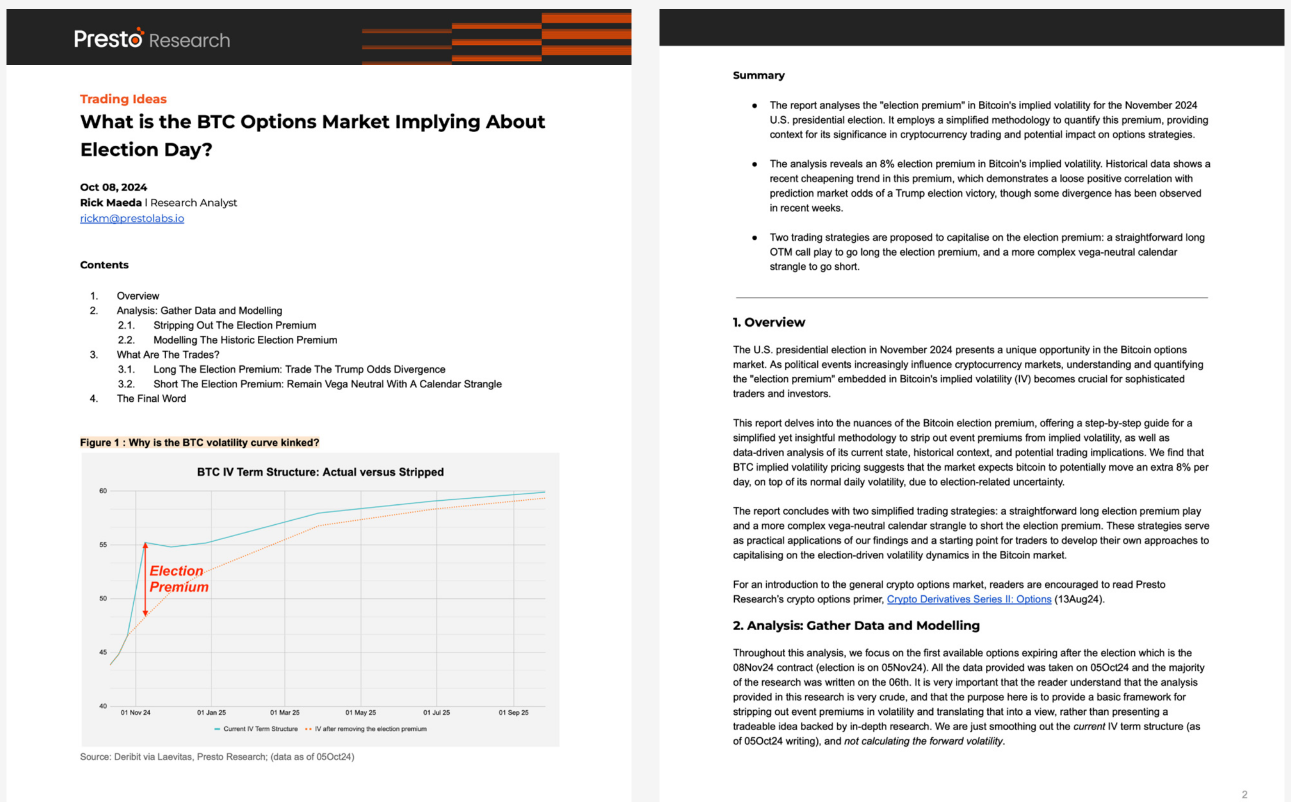


Source: Bithumb

2.2.2. What is the BTC Options Market Implying About Election Day?

In early October, we published an analysis of Bitcoin's implied election premium, estimating that options markets were pricing in an additional 8% daily volatility around the November 2024 U.S. presidential election. Our analysis suggested this premium was likely overstated, leading us to propose a calendar strangle strategy to short the election premium whilst longing longer-dated March volatility in a vega-neutral manner.

Figure 9 **Reading The Tea Leaves**



Presto Research

Trading Ideas

What is the BTC Options Market Implying About Election Day?

Oct 08, 2024
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Contents

1. Overview
2. Analysis: Gather Data and Modelling
   2.1. Stripping Out The Election Premium
   2.2. Modelling The Historic Election Premium
3. What Are The Trades?
   3.1. Long The Election Premium: Trade The Trump Odds Divergence
   3.2. Short The Election Premium: Remain Vega Neutral With A Calendar Strangle
4. The Final Word

Figure 1 : Why is the BTC volatility curve kinked?

Source: Deribit via Laevitas, Presto Research; (data as of 05Oct24)

Summary

- The report analyses the "election premium" in Bitcoin's implied volatility for the November 2024 U.S. presidential election. It employs a simplified methodology to quantify this premium, providing context for its significance in cryptocurrency trading and potential impact on options strategies.
- The analysis reveals an 8% election premium in Bitcoin's implied volatility. Historical data shows a recent cheapening trend in this premium, which demonstrates a loose positive correlation with prediction market odds of a Trump election victory, though some divergence has been observed in recent weeks.
- Two trading strategies are proposed to capitalise on the election premium: a straightforward long OTM call play to go long the election premium, and a more complex vega-neutral calendar strangle to go short.

1. Overview

The U.S. presidential election in November 2024 presents a unique opportunity in the Bitcoin options market. As political events increasingly influence cryptocurrency markets, understanding and quantifying the "election premium" embedded in Bitcoin's implied volatility (IV) becomes crucial for sophisticated traders and investors.

This report delves into the nuances of the Bitcoin election premium, offering a step-by-step guide for a simplified yet insightful methodology to strip out event premiums from implied volatility, as well as data-driven analysis of its current state, historical context, and potential trading implications. We find that BTC implied volatility pricing suggests that the market expects bitcoin to potentially move an extra 8% per day, on top of its normal daily volatility, due to election-related uncertainty.

The report concludes with two simplified trading strategies: a straightforward long election premium play and a more complex vega-neutral calendar strangle to short the election premium. These strategies serve as practical applications of our findings and a starting point for traders to develop their own approaches to capitalising on the election-driven volatility dynamics in the Bitcoin market.

For an introduction to the general crypto options market, readers are encouraged to read Presto Research's crypto options primer, Crypto Derivatives Series II: Options (13Aug24).

2. Analysis: Gather Data and Modelling

Throughout this analysis, we focus on the first available options expiring after the election which is the 08Nov24 contract (election is on 05Nov24). All the data provided was taken on 05Oct24 and the majority of the research was written on the 06th. It is very important that the reader understand that the analysis provided in this research is very crude, and that the purpose here is to provide a basic framework for stripping out event premiums in volatility and translating that into a view, rather than presenting a tradeable idea backed by in-depth research. We are just smoothing out the *current* IV term structure (as of 05Oct24 writing), and *not calculating the forward volatility*.

2

Source: Presto Research

Post-election analysis confirms this view - the actual premium, calculated using realised volatility, came in at around 4.8%, significantly below what was implied a month before the election. Our recommended trade structure (3x short 55k/72k 08Nov24 strangle versus 1x long 65k/75k 28Mar25 strangle) has performed well, with the short leg realising a 0.1653 BTC loss at expiry while the long position has gained 0.4145 BTC as of December 2nd, generating a net profit of 0.2492 BTC.

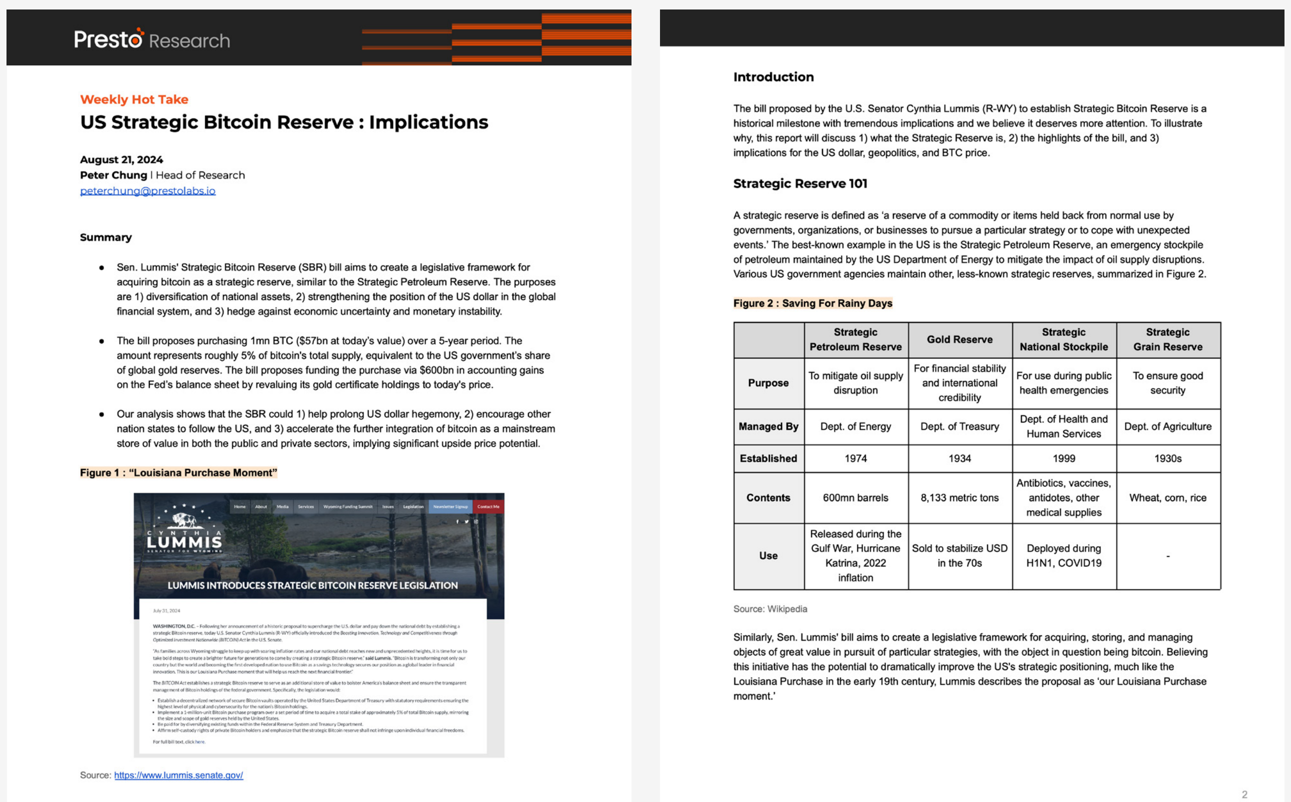
Recent market developments suggest taking profits on this position. First, one of our key justifications for the March 2025 long volatility position was the high number of expected Fed rate cuts that quarter. However, post-election macro forecasts under Trump's presidency have led to a significant repricing of rate expectations, with the Z4H5 Fed Funds spread now at -20bps versus -42.5bps in October.

Second, the introduction of $IBIT options on November 19th introduces structural changes that could dampen volatility. As noted by Arbelos' Joshua Lim, traditional finance options markets often suppress volatility through structured product supply, with even a modest $5b in $IBIT-linked notes representing a quarter of current Deribit open interest. Academic research supports this view - Arkorful et al. (2020) documented how the introduction of SSE 50ETF options in Chinese markets significantly decreased underlying volatility through improved information flow and market efficiency, an effect that could be even more pronounced in Bitcoin given its now global nature and sophisticated market-making infrastructure that surrounds it.

2.2.3 US Strategic Bitcoin Reserve : Implications

Initially, we were somewhat puzzled by the industry's rather subdued response to Senator Lummis' Bitcoin Strategic Reserve Bill (BITCOIN Act 2024) following its announcement in Nashville. Recognizing the significance of the bill, regardless of its eventual fate in Congress, Presto Research quickly published an 11-page report on the topic. Most crypto commentators on the other hand seemed content to give it only light coverage, apart from a few podcasters.

Figure 10 **'Louisiana Purchase Moment'**



Presto Research

Weekly Hot Take

US Strategic Bitcoin Reserve : Implications

August 21, 2024
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Summary

- Sen. Lummis' Strategic Bitcoin Reserve (SBR) bill aims to create a legislative framework for acquiring bitcoin as a strategic reserve, similar to the Strategic Petroleum Reserve. The purposes are 1) diversification of national assets, 2) strengthening the position of the US dollar in the global financial system, and 3) hedge against economic uncertainty and monetary instability.
- The bill proposes purchasing 1mn BTC ($57bn at today's value) over a 5-year period. The amount represents roughly 5% of bitcoin's total supply, equivalent to the US government's share of global gold reserves. The bill proposes funding the purchase via $600bn in accounting gains on the Fed's balance sheet by revaluing its gold certificate holdings to today's price.
- Our analysis shows that the SBR could 1) help prolong US dollar hegemony, 2) encourage other nation states to follow the US, and 3) accelerate the further integration of bitcoin as a mainstream store of value in both the public and private sectors, implying significant upside price potential.

Figure 1 : "Louisiana Purchase Moment"

Source: https://www.lummis.senate.gov/

Introduction

The bill proposed by the U.S. Senator Cynthia Lummis (R-WY) to establish Strategic Bitcoin Reserve is a historical milestone with tremendous implications and we believe it deserves more attention. To illustrate why, this report will discuss 1) what the Strategic Reserve is, 2) the highlights of the bill, and 3) implications for the US dollar, geopolitics, and BTC price.

Strategic Reserve 101

A strategic reserve is defined as 'a reserve of a commodity or items held back from normal use by governments, organizations, or businesses to pursue a particular strategy or to cope with unexpected events.' The best-known example in the US is the Strategic Petroleum Reserve, an emergency stockpile of petroleum maintained by the US Department of Energy to mitigate the impact of oil supply disruptions. Various US government agencies maintain other, less-known strategic reserves, summarized in Figure 2.

Figure 2 : Saving For Rainy Days

	Strategic Petroleum Reserve	Gold Reserve	Strategic National Stockpile	Strategic Grain Reserve
Purpose	To mitigate oil supply disruption	For financial stability and international credibility	For use during public health emergencies	To ensure good security
Managed By	Dept. of Energy	Dept. of Treasury	Dept. of Health and Human Services	Dept. of Agriculture
Established	1974	1934	1999	1930s
Contents	600mn barrels	8,133 metric tons	Antibiotics, vaccines, antidotes, other medical supplies	Wheat, corn, rice
Use	Released during the Gulf War, Hurricane Katrina, 2022 inflation	Sold to stabilize USD in the 70s	Deployed during H1N1, COVID19	-

Source: Wikipedia

Similarly, Sen. Lummis' bill aims to create a legislative framework for acquiring, storing, and managing objects of great value in pursuit of particular strategies, with the object in question being bitcoin. Believing this initiative has the potential to dramatically improve the US's strategic positioning, much like the Louisiana Purchase in the early 19th century, Lummis describes the proposal as 'our Louisiana Purchase moment.'

2

Source: Presto Research

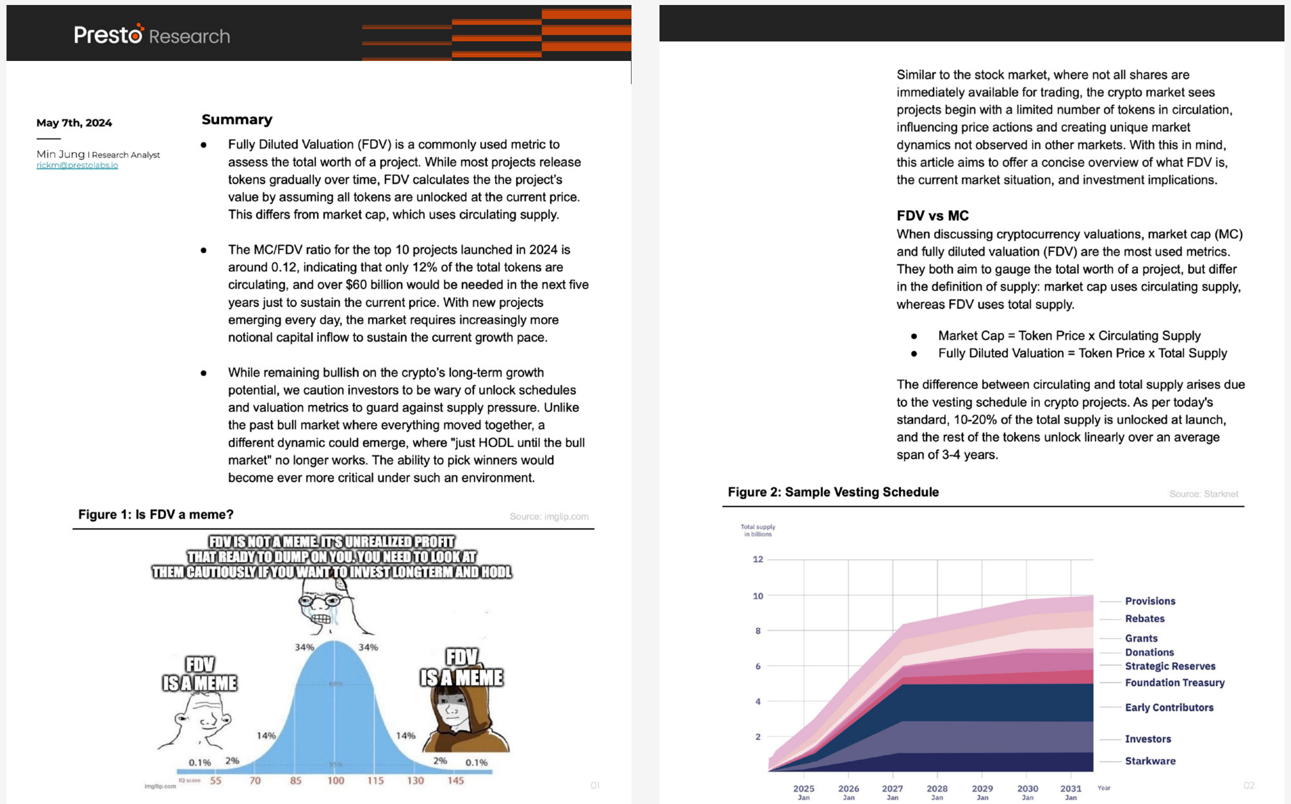
Fast forward to today, the idea of the U.S. government acquiring Bitcoin for geopolitical purposes, however far-fetched it may sound to the general public outside the crypto industry, is now within the realm of possibility (Polymarket assigns 26% probability). The outcome of the U.S. election has turbocharged the "genie's out-of-the-bottle" effect, with other nation-states and municipalities also giving the idea serious consideration (see "Section 3: 2025 Predictions" below for more). To recap key lines from the report:

> *With Wall Street slowly but surely embracing the asset class and the public urgency to resolve fiscal deficits, the bill may gain more momentum in the right political environment.*
> *Even if passage is years away, the submission of the bill now means the conversation will begin, lawmakers will seek education, and other governments will have a benchmark to follow. That's already a huge leap compared to where things were a year ago, and it's an improvement that the market has yet to fully discount.*

Quite literally, 'the right political environment' is here now and the momentum is building up. Just as the stage for this year's crypto ETF bonanza was set after the court ruling on Grayscale vs SEC in 2023, the stage for nation-states to FOMO into Bitcoin was set with the Lummis's bill and the Red sweep in 2024.

2.2.4 Is FDV a Meme?

Figure 11 **Ahead of The Curve**



Presto Research

May 7th, 2024

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Summary

- Fully Diluted Valuation (FDV) is a commonly used metric to assess the total worth of a project. While most projects release tokens gradually over time, FDV calculates the the project's value by assuming all tokens are unlocked at the current price. This differs from market cap, which uses circulating supply.
- The MC/FDV ratio for the top 10 projects launched in 2024 is around 0.12, indicating that only 12% of the total tokens are circulating, and over $60 billion would be needed in the next five years just to sustain the current price. With new projects emerging every day, the market requires increasingly more notional capital inflow to sustain the current growth pace.
- While remaining bullish on the crypto's long-term growth potential, we caution investors to be wary of unlock schedules and valuation metrics to guard against supply pressure. Unlike the past bull market where everything moved together, a different dynamic could emerge, where "just HODL until the bull market" no longer works. The ability to pick winners would become ever more critical under such an environment.

Figure 1: Is FDV a meme? Source: imglip.com

Similar to the stock market, where not all shares are immediately available for trading, the crypto market sees projects begin with a limited number of tokens in circulation, influencing price actions and creating unique market dynamics not observed in other markets. With this in mind, this article aims to offer a concise overview of what FDV is, the current market situation, and investment implications.

FDV vs MC

When discussing cryptocurrency valuations, market cap (MC) and fully diluted valuation (FDV) are the most used metrics. They both aim to gauge the total worth of a project, but differ in the definition of supply: market cap uses circulating supply, whereas FDV uses total supply.

- Market Cap = Token Price x Circulating Supply
- Fully Diluted Valuation = Token Price x Total Supply

The difference between circulating and total supply arises due to the vesting schedule in crypto projects. As per today's standard, 10-20% of the total supply is unlocked at launch, and the rest of the tokens unlock linearly over an average span of 3-4 years.

Figure 2: Sample Vesting Schedule Source: Starknet

Source: Presto Research

When we published "Is FDV a Meme?" on May 7th, 2024, the issue of high FDV and low float wasn't widely recognized and had not yet become a focal point in broader industry discussions. Interestingly, it wasn't until Binance Research released their take on the topic a week later that the concept began gaining significant traction. Fast forward to today, the high FDV-low float phenomenon is reshaping the crypto investment paradigm, influencing everything from valuation methodologies to launch strategies.

This year has been particularly brutal for VC-funded projects. Retail investors have become increasingly aware of being used as exit liquidity for VCs and other types of early investors, leading to the disappearance of the "initial listing pump" phenomenon that was commonplace just a year ago. Projects like Scroll and EigenLayer

have underperformed, even with Tier 1 exchange listings. Investors are now more informed about the long-term effects of such practices, recognizing that their holdings are likely to face consistent dilution over the next three to four years.

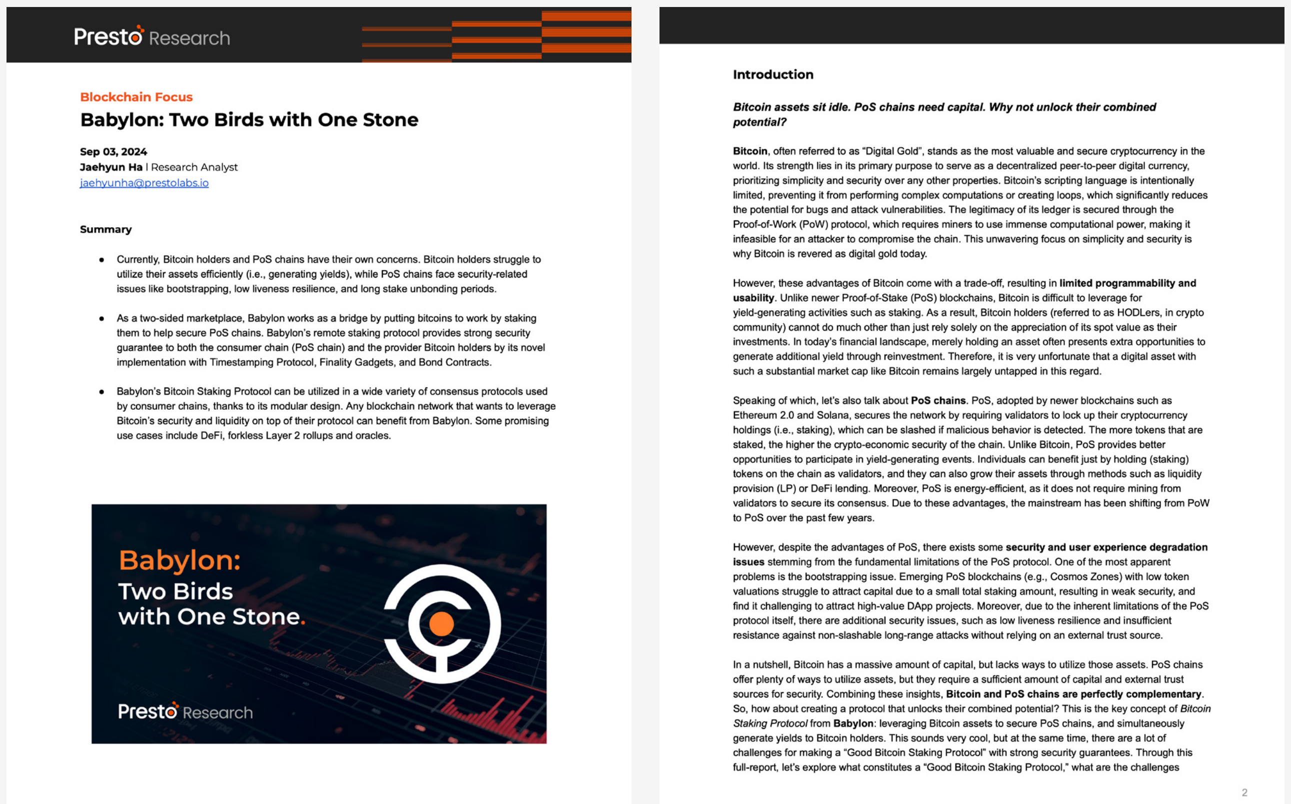
One key observation from the report remains highly relevant today: the role of tokenomics in fueling the memecoin rally. While memecoins were active in early 2024, their prominence at the time pales in comparison to the frenzy we see now. Platforms like pump.fun, initially serving as launchpads for memecoins, have evolved into hubs for general project launches. We are now seeing these tokenomic trends extend to projects beyond memecoins. This trend highlights that memecoin rallies aren't merely speculative bubbles—they're deeply influenced by tokenomic structures. As noted in the report:

> *On this topic, the recent memecoin rally ironically can serve as a model. Unlike cryptocurrencies in other sectors that often suffer from substantial unlocks—for example, those with an initial circulating supply of 10%—most memecoins have 100% unlocked at launch, thus avoiding continuous dilution. While one cannot attribute memecoin rallies solely to their tokenomics, it undoubtedly plays a significant role in their appeal and sustained interest.*

In this context, the "barbell structure" trade has proven remarkably prescient. On one side, you have assets like BTC and SOL, which benefit from growing institutional interest and real-world demand. On the other side, memecoins—unburdened by dilution from unlock schedules—have captured speculative capital with their straightforward tokenomics. Meanwhile, investors across the spectrum are becoming more educated about concepts like FDV, market cap, and vesting schedules. They are increasingly wary of how token unlocks can erode value, and the notion of a "good listing on a Tier 1 exchange" is no longer sufficient to guarantee success for a project.

2.2.5 Babylon: Two Birds with One Stone

Figure 12 **Babylon: A Self-custodial Bitcoin Staking Protocol**


Presto Research

Blockchain Focus

Babylon: Two Birds with One Stone

Sep 03, 2024
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Summary

- Currently, Bitcoin holders and PoS chains have their own concerns. Bitcoin holders struggle to utilize their assets efficiently (i.e., generating yields), while PoS chains face security-related issues like bootstrapping, low liveness resilience, and long stake unbonding periods.
- As a two-sided marketplace, Babylon works as a bridge by putting bitcoins to work by staking them to help secure PoS chains. Babylon's remote staking protocol provides strong security guarantee to both the consumer chain (PoS chain) and the provider Bitcoin holders by its novel implementation with Timestamping Protocol, Finality Gadgets, and Bond Contracts.
- Babylon's Bitcoin Staking Protocol can be utilized in a wide variety of consensus protocols used by consumer chains, thanks to its modular design. Any blockchain network that wants to leverage Bitcoin's security and liquidity on top of their protocol can benefit from Babylon. Some promising use cases include DeFi, forkless Layer 2 rollups and oracles.

Babylon:
Two Birds
with One Stone.
Presto Research

Introduction

Bitcoin assets sit idle. PoS chains need capital. Why not unlock their combined potential?

Bitcoin, often referred to as "Digital Gold", stands as the most valuable and secure cryptocurrency in the world. Its strength lies in its primary purpose to serve as a decentralized peer-to-peer digital currency, prioritizing simplicity and security over any other properties. Bitcoin's scripting language is intentionally limited, preventing it from performing complex computations or creating loops, which significantly reduces the potential for bugs and attack vulnerabilities. The legitimacy of its ledger is secured through the Proof-of-Work (PoW) protocol, which requires miners to use immense computational power, making it infeasible for an attacker to compromise the chain. This unwavering focus on simplicity and security is why Bitcoin is revered as digital gold today.

However, these advantages of Bitcoin come with a trade-off, resulting in **limited programmability and usability**. Unlike newer Proof-of-Stake (PoS) blockchains, Bitcoin is difficult to leverage for yield-generating activities such as staking. As a result, Bitcoin holders (referred to as HODLers, in crypto community) cannot do much other than just rely solely on the appreciation of its spot value as their investments. In today's financial landscape, merely holding an asset often presents extra opportunities to generate additional yield through reinvestment. Therefore, it is very unfortunate that a digital asset with such a substantial market cap like Bitcoin remains largely untapped in this regard.

Speaking of which, let's also talk about **PoS chains**. PoS, adopted by newer blockchains such as Ethereum 2.0 and Solana, secures the network by requiring validators to lock up their cryptocurrency holdings (i.e., staking), which can be slashed if malicious behavior is detected. The more tokens that are staked, the higher the crypto-economic security of the chain. Unlike Bitcoin, PoS provides better opportunities to participate in yield-generating events. Individuals can benefit just by holding (staking) tokens on the chain as validators, and they can also grow their assets through methods such as liquidity provision (LP) or DeFi lending. Moreover, PoS is energy-efficient, as it does not require mining from validators to secure its consensus. Due to these advantages, the mainstream has been shifting from PoW to PoS over the past few years.

However, despite the advantages of PoS, there exists some **security and user experience degradation issues** stemming from the fundamental limitations of the PoS protocol. One of the most apparent problems is the bootstrapping issue. Emerging PoS blockchains (e.g., Cosmos Zones) with low token valuations struggle to attract capital due to a small total staking amount, resulting in weak security, and find it challenging to attract high-value DApp projects. Moreover, due to the inherent limitations of the PoS protocol itself, there are additional security issues, such as low liveness resilience and insufficient resistance against non-slashable long-range attacks without relying on an external trust source.

In a nutshell, Bitcoin has a massive amount of capital, but lacks ways to utilize those assets. PoS chains offer plenty of ways to utilize assets, but they require a sufficient amount of capital and external trust sources for security. Combining these insights, **Bitcoin and PoS chains are perfectly complementary**. So, how about creating a protocol that unlocks their combined potential? This is the key concept of *Bitcoin Staking Protocol* from **Babylon**: leveraging Bitcoin assets to secure PoS chains, and simultaneously generate yields to Bitcoin holders. This sounds very cool, but at the same time, there are a lot of challenges for making a "Good Bitcoin Staking Protocol" with strong security guarantees. Through this full-report, let's explore what constitutes a "Good Bitcoin Staking Protocol," what are the challenges

2

Source: Presto Research

On Sep 3rd, we published a report on Babylon, a Bitcoin staking protocol. While protocols for staking Bitcoin in a wrapped form through bridging have existed, Babylon stands out due to its technical novelty as a "remote staking protocol." Babylon allows Bitcoin staking without requiring BTC to be wrapped onto another chain or transferring private keys to anyone, ensuring a self-custodial approach.

As a two-sided marketplace, Babylon acts as a bridge that puts Bitcoin to work by staking it to enhance the security of small-market-cap PoS chains. Babylon's remote staking protocol offers robust security guarantees to both the consumer chains (PoS chains) and the provider Bitcoin holders, leveraging its innovative implementation of Timestamping Protocols, Finality Gadgets, and Bond Contracts.

Babylon is currently undergoing phased mainnet updates. Phase 1 allows only the deposit of Bitcoin, Phase 2 initiates the Bitcoin staking protocol, and Phase 3 introduces a Bitcoin multi-staking protocol. At the time of writing the report, Cap 1 of Phase 1 had just concluded, receiving an enthusiastic response, with the total deposit cap of 1,000 BTC being reached within 74 minutes. In Cap 2 of Phase 1, no limit was imposed on the total deposit amount, and approximately 23,000 BTC were deposited within only ten Bitcoin block times.

As of now, Cap 3 of Phase 1 is about to commence (10Dec24), while the actual mainnet activation and TGE launch are set to occur during the Phase 2 update in February 2025. BTC is undoubtedly the cryptocurrency with the most overwhelmingly dominant market cap ($1.89T as of December 2024) among all existing assets. It will be crucial to observe how much BTC Babylon can accumulate by early next year, and how significantly its ecosystem will grow based on that foundation.

Section 3:
2025 Forecasts

3.1. Institutionalization at Full Throttle by Peter Chung

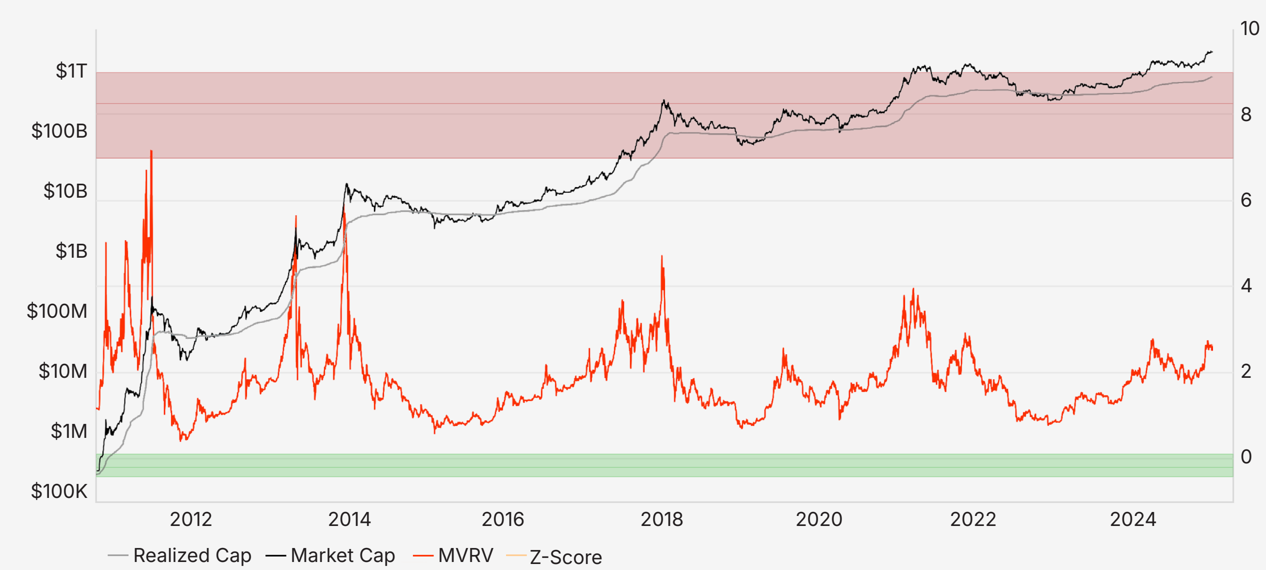
The mainstream-ification of crypto is an ongoing process and is set to hit a high note in 2025 as top-tier institutions get fully behind the trend, further accelerating its momentum. I anticipate this shift will manifest in the following four developments.

3.1.1. BTC Hitting $210,000 in 2025

Over the years, MVRV ratio has found acceptance in the digital asset industry as one of the more reliable Bitcoin valuation tools. MVRV ratio is calculated by Market Value (MV) / Realized Value (RV). MV values all circulating bitcoins equally at today's market price (i.e. market capitalization). On the other hand, RV values each circulating bitcoins at the most recent acquisition price based on on-chain transactions. The figure therefore represents an average acquisition price for all circulating bitcoins. Bitcoin's MVRV ratio has oscillated between 0.4x to 7.7x throughout its history. Excluding the early days of extreme volatility (i.e. since 2017), the range has been narrower at 0.5x to 4.7x [Fig. 13]. In the last two bull markets (2017 and 2021), BTC peaked at 4.7x and

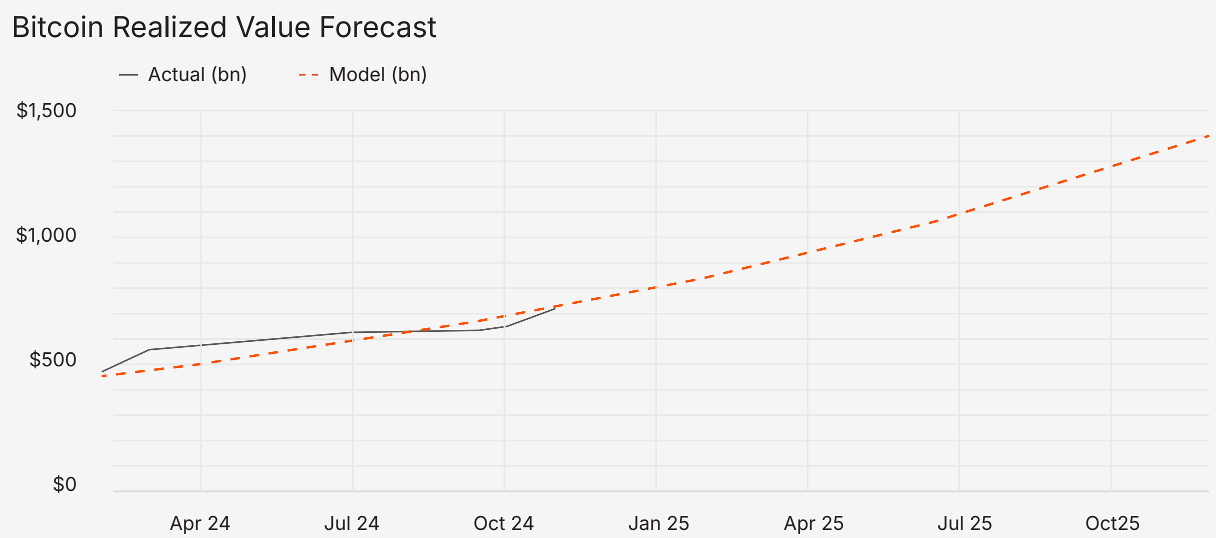
4x respectively. I take a more conservative approach by applying 3.5x multiple to the RV forecast of $1.2tn by 3Q25, assuming a +5.3% MoM growth from today's RV of $722bn. The 5.3% is the compound monthly growth rate of RV between Jan through Nov this year, which captures the impact of easier institutional access enabled by the spot ETFs (the spot ETFs acquiring more BTC will result in rising RV). This results in my 2025 target value of the Bitcoin network at $4.2tn (vs. $1.9tn today) or $210,000 (=$4.2tn / 19,986,416 BTC) per BTC [Fig. 14, 15].

Figure 13 **MVRV chart**



Source: Bitcoin Magazine

Figure 14 **Estimating 2025 Realized Value**



Source: Bitcoin Magazine, Presto Research

Monthly Growth Rate For Realized Value	5.27%

	Jan 24	Feb 24	Mar 24	Apr 24	May 24	Jun 24	Jul 24	Aug 24	Sep 24	Oct 24	Nov 24	Dec 24
Actual (bn)	$432	$468	$549	$564	$581	$605	$619	$622	$630	$650	$722	-
Model (bn)	$432	$455	$479	$504	$531	$558	$588	$619	$652	$686	$722	$760

	Jan 25	Feb 25	Mar 25	Apr 25	May 25	Jun 25	Jul 25	Aug 25	Sep 25	Oct 25	Nov 25	Dec 25
Model (bn)	$800	$842	$887	$933	$983	$1,034	$1,089	$1,146	$1,207	$1,270	$1,337	$1,408

Source: Bitcoin Magazine, Presto Research

Figure 15 **Valuation Sensitivity Table**

		Multiples								
		2.00	2.25	2.5	2.75	3.00	3.25	3.50	3.75	4.00
Realized Value	$0.75tn	$1.50tn	$1.69tn	$1.88tn	$2.06tn	$2.25tn	$2.44tn	$2.63tn	$2.81tn	$3.00tn
	$0.80tn	$1.60tn	$1.80tn	$2.00tn	$2.20tn	$2.40tn	$2.60tn	$2.80tn	$3.00tn	$3.20tn
	$0.85tn	$1.70tn	$1.91tn	$2.13tn	$2.34tn	$2.55tn	$2.76tn	$2.98tn	$3.19tn	$3.40tn
	$0.90tn	$1.80tn	$2.03tn	$2.25tn	$2.48tn	$2.70tn	$2.93tn	$3.15tn	$3.38tn	$3.60tn
	$0.95tn	$1.90tn	$2.14tn	$2.38tn	$2.61tn	$2.85tn	$3.09tn	$3.33tn	$3.56tn	$3.80tn
	$1.00tn	$2.00tn	$2.25tn	$2.50tn	$2.75tn	$3.00tn	$3.25tn	$3.50tn	$3.75tn	$4.00tn
	$1.05tn	$2.10tn	$2.36tn	$2.63tn	$2.89tn	$3.15tn	$3.41tn	$3.68tn	$3.94tn	$4.20tn
	$1.10tn	$2.20tn	$2.48tn	$2.75tn	$3.03tn	$3.30tn	$3.58tn	$3.85tn	$4.13tn	$4.40tn
	$1.15tn	$2.30tn	$2.59tn	$2.88tn	$3.16tn	$3.45tn	$3.74tn	$4.03tn	$4.31tn	$4.60tn
	$1.20tn	$2.40tn	$2.70tn	$3.00tn	$3.30tn	$3.60tn	$3.90tn	$4.20tn	$4.50tn	$4.80tn
	$1.25tn	$2.50tn	$2.81tn	$3.13tn	$3.44tn	$3.75tn	$4.06tn	$4.38tn	$4.69tn	$5.00tn
	$1.30tn	$2.60tn	$2.93tn	$3.25tn	$3.58tn	$3.90tn	$4.23tn	$4.55tn	$4.88tn	$5.20tn

Source: Presto Research

3.1.2. BTC 'Landgrab': New Nation-State and/or S&P500 Company To Adopt Bitcoin As Treasury

I predict that either a nation-state or an S&P 500 company will announce Bitcoin adoption as part of their treasury strategy. For a nation-state, I define "adoption" as government branches *proposing* to incorporate Bitcoin into their treasury holdings. Notably, over the past three years, at least one nation-state has made such a move each year [Fig. 16]. While it is difficult to predict which country might follow suit in 2025, the recent campaign promise by President-elect Trump regarding a Bitcoin reserve/stockpile may have prompted other countries to investigate similar strategies, driven by game theory dynamics.

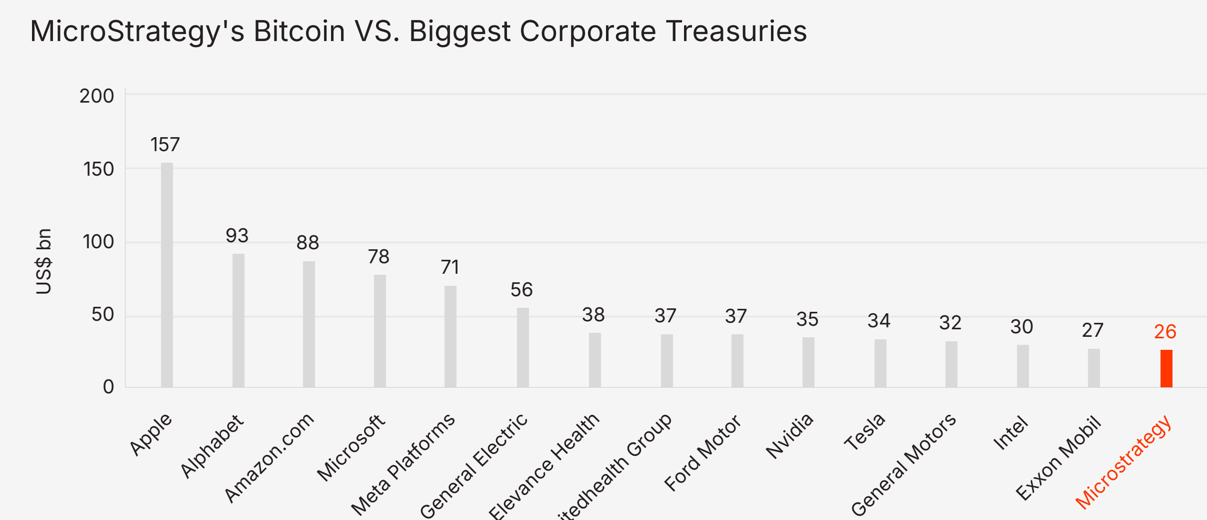
Figure 16 **It's Been Happening Already**

Year	Country	Comment
2021	El Salvador	First country in the world to adopt Bitcoin as legal tender.The Bitcoin Law went into effect Sept 2021. Currently owns 5,940 BTCs ($582mn).
2022	Central African Republic	The Bitcoin legislation passed unanimously but it was repealed in 2023 due to infrastructural constraints and opposition from regional financial authorities.
2023	Bhutan	Utilizing hydroelectric power for Bitcoin mining as a sovereign wealth strategy.
2024	USA	Bitcoin Strategic Reserve bill (BITCOIN ACT 2024) submitted to the Senate Banking Committee. President-elect Trump's campaign promises include Bitcoin Strategic Stockpile.
2024	Brazil	Strategic Sovereign Bitcoin Reserve (RESBit) submitted to the House of Rep.
2025	?	?

Source: Presto Research

For corporate adoption, MicroStrategy's parabolic share performance this year has captured the attention of the corporate world like never before, prompting other companies to explore similar strategies. Legacy accounting treatment of BTC holdings on balance sheets has been one of the major obstacles to broader corporate adoption, but this will be mitigated as the FASB announced a rule change earlier this year, shifting to fair-value accounting from the previous lower-of-cost-or-market method. MicroStrategy plans to implement this change no later than Q1 2025, providing other corporations with greater clarity and stronger incentives to follow suit.

Figure 17 **Who's Next?**



Note: Most recent quarterly numbers. MicroStrategy's BTC balance includes most recent acquisition values BTC at $93,000.

Source: Bloomberg

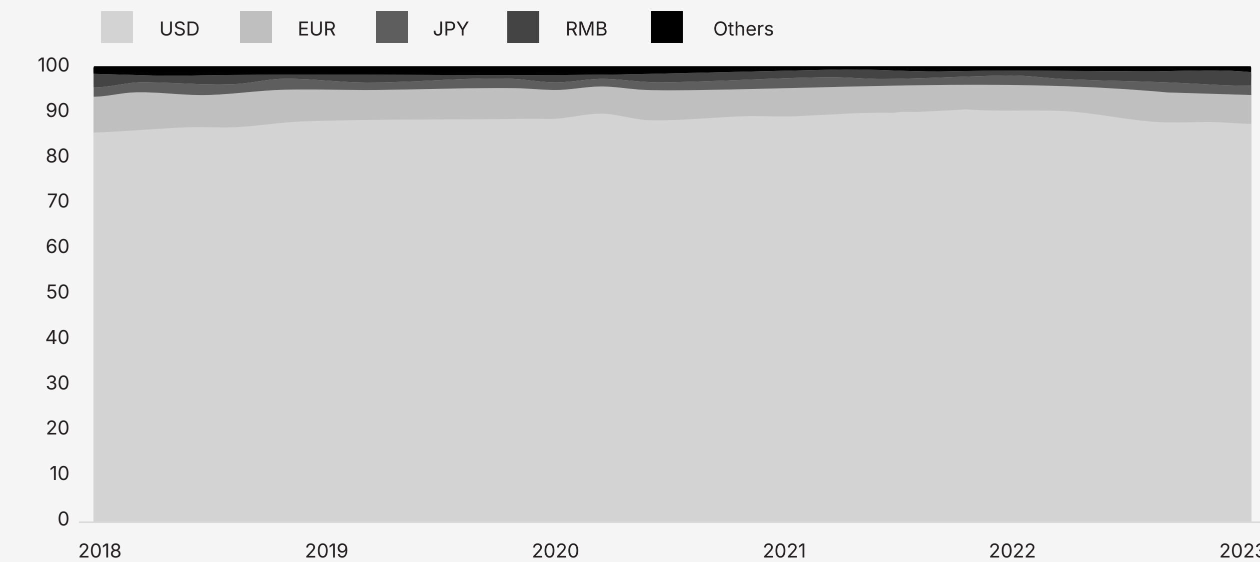
3.1.3. Stablecoin Eating The World: Aggregate Market Cap To Reach $300bn

Stablecoins may not be the most exciting topic for moon-chasing crypto degens, but there's no denying they are blockchain's biggest killer app. Having rebounded from their local bottom in November 2022, the aggregate market cap of stablecoins now stands at $200 billion, making them the largest crypto application category.

Their success offers an important yet often under-discussed lesson for the industry. 99% of stablecoins are USD-pegged, and there's a reason why non-USD stablecoins haven't taken off. Tokenizing an asset doesn't magically create demand for it; it's the other way around. The asset being tokenized must already be something that is globally desired.

Few currencies, aside from the USD, enjoy such universal desirability, as evidenced by its dominance as the settlement currency of choice Fig. 18. This is why blockchain achieves the best product-market fit with USD stablecoins but not with others. Blockchain's value proposition as a frictionless value exchange rail is most compelling when the asset in question frequently crosses borders, where the greatest friction in transactions typically occurs. Most other currencies are used primarily within their issuing jurisdictions and rarely, if ever, need to cross borders.

Figure 18 Currencies Used in Trade Finance

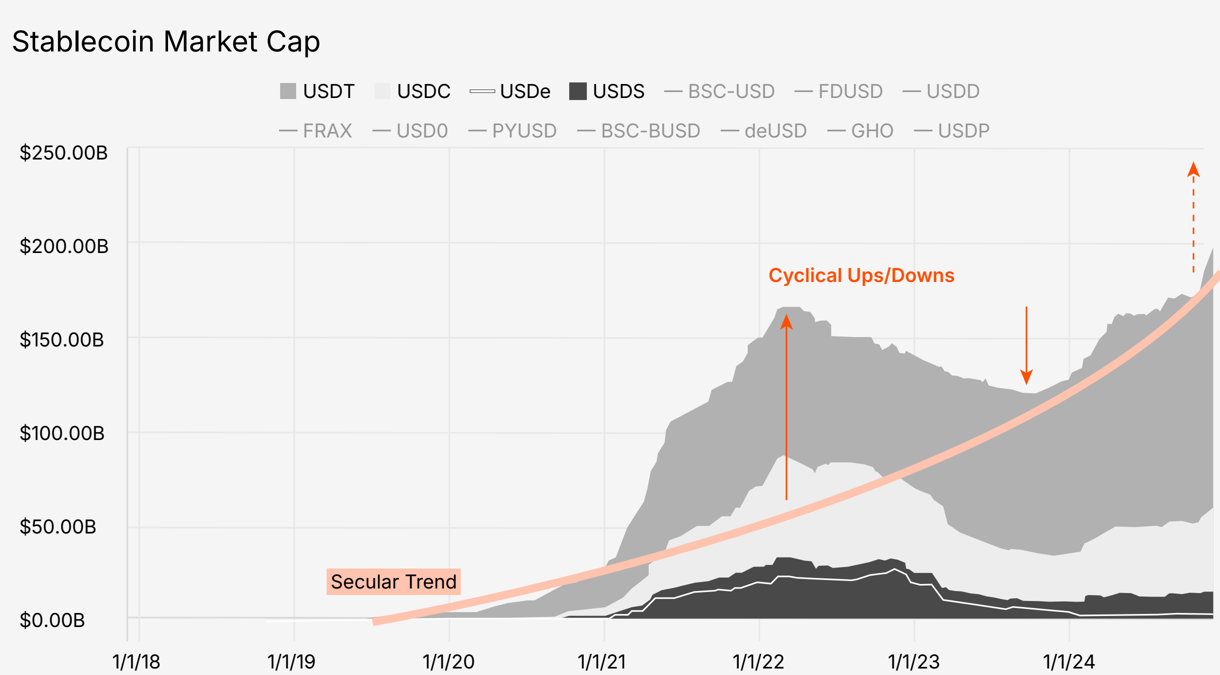


Source: Intellinews

This has broader implications for those in the RWA field. Specifically, the assets being tokenized must be globally sought after. If the asset is "local" in nature—such as the fiat currency of a non-major, closed economy or intellectual property valued only by a small, localized community—it may see a modest 2-3x improvement. However, achieving the 10x leap necessary for large-scale, sustainable adoption will be significantly more challenging.

I predict that stablecoin growth will continue, with its market cap reaching $300 billion in 2025, driven by both secular and cyclical tailwinds. Secular drivers include the growing recognition of the superior functionality of tokenized USD—as a payment solution within the developed world and as a store of value in the developing world. Progress on stablecoin legislation in the U.S. Congress could also provide additional momentum. Cyclical drivers include the broader crypto bull market cycle, which will likely increase inflows into stablecoins due to their convenience, as well as the yield spread between on-chain and TradFi savings instruments. Even at $300bn, it would only represent 1.4% of the USD M2 supply, still implying a huge upside potential.

Figure 19 **Secular & Cyclical Tailwinds For Stablecoin Growth**



Source: rwa.xyz, Presto Research

3.1.4. More Corporate Actions: Circle/Ripple/Kraken To IPO

The U.S. is not only the epicenter of crypto innovation and intellectual capital but also a society whose values align well with its ethos. A crypto-friendly environment under the Trump administration is likely to unlock opportunities that were previously too politically risky to pursue. Crypto start-ups will be viewed as attractive assets by traditional firms looking to expand into the crypto space, driving more M&A activities and higher valuations. We're already seeing hints of this: even a struggling operation like Bakkt has found a suitor in Trump Media.

Late-stage growth companies that have been considering going public won't miss this window of opportunity. Established crypto firms such as Circle, Ripple, and Kraken have long been mentioned as potential IPO candidates. As a reference, Coinbase went public in April 2021, the height of the last bull market.

If any of the trio were to go public, it would drive industry growth in two significant ways. First, it would bring further legitimacy to the sector by contributing to the market cap of the emerging crypto sector in the public equity market, alongside Coinbase and MicroStrategy. Second, their disclosures as public companies would provide greater transparency into their operations, offering valuable insights for future generations of start-ups and ventures.

Figure 20 **Expanding Crypto Equity Club**

Issuer Name	Ticker	Prim Exch Nm	Mkt Cap	Last Price
MicroStrategy Inc	MSTR US	NASDAQ GS	94,786	421.88
Coinbase Global Inc	COIN US	NASDAQ GS	76,379	304.64
MARA Holdings Inc	MARA US	NASDAQ CM	8,377	26.03
Riot Platforms Inc	RIOT US	NASDAQ CM	4,091	12.31
Cleanspark Inc	CLSK US	NASDAQ CM	3,898	15.10
Terawulf Inc	WULF US	NASDAQ CM	2,875	7.45

Note: showing US-listed companies with market cap exceeding $1bn only, as of Nov 29th

Source: Bloomberg

3.2. The Stockification of Crypto by Min Jung

3.2.1. US, The New Crypto Capital: Outperformance of Coinbase in Both Stock and Crypto

Trump is known for his “Make America Great Again (MAGA)” slogan and “America First” policies, and there’s no reason to believe crypto will be an exception. If Trump intends to make the U.S. the capital of crypto, his administration must ensure that the U.S. leads the global crypto landscape, outpacing competitors like China. Rumors have already emerged about plans to eliminate capital gains taxes on cryptocurrencies issued by U.S.-registered companies, signaling the administration's intent to attract crypto innovation. I believe this is just the beginning, with more announcements likely to follow, further solidifying the U.S.’s position as a global crypto hub.

Such a move would fundamentally transform the crypto industry. Today, crypto is viewed as a global asset class, with little attention paid to where a project or its founders are based. However, as the U.S. differentiates itself through favorable policies, this perception will shift. Just as the nationality of companies matters in traditional stock markets, the same could become true for crypto. In this scenario, "American crypto" would gain a distinct premium, attracting top talent and projects. The U.S. would replicate its success in equity markets, where U.S.-listed companies benefit from premium valuations due to the country’s legal and economic stability. This shift would redefine the global crypto landscape, positioning the U.S. at the forefront.

The ripple effects of U.S. dominance would extend to trading dynamics. Trading volumes and volatility during U.S. hours are likely to increase substantially, as news and events, both macro and project-level, will be concentrated during U.S. hours. Moreover, U.S. exchanges—Coinbase, in particular—are poised to grow dramatically, with listings on its platform becoming global signals of legitimacy, akin to major IPOs on the NASDAQ.

At the project level, one of the clearest beneficiaries of U.S. dominance would be ecosystems like Coinbase’s Base. Acting as a flagship example of U.S. crypto innovation, Base’s success would be driven by low transaction fees, a user-friendly platform, and especially the regulatory clarity that comes with being based in the U.S. These

advantages, coupled with an influx of talent drawn to the ecosystem, would position Base as a leading blockchain platform and solidify its status as the top L2 ecosystem, not only in terms of TVL but also by a substantial margin across all other aspects.

Figure 21 **Current State of Base vs. Other Chains**

	Name	Protocols	Active Addresses	TVL	Stables	24h volume	24h fees	Mcap/TVL
1	Ethereum	1241	415.330	$78.848b	$106.486b	$2.109b	$5.39m	6.09
2	Solana	187	4.61m	$9.516b	$4.706b	$2.832b	$3.53m	11.79
3	Tron	34	2.01m	$8.867b	$59.903b	$165.98m	$2.33m	3.1
4	BSC	822	1.04m	$5.887b	$6.608b	$1.2b	$485,913	18.3
5	Base	399	2.39m	$4.068b	$3.497b	$1.092b		
6	Bitcoin	48	798,958	$3.609b			$1.79m	551.25
7	Arbitrum	740	443,910	$3.449b	$6.01b	$590.34		1.37
8	Sui	49		$1.711b	$318.57m	$205.19		7.14
9	Avalanche	415	34,784	$1.65b	$2.069b	$174.31m	$70,520	13.36
10	Hyperliquid	3		$1.58b				

Source: DefiLlama

3.2.2. Crypto's Shift to Fundamentals: Liquid Hedge Funds to Outperform

The crypto industry is transitioning from speculative hype to fundamentals-driven investment, spurred by the rise of standardized valuation frameworks. These frameworks are reshaping how projects are evaluated, funded, and traded, enabling a more disciplined approach to crypto investing and aligning the market more closely with traditional financial principles.

For years, crypto lacked the rigorous valuation standards of traditional markets, leading to its dismissal as a speculative asset class. However, as projects increasingly generate revenue through staking rewards, token buybacks, and transaction fees, they are becoming systematically evaluable. Investors now have tools to calculate tangible returns for token holders and assess project sustainability. Metrics like TVL-to-Market Cap (TVL/MC) and Protocol Revenue Multiples are gaining traction, providing standardized methods to compare projects.

This shift toward fundamentals is also transforming the broader investment landscape. Historically, venture capital dominated the crypto space, thriving on early-stage projects and speculative token listings. The absence of mature metrics, limited historical data, and the tendency for crypto assets to move in tandem with Bitcoin made it challenging for liquid investors to differentiate projects or implement effective strategies. However, the industry is evolving. The market has also matured enough to enable meaningful comparisons using fundamental metrics.

At the same time, the current market environment—characterized by criticism of high FDV and low circulating supply—has reduced the appeal of traditional venture plays. In contrast, liquid hedge funds are leveraging these developed valuation tools to execute dynamic long/short strategies, capitalizing on real-time market inefficiencies. Their ability to systematically assess fundamentals provides a significant edge, enabling them to navigate volatile market conditions and position themselves for sustainable returns regardless of the overall market conditions.

In 2025, I expect liquid hedge funds to outperform venture funds, leveraging their valuation-focused strategies to capitalize on both bullish and bearish trends. This shift will mark a turning point in the

crypto market, as liquid funds prove their adaptability and efficiency in navigating volatile conditions. With crypto increasingly becoming a prime destination for alpha generation, at least five major macro or equity long/short hedge funds are likely to enter the space, integrating their traditional expertise with the unique opportunities offered by digital assets. Simultaneously, leading investment banks are expected to formally cover digital assets, adopting valuation metrics akin to those used in equity markets. This institutional involvement will establish a higher standard for asset evaluation, driving greater transparency from projects and pushing the crypto industry further toward maturity.

3.2.3. The Rise of Crypto Indexes: Index to Rank in Top 5 Trading Volume

The crypto market is growing rapidly, with crypto increasingly becoming a mainstream asset class that is essential for portfolio diversification and achieving competitive returns. As ordinary investors begin to recognize the importance of including crypto in their portfolios, the need for simplified and diversified investment options is rising. Just as equity investors shifted from individual stock-picking to broader exposure through indices like the S&P 500, crypto is on the verge of a similar transformation, driven by its growing role in modern investment strategies.

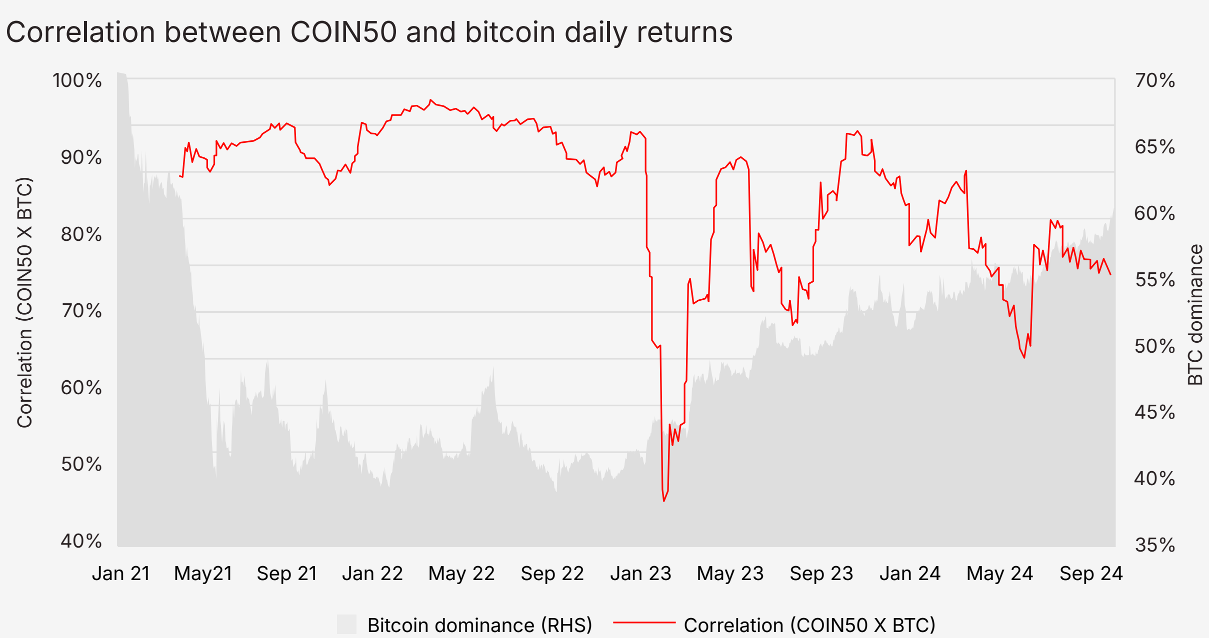
In traditional finance, ETFs now represent 13% of total U.S. equity assets, reflecting a growing preference for diversified exposure. Crypto is poised to follow a similar trajectory, with index products offering curated baskets of assets across sectors or themes.

Early attempts at crypto indexes, such as Binance's Bluebird Index (tracking BNB, DOGE, and MASK), struggled to gain traction in the niche market at the time. Altcoins largely mirrored Bitcoin's beta, making Bitcoin the logical choice for broad exposure. Additionally, most investors in the space were self-proclaimed "degens" who preferred individual tokens, confident in their ability to outperform the market. Today, however, the landscape is changing. Projects are developing distinct use cases and behaviors, with varying sector performances driven by distinctive fundamentals and no longer merely tracking Bitcoin's price movement. Moreover, the influx of new investors—those seeking exposure to crypto sectors or adopting macro views, such as being bullish on DePIN (Decentralized Physical Infrastructure

Networks) or high market-cap cryptos—has increased demand for diversified, sector-specific products.

With this evolution, indexes are expected to become mainstays on major exchanges. Crypto equivalents of $SPDR products, such as a Coinbase 50 Index (COIN50), are likely to emerge and consistently rank among the top five in trading volume. This transformation will redefine how investors engage with crypto, making it more accessible, diversified, and aligned with traditional financial principles.

Figure 22 **Decoupling in Action: Bitcoin's Correlation with Other Cryptos Declines**



Based on a 90-day rolling window.

Source: MarketVector, CoinMetrics and Coinbase.

3.3. Phase II of the Bull Market by Rick Maeda

3.3.1. Solana to $1000

The path to $1,000 SOL is underpinned by the network's transformative evolution from a high-performance blockchain to a deeply institutionalised ecosystem. The surge in institutional adoption, coupled with projects raising $173mm in Q3 2024, reflects a maturing platform that has achieved the critical intersection of technological excellence and institutional embedding.

This momentum is amplified by unprecedented network activity, with Solana capturing over 50% of all on-chain daily volume and seeing activity surge 1,900% year-over-year. This explosive growth reflects a deeper truth about network success - a notion explored by Placeholder's Mario Laul, who discusses how a network's triumph isn't purely technical but driven by its institutionalisation through professional infrastructure and developer network effects. Solana's differentiation stems from its unique cultural ethos of prioritising rapid innovation over theoretical perfection - a stark contrast to Ethereum's research-first approach.

This pragmatic philosophy is evident in its technical roadmap: while Anatoly advances the vision of a global state machine synchronised at 120ms block times, the network's architecture naturally lends itself to based rollups, as noted by Maven 11's Mads, creating a foundation for unprecedented scalability. The upcoming Firedancer client, targeting 1 million TPS, further exemplifies this practical advancement.

With just 1.93% of tokens coming to market next year, and a projected market cap of $485.93B at $1,000 - well within Ethereum's historical precedent - the supply-demand dynamics strongly support this price target. This combination of cultural differentiation, institutional adoption, technical evolution, and favourable tokenomics creates a compelling case for SOL's ascent, with the potential for a spot ETF further catalysing institutional capital flows.

Figure 23 **SOL versus ETH market cap**

Source: CryptoCap via TradingView

3.3.2. Total Crypto Market Cap to $7.5T

I outlined a plan back in February 2024 on how to play this current bull market, and this target is based on an updated version of the logic I used back then - BTC price of $150k and a BTC dominance of 40%.

Much like in 2023, 2024 has been another BTC dominant year with ETF flows, the general institutionalisation of bitcoin, and Trump's victory allowing the OG cryptocurrency to outperform many altcoins. With BTC sitting near $95k and BTC dominance at 60% (currently 20Nov24), I would like to see BTC cleanly above $100k before its dominance falls towards 40%. I think we at least hit $150k BTC this cycle, so if we back out the numbers and plug $150k BTC and 60% BTC.D, we get to $7.49T total crypto market cap. At the previous cycle high in November 2021, BTC was at $69k and BTC.D at 42.5% for a total market cap of $2.9T.

Figure 24 **BTC Price x BTC Dominance**

	BTC Dominance								
BTCUSD	**70%**	**65%**	**60%**	**55%**	**50%**	**45%**	**40%**	**35%**	**30%**
25,000	$0.71	$0.77	$0.83	$0.91	$1.00	$1.11	$1.25	$1.43	$1.67
50,000	$1.43	$1.54	$1.67	$1.82	$2.00	$2.22	$2.50	$2.86	$3.33
65,000	$1.86	$2.00	$2.17	$2.36	$2.60	$2.89	$3.25	$3.71	$4.33
75,000	$2.14	$2.31	$2.50	$2.73	$3.00	$3.33	$3.75	$4.28	$5.00
100,000	$2.86	$3.07	$3.33	$3.63	$4.00	$4.44	$5.00	$5.71	$6.66
125,000	$3.57	$3.84	$4.16	$4.54	$5.00	$5.55	$6.25	$7.14	$8.33
150,000	$4.28	$4.61	$5.00	$5.45	$6.00	$6.66	$7.49	$8.57	$9.99
175,000	$5.00	$5.38	$5.83	$6.36	$7.00	$7.77	$8.74	$9.99	$11.66
200,000	$5.71	$6.15	$6.66	$7.27	$7.99	$8.88	$9.99	$11.42	$13.32
225,000	$6.42	$6.92	$7.49	$8.18	$8.99	$9.99	$11.24	$12.85	$14.99
250,000	$7.14	$7.69	$8.33	$9.08	$9.99	$11.10	$12.49	$14.28	$16.66

BTC Supply end-of-2025: 19,986,416.35

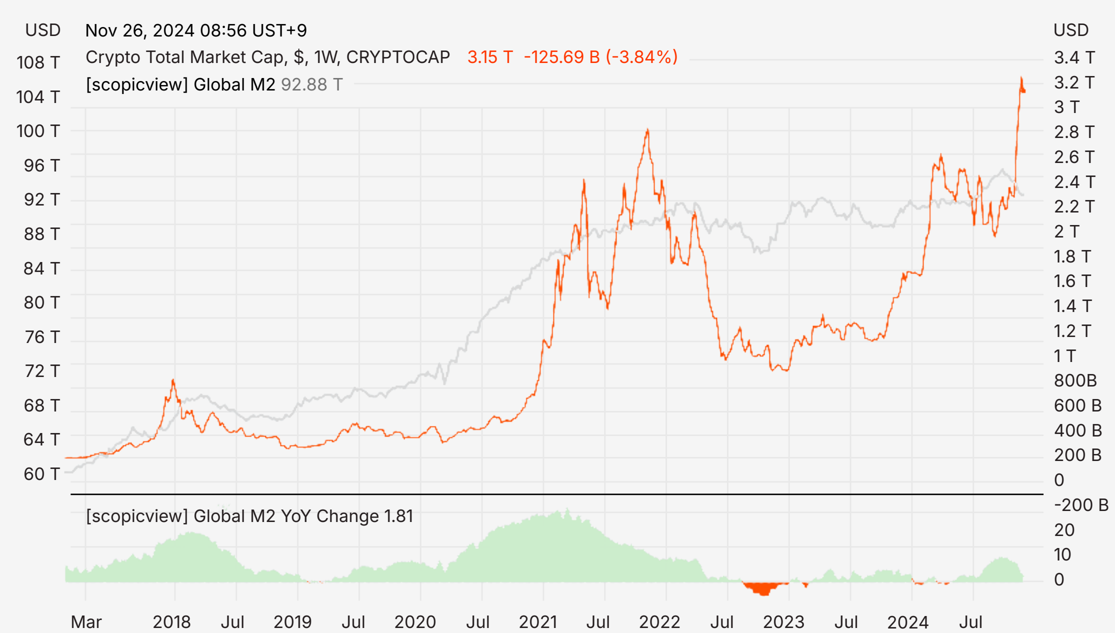
		BTC Circulating Supply			
Halv. Year	**Date**	**Actual**	**Supply Growth**	**Model Predic.**	**Model Error**
	31-Dec-18	17,455,708.54			
	31-Dec-19	18,133,608.54	3.88%		
3rd Halving	31-Dec-20	18,586,927.29	2.50%	18,485,721.81	-0.54%
	31-Dec-21	18,916,214.79	1.77%	19,051,578.48	0.72%
	31-Dec-22	19,248,639.79	1.76%	19,251,335.98	0.01%
	31-Dec-23	19,585,093.75	1.75%	19,586,906.68	0.01%
4th Halving	20-Dec-24	19,784,737.50	1.02%	19,756,261.23	-0.14%
	31-Dec-25		-	19,986,416.35	

Source: glassnode. Note : Using 20Nov24 figures for 2024

Source: Presto Research

Obviously the global macro backdrop, particularly in regards to Trump's presidency, is an important consideration on how long this bull run can continue. We can perform a simple scenario analysis on the positive~negative ends of the outcome spectrum: in the positive scenario, Trump focuses on pro-growth policies and deregulation with minimal tariffs/immigration restrictions (potential outcome: causing higher real rates, stronger USD, higher equity markets, lower gold) while in the negative scenario, we enter a trade war situation (e.g. 60% China tariffs, 10-20% globally) with strong retaliation combined with tight U.S. immigration (potential outcome: causing lower rates as Fed eases, initial dollar strength followed by potential weakness, equities correction, higher gold). There are pro-crypto arguments to be made in either scenario (basically if BTC can positively correlate to risk in the positive scenario and positively correlate to gold / negatively correlate to USD in the negative scenario), but given other considerations such as Trump's cabinet + White House selections (as well as a healthy dose of hope), I find myself in the positive scenario camp and the backdrop being supportive for risk-on crypto.

Figure 25 **Total Crypto Market Cap x Global M2 (US+EU+JP+UK+CN+RU)**



Source: CryptoCap and Presto Research via TradingView

3.3.3. The 2025 NFT Rebound: Monthly Volume to hit $2B

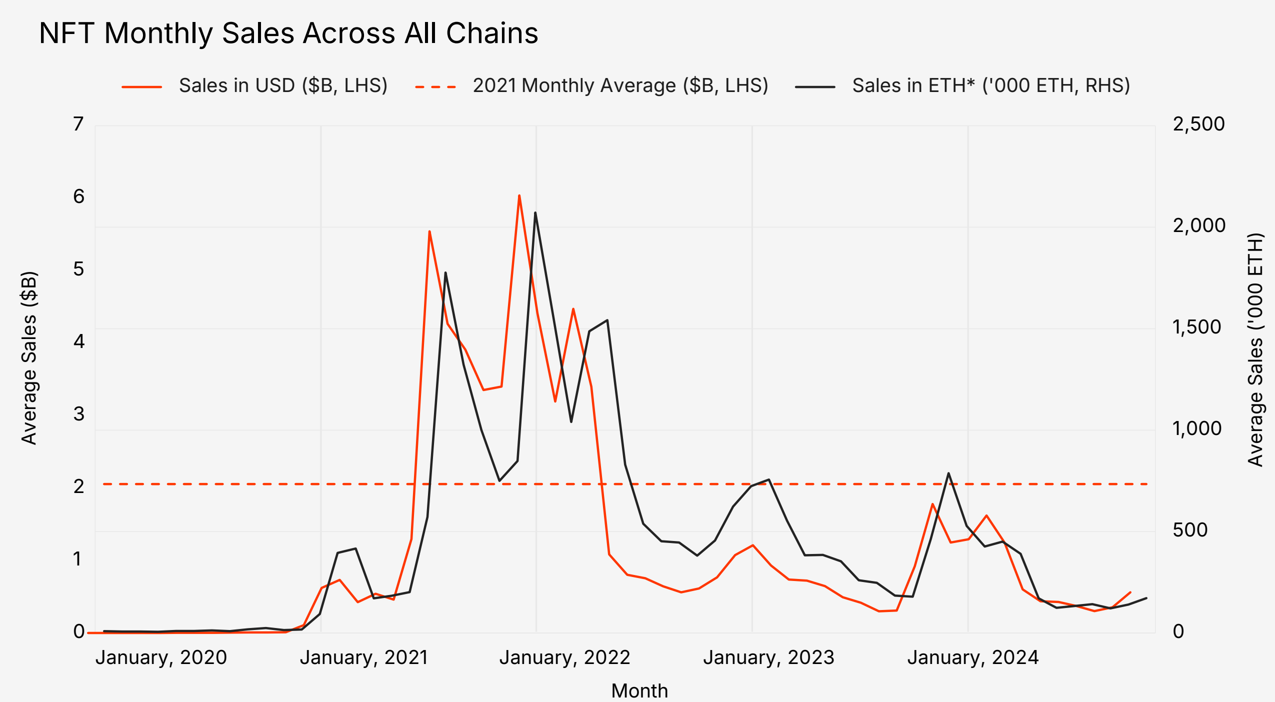
As I watch Bitcoin at all-time-highs (and spend all day on crypto Twitter), something feels different this time. The usual euphoria that accompanies such milestones seems muted – comparing it to past cycles, it's clear that we haven't yet reached that magical moment in the bull cycle where a rising tide lifts all boats. But this is why I'm optimistic about NFTs in 2025. We're entering what appears to be the maturing phase of this cycle, and history suggests this is when the most interesting cultural phenomena emerge.

The cultural significance of NFTs during the previous cycle was profound and often overlooked by market analysts. At their peak, NFTs represented something pure in crypto: genuine community. While daily "GM" greetings and "WAGMI" mantras on our Twitter timelines and Discord channels might seem trivial to outsiders, they created a sense of belonging that transcended mere speculation. This stands in stark contrast to today's memecoin landscape, where community has become a weaponised concept, often masking predatory behaviour behind a veneer of shared purpose. What's particularly fascinating is how certain NFT communities, like Pudgy Penguins and Miladys, maintained their cultural authenticity even through the depths of the 2022 bear market – their resilience wasn't just about floor prices, but about sustained cultural relevance.

Current data supports this potential cultural renaissance, with November 2024 NFT sales hitting $562mm, a 57.8% increase from previous months. But beyond the numbers, what's truly compelling is how NFT subcultures continue to evolve and influence broader crypto culture. The emergence of distinct artistic movements within the NFT space – from Trash Art to Generative Art – reflects a maturing ecosystem where cultural value isn't solely tied to financial speculation. These subcultures serve as incubators for innovation, much like how underground music scenes historically gave birth to entirely new genres and cultural movements.

The integration of NFTs by mainstream brands like Nike and Sony isn't just about corporate adoption – it's about the legitimisation of these digital subcultures. Yet, paradoxically, this mainstreaming might help preserve rather than dilute the authenticity of NFT communities. As the technology becomes more accessible through Layer-2 solutions and multi-chain ecosystems, we're seeing a democratisation of digital culture that could foster even more vibrant communities.

Figure 26 **Monthly NFT Sales**



Source: cryptoslam.io; * = figures in ETH use the monthly Coinbase ETHUSD VWAP

But perhaps I'm just seeing what I want to see through my rose-tinted Solana Monkey Business glasses. For the purpose of this exercise, my prediction is that NFT monthly volume surpassing $2B sometime in 2025 (the 2021 monthly average was $2.056B), but numbers alone don't capture the essence of what made NFTs special. What we're really waiting for is that moment when crypto becomes less about predatory trading and more about collective experience – when the percentage of purely adversarial transactions diminishes in favour of community-building ones. I hope that people who are new to crypto can one-day experience the enjoyment of anticipating NFT mints along with internet friends in random Discord rooms.

Reject humanity, return to monke.

3.4. Eyes on Fundamentals by Jaehyun Ha

3.4.1. Ethereum Comeback: ETH/BTC Recover to 0.05

In the latter half of 2024, Ethereum undoubtedly emerged as one of the most controversial topics in the crypto industry. It was a period where monolithic chains like Solana gained significant traction for their "ease and speed", meanwhile Ethereum still faced challenges like the lack of proof systems in many L2s and UX issues stemming from asset fragmentation. These factors, along with less-cohesive narratives, culminated in Ethereum hitting its lowest-ever ETH/BTC ratio since 2021 Fig. 27.

Figure 27 ETH/BTC ratio since 2021.

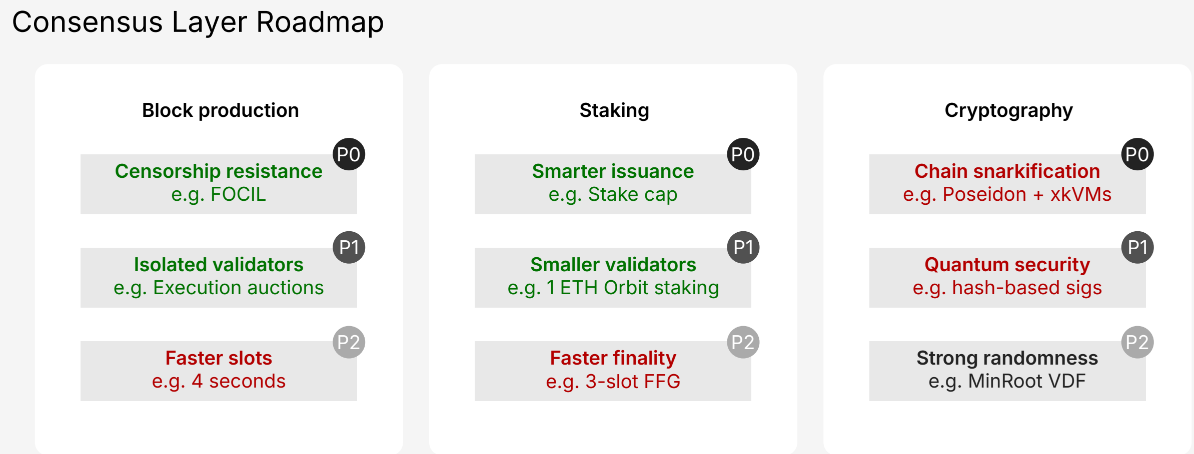
Source: TradingView

Despite its challenges, Ethereum remains a project worth keeping a close eye on in 2025 and beyond. Major updates, such as the upcoming Pectra upgrade scheduled for early 2025, might not instantly solidify Ethereum's status as "Ultrasound Money," but its roadmap is clearly aimed at addressing current user experience issues and driving mass adoption without compromising decentralization. With this focus, we anticipate that Ethereum could regain an ETH/BTC ratio of 0.05 in 2025, assuming Bitcoin reaches $120K and Ethereum climbs to $6K. Two key updates are particularly worth watching:

First is the de-fragmentation of L2 through ERC-7683 and EIP-7702. Over the last few years, Ethereum's L2 solutions have addressed scalability issues but introduced fragmentation, with each L2 functioning as an isolated ecosystem, complicating cross-chain operations like token transfers. Here, the concept of intents, standardized by ERC-7683, offers a solution by allowing users to declare desired actions without managing the intricacies of specific L2s, creating a unified framework for cross-chain communication. When combined with EIP-7702, which enables account abstraction by allowing externally owned accounts (EOAs) to temporarily act as smart contract wallets, these advancements streamline complex transactions across chains. For example, a user could declare an intent to swap tokens on an L2, transfer the proceeds to another chain, and execute governance voting—all in one seamless transaction. By combining the standardization of intents with the flexibility of account abstraction, the Ethereum ecosystem can be empowered to deliver a more frictionless user experience.

Next are the updates related to user experience improvements included in the Beam Chain roadmap. The Beam Chain roadmap, announced by Justin Drake (Ethereum Foundation) at Devcon 7, is a long-term plan until 2029 for Ethereum to "Clean up its tech debt". 9 main upgrades Fig. 28 across three categories (i.e., Block Production, Staking, and Cryptography) have been proposed for redesigning the Ethereum's consensus layer, to address its current limitations and leverage the latest technical innovation like ZK proofs. Among them, key proposals such as achieving 3-slot finality (reducing finalization time from 15 minutes to 36 seconds), reducing slot times from 12 seconds to 4 seconds (i.e., quicker block processing), and lowering the minimum staking requirement to 1 ETH (currently 32 ETH), hold the potential to improve Ethereum's user experience and could attract more capital into the ecosystem.

Figure 28 **Beam Chain Roadmap**

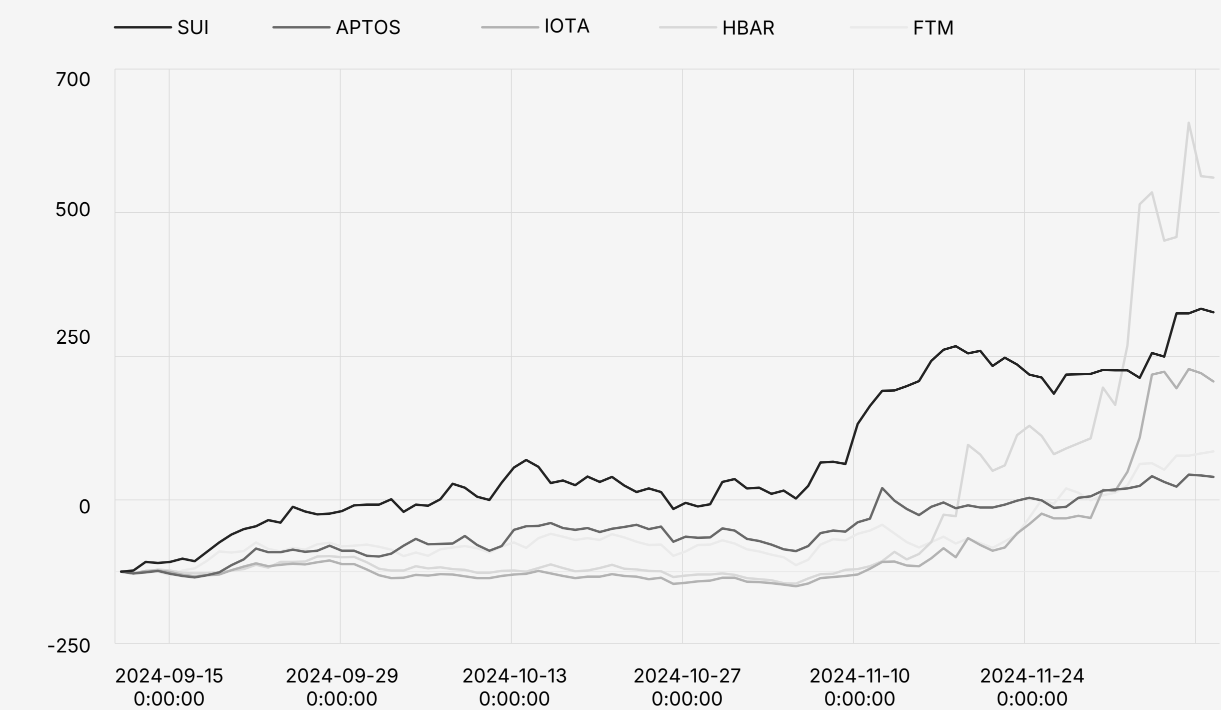


Source: Ethereum Foundation, Devcon SEA

According to the currently available information, updates related to L2 de-fragmentation are expected in early 2025, while the Beam Chain roadmap does not yet have fixed timelines for when each proposal will be mounted. In particular, the core proposals of the Beam Chain roadmap involve ideas that fundamentally alter the key mechanisms of Ethereum's consensus layer; these updates might require extensive specification and testing, which could take more than 1–2 years to complete. Nevertheless, these updates are expected to positively impact Ethereum's price competitiveness and ecosystem in the long run. One of the most common complaints web3 users have about Ethereum is that it is slower, less convenient, and more expensive compared to other blockchains. If the issues of speed and convenience can be addressed first, that alone could significantly enrich the ecosystem and drive substantial increases in on-chain activity (There are also efforts underway to stabilize blob fees through proposals like EIP-7762, EIP-7691, and EIP-7623).

3.4.2. Eyes on DAG-based Blockchains

Figure 29 **Token Performance of DAG-Based Projects**



Source: Presto Research

Another sector to watch closely in 2025 is "DAG" (Directed Acyclic Graph) based projects. A DAG is a graph structure where transactions (or blocks) are vertices connected by directed edges, forming a non-cyclic flow of data. Unlike traditional blockchains, which serialize transactions into a single chain, DAG structures inherently allow multiple transactions or blocks to be processed and validated in parallel.

Projects like IOTA pioneered the use of DAGs in distributed ledgers, emphasizing their potential to overcome blockchain's scalability challenges. However, performance degradation under low transaction volumes, and its reliance on a centralized coordinator hindered widespread adoption. A few years later, Sui offered a contrasting approach by utilizing DAG not as the primary ledger, but as a supporting structure for its parallel consensus mechanism. Sui's

Mysticeti consensus protocol allowed validators to propose and commit blocks in parallel without explicit block certification, reducing the communication and computational overhead. This design avoided many of the pitfalls of earlier projects by using a pure DAG as the ledger; Sui ensured a globally consistent ledger that all nodes in the network can agree upon while retaining the scalability and performance benefits of DAGs.

Thanks to its technical advantages, Sui began garnering significant attention starting in Q3 2024. Since September 2024, its price has surged over 300%, and it currently ranks third among Non-EVM chains in TVL with $1.6 billion (first place is Solana with $8.92 billion). While concerns about Sui's high FDV/MC ratio persist, optimism remains strong. Despite significant unlocks in late 2024, Sui showed solid performance, and with fewer unlocks expected in 2025 Fig. 30, its prospects appear even brighter. Alongside Sui's impressive showing, another DAG-utilizing L1, Aptos, has also risen to fourth place among Non-EVM chains with $1.13 billion in TVL, while other DAG-based projects like IOTA, HBAR, and FTM have also seen price increases of at least 100% since September 2024. DAG-based projects with improved technical robustness are proving to be chains optimized for mass adoption, and their continued growth in 2025 is something to look forward to. We expect the combined TVL of 5 DAG-based projects to reach at least 50% of Solana's - $5~6 billion (currently $3.1 billion), in 2025.

Figure 30 **Key Metrics of DAG-based Projects**

	MC	FDV	MC/FDV	24' Unlock	25' Unlock	TVL
Sui	11.03B	37.67B	0.292	18.95%	8.09%	1.6B
Aptos	6.35B	13.38B	0.401	16.8%	12.0%	1.13B
Fantom	3.1B	3.5B	0.884	0%	0%	121.9M
IOTA	1.35B	1.35B	1	10.92%	9.87%	74.3M
Hedera	10.59B	13.86B	0.765	-	-	168.7M

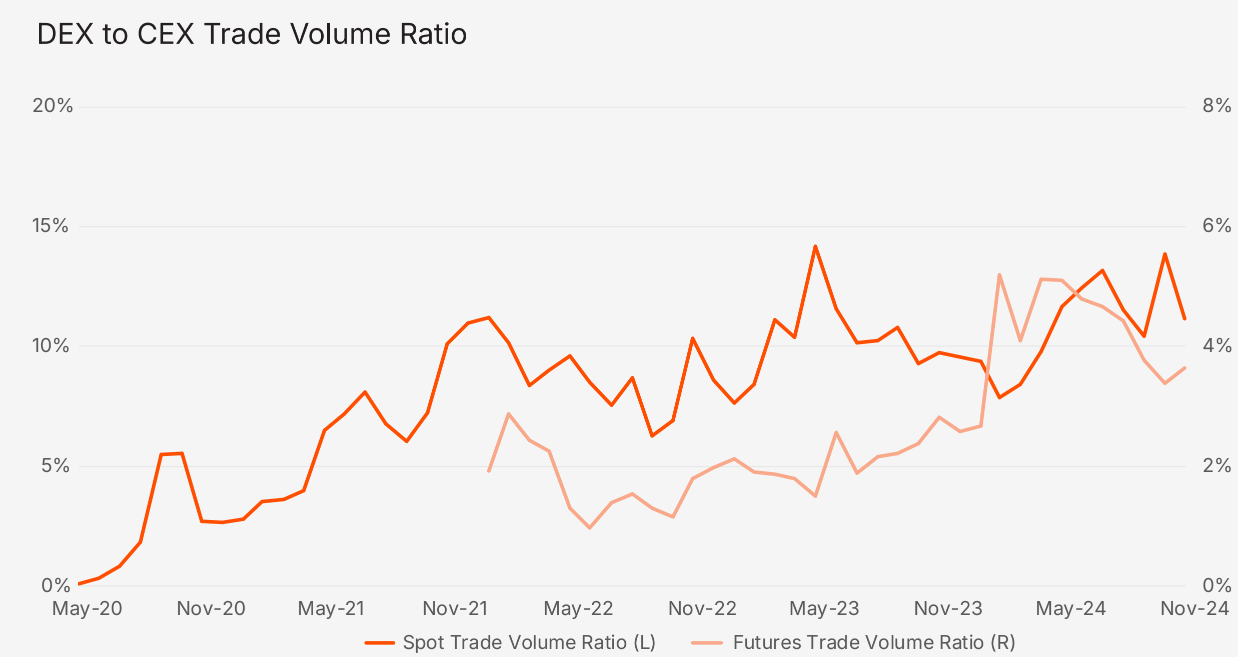
3.5. On-chain Roaring '20s by Biden Cho

3.5.1. Gold Rush to DEXs: Spot DEX to CEX Volume above 20%, Perp DEX to CEX Volume above 10%

Centralized exchanges (CEXs) like Binance or Coinbase remain the primary trading platforms for most investors. Figure 31 shows that the DEX to CEX trade volume ratio flattens when entering a bull run. This suggests that retail investors typically start with CEXs when a crypto bull-run begins. Institutional investors, who prefer CEXs for thicker liquidity, easier cash outs, and lower DeFi-related risks, also become more active during this time.

However, as the bull run progresses, the DEX to CEX trade volume ratio gradually increases. This occurs because investors seek riskier assets, leading them to altcoins, memes, and eventually yield farming or trading on DeFi. This trend is expected to accelerate next year, potentially pushing the DEX to CEX volume ratio above 20% for spot and 10% for perpetuals.

Figure 31 **DEX to CEX Trade Volume Ratio is Increasing Steadily**



Source: Presto Research, The Block, Defillama (As of Dec 09, 2024)

Factors contributing to this shift are three-fold.

First, the likelihood of friendlier regulation towards DeFi under the new Trump regime will expand the DeFi scene, encouraging exploration of less censorship and token value accrual. This will elevate demand for DeFi tokens, creating a flywheel for the overall on-chain ecosystem.

Second, UX improvement has been significant across multiple layers such as wallets, trading terminals, and trading bots. Traders became extra-sensitive to counterparty risk after the FTX's collapse, and on-chain activity became more popular as a result. Phantom's ranking as a top app multiple times this year signals on-chain UX and popularity improvement unseen in previous cycles.

Third, high-valued tokens launching on CEXs will drive more investors on-chain. We are witnessing new tokens launching at valuations of hundreds of millions or billions, as the crypto industry has grown to a trillion-dollar scale. Investors are increasingly realizing that outsized returns from holding tokens on CEX is a thing of the past and that most profitable opportunities reside on-chain.

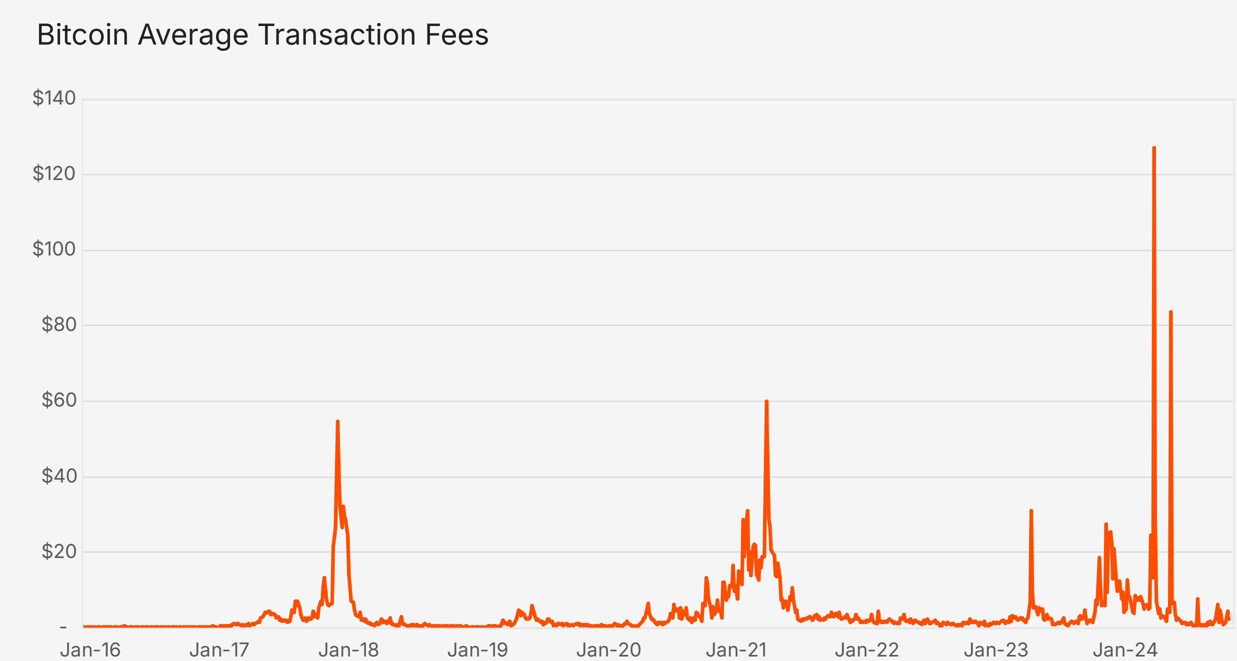
While self-custody and on-chain usage still present challenges, the FOMO during this bull cycle is likely to drive more users to the on-chain economy. This 'gold rush' towards on-chain activity could ultimately benefit the blockchain industry, aligning with its goal of creating a trustless open economy for all.

3.5.2. Digital Gold is Better than Gold: Bitcoin Ecosystem to be Valued at 1%+ of BTC Network

Bitcoin is increasingly accepted as digital gold and a store of value by the general public after enduring multiple cycles. However, despite its greater potential compared to physical gold, Bitcoin was primarily utilized as a "hodl" asset or for trading on exchanges during past cycles. Only a small fraction of Bitcoin was used as collateral in DeFi, and even then, it was often in a bridged form.

To unlock Bitcoin’s full potential as digital gold, numerous protocols have emerged since 2023. Native Bitcoin protocols like Ordinals and Runes have enabled Bitcoin to serve as the foundational layer for native DeFi by minting tokens and NFTs directly on its blockchain. Additionally, various layer 2 solutions and restaking protocols have started leveraging Bitcoin to generate yield, using it as a security layer. This concept is not entirely new—Realcoin (now Tether, USDT), the largest stablecoin, was originally issued in 2014 on Bitcoin via the Omni Layer protocol. This highlights Bitcoin’s history as a foundational blockchain for innovation.

Figure 32 **Bitcoin Average Transaction Fees Did Not Peak Yet**

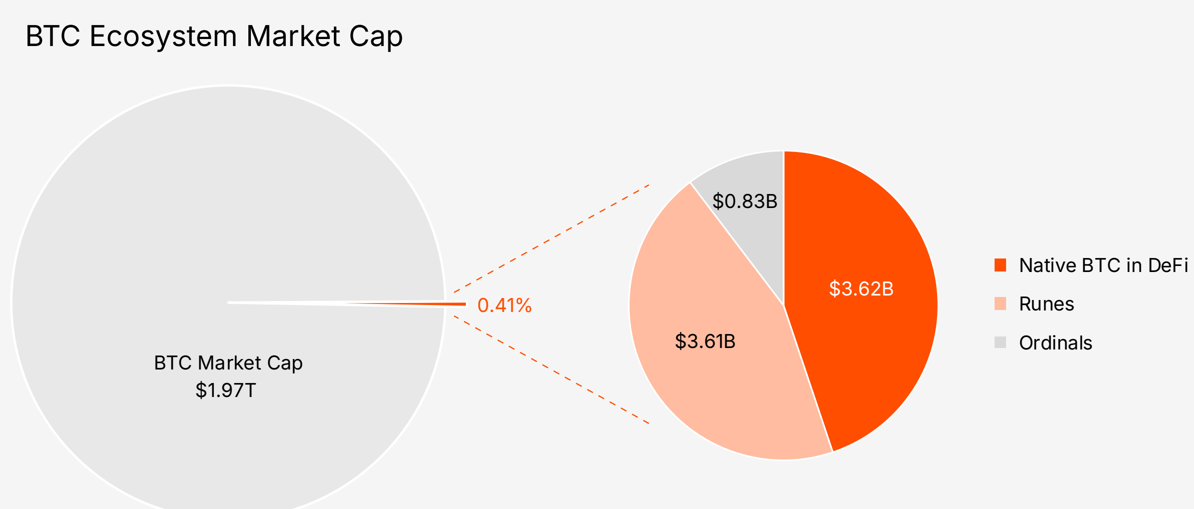


Source: Presto Research, Blockchain.com (As of Dec 09, 2024)

Since the launch of Ordinals in 2023, Bitcoin has achieved transaction fee levels comparable to the peaks of prior bull markets. However, these fees have declined to normal levels while entering the forthcoming bull run, indicating that on-chain demand for BTC has not yet picked up. If a bull run materializes in 2025 as expected, BTC's on-chain usage and transaction fees are likely to surge to all-time highs, similar to previous cycles.

While most BTC holders prioritize stability over risk, there will always be demand to use BTC for generating yield. This demand is evident, as Bitcoin is already ranked 6th in total value locked (TVL) among all chains with $3.8 billion BTC staked for yield. Adding the total market cap of Ordinals and Runes, the on-chain BTC ecosystem is a $7 billion market already. Considering Bitcoin's status as a $2 trillion asset, 1% of its supply would represent over $20 billion dedicated to the ecosystem. The wealth effect of this movement still remains largely underappreciated. We expect the Bitcoin ecosystem to be valued over 1% of Bitcoin’s market capitalization.

Figure 33 **Market Capitalization of BTC Ecosystem is Still Under 0.5%**



Source: Presto Research, CoinGecko, Defillama (As of Dec 09, 2024)

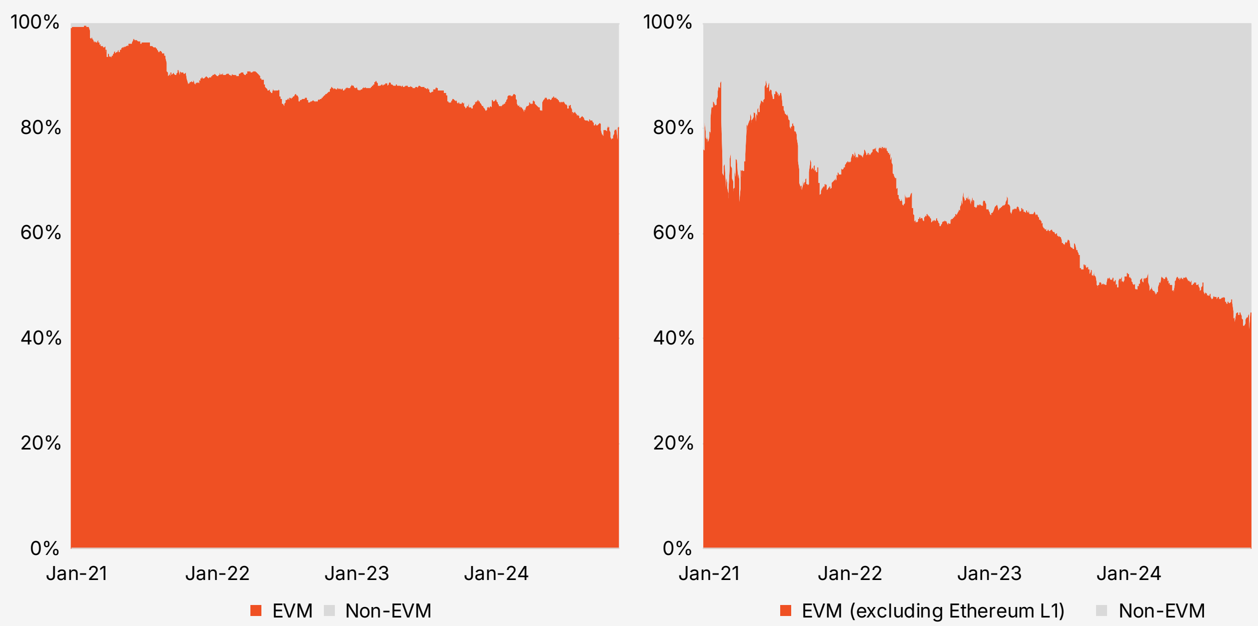
3.5.3 Return of the EVM Era: New Alternative EVM L1 Reaches $20B+ Market Cap with $10B+ TVL

On-chain growth in 2024 was predominantly concentrated in non-EVM ecosystems, especially on Solana and Sui. Solana has been generating more on-chain trading volume than Ethereum and its L2s combined, and Sui has gained more traction than the majority of Ethereum L2s. Figure 34 shows that the EVM ecosystem excluding the Ethereum L1 has significantly lost its market share in terms of TVL to non-EVM ecosystems. We expect this trend to revert in 2025, resulting in one of the new alternative EVM L1s reaching a $20 billion market capitalization with $10 billion TVL, which is a benchmark achieved by Avalanche in 2021.

Despite the remarkable growth of networks like Solana and Sui, the EVM ecosystem's depth remains unparalleled. It boasts the largest user and developer base with unmatched liquidity, resulting in a TVL of $165 billion - four times that of other ecosystems combined. This substantial liquidity, primarily in ETH, has been sidelined during the Solana memecoin mania of 2024. However, growing interest in EVM-based protocols such as Hyperliquid, Ethena, and Virtuals indicates pent-up demand, suggesting the EVM ecosystem has been underutilized and may have more potential than anticipated.

Figure 34 **Non-EVM Network TVL Has Been Increasing**

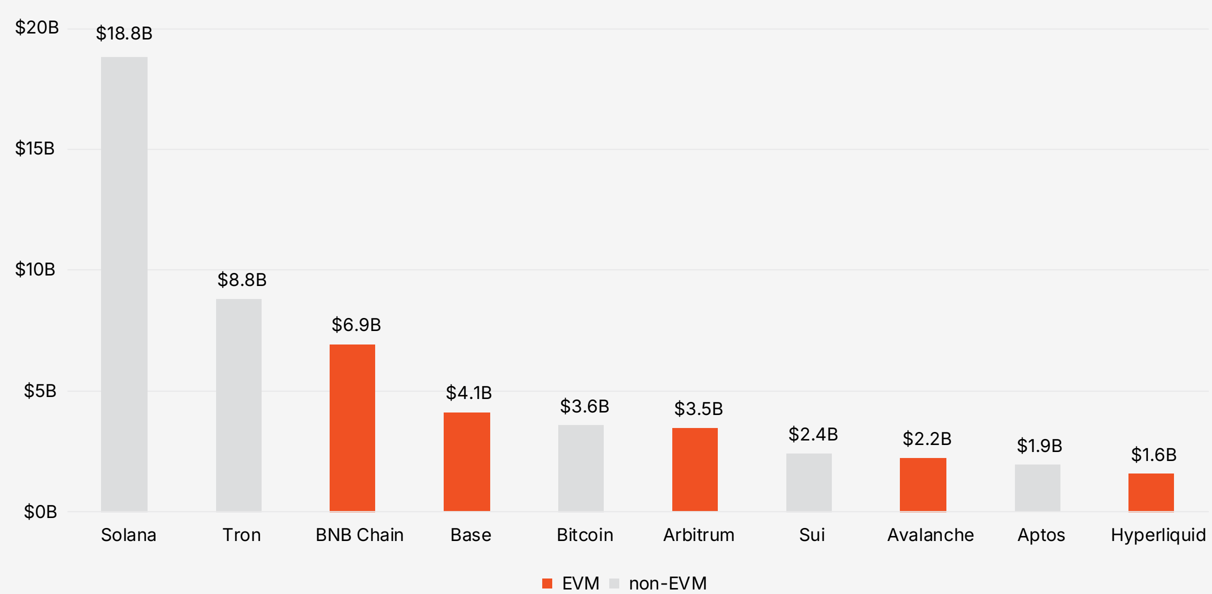
EVM vs Non-EVM Network TVL Comparison



Source: Presto Research, Defillama (As of Dec 09, 2024)

Figure 35 **EVM Networks Excluding Ethereum L1 Have More Room to Grow**

Top 10 Networks in TVL (Excluding Ethereum L1)



Source: Presto Research, Defillama (As of Dec 09, 2024)

To be clear, this outlook is not bearish on Solana or Sui, but rather bullish on EVM networks. They are well-positioned to attract users and liquidity due to easier bridge and Dapp deployments and wallet compatibility. Solana, especially Phantom, has done a magnificent job onboarding new users on-chain. While the majority of these users are not expected to abandon memecoin trading for EVM DeFi or NFTs, the potential for migration is significant. With Jupiter's daily average traders exceeding 500,000, even if just 10% of these users transition to on-chain DeFi, it would contribute substantially to both vitality and liquidity in the ecosystem.

Most of the growth in the EVM ecosystem is expected to occur in EVM-compatible layer 1 networks, rather than layer 2 networks. This is because many layer 2 networks have struggled to gain traction, while new layer 1 networks can attract users and liquidity through the wealth effect of their native tokens. We have already witnessed this phenomenon in 2021 with BSC, Avalanche, Fantom, and others. Promising alternative EVM L1 candidates for this cycle include Hyperliquid, Monad, and Berachain.

Section 4:

Final Words

We've done our best to cover what we considered to be the most relevant topics for 2025. But there's no denying it: the crypto space is vast, and no single report can capture everything in depth. Our focus in this report therefore has been on developments with the greatest potential for real-world applications, aiming to highlight areas where crypto can transcend its reputation as a self-referential industry dominated by speculation.

That said, we've inevitably left out numerous experimental uses – like Blockchain Gaming, Decentralized Physical Infrastructure Networks (DePIN), and Decentralized Social – that are still in their nascent stages. These may not yet have a clear path to mainstream adoption, but the potential for breakthrough innovation remains undeniable.

Last but not least, as the industry moves forward with newfound clarity, 2025 will undoubtedly be a year of emerging ideas and evolving trends. Stay humble and open-minded, but also be nimble and focused – navigating crypto's perennial noise is never easy. At Presto Research, we aspire to contribute to this journey with insights that cut through the chaos and illuminate the path ahead.

About Presto

Presto is an algorithmic trading firm where researchers and engineers solve challenging problems in global financial markets. Our core strength lies in combining engineering, mathematics, and science to navigate both digital asset and traditional finance markets with precision. Presto Research, our research unit, provides expert-driven insights to help navigate these markets effectively.

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