



ASSET REPORT

AUGUST 2022

About CryptoCompare

CryptoCompare is an FCA authorised benchmark administrator and global leader in digital asset data, providing institutional and retail investors with high-quality real-time and historical data. Leveraging its track record of success in data expertise, CryptoCompare's thought-leadership reports and analytics offer objective insights into the digital asset industry.

About This Report

Cryptocurrencies were born in 2009 when Bitcoin was released as the first global decentralised currency. In the last 13 years, crypto has grown into an investable asset class of its own, with exchanges providing a platform to buy and sell thousands of different currencies. However, for most of its history, the asset class has mainly been fuelled by a purely retail investor base who have arguably left institutional investors and investment management professionals behind when it comes to grasping the opportunities in the cryptocurrency space. This began to change in 2020 when well-regarded investors and corporations started to pay more attention to this growing asset class.

A major challenge for institutional investors and other professionals looking into the sector is the lack of reliable data. This complicates the analysis of investment opportunities in cryptocurrencies, specifically when considering crypto as part of a wider investment portfolio. The Asset Report was initiated to tackle this challenge.

CryptoCompare's Asset Report aims to provide professionals in the financial services space, particularly the investment management industry, with key insights relating to some of the largest cryptocurrencies by market capitalization. The report frames cryptocurrencies as an investable asset that has a role to play in global investment portfolios, and thus also compares these cryptocurrencies with traditional asset classes

This review is conducted on a monthly basis and caters to institutional investors, analysts and regulators interested in more specific analyses on the performance and risk metrics of the largest available cryptocurrencies.

For questions related to this research or any potential requests, feel free to contact CryptoCompare's research department at research@cryptocompare.com.

Disclaimer:

The content found in this report is for informational purposes only, you should not construe any such information or other material as legal, tax, investment, financial, or other advice.

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Featured Currencies

1. **BTC**

Bitcoin is the world's first decentralised cryptocurrency, having been released in 2009 by the pseudonymous developer(s) Satoshi Nakamoto. It utilises Proof of Work (PoW) mining to validate transactions between decentralised parties and to ensure the security of the blockchain network. It is the largest cryptocurrency by market capitalization, having reached a \$1T valuation for the first time in February 2021.



2. **ETH**

Ether is the native currency of Ethereum, an open-source blockchain created by Vitalik Buterin in 2014. It has a large range of decentralised applications facilitated via smart contracts, including peer-to-peer lending, insurance, and yield farming. While it currently uses PoW as a consensus protocol, it is transitioning to the alternative Proof of Stake (PoS) via Ethereum 2.0 upgrades.



3. **SOL**

SOL is the native token of the Solana blockchain, which was released in April 2019. It is a smart contract platform that saw incredible growth in 2021. It uses a combination of PoS and Proof of History to validate transactions and has grown to become one of Ethereum's biggest competitors in the Decentralised Finance space.



4. **ADA**

ADA is the cryptocurrency of the Cardano blockchain network, which was launched in 2017 by Charles Hoskinson, a co-founder of Ethereum. It is one of the largest PoS blockchains, which validates transactions by selecting validators on the blockchain proportionally to the amount of ADA they own and stake. It is an academically rigorous project, which launched smart contract functionalities in September 2021.



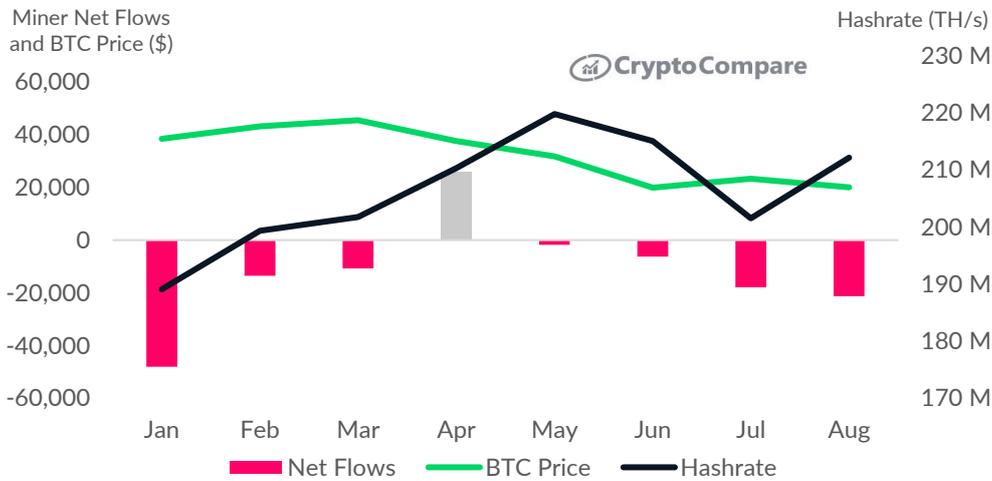
Latest News

TOPIC	STORY	DATE
Solana	Solana Wallets Targeted in Latest Multimillion-Dollar Hack	Aug 3
Bitcoin	HUT 8 maintains HODL strategy, adds 330 BTC to treasury	Aug 5
Ethereum	Institutions flocking to Ethereum for 7 straight weeks as Merge nears: Report	Aug 9
Ethereum	Ethereum just pulled off its final test run ahead of one of the most important events in crypto	Aug 10
Cardano	What's going on with Cardano's testnet and Vasil hard fork?	Aug 22
Bitcoin	Average Bitcoin transaction fee drops under \$1 as network difficulty recovers	Aug 22
Bitcoin	Mt. Gox creditors dismiss rumors of massive Bitcoin dump	Aug 29
Solana	Fireblocks launches Web3 Engine support on Solana	Aug 30
Cardano	Cardano Reaches New Milestone as First NFT Lending Platform Set to Launch	Aug 31
Cardano	Sept. 22 is the date for Cardano's Vasil hard fork launch, 3 months after target date	Sep 2

Key Market Insights – Bitcoin

Miners Continue Their Selling Activity:

Bitcoin Miner Net Flows and Hashrate



In August, Bitcoin miners continued their selling activity, recording a net flow of -21.3k BTC. Bitcoin mining profitability relies on the mining cost being below the price of Bitcoin. The downtrend in the price action of BTC combined with a higher hashrate, which rose 5.28% to 212mn TH/s, meant miners had to resort to selling in order to sustain themselves. August recorded the fourth consecutive month that has seen negative miner net flows, with April being the only month this year where miners have accumulated BTC.

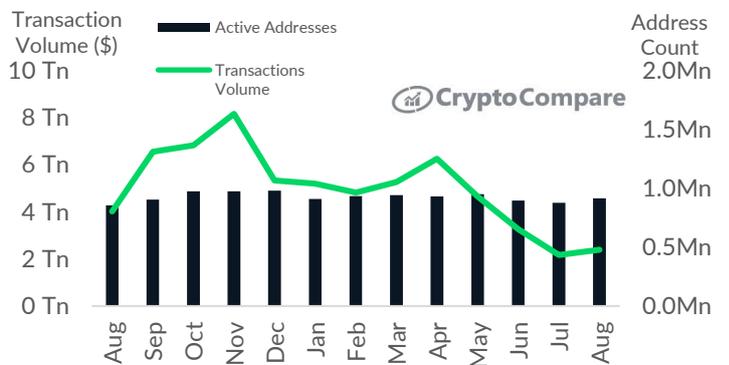
Bitcoin Network Activity Sees a Slight Rise:

Transactions Volume and Active Addresses, August 2021 – August 2022

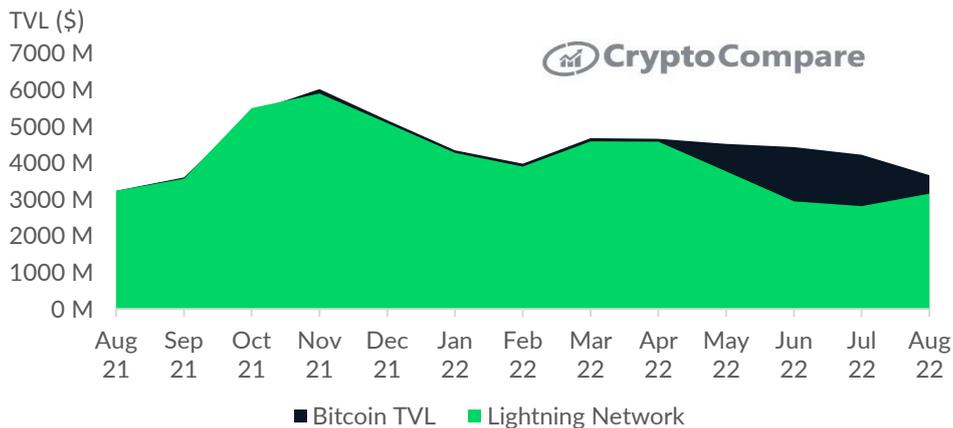
Network activity on the Bitcoin blockchain saw a slight recovery in August, with transaction volume rising 10.5% to \$2.39tn.

Number of active addresses also increased 4.47% to 916k, while the number of new addresses rose 3.10% to 395k.

Though the number of transactions increased by 1.80% to 7.82mn, monthly fees fell 27.0% to 410 BTC. Thus, the average transaction fees also dropped by 28.2% to 5,190 Satoshis.



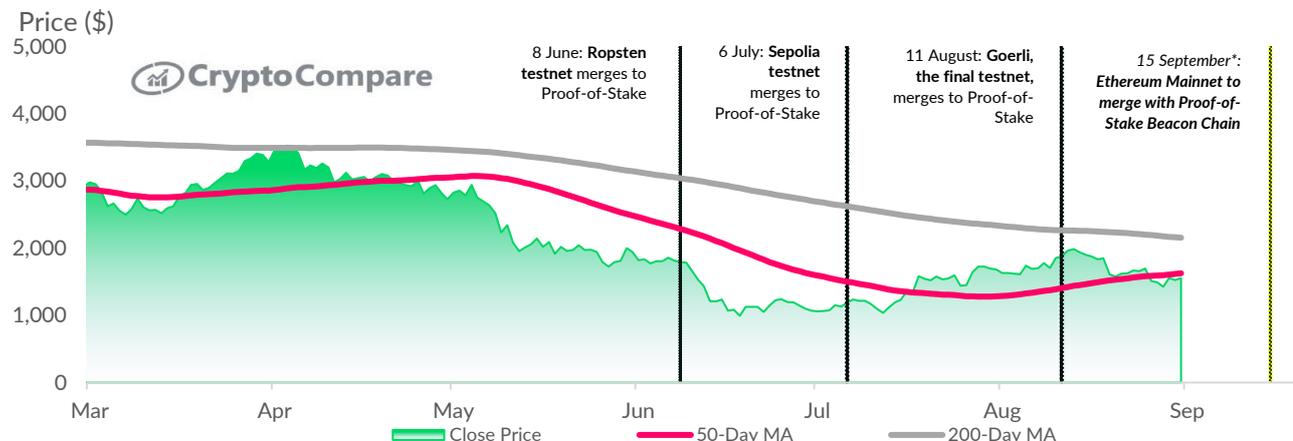
One reason for the drop in transaction fees while seeing an increase in transactional activity can be attributed to the increased usage of layer-2 scaling solutions like the Lightning Network. In August, the Total Value Locked (TVL) in the Lightning Network rose 12.0% to \$3.16bn, recording its first increase in five months.



Key Market Insights – Ethereum

The Upcoming Merge:

ETH Price and The Merge Dates

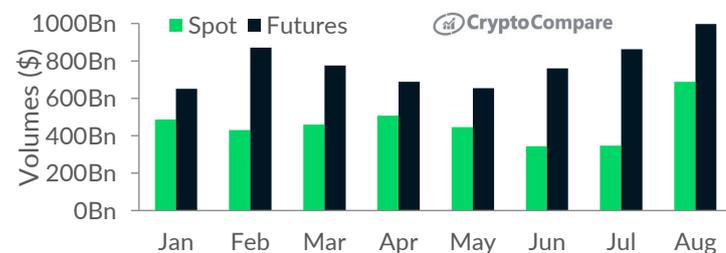


'The Merge' has been one of the leading narratives in the digital asset space over the last few months. After various postponements, The Merge was officially tested on Ethereum in June, when the Ropsten testnet officially transitioned to a Proof-of-Stake (PoS) system. In the following months, the Sepolia and Goerli testnets also merged to PoS, leaving just the final Ethereum Mainnet to complete the transition to PoS. It is anticipated that this will take place on the 15th of September.

This would mark the beginning of a new era for Ethereum, which would reduce energy consumption by over 99% as the network moves away from mining and allow for future scaling solutions to be implemented, such as sharding. However, the Merge does not immediately address other issues, such as high transaction fees and low transaction throughput.

ETH Futures Volumes Surpass Spot Volumes:

Total ETH Spot vs. Futures Volumes, 2022



In 2022, ETH futures volumes have consistently surpassed spot volumes. In the month of August, \$997mn worth of futures was traded, compared to \$689mn in spot markets.

Futures products are typically used for speculation as compared to spot. The relative strength of futures volumes illustrates the speculative trading activity in ETH markets.

Network Activity Falls in August Despite Upcoming Merge:

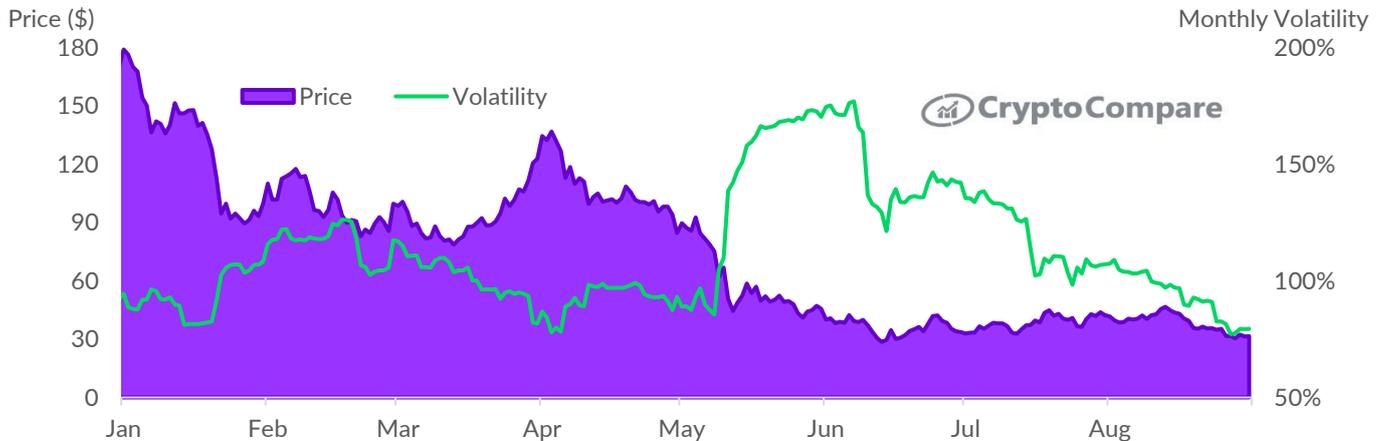
Network Metric	Jun	Jul	Aug	ETH Monthly Transactions
Total Transactions	29.7mn	35.8mn	33.5mn	
New Addresses	71,436	77,640	73,042	
Active Addresses	470,781	560,320	540,644	
Daily Block Rewards	11,961	13,517	13,359	
Daily Burned Fees	4,069	2,040	1,238	
Total Monthly Fees	\$206mn	\$108mn	\$92.2mn	
Average Fee	\$6.93	\$3.03	\$2.75	

August 2022 was the first month in 2022 where total monthly fees accumulated by the network fell under \$100mn. The fall in fees illustrates the lack of activity during this bear market, albeit it is surprising to see activity fall in the month prior to The Merge – total number of transactions fell by 6.23% to 33.5mn. The number of average daily new and active addresses also fell in August by 5.92% and 3.51% respectively.

Key Market Insights – Solana

SOL Volatility Falls to Lowest Level in 2022:

Price vs. Volatility, 2022



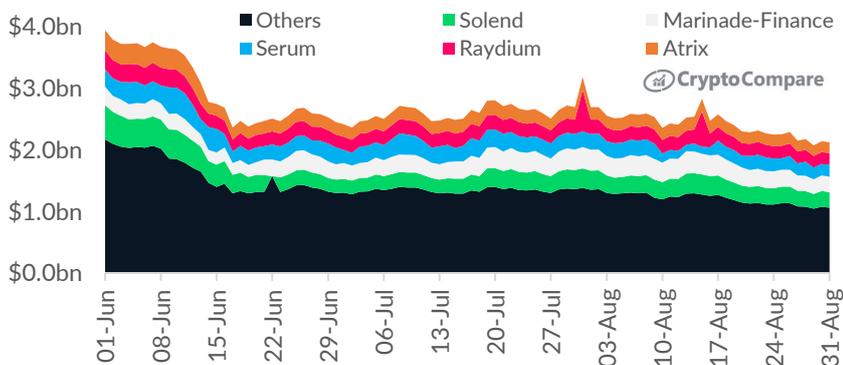
SOL's volatility has been steadily decreasing since May, reaching a yearly low 30-day volatility of 77.2% on the 27th of August. This is the lowest volatility figure for the cryptocurrency in the last two years, illustrating the lack of activity in markets, particularly over the last few months, as the entire ecosystem finds a footing following the risk-contagion events of May and June.

Lower volatility is not necessarily beneficial for cryptocurrencies. In SOL's case, the coin is down 81.5% this year, underperforming against other major projects, including BTC, ETH, and ADA.

Solana remains a widely used layer-1 blockchain due to its low transaction costs and high throughput, despite the outage issues it has experienced over the last year – with over 100 hours of partial or major outages thus far in 2022.

Protocol TVL Dominance Rises to Almost 50%:

Split of TVL across Solana Protocols, June – August 2022



Total Value Locked (TVL) in the Solana blockchain has trended downwards in USD terms as cryptocurrency prices continue to fall. TVL has fallen 45.9% from \$3.94bn to \$2.13bn in the past three months.

However, the dominance of the five largest protocols has risen over this period, hitting a peak of 51.6% on the 9th of August. Solana benefits from a well-diversified set of DeFi applications ranging from DEXes to Lending, Liquid Staking, and Yield services.

Developer Updated and Statistics:

Developer Statistics	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
Github Stargazers	7,109	7,467	7,749	8,271	8,706	8,996	9,186	9,313
Total Commits	17,521	17,762	18,200	18,732	19,105	19,443	19,760	20,115
Total Contributors	269	290	307	335	349	358	368	379
Total Forks	1,544	1,690	1,823	1,968	2,101	2,190	2,264	2,308

Developer activity on the Solana network has continued to increase this year, with the total number of GitHub contributors rising by 40.9%, while total commits have risen by 14.8%.

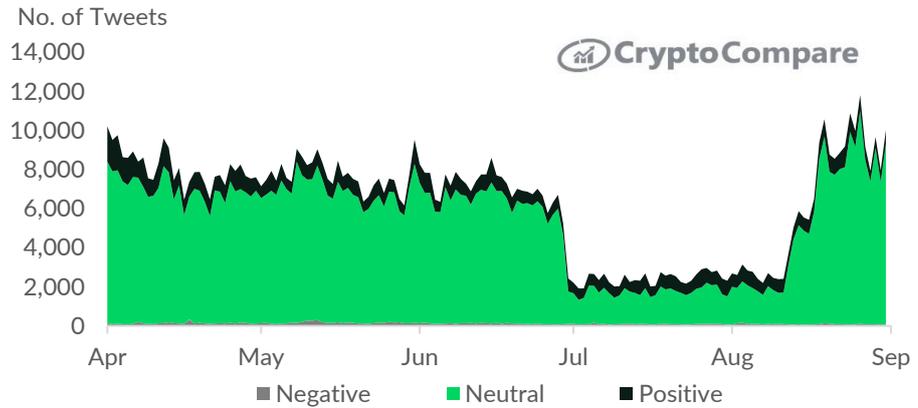
Key Market Insights – Cardano

Sentiment Analysis:

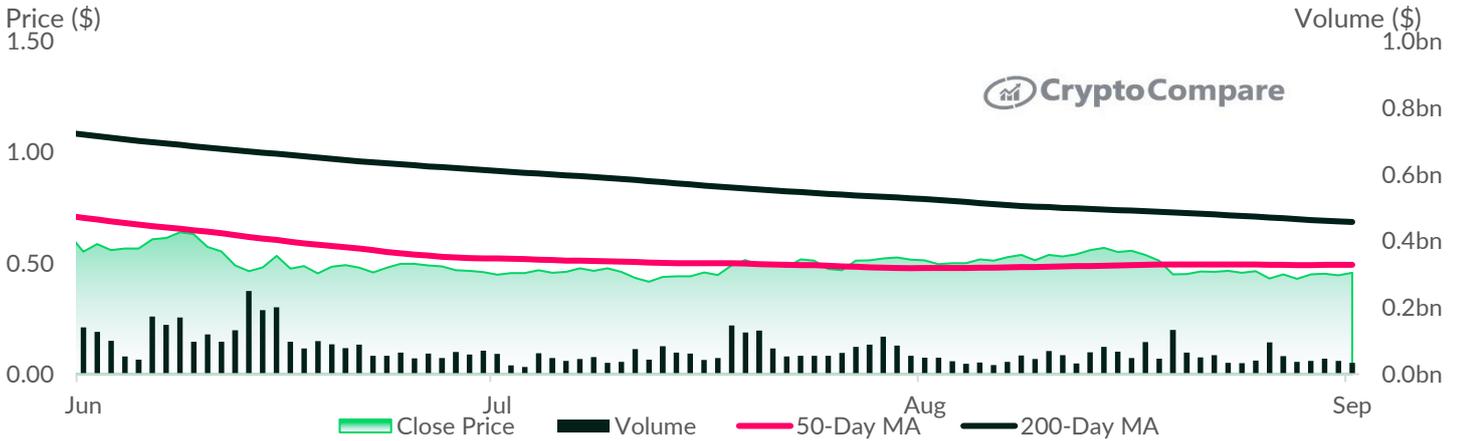
No. of Cardano-related Tweets, April – August 2022

The number of tweets relating to the ADA token saw a substantial spike in the month of August, possibly in anticipation of the upcoming Vasil hard fork.

The number of positive tweets increased by 11.7% in August compared to July, while neutral tweets covering the token increased by 224%.



Price Action:



The price of ADA fell by 13.7% at the end of August to \$0.45. This negative price action comes as a result of multiple delays in the Vasil hard fork, as well as the general downward trend across the digital asset space. As a result, ADA remains below its 50-Day and 200-Day moving averages, which were at \$0.49 and \$0.69 respectively at the end of August.

Developer Updates and Statistics:

No. of Cardano-related Tweets, April – August 2022

The Vasil Hard fork has had multiple delays over the summer months, but the new implementation date has been set for the 22nd of September. Developer activity can be tracked using GitHub statistics, and the number of 'stars' increased by 1.16% in August, whilst the number of commits to the Cardano source code increased by 1.40% to 6,357.

Cardano looks to be one of the most developer-focused blockchains in the crypto space, and the Vasil hard fork is seen as a major upgrade for the blockchain.



Asset Performance & Market Metrics

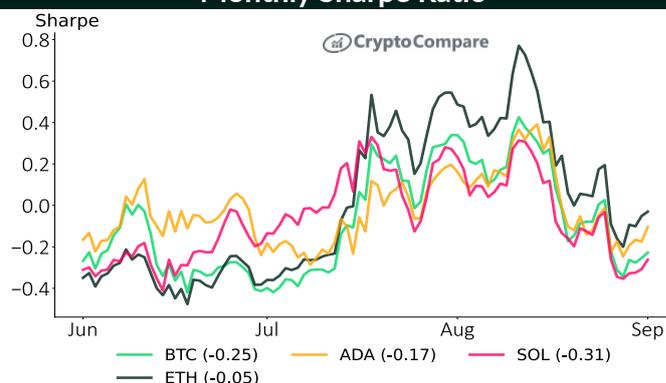
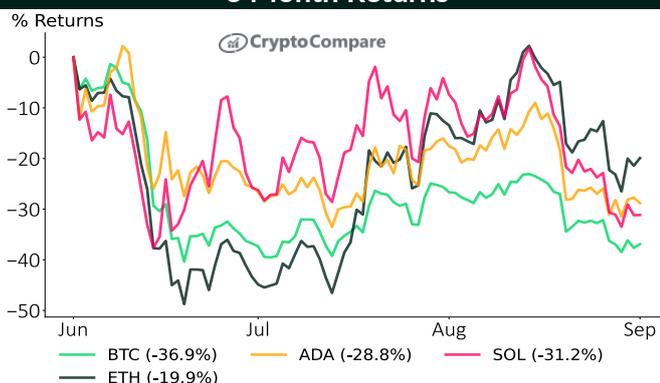
Summary

Both traditional and crypto markets fell in August as the macroeconomic landscape remains in worrying territory, with elevated inflation figures and increasing interest rates reducing the appetite for risk-assets. ETH outperformed other cryptocurrencies after falling just 7.47%, likely in anticipation of the Merge in the coming days. The S&P500 and NASDAQ saw negative returns after a positive month of July. Apart from ETH, the two equity indices were the two best risk-adjusted performers, with a monthly Sharpe ratio of -0.17 and -0.15, respectively.

	BTC	ETH	ADA	SOL	GOLD	S&P500	NASDAQ
EoM Price	\$20,050	\$1,554	\$0.45	\$31.49	\$1,726	\$3,955	\$11,816
Market Cap	\$384bn	\$190bn	\$15.0bn	\$11.0bn	\$11.5tn	-	-
Monthly Return	-14.0%	-7.47%	-13.7%	-25.7%	-3.44%	-3.97%	-4.47%
YTD Return	-56.6%	-57.8%	-65.9%	-81.5%	-5.17%	-16.9%	-24.0%
Monthly Volatility	54.6%	91.4%	74.6%	79.4%	13.5%	23.3%	30.0%

3 Month Returns

Monthly Sharpe Ratio



Monthly Sharpe ratios suggests that ETH has provided the best risk-adjusted returns, with a Sharpe ratio of -0.05. The four assets covered have all seen negative returns over the last three months, ranging from -19.9% to -36.9%. BTC is the worst performer albeit at the lowest volatility, thus still providing slightly improved risk-adjusted returns compared to XRP and SOL.

Volatility

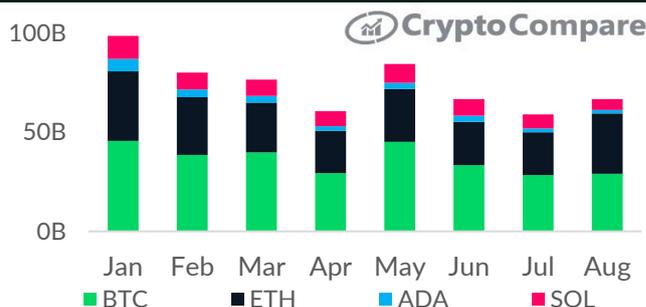
Market Capitalisation Dominance



Volatility across cryptocurrency markets continued to decline in August from the highs reached in May. ETH and SOL were the most volatile assets, with a 30-day volatility of 91.4% and 79.4% respectively. Bitcoin's volatility fell below 50.0% for only the third time this year, before rising slightly and closing the month at a 54.6% volatility.

Direct USDT Volume

Direct USD Volume



USDT volumes across the assets covered grew by 20.0% to \$374bn. USDT volumes increased for just BTC and ETH, suggesting market participants are tilting towards these assets, which are deemed safer within the crypto landscape. USD volumes saw an increase of 13.2% to \$66.7bn, driven by a 41.1% increase in ETH-USD volumes.

Access More Of Our Research and Insights

As the digital asset markets continue to grow, so does the need for high-quality research that brings greater clarity and transparency to this rapidly evolving industry. CryptoCompare's suite of research reports provides market participants with trusted, high-quality data and analysis.

Recurring Reports:

Report	Description
Exchange Review	Captures key developments within the cryptocurrency exchange market — providing readers with an in-depth analysis of exchange volumes, trading activity, and derivatives open interest.
Digital Asset Management Review	Tracks and provides analysis of the most innovative institutional products in the industry, assessing volumes, assets under management (AUM), and product flow trends.
Exchange Benchmark	Brings clarity to the crypto asset exchange sector. Two years on, it has become the industry standard for assessing and evaluating cryptocurrency exchanges, with the methodology and rankings now being utilised to help create financial products and indices.
Asset Report	Provides professionals in the financial services space, particularly the investment management industry, with a summarised analysis of the latest movements in five of the largest cryptocurrencies.
Market Outlooks	A quarterly report that identifies the most important developments of the last quarter, which may thereafter set the tone for key trends to look out for in the following months. This includes references to the macroeconomic environment, DeFi, NFTs, stablecoins, and more.

Topic Deep Dives:

Report	Description
Liquidity Report	Created in collaboration with Bitstamp — a first of its kind report — it examines the intricacies of digital asset liquidity and compares it across top-tier exchanges to find the true liquidity of digital asset exchanges.
UST's Fall From Grace	Summarises the depegging of UST and subsequent debacle of LUNA and the Terra ecosystem, including analysis on the ripple effects of the event and where it situates the digital asset industry.

Glossary

METRIC	Definition/Methodology	Report Section	Factsheets
Block Rewards	The total amount of ETH rewarded to miners.	-	ETH
Block Size	Average size of a block in terms of data storage. Standard unit is megabytes (MB).	Proof of Work Metrics	BTC, ETH
Block Time	Average time taken for the next block to be mined, measured in seconds.	Proof of Work Metrics	BTC, ETH
Blocks Burnt	The total number of ETH burnt following transactions on the Ethereum blockchain. This was an update caused by the London Fork, which took place on the 5th of August 2021.	-	ETH
Cruiser	An investor who has been holding the underlying asset between 1 month and 1 year.	-	BTC, ETH, SOL
Difficulty	How difficult it is for miners to mine the next block in the blockchain. As difficulty increases, a higher hashrate is required to have the same probability of mining the next block.	Proof of Work Metrics	BTC, ETH
Github Stargazers	The number of likes/bookmarks the asset's Github repository has received.	-	ALL
Hashrate	The computational power used in mining operations. Standard unit is terahashes per second (TH/s).	Proof of Work Metrics	BTC, ETH
Hodler	An investor who has been holding the underlying asset for over 1 year.	-	BTC, ETH, SOL
Lightning Network Capacity	Measures the total number of Bitcoin that can be transacted via the lightning network at any one point in time.	-	BTC
Monthly Volumes	Monthly volumes represents the USD CCCAGG market volumes, as per CryptoCompare's aggregate index methodology.	-	ALL
Market Cap	This refers to circulating market capitalization rather than a project's fully diluted valuation.	Asset Performance & Market Metrics	ALL
Max Drawdown	Percentage difference between the monthly high and monthly low price for a given asset.	Asset Performance & Market Metrics	ALL
No. of Nodes	The number of computers that are currently running on the Bitcoin network and storing the entire historical blockchain.	-	BTC
No. of Open Channels	The number of open passages between Bitcoin nodes that allows for transactions to take place within that channel.	-	BTC
NVT Ratio	Ratio of an asset's market capitalization to the daily transaction volume of that asset, where daily transaction volume is equal to daily transaction count* daily average transaction value*close price.	Asset Performance & Market Metrics	ALL
Sharpe Ratio	30-day returns in excess of the risk-free rate per unit of volatility. Risk-free rate is assumed to be 0.	Asset Performance & Market Metrics	ALL
Staking Rate	The annualized return for an individual who stakes (participates in transaction validation) his/her tokens. It is a feature of Proof of Stake (PoS) cryptocurrencies.	Proof of Stake Metrics	ETH, SOL, ADA
Total Commits	The number of individual changes made to the underlying code.	-	ALL
Total Contributors	The number of individuals who have contributed to a project, but do not have collaborator access.	-	ALL
Total Forks	The number of copies made of the original code. It allows Github users to make changes to a project without affecting the original repository.	-	ALL
Total Value Locked	The total monetary value of assets deposited in a decentralised finance blockchain or protocol.	DeFi and On-Chain Activity	ETH, SOL
Trader	An investor who has been holding the underlying asset for under 1 month.	-	BTC, ETH, SOL
Volatility	Annualized, rolling 30-day standard deviation of log returns. Daily figures obtained by dividing this by square root of the days in month.	Asset Performance & Market Metrics	ALL

Additional Data Sources include: Etherscan.io, DeFi Llama, Messari.io, stakingrewards.com, bitcoinvisuals.com, Into The Block, Solana Beach