Market Review

APR 2022

Genesis

APRIL 2022 MONTHLY REVIEW

Introduction

The month of April 2022 felt like an intermission between acts, with range-bound trading for most assets, relatively low volatility, and key news items having little impact on price moves. The overriding weight on market sentiment continues to be risk-off jitters, only with what seems like renewed emphasis as economic data painted an increasingly bleak picture of what lies ahead for consumers, investors and central banks.

In spite of the intermission lull, progress continues full tilt on new developments in blockchain technologies, stablecoin evolution and NFT innovation. Ecosystems continue to test incentives while regulators continue to struggle to find their place on the crypto spectrum, with mixed results.

The report that follows looks at some of the key themes driving the industry forward in April, with a focus on the surprising-but-relevant, the overlooked-but-important and the misunderstood.

In the pages that follow, we touch on:

→ Bitcoin's increasing macro correlation

→ Ethereum's congestion issues

→ Scaling incentives

→ Ecosystem fundings

→ Modular blockchains

→ Surging NFT sales

→ ...and much more.

Nothing in this report is intended to be investment advice—our aim is to update and explain some of the shifting narratives driving crypto markets. We hope you find it useful.

(Note: we use uppercase Bitcoin to denote the network, and lowercase bitcoin or BTC to denote the asset; for Ethereum, we use uppercase to denote the network, and ether or ETH to denote the asset. All $ are USD unless otherwise specified.)

April performance

The April performance of the top 10 assets ex-stablecoins ranked by market cap:

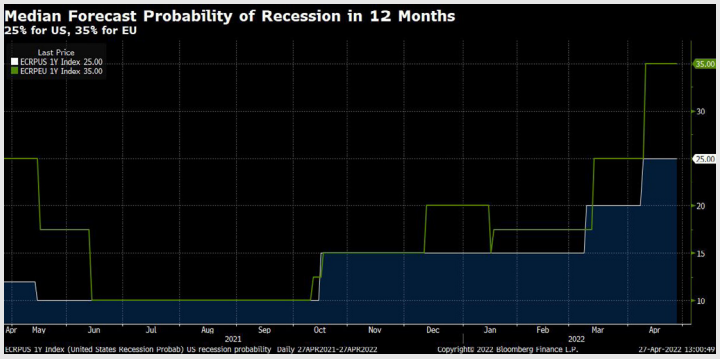
Asset			Price USD	Mkt cap bn	Apr '22	30D RV
Bitcoin	BTC	Currency	$38,061.39	$723.88	-17.92%	47.20%
Ethereum	ETH	Layer-1	$2,782.46	$335.14	-19.71%	57.12%
BNB	BNB	Exchange token	$385.41	$62.88	-14.23%	53.20%
Solana	SOL	Layer-1	$89.85	$29.92	-33.60%	77.34%
XRP	XRP	Currency	$0.59	$28.41	-28.78%	64.81%
Terra	LUNA	Layer-1	$81.11	$27.98	-23.97%	110.78%
Cardano	ADA	Layer-1	$0.78	$26.16	-33.72%	71.64%
Dogecoin	DOGE	Meme coin	$0.13	$17.50	-6.99%	126.20%
Avalanche	AVAX	Layer-1	$59.63	$15.98	-38.92%	71.54%
Polkadot	DOT	Layer-1	$15.08	$14.87	-31.94%	74.53%

Top 10 assets ex-stablecoins ranked by market cap. Prices at 07:00UTC 5/1/22. Source: Messari

1 Macro

Recession Likelihood

As the war in Europe ground its way through its second month and inflation continued its unabated climb, concern began to coalesce around the likelihood of a recession in the US and Europe. According to Bloomberg, the median forecast probability of a recession in the US within the next 12 months has jumped to 25%, while that for the EU has escalated to 35%.



(chart from Bloomberg)

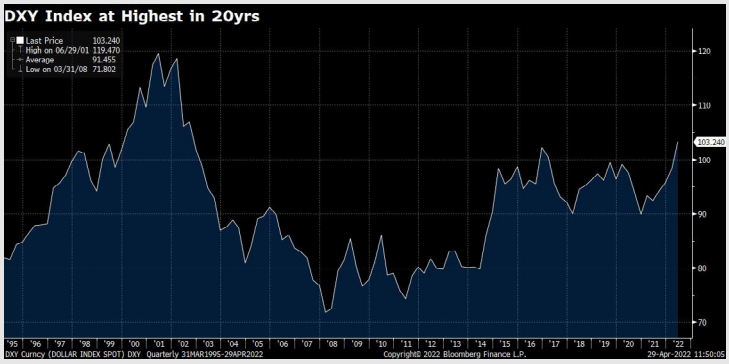
Looking further ahead, Goldman Sachs Group Inc. estimated chances of a contraction at about 35% over the next two years, with Deustche Bank even more pessimistic. Bloomberg Economics' recession-probability model has estimated a 44% chance of recession happening before January 2024.

Will this weigh on the Fed's rate decisions? The inversion of the yield curve as represented by the 2yr10yr spread—often regarded as a recession harbinger—turned out to be temporary, but signaled a bond market nervous about a policy error as well as the expected runoff of the Fed balance sheet. Nevertheless, the yield curve was not mentioned in the minutes from the March FOMC meeting, released in early April, which hinted that its inversion was not a concern for a Federal Reserve more focused on managing inflation expectations. Another factor making the bond market nervous was the Fed's plans for its balance sheet. The last runoff was in 2017–2019, at a slow and leisurely pace compared to the rhythm outlined in the latest minutes. It started out at $10 billion, ramping up to $50 billion over the year—this time around, the runoff is starting out with a $95 billion/month cap (although the initial rate is likely to be less).

Meanwhile, attention is increasing on the significant pressures building up in the currency markets

- → In spite of the relief granted by a Macron electoral victory in France, the euro dropped to a five-year low against the dollar toward the end of the month, succumbing to rate differential pressures as US rate hike expectations shot ahead of those for the ECB.
- → The yuan dropped more than 4% against the dollar over the course of a few days toward the end of the month, delivering the worst month ever for the offshore rate relative to the dollar.
- → The yen breached ¥130 to the dollar for the first time in 20 years as the BoJ doubled down on "yield curve control" and as economic forecasts for the region were lowered.
- → The DXY index, which measures the dollar against a range of other developed-market currencies dominated by the euro, reached its highest level in 20 years. The view that US interest rates are likely to rise faster than those for its main trading partners could end up putting continued upward pressure on the dollar, hurting emerging markets reliant on dollar-denominated commodity exports

and with significant amounts of dollar-based debt. This, combined with the widening gap in export competitiveness, is likely to continue to put pressure on the trade balance, an important part of US economic growth. In sum, continued currency turmoil and the strength of the US dollar could end up making a recession even more likely.



(chart via Bloomberg)

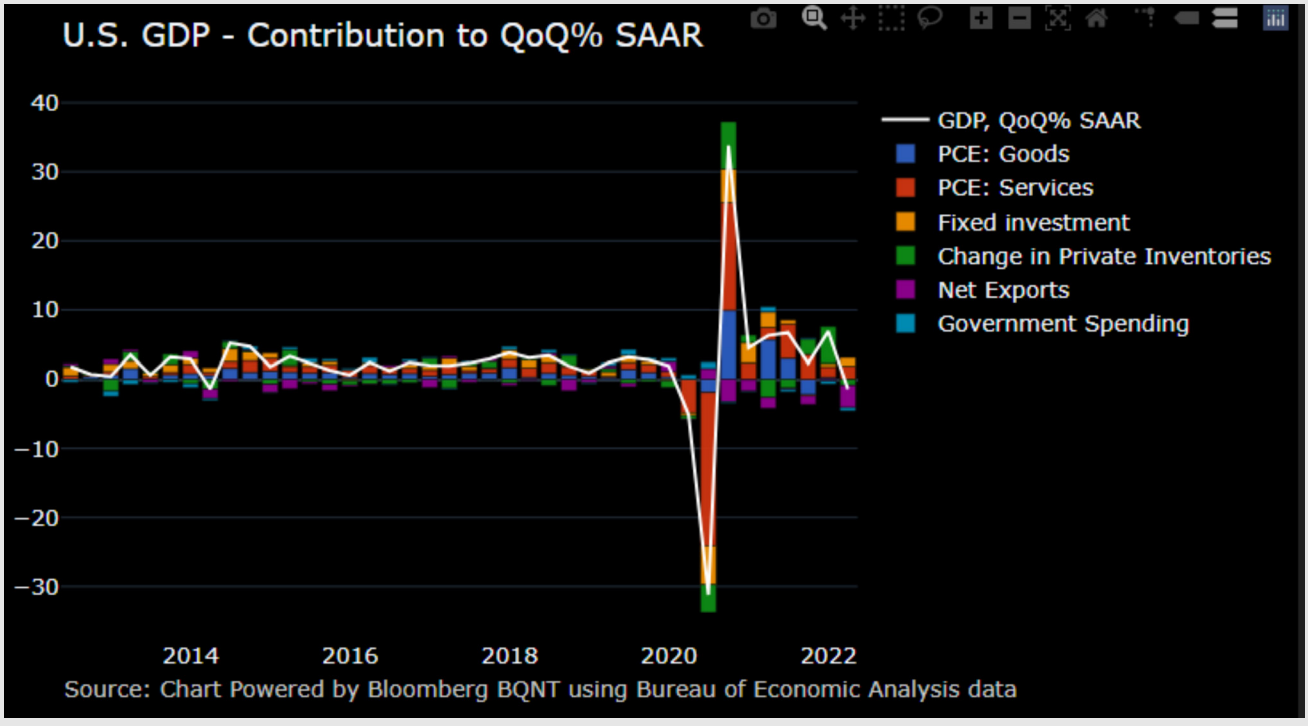
US GDP

The US Q1 GDP figures released at the end of April surprised even the most pessimistic expectations and highlighted not only the impact of inflation and currency movements, but also the difficult position in which the Federal Reserve now finds itself.

The main culprit behind the negative surprise was the trade balance. Exports dropped almost 10% and imports were up 20%, confirming that the strong dollar is not going to help US production. Furthermore, currency movements aside, many other factors point to a contracting global market for US exports, such as the ongoing war in Europe, rolling lockdowns in China and other emerging markets struggling to make their increasing dollar debt payments.

The textbook move here would be to lower rates to weaken the dollar relative to the currencies of principal trading partners. Obviously, that's not going to happen—inflation is still a key concern, with the March PCE deflator (the Fed's preferred inflation measure) showing a 6.6% yoy jump, vs 6.4% for February.

So, the downturn in GDP that was widely expected once the Federal Reserve was well into its aggressive rate hike plan seems to have hit before the Fed has really gotten started. It is possible that corporate investment could pick up some of the slack in Q2; however, this is likely to be constrained by continued supply chain bottlenecks, rising input prices as well as the rising cost of debt—credit spreads are now at their highest point since June 2020.



(chart via Bloomberg)

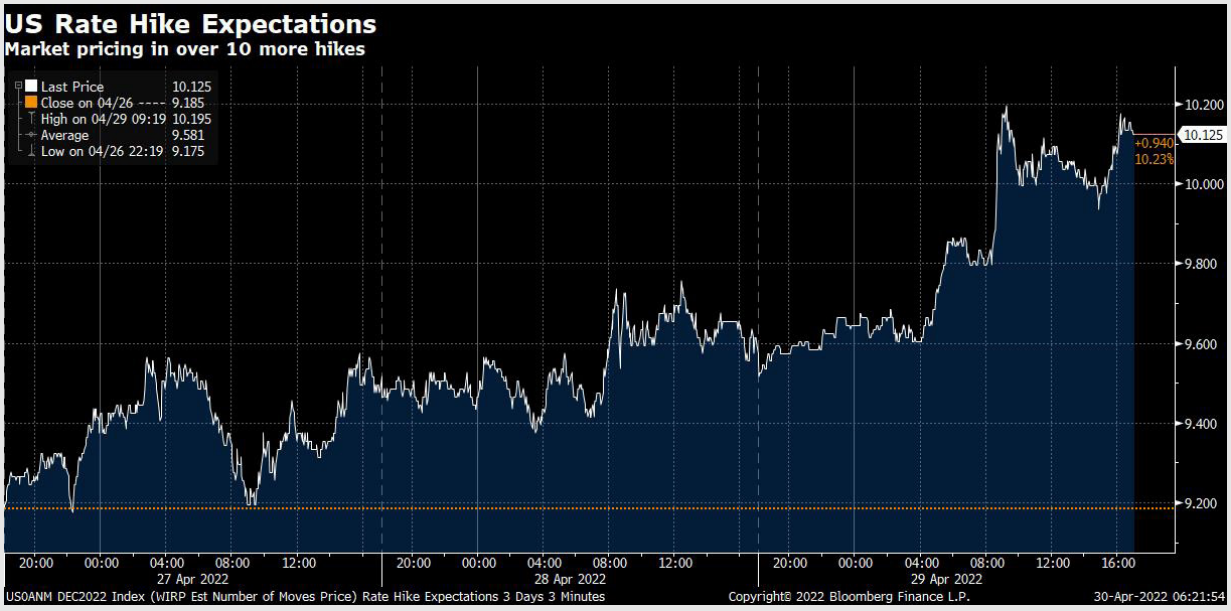
(chart via Bloomberg)

What's more, figures out of Europe are showing high inflation and weak consumption. The French PPI was up +26% yoy with consumer spending contracting; Germany's import price index came in higher than expected at +31% yoy; Italy's PPI jumped +46% yoy; Spain's discretionary retail sales contracted almost 10% yoy.

Yet, rate hike expectations rose after the US Q1 GDP release to reach over 10.

These are strange markets, with conflicting signals coming in from all sides. That lack of clarity is increasing jitters even more than a relatively simple bleak outlook would, as the directional uncertainty encourages a move to safety but without conviction.

Long-time market observers will know that this is not sustainable, and are likely to start focusing on the question: what will give first? Interest rate expectations are a good metric to keep an eye on, especially as they adjust to both Powell's comments in May and a slew of consumer confidence-related metrics. After all, inside the bad economic data is a silver lining—a weak consumer will spend less, and we could soon see inflation data lessen the rates urgency.



(chart via Bloomberg)

2 Bitcoin

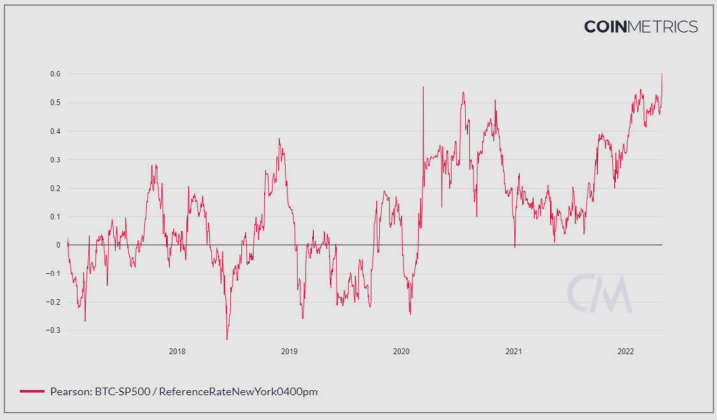
(chart from Messari)

Against a backdrop of worsening market sentiment overall, BTC delivered its worst April on record, with a drop of approximately 18%.

Correlations

The main driver of the negative performance was the growing uncertainty around the global economic outlook, earnings disappointments, poor economic performance data and concern around the potential impact of aggressive rate hikes in the US and Europe. Why would these affect Bitcoin, which is supposed to be an asset removed from economic concerns and monetary policy?

The influx of institutional interest in BTC, which started to pick up in early 2020 with public declarations of interest from stalwarts of traditional investing such as Paul Tudor Jones and Renaissance Technologies, coincides with a sustained jump in the 60d correlation between BTC and the S&P 500. This became more pronounced as the year progressed, with MicroStrategy kickstarting corporate interest in BTC as a treasury asset, and renowned investors such as Stan Druckenmiller, Guggenheim, Alliance Bernstein, BlackRock and many others started to talk publicly about Bitcoin, effectively removing the “career risk” for any institutional investor interested in exploring greater diversification.



(chart from Coin Metrics)

After a dip in early 2021, which saw the price of BTC more than double within the first few

weeks, the correlation between BTC and the leading stock index resumed its upward march along with the inflow of institutional funds encouraged by the potential impact of the first Bitcoin-linked ETF in the US as well as deepening market liquidity and infrastructure sophistication. As these same institutions chose to lighten BTC positions along with traditional assets as market jitters set in, the correlation ended April 2022 at its highest point ever.

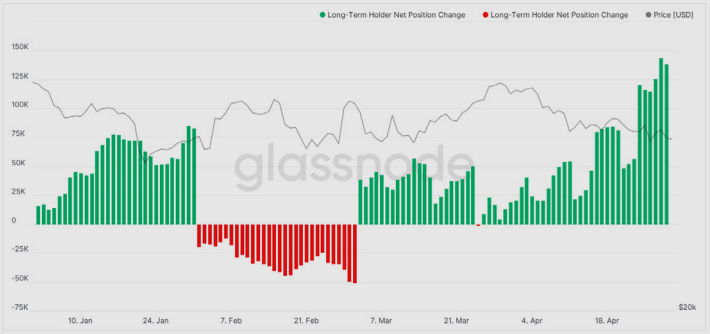
For many institutional investors, BTC is a high-volatility diversification asset rather than a longer-term store of value. Hence, in periods of uncertainty, it enters and exits funds along with other high-volatility assets, with risk reduction taking precedence over the need for diversification. The size of institutional flows entering and exiting the market has a greater impact on BTC's price than the accumulation activity of longer-term investors, tying BTC's performance to that of the market as a whole.

This correlation jump is further supported by the increasing weight of high-risk tech stocks in the S&P 500. Of the top 10 stocks by market capitalization in the index, eight are tech stocks.

Accumulation

While the increasing correlation with the S&P 500 shows that BTC's price has been acting like a risk asset, longer-term accumulation has been continuing, highlighting that the number and conviction of investors that see bitcoin as a store of value is increasing.

Bitcoin: Long-Term Holder Net Position Change

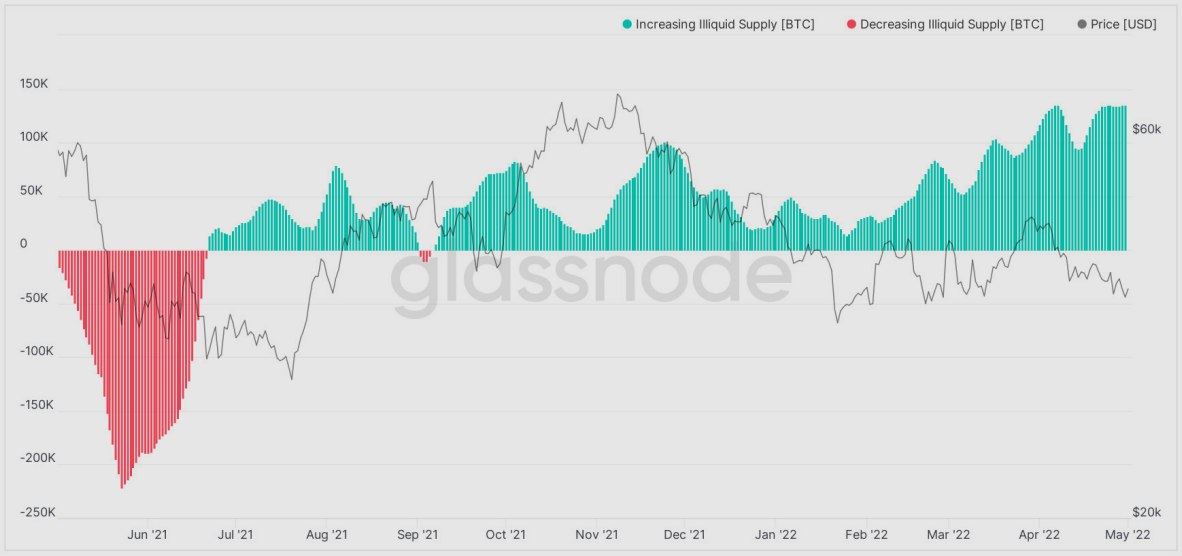


(chart from glassnode)

The 30d net accumulation from long-term addresses—defined as those that on a time-weighted average hold BTC for at least five months—reached a year-to-date high in April.

Another year-to-date high reached in April was the 30d net change in BTC's "illiquid supply", defined as the amount of BTC held in addresses that spend less than 25% of their incoming BTC.

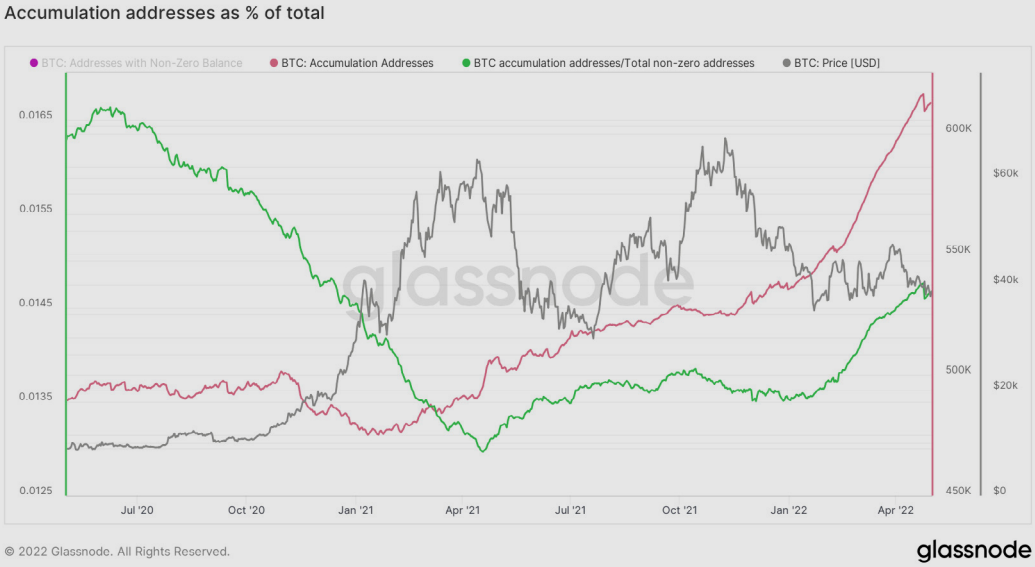
Bitcoin: Illiquid Supply Change [BTC] (7d Moving Average)



(chart from glassnode)

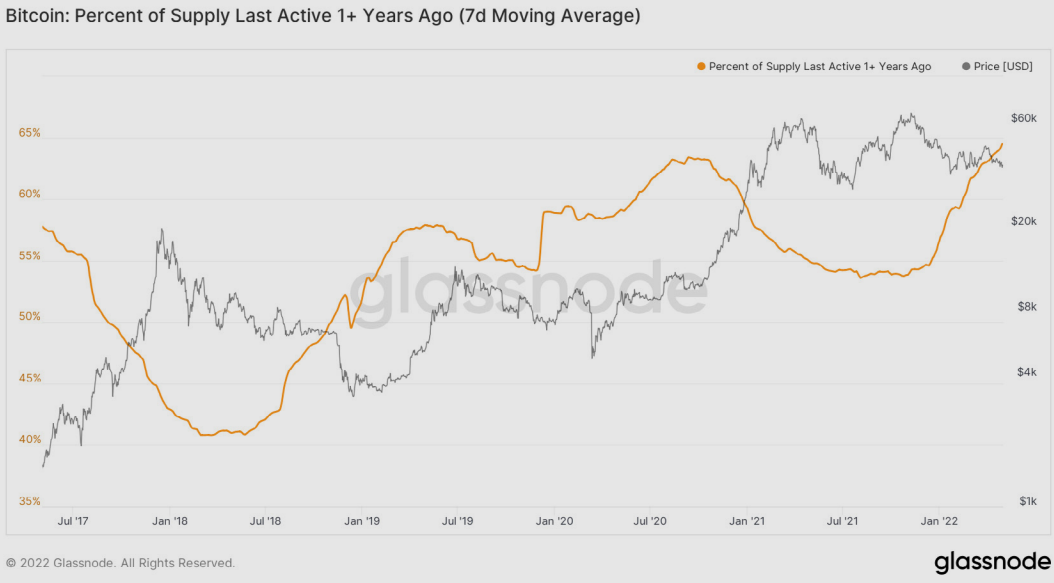
glassnode

The number of accumulation addresses—defined as addresses that have at least two incoming transactions and have never spent funds—reached an all-time high in April. As a percentage of all non-zero BTC addresses, the metric reached its highest point since December 2020.



(chart from glassnode)

The amount of BTC that has not moved in over a year also reached an all-time high in April, breaking through 64% of total BTC in circulation.



(chart from glassnode)

This strong accumulation points to a lower supply available to traders and new market entrants, and hints at what could be a sharp move up when sentiment eventually turns. While it is likely some longer-term holders would sell into market strength, the accumulation behavior seen in the recent weak environment suggests a level of support should BTC weaken further.

3 Ethereum

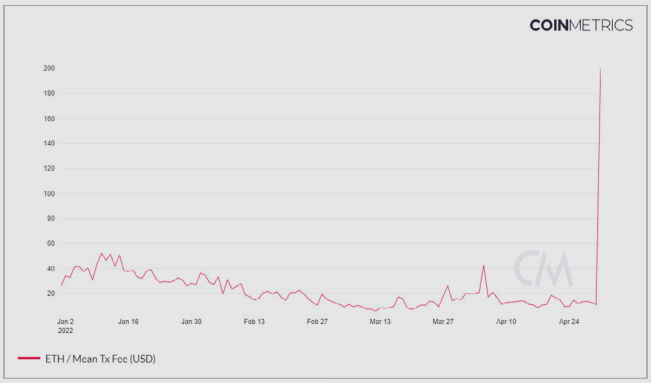
(chart from Messari)

Ethereum closed April down approximately 20%, its worst April ever and its only negative April aside from 2016.

Watch Those Fees

Although Ethereum transaction fees remained relatively low for most of April, hovering around $10, this dramatically changed on the last day of the month.

On April 30, Yuga Labs—the creator of the Bored Ape Yacht Club (BAYC) NFT collection—launched its Otherside metaverse with the mint of virtual land parcels called Otherdeeds. The sale was constructed to, according to the terms document, "prevent an apocalyptic gas war," with KYC-ed wallets allowed to mint a maximim of two Otherdeeds to start with, at a price of 305 APE (worth approximately $6,700 at the time of sale). Further mints would raise the limit, staggering the demand on network space.



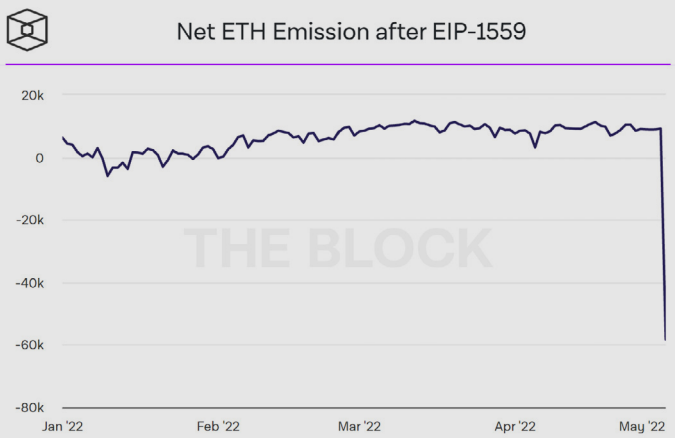
(chart from Coin Metrics)

Things did not go as planned. According to some, the smart contract was constructed to unnecessarily consume a high amount of gwei,[1] and transaction fees shot up, clogging

1 Individual Ethereum transaction fees are denominated in gwei, with 1 gwei = 0.000000001 ETH. When discussing fees in the aggregate, it is easier to denominate them in ETH.

the network and even causing network explorer Etherscan to go down for a while.

Higher Ethereum transaction fees mean a higher amount of ETH burned, and net daily issuance plummeted to almost -60,000.

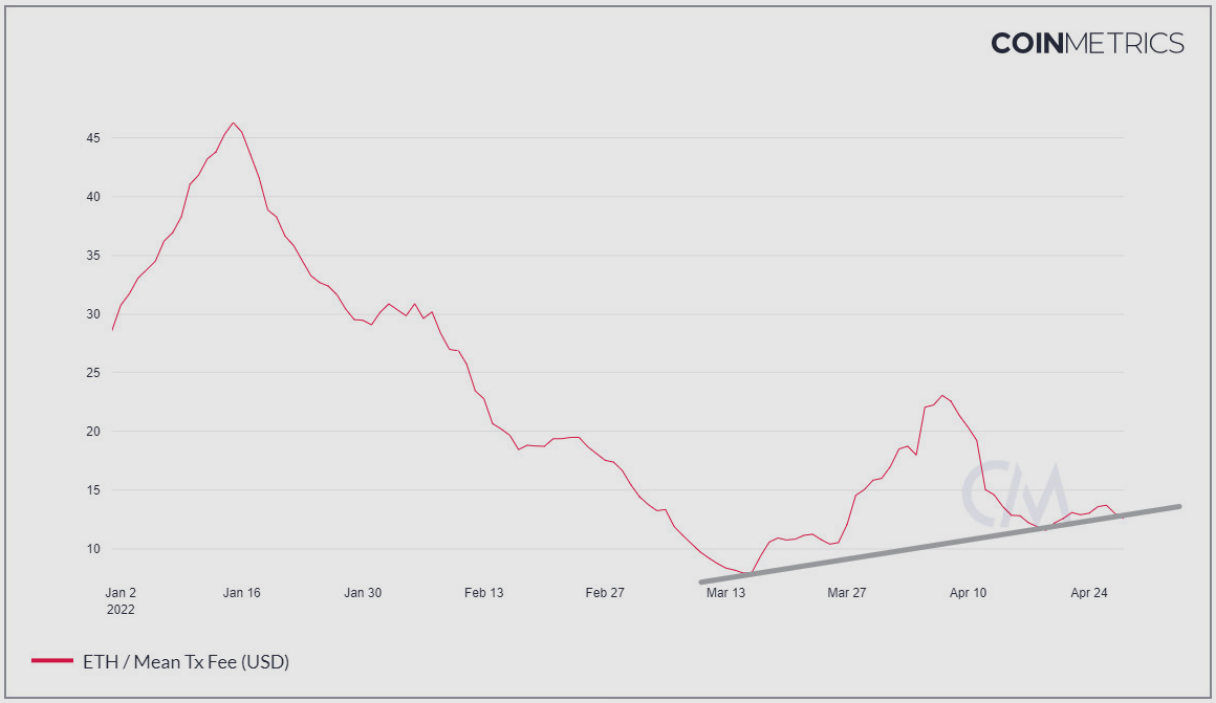


(chart via The Block Research)

Sentiment surrounding Yuga Labs' handling of the mint aside, this is a reminder of the importance of NFT sales on blockchain activity. Ethereum is still the main NFT blockchain by far with around 88% of total sales in April, according to data from CryptoSlam. Even before the Otherdeeds mint, NFT sales had surged in April, up almost 55% on Ethereum.

This had led to a gradual increase in Ethereum transaction fees up until the Otherdeeds mint—the chart at the bottom of the page shows the 7-day moving average in USD up until April 28:

This serves as a reminder that Ethereum can still struggle with scaling issues, in spite of the growth in layer-2[2] solutions. Fees have been relatively low, but in April we saw that this can change rapidly in response to high demand for specific NFT mints or airdrops. The approaching merge, in which Ethereum moves from proof-of-work consensus to proof-of-stake, won't solve for this, so network focus is likely to pivot to further development of layer-2 scaling technologies and usability.



(chart via Coin Metrics)

2 Layer-2 refers to networks that run on top of base layer blockchains (called layer-1s), abstracting computation (and thus removing the main scaling limitations of block space and fees) but relying on the base blockchain for security.

Optimism

In April, Ethereum layer-2 protocol Optimism confirmed rumors of an imminent token airdrop in which 5% of its new token OP will be distributed to eligible addresses according to a March 25, 2022 snapshot.

OP will be distributed through not one airdrop, but several, with an additional 14% of supply earmarked for this. The initial supply of OP is set at 4,294,967,296, with a 2% annual inflation rate.

A set date for the first airdrop has not yet been set but, according to Optimism, will be some time in the next few months.

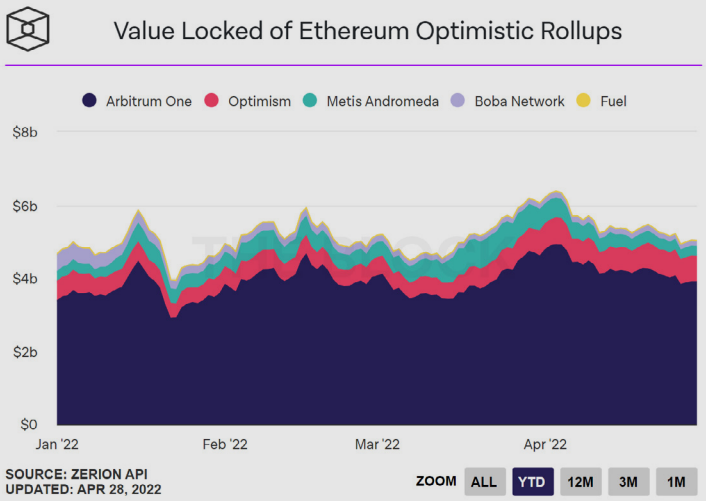
The airdrop will distribute OP tokens to those who:

- → Used an OP bridge before June 23, 2021.
- → Used an Optimism project (the top four in terms of value locked in contracts on the platform are Synthetix, Uniswap, Perpetual Protocol and Lyra) more than once between June 23, 2021 and March 25, 2022, with an extra allocation for frequent users.
- → Have voted in or authored at least one on-chain proposal or two off-chain proposals (via Snapshot) for an active DAO.
- → Are a current signer for a multi-sig contract that has executed at least 10 transactions.
- → Have made a donation through GitCoin.
- → Hold an address that bridged to another chain prior to December 25, 2021, but still transacted on Ethereum at least twice a week since then.

Users who satisfy more than one of the above criteria will get additional allocations. For the initial drop, 264,000 addresses are eligible.

Optimism is also launching a DAO, the Optimism Collective, as a governance experiment. OP token holders will be able to vote on issues such as project incentives and protocol upgrades. And starting later this year, the DAO will also redistribute the protocol earnings to holders of yet-to-be-issued non-transferrable NFTs.

Expectation is that this could encourage more activity on Optimism, giving it a total value locked[3] (TVL) boost that could help it catch up with optimistic rollup leader Arbitrum that has not yet dropped hints about a token.



(chart from The Block Research)

This could also impact activity on Arbitrum, although it does already have more than double the number of active protocols. More likely, it will boost overall interaction with layer-2s, encourage more apps to launch on Optimism and thus deliver a greater choice of scaling solutions for users.

3 TVL is an imperfect metric that measures in USD the value of the tokens locked up in smart contracts on the platform. It is imperfect because it can involve some double-counting, and its value is affected by movements in token prices, but it can be useful to gauge relative value.

4 Layer-1s

Asset		Price	Mkt Cap (bn)	Apr '22	30D RV
Tron	TRX	$0.07	$6.81	-10.46%	76.82%
Ethereum	ETH	$2,782.46	$335.14	-19.71%	57.12%
Terra	LUNA	$81.11	$27.98	-23.97%	110.78%
NEAR Protocol	NEAR	$11.04	$7.42	-26.22%	111.21%
Polkadot	DOT	$15.08	$14.87	-31.94%	74.53%
Solana	SOL	$89.85	$29.92	-33.60%	77.34%
Cardano	ADA	$0.78	$26.16	-33.72%	71.64%

Top 7 L1 crypto assets with mcap > $5bn, ranked by mth chg. Prices at 07:00UTC 5/1/22. Source: Messari

Layer-1 Fundings

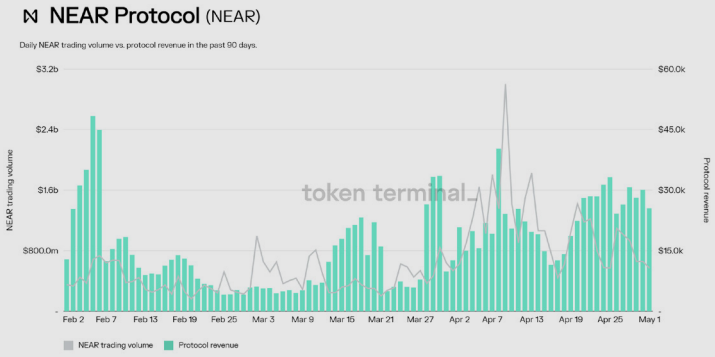
In last month's report, we spoke about the relevance of ecosystem funds for the outlook for a particular blockchain's growth. Another trend to watch is that of direct layer-1[4] (L1) funding rounds.

In early April, the Near Protocol—a proof-of-stake blockchain that launched on mainnet in 2020 and offers relatively fast and cheap transaction execution as well as EVM compatibility[5] through its sister chain, Aurora—announced a $350 million funding round led by Tiger Global. Even before this announcement, NEAR had been attracting interest: in March it led the L1 token performance tables. In April, it fell along with the rest of the group, underperforming Ethereum but outperforming L1 heavyweights such as Solana and Avalanche.

(chart via Messari)

What's more, in late April, the network launched its algorithmic stablecoin USN, which can be minted by depositing NEAR tokens as collateral. Developers hope that this can bootstrap liquidity for DeFi applications on the protocol, with the yield varying according to circulating supply and reserve fund size but with an expected minimum of around 11%, with possibly 20% going to early lenders.

In anticipation, TVL on the network began to climb, rising over 118% vs the previous month, according to DeFi Llama, against an overall TVL decline of approximately 10%. Transactions also rose, delivering an 80% increase in total revenue (user fees) for the month, according to data from Token Terminal.

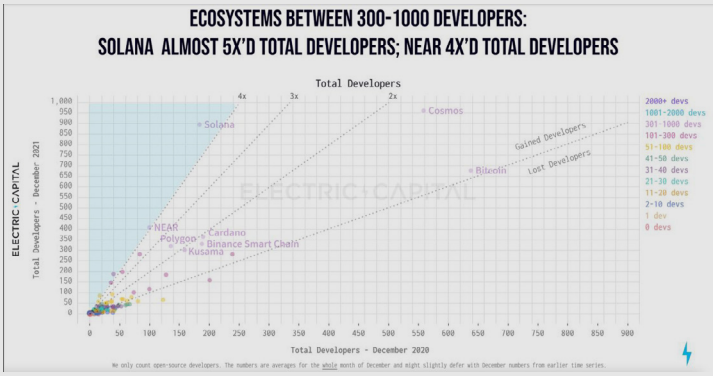


(chart via Token Terminal)

4 Layer-1s refer to blockchains that serve as the base for decentralized applications.

5 EVM = Ethereum Virtual Machine. EVM compatibility means that Ethereum-based applications can also run on the Near Protocol

The funds raised will help to support this growth by investing in developers and possibly through even more incentives to promote app development. In October 2021, the NEAR foundation launched a $800 million program to encourage projects to build on the network. Even before this funding, Electric Capital's 2021 Developer Report showed that the number of developers working on Near jumped 4x over the course of last year.



(chart via the 2021 Electric Capital Developer Report)

Following a similar playbook, Ava Labs—the developer of the Avalanche network—is reportedly in the process of raising a $350 million round, which would put it at a $5 billion valuation. TVL declined over the month, however, which potentially highlights the role of high-yielding stablecoins in driving network adoption (unlike other L1s, Avalanche has not yet announced plans to develop an algorithmic stablecoin).

Modularity Mania

In simplistic terms, blockchains are distributed computers that perform state transitions by taking inputs and producing outputs. Between receiving inputs and emitting outputs, blockchain nodes and validators manage various tasks, namely:

→ Consensus/Networking—process of nodes ordering transactions

→ Data Availability—storing transaction data on-chain to provide detailed state of the ledger

→ Execution—performing computations over transactions to output a "state"

→ Settlement—publishing verified transactions to a decentralized settlement layer

Blockchains that execute all of these operations on the same network are called monolithic blockchains. Today, monolithic blockchains are commonplace in the industry: Bitcoin, Ethereum, and alternative L1s such as Terra, Solana and Avalanche are all monolithic chains.

A growing modularity-maxi community believes that monolithic blockchains are poorly architected and unable to scale effectively. When a problem arises within the consensus, data availability, execution, or settlement layer of a monolithic blockchain, the whole network goes down. From a first-principles basis, modularizing the blockchain stack makes the network more resilient and redundant. For example, if the data availability layer crashes, it can be replaced with another data availability layer without impacting the performance of execution, consensus or settlement.

Ethereum nodes verify the validity of state transitions by re-executing all transactions within a block. Re-executing every transaction between state transitions is a computationally intensive process that bottlenecks the network during high-traffic times. While various blockchain projects have tried to solve for the blockchain trilemma—the notorious trade-off between decentralization, scalability, and security—none have succeeded. Ethereum is decentralized and secure, but not scalable. Solana is scalable, but it is not decentralized and secure. To those that share crypto's ethos, decentralization and security are unforgiving principles. Modularity proponents argue that it makes the most sense to scale blockchains by using a decentralized shared security layer like Ethereum for data availability, consensus and settlement, while outsourcing execution to off-chain scaling solutions such as optimistic and zk rollups.

Beyond the execution layer, the blockchain stack can be further modularized via specialized modular blockchain networks like Celestia. Celestia is a bare-bones blockchain that offers

data availability and consensus, making it easy for any project to spin up their own sovereign rollup/chain without having to manage low-level consensus and data availability. In fact, Celo—an EVM-compatible L1 chain tailored for mobile devices—announced earlier this month that it was ditching its L1 design for an L2 rollup supported by Celestia's data availability and consensus layer. The Celo team mentioned that it was spending too much time debugging its proof-of-stake consensus engine, as opposed to focusing on improving the EVM (Ethereum virtual machine).

The evolution of web hosting provides a helpful mental model for evaluating the modular blockchain thesis. In the early days of the web, individuals maintained their own physical server to host their website. Similar to the early days of the web, early crypto applications like Bitcoin and Litecoin ran their own dedicated blockchain to host their simple peer-to-peer transfer application.

In the 2000s, shared hosting providers emerged, allowing multiple customers to host their websites on the same physical server. While a step-function improvement from individuals having to maintain their own physical servers, shared hosting providers offer limited resources to customers. A physical server has a finite amount of resources to parcel out, hence intensive applications sharing the same server receive inconsistent and lackluster performance during high traffic. The shared hosting era of the web is akin to the current state of crypto. Currently, several dapps share the runtime of a single smart contract blockchain. Every dapp built on the Ethereum blockchain, for example, competes with one another to access Ethereum's finite compute power, leading to failed transactions and high gas fees during high traffic.

During the Otherside metaverse NFT mint (see previous section), Ethereum gas fees soared and transactions halted due to increased demand for block space. Some users claimed to pay upwards of $4,000 for a single transaction. The event led Yuga Labs to hint at intentions of launching its own chain or dedicated execution environment, lending credence to the modular blockchain thesis. Fast forward to the modern web, websites run on virtual machines that share many physical servers. Virtual machines function as dedicated servers, made possible due to innovative server technology that virtualizes the compute power of physical servers. This facilitates scaling by enabling compute to be shared across physical servers.

Similar to the cloud computing paradigm, modular blockchains seek to scale throughput for dapps by developing sovereign rollups or chains that function as dedicated blockchain execution environments. These dedicated blockchain execution environments virtualize the consensus layers of L1 blockchains, as opposed to the compute power of physical servers. Instead of having multiple dapps compete for the finite compute power of a single monolithic blockchain, rollups and modular execution layers provide dapps with a dedicated execution environment that allows transactions to scale off-chain and be batched and settled to decentralized and secure L1 chains.

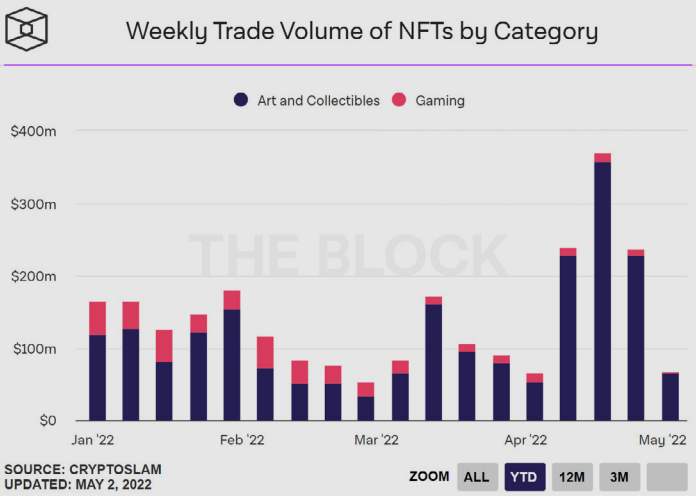
It is important that off-chain computations executed on rollups are verifiable in order to protect against double-spend attacks[6] or any invalid transactions. Today, the most popular ways to verify computations on rollups are via fraud proofs and validity proofs. Fraud proofs are used by optimistic rollups, while validity proofs are used by zk-rollups. Once the industry figures out the best solution for scalable and verifiable computation, the modular blockchain era could scale the industry to onboard the next 100 million users. In the short-term, it is expected that the modular blockchain thesis replaces the rotating L1 thesis, as investors realize that scaling will most likely take place a layer above L1.

6 In a double-spend attack, a digital currency is fraudulently spent twice. This could happen, for example, if enough mining power colluded to ignore recent blocks and re-spend the tokens transferred in those blocks. Bitcoin's security depends on this being a prohibitively expensive strategy.

5 NFTs

Surging Sales

After a lull that lasted several weeks, NFT sales roared back to life in April with an increase of almost 70% vs March, according to data from CryptoSlam. Ethereum continues to be the leading blockchain for NFTs by a wide margin, accounting for almost 90% of sales, with Solana in a distant second place with almost 8%.



(chart via The Block Research)

Up until the launch of the Yuga Labs Otherdeed collection (see the "Ethereum" section), well-known collections such as the Bored Ape Yacht Club family, Azuki and CryptoPunks continued to dominate the sales charts, although the month saw several breakout collections race up the rankings and drive the overall growth.

Each of these newcomers brings a twist to the NFT collectible narrative. Let's look at one of these in more detail, for some context.

NFT Collection Rankings by Sales Volume (30 days)

	Collection	Sales	Change (30d)	Buyers	Txns
1	Otherdeed	$524,548,492	0.00%	11,310	19,932
2	Moonbirds	$494,969,296	0.00%	11,806	16,026
3	Mutant Ape Yacht Club	$297,255,181	72.35%	2,151	3,216
4	Bored Ape Yacht Club	$275,994,607	6.49%	537	865
5	CloneX	$115,894,565	76.01%	1,312	1,928
6	Azuki	$106,281,477	29.90%	881	1,421
7	MurakamiFlowers Seed	$100,578,470	895.23%	3,559	5,300
8	Beanz	$85,836,558	201.65%	2,763	5,047
9	Doodles	$69,523,658	52.57%	928	1,498
10	RTFKT MNLTH	$68,575,718	159.79%	1,714	2,654

(table via CryptoSlam, data taken at 16:00 UTC on 5/2/22)

New NFT Models: Moonbirds and Beanz

Apart from Otherdeeds (whose meteoric rise to the top of the monthly rankings took place over a day), the Moonbirds collection stood at the top of the sales chart, with almost $500 million in sales. Moonbirds launched on April 16 with a collection of 10,000 pixelated images of owls with hierarchical characteristics. That's as far as the collection goes in following the standard formula: distinctive features include the initial distribution as well as the potential utility and revenue stream of the images.

2,000 Moonbirds were granted as free mints to members of PROOF Collective, a private group of NFT collectors and artists. The PROOF Collective NFT, of which there are only 1,000 (with a floor price of 120 ETH, or ~$340,000), grants membership as well as access to the private Discord channel, in-person events and other perks, such as exclusive access to NFT sales and mints. The right to mint a further 7,875 Moonbirds was distributed to a member list formed via a raffle process.

Moonbird holders, whether Proof Collective members or not, get access to specific PROOF Discord channels, and will be able to participate in an upcoming metaverse initiative. What's more, PROOF is planning to introduce a "nesting" feature that will reward owners with additional perks for holding the NFTs long-term. And all mint revenue and secondary sale royalties will go into the PROOF Collective treasury to fund future initiatives such as community events and experiences.

(Source: Moonbirds)

One intriguing aspect is the relationship between Moonbirds and the PROOF NFTs, with potentially the price movements of one fueling the price movements of the other. Another innovation that extends a trend started by the Bored Ape Yacht Club, one of the early initiators of the community NFT concept, adding to the physical event access perk with digital access perks and a possible "nesting" yield. And the relative transparency around the use of royalties could further encourage community initiatives as well as encourage potential collaborations with holders of other collections.

Another model pushing the boundaries of the NFT experience is Beanz. Part of the Azuki family (a popular collection of 10,000 anime-like characters with hierarchical traits), Beanz were launched in March 2022, and in less than two months had climbed into the top 10 of collection sales, according to data from CryptoSlam. The twist is that Beanz are being bought sight unseen, since only two have emerged from their pods so far. Once paired with Azuki characters, they will act as companions, but with their own characteristics, and they could stand alone as individual characters.

(image via @AzukiOfficial on Twitter)

As with Moonbirds, Beanz holders will have access to a private Discord channel as well as possible merchandise and other collectible drops. Their current anonymity is an innovative feature in their investment characteristics, however, as Azuki has hinted at future collaborations with artists, which could impact the collectible value.

With Moonbirds, Beanz and others, we are seeing the development of NFTs-as-community, which is likely to increasingly overlap with the evolution of decentralized metaverse platforms and services. This provides not only a potentially intriguing pivot to the role social media plays in the evolution of culture; it also highlights the "configurability" of collections and the possibility for popular brands to continue iterating, adding value to the original concept.

6 Regulation

Bitcoin as Legal Tender?

In late April, the Central African Republic made bitcoin legal tender, the second nation to do so after El Salvador.

While this is good news for a broader awareness of bitcoin at the nation-state level, it is unlikely to have a notable impact on demand for BTC. The Central African Republic is one of the poorest countries in the world, with annual GDP per capita of less than $500 and a population of less than 5 million, of which less than 15% has access to internet.

Nevertheless, it is an intriguing move from a member of the CFA system, the first to take a step away from dependence on French monetary policy. Previous attempts over the decades from other members did not end well, although this decision comes at a time of high currency volatility, political tension in France and a weak economic outlook across Europe as a whole, which implies that the pressure levers could be different this time.

Meanwhile, El Salvador's commitment to Bitcoin was not enough to ensure the success of its $1 billion Bitcoin-backed bond sale which, along with stalled negotiations with the IMF, has further weakened investor interest in the country's existing bonds.

And Panama, which many expected to emulate El Salvador's move, passed a bill that legalized the use of crypto for payments, but stopped short of making it mandatory, taking legal tender status off the table for now.

US States and Bitcoin Mining

In what could be taken as a sign of the widening political divide when it comes to Bitcoin, April saw two totally different initiatives emerge from key US states.

First, the New York State Assembly voted to pass a bill imposing a moratorium on new Bitcoin mining operations in the state. This is not a Bitcoin ban in that it allows current operations to continue. Rather, it puts a two-year halt on new permissions for carbon-based proof-of-work mining operations that use on-site energy, until the state can undertake a comprehensive impact study.

Meanwhile, the lower chamber of Oklahoma's state legislature approved a bitcoin mining-focused bill that provides tax incentives to Bitcoin miners, specifically on the expenditures related to hardware and electricity.

What both bills have in common is that the likely impact of each is less dramatic than many of the resulting headlines would have readers believe. The New York Assembly motion impacts a subset of new energy consumption permits pending a more detailed study, and a corresponding bill has yet to exit committee in the state Senate. The Oklahoma bill also currently resides with the Senate.

They also both highlight the growing recognition of Bitcoin mining as an industry too small to ignore.

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