

# Cryptocurrencies in 2024: A Comprehensive Outlook



**THEME 1 —**

The anticipated launch of U.S. Bitcoin ETFs in 2024 will greatly impact the crypto landscape.

[Read more on p3](#)

## Introduction

2023 was a transformative year in the cryptocurrency landscape. In this article, we explore the key developments that shaped the crypto space in 2023 and provide insights into the anticipated trends and potential shifts for 2024. We delve into what promises to be another pivotal year for this dynamic and rapidly evolving sector.

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## 2023 Retrospect

### Market trends and performance

In 2023, the cryptocurrency market saw a significant revival, with its total market cap increasing from \$871 billion to \$1.7 trillion. Bitcoin spearheaded this growth, jumping 164% from its January low of \$16,680, to trade above \$40,000 in December, outperforming traditional assets like gold which rose 10%, and the S&P 500, which gained 20%. Bitcoin's market share of the total cryptocurrency market also rose above 50%, according to CoinGecko data.

Bitcoin Returns: 2010 - 2023			
Year	Year Start	Year End	% Change
2010	0.003	0.30	9900%
2011	0.30	4.72	1473%
2012	4.72	13.51	186%
2013	13.5	758	5507%
2014	758	320	-58%
2015	320	430	35%
2016	430	968	125%
2017	968	13,860	1331%
2018	13,860	3,689	-73%
2019	3,689	7,184	95%
2020	7,184	28,775	301%
2021	28,775	47,902	66%
2022	47,902	16,531	-65%
2023 YTD	16,531	42,592	158%

Source: Charlie Bilello

Ethereum maintained its second-place market cap, with a 66% increase in price. Other cryptos like Solana (SOL) also grew substantially, with SOL surging by approximately 267% since the beginning of the year. This surge was largely attributed to Solana's significant strides in the decentralized finance (DeFi) sector, where it emerged as the fourth largest blockchain in terms of Total Value Locked (TVL).

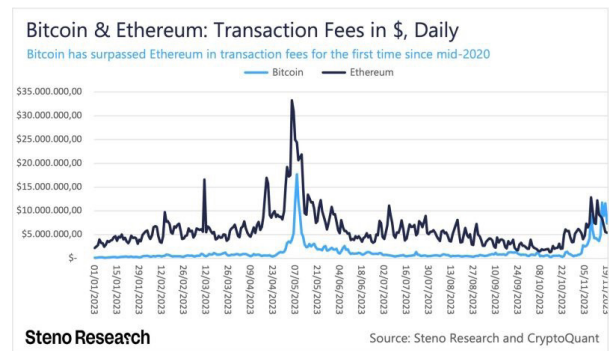
The term TVL means the total value in \$US Dollar of all assets deposited into the project's smart contracts. TVL is commonly calculated in US dollars but could be converted to other currency. Although not perfect, the metric is used to measure the overall 'health' of the DeFi and cryptocurrency markets.

Stablecoins, cryptocurrencies whose value is pegged to a real-world asset like the dollar, reached new highs in market cap. Tether, the largest of such coins, saw its market cap soar to an all-time high of over \$90 billion.

The year marked a period of recalibration for Non-Fungible Tokens (NFTs) following the immense hype they garnered in previous years. Despite many NFT projects showing illiquidity, with 70% having a floor price of zero up to April 2023, the NFT market rebounded in November. This revival saw its best performance since May 2022, with trades nearing half a billion dollars, a 110% monthly increase, and a 258% rise in sales.

### Technology advancements

Technological innovation in the crypto space continued to accelerate in 2023. The introduction of Bitcoin Ordinals, the equivalent of non-fungible tokens (NFT) on the Bitcoin blockchain, was a game-changer. This technology allowed users to embed digital artifacts directly within Bitcoin transactions. During its first 200 days, the Ordinals ecosystem saw impressive user engagement, with 1.14 million digital artifacts inscribed despite a broader bear market in NFTs. In August, PayPal launched a U.S. dollar-denominated stablecoin, PayPal USD (PYUSD), fully backed by U.S. dollar deposits and short-term U.S. treasuries. This launch represented a significant step in enhancing the usability and reach of digital currencies in web3 environments.



### Crypto's ETF Applications

Grayscale's long-standing battle with the SEC over its Grayscale Bitcoin Trust ("GBTC") culminated in a lawsuit victory, enabling the listing of GBTC as an SEC-approved exchange-traded product. The court determined that the SEC had acted arbitrarily and capriciously by denying spot ETFs while approving futures-based ETFs. This played a pivotal role in encouraging institutional adoption. BlackRock, the world's largest asset manager, along with Fidelity and Bitwise, filed for Bitcoin ETFs, emphasizing the growing acceptance of cryptocurrencies as a legitimate asset class among traditional financial institutions. Additionally, 21Shares and Cathie Wood's ARK Invest also stepped into the spotlight by filing for the first U.S. Spot-Ether ETF. These developments, akin to the launch of gold ETFs in the early 2000s, create avenues for traditional capital to invest in "digital gold," drawing new investors into the cryptocurrency market.

#### GBTC discount to NAV narrows as ETF hopes intensify



### Other Legal and Regulatory developments

2023 saw significant legal and regulatory shifts in the cryptocurrency sector. The SEC's lawsuit against Binance and CEO Changpeng Zhao led to a notable \$4.3 billion settlement and Zhao's resignation. This settlement was one of the most significant in the crypto space, underscoring the intense regulatory focus on major players in the cryptocurrency market.

Sam Bankman-Fried, the founder of FTX, faced legal repercussions as he was found guilty of fraud and conspiracy charges. This verdict marked a rapid and dramatic decline for a once-prominent figure in the crypto world.

At regional level, the European Union introduced the Markets in Crypto-Assets (MiCA) regulation, setting a global precedent for crypto regulations. MiCA aims to provide a harmonised framework for crypto assets, enhancing investor protection and ensuring market stability. Additionally, the G20 adopted the IMF and FSB's Synthesis Paper as a roadmap for crypto asset regulation, providing a unified framework for G20 countries and a key step towards standardising crypto regulations.

## 2024 Themes

### THEME 1 —

#### An alignment of planets for Bitcoin?

##### The implication of the SEC's approval of a Bitcoin Spot ETF

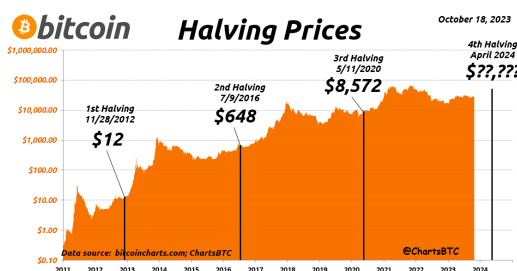
The launch of U.S. Bitcoin ETFs in 2024 will greatly impact the crypto landscape. With 11 applications filed and the positive SEC decision, these ETFs might shift perceptions of cryptocurrency's risk and viability. The approval of these ETFs could lead to a substantial influx of funds, potentially leading to an increase in demand for Bitcoin. This change may be gradual due to investor adaptation and external factors like potential US recession and geopolitical risks. Long-term, this could foster greater Bitcoin accessibility and adoption, positively influencing the broader crypto market.

Firm	AUM, B	Activity	Build or Partner
<b>BlackRock</b>	9,090	Bitcoin spot ETF	Partner - Coinbase
<b>Fidelity</b>	4,240	Bitcoin and Ether trading and custody, full stack crypto wealth management solutions	Build - Fidelity Digital Assets
<b>JPMORGAN CHASE &amp; CO.</b>	3,300	Tokenized USD and EUR transfers via JPM Coin	Build - Onyx private blockchain platform
<b>Morgan Stanley</b>	3,131	Access to three bitcoin funds	Partner - Galaxy, NYDIG
<b>Goldman Sachs</b>	2,672	OTC crypto trading	Partner - Galaxy
<b>BNY MELLON</b>	1,910	Hold, transfer Bitcoin & Ether	Partner - Fireblocks
<b>Invesco</b>	1,484	Bitcoin ETF in Europe, filed for Bitcoin ETF in US	Partner - CoinShares, Galaxy
<b>BANK OF AMERICA</b>	1,467	Bitcoin futures trading	Partner - CME Group
<b>Total Assets</b>	<b>27,294</b>		

Source: BingX Blog

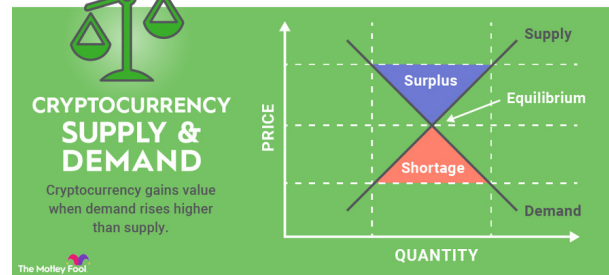
#### Bitcoin halving effect

Another key factor is the Bitcoin halving event slated for April 2024, which is set to reduce Bitcoin's daily issuance by 50%, according to K33 Research. This halving, historically significant for Bitcoin's valuation, is expected to decrease the annual new bitcoin supply by around \$6.2 billion. The reduced supply, coupled with steady demand, might substantially elevate Bitcoin's market price.



#### Stubborn holders

Approximately 70% of Bitcoin's supply is held by steadfast enthusiasts that typically buy more during price dips and resist selling even in market downturns. This behaviour keeps sell-side pressure low in the Bitcoin market, as these holders are not inclined to sell even at current elevated rates, supporting a steady or increasing price trajectory. Low supply versus rising demand is precisely what gives bitcoin value.

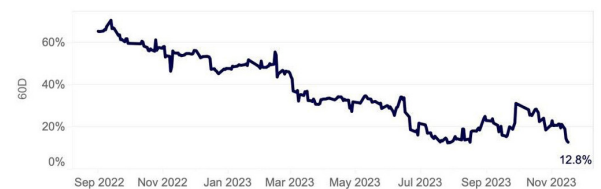


#### Bitcoin's diversification appeal

Bitcoin's declining correlation with U.S. equities enhances its appeal as a diversification asset. The unusually high correlation during 2021-2022 was influenced by factors like interest rates, growth focus, and macroeconomic hedging. Currently, with a stable cost of capital and a decoupling from traditional asset yield dynamics, Bitcoin is showing a reduced correlation with traditional assets. This trend implies an increased potential for achieving portfolio diversification through cryptocurrency investments. Bitcoin price correlation with Nasdaq price currently stands at 2-year low.

#### BTC Correlation With Tech Equities

Rolling 60D correlation of daily returns



Source: Kaiko Correlation Data.



### THEME 2 —

#### Ethereum (ETH) revenue might surge and experience a major Blockchain upgrade

In 2024, Ethereum's revenue is predicted to more than double, reaching \$5 billion. This increase is due to its role as a global supercomputer hosting thousands of crypto applications. Users pay fees to use these applications, generating significant cash flow for Ethereum. As crypto apps gain mainstream popularity, the demand and usage of Ethereum's network are expected to surge, positioning it as one of the fastest-growing large-scale tech platforms globally.

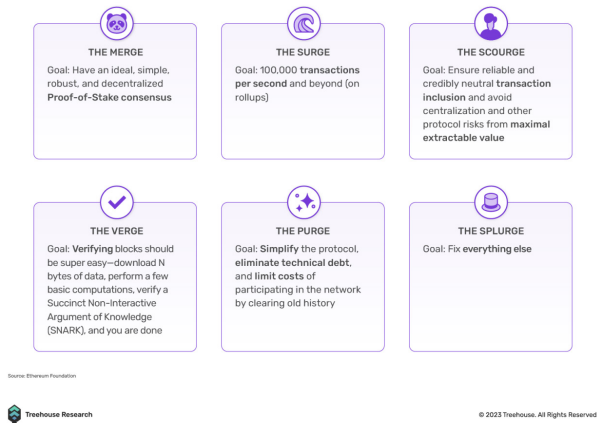
A key development for Ethereum in 2024 could be the implementation of "EIP-4844," an upgrade aimed at drastically reducing transaction costs. Currently, average fees on low-cost Layer 2 blockchains are around \$0.14 per transaction. EIP-4844 aims to reduce this cost below \$0.01, enabling a broader range of activities on the Ethereum network, including micropayments, social media, and large-scale gaming.



This upgrade is expected to facilitate the emergence of mainstream crypto applications, marking a significant milestone in the crypto space.

Note that an Ether spot ETF is also a possible bullish outcome for Ethereum in 2024.

Figure 2: Ethereum Roadmap



THEME 3 —

Solana (SOL) to benefit from DeFi TVL returns

In 2024, Solana could potentially become one of the top three blockchains in terms of market cap, Total Value Locked (TVL), and active users, outperforming Ethereum as DeFi TVL returns. This growth will likely propel Solana into the spotlight of the spot ETF market, with numerous asset managers poised to file for Solana-based ETFs. Additionally, Solana's price oracle, Pyth, is projected to surpass Chainlink, the leading decentralized oracle network build on Ethereum Blockchain, in Total Value Secured (TVS), driven by Solana's increasing TVL and innovative features like its "pull" architecture and confidence interval system.

Total value locked (TVL) is a metric used in the cryptocurrency sector to determine the total U.S. dollar value of digital assets locked, or staked, on a particular blockchain network via decentralised finance (DeFi) platforms or decentralised applications (dApps)

TOP 10 BLOCKCHAINS BY TOTAL VALUE LOCKED



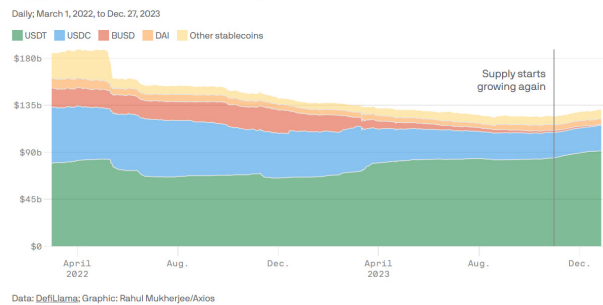
THEME 4 —

Stablecoin expansion

In 2024, the stablecoin market is predicted to reach a new record high, surpassing \$200 billion, driven by the launch of Markets in Crypto Assets (MiCA) regulated stablecoins in Europe, the growth of yield-bearing stablecoins, and rising trading volumes. USD Coin (USDC) is expected to overtake Tether (USDT) in market share, reflecting a growing institutional preference already seen on newer Layer 2 (L2) chains. A Layer 2 blockchain refers to network protocols that are layered on top of a Layer 1 solution. Layer 2 protocols use the Layer 1 blockchain for network and security infrastructure but are more flexible in their ability to scale transaction processing and overall throughput on the network.

This shift might be accelerated by potential legal actions from the U.S. Department of Justice against Justin Sun & Tron for terror financing, Know Your Customer (KYC) infractions, and market manipulation, affecting Tether's market position. Stablecoins are considered one of crypto's killer apps, rapidly growing from nearly zero to a \$137 billion market in just four years. They could potentially one day surpass Visa in settling more transaction volume.

Aggregate stablecoin supply



THEME 5 —

A rebound in NFT activity

In 2024, the NFT market is expected to reach new heights in monthly volumes, fuelled by a resurgence of speculators in crypto and attraction to leading NFT collections on Ethereum, enhanced crypto games, and innovative Bitcoin-based NFTs. The introduction of Bitcoin's Ordinals protocol and emerging Layer 2 chains will boost activity on the Bitcoin network, narrowing the ETH-to-BTC primary NFT issuance ratio to approximately 3-1, according to Vaneck.

Additionally, according to Bitwise, high-profile figures like Taylor Swift may adopt NFTs as a unique fan engagement tool, offering exclusive experiences, access to new music, and even partial song ownership through royalties. This trend is in line with other major artists and platforms like Spotify exploring NFT integration for exclusive content access, signalling a significant expansion and diversification of the NFT ecosystem.

## **Binance will lose its leading position for spot trading while Coinbase's revenue are projected to double**

Bitwise predicts that Binance will relinquish its #1 position in spot trading. This change is expected after Binance's \$4 billion settlement with US regulators and an ongoing DOJ investigation. As a result, competitors like OKX, Bybit, Coinbase, and Bitget are well-positioned to challenge Binance's dominance. Coinbase's international futures market is expected to significantly increase its market share. Concurrently, Bitwise anticipates Coinbase's revenue to double in 2024, jumping from \$2.8 billion to \$5.7 billion. This growth is expected to be driven by an emerging bull market in crypto, along with Coinbase's expansion of its product range and its potential role as the primary custodian for spot Bitcoin ETFs.

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### **For further information**

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## **Conclusion**

If 2022 was a year of challenges for cryptocurrencies and 2023 marked their striking comeback, 2024 is anticipated to be a period of expanded acceptance and deeper integration in the global financial landscape. Developments like the recent approval of Spot Bitcoin ETFs, Solana's growth, and the stablecoin market's expansion, coupled with major legal and regulatory shifts, are driving this transition. As we step into 2024, cryptocurrencies are not just rebounding from past challenges but are also gearing up to become an integral part of the broader financial system, promising an exciting year ahead.

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