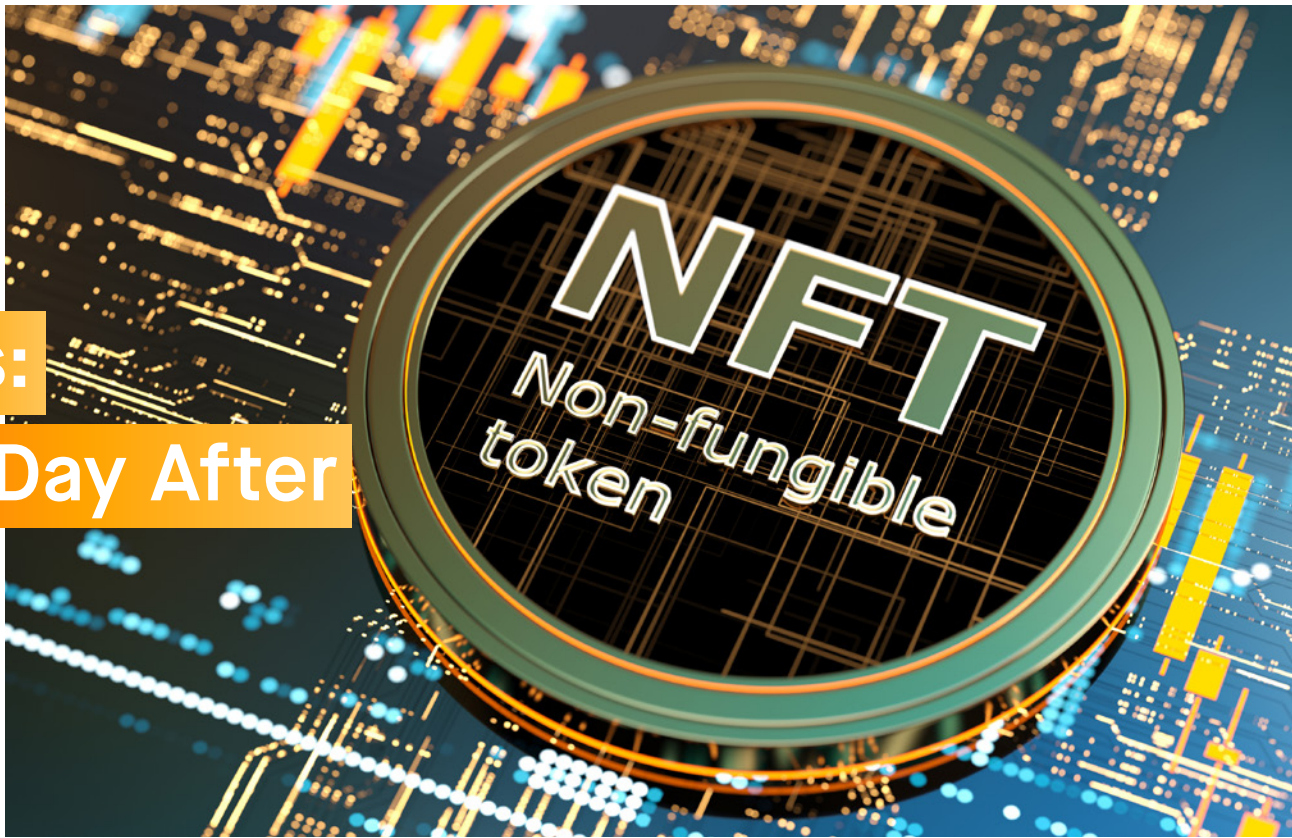


**NFTs:  
The Day After**



Beyond crypto currencies, blockchain has a wide range of applications: storing documents (diplomas, digital identity), real estate information, etc. To facilitate these applications, it is very useful to use non-fungible tokens.

**Charles-Henry Monchau** *Chief Investment Officer*

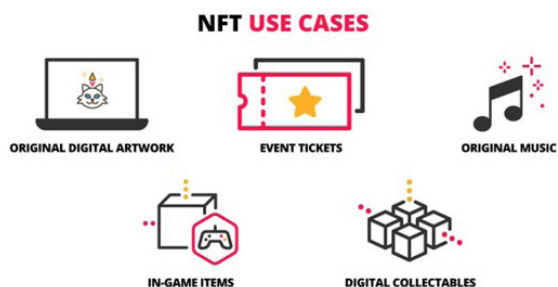
What is fungibility? An asset is said to be fungible if it is not unique and is interchangeable against an asset of the same type. For example, dollars are fungible assets. Similarly, most crypto currencies are fungible or partially fungible assets.

Conversely, some assets are non-fungible. This is the case with train tickets. Although there are thousands of them, certain characteristics are unique to each ticket, such as the seat number or departure time. Among digital assets, NFTs are non-fungible. This means that no two tokens created will be exactly identical and interchangeable. These unique tokens are stored on the blockchain.



Source: DBS Bank

The concept of owning a unique, verifiable digital asset has gained many fans, particularly in the field of art and collectibles. At the start of the decade, the NFT market boomed with high-profile sales such as Beeple's digital artwork and Twitter founder Jack Dorsey's NFT tweet.



Source: DBS Bank

### Anatomy of a crash

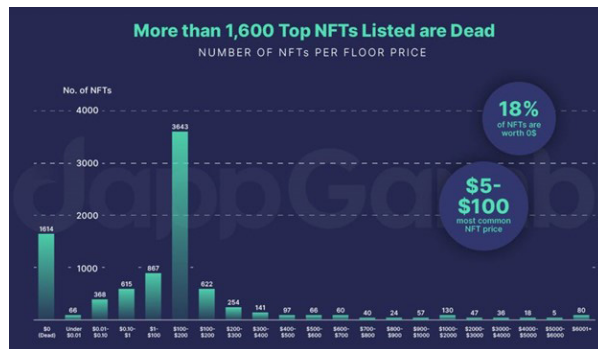
In 2021, the NFT market reached its peak, with weekly trading volumes reaching between \$750 million and \$1.5 billion (between August 2021 and April 2022). Enthusiasm was at an all-time high, as numerous celebrities and artists backed and invested in NFTs. Auction houses such as Christie's and Sotheby's began to organize NFT sales, contributing to their legitimacy.

However, the year 2022 marked a major turning point in this history, with the NFT market experiencing a spectacular collapse. The average price of token sales has fallen by 92% since its peak. By way of example, Dorsey's "first NFT tweet", originally purchased for the exorbitant sum of \$2.9 million, was worth less than \$4 at the start of the year.

This spectacular fall can be explained by several factors. The first is the bursting of virtually all speculative bubbles by 2022. The FAANGs, small and mid-caps, venture capital, cryptocurrencies and NFTs have all experienced historic "purges". The collapse in the value of NFTs has led to growing scepticism, triggering panic selling by speculators.

Another important factor was market saturation. The initial runaway success of NFTs led to a flood of new artists and creators, resulting in a glut of digital assets, and reducing the perceived value and uniqueness of each NFT.

The absence of a comprehensive regulatory framework has contributed to uncertainty, generating legal and security concerns for NFT transactions. Environmental concerns, due to the use of energy-intensive blockchain technologies, have also played a role.



Source: Watcher Guru

The sharp fall in NFT prices meant that some digital assets lost all their value overnight. Leading collections such as Bored Ape and Decentraland experienced dramatic declines in value. In addition, the crash led to a notable drop in user activity and traffic on blockchain platforms, reflecting a significant loss of interest and confidence in the NFT market.

Crypto currencies such as Ethereum, often used for NFT transactions, suffered a sharp depreciation in value. This ripple effect demonstrated the interconnected nature of digital asset markets. The crash also had a profound impact on artists' and collectors' appetite for digital assets.

### The future of NFTs



In the wake of the crash, the NFT market has adapted and continues to evolve. Despite the crisis, NFT technology is progressing, exploring new use cases. This innovation is a response to those seeking greater utility and durability from NFTs. The market is diversifying into sectors such as gaming, finance, virtual real estate and virtual goods. In finance, NFTs facilitate the tokenization of assets, enabling fractional ownership and the fluidity of transactions on traditionally illiquid assets. Brands are integrating NFTs into loyalty programmes to boost consumer engagement. In the art world, NFTs are not limited to the sale of digital art but are redefining artist-public interaction by enabling the creation of unique, interactive and dynamic works. These varied applications highlight

the vast potential of NFTs, showing that they are much more than just a digital tool, but a versatile technology capable of revolutionizing interactions in many sectors.

Looking ahead, the NFT market appears to be heading towards a more stable and mature phase, with regulatory changes expected to boost user and investor confidence. The focus on green blockchain technologies is attracting new, environmentally conscious participants. Continued diversification into virtual real estate and virtual assets paves the way for new phases of growth. Concrete projects are expected to gain momentum, marking a significant change in image from the purely speculative nature of NFTs. A sign of the market's upturn is the explosion in the number of NFTs developed on the Bitcoin blockchain since the launch of the Ordinals protocol in January 2023.

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### For further information

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