

Staked

# The State of Staking

Q3 | 2023

# \$279 BN (-3% Q/Q)

Market Cap of Top 35 PoS Assets

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# \$71 BN (5% Q/Q)

Value of Staked Assets

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# \$4.5 BN (-9% Q/Q)

Annualized Staking Rewards

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# 23% (0% Q/Q)

PoS Share of Total Crypto Market Cap

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# 10.6% (-8% Q/Q)

Average Yield

# BlackRock BTC ETF Filing Saves the Day as SEC Sues Coinbase and Binance

Q2 2023 marks the 1-year anniversary of the LUNA / UST implosion, during which the total crypto market cap dropped below \$1TN. Despite high profile, far reaching lawsuits filed by the SEC against Coinbase and Binance in early June, crypto markets were flat on a quarterly basis, and up 35% from the LUNA nadir a year ago.

Bitcoin saved the day and buoyed the entire market after BlackRock, the world's largest asset manager, filed for exemptive relief to sponsor a BTC spot ETF in mid June. BlackRock's record of getting ETFs approved by the SEC is 575-1, giving investors confidence that a long-awaited spot ETF may finally receive the regulatory green light.

\$BN	Q2 2023 MARKET CAP	Q/Q%	Y/Y%
Total Crypto Market	\$ 1,240	--	35%
Top 35 PoS Assets	\$ 279	-3%	36%
Top 4 Stablecoins	\$ 120	-4%	-18%
Bitcoin	\$ 592	9%	54%
Ethereum	\$ 223	3%	67%

Source: Market capitalizations per [CoinGecko](#)

After increasing in value by 70% in Q1 2022, Bitcoin increased another 9% Q/Q to \$592 BN on the back of the BlackRock spot ETF filing. In fact, Bitcoin's 86% gain in 2023 makes it the best performing asset in the world year-to-date, with Ethereum second only to Bitcoin at 65% (adjusted to include the 6% annualized staking return earned through 06/30/23). Ethereum's market cap gained another 3% Q/Q and 67% on a yearly basis to \$223 BN.

ASSET	YTD (07/04/23)
Bitcoin	80%
Ethereum*	65%
Nasdaq 100	38%
S&P 500	16%
Gold	6%
U.S. Treasuries	-2%
Oil	-12%

Source: Pantera Capital 06/29 Blockchain Letter and Forbes: Best and Worst Investments of 2023.

Ethereum return adjusted to include the 6% annualized staking return earned through 06/30/23.

The average staking yield decreased by 100 bps to 10.6%, as the average stake rate increased by 460 bps to 49.3%. The stake rate and staking yield have an inverse relationship whereby an increase in the stake rate leads to a decrease in the staking yield (because more stake is splitting the same reward pool). The median staking yield has stabilized at 8%, as yields have continued to compress at the high end. Only 34% of the top 35 PoS protocols had a staking yield greater than 10% in the quarter.

As a result of a sharp drop off in transaction and MEV activity, combined with a continued increase in the stake rate, the Ethereum staking yield decreased by 110 bps to 4.7%, its lowest level in the last year. As detailed below, demand for Ethereum staking is at an all-time high, with the activation queue for new validators reaching a record 48 days in early June. The Ethereum stake rate increased another 410 bps to an all-time high of 18.5%.

Because of the sharp increase in the average stake rate, the value of staked assets was up 5% Q/Q and 42% Y/Y to \$71BN. However, this remains well off its all-time high of \$180BN in Q4 2021. And because of the modest decrease in the average staking yield, annualized rewards were down 10% Q/Q to \$4.5BN. Despite the decrease in yield, Ethereum's share of annualized staking rewards increased a massive 800 bps to 44% of the PoS market.

\$BN	Q2 2023	Q1 2023	Q4 2022	Q3 2022	Q2 2022
Average Staking Yield	10.6%	11.6%	11.6%	13.0%	14.6%
Average Stake Rate	49.3%	44.7%	49.9%	50.4%	48.6%
Staked Assets	\$ 71.3	\$ 67.8	\$ 42.0	\$ 62.9	\$ 49.4
Annualized Staking Rewards	\$ 4.5	\$ 4.9	\$ 2.9	\$ 5.0	\$ 3.9

Source: Staked asset value is calculated by multiplying the market capitalization and stake rate for each protocol on the last day of the quarter (e.g., 9/30/22 or 12/31/22). Annualized staking rewards are calculated by multiplying the market cap, stake rate and staking yield for each protocol on the last day of the quarter. Market capitalizations per [CoinGecko](#). Stake rate and yield data per on-chain block explorers.

PoS share decreased by 80 bps in the quarter to 22.5%, as share gains from stablecoins were not enough to offset Bitcoin's outperformance. Excluding Bitcoin, PoS market share increased 170 bps to 43.1%. PoS share gains continued at the expense of stablecoins, which shed another \$5BN, extending their losing streak to 3 quarters. As a result of continued regulatory pressure, Tether's stablecoin share grew from 50% in Q4 22 to 70% in Q2 23, with gains coming at the expense of USDC and bUSD.

After declining modestly in Q1, ETH's PoS dominance grew by 470 bps in Q2 to 80%, its highest share of all-time. The ETH / BTC market cap ratio dropped by 210 bps in the quarter to 37.7%, its lowest level in the last year.

	Q2 2023	Q1 2023	Q4 2022	Q3 2022	Q2 2022
PoS Market Share	23%	23%	23%	24%	22%
ETH PoS Dominance	80%	75%	76%	68%	65%

Source: Market capitalizations per [CoinGecko](#).

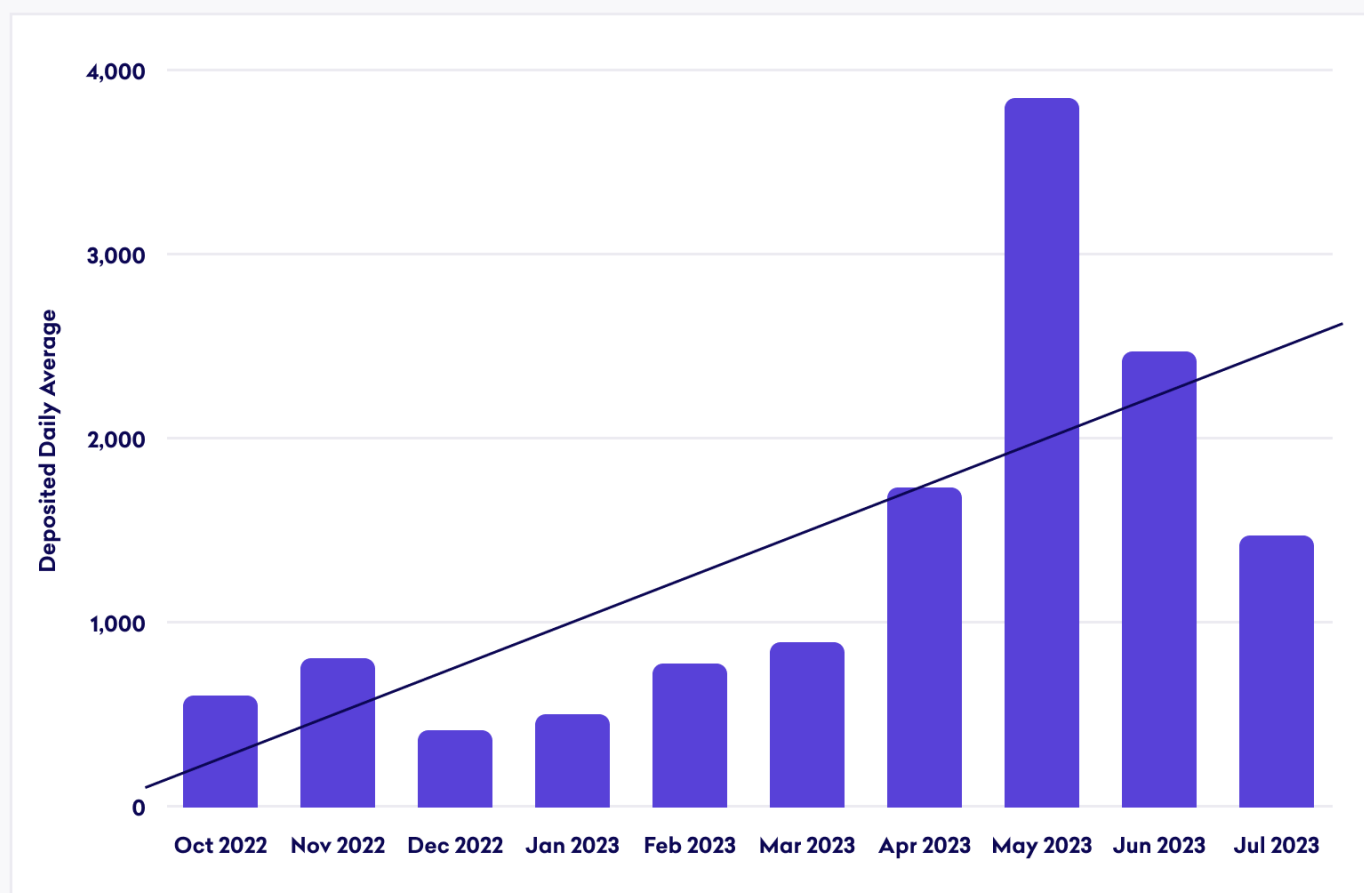
Except for Bitcoin and Ethereum, most crypto assets sold off in the wake of the SEC's lawsuits against Coinbase and Binance. For the first time in 2+ years, other than Ethereum, no PoS asset market cap exceeded \$10BN. Cardano held steadfast onto the #2 PoS asset ranking, but its market cap dipped below \$10BN to \$9.7BN. SUI, another Move-based offshoot from Facebook's crypto initiatives, debuted in the top 35 at #23 with a market cap of \$360MM. The rest of the top 35 PoS protocol rankings remained largely unchanged in the quarter.

## Staked

# Demand to Stake ETH Skyrockets After Shapella Upgrade

As detailed in the previous issue of State of Staking (Q2 2023), the Shapella forks marked the final de-risking event for Ethereum staking. With un-staking and withdrawal functionality live, sidelined investors could finally stake their ETH. Q2 2023 provided clear evidence for a significant increase in ETH staking demand.

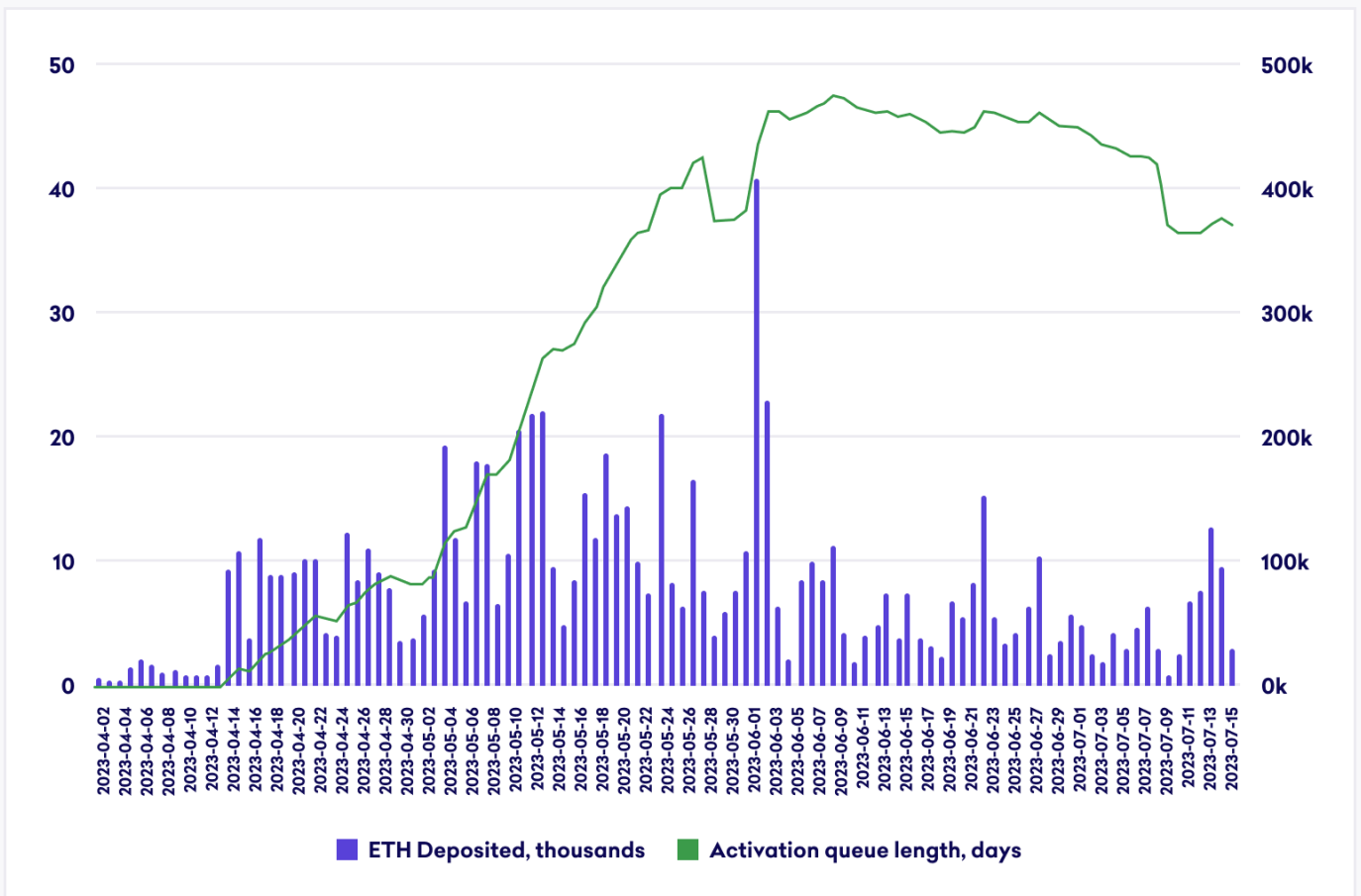
From October 2022 to March 2023 (the "Post Merge period), there were 400 - 900 validators deposits daily as depicted below. Immediately after the Shapella upgrade, average daily deposits increased to 1,700 in April. This represented a 3x - 6x increase relative to the post Merge period. New validator deposits reached an all-time high of close to 4,000 per day in June, an increase of 120% from April, and a stunning 300% - 850% increase vs. the post Merge period. New deposits slowed to 2,400 per day in June, likely because the validator activation queue reached an all-time high in the month.



Source: Kraken, beaconcha.in

There is an Ethereum protocol rate limit to the amount of new validators that can activate per day. The rate limit increases as more validators become active. New validator deposits that exceed the protocol limit go into the activation queue. While in the activation queue, the validator is not earning any staking rewards.

As shown below, the activation queue started to grow right after the Shapella upgrade on April 12th. In early May, the activation queue reached 12 days. And in early June, it reached an all-time high of a staggering 48 days. As of this writing, the queue is just below 40 days.

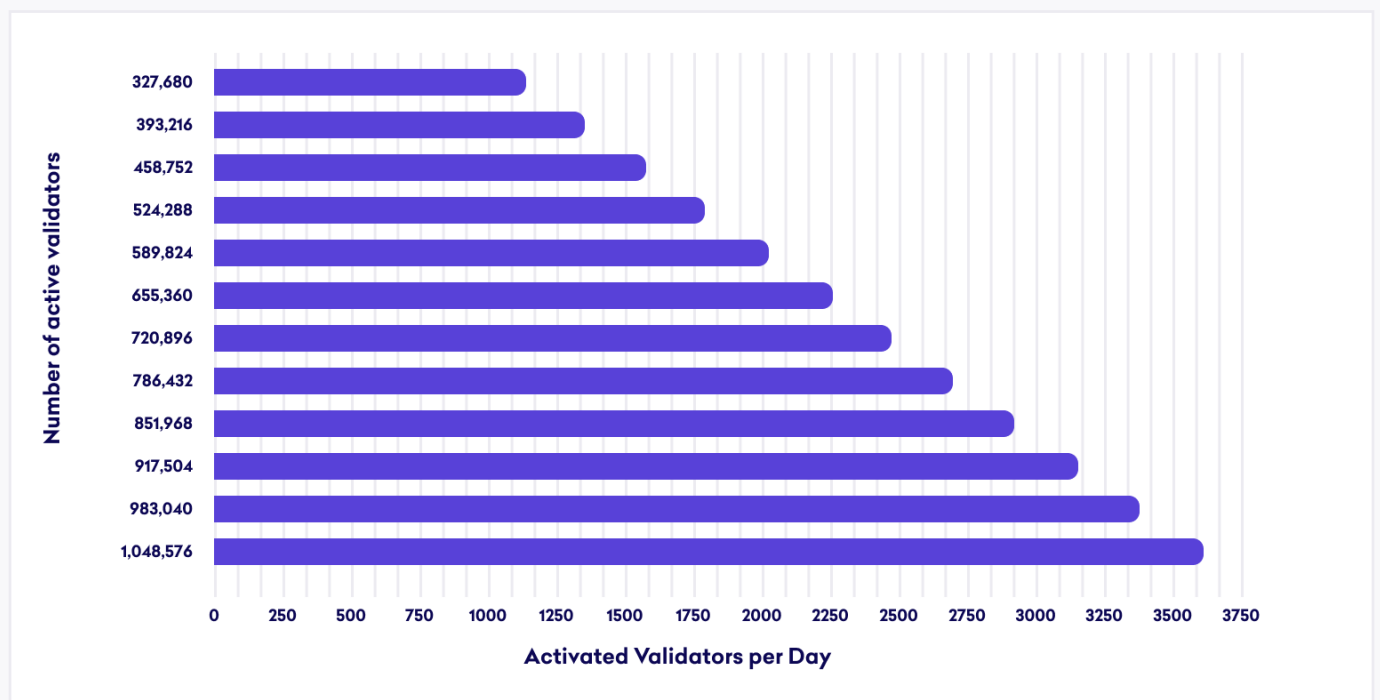


Source: Kraken, beaconcha.in



Despite the overwhelming demand to stake ETH, the activation queue is dampening demand. Investors do not want their ETH to sit in the queue for 40 days and not earn any rewards.

Before Shapella, there was a validator activation limit of 1,800 validators per day. Currently, the activation limit is 2,250 per day, an increase of 25% in the last 3 months. At the current daily deposit rate of ~1,500 validators, there is about 33% of idle capacity below the protocol limit. At this deposit rate, the queue shortens by 1 day every ~ 3 days. Based on the active validator data trends, we expect the limit to increase another 20% to 2,700 validators per day by the end of the year.





# After Slow Q2, Full Slate of PoS Protocol Launches Expected in Q3

SUI, the second of the Facebook Libra blockchain spin-offs, was the only major PoS launch in the 2nd quarter. The 3rd quarter is shaping up to be far more active. Staked is expecting to support 5 new PoS chains in the quarter. In particular, the Celestia launch, and dYdX's transition to a Cosmos-based PoS chain, are hotly anticipated industry events.

dYdX dominates the decentralized perpetuals market, with a seven-day trading volume of \$11.2 billion – almost 8x higher than second-place GMX. dYdX cited scalability and customizability as reasons for choosing the Cosmos-based app chain model. “We came to the conclusion that Cosmos was the best option because we can customize the blockchain to our needs.”

Celestia's launch promises to usher in a new wave of modular blockchains. Per Celestia, “The idea of a modular blockchain is that it can specialize in a couple of functions instead of trying to do everything. A more scalable and customizable system can be created by combining multiple specialized blockchains.”

CHAIN	LAUNCH	FOCUS
Rarimo	08/14/23	Multi-chain protocol for NFTs
Celestia	09/15/23	Modular blockchain infrastructure
dYdX	09/15/23	Decentralized derivatives platform
SEI	09/30/23	Trading and exchange focused layer 1
Chainflip	09/30/23	Cross-chain automated market maker

*Source: Estimated launch dates based on public information from protocol Discords and other announcement channels.*

**Please contact [sales@staked.us](mailto:sales@staked.us) if you are interested in staking for any of the protocols listed above in the launch calendar.**

# Appendix

## Top 35 Staking Chains by Market Cap

PROJECT	TICKER	MARKET CAP (\$)	YIELD	STAKE RATE
Ethereum	ETH	222,892,015,038	4.7%	18.5%
Cardano	ADA	9,671,039,073	4.6%	50.2%
Solana	SOL	7,187,331,653	7.7%	69.6%
TRON	TRX	6,700,451,325	3.9%	52.1%
Polkadot	DOT	6,237,577,867	15.6%	44.7%
Polygon	MATIC	5,823,275,048	4.7%	36.9%
Avalanche	AVAX	4,381,790,415	8.0%	62.1%
Cosmos	ATOM	2,635,081,225	19.0%	69.9%
Aptos	APT	1,499,028,326	7.3%	85.0%
NEAR	NEAR	1,252,390,984	8.8%	57.5%
Stacks	STX	954,671,217	7.0%	27.0%
The Graph	GRT	927,423,136	6.5%	45.3%
Algorand	ALGO	884,689,608	8.0%	23.5%
MultiversX (Elrond)	EGLD	874,029,030	7.9%	63.6%
Fantom	FTM	839,649,577	6.1%	49.0%
Tezos	XTZ	719,816,412	6.4%	70.2%
Radix	XRD	684,530,117	9.0%	25.0%
Injective	INJ	631,721,676	14.9%	63.8%
Kava	KAVA	561,457,069	16.1%	18.6%
Flow	FLOW	536,778,931	9.7%	50.0%
Mina	MINA	431,830,934	22.0%	88.9%
Dash	DASH	388,895,091	5.8%	41.9%
SUI	SUI	359,758,178	5.7%	74.1%
Thorchain	RUNE	294,268,786	16.3%	16.7%
Osmosis	OSMO	291,433,575	12.0%	45.8%

# Appendix

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PROJECT	TICKER	MARKET CAP (\$)	YIELD	STAKE RATE
Decred	DCR	242,853,516	6.7%	63.7%
Oasis	ROSE	234,105,530	8.0%	50.9%
Kusama	KSM	225,941,916	8.7%	53.9%
Celo	CELO	217,579,286	7.2%	54.7%
Audius	AUDIO	189,060,213	19.9%	27.3%
Harmony	ONE	149,978,985	13.5%	39.5%
Skale	SKL	117,898,045	10.9%	53.5%
Livepeer	LPT	117,175,149	26.1%	44.2%
Secret	SCRT	66,796,947	24.4%	60.3%
Canto	CANTO	49,919,750	9.0%	26.0%
<b>Total</b>		<b>279,272,243,628</b>		
<b>Average</b>		<b>7,979,206,961</b>	<b>10.6%</b>	<b>49.3%</b>
<b>Median</b>		<b>631,721,676</b>	<b>8.0%</b>	<b>50.2%</b>

# About Staked

**Staked is a leading non-custodial staking service provider. Staked offers staking services for 45+ proof-of-stake blockchains with billions of delegated assets. The leading investors, exchanges and wallets trust Staked to reliably and securely deliver the optimal staking rewards. Kraken acquired Staked in December 2021.**

**For more information about Staked, please visit: <http://staked.us>**

**To schedule time with a Staked representative, please contact [sales@staked.us](mailto:sales@staked.us)**

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