

Staked

The State of Staking

Q4 | 2023

\$254 BN (-7% Q/Q)

Market Cap of Top 35 PoS Assets

\$74 BN (3% Q/Q)

Value of Staked Assets

\$4.1 BN (-7% Q/Q)

Annualized Staking Rewards

22% (-2% Q/Q)

PoS Share of Total Crypto Market Cap

10.2% (-4% Q/Q)

Average Yield

Crypto Markets Waiting for Near Term Catalysts to Turn Tides

Crypto markets drifted lower during the quarter. The lack of near term catalysts, regulatory uncertainty, and macro challenges left markets in a holding pattern. While crypto assets were down 5-10% on a Q/Q basis, they were up 10-40% on a Y/Y basis (except stablecoins), indicating that while the bear persists, the market is off the bottom. The major markers held just above key levels, with the total crypto market cap at \$1TN+, Bitcoin at \$500BN+ and Ethereum at \$200BN+.

The market scored an important win shortly after the end of the quarter, when the SEC said it would not appeal an Appeals Court ruling from August that stated the SEC was wrong to reject Grayscale's proposed Bitcoin ETF. Analysts believe the SEC's decision not to appeal the ruling paves the way for a broad wave of Bitcoin spot ETF approvals in the January 2024 time frame.

\$BN	Q3 2023 MARKET CAP	Q/Q%	Y/Y%
Total Crypto Market	\$ 1,153	-7%	18%
Top 35 PoS Assets	\$ 254	-9%	8%
Top 4 Stablecoins	\$ 114	-5%	-21%
Bitcoin	\$ 525	-11%	40%
Ethereum	\$ 201	-10%	25%

Source: Market capitalizations per [CoinGecko](#) as of 09/30/23.

The average stake rate of the top 35 PoS assets reached an all-time high in the quarter, up 310 bps to 52.4%. This is largely a function of chain maturation, as stake rates generally increase until reaching an equilibrium. Ethereum crossed the 20% stake rate threshold, increasing by 350 bps to 22%. The Solana stake rate is back above 70%, increasing 230 bps to 71.9%.

The average staking yield of the top 35 PoS assets compressed further in the quarter, down another 40 bps to 10.2%, its lowest rate ever. The drop in the staking yield was (largely) caused by the increase in the average stake rate, as detailed above. This continues the downtrend that started in March 2022, when the average yield peaked at 15.4%. Polkadot (15.1%) and Cosmos (18.9%) are the only top 10 PoS assets with yields higher than 7.5%.

As a result of the sharp increase in the average stake rate, the value of staked assets was up 3% Q/Q and 17% Y/Y to \$73.5BN. Annualized rewards were down 7% Q/Q and 18% Y/Y to \$4.1BN because of the modest decrease in the average staking yield and top 35 PoS market cap.

\$BN	Q3 2023	Q2 2023	Q1 2023	Q4 2022	Q3 2022
Average Staking Yield	10.2%	10.6%	11.6%	11.6%	13.0%
Average Stake Rate	52.4%	49.3%	44.7%	49.9%	50.4%
Staked Assets	\$ 73.5	\$ 71.3	\$ 67.8	\$ 42.0	\$ 62.9
Annualized Staking Rewards	\$ 4.1	\$ 4.5	\$ 4.9	\$ 2.9	\$ 5.0

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.

Market share changes were modest in the quarter. PoS share decreased by 40 bps to 22.1% as stablecoins stopped their year long decline. After peaking in Q2 at 79.8%, ETH's PoS dominance decreased by 80 bps in the quarter to 79%. This snaps a streak of 7 quarters of PoS dominance for Ethereum, dating back to September 30, 2021. The ETH/ BTC market cap ratio reversed the past two quarters of losses, increasing by 60 bps in the quarter to 38.3%.

	Q3 2023	Q2 2023	Q1 2023	Q4 2022	Q3 2022
PoS Market Share	22%	23%	23%	23%	24%
ETH PoS Dominance	79%	80%	75%	76%	68%

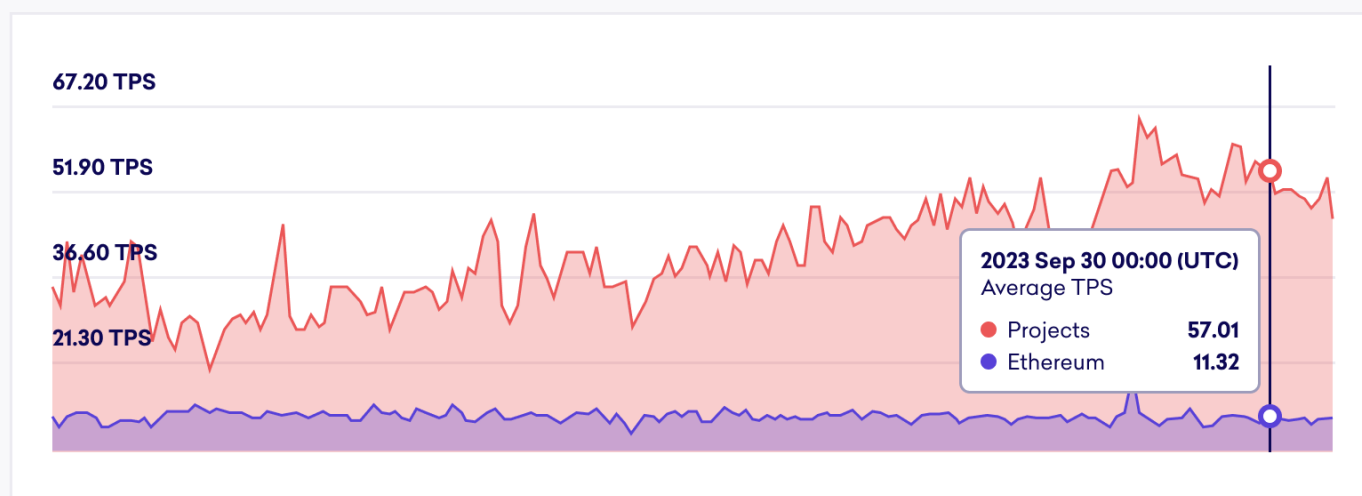
Source: Market capitalizations per [CoinGecko](#) as of the last day of each calendar quarter.

ETH Yield Reaches Lows as Activity Moves to Layer 2 and Staking Demand Continues to Rise

September 15th 2023 was the one year anniversary of "The Merge", when the Ethereum Mainnet merged with the Beacon Chain proof-of-stake (PoS) system. The Merge marked the end of proof-of-work (PoW) for Ethereum, and the full transition to PoS. The combination of a record high stake rate, and transaction activity shifting from Mainnet (L1) to the various Ethereum layer 2 networks (L2s), resulted in a Q3 staking yield of 4.5%, ETH's lowest on record.

The Ethereum network's stake rate, or the percentage of total supply staked, increased by 350 bps to 22% in Q3, a record high. Because the staking yield decreases as the stake rate increases, the Consensus layer yield declined by 30 bps to 3.2% in Q3.

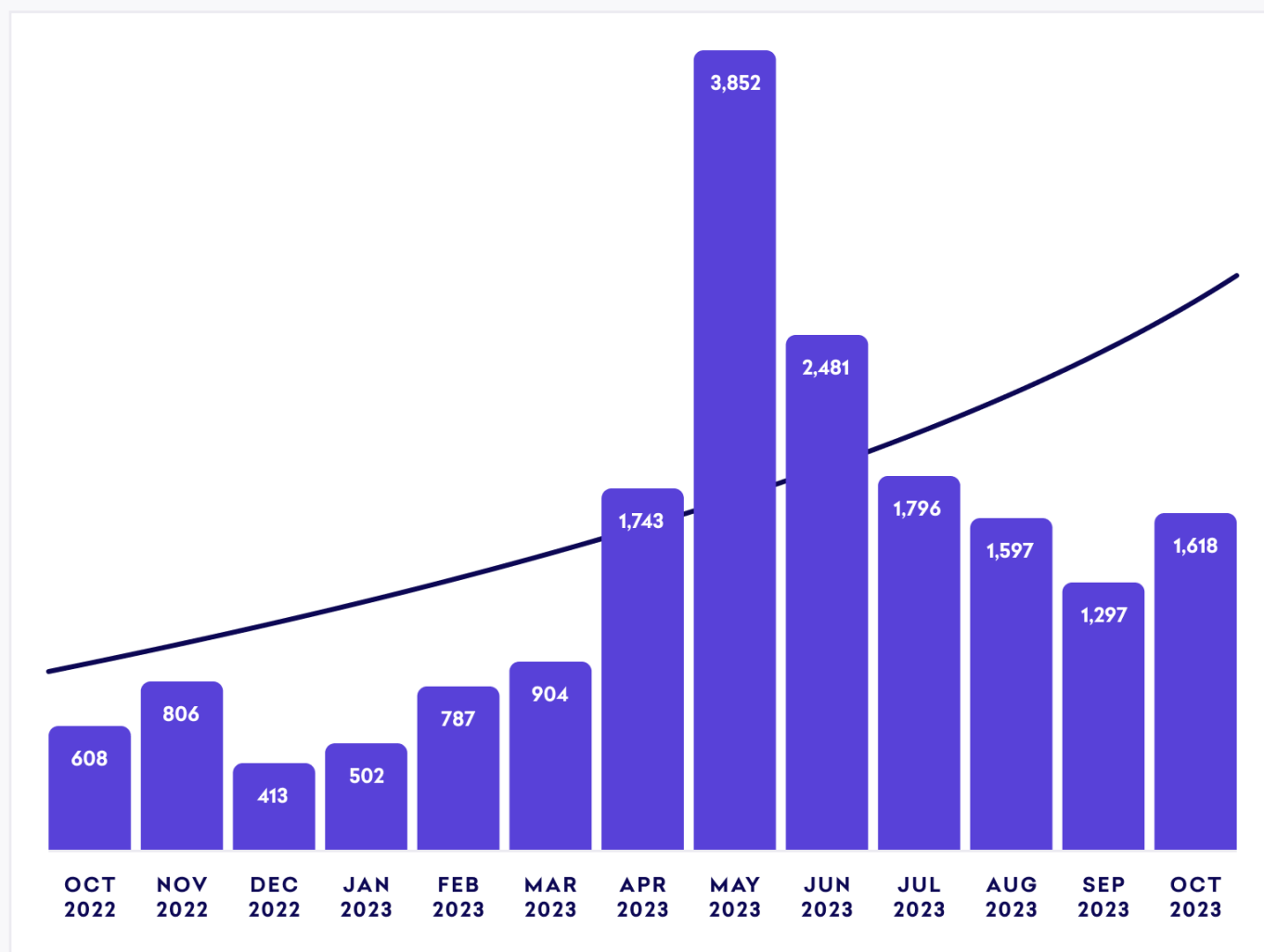
The decrease in the Execution layer staking yield was even more pronounced, declining by 60 bps to 1.3% in Q3. Execution layer rewards (transaction fees + MEV) are a function of activity on the Ethereum Mainnet, or L1. According to <http://l2beat.com>, while transactions were flat on Mainnet, they increased by 100% Q/Q on Ethereum L2s such as Base, Arbitrum and Optimism. While the movement of activity from L1 to L2 helps with Ethereum scaling, it also reduces Execution Layer rewards, at least in the short-term.



<https://l2beat.com/scaling/activity>

Deployed on Coinbase's L2 Base, social dapp sensation “friend.tech” is emblematic of transaction activity moving from Ethereum L1 to L2. Launched in early August 2023, friend.tech transaction activity reached an all-time high of 540k on September 13th.

New staking deposit activity cooled off in the quarter. Per <http://beaconcha.in> (as depicted in the chart below), average daily deposits decreased all three months before bottoming in September at 1,300. Even with the Q3 slowdown, the deposit rate was still 2.0 - 2.4x higher than Q1, when withdrawals were not yet active.



After reaching 45+ days in late Q1 / early Q2, the staking withdrawal queue fell all the way down to 1 day in Q3. This increase in liquidity, where staked ETH is accessible in ~ 24 hours instead of 30+ days, is a material boon to stakers. It also provides an offset to the decrease in staking yield. As detailed above, the Ethereum stake rate reached 22% in Q3, whereas the average stake rate for the top 35 PoS protocols reached an all-time high of 52.4% in the quarter.

Full Slate of PoS Protocol Launches Coming by End of Year

SEI, a high-performance trading and exchange focused layer 1 network, was the only major PoS chain to launch in Q3. However, there are 4 new PoS chain launches scheduled for Q4 that Staked will be supporting. 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
Q3		
SEI	08/16/23	Trading and exchange focused layer 1
Q4		
Rarimo	10/16/23	Multi-chain protocol for NFTs
dYdX	10/30/23	Decentralized derivatives platform
Celestia	10/31/23	Modular blockchain infrastructure
Chainflip	11/08/23	Cross-chain automated market maker DEX

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

For additional information about staking for the new protocols detailed above, please contact sales@staked.us.

Appendix

Top 35 Staking Chains by Market Cap

PROJECT	TICKER	MARKET CAP (\$)	YIELD	STAKE RATE
Ethereum	ETH	200,867,042,113	4.2%	22.0%
Cardano	ADA	8,894,395,028	3.3%	50.7%
Solana	SOL	8,834,603,607	7.6%	71.9%
TRON	TRX	7,895,797,935	3.9%	52.6%
Polkadot	DOT	5,257,098,993	15.1%	48.7%
Polygon	MATIC	4,957,721,522	5.2%	36.5%
Avalanche	AVAX	3,274,706,042	7.9%	56.8%
Cosmos	ATOM	2,117,606,073	18.9%	67.6%
Aptos	APT	1,303,848,706	7.3%	84.1%
NEAR	NEAR	1,105,738,348	8.3%	60.8%
The Graph	GRT	826,727,636	6.4%	46.1%
Algorand	ALGO	808,312,648	7.5%	22.9%
Stacks	STX	678,744,663	9.0%	30.3%
MultiversX (Elrond)	EGLD	659,975,858	7.9%	63.6%
Tezos	XTZ	645,635,806	6.2%	71.8%
Injective	INJ	642,808,367	15.9%	59.6%
Radix	XRD	582,842,355	8.6%	14.7%
Thorchain	RUNE	578,872,618	11.5%	33.3%
Fantom	FTM	560,729,370	6.1%	49.0%
Kava	KAVA	509,720,888	18.9%	59.5%
Flow	FLOW	473,457,188	9.8%	49.8%
SUI	SUI	372,946,516	4.9%	80.5%
Mina	MINA	371,747,601	14.8%	77.6%
Dash	DASH	318,865,213	5.8%	41.9%
Celo	CELO	231,279,123	6.0%	41.0%

Appendix

Top 35 Staking Chains by Market Cap

PROJECT	TICKER	MARKET CAP (\$)	YIELD	STAKE RATE
SEI	SEI	216,084,722	5.5%	61.5%
Decred	DCR	212,663,789	9.0%	54.2%
Oasis	ROSE	209,722,329	8.0%	94.0%
Osmosis	OSMO	193,379,134	10.6%	50.7%
Kusama	KSM	171,015,055	8.0%	55.0%
Audius	AUDIO	167,916,374	19.2%	28.1%
Livepeer	LPT	158,681,709	28.7%	45.0%
Harmony	ONE	119,294,561	11.0%	40.7%
Skale	SKL	104,466,036	10.9%	53.7%
Secret	SCRT	51,378,619	25.5%	57.7%
Total		254,375,826,545		
Average		7,267,880,758	10.2%	52.4%
Median		578,872,618	8.0%	52.6%

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

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