



# Crypto Commentary

## May 2024

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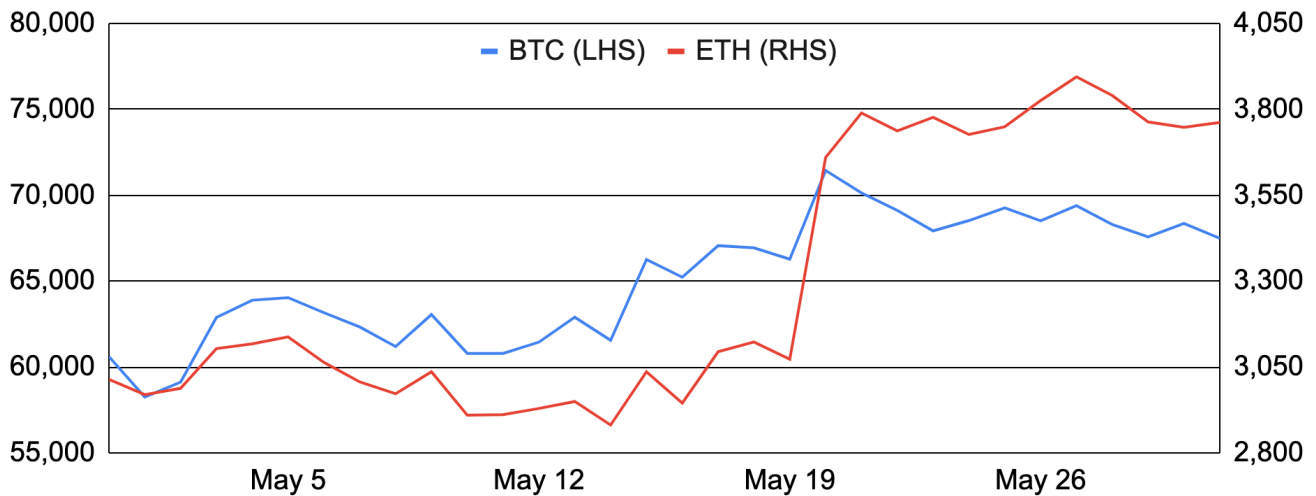
## ***Bitcoin and Ethereum***

Bitcoin entered May around \$60,600 and increased 11% during the month to finish at ~\$67,500. Crypto's apex digital asset traded relatively sideways until it started to climb higher on several mid-month catalysts that included a better than feared US CPI, improving inflows into the spot Bitcoin ETFs, and an impressive breadth of 13F spot Bitcoin ETF holders. The real action, however, came on May 20th when reports surfaced that the SEC may approve the spot Ethereum ETFs, with Bitcoin benefitting not only from ETH's move, but also the improving US view towards digital assets. Bitcoin spent the rest of the month moving slightly lower, with the largest negative catalyst being the transfer of over [140,000 BTC by the Mt Gox trustee](#), likely in preparation to repay creditors by October 31. Other notable news includes: Bitcoin surpassed one billion cumulative transactions; developers called for the Bitcoin testnet to be reset due to frequent "block storms"; Runes increased its share of Bitcoin transactions after experiencing a mid-month lull; hybrid L2 BOB and CeDeFi protocol BounceBit both launched their mainnets; Bitcoin staking protocol Babylon partnered with pSTAKE for Bitcoin liquid staking; MetaMask revealed intentions to integrate native Bitcoin; medical device maker Semler Scientific adopted Bitcoin as its primary treasury reserve asset; the NYSE announced plans to launch Bitcoin options; and the Bitcoin white paper returned to Bitcoin.org.

Ethereum materially outperformed Bitcoin, increasing 25% during May after entering the month around \$3,000 and finishing at ~\$3,750. While Ethereum was impacted by the same macroeconomic variables as Bitcoin, the vast majority of Ethereum's performance came on May 20th due to the aforementioned movement on the spot ETFs, and specifically after Bloomberg ETF analyst [Eric Balchunas tweeted](#) that he was increasing his approval odds from 25% to 75% just days before the SEC was set to opine on VanEck's application. ETH closed out the month relatively unchanged after May 20 despite the SEC's actual approval of the spot Ethereum ETF 19b-4 filings on May 23 and the apparently improving US stance towards crypto. In development/protocol news, ETH flipped to inflationary due mainly to the Dencun upgrade; L2 TVL hit a new record; Ethereum developers set the Pectra upgrade for 1Q25, Vitalik proposed EIP-7706 to create a new gas model for call data and authored a blog post on MEV solutions; and ENS announced plans to migrate to a layer 2. In staking news, Ethereum validator P2P.org enabled ETH restaking on EigenLayer; Blockdaemon integrated Liquid Staked ETH (LsETH); Lido proposed an alliance promoting a stETH-based staking ecosystem; Ethereum developers sparked controversy by joining EigenLayer as advisors; and the proposed spot Ethereum ETFs all removed staking from their plans. Finally, there were many notable developments with L2s, including from Optimism, Polygon, Taiko, and StarkNet.

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## BTC and ETH



Source: Santiment, GSR.

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## The US Changes its Stance Towards Crypto

The most notable item during the month was a marked and sudden shift in the US stance towards crypto. It all started early in the month when Donald Trump announced intentions to accept crypto campaign donations and stated he “is good with” crypto. Trump continued to express pro-crypto messages across multiple platforms, including at an NFT Gala at Mar-a-Lago and with a promise to pardon Silk Road founder Ross Ulbricht. Despite some believing Trump’s embrace of crypto rings hollow - he was less than friendly to the industry while President - the Democrats quickly took notice, with many realizing an anti-crypto stance was unlikely to win votes, but it could cost votes in a tight election year. This about face is demonstrated by and culminated in three particularly notable events during the month.

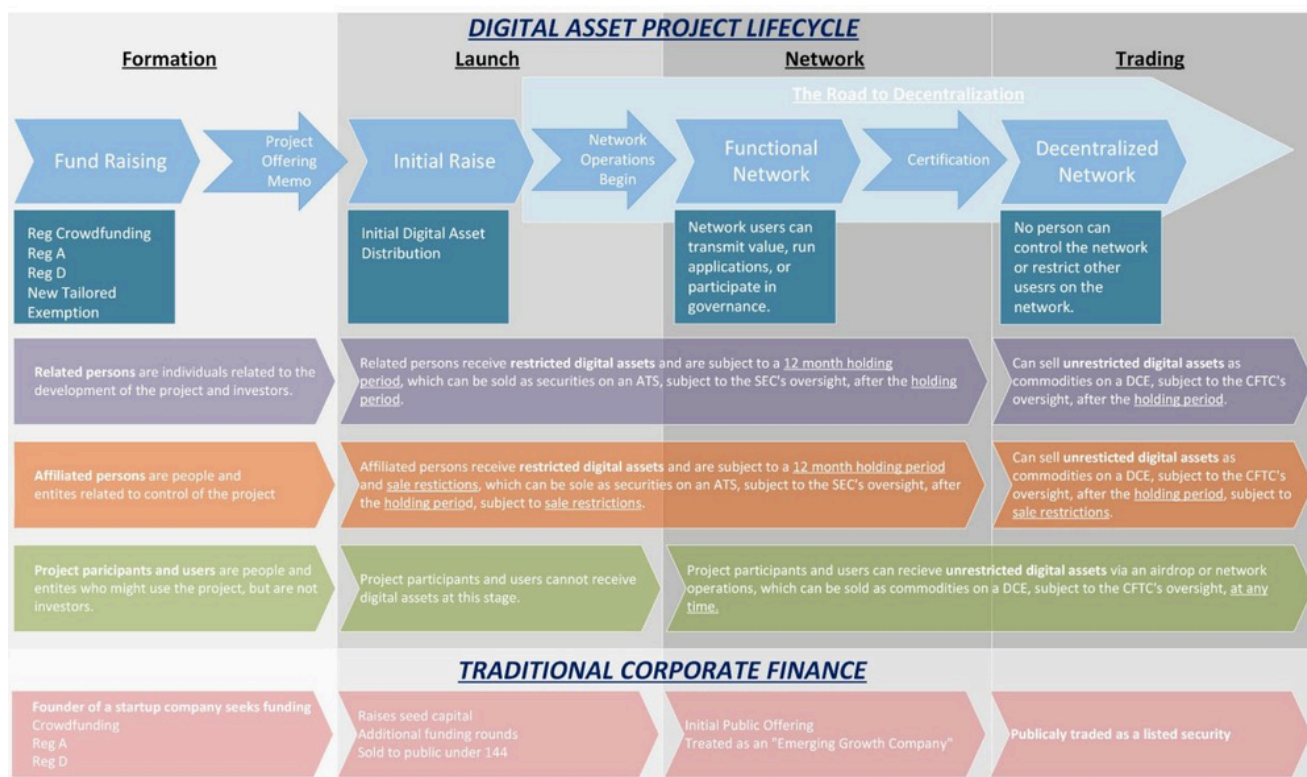
The first notable event demonstrating a less hostile approach towards crypto regards [SAB 121](#), a controversial SEC accounting policy released in 2022. Specifically, SAB 121 mandates that companies offering digital asset custody services include the custodied assets on their balance sheet, creating material capital and accounting complications for banks wanting to work with crypto clients. But with significant industry pushback and more openness by politicians, both the US House of Representatives and the Senate passed a [measure overturning SAB 121](#). While Biden ultimately vetoed the measure, a [promise he had made](#) before it passed in the House and before crypto became more influential in the election, Biden did express a desire to work with Congress to develop digital asset legislation, and the bipartisan support demonstrates lawmakers’ desire to both protect consumers / the financial system and to foster innovation.

Next up was the [Financial Innovation and Technology for the 21st Century Act](#) (FIT21), a bill seeking to establish a comprehensive regulatory framework for digital assets in the US. FIT21 proposes to divide regulatory responsibility of digital assets between the SEC and CFTC based on various factors, such as

the digital asset's level of decentralization and functionality of its associated blockchain system, how the digital asset is acquired, and who holds the digital asset. While [the bill is not perfect](#), over 50 crypto companies voiced support for it, and it passed in the House by a vote of 279-136, including 71 Democrats voting in its favor. While moving the bill through the Senate is a complex process and it is unclear if it will even reach the Senate floor or how it would do if it does, the passage in the House alone is notable for the level of bipartisan support and the amount of progress made, with FIT21 being the furthest a comprehensive crypto bill has made it in the US.

Finally, the last notable item demonstrating, accompanied by, and arguably due to the changing US view towards crypto is the recent approval of the spot Ethereum ETF 19b-4 filings, discussed more below.

### FIT21 Proposed Digital Asset Project Lifecycle



Source: Congress.gov, GSR.

### Spot Ethereum ETFs Approved

In a historic move, the SEC approved pivotal 19b-4 filings for the spot Ethereum ETF applicants on May 23, putting the products squarely on the road to launch. The approval surprised nearly everyone involved, including ETF experts and the issuers themselves, as there had been little communication between the SEC and the issuers, the SEC had received political pressure not to approve additional digital asset ETFs, and the presence of the SEC's investigation into ETH as a security complicated the

matter. However, just three days prior to the SEC’s May 23 decision deadline, Bloomberg ETF analysts Eric Balchunas and James Seyffart materially increased their approval odds to 75% and noted “chatter that SEC could be doing a 180” on the issue. Issuers soon after began updating their 19b-4 filings on an accelerated basis, most notably removing staking, and saw their proposed ETFs listed on the DTCC before the SEC ultimately approved the 19b-4 filings via delegated authority (delegated authority is the norm for approvals, though this precluded seeing public commissioner votes). The 19b-4 approvals now pave the way for the ETFs to launch, and more importantly, added some regulatory clarity to spot ETH, will ease access to the digital asset and further legitimize crypto as an asset class, and is accompanied by and due to a shift in US crypto policy that is likely more important than the ETF itself.

Looking ahead, while the hard part is done and most consider the spot Ethereum ETFs a matter of when, not if, the SEC must still approve the S-1 registration statements in order for the ETFs to launch. ETF experts had pegged S-1 approval to occur anywhere from two weeks to two months after the 19b-4 approvals, though SEC Chair Gensler recently stated S-1 approval will “take some time”. Finally, note that once launched, inflows into the spot Ethereum ETF products may be a large driver of price, as they were for Bitcoin, and market participants are split, but mostly subdued around inflow expectations. Specifically, those who believe flows may underwhelm point to a lack of staking, the poor futures-based Ethereum ETF launch, the fact that Ethereum is less well known and more complicated than Bitcoin, the lack of buzz from a long run-up to approval as was the case with the spot Bitcoin ETFs, and the potential for large Grayscale Ethereum Trust (ETHE) outflows. However, others believe inflows may positively surprise due to low expectations, some of the above arguments being invalid (egs. Ethereum futures ETFs launched in a bear market; a 3% staking yield on an 80 vol asset doesn’t matter), significant advantages to the spot Ethereum ETF product (egs. The ability to diversify BTC holdings; the potential for deflation; a more straightforward ESG story), the potential for Grayscale to lower fees or spin out its Mini Trust immediately to temper outflows, and the potential for animal spirits to win the day with early flows likely highly driven by retail.

### Spot Ethereum ETF Applicants

Issuer (Ticker)	Ticker	Company	19b-4 Filed Date	First Deadline	Second Deadline	Third Deadline	Final Deadline
VanEck Ethereum ETF	N/A	VanEck	9/6/23	11/10/23	12/25/23	3/24/24	5/23/24
ARK 21Shares Ethereum ETF	ARKE	21Shares & ARK	9/6/23	11/11/23	12/26/23	3/25/24	5/24/24
Hashdex Nasdaq Ethereum ETF	N/A	Hashdex	9/20/23	11/17/23	1/1/24	3/31/24	5/30/24
Grayscale Ethereum Futures Trust	ETH	Grayscale	9/19/23	11/17/23	1/1/24	3/31/24	5/30/24
Grayscale Ethereum Trust <i>Conversion</i>	ETHE	Grayscale	10/2/23	12/11/23	1/25/24	4/24/24	6/23/24
Invesco Galaxy Ethereum ETF	N/A	Invesco & Galaxy	10/20/23	12/23/23	2/6/24	5/6/24	7/5/24
Fidelity Ethereum Fund	N/A	Fidelity	11/17/23	1/20/24	3/5/24	6/3/24	8/2/24
iShares Ethereum Trust	N/A	BlackRock	11/21/23	1/25/24	3/10/24	6/8/24	8/7/24
Franklin Ethereum ETF	N/A	Franklin	2/22/24	4/27/24	6/11/24	9/9/24	11/8/24
Bitwise Ethereum ETF	N/A	Bitwise	3/28/24	5/23/24	7/7/24	10/5/24	12/4/24

Note: Dates are estimates and/or deadlines, so they may come earlier. **Red Dates** have already been delayed/denied

Source: Bloomberg Intelligence, SEC.gov

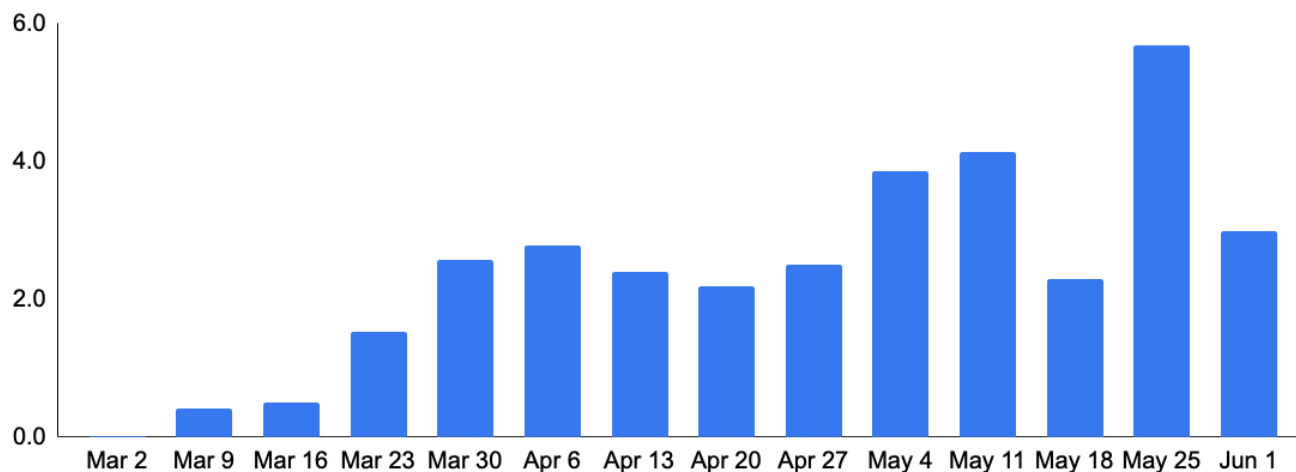
Source: @JSeyff on Twitter, GSR. Note: Data as of May 20.

## Memecoin Activity Continues

Outside of politics and traditional finance, memecoins [continued to remain in the spotlight](#) in May, with four main storylines. First, memecoins continued to proliferate, with tens of thousands created every day on memecoin launchpad pump.fun alone. The trend has been so strong that it pushed pump.fun into the top ten protocols by fees generated, despite having been exploited by a former employee on May 16. Another notable memecoin trend during the month was celebrities launching memecoins, including Caitlyn Jenner, where many questioned whether she was actually behind the coin, and Iggy Azalea, where she continues to [heavily promote her MOTHER coin](#) on Twitter. Despite the fun, some questioned the merits of such activity, including Vitalik Buterin who [stated he is “quite unhappy”](#) about it. Also during the month, political memecoins like Jeo Boden, Doland Tresp, and MAGA saw elevated trading volumes, particularly after Trump was found guilty on 34 felony charges, though the political memecoins experienced varying performance (BODEN -25% in May vs. TRESP +393% and TRUMP +247%). Lastly, memecoins received a large boost following the return of Keith Gill, also known as Roaring Kitty, who played a key role in the GameStop short squeeze in 2021 with his posts on Reddit. Gill began [tweeting on X again](#) on May 12th for the first time in 3 years, which caused many memecoins to pump, including the Solana-based GameStop token GME that skyrocketed 718% during May.

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*Pump.fun Weekly Revenue, \$m*



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Source: DefiLlama GSR.

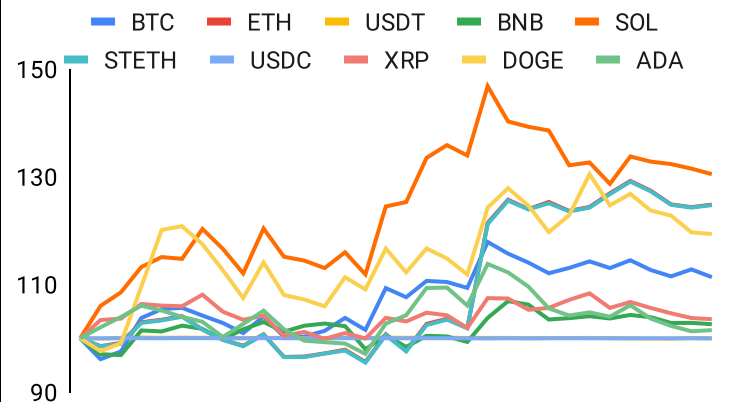
## GSR in the News

- Bloomberg - [Token Launches Are Back as Startups Embrace Now-or-Never Mantra](#)
- Barron's [Bitcoin Nurses Its Wounds After Its Worst Stretch This Year. What Comes Next.](#)
- TechCrunch - [Masa Finance gets \\$3.5M pre-seed to build its decentralized credit protocol](#)
- Bloomberg - [Crypto Startups Turbocharge Valuations as Investment Picks Up](#)

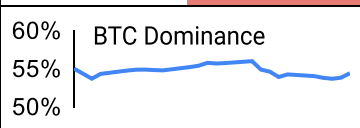
- Bloomberg - [Crypto VC Firm Polychain Makes Payouts to Investors in Two Funds](#)
- Bloomberg - [Banks Want In on Private Credit - Matt Levine](#)
- Bloomberg - [A Hot Button Issue for SEC Threatens to Erode Ether-ETF Demand](#)
- Cointelegraph - [Can Ethereum ETFs thrive without staking amid SEC scrutiny?](#)
- Bloomberg - [US Paves Way for Ether ETFs in Test of Crypto Demand Beyond Bitcoin](#)
- The Block - [Why crypto traders are bullish on the delay before Ethereum ETFs go live](#)
- Coindesk - [The Unintended Consequences of FIT21's Crypto Market Structure Bill](#)
- The Block - [The Ethereum ETFs took the market by surprise. Are they priced in?](#)
- The Block - [ETH 'bucking' crypto market downturn thanks to spot ether ETF excitement, analysts say](#)
- DL News - [Solana surge to \\$140 shows investors couldn't care less about the Fed](#)
- DL News - [How this crypto hedge fund will trade the Ethereum ETF decision](#)



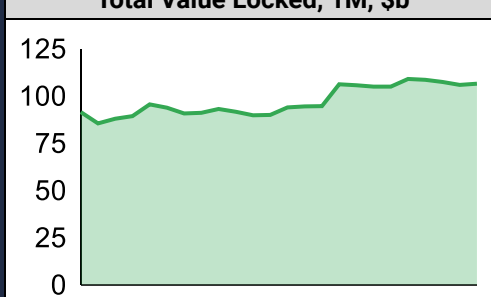
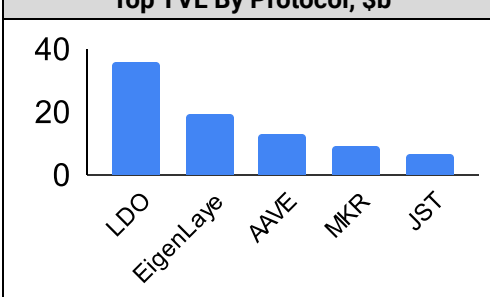
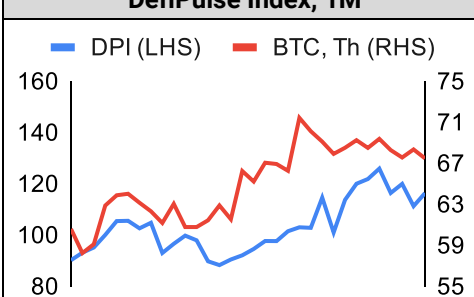
## Crypto Leaderboard

Rank	Name	Ticker	Price	MC, \$b	1M	One Month Performance				
1	Bitcoin	BTC	67,490	1,330	11%	BTC	ETH	USDT	BNB	SOL
2	Ethereum	ETH	3,762	452	25%	STETH	USDC	XRP	DOGE	ADA
3	Tether	USDT	1.00	112	0%					
4	BNB	BNB	594	88	3%					
5	Solana	SOL	166	76	30%					
6	Lido	STETH	3,761	36	25%					
7	USD Coin	USDC	1.00	32	0%					
8	Ripple	XRP	0.52	29	4%					
9	Dogecoin	DOGE	0.16	23	19%					
10	Cardano	ADA	0.45	16	2%					

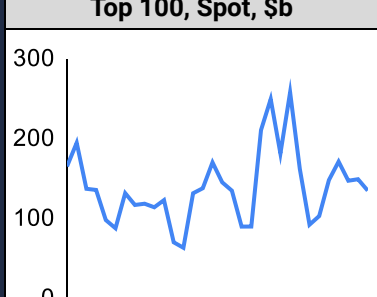
## One-Month Performance

By Token		By Category		By Ecosystem		Traditional Finance	
BRETT	122%	Lending	110%	Avalanche	12%	Gas	29.9%
PEPE	110%	Meme	13%	Polygon	11%	Nasdaq	6.9%
JASMY	86%	Privacy	7%	Gnosis Chain	8%	SPX	4.8%
ONDO	59%	DEX	6%	BSC	7%	DAX	3.2%
FLOKI	50%	IoT/Data/Comp	5%	Solana	6%	HSI	1.8%
BONK	35%	Other DeFi	5%	Polkadot	1%	EUR/USD	1.7%
SEI	-20%	Gaming/Entmnt	4%	Cosmos	-2%	FTSE	1.6%
NEO	-24%	Scaling	2%	Tron	-10%	Gold	1.4%
STX	-26%	Smart Contract	0%			NIKKEI	0.2%
PYTH	-27%	Currency	-1%			USD/JPY	-0.3%
BEAM	-42%	CEXs	-1%			WTI	-6.0%

## Defi

Total Value Locked, 1M, \$b	Top TVL By Protocol, \$b	DefiPulse Index, 1M
		

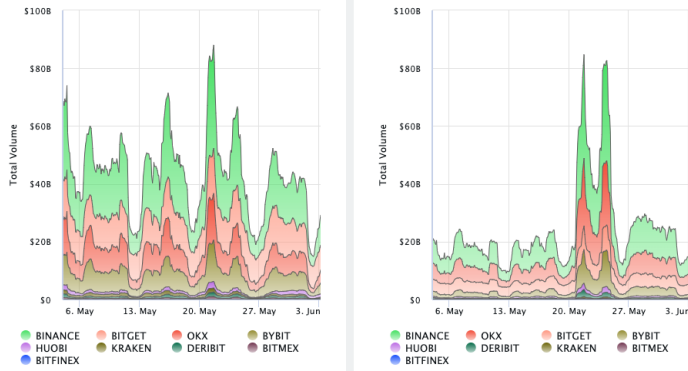
## One-Month Trading Volumes

Top 100, Spot, \$b	Top Spot by Token, \$b	Top Spot Exchanges, \$b	Aggregate Derivs Vols, \$b																																															
	<table border="1"> <tr><td>USDT</td><td>1,793</td></tr> <tr><td>BTC</td><td>874</td></tr> <tr><td>ETH</td><td>495</td></tr> <tr><td>FDUSD</td><td>195</td></tr> <tr><td>USDC</td><td>193</td></tr> <tr><td>SOL</td><td>92</td></tr> <tr><td>PEPE</td><td>55</td></tr> </table>	USDT	1,793	BTC	874	ETH	495	FDUSD	195	USDC	193	SOL	92	PEPE	55	<table border="1"> <tr><td>Binance</td><td>547</td></tr> <tr><td>ByBit</td><td>119</td></tr> <tr><td>OKX</td><td>86</td></tr> <tr><td>Gate.io</td><td>78</td></tr> <tr><td>Coinbase</td><td>70</td></tr> <tr><td>Huobi</td><td>68</td></tr> <tr><td>Upbit</td><td>55</td></tr> </table>	Binance	547	ByBit	119	OKX	86	Gate.io	78	Coinbase	70	Huobi	68	Upbit	55	<table border="1"> <tr> <td></td> <td>1M</td> <td>O/I</td> </tr> <tr> <td>Spot</td> <td>1,140</td> <td>na</td> </tr> <tr> <td>Perpetuals</td> <td>44,040</td> <td>473</td> </tr> <tr> <td>Futures</td> <td>12</td> <td>1</td> </tr> <tr> <td>Options</td> <td>63</td> <td>na</td> </tr> <tr> <td><b>Total</b></td> <td><b>45,255</b></td> <td><b>474</b></td> </tr> </table>			1M	O/I	Spot	1,140	na	Perpetuals	44,040	473	Futures	12	1	Options	63	na	<b>Total</b>	<b>45,255</b>	<b>474</b>
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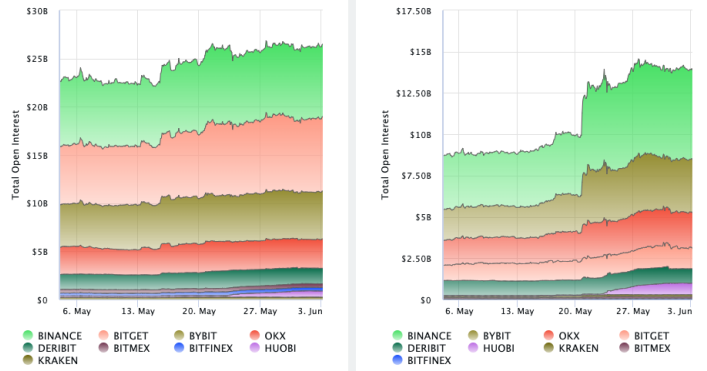


## Crypto Futures

### Futures Volume (BTC LHS ; ETH RHS), 1d



### Futures Open Interest (BTC LHS ; ETH RHS)



### OI Weighted Funding Rate (BTC LHS ; ETH RHS), 1d

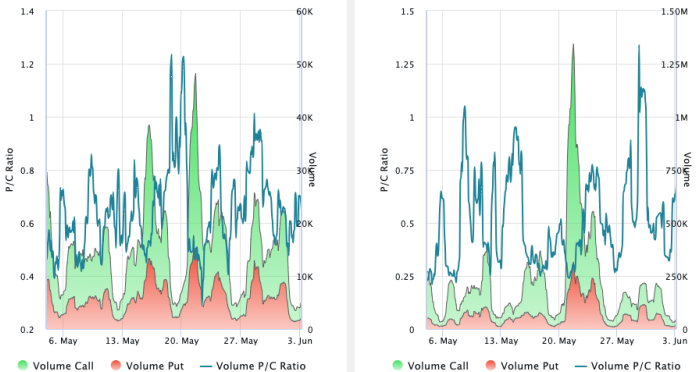


### Liquidations (BTC LHS ; ETH RHS), 1d

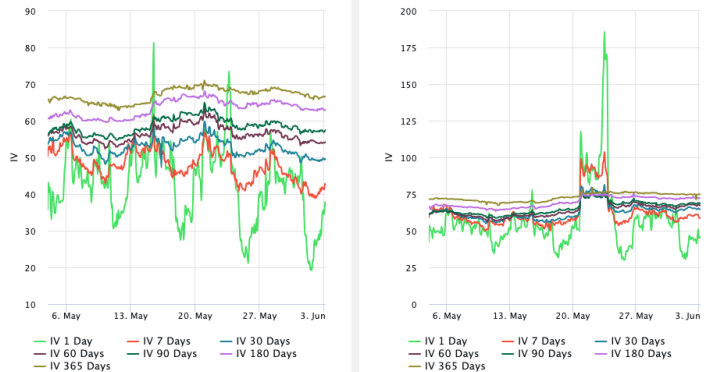


## Crypto Options

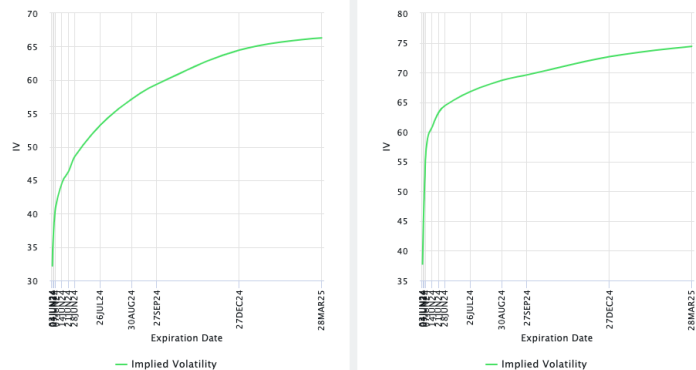
### Options Volume & Put/Call Ratio (BTC LHS ; ETH RHS), 1d



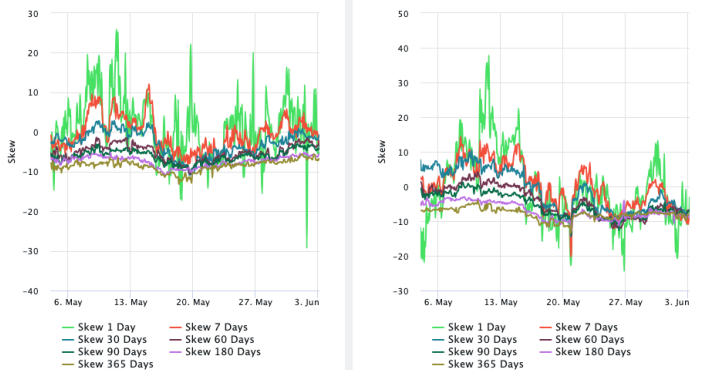
### ATM Implied Volatility (BTC LHS ; ETH RHS)



### ATM Implied Vol Term Structure (BTC LHS ; ETH RHS)



### 25 Delta Skew (BTC LHS ; ETH RHS)





# May Market Update

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CoinMarketCap	DefiLlama	WorldCoinIndex	The Block	Yahoo Finance
	Laevitas	Amberdata	CoinGlass	