

Q1 2024

Kaiko Research

Quarterly Market Report

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Q1 Timeline

January

January 11
USDC issuer Circle files for an Initial Public Offering (IPO) in the US

Approval of 11 Spot BTC ETFs

January 30
DeFi Protocol Abracadabra suffers \$6.5mn exploit

January 31
Solana DEX Jupiter completes \$700mn JUP Airdrop

February

February 6
Solana suffers a 5-hour outage

February 14
US Banks seek to modify SEC crypto guidance

February 26
Binance executives detained in Nigeria

February 23
Bitforex halts operations

March

March 1
BlackRock's IBIT hits \$10bn in AUM

US Court rules secondary market crypto trading as securities

March 4
US SEC delays BlackRock and Fidelity's spot ETH ETF applications

March 5
BTC hits a new all-time high

March 13
ETH Dencun upgrade goes live

March 26
US DOJ Charges KuCoin

March 20
BlackRock launches tokenized fund on Ethereum

March 28
Sam Bankman- Fried sentenced to 25 years for FTX fraud

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Analyst Commentary



Clara Medalie

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A New Leaf

In the first quarter of the new year, Bitcoin hit new all time highs, a spot ETF finally got approved, and Sam-Bankman Fried got sentenced to 25 years. That's what I call turning over a new leaf. Did we make it

through these difficult two years unscathed? Not exactly. But nonetheless, the industry feels alive again: volume is surging, liquidity has recovered, new tokens are launching, and DeFi innovation is ramping up. It finally feels exciting to work in crypto again and all the data is pointing in the right direction. Over the next quarter, I'll be paying close attention to ETF flows, which will have a growing impact on prices, towards both the up and downside.



Dessislava Aubert

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Rising Macro Headwinds

Despite heavy volatility in Q1, Bitcoin has outperformed due to strong ETF flows and improved risk sentiment. However, the risk-on rally since late October 2023 is showing some signs of exhaustion,

raising questions about a potential shift to risk-off sentiment in the next quarter. Growing macroeconomic headwinds in Q1, such as higher-than-expected US inflation, have fueled concerns that interest rates will remain elevated longer than anticipated. As Bitcoin's interconnectedness with traditional finance grows through ETFs, its sensitivity to macroeconomic headwinds may increase in the upcoming quarter.



Adam McCarthy

[@AdMcMarkets](#)

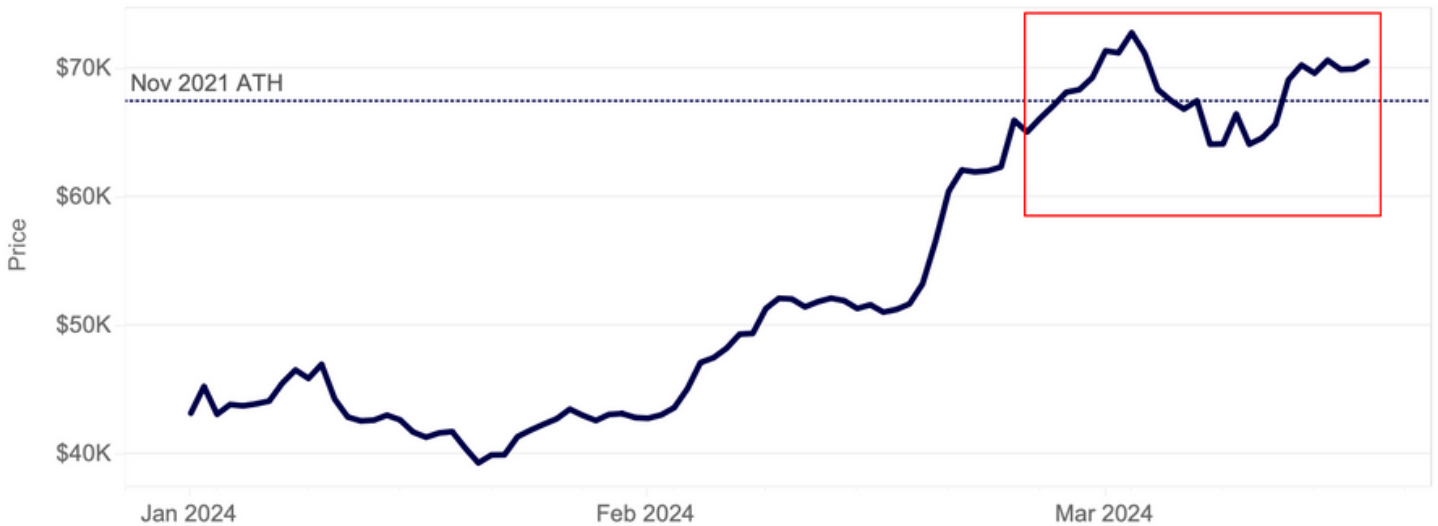
Can Solana Build on Meme Token Frenzy?

Meme tokens reached multi-year highs in the first quarter. Interestingly a lot of the action occurred on the Solana blockchain, as users took part in the meme frenzy that saw tokens like dogwifhat gain 2,900% and register billions of dollars in trades.

The spike in activity pushed Solana above Ethereum in terms of DEX volume in March and, similar to the BONK rally in December, highlighted the blockchain's resilience since the collapse of FTX. SOL outperformed ETH during the first quarter, and depending on how spot ETF applications go, this could continue in the coming months. I'll be keeping an eye on what these users do next and if protocols on Solana can retain them after meme token hype fades.

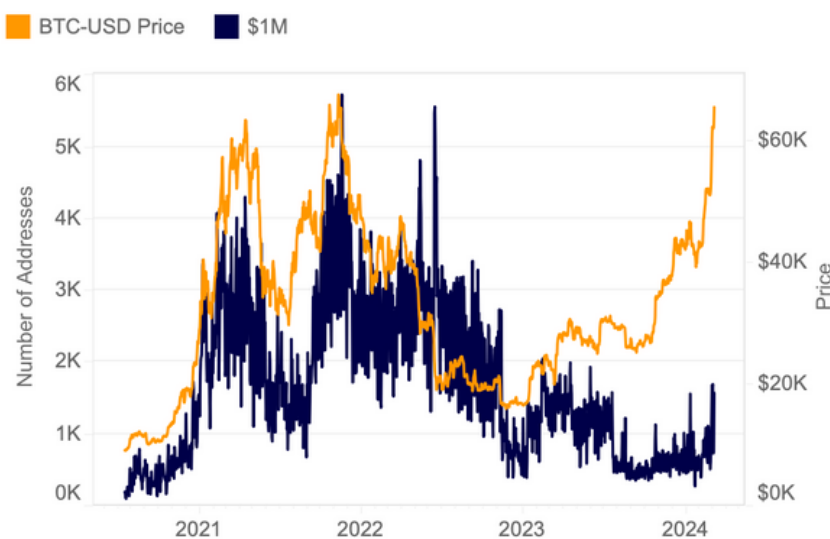
Breaking Down The Bitcoin Rally

BTC-USD Price



During the quarter, bitcoin experienced a historic rally following the approval of 11 spot ETFs, achieving multiple new all-time highs against several fiat currencies. In February, BTC first reached new highs against the Japanese Yen (JPY), Nigerian Naira (NGN), Turkish Lira (TRY), and the Euro (EUR). However, the all-time high for the dollar remained elusive until March 5, when the BTC-USD price finally surpassed its previous peak last hit in 2021. Bitcoin closed March 31st at a whopping \$71k, capping an impressive quarter.

Number of BTC Wallets Reaching \$1mn

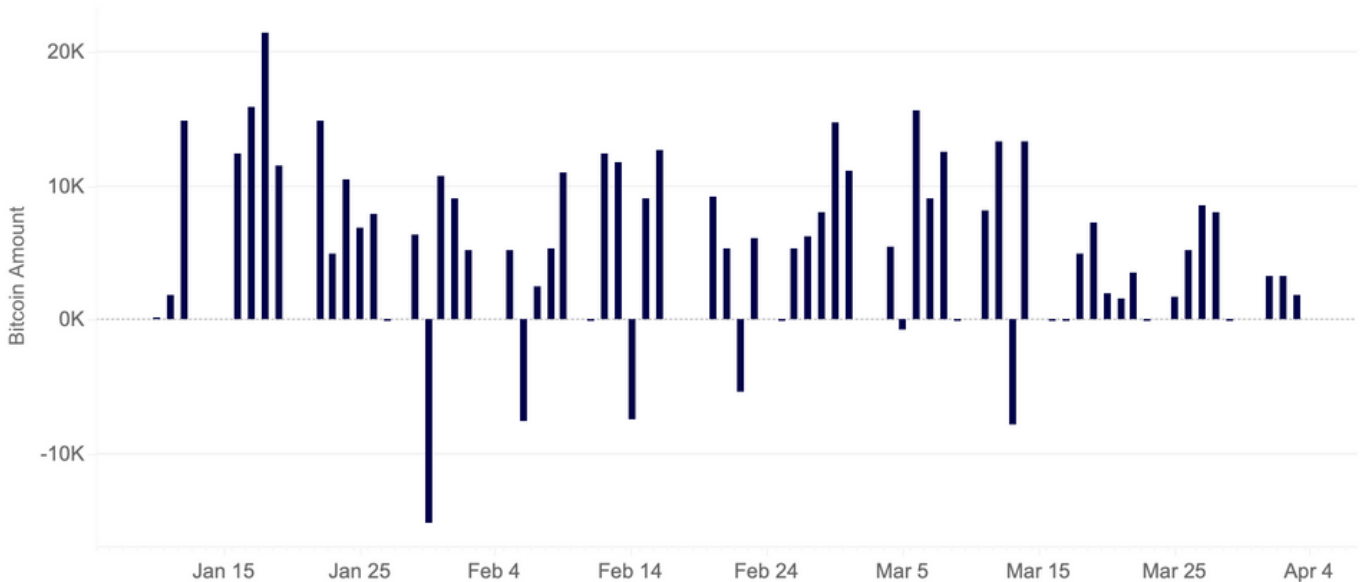


Despite the recent price surge, on-chain bitcoin whales have seen a slow return. Using [Wallet Data](#), we were able to compute the number of new daily millionaire wallets and found that they have remained below two thousand per day. During the last bull run, more than four thousand wallets were reaching the million-dollar mark daily.

Spot ETFs See Strong Inflows

Net Flows of BTC Spot ETFs

Excluding Grayscale's GBTC



The inflows into new ETFs have been one of the major drivers of BTC price action. Out of 61 trading days, 51 days showed net inflows. The ETFs have already become significant holders of BTC, representing more than 4% of the total supply, indicating consistent demand for these products. BlackRock and Fidelity have shown the largest net inflows, with BlackRock recently surpassing \$10 billion in Assets Under Management - the fastest ETF to reach this amount in history.

Grayscale GBTC BTC Holdings



The one exception to ETF inflows has been Grayscale's Bitcoin Trust (GBTC). GBTC held over 600k BTC before it was allowed to convert into an ETF. Because of frictions with redemptions, GBTC traded at a discount to BTC for much of the bear market. Now that these frictions (and the discount) are gone, there have been persistent outflows, causing GBTC's holdings to drop to just over 450k.

Volatility Is Back

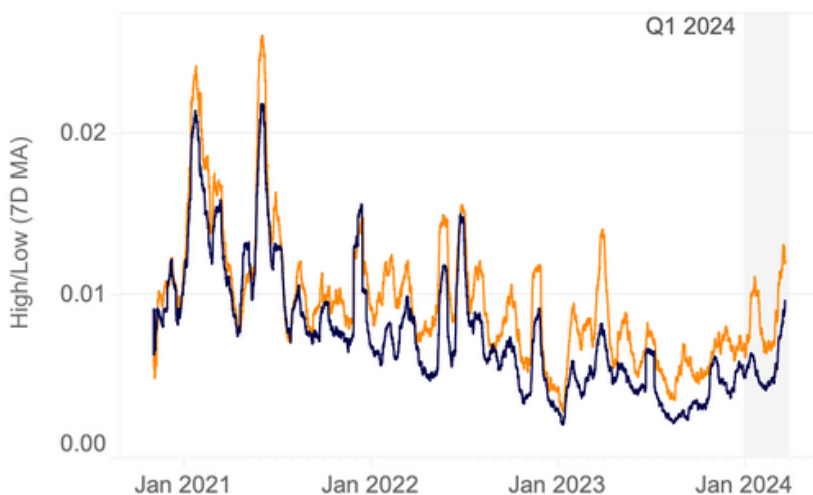
Bitcoin 30D Realized Volatility



The significant rise in bitcoin prices has been accompanied by a corresponding increase in volatility. At the end of March, BTC's 30-day realized volatility hit a peak of 83%, a level not seen since November 2022. Since late February, volatility has consistently exceeded that of ETH, with the gap between the two assets reaching its highest level since December 2019. Due to the inherently speculative nature of crypto as an asset class, the rise in volatility has contributed to a strong increase in trading activity.

BTC Intra-Day Volatility

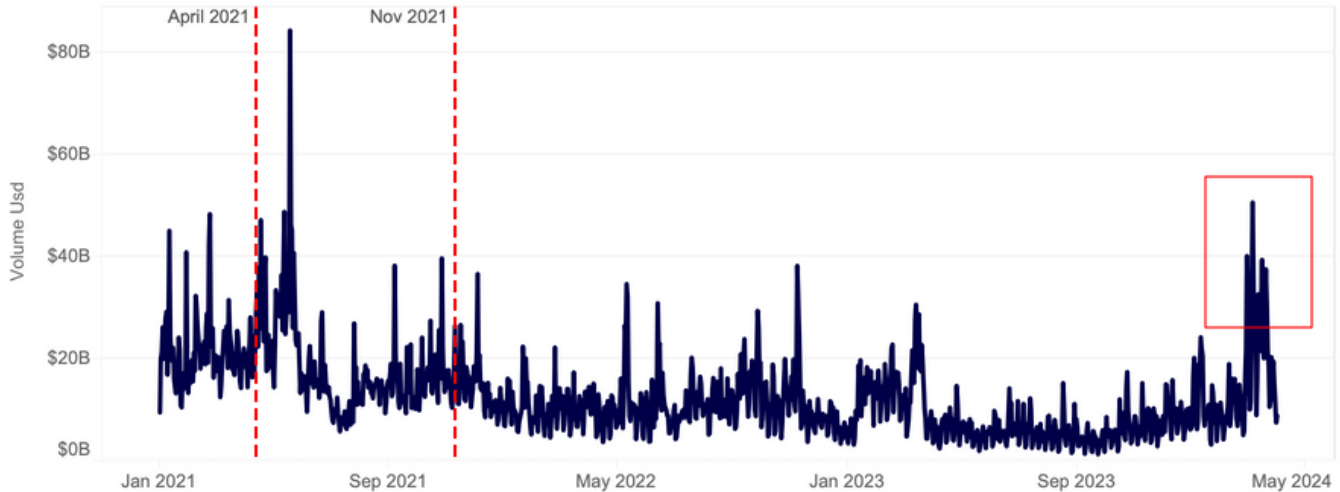
■ APAC (12H/8H UTC) ■ US (14H/21H UTC)



BTC's intra-day volatility, as measured by the logarithmic difference between the highest and lowest hourly price, has also been on the rise. Although it remains significantly lower than its peak during the COVID-induced market crash or the 2021 bull market, volatile price movements have been more concentrated during U.S. trading hours (14 to 21h UTC time) compared to APAC trading hours (12- 8h UTC).

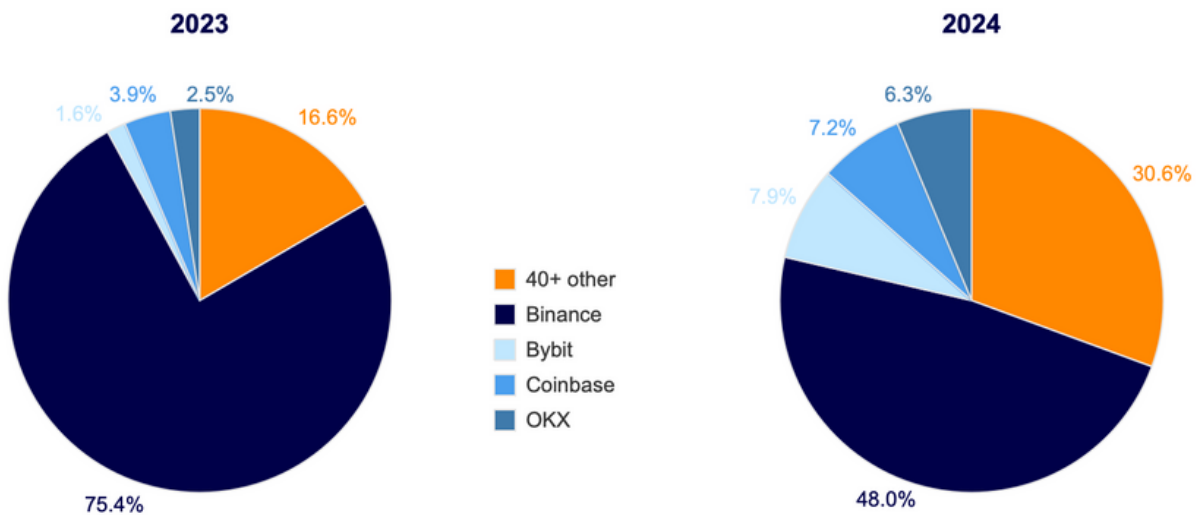
Trade Volume is Surging

Bitcoin Daily Trade Volume



Surging prices and improving risk sentiment contributed to a big uptick in market participation over the quarter. Bitcoin spot volume surged to \$51bn on March 5th, hitting multi-year highs, surpassing trade volumes hit the last time BTC hit ATH in November 2021. Overall, the cumulative BTC volume totalled \$1.4T in Q1, the largest quarterly amount in over two years.

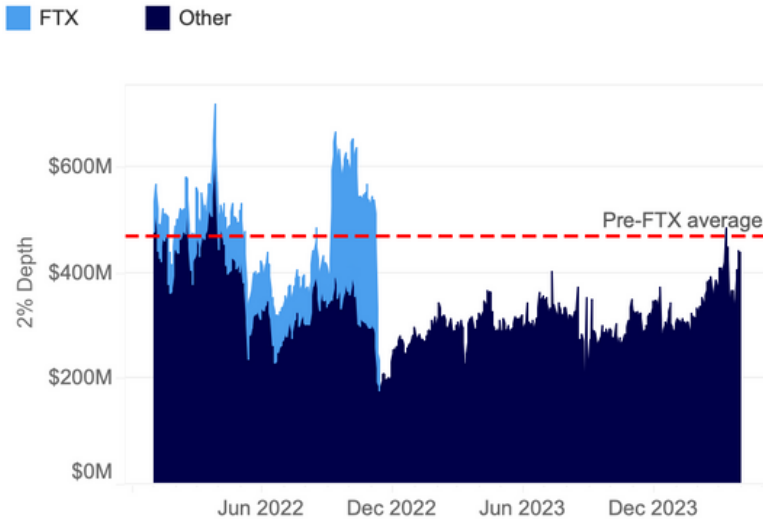
Market Share Of Bitcoin Volume in Q1



Binance saw a sharp decline in its BTC market share, dropping from 75% in Q1 2023 to 48% in 2024. The decrease was primarily due to the end of the exchange's large-scale zero-fee trading promotions back in March 2023, along with a string of regulatory challenges that impacted sentiment. Other offshore exchanges such as Bybit and OKX emerged as the main beneficiaries of Binance's decline in market share. Smaller APAC exchanges like Bithumb, Korbit, Bitflyer, and Zaif also saw a significant increase in trading volume.

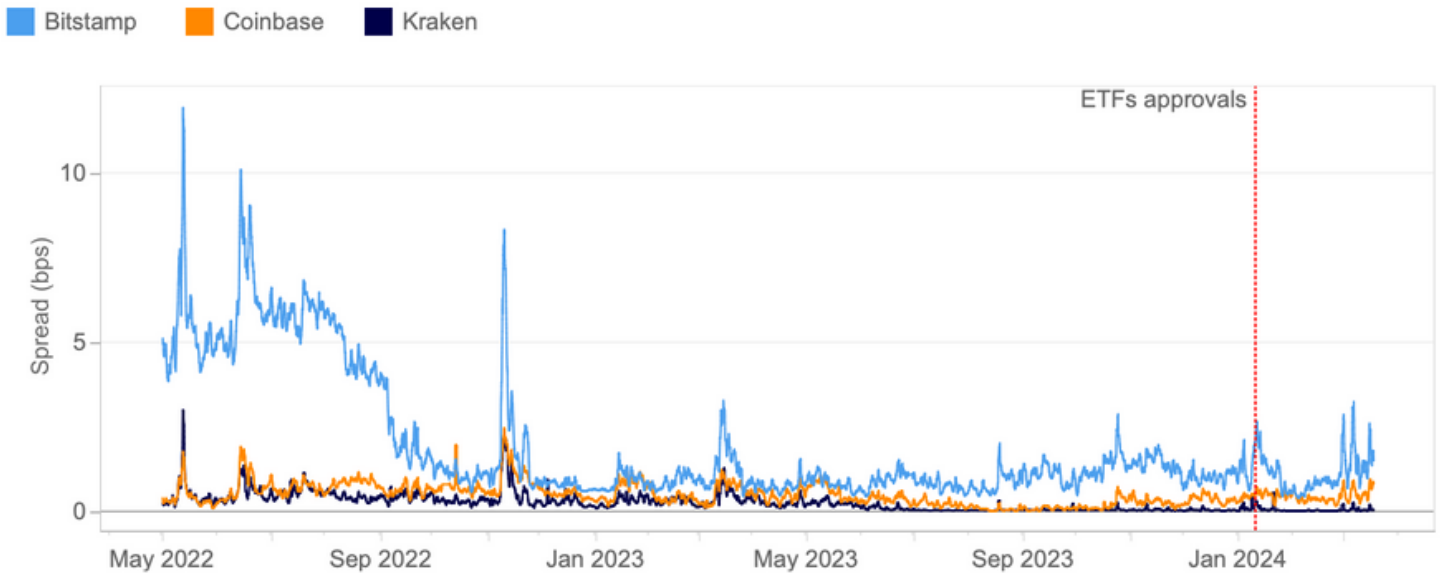
The ‘Alameda Gap’ is No More

BTC 2% Market Depth



The ‘Alameda Gap’ — the gap in liquidity left after the collapse of FTX and its sister company Alameda Research — persisted for more than a year as market makers either closed up shop or waited on the sidelines for sentiment and trading activity to recover. However, the data shows that liquidity, as measured by 2% market depth, has almost fully recovered and is back to its pre-FTX average. By the end of Q1, market depth climbed above \$400mn across all exchanges for the first time since Nov 2022.

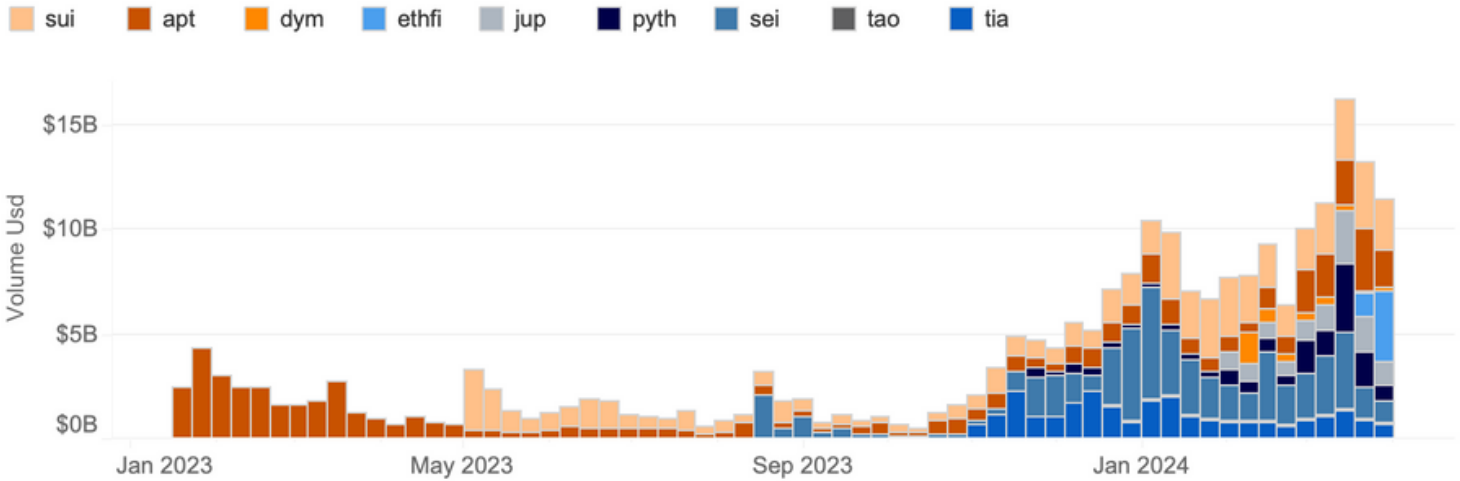
BTC Bid-Ask Spreads



Liquidity on U.S. exchanges in particular has seen a strong recovery. Looking at BTC-USD spreads on the three major U.S.-available exchanges —Coinbase, Kraken and Bitstamp — the cost of trading has declined, suggesting liquidity conditions are meaningfully improving. The change in spreads could partly be due to structural reasons. Spreads more than halved on Bitstamp from as high as 10bps in 2022 to below 5bps in Q1 after the exchange altered its fee model from a “flat fee” to maker/ taker model. While spreads on average are less than the 2023 average, at the end of Q1 they widened to account for the heightened volatility.

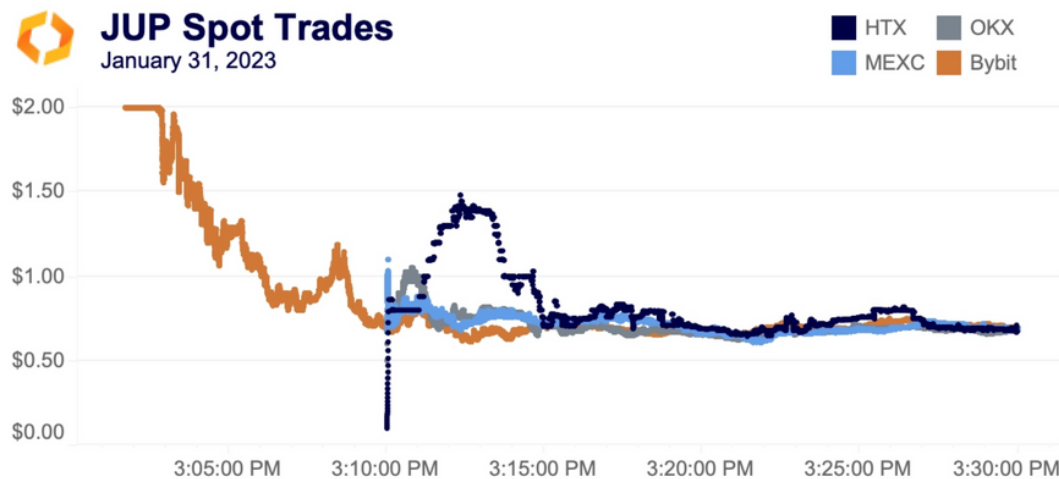
The Return of the Token Launch

Weekly Spot Volume of New Crypto Tokens



Every bull market is inevitably accompanied by a wave of new crypto tokens. Some of the best-performing tokens in Q1 were those launched in 2023 and earlier this year, and these tokens had a cumulative spot trade volume of more than \$127 billion in Q1. Layer 1 tokens SUI and SEI, launched in April and August 2023, registered around \$2 billion in weekly volume since the start of the year. Celestia (TIA) peaked in volume a few weeks after its launch but maintained nearly \$1 billion per week in Q1. Overall, BTC is not the only asset benefitting from this bull run and traders are flocking to new listings.

JUP Price After Launch

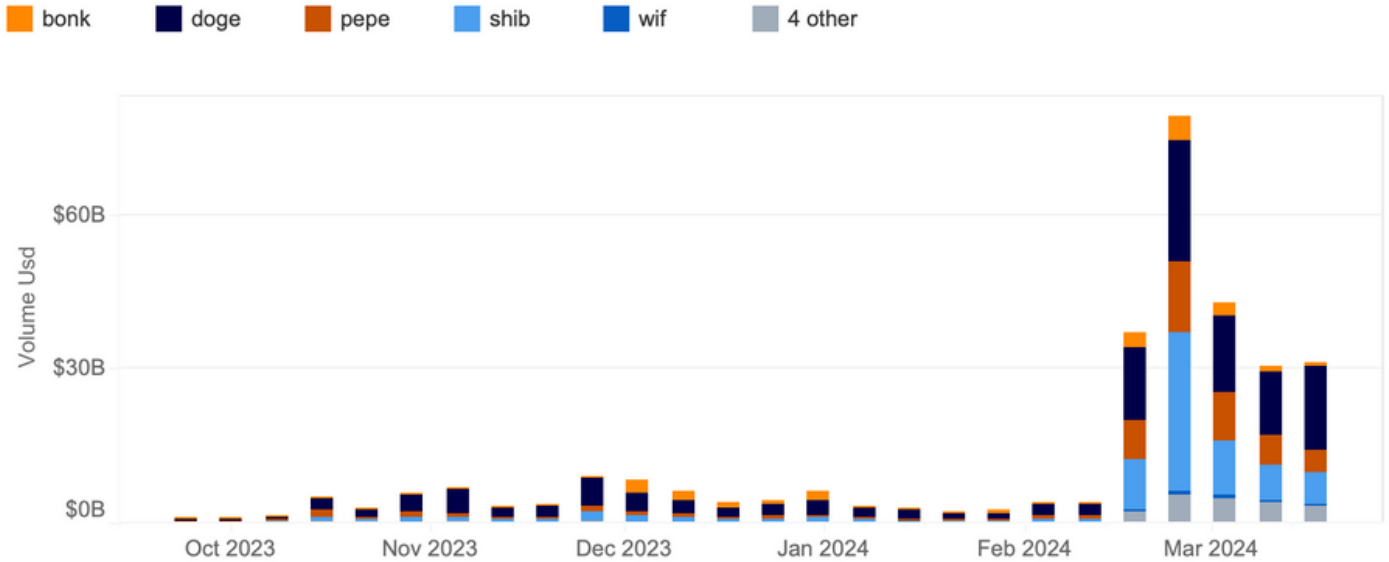


Bybit was the first to open JUP trading at 3pm UTC, as soon as the airdrop went live; it began trading at \$2 before falling to the on-chain price of around \$0.75. Other exchanges opened trading once liquidity conditions were met., causing prices to converge.

In January, Solana DEX aggregator Jupiter airdropped its 1 billion JUP tokens – about \$700mn at post-launch prices – to users who had qualified. While some users had issues claiming tokens, the Solana network had no downtime, a significant accomplishment given that technical problems has long been one of the major criticisms of the network. Overall, the launch demonstrated the ongoing interest in airdrops.

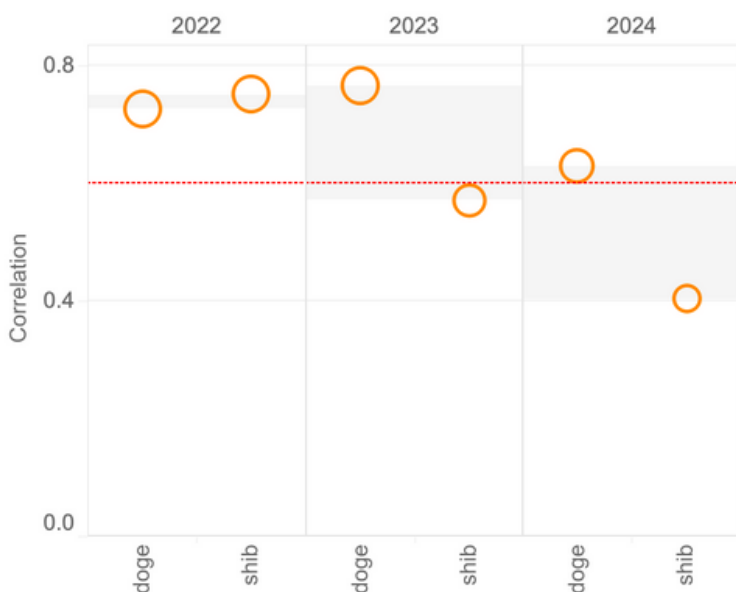
The Meme Frenzy Is Back

Weekly Trade Volume



Meme tokens have experienced significant gains in Q1, with weekly trade volume hitting a multi-year high of nearly \$80 billion in early March. The meme frenzy has boosted Ethereum’s network fees to a two-year high and exacerbated the competition between Layer 2 networks and Coinbase’s Base, which registered an all-time high in deposits. However, while blue-chip meme tokens such as DOGE and SHIB dominate trade volume on centralized exchanges, on-chain meme frenzy is being dominated by Solana, which recently overtook Ethereum in terms of decentralized exchange (DEX) volume.

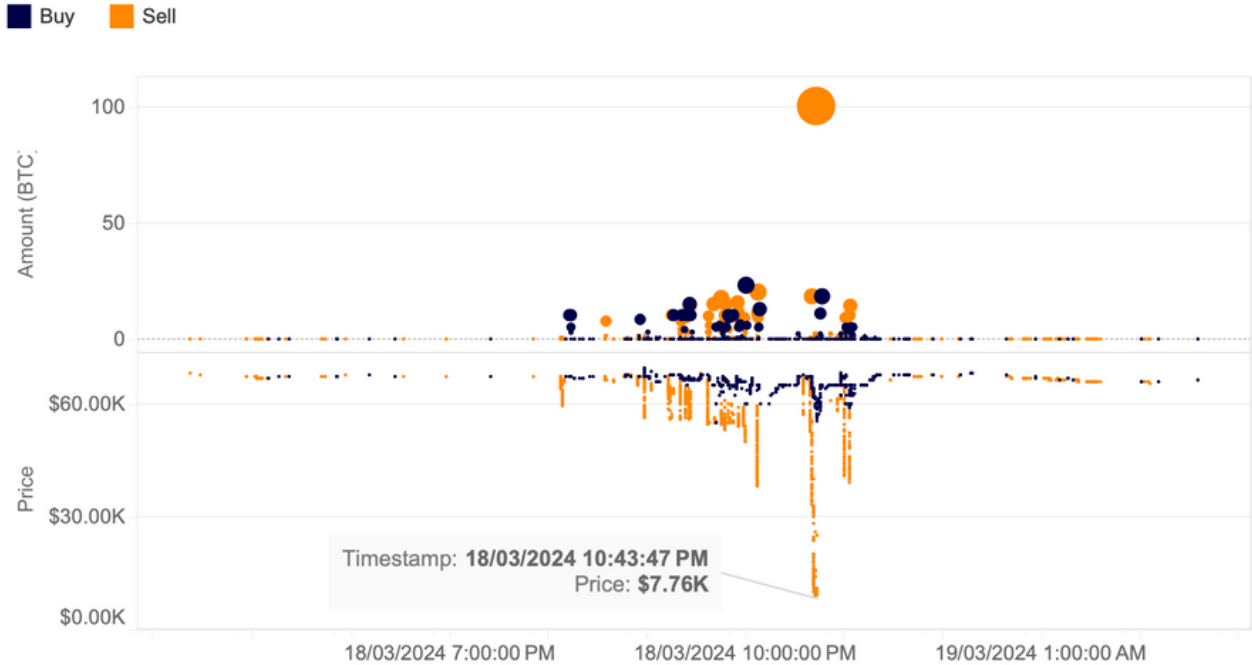
DOGE & SHIB Correlation With Bitcoin



Meme tokens are increasingly less correlated with Bitcoin. The average 60-day correlation between the top two meme tokens by market cap, DOGE and SHIB, fell from 0.7 in Q1 2022, to 0.5 in 2024. However, this trend is not exclusive to meme coins; BTC’s correlations with most altcoins have also declined this year. The decrease can be attributed to institutional inflows into Bitcoin amid the launch of spot ETFs, while altcoins have been competing for liquidity.

The Return Of The Flash Crash

BTC- USDT Buy and Sell Volume on Bitmex



Bitcoin flash crashes — defined as a sudden and extreme price drop — have occurred on at least two occasions in Q1. On March 18 at 10:43 PM UTC, the BTC-USDT price on Bitmex momentarily plummeted to \$7.8K, while it was trading at \$66K on other platforms. Bitmex has relatively low liquidity compared to other exchanges, which suggests that the crash may have been amplified by a “fat finger” error. Otherwise, it could be a case of trader misconduct.

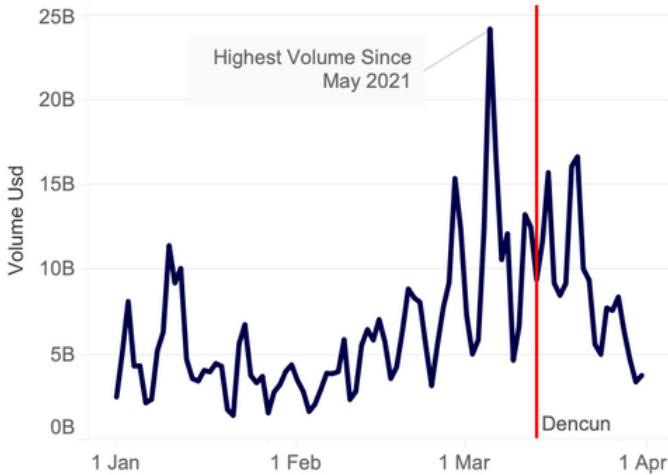
BTC-EUR Price on Coinbase



Bitcoin also experienced a flash crash on Coinbase. In early March, BTC-EUR prices dropped from €63K to €48K, deviating sharply from other markets. Market depth for the market briefly plummeted from 60 BTC to 16 BTC before recovering. Low liquidity and market fragmentation, as well as potential manipulation attempts, are contributing factors to these flash crashes, which are unlike anything seen in traditional markets.

ETH Lags Post-Dencun Upgrade

ETH Spot Trade Volume

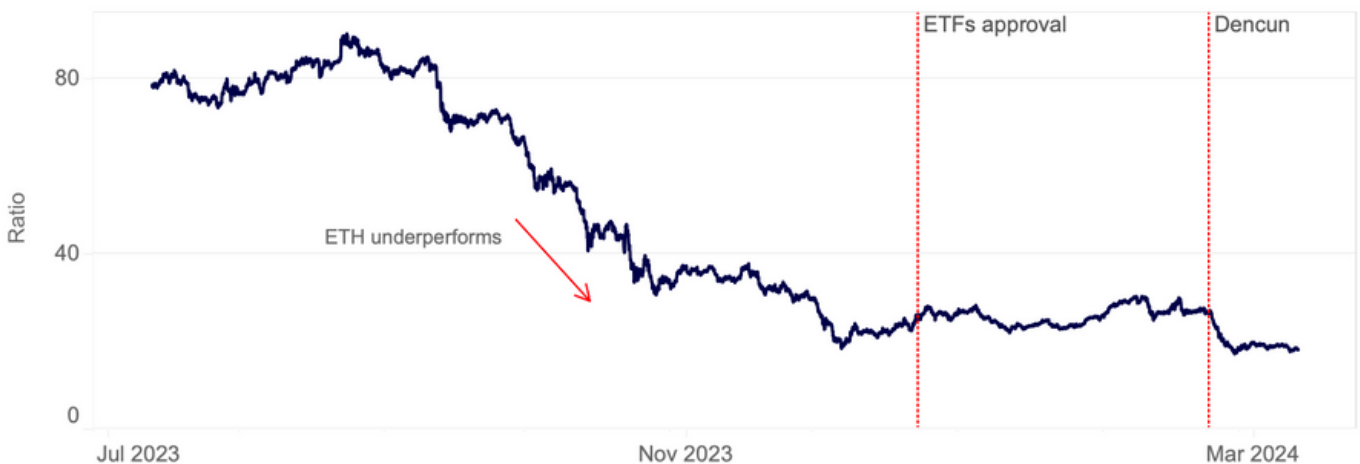


ETH Perpetual Futures Open Interest



In March, the Ethereum network underwent a major upgrade known as Dencun, designed to significantly lower transaction fees for Layer 2 solutions and boost scalability. The upgrade completed without a hitch, but ETH's price and volume have since collapsed amid a wider market sell-off. ETH spot volumes increased to their highest level since May 2021 before retreating in the aftermath of the upgrade. However, derivative markets have been showing signs of overheating. ETH open interest closed the quarter at \$9bn - its highest level since 2021 while funding rates rose sharply to a multi-year high.

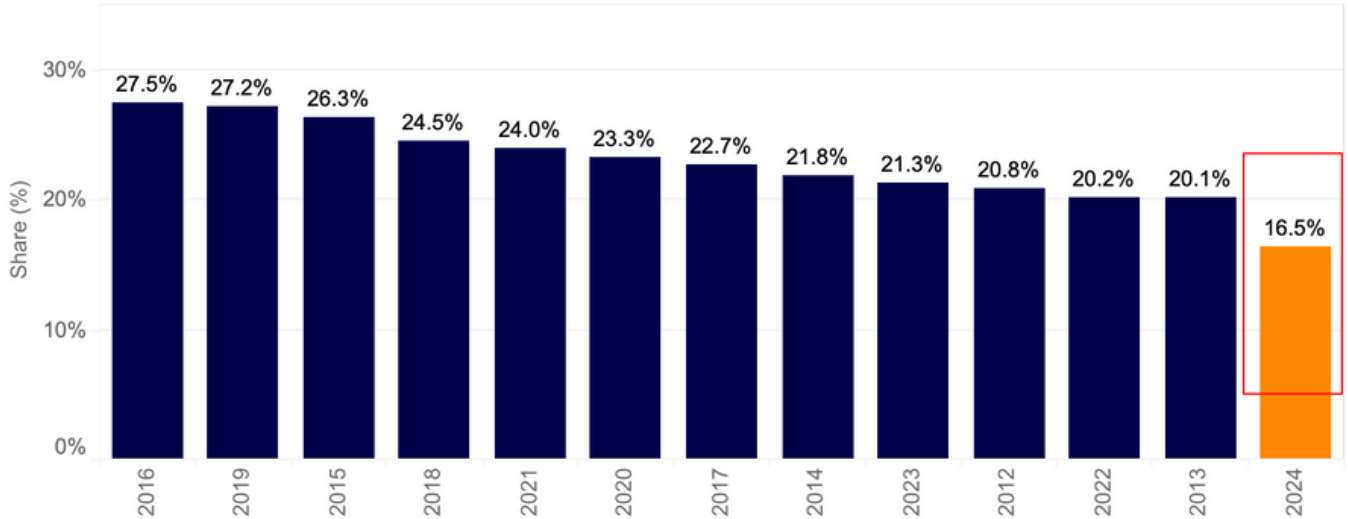
ETH to SOL Price Ratio



More recently, ETH has underperformed SOL, the native token of the Solana network, which at one point seemed on the verge of collapse but is now an increasingly formidable competitor in the Layer 1 space. Even more surprising was the drop in price ratio between the two assets in the aftermath of Dencun.

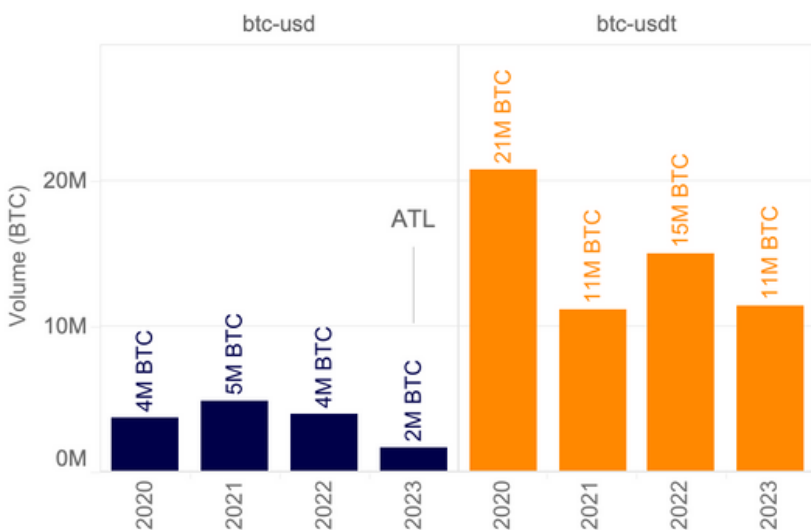
Where Did Weekend Traders Go?

Share of BTC Weekend Trade Volume



Weekend and overnight liquidity management has always been a challenge for 24/7 crypto markets, creating a mismatch between the operating hours of traditional financial institutions and the needs of large crypto traders and market makers. The 2023 March banking crisis exacerbated this mismatch after two of the main crypto-friendly banks in the U.S. shuttered. However, this trend has been long-coming: the share of BTC traded on weekends has declined significantly over the past decade, dropping from 28% in Q1 2012 to just 17% in 2024. The decline suggests worsening liquidity conditions during weekends and could be explained by both increased institutional participation and worsening market infrastructure.

BTC Weekend Volume: Dollar vs. Tether

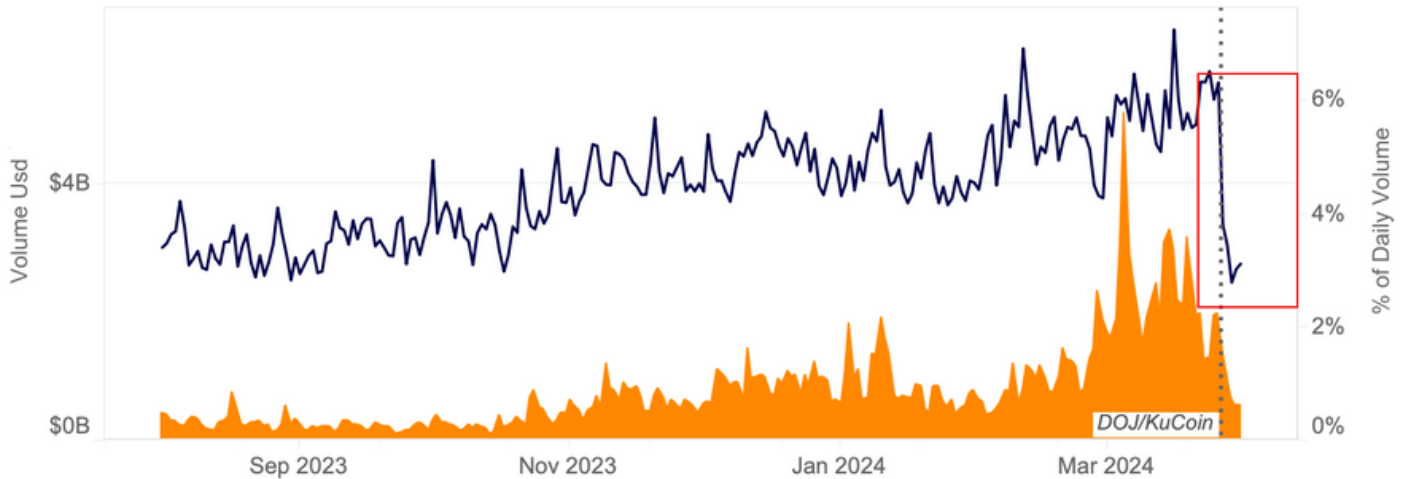


Looking at the cumulative trade volume for the two most liquid BTC trading pairs, the decline has been more pronounced on BTC-USD markets compared with BTC-USDT. Dollar weekend trade volume hit an all-time low in native units last year, whereas the drop in tether weekend volume has not been nearly as strong. This suggests a more retail bias towards USDT markets, who tend to trade more on weekends.

KuCoin Faces DOJ Charges

KuCoin Trade Volume and Market Share

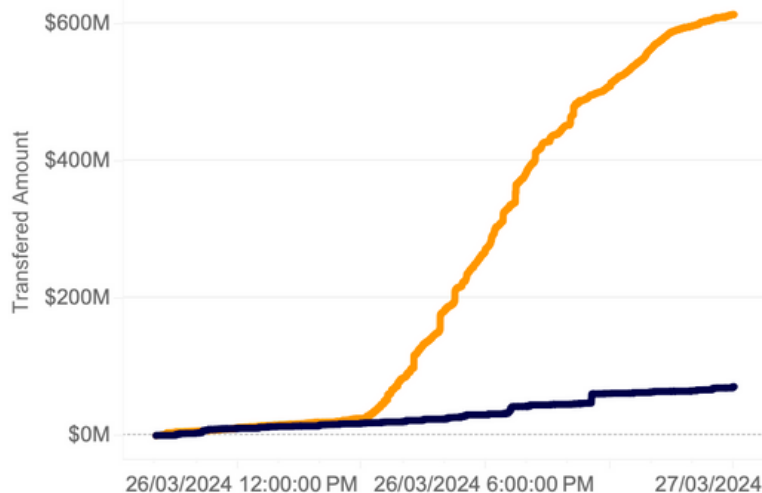
■ Market Share ■ Volume Usd



Crypto exchange KuCoin experienced significant outflows following back-to-back lawsuits in March. Traders left KuCoin en masse after the US Department of Justice charged it with violating anti-money laundering laws. Additionally, the Commodity Futures Trading Commission also charged KuCoin with operating an illegal derivatives exchange in the US between 2019 and 2023. As a result, daily volume fell from around \$2bn to \$520mn, even though KuCoin promised a \$10mn airdrop. Market share more than halved from 6.5% to less than 3%, which suggests the charges could pose a significant challenge to the exchange’s growth.

KuCoin Wallets In & Out Flows

■ Inflows ■ Outflows



Kaiko’s Wallet Data revealed users were moving funds to rival centralised exchanges such as Coinbase, Binance, OKX, MEXC, and Gate.io. Outflows from wallets attributed to KuCoin totalled more than \$600 million on March 26, outpacing inflows by a large margin. Most of the outflows were USDT and ETH. In addition to users moving funds to what they perceive as safer venues, some sent funds to on-chain wallets.

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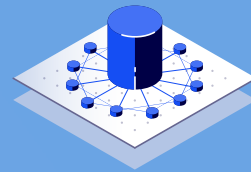
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