



Sherwin Dowlat

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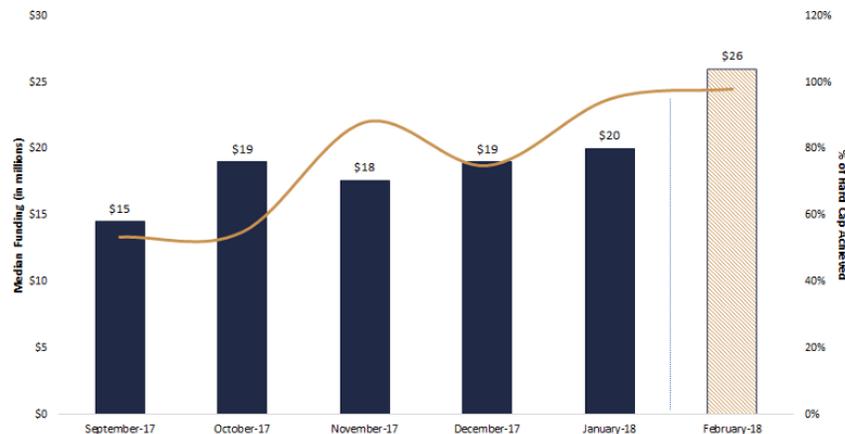
Cryptoasset Market Update

2018 is off at record fundraising speed, with the first two months outpacing the entire first half of 2017. February to-date funding of nearly \$700M is on pace to match January funding of \$1.1B.

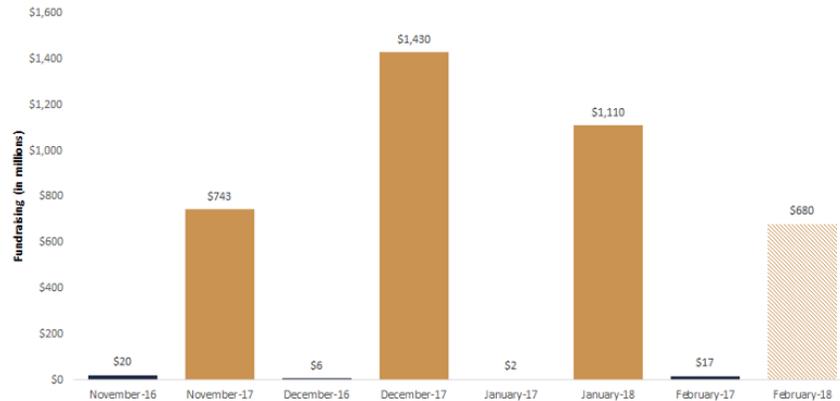


Fundraising by month, 2017–2018

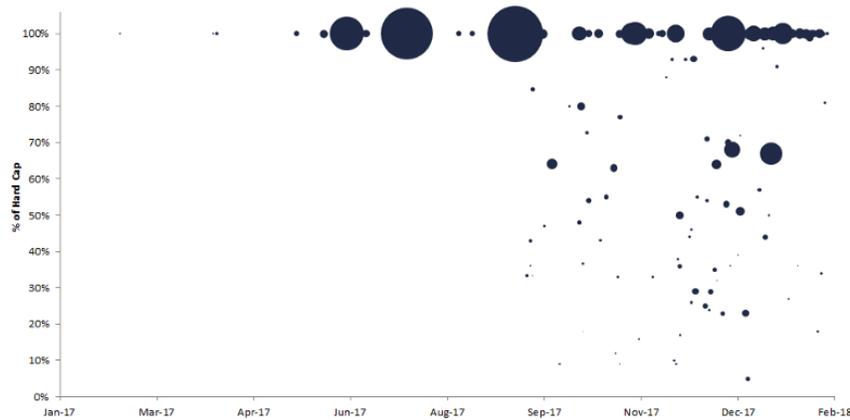
Midway through the month, **deal quality remains at an all-time high**, as deals in our basket of \$6M+ closed with a median of 98% of hard cap hit and a median of \$26M per deal.



The 2017–18 ICO landscape has shifted away from the seasonality seen in 2016–17, with growth relatively flat in the first months of the year (though at record pace of aggregate funding). We take this lightly, and attribute any signs of slowing to: 1) hesitancy around pending legal regulatory regime, 2) a delay as projects observe security token liquidity, and 3) a significantly larger market (when compared to the market in 2017, introducing the first ICO’s this time last year).

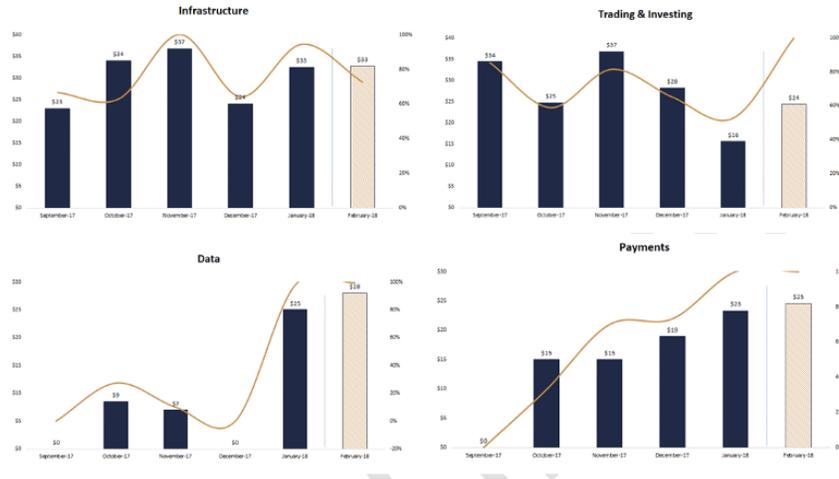


Fundraising by season

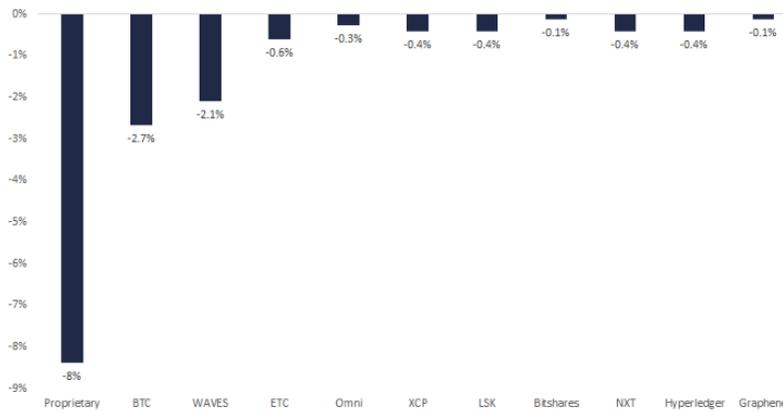


Deals by Size and Achievement

Infrastructure (16%), Trading & Investing (16%), Data (11%), and Payments (11%) remain the most popular ICO sectors, in-line with last month and 2017.

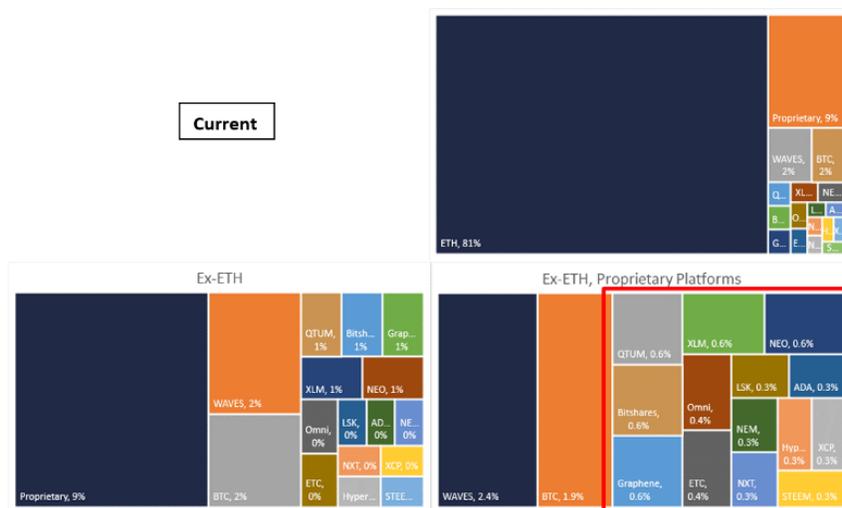


Clients continue to prefer the Ethereum (ETH) platform, due to: 1) track record and reputation, 2) ease of contract development and access to resources (developers, auditors), and 3) basic needs, considering most of the time the token is more or less a voucher on the platform with very few clients needing additional functionality of any sort. With higher profile clients with more demanding needs, we have seen considerable pushback to (though not deal breaking) usage of the ETH platform, due to: 1) increasing gas costs, 2) on-chain scaling concerns, and 3) the impending switch to Casper/Proof-of-Stake.

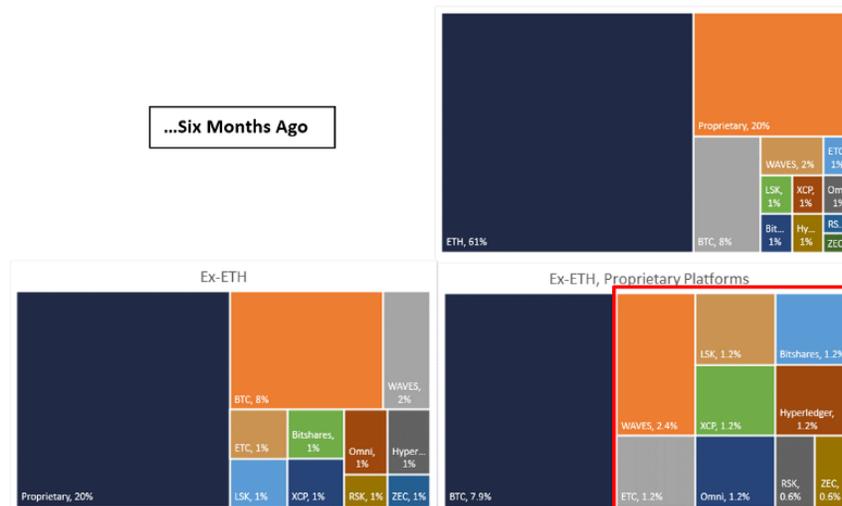


ICO Platform Market Share Chg (6-months)

Increasing fragmentation and competition in sub-10% platform share, as ETH pushes all others out and continues to gain share.



ICO Platform Market Share



Broad Crypto Market

Looking out the next six months into the macro landscape, we remain constructive on several factors, notably:

- 1. Technical development and deliveries on bellwether chains,** particularly Lightning Network introduction and growth among BTC and peers, as well as updates via Constantinople—leading with Gasper —with ETH.
- 2. Possibility of greater regulatory guideline clarity.** For example, FINRA’s recent guidelines still leave the lines blurred but are a step forward.

3. **A maturing institutional base**, led by family offices and carried by small-mid sized hedge funds, as they continue to gain fundamental and operational knowledge of the space ahead of the availability of custodial solutions in the coming months.

4. **Continued expansion of capital inlets for retail buyers**, with popular platforms like Robinhood announcing ramps for crypto-investments in the coming months and improvements in banking relationships among popular altcoin exchanges like Bittrex.

5. **Security tokens and their associated ATS infrastructure will open up the ICO market to a much broader universe of funds** with mandates that allow for private placement securities, compared to 2017 which was the year of the utility token for retail and institutional investors alike.

Additionally, we note the following potential impairments:

1. Possibility of a significant increase in aggressive regulatory action, particularly in the US. We note that the recently announced SEC case against Bitfunder/Montroll/Ukyo has a parallel DoJ case brought against Montroll/Ukyo personally for perjury and obstruction of justice with cooperation from the FBI. We also note that the DoJ has the power to enforce US securities laws, bringing criminal penalties when it enforces, compared to the civil penalties when the SEC enforces.

2. Lack of banking relationships for both the technical and investment community, with all large banks and most mid-sized specialty/local banks waiting on further regulatory clarity.

3. Further counterparty risk, related to theft and hackings through exchanges and custodial service providers.

4. Delays in basic infrastructure for large institutions could slow down the long tail of adoption, since larger investors simply can not invest without traditionally basic tools such as custodial services and solutions.

Major News

ShapeShift, one of the first companies to move to SegWit last fall, announced it is now batching BTC transaction.

Commission-free trading app Robinhood is adding cryptocurrencies to their platform beginning with BTC and ETH in select states, with more coins to come.

Cryptocurrency exchange Bitgrail loses 17m NANO / (\$195m USD). The Nano team decided not to pursue a fork and accused founder Francesco Firano of misleading them for an extended period of time regarding the solvency of the exchange.

MUFG, Japan's largest bank, has plans to release an exchange, a cryptocurrency secured to the Japanese Yen, as well as segregated accounts for bitcoin traders.

Microsoft is exploring block chain powered digital identities, with plans to tie in to Microsoft Authenticator, with particular regards to compatibility with layer-2 solutions such as the Lightning Network.

Coinbase announces Coinbase Commerce, which makes it easy for merchants to accept, BTC, BCH, LTC, and ETH with just a few clicks. Integrated with Shopify.

Coinbase and Bitfinex are enabling SegWit transactions, which should lower transaction fees for customers.

Salon.com is offering Adblock users a choice of disabling their Adblocker or allowing their computer to be used to mine Monero as they use the site. Salon is using open source software CoinHive to implement this new revenue stream.

Schnorr signatures, a technology intended to optimize the way bitcoin handles signatures, could increase network capacity by up to 30% while increasing privacy and reducing spam on the network. Any implementation in bitcoin is expected to be years away.

Samsung has confirmed that their fabs are now manufacturing ASIC chips for customers, though no details on specific customers or chips has been released.

China's central bank of China is considering a digital currency. They note that it is unlikely to be decentralized, and transactions will be visible to the bank. One goal is to “curb the public's demand for private cryptocurrencies”.

Bitmain is rumored to be readying a new Ethereum ASIC miner. The new miner, called the Antminer F3, would include 18 ASIC chips each capable of around 200MH/s, as well as 32GB of RAM. This could relieve the pressure on the GPU market, which has been heavily constrained by demand from miners.

Venezuela claims to have raised \$735m USD in an initial presale of its new cryptocurrency, the Petro. The Petro, which will not be mineable, is said to be priced based on the previous days oil price. Venezuela also claims that the Petro is “backed” by its immense oil reserve, but how this backing works is not clear.

Project-Specific News

Our friend Eric Meltzer puts out a great newsletter, called Proof of Work, with quality updates on the biggest projects in the space.

We really like it, and you can check it out [here](#).

Major Forks & Airdrops

Litecoin Cash (LCC) is a 10:1 fork from Litecoin (LTC) which occurred February 18th. The major differentiator is the Proof of Work mining algorithm, which will switch from Litecoin's Scrypt to Bitcoin's SHA256, with creators promoting it as a good way to utilize old or idle bitcoin mining equipment.

Bitcoin Private (BTCP) is an upcoming co-fork from both ZClassic (ZCL) and Bitcoin (BTC). The snapshot for both BTC and ZCL is planned to take place on February 28, 2018, with the hard fork on or around March 2. As its name implies, BTCP's goal is to increase the anonymity of Bitcoin, by adopting zk-SNARKs—a zero knowledge cryptographic solution first widely adopted by Zcash (ZEC). The fork will be 1:1 for owners of both BTC and ZCL. BTCP will incorporate Proof of Work consensus and ZEC's Equihash hashing algorithm. Block size will be 2MB vs 1MB in Bitcoin, which should help with scalability and mining fees.

MoneroV (XMV)—An upcoming hard fork from Monero, expected to occur around March 14 with 10 XMV distributed for every 1 XMR held. Notable differentiations from Monero include a finite coin supply as well as implementation of the MimbleWimble protocol for full scalability.

IQ Token (IQ)—EOS holders will be eligible for an airdrop of IQ tokens, the token of the blockchain based Wikipedia alternative Everipedia. While no exact block, date, or details have been announced, the airdrop is expected around the end of February.

Callisto Network Project (CLO)—Ethereum Classic holders as of block 5500000, expected to occur between March 2–5. The airdrop will be at a 1:1 ratio. CLO is intended to serve as a store of value, and will use cold staking to encourage users to hold the coin while also offering security improvements over ETC.

Ontology (ONT)—NEO holders will be eligible for an airdrop of Ontology at a .2 ONT:1 NEO ratio. Ontology, a project of China based Onchain, is a “next-generation multi-chained public chain infrastructure platform.” Half will be available within weeks of the snapshot, with half locked and airdropped when the Ontology MainNet launches (expected Q2).

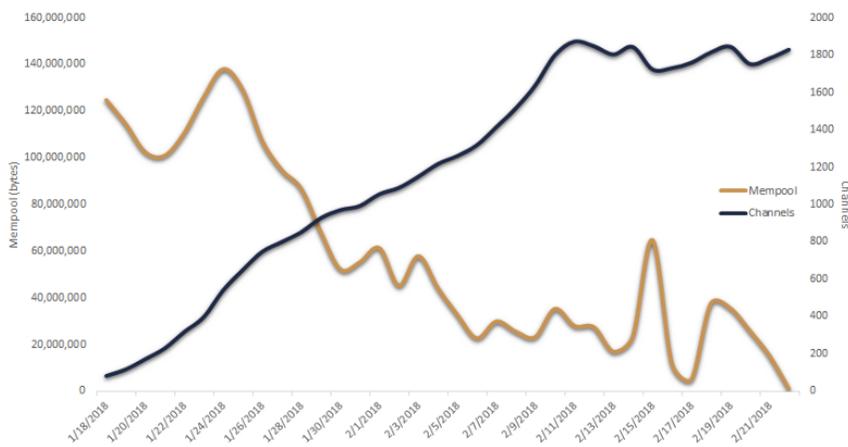
Bitcoin Updates

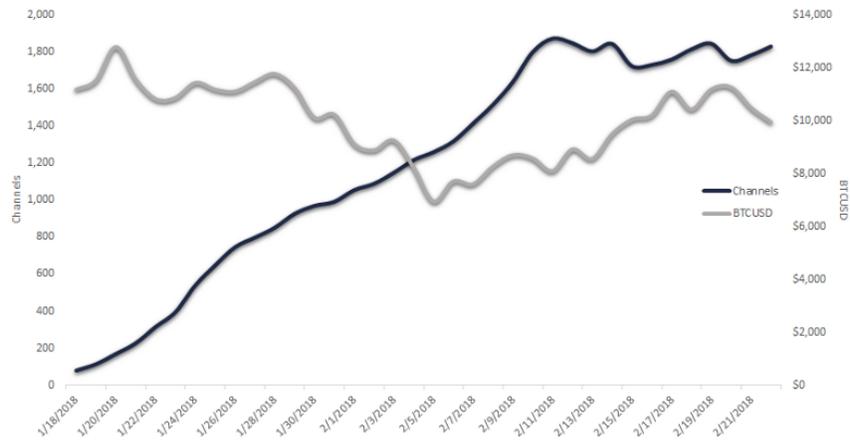
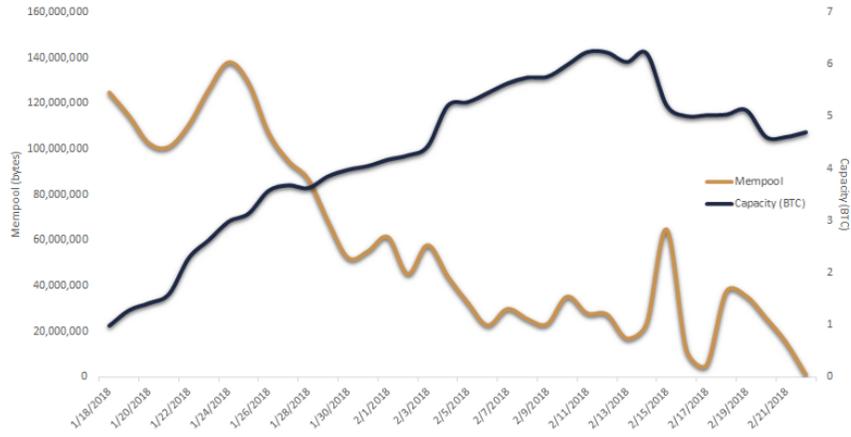
Early 2017, the Bitcoin network began maxing its 1MB block size out. The community remained in disagreement on approaches to the solution, with some of the network pushing for a block size increase and the other side wanting to remain with the filled 1MB block size, but adopt Segregated Witness (aka Segwit) which would restructure signature data (for a mild block size bump, but nothing crazy). The real meat behind it would be the ability to implement layer-2 solutions, such as the Lightning Network. The Lightning Network has been on the Bitcoin main net for the past month, and has shown impressive growth. The mempool/transaction backlog has cleared substantially in the past two months, with < 3 sat/byte txns being confirmed (as of writing this, 2/22).

We consider the main drivers behind this backlog shrinkage to be: 1) decreasing demand overall, as total transaction count has lowered, 2) large mining pools (notably Antpool) altering policies and mining low

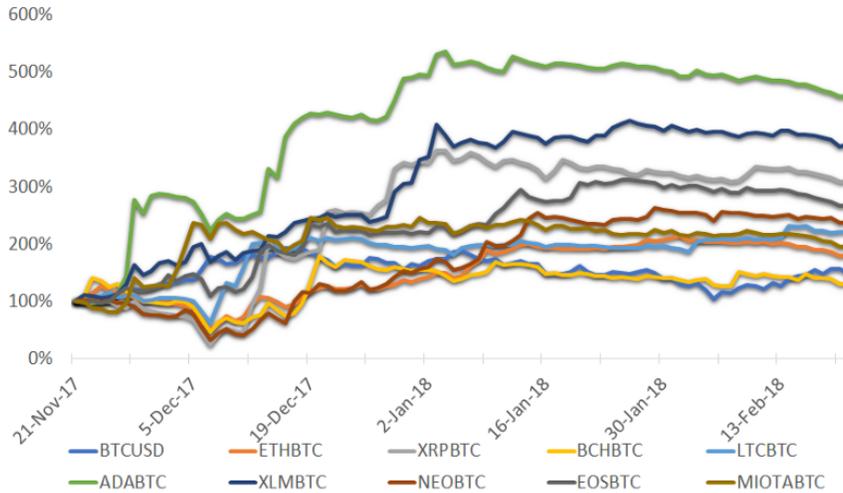
fee transactions (chiseling away at the backlog), 3) the UTXO count actually increasing during a portion of this time, while txns added to the mempool decreased in frequency (implying that SegWit + batching of txns may be helping), and 4) retreating of a spam attack (many low fee txns sent to spam the network, adding to the backlog), though there's no data to support this. Anecdotally, the recent Segwit and batching efforts by large institutions (notably ShapeShift, Coinbase and Bitfinex) should continue to help out substantially.

Lightning Network Stats

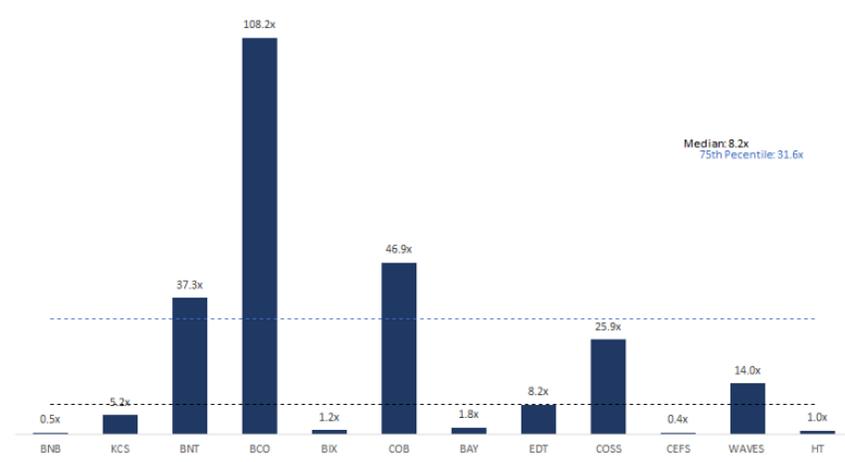
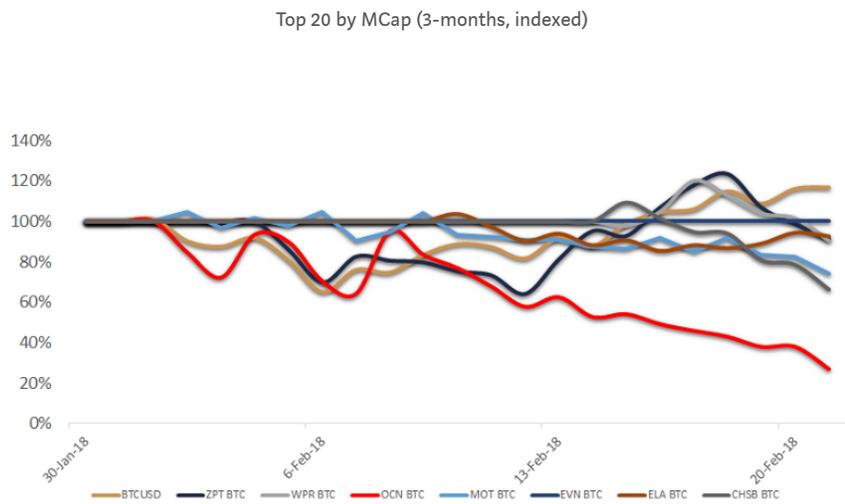
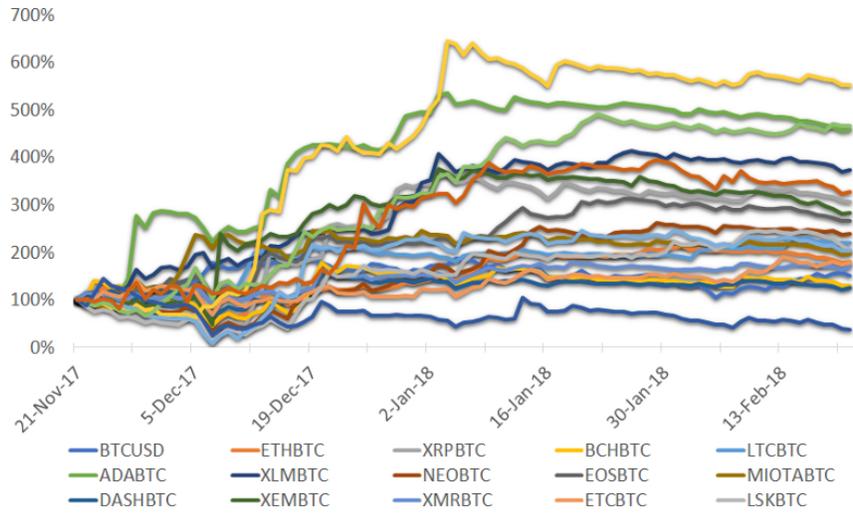


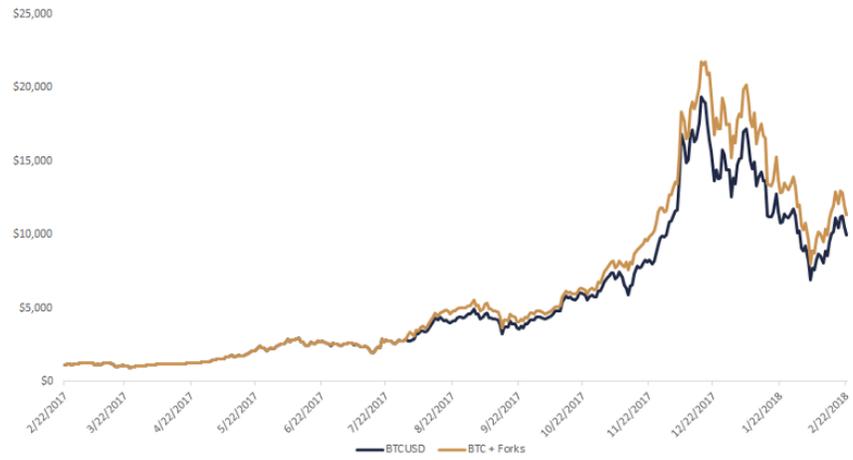


Market Performance



Top 10 by MCap (3-months, indexed)

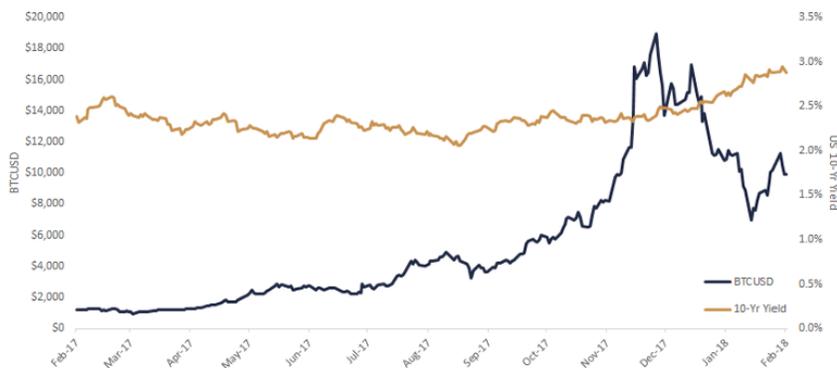
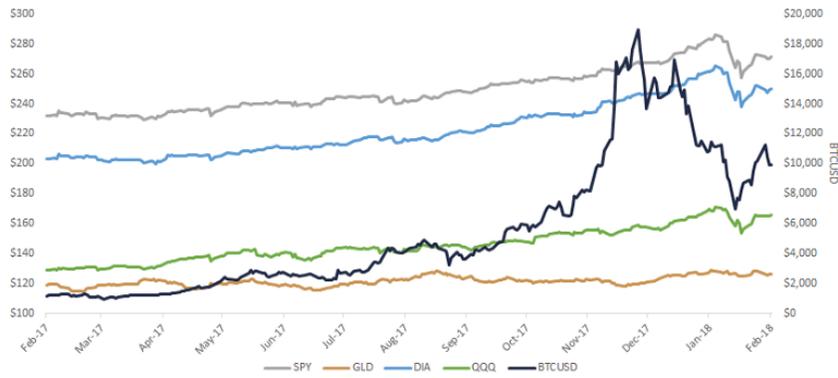




BTC vs BTC + Notable Forks (BCH, BTG, BCD, BTX, SBTC)

	BTCUSD	ETHBTC	XRPBTC	BCHBTC	LTCBTC	ADABTC	XLMBTC	NEOBTC	EOSBTC	MIOTBTC
BTCUSD	1	0.55	0.65	0.82	0.71	0.70	0.83	0.87	0.68	0.63
ETHBTC	0.55	1	0.88	0.39	0.85	0.41	0.75	0.73	0.53	0.26
XRPBTC	0.65	0.88	1	0.51	0.95	0.55	0.88	0.70	0.59	0.40
BCHBTC	0.82	0.39	0.51	1	0.56	0.84	0.72	0.63	0.76	0.81
LTCBTC	0.71	0.85	0.95	0.56	1	0.56	0.84	0.77	0.65	0.42
ADABTC	0.70	0.41	0.55	0.84	0.56	1	0.77	0.50	0.85	0.89
XLMBTC	0.83	0.75	0.88	0.72	0.84	0.77	1	0.73	0.75	0.62
NEOBTC	0.87	0.73	0.70	0.63	0.77	0.50	0.73	1	0.62	0.37
EOSBTC	0.68	0.53	0.59	0.76	0.65	0.85	0.75	0.62	1	0.71
MIOTBTC	0.63	0.26	0.40	0.81	0.42	0.89	0.62	0.37	0.71	1

Top 10 Correlations (1-Year)



Upcoming ICO's

Morpheus Network—Simplifies and automates the logistics needed for any complex, international shipment for any company or individual.

Sector: Logistics & Transport

Platform: ETH

Pre Sale: February 23

Public Sale: TBA

Competitors: ShipChain, OriginTrail

Jet8—a platform for brands to increase engagement and sales via social media.

Sector: Advertising

Platform: ETH

Pre Sale: 30,000,000 (83% of Hard Cap)

Public Sale: February 28

Competitors: Friendz, Influenster

Havven—a decentralized payment network and stablecoin designed to enable everyday cryptocurrency purchases.

Sector: Currency

Platform: ETH

Pre Sale: N/A

Public Sale: February 28th

Competitors: MKR, USDT (collateral-backed off-chain), Basecoin, Carbon

Friendz—A network to connect brands with their target audience, encouraging word of mouth social media marketing.

Sector: Advertising

Platform: ETH

Pre Sale: N/A

Public Sale: March 1

Competitors: JET8, Influenster

Conference Appearances

Make sure to stop by and say hi to us at the following conferences!

San Diego Blockchain Hackathon / San Diego, CA—March 2–4

South by Southwest / Austin, TX—March 10–13

Stanford/NVCA Venture Capital Symposium / Stanford, CA—March 13–14

TokenFest SF / San Francisco, CA—March 15–16

Penn Blockchain Conference / Philadelphia, PA—April 6–7

eMerge Americas / Miami, FL—April 23

Upcoming Research

We will be adding some nifty content in the coming months, notably:

- **Primers:** Security Tokens, Exchanges, Institutional & Retail Custody, Consensus Algorithms, Hashing Algorithms
- **Frameworks:** Token Economics, Screening (Utility vs Security)
- **Data:** The most comprehensive ICO database, open to everyone to use for free.
- **Legal:** Thoughts and insights from our CEO and GC, Emma Channing.

Make sure to sign up [here](#).

Questions, criticisms, suggestions? Always trying to improve, so feel free to shoot an e-mail over to [Mike](#) and [I](#) with any thoughts, anytime.

