

**July 2023**



Digital asset markets were slightly down in the month of July, with the total industry market cap hovering above \$1.2 trillion. The largest and most Lindy ([Lindy Effect Defined](#)) Digital Asset, Bitcoin (BTC) closed at \$29,733.79, down 2.34% for the month. Since reaching its highest market dominance in 2021, Bitcoin saw its market dominance retract to 48%, closer to its annual average. The second largest and most Lindy Digital Asset, Ether (ETH), closed at \$1,886.49, up 1.8% respectively for the month, with its dominance remaining flat for the month at 19%. Overall Digital Asset markets continue to outperform in 2023 with BTC up 76.11% and ETH up 54.38% as of July 31<sup>st</sup>, 2023.

Gold is now negatively correlated with Bitcoin when looking at a 30-day rolling correlation. Ethereum continues to be positively correlated with Bitcoin and the S&P 500 continues to be uncorrelated with Bitcoin by the same metric. (See chart below).

**Daily Returns Correlation by Quarter**

|         | 2022-Q4 |        |         |        | 2023-Q1 |        |         |        | 2023-Q2 |        |         |        | 2023-Q3 |        |         |        |
|---------|---------|--------|---------|--------|---------|--------|---------|--------|---------|--------|---------|--------|---------|--------|---------|--------|
|         | BTC     | ETH    | S&P 500 | NASDAQ | BTC     | ETH    | S&P 500 | NASDAQ | BTC     | ETH    | S&P 500 | NASDAQ | BTC     | ETH    | S&P 500 | NASDAQ |
| BTC     | 1.0000  | 0.9600 | 0.4229  | 0.4078 | 1.0000  | 0.9251 | 0.1962  | 0.2742 | 1.0000  | 0.8378 | 0.0882  | 0.0737 | 1.0000  | 0.9491 | 0.3577  | 0.4243 |
| ETH     | 0.9600  | 1.0000 | 0.4738  | 0.4611 | 0.9251  | 1.0000 | 0.2369  | 0.3192 | 0.8378  | 1.0000 | 0.1666  | 0.1394 | 0.9491  | 1.0000 | 0.5003  | 0.5742 |
| S&P 500 | 0.4229  | 0.4738 | 1.0000  | 0.9800 | 0.1962  | 0.2369 | 1.0000  | 0.9530 | 0.0882  | 0.1666 | 1.0000  | 0.9233 | 0.3577  | 0.5003 | 1.0000  | 0.9236 |
| NASDAQ  | 0.4078  | 0.4611 | 0.9800  | 1.0000 | 0.2742  | 0.3192 | 0.9530  | 1.0000 | 0.0737  | 0.1394 | 0.9233  | 1.0000 | 0.4243  | 0.5742 | 0.9236  | 1.0000 |

Total Value Locked in DeFi as tracked by DeFi Llama (in USD) and verified by Digital Asset Research, was down this month, coming in at \$43.66b as of Monday, July 31<sup>st</sup>. The top 10 DeFi total value locked verified by Digital Asset Research showed little change in ranking aside from Convex Finance dropping the largest ranking spots down to #9, from a high of #5. Staked Ethereum continues to be at the forefront of DeFi with questions around centralization and what long term costs will come to bear from it. Most notably this month in DeFi, AAVE launched its stablecoin GHO on the Ethereum mainnet.

In July, the SEC v. Ripple case was front and center. Judge Torres ruled in the Ripple case that XRP is and isn't a security, depending on when it was transacted, and depending on the environment, and depending on the investors XRP was sold to. This pseudo win has brought more confusion than clarity to the regulatory landscape of Digital Assets. However there has been very positive regulatory progress within the US as in July, House Republicans introduced a new crypto bill. The [legislation](#) would make clear when and how crypto firms should register with the Securities and Exchange Commission or the

Commodity Futures Trading Commission, which would gain new powers to directly oversee trading in certain tokens. The bill would also provide a pathway for digital assets that start as securities to eventually be regulated as commodities.

Looking ahead, the trend towards acceptance from traditional financial players also continues. In November 2022 the NY Fed announced an experiment with US financial services firms on a proof-of-concept network utilizing distributed ledger technology. This week they released more information about the experiment and their findings, [which you can read here](#) or re-watch their live webinar they conducted with Deloitte on July 6th [here](#). The experiment was conducted by the NY Fed's innovation center, working alongside Citi, HSBC and other banks, on the concept of a network for wholesale payments on a shared ledger.

“Distributed ledger technology has enabled certain capabilities in asset exchange, like a common source of truth and atomic settlement.” In other words, **“Blockchain Technology is what enables capabilities in financial markets which we are incapable of experiencing with current financial market infrastructure.”**