

Monthly Newsletter

Key insights from this month in Crypto

Covid Impact | Coinbase Listing | \$ETH Expansion



Dear Woodstock Family,

We are in the throes of a tectonic shift with [Coinbase](#) IPO and COVID-19 waves. One is expanding the market and the other is squeezing traditional markets to channelize liquidity into DLT space. Both of these phenomena should not be dismissed as transient, but as a major historical inflection point for further establishing digitization and digital assets as a serious mainstream asset class.

Digital assets rode on the momentum from the previous month and continued to integrate with the world of traditional finance in April. Coinbase, the largest cryptocurrency exchange in the USA, went public. This listing gave us a glimpse of the scale of operations for Coinbase and had massive implications for the world of digital currencies. April was also a phenomenal month for Ethereum, as both the blockchain and the token enthralled us on multiple frontiers.

The second wave of COVID-19 has hit the South Asian region, especially India, hard. The medical infrastructure was not ready to handle this tsunami of positive cases. However, we also saw the nation come together to support each other in a manner we haven't seen before. Our friends at [Polygon](#) set up a Covid Relief Campaign to help people on-ground and heavyweights from the blockchain world like [Vitalik Buterin](#) and [Balaji Srinivasan](#) donated generously to the cause.

We hope and pray that all of you and your loved ones are safe and healthy at home. At Woodstock, we have been always conscious of our role in society and have been silently and consistently helping out.

The Patterns in the Pandemonium



Humans are [optimistic creatures](#). We first believed that Covid-19 would be contained in China, then we went into a “15-day” lockdown, after which we hoped for normalcy for months before accepting the new normal. Now, we’re praying for a milder second wave.

The global pandemic has had an unprecedented impact on mankind. Our [supply chains stand broken](#), organizations had to shift to [digital methods of collaboration](#) overnight and people had time to reflect and review how we live and interact with nature. However, with disruption comes opportunity. Supply chains are becoming increasingly [digital](#), the [framework for remote collaboration](#) is being perfected and global institutions are embracing an all-digital world.

Technological advances can definitely help us in re-imagining how different sectors, ranging from banking to agriculture, telecommunications to healthcare, can leverage technology to have a positive impact on society. We strongly advocate Blockchain as the technology that can play a major role in bringing transparency, accountability, and efficiency across various industries be it banking, insurance, retail, eCommerce, pharmaceuticals, etc. For example, it is fascinating to see how Distributed Ledger Technology (DLT) brings transparency into supply chains by enabling buyers and sellers to trace

agricultural goods throughout the production process or how DeFi is growing exponentially with more than [US\\$ 75bn](#) locked in smart contracts or how NFTs are shaping up the digital art in more ways than one can imagine.

Be it [JP Morgan](#), [Goldman Sachs](#), and [Morgan Stanley](#) offering digital asset exposure to their clients or Visa and Amazon Web Service integrating Ethereum or even NBA, Warner Brother, and The Time Magazine leveraging digital assets to engage with their audience. Global institutions are using blockchain technology to excel in a post-pandemic world and we are excited to be a part of this revolution.

The world saw a shift from an agrarian era to an industrial revolution with innovations and inventions that altered how farming processes worked and in turn bringing a gamut of opportunities across industries. A similar transition is in the works, which potentially will be to move from the industrial to digitized era. And, we believe that this will be the decade of digitization and digital assets.

Raising the Stakes

Riding on the momentum from the previous month, digital assets continued to integrate with the world of traditional finance in April.



Coinbase Listing

Apart from being the market leader in crypto-exchanges in the USA, Coinbase is also considered to be the holy grail of token listings in the

blockchain world. In June 2020, a [CoinMetrics](#) study found that a Coinbase listing gave a **14%** median boost to newly listed tokens. A March 2021 [Messari](#) article estimates the price appreciation to be close to **30%** on a cumulative 5-day performance. These results are often attributed to Coinbase's popularity among retail investors, making it a prominent digital currency on-ramp.

What happens when Coinbase goes public on the world's second-largest stock exchange?

'[COIN](#)' got listed on NASDAQ on 14-Apr-21 and is currently trading near the [US\\$ 263](#) mark at a market cap of nearly [US\\$ 52.5bn](#). Here are some highlights of the positive effects of this historic event:

		
<p>Increased Transparency The community got insights into the financials and operations of this exchange. This can allow young crypto-startups to model their growth along the same lines.</p>	<p>Onboarding the Next Wave Coinbase's monthly users nearly doubled from 2.8mn to 6.1mn between Q4-20 and Q1-21. More users are expected to join the platform post-listing.</p>	<p>Alternate to Crypto The stock's price is expected to be largely correlated to the performance of digital assets, thus providing an alternative financial instrument to get investment exposure to cryptocurrencies.</p>

Furthermore, this listing provided significant returns to early backers of Coinbase and the multiplied capital from these crypto-native investors will likely flow back into the blockchain ecosystem. The credibility that a NASDAQ company commands, will allow the exchange to potentially expand globally and SEC's approval of the listing will serve as a model for regulators across the world.

As the blockchain industry grows, we expect more projects to get listed on stock markets. *Perhaps a blockchain mammoth mentioned in this newsletter might be next?*

Binance's Tokenized Stocks

An interesting mirror phenomenon to Coinbase's NASDAQ listing was the [introduction of tokenized stocks by Binance](#). There are five token

pairs currently listed, namely:



This move means Binance users will be able to qualify for economic returns on the underlying shares, which will include potential dividends. The tokens also allow Binance customers to purchase as little as one-hundredth of regular stock. Binance has strategically listed all five stocks against their own stablecoin, BUSD. The volumes are currently low and the product has already raised [red flags](#) in different jurisdictions. This product by a major player in the blockchain ecosystem will be an interesting experiment to witness.

Let's now move from large centralized players in the blockchain ecosystem to the decentralization machine, Ethereum.

Ethereal Upgrades

\$ETH Expansion

Since the last quarter, we are witnessing a massive inflow of capital into Ether and related financial products.

Instrument	Price on 4-Jan-21	Price on 28-Apr-21	% Change
\$ETH token	US\$ 1,026	US\$ 2,749	+168%
Grayscale Ethereum Trust	US\$ 12	US\$ 27	+129%

Recently [CI Galaxy](#), [Purpose](#), and [Evolve](#) also launched Ether ETFs. [CME Group](#) launched Ether Futures, [Coinbase](#) started their \$ETH staking-as-a-service, and [Staked](#) introduced Eth 2.0 Trust. Large finance players are gearing up to service the growing institutional demand for Ether.

Let us explore some \$ETH statistics, in Apr-21:

- Whale wallets (wallets with over 10,000 \$ETH) held [69.31%](#) of the supply, with a median transaction count of [6](#) which indicates large players are holding on to their Ether tokens.

- Over [US\\$ 83.8bn](#) worth of \$ETH is locked in DeFi.
- The total options open interest stood at [US\\$ 6.54bn](#) while the option volumes were at [US\\$ 730.1mn](#), this number is only derived from the top-4 blockchain derivatives platform, thus including options data from all players will push these numbers even higher.

Improving Ethereum

This interest in \$ETH is a clear indication of the traditional players understanding the blockchain industry better. Bitcoin is digital gold, but Ethereum is the world’s computer. It dominates the crypto world, with most decentralized products being developed on this foundational layer. However, the current version of Ethereum is slow and expensive.

Average Transaction per Second (TPS)	Average Transaction Cost
19.9	US\$ 16

Data Source: [Transaction Costs](#), [TPS](#), as of 9-May-21

The core developers at Ethereum are working towards ETH 2.0 which will convert Ethereum from a Proof-of-Work (PoW) to a Proof-of-Stake (PoS) blockchain. There is over [US\\$ 11bn](#) staked in Eth 2.0 contracts which indicates the community’s support behind this upgrade. The main Ethereum PoW chain successfully concluded the [Berlin hard fork](#), which implemented 4 EIPs, namely:

EIP 2565	EIP 2929	EIP 2930	EIP 2718
It specifies an algorithm for redefining the gas costs for a given operation	It increases the gas fees for opcodes that access memory	It creates a new transaction type that lists addresses and keys, resulting in lower gas fees for smart contracts	It defines a new transaction type that serves as a wrapper for future transaction types, making all transactions backward compatible

The polarizing [EIP 1559](#) wasn’t a part of this hard fork, which aims to increase gas fees for first transactions and reduce it for subsequent transactions.

With Berlin out of the way, Ethereum is working towards their London

hard fork, which would be the last stop before Ethereum becomes a PoS chain. However, these hard forks still need a lot of work, with Ethereum facing its first incident post the hard fork, which prevented more than [70% of their validators from producing new blocks](#). This vulnerability was immediately rectified with minimal loss, but Vitalik Buterin, the co-founder of Ethereum, shared that there would be a lot more updates that come to the chain post the PoS merger.

Market Overview

Bitcoin

Bitcoin touched an all time high of [US\\$ 64863](#) on 14-Apr-21, however, in the same month, we also witnessed \$BTC drop below the US\$ 50k mark, down to [US\\$ 47,160](#). Varied reasons were proposed as explanations for the dip including:

- US government's [capital gains tax](#) hike
- Turkey's [ban on crypto payments](#)
- A fire in China causing a [drop in mining hashrate](#)
- Price pullback liquidating [overleveraged traders](#)

It is impossible to determine the exact reason for the weekend dip, however, \$BTC quickly recovered and has been consistently trading above US\$ 52k mark.

Ethereum

Ethereum on the other hand, has had a bull-month. It touched an all-time high of [US\\$ 4021](#) on 9-May-21 and it did not see a sharp correction when Bitcoin dipped. With gas prices falling, EIP 1559 on the horizon, layer-2 solutions booming, things are looking healthy for \$ETH.

NFTs Numbers

In the NFT markets, we saw a good consolidation in [market numbers](#) which is a positive signal in the long term. At Woodstock, we have been talking to both our portfolio companies and the newer players in the NFT space, and we are excited by the innovative products being built with this technology. We are confident that NFTs will change the entertainment industry and beyond in the coming decade.

Woodstock in the News

At Woodstock, we are in active fundraising mode. Our team members are engaging with investors across the globe and finalizing commitments for Fund-II. On the research side, we are aggressively strengthening our thesis for a multi-chain future. Some key updates are as follows:

- [Blockchained India](#) invited us to the second episode of the [DeFi Expert Session](#) to chat about the opportunities in DeFi and NFTs
- We backed [BenQi](#), an algorithmic liquidity market on Avalanche and [Mesh Finance](#), a community-driven DeFi bank
- The Woodstock Founder Series was kicked off with [Ganesh and Levi](#) from [Covalent](#)
- We are sponsoring the [Asia Innovation Summit](#), which is a premier emerging technology summit

Lastly, you can find the previous month's newsletter [here](#).

We hope to see you next month with another monthly roundup of the ever-changing, rapidly growing world of crypto.

Warm Regards,
Woodstock Team



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