



CRYPTOLOGY

Q3

MARKET RESEARCH REPORT

2018

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Market Analysis

Total Market Capitalization

Q3 - 2018

Within the third quarter of 2018 the cryptocurrency market cap dropped from \$254 bln to \$222.8 bln, that is, by \$31.5 bln or 13.3 %. For the first time in 2018, on September 12 the cryptocurrency market broke through the lower level of \$200 bln US dollars (\$186 bln) and reached the level of 2017.

An extremely important trend testifying a mutual penetration and interaction of the traditional stock market and cryptocurrency market finally became apparent; One of the most glaring examples took place on September 21, when the Dow Jones Industrial Average rose, having reached a new absolute record for 2 consecutive days. That very day the cryptocurrency market cap grew sharply by \$25 bln within a day. From this point on, with the reducing volatility level and more rigid market regulation, these two trends will become more evident.

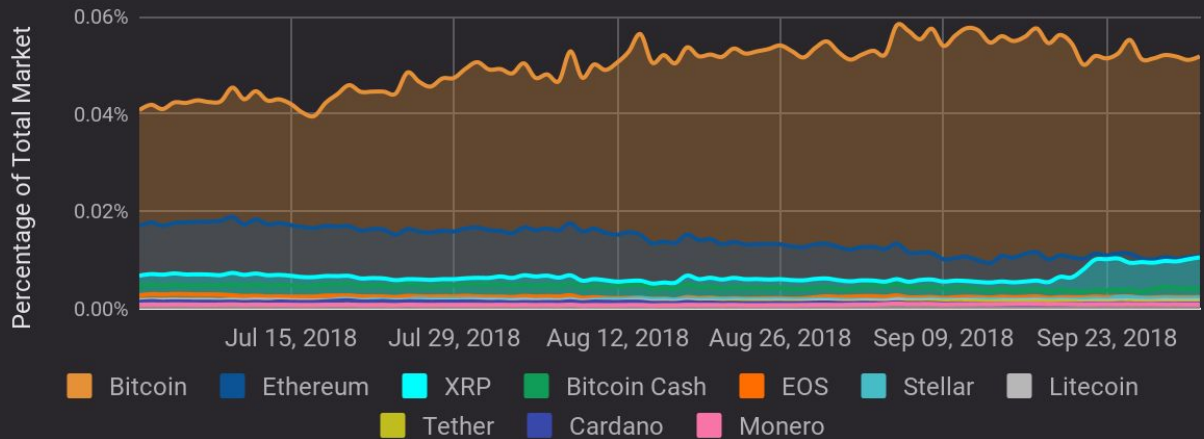
Total Market Capitalization



Coinmarketcap.com

Percentage of Total Market Capitalization

Percentage of Total Market Capitalization



Coinmarketcap.com

Bitcoin

Bitcoin achieved a predominant position, having taken 10% more. After long-lasting discussions of its imperfections and the idea that the market was about to be absorbed by great altcoin projects, bitcoin reminded who's the boss and who rules the market. A clear trend is evident: when there's a protracted capitalization fall, the share of bitcoin increases and when the market recovers - vice versa. Its predominance in the market within Q3 has increased from 42% to 54%.

Ethereum

Throughout the Q3 we've been watching Ethereum falling steadily from 17.8% to 10.3%, that is, by more than a third. With each week it fell from one position to a lower one. Many people started to connect that with the final of big ICOs and their transfers to their own blockchains (token exchange) or partial transfers to other blockchains (EOS). Though let's remember that the price fall is also directly related to the increasingly rapid obsolescence of the system. Within the recent 1-2 years, Ethereum killers have been being developed very actively and they are being realized. For the moment the Ethereum team is trying to catch up and gain the lost positions, preparing another fork and planning to implement a new protocol. The moods of the audience regarding this event are quite optimistic.

Ripple showed a sharp growth by 2% reaching 3 at its peak, which makes 1/4 from its capitalization. The rest of the TOP projects remained in a relatively steady state. On September 21 Ripple even left Ethereum behind in capitalization for some time and gained the second position on the list. NEM showed the sharpest fall among the altcoins with its 20% capitalization losses.

The percentage of price fluctuations

The most favourite subject is an incredible volatility of crypto assets (that might though be compared to the Tesla stocks;)

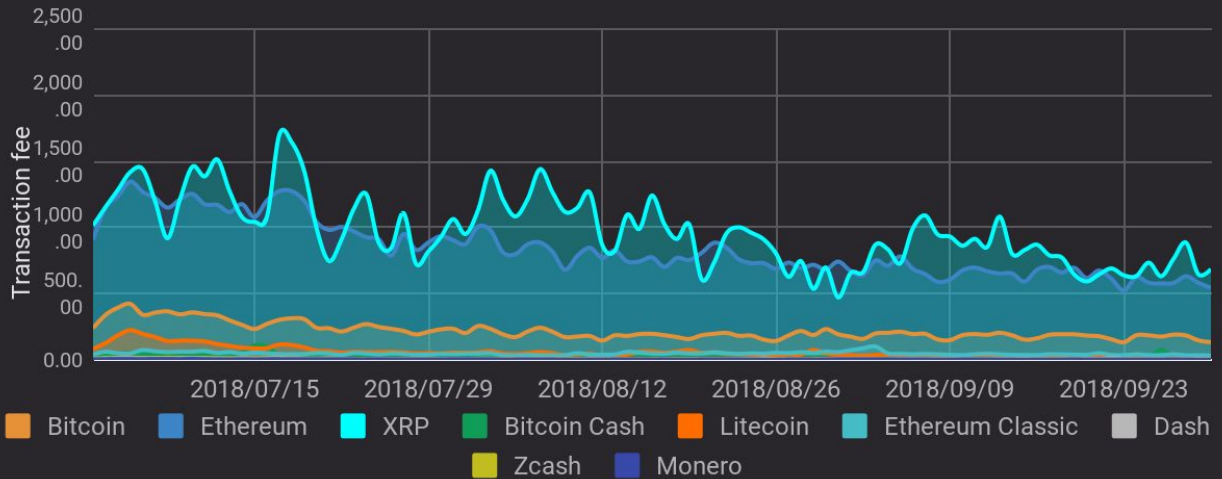
Probably, the most dramatic series that we have had to watch this quarter is the ETH falling. Despite that the entire market is totally in hands of bears, the reasons of ETH fall are connected only with their business and development, which we will touch upon later.



Coinmarketcap.com

Number of Unique Transactions per Day

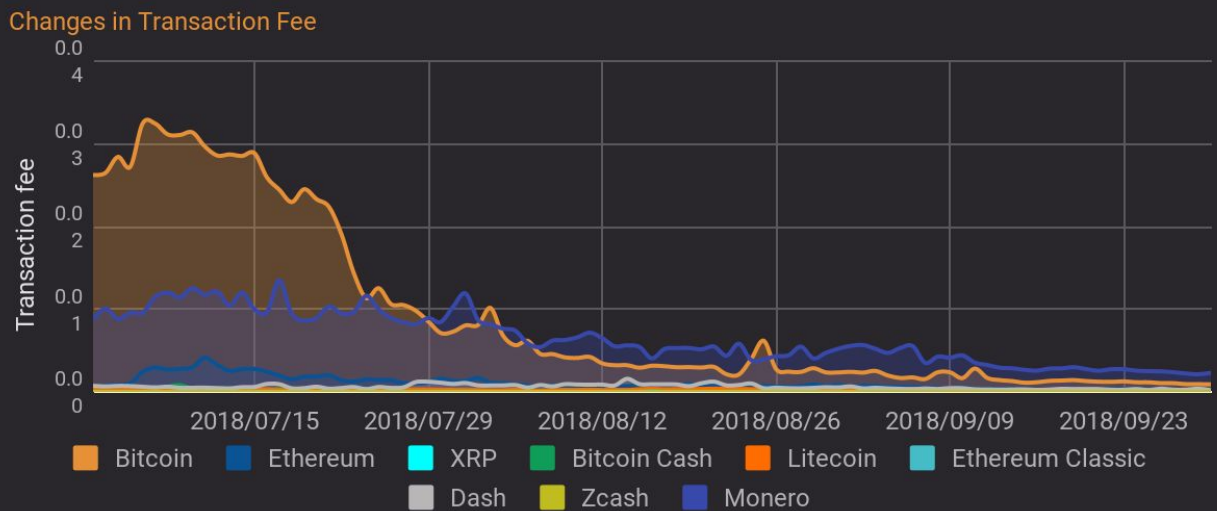
Number of Unique Transactions per Day



bitinfocharts.com

The number of transactions continues decreasing, not so sharply like at the first quarter of the year, now it's moreover a slow predictable falling. The Bitcoin graph shows an interesting regularity, that is, seven-days cycles. Within these 7 days there's always a day with maximum transactions and a day with minimum transactions. This may be related both with the behavioral patterns - on weekends people work less, and with some system particularities, that though raise doubts.

Changes in Transaction Fee



bitinfocharts.com

Against the background of general discontent of Ethereum miners, prevails the joy of the audience ready for transaction price reduction and coin price increase, which will allow it to confidently take the lead over Bitcoin at least in this parameter.

From July 1 an average price of a bitcoin transaction stabilized at \$0.43-1.33. Apart from the implementation of SegWit and Lightning, the reduction is associated with the overall decrease of transaction number in the network.

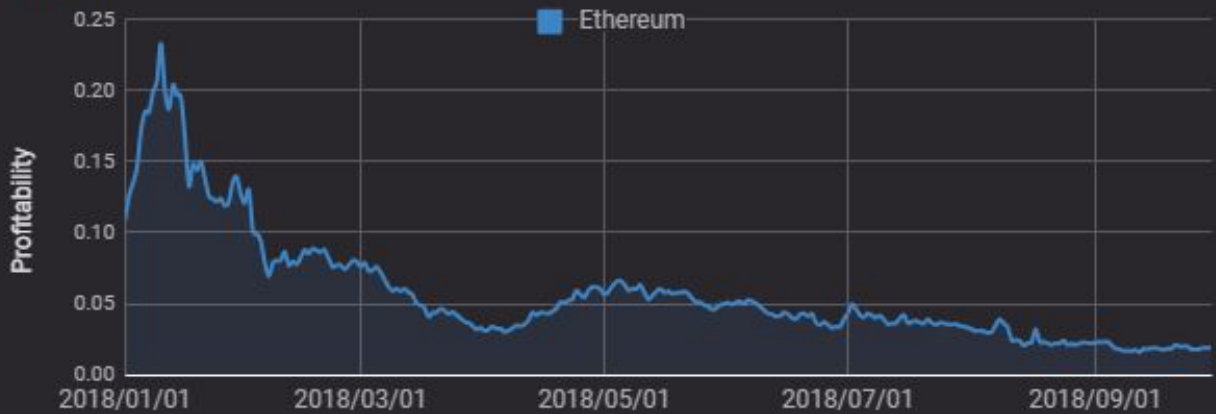
In July and August, the average fee amount in the Ethereum network was several times higher than that in the Bitcoin network. Several versions of these events exist, including EOS bot attacks, though none of them is proved.

Changes in the Profitability of Mining

Bitcoin



Ethereum



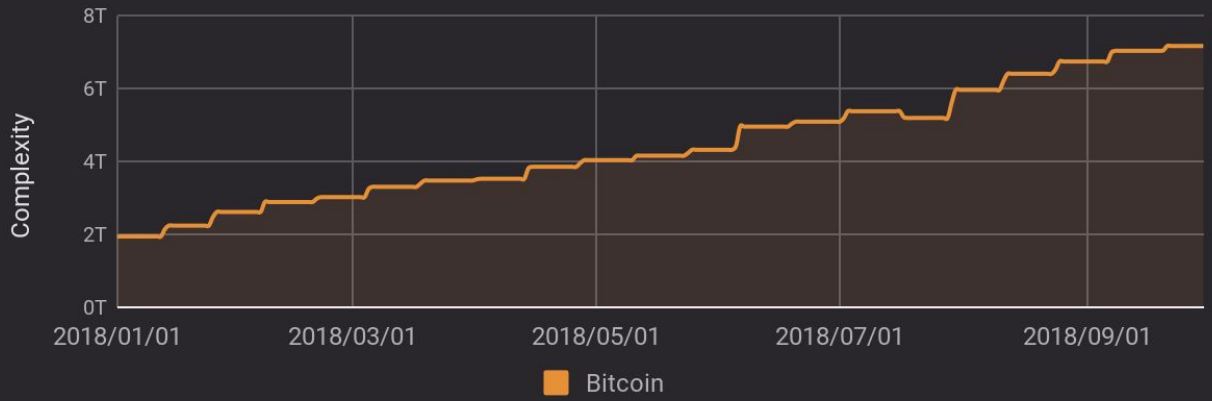
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Despite Ethereum falling down, for some time its mining has remained one of the most expensive. Mining of a unit of Ethereum was estimated at 152 USD in the first half of Q3, for now, it has significantly reduced (from 2 ETH to 3 ETH per block), on the threshold of an important switch to a new system.



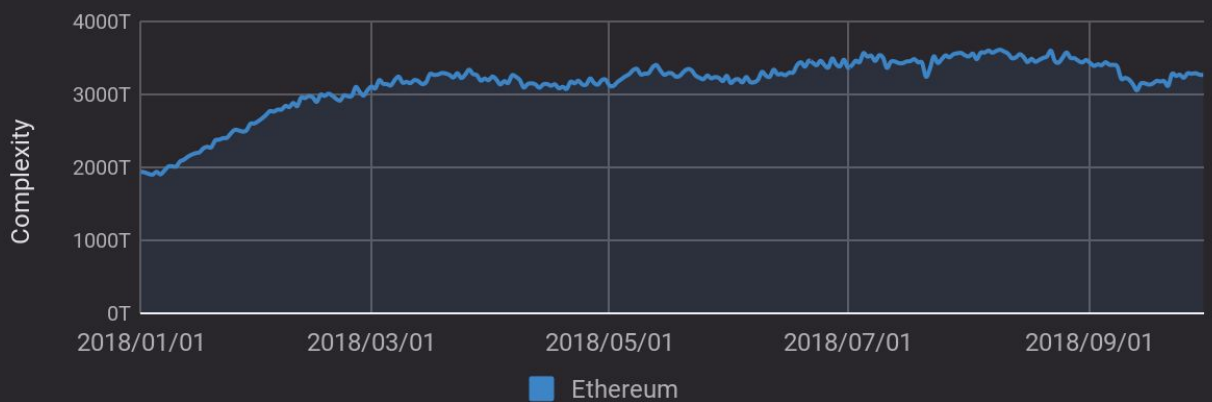
Changes in the Difficulty of Mining

Bitcoin



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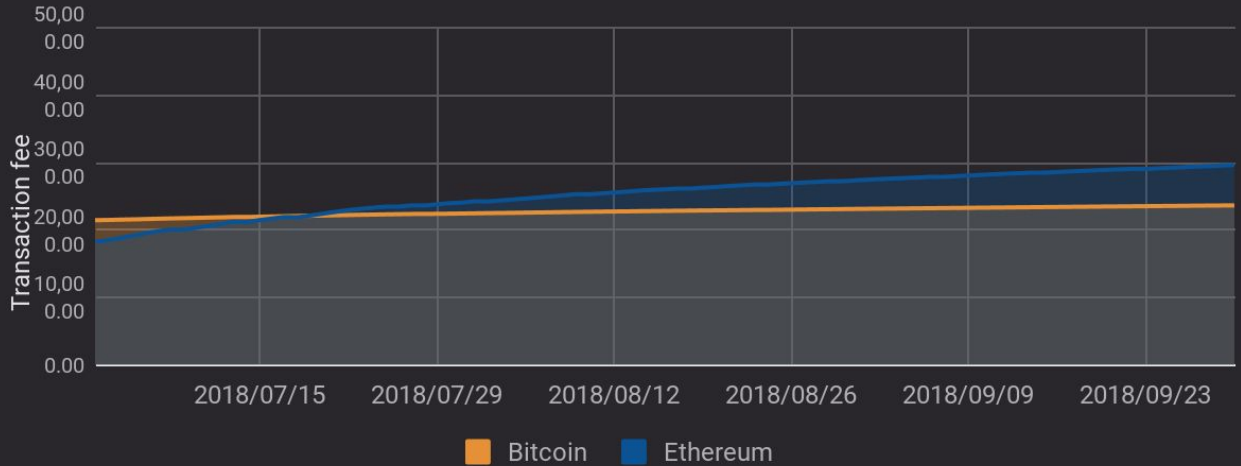
Ethereum



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Blockchain Audience

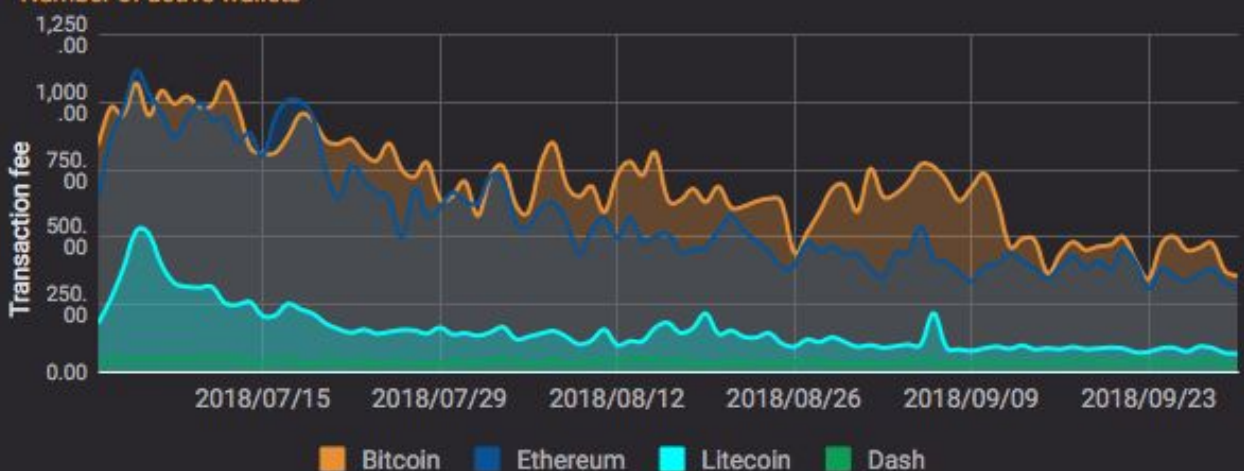
Number of wallets. Trends.



bitcoin.com etherscan.com

The values related to wallets and accounts of users are probably the freest from whirling up in the entire crypto sphere. They allow tracking trends without fear of being misled by news release and too overrated trading volume or funds raised. Consequently, these values of active wallets (of everyday use) show that the general trend of interest does not decrease, but moreover got stuck in October-November in the last year. The use of Ethereum wallets and those of other main altcoins shows a gradually falling trend.

Number of active wallets



bitinfocharts.com

Crypto Analysis

Total Number of ICOs and Funds Raised

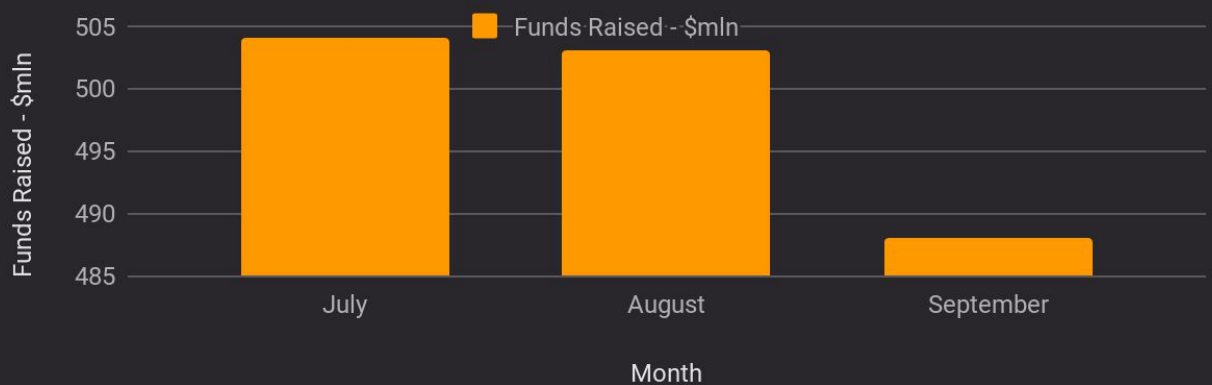
Total Number of ICOs vs. Month



coindesk.com icodrops.com

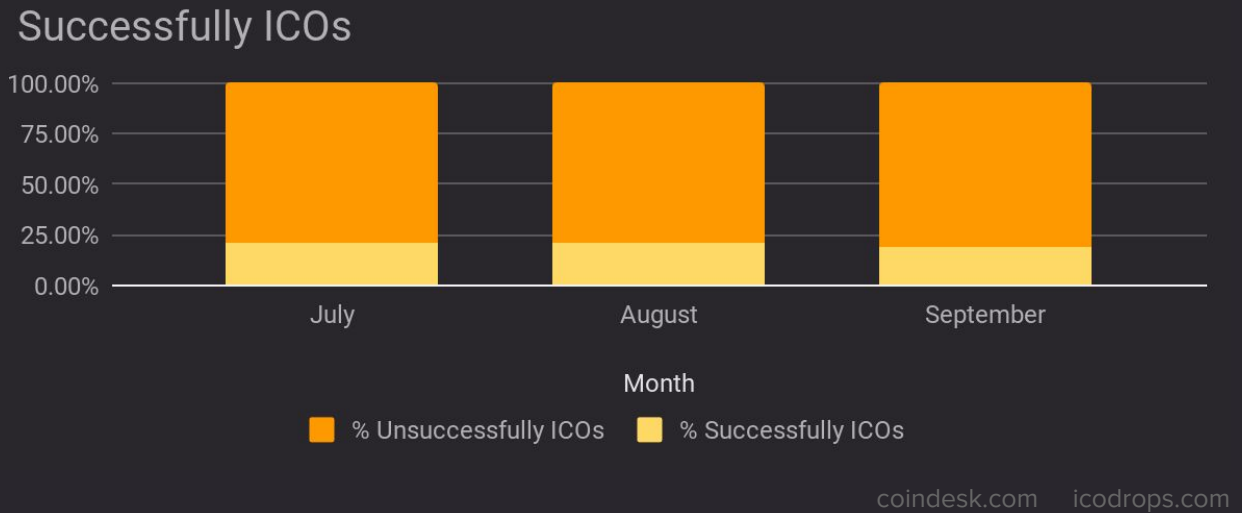
Starting from 2018 the overall number of types of cryptocurrencies and crypto assets, represented on coinmarketcap.com, has increased from 1335 to 2006, though we consider the fact that not all the projects are registered on this resource, and thus, an actual list (apart from evidently bad projects, and also from those characterized by fully closed private sale) is slightly wider.

Funds Raised - \$mIn vs. Month



Coindesk.com icodrops.com

Successfully Ended ICOs



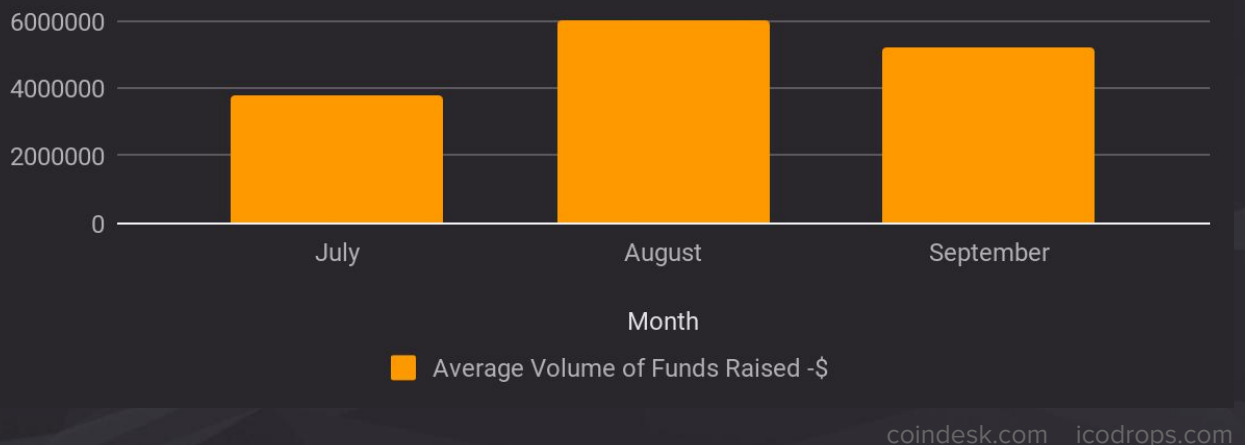
The trends in the third quarter are the same as in the previous two, that is, a systematic decrease. It is associated with incredibly big hard caps, unready or low-quality products and short terms of marketing campaign realization.

The success of an ICO directly correlates with the following criteria:

- Changes are closely related to a general market fall
- Significantly changed audience of crypto investors: the outflow of amateurs or better market understanding among former amateurs.

However, if BTC prices fall or remain at the previous level with slight fluctuations, the ICOs won't be considered as safe investments, but intended just for amateurs.

Average Volume of Funds Raised

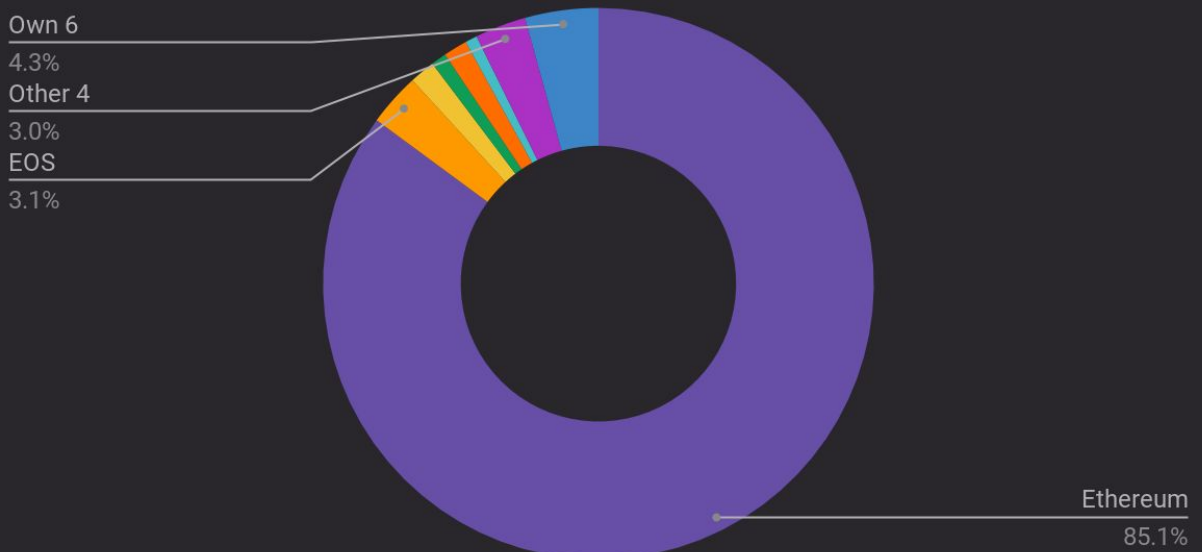


In July \$504 mln was a volume of funds raised, while an average volume for one project is \$3.8 mln. Whereas, successful ICOs have received 66% from the overall volume of funds this month, which is a testimony to an already habitual trend of all the markets, that is, giants gain all the money.

In August an average volume per project was \$6mln, at this only 10 raised 80% of all the money. In September it was \$5.2 mln, at this 20 biggest ICOs raised 40% from the sum.

Blockchain Usage in ICO Projects

Blockchain Usage in ICO Projects




coindesk.com icodrops.com


Critically low interest in other blockchains is a strong trend of this quarter. The launch of EOS, related with all the mistakes and fails, could not push the leader yet.

Geographical Distribution for ICO Projects

Country distribution zones gradually narrow. Playing with the laws that have already been implemented or are planned to be implemented at any time is a prerogative of desperate scammers. All projects who think about the future move to either maximum open or predictable countries (like Singapore), or do not perform Token Sales, switching to the traditional funding.



 Minimum

 Maximum

coindesk.com

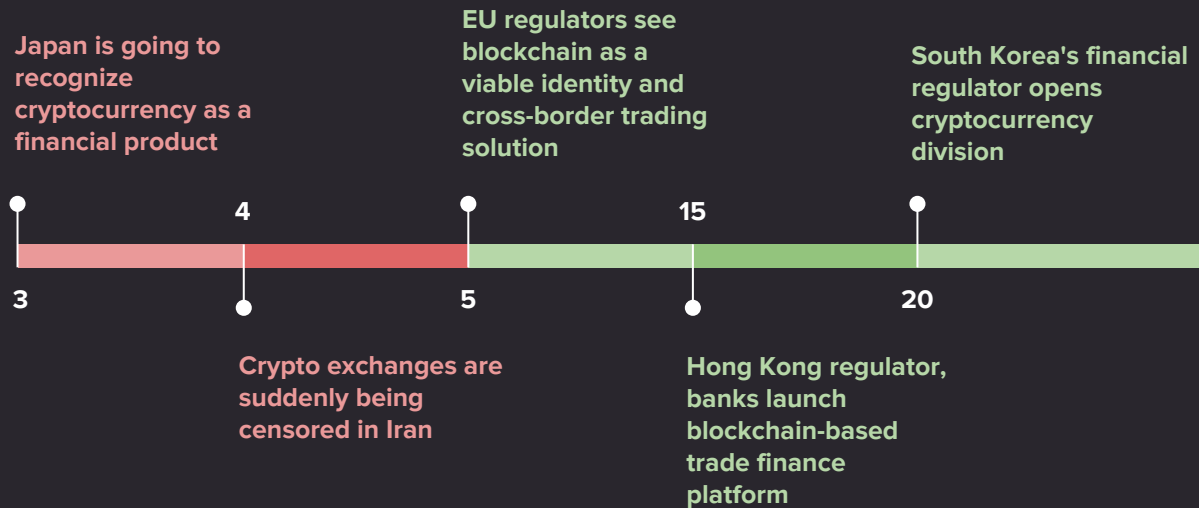
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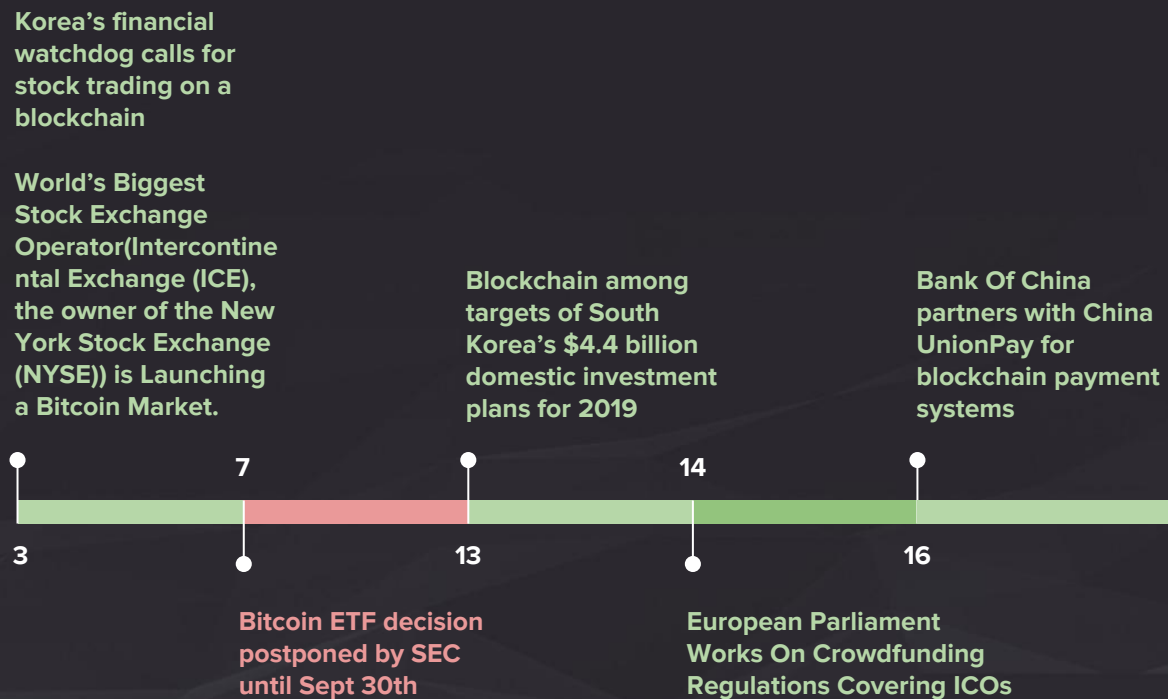
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Line-Up of the Main News in the Crypto World

July - 2018



August - 2018





SEC rejects 9 bitcoin ETF applications from ProShares, Direxion and GraniteShares

World Bank and Australia's largest bank issue bond exclusively through blockchain

Yahoo Finance users can now buy and sell Bitcoin, Ethereum and Litecoin on the platform

20

23

27

30

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Shanghai stock exchange partners with major insurance firms to improve industry with blockchain

Iran finalizes national cryptocurrency draft document, regulations imminent

CBOE is planning to launch ETH futures trading by the end of this year

Japan's biggest messaging app line decided to create its own crypto

September - 2018

More blockchain pilot projects for the public sector will receive support from the South Korean government in 2019

Parity Ethereum finished implementing the Constantinople hardfork

SEC has stopped trade of Bitcoin's and Ethereum's ETN

3

4

8

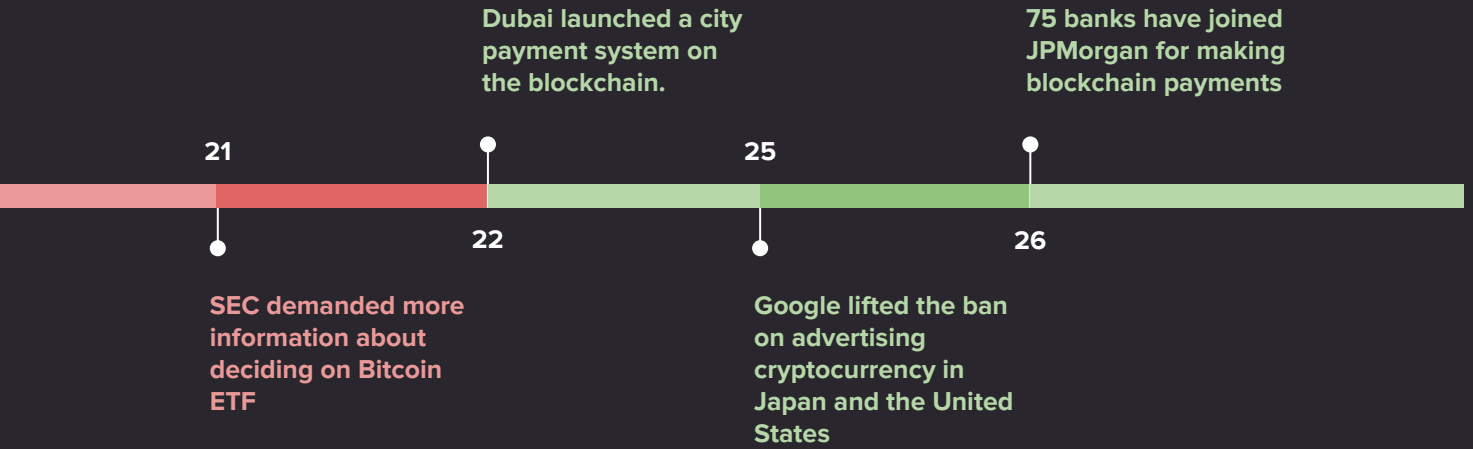
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IBM has brought its Blockchain World Wire (BWW) payment network out of beta

France finalizes new ICO framework to 'attract innovators globally'

FAKE NEWS: Goldman Sachs will not open a department for trade in crypto currencies



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