

COTW: Gaming & NFTs Fuel Token Performance

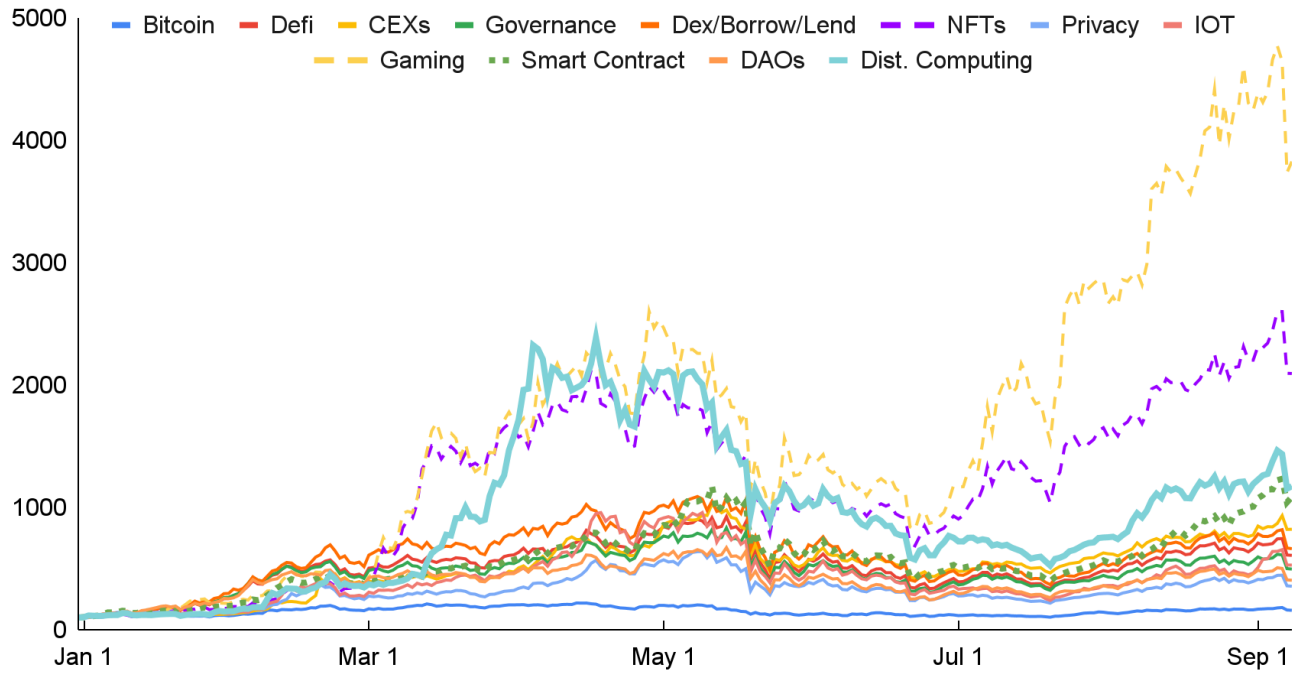
Two of the biggest themes in crypto this year have been the rise of blockchain-based gaming and NFTs, both of which have caused associated tokens to soar. We examine token performance by category in this Chart of the Week.

- **More than Just Bitcoin:** Bitcoin, the decentralized, censorship-resistant, immutable, permissionless, open source, pseudonymous, and fungible native asset to the proof of work-based Bitcoin blockchain, is considered by many to be the world's original digital currency. And while Bitcoin was initially intended to be an electronic payment system, it has evolved into a store of value given technical limitations and a fixed supply. Cryptocurrency, however, is about so much more than just Bitcoin. Blockchain technology enables the removal of intermediaries, cost-free value transfer, distributed computing platforms, and new business models, governance forms, and ownership paradigms, to name a few. Such powerful use cases are being put to work in a variety of applications, from decentralized finance to Web 3.0 to entertainment and gaming. And as the technology develops, advantages become more clear, and adoption continues, token performance will follow.
- **Performance by Categories:** To track the performance of various categories / types of cryptocurrency, we created equal-weighted custom baskets. Importantly, we exclude tokens with market caps below \$500m to avoid over-influence by small tokens, and also keep constituents static to eliminate survivorship bias. Lastly, note that categories are not mutually exclusive, with, for example, a DeFi protocol with DAO-based governance in both our DeFi and DAO categories and NFT-based gaming tokens in both our Gaming and NFT categories. As shown in **Exhibit 1**, gaming tokens have led the pack, increasing 38x this year, followed by NFT-related tokens, up 21x. Distributed computing (+12x) and smart contract layer one platforms (+11x) have also been particularly strong. On the other end, privacy-related coins have increased 3.6x, the lowest increase for any category. Note that all categories have outperformed Bitcoin (BTC), which is up 1.6x YTD, as it's hard for Bitcoin to increase many times over when its starting market cap was already over \$500B. Indeed, given altcoin strength, BTC dominance has fallen from 71% to 41% over the course of the year.
- **Blockchain-Based Gaming:** One of the biggest trends this year has been the rise of blockchain-based gaming, where digital pet universe play-to-earn game [Axie Infinity has led the](#)

[charge](#). Indeed, incorporating blockchain technology into a game has many benefits including enabling users to own assets, improving security, transparency, trust, and traceability, expanding developer revenue streams, enabling rich incentive schemes, and introducing composability. Axie Infinity, for example, allows players to own their Axies, gives out Smooth Love Potion (SLP) token rewards to players for accomplishing certain tasks, and increases its revenue by taking a cut of all marketplace sales. Axie now boasts over 1.5m daily active users and has been making \$10-20m in daily revenue, causing its AXS governance token to rise over 125x this year. Other gaming-related tokens have increased more than 10x too, such as [Decentraland](#) (+11x) and [Enjin Coin](#) (+13x), causing gaming to be the top performing token category so far this year.

- **NFTs:** Closely related to the strong performance of gaming tokens is the performance of our NFT basket, which is up 21x this year. While immediate applications of NFT technology are most prevalent in gaming and collectibles, these blockchain-based digital representations of ownership can be employed in a variety of additional use cases like media, music, and finance, and in the future will [usher in new paradigms around content, ownership, value, and exchange](#). Outside of the gaming tokens discussed above, blockchain-based sports platform [Chiliz](#) and digital collectibles marketplace creator [ECOMI](#) have seen particularly strong performance this year.
- **Meme Coins, Distributed Computing & Smart Contract Protocols:** We'd be remiss if we didn't mention the phenomenal performance of meme coins, such as Dogecoin, up 55x YTD due at least in part to retail speculation and Elon Musk comments, and Shiba Inu, up an astounding 88,180x over that time. Distributed computing has been strong, driven by Holo (+17x) and BitTorrent (+14x), while smart contract protocols have seen material dispersion in token performance, though those with increased user and developer adoption are seeing a commensurate increase in their token price, such as for Solana, Fantom, Terra, and Harmony, up +126x, 93x, 45x, and 33x respectively, this year. Though difficult to predict what corner of the cryptosphere will be next, we're confident that over the long run, continued development, increased utility, and greater adoption will continue to drive token prices.

Exhibit 1: Token Performance by Category (12/31/20 = 100)



Source: Santiment, GSR

Note: Categories are not mutually exclusive.

Author: Brian Rudick, Senior Strategist

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