

David Zimmerman

DeFi Analyst

This Time is Slightly Different

TLDR

- We avoid the phrase - “This time is different”, but recent fundamental changes and developments in crypto markets mean we should slightly adjust our investing and trading.
- There are 3 broad ways crypto markets have developed to make this time “slightly” different:
 1. **Spot BTC ETFs** – this means that institutions are truly here. This impacts broader crypto markets as it solidifies crypto as an asset class, grows the industry overall, and helps build more hype for altcoins.
 2. **Altcoin Proliferation** – this means a more dispersed market. Focusing on fresh narratives and rotating through them is more important than ever as the total number of altcoin projects grows exponentially.
 3. **Top Signals** – some reliable top signals of previous cycles will not be as useful this cycle. We speculate that the Coinbase app will not reach #1 in the app store this cycle.
- “History doesn’t repeat itself, but it often rhymes”. Crypto has changed in some significant ways, but the fundamentals of trading markets remain the same. Our approach should change slightly as the market matures, but we should not over-adjust.

Some Things Are Slightly Different This Time

Whether you are a trader, investor, or hodler, you want to avoid the phrase - “This time is different!”. Markets go through cycles. Although everyone is aware of this, when things have been bullish for a long time, people begin to believe we are in “a new paradigm”. Markets go both ways. What was once a hot narrative for months, eventually cools off. Markets trend down sometimes, and “up only” lasts only for so long.

While we avoid uttering that aforementioned phrase, crypto markets *have* changed significantly, and things are very different in some ways. As the market matures, we must adapt. Today, NN looks at 3 broad ways in which our crazy crypto world has changed and how we should adapt to outperform in an increasingly competitive market.

1. The Institutions Are Here

Crypto natives used to joke about it, but institutions have truly arrived. Bitcoin's spot ETF approval has changed crypto markets forever, and this is not only referring to the bullish flows that rushed in immediately following approval. Whether or not the average person on the street believes in Bitcoin, it has now been fully accepted as an institutional-grade asset. The impact of ETF flows on how this market trades remains to be seen. On the one hand, there will be some passive demand for BTC ETF products from parties that have a very long timeframe and are happy to simply hold long-term. On the other hand, TradFi natives using BTC ETF products for shorter-term trading opportunities will be much more likely to take profit and cut losses quickly than the average crypto native.

"What does this have to do with my low-cap GameFi project?". Bitcoin remains king. Bitcoin decides the trend for the overall market. The number 1 cryptocurrency has outperformed alts in the early stages of this cycle, as is tradition, and only after it has put in a massive move does the total altcoin market begin to catch up, as we saw in Q4 2023. Some speculate that institutional demand through ETFs will mean that money does not flow into alts from BTC. While this is a factor, it is only one factor. A new wave of retail is drawn in by growing hype and headlines. In our view, it is quite straightforward - news outlets broadcasting massive BTC ETF inflows and BTC breaking record highs will lead to more hype for altcoin markets. That is not to mention the hype generated by the likes of Blackrock setting up an on-chain [fund](#) for tokenized assets. We believe the spot BTC ETF will eventually lead to a spot ETH ETF. Given this context - NN believes sentiment is **not bullish enough on the long term** for investment portfolio assets such as ETH and the broader altcoin market by extension.

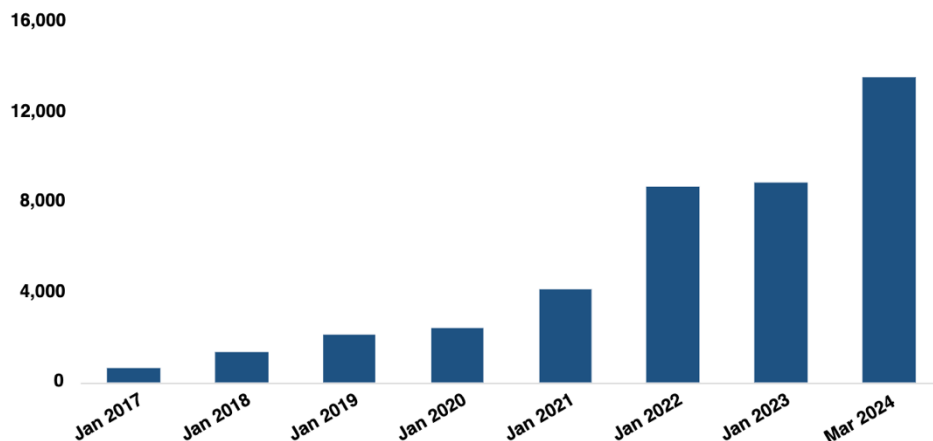
2. Altcoin Proliferation

Few projects in crypto last long term. There are some truly innovative pieces of tech which have stood the test of time such as MakerDAO or Aave. However, many projects are designed to take advantage of short-term hype, or simply act as copycats of successful projects in an attempt to generate some hype and "slow rug" (where the aim is to extract value from the crypto ecosystem without any plan to build for the future). This is one major reason DeFi has struggled as an altcoin sector - a proliferation of ripoff projects and relatively few projects doing something new and exciting.

More and more altcoins are added to the crypto market every day. This means more projects are vying for attention within each sector/narrative. The result is a diminished pump for a given narrative as a certain amount of capital is deployed across a wider range of total coins/tokens, with it also becoming more difficult to pick big winners.

K33
RESEARCH

No. of Cryptocurrencies Listed on CoinGecko



For this reason, a relatively fresh narrative is gold for traders, which is the main reason NN is so bullish on AI. While gaming and memecoins are the other two sectors NN expects to do exceptionally well, this is because we expect bullish inflows to outweigh the increase in supply that is expected as crypto hype grows and more retail enters. For gaming specifically, we also believe there is a new generation of crypto games, such as [Parallel TCG](#) that are in another league, separating them from the previous cycle's offering.

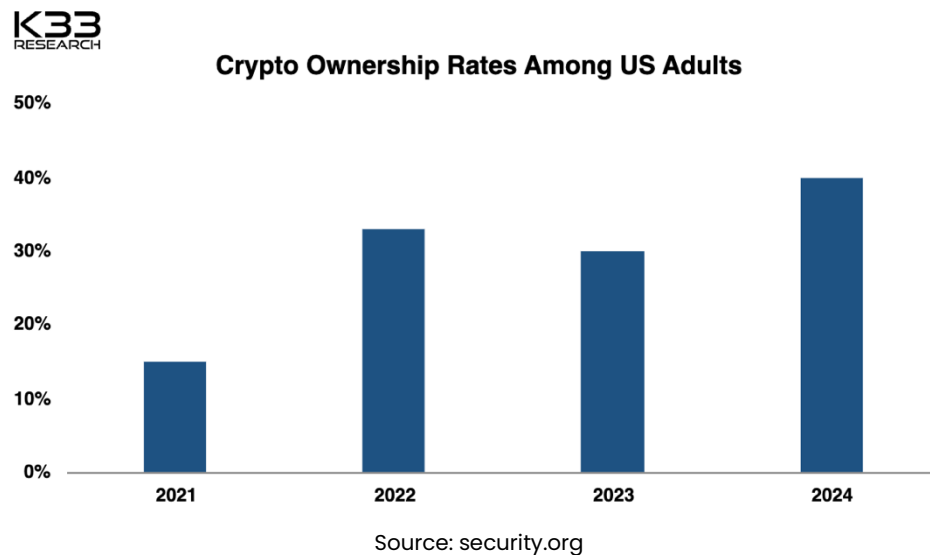
Beyond your core long-term positional trades, shorter-term trading has also changed as a result of market dispersion. Rotating through narratives at a greater rate is more important now than it has ever been. There simply are not enough capital inflows into the altcoin markets to sustain big long-term rises in all sectors at the same time, in the current state of the market. Stablecoin market cap (which we use to gauge market inflows) is far from an all-time high, while the number of alts continues to grow exponentially. To put it simply – altcoin trading/investing is becoming a bit more competitive. Having the bulk of your exposure in core spot holdings is still best practice, but **rotating through narratives/coins at a higher rate is called for as the altcoin market grows.**

3. Top Signals Have Changed

In 2021, there were major top signals, from [FTX Super Bowl ads](#) to every other celebrity talking about their [Bored Ape](#) on an evening talk show. While it is always important to be on the lookout for reasons to derisk (as well as go risk-on), these top signals change as the market matures and goes through more and more cycles. **What were once top signals in the past may not be top signals now.** Waiting for some signals that have been reliable in the past may not show up this cycle.

For example, one popular top signal has been the position of the Coinbase App in app stores. In late 2021, the app [reached the No.1 position](#) for app downloads on Apple's US App Store. It is still a useful metric to use when gauging crypto hype, but NN believes those waiting for it to hit No. 1 again before selling anything may be left holding their bags. The reason? Coinbase already has [>100m registered users](#). Much of retail from the previous

cycle that has yet to rejoin the market, already has the app downloaded. [40% of American adults](#) already own crypto. Anecdotally, my non-crypto friends now asking about crypto (after years of not mentioning it) are saying - "Oh, I still have some SOL from years ago", rather than asking how to onboard. Crypto has grown, and so, we must adapt.



History Doesn't Repeat Itself, but It Often Rhymes

Crypto has changed in some significant ways, but markets never truly change in the most fundamental sense - they all go through a continuous cycle of greed and depression. Nonetheless, it is important to adjust our approach slightly as the industry within which we operate shifts. TradFi is truly here with spot ETFs now trading, which has a significant impact on both Bitcoin and the broader crypto market. However, we still see leverage wipeouts and 5% red 15m candles, which you can be sure is thanks to crypto natives and not a passive spot bid. The altcoin market is getting larger and larger in terms of total number of coins/tokens, which has given us a more competitive landscape for those outsized returns. And yet, there are still amazing returns to be had for those disciplined enough to navigate narratives and take profit. As crypto goes more mainstream, certain top signals may be indistinguishable from signs of adoption.

Whether one believes we are in a golden bull run or we are just going through a normal cycle, there are some fundamental differences over previous bullish trends. More things will fundamentally alter the industry in the future, the EU's [MiCA](#) regulatory scheme being one to follow closely. While we must adapt to new conditions as the market evolves, the golden rule of altcoin trading/investing remains the same - **take profit** along the way and compound those returns.

Disclaimer

- Navigating Narratives (the “Report”) by K33 Research is a report focusing on cryptocurrencies, open blockchains and fintech. Information published in the Report aims to spread knowledge and summarise developments in the cryptocurrency market.
- The information contained in this Report, and any information linked through the items contained herein, is for informational purposes only and is not intended to provide sufficient information to form the basis for an investment decision nor the formation of an investment strategy.
- This Report shall not constitute and should not be construed as financial advice, a recommendation for entering into financial transactions/investments, or investment advice, or as a recommendation to engage in investment transactions. You should seek additional information regarding the merits and risks of investing in any cryptocurrency or digital asset before deciding to purchase or sell any such instruments.
- Cryptocurrencies and digital assets are speculative and highly volatile, can become illiquid at any time, and are for investors with a high risk tolerance. Investors in digital assets could lose the entire value of their investment.
- Information contained within the Report is based on sources considered to be reliable, but is not guaranteed to be accurate or complete. Any opinions or estimates expressed herein reflect a judgment made as of the date of publication and are subject to change without notice.
- The information contained in this Report may include or incorporate by reference forward-looking statements, which would include any statements that are not statements of historical fact. No representations or warranties are made as to the accuracy of these forward-looking statements. Any data, charts or analysis herein should not be taken as an indication or guarantee of any future performance.
- Neither Research nor K33 Operations AS provides tax, legal, investment, or accounting advice and this report should not be considered as such. This Report is not intended to provide, and should not be relied on for, tax, legal, investment or accounting advice. Tax laws and regulations are complex and subject to change. To understand the risks you are exposed to, we recommend that you perform your own analysis and seek advice from an independent and approved financial advisor, accountant and lawyer before deciding to take action.
- Neither K33 Research nor K33 Operations AS will have any liability whatsoever for any expenses, losses (both direct and indirect) or damages arising from, or in connection with, the use of information in this Report.
- The contents of this Report unless otherwise stated are the property of (and all copyright shall belong to) K33 Research and K33 Operations AS. You are prohibited from duplicating, abbreviating, distributing, replicating or circulating this Report or any part of it (including the text, any graphs, data or pictures contained within it) in any form without the prior written consent of K33 Research or K33.
- By accessing this Report you confirm you understand and are bound by the terms above.
- K33 Research is a department within K33 Operations AS, org. 994 608 673, and can be contacted at research@k33com or bendik@k33.com