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# 2023 Macro & Crypto Outlook

## LIQUIDITY MATTERS

January 2023

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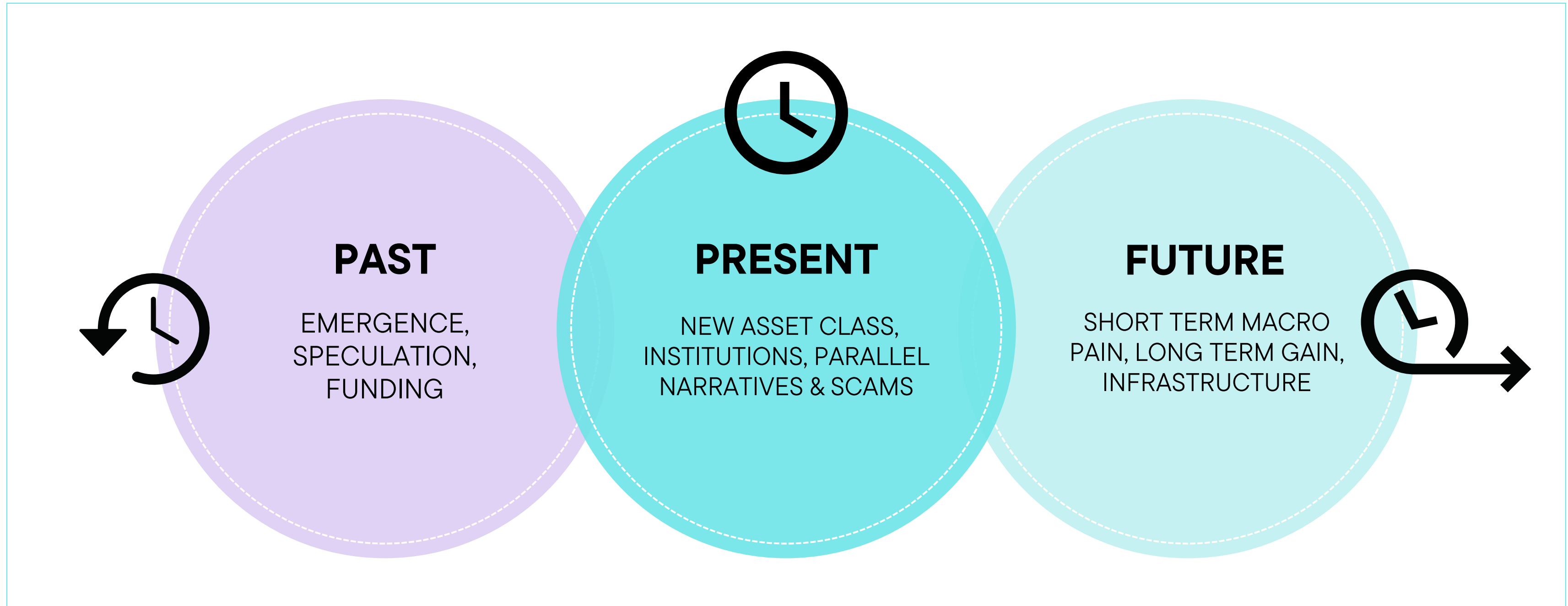
# Executive Summary

2022 was a very painful year for investors, across most risky asset classes. Unfathomable scams, hacks and plain vanilla embezzlements across crypto, wrecked most shrewd investors. Coupled with tightening liquidity, markets continue to infuse more pain as we enter 2023.

Meanwhile, there has been an exponential rise in crypto infrastructure over the last few years. It is quite evident that this new monetary layer of internet & digital ownership, is here to stay. With growing number of individuals and institutions participating in building out innovative solutions, 2023 might be the best year to build.

In this report we have tried to analyse global macro trends and how they impact crypto over the next couple of years. In doing so, we have also tried to identify some micro narratives, sectoral opportunities and trying to locate new trends before anyone jumps into them.

At Rising Capital, we are constantly speaking to brilliant founders as well as other network participants, who are building some of the most interesting products both in blockchain and tech in general. We have been here for more than a decade and we are not giving up on crypto now. While 2022 was a temporary setback, we are much more confident of massive opportunities that lie ahead. We are privileged to be in a position to help projects and founders with our decade plus experience in crypto, along with our global network to help build world class businesses. Winners always come out stronger on the other side. Remember, this is not financial advise and please read Disclaimers at the end of this report.



# The Past

The Age of Excess Liquidity  
Perfect Market Zeitgeist  
Early Hype and Growth

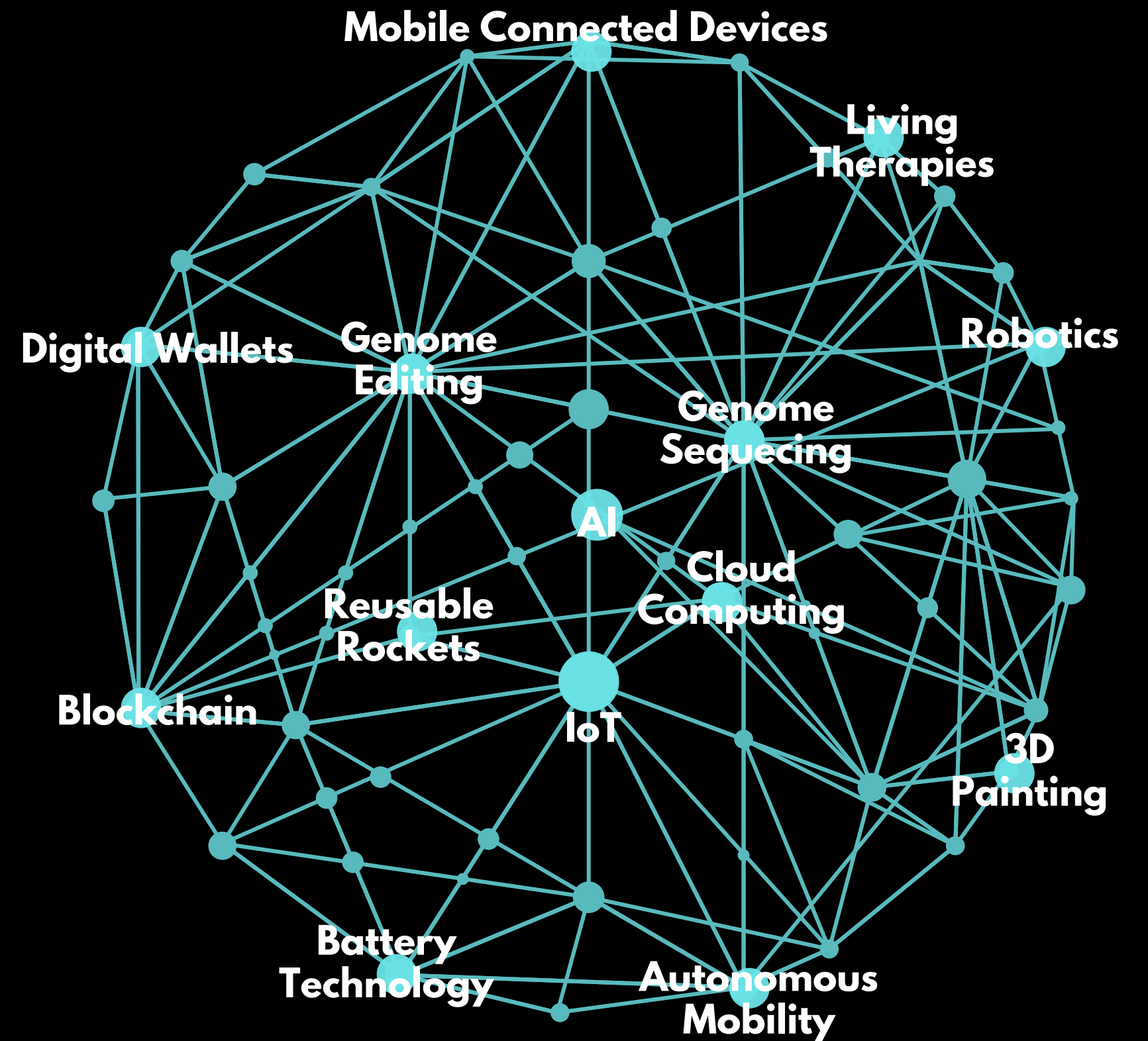
The traditional institutions and governments that we have known for centuries are becoming less and less trustworthy, and the people who trust them are becoming more and more disillusioned.

Wealth inequality has reached an all-time high, and the convergence of several new innovative technologies led to the rise of a new kind of currency: one that knows no borders, needs no permissions, and anyone can create with full ownership like bitcoin and ethereum.



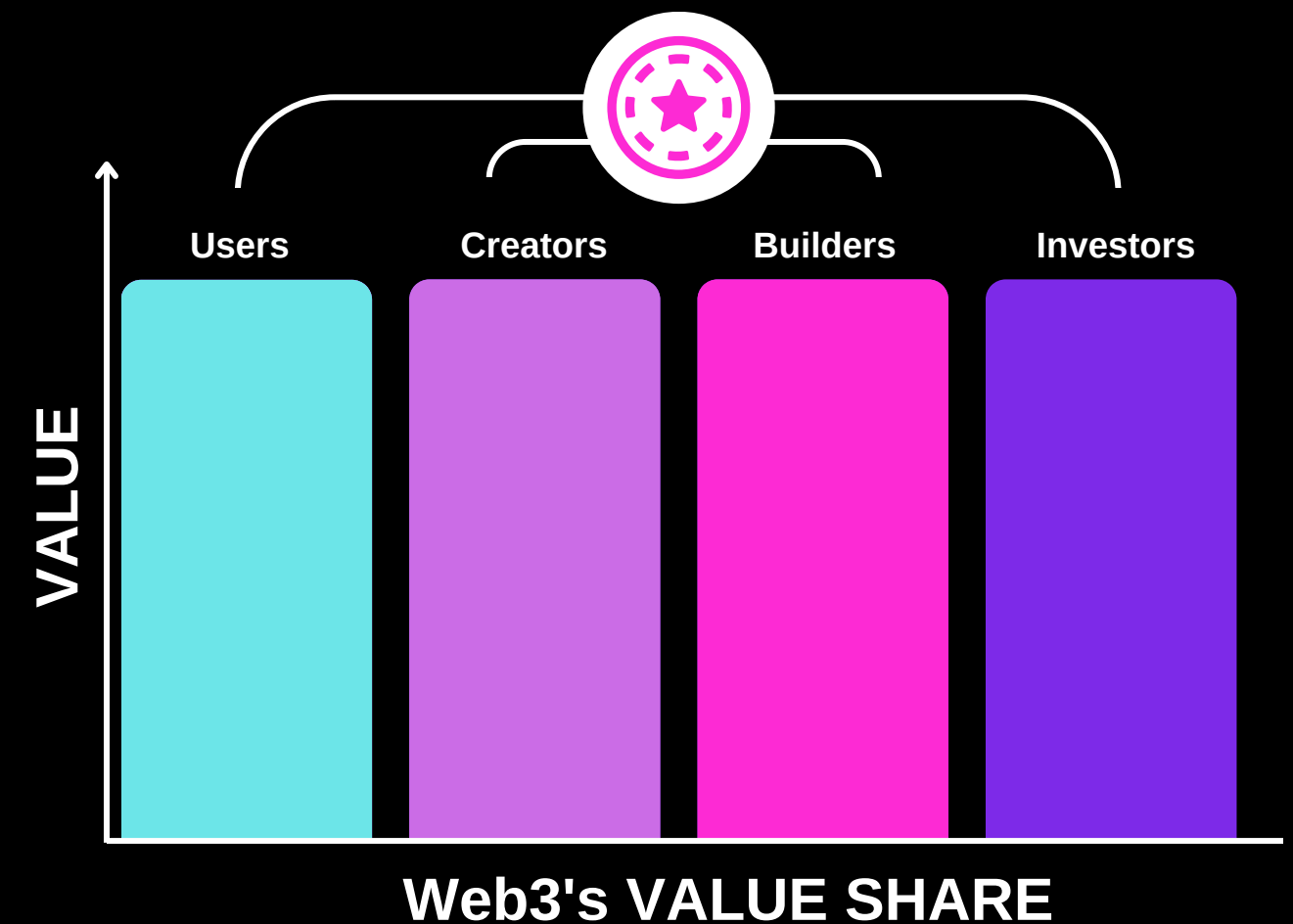
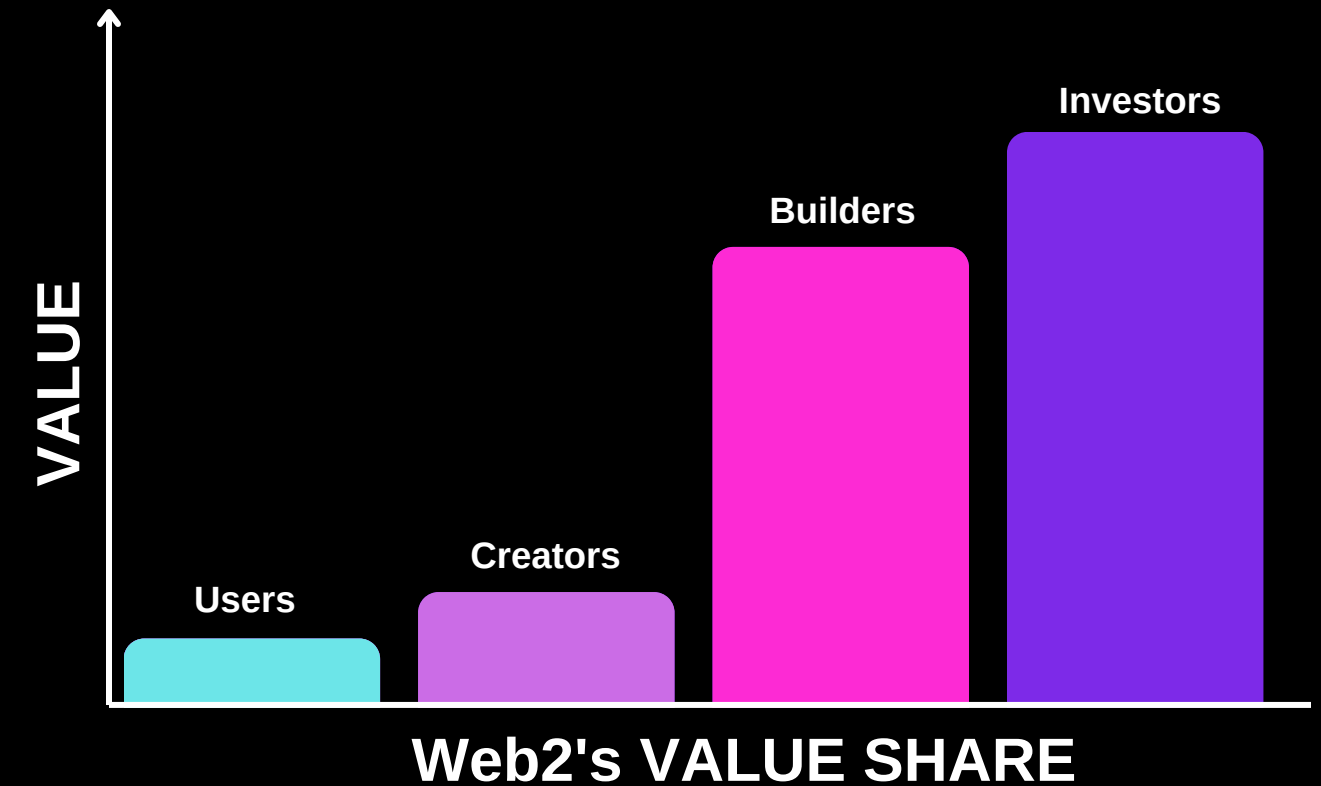
# Convergence of Technologies

- The convergence of technologies is enabling seamless and integrated experiences for users, as different technologies become more interoperable
- AI technology, for example, is rapidly evolving at an unmatched pace. And it's not just AI—there are a number of other technologies converging at this time. These technologies will eventually converge simultaneously to create a future that is unimaginable today by most
- Blockchain is just one part of the puzzle that is driving overall innovation
- The convergence of technologies and blockchains is enabling the development of decentralized applications (dApps) that can run on a blockchain and take advantage of other technologies such as AI and the Internet of Things



# Internet of Value

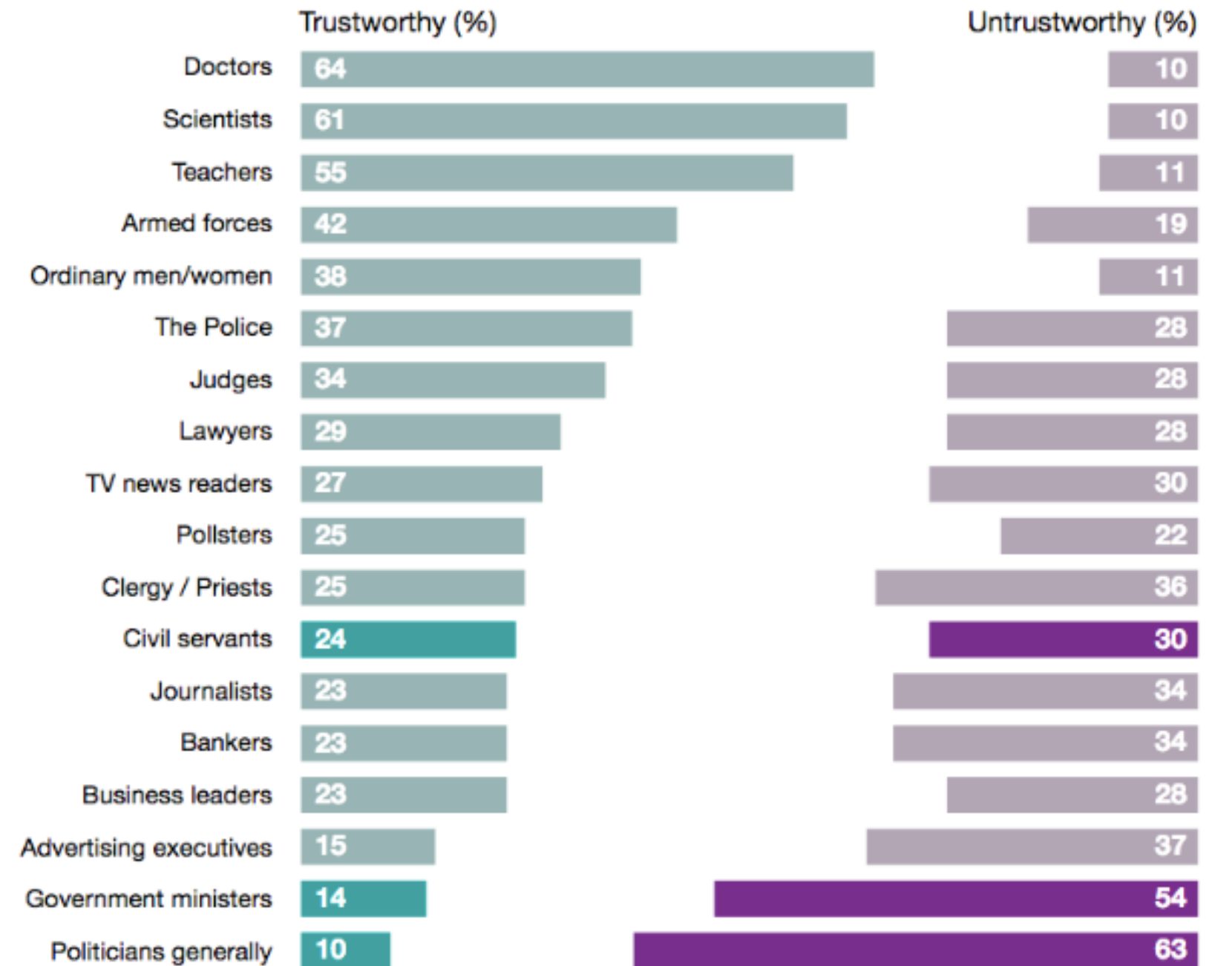
- The concept of the "Internet of Value" refers to the idea that value can be transferred and tracked in the same way that information is transferred and tracked on the Internet. This is made possible by blockchain technology, which allows for the creation of secure, decentralized networks that can facilitate the transfer of value without the need for intermediaries
- Majority of the Internet is owned and operated by large centralised organisations with little value trickling down to the actual users and creators - the most important group of participants
- The web3 framework and ethos enables value to be shared equally across all the participants through common network values for the first time in history by truly owning digital assets and creating a NETWORK with common mission, common goals and above all, without centralised overlords





# Trust is the Ultimate Currency

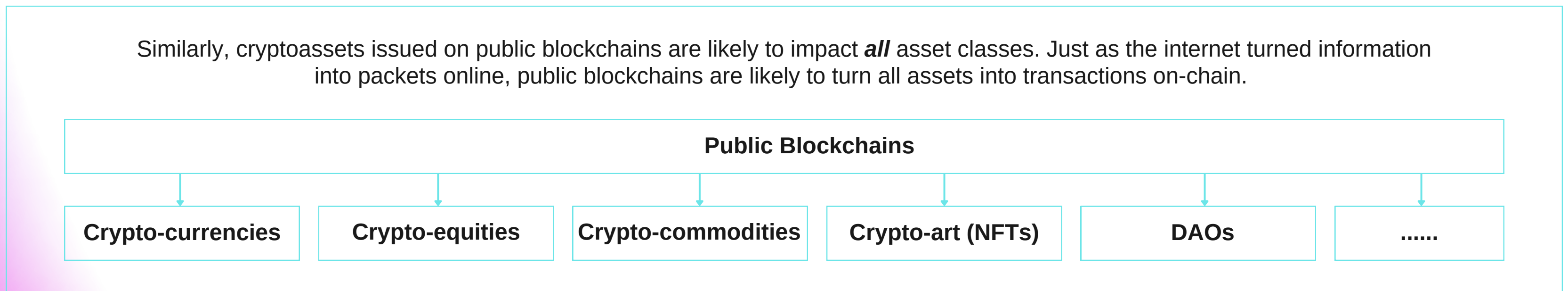
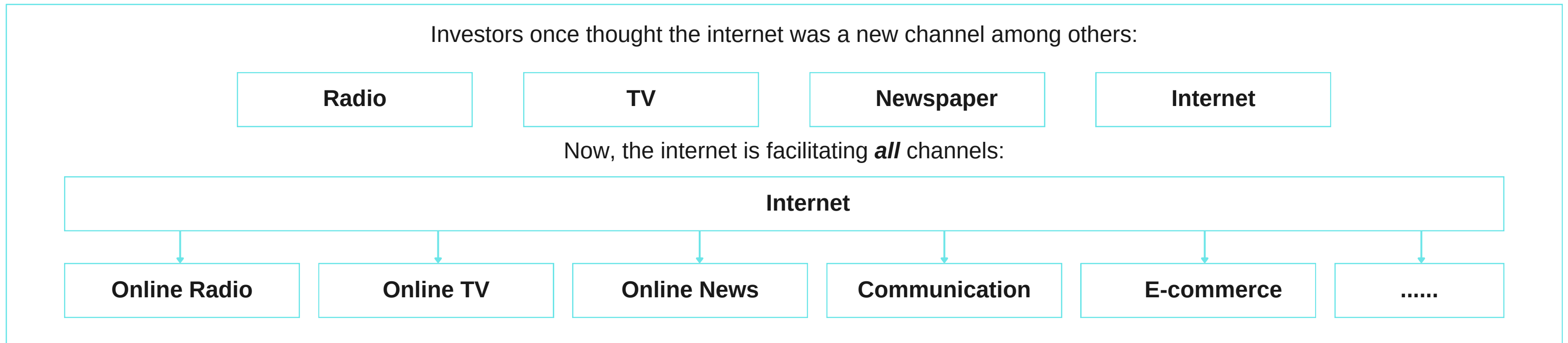
Governments, Business Leaders and Politicians are Losing that Trust



**Q:** Please look at this list of different types of people. In general, do you think each is trustworthy or untrustworthy in your country?  
**Source:** Ipsos Global Trustworthiness Monitor 2021 – 19,570 participants across 28 countries, interviewed online 23 April – 7 May 2021  
*Source: Ipsos Global Trustworthiness Monitor 2021*



# Blockchains are the most important piece of that puzzle



Source: ARK Big Ideas 2022 Report



# The Present

Institutions & Insane Valuations

Huge Infrastructure Build Up

CeFi Shitshow

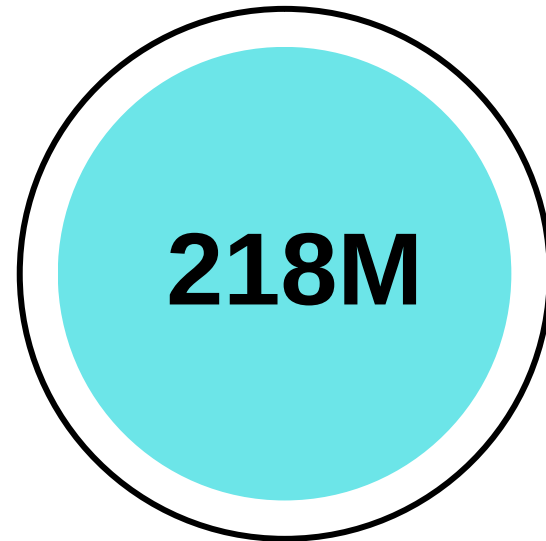
DeFi Triumphant

The crypto market experienced massive traction in the last few years, driven by both retail and institutional investors. This resulted in a huge infrastructure build-out and large funding inflows into the space.

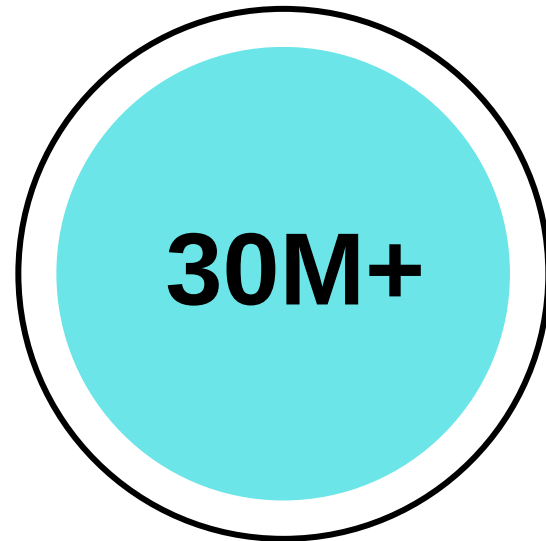
Insane valuations eventually gave way to human greed. Scams, hacks and tighter liquidity conditions have hit the industry very hard. It will take some time to bring back the trust.



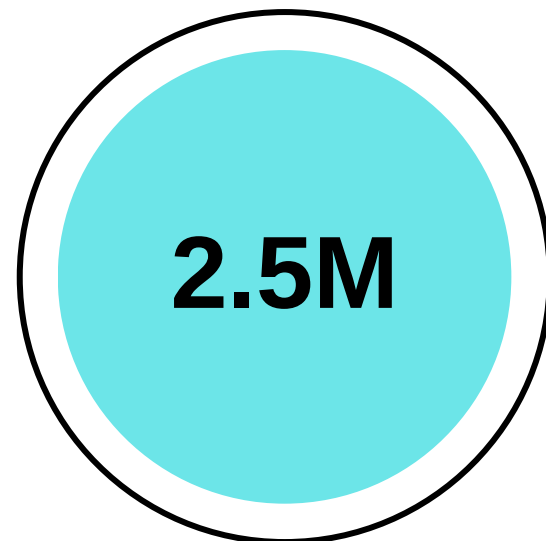
# Massive Crypto Traction



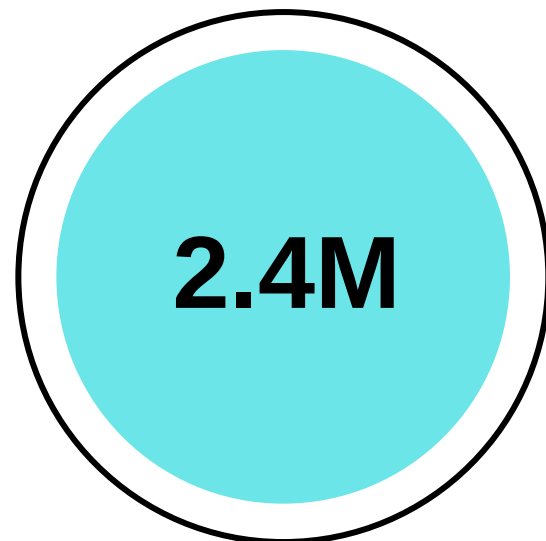
Wallet Addresses on ETH Alone



Metamask Monthly Active Users

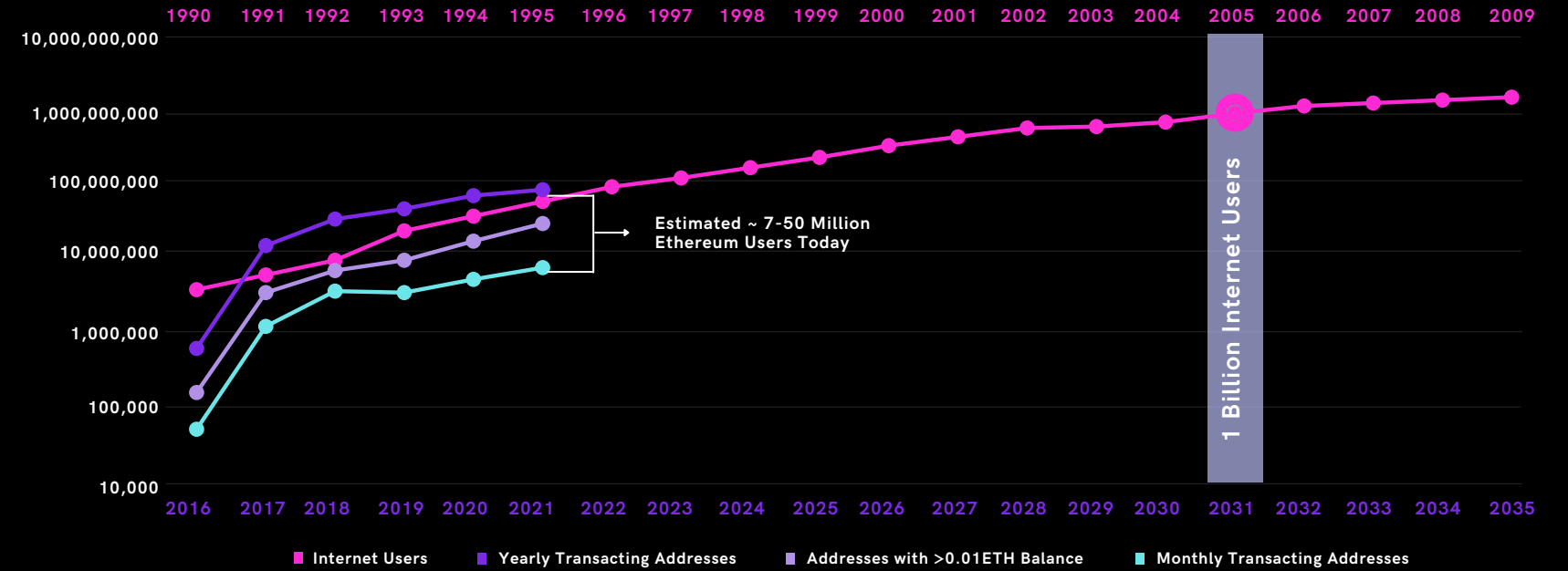


OpenSea Accounts



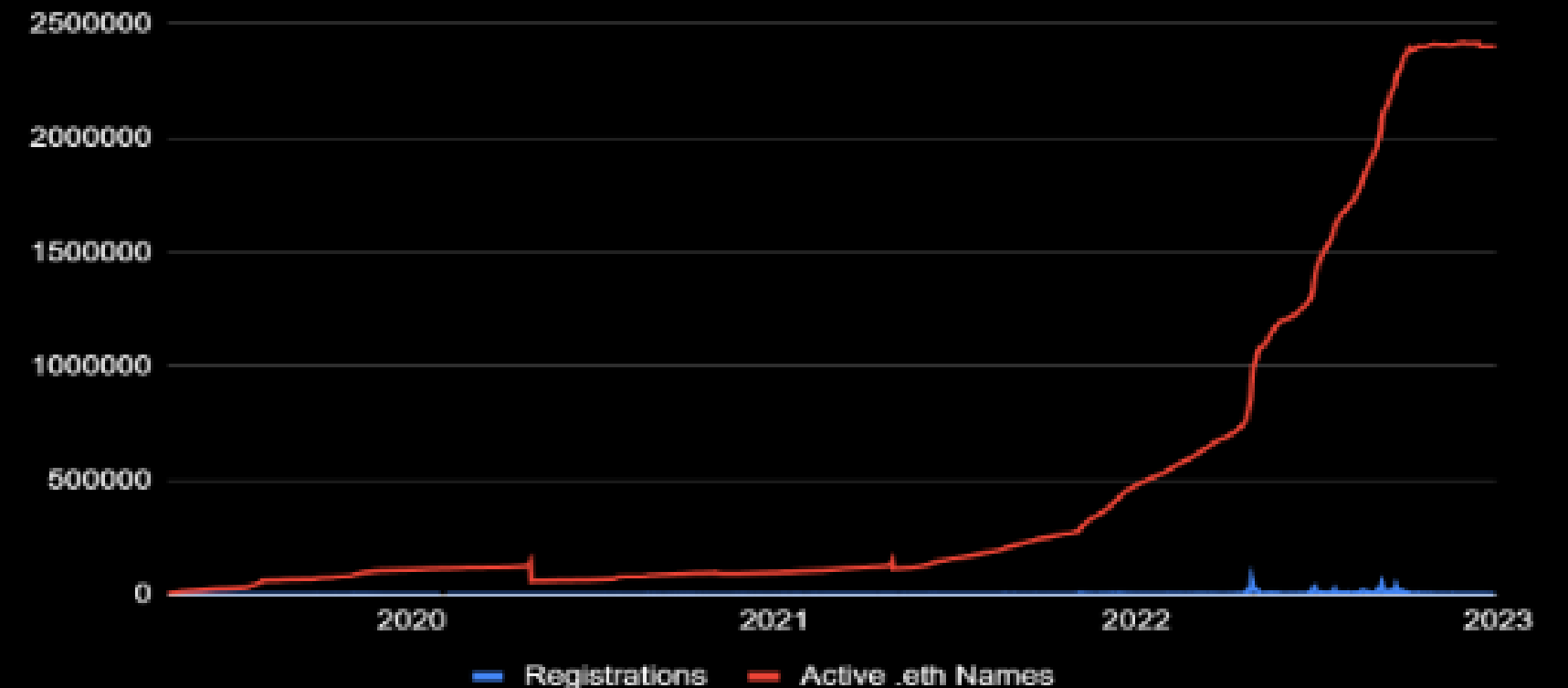
ENS Domains

## Internet Users vs. Ethereum Addresses (Log Scale)



Source: a16Z State of Crypto Report 2022

## Registrations and Active ENS Domain Names



Source: ENS Dashboard



# Driven by Institutions

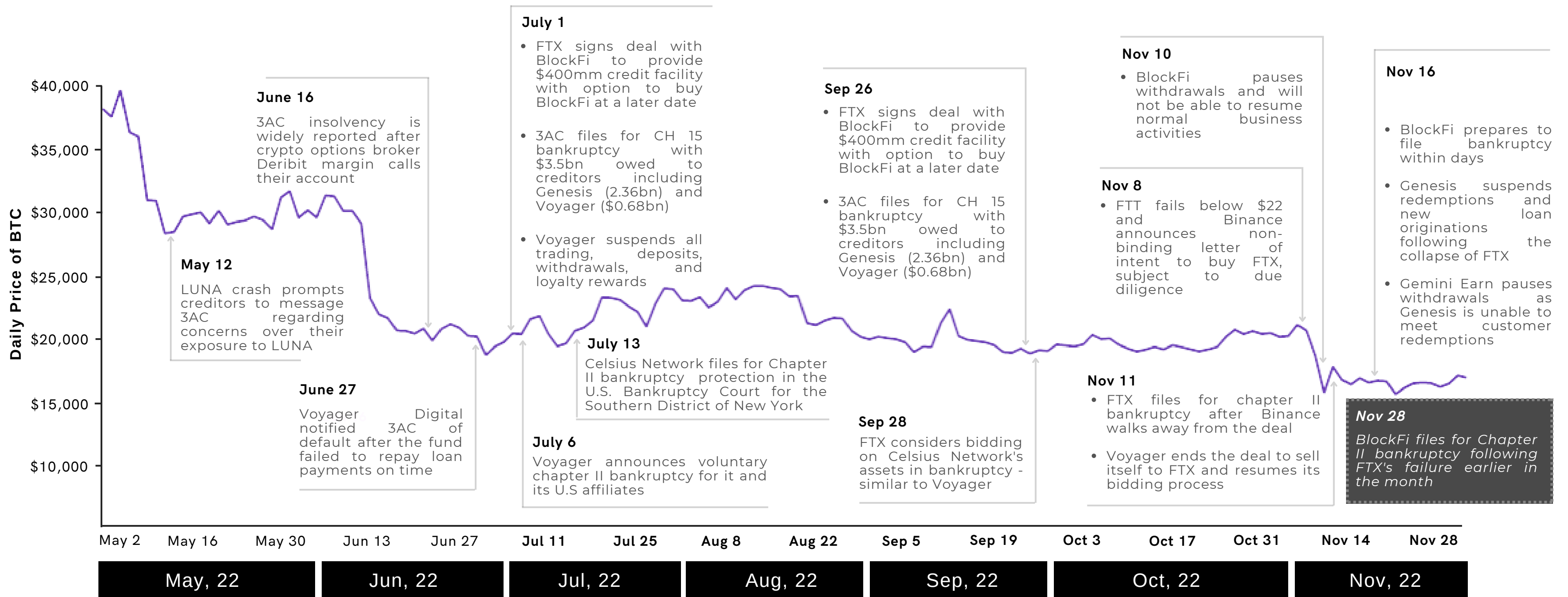
- As crypto rallied, smart money took notice
- According to a new study by Fidelity, nearly six in ten institutional investors invested in digital assets globally in 2022. This represents an increase of over 20% from the previous year
- Traditional institutions from all verticals initiated the step forward with blockchain initiatives
- The adoption of cryptocurrency by institutional investors has the potential to drive mainstream acceptance and adoption of the asset class. When institutional investors begin to allocate a significant portion of their investment portfolios to cryptocurrency, it can signal to the broader market that the asset is a viable and potentially lucrative investment opportunity

Type	Companies with Crypto / Blockchain Initiatives	Entry Method of Date	Potential Impact
<b>Asset Allocators:</b> Endowments, Pension Plans, Fund of Funds, Family Offices	Stanford, MIT, Princeton	Allocation to the sector via venture funds, hedge funds, or direct investment	Increased capital formation in private markets
<b>Traditional Financial Institutions</b>	Fidelity, JP Morgan, ICE	New products and services to existing customer base (e.g., custody, trade execution) largely focused on serving institutional investors	Greater onramps and liquidity
<b>Fintech</b>	Robinhood, SoFi, Square	New retail products + services to reach younger demographic demand	Greater onramps and liquidity - with a focus on next generation young, tech-savvy investors
<b>Payment Companies</b>	VISA, Paypal	Strategic investments via venture capital and partnerships	Increased capital formation in private markets
<b>Social Media</b>	Facebook (Libra), Telegram, Kakao	Wallet integration and tokens	Massive distribution channels and onramps, increased infrastructure
<b>Software Enterprises</b>	IBM, Salesforce, Microsoft (Ion)	Enterprise blockchain with a focus on supply chain, computing, and identity use cases	Increased infrastructure and industry awareness





# Tightening Liquidity led to Great Deleveraging and Collapse of CeFi



Source: The Block



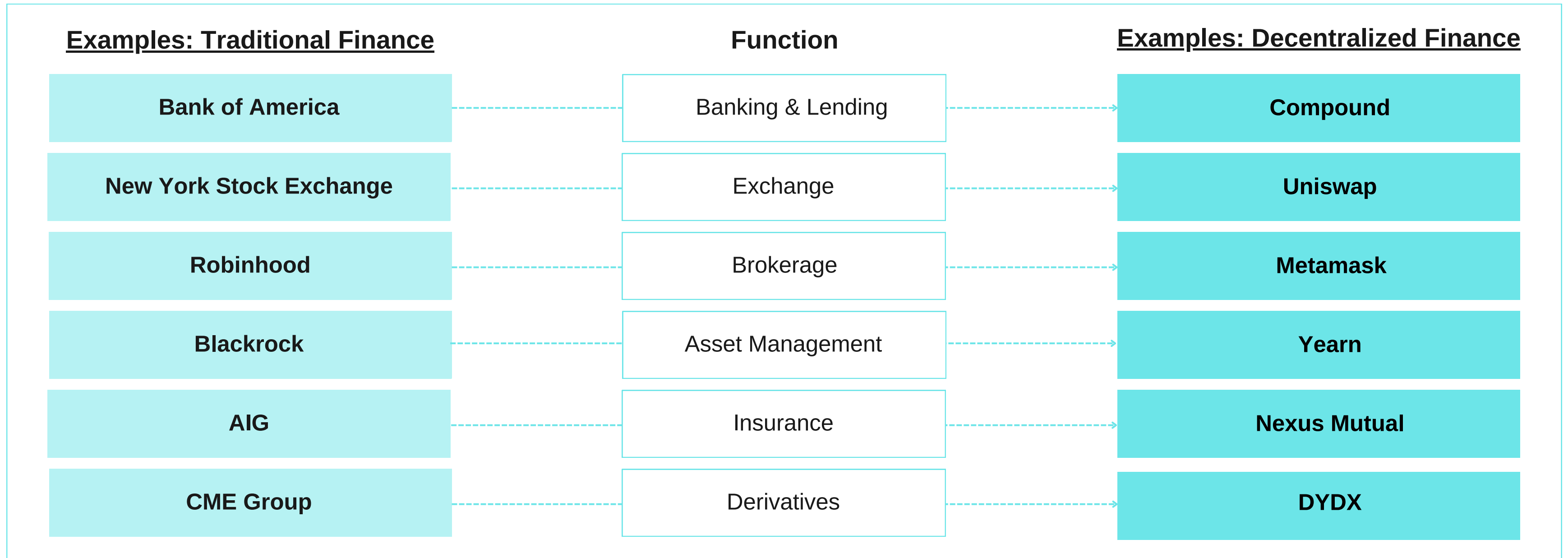
# Despite Setbacks, Crypto is Inevitable



Source: Crypto Messari Thesis 2023



# And Builders are Building Like Never Before



Source: Messari

# The Future

The Age of Austerity

Short Term Macro Pain

Long Term Crypto Gain

As inflation becomes sticky in a West vs East bipolar world, central banks will be forced to keep higher rates for longer till something breaks.

Governments should soon be back to borrowing to ease pain & dole out vouchers to electorate. That is a very uncertain world dangling between more printing, yield controls or high interest rates.

Gold, Digital Gold (Bitcoin), Bonds and other hard commodities should be largest beneficiaries in the long run.



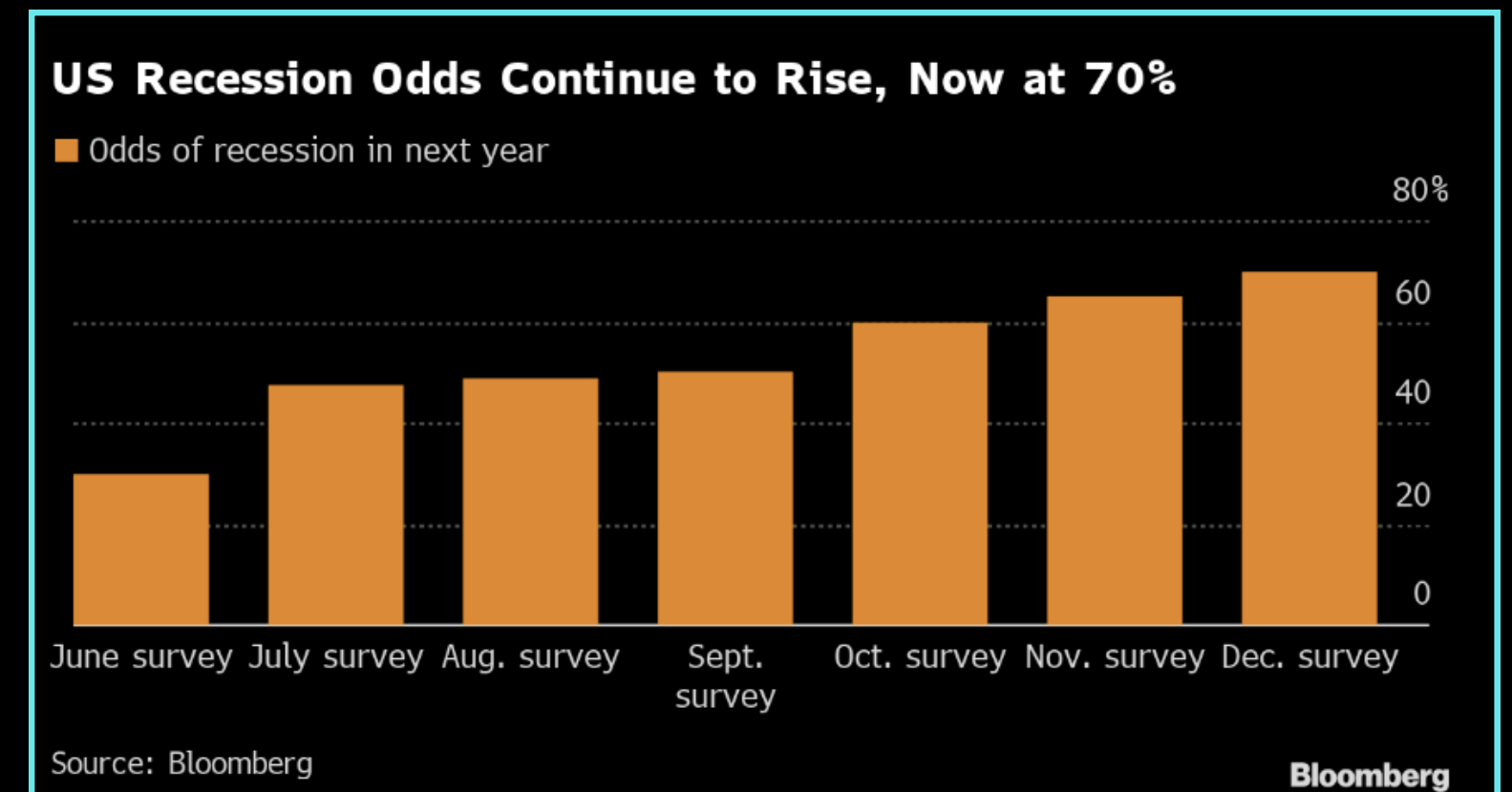


# Higher Rates For Longer?

- A FED pause is priced in for Q1'23 but any surprises on inflation
- Inflation could be sticky as West (USA++) fights East (China++) forcing CB's to keep higher rates for longer due to supply chain issues, food shortages led by war (wheat, fertilizers etc) and rationing by countries (bauxite & nickel by Indonesia, chicken by Malaysia, wheat by India etc)
- However, with recent layoffs, strong dollar, higher interest payment, inverted yield curve etc, the FED should be forced to pause. Market is waiting for that signal to push forward a relief rally
- DCA into hard assets or blue chips for medium to longer term but there could be more pain in 1H'23 in case war escalates or inflation comes back roaring
- **Bitcoin** as Digital Gold narrative will catch smart money attention again as macro improves, institutions comes back and BTC halving narrative picks up pace. As for ETH & Altcoins, we shall keep an eye on micro narratives like L2's, infra, NFT's & zK's and some DCA into proven blue chips



Source: Bloomberg

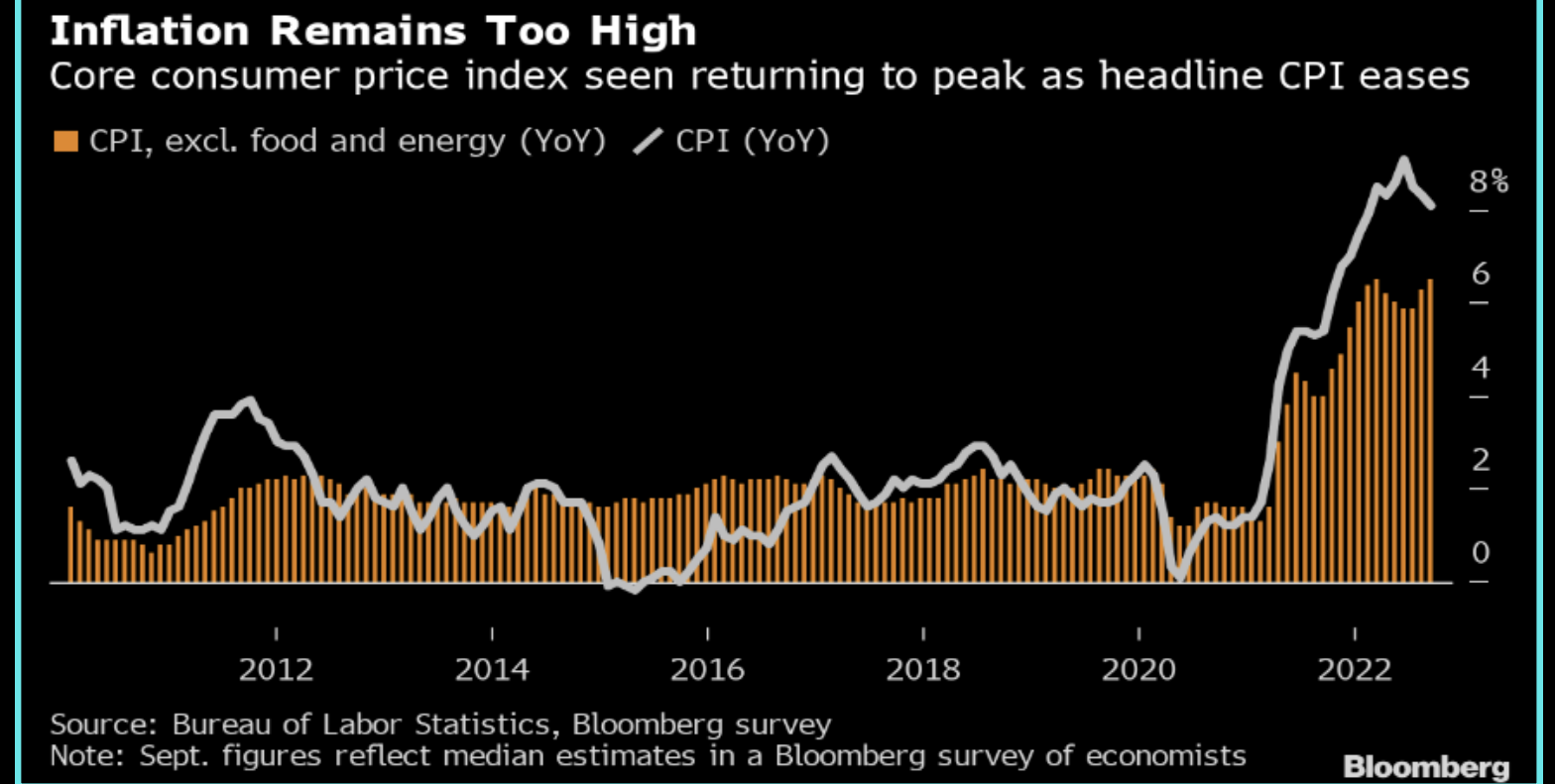


Source: Bloomberg

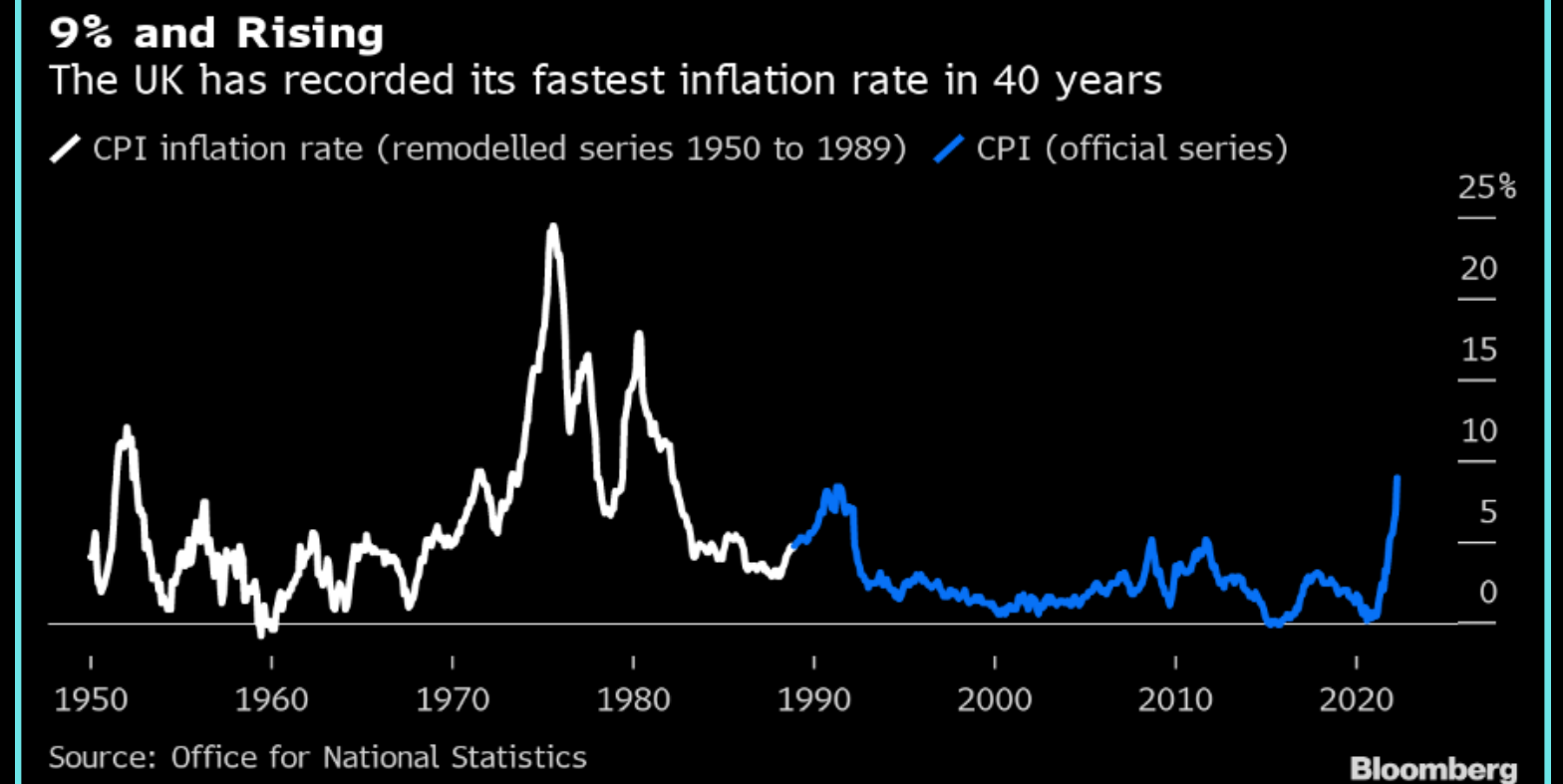


# Sticky Inflation?

- There is more room for FED to keep pushing rates higher till inflation is tamed and wages are down
- 3%-4% CPI might be the new norm vs 2% that FED expects
- Continued conflict in Ukraine and Russia will keep commodities, especially grain, fertilizers, energy and metal prices relatively high
- While FED might pause in Q1/Q2, rates could stay much higher for much longer into 2024 continuously squeezing out liquidity from the system
- Consequently, liquidity pressure in risky assets will remain high, and a rebound in prices is a long way off as the world shifts from growth to value in a risk off environment
- **Long hard assets could be the best trade for many months and perhaps years to come. That includes assets like gold, hard commodities & bitcoin**



Source: Bloomberg



Source: Bloomberg



# History Rhymes - Higher Rates Till Something Breaks

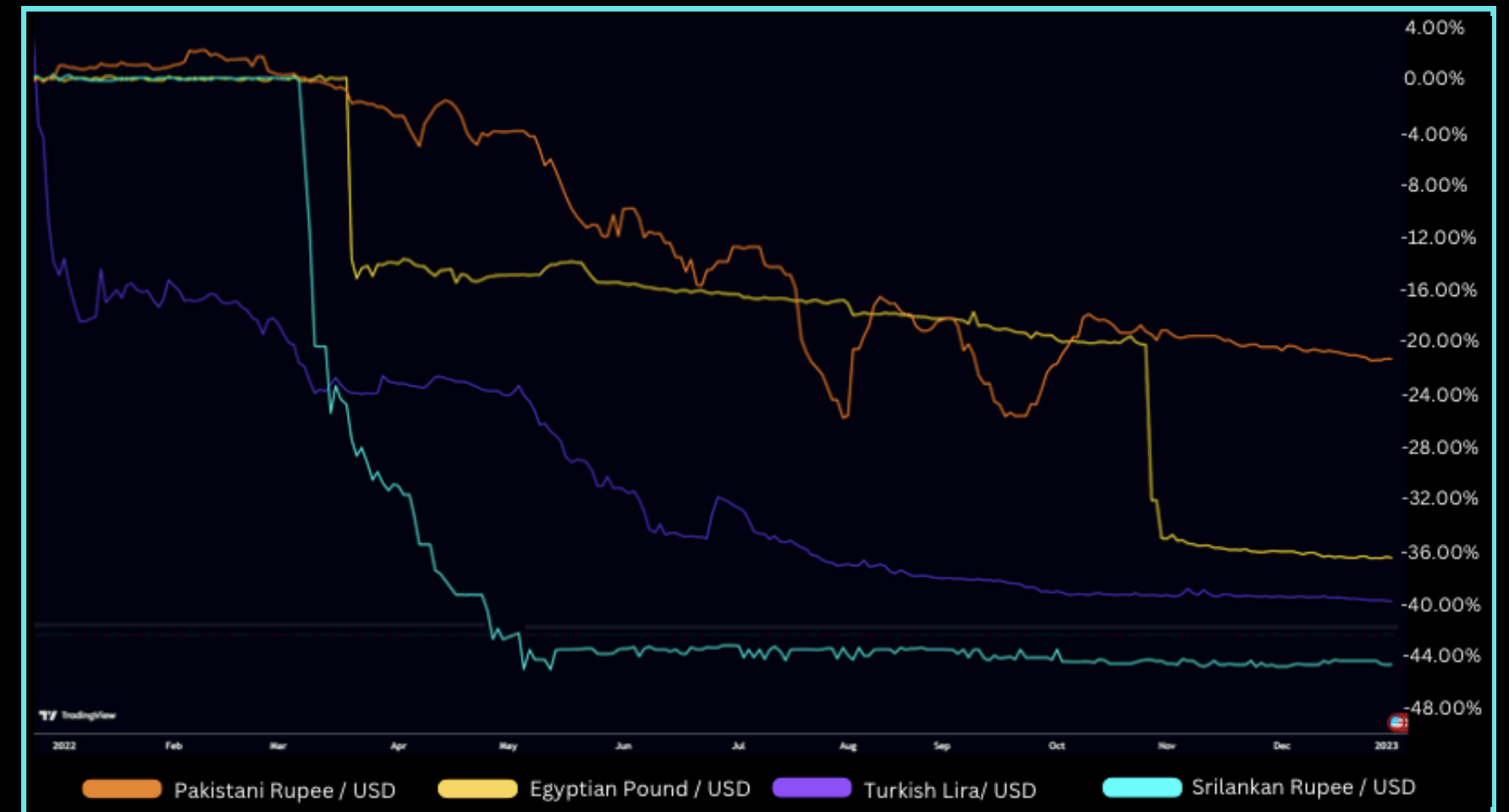
Coming off of the low rates that followed the first Gulf War with Iraq, the Fed raised rates roughly 5% to 6% by the end of 1994. That resulted in the Mexican Peso crisis, and the US Treasury stepped in to bail out American lenders in Mexico. The Fed also pitched in by lowering rates a tad. A few years later, when rates rose to nearly 6%, the Asia financial crisis occurred. Various “Asian Tigers” came to the IMF and World Bank cap in hand asking for bailouts of their economies due to increased dollar funding costs.

*-Arthur Hayes, Annihilation, 2nd March, 2022*



# Dollar Dominance in Question

- Higher rates means more demand for Dollars as bond yields go up. Smart money and resource importing nations will need to buy more dollars making it even stronger and hurting local currencies of importing nations
- In the end, we are clearly moving to a two camp world between US & China. Dollars' dominance is being threatened but for now there seems to be no solid alternative except Gold, and soon Bitcoin in our opinion
- Emerging markets are hit hard like Sri Lanka and many others could follow as debt becomes due, especially as other developed nations are turning hawkish at the same time (BoJ, ECB, BoE) - Egypt, Turkey, Pakistan, Nigeria etc
- Risky assets do not do well in a rising Dollar scenario and that should keep a lid on all risky assets including crypto in 2023
- **Generally the world wants to be long dollar but the world is also starting to hedge that with hard commodities like Gold, and soon Bitcoin**

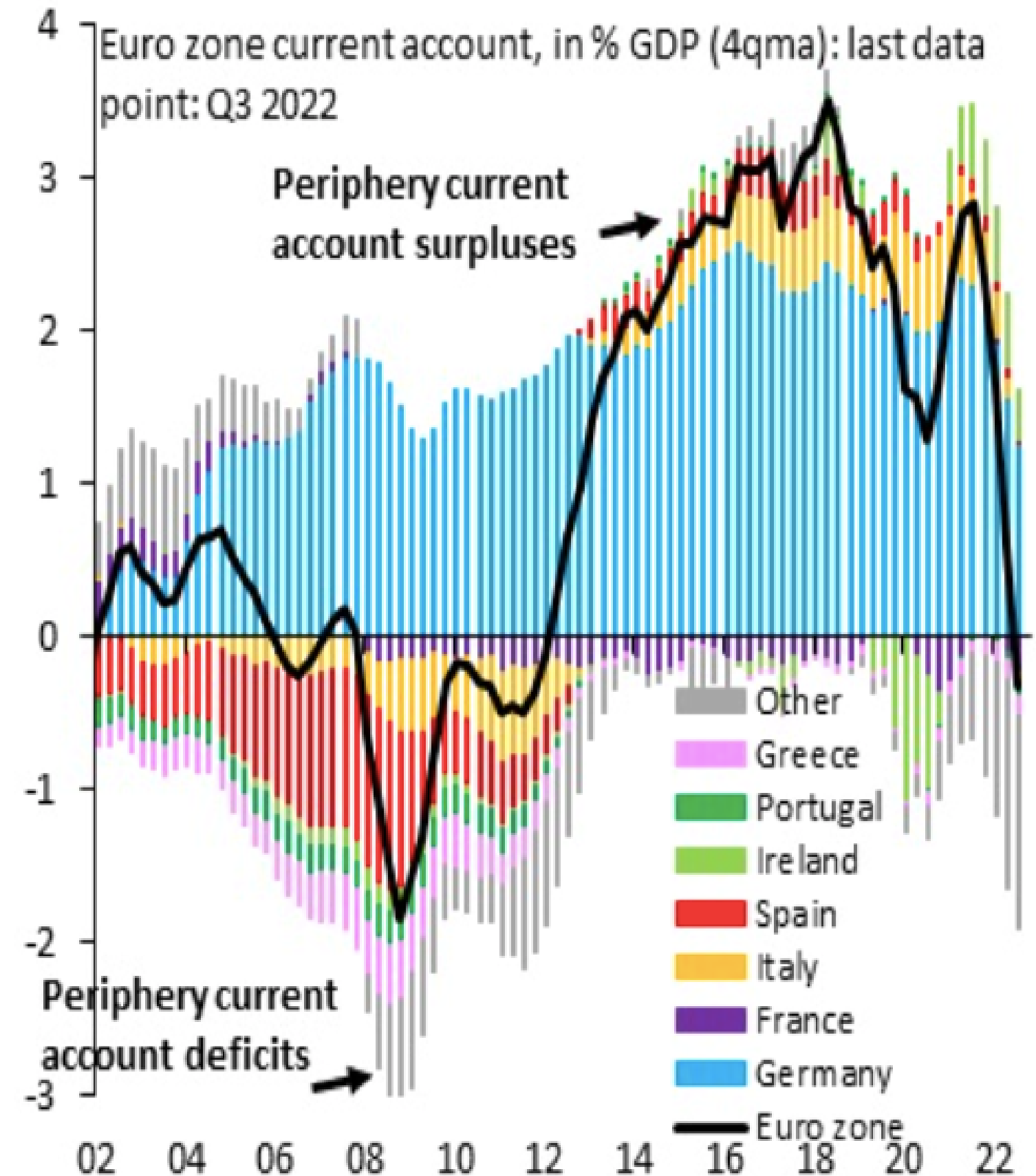


Source: tradingview



# Eurozone In Crisis

- Europe is generally in a very difficult situation as inflation is hovering around 10%, debt to GDP is escalating, war is hitting hard & manufacturing & exports are declining
- ECB turned hawkish amid falling Euro and worsening debt to GDP, especially across PIGS nations. Italy seems to be at most risk vs others at 150%+
- European banks carry a lot of this bad debt and could turn ugly as skeletons come out
- Increasing escalations with Russia and an ongoing energy crisis continues to add pain
- **ECB hawkishness seems more like a temporary fix as issues are more structural in nature, exaggerated by war. We wish to remain short EURUSD as Eurozone hawkishness could outlast most countries**



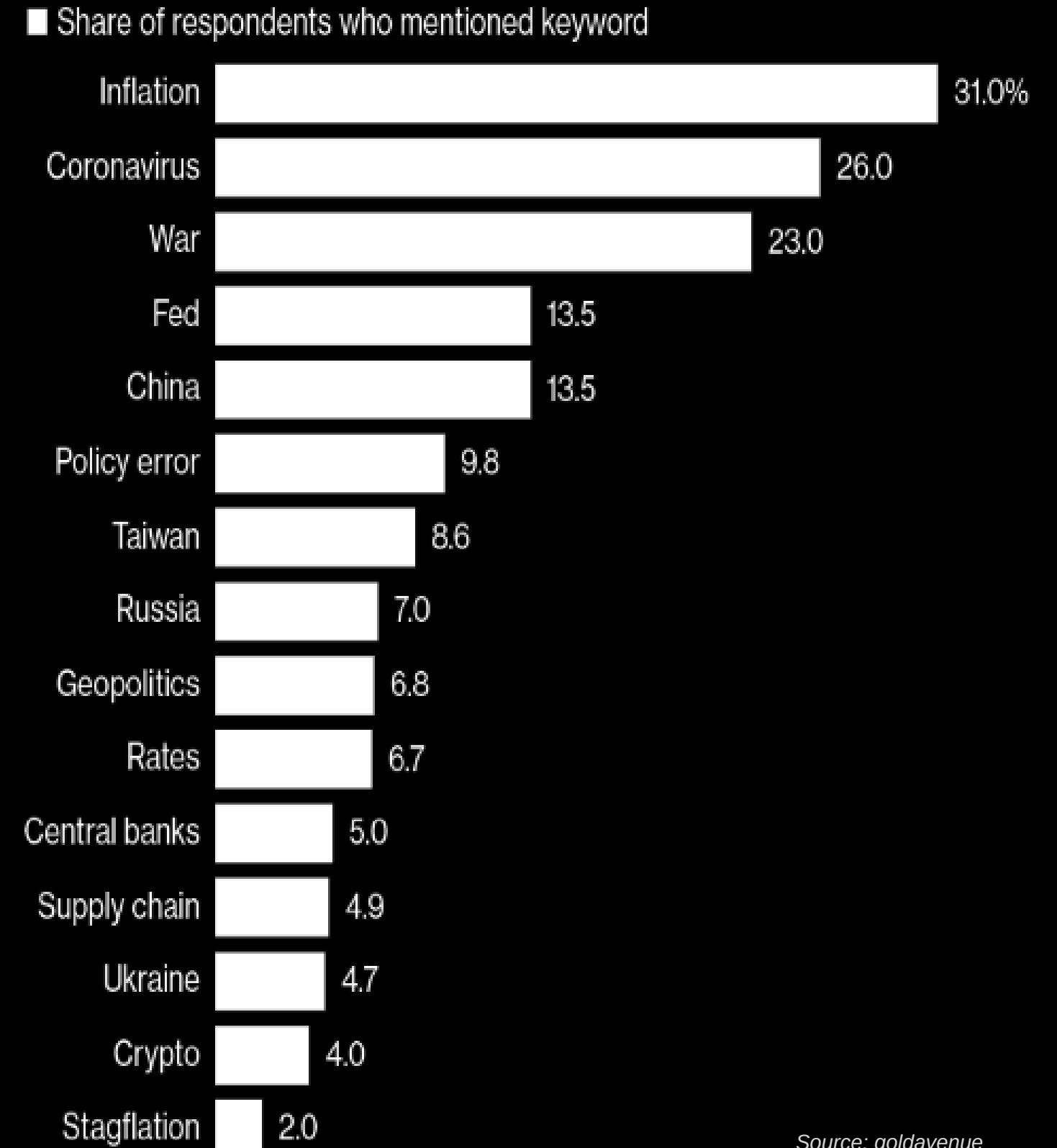


# Geopolitical Risks

- Supply chains are moving away from China to South East Asia & Mexico. This is permanently inflationary
- Geopolitically, China is getting cosier with the Saudis - cheap Oil for cheap manufacturing
- Taiwan remains an uncertain situation although we are not pricing any escalation in 2023
- Oil, gas & essential food commodities could push inflation back to 8-10% in the US & Europe. Consequently CB's could turn more hawkish leading to higher rates and higher dollar that hurts everyone
- EU could collapse and so could the Euro if war and higher prices continue creating a global financial crisis with uncertain & unknown derivatives
- There are several more risk scenarios globally today but just one of the above is enough to throw the world into an abyss. Hence our ultra cautious stance for 2023 and focussing on hard assets and blue chips mostly

## Biggest Tail Risks for Markets in 2022

Responses to the Markets Live Global Survey



Source: goldavenue



# War & Commodities - Petrodollar to Petroyuan

“President Xi’s visit with Saudi and GCC leaders marks the birth of the petroyuan and a leap in China’s growing encumbrance of OPEC+’s oil and gas reserves: with the China-GCC Summit, China can claim to have built a “special relationship” not only with the “+” sign in OPEC+ (Russia), but with Iran and all of OPEC+...

Here are the key parts from President Xi’s speech at the China-GCC Summit (all emphasis with orange underlines are mine): “In the next three to five years, China is ready to work with GCC countries in the following priority areas: first, setting up a new paradigm of all-dimensional energy cooperation, where China will continue to import large quantities of crude oil on a long-term basis from GCC countries, and purchase more LNG. We will strengthen our cooperation in the upstream sector, engineering services, as well as [downstream] storage, transportation, and refinery. The Shanghai Petroleum and Natural Gas Exchange platform will be fully utilized for RMB settlement in oil and gas trade, [...] and we could start currency swap cooperation and advance the m-CBDC Bridge project”.

*-Zoltan Poszar, Credit Suisse, 27th December, 2022*

# Crypto Macro - The Year to BUIDL

2022 was a very painful year for every crypto investors. FTX saga and resulting dominoes should continue to unfold for few more months but majors and blue chips seem to be in a nice accumulation zone now.

2023 will be a slow grind as crypto follows global macro but finding early micro narratives (and more importantly exiting timely) will be the key this year.

Bitcoin halving & digital gold narratives should pick up pace in Q4 23' along with better macro & resurgence of liquidity.

Builders have been as active as ever leading to micro narratives that should pop up every now and then for the savvy crypto trader.

Smart money shall continue to rotate profits from micro narratives to ETH to BTC for foreseeable future till macro uncertainty goes away.





# Bitcoin: Accumulation Zone

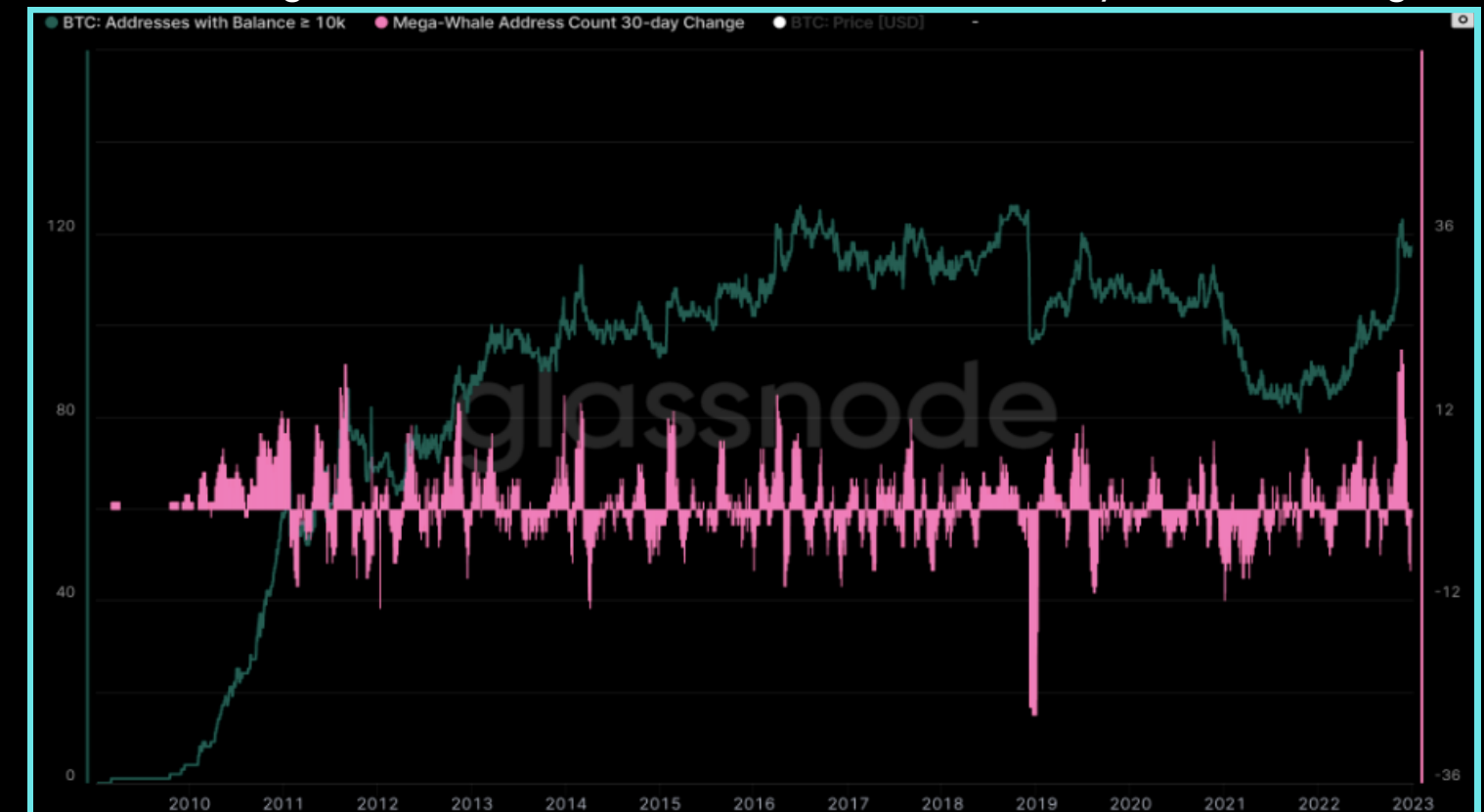
- Most of the downside seems to be priced in for Bitcoin, even if we see more fallout from the FTX saga. A major support around \$14.5-15K is forming and smart money is bidding
- Both on-chain indicators, as well as global macro scenarios explained above, point to a long term accumulation zone for BTC
- BTC “Digital Gold” & halving narrative should start to pick up in Q3'/Q4'23, coinciding with improving macro liquidity
- There are three types of BTC buyers: “Macro Led Believers” that have largely disappeared for now but smart money is starting to DCA, “Digital Gold” narrative believers that have been pushed further into Q4'23 and “Swing Traders” that continue to provide some liquidity
- Bitcoin halving should push the hard asset narrative further as smart money knows that Bitcoin becomes even harder vs Gold at 1.6% inflation vs 0.8% in 2024. This could lead to a rally towards 25-30K by end of 2023
- **The first step to Bitcoin & crypto reversal however, will be led by macro. LIQUIDITY taps must be either paused or turned back on again. For that to happen, inflation must be tamed. And that means short term pain for long term crypto gain**

An MVRV that hits 3 has meant “sell right now” and a MVRV below 1 has meant - START ACCUMULATING



Source: Glassnode

Number of Mega-Whales with > 10,000 Bitcoin have recently been increasing

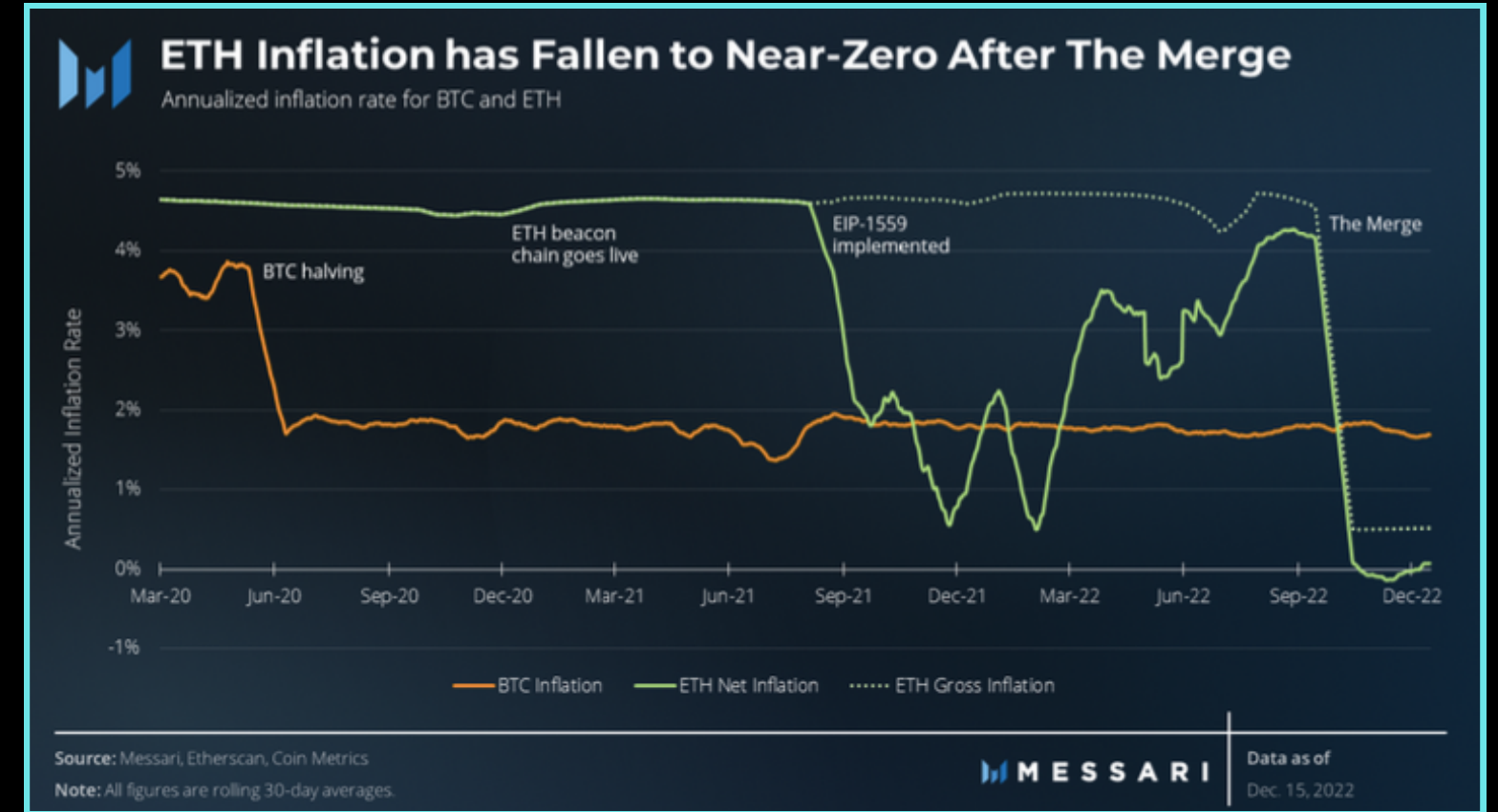


Source: Glassnode



# ETH - Main Settlement Layer

- ETH emerged even stronger in 2022 as a disinflationary asset with its Merge to Proof-of-Stake. Furthermore ETH “Shanghai” upgrade and EIP 4844 sharding upgrades should happen in 2023 hopefully leading to a surge in ETH staking narrative like we are seeing on \$LIDO
- We remain bullish ETHBTC for 2023 with ETH as settlement layer vs BTC that is largely a store of digital value. Plus we could see profits from micro narratives move to ETH first and then BTC
- Micro narratives in ETH & L1’s/L2’s should do well in 2023 provided one is able to get in early like we saw in Arbitrum, Art NFT’s, zK, AI in 2022. All this should be bullish for ETH in general
- DCA into ETH, blue chips L1’s that continue to hustle - Cosmos, Polygon, buy into micro narratives and revenue generating blue chips (UNI, MKR, GMX etc) is the key for 2023
- Staying away from SOL & FTX related chains for now till things clear up or SOL goes below a certain threshold
- Newer L1’s like Aptos, Sui, TON, LayerZero are yet to be battle tested with very limited applications



Source: Crypto Messari Thesis 2023

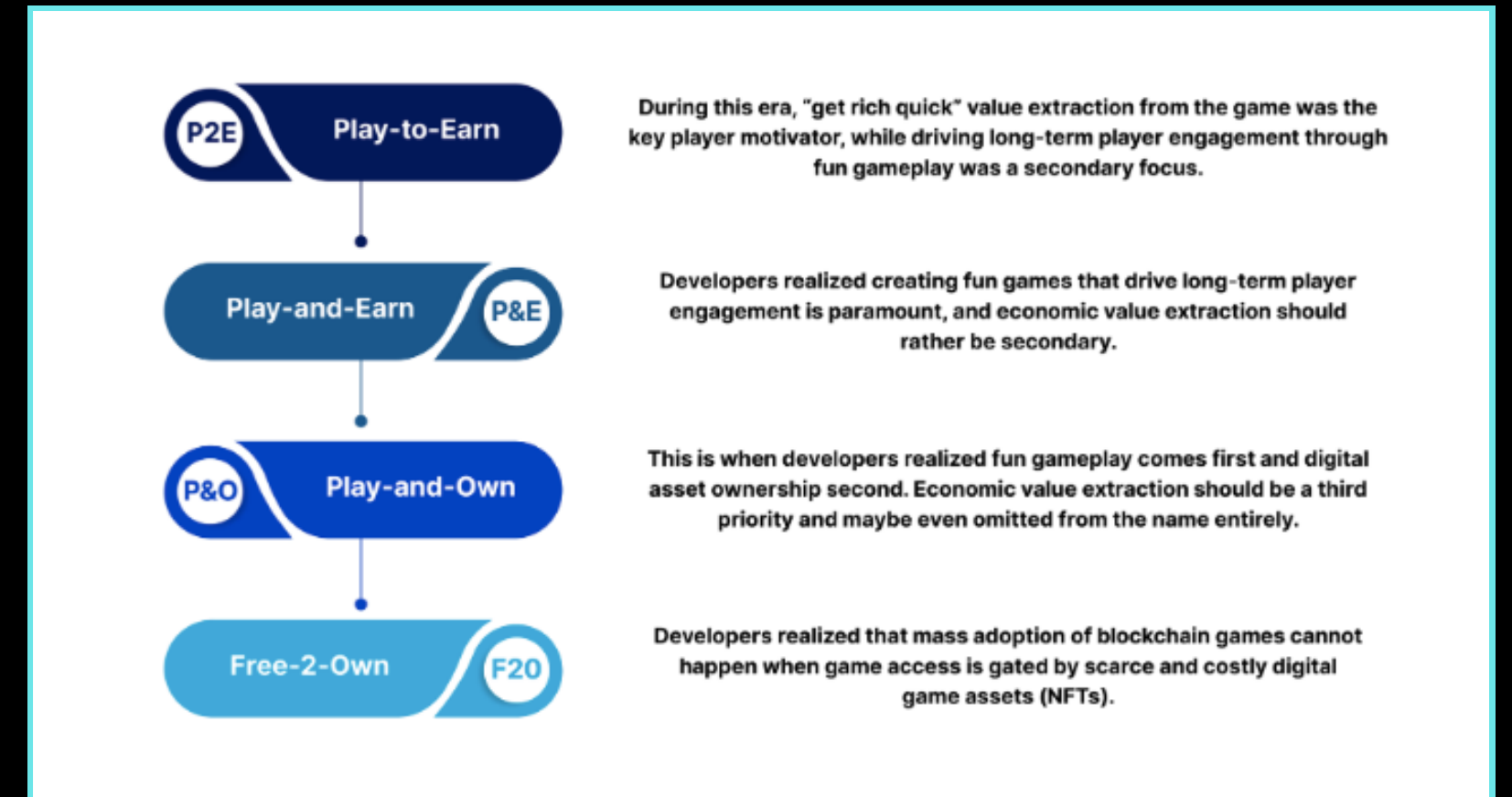
Name	Chains	Category	Fees (24h)	Fees (7d)	Fees (30d)	Revenue (24h)
1 Ethereum	+	Chain	\$2,173,729	\$16.15m	\$72.32m	\$1,812,243
2 Tron	+	Chain	\$520,380	\$3,582,778	\$17.51m	\$520,380
> 3 Opensea	+	NFT Marketplace	\$728,802	\$5,012,888	\$18.59m	\$255,506
4 Lido	+	Liquid Staking	\$795,835	\$5,498,720	\$25.13m	\$79,583
5 BSC	+	Chain	\$678,478	\$5,236,711	\$26.03m	\$67,848
6 LooksRare	+	NFT Marketplace	\$65,856	\$445,656	\$2,016,911	\$59,799
7 GMX	+	Derivatives	\$150,069	\$978,098	\$8,092,641	\$45,021
8 Curve	+	Dexes	\$81,921	\$493,327	\$2,011,340	\$40,959
9 Convex Finance	+	Yield	\$578,882	\$2,001,672	\$10.04m	\$40,477
10 MakerDAO	+	CDP	\$31,598	\$222,473	\$941,176	\$31,598
11 Synthetix	+	Synthetics	\$28,657	\$293,010	\$1,372,518	\$28,657
> 12 PancakeSwap	+	Dexes	\$262,468	\$1,774,062	\$9,443,101	\$23,622
> 13 AAVE	+	Lending	\$159,288	\$1,132,953	\$4,893,115	\$20,470
14 Avalanche	+	Chain	\$18,225	\$112,062	\$363,265	\$18,225
15 Gains Network	+	Derivatives	\$15,842	\$102,089	\$591,586	\$9,808
16 Optimism	+	Rollup	\$42,190	\$366,254	\$1,493,602	\$9,603

Source: defillama



# GameFi Winter

- It is going to get harder for GameFi founders to raise money without some basic user traction & KPI's
- VC's were already pulling back from GameFi in 2022, and that will become even tighter in 2023 since there are hardly any "FUN" games delivered yet
- 2H'23 and 2024 should see a lot of new web3 games come online. Very hard to say which ones will be successful
- Meanwhile, huge infrastructure is being built to make it easier for web2 studios and gamers to transition to web3. Web2 gaming studios are already learning & adopting blockchain tools & token incentives. This will further accelerate in 2023 and beyond
- We are very restrictive in investing in new games/studios unless the team and experience is exceptional and can show some traction - NFT holders playing the game, retention numbers, game session metrics, revenue pipeline etc
- There are some blue chip gamefi coins that are at bargain but 2023 seems to have limited upside for them as well

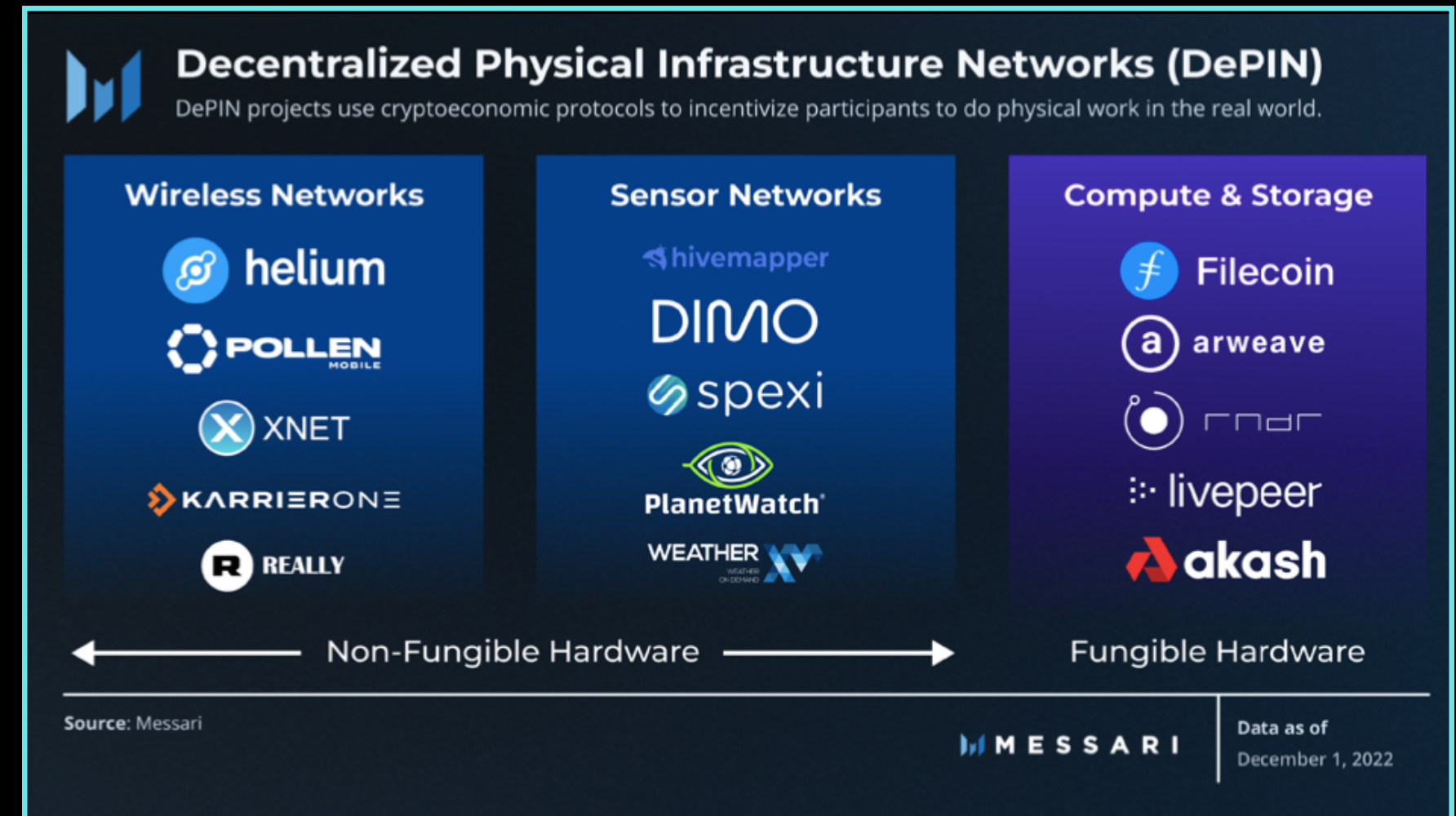


- The first era of blockchain gaming primitives was defined by Crypto Kitties, which showcased what NFTs and "player" ownership could mean, but it was fundamentally held back by complete lack of scalability
- The second era was defined by Axie Infinity, which built a real game and used scalability solutions, but its fatal flaw was economic design — incentivizing unsustainable earning over fun.
- The third era of crypto games will build off of the previous two eras — using various scalability solutions and sidestepping the largest economic flaws while prioritizing fun.



# Dev Tools & Infrastructure

- Infrastructure projects could have major upside in 2023
- Developers need easy to use tools so that they can launch projects quickly & efficiently across multiple chains
- Infrastructure powering these tools and DeFi DApps allows new devs to easily build applications and onboard new users without need for senior developers everywhere
- On-chain data analytics is another part of this infrastructure that we think will continue to be in demand
- Decentralised Physical Infra Networks (DePIN's) are the next logical step as the growth of web3 technologies and protocols propagates over the next decade. We are already experiencing a growing list of web2 and Web3 applications storing data on decentralised storage networks like Filecoin



Source: Crypto Messari Thesis 2023



# Metaverse, AI & Infra

- Metaverse is the “New Online” that will include everything - web3, gaming, AR, VR, internet, shopping, fashion, culture etc
- There will be multiple winners but projects and tools that can provide multichain & interoperable access, should do relatively better
- Infrastructure and hardware will continue advancing. A myriad of new VR/AR headsets will reach markets and increase the time spent on virtual worlds and open metaverses
- New AI tools could make life very easy for building metaverses with Metaverse As A Service (MaaS) tools becoming common
- Interest in Metaverse land will likely slow down after a record year seen in 2022 but as infrastructure grows and some projects and collaborations come online, this could be one massive segment in 2024

## Timeline of Gaming in the Metaverse

The Metaverse is evolving from two decades of gaming and will heavily utilize gaming infrastructure



Source: Galaxy Digital Research



# Regulations and Stablecoins

- Regulators all over the world want to make sure their consumers are protected & no other disasters happen like 2022 - frauds, hacks scams, poor risk management, bad audits and plain vanilla frauds
- CeFi will face the major brunt and there could be new regulations for stablecoins, especially with the launch of its own CBDC's SEC might become tougher on tokens and declare most are securities unless pre-approved - paving the way for talent to move elsewhere - especially Asia (Singapore, HK, Japan) and Middle East as the most favoured destination currently
- CBDC's are already a reality as more nations push for these trial e-monies. While this will hurt privacy of citizens and fiat as we know, this could lead to massive adoption of blockchain technologies and related crypto

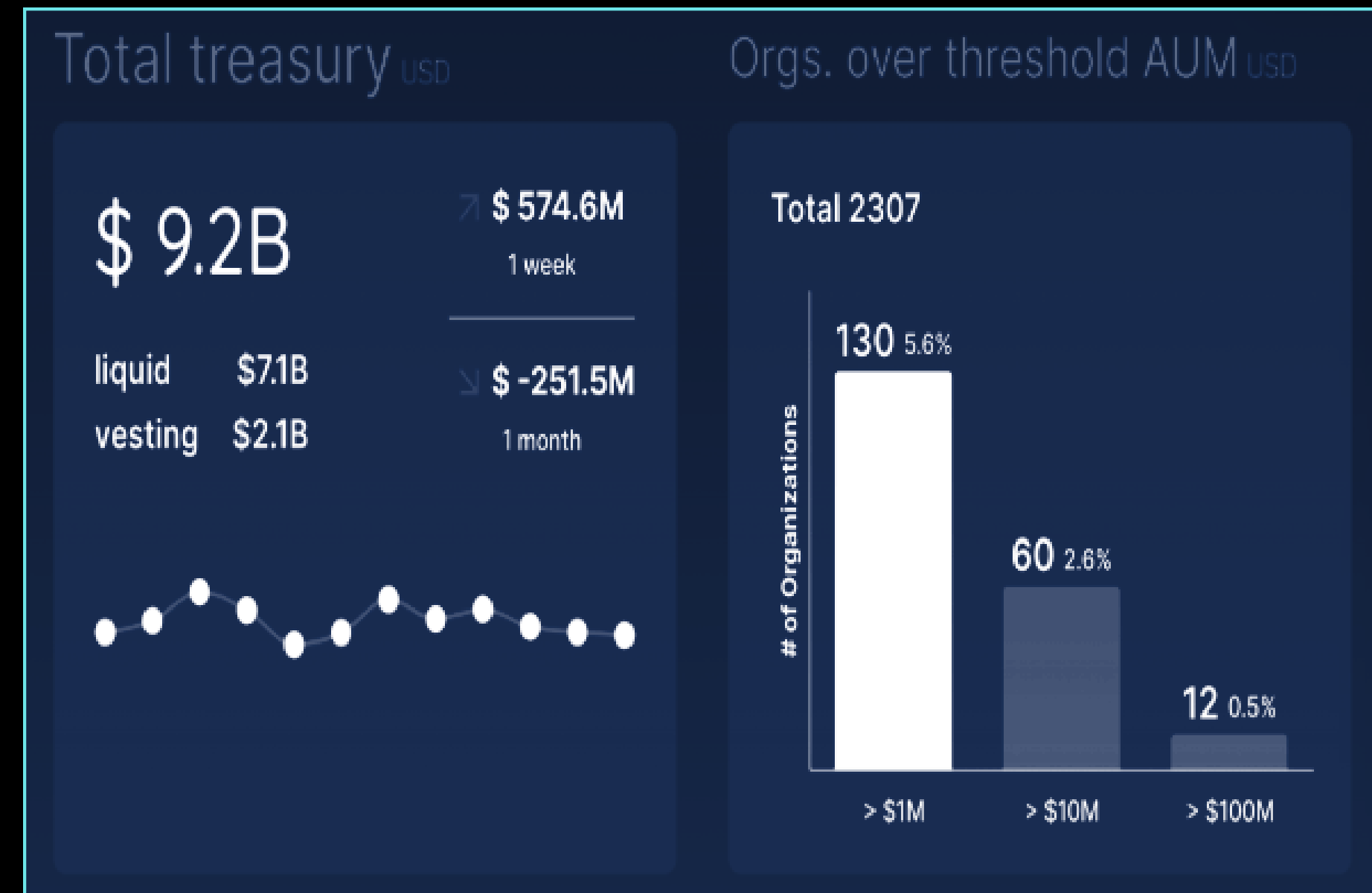
<h2>CBDCs</h2> <p>issued and regulated by a central bank, centralised</p>	<h2>STABLECOINS</h2> <p>issued by private institutions, no regulating authority, decentralised</p>
<p>"middle man" in transfers, also possible central intervention</p>	<p>no central intervention or middleman</p>
<p>always full-reserve fiat-currency backed</p>	<p>maybe backed by fiat currencies, assets, pr precious metals</p>
<p>monetary policies like taxation can be implemented</p>	<p>does not include any policies or taxation aspects</p>
<p>limited use within a country just like most fiat currencies</p>	<p>borderless</p>

Source: ARYZE



# DAOs Growing

- DAO's combined Asset Under Management(AUM) has reached to \$10 Billion in 2022 and members have been increased by threefolds. Over 3,000 proposals have been made and voted on the blockchain
- Regulations of DAOs and the process of forming legal DAO entities still remains blurry. We will need to see much more action on the framework and regulations end for DAO models to be adopted widely
- That said, we predict DAO will grow and proliferate in various sectors and we will start to see unique implementations of the model in 2023
- Significant innovation is still required in the tooling section for the efficient and accurate management of DAOs. We expect multiple protocols erupting that aim to find solutions for the management of treasuries and other tooling solutions



Source: DeepDAO

# Crypto Micro Narratives For 2023

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There should be new micro opportunities across several crypto markets similar to what we saw in 2022.

NFT's, Liquid Staking, Synthetic Assets, Real World Assets, DAO's, L2's, DePIN's are some of the hottest themes where we will be on look out for.

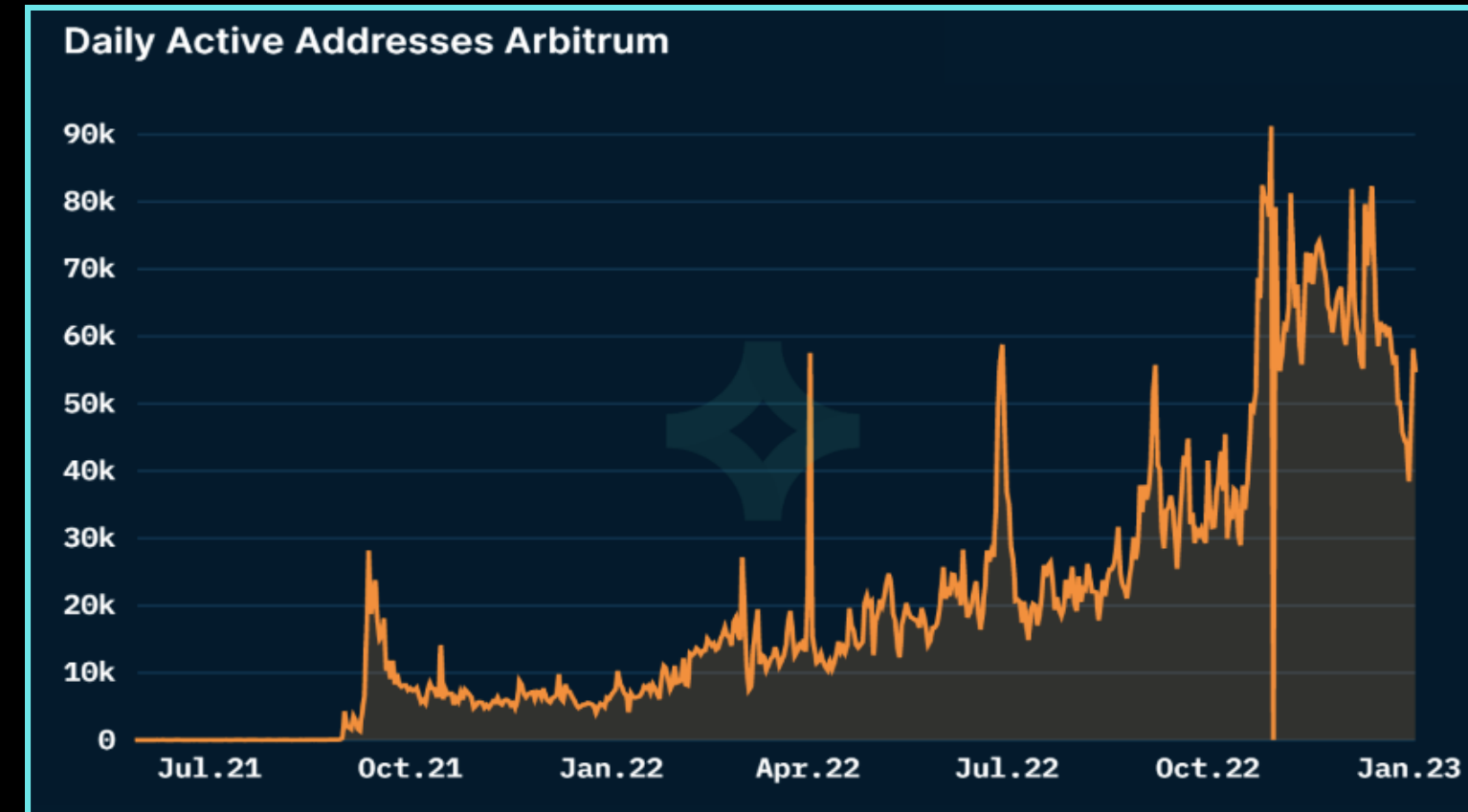
Trick would be to get in early, not FOMO in late cycle and not get greedy. That is, to have an exit plan and not HODL forever because smart money will be ready to dump at first chance.



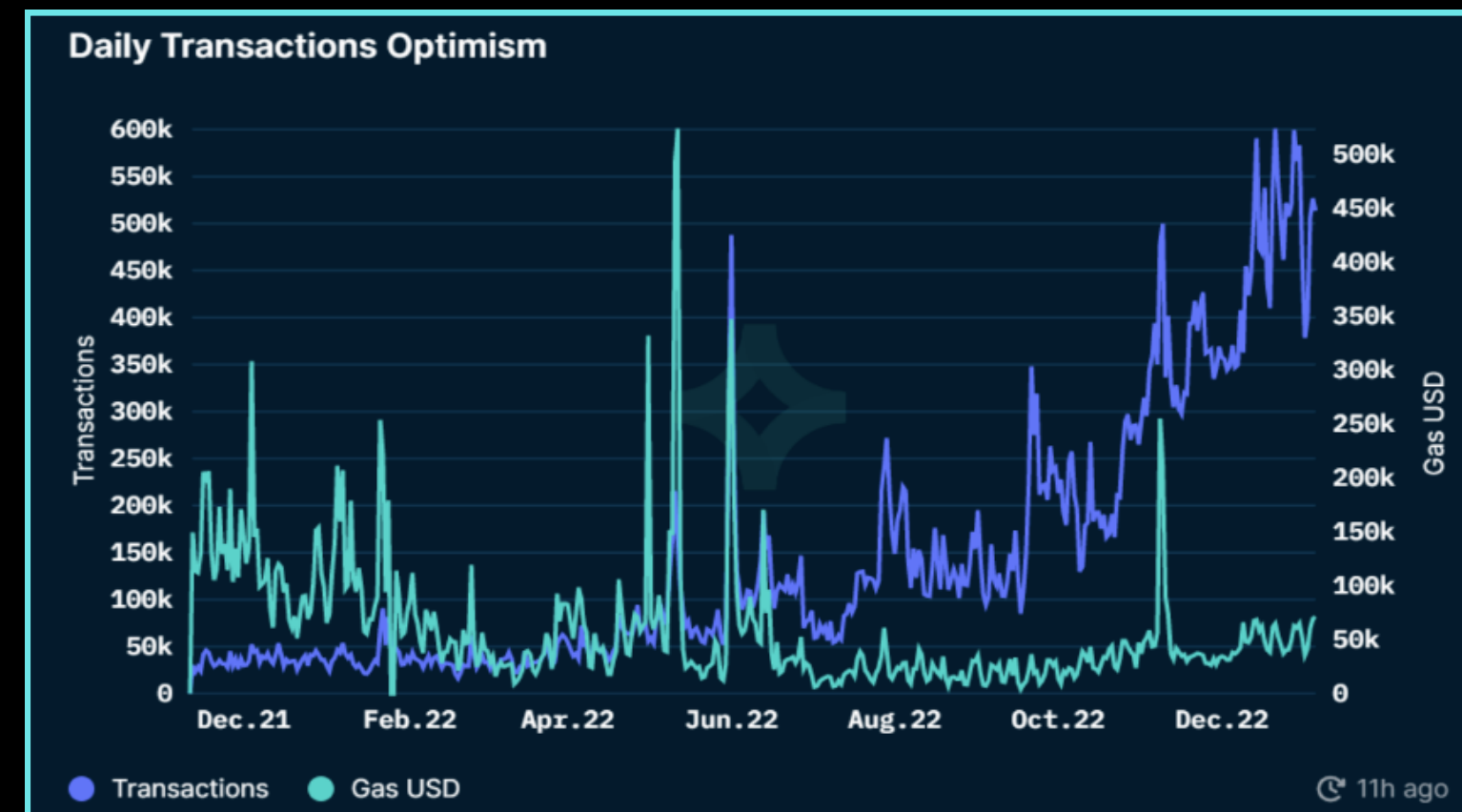


# L2's & Roll Ups

- Roll Ups using fraud proofs are already scaling (Arbitrum/Optimism). zK Rollups using off-chain computation is hotly anticipated as it combines EVM + privacy
- Arbitrum saw exponential growth thanks to DApps like GMX and when \$ARBI token launches, it is likely to get another surge
- Optimism also had significant growth following OP launch and airdrops. Upcoming "Bedrock" plus "alternative proof systems" like zk-proofs and OP stack should lead to massive scalability
- We are bullish on Arbi coins for now especially on DeFi Options, DEX's and the like - DApps like \$GMX (derivatives), \$MAGIC (gaming), \$Dopex (Options), \$PlutusDAO (Governance of other coins), \$VSTA (stablecoin), \$UMAMI (Yield Optimisation). They should also get you \$Arbi airdrops
- Starkware is another one to watch here with coins like 10K Swap (DEX), Nostra Finance (Stablecoin), JediSwap (DEX) etc. They have deployed the token on Ethereum but hasn't started trading yet so there could be some airdrops here
- We could see similar micro narratives on MOVE Chains (Aptos, Sui etc) later in the year as well



Source: Nansen

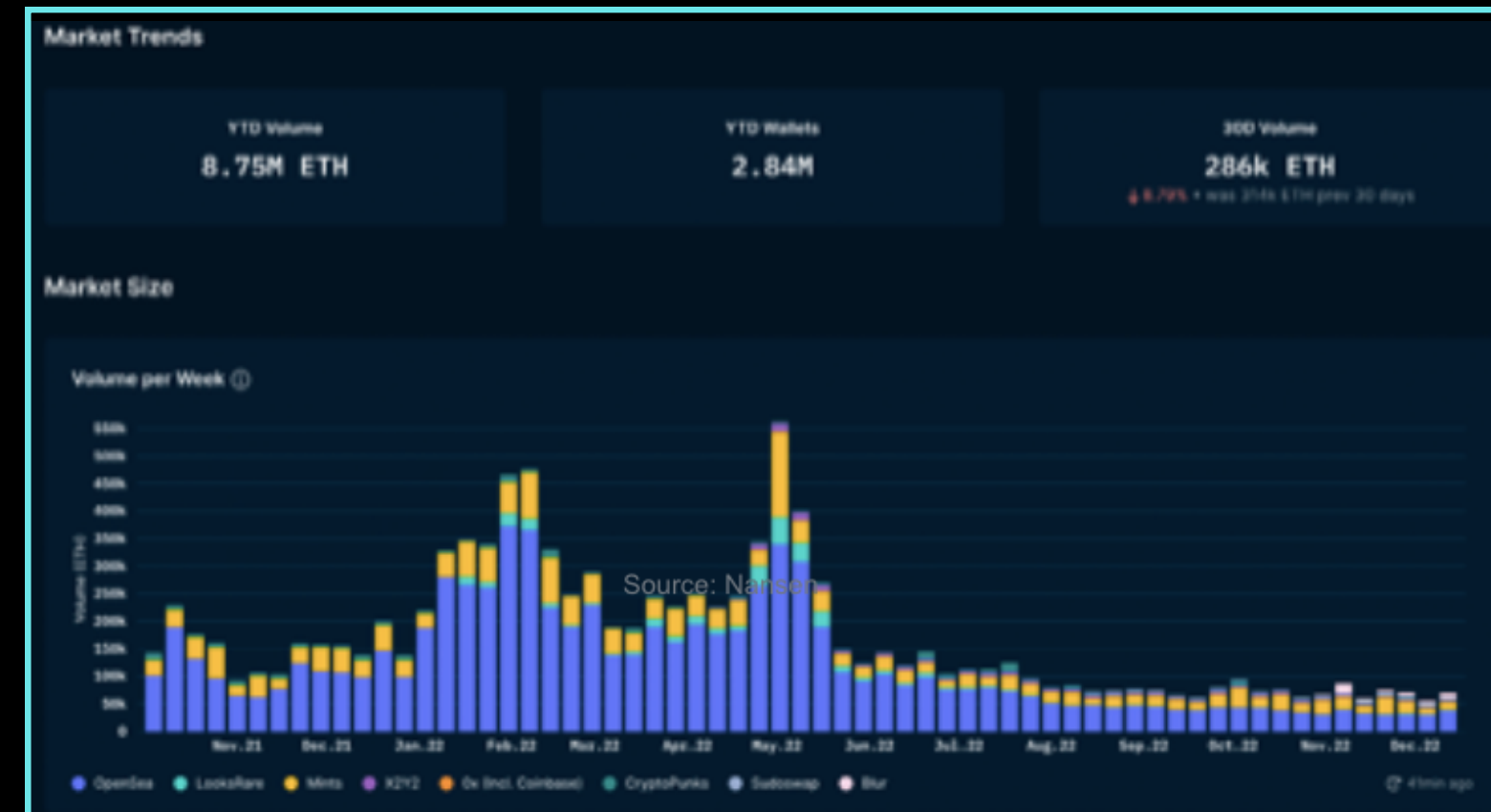


Source: Nansen

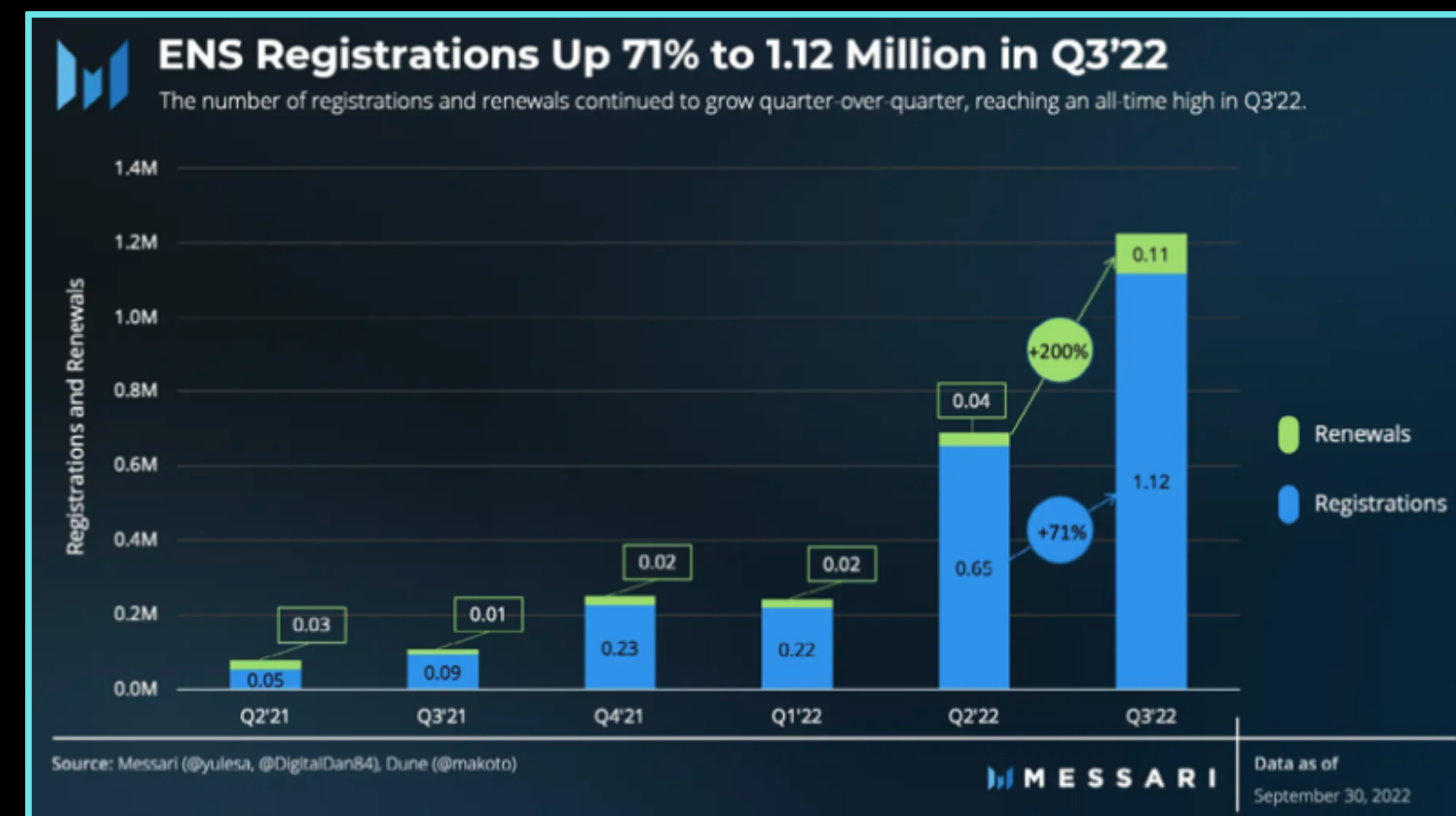


# NFTs - Not Just Hype

- While crypto has been down, NFT's are heating up and rebounding, especially projects backed by passionate communities and trusted leaders - just like Pudgy Penguins, Doodles, DeGods etc in 2022
- Whitelists and limited buyers that control most of the holdings could push prices higher, especially if there is hype, great team and a vibrant community. But remember to book profits regularly
- You could also get a chance to own some underpriced blue chips for the long hold like BAYC, MAYC, ENS Domains, Penguins, Yoots, Doodles, Azukis etc - similar to DeFi coins in 2020 - ones that are delivering, have revenue, large treasuries, massive partnerships and solid communities
- We remain very bullish on NFT's in general and specific use cases like gaming, metaverse, corporate, traditional brands, identity tokens, token gated communities etc
- Rise of "phygital" as real world and metaverse co-exist where physical goods will have a digital receipts to be worn as avatars in the metaverse



Source: Nansen

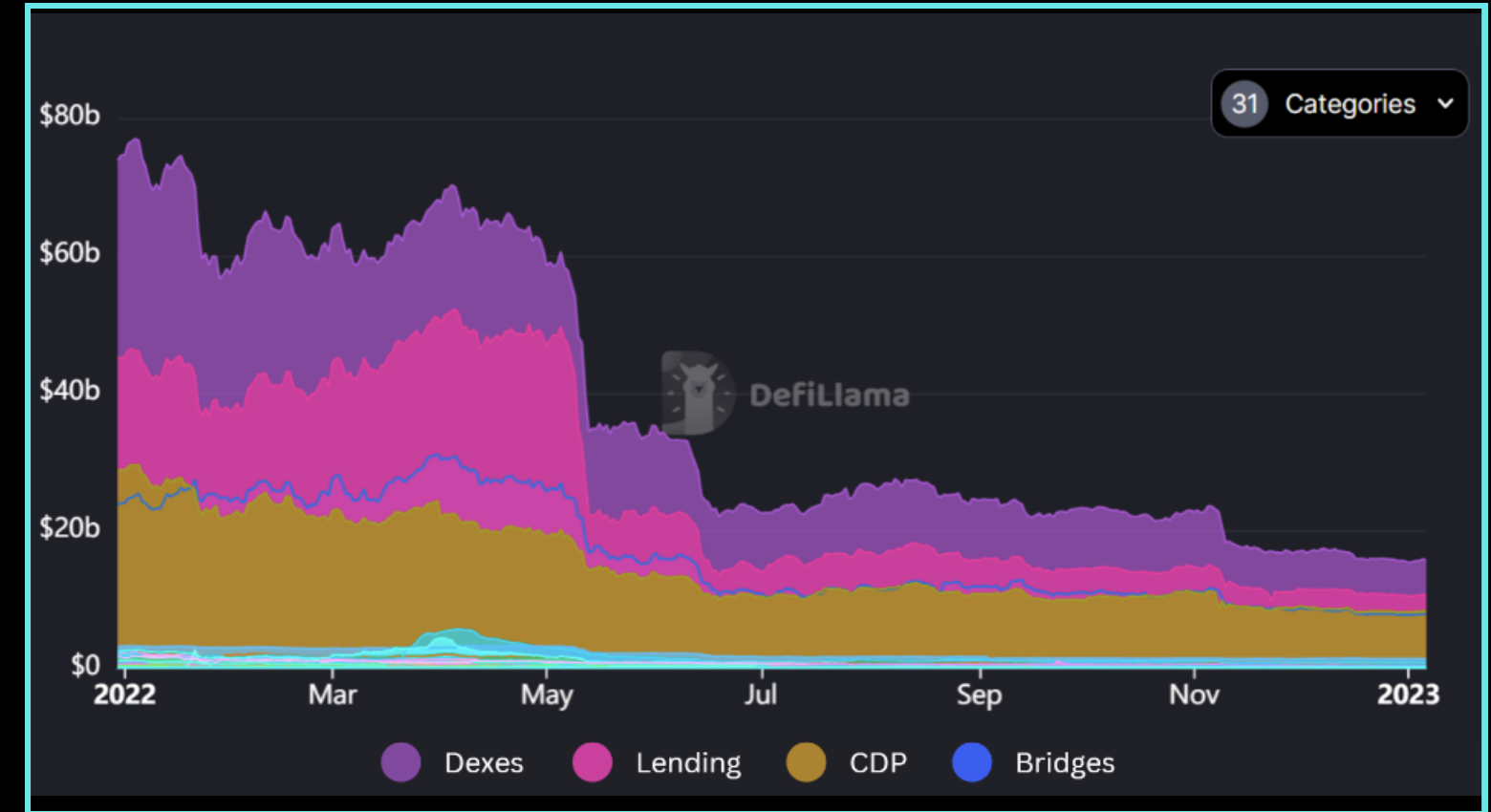


Source: Crypto Messari Thesis 2023



# DeFi - 2.5 Incoming?

- Decentralised infra triumphed in 2022, while CeFi failed terribly
- 2023 should see another exponential build in DeFi Dapps with even more innovative solutions connecting TradFi
- Primarily in trading, derivatives, bonds, structured products, prediction markets, self-custody wallets, synthetic as well as RWA assets
- Many DeFi blue chips and new DeFi micro narratives on new blockchains could outperform ETH in 2023
- Best blue chip DeFi protocols were built in last bear market - AAVE, UNI, SUSHI, MKR, CRV etc. This time won't be any different as infrastructure and multi chain capabilities have improved even further
- We like alternative L1s and mini narratives like Arbitrum, Optimism, Zk Rollups, newer protocols with focus on multi-chain / bridge plays & decentralized trading / derivatives



Source: DefiLlama


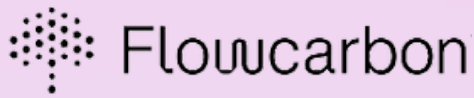





Source: Token Terminal



# Real Worlds Assets

- Tokenization of real world assets could be other micro narrative that could push in 2023
- Trillions of dollars in assets sit off-chain, which can be turned into digital tokens on the blockchain, ushering in a new wave of DeFi primitives and applications
- Institutions should start to acquire RWA DApps as it removes the complexities from traditional settings and encourages transparency
- Major applications will be around larger TAM markets like loans, real estate, used products etc which have already grown considerably in 2022
- We expect multiple startups to pop up in this space coupled with regulated products and offering delivered on blockchain

	Goldfinch is a decentralized credit protocol that allows for crypto borrowing without crypto collateral—with loans instead fully collateralized off-chain.
	Flowcarbon is bringing carbon credits onto blockchain to create democratized access, price transparency, immutable tracking of credits as they change hands.
	WisdomTree received SEC approval for multiple blockchain enabled funds ahead of the launch of blockchain native wallet WisdomTree Prime.
	Centrifuge is bringing real world assets on-chain by creating an ecosystem for structured credit and has collaborated with multiple DeFi protocols.
	Truefi brings collateral-free lending on-chain, maximising capital efficiency for borrowers and earning rates for lenders.

Source: a16Z State of Crypto Report 2022



# Summarising the Opportunity

What worked in 2018/19 winter will most probably be true for 2023/24. What did we learn from our experience back then as we are headed into a deeper liquidity led crypto winter ? Before we answer those, some things are very clear:

1. Inflation and Federal rates are the key to everything this year
2. Liquidity will remain tighter, limiting any insane upside in risky assets
3. Crypto is here to stay and builders are building like never before creating massive long term opportunities

With that backdrop, the question then is how do you identify those opportunities before anyone does? By asking the right questions.

1. Is inflation going to be sticky and rates higher? Or something breaks and we are back to printing to appease voters? Our base case here is that inflation and rates will be higher for a while and 2023 will squeeze out more liquidity from the system
2. How does Bitcoin perform in high rate, high inflation environment? Does low liquidity hurt Bitcoin investment? And the answer is Bitcoin will perform just like it was meant to - the Digital Gold. As we near the deflationary halving next year, both BTC and ETH should do well starting Q4'23/Q1'24
3. What does it mean for Altcoins and where are the opportunities? While headline numbers might stay muted, we have a few micro narratives already brewing up for 2023 as discussed above. Like previous years, smart money will continue rotate the profits back to BTC & ETH regularly, and you should too
4. What are those narratives and use cases that no one is discussing yet? Season 2.0 on DeFi, NFT's, GameFi, Metaverse lands? Or new narratives on L2, AI, privacy, security, fun to play GameFi, metaverse, web3 social network etc?
5. How do you identify such a product? How do you create that experience in one place? What blockchain do you build on or do you make it interoperable and multichain? How do you identify the players that are building that tooling and infrastructure for all that? And most importantly how do you bring millions of users to use those platforms?



# Who is Rising Capital

## About Us

**Former Bankers & Serial Entrepreneurs** - Our founders are former bankers and real estate asset managers from JP Morgan, Deutsche etc. They are long time builders in crypto & web3 with a fiduciary track record of managing \$1bn+ in traditional assets

**Since 2013** - The team has build, operated and sold several tech and blockchain ventures before setting up Rising Capital with a unique model to co-build, invest and grow with brilliant founders in this space

**Significant Experience & Global Network** allows us to be at the forefront of changing narratives in crypto such as DeFi, NFT, DAO, Metaverse, Web 3.0 along with advancements in blockchain protocol technologies by conducting thorough research on the “next big things” while managing risk without using any significant balance sheet leverage

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## Talk to us

Our experience & global network allows us to be at the forefront of changing narratives in crypto such as NFT, Gaming, Metaverse, L1s and L2s, along with advancements in blockchain protocol technologies by conducting thorough research on the “next big things” while managing risk with proper licenses, audits, compliance and security management

*Have an interesting idea or working on a startup? Email us at [hello@risingcap.co](mailto:hello@risingcap.co)*



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