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ARBITRUM (ARB)

RESEARCH
REPORT

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TABLE OF CONTENT

INTRODUCTION

Overview

Arbitrum offers a suite of scaling solutions: an optimistic rollup-based L2, Arbitrum One; an ultra-fast L2 chain known as Nova chain, built on Antrust technology with a separate DA Layer; and Arbitrum Nitro – a technology stack designed to launch custom L3s based on Arbitrum's Optimistic Rollup and Antrust technology. ARB serves as the governance token of ArbitrumDAO, which oversees the development and marketing of Arbitrum Chains.

*Key metrics data were recorded on 9 Aug'2023.

ARB Key Metrics

- **Price:** $1.18
- **MarketCap:** $1.5B
- **FDV:** $11.77B
- **ATH:** $9.86
- **Down from ATH:** -88.1%
- **Total Supply:** 10B
- **Circulating Supply:** 1.275B (12.75%)

Network Insights

- **Performance:** +7.5 TPS
- **30D Tx Count:** 20.50M
- **Transfer Cost per Tx:** $0.06
- **Swap Cost per Tx:** $0.19
- **Rollup Stage:** 1
- **Technology:** Optimistic Roll up
- **Operator:** Single Sequencer

TOKENOMICS

Token Utility

ARB is the governance token of Arbitrum DAO. ArbitrumDAO governs Arbitrum One and NOVA. ARB holders can acquire voting rights based on the percentage of ARB supply they hold.

Demand Drivers

Arbitrum has introduced a blockchain toolkit that enables projects to leverage Anytrust and Optimistic Rollup technology, allowing them to launch their own sovereign chains that will settle on the Arbitrum chain. Projects will need to submit proposals to the Arbitrum DAO to become a part of the Orbit Chains ecosystem.

Value Capture

At present, governance stands as the sole value capture for holders. Active DAO governance and the potential future governance demand stemming from projects launching Orbit Chains could unlock additional value for holders in the long term.

Supply Distribution & Inflation

The maximum supply of ARB is set at 10B, with a circulating supply of 1.275B. The supply inflation is projected to have an average annual emission of +16.77% for the next 4 years, with a maximum of 2% inflation once the 10B limit is reached.

ONCHAIN INSIGHTS

Metrics	30D Change %	90D Change %
Circulating Supply	0	0
Network Revenue	-19.5	-38.5
ARB Trading Volume	-20.2	NA
Daily Active Users	-2.8	-50.7
DeFI TVL	-10.23	-21.22
Transcation Count	-38.2	-23.4
Bridge Inflow	23.44	10.96

Key Findings

- Over the past 30 days, there has been a positive inflow through Ethereum L1 to Arbitrum Bridge, indicating a potential increase in network activities in the upcoming weeks.

- Arbitrum's revenue has been on a downtrend for the past 90 days. However, we could anticipate an upward trend in this metric once L3 chains are onboarded into the Arbitrum Orbit ecosystem.

ECOSYSTEM

DeFI Ecosystem

Overview

- **Total Locked Value:** $1.948B
- **Top Category:** Derivatives
- **Top Protocols:** GMX, Uniswap V3, Radiant
- **TVL Change% in Past 30 Days:** -10.23%
- **TVL Change% in Past 90 Days:** -21.22%
- **Market Share:** 4.72%

Key Findings

- Derivatives have emerged as the prominent DeFi primitives in recent times. GMX introduced this primitive on Arbitrum, and now over 10 projects have launched in the derivatives category on the Arbitrum network.

- The Radiant Protocol on Arbitrum is currently the fastest-growing money market protocol. Additionally, it has introduced a new primitive for cross-chain lending, which is expected to gain significant traction in the near future.

Key metrics data were recorded on 9 Aug'2023.

ECOSYSTEM

NFT Ecosystem

Overview

- **Sales Volume(30D):** $1.87M
- **Top Marketplaces:** Trove, Opensea
- **Popular Collection(30D):** Treasures, Bridgeworld
- **Market Share:** <0.5%

Month	Sales (USD)	Unique Sellers	Unique Buyers
August, 2023	$352,563.53	1,776	7,329
July, 2023	$2,531,328.43	15,996	40,953
June, 2023	$2,170,474.14	3,931	18,271
May, 2023	$4,691,706.54	12,978	41,492
April, 2023	$8,553,572.59	29,570	26,950

Key Findings

- NFTs within the Treasure ecosystem are experiencing consistent sales, while there is almost negligible traction for NFTs on Arbitrum.
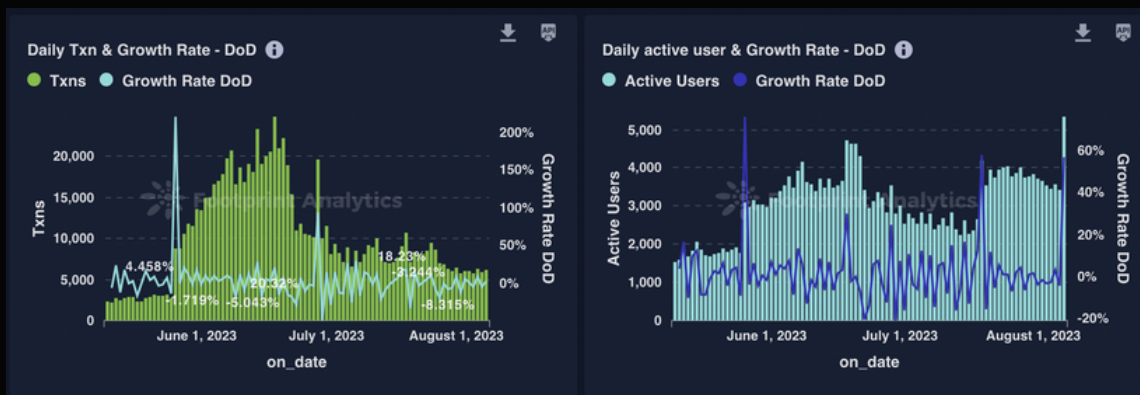
ECOSYSTEM

Gaming Ecosystem

Overview

- **Active Games:** 22
- **Daily Active Gamers:** 5.34K
- **Top Games:** MEEET, SpartaDEX, TreasureDAO
- **Market Share:** +2%

Key Findings

- SpartaDEX has emerged as a top game on Arbitrum in recent times. They have developed a gamified DeFi platform that has successfully attracted over $10 million in Total Value Locked (TVL) and has engaged 2,000 active gamers.

MILESTONES

- Arbitrum recently introduced Arbitrum Orbit, a blockchain toolkit designed for launching custom L3s.

- Arbitrum has initiated a grants program to provide support for builders and developers.

- Arbitrum launched BOLD, a permissionless validation protocol for Arbitrum chains.

- Arbitrum passed a proposal to implement support account abstraction.

- Arbitrum generated more than $40 million in revenue over the past year.

- Arbitrum has become the leading L2 rollup with a Total Value Locked (TVL) of over $1.95 billion and a thriving ecosystem of 700+ projects.

FUTURE ROADMAP

- Offchain Lab is developing a virtual machine environment named Stylus, which will empower developers to deploy programs written in various languages such as C, C++, Rust, etc., to run alongside the EVM on Arbitrum. Arbitrum Stylus aims to attract more developers to deploy their Web3 dApps and smart contracts on the Arbitrum network.

- Arbitrum will soon begin onboarding L3 projects through their Orbit Stack. We can anticipate the launch of promising application-specific chains on Arbitrum.

```rust
#[arbitrum]
fn keccak(preimage: &[u8]) → [u8; 32] {
    let mut hasher = Keccak256::new();
    hasher.update(preimage);
    hasher.finalize().into()
}
```

TOP TOKENS

GMX (GMX)

- **Market Cap:** $448.3M
- **Growth Driver:** Derivatives represent the largest market for DEXs, and GMX is at the forefront, leading with its innovative Real Yield model.

Treasure DAO (MAGIC)

- **Market Cap:** $168.6M
- Growth Driver: Blockchain gaming is poised to be a major theme for the upcoming bull cycle. MAGIC is driving the ecosystem of Web3 games introduced by Treasure DAO.

Radiant Capital(RNDT)

- **Market Cap**: $86.3M
- **Growth Driver:** Omnichain lending is poised to become a popular DeFi category in the future. Radiant Capital is at the forefront of omnichain money market platforms.

Pendle Finance (PENDLE)

- **Market Cap:** $68.5M
- **Growth Driver:** Pendle Finance has introduced an intriguing DeFi primitive that enables traders to engage in short-term and long-term trading of Ethereum LSD yield. The adoption of Pendle Finance is anticipated to expand alongside the increasing staking ratio of Ethereum.

Date of Report: 9 Aug 2023

Contact Information

For further inquiries or to access our full research report, please reach out to: hitesh@itsblockchain.com

Note: The information in this report is subject to change as the crypto market and Arbitrum's ecosystem continue to evolve. We encourage readers to stay updated with the latest developments and market trends.

Thank you for your interest in our research!
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