

A comparative analysis of trading activity for Ethereum and BSC

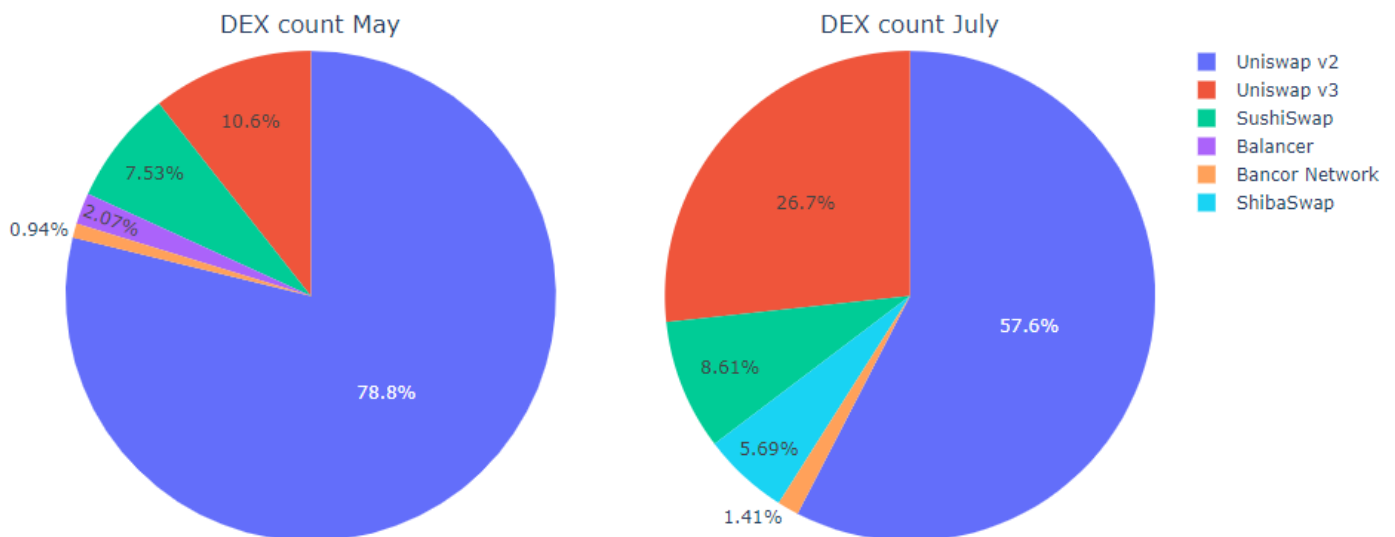
Market leaders

Decentralized trading platforms (DEX) are still in the early stages of development and markedly lag behind their centralized competitors. For example, in May, when elevated volatility prevailed in the market, the total trade volume on both versions of Uniswap was approximately \$84 billion, whereas Binance reported a figure of \$2.46 trillion.

The main drawback of DEX is low liquidity, which impedes traders in opening and closing positions according to their trading strategies. High commissions that lower profits is another disincentive. On the other hand, these platforms have been able to democratize the listing process, as a result of which all the newest and “hottest” tokens emerge on them. The activity of decentralized exchanges is the key indicator of investor interest in DeFi.

The peak of trading activity on DEX was in spring, when the cryptomarket was rapidly growing. It has gradually fallen since the beginning of the large correction in the second half of May. Of special mention in the Ethereum network is the Uniswap protocol, whose second and third versions predominate. Sushiswap has emerged as a competitor; trading activity on other platforms is far lower. Below are the shares of the top 5 protocols in May and June. It is worth mentioning that the new version of Uniswap has gradually gained popularity among traders (26.7% in June against 10.6% in May). At the same time, a nascent entrant to the market, Shibaswap, immediately entered the top 4 DEX based on activity, with a share of 5.69%.

DEX activity by month: Ethereum

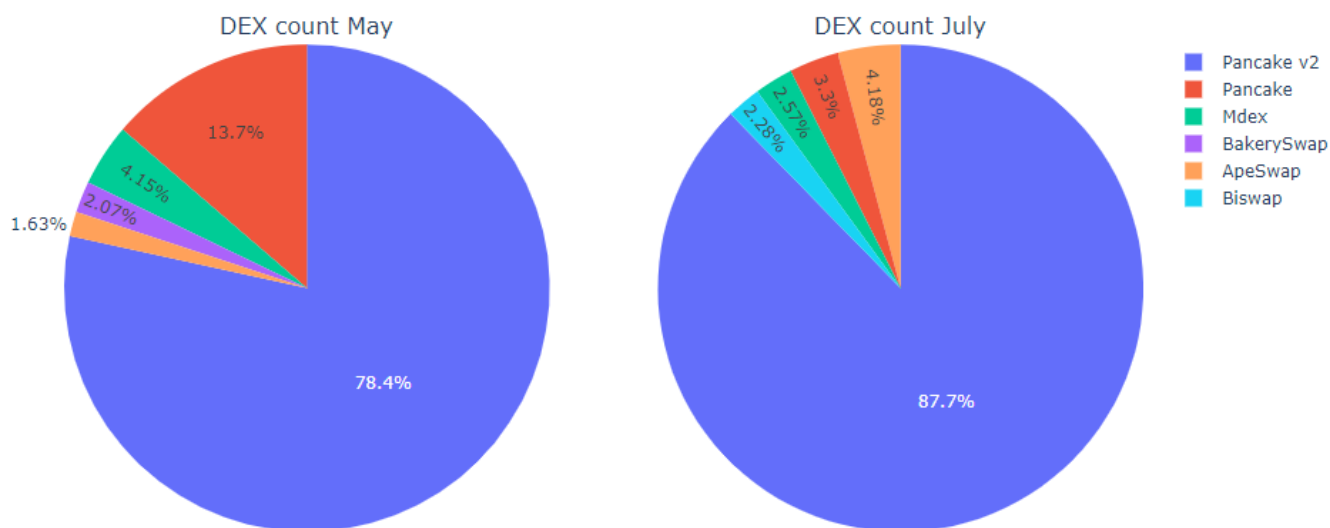


The BSC network has a clear leader — Pancake (a fork of Uniswap). Apart from the protocol’s two versions, which boast 90% of trading activity (in June 2021), the top 5 leaders comprise Apeswap (4.18%), Mdex (2.57%) and Biswap (2.28%).

Pancake has grown popular as a result of lower BSC commissions than those of Ethereum, which encourage the influx of a large number of new projects related to receiving passive income. Rank-and-file users, having acquired tokens in the pursuit of a quick payout, followed developers.

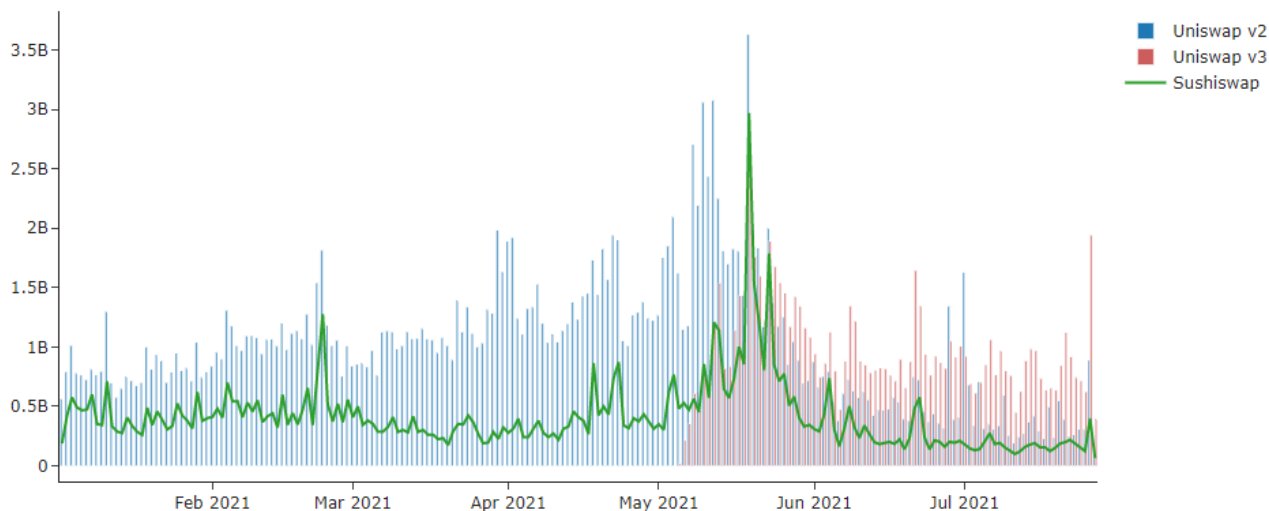
A clear division has emerged since then. Conservative investors, primarily big players for whom protocol reliability is of utmost importance, work with Ethereum projects. On the other hand, speculators, who are willing to risk more and deal with an enormous number of new projects for greater profits, gravitate toward the BSC network.

DEX activity by month: BSC



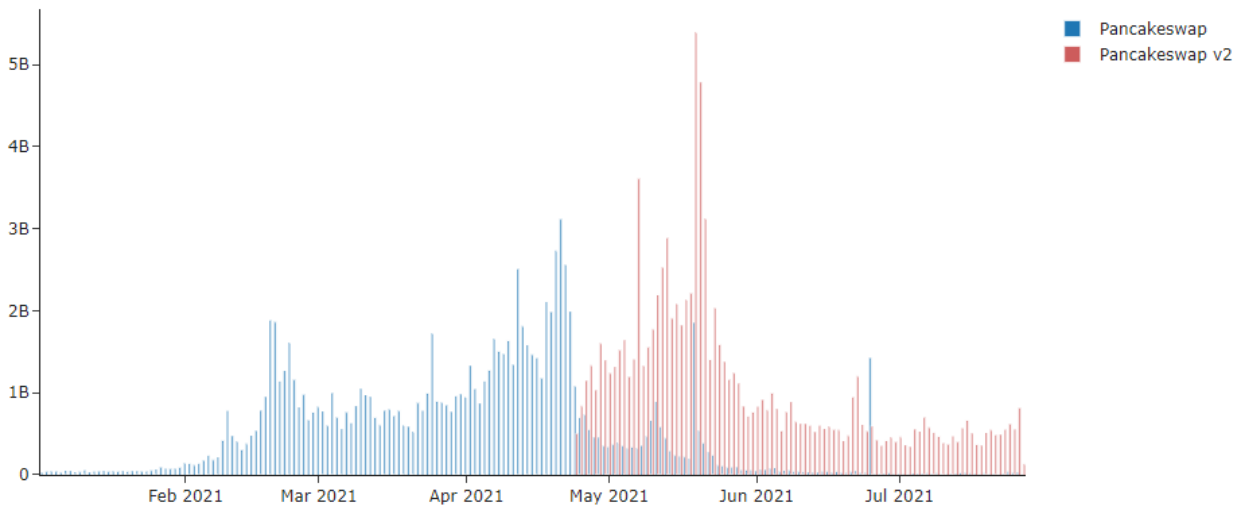
The graph below displays the trade volumes for the top 3 DEX in the Ethereum network since the beginning of the year. Uniswap's dominance is plain to see, as well as when activity on v3 surpassed v2. Moreover, despite the launch of a new product, v2 has retained some demand among investors; the average intraday transactions on v3 hovers total around \$1 billion, while v2 still manages approximately \$300 million. Sushiswap's metrics are even lower: it has only managed to break the \$500 billion level a few times, with its current transactions totaling near \$200 million.

Top 3 Ethereum DEX



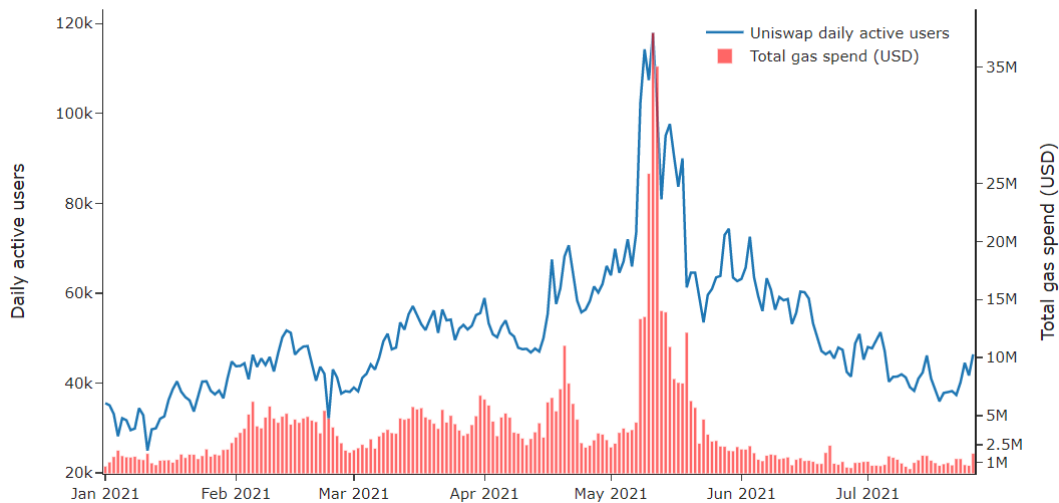
The situation is less ambiguous on Pancake; with the release of v2, almost all trade volumes have moved to the updated protocol. The daily dollar turnover of Pancake v2 (\$600 million) trails Uniswap v3.

Pancakeswap and Pancakeswap v2 trade activity

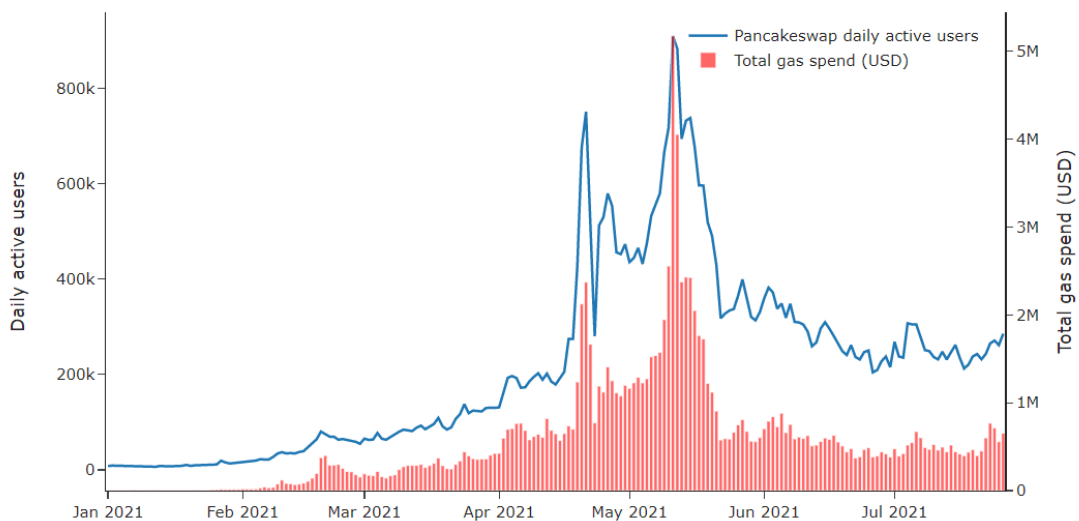


However, if we consider the number of unique users, it becomes evident that far more wallets are involved in transactions on Pancake. During peak activity in May, the metric crossed the 800 000 mark for Pancake, whereas trader counts on Uniswap failed to make it even to 120 000. Data for both protocol versions were combined for convenience. Currently, the number of unique users on Pancake and Uniswap total approximately 300 000 and 50 000 respectively (left vertical axis).

Daily active users and total gas spend: Uniswap v2 and v3



Daily active users and total gas spend: Pancake v1 and v2

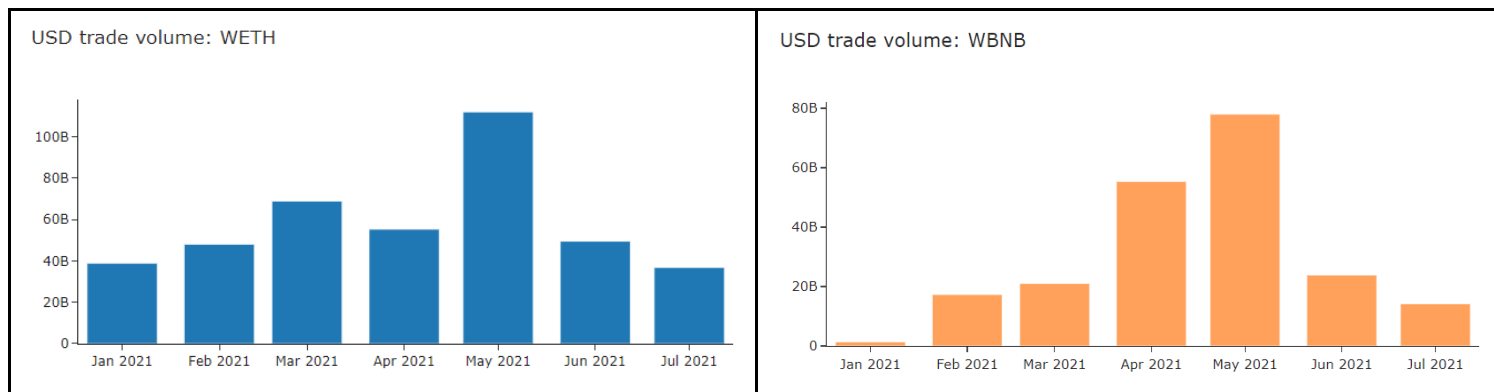


Curiously, despite the substantial difference in the number of active users, the amount of gas spend in USD (right vertical axis) is lower on Pancake than on Uniswap. For example, approximately \$35 million were spent daily during Uniswap’s May highs against a much more humble \$5 million on Pancake. Meanwhile, the number of traders on Pancake was almost six times greater in July, but the total gas spend remained relatively stable at around \$1 million.

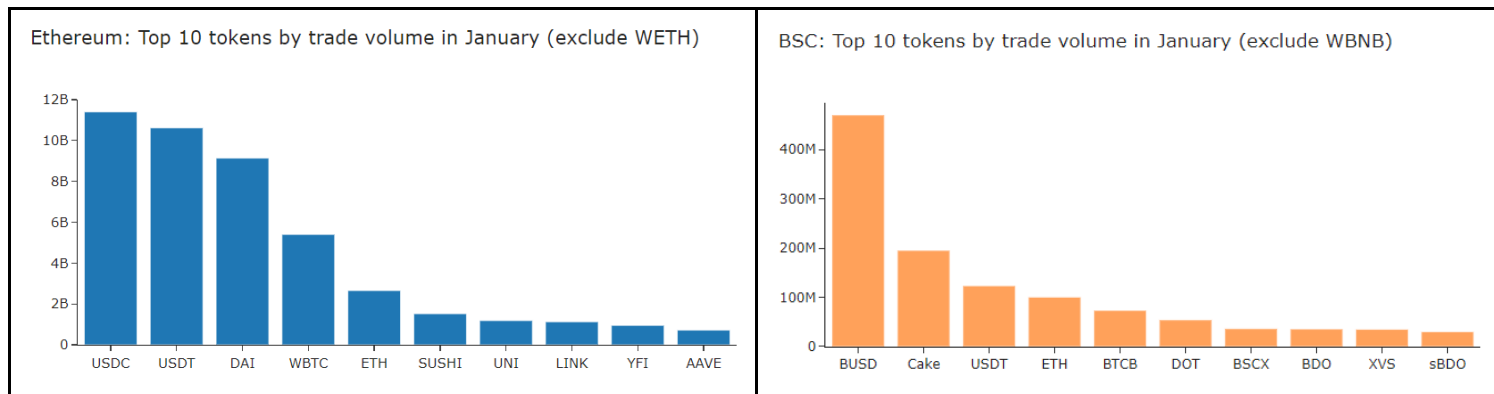
Popular tokens on DEX

Our analysis will cover three months: January, May and July.

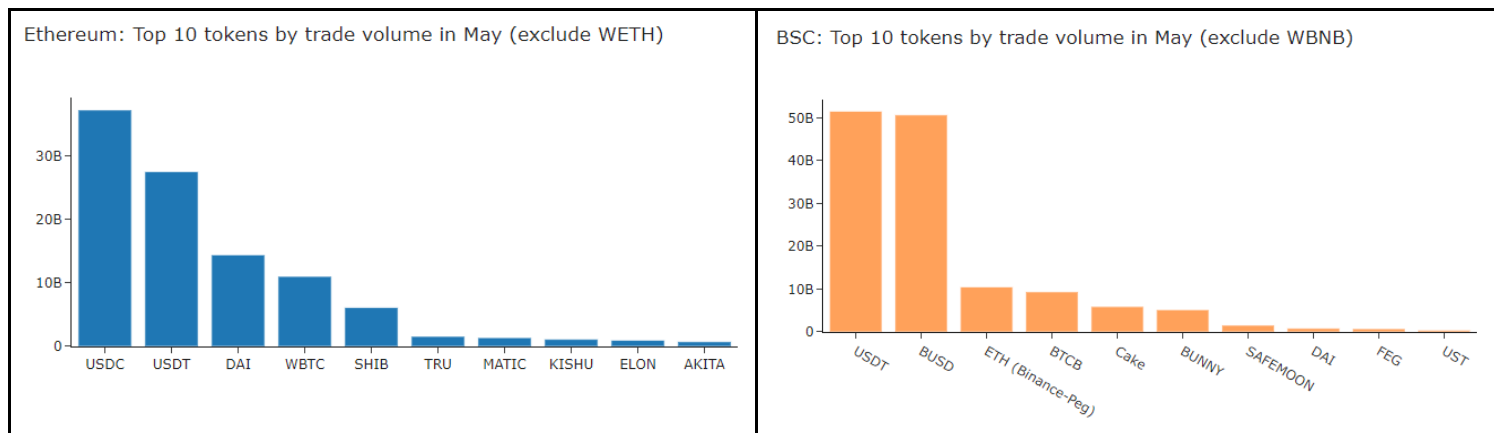
First, due to the peculiar architecture of decentralized platforms, most token transactions occur in combination with the native token of the network in its “wrapped” form: WETH and WBNB. These tokens are excluded from the graphs below to obtain a more accurate picture.



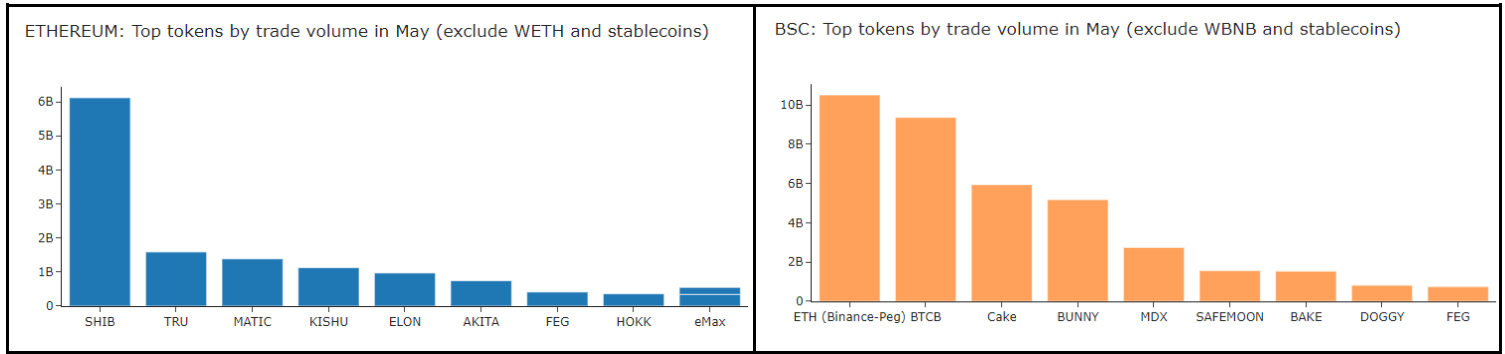
It should also be noted that the next most popular instruments on DEX are stablecoins and “service” tokens, which are acquired to perform particular functions, including obtaining access to oracles (LINK), voting on the fate of a decentralized protocol (UNI), obtaining rewards (CAKE) etc. Stablecoins are primarily used in transactions involving the native token of the network.



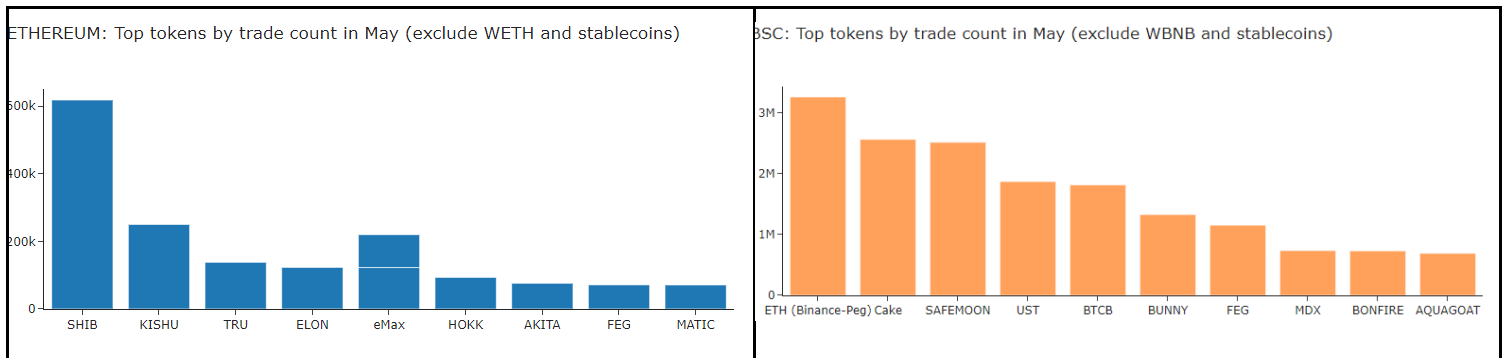
The beginning of spring marked the transition of market participants to new speculative coins: SHIB, SAFEMOON and many others. Below is the data for May.



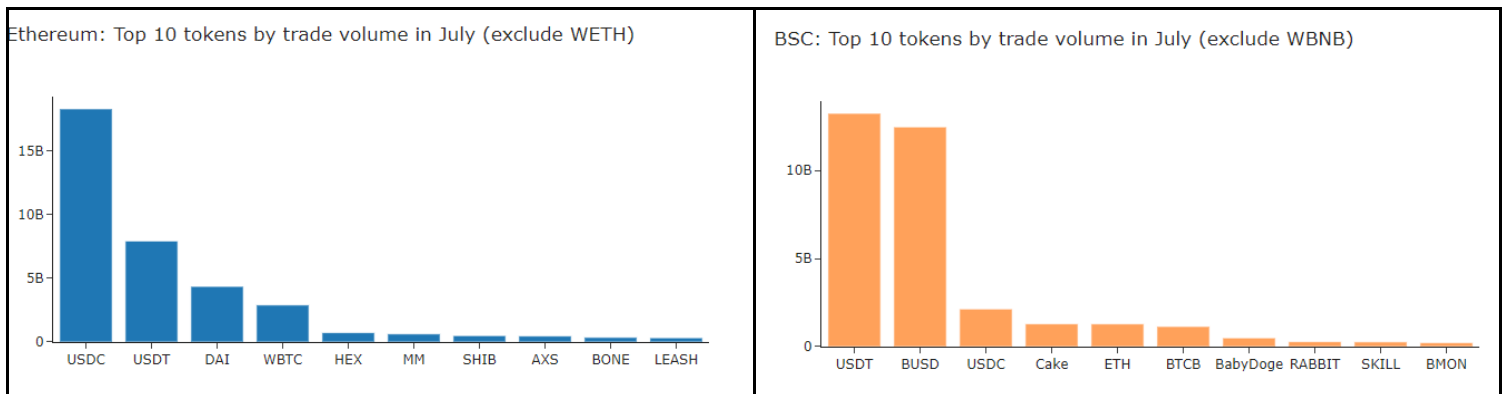
If we remove stablecoins from the graph, we can see that the majority of speculative activity occurred in BSC while transactions involving meme coins and miscellaneous coins in Ethereum were markedly fewer. The only noteworthy standout is the much-hyped SHIBU INU with a volume of \$6 billion.



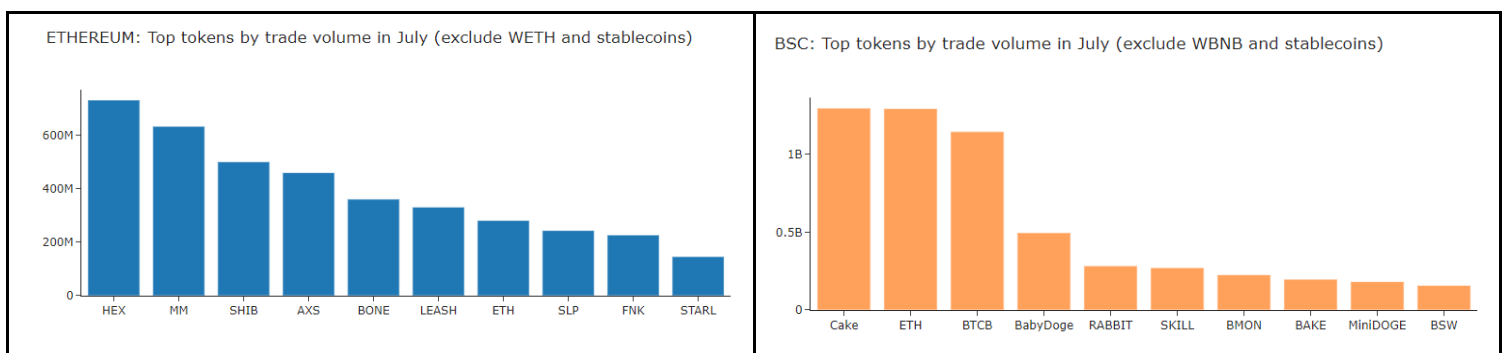
If we view the data not by dollar trade volume, but by the number of completed transactions, the difference is even starker. Seven coins from the BSC top 10 have fallen below the million-transaction mark, whereas the most active coin in Ethereum — SHIB — barely made it to 600 000.



The situation did not drastically change in July; the bulk of volumes involved stablecoins, which are convenient to place in stable liquidity pools of the time-tested protocols Ethereum and BSC.



If we again remove stablecoins, we see that despite the dry spell in the cryptomarket, traders continue to execute transactions involving speculative instruments, just as they did two months previous. Volumes nevertheless remain blunted. Activity for CAKE, for instance, totalled \$6 billion and \$1.2 billion dollars in May and July respectively.



Yet another interesting indicator of market activity is the number of emergent new tokens. A even greater number of tokens in Ethereum was released in June than in May. It appears that many developers did not manage to launch their projects amidst the hype but nevertheless decided against postponing them.

The rate of creation of new coins for BSC peaked in April, when everyone wanted to get in on the insanity and profit from meme coins. Over 37 000 tokens were created then, almost twice as many as the number created in Ethereum throughout the whole year.

