November 2020

Kaiko Research

Monthly Market Report

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MONTHLY OVERVIEW

Yearly highs, multi-year highs, all time highs...November proved what we already knew: Bitcoin's price will always be the biggest headline. October's momentum turned into November's bull run, spurred by a near continuous stream of positive institutional news and bullish analyst predictions. This time around, the market exuberance is driven by larger players such as PayPal, Square, a handful of billionaires, and crypto's own GrayScale, rather than the volatile retail sentiment that drove the 2017 bull run. Bitcoin closed the month higher than it ever has before, in the process breaking all time highs on several exchanges and posting monthly returns of +43% . Yet, there is still little consensus over what Bitcoin's previous (or current) ATH is, which is evidence that cryptocurrency markets remain fragmented. Ultimately, Bitcoin's record-setting month has all of the potential to lead to a record-setting year, as trading volume, google search trends, new wallets, OTC volume, and open interest continue to climb.

This monthly report was written by Clara Medalie, with help from the Kaiko team.

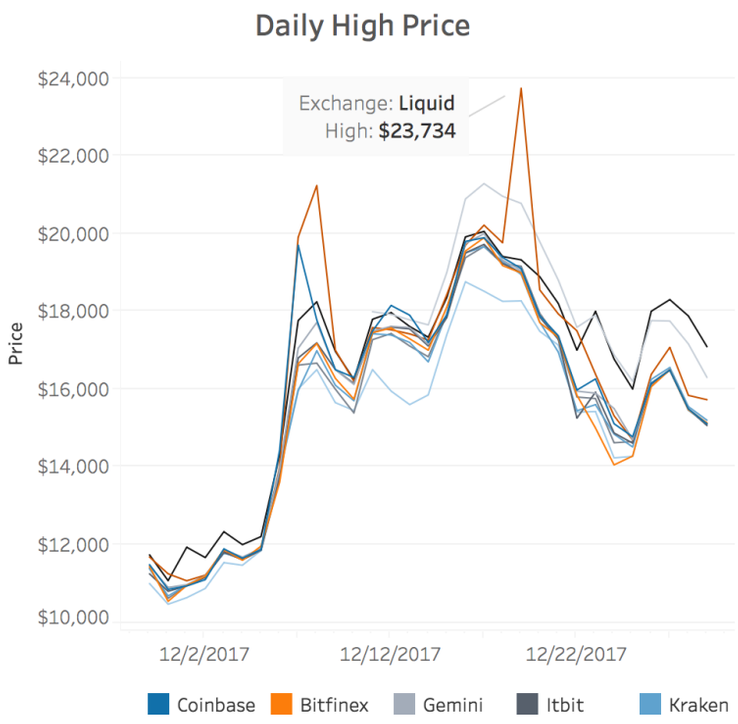
About Kaiko

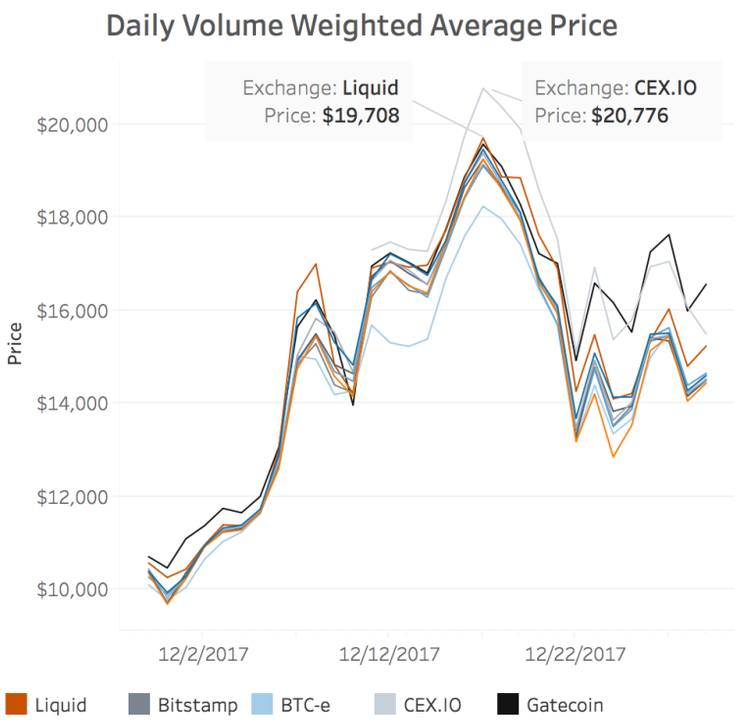
Founded in 2014, Kaiko is a cryptocurrency market data provider, servicing professional investors, asset managers, funds, researchers, regulators, third-party platforms and exchanges. We collect, normalize, store, and distribute digital assets market data via a livestream WebSocket, REST API, and cloud-based flat file (.csv) Data Feed, to which clients connect to build data-driven applications. Our raw trade data, order books, and aggregates cover 35,000+ currency pairs across 85+ exchanges, with new markets added every day. With over five years of historical data, Kaiko provides the most extensive digital asset datasets in the industry.

Defining an All Time High

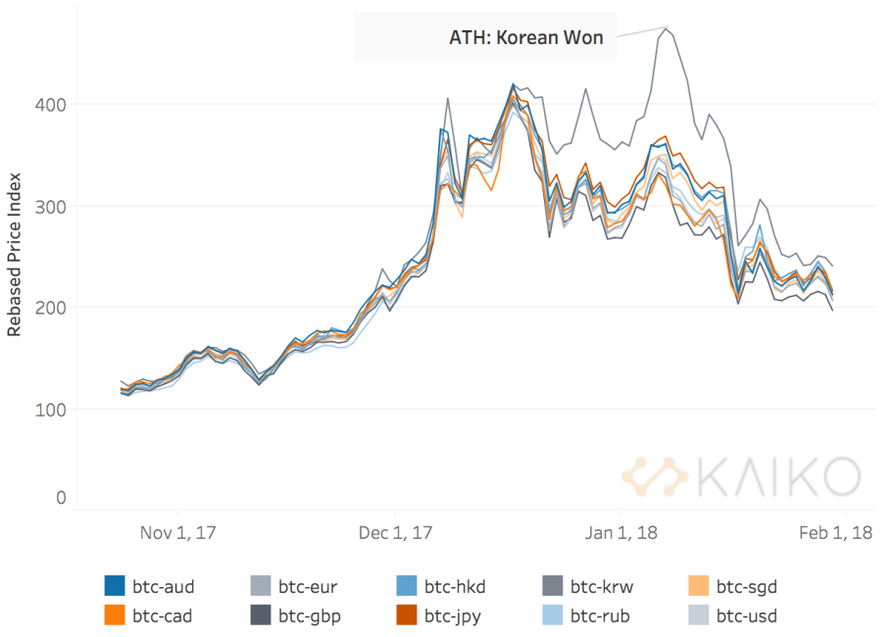
All month long, predictions that Bitcoin would soon reach a new ATH filled Crypto Twitter and news publications alike. This got us thinking: what does an ATH even means? Almost every ATH is quoted in USD, and popular lore cites it as greater than $20k. But the reality is that Bitcoin has never reached $20k on most exchanges (maybe by the time this is published it will have). In fact, only three exchanges in Kaiko's collection recorded an ATH greater than $20k back in 2017. The price of Bitcoin is often subjective, rather than objective, because it requires a pricing methodology that varies depending on the data provider. Ultimately, there is no definitive ATH—rather, there are a range of ATHs dependent on the time interval, exchanges, and aggregation methodology used in the calculation.

Bitcoin's ATH, 2017 Bull Run





Fiat Pairs Rebased to 09/01/2017



Defining an ATH: time interval, exchange, quote asset, aggregation methodology

There is little consensus in defining Bitcoin's high: is it based on the highest traded price? Or is it the highest volume-weighted price? If yes, at the daily interval? Hourly interval? Or is it the close? For which time zone? We can observe how Bitcoin's ATH changes depending on whether it is volume-weighted, or simply the highest price traded. Bitcoin's ATH also varies depending on the currency it trades against. In 2017, Bitcoin traded higher against the Korean Won, Hong Kong Dollar, and Japanese Yen, relative to the US Dollar.

Bitcoin's Highest Monthly Close

On the last day of the month, several crypto news organizations called Bitcoin's new ATH at $19,850. Now that we understand the subjectivity in calling an ATH, we can take declarations of "New Highs" with a grain of salt knowing that it entirely depends on the granularity of data and exchanges used in the aggregation. We looked at minute-level data for all exchanges that provide BTC-USD trading and found the eight highest prices recorded. Compared with data from 2017, it is clear that Bitcoin did not, as many claimed, reach a new ATH on most exchanges. However, Bitcoin still ended the month higher than it ever has before.

BTC-USD November Highs

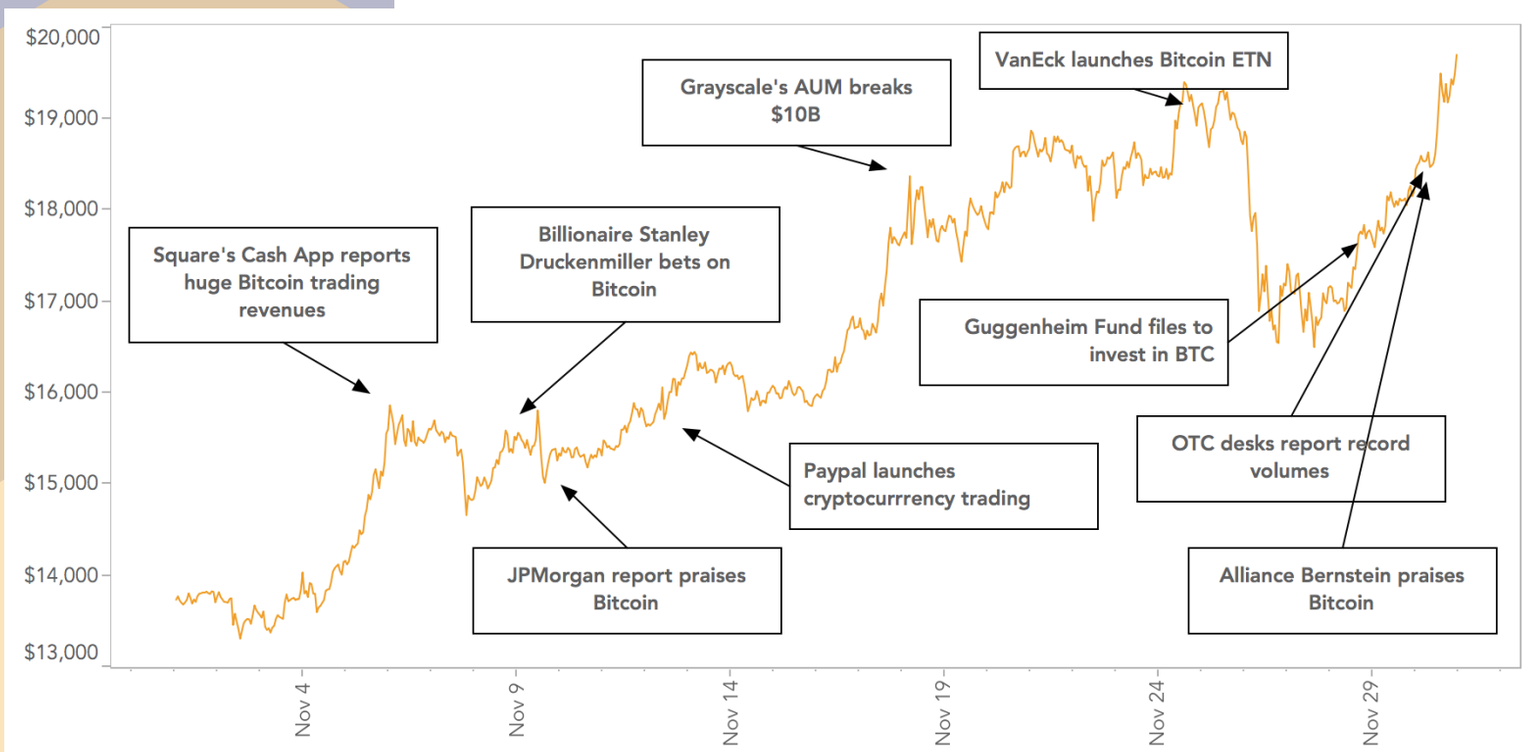
Minute VWAP - Eight Highest Exchanges
November 30th, 2020

Aggregated Monthly Statistics

Monthly Returns: +43.4% **Monthly High:** $19,706
Monthly Close: $19,706 **Monthly Low:** $13,308

$19,860.9 GEMINI	$19,860.3 OKCOIN	$19,843.7 LMAX Digital	$19,843.4 currency.com
$19,840 coinbase	$19,839 BITFINEX	$19,831.9 itBit	$19,830 BINANCE.US

The Path to Bitcoin's Record-Setting Close



November Trading Volume Surges

XRP Volumes Quadruple

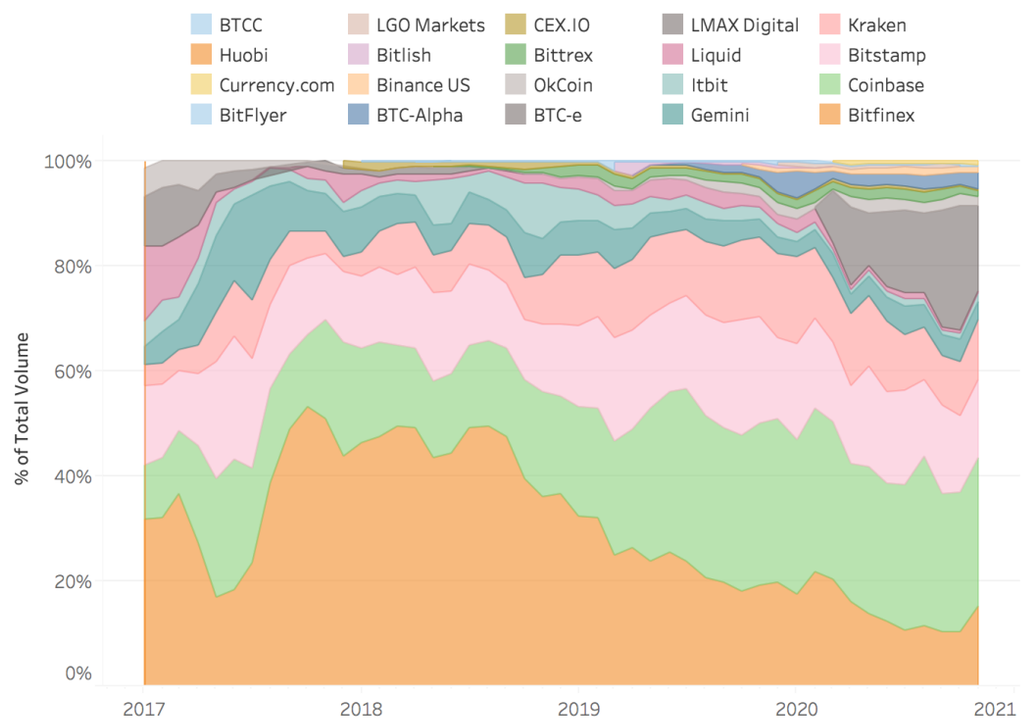
Monthly Volume - All USD Pairs

November trading volumes were the highest of the year. Bitcoin volumes nearly doubled while XRP volumes increased 476% since October due to superb monthly returns. While 2020 volumes have already surpassed 2019 volumes, 2018 still holds the record for total volume traded, spurred by massive retail interest spurred by the 2017 bull run. Retail interest is lower this time around, but appears to be rising again, evidenced by Coinbase's entrance this month into the top 100 most downloaded app list.

Market Dominance Shifts

Percentage of Total Volume, BTC-USD

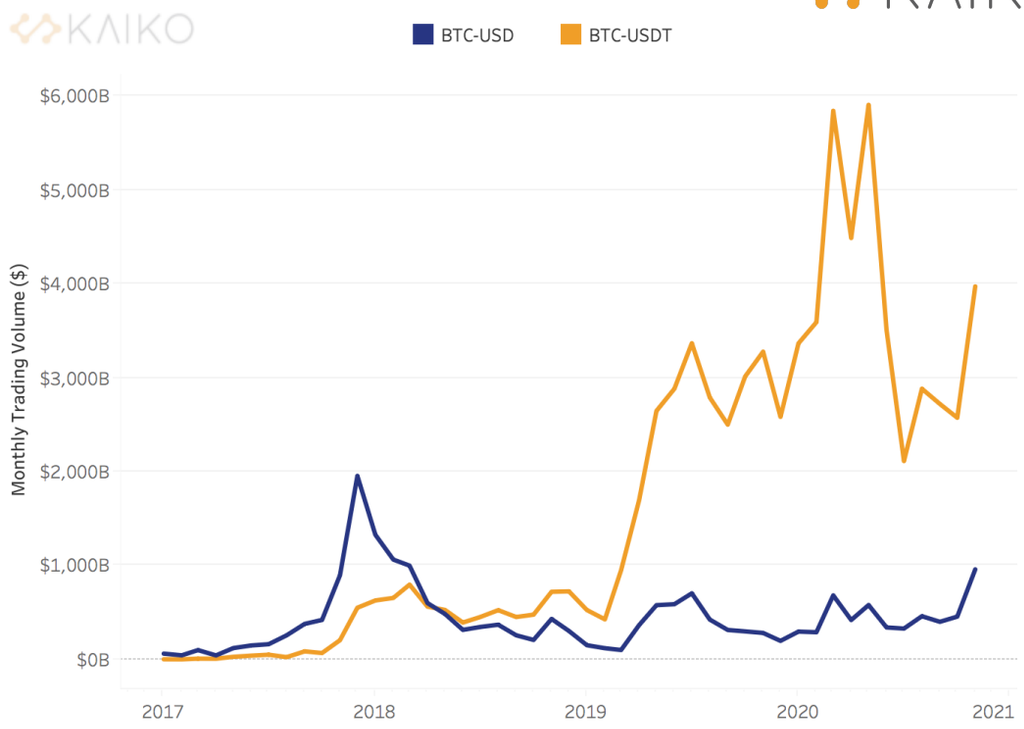
Since the last bull run, we can observe that Bitfinex and Gemini's market share has fallen significantly while Coinbase's has continued to grow. As a newcomer, LMAX Digital has grown considerably over the past year, now picking up around 20% of total volume traded. For the most part, Bitstamp and Kraken have maintained their market share. Exchanges that have small BTC-USD volumes often fare better with altcoin and stablecoin trading pairs.



Dollar vs. Tether

***Trade Volume, All BTC-USD and BTC-USDT** Pairs*

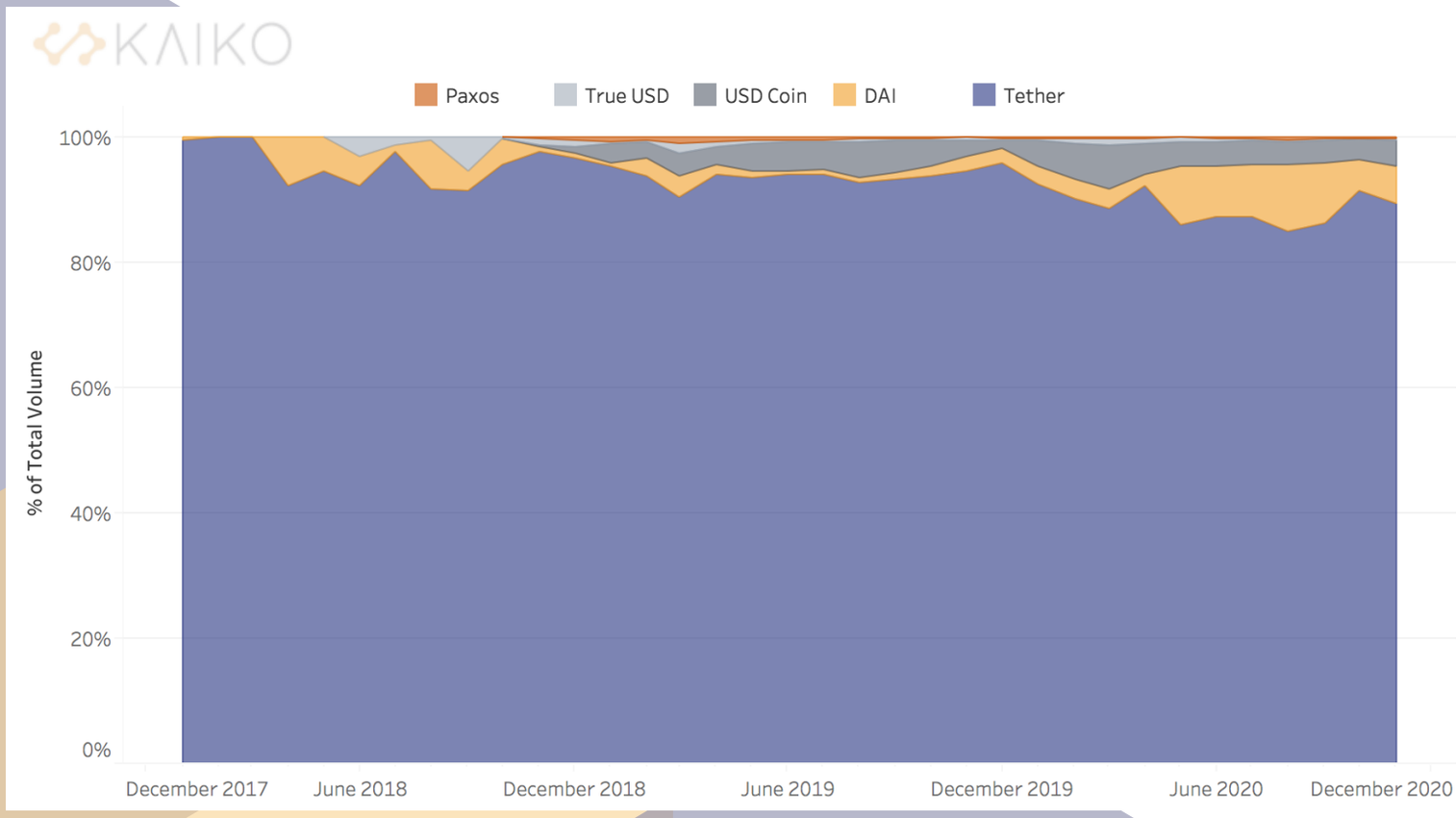
A lot has changed since Bitcoin's last bull run. This time around, the vast majority of all trading is done using the Tether stablecoin. In fact, nearly 5 times the amount of Bitcoin is now traded against USDT compared with USD. Nearly every exchange offers a USDT trading pair, whereas only a select number of exchanges offer a USD pair due to regulatory reasons.



Stablecoin Volume: DAI Increases Share

% of Volume, All USD Pairs

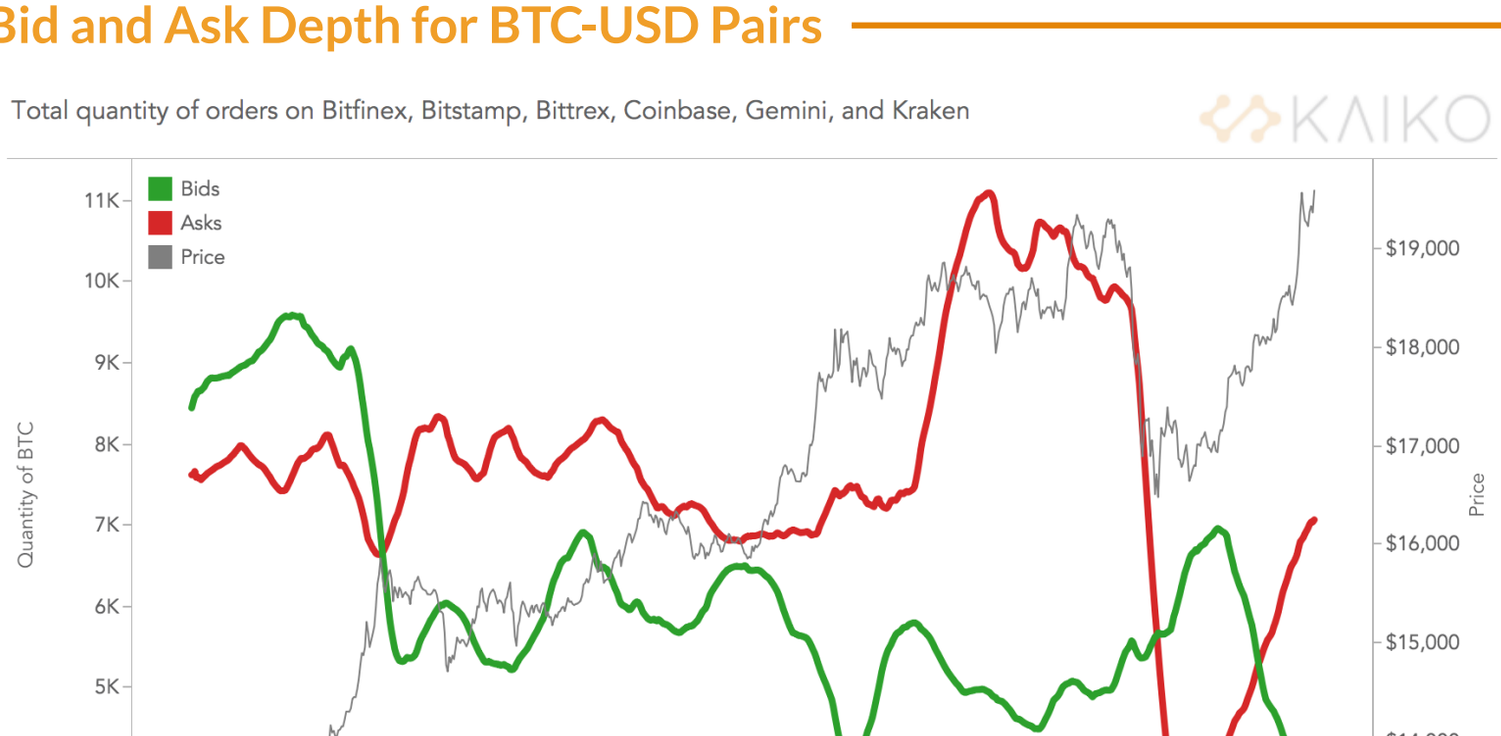
Tether's competition is heating up in the increasingly crowded stablecoin space. This month Maker Dao's DAI stablecoin broke a market capitalization of $1 billion for the first time. DAI usage grew exponentially during DeFi-mania and the stablecoin is currently a top 5 token on Uniswap ranked by Total Value Locked. On centralized exchanges, DAI volumes have also grown considerably. Tether still remains king, but exchanges are increasingly listing additional stablecoin pairs.

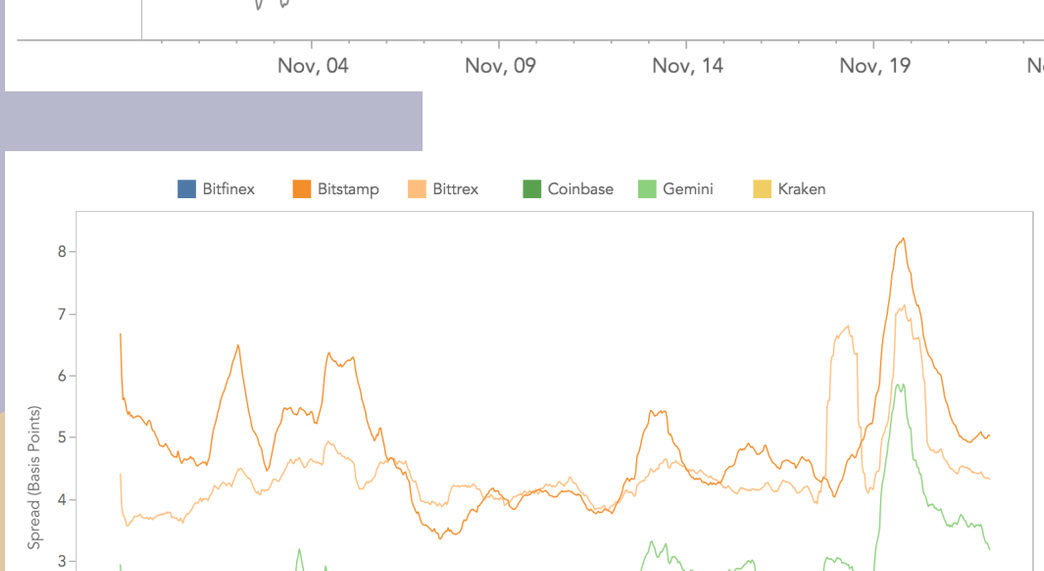


Interpreting Bitcoin's Order Book

Price volatility had a significant impact on order book liquidity this month. On November 26th, the price of Bitcoin crashed hard, resulting in a complete decimation of depth on the ask side of the order book. Market makers don't want to get caught on the wrong side of a price swing, and they will frequently pull orders from the book as a way to manage risk. However, immediately proceeding the crash, we can observe a sharp increase in ask depth, which indicates that traders were placing more sell orders as they looked to take a profit, which could contribute to a drop in depth. Finally, another contributing factor could be "buy the dip" traders, who set automatic market buy orders to quickly pick up Bitcoin as the price falls, which would deplete asks from the book.

Bid and Ask Depth for BTC-USD Pairs





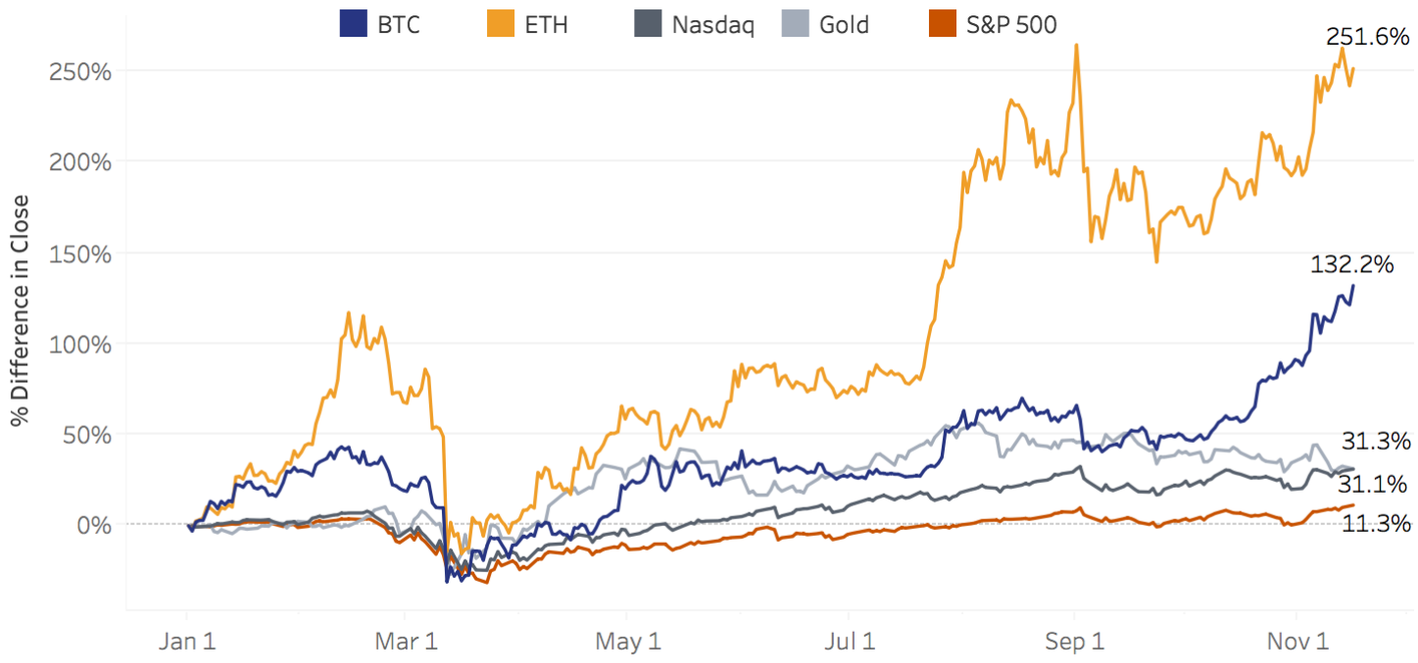
Bid-Ask Spread: A Volatile Month

1 Day Moving Average

Spreads were volatile this month as Bitcoin suffered a few major pullbacks on its climb to new highs. On the 26th, the bid-ask spread on all exchanges more than doubled amidst the volatility caused by Bitcoin's 15% drop. Spreads evened out over the weekend, but closed the month wider than average.

YTD Returns: Crypto Reigns Supreme

Bitcoin's superb YTD returns have captured the world's attention, but they pale in comparison to Ethereum's, which are nearly double at 251%. Ethereum currently trades above $500, its highest price since 2018, which is still nearly $1,000 short from its record high above $1400. Traditional financial assets have not made much progress since recovering from the March crash, with YTD returns holding steady since September for Gold, Nasdaq, and S&P 500.



Data source: Kaiko and Yahoo Finance

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Want to test our data services?

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General Inquiries: hello@kaiko.com
Sales Inquiries: sales@kaiko.com
Give Us a Call: +1 646-693-7201
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