Staked

The State of Staking

Q1 | 2021

$179 BN

Market Capitalization

17.4%

PoS Share of Total Market Cap

25

PoS Chains in Top 100

11.2%

Average Yield (weighted)

$20 BN

Annual Staking Rewards

INTRODUCTION

State of Staking, January 2021

2020 was transformative for staking, bringing the emergence of many new proof-of-stake networks, which now represent 25 of the top 100 blockchains in terms of market capitalization.

The biggest story of last year, of course, was the much-awaited launch of Ethereum 2.0 -- a hinge moment in the story of staking in both technological and economic terms. As we move into 2021, we find ourselves at the jumping-off point of what promises to be another record-setting year for PoS chains.

With more than a dozen PoS chains newly live this year -- including Ethereum -- the space has decisively left behind its conceptual phase. People are staking and earning real yields across the many active networks in the space.

In 2021, this momentum will build on itself, as additional networks launch and those still on the sidelines see potential staking returns in real terms.

DeFi’s Moment is Here

Decentralized finance, or DeFi, is beginning to deliver on its promise of not only decentralizing but expanding the contours of finance more broadly. Those who stake in DeFi projects can enjoy a kind of double compounding on their investments, in which the staking yield accrues to the principal, swelling the total size of the investment.

INTRODUCTION (CONTINUED)

Still, much of the world -- jaded by previous hype cycles -- maintains a healthy skepticism of anything to do with cryptocurrencies. Some have questioned the momentum and staying power of PoS chains and the DeFi applications they propel. But there are important reasons that this moment is different. **The biggest difference** is that investors now have access to a large and growing universe of applications that are **ready to use and that offer tangible returns now.**

This marks a fundamental change from prior moments such as 2017's ICO boom, which was marked by a vast array of projects that never got beyond the conceptual stage.

2021 is likely to see an acceleration of investment in projects built on staking chains -- and, given the obvious upsides, in staking itself. Here we examine the key trends in staking as we move into what looks to be a record-setting year for proof-of-stake networks.

Key Trends in Staking

The most important macro trend by far for PoS is the recent launch of nearly two dozen high-profile staking chains, including Polkadot, NuCypher, Near, ADA, Skale, Oasis, Secret Network, Audius, Flow, Qtum, Algorand, Celo, SNX, Avalanche, Solana, Keep, Celo, Edgeware, Microtick, Kava, Centrifuge, and The Graph. Obviously, though, the most anticipated, talked about, and reported launch was that of Ethereum 2.0, which after years of delays finally went live in the fourth quarter of 2020.

The rapid proliferation of staking chains in the past year means that, for the first time, a large pool of real-world data is available to help potential market participants evaluate potential staking returns across different networks

Nothing in investing is ever a sure thing -- *except* for the fact that staking done correctly *always* produces a greater return than simply holding the underlying asset. While the terms “always” and “never” rightly conjure immediate red flags in the mind of any experienced investor, in this case it’s a mathematical certainty. While specific yields vary based on the blockchain and the duration of the commitment, the rapidly increasing body of real-world staking data shows that stakers outperform.

To illustrate this, imagine a hypothetical person investing **$100** into a staking platform at the beginning of 2020. Across current leading PoS assets, those staked could expect to earn between **$9 and $65 more** than they would have by simply holding the asset. At the high end of the range, the investor’s real yield over the year would be **531%**, compared with **466%** without staking -- a difference of roughly two-thirds the value of the original investment.

Staking Returns on Select Top Assets: Power of Compounding

	ETH	DOT	ADA	ATOM	TRX	DASH	XTZ
YTD Return	466%	218%	448%	47.50%	103%	139%	47.50%
Current Yield	11.5%	13.8%	4.50%	10.0%	7.9%	5.7%	6.10%
Annualized Total Return	531.09%	261.88%	472.66%	62.25%	118.23%	152.09%	56.50%
Initial Investment	$100	$100	$100	$100	$100	$100	$100
Value of Initial Investment after 1 Year	$631.09	$361.88	$572.66	$162.25	$218.33	$252.09	$156.50
Extra $ Attributable Staking	$65.09	$43.88	$24.66	$14.75	$16.04	$13.59	$9.0

**Assumptions: 1 year of staking at the average yield rate; YTD return is price from 01/01/2020 to 12/31/2020; Earliest price history used if data from 01/01/2020 is not available; Assumes no slashing*

Across top PoS assets, on a $100 investment, stakers earned $9 ~ $65 more than those who simply held the asset

It’s important to understand the compounding nature of these staking returns. Stakers of DOT don’t just earn a return of 208% + 13.8% on their initial investment. The staking yield accrues to the total, which then appreciates by the full amount of the price increase. Savvy investors love compound interest; staking offers a kind of double-compounding that should be even more attractive compared to other opportunities.

Staking’s relative advantage has not gone unnoticed. PoS networks now represent approximately 20% of the total crypto market cap, a figure that is likely to grow over the coming year.

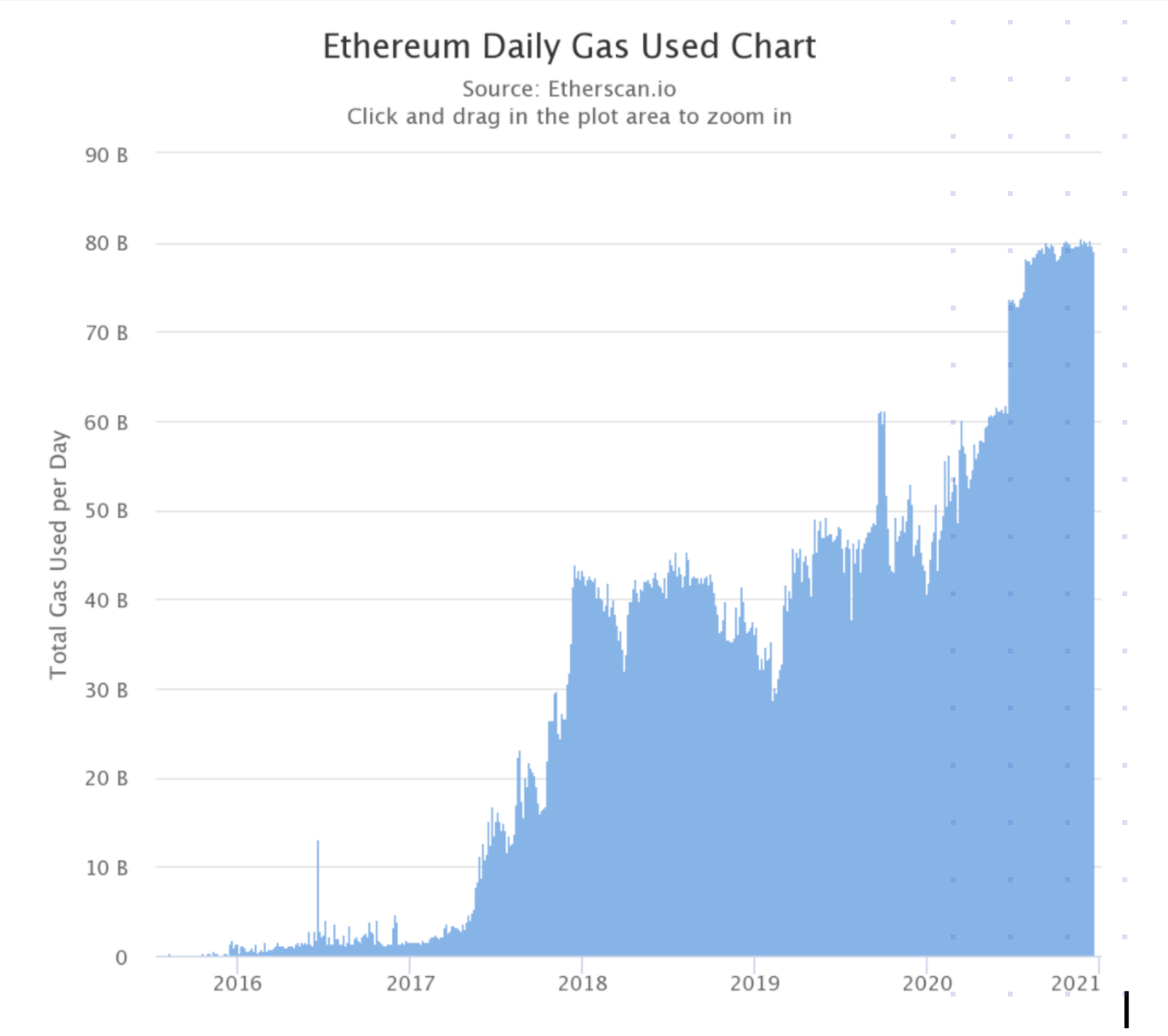
ETH2.0 Spotlight

ETH is dominant among staking networks, currently accounting for 58.5% of total market cap. So at least for now, the growth of PoS is tightly linked to that of Ethereum. Fortunately, momentum here is currently positive, with a number of positive indicators for those who stake on the network.

2020 saw important catalysts on ETH's journey toward becoming truly sound money. EIP-1559 introduced Fee Burns, an upcoming Ethereum improvement that will take all of the gas demand and use it to burn ETH. The more ETH gets used, the more **ETH supply gets burned**.

The launch of ETH2.0 will accelerate this downward pressure on supply, since ETH will increasingly be locked up in staking. This will effectively **reduce supply** while providing strong security guarantees at a steady inflation rate.

Bitcoin has famously been touted as a sound money asset, with a fixed supply of 21 million BTC. But Ethereum's story as a pool of sound money now has the potential to become even stronger. If gas usage exceeds supply issuance, it will result in a digital asset with a steadily declining supply.



This makes **ETH a triple threat**. It is potentially more scarce than BTC as a store of value, it is valuable as a commodity (gas), and can be a productive capital asset through staking yields. Watch for these trends to come to the fore as we move further into 2021.

Staking for the Long Haul

2020 was the year staking went from zero to one. With the launch of so many PoS chains, including Ethereum 2.0, investors can now see firsthand the tangible benefits of staking and the advantages it offers over simply holding a crypto asset. Given the traction we have seen in the DeFi space, and the broad universe of applications and different ways it offers people to earn a return, 2021 should continue to offer fertile ground for stakers. The team at Staked will continue to keep its finger on the pulse of staking as new chains launch, use cases multiply, and yields fluctuate. One thing seems certain: staking as a component of smart investing is here to stay.

About Staked

Staked helps investors earn yield from staking and DeFi lending without taking custody of their crypto assets. Founded in 2018, the Company runs staking infrastructure for 25 proof-of-stake blockchains and their RAY token delivers the highest yield in DeFi for ETH and stablecoins. Staked works on behalf of leading crypto funds and offers an API that allows custodians, exchanges and wallets to offer these tools to their customers.

Staked investors include Pantera Capital, Winklevoss Capital, Digital Currency Group, Parafi Capital, Coinbase Ventures, Fabric Ventures, and other leading blockchain investors.

For more information, please visit:
https://staking.staked.us/ethereum-staking-options

**Disclaimer: Staking on some blockchains may entail slashing risk, which can result in loss of principal. Please contact a Staked representative for more details on risk.*

Appendix

Top 20 Staking Chains by Market Cap

PROJECT	TICKER	MARKET CAP	YIELD	STAKE RATE
Ethereum	ETH	146,399,801,00	11,5%	2,2%
Cardano	ADA	9,560,715,731	4.5%	46.6%
Polkadot	DOT	8,837,038,380	13.8%	66.4%
Tron	TRON	2,357,603,975	7.9%	26.6%
Tezos	XTZ	2,012,987,304	6.1%	78.7%
Synthetix	SNX	1,976,809,154	35.0%	67.0%
Cosmos	ATOM	1,517,852,574	10.0%	68.5%
Dash	DASH	1,430,600,521	5.7%	49.8%
Solana	SOL	903,967,893	5.0%	30.7%
Decred	DCR	706,343,645	5.7%	54.2%
Kusama	KSM	637,596,961	14.9%	50.6%
NEAR	NEAR	425,344,251	9.0%	-
Terra	LUNA	411,976,866	5.2%	30.5%
The Graph	GRT	404,530,872	4.5%	89.5%
Algorand	ALGO	368,047,750	6.4%	-
Celo	CELO	270,221,826	6.0%	36.9%
Horizen	ZEN	232,435,184	7.0%	31.6%
Kyber	KNC	228,098,988	10.0%	27.5%
Kava	KAVA	84,492,282	10.0%	27.5%
NuCypher	NU	73,166,171	30.0%	-
Total		**178,839,631,328**		
Average		8,941,981,566	10.3%	48.6%

Sources:
https://staked.us/yields/
https://messari.io/screener/staking-stats-(copy)-A57F9983
https://www.coingecko.com/en