

KT10 WEIGHTS SHIFT AS XRP FLIPS SOL

INTRODUCTION

After a bright start, the first quarter ended in a bloodbath for most digital assets. The sell-off intensified over the past week as U.S. trade policy continued to raise uncertainty in global markets, increasing volatility across the board. The shift in broad market sentiment over the quarter resulted in a shift to more established asset. In this report, we examine how the latest rebalancing of our flagship KT10 index, used as a benchmark of crypto markets, led to a shift from long-tail assets to more established names.

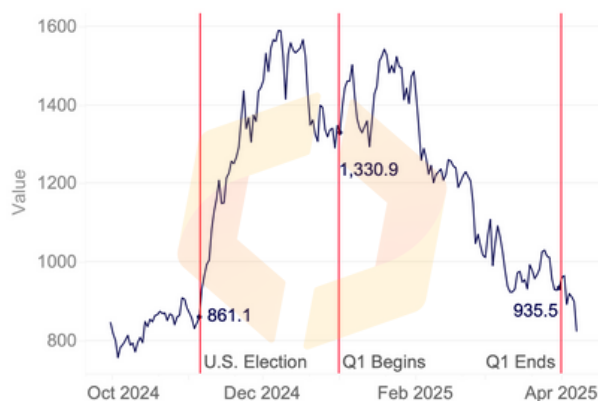
KEY POINTS

- Prices plunged for all crypto assets
- Election gains were essentially wiped out
- XRP benefited most from regulatory narrative
- SOL has fallen down the pecking order

QUARTERLY PERFORMANCE

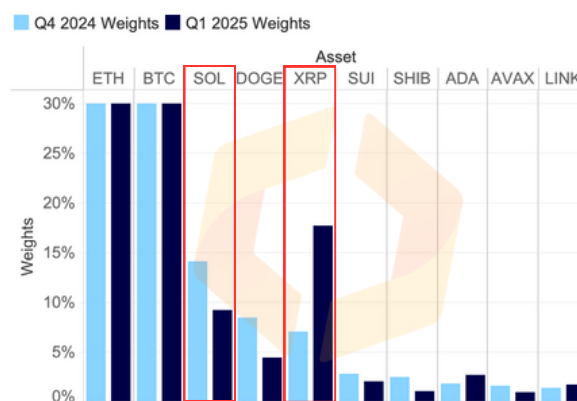
The first quarter provided a reality check for market participants. The new administration in the U.S. has proven to cause market chaos with its erratic approach to policy. As a result every major asset class—except for Gold—has suffered. Bitcoin and cryptos, the U.S. Dollar, Stocks, and Bonds have all suffered from the macro uncertainty brought on by the administration's approach to trade. Using the Kaiko 10 Index (KT10) as a benchmark of crypto markets performance, we observe that it fell around 28% from over 1,300 points at the beginning of the year to just over 935 by the end of March—all but wiping out its post-election gains.

KT10 Tumbles in Turbulent First Quarter



Source: KT10 Index.

KT10 Constituent Weights



The broad market decline resulted in weights shifting, which reflect the trends seen in the underlying spot markets. There has been a flight to quality among cryptocurrency investors, and similarly the KT10 is weighting more towards established assets and away from thematic tokens such as DOGE.

XRP's weighting in the KT10 is now 17.7%, up from 7% in January, as the token bucks trends seen in other altcoins—which is explored in more detail in section two.

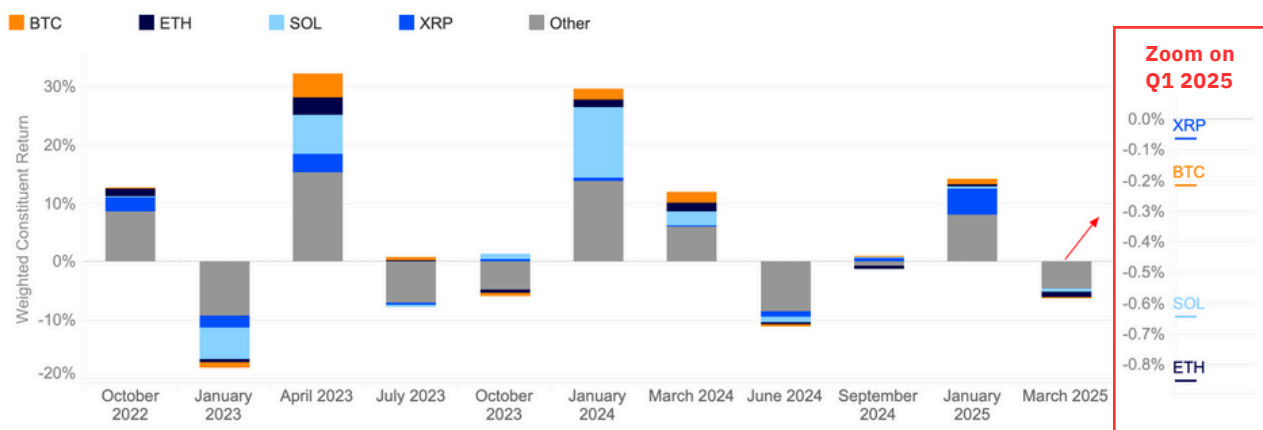
Adam Morgan McCarthy, Research Analyst
adam.mccarthy@kaiko.com

ASSET SPOTLIGHT

During the first quarter, certain tokens experienced greater losses than others, resulting in adjustments to the asset weightings in Kaiko's crypto market benchmark, the KT10. Many investors chose to avoid long-tail assets, opting instead for proved quality investments with dedicated market drivers, or reducing their risk exposure altogether. As a result, the decline in the KT10 during this period was primarily driven by assets such as AVAX, DOGE, and SUI.

One area of encouragement was the performance of XRP over the quarter—despite trading down 7%. Trade volumes improved versus other altcoins as regulatory headwinds were removed and its contribution to the decline in value of the KT10 was the lowest of any constituent asset.

Impact of KT10 Constituents on Index's Quarterly Returns

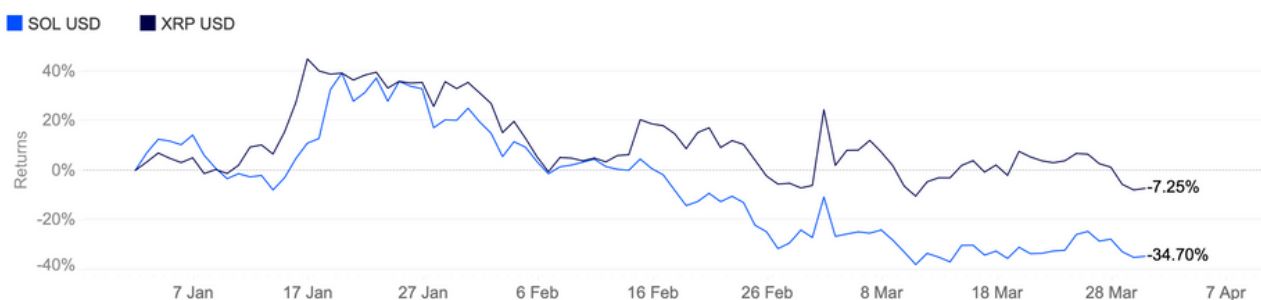


Source: KT10 Index.

XRP FLIPS SOL DESPITE CME NOD

During the first quarter, SOL's institutional potential improved with the launch of SOL futures by the CME. Although trading volumes for these futures have been low, their availability is crucial for future growth. They help reduce the risk of market manipulation of the underlying asset and increase the likelihood of the SEC approving ETF listings for these assets. However, recent developments have introduced competition for SOL. The SEC dropped its case against Ripple Labs, putting XRP in the spotlight and possibly paving the way for a CME product with XRP underlying. Consequently, XRP's quarterly returns closed at -7.25%, significantly outperforming SOL, which recorded a -34.7% decline.

XRP versus SOL Returns



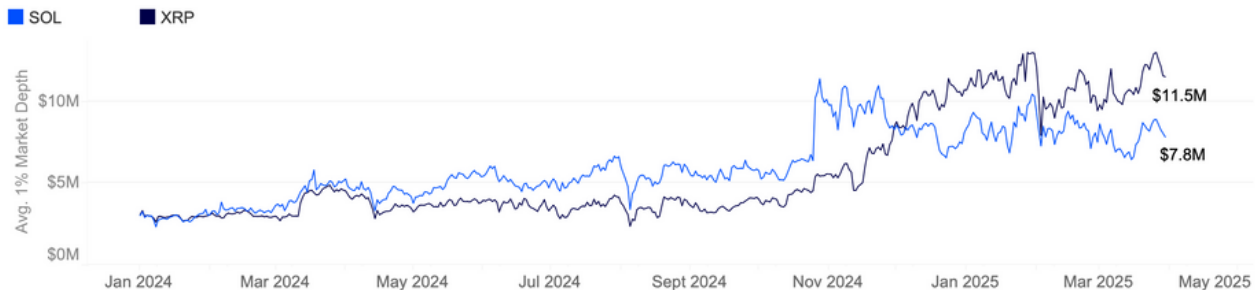
Source: Kaiko Indices, Benchmark Rates.

XRP has gained substantial traction among U.S. asset managers, evidenced by having more open filings than any other digital asset since Gary Gensler's last day. Despite the broader market downturn, positive sentiment toward XRP persists, supported by an enhanced liquidity on spot markets.

Adam Morgan McCarthy, Research Analyst
adam.mccarthy@kaiko.com

The average 1% market depth for XRP on Kaiko Indices-vetted exchanges surpassed that of SOL during the first quarter and was around \$4 million higher by the end of March. This should encourage large firms to be active in the XRP market going forward.

XRP versus SOL Average 1% Market Depth



Source: Kaiko L1/L2 Data Feeds.

The acquisition of prime broker Hidden Road by Ripple Labs at the beginning of Q2 should prove beneficial to the XRP Ledger, which currently has limited usage. This presents another strong tailwind for XRP. Meanwhile, in the asset management space, the first-ever XRP ETF launched in April, further supporting the idea of XRP as an institutional-friendly asset.

CONCLUSION

Market sentiment significantly shifted during the first quarter, leading to a move away from riskier crypto assets in favor of well-established names like BTC, ETH, and XRP. This trend is evident in the rebalancing of the KT10 index, where the latest constituent weights reflect a decrease in riskier crypto assets such as DOGE and SHIB. The weightings of both memecoins in the index have been effectively halved after a challenging quarter for these assets.

Although SOL's weighting in the index decreased this quarter, it remains an important constituent. The introduction of SOL futures on the CME is expected to be a gradual process. Meanwhile, XRP has seen its weighting double due to increased investor interest and several favorable factors that have led it to outperform BTC and other assets.

Looking beyond the first quarter, there are still significant risks ahead that could present challenges for cryptocurrencies. The July 8 tariff pause deadline is a notable potential risk event, and the new administration's unpredictable approach to policy-making suggests that markets will likely remain in a risk-off mode throughout the summer months.

Adam Morgan McCarthy, Research Analyst
adam.mccarthy@kaiko.com