Twitter Thread by Miles Deutscher



Miles Deutscher
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Pantera Capital just released their 2023 outlook report: "The Year Ahead".

It's packed full of alpha.

I read through its 10,000 words so you don't have to.

■: Here are the top 10 takeaways. ■

This thread will be broken up into 5 parts:

1. Crypto Market Outlook: @joeykrug
2. State of Blockchain Venture: @veradittakit
3. BlockChain Infrastructure: @_will_reid
4. Structurally Safe DeFi: @chiajy2000
5. @PanteraCapital's 2023 Fund Overview

-- CRYPTO MARKET OUTLOOK by @joeykrug --

1. DeFi is the foundation for the next crypto cycle.

Centralised entities failing due to hacks, greed, or illegal activity is a "tale as old as financial markets."

"Actual crypto, like on-chain, smart contract, protocol-based crypto really mitigates these problems."

"It seems fairly evident that the historical arc of the world's financial rails will end up as blockchain-based systems using smart contracts."

"Despite lower prices, I think the space is clearly in a much better position than ever."

Why? Because:

• We finally have scalability solutions that enable transactions with sub-ten cent transaction fees.

• It’s much easier to write smart contract-based systems now compared to last cycle.

Joey's vision:

"The average person will have apps on their phone that give them access to DeFi, where they’ll be able to engage in financial transactions without banks/brokers, with lower fees, global liquidity, and markets operating 24/7. The internet, but for finance."

For DeFi to reach this stage, these 2 problems need to be solved:

1. Increasing liquidity within and for the DeFi ecosystem.

2. Making DeFi as easy as possible to use.

Joey states 2 solutions to the liquidity problem:

1. More institutional asset custodians that support using Ethereum directly.

2. Aggregate liquidity across multiple chains, Layer-2s, and liquidity pools on those chains.

As for the usability issue, there are 3 possible solutions:

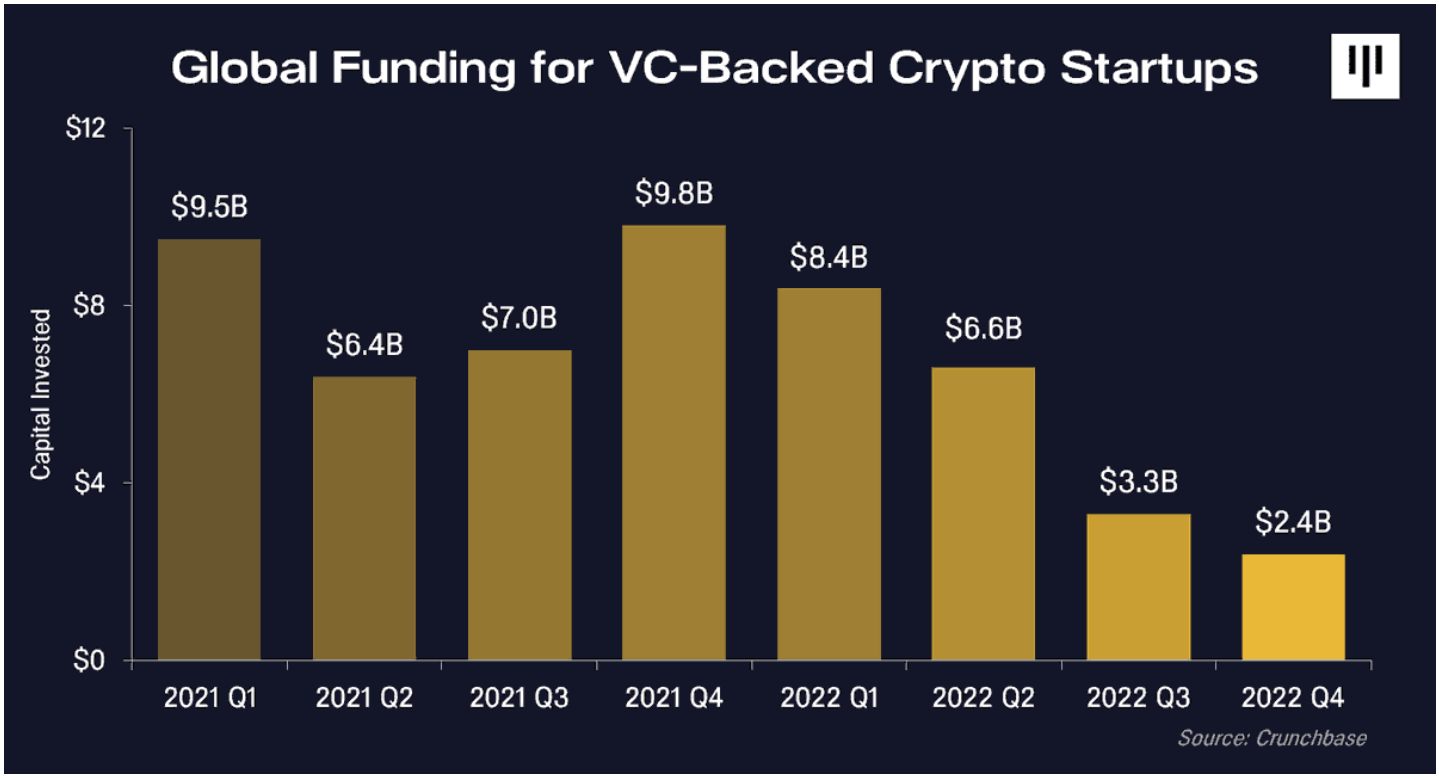
1. Improve Wallet UX (with enhanced mobile support).

2. Allow gas fees to be paid in other tokens instead of $ETH (economic abstraction).

3. Create better fiat on-ramps that can integrate natively with dApps.

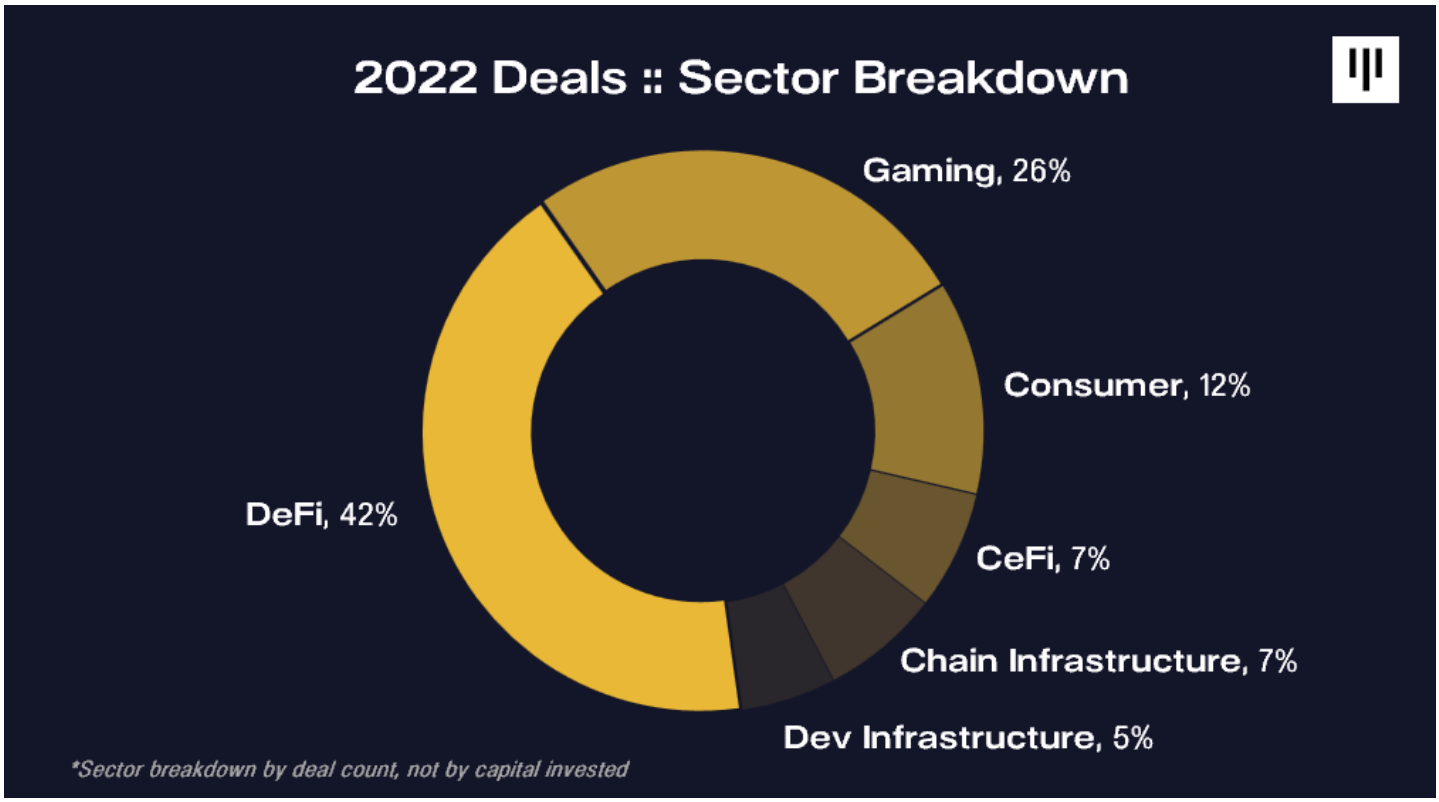
-- STATE OF BLOCKCHAIN VENTURE by @veradittakit --

1. Despite the bear market, private market deal activity continued (but slowed towards Q4).



2. DeFi is venture capital's biggest investment sector, followed by Gaming.

For DeFi, infrastructure, derivatives, and institutional DeFi products were key areas of focus.



3. NOW is the time to start a web3 business.

"We believe this is a tremendous time to start a company in the blockchain space."

"Talent is more educated and passionate about the industry than in previous cycles. A plethora of capital has been raised and is awaiting deployment."

-- BLOCKCHAIN INFRASTRUCTURE by @_will_reid --

1. The importance of The Merge can't be overstated.

"Ethereum's Merge is one of the most technically impressive software updates ever performed."

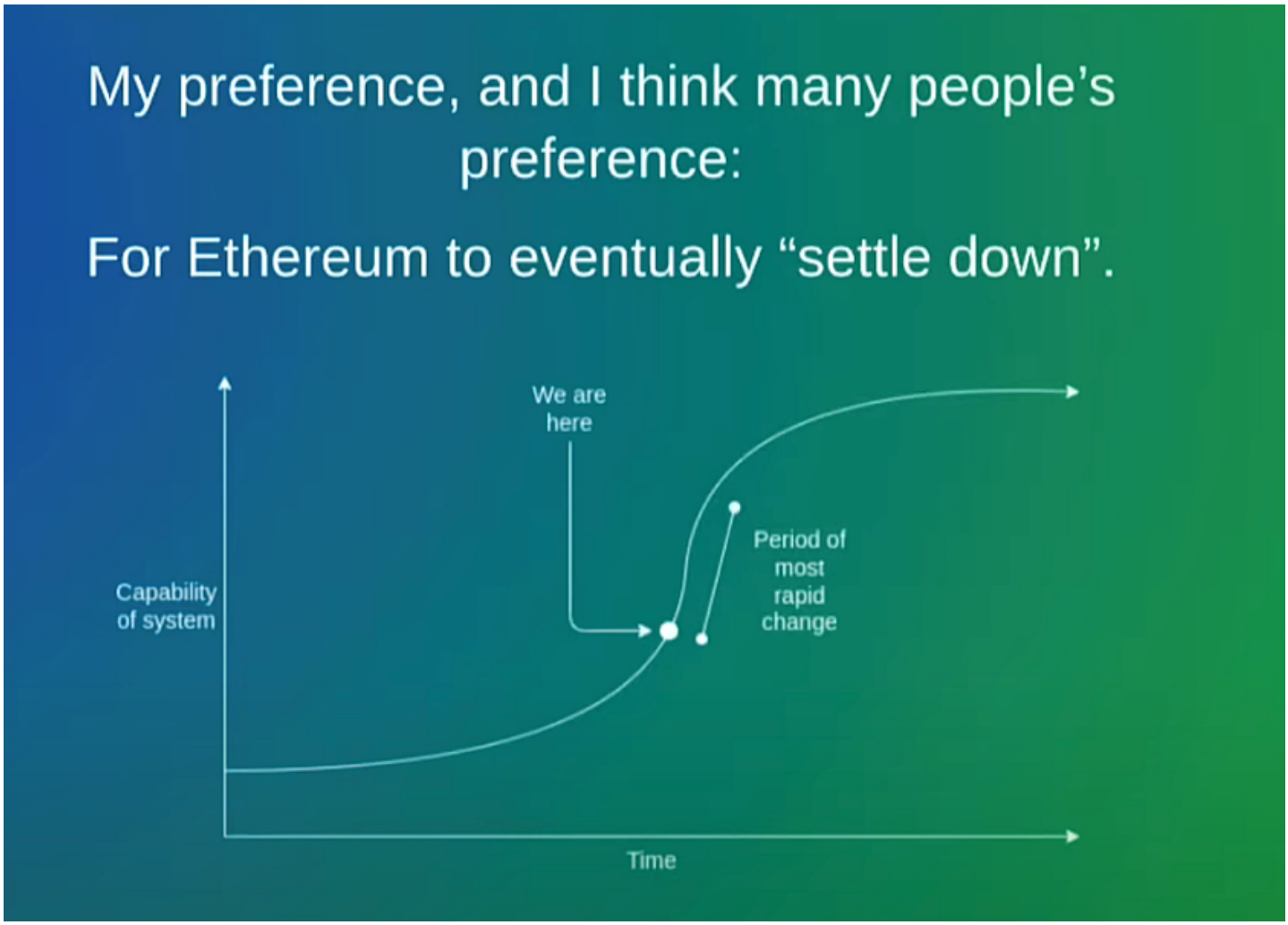
It has:

• Reduced inflation
• Improved transaction inclusion times
• Vastly reduced its electricity consumption

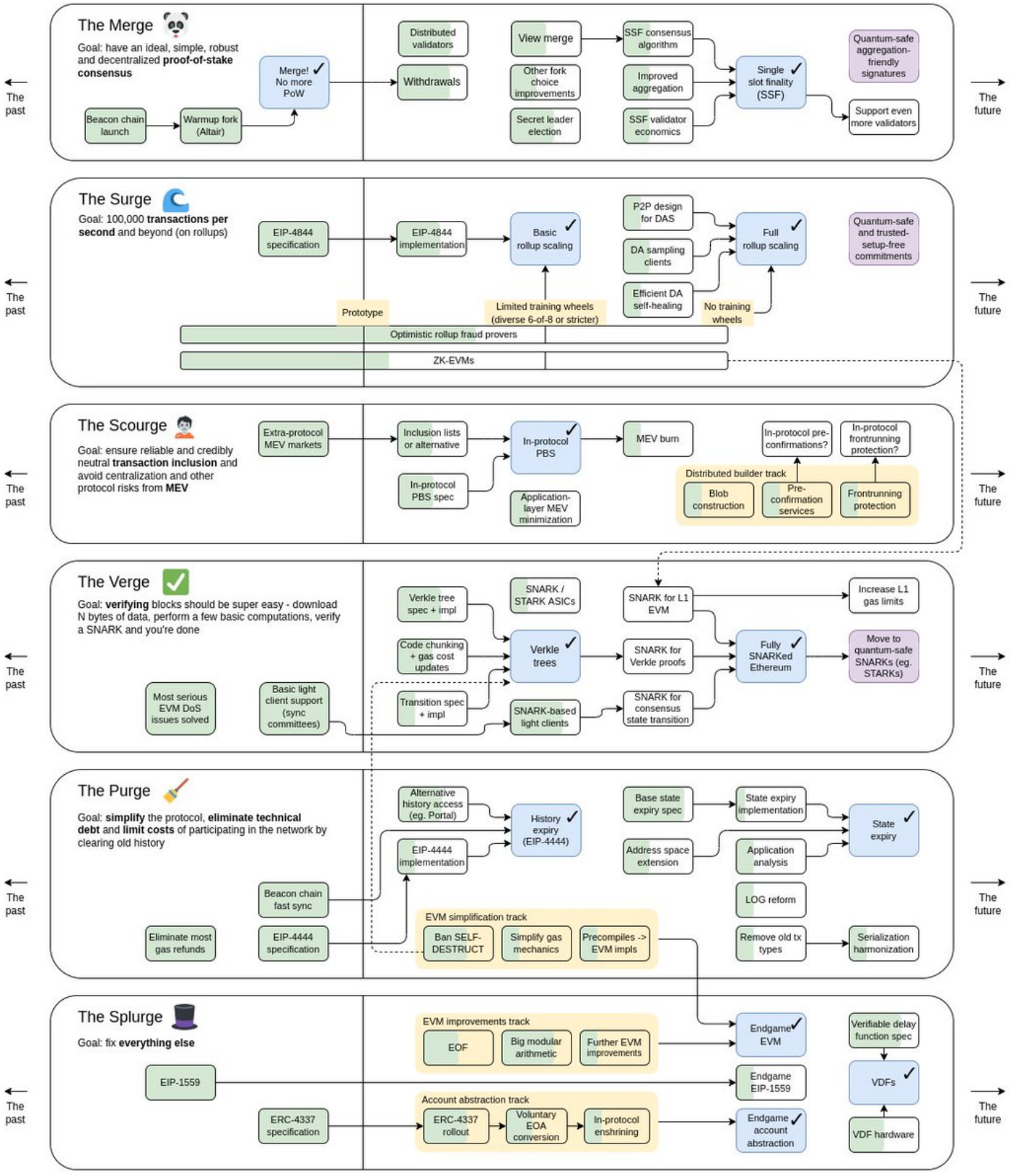
2. The Merge is just the beginning. Ethereum's development is far from complete.

The period of most rapid change is ahead of us.

@VitalikButerin shared this graphic at EthCCParis in 2022.



Ethereum’s upgrades can be divided into 6 distinct sections: The Merge, The Surge, The Scourge, The Verge, The Purge, and The Splurge.



3. L2s are only getting stronger.

• Arbitrum has had a 516% growth in active developer teams since January.

• Cumulative volume on StarkEx platforms has more than doubled to $795 billion from a little over $300 billion at the start of

the year.

"Looking forward, L2s will need to contend with the implementation of EIP-4844 , which is expected to reduce rollup fees by a factor of 10-100x."

"However, the ecosystem could equally benefit from the end of costly alt-L1 incentive programs that are running out of funding."

4. Interoperability is still a major pain point.

Over $2bn was lost in bridge hacks in 2022, accounting for over 70% of total crypto hacks for the year.

Bridges can either be natively or externally verified.

Most bridges so far have been externally verified.

"But the rise of natively verified bridges, such as IBC, could prove to be the antidote to the bridge hacking issue."

"IBC saw enormous success in 2022, emerging as the de facto bridge for Cosmos and one of the top three crypto bridges by volume."

The Merge and recent advancements in ZK-tech have also created a possible path for IBC to be launched on Ethereum.

Zero-knowledge based bridges could also be a solution to building native bridges, "and have seen considerable attention in the final quarter of 2022."

-- STRUCTURALLY SAFE DEFI by @chiajy2000 --

1. We can't eliminate criminally greedy actors, but we can reduce their ability to succeed.

"In order to succeed, DeFi must be able to protect user funds with only code - and in an increasingly adversarial, open global environment."

There are 3 pillars to do so (creating structurally safer DeFi)

1. Programming and code as “the executor”
2. Traditional legal structures and regulations — law as “the guarantor”
3. Market expectations as “the filter”

2. "2023 will see the bifurcation (splitting) of regulated and censorship-resistant infrastructure."

Some dApps will come under increased regulatory scrutiny, highlighting the importance of building "credibly neutral infrastructure" that has an element of censorship resistance."

3. "We should expect to see more real-world yield and fixed-income assets grow on-chain."

Crypto can unlock global liquidity by "providing real world assets for customers all over the world in ways that traditional fintech institutions are constrained."

"Just as the last bull market was a catalyst for alternative investment platforms, so too will this bear market be a catalyst for a new wave of safer investment instruments."

This is a vast crypto use case that, to this date, is largely untapped.

-- PANTERA CAPITAL FUND OVERVIEW 2023 --

Pantera Capital is First U.S. institutional asset manager focused exclusively on blockchain technology.

Lead by @dan_pantera, they have multiple funds focusing on venture equity, early-stage tokens, and liquid tokens with over $3.8B AUM.

This is what their portfolio looks like in 2023.

It's segmented into 5 categories: An early-stage token fund, a blockchain fund, and 3 venture funds.


VENTURE FUND I
Bitstamp
Circle
Earn
Ripio
Ripple
Xapo
VENTURE FUND II
Abra
Ampleforth
Anchorage
Audius
Blockfolio
Bitaccess
BitOasis
BitPesa
Brave
Chain
Chronicled
Circle
Civic
Coins.ph
Coinsuper
ErisX
Filament
Harbor
Koinex
Korbit
Meter
Paradex
Polychain GP
Ripio
OpenToken
ShapeShift
StarkWare
Strike
SparkSwap
TruStory
Veem
Zcash
VENTURE FUND III
0x
1inch
Alchemy
Amber
API3
Arbitrum
Audius
Bakkt
Balancer
BitGo
Bitso
The Block
Blockfolio
Coinbase
Coinme
ErisX
FTX
GlobeDX
InstaDApp
MakersPlace
NEAR
Pintu
Reflexer
Staked
StarkWare
Synthetic Minds
Transparent Systems
Vauld
Wintermute
Wyre
BLOCKCHAIN FUND (IV)
0x
6529 Fund
Acala
Alchemy
Amber
Ancient8
Arbitrum
Aurora
BitOasis
Cega
Chainflip
CoinDCX
Faraway
Fast Break Labs
Flashbots
Genopets
GuildFi
Hedge
InfiniGods
Jambo
Leap
MarginFi
Maverick
MetaLend
Metatheory
Metaverse Game Studios
Moonfrost
NEAR
Nitra
Ondo
Jumbo
Parallel
Perion
Pinata
Pintu
Pixel
Potion
Psyoptions
Quantstamp
Rarify
Revolving Games
Rift
Risk Harbor
SynFutures
Space Runners
Stride
Sturdy
Sumer
Summoners Arena
Swim
Teahouse
Unstoppable Domains
Valr
Waterfall
18 deals have yet to be publicly announced
EARLY-STAGE TOKEN FUND
Acala
Ampleforth
Ancient8
Aurora
bloXroute
BrainTrust
Cega
Eco
Faraway
Filecoin
Flashbots
Genopets
GuildFi
Handshake
Hedge
Jambo
Jumbo
Leap
Lithium
Liquity
MarginFi
Maverick
MetaLend
Metaverse Game Studios
Moonfrost
NEAR
Notional
Origin
Ondo
Parallel
Perion
Pixel
Polkadot
Potion
Psyoptions
Revolving Games
Rift
Risk Harbor
Rangers Protocol
Stader
Stride
Sturdy
Sumer
Summoners Arena
SynFutures
Tari
Teahouse
Urbit
Vega
Virtue Poker
Waterfall
YOLOrekt
13 deals have yet to be publicly announced

I highly recommend reading the "The Year Ahead" for yourself.

Well done to all the writers and editors for creating a great report.

Let me know what you think of the report in the comments, I'd love to hear your thoughts!

https://t.co/l6PytWo4t4

> In our January Blockchain Letter, we discuss key takeaways from 2022 and our outlook on the year ahead in crypto.
>
> Check it out here: https://t.co/4DM63wiKoV pic.twitter.com/rY8CYUQj1F
>
> — Pantera Capital (pantera.blockchain) (@PanteraCapital) January 23, 2023

If you enjoyed this thread, follow me @milesdeutscher for more content like this.

Also, Like/Retweet the first tweet below if you can. ■ https://t.co/TgfRFT51aw

> Pantera Capital just released their 2023 outlook report: "The Year Ahead".
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> — Miles Deutscher (@milesdeutscher) January 24, 2023