



# Bear Market Valuations

## A Review of Binance's Trading Volume

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## Report Findings:

Building upon research recently released by [Bitwise Asset Management](#), we have uncovered considerable evidence that Binance may be inflating its trading volume. Our findings fall into three major buckets (below), and this report will overview both our methodology and findings that support this claim.

1. Binance Coin's (BNB) spot volume routinely surpasses that of Bitcoin.
2. Tokens that undergo an Initial Coin Offering on Binance's 'Launchpad' have highly questionable spot volume relative to Bitcoin.
3. Binance's normalized trading volume distribution supports the hypothesis that it is inflating its trading volume.

Individually, each finding above *might*\* be explainable. Together, we believe these findings corroborate each other. At this time, we do not have enough evidence to be certain, but given our prior coverage of BNB we wanted to share our concerns.

Questions? We are reachable at [BearMarketValuations@gmail.com](mailto:BearMarketValuations@gmail.com).

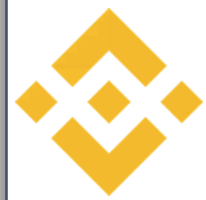
\* For small instances of time; the ongoing nature of each finding makes it highly unlikely this is an organic and market-driven occurrence.

## Finding 1:

BNB's spot volume is far higher than that of more established assets (Gold, Bitcoin, Litecoin).

# BNB Spot Volume Assessment

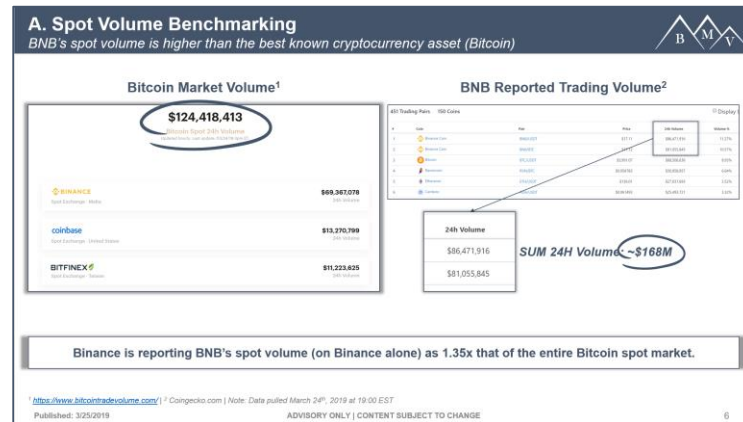
To benchmark BNB's spot volume, we used two methodologies



## BNB Volume Analysis

### A. Spot Volume Benchmarking

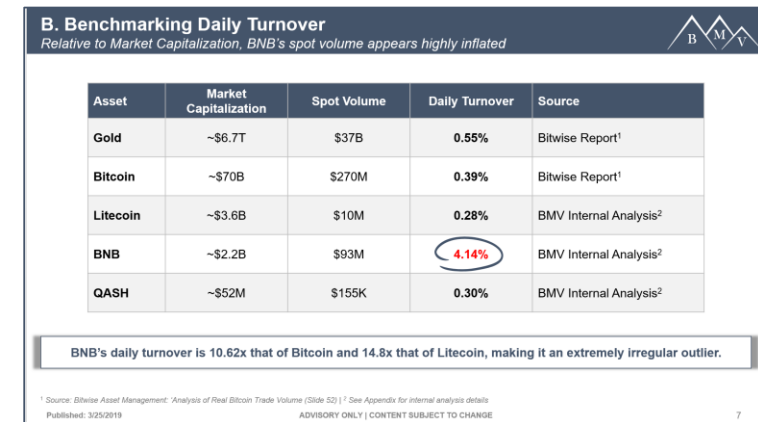
A simple sanity check of Binance Coin's volume against the Bitwise Bitcoin Volume index<sup>1</sup>.



(Page 6)

### B. Daily Turnover Benchmarking

Expanding the Bitwise analysis<sup>2</sup> to create a credible benchmark for BNB's spot volume based on market capitalization.



(Page 7)

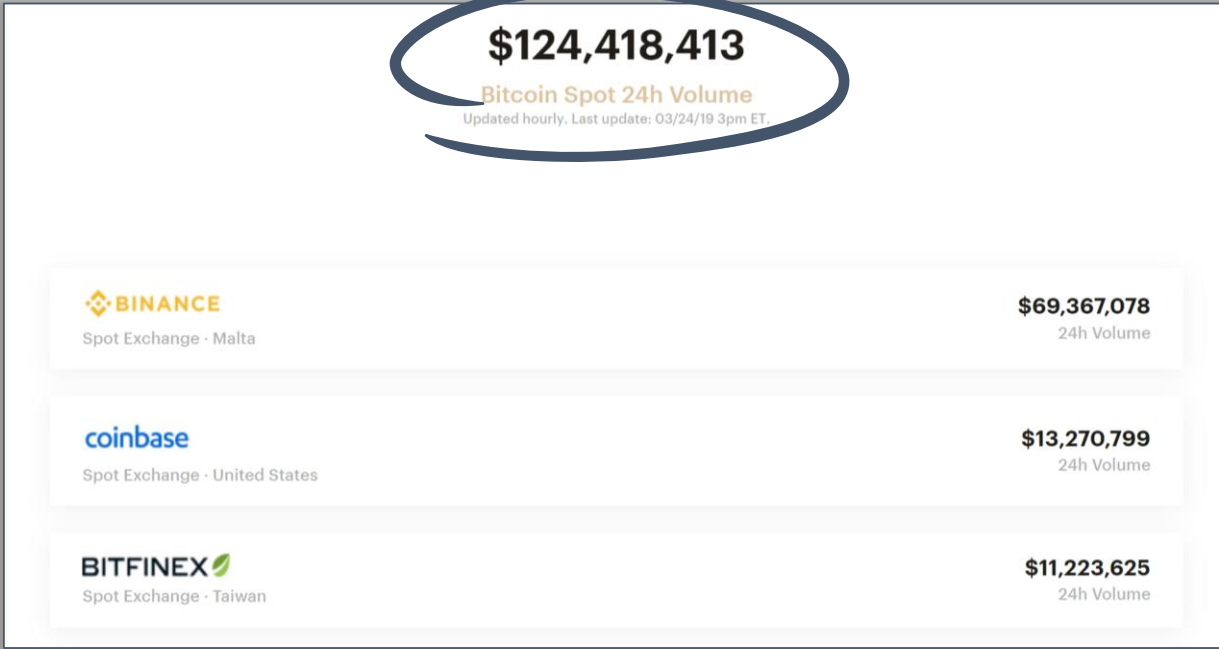
<sup>1</sup> <https://www.bitcointradevolume.com/> | <sup>2</sup> Source: Bitwise Asset Management: 'Analysis of Real Bitcoin Trade Volume (Slide 52)'

# A. Spot Volume Benchmarking

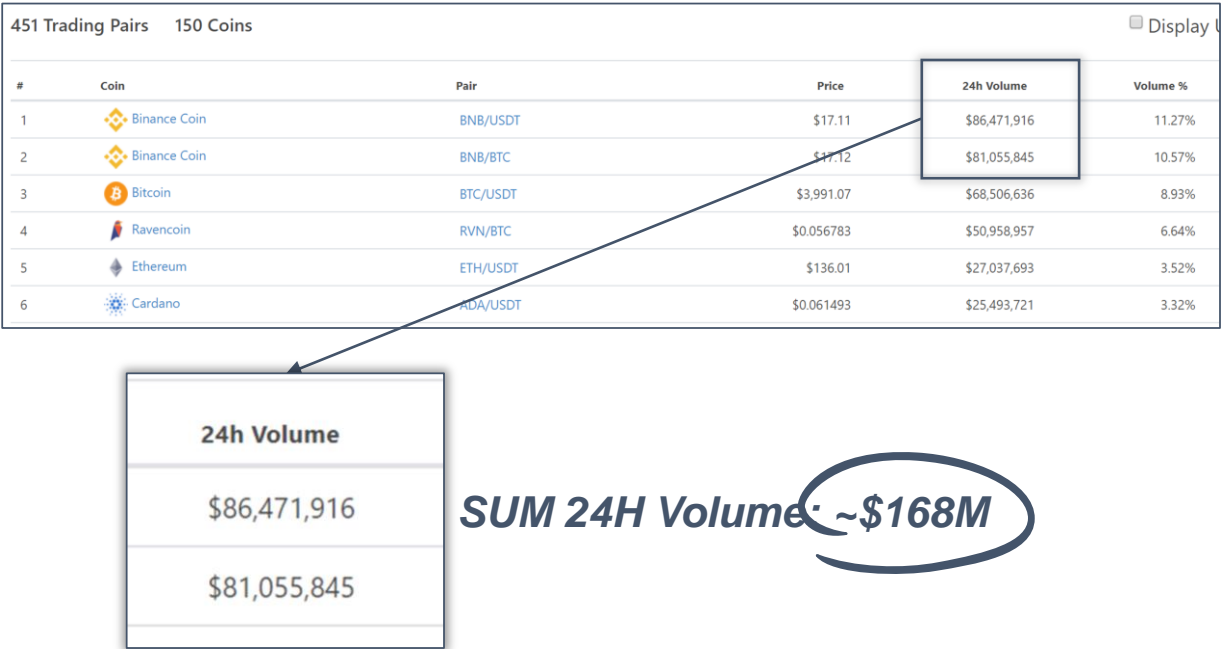
BNB's spot volume on Binance is higher than the entire Bitcoin spot market



Bitcoin Market Volume<sup>1</sup>



BNB Reported Trading Volume<sup>2</sup>



Binance is reporting BNB's spot volume (on Binance alone) as 1.35x that of the entire Bitcoin spot market.

## B. Benchmarking Daily Turnover

*Relative to Market Capitalization, BNB's spot volume appears highly inflated*



Asset	Market Capitalization	Spot Volume	Daily Turnover	Source
Gold	~\$6.7T	\$37B	0.55%	Bitwise Report <sup>1</sup>
Bitcoin	~\$70B	\$270M	0.39%	Bitwise Report <sup>1</sup>
Litecoin	~\$3.6B	\$10M	0.28%	BMV Internal Analysis <sup>2</sup>
BNB	~\$2.2B	\$93M	4.14%	BMV Internal Analysis <sup>2</sup>

**BNB's daily turnover is 10.62x that of Bitcoin and 14.8x that of Litecoin, making it an extremely irregular outlier.**

<sup>1</sup> Source: Bitwise Asset Management: 'Analysis of Real Bitcoin Trade Volume (Slide 52) | <sup>2</sup> Internal Analysis between March 18, 2019 and March 25, 2019

## Finding 2:

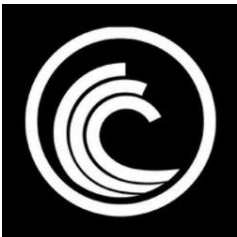

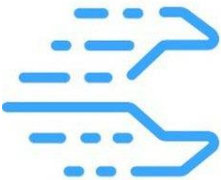
Initial Coin Offerings (ICOs) held on the **Binance Launchpad** are reported (by **Binance**) at unrealistic spot trading levels relative to the entire **Bitcoin** spot trading market.



# Three Binance Launchpad Case Studies

ICOs launched on Binance exhibit highly irregular trading volume relative to established assets



	A	B	C
<b>1</b> <b>BitTorrent</b> 	<b>~\$190M</b> <i>(ICO Spot Volume<sup>1</sup>)</i>	<b>422%</b> <i>(ICO Daily Turnover<sup>1</sup>)</i>	<b>22%</b> <i>(Daily Turnover)</i>
<b>2</b> <b>Fetch.AI</b> 	<b>~\$150M</b> <i>(ICO Spot Volume<sup>1</sup>)</i>	<b>470%</b> <i>(ICO Daily Turnover<sup>1</sup>)</i>	<b>104%</b> <i>(Daily Turnover)</i>
<b>3</b> <b>Celer Network</b> 	<b>\$209M</b> <i>(ICO Spot Volume<sup>1</sup>)</i>	<b>425%</b> <i>(ICO Daily Turnover<sup>1</sup>)</i>	<b>425%</b> <i>(Daily Turnover<sup>2</sup>)</i>

## Case Study Findings

**A**

Binance ICOs are reporting **volume on par with the entire Bitcoin spot market** (Example: See Page 10).

**B**

Relative to Bitcoin (0.39%) and Litecoin (0.28%), the **daily turnover during Binance ICOs seems extremely unlikely (up to 1,200x BTC's daily turnover)**.

**C**

Reported **daily turnover for Binance ICOs does not approach 'normal' levels (those of established assets - slide 7)** over time.

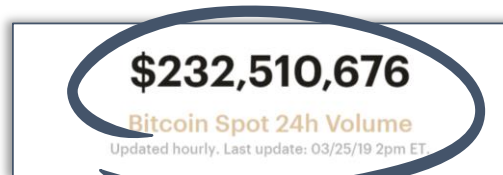
<sup>1</sup> Coingecko.com; Initial 24H of trading | BTT ICO Market Cap = \$44M | Fetch.AI ICO Market Cap = \$39M | Celer Network ICO Market Cap = \$49M | <sup>2</sup> No change as ICO occurred on report publication date

# Deep Dive: Celer Network ICO

Metrics reported by Binance from the Celer Network ICO appear to be highly inflated



## Bitcoin Market Volume<sup>1</sup>



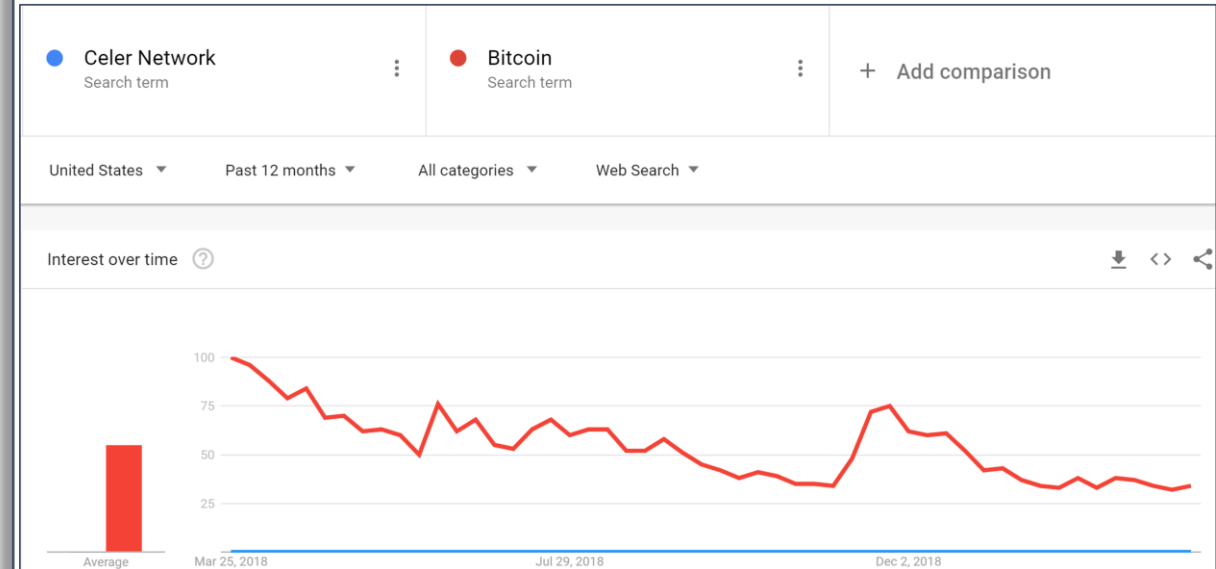
## Celer Network Reported Trading Volume<sup>2</sup>

**Total 24H Volume ~\$202M**

Celer Network Volume by Exchange

Celer Network Volume by Exchange						
<input type="checkbox"/> Display Unconverted Data						
#	Exchange	Pair	Price	24h Volume	Volume %	Last Traded
1	Binance	CELR/BTC	\$0.02451045	\$109,953,554	52.14%	Recently
2	Binance	CELR/USDT	\$0.02448550	\$81,232,155	38.52%	Recently
3	Binance	CELR/BNB	\$0.02457442	\$10,740,441	5.09%	Recently

## Search Interest<sup>3</sup> (Bitcoin vs. Celer Network)



*To have such high trading volume relative to Bitcoin, we would expect to see search interest for Celer Network.*

**Binance is reporting Celer Network spot volume to be 86% of the entire Bitcoin spot market on its first day of trading; we find this to be highly unlikely given its negligible search interest on Google Trends relative to Bitcoin.**

<sup>1</sup> <https://www.bitcointradevolume.com/> | <sup>2</sup> Coingecko.com, Data pulled March 25<sup>th</sup>, 2019 at 14:30 EST | Source: Google Trends (March 25<sup>th</sup>, 2019); Other Coverage [Here](#)

## Finding 3:

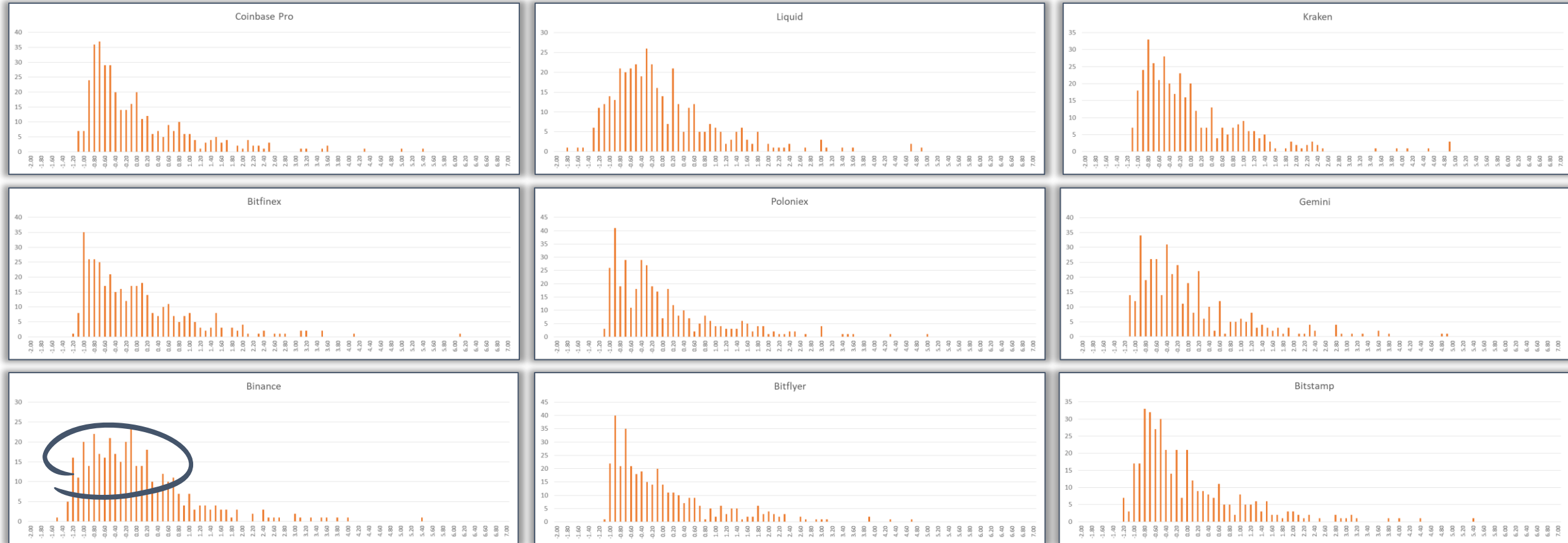
Binance has an unusual distribution of normalized trading volume relative to other exchanges.

# Normalized Distribution of Exchange Trading Volume

*The majority of exchanges share similar normalized volume characteristics*



## Normalized Volume by Count



**While all exchanges have similar right-skewed distributions, Binance's volume distribution stands out.**

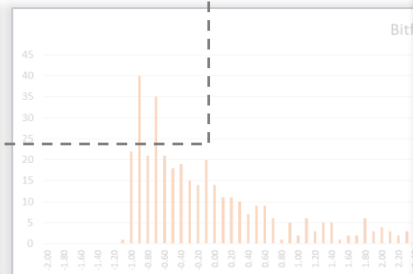
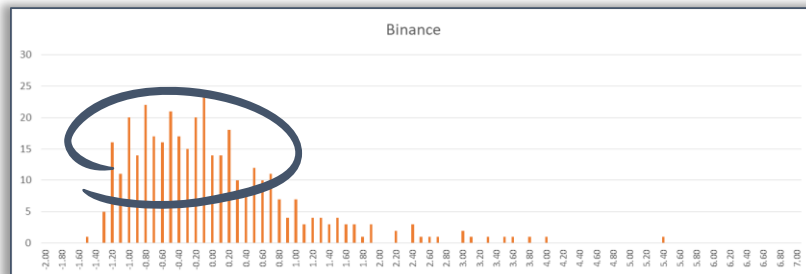
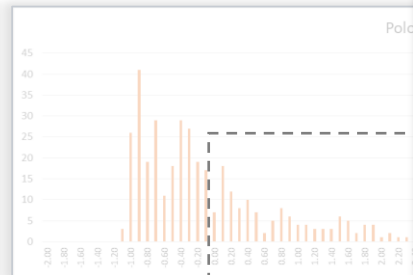
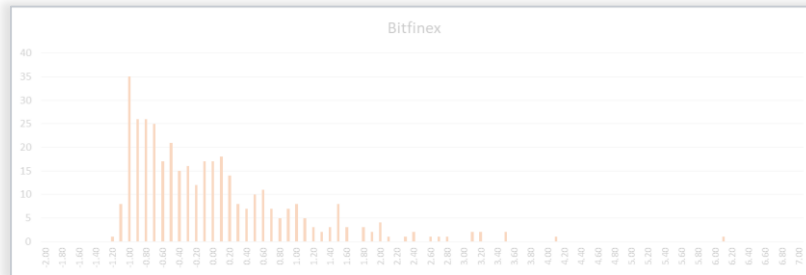
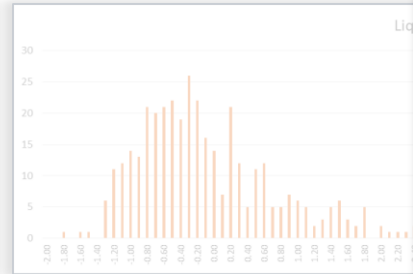
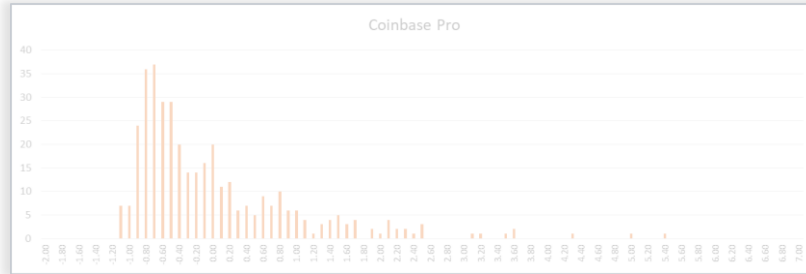
Source: BMV Internal Analysis, Normalized Prior Year Exchange Trading Volume

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# Normalized Distribution of Exchange Trading Volume

*Binance's normalized volume distribution raises questions*



## Analysis:

Compared to the rightward-skew of the other exchanges, Binance exhibits a relatively more normal distribution. In isolation, this would not raise any concerns, however:

- (1) The conformity of the other exchange distributions makes Binance's deviation appear unlikely.
- (2) The declining volume over the last year supports a right-skewed distribution (*which would indicate declining volume*).

**Given the other evidence, we believe Binance's volume distribution supports the conclusion that Binance is inflating its trading volume.**

*Note: Despite other potential explanatory factors for this distribution (relative size, etc.), we find this quite suspicious in combination with our earlier findings.*

## Conclusion:

While we cannot be certain that Binance is inflating its reported trading volume, we believe it is highly likely given the findings shared in this report.

We agree with the Bitwise conclusion that trading volume inflation is likely motivated by listing fees. This is corroborated by Binance's [recent change](#) to its 'Launchpad' access.



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# APPENDIX

