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zkSync (ZK) Price Analysis: Up Or Down?

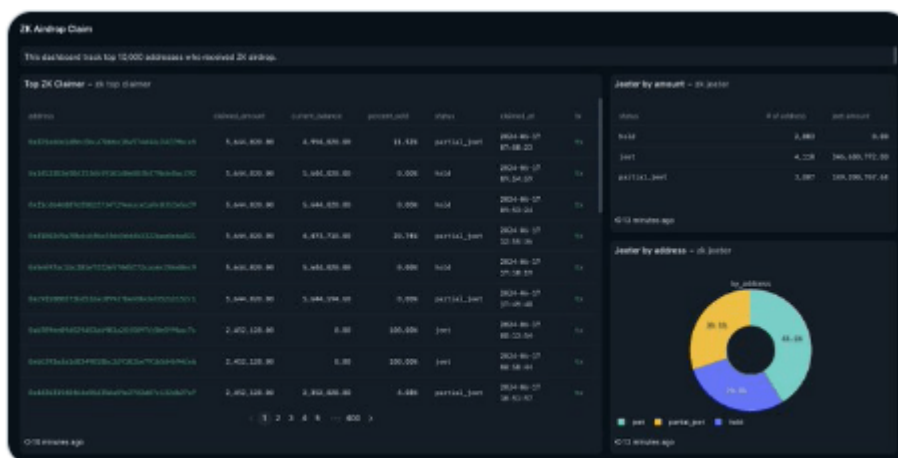
On June 11, zkSync announced that 17.5% of the token's total supply of 21 billion would be distributed to 695,232 eligible wallets next week. n Monday, June 17th, 2024, zkSync's much-anticipated airdrop went live o showering users with free tokens.

Surprisingly, nearly half of the top recipients dumped their entire allocation, triggering a 34.5% price plunge for ZK. Specifically, according to blockchain analytics platform Nansen, roughly 41% of the top 10,000 Ethereum addresses to receive ZK tokens swiftly offloaded their entire zkSync airdrop within 24 hours of the Monday drop, while 29.2% opted to sell some tokens.



It's been more than 24 hours after the \$ZK airdrop, so what have the top 10,000 recipients done with their tokens?

- 28.8% haven't sold any ZK
- 30.1% have moved or sold some of their ZK from their wallet
- 41.1% have moved or sold all their ZK



Following the massive sell-off after the airdrop, the price of ZK continues to suffer, witnessing a further 7% decline during European business hours on Friday to trade at \$0.198. Despite being less than a week old, ZK Token has witnessed a massive sell-off after the team launched their long-awaited airdrop on Monday this week. The airdrop, however, received much criticism from the

crypto community following intense Sybil filtering measures.

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What is zkSync?

zkSync is a layer 2 blockchain that uses zero-knowledge rollups to enable faster and cheaper Ethereum transactions while still benefiting from Ethereum's economic security. The ZK token is a protocol token that allows token holders to introduce and vote on protocol upgrades and pay for network fees using zkSync's native account abstraction. The ZK token facilitates network fee payments and allows community voting on protocol upgrades. Moreover, it enables token holders to engage directly with the zkSync governance system.



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zkSync Token Airdrop

zkSync began its airdrop of 3.675 billion ZK tokens to 695,232 wallets on June 17. The distribution marks the largest token airdrop among major rollups, seeking to decentralize governance and reward active community members.

The airdrop accounts for 17.5% of the ZK token's total supply of 21 billion tokens. A further 49.1% of the token supply will be distributed through ecosystem initiatives, with 17.2% allocated to investors and 16.1% to zkSync developer Matter Labs.

According to a Dune Analytics dashboard, some 78.5% of the one-time token airdrop have been claimed by users so far. However, 11% of the airdrop reserved for contributors cannot be claimed until June 24.

The airdropped tokens do not have any vesting or lock-up periods and are fully liquid from day one. When asked if that could result in selling pressure, Alex Gluchowski, founder and CEO of Matter Labs, said last week that "people are free to dispose of their tokens."

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Impact on zkSync's Market Position

Criticism has mounted against zkSync's flawed airdrop criteria, believed to have fueled the major sell-off. Critics argue that the measures to prevent Sybil attacks—where multiple wallets manipulate airdrops—were inadequate.

Despite the substantial sell-off by prominent wallets has undeniably impacted zkSync's market performance, triggering a 34.5% price plunge for ZK token and shedding light on the complexities and controversies surrounding airdrop distributions and measures against Sybil attacks, the current rising price trend show a positive sentiment for this coin.

According to CoinGecko, as of writing the article on June 19, zkSync is traded at \$0.2328, boasting a market cap of \$843,639,712, and witnessing a hefty 24-hour trading volume of \$793,317,263. ZK Token saw a 24-hour change of +15.5%, with minor fluctuations of +4.3% in the past hour.

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Judging from the ZK price chart, it is not difficult to find that it is a huge descending triangle from day one of trading. Although there is not much technical data to analysis due to the young age of the token, fundamentally, there is a lot to say. ZK price action is trending below the 50-day simple moving average (SMA), which is not bullish.

The price action also seems to be logged at the lower trend line of the descending triangle. This is a dangerous zone, as negative news can easily cause the price to slide lower.

Generally speaking, descending triangles are bearish continuation patterns, but they occasionally break to the upside, especially if the market sentiment is bullish.

A break to the upside may result in a 43% increase from the current price to set the token at \$0.28, above its all-time high price. Conversely, a break below this crucial support structure may culminate in a 37% drop to settle around \$0.1185.



According to data from Coinalyze, the ZK open interest (OI) witnesses a 11% rise over the past week. The OI chart shows a bullish pennant forming, which is an indicator of more upside in the coming days.

The daily aggregated ratio of longs vs. shorts is 1.64, with longs being the majority. This suggests investors are optimistic about the future outlook of ZK price and are willing to bet on it.

Furthermore, there have been more short liquidations than long liquidations in the past 24 hours, showing the overall sentiment for the token is bullish.

Is zkSync Still Worth a Buy?

Being among several other recently launched crypto projects, zkSync received much criticism from the crypto community following intense Sybil filtering measures. However, the ZkSync network is one of the best layer 2 blockchains, having spent 4 years building and perfecting their network.

The flawed zkSync airdrop led to a massive outcry from the community, which felt left out due to an aggressive Sybil filter mechanism that resulted in a significant portion of the community missing out. Binance later came to the rescue with their Binance ZK Token Distribution program, which will distribute 10,500,000 zkSync tokens to users who missed the airdrop.

In conclusion, despite its flawed airdrop, zkSync, as one of the best layer 2 blockchains, is still a promising project, which can be proven from the overall bullish sentiment for the token. However, whether zkSync is a good investment is highly depends on traders' investment preference and risk tolerance, all investors are advised to do profound research and stay well-informed before making any investment decision regarding zkSync project.

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