

LAYER Token Market Analysis: May 4th–8th, 2025

Overview

Between May 4th - 8th, 2025, significant market volatility was observed in the price of the LAYER token. Given the substantial community interest and misinformation circulated, the Solayer Foundation engaged exchange and market making partners, as well as the Solayer Labs team, to conduct a detailed investigation to objectively analyze the events.

Timeline and Price Action

- **May 4, 2025 (11:45 PM PST):** The first wave of sell pressure occurred, causing the LAYER price to drop from a high of 3.4187 down to approximately 2.6.
- **May 5, 2025 (10:00 PM PST):** A second, stronger wave of selling followed shortly after a brief rebound to approximately 3.1. Within five hours, intensified selling pushed the price below 2, triggering further cascading sell-offs.

The spot price declines were simultaneously accompanied by sudden and significant increases in open interest on perpetual markets, indicative of coordinated and sophisticated trading strategies.

Analysis and Findings

Coordinated Trading Activity

Investigation results strongly suggest that the observed price volatility stemmed from coordinated trading efforts by one or more institutional actors. These entities accumulated significant holdings of LAYER tokens, potentially including borrowed tokens, prior to executing rapid sales. Concurrently, substantial short positions were opened in perpetual markets, amplifying downward pressure and resulting in cascading liquidations and forced selling.

Malicious Online Activity

In the period preceding the sell-off, we saw a large increase in posts on social media (most notably X) exaggerating the potential negative impact of an upcoming token unlock. The language and timing of these posts indicate a deliberate attempt to generate panic among retail holders and amplify the subsequent price attack.

Exchange Insights

We reached out to major exchanges for insights into trading behavior during this period. Most declined to share information due to internal policies. However, one prominent exchange provided useful insights:

- Between May 5–8, the top five sellers accounted for 52.98% of total trading volume on this exchange.
- The top individual seller demonstrated typical market behavior, accumulating tokens steadily between April 2–19 before selling from May 6 onward. The exchange found no irregularities or abnormal connections among these major sellers.

Conclusion

The Solayer Foundation's investigation found no evidence implicating the Solayer team or foundation-designated market makers in the market activity. At the time, the team was fully engaged in the launch of InfiniSVM's devnet and ongoing ecosystem development, including the Emerald Card launch.

The investigation strongly supports the view that the events were driven by sophisticated market participants leveraging coordinated trading and misinformation tactics.

Preventative Measures

While market volatility is unavoidable and we ultimately have no control over price action, the Foundation has already taken initial steps to mitigate future risks:

- **Enhanced Market Monitoring:** Improved real-time detection capabilities to quickly identify and respond to unusual trading activities.
- **Increased Liquidity:** Strengthened liquidity provision to absorb and prevent potential volatility more effectively.

Moving Forward

The Foundation remains fully committed to building long-term value. The public devnet for InfiniSVM is now live, mainnet is slated for H2 of this year, and multiple exciting partnerships and product developments are underway. We look forward to unveiling these to the community in the months ahead.

In the meantime, both the Labs and Foundation teams remain fully focused and committed to delivering industry-leading products and innovations. Thank you for your continued trust and support as we push forward together.

Additional Resources

Below are charts illustrating the LAYER token's price movements and net exchange flows during this period:



