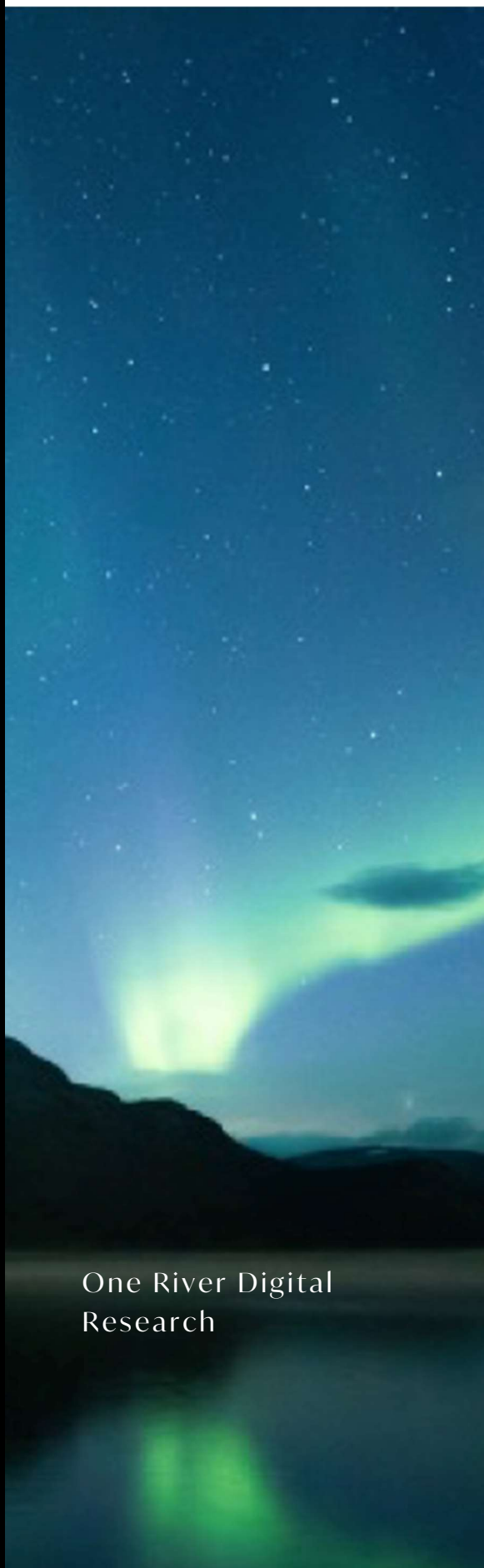
ONERIVER DIGITAL
ASSET MANAGEMENT

One River Digital Pulse

21 DECEMBER 2022



Weekly Pulse – 2022's Deleveraging

This year we introduced the Pulse – a tool for translating on-chain, complex fundamentals of the digital ecosystem into a single number. Deleveraging was the central theme of 2022. While digital asset markets lived through global margin calls, a confidence crisis emerged. The 2022 bear market has given back nearly half the $455 billion in profits from the last bull market cycle. DeFi assets also declined sharply in the aftermath of May's Terra LUNA crisis. However, on-chain data demonstrate that digital's value proposition remains intact. Despite dramatic price falls, the year ends with the One River Digital Core Index Pulse on an upswing. Network traffic remains consistent amongst the assets and cash flows from securing the network are strong. Over the past year, the Bitcoin network securely processed $38 billion a day, with roughly $9 billion paid to miners. Early adopters remain steadfast, with Bitcoin long-term holders accumulating at the highest rate this year and the percentage of holdings longer than one year returning to all-time highs. We end the year with deleveraging at an advanced stage. This year's events will demand a more disciplined future.

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WEEKLY BEATS

1. Chart of the Week – Capital Reset: The drastic decline in leverage
2. Fundamental Pulse – Upswing, Still Neutral
3. Deleveraging in DeFi
4. Stablecoins Growing Dominance
5. Bitcoin - Conviction

1. CAPITAL RESET: THE DRASTIC DECLINE IN LEVERAGE

Bitcoin leverage in the form of open interest has reset to early 2021 levels, with significant declines following the FTX crisis.

Source: CoinMetrics.

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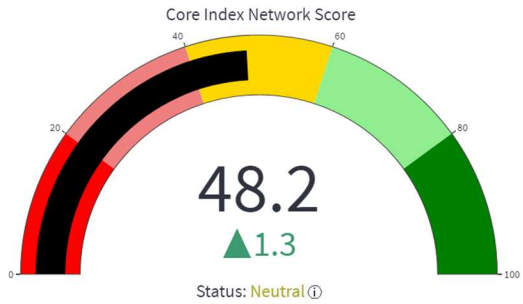
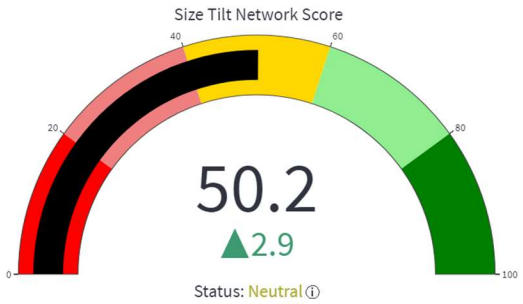
2. FUNDAMENTAL PULSE – NETWORK PERFORMANCE





Total Users
153,875,291.0
↑ 0.46%

Active Users
1,907,966.0
↓ -5.32%

Transfers
2,056,833.0
↓ -10.69%

MarketCap
484,101,336,626.84
↓ -6.36%

Onchain-Volume
10,379,675,102.76
↓ -14.07%

The year winds down with Pulse Index assets on an upswing, though holding at a neutral reading. While daily active users and transfers remained at average levels for most of the year, on-chain volume has drastically declined. Polygon outshined its peers, consistently boasting new user growth momentum, high volumes, and significant whale involvement.

Assets	Asset Score	7d Change	30d Change	Volume	Transfers	Active Users	User Growth	Valuation	Velocity	Network Distribution
Core	48	1	-8	21	45	49	51	15	63	95
Size Tilt	50	3	-6	31	43	49	55	21	57	95
Bitcoin	51	4	-9	8	57	50	48	6	86	100
Ethereum	40	-6	-8	40	18	46	53	29	13	83
Cardano	56	4	-8	27	32	33	89	12	99	100
Polygon	66	13	-13	58	72	68	75	57	30	100
Litecoin	66	14	18	67	66	63	38	34	98	96
Stellar	45	11	5	64	17	39	52	40	2	100

*Snapshot on 12/20/2022. Seven-day change in the Core and Size-Tilt Index Scores.

Notes: Status- High > 60, Neutral 40 to 60, Low < 40. A score of 54.5 means the Index value is better than 54.5% of its values in the past 365 days. Index scores exclude Solana, Cosmos, and Polkadot due to incomplete data coverage.

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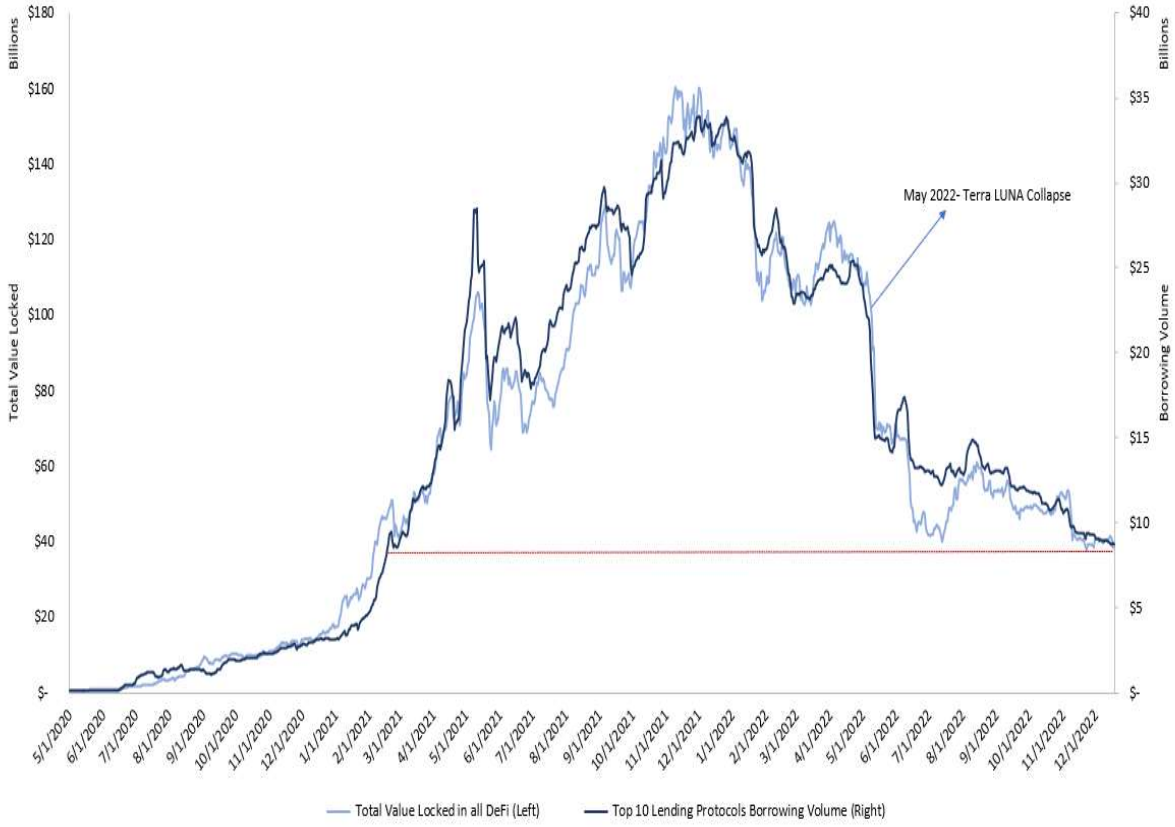
3. DELEVERAGING IN DEFI

DeFi lending is procyclical and typically swells the total value locked in the ecosystem. This year has seen a significant deleveraging, resetting capital to values seen early in the 2021 bull run.



Source: Glassnode. Token Terminal.

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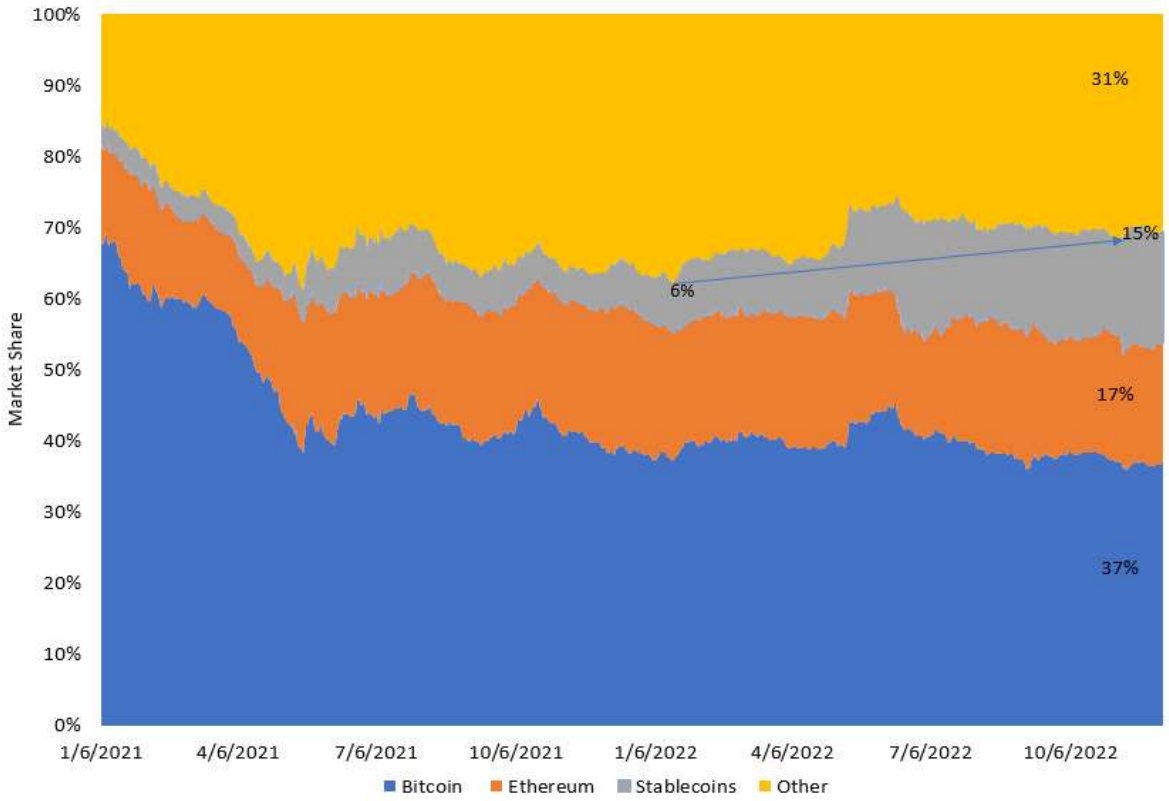
4. STABLECOINS GROWING DOMINANCE

Stablecoin market share has significantly jumped since the start of the year to 15%. Given the digital ecosystem fallout, that didn't have to be the case. Investors could have rushed back to the traditional financial system. They didn't.



Source: Coingecko, Glassnode.

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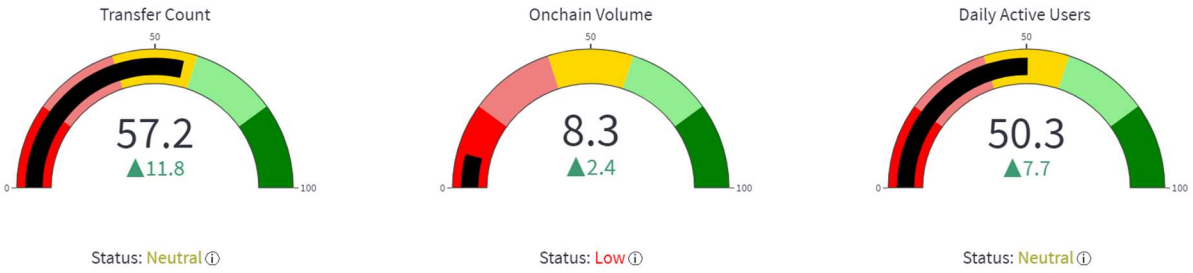
5. BITCOIN - CONVICTION

Long-term holders' conviction remains strong despite market conditions. 72.3% of Bitcoin's supply has been unmoved in the past year.

However, with on-chain volume at yearly lows, smaller account holders continue to dominate transaction activity on the network as its stands.

Bitcoin Pulse Reading:



Source: Glassnode. One River Digital Pulse.

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Metric Definitions

1. Volume – The aggregated value of native units transferred between addresses on-chain.

2. Transfer Count – The sum count of transfers between addresses. It becomes more valuable when used in conjunction with Volume.

    2.1 Low Transfer Count & High Volume: High volume but transferred by a few addresses.

    2.2 High Transfer Count & Lower Volume - Indicates higher retail activity or exchanges amongst small accounts.

    2.3 Lower Transfer Count & Lower Volume: Indicates slower network usage and low network demand.

    2.4 High Transfer Count & Higher Volume- indicates high network usage. A persistent trend is substantial.

3. Active Users: Number of addresses active in the network as recipients or originators of ledger change. This includes value transfers, signing blocks, and other forms of ledger change activity.

    3.1 High Value: High network usage and high demand.

    3.2 Low Value: Low network usage and low demand.

4. User Growth Rate: The rate at which new addresses with non-zero balances are added to the network.

    4.1 High Value: Indicates users being added to the network at an increasing rate.

    4.2 Low Value: Indicates users being added to the network at a slower pace.

5. Valuation: This metric compares the on-chain volume to the realized capitalization representing the value of the network. Realized capitalization is a revised form of market capitalization that accounts for the value of the coin at the time the coin was last spent. A lower volume compared to the high value of the network indicates the network could be overvalued and vice versa.

    5.1 High Value: Indicates the network is closer to its real value based on the on-chain volume.

    5.2 Low Value: Indicates the network is very close to being overvalued considering the activity on the network.

    5.3 Medium value: Asset is reasonably valued—sustainable demand for transactions.

6. Velocity –This indicator shows the turnover of coins in the network as measured by on-chain volume divided by active supply. The primary use of this metric in this instance is to help access an asset's market-relevant supply.

    6.1 High Value: There is greater circulation of coins in the network and use for payments.

    6.2 Lower Value: There is lower circulation of coins in the network and use for payments.

7. Network distribution – The metric used, the SER ratio, compares the smallest accounts (sum held by accounts with a balance less than 0.00001% of the supply) against the richest accounts (sum held by the top 1% addresses).

    7.1 High value: Signifies high distribution of supply and higher decentralization.

    7.2 Low value: Low supply distribution and heavy concentration amongst a few wallets.

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