

# coinbase

Please note that One River Digital, a subsidiary of One River Asset Management, was acquired by Coinbase as of March 3, 2023. Read more [here](#).

## One River Digital Pulse



17 March 2023

One River Digital  
Research

# Weekly Pulse – Market Push for Fed Put?

Market Push for Fed Put? Last year's rapid rate hikes were a surprise, but so was the orderly nature of market adjustments. Nothing broke, until now. The Federal Reserve's dilemma: higher rates to combat inflation coupled with a rapid easing of liquidity into the banking system. Last week's rise in banking reserves, a factor previously controlled tightly by policy, was the second largest easing ever. More than the 2008 crisis. Greater than the 2020 pandemic. Such is the awkward balance into next week's rate decision. Market sentiment leans towards a pause in policy tightening – more seems like pushing on a string. Equity markets sighed in relief at the socialization of banking risk. Digital assets rejoiced in the implied nominal lift that should depreciate the US dollar. And the fundamental Pulse scores concur, surging to the "High" range of 63, its highest in four months. Beneath the surface, other factors are visibly positive. Entrants to the Bitcoin ecosystem continue to rise, a welcomed liquidity injection, given fears of tightening to traditional banking. Despite the rise in prices this year, and the stability through a tumultuous period in traditional banking, investors remain cautious. Bitcoin's dominance of the industry's market capitalization sits at a 9-month high, bucking the typical counter-cyclical trend. Bitcoin as a safe haven? That's a stretch for a near 70-vol asset. But recent events have investors thirsting for narrow banking – the foundation of bitcoin.

## coinbase ASSET MANAGEMENT

One River Digital Asset Management has been acquired by Coinbase and is now Coinbase Asset Management. Additional details on the transaction may be found on the [Coinbase blog](#). References to One River Asset Management and One River Digital Asset Management may be contained herein during the transition period but are subject to change.

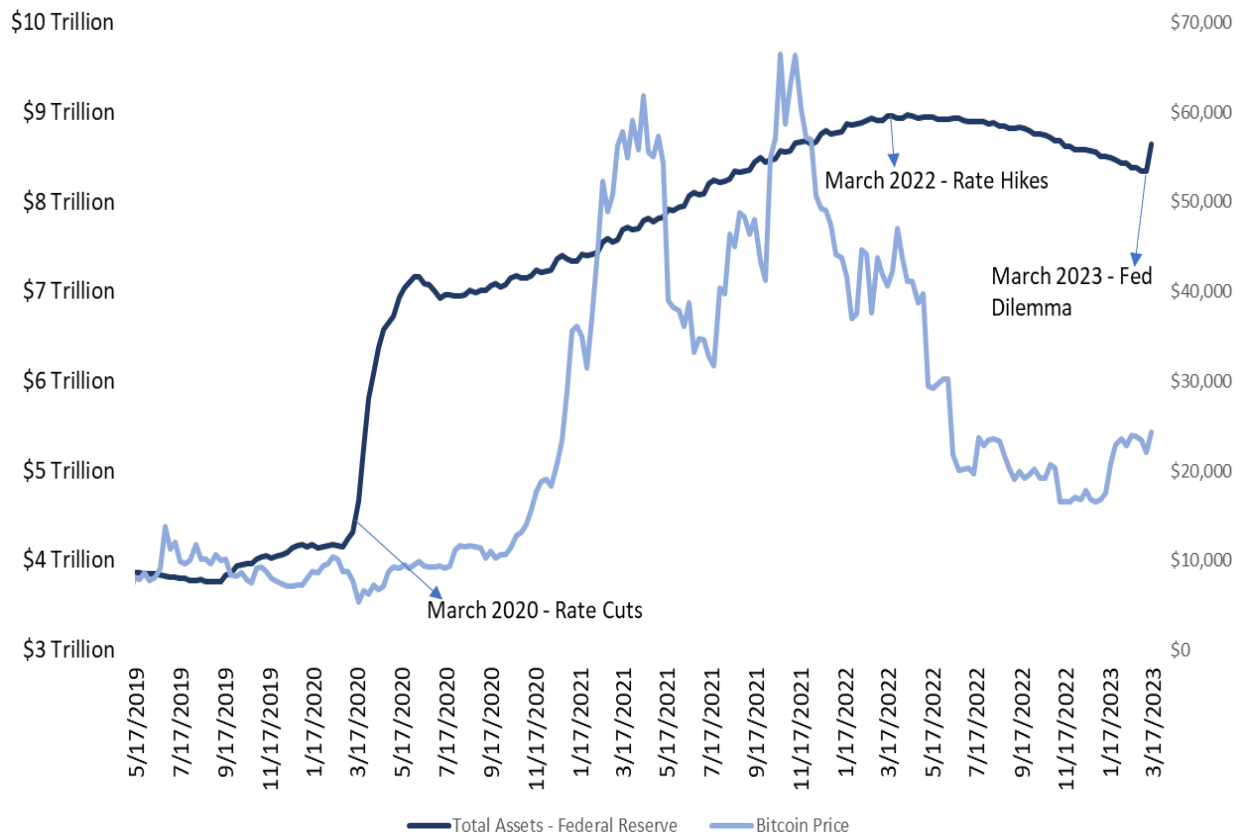
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## WEEKLY BEATS

1. Chart of the Week – An Unwanted Ddilemma.
2. Fundamental Pulse – High
3. Stablecoin Rollercoaster
4. Ethereum's surging Activity
5. Opportunities with MEV & USDC Discount.

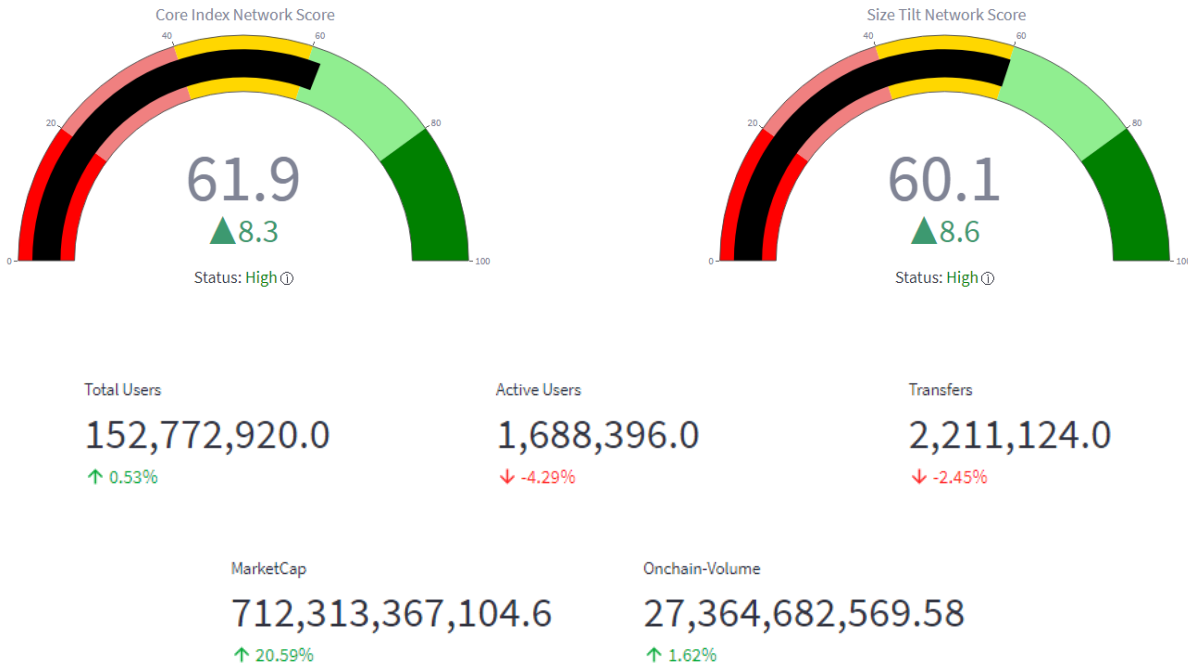
### 1. AN UNWANTED DILEMMA

The Federal Reserve finds itself caught in an unwanted dilemma - financial or monetary stability. With rising banking reserves, a soft landing becomes very challenging. A pause to the current rate cycle will be positive for risk assets. Easing conditions have often followed up with positive bitcoin price action and vice versa.



Source: FRED Economic Data. Coin Metrics.

## 2. FUNDAMENTAL PULSE – NETWORK PERFORMANCE



The fundamental Pulse scores have crossed into “High” levels, driven by a mixture of several factors. Ethereum leads this rally, initiated by higher trading activity around USDC’s dislocation.

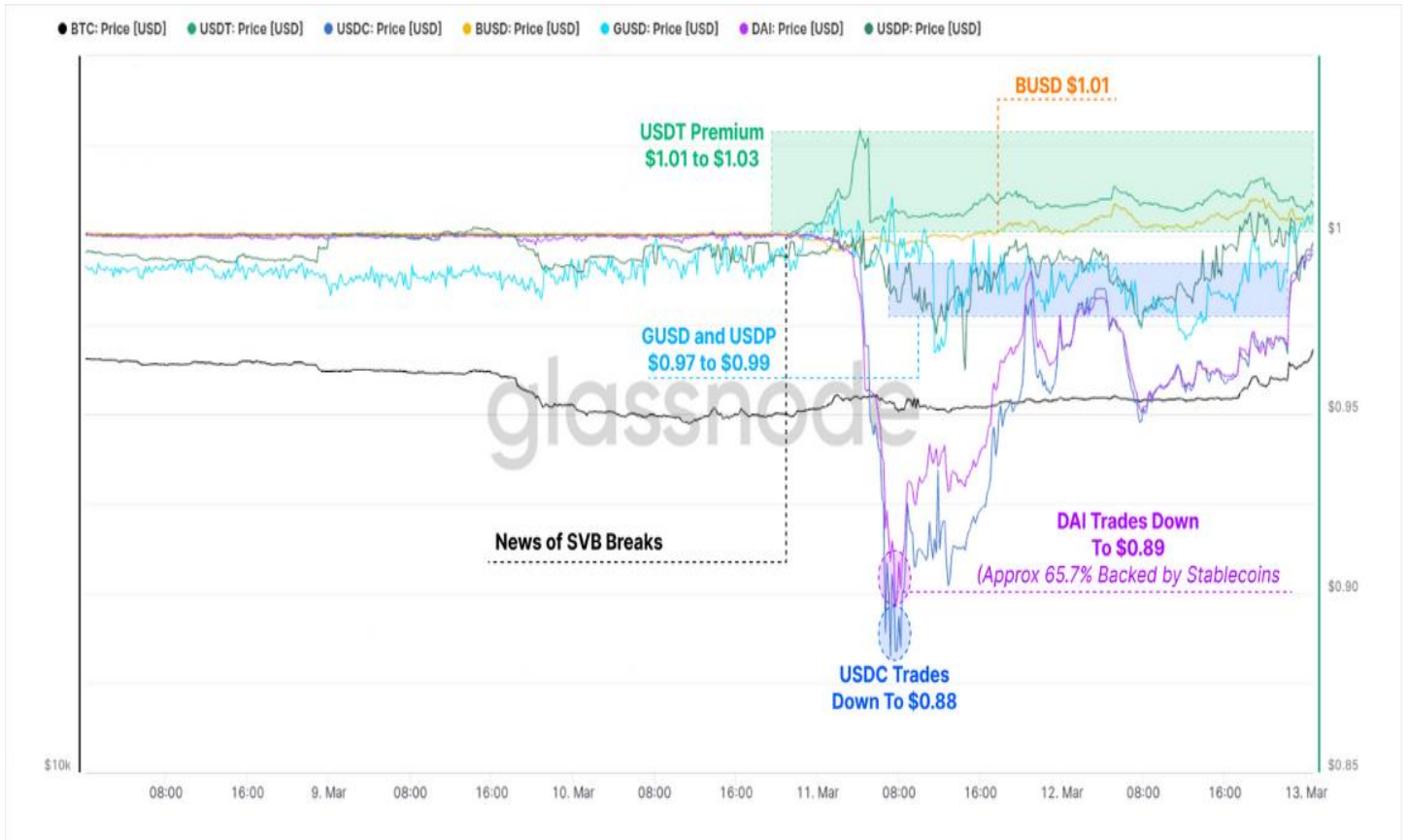
Assets	Asset Score	7d Change	30d Change	Volume	Transfers	Active Users	User Growth	Valuation	Velocity	Network Distribution
Core	62	8	10	48	64	55	64	53	54	96
Size Tilt	60	9	9	55	57	49	55	61	52	93
Bitcoin	66	6	8	30	81	68	80	37	65	100
Ethereum	54	14	15	84	28	27	34	85	30	89
Cardano	60	6	1	84	19	16	36	77	91	100
Polygon	62	15	11	79	69	61	43	80	12	87
Litecoin	51	0	3	19	65	59	35	57	57	63

\*Snapshot from the One River Digital Pulse on 3/17/2023. 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.

### 3. STABLECOIN ROLLERCOASTER

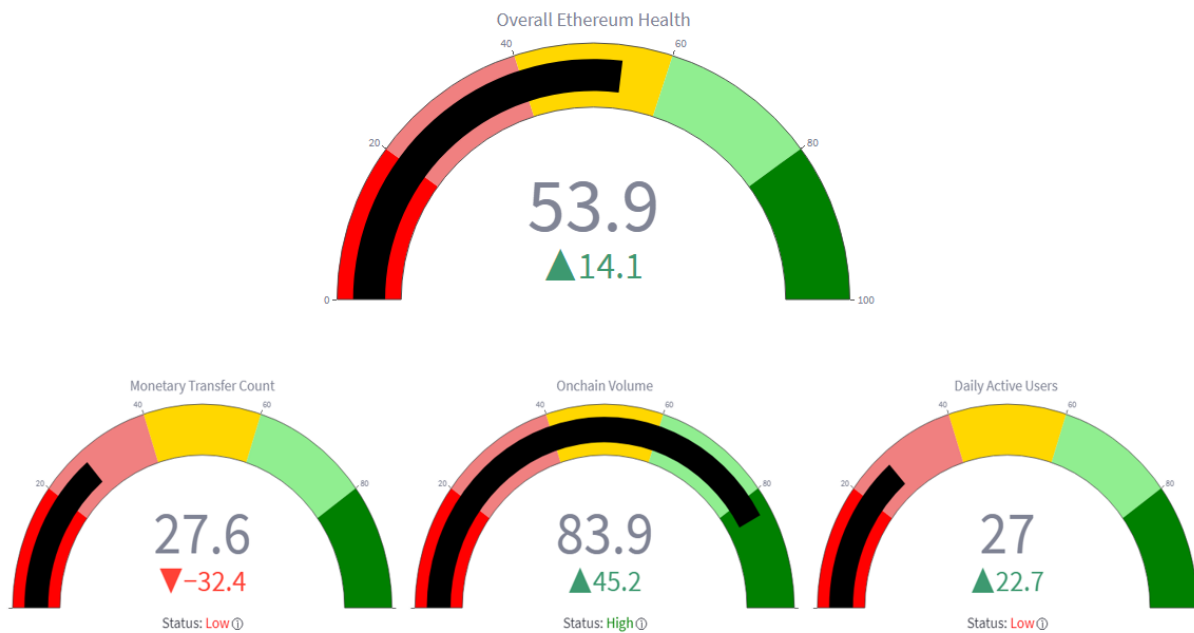
Following Circle's disclosure of holdings at the now shut Silicon Valley Bank, USDC depegged from its target \$1 value. While the closely tied DAI stablecoin followed suit, USDT increased its market share dominance, and traded at a premium. The pegs returned to their normal levels over the following days. However, Tether's recent market share increase remains.



Source: Glassnode.

## 4. ETHEREUM'S SURGE IN ACTIVITY

Ethereum's rise in activity stems largely from trades involving USDC, USDT, and other stablecoins. Post USDC's repeg, stablecoin activity diminished with the dominant transaction share returning to NFT transfers. The high on-chain volume cannot be ignored, though. Capital continues to flow at high volumes in the Ethereum network.

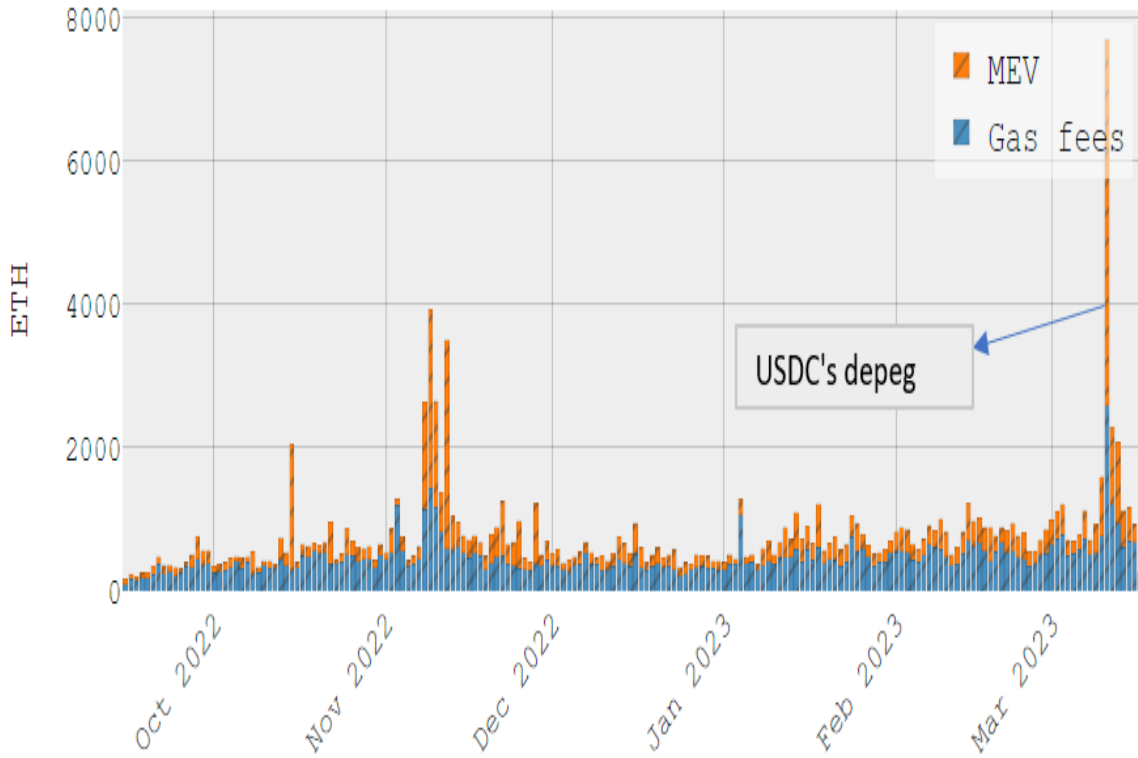


	TRANSACTION TYPE							
	Bridge	DeFi	ERC 20	MEV Bots	NFT Transfers	Stablecoin	Pure ETH Transfers	Other
Transaction Share at USDC de-peg	1%	5%	9%	2%	10%	25%	27%	22%
7 day Change	0%	0%	-3%	1%	-12%	15%	-1%	0%
Transaction Share at 3/16/2023	1%	5%	14%	1%	16%	13%	26%	24%
Change since USDC de-peg	0%	0%	5%	-1%	6%	-12%	-1%	2%

Source: One River Digital Pulse. Glassnode.

## 5. OPPORTUNITIES WITH MEV & USDC DISCOUNT

MEV refers to the additional profits validators make in reordering transactions. USDC's temporary challenges presented arbitrage opportunities, leading MEV trading bots' daily revenue to an all-time high of \$13million. The USDC discount also presented opportunities for USDC debtors to save about \$84 million as they repaid loans.



Source: Flashbots.

# 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 assess 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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# ONERIVERDIGITAL

ASSET MANAGEMENT

w: [oneriveram.com](http://oneriveram.com) | e: [info@oneriveram.com](mailto:info@oneriveram.com)

2200 Atlantic Street, Suite 310, Stamford, CT 06902

NFA ID: 0535413