

# 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



18 May 2023

One River Digital  
Research

# Weekly Pulse: Fits, Starts, Then Progress

Fits, starts, then progress: The Metaverse was pronounced dead on May 8<sup>th</sup> by [Business Insider](#). Cause of death? Momentum. The Metaverse Index (MVI) is down 94% from 2021 highs, and majors from Microsoft to Disney have downsized efforts. But the declaration is premature – there’s still a pulse. Progress is never linear and rarely obvious, exemplified by David Letterman’s witty [dismissal](#) of the Internet in 1995. The loss of exuberance reads as failure in popular consciousness; we see it as a rational return to fundamentals. Efficient paths and improved user experience define the survivors. Gradually, incumbent systems find themselves unable to compete. Virtual reality’s undulating journey since 1960 is a good example. Cycle after cycle VR has attracted investment and then confronted its limitations in user experience. Not now. Today, we see signs of sustained adoption. Integration with a broader vision for a “Metaverse” has produced VR innovation in education, remote work, and healthcare. Entertainment leads. Coachella [teamed](#) up with Fortnite to create the first augmented reality livestream music festival, complete with music-synchronized swaying trees and giant birds responding to live music – next-level emersion. Sure, Mark Zuckerberg’s [bold 2021 promises](#) have yet to be fulfilled. But 28.8k modems didn’t deliver on [Gate’s promises](#) in 1995 either. Predicting the future is easier than predicting when it happens! All great things begin with fits, starts, and then, one day, real progress.

## 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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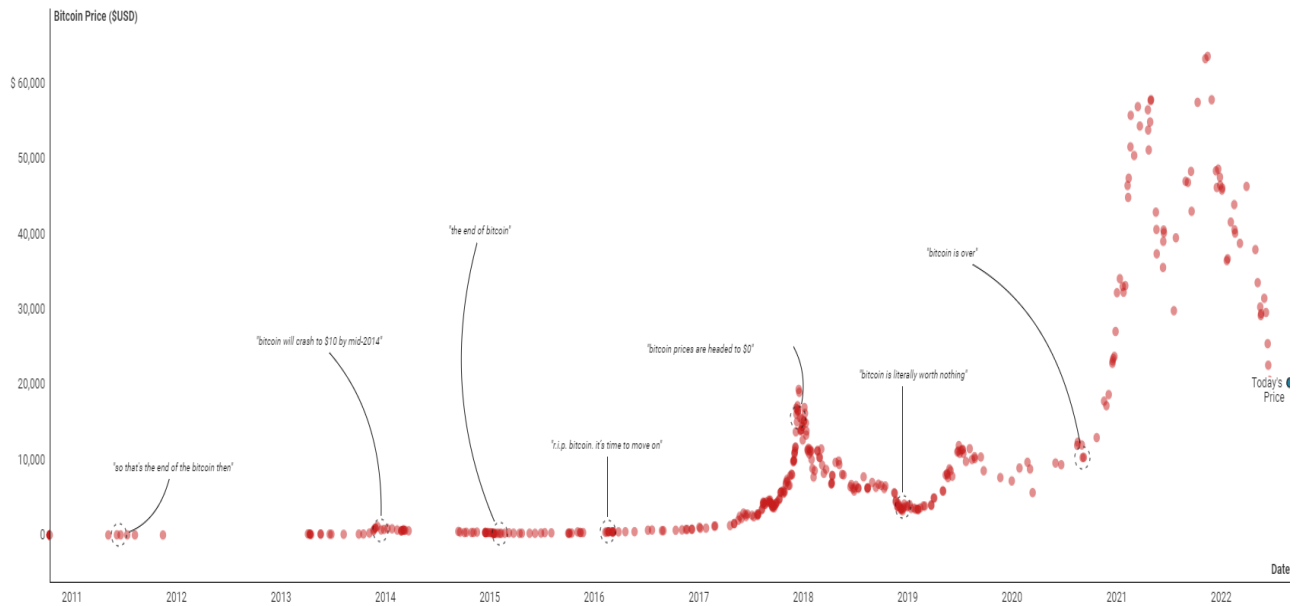
## WEEKLY BEATS

1. Chart of the Week – Emerging Technologies and Skeptics
2. Fundamental Pulse – Neutral
3. Metaverse Revenue
4. Decentraland: Popularity, Challenges and Hope
5. Diversification of the Metaverse

### 1. EMERGING TECHNOLOGIES AND SKEPTICS

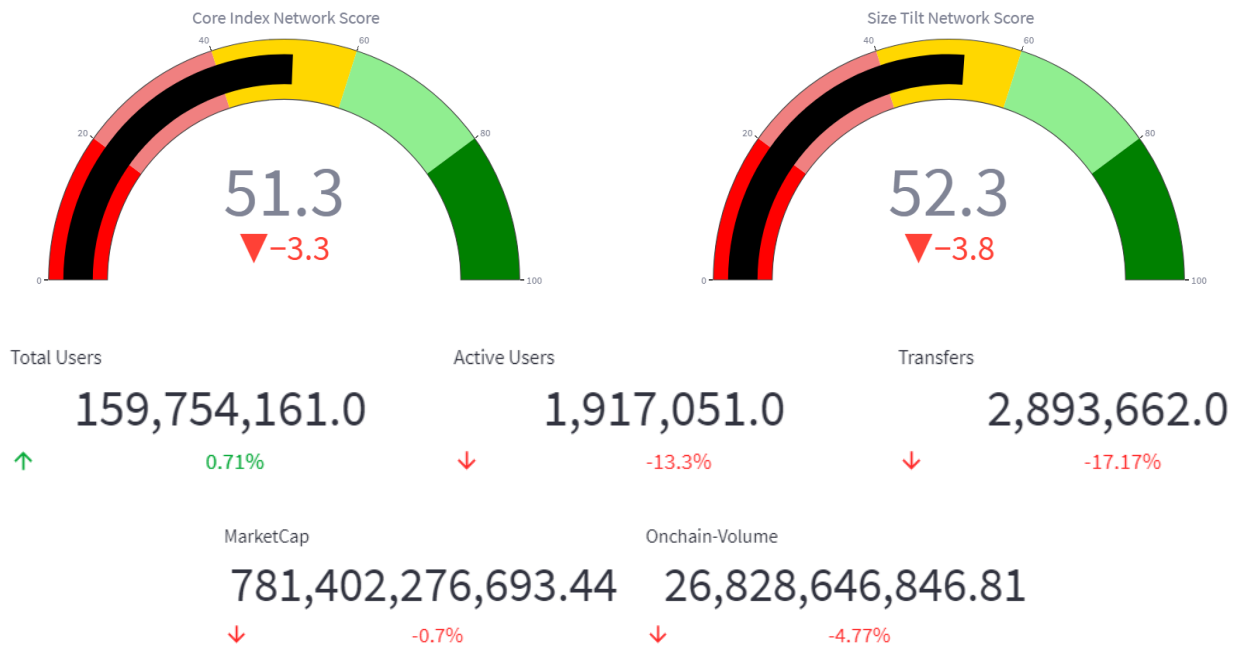
New ideas face skepticism. The Metaverse industry is deemed dead after its downturn since 2021. Similar claims were made about the internet and Bitcoin. The list of Bitcoin’s failed [obituaries](#) reminds us not to dismiss emerging technologies prematurely.

#### “Bitcoin Is Dead” - The #1 Database of Notable Bitcoin Skeptics



Source: BuyBitcoinWorldwide.

## 2. FUNDAMENTAL PULSE – NETWORK PERFORMANCE



Network activity drops for the week but the star performer from last week, Litecoin, continues to hold onto its gains. Litecoin’s network rally has so far coincided with positive price action over the past week. These events signal strength ahead of Litecoin’s halving of mining rewards in August.

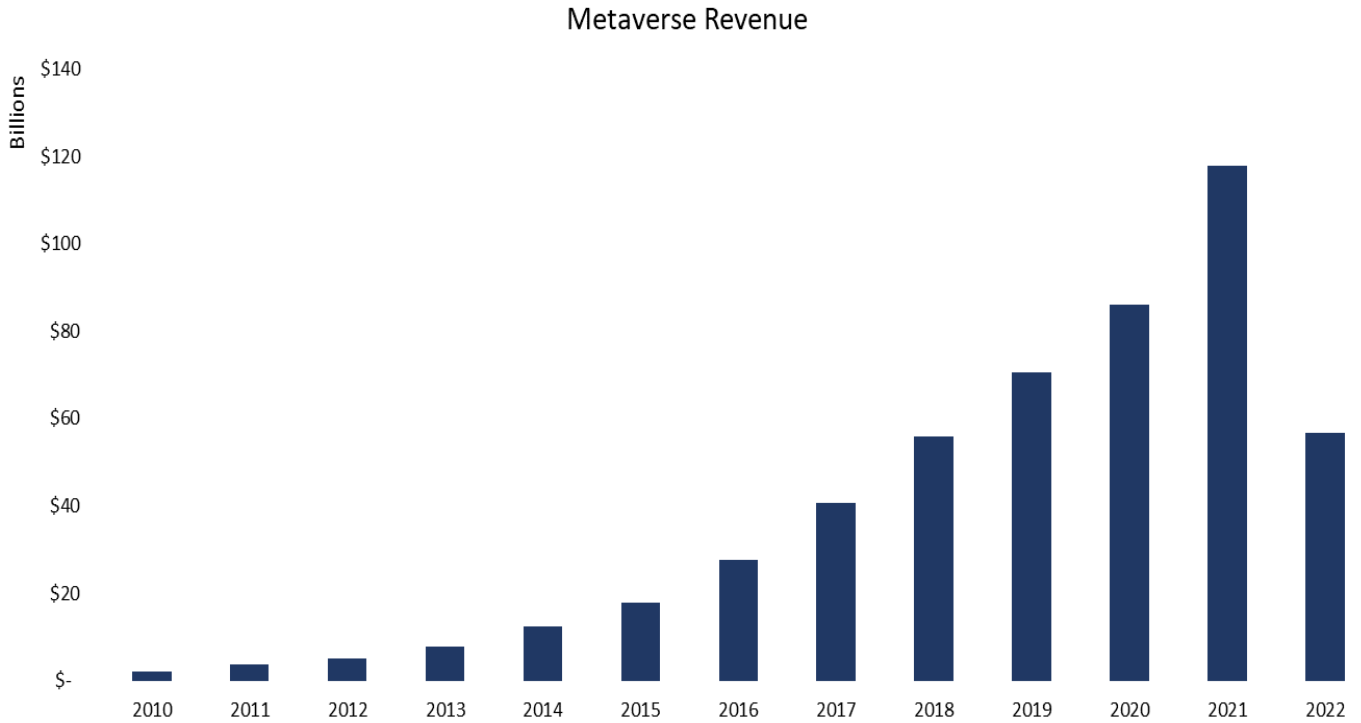
Assets	Asset Score	7d Change	30d Change	Volume	Transfers	Active Users	User Growth	Valuation	Velocity	Network Distribution
Coinbase Core	51	-3	-3	27	92	17	60	34	33	96
Coinbase Size Tilt	52	-4	-2	34	84	22	55	42	35	94
Bitcoin	48	-2	-5	17	97	14	65	23	20	100
Ethereum	59	-6	0	45	90	21	52	55	65	87
Polygon	29	-1	-23	34	3	2	10	38	15	99
Litecoin	71	1	37	41	99	99	85	73	31	72
Cardano	54	-11	-1	83	42	21	27	81	30	96

\*Snapshot from the One River Digital Pulse on 5/18/2023. 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. Asset Scores are unique, and sensitive to changes in a particular asset. Readers should not compare Asset Scores across assets. See MVIS for more information on the [Coinbase Core Index](#) and [Coinbase Size Tilt Index](#).

### 3. METAVERSE REVENUE

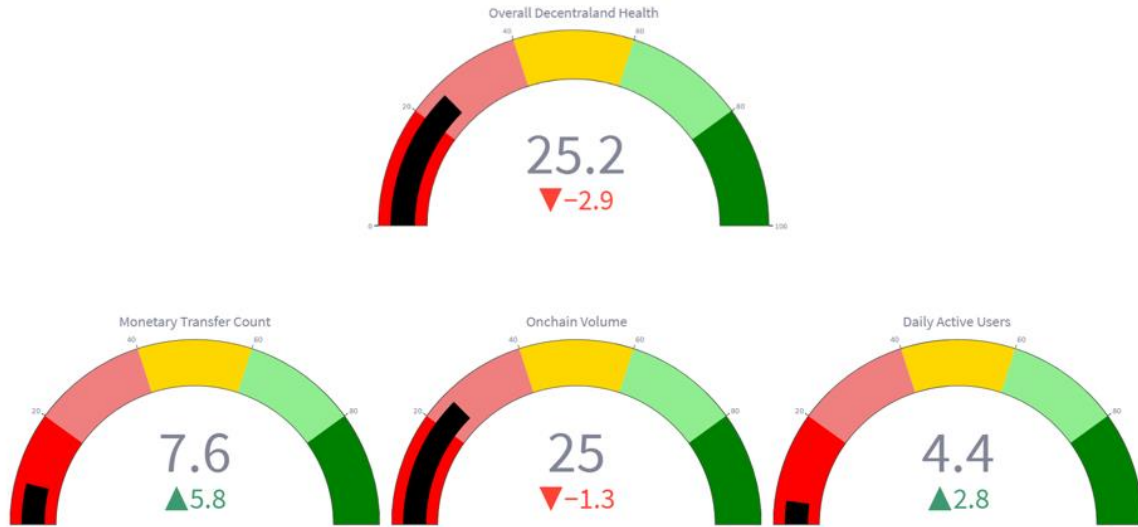
The commercialization of virtual worlds was missing in the 1970s. That phenomenon is everywhere today. By leveraging blockchain technologies, virtual assets can be tokenized and traded securely, increasing monetization opportunities. In 2022, gaming emerged as the top revenue contributor accounting for more than 27% of the total Metaverse revenue.



Source: Statista.

#### 4. DECENTRALAND: POPULARITY, CHALLENGES, AND HOPE

Tokens like Decentraland played a significant role in driving the popularity of the metaverse in 2021. Users could create, experience, and monetize applications such as gaming, social hubs, and visual art galleries within the virtual hub. Over the past year, active user count, onchain volume, and token transfers have struggled on the platform as indicated by our Digital Pulse. However, improvements to metaverse hardware have raised hopes of a resurgence.

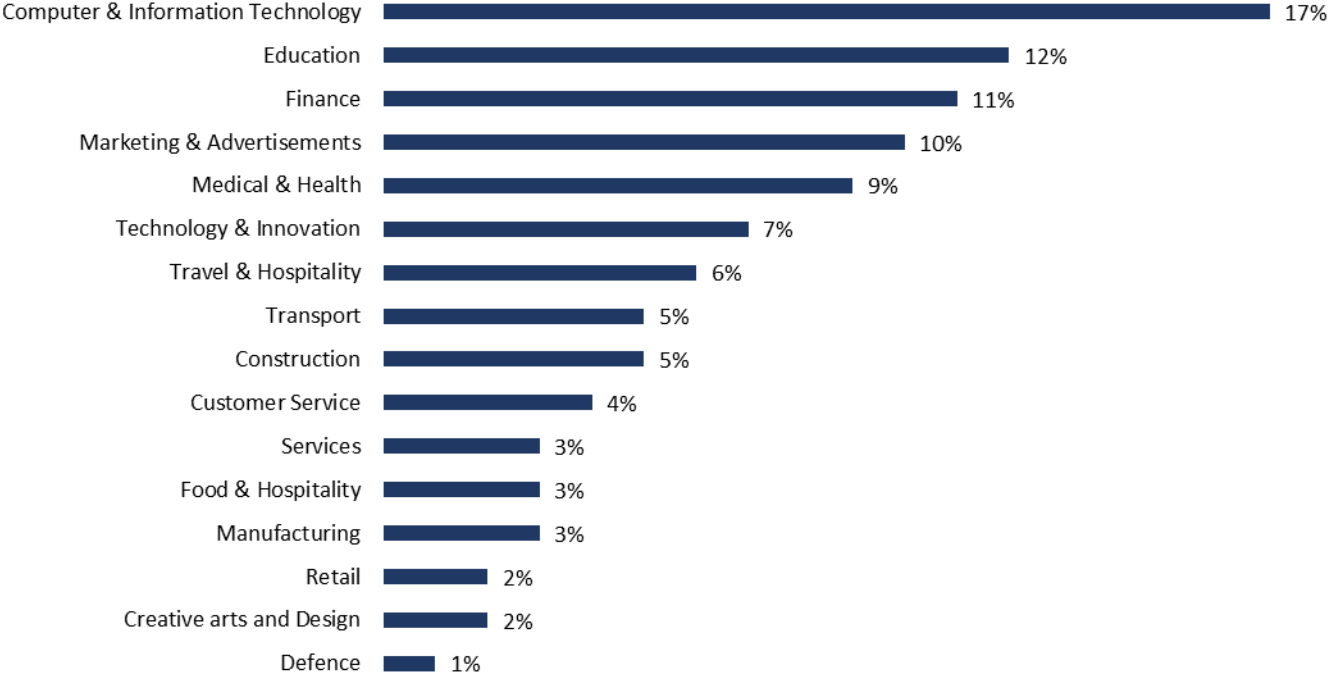


Source: Coinbase Asset Management Pulse.

## 5. DIVERSIFICATION OF THE METAVERSE

In the 1970s, virtual reality projects were confined to academia. They have now transcended into broader, and lucrative, industries. With ongoing advancements in technology, user experience, cost, and accessibility, the metaverse poses an opportunity to be integrated into our daily lives.

Share of Metaverse Investment as of January 2023



Source: Statista.

# 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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