

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



4 May 2023

One River Digital
Research

Weekly Pulse: The Network is the Money

The Network is the Money: In 1964, philosopher Marshall McLuhan wrote "the medium is the message," highlighting that properties of communications systems inherently shape the content they deliver. The same is true of open decentralized networks – value is shaped by the networks. Bitcoin is simple, pure, and predictable. It is structured to deliver sound money. That is what differentiates it from Ethereum and other smart contract platforms that handle full-featured programming languages. Or is it? Ordinals have bifurcated the Bitcoin community by introducing expanded utility to each Satoshi. Recently, an experimental standard called [BRC-20](#) has taken it to the next level by minting large sets of fungible tokens. Our [Digital Pulse](#) shows that the Bitcoin network is awash in activity – the transfer score is running 99 out of 100. But the transfers are efficient and transmit very little value. Bitcoin is being used as a computer. Ironically, a recent increase in Ethereum transaction fees is producing deflationary dynamics, an effect the Ethereum community dubs "[ultrasound money](#)." The blockchain world is upside down. Return to McLuhan's insight: both networks are open, decentralized systems producing limited and valuable block space. The way they are used shapes value on the network. Who's in charge? Builders, and the users they attract. They will continue to innovate. The network *IS* the money.

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.

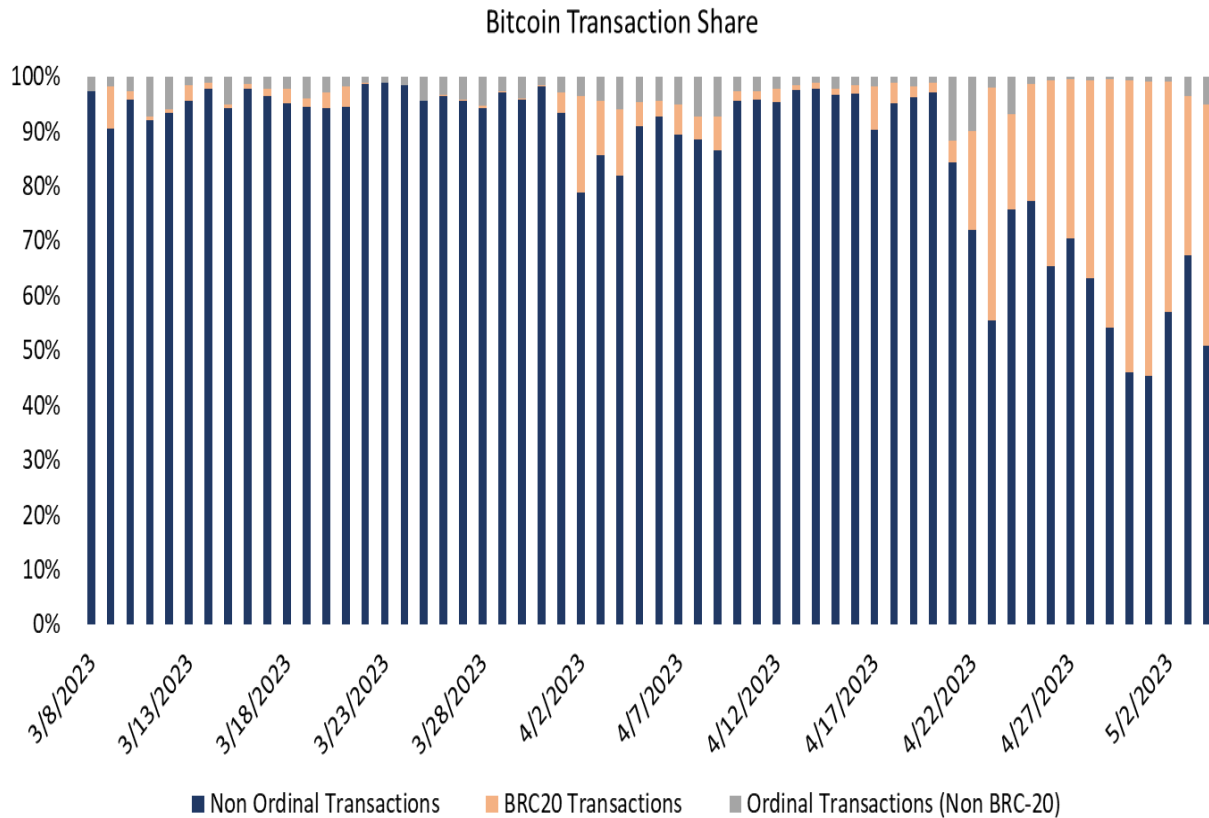
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WEEKLY BEATS

1. Chart of the Week – BRC-20s consume nearly 50% of Bitcoin network transactions
2. Fundamental Pulse – Neutral
3. Transactions on the Bitcoin network
4. Value transfer on the Bitcoin network
5. Ethereum fees up and issuance negative

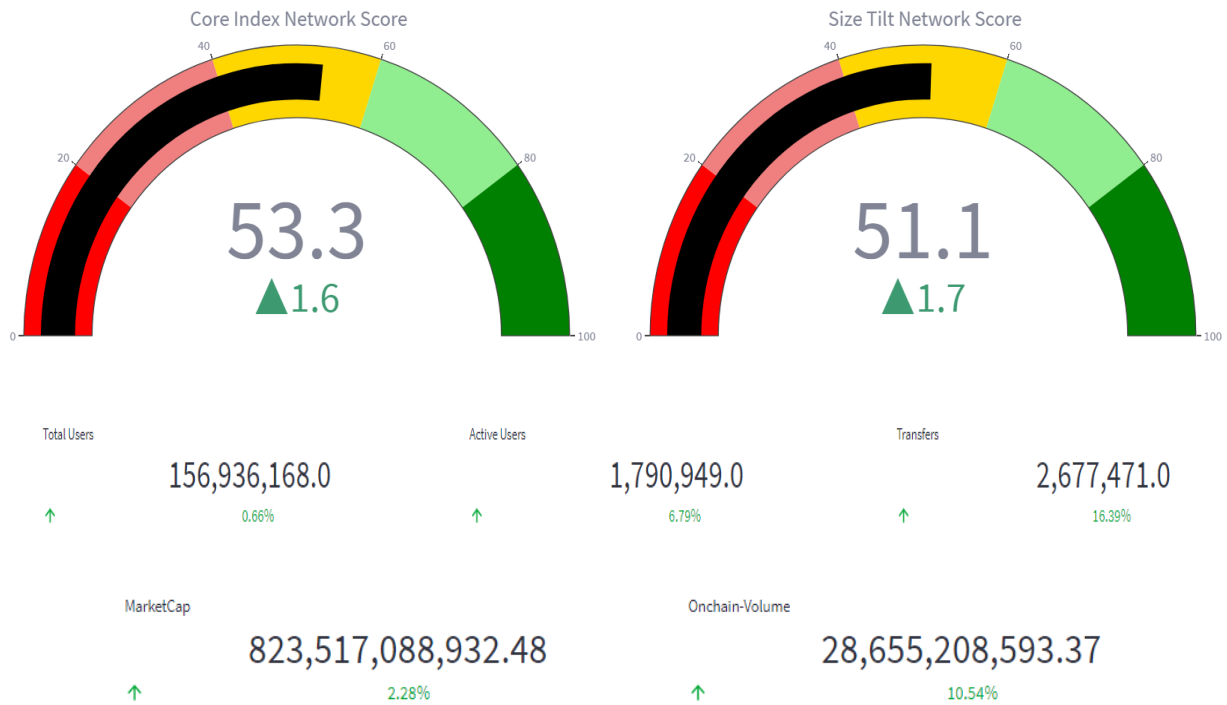
1. BRC-20s CONSUME NEARLY 50% OF BITCOIN NETWORK TRANSACTIONS

Bitcoin Ordinals are in the spotlight again this week, this time with a new experimental standard for fungible tokens called “BRC-20s.” Named after the Ethereum ERC-20, these tokens show that Bitcoin can be used to do more than just move its native asset around.



Source: Dune Analytics.

2. FUNDAMENTAL PULSE – NETWORK PERFORMANCE



Network activity on the Pulse this week is almost unchanged. Bitcoin remains consistent with highs in transfers and user activity.

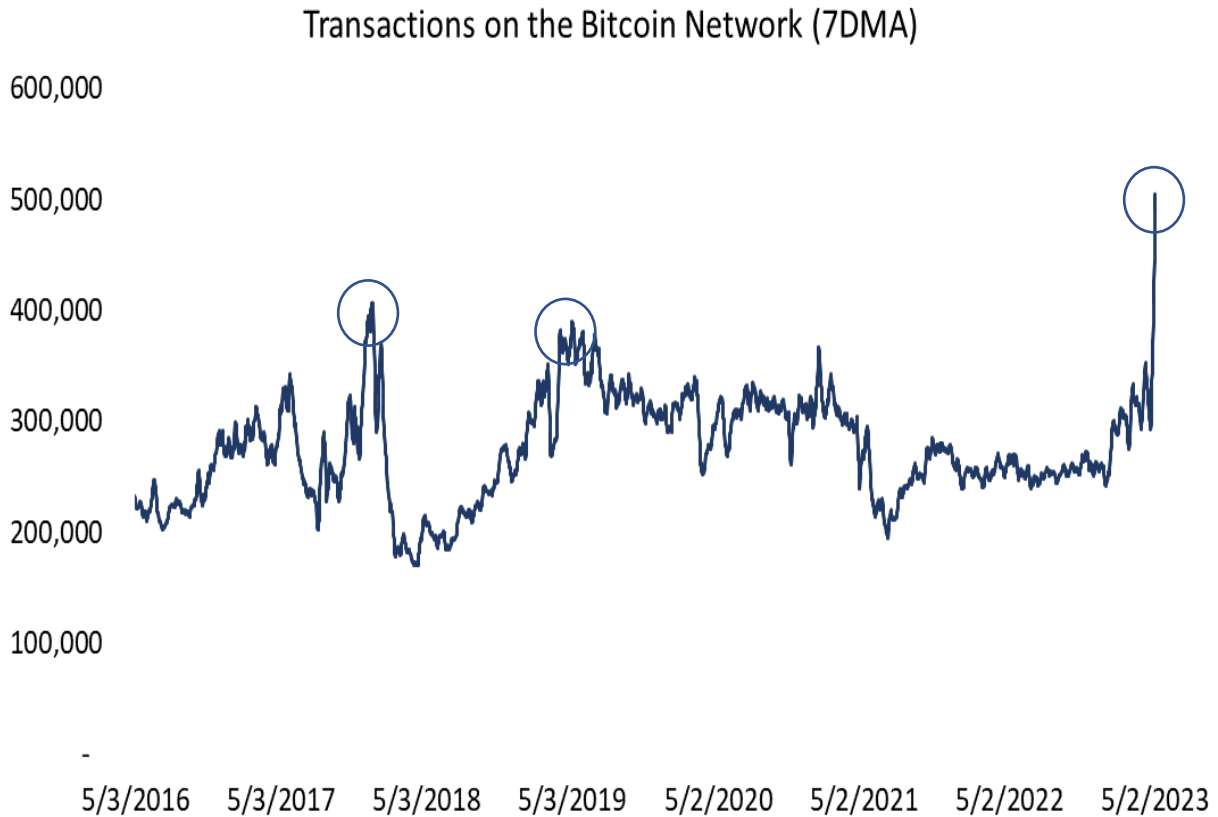
Assets	Asset Score	7d Change	30d Change	Volume	Transfers	Active Users	User Growth	Valuation	Velocity	Network Distribution
Core	53	2	-7	20	88	29	72	32	39	92
Size Tilt	51	2	-6	28	73	25	59	40	42	89
Bitcoin	55	2	-6	10	99	34	91	23	28	100
Ethereum	51	2	-8	37	73	20	34	50	66	75
Polygon	33	1	-15	42	2	1	9	44	33	99
Litecoin	45	10	12	29	41	33	60	47	38	66
Cardano	49	-4	-9	84	17	10	13	84	41	94

*Snapshot from the One River Digital Pulse on 5/4/2023. 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. TRANSACTIONS ON THE BITCOIN NETWORK

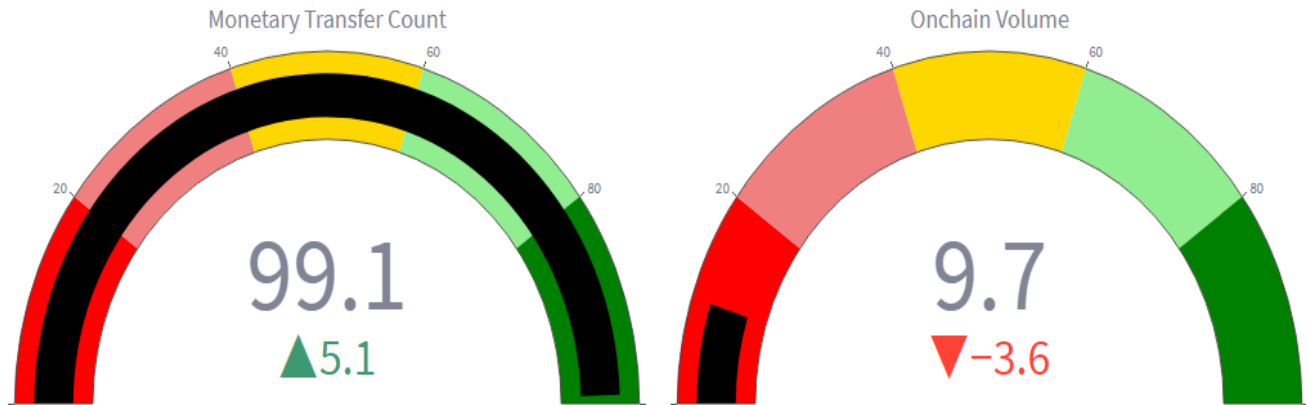
A rolling average for Bitcoin network transactions spiked over the last two weeks reaching all-time highs near 500k. Previous highs were approximately 400k in December 2017 and May 2019.



Source: The Block Research Pro.

4. VALUE TRANSFER ON THE BITCOIN NETWORK

Despite the increase in transactions due to the creation and transfer of BRC-20s, the value of bitcoin moving around the network is low. This points to the efficiency of inscribing fungible tokens into a single Satoshi, the smallest unit of measure for bitcoin. It is a lightweight solution to build, and transfer, property rights, not monetary value.



Source: Coinbase Asset Management Pulse.

5. ETHEREUM FEES ARE UP AND ISSUANCE IS NEGATIVE

A surge in activity on the Ethereum network has driven transaction fees up. As those fees are “burned,” the total supply of ETH is shrinking at the highest sustained rate in many months.

Net New ETH Supply (< 0 = deflationary)



Source: The Block Research Pro.

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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