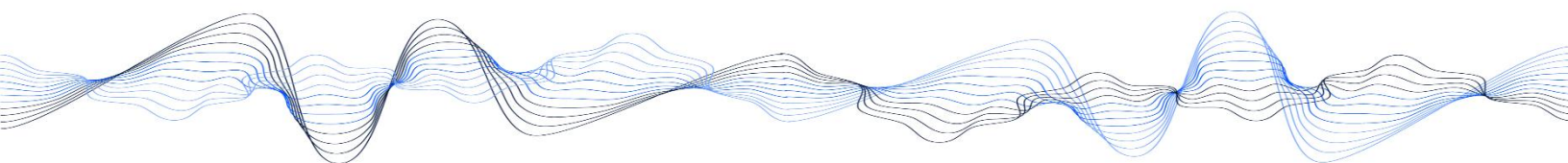




Digital Pulse Report: Stacks Unlocked



6 July 2023
Coinbase Asset Management

ASSET MANAGEMENT

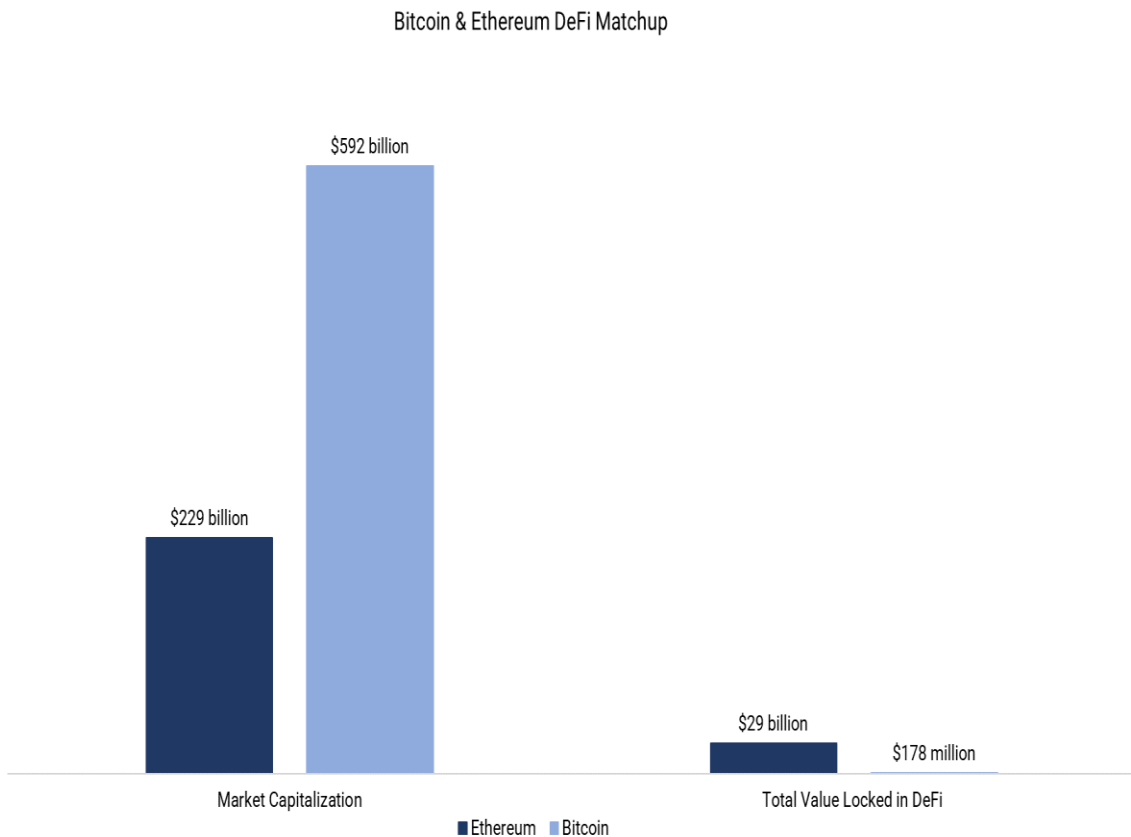
Stacks Unlocked: Challenging the status quo often births groundbreaking discoveries. However, even the bravest contrarians must honor enduring fundamentals. Crypto market's pull towards the two most dominant coins, Bitcoin and Ethereum, proved an unyielding foundation of trust. What separates the two? Until now, primarily smart contracts. While Ethereum's smart contract functionality has increased its value capture, Bitcoin has positioned itself as a payment protocol and store-of-value asset. Investor behavior mirrors the narrative. The Digital Pulse for Bitcoin shows a rising share of coins being dormant – [74%](#) of the supply has not moved in the last year. The opportunity lies in making that supply available to do more work. Work like smart contracts. [Stacks](#) and [Rootstock](#) protocols are driving the introduction of smart contracts to Bitcoin. Only recently have their efforts been brought further into the limelight. Stack's proposed [s-BTC](#) would function as a programmable version of Bitcoin within the Stacks network. It enables smart contracts, earning yield, and participating in DeFi applications, all while leveraging the security of Bitcoin. The vision is becoming a reality – DeFi on the Bitcoin blockchain through Stacks/Rootstock and Bitcoin NFTs ranked second on the June sales leaderboard. Who would have imagined? Satoshi's whitepaper was a blank canvas; innovators are adding their strokes.

WEEKLY BEATS

1. Chart of the Week – Potential Value Unlock
2. Fundamental Pulse – Neutral
3. The Capital Awaits
4. Stacks and Rootstock
5. The Ordinal NFTs Growth Comparison

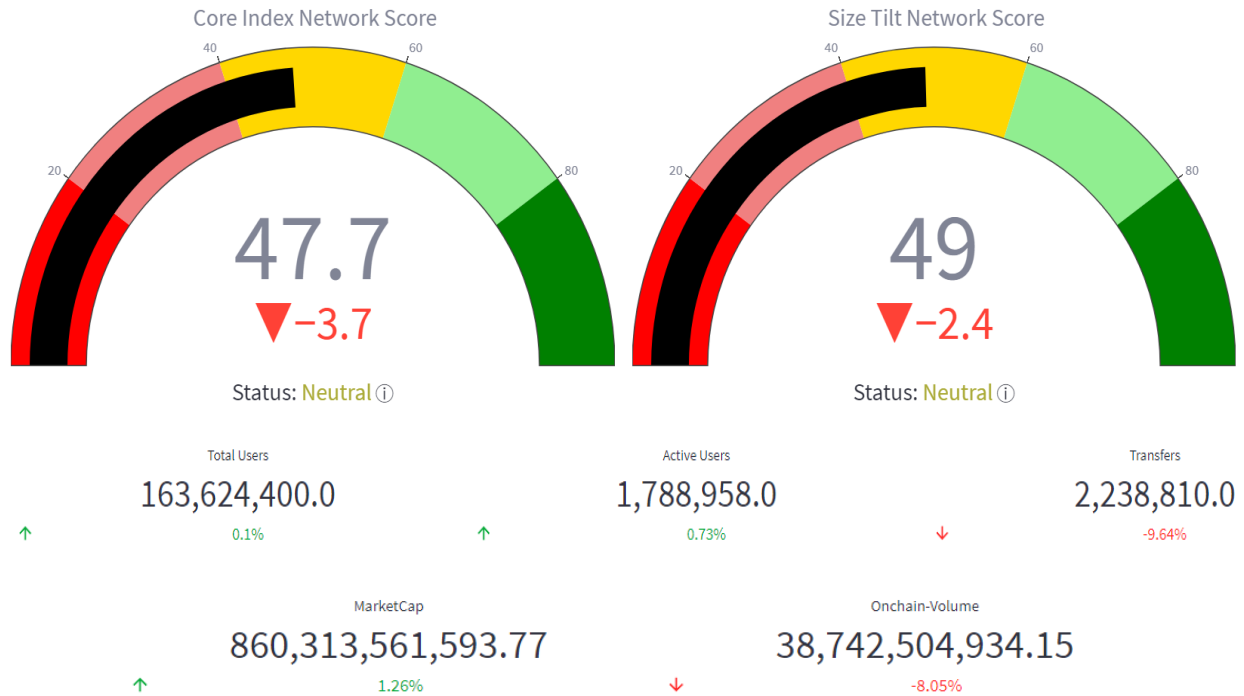
1. POTENTIAL VALUE UNLOCK

Bitcoin and Ethereum have long been separated primarily by the latter’s advanced smart contract functionality. But maybe not for long. This year, innovations have continued to emerge at a faster pace in introducing smart contract functionality to Bitcoin.



Source: Coinmarketcap.com, DefiLlama.

2. FUNDAMENTAL PULSE – NETWORK PERFORMANCE



The amount of Bitcoin in circulation is the subject this week. The low value of our metric – “Velocity” – demonstrates that there is an increasing number of coins that have not moved in the last year. 74%, to be exact.

Assets	Asset Score	7d Change	30d Change	Volume	Transfers	Active Users	User Growth	Valuation	Velocity	Network Distribution
Coinbase Core	48	-4	-6	34	65	54	41	50	7	83
Coinbase Size Tilt	49	-2	-6	39	63	48	44	54	14	80
Bitcoin	49	-4	-2	32	68	66	29	50	0	100
Ethereum	43	-5	-14	33	60	27	70	47	18	44
Polygon	44	3	20	47	24	36	46	46	12	95
Litecoin	55	5	-20	44	71	56	37	78	24	76
Cardano	70	3	-8	91	75	36	30	88	74	100

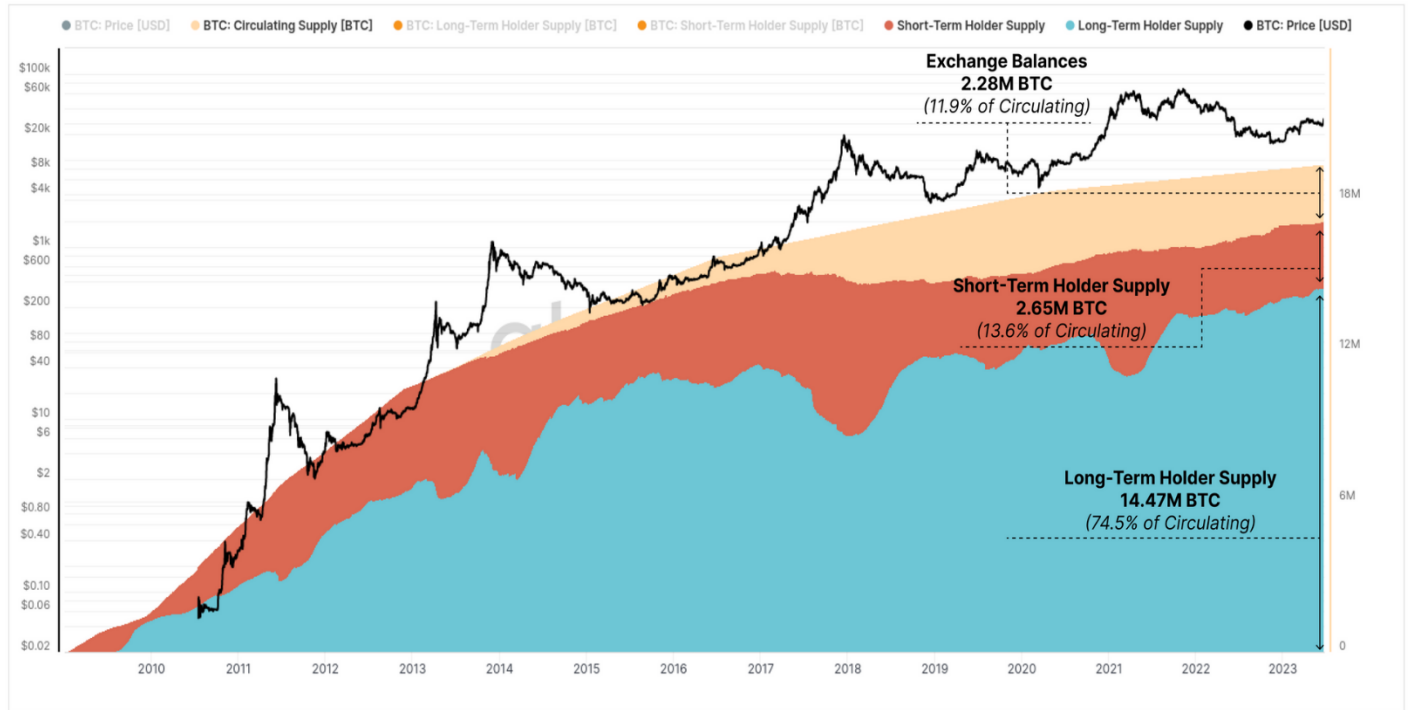
*Snapshot from the Coinbase Asset Management Pulse on 7/5/2023. Seven-day change in the Core and Size-Tilt Index Scores.

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. Due to incomplete data coverage, index scores exclude Solana. 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. THE CAPITAL AWAITS

The percentage of supply owned by long-term holders continues to grow, meaning bitcoin on-chain is increasingly dormant. With smart contract infrastructure, this capital could be put to work, earning yield and creating other forms of financial activity.

Bitcoin: Long- and Short-Term Holder Supply



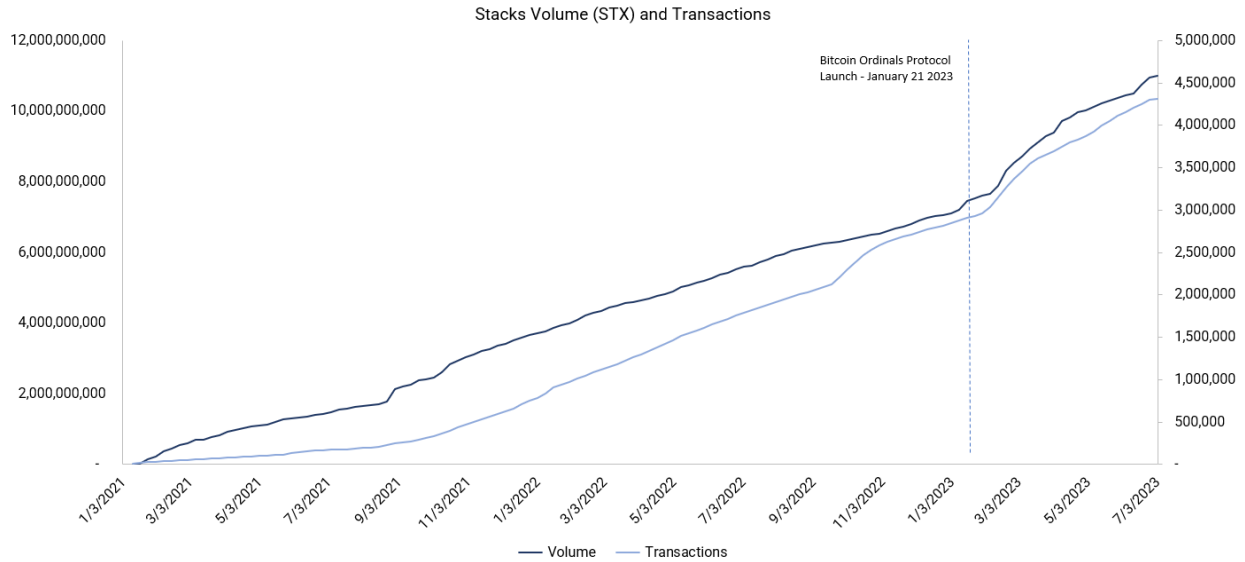
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Source: Glassnode.

4. STACKS AND ROOTSTOCK

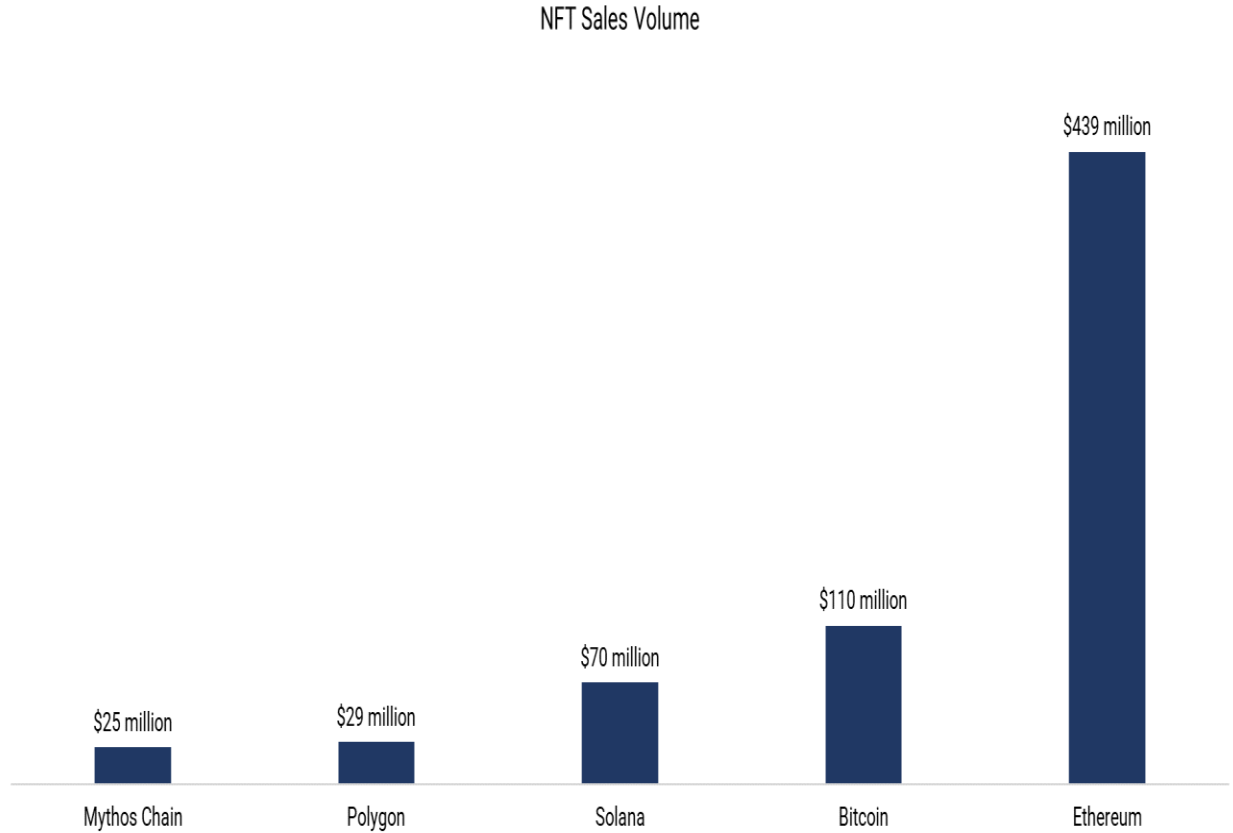
Protocols like Stacks and Rootstock tap into Bitcoin's idle potential, enabling yield generation through DeFi. For now, the challenge is for these protocols to meet the DeFi industry's throughput standards, as they have limited functionality. Rapid [advancements](#) are addressing these issues, and the rising recognition of Bitcoin Ordinals further enhances this momentum.



Source: Stacks on Chain.

5. THE ORDINAL NFT GROWTH COMPARISON

How vast can Bitcoin's DeFi grow? Consider Bitcoin NFTs, with Bitcoin ordinals ranking 6th all-time and 2nd in the last month since introduction this year. These sales demonstrate the appetite to move towards platforms with stronger fundamentals.



Source: Cryptoslam.

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.

Disclaimer

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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