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One River Digital Pulse



25 May 2023

One River Digital
Research

Weekly Pulse: Litecoin's Third Lap

Litecoin's Third Lap: Litecoin is the silver to Bitcoin's gold – similar properties but settling for second-best. Supply is one of those properties – Litecoin rewards to miners are cut in half periodically by way of a mathematical algorithm, just like Bitcoin. These “halving” events are a key fundamental ingredient to valuation, and Litecoin's next halving is expected in August. Miners with declining revenues must ask themselves: “Should I keep the computers running if my reward is cut in half?” The answer lies in the network. If network demand is robust, the supply reduction will raise prices. And Litecoin Network has been robust, scoring the highest on our [Digital Pulse](#) this week. It's the invisible hand of the market at work and play. BTC-20s are driving Bitcoin network congestion, and users are moving to Litecoin as a cheaper option. A parallel “LTC-20” blossomed because of the chain's compatibility with Bitcoin. Litecoin has been a Bitcoin testbed before, launching both the Lightning Network and SegWit beforehand. Now, we are approaching the third lap of Litecoin tokenomics, with the third halving cycle around the corner. History waves the yellow caution flag – the previous two halvings were followed by weaker prices and less mining. But as a cheaper version of the most valuable blockchain, Litecoin could find an important home in a broadening set of use cases. The unexpected often seems obvious in the rear-view mirror. Litecoin is an object that is closer than it appears.

coinbase ASSET MANAGEMENT

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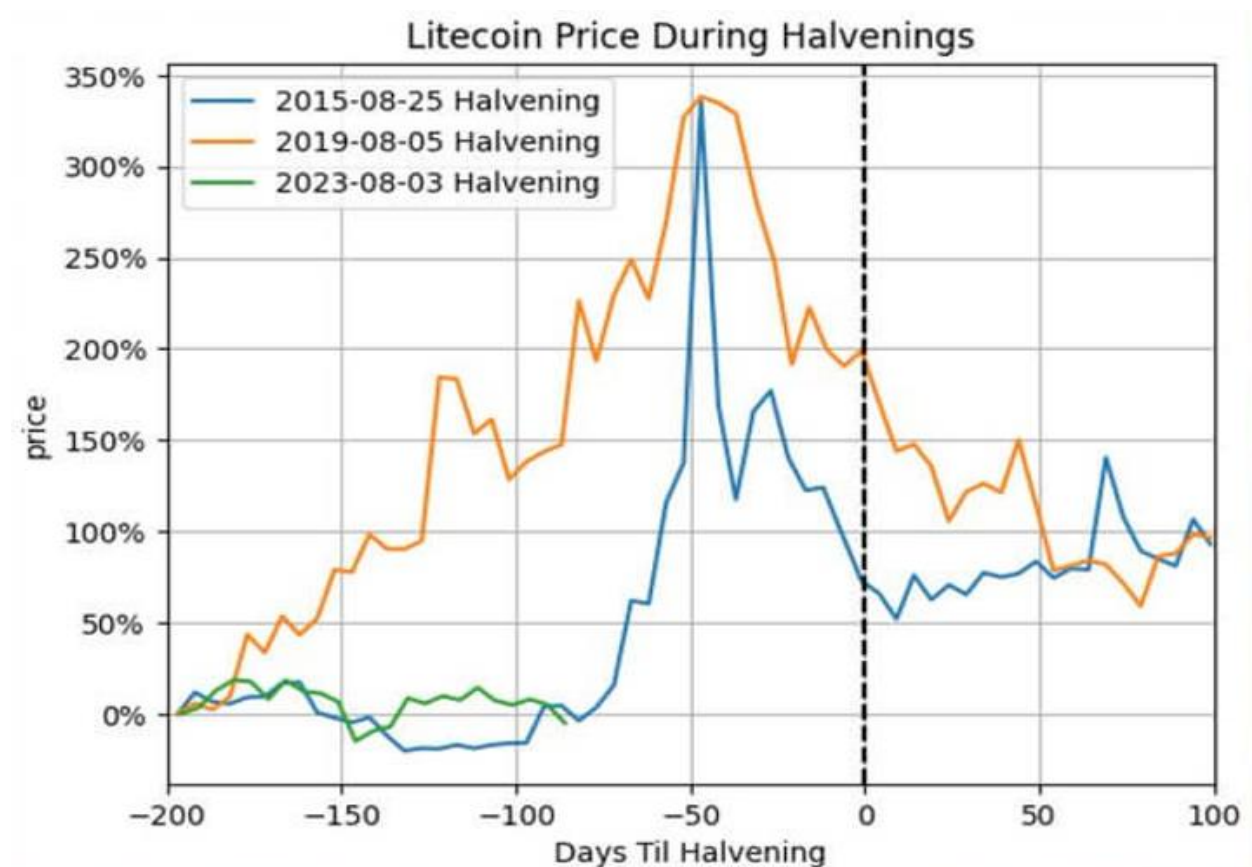
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WEEKLY BEATS

1. Chart of the Week – Litecoin’s Halving History
2. Fundamental Pulse – Neutral
3. Litecoin’s Uniqueness
4. Litecoin & Dogecoin’s Merged Mining
5. The Evolution of Litecoin?

1. LITECOIN’S HALVING HISTORY

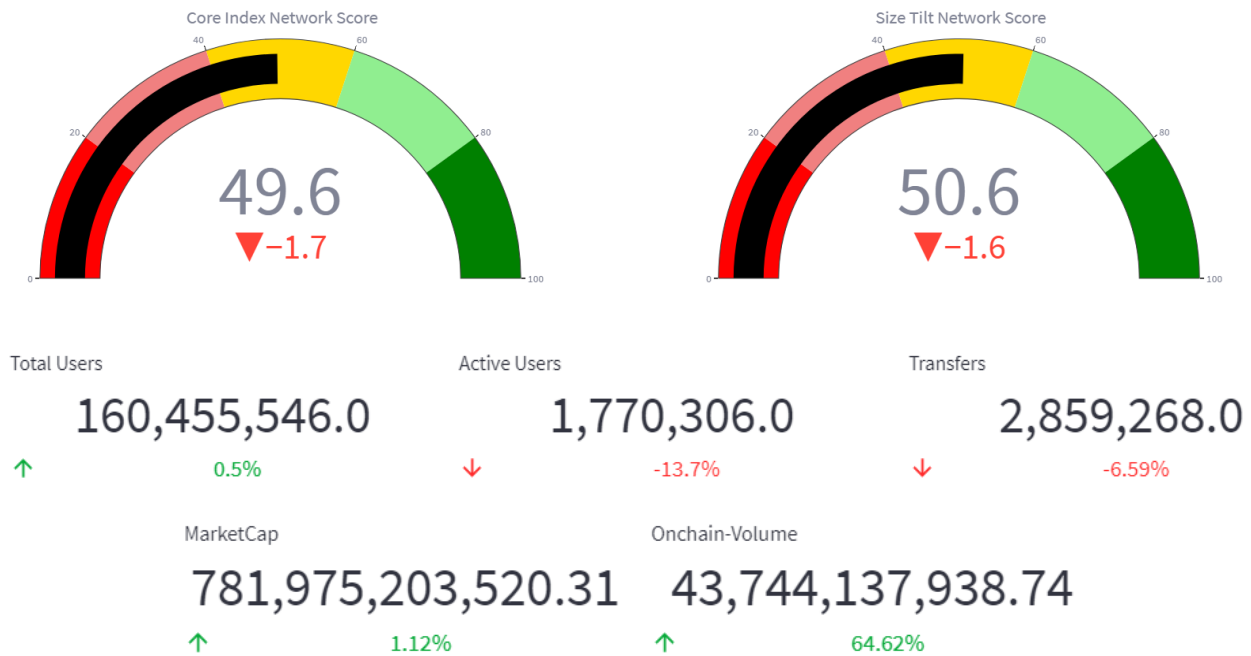
Litecoin’s past halving events have seen price jumps into the event and sharp contractions afterward. As we near the August 2023 halving date, anticipation builds mirrored by Litecoin’s open interest soaring to record [highs](#) in futures markets. Will history repeat itself?



There are reasons to be more optimistic.

Source: Scimitar Capital. CryptoSlate. For illustrative purposes only.

2. FUNDAMENTAL PULSE – NETWORK PERFORMANCE



Despite the weekly decline, Litecoin stands out as the top performer. The rise can be attributed mainly to LTC-20 tokens introduced in May. While experimental, they have drawn attention to the potential role of Litecoin as a lower-cost, Bitcoin-compatible environment for new forms of digital assets.

| Assets | Asset Score | 7d Change | 30d Change | Volume | Transfers | Active Users | User Growth | Valuation | Velocity | Network Distribution |
|--------------------|-------------|-----------|------------|--------|-----------|--------------|-------------|-----------|----------|----------------------|
| Coinbase Core | 49 | -2 | -2 | 24 | 87 | 20 | 59 | 29 | 32 | 94 |
| Coinbase Size Tilt | 51 | -2 | 1 | 33 | 81 | 25 | 52 | 38 | 34 | 92 |
| Bitcoin | 47 | -1 | -5 | 16 | 91 | 17 | 68 | 19 | 18 | 99 |
| Ethereum | 55 | -4 | 3 | 38 | 85 | 25 | 45 | 45 | 66 | 82 |
| Polygon | 27 | -1 | -8 | 30 | 4 | 3 | 11 | 34 | 12 | 99 |
| Litecoin | 66 | -5 | 32 | 43 | 97 | 95 | 58 | 69 | 27 | 71 |
| Cardano | 60 | 6 | 7 | 97 | 61 | 27 | 17 | 96 | 25 | 97 |

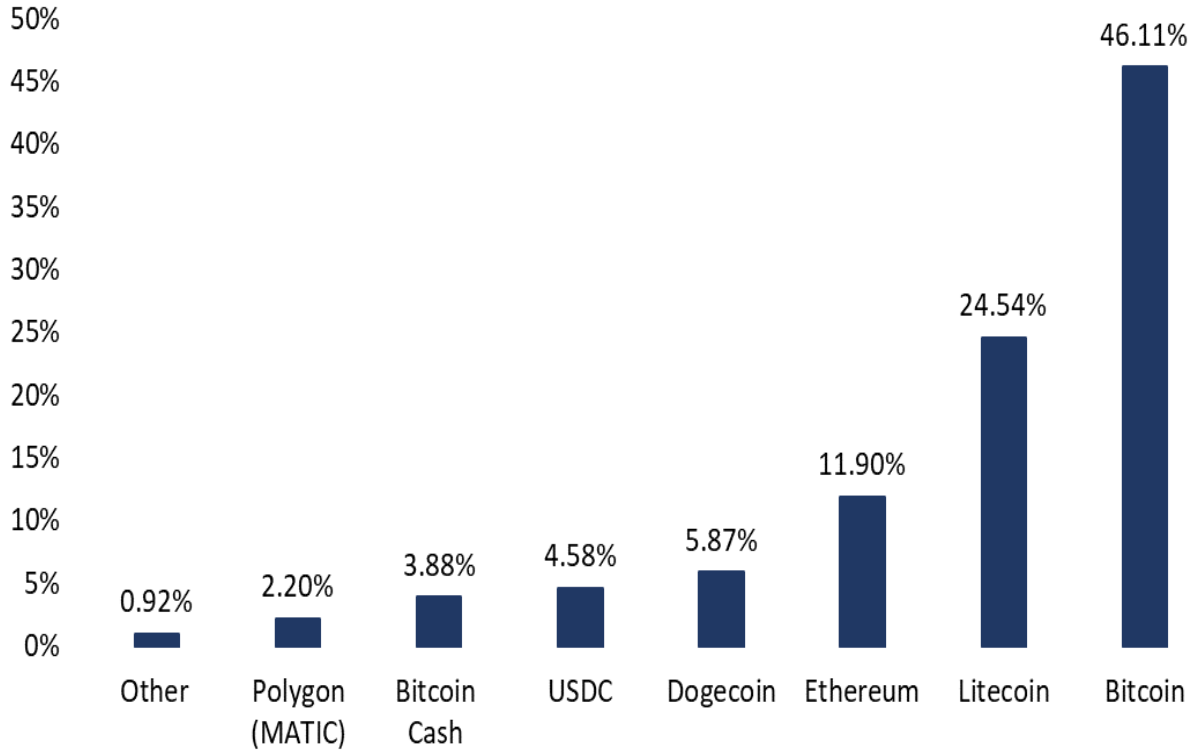
*Snapshot from the One River Digital Pulse on 5/24/2023. Seven-day change in the Core and Size-Tilt Index Scores.

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, Cosmos, and Polkadot. 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. LITECOIN'S UNIQUENESS

Dubbed **silver to Bitcoin's gold**, Litecoin possesses key properties of sound money. It **boasts** one of the longest network uptimes in crypto history, wide acceptance, and robust liquidity. With faster transaction throughput and lower costs amongst the group of payment token options, it is often a user's second choice on crypto payment processors like Bitpay.

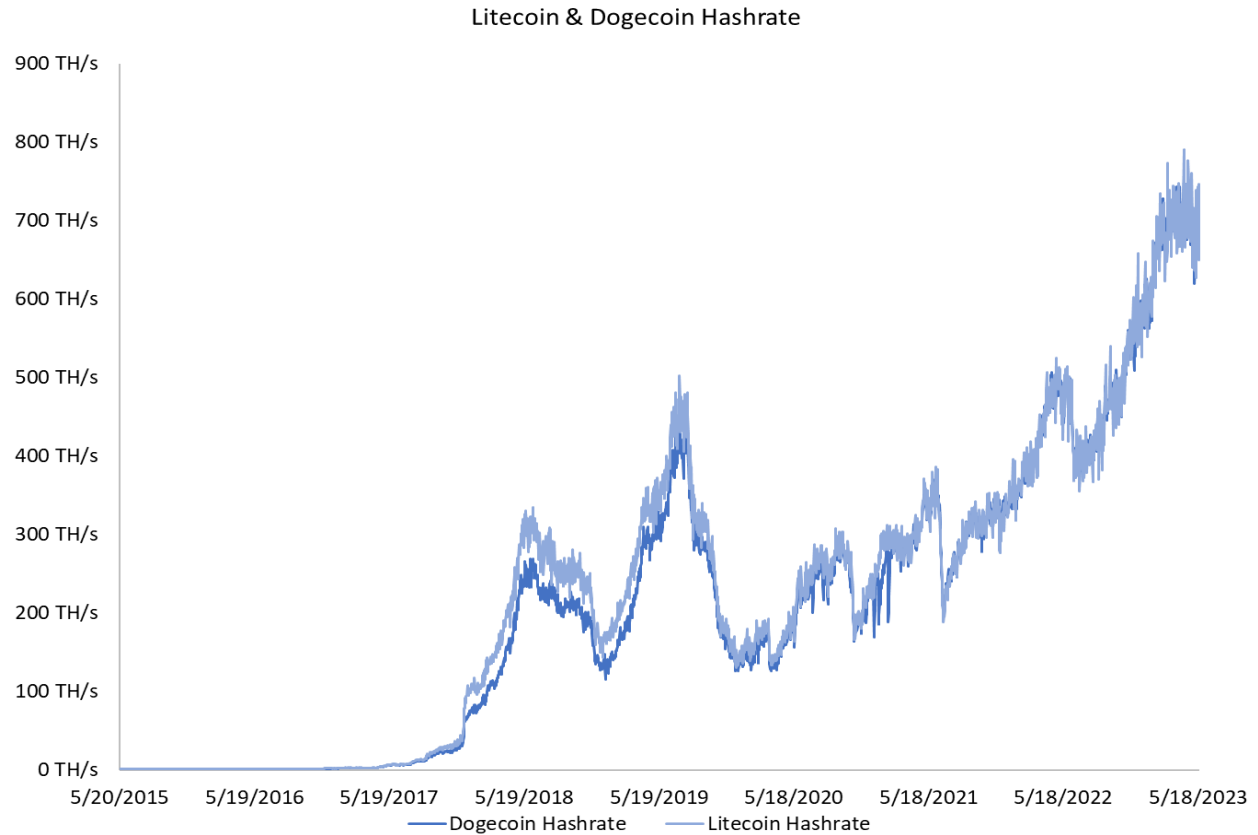
Bitpay's Transaction Share April 2023



Source: Bitpay.

4. LITECOIN & DOGECOIN'S MERGED MINING

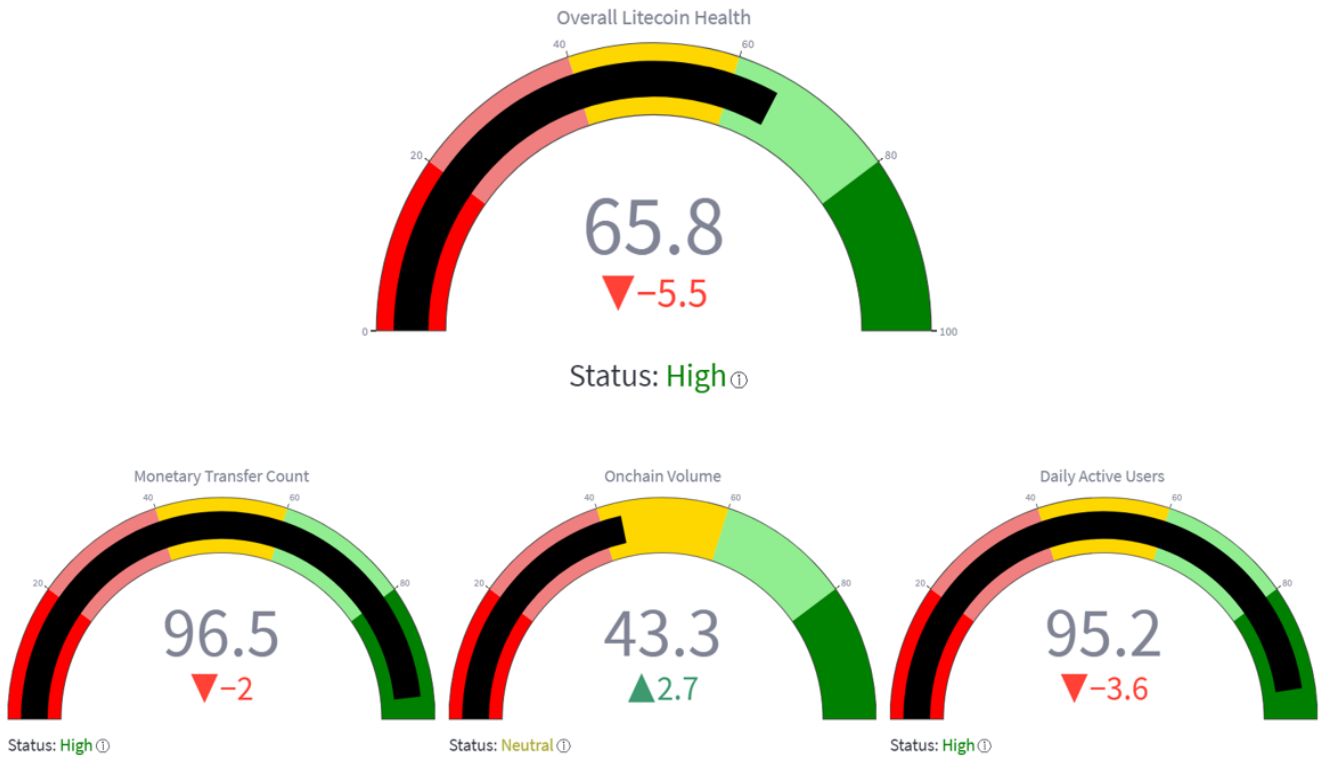
Litecoin and Dogecoin have compatible mining algorithms so miners can harvest both tokens on the same hardware. This has proven to be the logical choice for miners, boosting Litecoin's hashrate along with the material rise of Dogecoin prices and attention.



Source: Coin Metrics.

5. THE EVOLUTION OF LITECOIN?

Similar to Bitcoin, early 2023 has produced reason to reassess Litecoin's value proposition. The introduction of LTC-20 tokens on Litecoin has caused a surge in both active users and transactions. Will increasing use of these chains drive more users to the cheaper version? Time will tell.



Source: Coinbase Asset Management Pulse.

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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w: oneriveram.com/digital | e: digitalsales@oneriveram.com

2200 Atlantic Street, Suite 310, Stamford, CT 06902

NFA ID: 0535413