

# One River Digital Pulse



9 NOVEMBER 2022

One River Digital  
Research

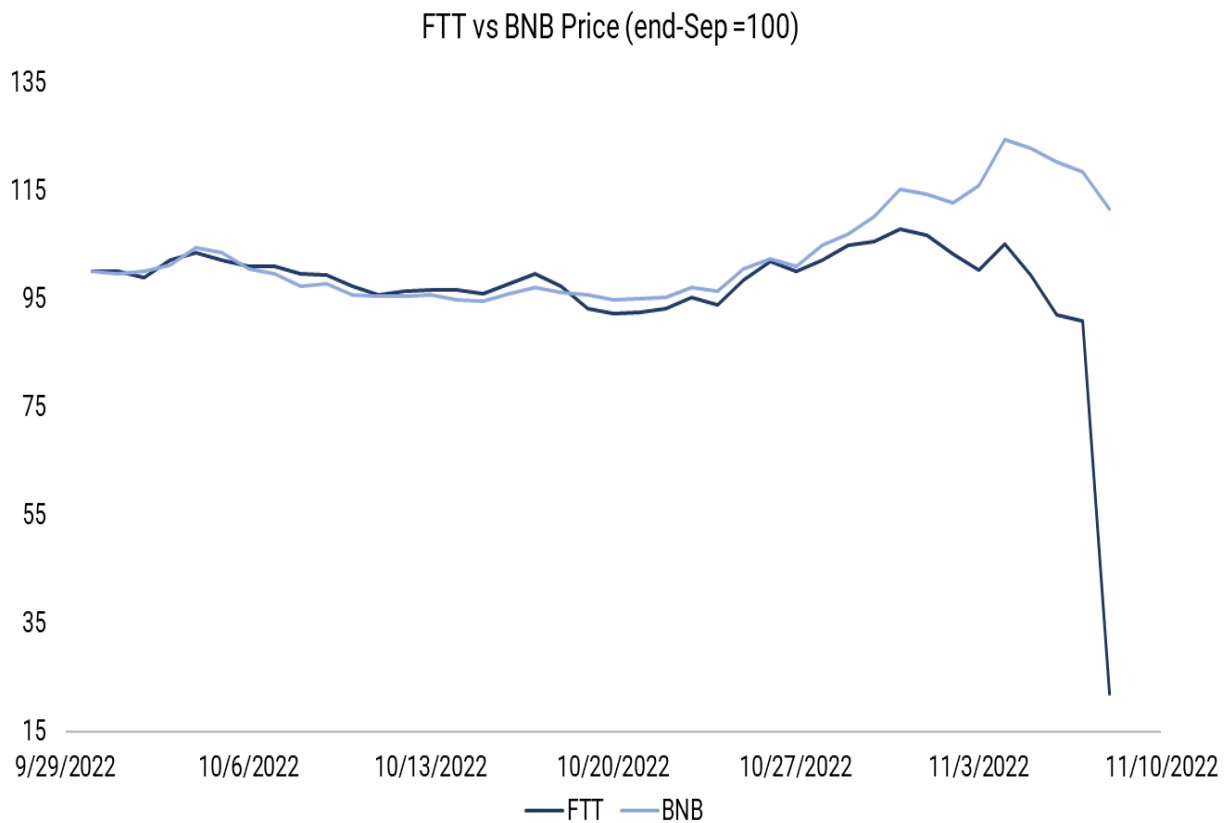
# Weekly Pulse – Consolidation

**Consolidation:** The third-largest digital asset exchange folding into the largest exchange under duress is a blow to confidence in the digital ecosystem. It is a harsh reminder of the power of leverage and the risk of concentration. Insolvent enterprises with liquidity can survive, and solvent ones with illiquidity cannot. Where FTX falls on this spectrum isn't yet known. What's clear is that Changpeng Zhao, the CEO of Binance, influenced speculation by publicly [pronouncing](#) the desire to sell the FTX Token and then [declining](#) the opportunity to sell the asset on more favorable terms than the open market. A short day-and-a-half later, Binance is taking over FTX, subject to diligence. And that diligence is now the largest source of uncertainty. All client assets are expected to be covered one-to-one. It is less likely to be systemic if that expectation is met. After all, there has been a massive deleveraging. Active loans for Genesis, for instance, fell to \$2.8 billion at the end of September, from a high of \$14.6 billion at the end of March. Public sentiment and confidence dominate. The regulatory response matters greatly for the future unlock of digital Exchanges like Binance and FTX concentrated activity offshore to bypass US regulatory headwinds. A stronger onshore regulatory framework would make the odds of such events less likely. Yet, the risk is the opposite – that the playing field stays uneven, driving activity to weaker regulatory environments. Integrating into the regulatory mainstream is the pathway for digital to scale. What should emerge is an appreciation for the value of seeing publicly audited financials – companies disciplined by market accountability.

## WEEKLY BEATS

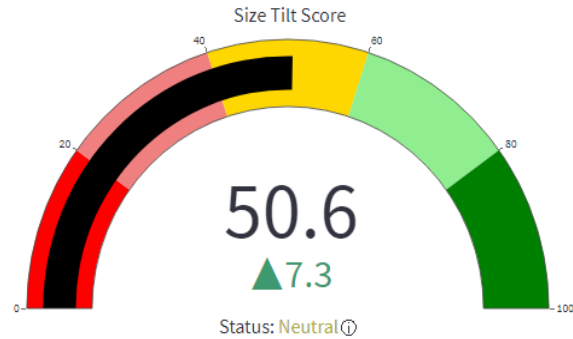
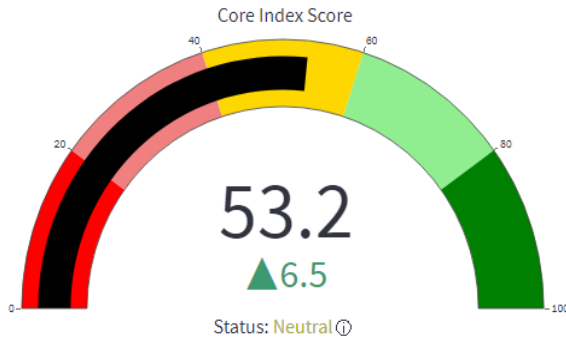
1. Chart of the Week – FTT vs BNB
2. Fundamental Pulse –High Network Activity
3. FTX Exchange Reserves
4. Deleveraging in the Digital Ecosystem
5. Network Supply Distribution- FTX vs One River Core Index

### 1. FTT VS BNB – CORRELATED NO MORE



Source: Coin Metrics. One River Digital Calculations.

## 2. FUNDAMENTAL PULSE – NETWORK PERFORMANCE



Total Users  
172,439,155.0  
↑ 0.26%

Active Users  
2,071,475.0  
↑ 7.62%

Transfers  
2,257,042.0  
↓ -2.63%

MarketCap  
554,541,418,426.79  
↓ -10.9%

Onchain-Volume  
13,351,624,782.11  
↑ 23.98%

Network activity is at a one-month high, though owing levels to the dominant sell pressure in the wake of the FTX downturn. Polygon remains the bright spot in the ecosystem due to its enterprise integrations in the past few days.

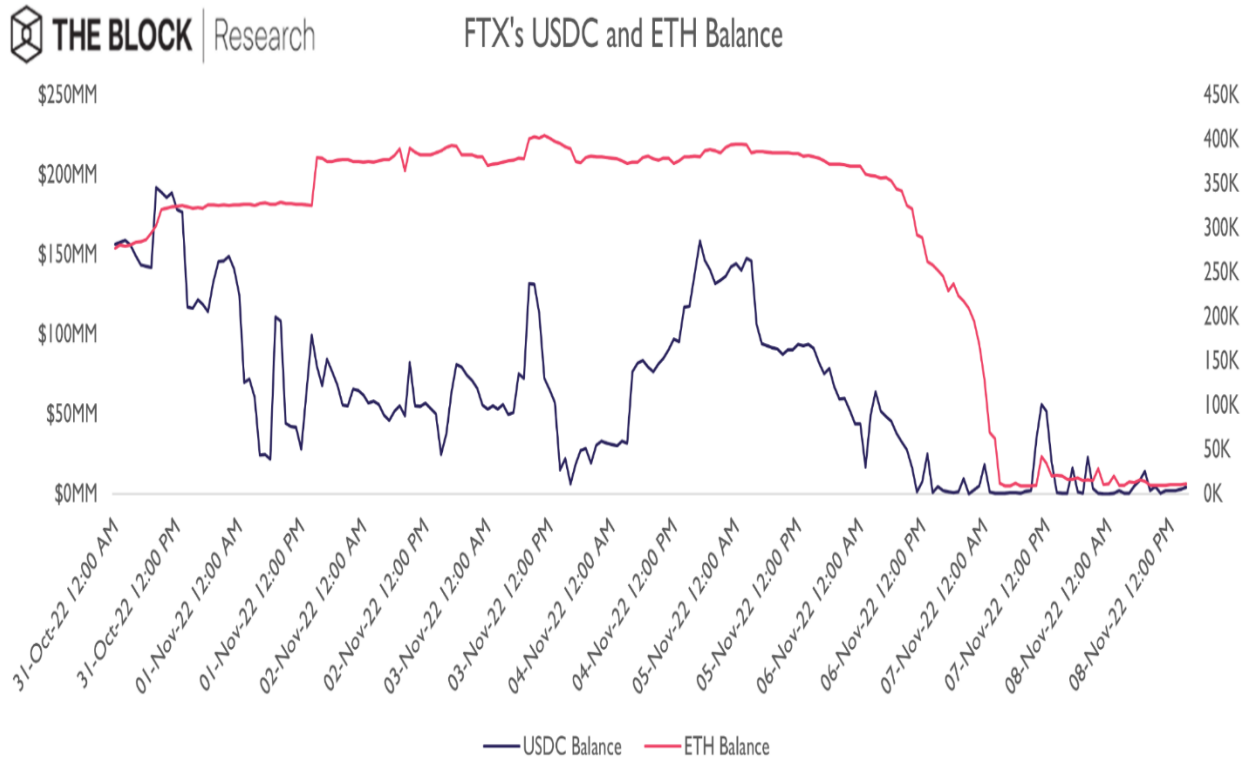
Assets	Asset Score	7d Change	30d Change	Volume	Transfers	Active Users	User Growth	Valuation	Velocity	Network Distribution
Core	53	7	5	61	35	38	42	22	67	96
Size Tilt	51	7	7	61	35	38	42	22	67	96
Bitcoin	61	6	6	72	48	47	42	13	100	100
Ethereum	37	7	1	43	7	21	43	34	2	89
Cardano	55	-1	10	38	46	29	44	26	100	100
Polygon	65	28	31	73	69	55	49	70	15	88
Litecoin	54	7	6	46	19	17	35	60	100	90
Bitcoin Cash	20	4	5	43	14	26	9	33	0	22
Stellar	40	6	5	43	23	34	35	33	0	100

\*Snapshot on 11/9/2022. 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. FTX EXCHANGE RESERVES

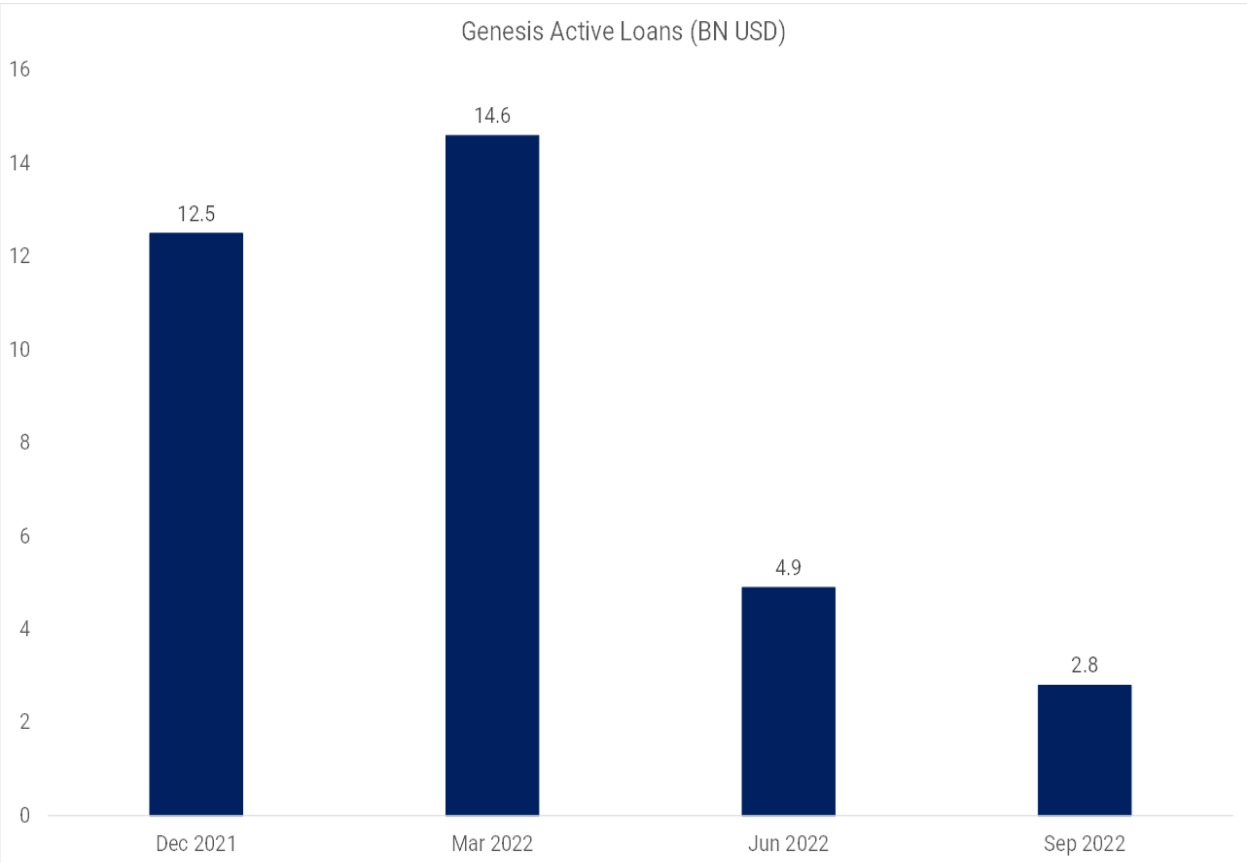
FTX's liquidity squeeze is evident in the significant drop in reserves during the late hours of Sunday before Binance's proposed buyout of FTX on Tuesday.



Source: The Block Research.

#### 4. DELEVERAGING IN THE DIGITAL ECOSYSTEM

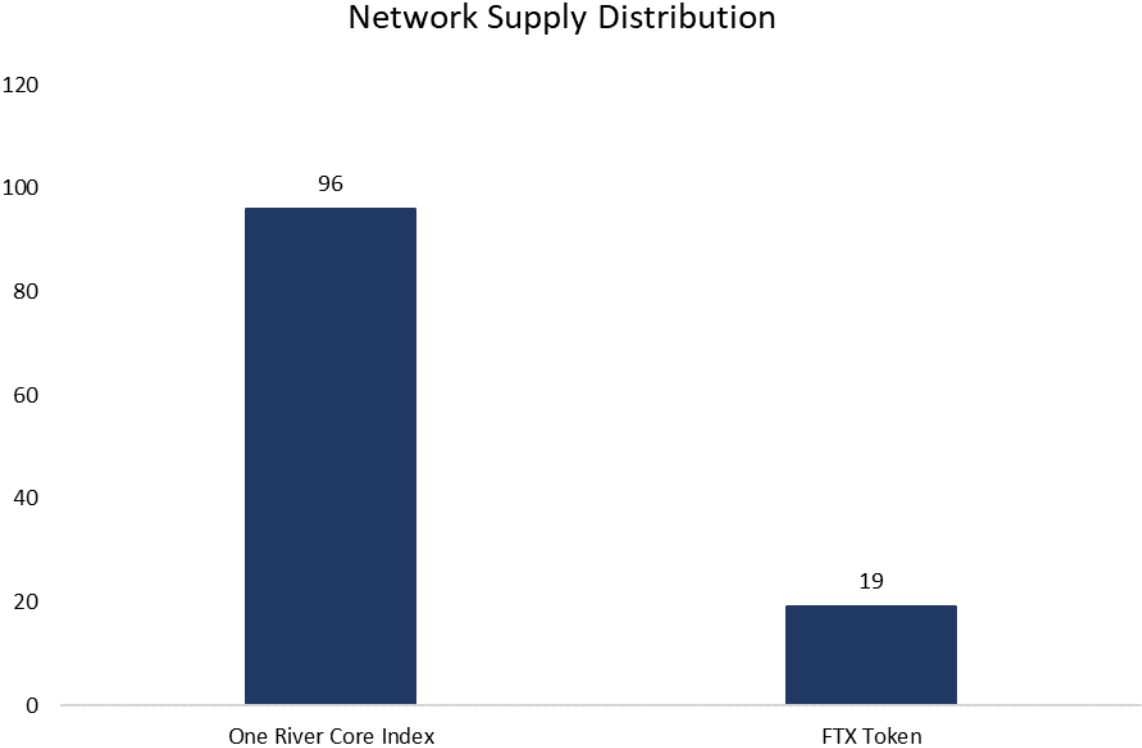
Leading lending firm, Genesis, has seen its active loans drop significantly since the start of the year. Declining debt reduces the risk of contagion in the ecosystem.



Source: Genesis Quarterly Reports.

### 5. NETWORK SUPPLY DISTRIBUTION – FTX VS ONE RIVER CORE INDEX

The concentration of supply amongst a few wallets increases the risk to a blockchain network.



The supply distribution amongst the One River Core Index has continued to trend higher in this bear market. A strong positive for the decentralization of networks.

Source: Coin Metrics. One River Digital Pulse (October 8, 2022) Metric- Supply Equality Ratio– the ratio of supply in small accounts to large accounts.

# 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: 0461647 | FINRA: 167835