

One River Digital Pulse Report



19 OCTOBER 2022

One River Digital
Research

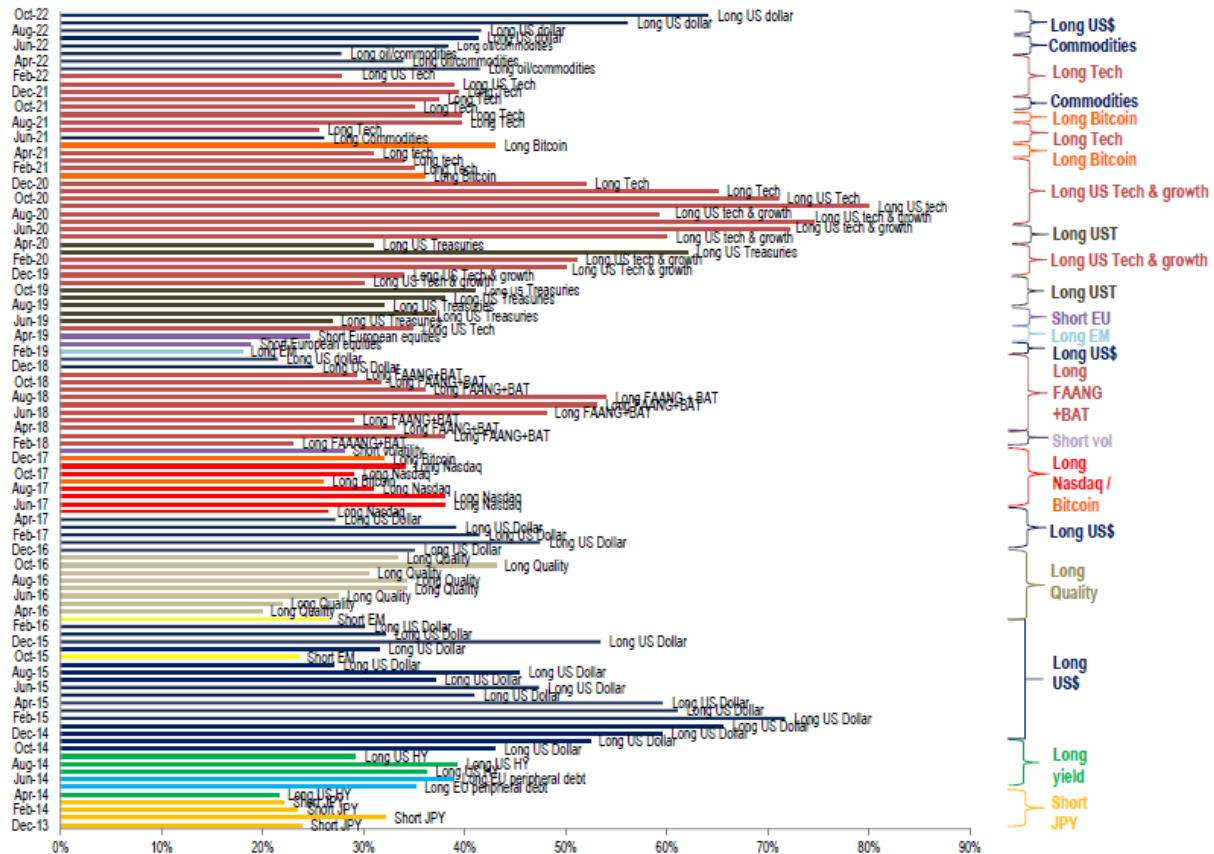
Weekly Pulse - Positioning:

For any idea to be right, it needs to become consensus. Yet, when an idea becomes consensus, too often things start to feel easy. Luck and skill get confused. It is easy to forget how hard it is to get things right, and lackadaisical decisions pose risks. Aged investors are especially humbled by such circumstances. Being aware of where you stand in the pack is important, and positioning surveys are a useful gauge. None have the richness of history as the BOAML Global Fund Manager Survey. The message from the October Survey was clear – cash is king. Not just any cash, US dollars. This isn't news to the market. The US dollar is at multi-decade highs. The most crowded trade by far is being long the US dollar. Back in 2021, Bitcoin made the list a couple of times. Same in the 2017 highs. The themes rotate, but the message is always the same – if an asset on the list is a dominant part of your portfolio, it is time to think of risk-mitigation strategies. Digital asset markets have traded exceptionally well against the backdrop of a strong US dollar, weak commodity markets, rising real yields, and declining global equities. Of course, that resilience comes from the digital version of the great financial crisis. But it puts digital asset markets in a unique position. What role does digital play in your portfolio? The emergent trend in digital assets will diversify away from the consensus, most likely to emerge strongly when the US dollar's upward trend reverses. It is the contra-trend to stretched positioning. That's rare. Embrace it.

WEEKLY BEATS

1. Chart of the Week – Most Crowded Trade? Long USD.
2. Fundamental Pulse – Unchanged, and Neutral
3. 59% of Bitcoin Holders are Currently in Profit
4. Bitcoin Cash's Activity
5. Vintage Coins' Transfer Activity

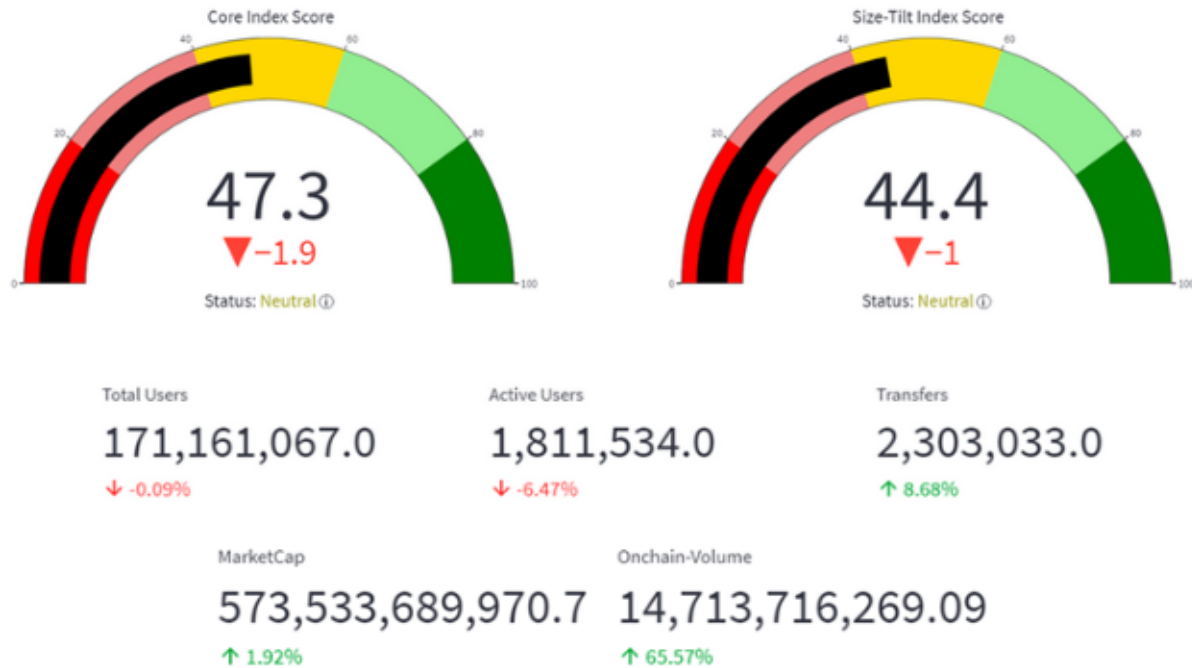
1. MOST CROWDED TRADE? LONG USD, REVERSAL BENEFITS DIGITAL ASSETS



Source: BOAML Global Fund Manager Survey, October 18, 2022.

The Global Fund Manager Survey brings together hundreds of top institutional investors to anonymously respond to questions on macro asset allocation. The past decade of “the most crowded trade” has been a reliable counter-trend indicator – timing is always the unknown. Long USD is the most crowded, and a reversal will support digital assets.

2. FUNDAMENTAL PULSE – NETWORK PERFORMANCE



The Pulse remains at neutral levels. Bitcoin and Ethereum have shed a lot of network activity this past month and Bitcoin Cash is the biggest gainer. But will there be follow-through to Bitcoin Cash's activity?

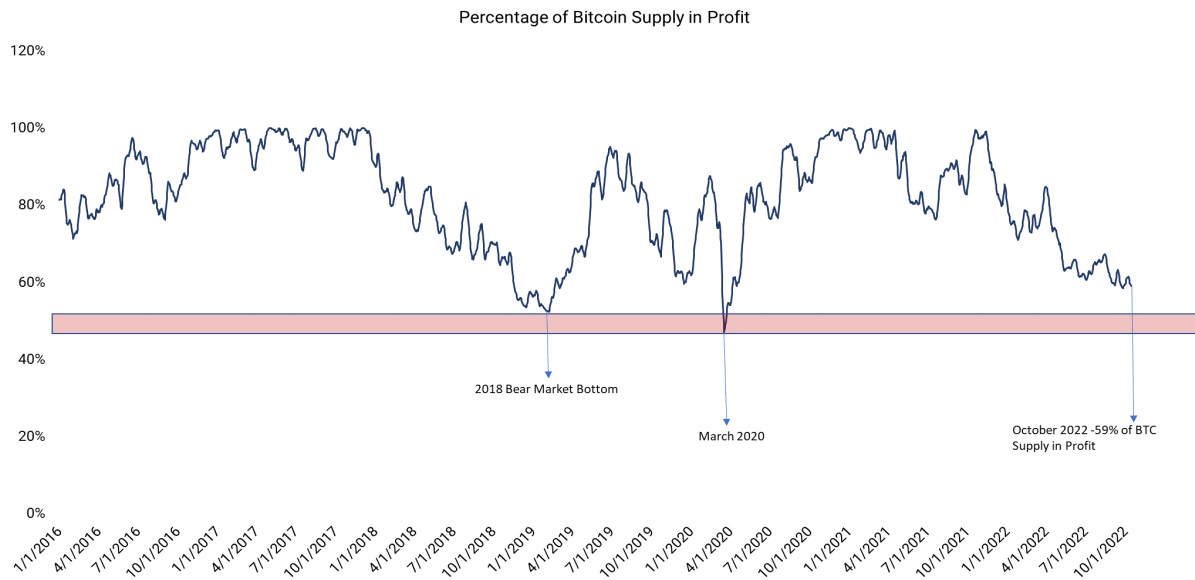
Assets	Asset Score	7d Change	30d Change	Volume	Transfers	Active Users	User Growth	Valuation	Velocity	Network Distribution
Core	47	-2	-10	42	29	38	54	9	69	96
Size Tilt	44	-1	-7	41	24	35	50	13	58	94
Bitcoin	54	-1	-10	51	40	36	48	7	100	100
Ethereum	33	-4	-14	21	8	47	72	10	0	87
Cardano	49	5	2	34	30	13	35	17	100	100
Polygon	28	-5	-1	37	5	6	23	35	20	94
Litecoin	51	3	-1	60	11	61	9	11	100	100
Bitcoin Cash	25	8	10	43	12	19	57	13	0	27
Stellar	33	-1	2	36	11	25	46	26	2	100

*Snapshot was taken on 10/18/2022. 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. 59% OF BITCOIN HOLDERS ARE CURRENTLY IN PROFIT

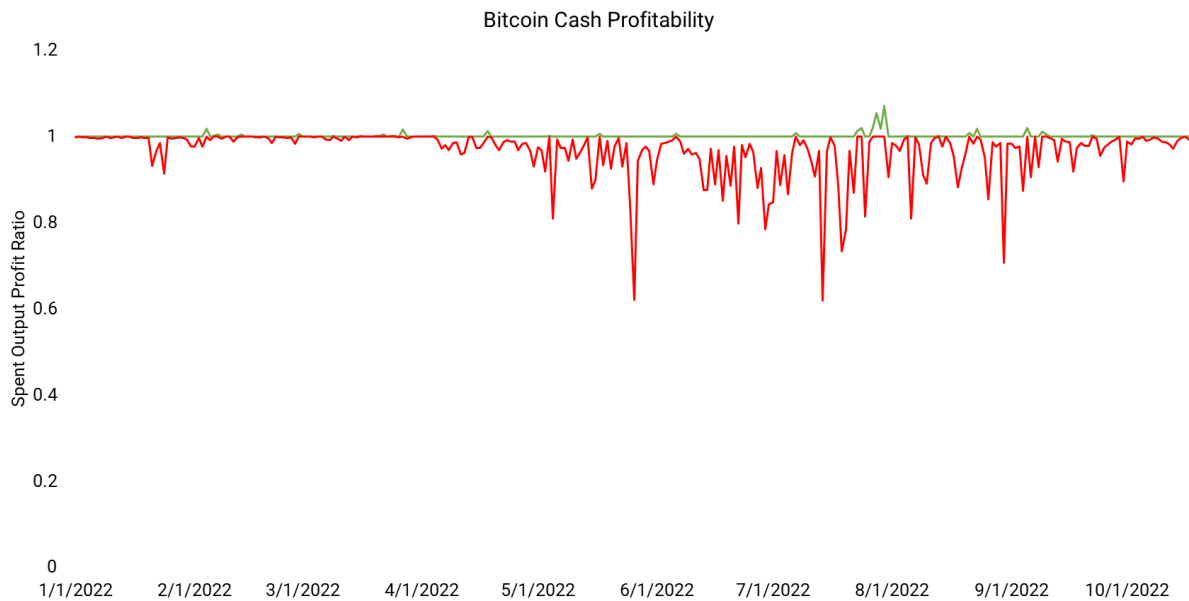
Over 59% of Bitcoin Holders are in profit. It remains higher than previous lows in March 2020 and November 2018.



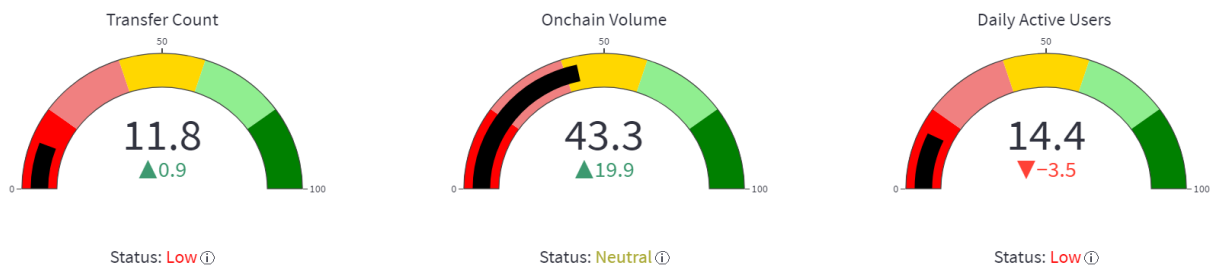
Source: Coin Metrics.

4. BITCOIN CASH'S ACTIVITY

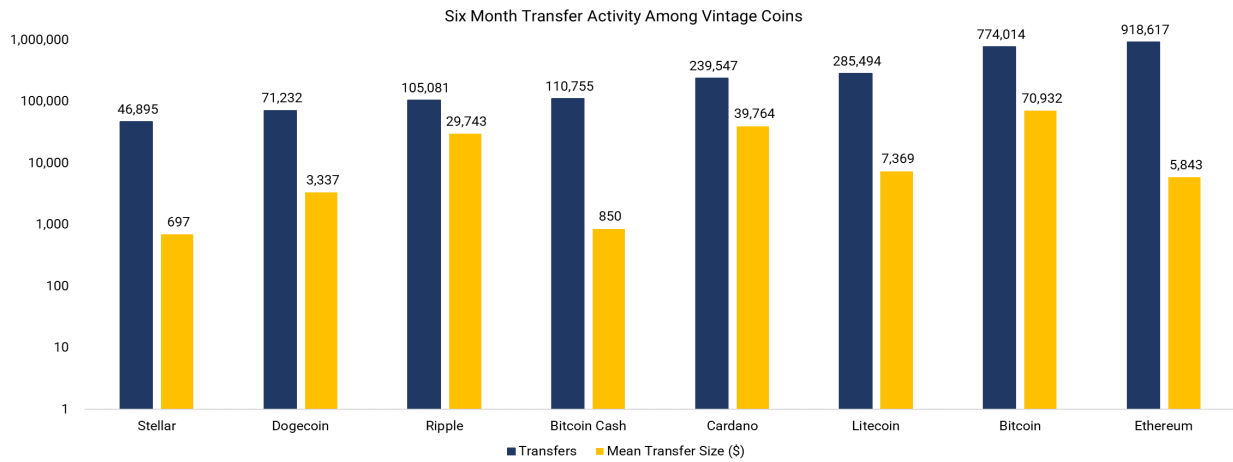
Bitcoin Cash (BCH) holders have been selling at a loss for most of 2022. While the selling has dropped in momentum over the past month, BCH's on-chain activity remains at its poorest state in a year. The recent surge in activity is due to high-value transactions.



Source: Coin Metrics. The Spent Output Profit Ratio dictates if coin holders were profitable at the time the coin was sold. A score above 1 indicates coins were sold at a profit. A value below 1 indicates they were sold at a loss.



5. VINTAGE COINS' ACTIVITY



Source: Coin Metrics.

Vintage Coins (age 5 years+) continue to amass a sizeable amount of daily activity over the last six months. Ethereum leads the pack in transfer activity.

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 poorest 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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