

# One River Digital Pulse



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One River Digital  
Research

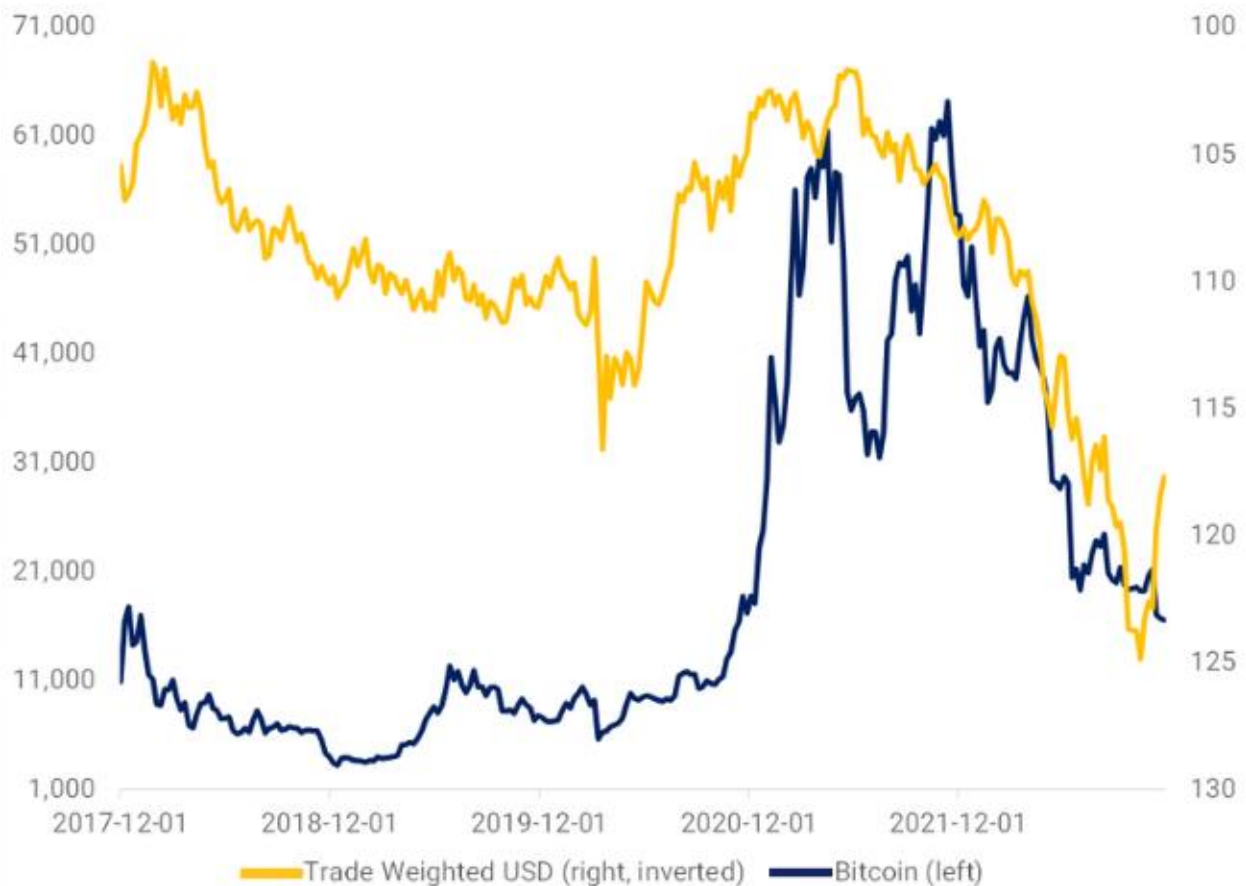
# Weekly Pulse – Hash Down

Digital Pulse – Hash Down: The Digital Pulse surge that came with stronger prices last month is now working sharply in reverse. Pulse scores for Bitcoin and Polygon that led the rise have done the same in reverse, back into the neutral territory after a week of sluggish activity. Yet, beneath the surface, there is an important behavioral shift – the capitulation of mining. Mining revenue has been depressed for an extended period. But computer power dedicated to production remained elevated, keeping the mining difficulty rate relatively high. This is now shifting rapidly – the Pulse for the hashrate fell briefly more than 12 points to 76.8 this week, its lowest reading in three months, before an uptick over the last two days. It adds to a long list of indicators that show a capitulation of bullish views. When bad news hits – such as the bankruptcy of BlockFi – and prices don't decline, the bad news is good news. Think of BlockFi delinquency as a bond trading at 15% of par – not a shock. The broader macro picture is turning more favorable. Recession odds are declining with a weaker US dollar, lower oil prices, and falling bond yields. Just as the rapid appreciation of the US dollar was a proxy for the tightening in credit conditions, the depreciation shows signs of thawing. This is a tailwind for digital assets, deflected by uncertainty about the next steps in deleveraging. Digital assets crash up and down. Buyers and sellers beware.

## WEEKLY BEATS

1. Chart of the Week – USD Weakness: A Macro Tailwind
2. Fundamental Pulse – Neutral
3. Bitcoin’s Hashrate drops briefly to its lowest in three months
4. Merged Mining – Litecoin and Dogecoin

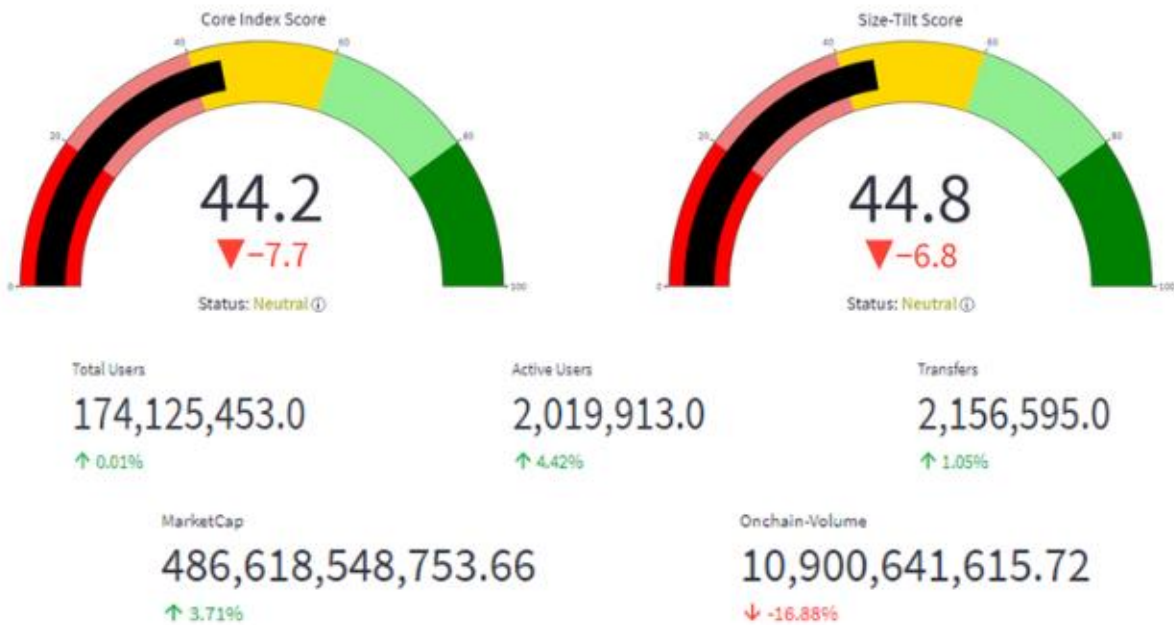
### 1. US DOLLAR WEAKNESS GREASING TURNING TO A MACRO TAILWIND



Source: Federal Reserve Board of Governors. Coinbase.

The Federal Reserve’s accelerated tightening of credit conditions saw a rapid appreciation of the US dollar. Digital asset markets were a first mover to the risks that would emerge. The weakening of the US dollar more recently is a tailwind more than a headwind – it doesn’t take a “dovish” Fed, predictable policy could be enough.

## 2. FUNDAMENTAL PULSE – NETWORK PERFORMANCE



Network activity continues to drop. Polygon and Bitcoin have reversed sharply. While Litecoin continues to distance itself from the rest of the index assets in price performance, it is also showing signs of weakness in network activity.

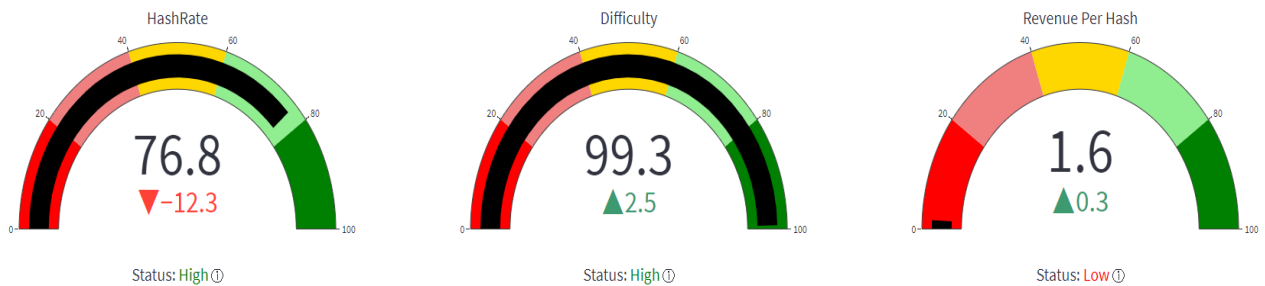
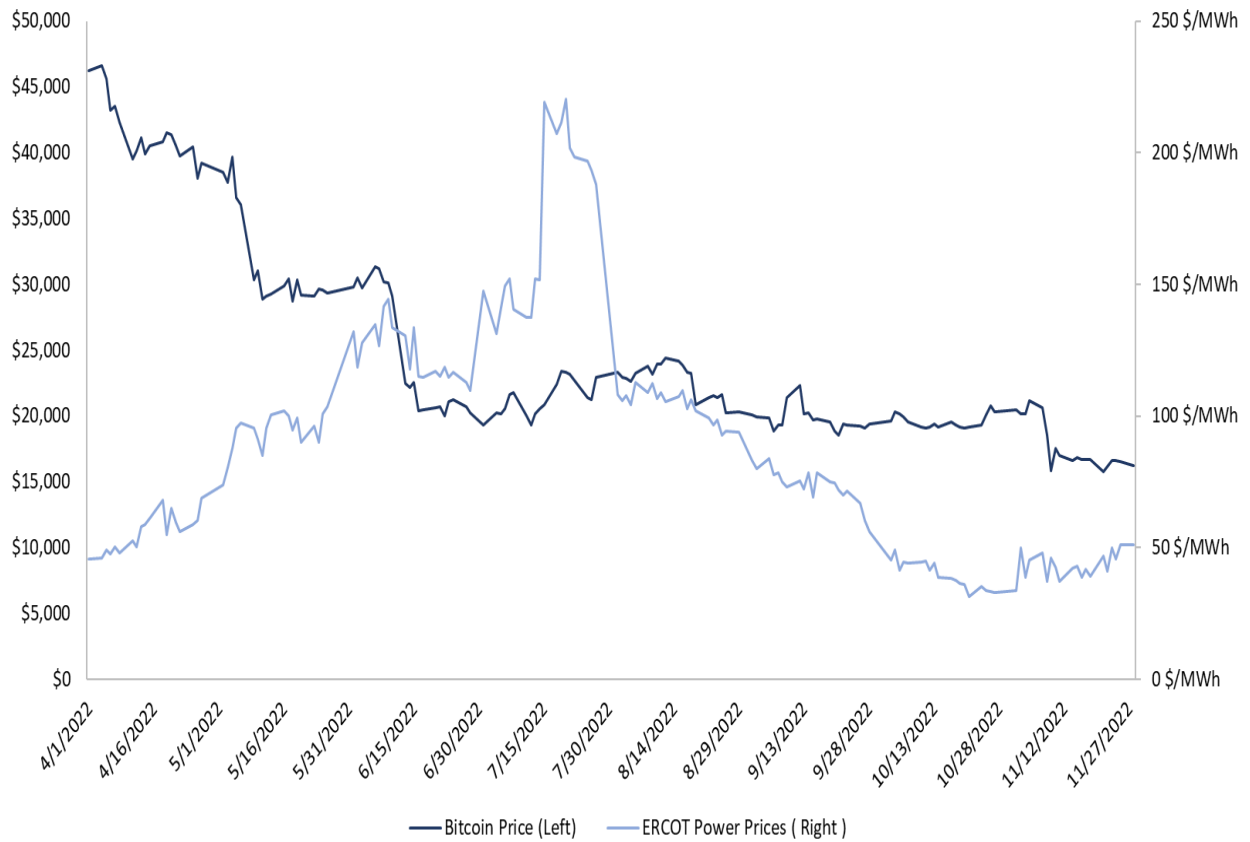
Assets	Asset Score	7d Change	30d Change	Volume	Transfers	Active Users	User Growth	Valuation	Velocity	Network Distribution
Core	44	-8	-3	21	25	60	22	15	67	99
Size Tilt	45	-7	1	28	26	54	28	23	58	97
Bitcoin	46	-9	-9	8	34	58	20	5	95	100
Ethereum	39	-6	6	43	4	68	19	28	14	100
Cardano	62	-3	6	53	40	36	64	41	100	100
Polygon	58	-17	18	51	61	58	56	46	32	100
Litecoin	45	0	0	2	27	27	28	45	95	89
Bitcoin Cash	25	2	10	43	17	25	6	38	0	50
Stellar	37	-2	3	42	14	29	54	22	0	100

\*Snapshot on 11/29/2022. 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. BITCOIN'S HASHRATE BRIEFLY DROPS TO ITS LOWEST IN THREE MONTHS

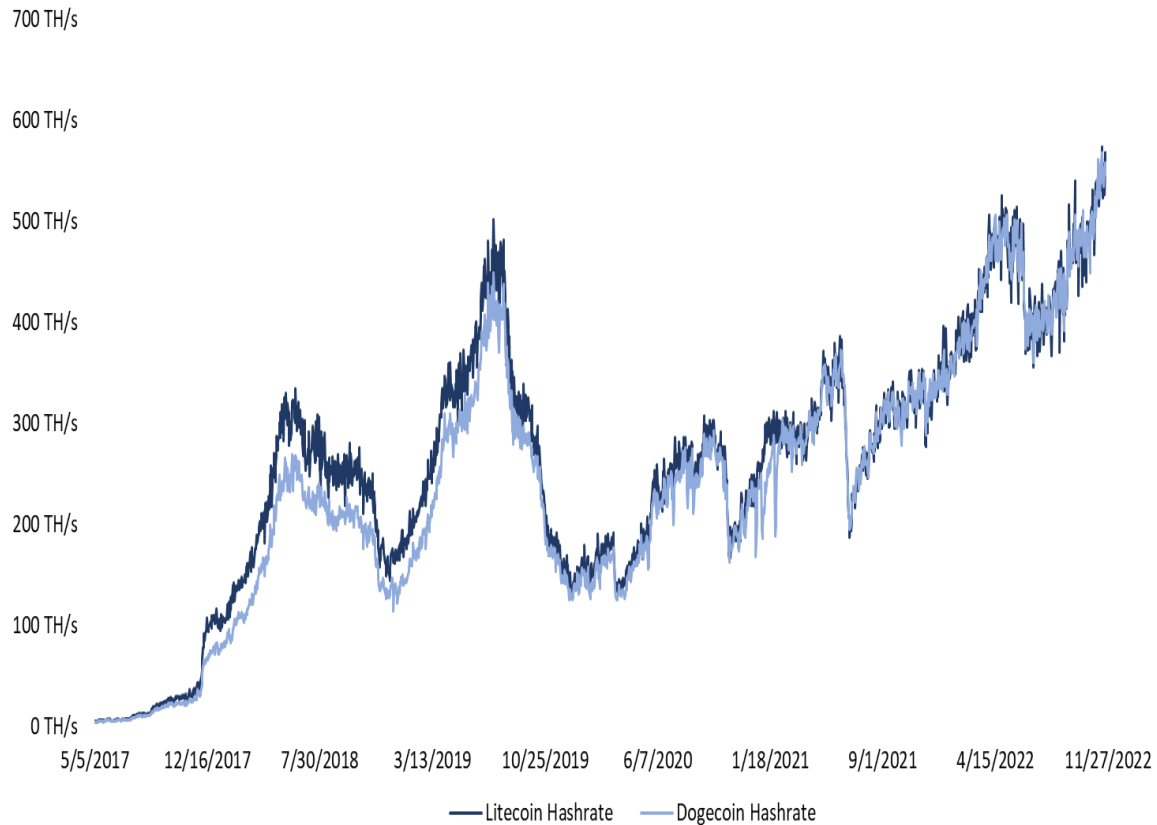
Bitcoin's price drop has led to uneconomic production leaving the network. Bitcoin's hashrate briefly fell to its lowest in the last three months. Though power prices have fallen since the summer, it is still not enough to offset costs for most miners.



Source: Bloomberg LP, Glassnode, One River Digital Pulse.

#### 4. MERGED MINING – LITECOIN AND DOGECOIN

Since Dogecoin and Litecoin share the same mining algorithm, miners can produce both Dogecoin and Litecoin at the same time, increasing their total reward. Historically, the hashrate for both coins has trended in a similar fashion as miners have taken advantage.



The two coins continue to surge to all-time highs in hashrate. This continuous rise signifies greater security for both networks.

Source: CoinMetrics.

# 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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