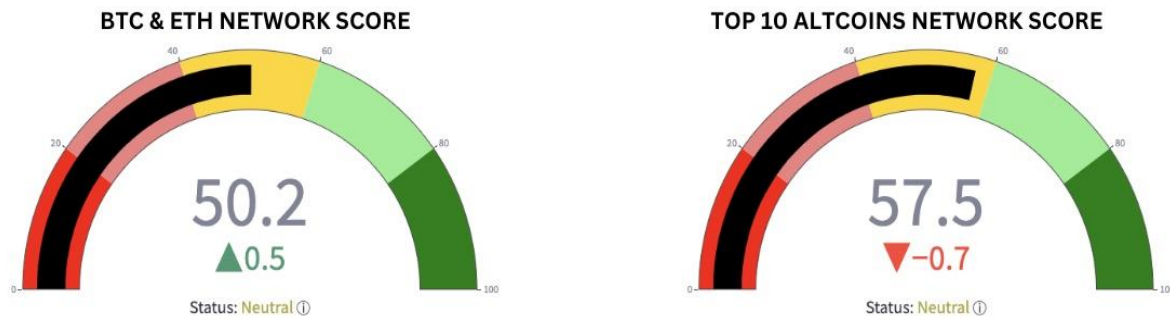


# Digital Pulse Report: Index Ice is Melting

## FUNDAMENTAL PULSE – WEEKLY NETWORK PERFORMANCE



## WEEKLY NETWORK PERFORMANCE OF THE TOP 10 ASSETS

TOTAL USERS	ACTIVE USERS	TRANSFERS	MARKET CAP	ONCHAIN VOLUME
218,660,620.0	2,146,100.0	4,932,600.0	1,123,307,516,784.49	29,927,414,880.34
↑ 0.44%	↓ -0.6%	↑ 30.96%	↓ -0.08%	↓ -5.27%

The Digital Pulse is resilient, with altcoins picking up more momentum in the past month. However, onchain volumes are still at average levels, suggesting there’s still significant room for growth.

ASSETS	ASSET SCORE	7D CHANGE	30D CHANGE	VOLUME	TRANSFERS	ACTIVE USERS	USER GROWTH	VALUATION	VELOCITY	NETWORK DISTRIBUTION
Top 10 Assets	57	-1	7	53	68	53	63	57	21	83
BTC & ETH	50	0	4	50	73	50	51	72	6	52
Bitcoin	64	1	4	46	90	73	59	74	4	100
Ethereum	37	0	3	54	56	26	42	70	7	3
Ripple	49	-1	5	26	87	19	80	33	0	100
Dogecoin	77	3	31	82	93	96	80	81	4	100
Cardano	60	-2	5	41	40	26	59	51	100	100
Polygon	42	-3	4	60	46	45	39	58	1	44
Litecoin	61	-1	14	85	72	69	48	54	5	98
Bitcoin Cash	28	-11	-12	22	32	42	49	47	1	2
Chainlink	82	-3	-1	66	77	88	79	83	98	85
Stellar	58	-2	1	50	72	70	49	62	1	100
Uniswap	60	10	7	72	80	80	39	79	2	66
Ethereum Classic	54	6	12	52	47	41	81	55	1	99

\*Snapshot from the Coinbase Asset Management Pulse on 11/29/2023. Pulse Report includes the top ten assets by market capitalization. More than 70 assets and risk management tools are available for demonstration on request.

Notes: The Scores are 12-month trailing percentile values. Changes on the gauge chart represent the seven-day change. “Top 10 Altcoins” are size-tilt weighted, the square root of market capitalization. “BTC & ETH” are equally weighted. High > 60, Neutral 40 to 60, Low < 40. A score of 41.8 means the score is better than 41.8% of its values in the past 365 days. Asset Scores are unique and sensitive to changes in a particular asset. Readers should not compare Asset Scores across assets.

Please see metric descriptions endnotes for details.

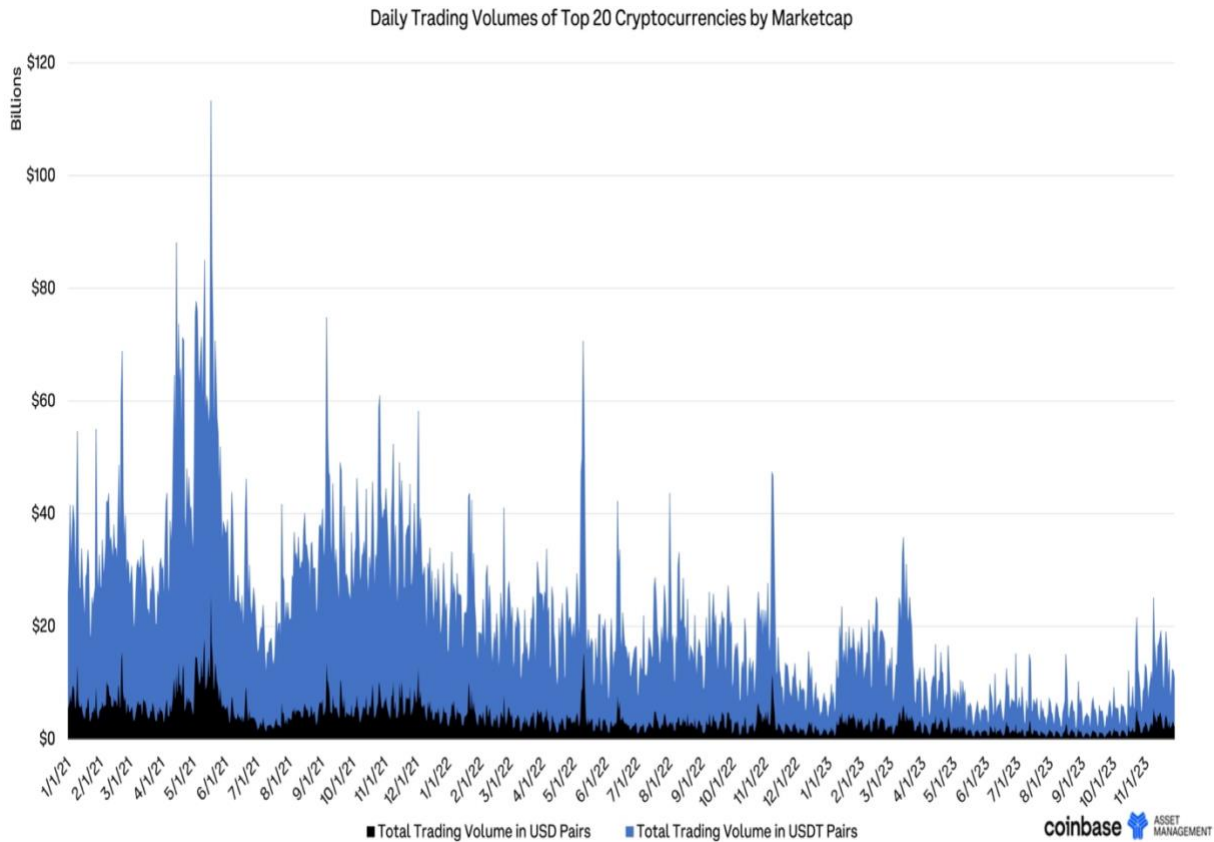
**Index Ice is Melting:** We all need a benchmark. In everything from our health to our portfolios, a benchmark gives us grounding. Building one won't bring you fanfare, but it sure is satisfying to see the attention to detail working according to plan. That's the case with our Coinbase [Indexes](#), which had this year's fourth and final reconstitution today. We welcomed back Cardano and Polygon to the Index, the first asset additions since May 2022. Winter's ice is melting. The adjustment is not merely rooted in fundamentals; it's also market liquidity. [MVIS](#) expanded Coinbase Index liquidity [criteria](#) to include US dollar stablecoins this quarter. It mirrors the changing tides of the digital ecosystem, emphasizing the importance of dynamism in index construction. Consider that in early November<sup>1</sup>, \$13 billion was transacted against USDT for the top 100 assets, compared to a modest \$2.5 billion in fiat. It tells us something about the future of trading and payments. The dynamism of index assets through the dead of crypto winter was also an interesting stress test. There are now six index assets, far from the peak of 13, expanding and contracting like construction material ought to with the varying temperatures. What's in your benchmark? The index process teaches a valuable lesson – the world is dynamic and so too are its best benchmarks.

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<sup>1</sup> Source: CryptoCompare

## USDT & USD PAIRS TRADING VOLUME

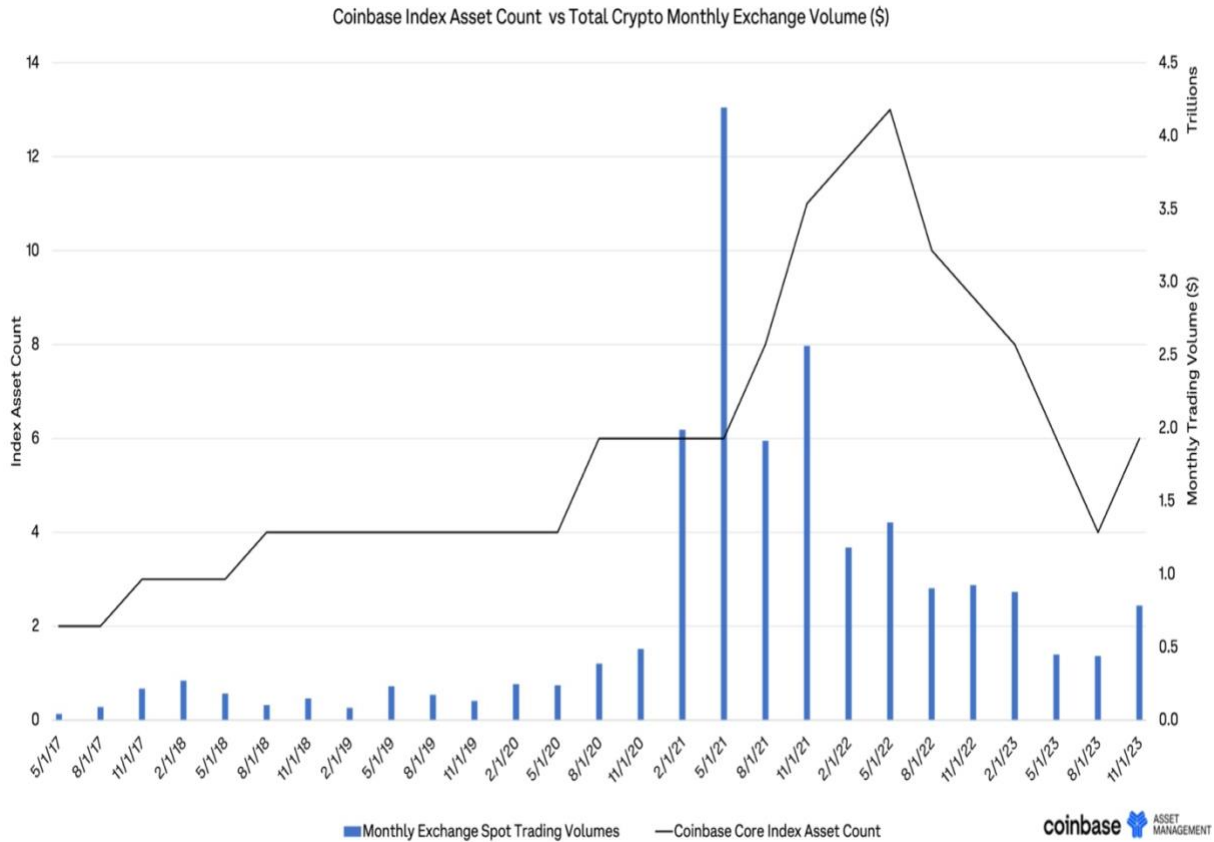
In 2023, the decline in crypto liquidity has been a key factor. However, trading volumes for USDT pairs have consistently outpaced those for USD pairs, which have remained relatively subdued throughout the year.



Source: CryptoCompare

## IMPACT OF LIQUIDITY ON THE COINBASE INDICES

The Coinbase Indexes asset [screening process](#) includes rigorous fundamental and market screening. However, the declining USD trading volumes have heavily impacted asset deletions in the past year.



Source: Coinbase Asset Management Calculations. The Block (Spot trading volumes were sourced from over 39 cryptocurrency exchanges).

## 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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