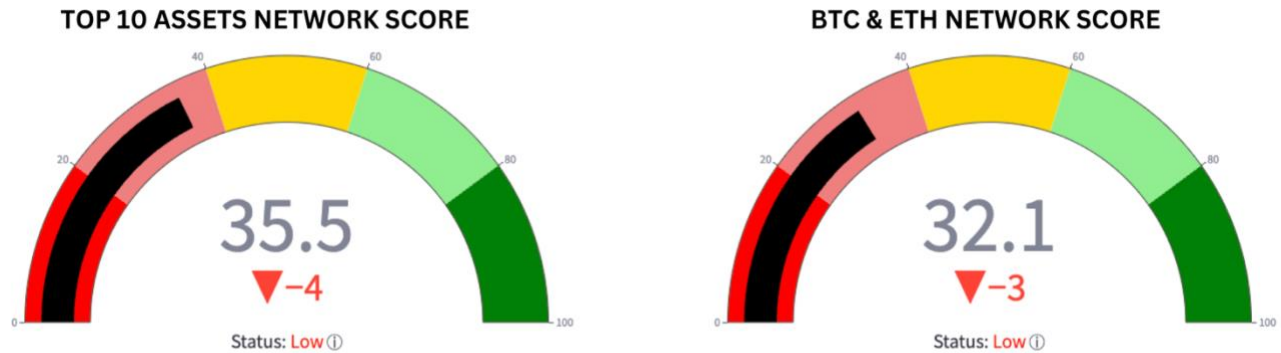


Digital Pulse Report: Voyage of Discovery

FUNDAMENTAL PULSE – WEEKLY NETWORK PERFORMANCE



WEEKLY NETWORK PERFORMANCE OF THE TOP 10 ASSETS



The Pulse of the digital economy is weak and trending lower. The downturn in BRC-20 activity has dropped the Bitcoin transfer count and active users from the high levels to below average.

ASSETS	ASSET SCORE	7D CHANGE	30D CHANGE	VOLUME	TRANSFERS	ACTIVE USERS	USER GROWTH	VALUATION	NETWORK DISTRIBUTION	VELOCITY
Top 10 Assets	36	-4	-5	30	35	34	30	38	71	9
BTC & ETH	32	-3	-8	27	35	39	29	41	53	2
Bitcoin	37	-5	-14	16	30	40	36	39	97	0
Ethereum	27	-1	-2	38	39	37	22	43	8	4
Ripple	29	-9	-8	26	13	9	22	29	100	1
Dogecoin	38	2	4	48	56	11	19	33	96	1
Cardano	52	-1	7	59	27	10	27	43	99	100
Polygon	30	-7	5	29	29	21	15	28	88	1
Litecoin	35	-3	1	59	26	23	36	11	91	0
Bitcoin Cash	39	-11	7	19	77	66	59	49	2	0
Chainlink	63	-7	24	57	60	65	46	62	71	81
Stellar	49	-2	-7	27	71	57	39	35	100	12

*Snapshot from the Coinbase Asset Management Pulse on 10/10/2023. Pulse Report includes the top ten assets by market capitalization. More than 70 assets and risk management tools are available for demonstration on request.

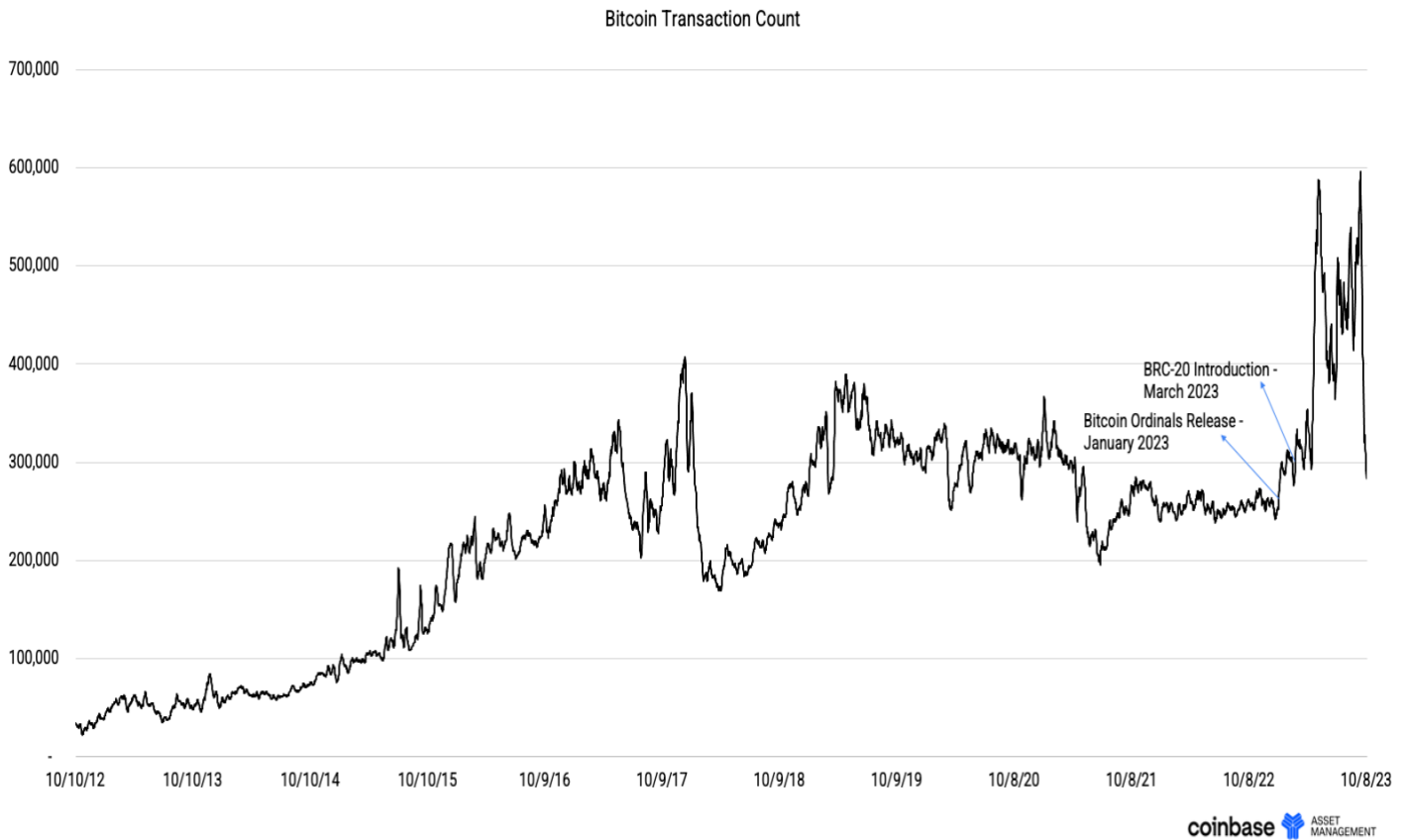
Notes: The Scores are 12-month trailing percentile values. Changes on the gauge chart represent the seven-day change. "Top 10 Assets" are size-tilt weighted, the square root of market capitalization. "BTC & ETH" are equally weighted. High > 60, Neutral 40 to 60, Low < 40. A score of 41.8 means the score 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.

Voyage of Discovery: Remember when the bitcoin network was congested? It was only a few months ago that inscriptions on satoshis – the smallest bitcoin unit – were all the rage. Taking a cue from Ethereum, this experimental standard was dubbed “BRC-20.” And as vibrant as they were, activity in BRC-20 tokens is dead. The market capitalization of BRC-20 tokens is down more than 80% from the highs of [one billion](#) dollars. They are also the driving force behind the weakness in the Pulse, with the Bitcoin Network falling to the low 30s from this year’s high of 100 (50 is neutral). So why the downturn? Inscribed bitcoin became meme-coins – enthusiasm often comes and goes. In the end, BRC-20s are experimental, a proof of concept. The signal in that noise is the Taproot upgrade that inspired inscriptions in the first place. Initiated November 2021, the Taproot upgrade reduced space on each Bitcoin block, allowing more complex activity to occur. Bitcoin isn’t just about payments after all. But BRC-20s is also where skeptics got it right. Real adoption isn’t JPEGs, meme-coins, or text – it’s consumer applications. Overlooked was the explorative spirit of crypto participants. Bitcoin developer Robin Linus’s recent [whitepaper](#), introducing BitVM, tells this tale of exploration. BitVM will allow for the creation of more expressive consumer applications like Chess, Go, Poker, prediction markets, and bridging BTC to other chains – all thanks to the Bitcoin Taproot. The directive is clear – set a solid foundation, then build. These lows are just signposts on the expedition.

BITCOIN TRANSACTIONS WANING

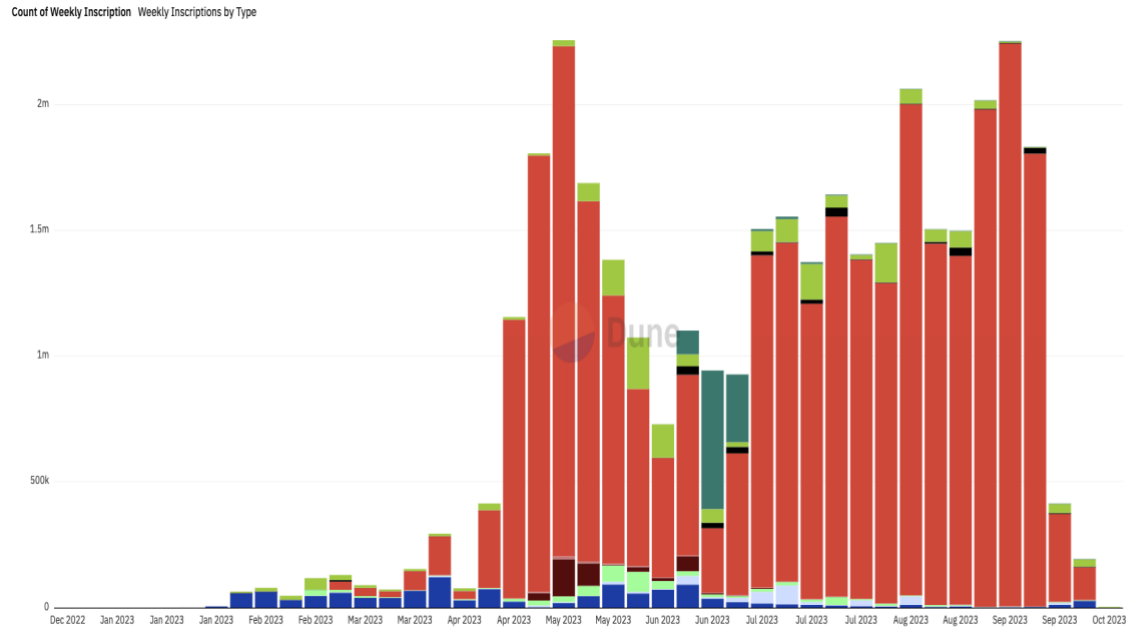
For most of 2023, BRC-20 tokens and Ordinals have been the dominated activity on the Bitcoin Network. However, a recent decline in their activity has pushed Bitcoin transactions back to a range more consistent with pre-2023 activity. Winter returns.



Source: Coin Metrics.

BITCOIN INSCRIPTIONS LAYOUT

The fall of Bitcoin transactions has coincided with the dominant BRC-20 mints plummeting. While activity may be fading, the foundation is the Bitcoin Taproot that allows for the creation of more sophisticated consumer applications -one build at a time.



Source: Dune Analytics.

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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