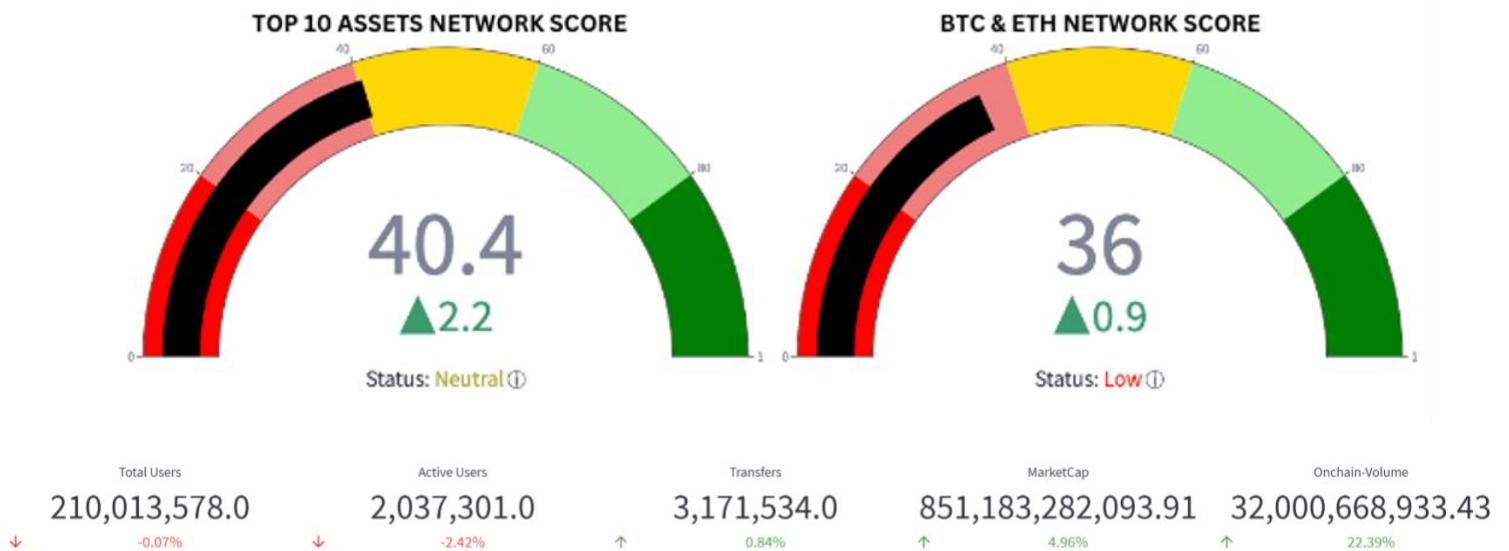


Digital Pulse Report: Macro Reins

FUNDAMENTAL PULSE – WEEKLY NETWORK PERFORMANCE



WEEKLY NETWORK PERFORMANCE OF THE TOP 10 ASSETS

The Pulse of the digital economy remains low. It is a tug-of-war between long-term and short-term holders. Those holding bitcoin for longer than a year stands at a record high, slowing asset turnover and activity. Shorter-term holders are mostly bystanders, evidenced in the slow start to ETH ETFs.

ASSETS	ASSET SCORE	7D CHANGE	30D CHANGE	VOLUME	TRANSFERS	ACTIVE USERS	USER GROWTH	VALUATION	NETWORK DISTRIBUTION	VELOCITY
Top 10 Assets	40	2	-4	36	48	50	21	47	72	9
BTC & ETH	36	1	-9	32	49	55	14	48	53	1
Bitcoin	47	-2	-9	22	45	82	12	46	97	0
Ethereum	26	4	-9	41	53	28	16	50	9	2
Ripple	33	7	-13	43	23	9	36	50	100	0
Dogecoin	33	4	-1	40	57	17	23	22	98	4
Cardano	48	4	10	64	36	10	28	49	100	99
Polygon	24	5	10	37	46	26	21	33	91	1
Litecoin	36	4	3	60	34	29	38	20	97	0
Bitcoin Cash	30	12	18	42	87	81	44	77	5	0
Chainlink	64	6	26	70	73	81	50	77	67	85
Stellar	53	5	1	39	71	59	41	48	100	13

*Snapshot from the Coinbase Asset Management Pulse on 10/05/2023. Pulse Report includes the top ten assets by market capitalization. More than 70 assets and risk management tools are available for demonstration on request.

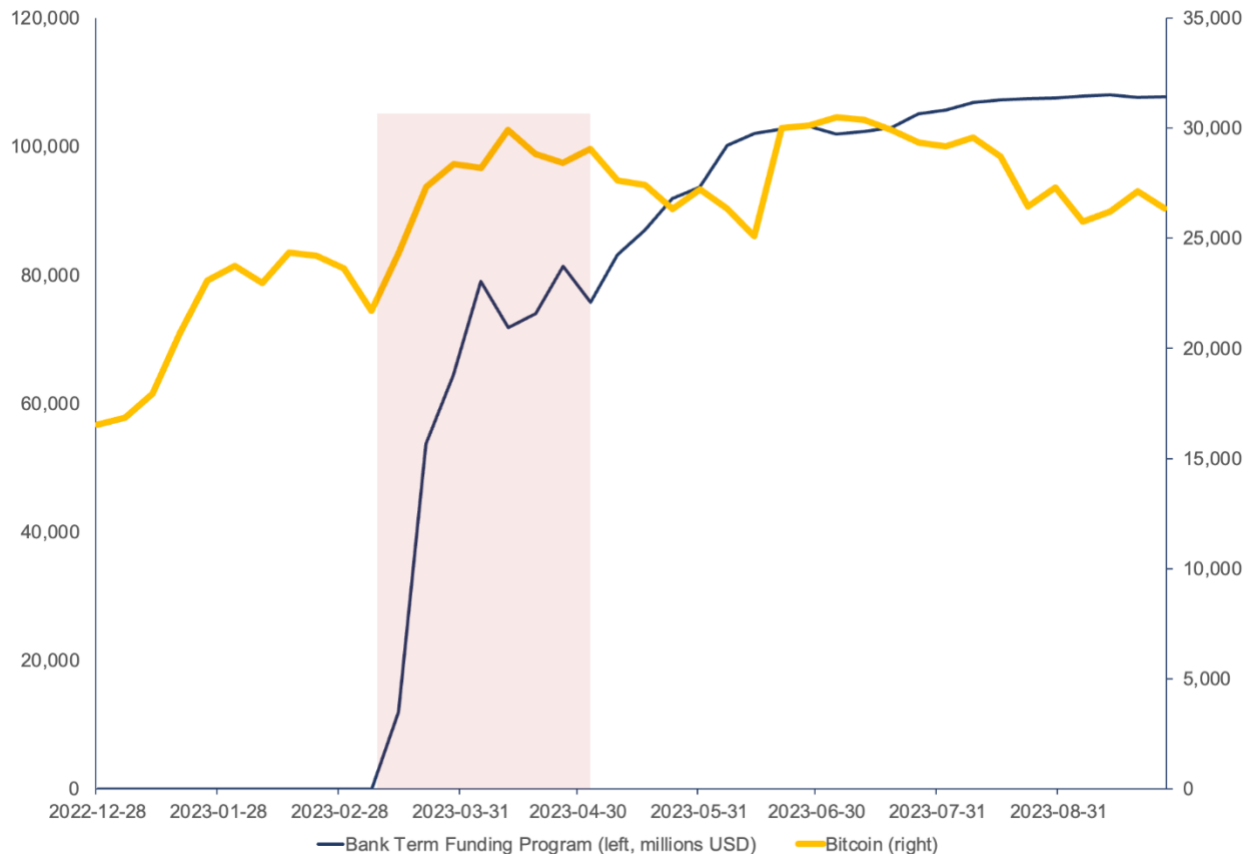
Notes: The Scores are 12-month trailing percentile values. Changes on the gauge chart represent the seven-day change. "Top 10 Assets" are size-tilt weighted, the square root of market capitalization. "BTC & ETH" are equally weighted. High > 60, Neutral 40 to 60, Low < 40. A score of 41.8 means the score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

Macro Reins...are taking control of imbalances. First it was inflation. Its post-COVID surge demanded faster rate hikes. Bond markets weren't fussed. Long-term inflation expectations held near the 2% Fed target. The macro market believed that the Fed was serious about getting inflation down. And now one-year inflation expectations are back to 2% from more than 5%. Check. But the bond market got one bit way wrong – there was no steep recession. Why? Fiscal. And that's the next imbalance for macro markets to rein in. Long-term real yields are approaching 2.5%, the highest since 2007 and miles away from the Fed target of 0.5%. Who wins that battle? US interest rate payments will reach 3% of GDP next year, the highest since the early 1980s when rates were more elevated. Does fiscal policy take the signal? Does the rise in bond yields pinch credit and equities? One can appreciate the sluggish performance of our Digital Pulse. Smaller projects need capital and credit conditions are rapidly tightening. The market signals discipline over growth. But what of the big-two, Bitcoin and Ethereum? Banks who were forced into longer-duration assets are now stuck with losses on their "risk-free" holdings, a regulatory mirage. Asset turnover will collapse as banks cannot afford to sell those bonds in the hole. US bank stocks have retraced two-thirds of their post-COVID appreciation. We're in the midst of a reboot. Efficiency gains matter. Are crypto base layers a fully-reserved banking alternative? Macro markets hint it's the case. Strange things happen when resetting economic norms. Don't be alarmed by the weak Digital Pulse. Blame bonds...and Canada, of course.

CHART OF THE WEEK – BITCOIN LIKED BANK INTERVENTION

It's all happening too fast for banks to smoothly adjust. First it was the rapid rise in policy rates that drove funds away from low-yielding deposits into higher-earning money funds. The decline in inflation was supposed to bring reprieve. Instead, real interest rates have surged. Unrealized losses for banks are mounting...without recession. Now, imagine what they do in the next downturn. As bank equity prices drift to cycle lows, the March 2023 period comes back into focus. The Fed created another emergency facility – the Bank Term Funding Program. It was a boost to bitcoin. Even with the surge in bond yields since then, crypto assets have held their ground. Macro reigns supreme and crypto assets are redefining their market narrative.



Source: FRED Economic Data, St. Louis Fed. Week ending Wednesday.

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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