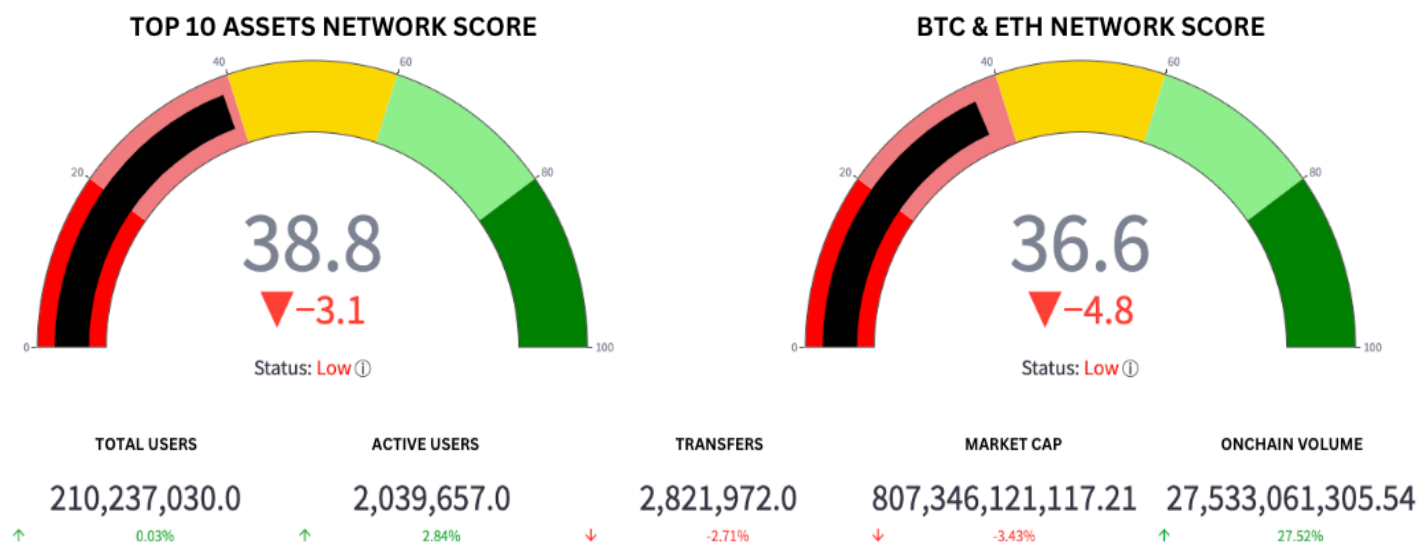


Digital Pulse Report: Tokenization is on Fire

FUNDAMENTAL PULSE – WEEKLY NETWORK PERFORMANCE



WEEKLY NETWORK PERFORMANCE OF THE TOP 10 ASSETS

The Pulse of the digital economy is soft. Low market volatility is dampening user growth, velocity, and volumes. Active users, transfers and network distribution are strong – fundamentals are not all bad.

ASSETS	ASSET SCORE	7D CHANGE	30D CHANGE	VOLUME	TRANSFERS	ACTIVE USERS	USER GROWTH	VALUATION	NETWORK DISTRIBUTION	VELOCITY
Top 10 Assets	39	-3	-3	22	53	55	30	27	74	9
BTC & ETH	37	-5	-5	16	61	70	30	24	57	0
Bitcoin	47	-8	0	12	70	90	31	25	100	0
Ethereum	26	-2	-10	19	51	49	28	23	13	0
Ripple	33	4	-7	32	26	6	32	33	100	1
Dogecoin	33	0	-7	12	57	14	34	5	99	10
Cardano	48	4	3	49	20	6	25	33	100	100
Polygon	24	0	-3	17	11	9	23	16	94	1
Litecoin	36	1	0	65	19	17	36	17	96	0
Bitcoin Cash	30	-14	5	18	47	46	41	49	6	0
Chainlink	64	10	15	66	67	72	25	71	64	86
Stellar	53	1	-1	43	79	61	24	50	100	14

*Snapshot from the Coinbase Asset Management Pulse on 9/27/2023. 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.
Please see metric descriptions endnotes for details.

Where There's Smoke...there's fire? Tokenization papers are the smoke in crypto markets. The Fed sees the signals (hat-tip to DeFi Llama, whose data are all over the report). The policy message – beware of tokenized assets transmitting unwelcomed volatility to traditional markets. It's an odd thesis. Bad underwriting is the root of risk – those risks will be realized on any rails. Bad infrastructure is an operational risk – digital infrastructure has demonstrated far more resilience than traditional ones. It was Fed-regulated banks that sent volatility to digital assets in March, after all. Traditional players also see the smoke. Some are leaning against it. Chase issued new rules in the UK to prevent “crypto transactions,” the same bank that trademarked its crypto wallet last year. Others are leaning into it. The largest Financial Market Infrastructures – the record keepers for most of the world's securities – want to safeguard tokenized securities and play the role of a regulated provider of “trust.” The fire is the value proposition from tokenization. It delivers incredible collateral efficiency on “trustless” rails – one theme in the must-read STA report. You don't need to move assets around to change ownership. Risks lessen. Capital productivity surges. The Fed lists 20 tokenized assets – all underwhelming. But USD stablecoins aren't even on the list! Born to support unbanked on-chain finance, USD stablecoins now have transaction volumes that rival VISA rails and only ~\$110 billion of assets. Serious about tokenization? Study its greatest success story. (Spoiler alert – the start was a bit bumpy.)

CHART OF THE WEEK – TOKENIZED WORLD FOR HENRYs

Think tokenization is only concept? Think again. USD stablecoin proved the concept, demonstrating resilience under great stress. But attention may be too focused on the US. International markets are racing ahead, attentive to assets where fractionalized ownership can broaden demand. Like bonds. Bondblox runs private credit on regulated digital rails with the Monetary Authority of Singapore and traditional market players like Citibank. The target audience of 500 million even has a clever name – HENRYs for High Earners Not Rich Yet. The technology stack will become far more efficient over time. We see the delivery of a single stack as most likely to dominate, rather than a long list of intermediaries as is currently the case.

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Bangkok Bank	Vedanta	Emirates NBD	StanChart
Bombardier	BNP Paribas	Olam	Keppel REIT
JSW Steel	REC	Julius Baer	PT Pertamina

Source: Bondblox.com

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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