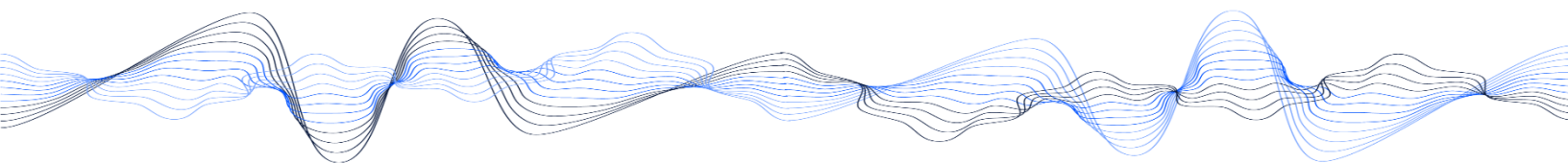




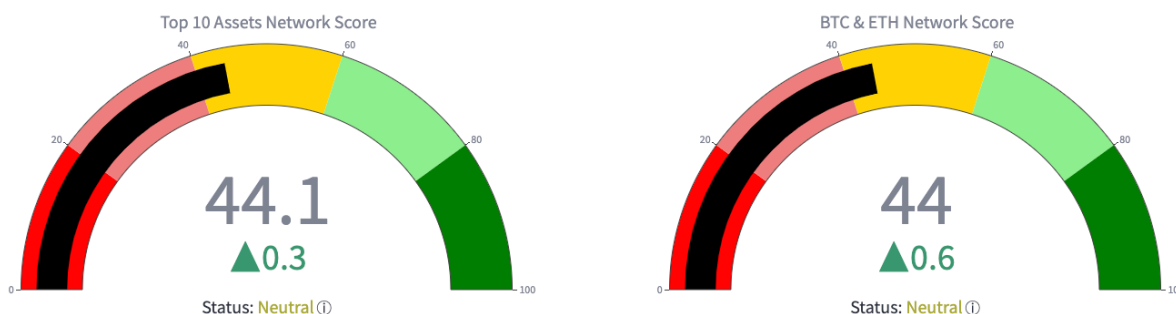
Digital **Pulse** Report: Coin Velocity



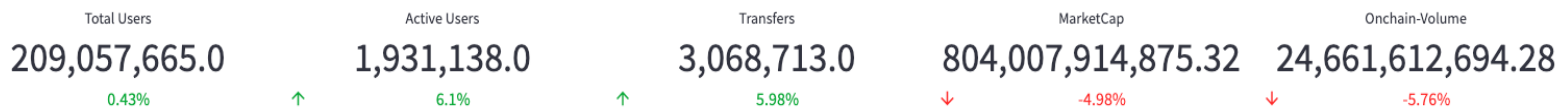
7 September 2023

Coinbase Asset Management

FUNDAMENTAL PULSE – WEEKLY NETWORK PERFORMANCE



Weekly Network Performance – Top 10 Assets



After a phase of subdued volatility in August, the Digital Pulse indicates increased transfer activity this past week. Yet, the low velocity in some assets is particularly noteworthy.

Assets	Asset Score	7d Change	30d Change	Volume	Transfers	Active Users	User Growth	Valuation	Velocity	Network Distribution
Top 10 Assets	44	0	0	26	71	41	49	30	16	77
BTC & ETH	44	1	5	21	84	52	53	29	9	62
Bitcoin	53	3	5	11	94	60	77	25	0	100
Ethereum	35	-2	6	30	73	43	28	33	17	24
Ripple	48	0	-7	49	64	11	36	53	25	100
Dogecoin	39	1	-16	23	66	14	35	10	23	100
Cardano	44	-4	-12	47	10	2	18	33	100	100
Polygon	25	-3	-2	25	9	5	21	17	0	100
Litecoin	36	0	-14	64	28	20	36	11	0	92
Bitcoin Cash	30	-3	-8	18	51	43	51	41	0	8
Chainlink	45	-6	-7	24	35	33	50	22	89	63
Stellar	54	3	-1	44	86	64	24	55	2	100

*Snapshot from the Coinbase Asset Management Pulse on 9/7/2023.

We have expanded our Pulse Report coverage to include the top ten assets by market capitalization. This list excludes stablecoins and wrapped assets. The asset list is also based on data availability for the chosen metrics.

Notes: The Scores represent percentile values, while the delta on the gauge chart represent the seven-day change in the “Top 10 Assets” and “BTC and ETH” Scores.

“Top 10 Assets” are size-tilt weighted based on the square root of marketcap while “BTC & ETH” Network scores are equally weighted.

Status- High > 60, Neutral 40 to 60, Low < 40. A score of 44.1 means the score is better than 44.1% 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 in the bottom.

ASSET MANAGEMENT

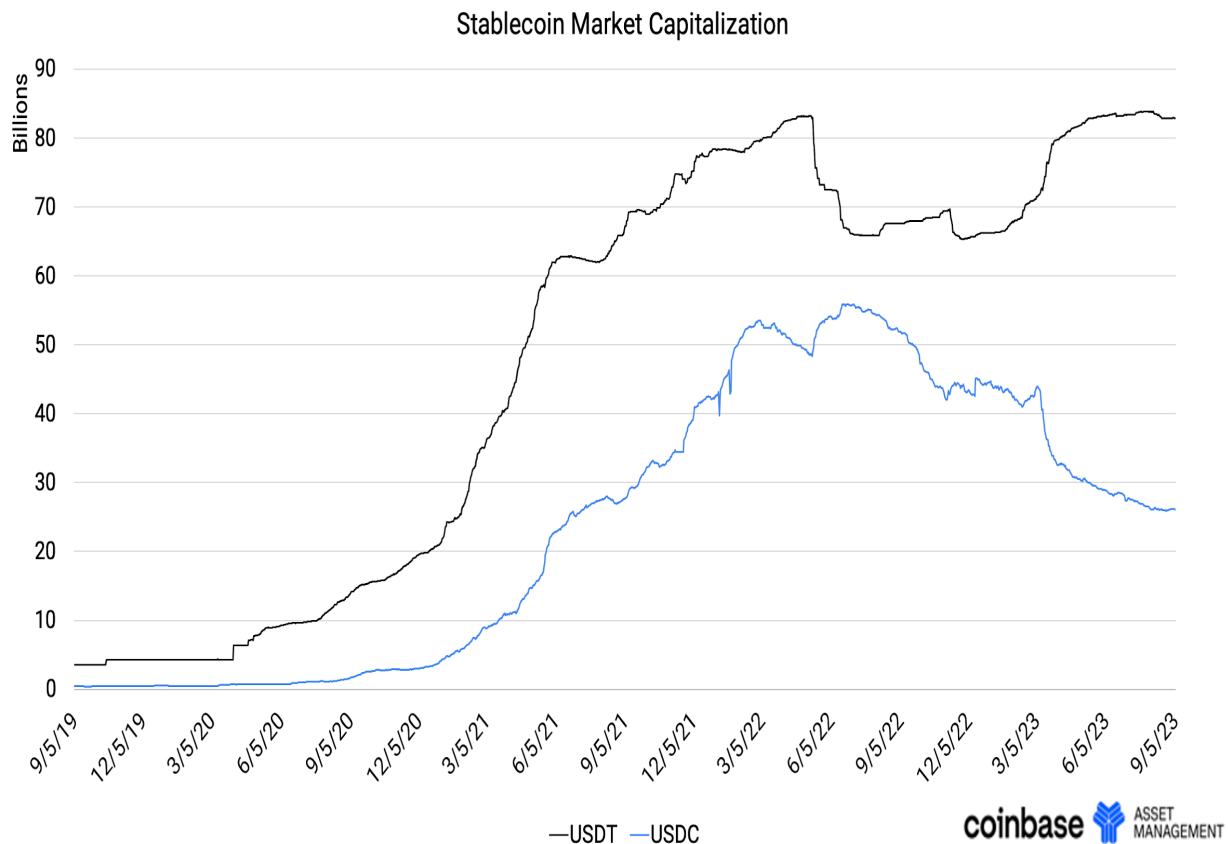
Coin Velocity: Regulating money supply is like trying to capture lightning in a bottle—beautiful when you nail it, disastrous when you don't. Velocity—the speed at which money exchanges hands—is the wildcard. This is especially true for crypto assets where organic unfolding of demand and supply are steered by the asset's utility. And it's complex — not every crypto is built the same. Take Bitcoin. Low velocity isn't a bug, it's a feature. It means people are hoarding it, signaling its strength as a store of value. Our Digital Pulse data backs this up, showing a dip in Bitcoin velocity to multi-year lows. Why? Because 68% of Bitcoin is in the hands of longer-term investors committed to the asset's value. Low velocity combined with finite supply is a powder keg waiting for a bullish spark. But the pendulum swings both ways. For payment currencies, low velocity and falling transactions demonstrate a failure in functionality — it's a bug. So, where's the sweet spot? It's all about incentives — staking, lending, airdrops, deflationary token economics, etc. These are the gatekeepers. The Pulse paints a portrait of the ecosystem, shining a spotlight on which assets are holding their value, and which are fraying. The incentives speak for themselves.

WEEKLY BEATS

1. Chart of the Week – Visa taps into Solana for USDC payments.
2. Differentiating Velocity
3. Bitcoin Long Term Holders & Velocity
4. Staking Incentives

1. VISA TAPS INTO SOLANA FOR USDC PAYMENTS

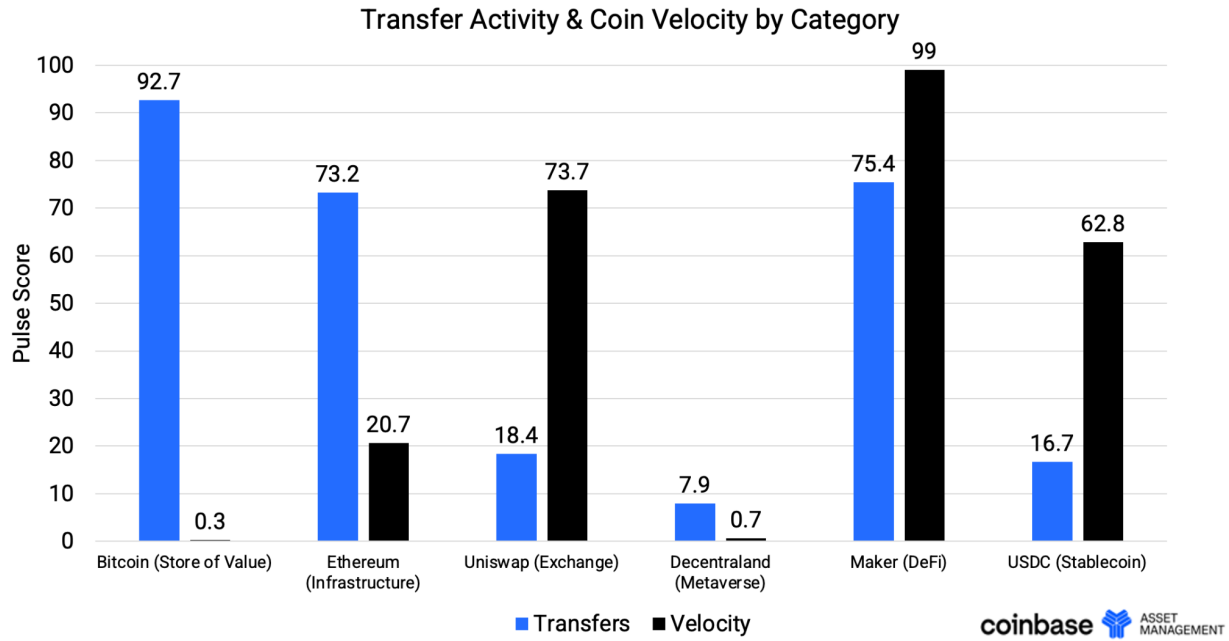
Visa is expanding its footprint in the crypto ecosystem by extending its USDC payment services. The shift is designed to enhance efficiency, slashing transaction fees by nearly 100%. It's a leg-up for USDC as it aims to gain market share lost against Tether.



Source: Coin Metrics.

2. DIFFERENTIATING VELOCITY

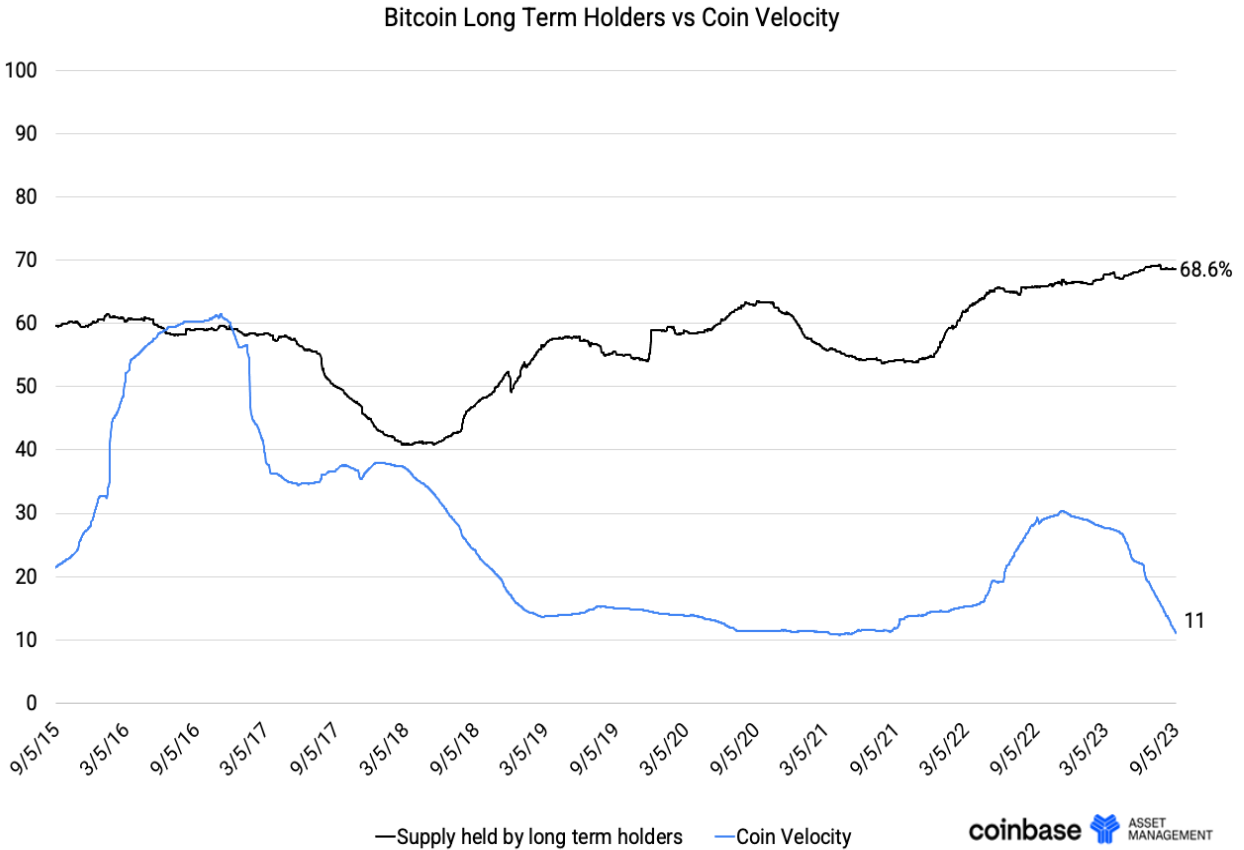
Velocity is not a one-size-fits-all metric. By pairing velocity with the number of transfers, we gain nuanced insight into an asset's liquidity and demand. While stablecoins will naturally attract more velocity, assets built to store value work otherwise.



Source: Coinbase Asset Management Pulse. Pulse Score represents percentile scores on a rolling 365-day range (0-100).

3. BITCOIN LONG TERM HOLDERS & COIN VELOCITY

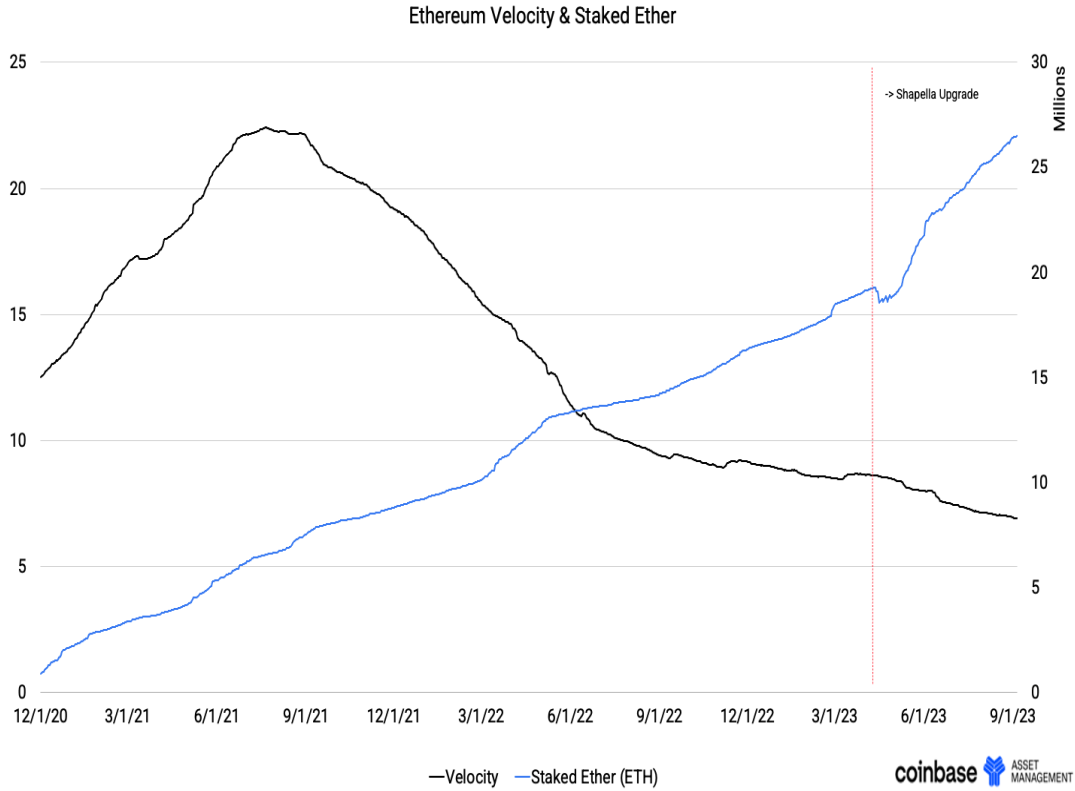
Bitcoin's status as a store of value has solidified over the years. The amount owned by long-term holders — those holding for more than a year — has risen, showcasing strong belief in the asset's future potential.



Source: Coinmetrics.

4. STAKING INCENTIVES

Protocols frequently employ rewards like staking to draw in capital, subsequently slowing down the circulation of coins. Since the Shapella upgrade, the velocity of Ether has declined even further, potentially signaling an unexpected increasing role as a store of value.



Source: Coin Metrics.

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.

Disclaimer

One River Digital Asset Management has been acquired by Coinbase and is now Coinbase Asset Management. Additional details on the transaction may be found on the [Coinbase blog](#). References to One River Asset Management and One River Digital Asset Management may be contained herein during the transition period but are subject to change.

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