# Dogecoin (DOGE): Shorting an Inflationary Meme Asset in Structural Decline

**Track:**

Short Position > $1B MC

**Team**:

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# Executive Summary

Dogecoin (DOGE) is a top-10 cryptocurrency with a circulating market capitalization of approximately $22.3 billion and roughly 152 billion tokens as of November 2025. Unlike Bitcoin or modern programmable L1/L2 platforms, Dogecoin lacks a capped supply, smart-contract extensibility, or institutional use cases. Its valuation remains primarily tied to speculative liquidity, retail-driven sentiment cycles, and episodic media attention, particularly from Elon Musk, rather than any sustained trajectory of economic or technological adoption.

DOGE issues 10,000 new tokens per block, roughly 5–5.3 billion annually, resulting in permanent non-halving inflation of ~3.5%. With no staking, burn mechanism, or utility-driven sinks, this issuance produces mechanical dilution unless market capitalization expands proportionally. Appendix A2 demonstrates that if market cap remains constant at $22.3 billion, the implied fair value gradually declines from ~$0.147 to ~$0.134 over three years purely from supply expansion.

Competitive pressures intensify these structural challenges. The meme-asset category has grown more fragmented, with PEPE, BONK, WIF, and SHIB capturing increasing portions of speculative flows and periodically overtaking DOGE in weekly sector dominance (Appendix A3). In the broader market, DOGE's share of combined BTC–ETH–SOL–DOGE capitalization falls by nearly half, from ~1.9% to roughly 1.0%, indicating declining relevance even as overall market capitalization expands (Appendix A4).

With weakening fundamentals, persistent inflation, concentrated ownership, minimal development activity, and diminishing responsiveness to meme-cycle catalysts, Dogecoin's long-term valuation faces structural downward pressure. A 12–24 month short position is therefore recommended, with a base-case target of ~$0.06 and a bear-case target of ~$0.04. These outcomes emerge from slow-moving and quantifiable forces: dilution, competitive displacement, and market-cap elasticity, rather than a single event.

# Project Overview

### Narrative, Technology, and Development State

Dogecoin originated in 2013 as a Scrypt-based proof-of-work fork designed to parody Bitcoin. The network features one-minute block times and a fixed block reward of 10,000 DOGE, making its inflation schedule predictable and perpetual. Although initially embraced as a "tipping coin," DOGE today functions as a sentiment-driven meme asset whose price dynamics reflect retail flows and social-media attention rather than fundamental adoption.

Development activity remains limited. The project has no formal governance, no roadmap, and only a small volunteer group maintaining the codebase. With roughly fifty GitHub commits in the past year, Dogecoin lags far behind actively evolving networks. The absence of native smart-contract functionality or a DeFi ecosystem limits its extensibility and keeps it dependent on external platforms for any ancillary utility, reinforcing its status as a feature-static, sentiment-driven asset.

### Market Positioning and Traction

Despite maintaining a multibillion-dollar market capitalization, Dogecoin's competitive position has weakened. During risk-off periods or utility-led cycles driven by Bitcoin, Ethereum, and Solana, DOGE consistently underperforms. The meme category has become more competitive: PEPE, BONK, WIF, and SHIB increasingly capture speculative flows and periodically disrupt DOGE's dominance.

Appendix A3 illustrates this pattern. Dogecoin still leads the meme cohort in absolute market cap, but its dominance is unstable and repeatedly falls during SHIB-led or PEPE-led surges. These rotations demonstrate the fragility of meme-based demand and reveal DOGE's dependence on retail attention rather than fundamental advantage.

DOGE's historical positioning as a low-fee payments coin has also eroded. Stablecoins, particularly USDT and USDC, now process over $27 trillion annually and account for ~30% of all on-chain transactions. DOGE appears minimally in payment-rail datasets, and with no yield, persistent volatility, and permanent inflation, it lacks attributes required for merchant settlement or treasury use.

### Token Economics, Dilution, and Structural Weaknesses

Dogecoin's monetary design imposes continuous inflationary pressure. With 10,000 DOGE issued per block, the annual supply increases by roughly 5–5.3 billion tokens, or ~3.5%. Appendix A1 documents this steady growth, with circulating supply rising from approximately 144 billion to more than 148 billion between April 2024 and March 2025. Without offsetting demand sinks, this inflation dilutes holder value mechanically.

Appendix A2 models the implied price under a constant market-cap assumption and shows a gradual yet persistent decline as supply expands. Historically, however, DOGE's market cap does not remain constant when supply rises. Instead, market-cap elasticity has been negative: periods of supply expansion often coincide with capital rotation into higher-utility ecosystems, compressing DOGE's relative valuation.

Concentrated ownership compounds this fragility. Roughly 43% of the circulating supply is held by the top ten addresses, and about half is held by the top twenty. Even after adjusting for exchange wallets, this concentration increases downside reflexivity during risk-off conditions, as large holders face no structural incentives to retain tokens.

Together, permanent inflation, negative elasticity, and concentrated ownership repeatedly push DOGE back toward its historical $0.05–$0.07 "meme floor," a range that has emerged across multiple cycles once speculative momentum faded.

## Catalysts and Risks

Short-term events, including ETF-related headlines, celebrity mentions, and recurring meme cycles, can generate short-lived rallies, but these episodes do not alter Dogecoin's structural trajectory. Appendix A4 shows that DOGE's dominance within the large-cap stack declines even across periods containing multiple rally catalysts. Without mechanisms that generate sustained demand, temporary sentiment shocks fail to translate into durable increases in market share or valuation.

Short-position risks arise primarily from market microstructure rather than fundamentals. Crowded shorts or volatile retail flows can trigger short squeezes, and derivatives markets can amplify these moves. A more structural risk would involve genuine utility adoption, such as mandated DOGE integration into a major payments platform, but given the protocol's limitations, such developments appear unlikely.

Overall, DOGE's upside catalysts are transient and do not mitigate the slow-moving pressures created by dilution, competitive substitution, and declining market relevance.

## Empirical Market Share and Supply Dynamics

To quantify Dogecoin's relative position within both its own supply schedule and the broader market, we analyze weekly circulating supply and market capitalization data from April 2024 through early 2025 (Appendices A1, A3, and A4). Two consistent empirical patterns emerge.

First, Dogecoin's supply expands in a controlled but relentless fashion. Appendix A1 shows weekly circulating supply rising from roughly 144 billion to over 148 billion tokens over the sample period, a trajectory consistent with its fixed emission rate of approximately 5–5.3 billion new DOGE per year, or roughly 3.5% annual inflation. This confirms the inflation rate outlined in Section 2.3 and demonstrates the mechanical dilution facing holders regardless of market conditions.

Second, Dogecoin's relative demand weight erodes along two separate dimensions. Within the meme-asset sector, Appendix A3 tracks DOGE's share of aggregate market capitalization across DOGE, SHIB, PEPE, WIF, and BONK. While DOGE remains the largest single meme, its dominance exhibits pronounced drawdowns during periods when SHIB or other memes rally sharply, illustrating how quickly speculative attention can rotate away from DOGE and how crowded the meme category has become. Many smaller memes experience extreme volatility and effectively "die out" after short-lived spikes, highlighting the inherently fragile nature of meme capital.

In the broader large-cap world, Appendix A4 shows DOGE's share of the combined BTC, ETH, SOL, and DOGE market cap falling by nearly 50% over the period, from roughly 1.9% to near 1.0%. This decline occurs even as total crypto market capitalization, led by BTC and ETH, continues to expand. Together, these empirical patterns underscore that Dogecoin faces simultaneous pressure from supply-driven dilution and relative-demand decay: its float rises predictably while its share of both meme and major-cap capital pools declines.

# Investment Proposal

Our investment recommendation is to initiate a short position in Dogecoin over a 12–24 month (relatively long-term) time horizon, executed through perpetual futures, margin-based borrowing, or medium-duration options where market liquidity allows. The thesis does not depend on a single catalyst but instead on persistent structural forces, fixed inflation, declining meme-sector dominance, negative market-cap elasticity, and reflexive downside behavior that collectively exert sustained downward pressure on long-term valuation. These forces are quantified through the supply and pricing mechanics in Appendices A1 and A2, the meme-sector and large-cap dominance trends in Appendices A3 and A4, and the consolidated valuation scenarios in Appendix A5.

At present, Dogecoin's market capitalization stands at approximately $22.3 billion with a circulating supply of 152 billion tokens. With annual issuance of roughly 5–5.3 billion new DOGE, the protocol's inflation rate remains consistently around 3.5%. Appendix A2's Token Dilution Pricing (TDP) model demonstrates the mechanical implications of this emission schedule. Under a constant market-cap assumption, the model projects a gradual decline in fair value over the next 36 months solely from supply expansion. While modest, this dilution reflects a structural burden that compounds over multi-year horizons.

However, as shown in Section 2.3 and reflected empirically in the dominance trends of Appendix A4, Dogecoin's market capitalization historically does not remain constant when supply expands. During periods of broader market strength, DOGE tends to lose relative share to BTC, ETH, and SOL, a pattern consistent with negative market-cap elasticity: as DOGE's float rises, capital disproportionately rotates into higher-utility assets rather than supporting DOGE's valuation.

A second structural force is DOGE's declining share of meme-asset demand. Section 2.2 and the empirical data summarized in Section 2.5 show that Dogecoin's dominance of the meme category has eroded as alternative tokens such as PEPE, BONK, and WIF increasingly absorb incremental speculative flows. Appendix A3's meme-sector dominance data formalize this competitive displacement, treating meme-asset inflows as a finite and highly volatile pool distributed across DOGE, SHIB, PEPE, WIF, BONK, and others. Under the continuation of share-loss trends observed between 2023 and 2025, Dogecoin's relative demand weight declines in a manner incompatible with sustaining its current valuation absent disproportionate new retail inflows.

Taken together, these structural determinants, mechanical dilution, market-cap elasticity, and demand-share decay, produce a coherent range of valuation outcomes. The base-case scenario assumes that overall market conditions normalize and that speculative flows continue migrating toward higher-utility assets. Under this environment, DOGE's market capitalization compresses toward the $9–10 billion range while supply expands toward roughly 160 billion tokens. The integrated valuation model (Appendix A5) yields an implied medium-term price of approximately $0.055–$0.065,

consistent with Dogecoin's historical "meme floor" of $0.05–$0.07 following prior speculative cycles.

The bear-case scenario reflects broader risk-off conditions in the crypto market, during which low-utility meme assets have historically experienced disproportionately severe drawdowns. Should capitalization fall to the $6–$7 billion range observed during earlier post-mania troughs, concurrent with continued supply expansion, the valuation models imply an equilibrium price between $0.035–$0.045. This aligns with DOGE's prior cycle lows and highlights the asymmetric downside faced by assets whose valuation depends primarily on sentiment rather than utility.

A bull or short-squeeze scenario remains possible, although it does not undermine the structural thesis. Catalysts such as a DOGE ETF launch, heightened celebrity attention, or a renewed meme cycle could temporarily elevate speculative inflows and produce rapid upward volatility. As discussed in Section 2.4, however, the marginal impact of Musk-related or sentiment-driven events has declined meaningfully across cycles, and such rallies have not historically translated into durable valuation support. In these periods, short exposure should be reduced, hedged through options, or re-established at higher valuation levels once short-term distortions normalize.

Given the volatility profile typical of meme assets, position sizing should remain conservative relative to total portfolio exposure. Risk management should incorporate stop-loss parameters, options-based hedging, or staggered entry strategies to account for episodic sentiment spikes. Crucially, the thesis does not rely on precise timing; rather, it rests on structural mechanisms that operate continuously over a multi-year horizon. The interaction of inflation, declining relative demand, and weak fundamentals produces a persistent negative drift that is not offset by organic growth or utility-driven demand.

In sum, the analyses presented in Section 2 and formalized in Appendices A1–A5 indicate that Dogecoin's current valuation is incompatible with its long-term economic structure. A short position held over a 12–24 month horizon is therefore both analytically justified and strategically well-supported by empirical evidence, historical market behavior, and quantitative modeling.

# Conclusion

Dogecoin's current valuation is fundamentally misaligned with the long-term economic structure of the protocol. Across Sections 2 and 3, and in the quantitative frameworks presented, we demonstrate that DOGE's price is governed not by organic utility or sustainable demand but by slow-moving structural forces that consistently weaken its equilibrium value. Permanent inflation of roughly 3.5% annually ensures that Dogecoin's circulating supply expands regardless of market conditions, imposing a continuous dilution effect on holders. This mechanical expansion becomes materially more consequential when combined with negative market-cap elasticity, through which capitalization historically compresses rather than remains stable during periods of rising supply or waning retail momentum.

At the same time, Dogecoin's relative position within both the meme-asset sector and the broader large-cap market has deteriorated. Empirical data presented in Section 2.5, together with Appendices A3 and A4, show that competing meme tokens, particularly SHIB during specific spikes, alongside PEPE, BONK, and WIF, now absorb an increasing share of speculative inflows, while BTC, ETH, and SOL steadily compound their dominance at DOGE's expense. DOGE's share of the combined BTC–ETH–SOL–DOGE market cap declines by nearly half over the sample period, from roughly 1.9% to near 1.0%, indicating that it is being slowly sidelined even as overall market capitalization grows. These competitive pressures operate alongside DOGE's lack of native utility, stagnant development, limited integration into payments, and unusually concentrated holder structure, none of which provide countervailing sources of fundamental value or recurring token demand.

The combined effect of these forces produces a consistent valuation implication. Under the base-case assumptions of normalized market conditions and continued competitive displacement, Dogecoin's fair value converges toward the $0.055–$0.065 range, levels historically observed following prior speculative cycles. In risk-off environments, the bear-case scenario points to a fair-value range of $0.035–$0.045, consistent with prior post-mania troughs and with modeled outcomes under simultaneous supply expansion and market-cap contraction. While short-term volatility, ETF-related inflows, or sentiment spikes may generate temporary price deviations, these events do not alter the long-term structural trajectory documented in this report.

Taken together, the evidence supports a clear and academically grounded conclusion: Dogecoin is a structurally mispriced meme asset whose valuation cannot be justified by its economic design, competitive positioning, or empirical performance. Over a 12–24 month horizon, a disciplined and risk-managed short position is both analytically robust and strategically compelling, offering exposure to a predictable and repeatable set of structural dynamics rather than a single-event catalyst.

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# Appendices

*Note: All historical data in these appendices was retrieved from Artemis Terminal, Artemis Analytics (https://app.artemisanalytics.com/) on November 23, 2025.*

**Appendix A1**

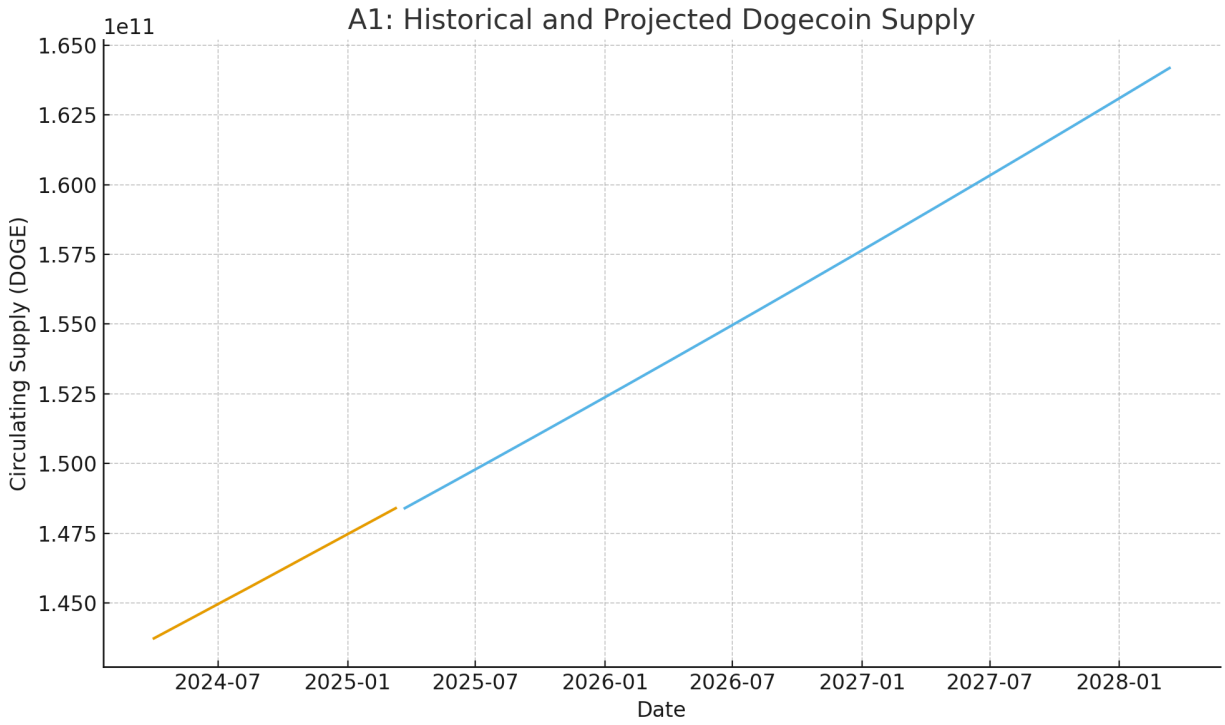


Figure A1 shows Dogecoin's weekly circulating supply from April 2024 to March 2025, followed by a three-year projection based on the historical rate of inflation. Weekly supply increases were calculated directly from the dataset, which reflects the fixed block reward of 10,000 DOGE per block and an empirically observed inflation rate of approximately ~3.5% annually. The projection assumes that block production and issuance continue at the same pace observed in the historical data. This figure establishes the structural trend of continuously rising supply that underpins Dogecoin's dilution dynamics.

## Appendix A2

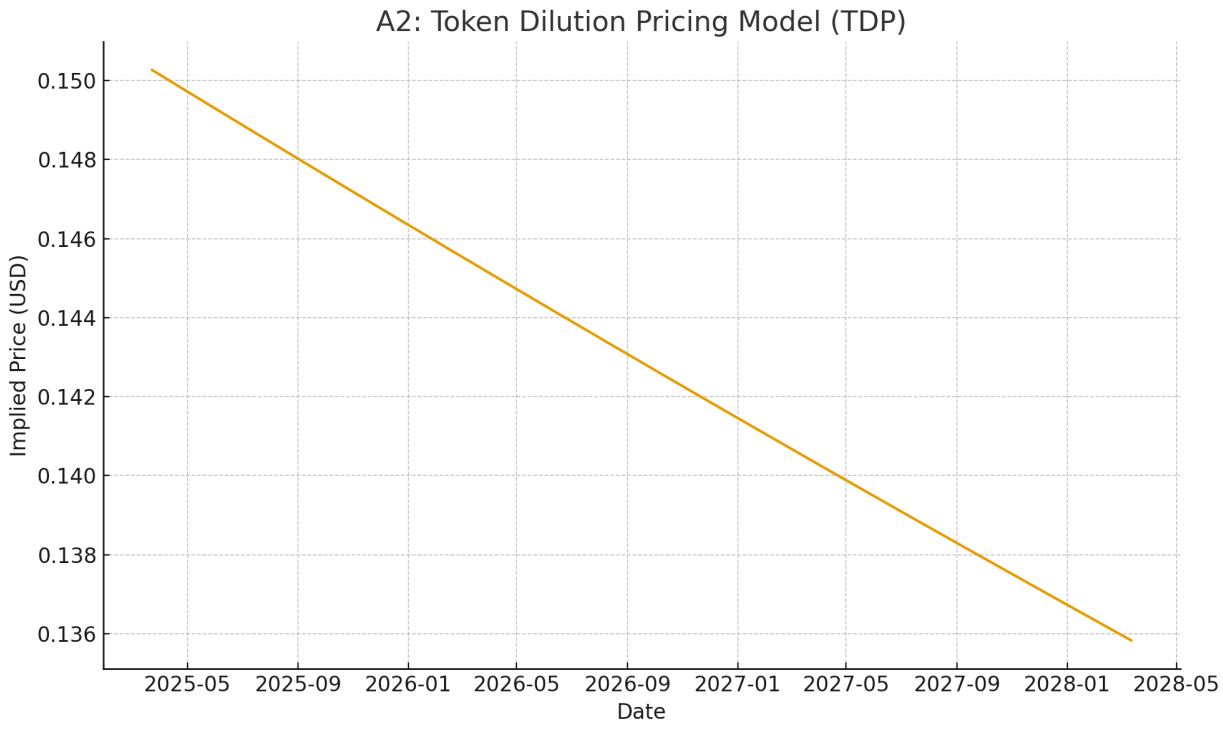


Figure A2 shows Dogecoin's implied price over the next three years if its market capitalization remains fixed at $22.3 billion. The model uses the projected supply path from Appendix A1 and calculates what Dogecoin's price would be at each point in time, assuming the total value of the network does not change. As the circulating supply steadily expands, the implied price gradually declines. This figure demonstrates how Dogecoin's permanent inflation creates downward pressure on valuation even under neutral market conditions.

## Appendix A3

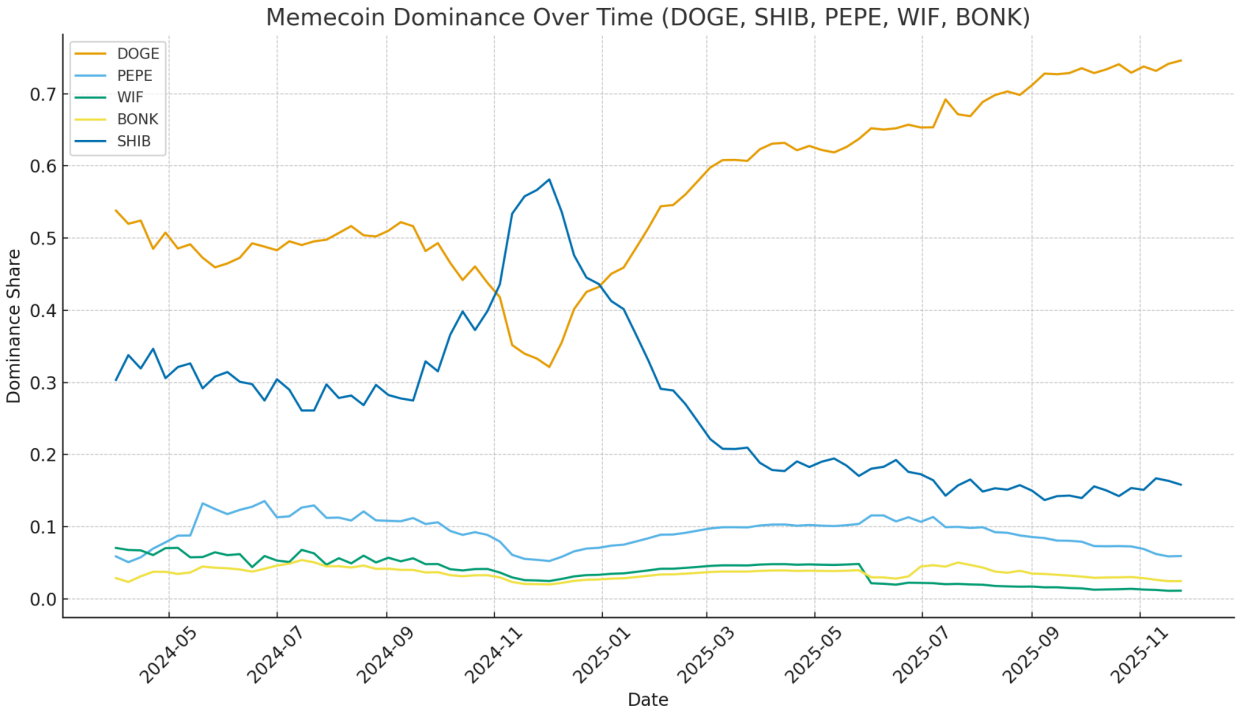


Figure A3 tracks weekly market-cap dominance within the meme-asset sector across Dogecoin (DOGE), Shiba Inu (SHIB), Pepe (PEPE), dogwifhat (WIF), and Bonk (BONK) from April 2024 through early 2025. For each week, total meme-sector capitalization is computed as the sum of these five assets, and each token's dominance is measured as its percentage of that total.

The chart shows that while Dogecoin remains the largest meme asset for most of the period, its dominance is far from stable. DOGE experiences pronounced drawdowns whenever SHIB or other memes rally sharply, illustrating how quickly speculative flows can rotate away from it. Several non-DOGE memes exhibit extreme "spike-and-fade" dynamics, brief periods of elevated dominance followed by steep declines, highlighting the high volatility and mortality rate within the meme cohort.

Although DOGE has not yet suffered a permanent collapse in meme-sector share, the pattern in A3 shows that it is increasingly one participant in a rotating cast of narratives rather than a uniquely dominant meme, reinforcing the idea that its demand base is fragile and easily cannibalized by newer tokens.

## Appendix A4

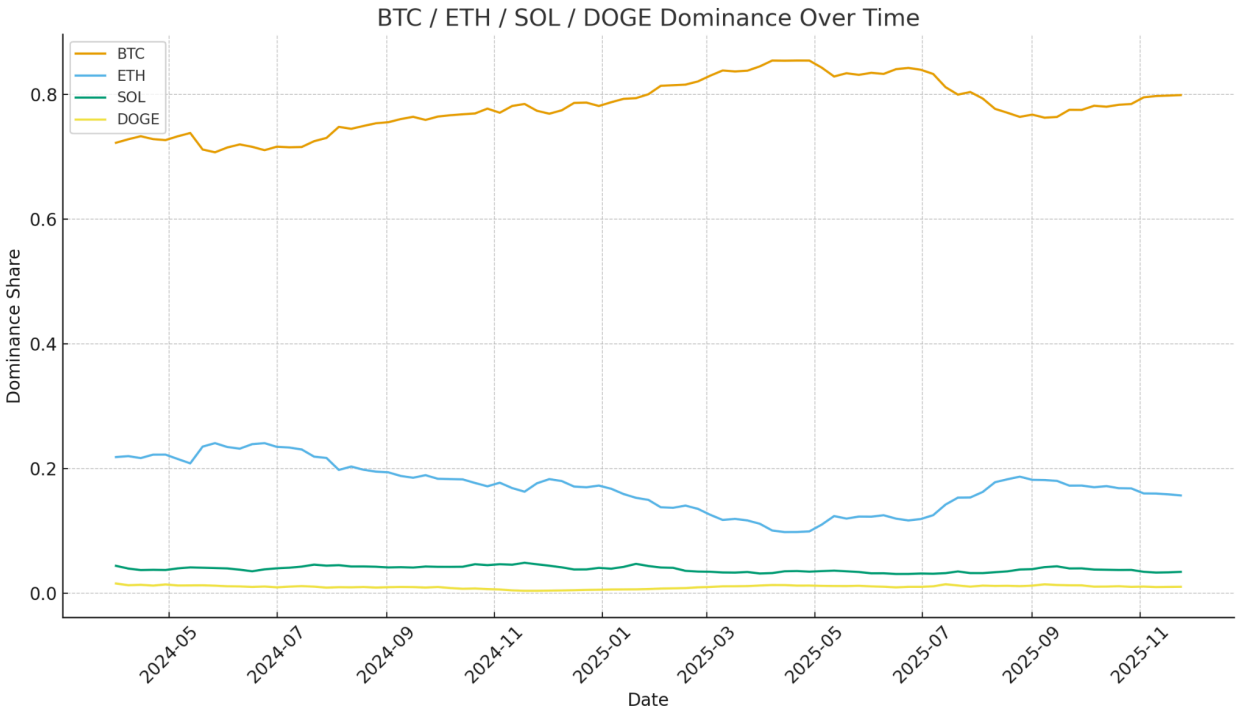


Figure A4 illustrates the relative market-cap dominance of Bitcoin (BTC), Ethereum (ETH), Solana (SOL), and Dogecoin (DOGE) from April 2024 through late 2025. Dominance is calculated as each asset's share of the combined market capitalization of all four assets on a weekly basis.

The data highlights a clear structural trend: Dogecoin's dominance steadily declines over the period, falling from roughly 1.8–2.0% to near 1.0%, even during periods where DOGE experiences short-term price spikes. In contrast, Bitcoin's dominance increases materially, rising from the low-70% range to above 80% by mid-2025. Ethereum's dominance gradually compresses, while Solana remains a small but relatively stable share of the total.

The dominance pattern reinforces the report's thesis that Dogecoin is losing relevance within the broader crypto market, not just within the meme-asset sector. DOGE fails to keep pace with macro-driven capital flows into BTC, ETH, and SOL, indicating that speculation-driven rallies do not translate into durable market share. This structural erosion of relative demand supports the short thesis by demonstrating that DOGE's valuation is increasingly decoupled from broader market growth.

## Appendix A5

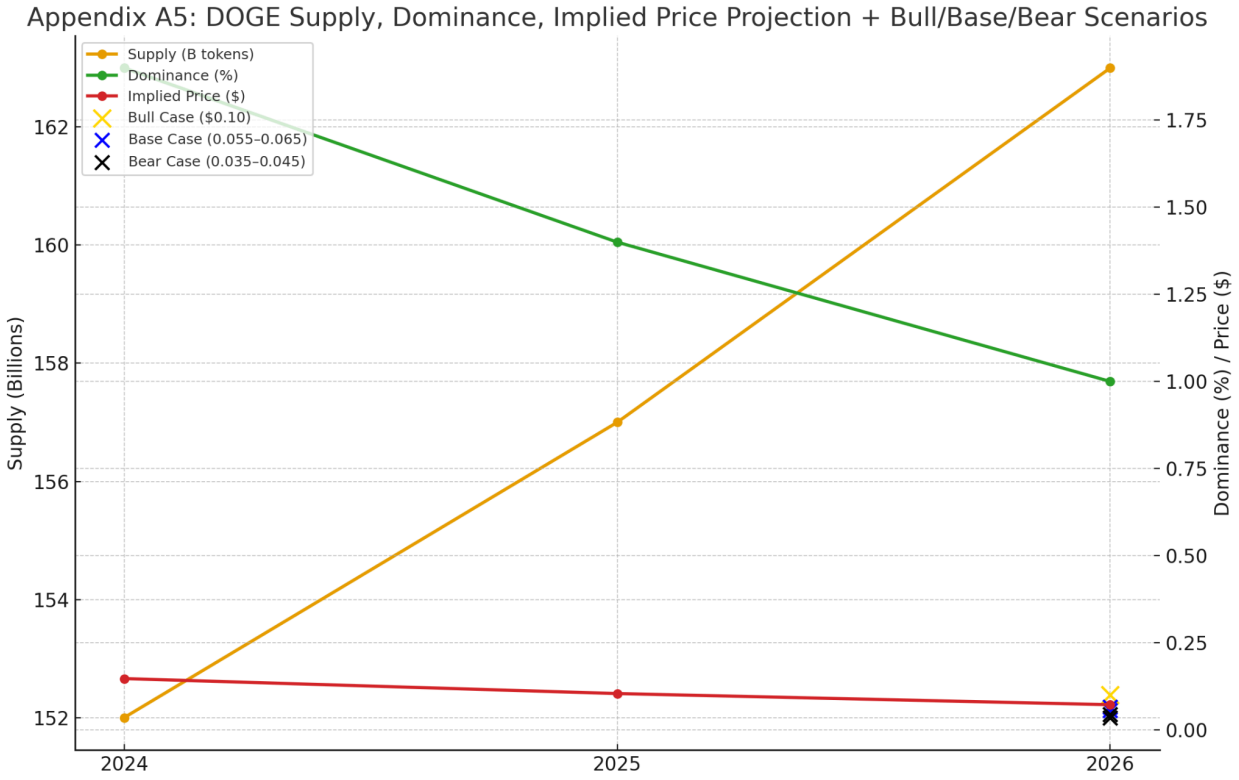


Figure A5 integrates Dogecoin's inflationary token supply with its declining share of total crypto market capitalization to estimate forward valuation outcomes. The model assumes annual supply growth of approximately 3.5%, consistent with DOGE's fixed issuance of ~5–5.3 billion tokens per year, and applies this expansion to its April 2024 baseline. In parallel, Dogecoin's dominance is projected using its observed decline from roughly 1.9% of total large-cap crypto value in April 2024 to about 1.0% by late 2025, implying a future market capitalization of roughly $11.7 billion if this trend persists. Dividing this projected market cap by the correspondingly higher token supply produces an implied fair-value estimate near $0.07.

The chart overlays this structural estimate with the bull, base, and bear ranges used in the main text. These scenarios are expressed as percentage deviations from this intrinsic value. The base-case range of $0.055–$0.065 reflects a 10–20% discount to structural value, consistent with DOGE's historical behavior during periods of weakening inflows and meme-sector rotation. The bear-case range of $0.035–$0.045 corresponds to a 35–50% discount, in line with prior deep-cycle drawdowns during market-wide risk-off conditions and episodes of severe dominance compression. The bull-case value near $0.10 represents a 30–45% premium to intrinsic value, matching the temporary effects observed during short squeezes or sentiment-driven meme rallies. This framework provides a quantitative basis for the price targets used in the investment thesis.