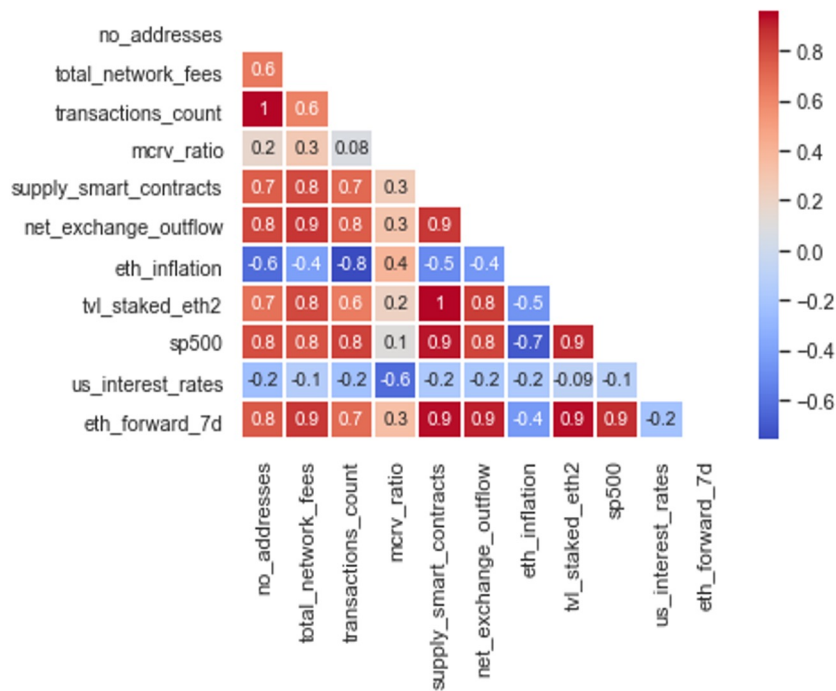# Macro Factor Models Example on Digital Assets

Fundamental Factor Model

ETH Fundamental Features (Correlations)

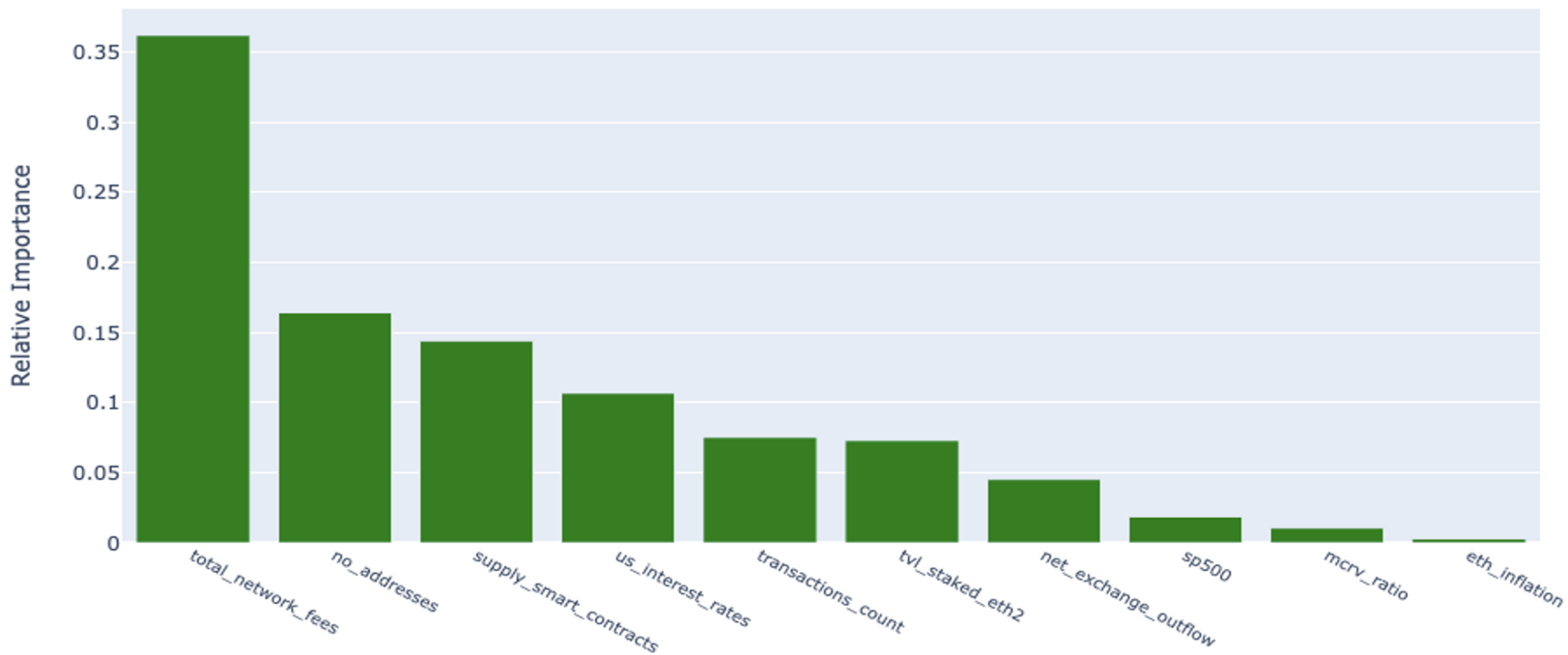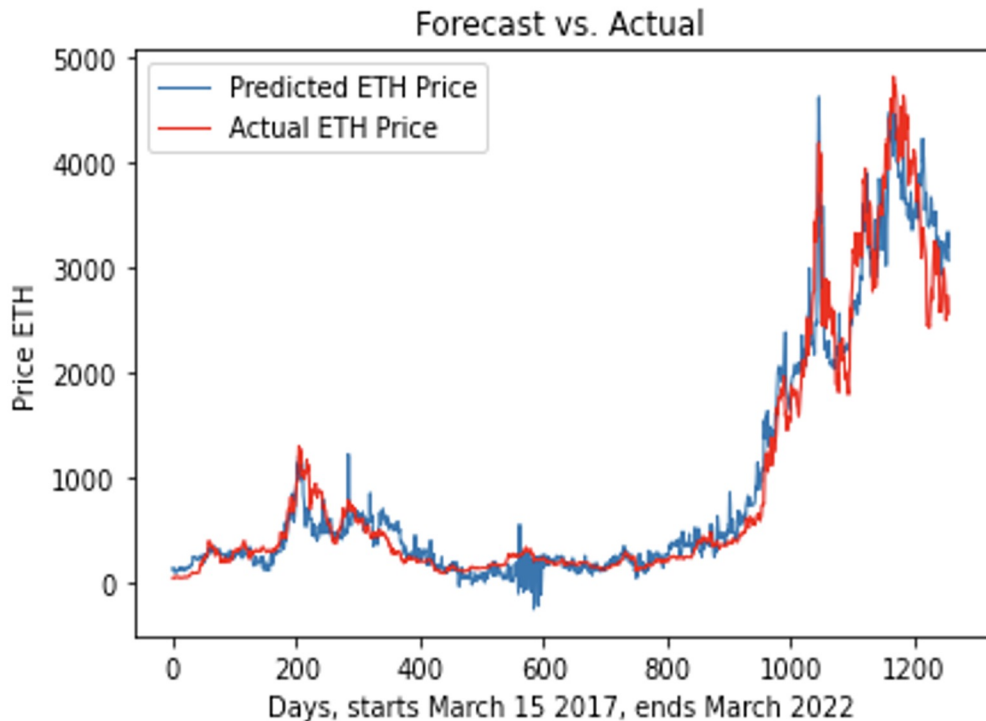| ETH Factors	Description of Factors
• **Number of active addresses**	Historical total number of daily active addresses
• **Total network fees**	Historical total ETH network fees
• **Transactions count**	Total number of transactions on mainnet
• **MCRV ratio**	Market value to realized market cap ratio
• **Supply in smart contracts**	Total supply of ETH in smart contracts
• **Net exchange outflow**	Net exchange outflows, outflows is positive sign
• **ETH inflation**	Historical annualized ETH inflation
• **TVL staked ETH2**	Total values staked for ETH2
• **SP500**	SP500 index as proxy for traditional risk premia
• **US interest rate**	2 year forward fed funds rate for as a proxy FED

Fundamental Factors Relevance

Feature Importance (RF)

Forecast

Forecast vs. Actual

Assumptions:

- Assume expected return is driven by fundamental factors (tradfi + crypto)

- Validate & evaluate assumptions (train & test)

Drawbacks:

- Requires inputs on fundamentals

- Historical relationships may not hold in the future

- It will not capture structural breaks (e.g MERGE)