

# jlabs digital

Token Ratings Presentation



# Token Ratings

## Overview

- Token ratings is a system designed to provide portfolio managers with an understanding on whether a token's fundamentals and underlying network is strengthening or weakening.
- The underlying models are based on Jlabs digital's token framework, designed from theoretical concepts across monetary economics, network systems, and quantitative trading.
- Ratings are time-series to help identify prolonged trends with a timeframe of weeks to months. These ratings are ideal for spot based portfolios and discretionary fund managers.
- Each rating originates from one of nine models that are dropped into a macro model to help predict price moves. The research team publishes its Token Ratings Report using these ratings for Jlabs digital clients and enterprise clients on a monthly basis.

# Rating Categories

## Monetary

- Token Usage
- Leverage
- Diversity

## Network

- Users
- Price Level
- Demand Shock

## Technical

- Price Strength
- Sentiment
- Accumulation

# The Report

- Radar maps
- Rating Tables
- Monthly summary for each rating category
- Time-series charts
- Forward looking discussions on possible opportunities within a layer-one network

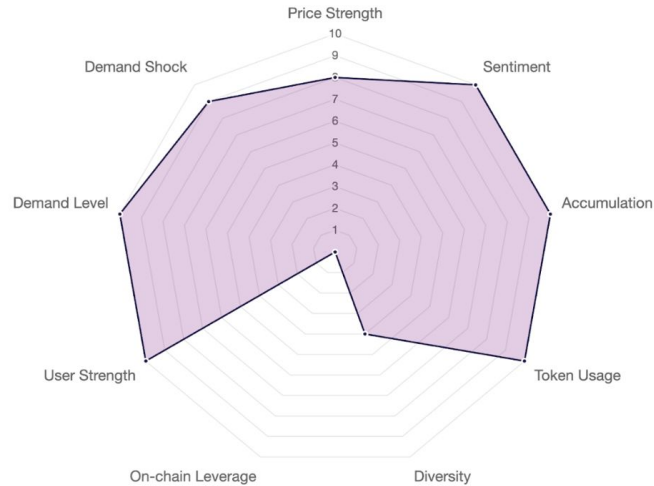
5labs digital

## Token Ratings Report

# Radar Map and Charts

**Ethereum: ETH**

**Score 82**



Radar maps provides a snapshot of a token's strengths and weaknesses.

# Radar Map and Charts

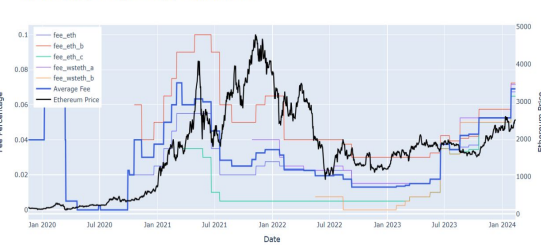
The report goes into detail on the ratings and what is influencing their trends.

Research team provides one-off studies, qualitative analysis, and case studies to provide greater understanding.

Report includes forward looking discussion on coming events and their likely impact on the models and ratings.



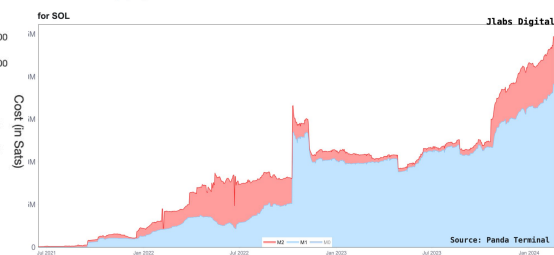
Fee Percentage (Per Slug & Average) vs Ethereum Price



Bitcoin Cost per Byte



Token Supply



# Token Rating Models In Detail

# Monetary

- Network Tokens =  
Commodity Money
- Fundamental factors that influence the value of money
  - M0, M1, M2
  - Inflation
  - Velocity
  - Economic Productivity
  - Credit Creation
  - Leverage

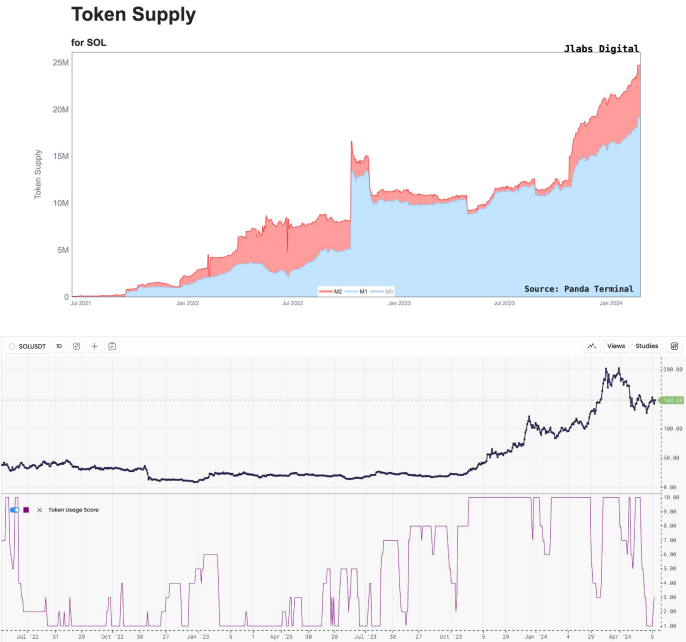


# Monetary: Token Usage

We take onchain data and categorize a token's supply into various forms of usage and liquidity.

- M0 = Supply in a wallet that is liquid (ie - Metamask wallet)
- M1 = Supply in a smart contract and liquid (ie - DEX pool, LST)
- M2 = Locked supply in a smart contract. Can be made liquid through an action (ie - Non-liquid staking, lending).
- M3 = Locked in a smart contract. Made liquid with passage of time + smart contract interaction (ie - Vesting).

By understanding a token's supply, we better understand how responsive its price is to a change in demand (elasticity). This rating is based on a model that tracks changes to a token's elasticity.



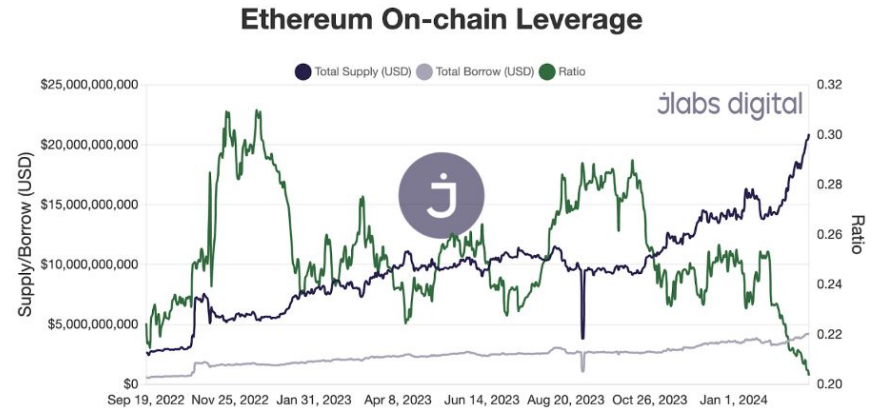
# Monetary: Leverage

Credit/debt helps fuel growth of economies. But as the cost of credit/debt rises, growth can taper.

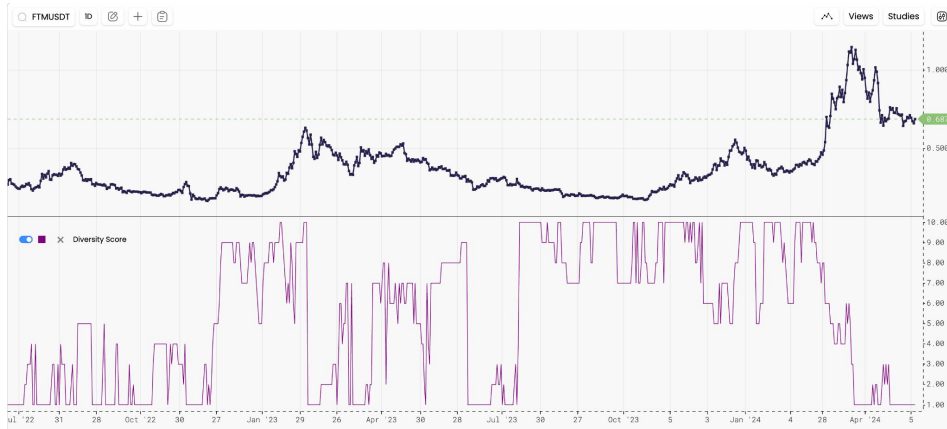
The amount of leverage that exists also matters. More leverage, the bigger the pullback.

Combination of rising credit costs and size of leverage lead to deleveraging.

Our leverage model tracks leverage and change of leverage to determine a token's strength or risk based upon its rate and credit markets.



# Monetary: Diversity



- Public blockchains are decentralized and permissionless
- Greater diversity increases resilience
- The movement from greater distribution to concentration precedes growth cycles (ie - rising gini coefficient precedes economic growth)

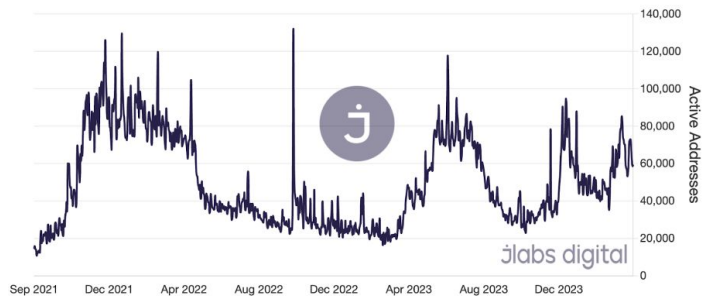
# Network

- Based on Jlabs digital's in-house version of Metcalf's Law
  - $\text{Market Cap} = A * \text{Users}^2$
- Theory states more users, the greater the value of a network
- We replace the "A" coefficient with a demand variable to account for user market demand of blockspace relative to a network's potential user base
- Ratings also dive into a network's price relative to itself over time, a factor that increases/reduces user purchasing power

# Network: Users



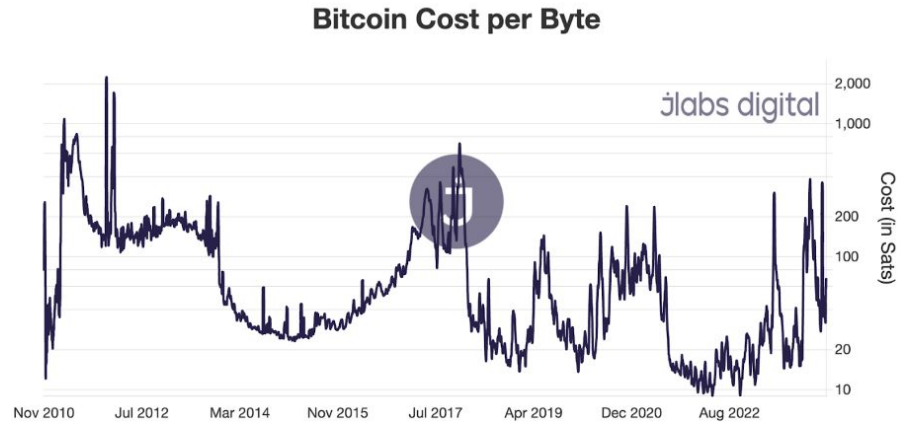
Avalanche Active Addresses



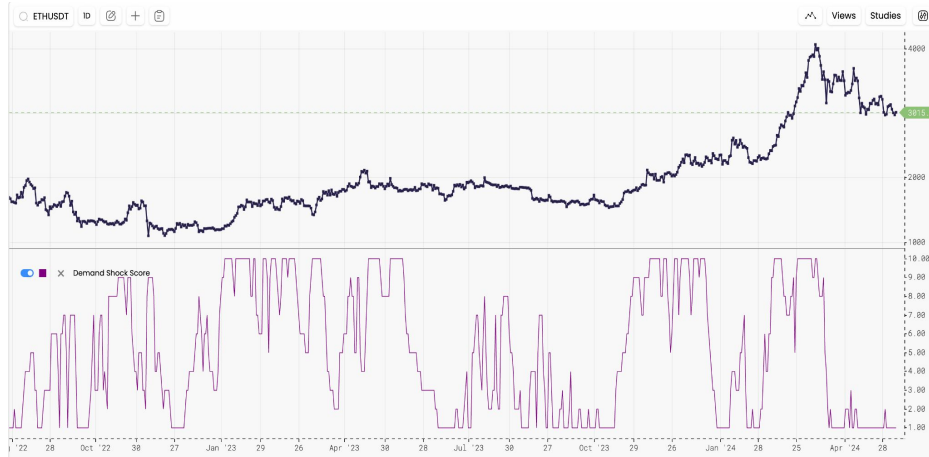
- For an economy, planners seek maximum employment. For a network, it seeks to maximize its users relative to its blockspace.
- 100% employment is not ideal. For a network, it means an oversupply of block space or pricing is too low.
- On the other hand, if pricing is too high, it can reduce users and demand.
- Market equilibrium

# Network: Price Level

- The main commodity of a blockchain based economy is the cost of storing or computing data
- The cost of each unit of data can be tracked over time to give us a network / economy price level
- Price stability encourages investment and maximizes production



# Network: Demand Shock



Rising transport, goods/services, and labor costs means each dollar loses purchasing power. This is known as inflation.

Inflation comes in several forms. For this model, we address demand push inflation. We can think of this as a micro 'demand shock' where an economy realizes a surge of activity. This is initially bullish for a network/economy and a token's price.

Once this shock wears off or becomes excessive, it represents exhaustion. This happens when the initial uptick in demand becomes prohibitive to future growth, and demand wanes in intensity. This is bearish.

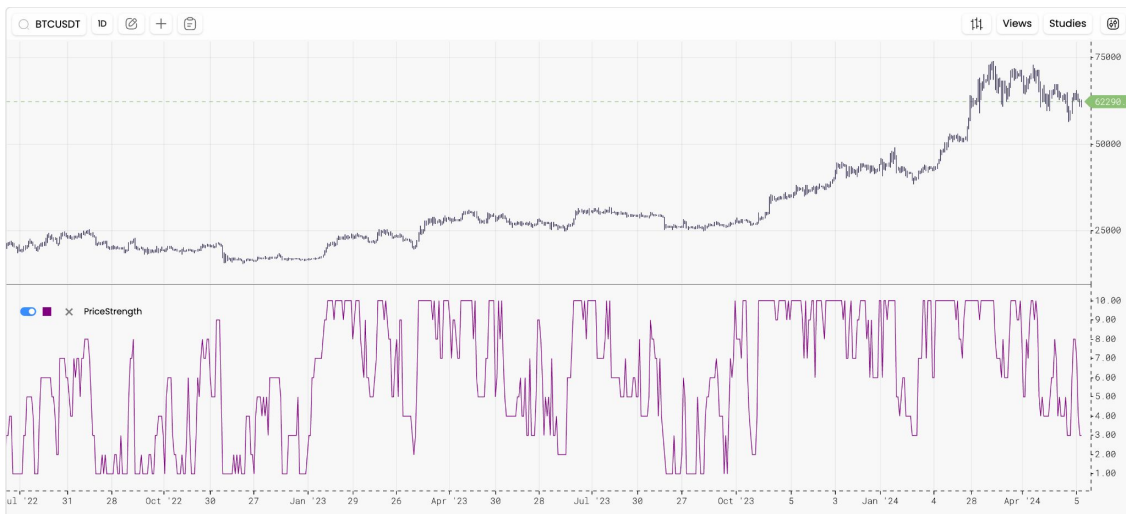
For a blockchain network, this would be when swaps or NFT mints become cost prohibitive, signaling a decline in network activity.

# Technicals

- Technicals are a major component of price action for tokens.
- Positive reflexivity means trends are more likely to continue than not.
- Social popularity increases awareness and in turn brings users/buyers.
- Economies do best when profit seeking entities accumulate sizable stakes in an economy



# Technical: Price Strength



Trend following is a strategy that is well known.

If price is above a 200-day moving average, the likelihood of price being higher in the future increases.

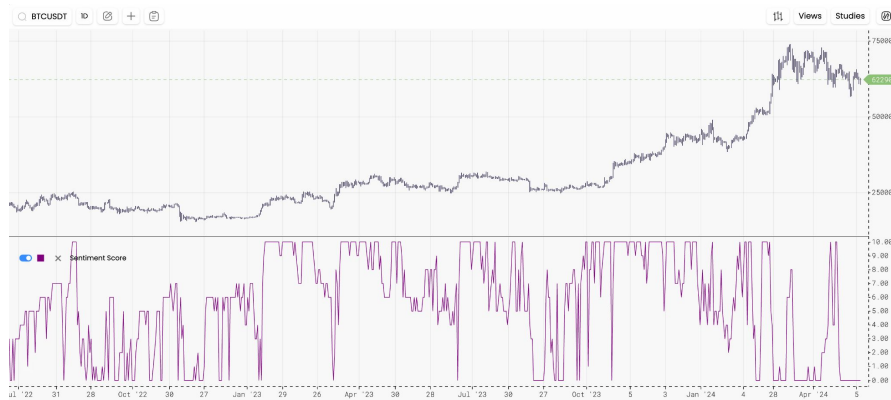
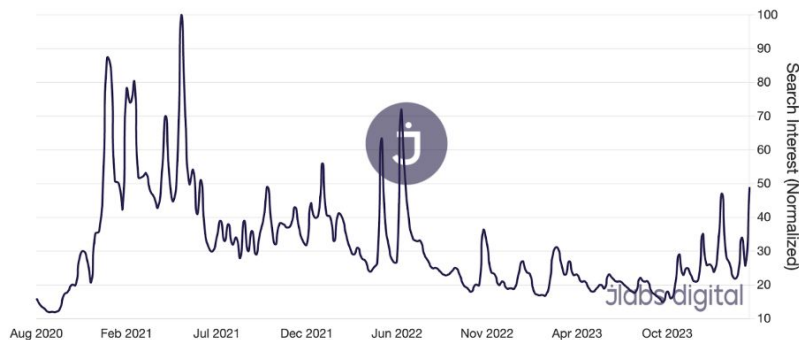
Our model captures various levels of trends to calculate the strength of its current trend.

# Technical: Sentiment

Increasing visibility, searches, and sentiment are often early signs that demand for a token is rising.

We track search queries and market sentiment to build a model that tells us a token's sentiment in the market.

Bitcoin Google Trends Rating



# Technicals: Accumulation

Tracking wallets that are accumulating tokens are a bullish indicator.

We breakdown a wallet type into categories to better assess who is accumulating, and then model it to tell us how strong the token is being accumulated.



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