

Why Smart Money Matters More

In a world deluged by irrelevant information, clarity is power.

Dec 5, 2021

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From: NANSEN

"To make crypto accessible, tools like Nansen must continue to push the frontiers transforming data into meaningful signals. In crypto, following the smart money matters more than ever."

"In a world deluged by irrelevant information, clarity is power."

- Yuval Noah Harari

There is a scene from an old film. I have no idea what film it is but the scene is etched in my memory. The life-long chauffeur for a top wall-street trader reveals he has been copy-trading based on overhearing conversations made in the back seat. He doesn't need the job anymore. He's a millionaire.

Information wants to be free

The edge a trader can get from being first to know information benefits them directly but in the big picture creates a more efficient market. Put simply, information wants to be free. The more open the infrastructure for relaying information, the faster and more fair the transfer of knowledge. Illegal wiretaps into government press feeds for trading, colocation of servers on financial exchanges to front-run retail, and analysts predicting quarterly earnings based on satellite imagery of cars parked at McDonald's, are all examples of traders looking for the intellectual advantage — new knowledge.

Trust is earned

Crypto and blockchains accelerate the speed of information transfer. The individual privacy of 'being your own bank' comes at the trade-off of all transactions being publicly broadcast. This flips everything we know upside down. Deals aren't made by shady executives in the back of chauffeur-driven limos, numbers aren't hidden behind balance sheets protected by crooked rating agencies - everything is online. We call this 'on-chain'. In this new economy, trust is earned through verification not hidden behind institutions and credentials.

Transparency is king

The privacy afforded with crypto comes at a cost. Transparency. The transparent exchanges on blockchain mean everyone is the driver listening in on trades. We can listen to every trade in the world as it happens and peer inside every wallet and bank account. But is this accessible to the average person, really? As a researcher, I am fascinated by the human behavior

encoded on-chain in this new and open economy. But listening to the blockchain in practice is difficult, making surfacing clear signals a complex exercise in big-data analysis. This is where I first stumbled on Nansen.

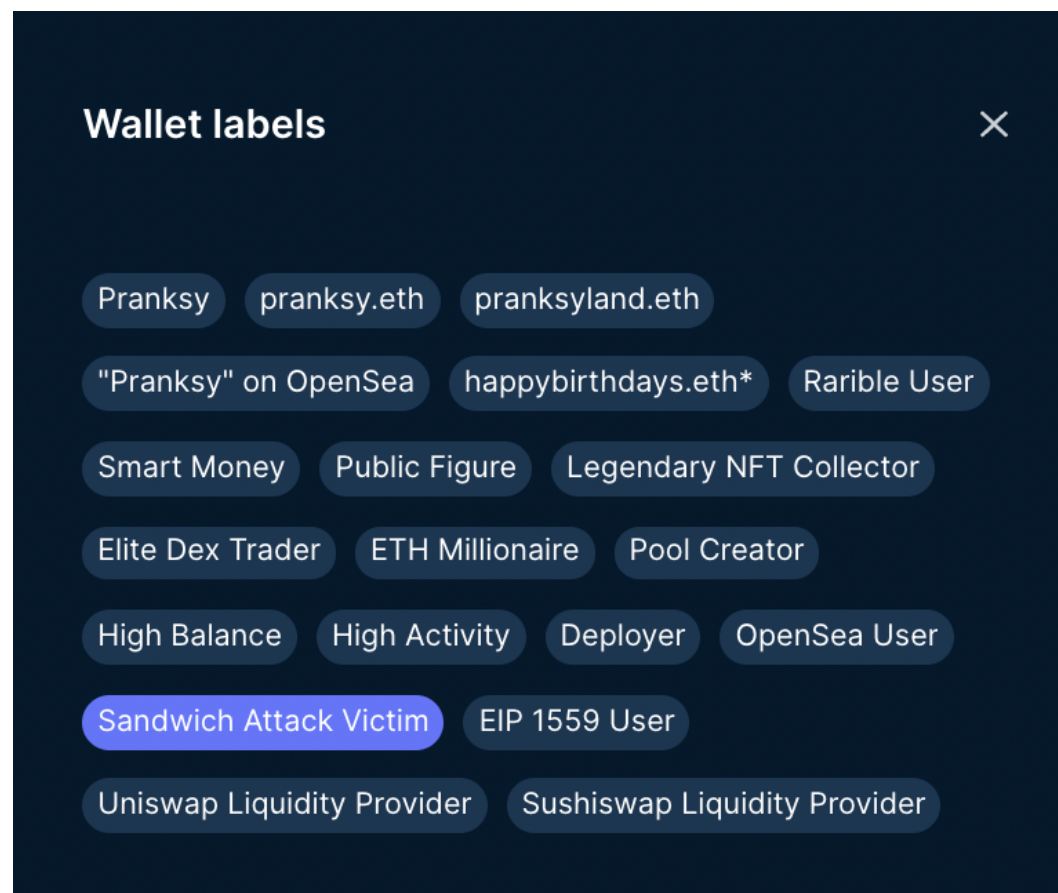
Uncharted territories

Nansen's team played a fundamental part in building open-source tools that transform code into meaningful transactions. Check out the Ethereum ETL developed by one of the founders Evgeny Medvedev. Nansen went on to refine these open-source tools in a proprietary business model, allowing the funding needed to dig deeper and deeper into these uncharted territories.

Names are important

Data becomes real when it has a label. Nansen's labels are descriptive and behavioral names for blockchain wallets. They don't doxx people or reveal private identities. They do something far more intriguing: they doxx behavior. Nansen has over 100 million wallets with labels that attribute an aspect of user behavior.

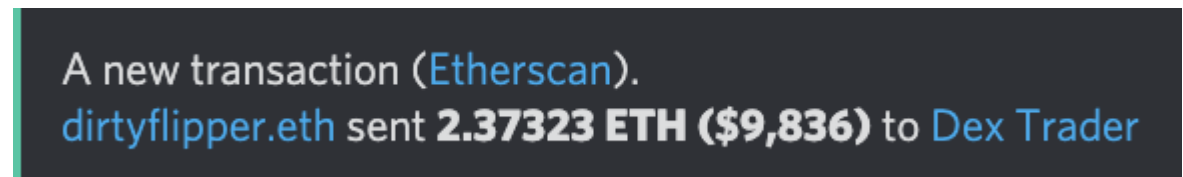
At the core of Nansen's value-creation is the deceptively simple named 'Attribution' team. In this team, you'll find some of the smartest people in the world continually coming up and refining 'heuristics' for tracking behavior trends. Labels range from simple attributions like 'Token Millionaire' to more complex ones like 'Smart Liquidity Provider'.



Labels for the address '0xd387a6e4e84a6c86bd90c158c6028a58cc8ac459' otherwise known as the influential NFT investor 'Pranksy' .

Smart money is important

At the top end of Nansen Labels is smart money. These are the elite wallets of the crypto world. These wallets have a proven history of making savvy investment decisions and being one step ahead of the game. Nansen allows users to set up highly customized Smart Alerts so they are notified in real-time as these wallets make new trades and investments.



Smart Alerts allow users high customizable ways to track crypto activity

Smart money signals

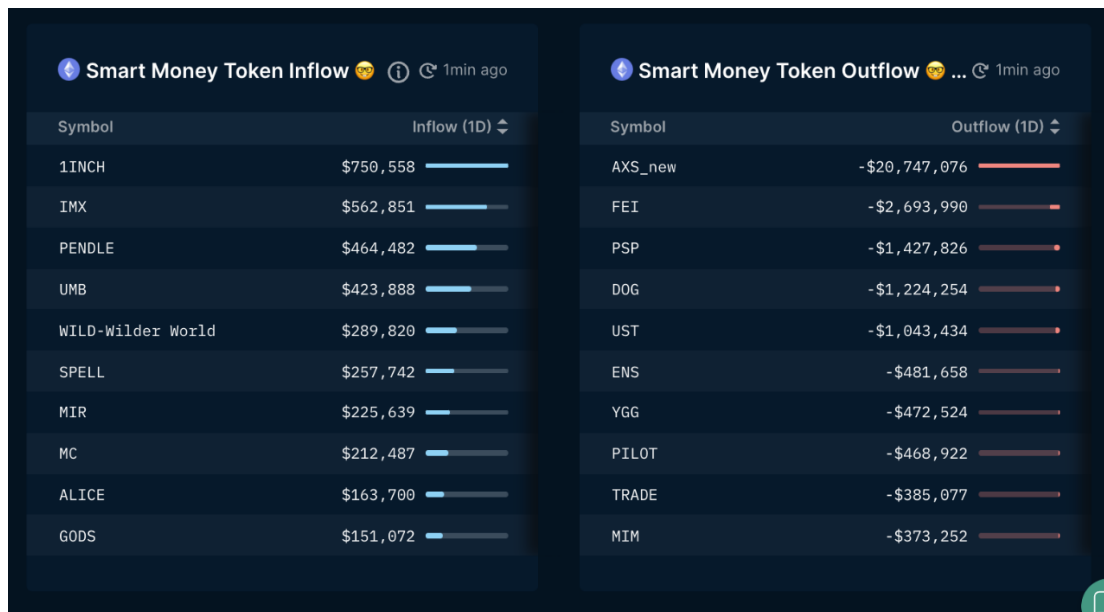
Tracking smart money wallets individually is a powerful tool to understand the trading strategies that successful investors employ. Nansen's new watchlist is continually being updated to allow users to easily make and track a personally curated list of wallets. However, when we view smart money as a group of wallets, they provide a more fundamental market overview. Take for example Nansen's smart money flows, which track the aggregate flow of smart money deposits and withdrawals across crypto tokens.

A screenshot of Nansen's "Wallet watchlist (4/20)". The table displays the following data:

Network	Name	Balance	Total token balance	NFT Profit (ETH)	Labels
★	anonymice.eth	6.31 ETH	\$57,491	40	anonymice.eth provideme.eth
★	vasp.eth	1.64 ETH	\$1,714,025	-394	vasp.eth vasp.eth
★	Pranksy	603 ETH	\$601,237	2,314	Pranksy pranksy.eth
★	Rare NFT Collector	.4006 ETH	\$125,578	2,522	Rare NFT Collector Smart Money

Custom watchlist allowing a hand-curated list of wallets and their latest activity.

When smart money started investing in Shiba Inu earlier this year, many people asked why Nansen smart money was investing in the top of what appeared to be a meaningless meme coin. Fast forward a few months and Shiba Inu is a major player amongst top crypto coins. Smart money flows provide entry and exit signals to discover new investments and reassess existing ones.



Nansen home screen leveraging smart money labels to track important flows in capital.

DeFi and Smart Liquidity Providers

The fast pace of innovation in crypto makes many innovations hidden from the outside world. For those who have made the dive into crypto, financial innovation known as Decentralized Finance (DeFi) has revolutionized what we can do with money. Smart contracts that reward liquidity provision, provide smart functionality to money often referred to more generally as programmable money. What smartphones did by unlocking new types of apps, smart contracts are doing for money.

Nansen's 'Smart LP label' captures the most skilled DeFi users by combining precise pricing sources and advancing systems for evaluating ambiguous value like impermanent loss. Read more about these updates [here](#).

NFTs are a perfect fit for smart money

The recent boom in NFTs has made wallet labels more relevant than ever. NFTs are intimately social markets. When wallet '0xd387a6e4e84a6c86bd90c158c6028a58cc8ac459' AKA 'Pranksy' trades, the community follows and does so very quickly. Nansen identified early on that smart money is usually only smart in what they do best. A DeFi liquidity-provider is often clueless about which NFT to buy.

In particular, the social layers of the NFT market often make it impervious to outsiders. NFTs routinely pass hands for millions of dollars. A slight adjustment in the texture of a Bored Ape Yacht Club (BAYC) ape's fur, a few pixels arranged differently in a CryptoPunk, can add or remove a huge chunk of value.

To reflect the depth and sophistication of the NFT market, Nansen has further refined its smart money into segments. In addition to the existing labels like the popular 'Legendary NFT Collector' label, Nansen now provides improved NFT smart money labels. These new

segments reflect the subtleties and sub-communities making up the NFT market.

Smart NFT Early Adopter

Let's start with the early birds. These are the OG (Original Gangsters) who bought the best projects way before they were big. Not just any early birds though, these are the ones that didn't sell their NFTs at the first opportunity - despite the temptation for eye-watering return on investments. These early birds are the real market makers, long-term investors, and influencers in the NFT communities.

Smart NFT Trader

Now the traders. Unlike early birds and seasoned collectors, the NFT traders frequently book their profits. Their net ETH balance is positive. Their record for making savvy investment decisions is proven. They navigate gas costs and rebalance portfolios to make sure they are liquid enough for reinvestment. They undertake strategies to both acquire valuable NFTs and minimize risk. Studying these strategies using Nansen is the crypto equivalent of a Harvard degree at a fraction of the cost.

Smart NFT Minter

Minting NFT collections from the contract or a website isn't easy. There are security risks, front-running, gas costs, and an incredible amount of choices between NFT projects. If minting isn't difficult enough, the short-lived nature of a project makes exit timing incredibly critical. Our Smart NFT Minters are the best of the best. We calculate the most profitable wallets across multiple projects within the last 60 days.

Smart NFT Hodler

Hodlers are built differently to you and me. Way back in the old days of 2013, when Bitcoin was sub \$1,000 and routinely pumped and dumped over 30%, the term HODL appeared as a drunken typo promoting people to hold rather than sell. With this event, the HODL mentality was born. Hodlers are the strongest of hands who can hold on to winning NFTs despite massive losses. Nansen has developed a 'secret sauce' for finding NFT Hodlers who, unlike influencers and traders, have hodled a wide range of NFTs through the lows and highs.

In Summary

Nansen smart money isn't just an alpha tool for investors and traders. These labels represent a new type of economy where knowledge is open and powerful actors unable to hide their behavior. Our financial future is no longer in the hands of institutions that we are forced to trust. Rather, all actions are openly and publicly broadcast for verification. Trust is not a risk blindly taken for lack of alternatives but a valuable asset that is continually verified and earned.

This new economy makes information travel faster around a network to the benefit of everyone. To make crypto accessible, tools like Nansen must continue to push the frontiers transforming data into meaningful signals. In crypto, following the smart money matters more than ever.