

JULY 2022

The Value of On-Chain Data

Introduction

CryptoQuant is a leading data and insights provider with the most comprehensive on-chain data gathered from blockchain and major cryptocurrency exchanges. Over 1M worldwide traders are using our data, and more than 10,000 articles cite our data every month.

Blockchain can offer great potential, but it has its vulnerabilities rising as well. Among different data you can observe, market data is being cultivated and manipulated as the market is getting bigger by the day. Thus, the importance of on-chain data is growing bigger and bigger.

We keep track of every single transaction that occurs in the market, label addresses through dusting and clustering, identify entities whether it's an exchange or a mining pool, etc.

Why On-Chain Data?

Being "on-chained" provides a bird view of blockchain



2020.3.12

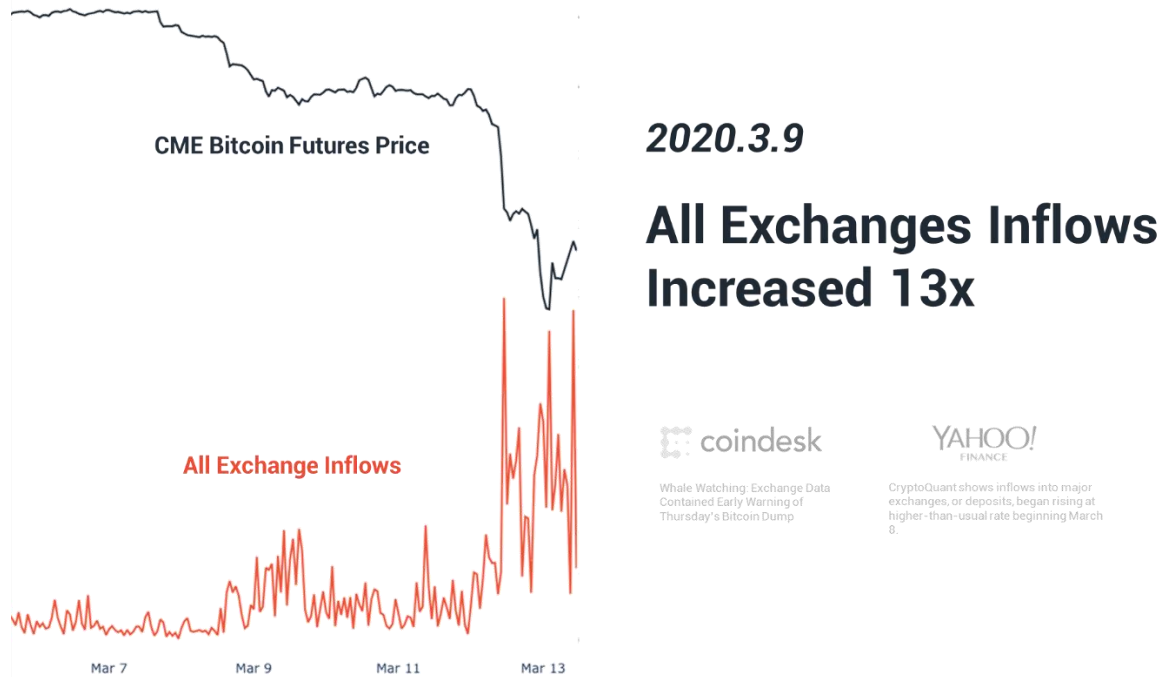
**No One Predicted
This BTC Sell-off**

-52%

\$ 70 Billion of BTC market value vaporized

Many hedge funds closed

Legal actions against exchanges

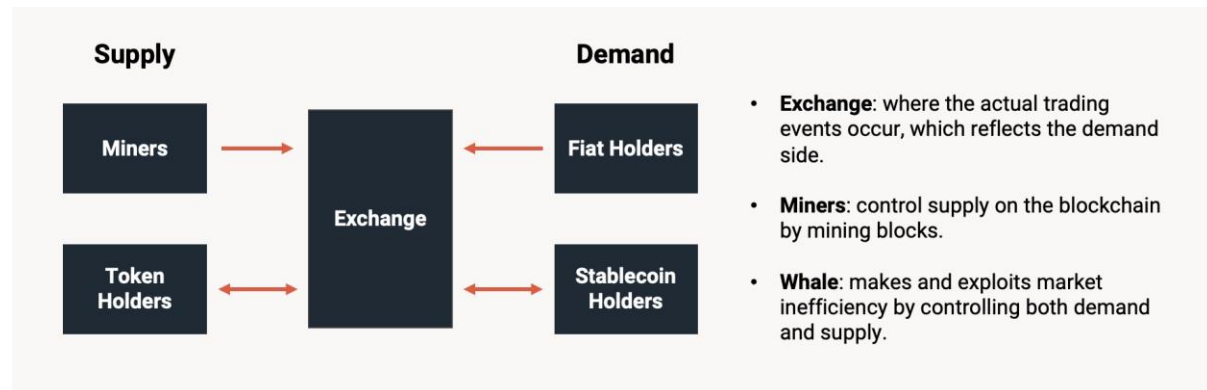


On-chain data comes from a public ledger system that allows people to look into all transactions that are recorded on to it. Utilizing this transparency, various raw data containing information such as coins sent amount and time, wallet address, and fees that are being paid to a miner which show the details of the activities via transaction can be extracted from on-chain data. There is little room for hiding in the on-chain process and being "on-chained" lets you be the watcher of the bitcoin network.

Upon this raw information, if we put our resources into analyzing them, the on-chain analysis can be a new framework for bitcoin valuation which allows traders to establish an edge. With on-chain analysis, traders can see what happens in the networks that finally results in price movement. For example, exchange flows data gives us an insight into actual major players' money flow in the networks. CryptoQuant aims to provide full historical on-chain data which allows you to build an in-depth understanding of the markets, therefore, leading you to make robust trading strategies.

Why Entity Matters?

Finding out who owns bitcoin is crucial to the investment



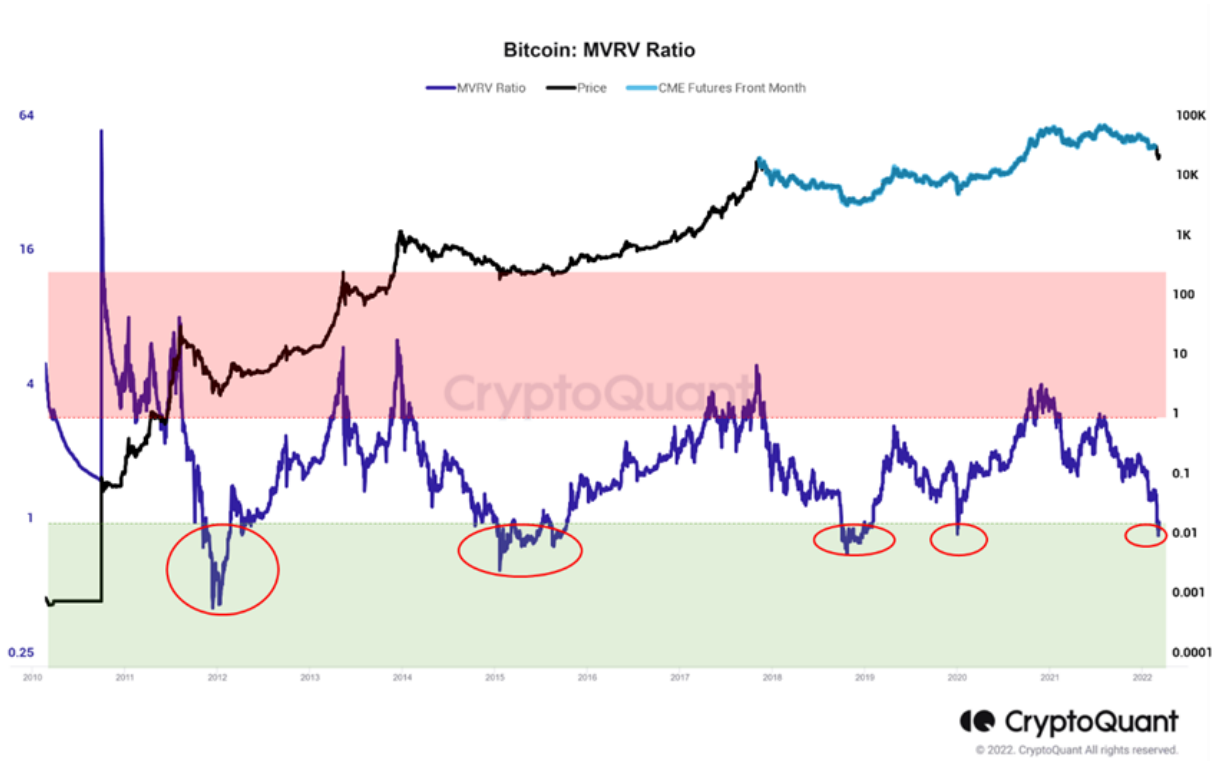
There are certainly price drivers in the market and market status can be affected depending on the status of such drivers in the market. For example, if a Bitcoin miner sends their BTC to the exchange market and sells them, it would drive the prices down considerably. Like the case of a miners' sell, it is obvious that if someone with a big bag sells, the price will likely drop. Thus, it is important to track and watch certain holders' behavior and find out who are the major price drivers in the market.

[Click to learn more about why Entity Matters](#)

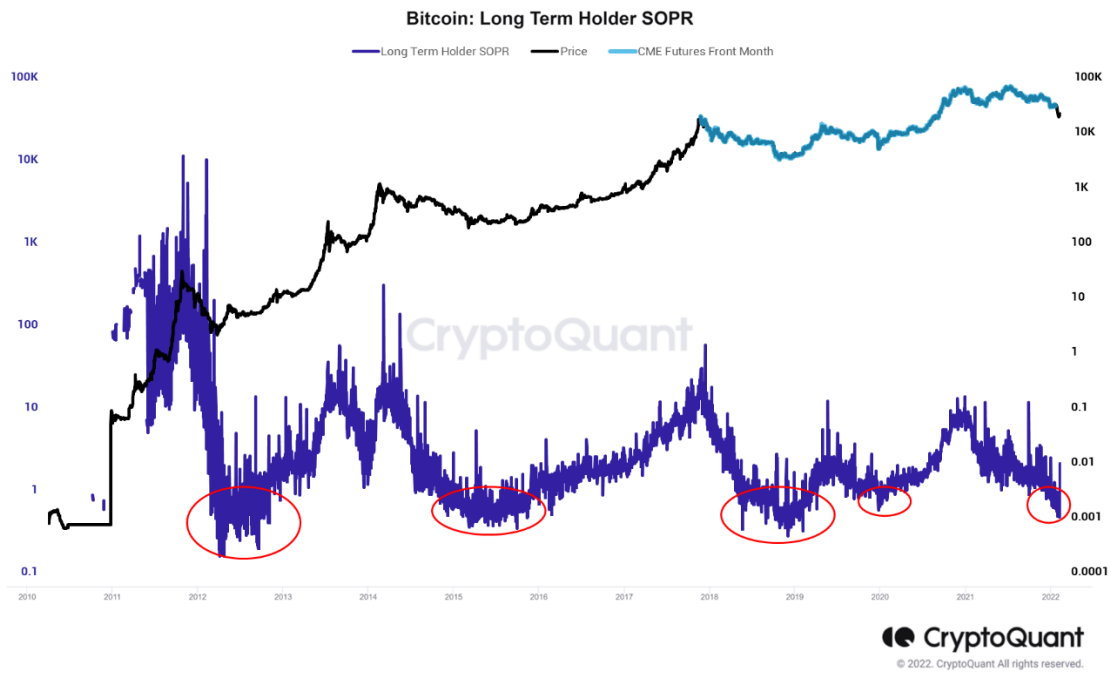
How On-chain Indicators work?

On-chain indicators combine entity flows data, network data, and market data to examine the market conditions, and evaluate the current price's valuation.

MVRV ratio is one of the good examples of on-chain indicators to determine the valuation of Bitcoin. MVRV is an acronym for market value to realized value, and the value of MVRV ratio is determined by market value divided by realized value. We can track the realized value by the combination of network data and market data.



As MVRV ratio reaches below 1, we can see that Bitcoin price started to bottom out. An MVRV ratio value below 1 means that realized value is bigger than the market value, and it meant the Bitcoin is undervalued in the previous history as Bitcoin experienced continuous growth.

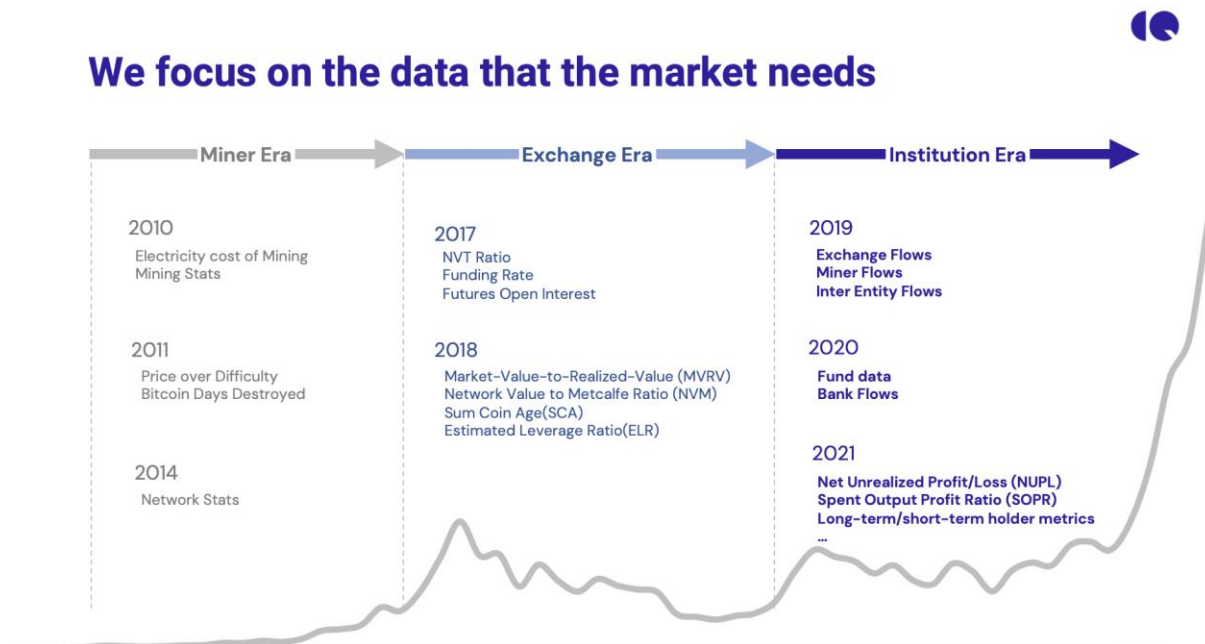


SOPR (Spent Output Profit Ratio) metric is also a good example of on-chain indicator as it determines whether the latest transaction has been in profit or loss. Especially if you investigate the behavior of the long-term holders (those who held Bitcoin for more than 155 days), it is easy to spot the cyclic bottom.

[Click to learn more about other on-chain indicators](#)

Why Trust CryptoQuant?

CryptoQuant makes blockchain data "ready-to-use"



It is true that blockchain data is public for everyone to see but it is hard to interpret them. Everyone says that blockchain activities are opened and decentralized but what good is there if we lack the ability to see them? It is not easy for all people to know what to look at on a single transaction data.

That's where CryptoQuant comes into play. CryptoQuant firstly collects all the data that comes from the transactions happening on the blockchain. When data gathering is done, defining them adds the additional meaning. For example, CryptoQuant differentiates data that is only involved with exchanges' wallets and extracts second handed information such as the total amount deposited in the exchange or how much has flown into exchanges in a given time. This second handed information makes a huge impact on trading by providing investors a valuable insight.

CryptoQuant owns unique difference

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We provide real-time charts and raw entity data by following the steps below.

- A. Collect labeled addresses by preceding thorough and vast amount of dusting process
- B. Serve our data efficiently and securely
- C. Ensure that we have valid labeled addresses based on reserve analysis, trend analysis, graph analysis, and data statistical analysis.

[Click to learn more about CryptoQuant's technology](#)

About CryptoQuant

CryptoQuant is a leading on-chain data and insights provider service. started as an AML service with expertise in on-chain data. CryptoQuant diversified into the crypto data-providing company in 2018 with a specialty in on-chain data. CryptoQuant's data is reliable and is being referenced monthly through major media, including Bloomberg, and Forbes. CryptoQuant works closely with quantitative hedge funds, research firms, corporations, academics, and exchanges.

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