

## News Comment

## BUY

|                   |         |
|-------------------|---------|
| Price (\$)        | 1635    |
| 14/09/2022        |         |
| Target price (\$) | 3423    |
| Upside            | +109%   |
| Market Cap (M\$)  | 189 779 |

## Ether

## Successful Ethereum Merge

Ethereum successfully completed its long-awaited Merge on 15/09/2022, which led to the full transition to PoS and the end of PoW. This transition brought many improvements for Ethereum, from energy savings to improved tokenomics. Indeed, The Merge has made Ether deflationary and we expect Ether's TVL to increase as a result of this positive event. However, in this time of celebration, we would like to remind that the Merge is not an end in itself, but paves the way for future improvements such as sharding to increase Ethereum's scalability. Finally, in the short term, we tend to be cautious as volatility could occur, but we remain strongly positive in the medium term.

## A smooth transition with minor bugs

On 15/09/2022 at 6:44 UTC, the Ethereum Merge was activated and the first epoch was successfully finalised at 6:59 UTC. During this process, only 4% of validators were lost, which is much better than expected. In summary, Ethereum has made its full transition to PoS smoothly and the Merge is a total success.

## Tokenomics and features improved after the successful Merge

The tokenomics of Ether is clearly improved now that the Merge is complete. Firstly, the full transition to PoS has reduced the inflation associated with the issuance of new tokens by 90%. Combined with the burn mechanism introduced in 2021, Ether becomes the first digital asset of this size to become deflationary. This deflation is about -0.5%/-1.5% per year.

In addition, staking rewards now includes the priority fees previously rewarded to miners for their work. Total staking yield increased dramatically just after the Merge and is expected to stabilise during the month at around 6%-7.5%, which implies an increase of at least 30% compared to before the Merge.

Although the Merge was not initially designed for this, block frequency increased by about 10% after the Merge with an average block time of 12s allowing Ether to process more transactions.

Last but not least, Ethereum's energy consumption has been reduced by 99%. Now that Ether's ESG score has improved significantly, many previously reluctant investors may begin to consider investing in Ether. In addition, since Ether has abandoned its energy-intensive PoW consensus model, Ether will also avoid regulatory bans on PoW digital assets, such as the MiCA regulation in the EU.

## Distribution of the ETHPoW hardfork tokens for eligible ETH holders

Following the abandonment of PoW, some dissident miners have decided to continue mining Ether on the PoW chain through a hard fork. This new token is renamed ETHPoW and is scheduled to be launched 24h after the Merge on 16/09/2022 between 6:00 and 9:00 UTC. Ether holders will receive 1 ETHPoW for each ETH held on a non-custodial wallet or on an exchange supporting the hard fork.

## An ambitious roadmap still ongoing

Now that the Merge is complete, Ethereum can move on to the next steps in its roadmap to improve scalability, of which the Merge is only half the way through. The next event is the Shanghai upgrade scheduled for the end of H1 2023, which will implement scalability solutions focusing on increasing synergies with Layer 2 rollups and will enable the unlocking of the Ether staked as well as rewards.

## Bullish on the mid-term and price target of \$3423 unchanged

We are fundamentally bullish in the medium term and leave our price target of \$3,423 unchanged, despite the fact that we remain cautious in the short term. Now that the Merge risk has been removed, we expect investors to raise their price target on Ether. In addition, the deflationary component of Ether combined with the significant increase in the number of Ether staked that we are expecting will help push the price higher.



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