BITFINEX Alpha



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EXECUTIVE SUMMARY

As we enter the new year, the enthusiasm of the markets cannot be contained. Even following the release of the FOMC minutes last week, and much jaw-boning by Fed officials indicating that the fight against inflation is not over, the market is indicating interest rates peaking at below five percent and 50 basis points below where the Fed itself is indicating where rates should be.

Stocks, too, are deemed overvalued, and the two-year treasury yield is now almost at par with the Fed Funds rate, indicating the market believes rate rises will soon come to an end.

It is true that economic activity is slowing; the PMI is now indicating its lowest reading since May 2020, and the trade deficit has shrunk for the first time in four months to its lowest level since October 2020 on declining imports.

This tells us that interest rate increases by the Fed are having an impact on manufacturing appetite, but a look at wage inflation shows that though wage growth is slowing, average hourly earnings are still up over four percent in December compared to 12 months earlier.

Low employment rates, good wage growth, and a still-hot overall labour market do not indicate a slowdown in economic activity or an increase in labour slack that will restore the price stability that the Fed is attempting to accomplish.

It is a conundrum because while the strong labour market reflects a labour shortage and is creating inflationary pressure, it also offers the best hope of avoiding a recession as a robust labour force that keeps spending as rates rise offer the best chance of keeping the economy going.

Against this macroeconomic backdrop, the price of Bitcoin has barely moved since the last edition of *Bitfinex Alpha* two weeks ago. However, smaller time frame volatility has increased, driven by a lack of liquidity, caused in part by the collapse of FTX, which has left the Bitcoin market with a liquidity gap.

Aggregated BTC market depth has dropped by almost half to around 8k BTC from 14k at the end of October. In other words, a large order of the same USD value or size placed today will have more than twice the impact on price in contrast to two months ago. For large traders, this makes it a very difficult environment to trade in.

Many market makers have also reduced their activity and retail, who have been migrating off centralised exchanges and into self-custody have also been moving to decentralised alternatives.

As we wrap up the latest news in the crypto sphere, we cover SBF's bail conditions; the ongoing spat between Gemini and Digital Currency Group; the latest machinations in the Celsius bankruptcy; a $100m settlement by Coinbase; and more withdrawals from Silvergate.

EXECUTIVE SUMMARY

We also include this week, a *Learning Section* that focuses on tokenomics. What it is, how it works, and how to assess it. Required reading for any new investor in crypto.

Happy new year and happy trading.

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GENERAL MARKET UPDATE

FOMC Minutes: No Rate-Cut for 2023

According to the minutes of the Federal Reserve's (Fed) December Federal Open Market Committee (FOMC) meeting released on Wednesday, January 4, none of the 19 top Fed officials are convinced that it is appropriate to cut interest rates in 2023. Though the Fed found the recent inflation data favourable, they want concrete evidence of a definite and durable inflation decline in order to be convinced that it's on a continuous downward trend.

To recall, Fed officials raised interest rates by 50 basis points (bps) on December 14 after four consecutive 75 bps rate hikes. This places their benchmark rate between 4.25 percent and 4.5 percent. Many Fed officials stressed that raising rates at a slower pace was not an indication of the Fed's "weakening" determination to get inflation down to two percent, and that the market should not have premature expectations that inflation is already on a downward path.

Interest rates are expected to increase to more than 5 percent in 2023, according to a survey of 19 Federal Reserve officials. Seven officials pencilled in an interest rate higher than 5.25 percent.

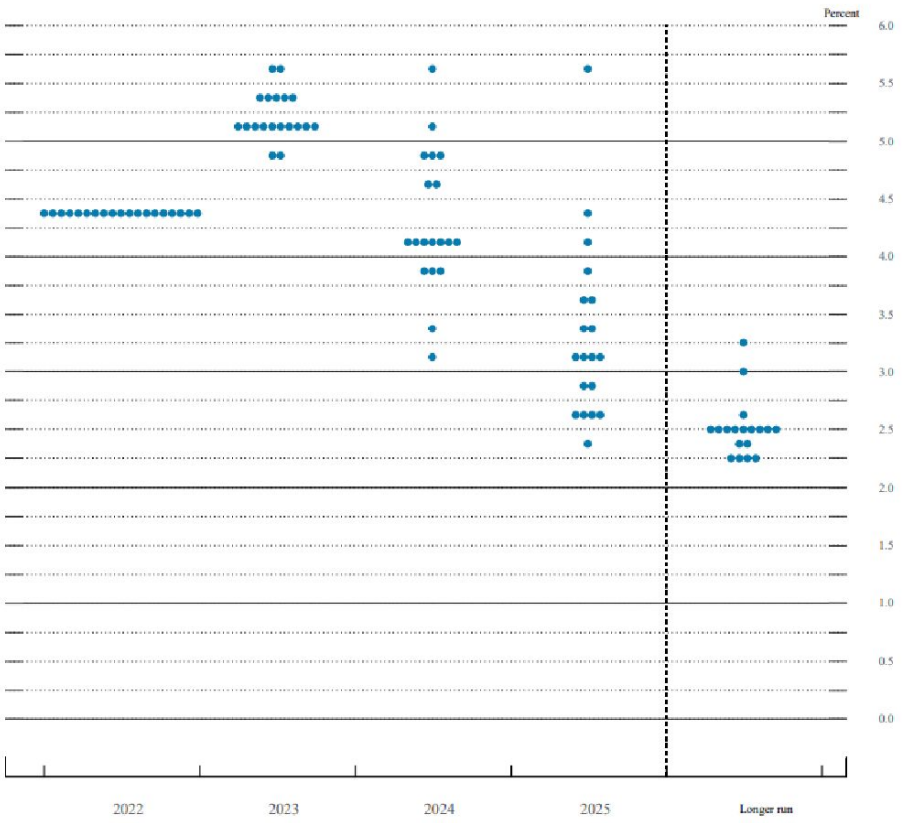


Figure 1. FOMC participants' assessments of appropriate monetary policy: Midpoint of the target range, Source: US Federal Reserve, Summary of Economic Projections, Released December 14, 2022

However, the market does not appear to be listening. Fed Funds Futures currently shows that the market expects rates to peak at 4.97 percent and decline to 4.64 percent by December 2023. This is about 50 bps below what the Fed predicts in its Summary of Economic Projections.

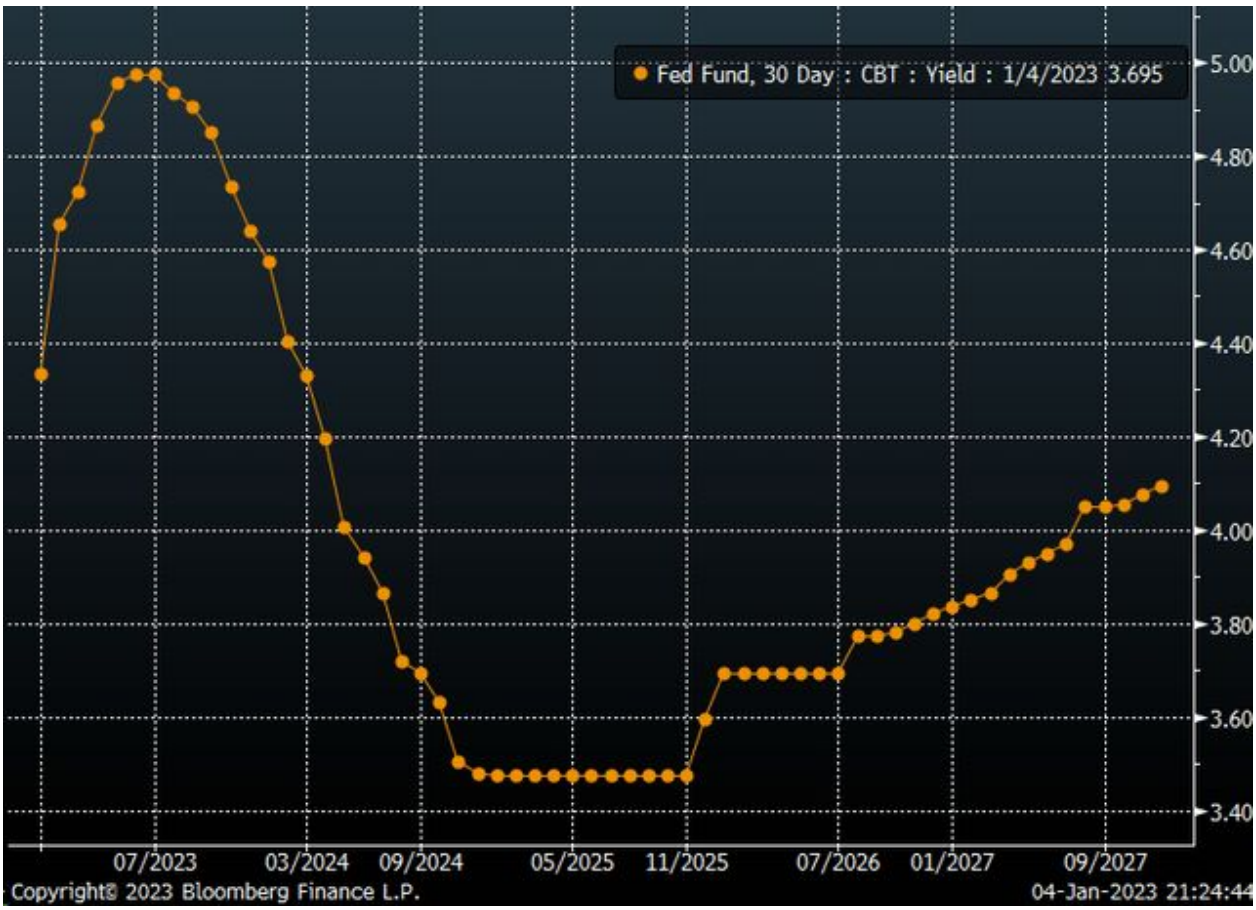


Figure 2. *Fed Funds Futures (Source: Bloomberg Finance)*

The Fed is fully aware they need to send a hawkish message to avoid sabotaging their efforts in curbing inflation. Financial conditions are unlikely to tighten as much as is necessary if the market continues to fight the Fed. Fed officials said they are striving to balance doing too little and doing too much, which worsens inflation by creating an unnecessary decline in economic activity.

Is the Market in Denial?

For 2022, the jumbo-rate hikes were the most critical economic development seen in decades, as the Fed responded to red-hot inflation. The 10-year US Treasury yield broke out of a three-decade downtrend channel and above the decade-long resistance level of three percent. It's important to emphasise the significance of this phenomenon as it represents a radical shift from the economic environment to which investors had become accustomed.



Figure 3. *US 10-Year Treasury Bond Yield (Source: Trading View)*

The Market Cap to Gross Domestic Product (GDP) Ratio (also known as the Buffett Indicator) is a calculation that divides the total value of all publicly listed equities in a country by its GDP. It determines whether the country's stock market is overpriced or undervalued compared to a historical average. A market cap to GDP ratio greater than 1.0x (or 100 percent) is generally interpreted as stocks being highly valued, while below 0.5x (or 50 percent) means the stocks are undervalued.



Figure 3. *Buffet Indicator: US Stock Market Value to GDP Ratio (Source: www.currentmarketvaluation.com)*

Last year's turnaround in interest rates and the shift in the Fed's monetary policy was a significant factor in the stock market fall of last year. The combination of these factors dramatically cooled the risk appetites of investors. However, despite last year's stock market decline, valuations are still higher than before the short-lived peak brought by the pandemic. The market-cap to GDP ratio is still around 158 percent, which is 28 percent higher than the long-term trendline.

Bonds provide a high return to investors when interest rates are high, lowering demand (and stock prices) for stocks. Furthermore, increasing interest rates make it more expensive for firms to borrow money, making it more difficult to obtain capital to support growth. Any company that incurs debt will face increased interest payments and, as a result, lower earnings. Lower corporate profits imply lower corporate stock prices. A stock valuation that remains historically high amidst consecutive jumbo rate hikes, indicates that the market is still anticipating that the economy will return to low-interest rates soon.

Meanwhile, looking at the two-year Treasury yield, which is the most sensitive maturity for policy expectations, the Treasury market looks to anticipate the end being near for Fed rate hikes. From October 2021 to November last year, the two-year Treasury yield has been hovering significantly higher than the Fed funds rate, which is a sign of expected rate hikes. Recently, the gap between both has narrowed to almost nothing. This trend indicates that investors believe that the Fed rate hikes are closing to an end.

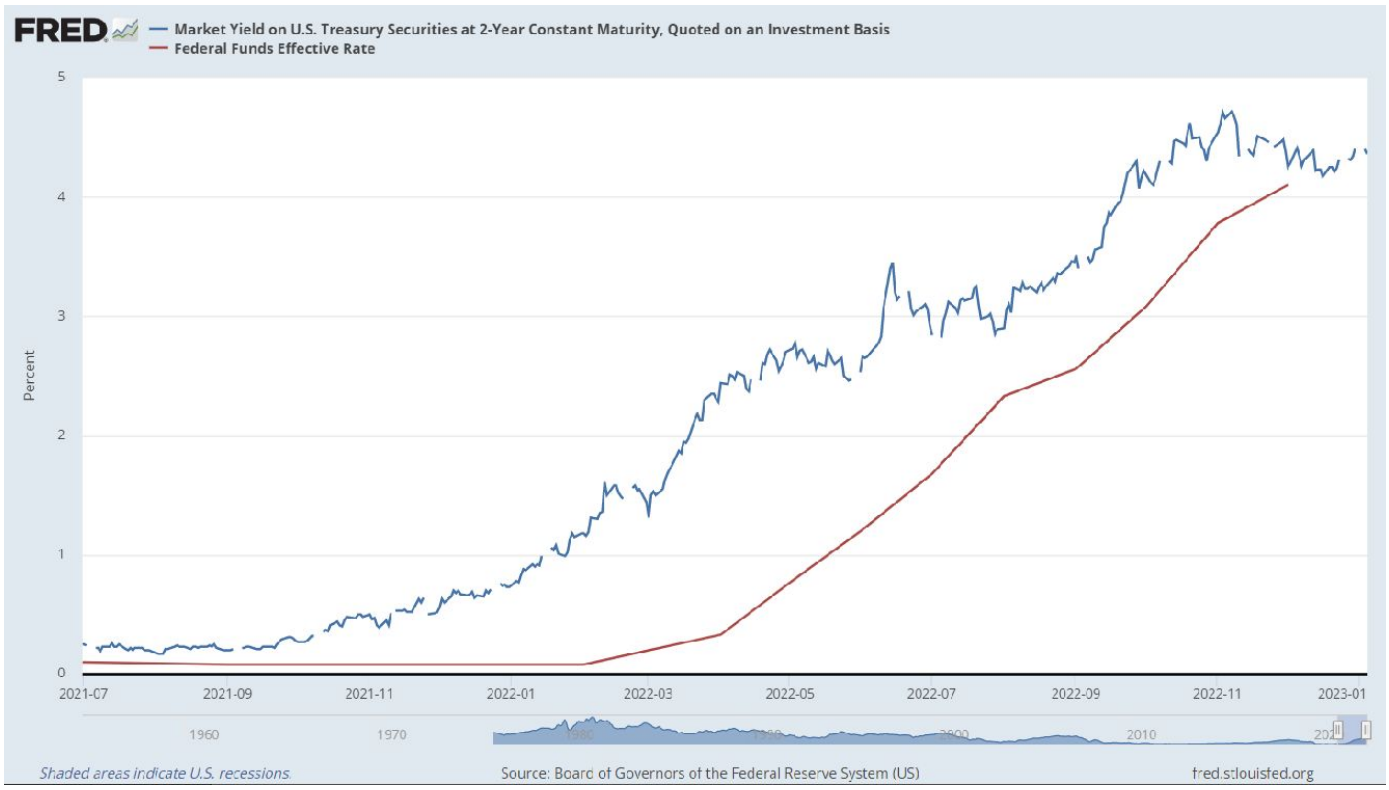


Figure 4. *Two-Year US Treasury Yield & Federal Funds Effective Rate (Source: Board of Governors of US Federal Reserve)*

Of course, the central bank could continue hiking interest rates without regard to the hopes and fears of the market or analysts' forecasts. The Fed has stressed that it remains firm on tightened monetary policy. Incoming inflation data, economic growth (or lack thereof), and the Fed's judgment that pricing pressure has peaked (or not) all play significant roles in how high and how long the rate hikes will be.

Weakening Demand: Manufacturing and Imports Decline

S&P Global's manufacturing Purchasing Managers Index (PMI) for the US dropped from 47.3 in November's final reading to 46.2 in December, based on the purchasing manager's survey released last Tuesday, January 3. The S&P Global manufacturing PMI is a diffusion index: a reading above 50 means the industry is expanding; if it's below 50, the sector is contracting. The index is in contraction territory for the second consecutive month, posting the lowest reading since May 2020. The contraction is led by weakening demand attributed to economic uncertainty and high inflation. The deteriorating demand that leads to a slower uptick in inflation signals the impact of the Federal Reserve's policy. However, growing uncertainty and tumbling demand threaten manufacturers, which will eventually affect the job market for this year.

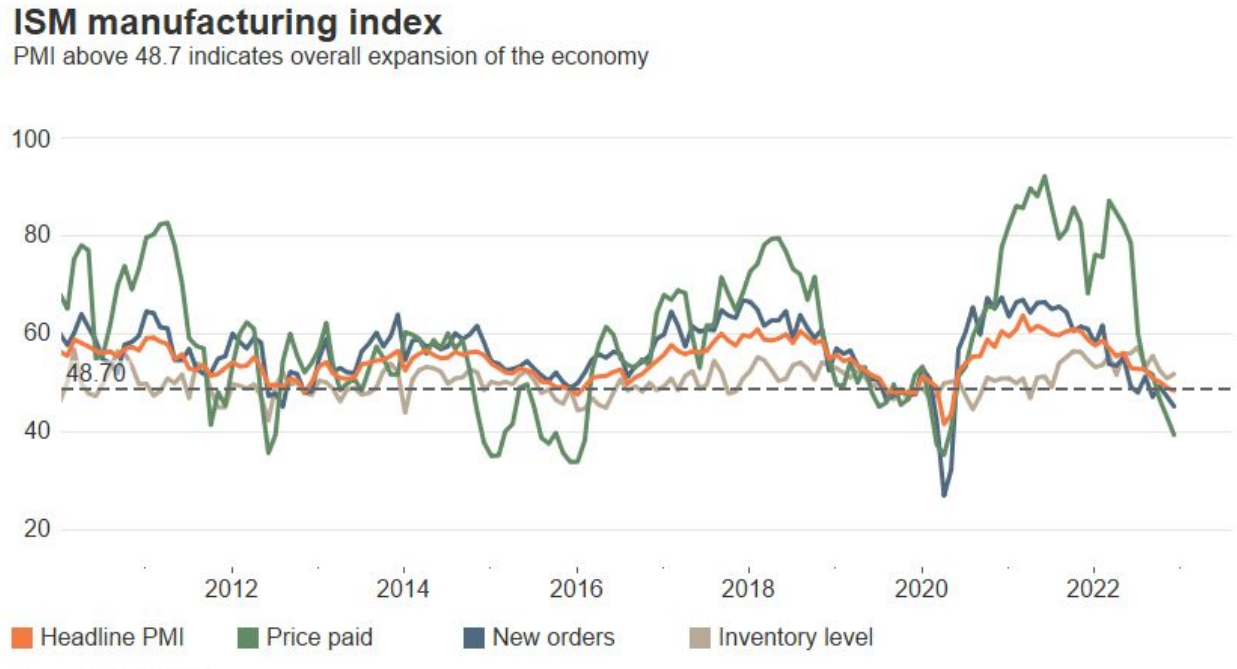


Figure 5. *ISM Manufacturing Index (Source: S&P Global)*

Weakening demand is further seen in the latest report on the US trade deficit. According to the US Bureau of Economic Analysis and the US Census Bureau, the US international trade deficit narrowed in November 2022. When comparing imports and exports, the gap narrowed from $77.8 billion in October (revised) to $61.5 billion in November. This is the first time the trade deficit shrank in four months, falling to its lowest since October 2020. This trend was pushed mainly by a drop in imported goods.

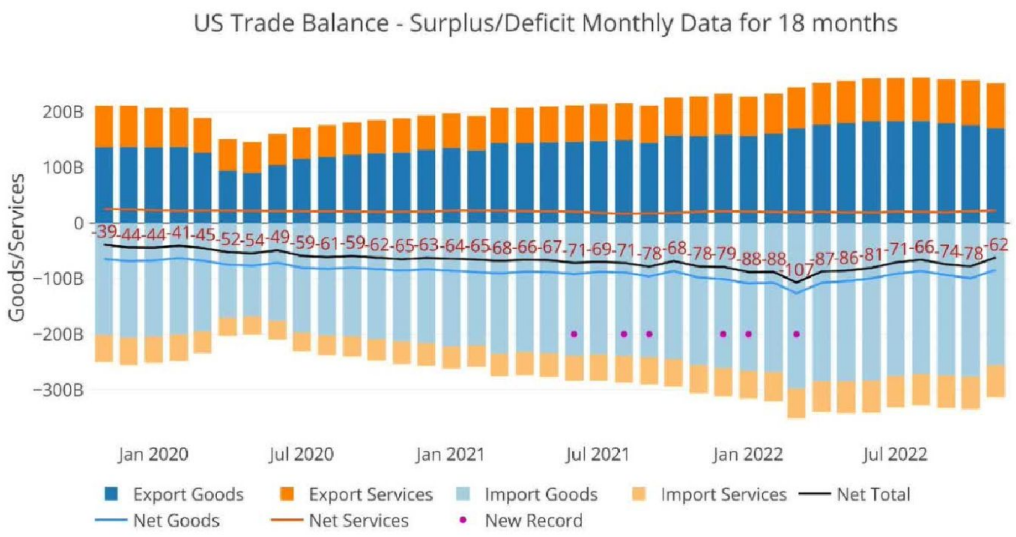


Figure 6. *US Trade Balance – Surplus/Deficit Monthly Data for 18 Months (Source: US Bureau of Economic Analysis)*

There are a variety of ways to look at the Trade Deficit. On the one hand, an expanding trade deficit indicates a slowing economy that consumes more than it produces. A trade surplus or narrowing deficit can indicate a growing economy. However, this is not the case. The current narrowing of the trade deficit results from declining imports and not from increasing exports. This is another indicator of inflation eating away at consumers' purchasing power.

Fewer Job Openings

As a leading indicator of the economy, the Fed watches the US job market closely. This is especially relevant now, given that inflation is concentrated in the service sector instead of goods. A strong labour market creates upward pressure on service inflation. Labour cost accounts for most of service inflation.

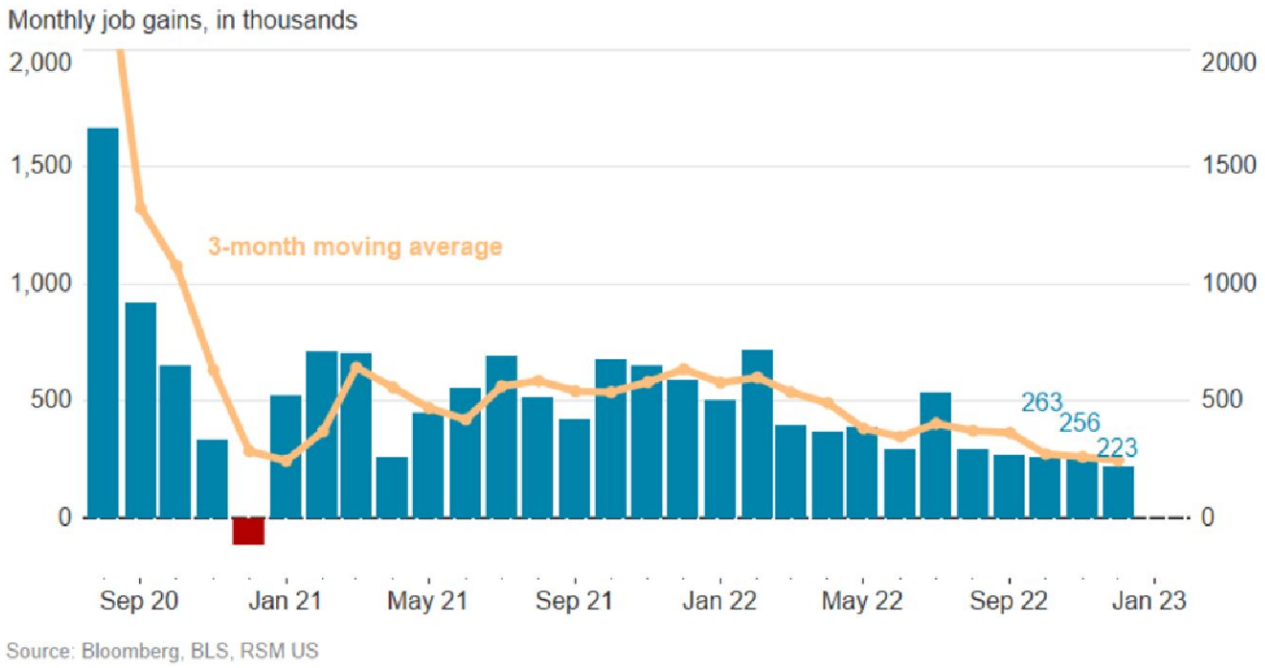


Figure 7. *Monthly Job Gains in the US. (source: Bloomberg)*

The latest jobs report by the Labor Department on Friday, January 6, shows a robust increase of 223,000 jobs in December. This is lower than the 256,000 increase in total nonfarm payrolls in November. Excluding the government, private payrolls increased by 220,000 in December after adding 202,000 in November.

Average hourly earnings for all private workers rose 0.3 percent in December. That is a 4.6 percent gain from 12 months earlier, down from a recent peak of 5.6 percent in March 2022 and the slowest rate since August 2021.

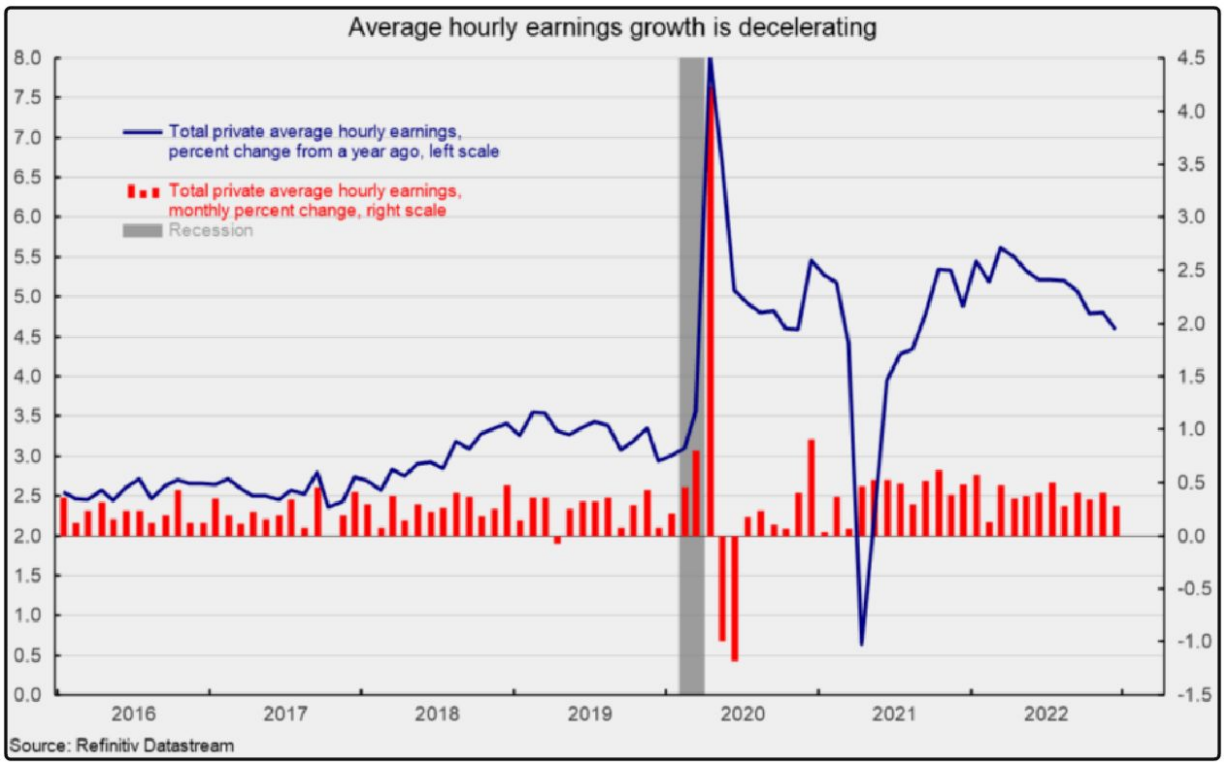


Figure 8. *Average Hourly Earnings (source: Bureau of Labor Statistics ; Refinitiv Datastream)*

Meanwhile, the unemployment rate slipped from 3.6 percent to 3.5 percent, back to its lowest level since 1969. The total number of officially unemployed was 5.722 million in December, a drop of 278,000.

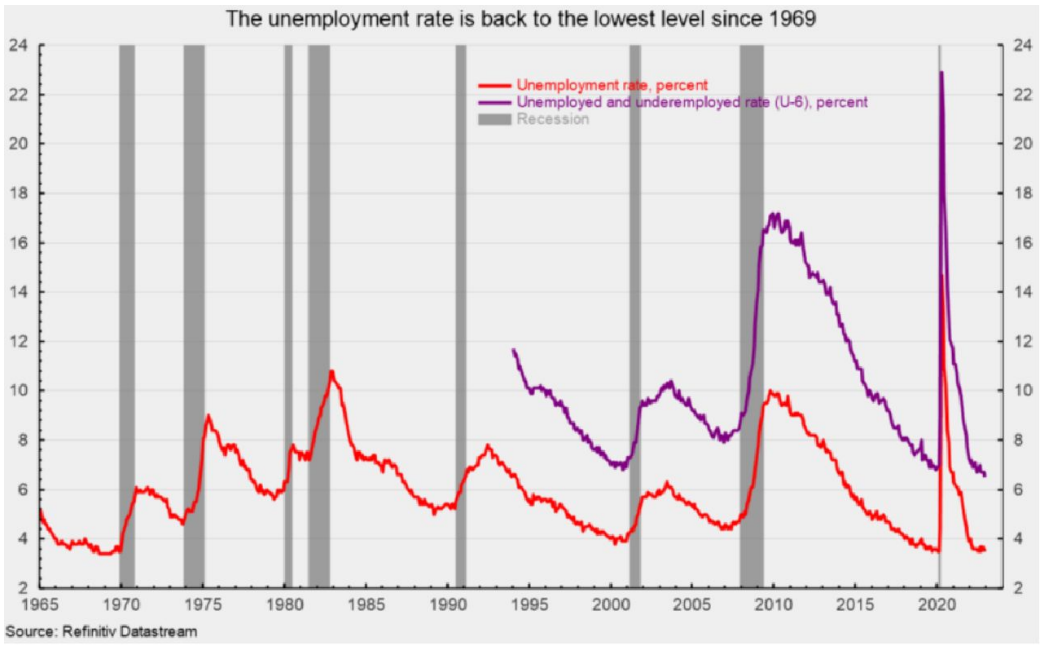


Figure 9. *Unemployment rate in the US (source: Bureau of Labor Statistics ; Refinitiv Datastream)*

The employment-to-population ratio came in at 60.1 percent for December, up from 0.2 percent in November. This is, however, significantly below 61.2 percent in February 2020. The labour force participation rate rose to 62.3 percent, up by 0.1 percent from November. This metric has been trending flat recently, still below the 63.3 percent of February 2020. If this 63.3 percent participation rate is applied to the working-age population of 264.844 million, 2.68 million more workers will be available.

The historically low employment rate, 4.6 percent wage growth, and the still-hot overall labour market do not indicate a slowdown in economic activity or an increase in labour slack that will restore the price stability that the Federal Reserve is attempting to accomplish. Despite some signs of loosening, the job market remains tight.

The strong labour market is a double-edged sword for the Fed. One reason is that salaries have increased due to a labour shortage, which could lead to more persistent inflation. The Federal Reserve would want to see the labour market cool down to ease demand and hence, prices.
On the other hand, a strong labour market also offers the best hope for avoiding a recession while the Fed keeps raising interest rates to their highest level in years. If most people have jobs, they can afford to spend enough to keep the economy going even if the interest rates rise.

WHAT'S ON-CHAIN THIS WEEK?

Navigating the current crypto liquidity crisis

While there is only a slight change in price from our last edition two weeks ago, inherent smaller time frame volatility has picked up. Sharp lower time frame price swings are often caused due to a lack of liquidity.

The FTX collapse has left the Bitcoin market with a liquidity gap and hence, severely reduced market depth. The aggregated market depth has fallen from above 14k BTC to a low of 6.5k BTC in November, and has failed to break back above the 10k Bitcoin level since. The takeaway is that a large order of the same USD value or size placed today will have more than twice the impact on price in contrast to two months ago. This is very discouraging for whales and larger trading firms actively trading crypto purely as an alternative publicly traded market.

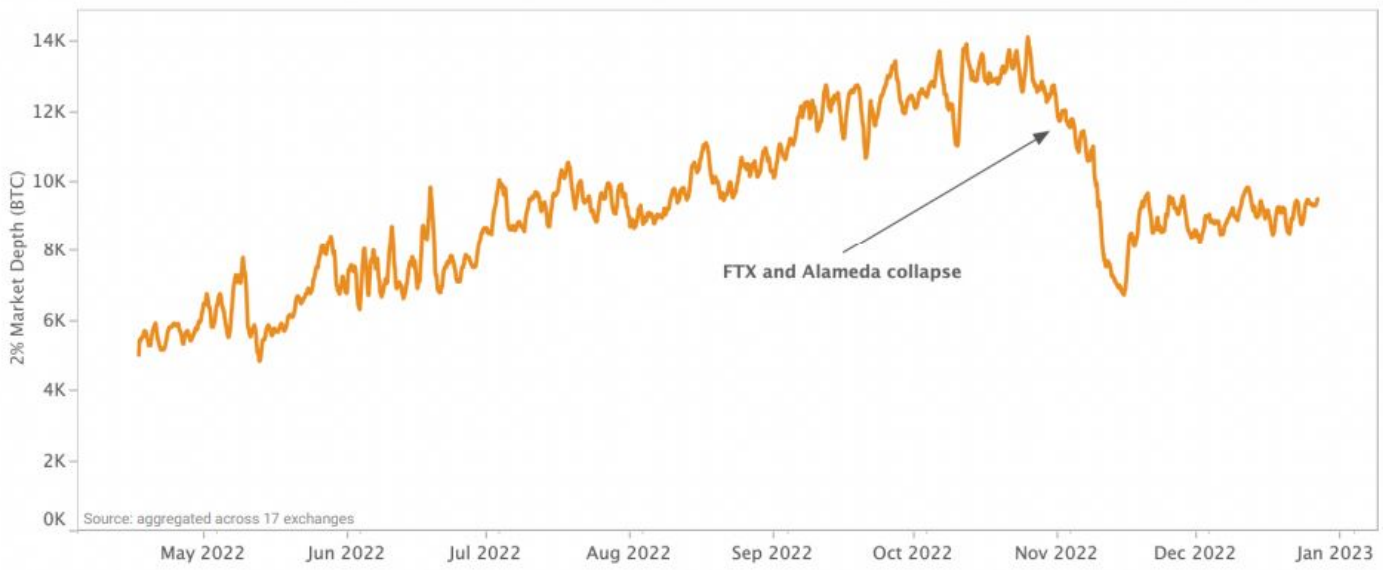


Figure 10. *Aggregated BTC Market Depth across major exchanges.*

As one of the biggest market makers in the cryptocurrency industry in the past, Alameda Research, offered millions of dollars worth of liquidity for both high-cap and low-cap cryptocurrencies. We now know that FTX's clients' money was used to fuel the company's entire trading operation. A substantial decline in liquidity, as indicated by two percent market depth for BTC, has developed as the FTX/Alameda company collapsed across all markets. The failure of FTX influenced several of the top cryptocurrency market makers, who have also reduced trading activity on other exchanges. Three companies—Wintermute, Amber Group, and Genesis—have disclosed that they have money locked up on FTX, probably in the hundreds of millions of dollars. Thus, the decrease in liquidity extends beyond just the absence of Alameda Research in the order books.

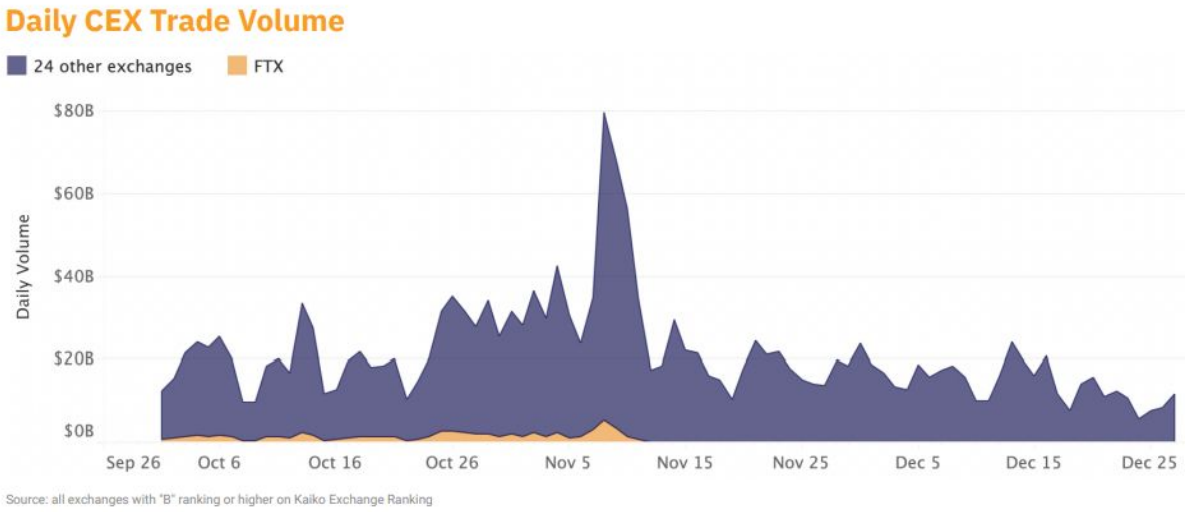


Figure 11. *Daily Trading Volume for all crypto across Centralised Exchanges. (source: Kaiko Research)*

With the FTX collapse, other centralised exchanges like Binance have also suffered a confidence crisis, and retail traders and investors have decided to be prudent in migrating to decentralised alternatives (See DeFi and Dex Resurgence below). While daily CEX volume has always fluctuated, the period between November 25 to December 25 had the lowest aggregated daily trading volume for a 30-day period (discounting the holiday period to avoid skewing the data), as per Kaiko data.

DeFi and DEX Resurgence

Name	Chains	Weekly change	Volume (24h)	Volume (7d)	TVL	Volume/TVL	% of total
1 Uniswap	+2	+9.50%	$302.27m	$3.57b	3.4b	0.09	33.45%
2 Curve	+4	-22.74%	$198.54m	$1.36b	3.69b	0.05	21.97%
3 PancakeSwap		+11.08%	$105.04m	$769.11m	2.26b	0.05	11.62%
4 Balancer		+27.44%	$40.17m	$388.86m	1.49b	0.03	4.44%
5 Orca		+374%	$33.96m	$357.44m	37.91m	0.9	3.76%
6 MetaTdex		+8.25%	$30.61m	$178.13m	451,992	67.73	3.39%
7 DODO	+2	-40.74%	$25.13m	$210.6m	47.22m	0.53	2.78%
8 SUNSwap		+19.60%	$23.23m	$73.79m	390.8m	0.06	2.57%
9 KyberSwap	+6	+2.37%	$15.66m	$145.4m	95.04m	0.16	1.73%
10 SushiSwap	+7	-43.15%	$13.81m	$113.23m	390.79m	0.04	1.53%

Figure 12. *Weekly and daily volume statistics for top decentralised exchanges with public data. (source: DefiLlama)*

While DEX volume also suffered during the holiday season, the net DEX volume for the above exchanges has increased by 6.47 percent week over week from January 1 to January 7.

The DEX vs CEX dominance is currently at 11.16 percent (on January 8). This has more than doubled since January 2022.

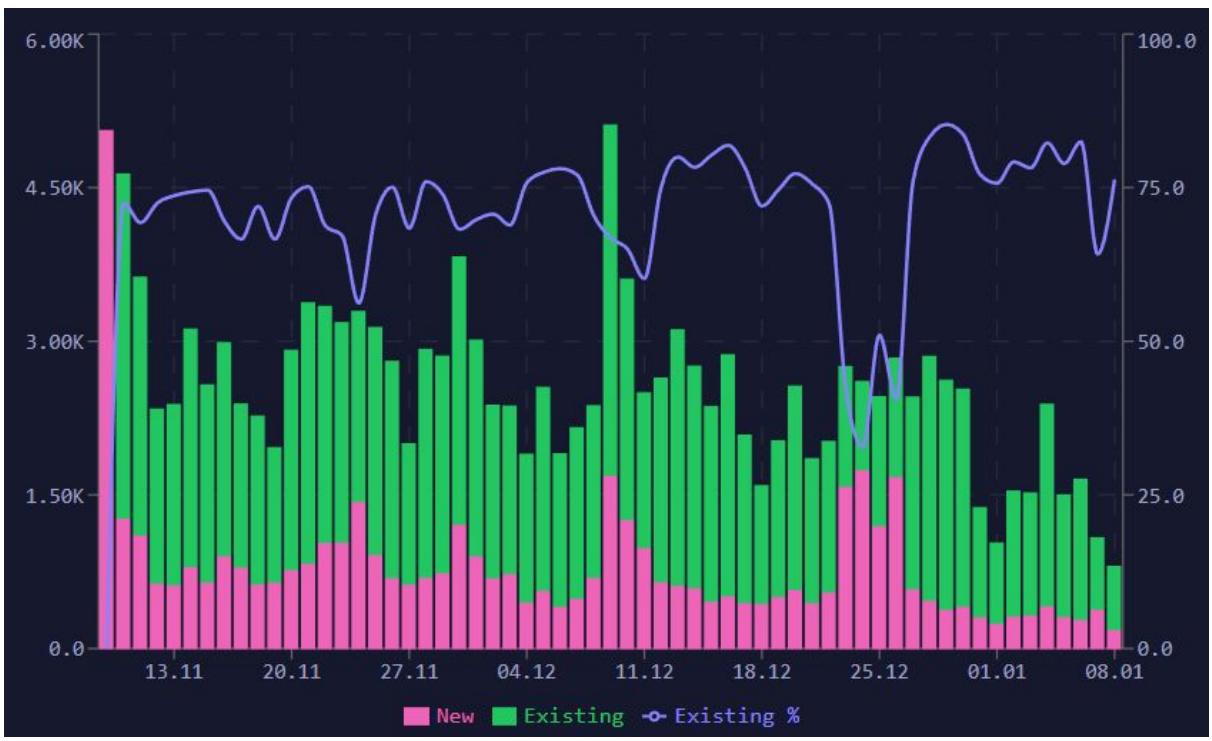


Figure 13. *GMX new vs existing users comparison. (source: https://stats.gmx.io/)*

GMX has continued to experience a large surge of new users while maintaining a strong retention rate of existing traders on the platform since November. The number of users margin trading on the exchange has increased by over 500 percent since November 9. The open interest has also averaged around $150M since November, reaching a peak of $194.8M on November 27. All this data only accounts for the Arbitrum volume and open interest; Avalanche also increases these metrics by 15-20 percent.

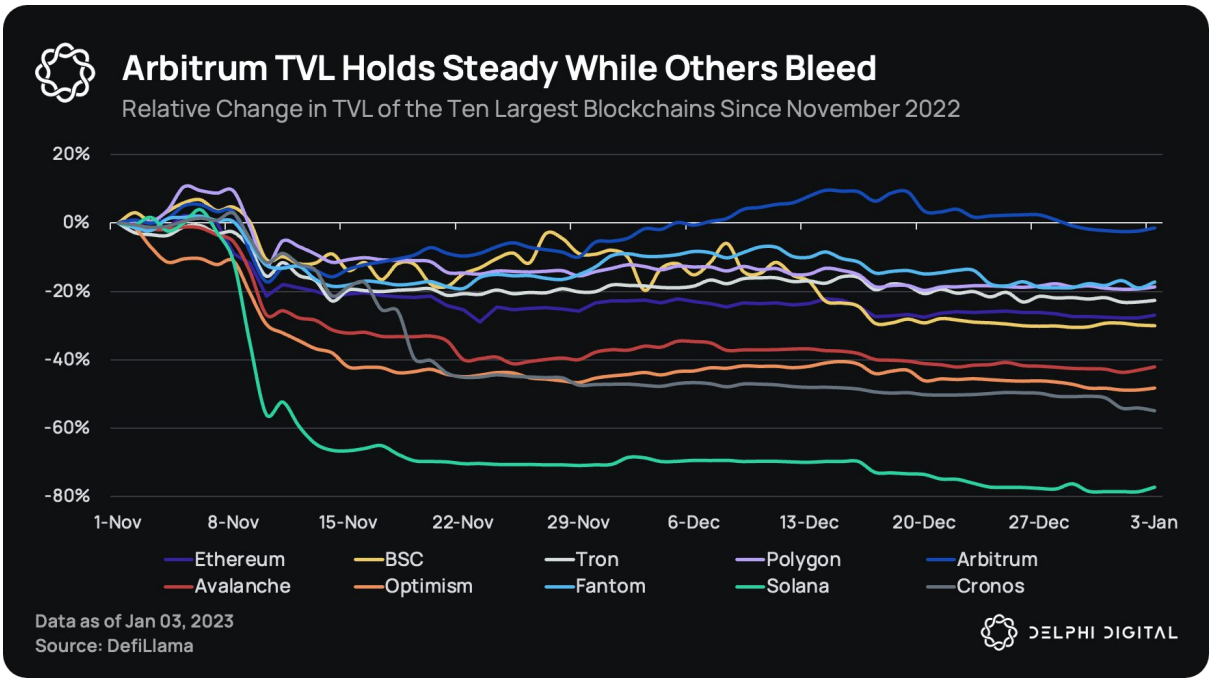


Figure 14. *Relative change in the Total Value Locked (TVL) for the top ten blockchains since November 2022. (source: Delphi Digital)*

Since the start of November, the Total Value Locked (TVL) on Arbitrum has remained unchanged, while all other blockchains have suffered significant outflows. Most notably, Ethereum has seen a TVL decrease of 28 percent, and Polygon has experienced a decrease of 19 percent.

TVL is a measure of the total value stored on the blockchain. For a lot of these protocols, most of the onchain value is due to the chain's underlying token. Hence, TVL is also highly correlated to the token's market price fluctuation.

NEWS FROM THE CRYPTO-SPHERE

Sam Bankman-Fried pleads not guilty.



Figure 15. *Sam Bankman-Fried's arrival at the US District Court in New York on January 3, 2023.*

On Tuesday, January 3, 2023, Sam Bankman-Fried pleaded not guilty to criminal charges before New York District Court Judge Lewis Kaplan.

Prior to his arrival to the US, SBF was first arrested in the Bahamas at the request of the US government on December 12, 2022. After his first $250,000 bail application was denied by the Bahamas' Magistrate Judge Joyann Ferguson-Pratt, SBF signed documents agreeing to be extradited to the US and was handed to the Federal Bureau of Investigation (FBI) on December 21, 2022.

After returning to the US on December 22, 2022, SBF was released on a $250 million bond and was set to live with his parents in Palo Alto, California, surrender his passport and wear an electronic monitoring bracelet until January 3, 2023, court hearing.

On December 28, 2022, Blockchain analytics Arkham stated in a Twitter Thread that over $1 million had been suddenly sent through crypto-mixers by Alameda wallets, which had previously been inactive for multiple weeks.

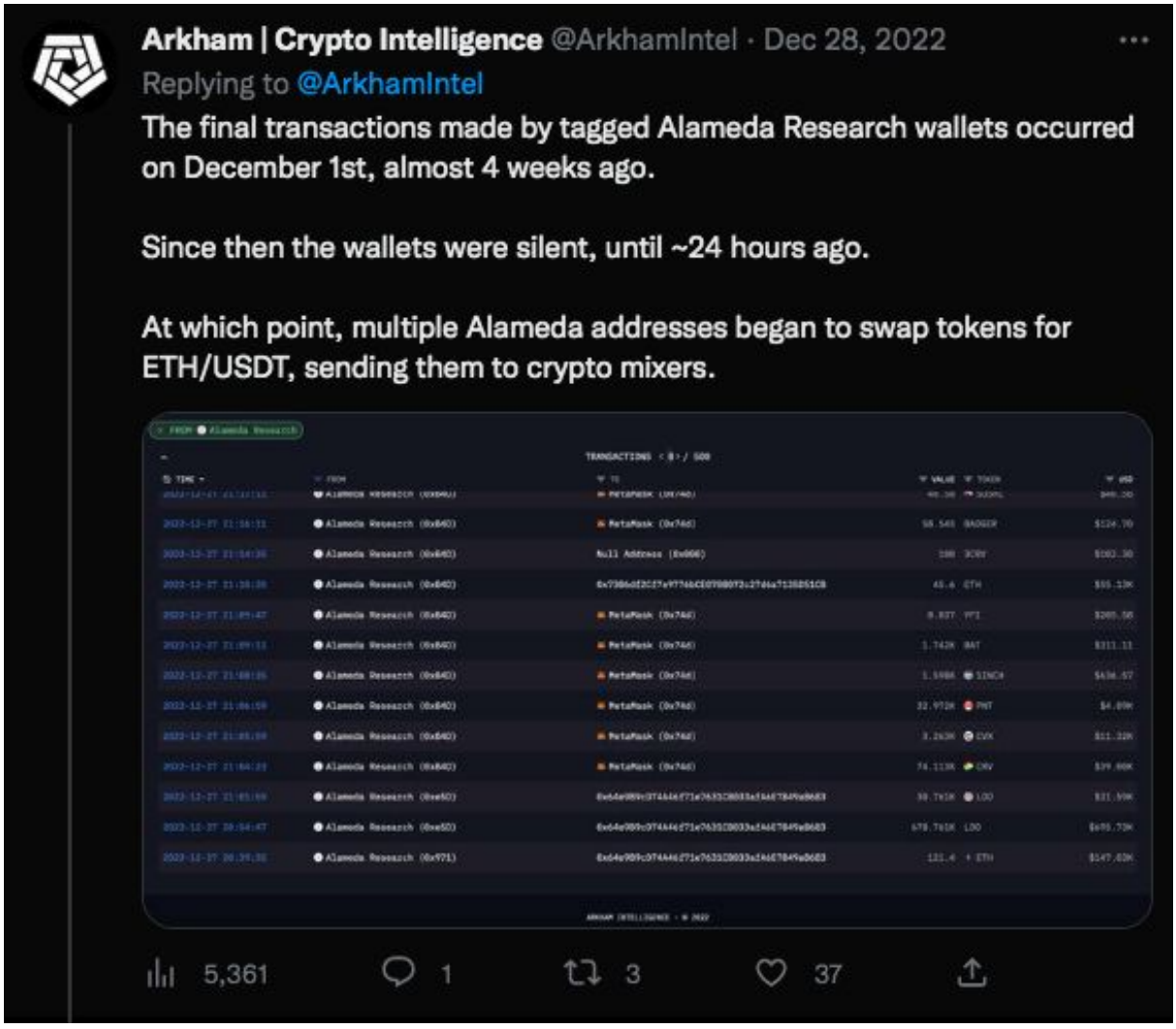


Figure 16. *Alameda wallets' funds movements are captured on-chain. (source: ArkhamIntel)*

As a response to allegations insinuating that SBF could be behind the sudden Alameda funds' movements, Bankman-Fried Tweeted on December 30, 2022, stating that he doesn't have access to any of Alameda's funds.

During the court hearing on January 3, 2023, US District Judge Lewis Kaplan imposed an additional bond condition banning Sam Bankman-Fried from transferring or accessing FTX and Alameda assets.

Judge Kaplan also granted SBF's request to keep the identities of the two people who co-signed the bond confidential. SBF's lawyers argued that his parents, who co-signed the initial bond, received physical threats since his bail and that the other co-signers might face the same harassment if their names were revealed.

Finally, Judge Kaplan scheduled a trial date for October 2, 2023.

It is also worth noting that the US Attorney for the Southern District of New York (SDNY), Damian Williams, revealed on a video via Twitter on December 22, 2022, that FTX co-founder Gary Wang and former Alameda CEO Caroline Ellison pled guilty to federal fraud charges and that they are both cooperating with the SDNY.

Gemini and DCG legal issues



Figure 17. *Gemini Co-founder Cameron Winklevoss (Left), Digital Currency Group CEO Barry Silbert (right)*

On January 2, 2023, Gemini co-founder Cameron Winklevoss shared an open letter written to Digital Currency Group (DCG) CEO, Barry Silbert, on Twitter.

In the letter, Winkelvoss accuses Silbert of "engaging in bad faith stall tactics" and "continuing to refuse to get into a room to hash out a resolution" after halting more than 340,000 user withdrawals. Winkelvoss also stated that "DCG owes Genesis (its wholly-owned subsidiary) around $1.675 billion. This is money that Genesis owes to Earn users and other creditors."

Not long after this tweet, Sibert responded via Twitter, claiming that "DCG did not borrow $1.675 billion from Genesis, and "DCG delivered to Genesis and your advisors a proposal on December 29th and has not received any response."

Before this letter, on December 27, 2022, Gemini was sued by investors of the Earn program over halting their withdrawals. Gemini's Earn program is powered by Genesis, a division of Silbert's Digital Currency Group (DCG). Due to the FTX collapse, Genesis has halted their withdrawals and their partner Gemini's Earn program withdrawals.

Gemini claims that there is nothing they can do to return the Earn funds to customers since Genesis was running the program.

It is worth noting that Gemini's Earn program users are the only ones affected. Regular depositors on the Gemini exchange still have access to their funds.

US District court judge rules in favour of Celsius



Figure 18. *Former Celsius CEO Alex Mashinsky*

On January 4, 2023, U.S. Bankruptcy Judge Martin Glenn ruled that the majority of Celsius customers' deposits belonged to the company, not the customers.

In a court document, judge Glenn wrote that while depositing their funds, customers had signed terms of use version eight that allow Celsius "all right and title to such Eligible Digital Assets, including ownership rights", including stablecoins in the Earn accounts.

Judge Glenn continues to state that Celsius showed evidence that 99.86 percent of the Earn account holders accepted terms version 6 or later. By accepting them, customers have agreed to transfer ownership of assets to the firm.

The document also states that "the Court empathises with the frustrations Account Holders may feel if they did not read or understand the specific terms of the Terms of Use." According to the Judge, Earn customers will be treated as unsecured creditors in Celsius' bankruptcy, and they will be last in line for repayment after Celsius repays higher-priority debts. "There simply will not be enough value available to repay all Account Holders in full." Glenn wrote.

Following this short-lived victory in court, former Celsius CEO Alex Mashinsky got sued on January 5, 2023, by New York state's attorney General Letitia James.

In a press release, New York Attorney General Letitia James stated that "Alex Mashinsky promised to lead investors to financial freedom but led them down a path of financial ruin," "The law is clear that making false and unsubstantiated promises and misleading investors is illegal. Today, we are taking action on behalf of thousands of New Yorkers whom Mr Mashinsky defrauded to recoup their losses. My office will stay vigilant and ensure that bad actors trying to take advantage of New York investors are held accountable." said Attorney General James.

Coinbase agrees on a $100 million settlement with US regulators



Figure 19. *Coinbase CEO Brian Armstrong*

On January 4, 2023, Coinbase publicly shared in a blog post that it had come to an agreement with the New York Department of Financial Services (NYDFS) to resolve a compliance investigation.

In the settlement, Coinbase agrees to pay a $50 million penalty for letting customers open accounts without conducting sufficient background checks, violating anti-money-laundering laws. Coinbase also states that it would invest another $50 million to improve its compliance program investments over the next two years.

In a press release by the NYDFS, Superintendent of Financial Services Adrienne Harris said that "Coinbase failed to build and maintain a functional compliance program that could keep pace with its growth. That failure exposed the Coinbase platform to a potentially criminal activity requiring the Department to take immediate action, including installing an Independent Monitor."

"Coinbase remains committed to being a leader and role model in the crypto space, and this means partnering with regulators when it comes to compliance and other areas," said the company's chief legal officer, Paul Grewal, in a blog post on January 4th.

Silvergate Bank faces $8.1 Billion in Withdrawals in the fourth quarter of 2022.



Figure 20. *Silvergate Bank CEO Alan Lane*

On January 5, 2023, the crypto-focused US bank Silvergate saw its shares fall 43 percent. The fall happened after the bank released its earnings for the fourth quarter of 2022.

Its financial earnings showed that the bank had seen a decline in total deposits to $3.8 billion on December 31, 2022, compared to $11.9 billion on September 30, 2022. Silvergate saw withdrawals of $8.4 billion in the fourth quarter of 2022.

The bank shared that during the fourth quarter of 2022, to accommodate lower deposit levels and maintain a highly liquid balance sheet, Silvergate rushed to sell $5.2 billion of debt securities for cash at a loss of $718 million. The bank is also set to reduce its workforce by approximately 200 employees, or 40 percent, stating that impacted employees were already notified on January 4, 2023.

Silvergate added that $150 million of its deposits were from customers that had filed for bankruptcy and that, due to the current industry turmoil, the bank halted its plans to launch its own digital currency. Instead, Silvergate will take an impairment charge of $196 million related to developed technology assets purchased from the Diem Group by Silvergate bank.

Learning Section: Tokenomics

TOKENOMICS



Introduction

Before investing in any company, studying its financial statements, including its balance sheet, income statement, cash flow statement, and list of shareholder's equity, is essential.
When it comes to cryptocurrencies, instead of financial statements, we have what's called Tokenomics.



What are Tokenomics

Tokenomics is a combination of two words: "tokens" and "economics", and it refers to the study of the token economy, focusing on the creation, management or removal of a token from the network. It can also include other information related to the project like the founding team, product, partners, roadmap and white paper.



What is a Token?

A token is a programmable unit issued on a specific blockchain protocol. Tokens are primarily based on the Ethereum blockchain, where they are known as ERC-20 tokens, although other Web3 blockchains may have similar token standards.

What is the difference between a Token and a Coin?



Although the word "Tokenomics" can be used to refer to tokens and coins simultaneously, they are not the same. The most significant difference between a coin and a token is that coins operate on their own blockchain and often have a strictly monetary use case. In contrast, tokens are built on an existing blockchain using smart contracts or on their own blockchain, fulfilling a multi-use utility role.

Major types of Tokens:



Payment tokens: used to pay for goods and services outside of the currency's issuer and without an intermediary.
Examples: Bitcoin, Ethereum, Monero.



Utility tokens: provide access to products or goods operated by the token issuer.
Examples: Sirin Labs Token, Golem, Funfair.



Security tokens: their usage and issuance are governed by financial regulation, and their value increases based on the future earnings or dividends of the company in question.
Examples: Blockstream Mining Note, Blockchain Capital, Science Blockchain.



Exchange tokens: used primarily on their native exchanges for cheaper fees, discounts or access to particular exchange services.
Examples: Unus Sed Leo, BNB Token, KuCoin Token, CRO for crypto.com.



Nun-fungible tokens: cryptocurrencies with limited issuance that have unique identities and tokens that make them hard to copy or replicate and often act as digital collectables.
Examples: CryptoKitties, Bored Ape Yacht Club, CryptoPunks.



DeFi tokens: Decentralized Finance (DeFi) tokens provide users access to automated, decentralised platforms that operate using smart contracts.
Examples: Solana, Aave, Chainlink.



Stable tokens: backed by stable or fairly value-stable assets such as fiat or gold.
Examples: Tether, Tether Gold, USD Coin.



Tokenomics Research:

Here are some of the most critical elements to check while doing Tokenomics research:



Token supply: Supply and demand always impact the price of any good or service. Both maximum supply and circulating supply have a major effect on the price of the Token.



The project whitepaper: Look for the project's utility, what it offers, and what problem it seeks to solve.



Token distribution and allocation: Look at how tokens are distributed. Generally, we want to see how evenly a token is distributed. Also, look for the token's lock-up and release schedule to see if a large number of tokens will be placed into circulation.

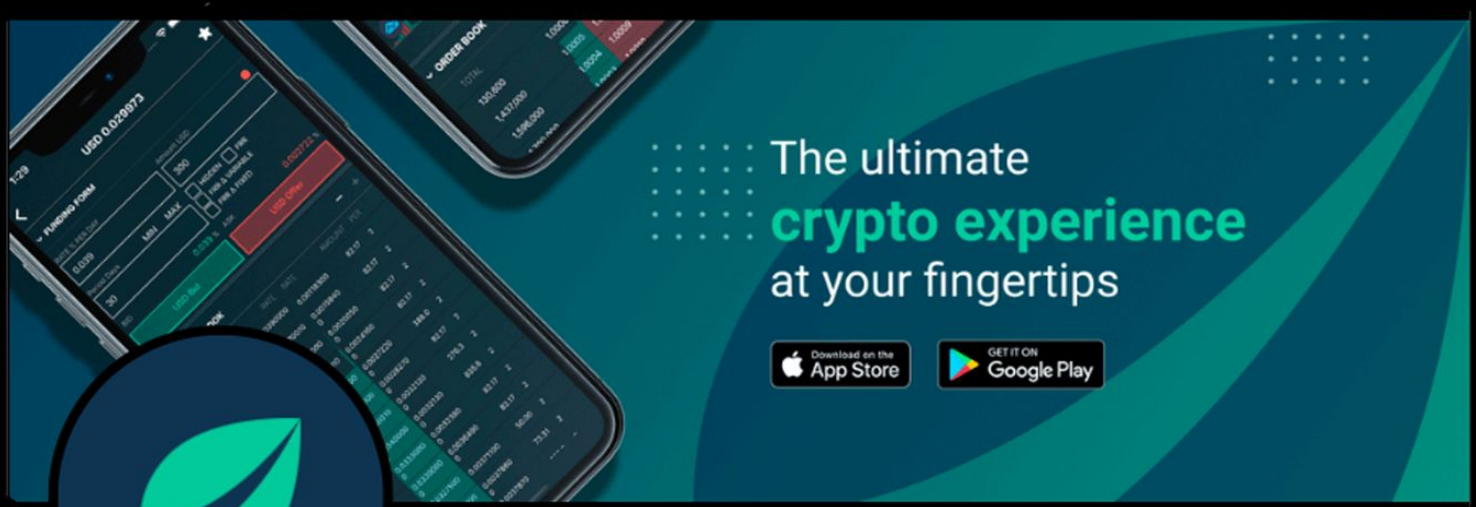


Information verification: Check out the project on social media, see if it has a large following, and reach out to the project's admins.

Conclusion:



Crypto investing is one of the riskiest forms of investment. Analysing the Tokenomics of any upcoming crypto project is not a prediction of its inevitable success. However, it can still help users avoid scams and projects which are doomed to failure.



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