**Interpreting Bitcoin Dominance Down to the Last Altcoin**

Bitcoin is the most important asset in the blockchain world, being the beginning, and the leading crypto. Bitcoin dominance is a numerical index of this behemoth impact, measurable as a ratio metric.

BTC dominance is calculated as the percent value of Bitcoin market capitalization with the market cap of all altcoins combined. This value fluctuates constantly in a volatile crypto economy. So, a quick look at the percentage offers a generic idea of the crypto market, and where it stands at the moment.

**What is the Ratio for Calculating Bitcoin Dominance?**

The formula is simple. You divide the Bitcoin market cap value by the total market cap and multiply it by 100 to get the percentage value. For example, if the total market cap is $5,000,000, and the Bitcoin market cap is $500,000, then the Bitcoin dominance value is 100%.

Bitcoin dominance = (Bitcoin market cap/ Total market cap) x 100

**What is Crypto Market Cap?**

This could be a new term if you are just learning about crypto. Market capitalization in cryptocurrency refers to the total value of the token in USD. You calculate it by multiplying the value in USD of 1 token with the total number of tokens in circulation.

The market cap offers an idea of how high the crypto coin is on the supply chain since it is directly connected with the total supply of a particular token in circulation. In terms of dollars, the market cap presents a quick idea as to how valuable crypto assets are.

Here is the formula.

Bitcoin market cap = (Value of 1 Bitcoin in USD) X (total number of Bitcoins in circulation)

**What Are the Factors Influencing Bitcoin's Dominance?**

Bitcoin dominance can go up and down depending on several factors.

**Investor perspective:** The sentiment of investors (bearish or bullish) has a major impact on deciding the dominance value. If investors are bullish on the prime crypto asset, the sentiment causes them to buy and hold the asset. This, in turn, increases its market cap value, leading to an increase in Bitcoin dominance. However, if the market sentiment is bearish, investors are more likely to sell the asset instead of holding on to it. This results in a depreciation of its market cap, and therefore its dominance.

**Regulatory environment:** The regulatory environment is a grey zone in crypto assets, and rightly so. Since blockchain technology does not permit any centralized overseeing authority by default, efforts to implement umbrella regulations naturally fall short. However, at the same time, since cryptocurrencies still have to operate at par with the fiat economy, regulations still impact their buying and selling.

So, it’s always a mixed response area. To put it simply, if the regulations tend to support Bitcoin, it automatically encourages investors to buy into it, thereby increasing its market cap. However, on the reverse side, if there is a conflict between regulations and the Bitcoin market, most investors find it less conducive to hold on to the asset. This leads to a decline in its market cap value.

**Cryptocurrency exchanges:** The activity of crypto exchanges affects the market cap of Bitcoin. Exchanges often make changes in their policies and implement new methods to influence the circulation of crypto assets. In general, if an exchange favors Bitcoin through new policies and rules, it attracts investors. Reversely, if the exchange is against Bitcoin trading, the change can lead to a decline in Bitcoin’s value.

**Market sentiment:** When investors are inclined to adopt Bitcoin, its market cap value will increase. However, if investors are unwilling, the market cap value falls.

**Supply and demand curve:** When there is an increase in demand for Bitcoin, it automatically tends to increase its price. However, if there is a decrease in demand for Bitcoin, and the supply is limited, the price falls, taking down the market cap value. This results in a decrease in Bitcoin dominance.

**Why Investors Should Keep a Watch on Bitcoin Dominance?**

It works both ways. Just as these factors affect the market cap, likewise the market cap is affected by these factors. So, a close look at the comparative dominance of Bitcoin over a while can be an index to determine whether the market is up or down. For example, if the dominance falls, it means that investor sentiment is working against Bitcoin. Again, if the dominance follows an upward curve, it implies that the market supports Bitcoin.

Speaking of supply and demand, Bitcoin halving is an important metric. This is especially relevant in 2024, as the next halving cycle is about to initiate in mid-April. As four years have come to pass since the last halving, investors are on the lookout for how this event can affect Bitcoin market price. A look at the historical scenario offers a predictive outlook on the situation.

**What is Bitcoin Halving and How Does It Affect Its Price?**

Bitcoin mining determines the fresh supply of the crypto asset in circulation. Mining refers to the process by which miners access the ‘difficulty’ metrics to find the closest approximate of the hash code and release new coins in the network.

To keep the crypto asset in circulation for a long time, every four years, the amount of Bitcoin released as a reward for successful mining depreciates by 50% for each block or halved. The last halving took place in 2020, and the crypto world is looking forward to April 2024 for the next halving cycle to initiate.

Generally speaking, since each halving results in scarcity of Bitcoin, it leads to an increase in demand. At least, historical data suggests such a trend. Furthermore, since halving is a publicized event, it attracts investor attention, leading to an increase in market cap. However, note that historical data suggests, that each subsequent halving results in a decreased magnitude of price increase.

An analysis of Bitcoin performance from the period 2010 to 2024 ([coindesk data](https://www.coindesk.com/markets/2024/02/14/how-the-halving-could-impact-bitcoin/)) reveals an interesting trend. With the subsequent narrowing of the Bitcoin supply, its distribution returns have also declined, and so did the volatility of the coin. In perspective, if the market is less volatile, it indicates investor confidence, who are more likely to hold on to Bitcoin assets. This can increase Bitcoin's market cap, and thus its dominance.

**Interpreting the Historical Performance of Bitcoin**

Over time, Bitcoin has been on relatively sunny days, maintaining its dominance over other crypto tokens. Generally, its market capitalization accounts for 60% or more of the total market capitalization.

However, the dominance value did decrease in certain phases. A good example would be the bull run in 2017 when the price of altcoins increased significantly, lowering the value of Bitcoin dominance. The value hit an all-time low of 32.8% in January 2018.

From the investor viewpoint, the very fact that there exist distinct metrics to assess Bitcoin’s impact on altcoins speaks volumes. Even if you are not investing in Bitcoins, and find altcoins more interesting, it’s still feasible to have a look at the dominance value to decide your next step.

Essentially, the dominance value is an index of crypto puritans vs. modernists. Puritans or Bitcoin maximalists hold the view that Bitcoin will continue to remain the dominant cryptocurrency, and is on its way to being a medium of large-scale financial exchange in the near future. On the other hand, modernists supporting ETH and other altcoins do not recognize Bitcoin as the sole force shaping the crypto economy.

Given the high price of Bitcoin, it seems impractical that the average investor would be able to trade in it. Therein is the relevance of altcoins, so to speak. A new investor in crypto would usually find altcoins as more tangible and accessible rather than trade in elite Bitcoins.

All in all, the value of Bitcoin dominance affects all altcoins trading, down to the last token in circulation. Reversely, the impetus of altcoins affects the price of Bitcoins, and hence its dominance.

**What Are Altcoins and How Are They Related to Bitcoin Dominance?**

Altcoins or ‘Alternative coins’ are any coins other than Bitcoin. Most of these coins forked from the Bitcoin blockchain due to developer disagreement. However, many people do not consider ETH as an altcoin as it was developed separately (instead of forking) to support the transactions in the self-sufficient Ethereum blockchain.

Since altcoins tend to do business on the limitations of the original cryptocurrency, they compete with Bitcoins, affecting its dominance.

A further look into historical data indicates how the value of Bitcoin dominance fluctuated with the evolution of altcoins. Way back in 2013, BTC enjoyed a market dominance of approximately 94%. Almost no alternative coins existed, and BTC was the sole breadwinner for the crypto community.

However, the situation dramatically [changed in 2017](https://ficas.com/research-and-insight/bitcoin-dominance/), with the ICO boom, catalyzed by the gradual increase in price for Ether. Thousands of crypto coins and tokens soon inundated the market, and the value of Bitcoin dominance plunged to 38% from 85% in just four months. The dominance value again began recovering, reaching up to 71% in January 2021.

Altcoins react heavily to Bitcoin dominance. Usually, when the price of Bitcoin is down, it shows an increased interest in altcoins. An increase in value typically results in altcoins losing market share. Such situations happen when Bitcoin is going through a consolidation phase and is entering the early stages of a bull phase. Reactively, altcoins also change their market strategies to keep up with a bearish run and may offer incentives to investors.

However, its dominance value could still increase even if the price takes a hit. This happens because of investors taking advantage of the falling price. Nevertheless, it should be prudent not to hold on to BTC at this point, and invest in stablecoins instead. Timing the market condition is extremely critical to making profits, and it would depend on how you would interpret Bitcoin dominance.

**Tips for Trading in On Bitcoin Dominance**

Understanding the effect of Bitcoin dominance should offer key insights into crypto trading. Check out these tips to make the most out of the crypto market.

**Long-term trading:** If the dominance value is showing a consistent uptrend, long-term traders can make the most of it by buying and holding to the asset. If the value continues to increase, this could be a profitable strategy. You would have to correlate the dominance effect with the momentum of the uptrend to make profits.

**Short-term trading:** A study of the dominance trend should be able to give you an idea about when the market is going to fall. You can predict a downturn by correlating historical dominance data with other factors that affect its movement. Successful prediction of short-term movement can help you to make profits out of altcoins.

**How to Interpret Dominance as a Trading Index?**

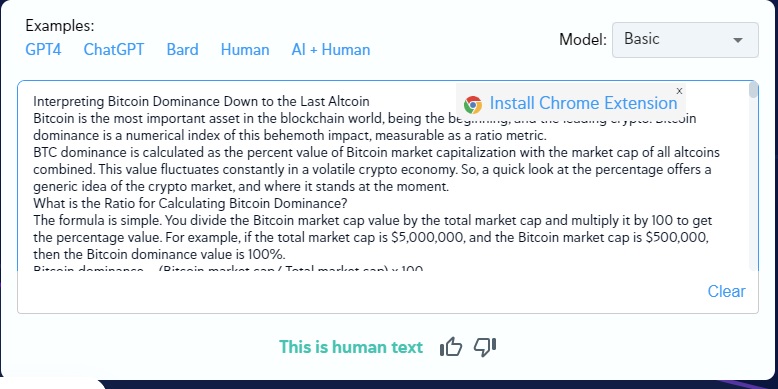
How do you interpret Bitcoin dominance as an index for trading? Besides the above tips, you need to interpret dominance as a tool for realizing the volatility, scalability, and security of not only Bitcoins but also altcoins.

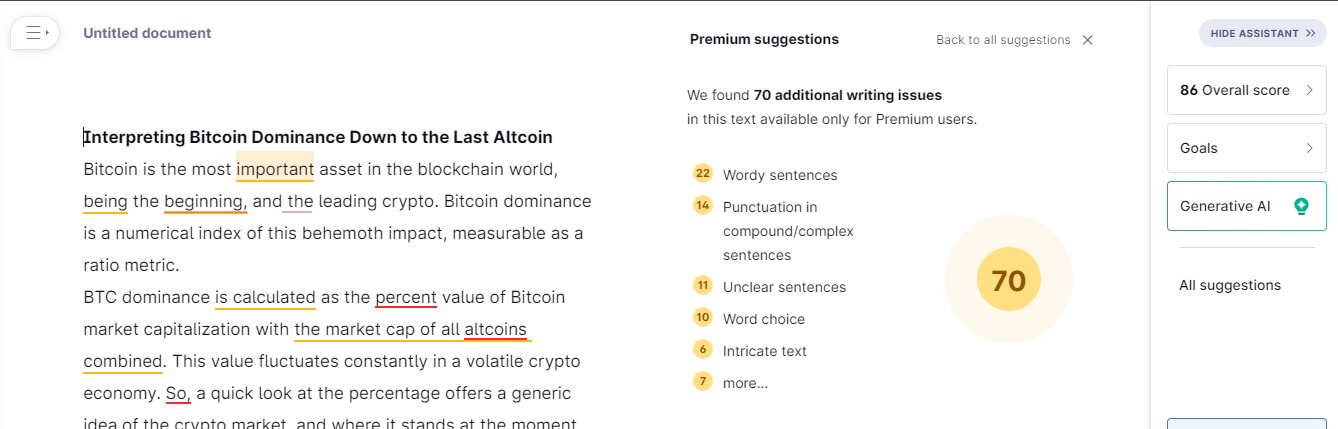
The dominance value can also shed light on Bitcoin liquidity. Going on-ramp or off-ramp is a decision that should be timed with the fluctuation of Bitcoin dominance. If you gauge the time to be right, converting Bitcoin assets into ready cash could be a good approach.

Blockchain technology is inherently secure. If so, then why is it so volatile? The risks in blockchain technology usually derive from trying to connect cryptocurrency with the fiat economy. All in all, the market fluctuates with the rise and fall of investor confidence. Since Bitcoin has a strong network effect, a rising trend usually continues for a certain time before showing signs of a bearish market. Bitcoin dominance, among other things, is also a competent index of the network effect.

The scalability of the BTC blockchain affects its performance both in the short run and long run. As BTC becomes even scarcer, you should keep a close look at the dominance data to gauge how it affects its price. Depending on your estimate, you can trade in BTC, or shift to ETH, altcoins, and stablecoins.

Finally, the dominance percentage can also offer a distinct idea of whether a forked blockchain has been successful. Since dominance offers a relative value of Bitcoin compared to the entire market capitalization, you can decide whether a forked blockchain would be a better place to invest.

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