

LESSON 3

Fundamental Analysis

How to analyze cryptocurrencies using
fundamentals



Today's Topics

- Performing fundamental analysis on cryptocurrencies
- The role of supply
- The role of demand
- Analyzing news events
- Researching white papers



Researching White Papers

- In order to learn more about what a cryptocurrency does, you can read the white paper
- The white paper is a business plan, created by the cryptocurrencies management team. Some of the information presented includes:
 - The underlying technology
 - Use cases and target market
 - Information about management



Performing Fundamental Analysis

- The most important fundamental factors of price movement include supply, demand, and news events.
- Analyzing these factors can help you to determine if a cryptocurrency is fundamentally strong or weak
- Cryptocurrencies do not produce revenues or earnings so you can't analyze them like stocks
- Best applied in conjunction with technical analysis



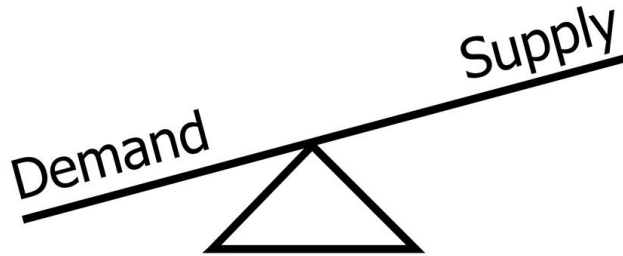
The Role of Supply

- Most cryptocurrencies, like Bitcoin, are designed to have a maximum supply that is gradually unlocked over time
- Bitcoin has a maximum supply of 21 million, and roughly 17 million are in circulation as of March 2018
- Some cryptocurrencies that are uncapped in supply but have predictable inflation include:
 - Ethereum
 - Monero
- Limited supply, along with constantly shifting demand, stimulates prices



The Role of Demand

- Cryptocurrency prices are largely driven by demand, which is influenced by some of the following factors:
 - **Transactional volume**: An increase in transactional volume means more transactions are taking place on the network
 - **User Adoption**: With an increase in user adoption of the technology, there will likely be an increase in demand for a cryptocurrency
 - **Trading activity**: As trading activity increases, which can be a result of speculation and news, demand is likely to be influenced



Analyzing News Events

- Major news events have led to volatile trading on many occasions
 - 7/20/17: Bitcoin rallies 29% after bitcoin scaling debate settled
 - 8/5/17: Bitcoin splits into Bitcoin and Bitcoin Cash, and price rallies 17% to new all time highs
 - 9/15/17: Jamie Dimon, CEO of JP Morgan, calls bitcoin a fraud. Bitcoin's price rallies 27%
- Analyzing news events can provide major insight into the market sentiment



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