



Fundamental analysis of Cryptocurrencies

This is the third training lesson on
cryptocurrencies trading that gives
insight about fundamental analysis
of cryptocurrencies.

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Fundamental analysis is the method of examining the underlying forces that not only determine the risk associated with any cryptocurrency but also have a major impact on the price action of a cryptocurrency. In order to become a successful crypto trader, you should always keep a sharp eye on coins development, its usage and acceptability events as these all work as catalysts in price growth. Let's take a look at some key factors to evaluate the fundamentals of a cryptocurrency.

1- Who is the owner?

It is important to know who is the owner or the team behind the coin and who their advisors are. A team of well-known tech guys behind a coin will give it a good chance to become a successful project. There are hundreds of failed projects in the crypto industry. According to ICObench stats, a total of \$10.06 billion was raised by 413 ICOs in 2017. In the next year in 2018, 1,012 ICOs raised \$11.60 billion funds but in 2019 this figure dropped to \$3.28 billion raised by 939 ICOs mainly due to large numbers of scam by various ICO owners.

On the other hand, according to deadcoins.com, more than 1,800 cryptocurrencies are dead to date which is quite huge. Scammers turned to this growing industry with their bad intentions to capitalize on high enthusiasm of the crypto community, resulting in thousands of people losing their hard-earned money.

You can easily trace their past by analyzing the owner's digital identity via google and on various social media platforms like Facebook, Twitter and LinkedIn.

2. Purpose of the Coin

It is also important to know the purpose behind the launch of a coin. A powerful idea/purpose and vision will make it popular and a great success. If there are already other coins available related to the same category then you need to see if the new project has any competitive advantage or not. If it doesn't add anything extra it will likely not get people's attention. But on the other hand, if the project is built on some unique idea and the team looks committed then it can be a great success.



3. Marketing Capabilities

A strong marketing team is very important for a coin success. You can have an awesome product but you will still need to market it properly to make it a success. Even an average product can have a huge success if marketed correctly. Social media accounts of the cryptocurrency can best tell you how strong they are in marketing. A serious marketing campaign also ensures that the team is committed to the project's success.

4-Role of the development

Role of active development is also one of the key factors in the success of a project. Continuous development of the project with their updates and announcements on social media work as a catalyst for a coin's price. Cryptocurrency projects usually have a road map available on their websites. You can know the team's commitment towards the project by analyzing the goals mentioned against what they have achieved. It ensures that the project is achieving the milestones as scheduled and all their achievements are likely to have a positive impact on the price of the coin.

5- Active team

A team of active developers, marketers with their continuous updates on social media like Twitter, bitcointalk forum and regular updates on GitHub are also very important. A serious team would be willing to answer any question on telegram or discord but on the other hand, a non-serious team would always look to avoid questions from the general public.

6- Role of Demand

Many variables affect the demand of a cryptocurrency such as transaction activity, trading and user adoption. Higher demand yields a higher price. You can easily track the activity on their blockchain to know the level of demand.

7-Role of Supply

The maximum supply of coin and its issuance rate are two major factors in determining the price of a coin. If a coin's maximum supply is low, fixed and the issue rate is nominal and according to demand then it can have a higher price compared with the one that has



unlimited supply and high issue rate. Bitcoin's maximum supply of 21 million coins makes it a scarce currency and the way halving cuts the supply to half after every four years also has a positive impact on the price of Bitcoin. On the other hand, Tron cryptocurrency has unlimited supply and is issued at the same rate every year unless any changes made to it. This is one of the main reasons its price is way lower than Bitcoin. Its price can only increase if its demand keeps on increasing.

8. Market cap

The market cap of a coin is another important factor you need to consider while deciding on trading it. If the market cap is higher, it means demand for the coin is higher and liquidity will also be on the higher side. While on the other hand, a low market cap indicates a low demand and its order books on exchanges won't have enough liquidity to sell your coins even.

9. Real coin or forked coin

This is another important point to know if a coin under consideration is a real coin or derived by a hard fork from an existing coin. A forked coin indicates that owners were looking for a shortcut to launch a coin escaping themselves from all the hard work required to develop a new cryptocurrency. Most of these kinds of projects disappear sooner or later. Currently, only Bitcoin Cash cryptocurrency which was hard forked from Bitcoin is the one that enjoys high volume on crypto exchanges. All other forked coins are almost dead.

10. Pre-mined coin

A pre-mined coin is usually not a good economic indicator for a cryptocurrency. While on the other hand coins that are mined over a period of time are considered more strong as with the time, as their supply increases their demand also keeps increasing.