

## The case for NFT coins

To paraphrase one of the greatest headlines from the New York Times:

“Everyone is getting hilariously rich with NFTs and you are not. ”

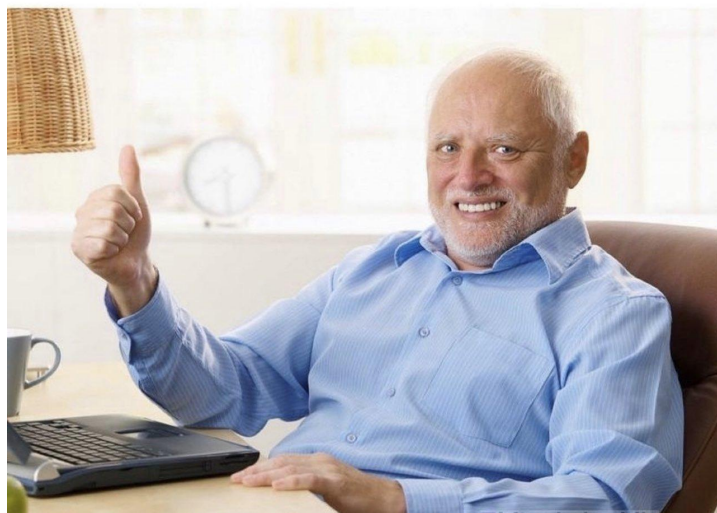
Me neither, mind you.

What are NFTs you say? They are non-fungible tokens. I reckon that doesn't help much, does it?

The term non-fungible means unique. Every dollar is interchangeable for another. But the Mona Lisa by Da Vinci and the Birth of Venus by Botticelli are two very unique and distinct paintings. The same happens when it comes to cryptocurrencies. Ethereum tokens or ETH are all the same, but NFT A and NFT B are completely unique.

But what do they actually represent? NFTs are units of data stored on a blockchain, say, Tezos. Theoretically, they could represent anything, from your home's mortgage to a painting or other piece of art. It's this latter use case that is taking the world by storm. And making a lot of people rich in the process. Only if you pick the right NFTs, of course.

Picked the wrong cartoon animal  
NFT and now I have to work the rest  
of my life



But what if I told you that a new opportunity to make money might be around the corner? One in which you do not need to predict what NFT might be hot in the future. Rather, one in which you just can coast behind the success of an established brand. I am talking to you about ApeCoin and, for lack of a better term, NFT coins.

## ApeCoin

ApeCoin is the latest creation by Yuga Labs, an NFT company that owns the rights to some of the most successful NFT brands out there.

Their story started with BAYC, by far the most famous NFT brand in the world right now.

Paris Hilton owns one. So does Stephen Curry. And Post Malone. Here they are in all their glory.



Mesmerizingly beautiful. A new chapter in human creativity. Well maybe for some. But hey, whatever floats your goat.

The beginnings of BAYC were very humble. They were released with a “minting” price of 0.08 ETH (\$200 and change at the time). At the time of this writing –March 2022–, the lowest valued BAYC on OpenSea sits at 103 ETH (\$320k). Not too shabby.

Yuga Labs also seem to be doing fine for themselves. They recently raised \$450 million at \$4 billion valuation, after having generated \$138 million in revenue in 2021, with a net profit of \$127 million. And they seem to have come up with a way to juice up those returns.

What is ApeCoin exactly?, in their own words:

*ApeCoin is an ERC-20 governance and utility token used within the APE ecosystem to empower a decentralized community building at the forefront of web3.*



What a load of poppycock, right?

Poppycock means nonsense (in case you don't know).

Ah, what a great word. Just discovered it myself. Poppycock. **chuckles**.

ApeCoin or APE is a token native to the Ethereum blockchain that follows the ERC-20 standard. It is intended that token holders will use it to buy virtual land, play games, and purchase services with it.

In any case, APE was an immediate success. It acquired a valuation of \$2.4 billion overnight. \$14 billion if we count all the tokens that are to be distributed in coming years. It captured the attention of all the crypto space. And, partly by airdropping a significant chunk of the supply to BAYC holders, it entrenched BAYC as the premier NFT brand. APE has also acquired a valuation of \$2.4 billion,

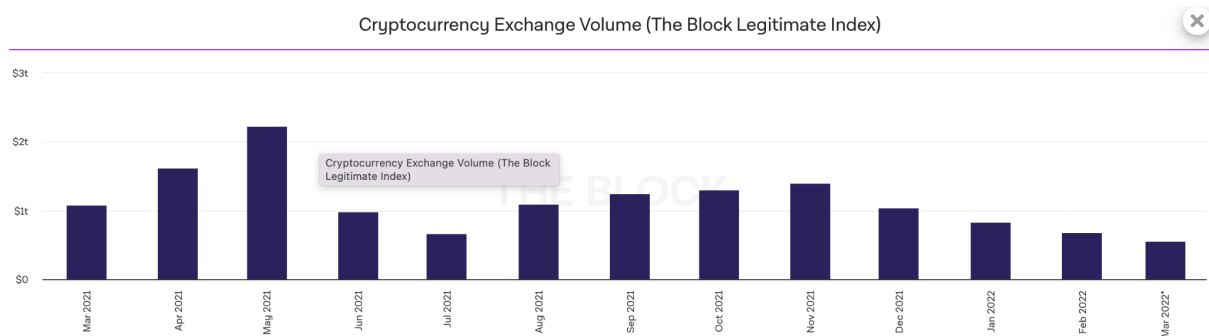
After the successful launch of APE, ain't just no way that other NFT projects don't launch their own tokens. And that is where your opportunity lies.

## **The new kid on the block**

ApeCoin might have been the first NFT related token but it will surely not be the last.

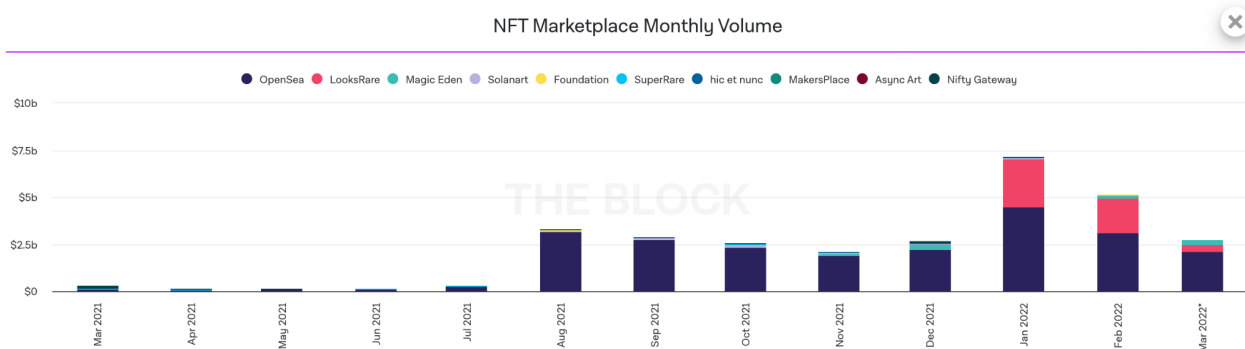
NFTs have captured the eyes and minds of thousands of people. But, they still are a fairly small market. When it comes to volumes and valuations traditional cryptocurrencies still blow them out of the water.

We are talking about monthly volumes in the trillions for non-derivatives or spot for traditional tokens.



Monthly volume for spot cryptocurrencies in centralised exchanges (Coinbase, Binance, etc).  
Source: The Block.

Contrast that to volume in the billions for NFTs. And not even double digit billions. Traditional token volumes are an order of magnitude higher.



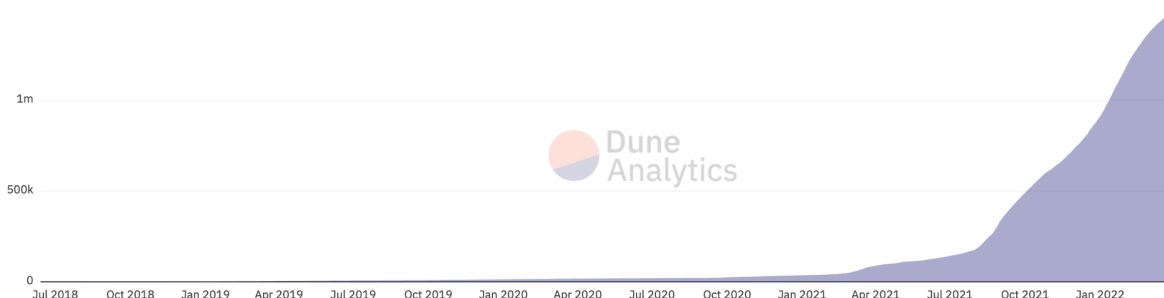
Monthly volume for NFT by marketplace (OpenSea, LooksRare, etc). Source: The Block.

Average monthly users in NFT marketplaces are also much lower than in crypto exchanges. Binance has 13 million active users. OpenSea, the leading NFT marketplace, around 70,000.

However, if we look at the growth in users in OpenSea, the trend is clear. Up and to the right. The trend is the same across all the NFT sector.

Total OpenSea traders over time (Ethereum)

Registered users who have made at least one transaction



One of the main reasons for NFTs to be a niche market are the high fees that transacting on Ethereum carries. As per Arcane Research, the mean transaction fee on Ethereum was well over \$50 on many days last year. More complicated transactions can set you back over \$200. Not great.

Users are flocking to other networks where transaction fees are much lower (e.g. Solana or Tezos). However, Ethereum still carries the lion's share of NFT transactions, users, and most importantly dollar volume.

NFTs themselves are also generally expensive. Even if transacting on Solana, where the gas fees are fractions of a cent, NFTs typically sell for \$100-\$200 dollars at mint. They can then trade up or down, but they usually sell for non-insignificant amounts of money. Anyone can buy \$1 dollar worth of Bitcoin. Or mere cents. Try and find an NFT selling for \$1. If you do find one, you likely won't want to purchase it.

NFT coins solve this. They fractionalize value such that a larger number of investors can access it. There are only 10,000 BAYC, but millions of people can hold APE at the same time. And they do not need to pay exorbitant fees to do so.

Another, very important aspect, is that it provides investors with easy access to exit liquidity.

Typically, private investors had to wait 7-10 years for companies to go public. Only then can they "cash out", and realise profits on their investments.

The advent of tokens now opens up a whole new world of opportunities. Why wait for years to see a return on your money if you can just launch a token? A token that is not affiliated to the company that is launching it, of course. Wink wink.

So, everyone seems incentivized to push for NFT tokenization. How big can they become?

## **Out with the old, in with the new**

Meme coins such as Dogecoin and Shiba Inu commanded valuations of \$80b and \$40 billion at their peak. BAYC and Punks (the second most valuable NFT collection) stand at \$3 and \$2 billion. There are over 40 tokens with market caps higher than BAYC, and many more if we take into account fully diluted valuation.

Should there really be such a huge disconnect? Everyone and their mothers is trying to enter Web3 and the metaverse. Whatever those actually mean. And NFTs are the gateway to the metaverse.

So, we have a fundamental mispricing. NFT coins will in all probability help NFTs bridge this valuation gap. And what's more, the appearance of NFT coins could be detrimental to old cryptos.

Crypto market participants are simple. They can only focus on so much at the same time. And they like new, shiny things. Old toys get thrown into the dustbin. Don't believe me?

Look at the charts of Litecoin, Dash, or EOS. They once were the talk of town. Destined for greatness. Now they all seem to be trending down to their eventual demise.



*EOS chart in USD and BTC terms. Source: Coingecko*

Now, go look at the charts of Solana, Luna or Avalanche. Much better, right?



*LUNA chart in USD and BTC terms. Source: Coingecko*

Only a few select tokens (BTC, ETH) seem to be able to withstand the test of time. I have a feeling a good chunk of the top 50 tokens could be replaced by NFT coins in the not so distant future.

One thing is sure. The ape is out of the bag. More NFT tokens will come, and they will likely capture the attention and dollars of investors the world over. Fortunes will be made and lost.

But let me be clear. I am not proposing that you invest in these tokens long-term. Most NFT coins are destined to follow the likes of Dash and EOS into the dustbin of crypto history.

It's a whole new world. Old rules still apply, mind you. Most people out there just wanna make a buck. More so in this economy. So do not, I repeat, do not drink the Kool-Aid.

*If you're playing a poker game and you look around the table and can't tell who the sucker is, it's you.*

So when the time is right, and a new NFT coin is announced, log into Binance, fire up your TradingView charts and swing trade that coin into financial independence. Just don't overstay your welcome.