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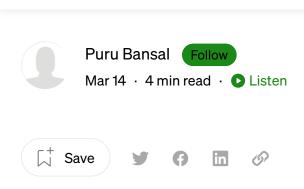⊟ Save   🐦   f   in   🔗

Demystifying NFT Jargons

NFTs have emerged as a new asset class in the 21st century, with over $25Bn of NFTs traded in 2021.

The recent interest in NFTs has spiked with even my Dad calling me to understand what are NFTs and should he add them to his investment portfolio. While talking to him and others around me, I recognized the market is still very amateur but no one wants to miss the opportunity to invest in NFTs and hopefully pocket multi-bagger deals which are very difficult to come by in the traditional equity or mutual funds markets. That is why I decided to write this blog and explain some of the terms and jargon you will come across while starting your NFT journey.

Floor Price

It is the lowest price at which any NFT of a collection is available for sale now. This is the lowest listed price of all the NFTs of a particular collection.

Example: An NFT collection has 10000 NFTs. Out of these 100 are listed for sale. The price varies from 1ETH for the cheapest NFT to as high as 10ETH. Here the floor price of the collection will be 1ETH. If anyone buys the NFT listed at 1ETH and the second cheapest NFT is listed at 2ETH, the new floor price of the collection becomes 2ETH.

Market Capitalization

The total capital locked in an NFT collection. In simple terms, it is the amount of money invested into a collection at any given point in time.

Example: An NFT collection has 1000 NFTs which were minted at 1ETH. The Market Cap of the collection as of now is 1000ETH. After hitting the market, another user buys an NFT for 5 ETH and now the new Market Cap becomes 1004ETH as an NFT of 1ETH got sold for 5ETH adding 4ETH to the market cap.

Volume

The sum of prices at which all the NFTs of a collection are sold in a particular time period. It includes only the cost of the NFTs and excludes marketplace and blockchain fees.

Example: Tom sells 2 NFTs of a collection for 5 ETH each. On the same day, Harry sells 1 NFT of the same collection for 10 ETH. It was Dick who bought all the 3 NFTs but he ended up spending 21ETH due to marketplace fees and gas fees. The total trading volume of the NFTs for that day becomes 20 ETH.

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traded in the market, the creator gets the % of the sale price as royalty in perpetuity.

Example: I create an NFT with a Royalty of 10%. Let's say A sells this NFT to B for a price of 100 ETH. Now post-trade, A only receives 90ETH in his wallet and 10ETH are sent to my wallet as my royalty.

Listed NFTs

The NFTs of a collection that are currently listed for sale on the open market.

Supply

The total NFTs in a collection is known as its supply.

Example: Bored Ape Yacht Club on Ethereum has a supply of 10,000 NFTs

Whales

These are OGs of the NFT market. They are into NFT investments for a long time, have generated huge returns and have a very sizeable portfolio.

Unique Owners

The total count of unique wallets that hold at least 1 NFT of a particular collection.

Minters

Diamond Hands

The Minters that have not yet sold an NFT since its mint date are known as Diamond Hands of that collection

Wash Trades

When users list NFTs from one wallet and buy from another one of their own or their friends to artificially generate volume, create a hype in the market, and pump the price of the NFT higher, these trades are known as wash trades.

Rarity/Ranking

Every NFT of a collection is made up of certain attributes or characteristics which has varying types. The NFT's rarity or ranking in a collection is defined by the occurrence of each of its attributes or characteristics in the entire collection. The lower the occurrence the higher the rarity.

Rug Pull Projects

When an NFT project just disappears post mint or during secondary sales. The developer bailout with the money leaving the NFT holders and community in disarray. These are projects which were either created with the idea to scam users or the creators and developers are not up to the mark to deliver on their promises.

Transactions/Instructions

Any action on a blockchain ie, coin transfer, token ownership change, staking, etc are each recorded in a form of an instruction that includes all the parties involved in the exchange. Transactions are a collective of instructions.

Example: When an NFT is sold, the seller gets his ask price, the buyer pays in crypto, the marketplace gets its fees, the creator of the NFT gets his royalty, the ownership of the NFT is transferred from seller to buyer. All the steps are instructions and the collection of all these instructions is the transaction (trade between a buyer and seller on a marketplace)

I will keep updating this post with new jargons that can help you in your investment journey. Please drop a comment for any specific ones you would like to be added here first.

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