

Crypto Price Case Study:

If I added Liq in Ratio ->

$1\text{Matic } (\$1.29) = 100\text{WRX } (\$1.22)$

Case: 1 - If someone gives his 100WRX and buys 1 Matic

Result:

- My Profit, as I got 100WRX (\$122) and gave only 1Matic (\$1.29). I will be happy 😊
- But it's his loss to give \$122 and get \$1.29 so no one will do that swapping.

Case: 2 – If someone gives 1 Matic and swap 100 WRX

Result:

- His profit, as I got 100WRX (\$122) and gave only 1Matic (\$1.29). He will be happy.
- But it's my loss. I gave-up \$122 and got only \$1.29. Being the hacker, this won't be my intention.

Case: 3 – I someone else also add liquidity to this pool

Result:

- No one will stake their 100WRX (\$122) against 1MATIC (\$1.29).

Case: 4 – If I just keep liquidity on platform inspite of all these cases

Result:

- Since no one is going to trade at these prices. My real currency will be stuck and of no use. Plus I'll have to bear additional gas cost for approving, adding and removing liquidity.

Summary

- Price of crypto currencies actually depends on market levels i.e. traders and buyers
- The order-book defines at what price investors are ready to sell a currency and accordingly buyers accept the price.
- In some platforms we can see the order-book of available prices by buyer and sellers of that currency:

▼ ORDER BOOK		MARKET DEPTH		ORDER VOLUME
VOLUME	BUY PRICE	SELL PRICE	VOLUME	
2.0	1.22450	1.22709	21.3	
21.4	1.22219	1.23000	308.7	
328.0	1.22061	1.23879	328.0	
12.5	1.22060	1.23880	1,165.6	
15.0	1.22014	1.24000	482.7	
58.8	1.21650	1.24029	20.0	
98.7	1.21600	1.24194	7.5	
8.6	1.21501	1.24986	132.9	
8.6	1.21500	1.24999	189.4	
124.8	1.21000	1.25000	1,342.3	

- No matter what we do on swapping platforms, at the end **we have to buy currency in Fiat currency at atleast some point of time initially**, and that can be done by local exchanges only

References:

- <https://gadgets.ndtv.com/cryptocurrency/features/cryptocurrency-price-value-market-volatility-factors-investment-public-ledger-node-count-exchange-wallets-2500938>
- <https://www.investopedia.com/tech/what-determines-value-1-bitcoin/>
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