CRYPTOCURRENCY EXCHANGES

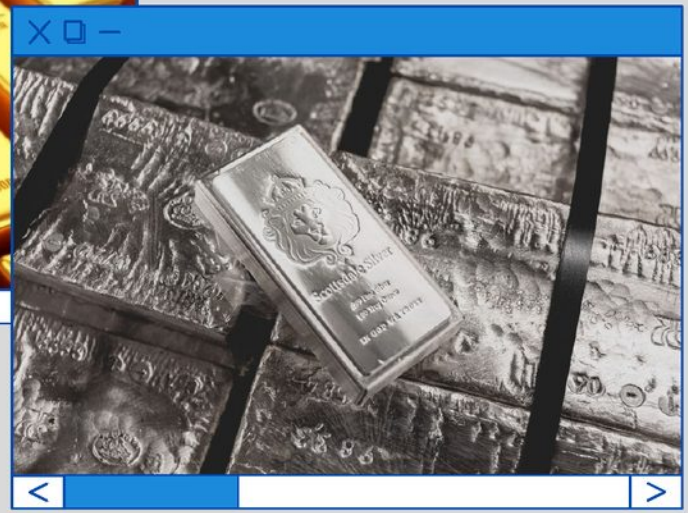
Uno Divina and team

Before we analyse the market of cryptocurrencies, it is important that we understand why there is even a market for this digital asset by seeing its use.

Bitcoin as a store of value.







Bitcoin and cryptocurrencies have been closely compared to precious metals such as gold and silver among others due to its limited supply.



There will only ever be 21 million Bitcoin available and we have mined over 19 million already. However, this module exposes the idea that supply and demand are not the only driving factors for price

One of Bitcoin's aims is to serve as a form of exchange much like our fiat currencies. This means that one of the largest drivers that give Bitcoin a value in exchange is because we deem it to have value.

PROPERTIES THAT GIVE IT VALUE



Belief of the People



Acceptability



Resistance to Counterfeiting

John Kelleher also exposes the idea of other reasons why our fiat currencies have value such as belief of the people, acceptability, and resistance to counterfeiting.





BINANCE



COINBASE



FTX

PROPERTIES



THICK

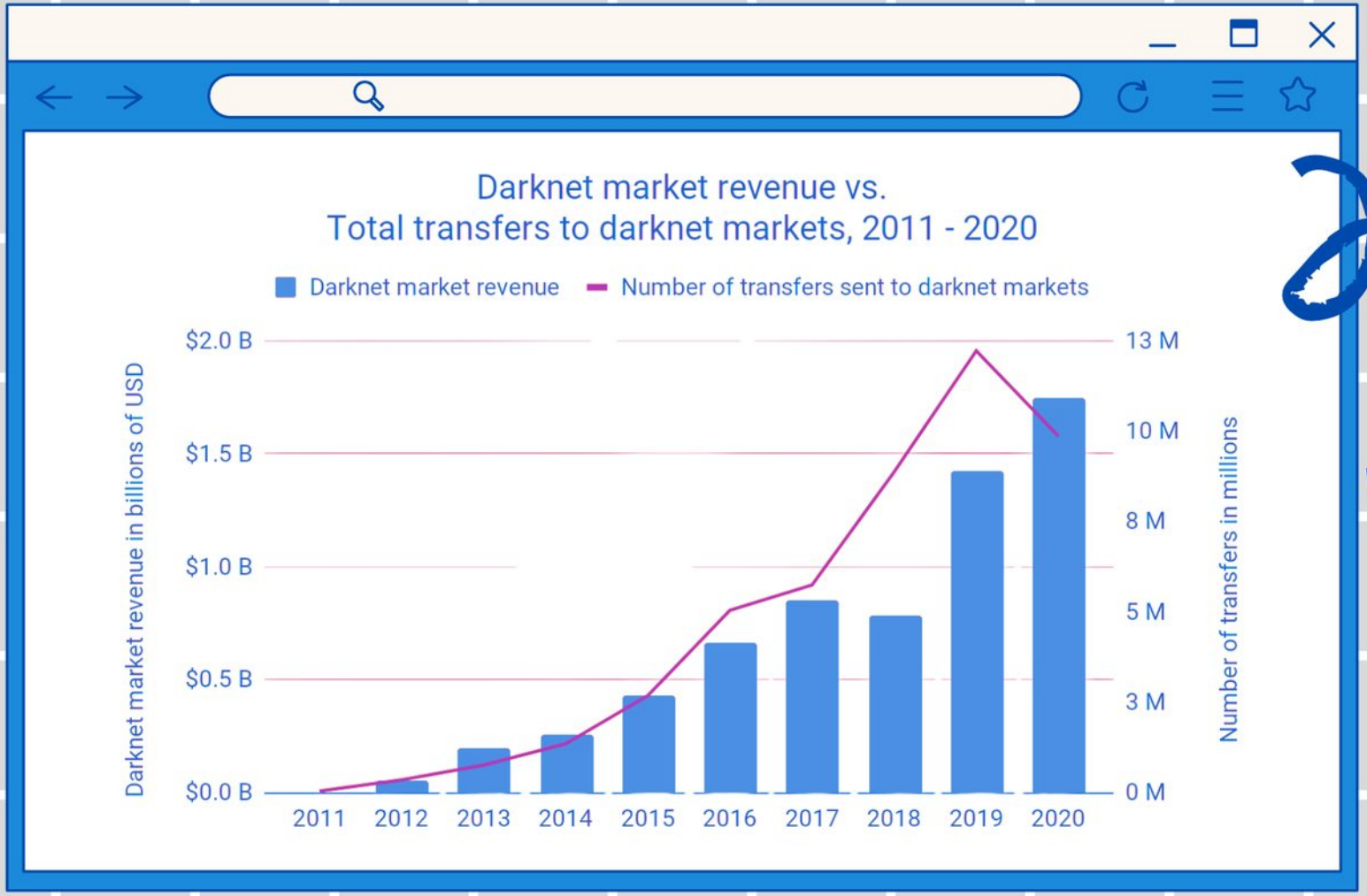


DECENTRALIZED



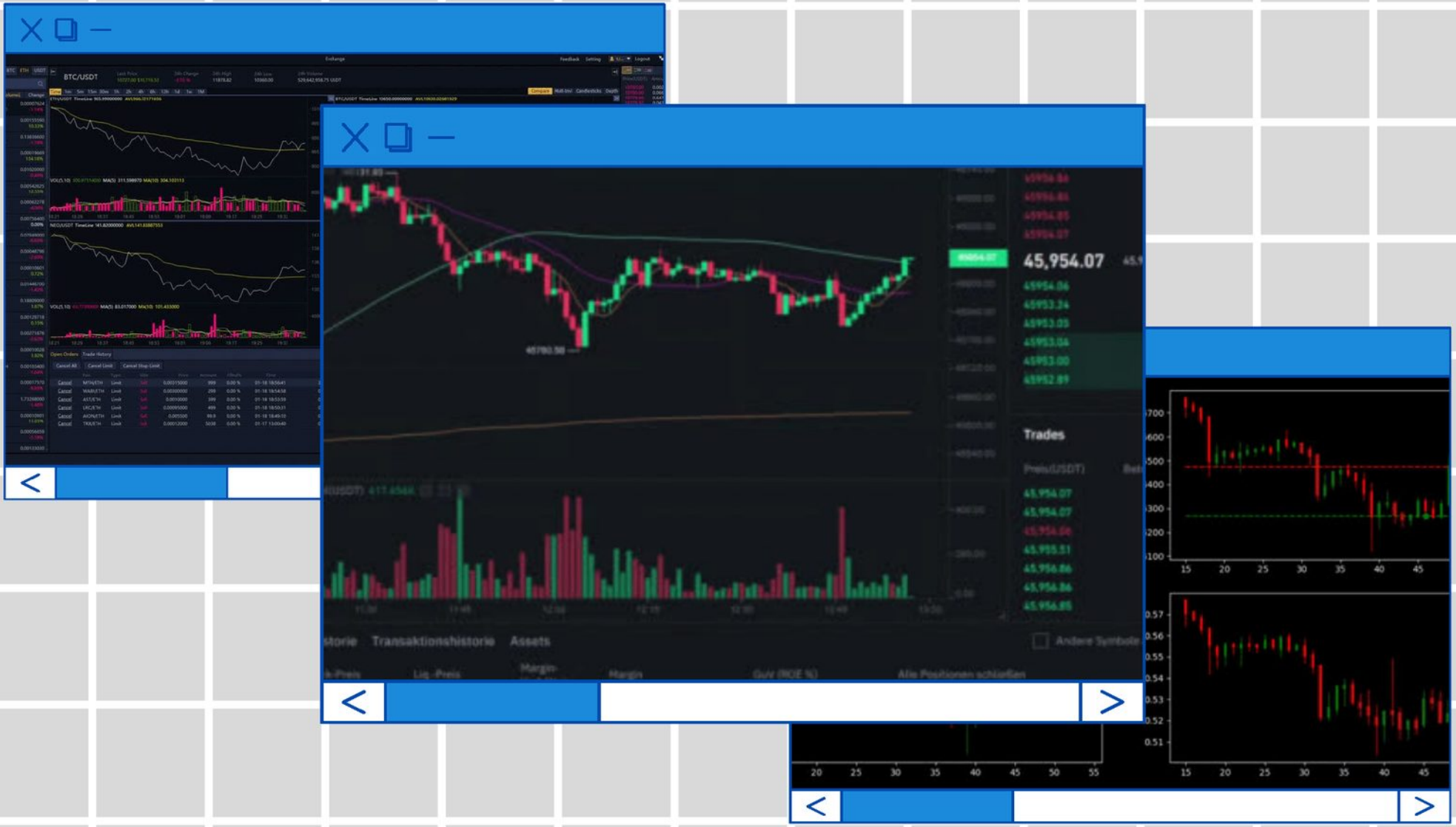
NO AUTHORITY

- the thick market brought about the rise of multiple exchanges
- the decentralised format means that there are a lack of authority figures that govern and monitor transactions within the market; cryptocurrencies use digital ledgers that use an algorithm to track the flow of the assets.


Darknet market revenue vs.
Total transfers to darknet markets, 2011 - 2020
Darknet market revenue
Number of transfers sent to darknet markets
Darknet market revenue in billions of USD
$2.0 B
$1.5 B
$1.0 B
$0.5 B
$0.0 B
13 M
10 M
8 M
5 M
3 M
0 M
Number of transfers in millions
2011
2012
2013
2014
2015
2016
2017
2018
2019
2020

One of the biggest concerns of the general population is the increased usage of it in the dark net. The negative externalities brought about by Bitcoin include its increased usage in dark net activities due to the idea of it being a decentralised currency.

Due to it being a thick market, the multiple exchanges internationally all have buyers and sellers of the same asset with different price points. This means that although the prices trend the same, the exact prices are not equal. This leads to minor inefficiency as some producer and consumer surplus being produced.


BTC/USDT
45,954.07
Trades
Transaktionshistorie
Assets

The biggest cryptocurrency exchanges run on a high frequency or HFT system. Although this means that trades are executed nearly instantaneously, this also leads to a high volatility on the price of cryptocurrencies.

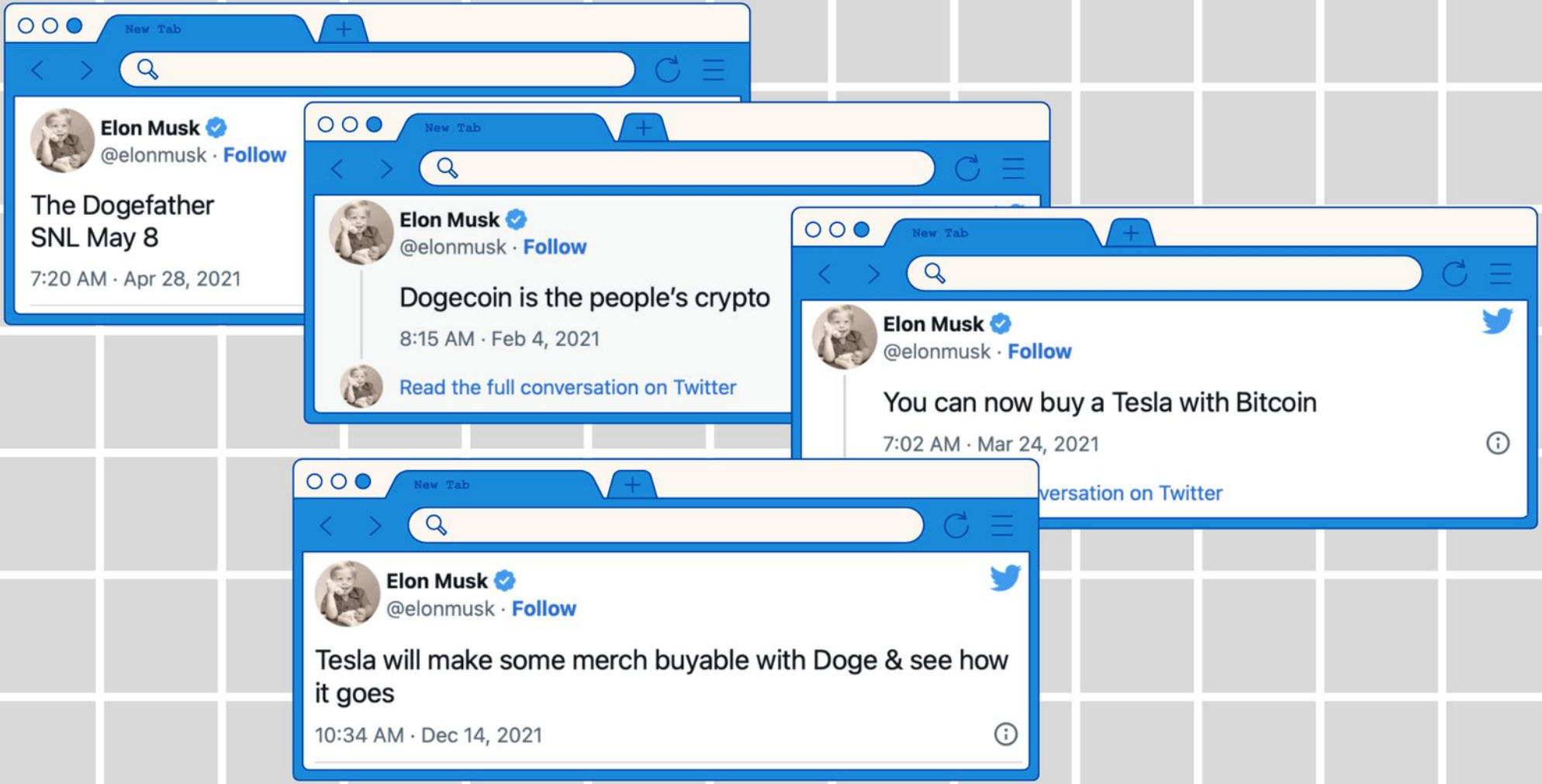

BITCOIN · DIGITAL · DECENTRALIZED · PEER TO PEER
1 TROY OZ 999 FINE COPPER
M 18 MONETARY METALS

This is a problem as Bitcoin and its alternatives are currently a speculated currency under public testing. This means that the price may fluctuate multiple percentage points in a matter of hours which may be detrimental as the existence of these exchanges rely on the public's belief on cryptocurrencies and its usage.

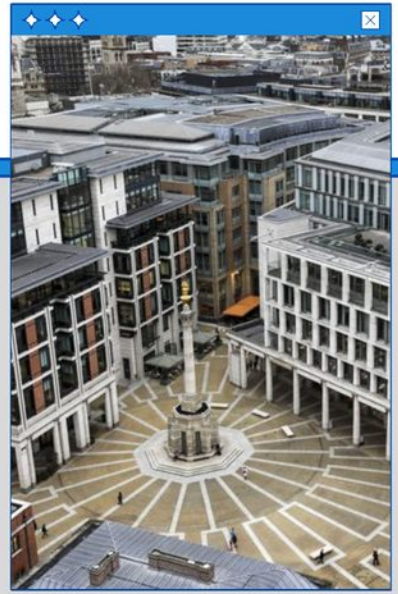

2018
Apr
Jul
Oct
2019
Apr
Jul

Someone makes money, as a result, someone else loses money

Due to these things, price sniping has become a technique that multiple use in order to profit from the exchanges. The difference in information that each individual person has may lead to increased unfairness within the exchange. A perfect example of these news leading to price changes would be when Elon Musk tweets about cryptocurrencies.


New Tab
Elon Musk
@elonmusk · Follow
The Dogefather
SNL May 8
7:20 AM · Apr 28, 2021
New Tab
Elon Musk
@elonmusk · Follow
Dogecoin is the people's crypto
8:15 AM · Feb 4, 2021
Read the full conversation on Twitter
New Tab
Elon Musk
@elonmusk · Follow
You can now buy a Tesla with Bitcoin
7:02 AM · Mar 24, 2021
versation on Twitter
New Tab
Elon Musk
@elonmusk · Follow
Tesla will make some merch buyable with Doge & see how it goes
10:34 AM · Dec 14, 2021

DOUBLE AUCTION FORMAT



LONDON SE

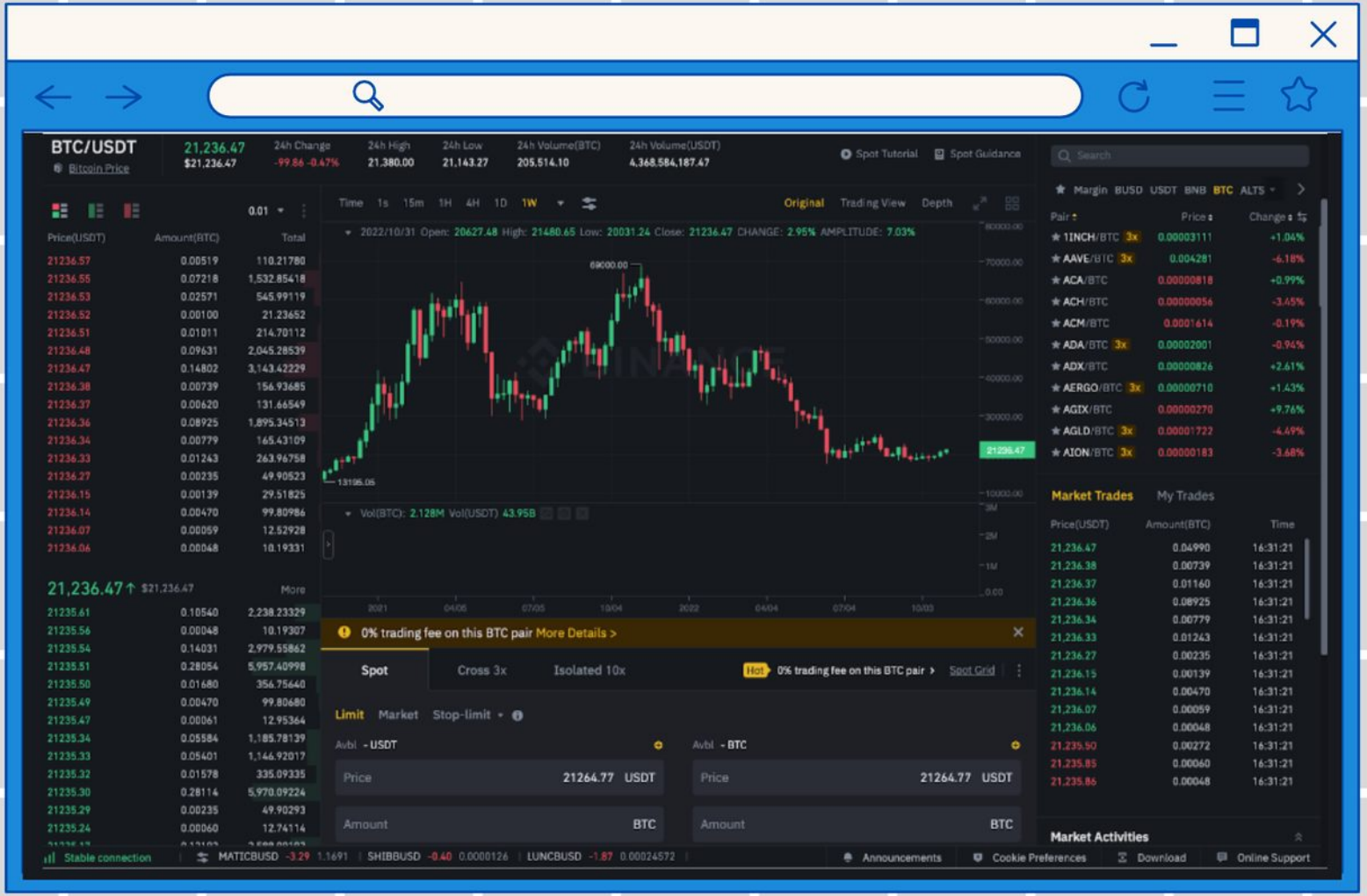


NYSE



NASDAQ

Much like most stock exchanges, the cryptocurrency exchange follows a double auction format. This means that apart from the regular buy and sell orders, exchanges such as Binance feature order books, limit orders, market orders, and even stop-limit orders.


BTC/USDT
21,236.47
$21,236.47
24h Change
-99.86 -0.47%
24h High
21,380.00
24h Low
21,143.27
24h Volume(BTC)
205.514.10
24h Volume(USDT)
4,368,584,187.47
Spot Tutorial
Spot Guidance
Bitcoin Price
Time 1s 15m 1H 4H 1D 1W
Original
Trading View
Depth
2022/10/31 Open: 20627.48 High: 21480.65 Low: 20031.24 Close: 21236.47 CHANGE: 2.95% AMPLITUDE: 7.03%
Vol(BTC): 2.128M Vol(USDT) 43.95B
Price(USDT)
Amount(BTC)
Total
0% trading fee on this BTC pair More Details >
Spot
Cross 3x
Isolated 10x
Hot 0% trading fee on this BTC pair >
Spot Grid
Limit
Market
Stop-limit
Avbl - USDT
Avbl - BTC
Price 21264.77 USDT
Amount BTC
Market Trades
My Trades
Time
Market Activities
Stable connection
MATICBUSD -3.29 1.1691
SHIBBUSD -0.40 0.0000126
LUNCBUSD -1.87 0.00024572
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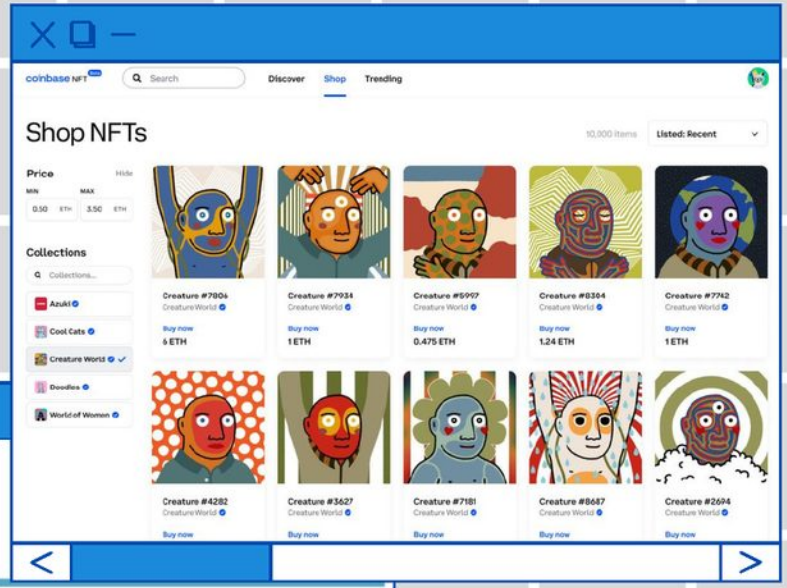
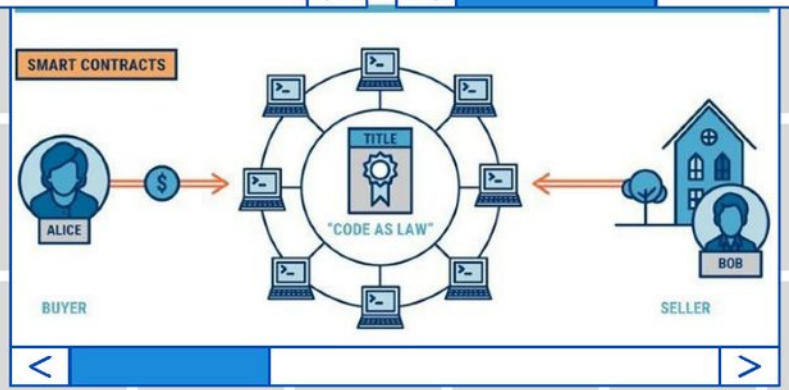
New Tab
NOW THE MAJOR ISSUES

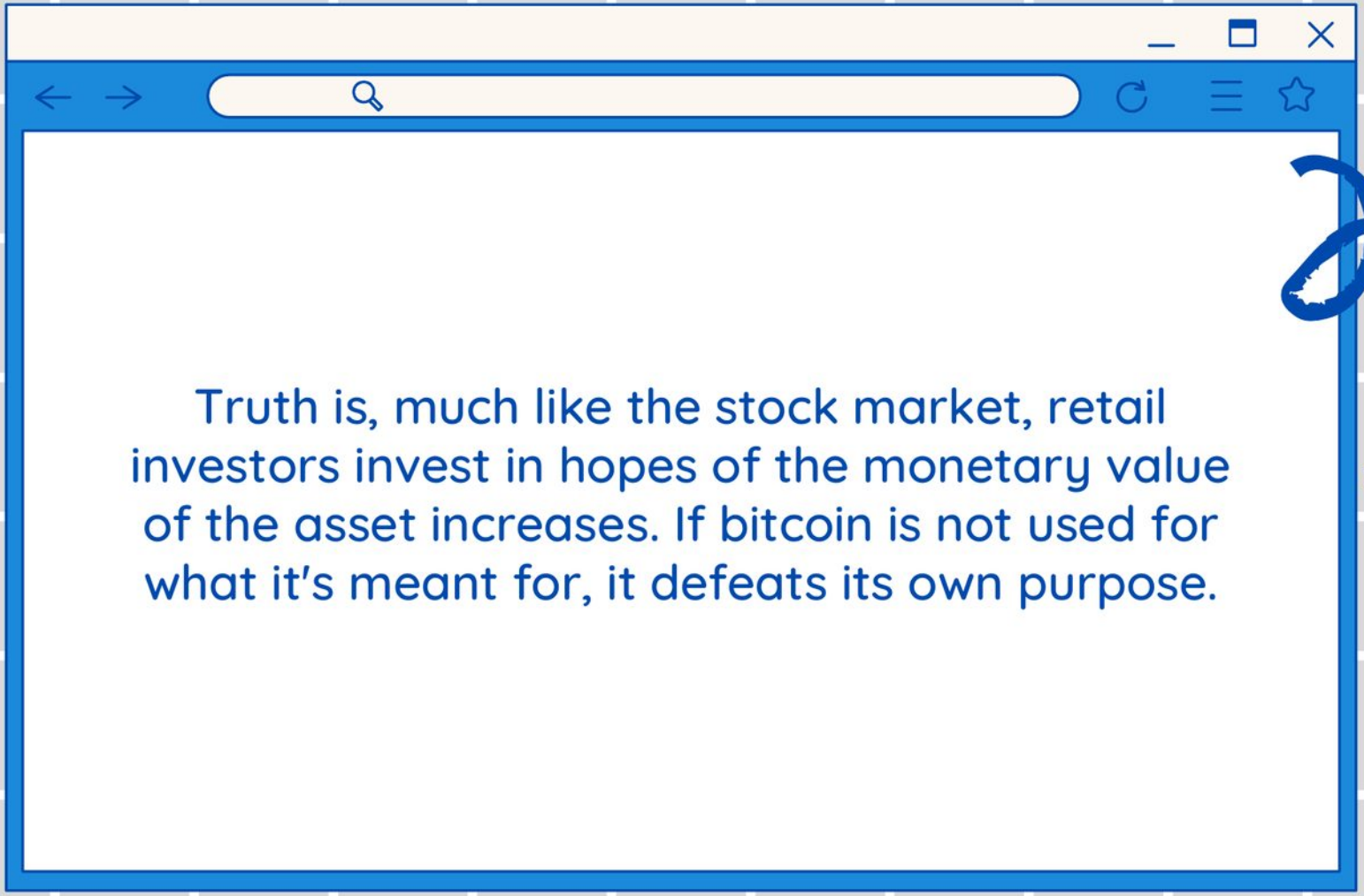

Yield Farming
on Polygon


coinbase NFT
Search
Discover
Shop
Trending
Shop NFTs
10,000 items
Listed: Recent
Price
Hide
MIN
MAX
0.50 ETH
3.50 ETH
Collections
Collections...
Azuki
Cool Cats
Creature World
Doodles
World of Women
Creature #7804
Creature World
Buy now
6 ETH
Creature #7934
Creature World
Buy now
1 ETH
Creature #5997
Creature World
Buy now
0.475 ETH
Creature #8364
Creature World
Buy now
1.24 ETH
Creature #7742
Creature World
Buy now
1 ETH
Creature #4282
Creature World
Buy now
Creature #3627
Creature World
Buy now
Creature #7181
Creature World
Buy now
Creature #8687
Creature World
Buy now
Creature #2694
Creature World
Buy now


SMART CONTRACTS
ALICE
$
TITLE
"CODE AS LAW"
BOB
BUYER
SELLER

UNRAVELLING

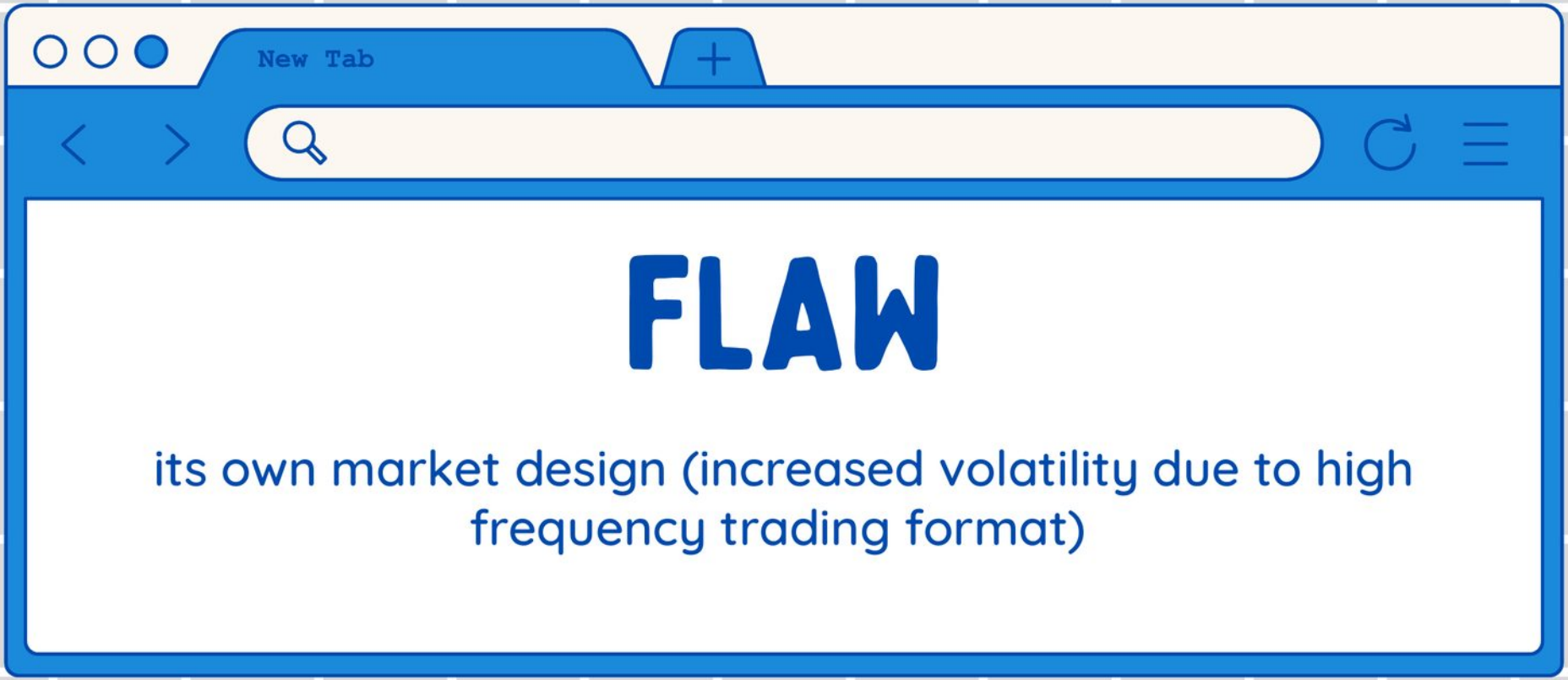
- recall unravelling is when transactions occur too early or too late, in this case, the speculation that bitcoin may be used as a form of exchange
- in this case, a lot of consumers are hoping on the possibility that bitcoin serves its purpose as a true substitute to fiat currencies
- also hoping on the possibility that some of the projects of altcoins such as smart contracts may be implemented.


Truth is, much like the stock market, retail investors invest in hopes of the monetary value of the asset increases. If bitcoin is not used for what it's meant for, it defeats its own purpose.

ANOTHER FLAW

the market is reliant on the idea of bitcoin having value in order for transactions for the asset to occur

Multiple governing bodies are trying to control the spread of bitcoin which makes the original purpose of bitcoin useless- to make monetary transactions purely peer-to-peer without banks.



FLAW

its own market design (increased volatility due to high frequency trading format)

Multiple altcoins rely heavily on bitcoin since most altcoins are purchased using bitcoin


New Tab
THANK YOU!

SOURCES:

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- https://buybitcoinworldwide.com/how-many-bitcoins-are-there/