Introduction to Crypto market

Let us begin by defining cryptocurrency as a digital currency in which transactions are verified and records maintained on the blockchain by a decentralized system. The blockchain is a digital public ledger that records online transactions and is the core technology for cryptocurrency. The blockchain's main function is to ensure the integrity of cryptocurrencies. The crypto market operates on blockchain networks, with the most popular blockchain networks being ETH, BNB, and XTZ.

Developers can build tokens on the blockchain, with the difference between the terms "coin" and "token" being that a coin is the main currency on the blockchain, such as ETH on the ETH network and BNB on the BNB network. Tokens are currencies built on the blockchain, such as CAKE on the BNB network and AAVE on the ETH network. Anything built on the blockchain is called a smart contract, with Solidity being the most popular language to code a smart contract. Smart contracts are self-executing contracts with terms of agreement between the buyer and seller written directly into lines of code.

Developers can also build Dapps, or decentralized applications, which are digital applications that run on the blockchain network of computers instead of relying on a single computer. An example of Dapps is Golem and Augur, which are built on the ETH network.

The financing of Dapps and crypto projects, in general, is done through decentralized finance (DeFi), a technology that aims to remove intermediaries from financial transactions. This means that shares in digital form go directly from the seller to the buyer without the need for intermediaries. Most projects and Dapps have a currency that is a valuable asset, and its value can increase or decrease depending on demand for the currency.

To generate new blocks in the blockchain system, a cryptocurrency must be either proof of work (PoW) or proof of stake (PoS). PoW is a decentralized consensus mechanism that requires members of a network to expend effort solving an arbitrary mathematical puzzle to prevent anyone from gaming the system, while PoS requires cryptocurrency owners to validate block transactions based on the number of coins a validator stakes. Currencies that use PoW require strong hardware to mine them, while currencies that use PoS do not require any

hardware; users can stake their coins and receive rewards (new coins) for doing so.

PoS and PoW are the reasons why the blockchain is secure from hacking. Any change in any block must be approved by more than 51% of minors because no computer has all the computation power that can match the computation power of 51% of minors. Therefore, the blockchain network is difficult to hack.

To exchange cryptocurrencies, you must use either a centralized or decentralized exchange. A decentralized exchange allows direct peer-to-peer transactions that take place online without intermediaries, while a centralized exchange is a trusted intermediary that stores and protects the funds. Examples of a centralized exchange include Binance, while Uniswap is an example of a decentralized exchange. The decentralized exchange is more secure than the centralized exchange because the centralized exchanges can be hacked, and your wallet will be wiped out. On decentralized exchanges, you do not have any wallet on the exchange itself. Instead, if you want to use the exchange, you need to connect your wallet (Metamask or Trust wallet) to the exchange. After you finish the transaction, you can disconnect the wallet. If the exchange gets hacked when your wallet is not connected to the exchange, you will not be in danger of losing your funds.

Let's discuss two important segments of the crypto market: non-fungible tokens (NFTs) and stable coins. NFTs are unique digital identifiers that cannot be copied, subdivided or substituted. They are recorded on the blockchain and used to certify authenticity and ownership. The NFT market has seen astonishing prices for low-quality art, with some selling for hundreds of thousands of dollars. The most popular NFT collections are Ape Yacht Club and Crypto Punks.

Stable coins, on the other hand, are cryptocurrencies designed to have a stable value, usually equivalent to $1 per token. Most currencies are paired with stable coins rather than fiat money. The most common stable coins are Tether (USDT) and Binance USD (BUSD), and their value is backed by assets such as US dollars or other assets. Stable coins provide stability and confidence to the market, allowing investors to have a safe space to invest their money. Investors can also stack stable coins, similar to interest earned from banks. Experts suggest that stable coins are a safe long-term investment.

However, the crypto market also faces several challenges, including fraud, money laundering, and a high coefficient of correlation. Cryptocurrencies have the potential for fraud as not every cryptocurrency has a utility or project. Additionally, CEOs of new projects can easily run away with investors' money. The decentralized nature of the blockchain and the existence of Dapps that provide mixing utilities like Tornado Cash make money laundering easier. Finally, the high coefficient of correlation between BTC and other big currencies means that when BTC's price drops, the whole market follows.

The lack of regulations is the main reason for fraud and scams in the crypto market. However, in 2021, the Financial Action Task Force (FATF) recommended crypto market regulations. Moving on, let's see how cryptocurrencies can affect the global economy, particularly the banking industry. Cryptocurrency is more efficient and secure for transactions than banking systems. The biggest threat for banks is decentralized finance (DeFi) projects and proof-of-stake (PoS) currencies, as they eliminate the need for banks to finance projects. Investors get higher annual returns from staking their currency than putting it in a savings account at a bank.

In conclusion, the crypto market is still relatively small, but it has significant potential in the future financial system. It will change how we work and pay, and its adoption worldwide will be fascinating to watch. The banking industry will be affected by the growth of the cryptocurrency market, and according to some specialists, banks have much to be afraid of.

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