

# THE RISE AND POTENTIAL OF ALTCOINS IN THE CRYPTO MARKET

In the evolving landscape of crypto, the demand for crypto-backed financing is expanding beyond the established cryptos like Bitcoin and Ethereum. As the global crypto market continues to mature, alternative coins such as Solana, Cardano, Polkadot, Avalanche, Ripple, Dogecoin, etc. are gaining prominence. These altcoins offer diverse opportunities for investors to leverage their holdings and access liquidity. In this edition of FirstNews, we delve into the performance and potential of these alternative cryptos, providing insights into their market dynamics and the reasons behind their recent price movements. EquitiesFirst also offers crypto-backed financing with various altcoins as collateral.

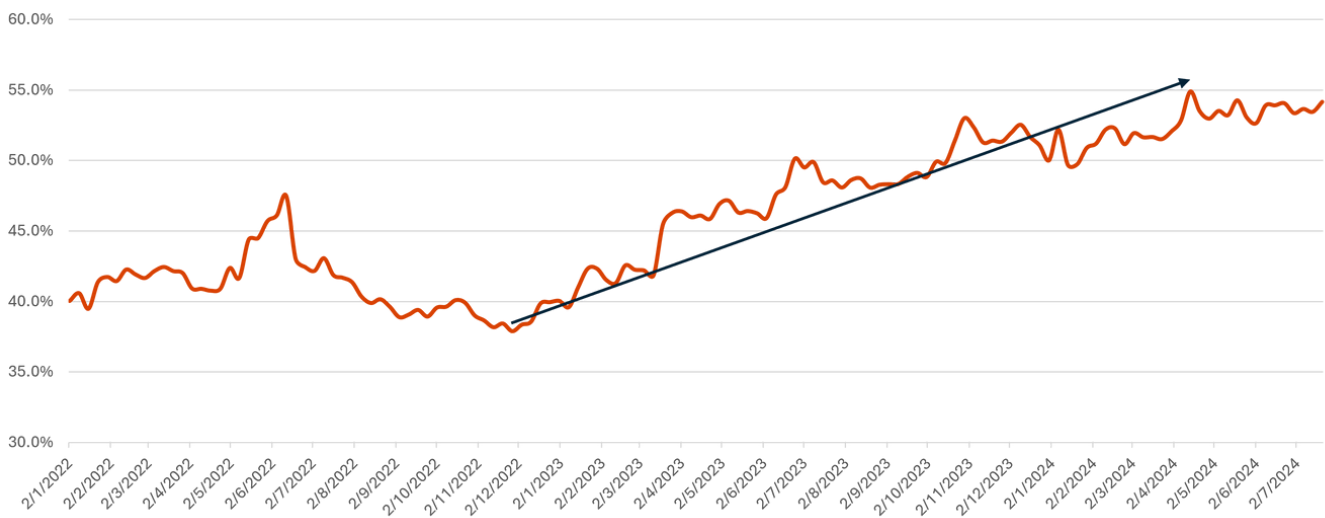
## EXECUTIVE SUMMARY

- The demand for crypto-backed financing is expanding beyond Bitcoin and Ethereum to include a variety of altcoins.
- Bitcoin's dominance increased post-2022 market correction, demonstrating its relative stability.
- Solana's significant price movements highlight the impact of technological advancements and market adoption.
- Cardano's research-driven approach and strategic partnerships have helped it recover from market downturns.
- Trading volume for crypto shows significant fluctuations, with Bitcoin and Ethereum leading in volume, followed by a rising interest in altcoins like Solana.

## WHAT ARE ALT COINS?

Altcoins, short for "alternative coins," refer to any crypto other than Bitcoin. They were created to address perceived limitations of Bitcoin, offering different features, capabilities and use cases. Examples of altcoins include Ethereum, which supports smart contracts and decentralized applications and Solana, known for its high transaction speeds and low fees. Investors are attracted to altcoins for their potential high returns and the innovation they bring to the crypto space. Many altcoins have specific purposes, such as enhancing privacy or improving transaction efficiency, making them appealing for various applications. Additionally, people often use altcoins to pledge as collateral for borrowing money, leveraging their crypto assets to access liquidity without selling their investments, thus maintaining exposure to potential future gains. This versatility and potential for high returns drive the interest and investment in altcoins.

**BITCOIN DOMINANCE (%)**

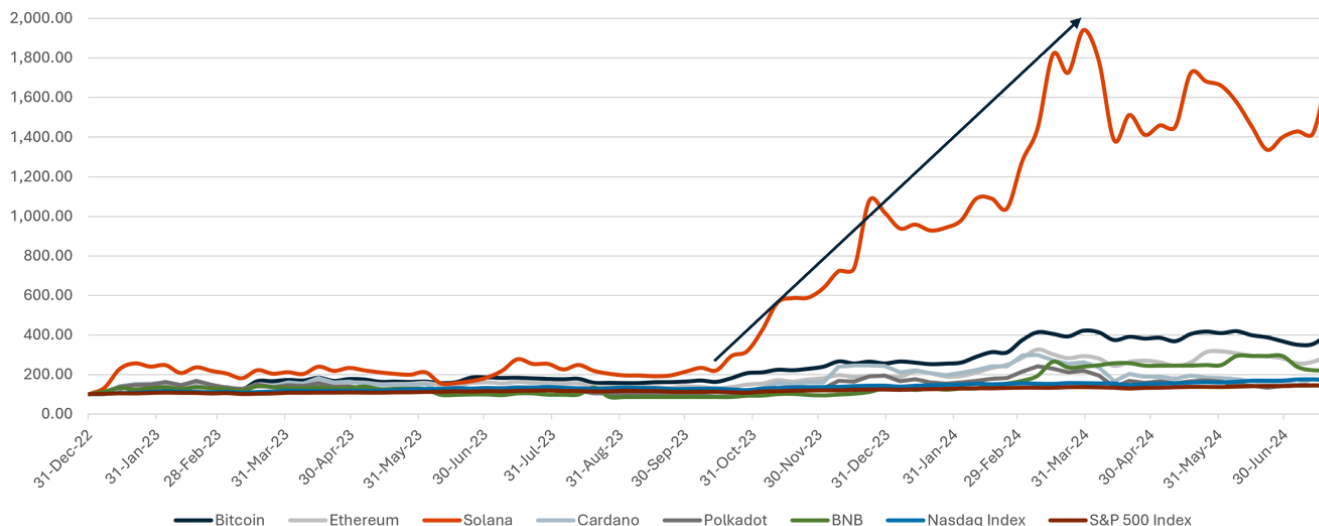


Bitcoin dominance measures Bitcoin's market capitalization as a percentage of the total crypto market. It shows Bitcoin's influence and strength relative to all other crypto. In 2022, the crypto market faced significant declines, impacting both Bitcoin and altcoins. The collapse of FTX in November 2022 led to increased market uncertainty and a loss of investor confidence.

After these events, Bitcoin's dominance gradually increased, indicating it was performing better than most altcoins. During this period, Bitcoin showed more stability and growth compared to many altcoins. Investors often turn to Bitcoin during market uncertainty due to its longer history and higher liquidity. Consequently, Bitcoin's market cap grew faster than that of altcoins, leading to a higher dominance percentage and reinforcing its position as the leading crypto.

**SOLANA**

**2023 - 2024 YEAR TO DATE ASSET PRICE PERFORMANCE (%) (REBASED)**



Solana is a high-performance blockchain platform designed for decentralized applications and crypto. Launched in 2020 by Anatoly Yakovenko, Solana aims to improve scalability without compromising decentralization. It utilizes a unique consensus mechanism known as Proof of History combined with Proof of Stake, allowing it to process thousands of transactions per second with low fees. Solana's robust infrastructure and fast processing capabilities have made it a popular choice for decentralized finance projects, non-fungible tokens and other blockchain-based applications, positioning it as a significant player in the crypto market.

**SOLANA PRICE HISTORY**



Solana has significantly outperformed other cryptos since 2023, including Bitcoin and Ethereum, primarily due to its low base in 2022. We have summarized its price trends and the reasons behind the rise and fall of Solana.

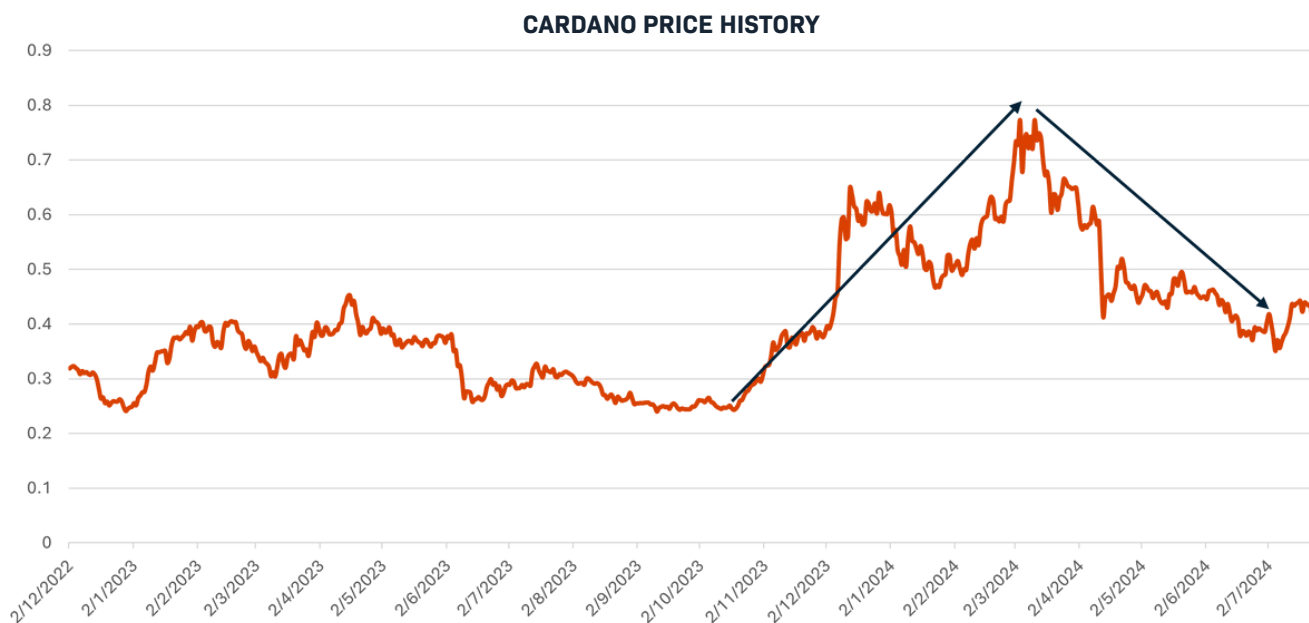
**2022 (-94% return):** Solana experienced significant price volatility and a sharp decline, falling below \$15. This decline was influenced by broader market corrections and technical issues, including network outages, which undermined investor confidence and contributed to the overall market instability.

The collapse of the crypto exchange, FTX, in November 2022 had a particularly severe impact on Solana's price. FTX was one of the largest exchanges and a significant holder of Solana, which created a close relationship between the two entities. When FTX collapsed, it led to a massive sell-off of assets, including Solana, causing a dramatic price drop. The fallout from FTX's collapse also led to widespread market doubt and loss of confidence among investors, exacerbating the decline in Solana's price and contributing to overall market instability. Despite these challenges, Solana's efforts to enhance network stability and performance continued.

**2023 (+916% return):** Solana's price stabilized, fluctuating between USD\$20 and USD\$30 for much of the year, before recovering to approach USD\$100 by year-end. This recovery was driven by successful network upgrades, improved scalability and enhanced security features. Partnerships with major DeFi projects and the growth of the Solana ecosystem also contributed to restoring investor confidence and mitigating the impact of the previous FTX incident.

**2024 Year to date, as of July 23, 2024 (+70% return):** Solana's price continued to rise, once reached USD\$200 in March. This growth was due to ongoing technological advancements and increased use of Solana-based applications. Key developments included the integration of Solana with major financial institutions and the expansion of its NFT marketplace. These factors strengthened the network's reputation and utility, attracting more users and investors.

## CARDANO



Cardano is a blockchain platform developed to provide a more balanced and sustainable ecosystem for crypto. It was founded by Charles Hoskinson, a co-founder of Ethereum, in 2017. The platform aims to deliver more advanced features than any protocol previously developed and claims that it is a third-generation blockchain following Bitcoin and Ethereum. Cardano uses a proof-of-stake consensus mechanism called Ouroboros, which is designed to be more energy-efficient compared to the proof-of-work model. The native crypto of the Cardano platform is ADA, named after Ada Lovelace, a 19th-century mathematician recognized as the first computer programmer.

Cardano is known for its research-driven approach, where each development phase is peer-reviewed before implementation. This methodical approach aims to ensure the security and scalability of the network. The platform supports smart contracts and decentralized applications, making it a versatile tool for developers. Cardano's unique two-layer architecture is designed to enhance flexibility and scalability.

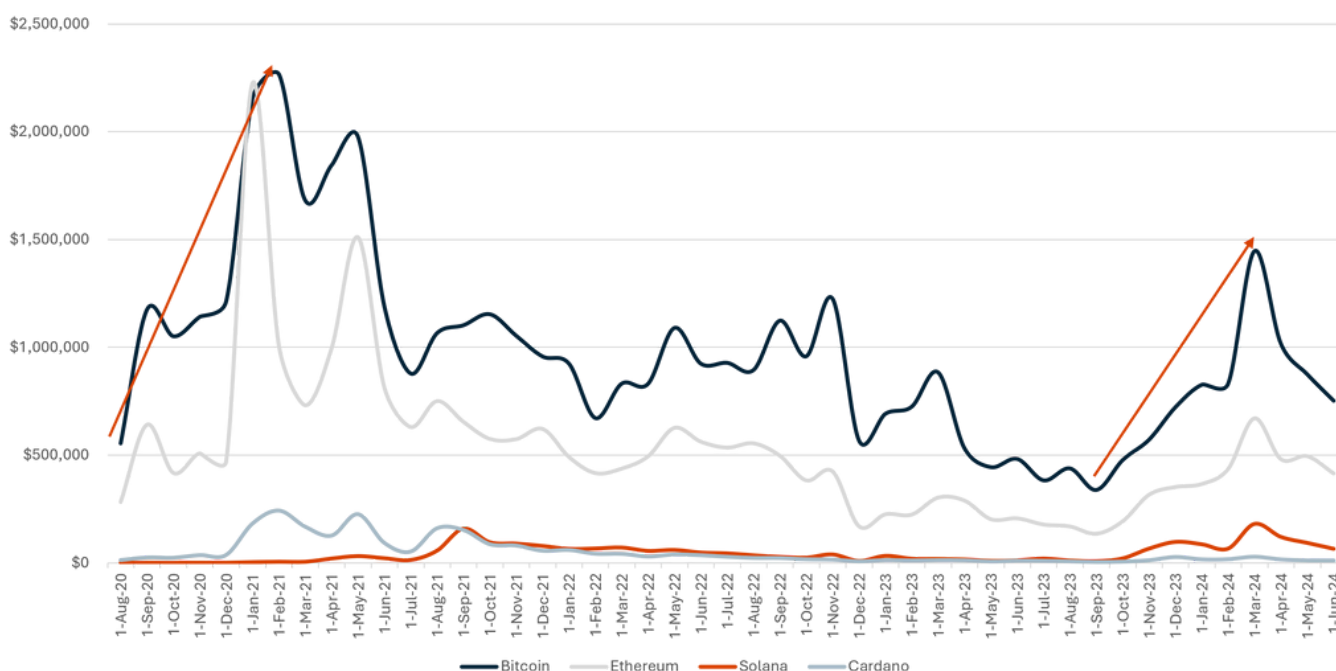
In 2023 (return: +143%), Cardano experienced notable volatility in its price. The year began with relative stability, but by Oct 2023, the price saw a significant surge. This upward movement was driven by technological advancements and successful project milestones within the Cardano ecosystem. The development of smart contracts, along with growing adoption by developers and increased utility, fueled investor enthusiasm and confidence.

At the beginning of 2024, Cardano has shown a steady recovery from the lows of January. The price has been stabilizing with a gradual upward trend. This recovery can be attributed to strategic partnerships and a more favorable market sentiment.

However, after March 2024, Cardano's price suddenly declined, primarily due to a broad correction in the crypto market. At the same time, Bitcoin reached an all-time high of over USD\$73,000, which marked a significant milestone, a historically high level. However, this peak was short-lived as Bitcoin's price subsequently corrected, falling to USD\$56,258 by July. This substantial drop in Bitcoin's value contributed to the overall bearish sentiment in the crypto market, further influencing the decline in Cardano's price. The correction in Bitcoin's price likely spurred profit-taking and heightened caution among investors, leading to decreased demand and lower prices for altcoins like Cardano.

## CRYPTO TRADING VOLUME

MONTHLY TRADING VOLUME (USD MILLION)



The chart displays the total monthly trading volume for Bitcoin, Ethereum, Solana and Cardano from August 2020 to June 2024. The data shows distinct patterns for each crypto, highlighting the variations in market activity over time.

Bitcoin exhibits the highest trading volume among the four, with significant peaks observed around early 2021, reflecting the major bull run during that period, before experiencing a more stabilized yet high level of trading volume through mid-2024.

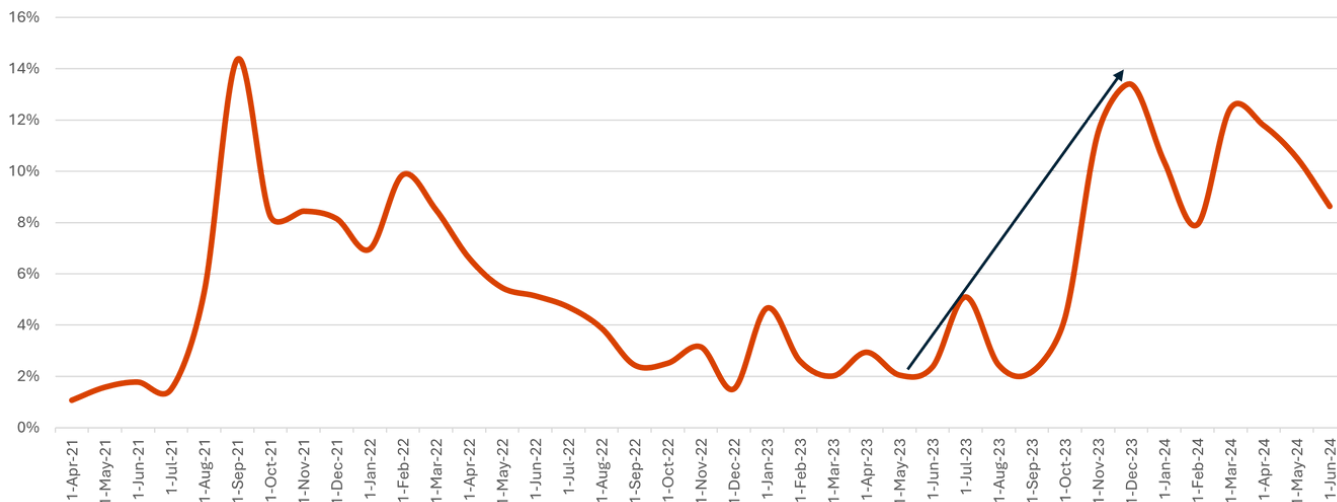
Ethereum also demonstrates substantial trading volume, second only to Bitcoin. Similar to Bitcoin, Ethereum's volume peaked in early 2021, driven by the broader crypto market rally and the increasing adoption of decentralized applications and DeFi platforms. The volume remained relatively high with noticeable fluctuations, particularly during market-wide movements.

Solana shows a lower overall trading volume compared to Bitcoin and Ethereum but indicates a rising trend starting from July 2021. The increase in Solana's volume corresponds with its price rally and growing adoption for DeFi and NFT projects, reflecting increased investor interest and market activity in Solana.

Cardano presents the lowest trading volume among the four cryptos. Despite initial interest and volume spikes around mid-2021, corresponding to significant project milestones and the anticipation of smart contract functionalities, Cardano's trading volume has generally been lower. This indicates a less dynamic trading environment compared to its counterparts, possibly due to slower price movements and market adoption.

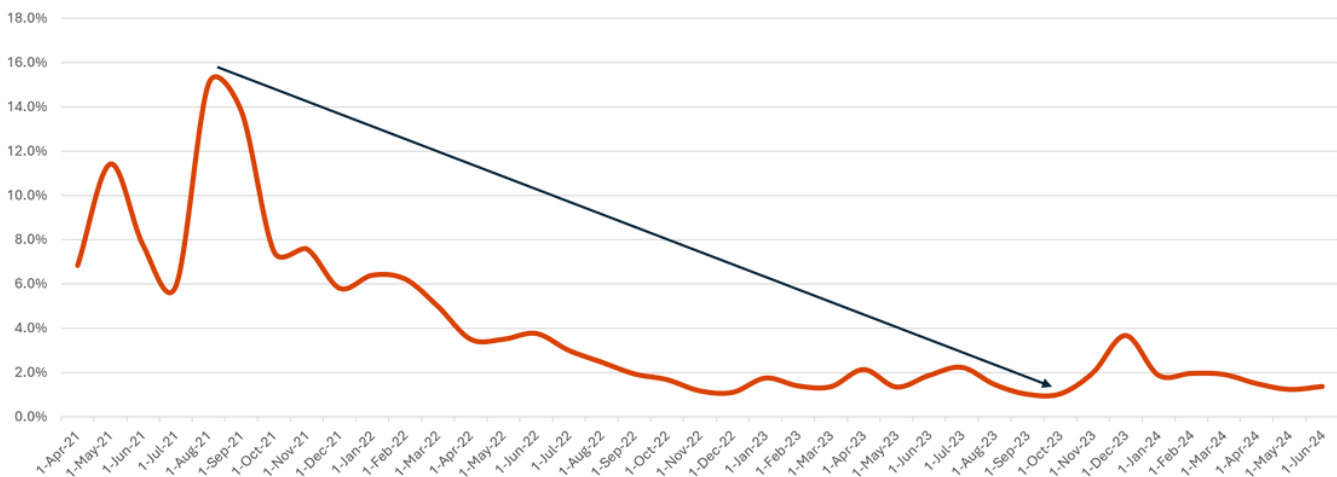
Overall, the chart illustrates that Bitcoin and Ethereum dominate the trading volume landscape, with Solana gaining traction over time and Cardano maintaining a steadier but lower level of market activity.

### SOLANA/BITCOIN MONTHLY VOLUME RATIO



The chart illustrates the monthly volume ratio of Solana to Bitcoin. The ratio shows significant fluctuations, with notable peaks and troughs over time. Since September 2023, there has been a marked increase in the ratio, correlating with a strong rally in Solana's price. This trend is reminiscent of the altcoin season observed in 2021, where altcoins gained substantial market interest and volume relative to Bitcoin. The rising ratio indicates a growing interest and demand for Solana, suggesting that investors are increasingly looking beyond Bitcoin and Ethereum to diversify their portfolios with promising altcoins.

### CARDANO/BITCOIN MONTHLY VOLUME RATIO



The chart illustrates the monthly volume ratio of Cardano to Bitcoin. Over time, the ratio demonstrates a noticeable decline, especially when compared to the significant peaks observed in early 2021. From a high of over 16% in September 2021, the ratio has steadily decreased, with minor fluctuations and has remained below 4% since mid-2022. This downward trend indicates a diminishing market interest in Cardano relative to Bitcoin. In contrast to Solana, which has seen a rising volume ratio due to strong price performance, Cardano has struggled to maintain investor interest. The lackluster price performance of Cardano, especially when compared to the altcoin surge in 2021, is a significant factor.

The crypto market remains a dynamic and rapidly evolving space, with altcoins playing a crucial role in shaping its future. Solana's significant outperformance, driven by technological advancements and increased adoption, highlights the potential of well-developed altcoin projects. Similarly, Cardano's methodical approach and strong community support underscore the importance of robust technological foundations in achieving long-term success. As we move forward, the continued development and integration of these altcoins will be pivotal in enhancing their utility and market presence.

## EQUITIESFIRST LENDING MODEL

By offering crypto-backed financing with a diverse range of altcoins as collateral, EquitiesFirst provides investors with the flexibility to leverage their crypto assets while maintaining exposure to their potential appreciation. Choice of altcoins as collateral include Solana, Cardano, Polkadot, Avalanche, Ripple, Dogecoin, etc. We can provide terms similar to those we previously offered for Bitcoin and Ethereum.

- Low and fixed at 3-4% interest rates
- Favorable loan-to-value (LTV) ratios of 60-70%
- Borrower-friendly margin call mechanism: Margin call when the price of crypto drops more than 30% on a 3-day average basis. When this occurs, the borrower will have 5 business days to top up either with crypto or cash. This compares with the automatic liquidation mechanism implemented by other crypto lenders when the coin price drops by 10-20%
- Non-Recourse: The borrower's liability is limited to the crypto used for the transaction. EquitiesFirst forgoes the right to pursue repayment if the borrower opts to default on the loan obligation
- Non-Purpose: The borrower can use the loan proceeds from EquitiesFirst for any purpose
- EquitiesFirst distinguishes itself as an experienced lender with a diverse portfolio, providing loans against both crypto and equity, rather than focusing exclusively on crypto. This diversified approach reduces systemic risks often associated with solely crypto-focused lenders. With a 21-year track record in lending and regulation across multiple jurisdictions, EquitiesFirst offers stability and reliability compared to other emerging crypto lenders

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