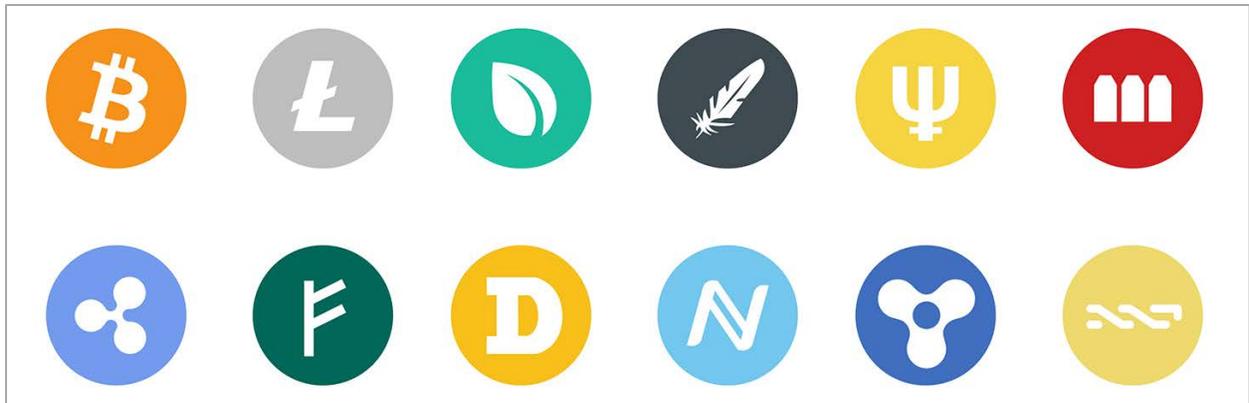


Are Cryptocurrencies the future?



Cryptocurrency is a new revolutionary type of currency. Like any other currency or unit of account, they only have value because people think it has some value. Some of these currencies are backed by precious metals like gold or silver, but most others are backed by nothing and are only valued because individuals think they have some value and can use it as a unit of exchange. The purpose behind these currencies was to create a unit of exchange and to store assets without being regulated.

Some of the major factors that determine the prices of these currencies are: utility of the currency, ease of storage, demand and supply in the market based on investor perception and legal or government acceptance. With the help of some of the above factors, the total market capitalization of cryptocurrencies across the globe has reached US\$ 158.5 billion, a gain of 795% in 2017 alone. Common currencies like Bitcoin and Ether are up over 300% and 1000% respectively this year.

Bitcoin is often seen as the 'reserve currency' for the cryptocurrency world. Prices of most cryptocurrencies are highly correlated to the price of Bitcoin. Most of this is due to Bitcoin being the first cryptocurrency that caught the attention of investors and made it to the mainstream. This correlation has negative impacts for the crypto currency market as even though they are treated as the same 'asset class', the utilities, blockchain difficulties and energy required to secure the currency is different for each currency. Litecoin, often referred to as the 'silver to Bitcoin gold', was only created for smaller payments as it offers faster transaction times and a higher network capacity. Ether, even though it is treated like a currency, was designed as a token to use its network to execute codes in a way that it is verifiable what was executed.

The cryptocurrency world is still considered an emerging market due to its high volatility and constant risks. The price of these currencies rise and fall quickly, making it a dangerous investment without the correct research. These currencies, being in the nascent stage, have also been used and developed as a scam. Due to this, the Chinese government has banned all cryptocurrency exchanges and imposed restriction on Initial Coin Offerings (ICOs), the method used to raise money for these currencies and introduce them to the investors. South American countries like Colombia and Ecuador have also banned the use of these currencies.

Cryptocurrency is an ever-growing segment of the global financial industry despite the air of negativity perpetually surrounding it. As an unregulated payment system, it has penetrated the most unusual aspects of the global digital transaction network. Due to the constantly evolving and unexplored nature of cryptocurrencies, investors and governments are worried about illegal transactions and security concerns connected with the usage of these currencies. There is still a long way to go for these currencies to answer a few of the queries raised by these institutions. Blockchain technology is considered the future of the payments and shared economy world as the technology can help create a cheaper and more efficient global payment system. Forecasts on the future of cryptocurrency ranges from outright failure as a temporary craze to filling a role of a new global currency. The answer probably lies somewhere between these extremes, and will depend on the legal and regulatory configuration that ends up defining the currency's use in each country.