

# Which factors decide the value of a cryptocurrency?

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A product like all others? The ups and downs of cryptocurrencies

Cryptocurrencies have already developed into a part of the economic system. They are thus also prone to fluctuations in value. Which factors influence the price of Bitcoin & Co.?

How much is a Bitcoin or a POP worth today, and how much tomorrow? This is an exciting question, above all for those involved with these currencies on a daily basis. The value, we can clearly state, is measured similarly to the value of crude oil or energy products. How great is the availability at a particular point in time and, of course, how great is its demand. Expressed briefly, cryptocurrency is worth exactly as much as its value to buyers. Logically, this can fluctuate sharply, which makes cryptocurrency an “object of desire”, since its value can occasionally soar.

Free as a bird: The cryptocurrency

Cryptocurrency is unusual in one respect, especially when compared with their tangible counterparts, the dollars and the pounds sterling of this world. It is tied to no national stipulation and no exchange rate. Nevertheless, it has a (variable) value, otherwise it would never come into question as a payment method. It is this national “free bird” element that provides the attraction and which also explains why so many new providers of cryptocurrencies are crowding the market. Free from rules, at least for the present, but valuable nevertheless. Now that really is saying something. Which factors are relevant for consideration, apart from the supply and demand?

Factor: Number of participants

Cryptocurrencies can be described as a kind of network in which people participate and also believe in the currencies themselves. When something remains barely noticed or used, its value tends to be rather low. This is exactly the case with apples or handbags, which may exist unnoticed in some corner of a market. Cryptocurrency, like other products, is exactly as dependent upon visibility, if you will, and upon positive publicity. Those wishing to excel as crypto-networkers and generating interest among users are ensuring that the value of the currency rises. If another network were to become more popular, then the so-called “demanders” would depart and the value of that other currency would sink. This also explains the volatile dynamics of this very young market.

A growing, yet highly restless, market

The fact that cryptocurrencies for many people are appealing due to their exoticness or freedoms also implies that the various currency networks should distinguish themselves slightly more from one another. A monopoly, however, is not suggested by this intended idea. But nevertheless, probably all who enter this

market will be secretly striving for such. This serves as an influencing factor also for major unrest, or more positively expressed, for a high degree of dynamic. Who is playing along today compared to earlier, how convincing is the individual provider, who will still be playing tomorrow and what is “my” currency worth?

## Fluctuations due also to speculation

The fundamentally low tangibility of cryptocurrencies naturally makes them an object of speculation and hearsay. The rumour is forever circulated, for example, that some countries or banks could oppose these new currencies. This then obviously leads to unrest and uncertainty. Can and should somebody sit on a horse that will already be bolting the stalls next morning? It still remains to be seen here how an impending regulation may impact and whether a greater clarity and stability will not be the eventual outcome. This relatively unclear legal position leads to swings in both directions, which in turn can also result in a certain appeal factor. Way up or way down? This is hard to judge, but it still fails to scare off many curious and receptive people - quite the opposite, in fact.

## Fast as lightning - But similarly volatile

An exchange of these currencies is possible instantly. This speed naturally has the disadvantage of one not being able to comprehend it. This in turn takes effect in extreme fluctuations, which happen to be part of every new development. Sometimes it goes way up, since everyone is participating and then follows the disillusion or a waning interest, upon which a plateau phase in the mid-reaches may ensue. This is not really so totally unusual, since many other new tech companies experience exactly such “gold digger, ghost town” developments. Those who will prevail remains unclear even to the cryptos themselves, but the battle is in full swing - and at a dizzyingly swift pace.