



## Litecoin Market Research

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### Summary

If Bitcoin is digital gold, then **Litecoin** is digital silver.

**Litecoin (LTC)** is by far one of the most established networks in the crypto-space. It is already being used by many as a store of value and means of exchange and so can be considered as money. Furthermore, the groundbreaking partnerships that are being formed by the Litecoin Foundation position this crypto for long term success.

According to the metrics we have analysed below, the current price that **LTC** is trading at could be seen as a massive discount to what it should be worth.

*All information is valid as of August 1<sup>st</sup>, 2018. All feedback is welcome.*

## Basic Statistics

- **Crypto-asset type:** Money Coin
- **Max. Supply:** 84,000,000 LTC
- **Current Circulating Supply:** 57,634,057 LTC
- **Market Capitalization:** \$4.80 billion
- **Token Economics:** Deflationary asset
  - o Similar to **Bitcoin**, **Litecoin** block reward is halved periodically (every four years), reaching the asymptotic value of 84 million LTC, thus making it effectively deflationary.
- **Protocol:** Proof-of-Work - Script

## History

**Litecoin** was created in late 2011 as a fork of **Bitcoin**, by then Google employee Charlie Lee. He forked the **Bitcoin** repository and introduced some differences with respect to **Bitcoin**, like a larger currency supply and a shorter block confirmation time. However, unlike all other BTC forks, he created his own genesis block, effectively starting a new cryptocurrency with no previous transactional history.

**Litecoin**, frequently referred to as "digital silver", quickly became one of the most important cryptocurrencies after **Bitcoin** and has remained a solid alternative or

complement to the king of the crypto sphere.

In addition, some of the most important developments that have been considered for implementation on **Bitcoin**, have also been introduced on **Litecoin**, sometimes first like it is the case for Segregated Witness (Segwit). Lightning Network, which should make transactions faster and cheaper, has also been implemented on **Litecoin**.

## Development Team

**Litecoin** was launched by Charlie Lee, who is certainly the main figure behind the project.



**Charlie Lee** is a computer scientist who worked at Google for several years after graduating from MIT. He came across **Bitcoin** soon after its creation and decided to create his own version of the currency, named Fairbix, introducing a series of changes. Fairbix was not successful, but it was the basis of his next project, **Litecoin**, which was set to become one of the most important cryptocurrencies to date.

After leaving Google and working for popular crypto exchange Coinbase for a few years, he now devotes all his time to the Litecoin Foundation. However, he is

said to have sold virtually all his Litecoin holdings in order to prevent any conflict of interest, and has also stated he will eventually leave the development of the project to favour a greater degree of decentralization.

**Xinxi Wang** is a computer scientist who now acts as Board Director of the Litecoin Foundation. After completing a PhD in Computing Sciences at the National University of Singapore, he focused on trading and cryptocurrencies. Besides his work with Litecoin, he founded and acts as CEO of the cryptocurrency exchange platform **Coinut**.



**Adrian Gallagher**, known as **"Thrasher"**, is an Australian developer who works as a full time developer maintaining **Litecoin** Core. He also has extensive development experience in several other crypto-related projects.



are the three use cases that define a currency.

Although **Bitcoin** was originally conceived mainly to enable secure and censorship resistant transactions over the Internet, it has undoubtedly transitioned towards a store of value as its main use case, with many people nicknaming it as "digital gold". Slow transactions and significantly large fees with respect to other cryptocurrencies are arguably the main reasons for this tendency.

In that sense, **Litecoin** offers cheaper and faster transactions, although still inferior to several newer digital currencies. **Litecoin** however combines these advantages with respect to **Bitcoin** with the fact that it has traditionally been considered the greatest contender to **Bitcoin**, as well as its large market capitalization. It is one of the most liquid coins and one of the main gateways from crypto to fiat currencies and vice versa.

## Recent & Future Developments

**Litecoin** has traditionally made use of its software similarities with **Bitcoin**, along with a more scalable and smaller network, to facilitate the implementation of new developments for **Bitcoin** and cryptocurrency in general. This way, some of the most important developments in the space have taken place in **Litecoin** sooner than on any other alt-coin.

## Use Cases

The conception of **Litecoin** makes it very similar to **Bitcoin**, and its main use cases will consequently be equivalent. As a currency, it can act as a store of value, unit of account and medium of exchange, which

For instance, **Litecoin** joined **Bitcoin** in the implementation of the **Lightning Network**. This is basically a second layer that works on top of the blockchain itself and permits extremely fast transactions.

Similarly, **Segregated Witness (Segwit)**, an important update for the **Bitcoin** protocol that improves its security and scalability, was implemented on **Litecoin** before any other major cryptocurrency. Due to the similarities between the two networks, SegWit working on **Litecoin** greatly facilitated its implementation on **Bitcoin**.

Several businesses, retailers and exchanges are increasingly offering **Litecoin**-based payments both in person and online. Some examples are **Alza.cz**, one of the most important e-commerce retailers in the Czech Republic, and **Wirex**, a company specializing in cryptocurrency-based debit cards. **eGifter**, **CheapAir** or **TapJets** are other such examples.

On July 10 2018, the Litecoin Foundation made crypto history by partnering with **TokenPay** to buy a 9.9% stake in German **WEG Bank**. TokenPay even has the possibility of purchasing up to 90% of the bank, pending regulatory approval. This strategic partnership is designed to allow **Litecoin** to gain more adoption, which may include cryptocurrency debit cards, online payments and retail implementation. This bold and groundbreaking move marks the first major public acquisition from a crypto company in the traditional finance world.

The Litecoin Foundation regularly updates the extensive [number of businesses](#) that accept and support **Litecoin**.

Besides, **Litecoin** is known for having one of the most vibrant and loyal communities of the whole crypto sphere, which has become famous for inside jokes, one of the most popular of which is Litecoin's common nickname [chikun](#).

## Technical Description

Given its origin and main purpose, the technology behind **Litecoin** is indeed very similar to that of **Bitcoin**. In fact, the same code released by Satoshi Nakamoto that provided the basis for the **Bitcoin** blockchain was adopted by Charlie Lee to build the **Litecoin** network. He introduced a series of technical differences to solve some of the problems of **Bitcoin**, in particular its slow transactions and the specialization of mining hardware.

**Bitcoin** miners typically use highly specialized equipment that is specifically designed to solve **Bitcoin's** algorithm, named SHA256. **Litecoin's** consensus algorithm, **scrypt**, is also a Proof-of-Work algorithm but is designed to make specialization of hardware more complex. Because Scrypt mining requires using RAM, specialized hardware for mining SHA256 do not work with **Litecoin**. This is important because it can help decentralize the network further allowing more users to be competitive in the mining process.

It is also very important that **Litecoin** is scrypt dominant. This means that it is by far the network using scrypt with a larger hashing power. So even if all the miners from those other coins joined to attack **Litecoin**, they would not be close to threaten the security of the network.

In the **Proof-of-Work** protocol, computers in the network compete to solve mathematical problems in order to obtain rewards in the form of coins, while securing the network. A downside of this is the high costs in terms of energy associated with this protocol.

Other obvious difference is the coin supply. While the theoretical maximum supply of **Bitcoin** is around 21 million coins, that of **Litecoin** will reach approximately 84 million. This, and the subsequent lower value of **Litecoin**, are one of the reasons why many people consider **Litecoin** to be the "silver" to **Bitcoin's** "gold".

**Litecoin** also offers a shorter block time of 2.5 minutes as opposed to **Bitcoin's** 10. This can make transactions on the **Litecoin** network considerably faster and more practical for real world usage.

## Silver to Bitcoin's Gold

Since inception, **Litecoin** has been referred to as "digital silver", to compare with **Bitcoin's** "gold". The comparison (and its depiction as a silver-colored coin) reflects in fact the main intention of founder Charlie Lee of becoming not a competitor

to **Bitcoin** but rather a complement, in the same way silver and gold are two similar assets with slightly different properties and applications.

**Litecoin**, being cheaper, more numerous and permitting faster and quicker transactions, aims to become a standard for smaller transactions, while **Bitcoin** can remain as the coin of choice for very large payments and store of value.

Meanwhile, both see the majority of its use as a store of value, similar to their precious metal counterparts. With the relative price to each other being highly correlated, **Litecoin** can offer some diversification for investors as well as room for growth with a much more affordable coin than **Bitcoin**.

The ratio between **Bitcoin** and **Litecoin** is also rather similar to that of Silver and Gold. In this graph we can see the Gold/Silver ratio. At the moment, one ounce of gold buys approximately 80 ounces of silver.



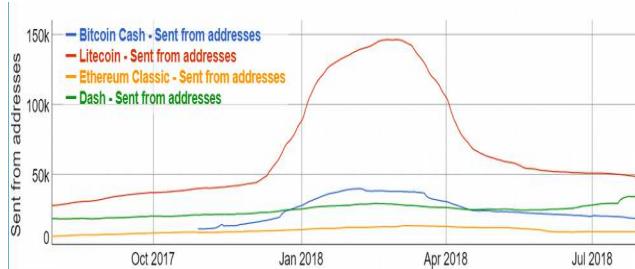
At the time of this writing, one BTC is worth about 85 LTC. The current circulating supply of **Litecoin** is 3.35 times that of **Bitcoin** and the total final one will be four times larger. As the rate of new Litecoins

produced is faster than that of Bitcoin, should the above ratio remain within a stable range, the price per Litecoin would need to rise faster than the price of bitcoin.

## Comparative Analysis

As a comparison, **Litecoin** has more widespread adoption in terms of total addresses, transactions, and trading volume than some of the other cryptocurrencies, yet the total network value lags in comparison.

This graph shows the average amount of active **Litecoin** addresses compared to **Dash**, **Bitcoin Cash**, and **Ether Classic**.

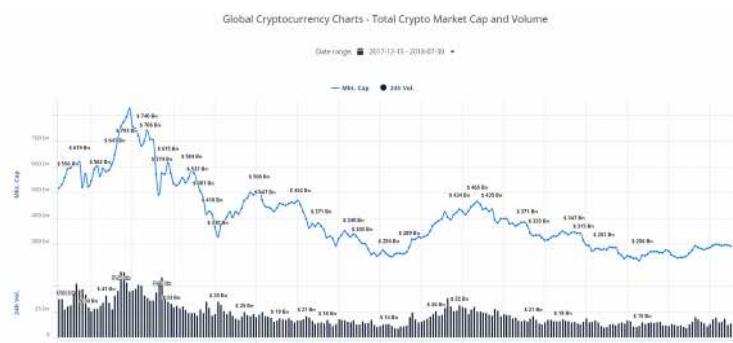


The following table shows how **Litecoin** has a much larger number of daily active addresses (DAU) with respect to its market cap than all the other currencies considered except **Dash**. Besides, the relative daily transaction volume of **Litecoin** is also larger than that of any other currency analyzed, suggesting that it is in fact a very active and established coin which might not be reflected in its current valuation.

Currency	Market Cap	<u>Daily Active Addresses</u>	Market Cap to #DAU Ratio	Daily Tx Volume (as % of Market Cap)
<b>Litecoin</b>	\$4.47 bn	76,612	\$58,346/ad	5.94%
<b>Bitcoin</b>	\$133.3 bn	542,572	\$245,680/ad	5.05%
<b>Ethereum</b>	\$43.6 bn	483,307	\$90,212/ad	1.64%
<b>Bitcoin Cash</b>	\$13.3 bn	32,781	\$405,720/ad	1.63%
<b>Dash</b>	\$1.78 bn	47,323	\$37,614/ad	1.59%
<b>Ethereum Classic</b>	\$1.72 bn	27,059	\$63,565/ad	1.14%

Another interesting aspect is that **Litecoin** has experienced a very significant correction from the all-time highs of the cryptocurrency industry in January 2018.

With respect to its all-time high of \$378, **Litecoin** has fallen a 81% to its current price. This is a slightly larger decline than the 71% decline in the total market cap of all crypto assets.



Given that **Litecoin** has an established and stable working product, as well as significant adoption, this bear market of the whole cryptocurrency industry could have lead to **Litecoin** being oversold.

## Investments Risks

Trading cryptocurrencies can potentially be very profitable as seen in the past, but it is also a very challenging activity that can carry a significant level of risk. Cryptocurrency markets are associated with high volatility, and **Litecoin** is no exception.

It is important to carefully assess your investment goals, methodology and level of experience before deciding to start investing in a new market. It is also extremely important to diversify and view cryptocurrency as an additional element of your portfolio. Given the high risk associated with this type of asset, it is recommended not to allocate more than 20% of your portfolio into cryptocurrencies. Given that the possibility to lose a part or even all the money invested exists, it is extremely important to invest only money that you can afford to lose.

In any case, all the information presented in this Market Report does not constitute financial advice, and introduces no obligation or recommendations for action.

## Resources

- [Official Website](#)
- [Litecoin Wiki](#)
- [Litecoin Network Stats and Inflation](#)
- [Litecoin News](#)
- [Forbes: Bitcoin and Litecoin, what's the difference?](#)

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