

# Zclassic Risk/Reward

## Altcoins marketshare

Most altcoins are traded against Bitcoins rather than fiat currencies. It is therefore better to look at the BTC/ZCL price for reference.

On 01/01/2017 the ZCL price stands around 0.0004 BTC/ZCL or 0.04% of one BTC.

Another reference for the price of Zclassic is Zcash. One ZCL is less than 1% of one Zcash at the beginning of 2017.

Ethereum Classic and Ethereum offer an interesting comparison point to Zclassic and Zcash as they are 2 forks of the same coin. Ethereum Classic currently stands around 17% of Ethereum and has ranged in the past from 5 to 30% of Ethereum.

Considering these facts, a target price for ZCL should be at least 0.1 ZCL/Zcash and a 10x upside from the current price.

Another relevant reference point is the current price of Monero (the altcoin with the most momentum at the moment) at 0.016 BTC (\$16). That would be a 32x upside if Zclassic could catch up to Monero on a price per coin basis. Considering that Zclassic supply will be an order of magnitude shorter than Monero in 2017, this target can be achieved with a comparatively low market cap: around \$32M for a supply of 2 million coins (number of coins mined by the end of 2017).

Historically, strong altcoins have peaked at 10% of the Bitcoin market cap. Notably Litecoin, Ripple or Ethereum have all hit \$1B in the past. For the time being, this should be considered a theoretical ceiling.

## Zclassic vs Zcash

When analyzing an altcoin, one must first keep in mind the dynamic of coins already mined (actual supply) vs the final number of coins (final supply) and the current rate of mining. A coin like Ethereum, albeit young, already has 80% of its supply mined due to its particular issuance through auction. That means that its inflation rate is low and that its expected final market cap is close to the current market cap.

On the other hand, coins like Zcash and Zclassic that have just been released are still early in the issuance schedule. That means that their current supply is small compared to their final one. There are currently 400 000+ Zclassic in existence for 21 millions coins, most of them mined in around 40 years. 7200 coins mined every day for the first 4 years, 3600 for the next 4 and so on.

The high inflation rate of the first four years plays in favor of Zclassic vs Zcash. Zcash might have trouble sustaining itself at current levels of 0.05 BTC: It started trading at absurdly high prices - up to 2000 BTC/Zcash (!) on the first day of trading - and it has a strong downward momentum while still being rather expensive.

Meanwhile the price of Zclassic is very low, making it easy to sustain current levels and to rally strongly, with a lot of room to run. This should result in an even stronger momentum for Zclassic in the Zclassic/Zcash pair than in Zclassic/BTC.

Zclassic should target 10% of Zcash market shares as a first step from the current 1%. Ultimately it should aim higher with the goal of overtaking Zcash. Zcash has just been released and is still extremely vulnerable, as it does not enjoy the safety provided by a strong core of supporters, contrary to Ethereum.

Ethereum indeed was protected from Ethereum Classic in great part because of the nearly religious faith its followers place in the Ethereum foundation and its god-like founder Vitalik Buterin (and such central devotion should ultimately prove a strong negative point for Ethereum).

Comparatively, Zcash's 20% tax and its slow-start feature are not going to earn it a lot of goodwill...

## Returns

The current targets for Zclassic are:

- Short-mid term: 10% of Zcash, around 10X return
- Longer term: overtaking Zcash, around 50-100X return
- Ultimate goal: 1%-10% of Bitcoin: 25-250X return.
- Ceiling: >10% of Bitcoin should realistically be considered an unsustainable peak.

Anywhere from 0.5% to 1% of the Bitcoin price would be a great success and provide a 10-20X return. At current Bitcoin prices this is achievable with a market cap of "only" \$13-25M at the end of 2017. And that would still only be 0.1% of Bitcoin market cap.

Additionally, Zclassic has some "easy" boosts readily available. Altcoins prices are often a function of their accessibility, and at the moment:

- Zclassic only has a Linux wallet. However Windows, Android and IOS wallets are currently under development, and should shortly be made available to the public.
- Zclassic is not yet traded on Poloniex, the dominant altcoin exchange. It will give a lot of visibility to the coin when it starts trading there.

## Returns from indirect exposure to Bitcoin

Finally, it is also important to remember that the Bitcoin network has been running uninterrupted for 8 years. That it has achieved tremendous milestones; 1000\$ USD per coin, \$15B+ in market cap while surviving multiple (4 or 5) bubbles with gut-wrenching bear markets and a 90%+ drop over dozens of months.

This is not a small feat for a groundbreaking innovation that is quite abstruse and requires both computer science and financial knowledge to understand properly. And it all happened under neutral to negative media coverage. But media follows the market and it therefore seems highly probable that, as Bitcoin stands the test of time, more and more venues will change their coverage to positive while the growing market cap will also allow bigger actors to partake. An ETF (Exchange Traded Fund) has also been going through the approval process for 4 years and should be released in 2017<sup>1</sup>.

Consequently, returns calculated in dollars could be multiple of those calculated in Bitcoin.

## **Risks**

Of course these returns are the counterpart to a very high risk level. Altcoins are still a Wild West frontier investment which is bound to have a binary outcome. Altcoins are self-fulfilling prophecies: would-be investors need to see other people can believe in a particular altcoin to buy into it. Zclassic will first need to garner momentum to show it's sustainable and offer a viable alternative to Zcash. This is the most dangerous phase.

Zcash technology could prove faulty as this is very new, cutting edge cryptography. The exchanges where the coins are traded on might be hacked or steal the coins or any other unexpected event.

The reader should however be advised that these returns are the counterpart to a very high risk level. Altcoins are still a Wild West frontier market, and the Zclassic investment is bound to have a binary outcome.

Because of the very nature of a currency, a coin may very well have the very best technology and yet remain worthless if it fails to garner sufficient momentum and believers to reach a critical mass that would trigger awareness within the crypto-space and widespread adoption.

That is the main challenge Zclassic will face, but a host of unpredictable events could yet hinder its adoption. To name a couple, the relatively new Zcash technology could ultimately prove faulty in spite of its cutting edge cryptography protocols or the exchanges where the coins are traded on might be hacked.

<sup>1</sup> <https://coin-etf.com/>

If Zclassic doesn't take off, the lack of liquidity will make it very hard to exchange back to Bitcoin without a loss. On the other end, considering the low market cap, even a moderate amount of money flowing into Zclassic combined with some grassroots activity might be enough to create a virtuous cycle and put in on the map for good. This is one of an extremely rare kind of investment that could easily yield a tenfold profit. The reader must however be advised not to invest any assets he cannot afford to lose, for if the expected return is very high, the associated capital loss risk is also far from negligible

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