



How to Research Cryptocurrencies Using Key Industry Metrics

Description

With all the potential cryptocurrencies have proven to offer investors, it's natural to be interested in the industry. However, to make sound investments that we can be confident owning for the long haul, we need to know all the important metrics to evaluate these assets.

There are, of course, classic metrics such as [market cap](#) and volume, which are similar to those used to look at stocks. However, with cryptocurrencies, they can be more important to research before investing in a project.

After looking at a cryptocurrencies market cap and volume, you can start to get more advanced by looking at metrics such as the supply numbers.

Supply is a key metric when researching cryptocurrencies

First, there is the circulating supply, which, as the name suggests, is the number of coins that have been released and are circulating in the market and public hands. Then there is the total supply, which is the total number of coins that could ever exist for that currency.

Knowing the difference between the two could be key to seeing how much more investors may be diluted. With some currencies, though, the total supply can be unlimited, which is why it's also important to understand the tokenomics of a project you might invest in and how the supply is determined.

Once you understand how the supply works for that particular asset, you can circle back and look at its market cap, which is the circulating supply multiplied by its current price per [coin or token](#).

What are some other important metrics to consider?

In addition, other important factors to look at and compare between similar cryptocurrencies or projects are metrics such as the total number of unique addresses that hold assets in the network. It could also

be useful to know how many addresses have been active over the previous 24 hours as well as the last seven days.

This, along with the historical volume of the cryptocurrency, can help show if a project is gaining momentum and how quickly it's doing so.

And as you get more advanced with cryptocurrencies, you'll find even more important metrics to know. For example, if you want to try your hand at decentralized finance and all the innovative ways of growing your capital that continue to be developed, a metric such as [total value locked](#) is crucial to understand so that you can evaluate potential investments.

Only invest in cryptocurrencies if you know what you're doing

The learning curve can be quite steep when investing in cryptocurrencies, so it's best to proceed with caution if you aren't completely confident in what you're doing.

In addition, with the complicated nature of how blockchains work, if you aren't sure what you're doing, it's possible to make an easy mistake and lose some or possibly all your money, such as by sending it to the wrong address.

Luckily for investors, though, there are tonnes of other opportunities to consider, so you don't miss out on any of this massive long-term growth potential.

Buying a high-quality crypto stock such as **Hut 8 Mining** ([TSX:HUT](#))([NASDAQ:HUT](#)), for example, is a great way to gain exposure to a cryptocurrency like **Bitcoin**.

Hut 8 has high-quality operations that mine for Bitcoin and produce it for much less than the going market price of US\$58,000. So, naturally, as the price of Bitcoin increases, miners like Hut 8 can see massive growth in their profitability, leading to significant share price gains.

And of all the mining stocks, Hut 8 has easily been one of the top performers. This is thanks to the consistent upgrading of its computing software to keep the company competitive. It's also thanks to the fact that Hut 8 doesn't sell as much Bitcoin as it could after it mines it.

Instead, it holds it on the balance sheet, believing it will be worth more down the road. In fact, it holds so much Bitcoin that it's the largest holder of self-mined Bitcoin of any publicly traded company.

There are plenty of high-quality crypto stocks like Hut 8 that investors can consider if you aren't comfortable buying the actual cryptocurrencies. So, if you're bullish on the industry, now is the time to gain exposure before these stocks all continue appreciating rapidly.

CATEGORY

1. Cryptocurrency
2. Investing

TICKERS GLOBAL

1. NASDAQ:HUT (Hut 8 Mining)

2. TSX:HUT (Hut 8 Mining)

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