



About Litecoin

Summary

- Litecoin (LTC) currently is the seventh largest blockchain asset in terms of market capitalisation
- Litecoin is one of the most prominent alternatives to Bitcoin (BTC) with the same purpose but slightly different technical features
- The recently launched Bitcoin Cash (BCH) provides strong competition to Litecoin

Creating New Crypto Assets

One of the features of the current era of a digital revolution in financial services is the constant creation of new blockchain assets. There are currently over one thousand blockchain assets, including cryptocurrencies used as payment mechanisms or as storage of value, and digital investment tokens designed to fund new ventures. As the world of decentralised finance finds ever more potential uses for the blockchain technology, many more new blockchain assets are expected to be created. All of these assets are designed to serve a specific economic purpose.

The main categories of use are:

- storage of value
- payment mechanism
- commoditised computing power
- entitlement to certain rights (much like a stock or a bond)

Some offer these features in combination, and each has sub-categories that certain blockchain assets have been specifically created for.

What is Litecoin and how does it differ from Bitcoin?

Since Bitcoin was launched in 2009, many other blockchain assets have been released with modified versions of Bitcoin's code, with varying levels of success. Litecoin is one such modified version and was successfully launched in 2011, with the main goal of making transactions faster. This is also one of the main differences versus Bitcoin. Litecoin is currently the seventh largest cryptocurrency in terms of market capitalisation.

The motivation behind its creation was to improve upon Bit-

coin with respect to the volume and speed of transactions. While practically speaking, Litecoin and Bitcoin work in the same way, Litecoin differs from Bitcoin in aspects such as faster block generation rate and use of a different type of algorithm called scrypt. The block generation is four times as fast on Litecoin, which means faster transaction times, making Litecoin more suited to handling payments. Furthermore, Litecoin is more efficient in terms of energy consumption in the mining process and ordinary consumer grade home computers can handle the mining.

As Litecoin retains the deflationary feature of Bitcoin by placing a limit on the maximum number of coins that will ever be created (84 million), it is often referred to as the 'digital silver' to Bitcoin's 'digital gold'.

Price Development of Litecoin

In 2013, Litecoin found sudden popularity, with the price increasing fivefold in just three days to an intraday high of USD 48, as the early adopter crypto community started to look for alternatives to investing in Bitcoin. Favourable valuation comparisons were published with Litecoin previously trading at around USD 3-4.

The steep and sudden rally was followed by an equally steep correction on the spate of hacking attacks targeting Bitcoin, which ultimately led to a 2-year bear market for Bitcoin and for other blockchain assets. Bitcoin reestablished a bullish trend by the end of 2015, but by this time, crypto investors were much more interested in the Ethereum project as an alternative to investing in Bitcoin and Litecoin was left behind.

Litecoin found new prominence when it became the largest blockchain asset up to that point to implement a new technology that separates some of the transaction data from the block and allows more transactions to be placed on the same block. This technology (referred to as Segregated Witness, or SegWit) was since adopted by Bitcoin itself on August 01, 2017. But Litecoin stole the march on Bitcoin when it proposed the implementation of the SegWit solution, and by March, it gathered significant support from the Litecoin community.

As a result, Litecoin strongly outperformed Bitcoin between April and July this year. When Bitcoin also progressed towards implementing the SegWit solution, the Litecoin rally stalled. As Bitcoin continued to rally, Litecoin has lost about half of its value relative to Bitcoin in a month.

Outlook for Litecoin

Since August 01, 2017, Litecoin has had an even more directly comparable competitor in the form of the newly created Bitcoin Cash. Both have features designed to make transactions faster and easier, and to allow these cryptocurrencies to act as payment mechanisms and achieve wide adoption.

There are several reasons in favour of both crypto assets. Although Bitcoin Cash has the advantage of a larger block size, overall, Litecoin appears to be further advanced in implementing solutions to improve transaction speed. This includes testing the Lightning Network, an instantaneous and very cheap layer for processing transactions including microtransactions off the blockchain.

There is also a valuation argument in favour of Litecoin, as the market capitalisation of the newly created Bitcoin Cash is approximately twice that of Litecoin, while Litecoin is already accepted as payment and used by many companies.

On the other hand, the name recognition of 'Bitcoin' and the long history of the original code may mean that ultimately, more will embrace Bitcoin Cash.

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