

Why Market Cap is More Important Than Price

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The dollar price of Bitcoin and other cryptocurrencies gets a lot of attention and scrutiny. But surprisingly, the price of a digital currency isn't the best way to assess its value – the market cap is far more important. Here's why you should focus on that.

What does market cap mean?

In its regular usage, market capitalisation is the combined value of all of the available shares of a publicly traded company.

We calculate this by multiplying the number of shares by the price of one share. So, a company with one million shares each trading at \$10 has a market cap of \$10 million.

Apple, as one example, currently has a market cap of 902 billion and a price per share of just over \$177. Back in 1999, Microsoft's market cap hit a similar value, with a price per share of around \$58.83.

A market cap may also be given for a particular stock exchange (the total value of listed stocks.)

For Bitcoin, the market cap is the number of available coins multiplied by the current price (usually given in dollars.) Bitcoin is obviously very different to stocks and the figure does not take into account the 4 or so million coins which haven't been mined yet.

CoinMarketCap calculates the market cap using the circulating supply figures (coins available for use), not the total supply figures (which includes some lost or destroyed coins.)

Why does the market cap matter?

The price of one share isn't a very good indicator of a company's overall value. It doesn't tell us anything about the size or profitability of the company as a whole. That's why it's useful to look at the market cap.

A company could have a low price per share because there are a lot available and still have a high market cap. And vice versa – a company could have a high price per share and a low market cap. Anything over \$10 billion is generally considered a high market cap, which shows the company is profitable and reliable.

In the early days of Bitcoin, the price of one coin was the dominant metric for measuring its growing value. But as the number of altcoins has increased, market cap has become essential for assessing and comparing the value of a cryptocurrency.

There is a set number of available coins for each cryptocurrency. For Bitcoin, it's 21 million. For pretty much every altcoin, it's a different number. This makes it impossible to assess value from the price alone.

Take XRP, the Ripple network's currency. It currently costs \$1.27 which doesn't sound impressive compared to Bitcoin- yet it has the third largest market cap of any cryptocurrency. That's because there are currently almost 39 billion XRP available, compared to under 17 million Bitcoins.

We rank cryptocurrencies by market cap, not by price per coin. This indicates how much fiat currency is invested in each.

If you're looking to understand the value of a cryptocurrency, be sure to pay attention to the market cap and not the price.