CRYPTOCURRENCY:
the hybrid advantage

my approach to identifying
top cryptocurrencies

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sections

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introduction

I want to do my own research but I don't even know where to start...

If that resonates with you, rest assured, you're not alone. Many aspire to conduct their own crypto research but struggle with where to begin, especially when it comes to identifying worthwhile coins. This short read is crafted to equip you with an effective method for identifying coins and tokens that have a strong potential for survival and mass adoption. I'm not suggesting this is the only method, but rather a straightforward approach that has served me well in identifying digital assets with multiple pathways for success.

Hi, I'm Jay. With 25 years in the IT field, I understand the transformative power of blockchain technology though I am aware that not all cryptocurrencies are destined for longevity. Thus, I am eager to share with you one of my unique approaches to identifying promising digital assets for long-term investing, and how to spot higher-risk projects where cryptocurrency usage might be redundant. That is, there are projects out there that use cryptocurrency though its use is not vital to the project.

I promise to not get too technical here so this should be a pleasant experience for all, regardless of how long you have spent in the crypto space!

chapter I

Blockchain Layers

I will keep my word that we won't dive too deep into tech-speak, but a basic understanding of the layers that form a blockchain is crucial when researching coins or tokens. Three layers are normally referenced when discussing blockchains in terms of current development as well as when defining a coin or token, Layer 1, Layer 2, and Layer 0.

Layer 1: The Foundation and Structure: Think of Layer 1 as the foundation and core structure of a building. It's the bedrock upon which everything else stands. In the blockchain world, Layer 1 is the basic infrastructure. It sets the rules for data encryption, block creation, and consensus mechanisms. It supports all activity on the network.

Layer 2: Utilities and Services: Layer 2 is like the utilities and services of our building – the electrical and plumbing systems that make the building livable and efficient. In blockchain, Layer 2 solutions are built on top of Layer 1 to enhance performance. They handle transactions off the main chain (off-chain), which speeds up processing and

reduces costs. This layer includes technologies like state channels and sidechains, which help scale the network and improve transaction speeds without compromising the security of Layer 1.

Layer 0: City Infrastructure: Lastly, Layer 0 is akin to the city infrastructure — roads, communication networks, and services that connect different buildings and facilitate interaction. In blockchain terms, Layer 0 technologies focus on interoperability, enabling different blockchain networks to communicate and work together seamlessly. This layer lays the groundwork for a connected blockchain ecosystem, allowing diverse networks to share information, value, and functionality.

By grasping the functionalities of these layers, we can better identify 'hybrid' cryptocurrencies. These are unique digital assets that blend the capabilities of multiple layers, offering versatility and adaptability in various blockchain-based applications and projects.

The Concept of 'Hybrid'

So, what makes a cryptocurrency 'hybrid'? In essence, it's about combining the strengths of different blockchain layers, much like how a well-designed building uses a solid foundation, efficient utilities, and strong connections to the city infrastructure.

Layer 1 Strengths: A 'hybrid' cryptocurrency has a robust base, like our foundational Layer 1. It's not just about having a secure and reliable blockchain; it's about how it forms the backbone of all the coin's operations.

Layer 2 Agility: Then, it brings in the agility and efficiency of Layer 2. This is where things get exciting – we're talking about faster transactions, scalability, and sometimes even unique features like privacy enhancements or smart contract capabilities.

Layer 0 Connectivity: And let's not forget the Layer 0 aspects – the ability to connect and communicate with other blockchains, opening up a world of possibilities for interoperability and collaboration.

The beauty of 'hybrid' cryptos lies in their versatility. They're not just stuck in one role; they're equipped to handle various tasks, making them a formidable presence in the crypto landscape.

Identifying 'Hybrid' Features

Let's talk about what to look for when identifying these 'hybrid' cryptos. When we talk about a 'hybrid', we're referring to cryptos that don't just stick to one job. These guys can handle a range of tasks. They're not confined to a single layer, they've got the chops to work across these layers, bringing versatility to the table.

Cross-Layer Functionality: First up, check if the crypto can handle more than just one job. We're looking for the all-rounders here. A genuine 'hybrid' will have a toolkit that works across multiple layers – Layer 1, Layer 2, and sometimes even Layer 0. It's like finding a player in a sports team who can play in multiple positions – super valuable and versatile.

Adaptability and Flexibility: Next, look for the shape-shifters of the crypto world. A hallmark of a 'hybrid' is its adaptability. These coins can adjust and excel in various scenarios.

Real-World Application Potential: This is a big one. Check if the 'hybrid' has legs in the real world. Do they have a range of uses that could make them a hit in the market? Can they solve real-world issues and really make a mark?

So, why does all this matter? Because 'hybrid' cryptos have more than one path for adoption as they can serve for more than one layer. More areas of Utility means more projects can build on the chain.

chapter IV

Case Studies: XRP, XDC, and XLM

XRP – The Efficient Global Connector:
- Layer 1 Strength: XRP operates on the XRP Ledger, a decentralized blockchain known for its high transaction throughput and low transaction costs. Its consensus protocol is uniquely designed to be both efficient and eco-friendly, differentiating it from traditional proof-of-work systems.
- Layer 2-Like Agility: XRP's real standout feature is its ability to facilitate fast and cost-effective cross-border payments. It acts as a bridge currency in Ripple's payment protocol, effectively reducing the need for multiple currency exchanges and pre-funded nostro accounts in global transactions.
- Beyond Layers: While not a Layer 0 solution itself, XRP's role in global finance demonstrates interoperability qualities by seamlessly integrating with different financial systems and bridging fiat currencies.

XDC – The Trade Finance Revolutionizer:
- Layer 1 Foundation: XDC operates on the XinFin Network, a blockchain that combines the power of public and private blockchains. This unique setup offers transparency where needed while maintaining privacy for sensitive transactions.
- Enabling Real-World Applications: XDC's standout utility lies in its application in global trade finance.

- By tokenizing trade assets and simplifying transaction processes, XDC is tackling inefficiencies in the current trade finance system, paving the way for faster, more secure, and accessible trade financing.
- Interoperability Focus: The XinFin Network emphasizes interoperability with legacy systems and other blockchains, showcasing its Layer 0-like capabilities. This approach aims to connect various stakeholders in the trade finance ecosystem, further enhancing its utility and adoption.

XLM – The Financial Inclusivity Advocate:
- Layer 1 Capabilities: XLM is the native token of the Stellar network, a blockchain designed for speed and efficiency in financial transactions. Stellar's primary goal is to facilitate cross-border transactions, making financial services more accessible.
- Cross-Border Efficiency: Stellar Lumens shines in enabling quick, low-cost transactions across different currencies. By providing a platform for seamless currency exchange and remittance services, XLM is breaking down financial barriers, especially in underserved markets.
- Expanding Interoperability: The Stellar network's focus on partnerships and integrations with traditional banking systems and other blockchain networks exemplifies its push towards a connected financial ecosystem, aligning with Layer 0 principles.

Each of these cryptocurrencies exemplifies what it means to be a 'hybrid' in the blockchain space. Their functionalities extend beyond the confines of traditional Layer 1 activities, venturing into realms that improve transaction efficiency, enhance interoperability, and solve real-world problems.

chapter V

Why the Hybrid?

So, here it is, what you are probably waiting for. Why I feel Hybrids are so appealing and why I think they are solid for long term investing.

When a token can flexibly represent more than one layer, it becomes a hot ticket for a variety of projects. It's like a skilled actor taking on different roles; some projects might need it as a solid Layer 1 asset, while others might use its Layer 2 capabilities.

Here's where it gets exciting: the more versatile the token, the more projects it attracts. Why? Because its multifunctionality makes it super appealing. It's not just locked into one use or one type of transaction. This means more adoption, more use cases, and a better chance of the token not just surviving but thriving, especially when the market gets tough.

Think about it – in a bear market, when things are looking down, a 'hybrid' crypto has more cards to play. It's not relying on just one aspect of the blockchain world to keep it afloat. Its ability to appeal to diverse projects and use cases means it's more likely to stay relevant, no matter which way the market winds are blowing.

And let's not forget, with more projects adopting these 'hybrids', the community and developer support around them tends to grow. This creates a positive cycle: more usage, more improvements, and more stability. It's like laying down multiple roots; the deeper and more spread out they are, the stronger and more resilient the tree.

So, why the 'hybrid'? Because in the fast-evolving world of cryptocurrencies, versatility isn't just a nice-to-have; it's essential for staying power. By focusing on cryptos that can wear many hats, we're not just investing in a token; we're investing in a token that has the potential to be a cornerstone in the blockchain ecosystem of tomorrow.

chapter VI

Red Flags

As we wrap up here I do want to briefly discuss the other end of the spectrum. There is another thing to watch for when researching different projects to invest in. Just as there are sometimes projects that use super-crypto like a Hybrid, there are also projects that I feel dont even need a coin or token to operate. These are projects that are affiliated with crypto but don't really rely on crypto to function. They are just pure protocol. Understand, I am not saying you cant build stacks of cash on these coins, I just feel these projects are dangerous as long-term investments. The development team for these types of projects could abandon the coin for another at any time or worse just up and disappear as nothing is really relying on the dataset to provide its infrastructure. Here are some red flags to watch for.

The 'Niche' Utility: There are projects out there that whip up utility tokens for use within their own little universe — like for snagging certain services or making decisions about the project's future. But here's the thing: the core service these projects offer, be it cloud storage or something else, could probably get by just fine without needing their own special token. It's like having a coffee shop loyalty card when you could just pay cash.

Adding Blockchain Just for the Heck of It: Then you have those platforms where blockchain feels like it was tacked on as an afterthought. These might be your regular web platforms or apps that suddenly decide to introduce a token for stuff like in-app purchases or to give users a pat on the back. But strip away the blockchain, and you'll find they'd work just as well without it.

Centralization: In scenarios where a project is tightly controlled by just a few hands, the decentralization charm of tokens sort of loses its shine. If all the major decisions and operations are centralized, the token's role in the grand scheme of things isn't all that groundbreaking.

Speculation: Some projects seem more jazzed about how their token is doing in the market than about building a solid blockchain ecosystem. These are the ones where the token's main draw is for traders looking to make a quick buck, rather than for folks interested in genuine, real-world applications.

Now just because you may encounter one or more of these red flags, doesn't mean you cant profit from these projects, only that in my opinion, there are stronger options to consider when choosing long term holds.

chapter VII

Applying the Hybrid Theory

Integrating the 'Hybrid' theory into your investment approach involves more than just identifying versatile cryptocurrencies. It's about constructing a balanced and well-informed investment strategy:

1. Diversification is Key: Even with the promise of 'hybrid' cryptos, diversifying your portfolio across various types of assets is crucial for mitigating risk.
2. Continuous Education and Research: The crypto world is ever-evolving. Staying informed about the latest developments and innovations is vital for making sound investment decisions.
3. Risk Assessment: Understanding and managing risk is essential in cryptocurrency investing. It's important to assess the potential risks associated with each investment and proceed accordingly.

By blending the 'Hybrid' theory with these broader investment principles, you're setting the stage for a more informed and resilient approach to crypto investing.

chapter VIII

final words

So, there you go, a starting point! Is it the only one? No. Is it the way I have found ALL my long term holds? No, but all my long-term holds DO pass this 'Hybrid' test.

If adopting the 'Hybrid' approach as one of your strategies just keep this in mind, the landscape of digital currencies is ever-changing; what works today might evolve tomorrow. Therefore, I encourage you to keep learning, stay updated with the latest trends, and adapt your strategies accordingly. The path to success in crypto investing is paved with knowledge, adaptability, and a keen eye for innovation.

My hopes with this is that even if this approach is not for you, in reading this you did pick up something somewhere along the way that will help advance you further in your own crypto journey.   Good Luck!

current top 25 coins

BTC: Layer 1. Not 'hybrid'.
ETH: Layer 1, but with Layer 2 scaling.   Potential.
BNB: Layer 1 (BSC), some Layer 2-like features. Potential.
XRP: Layer 1 with Layer 2-like and Layer 0-like features. '**Hybrid**'.
USDT: A stablecoin. Not 'hybrid'.
ADA: Layer 1, some Layer 2-like aspects with scalability. Potential.
SOL: Layer 1, focused on high throughput. Not 'hybrid'.
DOT: Layer 1 and Layer 0 features. '**Hybrid**'.
DOGE: Layer 1. Not 'hybrid'.
AVAX: Layer 1, with subnets having Layer 2-like features. Potential.
BUSD: A stablecoin. Not 'hybrid'.
SHIB: Layer 1. Not 'hybrid'.
LUNA: Layer 1, Not 'hybrid'.
WBTC: A tokenized version of Bitcoin on Ethereum. Not 'hybrid'.
MATIC: Layer 2, ETH scaling solution & bridge roll. Potential.
LTC: Layer 1. Not 'hybrid'.
LINK: A decentralized oracle network. Not 'hybrid'.
UNI: A decentralized exchange on Ethereum. Not a 'hybrid'.
XLM: Layer 1 with Layer 2-like and Layer 0-like features. '**Hybrid**'.
ATOM: Layer 0 and Layer 1 aspects. '**Hybrid**'.
ETC: Layer 1. Not 'hybrid'.
XMR: Layer 1, focused on privacy. Not 'hybrid'.
BCH: Primarily Layer 1. Not 'hybrid'.
ALGO: Layer 1, Layer 2-like features. Potential.
VET: Layer 1. Not 'hybrid'.

This classification provides a perspective based on the current functionalities and roles of these cryptocurrencies. While some clearly fit the 'hybrid' model (like XRP, Stellar, Polkadot, and Cosmos), others have unique attributes or are primarily strong in one particular layer. Remember, the 'hybrid' classification is an analytical approach and does not necessarily reflect the overall potential or value of a cryptocurrency for investment.