Market Talks
EDUCATION CENTER

CRYPTO · BEGINNER · LESSON 8 OF 15

Market Cap, Supply and Tokenomics Basics

Why a coin's price alone tells you almost nothing, the three kinds of supply, fully diluted value, token unlocks, and who owns the coins

10 min read 8 quiz questions with answer key

CRYPTO · BEGINNER · LESSON 8 OF 15

Market Cap, Supply and Tokenomics Basics

IN ONE SENTENCE

To understand a coin's value you need its market cap and its supply story: how many coins circulate today, how many will exist, when locked coins are released and who holds them.

Market cap: price is only half the story

Beginners often think a coin priced at $0.01 is cheap and a coin priced at $1,000 is expensive. On its own, the price says very little, because each coin has a different number of units.

The more useful number is **market capitalization**, or market cap:

> Market cap = price × circulating supply

Imagine Coin A trades at $1 with 10 billion coins in circulation: its market cap is $10 billion. Coin B trades at $1,000 with 1 million coins: its market cap is $1 billion. Coin B has the higher price, but the market values Coin A ten times more.

This is why a coin priced at a fraction of a cent cannot simply "go to $1" without its market cap reaching enormous sizes. A memecoin with 500 trillion coins at $1 each would be worth hundreds of times more than all the money in the world.

Market cap is the best quick measure of a coin's size, but it is a value on paper, not a pile of money. It is not the amount that went into the coin, and holders could not simply take that amount out. If many of them sold at once, the price would fall long before they reached that figure, because only a small part of the coins trade on any given day.

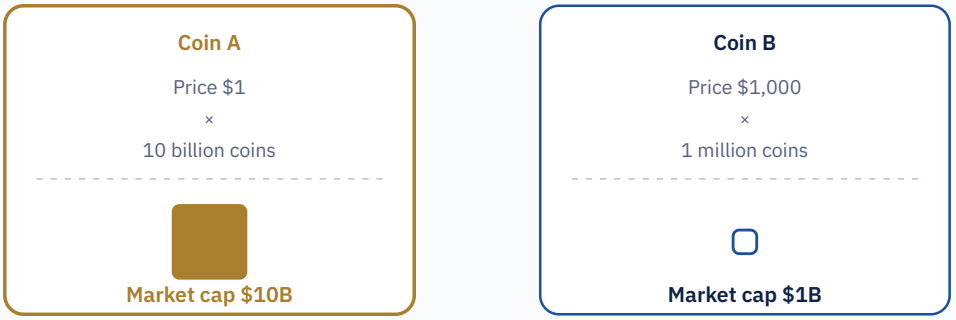


Figure 1. Market cap, not price, shows a coin's size. Coin A has the lower price but ten times the market cap.

Three kinds of supply

Data sites such as CoinGecko and CoinMarketCap show three supply numbers:

- **Circulating supply:** coins that exist and can be traded today.
- **Total supply:** coins that have been created so far, including coins that are locked and cannot be sold yet.
- **Max supply:** the most coins that can ever exist, if there is a limit at all.

For bitcoin the picture is simple: about 20 million in circulation and a max of 21 million, as Lesson 2 showed. Ether has no max supply at all, as Lesson 3 showed. But many newer tokens have a large gap between what circulates today and what will exist later. That gap is where many surprises come from.

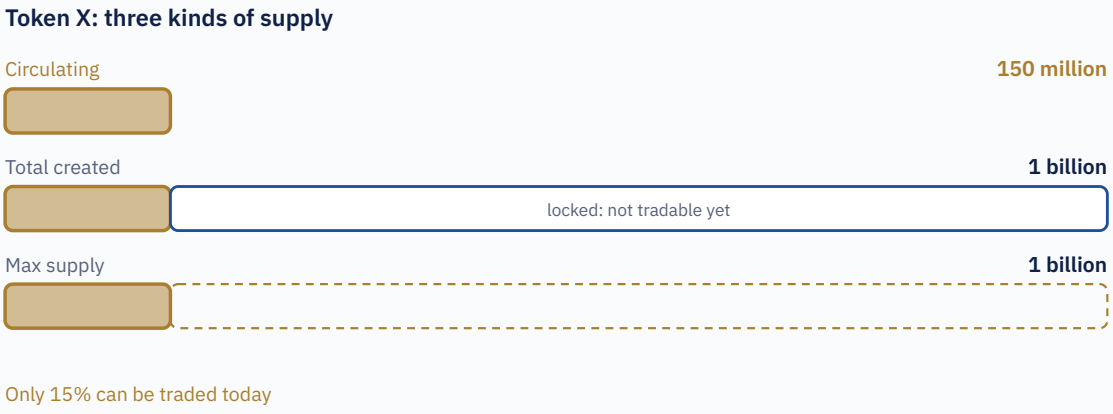


Figure 2. Token X, an invented example. Only the circulating supply can be traded today; the rest is created but locked.

Fully diluted value

To see the whole picture, traders look at **fully diluted valuation (FDV)**: the price multiplied by the maximum supply, or by the total supply if there is no maximum. It answers the question: what would the market cap be if every coin were already circulating at today's price?

Take Token X. It trades at $2, with 150 million coins in circulation out of a max supply of 1 billion. Its market cap is $300 million, but its FDV is $2 billion. Only 15% of the coins are on the market. The other 85% are still to come.

This pattern became common in recent years and has a name: **low float, high FDV**. In a 2024 report, Binance Research found that tokens launched that year had only about 12% of their FDV in circulation on average, and estimated that around **$155 billion** worth of tokens would unlock between 2024 and 2030. For the price to hold, new buyers have to absorb all of those extra coins.

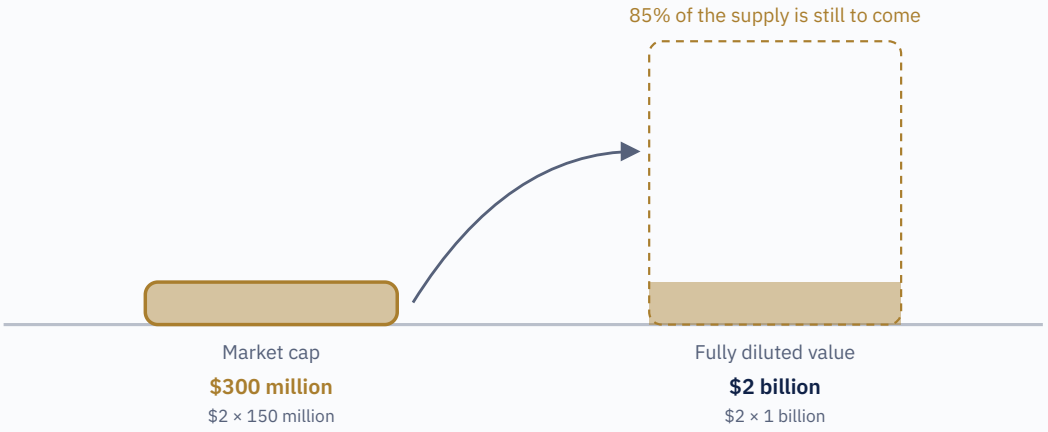


Figure 3. Market cap counts only circulating coins. Fully diluted value counts every coin that will exist.

Token unlocks and vesting

Coins given to a project's team and early investors are usually locked at launch and released over time, a process called **vesting**. A common schedule looks like this:

- A **cliff**: nothing is released for the first 12 months.
- Then a **linear release**: equal amounts unlock every month for the next two to four years.

Each release is called a **token unlock**. When a large unlock arrives, the people receiving the coins may sell some of them, often at a big profit, since many investors bought at much lower prices. That added selling can weigh on the price. It does not always happen, and unlocks are announced in advance, so part of the effect may already be in the price.

Schedules are published in a project's documents, and sites such as Tokenomist and CoinGecko track upcoming unlocks.

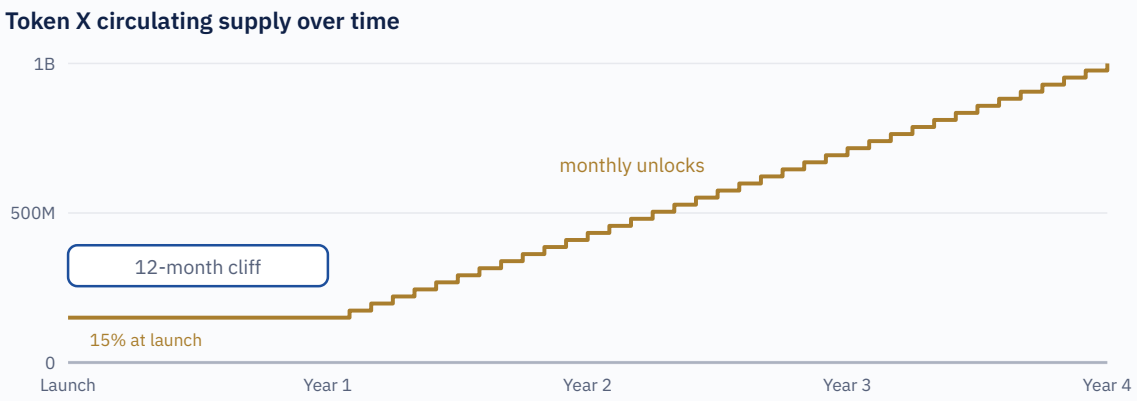


Figure 4. A typical vesting schedule for Token X: a 12-month cliff, then monthly unlocks until the full supply circulates. The schedule is an invented example.

ANALOGY: CONCERT TICKETS RELEASED OVER TIME

Imagine a concert where 1,000 tickets are on sale today, but the organisers hold 9,000 more that they will release over the next three years. Today's ticket price reflects only the 1,000 seats. As more tickets arrive, the price stays up only if many more fans want to go. Token unlocks work the same way.

Who owns the coins?

Every project publishes a **token allocation**: how the supply is split between groups. A typical modern project might give its team around 20%, early investors around 15 to 20%, an ecosystem fund and a treasury controlled by the project a large share, and the community, through airdrops and rewards, the rest.

Things worth checking:

- How much went to insiders, meaning the team and investors, and how cheaply did they buy?
- How long are their coins locked?
- How concentrated are the holdings? A few wallets holding most of the supply can move the price on their own.

Bitcoin is the main exception: it had no allocation at all. Every bitcoin was created through mining, starting from zero. This is often called a **fair launch**.

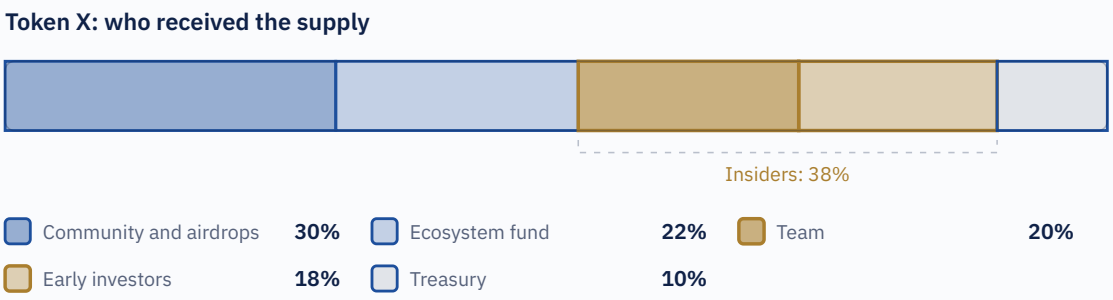


Figure 5. A typical token allocation, invented for illustration. Team and early investors together hold 38%.

New coins in, coins burned out

Supply can also change after launch. Many networks keep creating new coins as rewards for miners, validators or users who stake. If new coins arrive faster than demand grows, each coin tends to be worth less. This is the same idea as inflation in Lesson 1.

Other projects reduce supply by **burning** coins. Ethereum burns part of every fee, as Lesson 3 showed. BNB Chain regularly burns BNB to reduce its total supply. Burns can offset new issuance, but a burn only matters if it is large compared with the supply and with the coins still being created.

Volume and liquidity

Two more numbers complete the picture:

- **24-hour trading volume:** how much of the coin changed hands in the last day.
- **Liquidity:** how easily you can buy or sell a meaningful amount without moving the price much.

A coin with a $500 million market cap but only $200,000 of daily volume is thinly traded: selling even a modest amount may push its price down sharply. Be aware that some exchanges report inflated volume, sometimes through **wash trading**, where the same party buys and sells to itself. Volume on large, well known exchanges is usually the most reliable.

Why this matters for traders

- **Compare market caps, not prices.** Asking what market cap a price target implies is a quick test of whether the target is realistic.
- **Watch the unlock calendar.** Large unlocks are known dates. Many traders note them in advance, because supply arriving on the market can change how a coin trades around those days.
- **Check MC/FDV.** A low ratio means most of the supply is still to come. The ratio is shown on most data sites next to market cap.
- **Liquidity decides your exit.** In a thinly traded coin, the price shown on screen may not be the price you actually get when you sell. Lesson 9 explains slippage.

Key terms

Market cap	Price multiplied by circulating supply: the market's current valuation of a coin.
Circulating supply	The coins that exist and can be traded today.
Max supply	The largest number of coins that can ever exist, if the project sets a limit.
Fully diluted valuation (FDV)	Price multiplied by the maximum or total supply: the value if every coin were already circulating.
Vesting	Releasing locked coins to a team or investors gradually over time.
Cliff	An initial period during which no locked coins are released.
Token unlock	A scheduled release of previously locked coins onto the market.
Fair launch	A launch with no coins reserved for insiders, where everyone gets coins on the same terms, as with bitcoin's mining.

Key takeaways

1. Price alone means little. Market cap, price times circulating supply, is the real measure of size.
2. Circulating, total and max supply can be very different, and the gap is where surprises come from.

3. FDV shows the value if every coin were circulating. Tokens launched in 2024 had only about 12% of their FDV in circulation on average.
4. Coins for teams and investors usually unlock after a cliff and then monthly. Large unlocks can add selling pressure.
5. Token allocation shows who owns the supply. Bitcoin had no allocation: every coin was mined.
6. New issuance adds supply and burns remove it. Volume and liquidity show how easily a coin can really be traded.

Test yourself

Circle one answer for each question. The answer key with explanations is on the next page. You can also take this quiz online at markettalks.info and see your score instantly.

1. Coin A costs $1 with 10 billion coins in circulation. Coin B costs $1,000 with 1 million coins. Which has the larger market cap?

A Coin B, because its price is higher
B Coin A: $10 billion against $1 billion
C They are equal
D It cannot be calculated

2. What is circulating supply?

A All coins that will ever exist
B Coins that exist and can be traded today
C Coins held by exchanges
D Coins that have been burned

3. Token X trades at $2, with 150 million coins circulating and a max supply of 1 billion. What is its FDV?

A $300 million
B $1 billion
C $2 billion
D $150 million

4. What does "low float, high FDV" describe?

A. A coin that cannot be traded
B. A token with only a small share of its supply in circulation and a large amount still to unlock
C. A stablecoin that lost its peg
D. A coin with no max supply

5. In a vesting schedule, what is a cliff?

A. A sudden price crash
B. The final unlock date
C. An initial period with no coins released
D. A burn of team coins

6. Why can a large token unlock weigh on the price?

A. Unlocks destroy coins
B. Receivers, who often bought cheaply, may sell some of the newly released coins
C. Exchanges stop trading during unlocks
D. Unlocks raise transaction fees

7. Why is bitcoin often described as a fair launch?

A. Its price has always been fair
B. There was no allocation to insiders; every coin was created through mining
C. The government set its price
D. It was given away for free to everyone

8. A coin has a $500 million market cap but only $200,000 of daily volume. What does this suggest?

A. It is very easy to trade
B. It is thinly traded, so selling even modest amounts could move the price sharply
C. It is a stablecoin
D. Its supply is fixed

Answer key

1 B

Coin A: $10 billion against $1 billion

Market cap is price times circulating supply. Coin A is worth $10 billion and Coin B $1 billion, despite Coin B's higher price.

2 B

Coins that exist and can be traded today

Circulating supply excludes locked coins and coins not yet created. Market cap is calculated from it.

3 C

$2 billion

FDV is price times max supply: $2 × 1 billion = $2 billion. Its market cap is only $300 million.

4 B

A token with only a small share of its supply in circulation and a large amount still to unlock

Only a small part of the supply trades today, so a lot of new supply will reach the market over time.

5 C

An initial period with no coins released

A common schedule has a 12-month cliff with nothing released, then monthly unlocks.

6 B

Receivers, who often bought cheaply, may sell some of the newly released coins

More coins become sellable at once. The effect is not guaranteed, since unlock dates are public in advance.

7 B

There was no allocation to insiders; every coin was created through mining

Bitcoin started from zero, and anyone could mine it. Most newer tokens reserve large shares for teams and investors.

8 B

It is thinly traded, so selling even modest amounts could move the price sharply

Low volume and liquidity mean few buyers and sellers. The price on screen may not be the price you actually get.

SOURCES

- Crypto Briefing, Binance Research estimates token unlocks to reach $155 billion by 2030: https://cryptobriefing.com/binance-research-token-unlocks-2030
- Cointelegraph, Binance urges projects to move away from high FDV trend: https://cointelegraph.com/news/binance-urges-small-medium-projects-high-fdv-trend
- Kraken, 20 million bitcoins mined: https://blog.kraken.com/news/industry-news/20-million-bitcoins-mined

Market Talks

CONTINUE LEARNING

Up next: Lesson 9 Where Crypto Trades: Centralized vs Decentralized Exchanges

This lesson is part of the Crypto course at the MARKET TALKS Education Center. Beginner lessons are free, each with a quiz and a downloadable PDF. Intermediate and Advanced lessons are for members.

Education Center
Lessons from first principles to advanced topics

Markets Analysis
Technical and fundamental analysis on major markets

Reports
Bitcoin, Gold, Silver, SPX and more

markettalks.info

Telegram @MARKET_TALKS

For education only. Nothing in this document is financial advice. © 2026 MARKET TALKS. You are welcome to share this PDF unchanged.