



## Investment Thesis

# Cosmos ATOM

Token type	Cryptocurrency
Price	\$9.35
Sector	Interoperability Protocol (Layer 0)
Market Cap	\$2.54B

## Key Figures

52-Week Range	\$5.55 - \$44.80
Market Rank	#26
Market Capitalization	\$2.54 billion
Volume (24h)	\$559,538,865
Volume / Market Cap	0.2124
Circulating Supply	286,370,297
Annualized Protocol Revenue	\$316,660
ATH	\$44.36
ATH Date	January 16, 2022
Down from ATH	-78.93%

## Overview

The vision of Cosmos is to provide an accessible development environment for blockchain technology and **interoperability between chains**, fostering an **internet of blockchains**. To achieve this vision, Cosmos relies on an open-source toolkit that includes the Inter-Blockchain Communication (IBC) protocol, the Cosmos SDK, and Tendermint. The **Cosmos SDK** is a generalized framework for building secure, sovereign, and high-performance application-specific blockchains. Like the Internet, which enables computers anywhere in the world to communicate, **Inter-Blockchain Communication (IBC)** is a universal interoperability protocol that allows blockchains to communicate with one another. The last core component of the Cosmos tech stack is **Tendermint**, a novel consensus algorithm providing distributed state finality. Cosmos implements a modular architecture with two blockchain classes: "**zones**" (application-specific blockchains) and "**hubs**" (blockchains designed to connect the zones). The **Cosmos Hub** was the first hub, a Proof-of-Stake (PoS) blockchain with a native token, ATOM. The **Cosmos Hub aims to be like a "port city," a gateway to an expanding network of various blockchain economies**. While competing Layer 0 blockchains such as Polkadot opt for a mandatory shared-security architecture, Cosmos prioritizes the self-sovereignty of chains. Hence, while the Cosmos Hub is not necessary for an "internet of blockchains," it will introduce (optional) **Interchain Security** to add value to the Hub itself and other IBC-connected zones.

- In 2016, **Jae Kwon** and **Ethan Buchman** introduced Cosmos with its consensus algorithm, Tendermint.
- In March 2019, the Cosmos Hub launched on mainnet.
- In April 2022, **Interchain Accounts** were activated, allowing the Cosmos Hub to securely control accounts of connected zones.

## Key takeaways

- **Cosmos** provides an easy blockchain development environment and interoperability between chains to create an "**internet of blockchains**".
- The Cosmos Hub is a gateway to an expanding network of blockchains.
- Cosmos SDK-based chains include **BNB**, **Cronos** of Crypto.com, **THORChain**, and many others, with a combined market capitalization of over **\$45 billion**.

## Risk factors

- **ATOM value accrual.** The Cosmos Hub approach to sovereignty limits ATOM's utility to the Hub itself. Cosmos will implement Interchain Accounts and (optional) Interchain Security to expand ATOM's utility.
- **Contagion risk.** IBC-connected chains may be subject to contagion risk if one collapses (e.g., Terra).
- **Adoption risk.** Bridges and other Layer 0 blockchains with different designs like Polkadot pose an alternative to Cosmos' IBC.

Figure 1:  
Price Performance (3-years)



Figure 2:  
Total Value Locked (TVL) across IBC-  
connected Zones



\*The sharp drop in TVL in May 2022  
was driven by Terra's UST implosion.

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