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University of Science and Technology: When Your Terra is Not So Stable

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American University of Science and technology: Lorena Ortiz says the promise to bring us to the moon has become a lesson of humility.

On May 7, when UST (Terra USD) began to lose its parity with the US dollar and reached a low of US \$0.29 four days later, there was a small impact. This first price change will be the first sign that Terra project is about to collapse. Since its launch in April 2019, many people think the project is promising.

It should be noted that this is not the first time that such a link has been lost. The Stablecoins was launched at the end of 2020 and reached a value of \$0.85 a month after its launch. However, the world economic situation when this happened was very different from that experienced today. In 2022, we have some new things in it, including inflation and the decline of traditional markets.

Stablecoins - Attraction

One of the main attractions of the so-called stable currencies is that they maintain stable price changes in the volatile cryptocurrency market. When falling prices stir the water, many people have always been a safe store of value. However, let people question whether the money is really useful for the purpose of stability.

Some important things we MUST consider are that other stable currencies have mechanisms to seek parity through the support of other things. It may be legal currency or some other cryptocurrency, such as Ethernet or bitcoin. This is not the case with UST because it is an algorithm stabilizer.



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Can TerraUSD (UST) Algorithm Maintain Parity Against the US dollar?

UST maintains its parity value against the US dollar through Luna Terra's token, which increases or decreases as needed. In addition, the tokens were burned. That is, they are removed from circulation to maintain this control. If the price of UST is less than \$1, it will be burned in exchange for its equivalent Luna. If the value of UST increases to more than \$1, a certain amount of Luna will be burned to produce more UST.

UST: Questioning Voice

Many stakeholders in the ecosystem have expressed concern about the inefficiency of this mechanism. Moreover, the possible risks in the bear market and the final purchase of bitcoin as a reserve. This is done by LFG (Luna foundation guard) in case of emergency, such as recently. Among the people who raised the alarm was Adam Baker. He expressed his concerns on twitter less than two months ago, directly to the creator of UST, do Kwon .

LFG sells a lot of "spare bitcoin", which is of little use so far. Moreover, it has a significant negative impact on the price of BTC. Many bitcoin holders are dissatisfied with the terra project. This is an obvious example that shit money means disaster to the whole community. At present, we have even observed changes in other stable coins, such as tether, which may be the product of the same situation. The promise to take us to the moon has become a lesson of humility.



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UST: Crash

With the collapse of UST and Luna, cryptocurrency Twitter has become popular. So far, thousands of tweets have filled social networks. In these, we can find all kinds of reactions to this decline, such as attention, surprise and even ridicule.

Unfortunately, many investors are trapped in these cryptocurrencies because they cannot sell or exchange their tokens in time, resulting in the loss of hundreds, thousands or even millions of dollars.

What we MUST not ignore is the human side of all this. Many people who believe in the so-called stability provided by UST are now in danger. On twitter, some people are even considering suicide, which makes people very worried.

Some of us have experienced bear markets in previous cycles, such as 2018-2020. We know how difficult the cryptocurrency market can be. This means cleaning up projects that do not have a solid foundation, as in the case of all ICOS that disappeared during the above period.

The current situation even looks familiar. It brought us back to a difficult time when we gained valuable experience. Many of us understand that caution is necessary when you have the impulse to invest in emerging cryptocurrencies. At first glance, it may seem very innovative. But the promise that will take us to the moon.