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What's the Difference Between TerraUSD (UST) and LUNA? Explained

Original:

<https://www.btcc.com/en-US/academy/research-analysis/whats-the-difference-between-terrausd-ust-and-luna?explained#>

Stablecoin [LUNA](#), which was pegged to the US dollar until [TerraUSD](#) ceased to be stable, plummeted in value as a result of UST's decoupling from the dollar.

As a result, TerraUSD was renamed TerraClassicUSD and its ticker name was changed from UST to USTC. TerraUSD has since been reintroduced on a new [blockchain](#) under the name Terra Luna Classic ([LUNC](#)).

In addition, the way UST maintained its price (depending on the number of LUNC in circulation) altered, with USTC backed by collateral in a reserve. In other words, USTC is exactly the same crypto as it was before, with no apparent plans to change it.

However, LUNA and USTC are not the same thing, despite their connection (in fact, LUNA's technical full name is Terra). Let's take a closer look at the similarities and differences between them.

The Difference Between TerraUSD (UST) and LUNA

To begin, the same organization essentially ran TerraUSD (UST) as well as Terra (LUNA) (if that is the correct word to use). As the guardian of both cryptocurrencies, the Luna Foundation is responsible for them. The link between the two was severed on May 28th, 2022, when LUNA investors agreed to construct a new blockchain in an effort to reverse the crypto's decline.

Before LUNA's relaunch, we'll refer to USTC as UST to keep things simple, but please keep in mind that it's the same coin. Similarly, we'll refer to LUNA as LUNA when it was Terra, rather than Terra Classic, when it was Terra.

UST (UST) is meant to be a stablecoin, which means its value should remain at \$1 at least theoretically. UST is not. It's worth noting that unlike other cryptocurrencies like LUNA, LUNA has recently seen a disproportionate amount of downtrends relative to its recent uptrends.

UST debuted on the open market in 2019, whilst LUNA began trading publicly the year before. However, as we have already stated, there is a connection between them. We can figure out what went wrong by looking at how UST and LUNA are meant to interact together.



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How are TerraUSD (UST) and LUNA Meant to Work?

The price of LUNA was a factor in how UST was expected to maintain its \$1 value or be extremely near to it. As an example, you should have been able to trade your LUNA for 20 UST if it was worth \$20, because UST was, theoretically speaking, \$1.

You could have traded 20 UST for one LUNA based on the stablecoin's projected value in the same way. If UST were to fall below \$1, you would still be able to buy a dollar's worth of LUNA for a single UST.

Stablecoins like UST aren't backed by fiat currency at all, but rather by an algorithm. Until recently, it was able to maintain a level of technological equilibrium with the dollar. LUNA is the most important factor in determining UST's value. Each UST produced meant that there was one fewer LUNA in existence. This resulted in LUNA being constantly engulfed in flames.

To keep the price of UST at \$1, this was designed to serve as an inflationary measure for LUNA. As a result, if LUNA supply decreased, the coin's value should have increased as a result of an increase in demand.

As a result, it is recommended that people keep their LUNA. With fewer LUNAs in circulation, it had the potential to be worth more UST than it was worth in its current form.

Let's go back to our previous example. Burning one LUNA would have yielded 1,000 UST at a cost of \$1 if LUNA was worth \$1,000 and UST was worth \$0.01. That person could have used their 1,000 UST in exchange for 1,000 LUNA at no additional cost if the price of LUNA dropped to \$1. As a result, there would be more LUNA available for purchase on the open market.

When the Luna Foundation Guard, led by the stablecoin's Korean entrepreneur Do Kwon, came up with a plan, it was a success. This strategy aimed to raise the price of LUNA while maintaining the value of UST at \$1 using a combination of staking and LUNA burning. The long-term goal was for UST to be successful, LUNA's price to climb, and everyone to be content and wealthy.

How TerraUSD (UST) and LUNA Came to their Knees

In addition, the UST is meant to pay interest to its holders, in the form of dividends. In the Anchor Protocol money market, stakers receive 19.5 percent of the staked coin's value. Because of this, there was the potential for a substantial return on any investment in exchange for relatively little effort on the part of the holder.

Theoretically, you could borrow UST at a rate of 19.5% and do nothing with it. People were able to

deposit UST on the Anchor Protocol in exchange for the MIM cryptocurrency in 2021, when Degenbox was created by Abracadabra Money. Two months later, the program came to an end, causing (among other things) UST and LUNA to drop to levels below \$1 and below \$45, respectively.

While numerous significant investors withdrew their TerraUSD in the preceding month, this is what ultimately caused the huge crash in May 2022. As a result, other investors were concerned and withdrew their UST as well, resulting in a run that lowered the value of both UST and LUNA, depegging the former and precipitating its demise.



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The Price of LUNA Fell Quickly

CoinMarketCap reported that the price of LUNA, a cryptocurrency that had outperformed the gloomy crypto market in 2022 until 9 May, fell from an intraday high of \$87.96 on 4 May to what was then its all-time low of little over \$0.0040 on 12 May.

It was the seventh-biggest cryptocurrency in the world earlier this year, but it has since dropped out of the top five and is now rated as the 267th largest cryptocurrency globally. The coin's value plummeted to less than a penny, and on May 13th, Terra's block generation was terminated.

This led to LUNA falling out of the top 1,000 cryptocurrencies by market capitalization on its way to an all-time low of \$0.00001675 on CoinGecko.

In the days that followed, Terra blockchain block production restarted and LUNA appeared to be on the mend, reaching a peak of \$0.0007658 on May 14th. There was a 10 day lag before the price dipped back down to \$0.000166.

Do Kwon's Plan

It all started with Do Kwon's plan to rebrand the Terra Classic stablecoin as Terra Classic Classic, which would be a new, community-owned form of LUNA with no connection to algorithmic stablecoins (LUNC). Terra's foundation was quick to change the suggestions with a new blockchain for the new LUNA, which was quickly adopted. Electors had until May 18 to cast their ballots in support of or opposition to the proposition, and the results were published on May 25.

On May 28th, at 06:00 UTC, the split occurred. It was announced that the Terra blockchain had been launched, and LUNA had been updated. It rose quickly to a high of \$19.54 before plummeting to a low of \$3.63 shortly after its release. However, on May 30, the price fluctuated from as low as \$5.66 to as high as \$11.97 before completing the day at \$10.71.

A small decline has occurred since then. On May 31, 2022, it was trading at \$8.50 per coin. LUNA's price had dropped to \$7.14 just over a day later, at 08:20 BST (UTC +1). The price dropped further over the next two days, reaching a low of \$4.61 on June 5th.

On June 6th, 2022, at 8:05 BST (UTC +1), it was worth roughly \$5.11 before it dropped to \$4.35 24 hours later, showing some signs of a comeback. A record low of \$3.34 was recorded on June 8th, and as of 9:45 BST (UTC +1) on June 8th, the currency was trading at around \$3.51. Even further, it fell to \$1.96 in the wee hours of the morning before bouncing back up to \$2.95 in the afternoon.

Things appeared to be looking up on June 12 when it hit an intraday high of \$3.41, but it quickly dropped back and, on June 17, it was valued roughly \$2.25 in the morning. LUNA's new edition dropped to its lowest price yet on June 18th, \$1.66, and it had barely recovered to roughly \$1.95 by June 24th at 15:00 BST (UTC +1). It was trading at roughly \$2.10 at around 15:00 BST (UTC +1) on 30 June, down from a high of \$2.78 the previous day.

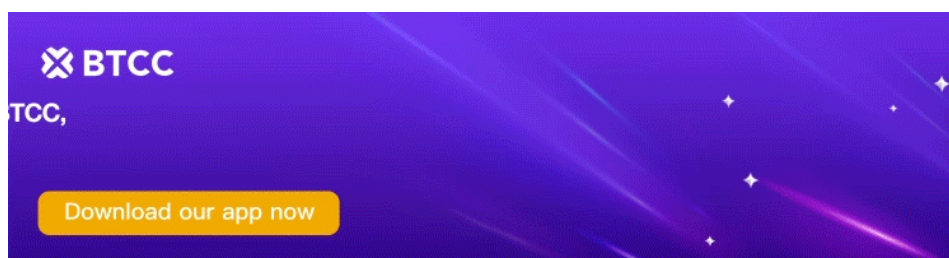
As of 15:20 BST on July 6, the price was trading at \$2.15.

LUNC was valued \$0.00012 at the time of the launch of the new blockchain. Bitcoin's price continued to fall for a period of time, reaching a low of \$0.00007912 at the end of May, before rebounding to \$0.0001778 on May 30. On May 31, at 07:55 BST (UTC +1), it had fallen to \$0.00012 once more, but this time by a much greater margin.

On the next day, the coin's price had dropped to roughly \$0.000107 by around 08:30 BST (UTC +1). Over the next several days, there were more losses, and on the morning of June 6th, 2022, at 8:05 BST (UTC +1), the value was approximately \$0.000082. A 24-hour period later, it was trading at \$0.0000728. On 8 June at 09:45 BST (UTC +1), it has fallen to a new low of \$0.000061.

After a brief dip to \$0.0000696 at 15:40 BST (UTC +1) on June 9th, it was back up to \$0.0000696. However, it has since dropped and at around 10:24 BST (UTC +1) on June 17th, it was trading at around \$0.000059. By 15:00 BST on 24 June, it was trading at about \$0.0000589 per token. On June 29, it was trading at a high of \$0.0001649, but by the end of the month, it had fallen to roughly \$0.00012. At \$0.00011 on the morning of June 6, it was down significantly from its opening price of \$0.00012.

A Nasdaq article published in 2021 stated that Terra (LUNA) had "a lot going for them" before to the market crash: "With a seasoned leadership team, a clear white paper and numerous significant backers."



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The Removal of UST's Pegs

At one point in the morning of May 11, the UST, which is meant to remain at \$1 no matter what, plummeted to a low of below \$0.30 per coin. After that, it continued to plummet until it was only worth \$0.1331 on May 13th.

In addition, on May 13th, the [Binance](#) crypto exchange banned trade in both LUNA and UST, even though it was later reinstated. There was a new all-time low of \$0.05086 for LUNA on May 21. Coin prices began to rise again following the voting on the new LUNA form and temporarily rose beyond \$0.10.

This new all-time low of \$0.03525 came just one day after the Luna Foundation Guard abandoned the coin due to the fact that it would no longer be guaranteed by collateral from a reserve after the migration to the Terra blockchain had been completed.

The newly renamed USTC was worth about \$0.04 when the new blockchain was launched on Saturday, May 28th. However, by the end of the day, it had dropped to an all-time low of \$0.01846. On June 1st, at roughly 07:30 BST (UTC +1), USTC has hit yet another all-time low of \$0.01822 despite a brief rebound.

A further all-time low of \$0.01454 was reached on 2 June, and the only recovery that has occurred thereafter is a paltry \$0.016 at 08:05 BST (UTC+1) on June 6th, 2022. The next morning, it hit a new all-time low of \$0.01451 before rebounding to a value of \$0.01558 at 08:05 BST (UTC +1) on 7 June.

As of 09:45 BST (UTC +1), Bitcoin was trading at a record low of \$0.01196 in the beginning of the following day, before rebounding to a high of roughly \$0.0122. On 9 June, it fell to a new record low of \$0.009257, before rebounding to just over \$0.01 at 15:35 BST (UTC +1) at the end of the day.

On June 17th, it hit a new all-time low of \$0.006911 in the early hours of the morning, which was the worst low ever. It was trading at about \$0.007415 at roughly 10:25 BST (UTC +1). A new low of \$0.006218 was achieved the next day, but by 15:00 BST (UTC +1) on June 24th, things had improved and it was worth \$0.0157. USTC began to show signs of recovery throughout the course of the following week, reaching a high of \$0.08966 on June 29.

The following day, June 30, at approximately 15:00 BST (UTC +1), it had decreased significantly and was valued about \$0.049. On the 6th of July, about 15:25 BST, it had risen to about \$0.052.

In a Nutshell

It's important to remember that TerraUSD is a separate entity from Terra (LUNA). LUNA was a standard cryptocurrency that was burned anytime new UST were coined, whereas UST is a stablecoin that is designed to remain at \$1 at all times. TerraUSD's peg broke in May 2022 with no signs of returning to parity, causing LUNA's price and reputation to plummet. This is a recent concern.

If the LUNA blockchain succeeds and if the original crypto, renamed LUNC, succeeds, we'll have to wait and watch what happens. For now, it's wise to keep an eye on both TerraUSD and Terra, as we don't know if the idea to return USTC to the community and collateralize it with a reserve is a success.

Even if you're still considering investing in one of these cryptocurrencies after the recent events, you should proceed with caution, do your homework, and know exactly what you're getting into. If

you can't afford to lose your money, don't invest.