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What Makes the Mining of a Cryptocurrency Profitable?

Original:

<https://www.btcc.com/en-US/academy/research-analysis/what-makes-the-mining-of-a-cryptocurrency-profitable>

There are many factors at work in determining whether a cryptocurrency is worth mining. Here are some (but not all) factors you need to consider when determining the profitability of the coin you want to dig.

Cryptocurrency Price

The price of coins is the main component that determines the profitability in the mining process. If the value of the coin is high, you can expect to make more profits from the reward, so as to easily pay mining expenses, such as hardware investment and power cost. However, if cryptocurrency is under bear market pressure, you will find yourself in a difficult position.



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Block Generation

Block generation refers to the creation of new blocks on the blockchain. Blocks are created using mining nodes according to the waves ng protocol and fpos algorithm. Generally speaking, the more blocks you generate, the greater your chance of getting block rewards.

Mining Difficulty

The number of miners has increased sharply in the past few years. Rising competition makes it very difficult to mine profitable coins. It may be a good idea to get out of cryptocurrencies full of big

players and focus on niche opportunities.



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Reward Suspension

From time to time, pow cryptocurrency halves its block reward to ease inflation and improve its valuation in the long term. For example, halving bitcoin in 2020 will reduce mining incentives from 12.5btc to 6.25btc. Although this may translate into higher bitcoin prices in the future, it also makes life more difficult for miners.

Mining Hardware

Your mining equipment also plays a vital role in finding profitable mining solutions. If you plan to invest in ASIC bitcoin miner hardware, you need thousands of dollars to start. Since the machine will become very “hot”, you may also want to consider a thermally regulated environment and low-cost electricity.