DeFi Superstar #3: The Key DeFi Infrastructure Coin of the Future

Chris Coney, Editor

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Decentralized finance (DeFi) is the hottest sector in crypto. It's a system that makes it possible for buyers, sellers, lenders and borrowers to interact peer-to-peer rather than through a company or institution facilitating a transaction.

In English? No market-makers, brokers or other middlemen can step into your transactions and take a slice of the pie for themselves.

And that decentralized, trustless system is growing more appealing to wider range of investors as central banks and middlemen become more intrusive.

Several technologies and protocols are used to make DeFi possible, but at the top of that list are smart contracts, which stand at the vanguard of the cryptocurrency revolution. They represent the unrealized potential of crypto, with massive number of utilities.

So, what are smart contracts?

They're self-executing contracts with the terms between counteracting parties, such as buyer and seller directly written into lines of code which are verified through the blockchain. The code controls the execution, and transactions are trackable and irreversible.

In short, they allow for transactions and agreements without the oversight of a central authority. It's the ultimate trustless interaction.

Smart contracts usually rely on fulfillment of certain predefined conditions (like price of certain assets, for example) in order to execute.

But there's a problem here: These smart contracts cannot access data outside of their network by themselves.

Our DeFi Superstar #3 solves this problem by acting as a bridge between smart contracts and the real world. It provides the real-world data these smart contracts require in order to function. Consider it the Bloomberg Terminal of smart contracts.

Which means as the number of DeFi applications grow, so will the importance and usage of this oracle service.

Which begs the question ...

How Big Will DeFi Grow?

The best way to calculate the value of the DeFi space is total value locked (TVL). TVL measures the total value of the tokens locked within decentralized applications (dApps). The argument is, the higher the TVL, the better.

In the first half of 2021, TVL for the broad DeFi market peaked at $88.9 billion. That's a massive gain of over 9,000% year over year!

And, as I said earlier, DeFi is becoming more appealing to an ever-growing pool of investors. The DeFi revolution — and by extension, smart-contract adoption — is only just getting started.

And that's where our DeFi Superstar #3 comes in ...

Chainlink (LINK):

The Bloomberg Terminal of Smart Contracts

All DeFi apps use smart contracts in order to function. **Chainlink (LINK)** sits at the intersection of DeFi and smart contracts by supplying the latter with the real-world data they need to function.

Already, Chainlink supplies secure and reliable price feeds to all DeFi blue-chip platforms like **Compound (COMP)**, **Synthetix (SNX)**, **Aave (AAVE)** and over 1,600 others, with room to grow. But DeFi is not the only area where Chainlink excels. It is increasingly used by NFT and gaming projects, among other sectors.

Even more more exciting is the potential for Chainlink adoption outside the crypto market.

Google, for example, uses Chainlink to connect information contained its monster database (BigQuery) to the blockchain world. Network behemoth **Oracle Corp. (NYSE: ORCL)** is building custom smart-contract enabled blockchains for its customers.

But the most exciting is that in order to use Chainlink to get real-world data, app operators need to buy its token, LINK.

Let me explain. Suppose a smart contract requires the current market price of ETH to complete a transaction, and it's programmed to use a specific exchange to get that data. Say, Binance. com, for example.

In order to get that data, the smart contract would need to pay Binance.com. And since it's using Chainlink's technology, the currency it would need is LINK tokens.

Thus, LINK is the currency for buying data.

Of course, this is a somewhat oversimplified example. In the real world, there would almost never be just one data source. Instead, there would be multiple sources — say, Binance and Coinbase — for redundancy and to protect against error.

Still, the result is the same: Not only are smart-contract platforms reliant on Chainlink tech, boosting adoption and consequently prices, they're also reliant on LINK tokens to access and keep using that tech — boosting Chainlink prices even higher!

Moreover, to be able to do business with Chainlink, data sources must first stake a hefty deposit in LINK tokens. And if caught misbehaving (for example, reporting fake prices), this deposit is forfeit. This provides a measure of security and incentivizes data sources to follow the rules.

Bottom line: Chainlink provides the data feeds smart contracts need to run. The near-exponential growth of blockchain apps and smart contracts means near-exponential demand for Chainlink and the information it provides.

Prices have — and will continue — to follow.

How to Buy Chainlink

You can buy Chainlink directly via a cryptocurrency exchange such as Kraken (or Binance.com, if you're outside the United States).

But remember, knowing what to buy is only part of any investment strategy. Knowing when to buy is just as important.