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Terra Classic Burn: New Supply Burn Rule Fuels Speculation, Driving Up the LUNC Price

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<https://www.btcc.com/en-US/academy/research-analysis/terra-classic-burn-new-supply-burn-rule-fuels-speculation-driving-up-the-lunc-price>

The proposed plan will destroy 1.2% of every transaction in an effort to restore the [Terra](#) blockchain's token by reducing supply.

Traders are betting that a soon-to-be-implemented law will give the much-maligned token a second chance, driving up the price of [Terra classic](#) (LUNC), the rebranded native token of the Terra blockchain that catastrophically imploded in May.

Messari, a [blockchain](#) ecosystem intelligence platform, reports a 22% increase in LUNC's value over the past 24 hours and a 100% increase over the past week. The coin has dropped more than 99.99% since the beginning of the year, but it is still trading at a fraction of a penny (\$0.00052, to be exact).

krisztiansandor published on TradingView.com, Sep 08, 2022 16:10 UTC



TradingView

The surge in value is most likely due to a “tax burn” regime that is working to lower the token’s overvalued supply.

A proposal to impose a fee of 1.2% on all blockchain transactions was unanimously adopted by the community. The “tax” will supposedly be transferred to a wallet where they would be burned, with the goal of reducing the inflated LUNC supply. Binance, the largest cryptocurrency exchange by trading volume, said that the new fee structure would go into effect on September 20.

While a member of the Terra governance forum noted that the rate cannot be mandated for trading the token on centralized exchanges, certain exchanges, including MEXC, will voluntarily accept the fee.

On Thursday, Binance also announced that starting on Friday, LUNC will be tradable against Tether’s USDT.

As senior market analyst at Oanda, Edward Moya, explains, the new cost criteria is unlikely to entice new investors to the blockchain, therefore the price increase may prove to be temporary. Since the Terra crash at the beginning of the year, “it still remains a rough phase for crypto in general, and investors still have a terrible Terra taste in their mouth,” he said.

In the words of Howard Greenberg, a cryptocurrency instructor at Prosper Trading Academy, “this is a complete speculation move and effectively turns LUNC into a meme coin at this point.”

A very volatile trade, so if you do decide to engage it, be prepared to get out on either the low or high side.

In May, the Terra blockchain had a multibillion-dollar implosion, which became the heart of the current crypto crisis and caused the insolvency of numerous crypto lenders and investment organizations. terraUSD (previously UST), the network’s algorithmic stablecoin, lost its peg to the dollar, causing the stablecoin’s counterpart, LUNC (formerly LUNA), to experience hyperinflation. There are currently approximately 7 trillion LUNC tokens in circulation, and even accounting for the fresh burn, this fact does not fundamentally alter the coin.

Many contributors and backers have abandoned the network. In an effort to restart the ecosystem, those who stayed behind replicated the Terra blockchain. The stablecoin USTC and its sibling token LUNC both reside on the old blockchain, which is now known as Terra Classic.