



Ethereum Could Deliver Better Returns Than Bitcoin

Description

Bitcoin has clearly gone mainstream over the past year. At the time of writing each token is worth roughly \$67,500. The combined market value of all BTC in the world is about \$1.3 trillion. If Bitcoin were a national currency, it would be the third largest in the world right now.

However, the second-most popular cryptocurrency – Ethereum – barely gets mentioned. Mainstream media doesn't cover it much, tech giants haven't been adding it to their reserves and governments aren't looking into it. That presents an attractive opportunity for early investors. Here are two reasons why I own more Ether than BTC and why I believe the smaller rival will outperform over the long run.

Utility

Value is driven by utility. In other words, the more useful an asset, the more it should be worth. Bitcoin seems to be proving its utility as a non-correlated asset. Its value has been trading independent of the rest of the economy and capital market for much of the past year. It's starting to look like "digital gold."

However, the Ethereum network has grander ambitions. It's trying to be a global decentralized layer of computing. Put simply, it's "digital oil." Over the past few years, developers have created interesting applications such as betting markets, decentralized financial (DeFi) applications, programmable money and NFTs on the network.

As the applications expand, the network could attract more developers, creating a virtuous cycle of value creation. The total market size of decentralized finance and technology could be larger than gold.

Law of large numbers

Another reason ETH could outperform BTC is the law of large numbers. When an asset becomes too large, its returns slow down simply because of scale. If the Bitcoin market adds another \$100 billion in value, it barely moves the needle. However, if the Ethereum network attracts the same amount its market value could surge 33%.

If you look back at relative returns over the past year, this factor is clearly at play. Bitcoin's value has surged 560% over the past 12 months, while Ether's value is up 1,073% over the same period.

For investors, the return-on-investment is all that matters.

How to buy Ether

If you're convinced the smaller digital asset with more utility is likely to outperform, you can now bet on it directly. Three [Ether exchange-traded funds \(ETFs\)](#) went live last week. The **Purpose Ether ETF**, the **CI Galaxy Ethereum ETF**, and the **Evolve Ether ETF** are the first of their kind anywhere in the world.

These instruments allow Canadians to bet on regulated assets that track the market performance of Ether. They also qualify for tax-shielded accounts such as the Tax-Free Savings Account (TFSA). In other words, you can add a digital asset with multi-bagger potential and protect your gains from the taxman.

Bottom line

Bitcoin has had a spectacular run over the past year. However, its smaller rival, Ether, has delivered better absolute returns. That's because it's working off a smaller base (lower valuation) and seems to have more utility.

If you're looking to bet on Ether, there are now multiple major ETFs that can give you easy access.

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