



Could Ethereum Be Bigger Than Bitcoin?

Description

Ethereum is on an unprecedented run. Since the start of 2021, the price of each Ether is up 250%. Over the past 12 months, it's up 1,234%. Effectively, this cryptocurrency has outperformed its larger rival Bitcoin in terms of total return. Investors are now considering whether a pivot from Bitcoin to Ethereum is justified.

If you're looking to gain some exposure to this still nascent sector, here's what you need to know.

Bitcoin's adoption and size

After 12 long years, Bitcoin is finally starting to look like a mainstream asset class. Over the past year, several major tech companies and financial institutions have adopted the cryptocurrency. Some, like Elon Musk, have added significant exposure. While payment platforms have integrated the technology to make it more accessible.

Effectively, Bitcoin is now looking like a digital store of value – a form of e-gold. However, recent traction has already made the asset a serious competitor to traditional gold. Bitcoin's market capitalization – the combined value of all BTC – is US\$1.03 trillion or C\$1.27 trillion.

Gold, meanwhile, has a market value of roughly US\$10 trillion or C\$12.3 trillion. That means BTC's upside is capped at 1,000% or tenfold from its current value. That's the best-case scenario. It may never reach that value, if some investors or central banks don't fully adopt BTC instead of gold.

Ethereum, however, has a much smaller market capitalization with a bigger market to address.

Ethereum's utility

Unlike Bitcoin, Ethereum is designed to be more than just a store of value. It serves as the base layer for a number of decentralized applications, including lending, borrowing, selling non-fungible tokens (NFTs), prediction markets and income sharing. There's no way to estimate just how big this market is, but it seems likely to be much larger than "digital gold" or "store of value."

The market size of bonds, for instance, is US\$128.3 trillion — not to mention the fact that collectibles, decentralized applications and betting markets add even more potential value. The Ethereum network effectively has much more room to run.

The network faces issues, for sure. Fees are too high, adoption isn't as high and scalability is an issue. However, [upcoming updates to the network](#) should limit supply, lower fees, and make it much more scalable.

How to invest

Fortunately for Canadian investors, there are plenty of exchange-traded funds for both cryptocurrencies. The **CI Galaxy Ethereum ETF** (TSX:ETHX) and the **Purpose Bitcoin ETF** ([TSX:BTCC](#)) seem like perfectly reasonable options.

If you believe Ethereum has more potential, the Ether ETF should probably be a bigger part of your crypto portfolio. However, that doesn't mean BTC is obsolete and that you shouldn't have access to both.

Bottom line

Ethereum has performed better than Bitcoin over the past year. This year, the smaller digital asset has gone parabolic. It still has more room to run, which is why it deserves a closer look.

CATEGORY

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1. TSX:BTCC.B (Purpose Bitcoin ETF)

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