



Ethereum: How High Could This Stock Climb?

Description

Ethereum, the second-most popular cryptocurrency, has outperformed its rival throughout 2021. Year to date, Ether has delivered a 410% return compared to Bitcoin's 90% return over the same period.

Now, some experts believe the rally could intensify. Price targets on the digital asset have been raised in recent months and could indicate much more reliance in this ongoing bull market. If you're an investor, here's what you need to know.

Upcoming upgrades

A major upgrade to the Ethereum network is now scheduled for July 2021. The Ethereum Improvement Proposal (EIP)-1559 could change the way fees are handled on the Ethereum network. The upgrade will make fees on the network lower and more predictable. The upgraded mechanism will also "burn" or eliminate some Ether every time a transaction occurs.

This should make the ecosystem cheaper to use. It also limits the supply of outstanding ETH, which may boost the value of the remaining tokens. In short, the upgrade adds much needed value for developers and investors. It's set to be implemented in July during the so-called "London hard fork" of the network.

Growing adoption

Over the past year, institutions and tech companies have adopted Ethereum in a big way. Institutional investors purchased more than \$30 million worth of ether as of the end of last month, according to data compiled by Coinshares. Meanwhile, the number of wallets holding more than one ETH has increased substantially.

According to data published by *Glassnode*, there is twice as much ETH locked into decentralized finance applications than crypto exchanges. Meanwhile, nearly one quarter of all outstanding ETH (23%) is locked into a smart contract. Ether is being bought and used much more than most cryptocurrencies. This utility should make it more valuable over time.

Ethereum price targets

A survey by *finder.com* found that most industry insiders and experts expect the price of each ETH to surpass US\$19,842 by 2025. That represents 400% upside from current levels.

Canadian investors can easily capture that upside by simply investing in an [Ether exchange-traded fund \(ETF\)](#). This year, more than three such ETFs were listed on the stock market. All of them offer exposure to the price movements of this digital currency. The **CI Galaxy Ethereum ETF** ([TSX:ETHX.B](#)) stock is a good example.

The advantage is that an ETF can be held in a Tax-Free Savings Account (TFSA) or Registered Retirement Savings Plan (RRSP) so you can offset taxes on your potential 400% gain.

Bottom line

Ethereum has outperformed Bitcoin over the past year. Given the base effects, utility of the network and growing adoption, Ether could sustain this run for the foreseeable future. Indeed, some experts believe there is much more upside left. If you agree, Ether ETFs are a convenient way to gain exposure to this digital asset.

Bear in mind, this sector is still very nascent and speculative. It may be best to deploy cash only if you're comfortable losing that cash if and when Ethereum becomes volatile.

CATEGORY

1. Investing
2. Tech Stocks

TICKERS GLOBAL

1. TSX:ETHX.B (CI Galaxy Ethereum ETF)

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