



Alert: Buy Ethereum Before it Skyrockets Next Month

Description

The world's second-most popular cryptocurrency has lost roughly half its value in just the past two months. Nevertheless, it's still worth 20 times more than last year and could be poised for yet another spectacular surge in the months ahead. Here's why Ethereum should be on your radar.

The value of cryptocurrencies

The crypto asset class is simply so novel that even veteran investors have struggled to measure its value. However, some theories and patterns have emerged over the past year.

The most intuitive theories are based on the laws of supply, demand, utility and rarity. Put simply, some crypto enthusiasts believe a digital asset is worth more when its supply is limited and utility is extensive. Bitcoin, for instance, is quickly gaining utility and adoption as a store of value. However, since the supply is capped at 21 million and only a fixed amount can be generated (or mined) each year, the value of each BTC steadily rises over time.

Based on a similar model, Ethereum was always worth less. Ethereum isn't as widely recognized or adopted as BTC. It also has more circulating supply (116 million) and no hard cap on ultimate supply — at least, until now.

Ethereum EIP 1559

The [Ethereum Improvement Proposal \(EIP\) 1559](#) recommended some major changes to the way fees are handled on the Ethereum network. This upgrade would reduce fees for users by burning excess fees every time a transaction occurs. Effectively, it reduces the supply of outstanding ETH, making the remaining ETH worth more.

This upgrade has already been given the green light by the Ethereum community. It's set to be implemented sometime by late July or early August. So far, initial tests on the Goerli testnet have burned over 79 ETH in just a few days. Once implemented on the main network, users can expect hundreds or thousands of ETH to disappear from circulation every year.

Effectively, this creates a limit on the supply of Ether.

Ethereum's utility

While supply is about to be limited, demand is skyrocketing. Demand is rising for three reasons.

First, new applications such as non-fungible tokens (NFTs) have emerged that have boosted activity on the Ethereum network. Major corporations and celebrities have launched digital art via NFTs, and all this hype is translating into much higher demand for ETH.

Second, decentralized financial (DeFi) applications, such as flash loans, staking, and prediction markets, have become more popular recently. These applications need some ETH to be locked up in smart contracts, which further limits supply. By some estimates, roughly 9% of all outstanding ETH has been locked in DeFi applications so far.

Finally, upgrades to the Ethereum network scheduled for 2022 should implement a proof-of-stake protocol. In other words, new ETH can only be generated by staking 32 or more ETH in a pool. Again, this limits supply.

Bottom line

A culmination of supply-and-demand factors should make Ethereum much more valuable. These changes are scheduled for the next few months, so investors may want to rush in and buy the **CI Galaxy Ethereum ETF** ([TSX:ETHX.B](#)) while it's still relatively cheap.

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