



BNB: Should Binance Coin Be Part of Your Cryptocurrency Portfolio?

Description

With over 11,000 cryptocurrencies available to trade, it is becoming increasingly difficult to identify the long-term winners. There are the usual suspects, such as Bitcoin and Ethereum, leading the cryptocurrency space due to the widespread adoption of these blockchain networks. Alternatively, meme coins [such as SHIBA INU](#) and Dogecoin have also generated exponential returns to investors in the last 18 months.

However, [purchasing cryptocurrencies](#) can be similar to investing in the equity market. For example, if you are risk averse but want to gain exposure to this highly disruptive vertical, you can buy and hold the largest digital assets in terms of market cap. This strategy is similar to owning blue-chip heavyweights such as **Apple**, **Amazon**, or even **Royal Bank of Canada**.

Keeping this strategy in mind, let's see if Binance Coin should be part of your crypto portfolio right now.

Binance Coin is valued at a market cap of \$76 billion

At the time of writing, Binance Coin is valued at a market cap of \$76 billion, making it the third-largest cryptocurrency in the world.

Binance Coin, or BNB, has returned over 1,100% to investors year to date and is up a stellar 4,100 times since it was launched back in mid-2017. This suggests a \$500 investment in Binance Coin soon after its launch would be worth over \$2 million today.

Binance is the largest cryptocurrency exchange in the world, and Binance Coin is a digital token that can be used to trade and pay fees on this trading platform. In the Binance whitepaper, the company emphasized that there will be a limit of 200 million BNB tokens that can be purchased, and the token will run on the Ethereum blockchain.

Binance processes around 1.4 million transactions each second, with a daily trading volume of close to \$20 billion. In recent months, Binance has been grappling with several issues that include highly leveraged trading as well as hacking threats, which have increased regulatory scrutiny on the

exchange.

The performance of Binance Coin is tied to the health of Binance due to the “[hyper-deflationary nature of its supply base](#).” The regulatory issues have meant that BNB is currently down over 30% from all-time highs.

What’s next for Binance Coin?

While a publicly listed company repurchases its own shares to expand its earnings potential, Binance uses funds to “burn” BNB tokens each year. In the second quarter of 2021, it burned \$390 million worth of BNB tokens, while this figure stood at \$595 million in Q1. In the last four years, the total supply of BNB tokens has fallen to 168.1 million from 200 million due to this strategy.

The constant capital inflow into BNB compared to its declining supply may ensure that the price of these tokens continues to appreciate over time.

One of the key utilities of Binance Coin is that users get a 25% discount in terms of brokerage fees when they trade on Binance. For example, you will need to pay \$0.75 for every \$1,000 worth of cryptocurrency sold on Binance compared to \$1.00 for users who don’t use BNB. This can help institutions reduce trading fees by a significant margin if trading volumes are high.

In case, Binance can sail through the near-term regulatory headwinds, the price of BNB should regain momentum in the future.

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