



AVAX: Can Avalanche Replace Ethereum and Solana as the Next Big Cryptocurrency?

Description

The [cryptocurrency](#) space has lost steam in recent trading sessions. While there is no specific news that is dragging the market down, it seems investors are booking profits after several digital assets have risen exponentially over the last 12 months.

However, the ongoing decline also provides you with an opportunity to buy the dip, especially if you remain bullish on the long-term potential of this highly disruptive asset class. In fact, the pullback allows investors to identify blockchain networks that are fast gaining traction across segments such as DeFi (decentralized finance) or dApps (decentralized applications).

One such cryptocurrency that should be on your watchlist is **Avalanche**, which has the potential to compete with market leaders, including **Ethereum** and **Solana**.

The bull case for Avalanche

Avalanche claims to be the fastest smart contract platform among blockchain networks in terms of time to finality, which is basically the process by which a transaction can be considered irreversible. It also has the highest number of validators that secure its activity compared to any other PoS (proof-of-stake) protocol.

Avalanche is currently the 12th-largest cryptocurrency in the world valued at a market cap of US\$21.7 billion. In the last year, its crypto token, called AVAX, has gained 2,575%. Let's see why it should continue to rise higher in the upcoming months.

dApps are smart contracts or self-executing programs that enable users to interact on a blockchain network without any intermediary. As the potential use cases of dApps continue to gain pace, an increase in transaction volume is inevitable, which, in turn, impacts the loading capacities of legacy networks such as Ethereum.

Investors should note that the Ethereum blockchain is grappling with high gas fees and a significantly

lower number of transactions due to a bulky PoW (proof-of-work) mechanism. Here, miners need to solve complex problems to validate transactions.

However, Avalanche employs a PoS mechanism, where transactions are validated using already owned tokens. The Avalanche blockchain can process 4,500 transactions each second compared to Ethereum, which can process fewer than 15 transactions per second.

Further, the AVAX token is also deflationary in nature, as transaction fees are sent to an inaccessible wallet to ensure the scarcity of the digital asset. Right now, close to 375,000 AVAX tokens worth US\$35 million have been removed from circulation.

What's next for investors?

Recently, Avalanche unveiled a US\$200 million Blizzard fund where the proceeds will be used to expand its DeFi ecosystem. Right now, cryptocurrency investors are identifying networks that have real-world utility. Avalanche's recent investment should enhance the utility of its already expanding blockchain network.

Now, Grayscale which is one of the largest fund managers operating in the cryptocurrency space disclosed it will add an Avalanche-related product for investors, which should boost liquidity and increase demand for the AVAX token. The increase in the [amount of capital flows](#) in a particular token is a key driver of cryptocurrency valuations.

While AVAX has derived impressive gains in the past year, it carries certain risks, given the volatility associated with the cryptocurrency segment. If you are looking to add the AVAX token to your crypto portfolio, you need to be ready for a steep decline in prices, especially if markets turn bearish.

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