



ETH: Ethereum Gains Over 9% in the Last 24 Hours

Description

The price of the world's second-largest cryptocurrency, **Ethereum**, has gained over 9% in the last 24 hours to trade at US\$4,728, valuing the digital asset at a market cap of US\$557 billion, according to data from CoinMarketCap. The cryptocurrency market experienced a pullback over the weekend, as investors were worried about the new COVID-19 variant now identified as Omicron.

However, led by Ethereum, digital tokens have now made a comeback in the last two days. It's quite possible that the selloff across asset classes provided investors an opportunity to buy the dip.

Ethereum remains a top bet for cryptocurrency investors

Ethereum has created massive wealth for [cryptocurrency investors](#), and the ETH token has gained a staggering 55,782% in the last five years. So, an investment of \$500 in the ETH token in November 2016 would be worth close to \$280,000 today.

There is no other asset class that has created as much wealth as cryptocurrencies in the past decade, and this trend is likely to continue in the future given the widespread adoption of digital tokens as well as the exponential rise in institutional investments. Let's see why Ethereum should be part of the portfolio of long-term cryptocurrency investors right now.

The Ethereum blockchain is programmable, allowing users to easily build and execute smart contracts on this network. These contracts are the building blocks of DeFi, or [decentralized finance](#), applications. Basically, DeFi applications allow market participants to borrow, save, lend, and even earn interest on cryptocurrencies without involving a financial intermediary like a bank, reducing transaction costs significantly.

According to Cathie Wood, a noted fund manager from Wall Street, DeFi is "collapsing the cost of the infrastructure for financial services." Cryptocurrencies are highly disruptive and Ethereum's widening use cases make it extremely attractive to current and future investors.

What's next for the ETH token?

A key driver for the price of the ETH token is the much-awaited Ethereum 2.0 upgrade that's expected to take place in mid-2022. Here, the Ethereum blockchain will transition from a PoW, or proof-of-work, consensus mechanism to a PoS, or proof-of-stake, consensus mechanism. The latter distributes mining power on the basis of ownership, which will reduce gas fees significantly, while driving network scalability higher.

Right now, Ethereum's network can process 30 transactions each second, which is lower than **Visa's** transaction capabilities of 1,700 per second. The increase in the number of transactions on the Ethereum network has already reduced transaction speeds right now, which means developers will have to address scalability issues impacting the second most popular blockchain. The Ethereum 2.0 upgrade is expected to tackle these issues, increasing the network's throughput to 3,000 transactions per second.

The Foolish takeaway

In the first 11 months of 2021, the DeFi ecosystem has expanded to US\$258 billion, up from just US\$21 billion. Currently, Ethereum accounts for 65%, or US\$170 billion, of the DeFi ecosystem, making it the largest platform in this space.

While it's difficult to fundamentally value cryptocurrencies compared to equities, you can analyze the use cases of blockchain networks. For example, as Ethereum continues to onboard DeFi projects, the demand for the ETH token is bound to increase driving prices higher.

Ethereum's is also the [second most widely held token](#) by institutional investors. If the bull run in the crypto space continues to gain pace, Ethereum is likely to see an increase in its token price as well.

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Date

2025/07/07

Date Created

2021/11/30

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