



SOL Price: Down 38% From Record Highs, Is Solana a Buy?

Description

One of the top-performing cryptocurrencies in 2021, **Solana** has surged over 10,000% year to date. However, the SOL token is also down almost 40% from all-time highs, valuing the digital asset at a market cap of US\$57.53 billion, at the time of writing. Solana is the fifth-largest [cryptocurrency](#) in the world. Let's see if it remains a top bet as we inch closer to 2022.

The bull case for Solana

One of the fastest networks in the world, the Solana blockchain has onboarded over 400 projects spanning across DeFi (decentralized finance), NFTs (non-fungible tokens), and Web3, among others.

Similar to **Ethereum**, Solana's blockchain also [supports smart contracts](#) where developers can build and execute decentralized applications of dApps on the network. Further, Solana's transaction fees are significantly lower than that of Ethereum, making it a more affordable and viable option for those looking to enter the NFT marketplace. Right now, Ethereum is the most widely used blockchain network in the NFT space. But lower transaction speed and high fees make it difficult for market participants to trade NFTs.

Solana provides composability between ecosystem projects, as it maintains a "single global state" while the network scales. Its scalability ensures transaction costs remain less than \$0.01 for users and developers. The Solana blockchain is also extremely fast with block times of 400 milliseconds.

The blockchain network uses a proof-of-history mechanism to validate transactions, making it easier for validators to execute them. Solana claims it processes around 50,000 transactions each second, and this figure may also increase to 700,000 in the future. This robust scalability and transaction speed make Solana a top cryptocurrency bet compared to Ethereum.

For example, the Ethereum blockchain is likely to process 100,000 transactions per second after the network will be upgraded in mid-2022. Right now, Ethereum's transactions per second range between 10 to 15.

In addition to being low cost and nimble, Solana is resistant to censorship as well, making it truly decentralized. It will remain open for applications that will run freely, and transactions will never be stopped.

What's next for the SOL token?

Investors should understand that investing in the cryptocurrency space carries massive risks. While this asset class has created significant wealth for investors in a short period of time, the cryptocurrency market has depreciated by more than 80% several times in the past due to its volatile and speculative nature.

It's also difficult to value cryptocurrencies compared to equities, and you need to look at the use cases of these blockchain networks and analyze if they can succeed over time.

We can see that Solana has several advantages compared to other networks, allowing it to gain massive traction in the last year. But Ethereum enjoys a first-mover advantage, which suggests Solana could [lose its competitive edge](#) if the former can improve transaction speed and lower fees significantly in 2022.

Given these uncertainties, it makes sense to allocate just a small portion of your investment capital if you want to gain exposure to the cryptocurrency space.

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