



## Up 9,600% in 2021, Is Solana a Buy Right Now?

### Description

The **Solana** ([CRYPTO:SOL](#)) [cryptocurrency](#) has soared by a staggering 9,655% year to date, according to data from CoinMarketCap. So, a \$100 investment in the SOL digital token at the start of 2021 would be worth close to \$10,000 right now. However, the recent pullback in the crypto space has meant the SOL token is down close to 30% from all-time highs.

So, will Solana move lower in 2022 or add to its already impressive gains in the next 12 months?

### The bull case for Solana

Similar to **Ethereum**, Solana is also a decentralized blockchain network that enables scalable and user-friendly applications. Solana is [one of the fastest blockchains](#) in the world, allowing it to grow its ecosystem at a rapid pace. At the time of writing, the network has onboarded more than 400 projects across decentralized finance (DeFi), non-fungible tokens (NFTs), Web3, and others.

Solana is often viewed as an Ethereum killer due to its low gas fees and high transaction speeds. The number of transactions that can be executed on the Solana network is around 3,200 per second. In fact, at the time of writing the blockchain has already completed close to 47 billion transactions with an average cost per transaction of just \$0.00025. Currently, the Ethereum blockchain has capabilities to execute between 15 and 45 transactions per second, at a far higher cost.

These features have increased demand for the SOL token in 2021, which, in turn, has increased its price to US\$180.33, from US\$1.5 at the start of the year. As Solana has gained massive traction year to date, it is now the fifth-largest cryptocurrency in the world, valued at a market cap of US\$55.6 billion, allowing it to compete with heavyweights including **Bitcoin** and Ethereum.

As stated above, the Solana blockchain has similarities with Ethereum, as both networks are leading smart contract platforms that can host projects across verticals.

There are several secular tailwinds that will positively impact demand for the SOL token over time. For example, the DeFi market has already grown from just US\$2.66 million in October 2017 to US\$93.3

billion in October 2021. A *Business Insider* report forecast the DeFi market to touch US\$800 billion in 2022. Similarly, the NFT volume might surge past US\$20 billion in 2021, up from just US\$338 million in 2020.

## The risks associated with the SOL token

It's quite clear that SOL is one of the most promising cryptocurrencies today. However, investing in the digital asset comes with certain risks. For example, critics have argued Solana has prioritized speed over security, making the network vulnerable to multiple attacks. It was recently hit by a DDoS (distributed denial-of-service) attack, which resulted in a price decline of 20% for the SOL token. The Solana network [also went offline](#) for 17 hours in September this year.

Institutional investing company Grayscale explained Solana uses a proof-of-history mechanism, which is much more efficient compared to other blockchains but is also less secure compared to peer networks.

## The Foolish takeaway

It's impossible for Solana to replicate its year-to-date gains going forward. But the widely popular blockchain network enjoys significant advantages over leaders such as Bitcoin and Ethereum. However, Solana will also have to address security concerns as the network continues to scale and its ecosystem expands in the upcoming decade.

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