



Should Dogecoin Be Part of Your Cryptocurrency Portfolio in 2022?

Description

Dogecoin ([CRYPTO:DOGE](#)) was one of the top-performing [cryptocurrencies](#) in the first half of 2021. It gained over 12,000% in market value in the first five months of 2021 but is currently trading 80% below all-time highs. Despite the pullback, the DOGE token has gained a staggering 42,000% in the last eight years, valuing it at a market cap of US\$20.32 billion.

Let's see if Dogecoin can gain momentum in 2022 or if it will continue to trail the broader markets this year.

Will Dogecoin hit \$1?

If Dogecoin has to reach US\$1, the digital token will have to gain close to 600%, which will value it at more than US\$130 billion. While it's difficult to value cryptocurrencies, you need to look at the real-world utility of their blockchain networks. For example, the **Ethereum** ([CRYPTO:ETH](#)) and **Solana** ([CRYPTO:SOL](#)) blockchains allow you to [create and execute smart contracts](#), whereas Dogecoin was created as a meme token.

[Cryptwerk data](#) shows the DOGE token is accepted by fewer than 2,000 merchants globally, which is negligible given that there are more than 200 million businesses all around the world.

Bitcoin ([CRYPTO:BTC](#)) enjoys a first-mover advantage and remains the largest cryptocurrency in the world. Several publicly listed companies hold the BTC token on their balance sheets and it's viewed as an alternative tool for portfolio diversification.

Comparatively, Dogecoin was launched back in 2013, making it one of the oldest cryptocurrencies, but its price movements are primarily influenced by celebrities such as Elon Musk. So, a tweet by Musk might send the DOGE token higher, but these gains will also be reversed within a few trading sessions.

Alternatively, investors should note that Dogecoin is accepted as a form of payment to buy certain merchandise at **Tesla** or to purchase tickets at movie theatre chain **AMC Entertainment**.

The DOGE token is a speculative bet

The number of total Bitcoin in circulation is limited to 21 million tokens, making it anti-inflationary in nature. However, there are already 130 billion DOGE tokens available to trade, with this number increasing by five billion each year.

There are several catalysts that contributed to the stellar run of the DOGE token in 2021. However, even after the 80% pullback from all-time highs, Dogecoin's valuation is sky high and carries significant investment risks.

Dogecoin is among the most searched cryptocurrencies in the world, but it has no competitive edge that differentiates it from other digital tokens. Further, there are over 15,000 cryptocurrencies in circulation, which means blockchain networks will have to offer certain advantages that make them stand out from the others. While Dogecoin's transaction fees are lower compared to Ethereum and Bitcoin, it's significantly higher than several other tokens.

Data from Coinmarketcap.com states that 10 holders control 43% of all DOGE tokens in circulation, which can easily inflate its prices.

I bought \$100 worth of Dogecoin back in September 2021 and the prices have slumped by 30% since then. For me, it's a purely speculative bet given the limited utility of the DOGE token and the volatility surrounding this asset class.

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Date

2025/08/25

Date Created

2022/01/12

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