



## Up 11,000%, Is Solana Still a Buy?

### Description

The [cryptocurrency market](#) has exploded since March 2020 and touched a cumulative market cap of US\$3 trillion in November 2021. **Solana** ([CRYPTO:SOL](#)) was among the [top-performing cryptocurrencies](#) in the last year, as it surged higher by almost 11,000% in 2021. However, in the last two months, several digital tokens, including Solana, have lost steam. The SOL token is down almost 50% from all-time highs, making it attractive to contrarian investors.

Let's see if the recent pullback presents an attractive buying opportunity to crypto bulls right now.

## Solana is valued at a market cap of US\$46.8 billion

Its staggering gains in the past year have meant that Solana is now valued at a market cap of US\$46.8 billion, making it the fifth-largest cryptocurrency in the world, at the time of writing. The key catalysts for the massive uptick in the price of the SOL token include the high speed and low transaction fees of its blockchain network.

For transactions to be executed on a blockchain, they need to be validated, and Solana uses a proof-of-history mechanism to do so. Here, the network identifies blocks of data with a timestamp, moving them forward in the validation process. This mechanism allows Solana to process around 50,000 transactions each second compared to **Ethereum** ([CRYPTO:ETH](#)), which processes 30-45 transactions per second.

The Solana blockchain is also among the cheapest in the world, allowing it to onboard projects at an accelerated pace. The number of projects hosted on Solana's network increased to 5,100 in December 2021 from just 70 in January 2021. It meant the [number of transactions](#) executed on Solana rose from 10 billion to 45 billion in this period. Further, total value locked or the assets staked to derive passive income stood at US\$11.4 billion, up from US\$100 million.

## The SOL token will remain volatile in the near term

In recent months, Solana has been wrestling with scalability issues. Last week, it reported a few failed transactions on the back of “degraded performance due to an increase in high compute transactions, which is reducing network capacity to several thousand transactions per second.”

It was the second such incident in 2022, and investors are worried about the integrity of the blockchain network and its long-term performance.

Solana explained that a substantial number of transactions had to be executed by its network shortly after a decentralized exchange offering. Further, these transactions required a high amount of computing power, which slowed the blockchain network, resulting in transaction failures. Solana, however, emphasized that these growing pains should not worry investors.

## Solana is expanding its utility

The price of a digital token primarily depends on the utility of its underlying blockchain network. Solana continues to expand its network utility, which, in turn, should positively impact the long-term demand of the SOL token.

Solana entered the NFT (non-fungible token) space last August. Its first major NFT launch was of “The Degenerate Ape Academy,” which raised US\$2.5 million. The NFT market touched US\$25 billion in 2021 and continues to expand at a rapid clip, providing Solana an opportunity to gain traction in a high-growth vertical.

### CATEGORY

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