



## Why Ethereum Could Be the Best-Performing Cryptocurrency This Year

### Description

Long-term investors looking for a top [cryptocurrency](#) to buy this year certainly have options. From large-cap tokens to smaller high-growth projects, there are thousands of cryptocurrencies investors have to choose from. However, **Ethereum** ([CRYPTO:ETH](#)) continues to be a top choice for many — for good reason.

Those who have watched the crypto sector take off from the sidelines and are willing to put a little risk capital to work may want to consider Ethereum as a core holding. Here's why.

### Ethereum drives DeFi growth

The decentralized finance (DeFi) movement is key to understanding Ethereum's investment thesis. In simple terms, DeFi refers to a range of applications and projects built to disrupt traditional finance. Whether that means simply money transfers or the ability to buy digital currencies, NFTs, or other items on a decentralized exchange, this is a large and growing movement.

As it happens, Ethereum provides the backbone of the DeFi movement. The vast majority of DeFi projects are based on the Ethereum blockchain.

Why?

Well, Ethereum was the first to enable smart contracts with its platform. Accordingly, projects built on the Ethereum blockchain have the ability to code in specific criteria to allow for virtual contracts to be created. These form the foundation of many of the innovations we take for granted in the crypto world. Among the key projects many investors are excited about is the metaverse. With most of this activity happening on the Ethereum blockchain, Ethereum can be viewed as a bet on the growth of crypto outside of simple money transfers.

### Ethereum 2.0 is on its way

One of the knocks against Ethereum is that transfers on this network happen to be relatively slow and costly right now. Thus, there are many investors searching for the “next best thing.” And as we’ve seen, there are no shortage of “Ethereum killers” out there.

However, Ethereum is making some bold moves to counteract this view. Indeed, Ethereum’s shift toward Ethereum 2.0 via a series of major updates is a big deal. This shift will allow Ethereum to become a proof-of-stake network able to handle more transactions at lower cost.

Overall, this update is being viewed very positively by most investors. That said, time will tell ultimately how successful this update will be.

## Bottom line

Ethereum isn’t without risk. There are other competing smart contract-enabled blockchains that are actually faster and cheaper to use. However, Ethereum’s massive ecosystem has provided what many consider to be a large “moat.” Accordingly, many conservative long-term investors choose Ethereum for its size and scale.

However, the network’s upcoming transition to Ethereum 2.0 is certainly something to consider. Many who have bet on Ethereum in the past point to this update as the reason to own this top token moving forward. Indeed, should Ethereum’s update go as expected, this is a cryptocurrency with the [growth potential to take on the big dog](#) — **Bitcoin** — in terms of valuation, perhaps as soon as this year.

We’ll see.

### CATEGORY

1. Cryptocurrency
2. Investing

### PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Smart News
8. Yahoo CA

### PP NOTIFY USER

1. chrismacdonald
2. kduncombe

### Category

1. Cryptocurrency
2. Investing

**Date**

2025/08/25

**Date Created**

2022/01/17

**Author**

chrismacdonald

default watermark

default watermark