



1 Key Catalyst That Could Take Ethereum Out of its Slump

Description

Crypto prices have been on the decline in a big way in recent months. Over the past week, these losses have accelerated, with top [cryptocurrencies](#) such as **Ethereum (CRYPTO:ETH)** losing more than 30% over the past seven days. Today, this top token is [down more than 12%](#) in morning trading, signaling that the pain may be far from over.

Investors in the crypto sector know that this is a volatile space. However, losing nearly one-third of one's investment in a week is never a good thing. Those thinking long term may be okay with taking the near-term lumps as they come. However, looking forward, many investors require at least one catalyst to help make the investment thesis work.

Here's one key catalyst many investors are watching that could take Ethereum out of its slump.

Ethereum 2.0 upgrade is a big deal

This year is poised to be a promising one for Ethereum, as this crypto is likely to complete the next phase of its transition to a PoS (proof-of-stake) protocol from a PoW (proof-of-work) protocol. The blockchain network is undergoing a series of updates, named the London Hard Fork, to make a drastic shift in how this blockchain operates.

Why?

Well, this update will allow Ethereum to scale much more rapidly. Currently, congestion on the Ethereum network, partly as a result of its existing validation mechanism, has caused fees to skyrocket and wait times to soar. By moving to a proof-of-stake model, Ethereum will be able to handle more transactions at a lower cost.

Additionally, this validation mechanism is much less energy intensive than PoW. Accordingly, those bemoaning crypto as an "environment killer" may like this massive update and the implications it will have on the future of cryptocurrency.

PoS upgrade will help ETH keep up with the competition

Perhaps the key reason many investors in Ethereum like this update is that many believe Ethereum is losing ground to competing blockchain networks right now. Smaller, but fast-growing networks such as **Solana** and **Avalanche** have picked up steam, as developers opt for faster finality times and lower fees. For Ethereum, this competitive environment is one that's looking more and more bleak.

However, this update should put Ethereum on par with some of the fastest and cheapest blockchains out there. At least, that's what Ethereum bulls believe. As developer growth in the DeFi, NFT, metaverse, and other blockchain applications heats up, Ethereum's market share lead needs a catalyst like this.

Bottom line

Ethereum remains the top dog as far as smart contract-enabled blockchains go. This vast ecosystem powers most of the crypto projects that carry utility. Accordingly, investors have many reasons to own Ethereum on this basis alone.

However, the network's upcoming upgrade to Ethereum 2.0 is a big catalyst investors shouldn't forget about. In times of distress like these, those taking a truly long-term view need to consider long-term catalysts that can help get these tokens out of this funk.

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chrismacdonald

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