



Why Solana (CRYPTO:SOL) Dropped 11% Today

Description

Solana ([CRYPTO:SOL](#)), the eighth-largest cryptocurrency in the industry lost over 11% of its value today. Over the past month it's down 60%. Here's why the digital asset is dropping like a rock and what investors should know about its future prospects.

Why is Solana dropping?

Solana's plunge could be driven by two reasons: the broader market correction and its network outage.

The global capital market corrected today. Everything from Indian oil stocks to U.S. tech companies were trading negative on Monday morning. Crypto assets didn't escaped this correction. **Bitcoin** ([CRYPTO:BTC](#)) and **Ethereum** ([CRYPTO:ETH](#)) have lost 1.5% and 7% respectively today. Smaller, lesser-known digital assets have experienced more severe drops.

The fear of rising interest rates, coupled with tensions on the Russia-Ukraine border, has spooked investors. As liquidity evaporates and investors lose their appetite for risk, they've pulled capital away from digital and traditional assets. That's one of the reasons why Solana dropped 11% today.

However, another reason for the plunge is intrinsic. The Solana network suffered a devastating outage last week. Performance degraded on what the developers call the "mainnet-beta cluster," which made any transaction on the network impossible for roughly 48-hours.

This wasn't the first time the Solana network faced technical issues. In fact, there have been several similar outages in recent months. These difficulties have undermined confidence in Solana's ability to scale and service its growing base of users.

What comes next?

The volatility of cryptoassets is not new. Over the past 12 years, Bitcoin has suffered numerous double-digit drawdowns. In fact, it lost roughly 30% of its value multiple times in 2021 alone. Smaller

cryptos like Solana face even more volatility, which is why the correction in SOL is so much deeper today.

However, the network outages are far more concerning. It could indicate a fundamental flaw in the network's design. It also makes the network seem less reliable and secure for new adopters. By comparison, Ethereum has never had an outage. Same for Bitcoin.

Although legacy cryptoassets like BTC and [ETH](#) have some flaws (high fees, slower transactions, etc.) their framework is time-tested. These assets are also much less volatile due to the size of their user bases. As mentioned earlier, BTC and ETH are down only single-digits today. Over the past month, they've both retained more value than Solana.

Solana's stumbles also dim its prospect of disrupting Ethereum. Developers may want to reconsider building their decentralized finance (DeFi) products and non-fungible tokens (NFTs) on Solana in light of these outages.

Long-term investors should consider these factors as they make allocations during this bear market.

Bottom line

Solana is plunging along with the rest of the global capital market. It's down 11% today and 60% over the past month. However, this performance has been partially driven by network-related issues. Solana's outages and volatility could make rivals like Ethereum a better bet.

CATEGORY

1. Cryptocurrency
2. Investing

TICKERS GLOBAL

1. CRYPTO:SOL (Solana)

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. jguest
2. vraisinghani

Category

1. Cryptocurrency
2. Investing

Date

2025/07/06

Date Created

2022/01/24

Author

vraisinghani

default watermark

default watermark