



## Why Is Solana the Next Cryptocurrency on My Shopping List?

### Description

Cryptocurrencies have allowed investors to generate exponential gains in the last decade. However, the volatility and lack of regulation associated with this asset class make cryptocurrency a high-risk investment.

In the past, equity market stalwarts including Warren Buffett and Charlie Munger have warned people against investing in this highly disruptive asset class. At the same time, digital tokens are now held on the balance sheets of a few publicly listed companies.

The widespread adoption of cryptocurrencies in the last 18 months allowed the segment to be valued at a market cap of US\$3 trillion in November 2021. One of the best performing cryptocurrencies in the last year was **Solana** ([CRYPTO:SOL](#)), which gained over 11,000% in 2021.

Right now, the SOL token is down 66% from all-time highs, making it attractive to contrarian investors. Here's why I will soon be adding the SOL token to my [cryptocurrency](#) portfolio.

### The bull case for Solana

Solana claims to be the fastest blockchain network in the world which has allowed it to expand its ecosystem at a rapid pace. It has onboarded several projects across DeFi, NFTs, and Web3, among others.

At the time of writing, the Solana blockchain has processed close to 54 billion transactions with an average cost of \$0.00025/transaction. Further, [Solana can process](#) 50,000 transactions per second which is twice as much as payments giant **Visa**, which can process 24,000 transactions per second.

Earlier this month, **Bank of America** analyst Alkesh Shah emphasized several blockchain networks including **Ethereum** ([CRYPTO:ETH](#)) have been struggling to scale their networks and this problem has been solved by Solana.

While Ethereum has focused on security and decentralization it is expensive and slow, resulting in

network congestion and high transaction fees. In fact, the transaction fees might even be higher than the value of payments sent on the Ethereum blockchain.

Solana has a major cost and speed advantage over Ethereum which should help the former gain traction in verticals such as gaming and micropayments, explains Shah.

The reason why Solana has [a high processing speed](#) is due to its validation mechanism that combines a proof of stake (PoS) system with a proof of history (PoH) system. Here, the miners validate transactions using the coins they own, which is known as staking. Further, the PoH mechanism accelerates the transaction verifying process by recording time making it attractive for decentralized application (dApps) projects.

## The Foolish takeaway

It's impossible to predict when the cryptocurrency bear market will end but the ongoing pullback offers investors an opportunity to buy the dip. You need to bet on digital assets that have the potential to outperform the broader market on the rebound. Solana enjoys certain technical advantages which will allow it to expand market share over time and is well-positioned to gain pace once market sentiment improves.

Cryptocurrencies might be viewed as a speculative bet by several financial experts. While this asset class is extremely risky, blockchain networks such as Solana are successfully disrupting the fintech space. I think it makes sense to allocate a small portion of my portfolio to cryptocurrencies at current prices.

### CATEGORY

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