



## What's Behind Terra's Latest Rise?

### Description

**Terra** ([CRYPTO:LUNA](#)) features among the market's fastest-growing [cryptocurrencies](#). Terra's unique positioning as a stablecoin ecosystem is something many investors like. For those considering the potential of crypto to become a true alternative for fiat currencies, Terra is a unique project to consider.

This past week, Terra saw an absolutely incredible rally. At one point, this token nearly doubled over the course of a week. Much of this aligned closely with the ongoing Russia-Ukraine conflict. Investors seeking safety in stablecoins sought out Terra's UST token. This drove demand for LUNA higher.

Let's dive into what investors interested in Terra may want to know.

### A huge announcement

A majority of the gains that Terra saw was after the announcement that TerraUSD would receive the backing of a \$1 billion **Bitcoin** reserve. Following this announcement, the investment thesis of LUNA changed profoundly for several cryptocurrency enthusiasts. Indeed, many crypto investors gained a bullish stance on this token due to this announcement.

TerraUSD (or UST) is Terra's key stablecoin. This stablecoin is kept stable via an algorithmic stabilization process which involves the minting and burning of LUNA. When UST goes off its peg, LUNA is minted or burned to bring UST toward its US\$1 peg.

Thus, LUNA's fundamentals are rather easy to understand. The attractiveness of the LUNA token is related directly to demand for UST. When demand is high, more LUNA is burnt, sending the price of this token higher. The inverse is also true.

During times like these when investors are seeking safety, LUNA is an intriguing choice. Indeed, this Bitcoin reserve also bolsters this thesis. That's because in times of trouble, Terra could theoretically dip into its Bitcoin reserve, avoiding having to mint LUNA. This could further prop up the price of LUNA over the long term — at least, investors hope so.

## Terra is a leader in the stablecoin sector

Terra seems to be surging higher when it comes to the competition for market share in the stable coin sector. This is primarily because many investors believe that this algorithmic stability mechanism is indeed feasible in the long term.

There's an increased margin of safety for investors with this Bitcoin reserve's introduction, which is a good thing. Also, increased stability is better than less, keeping in mind the substantial volatility seen lately.

At this point, UST seems to be an option of choice. Accordingly, increasing demand for this token is likely to impact LUNA positively.

## Bottom line

The most recent hike in LUNA's price has made Terra the second-biggest ecosystem in DeFi. As per data from DeFi Llama, this crypto presently has a TVL (total value locked) of more than \$23 billion. This puts Terra in elite company.

Personally, I think there's a lot to like about Terra right now. We'll see where this token goes over the long term. However, those bullish on the stablecoin space have a lot to like about this one.

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