



Ether: Can it Still Beat Bitcoin?

Description

Ether ([CRYPTO:ETH](#)) is the second-most popular cryptocurrency after **Bitcoin** ([CRYPTO:BTC](#)). With a US\$350 billion market cap, it is a giant among cryptocurrencies. Ether was launched in 2015, and has gained ground on Bitcoin since that time. Today, ETH's market cap is a little less than half of Bitcoin's.

For a long time, many people thought that ETH could some day beat BTC. It has certain technical advantages, such as more transactions per second (TPS) and smart contracts. However, it has actually been losing to Bitcoin this year. In 2022 so far, ETH is down 24%, while BTC is only down 13.5%. In this article I will explore some possible reasons why this is happening, and pose the question, *"Can Ether still beat Bitcoin?"*

Why ETH is falling

There are several reasons why Ether is falling this year. The biggest is simply weakness in the broader crypto market. Cryptocurrencies are heavily correlated with one another, and most cryptocurrencies are falling this year. So, ETH is partially just behaving the way its entire asset class is behaving. That's not surprising.

What is a little surprising is ETH's [underperformance compared to Bitcoin](#). ETH has historically risen faster than BTC, because the former started later from a smaller base. ETH spent most of 2021 gaining ground on Bitcoin, as the NFT craze drove demand for ETH tokens. It appears that the opposite has happened this year. If you search for "NFT" in Google Trends, you'll notice that the term has been declining in popularity. Assuming the market is correlated with search interest, then NFT sales are probably declining. That in turn leads to less demand for Ether, the token used to buy and sell NFTs. So, we've got a plausible case here that the decline in the popularity of NFTs is driving a decline in purchases of ETH.

Can it recover?

Having explored one possible reason for ETH's underperformance, we can turn to another question:

Can it recover?

As we've seen, the decline in popularity of NFTs is the likely culprit for ETH's relative underperformance this year. It follows, then, that if something occurs that could drive more demand for ETH than is being lost to the [NFT crash](#), its price should rise. A few factors that could lead to that happening include:

- **NFTs becoming relevant again.** NFTs are currently on a downward trajectory, but that doesn't mean they'll never become popular again. All it would take to get NFTs in the news again would be one celebrity selling an NFT for a record price. That could easily happen, so we shouldn't conclude that NFTs are done for good.
- **Another DeFi application becoming popular.** With its ability to create smart contracts, the Ethereum blockchain could be used for all kinds of DeFi applications. Should one of them become popular, demand for Ether will rise again.
- **NFT buyers being shaken out.** If NFTs becomes sufficiently unpopular then eventually all the people who held ETH just to buy NFTs will be shaken out of the market. At that point ETH would likely bottom and perhaps deliver returns comparable to those of Bitcoin from that point on. This would only occur *after* all of the NFT buyers were shaken out. This isn't a point arguing that ETH should start rising from *today's* prices.

So, there are plenty of reasons to think that ETH could recover to its previous highs. It may not happen overnight, but it could happen eventually. Particularly if a new trendy DeFi application comes out and becomes the target of another buying frenzy.

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Date

2025/06/30

Date Created

2022/03/21

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