



Why Terra (CRYPTO:LUNA) Should Be Part of Your Cryptocurrency Portfolio!

Description

With more than 18,000 cryptocurrencies in circulation, it's quite difficult to identify long-term winners. You need to analyze the real-world utility of blockchain networks, which, in turn, should drive the demand of the underlying digital asset. One such cryptocurrency that [I remain bullish on](#) is **Terra (CRYPTO:LUNA)**.

Valued at a market cap of US\$33.6 billion, Terra is the seventh-largest cryptocurrency in the world. While the cryptocurrency space is in the midst of a bear market, the LUNA token has derived positive gains for investors in 2022.

Similar to most other [cryptocurrencies](#) the LUNA token has created massive wealth for investors. It has surged by a staggering 46,000% since the start of 2020. So, an investment of \$100 in LUNA back in 2020 would be worth \$46,000 today. But let's see why it still commands a place in your portfolio today.

The bull case for Terra

While cryptocurrencies were initially launched to replace legacy payment systems, there are just a handful of merchants that accept digital assets as a form of currency. The IRS taxes cryptos as property, which means you have to pay taxes on your profits derived by buying and selling these tokens. Further, the volatility associated with cryptocurrencies makes it extremely difficult for merchants to use them as a form of payment.

In order to navigate the volatility, developers invented stablecoins, which are tokens pegged to fiat currencies such as the USD, making them ideal for payments. One of the stablecoins that is fast gaining traction is **TerraUSD (CRYPTO:UST)**, which is backed by LUNA.

Unlike the majority of cryptocurrencies, UST has real-world applications. In fact, several e-commerce stores in Korea already accept UST, which charges a fee of just 1% compared to credit card fees, which stand at 3%. The UST token is accepted in 20 e-commerce stores in Korea, including TMO, which is the second-largest online player in the country.

Further, Terra also offers a savings protocol known as Anchor, which provides investors with a yield of 19.5%, which is quite attractive.

LUNA and UST are gaining traction

At the time of writing, TerraUSD is already the fourth-largest stablecoin in the world with a market cap of US\$15.7 billion. The average volume per day for UST transactions is well over US\$300 million while the total value locked on Terra's [smart contracts](#) is close to US\$27 billion.

How does the LUNA token work?

If you want to gain exposure to UST, a portion of LUNA tokens are burnt to create the former. As the supply of LUNA reduces, its price moves higher. So, if the demand for UST will decline, the price of LUNA will also take a hit.

Basically, the price of LUNA is directly related to the demand for UST. Further, the demand for UST will be driven by the e-commerce space as well as the Anchor protocol that allows you to derive passive income. The Anchor protocol has already attracted close to US\$6 billion in deposits.

Despite the promising features of LUNA, investors should understand investors in cryptocurrencies and DeFi protocols carry significant risks. The demand for UST could plummet due to the introduction of a new stable coin, wiping off investor wealth at a rapid pace.

You need to allocate a small portion of your capital towards these digital assets and benefit from exponential gains over time.

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