



From Ethereum (CRYPTO:ETH) to NFTs: Which Asset Class Is Better for You?

Description

Once upon a time, extremely expensive collectibles and artworks used to fascinate people with their incredible value. We all know about paintings that are bought and sold for millions and many artworks that are essentially considered priceless.

Now, thanks to advances in technology, the pool of expensive unique collectibles is increasing with something called the NFT.

NFT as an investment

An NFT, or non-fungible token, which essentially means that it's unique, is a way to assign globally recognized ownership of a digital asset (usually an artwork) to an individual. So, if an artist makes a unique artwork on a computer and wants to ensure that there is irrefutable evidence that the artwork is there, they can "mint" an NFT in the blockchain (usually Ethereum) that records that artwork is yours.

This allows the artist to sell their artwork and, in a way, allows them to assert their ownership whenever they need. And since they are unique, they can be collected, like something else that's rare and one of a kind. Examples would be a 14th-century first edition or a unique coin.

Even though NFTs are quite closely associated with cryptocurrencies, especially Ethereum, since that's the blockchain most NFTs are minted on, they are quite different. And one inherent weakness of NFTs as an asset class that's basically a digital version of collectibles is how common it has become.

Anyone can create an image, turn it into an NFT and sell it online and you can buy it and become the unique owner of an original item.

However, when the market is flooded with so many "unique" items, they become common by virtue of numbers alone.

Ethereum (cryptocurrency) as an investment

Even though [a cryptocurrency](#) like **Ethereum** ([CRYPTO:ETH](#)) is radically different from normal currency, it's fungible. If you have one Ethereum coin, it might be any one out of the millions of mined Ethereum coins, and it wouldn't matter, since its equivalent dollar value would be the same whether it was the first ETH token ever mined or the last.

Like NFTs, the market for cryptocurrencies is also purely speculative, and they only have the value people are willing to pay for it. But it's a relatively mature market and something that may always have utility as a medium of exchange — something the NFT cannot be. It's also an easy enough asset to track, buy, and unload.

And what's more, you can invest in a cryptocurrency like Ethereum by directly buying the token via a dedicated ETF or even [tech stocks](#) that focus on Ethereum.

Foolish takeaway

While the above explanations of what NFT is and how it compares to cryptocurrencies as an asset class might be overly simplistic, they should give you an idea of the relative volatility of the asset class.

While even crypto like Ethereum might be too risky for most conservative investors, it might still be a better asset class to consider compared to NFTs, especially now when their [bear market](#) phase is ending.

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