



Why Is Terra (CRYPTO:LUNA) up 11% in Q1 of 2022?

Description

Despite the recent uptick in [cryptocurrency](#) prices, most digital tokens are still trading in the red year to date. However, **Terra** ([CRYPTO:LUNA](#)) is one of the few cryptocurrencies that has delivered positive returns to investors in Q1 of 2022.

At the time of writing, the year-to-date gains of LUNA are over 11%, making it the ninth-largest cryptocurrency in the world, given its market cap of US\$36 billion.

Since the start of 2021, the price of LUNA has soared by close to 16,000% and should remain on the watchlist of most cryptocurrency investors.

What is Terra?

A blockchain protocol that uses stablecoins pegged to fiat currencies such as the USD, Terra is well positioned to play an important role in the rapidly expanding cryptocurrency space. Terra aims to integrate the price stability of fiat currencies through stablecoins with the decentralized nature of **Bitcoin** to offer a fast and scalable payments platform.

The one-to-one peg is maintained through an algorithm where the supply of stablecoin is adjusted based on demand. Here, holders of the LUNA are incentivized to swap these tokens for stablecoins at profitable exchange rates, which will increase or decrease the supply of the stablecoin and get it in line with demand.

Three years back, Terra partnered with a mobile payments application in South Korea to process transactions via its blockchain network, reducing fees drastically. Now, [several e-commerce stores](#) in South Korea accept UST, which positively impacts profit margins.

Terra will buy Bitcoin worth US\$10 billion

Terraform Labs and the Luna Foundation Guard of the Terra ecosystem. Recently, the CEO of

Terraform Labs, Do Kwon, disclosed plans to create a US\$3 billion Bitcoin fund to support the TerraUSD. Kwon confirmed the Bitcoin reserve will increase to US\$10 billion over time. In fact, [Kwon tweeted](#), “\$UST [TerraUSD] with \$10B+ in \$BTC reserves will open a new monetary era of the Bitcoin standard.”

Terra is optimistic that TerraUSD will now gain traction as a digital token of choice as a peer-to-peer payments platform. Here, individuals and enterprises will be able to facilitate cross-border payments easily and without any financial intermediary, reducing costs and increasing transaction speed significantly.

The Luna Foundation Guard purchased US\$1.1 billion worth of Bitcoin over the last weekend and increased its holding to 27,785 BTC tokens, which is worth US\$1.25 billion at current market prices.

The Foolish takeaway

We can see why Terra has gained popularity among cryptocurrency investors. In fact, its blockchain network now hosts a wide range of decentralized finance (DeFi) projects. The total value locked on the Terra blockchain is close to US\$30 billion, which is second only to market leader **Ethereum**.

Terra is the native token of the **TerraUSD** stablecoin, which is pegged to the U.S. dollar. The stablecoin is attractive to income-seeking investors, as the Terra-backed lending protocol known as Anchor offers [an annualized yield](#) of 19.5%.

There are multiple drivers, which will accelerate the adoption of Terra and expand its ecosystem at an enviable pace. However, similar to other cryptocurrencies, investing in Terra carries significant risks, which means you need to allocate just a small portion of your total savings to this digital asset.

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