



## Should Dogecoin Be Part of Your Cryptocurrency Portfolio Right Now?

### Description

One of the hottest [cryptocurrencies](#) in the last year, **Dogecoin** ([CRYPTO:DOGE](#)) is currently valued at US\$18.55 billion, making it the 11th-largest digital asset in the world. In the last eight years, the DOGE token has surged by 12,600%. However, it's also down 81% from all-time highs, allowing investors to buy the dip. But let's see if Dogecoin should be part of your portfolio right now.

### What is Dogecoin, and how does it differ from Bitcoin?

Created as a meme coin, [Dogecoin](#) is a decentralized digital currency launched in 2013. Investors flocked to buy Dogecoin in 2021 after a series of tweets by **Tesla** CEO Elon Musk sparked social media interest significantly. While **Bitcoin** uses a proof-of-work mechanism to validate transactions, Dogecoin uses Scrypt technology.

Investors are wary of Dogecoin, as there is an infinite supply of the DOGE token, making it inflationary in nature. Comparatively, the total supply of Bitcoin that can be mined is capped at 21 million, out of which 19 million have already been mined. Its scarcity makes Bitcoin a store of value and a hedge against inflation.

Another major differentiation between Dogecoin and Bitcoin is security. The Bitcoin network has more than 14,000 viewable nodes distributed all over the world, making it impossible to seize the blockchain by manufacturing false trades. Alternatively, Dogecoin has 1,400 nodes, and 98 people control two-thirds of the total token supply.

### Why am I bearish on Dogecoin?

I expect cryptocurrencies to gain traction in the upcoming decade. However, the success of these assets depends on the real-world utility of the underlying blockchain networks. Similar to other cryptocurrencies, Dogecoin aimed to facilitate payments at a low cost. However, data from Cryptwerk suggests fewer than 2,000 merchants accept DOGE as a form of payment.

The founder of Dogecoin, Billy Markus, claimed DOGE can be used to tip content creators on online communities such as **Twitter** and Reddit. While Dogecoin's average transaction fees have declined over time to \$0.15, it's still quite high and will discourage adoption for those who want to tip a nominal amount. Further, daily transactions for Dogecoin stand at 33,000, and this figure has not accelerated higher in the last few years, which should spook investors.

Right now, there are 133 billion DOGE tokens in circulation, and this number will increase by five billion each year. So, demand should outstrip supply at a steady pace for the price of the DOGE token to gain momentum.

## The Foolish takeaway

Investing in cryptocurrencies carries significant risks, as it's still a speculative asset class. But, as mentioned above, you need to identify the utility of the blockchain networks that will drive the prices of cryptocurrencies higher or lower. For example, **Ethereum's** blockchain supports smart contracts, while **Solana** processes thousands of transactions each second at a very low cost.

Dogecoin gained popularity on the back of positive investor sentiment last year but has also burnt investor wealth in the last 10 months. Investing in DOGE remains a high-risk proposition, given there are several other blockchain networks that are onboarding projects at a rapid rate.

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**Date**

2025/09/05

**Date Created**

2022/04/19

**Author**

araghunath

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