



2 Key Risks Investors in XRP Should Consider Right Now

Description

The crypto market is now in full-on free fall. For investors in **XRP** ([CRYPTO:XRP](#)), this is also the case. Currently the world's sixth-largest [cryptocurrency](#) by market capitalization, XRP has been on a significant ride lower. Today, this token trades [sub-\\$0.40 apiece](#), a far cry from its one-year high of \$1.70.

That said, the fact that XRP has retained its status as a top-10 cryptocurrency throughout this market turmoil is noteworthy. Despite the decline in crypto, this is a top holding for many investors. There's a reason why bulls continue to remain patient with this token.

However, that's not to say there aren't risks. Here are two of the biggest risks I see with XRP right now.

The market selloff may be far from over, even for XRP

Perhaps the key risk right now facing all crypto investors is the voracity of this recent decline. The rising tide that lifted all boats in recent years has become a tide that's moving out. It's hard to defy gravity, and though XRP has fared better than some of its peers, this is a tough market to navigate right now.

In particular, the decline we've seen in various stable coins of late is worrisome. Algorithmic stablecoin **Terra** ([CRYPTO:LUNA](#)) has imploded, sending shockwaves through the sector. If stablecoins don't work, projects such as XRP that are aimed at international money transfers may have tough sledding ahead.

Legal battle with SEC is not over yet

Aside from the obvious macro headwinds XRP is battling right now, there are also concerns investors may want to heed at a token-specific level. XRP's parent company Ripple has been embroiled in litigation with the SEC since 2020. A lawsuit alleging Ripple insiders sold unregistered securities offerings is still awaiting an outcome, which many think could make or break this project.

Given the already heightened liquidity concerns in the crypto world, some sort of massive settlement or ruling could be devastating for XRP. However, should this whole ordeal turn out positively for XRP, this token has some serious upside potential.

Thus, investors really have a binary outcome to assess. The probabilities of this outcome, while uncertain, are what have driven this token's price action of late. Accordingly, there's a significant amount of risk investors are taking with placing a bet on either side of this outcome.

Bottom line

This turmoil may be far from over, and many crypto investors seem keen on running for the exits. While panic isn't a strategy, there's also the reality that risks are being priced in to a degree they haven't in some time. For all tokens, including XRP, this isn't a good thing.

Right now, I think it's prudent to be cautious in this environment. Additionally, factoring in key risks is more important than ever.

CATEGORY

1. Cryptocurrency
2. Investing

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Author

chrismacdonald

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