



Cryptocurrencies Lose Trillions in 2022: Can They Recover?

Description

If you have followed the [cryptocurrency industry](#) since its nascent stages, you might know that it is no stranger to massive resets. In fact, the crypto world has seen five significant resets in its short history.

The first came with the Mt. Gox cryptocurrency exchange imploding due to a major hack in 2014. 2016 saw the DAO hack that saw \$60 million worth of **Ethereum** stolen by a hacker. January 2018 saw the ICO bubble burst, rolling back 60% of the entire industry. March 2020 saw the fourth setback, which wiped out 40% of the industry's value amid the pandemic.

One thing common in each of these setbacks was the rapid innovation they catalyzed in the crypto industry. The Mt.Gox disaster saw the birth and rise of more trustworthy cryptocurrency exchanges. The DAO hack and ICO crash laid the foundations for a stronger DeFi industry.

The fifth major crypto crash in history

The cryptocurrency industry's latest crash is happening right now, and it could be the most significant one yet. **Terra's** coin LUNA, a highly popular cryptocurrency, saw US\$40 billion worth of it wiped out. It started a cascading effect that resulted in a trillion-dollar market collapse, as crypto investors fled from risky assets.

LUNA is free-floating crypto, like many others. However, it backed the US\$16 billion stablecoin TerraUSD. Terra was designed to be worth a single U.S. dollar. Greed reigned and led to the stablecoin buckling under pressure, causing US\$56 billion to evaporate between May 7 and May 12.

Collateralizing a crypto asset designed to be stable by using an unstable and volatile asset saw the negative impact of leverage that wiped out trillions from the nascent industry. The growth of the stablecoin industry was largely doing away with protecting the decentralized ethos inherent to the crypto industry.

Terra might have started stabilizing, but the crash serves as a cautionary tale. It could lead to more innovation in the industry and hopefully more responsible innovations.

Is there any safe space in the crypto industry?

It is impossible to predict, or even speculate with confidence, where the cryptocurrency industry will go. The inherently unpredictable nature of the asset class leaves all kinds of possibilities open. The likeliest scenario could be a recovery in **Bitcoin** that trickles down to the rest of the industry.

XRP ([CRYPTO:XRP](#)) could be another exciting crypto token to keep an eye on in the coming months. Created by Ripple Labs, the token has been under some pressure for over a year due to the company's ongoing lawsuit with the United States Securities and Exchange Commission (SEC).

There have been plenty of speculations about where the case might go. There might be a chance that the case could go to trial. If that happens, the SEC and Ripple Labs will present their arguments to a jury, and it will decide whether the cryptocurrency creator did anything wrong.

Ripple Labs will be off the hook if things go in its favour, which is believed to be the likeliest conclusion of a trial. Alternatively, the SEC and Ripple Labs could decide to settle the matter out of court and keep things from dragging out longer.

However, an outright victory for Ripple Labs could send waves throughout the cryptocurrency industry. The case could set the foundations for the cryptocurrency industry's regulatory future. It could see the crypto token spark a revival for the broader sector with positive news.

Foolish takeaway

The current bearish phase for the cryptocurrency industry might be the right time to invest in crypto for crypto bulls. However, there is every possibility of your capital tied down to this volatile asset class losing its value. The cryptocurrency industry is here to stay, but identifying the best assets to invest your capital might be a tall order due to unpredictability.

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