



Bitcoin or Ethereum: Which Will Recover 1st?

Description

2021 was a fantastic year for [cryptocurrencies](#), but the industry has seen a major decline this year. A brutal selloff that has seen approximately US\$2 trillion worth of losses across the board has caused several decentralized currencies and stablecoins to plummet to unimaginable levels.

Bitcoin ([CRYPTO:BTC](#)) and **Ethereum** ([CRYPTO:ETH](#)), the two largest cryptocurrencies by market value, have declined by 49.50% and 59.82% year to date, respectively, at writing. The aggressive interest rate hikes introduced by the Bank of Canada (BoC) here and the U.S. Federal Reserve across the border significantly contribute to the crypto winter's onset.

The interest rate hikes necessary to control inflation have also impacted global financial markets, causing a liquidity crunch that has forced governments to stop pumping money into economies. The cascading effects of **TerraUSD** and **Luna** crash has spooked investors of all kinds, and cryptocurrencies have lost much of their pandemic-era gains.

The crypto winter

The crypto bull market came to a halt and took an abrupt U-turn earlier this year, wiping off much of the gains made throughout the industry. Bitcoin recently fell below the US\$18,000 mark to hit levels it hadn't seen since December 2020. Many industry experts believe that from the over 19,000 cryptocurrencies in circulation, only the most resilient will remain standing after the crypto winter.

Bitcoin and Ethereum are the two major cryptocurrencies virtually guaranteed to survive the harsh winter. Many have lost fortunes due to the selloff, but crypto moguls believe that this was a much-needed cleansing of the decentralized economy.

The pandemic-era rally for cryptocurrencies saw many digital assets begin trading at unsustainable and impractical levels without intrinsic value. The onslaught befalling the crypto industry will clear the rubble.

Foolish takeaway

If and when the two crypto giants recover, which one will be the first?

One of the biggest challenges for Bitcoin, Ethereum, and cryptocurrencies at large, is the energy-intensive nature of the protocol in maintaining their blockchain networks. Ethereum is slated to resolve that problem through an upgrade to its validation method to shift to a more energy-efficient proof-of-stake protocol.

Theoretically, it can drastically reduce transaction times, improve the network's speed, and allow the blockchain network to scale to meet demand. An upgrade like this could increase Ethereum's chances of beating Bitcoin on being the first to recover.

However, the cryptocurrency industry largely relies on speculation to determine valuations. Bitcoin still holds its place as the first-comer in the new industry. Any fluctuations in Bitcoin prices lead to a trickle-down effect across the entire cryptocurrency economy.

There might come a time when the energy-intensive nature of Bitcoin's mining protocol will make it entirely unsustainable. It is even possible that it may change to a proof-of-stake protocol.

Unfortunately, all of it is speculation. The more pressing concern right now impacting the cryptocurrency economy is the macroeconomic crunch caused by the inflationary environment and resulting interest rate hikes. It remains to be seen when the crypto winter will end.

Many Bitcoin bulls believe it will come out on top. Ethereum might remain second fiddle to Bitcoin, regardless of its purported upgrade.

CATEGORY

1. Cryptocurrency
2. Investing

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Smart News
8. Yahoo CA

PP NOTIFY USER

1. adamothonman
2. kduncombe

Category

1. Cryptocurrency
2. Investing

Date

2025/09/12

Date Created

2022/06/27

Author

adamothonman

default watermark

default watermark