



3 Top Cryptocurrencies You Should Watch Out for in 2022

Description

It's no secret that cryptocurrencies are having a tough time so far in 2022. As digital currencies have been some of the worst affected by the current market downturn, the majority of decentralized tokens have lost as much as 70% since peaking in late 2021. This steep crash has triggered a "crypto winter," as the market lost almost US\$2 trillion in value since November 2021.

However, the primary reason behind this black swan event is the global macroeconomic backdrop. Surging inflation rates coupled with recessionary concerns have driven investors to park their funds in safe-haven instruments such as bonds. A decline in consumer spending and higher commodity prices may also have moved capital from high-risk assets towards essential products and services.

Also, the massive rally last year sent valuations of cryptocurrencies sky-high, which accelerated the selloff in the first seven months of 2022.

As a result of the latest crypto winter, most cryptocurrencies are trading near or below their 52-week high, making them solid investments now. According to research firm CryptoCompare, assets under management (AUM) rose 16.9% in July, after a 36.8% decline in June, which might drive investor optimism in the near term.

Let's take a look at the top three [cryptocurrencies](#) you need to watch out for in 2022.

Bitcoin

With a US\$439 billion market cap, **Bitcoin** ([CRYPTO:BTC](#)) is the largest cryptocurrency in the world. Though the BTC token has been hit hard by the market downturn, it has recovered a portion of these losses in July.

As investor optimism improved last month on the back of better-than-expected earnings seasons and less aggressive interest rate hikes, the crypto markets have been gaining momentum in tandem with equities. Bitcoin rose nearly 17% in July, posting the strongest monthly performance since January 2021.

Bitcoin enjoys a first-mover advantage and is also held on the balance sheet of publicly listed companies such as **Tesla**, **Block** and **PayPal**.

Ethereum

Ethereum ([CRYPTO:ETH](#)), the world's first "smart contract" blockchain, is one of the most innovative cryptocurrencies in circulation. Its proof-of-stake (PoS) update is expected to enhance the scalability features of Ethereum, thereby making it one of the most efficient cryptocurrencies to date.

The update and merge are set to be completed by September 2022, after being delayed by months. Analysts are predicting the Ethereum merge to be one of the biggest developments in the overall crypto markets in 2022.

Also, the "merge" will most likely reduce the total supply of the cryptocurrency over time, which would, in turn, make Ethereum more valuable.

Dogecoin

Dogecoin ([CRYPTO:DOGE](#)) is one of the most popular meme currencies in the crypto space. While the coin or its blockchain network doesn't have a whole lot to offer, recall that meme traders disrupted entire stock and crypto markets last year.

In fact, a consolidated group of meme traders caused institutional investors to rake in millions in losses just through social media.

Doge has the support of Tesla and SpaceX founder Elon Musk, who is also one of the largest holders of the meme coin. As cryptocurrencies make a comeback, we could see another massive rally in the meme coin soon, which could allow investors to generate immense profits.

The Foolish takeaway

There's no doubt that decentralized blockchain and cryptocurrency is the next disruptive innovation in technology and finance. With massive implications for the future of data storage and transmission, web3, and finance; blockchains and crypto tokens have been hailed as one of the biggest innovations since the establishment of the internet.

Bitcoin is already considered a safe-haven cryptocurrency — so much so that many people are using it to hedge the current market risks. Regarding this strategy, digital bank Ally's Chief Markets and Money Strategist Lindsey Bell said, "Crypto's big moves in 2021 led some investors to believe it could provide protection against inflation ... Some investors are already using Bitcoin and other cryptocurrencies as a hedge against inflation."

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Date

2025/07/21

Date Created

2022/08/03

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