



Ethereum (CRYPTO:ETH) and 1 Rival Post Double-Digit Gains

Description

August 12, 2022, was a day for a rally, both in the stock market and the [crypto space](#). All 11 primary sectors of the **TSX** advanced on Friday, and leading coins saw no significant losses despite the crypto winter. **Ethereum** ([CRYPTO:ETH](#)) gained 13% week on week to close higher at US\$1,957. The world's largest cryptocurrency, **Bitcoin**, climbed above US\$24,000, although its weekly gain was only 5%.

Excitement is building, especially around ETH, because of its upcoming major network upgrade. **Solana** ([CRYPTO:SOL](#)) is a rapidly expanding blockchain that could compete with Ethereum. The Ethereum killer rose 12% in one week to US\$45.33.

While the positive sentiment is back, crypto analysts caution investors. No one is sure if a bull run is starting or if prices will collapse again. Some crypto experts say August is historically a terrible month for Bitcoin and company.

Transition to a lower cost, scalable model

Ethereum is still down 49% year to date but has already topped US\$2,000, at one point on Friday night. The primary reason for the rally is the coming transition to "Merge" or a more efficient proof-of-stake (PoS) blockchain. The final test or dress rehearsal was successful last week, so the launch is a go in mid-September 2022.

The adoption of the PoS model is a shift away from an energy-intensive proof-of-work (PoW) consensus mechanism. Core developers said the PoS consensus algorithm would reduce energy consumption by as much as 99% and, therefore, should enhance overall network efficiency. Another notable benefit is that the more efficient PoS blockchain will hopefully reduce transactional costs.

Merge, or Ethereum 2.0, should boost the value of the second-largest cryptocurrency in the world. ETH bulls contend that it could dethrone BTC as the king of the crypto universe. Some crypto experts went further by saying that after the launch, Ethereum will have lower inflation than Bitcoin.

Moreover, researchers think that growth in user adoption on the upgraded Ethereum network will accelerate as the main chain for decentralized finance (DeFi) applications (DApps) becomes the centre of the DeFi economy. However, it can only scale and upstage Bitcoin if it significantly reduces sky-high transaction fees.

Eco-friendly with security risk

Solana is dubbed as an Ethereum-killer because it has the same features. The smart contract platform also promises scalability, high speeds, and low transaction costs. Apart from lower fees, Solana can process transactions at a blistering speed. This crypto leverages the Proof of History (PoH) consensus mechanism and other breakthrough innovations to achieve high levels of scalability.

Likewise, SOL is an eco-friendly blockchain as it has been using a PoS consensus mechanism to validate transactions. However, on a year-to-date basis, the crypto's loss is 73%. As of August 12, 2022, the price is US\$45.33 compared to its all-time high of US\$258.93 on November 6, 2022.

Unfortunately, a recent cyber-attack hurt the crypto and posed a digital security risk. Hackers raided Solana wallets and stole US\$8 million from users. Slope, a crypto wallet for Solana users, conducted internal investigations and audits on the brazen cyberattack. It insists there was no evidence that the Solana protocol or its cryptography was compromised.

Not a sign of recovery

The recent price surges are most welcome to crypto investors, but it doesn't mean that recovery is underway. Some crypto experts warn that prices could fall further before a sustained recovery happens.

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