



Cryptocurrency Investors: Should You Buy Cardano in September?

Description

The [cryptocurrency market](#) has lost significant momentum in the first eight months of 2022. Several digital assets have lost close to 60% in market value year to date. But there can be more pain ahead for investors considering September has historically been the worst month for cryptocurrencies.

Between 2013 and 2021, **Bitcoin** ended lower six times in the month of September, with an average decline of around 7% in this period. But the “September Effect” is just an anomaly, and this trend should not concern long-term investors.

Given digital assets are trading at a steep discount compared to last November, I'll try to analyze if **Cardano** ([CRYPTO:ADA](#)) is a buy right now.

What is Cardano, and how does it work?

Valued at a market cap of US\$15.5 billion, Cardano is the eighth-largest cryptocurrency in the world. The blockchain network was created in 2017 and named after Gerolamo Cardano, a 16th-century polymath from Italy. It is a proof-of-stake blockchain platform, and the open-source project aims to redistribute power from unaccountable structures to individuals.

While the price of the ADA token is down 85% from all-time highs, it has still returned over 2,000% to investors in the last five years. So, if you are bullish on the cryptocurrency space, it makes sense to take a closer look at Cardano, which is making all the right noises.

Similar to **Ethereum** and unlike Bitcoin, Cardano is a programmable blockchain. So, you can create self-executing programs on its network called dApps (decentralized applications) that offer services such as lending and borrowing.

The Cardano ecosystem is expanding rapidly, and in 2021, the network was selected by the Ethiopian government to create a blockchain-based national ID system.

Another project part of the Cardano ecosystem is **Blueshift**, a decentralized exchange (DEX) and a

crypto asset management protocol. The protocol is based on an AMM (automated maker algorithm), which calculates exchange prices while controlling liquidity flows on the platform.

It uses portfolios to manage liquidity so liquidity providers can invest in tokens and acquire shares of the token portfolio.

Right now, there are 1,000 decentralized applications running on Cardano's blockchain network, showcasing the utility it offers to developers. It has massive potential, as the network can host enterprise-level solutions for companies across sectors such as finance, healthcare, real estate, and retail.

The Foolish takeaway

Investing in cryptocurrencies carries significant risks. While there are close to 21,000 cryptocurrencies in circulation, just a handful of them are going to survive over the long term. It's advisable to place your bets on blockchain networks that are poised to gain traction once the asset class gains widespread adoption.

It's difficult to value cryptocurrencies, but you can consider looking at the utility a blockchain network offers and the size of the developer community. Additionally, you need to invest as much as you can afford to lose in these digital assets.

As a rule of thumb, financial experts have maintained cryptos should not account for more than 5% of your overall portfolio. So, if you invest \$1,000 every month, contributions towards cryptocurrencies should be limited to \$50.

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Date

2025/08/15

Date Created

2022/09/04

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araghunath

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