



Is Enthusiasm Over the Ethereum Merge Overdone?

Description

Certainly, **Ethereum** ([CRYPTO:ETH](#)) Merge is one of the hottest topics out there in the [cryptocurrency](#) sector right now.

This morning, Ethereum surged more than 6% over the past 24 hours, as investors continue to price in expected gains following this upcoming merge. With Ethereum's mainnet well poised to merge with the proof-of-stake algorithm of Beacon Chain, expectations about token price growth are once again being highlighted by the market.

Now, it should be noted that previous excitement around this merge, which led ETH to breach the \$2,000 level in mid-August, has somewhat dissipated. Today, this token trades around \$1,650 (still well above its lows of less than \$900).

However, questions around whether the hype is deserved or not are real. Let's take a closer look.

Could the Ethereum merge result in a “flipping”?

The term “flipping” is an interesting one in the crypto world. Many have used this term to describe the point in time when Ethereum overtakes **Bitcoin** ([CRYPTO:BTC](#)) as the most valuable crypto. And while some indications from options markets suggest that a flipping could take place, it's not likely to happen for quite some time.

That said, enthusiasm around this merge took Ethereum on an incredible run in a couple months. From mid-June to mid-August, this token more than doubled from trough to peak. That's an impressive move in short order. (Only a few more double-ups would be needed to see Ethereum surge past Bitcoin, assuming muted performance on Bitcoin's part.)

Thus, this is a question of momentum. For now, momentum appears to be inching higher, though not in the parabolic fashion that many predicted. Perhaps much of this enthusiasm was front loaded. Perhaps some investors are wary of the potential for bugs during the merge. In any case, it's clear the crypto market is taking a more cautious and measured approach to this big catalyst right now.

Tornado Cash overshadowing Merge hype

The recent decision from the U.S. Treasury's Office of Foreign Assets Control (OFAC) to add the popular decentralized privacy solution Tornado Cash to its sanctions list has dampened excitement.

For those who are unaware, cybercriminals have used this app for money-laundering purposes. Regulators looking to stamp out nefarious activity, on the blockchain or otherwise, have focused in on this crypto tumbling service as enemy number one. Most in the crypto community aren't necessarily against such regulation.

That said, this drama has bled into Ethereum's valuation. That's because the crypto community has become concerned that centralized entities that stake ETH on the beacon chain may censor transactions coming from Tornado Cash (because they have to). Such censorship is against the principles of many in the Ethereum community, leading to an intriguing question of what will happen post-merge.

Bottom line

I think the enthusiasm around Ethereum Merge is warranted. Should this merge go off without a hitch, there's a lot to like about the improved efficiency of the Ethereum blockchain and the future growth prospects that come along with this upgrade.

That said, there are downside risks. It's important to acknowledge these. And perhaps this enthusiasm is overdone to some degree.

That said, I think Ethereum will be a token to watch from here. It's going to be a fun few weeks for this top crypto.

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