



## Should You Buy Ethereum After “the Merge”?

### Description

The [cryptocurrency market](#) reached new heights in 2021, as investors flocked to alternatives in the face of the ongoing COVID-19 pandemic. Digital currencies saw their valuations crater in 2022, as central banks around the world moved to rapidly raise rates in order to combat soaring inflation.

Today, I want to look at one of the top cryptos: **Ethereum** ([CRYPTO:ETH](#)). This crypto is experiencing major price movement after “the Merge.” Today, I want to look at Ethereum’s price movement in 2022. Moreover, we’ll explore what the Merge is and what it means for the second-largest crypto. Let’s jump in.

### How has Ethereum performed so far this year?

Ethereum rose to an all-time high of US\$4,891.70 during the big crypto bull run in late 2021. However, that momentum came to a crashing halt in late 2021 and early 2022. It fell to a 52-week low of US\$880.93 in July 2022. This crypto has plunged 60% so far in 2022.

**Purpose Ether ETF** ([TSX:ETHH](#)) was launched in April 2021. Shares of this [exchange-traded fund \(ETF\)](#) rose to an all-time high of \$21.63 last November. However, the ETF has plunged 64% in the year-to-date period. That has pushed the ETF into negative territory in the year-over-year period.

### What is the Merge?

Ethereum unveiled a software upgrade to its crypto platform this September. The upgrade, which is known as the Merge, was first announced all the way back in 2014.

The cryptocurrency market has attracted significant criticism for its energy inefficiency. Its rising popularity cast a bigger light on its growing carbon footprint. Ethereum was seemingly ahead of the pack in acknowledging this in its infancy. However, implementing this upgrade has been a long time coming. The world's runner-up to Bitcoin now hopes that it can regain momentum on the back of renewed goodwill.

Fortunately, the Merge appeared to proceed smoothly and is now completed as of Friday, September 16. The upgrade moves Ethereum away from a "proof-of-work" model, like the one currently used by **Bitcoin**, to one known as proof-of-stake. Proof-of-work requires significant computing power. The alternative method will reportedly make Ethereum 99% more energy efficient. Ethereum founder Vitalik Buterin boasted on **Twitter** that the upgrade will reduce worldwide electricity consumption by 0.2%.

Some Bitcoin backers argue that this new method goes against the founding principles of cryptocurrency. In any case, this upgrade will provide an interesting experiment as the top two cryptos are now using competing ecosystems. Investors should be interested in watching their evolution from this point onward.

## Can Ethereum put together another bull run?

Marion Laboure, a research analyst at Deutsche Bank, said in a note that this move could position Ethereum to act as "an alternative to bonds or commodities for institutional investors." This is due to the yields it offers as a reward for staking tokens to aid order transactions.

In the near term, it is hard to recommend Bitcoin or Ethereum. The interest rate-tightening path has put significant pressure on alternatives like crypto as well as precious metals like gold and silver.

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