

Assignment: Writing an argumentative essay

NFT hype is a bust

A non-fungible token (NFT) is a unique digital item on the blockchain, this digital item can be a video, photo, song, illustration, ... There are many different NFTs. The NFT consists of unique identification codes and metadata. Do not confuse NFTs with cryptocurrencies, because NFTs cannot be traded or exchanged at equivalency. Unlike cryptocurrencies, NFTs are a dying hype. But why is that?

12 Months after the NFT hype started, we started seeing that the interest in this project rapidly decreases. The monthly buyers went under 800,000 for the first time since the NFT boomed. The average NFT price went from 6,800 US dollars to 2,000 US dollars. Secondary sales dropped to 7,900 sales per day, which was a drop of 30,100 sales per day towards the peak of the NFT market.

This distorting effect have been felt across the entire NFT market, the data from the paragraph above shows us how the sales and prices dropped over 50%. The data from *Coin Market Cap* shows us how it dropped from a high of 23 billion US dollars to around 10 billion US dollars, losing half its value. If we take a quick look on Google Trends, we see that the term 'NFT' has a distorting effect since the peak in the end of January 2022.

The numbers are dropping because investors are getting out of NFTs and are investing into safer vehicles, this is because the prices for all risky investments are under pressure as the Federal Reserve raises interest rates. In other words, higher interest rates attract the investors to invest in safe investments. This ensures that marked of riskier investments is collapsing. But the statistic that is really concerning is the 25% increase in sales volume of NFTs. Put simply, people are trading more with falling prices which means investors are backing out of the NFTs. That is why we are seeing a big decline in the overall market value.

In 12 months the NFT hype started to lose interest from the investors, this is because the prices for all risky investments are under pressure as the Federal Reserve raises interest rates. In other words, higher interest rates attract the investors to invest in safe investments. This ensures that marked of riskier investments is collapsing. We noticed that the sales and secondary sales are dropping. we started seeing that the marked is collapsing. Therefore, the NFT hype is a bust.

Sources:

<https://onezero.medium.com/the-metaverse-and-nft-boom-is-about-to-go-bust-b63c52c37c94>

<https://www.curzioresearch.com/why-nft-prices-are-plunging/>

<https://trends.google.nl/trends/explore?date=2021-01-01%202022-11-13&q=NFT>