

## **Are cryptos a Good Investment?**

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### **Introduction:**

Blockchain is a technology based on a decentralized and public chain of operations blocks that generates a shared database secured by cryptographic proofs. This technology enables the existence of cryptocurrency among other things such as smart cloud storage and advanced identity management. Bitcoin is the name of the best-known cryptocurrency, the one for which blockchain technology was invented. A cryptocurrency is a medium of exchange, such as the US dollar, but is digital and uses encryption techniques to control the creation of monetary units and to verify the transfer of funds.

Cryptos' potential is becoming instrumental in offering financial services and to transform the traditional financial system means the associated challenges are attracting considerable regulatory attention. The focus is twofold: cryptos' possible impact on financial stability and the need to protect vulnerable customers, however, 2022 was already an awful year for crypto. Bitcoin prices are currently hovering around

\$16,500, down from a level of \$20,000 just a week ago. Still, even at \$20,000, that was a far cry from the price of just north of \$46,000 that bitcoin was trading at on the last day of 2021.

### **Methodology:**

Statistics regarding the Cryptos's growth are taken from different websites and this information was compared and analyzed in detail, dismissing the misleading information, between the team members.

Some of the consulted documents were:

- <https://publications.parliament.uk/pa/ld5802/ldselect/ldconaf/131/131.pdf> is an article from House of Lords publications that make publications including annual reports, business plans, and financials (Headley, 2022).
- <https://www2.deloitte.com/us/en/pages/audit/articles/corporates-using-crypto.html> is an article from Deloitte Touche Tohmatsu Limited which is an international professional services network based in London. It is the largest professional services company in the world and one of the big four auditors, along with PricewaterhouseCoopers (Davis, 2021).
- <https://ieeexplore.ieee.org/document/8751469>, this article offers a breakthrough understanding of the cryptocurrencies through the generated landscape which report the state of cryptocurrencies and can be used as a framework for cryptocurrency analysis (Li, 2019).

- <https://www.thomsonreuters.com/en/reports/cryptos-on-the-rise-2022.html>, is an article of Thomson Reuters Institute (Susannah Hammond, 2022).

### Findings:







*Graph 1, Bitcoin's price history.*

Graph 1 displays Bitcoin's price throughout different timeframes. Bitcoin's price fluctuations primarily stem from investors and traders betting on an ever-increasing price in anticipation of riches.



*Graph 2, Bitcoin's price the last year.*

Bitcoin prices have been notoriously volatile over the last year, as shown in Graph 2. Bitcoin reached a peak of \$63,558 USD on April 12, 2021, however by the summer of 2021, prices were down by 50%, hitting \$29,796 USD on July 19. September saw another bull run, with prices scraping \$52,693, but a large drawdown took it to a closing price of \$40,710 USD about two weeks later. Nowadays Bitcoin's price today is \$16,853.64 USD.

Name	Price (USD)	Market Capital (USD)
 Bitcoin	\$16,550.52	\$317,878,977,569
 Ethereum	\$1,229.04	\$150,402,468,079
 Tether	\$0.99892	\$66,361,645,945
 BNB	\$278.318	\$44,523,748,333

*Table 1, Top 4 Cryptocurrencies of 2022.*

The Table 1 shows the 4 most popular types of cryptocurrencies by the total dollar value of the coins in existence, this is, the market capitalization, as the first cryptocurrency listed, Bitcoin is the most popular and highly valued despite high volatility over the course of its history, it was initially created to be used as a digital payment system. The second cryptocurrency on our list is Ethereum, a decentralized software platform that enables smart contracts and decentralized applications. On third place, we found Tether, a stable coin and was one of the first cryptocurrencies to tie its value to a fiat currency, in this case the U.S. dollar, the last alternative on this list is BNB is the cryptocurrency issued by Binance, among the largest crypto exchanges in the world.

#### **Discussion:**

Like other currencies, products, or services within a country or economy, the cryptocurrency prices depend on perceived value and supply and demand. If people believe that the cryptocurrency is worth a specific amount, they will buy it, especially if they think it will increase in value.

In this article (Susannah Hammond, 2022), shows that Bitcoin's price should continue to rise if it continues to grow in popularity and its supply cannot meet demand. However, if popularity wanes and demand falls, there will be more supply than demand. Then, Bitcoin's price should drop unless it maintains its value for other reasons.

In view of (Li, 2019), the investors have also used it to store value and to hedge against inflation and market uncertainty.

#### **Recommendations:**

In conclusion, cryptocurrencies were designed to be used as a payment method, investors and traders have also started using them as an investment, but prices are found to be very unstable which means that significant amount of financial risk is created. It is best to speak with a professional financial advisor about your circumstances and goals before purchasing cryptocurrencies as an investment.

## References

Davis, T. (2021). *The rise of using cryptocurrency in business*.

Headley, L. B. (2022). Central bank digital currencies: a solution in search of a problem?  
*Economic Affairs Committee*.

Li, Z. a. (2019). A Landscape of Cryptocurrencies. In *2019 IEEE International Conference on Blockchain and Cryptocurrency (ICBC)*.

Susannah Hammond, T. E. (2022, February 14). Cryptos on the rise 2022. *Thomson Reuters Institute*.