

# What cryptocurrency is the best investment based on past year's performance?

## Benefit of the answer to the question

- By doing an analysis on this question, it will help potential investors and shareholders make better informed decisions and provide insights to help make better informed decisions. This will either ensure them which coin to invest in this year and which coin not to invest in.
- It will also help evaluate the risk vs the reward of investing in crypto currency.

## Type of analysis this is, and why

- This is a Prescriptive Analysis because it recommends courses of action that will help reap the greatest benefit for potential investors. It helps executives and managers make decisions based on available data.

## Data elements needed for the Analysis

- **List of cryptocurrencies-** a list of popular cryptocurrencies.
- **Price of each cryptocurrency-** to understand each starting bid on the cryptocurrency when it first was introduced to the stock market and how much it was last year
- **Market capitalization-** the market cap data for each cryptocurrency to assess its market value.
- **News and events-** The market of cryptocurrencies is sometimes influenced by technological advancements, partnerships or endorsements.

## Information on each data element.

### a) List of cryptocurrencies-

- Bitcoin (BTC)
- ETHEREUM (ETH)
- MEME COINS
- AI COIN

From the above cryptocurrencies only 2 became popular with less risks of investment and that is Bitcoin and Ethereum. Meme Coins and AI Coins only saw a huge increase and high market surge when they were first introduced but from that, the market share dropped drastically. And that is because most meme coins and ai coins were pump and dumps

schemes from social media celebrities. A pump and dump scheme is when the coin is hyped and advertised everywhere at the initial launch, causing the market surge to increase because of the number of people investing. When the price is high, the majority stockholders of the coin decide to sell all the coin at the high price the coin is now for- causing the market to crash and for the coin to be worth cents, and the people benefiting are the majority stockholders. From this point we will only focus on Bitcoin and Ethereum.

**b) Price of each cryptocurrency**

- Bitcoin (BTC):
  - opening price (January 1, 2024) – R300 000
  - closing price (December 31, 2024) -R504 000
- ETHEREUM(ETH)
  - opening price (January 1, 2024) – R21 6000
  - closing price (December 31, 2024) -R34 400

From the evaluation of historical price data on each coin we can see which coin had a huge market increase last year. It is Bitcoin which had a 68% increase just last year. To see if this was not luck or something that will only occur once. Let's look at the price of bitcoin when it was first introduced and how much it costs now.

- Bitcoin (BTC):
  - Opening price (May 2009) =R0 so we will use the price it sold for in 2010.
  - Opening price (May,2010) = R0.03
  - Let's look at it in a package manner. 10 000BTC was worth \$41 which at the time was R307,50.
  - Closing price (February 2024) = R504 000
  - 10 000BTC is now worth R5,040,000,000

- c) **Market capitalization-** to calculate market capitalization we multiply the current price (2024) by its circulating supply.

**Bitcoin (BTC)**

- **Price in 2024:** Around R504 000
  - **Circulating Supply** (as of 2024): Approximately **19.5 million BTC** (this is an estimate, as the total supply of Bitcoin is capped at 21 million, and around 90% has been mined).
- **Market Capitalization for Bitcoin (2024):**  
 $R504\,000 \times 19.5 \text{ million BTC} = \mathbf{R9.828 \text{ trillion ZAR}}$

**ETHEREUM(ETH)**

- **Price in 2024: R32,400**

- **Circulating Supply** (as of 2024): Approximately 120 million ETH.
- **Market Capitalization** for Ethereum (2024):  
 $32,400 \times 120 \text{ million ETH} = \text{R}3.888 \text{ trillion ZAR}$

#### d) **News and events (for Bitcoin)**

##### **Institutional Adoption and Investment**

- **Event:** Institutional investors and major companies showing increasing interest in Bitcoin have significantly impacted its price. For example, in 2024, **BlackRock**, the world's largest asset manager, launched a Bitcoin ETF, which greatly boosted investor confidence and contributed to Bitcoin's price surge.
- **Impact:** As institutions like **Tesla** and **MicroStrategy** bought more Bitcoin, the demand increased, leading to price rises.

##### **Regulatory Developments**

- **Event:** In response to the global push for cryptocurrency regulation, some countries started introducing clearer frameworks. For example, **the European Union's Markets in Crypto Assets (MiCA)** regulation is set to provide more clarity.
- **Impact:** Regulatory news tends to have both positive and negative effects on Bitcoin. Positive regulation boosts investor confidence, while harsh regulatory moves (like in China) can cause market pullbacks.

##### **For Ethereum**

##### **Ethereum 2.0 (The Merge)**

- **Event:** The transition from Proof of Work (PoW) to Proof of Stake (PoS), known as the Ethereum 2.0 upgrade or "The Merge," took place in September 2022. However, the after-effects of this upgrade continued into 2024.
- **Impact:** This upgrade reduced Ethereum's energy consumption and made the network more scalable and secure. The anticipation of this event significantly increased Ethereum's value, as investors expected reduced inflation rates of ETH (due to staking)

##### **The Rise of Layer-2 Solutions**

- **Event:** Layer-2 solutions (such as Optimism and Arbitrum) were introduced to enhance Ethereum's scalability by moving transactions off the Ethereum main chain.
- **Impact:** These solutions have helped improve Ethereum's throughput, making the network more efficient and less costly. As more projects were built on Ethereum, the demand for ETH increased.

## DATA FOUND:

- ❓ **CoinMarketCap (<https://coinmarketcap.com>)** – Offers historical data on cryptocurrency prices, market cap, and trade volumes.
- ❓ **Yahoo Finance (<https://finance.yahoo.com>)** – Provides historical price data and charts for cryptocurrencies.
- ❓ **Kaggle (<https://www.kaggle.com/datasets>)** – A great resource for open datasets, including cryptocurrency-related data.
- ❓ **CryptoCompare (<https://www.cryptocompare.com>)** – Offers cryptocurrency historical data, price charts, and more.
- ❓ **Binance API (<https://www.binance.com/en>)** – If you have technical expertise, the Binance API allows access to real-time and historical cryptocurrency data.
- ❓ **CoinGecko (<https://www.coingecko.com/en>)** – Another platform offering extensive data, including historical performance and other metrics.

## CONCLUSION

Based on my analysis of Bitcoin and Ethereum, investing in cryptocurrencies depends on both the amount of capital you have and your willingness to wait.

Investing in Bitcoin requires a significant amount of money and a high level of patience. It is essential to analyze the market carefully and remain committed to the investment, even during periods of decline. Historically, from 2010 to 2024, Bitcoin has experienced fluctuations, but it has consistently rebounded from its low points.

Ethereum follows a similar pattern. However, based on the data and information I have gathered, Ethereum is likely to continue increasing in value. While Bitcoin has already reached a high price point and may eventually stabilize, Ethereum is still growing steadily. Therefore, investing in Ethereum may be the better option for long-term growth.

