

The good, the bad, and the ugly

1 message

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Fri, Dec 16, 2022 at 2:08 PM

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Crypto: The good, the bad, and the ugly

In the final edition of BetterBlocks in 2022, we'll look at the good, the bad, and the ugly in crypto over the past year (and what we can learn from it).

The Good

What happened?

- ✓ President Biden [issued](#) a crypto executive order
- ✓ The Ethereum [Merge](#) finally happened
- ✓ Mainstream [brands](#) continue to build and experiment with crypto

What does it all mean?

Crypto, in some shape or form, is here to stay for the long term. Established global brands and regulatory agencies getting involved in crypto is a good sign that blockchain technology and cryptocurrencies are maturing.

Additionally, it's not every day that the President of the United States issues an executive order on "addressing the risks and harnessing the potential benefits of digital assets." This was a big step forward for the industry.

And with the Ethereum Merge finally happening, crypto's second largest blockchain ecosystem is now more scalable and environmentally-friendly. Plus, did you know that big brands like [Starbucks](#), [Warner Music](#), and [Instagram](#) are building on the Ethereum-based Polygon platform? It's all connected.

The Bad

What happened?

- ✓ Crypto (and the rest of the investing world) entered a [bear market](#) in 2022
- ✓ [Bitcoin and Ethereum](#) traded below their all-time high prices that were set in the previous market cycle (2017/2018)

What does it all mean?

After seeing ballooning crypto asset values in 2021, the post-pandemic inflation surge led central banks to hike interest rates. We learned that crypto prices did not behave like gold (as a store of value), and instead acted like a risky asset, with investors losing much of their appetite for crypto.

For the first time ever, both Bitcoin and Ethereum prices dropped below their all-time high prices from the previous market cycle. With such large price decreases during the 2022 crypto bear market, it was deemed the “[worst in history](#)” by some reports.

For the near future, we’ll most likely continue to see crypto have some correlation with the larger macro markets.

The Ugly

What happened?

- ✓ Collapse of the algorithmic stablecoin [TerraUSD](#)
- ✓ The ongoing [FTX debacle](#)

What does it all mean?

We learned that algorithmic stablecoins are most likely not going to survive—at least in their current form. To learn this, it took the explosion of TerraUSD, a digital token whose value was supposed to be pegged to the United States dollar using algorithms. When TerraUSD collapsed, it led to companies going bankrupt and small investors losing their deposits. In contrast, other forms of stablecoins have survived such as fiat-collateralized stablecoins which maintain a reserve of a fiat currency such as the United States dollar.

The ugliest of all in 2022 was the FTX debacle. Without needing to go into details, much of the world lost trust in crypto (and rightfully so). But as bad as the FTX situation was, crypto and blockchain still present huge potential value as a technology as we've seen by the big brands investing in its future.

For crypto investors, trust is now front-and-center, and here at Betterment we are committed to building trust. We believe investors should look for crypto platforms that:

- ✓ **Are regulated in the United States** (for example regulated by the New York Department of Financial Services or the SEC)
- ✓ **Hold full reserves** (meaning you can withdraw your funds at any time [like at our custodian Gemini](#))
- ✓ **Whenever possible, are a fiduciary** (that means required to act in the best interests of customers, [like us at Betterment](#))

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