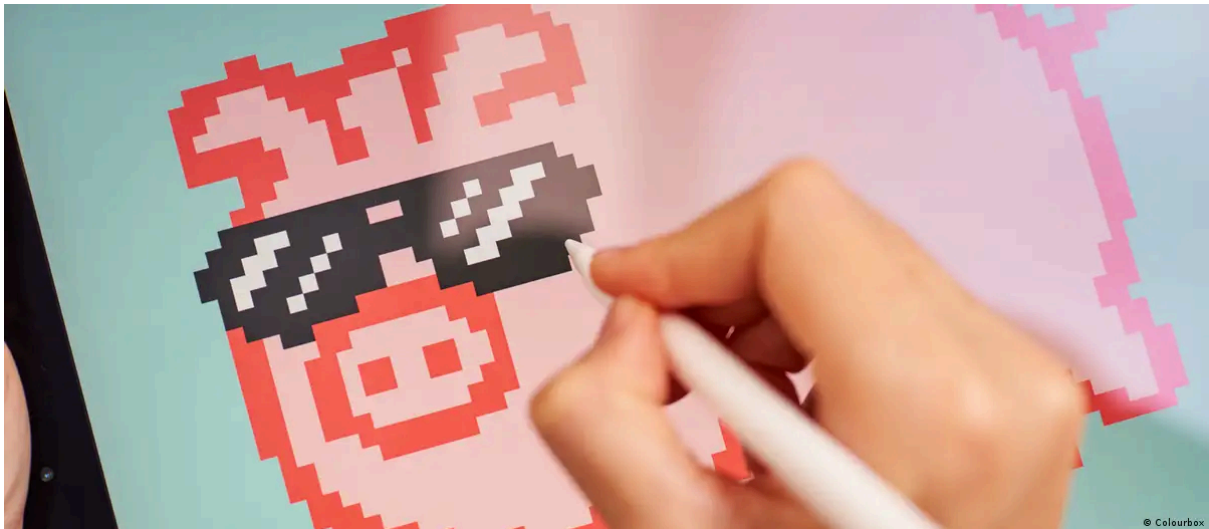


Flexiple

The Fall of NFT: Unravelling the Boom and Bust

The digital assets known as NFTs were fascinating to everyone, and their value soared before plummeting just as precipitously. Could they rise again, or were they just fool's gold?



The NFT market experienced a meteoric rise in 2021, with a peak monthly trading volume of \$2.8 billion in August of that year.

However, the boom was not sustainable, and the market began to crash, leading to a significant drop in NFT prices and sales. By September 2022 trading volumes had fallen by a gigantic 97%. This article will explore the factors that contributed to the NFT crash and discuss the potential future of the NFT market.

What exactly are NFTs?

One way to establish distinct "ownership" of digital assets on the blockchain is with non-fungible tokens. Different from a "fungible" item, like a \$5 bill, which is identical to every other \$5 bill, a "non-fungible" item is one-of-a-kind.

A thing's value isn't necessarily determined by how unique it is. Due to the immutability of digital assets, an NFT serves as a receipt for a service that others can obtain for free. This seems like a questionable foundation for worth.

Bored Apes (April 2021) and CryptoPunks (June 2017) are the two most popular sets of NFTs among traders.

Each set includes 10,000 distinct people with similar features but varied hairdos, caps, skin tones, etc. It appears that Jamie Hewlett—the artist responsible for Tank Girl and Damon

Albarn's virtual band Gorillaz—was the inspiration for the Bored Ape figure. Even less intriguing are the CryptoPunks.

Factors Contributing to the NFT Crash

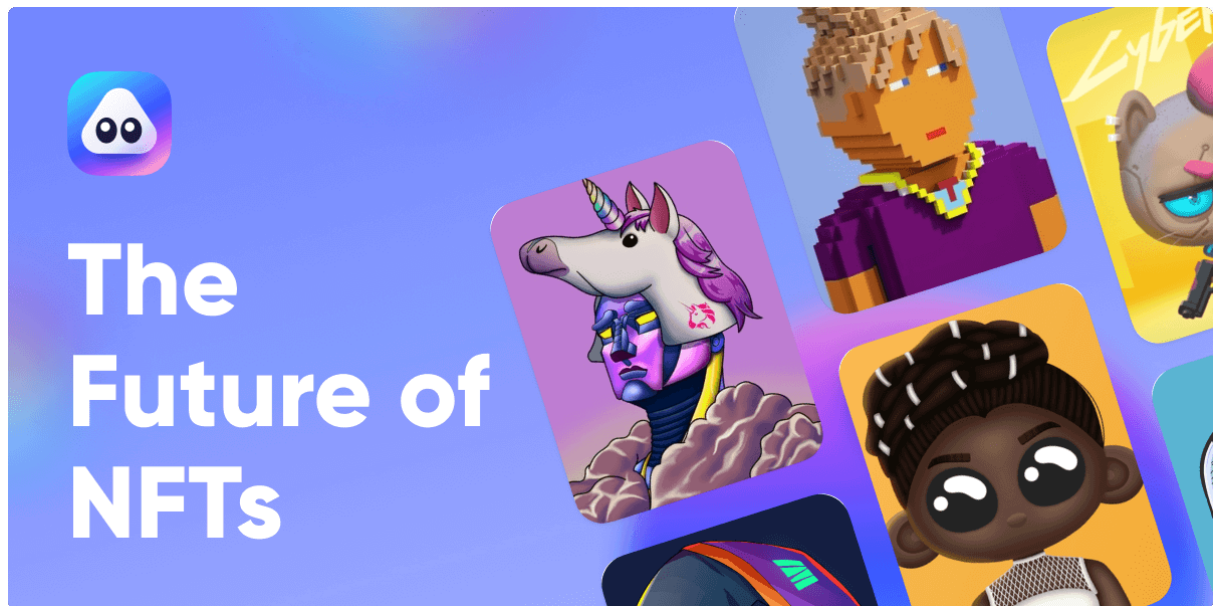


Many people were skeptical of NFTs right from the beginning. He famously stated that they were "100% based on the 'greater fool theory'"—the belief that one may profit from buying overpriced, essentially useless assets as long as another "greater fool" comes along and pays even more.

In a seemingly allusion to the Bored Ape collection, Gates said, "Clearly, costly digital images of monkeys are going to improve the world immensely."

1. Supply and demand: The rapid increase in the number of NFTs available led to a decrease in their quality and originality, causing the market to lose its appeal.
2. Cryptocurrency market crash: The NFT market is closely tied to the cryptocurrency market, particularly Ethereum. The crash of cryptocurrency prices, including Ethereum, in 2022 had a significant impact on the NFT market.
3. Market volatility: The NFT market is highly volatile, subject to fluctuations in cryptocurrency prices and susceptible to scams.
4. Lack of utility: Many NFT projects lacked utility and innovation, leading to a loss of interest in the market

The Future of NFTs



Despite the crash, the NFT market is not dead. It is evolving and finding new ways to survive and thrive. Some potential future developments in the NFT market include:

1. Shift towards utility-based NFTs: The market is moving away from NFTs based solely on digital art and towards those with tangible rewards, real-world applications, and social impact
2. Integration with traditional industries: As the NFT market matures, it is expected to integrate with various industries, such as art, gaming, and real estate.
3. Increased regulation and security: The NFT market is likely to face more regulatory scrutiny and security measures, reducing the risk of scams and fraud.
4. Rise of new marketplaces: As the market evolves, new marketplaces and platforms are expected to emerge, offering better services and experiences for buyers and sellers

In conclusion, the NFT market has experienced a significant boom and subsequent crash, but it is not the end of the road for this technology. Instead, the market is evolving and finding new ways to survive and thrive, with a focus on utility, integration with traditional industries, and increased regulation and security. As a developer or investor, staying informed about the latest developments in the NFT market and understanding its potential applications and challenges can help you make better investment decisions and leverage the power of NFTs in your projects.

References

- <https://www.dw.com/en/nft-sale-has-the-market-bubble-truly-burst-but-do-they-have-a-future/a-67599615>
- <https://www.investing.com/news/cryptocurrency-news/is-the-nft-market-coming-to-an-end-2817313>
- <https://www.forbes.com/sites/digital-assets/2023/11/13/the-future-of-nfts-will-the-market-revive-in-2024/?sh=6158821d4c8d>
- <https://theconversation.com/are-nfts-really-dead-and-buried-all-signs-point-to-yes-214145>

Why I choose this

One of the primary reasons I was interested in this topic as during lockdown I was eagerly looking for investing some stipend I have earned in high returning assets. Crypto and NFTs were in the headlines with even Eminem buying Ape NFT. It was interesting to see a blend of art and tech.