

The Times They Are A Changin'

As Bob Dylan Enters the Non-Fungible Token Market (NFT), Should You Buy NFTs?



At the Newport Folk Festival in Rhode Island in July 1965, a young folk singer surprised festival-goers when he showed up on stage and plugged in an electric guitar.

The crowd, classic folk acoustic music fans, were disgusted by the loud sound of rock and roll and booed the singer throughout the show.

The name of that singer was Bob Dylan. He changed folk music forever by going electric.



Since then, Dylan has continually reinvented himself in the same way by pushing traditional limits.

Dylan also changed how music was made. Back then, record labels hired authors to write songs for singers, keeping most of the royalties in their own closed loop.

Dylan, however, wrote and sang his own songs. This influenced everyone, from the Beatles to the Rolling Stones. Dylan became a symbol of the artist who owns his art.

It is this concept that is the very soul of Non-Fungible Tokens (NFTs).

Over the past couple of years, Universal Music Group (UMG) and Sony Music Group (SMG) have jointly splashed out over half a billion dollars on Bob Dylan's copyrights.

UMG spent somewhere close to \$400 million on his song catalog in 2020, while SMG bought his recorded music rights for more than \$150 million in 2021.

Now, the two global enterprises are partnering on an NFT project called 'Snowcrash' to further those purchases and find new ways to further own the art, with direct involvement from Bob Dylan himself, clearly bucking the trend that says technology favours the young.



A Quick Introduction to NFT's

Simply put, an NFT is a unit of data stored on a blockchain, - a database of transactions organised without the need for a central trusted authority.

Because they rely on blockchain technology, NFTs have attributes that are attractive to buyers.

The provenance of every token is tracked on the blockchain, which provides proof of authenticity, as well as ownership, of the token.

Moreover, blockchains make NFTs accessible. Their code is freely available, and anyone who has access to the internet can use the technology.



In recent years, NFTs have become popular in art, music, gaming, sports and entertainment.

Indeed, an NFT representing a piece of digital art by artist Beeple, called "Everydays - The First 5000 Days," sold at a Christies auction for a staggering \$69 million last year!

So, Should You Invest In NFTs?

NFTs are another facet of the recent crypto boom. Over \$17.6 billion worth of NFTs was traded in 2021 according to <https://nonfungible.com>. That's an increase of more than 21,000% on 2020. And it's just one of the reasons people are wondering if they should buy NFTs.

As previously mentioned, you can buy NFTs in art, music, sports trading cards, virtual land, and in-game collectibles. You can even buy NFTs for real-life collectibles, but they are less common.

If something's fungible, it's interchangeable with another item of the same type. For example, a £10 note could be swapped for another £10 note - Or for two £5 notes. In contrast, an original piece of art or a signed first edition of a book is non-fungible. it is unique.

The information recorded in an NFT essentially lets a creator digitally "autograph" their art. So even if an image or piece of music has been shared hundreds of times, if you buy the NFT, you're buying something unique. Each token is recorded in an immutable ledger, using the same blockchain technology that's behind various cryptocurrencies.



Again, as with cryptocurrencies, the biggest risk when buying NFTs is the volatile and unpredictable nature of this new market.

People are also worried about the high levels of energy consumption involved. Blockchains are not environmentally friendly!

Additionally, for all the experts who say that NFTs are here to stay, there are many who question the market's longevity and see it as a bubble.

The difficulty in markets like this, where people are willing to spend crazy money on crypto-anything, regardless of whether there's substance to it, is how to find the good long-term investments. If you're not involved with or have experience in the particular world of any specific NFT, that will be extremely challenging to assess its value.

Also remember that when you buy an NFT, you will probably not own the copyright to that art.

In many cases, the artist retains the copyright and can claim royalties when the item is sold. Some NFT buyers haven't understood this, and buy in the belief they'll be able to do as they please.

Thinking about it in a non-digital way, if you bought an autographed copy of a book, you would not assume you owned the copyright to that book. It is the same with NFTs. Each token contains something called a smart contract, which sets out what rights the NFT owner has.



For example, the NBA Basketball Top Shot collectibles contain limited permissions for the owner to share and display their NFT for non-commercial use only.

You need to be sure you understand what terms are involved before you buy.

To Conclude

Whilst these issues are all solvable problems, the industry is at such an early stage, it is not yet clear what the solutions will be, or if they will protect early NFT adopters.

Buying an NFT right now is incredibly risky.

NFTs are a volatile part of the already volatile cryptocurrency market. I discussed the topic in an article last year. Moreover, even traditional art and collectibles are hard to value, and difficult to invest in if you don't understand the market.

It is never a great idea to invest because you're scared of missing out on an opportunity. The same applies to NFTs .

Indeed, it only makes sense to start considering investing in NFTs if you can tick all of these boxes:

- You understand the underlying traditional market of the NFT that you are interested in.
- You are already a collector of such items.
- You are not just trying to make a quick profit, and you see long-term value in the investment.

Finally, you should only invest in NFTs if you have sufficient emergency funds set aside, you are on target with your retirement planning, and you have a little spare money you can afford to lose should it be “just a bubble”.

There's certainly a chance that the NFT market will grow and any NFTs you buy will appreciate in value over time - But before you buy, ask yourself if you want to bet your hard-earned money on the high probability that your NFT investment will fail.