



Crypto Crash: Why Bitcoin, Doge and ETH Are Falling

Description

The crypto market is in the midst of a major crash. As of this writing, Bitcoin was down 50% from its April high, and other cryptocurrencies were down more than that. Dogecoin in particular got hit extremely hard, falling 70% from its all-time high. In this article, I'll explore several reasons why crypto is crashing—and what investors can do about it.

China regulations increasing

The biggest thing that happened before the most recent crypto crash is China cracked down on it. Last month, China added new crypto regulations, including bans on banks facilitating crypto transactions. This month, it announced that it was cracking down on mining as well. This action immediately preceded the ongoing crash, making it a likely culprit.

Elon Musk's influence waning

Another possible contribution to the current crypto crash is Elon Musk's waning influence. This year, **Tesla** stock has fallen 30% from its all-time high, stripping Musk of his title as the world's richest person. Tesla's losses also appear to have also contributed to a decline in Musk's influence.

A *Google Trends* search reveals that searches for Elon Musk peaked in the week of May 9 to May 15. They've declined 87% since then. A person's popularity in Google searches is a pretty good proxy for their influence, so perhaps Musk's clout is diminishing. This thesis is further corroborated by the fact that Musk's latest statement on Bitcoin was positive, saying that [Tesla might start accepting it again](#)—yet it didn't prevent the crash.

Effect on stocks

The ongoing crypto crash is not just affecting cryptocurrencies. It's also affecting stocks that make their money off crypto.

If you look at the Canadian crypto stock **HIVE Blockchain Technologies** ([TSXV:HIVE](#)), you'll see that it has been getting absolutely rolled. Its price is down 60% from its all-time high and is only up very slightly for the whole year. This is about what you'd expect to happen to a crypto mining stock like HIVE in this environment.

It makes its money by mining and selling Bitcoin and Ethereum. This business boomed during the crypto rally but is probably faltering now. In the two most recent quarters it reported, HIVE posted strong revenue growth, positive profits, and high margins. All that will reverse if crypto keeps tanking. So HIVE is taking a beating right now.

It's a similar story with the larger crypto firms like **Coinbase** ([NASDAQ:COIN](#)), **Galaxy Digital**, and **Voyager Digital**. These companies are all deeply involved in crypto and are all getting hit hard in the markets. Coinbase, for example, is down 3.74% for the day so far, and 35% from its Initial Public Offering (IPO) price.

As a company that operates a cryptocurrency exchange, Coinbase is going to have a hard time thriving in a [prolonged crypto bear market](#). Initially, it may profit from all the panic selling going on, but when the market stabilizes, it will have a lower transaction volume to collect fees on.

Foolish takeaway

What a wild year it has been for crypto. After reaching new and unheard-of heights, cryptocurrencies have shed their gains in record time. All the notable "coins" are way down from all-time-highs. Some are down as much as 70%. Who knows where all this is headed. But it's beginning to look like 2018 all over again.

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