



Crypto Crash: Bitcoin Falls as Dogecoin Rises

Description

Crypto resumed its crash last night, following a brief rally the day before. Over 24 hours, Bitcoin fell 0.56% while Ether fell 1.56%. Dogecoin, surprisingly, actually rose 9.5%. At the time of this writing, the three cryptocurrencies mentioned were in an upward trajectory; Bitcoin was close to erasing its losses for the 24-hour period. In this article, I'll explore the overnight action in BTC, ETH, and DOGE, and whether we are in a crash or a recovery.

Why the divergence?

One thing that set the most recent 24-hour crypto moves apart from the preceding month was the divergence. Bitcoin and Ethereum fell while Dogecoin and XRP rose. It's not immediately clear why that was the case. Cryptocurrencies are generally pretty strongly correlated with each other, so the action over the last 24 hours has been a little unusual.

One possible explanation is the fact that these coins are owned by different types of investors. Bitcoin and ETH have seen massive institutional adoption over the past year, being owned by countless hedge funds, ETFs, and corporations. DOGE, however, is still mainly owned by the kinds of investors who made up the "early adopters" of cryptocurrency — that is, younger, individual investors.

These two categories of investors couldn't be more different. The former are looking to deliver superior risk-adjusted returns for clients, while the latter are crypto "true believers" who'll hold no matter what. So, perhaps the crypto millennials are simply being less risk averse than the hedge fund managers are, leading to better returns for the coins they hold.

2018 all over again?

With crypto [crashing as hard as it has been this week](#), it's natural to wonder whether we're in another 2018 type of situation. Certainly, many people think we are. Recently, Michael Burry (of *Big Short* fame) took to **Twitter** to opine that Crypto and meme stocks were headed for the mother of allcrashes. His take was prescient, as crypto proceeded to crash immediately afterward.

If Burry is right, then another 2018 scenario may be upon us. Indeed, the [damage can already be seen in crypto funds](#) like **Purpose Bitcoin ETF** ([TSX:BTCC.B](#)) and stocks like **Coinbase Global**. This time around, crypto is deeply entangled with public equity markets, which may be cause for concern. Funds like BTCC.B and major companies like Coinbase and **Tesla** are heavily invested in crypto, and if they sell off, they'll wipe out significant amounts of investor wealth. It's not just individual investors that invest in these stocks and ETFs. S&P 500 ETFs are heavily exposed to Tesla, and funds of funds may hold BTCC.B. So, if Bitcoin keeps collapsing, *all* investors could be in for significant losses.

Foolish takeaway

2021 has been a wild year for crypto. After soaring to all-time highs, cryptocurrencies crashed, sparking panic and confusion. Today, they are possibly headed for a 2018-type scenario with +80% losses. Already, Bitcoin is 50% off its all-time high. If it loses another 10%, it will have erased its gains for the years. Who knows what the future holds? But one thing is always true: if you're going to invest in crypto, proceed with caution. The risk of loss is immense.

CATEGORY

1. Investing

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1. TSX:BTCC.B (Purpose Bitcoin ETF)

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Author

andrewbutton

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