



Cryptocurrency Crunch: Why Inflation Could Lead to a Rebound

Description

The cryptocurrency market hasn't been immune to today's [market pullback](#) on the **TSX**. **Bitcoin** ([CRYPTO:BTC](#)) is down 45% since all-time highs, and **Ethereum** ([CRYPTO:ETH](#)) similarly lost about half its value.

However, there has been some very positive movement in the last day or two. In fact, both Ethereum and Bitcoin are up about 10% from the previous day as of writing. Why? One answer could be inflation and news of interest rates rising from the U.S. Federal Reserve.

Interest rates rise coming

The Federal Open Market Committee (FOMC) will meet starting on Tuesday, with the big discussion being interest rate increases. Every analyst out there expects an increase in interest rates, with the U.S. Federal Reserve trying to hold back inflation.

In Canada, last month we saw a 4.8% increase in inflation, according to Statistics Canada. In the U.S., inflation rose a whopping 7%. For Canada, that's the highest since 1991, and in the U.S. the highest since 1982! As for interest rates, it's the first time the Fed will likely raise them since 2018, and there are multiple increases expected this year.

One way to protect yourself? Taking advantage of today's drop in cryptocurrency.

Cryptocurrency as long-term defense

Right now there are so many stocks on sale. But Bitcoin and Ethereum are some of the best ways to protect yourself in the decades to come from times like these. While the U.S. dollar is strong now, some analysts argue that may no longer be the case in the coming decades. That is why cryptocurrency offers a strong alternative.

Having a coin that can be used anywhere in the world offers you a chance to use today's fall in price to

bulk up. As the market rebounds, and companies invest in cryptocurrency once more, you can use these coins decades from now no matter what happens in the future.

What about stable coins?

One argument I've seen is that stable coins could also provide [protection](#). These are coins that are directly tied to a currency, such as the USD. And granted, this could be a strong year for the USD as the market rebounds. Therefore you would get some increase in demand for stable coins pegged to the USD.

But the flip side is that this is not a long-term solution. The USD is losing steam compared to other countries, and indeed other monetary assets such as cryptocurrency. So if you're looking for defence on a [long-term basis](#), then stable coins no longer offer that protection. Instead, they could rise this year, but fall over time should the USD no longer be the world's dominant currency. After all, no one can see the future.

Foolish takeaway

See today's market pullback as an opportunity to get in on the strongest in the cryptocurrency world. Buying up Bitcoin or Ethereum, some of the biggest names in the game, could still have you reach all-time highs even this year. But long-term, they could offer you substantial protection from another market crash like this, no matter what country you live in.

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