



## 2 Important Ratios That Could Help You Analyze Bitcoin Prices

### Description

The cryptocurrency market has [experienced a sustained selloff](#) after touching record highs in November 2021. Several digital tokens, including **Bitcoin** ([CRYPTO:BTC](#)), lost 50% in market value in just over two months. At the time of writing, the price of one BTC token is US\$37,800, which is 45% below all-time highs.

Unlike equities, it's quite difficult to value cryptocurrencies. You have a tonne of ratios (fundamental and technical) that can be used to analyze if a particular stock or sector is undervalued or overvalued. But the data available for Bitcoin and other cryptocurrencies are limited.

However, in this article, we take a look at two technical ratios that can be used to predict Bitcoin prices in the future. Bitcoin remains the largest [cryptocurrency](#) in the world, valued at a market cap of US\$717 billion, accounting for 40% of the total crypto market.

### Net unrealized profit/loss

The net unrealized profit/loss, or NUPL, metric is the difference between unrealized profit and unrealized loss that allows you to determine if the cryptocurrency network as a whole is in a state of profit or loss.

The NUPL score for the BTC token currently stands at 0.36, which suggests 36% of the total Bitcoin market cap is held as an unrealized profit while around 64% is held as an unrealized loss. So, a value below zero suggests the network is in a state of loss, and vice versa.

Looking at past data, the NUPL score was negative multiple times. For example, the NUPL ratio for the Bitcoin network stood at -0.16 in February 2012, -0.04 in October 2014, -0.35 in February 2015, -0.43 in December 2018, and -0.04 in March 2020.

While not yet negative, the current NUPL score suggests a low profitability level, which should be expected in an early phase bear market cycle.

## MVRV-Z Score

The [MVRV ratio](#), also known as market value to realized value, is a multiple of Bitcoin's market cap to its realized capitalization. So, it gives you an idea if BTC prices are below or above fair values.

If there are significant deviations in the MVRV score, it might help you time Bitcoin highs or lows. The market cap is the current value of total Bitcoin supply and realized cap is the cost of value stored in Bitcoin.

An MVRV-Z score of more than 3.5 suggests Bitcoin is well into bull market territory and might experience a pullback. Alternatively, a score below one suggests the supply is held at a loss. Right now, the MVRV-Z score is just over one and was 0.95 earlier this week. The last time the MVRV-Z score for BTC was negative was back in March 2020.

## Will Bitcoin gain pace in 2022?

We can see that while Bitcoin is an early to mid-stage bear market, there is a chance for prices to decline further. BTC prices have corrected by more than 80% several times in the past, where the MVRV-Z score and NUPL ratios turned negative. Right now, both these ratios, while significantly lower, are still trending in positive territory.

Investors with a high-risk profile can look at purchasing BTC at every major dip and should consider the above ratios if prices fall further.

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