



## Bitcoin: 3 Reasons to Stay Away in February

### Description

**Bitcoin** ([CRYPTO:BTC](#)) put together a [tremendous run](#) in 2021, running in stride with a red-hot North American stock market. Moreover, the world's top digital currency also drew crucial mainstream endorsements. This even came from payment processors like **PayPal**. Meanwhile, big banks like **JPMorgan** also started to embrace the top [cryptocurrency](#), albeit in a limited fashion for high net worth clients. Better yet, last year saw the launch of some of the very first Bitcoin-oriented exchange-traded funds (ETFs). Canada led the way with the launch of **Purpose Bitcoin ETF** ([TSX:BTCC.B](#)).

That momentum has ground to a halt in 2022. The spot price of Bitcoin plunged below the US\$40,000 mark for the first time since early August 2021. At the beginning of this week, the crypto market had wiped out \$1.4 trillion in value from its peak. Many investors, especially newcomers to the [crypto space](#), are feeling that pinch. Shares of the Purpose Bitcoin ETF have plunged 22% so far this year.

Today, I want to look at three reasons investors should steer clear of Bitcoin and the broader crypto market after a very choppy January. Let's jump in.

## Interest rate hikes are set to arrive in March

Bitcoin and its peers in the crypto space have benefited from roaring liquidity since the start of the COVID-19 pandemic. However, this environment has also given rise to inflation rates not seen in decades in Canada and the United States. Central banks have stated their intention to undergo rate tightening in order to combat rising inflation.

On January 26, the BoC elected to hold its benchmark interest rate at 0.25%. However, policymakers signaled that rate hikes would be forthcoming in the months ahead. Meanwhile, the United States Federal Reserve also held a policy meeting between January 25-26. The Fed also elected to stand pat while telegraphing more rate hikes in the future.

The crypto space has not responded well to the impending threat of rate hikes. Bitcoin and its peers may be in for more volatility when central banks finally make the upward move.

## Bitcoin is drawing unwanted attention from policymakers

The recent bout of volatility has drawn the attention of major policymakers in Canada, the United States, and around the world. In the U.S., the Biden administration has voiced its intention to draft an executive order targeting the crypto market in the weeks or months ahead. This order could be drafted as early as February.

Under current U.S. laws, there is no comprehensive legal framework for digital assets or the regulation of crypto exchanges. During previous Bitcoin runs, regulatory pressure has played a role in influencing its price. A Biden executive order could generate further downward pressure for Bitcoin and its peers in the first half of 2022.

## Bitcoin's carbon footprint is under a microscope

Bitcoin has also attracted criticism on the environmental front. Crypto miners generate a large carbon footprint that has only worsened with the crypto space rising further into the mainstream. This could create more incentive for regulator pressure going forward.

### CATEGORY

1. Cryptocurrency
2. Investing

### TICKERS GLOBAL

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

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