



What's Behind Bitcoin's Volatility Recently?

Description

The recent price action witnessed among some of the top cryptos, including **Bitcoin** ([CRYPTO:BTC](#)), has undoubtedly put investors on the edge of their seats. The high correlation among some top [cryptocurrencies](#) and higher-risk equities in previous weeks seems to be a fundamental driver of this underperformance.

While Bitcoin is often viewed as a market hedge or a hedge against inflation, this thesis is starting to wane. Will this continue? Let's take a look

A thesis on what's recently happening around Bitcoin

The Nasdaq has moved materially lower after some underwhelming results from mega-cap companies such as **Meta Platforms** and **PayPal** over the last few days. These moves, along with higher inflation numbers and surging interest rates, have hit risk assets, particularly in the equities market, hard.

However, cryptocurrencies like Bitcoin have also followed suit. Capital flows into risk assets in the stock and crypto markets appears to be mirroring each other closely. This higher correlation is something Bitcoin and its crypto peers haven't really seen in pre-pandemic years. However, since the onset of this dovish monetary policy stance, it's clear that capital flows have mattered much more than other factors in the crypto world.

Other risks such as the second-biggest hack in crypto history have put investors at edge. Accordingly, investors have a lot to digest when it comes to Bitcoin and the crypto sector in general.

Taproot upgrade: Worth noting!

It's not all bad news for Bitcoin right now. Bitcoin's Taproot update, its most significant in four years, is something investors are watching.

The Taproot upgrade targets to improve efficiency and privacy within the network. Also, it allows smart

contracts on the blockchain. When a transaction verification is done on BTC's network, Taproot allows for digital signature validation against a public key. This update will make it possible to batch and verify signatures together rather than individual verification. Also, a striking component of the Taproot update is that it can host smart contracts on the network.

These are enormous changes for Bitcoin, which investors tout as central to this token's investment thesis right now.

Bottom line

For long-term investors in Bitcoin, this volatility is somewhat expected. This token's volatility in the past has been extreme, driving outperformance and underperformance over rather long periods of time.

Questions of whether this "crypto winter" is over or not remain. Right now, Bitcoin appears to be holding up relatively well compared to its alt coin counterparts. However, the direction the winds are blowing in this space remains uncertain.

This volatility may continue. Investors looking at Bitcoin should brace themselves accordingly. However, volatility works in both directions, and there remains a large contingent of people banking on future rises in the value of Bitcoin. For now, I remain on the sidelines with this token.

CATEGORY

1. Cryptocurrency
2. Investing

TICKERS GLOBAL

1. NASDAQ:META (Meta Platforms Inc.)
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