



Russia-Ukraine Conflict Drags Bitcoin and Peer Cryptocurrencies Lower

Description

The ongoing conflict between Russia and Ukraine is expectedly causing a negative impact across asset classes. Equity markets all over the world have lost momentum as the **S&P 500 Index** has now declined 11% from all-time highs. Comparatively, the tech-heavy **NASDAQ** index has lost around 17% year-to-date.

The sell-off has extended into [cryptocurrencies](#) as well. At the time of writing, **Bitcoin** ([CRYPTO:BTC](#)) prices have slumped by 8.3% in the last 24 hours, valuing the world's largest digital asset at a market cap of US\$662 billion. Comparatively, cryptocurrencies such as **Ethereum**, **BNB**, **XRP**, and **Solana** are down by 12%, 11.9%, 11.3%, and 8.9% respectively.

After touching record highs last November, Bitcoin prices have plunged over 50% in less than four months. While BTC and other tokens were staging a recovery in February, the geopolitical tensions ensured the rebound was short-lived.

Why Bitcoin and cryptocurrency prices might move lower

Investors should understand that as the macroeconomic uncertainty worsens, many individuals and institutions prefer to park their funds into [lower-risk assets](#) such as gold or bonds. This shift in investor sentiment is also called the “risk-off” trade.

A similar risk-off scenario unfolded in late 2021, driving prices of cryptocurrencies and growth stocks significantly lower. Investors were then worried about the impact of rising inflation rates and the threat of multiple interest rate hikes.

Several countries in the European Union, as well as the U.S., Canada, and Australia, are likely to impose economic sanctions on Russia, which will further increase tensions.

However, not every cryptocurrency will experience the same kind of decline. It's possible that well-established digital assets such as Bitcoin, Solana, and Ethereum will hold up better compared to meme coins such as **Shiba Inu** and **Dogecoin** that have limited utility.

Further, stablecoins such as **Tether** that are pegged to fiat currencies such as the U.S. dollar might be better positioned to weather market volatility. For example, Tether is built on the Ethereum blockchain and its performance is tied to the USD. The Tether token called the USDT has barely moved since November, while most cryptocurrencies have tanked in this period.

Should you buy the dip in BTC right now?

Bitcoin was the first cryptocurrency that was developed back in 2008. It aimed to replace the legacy payment systems and a white paper explained how a peer-to-peer electronic cash system could be built on a blockchain network. So, participants can transact directly without the need for any intermediary lowering associated fees.

While Bitcoin is yet to replace traditional financial institutions, it has experienced widespread adoption in the last two years. Since the onset of COVID-19 several publicly listed companies including **Tesla**, **PayPal**, **MicroStrategy**, and **Block** hold BTC on their balance sheet.

Bitcoin continues to enjoy a first-mover advantage and accounts for around 40% of the total crypto market. Right now, its market cap is higher than payment processing companies such as **Visa** and **Mastercard**.

Over 40 million accounts have exposure to Bitcoin and this number has grown at an annual rate of 21% in the last three years. The growing demand for BTC and limited circulation makes it a perfect hedge against inflation. It's pretty evident that cryptocurrencies including Bitcoin should increase investor wealth over time.

Investors with a high-risk profile can allocate a small portion of their investments towards BTC and buy the dip right now.

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