



Bitcoin Falls – Will it Rise Again?

Description

Bitcoin ([CRYPTO:BTC](#)) is in the midst of a pronounced downtrend. Down 19% for the year, it just keeps on sliding. As of this writing, BTC had shed 0.85% for the day on Monday. That followed a brief recovery in the price over the weekend. At its lowest point of the year, Bitcoin had fallen 22% for the year to that date. So, we've seen a small recovery, but not enough for BTC to retake its former highs. The question is, *will BTC ever regain the momentum it needs to get back to the levels it once traded at?*

Why Bitcoin is falling this year

We can never say with 100% certainty why an asset is rising or falling. The people buying and selling assets are under no obligation to report their reasons for doing so. So, all we really know is that [Bitcoin's price is going down](#) because supply is outpacing demand.

With that said, we can use correlations to identify some possible reasons why Bitcoin is selling off. Sometimes a very strong correlation can suggest that people are selling an asset because of the event it's correlated with, particularly when no alternative explanation exists. For example, in March 2020, almost all stocks sold off by double digits when COVID-19 public safety measures were introduced in North America. That period did not coincide with a lot of earnings releases or any other material news, so it's quite likely that investors sold stocks because of the pandemic.

Are there any such correlations that could explain Bitcoin's negative price action?

One thing we know is that the latest Bitcoin sell-off has been correlated with bearishness in [technology stocks](#). As of this writing, the **NASDAQ** was down 15% for the year. Futures were pointing to a 2% drawdown on Monday, which would take the NASDAQ to losses similar to those of Bitcoin. So, tech stocks and Bitcoin are quite correlated this year.

That might be due to the institutional adoption of Bitcoin. It used to be the case that Bitcoin wasn't particularly correlated with anything. In the early days, it did not move in tandem with stocks. Today, that's changing. Bitcoin is positively correlated with stocks, particularly tech stocks. The main thing that changed in the past year is that institutions like fund managers began buying Bitcoin. If these funds are

selling off their risk assets en masse to move into bonds, then that could explain Bitcoin and tech stocks selling off simultaneously.

Another development that could be hurting Bitcoin this year is a relative lack of good news on the adoption front. Last year, **Tesla** announced that it would begin accepting Bitcoin payments, only to withdraw the proposal a few days later. Since then, there haven't been any major announcements of big companies accepting Bitcoin. So, it could be the lack of exciting publicity has caused a loss of interest from investors.

Will it regain momentum?

It's difficult to say at this point whether Bitcoin will regain the momentum it had early last year. History suggests that it will. Bitcoin has gone through countless major drawdowns in its history, only to recover later. Some of these drawdowns, such as the 2018 crash, were much bigger than the current one. So there's reason for optimism. With that said, past returns don't indicate future returns, and we never know with complete safety where things are headed. As always, stay safe.

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