



## Could Ethereum Rally if the Economy Falls Into a Recession?

### Description

**Ethereum, Bitcoin**, and other cryptocurrencies have been holding steady amid the ongoing crisis in the Ukraine. Over the past two weeks, cryptocurrencies have been following in the footsteps of speculative tech stocks amid their epic relief rallies. While I wouldn't chase Ethereum or other cryptos on the bounce, I'd still give some of the speculative or high-multiple growth stocks a second look. They're oversold and, unlike Ethereum, they can be valued.

Now, Ethereum may be backed by an exciting technology, but do you know how to value it? Indeed, cryptocurrencies trade like a super-volatile form of gold, with so many exogenous factors that dictate its price. Arguably, it's impossible to predict where Ether or its like will be headed next week, next month, or next year. While gold or oil is tough to predict, cryptocurrencies are an asset class that's still very appealing to the speculative crowd.

### Ethereum and other cryptocurrencies heat up

Just when you thought the euphoric frenzy was over, the crypto markets and speculative tech are heating up again.

Personally, I wouldn't feel comfortable buying any asset solely on momentum. If you're a big believer in Ethereum and want to diversify your portfolio, then be my guest and be a buyer here. But if you're a value investor who doesn't want to introduce risk to your funds, it may be a better time to take a raincheck on the entire crypto asset class, even as a recession nears.

Like it or not, you'll be playing the game of greater fools (it's based on the Greater Fool Theory). I have no idea if you'll be able to find a buyer at much higher levels from here. The Ukraine-Russia crisis has been quite the boon for gold and crypto. Should a peaceful resolution happen at some point in the next quarter, Ethereum and Bitcoin investors could experience a pullback in the near term.

### How will Bitcoin and Ether fare in a recession?

However, with the U.S. yield curve about to invert, signaling an economic [recession](#), Ethereum, Bitcoin, and the broader basket of cryptocurrencies could face their biggest test to date. Will they hold come the next recession and market pullback? Or will they fade, just as stocks did back during the 2020 coronavirus stock market crash?

While cryptocurrencies have arguably failed to hold their value during times of [intense](#) market panic, I think that there's not enough historical data to make any conclusions. Whether Ethereum holds or folds is the million-dollar question that everybody wants to know the answer to. Indeed, many crypto bulls could see the big two (Bitcoin and Ethereum) rising in the face of a severe recession-driven pullback. Until this happens, I'd continue to treat cryptocurrencies, even the serious ones, as trading like speculative tech stocks. There's still a lot of hype, and given the risks of a cyclical downturn in the crypto markets, I'm more inclined to sit it out on the sidelines.

## The bottom line for Ethereum and Bitcoin investors

If you're keen on hedging your bets with Ethereum or Bitcoin ahead of a potential economic disturbance, feel free to own some as a part of a diversified portfolio, but please don't chase and try to make a quick buck. By trying to hit it rich over the nearer term, you could find yourself getting into a lot of trouble.

Although I'm no bull on crypto, I do think Ethereum is the most intriguing of the batch, especially versus the likes of some of the meme tokens out there! How it'll perform come the next recession, though, could be the next big test for the crypto markets as a whole. My bet is that Ethereum will trade more like stocks and less like gold when the tides get much rougher if a recession is, in fact, on the horizon.

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