



How Long Will the Crypto Winter Last?

Description

There's no doubt that we're in crypto winter again. Every few years, the cryptocurrency and digital assets sector enters a prolonged bear market. **Bitcoin** ([CRYPTO:BTC](#)) and **Ethereum** ([CRYPTO:ETH](#)) drop by double digits, while some smaller assets are completely wiped out. In 2022, this is certainly what we're seeing.

Assuming the cryptocurrency sector will remain as cyclical as it has in the past, investors must wonder how long this winter will last. Here's a look back at previous bear markets.

Crypto winter

Bitcoin is the benchmark for the entire industry, since all other crypto assets are closely correlated with its price action. The world's first cryptocurrency has lost roughly 39% of its value since late November 2021. However, this isn't the most severe drawdown in its history.

Bitcoin previously lost 53% of its value from April to July 2021. It lost 51% of its value from 2014 to 2015, shortly after the collapse of Mt.Gox. The biggest drawdown was 83.4% from 2017 to 2018.

It took 716 days to recover from the 2018 crash and just 335 days to recover from the 2015 crash. In other words, even the most severe crypto winter in history was completed in less than two years. Based on this trend, the ongoing bear market could be over before the end of 2023, perhaps much sooner.

Accumulation

The crypto market is simply too unpredictable. We don't know if prices have hit a bottom yet or if the cycle will continue as it has in the past. However, if you're a long-term investor looking to make a small bet on this nascent sector, this could be your chance to accumulate a small position.

Putting small amounts of capital on major cryptocurrencies like Ethereum, Bitcoin, **Avalanche**, and **Polygon**

could be the best way to add exposure. If the bear market continues, a small position won't put the rest of your portfolio at risk. However, if the market experiences a quick recovery, this strategy will keep your cost basis low and maximize returns.

Contrarian bets

The crypto winter could also be a great time to make a contrarian bet. Crypto mining stocks are currently trading far below their all-time highs. This is a competitive and speculative industry, but if the cycle repeats, these stocks could be immensely lucrative.

HIVE Blockchain Technologies ([TSXV:HIVE](#))(NASDAQ:HVBT) has [lost roughly 70% of its value](#) since last year. However, the company's earnings and book value have surged over the past 12 months. Net income is up 273% to \$300 million annualized. That means the stock is trading at a price-to-earnings ratio of 3.1.

HIVE also has digital assets worth \$212 million on its balance sheet. That means 25% of the stock price is covered by digital assets such as ETH and BTC. Put simply, this stock could be an ideal bet if you expect the bear market to be short-lived.

Bottom line

Cryptocurrencies are firmly in a bear market. Previous bear markets have been resolved in less than two years, so long-term investors can make their bets accordingly.

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