



## Steep Selloff: Crypto Market Cap Falls 2.8% in 24 Hours

### Description

The third of eight two-day meetings of the Federal Open Market Committee (FOMC) in the U.S. will commence on May 3, 2022. By mid-week, analysts expect the Feds to announce an [aggressive rate hike](#) to tame inflation. The move is bad for **Bitcoin** ([CRYPTO:BTC](#)) and altcoins.

Because investors generally dump risky assets when interest rates are rising, the correction in the crypto space has begun. On May 1, 2022, the market cap of the global cryptocurrency market fell 2.8% to US\$1.8 trillion in 24 hours. As of this writing, BTC's price stands at US\$38,535.56 — a 16.8% year-to-date loss.

### Alarm bells and red flags

CoinGecko reports that BTC is on the verge of a steep selloff after falling below US\$39,000 last week. Apart from the world's largest crypto, the prices of **Ethereum**, **Dogecoin**, **Solana**, and **Shiba Inu**, among others, dropped in similar fashion. With the top digital assets falling by the wayside, alarm bells are ringing.

Bitcoin's [free fall](#) could ensue after the FOMC meeting. The most dominant crypto also dropped to a six-week low (US\$37,714.88) to end April 2022. Some market analysts liken the plight of cryptocurrencies today to [technology stocks](#). TSX's tech sector is worst performer thus far with its 23.35% year-to-date loss.

### Correlation with stock markets

Armando Aguilar, the head of alternative strategies and research head for digital asset savings and credit platform Ledn, has an interesting observation. He said, "The overall market has noticed the high correlation to Bitcoin and the general equities markets."

He added, "The S&P 500 (0.88%) and NASDAQ (0.91%) have had the largest correlations." Aguilar said a correlation of one means that they move equally one to the other. The last time BTC traded

above US\$50,000 was on December 27, 2021. Its price topped US\$45,000 at different intervals in the last four months.

Crypto bulls, however, remain upbeat, despite the spikes and dips of their beloved cryptocurrency. A study by Deutsche Bank reveals that 25% of BTC investors believe the price will hit US\$100,000 eventually, notwithstanding the extreme volatility.

## Bold predictions

Crypto experts must be re-evaluating or reviewing the near-term prospects for the crypto industry at the moment. Kiana Danial, Invest Diva founder and author of *Cryptocurrency Investing for Dummies*, said, "What I expect from Bitcoin is volatility in the short-term and growth in the long term."

Ian Balina predicts Bitcoin to climb between US\$100,000 and US\$150,000, although he didn't specify a timeline. The founder of crypto research and media company Token Metrics said that in the entire crypto market, only BTC is in a bearish sentiment cycle. Unfortunately, most of the earlier bold predictions didn't materialize.

## Stick to simple ways

BTC's volatility is nothing new to loyal followers. The steady rise in value over the years is an encouraging sign. Still, all cryptos are more susceptible or vulnerable to market factors compared with established asset classes.

But for Sarah Catherine Gutierrez, a certified financial planner, people don't need cryptos to reach their financial goals. Regular or average investors should instead favor the simple ways of investing that are easy to understand.

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