



What's the Bottom on Bitcoin?

Description

Out of the various asset classes out there, [cryptocurrencies](#) are undoubtedly one of the riskiest (and high-return) classes for investors. This sector is one that's marked by volatility. For even the largest token in the world, **Bitcoin** ([CRYPTO:BTC](#)), this has meant impressive price fluctuations of late.

This is a token that's dropped from around US\$69,000 at its peak to below US\$27,000 in recent weeks during this bear market plunge. Of course, a drop of more than 60% in any asset is a big deal. However, when we're talking about a cryptocurrency with a market capitalization that was more than \$1 trillion, that's a tremendous amount of value that's been lost in less than a year.

So, is this the bottom? Let's dive into what investors are debating right now on this front.

Bitcoin may not be the best hedge against inflation

One of the key arguments many Bitcoin maximalists make in favour of owning Bitcoin for the long term is the token's status as an "inflation hedge." Because Bitcoin's total supply is fixed, unlike the U.S. dollar, which can be printed in perpetuity, a fixed supply ensures stability, relative to the dollar.

That sounds nice. However, in practice, things have looked a bit different. Bitcoin's historical low-beta (or negative-beta) status has been challenged by increasingly high correlation with equity markets.

In short, the market is now viewing Bitcoin and most of its peers as proxies for the highest-risk equities. In 2021's bull market, that's been great. In 2022's bear market, not so much. Accordingly, there are some who believe the bottom could be far from in, especially if this correlation continues.

Looks like there's a ray of hope

As mentioned, the absolute bashing the crypto sector has seen of late has been hard to watch, even for those indifferent on this sector. It's hard to see people lose money, and those with empathy and experience know how it feels when an investment drops by 60% or more.

However, it appears the tide may be turning, or at least taking a breather. Last week marked the first week of positive returns for Bitcoins, following a nine-week decline.

Like the broader markets, Bitcoin is out of favour. Investors want less risk. However, bear market bounces are a thing, and perhaps there's a short-term thesis to considering some Bitcoin right now.

Long-term investors may look at these prices as great entry points. While fresh capital may be difficult to employ to buy the dip, as most investments are down, Bitcoin is more attractive here. Those thinking long-term may be considering putting some capital to work at Bitcoin around US\$30,000 per token.

Bottom line

I have no idea whether the bottom is in for Bitcoin. This is a vicious bear market that seems to be intent on mauling every investor in sight. Perhaps Bitcoin has much further to drop.

That said, Bitcoin's status as an excellent long-term investment is likely to induce some capital back to this token at some point. Whether this past week is a sign of things to come or not remains to be seen. However, it will sure be fun to watch Bitcoin for the remainder of this year.

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