



## How Low Can Ethereum Go This Year?

### Description

The world's [second-largest cryptocurrency](#) by market cap, **Ethereum** ([CRYPTO:ETH](#)) is larger for a reason. The Ethereum blockchain powers many of the most prominent applications out there. Whether we're talking about metaverse projects, NFTs, or other DeFi applications, Ethereum is clearly the leader in the utility creation side of crypto.

However, alongside the broader market, Ethereum has been battered this year. The token started the year trading around \$3,722 per token. Today, that number is closer to \$1,722 per token.

Now, the question many have is how low can Ethereum go? Let's dive into some bullish and bearish factors that could indicate whether we're nearing a bottom (or not even close yet).

### What does Ethereum's growth indicate?

After facing several headwinds between 2018 and 2019, Ethereum emerged as a dominant player in 2021. Ether, Ethereum's native token, is the preferred collateral in decentralized finance and the NFT marketplace. Accordingly, with more and more financial services moving on-chain, this is a catalyst many investors have jumped to. Expectations are that crypto's role in the \$123 trillion global money supply will only increase over time.

That said, as interest rates have risen, so too has the discount rate for this growth. Sure, Ethereum and the decentralized applications using this blockchain are likely to continue to grow over time. It's the amount that investors are willing to pay for this growth, however, that's shifting.

Thus, I think right now, Ethereum's price action has less to do with slowing network growth, and more to do with the overall multiple contraction we're seeing across all assets right now.

### What is the road ahead for Ethereum?

Ethereum's price plummeted below \$1,800 towards the end of May as the crypto market struggled

from a widespread retreat. At the same time, the stock market officially entered the bear market.

Indeed, Ethereum has been extremely volatile for the past few weeks. I think this volatility is likely to continue, for some time. With today's inflation read coming in at fresh new highs not seen since 1981, it's clear that monetary policy is going to remain tight for some time. For tokens such as Ethereum that have benefited from loose monetary policy, that's not good.

## Bottom line

The bottom line is I don't think the bottom is in for Ethereum yet. I think the whole sector has a lot more room to the downside in this macro environment. Unfortunately, I think that means that this selloff may be only getting started.

That said, for long-term investors looking to buy Ethereum at a discount, you now have it. This token is well off its all-time highs and is cheap relative to long-term projections. For aggressive investors, go for it.

Right now, I'm going to sit tight on Ethereum, at least until the clouds of hawkish monetary policy lift.

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