



## Bitcoin Briefly Dips Below \$18,000: Is a Crypto Winter Incoming?

### Description

**Bitcoin** ([CRYPTO:BTC](#)) had a rough weekend, to say the least. The top cryptocurrency by market cap tanked sharply on Saturday, June 18, to hit a 52-week low of US\$17,813 at one point. As of Sunday June 19, the price of BTC recovered to over \$20,523.

For many investors, BTC falling past the \$20,000 support level was an incredibly bearish signal. By plunging to under \$19,140, BTC broke the floor set during at the peak of its December 2017 bull run. Many are now forecasting a “crypto winter,” where the price of Bitcoin remains depressed for years.

### Why is Bitcoin falling?

Recent market events have demonstrated that when less-than-favourable economic conditions are in order, BTC behaves more like a risk asset than as a currency, store of value, or inflation hedge.

In 2022 so far, BTC has been far more correlated to the stock market than ever before, matching its movements, albeit with more volatility. In many ways, its risk profile is similar to leveraged positions in growth stocks. This can be attributed to its increasingly high sensitivity to monetary policy.

High inflation and rising interest rates (including a recent 75-basis-point hike from the Federal Reserve) have pummeled valuations for risk assets, whether they be tech stocks or crypto. The low interest rate environment of the COVID-19 is now over, and speculative assets are suffering accordingly.

Adding to this instability are recent stablecoin de-peggings, layoffs, and withdrawal freezes by many prominent cryptocurrency exchanges, and many traders getting liquidated out of leveraged positions after failing to meet margin calls.

### How low can it go?

Looking back at the crypto winter of 2018, Bitcoin fell steadily from a high of \$19,140 in December 2017 to a low of \$3,252 by December 2018. That’s around an 80% loss. Many investors capitulated

along the way. The rest is history, as we know the price began running up again in early 2020 to a peak of \$68,789 in November 2021.

The Fed has begun their quantitative tightening plans and will begin to unwind more assets from their balance sheets. Although Jerome Powell stated that future rate hikes will only be 50 basis points, that is subject to inflation reports. If the next CPI release comes in hot, another 75-basis-point hike could be on the way, spelling further downside for risk assets.

The \$20,000 support level remains a critical battle between the bears and the bulls. Should this be breached again, prices could plummet, triggering cascading liquidations and margin calls for various whales — not to mention the risk of contagion from increasingly suspect stablecoin and defi projects.

## The Foolish takeaway

Although Bitcoin has continually rallied back from multiple crashes, there is no way to predict the future. Pundits will argue that Bitcoin's finite supply, halving cycles, and deflationary qualities will always ensure it has intrinsic value. Investors who held Bitcoin since inception and over rolling five-year periods have come out with great gains. The trick to strong returns might be to keep any Bitcoin holdings safe in cold storage and out of mind until the next bull market arrives.

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