



## Ethereum (CRYPTO:ETH) Below \$1,000: Can it Go Lower?

### Description

**Ethereum** ([CRYPTO:ETH](#)) hit a 52-week low over the weekend, touching US\$903 on Saturday. The selloff happened amid a broader correction in the crypto market, which affected **Bitcoin** ([CRYPTO:BTC](#)) and others. It wasn't immediately clear why investors sold ETH and BTC in such massive volumes, but it occurred after a week in which the NASDAQ fell. Cryptocurrency is highly correlated with tech stocks, as both asset classes are held by the same kinds of investors. It may be that last week's NASDAQ crash caused the selloff in crypto, though we can't be sure.

### Why ETH slid to \$1,000

There are a few factors that may explain why ETH slid to \$1,000. The most obvious are

- The correlation between crypto and tech stocks;
- Rising interest rates; and
- The decline of NFTs.

Cryptocurrency prices correlate with those of tech stocks because they're held by the same kinds of investors — namely, younger, affluent investors who work in tech, finance, or engineering. If these investors all pull their money out of markets at the same time, then crypto and tech stocks will both crash.

Rising interest rates is a topic I've covered extensively in past articles. Basically, higher interest rates [make risky asset less appealing](#), because they increase the amount of return available risk-free. Crypto is the riskiest asset class of them all, so there's no surprise that it's falling in price with central banks raising interest rates.

Finally, we have the decline in the popularity of NFTs. Google trends shows that search interest in NFTs has been declining precipitously in 2022. Interest in the asset class peaked late last year and has been falling ever since. NFTs that previously sold for millions are now going for hundreds or not selling at all. NFTs generated some extra demand for Ether last year, because ETH is the currency you use to buy and sell NFTs. Now, that extra demand is gone.

## Can it go lower?

Having reviewed all the factors taking ETH lower this year, it's time to ask: Can it go lower?

As of this writing, Ether had recovered somewhat from its precipitous weekend dip. Perhaps it hit a bottom. I wouldn't count on it though — ETH is still very much in a [bear market](#). The interest rate hikes that are taking a bite out of crypto this year are set to continue. The Federal Reserve plans to raise interest rates all year long, the Bank of Canada will probably do the same. So, there's reason to think that crypto could go lower. Ether is no exception.

## Foolish takeaway

Ether has been one of the worst-performing, large-cap cryptocurrencies this year. It's down far more than Bitcoin, and it's approaching lows not seen in years. Will it go lower? Nobody can say for certain, but at least one factor widely thought to be negatively impacting crypto this year (rising interest rates) is working against it. Personally, I will be sitting out the Ether trade for the foreseeable future. That doesn't mean that it won't rise again; I just don't see the odds as being in its favour.

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