



Crypto Selloff: Has the Bottom Shifted After the Interest Rate Hike?

Description

The U.S. federal reserve has recently raised the interest rates by about 0.75% — the highest since 1994. The goal was to rein in inflation in the U.S., which is also higher than it has been in decades. And even though it's expected to yield positive results for the market, given enough time, the immediate effects on the markets haven't been very encouraging.

This includes the crypto market as well. **Bitcoin** fell over 16% in the three days following the interest rate hike — not its sharpest fall of the month but close enough. **Ethereum's** three-day fall was the hardest of the month.

However, that was an immediate reaction to an adverse market catalyst, and its long-term impact on the crypto market is challenging to gauge, especially since the Feds are looking into another 0.75% rise in the coming month.

And even if it *contributed* to shifting the bottom for the crypto market, other, more potent forces are in play. An example would be famous investors like Elon Musk and certain institutional investors standing by Bitcoin and even loading up.

And if recovery is in sight, there are two crypto stocks you should look into.

A crypto miner

HIVE Blockchain Technologies ([TSXV:HIVE](#))(NASDAQ:HVBV) mines both Bitcoin and Ethereum — the two cryptocurrencies that influence the direction of the crypto market. Its mining operations are in three countries and run purely on green energy, making it a wise investment from an ESG perspective as well, which is the number one reason why some investors stay away from Bitcoin.

This level of direct exposure to crypto-assets tends to pay well in the bull market, and during bear runs, the level of decimation is similar, if not greater, than the underlying crypto. HIVE Blockchain stock has fallen over 87% from its recent peak already and is currently abnormally undervalued, with price-to-earnings ratio at just 0.32.

The stock has experienced more brutal falls in the past. In the 2017 slump, the stock fell almost 95%, but it eventually recovered, and in 26 months. When it peaked again, it returned around over 2,600% to its investors.

A crypto-focused financial services company

Galaxy Digital ([TSX:GLXY](#)) can perhaps better be described as a crypto ecosystem company. Its services are better suited for a time in the future when crypto adoption is more mainstream, and the asset class is considered and used as the basis for an alternative financial system.

Galaxy's services/areas of focus include asset management, trading, and even mining to an extent. And even though its association with the crypto market as a whole is "thinner" compared to the publicly traded miner, the stock fell just as hard.

The current 85% fall is unprecedented since the stock hasn't fallen this hard almost since inception. And if the recovery is proportional to or better than the fall, you can easily see over 6.5 times growth of your capital in this company.

Foolish takeaway

[Crypto investing](#) in Canada (or any other country) is risky enough in its default form. However, when you add the current unpredictable market and numerous contradictory variables, it becomes significantly riskier. And with high risk, high reward is also a strong possibility.

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2. TSXV:HIVE (Hive Blockchain Technologies)

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