



Is This the End for Crypto?

Description

This year, cryptocurrency is in the midst of one of its biggest crashes ever. **Bitcoin** ([CRYPTO:BTC](#)) is down 55% for the year, and **Ethereum** ([CRYPTO:ETH](#)) is down even more than that. Traders are used to extreme volatility in small “alt coins,” but this year, the pain is being felt in even the biggest and most established cryptocurrencies.

The selling in crypto this year has been so extreme that some now think the end of crypto may be here. Crypto has certainly experienced big crashes in the past, but now we have a weakening economy and rising interest rates in the mix. Certainly, some traders are getting nervous and bailing on their positions. But could this really be the end of the crypto market?

Real-world use of cryptocurrency

To gauge whether crypto could ever disappear forever, we need to look at how it is used. If there is nothing going on here except speculation, then history would suggest that prices could go to \$0 — many bubbles eventually do. However, if it is being used for non-speculative purposes, then crypto may have a future after the current bear market blows over.

The most obvious use for cryptocurrency is buying goods and services. Cryptos were originally created to serve as currencies, and while they’ve evolved beyond that, they can still be used to pay for things. Among other things, you can use crypto to buy

- Goods on dark web markets;
- Movie tickets at **AMC**;
- NFTs;
- And more.

There is no shortage of [companies accepting crypto](#). It’s not clear exactly what percentage of cryptocurrencies’ volume is being spent on goods as opposed to bought/sold for speculative purposes, but the fact that there is any real-world use going on suggests that Bitcoin and ETH are worth more than \$0. The trouble is figuring out exactly what that value is. The vast majority of cryptocurrency

enthusiasts out there buy crypto for the purpose of seeing its price go up. Use of crypto in stores is probably a lot less common use for speculation, but we can't quantify either one.

Interest rates rising

The use of cryptocurrency for buying things provides hope that the asset class will have some value over the long term. As far as the speculative demand goes, that's under a lot of pressure. Interest rates are rising in Canada and the U.S., and higher interest rates make speculative risk assets less appealing than they would be under low interest rates. When you can get a satisfactory return risk free, you feel little incentive to take big risks. For this reason, cryptocurrencies and similar assets like [technology stocks](#) tend to go down when interest rates go up.

A reason for optimism

If all of the above sounds bearish to you, there is one bright side to all of this.

The lower crypto prices go, the less of an influence speculation has on their market values. There are people out there using crypto to buy and sell goods. The greater a percentage of the market they make up, the less the volatility will be. So, perhaps the use of crypto for legitimate purposes will ramp up after the speculation settles down.

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