



## Bitcoin Crash: Why Did it Fall So Fast? (54% in 2022)

### Description

The largest cryptocurrency by market capitalization lost steam after posting an all-time high of US\$67,566.83 on November 8, 2021. In less than a month, the price sunk below US\$50,000, and it started the crypto winter. As of this writing, **Bitcoin** ([CRYPTO:BTC](#)) is down 54% year to date.

Bitcoin isn't having a good year. To call it catastrophic would be an understatement. While stock markets are also shaky, the turmoil in the entire [cryptocurrency market](#) is much worse. BTC and other cryptos are falling at a faster pace.

### Extreme volatility

The demand for or confidence in Bitcoin has waned significantly this year because of the present economic conditions. With runaway inflation, rising interest rates, and a likely recession, investors will stay away from risky assets. The crypto's volatility is too great in that you could lose money in a flash.

According to some analysts, the worth of Bitcoin depends on its desirability. Expect the selloff to extend if the value keeps going down. It could even be a never-ending cycle. Moreover, FT markets editor Katie Martin said, "Bitcoin has no intrinsic value to underpin it, and there are no bricks and mortar, revenue stream or underlying business."

Ms. Martin added, "The price is only and purely whatever people are prepared to buy it from you for. That's when it gets scary for people, because if enough people head for the exit, there's no floor. There's nothing to stop it trading at \$10,000 tomorrow if enough people give up or are forced to sell."

### Buy or sell?

Bitcoin fanatics will argue that now is an excellent time to buy the digital asset, because it's cheap. Their advice is to sit tight, as it will turn the corner eventually, as it did in the past. But State Street Advisors managing director Altaf Kassam urges people to exercise tremendous caution. He said, "Honestly, it's somewhere only the brave should enter."

In 2013 and 2017, Bitcoin plunged by 85% and 84%, respectively. After last week's performance, US\$20,000 remains the pivotal point. However, crypto analysts say the tumble from those years could repeat in 2022. Thus, a drop below the psychological threshold isn't remote.

Ian Harnett, Absolute Strategy Research's co-founder and chief investment officer, said Bitcoin could plunge to US\$13,000, or by 40% more from the current price. He said, "We would still be selling these kinds of cryptocurrencies into this environment."

## Bullish sentiment

Alex Kuptsikevich, a senior analyst at FxPro, contends that comparing the declines in 2013 and 2017 in today's environment is unreliable. He said, "In our view, it is much more reliable to estimate that Bitcoin finds a long-term bottom near the highs of the previous four-year cycle."

However, Kuptsikevich added, "It may not be the best time to buy, as it may take considerable time before the crypto market digests the recent turmoil and enters a new phase of sustained demand from broad segments of investors, not just stressed asset hunters."

**JPMorgan** maintains a bullish sentiment and predicts an uptrend for Bitcoin. While the downfall is steeper in 2022, the American investment bank said it also highlights that the cryptocurrency market has more room to recover. Still, you must be a brave investor to stay invested in cryptocurrencies.

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