



Ethereum or Bitcoin: Which Will Recover 1st in 2023?

Description

It appears as though [cryptocurrency](#) investors have to hold on for a prolonged bear run. The cryptocurrency industry enjoyed a stellar year in 2021, as several major and minor crypto tokens soared to great heights. 2022 has painted a completely different picture for crypto investors, as they continue to lose money left, right, and centre.

The brutal selloff that began with the **TerraUSD** and **Luna** crash has catalyzed an industry-wide meltdown. With over US\$2 trillion already wiped off the crypto market, it appears as though further losses are on the way. Analysts anticipate this crypto winter to purge the industry of several “junk” coins and leave only the most resilient decentralized assets standing.

Ethereum ([CRYPTO:ETH](#)) and **Bitcoin** ([CRYPTO:BTC](#)) are two of the largest cryptocurrencies by market value, with a US\$127.46 billion and US\$371.44 billion market capitalization, respectively. In the event that the crypto winter wipes out many crypto tokens, these two giants in the industry are slated to remain standing. The question is, which one will post a quicker recovery if the crypto crash loses steam in 2023?

Let's take a look at what is happening and what could happen in the coming months.

Why is the crypto winter here?

Despite being touted as an alternative financial system to the traditional centralized economy, the cryptocurrency industry has correlated strongly to the performance of the broader economy.

The performance of Bitcoin, Ethereum, and other cryptocurrencies has been strongly linked to the stock market this year — more than ever before. The only difference is a much more substantial degree of volatility in the decentralized asset class.

No matter how much cryptocurrency enthusiasts would like for the crypto industry to be separate from the economy, tightening economic policies are a major contributor to the onset of the crypto winter. High inflation has sparked a series of interest rate hikes by central banks in the U.S. and Canada.

The U.S. Federal Reserve's announcement of a 75-basis-point interest rate hike battered valuations for high-risk assets, including cryptocurrencies.

The low-interest-rate environment during the pandemic has ended, and speculative assets are facing the brunt of its impact. The recent de-pegging in stablecoins and withdrawal freezes by several major crypto exchanges have also added to the volatility in recent weeks.

Unfortunately, the instability might continue in the coming months. Inflation is still at high levels, and the U.S. Fed and Bank of Canada will likely enact further interest rate hikes to make a substantial impact.

Weaker borrowing activity due to higher interest rates might prevent substantial cash flows toward the crypto market, sustaining the weakness in the market. Of course, it is only speculation, and things could take a drastic turn at any point in the coming weeks.

Foolish takeaway

As things stand, the question is whether cryptocurrencies will even recover and, if they do, how long it will take. We are past the halfway mark in 2022, and Bitcoin and Ethereum are down by 59% and 70.83% year to date at writing, respectively.

Ethereum boasts a more robust platform in terms of its practical use cases and plays a central role in the DeFi economy. Though it lacks the use cases of Ethereum, Bitcoin has historically been the more resilient of the two.

Supposing the crypto meltdown loses steam in the coming months, Bitcoin could be the likelier of the two to post a recovery.

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