



What's the Bottom for Crypto This Year?

Description

The tough time that the [crypto](#) market is experiencing currently is not a secret to anybody. **Bitcoin (CRYPTO:BTC)** has lost [more than half](#) of its value so far in 2022. On the other hand, altcoins are performing even worse, with many tokens plunging again in recent weeks.

Much of this negative sentiment has to do with investors' view that cryptocurrencies are too speculative to touch right now. Currently, cryptos and equities are trading in a relatively high correlation. Indeed, we haven't seen this sort of correlation in a long time. Thus, with stocks headed lower, investors are looking to de-risk their portfolios, selling their riskiest assets first.

Many of the same macro factors driving stocks lower are working against the crypto market. In particular, tighter monetary policy appears to be a headwind all assets will have to contend with for some time. Until the tide turns, we could be in for more pain.

That said, with this market in so much turmoil, there are now some rather attractive valuations for investors to consider. Blue-chip tokens which never went "on sale" before are now trading at levels not seen in a year (or often more). Thus, perhaps now is the time for long-term investors to buy.

Let's dive into where the bottom could be for cryptos this year.

Few catalysts for crypto in sight

With various cryptos plummeting, investors are looking for ways to recoup at least a part of their investments. Indeed, selling pressure in this sector is nearing highs not seen in years. For those looking for some sort of assurance that a bottom is in, some sort of stabilization period needs to be seen.

So far, there isn't much in the way of catalysts that could cause such a stabilization right now. Most tokens have lost their appeal as inflation or stock market hedges. And given the higher correlation with risk assets cryptos are seeing, it's unlikely investors are going to flock to this sector for safety.

Until we see the same macro catalysts drive stocks higher, it will be difficult to determine a crypto bottom.

So, is calling a bottom impossible?

As the Federal Reserve tightens its grip on monetary policy, easy money that drove asset price inflation is not as prevalent. This obviously isn't a good thing for cryptocurrencies.

However, when the Federal Reserve signals it's ready to start taking its foot off the gas, there could be hope. Right now, the bond market appears to be pricing in some sort of such even in the coming quarters. Indeed, we could be closer to the bottom than we are the top right now. However, I remain cautious with respect to calling where the bottom could be for this sector.

It's not impossible to see a scenario in which monetary policy loosens by the end of the year or the first quarter next year, causing a rally in risk assets. Whether this rally is sustained forward is another question. However, there are simply too many variables right now causing uncertainty that are plaguing this sector. Until we see some semblance of normalcy, it's going to be hard for investors to be confident that an upward trend has resumed.

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