



## Shiba Inu Coin Makes a Comeback!

### Description

**Shiba Inu Coin** ([CRYPTO:SHIB](#)) has been making a comeback. As of this writing, it traded for US\$0.0001171 — up 8.5% from a week prior. While SHIB is nowhere near its all-time high, it has made a pretty impressive gain for a one-week period.

This year has not been kind to SHIB overall. It started of the year at US\$0.000034 and has fallen about 65% from that level. It's down even more from its all-time high of US\$0.00008. However, last week's momentum looked bullish. The question is whether this rally can continue, and what it means for SHIB holders in the long run. To answer that question, we need to know why, exactly, SHIB rallied so hard last week.

### Other cryptocurrencies rallying

In the strictest sense, any time an asset rises in price, it's because demand is rising faster than supply. When people start buying an asset in greater numbers, the number of dollars being exchanged for the asset increases. If the supply doesn't change, then the price rises, because you have more dollars being exchanged for the same quantity of assets.

That's the basic supply-and-demand explanation for why prices rise. However, it more of an effect than a cause; it doesn't tell us much about *why* people started buying more of the asset. We need to know why the increase in demand occurred if we are to project the trend into the future. Otherwise, we're just talking about past returns, which do not predict future returns.

In the case of SHIB, the most obvious explanation for the rally is the fact that SHIB is correlated with other cryptocurrencies. Correlation refers to the tendency of two things to move in the same direction. For example, if it rains 80% of the time the sky is overcast, then we say there's a [positive correlation](#) between overcast skies and rain. There is such a relationship with cryptocurrencies and other cryptocurrencies. For example, according to CoinMarketCap, there's a 0.81 correlation between **Bitcoin** ([CRYPTO:BTC](#)) and **Ethereum**. That suggests a strong relationship. According to AMBCrypto, Shiba Inu Coin has a 0.79 correlation with Bitcoin, so there's a strong tendency for SHIB to move in tandem with BTC.

So, the fact that Bitcoin rose last week may explain why Shiba Inu Coin did the same. Statistics suggest that if Bitcoin makes gains, SHIB will often make gains, too. Between July 17 and July 24, Bitcoin rose 9%. So, we have at least one possible explanation for SHIB's recent price action.

## Digging deeper

As we've seen, Shiba Inu Coin's relationship with Bitcoin explains much of its recent price action. That in itself can explain last week's rally. If we want to know whether the rally will continue, we need to dig a little deeper and ask why cryptocurrency, in general, is rallying.

There are many possible answers to that question. Investors may have sensed that [cryptocurrency](#) had become undervalued and chosen to buy what they felt was a bargain. People may have noticed the price of gasoline going down and felt that the economy was improving.

Ultimately, there are many possible reasons why people may have bought the dip in crypto last week. However, we know that central banks are still raising interest rates, so it would be wise to temper your enthusiasm. The higher the interest rate goes, the more return becomes available on GICs and savings accounts, and that phenomenon tends to discourage speculating on highly risky assets like crypto. So, if you're going to buy Shiba Inu Coin, make sure you know the risks. It pays to play it safe.

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