



Can Cryptos Bounce Back in 2022?

Description

Cryptocurrencies went on another tailspin on August 19, 2022, although industry analysts can't pinpoint the reason for the sudden drop. **Bitcoin** ([CRYPTO:BTC](#)) fell by 10.1%, while **Ethereum** ([CRYPTO:ETH](#)) plunged by 12.7%. Other digital assets like **Binance Coin** (-6.8%), **Solana** (-9.3%), and **Cardano** (-11.8%) didn't escape the unexplained selloff on Friday.

Bitcoin surpassed US\$24,400 six days ago, but the rally didn't sustain. Ethereum nearly reached US\$2,000 within the same period before the new downtrend began. Susannah Streeter, a senior investment and markets analyst at Hargreaves Lansdown, said a flash crash pattern isn't showing. However, she adds that volatility is once again plaguing the [cryptocurrency market](#).

While extreme volatility is an inherent feature of Bitcoin, Ethereum, and other digital assets, is there a chance for a bounce back in 2022?

Massive corrections

Crypto markets have witnessed massive corrections due to runaway inflation and rising interest rates. The global cryptocurrency market soared to US\$3 trillion in November 2021, but its value dropped to US\$949 billion in late June 2022.

Matthew Dibb, chief operating officer and co-founder of Stack Funds, said, "Crypto, as a risk asset, is taking a hard hit. We are seeing a lot of macro weakness with bad inflation numbers from Germany."

Dick Lo, CEO and founder of quant-driven trading firm TDX Strategies, said more pain is ahead for the crypto market if Bitcoin fails to hold support at US\$21,500. He adds, "A break below could see US\$20,700 as the next level of support." Meanwhile, investors' interest in Ethereum should remain high in anticipation of the upcoming network upgrade or the "Merge" next month.

Unfortunately, the world's second-largest crypto by market cap mirrors Bitcoin's movement. The said network upgrade will go live on September 15, 2022 (tentative date). Also, the shift to the proof-of-stake (PoS) mechanism promises to address the Ethereum network's scalability issues and bring down

transaction costs. On a year-to-date basis, this crypto is down 56.2% compared to Bitcoin's -54.9%.

Similar predicament

Some crypto industry experts are bullish on the Binance coin and see a fairly bright future ahead. However, the explosion won't come soon. The same experts see the price hitting US\$781 by 2025. As of this writing, investors in the fifth-largest crypto in the world are losing by 45.3% year-to-date.

An article published by cointelegraph.com said Solana is poised for a 95% crash soon. Based on technical analysis, an elaborate bull trap is coming despite recovering from rock bottom in mid-June 2022. This crypto rose to as high as US\$136.78 on April 3, 2022, but is down nearly 79% year-to-date (US\$35.89).

Don't expect Cardano to rally anytime soon following a warning from a leading ecosystem developer and its former stake pool operator. Adam Dean said the Cardano Testnet was "catastrophically broken." According to reports, the network's community of developers recently found or discovered a bug in older versions of Cardano's client software. The year-to-date loss of this crypto is 65.6%.

The big event could lift cryptos

Ethereum 2.0 is a significant event in the crypto universe. If the shift to a more energy-efficient PoS model proves successful, Bitcoin could mirror Ethereum this time. More importantly, the "Merge" could finally end the crypto winter and trigger a colossal rebound.

CATEGORY

1. Cryptocurrency
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