



Is the Crypto Winter Over as Bitcoin (CRYPTO:BTC) Surges Above \$21,000?

Description

The [cryptocurrency market](#) capitalization rose above US\$1 trillion again following a rally on September 9, 2022. **Bitcoin** ([CRYPTO:BTC](#)) climbed past US\$21,000 to lead all advancers. Market observers said BTC's trading volume was almost twice its 20-day moving average.

Ethereum ([CRYPTO:ETH](#)) also breached the resistance level of US\$1,700 to end the week. This second-largest cryptocurrency is preparing to transition to the proof-of-stake (PoS) system next week. The so-called "Merge," or the critical upgrade of ETH's blockchain network, could radically change the processing of transactions and disrupt crypto trading.

Crypto winter to bull run?

Bitcoin bulls say the outperformance relative to other digital assets could mean the [sell-off](#) is overdone. The first-mover in the crypto space rose 10% despite the lack of a catalyst. BTC also shrugged off rising interest rates. However, the sentiment could turn bullish if the U.S. Federal Reserve slows the pace of rate hikes in 2023.

Daniel Kostecki, a senior market analyst at Conotoxia, said, "If buyers continue with the same sentiment, even an area of \$22,400 to \$23,000 could be reached." Sheraz Ahmed, the managing partner at Storm Partners, adds, "The move could be seen as part of the larger realization of the undervalued digital asset market."

Some crypto analysts say the flagship cryptocurrency isn't competing with Ethereum because they are fundamentally different. Bitcoin enables decentralized finance, and Ethereum primarily enables apps and contracts, although its design is much broader in scope.

Consistently high returns

Bitcoin consistently delivered high returns since losing by 72.6% in 2018. The average return of the top crypto in the last three years (2019 to 2021) is 149.2%, and its highest gain was 302.8% in 2020.

Before the crypto winter, BTC hit an all-time high of US\$67,566.83 on November 8, 2022.

While BTC is still losing by 53.88% year-to-date, the current price of US\$21,355.14 represents a 13.34% increase from US\$18,837.67 on September 6, 2022. However, despite hitting a two-week high, not everyone in the crypto market is convinced that the rally could sustain. Kostecki said, "Investors might sell it off at any moment."

Joe DiPasquale, CEO of crypto hedge fund manager BitBull Capital, said, "We don't expect a long-lasting trend shift at the moment." **MicroStrategy** warned of volatility but would still consider purchasing additional Bitcoin through debt or equity financing. However, the single largest corporate holder of BTC said it will continue to monitor market conditions.

Game-changer

Ethereum's switch from a power-hungry proof-of-work (PoW) to an energy-efficient PoS could be the game-changer. Some crypto experts welcome the massive upgrade because of concerns regarding the environmental impact of PoW. Unfortunately, the improved transaction speed might not automatically bring down transaction fees.

Like BTC, ETH is losing year-to-date (-53.27%), and the rally to \$1,721.07 may or may not sustain. Ardent followers, however, predict a surge to as high as US\$2,400 by the end of Q3 2022 owing to Ethereum 2.0. Still, others believe that only a broader adoption of Ethereum would propel the price higher.

Vulnerability to economic conditions

The crypto winter isn't over despite the industry-wide rally last week. Martin Hiesboeck, Uphold's blockchain and crypto research head, said, "Crypto prices are much more vulnerable to factors contributing to the difficult economic situation than the pullback in the crypto ecosystem."

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