



## Are New Lows Going to Be in for Bitcoin This Year?

### Description

The largest [cryptocurrency](#) in terms of market cap, **Bitcoin** ([CRYPTO:BTC](#)), has been seeing a consistent decline ever since its brief uptick in mid-August. That said, this token's recent plunge below \$19,000 marked a new low for this crypto since it took a major tumble in June.

Thus, the question many investors have is whether these lows will be tested this year. And given how close we are to those levels, perhaps some significant downside may be due for this top token, particularly in this macro environment.

Let's dive into where Bitcoin may be headed in this choppy market.

### Steep plunge for Bitcoin after CPI release

One of the key drivers (perhaps the most important driver) of late taking most cryptos, including Bitcoin, lower has been continued interest rate hikes from central banks. In a bid to rein in surging inflation, this is really the only tool these central bankers have at their disposal. And when rates rise, valuations of risk assets tend to drop. Such has been the case with most crypto tokens.

Indeed, the correlation between cryptos and equities (particularly tech stocks) has been staggering. This year, the oft-tracked metric reached all-time highs before dipping somewhat of late.

That said, the fact that these two groups are moving in relative unison isn't a great thing. With recent consumer price index (CPI) numbers coming in hot, expectations are that more rate hikes are on the horizon. Accordingly, Bitcoin and its crypto peers are seeing more downside pressure, as investors flock to safe-haven assets.

### Further rate hikes can affect Bitcoin

It's true that investors are taking a risk-off approach to all risk assets this year. In a bid for safety, Bitcoin and other digital tokens are seeing the kind of bearish sentiment crypto investors may have

never seen.

With more rate hikes on the horizon, the questions are, how long will these rate hikes continue, and when will rates eventually get cut? The market appears to be pricing in a higher probability of rates staying higher for longer. If that's the case, the sort of cheap liquidity that fueled the previous crypto bubble may not come for years.

## Bottom line

Right now, investing in Bitcoin appears to be more of a macro game than anything. And with the U.S. dollar currently trading near all-time highs relative to most currencies, that's not great for Bitcoin's valuation (at least in terms of the U.S. dollar).

New 52-week lows could certainly be in the cards for this year. In fact, I think that's more likely than not. That said, those thinking long term need to consider whether buying at these lows makes sense. In my view, it all depends on an individual investor's time horizon.

### CATEGORY

1. Cryptocurrency
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