



Risk-Off Trades: Is the Sky Falling on Bitcoin (CRYPTO:BTC) and Company?

Description

The risk-off sentiment on [cryptocurrencies](#) became more pronounced after the U.S. Federal Reserve hiked interest rates again last week in its ongoing battle against soaring inflation. According to Arcane Research, **Bitcoin** ([CRYPTO:BTC](#)) and other digital assets, like technology stocks, have taken a beating in 2022.

Many crypto investors are still hopeful that Bitcoin can deliver astronomical gains like before despite ultra-high volatility. Cryptos are [speculative assets](#), and the current market environment demonstrates that they are far from being a store of wealth. This year's volatility is dramatic in the sense that you're more likely to lose money than make a profit.

Rock bottom is coming

Debate on whether Bitcoin has reached rock bottom or will plunge further is raging in the crypto space. Some community members agree that this winter will be hard, and one **Twitter** user warns that BTC will likely dip even lower. Other crypto bulls believe the recent dips and current prices may potentially be a good entry point for traders.

Joe Burnett, an analyst at Blockware Solutions, said there are many factors that put pressure on Bitcoin, including government attempts to combat inflation. For Ian Balina, founder of crypto research firm Token Metrics, Bitcoin is in a down cycle due to general investor pessimism on risk assets.

BTC posted an all-time high of US\$67,566.83 in November last year. Had you invested at year-end 2020 and sold the crypto on November 8, 2021, the return would have been 133%. On December 31, 2021, the price went down 31.47% from its peak to US\$46,306.45.

The risk-off trade in the crypto market is apparent today, with BTC falling to as low as US\$18,547.40 on September 21, 2022. As of this writing, the price is US\$19,147.34 for a year-to-date loss of 58.65%. If you recall, the original crypto had a 1,331% positive return in 2017 before losing 72.6% in 2018 during the fateful crash. In 2020, the overall return was 302.8%, which then tapered to 57.6% in 2021.

Price predictions

Despite the dark clouds hovering over Bitcoin, some crypto market analysts maintain a positive outlook. The Changelly blog predicts a year-end price between US\$20,500.96 and US\$23,448.30. It adds that BTC will reach US\$29,739.35 or up to US\$35,510.72 by the end of 2023. Coin Price Forecast sees BTC ending 2022 and 2023 at US\$27,041 and US\$31,021, respectively.

Michael Saylor, co-founder and Executive Chairman of **MicroStrategy**, isn't worried about the extreme volatility. The staunch Bitcoin supporter expects the price to return to its November 2021 peak within the next four years. He even predicts the world's most popular token to hit US\$500,000 sometime in the next decade.

Saylor adds, "The next logical step for Bitcoin is to replace gold as a non-sovereign store of value asset." The business intelligence software firm has a significant unrealized loss on its holdings, yet it keeps buying BTC.

Long-term hold

Wall Street analysts believe the multiple rate hikes to fight inflation will make it difficult for risky assets like Bitcoin to recover in the near-term. However, Edward Moya, a senior market analyst at OANDA, suggests holding BTC for the long-term. He anticipates cryptocurrencies trading on their own fundamentals eventually.

CATEGORY

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