

# Profitable INVESTING Tips

## Stock Market Investing Tips, Techniques, and Resources



### Accelerating Inflation and Crypto Values

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The markets woke up recently to an unexpected bump back up in the rate of inflation. Stocks and crypto values fell immediately. Bond yields jumped higher. Our concern has to do with accelerating inflation and crypto values going forward as the Fed raises rates. The Federal reserves is trying to thread the needle, so to speak, and control inflation without causing a recession. It remains to be seen if they will succeed. Assuming that inflation continues to accelerate, how will Bitcoin and the rest do?

### The Course of Inflation and the Markets

Investors, the business community, and consumers all worry about inflation. When the cost of goods goes up it eventually causes consumers to purchase less, business to slow down, and the stock market to slide. In the case of cryptocurrencies, it has become apparent that Bitcoin tracks quite closely with the Nasdaq. Both have slid substantially this year. When inflation becomes a problem the US Federal Reserve steps in and raises interest rates. This action eventually slows the economy as the cost of borrowing goes up. At the same time financials like banks tend to do better because they can charge more for loans except when Fed efforts cause a recession in which case their stocks go down as well. In general, because Bitcoin and the rest have tended to track with the Nasdaq, we expect the crypto world to slide down along with stocks when inflation accelerates and/or when higher interest rates drag the economy into a recession.

### The Course of Inflation and Your Investments

Stocks and crypto are both likely to fall in value in the coming months. If inflation continues to accelerate it will cause the Federal Reserve to raise interest rates at a more rapid rate. The last time inflation was this high was at the end of the 1970s and it did not get better until the Federal Reserve under Chairman Paul Volcker raised rates up to 20% in June 1981. We are a long way from that at the current time but should that be necessary we could expect a similar response from the economy with a recession and higher unemployment rates for the next seven years. *Bloomberg* looks at the [current situation with inflation](#). After the most recent surge in inflation the betting is heavily in favor of a heftier interest rate increase than the recent 0.75% hikes.

### Wishful Thinking and Crypto Investing

The crypto world has taken a substantial hit this year with Bitcoin being down by two-thirds since last November. In the brief history of Bitcoin and the rest there have been huge profits for those who timed the market correctly and bought at market lows. The problem going forward is that those profits happened at times when interest rates were historically low. Now with accelerating inflation we can expect to see progressively higher interest rates which will most likely result in low stock and crypto prices. A very real problem for cryptocurrencies is that a lot of the speculative value is going to be wrung out during this time and the ones that remain standing will need to have a practical or fundamental value that supports their market

price. [Ethereum](#) comes to mind as a cryptocurrency that will have a higher support price based on fundamentals. In the coming months and years wishful thinking and crypto investing will not go together very well. Crypto investors will want to start thinking more like long term stock investors or become very good at timing the market.

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