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Stock Market Investing Tips, Techniques, and Resources



How Long Will the Crypto Winter Last?

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Those who have invested in cryptocurrencies got used to the dramatic ups and downs of the market. Then came the crypto winter and the usual predictions of another price surge being just around the corner have not worked. How long will the crypto winter last? The best way to predict this is probably to look at the stock market and particularly the Nasdaq with which Bitcoin has tracked closely for the last year or more. A primary driver of the Nasdaq right now is inflation which is causing the Federal Reserve to raise [interest rates](#) which, in turn, is raising expectations of a recession.

No Easy Out for the Fed Is Bad News for Crypto

So long as interest rates keep going up cryptocurrency prices will likely remain down. The Federal Reserve's job is to keep inflation in check and to help maintain full employment. Unfortunately, more often than not, efforts by the Fed to stem inflation have resulted in a recession combined with a rise in unemployment. For now the economy is still hot both on the consumer side and with employment. Thus, the monthly Fed rate increases have not made much of a dent in prices. This leads to expectations of more rate increases. If the Fed backs off, inflation will only get worse meaning they would have to go back at it again with monumental increases like forty years ago where it took rates in the [20% range](#) to do the job and then unemployment went up for 7 years. Not only is the Fed in a bind but so is the crypto investor for whom winter seems to have no end.

What Happens When Interest Rates Go Down?

One might believe that the cure to crypto winter will be when inflation settles down and the Fed lowers interest rates. However, there has always been a time lag between when the Fed lowers rates and when the economy recovers and the stock market perks. Up the market tends to precede the economy in its recovery but its average correction time over past Fed interest rate pivots has been 14 months! Since the crypto market and especially Bitcoin have taken to following the Nasdaq up and down, we would expect to see [interest rate effects](#) on the crypto market to start to relent somewhere short of 14 months.

Factors That Could Prolong the Crypto Winter

The usual reason for inflation is too much money in the economy. This time around the too much money part comes from two presidents, two congresses, and the Federal Reserve pumping money into the economy to save it from crashing during the Covid pandemic. Additional factors include Russia's invasion of Ukraine with the potential for an escalation to [tactical nuclear](#), biological, or chemical weapons and China's strict Covid lockdown policy that is gumming up the supply chain. Inflation will come down when rates are high enough but the level of rates may need to be much higher due to the other factors present in the world today. Add to those factors the lag time between lower rates and stock market (plus crypto) recovery and one might not be surprised to see crypto winter lasting until the end of 2023 or early 2024.

Will Crypto Ever See Spring Again?

The factors that are driving the stock market and the crypto market down will eventually be resolved. What happens to Bitcoin and the rest then? In its short time since crypto was invented this niche came to be seen as a way to gain untold riches. The story went that this new kind of money was a safe haven in troubled times, a hedge against inflation, and likely to keep appreciating indefinitely. The last year and its crypto winter have disproven much of the crypto hype. Collapse of so-called [stable coins](#) and the emergence of evidence of [Bitcoin wash trading](#) has further tarnished crypto's reputation. Our opinion has been and remains that eventual crypto values will be based on practical and fundamental uses of cryptocurrencies. The blockchain will have uses both related to and unrelated to cryptocurrencies.

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