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Stock Market Investing Tips, Techniques, and Resources



Is Bitcoin Set for a Comeback?

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Bitcoin as well as the rest of the crypto world has had a dismal year. The premier cryptocurrency fell from \$67,000 in November of 2021 to the \$18,000 range in early September of 2022. Just a week after its low point Bitcoin popped up to the \$22,000 range. Is Bitcoin set for a comeback or is this a [bear market](#) rally before it trends lower and lower? Bloomberg writes about [Bitcoin's recent high](#) and about the various factors that could drive the market higher or lower.

Inflation Reports and Crypto Volatility

Bitcoin has tracked with the stock market in recent months and especially with the Nasdaq. *Bloomberg* notes that both the [Ethereum upgrade](#) and upcoming inflation reports could affect the price of Bitcoin. The dollar has weakened a little and this has encouraged buying of risky assets. The problem for those jumping into the market at this moment is that the US Federal Reserve is likely to keep raising interest rates until inflation is beaten down even though their efforts will likely cause at least a mild recession and perhaps a more significant economic downturn. As inflation reports show that spending, wages, and prices are not yet receding, the market will assume that the Fed will continue to aggressively raise rates and we can expect the market, Nasdaq, and Bitcoin to slide again.

Scenario for a Bitcoin Recovery

What needs to happen for Bitcoin to recover and surge higher? Right now the price of Bitcoin and other cryptocurrencies is being determined by technical factors due to the absence of short term data regarding the fundamentals such as the Fed interest rate plans. Over the long term for Bitcoin to surge again buyers need to return to the belief that it is a haven in times of economic insecurity, a hedge against a falling dollar, and a reliable way to build wealth. All of these arguments have been beaten down in recent months. Furthermore, reports of rampant [Bitcoin wash trading](#) do not help instill confidence in potential Bitcoin investors or traders.

Bitcoin and the End of Low Interest Rates

We appear to have come to the end of a prolonged period of low interest rates. After the Financial Crisis the economy was weakened and the Fed kept rates historically low to keep from torpedoing the economy. Credit was easy to get and low rates drove investors into the stock market and the crypto market where steady profits were available. For the foreseeable future rates will be significantly higher which will make bonds, CDs, and vehicles like inflation protected treasuries attractive. It should be of note that recently the US Treasury site for inflation protected securities crashed due to greatly increased interest in this way of investing with protection against steadily higher prices.

Reduced Appetite for Risk Affects Bitcoin

We wrote recently about how expectations of inflation drive investing decisions. When people see the

economy and especially the job market tightening up, they tend to become much more conservative in all aspects of their lives and investing. The easy money period of recent years encouraged folks to dabble in investments with more risk because they saw the potential for huge profits. Not only are investors being more cautious with the investable money but they are doubly shy of putting money into Bitcoin in the current environment. Those factors need to right themselves before we see Bitcoin make a comeback that attracts more serious investors.

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