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Stock Market Investing Tips, Techniques, and Resources



Will Crypto Follow the Stock Market Down?

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Evidence is increasing that the US economy and certainly that of the EU are headed into recession. Retail giants like Walmart, Amazon.com, and Target are all down significantly year to date. This indicates that consumers are getting the memo and starting to spend less. Another warning sign for crypto investors is that the Nasdaq is down 27% year to date and it is the Nasdaq with which crypto assets track closely. As recession hits will crypto follow the stock market down?

A Bad Year for Crypto

Bitcoin investors had good reason to be happy back in November of 2021 when it flirted with \$70,000 but since then it has been all downhill for Bitcoin and the rest as Bitcoin now trades around \$20,000 and questions about whether or not [Bitcoin will bounce](#) back alternate with fears of trading [Bitcoin at \\$600!](#) Because Bitcoin has tended to track closely with the Nasdaq stock index, we look at whether or not a bad year for Nasdaq will translate into a bad year for crypto.

Nasdaq Crypto Correlation

Because Bitcoin did not correlate with the US economy during its impressive rise from less than a dollar to tens of thousands of dollars it was viewed as a hedge against inflation, a haven in times of economic distress and a path to untold riches. The only complaint about Bitcoin and other cryptocurrencies used to be that the wide fluctuations in value made investing risky over the short term. What has become clear in the last months to year is that crypto does track along with the stock market and specifically the Nasdaq and both have been headed down for months with a recession looming which could drive both down even more. *Investopedia* looks at this [price correlation](#).

The bottom lines for this correlation appear to be that many investors treat stocks and cryptocurrencies the same in terms of buying and selling and the factors that cause many to jump in and out of the market apply equally to crypto and stocks like those in the Nasdaq. In the end, Bitcoin and others are subject to the same supply and demand issues as stocks. Positive and negative investor sentiment tend to swing back and forth first enticing investors into the market and then scaring them off. When the economy starts to slow significantly with effects on stocks it appears that it hits crypto as well. And geopolitical events like the war in Ukraine now appear to drive down crypto prices as well as those of stocks. This last factor is contrary to what was formerly widely believed about crypto currencies that they would be a haven in times of unrest. They are not and that realization has helped hasten their downward spiral.

Investor Sentiment versus Intrinsic Value

When everyone thinks that a stock or a cryptocurrency will keep going up it tends to go up. That is positive investor sentiment. That is what happened with much of the stock market ever since the depths of the Financial Crisis. Interest rates were historically low and money for investing went elsewhere like into stocks that just kept going up. And the same sentiment appears to have affected crypto as the stock market. Now traditional thinking is returning to the stock market. What guides long term investors is the [intrinsic value](#) of a stock. What sort of income will the company generate in the years going forward and what is the value of that stock based on that projection. When investors put crypto under the same microscope, we see projections of substantially lower value than even today. When investors look at crypto from the viewpoint of purely market sentiment, they see it following the Nasdaq down until both reach values supported by their fundamentals.

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