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Years Ahead for the Crypto World

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2022 has been a terrible year for cryptocurrencies. At the end of 2021 it just seemed like another pullback between crypto market rallies. But as 2021 rolled into 2022 many of the “truths” about Bitcoin and the rest were proved to be incorrect. As inflation hit levels not seen in four decades the dollar strengthened and cryptocurrencies fell. Russia invaded Ukraine. Commodity prices skyrocketed. And cryptocurrencies that were supposed to be [safe havens](#) in times of social, financial, and political unrest continued to fall. Bitcoin did not trade independently but rather tracked in parallel with the Nasdaq which itself had a pretty miserable year. Now we wonder about the year ahead for the crypto world. Will we see crypto find a bottom and then rally or will it establish itself on successively [lower price plateaus](#) in 2023.

Cryptocurrencies in the World of Inflation and the US Federal Reserve

One truth to take out of 2022 is that cryptocurrencies are not a world apart but another way to hold value, seek profits, and speculate. As we noted, Bitcoin has tracked pretty closely with the Nasdaq ever since inflation raised its ugly head, the Fed started raising interest rates, and the likelihood of a recession has increased. *The New York Times* looks at 2023 and the [likelihood of a recession](#). The point made by The Times is that economists are projecting less inflation and a mild recession in 2023. They were wrong before and could be wrong again. Perhaps mindful of their errors in the past, economists are not projecting the same kind of reduction of inflation that they did previously. For the world of crypto that follows the ups and downs of the markets much more closely than previously believed, uncertainty about inflation means uncertainty about the Federal Reserve and interest rates and that means more uncertainty about the economy and the markets. What we know from Fed Chair Powell, they will follow the data and continue to raise rates with an inflation target of 2% which level is nowhere near what inflation is running at currently.

Expert Opinions about Crypto Going Forward

In the past we have generally been wary of “expert” opinions about cryptocurrencies because the “experts” have been folks heavily invested in the crypto world or even [celebrities reading from a script](#). *Time* provides us with [eight more crypto opinions](#) from folks in the crypto niche along with a useful summary of recent events in the crypto world. It strikes us that folks in the niche are now a lot more willing to welcome some degree of regulation which should be no surprise after events like the [FTX fiasco](#). We are generally in agreement with comments about NFTs and how they are likely to become less trendy but stay around. And that other uses of the NFT approach are likely to emerge and become a larger part of that technology. As far as investing in NFTs, we have noted before that investing in collectibles is a specialized niche that requires specialized skills as well as a bit of luck. We do not see any spectacular recovery in the NFT world next year and probably not before the crypto world itself stabilizes. Regarding decentralized finance or DeFi, a comment from a professor at Rutgers Business School caught our attention. “The next step is figuring out how to make good code and kick

everything up a notch.” The general consensus is that DeFi is in its infancy with lots of room to grow. That growth may not come in 2023 but years from now, especially when the valuations in the crypto world have stabilized.

Will There Be More Crypto Bankruptcies?

As noted in an article in *Fortune* about [crypto bankruptcies](#), the sheer size of the FTX mess is not only going ripple across the crypto pond and cause more trouble but it has also attracted the attention of big league bankruptcy lawyers. That fact by itself will likely make the majority of the crypto world welcome the sorts of regulation that they previously wanted to go away! From a purely financial point of view the bankruptcies will continue as long as the economy is having trouble and markets are reflecting that trouble. Crypto values will continue to fall and because so many companies hold their assets as their own tokens, there may be no bottom for some while others will survive to dominate the niche when it eventually bottoms out and starts to recover.

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