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## 3 Reasons Why BTC Is Regaining Its Lost Crypto Market

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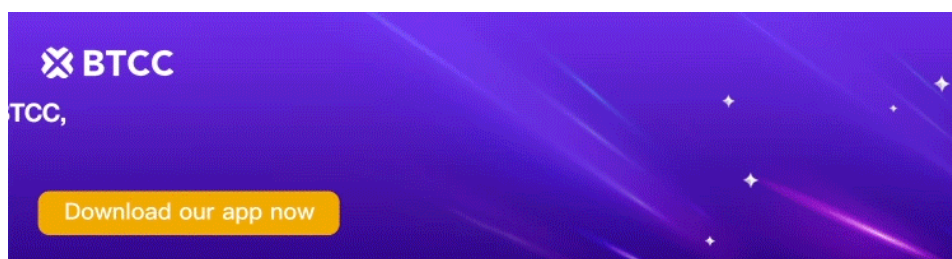
Many cryptocurrencies - not just LUNA - have fallen more than 80% from their all-time highs in 2022. Bitcoin ( BTC ) is regaining its lost crypto dominance, even though it's trading nearly 60% below its all-time high.


### BTC Market Dominance at 6-Month Highs

The Bitcoin Market Dominance (BTC.D) index, a metric that weighs BTC's market capitalization against the rest of the cryptocurrency market, jumped to around 47% on May 27, its highest since October 2021.

The dominance index swelled despite the drop in Bitcoin's market cap in the last six months from \$1.3 trillion in November 2021 to nearly \$550 billion in May 2022, suggesting that traders were more comfortable selling altcoins.

Let's look at three likely reasons why traders have been rotating out of the altcoin market to seek safety in [Bitcoin](#).



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## Ethereum “Merge” Is Cooling Down

Ethereum’s native token Ether (ETH), the largest alternative cryptocurrency by market cap, has witnessed consistent declines in its market dominance in the last five months—from 22.38% in December 2021 to 17.86% in May 2022.

The plunge comes after two years of a sustained uptrend, with ETH/BTC rising more than 200% between September 2019 and December 2021.

As reported, Ether outperformed Bitcoin in recent years, largely due to the hype surrounding its long-awaited protocol upgrade, called “the Merge,” which hopes to make Ethereum more scalable and less expensive.

But the upgrade, which aims to transition Ethereum’s blockchain from [proof-of-work](#) to [proof-of-stake](#)—a counterpart known as Beacon Chain—has [faced repeated delays in its launch](#).

Only recently, Martin Köppelmann, the co-founder of the Ethereum Virtual Machine- (EVM)-compatible Gnosis chain, highlighted a seven-block reorganization on the Beacon Chain, meaning that the chain got briefly “forked” in its testing phase.

Ether dropped by nearly 13.5% against the U.S. dollar following the reveal on May 25 while ETH/BTC plunged to 0.059, the lowest in six months.

Ethereum lacks narratives to drive ETH’s price upward after undergoing the Merge upgrade, noted OxHamZ, an independent market analyst, saying that investors have already “priced in” the network upgrade hype.

## LUNA Collapsed, Traders to Seek Safety in BTC

Bitcoin’s renewed crypto market strength also appears due to the Terra (LUNA) market’s collapse.

LUNA/BTC, a financial instrument that traces the Terra token’s strength against Bitcoin, fell by 99.99% to 0.00000004 in May, which made it practically worthless.

Meanwhile, LUNA declined similarly against the dollar, raising anticipations that traders dumped

the token to seek safety in BTC and cash.

LUNA's market cap before the May's deadly crash was \$40.88 billion.



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## Alternatives

On the whole, the altcoin market, containing everything from large-cap blockchain projects to sketchy crypto assets, has fallen by nearly 65% six months after topping out near \$1.7 trillion.

A deeper look into some tokens shows that — unlike Bitcoin — most are down over 80% from their all-time highs, hinting at an overall investor exit from altcoins and into cash, stablecoins or BTC.

That is primarily because Bitcoin isn't only the oldest blockchain, but stands on its own without any central authority.

Historically, Bitcoin's dominance drops during crypto bull markets as waves of new tokens spring up during the mania phase.

For instance, the duration of the infamous initial coin offering (ICO) pump coincided with BTC.D dropping from nearly 96% in January 2017 to 35% in January 2018.

Then the March 2020 crash was the start of the DeFi and irreplaceable token (NFT) hype, which was further fueled by the Federal Reserve's quantitative easing policies.

So if Bitcoin's market dominance has indeed bottomed out, it could once again coincide with a macro bottom in Bitcoin prices, possibly the beginning of a new bullish phase in the coming months.

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