Do You Think Crypto is a Market Bubble?

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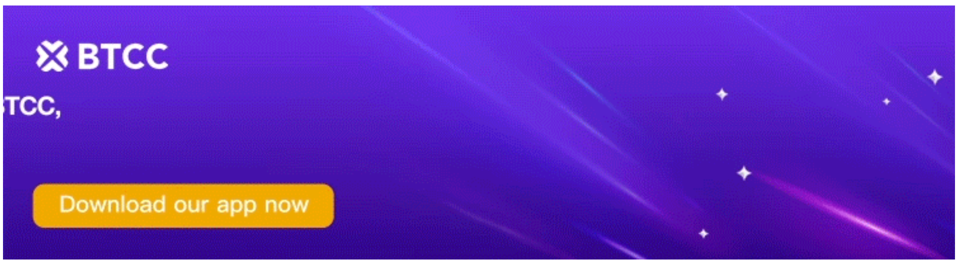
From the very beginning, people called the encryption currency bubble assets. The reasons they give are: first, cryptocurrencies cannot be used to buy daily necessities, second, cryptocurrencies are isolated in the coder community, and third, no one can invest in them. Therefore, people have long come to the conclusion that they are worthless.

However, once bitcoin and Ethereum become the mainstream, especially in 2020, the cryptocurrency market will grow and investors will start to get together. This is due to the poor fundamentals of the real economy, rising prices and inflation, which are caused by the pandemic and the subsequent policy response. In addition, retail and institutional investors are slowly aware of the technology and innovation potential behind the blockchain supported and “anti inflation” cryptocurrency. As a result, their valuations soared and many investors entered the field for the first time, which further boosted prices.

Did the Bubble of Crypto Brust?

The rapid rise of cryptocurrencies has created a problem. These new assets, which many investors do not fully understand, are surpassing the market value of Fortune 500 companies and have made a return of one thousandth. This happens in many cases. For example, from the early stage to December 2017, the price of bitcoin reached US $19000 and the market value exceeded US $300 billion. By April 2021, bitcoin reached US $60000 (ATH), reaching the milestone of US $1 trillion market value. Because of the overvaluation in such a short period of time, the market was ruthlessly reversed, and the bursting of the encrypted money bubble.

However, when the cryptocurrency market collapsed in early 2018, it was purely speculative, and when it collapsed in the spring of 2021, it was due to policy downward pressure and excessive leverage. These two things are the serious situation of the market bubble and the bursting of the money market bubble.



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What is a Crypto Bubble?

The market bubble is an investment or economic cycle, asset prices rise rapidly, more than the healthy market value, because of the strong market behavior, then the value decline is often the two digit percentage.

There are many historical examples of market bubbles that investors and economists should study. For example, the Japanese "bubble economy" in 1980s, the Internet stock market bubble in the late 1990s, the US real estate bubble in 2009, and the bubble in China's stock market in 2015. But now, the most widely discussed potential market bubbles in the future include the US stock market, China's housing market and the encrypted money market.

Since the market bubble has such a severe first order effect and unpredictable two and three order results, investors must make efforts to understand what is the market bubble and point out the market bubble indicators that sparkled with red light.