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## Will Ethereum Recover? What Cause the Crash?

Original:

<https://www.btcc.com/en-US/academy/research-analysis/will-ethereum-recover-what-cause-the-crash>

[Ethereum](#)'s price fell below \$1100 (£ 907) early on June 14th as the [cryptocurrency](#) market continued to struggle after the lending website Celsius blocked all withdrawals and transfers on its platform.

The plunge also brought [Bitcoin](#) briefly below \$21000 (£ 17300), but both currencies are now recovering slightly. Bitcoin has recovered to around \$22600 (£ 18600), while Ethereum is at \$1200 (£ 990). However, they still lost about a third of their value last week, and some experts worry that the "crypto winter" may be coming. Here's what you need to know about the crash and what might happen next.

### Why Did Ethereum Collapse?

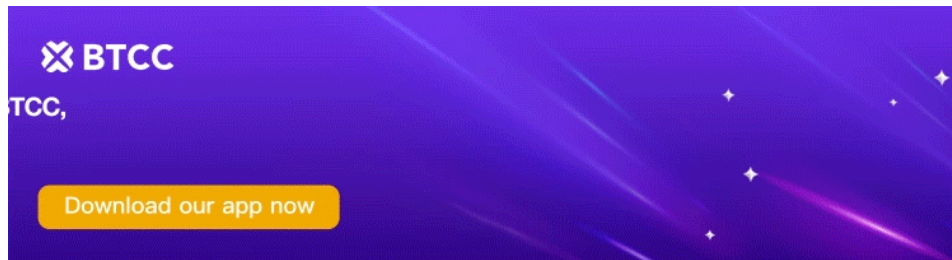
The downturn of Ethereum is related to Celsius' freezing of transfers. Celsius is a platform that allows people who hold cryptocurrency assets to lend their tokens in exchange for a high fixed financial return on their deposits. It currently has about \$8billion to lend to its customers.

On Monday, the platform said that it would "suspend all withdrawals, swaps and transfers between accounts" so that it could "better perform its withdrawal obligations over time". It said that it took this initiative to "benefit our entire community to stabilize liquidity and business, while we took measures to preserve and protect assets".

However, this decision has exacerbated concerns about the liquidity of Celsius, and investors have been fleeing the platform in recent weeks. Celsius' asset value has more than halved since October, when it was handling \$26billion (£ 21billion) in client funds.

This happened after Terra's Luna token collapsed last month, which also had a vital effect on the cryptocurrency industry. The freezing of transactions also accelerated the continued selling of cryptocurrencies.

Since this year, the general mood around cryptocurrency has cooled. In the context of global inflation, investors seem to be moving away from cryptocurrencies to less risky investments.



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## Will Ethereum Recover

Rich Blake, financial adviser of Uphold, told The Independent that the crypto market may be approaching collapse. "Cryptocurrency hobbled into this week, a bit subject to the volatility of the stock market. It was obviously on pins and needles about the inflation figures in May — the US Consumer Price Index (CPI) report fell on Friday," he said, "Its bottom line; Not what anyone wants to hear."

Economists expect CPI to increase by 8.3% year-on-year, but the overall inflation level is actually 8.6%. Wall Street was groping for signs that inflation may have peaked.

"A few minutes before Friday's CPI report, Bitcoin was struggling to stay above \$30000. A few hours ago, it was still below \$29000 and seemed to be on the verge of collapse. The danger of an imminent 'crypto winter' is pending."

The CoinDCX's research team told Business: "In 2023, we expect that major central banks will continue their track of quantitative tightening and policy interest rate hikes - effectively limiting any significant room for growth unless we see a more convincing trend in economic recovery."

However, there are still many optimistic views around Ethereum, especially around its utility and its connection with [NFT](#). John Zannos, partner of reflection VC, told nextadvisor. "I think Ethereum has the power of the community. It allows a group of very smart people to create innovation and see new opportunities. At the core, my optimism is linked to the versatility of what you can do with Ethereum."

Henri Arslanian, global cryptocurrency leader at PwC, said. "Ethereum has more than 90% of the NFT market. This year will be a very important and decisive year for Ethereum."

## Cryptocurrency is Risky

People have their own investment risks, and cryptocurrency is not regulated by the UK financial authorities. All cryptocurrency investments are risky, but meme coins like Shiba Inu are particularly unstable. You should be prepared to lose everything you invest.

The Financial Conduct Authority (FCA) warned in January. “Investing in crypto assets, or related investments and lending, usually involves taking very high risks with investors’ funds. “If consumers invest in these types of products, they should be ready to lose all their money.”

Susannah Streeter, senior investment and market analyst at Hargreaves Lansdown, previously explained the risks. She said. “Apart from extreme instability, most cryptocurrencies are unregulated, which not only increases another layer of uncertainty, but also means that investors have little protection against fraud.”