Are we headed for another crypto winter?

Lily Jamali  |  Jun 14, 2022

Heard on:

Above, a bitcoin ATM at a Miami shop. Investors have been fleeing the cryptocurrency world and values are sliding. Joe Raedle/Getty Images

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The phrase “crypto winter” has been getting a lot of mileage lately. It’s used to describe the downturn in everything from the most popular cryptocurrency — bitcoin, which lost 15% of its value in a 24-hour period this week — to the many companies that formed to support the crypto ecosystem. These include exchanges and lenders, which have all operated without a whole lot of regulation.

So could a crypto winter be coming?

For people wondering if they should get into crypto, the FOMO (fear of missing out) is wearing off. People are losing a lot of money with the plunge in the value of the currencies and associated stocks. Just like the dot-com bubble and crypto winters of the past, this moment demonstrates that business fundamentals are what matter.

“Some of these businesses will definitely prevail. And some of the ones that are really just errant, they'll go away and that's probably the right thing,” said Paul Hardart, a marketing professor at New York University's Stern School of Business.

But telling the difference between quality companies and duds isn't always easy, said Duke finance professor Campbell Harvey.

"Unfortunately, given this space is so new, there's not a lot of guidance, and people often just reach for the yield and then sometimes are negatively surprised when a problem arises."

There will be ups and downs, he said. “Indeed, spectacular ups and downs.”
The downs are hitting especially hard right now. There was the implosion of the stablecoin terraUSD. Then so far this week, Celsius Network — a major crypto lender — paused withdrawals, leading to questions about whether it’s at risk of insolvency, and the industry’s dominant exchange, Coinbase, said it’s laying off 18% of its workforce.

Linda Xie was a product manager at Coinbase during the crypto winter of 2014.

“For me, that was really hard, financially, and Coinbase — they just made us focus on the mission of the company and really tried to keep us focused on that, which was really helpful to build through the bear market,” she said.

Now the founder of crypto fund Scalar Capital, Xie said she’s not worried because so much talent is pouring into crypto — and not just the financial end.

“We’re seeing crypto touch upon so many different industries, like [non-fungible tokens], where people are talking about art and music, and we’re talking about how crypto can improve science.”

In fact, she said she’s never been more optimistic.
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