

The Coronavirus Crash: How the Pandemic Affected the Bitcoin Market in 2020

Abstract

The Coronavirus Crash caused Bitcoin to lose 50% of its value in a single day, falling to lows of \$3,867 within the space of a week in mid-March. The anxiety was felt across global markets, with the 2020 stock market crash beginning on February 2020. Despite this, the effect of Covid-19 on Bitcoin was not long-lasting.

1 Introduction

The Coronavirus Crash of 2020 was a major event in the history of the Bitcoin market [1]. When the pandemic hit, traders around the world panicked about the economic consequences and uncertainty caused by the virus [2], leading to a significant drop in the price of Bitcoin.

2 The Causes of the Crash

There were several factors that contributed to the crash [2]. One of the main drivers was the actions of whales, or large holders of Bitcoin, who took advantage of leveraged traders and caused a sell-off in the market. In addition, there were fewer traders actively monitoring the markets during weekends, which made it easier for large movements to occur.

Another factor was China's crackdown on bitcoin mining, which disrupted the supply chain for new Bitcoins and added to the downward pressure on the price. Finally, news from regulators and legislators in the US added to the uncertainty in the market and contributed to the crash.

3 The Recovery

Despite the initial crash, Bitcoin has since seen an increase in its price due to various factors related to the pandemic [3]. The lockdowns and curfews caused by the virus led to an increased shift towards digital services, which in turn led to more adoption of remote financial services such as Bitcoin. Additionally, central banks began viewing digital currencies as the future, and more people started working from home, resulting in an influx of new HODLers and traders.

4 Lesson Learned

Craig Birk from Personal Capital believes that if anything was learned from the Coronavirus Crash of 2020 [4], it is the importance of having a long term plan and staying the course. Despite the initial panic and volatility in the market, it's important to remember that Bitcoin is still a relatively new and highly volatile asset, and there will likely be ups and downs in the future. However, for those who are willing to ride out the storms, the long term potential for growth is still there.

References

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