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Crypto recovery stalls as miners' eye exits

Cryptocurrencies fought to find a footing on Monday after even weekend cheerleading from Tesla (NASDAQ: TSLA) boss Elon Musk seemed unable offset selling pressure from spooked investors or nerves stemming from a gathering crackdown on the asset class in China.

Musk had lent a bid on Saturday by tweeting support for crypto in "the true battle" with fiat currencies.

But on Sunday prices slumped as "miners," who mint crypto by verifying transactions, halted Chinese operations in the face of increasing scrutiny from authorities.

Bitcoin climbed as high as \$35,970 from Sunday's trough at \$31,107, but the growing sense of a shakeout flowing through the frothy market left it struggling to make further gains and it remains some 45% below last month's record peak of \$64.895.

The collapse leaves the world's biggest cryptocurrency back where it traded in February, before Tesla announced a \$1.5 billion bitcoin purchase and made a since-reversed decision to accept it as payment for cars.

Rival crypto currency ether hit an almost two-month low around \$1,730 on Sunday and bounced as high as \$2,101 on Monday before losing some steam. Dogecoin, launched as a parody before Musk's backing vaulted it up more than a hundredfold this year, last traded at \$0.30.

"After a brief bounce off last week's multi-month lows, some of the paper-handed types have seemingly sold-out," said IG Markets' analyst Kyle Rodda, using the market term for short-term holders who sell at the first signs of trouble.

"Or (they) decided to pack it in and cut their losses," he said, "as Bitcoin's momentum, and the speculative mania that drove it, almost entirely disappears."

The trigger for the initial crypto selloff appeared to come from toughening language from Chinese regulators last week, which stepped up further on Friday when a State Council committee vowed to crack down on miners in particular.

Gravity has also played a role after months of gains and the attention on Chinese miners who account for some 70% of supply has further dampened sentiment.



"Many miners keep much of the bitcoin/ETH etc that they mine and don't hedge it all into fiat right away," said James Quinn, managing partner at Q9 Capital, a Hong Kong-based cryptocurrency private wealth manager.

"If they are pulling up stakes or shutting down, they may need to reduce their balance sheets in the short term."

Late on Sunday, Huobi Mall, part of cryptocurrency exchange Huobi, said on Monday it suspended crypto mining that services mainland Chinese clients. BTC.TOP, a crypto mining pool, has suspended its China business citing regulatory risks, while crypto miner HashCow said it would halt buying new bitcoin rigs.

Crypto miners use increasingly powerful, specially designed computer equipment, or rigs, to verify transactions in a process that produces newly minted crypto currencies.

SOURCE: INVESTING.COM

