Crypto

**Bitcoin Posts Fourth Consecutive Weekly Drop From All-Time High**

By Vildana Hajric +Follow

December 10, 2021, 8:50 AM EST

**Updated on December 10, 2021, 4:50 PM EST**

- Cryptocurrency continues to linger below $50,000 price level
- Digital asset advocates point to Bitcoin’s fixed supply

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Bitcoin on pace for 4th consecutive weekly drop from record

Cryptocurrency continues to linger near $50,000 price level

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Bitcoin posted its fourth consecutive weekly decline after a brief bounce triggered by a report showing U.S. inflation accelerated failed to unwind the negative sentiment that has recently gripped digital-asset markets.

The largest cryptocurrency by market value has long been touted as an inflation hedge, in part because of its fixed supply. Bitcoin was little changed after initially rising as much as 4.4% to $50,101 in New York trading on Friday. It is down about 10% on the week. The coin has been bouncing around the $50,000 level since a weekend flash crash that saw it tumble as much as 21% on Saturday.

“This is an important threshold and the failure to secure it will likely spook some traders,” Nigel Green, founder and chief executive of deVere Group, wrote in a note. Green said they’re buying on the dip.

Below $50,000
Bitcoin has been volatile since its weekend flash-crash
Bitcoin is down about 30% since reaching a record of almost $69,000 on Nov. 10. It has still gained about 65% this year. Ether, which is also coming off an all-time high set last month, declined for a second day.

Crypto proponents have long argued that Bitcoin and other digital assets, on account of their being an idiosyncratic asset class, could act as hedges against swings in other areas of the financial market. Only 21 million Bitcoin will be put into circulation under the computer protocol that governs issuance, though that figure isn’t expected to be reached for several decades.

“Bitcoin is still seen as an inflation hedge, especially for younger investors,” said Matt Maley, chief market strategist for Miller Tabak + Co. “Since it has few restrictions right now, it is seen as a flight to safety asset for some investors.”

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Many notable Wall Street investors and analysts have bought into the idea of using cryptocurrencies as a hedge against rising prices. Veteran hedge fund manager Paul Tudor Jones has said in the past that he likes it as a store of wealth. Meanwhile, MicroStrategy Inc.’s Michael Saylor said the Federal Reserve’s relaxing of its inflation policy helped convince him to invest the enterprise-software maker’s cash into Bitcoin.

The consumer price index increased 6.8% last month from November 2020, according to Labor Department data released Friday. Those watching Bitcoin’s charts closely noted that its gains accelerated following the release of the data.

Still, there are plenty of counter-arguments too. Correlations may not be what they appear, according to Marc Chandler, chief market strategist at Bannockburn Global Forex. He points out that stocks also rallied following the report -- so the correlation might be with risk assets, he says.
Others argue that Bitcoin hasn’t been in existence long enough to burnish its inflation-hedge image. Plus, according to Cam Harvey, a professor at Duke University and a partner at Research Affiliates, it behaves too much like a speculative asset and is prone to periodic crashes.

“If Bitcoin is ‘digital gold’ and gold is an inflation hedge, then it follows that Bitcoin is too, right? Unfortunately, there is no evidence to back this up, and even the relationship between inflation and gold has been tenuous over the years,” wrote Noelle Acheson at Genesis Trading, in a report. “Longer term, however, gold has more than held its value while fiat currencies have declined; Bitcoin could end up doing the same.”

– With assistance by Emily Graffeo, and Crystal Kim

(Adds comments, beginning in the third paragraph.)