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BITCOIN HALVING AND ITS IMPACT ON THE PRICE OF BITCOIN AND ALL CRYPTOCURRENCIES IN GENERAL

The Bitcoin Halving is the moment when the reward for Bitcoin miners is cut in half. This happens approximately every four years, when the blockchain network completes around 210,000 additional blocks. It is caused by the standard established by the creators of the blockchain to steadily decrease the pace at which new cryptocurrency is generated.

But how does this impact the market and what could it mean for investors? If to talk about the nearest halving, it is expected in April 2024. Approximately 5.5 months prior to the halving, significant withdrawals may offer considerable post-halving returns. Typically, there's a surge in Bitcoin's value approximately 60 days before the halving, driven by investors capitalizing on the hype, with intentions to sell prior to the event itself. However, just before the halving, there's often a downturn in prices. For instance, in 2016, the decline was as deep as 38%, while in 2020, it was around 20%. This dip can lead investors to question the halving's potential impact on prices. Subsequently, there's a phase of reaccumulating which can last several months, during which many investors may feel impatient or disappointed by the lack of immediate post-halving gains. However, following this phase, Bitcoin typically enters a period of parabolic growth, rapidly ascending towards new all-time highs [1].

The patterns of price fluctuations are readily apparent when examining the historical context of previous halving and history of BTC growing in general. Bitcoin's development from 2009 to 2015 saw remarkable growth, starting from zero to hitting $29.60 in 2011, but dropping to $5 by year-end. 2012 saw minor gains, while 2013 was explosive, reaching $1,000+ in November, closing at $732. From 2016 to 2020, Bitcoin increased steadily, hitting $19,188 in 2017, facing fluctuations in 2018 and 2019. The COVID-19 pandemic accelerated its rise, closing 2020 at $28,993. In 2021, it hit over $69,000, dropping to $40,597 by September. 2022 saw declines, hitting below $20,000 by year-end. However, 2023 witnessed a remarkable surge, closing at $42,258. In January 2024, Bitcoin Spot ETFs approvals spurred another rise, breaching $70,000 in March [2].

Of course, the cryptocurrency market is not limited to Bitcoin alone; it encompasses numerous alternative cryptocurrencies, commonly referred to as "altcoins". When Bitcoin is stable, the altcoin market flourishes. When Bitcoin is bullish – people dump their alts to sell into Bitcoin/fiat. Doing this preserves the value of your account. When bitcoin is clearly taking a dirt nap – people dump their alts to lock in fiat value before their trading accounts vaporize [3].

In conclusion, The Bitcoin Halving, a pivotal event occurring approximately every four years, slashes the reward for Bitcoin miners in half, curbing the pace of new cryptocurrency introduction. The market dynamics preceding and succeeding the halving illustrate a pattern of surges, dips, reaccumulation, and eventual parabolic growth. This cycle has historically impacted Bitcoin's price trajectory significantly, with notable fluctuations reflecting market sentiment and external factors such as the COVID-19 pandemic. While Bitcoin's performance directly influences the altcoin market, where traders often seek to maximize Bitcoin gains, stability in the Bitcoin market tends to foster growth in the altcoin sector. Understanding these interconnected dynamics is crucial for investors navigating the cryptocurrency landscape.

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