

Bitcoin and Wall Street under pressure as geopolitical risks increase

Traders sold bitcoin and stocks following mixed reports related to inflation and the increasingly bitter US-China dispute and the geopolitical crisis in the Middle East.



Last week, bitcoin and US stocks came under downward pressure due to rising bond yields and geopolitical risks.

The world's largest digital currency hovered around \$70,000/BTC for most of the week, but had a volatile weekend session, falling below \$62,000/BTC on April 13 before returned to 65,000 USD/BTC on the morning of April 14.

Meanwhile, the S&P 500 index ended the last trading week at 5,123.41 points, down 1.56%; The Nasdaq Composite technology index closed at 16,173.09, down 0.5%; The Dow Jones index closed at 37,983.37 points, down 2.4%.

Traders and investors sold bitcoin and stocks following mixed reports regarding inflation last week. They note the possibility that the US Federal Reserve (Fed) will delay cutting interest rates in 2024 or completely abandon this plan.

The prospect of delaying or abandoning interest rate cuts also doesn't help the bond market.

The 10-year US government bond ended last week with a yield of 4.49%, up from 4.40% at the beginning of the week, after hitting 4.60% mid-week.

Bond yields are rising as bitcoin is trading near an all-time high. These conditions make both bitcoin and stocks vulnerable to sell-offs, as investors tend to sell risky assets in favor of less risky assets.

Mr. Ronen Cojocar, CEO of financial services company 8081, said: 'As inflationary pressures increase, central banks may tighten monetary policy, causing prices of many asset classes to increase. Various, including cryptocurrencies, dropped.'

Meanwhile, bond yields have not increased enough to normalize the yield curve. The 10-year bond yield trades 0.4 percentage point below the 2-year yield and 0.95 percentage point below the 3-month yield.

Long-term bond yields are lower than short-term bond yields, which Wall Street experts call an inverted yield curve, leaving the banking sector vulnerable to a sell-off.

An inverted yield curve is bad news for traditional banks. It hurts bank earnings as banks compete for funds with money market mutual funds and exchange-traded funds (ETFs) issued by financial companies.

That is clearly shown in the first quarter 2024 financial results of major banks announced last weekend, which was the cause of the sell-off of banking stocks on April 12.

Additionally, escalating geopolitical risks add to uncertainty on Wall Street, putting further pressure on the stock market.

One of these risks is the increasingly fierce dispute between the US and China in the technology industry, as both sides increase sanctions against each other.

The geopolitical crisis in the Middle East, which peaked over the weekend after Iran attacked Israel with drones and missiles, also added pressure to the market.

This move could spread instability in the region, causing unpredictable consequences for world peace and financial markets.

Despite tensions between countries, experts believe the likelihood of a large-scale conflict is very low as it could be disastrous for all involved.

Therefore, long-term investors should focus on the most important factor driving stock prices: growth in the business's revenue and profits. In the coming weeks, companies will report their first quarter 2024 results. This will be a good indicator of their financial situation./.

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