

Why is Bitcoin price unchanged after the historic 'split in two' event?

Bitcoin's new cycle has just been established after Halving. However, the price of the digital currency has remained almost stationary amid the quadrennial event.



The Halving mechanism was designed by Satoshi Nakamoto, the person (or organization) who created Bitcoin, to combat inflation, when the amount of digital currency is over-mined. The reduced reward creates scarcity, which is the driving force for this asset class to increase in price.

Historical data shows that halving is a sign of a new growth cycle. However, this transition does not mean that Bitcoin has to increase in price immediately.

Bitcoin after Halving

The total supply of Bitcoin is 21 million coins. The rule is that after 210,000 blocks are mined, the miner reward will be halved. In theory, the same processing power, but less payoff, leads to double the difficulty.

To date, there have been 4 times the Bitcoin network has undergone Halving, with the reward reduced from 50 BTC per block to only 3,125 VND. The fact that there are fewer and fewer coins left, causing the scarcity of digital currencies to increase, means the possibility of price increases.

However, BTC's reaction to each Halving is not the same. The first event took place on November 28, 2012. Previously, Bitcoin was trading around the 12 USD mark. After Halving, the number increased to nearly 1,000 USD. But in 2016, the price of BTC dropped sharply to 670 USD and then increased to 2,550 USD a year later. The peak of this cycle was 19,200 USD at the end of 2017. Similar to the Halving in 2020, Bitcoin reached its ATH (All Time High) of 69,000 USD in November 2021.

It can be seen that the general trend of Bitcoin over time is to increase in price. Halving is established by investors as a milestone of a cycle. The price of BTC after Halving often fluctuates. At the same time, the market does not react to the Halving immediately like events that directly impact cash flows such as geopolitical tensions, FED raising interest rates.

Therefore, after the 4th Halving that just took place on the morning of April 20, BTC is in a side-way state, with insignificant reaction. Experts assess that investors are still in a state of waiting, assessing the trend of fluctuations.

Previously, Ms. Lynn Hoang, representative of the Binance platform in Southeast Asia, commented that BTC will develop unpredictably after Halving, with the appearance of Bitcoin ETFs approved by the US earlier this year.

'Bitcoin ETFs will significantly change the balance of supply and demand in the market. The demand to buy BTC will be higher while the quantity mined will decrease significantly,' Ms. Lynn analyzed. Blockchain data shows that Bitcoin ETFs are collecting about 2,450 BTC on average every day. However, miners can only mine 900 BTC at the same time. After the Halving, this number will decrease to 450 BTC.

It is the participation of these 'players' that will cause the new cycle to have more unpredictable fluctuations than before.

Behind Halving

With the increasing difficulty of the mining process, the level of competition among miner networks also increases. In particular, many specialized equipment had to be eliminated due to insufficient processing capacity. Small-scale miners also lose the ability to compete with large networks.

Theoretically, miners benefit from halving, as the price of the digital currency will increase because of the reduced supply. However, they may have to leave the job when the profits are not enough to cover investment costs, the difficulty is high, and the rewards are low. This long process will affect the level of decentralization of Bitcoin, one of the important factors when the network is created.

According to *CoinDance*, the two largest mining pools, Foundry USD and AntPool, control nearly 50% of Bitcoin's hash rate.

Hash rate represents the computing power available for BTC mining. After the halving, if miners no longer see profits and stop mining, transactions on the Bitcoin network may become clogged. This creates a loophole for hackers to dominate network operations and carry out overselling attacks.

When mining is no longer decentralized but in the hands of several entities, they may have the power to moderate transactions by choosing not to confirm them.

In addition, Halving is also an event that has a negative impact on the environment. Bitcoin mining has been criticized for consuming too much electricity. After the event on April 20, increased difficulty could make this problem worse.

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