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Ethereum price hits lowest price in 2024, what are the reasons?



Ethereum (ETH), the second-largest digital currency by market capitalization, fell sharply on Monday (8/5), hitting its lowest point of the year as the broader [cryptocurrency](#) market and overall risk assets suffered widespread losses.

Ethereum prices fell below \$2,200 early yesterday, a sharp drop from levels trading above \$3,000 two days ago, according to CoinMarketCap data. Psalion managing partner Tim Enneking highlighted the magnitude of this year's decline, calling it "stunning, especially compared to the

standards of recent years". This downward trend is not limited to Ethereum, as several other cryptocurrencies, including [Bitcoin](#) and Solana's SOL token, have also seen significant declines. Meanwhile, major stock indexes such as the S&P 500 and the Dow Jones Industrial Average have seen significant volatility, reflecting broader market uncertainty.

So, what are the factors that caused the price of [Ethereum](#) to drop this time? Can the Ethereum ETF help the future price of Ethereum? Let's see what analysts think!

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What are the factors affecting the price drop of Ethereum?

Analysts attribute the recent decline in Ethereum's price to a variety of headwinds. Among them, concerns about a U.S. recession played an important role, triggering a massive sell-off in risk assets. Greg Magadini, head of derivatives at Amberdata, highlighted the impact of last week's U.S. July jobs report and statements from Federal Open Market Committee members, which he believed contributed to the collapse in risk assets.

However, in addition to these economic concerns that have prompted investors to abandon riskier investments, market observers have also highlighted other reasons for Ethereum's price decline. The combination of these bearish factors has resulted in current market conditions, leaving investors and analysts alike scrambling to assess the full impact and future impact of these various factors on the cryptocurrency market.

Brett Sifling, an investment advisor at Gerber Kawasaki Wealth & Investment Management, attributed Ethereum's recent volatility to the current macro investment environment. He pointed out that market participants were shocked by the "yen carry trade" news that emerged after the hawkish Federal Reserve meeting last week. Sifling believes that this news, coupled with the selling news event caused by the start of Ethereum spot ETF trading in the US market, is the key factor driving this adjustment. He further observed that risk assets, including cryptocurrencies, have been widely sold off as investors worry about a possible recession ahead of the next presidential election. This perfect storm of bearish factors led to a major market correction in the cryptocurrency space.

The big impact of Ethereum ETFs

Several analysts said the approval of a spot-based Ethereum exchange-traded fund (ETF) had a significant impact on the market. However, despite generating considerable interest, trading volumes in these ETFs have not matched those of Bitcoin-based spot ETFs.

Enneking highlighted the key role this development will play in Ethereum price volatility in 2024, showing it to be a major factor in the asset's recent weakness. Aside from correlations with traditional stock markets and the widespread classification of cryptocurrencies as "risk assets," the main reason for the price drop is believed to be the lackluster market response to spot ETH ETFs. The launch of the ETH ETF has had a profound impact on the cryptocurrency market. While some believe the impact of these ETFs is already priced in, it still doesn't fully explain Ethereum's apparent underperformance compared to Bitcoin this year.

Additionally, the apparent demise of the "Trump trade" and the shift in Democratic presidential candidates further eroded support for Ethereum price. Lower U.S. employment numbers last week coupled with a shift in Predictions from a "no landing" or "very soft landing" to a possible "hard landing" caused Ethereum's price to collapse.

Market sentiment has also changed, with Predictions changing from a possible 25 basis point

interest rate hike in September to 25 or 50 basis points, further affecting the market. In summary, the launch of the Ethereum ETF and various macroeconomic factors have had a significant impact on Ethereum's market performance this year.

Analysts say history is repeating itself

Brett Munster, portfolio manager at Blockforce Capital, also recently highlighted the important role of Ethereum ETFs in the cryptocurrency market. Munster said Ethereum is following a similar path to Bitcoin after launching an ETF. He explained that when Bitcoin ETFs were first launched, most new issuers charged fees ranging from 0.2% to 0.25%. However, Grayscale, a well-known company in the field of crypto asset management, made an exception and set its fees at about 10 times higher than the market average. Munster noted that this decision resulted in a significant flow of funds away from Grayscale and into other lower-cost ETFs.

Now, with the launch of the Ethereum ETF, Grayscale continues to maintain its fee strategy, charging 10 times more than its competitors. Munster also mentioned that prior to the launch of the ETF, Grayscale's existing trust held approximately \$10 billion worth of Ethereum. As history appears to be repeating itself, analysts and investors are paying close attention to how the market will react to Grayscale's high-fee strategy in the context of the Ethereum ETF. This situation raises important questions about pricing strategies, market competition, and consumer behavior in the cryptocurrency ETF market.

As predicted earlier this year, the launch of the Ethereum ETF triggered a sharp sell-off, similar to what we saw with the Bitcoin ETF. In the first few weeks after its launch, ETH faced \$2-3 billion worth of selling pressure. This selling spree exceeded net inflows, causing the price of ETH to fall within the first week or two. Our predictions have proven to be accurate, with \$2.1 billion worth of ETH exiting ETHE since its inception. This trend highlights the volatility of the cryptocurrency market and the importance of careful analysis in this type of investment. The launch of the Ethereum ETF did have a significant impact on the market dynamics of ETH, as evidenced by the massive outflow of funds.

Will the ETH ETF drive Ethereum price in the long term?

Looking ahead, Munster expressed [Optimism](#) regarding the potential impact of Ethereum Exchange Traded Funds (ETFs) on the value of ether. According to Munster's prediction, "In the long run, the authorization and introduction of Ethereum ETFs bode extremely well for the price of ETH."

Nevertheless, he acknowledged that it's unsurprising to witness a temporary decline in ETH's price during the initial weeks, as the market adjusts to the selling pressure stemming from Grayscale's conversion process. This transitional phase is expected to stabilize, paving the way for a more bullish outlook on ETH's value in the future.