'Strap In'—Fed Suddenly Braced For A U.S. Dollar 'Crisis' That's Predicted To Spark 'Total Collapse' And A 'Critical' Bitcoin Price 'Tipping Point'

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I write about how bitcoin, crypto and blockchain can change the world.

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Bitcoin and crypto prices have surged this year as the U.S. dollar index falls to year-to-date lows (with the Coinbase chief executive last week revealing an AI game-changer).

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The bitcoin price is trading around $60,000 per bitcoin, up from January lows of under $40,000, as traders bet a fresh injection of liquidity by the Federal Reserve will put the bitcoin and crypto market on the "cusp" of a major move.

Now, as China gears up to drop a bitcoin price bombshell, fears are swirling the U.S. dollar is on "the verge of a total collapse," setting up the bitcoin price for "a critical tipping point."

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The U.S. dollar has recently hit a new 2024 low while the bitcoin price has surged so far this year ... [+] GETTY IMAGES

"The U.S. Dollar Index just hit a new 2024 low [and it's] actually still relatively high, but it looks like it's on the verge of a total collapse," economist and gold bull Peter Schiff posted to X.

"The index could easily sink below 90 before year-end, challenging the 2020 low," Schiff, the founder of money manager Euro Pacific Asset Management and a bitcoin and crypto skeptic, later added. "I think that low will be breached in 2025, triggering a U.S. dollar crisis, crashing the economy, and sending consumer prices and long-term interest rates soaring."

Last month, Fed chair Jerome Powell's speech during the annual economic symposium of central bankers at Jackson Hole, Wyoming, struck a dovish tone and cued up a September interest rate cut, driving down the U.S. dollar.

"It's been a tough summer for the greenback," Neil Roarty, analyst at investment platform Stocklytics, said in emailed comments. "As recently as April, dollar dominance looked unstoppable as its price soared versus almost all global currencies. Now it's at 2024 lows against the euro, the pound and the yen."

The Federal Open Market Committee's (FOMC) July meeting minutes had earlier revealed policymakers are more dovish than previously thought, suggesting interest rates could come down sharply after rocketing to 23-year highs at a historical pace through the Biden administration as inflation spiraled to highs not see since the 1980s.

The Fed is now widely expected to kick off a rate-cutting cycle at its two-day monetary policy meeting that begins on September 17.

"There's now speculation [interest rates] might come faster than initially predicted," Roarty said. "As many as 100 basis points could be knocked off current rates by the end of the year. This will cool dollar expectations for the rest of 2024, but it's worth keeping a close eye on how other central bankers react. That all important rate gap—the difference in interest rates between countries—could be the driver of some significant currency volatility over the coming months. Strap in for what could be a bumpy ride."

In Europe, the E.U.'s European Central Bank and the U.K.'s Bank of England are both expected to further cut rates after beginning loosening cycles in recent months while questions remain over the Bank of Japan after it caused a global market meltdown when it surprised traders with an interest rate hike in July.

Meanwhile, the bitcoin price has lost the momentum it built up through the first half of 2024, casting doubt over its performance through the rest of the year.

"While we remain optimistic about digital assets' mid- to long-term prospects, the current evidence calls for caution," Markus Thielen, the chief executive of 10x Research, wrote in an emailed note.

"Although the market experienced near V-shaped rebounds following dips in early May, early July, and early August, the underlying market structure and fundamentals have progressively weakened. As a result, each dip has become deeper, and the subsequent recoveries have been more subdued. The latest end-of-month data indicates that we may be nearing a critical tipping point in September, marked by a decline in demand."

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The bitcoin price has surged this year as the U.S. dollar declines amid expectations of a Federal ... [+] FORBES DIGITAL ASSETS

Other bitcoin and crypto market watchers have pointed to bitcoin's historical poor performance in September as a cause for concern.

"September is a historically negative month for bitcoin, as data shows it has an average value depletion rate of

6.56%," Innokenty Isers, founder of U.K.-based bitcoin and crypto exchange Paybis, said via email, noting the recent negative investor sentiment around bitcoin has driven its price down from its recent peak.

"Should the Fed cut interest rates in September, it might help bitcoin re-write its negative history. This is because rate cuts generally lead to excessive U.S. dollar flow in the economy. This reduces the dollar's purchasing power, further strengthening the outlook of bitcoin as a store of value. Many institutional investors are already proving this point with massive bitcoin accumulations. If the Fed's policies weaken the dollar, switching to risk assets with higher growth potential might be inevitable. Overall, the macroeconomic indices, spot bitcoin exchange-traded fund (ETF) adoption, and favorable hash rate might make September a relatively better month for bitcoin this quarter."

The bitcoin price rally so far this year has been turbo-charged by the long-awaited arrival of a fleet of spot bitcoin ETFs on Wall Street.

The bitcoin ETFs from BlackRock and Fidelity have surged to become some of the fastest growing ETFs of all-time since their January debut.
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I am a journalist with significant experience covering technology, finance, economics, and business around the world. As the founding editor of Verdict.co.uk I reported on how technology is changing business, political trends, and the latest culture and lifestyle. I have covered the rise of bitcoin and cryptocurrency since 2012 and have charted its emergence as a niche technology into the greatest threat to the established financial system the world has ever seen and the most important new technology since the internet itself. I have worked and written for CityAM, the Financial Times, and the New Statesman, amongst others. Follow me on X @billybambrough or email me on billyATbillybambrough.com. Disclosure: I occasionally hold some small amount of bitcoin and other cryptocurrencies. **Read Less**

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RB **Reg B**

5 hours ago

I'm looking at Warren Buffett selling Apple and BofA setting a cash position which he believes in. Believe me we know he can see around the corner. I'm also looking at how China is convincing more countries to join a Bric community to bypass the dollar. And seeing as how China has bought all the gold they could for decades. And the world community of clients indebted to Ch is constantly growing. And how much over inflation there is in every sector. It makes ya wonder if the market can branch out. It could but if NVIDIA takes off again it Δ might be very very possible... Just my opinion..|. Better think about it

I don't like Peter Schiff -i know what he's does however a clock is right 2x a day

(Edited)

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ZW **Zarek W**

3 hours ago

Only problem is, a glitch or a mainframe circuit outage.... so you can never ever access those digital funds of yours/ours. Something to think about.... No power.... No atm withdrawal or account withdrawals.... Nothing can occur.... SCARY TIMES ARE AHEAD FOR SURE!!!!

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JA **J A**

2 hours ago

Badly written with ideas copied pasted all over the place. Consider being less wordy and organize concrete ideas or opinions.

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SC **Steve C**

41 minutes ago

Boy oh boy. More crypto scare-mongering from Billy B. Seriously, Forbes, you're degrading the value of your other columnists by posting this mess. Every paranoid crypto bro I've seen has been crowing about The End Times for...five years now? No different than religious zealots who've been saying we're in the biblical end times for the last 2000 years. The thing people forget about China holding debt is that it's income for them. Just like some of us on here hold dividend-yielding funds or real estate, we're on the receiving end of structured debt. There's no reason China would suddenly call in all of it unless they just really hated passive income.

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