

5 Bear Market Lessons From a Crypto Entrepreneur

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2022 was an important year for the crypto space. We will all remember the bankruptcies of major global companies: Luna, Celsius Network, FTX, BlockFi and others that left investors with massive losses. The bear market has dramatically affected the crypto economy and investors' portfolios.

Just like in 2013 and 2017, the market moves in cycles. First, we had the crypto summer, where everybody was hyped about their profits and gains. Then came the crypto autumn, and investors started to see red in their portfolios. But investors' portfolios started bleeding when the crypto winter got underway, and even some big reliable companies went underwater.

In this article, I want to focus on some of the most important lessons I have taken for myself and my company after living through one more winter of the crypto market.

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1. Money management strategies are everything

2022 is the year of fallen legends. Companies believed to be reliable borrowers, like Alameda Research, borrowed funds without collateral and ultimately went bankrupt due to improper money management. On top of that, other standout names in the crypto space, such as Luna, Celsius Network, FTX,

and BlockFi, also went bankrupt against all market expectations.

2022 showed that different approaches need to be used to track company assets, oversee their liquidity and provide collateral for obligations. The mistake many made was blindly placing faith in a company because of its size and reputation instead of analyzing the fundamentals.

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2. Stay away from toxic assets

The future market leaders are the companies who survived unscratched problems related to Luna, Celsius Network, FTX or BlockFi and do not hold toxic assets. These are the companies with the potential to launch new products and ideas.

From personal experience, I can say that 2022 was when my company delved into exploring new directions. It proved that the standard earning tools on the market just recently have no future. So we chose to focus on developing new products that can fix the ongoing problems of the crypto market. I believe that doing this – answering a pain point of the sector and providing a reliable service to alleviate it – is a crucial step in maintaining your company's viability in tumultuous market conditions.

3. Watch out for tokenomics

When looking at a company, all performance indicators are important. What good is it to have great management and a business model if the tokenomics are not good? People are first and foremost investing in the token itself, making tokenomics an essential piece of providing a stable development.

Bad tokenomics often gives valuable insight into whether the

company's business model is sustainable over the long term. Look for projects with tokenomics designed to serve the investors, not the developers. Watch out for high inflation rates and other red flags, which are often signs of an unsustainable business model designed to enrich the very few.

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4. Don't follow the hype

This year proves that the market is often wrong. During the crypto summer, many coins and companies grew on hype. Investors hopped on the train and followed the crowd ignoring the lack of solid fundamentals and prospects of future growth. However, when the bubble popped, their portfolio suffered.

Luna, for example. The company had \$50 million in assets but still promised 20% interest payments in its own stablecoin currency. That meant \$10 billion in payouts to people holding funds in its protocols. The business plan was too good to be true, but tons of people fell for it and lost everything when the stablecoin proved not to be that stable after all.

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5. Teamwork is essential

In times of market turmoil, teamwork is more important than ever. The keyword is flexibility; the market is unpredictable, so it's the team's job to adapt to any changes rapidly.

The market has very short business phases meaning that companies need to be highly flexible and able to adapt to new realities. Bear markets often make it impossible to plan too far ahead. Focus on what's in front of you, prioritize clients' objectives, predict what products the next phase of the market will be interested in, and prepare them in advance.

Furthermore, the bear market can also be a great time to generate revenue and offer products that alleviate investors' fears. Additionally, with the right money management skills, companies can alleviate clients' anxiety by investing their funds in discounted assets.

Stay positive. The bear market will be over soon

The bear market is not easy, but staying optimistic is essential. Take a step back and realize that earning on the crypto market is a long-term game; that's the wealth-building secret.

My opinion is based on analyzing past phases, where typically, the crypto winter lasts 4-6 months, then comes the spring. It will be essential for companies to enter with a big user base, good products and opportunities to scale up their own business.

Companies need to pay attention to the costs and build teams out of people who believe in the market more than ever. Teams should have crypto enthusiasts that understand the market and products well. Having pros on the team is essential, so do not let them slip through your fingers.

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