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It is a Big Mistake to Sell Solana Now! Solana Signaled a 35% Increase

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Explore why investors should not lose hope for [Solana](#). Solana's price experienced a sharp fall on January 20, cutting open two key obstacles. However, from the perspective of the high time frame, sol did not create a lower low, indicating that buyers are preventing further decline. Solana's price plummeted by 16% within 24 hours, breaking the 200 day simple moving average (SMA) of \$140.54 and the weekly support level of \$135.71.

Interestingly, this development was cushioned by the bullish trend, because the slump occurred in the daily demand zone extending from \$115.51 to \$144.70. Falling below the above demand area, the daily candle chart is formed, and the closing price is lower than USD 115.51. From the perspective of the high time frame, it will form a low point, indicating that the price wants to go lower.

However, Solana's price is currently in this demand area and has the opportunity to recover. If the daily candle chart closes above the weekly support of US \$135.71, it is better to be above the 200 day moving average of US \$140.54, which will indicate the recovery of the buyer and indicate that sol can retest the 50 day moving average that overlaps with the daily supply area, extending from US \$169.79 to US \$179.19, constituting a 33% boost.

On the other hand, if Solana's price produces a daily candle chart and the closing price is lower than \$115.51, it will create a lower low point and invalidate the bullish argument. This development will show that the bearish outlook is playing a role and pave the way for a 35% plunge. The next daily demand zone will extend from \$65.91 to \$78.76.

This is Not the Time for Fear

Solana (SOL) is one of the best performing [cryptocurrencies](#) in 2021. It ranked 120th in the market value at the beginning of the year, and finally ranked 5th, surpassing the blockbuster bombs such as [Cardano](#) (ADA) and [Polkadot](#) (DOT). Solana is a smart contract cryptocurrency. Some people think it can be comparable with Ethereum (ETH). It is extremely fast and its transaction cost is a small part of the world's second largest [blockchain](#).

However, so far, 2022 has not started smoothly. Solana has fallen nearly 17% since the beginning of this year and about 45% since its peak in November. Let's look at the reasons for the decline and what it might mean for investors. Since the middle of November last year, the total amount of funds invested in cryptocurrencies has dropped by more than 30%, and many large cryptocurrencies have

lost their value.

Broader economic factors played a big role. After many months of fiscal and monetary stimulus, the Federal Reserve announced that it would begin to tighten its position. Among other measures, it now seems that the Federal Reserve may raise interest rates in March, earlier than expected. This, together with the Omicron variant, brought the cryptocurrency market to an end as people withdrew from riskier asset classes.



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Technical Problems of Solana Ecosystem

Solana's rapid growth is not without problems. The ecosystem now hosts more than 1000 projects and has experienced several failures in the past six months. The most serious one was in September, when the Internet was down for 17 hours.

Some people think these are relatively normal growth pains, but others worry that this is a sign that the network places too much emphasis on speed and does not pay enough attention to security. One concern of investors is that Solana has not been road tested like a more mature smart contract cryptocurrency. Technical difficulties exacerbated the unease.

What Corrections are Needed?

One of the challenges of cryptocurrency investment is that speculation is common. People buy cryptocurrencies that they don't fully understand because they see prices rising and hope to catch up. This means that prices are often pushed to unsustainable levels. A related problem is that, unlike buying stocks, it is not easy to evaluate assets based on their fundamentals. You cannot estimate the possible value of a cryptocurrency by its income or cash flow, because the cryptocurrency project does not need to publish any financial information.

There are some indicators that cryptocurrency investors can use, but they are very different from the relatively solid foundation of stock investment. Others hope that blockchain can change our way of life. The entire industry may eventually be worth \$100trillion, 50 times or more of its current value. This kind of hype means that people feel pressure to enter as soon as possible. At the same time, it is difficult for people to see whether the price of cryptocurrency is too high.

In Solana's case, for months, it seemed that the sky was the limit. Its price began to rebound in July and continued to rise until around November. For every critic who warns Solana that it is becoming too hot, another critic will suggest that Solana has the potential to be equal to, if not beyond, Ethereum. Finally, after an increase of 11000% in 2021, it is not surprising that the sun in Solana sinks slightly. In some cases, increasing your portfolio when prices fall can be a reasonable

investment strategy.

But there are some precautions. First of all, we don't know what will happen to the cryptocurrency industry in the coming months — there is no guarantee that this will be the bottom. Part of the reason why cryptocurrency prices soared last year was that so much money was available. With these changes and the Federal Reserve becoming more hawkish, the cryptocurrency market may be affected.