

Bitcoin halving: What is it and how will it affect BTC prices?

For the discerning investor well versed with cryptocurrencies, all attention will be on the highly anticipated halving on the Bitcoin blockchain slated for the first half of 2024. In today's article, we will take a closer look at what the halving could mean for investors who currently hold bitcoin and what it means for the wider cryptocurrency industry.

Halving on the Bitcoin blockchain simply means that the reward for mining is halved. Mining for Bitcoin entails any individual who processes and validates transactions on the Bitcoin blockchain. Transaction information is stored in an encrypted hash and validating the transaction involves solving the encrypted hash as proof of work. The transactions are then contained in a block. In return for the time and effort put in for validating the transactions, miners are currently rewarded 6.25 Bitcoins for each block that a miner has mined.

The next halving in 2024 will see the reward further halved to 3.125 Bitcoins. Eventually, the reward will be halved until it reduces to one Satoshi in 2140 and once the number of Bitcoins in active circulation reaches 21 million, miners will eventually be paid a transaction and/or a processing fee to continue running the blockchain network.

After understanding the basics of Bitcoin mining and what Bitcoin halving means, the next question that any investor would ask is how will the approaching halving event affect the price levels of Bitcoin? Historically, Bitcoin prices have increased with general market positivity after a Bitcoin halving occurs due to the decreased supply and increased demand, giving rise to market forces.

Bitcoin halving has generally been regarded as beneficial to the network as it manages the supply of Bitcoin while promoting organic and sustainable growth for the Bitcoin ecosystem. While there are differing predictions on the potential price movements on Bitcoin after the halving, Standard Chartered's price predictions for Bitcoin seem to be the most sensible. Standard Chartered has predicted that Bitcoin's price will close at USD\$50,000 by 2023 and more than double in value to USD\$120,000 by the end of 2024 to a new historical high. Bitcoin prices have risen 80% since the start of 2023 and it is predicted to continue rising with renewed positivity and interest before the halving event. The main rationale for the price predictions is underpinned by miners selling less of their Bitcoin holdings to cover their mining costs as prices continue to rise through to the end of 2023.

NIACE will monitor the coming Bitcoin halving closely as we anticipate this positive development for the Bitcoin ecosystem. Clients are advised to carry out their own analysis through reliable sources before making investment decisions on their cryptocurrency portfolios.