What is a bear market?

When you're looking into any financial assets, you'll often see markets described in one of two ways. A bull market or a bear market. In simple terms, a bull market is a rising market, while a bear market is a declining one. Because markets often experience day-to-day (or even moment-to-moment) volatility, both terms are generally reserved for longer periods of mostly upward or downward movement, and substantial upward or downward swings.

To get a bit more advanced about the term bear market, it is defined as a period of time where the majority of investors are selling. Supply outweighs demand, market confidence is at a low, and prices are either going down or sideways. If, in a given market, you see prices quickly trending downwards, this could be a sign that the majority of investors are becoming pessimistic about the price decreasing further, and may mean that you're looking at the start of a bear market.

As investor confidence decreases, a negative feedback loop emerges, which tends to draw in even less investment, causing prices to continue to fall. Because the price of a given cryptocurrency is substantially influenced by public confidence in that asset, a strategy some investors use is to try to determine investors' optimism in a given market, a measure known as "market sentiment".

What marks the end of a bear market? Even during a bear market there will be fluctuations, rises, and corrections along the way. It can be easy to misinterpret short-term upward movements as the end of a bear market. This is why it's important to consider any potential signs for a trend reversal from a broader perspective, looking at price action over longer time frames.

It is unclear where the terms "bull" and "bear" came from, but most people believe they derive from the way each animal attacks. Bulls thrust their horns upward, while bears swipe downward with their claws.