



## Bitcoin Boom and Bust: A lesson for Retail Investors

### Description

When asset bubbles burst in the financial world, they leave wide-scale destruction behind them. Investors witnessed the manifestation of this phenomenon just last week when the world's biggest cryptocurrency, Bitcoin, lost as much 25% of its value.

The outcome was [predicted by many top financial minds](#), who warned investors about the rush to making millions overnight after the Bitcoin value touched a record high of \$19,511 last week.

Bitcoin dropped as low as \$10,776 before recovering to \$13,48 at the time of writing. It last traded below \$10,000 on Dec. 1, when the U.S. Commodity Futures Trading Commission agreed to allow trading in Bitcoin futures. For the week, the decline was 24%. The price of the digital coin had more than doubled in the previous three weeks.

I would not have felt any pain after seeing the destruction of this magnitude if the major players in this game were big institutions such as hedge funds. But those who were caught in this massive correction are most likely the public, who jumped on the bandwagon after seeing a friend make a killing in the Bitcoin trade.

There is no hard data to prove which investor class holds the largest share of cryptocurrencies because the whole market functions in an unregulated area. However, anecdotal evidence suggests that Bitcoin trade is driven by many common folks with very little knowledge of how markets function.

A friend who has been paying tuition for his two Vancouver-based children told me last week that his eldest son didn't need his support anymore.

"He has done so well in the Bitcoin trade. He told me not to send the tuition fee for the next semester," my friend said.

I don't know whether last week's rout has wiped out his son's tuition fee, but this conversation left me with the feeling that governments, regulators, and central banks globally were too late to warn their citizens about the dangers of this frenzy.

Bank of Canada Governor Stephen Poloz only raised the alarm bell on Bitcoin on December 15, calling the purchase of the cryptocurrency “closer to gambling than investing.”

### What's next?

To put things in perspective, this magnitude of the Bitcoin decline isn't a first-time occurrence.

In September of 2017, the digital currency reached an all-time high of \$5,000 before losing nearly 40% of its value in an eye-popping crash. In 2014, the price of fell from \$867 to \$439 (a 49% drop), and in the spring of 2013, Bitcoin fell again, tumbling from \$233 to \$67 and losing 71% of its value.

This boom-and-bust pattern demonstrates that Bitcoin isn't for serious retail investors. As I mentioned in my earlier articles, trading Bitcoin is like going to Vegas, where you only bet money that you're willing to lose.

If you're looking to save for your retirement or want to earn a steady stream of passive income, then dividend stocks such as [Toronto-Dominion Bank](#) ([TSX:TD](#))([NYSE:TD](#)) are your best friends.

Just remember: you can't count on Bitcoin to pay your tuition fees!

### CATEGORY

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2. Dividend Stocks
3. Investing

### TICKERS GLOBAL

1. NYSE:TD (The Toronto-Dominion Bank)
2. TSX:TD (The Toronto-Dominion Bank)

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### Date

2025/09/30

### Date Created

2017/12/27

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