



## Smart Money Invested in Bitcoin Will Soon Become Dumb Money

### Description

It looks like the Bitcoin craze is going to follow us into 2018, as the cryptocurrency jumped back following news that Peter Thiel's venture capital firm Founders Fund is making a bit bet on the cryptocurrency. Many of the few analysts who were bullish on cryptocurrencies noted that 2018 may have been the year the smart money pours into Bitcoin and other cryptocurrencies, driving the crypto bubble to levels that could reach and surpass that of the Tulip bulb mania of the 17th century. At these levels, Bitcoin reeks of tulips!

### Smart money could end up looking like “dumb money” really fast

Before you follow the smart money into Bitcoin and the like, it's a better idea to continue to be disciplined and resist the temptation of the bubble that keeps on growing. Founders Fund's reported purchase of \$15-20 million in Bitcoin is a huge vote of confidence, but let's be real. This isn't an investment. It's pure speculation. A short-term trade. A gamble, if you will.

Sure, Peter Thiel is a ridiculously smart investor, but in the case of his firm's Bitcoin bet, he's just spinning a roulette wheel, and if the trade isn't perfectly timed, that \$15-20 million could vanish in the blink of an eye. But that wouldn't crush Peter Thiel or his Founders Fund. He can afford to gamble, but as an individual investor, you probably can't, especially if you're not a professional trader who knows the ins and outs of the game.

### Is there money to be made in cryptocurrencies?

Definitely. Bitcoin could continue to surge to \$100,000 in the near term, but over the long term, [the bubble will eventually pop](#), and those who are left hanging on will be the ones who will pay the price of this craze which has gone completely out of control. The cryptocurrency is only worth as much as someone wants to pay for it. And once the hype is gone, you'll have as many people paying up for Bitcoin as you would for your tulip bulbs.

Sure, blockchain technology is very intriguing, but a majority of investors only know how it works on a very basic level, and that's simply not good enough to consider it as an investment. Cryptocurrency will be a huge destroyer of wealth for individuals who decide to jump in with the intention of holding on for

the long term.

I see two scenarios playing out.

Either the Bitcoin/crypto bubble will pop naturally, or the government will step in and pull the curtain on the show. It'll ultimately be the government who will be the controller of where the money goes, and they have the power to put a ban on cryptocurrencies whenever they wish. But for the general public, that's a good thing.

### Bottom line

Cryptocurrencies, miners, and anything to do with blockchain, like **HIVE Blockchain Technologies Ltd.** ([TSXV:HIVE](#)), should be avoided at all costs, unless you're comfortable with pulling the lever on a slot machine with all the money you're thinking about speculating with.

While I do like blockchain technology, I do not believe it will become mainstream until the current crypto-craze comes to an end. The mania has gone completely out of control to a point where immoral individuals can very easily take advantage of individual investors by pumping and dumping investment instruments that really have no intrinsic value. That's what really worries me. When this is all over, there will be many innocent casualties. Hopefully, you won't become one of them.

As Fellow Fool contributor Ryan Goldman pointed out, [the stupidity behind the whole craze is nothing new](#), and if you're [disciplined enough to avoid it](#), you'll do just fine, even if the [shock waves from the bubble burst](#) are felt across the broad stock market.

Here's the way I look at it: in the near term, Bitcoin is a roulette table. In the long term, it's a sinking ship. Yes, you can make money in the near term if you want to take a gamble, but if you're in it for the long term, you're basically choosing to go down with the ship.

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