



Bitcoin Crash: Is This the Beginning of an End?

Description

The unraveling of a record rally in cryptocurrencies, including Bitcoin, is happening the way I predicted in my [December 9th article](#). In that piece, I had warned that the biggest threat to digital currencies in 2018 would be a regulatory crackdown.

Bitcoin tumbled below \$10,000 on January 17, bringing its loss to more than 50% from a record set only a month ago, after news that Asian regulators are clamping down on this trade.

Bitcoin, the largest cryptocurrency, tumbled as much as 14% to \$9,186, according to data collated by *Bloomberg*, falling from a record \$19,511 reached December 18. Investors, small or big, lost more than \$140 billion in this game.

Regulatory actions in Asia

The latest plunge was triggered by regulators in South Korea, who warned they may shut down cryptocurrency exchanges completely after limiting their operations. And China is reported to have extended restrictions to over-the-counter and peer-to-peer platforms after banning exchanges last year.

In the U.S., the Securities and Exchange Commission asked at least 15 funds to pull applications this month for Bitcoin-related exchange-traded funds.

The string of regulatory actions forced investors to exit the trade amid speculations that global watchdogs are after anonymous traders who make up the large portion of this unregulated market.

In the developed world, the U.K. government is seriously considering updating its anti-money-laundering regulations to include Bitcoin and other virtual currencies, according to the U.K. Treasury. The move is part of a broader update to the E.U. rules, which are under negotiation; the E.U. might not allow traders to operate anonymously.

Bank of Canada governor Stephen Poloz last month called the purchase of the cryptocurrency “closer to gambling than investing.”

What's next?

I think this regulatory crackdown is going to intensify in 2018, reducing volumes in cryptocurrency trade as speculative interest wanes, following the massive losses of the past one month.

Just to keep things in perspective, this is not the first time cryptocurrencies have gone through a correction that has almost depleted half of their value. In similar boom-to-bust cycles, Bitcoin lost 40% of its value in September 2017 after reaching an all-time high of \$5,000. In 2014, the price of fell from \$867 to \$439 (a 49% drop).

As I've recommended in earlier articles, stocks that are in a high growth cycle are a much better bet for investors seeking capital gains in a quick turnaround.

In Canada, [Shopify Inc. \(TSX:SHOP\)\(NYSE:SHOP\)](#) produced 121% return in the past one year. And if you still feel cryptocurrencies have a future, then there is a smart way to play this trade. Canada's TSX Venture Exchange has many companies that have a direct stake in the cryptocurrency market.

Hive Blockchain Technologies Ltd. ([TSXV:HIVE](#)), for example, is a cryptocurrency miner. It owns a data centre in Iceland with options to acquire more facilities in other cold countries, which keep computer-cooling costs down. Trading at \$2.96 at the time of writing, its shares have produced about 2,748% returns in the past one year, giving it a market value of \$671 million.

The bottom line

Investing in cryptocurrencies isn't for serious, long-term investors. You should avoid burning your capital in this trade. But if you're willing to test your luck in this gambling, then it's better to buy penny stocks whose fortunes are tied to digital coins to minimize your losses in the case of total collapse.

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1. Investing
2. Tech Stocks

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