



Can the Bitcoin Price Ever Return to \$19,000?

Description

The performance of Bitcoin in the last year has been superb. It has gained around 60%, which is easily ahead of major global indices such as the S&P 500 and FTSE 100. In fact, the two indices are down 1.5% and up 16% respectively, which shows that purchasing the virtual currency one year ago would have delivered a much higher return for investors.

However, holders of Bitcoin are more likely to be feeling disappointment, rather than joy, at the present time. While the cryptocurrency may have delivered gains in the last year, it has traded as high as \$19,000 in the last 12 months. Its current price level of around \$6,200 may, therefore, seem to be relatively low. Looking ahead, could it recover to deliver higher highs over the long run?

Sentiment

The Bitcoin price has always been driven by investor sentiment. When investors are optimistic about its potential use in the world economy and believe that demand for the virtual currency could increase, interest in the cryptocurrency increases significantly. A return to a more bullish stance by investors could take place over the coming years, with Bitcoin having already delivered a successful turnaround from its 2013 lows.

In fact, having reached a price level of just under \$1,000 in November 2013, it proceeded to fall to around \$200 by early 2016. In the years following the decline, it more than made up for its 80% fall between 2013 and 2016. As such, a recovery to \$19,000 and beyond cannot be ruled out, since the virtual currency has a track record of exceptionally high volatility.

Potential threats

Of course, Bitcoin has been a dominant news story in the last couple of years. In fact, it has drawn commentary from various lawmakers, with the general consensus being one of negativity towards the virtual currency. If it becomes increasingly popular and rises in price, then its capital growth potential could be limited by regulatory change which makes it more difficult to buy or use Bitcoin. This could hurt demand and may lead to a ceiling on its growth potential.

Furthermore, the real-world potential for Bitcoin seems to be somewhat limited. Its lack of infrastructure and a limit on its scalability could mean that it fails to replace traditional currencies in the long run. As such, it seems to have limited practical value, and may continue to be seen as a speculative investment which is mostly dependent upon investor sentiment.

Investment appeal

While the potential for Bitcoin to return to \$19,000 may attract the attention of some investors, buying other assets such as stocks listed in the S&P 500 or [FTSE 100](#) could be a better move. In many cases they offer high return potential that is backed by solid balance sheets and profit growth forecasts. And with the opportunity to diversify, the risk of investing in stocks is significantly lower than it is for the virtual currency. As such, there seem to be better opportunities available outside of the cryptocurrency space for long-term investors.

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