



Bitcoin Could Drop Like A Stone In 2019. This is What I Think You Should Do

Description

Bitcoin experienced a challenging year in 2018. It declined from \$15,000 at the start of the year to close at less than \$4,000. Certainly, a number of other assets including stocks also experienced difficulties and significant falls. The virtual currency's drop of around 75%, though, was far more severe than the declines experienced by major global indices.

In 2019, it could be a similar story. The cryptocurrency appears to have fallen out of favour with increasingly cautious investors. While stock prices could also experience volatility, buying companies with diverse global operations and margins of safety could be the best move for long-term investors.

Downbeat prospects

Investors appear to be gradually realising that Bitcoin may fail to deliver on its long-term potential in terms of providing a realistic alternative to traditional currencies.

There are numerous reasons for this. The limited size of the cryptocurrency could mean that it lacks the scalability to replace traditional currencies. Similarly, there remain concerns about its infrastructure and security that could make consumers and businesses increasingly averse to its usage. And with policymakers in a variety of countries having stated their concerns in recent years regarding its increasing popularity, the prospects for Bitcoin appear to be negative.

Alongside this, investors now appear to understand that far from offering lower positive correlation to the wider economy, Bitcoin's status as a speculative investment means that it may be hit harder by an economic downturn than stocks and other mainstream assets. As such, a further decline from its current price level would not be surprising.

Global exposure

Of course, there are a number of risks facing investors in the stock market. Many of the challenges facing investors, such as a slowdown in China, rising US interest rates and Brexit are localised risks

that have the potential to impact on the world economy. As such, it may be prudent for investors to focus on gaining exposure to stocks that themselves have a significant amount of geographic diversity.

Such stocks may be able to more easily overcome the potential difficulties that are currently facing a variety of economies across the world. They could offer a degree of defensive appeal during what may prove to be a volatile year for stock markets as investors continue to focus on risks, rather than potential rewards. And with stock markets having fallen from record highs in recent months, it may be possible to obtain wide [margins of safety](#) for a variety of high-quality companies.

Certainly, such stocks may experience a challenging 2019. The S&P 500, FTSE 100 and a number of other major indices have fallen in recent months. However, they appear to have a good chance of outperforming Bitcoin. It appears to lack real-world use, and is dependent upon investors being less risk averse. Given the uncertainties facing the US, China and Europe, it seems likely that the 75% decline in the virtual currency's price in 2018 will not be the end of its exceptional slump.

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