



Hard Lesson From Yesterday's Market Crash: Bitcoin isn't "Digital Gold"

Description

Yesterday, global markets took their worst beating in years, with the TSX composite falling nearly 10% in a single day. Virtually all industries got crushed in the panic selling, which tripped circuit breakers early in the day. It was a sight to behold, to put it mildly.

But that wasn't the most surprising thing that happened yesterday. In fact, it wasn't even close. Instead, it was topped by an event that cast serious doubt on one of the most most popular financial narratives to emerge in recent years. What happened was completely predictable — if you had your eyes open — but caught many ideologically motivated market-watchers with their pants down... And it could totally change how the world perceives one of the newest financial technologies!

Bitcoin crashed hard

By the time markets closed yesterday, Bitcoin had fallen 2.75%, after taking more severe losses earlier in the day. That's not as steep a fall as stocks took, but it was significant. Bitcoin had been falling for a week prior to this, so the loss for long-term holders was substantial.

That Bitcoin fell 2.75% in a single day isn't that big a deal. The asset is [famously volatile](#), and a 2.5% one-day swing doesn't mean much in crypto-land. However, the fact that BTC didn't *rally* while the rest of the markets were tanking casts serious doubt on the claim that Bitcoin is ["digital gold"](#). For the longest time, Bitcoin advocates claimed that the cryptocurrency was similar to gold, owing to its built-in scarcity. However, gold tends to hold its value in market crashes, as we've seen recently. Bitcoin hasn't; rather, it has fallen over the past week. This isn't the kind of price movement we'd expect to see from a digital alternative to precious metals.

Why BTC is no substitute for gold

While Bitcoin fans were caught off guard by BTC's dramatic slide, the truth is that it wasn't surprising at all. Put simply, apart from the scarcity, Bitcoin has nothing in common with gold. Gold is a physical asset you could trade if global financial institutions shut down; Bitcoin can't be used without access to a

computer. Gold is as old as human civilization; Bitcoin is younger than social media. Gold is used in manufacturing and jewelry; Bitcoin hasn't seen any practical use case outside of black markets. The two assets simply have nothing in common whatsoever.

What about Blockchain stocks?

By now, you might be wondering if there's any case for investing in cryptocurrency now that price moves have undermined the "digital gold" narrative. There's always blockchain stocks like **HIVE Blockchain Technologies** ([TSXV:HIVE](#)), but those don't look great. In the past year, HIVE has been in a long term downtrend that has seen it go from \$0.80 a share to \$0.24. Honestly, you'd have been better off holding Bitcoin than holding HIVE. As a mining company, HIVE depends on strong crypto prices to make money. It also has overhead costs, which you don't get owning crypto directly, so it doesn't make much sense as an investment. Overall, if you're not betting on another Bitcoin rally, you're probably better off staying out of crypto entirely.

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