Forget Bitcoin! Here’s What I’d Buy After the Stock Market’s Recent Slump

Description

The recent decline in the stock market may cause some investors to consider purchasing other assets. After all, the near-term outlook for stocks appears to be highly uncertain, and paper losses could be ahead.

However, buying undervalued stocks ahead of a potential recovery could be a better idea than purchasing assets such as Bitcoin. The virtual currency lacks fundamentals, while the track record of stocks suggests that buying now could lead to high returns in the long run.

Bitcoin risks

The price of Bitcoin has fallen heavily in recent months. It was trading at over $10,000 in mid-February, but has fallen by as much as 50% since then.

Investors may initially feel that this could mean the virtual currency now offers good value for money. However, since it has no fundamentals its price is determined solely by investor sentiment. As such, it is not possible to say whether it is overvalued or undervalued at the present time, since its future performance is dependent on how investor sentiment changes.

Furthermore, Bitcoin faces regulatory risks which could limit its usage in the real world. And, with its limited size and competition from other cryptocurrencies, its long-term prospects could be highly challenging.

Stock market fundamentals

Although the stock market also faces an uncertain outlook, its track record highlights the long-term opportunities on offer for investors. The stock market has experienced numerous bear markets in its history, and has been able to successfully recover from each one of them. Therefore, a recoveryseems to be highly likely at the present time. This may mean that now is the right time to buy a diverserange of stocks and hold them for the long run.

Unlike Bitcoin, it is possible to ascertain the value of stocks. Companies publish annual reports, and provide updates on their financial performance. Therefore, investors can focus their capital on companies which have sound fundamentals. For example, stocks with modest debt levels, wide economic moats and low valuations may stand a better chance of delivering a successful recovery over the coming years.

Limiting risks

Focusing on companies with solid fundamentals is only one way that investors can limit the risks faced in what is a volatile period for the economy. They can also diversify across a wide range of businesses that operate in various geographies and sectors. In doing so, they will lower their exposure to a specific stock, and each company they own will have a lower impact on their overall returns.

Clearly, diversifying is not possible with Bitcoin. As such, from a risk/reward perspective, stocks seem to be significantly more attractive than the virtual currency. There may be more challenges ahead for investors, but over the long run the history of the stock market shows there is potential for a recovery following the current bear market.

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