



Should You Bet on Bitcoin Amid its Massive Rally to US\$18,000?

Description

Bitcoin's latest rally to around US\$18,000 has been nothing short of incredible.

The cryptocurrency is finally making a case for why it ought to be a proven alternative to lowly correlated assets like gold. After having failed to hold up in the 2020 February-March crash, though, I'd still discourage young investors from replacing their precious metals exposure with wildly volatile cryptocurrencies, which may be more prone to following the footsteps of the broader equity markets come the next brutal market meltdown.

Bitcoin: A suitable gold alternative?

Back in February and March, when the stock market imploded, Bitcoin also took a massive hit to the chin, alongside most other assets, as investors rushed to cold, hard cash.

With excessive U.S. money-printing and the threat of a considerable devaluation in the greenback, there's no question that many view Bitcoin as an alternative asset that's capable of outshining gold and equities. Despite the recent bounce in Bitcoin prices, investors must remember that the speculative asset remains impossible to evaluate, even compared to the likes of white-hot Canadian tech stocks that trade at nosebleed-level multiples.

Moreover, with gold prices on the retreat over the new vaccine hopes, I think Bitcoin may be in a spot to amplify gold's next big downside move. We've got two vaccines with efficacy rates north of 90%. With more vaccine developers likely to pull the curtain on their results over the coming weeks, count me as unsurprised if the high watermark that's been set by **Pfizer** and **Moderna** gets matched. With the pandemic's end now in sight of increasingly optimistic investors, both Bitcoin and gold, I believe, are starting to look like risky investments at these heights.

Bitcoin: The technicals horrify me

While it is nearly impossible to value a cryptocurrency like Bitcoin, I think it makes a tonne of sense to

have a look at the technical picture if you're keen on play the game of greater fools (based on the Greater Fool Theory, not the Motley Fool) with Bitcoin, as it continues its climb. With Bitcoin near US\$18,000, I can't say that I'm a huge fan of the risk/reward trade-off, as the asset looks to hit its 2017 high — a key level that could act as a strong ceiling of resistance.

Only time will tell if Bitcoin can break through the ceiling to hit a new all-time high. If you're itching to punch your ticket into the cryptocurrency sometime soon, though, it may be a wiser idea (technically) to surrender a bit of upside, as you wait for Bitcoin prices to surpass the US\$20,000 mark. In any case, even if you believe Bitcoin will trade like gold moving forward, I'd be willing to bet that both assets could be at risk of serious downside in 2021, once vast pandemic uncertainties have a chance to fade away.

Fearless investor with excess cash? Take a raincheck on Bitcoin and consider buying high-growth tech stocks on the latest dip

It's tough to stick on the sidelines, as your crypto-savvy friends [make big money](#) off Bitcoin over the near term. If you've got the disposable income to take chances with, I'd look to frothy tech stocks instead while they're taking a breather.

Kinaxis ([TSX:KXS](#)) is one early-stage growth stock that got punished with a vicious +20% drop on the latest vaccine news. The supply chain management software developer may witness its pandemic tailwinds begin to fade over the coming quarters, but I think the recent decline already bakes in such a scenario. Given Kinaxis is likely to build upon its newfound strength, I'd look to scoop up shares on the dip, even though they're a falling knife that may have much more room to the downside.

Foolish takeaway

A fast-falling knife like Kinaxis can be dangerous to catch for all but the most fearless of investors. Between Kinaxis and Bitcoin, I'd rather reach for the [wonderful growth business](#) like Kinaxis amid its vicious decline than touch Bitcoin, as it looks to soar to its 2017 high. Quite frankly, Bitcoin's massive upward move scares me far more than most tanking tech stocks on the TSX.

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