



Bitcoin: Why \$50,000 Is More Likely Than \$5,000 Right Now

Description

Oh boy, here we go again.

Bitcoin mania takes a hold, again

Bitcoin prices have once again shot through the roof. Institutional investors are clamouring for more, accelerating asset price appreciation. Accordingly, the price of a single Bitcoin just breached a psychological barrier: \$30,000.

Euphoria is driving the price action of nearly every asset class today. The fear-greed index has entered the “extreme greed” range, only a few months after being on the “extreme fear” side of the spectrum.

How are investors getting exposure to Bitcoin?

One investing vehicle utilized by some investors to gain exposure to Bitcoin has been **The Bitcoin Fund** ([TSX:QBTC](#)). As fellow Fool contributor Andrew Button highlighted in his [recent piece](#), this fund is simply a holding vehicle for Bitcoin. In fact, this ETF is similar to other gold ETFs hold physical bouillon, such as **iShares Gold Bouillon ETF**.

One is always able to buy individual Bitcoins through exchanges or other intermediaries, but with this comes some level of risk. Investors should read and understand all the risks associated with their investments before jumping in. This is certainly the case with cryptocurrencies, which are difficult to understand.

As mentioned by Mr. Button, the fund does have a substantial fee of nearly 2%, so investors should take this into consideration.

Momentum is on the side of Bitcoin right now

The momentum trade is alive and well, and Bitcoin certainly falls into the momentum trade category right now. Following a stock or any investment higher in recent years has turned out well for investors. Following on the coattails of others and riding the hot streak of these investments has proved to be a winning strategy.

With so much momentum behind Bitcoin and cryptocurrencies in general, I think the \$50,000 mark will be surpassed soon. Bubbles are only defined after they pop, so it's entirely possible that cryptocurrencies have a lot more room to run.

That said, there are significant risks with investing in such asset classes right now.

Now is the time to be cautious

We saw what happened the last time cryptocurrencies imploded. In fact, this is a recurring theme among these assets. Rapid increases in price followed by sharp corrections define the volatility of cryptocurrencies. One certainly needs a stomach for these investments. As such, risk-adverse investors ought to watch their heart rates if jumping in at any given time.

Conservative long-term investors, in my opinion, should stay away from Bitcoin and all cryptocurrency variants right now. The rampant volatility and uncertainty that may be on the horizon make these investments potentially lucrative, but also dangerous.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:QBTC (The Bitcoin Fund)

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Date

2025/08/18

Date Created

2020/12/24

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