



Will Bitcoin Crash This Month?

Description

Bitcoin and its peers in the cryptocurrency space have captured the attention of the investing world over the past few months. The price of Bitcoin was nearing the US\$40,000 mark once again at the time of this writing. When this month started, I'd discussed how Canadians could look to [track the performance of Bitcoin](#) in their TFSA with **The Bitcoin Fund (TSX:QBTC)** ETF.

Will Bitcoin's fate in 2021 mirror its fall from grace that followed its massive run in 2017? The top digital currency topped out at just under US\$20,000 in January 2018. By December 2018, Bitcoin had fallen below the US\$4,000 mark.

Why Bitcoin is heading toward disaster in January

Bank of America analysts have warned that Bitcoin's bubble "blows the doors" off prior bubbles. It drew comparisons to the dot.com bubble of the 1990s, China in the 2000s, and gold during the 1970s. The momentum that the top crypto has built in recent months certainly looks unsustainable. Moreover, it is benefiting in an environment in which bullish sentiment is running wild. It stands to reason that investors should be fearful, as crypto investors gorge on stunning returns.

What could burst the Bitcoin bubble in the weeks ahead? A stronger U.S. dollar poses one of the biggest threats to the crypto market. The Biden administration hopes to open with a strong stimulus package that it hopes will drive up economic sentiment. A run for the U.S. dollar will bode ill for Bitcoin, its crypto peers, and likely gold as well.

Why Bitcoin will climb higher this month

Renewed demand from institutional, corporate, and a slew of retail investors has powered Bitcoin's rise in recent months. Weakness for the U.S. dollar and continued political uncertainty have also been bullish for the alternative asset. Strategists at **JPMorgan** recently said that bitcoin has emerged as a legitimate rival to gold and could climb to \$100,000 or above if it continues to establish itself as a safe-haven asset.

While Bitcoin did suffer a significant correction in early 2018, there were other factors that led to a dark period for cryptocurrencies. Regulators from around the world set their sights on Bitcoin and digital currencies. This dimmed the prospects for Bitcoin and its peers in the eyes of mainstream investors. Fast forward three years later, and cryptos have been successfully mainstreamed. Crypto trading is now offered on services like Wealtheasy and **Paypal**.

As far as the U.S. dollar moving higher, many analysts estimate that the effects of the stimulus have already been priced in. Movement for the U.S. dollar may not pose a huge risk for cryptos in the near term.

Verdict

Investors should be rightly cautious when it comes to Bitcoin right now. However, it does not hurt to dip your toe into this red-hot market right now. You may want to add the Bitcoin ETF to your portfolio. Alternatively, [consider](#) a stock like **HIVE Blockchain Technologies**. HIVE operates as a cryptocurrency mining company in Canada, Sweden, and Iceland. Its shares have soared over 570% in the past three months as of close on January 13.

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Author

aocallaghan

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