



Bitcoin's Wild Ride: Don't Buy Unless You're Ready for it

Description

The cryptocurrency market was all that every investor could talk about a few years ago. However, it fell out of the limelight in 2018 after a large cryptocurrency sell-off.

Cryptocurrencies are back in the headlines in 2021, because Bitcoin has been on a bit of a wild run lately. The world's most popular virtual currency began rallying more followers to its cause, as it witnessed a stratospheric price increase since mid-December 2020.

The crypto rally is stoking the fires among investors. Many investors who stayed away from the digital currency are trying to get into the cryptocurrency market, while others have become more fearful of its consequences.

January 8, 2021, saw Bitcoin post its all-time high of US\$40,797.61. The troubled economy and uncertainty due to the continuing pandemic led to an almost 400% year-over-year surge. However, a large pullback early in 2018 ended a substantial rally for cryptocurrencies.

I will discuss the current rally and situation with Bitcoin and why you should be very cautious if you want to invest in the digital currency that has [no intrinsic value](#).

Drastic pullback

Investors who stayed away from Bitcoin for the longest time suddenly began flocking to it when it broke its all-time high valuation in January. However, the cryptocurrency suddenly seemed to lose steam. The price declined by 13% to US\$35,595.57 on January 12, 2021. The cryptocurrency's valuation is up again, with a single Bitcoin worth US\$36,554.10 at writing.

The highly volatile price changes for the cryptocurrency highlight its erratic nature. The price decline also indicates that many crypto investors simply flocked to the stock and pulled out to take out significant profits before Bitcoin corrected itself.

Crypto stocks swing with Bitcoin

Many investors seek to ride the cryptocurrency's momentum by investing in crypto stocks like **HIVE Blockchain Technologies** and **Hut 8 Mining**. Typically, crypto stocks can be safer investments than the digital commodity itself. However, danger lurks, as both crypto stocks are mirroring Bitcoin's price swings.

Hut 8 posted a 25% decline in one day on January 11, 2021. HIVE also began the year on a good note but declined 17% on the same day Hut 8 declined.

Stable long-term investment

If you are looking to invest in an asset that can provide you with significant returns in the long run, I would strongly advise staying away from Bitcoin and crypto stocks. **Bank of Montreal** ([TSX:BMO](#))([NYSE:BMO](#)) stock is a picture of long-term reliability and prosperous growth for its investors. There are several reasons why it could be a far better investment for you than Bitcoin.

BMO has long been a staple investment for Canadians who have a long-term investment horizon. It is the oldest Canadian dividend-paying stock with a dividend streak of almost 200 years. It means that the bank has continued paying its shareholders their dividends without fail *and* provided returns through capital gains over the years.

BMO is a well-diversified bank that has grown its footprint in the United States. The Canadian housing market continues to be a concern for its peers, but BMO's exposure to the U.S. markets can provide it relative safety.

BMO can take a beating in a volatile market, but it never fails to deliver on its dividends. The stock has a wide financial moat and tangible assets that hold value, even during the worst economic conditions.

Foolish takeaway

Bitcoin is highly volatile. It can make you a millionaire and just as easily sink all your capital. It is a very high-risk investment that I would advise being cautious with if you consider investing in the cryptocurrency. If you have a long-term investment horizon, I advise [staying away from Bitcoin](#).

BMO already has a track record that proves its reliability in the long run. The stock is trading for \$101.23 per share at writing, and it pays its shareholders at a juicy 4.19% dividend yield. Investing in the stock can help you leverage the returns from any capital gains as the economy recovers and earn free-flowing cash through its reliable dividends.

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