



## Bitcoin: Should Investors Stay Away Today?

### Description

Earlier this month, I'd discussed [Bitcoin's prospects](#) in the weeks ahead. In its huge 2017 bull run, Bitcoin hit a record in January 2018 before suffering a precipitous drop. After that, regulatory crackdowns put the crypto markets in a bind for months. As I'd discussed in the article above, the picture has dramatically changed in 2020 and 2021.

Today, I want to look at Bitcoin's trajectory in a red-hot market. Is Bitcoin, and the broader market, destined to buckle in this overheated environment?

## Bitcoin: Is a correction inevitable this year?

Cryptocurrencies have managed to obtain mainstream legitimacy over the past several years. In 2020, crypto broke out as **PayPal** and brokerages like WealthSimple adopted Bitcoin. Moreover, Bitcoin and its peers have continued to attract institutional investors. Despite these positives, the crypto market could still fall victim to the severe correction it suffered in early 2018.

Alternative assets like crypto and precious metals have surged, as the U.S. dollar has struggled in recent months. However, the reserve currency has gained momentum in recent weeks. This, combined with perceived stability on the U.S. political scene, could drive investors away from Bitcoin and assets like gold and silver.

However, these assets should continue to benefit from dovish monetary policy. Federal Reserve chairman Jerome Powell recently said that the central bank would not move to increase its benchmark rate anytime soon.

## Should you stick with the second-best crypto asset?

Last week, I'd discussed the [building momentum for Ethereum](#). Ethereum is the second-largest cryptocurrency by market capitalization. Bitcoin's momentum has stalled in recent weeks, while Ethereum has picked up steam. However, it has also retreated from its recent record highs over the

past week.

Canadians who want to stash a Bitcoin-tracking asset in their Tax-Free Savings Account (TFSA) can stash **The Bitcoin Fund** ([TSX:QBTC.U](#)) today. Those who are more impressed with Ethereum's recent progress have **The Ether Fund** (TSX:QETH.U) to consider. Recently, Horizons applied to launch a Bitcoin-focused ETF in Canada. Investors will have many options for entering the crypto market in the months ahead. However, they need to keep in mind that this remains a highly volatile space.

## Where is Bitcoin headed in the weeks ahead?

The fate of crypto in the weeks and months ahead will almost certainly be linked with the broader market. North American stocks are still scorching hot, even as the COVID-19 pandemic continues to devastate much of the economy. Investors should closely watch the behaviour of the U.S. dollar, especially as the highly anticipated stimulus package looms large. The market reaction to this package may shape Bitcoin's trajectory past January.

It has been fascinating to watch the bull market for cryptos over the past six months. Still, investors need to be extremely cautious in this environment. Those who want to jump in on the Bitcoin craze should view it as a long-term pledge at this stage. Markets are overheated right now, and Bitcoin has burned newcomers before.

### CATEGORY

1. Investing

### TICKERS GLOBAL

1. TSX:QBTC (The Bitcoin Fund)

### PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Yahoo CA

### Category

1. Investing

### Date

2025/08/23

### Date Created

2021/01/26

### Author

aocallaghan

default watermark