



Will Bitcoin Breach the US\$75,000 Mark in 2021?

Description

The cryptocurrency space has experienced an unprecedented rally in the last 12 months. The price of a single Bitcoin has risen from US\$4,800 in March 2020 to its current price of US\$44,750. It recently touched a record high of US\$47,000 earlier this week, as Elon Musk's **Tesla** [disclosed the company has bought](#) US\$1.5 billion worth of Bitcoin.

Digital currencies have been one of the top-performing alternative assets in the last decade, despite concerns over rampant price manipulation and the lack of regulations. Similar to gold, cryptocurrencies are viewed as a safe-haven asset class that should gain momentum during macro-economic uncertainties.

In the last year, the COVID-19 pandemic decimated global economies that, in turn, pumped in billions of dollars in the form of stimulus measures to offset a decline in consumer spending. The federal governments also reduced interest rates to ensure easy access to capital.

Amid these uncertainties, several institutional investors stepped into the cryptocurrency market, which also contributed to the stellar rise in coin prices.

Bitcoin is gaining in popularity

According to [a report from bitFlyer](#), Bitcoin is the fourth-most popular asset in the U.S., and at the end of 2020, it was twice as popular an investment as gold. Further, 30% of Americans view cryptocurrency as an attractive investment for 2021.

While 82% of the respondents have heard about cryptos, around 20% of the U.S. population are using or have used these currencies in the past. These figures should be significantly lower in emerging economies, which means there is enough room for widespread adoption of Bitcoin and peer currencies in the upcoming decade.

Invest as much as you can afford to lose in Bitcoin

While it might seem attractive for investors to invest in Bitcoin, Ethereum, and other cryptos, you should understand that this asset class is extremely risky. Bitcoin prices are extremely volatile and have fallen by as much as 90% multiple times in the past.

During the 2017 rally, Bitcoin prices fell from almost US\$20,000 in December to less than US\$4,000 in November 2018. Further, several financial experts are not too excited about digital currencies.

In fact, Warren Buffett has termed cryptocurrencies a “mirage,” a “gambling device,” and “rat poison squared” on different occasions. According to the Oracle of Omaha, these coins do not produce anything tangible and should not be considered a sustainable investment.

Given the massive risks associated with crypto-investing, it does not make sense to pump in a significant portion of your investment portfolio in this vertical.

The Foolish takeaway

Love it or hate it, right now it's hard to miss the nascent but high-growth world of cryptocurrencies. For Bitcoin enthusiasts, this is just the start of a multi-year financial transformation journey at the global level. Some might view the crypto space as highly speculative, while for others it is highly promising.

At the present, no one quite knows for sure how the Bitcoin saga will play out. If you think it is a bubble, stay away. If you believe widespread adoption of digital currencies is inevitable, you can take a small position and benefit from exponential gains.

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