



Want to Bet Against Bitcoin? Now You Can

Description

Bitcoin's meteoric rise tends to attract speculators and skeptics in equal measure. The world's most popular cryptocurrency is vulnerable to volatility. Previous boom/bust cycles have been noteworthy. As we live through another boom, another bust cannot be ruled out.

However, this time, investors on the sidelines can actually *bet against Bitcoin*. Here's what you need to know about the new "inverse ETF" that lets you bet on a plunge in [Bitcoin's value](#) and why adding it to your portfolio could be a good idea.

Bitcoin cycles

Bitcoin's path to a US\$1 trillion valuation has been an absolute rollercoaster. When it was first created back in 2009, you could purchase thousands of BTC for a single dollar. Since then, the cryptocurrency has been prone to several boom/bust cycles.

By 2011, the value of each token had crossed US\$1 and some major platforms like Wikileaks had started accepting BTC payments. In 2013 alone, the value of each coin swung from US\$266 down to US\$37 in a matter of months when cryptocurrency exchange Mt.Gox collapsed.

The biggest boom/bust cycle played out between 2016 and 2019, when the value of Bitcoin surged from US\$450 up to US\$19,000 and back down to US\$3,000.

In short, BTC investors should expect volatility. Now that each token trades above \$64,000, another bust cannot be ruled out. Even if you're a long-term investor and believe in the promise of this digital asset, the volatility cannot be denied. This is why both believers and skeptics should be prepared for a sudden drawdown.

However, there was no way to *bet against Bitcoin* in previous drawdowns. Now there is.

Inverse Bitcoin ETF

Yesterday, the Toronto Stock Exchange approved the listing of **Horizons BetaPro Inverse Bitcoin ETF** (TSX:BITI). Unlike other Bitcoin exchange-traded funds (ETFs), this one doesn't hold BTC. Instead, it holds short positions against BTC futures. In other words, its value rises when BTC drops.

This inverse ETF is an excellent tool for traders and skeptics. If you hold BTC, this inverse ETF could protect some of the downside. It can offset losses when or if Bitcoin's value declines. If you're a skeptic, this is the perfect tool to help you make money when the "Bitcoin bubble pops."

A word of caution: I do not recommend holding this inverse ETF over the long term. I believe the tool is best for traders who want to bet on the daily price movements of BTC. However, the long-term upside is capped at 100% if BTC goes to \$0. However, the potential for loss is infinite. If you're wrong, and BTC rises 100% or more, as it has since the start of 2021, you could lose most of your capital.

Bottom line

Bitcoin is prone to boom/bust cycles. Even long-term investors who are bullish on the cryptocurrency must be prepared for a sudden drawdown. Fortunately, there is now a tool to bet against BTC and secure your position. Consider Horizons Inverse BTC ETF if you're a skeptic or looking for downside protection on your crypto holdings.

CATEGORY

1. Investing
2. Tech Stocks

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1. TSX:BITI (BetaPro Inverse Bitcoin ETF)

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