



Is Bitcoin in a Bubble? Now You Can Bet Against it

Description

Over the past week, Bitcoin's value has dropped 12% from \$79,000 to roughly \$70,000 today. Plenty of Bitcoin holders are worried, while the skeptics seem vindicated. Some believe the "Bitcoin bubble" is finally about to pop.

Personally, I'm a Bitcoin bull. I've been holding it since late 2018. However, I've seen previous boom/bust cycles play out. On its path to global mainstream adoption, Bitcoin is likely to suffer significant drawdowns along the way. In 2021, investors may have to brace for yet another 2018-style correction in the crypto world.

If you're worried about the correction or skeptical about the whole space, there's now a way for you to [bet against the price of Bitcoin](#) through an exchange-traded fund (ETF).

Inverse Bitcoin ETF

Horizons BetaPro Inverse Bitcoin ETF (TSX:BITI) was listed in Toronto last week. As the name suggests, an "inverse" ETF offers the opposite of the daily price movements of a stock or commodity. So, if a stock rises 1%, the inverse ETF drops 1%. Similarly, if the stock drops 1%, the ETF rises 1%.

As far as I can tell, this is the world's first inverse ETF for crypto. BITI was listed at the perfect time, it seems. The ETF is up 12% over the past week, as Bitcoin declined 12% over the same period. For short-sellers and Bitcoin skeptics, this is the perfect tool.

It's better than "shorting" or betting against Bitcoin directly. That's because an inverse ETF caps your potential losses to 100%. In other words, a short bet could have infinite risk, but you can only lose whatever you pay for an inverse ETF.

I believe the tool could also be useful for conservative Bitcoin investors. It could help you limit the downside if the crypto market has another bust cycle like it did in 2018. It could effectively offset losses in your portfolio.

But should you expect losses over the long term?

Bitcoin bubble predictions

The Bitcoin bubble has been talked about ever since it was launched. Bitcoin's value has been remarkably volatile over the past 12 years. But it's worth noting that its volatility has *reduced in magnitude* over time.

In the 2013 bust cycle, the crypto lost over 90% of its value in a few months. In the 2017-2018 boom/bust cycle the maximum drawdowns were between 30% to 40%. Over the past year, the biggest drawdown has been around 25% (January 8-25). Over time, Bitcoin seems to be getting more robust.

There's a reason for this. Large players with deep pockets and plenty of patience have adopted the cryptocurrency in increasing numbers. Family offices, tech billionaires like Peter Thiel and tech companies like **Square** have added crypto to their balance sheet. These investors have much longer time horizons and are not easily perturbed by drawdowns.

As institutional and wealthy investors add Bitcoin to their portfolio permanently, the asset should become much more stable. Over the next decade, the market should mature to a stage where BTC's volatility is comparable to gold.

Bottom line

You can now bet against Bitcoin. If you expect a correction in the near term, maybe you should. But over the longer term, it's probably not the best idea.

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